J.P.Morgan

Australia and New Zealand - Weekly Prospects

Summary

- More hawkish commentary from the **RBA** last week reaffirmed our view that a rate hike is imminent. We look for the RBA to announce the first 25bp rate hike in October, on the basis that, with sustained improvements in conditions domestically and offshore, an “emergency” setting for official interest rates no longer is appropriate. In the absence of a sharp reversal in key economic data, such as the retail sales numbers and confidence surveys scheduled for release this week, we see little reason for the RBA to sit on the sidelines next month. The labour force survey Thursday will, though, show a mild rise in the unemployment rate.
- We expect the **RBNZ** will leave the official cash rate (OCR) unchanged this week and maintain relatively dovish commentary, suggesting that the OCR will remain low for an extended period. The RBNZ will remain reluctant to get excited about the recent positive developments in the domestic economy, such as the sharp improvement in business confidence. Instead, the Governor will reiterate his concern that consumers, amid signs that the prolonged downturn in the economy has bottomed, may revert to their old “borrow to spend” habits. Our forecast calls for rate hikes from mid-2010.
- The **global economy** is in the early stages of a synchronized upturn that will deliver more GDP growth than is expected but less than is needed. The latest economic news reinforces our confidence in both these elements, as it points to sustained above-trend global growth along side post-WWII record high unemployment rates in the developed world during the coming year.
- Our **GDP growth forecast** is, however, strong only relative to that of the consensus. Deep downturns have been reliably followed by strong recoveries in the past and the 3% GDP gain forecast for the developed world over the coming four quarters falls far short of the greater than 5% gains recorded after the mid-1970s and early 1980s recessions. We are explicitly tempering cyclical lift in the face of continued tight credit conditions and ongoing balance sheet adjustments. Notably, US consumption is expected to post its smallest gain in the first year of a recovery, rising less than 2% alongside GDP growth of 3.5%.
- With growth solid but not booming, **labour markets** will likely stabilize only gradually. This is the message from the latest market reports, which suggest that the developed world recovery is likely to remain jobless through the end of this year. If our forecast is right, developed world unemployment rates will reach 9%—above the 1983 peak—and move only modestly lower next year. One consequence of depressed underutilization rates is already being felt. Core consumer price inflation is falling and looks set to drop below 1% in the US and the Euro area over the coming year.

This week’s highlight

The commentary accompanying the RBNZ announcement Thursday should remain dovish, suggesting the OCR will be kept low for an extended period.

Sep 7, 2009

Contents

JPMorgan Australia Ltd., Sydney
www.morganmarkets.com

Stephen Walters
(61-2) 9220-1599
stephen.b.walters@jpmorgan.com

Helen Kevans
(61-2) 9220-3250
helen.e.kevans@jpmorgan.com

JPMorgan Chase Bank, Sydney
Stephen Walters (61-2) 9220-1599
stephen.b.walters@jpmorgan.com
Helen Kevans (61-2) 9220-3250
helen.e.kevans@jpmorgan.com
Ben Jarman (61-2) 9220-1669
ben.k.jarman@jpmorgan.com

Data and event previews - Australia and New Zealand

Date	Time [a]	Data/event	Forecast JPMorgan	Forecast Consensus [b]	*Previous*
Monday, September 7	11.30am	ANZ job advertisements (%m/m, Aug.)	**na**	na	*-1.7*
Tuesday, September 8	11.30am	NAB business confidence (%m/m, Aug.)	**12**	na	*10*
Wednesday, September 9	8.45am	NZ card spending (%m/m, Aug.)	**na**	na	*0.8*
Wednesday, September 9	11.00am	Westpac-MI consumer confidence (%m/m, Sep)	**1.0**	na	*3.7*
Wednesday, September 9	11.30am	Aust. retail sales (%m/m, Jul.)	**0.0**	0.5	*-1.4*
Wednesday, September 9	11.30am	Aust. housing finance (%m/m, Jul.)	**-1.5**	-1.0	*1.1*
Thursday, September 10	7.00am	RBNZ announces official cash rate (%)	**2.5**	2.5	*2.5*
Thursday, September 10	8.45am	NZ terms of trade (%q/q, 2Q)	**-2.3**	-3.2	*-3.0*
Thursday, September 10	11.00am	Aust. consumer inflation expectations (%, Sep.)	**na**	na	*3.5*
Thursday, September 10	11.30am	Aust. employment (ch. 000s, Aug.)	**-15**	-15	*32.2*
Thursday, September 10	11.30am	Aust. unemployment rate (%, Aug.)	**5.9**	5.9	*5.8*
Friday, September 11	8.45am	NZ food prices (%m/m, Aug.)	**na**	na	*0.6*

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

Australia

ANZ job advertisements (%m/m, Aug.) - Job advertisements have fallen for 15th straight months, and will likely decline again in August, although at a very modest rate. The series continues to point to further deterioration in the labour market, albeit milder than we originally anticipated.

NAB business confidence (%m/m, Aug.) - Business confidence will continue to edge higher, after jumping six points in July to its highest level since August 2007. The improvement in confidence will emerge amid more signs of improving conditions offshore, combined with more proof the Aussie economy has emerged from the global downturn largely unscathed.

Westpac-MI consumer confidence (%m/m, Aug.) - Only a small improvement in consumer confidence is expected in September. News of a solid GDP print in 2Q, a relatively resilient labour market, and strong equity market gains will have buoyed confidence, but the rising threat of an imminent RBA rate hike will cap the upside.

JPMorgan Chase Bank, Sydney
Stephen Walters (61-2) 9220-1599
stephen.b.walters@jpmorgan.com
Helen Kevans (61-2) 9220-3250
helen.e.kevans@jpmorgan.com
Ben Jarman (61-2) 9220-1669
ben.k.jarman@jpmorgan.com

Data and event previews - continued

Aust. retail sales (%m/m, Jul.) - Retail sales values probably were flat in July. The continued weakness we anticipate in retail sales values will likely stem from heavy discounting among retailers, though the discounting will not be as severe as in the previous month, when sales slumped 1.4%m/m.

Aust. housing finance (%m/m, Jul.) - Our forecast calls for the number of home loans issued in July to fall 3.0%m/m, as the impact of the government's fiscal stimulus starts to fade. Home loan demand will remain subdued until year-end, tempered by various factors, such as rising mortgage rates and the phasing out of the expanded first home buyers' grant.

Aust. employment (ch. 000s, Aug.) - The labour force survey should show that employment fell 15,000 in August and that the unemployment rate rose to 5.9%. We expect to see a continued shift of workers from full-time to part-time work; this casualization of the labour force has continued for longer than we had anticipated, with firms still choosing to trim workers' hours before cutting staff. Hours worked fell 0.4%m/m in July, and will fall again in August.

New Zealand

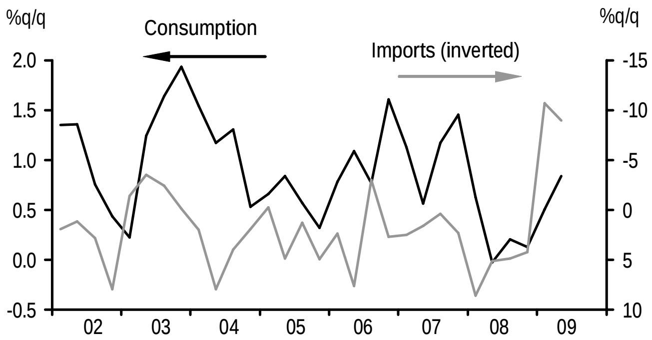
RBNZ official cash rate announcement (%) - The RBNZ should leave the OCR steady at 2.5%, and the accompanying commentary will remain dovish. The Governor will reiterate that the OCR will remain "at or below" current levels until the end of 2010, and again voice his anxiety about continued NZD strength. Governor Bollard will remain reluctant to get excited about the recent positive developments in the domestic economy, such as the sharp improvement in business confidence.

NZ terms of trade (%q/q, 2Q) - The terms of trade probably fell for the fifth straight quarter. Import prices should have declined, owing to stronger NZD, but export prices probably fell by more, owing mainly to lower dairy prices.

JPMorgan Chase Bank, Sydney
Helen Kevans (61-2) 9220-3250
helen.e.kevans@jpmorgan.com
Ben Jarman (61-2) 9220-1669
ben.k.jarman@jpmorgan.com

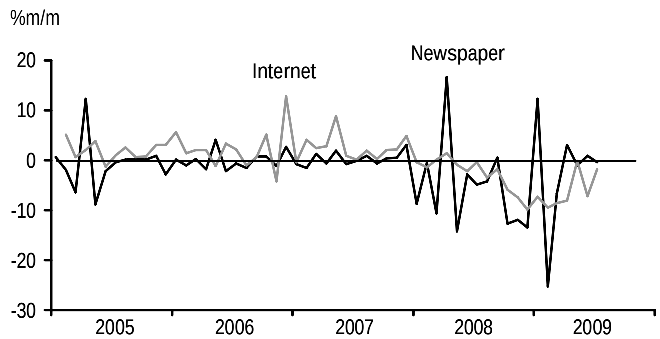
Feature charts

Australia: private consumption and imports



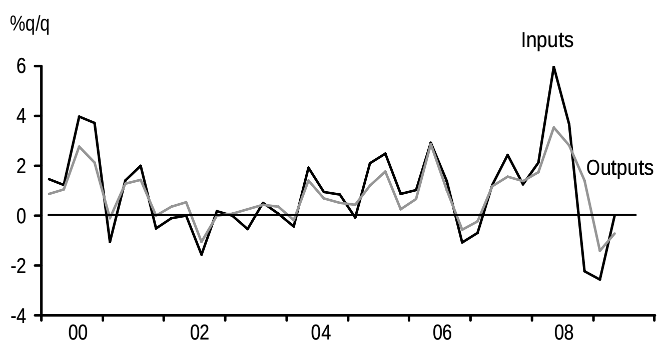
Australian imports collapsed in 1H09, far beyond the fall that would be predicted by the reduction in consumption. The explanation is that imports of capital goods also have fallen dramatically, down 15% in 2Q alone. Investment intentions were bleak in 1H09, however the 2Q capex survey was far less pessimistic. Milder downgrades to business investment are a key factor behind our recent upgrade to the employment outlook.

Australia: ANZ job advertisements, newspaper and internet



Leading indicators of employment, such as the ANZ job advertisements series, have collapsed over the last year, though unemployment has risen only modestly, with many employers choosing to cut hours rather than jobs. This ‘wait and see’ attitude on the part of employers is also reflected in the composition of advertisements. Newspaper ads have been volatile, while internet ads, which are less costly, and more often tailored toward part-time and casual applicants, have shown greater stability.

New Zealand: producer prices



Producer prices in New Zealand have proven volatile over the last year, with persistent inflationary pressure eventually giving way to softer price growth as the economy moved deeper into recession. Firms clearly are keen to insulate the household sector from these variations—output prices have fluctuated far less than those for inputs. This dynamic initially squeezed corporate profitability, though the NBNZ business outlook survey has recently bounced, indicating relief may be on the horizon.

