

## Australia and New Zealand - Weekly Prospects

### Summary

- Friday's quarterly statement from the RBA showed that officials still expect **Australia's economy** to grow at an above-trend pace from here, owing mainly to soaring mining investment and the booming terms of trade. The Bank maintained its forecasts for underlying inflation to venture to the top of the 2%-3% target range in 2012. With the economy to bump up against supply-side constraints, the risks to these forecasts are, in our view, skewed to the upside. This makes it likely that the RBA will lift the cash rate again before the end of the year, probably in November. The tightening labour market is a key source of inflation pressure. Having added an average 30,000 jobs each month this year, data Thursday should show the economy added a further 20,000 jobs in July. The June home loans data today, however, should show another drop, with the share for first time buyers falling again.
- Data last week showed that the staggering 1%-pt fall in **New Zealand's** unemployment rate in 1Q overstated the strength of the labour market. The jobless rate spiked back up 0.8%-pts in 2Q to 6.8%, with employment unexpectedly falling 0.3%q/q. Retail sales numbers this week should show a meagre 0.2%q/q rise in sales volumes over 2Q, reinforcing the message that the recovery continues to be a slow grind, with firms hesitant to hire, and households undergoing a period of consolidation. The absence of a compelling growth story notwithstanding, we expect the RBNZ to continue normalizing policy over the coming quarters. With the cash rate still low at 3%, the hurdles the data must clear to justify further tightening also are low.
- With **G-4 policy rates** close to the zero boundary, there is little room for further conventional policy action from the largest central banks. However, the combination of a slowdown in the pace of global activity into midyear and low core inflation is building pressure for action. Although a slowdown in growth had been anticipated as the global manufacturing sector downshifts, the recent news suggests this downshift is more abrupt with global production falling in June. What's more, consumer spending gains have slowed across a wide range of countries, and US payroll gains have been stuck at a subpar 51,000 average monthly level in recent months. With fiscal tightening beginning to bite and likely to intensify in the coming quarters, there are legitimate reasons for central bankers to consider providing insurance against the prospect of weak growth and the threat of deflation.
- In the event, no action was forthcoming from the **ECB** and **BoE** last week, and we are not anticipating action from the **Fed** or **BoJ** this week. The Fed will likely signal its sensitivity to heightened risk by sounding more cautious on growth and altering the statement's guidance language. The message that it "will employ its policy tools as necessary" may be tweaked to the language from the recent semiannual testimony that it "is prepared to take further actions as needed," thus signaling a greater bias toward easing. The option of stabilizing the Fed's balance sheet through reinvesting MBS proceeds is a possibility but would reflect a discrete shift in stance. The FOMC is not likely to take this step without a material change to its growth outlook—a development we do not foresee at this week's meeting.

### This week's highlight

Australia's July employment data Thursday. We expect a 20,000 gain over the month, following job advances totalling 180,000 so far this year. With participation holding up, though, the jobless rate should tick up to 5.2%.

August 9, 2010

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JPMorgan Australia Ltd., Sydney  
[www.morganmarkets.com](http://www.morganmarkets.com)

**Stephen Walters**  
(61-2) 9220-1599  
[stephen.b.walters@jpmorgan.com](mailto:stephen.b.walters@jpmorgan.com)

**Helen Kevans**  
(61-2) 9220-3250  
[helen.e.kevans@jpmorgan.com](mailto:helen.e.kevans@jpmorgan.com)

**Ben Jarman**  
(61-2) 9220-1669  
[ben.k.jarman@jpmorgan.com](mailto:ben.k.jarman@jpmorgan.com)



## Data and event previews - Australia and New Zealand

Date	Time <sup>(a)</sup>	Data/event	Forecast		Previous
			JPMorgan	Consensus <sup>(b)</sup>	
Monday, August 9	11.30am	Aust. housing finance (%m/m, Jun.)	<b>-2.0</b>	-2.0	1.9
Monday, August 9	11.30am	ANZ job advertisements (%m/m, Jul.)	<b>0.8</b>	na	2.7
Tuesday, August 10	8.45am	NZ card spending (%m/m, Jul.)	<b>na</b>	na	0.4
Tuesday, August 10	11.30am	NAB business confidence (Index, Jul.)	<b>na</b>	na	4
Wednesday, August 11	10.30am	Westpac-MI consumer confidence (%m/m, Jul.)	<b>3.5</b>	na	11.1
Thursday, August 12	8.30am	NZ Business PMI (Index, Jul.)	<b>na</b>	na	56.2
Thursday, August 12	8.45am	NZ food prices (%m/m, Jul.)	<b>na</b>	na	1.3
Thursday, August 12	11.00am	Aust. consumer inflation expectation (% , Aug.)	<b>na</b>	na	3.3
Thursday, August 12	11.30am	Aust. employment (ch. 000s, Jul.)	<b>20</b>	20	45.9
Thursday, August 12	11.30am	Aust. unemployment rate (% , Jul.)	<b>5.2</b>	5.1	5.1
Thursday, August 12	11.30am	Aust. participation rate (% , Jul.)	<b>65.2</b>	65.2	65.2
Friday, August 13	8.00am	REINZ house prices (%m/m, Jul.)	<b>0.5</b>	na	0.6
Friday, August 13	8.45am	NZ retail sales (%m/m, Jun.)	<b>0.6</b>	0.5	0.4
Friday, August 13	8.45am	NZ retail sales ex auto (%m/m, Jun.)	<b>0.4</b>	0.5	-0.2
Friday, August 13	8.45am	NZ retail sales ex inflation (%q/q, 2Q)	<b>0.2</b>	0.3	0.2

(a) Australian Eastern Standard Time.

### Australia

**Housing finance (%m/m, Jun.)** - Housing finance commitments probably fell 2%m/m in June. The withdrawal of first-home buyers (FHBs) from the market following the expiration of the subsidy support has been depressing this series. This drag has been fading recently, but we do not believe that a rebound in loan demand is in the offing: interest rates have quickly normalized from historic lows to “average” levels. Also, the boom in loans issued in 2009 dragged forward much of 2010’s notional demand, leaving little ammunition for a meaningful recovery.

## Data previews - Cont'd.

**ANZ job advertisements (%m/m, Jul.)** - With concerns around the prospect of a double-dip recession in the global economy building in July, we suspect that employers will have adopted a more cautious stance, meaning growth in job ads will have slowed. The trend in this series, however, remains one of expanding employment opportunities, which have been evidenced so clearly in the breakneck pace of jobs growth in the last nine months.

**NAB business confidence (Index, Jul.)** - The RBA's decision to leave the cash rate steady in July, along with stronger AUD, should have buoyed business sentiment, although continued European sovereign stresses will have limited the extent of the improvement. The index currently is tracking at a level somewhat lower than one would expect given the rosy investment and employment outlook. This fact more than likely reflects significantly differing fortunes across sectors: new mining projects and boomy commodity prices are swelling the coffers of the resources sector and others that support it, while consumer caution and rising interest rates are depressing retailers.

**Westpac-MI consumer confidence (%m/m, Jul.)** - Consumer confidence probably remained elevated in August, although the improvement will be mild compared to the 11.1%m/m spike in July. We expect that the Westpac-Melbourne Institute (WMI) consumer confidence index will have risen 3.5%m/m, holding well above the key threshold level of 100 at 117.1. This result will mean that optimists have outweighed pessimists for 15 straight months. The RBA's decision to hold the cash rate steady in August for the third straight month, strong employment gains in 1H, and the recovery in the equity market (up 4% over July) will have helped underpin sentiment.

**Employment (ch 000s, Jul.)** - We expect that employment growth in Australia moderated in July. Our forecast is for a solid rise of 20,000 jobs over the month, but this will represent a slowdown from the 30,000 average monthly job gains registered in 1H. With our forecast calling for the participation rate to be steady at 65.2%, the jobless rate should rise a notch to 5.2%. The ABS also will release revised estimates for labour force data. Officials have, though, said that the new population benchmarks will have "minimal impact" on estimates of rates, such as the unemployment rate, although they will impact estimates of levels.

## New Zealand

**REINZ house prices (%m/m, Jul.)** - After rising to NZ\$352,500 in June, we suspect that median house prices rose 0.5%m/m in July to NZ\$354,000. This will translate to on-year-ago growth of 3.2%, down from 3.7% in the previous month. The REINZ statistics should not, however, be taken as an indication that all house values are still rising. They are the median of all sales during the month and can be impacted by the number of properties sold at either end of the price bracket. We expect that the total value of residential sales will have fallen again in July, having declined to NZ\$1.96 billion in June from NZ\$2.27 billion in the previous month.

**Retail sales (%m/m, Jun.)** - Our forecast is for a healthy 0.6%m/m rise in retail sales values in June. Although significant discounting continues to weigh down retail sales in value terms, some "bring forward" of spending ahead of the GST rise in October probably occurred, helping to boost sales volumes. Underlying sales (i.e. those excluding autos) were likely up 0.4%m/m in June, having fallen 0.2% in May. Over the quarter, sales volumes probably increased 0.2%q/q, the same rate of growth recorded in the March quarter. This will pale in comparison to the 0.8%-0.9%q/q rates recorded in the latter six months of 2009, meaning private consumption will make only a small contribution to GDP growth in the June quarter.

## Australia

- **RBA held fire after benign inflation report**
- **Aussie economy to have added 20,000 jobs in July**
- **Housing market cooling as interest rates rise**

The RBA last week left the cash rate unchanged and delivered a statement largely unchanged from the previous month. Indeed, the main themes were the same: the terms of trade are booming, business investment is on the rise, and wage pressures are building. The RBA also released its official forecasts, which again showed underlying inflation heading to the top of the Bank's 2%-3% target range. These inflation projections hint that the cash rate is too low, reinforcing our forecast of further tightening this year.

### RBA's tightening cycle not yet over

The RBA last week decided to leave the cash rate steady at 4.5% for the third straight month, as expected. The commentary announcing the decision mirrored that delivered a month ago. The statement was balanced, with the strength of domestic economic conditions seeming to counterbalance the impact of some signs of weakness offshore. Indeed, the main themes for the RBA did not change much since the last Board meeting in early July, although one differing observation was that the caution evident in financial markets in recent months had started to abate.

