J.P.Morgan

Australia and New Zealand - Weekly Prospects

Summary

- The week ahead in **Australia** is quiet for economic data, but includes two important events for the policy outlook. First, on Tuesday, the RBA releases minutes from the April 6 Board meeting. Key areas of interest will be any discussion of “buoyant” conditions in housing and the soaring terms of trade. References to both were prominent in the policy announcement two weeks ago, when the RBA hiked a further 25bp. Second, RBA Governor Glenn Stevens speaks in Queensland on Friday; Mr. Stevens will speak on *Economic Conditions*, so his comments will attract the market’s undivided attention. The 1Q terms of trade data is released Friday; it should show a healthy rise as export prices bounce and import prices fall. The rising terms of trade will be a recurring theme in policy-making decisions in coming quarters. The March car sales data is released Thursday, and should show a big rise.
- The data in **New Zealand** recently has been few and far between, but what has been released suggests the recovery underway has shed momentum. Last week’s retail sales numbers, for example, showed an unexpected slump in spending in February. In fact, the core sales trend measure fell for the first time since 1995. We maintain, therefore, that the RBNZ will delay the start of the next tightening cycle until July. This week’s CPI numbers are key to upcoming policy decisions, however. Headline CPI should print at 2.2%oya in 1Q, above the midpoint of the RBNZ’s target range, an uncomfortably high starting point given the recovery underway should strengthen this year. It would, though, take a much lower print on headline CPI for us to consider pushing out our call for the first OCR more to be delivered in July.
- Our central macroeconomic view is that the **global upturn** now completing its first full year has “legs” and that synchronized above-trend growth can be sustained for at least another year. Recent news has been supportive as significant upward surprises to Asian 1Q10 GDP readings and solid activity reports for March continue to push our 2010 global growth estimates higher. The latest forecasts place 1H10 GDP gains at an annualized 3.7% (4.6% using PPP weights)—a pace in line with global growth during its robust phase of expansion over 2005-7. Last week brought another round of upward forecast revisions in **Asia**. China’s economy expanded at a 13.1%q/q saar pace in 1Q, powered by solid domestic private-sector demand and a significant upturn in exports. Even more impressive than China’s performance was Singapore’s explosive 32% annualized gain, driven by a strong tech sector and a surge in pharmaceuticals output.
- The agreement last weekend of some key details of the **Greek support** mechanism has failed to calm market sentiment in the way that many politicians and policymakers had hoped. The key reason why sentiment toward Greece has continued to deteriorate is that investors’ concerns have quickly moved on from the issue of near-term liquidity to the issue of medium-term solvency. The Euro area agreement reached last weekend was a significant step to ease liquidity stress, but it does little to resolve the medium-term issue of whether Greece can achieve debt sustainability without a debt restructuring.

This week’s highlight (s)

The RBA Board minutes (Tuesday) and Governor Stevens’ speech (Friday) are the highlights in Australia. In New Zealand, the 1Q CPI print (Tuesday) will be important in determining when the RBNZ kicks off the tightening cycle.

April 19, 2010

Contents

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Data and event previews - Australia and New Zealand

Date	Time [a]	Data/event	Forecast JPMorgan	Forecast Consensus [b]	*Previous*
Tuesday, April 20	8.45am	NZ food prices (%m/m, Mar.)	**na**	na	*-1.3*
Tuesday, April 20	8.45am	NZ CPI (%q/q, 1Q)	**0.6**	0.6	*-0.2*
Tuesday, April 20	11.30am	RBA Board minutes (Apr.)	**na**	na	*na*
Wednesday, April 21	10.30am	Aust. Westpac Leading Index (%m/m, Feb.)	**na**	na	*0.2*
Wednesday, April 21	11.00am	DEWR skilled vacancies (%m/m, Apr.)	**na**	na	*2.4*
Thursday, April 22	10.30am	Aust. new motor vehicle sales (%m/m, Mar.)	**3.5**	na	*-1.9*
Thursday, April 22	1.00pm	NZ ANZ consumer confidence (%m/m, Apr.)	**na**	na	*-1.5*
Friday, April 23	8.45am	NZ visitor arrivals (%m/m, Mar.)	**na**	na	*-1.9*
Friday, April 23	11.30am	Aust. import price index (%q/q, 1Q)	**-1.2**	-1.5	*-4.3*
Friday, April 23	11.30am	Aust. export price index (%q/q, 1Q)	**4.6**	3.7	*-1.7*
Friday, April 23	12.50pm	RBA Governor Stevens' speech	**na**	na	*na*
Friday, April 23	1.00pm	NZ credit card spending (%m/m, Mar.)	**1.8**	na	*-0.3*

(a) Australian Eastern Standard Time.
(b) Consensus based on Bloomberg survey.

Australia

RBA Board minutes (Apr.) - The minutes should provide an indication of how anxious RBA officials are about the buoyancy in the housing market and the coming boost to national income from the soaring terms of trade. With growth already close to trend and limited spare capacity available, the minutes may even hint that the RBA Board is becoming more uncomfortable about the medium term outlook for inflation. In the last Statement on Monetary Policy in February, the RBA assumed inflation would be consistent with target in 2010; our forecast is less benign, with the trough in core inflation higher than the official forecast. We expect modest upgrades to the official forecasts in the next SoMP in May. The minutes will be upbeat, similar in tone to the statement accompanying the Board's announcement to hike the cash rate two weeks ago.

DEWR skilled vacancies (%m/m, Apr.) - After taking a hit during the financial crisis, vacancies began increasing again in mid-2009, and grew at 2%-plus rates over the remainder of last year. Perhaps unsurprisingly, substantial gains were first recorded in sectors leveraged to newly announced mining projects in building, engineering, and science. Other sectors like marketing and advertising, which were savaged during the crisis, now are hiring again. We expect the solid growth trend in vacancies to have continued in April on the back of further improvements in these sectors.

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Data previews - cont'd.

New motor vehicle sales (%m/m, Mar.) - The Federated Chamber of Automotive Industries reported a solid increase in vehicle sales in March. The FCAIS said that almost 95,000 cars were solid last month, the highest level of monthly sales in nine months, and a rise of 25%oya. Based on this evidence, we believe car sales will be up 3.5%m/m in March on a seasonally adjusted basis.

Terms of trade (%q/q, 1Q) - Export prices should have risen 4.6%q/q in 1Q, due to higher prices for metals like aluminum, copper, and gold. Rural export prices, on the other hand, were mostly softer over the quarter. Over 2010, changes to the contract negotiation protocol for iron ore, along with higher spot prices for coal, will pull export prices even higher yet. Import prices should have been down 1.2%q/q, owing to the slightly stronger currency. With both sides of the ledger moving in favourable directions, the terms of trade probably will have risen 5.8%.

RBA Governor Stevens' speech - The Governor delivers a speech in Queensland to the Toowoomba Chamber of Commerce and Industry's Economic Conditions Forum on "Economic Conditions." A Q&A session will follow. With the RBA already having hiked five times in the last six Board meetings, the key point of interest Friday will be whether the Governor provides any hints that, with market interest rates at least now closer to "average" levels, the pace of tightening can slow. Alternatively, RBA officials may be intent on pushing the cash rate back to "normal" as soon as is reasonably possible. We lean towards the second option, mainly on the basis of the magnitude of the boost to national income coming from the bouncing terms of trade; our forecast is that the RBA will hike again in May.

New Zealand

CPI (%q/q, 1Q) - The 1Q CPI data is the key economic data release ahead of the RBNZ's late April meeting. Headline inflation in the March quarter should have jumped to 0.6%q/q, from just -0.2%q/q in 4Q09. The rise in inflation in 1Q will owe mainly to higher food and petrol prices. From a year earlier, headline inflation will print at 2.2%, above the midpoint of the RBNZ's target range of 1%-3%. The non-tradable measure—inflation generated domestically and not influenced by the exchange rate—will have remained elevated above 2%oya. This is a worryingly high starting point given that domestic prices are set to rise throughout 2010 as the domestic economy extends its recovery.

Credit card spending (%m/m, Mar.) - We suspect credit card spending will be up solidly in March, rising 1.8%m/m. Other data from Statistics New Zealand (SNZ) showed that the value of core retail, retail, and total electronic card transactions were all up last month. Total transactions were up 2.1%m/m, according to SNZ, marking the largest monthly rise since November 2007. A strong number on the credit card data will point to a rebound in retail sales in March. Data last week showed that retail sales tumbled in February, with headline sales down 0.6%m/m and core sales down 0.9% over the month.

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Research note

RBNZ to tweak rhetoric in April policy statement

- **RBNZ will change official guidance on April 29, but should leave cash rate steady**
- **Rhetoric change needed given that RBNZ now is less likely to lift rates in June**
- **First OCR hike should be delivered in July, but we now expect a 25bp move**

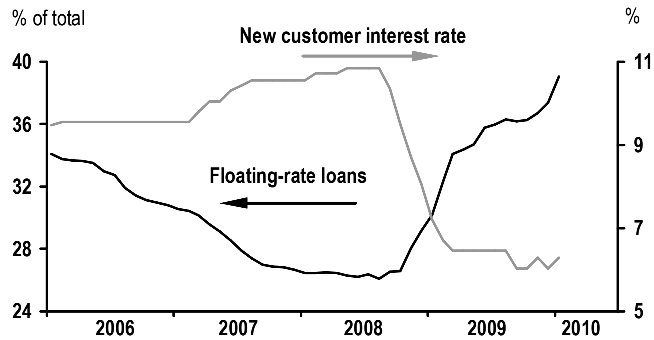
We expect that the RBNZ, in the statement accompanying the next official cash rate (OCR) announcement on April 29, will step away from its current policy guidance. The official guidance indicates the policy stimulus still in place may be removed "around the middle of 2010." This has led most market economists to forecast that the first OCR hike will be delivered in June. In fact, 12 of the 16 economists surveyed by Bloomberg last week expected a June move. We believe that the risk of a June hike has diminished in recent weeks, however, given the slew of economic data falling on the softer side of expectations. Market pricing suggests a 60% chance of a June move, but our forecast calls for the first hike to be delivered in July.

