

Australia and New Zealand - Weekly Prospects

Summary

- The undoubted highlight in **Australia** this week is the RBA's interest rate decision later today. Our core view remains that the RBA will leave the cash rate steady at 4% but, with the medium term case for tighter policy compelling, there is a material chance officials will deliver a second straight hike. On balance, however, at least for now, the arguments in favour of caution, including lingering global jitters and the demonstrated weakness in discretionary retail spending, are more persuasive than those favouring a hike. We believe the RBA Governor's surprise appearance on breakfast TV last week was a separate "jawboning" exercise aimed at cooling exuberance in the housing market—the Governor's clear message to home buyers does not need corroboration with a hike today. The next tightening will be delivered in May, but we still expect a 5% cash rate in December and 6% by the end of 2011. Meanwhile, we expect a flat employment outcome Thursday, and a small rise in the jobless rate.
- Today's NZIER business survey in **New Zealand**, which showed sentiment slipping to +22, is the highlight in a very quiet week. Last week's NBNZ business confidence survey for March indicated that sentiment deteriorated modestly over the month, which was not surprising in light of recent global jitters; today's NZIER survey told a similar tale. These surveys are unlikely, however, to sway the RBNZ in either direction in April. The probability of a rate hike from Governor Bollard on April 29 is very small. The economic data since the start of the year generally has fallen on the downside of expectations and the Governor will be looking for signs that the recovery underway in New Zealand is sustainable before tightening policy. In our view, the first rate hike will be delivered in July.
- Over the past year, a debate has raged about the power of **global business cycle** lift in the aftermath of a deep recession and financial crisis. Policy stimulus sparked recoveries during the second half of last year. Traditional business cycle dynamics would point to a feedback loop developing from this as income gains and financial market improvement bolster confidence, producing a positive turn in private-sector behaviour. However, with credit markets and balance sheets still impaired in a number of large economies, there have been strong voices arguing that this loop would be short-circuited and that growth would falter when policy supports wane.
- The March data flow provides decisive news validating our view that business cycle dynamics are driving the global expansion forward. Growth is picking up again following a modest downshift into the new year, largely because rising profits and asset prices are prompting firms across the globe to turn toward expansion. As this turn by business lifts labour income and household expectations, consumer spending is sustaining solid gains, even as fiscal stimulus is fading. To be sure, continued tight credit conditions and ongoing adjustments to public- and private-sector balance sheets will temper the pace of growth. But the debate is now over, as the foundation of sustained and synchronized above-trend global growth appears firmly in place.

This week's highlight

The RBA decision today. Most market economists expect a hike, but we believe the arguments in favour of caution are more persuasive. The RBA will continue to remove policy accommodaton at a "gradual" pace.

April 6, 2010

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Data and event previews - Australia and New Zealand

Date	Time ^(a)	Data/event	Forecast		Previous
			JPMorgan	Consensus ^(b)	
Tuesday, April 6	11.30am	ANZ job advertisements (%m/m, Mar.)	na	na	19.1
Tuesday, April 6	1.00pm	NZ commodity price index (%m/m, Mar.)	na	na	3.8
Tuesday, April 6	2.30pm	RBA's cash rate announcement (% , Apr.)	4.00	4.25	4.00
Wednesday, April 7	8.30am	AiG performance of services (Index, Mar.)	na	na	48.3
Thursday, April 8	11.30am	Aust. employment (ch., Mar.)	0	20	0.4
Thursday, April 8	11.30am	Aust. unemployment rate (% , Mar.)	5.4	5.3	5.3
Thursday, April 8	11.30am	Aust. labour force participation rate (% , Mar.)	65.1	65.2	65.2
Friday, April 9	9.30am	AiG performance of construction (Index, Mar.)	na	na	52.8

(a) Australian Eastern Standard Time.

(b) Consensus based on Bloomberg survey.

Australia

ANZ job advertisements (%m/m, Mar.) - This series has proven particularly difficult to understand in recent months. Job ads plunged 8% m/m in January, but skyrocketed 19% in February. In both months, the swing in the headline total was reflected in both newspaper and internet ads, effectively ruling out structural changes to the way in which ads are placed as an explanation for this volatility. Moreover, it is becoming increasingly difficult to extract a signal on future job creation from the *level* of this series: placements have not recovered after the downturn of 1H09, leaving the level of job ads in 4Q09 significantly below that required to explain the gangbuster labour reports at the end of 2009. As such, while we expect moderate growth in job ads in March, we are fading the significance of these numbers until the normal correlations return. On a related note, the ABS last week resurrected their own job vacancies series, which showed a 12% q/q spike in the February quarter, again from depressed levels.

RBA's cash rate announcement (% , Apr.) - The RBA decision today will be a close call. The decision again will be "finely balanced," with the outcome difficult to predict, but our central case continues to be that the RBA will leave the cash rate steady at 4%. The unexpected weakness is the data last week, in particular the retail numbers, gave us slightly more conviction that there will be an "unchanged" decision today. While recent official commentary has argued consistently in favour of pushing the cash rate back to "normal" levels now that the emergency has passed, it also has hinted that officials are in no particular rush - the words "gradual" and "flexibility" have been prominent in recent RBA commentary in reference to the removal of policy accommodation. With nine Board meetings left in 2010 and the RBA very unlikely to move in hops larger than 25bp, our call for a 5% cash rate by December means there will be more pauses than hikes. Even without a hike today, the tone of the commentary will be upbeat, as was the case back in February, when the RBA unexpectedly paused.

Data previews - cont'd.

Employment (ch., Mar.) - Following several months of astonishing gains (the economy added 198,000 jobs between September and February), we suspect that employment growth will have stalled in March. Though the outlook for employment is a positive one, for the time being, the unemployment rate is likely to oscillate around current levels, ticking slightly higher in March to 5.4%. This owes mainly to the fact that workers' hours are being reinstated and rebuilt before many firms hire new workers. The swelling investment pipeline and strong demand for Australia's key commodity exports, though, mean that significant employment gains should be recorded in 2H10.

Research note

New mining boom filling Australia's investment pipeline

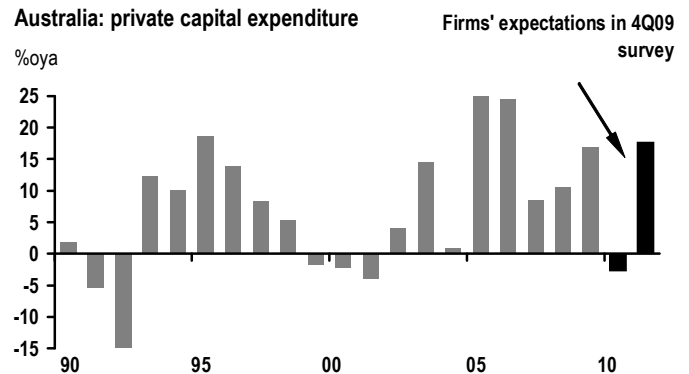
- Private investment in Australia has been rising as a share of GDP for three decades
- The global recession caused only a small constriction in the investment pipeline
- Strong demand from China and the soaring terms of trade have triggered a new mining boom

For three decades, firms operating in Australia have directed an increasing share of GDP to investment. Private investment's share of the economy has risen from 15% in the 1980s to 25% now, well above the OECD average. This rise stems principally from sustained gains in Australia's terms of trade, owing to rising prices for major commodity exports—iron ore, coal, petroleum and base metals. Higher prices triggered a wave of new mining projects. Also, rising AUD has capped import prices. More recently, in the noughties, insatiable demand for raw materials from China, Australia's largest destination for exports, has encouraged even higher investment in mining and related industries.

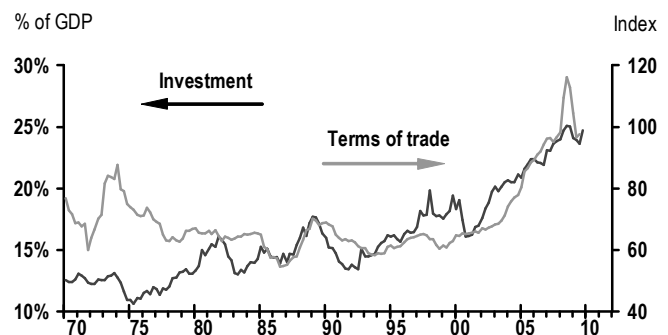
With the addition of higher public investment on infrastructure, there is A\$700 billion (60% of GDP) worth of projects sitting in Australia's investment pipeline. While not all will be completed—many are in the early stages of planning and are being inhibited by capacity constraints—the filling pipeline sets the scene for a further gain in the investment share. During 2010 and through to our forecast peak in 3Q11, the terms of trade should rise 23% (see “Only brief reversal of rise in Australia's terms of trade,” *GDW*, March 26), based on the likely outcome of annual contract price negotiations for bulk commodities. Also, there is little sign of waning demand for raw materials from China, which now accepts 20% of Australia's exports.

One quarter of GDP headed for capex

Private investment as a share of GDP reached a record 25.1% in 3Q08, up from less than 20% just five years earlier. Mining investment alone during this period doubled as a share of GDP. The economy-wide investment share drifted back below 24% in the first half of 2009 as the global recession triggered a plunge in corporate confidence, offshore demand slumped, commodity prices tumbled, and financial conditions tightened significantly. Tighter bank lending standards, in particular, saw many project proponents struggle to fund their planned investments.



Terms of trade and investment as a share of GDP



However, the catastrophic collapse in investment predicted by some—matching those offshore—didn't materialize. Indeed, the economy's investment share quickly rebounded at the end of 2009 as financing became easier, spot commodity prices rebounded, and China surged past Japan to become Australia's largest export partner. Also, the RBA's aggressive easing of monetary policy and the government's assertive fiscal stimulus played significant roles. The federal government, for example, expanded the tax deduction available on individual investments to a whopping 50%. Also, the government announced its own program of “nation building” investment in social infrastructure.

Aussie firms upbeat on plans for 2010-11

The latest official survey of firms' investment intentions implies spending in the year ended June 2010 will be down only slightly from the elevated levels seen in 2008-09. This is a remarkably good outcome, particularly when measured against the plunges seen elsewhere. More importantly, survey respondents indicated they will boost investment 20% in the year ended June 2011. This will take investment to a record high both in nominal terms and as a share of the economy. The long lead times on mining projects, in particular, mean the investment ratio will also climb in subsequent years. The rising investment share helps to explain the brightening outlook for employment.

Most of the upside for investment will be in mining. In fact, according to Access Economics' latest *Investment Monitor* report, all of the A\$80 billion rise in planned investment over 2009 is explained by new or expanded projects in mining. The lion's share of this is due to increased investment in energy, including A\$43 billion to be spent on the Gorgon liquefied natural gas (LNG) project off the northwest coast. This huge project has secured A\$150 billion of forward sales to buyers in Asia. Further, in late March, a company in China signed the world's first binding sales agreement to receive LNG produced from coal-seam gas, worth A\$80 billion, from the state of Queensland. Spending on projects in iron ore and coal, for which export contract prices likely will rise 65% and 55%, respectively, from early April, has also risen sharply.

