J.P.Morgan

Australia and New Zealand - Weekly Prospects

Summary

- The data flow resumed in **Australia** last week, but attention instead (again) was focused on the impact of the devastating floods in Queensland. Over the week, the water inundated Brisbane and nearby cities, significantly escalating the crisis. We will not push through further adjustments to our growth and inflation forecasts until the extent of the damage becomes clearer, but it seems the cost to the economy now could be as high as 1% of GDP (A$13 billion). The inflation risk also has intensified, with electricity and fuel prices now affected as well as food. The recovery and rebuilding effort inevitably will be huge (1,200 troops already are on the ground), with the new activity hitting the economy just when private investment resumes and as the government continues to roll out spending on infrastructure elsewhere. **The risk of an inflation "pop" has risen, given that the economy already is at "full employment".** This means that while RBA officials will tread carefully in the near term, they may be forced to tighten more assertively later.

- The highlight in **New Zealand** this week will be the CPI numbers on Thursday, even though they will be noisy owing to the recent hike to the goods and services tax (GST) on October 1. Our forecast is for inflation to spike 2.9%q/q, taking into account our estimate that the GST hike added about 2%-points to the quarterly print. While **RBNZ Governor Alan Bollard will 'look through' the temporary spike in inflation**, he will remain on alert for evidence that elevated inflation is spilling over to changes in price- and wage-setting behaviour. So far, though, inflation expectations have remained anchored, with one-year expectations actually falling from 3.9% to 3.4% in 4Q and two-year expectations remaining steady. The next RBNZ OCR announcement is just over a week away, and Dr. Bollard probably will reiterate that the OCR will remain low until the "recovery becomes more robust and underlying inflationary pressures show more obvious signs of increasing."

- Our positive baseline outlook for the year ahead revolves around an interpretation of the **reacceleration now taking hold in the US**. A bounce in consumption in the final quarter of 2010 has sharply accelerated the needed adjustment in stockbuilding. From an elevated 7.6% annualized rate of growth in 3Q10, nonfarm inventories are now estimated to have risen at about a 2% pace last quarter. With this lift complemented by a rotation in household demand toward the service sector, the prospects for strong employment growth are good. When coupled with solid performance in EM, the US outcomes in the coming quarters—close to 4% GDP growth, 200,000 monthly private payroll gains, and a double-digit annualized rise in residential construction—should confirm that the global expansion has found firm footing.

- **EM Asian officials meanwhile, have yet to meaningfully normalize monetary policy** from a recession-fighting stance. Last week, Korea unexpectedly raised its policy rate 25bp, and China raised reserve requirements again, following on the heels of last month's rate hike. In India, a rate hike on January 25 is now almost certain. Although rate adjustments across the region are expected to continue, and be complemented by other measures—including more flexibility on currency appreciation—**we are not convinced that policy will move sufficiently to contain inflation pressures in the region.** The failure of EM Asian policy to normalize and decouple from the Fed is a major medium-term risk to the global expansion.

This week's highlight

In a relatively quiet week in Australia, the GST-boosted NZ CPI print for the fourth quarter will be highlight.

January 17, 2011

Contents

Forecast changes:

No changes this week..

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Data and event previews - Australia and New Zealand

Date	Time [a]	Data/event	Forecast JPMorgan	Forecast Consensus [b]	*Previous*
Monday, January 17	10.30am	TD Securities Inflation Gauge (%m/m, Dec.)	**na**	na	*0.4*
Monday, January 17	11.30am	Aust. new motor vehicle sales (%m/m, Dec.)	**0.0**	na	*0.2*
Wednesday, January 19	10.30am	Westpac-MI consumer confidence (%m/m, Jan.)	**-5.0**	na	*0.2*
Wednesday, January 19	11.00am	Aust. DEWR skilled vacancies (%m/m, Jan.)	**-1.0**	na	*-1.0*
Thursday, January 20	8.30am	NZ business PMI (Index, Dec.)	**na**	na	*52.7*
Thursday, January 20	8.45am	NZ CPI (%q/q, 4Q)	**2.9**	2.3	*1.1*
Thursday, January 20	8.45am	NZ CPI (%oya, 4Q)	**4.6**	4.0	*1.5*
Thursday, January 20	10.30am	Aust. consumer inflation expectation (%, Jan.)	**na**	na	*2.8*
Thursday, January 20	1.00pm	NZ ANZ consumer confidence (Index, Jan.)	**na**	na	*112.2*
Friday, January 21	8.45am	NZ retail sales (%m/m, Nov.)	**0.6**	1.2	*-2.5*
Friday, January 21	8.45am	NZ retail sales ex. auto (%m/m, Nov.)	**0.5**	0.5	*-1.6*
Friday, January 21	11.30am	Aust. import price index (%q/q, 4Q)	**-2.5**	na	*0.7*
Friday, January 21	11.30am	Aust. export price index (%q/q, 4Q)	**-5.0**	na	*7.8*

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

Australia

New motor vehicle sales (%m/m, Dec.) - Car sales were very strong into the end of 2009, as the purchase deadline for the small business allowance approached. December 2010 sales likely will be much more subdued however. As the RBA has continued to tighten policy pre-emptively, keeping durables spending contained, the trend in sales has softened, seemingly stabilizing at around flat. We expect another lacklustre result in December.

Westpac-MI consumer confidence (%m/m, Dec.) - Our forecast for a 5%m/m drop in confidence in early January was largely founded on the negative sentiment surrounding the impact of the floods in Queensland. The flooding disrupted economic activity but of greater concern for most Australians were the loss of lives and the devastation among those affected by the natural disaster. The related financial effects—AUD and equity prices both fell—would have added to the blow. A strong

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Data previews - Cont'd.

labour market report last week (the unemployment rate dipped to 5%—a level considered consistent with full-employment) and no rate action from the RBA since November would have prevented a larger deterioration in confidence.

DEWR skilled vacancies (%m/m, Jan.) - Skilled vacancies have been on a remarkably stable trend recently, falling by between 0.9%m/m and 1.3%m/m since August. The only bright spot has been Western Australia, where the booming mining industry clearly is supporting demand for professionals in the engineering sector, and also metal workers, electricians and the like. January will have been similarly soft on a national basis, but we expect a pop in this series in coming months as flood reconstruction begins to get underway.

Terms of trade (%q/q, 4Q) - Commodity prices generally were strong in 4Q, but the appreciation of AUD against the dollar, in which the majority of our export market prices are denominated, will have outstripped those gains, pushing the export price index down. Given that we expect AUD to be broadly stable around parity with USD, creeping up gradually by 4% over 2011, currency related declines in exports prices and receipts from here should not be significant within any quarter. Australia's import prices are comparatively less affected by the direct USD conversion, so will not fall as much as export prices due to the more limited increase in trade-weighted AUD. This will result in a small decline (-2.6%q/q) in the terms of trade, from very elevated levels.

New Zealand

CPI (%q/q, 4Q) - The fourth quarter CPI print will be the first to reflect the hike to the goods and services tax (GST). The GST was lifted from 12.5% to 15.0% on October 1. With firms lacking pricing power, however, we believe that not all of the consumption tax increase would have been passed on, with our estimate calling for the GST increase to have added around 2%-points to the quarterly CPI print. Consumer prices likely rose 2.9%q/q in 4Q, or 4.6%oya, well above the RBNZ's 1%-3% target range. The risks are, though, skewed toward a lower inflation print. We may be too optimistic in our thinking that retailers were able to pass-on so much of the price increase given the lack of domestic demand. Most components of the CPI likely were pushed higher however, at least to some degree. Food prices, for example, were much higher in October (rising 2.2%m/m), a rise that was only partially reversed in November (when food prices fell 0.6%m/m).

Retail sales (%m/m, Nov.) - Following the GST-hike, retail sales slumped 2.5%m/m in October. We expect a modest rebound in November, with headline sales tipped to increase 0.6%m/m and underlying sales (ex-autos) to increase 0.5%. The consensus estimate is for a larger bounce, but we think this will be prevented by weak domestic demand, continued discounting, and soft wage growth. More significant is that New Zealanders have become increasingly frugal since the end of the recession. Spending has been reined in signficantly as households have deleveraged. Indeed, household debt has fallen from 160% of income in late-2008 to around 153% today. The government has enticed consumers to save more. Personal tax cuts were delivered on October 1, with consumers likely saving the windfalls with the rise in the consumption tax having discouraged spending.

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Australia

- **Australian flood fallout has spread substantially**
- **RBA on hold near term, but will be left with more work to do later**
- **Unemployment rate pushed down to 5% in December**

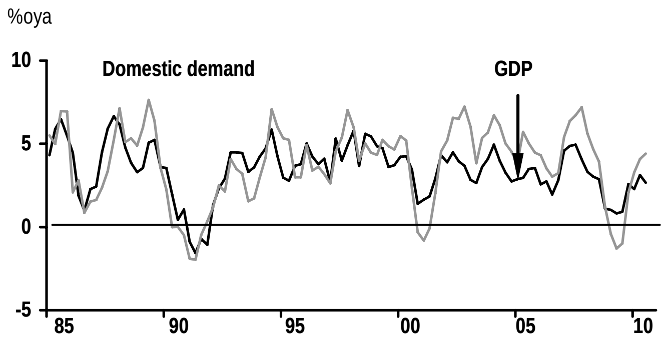
In Australia, the catastrophic floods in Queensland again have dominated the headlines, even as the local data flow stepped up a notch. In last week's publication, we downgraded our GDP growth forecasts for 4Q10 and 1Q11, by 0.2%-pt each, mostly due to the likelihood of lost coal output and damage to crops in the state's north. There also will be damage to service activity. Since then, however, the floodwaters moved with unexpected force down the east coast and swept through Brisbane, the state capital, Australia's third largest city (population 2 million). The now-substantial disruption to service activity is difficult to quantify, but poses significant downside risks to near-term growth.