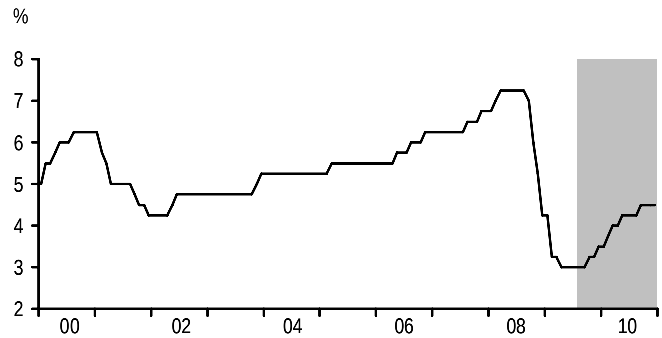
JPMorgan Chase Bank, Sydney
Stephen Walters (61-2) 9220-1599
stephen.b.walters@jpmorgan.com
Helen Kevans (61-2) 9220-3250
helen.e.kevans@jpmorgan.com

Australia

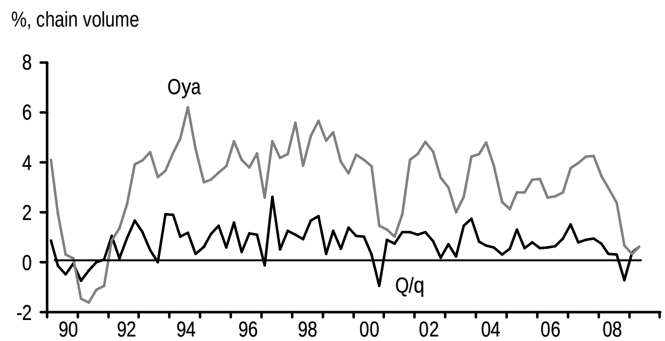
- **RBA hints that first rate hike is not far away**
- **Aussie economy expanded 0.6%q/q in 2Q**
- **Retail data to soften as stimulus is withdrawn**

Australian 2Q GDP numbers last week showed that the economy has emerged from the global downturn largely unscathed. The solid 0.6%q/q expansion resulted mainly from strong consumption growth and firm investment. Though growth will likely moderate in 2H as the impact of the fiscal stimulus fades, we maintain our view that an RBA rate hike is imminent. This view was reaffirmed last week by more hawkish commentary from the RBA.

Australia: RBA cash target rate



Australia: GDP growth



RBA more hawkish than before

The RBA left the cash rate steady at 3% last Tuesday, as expected. The tone of the statement announcing the decision, however, was more hawkish than before in three key areas—the global outlook, domestic investment conditions, and the domestic inflation outlook. The statement hints more emphatically than before that the first rate hike is not far away—indeed, the RBA said the current accommodative policy stance is appropriate only "for the time being."

There were three main changes in the commentary that signalled that the RBA has shimmied away from an implied "neutral" bias to a weak tightening bias. Two of the changes referred to the economic outlook; one referred to the inflation outlook. First, having last month talked of "tentative" signs of recovery in the global economy, the RBA betrayed more confidence in the durability of the rebound offshore. Second, the commentary emphasized that firms' capital spending may not be as weak as previously expected—the change follows the unexpectedly firm investment survey of two weeks ago. Third, while officials still expect core inflation to moderate, they now believe inflation is less likely to stay "persistently" below target.

On the global front, the statement referred to "very strong" growth in China and the perception that the major economies appear to be approaching a turning point. On domestic conditions, the RBA highlighted the resilience of consumer spending, exports, and business investment. While tighter credit conditions are a constraint on some investment, more broadly, it seems the RBA is acknowledging that the longer term investment pipeline is swelling.

We still look for the RBA to announce the first 25bp rate hike in October, on the basis that, with sustained improvements in conditions domestically and offshore, an "emergency" setting for official interest rates no longer is appropriate. We look for a steady drumbeat of small rate hikes thereafter. Even though this tightening cycle will be unusual, in that the RBA will be tightening as the unemployment rate rises, we still believe moves of greater than 25bp are unlikely. Officials will tread carefully while key policy uncertainties, like the speed at which financial sector balance sheets are repaired, are resolved.

Economy maintaining momentum into 2H

The 2Q GDP report indicated that the Australian economy expanded a healthy 0.6%q/q in the June quarter (J.P. Morgan 0.7% and consensus 0.3%), the fastest pace since 1Q08. The rise followed a 0.4%q/q print in 1Q09 and a downwardly revised 0.7% contraction in 4Q08.

Household spending was robust, owing to the ongoing impact of the government cash handouts to low- and middle-income earners, and investment was strong, especially in engineering and equipment. In particular, private business investment rose 1.9%q/q and should fall only modestly (if at all) in coming quarters, after the 2Q business investment survey signalled that firms are more optimistic about the outlook. Moreover, unofficial industry and private survey evidence indicates that the investment pipeline is swelling, particularly in mining. This investment will likely come to fruition after mid-2010, but a big rise in promised public spending on infrastructure will plug the gap in the meantime. Government spending rose 0.8%q/q in 2Q.

Net exports were a mild drag on growth as expected in 2Q, subtracting 0.3% points from GDP growth. Import volumes rebounded and export volumes rose modestly. We expect export volumes to be well supported after recent upgrades to our global GDP growth forecasts. In fact, we now expect a small gain in export volumes in 2009 (until recently, we expected a fall), with commodity exports, in particular, underpinned by healthy demand for raw materials by China. Prices for the nation's key commodity exports continued to decline in 2Q, however, contributing to the 7.4%q/q fall in the terms of trade.

The key surprise in the GDP data was that inventories added to GDP growth in 2Q (+0.2%-points), signalling that firms are ridding their shelves of unwanted stock less aggressively than before. The good news for GDP growth in coming quarters is that firms will need to rebuild stock as sales improve, particularly as external demand recovers.

Unemployment rate to head north

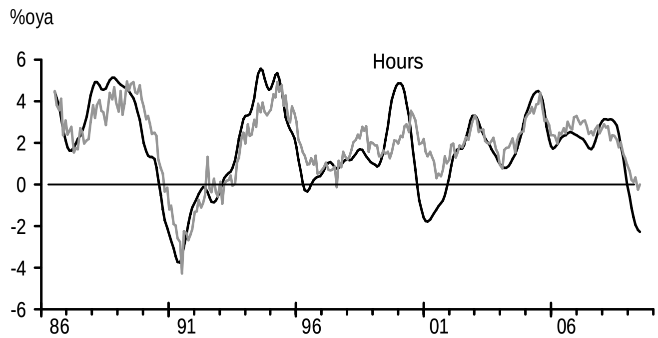
After unexpectedly rising by 32,200 in July, the labour force survey this week should show that employment fell 15,000 in August. With the participation rate expected to fall only slightly to 65.2%, the unemployment rate will rise just 0.1% to 5.9%. We maintain our view that the jobless rate will continue to rise steadily, however, and have a 7% handle by year end. The unemployment rate will be inflated by the elevated level of labour force participation, since older workers are staying in the work force for longer in an effort to resurrect their retirement funds.

We do expect to see a continued shift of workers from full-time to part-time work. This casualization of the labour force has continued for longer than we had anticipated, with firms still choosing to trim workers' hours before cutting staff. Hours worked fell 0.4%m/m in July. As such, even though employment has not fallen as quickly as we had anticipated, household income has been squeezed significantly by the sharp fall in hours worked since July 2008 which, on our estimates, is equivalent to the loss of more than 100,000 full-time positions.

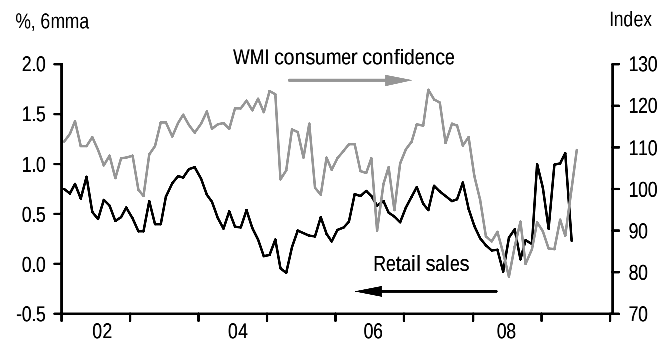
Discounting to deflate retail sales values

Retail sales values collapsed in June, falling 1.4%m/m, and were likely flat in July, owing mainly to lower prices rather than tumbling volumes. In fact, retail volumes held up, bouncing 2%q/q in the 2Q, thanks to the generous fiscal stimulus, which included targeted cash payments to households. The weakness we anticipate in retail sales values in July will likely stem from heavy discounting among retailers, though the discounting will not be as severe as in the previous month.

Australia: hours worked and employment



Australia: retail sales and consumer confidence



We suspect that consumer spending will remain subdued throughout the remainder of the year. Consumers are facing growing headwinds, with the jobless rate set to rise, the impact of the government's fiscal stimulus fading, and the RBA expected to hike the cash rate before year end.

Home loan demand pulling back

Our forecast calls for the number of home loans issued in Australia in July to fall 3.0%m/m, after rising 1.1% in the previous month. Home loan demand will remain subdued until year-end, tempered by various factors, such as rising mortgage rates and the phasing out of the expanded first home buyers' (FHBs) grant.

This should ease the RBA's concerns. Governor Stevens recently highlighted the threat of excesses in the housing market, suggesting that higher housing demand simply may push up prices, rather than help create new dwellings. Considering the chronic shortage of housing supply in Australia, this would, in the words of Stevens, create more "risks of problems of overleverage and asset price deflation down the track." This means that when inflated house prices even-

JPMorgan Chase Bank, Sydney
Stephen Walters (61-2) 9220-1599
stephen.b.walters@jpmorgan.com
Helen Kevans (61-2) 9220-3250
helen.e.kevans@jpmorgan.com

tually correct, the wealth destruction that would occur in the highly leveraged household sector will be more painful.

Confidence probably weakened a little

The Westpac-Melbourne Institute consumer confidence index should rise just 1%m/m in September, and remain well above the neutral level of 100 for the fourth straight month. News of a solid GDP print in 2Q, a relatively resilient labour market, and strong equity market gains will have buoyed confidence in early September, but the rising threat of an imminent RBA rate hike will cap the upside.

Personal and business credit contracted

The RBA private sector credit aggregates grew 0.2%m/m in July (J.P. Morgan 0.1%, consensus 0.2%), a modest step up from the 0.1% rate of expansion in June. Once again, contractions in personal (-0.2%) and business (-0.3%) credit outstanding stunted growth in total credit, as housing credit expanded (+0.6%). Growth in credit to housing has been remarkably stable over the last year, with the Federal government's expanded FHBs' grant clearly having encouraged new activity in the sector. We suspect that growth in housing credit will fall back once the expanded grant is wound back from October 1.

Data releases and forecasts

Week of September 7 - 11

Mon Sep 7 11:30am	**ANZ job advertisements** Seasonally adjusted	May	Jun	Jul	Aug
	(%m/m)	-0.2	-6.7	-1.7	__
Tue Sep 8 11:30am	**NAB monthly business survey** % balance, seasonally adjusted	May	Jun	Jul	Aug
	Business confidence	-2	4	10	12
Wed Sep 9 10:30am	**WMI consumer confidence survey** 100=neutral, seasonally adjusted	Jun	Jul	Aug	Sep
	(%m/m)	12.7	9.3	3.7	1.0
Wed Sep 9 11:30am	**Retail trade** Seasonally adjusted	Apr	May	Jun	Jul
	(%m/m)	1.0	1.0	-1.4	0.0
	(%oya)	7.6	8.0	7.5	5.5
Wed Sep 9 11:30am	**Housing finance approvals: owner occupiers** Number of loans, seasonally adjusted	Apr	May	Jun	Jul
	(%m/m)	0.9	2.2	1.1	-3.0
	(%oya)	13.8	24.4	29.2	26.3
Thu Sep 10 11:30am	**Labor force** Seasonally adjusted	May	Jun	Jul	Aug
	Unemployment rate (%)	5.7	5.8	5.8	5.9
	Employed (000 m/m)	-8.6	-23.1	32.2	-15
	Participation rate (%)	65.4	65.3	65.3	65.2

Review of past week's data

Inventories
Seasonally adjusted

	4Q08		1Q09		2Q09	
(%q/q)	-1.5		~~-1.2~~	-1.4	~~-1.8~~	-3.4
(%oya)	1.7		-1.1		~~-3.6~~	-5.3

Company operating profits (business indicators)
Nominal, gross operating, seasonally adjusted

	4Q08		1Q09		2Q09	
(%q/q)	~~-8.0~~	-7.2	~~-7.2~~	-6.1	~~4.0~~	-7.8
(%oya)	18.8		~~6.8~~	7.0	~~-3.9~~	-14.7

Private-sector credit
Seasonally adjusted

	May		Jun		Jul	
(%m/m)	~~-0.1~~	0.0	0.1		~~0.1~~	0.2
(%oya)	~~3.8~~	3.9	3.4		~~2.9~~	3.0

Building approvals
Seasonally adjusted

	May		Jun		Jul	
(%m/m)	~~-11.0~~	-11.4	~~9.3~~	9.9	~~-2.5~~	7.7
(%oya)	~~-21.3~~	-20.6	~~-14.3~~	-13.7	~~-15.1~~	-3.9

Current account balance
A$ billion, seasonally adjusted

	4Q08		1Q09		2Q09	
Current account (A$ bn)	~~-6.4~~	-7.9	~~-4.6~~	-6.3	~~-8.5~~	-13.3
As a % of GDP	~~-2.1~~	-2.6	~~-1.5~~	-2.1	~~-2.7~~	-4.5

RBA cash rate announcement

No change in rates. See main text.