The June quarter CPI numbers were mentioned explicitly in the commentary, as we had anticipated. Indeed, the material downside surprises on both the headline and core measures of inflation compared to market expectations, alongside a sharp moderation in the non-tradable measure, substantially reduced the likelihood of the RBA pulling the policy rate trigger. The RBA highlighted that the recent inflation data had been consistent with the Bank's own forecasts, however, with the headline numbers bolstered by the effects of the increase in the tobacco excise and underlying inflation declining to a near three-year low. That said, the RBA maintained that headline inflation would remain above the top end of its 2%-3% target in coming quarters, and underlying inflation would remain in the top half of the target zone.

The risks to the inflation outlook are skewed to the upside. The soaring terms of trade, the tight labour market, and building wage pressure will halt the downward descent of core inflation and result in a lofty base for 2011. These sources of upward price pressure all received a mention in the commentary accompanying last week's "no change"

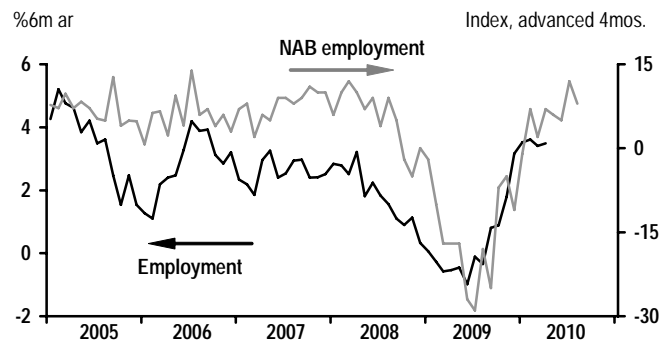
### RBA output and inflation forecasts (August 2010)

%oya (May forecasts in parentheses)

	GDP	Consumer price index	Underlying inflation
Dec 09	2.8 (2.7)	2.1	3.25
Jun 10	3.0 (2.5)	3.1 (3.25)	2.75
Dec 10	3.25	3.25	2.75
Jun 11	3.75	3.25 (3.0)	2.75
Dec 11	3.75	2.75	2.75
Jun 12	3.75	3.0	3.0
Dec 12	4.0	3.0	3.0

Source: RBA, ABS

### Australia: NAB survey and employment growth



decision, as they did in the July statement. In particular, the bouncing terms of trade remained the dominant theme. The terms of trade are around their "peak of two years ago" and set to add significantly to national income and demand.

On the global front, the RBA maintained that growth will be around trend this year. Even in Europe, the RBA believes growth prospects are "uncertain," but not dismal, with output having increased significantly in some countries. In the US, growth was stronger in 1H, but may be "lackluster" in the second half of 2011. In China, growth had "moderated" to a more sustainable pace thanks to recent policy adjustments. To date, though, growth in Asia and in Latin America has been "very strong."

On Friday, the RBA released its quarterly Statement on Monetary Policy (SoMP). The Bank's official forecasts for output and inflation were largely unchanged from the last SoMP released in May. The RBA still forecasts GDP growth of an above-trend 3.75%-4% over 2011 and 2012, mainly owing to higher business investment. Clearly, this will put even more strain on already stretched resources, with the RBA highlighting that the economy will be pushing up against supply-side constraints. The RBA now forecasts

headline inflation as high as 3.25% in the year to June 2011 (up from 3.0%). The official forecasts for core inflation, however, were left unchanged, at the very top of the Bank's 2%-3% target range.

### Unemployment rate to have risen

We expect that employment growth moderated in July. Our forecast is for a solid rise of 20,000 jobs over the month, but this will represent a slowdown from the 30,000 average monthly job gains registered in 1H. With our forecast calling for the participation rate to be steady at 65.2%, the jobless rate should rise a notch to 5.2%.

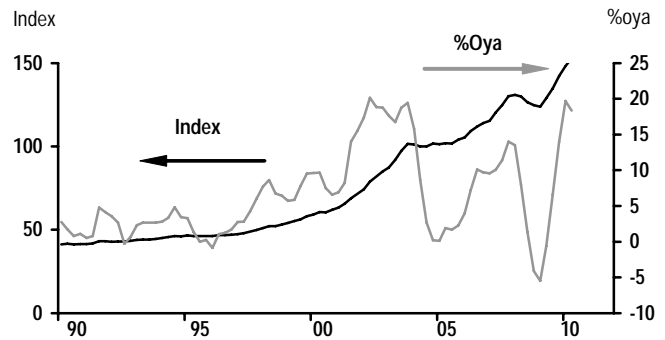
There will likely be some volatility in the July data, however. The ABS will release revised estimates for labour force data, which it says will affect data as far back as July 2006. The Bureau has advised that the new population benchmarks will have "minimal impact" on estimates of rates, such as the unemployment rate, although will impact estimates of levels. Indeed, the different population data could alter the working age population figures used in the labour force data, and thus the profile of employment growth in recent years.

### FHB hangover fading, rebound unlikely

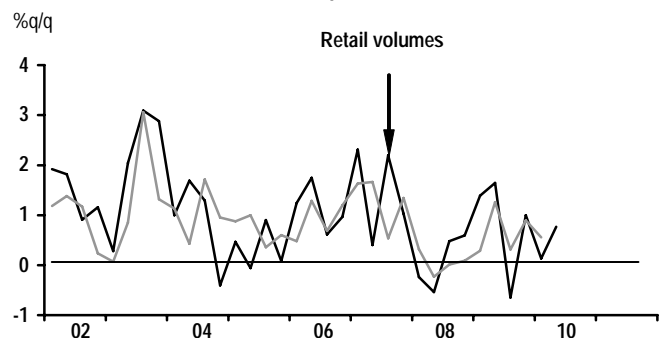
Housing finance commitments probably fell 2%*m/m* in June. We have been noting for some time that the withdrawal of first-home buyers (FHBs) from the market following the expiration of subsidy support has been depressing the housing finance numbers, FHBs being particularly significant to loan demand. This drag has been fading recently—May saw the first rise in loans in eight months—though, for several reasons, we do not see this as an inflection point indicating a meaningful rebound in loan demand going forward.

Interest rates have quickly normalized from historic lows to long-run average levels and the boom in loans issued in 2009 dragged forward much of 2010's notional demand, leaving little ammunition for a meaningful recovery. More importantly, the broader housing market is losing steam. Data released last week showed building approvals falling 3.3%*m/m* in June, consolidating a strong downward trend. Also, house price growth moderated from over 4%*q/q* to 3.1% in 2Q, which we believe understates the deterioration in sentiment given that the monthly price indicators and auction clearance rates have lost significant momentum. We expect house price gains to print at around 1%*q/q* in 2H, with loans and building activity remaining sluggish.

Australia: house price index



Australia: real household consumption and retail volumes



### Australian consumers boosting 2Q GDP

Retail sales values in Australia posted another rise in June, with spending on discretionary items particularly strong over the month. Total retail sales values were up 0.2%*m/m* (J.P. Morgan: 0.2%; consensus: 0.4%), the same rate as in May. While the significant discounting occurring among retailers would have weighed down sales in value terms, in volume terms sales were strong. Quarterly retail volumes climbed an impressive 0.8%*q/q* in 2Q (J.P. Morgan: 0.9%; consensus: 0.7%), following a mere 0.1% rise in 1Q. This suggests that household consumption will make a solid contribution to GDP growth in the June quarter.

A fall in consumer spending in June was probably averted by the RBA's decision to leave rates unchanged, combined with another round of solid monthly employment gains. But, while the consumer has proven relatively resilient to date, we expect that the cumulative impact of the RBA's 150bp of policy tightening since October last year and the waning impact of the government's fiscal stimulus will strengthen the near-term headwinds facing households.

## Confidence to stick at lofty heights

Consumer confidence in Australia probably remained elevated in August, although any improvement in confidence will appear mild in comparison to the 11.1% m/m spike recorded in July. We expect that the Westpac-Melbourne Institute (WMI) consumer confidence index will have risen 3.5% m/m in August, holding well above the key threshold level of 100 at 117.1. This result would mean that optimists have outweighed pessimists for 15 straight months. The RBA's decision to hold the cash rate steady in August for the third straight month, strong employment gains in 1H, and the recovery in the equity market (up 4% over July) would have helped underpin consumer sentiment.

## Data releases and forecasts

### Week of August 2 - 6

Mon Aug 9 11:30am	ANZ job advertisements	Seasonally adjusted			
		Apr	May	Jun	Jul
	(%m/m)	-0.3	2.7	2.7	<u>0.8</u>
		With concerns around the prospect of a double-dip recession in the global economy building in July, we suspect that employers may have adopted a more cautious stance, meaning growth in job ads will have slowed.			

Mon Aug 9 11:30am	Housing finance approvals: owner occupiers	Number of loans, seasonally adjusted			
		Mar	Apr	May	Jun
	(%m/m)	-2.8	-1.5	1.9	<u>-2.0</u>
	(%oya)	-22.6	-25.0	-24.4	<u>-26.2</u>

Mon Aug 9 11:30am	NAB monthly business survey	% balance, seasonally adjusted			
		Apr	May	Jun	Jul
	Business confidence	13	5	4	—
		The RBA's decision to leave the cash rate steady, along with stronger AUD, would have buoyed business sentiment, although continued European sovereign stresses would have limited the extent of any improvement.			

Wed Aug 11 10:30am	WMI consumer confidence survey	100=neutral, seasonally adjusted			
		May	Jun	Jul	Aug
	(%m/m)	-7.0	-5.7	11.1	<u>3.5</u>
Thu Aug 12 11:30am	Labor force	Seasonally adjusted			
		Apr	May	Jun	Jul
	Unemployment rate (%)	5.3	5.1	5.1	<u>5.2</u>
	Employed (000 m/m)	36	23	46	<u>20</u>
	Participation rate (%)	65.2	65.1	65.2	<u>65.2</u>

## Review of past week's data

### Building approvals

	Apr	May	Jun
%m/m,sa	<del>-14.8</del> -11.0	<del>-6.6</del> -6.4	<del>-3.0</del> -3.3
%oya,sa	22.6	26.2	29.7

### Retail trade

	Apr	May	Jun
%m/m,sa	0.6	0.2	<u>0.2</u>
%oya,sa	1.9	1.8	1.1

### Retail trade ex inflation

	4Q09	1Q10	2Q10
%q/q,sa	1.0	0.1	<u>0.9</u> 0.8
%oya,sa	7.4	7.5	6.4

### RBA cash rate announcement

No change delivered. See main text.