Amid the natural disaster fallout, however, the December employment data released last week showed that the economic backdrop remains robust, even if the foreground is a mess. The unemployment rate dropped to a new cycle low of 5.0% at the end of the year, from 5.2% in November. Further, incoming data showed that households remained surprisingly resilient in November in the face of the 25bp rate hike from the RBA and significant "supersizing" of market lending rates by the retail banks, with home loans up 2.5%m/m. These competing dynamics make the outlook for 2011 lumpier than before. RBA officials' hands are bound in the near term due to the flood activity, but supply shocks, followed by intense rebuilding activity against a background of robust demand, probably will leave officials with a substantial inflation pulse with which to deal. This could trigger more assertive tightening later, although the outlook, like the floodwaters swirling through Brisbane, is murky.

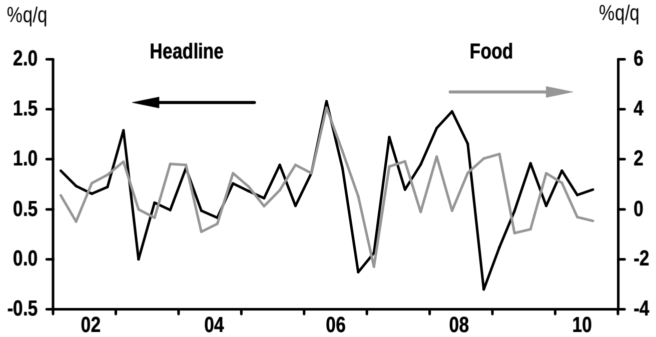
Exports lost permanently, but rebuild helps

Last week, we downgraded our Aussie GDP growth forecasts for CY2011 to 3.3% from 3.7%, mainly owing to lost coal exports and damaged food crops. We also trimmed 0.2%-pt from 4Q10 GDP growth and raised the near-term headline inflation forecast, due to the likely surge in food prices. The scale of the flood damage is broader than just production, however, extending to transport networks, for example. This has raised concerns that, even if mining output rebounds quickly, exports will be hampered as the produced commodities cannot be shipped in a timely fashion.

Australia: growth in GDP and domestic demand



Australia: headline and food CPI



At this stage, the damage to the coal rail system thankfully appears to be limited to small stretches of track, on parts of the network that can be redirected. The binding constraint to bringing exports back on line then will be mining operations themselves. Currently, the delay is expected to be weeks at the least, which will take a significant chunk out of net exports in 1Q. Further, given that the mines were very near capacity before this disaster, there is no slack available to recover prior losses, meaning the hit to export revenue is a permanent one. A significant compensating factor is that infrastructure rebuilding activity (beyond just the coal network) will be substantial, and could boost GDP thereafter, creating a lumpy growth profile.

Context matters for supply shocks

The near-term inflation effects of the floods are clear enough. Food production will be severely impacted, forcing prices substantially higher. Also, electricity production could be affected by the floodwaters, and a shortage of coal, pushing up energy prices. Our own estimate for 1Q headline inflation (which, as with the growth drag, could move higher) has already been pushed up from 0.9%q/q to 1.2%. There is a common perception that the RBA will "look through" such a supply shock, as it did when banana prices spiked in 2006 following a tropical cyclone.

In our view, RBA thinking is more nuanced than that: the context of the current supply shock is not favourable, and doesn't necessarily warrant a free pass. The looming food and energy price shocks will likely be followed by more broad-based pressures in materials and labour as rebuilding activity gets under way. Further, all this is occurring against a backdrop of strong income growth and robust investment fundamentals. Our base case remains then that, notwithstanding the obvious tragic human and social costs, the floods are a severe but temporary distraction from the underlying economic story: elevated commodity prices, substantial investment in the resources and supporting industries, surging wage growth, and minimal spare capacity. This outlook is key to our view that the RBA will resume the hiking cycle in May, once the impact of the floods has begun to dissipate and the economic costs are more quantifiable. On our forecasts, the RBA will hike the cash rate in May, following the release of the "flood-distorted" 1Q CPI numbers in late April.

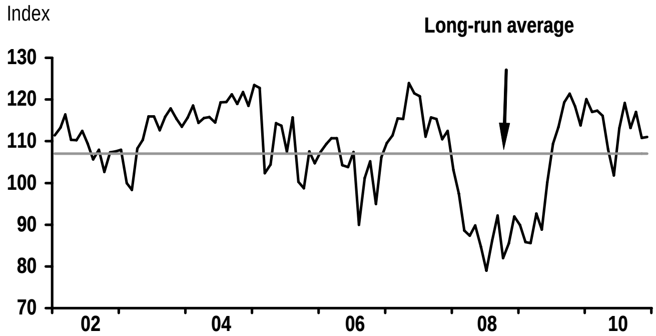
Confidence to have taken a hit this month

It is, however, the near-term growth drag and negative sentiment effects that will most likely be reflected in this week's confidence data. Consumers will be downbeat, with confidence, as measured by Westpac-MI, probably slipping 5%m/m in January. The Queensland floods will have had a significant impact, as will the related financial effects: AUD and equity prices are both down over the month. The only possible positive is that those consumers not directly affected by the floods view the RBA as being sidelined for an extended period. The "time to purchase a house" component will be important to watch on this front.

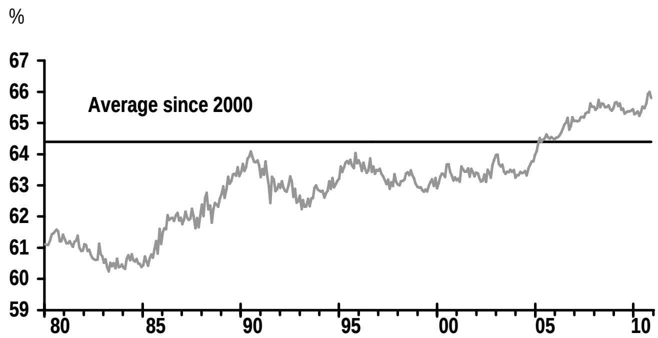
Job gains meager, but jobless rate down

Having overshot market expectations each month since March, the employment numbers surprised on the downside in December. The employment report showed that only 2,300 jobs were created in December (J.P. Morgan: +20,000; consensus: +25,000). This represents a pullback, but an incredibly mild one given the 32,900 average monthly gains recorded throughout 2010. The participation rate, which has been surging in line with job growth, also pulled back in December, ticking down from an all-time high of 66.0% to 65.8%. Each of these movements signify a mean-reversion of sorts, and should be judged relative to the compelling trend of a tightening labour market. Indeed, the unemployment rate, now at 5%—the level widely considered consistent with full employment—is at a new cycle low. This has occurred even though the participation rate is substantially above the decade average (second chart). That the unemployment rate is so low, while participation remains elevated, is testament to the strength of job growth so far this year.

Australia: Westpac-MI consumer confidence



Australia: labor force participation rate



The unemployment rate fell or remained steady across all states and territories, excluding Queensland (QLD) and the Australian Capital Territory (ACT). We are unable to tell whether the rise in unemployment in QLD (from 5.6% to 6.0%) owed to any extent, if at all, to the impact of recent flooding that commenced in mid-December, but unemployment undoubtedly will rise in the northeastern state in coming months. Rising floodwaters have meant that employees are unable to get to work and that some workplaces have been forced to shut down. It is still unclear when businesses will get up and running, but, when they do become operational and when rebuilding activity does get under way, the underlying issue of skills shortages will re-emerge, as the pull of labour into QLD will be significant.

Though employment in QLD, which accounts for 20% of total employment, will weigh on national job growth in coming months, we do not expect any outright contraction in monthly employment in the near term. Job ads pushed higher for the eighth consecutive month in December, rising 2%m/m, which is about four times the average rate of

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growth since the series began.

Data releases and forecasts

Week of January 17 - 21

Mon Jan 17 11:30am

New motor vehicle sales
Sa

	Aug	Sep	Oct	Nov
%m/m	1.1	-0.5	0.2	1.0
%oya	8.6	3.4	-0.9	-3.1

Wed Jan 19 11:30am

Westpac-MI consumer confidence
Sa

	Oct	Nov	Dec	Jan
%m/m	3.4	-5.3	0.2	-5.0

Fri Jan 21 11:30am

Export price index
Sa

	1Q	2Q	3Q	4Q
%q/q	3.8	16.1	7.8	-5.0
%oya	-26.8	7.1	27.7	23.4

Commodity prices were strong in USD terms in the fourth quarter, but the appreciation of AUD will have outstripped those gains, pushing the export price index down. Given that we expect AUD to be broadly stable around parity with USD, currency related declines should be limited from here.

Import price index
Sa

	1Q	2Q	3Q	4Q
%q/q	0.3	2.0	0.7	-2.5
%oya	-12.9	-5.1	-1.5	0.4

Australia's import prices are comparatively less affected by the direct USD conversion, so will not fall as much as export prices due to the more limited increase in trade-weighted AUD. This will result in a small decline (-2.6%q/q) in the terms of trade, from very elevated levels.

Review of past week's data

Retail sales
Sa

	Sep		Oct		Nov	
%m/m	0.1		~~-1.1~~	*-0.8*	~~-0.5~~	*0.3*
%oya	~~3.7~~	*3.6*	~~2.2~~	*2.3*	~~0.4~~	*1.3*

Consumer spending posted a modest increase in November. Of the major retail sales components, only food spending recorded a decline (-0.1%). Ex. food retail sales were up 0.5%. Among the latter category, the largest increases in retail sales were in "other" retailing and department store sales, each up 0.8% over the month. Café and restaurant sales were up 0.4%, while sales of clothing and household goods were both up 0.3%.

