J.P.Morgan

Australia and New Zealand - Weekly Prospects

Summary

- Recent **RBA** commentary has implied that RBA Board members want to get the official cash rate back to a "normal" level relatively quickly. We suspect that this near-term "target" is 4.5%, only 25bp above the current level of the cash rate. Indeed, the minutes from the RBA's April Board meeting released last week suggest that the RBA is not yet done raising interest rates, but the precise timing of future rate moves remains hard to pick. The March quarter CPI numbers this week are key ahead of the May rate decision. Headline and core inflation, on our forecast, will have remained stuck at the top end of the RBA's 1%-3% target range. The RBA may be relaxed about the inflation outlook for now, but the medium term inflation outlook is a concern—the economy is expanding with what appears to be limited spare capacity, signs of wage inflation are emerging, and the rising terms of trade is set to provide a massive boost to national income this year. The case for returning policy to neutral remains strong; hence, we maintain our call for a further 25bp rate hike to be delivered in May.

- The highlight in **New Zealand** this week is, of course, the RBNZ decision. The official cash rate (OCR) will likely be left unchanged, but the commentary accompanying the decision will be of particular interest. We suspect that Governor Bollard will step away from the current policy guidance suggesting that the policy stimulus in place may be removed "around the middle of 2010." Indeed, the inflation data last week (which printed below our and market expectations), combined with a slew of other disappointing economic data, provide more scope for the RBNZ to sit on the policy sidelines in the near-term. With non-tradable inflation likely to have troughed, however, at an elevated level, the RBNZ will be wary of leaving the cash rate too low for too long. This is particularly true given that our forecasts suggest that headline inflation will print consistently above the RBNZ's 1%-3% target range in 2011. We continue to look for the first OCR hike in July.

- Capital spending is generally one of the last components of demand to recover during a global economic upturn. However, a **coincident turn in growth and capital spending** is now under way. High-frequency indicators from the largest capital goods producers suggest that demand for capital equipment accelerated dramatically during the first four months of this year. Shipments from the US, Germany, and Japan—which closely track global investment spending—rose at a more than 20% annualized rate last quarter. It now looks likely that global capital spending will rise at a double-digit pace over the course of 2010—an outcome that could prove as strong as any over the past quarter century.

- Growing market concerns that the Greek fiscal crisis is quickly morphing into a solvency crisis (or was one all along) were fed last week by Eurostat's upward revision of the Greek 2009 fiscal deficit from 12.7% of GDP to 13.6%. The medium-term challenge of Greece achieving debt sustainability remains daunting, and this is increasingly spooking markets. For the region as whole, though, we maintain that the **powerful cyclical lifts** springing from a decisive shift away from retrenchment toward expansion will dominate the structural, fiscal, and delevering drags.

This week's highlight

In Australia, the Aussie 1Q CPI print Wednesday is the event to watch leading into the May RBA meeting. Also expect the RBNZ to stay on hold at Thursday morning's meeting, but with a change in guidance (see commentary above).

April 27, 2010

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Data and event previews - Australia and New Zealand

Date	Time [a]	Data/event	Forecast JPMorgan	Consensus [b]	*Previous*
Tuesday, April 27	11.30am	Aust. PPI (%q/q, 1Q)	**0.6**	0.6	*-0.4*
Wednesday, April 28	11.30am	Aust. CPI (%q/q, 1Q)	**0.8**	0.8	*0.5*
Wednesday, April 28	11.30am	Aust. trimmed mean CPI (%q/q, 1Q)	**0.7**	0.6	*0.6*
Wednesday, April 28	1.00pm	NBNZ business confidence (Index, Apr.)	**44.0**	na	*42.5*
Thursday, April 29	7.00am	RBNZ official cash rate announcement (%, Apr.)	**2.50**	2.50	*2.50*
Thursday, April 29	8.45am	NZ trade balance (NZ$mn., Mar.)	**400**	354	*321*
Thusday, April 29	10.00am	Aust. Conference Board Leading Index (%m/m, Feb.)	**na**	na	*-0.2*
Friday, April 30	8.45am	NZ building permits (%m/m, Mar.)	**na**	na	*5.9*
Friday, April 30	11.00am	Aust. HIA new home sales (%m/m, Mar.)	**na**	na	*-5.2*
Friday, April 30	11.30am	Aust. private sector credit (%m/m, Mar.)	**0.5**	0.4	*0.4*

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

Australia

CPI (%q/q, 1Q) - We forecast headline inflation to print at 0.8%q/q, or 2.8%oya, at the very top end of the RBA's 2%-3% target range. More importantly, the core inflation measure should print at 0.7%q/q, up from 0.6% in the previous quarter, or 3.0%oya. The main drivers of inflation in 1Q will likely be higher prices for food and fuel. Hospital and medical services costs also should be up, as will insurance services owing to rising motor insurance costs. Offsetting these, thanks to elevated AUD, will be price declines in clothing, travel and accommodation, and motor vehicles. The financial services component should be lower, owing mainly to the fact that consumers enjoyed a large rise in deposit rates, relative to lending rates, in the opening three months of the year. The calculation of this component remains somewhat opaque however.

Private sector credit (%m/m, Mar.) - The RBA's credit aggregates should show a 0.5%m/m increase in March, up from 0.4% in February. The increase in the pool of outstanding credit will owe to a rise in business lending. After contracting for 13 straight months, we expect that business credit increased 0.3%m/m in March. The process of deleveraging for businesses appears to be ending, and with domestic banks now making more credit available to small- and medium-sized businesses, we believe this series will continue to meander higher in coming months.

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Data previews - cont'd.

New Zealand

NBNZ business confidence (Index, Apr.) - The NBNZ's measure of business confidence will likely have risen in April, owing mainly to the fact that global financial jitters have eased. The NBNZ business confidence index should rise to an elevated net balance of 44.0 from 42.5 in March. Firms' own outlook, though, will have deteriorated, amid a marked softening of momentum in the high freqency economic indicators.

RBNZ official cash rate announcement (%) - In the wake of the disappointing run of economic data in recent weeks, the RBNZ will likely be concerned that economic conditions will not support a rate hike around midyear, so, in addition to leaving rates on hold this week, we expect the statement to drop the explicit reference to the likely timing of the first hike. By laying the foundation for a later-than-June move this week, Governor Bollard will allow himself greater flexibility when making future policy decisions.

Trade balance (NZ$mn., Mar.) - The trade surplus should have risen in March, albeit mildly. Exports should be up over the month owing to stronger global demand, particularly that stemming from Australia and Asia, while imports would have edged only slightly higher.

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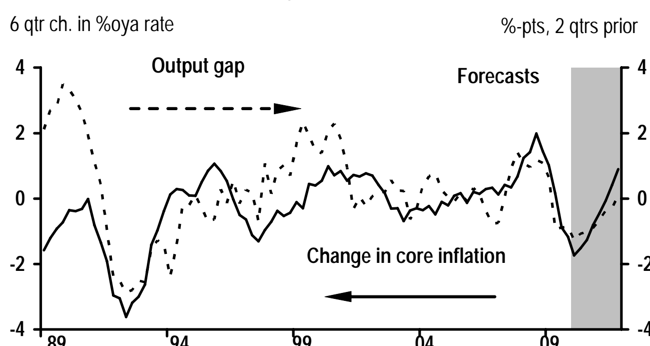
Research note

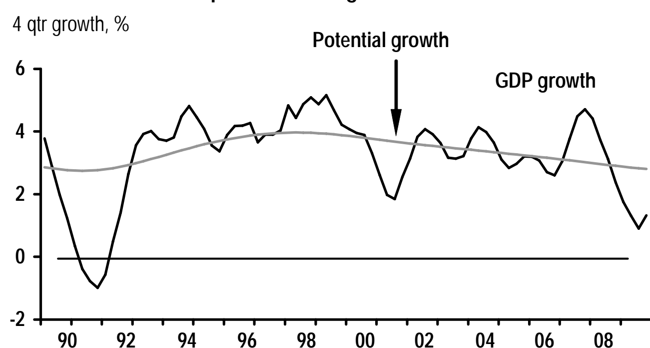
Aussie inflation on the back burner...for now

- **Inflation pressures appear subdued at present; core measures are falling**
- **Slack will, however, be eroded this year, with inflation pressures set to intensify in 2011**
- **Further improvement in the labour market is not necessary to generate above-trend growth**

Core inflation and the output gap



Australia: actual and potential GDP growth



Judging by recent commentary, Australia's policymakers are confident that inflationary forces remain under control. The federal government, clearly in election campaign mode ahead of the poll in 3Q, and seemingly unconcerned about inflation risks, appears highly unlikely to trim planned expenditure, particularly in the health and education sectors. This is despite cost blowouts and emphatic evidence that the gloomy expectations that, 18 months ago, appeared to justify such aggressive fiscal expansion, never eventuated. Similarly, while the RBA has raised the cash rate at five of the past six Board meetings, commentary continues to assert that inflation will remain consistent with the bank's 2%-3% target in 2010.

