

## Australia and New Zealand - Weekly Prospects

### Summary

- Politics again stole the limelight in **Australia** last week. New Prime Minister Julia Gillard reached a consensus with key players in the mining industry on the controversial Resource Super Profits Tax (RSPT). Indeed, after renewed negotiations, the PM eased the intense political headache suffered by her deposed predecessor, Mr. Rudd. The most significant changes to the mining tax, now known as the Minerals Resource Rent Tax (MRRT), were the reduction in the headline tax rate to 30% (from 40%) and the effective removal of the contentious retrospectivity arrangements. The discredited RSPT raised the perception of sovereign risk over investment in Australia and reduced mining industry competitiveness. Now, though, billions of dollars of investment previously put on ice probably will be defrosted. Meanwhile, the RBA almost certainly will sit on the sidelines tomorrow. The minutes from the last Board meeting hinted that the 2Q CPI print later this month will be a key signpost; we expect an elevated reading, so the next hike probably will come in August. The main risk, though, is a later move. The June labour force survey this week should show that “only” 5,000 jobs were added last month.
- **New Zealand’s** economy is picking up pace after the longest recession since the late 1990s, but the recovery remains underwhelming. Our ability to gauge the strength of the economy has been inhibited, however, by the lack of new economic data released of late. That said, the NBNZ business confidence survey last week showed that fewer respondents (a net 40% in June, compared to a net 48% in May) expect business conditions to improve over the next 12 months. More importantly, the firms’ own activity outlook index fell to a six month low, suggesting the deterioration in confidence does not owe simply to recent troubles offshore. The drop in the index signalled that economic growth will likely moderate in 2H10, in line with our forecasts. Private consumption, in particular, will likely remain subdued in 2H10 amid rising in interest rates and soft wage growth.
- The central force of motion lifting the **global economy**—the shift in the private sector from a defensive posture—appears to be firmly in place. Global capital equipment spending is estimated to have been growing at close to a double-digit pace last quarter, and employment is now rising across the globe. In the US, last quarter produced strong labour income gains and a forecast increase of 3.3% for domestic final sales. This shift in behaviour lies at the core of our forecast that the global expansion will remain resilient in the face of other forces weighing on growth.
- An important factor set to support **household demand** in the coming months is the decline in commodity prices and core consumer price inflation. Disinflation is a powerful lever boosting household purchasing power and is expected to add 0.8%-pt to annualized consumption gains in the developed markets during 2H10. The benefits of disinflation can dissipate, however, if it damages the monetary policy transmission mechanism. The Federal Reserve and other central banks have been successful in anchoring inflation expectations in the face of a profoundly disinflationary environment during the past year. By maintaining expectations that the low levels of inflation will be temporary, central banks encourage risk by promoting low real interest rates.

### This week’s highlight

With the RBA likely inactive tomorrow, the highlight will be the Aussie jobs report Thursday. Job growth probably moderated in June, with our forecast calling for a gain of 5,000 jobs. The jobless rate will tick up a notch to 5.3%.

July 5, 2010

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## Data and event previews - Australia and New Zealand

Date	Time <sup>(a)</sup>	Data/event	Forecast		
			JPMorgan	Consensus <sup>(b)</sup>	Previous
Monday, July 5	10.30am	Aust. TD Securities Inflation Gauge (%m/m, Jun.)	na	na	0.5
Monday, July 5	11.30am	ANZ job advertisements (%m/m, Jun.)	na	na	4.3
Tuesday, July 6	8.00am	NZIER Quarterly Business Survey (Index, 2Q)	20	na	22
Tuesday, July 6	11.30am	Aust. trade balance (A\$mn., May)	700	500	134
Tuesday, July 6	2.30pm	RBA cash rate announcement (% , Jul.)	4.50	4.50	4.50
Wednesday, July 7	9.30am	AiG performance of construction (Index, Jun.)	na	na	53.2
Thursday, July 8	11.30am	Aust. employment (ch. 000s., Jun.)	5	15	26.9
Thursday, July 8	11.30am	Aust. unemployment rate (% , Jun.)	5.3	5.2	5.2
Thursday, July 8	11.30am	Aust. participation rate (% , Jun.)	65.1	65.1	65.1
Friday, July 9	8.45am	NZ card spending (%m/m, Jun.)	na	na	0.4

(a) Australian Eastern Standard Time.

(b) Consensus based on Bloomberg survey.

### Australia

**Trade balance (A\$mn., May)** - A 4% m/m rise in import values probably will have been outweighed by yet further growth in exports, due to higher commodity prices and weaker AUD. The April data marked the transition from the old benchmark pricing system for coal and iron ore to a new system reflecting retrospective spot prices over the previous quarter. The consequent spike in export values, due to elevated spot prices, dramatically pushed the trade balance from a deficit of A\$2 billion back to surplus. We expect further sharp export gains in May, as previous price rises and AUD softness force values up.

**RBA cash rate announcement (%)** - We expect the RBA to leave the cash rate steady at 4.5% for the second straight month, following the 150bp of rate hikes since October. The tone of the commentary tomorrow probably will be balanced, and will *not* endorse market pricing that leans towards a rate cut by end-year. Indeed, we maintain that the Bank's tightening cycle has paused rather than ended. The soaring terms of trade, healthy employment gains, booming investment, particularly now that the mining tax impasse is being resolved, and limited spare capacity will force officials to keep a watchful eye on mounting inflation pressure. That said, weakening global growth and financial market volatility could limit the flexibility to tighten in the near term. Our central case is that the next rate hike will be delivered in August, following the late-July release of 2Q CPI, which will be elevated, albeit partly due to the government's surprise tobacco excise hike in April.

## Data previews - Cont'd.

**Employment (ch. 000s, Jun.)** - We expect that another 5,000 jobs were added in June, a marked slowdown from the 26,900 jobs added in the previous month. Leading indicators of employment, such as the employment component of the NAB business survey, recently have pulled back, suggesting that the solid job gains recorded in the first five months of the year will moderate. Provided the participation rate holds steady at 65.1% in June, as we expect, the unemployment rate will rise slightly to 5.3% from 5.2%. The unemployment rate probably will maintain a 5%-handle this year, owing to what we anticipate will be elevated labour force participation.

### New Zealand

**NZIER Quarterly Business Survey (Index, 2Q)** - We expect a slightly lower headline print on the NZIER survey. The survey probably will show that respondents expect the recovery underway in New Zealand to continue at a slower pace than when last surveyed three months ago. The headline reading eased to +22 in 1Q, but will likely fall to +20 in 2Q, meaning that a net 20% of firms surveyed expect the economy to improve in the next six months. The details of the QSBO survey should show that sentiment among respondents in the export sector will be up, buoyed by the recent decline in NZD. The QSBO also will provide crucial information on firms' investment intentions, hiring plans and, importantly, the pricing environment.

**Card spending (%m/m, Jun.)** - We expect that card spending probably fell in June. Households in New Zealand are becoming increasingly reluctant to take on debt. The recent moderation in house price growth has prompted a wave of cautiousness among households, given their overexposure to housing.

## Australia

- **RBA firmly on hold this week given market turmoil**
- **Aussie economy to have added a modest 5,000 jobs**
- **Government reaches consensus on mining tax**

The May consumer-related data in Australia surprised on the upside last week: retail sales held up in the face of global financial turmoil, a rate hike from the RBA, and plummeting consumer confidence, while the pool of credit outstanding increased by more than expected. This week, we expect the RBA to sit on the policy sidelines and the labour market report to show a moderation in job growth in June.

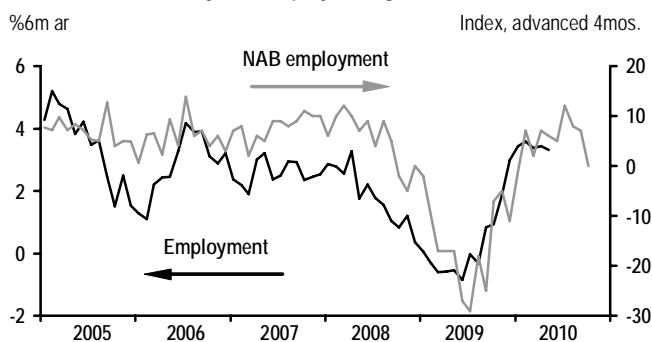
### RBA to wait out market disruption

We expect the RBA to leave the cash rate steady tomorrow at 4.5% for the second straight month; this follows the 150bp of official rate hikes since October. We maintain, though, that the Bank's tightening cycle has paused, not ended, even though market pricing suggests no action on the policy front from the RBA for the remainder of the year. In our view, the deteriorating inflation outlook means that further policy tightening is likely. We expect the next RBA rate hike to be delivered in August, shortly after the late-July release of the 2Q CPI numbers.

Indeed, the minutes from the Board's June meeting suggest the forthcoming inflation numbers will likely be the trigger for the next policy move. The minutes explicitly mentioned that the RBA Board was awaiting the new information in the forthcoming 2Q CPI data. We expect that both headline and core inflation will print at uncomfortably high levels in the June quarter, although the risks are to the upside. Indeed, the drop in AUD in trade-weighted terms since early May could place upward pressure on import prices in coming months. RBA officials are also wary that, following recent data on prices and wages, the disinflationary forces in the economy were not quite as strong as previously expected.