Trade balance
Sa

	Sep		Oct		Nov	
A$ mn	~~1814~~	2024	~~2625~~	*2561*	~~1700~~	*1925*

Australia's trade surplus narrowed in November, having oscillated around A$2 billion since midyear. In November, both the rural and non-rural export categories posted rises, though that was offset by a decline in volatile non-monetary gold exports (-21%m/m). Exports of non-rural goods rose 1%m/m, with the upside coming from metal ores and minerals (up 5%m/m) and other mineral fuels (up 16%), a welcome rebound after a few months of lackluster revenues. Coal exports, on the other hand were weak, declining 5%, with significant declines to be observed in coming months as regular mine operations become all but impossible due to flooding.

Housing finance
Sa

	Sep		Oct		Nov	
%m/m	~~1.3~~	*1.1*	~~1.9~~	*2.2*	~~-1.5~~	*2.5*
%oya	~~-24.5~~	*-24.3*	~~-20.6~~	*-20.7*	~~-14.7~~	*-11.5*

New loan commitments in Australia pushed up a further 2.5%m/m in November (J.P. Morgan: -1.5%, consensus: -1.0%), in defiance of the resumption of the RBA's tightening cycle, and the super-sizing of the official rate hike by the major banks. First Home Buyer (FHB) representation ticked up modestly from 15.4% to 15.6% in November, but still is skimming along the bottom of the 15.5%-16% range it has held since mid-2010.

Labor force
Sa

	Oct		Nov		Dec	
Employment change (000s)	34		55		~~20~~	*2*
Unemployment rate (%)	5.4		5.2		~~5.1~~	*5.0*
Participation rate (%)	65.9		~~66.1~~	*66.0*	~~66.0~~	*65.8*

New Zealand

- **NZ 4Q CPI to spike following October GST hike**
- **Demand backdrop is very weak however, and inflation expectations are contained**
- **Only modest rebound expected in November retail sales**

In New Zealand, the little data released last week showed firms appearing more optimistic, as earthquake rebuilding and the looming Rugby World Cup boost domestic demand prospects. This week, the 4Q CPI report should show the pass-through of the October GST hike, which RBNZ officials will look through given anaemic underlying demand.

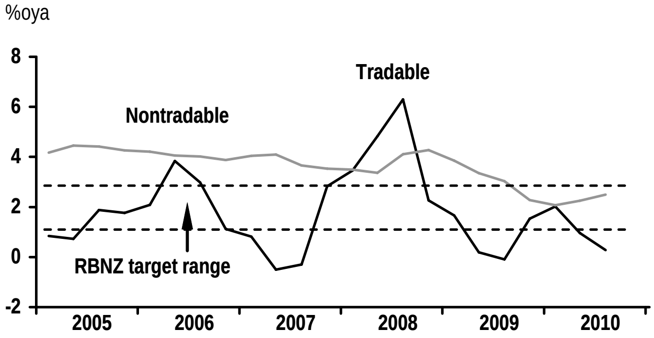
NZ CPI to pop following October GST hike

Most components of the CPI likely were pushed higher to some degree by the rise in New Zealand's GST, from 12.5% to 15%. Food prices, for example, were much higher in October (rising 2.2%m/m post the October 1 tax change), a rise that was only partially reversed in November (when food prices fell 0.6%m/m). As indicated by the QSBO survey, delivered last week, only 12% of firms were able to lift prices in 4Q. Firms have little to no pricing power owing to weak domestic demand, so the policy-induced inflation spike will have a muted impact on medium-term inflation. Indeed, inflation expectations in 4Q were down, with one-year expectations dropping from 3.9% to 3.4%. Two-year expectations remained steady at 2.6%. Headline CPI will remain above 3% throughout 2011. It won't be until 2Q11 that underlying CPI ventures to the top of the target band. It should be around then that the economy is gathering momentum.

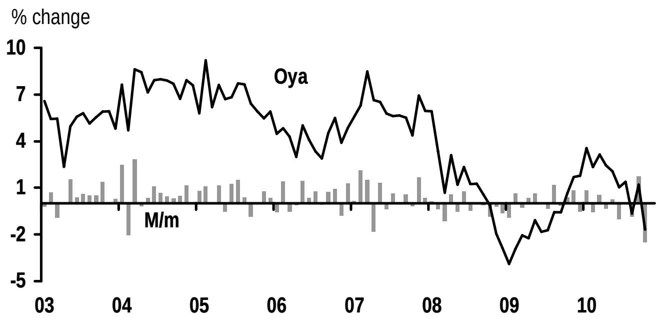
Retail sales to recover some ground

Following the GST-related slump in retail activity in October, we should see some rebound in the November data this week, with sales likely pushing up 0.6%m/m. Preventing a larger rebound will be weak domestic demand, continued discounting, and soft wage growth. For these reasons, even if the anticipated bounce is delivered in November, it is difficult to see how a sustained recovery in consumer demand would occur in the near term. Admittedly the GST hike is not a one-way street, since the government simultaneously introduced cuts to personal tax rates. Any excess windfall after compensating for increased living costs will likely be saved, however, which arguably was the objective of the tax changes.

New Zealand: nontradable and tradable inflation



New Zealand: retail trade



The new GST, like all increases in tax, is a compulsory transfer from the private to the public sector. This of course does not necessarily increase national savings, which has repeatedly been cited as a necessary macroeconomic objective by the government and the RBNZ. However, it does reduce the disposable income of the household sector, and therefore its ability to take on new debt. So, the objective of these policy changes was not to influence the level of activity per se, but to lessen the chances of households levering up, particularly through the housing market, when the labour market finally does begin to gather some steam.

On that front, the clear positive from last week's NZIER Quarterly Survey of Business Opinion was the outlook for employment, which improved from -12% to -3%. The disruption to activity from the earthquake in the Canterbury region and the obvious human cost notwithstanding, the employment outlook for the building sector has benefited substantially, with the index of construction employment within the region improving from -11% to 28%. This improvement is all the more substantial compared with a much more subdued improvement in the remainder of the nation (from -15% to -11%).

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Data releases and forecasts

Week of January 17 - 21

Thu
Jan 20
10:45am

Consumer price index
Nsa

	1Q10	2Q10	3Q10	4Q10
Headline (%oya)	2.0	1.7	1.5	4.6
Headline (%q/q)	0.4	0.2	1.1	2.9

See main text.

Fri
Jan 21
10:45am

Retail trade
Sa

	Aug	Sep	Oct	Nov
%m/m	-0.9	1.7	-2.5	0.6
%oya	-0.6	0.9	-1.7	-1.2

See main text.

Review of past week's data

Trade balance

Nsa

	Sep	Oct	Nov	
NZ$ mn	-454	-224	~~-200~~	*-186*

Building consents

Sa

	Sep	Oct	Nov	
%m/m	0.8	-1.9	~~5.0~~	*8.8*
%oya	-9.7	-17.4	~~-14.1~~	*-8.7*

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Global Essay

- **US and EM set to drive strong global growth in coming quarters**
- **Important policy challenges remain in Emerging Markets and Euro area**
- **China's December activity readings will be solid amid a temporary drop in inflation**
- **Rising DM inflation will trigger varied policy responses**

The big policy calls are in Asia and Europe

Our positive baseline outlook for the year ahead revolves around an interpretation of the reacceleration now taking hold in the US. Corporates ended last year in a strong position with rising profit margins and an improving competitive position in global markets. Last week we learned that a bounce in consumption in the final quarter of 2010 has also sharply accelerated a needed adjustment in stockbuilding. From an elevated 7.6% annualized rate of growth in 3Q10, nonfarm inventories are now estimated to have risen at about a 2% pace last quarter. Firms thus appear poised to expand this year, as levels of capital equipment and inventories look lean. With this lift complemented by a rotation in household demand toward the service sector, the prospects for strong employment growth are good. When coupled with solid performance in EM, the US outcomes in the coming quarters—close to 4% GDP growth, 200,000 monthly private payroll gains, and a double-digit annualized rise in residential construction—should confirm that the global expansion has found firm footing.

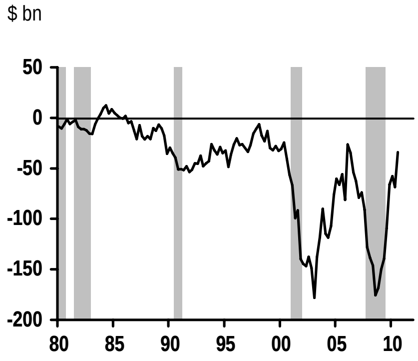
While the dynamics of US growth will be front and center this year, US policy challenges will be a sideshow. The Federal Reserve is likely to complete its LSAP plan and remain comfortably on hold as core inflation stabilizes below 1%. State and local finances are improving sufficiently such that they are unlikely to place a major drag on growth. And the upcoming debate about extending the debt ceiling limit is likely to be characterized by significant sound and fury without it threatening to alter macroeconomic outcomes. The main event in policy space this year will take place in EM Asia and continental Europe.

EM Asian officials have yet to meaningfully normalize monetary policy from a recession-fighting stance. Against this backdrop, regional growth is rebounding, and inflation pressure is building. Last week's China releases should reinforce the message on growth. In addition to a solid set of December readings, we are expecting a pickup in GDP growth to a 9.5%q/q saar in 4Q10. Inflation is also moving higher due to accelerating food prices and rising core inflation. Although this week's release is expected to show a drop in Chinese inflation to 4.4% in December, we expect that headline inflation in China will rise above 5% again sometime during the first half of 2011. Elsewhere in Emerging Asia, rising global food and oil prices have led to higher-than-expected inflation prints recently. Last week, Indian WPI inflation rose to 8.4%oya in December, well above the 6% level that Indian authorities had hoped it would fall toward. Across the region, we are in the process of revising up our inflation forecasts for the year to reflect the powerful mix of high utilization rates, strong growth, and rising global commodity prices.