Real GDP
Chain volume, seasonally adjusted

	4Q08		1Q09		2Q09	
(%oya)	~~0.8~~	-0.7	0.4		~~1.2~~	0.6
(%q/q)	~~-0.6~~	0.7	~~0.4~~	0.3	~~1.2~~	0.6

Trade balance
Seasonally adjusted

	May		Jun		Jul	
Trade balance (A$ mn)	~~-738~~	-763	~~-441~~	-538	~~-877~~	-1556

New Zealand

- **RBNZ to leave OCR steady at 2.5%**
- **Commentary to emphasize risks to recovery**
- **Business confidence still rocketing up**

RBNZ commentary to remain dovish

The RBNZ early Thursday should leave the official cash rate (OCR) steady at 2.5%, and the accompanying commentary will remain dovish. The Governor will reiterate that the OCR will remain "at or below" current levels until the end of 2010, and again voice his anxiety about continued NZD strength, particularly as NZD has gained more than 4% against USD since the last OCR decision. The RBNZ will likely maintain its view that a recovery will get under way in New Zealand toward year end. Stronger NZD will again be the main risk to the recovery. The high currency is hampering a prospective export-led recovery, and has fuelled tighter domestic monetary conditions.

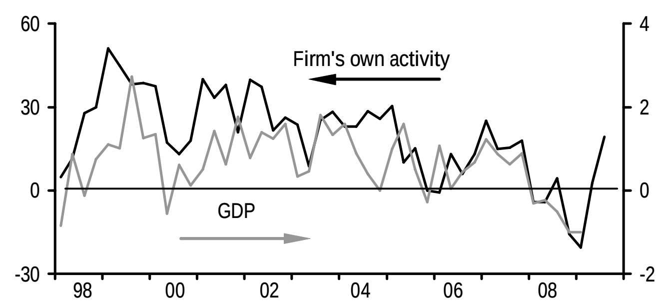
The RBNZ will remain reluctant to get excited about the recent positive developments in the domestic economy, such as the sharp improvement in business confidence. Instead, the Governor will reiterate his concern that consumers, amid signs that the prolonged downturn in the economy has bottomed, may revert to their old "borrow to spend" habits. The RBNZ recently has highlighted the need to shift away from debt-driven consumption as a key driver of growth, which is an argument not to lower interest rates. It will, therefore, take a material deterioration in the global outlook to trigger a further reduction in the cash rate. So, while the policy door will be left ajar to further policy easing, we believe the RBNZ's job in this rate cutting cycle is finished. Our forecast calls for rate hikes from mid-2010.

Kiwi business confidence continues surge

The NBNZ business confidence survey jumped an impressive 17.5 points in August to 34.2. We had expected a significant gain owing to improved global economic conditions and strong retail spending, though the report exceeded even those upbeat assessments. The all important firms' own activity outlook was most notable, surging to a five-year high of 26.0 from 12.6. This raises our conviction on the likelihood of the economy exiting recession in 2H09.

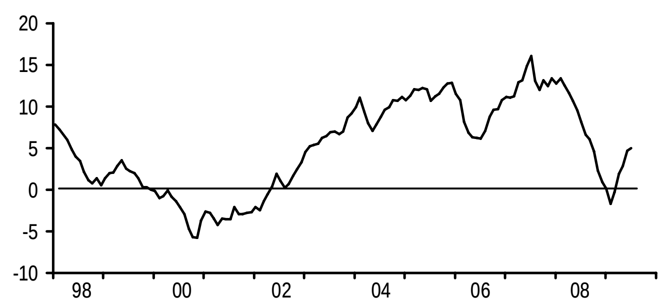
New Zealand: NBNZ business outlook survey and GDP growth

Net balance, business activity, average over quarter %q/q



New Zealand: monetary conditions index

Index



Data releases and forecasts

Week of September 7 - 11

During the week 10:30am	Business PMI Seasonally adjusted	May	Jun	Jul	Aug
	Index	43.3	46.5	49.7	__
	(%oya)	-12.0	2.8	3.2	__
Mon Sep 7	QVNZ house prices %, median	May	Jun	Jul	Aug
	(%oya)	-8.1	-7.1	-5.0	__
Thu Sep 10 9.00am	RBNZ cash rate announcement No change expected.				
Thu Sep 10 10:45am	Terms of trade Seasonally adjusted	3Q08	4Q08	1Q09	2Q09
	(%q/q)	-0.9	-1.0	-3.0	-2.3

Review of past week's data

NBNZ business confidence	Jun	Jul	Aug	
% balance of respondents	5.5	18.7	~~24~~	*34.2*
ANZ commodity price series Not seasonally adjusted	Jun	Jul	Aug	
Index - world prices (%m/m)	0.2	1.0	__	*4.2*

JPMorgan Chase Bank, New York
Bruce Kasman (1-212) 834-5515
bruce.c.kasman@jpmorgan.com
David Hensley (1-212) 834-5516
david.hensley@jpmorgan.com

Global Essay

- **Strong growth will surprise but won't undo damage from deep recession**
- **Demand indicators point to 4% US GDP gain this quarter**
- **Countries with small output gaps to begin tightening as disinflation keeps G3 central banks on hold**
- **Japanese deflation set to intensify under DPJ policy**
- **This week's China releases to show growth moderating and rotating**

More bounce but still plenty of malaise

The global economy is in the early stages of a synchronized upturn that will deliver more GDP growth than is expected but less than is needed. The latest economic news reinforces our confidence in both these elements, as it points to sustained above-trend global growth along side post-WWII record high unemployment rates in the developed world during the coming year.

Much of our focus in recent months has been to explain and monitor the dynamics of the nascent rebound. The impetus for growth has come from two sources: unprecedented monetary and fiscal policy stimulus and a correction by firms that planned for far worse economic and financial conditions at the start of the year than have been realized. The power of these two forces to swing economies quickly from contraction to strong growth is already evident in Asia. It is now the Americas' and Europe's turn to surprise. With our latest forecast revision, we now project annualized GDP gains of 4% for the US and 3% for the Euro area this quarter.

More importantly, the case for sustaining above-trend growth into 2010 is building, as the pieces of a positive feedback loop—connecting a return to growth to improving financial conditions, firming labour income, and rising private sector confidence—are falling into place. In this regard, the trajectory of US labour markets through the third quarter is positive. Although job losses remain substantial, labour income may be stabilizing earlier than expected, as the slide in the work week appears to have ended and average hourly earnings continue to grow.

Our GDP growth forecast is, however, strong only relative to that of the consensus. Deep downturns have been reliably followed by strong recoveries in the past and the 3% GDP gain forecast for the developed world over the coming four quarters falls far short of the greater than 5% gains recorded after the mid-1970s and early 1980s recessions. We are explicitly tempering cyclical lift in the face of continued tight credit conditions and ongoing balance sheet adjustments. Notably, US consumption is expected to post its smallest gain in the first year of a recovery, rising less than 2% alongside GDP growth of 3.5%.

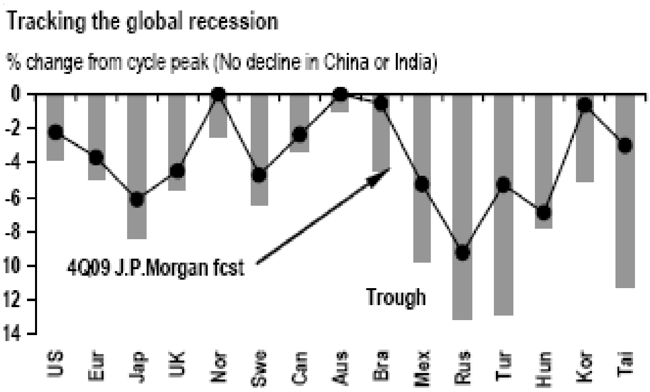
With growth solid but not booming, labour markets will likely stabilize only gradually. This is the message from the latest market reports, which suggest that the developed world recovery is likely to remain jobless through the end of this year. If our forecast is right, developed world unemployment rates will reach 9%—above the 1983 peak— and move only modestly lower next year. One consequence of depressed underutilization rates is already being felt. Core consumer price inflation is falling and looks set to drop below 1% in the US and the Euro area over the coming year.

The more profound issues relate to elevated unemployment and large fiscal deficits becoming a persistent feature of the macroeconomic landscape in the coming years. Most likely, these developments will produce higher tax rates, damp financial sector healing, and weigh on potential

US: unemployment and labor income

Global PMI and manufacturing output

JPMorgan Chase Bank, New York
Bruce Kasman (1-212) 834-5515
bruce.c.kasman@jpmorgan.com
David Hensley (1-212) 834-5516
david.hensley@jpmorgan.com



growth. As such, they could engender a sense of malaise

even as GDP gains remain solid. The wild card is the political changes brought about by these chronic difficulties.

Japan's deflation to intensify with DPJ

Although long in coming, the DPJ's landslide victory in Japan is a reflection of how persistently poor economic performance can change the political landscape. The DPJ campaigned on a platform of promoting domestic demand, especially private consumption, but it will take a few weeks before policy initiatives will be clear. However, it seems almost certain that the new government proposals to lower tax and government charges will push Japan deeper into deflation. A strong yen would reinforce this move; it is noteworthy that a senior DPJ politician said last week that a strong yen is good for Japan, opposing intervention in the currency market.

Against this backdrop, we have revised down Japan's CPI forecast to anticipate a 1.5% decline in core prices—excluding food and energy—in the year ended 4Q10. Although some of the expected intensification of core deflation will be transitory, it could be reinforced by lower inflation expectations or a rising yen. It remains to be seen how the BoJ will respond to deep deflation, particularly given the aggressive unconventional action taken by other central banks over the past year. The BoJ's updated core CPI forecast, to be delivered in the semiannual Outlook Report due at end-October, will likely show core CPI deflation persisting through 2011. However, the bank has yet to signal that any meaningful policy response is in the offing.

Central banks begin to break ranks

Although the downturn in the global economy has been very deep, there was a wide variation in outcomes among countries. Some of those on the periphery of the global meltdown, with smaller output gaps and little damage in

domestic financial markets, have begun to signal that they may begin hiking rates in the relatively near future. Less than two weeks ago, Israel's central bank kicked off the process with a 25bp move, with another hike expected later this month. Last week's more hawkish commentary from the RBA suggests that it will be next in line in October. The economy experienced more of a slowdown than a recession, and the RBA no longer believes it is appropriate for the cash rate to be set at an "emergency" level, especially with core inflation still above target. Early next year, we look for rate hikes in Norway, Korea, and the Czech Republic, followed by moves in the UK and Chile in 2Q.

While the timetable for starting the process of rate normalization is escalating in the periphery, the prospects remain strong that rates will remain on hold for the foreseeable future in the G3. Last week's minutes reaffirmed the Fed's low for long stance. Trichet's post-meeting press conference delivered the same message. Despite the tide of good news on the economy, the ECB staff made only a slight upward revision to the GDP forecast which, even now, anticipates that the economy will stagnate through the middle of next year. It is possible that the central bank is positioning itself tactically to ensure that growth surprises on the upside, but Trichet's commentary indicates that the central bank remains concerned about the headwind from ongoing balance sheet adjustment. It would seem that even if our much more upbeat growth forecast is correct, the ECB will need quite a bit of evidence to change its mind, with the result that policy is set to remain easy for a while.