Such conviction seemingly grates with two broadly accepted facts regarding Australia's situation: first, the economy entered the financial crisis under boom conditions, and suffered only a minor slowdown during the global recession; second, a cascade of new mining projects is falling into place that will kick off the next investment boom, which probably will extend over the next decade or so. Given the prospect of a rapid pickup in activity, it is worth exploring where the economy currently is positioned in terms of the conventional growth/inflation framework.

Output gap closing from 4Q09

The most common approach for describing and predicting trends in inflation revolves around the concept of slack—the amount of excess capacity in the factors of production—that is summarized by the output gap. A precise measure of the output gap is notoriously difficult to pinpoint, since it attempts to quantify the difference between actual output, which is known, and potential output, which is unobserved. We construct an output gap measure by selecting a smoothed GDP series, representing potential output, which econometrically explains inflation trends[1] (after controlling for currency and oil price movements), correlates well with capacity utilization measures, and generates a sufficiently stable path for potential growth. On these estimates, the output gap reached its trough for this cycle during 3Q09 at 1.3%. Our modeling suggests that, initially, the narrowing of the output gap will merely slow the decline in core inflation, with trimmed mean CPI growing 2.8% in 2010 and the headline rate growing 2.9%. Core inflation then should pick up over 2011, ending the year at 3.6%oya in 4Q, as the output gap breaks into positive territory and the forces dragging down labour costs fade. The lower rate of potential growth will exacerbate the speed at which the output gap widens in 2011 and beyond.

Potential potentially disappointing

RBA communication has noted that the economy is running "at or close to trend growth" and will continue to do so over 2010. At the risk of inferring too much from various RBA publications, the growth forecasts for this year, published in the last Statement on Monetary Policy in February, are consistent with annual trend growth of "close to" 2.9%. The Federal Treasury estimates a similar figure of 3.0% for annual trend growth, as noted in November's Mid-Year Economic and Fiscal Outlook. Our analysis, however, suggests that potential growth has been following a steeper secular decline since the start of the past decade. A dearth of infra-

1. The data suggest that the output gap in Australia is closely connected not just with the level of inflation, but with changes in inflation. While our formal modeling of inflation actually focuses on the former relationship, our forecasts are also consistent with the latter relationship as well (chart one).

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structure investment and the hangover following the IT revolution of the 1990s have forced down productivity growth, such that potential GDP growth will be closer to 2.7% this year. With this in mind, our growth forecast of 3.1% for 2010, which is only moderately above the RBA's estimate, could generate a more significant narrowing of the output gap than many expect.

Labour pains and gains uncertain

Our forecasts assume that the unemployment rate, having peaked at just 5.8%, tracks broadly sideways from its current level of 5.3% until 4Q11, owing to the anticipated reinstatement of hours worked, and elevated labour force participation. While this appears pessimistic, the forecasts do incorporate reasonable employment gains. Further, our labour market view appears consistent with our forecast for GDP growth to climb *above* 3.5% by the end of 2011, since the fall from the peak in the unemployment rate thus far already appears sufficient for such a lift in the growth rate. As the Okun's Law relationship demonstrates (second chart), compared to the rapid 1.7%-pt rise in the unemployment rate from 3Q08 to 3Q09, oscillation within the 5.0%-5.5% band would represent a vastly superior outcome.

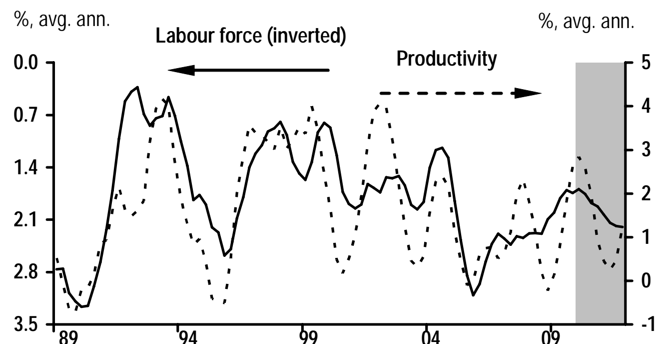
Still, the labour market remains the great unknown in the slack story. The mild increase in unemployment during the crisis was explained by a complementary decline in hours worked. In our modeling, the output gap is determined by measures of labour market capacity that incorporate both forms of adjustment. The uncertainty, therefore, lies in whether the adjustment is unwound in the same fashion as it was instated. In particular, rigidities in reinstating hours worked and employment would raise further upside risks to inflation. While difficult to quantify, there are compelling reasons to believe that such constraints—in particular through employment in the mining sector and industrial relations reform—will hamper this transition.

Mining big on value, low on productivity

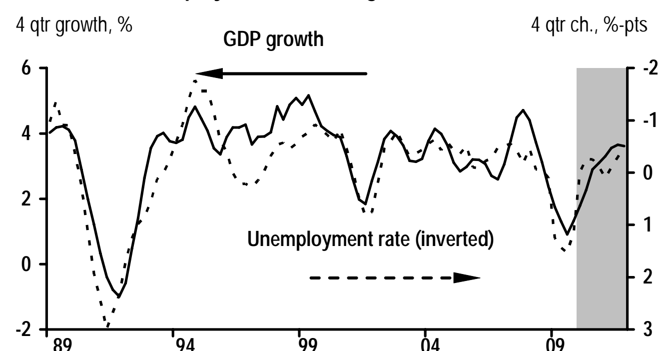
With the next leg of the mining boom set to kick off soon (see "New mining boom filling Australia's investment pipeline," *GDW*, April 2), the early effects of capital expenditure and the expansion of labour demand will push down labour productivity. While the "value-added" benefits of mining to national income become visible quickly, the associated capital investment requires several years to translate into productivity gains. Rising unit labour costs, which are an important input to our own inflation modeling, will generate greater price pressures.

The concentration of Australia's investment projects in the

Labour force and productivity growth



Okuns Law: unemployment and GDP growth



mining sector also runs the risk of creating the same skilled labour shortages that characterized the last boom. While a thorough estimation of the NAIRU is beyond our treatment here, there is evidence that the economy had breached such a threshhold in the leadup to the crisis. Elevated inflation took hold over 2008, as the labour market proved incapable of achieving further falls in unemployment, despite a sustained increase in GDP growth (second chart above). Only a global recession dragged inflation back to target.

Industrial relations reforms yet to bite

In January, new IR laws came into effect which instituted minimum contractual requirements and ceded influence to the union movement. Central to this legislation is the National Employment Standards, a set of new minimum workplace entitlements, which include extended parental leave and maximum working hours protection. Firms already have expressed concern that they have not been advised sufficiently on these laws, and that the laws will constrain flexibility in the labour market. Firms and policymakers may have to learn through painful experience, as in the late 1970s to early 1980s, what these new requirements will mean for labour costs, and hence for inflation. A further risk is that employment outcomes become even more skewed in favour of mining, with other sectors less exposed to the terms of trade boom unable or unwilling to hire even more expensive labour.