The statement accompanying this week's likely "no change" decision probably will make reference to a softening in the data from the interest rate-sensitive sectors of the economy, but a relatively healthy labour market and a strong terms of trade. The statement also should make mention of continued uncertainties on the global outlook, namely ongoing concerns in Europe. RBA officials will likely maintain, however, that economic conditions in Asia, where 60% of Australia's exports are headed, are healthy.

Australia: NAB survey and employment growth



Australia: retail sales and consumer confidence



While the events in Europe understandably have become more prominent in RBA decision-making, the underlying position on Australia does not appear to have changed materially. The dominant risk, however, is that the RBA stays on hold for longer, but this would only occur if there is clear evidence that the events in Europe had caused a material spillover from financial markets to the real economy.

### Modest employment growth expected

We expect that the Australian economy added another 5,000 jobs in June, a marked slowdown from the 26,900 jobs added in May. Leading indicators of employment, such as the employment component of the NAB business survey, have recently pulled back, suggesting that the solid job gains recorded in the open months of the year will moderate. That said, even after including the softer June print on employment, average monthly job gains in the first half of the year will have averaged 24,000.

Providing the participation rate holds steady at 65.1% in June, we expect that the unemployment rate will rise to 5.3% from 5.2%. The unemployment rate probably will maintain a 5%-handle this year, owing to an elevated level of labour

force participation. The participation rate will be underpinned by a number of factors, including that some second income earners are returning to the workforce as households struggle in the face of rising interest rates.

Tightening labour market conditions will be a growing concern for the RBA, particularly after the government announced in its Budget that it expects the economy to approach full employment by mid-2012. Indeed, this highlights the risk of a wages breakout. The government forecast wage inflation of 3.75% in the year to June 2011, although the risks are skewed to an even higher rate given that the economy already is growing around trend and doing so with little spare capacity.

### RSPT now an MRRT

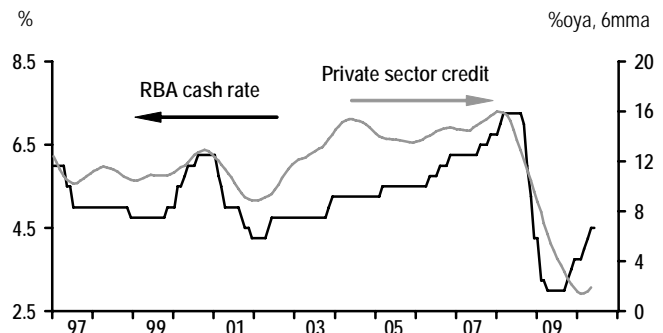
Given the strong correlation between employment and the investment cycle, movements on the political front last week bode favourably for the labour market outlook.

Within one week of being sworn in as Australia's new Prime Minister, Julia Gillard resolved one of the largest political headaches of her predecessor. Following negotiations, Ms. Gillard reached a consensus with the mining industry, and has subsequently diluted the controversial Resource Super Profits Tax (RSPT). The RSPT on mining companies had generated harsh opposition from resources giants, who had announced over the last two months plans to shelve billions of dollars worth of investment projects in Australia, putting at risks tens of thousands of jobs. Indeed, the RSPT had increased Australia's sovereign risk and reduced its international competitiveness.

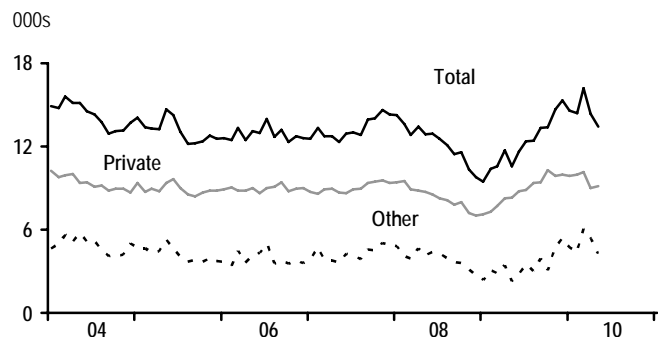
The RSPT no longer exists, with the PM announcing the new Minerals Resource Rent Tax (MRRT) would take its place. Large miners have welcomed the news, with a handful of mining companies releasing a press statement shortly after announcement on Friday. The group said that the new arrangements met the mining industry's core principles that any new tax not be applied retrospectively, so existing projects will not be adversely affected.

The "breakthrough agreement" will ensure that the Australian population receives its "fair share" of the nation's non-renewable resources, prices for which have risen significantly in recent years. According to Ms. Gillard, "these arrangements will fund an historic boost to superannuation, new and better infrastructure, and business tax cuts including an up-front tax break and less red tape for small businesses to help them grow and thrive."

Australia: RBA cash rate and credit growth



Australia: building approvals



The highlight of the new regime was undoubtedly the reduction in the headline tax rate, which the former PM, Kevin Rudd, would not back down on. Following negotiations with industry bodies, Ms. Gillard announced the headline tax rate would be lowered from 40% to 30%, a rate which now will only apply to iron ore and coal projects under the new MRRT. Importantly, only tax regimes for coal and iron ore and the petroleum industry were announced on Friday. Other commodities will not be included, therefore reducing the number of affected companies from 2,500 to around 320.

It is argued that the revised regime, effective July 1 2012, will cause minimal dislocation to the Budget, with the government forecasting revenue to fall by just A\$1.5 billion over the forecast horizon and to still achieve a surplus by 2013. Savings will stem from the resource rebate, which will now not be pursued, and the company tax rate, which will be lowered by less than previously expected.

### Consumers hanging tough

Aussie consumers kept the purse strings fairly tight in May, leading retail sales values to rise just 0.2% m/m (J.P. Morgan: -0.3%; consensus: 0.3%) compared to a relatively robust 0.6% rise in April. All things considered, this was a fairly

solid result given that the stars were aligned for a considerable fall in consumer spending: the RBA delivered the sixth rate hike of the cycle, consumer confidence tanked, equity markets and the currency performed poorly, and extremely wet weather reduced foot traffic.

The recent resilience of retail sales looks to have set us up for a minor capitulation. Consumers do not respond linearly to rate hikes and judging by the steep decline in consumer confidence in May (-7% m/m), we would have expected the pain threshold to have been breached following the most recent rate hike, which took borrowing rates back to historically average levels. While we may not get a sharp fall in monthly sales going forward, we expect the “depth” of consumer spending to be somewhat compromised by households’ restraint in the face of tighter monetary conditions, with the “breadth” to be supported by the robust gains accrued in the labour market.

Spending on discretionary items was a mixed bag in May. Department store sales pushed up a respectable 1% m/m and cafes, restaurants, and takeaway services rebounded 0.8% after a large decline in April, while household goods retailing fell 1.4%. We had expected discretionary items to bear the brunt of the fall in sales after the Westpac-MI consumer confidence report highlighted that sentiment toward buying major household items was down 3.4% m/m in May. It appears that consumers largely shrugged off this downturn in sentiment at the beginning of the month or at least postponed their austerity for later months.

### Credit growth bounced back in May

The RBA’s credit aggregates released last week showed that credit growth unexpectedly accelerated in May, rising 0.5% m/m (J.P. Morgan: 0.2%; consensus: 0.4%) following an upwardly revised 0.3% in April (previously 0.2%). We had expected a softening in credit demand, owing to the RBA’s assertive policy tightening. The unexpected acceleration in credit growth owed to a surprise rise in the business component, which had declined in 13 of the 17 months since the start of 2009. Credit growth also picked up on a three-month annualized basis, with growth of 5.0% recorded in May compared to 4.8% in April.

Indeed, the surprise came from the uptick in business credit, which increased by 0.4% m/m in May following several months of decline. It was only in March this year that business credit growth turned positive for the first time since

early 2009. We suspect that the increase could owe to an easing in credit conditions to small- to medium-sized businesses, or even an increase in demand from larger firms that have been discouraged from accessing global capital markets in light of recent volatility.

Of the other components, demand for housing credit picked up and demand for personal credit pulled back considerably. Higher interest rates and the absence of the expanded first-home buyers’ grant failed to weigh on demand for housing credit, which was again the fastest-growing pool and grew 0.7% m/m in May. Since the aggregates measure the outstanding pool of credit, this could reflect slower repayments on existing loans, rather than a pickup in the flow of new credit provided. There have been anecdotes of individuals maintaining mortgage repayments as rates were falling, paying off more principal.

Personal credit fell 0.5% m/m, marking the first contraction since mid-2009. This fall is in line with the recent deterioration in consumer confidence, which has tumbled amid rising market interest rates, concerns around global growth, the drop in AUD, and recent declines in equity markets.

### Building approvals back on a downtrend

Residential building approvals numbers last week mercifully broke from the puzzling theme of recent months, in which the data made sense in the aggregate, but were confusing in composition. Permits fell 6.6% m/m in May (J.P. Morgan and consensus: 0.0%) after tumbling 11.4% in April, with approvals for higher density dwellings plummeting 18.8% while those for private sector houses continued along a trend of softening growth, up 1.7%.

The building approvals data in the past few months appear to have been buffeted by severe crosscurrents, making it difficult to get a sense of the underlying momentum. A near 60% m/m spike in approvals for higher density dwellings delivered a surge in total approvals in March, which was almost perfectly unwound in April, but through an entirely different channel: a 14% m/m fall within the detached houses category. We have no reason to suspect that these categories would be strong substitutes within any particular month, so the reason for those movements at the time remained unresolved. With the May data in hand, the path of approvals now seems to be much more reflective of the dynamics we see playing out over the remainder of the year.