Chinese growth is rebalancing

Key indicators of China activity in August should calm fears that the economy might be sliding toward subpar growth. Last week's strong August manufacturing PMI report (provided by Markit), featuring a sharp pop in the export index, was a step in this direction. This week's reports should go further, confirming strong sequential gains in IP, retail sales, and exports, alongside a continued cooling in fixed-asset investment. This would corroborate anecdotal reports that factories are ramping up production and hiring back workers to meet orders from overseas.

Although growth is likely to moderate from the booming first-half pace, the main adjustment is a rotation in the sources of growth toward consumption and exports and away from investment. It is this shift in the mix of growth that policymakers are trying to foster, amid signs of excess capacity and wasteful spending in some sectors. The recent

JPMorgan Chase Bank, New York
Bruce Kasman (1-212) 834-5515
bruce.c.kasman@jpmorgan.com
David Hensley (1-212) 834-5516
david.hensley@jpmorgan.com

slowdown in bank loan growth largely reflects the inevitable consequence of frontloading loans for infrastructure projects early this year and of corporates arbitraging the difference between lending and deposit rates.

A subpar recovery in Central Europe

The unfolding, simultaneous recoveries in the Euro area and the US are helping to lift Central Europe (CE) out of recession. However, whereas the G3—and indeed much of the emerging world—appear poised for a stretch of above-trend growth, the near-term outlook for the CE block is more subdued. Manufacturing activity will continue to accelerate across the region, boosted by exports. However, domestic demand is expected to be sluggish. The end of the fx borrowing boom, which helped fuel rapid growth in previous years, has reinforced the tightening of credit in the region. In addition, policy support is sparse. Earlier concerns about capital outflows and downward pressure on fx rates prevented some central banks from easing as early and aggressively as they might have, with the NHB aggressively hiking rates in 4Q08. In the same vein, government support largely was limited to the automatic stabilizers, rather than being complemented by active stimulus.

In Russia, we expect a healthier recovery in 2H09 and 2010 on the back of fading inventory adjustment, relatively strong commodity prices, unfolding fiscal expansion, and the lagged impact of monetary easing. We are thus raising Russia's 2010 GDP growth from 4.5% to 5%. Nevertheless, corporate and banking sector deleveraging amid decreased external financing, slow clearance of bad loans from banks' balance sheets, and gradual fiscal consolidation will remain important drags on growth in the medium term, when Russia is unlikely to grow much above potential.

Mexican budget seeks long-term balance

On Tuesday the Mexican government will submit its fiscal reform and 2010 draft budget to congress. The government's objective is to maintain an accommodative stance while promoting long-term fiscal sustainability. The plan likely will consist of a countercyclical fiscal deficit rule that will allow the government to widen the deficit up to 3% of GDP during economic downturns and ensure surpluses during upturns, so that the budget is roughly balanced when viewed over the full business cycle. In addition, it should call for about 0.9% of GDP in expenditure cuts and 1.2% additional revenues, including new taxes. The objective is to build in a procyclical tax bias such that some tax revenue accrues in 2010 and the rest kicks in the following years to ensure compliance with the new fiscal rule.

The new lower house inaugurated on September 1 and controlled by the PRI and Green opposition parties will not make the task easy. However, we believe that it is in the interest of the opposition parties to pass fiscal reform. For one, the PRI has the largest number of state governors, whose states share the additional revenue. Moreover, the PRI has become the front-runner for the 2012 presidential elections and reform will provide enough resources to undertake public works and ensure additional popularity. Consequently, we look for congress to pass a broad-based fiscal reform by year end and for Mexico to avoid a credit rating downgrade.

JPMorgan Securities Ltd., London
Jan Loeys (44-20) 7325-5473
jan.loeys@jpmorgan.com
John Normand (44-20) 7325-5222
john.normand@jpmorgan.com

JPMorgan View - Global Markets

One market

- **Portfolio strategy:** globalization is intensifying in economies and markets. The move to One Market reduces geographical vs product and sector diversification. But it also amplifies the boom/bust cycle in markets, raising the importance of active macro risk taking.
- **Fixed income:** move to overall short duration, through short end of Europe.
- **Equities:** take profit on EM vs DM overweight. Shift sectoral exposure to energy and technology.
- **Credit:** stay overweight. The trend of spread tightening remains in place.
- **Fx:** position on cross-rates by expected QE exit dates.

Our economists have observed how globally synchronized the current business cycle is. And market participants know that correlations across markets have risen to the point that there is effectively only one trade left—the recovery trade—that one can choose to buy or sell. What are the **implications** of this move to **"One Market"**?

One is the erosion of the value of geographical **diversification** in developed markets. This is probably less the case for EM, as their economies and markets still do not fully sing to the same tune as do developed markets. Product and sector diversification have become more important than country diversification.

Globalization was supposed to make the world less volatile, as it makes it easier to absorb national shocks. The reality may be opposite. When all firms, policymakers, and investors, in the limit, share the same conditions, objectives, and information, each will act in the same way at the same time. Such **synchronization risks creating a permanent boom/bust cycle in economies and markets** and thus increases volatility. Policymakers ought to lean against the wind, but are frequently caught in the same cycle.

This unintended synchronization of actions surely contributed to the tech and housing boom/bust cycles of the past 15 years. These cycles remain in place and thus create a serious risk that we collectively **underestimate the power of the current upswing in growth, earnings, and asset prices.** It keeps us tactically long risky assets, even as we are not long-term bullish on growth or asset prices.

Reduced country diversification and increased volatility raise the **importance of thinking and acting globally and across asset classes.** It is part of our bullishness on macro hedge funds. It requires us increasingly to monitor global indicators, such as our Global PMI series and global data on consumption, inventories, car sales, and capital flows.

10-yr Government bond yields

	Current	Sep 09	Dec 09	Mar 10	Jun 10
United States	3.43	3.50	3.60	3.75	4.00
Euro area	3.24	3.35	3.40	3.50	3.55
United Kingdom	3.62	3.85	4.05	4.25	4.30
Japan	1.33	1.50	1.45	1.40	1.30
Foreign exchange					
	Current	Sep 09	Dec 09	Mar 10	Jun 10
EUR/USD	1.43	1.43	1.50	1.47	1.45
USD/JPY	93.0	91	89	91	97
GBP/USD	1.64	1.68	1.74	1.67	1.65
Commodities - quarterly average					
	Current	3Q09	4Q09	1Q10	2Q10
WTI ($/bbl)	68	68	65	65	65
Gold ($/oz)	992	950	975	-	
Copper($/m ton)	6243	5300	5600	-	
Corn ($/Bu)	3.06	3.50	3.65	4.00	4.15

Source: J.P. Morgan, Bloomberg, Datastream.

Our market strategy remains the recovery trade, which is short cash and long credit and equity market assets. But we fine-tune constantly to exploit shorter-term opportunities and risks. Accordingly, given the rally in bonds in recent weeks, we have switched from long to short duration, positioning through the short ends in European markets. EM equity performance is lagging, and we thus advise taking profits, switching to neutral on our overweight of EM equities. Overall tactical risk on the recovery trade is reduced from above to below normal given the maturity of the trade.

Fixed income

Government bonds are broadly unchanged on the month, giving up today their gains from earlier last week. Momentum signals have been failing badly this year, and we instead elect to use value and the range to trade bonds. The rally of the past month brought bond yields to the lows of these ranges and we thus choose this week to go **short duration**. We execute these at the short end of European bond markets, staying neutral duration in the US.

Within the fixed-income asset class, our main position remains to be long spread product to benefit from the medium-term rally in risky markets and the likely return of carry trades as market volatility falls.

Equities

Equities showed signs of fatigue last week with little response to stronger economic data. Technically, this is a negative signal and shows that **the market is trading long**. Bearish commentators also argue that September is historically the worst month for equities. Since the 1920s, there has been a 40% probability of a loss in any given month. But for **September**, this probability is 55%. No good explanation exists for this bad seasonal factor and we are thus not allowing it to affect our medium-term strategy.

We thus stay long equities. Fundamentals have improved and we believe that equities will finish the year 10-15% higher than current levels. The prime trigger for the next leg up should come from the 3Q reporting season in October, which we expect to post another positive surprise.

EM equities have started underperforming, driven by fears about policy tightening in China. We consider these fears overblown, but recognize that the market will likely continue to overreact to signs of slowing in loan growth in China. However, investor positions are more stretched in EM equities, and our expectation is that DM growth should be more of the surprise than EM growth over coming months. As a result, we advise **taking profit on the EM vs DM overweight and to move to neutral**. This is also consistent with our EM vs DM equity trading rule, which also switched to neutral: relative IP growth remains positive but the 2-month momentum turned negative. Sector performance changes as the bull market matures.

Shift sectoral exposure to energy and technology. An analysis of US sector performance following 7 major market bottoms since 1974 shows that the best two performing sectors switched from consumer discretionary and technology in the 2nd to 6th month following the market bottom, to energy and technology in the 6th to 12th month following the market bottom. Given that we are entering the 6- to 12- month time frame in September, historical analysis suggests that Energy and Technology are now the most attractive sectors to overweight.

Credit

Overweight US HG as credit fundamentals are improving and strong demand is met by limited net supply. Retail investors accelerated HG corporate bonds buying as mutual funds saw an average inflow of $4bn a week over the past four weeks, surpassing the pace of $3.5bn a week in 2Q. Within HG, the spread between Bank and Industrial bonds is set to compress further, especially in the US, where spreads between the two sectors remains around 70bp. In Europe, we **turn neutral on senior bank debt,** as supply is likely to remain heavy, since other sources of traditional term funding, such as secured markets, remain relatively dysfunctional. Hence, we focus our overweight on lower tier 2 vs industrials bonds in Europe.

We keep a **small long in US HY** as valuations look reasonable, flows into HY corporate bonds continue, and default volumes kept shrinking. Default volumes continued to fall in the US, with only $4bn defaulted in August, compared to the monthly average of $8bn in the past four months and a monthly average of $25bn over the prior five months.

In **EM**, stay overweight in EMBIG, focusing on high-yielding sovereigns. We believe that the EMBIG spread will tighten to 300bp by year end, from 390bp now. Although the EMBIG spread widened in August, the yield was relatively stable and most of the spread changes came from the rally in USTs. Demand for EM external debt is strong, with recent new issues eight times oversubscribed.

Foreign Exchange

Five months after the G-20 shocked and awed markets with a $500bn recapitalization of the IMF, **the G-20 are having a summit meeting again**—London on the weekend, Pittsburgh September 24-25. Fx, which usually elicits sideline comments whenever the G-7 or G-20 gather, is too low a priority to justify official mention in the communiqué. For fx, the most important G-20 takeaways will be any signals about the timing and nature of exit strategies, and confirmation that policy will diverge considerably over the next year. If Japan's removal of QE in 2006 is any guide, these exits can prompt material rises in volatility and unwinds of carry over the short term, even though liquidity remains generous for several quarters. The more uncoordinated these exits across countries, the greater the scope for currency moves.

For now the **exit strategy debate will remain dollar negative** because it is the investment currencies/high-yielders that are first to leave the emergency ward. One central bank has already lifted interest rates (Bank of Israel); another is girding for a hike this fall (RBA); and a third will probably move in 1Q10 (Norges Bank). These divergences are the stuff currency trends are made of, which is why we continue to recommend **focusing risks in the crossrates**. Since mid-August we have held **short GBP/NOK** and **long EUR/GBP.** Two weeks ago we added long **NOK/SEK**, and last week we added long **AUD/NZD**.