### Trade balance

	Apr	May	Jun
Trade balance (A\$ mn,sa)	1123	1263	1645

A huge spike in exports of coal and iron ore sent the trade surplus to an all-time high. Imports were flat over the month.

### House price index: eight capital cities

	4Q09	1Q10	2Q10
Weighted average			
%q/q	5.1	5.5	4.8
%oya	13.5	13.9	20.0

## New Zealand

- **New Zealand unemployment rates spiked 0.8%-pt in 2Q**
- **Retail sales probably were strong in June**
- **But sales volumes will have been unimpressive**

In New Zealand, soft wage figures and a sharp spike in the unemployment rate added to a string of economic data that have fallen to the downside of expectations. The weakness in the labour market, slower net migration, and a moderation in housing market activity mean that consumer spending likely will slow. Aside from a pre-GST-hike spending splurge, spending likely will fall below trend by year-end.

### NZ consumers getting in before GST hike

Our forecast is for a 0.6%*m/m* rise in retail sales values in June, following the 0.4% increase in May. Although significant discounting continues to weigh down retail sales in value terms, some “bring forward” of spending probably occurred, helping to boost sales volumes more than usual. This “bring forward” of spending follows the government announcement in May that the goods and services tax (GST) would rise in October. Further, we expect that underlying sales, those excluding autos, were up 0.4%*m/m* in June, having fallen 0.2% in May.

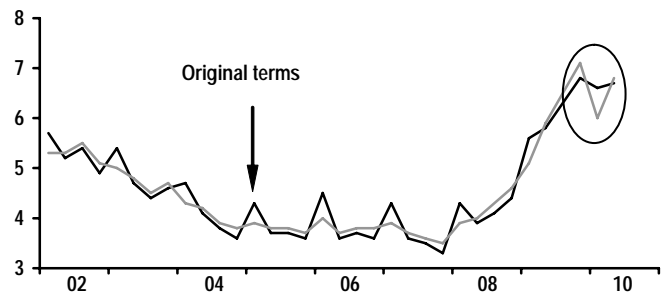
Pre-GST hike sales will likely edge higher given the incentive for consumers to “bring forward” spending ahead of the rise in the consumption tax; this increase in spending will likely be most evident in big-ticket items such as cars, furniture, and household appliances. Indeed, in 1986, when the GST was introduced in New Zealand, and in 1989, when it was lifted by 2.5%-pts, spending picked up considerably before the tax hike. This, though, was followed by a subsequent fall; thus, consumption will likely be sub-trend post October 1 as households further consolidate their balance sheets in the face of high debt levels.

We expect that quarterly sales volumes increased 0.2%*q/q* in 2Q, the same rate of growth recorded in the March quarter. This rate of growth will pale in comparison to the 0.8%-0.9%*q/q* rates recorded in the latter six months of 2009, owing to the fact that consumers have adopted a more cautious approach and are holding back on discretionary spending. As such, private consumption will make only a small contribution to GDP growth in the June quarter.

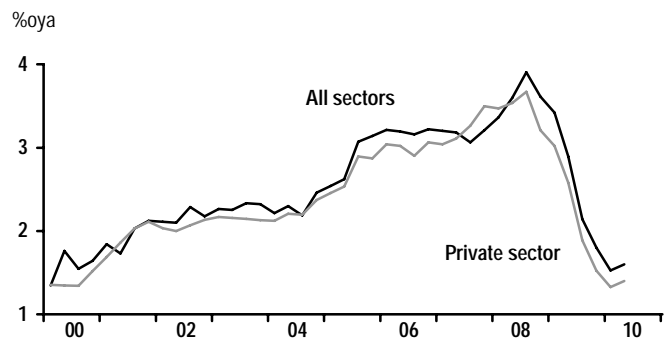
### Kiwi unemployment rate keeps swinging

We had anticipated some payback in New Zealand’s unem-

New Zealand: unemployment rate, original and seasonally adjusted %



New Zealand: labor cost index



ployment rate in the June quarter, given the significant seasonal factors at play in the 1Q results, but the unemployment rate soared beyond even the most pessimistic of expectations (which were ours). The jobless rate shot up to 6.8% (J.P. Morgan: 6.4%; consensus: 6.2%) from 6.0% in 1Q, having posted a remarkable fall from 7.1% in 4Q; this fall had marked the largest drop since 1986.

The unemployment rate was driven higher by a contraction in employment, while the participation rate remained steady at 68.0%. Employment unexpectedly fell 0.3%*q/q* in 2Q, after increasing 1.0% in the previous quarter. The 13.9%*q/q* spike in unemployment also was unexpected, as was the fall in unemployment in 1Q. Note that the normal pattern is for a rise in employment in the December quarter, which is associated with the holidays and seasonal work in agriculture, which is then reversed in the March quarter. Seasonal factors, therefore, were a major factor holding employment down in 4Q09 and up in 1Q10, and they were also at play in the June quarter (first chart). Putting aside this unexpected volatility, the trend unemployment rate has actually remained flat at 6.7% since 3Q09.

We believe that the unemployment rate will hold above 6% in the foreseeable future, particularly following last week’s

numbers. The NZIER quarterly surveys have shown that hiring intentions have turned marginally positive, but actual hiring is still below long-run averages. With corporate profitability having fallen, we suspect that firms will likely delay any new hiring for some time, meaning that the unemployment rate will remain elevated. As such, wage growth will remain subdued. Data last week showed that private sector wages rose just 0.4%q/q in 2Q, up only modestly from 0.3% in the previous three months.

### Data releases and forecasts

#### Week of August 2 - 6

Mon Aug 9	QVNZ house prices %, median	Apr	May	Jun	Jul
	(%oya)	6.1	5.6	5.2	—
Thu Aug 12 10:30am	Business PMI Seasonally adjusted	Apr	May	Jun	Jul
	Index	58.5	54.4	56.2	—
	(%oya)	34.3	23.5	20.1	—

Fri Aug 13 10:45am	Retail trade Seasonally adjusted	Mar	Apr	May	Jun
	(%m/m)	0.6	-0.3	0.4	<u>0.6</u>
	(%oya)	3.2	2.4	2.3	<u>2.8</u>
	Retail trade ex. inflation				
		3Q09	4Q09	1Q10	2Q10
	(%q/q,sa)	0.3	0.9	0.2	<u>0.2</u>

### Review of past week's data

#### ANZ commodity price series

Not seasonally adjusted	May	Jun	Jul			
Index - world prices (%m/m)	2.8	1.2	-1.2	-1.6	—	-0.8
Index - NZD (%m/m)	2.9	2.1	1.6	-0.4	—	-2.8

#### Labor cost index and average hourly earnings

Private sector, ordinary time, sa	4Q09	1Q10	2Q10	
%q/q	0.3	0.3	<u>0.4</u>	0.5

#### Labor force survey

	4Q09	1Q10	2Q10		
Unemployment rate (%sa)	7.1	6.0	<u>6.4</u>	6.8	
Employment (000, q/q,sa)	1	22	21	<u>4.4</u>	-6.0
Participation rate (%sa)	68.1	<u>68.7</u>	68.0	<u>68.1</u>	68.0



## Global Essay

- **No FOMC action expected, but statement should express shift in risk bias**
- **BoE leaves QE door open as UK expansion lags Western European lift**
- **BoJ unlikely to act to try and stem upward pressure on yen**
- **After strong first quarter, global consumer spending gains moderate**
- **Brazilian soft patch prompts dovish shift from COPOM**

### Is patience a virtue?

With G-4 policy rates close to the zero boundary, there is little room for further conventional policy action from the largest central banks. However, the combination of a slow-down in the pace of global activity into midyear and low core inflation is building pressure for action. Although a slowdown in growth had been anticipated as the global manufacturing sector downshifts, the recent news suggests this downshift is more abrupt with global production falling in June. What's more, consumer spending gains have slowed across a wide range of countries, and US payroll gains have been stuck at a subpar 51,000 average monthly level in recent months. With fiscal tightening beginning to bite and likely to intensify in the coming quarters, there are legitimate reasons for central bankers to consider providing insurance against the prospect of weak growth and the threat of deflation.

In the event, no action was forthcoming from the ECB and BoE last week, and we are not anticipating action from the Fed or BoJ this week. The Fed will likely signal its sensitivity to heightened risk by sounding more cautious on growth and altering the statement's guidance language. The message

that it "will employ its policy tools as necessary" may be tweaked to the language from the recent semiannual testimony that it "is prepared to take further actions as needed," thus signaling a greater bias toward easing. The option of stabilizing the Fed's balance sheet through reinvesting MBS proceeds is a possibility but would reflect a discrete shift in stance. The FOMC is not likely to take this step without a material change to its growth outlook—a development we do not foresee at this week's meeting. This wait-and-see mode is partly being strengthened by financial market developments since the last meeting that show a broad-based easing in financial conditions and stabilization in inflation expectations over the past month.

We have consistently highlighted regularities in the US business cycle in these pages, and the regularities in policy reaction functions are not lost on us. Each early cycle downshift during the past four decades has produced an insurance ease by the Fed. Fine-tuning policy stances through rate changes is not an option this time, and the bar for additional asset purchases is high. However, the Fed's patience will be limited and continued disappointment on growth would likely elicit a reaction before year-end.