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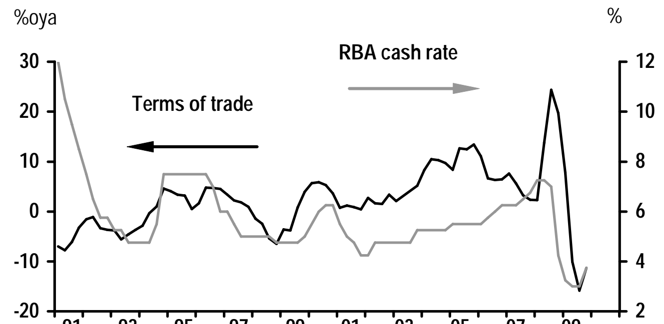
Australia

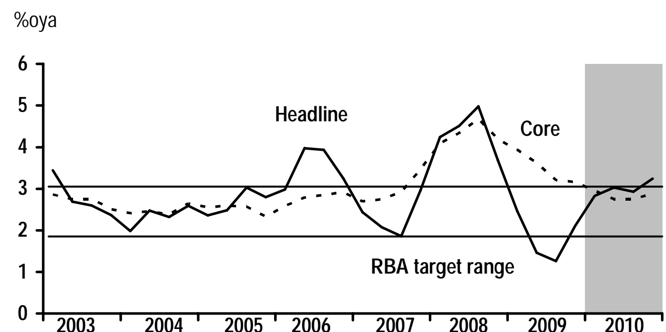
- **RBA says rise in terms of trade significantly stronger**
- **Aussie 1Q CPI key ahead of RBA's May meeting**
- **Credit growth will continue recovery**

Following the RBA Board minutes last week, a speech by Governor Stevens, and data showing a sharp rise in the terms of trade in 1Q, we stick by our call for a further hike to the official cash rate in May. This week's CPI data is key ahead of the May rate decision, which again we expect to be a close call. We expect that headline and core inflation remained stuck at the top end of the RBA's target range in 1Q, a concern for RBA officials given the economy already is growing at trend and with very limited spare capacity.

Australia: terms of trade and RBA cash target rate



Australia: CPI



RBA raises the stakes on terms of trade

The Reserve Bank last week released minutes to the early April Board meeting, during which Board members elected to deliver a second straight monthly rate hike. The minutes were upbeat, similar to the tone of the statement accompanying the Board's decision three weeks ago, but the word "gradual," which has featured prominently in recent RBA commentary, made no appearance. Indeed, it is becoming increasingly difficult to describe the pace of tightening as gradual, with the RBA now having increased the cash rate five times since October.

The Board minutes indicated that, three weeks ago, RBA officials thought it "might be prudent" not to delay an adjustment to the cash rate; this owed mainly to the fact that the rise in the terms of trade now was likely to be significantly stronger than previously expected. Data on Friday showed that the terms of trade rose 3.5%q/q in the opening three months of the year; this, though, is only a precursor to the huge gains we expect over the next two years. Board members, therefore, believed in early April that it was appropriate to take a further step to return interest rates toward more "normal" levels. Given that lending rates are still below their long-run average, however, the RBA signaled that it will "probably need to rise further in the period ahead." One may interpret the "period ahead" as one, two, three months or possibly more, but we believe the next rate hike will be delivered as soon as May, as the case for returning policy to neutral remains strong.

We acknowledge, though, that the precise timing of rate moves going forward remains highly dependent on the ebb and flow of the domestic data as well as events offshore. With respect to the domestic data, the March quarter CPI print will be the key data point ahead of the next Board meeting. Though there has been little new information on inflation over the past month, the RBA minutes highlighted that various measures of inflation expectations had been "around or a little above their average levels." The RBA continues to forecast inflation consistent with the medium-term target, but we believe with the economy having moved back onto a trend-like growth path, and with very limited spare capacity, inflation pressures will build.

Importantly, the Board minutes last week provided more colour on two areas that appeared to be of growing concern for RBA officials when they decided to lift the cash rate a further 25bp to 4.25% three weeks ago: the rising terms of trade and conditions in the established housing market. On the terms of trade, the RBA noted that spot prices for Australia's key commodity exports—iron ore and coal—had continued to rise. It attributed this to large increases in steel production over the past decade, which owes mainly to strong growth in China. As a result, the terms of trade were likely to be significantly higher than forecast in the last Statement of Monetary Policy in February. The resulting boost to nominal incomes and inflation in the years to come will likely pose "challenges" for the Board going forward.

The RBA again described the housing market as "buoyant," with price growth continuing and auction clearance rates

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remaining high, due to the ongoing supply-demand imbalance. On the one hand, underlying demand continued to rise owing to strong population growth, the healthy outlook for household incomes, and below-average mortgage rates. On the other hand, new housing supply remained constrained, owing to ongoing financing issues faced by developers and government red tape.

RBA Governor reiterated growth challenge

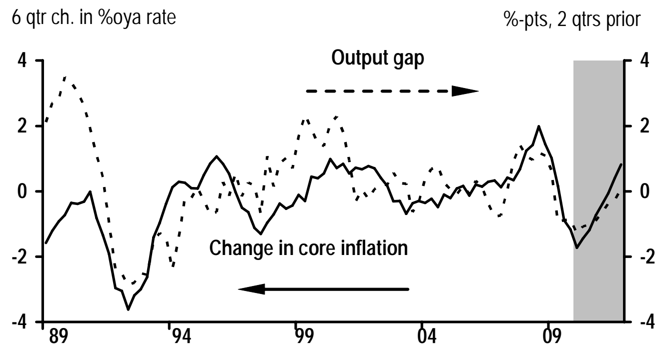
The other key policy event last week was a speech delivered by Reserve Bank Governor Glenn Stevens on "Economic Conditions". It was interesting that the Governor opened the speech by highlighting the importance of this week's CPI numbers, saying that "we [the RBA], and everyone else, will have an opportunity to update our thinking on the current and likely future course of inflation." This statement makes the remainder of the commentary somewhat conditional, and indicates that the RBA's thinking on the future path of inflation remains, at the least, somewhat more fluid than is usual.

Indeed, the precise timing of rate moves going forward remains highly data dependent, with the 1Q CPI numbers key ahead of the next Board meeting. The Governor noted that the RBA has moved early to raise the cash rate, leaving interest rates for borrowers and depositors now close to average. What happens from here, though, remains an "open" question. The Governor spent considerable time in last week's speech discussing the challenging task of managing the upturn. In our view, RBA officials want to keep moving interest rates toward "normal" levels, and, as flagged in last week's minutes, the risks to delaying such moves are significant, due to the coming terms of trade boom. The economy will enter this expansion, on Stevens' guidance, with growth already at trend, the unemployment rate having peaked at a much lower rate than expected, and with skills shortages already emerging. The case for further tightening of policy is therefore compelling.

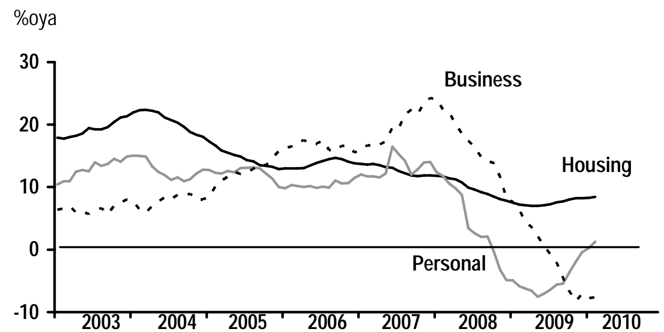
Inflation rising to top of RBA's range

The 1Q CPI numbers this week are, of course, in the spotlight ahead of the RBA's May Board meeting. We forecast headline inflation to print at 0.8%q/q, or 2.8%oya, at the very top end of the RBA's 2%-3% target range. More importantly, the core inflation measure should print at 0.7%q/q, up from 0.6% in the previous quarter, or 3.0%oya. These results, combined with the deteriorating medium-term inflation outlook, will reaffirm our view that another rate hike from the RBA is imminent.