AUD and NZD Commentary

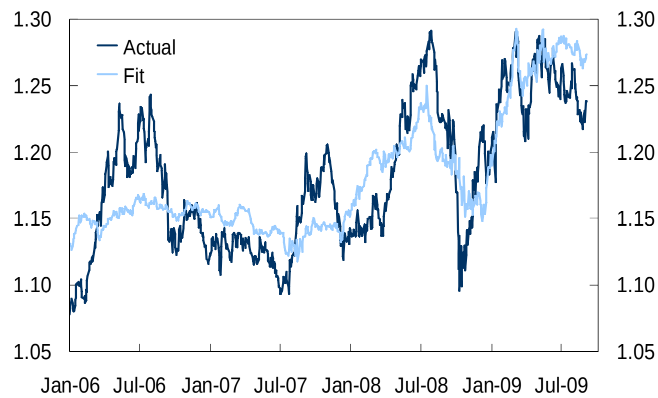
- **Consolidation remains the name of the game in G10 FX until 3Q data confirm an above-trend global expansion, driving renewed high-beta FX outperformance.**
- **We recommend a tactical AUD/NZD long ahead of the RBNZ meeting, to take advantage of valuation and prospects for RBA-RBNZ policy and rhetorical divergence.**
- **Technicals: Both AUD/USD and NZD/USD suggest the underlying uptrends are back.**

- Our core views are unchanged. We remain upbeat on global economic growth but see little upside for risk assets until the economic data signal a more forceful upturn in final demand or the 3Q earnings season gets underway in October.
- Against this backdrop, we have made spot FX trade recommendations to exploit relative-value opportunities in cross-rates, while positioning medium-term USD weakness through option structures. Long AUD/NZD appears promising from this perspective: relative to a model driven by two-year government yield spreads, the CRB commodity price index, the S&P 500, and the VIX, AUD/NZD is about one sigma cheap (see Chart 1).
- But, it is the fundamental outlook that tips us in favour of this trade ahead of Thursday's RBNZ policy meeting. Over time, exit strategies from the past year's extraordinarily easy monetary and fiscal policies increasingly will supplant the pace of global recovery as the predominant driver of FX market trends. AUD/NZD likely will be one the first G10 crosses to make the switch. After the shallowest recession in the G10 and with its cash rate target at an all-time low, the RBA is poised to lead the rush for the exits, with the first rate hike likely in October. As a result we still see China expanding at an above-9% clip in 2H09 and generating strong demand for commodities.
- The RBNZ, by contrast, has repeatedly flagged NZD strength as a stumbling block on the path to recovery. The disappointing results of earlier attempts to jawbone the NZD may keep NZD bashing off Governor Bollard's agenda on Thursday. But the NZD's performance precludes a shift toward more hawkish rhetoric, opening the way for further AUS/NZD gains.
- Buy AUD/NZD at 1.2320 with a stop at 1.19.

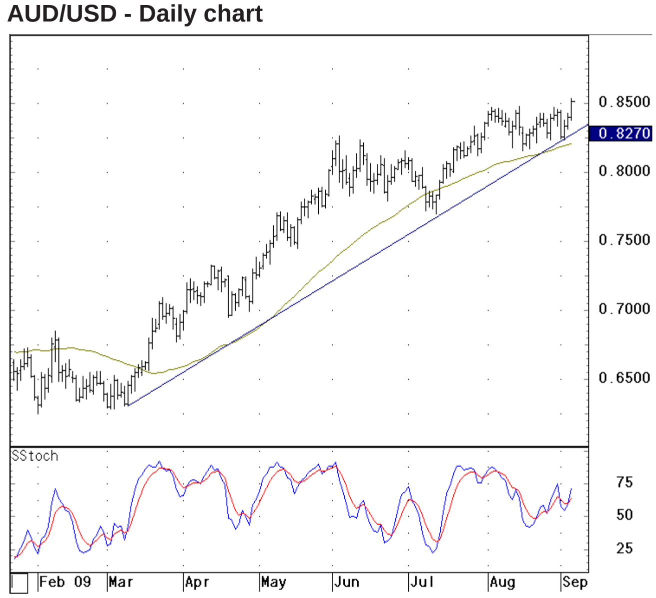
Technical analysis

- Friday's rally through the key .8480/.8520 resistance zone for AUD/USD suggests an upside breakout is underway, which should be joined by NZD/USD. This action confirms the corrective nature of these consolidation below the August highs. Importantly, low effective held key support levels highlighted by the March uptrendlines, which should continue to hold to maintain the short term upside bias. For AUD/USD, that level rests at .8313 and along with the .8155 range lows should continue to point the trend higher. Deeper targets rest at .8695 and .8810, the late-August 2008 high.
- With regards to NZD/USD, the late-week advance from the key short term range lows near .6685/.6645 zone augurs new highs. This should allow for an extension through the important .6900/.6940 zone, which includes the 61.8% retracement from the 2008 cycle high. Deeper short term targets enter at .7070 and then the .7215 area. Note that AUD is likely to outperform as the reversal in the AUD/NZD cross from the August low has extended above the key 1.2350 resistance and breakdown area and should seek a closer test of the 1.26/1.27 area.

Chart 1: AUD/NZD vs model estimate based on 2-year government bond yield spread, the S&P500, the CRB commodity price index and the VIX, Jan 06-4Sep 09.



AUD/USD - Daily chart



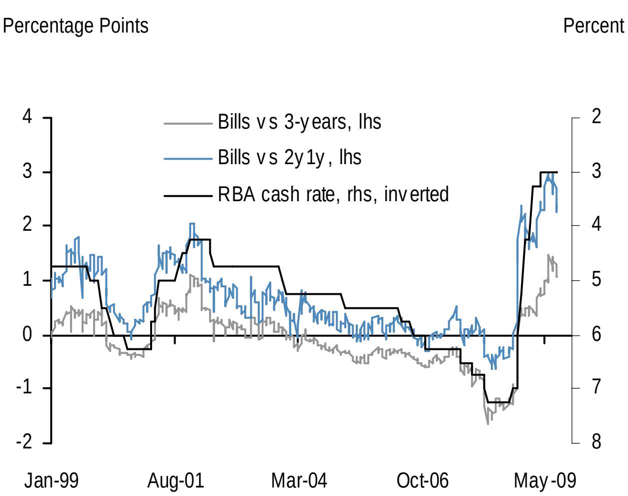
Source: CQG, Inc. © 2009 All rights reserved worldwide. www.cqg.com Fri Sep 04 2009 14:13:19

Markets - Australia and New Zealand

Below is a summary of *The Antipodean Strategist*, published weekly. The full version can be found on Morgan Markets.

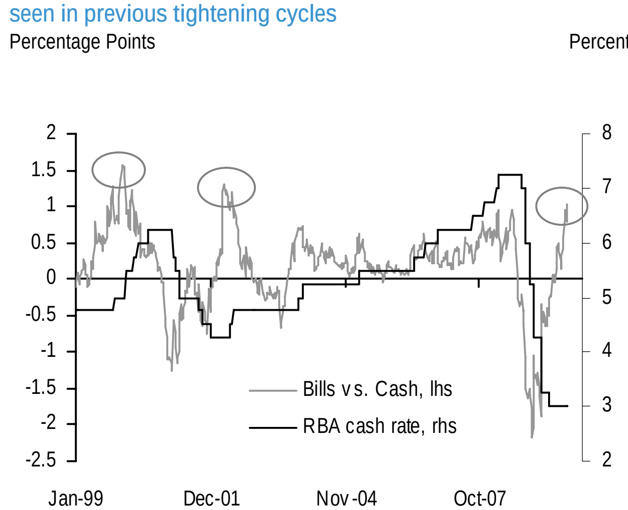
- J.P. Morgan economists have brought forward expectations of RBA tightening and now expect the RBA to deliver the first rate hike of the cycle next month (October). The cash rate is expected to reach 4.25% by mid next year.
- The final box to be ticked for the RBA over the next month is the consumer spending story. The RBA will see both the July and August retail sales numbers prior to the October board meeting; this should give policy makers a good sense of how household expenditure is faring in the third quarter. Provided the data aren't too soft, there should be little to prevent the RBA from starting cash rate normalisation in early Q4.
- Broadly, we think we are not too far away from the cyclical peak in yields; we would be looking to start to build long duration positions on any move to 94.75 in 3-years. The risk to this view would be a more aggressive tightening cycle than currently priced by the market; as such, we prefer holding 3-year risk against the very short end (Dec-09 bank bill futures).
- Our FX strategists have revised lower their USD/JPY forecasts on the back of expected JPY strength. With AUD/JPY expected to decline into year end, we note potential implications for the AUD swap market. Longer dated basis swap spreads 10-year swap spreads should narrow, and 10-year swap yields should out-perform.
- The NZD front end remains range bound and so we have preferred spread trades over the past month (such as NZD-AUD 2s5s box spread, NZD curve flatteners implemented via 4-year swap against 2021 bonds). Near term direction will be dictated by the NZ OCR announcement next week; we think risks are biased towards a less dovish statement and have taken profits on our AUD-NZD 2s5s box spread as a result.

Front-end curve spreads vs. RBA cash rate



Source: J.P. Morgan and Bloomberg; we use the 2nd bank bill futures contract

2nd bank bill future spread to the cash rate is not yet as wide as seen in previous tightening cycles



Source: J.P. Morgan and Bloomberg

JPMorgan Chase Bank, New York
David Hensley (1-212) 834-5516
david.hensley@jpmorgan.com
Carlton Strong (1-212) 834-5612
carlton.m.strong@jpmorgan.com