In the wake of the disappointing economic data, particularly the sustained weakness in credit, the RBNZ will likely be concerned that economic conditions will not support a rate hike "around the middle of 2010." If so, we believe that the RBNZ will, on April 29, lay the foundation for a later-than-June move. We expect Governor Bollard to drop the explicit reference to the likely timing of the first hike, thus allowing greater flexibility when making future policy decisions. The commentary should, therefore, suggest something along the lines of: "if economic conditions evolve broadly as expected, current policy settings will need to be adjusted to ensure that inflation remains consistent with the Bank's target over the medium term."

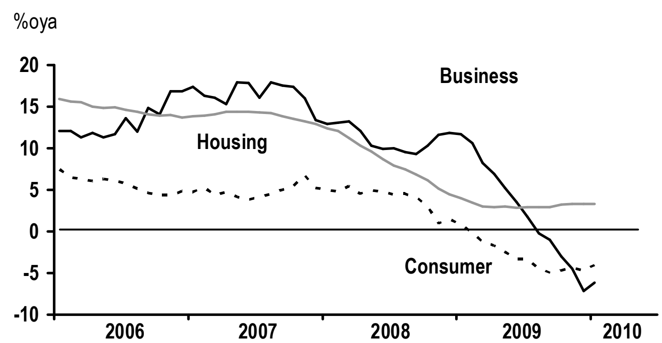
Economic data disappoint

The RBNZ set one key condition for the removal of the policy stimulus "around" midyear when Governor Bollard made his last policy announcement in March: that the economy continue to recover in line with the Bank's forecasts. The recovery under way appears, however, to have shed momentum. Last week, for example, retail sales printed well below our own and the market's expectations, with headline sales falling 0.6%m/m in February and core sales tumbling 0.9%. Furthermore, the trend in the core measure fell for the first time since 1995. This owes mainly to persistently weak labour market conditions, with firms' hiring continuing to run well below long-run averages.

Floating-rate loans more attractive



Credit growth remains subdued



Credit growth also remains subdued. Indeed, in over-year-ago terms, business lending has fallen for six straight months, growth in lending to the agricultural sector has slipped back into single-digit territory, consumer lending has fallen since the start of last year, and housing credit growth has remained stable despite a spike in housing activity toward the end of 2009. The pickup in house prices in 4Q09 was remarkably strong, but gains since have moderated owing to a flood of new listings on the market increasing supply. Given that the government has flagged possible changes to the taxation of property, which could be announced in the May Budget, we suspect this weakness will continue.

July for first move, but only 25bp

We maintain that the first rate hike will be delivered in July, with the RBNZ lifting the OCR from a record-low 2.5%. Governor Bollard wants hard evidence that the recovery is sustainable, so, in our view, he will remain on the policy sidelines until after the late-June release of the 1Q GDP report. We expect that data to print at a healthy 0.8%q/q, the same rate as in the previous three months. Given the recent slew of disappointing domestic data, however, we now expect the first move to be a 25bp hike, compared to 50bp previously.

There also are recent, dovish comments from Deputy Governor Spencer to consider. The Deputy Governor said that monetary policy changes should have a sharper impact in the post-crisis environment. These comments were in contrast to those from the Governor earlier this year highlighting that the OCR didn't come down in small hops so "meaty chunks" might be delivered on the upside.

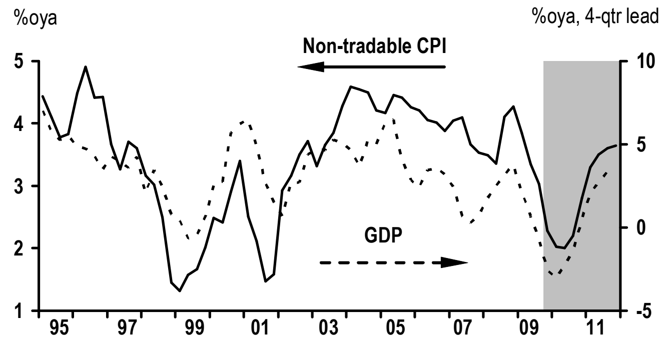
The RBNZ now appears willing to deliver smaller moves at the beginning of the next tightening cycle given that the transmission of monetary policy should be quicker than in previous years. This will owe to three key factors:

- **Steeper yield curve.** New Zealand now has an upward-sloping yield curve, which has meant that borrowers are more inclined to move into floating rates or shorter-term fixed rates. The shift into floating or shorter-term loans has been significant. As of January, 60% of all new home loans were fixed, compared to 74% at the start of 2008, for example. Historically, the yield curve in New Zealand has been inverted, so longer-dated fixed-rate loans were more attractive.
- **Higher bank funding costs.** The RBNZ highlighted in its last Monetary Policy Statement (MPS) in March that higher bank funding costs are doing some of the heavy lifting on the policy front. The RBNZ expects that these costs will "persist over the projection period, reducing the extent of future increases in the OCR." The Bank estimates that the marginal cost of funds is around 150bp above the OCR, compared to 20-30bp before the crisis.
- **New liquidity policy.** Policy changes have delivered a proxy tightening. They require that banks maintain a higher proportion (75% compared to 65% pre-crisis) of their funding from stable sources, such as deposits, or from wholesale sources with maturities over 12 months. Owing to heightened competition for deposits, this policy, effective from April 1, has pushed up retail deposit rates, which, in turn, have pushed up borrowing rates. The RBNZ estimates that the new policy will result in lending rates around 10-20bp higher in the medium term than they otherwise would have been.

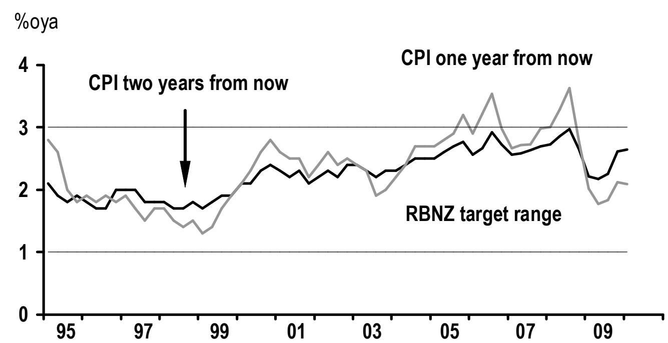
Steady policy-tightening likely

We expect the RBNZ to tighten policy steadily throughout 2H10, mainly owing to the deteriorating inflation outlook. Our forecast is for headline inflation to print consistently above the RBNZ's 1%-3% target range in 2011, owing to a

Non-tradable inflation to rise quickly



Inflation expectations elevated



weaker NZD and firms being able to raise prices as the economy gathers momentum. The risks are for higher inflation if inflation expectations begin to rise. As highlighted in *GDW* last week ("RBNZ to look through one-off price effects of GST and ETS," April 29), the RBNZ has assumed that inflation expectations will remain anchored in the near term. The introduction of the amended Emissions Trading Scheme (July 1) and the likely GST hike (October 1), however, pose risks to this assumption.

Headline inflation in 1Q10 should print at 0.6%q/q, or 2.2%oya, underpinned by higher food and petrol prices. This is stronger than the 0.3%q/q increase the RBNZ forecast in the March MPS, probably owing to the fact that commodity prices have risen by more than expected. The ANZ commodity price index increased 1.8%m/m in March to its highest level on record. Non-tradable inflation also is set to rise considerably as the domestic economy strengthens, especially given that capacity utilization is above its long-run average. The RBNZ, therefore, needs to remain wary of inflation, or else risk having to tighten policy more aggressively than we currently forecast in 2011. This is particularly so if the cash rate is left too low for too long.

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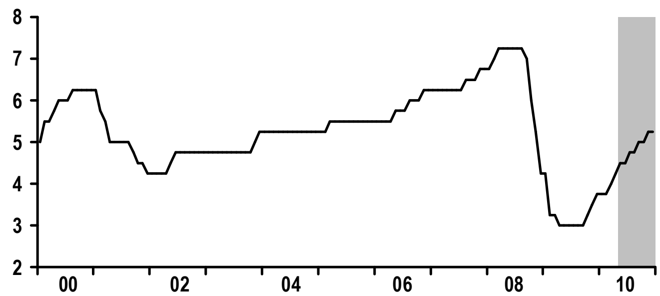
Australia

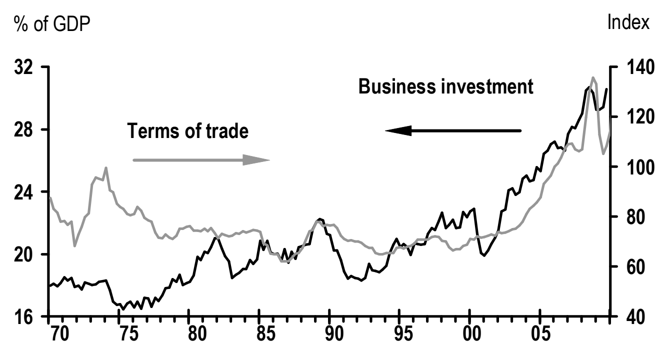
- **RBA minutes will maintain upbeat tone**
- **Consumers resilient in wake of tightening**
- **Terms of trade probably shot up in 1Q**

In Australia last week, most of the economic data printed close to our forecasts, although consumer confidence fell less than we had expected. It appears the RBA's assertive policy tightening has yet to have a significant impact on consumer confidence. Mortgage rates are, however, nearing a point where they soon should start to dampen sentiment. Our forecast now calls for the official cash rate to increase another 100bp before the end of 2010. The year-end cash rate target probably will be 5.25%, 25bp higher than our previous forecast. The change reflects our understanding that the RBA probably will err on the side of "front-loading" the removal of policy accommodation; we inserted an additional 25bp rate hike in 3Q10.