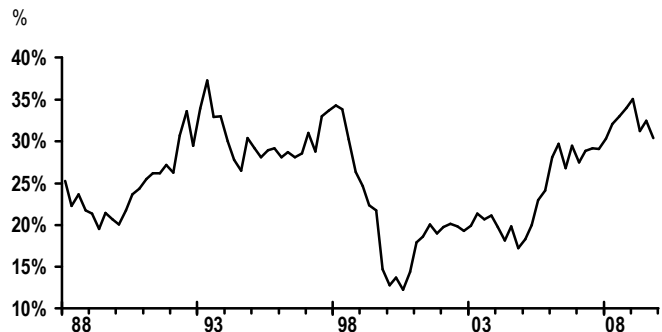
Public investment's moon also rising

Australia's state and territory governments have been boosting spending on infrastructure for some time, even before the onset of the global financial crisis. Moreover, a large slice of the federal government's fiscal stimulus implemented during the crisis comprised new investment, so much so that public investment as a share of GDP hit a record high 5.8% in 4Q09; this ratio was less than 4% in 2004. The public investment ratio now will move even higher. The extent to which the federal government has delivered on promises is somewhat opaque, but it appears that only half the investment promised in the Budget last May has been spent. With an election due later in 2010, and the opinion polls tightening in favor of opposition parties, the incentive for the government to keep its promises is high.

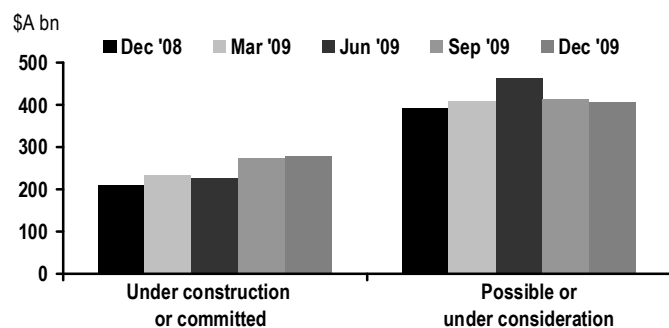
Unfortunately, the government's spending priorities on infrastructure have been suboptimal. Much of the federal government's spending implemented so far has been on "soft" infrastructure projects in education, public housing and hospitals, and on "green" initiatives like providing subsidies for the installation of roof insulation. While these are worthy causes, the provision of new school halls and classrooms has deflected much-needed attention from spending on "hard" infrastructure—roads, rail, ports, power generation, and water supply—where the bottlenecks during the last expansion were most apparent.

Federal government officials are committed to delivering on essential infrastructure promises. In the near term, however, with investment and output expanding quickly, the economy is poised to bump up against the same constraints that blighted the last investment boom. Already, there are reports of investment being postponed for lack of resources

Mining's share of total investment



Investment spending intentions



and skill shortages. In the minutes from the March Board meeting, the RBA indicated "it was unlikely that all planned projects would proceed at the rate that firms had hoped for, in part reflecting capacity constraints."

China's influence a risk to Australia

The swelling investment pipeline and the improvement in bulk commodity prices, in particular, can be traced, at least indirectly, to China's growing impact on Australia. China now plays a pivotal role in setting contract prices for iron ore and coal (and the contract period). The value of Australia's exports to China rose 30% in 2009; exports elsewhere dived 20%. Also, China is the biggest source of imports into Australia, and one of the principal sources of direct and portfolio investment in Australian assets.

Clearly, Australia is a major beneficiary of China's economic strength, which looks likely to continue. Indeed, J.P. Morgan's forecast is that China's economy will grow 10% in 2010 and 9.4% in 2011. The flipside is that Australia is exposed if things unexpectedly go awry in China. Having "all" Australia's eggs in China's basket masks vulnerabilities while the economic sun shines, but increases the risk of disruption here if any darkening clouds in China turn out to be full of rain.

Australia

- **Weak data should see RBA stand pat this week**
- **Retail, building approvals and credit underwhelmed**
- **Aussie unemployment rate to nudge up in March**

The last domestic economic releases ahead of this week's RBA Board meeting offered material downside surprises that support our central view that the next 25bp rate hike will be delayed until May. Further rate hikes are inevitable but, as we have highlighted in previous commentary, correctly predicting the outcome of monthly Board meetings is effectively a coin toss. Policy decisions will depend largely on the data released in the intervening four-to-five-week period; thus, in our view, last week's unexpectedly soft numbers make a rate hike this week less likely.

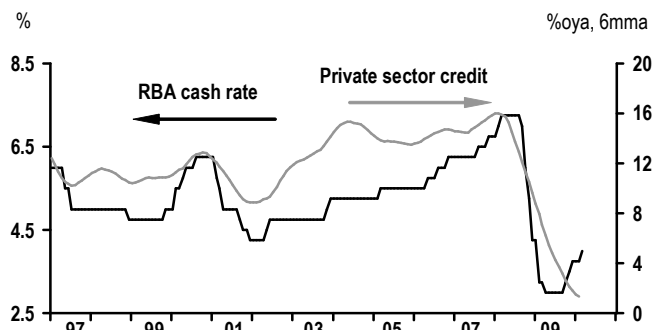
RBA meets Tuesday for monthly coin toss

The RBA Board meets Tuesday to decide whether or not to nudge the cash rate a little higher, having decided to hike 25bp at the last Board meeting back in early March. As before, the decision will be "finely balanced," with the outcome difficult to predict. Our central case continues to be that the RBA will leave the cash rate steady at 4% this week, but there is a material risk the Board will deliver a second straight hike. Firm prints on the recent offshore data support the case for another hike Tuesday, because they answer some of the questions still hanging over the global outlook. Last week's unexpected weakness, however, in the Aussie retail data (and also in home approvals and business credit) gave us slightly more conviction that there will be an "unchanged" decision this week.

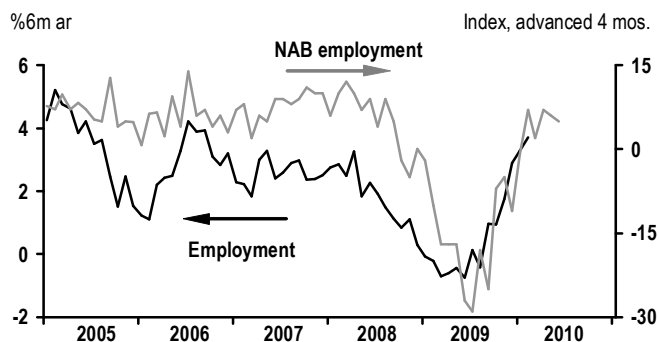
While we still have relatively low conviction about the outcome of this week's decision, we remain confident that the cash rate will be 5% by the end of the year. In fact, with the economy outperforming official expectations, the dominant risk is that the cash rate will be above 5% come December. Indeed, the arguments supporting further medium-term policy tightening continue to accumulate. The favourable outcome of recent contract price negotiations on iron ore and coal, Australia's two largest export commodities, means the terms of trade will rise close to 25% in the year ahead. Also, the anecdotal evidence on the domestic housing market implies the sector is heating up, despite the RBA's four rate hikes, and there is worrying evidence from mining regions that wage pressure is building. Finally, the leading indicators of employment are improving.

For this week's decision, though, the arguments for near-term caution by the RBA remain even more persuasive. In

Australia: RBA cash rate and credit growth



Australia: NAB survey and employment



particular, the plunge in retail sales in February hints that some consumers are not reacting well to the policy tightening already delivered; discretionary spending fell in February at the fastest pace since last July. Also, there continue to be official concerns about sovereign issues in Europe, and RBA officials are known to have a benign view on core inflation, at least for the near term. While recent official commentary has argued consistently in favour of pushing the cash rate back to "normal" levels now that the emergency has passed, it also has hinted that officials are in no particular rush. With nine Board meetings left in 2010 and the RBA very unlikely to move in hops larger than 25bp, our call for a 5% cash rate by December means there will be more pauses than hikes.

There is speculation that the surprising, and unprecedented, appearance last week by the RBA Governor on a commercial breakfast television show, which broadcast a prerecorded interview, makes it more difficult for the RBA not to tighten this week. In the broadcast, the Governor issued a veiled warning to home buyers, in particular, that they should get used to the fact that mortgage rates are headed higher. How, the speculation goes, could the RBA *not* hike after the Governor said that? On the contrary, however, we interpret the Governor's appearance as a legitimate part of "open mouth operations" designed to help talk down the exuberance in the

property market. Stevens' widely publicized and debated appearance is, in effect, a substitute for a hike this week, rather than corroborating evidence, in our view.

Pause in job gains forecast for March

Employment in Australia probably held steady in March, following the gain of a mere 400 jobs in February. The soft gains in employment, however, follow several months of astonishing gains (the economy added a massive 198,000 jobs between September and February) that helped lower the unemployment rate from a peak of 5.8% to just 5.3% in February. We expect that the unemployment rate will have ticked up a notch to 5.4% in March and the participation rate will have fallen to 65.1% from 65.2%.

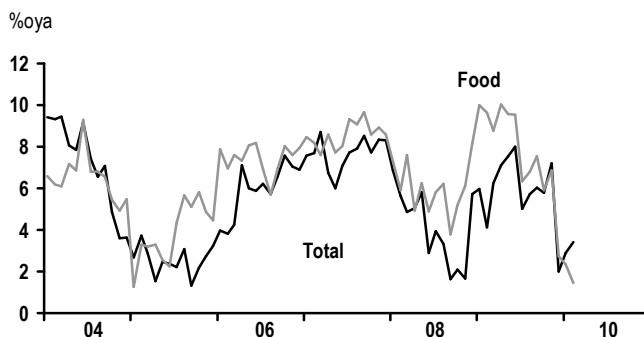
Despite the slight rise forecast for March, we maintain the view that the unemployment rate has peaked—at least 2%-pts above the trough touched in February 2008. The unemployment rate will remain sticky around current levels for the time being as workers' hours, which were cut significantly in 2009, are reinstated and rebuilt before firms hire new workers. Worker hours spiked 2.4% m/m in February, easily reversing the declines recorded in the previous two months, and will likely rise again in March.

The outlook for the labour market is positive. The swelling investment pipeline and strong demand for Australia's key commodity exports means that significant employment gains are likely to be recorded in the resource-rich states in the latter six months of the year. The tightening of the labour market will add upward pressure to inflation, however, reaffirming our view that the RBA will deliver further rate hikes throughout the year.