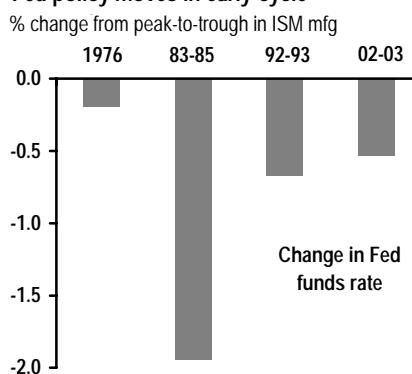
### UK's MPC to flirt with further QE

The Bank of England is also keeping an easing option on the table and concerns of a flagging in the nascent recovery will likely be visible in this week's Inflation Report. While the persistence of above-target inflation is becoming a source of mild embarrassment to the MPC, the majority continues to view it as temporary. Indeed, the option of further QE is being contemplated by some on the committee as doubts on growth remain. The forecast is for a period of wait-and-see to extend into next year before rates ultimately begin to rise. But risks to our forecast for 3Q GDP growth at a near average 2.5%

**Fed policy transmission**

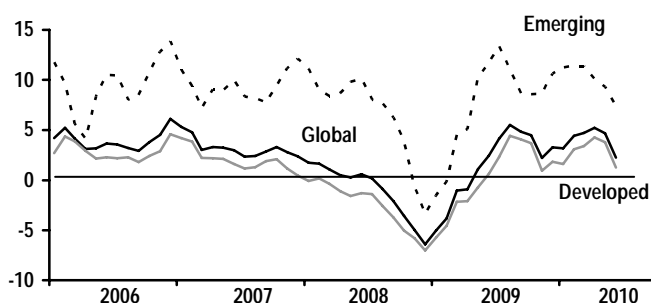
	Level	%pt ch from	
		Jun 30	End-09
5-year Treasuries	1.62	-0.2	-1.1
Real yield	0.04	-0.2	-0.4
Breakeven inflation	1.57	0.0	-0.7
30-year mortgages	4.56	-0.1	-0.8
High yield credit	8.59	-0.6	-0.7
Wilshire 5000	11723.6	9.1	2.0
Dollar TWI	85.72	-3.2	-0.6

**Fed policy moves in early-cycle**



## Retail sales volumes

%3m/3m, saar



pace are shifting to the downside.

Flagging momentum in the UK stands in stark contrast to the rest of Western Europe, which appears to have entered the current quarter with considerable momentum. The business surveys through July have been surprisingly robust in the Euro area, Scandinavia, and Switzerland. By contrast, UK manufacturing output growth is holding in at a solid pace but the 23% decline in the trade-weighted sterling since mid-2007 has yet to deliver a material, outsized lift to factory output seen elsewhere. On the expenditure side, a normalization of private sector demand is under way as business spending on capital and labour has strengthened but our tracker of household spending has rolled over in recent months. Of most concern for the UK outlook, however, is the fifth consecutive decline in the services PMI reported last week for July. The index is now pointing to a return to sub-trend growth in private services activity at a time when fiscal tightening will soon begin slowly ramping up.

## Global consumer demand decelerates

With the influence of the inventory cycle waning and fiscal conditions set to tighten worldwide, final sales are quickly becoming the sole driver of global growth. The latest data suggest that the pace of consumer spending has broadly slowed in recent months. Global goods consumption appears to have risen at a trend pace in June, rising 0.3%, after soft readings in the previous two months. For the second quarter as a whole, our global retail sales volume index moved up just 2.3% annualized, well below the robust 4.7% gain posted in 1Q. The slowdown is evident across the developed economies where retail sales volumes expanded at a sluggish 1.3% pace in 2Q, down from 3.4% in 1Q. Spending gains were down in the US, weak in the Euro area, and negative in Japan. Retail sales growth in the EM fell from a boomy 11% pace in 1Q to a still-solid 7% pace last quarter. Outside China, where sales are still increasing rapidly, EM

Asia saw retail sales volumes recede to a 6.7% pace in 2Q. Retail sales volumes in Latin America also came off the boil in 2Q, though they still appear to have risen at a solid 5.4% pace. By contrast, CEEMEA saw sales volumes decelerate to a below-average 3.8% pace last quarter from their 6.5% pace in 1Q.

This week, reports from the US and China present the first snapshot for retail sales in July. The US reading is expected to show a modest gain in auto sales alongside a flat core reading. At present, current quarter consumption looks to be tracking at close to its first-half pace. In China, retail sales are expected to rise 1.6% m/m sa, maintaining a strong pace.

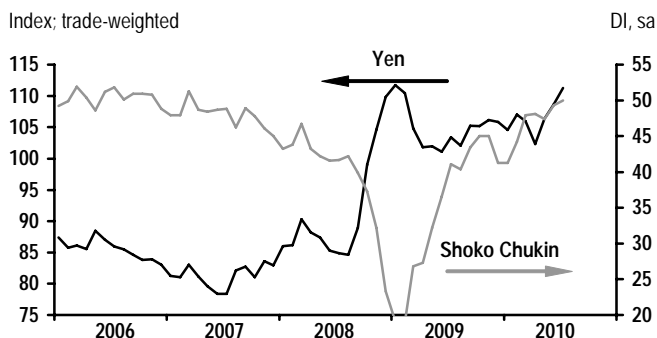
## Yen strength watched from sidelines

Along with the deceleration in global economic activity at midyear, the recent appreciation of the yen, especially against the US dollar, is a clear concern for Japan's economic outlook. The trade-weighted yen has risen 10% since the end of April. The immediate impact would typically be a deterioration of business confidence that damps spending on labour and investment. This concern has been widely shared among financial markets. Japanese equity prices have underperformed the global rally, and JGB 10-year yields hit their lowest point since August 2003.

Sentiment indicators for both business and consumers have remained firm through July. This is partly due to the relatively solid trajectory of income through midyear, which reflects a rapid growth in corporate profits and a positive outcome on summer bonuses. This week's Reuters Tankan surveys will be important for gauging where business sentiment stands in early August.

In contrast to the BoE and Fed, Japanese policymakers are not inclined to act if confidence readings waver. To be sure, the combination of a rising yen and falling sentiment pushed the BoJ to introduce additional easing measures late last year. However, the BoJ views action at the current juncture as unlikely to be effective. Last December, the 3-month yen Libor was higher than the USD rate, so the introduction of 3-month fixed-rate operations was seen as having the potential to weaken the yen. With USD Libor no longer below that of the yen, there is less room for a policy impact on rates. The BoJ will instead likely rely on rhetoric, emphasizing its offering of four-year terms at the current low policy rate to financial institutions investing in growth-oriented projects. At the same time, the MoF is unlikely to intervene to weaken the yen given the G-7's recent heightened sensitivities to currency manipulation.

### Japan FX and business sentiment



### China officials: steady as she goes

Monetary policy normalization in China and policy actions targeting the property market and local government investment activities since early this year are gaining greater traction. This week's key data releases will underscore that the deceleration phase continued in July. Growth in industrial production last month likely remained below its historical average pace, a view supported by last week's further slide in the manufacturing output PMI. On the expenditure side, gains in labour income are fueling solid gains in retail sales. However, attempts to cool red-hot investment spending are set to continue. The trade surplus is expected to have edged up but the pace of exports likely decelerated with the July 15 expiration of export subsidies. Overall, we expect July or August to represent the end of this downshift phase and look to a modest rebound in the China indicator flow as we move toward year-end.

Against this backdrop, CPI inflation is projected to have breached the 3% oya PBoC mark in July on the back of rising food prices, but this is not likely to put pressure on policymakers. Moderating growth momentum and signals that input cost pressures have eased in recent months will

keep the PBoC on hold until 4Q10. At the same time, a major reversal of the sector-specific tightening measures implemented since early this year is unlikely.

### Brazil hits a soft patch

Following three straight months of decline, industrial production in Brazil now stands 2% below its March level. While consistent with a significant shift in the business cycle, coinciding with the fading of fiscal stimulus initiatives and a broader global deceleration, the recent slowing in factory output is expected to reverse in the coming months. Domestic demand is still expanding. Although retail sales volumes have softened of late, last week's report of a jump in auto sales in July suggests this is turning. Moreover, tightening labour markets will likely fuel further gains in labour income. The soft production data more likely owe to the strong currency drag on domestic competitiveness than to a broader slowing of the economy. Indeed, the rise in imports and ongoing deterioration in the current account deficit to 2.5% of GDP this year (contained by an improvement in the terms of trade) bear this out.

Despite what looks to be a temporary moderation in the pace of robust growth, the central bank has leaned on the recent data to justify a more dovish tone. We now believe the COPOM will remain on hold through the end of this year and only restart its rate hiking cycle in January with a modest 25bp hike. To be sure, the 2Q hiccup in what has been a strong recovery has led to a moderation in inflation. But this reflects, in part, restraint in administrative price hikes and a bout of food price deflation. These factors are likely to reverse in the coming months while tightening resource utilization will continue to put upward pressure on underlying prices.

## JPMorgan View - Global Markets

### Slowing growth is great for fixed income

- **Economics:** Global growth slows from 3.6% to 2.8%, close to potential.
- **Asset allocation:** We are net long risky assets, focused on credit and EM. Start putting on deflation hedges.
- **Fixed income:** Look for the trends of lower yields, flatter curves, and tighter intra-EMU spreads to continue.
- **Equities:** Take profit on the small cap underweight.
- **Credit:** Stay overweight higher-yielding credits.
- **FX:** We add to our dollar shorts.
- **Commodities:** Underweight oil and base metals but overweight agriculture.

Weaker economic data across much of the world are confirming that **growth is slowing, from 3.6% over the past year, to our forecast of 2.8%** over the coming four quarters, only a touch above potential growth, which we now peg at 2.6%. This reflects a natural downshift in manufacturing, even as it comes a bit earlier and deeper than what had been expected.

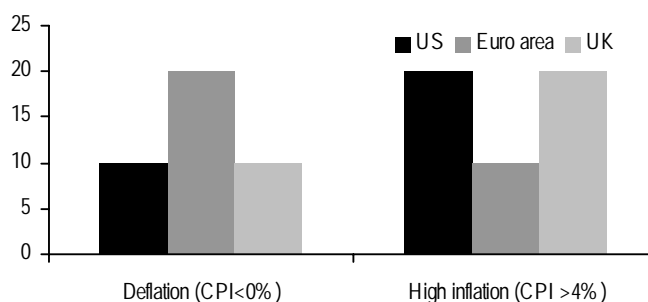
**The slowing of world growth to a trend pace raises two sets of issues** for investors. First, how can risky markets rally in a world of slowing growth, and which will do best? And, second, if the world grows only at trend, then excess capacity is not eliminated and inflation continues to fall. At what point do we move to deflation and how do we hedge this risk?

**Slower economic growth by itself cannot be a positive for equity, credit, and commodity markets.** The impact depends on how much growth is slowing and how much uncertainty it creates. A trimming of growth views of the 0.8%-pt magnitude we forecast is no problem, especially not if it comes with reduced uncertainty. And that is our base case, and the reason we have bullish forecasts and a net overweight on risky assets. A more severe slowing, to under 2% world growth and thus below potential, would raise budget deficits and unemployment rates and lower earnings forecasts. It would significantly raise uncertainty, as policymakers are close to running out of ammunition. These outcomes would depress equity prices.