Australia: core inflation and the output gap



Australia: private sector credit aggregates



The main drivers of inflation in 1Q will likely be higher prices for food and fuel. Hospital and medical services costs also should be up, as will insurance services owing to rising motor insurance costs. Offsetting these, thanks to elevated AUD, will be price declines in clothing, travel and accommodation, and motor vehicles. The financial services component should be lower, owing mainly to the fact that consumers enjoyed a large rise in deposit rates, relative to lending rates, in the opening three months of the year.

The inflation outlook is deteriorating. As already highlighted, the economy is expanding with what appears to be limited spare capacity, and there already is evidence that some sectors, like mining, are bumping up against the same constraints faced during the previous period of expansion. In particular, skill shortages mean that wage pressures are building, and there is a risk that outsized pay increases being claimed in sectors like mining will spill over into broader sectors of the economy, particularly with the unemployment rate seemingly having peaked at just 5.8%. This outlook supports our view that the official cash rate will likely be in restrictive territory in 2011.

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Credit growth continuing to improve

The RBA's credit aggregates should show a 0.5%m/m increase in March, up from 0.4% in February. The increase in the pool of outstanding credit will owe to a rise in business lending. After contracting for 13 straight months, we expect that business credit increased 0.3%m/m in March. The process of deleveraging for businesses appears to be ending, and with domestic banks now making more credit available to small- and medium-sized businesses, we believe this series will continue to meander higher in coming months.

Housing credit should have moderated last month, however. This will owe to a combination of higher market interest rates, the end of the government's expanded first home owners' grant on December 31, and the introduction of caps on the original grant of A$7,000 on January 1 this year. Housing credit growth should have eased to 0.6%m/m, after holding steady at 0.7% for the four months prior. Personal credit growth should have accelerated, albeit mildly, to 0.5%m/m from 0.4%m/m previously.

Data releases and forecasts

Week of April 26 - 30

From Apr 23 11:30am — **NAB business confidence**
sa

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

Tue Apr 27 11:30am — **Producer price index**
Percentage change

	2Q09	3Q09	4Q09	1Q10
%oya	2.1	0.2	-1.5	-0.6
%q/q	-0.8	0.1	-0.4	0.6

The rise in producer prices in 1Q will owe to higher petrol prices. The PPI numbers do not feed directly into our CPI model.

Wed Apr 28 11:30am — **Consumer price index**
Percent change

	2Q09	3Q09	4Q09	1Q10
Headline				
%oya	1.5	1.3	2.1	2.8
%q/q	0.5	1.0	0.5	0.8
Core (trimmed mean)				
%oya	3.6	3.2	3.2	3.0
%q/q	0.9	0.8	0.6	0.7

Fri Apr 30 11:30am — **Private-sector credit**
sa

	Dec	Jan	Feb	Mar
%m/m	0.3	0.4	0.4	0.5
%oya	1.5	1.3	1.6	1.9

Review of past week's data

WMI leading index

	Dec		Jan		Feb	
%m/m, sa	~~0.6~~	*0.7*	~~0.2~~	*0.4*	__	*0.5*

Sales of new motor vehicles

Units, sa

	Jan		Feb		Mar	
%m/m	~~-3.5~~	*-3.2*	-1.9		__	*-2.7*
%oya	15.5		~~17.1~~	*17.3*	__	*19.2*

Export price index

	3Q09	4Q09	1Q10	
Index, nsa	150.5	148.0	~~154.8~~	*153.6*
(%q/q, nsa)	-9.6	-1.7	~~4.6~~	*3.8*
(%oya, nsa)	-20.7	-32.7	~~-26.2~~	*-26.8*

Import price index

	3Q09	4Q09	1Q10	
Index, nsa	120.9	115.7	~~114.4~~	*116.0*
(%q/q, nsa)	-3.0	-4.3	~~-1.2~~	*0.3*
(%oya, nsa)	-2.3	-15.5	~~-14.2~~	*-12.9*

New Zealand

- **RBNZ on hold in April, but will tweak language**
- **Kiwi inflation returned to the black in 1Q**
- **Firms' own activity outlook dampened by softer data**

Across the Tasman, the RBNZ will likely sit on the policy sidelines in coming months. We expect that Governor Bollard will leave the official cash rate (OCR) steady this week, but we look for a change in the official policy guidance, which currently suggests that the policy stimulus in place may be removed around the middle of the year. Given the slew of weaker-than-expected data, combined with a softer-than-expected CPI print last week, there appears little urgency to tighten policy in the near term. We maintain that the first move will be a 25bp hike in July.

RBNZ on hold, but will adjust guidance

We expect the RBNZ to leave the OCR steady at a record low 2.5% on Thursday, but the commentary accompanying the decision will offer more for market pundits to chew on. As flagged in *GDW* recently ("RBNZ to tweak rhetoric in April policy statement," April 16), we suspect that Governor Bollard will step away from the current policy guidance which suggests that the policy stimulus in place may be removed "around the middle of 2010."

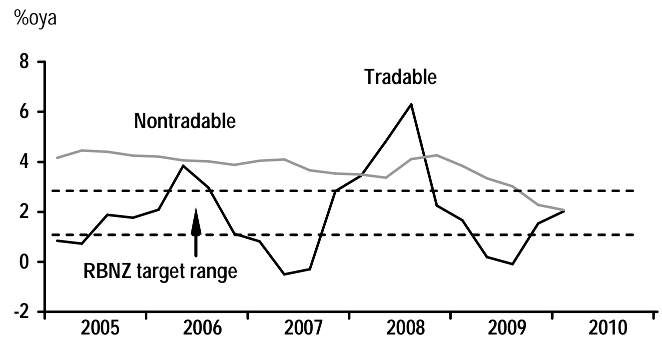
In the wake of disappointing economic data, the RBNZ will likely be concerned that economic conditions will not support a rate hike around midyear, so we expect it to drop an explicit reference to the likely timing of the first hike. By laying the foundation for a later-than-June move this week, Governor Bollard will allow himself greater flexibility when making future policy decisions.

We maintain that the first 25bp rate hike will be delivered in July. Governor Bollard wants hard evidence that the recovery is sustainable, so, in our view, will remain on the policy sidelines until after the late-June release of the 1Q GDP report. The RBNZ will be reluctant to leave the cash rate too low for too long, however, given the deteriorating inflation outlook. Our forecast is for headline inflation to print consistently above the RBNZ's 1%-3% target range in 2011, but the risks are skewed to the upside if inflation expectations begin to rise. This is possible given the upcoming introduction of the amended Emissions Trading Scheme (July 1) and the likely GST hike (October 1).

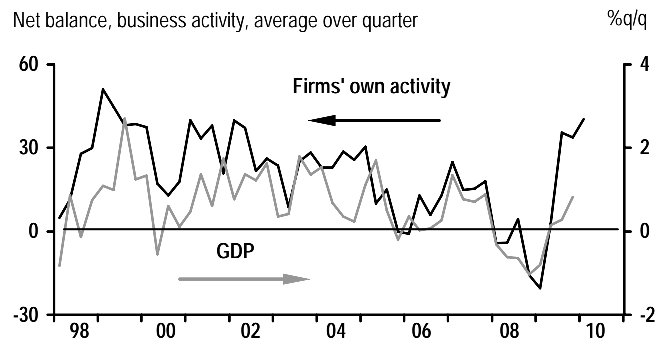
NZ CPI spiked up in 1Q on food and fuel

Inflation in New Zealand spiked up in 1Q, owing to higher food costs and a rise in petrol prices. Consumer prices rose 0.4%q/q (J.P. Morgan and consensus: 0.6%), after falling 0.2% in the previous three months. This left annual inflation at 2.0%, remaining at the midpoint of the RBNZ's target range for the second straight quarter.

New Zealand: nontradable and tradable inflation



New Zealand: NBNZ business outlook survey and GDP



The details showed that food prices were up 1.0%q/q in 1Q, after slumping 2.4% in 4Q. This owed mainly to higher grocery prices, with prices for milk, cheese, and butter rising significantly over the quarter. Large price rises also were recorded in fruit and vegetables. Thanks to higher petrol prices, prices in the transport group were up 1.1%. Petrol prices surged 6.9% over the quarter to an 18-month high. Had fuel prices remained steady in 1Q, the CPI would have recorded no change. Prices in the reception and culture group, and in the education group, posted the largest falls, both declining 1.4%q/q.