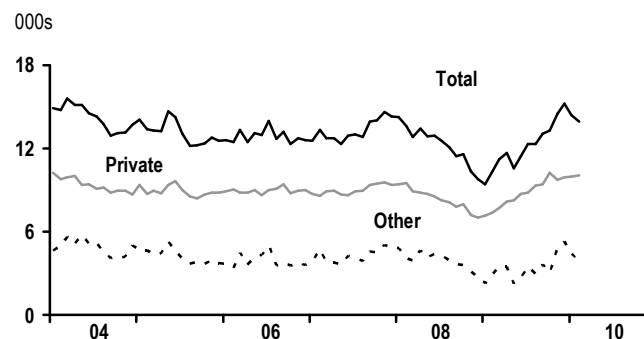
Retail tanked despite rate hike reprieve

Retail sales values tumbled 1.4% m/m in February (J.P. Morgan: 0.2%; consensus: 0.3%). This may be viewed as a payback for the solid 1.1% m/m advance in the previous month, but suggests also that the official rate hikes already delivered, combined with the decision of most of the Aussie commercial banks to outhike the RBA, are weighing on consumer spending. Also, it seems the likelihood of further rises in interest rates is encouraging consumers to be more restrained in their spending habits. Assuming the RBA continues to tighten policy, interest rate burdens will soon be at pre-crisis levels, squeezing households' disposable income even further.

Australia: retail sales



Australia: building approvals



Discretionary spending fell 0.8% m/m, marking the biggest fall since July 2009. This was due to sharply lower sales at department stores (-3.9%) and for household goods (-1.3%), while spending at cafes and restaurants was up (+1.8%). Looking at the nondiscretionary areas of spending, food sales fell 1.7% over the month and clothing sales tanked 3.9%. Other retailing fell 0.8% m/m in February.

Business credit still on a downward slide

The RBA's credit aggregates showed a 0.4% m/m increase in the pool of credit outstanding in the economy in February, the same rate as in the previous month. We had expected a moderation in credit growth owing to weaker housing demand. This failed to come to fruition, however, even though market interest rates have increased, the government's expanded first home owners' grant expired on December 31, and caps on the original grant of A\$7,000 were introduced from January 1. Housing credit growth remained steady at 0.7% in February.

Business credit slid for the 13th straight month, falling 0.1% m/m in February. With the process of deleveraging for businesses nearing an end, though, and with domestic banks starting to make more credit available to small- and

medium-sized businesses given the more attractive returns available from higher-risk lending, this series should soon start to rise. Personal credit growth, though, remains subdued, and eased slightly in February to 0.4% m/m.

Building approvals weak post-stimulus

Residential building approvals in Australia slumped 3.3% m/m in February (J.P. Morgan: +1.5%; consensus: +2.1%), having fallen 5.5% in January. Private-sector building approvals for detached houses continued to register very soft results, falling 0.9%, while “other” (i.e., higher-density) dwellings dropped a further 11%, after collapsing 27% in the first month of the year. Policy headwinds, such as the end of the expanded first home buyers’ grant, continue to batter the detached houses category. These headwinds, along with a vacuum of demand following the frenzied buy-in last year, have left private-sector house approvals 2% below the peak levels met in October 2009.

Though approvals for private-sector higher density dwellings continued to fall, the volatility of this series makes it difficult to draw broad conclusions from any particular month’s data, as approvals (or a lack thereof) for individual projects are translated into corresponding dwelling unit approvals. This result does mean, however, that the %3m/3m growth rate now has dropped significantly below the +10% rates of the last six months to around 5%. Continued difficulties for property developers, uncertain financing conditions, and the likelihood of further interest rate rises to come are still posing difficulties for these larger-scale projects.

The continued deficiency of housing production will drive Australian house prices higher in 2010. Recently, evidence emerged that shorter-term dynamics were realigning: dwelling starts spiked 15% q/q in 4Q, finally catching up to previous gains in approvals, and private survey data indicated a rebound in sell-side activity at the start of the year. However, speculative activity now is also ratcheting up, creating a moving target on the demand side. On the basis of recent housing finance numbers, it seems the ailing owner-occupied category now is being replaced by investors, who are driving the incredibly high auction clearance rates of recent weeks. There is also speculation that relaxation of foreign ownership laws (the FIRB now allows approved developers to sell 100% of new developments off the plan) is opening the door to yet greater imbalances.

An open question is whether the RBA will now feel compelled to act with greater conviction in this hiking cycle to quell such activity, or, given its expectation of benign inflation pressures this year, will hold its nerve, raising rates at a measured pace and instead targeting the housing market with additional open mouth operations.

Data releases and forecasts

Week of April 5 - 9

Tue Apr 6 RBA cash rate announcement

2:30pm No change expected.

Tue Mar 9 ANZ job advertisements

Seasonally adjusted

	Dec	Jan	Feb	Mar
(%m/m)	6.0	-8.1	19.1	—

Thu Apr 8 Labor force

Seasonally adjusted

	Dec	Jan	Feb	Mar
Unemployment rate (%)	5.5	5.2	5.3	<u>5.4</u>
Employed (000 m/m)	37.4	56.5	0.4	<u>0.0</u>
Participation rate (%)	65.3	65.3	65.2	<u>65.1</u>

Review of past week’s data

Building approvals

	Dec	Jan	Feb			
%m/m, sa	5.2	5.1	-7.0	-5.5	<u>1.5</u>	-3.3
%oya, sa	54.8	55.6	47.6	52.7	<u>37.8</u>	34.2

Retail trade

	Dec	Jan	Feb			
%m/m, sa	-0.9	-0.8	1.2	1.1	<u>0.2</u>	-1.4
%oya, sa	2.0	3.0	2.9	<u>5.5</u>	3.4	

Private-sector credit

	Dec	Jan	Feb	
%m/m, sa	0.3	0.4	<u>0.2</u>	0.4
%oya, sa	1.5	1.3	<u>1.3</u>	1.6

Trade balance

	Dec	Jan	Feb			
Trade balance (A\$ mn, sa)	-2174	-2021	-4176	-1120	<u>-1340</u>	-1924

The trade balance remained in deficit for the tenth straight month in February, widening significantly to A\$1.9 billion (J.P. Morgan and consensus -A\$1.34 billion). Stronger imports largely were responsible for the deterioration in the balance, though the volatile non-monetary gold component, as well as downside surprises in exports of coal, also played a role in pushing the deficit out further than expected.

New Zealand

- **Kiwi business confidence moderated further**
- **Weakening data lowered firms' own activity outlook**
- **NZIER survey showed similar caution this week**

There was little top-tier economic data on offer in New Zealand last week. The NBNZ business confidence survey indicated sentiment deteriorated in March, although we expected this in light of recent global jitters.

NZ business confidence easing

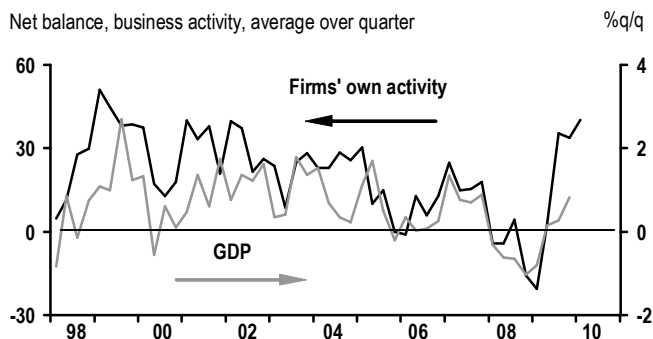
The headline on the NBNZ business confidence survey retreated in March as we had expected, falling to a net balance of 42.5 (J.P. Morgan: 45) from 50.1 in February, which had marked the highest reading in over a decade. The headline reading suggests that a net 42.5% of respondents surveyed this month expect economic conditions to improve over the next year, less than recorded in the last survey owing to recent global jitters, particularly those that developed—although have since calmed—in the Euro area.

Signs that the recovery under way in New Zealand lost some momentum early this year weighed on the all-important reading of firms' own activity in March. The firms' own activity outlook component fell from 41.9 in February to 38.6. At this level, though, economic growth should continue at a healthy clip in coming quarters (chart). Our forecast is for first-quarter GDP growth to print at 0.8%q/q, the same rate as in the previous three months.

Sentiment deteriorated in most components of the survey, although the investment outlook improved. A net 9.3% (compared to 7.6% previously) of respondents expect investment to increase over the next year, which will, of course, have positive implications for the labour market. On that note, fewer respondents, only a net 6.1%, expect that the unemployment rate will rise further, supporting our view that the unemployment rate already peaked at a nine-year high in the final three months of last year. Recent global jitters weighed on the outlook for exports, however, with only a net 24.9% of those surveyed expecting exports to pick up. Sentiment in the residential and commercial construction sectors also worsened, albeit mildly.

With respect to interest rates, the NBNZ reported that a net 64.5% of firms (down from 69.4%) expect that the RBNZ will hike the cash rate in the next year. Our forecast is for the first rate hike to be delivered in July, beyond the consensus forecast for a June move. Our feeling is that Governor

New Zealand: NBNZ business outlook survey and GDP



Bollard wants hard evidence that the recovery is sustainable, so will sit on the policy sidelines until after the late-June release of the 1Q GDP report.

The NZIER Quarterly Survey of Business Opinion (QSBO) signaled that the recovery underway in New Zealand continues, although at a slower pace than firms expected when last surveyed three months ago. The headline reading eased back from +31 in the December quarter to +22 (J.P. Morgan: +25) in 1Q, meaning that a net 22% of firms surveyed expect the economy to improve in the next six months. As the chart below suggests, however, 1Q and 2Q GDP growth should print at healthy levels, with our forecast calling for annual growth to return to 2%-plus rates in both quarters.

Data releases and forecasts

Week of April 5 - 9

Mon Apr 5	NZIER QSBO				
	% balance of respondents	2Q09	3Q09	4Q09	1Q10
	Headline index	-25	36	31	22
Tue Apr 6 3.00pm	ANZ commodity price series				
	Not seasonally adjusted	Dec	Jan	Feb	Mar
	Index - world prices (%m/m)	2.6	0.4	3.8	—
	Index - NZD (%m/m)	4.3	-1.2	7.9	—

Review of past week's data

Building consents

	Dec	Jan	Feb		
%m/m, sa	-3.5	-3.6	-2.8	2.0	5.9
%oya, sa	24.9	22.8	37.2	35.2	23.1 29.9

NBNZ business confidence

	Jan	Feb	Mar	
% balance of respondents	38.5	50.1	45.0	42.5

Global Essay

- **March data confirm that the transition to a sustainable global expansion is complete**
- **Expecting growth in US (4%) and Euro area (3%) to quicken this quarter**
- **Revising up Japanese 1H10 GDP growth to 2.8%**
- **With G-3 picking up steam risks to EM Asian growth shift to upside**

They call it Good Friday, but Thursday's just as fine

Over the past year, a debate has raged about the power of business cycle lift in the aftermath of a deep recession and financial crisis. Policy stimulus sparked recoveries during the second half of last year. Traditional business cycle dynamics would point to a feedback loop developing from this as income gains and financial market improvement bolster confidence, producing a positive turn in private-sector behaviour. However, with credit markets and balance sheets still impaired in a number of large economies, there have been strong voices arguing that this loop would be short-circuited and that growth would falter when policy supports wane.