**What to buy, and not to buy, under our benign growth slowdown forecast?** As discussed in Wednesday's issue of

#### Deflation and high-inflation tails by region

Median probability of different scenarios based on per annum inflation assumption, %



our monthly *Global Markets Outlook and Strategy*, a slower and disinflationary world economy greatly favours fixed income over equity risk, despite the very high risk premia that equities offer relative to bonds. We thus remain **long credit, carry, and duration risk, in that order of importance.** We have a small long in equities, but a short bias on commodities.

The slowdown is hitting the US more than Europe, at the moment, with European data still on net coming in a bit better than our GDP forecasts assume. We have moved **short USD** in sympathy, and stay so. This is a short-term position, especially versus the euro, as Europe will at some point follow US weakness. We project a much large slowdown in **EM** than in DM, -2%-pt vs. -0.5%-pt, but the DM slowdown is more dangerous in terms of debt and deflation pressures. As a result, we stay with our recommendation to overweight **EM equities, currencies, credit and bonds against DM.**

The second issue facing investors is whether the slowing in global growth to trend will intensify disinflation and eventually push Europe and North America toward a Japanese-style **deflation.** A mechanical application of inflation models implies deflation in coming years. Japanese investors seem to think so, and have bought heavily in world bond markets. Their weekly net purchases of foreign bonds have jumped to \$11 billion since May 9, from \$1.5 billion YTD through then.

**Our latest Inflation Expectations Survey**, released last week, shows a significant fall in near-term inflation expectations, particularly in the US. The number of clients expecting inflation to undershoot target in two to five years rose to 24% in EMU and 17% in the US. In response to questions on tail risks, clients see a median 20% probability of deflation (a decline in prices in two out of the next five years) in EMU vs. only 10% in the UK and US. For the US and the UK, clients saw instead a 20% risk of inflation ex-

ceeding 4% over two of the next five years.

**Deflation** is clearly not the main worry yet for the UK and US, but is building for the Euro area. We do consider this a serious risk factor and expect that a growing number of investors will start hedging deflation risk. This implies being long duration, curve flatteners, and long spread product. It is a clear negative for commodities. A long 30-year UST vs. commodity exposure would fit. It will support implied rate vol for the moment as investors buy floors.

## Fixed income

Bonds rose on weak activity data. Curves flattened, EM continued to rally, and EMU peripherals outperformed. We expect more of the same in coming weeks. Major central banks are resolutely on hold. This is all the more so with fears of disinflation or even deflation rising.

Moderating growth forecasts, major central banks on hold for the foreseeable future, declining bond market volatility, and the resulting demand for carry all induce us to **hold modest long duration positions in DM, focused on the UK and Euro area**. We stopped out of our short in 2-year USTs.

**The increasing demand for high-yielding assets keeps us long in Euro area peripherals vs. the core, and in local EM bonds.** Euro area peripherals have been bolstered by a revival of private sector appetite, which has allowed the ECB to slow its bond purchases to a trickle. Meanwhile, flows into EM remain strong, fed by solid government balance sheets, positive momentum and reduced expectations of central bank tightening. Poland, the focus for portfolio inflows into Eastern Europe, is a case in point, and we expect yields there to fall further (see M. Trounce, *EM Strategy View: Poland*).

## Equities

Weak US economic data continue to weigh on equities, preventing them from breaking out of their three-month range. The weakness can be seen in our **US Economic Activity Surprise Index**. The EASI dipped to very negative levels in early July and has been in negative territory since then. The EASI will likely need to turn positive again for equities to break out of their range. This should allow investors to start focusing on **equity valuations, which have become even more compelling following the 2Q reporting season**.

*A Fair Value Model for US Bonds, Credit and Equities* (Panigirtzoglou and Loeyes, June 2005) gives us one measure

of value in equities. Given rational expectations to project earnings five years out, we use a dividend discount model to derive the implied real S&P500 equity discount rate (EDR). This discount rate, which is a risk-free rate and a risk premium, can be related to the 10-year real US bond yield and measures of macroeconomic volatility—output and inflation volatility. The fair value of the equity discount rate has risen over the recent past in line with the rise in macro volatility. But the actual discount rate has risen by even more and is now well above fair value. Using fair value rather than actual EDR produces **a fair value for the S&P500 of 1380, 25% above today's level**. This tells us there is great medium-term value in equities, in line with our forecasts, but gives little sense of timing.

Attractive valuations, coupled with the improvement in European funding markets, softer bank regulations, and our view that the current soft patch in US economic data is not a precursor to a serious downturn, induced us to turn more positive and add risk to our equity portfolio in last week's *GMOS*. We reintroduced directional trades, i.e., outright longs in MSCI AC World and convertible bonds, and **took profit on our small cap underweight**. The equity rally in July was driven largely by short covering, and this benefited large caps where most shorts resided. But a continuation of the equity rally in coming months raises the risk that equity investors will start adding exposure to small caps, helping to reinstate the typical greater than 1 beta of small vs. large caps.

## Credit

We add risk exposures as near-term risk factors have subsided. US high-yield remains our **core long carry trade**. The number of upgrades of HY firms has exceeded downgrades in each of the last 11 months. Default volumes remain low with the 12-month bond default rate falling to 2.9%, the lowest since December 2008. At the current pace, we see downside risk to our already low full-year 2010 default rate forecast of 2%. Spreads are expected to tighten another 100bp to 575bp by year-end from 678bp currently. Stay overweight USHY.

In Europe, we also see momentum gathering in HY and recommend **selling iTraxx Crossover protection as a short-term trade** to benefit from the current rally. We expect issuance of European HY bonds to pick up in September and see better buying opportunities for HY cash investors after the summer (see *High Yield Talking Points*, D. Lamy).

In addition to HY, we recommend ABS names and sectors

that have lagged in the recovery so far, with supportive long-term fundamentals and technicals. We find **value in lower-quality, tier 2-type ABS paper** such as AAA Retail Cards, Bankcard subordinates, and FFELP student loan ABS. Contracting supply and decreasing losses both point to falling credit risk in consumer ABS.

The CDS spread on the CEEMEA country index has lagged the recovery compared to the CDS on EM countries. Moreover, the CDX.EM index is currently trading 24bp tighter than its fair value, which should revert close to zero. We expect CEEMEA countries CDS to regain ground versus Latin American CDS over the next one to two months and **overweight iTraxx CEEMEA SovX vs. the CDX.EM index** (see *Sell CEEMEA SovX Protection vs Buying CDX.EM Protection*, Jonny Goulden).

## Foreign exchange

When the FOMC and Bank of Japan meet this week, the **deflation debate** should be as intense as in 2003, when the Fed undertook a mid-cycle ease and the BoJ initiated the most aggressive FX intervention in history. Don't expect anything as dramatic this Tuesday. Even with last week's soft US payrolls report, the bar for Fed easing through asset purchases is high, and the constraints on BoJ intervention much greater than in 2003. There is a **tendency to think that deflation must be currency positive**, since the only country to experience several years of falling prices over the past 40 years is Japan, an episode that coincided with trend yen strength (25% trade-weighted from 1998-2010).

The theory is simple: **deflation raises real rates, attracting capital and pushing the currency up**. Hence USD/JPY's tracking of the US-Japan real rate gap since 1998, when Japanese CPI deflation first began. But owning a deflation currency only makes sense for a surplus country like Japan. For a net debtor like the US, the credit stress created by lower earnings for households and corporates would offset any capital flows resulting from higher real yields and complicate external financing.

Last week we argued for much narrower dollar weakness in August than in July on a view that risky markets would consolidate. Only the yen and euro should gain in that environment, as tight spreads supported the yen and strong European data forced another few cents of short covering in the euro. The portfolio focused on a handful of trades: short USD vs. EUR, CHF and INR, short NZD vs. EUR and JPY, and short EUR vs. CHF. The basket is up on the week and

## Ten-year Government bond yields

	Current	Sep 10	Dec 10	Mar 11	Jun 11
United States	2.83	3.10	3.10	3.25	3.50
Euro area	2.52	2.60	2.90	3.10	3.25
United Kingdom	3.22	3.25	3.50	3.70	3.85
Japan	1.06	1.30	1.40	1.50	1.55
GBI-EM	6.58			7.90	

## Credit markets

	Current	YTD Return
US high grade (bp over UST)	161	7.9%
Euro high grade (bp over Euro gov)	170	4.3%
USD high yield (bp vs. UST)	671	8.8%
Euro high yield (bp over Euro gov)	661	8.2%
EMBIG (bp vs. UST)	294	10.9%
EM Corporates (bp vs. UST)	345	9.8%

## Foreign exchange

	Current	Sep 10	Dec 10	Mar 11	Jun 11
EUR/USD	1.33	1.25	1.25	1.25	1.25
USD/JPY	85.3	90	93	93	93
GBP/USD	1.60	1.47	1.44	1.42	1.42

## Commodities - quarterly average

	Current	10Q3	10Q4	11Q1	11Q2
WTI (\$/bbl)	80	77	75	75	77
Gold (\$/oz)	1206	1250	1275	1250	1250
Copper(\$/m ton)	7371	6500	6750	6750	7000
Corn (\$/Bu)	4.13	3.90	3.80	4.00	4.20

Source: J.P. Morgan, Bloomberg, Datastream

we make only one adjustment: adding **long JPY** to the existing basket of short USD trades.