Australia: RBA cash target rate



Australia: business investment and terms of trade



RBA Board minutes to remain upbeat

The minutes of the RBA Board meeting two weeks ago will be released Tuesday. The minutes are likely to be upbeat, similar to the tone of the statement accompanying the Board's decision to hike the cash rate 25bp to 4.25% two weeks ago, which marked the second straight monthly hike. With the RBA now having increased the cash rate five times since October, it is becoming increasingly difficult to describe the pace of tightening as gradual. "Gradual" was the word that was prominent in the minutes from the March Board meeting. We suspect the word will not make an appearance this week.

In the statement two weeks ago, there were two material changes in the commentary. The first was the reference to the rising terms of trade and the positive impact this has on incomes and investment. This reference was absent from the commentary in March. The second was the Board's assessment of conditions in the established housing market, which it described as "buoyant." The minutes should show how anxious RBA officials are about the implications on inflation from these forces. The RBA continues to assume that inflation will be consistent with its target in 2010. With growth close to trend and limited spare capacity available, our contrary assessment is that inflation pressure will build more quickly than is assumed in the official forecasts.

Terms of trade to kick off bumper year

Aussie trade price data for 1Q will be released Friday; we expect a marked appreciation in the terms of trade over 2010. In 1Q, import prices should have fallen a mild 1.2%q/q, owing to the slightly stronger AUD. Export prices should have risen 4.6%q/q due to higher prices for alumina, copper and gold. Rural export prices mostly were softer over the quarter. The terms of trade probably will have risen 5.8%q/q.

This will be but a precursor, however, of the huge gains we expect over the next two years. In particular, the 2Q10 print will be boosted by 55% and 65% increases in coking coal and iron ore prices, respectively. In early April, major mining companies agreed with Asian customers to move from annual iron ore price negotiations to shorter-term market-based pricing. The new agreements imply a huge mark-up on previous contract levels. This one-off jump will push up export prices 12%q/q in 2Q. Prices for these commodities should remain elevated for some time. We forecast a further 21% increase in the terms of trade, relative to 4Q09, by the end of 2011, which will provide a substantial boost to national income.

Housing finance no longer in free-fall

February's housing loan commitments continued the weakness that has been in place since the phasing down (and then expiry) of the expanded First Home Buyers' (FHBs') grant at the end of last year. Commitments fell a further 1.8%m/m (J.P. Morgan: -2.0%, consensus: -1.0%), a substantially smaller decline than that witnessed in previous months. Loans now are running at 22% below the peak levels of September 2009. Our long-held belief that housing activity would soften with the withdrawal of government policy support has played out in the housing finance numbers, though house prices and broader market sentiment have remained resilient. Given the shifting composition of demand toward investors, and the fact that average loan sizes in all groups are holding up, we feel the recent weakness in housing finance probably reflects a cohort effect, and should have largely run its course.

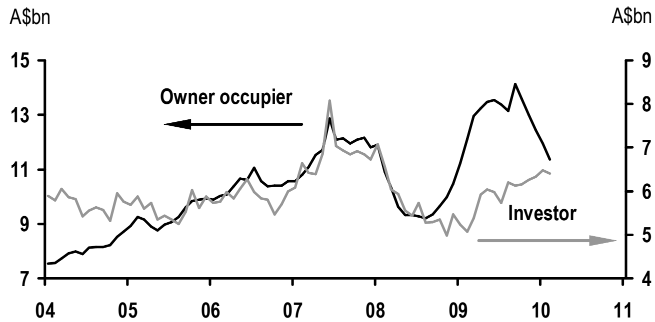
The proportion of commitments lodged by FHBs continued to decline, sliding to 18.1% from 20.5% in January. Significantly, this proportion is now below the average for the past decade, after reaching an all-time high of 28.5% in May last year. The inevitable lull following the pull-forward of demand into 2009 has put significant downward pressure on loan commitments in recent months, but should be approaching a bottom. Not surprisingly, demand for fixed-rate loans continues to wane, with the pricing of such loans relatively expensive. Fixed-rate loans as a percentage of all loans issued fell for the seventh straight month to just 2.1% of the total, and average loan sizes within this category are 16% below the levels of mid-2009.

Given that the expanded grant ended on December 31 2009, price caps on the original grant became effective at January 1, and that mortgage rates are poised to rise further, the housing market is not without headwinds in 2010. After the dramatic withdrawal of first home buyers in the past few months, the precipitous fall in home loan commitments is likely to slow substantially from here. We expect still sluggish demand for home loans over the remainder of 2010, but with prices well supported by a healthy labour market and a chronic undersupply of housing stock.

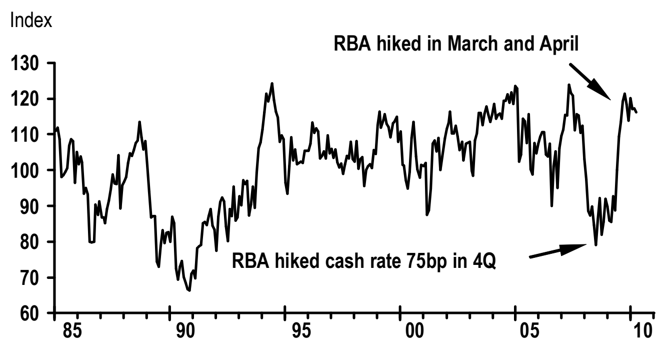
Consumer confidence still resilient

Consumer confidence in Australia, as measured by the Westpac-Melbourne Institute (WMI), fell in April as expected, but only modestly. The confidence index fell just 1.0% to 116.1, remaining near a three-year high and indicating that optimists continue to outnumber pessimists. We had anticipated a larger fall in sentiment in the wake of the RBA's decision to hike the cash rate 25bp two weeks ago.

Australia: housing finance



Australia: Westpac-Melbourne Institute consumer confidence index



Indeed, consumer confidence has held up much better than anticipated in recent months. It seems that the RBA's assertive tightening (the official cash rate has been hiked five times over the past six meetings) has yet to bite. In fact, the WMI reported that confidence among those that own their houses fell just 1% in April, but among those that have a mortgage, confidence actually *rose* 0.2%. This may owe to the fact that the majority of mortgage holders maintained their monthly repayments over the course of the RBA's easing cycle, so that mortgage rate increases have yet to reach the point where rate hikes have a major impact on confidence. This dynamic, though, is nearing an end.

Only two of the five major index components fell in April; family finances a year ago (-0.6%) and a year ahead (-8.0%). Sentiment toward the economy one and five years ahead rose 1.3% and 0.7%, respectively, and sentiment toward buying household items was up 1.5%. Aside from attitudes to family finances, we think sentiment will rise in the remaining components given the positive outlook for the labour market. Workers' hours, which were cut over the past year

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are being reinstated, wage growth should accelerate; we expect significant employment gains in 2H as the investment boom gets under way. The positive impact on sentiment of the tightening in the labour market will partly offset the negative impact of rising market interest rates.

Data releases and forecasts

Week of April 19 - 23

From Apr 19 11:30am
NAB business confidence
Sa

	2Q09	3Q09	4Q09	1Q10
% balance, sa	-4	16	18	__

Thu Apr 22 11:30am
Sales of new motor vehicles
Units, sa

	Dec	Jan	Feb	Mar
%m/m	3.2	-3.5	-1.9	3.5
%oya	17.1	15.5	17.1	25.0

Fri Apr 23 11:30am
Export price index
Nsa

	2Q09	3Q09	4Q09	1Q10
Index	166.5	150.5	148.0	154.8
(%q/q)	-20.6	-9.6	-1.7	4.6
(%oya)	-0.2	-20.7	-32.7	-26.2

Fri Apr 23 11:30am
Import price index
Nsa

	2Q09	3Q09	4Q09	1Q10
Index	124.7	120.9	115.7	114.4
(%q/q)	-6.4	-3.0	-4.3	-1.2
(%oya)	5.9	-2.3	-15.5	-14.2

Review of past week's data

Housing finance approvals: owner occupiers
Number of loans, sa

	Dec		Jan		Feb	
%m/m	~~-5.1~~	*-5.2*	~~-7.9~~	*-7.3*	~~-2.0~~	*-1.8*
%oya	~~0.2~~	*-0.1*	~~-12.0~~	*-11.6*	~~-16.6~~	*-16.1*

NAB monthly business survey
% balance, sa

	Jan	Feb	Mar	
Business confidence	15	19	__	*16*

WMI consumer confidence survey
100=neutral, sa

	Feb	Mar	Apr	
%m/m	-2.6	0.2	~~-3.0~~	*-1.0*

New Zealand

- **CPI key ahead of RBNZ announcement next week**
- **Headline CPI to jump 0.6%q/q**
- **Core retail sales slumped in February**

In New Zealand, the soft retail sales numbers last week reaffirmed our view that the RBNZ will not start tightening policy in June, as the consensus forecast suggests. The 1Q CPI numbers this week, however, will be key in Governor Bollard's forthcoming policy deliberations. We expect that the annual CPI will print above the mid-point of the RBNZ's 1%-3%oya target range—an uncomfortably high starting point with the economic recovery currently under way likely to gather momentum throughout the year.