The March data flow provides decisive news validating our view that business cycle dynamics are driving the global expansion forward. Growth is picking up again following a modest downshift into the new year, largely because rising profits and asset prices are prompting firms across the globe to turn toward expansion. As this turn by business lifts labour income and household expectations, consumer spending is sustaining solid gains, even as global fiscal stimulus is fading. To be sure, continued tight credit conditions and ongoing adjustments to public- and private-sector balance sheets will temper the pace of growth. But the debate is now over, as the foundation of sustained and synchronized above-trend global growth appears firmly in place.

In this regard, last week's US employment report for March is important in confirming a transition to solid labour income growth. Through the noise created by weather and Census hiring, there appears to be only a modest return of private-sector job creation thus far. However, the benefits of this cautious return to hiring are being amplified by a lengthening in the workweek. For an economy with over 100,000,000 private-sector employees, small changes in the workweek, if sustained, have large implications for income. Indeed, the rising workweek has provided much of the fuel for the strong 4.8% annualized pace of the payroll labour income proxy over the past three months.

Reinforcing the message from the US employment report was a consistent round of upbeat news earlier in the week. In the US, a sharp rise in auto sales points to a 3.5% pace of consumption growth last quarter. The divergence between the downward path of new homes sales and upward trajectory of consumer durables spending in recent months is unusual but looks likely to persist due to differences in credit conditions and the large supply of existing homes entering the market.

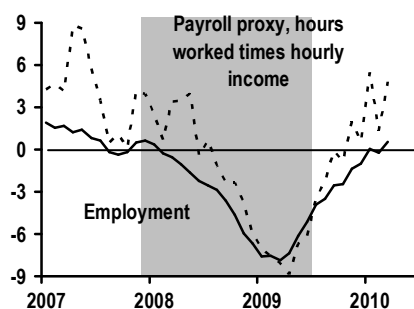
Globally our manufacturing PMI index moved to a new cycle high last month, and its details show a broadening in demand both sectorally and geographically. Notably, both the employment and inventory components of our survey have moved into expansion territory, reinforcing the message that firms are shifting into expansion mode.

Europe is set for spring

With Western Europe accounting for roughly 30% of our global aggregate, the signs that regional growth is picking up—and likely to approach 3% this quarter—are particularly encouraging. Although some of this move is payback from weather-related weakness at the start of the year, it also represents the start of the long-awaited cyclical bounce

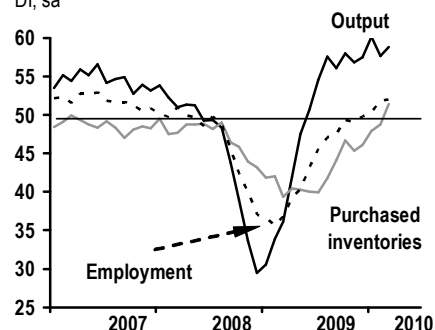
US: Private employment and labor income

%ch saar, over 3 months



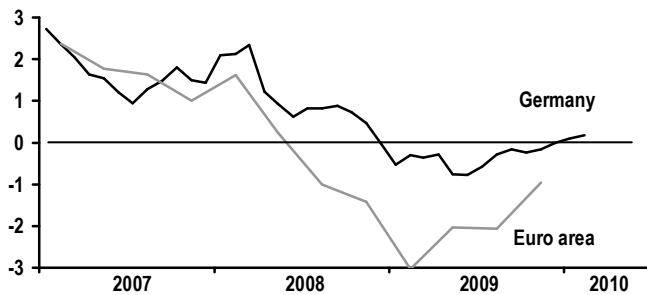
Global manufacturing PMI components

DI, sa



Euro area employment

%3m, saar; Germany, %q/q, saar Euro area



after the deepest recession the region has seen since 1950.

In the Euro area, the composite PMI has reached a level consistent with 2.5% ar GDP growth, and the manufacturing PMI output component has reached a level that was only exceeded in one month during the previous expansion. Importantly, the move up in activity appears broad-based across countries, with the exception of Greece, where the recession is deepening. Stronger growth is likely to reflect higher exports, increased domestic capital spending, and a reduced inventory drawdown. The weak link will remain consumption. Judging by the available data on core retail sales and auto purchases, consumer spending probably stagnated or posted a small decline last quarter. This would mark the eighth consecutive quarter of either contraction or stagnant consumption.

There are glimmers of hope for consumers as evidence suggests that the unemployment rate is about to peak, and that employment is stabilizing. Indeed, in Germany, which had one of the deepest downturns in the region, employment and vacancies have both been rising for several months now.

The tide also is turning in the United Kingdom; the upward revision of 4Q GDP growth to 1.8%q/q saar showed that the economy's exit from recession was stronger than previously thought. Moreover, the revisions were focused in private services. This means the official data are now showing growth running quite close to where the PMI surveys had been pointing. With last week's March manufacturing sector increase the PMIs are now consistent with growth above 3% during 1H10. We anticipate a slow start to the year due to the disruptions caused by very poor weather. But the risks to our 2.5% growth forecast for 2Q forward are shifting to the upside. Additional releases on service sector activity this week will further clarify the issue.

Japan cruises at close to 3%

The signs of a broadening in the economic recovery are even more convincing in Japan. Although the growth rate of GDP has been reasonably strong up until now, at about 3% over the past four quarters, growth has been narrowly based in net exports, public works, and durables consumption. Importantly, the latest round of business surveys and activity data highlights important spillover to the rest of the economy, including capex as well as the small business sector, which is more tied to domestic consumption. In response to these developments, we raised our 1H10 Japan growth forecast to 2.8%, to be followed by 2% growth in the remainder of the year.

The March business surveys delivered strong increases in business sentiment across the board, encompassing both small and large firms in manufacturing and services. Moreover, companies indicate that the surplus of labour and production capacity is diminishing, and this shift in attitude has been reflected in the modest turn in the labour market and in the rebound in domestic capital goods shipments. The firming in the labour market will provide better fundamental support for consumption going forward, as will the improvement in domestic financial conditions.

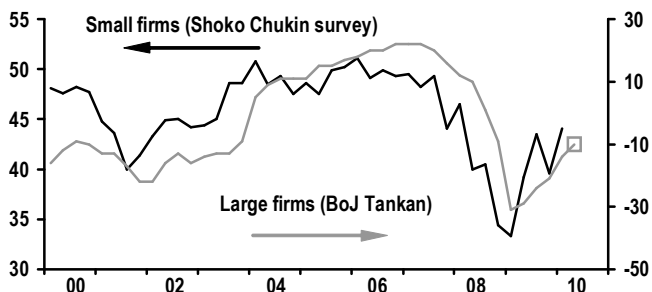
While the foundation for Japanese growth is improving, the economy still faces headwinds. Fiscal stimulus to public works is being withdrawn. This also applies to consumption, although the government has introduced some new measures that will mitigate the impact, including income transfers and fresh incentives to support spending on autos and housing. The growth of net exports also is moderating: export gains, while still strong, are no longer at the supercharged pace of last year. Exports will face an added hit near term from a cutback in autos related to a major Japanese manufacturer. Meanwhile, import demand gradually will recover with domestic demand.

EM Asia: Risks shifting to the upside

In a world of synchronized growth, Emerging Asia almost always leads the pack. It is thus not surprising that last week's reports indicate that Asia's impressive manufacturing recovery still has further to run. China's two March PMIs rebounded smartly from a temporary dip in February. In Korea, March exports held their ground after rising nearly 7% m/m the previous month. Korea's February IP also rose 3.6% m/m sa, bouncing back after a disappointing January and taking the annualized three-month growth rate up to 15.9%.

Japan nonmanufacturers business sentiment

Index, end month of each quarter DI, box shows June outlook



Korea's manufacturing gains are being led by the tech sector, semiconductors in particular, which surged 22.9% on the month (not annualized) following muted growth over the past two quarters. The sturdiness of Korea's electronics sector sends an important positive signal for the region, where we believe risks have shifted to the upside for our already above-consensus GDP growth forecasts. Interestingly, Korea will not be the prime beneficiary of the strength in tech. Korea's manufacturing base is broad, including sectors such as shipbuilding and automobiles. These heavy manufacturing sectors cushioned Korea during the global recession, allowing it to outperform the region in 2009. This year, those sectors are likely to underperform. In particular, while last week's data from Korea were solid, they point to only a relatively modest reacceleration of growth.

In contrast, there is now clear upside risk to forecasts in more tech-centric countries like Taiwan, Thailand, and Malaysia. With the tech-IP subsectors roaring ahead in these countries, we are looking to revise up our growth forecasts, even though our 7% GDP forecast for 2010 growth in Taiwan is a full 2%-pts above the consensus average, while our Thai and Malay forecasts are 1.8%-pts and 1.4%-pts above consensus, respectively.

This difference in growth risks is one factor that helps to explain the various speeds at which policy normalization is unfolding in EM Asia. This week, the Bank of Korea's Monetary Policy Committee meets. There should be little drama in this first MPC meeting led by Governor Kim Choongsoo, with the BoK likely to signal its intention to keep rates on hold near term. In contrast, the strength of last week's February data in Thailand, combined with an easing in political tensions, suggests that the Bank of Thailand will follow Bank Negara Malaysia by initiating its rate hike cycle at its MPC meeting on April 21.

Argentina's debt restructuring at hand

Argentina has suffered significant political tensions this year due to President Fernandez's controversial attempt to appropriate Central Bank reserves to pay Treasury debt—a conflict the resolution of which appears to be shifting in favour of the government. These tensions sparked a return of capital flight this year. However, the balance of payments is likely to improve as Argentina launches a debt swap in mid-April to shore up arrears with private creditors. The pending creditor claims represent 24% of defaulted debt that did not participate in the 2005 sovereign restructuring. The debt swap is expected to elicit high investor participation, probably near 75%. If so, it will have resolved 94% of the debt default and may open the door for Argentina's eventual return to the global capital markets. A decline in perceived debt roll-over risk would benefit external debt holders and—to some degree—also domestic debt holders. The downside, however, is that macroeconomic policies will not be rebalanced following the debt swap, and this suggests that rampant inflation—estimated to be running at a 25% annualized pace—will continue.