## Commodities

**Commodities rose 2% last week**, benefiting from a weaker dollar and short-term supply concerns for oil and base metals. We believe the slowdown in global growth is likely to cause demand for both crude oil and base metals to contract, with rising fears around deflation an added negative for real assets like commodities. **Underweight crude oil and industrial metals.**

Agriculture was up 3% last week as the already tight global wheat supply was threatened further when Russia suspended exports after crops were ravaged by drought. With the extent of the impact to crops globally from this year's adverse weather still unclear, and upside risks to demand forecasts, we **remain overweight agriculture.**

## Global Economic Outlook Summary

	Real GDP			Real GDP							Consumer prices			
	% over a year ago			% over previous period, saar							% over a year ago			
	2009	2010	2011	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	1Q10	2Q10	4Q10	2Q11
<b>The Americas</b>														
United States	-2.6	3.0	2.7	3.7	2.4	2.5	3.0	2.5	2.5	3.0	2.4	1.8	0.9	1.2
Canada	-2.5	3.4	2.7	6.1	2.6	3.2	3.2	2.7	2.0	2.4	1.6	1.4	1.7	1.9
Latin America	-2.9	5.4	3.8	4.2	4.0	3.3	4.0	4.2	5.2	2.0	6.0	6.5	7.0	6.9
Argentina	-2.0	8.5	4.5	12.5	13.0	4.0	4.0	2.0	4.0	8.0	9.0	9.0	10.0	11.0
Brazil	-0.2	7.5	4.0	11.4	2.6	6.2	3.3	3.8	4.2	4.1	4.9	5.1	5.3	5.4
Colombia	0.8	4.5	4.1	5.3	4.8	3.7	4.0	4.0	4.1	5.0	2.0	2.1	2.8 ↓	3.3 ↓
Ecuador	0.4	2.0	3.0	1.3	3.5	4.0	4.5	3.0	2.5	2.5	4.0	3.3	3.9	4.1
Mexico	-6.5	4.5	3.5	-1.4	3.2	-1.8	4.2	5.7	7.9	-2.3	4.8	4.4	5.1	4.5
Peru	0.9	7.3	6.0	7.3	9.5	4.0	4.5	6.0	6.7	7.2	0.7	1.2 ↑	2.6 ↑	2.2
Venezuela	-3.3	-4.0	1.0	-5.6	-5.0	5.0	1.0	1.0	1.0	1.5	27.4	32.1	32.1	32.1
<b>Asia/Pacific</b>														
Japan	-5.3	3.3 ↓	1.8	5.0	2.3 ↓	1.8	1.6	1.5	2.2	1.8	-1.2	-0.9	-0.7	0.1
Australia	1.3	2.7	3.2	2.0	1.9	3.3	3.8	2.7	3.2	4.0	2.9	3.5	3.8	4.1
New Zealand	-1.7	2.5	2.7	2.3	3.5	2.3	1.9	2.7	3.4	3.2	2.0	1.8	4.9	5.6
Asia ex Japan	4.8	8.6	6.9	10.7 ↓	6.5 ↓	5.7 ↑	6.5	7.3	7.1	7.1	4.3	4.5	4.4	4.1
China	9.1	10.0	8.8	10.8	7.2	8.2	8.6	9.5	9.1	8.7	2.2	2.9	2.8	2.7
Hong Kong	-2.8	6.8	4.2	8.7	4.3	4.0	3.8	4.2	4.3	4.7	1.9	2.6	2.5	2.2
India	7.4	8.3	8.5	9.2	8.1	8.0	8.9	8.0	8.5	8.6	15.3	13.6	11.8	10.1
Indonesia	4.5	6.0	5.4	3.0 ↓	7.5 ↑	4.5	5.0	5.3	5.2	5.0	3.7	4.4	5.8	5.5
Korea	0.2	6.1	4.0	8.8	6.0	2.5	3.8	4.0	4.0	4.5	2.7	2.6	3.2	3.5
Malaysia	-1.7	7.2	4.6	5.0	5.0	4.0	4.0	4.9	4.9	4.5	1.3	1.6	2.4	2.4
Philippines	1.1	6.8	4.3	12.9	3.6	4.9	4.0	4.5	4.5	4.5	4.3	4.2	5.2	4.9
Singapore	-1.3	13.8 ↓	5.0 ↓	46.0	18.8 ↓	-11.5 ↑	0.0 ↑	10.4 ↓	6.6 ↑	9.1 ↑	0.9	3.4	4.7	3.7
Taiwan	-1.9	8.8	4.2	11.3	2.0	3.0	3.5	4.2	4.6	5.5	1.3	1.1	2.0	1.8
Thailand	-2.2	8.5	5.0	16.0	-2.0	2.8	2.8	6.0	5.5	4.0	3.7	5.5	4.4	3.0
<b>Africa/Middle East</b>														
Israel	0.7	3.0	4.5	3.3	3.5	3.0	3.0	4.0	5.0	5.5	3.5	3.0	3.0	3.2
South Africa	-1.8	3.0	3.5	4.6	3.9	2.8	3.4	3.7	3.1	3.6	5.7	4.5	4.7	4.9
<b>Europe</b>														
Euro area	-4.1	1.3	1.4	0.8	3.0	2.0	1.0	1.0	1.0	1.8	1.1	1.5	1.5	0.9
Germany	-4.9	2.2	2.2	0.6	5.0	3.0	2.0	2.0	1.5	2.0	0.8	1.0	1.2	0.9
France	-2.5	1.6	1.4	0.5	2.5	2.0	1.5	1.0	1.0	1.5	1.5	1.8	1.3	0.6
Italy	-5.1	1.1 ↓	1.3	1.6 ↓	1.5 ↓	2.0	1.0	1.0	1.0	1.5	1.3	1.6 ↑	1.5	1.1
Norway	-1.5	1.6	2.4	0.6	2.0	3.0	2.8	2.0	2.0	2.5	2.9	2.5	1.3	1.0
Sweden	-5.1	3.8	2.7	6.2	4.7	3.5	2.8	2.3	2.3	2.8	1.0	1.0	2.3	2.4
Switzerland	-1.5	2.3	2.5	1.6	2.8	2.5	2.3	2.3	2.5	2.8	1.1	1.1	0.9	0.6
United Kingdom	-4.9	1.6	2.6	1.3	4.5	2.5	2.5	2.0	2.5	3.0	3.3	3.5	2.5	1.7
Emerging Europe	-4.9	3.9	4.3	2.1	7.1	3.1	3.3	3.6	4.0	4.1	6.1	5.5	5.7	5.6
Bulgaria	-5.0	-0.5	4.0	...	...	...	...	...	...	...	...	...	...	...
Czech Republic	-4.1	2.0	3.2	2.0	2.5	2.5	2.3	2.5	3.0	5.0	0.7	1.3	2.8	2.7
Hungary	-6.3	1.0	3.0	3.6	3.0	2.0	2.0	2.0	3.0	3.5	6.0	5.4	4.6	3.7
Poland	1.8	3.5	3.8	2.0	4.0	3.5	3.5	3.0	3.5	4.0	3.0	2.3	2.6	2.6
Romania	-7.1	-2.0	1.5	...	...	...	...	...	...	...	4.6	4.4	8.0	7.2
Russia	-7.9	5.0	5.0	2.2	11.5	4.0	4.5	5.0	5.0	4.5	7.2	5.9	6.6	7.0
Turkey	-4.7	5.9	5.0	...	...	...	...	...	...	...	9.3	9.3	7.5	6.7
<b>Global</b>	-2.6	3.4	2.9	3.9	3.4 ↓	2.8	2.8	2.7	2.8	3.0	2.2	2.2	1.9	1.9
Developed markets	-3.5	2.5	2.2	2.9	2.7 ↓	2.3	2.2	1.9	2.0	2.5	1.5	1.4	1.0	1.0
Emerging markets	1.1	6.8 ↓	5.6	7.4 ↓	5.9 ↓	4.6 ↑	5.2	5.8	6.0	5.3	5.1	5.1	5.2	4.9
<b>Memo:</b>														
Global — PPP weighted	-0.8	4.6	4.0	5.2	4.3 ↓	3.7	3.9	3.9	4.0	4.1	3.3	3.3	3.1	2.9