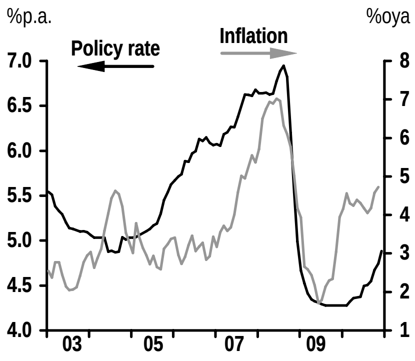
The pressure for a more substantial adjustment is building, and more action can be expected. Last week, Korea unexpectedly raised its policy rate 25bp, stating that it was acting to curb inflationary expectations. China raised reserve requirements again, following on the heels of last month's rate hike. In India, a rate hike on January 25 is now almost certain. We believe that the case for a 50bp hike is building, in part to compensate for the pause in December.

Although rate adjustments across the region are expected

US: state and local gov't budget balance



Policy rate and headline inflation, EM Asia



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Cumulative fiscal funding needs
€ bn, cumulative from 2011

	2013	2015	2020	EFSF/EFSM/IMF capacity
ire (grc beg 2013)	115	218	507	565
ire, prt (grc beg 2013)	156	293	651	565
ire, prt, esp (grc beg 2013)	513	837	1,517	565

Note. Funding needs include maturing bonds and new issuance to fund the deficit. T-bills are excluded as peripheral economies are already funding at reasonable rates in these markets. Greece is assumed to tap the EFSF/EFSM/IMF program when the bilateral aid ends in 2012. EFSF funding capacity is less than the full E440bn given the capital needs to maintain AAA rating, and the capacity falls further if Italy were to tap the facility.

to continue, and be complemented by other measures—including more flexibility on currency appreciation—we are not convinced that policy will move sufficiently to contain inflation pressures in the region. China remains the regional linchpin and is likely to continue moving incrementally—reflecting its view that economic growth is the highest policy priority. The failure of EM Asian policy to normalize and decouple from the Fed is a major medium-term risk to the global expansion. It poses the threat that Asian economies could overheat during 2012-3. It also increases the risk of a more synchronized global adjustment at the time the Fed begins its exit strategy, a prospect that raises the specter of a disruptive 1994-style event.

Hopeful signs on EMU policymaking

Policy challenges do not end at EM borders. Fiscal stresses in the periphery of the Euro area continue to ferment. However, we are cautiously optimistic that European officials will take the necessary steps to contain the debt crisis in 2011. In this regard, the European Commission's proposal last week to increase the size of the EFSF and broaden its scope was welcome news.

Our view has been that, owing to institutional constraints, policymakers would continue to be more reactive than proactive in addressing the fiscal crisis. This pattern was clearly on display last year when the blueprint for the current liquidity hospital was forged only in response to extreme financial market distress that brought the Euro experiment to the brink of its existence. But this pattern may have been broken. Based on the EC proposal, discussions appear to revolve around significantly increasing the EFSF's lending capacity, enabling it to buy sovereign debt in the secondary markets, allowing it to provide short-term loans, and giving it the ability to provide capital injections to banks. Also on the table are the terms and conditions of the loans, especially the borrowing cost.

Some new information may come from this week's EcoFin meeting and the Council meeting in two weeks' time. As we argued in a policy proposal report in mid-December, the least costly option is to reduce the borrowing rate to something closer to 100bp above Germany than the current rate of roughly 300bp ("A way out of the EMU fiscal crisis," *Global Issues*, December 16, 2010). At the same time, the liquidity hospital, which includes EFSF, EU, and IMF support, needs to be expanded considerably for it to have market impact. A credible backstop for the gross funding needs of Greece, Ireland, and Portugal would require the lending capacity of the liquidity hospital be expanded to €651 billion from the current capacity of €565 billion, an extension on the order of what has been rumored last week. That said, if Spain were to check into the liquidity hospital, the gross funding needs jump to €837 billion through 2015 and €1.5 trillion through 2020.

Short of a more comprehensive resolution from policymakers, market pressures are bound to build. There is widespread expectation that Portugal will check into the liquidity hospital. Although the fundamental situation in Portugal are not as extreme as in Greece and Ireland, recent improvements are less than they appear. The Portuguese government met its fiscal target last year but this owes largely to a one-off transfer of pension assets in December from Portugal Telecom. Excluding this transfer, there was much less consolidation despite somewhat stronger-than-expected growth. With economic activity looking to have contracted significantly toward the end of last year, additional fiscal tightening will be difficult.

DM inflation to bring varied responses

December inflation reports show that rising commodity prices are spreading from the EM to developed-market (DM) shores. Available reports show that headline inflation moved up across the board, mostly on the back of higher energy prices, although higher food prices also are playing a role. This week's inflation release from the United Kingdom should continue the trend, with the rate forecast to increase to 3.5%oya. DM inflation is expected to climb further in coming months, since recent increases in global agricultural and oil prices will produce positive base effects in consumer food and energy prices at least through the middle of the year.

Whereas rising headline inflation is pressuring EM central banks to escalate rate normalization, the implications for

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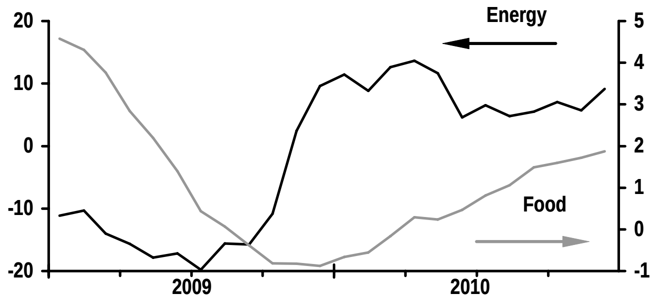
DM energy and food CPI indexes

%oya; both scales; w/ Dec est



policy are more varied in the developed world. The Fed is firmly focused on the extremely low rate of core inflation and the high rate of unemployment and is virtually certain to look through the anticipated increase in US headline inflation in coming months. The same is true in Japan.

In contrast to the Fed, the ECB signaled last week that its tolerance for higher inflation is more limited. Euro area headline inflation reached 2.2%oya in December, which is above the ECB's target, and we now look for it to remain above this level through midyear. We maintain our call that the ECB will leave rates on hold this year, but the risks of an earlier move are rising, particularly if the inflation rate remains elevated for a more extended period and this is accompanied by a move up in core inflation. A successful effort to contain the sovereign debt crisis also would open the door to an earlier move.

In the UK, persistent upside inflation surprises, rising commodity prices, and optimism on the global growth outlook have prompted markets to price a greater than 50% chance of a rate hike at May's MPC meeting. We doubt that the MPC will hike so soon, although we did recently revise our policy call to include a rate hike toward year-end. Higher commodity prices will amplify the MPC's embarrassment at inflation outcomes in the near term, but it is unlikely to change its view that inflation will return to the target two years hence. Moreover, the measures of inflation expectations the MPC is most sensitive to, namely those derived from markets and the behaviour of nominal wages, remain contained. A significant margin of slack remains, and growth in services activity has weakened even as the manufacturing sector has sustained a solid upswing. In coming days, we expect MPC moderates to argue for sustained policy ease ahead of February's inflation report.

In the handful of smaller DM countries where officials already have begun to normalize policy rates, rising headline inflation likely will reinforce their conviction to move along this path. Thus, we continue to look for rate hikes this quarter in Norway and Sweden, and in April in Canada. The RBA was expected to hike this quarter as well, but this has been delayed until May due to the disastrous floods. There inevitably will be a massive rebuilding exercise, which some authorities believe will be of postwar proportions. This will occur against a backdrop of already limited spare capacity, adding to inflation pressures. The "terminal cash rate" for this cycle, therefore, could be higher than the 6.25% currently forecast.

Poland uses FX to fight inflation

Despite the existence of resource slack in much of the region, a number of CEEMEA central banks are turning more hawkish as rising food and energy prices push inflation above target. Last week we brought forward the start to the NBP's rate hiking cycle in Poland to this week from March, while the SARB in South Africa is now projected to hike in November rather than early next year. Similarly, central banks in Hungary, Russia, and Israel, which have already started normalizing policy rates, are expected to raise rates further this month. Unlike their counterparts throughout the EM, policymakers in Poland appear willing to use the currency to control imported inflation. The NBP Governor, who previously opposed tightening, said rate hikes were now needed to strengthen the zloty and cap inflation expectations. The pace of rate hikes is likely to be gradual as currency strength will help tighten monetary conditions, capping the cumulative hike in rates at 75-100bp this year. Still, in complementing rate hikes with currency moves, Poland stands out in its balanced approach to policy normalization.

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J.P.Morgan

JPMorgan View - Global Markets

Global positives for risk assets dominate local threats

- **Economics:** Continued strong activity data point to further upside risk on global growth. US 1Q raised, even as we lower 4Q10.
- **Asset allocation:** Being long equities versus government debt remains our favourite position.
- **Fixed income:** Stay short in EM and Euro area peripherals. UK money market curve prices tightening too soon.
- **Equities:** Very strong momentum in prices, flows, positions, and earnings keeps us bullish.
- **Credit:** Stay defensive on tax-exempt US Municipal bonds.
- **FX:** Cover EUR short on positive EMU event risk and move to USD funding for longs in CHF, CAD, and SEK.
- **Commodities:** We switch from WTI to Brent as our new benchmark for oil prices. We take profits on our longs in Gold and Palladium and we switch from Grains into Corn. Also reduce risk on the long in Brent.