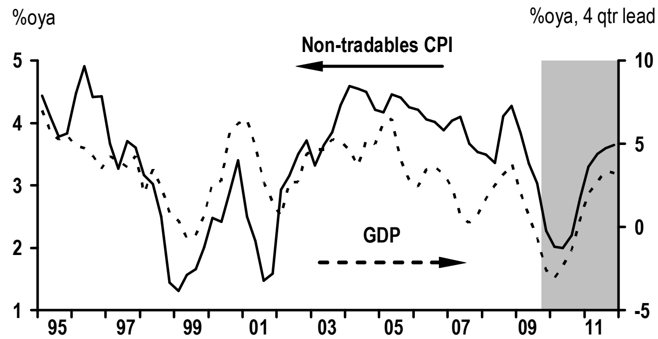
NZ inflation should be back in the black

We suspect inflation picked up significantly in the opening months of this year. Headline inflation printed at -0.2%q/q in 4Q09, but, on our forecast, will have jumped to 0.6% in 1Q10. This is double the RBNZ's forecast of 0.3%q/q announced in the last Monetary Policy Statement in March. The jump in headline CPI will take the on-year-ago rate to 2.2%, above the mid-point of the RBNZ's target band.

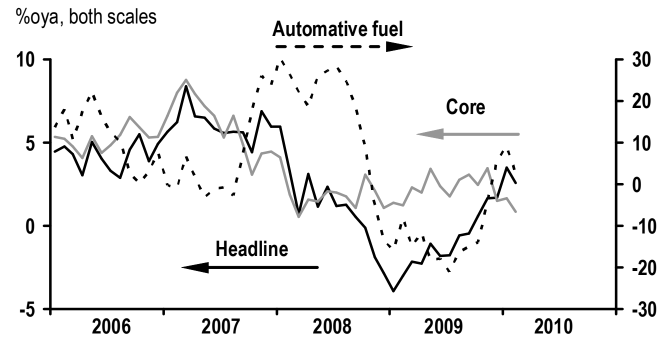
The rise in inflation in 1Q will mainly owe to higher food and petrol prices. Commodity prices also have risen solidly, with the ANZ commodity price index up 1.8%m/m in March to its highest level on record. Prices in New Zealand dollars also hit a record high, after rising 0.4%m/m. The non-tradable measure—inflation generated domestically and not influenced by the exchange rate—will have remained elevated above 2%oya, although this is set to rise considerably (chart), owing mainly to the fact that capacity utilization is above its long-run average and firms will be able to raise prices as the economy gathers momentum.

The RBNZ, therefore, needs to remain wary of inflation. By year-end, we anticipate that headline inflation will be above target. The risks are skewed to even higher inflation, however, if inflation expectations do not remain anchored following the introduction of the amended ETS (July 1) and a possible hike to the GST (October 1). With the inflation outlook deteriorating, we maintain that the first rate hike will be delivered in July, with the RBNZ lifting the OCR 25bp from a record low 2.5%. Leaving the cash rate too low for too long risks the RBNZ having to tighten policy more aggressively that we currently forecast in 2011.

New Zealand: non-tradables inflation and GDP



New Zealand: retail sales



Kiwi retail sales weakened further

Retail sales in New Zealand tumbled in February, bucking expectations for a modest rise. Retail sales values fell 0.6%m/m (J.P. Morgan: 0.3%, consensus: 0.2%), after spiking 0.8% in January. Six of the 24 retail industries recorded falls of more than NZ$5 million.

More importantly, and indicative of the underlying weakness on the consumer front, core sales slumped 0.9%m/m (J.P. Morgan: 0.1%, consensus: 0.4%), marking the second fall in three months. In December, core retail sales posted a record 2.0% fall. Painting an even bleaker picture of the retail sector, the trend in the core measure is falling now for the first time since 1995, and is down 1.0% since October. The weakness can be linked to some extent to the recent drop in food prices, with the food price index falling 2.8% since July last year. Around 45% of the value of core retail sales comes from the five food-related industries—supermarket and grocery stores, fresh produce retailing, takeaway food retailing, other food retailing, and cafes and restaurants—which fell NZ$12 million in total in February.

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Significant falls also were recorded in discretionary areas of spending, with department store sales down 3.3%m/m and appliance retailing down 4.2%. Large falls were also recorded in supermarket sales (-0.7%) and sales at cafes and restaurants (-2.1%). Motor vehicle retailing was down 1.0% over the month.

Any recovery in consumer spending this year, in our view, will be relatively modest. With petrol prices recently rising, labour market conditions weak, and housing market activity moderating, households will remain cautious. The REINZ reported last week that house prices rose in March (up 1.7%m/m), although we expect gains to moderate; this will owe to the flood of listings that have come onto the market and the uncertainty surrounding possible changes to the way property is taxed, which will likely be announced in the upcoming Budget in May.

The retail sales data will, though, become more difficult to read in coming months. If it is announced in the May Budget that the government will lift the GST to 15% from October 1, we would expect to see some spending bought forward to around midyear. History shows that consumers spend ahead of an indirect tax rise, particularly on big ticket items, such as cars and furniture.

Data releases and forecasts

Week of April 19 - 23

Tue Apr 20 10:45am

Consumer price index
Nsa

	2Q09	3Q09	4Q09	1Q10
Headline (%oya)	1.9	1.7	2.0	2.2
Headline (%q/q)	0.6	1.3	-0.2	0.6

Fri Apr 23 10:45am

Visitor arrivals
Nsa

	Dec	Jan	Feb	Mar
Total (%m/m)	6.7	-2.3	-1.9	-1.5

Fri Apr 23 10:45am

Net permanent immigration
Nsa

	Dec	Jan	Feb	Mar
Monthly (000s)	1.4	2.5	2.6	__
12 month sum (000s)	21.3	22.6	21.6	__

Fri Apr 23 3:00pm

Credit card spending
% change

	Dec	Jan	Feb	Mar
%oya	-1.0	1.4	-0.3	1.0

Review of past week's data

QVNZ house prices
%, median

	Jan	Feb	Mar
%oya	4.4	5.5	__ *6.1*

Retail trade

	Dec	Jan	Feb
%m/m, sa	~~-0.4~~ *-0.5*	~~0.8~~ *0.7*	~~0.3~~ *-0.6*
%oya, sa	1.8	3.6	~~3.6~~ *2.3*

Business PMI

	Jan	Feb	Mar
Index, sa	~~52.1~~ *52.2*	~~53.3~~ *53.6*	__ *56.3*
%oya, sa	23.0	~~35.5~~ *35.3*	__ *34.4*

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Global Essay

- **Final sales took off last quarter, led by a surge in capital spending**
- **With demand growing rapidly inventory restocking cycle remains in infancy**
- **Policy responses mostly cautious in booming EM Asia**
- **Market concerns about Greece focusing on medium-term solvency**
- **This week: a bounce in US durables and monetary tightening in India**

It's in the legs

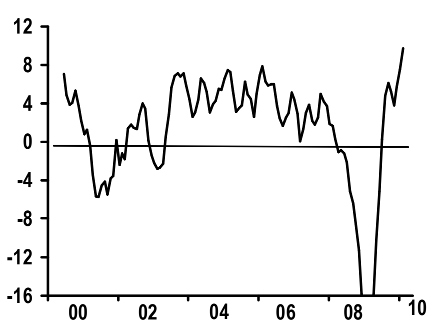
Our central macroeconomic view is that the global upturn now completing its first full year has "legs" and that synchronized above-trend growth can be sustained for at least another year. Certainly, recent news has been supportive as significant upward surprises to Asian 1Q10 GDP readings and solid activity reports for March continue to push our 2010 global growth estimates higher. The latest forecasts place 1H10 GDP gains at an annualized 3.7% (4.6% using PPP weights)—a pace in line with global growth during its robust phase of expansion over 2005-7.

The current pace of growth is, of course, not always a good guide for what lies around the corner. As such, it important to look past the growth numbers and assess whether the key components of our view are on track to propel the global economy forward even as unique drags related to the financial crisis temper the pace of growth. At present, these components appear to be falling nicely into place.

- **Private sector behaviour is now lifting demand.** Although fiscal policy provided a temporary spark for demand to lift last year, this spark has turned the tide in private behaviour away from retrenchment. As a result, global final demand is accelerating even as fiscal supports wane. Consumer spending growth has remained solid, partly on the back of a turn in business spending and hiring. This turn in business behavior is taking place across the globe and appears to be generating a bounce in capital spending. In fact, a sharp rise in capital goods shipments has lifted our proxy of global final sales growth to a 9.7% annualized pace over the latest three months—its fastest gain in over a decade.
- **The restocking cycle has only just begun.** Much of the lift in growth over the past year came from production adjustments by firms that had underestimated demand trends. However, even with 12% annualized gains in global IP during 2H09, firms continued to draw down inventories. With demand and production each rising at a rapid pace during 1Q10, inventories remain lean and the restocking cycle is only in its infancy.
- **The big and the healthy.** Emerging Market economies are quietly changing the global landscape as they generate sustained strong growth and terms of trade gains. With their share of global consumption now above one-third—larger than the US consumer's—their healthier demand trend is having a bigger (positive) impact on global activity.
- **The financial feedback loop is operating.** Credit conditions remain tight in a number of large economies and will temper growth in the coming quarters. However, the main thrust of financial market movements—rising asset prices and narrowing credit spreads—is supporting growth. Importantly, two potential market risks have not materialized. Despite rising sovereign credit risks, government bond yields remain low. And energy prices have moved only modestly higher despite strong growth and very accommodative monetary policy.