## Global Central Bank Watch

Official interest rate	Current	Change from		Next meeting	Forecast next change	Forecast					
		Aug '07 (bp)	Last change			Sep 10	Dec 10	Mar 11	Jun 11	Sep 11	
Global	GDP-weighted average	1.37	-329				1.39	1.44	1.49	1.57	1.62
excluding US	GDP-weighted average	1.95	-240				1.99	2.06	2.13	2.25	2.33
Developed	GDP-weighted average	0.54	-357				0.55	0.57	0.60	0.64	0.67
Emerging	GDP-weighted average	4.69	-217				4.75	4.89	5.04	5.28	5.43
Latin America	GDP-weighted average	6.57	-236				6.65	6.73	7.15	7.64	7.71
CEEMEA	GDP-weighted average	4.07	-279				4.09	4.11	4.13	4.37	4.86
EM Asia	GDP-weighted average	4.22	-188				4.29	4.50	4.59	4.74	4.78
The Americas	GDP-weighted average	0.87	-471				0.90	0.94	1.02	1.11	1.11
United States	Federal funds rate	0.125	-512.5	16 Dec 08 (-87.5bp)	<u>10 Aug 10</u>	4Q 11 (+37.5bp)	0.125	0.125	0.125	0.125	0.125
Canada	Overnight funding rate	0.75	-350	20 Jul 10 (+25bp)	8 Sep 10	8 Sep 10 (+25bp)	1.00	1.50	2.00	2.50	2.50
Brazil	SELIC overnight rate	10.75	-125	21 Jul 10 (+50bp)	1 Sep 10	<b>Jan 11 (+25bp)</b>	<b>10.75</b>	<b>10.75</b>	11.50	12.50	12.50
Mexico	Repo rate	4.50	-270	17 Jul 09 (-25bp)	20 Aug 10	4Q 11 (+25bp)	4.50	4.50	4.50	4.50	4.50
Colombia	Repo rate	3.00	-600	30 Apr 10 (-50bp)	20 Aug 10	1Q 11 (+50bp)	3.00	3.00	4.00	5.00	5.50
Peru	Reference rate	<b>2.50</b>	-200	<b>5 Aug 10 (+50bp)</b>	9 Sep 10	<b>9 Sep 10 (+50bp)</b>	<b>3.00</b>	<b>4.00</b>	<b>4.50</b>	4.50	4.50
Europe/Africa	GDP-weighted average	1.28	-324				1.29	1.30	1.31	1.39	1.51
Euro area	Refi rate	1.00	-300	7 May 09 (-25bp)	2 Sep 10	On hold	1.00	1.00	1.00	1.00	1.00
United Kingdom	Repo rate	0.50	-500	5 Mar 09 (-50bp)	9 Sep 10	May 11 (+25bp)	0.50	0.50	0.50	0.75	1.00
Sweden	Repo rate	0.50	-300	1 Jul 10 (+25bp)	2 Sep 10	2 Sep 10 (+25bp)	0.75	0.75	0.75	1.00	1.25
Norway	Deposit rate	2.00	-250	5 May 10 (+25bp)	<u>11 Aug 10</u>	2Q 11 (+25bp)	2.00	2.00	2.00	2.25	2.50
Czech Republic	2-week repo rate	0.75	-200	6 May 10 (-25bp)	23 Sep 10	2Q 11 (+25bp)	0.75	0.75	0.75	1.00	1.25
Hungary	2-week deposit rate	5.25	-250	26 Apr 10 (-25bp)	23 Aug 10	3Q 11 (+25bp)	5.25	5.25	5.25	5.25	5.50
Israel	Base rate	1.75	-225	26 Jul 10 (+25bp)	23 Aug 10	27 Sep 10 (+25bp)	2.00	2.25	2.50	2.75	3.25
Poland	7-day intervention rate	3.50	-100	24 Jun 09 (-25bp)	24 Aug 10	2Q 11 (+25bp)	3.50	3.50	3.50	3.75	4.00
Romania	Base rate	6.25	-75	4 May 10 (-25bp)	29 Sep 10	3Q 11 (+25bp)	6.25	6.25	6.25	6.25	6.50
Russia	1-week deposit rate	2.75	-25	31 May 10 (-50bp)	Aug 10	2Q 11 (+25bp)	2.75	2.75	2.75	3.25	3.75
South Africa	Repo rate	6.50	-300	25 Mar 10 (-50bp)	9 Sep 10	4Q 11 (+50bp)	6.50	6.50	6.50	6.50	6.50
Switzerland	3-month Swiss Libor	0.25	-225	12 Mar 09 (-25bp)	16 Sep 10	16 Dec 10 (+25bp)	0.25	0.50	0.75	1.00	1.25
Turkey	1-week repo rate	7.00	-1050	-	19 Aug 10	Jul 11 (+50bp)	7.00	7.00	7.00	7.00	8.25
Asia/Pacific	GDP-weighted average	2.24	-120				2.27	2.38	2.45	2.53	2.57
Australia	Cash rate	4.50	-175	4 May 10 (+25bp)	7 Sep 10	Nov 10 (+25bp)	4.50	4.75	5.00	5.25	5.50
New Zealand	Cash rate	3.00	-500	29 Jul 10 (+25bp)	15 Sep 10	15 Sep 10 (+25bp)	3.25	3.50	4.00	4.25	4.50
Japan	Overnight call rate	0.10	-43	19 Dec 08 (-20bp)	<u>10 Aug 10</u>	On hold	0.10	0.10	0.10	0.10	0.10
Hong Kong	Discount window base	0.50	-625	17 Dec 08 (-100bp)	<u>11 Aug 10</u>	4Q 11 (+50bps)	0.50	0.50	0.50	0.50	0.50
China	1-year working capital	5.31	-126	22 Dec 08 (-27bp)	3Q 10	4Q 10 (+27bp)	5.31	5.58	5.58	5.85	5.85
Korea	Base rate	2.25	-225	9 Jul 10 (+25bp)	<u>12 Aug 10</u>	4Q 10 (+25bp)	2.25	2.50	2.75	2.75	2.75
Indonesia	BI rate	6.50	-200	5 Aug 09 (-25bp)	3 Sep 10	2Q 11 (+25bp)	6.50	6.50	6.50	6.75	6.75
India	Repo rate	5.75	-200	27 Jul 10 (+25bp)	16 Sep 10	16 Sep 10 (+25bp)	6.00	6.25	6.50	<b>6.50</b>	<b>6.75</b>
Malaysia	Overnight policy rate	2.75	-75	8 Jul 10 (+25bp)	2 Sep 10	On hold	2.75	2.75	2.75	2.75	2.75
Philippines	Reverse repo rate	4.00	-350	9 Jul 09 (-25bp)	26 Aug 10	<b>1Q 11 (+25bp)</b>	<b>4.00</b>	<b>4.00</b>	<b>4.25</b>	4.75	5.00
Thailand	1-day repo rate	1.25	-200	8 Apr 09 (-25bp)	25 Aug 10	25 Aug 10 (+25bp)	1.75	2.00	2.00	2.00	2.00
Taiwan	Official discount rate	1.375	-175	24 Jun 10 (+12.5bp)	3Q 10	<b>3Q 10 (+12.5bp)</b>	<b>1.500</b>	<b>1.625</b>	<b>1.750</b>	<b>1.875</b>	<b>1.875</b>

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



## Economic forecasts - Australia

Australia: economic projections <i>percentage change over previous period, seasonally adjusted annual rates, un</i>															
	2009			2010			2011			2011			2011		
	2009	2010	2011	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Chain volume GDP	1.3	2.7	3.2	3.4	1.1	4.5	2.0	1.9	3.3	3.8	2.7	3.2	4.0	2.8	
Private consumption	1.6	2.0	2.0	5.1	1.3	3.6	2.3	0.8	0.4	1.6	2.8	2.4	2.4	2.0	
Construction investment	-0.5	1.5	6.0	-2.8	2.6	1.1	-3.3	4.7	6.2	6.4	5.5	5.0	7.9	7.8	
Equipment investment	-3.4	6.9	9.5	0.1	-13.1	46.8	-20.9	27.3	12.9	17.5	5.1	3.4	6.4	8.6	
Public investment	4.9	32.1	9.3	13.5	43.6	49.7	55.4	14.2	10.0	10.6	6.8	11.2	6.8	9.6	
Government consumption	2.8	3.6	1.7	3.4	5.4	7.5	3.3	0.1	3.9	0.2	0.1	3.7	3.7	0.4	
Exports of goods & services	1.4	1.7	2.7	8.4	-6.5	8.3	-2.0	3.2	2.4	2.8	2.0	2.8	3.2	4.1	
Imports of goods & services	-7.8	10.9	4.1	3.5	18.0	36.6	7.3	0.0	3.2	3.2	4.1	6.1	3.2	8.2	
<b>Contributions to GDP growth:</b>															
Inventories	-0.5	-0.9	-0.6	0.9	2.9	0.7	0.7	-8.1	0.0	-0.1	-0.2	0.1	-0.2	-0.1	
Net trade	2.0	-1.9	-0.4	0.9	-4.6	-5.0	-2.0	0.6	-0.2	-0.2	-0.5	-0.8	-0.1	-1.0	
GDP deflator (%oya)	0.2	3.1	2.4	0.1	-2.1	-1.5	1.4	4.1	3.7	3.2	2.2	2.4	2.5	2.5	
Consumer prices (%oya)	1.8	3.1	3.6	1.5	1.3	2.1	2.9	3.1	3.0	3.3	3.5	3.8	3.6	3.4	
Producer prices (%oya)	-5.4	1.6	3.5	-6.4	-7.2	-6.8	-0.2	1.4	1.1	4.0	2.5	3.5	4.0	4.0	
Trade balance (A\$ bil, sa)	-6.8	-18.7	-21.4	-0.9	-4.1	-5.0	-4.0	-4.7	-5.0	-5.0	-5.1	-5.2	-5.1	-6.0	
Current account (A\$ bil, sa)	-51.4	-35.7	-28.8	-12.7	-13.8	-18.5	-16.6	-7.6	-4.9	-6.7	-7.1	-7.0	-7.0	-7.7	
as % of GDP	-4.1	-2.7	-2.0	-4.1	-4.4	-5.8	-5.1	-2.3	-1.5	-2.0	-2.1	-2.0	-2.0	-2.2	
3m eurodeposit rate (%)*	6.0	4.7	5.6	3.5	3.4	4.1	4.3	4.8	4.8	5.1	5.4	5.6	5.6	5.7	
10-year bond yield (%)*	5.6	5.7	6.3	5.5	5.1	5.8	5.6	5.5	5.9	6.1	6.2	6.3	6.4	6.4	
US\$/A\$*	0.75	0.90	0.92	0.82	0.88	0.91	0.94	0.84	0.90	0.91	0.92	0.94	0.92	0.90	
Commonwealth budget (FY, A\$ bil)	-27.0	-51.0	-32.0												
as % of GDP	-2.1	-3.8	-2.3												
Unemployment rate	5.6	5.3	4.8	5.7	5.8	5.6	5.3	5.2	5.2	5.1	5.0	4.7	4.7	4.5	
Industrial production	-7.9	3.3	1.5	4.8	-4.2	22.1	0.2	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** emerged from the global downturn largely unscathed. That said, we recently lowered expected GDP growth following our colleagues' growth downgrades for the US and China.
- **Business investment** probably will rise close to 20% in 2010-11, with mining leading the way, particularly with the mining tax roadblock being "dismantled".
- 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.
- **Consumer confidence** deteriorated sharply earlier this year as mortgage rates rose, but the index rebounded in July. Optimists continue to easily outnumber pessimists.
- **Export volumes** have held up owing mainly to firm demand from China, and the terms of trade has bounced thanks mainly to higher bulk commodity prices.
- The **RBA** hiked the cash rate six times between October and May, but then paused. The Bank will likely remain on the sidelines until November. We expect four further rate hikes throughout 2011.
- New Prime Minister Gillard has called an August 21 **election**. The leadership change appeared to be paying off, but the Opposition now holds a lead over the Government in opinion polls. The election will be close.