A **battle between bullish global forces and bearish local threats** has been raging all last year and will continue to be fought this year. The bullish global forces are the world economic recovery, a gradual fall in uncertainty, and still attractive risk premia offered in many markets. In the other corner stand the more local risk factors of the worsening balance sheets of public sector authorities in the older economies and rising inflation in emerging markets.

We stay of the view that the **global bullish forces for economies and risk markets are set to dominate these local threats over the course of the year.** And indeed, economic activity data are continuing to come in stronger than our already-raised global growth projections. This has allowed us and the market to steadily raise 2011 growth forecasts for the past three months now, while noting continued upside risk (chart, next page).

The **worsening credit quality of public sector issuers** in developed markets is a negative for central government and local authority debt. And funding problems are forcing these governments to take remedial action on their finances. But these actions appear relatively balanced between doing too much—bringing the DM economies down again—and doing too little—causing a disruptive spike in borrowing costs for all.

News flow and market activity in **EMU and Munis** were mixed last week. In Europe, rapidly worsening funding conditions for EMU periphery banks and sovereigns appear to have forced policymakers' hands with rumours that meetings of Finance Ministers and Prime Ministers over the next few weeks will provide remedial actions (see below). Our best guess is that such actions are unlikely to be final and that 2011 promises to be more of a muddle-through year for EMU.

Another stress point is the **US State and Local market**. The primary market remains open as cities and states continue to raise funds, but funding conditions are clearly not easy. Increasing attention on solvency and continued strong net fund redemptions are keeping tax-exempt Muni bonds under pressure. The imbalance of demand and supply is especially severe at the long end of the curve after the end of the Build American Bond program. We do not see immediate relief in the tax-exempt Muni market and stay defensive.

The **EM inflation threat** is real and will require a growing number of EM central banks to tighten monetary conditions through rate hikes, increases in reserve requirements, and currency appreciation. At issue for risk markets is whether EM central banks are way behind the curve and will need soon to step seriously on the brake to prevent a disruptive rise in inflation. Our view is that rate markets in EM Asia and Latin America on average indeed underestimate how much rates will rise. We thus generally like their currencies but are short their bonds. But we do not see a massive rise in EM rates that would require us to lower growth forecasts and go short equities. The EM inflation threat does contribute to our underweighting EM versus DM equities.

In sum, the bullish global forces keep us overweight risky assets in aggregate, despite local dangers. We do underweight asset classes vulnerable to these local threats, and accept that from time to time, these local factors will become overwhelming. They may then require us to reduce risk, but only with the intention to move back in when the coast seems clearer again.

Fixed income

A mixed week saw core Europe underperforming heavily, as the ECB adopted a more hawkish stance on inflation. Stubbornly high inflation has also prompted a repricing of the UK money market curve, with a midyear hike from the Bank of England now fully priced. That seems too soon to us, and we recommend longs at the very front end of the sterling curve. We also keep our overweight in German Bunds. But the risks of early tightening are clearly rising in Europe.

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That is even more true of EM, where a lack of spare capacity and rising food prices (more important for EM than DM) are fueling inflation. Indeed, China raised reserve requirements once again last week, and the Bank of Korea surprised the market by hiking rates. **We stay short in EM local markets, focusing on Latin America and Asia, where growth is strongest.** See S. Sclater Booth, *Introducing the JPMorgan GBI-EM Model Portfolio*, for a wide range of recommendations across local markets.

European peripherals rallied very strongly, driven by a step up in ECB buying, successful Spanish and Portuguese auctions, and swirling rumours of changes to the EFSF rescue fund. It is unclear what EU leaders intend to do. They could perhaps enlarge the fund, allow it to buy bonds in the secondary market, or reduce the interest rate on its lending. Nor is it clear when they intend to do this (the EU summit on February 4 is one possibility). A substantial bond purchase program, or measures to address fiscal sustainability like subsidized lending, would be a game changer. Weaker measures would see spreads drift wider again. We stay underweight peripherals for now.

Equities

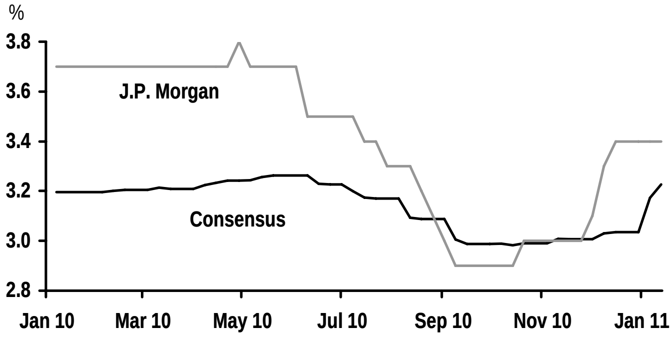
Equities continued to rise for a seventh straight week on better-than-expected economic data. The **4Q US reporting season** is providing additional support, confirming that the two-year-long uptrend in revenues and profits remains intact.

Both S&P500 sales and EPS are beating bottom-up consensus for an eighth straight quarter. Incrementally, there is **more improvement in revenue beats** (68% in the 4Q reporting season vs. 59% in the previous two quarters). This is important. With profit margins likely to peak this year, reporting seasons rely more on revenues to generate surprises.

Very **strong momentum in prices, flows, positions, and earnings** keeps us with an overall bullish stance. The support from positions is shown in the **sharp decline in short interest** in NYSE stock exchange, which at the end of December declined to its lowest level since the end of 2007.

Looking at flows, **retail investors continued to pour more money into DM equity funds relative to EM** (see Friday's *Flows & Liquidity*). This is another reason to underweight EM vs. DM equities, a position we opened on January 5. Additional factors that motivated this trade were 1) a narrowing growth differential between EM and DM as suggested by recent IP performance, 2) higher inflation and

2011 global GDP growth forecasts: J.P. Morgan versus consensus



central bank tightening risks in EM, and 3) an intensification of currency intervention and capital controls in EM.

Our **sector momentum** strategy continues to perform well. This relative momentum strategy goes long the three best-performing sectors and underweights the three worst-performing based on past one-year returns. It has gained 1%ytd following a profit of 2.3% in December. It has been recovering steadily over the past 18 months, rising 18% since May 2009. The strategy remains long in Cyclical sectors: It currently favors Consumer Discretionary, Industrials, and Materials vs. Utilities, Healthcare, and Financials.

Credit

European banks continue to be the focus, with the European Banking Authority announcing another round of **stress tests** along with the rising anticipation of an enlarged EFSF facility to aid distressed EMU sovereigns. The perception that central banks and politicians are working on a solution had a calming effect on European bank debt, with spreads stabilizing last week. However, European banks continue to face many headwinds as uncertainty looms over the arrangement of a "bail-in" of senior bank bonds and regulatory risks remain elevated. Thus, we stay **cautious and underweight European senior bank debt**.

In contrast, **EM corporate bonds** continued to rally last week. EM dollar corporate spreads (CEMBI) are now trading close to our 2011 year-end target of 260bp and no longer look cheap. Despite that, demand for EM corporates is expected to be stay strong as new mandates are launched, and we **stay overweight** EM dollar corporates versus government bonds and US corporates (see *EM Corporates: Strategy Update*, W. Mar, January 13).

Foreign exchange

Since early December, we have argued that Europe's

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endgame would come in 1Q10 (see "Euro enters endgame mode," *FX Markets Weekly*, December 3). Europe's discussion of bail-ins crushed investor confidence so thoroughly last fall that two scenarios were likely when sovereigns and banks approached refundings in 1: either yields would soar, borrowers would loose market access and the euro would collapse; or Europe would upsize the EFSF, spreads would compress, and the euro would rally.

Only two weeks into 2011 it looks like Europe is veering much more quickly towards the second option, judging from the number of policymakers at the national and supra-national level who hinted at a comprehensive solution to be announced within the next two months. Unless European policymakers at every level have been speaking out of turn, it appears Europe has the audacity to propose a Big Bang—as the US did with TARP and the UK did with its bank recapitalization scheme. That possibility raises two related questions: what would such a package entail, and would it ease bond market stress sufficiently to drive the euro higher? Although Europe is unlikely to deliver the ideal package, it will probably deliver enough on enough fronts to force further short covering. **We neutralize short euro exposure** on the crosses this week. Forecasts are unchanged, as the baseline view has always assumed resolution of this crisis and a refocus on the dollar's liabilities during a global expansion.

We didn't expect European policymakers to be this preemptive, so recommended adding to shorts in the euro crosses last week were at the lows for some (EUR/CAD).We've also given back substantial profits on a long-standing EUR/CHF short. Europe may not detail its Big Bang until Feb 4 or even March 24 leaders' summit, but their intent seems clear and ambitious enough to justify a shift back into USD funding. We take losses on short EUR/CHF and EUR/CAD, and sell USD/CHF and USD/CAD. Also sell USD/SEK and buy a 3-mo range binary in NOK/SEK.

Commodities

Since October when we began our bullish call on commodities, the GSCI spot index has gained 19%. Although we remain bullish commodities in the medium term, we view the recent rally as overdone and current volatility levels as too low. **We now take profits on our longs in Gold and Palladium and we move our long in Grains to Corn only. We also reduce risk by half on our long in Brent** as the risk of OPEC action is increasing as prices test $100/bbl. We leave our longs in Copper and Sugar unchanged as the steep backwardation provides a strong carry cushion for index investors.