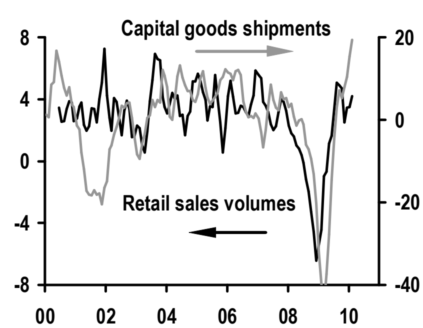
Global final sales proxy

%3m/3m, saar



Global demand indicators

% change 3m3m, saar both scales



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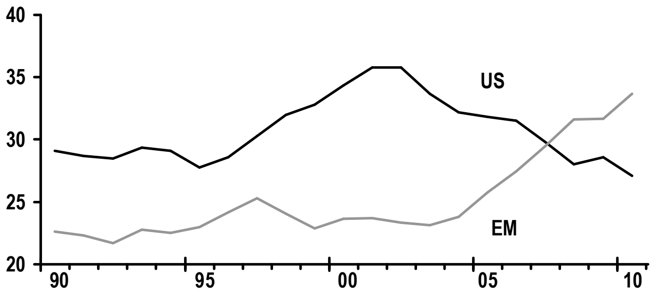
Global consumption share

% of nominal global spending



Asia booms and policy responses vary

Last week brought another round of upward forecast revisions in Asia, largely on the back of strong 1Q10 outcomes. China's economy expanded at a 13.1%q/q saar pace in 1Q, powered by solid domestic private-sector demand and a significant upturn in exports. Even more impressive than China's performance was Singapore's explosive 32% annualized gain, driven by a strong tech sector and a surge in pharmaceuticals output.

While strong expansions are established across the region, the willingness of EM Asia's policymakers to tighten is quite varied. Singapore responded immediately to its growth surge, with the MAS announcing an unprecedented, simultaneous shift in the midpoint and the slope of its nominal effective exchange rate band. This week, in India, we expect the Reserve Bank to continue to flex its muscles. At its last quarterly meeting in January, the RBI kicked off its tightening cycle by raising the cash reserve requirement and, in an intrameeting move last month, it hiked its policy rates by 25bp. With inflation pressures in India now broadening beyond food, we expect an aggressive RBI to hike rates by 50bp (consensus expects a 25bp move) and at the same time raise the CRR by 50-75bp.

In China, the policy course is less straightforward. In addition to strong growth, last week's news showed March M2 and loan growth each moderating, suggesting that policy measures implemented since early this year, including intensified open market operations, required reserve ratio (RRR) hikes, and window guidance, have started to take effect. And China's March CPI posted a lower-than-expected 2.4%oya increase. As a result, we may have to wait until the release of the May CPI data before headline inflation reaches the 3% level that some policymakers want to see before agreeing to hike policy rates.

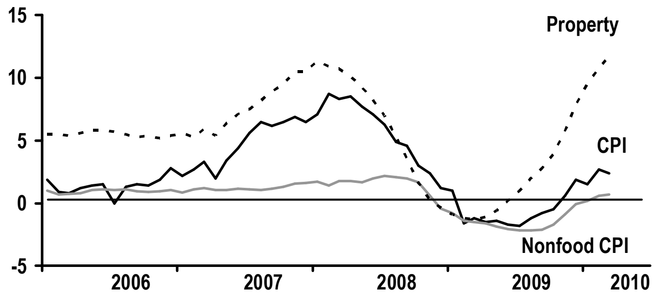
While China's interest rate response looks likely to be slow and reactive, sector-specific measures are continuing to be employed amid growing concerns on the renewed heating in the property market. Along this line, on the same day as the release of the 1Q GDP report, the State Council announced a series of further tightening measures targeted at the property market, including raising further the first installment requirement of second home purchase to 50%, and raising the mortgage interest rates applied to such home purchases. China is also continuing to focus on sterilizing excess liquidity through open market operations and RRR hikes, as well as strengthening credit control. A very gradual appreciation of CNY will be part of this broad array of policy measures, and we continue to expect CNY/USD to begin to move by May, reaching 6.5 by the end of the year.

Greece primary problem comes to the fore

The agreement of some key details of the Greek support mechanism has failed to calm market sentiment in the way that many politicians and policymakers had hoped. As a consequence, the Greek Finance Minister wrote a letter to the European Commission, the ECB, and the IMF requesting discussions on a multi-year program of adjustment supported by financial assistance. The key reason why sentiment toward Greece has continued to deteriorate is that investors' concerns have quickly moved on from the issue of near-term liquidity to the issue of medium-term solvency. The Euro area agreement reached last weekend was a significant step to ease liquidity stress, but it does little to resolve the medium-term issue of whether Greece can achieve debt sustainability without a debt restructuring.

The difficulty of the Greeks achieving debt sustainability can be seen by looking at the fiscal arithmetic. Last year, the Greeks were running a primary fiscal deficit of almost 8% of GDP. It is generally thought that in order to achieve debt sustainability Greece would need to run a primary surplus of at least 3% of GDP. A move in the primary position of 11%-pts of GDP is huge, especially in a weak growth environment and absent the benefits of currency flexibility. Indeed, it would be an unprecedented move over a three-year horizon. The largest three-year fiscal improvement that any Euro area country has seen before was 8.5%-pts in Finland (from 1995-98). Liquidity support from the rest of the Euro area and the IMF helps, but the huge task of moving to a primary surplus remains.

Chinese price measures
% ch over 12 months



Turkey to accelerate on easier policy

The EM contrast with the slide in developed market core inflation is particularly striking in Turkey. Consumer price inflation was 9.6%oya last month and is projected to reach 11% by May. This compares with end-2010 and end-2011 inflation targets of 6.5% and 5.5%, respectively. More worrisome is that, after bottoming in April 2009, core inflation has moved up sharply as the global recovery got under way despite economic activity remaining well off the previous cyclical peak. While exogenous factors like food price increases and tax hikes are largely responsible, an unwelcome rise in inflation expectations also appears likely. Nevertheless, the dovish tone evident in the latest MPC announcement and the gradualist approach seen in the exit strategy clearly show that the CBRT is in no hurry to tighten its monetary policy despite worsening inflation prospects. Consequently, we now expect the CBRT to raise rates more gradually, with four 50bp rate hikes by the end of 3Q bringing the policy rate to 8.5% by year-end. Combined with a faster-than-expected pickup in aggregate demand to date, we now see GDP expanding 5.1% in 2010 with inflation rising to an 8.1% pace.

UK belt tightening on each party's menus

Opinion polls continue to suggest that the May 6 election in the UK will not return any single party with a majority of seats in Parliament. And yet, while the election campaigning emphasizes the differences among the parties, the similarities are more striking. Each of the main political parties recognizes the need to bring the almost 12% of GDP budget deficit back toward balance, and both opposition parties offer institutional changes designed to lend greater credibility to the process of fiscal consolidation. Consequently, a hung parliament would not necessarily derail the path to consolidation. Still, all plans point to a consolidation that is spread over time, and so, short of a much stronger recovery than appears likely, no party is planning to deliver a balanced budget within the next five years.

Bank of Canada stepping toward exit

The Bank of Canada makes its periodic rate announcement and releases its quarterly monetary policy report this week. Though no rate action is expected, the markets will scrutinize the announcement and the MPR for hints that support the growing expectation that the Bank will deliver a rate hike in early June, a month ahead of the end of its conditional rate commitment. A significant rise in the Bank's inflation outlook will likely be seen as confirmation of an early hike. Although the Canadian economy clearly no longer needs monetary policy at an emergency setting, we are not expecting such a change. The strength of CAD and the rise in market interest rates over the past five or six weeks are tightening financial conditions on the margin, giving the Bank more room to maneuver. We thus continue to look for the first rate hike in July.

Brazil shifts into overdrive

The rebound of global manufacturing and commodity prices, along with the maintenance of highly accommodative monetary and fiscal policies, is promoting robust growth across much of Latin America. Brazil continues to lead the pack, as highlighted by recent reports on retail sales, IP, the labour market, and confidence. Last week we raised our 2010 GDP forecast almost 1%-pt to 7.0%, which would be Brazil's best growth outcome in almost 25 years. On the monetary policy front, we are front-loading the pace of the expected tightening, with this month's 50bp hike to be followed by 75bp moves in June and July, while leaving the total magnitude of the rate hikes unchanged at 350bp. In addition to Brazil, we also raised our forecast for growth in Peru. All told, Latin America is now expected to grow 4.9% in 2010, nearly 2%- pts above its estimated potential growth rate.

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JPMorgan View - Global Markets

Any correction should be short-lived

- **Asset allocation:** Move risk from HG credit to equities as strong profits raise equity upside while credit spreads are approaching the likely cycle lows.
- **Economics:** Strong final demand is extending the IP boom. Global inventory rebuilding has probably not even started yet.
- **Fixed income:** Greek spreads are still high, and borrowing from the EU/IMF facility looks increasingly likely. Inflows to EM debt remain very strong; stay selectively long.
- **Equities:** Equities are vulnerable to negative news in the near term as positions and technicals point to overbought markets
- **Credit:** We stay overweight higher-yielding EM external debt and lower the EMBIG year-end target to 225bp from 250bp.
- **FX:** Sell EUR/CHF as euro underperformance will likely persist.
- **Commodities:** Manufacturing sector to remain strong. Stay long base metals.

The global rally gathered pace last week as equities and credit reached new cycle highs, while bonds and currencies stayed in a broad range. The almost straight-line nature of the rally over the past nine weeks and various signs of excess froth in the risk markets suggest that **the probability of a profit-taking correction has risen significantly**. We accept this risk, but plan to ride through any correction, as the underlying profit and value drivers of the rally are in our minds strong enough to prevent serious damage.

Economic data continue to raise our confidence that the recovery has legs and that downside risks are receding. Most comforting to us is the **broadening of the rebound across sectors and regions**, from what started as a narrow inventory cycle in manufactured goods. Stronger-than-expected demand from both global consumers and companies is telling us that the rapid growth in production has not yet caught up with demand. This means that global inventories have probably not bottomed yet, extending the needed boom in production another six months.