## Economic forecasts - New Zealand

New Zealand: economic projections <i>percentage change over previous period, seas. adjusted annual rates, unless stated</i>														
				2009			2010				2011			
	2009	2010	2011	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real GDP (1995-96 prices)	-1.7	2.5	2.7	0.3	1.2	3.7	2.3	3.5	2.3	1.9	2.7	3.4	3.2	2.2
Private consumption	-0.6	2.0	1.4	1.2	3.8	3.2	0.9	1.8	1.9	0.4	1.0	1.0	2.2	3.5
Fixed Investment	-12.5	0.5	4.6	7.1	-10.4	-7.2	3.3	5.3	5.5	5.7	2.2	4.1	6.0	7.3
Residential construction	-18.5	3.2	4.7	-8.4	-14.7	20.3	2.2	4.0	4.8	6.0	3.2	4.8	6.0	4.0
Other fixed investment	-11.3	-0.1	4.6	10.2	-10	-11.6	3.5	5.6	5.6	5.6	2.0	4.0	6.0	8.0
Inventory change (NZ\$ bil, saar)	-1.8	0.7	0.4	-1.1	-0.7	0.2	0.1	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Government spending	1.7	3.4	1.9	-3.9	2.6	4.5	6.7	2.4	1.6	2.4	1.6	2.4	2.0	0.4
Exports of goods & services	0.0	4.7	7.8	19.2	0.6	-2.7	5.5	7.0	7.0	8.0	8.0	9.0	7.0	7.0
Imports of goods & services	-15.2	8.9	5.8	-11.2	6.3	25.5	7.4	7.0	7.0	6.0	4.0	5.0	7.0	9.0
Contributions to GDP growth:														
Domestic final sales	-5.0	2.0	2.4	1.4	-1.9	1.1	4.0	2.7	2.7	2.0	2.1	2.1	3.6	2.5
Inventories	-2.6	1.9	-0.2	-10.2	5.0	11.6	-0.9	0.9	-0.2	-0.6	-0.6	0.1	-0.2	0.5
Net trade	5.9	-1.5	0.5	9.9	-1.8	-8.3	-0.8	-0.2	-0.2	0.5	1.2	1.2	-0.1	-0.8
GDP deflator (%oya)	2.0	2.4	2.2	3.3	2.5	-0.1	1.0	1.9	2.8	3.9	2.8	2.4	1.9	1.6
Consumer prices	2.1	5.0	3.2	2.3	5.3	-0.7	1.5	1.1	5.5	12.1	3.3	1.8	3.9	3.8
%oya	2.1	2.6	4.9	1.9	1.7	2.0	2.0	1.8	1.8	4.9	5.4	5.6	5.2	3.2
Trade balance (NZ\$ bil, sa)	2.5	5.7	5.3	0.8	0.7	0.3	0.9	1.6	1.5	1.6	1.5	1.3	1.3	1.2
Current account (NZ\$ bil, sa)	-5.5	-5.0	-11.9	-0.4	0.1	-2.9	-1.2	-1.3	-1.0	-0.6	-2.1	-5.2	-3.6	-3.5
as % of GDP	-3.0	-2.6	-6.0	-0.9	0.1	-6.5	-2.8	-2.1	-1.3	-4.4	-7.3	-7.1	-5.4	-4.2
Yield on 90-day bank bill (%)*	3.0	3.2	4.7	2.8	2.8	2.8	2.7	2.8	3.5	3.8	4.3	4.8	4.9	5.0
10-year bond yield (%)*	5.5	5.7	6.0	5.7	5.7	5.9	5.9	5.7	5.5	5.7	5.8	6.0	6.1	6.1
US\$/NZ\$*	0.64	0.72	0.75	0.60	0.68	0.73	0.71	0.70	0.73	0.75	0.76	0.77	0.75	0.73
Commonwealth budget (NZ\$ bil)	-4.0	-7.2	-7.1											
as % of GDP	-2.2	-3.8	-3.6											
Unemployment rate	6.1	6.5	5.8	5.9	6.5	7.1	6.0	6.8	6.7	6.4	6.0	5.9	5.7	5.7

\*All financial variables are period averages

## New Zealand - summary of main macro views

- The **New Zealand economy** expanded at a healthy clip of 0.6%q/q in 1Q. Economic growth should remain strong in 2Q and 3Q, underpinned by consumer spending, with consumers likely to bring forward spending ahead of the October 1 GST hike.
- That said, households are set to undergo a period of **consolidation**. As a result, private consumption will be sub-trend post GST hike, particularly given higher interest rates and softer house price growth.
- The **unemployment** rate tumbled to 6% in 1Q (from 7.1%), although is unlikely to fall far below this level in the near-term. Actual hiring remains well-below long run averages and, with corporate profitability down, new hiring will likely be postponed.
- The **RBNZ** hiked the OCR 25bp in July. The accompanying commentary was dovish, suggesting that the pace and extent of further tightening will be more moderate than previously forecast. We now expect “only” 50bp of tightening this year.
- Headline **inflation** continued to hover around the middle of the RBNZ’s 1%-3% target range in the June quarter, although this precedes what we expect will be a series of elevated inflation prints over the coming year.
- Managing **inflation expectations** will be a growing challenge for the RBNZ, given the July 1 introduction of the amended ETS and the GST hike on October 1.

## Australia and New Zealand economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
<b>9 Aug</b> <b>Australia:</b> ANZ job ads (11:30 am) Jul <u>0.8 %m/m, sa</u> Housing finance (11:30 am) Jun <u>-2.0%m/m, sa</u> <b>New Zealand:</b> QV house prices Jul	<b>10 Aug</b> <b>Australia:</b> NAB business conditions (11:30 am) Jul	<b>11 Aug</b> <b>Australia:</b> Westpac consumer confidence (10:30 am) Aug <u>3.5%m/m, sa</u>	<b>12 Aug</b> <b>Australia:</b> Unemployment rate Jul <u>5.2%, sa</u> <b>New Zealand:</b> Business NZ PMI (10:30 am) Jul	<b>13 Aug</b> <b>New Zealand:</b> Retail sales (10:45 am) Jun <u>0.6%m/m, sa</u> Retail sales ex inflation (10:45 am) 2Q <u>0.2%q/q, sa</u>
<b>16 Aug</b> <b>Australia:</b> New motor vehicle sales (11:30am) Jul	<b>17 Aug</b>	<b>18 Aug</b> <b>Australia:</b> Westpac leading index (11:30 am) Jun Wage cost index (11:30 am) 2Q	<b>19 Aug</b> <b>New Zealand:</b> PPI (10:45 am) 2Q	<b>20 Aug</b> <b>New Zealand:</b> Credit card spending (3:00pm) Jul
<b>23 Aug</b>	<b>24 Aug</b> <b>New Zealand:</b> RBNZ 2 year inflation expectation 3Q	<b>25 Aug</b> <b>Australia:</b> Construction work done (11:30 am) 2Q	<b>26 Aug</b>	<b>27 Aug</b>
<b>30 Aug</b> <b>Australia:</b> Company operating profits (11:30 am) 2Q Inventories (11:30 am) 2Q <b>New Zealand:</b> Trade balance (10:45 am) Jul NBNZ business confidence (3:00 pm) Aug	<b>31 Aug</b> <b>Australia:</b> Pvt. Sector credit (11:30 am) Jul Retail sales (11:30 am) Jul Current account balance (11:30 am) 2Q Building approvals (11:30 am) Jul <b>New Zealand:</b> Building permits (10:45 am) Jul	<b>1 Sep</b> <b>Australia:</b> GDP 2Q <b>New Zealand:</b> ANZ commodity prices (3:00 pm) Aug	<b>2 Sep</b> <b>Australia:</b> Trade balance Jul	<b>3 Sep</b>

## Global Data Diary

Week / Weekend	Monday	Tuesday	Wednesday	Thursday	Friday
9 - 13 August	9 August	10 August	11 August	12 August	13 August
<b>China</b> • FDI (Jul)	<b>Australia</b> • NAB bus conf (Jul)	<b>France</b> • IP (Jun)	<b>Australia</b> • Westpac cons conf (Aug)	<b>Australia</b> • Unemployment rate (Jul)	<b>Canada</b> • Auto sales (Jun)
	<b>Germany</b> • Trade balance (Jun)	<b>Japan</b> • BoJ MPM: no chg	<b>Brazil:</b> Retail sales (Jun)	<b>Euro area</b> • IP (Jun)	<b>Euro area</b> • GDP (2Q) • Trade balance (Jun)
	<b>Japan</b> • Econ Watcher surv (Jul)	<b>Norway</b> • CPI (Jul)	<b>China</b> • CPI, FAI, retail sales, IP, trade balance (Jul)	<b>India</b> • IP (Jun)	<b>Japan</b> • Reuters Tankan (Aug) • MPM minutes (Jul)
	<b>Mexico</b> • CPI (Jul)	<b>Singapore</b> • GDP revision (2Q)	<b>Japan</b> • Private mach orders (Jun)	<b>Japan</b> • IP final (Jun) • Consumer conf (Jul)	<b>Sweden</b> • IP (Jun)
	<b>Taiwan</b> • Exports (Jul)	<b>United States</b> • NFIB survey (Jul) • Productivity and costs (2Q) • FOMC mtg: no chg	<b>Norway</b> • Norges bank mtg: no chg	<b>Korea</b> • BoK mtg: no chg	<b>United States</b> • Retail sales (Jul) • CPI (Jul) • UMich cons conf (Aug) • Business invntries (Jun)
	<b>Turkey</b> • IP (Jun)		<b>United Kingdom</b> • Labor market report (Jul) • Nat'l cons conf (Jul) • BoE inflation report	<b>Russia</b> • GDP (2Q)	
				<b>Sweden</b> • CPI (Jul)	
16 - 20 August	16 August	17 August	18 August	19 August	20 August
<b>Russia</b> • IP (Jul)	<b>Australia</b> • Auto sales (Jul)	<b>Germany</b> • ZEW bus conf (Aug)	<b>Poland</b> • IP (Jul)	<b>Japan</b> • All-sect activity index (Jun)	<b>Argentina</b> • IP (Jul)
	<b>Euro area</b> • HICP final (Jul)	<b>Singapore</b> • Exports (Jul)	<b>United Kingdom</b> • MPC minutes (Aug)	<b>Netherlands</b> • CBS cons conf (Aug)	<b>Belgium</b> • BNB cons conf (Aug)
	<b>India</b> • WPI (Jul)	<b>United Kingdom</b> • CPI (Jul)		<b>Norway</b> • GDP (2Q)	<b>Colombia</b> • BanRep mtg: no chg
	<b>Japan</b> • GDP (2Q)	<b>United States</b> • Housing starts (Jul) • IP (Jul)		<b>Turkey</b> • CBRT mtg: no chg	<b>Mexico</b> • Banxico mtg: no chg
	<b>Turkey</b> • Unemployment rate (May)			<b>United Kingdom</b> • Retail sales (Jul)	<b>Taiwan</b> • Export orders (Jul)
	<b>United States</b> • Empire State surv (Aug) • NAHB surv (Aug)			<b>United States</b> • Philly Fed surv (Aug) • Leading indicators (Jul)	

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## 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 Oganés, 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, Sydney (61-2) 9220-3250

Ben Jarman, Sydney (61-2) 9220-1669

### 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

Qian Wang, Hong Kong (852) 2800-7009

Grace Ng, Hong Kong (852) 2800-7002

#### 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

Sin Beng Ong (65) 6882-1623

#### 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 Plohar, 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 Commodities 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