Ten-year Government bond yields

	Current	Mar 11	Jun 11	Sep 11	Dec 11
United States	3.32	3.40	3.60	3.65	3.70
Euro area	3.03	2.60	2.80	2.90	3.00
United Kingdom	3.61	3.60	3.70	3.85	4.05
Japan	1.20	1.15	1.25	1.30	1.35
GBI-EM	6.85				7.00

Credit markets

	Current	YTD Return
US high grade (bp over UST)	145	0.2%
Euro high grade (bp over Euro gov)	190	-0.2%
USD high yield (bp vs. UST)	559	1.4%
Euro high yield (bp over Euro gov)	563	1.3%
EMBIG (bp vs. UST)	279	0.9%
EM Corporates (bp vs. UST)	279	0.9%

Foreign exchange

	Current	Mar 11	Jun 11	Sep 11	Dec 11
EUR/USD	1.34	1.40	1.43	1.45	1.48
USD/JPY	82.9	81	80	79	78
GBP/USD	1.59	1.61	1.61	1.63	1.68

Commodities - quarterly average

	Current	11Q1	11Q2	11Q3	11Q4
Brent ($/bbl)	99	95	95	90	100
Gold ($/oz)	1361	1425	1475	1450	1500
Copper($/m ton)	9622	9650	9450	9750	10000
Corn ($/Bu)	6.49	6.00	5.90	5.70	5.60

Source: J.P. Morgan, Bloomberg, Datastream

For some time we have recommended Brent over WTI as a better expression of our bullish view on oil. **Today, the spread between front month Brent and WTI hit $8, the second highest ever**. WTI has been suffering from a build up of inventories at landlocked Cushing, the WTI pricing point, where logistical difficulties in removing the oil has depressed prices. Already last year, Saudi Arabia dropped WTI as their benchmark and this appears to be increasingly the consensus view. **We believe that although WTI remains an important benchmark for Canadian and inland US crudes, Brent is now a better gauge of the global oil market.**

AUD and NZD Commentary

- **Only two weeks into 2011 it looks like Europe is veering towards upsizing the EFSF, which has positive implications for AUD and NZD.**
- **However, floods in Queensland and further Chinese monetary normalization stress more caution towards AUD.**
- **Our trade portfolio currently includes a tactical AUD/CAD short position.**
- **Technicals - Short term corrective phase underway for AUD/USD and NZD/USD following the reversal from the December highs; MT bias stays bullish.**

- Only two weeks into 2011 it looks like Europe is veering towards upsizing the EFSF, judging from the number of policymakers at the national and supra-national level who hinted at a comprehensive solution to be announced within the next two months. Unless European policymakers at every level have been speaking out of turn, it appears Europe has the audacity to propose a Big Bang – as the US did with TARP and the UK did with its bank recapitalisation scheme. Although Europe is unlikely to deliver the ideal package, it will probably deliver enough on enough fronts to ease bond market stress sufficiently to drive the euro higher.

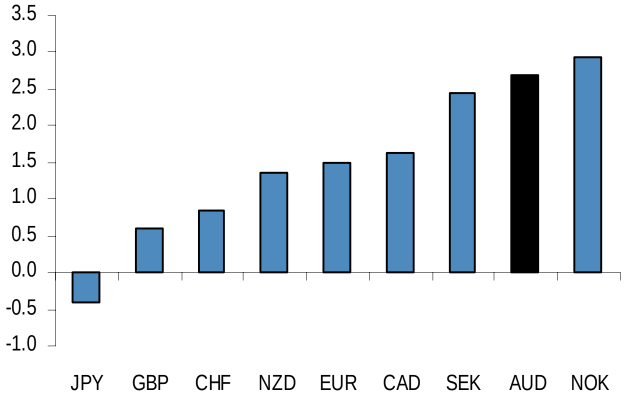
- The implications for AUD and NZD from spreads compressing can be seen in chart 1. Based on 2010 data, AUD tends to outperform G10 currencies from a decline in European CDS spreads, while NZD is middle of the pack. However, while an improvement in euro sentiment alone is bullish for Aussie, floods in Australia and further Chinese monetary normalization stress more caution towards AUD.

- The terrible floods in Queensland have depressed hopes for RBA tightening in the coming months and the latest hike in Chinese reserve requirements has reminded the market of the risks to AUD from rising Chinese inflation (even if historically, AUD is strongest when Chinese inflation is highest). Our trade portfolio currently includes a tactical AUD/CAD short position to exploit CAD outperformance from an improvement in US growth.

Technical analysis

- The short term setup has staged a bearish shift following the reversals from the December highs while suggesting a short term consolidation phase. Note this follows the test and failure against several key targets including the 1.0250/1.0320 resistance area for AUD/USD, as well as the .7839 for NZD/USD. With short term momentum measures now fully oversold, we are closely monitoring for signs of a sustained recovery - not there yet. In this regard, the bounce from the recent lows has developed in a corrective manner which seems consistent with the view for additional retracement. Still, the medium term bias stays bullish with new highs expected beyond this corrective phase.
- For AUD/USD, near term bounces should continue to find resistance at 1.0020/1.0080 which will define whether a retest, if not break of the high is underway. Note that breaks of the .9800 support area should set the stage for a deeper decline with risk initially into the .9755 area and then the critical .9537 December low.
- Similarly, NZD/USD remains vulnerable to additional weakness with breaks of support at .7550 area seeking a closer test of the .7445/.7345 area and ideal basing zone.

Chart 1: FX % change (appreciation vs. USD) from a 100 basis point decrease in Western Europe CDS spreads



AUD/USD - Weekly chart

Source: CQG Inc. © 2011 All rights reserved worldwide. http://www.cqg.com Fri Jan 14 2011 17:04:16

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Global Economic Outlook Summary

	Real GDP % over a year ago			Real GDP % over previous period, saar							Consumer prices % over a year ago			
	2010	2011	2012	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	4Q10	2Q11	4Q11	2Q12
The Americas														
United States	2.8 ↓	3.3	3.0	2.6	2.9 ↓	4.0 ↑	4.0	3.5	3.0	2.0	1.2	2.0	1.5	1.1
Canada	2.9	2.0	2.7	1.0	2.0	2.0	1.9	2.2	2.8	2.8	2.2 ↑	2.3 ↑	1.9 ↑	2.0 ↑
Latin America	6.1 ↑	4.5	4.2	2.6	4.0 ↑	4.4 ↓	5.5 ↓	3.8 ↓	4.2	4.0 ↑	6.7	6.9 ↑	7.3 ↑	7.5
Argentina	8.5	5.5	5.0	1.6	2.0	6.0	8.0	8.0	6.0	3.0	10.5	11.0	12.0	12.0
Brazil	7.7 ↑	4.5	4.5	2.1	4.2 ↑	5.4 ↓	4.4 ↓	4.0 ↓	5.2	5.0 ↑	5.6	5.9	5.6	6.2
Chile	5.5	6.0	5.0	8.1	6.0	5.0	4.0	4.0	4.0	6.0	3.2	3.6	3.8	3.8
Colombia	4.0	4.5	4.0	0.9	5.0	6.0	5.0	4.5	4.7	4.0	2.7 ↑	3.1 ↑	3.6 ↑	3.5
Ecuador	3.0	3.5	3.0	6.5	3.0	3.0	2.5	2.5	2.0	3.5	3.3	3.5	3.8	3.6
Mexico	5.4	4.5	3.5	3.0	4.1	3.0	8.0	2.8	3.1	2.5	4.2	3.6 ↑	3.7 ↑	3.6 ↑
Peru	8.8	6.5	6.0	6.7	8.0	5.5	5.0	5.5	5.0	7.0	2.1	2.5	2.4	2.8
Venezuela	-1.5	1.5	3.0	0.1	1.0	1.0	1.5	1.5	1.5	3.0	27.3	29.0	33.8	34.6
Asia/Pacific														
Japan	4.3	1.5	1.8	4.5	-1.5	1.0	2.0	2.5	2.0	1.8	-0.5	0.0	-0.2	-0.2
Australia	2.7	3.3	4.2	0.8	2.5	2.5	5.2	4.0	4.9	4.1	3.2	4.0 ↓	3.8 ↑	3.5 ↑
New Zealand	1.4	2.0	3.2	-0.6	0.7	2.0	2.6	5.2	4.8	1.1	2.8	4.9	4.7	4.1
Asia ex Japan	8.9	7.4	7.5	6.3	6.6 ↑	7.9	7.8	8.5	7.4	7.0	4.9 ↑	5.0 ↑	4.3 ↑	4.0 ↓
China	10.0	9.1 ↑	9.0	8.1	9.5 ↑	9.5	9.1	9.3	9.3	9.1	4.6 ↑	4.8 ↑	3.2	3.1 ↓
Hong Kong	6.6	4.1	4.8	2.8	3.5	4.2	4.3	4.7	5.0	5.2	2.5	2.2	2.4	3.2
India	8.5	8.8	8.4	14.2	2.5	8.0	10.0	14.0	6.0	5.0	9.5	8.1	8.7	8.3
Indonesia	6.0	5.4	6.7	4.7	7.0	5.3	5.2	4.5	5.0	7.0	6.3 ↑	8.2 ↑	7.6 ↑	5.5
Korea	6.1	4.2	4.5	3.0	2.0	5.5	4.0	4.5	5.5	4.0	3.6 ↑	3.8 ↑	3.4 ↑	3.1 ↓
Malaysia	6.8	4.2	4.4	-1.3	5.0	5.5	5.3	5.0	4.5	5.5	1.9 ↑	2.7 ↑	3.1 ↑	3.0
Philippines	7.0	4.5 ↑	5.2	-1.9	4.1	5.7	5.7	5.7	5.7	4.9	2.9	3.9 ↑	3.4 ↓	2.9 ↓
Singapore	14.7	5.0	5.6	-18.7	6.6	8.7	7.8	7.0	6.6	4.9	4.0 ↑	3.6 ↑	3.2	2.7 ↓
Taiwan	10.4	5.0	5.3	0.1	6.8	5.7	5.5	5.6	6.0	5.5	1.1	1.8	2.9	2.1
Thailand	7.9	5.0	4.8	-0.9	5.0	7.5	6.0	5.5	5.5	4.5	2.9 ↑	4.8 ↑	4.6 ↑	4.5
Africa/Middle East														
Israel	4.0 ↑	4.5	4.0	3.8 ↓	4.0 ↑	4.0	5.0	5.5	5.0	4.5	2.5 ↓	3.0	3.0 ↑	3.0
South Africa	2.8	3.3 ↑	3.6 ↑	2.6	4.4 ↑	3.1	3.2 ↑	3.4 ↑	2.9 ↓	4.2 ↑	3.5 ↓	4.1 ↑	5.5 ↑	5.0 ↑
Europe														
Euro area	1.7	1.7	1.9	1.4	1.5	1.5	1.5	1.8	2.0	2.0	2.0	2.0 ↑	1.7 ↑	1.3 ↑
Germany	3.6	3.0	2.2	2.8	3.0	2.5	2.5	2.3	2.3	2.3	1.6	1.7 ↑	1.5 ↑	1.0 ↑
France	1.5	1.6	2.0	1.2	2.0	1.0	1.5	2.0	2.0	2.0	1.9 ↑	1.6 ↑	1.4 ↑	1.1 ↑
Italy	1.1	1.4	1.7	1.0	1.0	1.5	1.5	1.8	1.8	1.8	2.0	2.0 ↑	1.7 ↑	1.5 ↑
Norway	2.0	3.1	2.6	3.7	3.5	3.0	3.0	2.8	2.8	2.5	2.0	2.0	1.6	1.1
Sweden	5.3	4.3	2.8	8.7	4.0	3.5	3.0	3.0	3.0	2.8	1.8	2.7	2.4	2.0
Switzerland	2.7	2.0	2.7	2.8	2.0	1.5	1.5	2.3	2.8	2.8	0.3 ↑	0.5 ↑	1.3 ↑	1.3 ↑
United Kingdom	1.6	2.5	3.1	2.9	0.5 ↓	3.0 ↑	2.5	3.0	3.0	3.0	3.3 ↑	3.7 ↑	3.5 ↑	2.1 ↑
Emerging Europe	4.0 ↑	4.0	4.6	-0.8	7.5 ↑	3.5 ↓	3.8 ↓	4.5	4.6	4.5	6.6 ↑	7.2 ↑	6.5 ↑	5.8 ↑
Bulgaria	0.1 ↑	3.5 ↑	4.0	...	...	...	...	...	...	...	...	...	...	...
Czech Republic	2.5	3.0	3.5	3.9	3.0	2.5	3.0	3.5	3.5	3.5	2.3	2.5	2.6	2.5
Hungary	1.2 ↑	2.8	3.5	3.2	2.0	2.5	3.0	3.5	3.5	3.5	4.4	4.2 ↑	4.4 ↑	3.6 ↓
Poland	3.7 ↑	4.0	4.2	5.3	3.8	3.5	4.0	4.5	4.5	4.2	2.9	3.4 ↑	3.1 ↑	2.8
Romania	-2.0	1.5	3.0	...	...	...	...	...	...	...	8.0	7.2	4.0	4.2
Russia	3.7 ↑	4.4 ↓	5.0	-3.8	11.0 ↑	4.0 ↓	4.0 ↓	5.0	5.0	5.0	8.2 ↑	10.2 ↑	9.0 ↑	7.8 ↑
Turkey	7.6	4.5	5.0	...	...	...	...	...	...	...	7.4	5.9 ↓	5.9 ↓	5.9 ↑
Global	3.8	3.4	3.5	2.9	2.8 ↓	3.5 ↑	3.7	3.7 ↓	3.5	3.1	2.6	3.0 ↑	2.6 ↑	2.3 ↑
Developed markets	2.6	2.5 ↑	2.5	2.4	1.7 ↓	2.6 ↑	2.7	2.7	2.6	2.1	1.5	1.9 ↑	1.6 ↑	1.2 ↑
Emerging markets	7.1 ↑	5.9	6.0	4.2	6.0 ↑	6.2 ↓	6.5 ↓	6.5 ↓	6.1	5.8 ↑	5.6 ↑	5.9 ↑	5.5 ↑	5.2
Memo:														
Global — PPP weighted	4.8	4.3 ↑	4.3 ↑	3.6	3.7	4.4 ↑	4.6 ↓	4.8	4.3	4.3	3.4 ↑	3.7 ↑	3.3 ↑	3.0 ↑