The broadening of the recovery across regions is a reality, but does not imply that all are doing equally well. The US and Asia continue to lead the pack. We raised our Asian growth forecast over the past weeks, and continue to see upside risks to the US. The top-down implication for markets is that one should overweight the risky assets of the leaders, and underweight their bonds. Such a strategy worked well in 1Q. With the same leaders in place in 2Q, their currencies and risky assets should continue to do better than Europe. We do make an exception for equities in local currency terms. In Europe, the higher-beta nature of their stocks—more leveraged companies and higher shares of industrials—should help offset the damage of lower growth and the Greek drama. In Asia, uncertainty about the success of Chinese tightening should keep EM Asian equities underperforming for another month or so. Asian strength does support our long in commodities and in particular base metals.

Europe's economy is now probably out of recession, but it remains the weaker sibling, not just due to its soft economic data, but also because of its inability to act decisively and in a unified manner regarding the fiscal crisis all DM countries face. **The Greek crisis is not over and is more likely to spread.** International investors will stay wary of Europe.

The first set of **US 1Q earnings announcements is showing impressive growth** that is pushing up consensus 2010 projections, even above the $81 forecast of our own US equity strategist, Tom Lee. Tom's $81 EPS forecast may have seemed audacious a few months ago, but with 1Q so far coming in well ahead of our expectations, there is clear upside risk to this number.

Fixed income

Core bond markets rallied last week, partly on continuing concerns over Greek debt. **Greece formally requested discussions on the EU/IMF support package**, and seems increasingly likely to avail itself of it before its mid-May bond redemption. This facility largely removes near-term liquidity risks, and accounts for the strong demand for Greece's two Treasury bill auctions last week. Greek spreads remain stubbornly high, however, and will likely only narrow meaningfully in response to further progress on fiscal consolidation, which will take time.

Contagion from Greece to other Euro area countries has been relatively limited so far, although Irish and Portuguese spreads increased last week. The latter appears more vulnerable to spillover from Greece's problems, given its higher government debt.

The deterioration in advanced economy fiscal balances over the past two years has been broad-based. The US, UK, and (to a lesser extent) Germany all saw government yields rise relative to swap rates as their deficits grew last year, though

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the absolute level of government yields in core markets is still historically low. In contrast, **government debt to GDP ratios are much lower in EM**. The gap is likely to grow in the next few years, reflecting both stronger growth in EM and, relatedly, larger government deficits in DM. This has been one factor underpinning flows into EM debt, along with low returns on cash and generally diminished economic and market volatility. Indeed, **flows into EM bonds reached $19 billion in 1Q, a quarterly record** (see W. Oswald, *Emerging Markets Outlook and Strategy:* "Market Lab"). We stay selectively long EM local debt, focusing on Russia, South Africa, and Brazil.

Bond issuance was broadly in line with our expectations in 1Q, and with QE over we continue to expect bond supply to exceed demand in core markets this year. This keeps us modestly bearish on core markets, and **we stay short duration in the UK**.

UK breakeven inflation has continued to rise steadily over the past month, in part due to increasing confidence that sales tax will be increased after next month's election. With short-dated breakevens above our 2.75% target and the election outcome still uncertain, we **turn neutral on UK breakevens** (see this week's *Global Fixed Income Markets Weekly*).

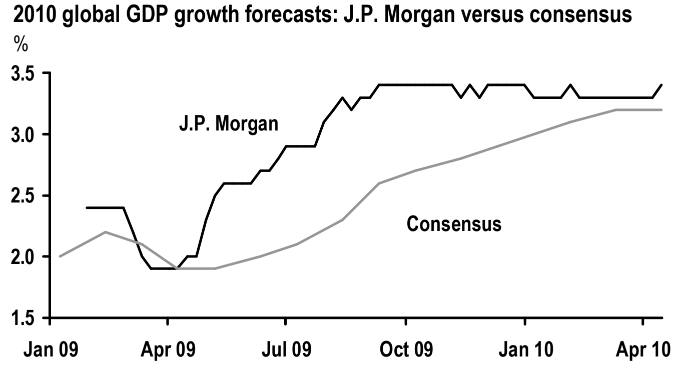
Equities

Global equities reached a new high on Thursday driven by upbeat news from the 1Q reporting season. However, they **finished the week in the red** as Friday saw a sell-off on news that US regulators (SEC) are suing for fraud tied to CDOs. Financials led Friday's sell-off, falling by more than 3% on the day.

Clearly, **the news flow has turned negative and uncertainty has risen** for Financials, making the case for overweighting them less compelling.

Although the SEC fraud case does not have direct implications outside Financials, the rise in uncertainty is negative for equities at a time when equity markets are overbought. **Technicals** have been pointing to **overbought equity markets** for some time now and Friday's correction has the potential to drag the S&P 500 down toward 1175 in the near term. But our technical strategists (see Mike Krauss, *S&P 500 Technical Strategy*) see very little chance of the S&P 500 falling below 1150, i.e., the January high, over the coming weeks.

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



Positions also suggest that equities are vulnerable to negative news. The BofA Merrill Lynch Fund Manager Survey showed that real money investors raised their exposure to equities for a second straight month in April. A net 52% of asset allocators were overweight equities at the beginning of April, up from 33% in February, and back to the high seen in January. See Friday's *Flows & Liquidity* for more details.

However, we believe that **any correction should be short-lived**. The fundamental picture is strong for equities and **the news from the 1Q reporting season has been very supportive** so far. The 81% of the S&P 500 companies that have reported so far outperformed on revenues and 79% on EPS. Investors are not fully appreciating how strong and broad this earnings cycle is proving to be. 30% of the companies in the S&P 500 are forecast to exceed their prior peak EPS and the top quartile of S&P 500 companies should see EPS collectively 28% above their prior peak. See *Q1 EPS marks crossover to topline growth*, T. Lee, April 16.

Credit

Last week saw a broad-based rally in credit driven by positive economic and earnings news. Credit spreads reached new cycle lows on Thursday in both HG and HY.

We stay long in credit and continue to focus our exposure on lower-rated, high-yielding sectors. In corporate **HY** credit, we remain long outright and overweight CCC and B-rated bonds versus BB. In **EM**, we see further spread compression in the EM external debt market driven by inflows to EM bonds, especially from crossover investors in search of yield. We revise down our **year-end target for the EMBIG from 250bp to 225bp**. High yielders such as Ukraine, Argentina, and Venezuela are the focus of our EM overweight.

The rally in HG credit has been exhausted to a large extent.

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We instead prefer to chase relative value opportunities within the HG sector. Be long iTraxx Main versus CDX.IG; long iTraxx Financials Senior versus Financials Sub; long iTraxx HiVol versus Financials Sub. (See *European Credit Outlook & Strategy*, S. Dulake, April 15.)

Foreign exchange

Greece may be the first country this year to tighten dramatically, but it probably won't be the last. Primary deficits are close to unprecedented throughout the OECD, and Greece is hardly the worst offender—Ireland, UK, and the US are. If the conventional wisdom is that fiscal deficits are currency negative, shouldn't tightening be positive? Not when done on a scale that is so disruptive for growth. On average, major fiscal tightenings—defined as moves from at least 3% primary deficit to surplus—have progressed over six years and delivered currency declines of 5% in real trade weighted terms, and 20% in nominal terms.

The Euro area experience in 2010 would be unique, since only a minority of countries will be tightening aggressively. The resulting euro depreciation might be less than the norm, but the stress on the periphery will be that much greater unless the EU/IMF facility addresses the credit stress created by monetary union. There are too many implementation risks to assume that this process will run smoothly, which implies that **euro underperformance will persist**, particularly on the crosses.

There are minor changes to the portfolio this week, mostly adding to shorts on euro crosses. We sell EUR/CHF in cash again—a trade we held from November 2009. At any moment Greece could ask for EU/IMF funding given its dwindling funding options. EUR/USD can rally from oversold levels, but its rise on the crosses would be shorter-lived given the much stronger outlook and debt positions in most other countries until March 2010—to complement an existing position in options. Also sell EUR/CAD and EUR/Asia through IDR.

Commodities

Commodities were flat last week with base metals and agriculture posting positive returns, while energy and precious metals were down. The outlook remains supportive for base metals, due to strong demand from EM economies and the recovery in the global manufacturing sector. Last week, we saw impressive growth numbers in China with strong momentum heading into the current quarter. Overall, demand remains very strong in EM Asia. On the manufacturing side, we still forecast strong growth in coming quarters despite the weaker global IP growth in February. Recent surveys point toward a reacceleration in global manufacturing activity. **Inventory building**, and not just final demand growth, will be a **supportive force for base metal** prices in coming months.

Crude prices are again below $85, despite the significant variation in prices last week. US inventories were surprisingly bullish with both crude and gasoline stocks unexpectedly down. Prices were temporarily above $86 but have since then returned to our forecast short-term range. We continue to believe that the path to $90 remains in place, but we also believe that prices should stay below $85 a while longer, as prices have rallied too fast relative to fundamentals. We cut our allocation to **oil** early last week, but **feel comfortable adding more risk if prices go below the midpoint of the $80-85 range**, as our medium-term view remains bullish.