## Data releases and forecasts

### Week of July 5 - 9

Mon Jul 5 11:30am	ANZ job advertisements Sa	Mar	Apr	May	Jun
	%m/m	1.8	-1.2	4.3	—

Tue Jul 6 11:30am	Trade balance Sa	Feb	Mar	Apr	May
	Trade balance (A\$ mn)	-1641	-2040	134	<u>700</u>

An expected 4% m/m rise in import values will have been outweighed by yet further growth in exports, due to higher commodity prices and a weaker currency.

Tue Jul 6 2:30pm	RBA cash rate announcement
	No change expected. See main text.

Thu Jul 8 11:30am	Labour force Sa	Mar	Apr	May	Jun
	Unemployment rate (%)	5.4	5.4	5.2	<u>5.3</u>
	Employed (000 m/m)	30	35	27	<u>5</u>
	Participation rate (%)	65.2	65.2	65.1	<u>65.1</u>

## Review of past week's data

Private-sector credit	Mar	Apr	May
%m/m,sa	0.5	0.2	<del>0.2</del> 0.5
%oya,sa	2.1	2.1	<del>2.3</del> 2.7

Building approvals	Mar	Apr	May
%m/m,sa	16.8	-14.8	<del>0.0</del> -6.6
%oya,sa	54.4	<del>21.3</del> 22.6	<del>32.5</del> 26.6

Retail trade	Mar	Apr	May
%m/m,sa	0.8	0.6	<del>0.3</del> 0.2
%oya,sa	1.6	1.8	<u>0.7</u>

## New Zealand

- **Kiwi firms likely lowered growth outlook in 2Q**
- **Investment intentions the highlight this week**
- **NBNZ confidence dipped in June**

It was quiet on the economic front in New Zealand last week, with just the June NBNZ business confidence released. The monthly survey showed a deterioration in both the broad economic outlook and that for firms' own activity. We expect that the 2Q NZIER survey this week will tell a similar story.

### Kiwi firms likely lowered expectations

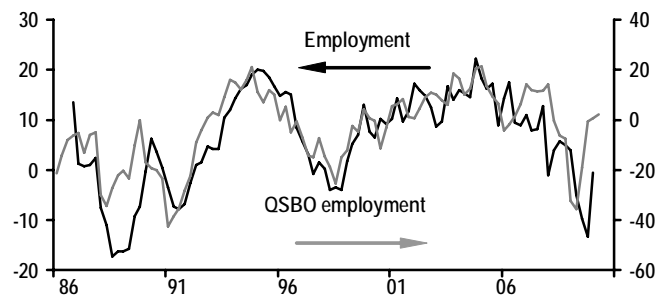
We expect that the NZIER Quarterly Survey of Business Opinion (QSBO) this week will print a slightly lower headline. The survey probably will show that respondents expect the recovery under way in New Zealand to continue at a slower pace than when last surveyed three months ago. The headline reading eased to +22 in 1Q, but will likely fall to +20 in 2Q, meaning that a net 20% of firms surveyed expect the economy to improve in the next six months.

The slight deterioration in sentiment will owe mainly to recent troubles in Europe, and concerns surrounding the outlook for global growth. That sentiment was certainly reflected in last week's June NBNZ business survey, which showed confidence slipping significantly lower in the month. A net 40.2% of respondents (J.P. Morgan: 42%; no consensus) now expect that business conditions will improve over the next 12 months, down from 48.2% in May.

The details of the QSBO survey should show that sentiment among respondents in the export sector will be up, buoyed by the recent decline in NZD. The QSBO also will provide crucial information on firms' investment intentions, hiring plans and, importantly, the pricing environment. The RBNZ's recent decision to hike that cash rate, and expectations of further rate hikes, certainly will be a factor weighing on sentiment in the current quarter.

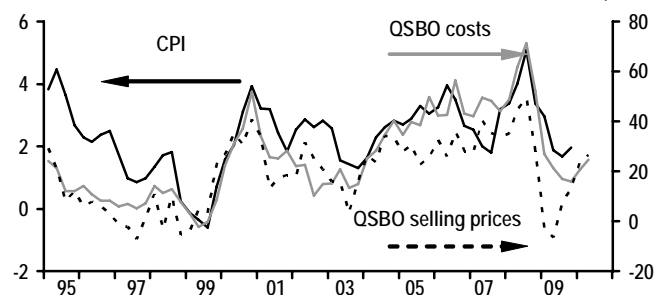
New Zealand: employment and QSBO expectations

Quarterly change, 4 qtr mov. avg, thousands Net balance, 1 qtr lead



New Zealand: CPI growth and QSBO expectations (3 months ahead)

%oya Net balance, 1 qtr lead



### Data releases and forecasts

Week of July 5 - 9

Tue	NZIER QSBO				
Jul 6	% balance of respondents				
10:00am		3Q09	4Q09	1Q10	2Q10
	Headline index	36	31	22	<u>20</u>

### Review of past week's data

#### Building consents

	Mar	Apr	May		
%m/m sa	0.1	-0.2	8.5	8.3	-9.5
%oya sa	33.3	33.4	32.1	32.0	11.1

#### ANZ commodity price series

Nsa	Apr	May	Jun
Index—world prices (%m/m)	5.4	2.5	—
Index—NZD (%m/m)	4.2	2.9	—



## Global Essay

- **2H growth forecast lowered for US and Japan; EM Asia likely to follow**
- **Reduction in risk appetite tempering recovery in final demand**
- **Asia slowing in response to China tightening and waning inventory cycle**
- **Expecting increased bank funding stress to dampen activity in Europe**

### Motion sickness

As the global economy moved through the second quarter, we identified and tracked three forces of motion generating powerful global crosscurrents. The central force of motion lifting the global economy—the shift in the private sector from a defensive posture—appears to be firmly in place. Global capital equipment spending is estimated to have been growing at close to a double-digit pace last quarter, and employment is now rising across the globe. In the US, last quarter produced strong labour income gains (4.3% annualised based on the payroll proxy) and a forecasted increase at a 3.3% pace for domestic final sales.

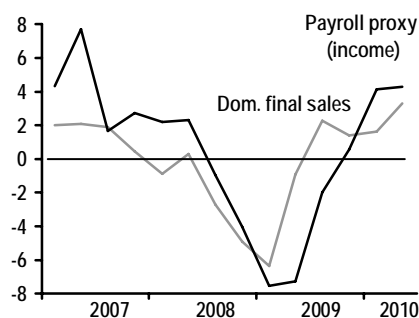
This shift in behaviour lies at the core of our forecast that the global expansion will remain resilient in the face of other forces weighing on growth. Although we remain comfortable with this view, the latest news suggests that the other forces of motion are tipping the balance in the direction of greater softening in growth momentum. We are accordingly lowering our sights for second-half global growth. Recent downward revisions to European growth are now being followed by lower forecasts for the US and Japan. Our forecasts for China and the rest of Asia are under review and are likely to be lowered. In general, we see global GDP expanding at a 3% ar in 2H10, just slightly above trend.

In part, these revisions relate to the second force of motion we are tracking—the downshift in global manufacturing. A year of double-digit manufacturing output gains has been anticipated to be followed by a still strong 6% pace of growth during 2H10 as output levels align more closely with demand. Early signs of downshift were evident in Asia during April and May, even as output gains accelerated in the US and Western Europe. Last week's June releases signal that this downshift is occurring more rapidly than anticipated. Our global June PMI survey fell across the globe. Although the current level is in line with our 2H10 forecast, a sharp fall in the June orders/inventory index is a concern. The 1.2% drop in manufacturing hours worked in the US June employment report was even more striking and points to a drop in output last month. It is unclear at this juncture whether we are observing a front-loaded downshift or the start of a more meaningful softening in global demand. What is clear is that this downshift will have a pronounced impact on goods-producing countries in Asia, where PMI surveys have already moved substantially lower.

By themselves, these developments warrant modest changes to our economic forecasts. However, they are interacting with a significant reduction in global risk appetite. This third source of motion has moved furthest from our expectations, as global equity prices have fallen 15% from their peak and credit spreads have widened materially. Regional concerns related to the European sovereign stress have broadened out as fears about a sharper downshift in activity rise. The size and persistence of this shift are reversing the positive feedback loop that was in place during the early stages of the economic expansion. The key outlook issue is how much drag this force exerts on households and firms that are experiencing rising incomes and with levels of spending still depressed.

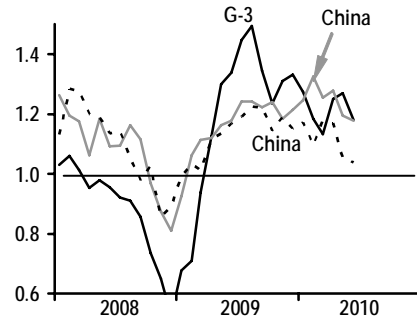
US payroll proxy and real final sales

%q/q, saar; 2Q est for domestic final sales

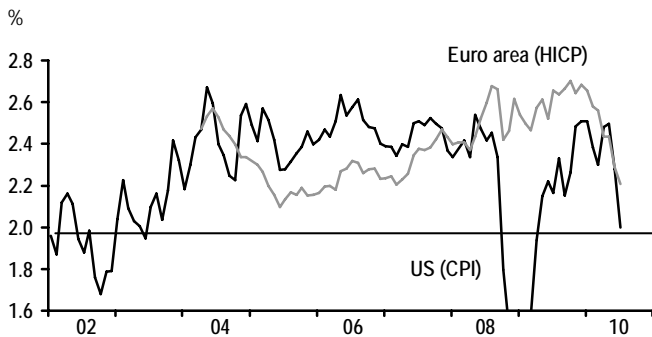


Manufacturing PMI orders-to-inventory ratio

Ratio, sa



Forward inflation swaps: 5year-5year forward



## Anchors aweigh

An important factor set to support household demand in the coming months is the decline in commodity prices and core consumer price inflation. Disinflation is a powerful lever boosting household purchasing power and is expected to add 0.8%-pt to annualised consumption gains in the developed markets during 2H10. The benefits of disinflation can dissipate, however, if it damages the monetary policy transmission mechanism. The Federal Reserve and other central banks have been successful in anchoring inflation expectations in the face of a profoundly disinflationary environment during the past year. By maintaining expectations that the low levels of inflation will be temporary, central banks encourage risk by promoting low real interest rates.