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Global Central Bank Watch

	Official interest rate	Current	Change from Aug '07 (bp)	Last change	Next meeting	Forecast next change	Mar 11	Jun 11	Sep 11	Dec 11	Mar 12
Global	GDP-weighted average	1.83	-313				1.90	1.99	2.08	2.15	2.19
excluding US	GDP-weighted average	2.48	-232				2.59	2.71	2.83	2.93	2.99
Developed	GDP-weighted average	0.62	-357				0.62	0.65	0.67	0.72	0.75
Emerging	GDP-weighted average	5.21	-189				5.48	5.75	6.00	6.15	6.23
Latin America	GDP-weighted average	7.28	-213				7.78	8.27	8.45	8.47	8.50
CEEMEA	GDP-weighted average	4.06	-296				4.23	4.38	4.76	5.19	5.48
EM Asia	GDP-weighted average	4.93	-133				5.14	5.39	5.60	5.69	5.69
The Americas	GDP-weighted average	1.29	-453				1.36	1.46	1.50	1.53	1.55
United States	Federal funds rate	0.125	-512.5	16 Dec 08 (-87.5bp)	26 Jan 11	On hold	0.125	0.125	0.125	0.125	0.125
Canada	Overnight funding rate	1.00	-325	8 Sep 10 (+25bp)	18 Jan 11	12 Apr 11 (+25bp)	1.00	1.25	1.50	1.75	2.00
Brazil	SELIC overnight rate	10.75	-125	21 Jul 10 (+50bp)	19 Jan 11	19 Jan 11 (+50bp)	11.75	12.50	12.50	12.50	12.50
Mexico	Repo rate	4.50	-270	17 Jul 09 (-25bp)	21 Jan 11	2Q 12 (+25bp)	4.50	4.50	4.50	4.50	4.50
Chile	Discount rate	3.25	-175	16 Dec 10 (+25bp)	17 Feb 11	17 Feb 11 (+25bp)	**3.75**	**4.25**	**5.00**	**5.50**	6.00
Colombia	Repo rate	3.00	-600	30 Apr 10 (-50bp)	28 Jan 11	Apr 11 (+25bp)	3.00	4.00	5.50	5.50	5.50
Peru	Reference rate	3.25	-125	6 Jan 11 (+25bp)	10 Feb 11	Apr 11 (+25bp)	3.25	4.00	4.50	4.50	4.50
Europe/Africa	GDP-weighted average	1.45	-321				1.49	1.53	1.61	1.73	1.83
Euro area	Refi rate	1.00	-300	7 May 09 (-25bp)	3 Feb 11	2Q 12 (+25bp)	1.00	1.00	1.00	1.00	1.00
United Kingdom	Repo rate	0.50	-500	5 Mar 09 (-50bp)	10 Feb 11	Nov 11 (+25bp)	0.50	0.50	0.50	0.75	1.00
Sweden	Repo rate	1.25	-225	15 Dec 10 (+25bp)	15 Feb 11	15 Feb 11 (+25bp)	1.50	1.75	2.25	2.75	3.00
Norway	Deposit rate	2.00	-250	5 May 10 (+25bp)	26 Jan 11	16 Mar 11 (+25bp)	2.25	2.50	2.75	2.75	3.00
Switzerland	3-month Swiss Libor	0.25	-225	12 Mar 09 (-25bp)	Mar 11	Jun 11 (+25bp)	0.25	0.50	0.75	1.00	1.25
Czech Republic	2-week repo rate	0.75	-200	6 May 10 (-25bp)	3 Feb 11	23 Jun 11 (+25bp)	0.75	1.00	1.25	1.75	2.00
Hungary	2-week deposit rate	5.75	-200	20 Dec 10 (+25bp)	24 Jan 11	24 Jan 11 (+25bp)	6.00	6.00	6.00	6.25	6.50
Israel	Base rate	2.00	-200	27 Sep 10 (+25bp)	24 Jan 11	24 Jan 11 (+25bp)	2.50	2.75	3.25	3.50	3.75
Poland	7-day intervention rate	3.50	-100	24 Jun 09 (-25bp)	19 Jan 11	19 Jan 11 (+25bp)	3.75	4.00	4.25	4.50	4.50
Romania	Base rate	6.25	-75	4 May 10 (-25bp)	3 Feb 11	3Q 11 (+25bp)	6.25	6.25	6.50	6.75	7.00
Russia	1-week deposit rate	3.00	0	24 Dec 10 (+25bp)	Jan 11	Jan 11 (+25bp)	3.50	3.75	4.00	4.25	4.50
South Africa	Repo rate	5.50	-400	18 Nov 10 (-50bp)	20 Jan 11	**4Q 11 (+50bp)**	5.50	5.50	5.50	**6.00**	**6.50**
Turkey	1-week repo rate	6.50	-1100	16 Dec 10 (-50bp)	20 Jan 11	20 Jan 11 (-50bp)	6.00	6.00	7.00	8.00	8.50
Asia/Pacific	GDP-weighted average	3.13	-106				3.25	3.41	3.55	3.61	3.62
Australia	Cash rate	4.75	-150	2 Nov 10 (+25bp)	31 Jan 11	**May 11 (+25bp)**	4.75	5.00	5.25	5.50	5.50
New Zealand	Cash rate	3.00	-500	29 Jul 10 (+25bp)	27 Jan 11	9 Jun 11 (+25bp)	3.00	3.25	3.50	3.75	3.75
Japan	Overnight call rate	0.05	-45	5 Oct 10 (-5bp)	25 Jan 11	On hold	0.05	0.05	0.05	0.05	0.05
Hong Kong	Discount window base	0.50	-625	17 Dec 08 (-100bp)	27 Jan 11	On hold	0.50	0.50	0.50	0.50	0.50
China	1-year working capital	5.81	-76	26 Dec 10 (+25bp)	1Q 11	1Q 11 (+25bp)	6.06	6.31	6.56	6.56	6.56
Korea	Base rate	**2.75**	-175	**13 Jan 11 (+25bp)**	10 Feb 11	2Q 11 (+25bp)	2.75	3.00	**3.25**	**3.50**	**3.50**
Indonesia	BI rate	6.50	-200	5 Aug 09 (-25bp)	4 Feb 11	5 Apr 11 (+25bp)	6.50	7.00	7.25	7.25	7.25
India	Repo rate	6.25	-150	2 Nov 10 (+25bp)	25 Jan 11	25 Jan 11 (+25bp)	**6.75**	**7.00**	**7.25**	**7.50**	**7.50**
Malaysia	Overnight policy rate	2.75	-75	8 Jul 10 (+25bp)	27 Jan 11	Mar 11 (+25bp)	3.00	3.25	3.25	3.25	3.25
Philippines	Reverse repo rate	4.00	-350	9 Jul 09 (-25bp)	10 Feb 11	4Q 11 (+25bp)	4.00	4.00	4.00	4.25	4.25
Thailand	1-day repo rate	**2.25**	-100	**12 Jan 11 (+25bp)**	9 Mar 11	2Q 11 (+25bp)	2.25	2.50	2.50	2.50	2.50
Taiwan	Official discount rate	1.625	-150	30 Dec 10 (+12.5bp)	Mar 11	Mar 11 (+12.5bp)	1.75	1.875	2.00	2.125	2.25