JPMorgan View - Global Markets

A good 1Q points the way up

- **Asset allocation:** With economies and markets performing exactly in line with projections, we make no changes.
- **Economics:** Solid US payrolls and better data in Europe and Japan are indicating that the recovery is getting a better foothold. We raise Japan 2010 GDP growth from 2.1% to 2.6%.
- **Fixed income:** Strong inflows and declining volatility support local EM debt; stay long. But stay short in the UK, and short Treasuries against Bunds.
- **Equities:** Year-to-date returns of 5% are nicely in line with our 20% 2010 return forecasts.
- **Credit:** Stay long, focused on lower-quality paper.
- **FX:** Euro is finding a bottom.
- **Commodities:** Stay long commodities, favouring base and precious metals near term.

With the first quarter just past, we review what worked and what did not, and how we position for 2Q. In brief, we were fortunate with our bullish view on economies and risky markets, and stay the course.

We started the year with two major themes—the **recovery trade** and the **asset deflation trade**—joined by smaller ones around growth gaps between regions and sectors, as well as pressure on sovereigns. The recovery trade depended on investors steadily raising growth forecasts. That has happened (chart, next page). Our own forecasts for world GDP growth in 2010 were higher and have not changed for over six months, but the recent broadening of the recovery across regions and sectors gives us now modest upside risk. More importantly, it reduces the risk that the recovery will falter.

A major part of our economic forecast was that core **inflation** in developed economies would come down faster than consensus. That also has happened. We retain the view that core inflation in Europe and the US will hover between zero and 1% this year and next, keeping monetary policy on hold through early next year.

We started the year also on the theme of **US and EM economic outperformance** versus Europe and Japan. And here also, consensus growth forecasts for the US and EM have been steadily rising, while those for Europe fell. In reaction, European currencies, credit, and equities indeed underperformed, but its bonds performed better. We only

positioned in credit and bonds, expecting that equities and the currency would ignore this growth gap. But the Greek funding crisis added force to the European underperformance.

Into 2Q, with **European** data picking up, and Greece having received backstop support from the EU and IMF, the chances are improving that European growth pessimism will fade. This should **end the underperformance of European currencies and equities**. We retain an overweight of Euro area bonds as this is driven more by a better balance between supply and demand. In January, we were worried that **Japan's** economy would similarly lag behind. Stronger domestic demand data since then, however, have now induced us to raise forecasts for 1Q and 2Q, bringing the full-2010 Japan growth projection to 2.6% from 2.1%.

Our **asset deflation** trade had similar implications to the recovery trade (long equities and credit), but was instead supportive for bonds. It relies on the falling fear about the future, inducing investors to flee zero-return cash for much better-yielding assets. And indeed, we saw \$300 billion fleeing money market funds in 1Q with much of it heading for bond funds, although equities are now seeing some of this cash also. This flight from cash should continue into 2Q as cash holdings remain well above pre-crisis levels. Our indicators are telling us that uncertainty about the future is falling day by day, even as it remains above normal.

In our year-end *J.P. Morgan View*, we projected 20% returns in 2010 for equities, 12% for hedge funds, 10% for high-yield, 9% for EM currencies vs. USD, 3% for HG bonds, 2% for government bonds, and flat for commodities. Year-to-date returns for the first quarter show we are pretty much on track. Of our top 10 trades we recommended then, eight worked—the ninth was a short in agencies and MBS (no return) and the 10th was long USD versus EUR and JPY (a loss). **For the remainder of this year, we stay with these return forecasts**, except in commodities, where we now expect high single-digits for the rest of 2010.

Fixed income

Core bond markets edged up in 1Q, as central banks continued to signal that they will remain on hold for some time. Expectations for end-2010 interbank rates fell by three quarters of a percentage point in the US and EU, and by a little more in the UK. We remain of the view that **demand for bonds will fail to keep pace with heavy supply this year**, and that this will push yields higher. Indeed, long-term government yields have fallen significantly this year in the Euro area, but not in the US and UK, where larger budget deficits and the end of QE make the supply-demand imbalance more pronounced. We still favour trading bonds from the short

side, and stay short Treasuries against Bunds. The **Treasury-Bund spread has increased by over 30bp this year**, to its highest level since 2007, but the poor reception for last week's Treasury auctions is one sign that the US can continue to underperform.

The end of QE is the principal reason why we expect bond demand to slow sharply this year, though bank demand also remains weak and mutual fund bond buying is slowing. However, the conclusion of the Fed's \$1.25 trillion MBS purchase program is unlikely to have an immediate impact on yields. This is partly because the pace of the Fed's bond purchases peaked last April, and has been declining gently since then. In addition, Fannie Mae's continuing buyouts of delinquent mortgages will reduce the supply of MBS by around \$100 billion over the next three months, acting like an extension of QE over that period. But in the medium term, the outlook for the assets most directly supported by the Fed—MBS and Agencies—remains unfavourable, and we **stay short Agencies against Treasuries**.

Local EM debt strongly outperformed core markets in 1Q. We expect this to continue and stay long. Flows into EM bonds remain very elevated, bolstered by the outperformance of EM economies, and by a search for higher-yielding assets. While EM central banks will tighten policy before the G-3, the pace of hikes will likely be moderated by a desire to limit exchange rate appreciation. **Declining bond market volatility** is also supportive of positive carry positions.

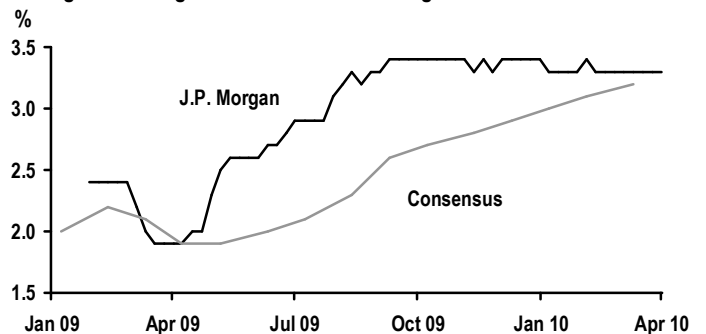
Equities

Global equities have earned close to 5% ytd in local currency—nicely on track for our 20% return forecast for the year. With macroeconomic and corporate fundamentals in 1Q close to our assumptions, we see no reason to change forecasts. We are long equities outright and versus bonds. The US 1Q reporting season starts in just over a week, and our signals suggest it should surprise on the upside.

Our bullish view and the strong outperformance by global manufacturing relative to more lackluster services sectors were the main reason why we have been overweighting **cyclical** sectors. The position has worked and remains our medium-term view.

One of our more contentious sectoral positions has been to overweight **financials**. Banks in particular are being buffeted by the opposing forces of a rebounding economy and peaking credit losses on the supporting side and punitive

2010 global GDP growth forecasts: J.P. Morgan versus consensus



regulations on the negative side. In *Global Banks—Too Big to Fail*, Nick O'Donohoe and Carla Atunes da Silva (February 17), we estimated that the sum of the current regulatory proposals—especially higher taxes and capital requirements—would depress the RoE for global banks from 13.3% to 5.4% in 2011. We have been squaring this circle by overweighting banks, and in particular US banks on short-term tactical basis, in the knowledge that we will have to take profit on this exposure in the not-too-distant future, as the long-term outlook for banks is threatened by regulatory overkill.

We entered the year overweight **EM** but went neutral in February as it became clear that EM needed a higher risk premium to protect against the uncertainty created by the start of Chinese policy tightening. Our model signals—economic, price, and flow momentum—also turned neutral. Year-to-date, EM equities have slightly underperformed, and we stay neutral.

Credit

Corporate bonds delivered massive returns last year as spreads came in from all-time highs in response to very strong demand and an end to the recession. EM external debt and high yield earned close to 60% while even High Grade earned over 15%.

With much tighter spreads at the beginning of the year, it was natural to expect lower returns—2% in HG and 10% in HY. As an asset class, though, **credit is running ahead of our expected returns for 2010**. This has led us to go neutral on EM external debt and on US bank bonds.

The rally in HG spreads—from peak to trough—is likely 95% complete. Still, with demand strong, we retain a long in the US, while keeping a more cautious exposure in Europe. High-yield spreads, in contrast, remain wide for recovery

levels, and default rates are collapsing. For 2010, we expect only 2% of HY bonds and only 4% of HY loans to default. First-quarter default rates are coming in already much lower (0.2% annual pace for bonds and 3.2% for loans). We thus stay long HY as well as EM corporate hard-currency bonds (CEMBI), off-the-run ABS, and super-senior CMBS.

Foreign exchange

The depreciation in USD that we had forecast at the beginning of the year has failed to materialize, with the USD Index rallying nearly 5% in 1Q. Only AUD and CAD have outperformed the greenback, while EUR has been the worst-performing currency, falling nearly 6%. While it is convenient to fall back on the Greek issue in explaining EUR underperformance, weak Euro area fundamentals at the start of the year have also been a key contributing factor. The recent EU/IMF accord has placed a floor under EUR/USD, but it has been vulnerable to a renewed widening of Greece-Germany 10-year bond yield spreads over the past week. However, one positive factor in recent weeks has been the bounce in Euro area data releases with leading indicators of activity pointing to a healthy rebound in GDP growth in coming quarters. The speculative community is currently holding record net short EUR positions, suggesting that Greece is very much priced into market sentiment. Given the historical pro-cyclicality of EUR, we look for **EUR/USD to edge higher in the months ahead** against the backdrop of an improving macro story in the Euro area.

We make no changes to our portfolio this week, maintaining a bias for long CAD (versus AUD and NZD) and CHF (versus USD) positions. We continue to look for EUR to play catch-up with both GBP and JPY as the Greek risk premium recedes.

Commodities

Commodities had a strong week with prices rising more than 4%. The asset class finished the quarter with flat returns, mostly due to losses in agricultural products. While this quarter's returns were consistent with our December forecast of flat total returns this year, our outlook has improved since then, and we now expect high single-digit returns for the remainder of the year. Base metals were up 6% and energy and precious metals gained 2%, whereas agriculture was down 17%. Since early this year, we have favoured base and precious metals relative to the other sec-

Ten-year Government bond yields

	Current	Jun 10	Sep 10	Dec 10	Mar 11
United States	3.87	4.10	4.25	4.50	4.70
Euro area	3.08	3.30	3.45	3.60	3.90
United Kingdom	3.92	4.40	4.55	4.65	4.80
Japan	1.36	1.40	1.50	1.55	1.55
GBI-EM	6.91				7.70

Credit markets

	Current	YTD Return
US high grade (bp over UST)	146	2.2%
Euro high grade (bp over Euro gov)	143	2.6%
USD high yield (bp vs. UST)	607	4.7%
Euro high yield (bp over Euro gov)	610	8.1%
EMBIG (bp vs. UST)	258	4.3%
EM Corporates (bp vs. UST)	297	4.9%

Foreign exchange

	Current	Jun 10	Sep 10	Dec 10	Mar 11
EUR/USD	1.36	1.42	1.45	1.40	1.35
USD/JPY	94.0	87	90	93	96
GBP/USD	1.53	1.51	1.58	1.54	1.50

Commodities - quarterly average

	Current	10Q1	10Q2	10Q3	10Q4
WTI (\$/bbl)	85	77	82	85	90
Gold (\$/oz)	1121	1250	1400	1300	1200
Copper(\$/m ton)	7855	7350	8000	6800	6250
Corn (\$/Bu)	3.45	3.85	4.05	3.95	3.90

Source: J.P. Morgan, Bloomberg, Datastream

tors and stay with the same view for the coming quarter.