In recent weeks, medium-term inflation expectations in the US and the Euro area as measured by TIPS breakevens and inflation swaps, have fallen sharply. Although these measures remain in their ranges of the past decade, a further step down would raise concern from central bankers, particularly as the current position of policy—with rates close to the zero bound and expected to remain there for some time—does not provide an effective tool to offset the rise in disinflationary psychology.

## Asia's big engines are slowing

China's manufacturing PMIs fell more than expected in June, adding to signs that tighter policy is tempering activity in the property market and local government investment. Although the forecast calls for GDP growth to settle at about a 9% pace, downside risks are rising. We will wait for the release of major June activity indicators and the 2Q GDP report to decide whether to revise the forecast. At this moment, we are inclined to trim the 2H growth forecast by about 1%-pt annualized. A more severe, domestic policy-induced hard-landing still appears unlikely, with Premier Wen continuing to emphasize the need for a "flexible" and

"targeted" approach.

Japan's economy is slowing in concert with the rest of Asia, although last week's reports suggest growth will settle at a still-solid pace. With the exception of exports, most May data were weak, including IP, retail sales, housing starts, and employment. Nonetheless, the BoJ's quarterly Tankan survey business confidence was stronger than forecast, and its details showed that corporate activity continues to recover. Also, the monthly Shoko Chukin small business survey found that sentiment improved in June with a better outlook for July, while the IP report showed that manufacturers plan to raise output in June and July.

Based on these reports, we fine-tuned the near-term GDP growth forecast for Japan. We raised our 2Q estimate to 2.8% from 2.5%, reflecting a mix of stronger exports and softer consumption. At the same time, we revised down the 2H average to 2.5% from 2.7% to incorporate a downshift in consumption growth as the government's eco-points subsidy loses force. With growth moderating across Asia and financial market conditions more restrictive, it remains to be seen whether our 2H outlook is on the mark. As always, the monthly business surveys will be important to track, along with exports and IP. This week's machinery orders also should be watched for insights into capex momentum at home and abroad.

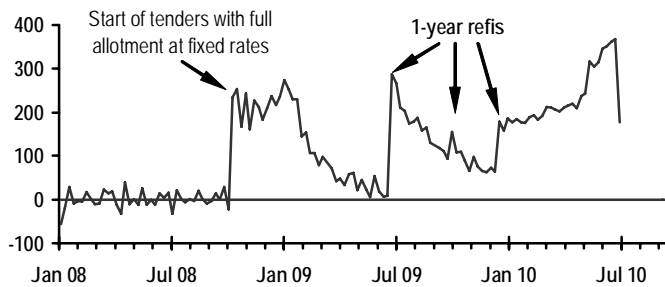
## Bank stress still elevated in Europe

All eyes were focused on the Euro area last week as €200 billion on net in excess reserves was drained from the banking sector. Of the €442 billion in 1-year ECB tenders that matured last week, banks only rolled roughly half into new liquidity facilities, albeit of considerably shorter duration. That banks did not roll over more suggests that much of the demand for liquidity a year ago was for speculative purposes rather than due to interbank stress.

At the same time, excess reserves still stand at €180 billion, a level that is uncomfortably close to where the system was in the second half of 2008 at the height of the crisis. Unless banks were exceptionally cautious last week, and have built up precautionary balances that will fade in the coming weeks, the overall level of funding stress looks high enough to dampen growth in the coming quarters, as our forecast assumes. Moreover, a key concern is that, although unlimited central bank liquidity support is available, the shortening maturing of the liability side of banks' balance sheets will lead to renewed cutbacks on the asset side.

### Excess reserves at the ECB

€ bn, includes the liquidity injected through the ECB's government bond purchases



Signs of renewed credit stress were highlighted by last week's credit conditions survey from the UK. According to the Bank of England's report, conditions for mortgage credit availability were tightened in response to tighter wholesale funding conditions. By contrast, while the drags may take time to develop, it is encouraging to note that Euro area banks have stopped delevering in aggregate with lending to households and corporates showing clear signs of recovery through May.

### Soaring Swiss franc pressuring CE-4

As the SNB reconsiders its FX intervention policy, the sharp appreciation of the Swiss franc is causing even more worries among Central Europe's large share of foreign currency borrowers. The Swiss franc has risen roughly 15% against the Hungarian forint, Polish zloty, and Romanian leu in just the last two months, and is up close to 50% over the past two years. The nature of financial stress is leading to divergent policy responses, with monetary tightening being coupled with fiscal supports.

With the exception of the Czech Republic (where FX borrowing is modest), central banks in the region are turning more hawkish as the fall in currencies is putting upside pressure on inflation. Hungary and Romania halted their

easing cycles in recent months; we expect the next move to be a rate hike in each country, although not before the second half of 2011. Poland's MPC also turned more hawkish last week, indicating that it saw new factors that may fuel inflation pressures over the medium term. We currently see the first Polish rate hike in 2Q11, but risks are tilted toward an earlier move.

With monetary policy constrained, fiscal authorities are moving to cushion growth. The stresses are greatest in Hungary, where households hold foreign-currency-denominated debt amounting to about 20% of GDP, the bulk of which is in Swiss francs. With a tenth of foreign currency debtors now more than 90 days delinquent, the government announced plans to set up a national asset management fund to help troubled borrowers. Financing for the fund would come from undrawn IMF/EU loans (€6 billion).

### Australia settles tax uncertainty

Australia's new Prime Minister Gillard delivered on her pledge to break the impasse with the mining industry on the government's proposed resources tax. The government gave ground on almost every aspect, including the headline tax rate. Uncertainty surrounding the tax had been a key factor weighing on equity markets and the currency in recent weeks, and the announcement of a resolution will ease concerns on two fronts. First, the compromise makes the tax less burdensome for industry; second, the removal of the retrospective aspects of the tax should quash arguments that Australia's sovereign risk profile has been raised. For the RBA, the fact that the big miners have consented indicates that the investment outlook remains strong, which leaves external economic and financial stress as the predominant downside risks to the economy. We still expect two more 25bp rate hikes this year; however, the RBA is positioned to take a more extended pause with borrowing rates already near neutral if global growth disappoints.

## JPMorgan View - Global Markets

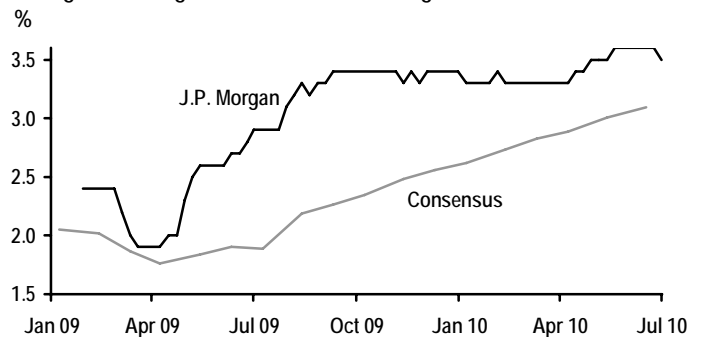
### Favouring EM

- **Economics:** The sovereign crisis in the Euro area is weighing on the global economy. We are lowering our US GDP growth forecasts from 4.0% to 3.2% for 2Q and from 4.0% to 3.0% for 3Q.
- **Asset allocation:** Focus risk on relative value or momentum trades across and within asset classes. Raise exposure to EM overweights across equities, currencies, and bonds. Favour credit versus equities. Be long services versus manufacturing.
- **Fixed income:** Be modestly short at the front end in DM, and modestly long in EM.
- **Equities:** We reinstate our EM overweight as EM equities appear to have broken out of their eight-month range versus DM equities. The downshifting in the global manufacturing sector raises downside risks for Industrials and Materials.
- **Credit:** Drivers for tighter credit spreads by year-end remain in place.
- **FX:** Weak US economic data have triggered liquidation of cyclical exposures, which were funded to some degree in euros. This process has further to run, favouring the euro near term. Take profits on EUR/CHF shorts and add longs in EUR/GBP and EUR/AUD.
- **Commodities:** Be long corn on supply concerns and a hot dry summer in the US.

Global growth momentum is downshifting as the impetus of the inventory cycle loses steam and **the sovereign crisis in the Euro area weighs on the global economy**. The transmission from the Euro sovereign crisis was evident in the latest round of US economic data: export orders tanked, confidence has stumbled, and the hit to households' equity wealth is becoming a considerable impediment to consumer spending. These developments are leading our economists to lower their 2H global growth forecasts for a second straight week.