Ten-year Government bond yields

	Current	Jun 10	Sep 10	Dec 10	Mar 11
United States	3.77	4.10	4.25	4.50	4.70
Euro area	3.08	3.30	3.45	3.60	3.90
United Kingdom	3.98	4.40	4.55	4.65	4.80
Japan	1.34	1.40	1.50	1.55	1.55
GBI-EM	6.80			7.70	

Credit markets

	Current	YTD Return
US high grade (bp over UST)	133	3.1%
Euro high grade (bp over Euro gov)	136	2.5%
USD high yield (bp vs. UST)	585	6.3%
Euro high yield (bp over Euro gov)	576	9.8%
EMBIG (bp vs. UST)	251	5.7%
EM Corporates (bp vs. UST)	284	6.0%

Foreign exchange

	Current	Jun 10	Sep 10	Dec 10	Mar 11
EUR/USD	1.35	1.42	1.45	1.40	1.35
USD/JPY	92.2	87	90	93	96
GBP/USD	1.54	1.51	1.58	1.54	1.50

Commodities - quarterly average

	Current	10Q2	10Q3	10Q4
WTI ($/bbl)	83	82	85	90
Gold ($/oz)	1137	1400	1300	1200
Copper($/m ton)	7914	8000	6800	6250
Corn ($/Bu)	3.74	4.05	3.95	3.90

Source: J.P. Morgan, Bloomberg, Datastream

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Global Economic Outlook Summary

	Real GDP % over a year ago			Real GDP % over previous period, saar							Consumer prices % over a year ago			
	2009	2010	2011	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	1Q10	2Q10	4Q10	2Q11
The Americas														
United States	-2.4	**3.5 ↑**	3.1	5.6	**2.9 ↑**	4.0	4.0	3.5	2.5	2.5	**2.4 ↓**	2.2	1.2	1.1
Canada	-2.6	3.2	3.3	5.0	4.5	3.0	3.3	4.0	4.0	2.3	1.7	1.4	1.9	2.1
Latin America	-2.9	**4.9 ↑**	3.8	7.2	**5.2 ↑**	**4.6 ↑**	2.6	4.5	4.0	4.9	5.8	6.3	7.0	6.9
Argentina	-2.0	4.5	3.0	7.9	8.0	8.0	3.0	3.0	2.0	3.0	7.5	8.0	10.0	10.0
Brazil	-0.2	**7.0 ↑**	4.0	8.4	**8.7 ↑**	**6.3 ↑**	**4.8 ↓**	4.0	3.8	4.2	4.8	4.9	5.0	4.5
Chile	-1.5	5.5	5.5	5.9	-6.0	8.0	22.0	18.0	-2.0	-6.0	0.2	3.3	4.1	3.8
Colombia	0.4	3.0	4.1	4.7	2.7	2.8	2.9	3.1	4.5	4.8	2.0	2.1	3.7	2.9
Ecuador	0.4	2.0	3.0	1.3	2.0	3.5	4.0	4.5	3.0	2.5	4.1	3.9	4.7	4.4
Mexico	-6.5	4.5	3.5	8.4	5.0	3.2	-3.8	4.2	5.7	7.9	4.6	4.4	5.1	4.5
Peru	0.9	**6.0 ↑**	6.0	11.5	**4.1 ↑**	**4.3 ↑**	**4.6 ↑**	5.0	**6.3 ↑**	**7.2 ↑**	0.6	1.0	2.0	2.2
Venezuela	-3.3	-1.5	2.5	-4.6	-4.0	-2.0	12.5	1.5	1.5	1.5	27.6	31.8	33.7	39.3
Asia/Pacific														
Japan	-5.2	2.6	1.9	3.8	3.5	2.0	2.0	2.2	1.8	1.5	-1.4	-1.4	-0.8	-0.3
Australia	1.3	3.1	3.6	3.7	3.0	3.3	3.8	3.9	3.1	4.2	2.5	2.5	2.6	3.0
New Zealand	-1.6	2.8	2.5	3.3	3.2	3.2	3.7	2.9	1.3	2.3	2.2	2.3	2.5	2.8
Asia ex Japan	4.6	**8.5 ↑**	7.2	**7.6 ↑**	**10.1 ↑**	**7.1 ↓**	**6.4 ↓**	6.8	**7.2 ↑**	**7.4 ↑**	**3.8 ↓**	4.4	3.7	3.2
China	8.7	**10.8 ↑**	9.4	**10.8 ↑**	**13.1 ↑**	9.4	9.3	9.0	9.1	9.5	**2.2 ↓**	3.2	3.1	2.4
Hong Kong	-2.7	5.3	4.2	9.5	4.5	4.3	4.0	3.8	4.2	4.3	1.1	2.4	2.3	1.9
India	7.2	8.0	8.3	-2.0	10.4	8.1	7.0	8.7	7.9	7.8	12.7	11.9	6.2	5.5
Indonesia	4.5	6.2	5.8	9.6	6.0	6.0	4.0	5.0	6.5	6.5	4.4	5.3	6.3	4.9
Korea	0.2	5.3	4.1	0.7	**5.6 ↑**	**4.2 ↓**	4.2	3.5	4.0	4.0	2.7	2.8	3.4	3.6
Malaysia	-1.7	7.7	4.8	15.4	5.0	4.0	5.0	5.0	4.9	4.9	0.8	1.7	2.4	2.4
Philippines	0.9	4.5	4.3	3.5	6.0	5.0	3.5	4.0	4.5	4.5	4.3	5.0	5.2	4.9
Singapore	-2.0	**9.0 ↑**	**4.0 ↓**	-2.8	**32.1 ↑**	**5.3 ↑**	**-9.6 ↓**	4.9	**6.6 ↑**	**6.6 ↑**	0.6	2.0	2.6	2.1
Taiwan	-1.9	8.2	4.8	18.0	5.7	3.6	3.8	4.0	5.0	5.3	-0.3	0.9	2.0	1.8
Thailand	-2.3	7.3	6.6	15.3	5.7	5.3	3.6	3.6	8.0	8.0	4.0	5.5	4.4	3.0
Africa/Middle East														
Israel	0.7	3.0	4.5	4.9	3.5	3.5	3.0	3.0	4.0	5.0	3.6	2.7	2.7	3.1
South Africa	-1.8	3.0	3.5	3.2	3.9	4.2	4.0	4.0	3.6	2.8	5.6	4.6	5.4	5.7
Europe														
Euro area	-4.0	1.5	2.1	0.2	1.5	3.0	2.3	2.0	2.0	2.0	1.1	1.2	1.1	0.8
Germany	-4.9	1.7	2.1	0.0	1.0	3.0	2.0	2.0	2.0	2.0	0.9	0.9	1.3	1.3
France	-2.2	2.0	2.2	2.4	1.5	3.0	2.0	2.5	2.0	2.0	1.4	1.4	0.9	0.9
Italy	-5.1	0.9	1.7	-1.3	1.0	2.5	1.5	2.0	1.5	1.5	1.3	1.1	1.1	1.1
Norway	-1.4	2.1	2.8	1.3	2.0	3.0	3.0	3.0	2.8	2.8	3.1	3.2	1.7	0.7
Sweden	-4.7	1.6	3.0	-2.2	3.5	3.5	3.0	3.0	3.0	3.0	1.2	1.6	1.2	1.9
Switzerland	-1.5	2.5	2.8	3.0	2.5	2.8	3.0	3.0	2.8	2.8	1.1	1.0	0.9	0.8
United Kingdom	-4.9	1.5	3.2	1.8	1.2	3.0	3.0	3.5	3.0	3.0	3.2	2.8	1.8	1.5
Emerging Europe	-5.0	**4.1 ↑**	4.7	4.9	1.8	4.5	3.9	3.8	4.1	4.4	6.1	**5.8 ↑**	**5.9 ↑**	**5.4 ↑**
Bulgaria	-5.0	-1.5	4.5	...	...	...	...	...	...	...	...	...	...	...
Czech Republic	-4.2	2.0	4.0	3.0	2.5	2.5	2.0	2.0	3.5	4.5	0.6	1.2	2.8	2.8
Hungary	-6.3	0.5	4.0	-1.7	1.5	2.5	2.0	2.0	4.0	4.0	6.1	4.8	3.7	2.8
Poland	1.7	3.2	4.2	4.9	3.0	4.0	2.7	3.0	3.0	4.0	2.9	2.0	2.6	2.8
Romania	-7.1	1.5	4.0	...	...	...	...	...	...	...	4.9	4.5	4.5	4.5
Russia	-7.9	5.5	5.0	8.1	1.0	6.0	5.5	5.0	5.0	5.0	7.3	6.5	7.2	7.0
Turkey	-4.7	**5.1 ↑**	5.5	...	...	...	...	...	...	...	**9.3 ↑**	**10.3 ↑**	**8.5 ↑**	**6.6 ↑**
Global	-2.5	**3.4 ↑**	3.3	4.0	**3.5 ↑**	3.8	**3.4 ↓**	3.4	3.1	3.1	2.2	2.1	1.8	1.6
Developed markets	-3.4	**2.6 ↑**	2.6	3.2	**2.5 ↑**	3.3	3.1	2.9	2.3	2.3	1.5	**1.3 ↓**	1.0	0.9
Emerging markets	1.0	**6.7 ↑**	5.8	**6.9 ↑**	**7.3 ↑**	5.9	**4.9 ↓**	5.6	5.8	**6.2 ↑**	**4.8 ↓**	5.0	**4.9 ↑**	4.4
Memo:														
Global — PPP weighted		**4.7 ↑**	**4.4 ↑**	**4.8 ↑**	**4.7 ↑**	**4.5 ↑**	**4.0 ↑**	**4.1 ↑**	**3.9 ↑**	**3.9 ↑**	**3.1 ↑**	**3.2 ↑**	**2.8 ↑**	**2.5 ↑**