We maintain the view that **base metals will continue to benefit from a strong manufacturing sector** at least until the end of 2Q. A strong industrial sector and overall economic growth also support energy prices, but have a more immediate impact on industrial metals, as manufacturers continue to rebuild supply and continued investor interest. **Oil** prices are now comfortably above \$80. We remain medium-term bullish oil, as fundamentals are likely to turn even tighter in 2H. We also maintain our forecast that curves will become backwardated by the end of 3Q. **Agriculture** has been the exception to the overall bullish story, but supply issues, not demand, are the main cause of underperformance. We look for more stability going forward, but prefer to focus on relative value ideas there.

Global Economic Outlook Summary

	Real GDP			Real GDP						Consumer prices				
	% over a year ago			% over previous period, saar						% over a year ago				
	2009	2010	2011	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	4Q09	2Q10	4Q10	2Q11
The Americas														
United States	-2.4	3.4	3.1	2.2	5.6	<u>2.5</u>	4.0	4.0	3.5	2.5	1.5	2.2	1.2	1.1
Canada	-2.6	3.2	3.3	0.9	5.0	<u>4.5</u>	3.0	3.3	4.0	4.0	0.8	1.4	1.9	2.1
Latin America	-2.9	4.6	3.8	6.6	7.2	<u>4.4</u>	4.1	2.6	4.5	4.0	5.3	6.3	7.0	6.9
Argentina	-2.0	4.5	3.0	1.0	7.9	<u>8.0</u>	8.0	3.0	3.0	2.0	7.1	8.0	10.0	10.0
Brazil	-0.2	6.2	4.0	7.0	8.4	<u>6.3</u>	5.0	5.1	4.0	3.8	4.2	4.9	5.0	4.5
Chile	-1.5	5.5	5.5	6.6	5.9	<u>-6.0</u>	8.0	22.0	18.0	-2.0	-3.0	3.3	4.1	3.8
Colombia	0.4	3.0	4.1	1.7	4.7	<u>2.7</u>	2.8	2.9	3.1	4.5	2.4	2.1	3.7	2.9
Ecuador	0.4	2.0	3.0	0.5	1.3	<u>2.0</u>	3.5	4.0	4.5	3.0	3.9	3.9	4.7	4.4
Mexico	-6.5	4.5	3.5	10.4	8.4	<u>5.0</u>	3.2	-3.8	4.2	5.7	4.0	4.4	5.1	4.5
Peru	0.9	5.5	6.0	10.0	11.5	<u>3.0</u>	3.5	4.0	5.0	6.0	0.4	1.0	2.0	2.2
Venezuela	-3.3	-1.5	2.5	-7.4	-4.6	<u>-4.0</u>	-2.0	12.5	1.5	1.5	28.1	31.8	33.7	39.3
Asia/Pacific														
Japan	-5.2	2.6 ↑	1.9	-0.6	3.8	<u>3.5 ↑</u>	2.0 ↑	2.0	2.2	1.8	-2.0	-1.4 ↑	-0.8 ↑	-0.3 ↓
Australia	1.3	3.1	3.6	1.1	3.7	<u>3.0</u>	3.3	3.8	3.9	3.1	2.1	2.5	2.6	3.0
New Zealand	-1.6	2.8	2.5	1.1	3.3	<u>3.2</u>	3.2	3.7	2.9	1.3	2.0	2.3	2.5	2.8
Asia ex Japan	4.6	7.9	7.2	10.9 ↑	7.3 ↑	<u>7.3</u>	7.1	7.0 ↓	6.8	7.0	2.9	4.4	3.8	3.2
China	8.7 ↑	10.0	9.4	11.0 ↑	10.2 ↑	<u>9.8</u>	9.4	9.3 ↓	9.0	9.1	0.7	3.2	3.1	2.4
Hong Kong	-2.7	5.3	4.2	1.6	9.5	<u>4.5</u>	4.3	4.0	3.8	4.2	1.3	2.4	2.3	1.9
India	7.2	8.0	8.3	15.0	-2.0	<u>10.4</u>	8.1	7.0	8.7	7.9	13.3	11.9	6.2	5.5
Indonesia	4.5	5.5	6.6	5.8	9.6	<u>6.0</u>	4.0	8.5	5.0	6.0	2.6	5.3	6.3	4.9
Korea	0.2	5.3	4.0	13.4	0.7	<u>3.6</u>	4.2	4.2	3.5	4.0	2.4	3.1	3.6	3.4
Malaysia	-1.7	6.8	4.8	10.4	15.4	<u>1.2</u>	4.9	4.9	4.9	4.9	-0.2	1.7	2.4	2.4
Philippines	0.9	4.5	4.3	3.1	3.5	<u>6.0</u>	5.0	3.5	4.0	4.5	3.0	5.0	5.2	4.9
Singapore	-2.0	6.8	4.8	11.5	-2.8	<u>11.2</u>	7.0	4.9	4.9	4.1	-0.3	2.0	2.6	2.1
Taiwan	-1.9	7.0	4.8	10.2	18.0	<u>1.2</u>	3.5	3.8	4.0	5.0	-1.3	0.9	2.0	1.8
Thailand	-2.3	6.5	4.0	6.9	15.3	<u>2.8</u>	5.3	3.6	3.6	4.1	1.9	5.5	4.4	3.0
Africa/Middle East														
Israel	0.7	3.0	4.5	3.6	4.9	<u>3.5</u>	3.5	3.0	3.0	4.0	3.6	2.7	2.7	3.1
South Africa	-1.8	3.0	3.5	0.9	3.2	<u>3.9</u>	4.2	4.0	4.0	3.6	6.0	4.6	5.4	5.7
Europe														
Euro area	-4.0	1.6	2.1	1.7	0.5	<u>1.5</u>	3.0	2.3	2.0	2.0	0.4	1.3	1.3	0.8
Germany	-4.9	1.7	2.1	2.9	0.0	<u>1.0</u>	3.0	2.0	2.0	2.0	0.3	0.9	1.3	1.3
France	-2.2	2.0	2.2	0.7	2.4	<u>1.5</u>	3.0	2.0	2.5	2.0	0.4	1.4	0.9	0.9
Italy	-4.9	1.1	1.7	2.4	-0.8	<u>1.0</u>	2.5	1.5	2.0	1.5	0.7	1.1	1.1	1.1
Norway	-1.4	2.1 ↓	2.8	1.4	1.3	<u>2.0 ↓</u>	3.0	3.0	3.0	2.8	1.4	3.2	1.7	0.7
Sweden	-4.7	1.6	3.0	-0.4	-2.2	<u>3.5</u>	3.5	3.0	3.0	3.0	-0.4	1.6	1.2	1.9
Switzerland	-1.5	2.5	2.8	2.0	3.0	<u>2.5</u>	2.8	3.0	3.0	2.8	-0.2	0.9	0.8	0.7
United Kingdom	-4.9 ↑	1.3 ↑	3.1	-1.1 ↑	1.8 ↑	<u>1.2</u>	2.5	2.8	3.5	2.8	2.1	2.6	1.9	1.9
Emerging Europe	-5.0 ↑	3.9	4.7	4.9 ↑	4.9 ↓	<u>1.8 ↓</u>	4.5 ↑	3.9 ↑	3.8	4.1	6.2	5.7	5.6	5.2
Bulgaria	-5.0	-1.5	4.5	...	...	...	...	...	...	...	...	...	...	...
Czech Republic	-4.2	2.0	4.0	2.3	3.0	<u>2.5</u>	2.5	2.0	2.0	3.5	0.4	1.2	2.8	2.8
Hungary	-6.3	0.5	4.0	-4.7	-1.7	<u>1.5</u>	2.5	2.0	2.0	4.0	5.2	4.8	3.7	2.8
Poland	1.7	3.2	4.2	2.4	4.9	<u>3.0</u>	4.0	2.7	3.0	3.0	3.3	2.0	2.6	2.8
Romania	-7.1	1.5	4.0	...	...	...	...	...	...	...	4.6	4.5	4.5	4.5
Russia	-7.9	5.5	5.0	9.0 ↑	8.1 ↓	<u>1.0 ↓</u>	6.0 ↑	5.5 ↑	5.0	5.0	9.2	6.5 ↓	7.2	7.0 ↑
Turkey	-4.7 ↑	4.3	5.5	...	...	...	...	...	...	...	5.7	9.6	7.5	5.8
Global	-2.5	3.3	3.3	2.8	4.0	<u>3.0 ↑</u>	3.8 ↑	3.5	3.4	3.0	1.3	2.1	1.8	1.6 ↓
Developed markets	-3.4	2.5	2.6	1.3	3.3	<u>2.4 ↑</u>	3.2 ↑	3.0	2.9	2.3	0.6	1.4 ↑	1.0	0.9 ↓
Emerging markets	1.0 ↑	6.3	5.8	8.5 ↑	6.8 ↓	<u>5.6 ↓</u>	5.8 ↑	5.3 ↑	5.6	5.7	4.0	5.0	4.9	4.4
Memo:														
Global — PPP weighted	-0.8	4.5	4.4	4.5	4.8	3.8	4.4	4.2	4.1	3.8	2.4	3.2	2.8	2.5