With investors still unable to distinguish between a slowing in global growth toward trend (our own forecast) or the early stages of a more serious downturn or double dip, **uncertainty and market volatility is set to stay high at least until the end of the summer**. News flow on the Euro sovereign debt crisis will influence perceptions of uncertainty, for no other reason than it is a laboratory of how other countries can and will have to address the debt sustainability

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



risk. Conditions in funding markets remain challenging. Reliance on the ECB is rising for Euro peripheral country banks and governments (through their banks), not a sign of confidence in funding markets. See *Flows & Liquidity* for more details.

While we recognize that **momentum in prices, flows, positions, and forecasts is negative**, we find that **risk premia are excessive** in risky markets and the value proposition is strong assuming that a double dip is a low probability risk. Our approach is to keep overall directional risk low and to focus exposure on relative value or momentum trades across and within asset classes. In particular, we are recommending the following trading themes:

**Overweight emerging versus developed market** equities, currencies, and bonds. EM economies are benefiting from stronger growth, current account surpluses that make them less reliant on external funding, lower debt levels and budget deficits, better long-term demographics, and more favourable flows. Coupled with policy rates that are well above the zero bound, a better fiscal position means that EM policymakers have more ammunition. Major developed countries have to rely instead on unconventional monetary policy to stimulate their economies given no room for fiscal maneuver.

**Long credit versus equities.** Rising growth concerns are hurting equities. In contrast, low refinancing needs for HY companies and still declining default rates are providing a strong value anchor for HY corporate credit.

**Long services versus manufacturing.** The downshifting in global manufacturing sector creates more downside for base metals within commodities and for Materials and Industrials within equities.

#### Fixed income

Bonds rallied again, helped by weak activity data. **DM bond**

**yields reached new all-time lows.** Euro area banks borrowed less than expected from the ECB, assuaging concerns about bank funding a little, and pushing up Euro short rates.

Coming into 2010, we had expected heavy government supply and the end of QE to push bond yields higher, but with EM outperforming. Halfway through the year, DM government bonds have instead returned an impressive 4.5% ytd. **Central bank tightening expectations have been pared across the board**, even with global growth forecasts stronger than at the start of the year. This is partly because G-3 disinflation looks more persistent than expected, and partly because the uncertainty sparked by the Euro area crisis has made the stronger economies—chiefly EM and the commodity countries—more cautious about hiking.

This same uncertainty has pushed down risky assets, and bolstered demand for the safety and liquidity of government bonds. With no resolution in sight to the Euro area's troubles, **we recommend cautious shorts only at the front end of the US and Australia**, where yields seem asymmetrically biased higher.

EM has however outperformed as expected. Inflows to EM (\$33 billion year-to-date) are running at a record pace, reaccelerating in recent weeks after a brief lull. EM is vulnerable to further investor shifts to the most liquid assets. **But a degree of distance from the Euro area crisis, and stronger sovereign balance sheets both favour EM, and prompt us to hold a modest long.**

## Equities

**Equity markets declined further last week on weak economic data.** High uncertainty, negative momentum, and weak technicals (equities remain below the technically important 200-day moving average level) all point to a volatile range in equities for the rest of the summer with downside risks.

**Flows suggest that demand is also weakening.** Retail investors withdrew on average \$3.5 billion per week over the past seven weeks from equity funds globally. Institutional investors are cutting their equity positions and moving toward defensive sectors as shown by the most recent fund manager surveys. June M&A volumes have been also more subdued at \$120 billion, down from a \$150 billion per month pace between January and May.

The **2Q reporting season** in the US, which kicks off in two weeks' time, has the potential to provide some relief. Strong above-trend global GDP growth in 2Q, and a level of posi-

tive/negative earnings pre-announcements consistent with prior quarters, point toward an EPS beat. While we believe that the 2Q reporting season will comfortably deliver an EPS beat, we are less confident on guidance. Guidance regarding future earnings has been an important element of past reporting seasons and it will be even more closely watched over the coming weeks for clues on how the crisis is affecting business expectations and behaviour.

We continue to overweight markets that are more remote from the epicenter of the crisis focusing on EM. **We reinstate our EM versus DM equities overweight** as the former appear to be breaking out of their eight-month range versus DM equities. EM is relatively immune from European funding problems, and the outperformance of Chinese equities over the past two months suggests that uncertainty regarding China is receding.

Our EM versus DM equity allocation model also favours an EM overweight, as both two-month return momentum and relative IP growth (i.e., the difference between the oya rates in EM IP versus DM IP) are supportive. See *The EM vs. Developed Markets equity allocation*, Grace Koo and Nikolaos Panigirtzoglou, April 2009, for more details.

## Credit

Credit markets sold off along with equities last week. However, **credit markets seem to be holding up better than equities** as spreads remain below recent highs, while equities made new lows last week.

We are now halfway through 2010 and credit spreads are significantly wider than year-end 2009 levels, in contrast to our call for a 2010 broad-based credit spread tightening. Are the drivers of our spread tightening view still in place? On **economic growth**, 1H came in even stronger than we originally expected. However, the support from the inventory cycle is now fading, and the improvement in private sector demand is threatened by the crisis in Europe. The pace of global growth is expected to slow steadily but stay close to trend. On **credit fundamentals**, the upgrade-to-downgrade ratio keeps moving up, which signals an improvement in credit quality. In addition, default rates remain on a declining trend, making HY corporate bonds more attractive to value investors.

**Demand for credit** remains robust with flows over the past four weeks into both HG and HY corporate bond funds. Credit requires only a sustained growth recovery, which we do expect, rather than the strong growth and earnings

needed for equities. In addition, the low-for-long policy on rates of major developed markets has been strengthened by the European crisis, which should prompt investors to look for high-quality paper as a substitute for cash. **Credit supply** is expected to be low in the coming years. From \$1.5 trillion in 2007, we forecast a fall in net USD credit supply to close to zero for 2010 across the universe of HG, HY, EM corp, MBS, CMBS, ABS, and CLO. This lack of credit supply should support tighter credit spreads across all USD credit products.

While we recognize that uncertainty will remain elevated for the near term, we are more positive for 2H as a whole and **see tighter spreads across various credits by year-end**. For US HG, US HY, EM external debt, and CMBS, we see spreads tightening to 150bp, 525bp, 250bp, and 250bp, from the current levels of 181bp, 732bp, 363bp, and 380bp, respectively.

## Foreign exchange

In a week replete with shockers, the euro's across-the-board rally ranks among the highest. Even though the euro's massive short base should bias it to rally when equities decline and volatility rises, it has rarely done so this year except for early May. It would be a stretch to claim that Europe stabilized last week after lower-than-expected demand for ECB funds (€133 billion of 3-month funds versus estimates of greater than €300 billion) and a successful Spanish bond auction. Peripheral banks are still not able or willing to tap the primary market for term financing, which confirms that Europe's financial plumbing remains clogged.

**What changed last week is the US?** With activity data either softening (ISM, payrolls) or cratering (housing), global economic slowdown is replacing Europe's funding crisis as the market focus. This shift now drives a **liquidation of cyclical exposures**—in dollars, commodity currencies, and emerging markets—all of which are funded to some degree in euros. This process has further to run judging from direct position measures and proxies.

Despite this position overhang, buying the euro when Europe's funding crisis remain unresolved remains a risky proposition. Hence our reluctance to buy the euro broadly and decision to instead focus on a couple of pairs for a short-term rally. Take profits on EUR/CHF shorts and **add longs in EUR/GBP and EUR/AUD**. The EUR/USD forecast is unchanged: a range around 1.25 in the second half of 2010 given how fluid Europe's financing situation remains.

## Ten-year Government bond yields

	Current	Sep 10	Dec 10	Mar 11	Jun 11
United States	2.97	3.45	3.85	4.15	4.50
Euro area	2.58	2.90	3.15	3.25	3.35
United Kingdom	3.35	3.55	3.90	4.10	4.25
Japan	1.10	1.30	1.40	1.50	1.55
GBI-EM	6.86			7.90	

## Credit markets

	Current	YTD Return
US high grade (bp over UST)	181	6.3%
Euro high grade (bp over Euro gov)	202	2.8%
USD high yield (bp vs. UST)	731	4.7%
Euro high yield (bp over Euro gov)	775	3.4%
EMBIG (bp vs. UST)	357	5.2%
EM Corporates (bp vs. UST)	389	5.8%

## Foreign exchange

	Current	Sep 10	Dec 10	Mar 11	Jun 11
EUR/USD	1.25	1.25	1.25	1.25	1.25
USD/JPY	87.7	90	93	93	93
GBP/USD	1.52	1.47	1.44	1.42	1.42

## Commodities - quarterly average

	Current	10Q3	10Q4	11Q1	11Q2
WTI (\$/bbl)	72	85	85	90	85
Gold (\$/oz)	1208	1250	1200	1175	1175
Copper (\$/m ton)	6300	7150	6750	6500	6500
Corn (\$/Bu)	3.86	3.90	3.80	4.00	4.20

Source: J.P. Morgan, Bloomberg, Datastream

## Commodities

Commodities followed other risky assets lower last week, falling 6%. We turn neutral oil and industrial metals as we expect global growth to slow in the second half of the year. In fact, last week we had continuing evidence of this as a number of key indicators came in weaker, including a notable drop of PMIs in EM Asia, which is a clear negative for commodities. For this reason, we prefer to **be long precious metals, which should benefit from market volatility, and corn, which has strong fundamentals and is less correlated to other risky assets**.