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Global Central Bank Watch

	Official interest rate	Current	Change from Aug '07 (bp)	Last change	Next meeting	Forecast next change	Jun 10	Sep 10	Dec 10	Mar 11	Jun 11
Global	GDP-weighted average	1.30	-336				1.35	1.44	1.53	1.66	1.98
excluding US	GDP-weighted average	1.85	-250				1.92	2.06	2.19	2.38	2.68
Developed	GDP-weighted average	0.51	-360				0.52	0.55	0.59	0.70	1.04
Emerging	GDP-weighted average	4.44	-242				4.66	4.99	5.26	5.48	5.75
Latin America	GDP-weighted average	5.72	-321				6.22	6.78	7.47	7.65	8.15
CEEMEA	GDP-weighted average	4.25	-260				4.17	4.41	4.51	4.70	5.14
EM Asia	GDP-weighted average	4.04	-205				4.26	4.53	4.71	4.96	5.08
The Americas	GDP-weighted average	0.75	-484				0.80	0.90	1.01	1.04	1.42
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)	<u>20 Apr 10</u>	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)	**10.00**	**11.25**	**12.25**	12.25	12.25
Mexico	Repo rate	4.50	-270	17 Jul 09 (-25bp)	21 May 10	Oct 10 (+25bp)	4.50	4.50	5.00	5.00	5.75
Chile	Discount rate	0.50	-450	9 Jul 09 (-25bp)	13 May 10	Jun 10 (+25bp)	0.75	1.50	2.25	3.75	5.00
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)	6 May 10	10 Jun 10 (+25bp)	1.50	2.25	3.00	3.75	4.50
Europe/Africa	GDP-weighted average	1.30	-323				1.29	1.33	1.39	1.63	2.08
Euro area	Refi rate	1.00	-300	7 May 09 (-25bp)	6 May 10	1Q 11 (+25bp)	1.00	1.00	1.00	1.25	1.75
United Kingdom	Repo rate	0.50	-500	5 Mar 09 (-50bp)	10 May 10	Nov 10 (+25bp)	0.50	0.50	0.75	1.00	1.25
Sweden	Repo rate	0.25	-325	2 Jul 09 (-25bp)	<u>20 Apr 10</u>	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	**26 Apr 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	**4.00**	**4.50**
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)	17 Jun 10	**17 Jun 10 (+50bp)**	**7.00**	8.50	8.50	8.50	8.50
Asia/Pacific	GDP-weighted average	2.14	-130				2.25	2.41	2.51	2.64	2.71
Australia	Cash rate	4.25	-200	6 Apr 10 (+25bp)	4 May 10	4 May 10 (+25bp)	4.50	**5.00**	**5.25**	**5.50**	**5.75**
New Zealand	Cash rate	2.50	-550	30 Apr 09 (-50bp)	29 Apr 10	29 Jul 10 (+25bp)	2.50	3.00	3.50	4.00	4.25
Japan	Overnight call rate	0.10	-43	19 Dec 08 (-20bp)	29 Apr 10	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)	2Q 10	2Q 10 (+27bp)	5.58	5.85	6.12	6.39	6.39
Korea	Base rate	2.00	-250	12 Feb 09 (-50bp)	11 May 10	3Q 10 (+25bp)	2.00	2.25	2.50	2.75	3.00
Indonesia	BI rate	6.50	-200	5 Aug 09 (-25bp)	5 May 10	4Q 11 (-25bp)	6.50	6.50	6.50	6.50	6.50
India	Repo rate	5.00	-275	19 Mar 10 (+25bp)	<u>20 Apr 10</u>	20 Apr 10 (+50bp)	5.50	6.00	6.00	6.50	6.75
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)	<u>22 Apr 10</u>	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)	<u>21 Apr 10</u>	**2 Jun 10 (+25bp)**	**1.50**	**1.75**	**1.75**	**1.75**	**1.75**
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. <u>Underline</u> denotes policy meeting during upcoming week.

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Economic forecasts - Australia

Australia: economic projections *percentage change over previous period, seasonally adjusted annual rates, un*

				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 (%oya)	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 (%oya)	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 (%oya)	-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	-42.0	-27.0											
as % of GDP	-2.1	-3.2	-1.9											
Unemployment rate	5.6	5.4	5.3	5.7	5.7	5.6	5.3	5.4	5.5	5.5	5.4	5.3	5.2	5.0
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

*All financial variables are period averages

Australia - summary of main macro views

- The Australian **economy** powered out of the global downturn largely unscathed. Growth probably will be close to trend in 2010, but above trend in 2011, despite the further withdrawal of policy support.
- **Business investment** will be broadly unchanged at high levels in the year to June now that firms have upgraded spending plans. Investment 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 plucky **consumer** has been resilient in the absence of further fiscal support from the government. Consumer confidence quickly returned to pre-crisis highs, but has eased 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 reversing, 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 policy and has hiked five times since last October. We expect another hike in May, driven partly by recent developments in the terms of trade.
- Having front-loaded the **policy support**, the government is winding back the fiscal stimulus, albeit slowly. Government officials say they will not use the upcoming Budget (May 11) to buy votes; we shall see.

Economic forecasts - New Zealand

New Zealand: economic projections *percentage change over previous period, seas. adjusted annual rates, unless stated*

				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	-2.2	-4.1	0.8	0.6	0.2	-0.5	-0.4	-0.6	-0.7	-0.8	-1.0	-1.1	-1.3
Current account (NZ$ bil, sa)	-5.6	-20.2	-24.7	-0.4	0.0	-3.1	-1.2	-4.3	-5.4	-5.4	-5.1	-5.2	-5.9	-5.3
as % of GDP	-3.1	-10.8	-12.6	-0.9	0.1	-6.9	-9.4	-11.7	-11.4	-10.6	-12.2	-10.9	-13.3	-13.8
Yield on 90-day bank bill (%)*	3.0	3.1	4.4	2.8	2.8	2.8	2.7	2.8	3.3	3.8	4.3	4.4	4.5	4.5
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** is elevated and investment plans firms. Investment will, though, 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.** The RBNZ has said that the policy stimulus may start to be removed "around the middle of 2010" but the string of weaker than expected data has diminished the risk of a June move.
- **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.
- Managing **inflation expectations** will be a growing challenge for the RBNZ, given the July 1 introduction of the amended ETS and a prospective lift to the GST on October 1.

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Australia and New Zealand economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
19 Apr **Australia:** NAB business confidence (11:30 am) 1Q	**20 Apr** **New Zealand:** CPI (10:45 am) 1Q 2.2 %oya	**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 price index (12:30 pm) 4Q 4.6 %q/q Import price index (12:30 pm) 4Q -1.2 %q/q **New Zealand:** Visitor arrivals (10:45 am) Mar -1.5 %m/m, nsa Credit card spending (2:00 pm) Mar 1.0 %oya
26 Apr *Holiday Australia*	**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
3 May **Australia:** RBA cash target (3:30 pm) May HPI (11:30 am) 1Q **New Zealand:** ANZ commodity price (2:00 pm) Apr	**4 May**	**5 May** **Australia:** Building approvals (11:30 am) Mar **New Zealand:** Unemployment rate (10:45 am) 1Q	**6 May** **Australia:** Retail sales (11:30am) Mar Trade balance (11:30am) Mar **New Zealand:** Unemployment rate (10:45 am) 1Q	**7 May** **Australia:** Quarterly monetary policy statement **New Zealand:** Building permits Mar
10 May **Australia:** ANZ job ads (11:30 am) Apr	**11 May** **Australia:** NAB bus. Confidence (11: 30 am) Apr	**12 May** **Australia:** Housing finance approvals (11:30 am) Mar	**13 May** **Australia:** Unemployment rate (11: 30 am) Apr **New Zealand:** Business NZ PMI (10:30 pm) Apr	**14 May** **New Zealand:** Retail sales (10:45 am) Mar

Global Data Diary

Week / Weekend	Monday	Tuesday	Wednesday	Thursday	Friday
19 - 23 April	**19 April**	**20 April**	**21 April**	**22 April**	**23 April**
	Japan • Consumer sentiment (Mar) **United States** • Bernanke speech	**Canada** • BoC mtg: No Chg **Germany** • ZEW surv (Apr) **India** • RBI mtg: +50bp **Russia** • Retail sales (Mar) **Sweden** • Riksbank mtg: No Chg **United Kingdom** • CPI (Mar)	**Japan** • BoJ loan officers survey (1Q) **Thailand** • BoT mtg: +25bp **United Kingdom** • MPC minutes • Labor mkt report (Mar)	**Euro area** • PMI flash (Apr) **France** • INSEE survey (Apr) **Japan** • Trade balance (Mar) • Shirakawa speech **Philippines** • BSP mtg: No Chg **United States** • PPI (Mar) • Existing home sales (Mar)	**Euro area** • IP new orders (Feb) **France** • Consumption of mfg goods (Mar) **Germany** • IFO survey (Apr) **Taiwan:** IP (Mar) **United Kingdom** • GDP advance (1Q) • Retail sales (Mar) **United States** • Durable goods (Mar) • New home sales (Mar)
26 - 30 April	**26 April**	**27 April**	**28 April**	**29 April**	**30 April**
Korea • GDP (1Q)	**Germany** • CPI (Apr) **Hungary** • HNB mtg: -25bp **Israel** • BOI mtg: +25bp	**Japan** • Shoko Chukin sm bus sent (Apr) **Poland** • NBP mtg: No chg **United States** • Case-Shiller HPI (Feb) • Consumer confidence (Apr) • Richmond Fed surv (Apr)	**Australia** • CPI (1Q) **Italy** • ISAE bus conf (Apr) **Japan** • Retail sales (Mar) **South Africa** • CPI (Mar)	**Euro area** • M3 (Mar) • EC bus conf (Apr) **Germany** • Labor mkt report (Mar) **New Zealand** • RBNZ mtg: No Chg **Turkey** • Inflation report (2Q)	**Canada** • GDP (Feb) **Euro area** • Unemp rate (Mar) • HICP flash (Apr) **Japan** • PMI mfg (Apr) • Core CPI, Hhold spdng, Unemployment, IP prelim (Mar) • MPM, Shirakawa speech **Korea** • IP (Mar) **United States** • Real GDP (1Q) • Chicago PMI, Consumer sent final (Apr)

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