Global Economic Outlook Summary

	Real GDP % over a year ago			Real GDP % over previous period, saar							Consumer prices % over a year ago			
	2008	2009	2010	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	2Q09	4Q09	2Q10	4Q10
The Americas														
United States	0.4	-2.4 ↑	3.2 ↑	-6.4	-1.0	4.0 ↑	3.0 ↑	3.0	4.0	4.0	-0.9	1.2 ↓	2.0 ↓	0.9
Canada	0.4	-2.5 ↓	2.4	-6.1 ↓	-3.4 ↑	2.0	2.0	3.0	3.0	3.5	0.1 ↑	1.3 ↑	1.9	2.3
Latin America	3.8	-3.1	4.2	-9.8	-0.4 ↑	8.1 ↓	3.7	4.3	4.4	3.7	6.9	5.7	7.0	6.4 ↓
Argentina	6.8	-3.0	2.0	0.2	-6.0	0.0	-4.0	6.0	6.0	4.0	7.0	6.0	10.0	10.2
Brazil	5.1	-0.4	4.5	-3.3	7.0	5.5	4.0	4.0	5.0	3.9	5.2	4.3	4.9	4.5
Chile	3.2	-1.5	4.3	-3.0	-1.4	7.0	6.0	4.0	3.5	4.0	3.1	-0.5	2.0	3.2
Colombia	2.5	-0.5	3.0	0.9	-2.0	1.9	3.2	3.5	4.3	5.5	4.8	3.3 ↓	3.9 ↓	4.3 ↓
Ecuador	6.5	-2.0	0.5	-6.3	-4.0	-4.0	0.0	1.5	2.5	3.0	5.5	4.8	3.7	4.1
Mexico	1.3	-6.5	5.0	-21.2	-4.4	15.5	5.0	5.0	4.0	3.0	6.0	4.2	3.3	3.4
Peru	9.8	1.0	5.4	-6.3 ↓	-1.6 ↑	8.0 ↓	13.0	3.0	3.5	3.5	4.0	1.1 ↓	1.5 ↓	2.0
Venezuela	4.8	-2.5	1.5	-7.3	-3.3	-2.0	0.0	2.0	3.5	4.5	28.2	31.5	46.2	37.4
Asia/Pacific														
Japan	-0.7	-5.2	2.3	-11.7	3.7	3.0	3.0	2.5	1.0	1.5	-1.0	-2.0 ↓	-2.2 ↓	-1.5 ↓
Australia	2.4 ↑	0.4 ↓	1.9 ↓	1.6 ↑	2.5 ↓	-2.2	2.6	1.5	2.3	3.4	1.5	1.5	2.1	2.5
New Zealand	0.2	-2.2	2.7	-3.9	-1.4	-0.5	3.6	3.6	3.3	3.8	1.9	1.5	1.4	2.3
Asia ex. Japan	5.8	4.0 ↑	6.9	2.5 ↑	12.6	7.5	6.6 ↓	6.2 ↑	6.6 ↑	6.3 ↑	1.3	2.5	3.4 ↑	2.8
China	9.0	8.4	9.0	8.3	14.9	9.5	9.0	8.7	8.7	8.0	-1.5	1.7	3.3	1.9
Hong Kong	2.4	-2.6	5.3	-16.1	13.9	9.0	5.0	4.2	4.0	3.8	-0.1	-0.9	0.1	3.0
India	6.1	6.2	7.2	8.2 ↑	6.7 ↓	5.7 ↑	6.4 ↓	7.1 ↑	7.7 ↑	7.5 ↑	8.9 ↑	7.9	4.9	3.7
Indonesia	6.1	4.1 ↑	5.0 ↑	5.4	3.8	3.0	2.0	5.0	6.0	6.0	5.6	3.5	6.1	6.2
Korea	2.2	-0.8 ↑	4.0 ↑	0.5	11.0 ↑	4.0	3.5	3.5	3.5	3.5	2.8	2.5 ↓	3.0 ↓	3.3 ↓
Malaysia	4.6	-3.0	4.4	-17.7	12.8	6.1	4.5	1.6	4.9	4.9	1.3	0.3	2.3	2.4
Philippines	3.8	1.5	5.0	-8.1	10.0	4.0	4.0	5.0	5.0	5.0	3.2	3.0	3.6	3.7
Singapore	1.1	-2.1	5.0	-12.2	20.7	12.1	2.0	0.4	4.1	6.1	-0.5	-0.4 ↑	2.7 ↓	2.9 ↓
Taiwan	0.1	-3.8	5.5	-10.2	20.7	9.5	8.0	3.0	3.0	2.0	-0.8	0.3	1.6	2.1
Thailand	2.6	-3.1	6.1	-7.2	9.6	7.0 ↓	5.3 ↑	4.9 ↑	5.7 ↓	7.0 ↑	-2.8	0.2 ↓	4.0 ↑	4.4 ↑
Africa														
South Africa	3.1	-2.0	3.0 ↑	-6.4	-3.0	0.6 ↑	3.4 ↑	4.5 ↑	3.7 ↓	3.6 ↑	7.7	6.3	4.5	4.1
Europe														
Euro area	0.6	-3.6	2.7	-9.5 ↑	-0.5 ↓	3.0	2.5	3.0	3.0	3.0	0.2	0.6	1.1	1.1
Germany	1.0	-4.6	3.6	-13.4	1.3	5.0	4.0	3.5	3.5	3.5	0.2	0.3	0.5	0.3
France	0.3	-1.9	2.7	-5.3	1.3	2.8	2.5	3.0	3.0	3.0	-0.2	0.6	1.0	0.7
Italy	-1.0	-4.9	1.5	-10.3	-1.9	1.5	1.0	2.0	2.0	2.0	0.9	1.0	1.4	1.0
Norway	2.5	-1.1	2.6	-5.0	1.3	2.5	3.0	3.0	2.5	2.5	3.1	1.4	1.0	0.4
Sweden	-0.4	-4.3	3.1	-3.5	-0.1	3.0	4.0	4.0	2.5	2.5	-0.4	0.1	1.1	0.1
Switzerland	1.8	-1.3 ↑	2.2 ↑	-3.5	-1.0 ↑	1.8	2.3	2.5	2.5 ↑	3.0 ↑	-0.7	0.0	0.2	0.4
United Kingdom	0.7	-4.2	2.1	-9.3	-2.6	1.5	3.0	2.0	2.5	2.8	2.1	1.8	2.2	1.8
Emerging Europe	4.1	-5.2	3.3 ↑	-18.9	2.0	5.3 ↑	4.5	3.2 ↑	3.1 ↑	3.3 ↑	7.7	7.0	6.6	6.0
Bulgaria	6.1	-5.0	-1.5	...	...	...	...	...	...	...	...	...	...	...
Czech Republic	3.0	-3.0	2.0	-12.9	1.2	2.5	3.0	1.5	2.5	3.5	1.4	1.3	2.7	3.6
Hungary	0.6	-6.0	-0.5	-10.0	-8.1	-1.0	4.0	2.0	0.5	0.5	3.6	5.9	4.3	2.4
Poland	4.9	1.0	2.5	1.2	2.0	2.2	2.0	2.5	3.0	3.5	3.7	3.5	2.5	2.4
Romania	7.1	-6.0	2.0	...	...	...	...	...	...	...	6.1	6.0	6.2	6.5
Russia	5.6	-8.5	5.0 ↑	-33.6	4.9	9.0 ↑	6.5	4.5 ↑	4.0 ↑	4.0 ↑	12.6	11.0	9.8	9.2
Turkey	1.1	-4.7	3.0	...	...	...	...	...	...	...	5.7	5.0	6.2	4.9
Global	1.3	-2.5	3.3	-7.2 ↑	1.4	4.0 ↑	3.4 ↑	3.3	3.5	3.6 ↑	0.6	1.3	1.9 ↓	1.5 ↓
Developed markets	0.4	-3.3	2.8 ↑	-8.1	-0.2	3.1 ↑	2.8 ↑	2.8	3.0	3.2	-0.3	0.5 ↓	1.1 ↓	0.7 ↓
Emerging markets	4.9	0.5	5.5 ↑	-3.8 ↑	7.5 ↑	7.2 ↑	5.5	5.3 ↑	5.5 ↑	5.1 ↑	3.9	4.2	4.8	4.3

J.P. Morgan Chase Bank, New York
David Hensley (1-212) 834-5516
david.hensley@jpmorgan.com
Sam Conway (1-212) 834-9123
samuel.e.conway@jpmorgan.com

Global Central Bank Watch

	Official interest rate	Current	Change from Aug '07 (bp)	Last change	Next meeting	Forecast next change	Sep 09	Dec 09	Mar 10	Jun 10	Dec 10
Global	GDP-weighted average	1.33	-339				1.32	1.32	1.34	1.36	1.45
excluding US	GDP-weighted average	1.90	-254				1.88	1.88	1.91	1.95	2.08
Developed	GDP-weighted average	0.48	-366				0.48	0.49	0.50	0.52	0.57
Emerging	GDP-weighted average	4.69	-231				4.64	4.62	4.65	4.70	4.97
Latin America	GDP-weighted average	5.78	-303				5.78	5.78	5.78	5.81	5.95
CEEMEA	GDP-weighted average	5.46	-155				5.22	5.11	5.16	5.26	5.59
EM Asia	GDP-weighted average	4.00	-232				4.00	4.00	4.04	4.07	4.38
The Americas	GDP-weighted average	0.75	-484				0.75	0.75	0.75	0.76	0.77
United States	Federal funds rate	0.125	-512.5	16 Dec 08 (-87.5bp)	23 Sep 09	on hold	0.125	0.125	0.125	0.125	0.125
Canada	Overnight funding rate	0.25	-425	21 Apr 09 (-25bp)	10 Sep 09	on hold	0.25	0.25	0.25	0.25	0.25
Brazil	SELIC overnight rate	8.75	-275	22 Jul 09 (-50bp)	21 Oct 09	on hold	8.75	8.75	8.75	8.75	8.75
Mexico	Repo rate	4.50	-275	17 Jul 09 (-25bp)	18 Sep 09	on hold	4.50	4.50	4.50	4.50	4.50
Chile	Discount rate	0.50	-500	9 Jul 09 (-25bp)	10 Sep 09	2Q 10 (+50bp)	0.50	0.50	0.50	1.00	3.50
Colombia	Repo rate	4.50	-475	19 Jun 09 (-50bp)	25 Sep 09	on hold	4.50	4.50	4.50	4.50	4.50
Peru	Reference rate	1.25	-350	6 Aug 09 (-75bp)	10 Sep 09	on hold	1.25	1.25	1.25	1.25	1.25
Europe/Africa	GDP-weighted average	1.44	-315				1.41	1.40	1.41	1.46	1.58
Euro area	Refi rate	1.00	-300	7 May 09 (-25bp)	8 Oct 09	on hold	1.00	1.00	1.00	1.00	1.00
United Kingdom	Repo rate	0.50	-525	5 Mar 09 (-50bp)	10 Sep 09	2Q 10 (+25bp)	0.50	0.50	0.50	0.75	1.25
Sweden	Repo rate	0.25	-325	2 Jul 09 (-25bp)	22 Oct 09	on hold	0.25	0.25	0.25	0.25	0.25
Norway	Deposit rate	1.25	-350	17 Jun 09 (-25bp)	23 Sep 09	24 Mar 10 (+25bp)	1.25	1.25	1.50	1.50	1.75
Czech Republic	2-week repo rate	1.25	-200	6 Aug 09 (-25bp)	24 Sep 09	1Q 10 (+25bp)	1.25	1.25	1.75	2.50	3.50
Hungary	2-week deposit rate	8.00	25	24 Aug 09 (-50bp)	28 Sep 09	28 Sep 09 (-50bp)	7.50	7.00	6.50	6.50	6.50
Israel	Base rate	0.75	-325	24 Aug 09 (+25bp)	29 Sep 09	29 Sep 09 (+25bp)	1.00	1.50	2.00	3.00	4.00
Poland	7-day intervention rate	3.50	-125	24 Jun 09 (-25bp)	30 Sep 09	3Q 10 (+25bp)	3.50	3.50	3.50	3.50	4.50
Romania	Base rate	8.50	150	4 Aug 09 (-50bp)	29 Sep 09	29 Sep 09 (-50bp)	8.00	8.00	8.00	7.50	7.00
Russia	1-week deposit rate	6.00	275	7 Aug 09 (-25bp)	3Q 09	3Q 09 (-25bp)	5.75	5.50	5.50	5.50	5.50
South Africa	Repo rate	7.00	-300	13 Aug 09 (-50bp)	22 Sep 09	4Q 10 (+50bp)	7.00	7.00	7.00	7.00	7.50
Switzerland	3-month Swiss Libor	0.25	-225	12 Mar 09 (-25bp)	17 Sep 09	on hold	0.25	0.25	0.25	0.25	0.25
Turkey	Overnight borrowing rate	7.75	-975	18 Aug 09 (-50bp)	17 Sep 09	17 Sep 09 (-50bp)	7.25	7.00	7.00	7.00	7.00
Asia/Pacific	GDP-weighted average	2.05	-150				2.05	2.08	2.12	2.16	2.31
Australia	Cash rate	3.00	-350	7 Apr 09 (-25bp)	6 Oct 09	6 Oct 09 (+25bp)	3.00	3.50	4.00	4.25	4.50
New Zealand	Cash rate	2.50	-575	30 Apr 09 (-50bp)	10 Sep 09	8 Jul 10 (+25bp)	2.50	2.50	2.50	2.50	3.50
Japan	Overnight call rate	0.10	-40	19 Dec 08 (-20bp)	17 Sep 09	on hold	0.10	0.10	0.10	0.10	0.10
Hong Kong	Discount window base	0.50	-625	17 Dec 08 (-100bp)	24 Sep 09	on hold	0.50	0.50	0.50	0.50	0.50
China	1-year working capital	5.31	-171	22 Dec 08 (-27bp)	2Q 09	4Q 10 (+27bp)	5.31	5.31	5.31	5.31	5.58
Korea	Base rate	2.00	-300	12 Feb 09 (-50bp)	10 Sep 09	1Q 10 (+25bp)	2.00	2.00	2.25	2.50	3.00
Indonesia	BI rate	6.50	-175	5 Aug 09 (-25bp)	5 Oct 09	on hold	6.50	6.50	6.50	6.50	6.50
India	Repo rate	4.75	-300	21 Apr 09 (-25bp)	27 Oct 09	3Q 10 (+25bp)	4.75	4.75	4.75	4.75	5.25
Malaysia	Overnight policy rate	2.00	-150	24 Feb 09 (-50bp)	28 Oct 09	4Q 10 (+25bp)	2.00	2.00	2.00	2.00	2.25
Philippines	Reverse repo rate	4.00	-200	9 Jul 09 (-25bp)	1 Oct 09	4Q 10 (+25bp)	4.00	4.00	4.00	4.00	4.25
Thailand	1-day repo rate	1.25	-200	8 Apr 09 (-25bp)	21 Oct 09	3Q 10 (+25bp)	1.25	1.25	1.25	1.25	1.75
Taiwan	Official discount rate	1.25	-188	18 Feb 09 (-25bp)	3Q 09	on hold	1.25	1.25	1.25	1.25	1.25