Corn was up 6% last week. After falling 20% in the first half of 2010 on fears of oversupply, new data from the USDA showed acreage (the quantity planted) and inventories were considerably lower than expected. Furthermore, the extremely hot and dry summer that is predicted in the US is a further threat to both supply and also the quality of the corn yield. **Be long corn**.

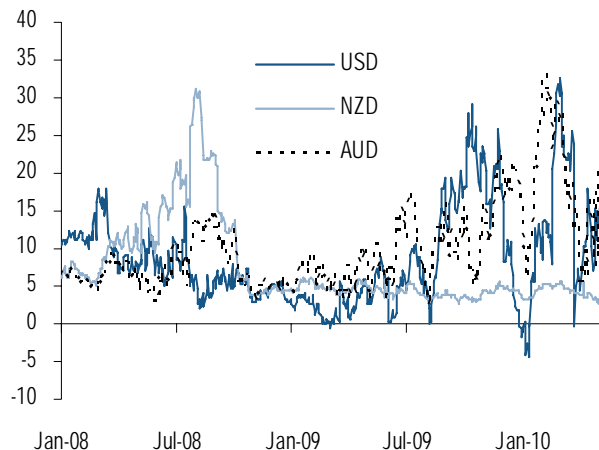
## AUD and NZD Commentary

- **Downside economic surprises in the US and China have shifted market focus to downside risks to the global economic recovery, triggering a broad-based unwind in cyclical positions, including longs in commodity currencies.**
  - **CTA's have liquidated IMM speculative longs in AUD and NZD, but Japanese retail investors have pushed AUD/JPY longs near all-time high, signaling near-term AUD underperformance. We recommend long EUR/AUD positions.**
  - **AUD and NZD stage a bearish shift in line with the reversal in risk sentiment; additional underperformance against the USD and on the crosses is likely.**
- A steady drumbeat of disappointing US data releases has pushed the global economic slowdown front and center in the market's focus, eclipsing, for the time, being Europe's funding crisis. This shift is driving a liquidation of cyclical exposures—in the USD, commodity currencies and EM FX—all of which are funded to some degree in EUR and JPY.
  - Chances are that concerns about the global growth outlook will intensify before they abate, for the simple reason that data surprises and economic forecast revisions are serially correlated.
  - Meanwhile, while investors have unwound speculative long AUD and NZD positions on the IMM, Japanese retail margin accounts have pushed net long AUD/JPY positions close to all-time record levels, far above net long USD/JPY positions. In contrast, the retail investor class remains cautiously positioned in NZD, suggesting that AUD will underperform in the ongoing the risk unwind (see Chart 1).
  - We recommend that investors position for further market pullbacks from cyclical positions by buying EUR/AUD in cash at 1.4850, with a stop at 1.44.

### Technical analysis

- In line with the bearish shift in risk sentiment, both AUD and NZD reverted back to their underperforming ways. In that regard, the violation of the key early-June breakout levels against the USD is consistent with the view for additional weakness. Note that the reversal gives the rally from the May/June lows more of a corrective bias which is consistent with the view for a retest of the recent lows. Note that AUD/USD sees initial support at .8315 and then the .8250 area with breaks seeking a closer test of the critical .8066/.8080 support zone. Importantly, strength back

Chart1: Japanese retail — net long margin position in JPY vs AUD, NZD and USD (bn),



Source: J.P. Morgan

### EUR/AUD - Weekly chart



above the .8595 area would improve the tone, but a break through the key .8860 level is now necessary to reassert the short term bullish bias. NZD/USD should find initial support at .6785/10 levels before the .6573/60 May/June lows.

- The bullish extension in the EUR/Commodity FX cross currencies suggest a deeper corrective phase is underway as both AUD and NZD remain vulnerable to additional underperformance. In that regard, the extension above the 1.44 area for EUR/AUD should allow for a closer test of the 1.5465 May high. Moreover, EUR/NZD is at risk of seeking a closer test of the important 1.90 area.

## 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	-2.4	3.1 ↓	2.9 ↓	2.7	<u>3.2</u> ↓	3.0 ↓	3.5	2.5	2.5	3.0	2.4	1.8	0.9	1.2 ↑
Canada	-2.5	3.6	2.7	6.1	<u>3.5</u>	3.4	3.2	2.7	2.0	2.4	1.6	1.5	1.8	1.9
Latin America	-2.9	5.2	3.8	4.2 ↓	<u>4.7</u>	2.5	4.0	4.3	5.2	1.7	6.0	6.5	7.2	6.6
Argentina	-2.0	6.0	4.0	12.5	<u>8.0</u>	3.0	4.0	3.0	4.0	5.0	9.0	9.0	10.0	11.0
Brazil	-0.2	7.5	4.0	11.4	<u>6.0</u>	4.0	3.3	3.8	4.2	4.1	4.9	5.3	5.8	4.5
Colombia	0.8	4.5	4.1	5.3	<u>4.8</u>	3.7	4.0	4.0	4.1	5.0	2.0	2.1	3.3	3.6
Ecuador	0.4	2.0	3.0	1.3 ↓	<u>3.5</u>	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	<u>3.2</u>	-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	<u>9.5</u>	4.0	4.5	6.0	6.7	7.2	0.7	1.0	2.1	2.2
Venezuela	-3.3	-4.0	1.0	-5.6	<u>-5.0</u>	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	3.6	2.2	5.0	<u>2.8</u> ↑	2.5 ↓	2.5 ↓	2.2	2.0	1.5	-1.2	-1.4	-0.7	0.1
Australia	1.3	2.9	3.5	2.0	<u>2.7</u>	4.1	4.2	3.1	3.2	4.2	2.9	3.6	3.8	3.6
New Zealand	-1.7	2.6	2.9	2.3	<u>3.8</u>	2.9	1.9	3.0	3.4	3.5	2.0	2.2	4.8	5.3
Asia ex Japan	4.7	8.9	7.2	11.6	<u>7.1</u> ↑	6.5	6.9	7.1	7.4	7.5	4.3	4.6	4.4	3.8
China	8.7	10.8	9.4	13.1	<u>9.4</u>	9.3	9.0	9.1	9.5	9.7	2.2	3.2	3.1	2.4
Hong Kong	-2.8	6.8	4.2	8.7	<u>4.3</u>	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	<u>8.1</u>	8.0	8.9	8.0	8.5	8.6	15.3	12.8	10.3	9.4
Indonesia	4.5	6.2	5.7	5.4	<u>7.0</u>	6.0	6.0	5.5	5.8	5.0	3.7	5.3	6.3	4.9
Korea	0.2	5.9	4.0	8.8	<u>4.0</u>	3.8	3.8	4.0	4.0	4.5	2.7	2.8	3.4	3.6
Malaysia	-1.7	7.7	4.8	5.0	<u>4.0</u>	5.0	5.0	4.9	4.9	4.5	1.3	1.7	2.4	2.4
Philippines	1.1	6.8	4.3	12.9	<u>3.6</u>	4.9	4.0	4.5	4.5	4.5	4.3	5.0	5.2	4.9
Singapore	-1.3	12.5 ↑	5.1 ↑	38.6	<u>14.8</u> ↑	-9.6 ↑	4.9	7.4	7.4	7.4	0.9	3.4	4.7	3.7
Taiwan	-1.9	9.2	4.8	11.3	<u>3.3</u>	3.5	3.5	5.0	5.3	5.5	1.3	0.9	2.0	1.8
Thailand	-2.2	8.5	5.0	16.0	<u>-2.0</u>	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	<u>3.5</u>	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	<u>3.9</u>	2.8 ↓	3.4 ↓	3.7	3.1	3.6	5.7	4.6	5.4	5.6
<b>Europe</b>														
Euro area	-4.1	1.3	1.4	0.8	<u>3.0</u>	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	<u>5.0</u>	3.0	2.0	2.0	1.5	2.0	0.8	1.0	1.2	0.9
France	-2.5	1.5	1.4	0.5	<u>2.5</u>	2.0	1.5	1.0	1.0	1.5	1.5	1.8	1.3	0.6
Italy	-5.1	1.2	1.3	1.7	<u>2.0</u>	2.0	1.0	1.0	1.0	1.5	1.3	1.5	1.5	1.1
Norway	-1.5	1.6	2.4	0.6	<u>2.0</u>	3.0	2.8	2.0	2.0	2.5	2.9	2.5	1.3	1.0
Sweden	-5.1	3.7	2.8	5.9	<u>5.0</u>	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	<u>2.8</u>	2.5	2.3	2.3	2.5	2.8	1.1	1.1	0.9	0.6
United Kingdom	-4.9	1.4	2.5	1.2	<u>3.0</u>	2.5	2.5	2.0	2.5	3.0	3.3	3.5	2.6	1.7
Emerging Europe	-4.9	4.1 ↓	4.4	2.1	<u>7.9</u>	3.0 ↓	2.9 ↓	3.9 ↓	4.1 ↓	4.1	6.1	5.4	5.7 ↑	5.5 ↑
Bulgaria	-5.0	-0.5	4.0	...	...	...	...	...	...	...	...	...	...	...
Czech Republic	-4.1	2.0	3.2	2.0	<u>2.5</u>	2.5	2.3	2.5	3.0	5.0	0.7	1.3	2.8	2.7
Hungary	-6.3	0.8	3.0	3.6	<u>2.0</u>	2.0	1.0	3.5	2.5	3.0	6.0	5.3	4.1	3.3
Poland	1.8	3.2	3.7	2.0	<u>3.0</u>	2.5	2.5	3.0	4.0	4.0	3.0	2.3	2.6	2.6
Romania	-7.1	-1.0 ↓	2.5 ↓	...	...	...	...	...	...	...	4.6	4.4	8.0 ↑	7.2 ↑
Russia	-7.9	5.5	5.0	2.2	<u>13.5</u>	4.0	4.0	5.0	5.0	4.5	7.2	5.8	6.7	7.0
Turkey	-4.7	5.9	5.0	...	...	...	...	...	...	...	9.3	9.3	7.5	6.7
<b>Global</b>														
Global	-2.5	3.5 ↓	3.1	3.6	<u>3.8</u> ↓	3.1 ↓	3.1	2.8	2.8	3.0	2.2	2.1	1.9	1.8
Developed markets	-3.5	2.5 ↓	2.3 ↓	2.5	<u>3.1</u> ↓	2.6 ↓	2.5	2.0	2.0	2.4	1.5	1.4	1.1 ↑	1.0
Emerging markets	1.0	7.0	5.8	8.0	<u>6.5</u> ↑	4.8	5.4	5.7 ↓	6.2 ↓	5.4	5.1	5.1	5.2	4.7
<b>Memo:</b>														
Global — PPP weighted	-0.8	4.8	4.2	5.3	4.9	4.1	4.1	3.9	4.1	4.2	3.3	3.3	3.1	2.8