Kiwi firms soothed by global calm

The NBNZ's measure of business confidence will likely have risen in April, owing mainly to the fact that global financial jitters have eased. The NBNZ business confidence index should rise to an elevated net balance of 44.0 from 42.5 in March. This result will indicate that the percentage of respondents surveyed this month who expect that eco-

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nomic conditions would improve over the next year exceed the percentage expecting a decline by 44%.

Signs that the recovery underway in New Zealand shed some momentum early this year will have weighed, however, on the all-important reading of firms' own activity, which came in at 38.6 in March. Nevertheless, this reading continues to track in line with our solid GDP growth forecasts. In the opening two quarters of this year, we forecast GDP growth of 0.8%q/q, followed by growth of 0.9% in 3Q and 0.7% in 4Q.

Data releases and forecasts

Week of April 26 - 30

Wed
Apr 28
3:00pm

NBNZ business confidence

	Dec	Feb	Mar	Apr
% balance of respondents	38.5	50.1	42.5	44.0

Thu
Apr 29
9.00am

RBNZ cash rate announcement

No change expected.

Thu
Apr 29
10:45am

Trade balance
nsa

	Dec	Jan	Feb	Mar
Trade balance (NZ$ mn)	-28	263	321	400

Review of past week's data

Consumer price index

	3Q09	4Q09	1Q10	
Headline (%oya, nsa)	1.7	2.0	~~2.2~~	*2.0*
Headline (%q/q, nsa)	1.3	-0.2	~~0.6~~	*0.4*

Net permanent immigration

	Jan	Feb	Mar	
Monthly (000s, nsa)	2.5	2.6	__	*-0.3*
12 month sum (000s, nsa)	22.6	21.6	__	*21.0*

Credit card spending

	Jan		Feb		Mar	
%oya	~~2.6~~	*2.8*	~~1.1~~	*1.2*	~~1.0~~	*6.3*

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Global Essay

- **Global capital spending likely to rise this year at its fastest pace in a quarter century**
- **Even as the fiscal picture in Greece worsens, the Euro area is on track for a growth bounce into midyear**
- **Brazil to kick off a broadening in EM central bank tightening with a 50bp hike this week**
- **The BoJ to ease further as it shifts to a more activist anti-deflationary stance**

Global capital spending is starting to boom

Capital spending is generally one of the last components of demand to recover during a global economic upturn. However, a coincident turn in growth and capital spending is now under way. Global investment demand lifted in the middle of last year with business capital spending expanding at a solid 6.6% annualized pace during 2H09. High-frequency indicators from the largest capital goods producers suggest that demand for capital equipment accelerated dramatically during the first four months of this year. Shipments from the US, Germany, and Japan—which closely track global investment spending—rose at a more than 20% annualized rate last quarter. Meanwhile, the German Ifo survey points to a further sharp acceleration in demand for capital goods in April. This surge partly reflects restocking, but it now looks likely that global capital spending will rise at a double-digit pace over the course of 2010—an outcome that could prove as strong as any over the past quarter century.

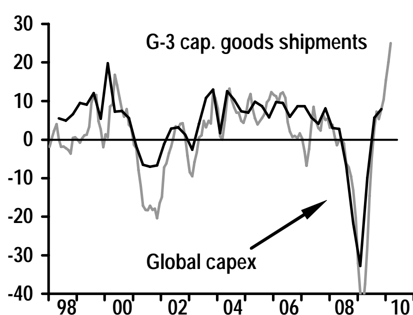
In countries that have avoided recession (China, India) or have been lifted by strong commodity prices and capital inflows (Brazil, Australia), a desire to expand plant and equipment lies behind investment spending gains. However, the global investment upturn is now largely being driven by growth in countries in which utilization rates are depressed and business attitudes remain cautious. This dynamic is in line with our views about the "paradox of lift," which allows for investment spending to pick up even at this point in the business cycle when operating rates are still low.

Having slashed capital expenditure budgets in an unprecedented manner during the financial crisis, the level of investment spending dipped below the level of depreciation in the major developed economies last year. Consequently, 2009 will likely mark the first year since World War II in which the developed world has seen an outright decline in its capital stock. From this starting point, the recovery in sentiment and earnings under way provides a powerful lever for lifting capital spending. Indeed, significant growth in business investment will be required for a number of quarters simply to return the pace of capital deepening to its lowest point over the past decade. Although it remains unclear how far forward firms will actually travel, the latest indicators provide an important reminder that the normalization of sentiment of firms and households provides a powerful engine for growth in the aftermath of deep downturns.

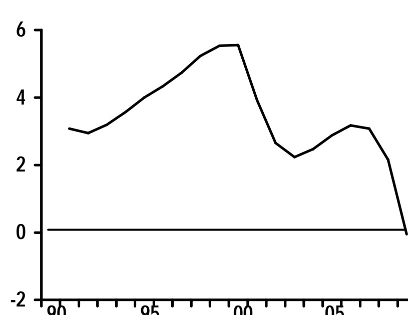
Widespread rate hikes just around corner

For a broad range of emerging market and commodity-producing nations, momentum is shifting decisively toward normalizing policy. Just five central banks have hiked rates since the start of the recovery (Australia, Norway, India, Malaysia, and Israel). Three months from now, we project this number to rise to 14. The breadth of action should not mask the limited size of adjustments expected. In all, we are looking for about 65bp of EM rate hikes this year—an amount representing less than one quarter of the easing delivered during the recession. Notably, after a couple of weeks of intense speculation, Chinese officials have yet to make a move on either rates or the currency (we maintain we will see a move by May).

Shipments and global capex
%3m/3m (shipments), %q/q (capex) saar



G-7 capital stock
% oya



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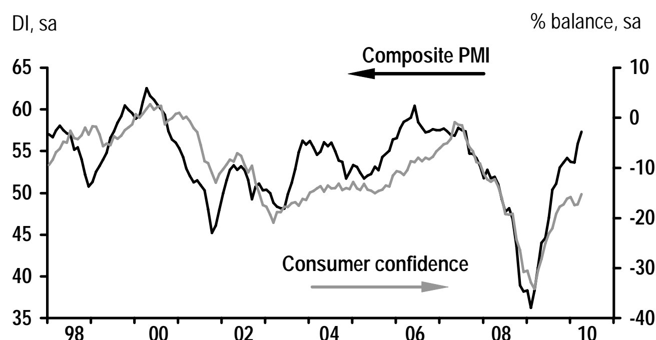
Euro area PMI and consumer confidence



The EM central banks at the vanguard of this policy shift are in Asia. Bank Negara Malaysia kicked off the rate hiking cycle in EM Asia early last month, followed shortly by the Reserve Bank of India. Last week, the RBI added an additional 25bp to its main policy rates, and hinted that it may hike in between its quarterly policy reviews. The key factor driving the timing of such a hike, which we are now forecasting, would be WPI inflation prints in the coming months. If headline inflation surges above the 10% level—the RBI's expected peak rate—a strong policy action could follow.

Although central banks in Thailand and the Philippines stayed on hold last week, the tone of the accompanying statements turned more hawkish, signaling hikes at the next policy meeting. In the case of Thailand, the recent political uncertainty kept the BoT on hold even as the data argued for a hike. The risk is that a further deterioration in the political climate may yet keep the central bank on hold indefinitely.

Among the commodity-producing economies, the timing of rate actions has been largely dependent upon external factors. Concerns surrounding the sustainability of the US recovery have kept the Bank of Canada on hold to date. However, with the US recovery gathering momentum, the BoC rate announcement last week noted that its "extraordinary" policy measures are no longer warranted, a view underscored by the material improvements to the economic outlook in last week's Monetary Policy Report. In response, we have pulled forward our call for the first BoC rate hike to June (from July).