Global Central Bank Watch

	Official interest rate	Change from				Forecast					
		Current	Aug '07 (bp)	Last change	Next meeting	next change	Jun 10	Sep 10	Dec 10	Mar 11	Jun 11
Global	GDP-weighted average	1.29	-337				1.33	1.41	1.50	1.64	1.97
excluding US	GDP-weighted average	1.85	-251				1.90	2.01	2.15	2.36	2.66
Developed	GDP-weighted average	0.51	-361				0.51	0.54	0.59	0.70	1.04
Emerging	GDP-weighted average	4.44	-242				4.60	4.86	5.14	5.40	5.68
Latin America	GDP-weighted average	5.72	-321				6.11	6.53	7.21	7.54	8.01
CEEMEA	GDP-weighted average	4.25	-260				4.09	4.25	4.43	4.61	5.06
EM Asia	GDP-weighted average	4.04	-205				4.23	4.47	4.65	4.90	5.05
The Americas	GDP-weighted average	0.75	-484				0.79	0.87	0.98	1.03	1.41
United States	Federal funds rate	0.125	-512.5	16 Dec 08 (-87.5bp)	28 Apr 10	2Q 11 (+25bp)	0.125	0.125	0.125	0.125	0.50
Canada	Overnight funding rate	0.25	-400	21 Apr 09 (-25bp)	20 Apr 10	20 Jul 10 (+25bp)	0.25	0.75	1.25	1.50	1.75
Brazil	SELIC overnight rate	8.75	-325	22 Jul 09 (-50bp)	28 Apr 10	28 Apr 10 (+50bp)	9.75	10.75	11.75	12.25	12.25
Mexico	Repo rate	4.50	-270	17 Jul 09 (-25bp)	16 Apr 10	Oct 10 (+25bp)	4.50	4.50	5.00	5.00	5.75
Chile	Discount rate	0.50	-450	9 Jul 09 (-25bp)	15 Apr 10	Nov 10 (+25bp)	0.50	0.50	1.00	1.75	2.50
Colombia	Repo rate	3.50	-550	23 Nov 09 (-50bp)	30 Apr 10	1Q 11 (+50bp)	3.50	3.50	3.50	4.50	5.50
Peru	Reference rate	1.25	-325	6 Aug 09 (-75bp)	<u>8 Apr 10</u>	10 Jun 10 (+25bp)	1.50	2.25	3.00	3.75	4.50
Europe/Africa	GDP-weighted average	1.30	-323				1.28	1.31	1.38	1.62	2.07
Euro area	Refi rate	1.00	-300	7 May 09 (-25bp)	<u>8 Apr 10</u>	1Q 11 (+25bp)	1.00	1.00	1.00	1.25	1.75
United Kingdom	Repo rate	0.50	-500	5 Mar 09 (-50bp)	<u>8 Apr 10</u>	Nov 10 (+25bp)	0.50	0.50	0.75	1.00	1.25
Sweden	Repo rate	0.25	-325	2 Jul 09 (-25bp)	20 Apr 10	1Q 11 (+25bp)	0.25	0.25	0.25	0.50	0.75
Norway	Deposit rate	1.75	-275	16 Dec 09 (+25bp)	5 May 10	5 May 10 (+25bp)	2.00	2.25	2.50	2.75	3.25
Czech Republic	2-week repo rate	1.00	-175	16 Dec 09 (-25bp)	6 May 10	4 Nov 10 (+25bp)	1.00	1.00	1.25	1.75	2.25
Hungary	2-week deposit rate	5.50	-225	30 Mar 10 (-25bp)	26 Apr 10	31 May 10 (-25bp)	5.25	5.00	5.00	5.00	5.00
Israel	Base rate	1.50	-250	28 Mar (+25bp)	26 Apr 10	26 Apr 10 (+25bp)	2.00	2.25	2.75	3.25	3.75
Poland	7-day intervention rate	3.50	-100	24 Jun 09 (-25bp)	28 Apr 10	4Q 10 (+25bp)	3.50	3.50	3.75	4.50	5.00
Romania	Base rate	6.50	-50	29 Mar 10 (-50bp)	4 May 10	4 May 10 (-50bp)	5.75	5.50	5.50	6.00	6.50
Russia	1-week deposit rate	3.50	50	26 Mar 10 (-25bp)	Apr 10	Apr 10 (-25bp)	3.00	3.00	3.00	3.00	3.50
South Africa	Repo rate	6.50	-300	25 Mar 10 (-50bp)	13 May 10	1Q 11 (+50bp)	6.50	6.50	6.50	7.00	8.00
Switzerland	3-month Swiss Libor	0.25	-225	12 Mar 09 (-25bp)	Jun 10	Sep 10 (+25bp)	0.25	0.50	0.75	1.00	1.25
Turkey	Overnight borrowing rate	6.50	-1100	19 Nov 09 (-25bp)	13 Apr 10	3Q 10 (+50bp)	6.50	7.50	8.00	7.50	7.50
Asia/Pacific	GDP-weighted average	2.13	-131				2.22	2.37	2.47	2.60	2.69
Australia	Cash rate	4.00	-225	2 Mar 10 (+25bp)	<u>6 Apr 10</u>	4 May 10 (+25bp)	4.25	4.75	5.00	5.25	5.50
New Zealand	Cash rate	2.50	-550	30 Apr 09 (-50bp)	29 Apr 10	29 Jul 10 (+50bp)	2.50	3.50	4.00	4.50	4.75
Japan	Overnight call rate	0.10	-43	19 Dec 08 (-20bp)	<u>7 Apr 10</u>	4Q 11 (+15bp)	0.10	0.10	0.10	0.10	0.10
Hong Kong	Discount window base	0.50	-625	17 Dec 08 (-100bp)	29 Apr 10	2Q 11 (+25bp)	0.50	0.50	0.50	0.50	1.00
China	1-year working capital	5.31	-126	22 Dec 08 (-27bp)	1Q 10	2Q 10 (+27bp)	5.58	5.85	6.12	6.39	6.39
Korea	Base rate	2.00	-250	12 Feb 09 (-50bp)	<u>9 Apr 10</u>	3Q 10 (+25bp)	2.00	2.25	2.50	2.75	3.00
Indonesia	BI rate	6.50	-200	5 Aug 09 (-25bp)	<u>6 Apr 10</u>	4Q 11 (-25bp)	6.50	6.50	6.50	6.50	6.50
India	Repo rate	5.00	-275	19 Mar 10 (+25bp)	20 Apr 10	20 Apr 10 (+25bp)	5.25	5.50	5.50	6.00	6.50
Malaysia	Overnight policy rate	2.25	-125	4 Mar 10 (+25bp)	13 May 10	13 May 10 (+25bp)	2.50	2.75	2.75	2.75	2.75
Philippines	Reverse repo rate	4.00	-350	9 Jul 09 (-25bp)	22 Apr 10	Jun 10 (+25bp)	4.25	4.75	5.00	5.00	5.00
Thailand	1-day repo rate	1.25	-200	8 Apr 09 (-25bp)	21 Apr 10	21 Apr 10 (+25bp)	1.75	2.00	2.00	2.00	2.00
Taiwan	Official discount rate	1.25	-188	18 Feb 09 (-25bp)	2Q 10	3Q 10 (+25bp)	1.25	1.50	1.75	2.00	2.25

Bold denotes move since last GDW and forecast changes. Underline denotes policy meeting during upcoming week.

Economic forecasts - Australia

Australia: economic projections <i>percentage change over previous period, seasonally adjusted annual rates, un</i>														
				2009			2010				2011			
	2009	2010	2011	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Chain volume GDP	1.3	3.1	3.6	2.9	1.1	3.7	3.0	3.3	3.8	3.9	3.1	4.2	4.2	1.8
Private consumption	2.2	1.7	2.1	3.5	3.0	2.6	1.2	0.8	0.4	1.2	3.2	2.8	2.4	2.0
Construction investment	-0.3	2.9	4.6	-2.8	3.4	1.7	3.6	3.4	4.5	3.5	4.3	5.1	6.0	6.2
Equipment investment	-3.4	22.1	9.3	4.3	-11.0	51.2	32.6	22.5	13.0	17.6	5.1	3.4	6.4	8.6
Public investment	3.8	21.3	10.7	18.3	28.3	47.7	17.0	9.5	15.1	11.2	7.4	14.0	7.4	11.8
Government consumption	2.9	3.7	1.7	3.6	5.7	7.2	3.9	0.1	3.9	0.1	0.1	3.8	3.8	0.4
Exports of goods & services	0.5	3.7	4.6	3.3	-9.1	7.0	6.6	4.9	3.2	7.4	4.1	4.1	4.1	4.1
Imports of goods & services	-7.7	11.6	4.1	3.0	18.5	34.6	8.2	4.1	2.0	4.1	4.1	4.1	2.0	12.6
Contributions to GDP growth:														
Inventories	-0.5	-1.9	-0.1	1.1	2.6	0.4	-8.9	-0.2	-0.1	-0.1	-0.2	0.0	-0.3	-0.1
Net trade	1.8	-1.7	0.0	0.1	-5.2	-4.9	-0.5	0.1	0.2	0.5	-0.1	-0.1	0.3	-1.8
GDP deflator (%ooya)	0.4	1.8	2.4	0.3	-2.0	-1.4	0.1	2.9	2.4	2.0	2.2	2.4	2.5	2.5
Consumer prices (%ooya)	1.8	2.5	2.8	1.5	1.3	2.1	2.5	2.5	2.4	2.6	2.7	3.0	2.8	2.6
Producer prices (%ooya)	-5.4	-1.4	3.5	-6.4	-7.2	-6.8	-3.1	-1.6	-1.9	1.0	2.5	3.5	4.0	4.0
Trade balance (A\$ bil, sa)	-6.7	-23.4	-23.3	-0.9	-4.3	-5.7	-6.0	-6.0	-5.9	-5.6	-5.6	-5.7	-5.5	-6.6
Current account (A\$ bil, sa)	-67.0	-72.1	-74.6	-13.1	-14.7	-17.5	-18.0	-18.1	-18.1	-17.9	-18.1	-18.4	-18.3	-19.9
as % of GDP	-6.2	-5.4	-5.3	-4.2	-4.7	-5.4	-5.5	-5.5	-5.4	-5.3	-5.3	-5.3	-5.2	-5.6
3m eurodeposit rate (%)*	6.0	4.9	5.4	3.5	3.4	4.1	4.3	4.8	5.0	5.4	5.6	5.4	5.4	5.4
10-year bond yield (%)*	5.6	5.8	6.0	5.5	5.1	5.8	5.7	5.8	5.8	5.9	5.9	6.0	6.0	6.0
US\$/A\$*	0.75	0.96	0.92	0.82	0.88	0.91	0.94	0.95	0.99	0.97	0.95	0.92	0.91	0.90
Commonwealth budget (FY, A\$ bil)	-27.0	-43.0	-29.0											
as % of GDP	-2.1	-3.2	-2.1											
Unemployment rate	5.6	5.5	5.5	5.7	5.7	5.6	5.4	5.6	5.7	5.7	5.5	5.4	5.4	5.3
Industrial production	-7.8	3.3	1.5	5.2	-5.5	21.8	1.0	0.0	-1.0	-2.0	0.0	1.0	2.0	3.0

Australia - summary of main macro views

- The Australian **economy** powered out of the global downturn largely unscathed. GDP growth was a solid 0.9%q/q in Q4, although the government's stimulus fingerprints were obvious. Growth will soften near-term.
- **Business investment** will be broadly unchanged at elevated levels in the year to June now that firms have upgraded their spending plans. Spending probably will rise close to 20% in 2010-11, with mining leading the way.
- On **housing**, with the expanded first home owners' grant now having expired and price caps on the basic grant in place, house price growth should cool, particularly at the low and middle-end of the price spectrum.
- The **consumer** has remained remarkably resilient in the absence of further fiscal support from the government. Consumer confidence quickly returned to pre-crisis highs, but has fallen in recent months in the wake of the RBA's rate hikes. Retail sales were very weak in February.
- **Export volumes** have held up owing mainly to firm demand from Asia, but the terms of trade tumbled. This decline is poised to reverse, though, thanks mainly to higher bulk commodity prices; we forecast a 25% rise.
- The **RBA** was the first central bank in the G20 to tighten monetary policy, with officials anxious about the lack of spare capacity. We expect another hike in May, and a cash rate of 5% by the end of the year.
- Having front-loaded the **policy support**, the government is winding back the fiscal stimulus, albeit slowly. With an election looming, though, the temptation will be to reverse course, particularly if the polls continue to tighten.