## Global Central Bank Watch

	Official interest rate	Change from			Forecast		Sep 10	Dec 10	Mar 11	Jun 11	Sep 11
		Current	Aug '07 (bp)	Last change	Next meeting	next change					
Global	GDP-weighted average	1.34	-332				1.42	1.48	1.54	1.60	1.66
excluding US	GDP-weighted average	1.91	-244				2.03	2.12	2.21	2.30	2.38
Developed	GDP-weighted average	0.53	-358				0.55	0.58	0.60	0.65	0.68
Emerging	GDP-weighted average	4.58	-228				4.87	5.10	5.29	5.43	5.58
Latin America	GDP-weighted average	6.32	-261				6.90	7.37	7.50	7.64	7.71
CEEMEA	GDP-weighted average	4.05	-281				4.07	4.22	4.24	4.53	5.05
EM Asia	GDP-weighted average	4.14	-196				4.41	4.59	4.86	4.94	4.98
The Americas	GDP-weighted average	0.83	-476				0.93	1.01	1.06	1.11	1.11
United States	Federal funds rate	0.125	-512.5	16 Dec 08 (-87.5bp)	10 Aug 10	4Q 11 (+37.5bp)	0.125	0.125	0.125	0.125	0.125
Canada	Overnight funding rate	0.50	-375	1 Jun 10 (+25bp)	20 Jul 10	20 Jul 10 (+25bp)	1.00	1.50	2.00	2.50	2.50
Brazil	SELIC overnight rate	10.25	-175	9 Jun 10 (+75bp)	21 Jul 10	21 Jul 10 (+75bp)	11.50	12.50	12.50	12.50	12.50
Mexico	Repo rate	4.50	-270	17 Jul 09 (-25bp)	16 Jul 10	4Q 11 (+25bp)	4.50	4.50	4.50	4.50	4.50
Colombia	Repo rate	3.00	-600	30 Apr 10 (-50bp)	23 Jul 10	1Q 11 (+50bp)	3.00	3.00	4.00	5.00	5.50
Peru	Reference rate	1.75	-275	10 Jun 10 (+25bp)	<u>8 Jul 10</u>	8 Jul 10 (+25bp)	2.25	3.00	3.75	4.50	4.50
Europe/Africa	GDP-weighted average	1.28	-325				1.29	1.31	1.32	1.41	1.53
Euro area	Refi rate	1.00	-300	7 May 09 (-25bp)	<u>8 Jul 10</u>	On hold	1.00	1.00	1.00	1.00	1.00
United Kingdom	Repo rate	0.50	-500	5 Mar 09 (-50bp)	<u>8 Jul 10</u>	May 11 (+25bp)	0.50	0.50	0.50	0.75	1.00
Sweden	Repo rate	<b>0.50</b>	-300	<b>1 Jul 10 (+25bp)</b>	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)	11 Aug 10	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)	5 Aug 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)	19 Jul 10	3Q 11 (+25bp)	5.25	5.25	5.25	5.25	5.50
Israel	Base rate	1.50	-250	28 Mar 10 (+25bp)	26 Jul 10	3Q 10 (+25bp)	1.75	2.00	2.25	2.50	3.00
Poland	7-day intervention rate	3.50	-100	24 Jun 09 (-25bp)	31 Jul 10	2Q 11 (+25bp)	3.50	3.50	3.50	3.75	4.00
Romania	Base rate	6.25	-75	4 May 10 (-25bp)	4 Aug 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)	Jul 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)	22 Jul 10	2Q 11 (+50bp)	6.50	6.50	6.50	7.00	8.00
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	-	15 Jul 10	14 Oct 10 (+25bp)	7.00	7.75	7.75	7.75	8.50
Asia/Pacific	GDP-weighted average	2.20	-124				2.34	2.44	2.58	2.63	2.67
Australia	Cash rate	4.50	-175	4 May 10 (+25bp)	<u>6 Jul 10</u>	Aug 10 (+25bp)	4.75	5.00	5.25	5.50	5.75
New Zealand	Cash rate	2.75	-525	10 Jun 10 (+25bp)	29 Jul 10	29 Jul 10 (+25bp)	3.25	3.75	4.25	4.50	4.75
Japan	Overnight call rate	0.10	-43	19 Dec 08 (-20bp)	15 Jul 10	2Q 12 (+15bp)	0.10	0.10	0.10	0.10	0.10
Hong Kong	Discount window base	0.50	-625	17 Dec 08 (-100bp)	11 Aug 10	4Q 11 (+37.5bp)	0.50	0.50	0.50	0.50	0.50
China	1-year working capital	5.31	-126	22 Dec 08 (-27bp)	3Q 10	3Q 10 (+27bp)	5.58	5.85	6.12	6.12	6.12
Korea	Base rate	2.00	-250	12 Feb 09 (-50bp)	<u>9 Jul 10</u>	3Q 10 (+25bp)	2.25	2.50	2.75	<b>2.75</b>	<b>2.75</b>
Indonesia	BI rate	6.50	-200	5 Aug 09 (-25bp)	<u>5 Jul 10</u>	1Q 11 (+25bp)	6.50	6.50	6.75	7.00	7.00
India	Repo rate	<b>5.50</b>	-225	<b>2 Jul 10 (+25bp)</b>	27 Jul 10	27 Jul 10 (+25bp)	6.00	6.00	6.50	6.75	7.00
Malaysia	Overnight policy rate	2.50	-100	13 May 10 (+25bp)	<u>8 Jul 10</u>	8 Jul 10 (+25bp)	3.00	3.00	3.00	3.00	3.00
Philippines	Reverse repo rate	4.00	-350	9 Jul 09 (-25bp)	15 Jul 10	24 Aug 10 (+25bp)	4.25	4.25	4.50	4.75	5.00
Thailand	1-day repo rate	1.25	-200	8 Apr 09 (-25bp)	14 Jul 10	<b>14 Jul 10 (+25bp)</b>	<b>1.50</b>	<b>1.75</b>	2.00	2.25	2.25
Taiwan	Official discount rate	1.375	-175	24 Jun 10 (+12.5bp)	3Q 10	3Q 10 (+25bp)	1.625	1.750	1.875	2.000	2.000

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

## Economic forecasts - Australia

Australia: economic projections <i>percentage change over previous period, seasonally adjusted annual rates, un</i>														
	2009			2010				2011						
	2009	2010	2011	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Chain volume GDP	1.3	2.9	3.5	3.4	1.1	4.5	2.0	2.7	4.1	4.2	3.1	3.2	4.2	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	8.5	10.0	0.1	-13.1	46.8	-20.9	37.6	12.9	17.5	5.1	3.4	6.4	8.6
Public investment	4.9	32.3	9.7	13.5	43.6	49.7	55.4	14.7	10.3	10.9	7.1	11.8	7.1	10.1
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	2.5	4.2	8.4	-6.5	8.3	-2.0	4.1	6.1	4.9	4.1	2.8	4.1	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
Contributions to GDP growth:														
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	-1.7	-0.1	0.9	-4.6	-5.0	-2.0	0.8	0.5	0.2	-0.1	-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	3.5	3.6	1.5	1.3	2.1	2.9	3.6	3.5	3.8	3.8	3.6	3.6	3.7
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	-2.0	-2.0	-2.0	-2.1
3m eurodeposit rate (%)*	6.0	4.9	5.7	3.5	3.4	4.1	4.2	5.1	5.1	5.3	5.5	5.8	5.8	5.8
10-year bond yield (%)*	5.6	5.5	5.9	5.5	5.1	5.8	5.6	5.5	5.5	5.7	5.8	5.9	5.9	5.9
US\$/A\$*	0.75	0.90	0.95	0.82	0.88	0.91	0.94	0.84	0.90	0.91	0.92	0.94	0.96	0.97
Commonwealth budget (FY, A\$ bil)	-27.0	-57.1	-27.0											
as % of GDP	-2.1	-4.3	-1.9											
Unemployment rate	5.6	5.4	5.3	5.7	5.8	5.6	5.3	5.4	5.5	5.5	5.4	5.3	5.2	5.0
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. Growth probably will be close to trend in 2010, but above trend in 2011, despite the further withdrawal of policy support.
- **Business investment** will be down slightly in the year to June, but investment spending probably will rise close to 20% in 2010-11, with mining leading the way, particularly with the mining tax road-block being removed.
- 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** has deteriorated sharply owing mainly to rising mortgage rates. The consumer confidence index has shed 16% since October 2009, when the RBA starting tightening.
- **Export volumes** have held up owing mainly to firm demand from China, but the terms of trade tumbled. This decline is reversing, thanks mainly to higher bulk commodity prices; we forecast a 25% rise.
- The **RBA** was the first central bank in the G20 to tighten policy and has hiked six times since last October. The Bank since has paused, but we expect a resumption of the tightening cycle from the August Board meeting.
- The newly-installed Prime Minister is clearing the decks for an **early election**, possibly as soon as late August. Ms. Gillard has "solved" the mining tax impasse and now is moving to address contentious immigration policy.