This week's central bank meetings in the Americas should deliver a sharp contrast. After remaining on hold in a close split decision last month, Brazil's COPOM will begin tightening policy. We expect a 50bp hike, which should be followed by more aggressive action ahead. The FOMC should upgrade its assessment of growth in this week's statement while maintaining its "extended period" language. Although an active debate will likely take place around the timing of asset sales, no new information is likely to come from the statement.

The BoJ to ease as Japan gathers steam

Solid growth of March export volumes confirms that Japan is continuing to enjoy the benefits of living in a rapidly growing neighbourhood. With service sector activity also picking up, risks to our already upbeat GDP forecast remain skewed to the upside. Realization of forecasts for this week's key March releases will likely prompt a further upward revision to 1H10 GDP (currently 2.8% annualized).

The BoJ is also expected to upgrade its growth and inflation outlook in its April Outlook report this week. It is notable that it is likely to lift its FY2011 core CPI forecast to positive territory and follow this change with further easing—either this week or in June. We expect the BoJ to extend the maturity of the fixed-rate operation from three months to six months in June.

The specific action should be seen as less important than the signal of a new strategy emerging whereby the BoJ is more active in promoting an exit from deflation, by gearing policy and rhetoric to boost sentiment and signal its comfort with a weaker yen. Part of this new strategy will entail a closer alignment of the BoJ with the government's medium-term fiscal and growth objectives to be presented in June ahead of the summer elections.

Greek pain won't keep Euro area down

Growing market concerns that the Greek fiscal crisis is quickly morphing into a solvency crisis (or was one all along) were fed last week by Eurostat's upward revision of the Greek 2009 fiscal deficit from 12.7% of GDP to 13.6%. The agency also noted that future revisions may push this estimate above 14% and that the debt to GDP ratio may be revised higher by 5-7 percentage points. In response to deteriorating financing conditions, on Friday Greece formally requested to activate the support mechanism. European leaders have suggested that, if necessary, funds could be made available within a couple of weeks. But the medium-term challenge of Greece achieving debt sustainability remains daunting, and this is increasingly spooking markets.

While the Greece debt saga is important on its own, the bigger concern is one of contagion to the rest of Western Europe. At present spillover is working through two offsetting

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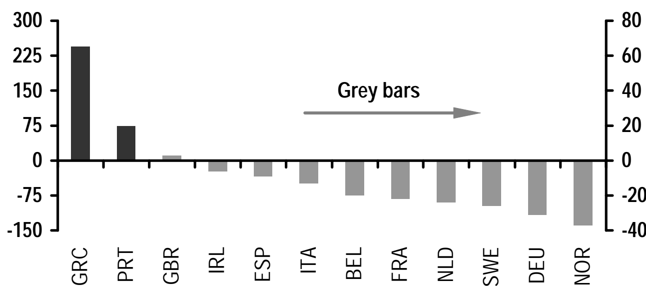
Change in 10-year sovereign debt yields, year-to-date

Bp, both scales



channels. First, increased credit risk is acting to push up sovereign debt yields even as the macroeconomic risk from weaker growth is acting to push down borrowing rates. Not surprisingly, changing perceptions of credit risk appear largest for those economies facing the most severe fiscal challenges (Greece and Portugal), and seem to be sufficient to roughly offset the changing perceptions of macroeconomic risk where fiscal woes are still intense (the UK, Ireland, Spain, and Italy). By contrast, changes in macroeconomic risk owing to a slower recovery that keeps central banks on hold longer is dominating in the more fiscally sound parts of the region. Indeed, yields in Germany and Norway have fallen over 30bp year-to-date and are also down considerably in France and Sweden.

For the region as whole, we maintain that the powerful cyclical lifts springing from a decisive shift away from retrenchment toward expansion will dominate the structural, fiscal, and delevering drags. Based on the Euro area flash PMI reading for April, GDP growth has stepped up to a near 3%q/q saar pace, in line with our outlook. At the same time, consumer confidence also appears to have reestablished its uptrend this month, making a new high for this upswing and suggesting that an important behavioural shift is under way.

EM insulated from Greek woes

EM debt markets have displayed impressive resilience this year. In addition to the sustained growth outperformance of EM versus DM economies, EM assets are being supported by record inflows of $14 billion into EM equity retail funds and $24 billion into EM debt retail and institutional funds so far this year. Thus, as Greece faces increasing challenges to rollover debt maturities, EM sovereign and corporate issuers are enjoying easy access to international capital markets. Indeed, EM sovereigns have raised $40.2 billion in external bonds (56% of the expected issuance for the full year) and EM corporates have issued an even higher $54.8 billion (49% of this year’s target).

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JPMorgan View - Global Markets

Local brush fires in a global rally

- **Asset allocation:** Stay long risky assets, but switch further from credit (high-grade) to equities.
- **Economics:** Upside risks to growth in the US and Japan.
- **Fixed income:** Greece formally asks for EU/IMF support, but it remains too early to buy Euro high-yielders. Stay short Treasuries against Bunds. Turn neutral on Russia.
- **Equities:** Strong earnings reinforce the case for staying long equities. We see upside risks to our year-end S&P 500 target of 1,300.
- **Credit:** Tactically underweight US HG as heavy positioning and high valuations are leaving it vulnerable to the increase in global risks.
- **FX:** We lower our USD/EUR forecast to 1.30 for June.
- **Commodities:** We stay medium-term bullish crude oil.

Is it local or global? That is the question asked by investors trying to assess the impact of the rising threats to the rally in risky assets. Our view has been, and remains, that these threats—from Chinese tightening to the Greek debt crisis and the global offensive on banks—remain largely local and sectoral in impact. They are offset sufficiently by the global rebound in economic activity and company earnings, keeping intact the rally in risky assets.

This has indeed been what we have seen so far this year and over the past 13 months in the global equity rally. The impact of these local fires has been largely the underperformance by the affected regions—Europe and China—without slowing the global rally in risky assets. There has as yet been no underperformance of the global banking sector, despite being targeted by regulators, legislators, and tax authorities across the world.

At some point, one such local shock will spread and become overwhelming enough to bring risky markets down. Remember that the subprime crisis started as a local shock. We surely do not want to downplay the destructive power of the risk we face, but, at the same time, in the other corner sit the **even more powerful bullish forces of the business cycle, company earnings, and the zero return on cash**. It is our judgment that while the threats of Greek contagion and regulatory/tax overkill on banks have intensified over the past month, the risk-bullish forces have gathered even more strength, keeping us overall long risky assets.

Our economists have kept their global 2010 growth forecast in a 3.3%-3.4% range since September. Over the period, the consensus has converged to our view. But the recent upside surprises on activity, and in particular in capital spending, retail demand, and industrial production, are inducing us to recognize clear upside risk, in particular in the US and Japan. Company earnings are looking even more impressive, with recent US earnings announcements already leading to a more than 10% upward revision to the 1Q consensus. The flow of our zero-return cash continues unabated, providing support to all positively yielding financial assets. We thus stay overall long equities, both outright and against bonds. In high-grade credit, we recognize that the compression in spreads to normal levels is 95% complete and go tactically underweight given heavy positions in the market.

Local shocks may not be strong enough to topple the global rally, but they do have the power to play havoc with local markets and currencies. To us, the onset of Chinese tightening remains a reason to underweight Chinese equities, and to be long EM Asian currencies. The still broadening Greek funding crisis will likely push the euro further down, and intra-EMU bond spreads wider, and has induced us to lower our USD/EUR forecast to 1.30 in June. And the gathering global assault on banks, through massive tightening of regulations and Robin Hood taxation, is a massive depressant to bank profitability and business models. At the moment, these threats are offset by high interest income from low funding, but this benefit will not last forever. We are worried about the future of bank stocks.

Fixed income

Greece last week formally asked for financial support from the EU and IMF after its borrowing costs surged once again. This new turn for the worse was prompted by a Moody's downgrade, as well as upward revisions to the Greek budget deficit from Eurostat, which also expressed reservations about the quality of the Greek data. There was increased speculation that the ongoing discussions between Greece and the IMF could lead to a debt restructuring, and Greek bonds are now priced at around 84 cents on the dollar on average. The near-term prospects for Greek debt depend on what program is agreed with the EU/IMF.