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

JPMorgan Chase Bank, Sydney
Stephen Walters (61-2) 9220-1599
stephen.b.walters@jpmorgan.com

Economic forecasts - Australia

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

				2008			2009				2010			
	2008	**2009**	**2010**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Chain volume GDP	2.3	0.8	2.0	1.4	0.9	-2.2	1.5	4.4	-2.2	2.6	1.5	2.3	3.4	4.3
Private consumption	2.2	1.1	0.7	-0.5	0.3	1.2	2.3	4.5	-3.2	-1.6	1.2	2.0	2.4	2.0
Construction investment	5.2	-5.2	2.6	1.7	6.5	-0.5	-11.5	-13.0	-5.2	3.2	3.6	4.9	7.8	12.5
Equipment investment	15.7	-9.8	-7.8	36.8	1.4	-1.7	-33.1	8.1	-22.8	-4.1	-10.1	-12.0	0.0	8.7
Public investment	12.0	-1.9	7.2	3.7	18.9	-11.1	-9.5	-1.4	3.3	4.9	7.5	9.7	12.1	13.0
Government consumption	3.7	1.3	4.1	5.3	2.3	1.0	1.4	-0.4	0.1	3.7	5.6	6.0	5.0	4.7
Exports of goods & services	3.9	2.8	4.9	10.5	-3.4	-3.3	11.1	4.9	-2.8	0.0	7.2	9.1	9.3	6.1
Imports of goods & services	10.3	-9.6	6.7	15.7	2.6	-27.0	-25.2	6.1	3.2	6.1	6.6	6.1	8.2	14.8
Contributions to GDP growth:														
Domestic final sales	4.4	-1.2	1.6	4.9	2.5	-3.6	-7.1	6.8	-4.4	0.1	1.8	2.5	4.0	5.1
Inventories	-0.6	-0.9	0.8	-1.9	-0.2	-5.4	0.1	-2.1	3.6	3.8	-0.3	-0.7	-0.7	1.1
Net trade	-1.5	2.9	-0.4	-1.5	-1.4	7.1	9.0	-0.3	-1.3	-1.3	0.1	0.5	0.1	-1.9
GDP deflator (%oya)	6.7	2.0	1.8	6.7	8.5	7.5	5.1	2.5	0.3	0.3	1.8	1.7	1.7	2.0
Consumer prices (%oya)	4.4	1.6	2.2	4.5	5.0	3.7	2.5	1.5	0.8	1.5	1.9	2.1	2.3	2.5
Producer prices (%oya)	8.3	-5.0	0.2	8.7	10.9	6.7	-1.0	-6.4	-7.4	-4.8	-1.0	0.5	0.4	1.0
Trade balance (A$ bil, sa)	-4.2	-5.8	-15.0	-2.1	1.4	4.4	4.6	-2.0	-3.8	-4.7	-4.4	-3.1	-3.8	-3.7
Current account (A$ bil, sa)	-67.0	-52.2	-64.0	-14.8	-9.7	-6.4	-4.6	-14.1	-16.2	-17.2	-16.9	-16.1	-15.8	-15.2
as % of GDP	-6.2	-4.3	-5.1	-5.0	-3.2	-2.1	-1.5	-4.6	-5.3	-5.6	-5.4	-5.1	-5.0	-4.7
3m eurodeposit rate (%)*	6.0	4.1	5.0	7.8	7.0	4.1	3.1	3.6	4.8	5.1	4.9	4.9	5.0	5.1
10-year bond yield (%)*	5.6	5.2	5.5	6.5	5.4	4.0	4.4	5.4	5.4	5.6	5.3	5.4	5.5	5.7
US$/A$*	0.75	0.77	0.86	0.74	0.77	0.65	0.68	0.75	0.82	0.83	0.84	0.85	0.86	0.87
Commonwealth budget (FY, A$ bil)	13.5	-29.4	-50.9											
as % of GDP	1.1	-2.4	-4.0											
Unemployment rate	4.3	6.0	7.7	4.2	4.2	4.5	5.3	5.7	6.3	6.7	7.2	7.7	8.0	7.8
Industrial production	2.0	-7.3	0.9	-0.1	-4.9	-17.3	-12.7	-4.0	5.0	3.0	0.0	-1.0	-2.0	0.0

*All financial variables are period averages

Australia - summary of main macro views

- The Australian economy has emerged from the global downturn largely unscathed as one of the few economies to **avoid back-to-back falls in GDP**.
- We expect only a mild **fall in business investment** in 2009-10, following the 2Q business investment survey, which showed firms are more optimistic about the outlook, both domestic and offshore.
- With **labour force participation falling** slowly, the jobless rate will continue rising. That said, the fall in hours worked is spreading the pain.
- On **housing**, the expanded first home owners' grant has sucked forward buyers from 2010. The mini-boom will end in tears as the jobless rate rises, along with interest rates.
- The **consumer** is yet to be fully tested—households have been on financial "life support" from the RBA and the government's fiscal support.
- **Export volumes** have held up owing mainly to firm demand from Asia, but the terms of trade is tumbling.
- The **RBA** has become more hawkish, particularly with respect to the global outlook, domestic investment prospects, and the domestic inflation outlook. We suspect the first rate hike will come in October 2009.
- Having front-loaded the **policy support**, the government is unlikely to deliver more significant fiscal stimulus.

Economic forecasts - New Zealand

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

				2008			2009				2010			
	2008	2009	2010	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real GDP (1995-96 prices)	0.2	-2.2	2.7	-0.9	-2.0	-3.9	-3.9	-1.4	-0.5	3.6	3.6	3.3	3.8	3.0
Private consumption	0.1	-1.3	0.4	-0.9	-0.5	-1.0	-5.3	1.4	0.3	0.4	0.2	0.4	0.5	0.3
Fixed Investment	-3.7	-19.9	-1.2	5.6	-26.2	-22.5	-27.0	-22.7	-8.7	-1.7	2.4	3.6	2.7	5.0
Residential construction	-17.1	-20.0	1.3	-27.2	-25.6	-45.8	-1.2	-16.0	-12.0	10.0	4.0	2.0	4.0	6.0
Other fixed investment	-0.3	-19.9	-1.8	14.7	-26	-16.7	-31.2	-24.0	-8.0	-4.0	2.0	4.0	2.4	4.8
Inventory change (NZ$ bil, saar)	1.4	-0.2	0.4	0.3	0.5	0.2	-0.2	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Government spending	3.9	2.2	1.8	1.6	1.6	6.2	1.4	0.8	1.2	2.0	1.6	2.0	2.8	1.2
Exports of goods & services	-1.5	-3.0	4.8	0.4	-11.5	-11.9	2.3	-1.8	1.5	7.0	4.0	7.0	8.0	2.0
Imports of goods & services	2.5	-16.2	2.4	13.4	-24.4	-23.6	-30.2	-4.0	-1.0	2.0	2.0	3.0	6.0	10.0
Contributions to GDP growth:														
Domestic final sales	1.3	-6.2	1.5	5.0	-11.0	-6.1	-11.6	-4.2	-2.1	1.7	2.7	1.9	3.0	5.5
Inventories	0.4	-1.2	0.5	-0.9	2.4	-3.7	-4.8	2.1	0.9	0.4	0.3	0.2	0.2	0.1
Net trade	-1.4	5.3	0.7	-4.8	7.3	6.1	13.7	0.8	0.8	1.5	0.6	1.2	0.5	-2.5
GDP deflator (%oya)	3.6	3.7	3.0	3.7	2.1	2.5	2.4	3.9	5.4	3.1	2.8	3.0	3.1	3.1
Consumer prices	4.0	1.5	1.8	6.7	6.2	-1.8	1.1	2.3	0.7	2.0	1.3	1.7	2.4	3.8
%oya	4.0	1.7	1.8	4.0	5.1	3.4	3.0	1.9	0.6	1.5	1.6	1.4	1.8	2.3
Trade balance (NZ$ bil, sa)	-2.2	2.2	7.5	-1.1	-0.8	-0.1	0.9	1.1	0.3	-0.1	0.3	1.6	2.7	2.8
Current account (NZ$ bil, sa)	-16.0	-7.5	-12.6	-4.7	-4.0	-3.7	-1.2	-2.7	-1.5	-2.0	-2.8	-5.2	-2.8	-1.9
as % of GDP	-9.0	-5.0	-4.0	-10.5	-9.1	-8.3	-6.0	-3.4	-4.5	-6.0	-6.0	-3.9	-2.5	-3.6
Yield on 90-day bank bill (%)*	7.9	2.8	3.1	8.8	8.2	6.0	2.8	2.8	2.8	2.8	3.0	3.1	3.1	3.1
10-year bond yield (%)*	6.0	5.1	5.8	6.5	5.9	5.3	4.1	5.7	5.4	5.1	5.5	6.0	6.0	6.0
US$/NZ$*	0.71	0.60	0.66	0.78	0.71	0.58	0.51	0.64	0.62	0.64	0.65	0.66	0.67	0.67
Commonwealth budget (NZ$ bil)	-3.0	-7.6	-6.6											
as % of GDP	-1.7	-4.2	-3.4											
Unemployment rate	4.2	6.2	7.7	4.0	4.3	4.7	5.0	6.0	6.6	7.2	7.5	8.0	7.7	7.5

*All financial variables are period averages

New Zealand - summary of main macro views

- The New Zealand economy was in a homegrown **recession** before the worst of the international troubles unfolded. GDP growth should turn positive by year-end.
- **Business confidence** has improved markedly, though investment will remain a drag on GDP growth this year; this, of course, has negative implications for the employment outlook.
- The prolonged decline in **private consumption** will continue, particularly given the recent deterioration in the labour market. The recession has altered consumer behaviour, leading consumers toward increased saving rather than spending.
- **Increased anxiety about job security** probably is the strongest headwind facing consumers. We expect the unemployment rate to peak close to 8% in 2010. In the June quarter, wage growth slowed to a standstill and unemployment jumped a full percent to 6%.
- The **RBNZ** has delivered 575bp of policy easing since mid-2008. We believe that the OCR, currently at 2.5%, is the terminal cash rate in this cycle, and the RBNZ will begin tightening policy in mid-2010.