Economic forecasts - New Zealand

New Zealand: economic projections <i>percentage change over previous period, seas. adjusted annual rates, unless stated</i>														
				2009			2010				2011			
	2009	2010	2011	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real GDP (1995-96 prices)	-1.6	2.8	2.5	0.6	1.1	3.3	3.2	3.2	3.7	2.9	1.3	2.3	2.7	3.8
Private consumption	-0.6	2.4	1.6	1.6	3.5	3.4	2.5	1.5	1.1	2.0	1.0	1.5	2.0	3.5
Fixed Investment	-13.5	-1.0	4.6	-1.6	-6.2	-3.5	-5.4	5.3	5.5	5.7	2.2	4.1	6.0	7.3
Residential construction	-18.7	4.6	4.7	-9.3	-15.3	21.1	8.0	4.0	4.8	6.0	3.2	4.8	6.0	4.0
Other fixed investment	-12.4	-2.1	4.6	0.0	-4	-7.6	-8.0	5.6	5.6	5.6	2.0	4.0	6.0	8.0
Inventory change (NZ\$ bil, saar)	-1.7	0.8	0.4	-1.0	-0.7	0.2	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Government spending	1.5	2.2	1.7	-5.0	2.4	3.6	3.2	2.4	1.6	2.4	0.9	3.2	0.8	0.2
Exports of goods & services	0.0	7.2	9.0	19.8	0.7	-3.4	10.0	12.0	11.0	10.0	8.0	7.0	10.0	8.0
Imports of goods & services	-15.2	8.5	7.1	-10.3	6.2	26.4	5.0	8.0	5.0	8.0	5.0	8.0	9.0	9.0
Contributions to GDP growth:														
Domestic final sales	-5.0	1.4	2.3	0.6	-0.4	1.7	0.8	2.5	2.1	3.0	1.2	2.5	2.7	3.8
Inventories	-2.5	1.9	-0.3	-9.0	3.3	11.1	0.9	-0.4	-0.2	-0.6	-0.8	0.2	-0.2	0.5
Net trade	5.9	-0.5	0.5	9.7	-1.7	-8.8	1.4	1.0	1.8	0.5	0.9	-0.4	0.2	-0.4
GDP deflator (%oya)	1.9	1.3	2.2	2.0	2.7	0.1	-0.2	1.0	1.8	2.8	2.8	2.4	1.9	1.6
Consumer prices	2.1	2.5	3.0	2.3	5.3	-0.7	2.2	2.7	2.1	2.9	3.3	2.9	3.2	3.6
%oya	2.1	2.2	3.0	1.9	1.7	2.0	2.2	2.3	1.6	2.5	2.7	2.8	3.1	3.2
Trade balance (NZ\$ bil, sa)	2.5	-2.8	-5.2	0.8	0.6	0.2	-0.4	-0.5	-0.9	-1.1	-1.1	-1.2	-1.3	-1.6
Current account (NZ\$ bil, sa)	-5.6	-10.2	-13.4	-0.4	0.0	-3.1	-1.2	-1.5	-2.5	-3.0	-3.1	-5.2	-3.2	-2.8
as % of GDP	-3.1	-5.4	-6.8	-0.9	0.1	-6.9	-3.4	-5.4	-6.4	-6.5	-6.7	-5.7	-6.8	-8.0
Yield on 90-day bank bill (%)*	3.0	3.6	5.2	2.8	2.8	2.8	2.7	3.3	4.0	4.4	5.1	5.1	5.2	5.2
10-year bond yield (%)*	5.5	5.9	6.1	5.7	5.7	5.9	5.7	6.0	6.0	6.1	6.1	6.1	6.0	6.0
US\$/NZ\$*	0.64	0.75	0.70	0.60	0.68	0.73	0.73	0.76	0.75	0.74	0.72	0.70	0.70	0.68
Commonwealth budget (NZ\$ bil)	-4.0	-7.2	-7.1											
as % of GDP	-2.2	-3.8	-3.6											
Unemployment rate	6.2	7.0	6.0	6.0	6.5	7.3	7.3	7.1	6.9	6.6	6.4	6.2	6.0	5.5

*All financial variables are period averages

New Zealand - summary of main macro views

- The **New Zealand economy** expanded at a healthy clip of 0.8%q/q in 4Q, driven again by firm private consumption. Inventories, though, were not the drag on growth we expected. In fact, inventories were built up by NZ\$172 million, after three quarters of run downs.
- **Business confidence** has improved markedly. This mainly owes to continued improvement in economic conditions in Australia and New Zealand's other major trading partners in Asia.
- Even though firms are becoming more upbeat, **investment** will remain a drag on GDP growth this year; this, of course, weigh on the improvement in the labour market.
- The **unemployment** rate probably peaked in 4Q, however. Hiring intentions are picking up, and as employment growth accelerates, wage growth should follow suit.
- **The RBNZ will begin tightening policy in July.** Waiting for hard evidence that the economic recovery underway is sustainable, however, means that the RBNZ will have to tighten more aggressively. The first move will be a 50bp hike.
- **Inflation** fell in the final three months of 2009, with headline CPI slipping 0.2%q/q. Medium term inflation pressures are, however, a concern, given diminishing excess capacity and firms' intentions to raise domestic prices.

Australia and New Zealand economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
5 Apr	6 Apr Australia: RBA cash target (3:30 pm) Apr <u>no change expected</u> ANZ job ads Mar New Zealand: ANZ commodity price (2:00 pm) Mar	7 Apr	8 Apr Australia: Unemployment rate (11:00 am) Mar <u>5.4 %_{sa}</u>	9 Apr
<i>Holiday Australia, New Zealand</i>				
12 Apr Australia: Housing finance approvals (11:30 am)Feb	13 Apr Australia: NAB bus. Confidence (11: 30 am) Mar	14 Apr Australia: Westpac consumer confidence (10: 30 am) Apr New Zealand: Retail sales (10:45 am) Feb	15 Apr New Zealand: Business NZ PMI (10:30 pm) Mar	16 Apr
19 Apr	20 Apr New Zealand: CPI (10:45 am) 1Q	21 Apr Australia: Westpac leading index (10: 30 am) Feb	22 Apr Australia: New motor vehicle sales (10: 30 am) Mar	23 Apr Australia: Export, Import price index (12:30 pm) 4Q New Zealand: Visitor arrivals (10:45 am) Mar Credit card spending (2:00 pm) Mar
26 Apr	27 Apr Australia: PPI (11:30 am) 1Q	28 Apr Australia: CPI (11:30 am) 1Q New Zealand: NBNZ business confidence (2: 00 pm) Apr	29 Apr New Zealand: RBNZ official cash rate (9:00 am) Apr Trade balance (10:45 am) Mar	30 Apr Australia: Pvt. Sector credit (11:30 am) Mar
<i>Holiday Australia</i>				

Highlighted data are scheduled for release on or after the date shown. Times shown are local.

Global Data Diary

Week / Weekend	Monday	Tuesday	Wednesday	Thursday	Friday
5 - 9 April	5 April	6 April	7 April	8 April	9 April
China <ul style="list-style-type: none"> Trade balance (Mar) Japan <ul style="list-style-type: none"> Cabinet Office private consumption index (Feb) 	Japan <ul style="list-style-type: none"> PMI services (Mar) Turkey <ul style="list-style-type: none"> CPI (Mar) United States <ul style="list-style-type: none"> ISM nonmfg (Mar) Pending homes (Feb) 	Australia <ul style="list-style-type: none"> RBA mtg: No Chg Indonesia <ul style="list-style-type: none"> BI mtg: No Chg Taiwan <ul style="list-style-type: none"> CPI (Mar) United States <ul style="list-style-type: none"> JOLTS (Feb) FOMC minutes 	Brazil <ul style="list-style-type: none"> Auto report (Mar) Euro area <ul style="list-style-type: none"> GDP final (4Q) PMI serv final (Mar) Germany <ul style="list-style-type: none"> Mfg orders (Feb) Japan <ul style="list-style-type: none"> BoJ mtg: No Chg United Kingdom <ul style="list-style-type: none"> PMI services (Mar) United States <ul style="list-style-type: none"> Consumer credit (Feb) Bernanke speech 	Euro area <ul style="list-style-type: none"> Retail sales (Feb) ECB mtg: No Chg Germany: IP (Feb) Japan <ul style="list-style-type: none"> Economy watch surv (Mar) Machinery orders (Feb) Peru <ul style="list-style-type: none"> BCRP mtg: No Chg Taiwan: Trade bal. (Feb) United Kingdom <ul style="list-style-type: none"> New car regs (Mar) Bernanke speech BoE mtg: No Chg 	Canada <ul style="list-style-type: none"> Employment (Mar) Germany <ul style="list-style-type: none"> Foreign trade (Feb) Korea <ul style="list-style-type: none"> BoK mtg: No Chg Norway <ul style="list-style-type: none"> CPI (Mar)
12 - 16 April	12 April	13 April	14 April	15 April	16 April
China <ul style="list-style-type: none"> M2 (Mar) 		Germany <ul style="list-style-type: none"> CPI final (Mar) United Kingdom <ul style="list-style-type: none"> Trade balance (Feb) United States <ul style="list-style-type: none"> Import prices (Mar) International trade (Feb) 	Brazil <ul style="list-style-type: none"> Retail sales (Feb) Euro area <ul style="list-style-type: none"> IP (Feb) Turkey <ul style="list-style-type: none"> CBRTmtg: No Chg United States <ul style="list-style-type: none"> Beige book Bus inventories (Feb) CPI (Mar) Retail sales (Mar) Bernanke testimony before Joint Economic Committee of Congress 	Chile <ul style="list-style-type: none"> BCCh mtg: No Chg China <ul style="list-style-type: none"> CPI, FAI, Retail sales (Mar) IP (Feb) Euro area <ul style="list-style-type: none"> Foreign trade (Feb) Japan <ul style="list-style-type: none"> IP final (Feb) Reuters Tankan (Apr) United States <ul style="list-style-type: none"> IP (Mar) NAHB survey (Apr) NY Fed bus surv (Apr) Philly Fed bus surv (Apr) 	Euro area <ul style="list-style-type: none"> HICP final (Feb) Mexico <ul style="list-style-type: none"> Banxico mtg: No Chg United States <ul style="list-style-type: none"> Consumer sent (Apr) Housing starts (Mar)

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