A key risk for bond markets is that **Greece's problems prompt investors to reconsider the creditworthiness of government debt more broadly**. Such contagion is most evident for other high-deficit Euro area countries, whose spreads to Germany increased across the board last week, with Portuguese spreads 50bp higher. Fiscal concerns may also spread to some emerging markets, though government balance sheets are very strong on the whole in EM. Both the

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US and UK are also running large fiscal deficits, which are expected to persist for several years. But both are capable of sustaining higher debt-to-GDP ratios, not least because their currencies and central banks can cushion the economy from adverse developments.

Core bond markets sold off on stronger activity data. **German Bunds outperformed US Treasuries on concerns about Greece, and this move can continue; we stay short Treasuries against Bunds.** We remain modestly bearish on core markets and outright short in the UK. Bond supply still looks set to outpace demand this year, though strong retail buying and weak securitized issuance induced us to lower our estimate of excess supply by around a third to $800 billion (see last week's *Flows and Liquidity*).

Strong inflows and a search for yield keep us bullish local EM debt, but selectively so, as rising growth and inflation will prompt EM central banks to tighten before DM. Accordingly, we **turn neutral on Russia**, where rising inflation risks have prompted more hawkish central bank rhetoric recently. Stay long in South Africa and Brazil.

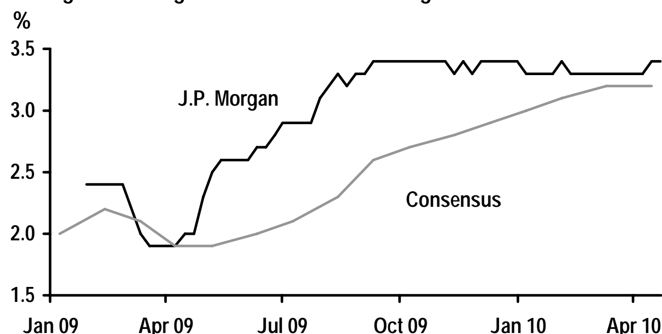
Equities

Global equities edged up last week, driven by US stocks, on **continued positive news from the reporting season**. Of the 173 companies of the S&P 500 index that have reported so far, 80% beat expectations. The estimate for S&P 500 1Q operating EPS has risen by 11% since April 1 to $19.40, creating significant upside risks to our full-year EPS projections for both 2010 ($81) and 2011 ($90). Not only is the surprise of the 1Q reporting season the fifth in a row, but its size is exceeding that of the previous four quarters.

The strength of the reporting season reinforces the case for staying long equities. We still see the S&P 500 at 1,300 by year-end but our risk balance has now shifted firmly to the upside. **Cyclicals and small caps are our favourite sectors.** The recent SEC fraud case, the punishing US Financial reform bill, and the IMF proposal for a double levy on banks all suggest that **the news flow is turning negative for banks**, creating downside risk to bank stocks.

China and the Euro area are the regions we would rather avoid at the moment. Chinese policymakers are stepping up their fight against rampant property prices and sky-high loan growth, raising the risk of a greater slowdown. This is likely to keep equity investors on the sidelines in China until more clarity emerges on the policy front. Similarly, we view the Greek debt crisis as a local problem, but we do recognize that the risk of contagion to other countries in the Euro area will continue to bother investors, raising the chance that European stocks, especially banks, will underperform more.

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



Credit

HG spreads widened from their cycle low two weeks ago on the back of rising European sovereign risks and rising litigation and regulatory risks on Financials. We turn **tactically short US HG** as heavy positioning and high valuations are leaving it vulnerable. US HG spreads are likely to widen near term, although we maintain the view that spreads will tighten in the medium term and keep the year-end forecast of 125bp.

As the Greek debt crisis escalates, the risk of contagion to other European countries rises. Although the initiation of the EU/IMF loan package would solve short-term funding needs, the possibility of a debt restructuring lingers. With the Euro area recovery under threat, European corporates are likely to underperform US corporates. Hence, we recommend **buying protection on European corporate credit (iTraxx Main) versus the US**.

US markets are focused on proposed taxes and regulation on banks. Rating agencies have been vocal that the Financial reform bill may result in downgrades of large banks, as the government removes the implicit support for large banks in trouble. These are countered by the strong 1Q bank earnings. We **stay neutral US bank bonds** as the strengthening credit fundamentals are offset by regulatory risks that may cause downgrades and that will reduce bank profitability.

EM corporates have rallied significantly since the start of the year. Valuations are becoming less attractive relative to EMBIG and we **turn neutral CEMBI from overweight versus EM external debt**. However, valuations of investment grade EM corporates relative to US HG continue to look at-

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tractive and we **remain overweight vs. US HG.**

Foreign Exchange

Projecting EUR/USD's path now that the EU/IMF facility has been triggered is not easy. When we last revised forecasts in March, we expected EU leaders to agree to a backstop facility quickly as they had brokered bank rescue plans in 2008, realizing the systemic consequences of a credit event within the region. We also expected Greece to follow Ireland and Latvia's lead in tightening fiscal policy with few fumbles around issuance strategy. We have been wrong on both counts and **revise forecasts lower for EUR/USD** and some crosses (EUR/GBP, EUR/NOK).

The historical precedent for currency performance during major fiscal tightening is a fall of 20% trade-weighted over a five-year period. But forecasting such a fall from current levels ignores two points: the euro has already fallen 9% trade weighed since Dec, and only a fraction of Europe (20%) would be tightening if Spain, Portugal, and Ireland followed Greece's lead. Record short positions in the euro and a now better growth also caution against much additional EUR/USD weakness. **We thus mark down the June target from 1.42 to 1.30** given pressures from spring/summer refundings, and then expect some retracement in 3Q/4Q to 1.35 on a view that balance sheets are sufficiently strong in the rest of the periphery for those countries to avoid Greece's fate.

We have been shorting the euro on the crosses rather than against the dollar to avoid the volatility inherent in a policy-driven market. Last week, we added short EUR vs. Asia (IDR) to existing shorts vs. CHF. Stay sidelined in EUR/USD to avoid its recurring short-covering bounces but add to shorts vs. Asia (INR) and commodity currencies (CAD). Also add a cash long in CAD/JPY to create a CAD basket versus the rest of the fiscally-strapped G-3 bloc. In sterling, the best pre-election trade remains a short in 6-mo GBP/USD vol versus USD/CHF vol. There is little evidence of an excessive risk premium in cash markets, but longer-dated sterling vol still looks too elevated, even for a hung parliament.

Commodities

Commodities were marginally up last week with precious metals outperforming. All precious metals were up, but palladium was the strongest, rallying almost 6%. **We remain long** the complex, favouring both palladium and platinum. Investor interest continues to support these metals, whereas the improvement in manufacturing activity is another force behind their rally. Base metals underperformed last week with aluminium weakening significantly, but we maintain our overall long position on strong manufacturing growth.

Crude prices started last week on a soft note and also declined on the US inventory number, but are now just below $85 for the WTI benchmark. We maintain our medium-term bullish view and believe that the **path to $90 remains in place**. At the same time, we continue to trade the range. On the spreads side, two weeks ago, we recommended overweighting Brent vs. WTI, and feel it is time to take profits now. Brent is now trading at a premium of more than $2 vs. a small discount two weeks ago. We believe that WTI inventories should return to a more normal balance in coming weeks, also driving a return to the previous flattening bias near the front end. Be long the front vs. the second contract in WTI.