JPMorgan Chase Bank, Sydney
Stephen Walters (61-2) 9220-1599
stephen.b.walters@jpmorgan.com
Helen Kevans (61-2) 9220-3250
helen.e.kevans@jpmorgan.com

Non-Japan Asia economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
7 Sep **Australia:** ANZ job ads (11:30 am) Aug **Malaysia:** Trade balance(6:00 pm) Jul 2.4 US$ bn **New Zealand:** QV house prices Aug **Taiwan:** Trade balance (4: 00 pm) Aug -1.7 %oya CPI (4:00 pm) Aug 3.3 US$ bn	8 Sep **Australia:** NAB bus. Confidence (11:30 am) Aug 12 % bal	9 Sep **Australia:** Westpac consumer confidence (10:30 am) Sep 1.0 %m/m, sa Retail sales (11:30am) Jul 0.0 %m/m, sa Housing finance approvals (11:00 am) Jul -3.0 %m/m, sa **Korea:** Money supply (12:00 pm) Jul 9.0 %oya PPI (12:00 pm) Aug -3.4 %oya	10 Sep **Australia:** Unemployment rate (11:30 am) Aug 5.9 %, sa **Korea:** Bank of Korea monetary policy meeting (10:00 am) Sep no change expected **Malaysia:** IP (12:00 pm) Jul -10.3 %oya **New Zealand:** RBNZ official cash rate (9:00 am) Sep no change expected Terms of trade (10:45 am) 2Q -2.3 %q/q, sa **Philippines:** Exports (9:00 am) Jul 3.5 US$ bn	11 Sep **China:** CPI (10:00 am) Aug -1.3 %oya PPI (10:00 am) Aug -8.4 %oya FAI (10:00am) Aug 29.5 %oya Retail sales (10:00 am) Aug 15.3 %oya IP (10:00 am) Aug 13.4 %oya Trade balance Aug 10.7 US$ bn **India :** IP Jul 7.0 %oya
During the week:	New Zealand: Business NZ PMI Aug			
14 Sep **Hong Kong :** IP (4:30 pm) 2Q PPI (4:30 pm) 2Q **New Zealand:** Retail sales (10:45 am) Jul	15 Sep **Australia:** Dwelling starts (11:30am) 2Q **New Zealand:** Mfg. activity (10:45 am) 2Q **Philippines :** OFW remittances (10:45 am) Jul **Singapore:** Retail sales (1:00 pm) Jul	16 Sep **Australia:** Westpac leading index (10:30 am) Jul **Korea:** Unemployment rate (1:30 pm) Aug **Malaysia :** CPI (5:00 pm) Aug	17 Sep **Hong Kong:** Unemployment rate (4:30 pm) Aug **Philippines:** BoP (2:00 pm) Aug **Singapore:** NODX (1:00 pm) Aug	18 Sep *Holiday Indonesia*
During the week:	China: Money supply Aug FDI Aug Korea: Export\Import price index Aug SPPI Aug Philippines: Budget balance Aug			
21 Sep **Australia:** New motor vehicles sale (11.30 am) Aug **New Zealand:** Visitor arrivals (10:45 am) Aug Credit card spending (3:00 pm) Aug *Holiday India, Indonesia, Malaysia, Singapore*	22 Sep **Hong Kong:** CPI (4:30 pm) Aug **New Zealand:** Westpac NZ consumer Confidence (2:00 pm) 3Q Current account (10:45 am) 2Q **Taiwan:** Unemployment rate (4:00 pm) Aug *Holiday Indonesia, Malaysia, Singapore*	23 Sep **Singapore:** CPI (1:00pm) Aug **Taiwan:** IP (4:00 pm) Aug Export orders (4:00 pm) Aug **New Zealand:** GDP (10:45 am) 2Q *Holiday Indonesia*	24 Sep **Hong Kong:** Trade balance (4:30 pm) Aug	25 Sep **New Zealand:** Trade balance (10:45 am) Aug **Philippines:** Trade balance (9.00 am) Jul Imports (9.00 am) Jul **Singapore:** Industrial production (1:00 pm) Aug
During the week:	Taiwan: CBC monetary policy meeting Sep Vietnam : CPI Aug Trade balance Aug GDP 3Q			
28 Sep **Taiwan :** Leading index (4:00 pm) Aug *Holiday India*	29 Sep **Hong Kong:** Retail sales (4:30 pm) Aug **New Zealand:** Building permits (10:45 am) Aug	30 Sep **Australia:** Building approvals (11:30 am) Aug Pvt. Sector credit (11:30 am) Aug Retail sales (11:30am) Aug **India:** Current account 2Q **Korea:** IP (1:30 pm) Aug Leading index (1:30 pm) Aug Service sector activity (1:30 pm) Aug **New Zealand :**NBNZ business conf.(2:00 pm) Sep **Thailand:** Trade bal (2:30 pm) Aug IP (2:30 pm) Aug PCI (2:30 pm) Aug PII (2:30 pm) Aug	1 Oct **China:** PMI manufacturing (10:30 am) Sep **India:** Trade balance Aug **Indonesia:** Trade balance (2:00 pm) Aug CPI (2:00 pm) Sep **Korea:** Trade balance (10:00 am) Sep CPI (1:30 pm) Sep **Philippines:** BSP Monetary Board policy meeting Oct **Thailand:** CPI (2:00 pm) Sep *Holiday Hong Kong*	2 Oct *Holiday China, India, Korea*
During the week:	Korea: Consumer confidence Sep FKI Business survey Sep Current account Aug Malaysia: Unemployment rate 2Q			

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

Global Data Diary

Week / Weekend	Monday	Tuesday	Wednesday	Thursday	Friday
7 - 11 Sep	**7 September**	**8 September**	**9 September**	**10 September**	**11 September**
Japan • Cabinet Office private consumption index (Jul) United Kingdom • Halifax HPI (Aug)	Germany • Mfg orders (Jul) Taiwan • CPI (Aug) • Trade balance (Aug)	Germany • Foreign trade (Jul) • IP (Jul) Japan • Econ watch survey (Aug) Mexico • Auto sector report (Aug) United States • Consumer credit (Jul)	Australia • Retail sales (Jul) Germany • CPI final (Aug) Mexico • CPI (Aug) United Kingdom • Trade balance (Jul) United States • Beige book	Brazil: IPCA (Aug) France • Employment final (2Q) Japan: Machinery orders (Jul) Norway: CPI (Aug) South Africa • Mfg production (Jul) Sweden: CPI (Aug) Turkey: GDP (2Q) United States • International trade (Jul) Central bank meeting • Canada, Chile, Korea, New Zealand, Peru, UK	Brazil • Real GDP (2Q) China • CPI (Aug) • FAI (Aug) • IP (Aug) • Retail sales (Aug) • Trade balance (Aug) Japan • Consumer sent (Aug) • GDP 2nd est (2Q) Sweden • GDP 2nd release (2Q) United States • Consumer sent (Sep) • Import prices (Aug) • Wholesale trade (Jul)
14 - 18 Sep	**14 September**	**15 September**	**16 September**	**17 September**	**18 September**
China • Money supply (Aug) Japan • Department store sales (Aug)	Euro area • Employment (2Q) • IP (Jul) Japan • IP final (Jul)	Brazil • Retail sales (Jul) Euro area • Labor costs (2Q) France • CPI (Aug) Germany • ZEW business surv (Sep) Poland • CPI (Aug) United Kingdom • CPI (Aug) United States • Business inventories (Jul) • NY Fed survey (Sep) • PPI (Aug) • Retail sales (Aug)	Euro area • HICP final (Aug) United Kingdom • Labor mkt report (Aug) United States • CPI (Aug) • IP (Aug) • NAHB survey (Sep)	Canada • CPI (Aug) Euro area • Foreign trade (Jul) Japan • Flow of funds (2Q) • MoF bus outlook surv (3Q) • Reuters Tankan (Sep) • Tertiary sect activity (Jul) • BoJ meeting Switzerland • SNB meeting Turkey • CBRT meeting United Kingdom • Retail sales (Aug) United States • Flow of funds (2Q) • Housing starts (Aug) • Philly Fed survey (Sep)	Mexico • Banxico meeting

Economic Research, Emerging Markets Research and Global FX Strategy at JPMorgan

Global Economics

Chief Economist
Bruce Kasman, New York (1-212) 834-5515

Economics: Global

David Hensley (1-212) 834-5516
Joseph Lupton (1-212) 834-5735
Sam Conway (1-212) 834-9123

Data and Forecast Systems

Carlton Strong (1-212) 834-5612
Donald Martis (1-212) 834-5667
Silvana Dimino (1-212) 834-5684

Economics: United States and Canada

United States

Robert Mellman, New York (1-212) 834-5517
Michael Feroli (1-212) 834-5523
Abiel Reinhart (1-212) 834-5614

Canada

Sandy Batten, New York (1-212) 834-9645

Economics: Latin America

Brazil

Fabio Hashizume, São Paulo (55-11) 3048-3634
Julio Callegari, São Paulo (55-11) 3048-3369

Colombia, Ecuador, Venezuela, Peru

Luis Oganes, New York (1-212) 834-4326
Benjamin Ramsey, New York (1-212) 834-4308
Julio Callegari, São Paulo (55-11) 3048-3369

Argentina, Chile
Vladimir Werning, New York (1-212) 834-8144
Mexico
Alfredo Thorne, Mexico City (525) 540-9558

Economics: Asia/Pacific

Head of Japan
Masaaki Kanno, Tokyo (81-3) 6736-1166
Japan

Masamichi Adachi, Tokyo (81-3) 6736-1172
Miwako Nakamura, Tokyo (81-3) 6736-1167

Australia, New Zealand

Stephen Walters, Sydney (61-2) 9220 -1599
Helen Kevans (61-2) 9220-3250

Emerging Markets Research

Head of Emerging Markets Research
Joyce Chang (1-212) 834-4203
Head of Emerging Asia Economic Research
David G. Fernandez, Singapore, (65) 6882-2461

Greater China

Frank Gong, Hong Kong (852) 2800-7006
Qian Wang, Hong Kong (852) 2800-7009

Korea
Jiwon Lim, Seoul (822) 758-5509
James Lee, Seoul (822) 758-5512

India
Jahangir Aziz, Mumbai (91-22) 6639-8033
Gunjan Gulati, Mumbai (91-22) 6639-3125

Indonesia, Malaysia, Philippines, Singapore, Thailand

Matt Hildebrandt (65) 6882-2253

Emerging Markets FX Strategy
Claudio Piron (65) 6882-2218
Yen Ping Ho (65) 6882-2216

Economics: Europe/Africa

Head of Western Europe
David Mackie, London (44-20) 7325-5040

United Kingdom, Switzerland

Malcolm Barr, London (44-20) 7777-1080
Allan Monks, London (44-20) 7777-1188

Euro area

Marta Bastoni, London (44-20) 7325-9114
Greg Fuzesi London (44-20) 7777-4792

Scandinavia

Nicola Mai, London (44-20) 7777-3467

Czech Republic, Hungary, Poland, Slovakia

Nora Szentivanyi, London (44-20) 7777-3981
Miroslav Plohjar, London (44-20) 7325-0745

CEEMEA

Michael Marrese, New York (1-212) 834-4876
Eva Sanchez, New York (1-212) 834-8217

Turkey, Bulgaria, the Baltics

Yarkin Cebeci, Istanbul (90-212) 326-8590

Russia, Ukraine, Bulgaria, Kazakhstan

Nina Chebotareva, Moscow (7-095) 937-7321
Anatoliy Shal (7-495) 937-7321

Africa
Graham Stock (44-20) 7777-3430
Sonja Keller (27-11) 507-0376

Global FX Strategy

Global Head
John Normand (44-20) 7325-5222

Global FX Strategy, New York

Gabriel De Kock (1-212) 834-4254
Kenneth Landon (1-212) 834-2391
Arindam Sandilya (1-212) 834-2304

FX & Commodity Technical Strategy
Niall O'Connor (1-212) 834-5108

Global FX Strategy, London

Paul Meggyesi (44-20) 7859-6714
Kamal Sharma (44-20) 7777-1729
Talis Bauer (44-20) 7777-5276

Emerging Markets FX Strategy
Robert Beange (44-20) 7777-3246

Global FX Strategy: Asia

Tohru Sasaki (81-3) 5570-7717
Junya Tanase (81-3) 5570-7718

Commodity Strategy

Head of Commodites Research
Lawrence Eagles (1-212) 834-8107
Global Energy Strategy
Scott Speaker (1-212) 834-3878
Shikha Chaturvedi (1-212) 834-3245
Mark Gravener (1-212) 834-3089
Sung Yoo (1-212) 834-7045
Kristi Jones (1-212) 834-2835

Global Metals Strategy
Michael Jansen (44-20) 7325-5882

Agricultural Commodity Strategy
Lewis Hagedorn (1-312) 325-6409

Commodity Index Research
Jennie Byun (44-20) 7777-0070