## 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	2.6	2.9	0.3	1.2	3.7	2.3	3.8	2.9	1.9	3.0	3.4	3.5	2.5
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	5.2	8.6	19.2	0.6	-2.7	5.5	8.0	9.0	8.0	9.0	9.0	8.0	8.0
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	3.5	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	-1.3	0.8	9.9	-1.8	-8.3	-0.8	0.1	0.4	0.5	1.5	1.2	0.2	-0.5
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	4.9	3.5	2.3	5.3	-0.7	1.5	2.8	3.3	12.1	3.3	2.9	3.9	3.8
%oya	2.1	2.7	4.9	1.9	1.7	2.0	2.0	2.2	1.7	4.8	5.3	5.3	5.5	3.5
Trade balance (NZ\$ bil, sa)	2.5	3.4	3.0	0.8	0.7	0.3	0.9	0.8	0.8	0.9	0.9	0.8	0.8	0.6
Current account (NZ\$ bil, sa)	-5.5	-5.7	-7.1	-0.4	0.1	-2.9	-1.2	-1.3	-1.0	-0.9	-2.5	-5.2	-4.3	-1.9
as % of GDP	-3.0	-3.0	-3.6	-0.9	0.1	-6.5	-2.8	-2.1	-1.9	-5.2	-8.9	-3.8	-1.9	0.0
Yield on 90-day bank bill (%)*	3.0	3.2	4.6	2.8	2.8	2.8	2.7	2.8	3.5	3.8	4.3	4.8	4.8	4.8
10-year bond yield (%)*	5.5	5.7	6.0	5.7	5.7	5.9	5.7	6.0	5.5	5.7	5.8	6.0	6.0	6.0
US\$/NZ\$*	0.64	0.73	0.75	0.60	0.68	0.73	0.73	0.69	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	6.1	5.4	5.9	6.5	7.1	6.0	6.3	6.3	5.9	5.7	5.4	5.3	5.2

\*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.
- Households are set to undergo a period of **consolidation**. As a result, private consumption will be sub-trend post GST hike. Furthermore, rising interest rates and more moderate house price growth, should mean household spending weakens considerably.
- 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 fall in 1Q, new hiring will likely be postponed.
- **The RBNZ hiked the OCR 25bp in June**. The accompanying commentary was upbeat and we expect a 25bp rate hike at each of the remaining four announcements this year, taking the OCR to 3.75% by year end.
- **Inflation** returned to positive territory in 1Q, after falling in the final three months of 2009. Medium term inflation pressures are a concern, given diminishing excess capacity and firms' intentions to raise domestic prices.
- Managing **inflation expectations** will be a growing challenge for the RBNZ, given the July 1 introduction of the amended ETS and the GST hike on October 1.

## Australia and New Zealand economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
<b>5 Jul</b>  <b>Australia:</b> ANZ job ads (11:30 am) Jun	<b>6 Jul</b>  <b>Australia:</b> Trade balance (11:30 am) May <u>700A\$ mn</u> RBA cash target (2:30 pm) Jul <u>no change</u>  <b>New Zealand:</b> NZIER QSBO (10:00 am) 2Q10 <u>2Q % bal.</u>	<b>7 Jul</b>	<b>8 Jul</b>  <b>Australia:</b> Unemployment rate (11:30 am) Jun <u>5.3%, sa</u>	<b>9 Jul</b>
<b>12 Jul</b>  <b>Australia:</b> Housing finance approvals (11:30 am) May  <b>New Zealand:</b> QV house prices Jun	<b>13 Jul</b>  <b>Australia:</b> NAB business confidence (11:30 am) Jun	<b>14 Jul</b>  <b>Australia:</b> Westpac consumer confidence (10:30 am) Jul  <b>New Zealand:</b> Retail sales (10:45 am) May	<b>15 Jul</b>  <b>Australia:</b> New motor vehicle sales (11:30 am) Jun  <b>New Zealand:</b> Business NZ PMI (10:30 am) Jun	<b>16 Jul</b>  <b>New Zealand:</b> CPI (10:45 am) 2Q
<b>19 Jul</b>	<b>20 Jul</b>	<b>21 Jul</b>  <b>Australia:</b> Westpac leading index (11:30 am) May  <b>New Zealand:</b> Visitor arrivals (10:45 am) Jun Credit card spending (3:00 pm) Jun	<b>22 Jul</b>	<b>23 Jul</b>  <b>Australia:</b> Export price index (11:30 am) 2Q Import price index (11:30 am) 2Q
<b>26 Jul</b>  <b>Australia:</b> PPI (11:30 am) 2Q	<b>27 Jul</b>  <b>Australia:</b> CPI (11:30 am) 2Q	<b>28 Jul</b>	<b>29 Jul</b>  <b>Australia:</b> Pvt. Sector credit (11:30 am) Jun  <b>New Zealand:</b> RBNZ official cash rate Jul Trade balance (10:45 am) Jun	<b>30 Jul</b>  <b>New Zealand:</b> Building permits (10:45 am) Jun

## Global Data Diary

Week / Weekend	Monday	Tuesday	Wednesday	Thursday	Friday
5 - 9 July	5 July	6 July	7 July	8 July	9 July
<b>China</b> • Trade balance (Jun)  <b>Japan</b> • Cabinet Office private consumption index (May)	<b>Euro area</b> • Services PMI (Jun) • Retail sales (May)  <b>Indonesia</b> • BI mtg: no chg  <b>Japan</b> • Services PMI (Jun)  <b>Turkey</b> • CPI (Jun)  <b>United Kingdom</b> • Services PMI (Jun)  <b>United States</b> • Independence Day (observed) • Markets closed	<b>Australia</b> • RBA mtg: no chg  <b>Brazil</b> • Auto sales (Jun)  <b>Russia</b> • CPI (Jun)  <b>United Kingdom</b> • New car regs (Jun)  <b>United States</b> • Nonmfg ISM (Jun)	<b>Brazil</b> • CPI (Jun)  <b>Euro area</b> • GDP final (1Q)  <b>Germany</b> • Mfg orders (May)  <b>Taiwan</b> • Trade balance (Jun)	<b>Australia</b> • Unemp rate (Jun)  <b>Euro area</b> • ECB mtg: no chg  <b>Germany</b> • Trade balance (May) • IP (May)  <b>Japan</b> • Prv mach orders (May) • Econ Watcher surv (Jun)  <b>Malaysia</b> : BNM mtg: +25bp  <b>Mexico</b> • CPI (Jun)  <b>Peru</b> : BCRP mtg: +25bp  <b>United Kingdom</b> • IP (May) • MPC mtg: no chg	<b>Canada</b> • Employment (Jun)  <b>Euro area</b> • Trichet speech  <b>France</b> • IP (May)  <b>Korea</b> • BoK mtg: no chg  <b>Norway</b> • CPI (Jun)  <b>United Kingdom</b> • Trade balance (May)
12 - 16 July	12 July	13 July	14 July	15 July	16 July
<b>China</b> • FDI (Jun)  <b>United Kingdom</b> • Consumer conf (Jun)	<b>India</b> • IP (May)  <b>Japan</b> • Reuters Tankan (Jul)  <b>Mexico</b> • IP (May)	<b>Australia</b> • NAB bus conf (Jun)  <b>Brazil</b> • Retail sales (May)  <b>Japan</b> • IP final (May) • Consumer sent (Jun)  <b>Germany</b> • ZEW bus surv (Jul)  <b>United Kingdom</b> • CPI (Jun)  <b>United States</b> • International trade (May) • JOLTS (May)	<b>Euro area</b> • IP (May) • HICP final (Jun)  <b>India</b> • WPI (Jun)  <b>Russia</b> • IP (Jun)  <b>Thailand</b> • BoT mtg: +25bp  <b>United Kingdom</b> • Labor mkt report (Jun)  <b>United States</b> • Retail sales (Jun) • FOMC minutes (Jun)	<b>China</b> • GDP (2Q) • CPI, retail sales, IP (Jun)  <b>Japan</b> • BoJ MPM: no chg • Shirakawa press conf  <b>Philippines</b> • BSP mtg: no chg  <b>Turkey</b> • CBRT mtg: no chg  <b>United States</b> • Empire State surv (Jul) • IP (Jun) • Philly Fed surv (Jul)	<b>Euro area</b> • International trade (May)  <b>Mexico</b> • Banxico mtg: no chg  <b>Singapore</b> • Exports (Jun)  <b>United States</b> • CPI (Jun) • Consumer sent (Jul)

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