Ten-year Government bond yields

	Current	Jun 10	Sep 10	Dec 10	Mar 11
United States	3.82	4.10	4.25	4.50	4.70
Euro area	3.06	3.30	3.45	3.60	3.90
United Kingdom	4.04	4.40	4.55	4.65	4.80
Japan	1.32	1.40	1.50	1.55	1.55
GBI-EM	6.78			7.70	

Credit markets

	Current	YTD Return
US high grade (bp over UST)	129	3.5%
Euro high grade (bp over Euro gov)	138	2.3%
USD high yield (bp vs. UST)	581	6.6%
Euro high yield (bp over Euro gov)	580	10.0%
EMBIG (bp vs. UST)	250	5.5%
EM Corporates (bp vs. UST)	288	6.2%

Foreign exchange

	Current	Jun 10	Sep 10	Dec 10	Mar 11
EUR/USD	1.34	1.30	1.35	1.35	1.30
USD/JPY	94.2	87	90	93	96
GBP/USD	1.54	1.43	1.50	1.52	1.48

Commodities - quarterly average

	Current	10Q2	10Q3	10Q4	11Q4
WTI ($/bbl)	85	82	85	90	90
Gold ($/oz)	1154	1400	1300	1200	1225
Copper($/m ton)	7655	8000	6800	6250	6500
Corn ($/Bu)	3.62	4.05	3.95	3.90	4.00

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	**3.0** ↑	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	**-1.3** ↑	**-1.7** ↓	-0.8	**0.1** ↑
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	**3.8** ↑	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	**0.9** ↑	**3.4** ↑	**4.7** ↑	**3.7** ↑
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	**4.8** ↓	3.5	3.5	3.0	3.0	4.0	5.0	**3.5** ↓	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	**1.3** ↓	**3.1** ↑	-2.2	**2.2** ↓	3.5	**3.5** ↑	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	**1.4** ↓	3.2	1.8	**0.8** ↓	3.0	3.0	3.5	3.0	3.0	**3.3** ↑	**2.9** ↑	**1.9** ↑	1.5
Emerging Europe	-5.0	4.1	4.7	**5.0** ↑	1.8	4.5	3.9	3.8	4.1	4.4	**6.2** ↑	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	**1.8** ↑	3.2	4.2	**5.3** ↑	3.0	4.0	2.7	3.0	3.0	4.0	**3.0** ↑	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	**1.7** ↑
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	**1.0** ↑
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	-0.8	4.7	4.4	4.8	4.7	4.5	4.0	4.1	3.9	3.9	3.1	3.2	2.8	2.6

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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	1.67	2.00
excluding US	GDP-weighted average	1.85	-250				1.93	2.07	2.20	2.40	2.71
Developed	GDP-weighted average	0.51	-360				0.52	0.56	0.60	0.72	1.07
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	4.54	4.72	4.97	5.09
The Americas	GDP-weighted average	0.75	-484				0.82	0.91	1.02	1.07	1.47
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)	2 Jun 10	**2 Jun 10 (+25bp)**	**0.50**	**1.00**	**1.50**	**2.00**	**2.50**
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)	Jul 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	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	2.65	2.72
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)	30 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)	27 Jul 10	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	**3.00**	**3.00**	**3.00**	**3.00**
Philippines	Reverse repo rate	4.00	-350	9 Jul 09 (-25bp)	3 Jun 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)	2 Jun 10	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. Underline 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 firm. Investment will, though, remain a drag on GDP growth this year; this, of course, will 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** returned to positive territory in 1Q10, after the CPI fell in the final three months of 2009. Medium term inflation pressures are 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
26 Apr *Holiday Australia*	27 Apr **Australia:** PPI (11:30 am) 1Q -0.6 %oya NAB bus. Confidence (11: 30 am) 1Q	28 Apr **Australia:** CPI (11:30 am) 1Q 2.8%oya **New Zealand:** NBNZ business confidence (2: 00 pm) Apr 44.0 %bal	29 Apr **New Zealand:** RBNZ official cash rate (9:00 am) Apr no change expected Trade balance (10:45 am) Mar 400 NZ$ mn	30 Apr **Australia:** Pvt. Sector credit (11:30 am) Mar 0.5 %m/m, sa **New Zealand:** Building permits (10:45 am) Mar
3 May **New Zealand:** ANZ commodity price (2:00 pm) Apr	4 May **Australia:** RBA cash target (2:30 pm) May **New Zealand:** Labor cost index 1Q	5 May **Australia:** Building approvals (11:30 am) Mar	6 May **Australia:** Retail sales (11:30am) Mar Trade balance (11:30am) Mar **New Zealand:** Unemployment rate (10:45 am) 1Q	7 May
10 May **Australia:** ANZ job ads (11:30 am) Apr **New Zealand:** QVNZ house prices 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
17 May	18 May **New Zealand:** PPI (10:45 am) 1Q	19 May **Australia:** Westpac consumer confidence (10:30 am) May	20 May	21 May **New Zealand:** Visitor arrivals (10:45 am) Apr Credit card spending (2:00 pm) Apr

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Global Data Diary

Week / Weekend	Monday	Tuesday	Wednesday	Thursday	Friday
26 - 30 April	**26 April**	**27 April**	**28 April**	**29 April**	**30 April**
Russia • CBR mtg: -25bp	**France** • INSEE cons conf (Apr) **Hungary** • HNB mtg: -25bp **Israel** • BOI mtg: +25bp **Italy** • ISAE cons conf (Apr) **Singapore** • IP (Mar)	**Japan** • Shoko Chukin sm bus sent (Apr) **Korea** • GDP (1Q) **United States** • Case-Shiller HPI (Feb) • Consumer confidence (Apr) • Richmond Fed surv (Apr) • FOMC mtg	**Australia** • CPI (1Q) **Belgium** • GDP adv (1Q) **Brazil** • COPOM mtg: +50bp **Chile:** IP (Mar) **Germany** • CPI (Apr) **Italy** • ISAE bus conf (Apr) **Japan** • Retail sales (Mar) **Poland** • NBP mtg: No chg **United States** • FOMC mtg: No chg	**Euro area** • M3 (Mar) • EC bus conf (Apr) **Germany** • Labor mkt report (Mar) **New Zealand** • RBNZ mtg: No chg **Sweden** • Retail sales (Mar) **Turkey** • Inflation report (2Q)	**Canada** • GDP (Feb) **Colombia** • BanRep mtg: No chg **Euro area** • Unemp rate (Mar) • HICP flash (Apr) **Japan** • PMI mfg (Apr) • Core CPI, Hhold spdng, Unemployment, IP prelim (Mar) • MPM: No chg **Korea** • IP (Mar) **United States** • Real GDP (1Q) • Chicago PMI, Consumer sent final
3 - 7 May	**3 May**	**4 May**	**5 May**	**6 May**	**7 May**
	Germany • Retail sales (Mar) **United States** • ISM mfg (Apr) • Light vhcl sales (Apr) **PMI:** • Czech Republic, Hungary, South Africa, Sweden, Turkey (Apr) **PMI mfg:** • Brazil, China, Euro area, France, Italy, India, Spain (Apr)	**Australia** • RBA mtg: +25bp **Brazil:** IP (Mar) **Euro area:** PPI (Mar) **Poland:** PMI (Apr) **Romania** • BNR mtg: -50bp **Russia:** PMI mfg (Apr) **Singapore:** PMI (Apr) **UK:** PMI mfg (Apr) **United States** • Pending home sales, Factory orders (Mar)	**Euro area** • PMI srv/comp (Apr) • Retail sales (Mar) **Indonesia:** BI mtg: No chg **Norway** • IP mfg (Mar) • Norges bnk mtg: +25bp **UK:** PMI cons (Apr) **United States** • ADP employment, ISM nonmfg (Apr) **PMI srv/comp:** • France, Germany, Italy, Spain (Apr)	**Czech Republic** • CNB mtg: No chg **Euro area** • ECB mtg: No chg **Germany** • Mfg orders (Mar) **Hungary:** IO (Mar) **Japan** • PMI srv/comp (Apr) **Peru:** BCRP mtg: No chg **United Kingdom** • General elections 2010 **United States** • Bernanke speech	**Germany** • IP (Mar) **Japan** • Monetary base (Apr) **Sweden** • IP (Mar) **United Kingdom** • New car regs (Apr) **United States** • Employment (Apr) • Consumer credit (Mar)

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