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

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Economic forecasts - Australia

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

				2010			2011				2012			
	2010	2011	2012	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Chain volume GDP	2.7	3.3	4.2	4.6	0.8	2.5	2.5	5.2	4.0	4.9	4.1	3.0	4.3	5.3
Private consumption	2.6	1.9	2.1	5.9	2.4	0.8	1.2	2.0	2.4	2.0	1.6	2.4	2.4	2.0
Construction investment	2.9	7.0	6.1	11.9	4.5	8.3	4.6	9.7	6.7	5.9	4.7	7.1	6.4	4.8
Equipment investment	-3.8	13.7	17.7	-16.9	-3.6	27.6	8.7	27.7	15.5	22.6	22.6	8.6	13.1	17.7
Public investment	28.6	8.9	13.7	-15.0	7.9	10.6	10.1	15.9	8.1	9.7	14.5	15.6	16.9	20.4
Government consumption	3.3	4.4	3.2	6.6	1.8	2.0	4.5	8.0	4.3	4.1	2.2	2.2	2.2	2.2
Exports of goods & services	4.6	2.8	5.0	25.6	-9.3	0.4	3.2	4.9	4.9	4.1	4.1	6.1	6.1	6.1
Imports of goods & services	12.4	6.3	7.8	16.5	-2.2	4.1	6.1	10.4	8.2	5.7	5.7	12.6	8.2	4.9
Contributions to GDP growth:														
Inventories	0.2	-0.3	0.1	-2.1	-0.8	0.0	-0.2	-0.3	0.2	0.4	0.0	0.0	0.0	0.0
Net trade	-1.6	-0.8	-0.7	1.8	-1.8	-0.8	-0.7	-1.2	-0.8	-0.4	-0.4	-1.5	-0.6	0.2
GDP deflator (%oya)	4.8	3.3	2.7	5.4	6.8	5.9	4.8	3.1	2.7	2.7	2.7	2.7	2.8	2.7
Consumer prices (%oya)	3.0	3.8	3.4	3.1	2.8	3.2	3.6	4.0	4.0	3.8	3.5	3.4	3.4	3.4
Producer prices (%oya)	2.1	3.4	4.0	2.5	1.5	4.5	2.9	2.7	4.0	4.0	4.0	4.0	4.0	4.0
Trade balance (A$ bil, sa)	-6.8	24.0	30.4	7.0	6.5	4.8	4.9	5.5	6.4	7.2	7.7	7.2	7.4	8.1
Current account (A$ bil, sa)	-51.4	-33.5	-29.6	-5.4	-7.8	-8.9	-9.1	-8.7	-8.2	-7.6	-7.3	-7.8	-7.6	-6.9
as % of GDP	-4.1	-2.3	-1.9	-1.6	-2.3	-2.6	-2.6	-2.4	-2.3	-2.1	-2.0	-2.0	-2.0	-1.8
3m eurodeposit rate (%)*	6.0	5.6	6.0	3.5	4.3	4.9	5.3	5.5	5.8	6.0	6.0	6.0	6.0	6.0
10-year bond yield (%)*	5.6	5.5	5.5	5.5	5.1	5.5	5.5	5.6	5.6	5.5	5.5	5.5	5.5	5.5
US$/A$*	0.75	1.02	0.97	0.82	0.88	1.01	1.00	1.01	1.03	1.04	1.02	0.98	0.95	0.92
Commonwealth budget (FY, A$ bil)	-51.0	-26.0	-8.0											
as % of GDP	-3.8	-1.8	-0.5											
Unemployment rate	5.3	5.3	4.9	5.2	5.2	5.3	5.3	5.2	5.1	5.0	4.9	4.9	4.8	4.8
Industrial production	4.6	0.0	1.0	-4.1	0.6	-2.0	0.0	1.0	2.0	3.0	1.0	2.0	-2.0	3.0

*All financial variables are period averages

Australia - summary of main macro views

- We have trimmed the 2011 **GDP growth** forecast to 3.3% (from 3.7%), owing to the floods in Queensland. We are comfortable with the investment outlook (particularly in mining), but remain cautious on consumers, who face more interest rate pain. We lifted the 2012 forecast to 4.2% (from 4.0%) as exports will rebound.
- **Business investment** probably will rise strongly in 2011, with mining leading the way (again), particularly with some of the mining tax roadblocks 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 has cooled, particularly at the low end of the price spectrum.
- **Consumer confidence** deteriorated in 2010 as mortgage rates rose. The index rebounded in October, fell in November, but edged higher in December. Optimists outnumber pessimists, but rate hikes are starting to hurt.
- **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.
- We now expect the next **RBA** rate hike in May, not February as before. Officials have been tightening ahead of the substantial boost to national income from the booming terms of trade; that particular story remains on track, even though officials likely will tread carefully in the near term.
- The **Labor government** rules in the lower house of Parliament only via the support of a Greens MP and key independents. A fragile minority government risks delivering policy timidity.

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Economic forecasts - New Zealand

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

				2010			2011				2012			
	2010	2011	2012	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real GDP (1995-96 prices)	1.4	2.0	3.2	0.5	-0.6	0.7	2.0	2.6	5.2	4.8	1.1	3.0	4.3	2.3
Private consumption	2.1	2.0	2.8	0.6	2.0	1.0	2.0	2.0	4.0	2.5	2.6	2.8	3.0	3.0
Fixed Investment	2.2	5.1	5.3	26.8	-6.9	6.5	5.6	4.7	5.1	5.5	6.3	4.9	5.0	4.0
Residential construction	6.3	6.9	4.8	53.7	-26.4	20.0	12.0	4.4	4.4	4.8	5.6	5.2	4.0	4.0
Other fixed investment	1.4	4.7	5.4	22.0	-2	4.0	4.4	4.8	5.2	5.6	6.4	4.8	5.2	4.0
Inventory change (NZ$ bil, saar)	-0.5	0.2	0.3	-0.7	0.1	0.1	0.1	0.0	0.1	0.1	-0.1	0.0	0.2	0.2
Government spending	2.0	1.3	1.3	2.0	-2.9	1.1	2.2	2.2	2.2	2.2	0.8	0.8	0.8	0.8
Exports of goods & services	2.5	4.5	5.8	2.3	-4.5	3.0	6.0	7.0	8.0	9.0	4.0	5.0	4.0	5.0
Imports of goods & services	8.3	6.8	5.6	1.2	12.5	8.0	7.0	6.0	5.0	4.0	6.0	6.0	6.0	8.0
Contributions to GDP growth:														
Domestic final sales	2.5	2.5	3.3	8.1	-3.6	2.4	3.0	2.8	4.1	3.2	3.4	3.1	3.2	3.0
Inventories	0.9	0.5	0.1	-7.6	9.1	0.1	-0.5	-0.3	0.3	0.1	-1.4	0.5	1.9	0.6
Net trade	-2.0	-1.0	-0.1	0.3	-5.6	-1.8	-0.6	0.1	0.8	1.5	-0.8	-0.5	-0.9	-1.3
GDP deflator (%oya)	1.8	2.0	1.6	1.6	2.2	3.3	2.6	2.1	1.9	1.6	1.1	1.5	1.9	2.0
Consumer prices	2.0	4.7	2.6	0.7	4.4	4.6	5.1	5.3	5.2	3.2	2.9	2.9	2.5	2.2
%oya	2.0	4.6	3.3	1.7	1.5	2.8	3.7	4.9	5.0	4.7	4.1	3.5	2.9	2.6
Trade balance (NZ$ bil, sa)	3.1	1.8	2.1	1.2	0.8	0.1	0.2	0.5	0.6	0.5	0.6	0.4	0.4	0.7
Current account (NZ$ bil, sa)	-6.6	-5.5	-1.1	-1.9	0.0	-3.5	-1.2	-3.3	-1.3	-0.7	-0.2	-5.2	-0.2	-0.8
as % of GDP	-3.6	-2.8	-0.5	-4.1	0.1	-7.4	-6.9	-2.6	-1.5	-0.4	-0.4	-1.6	-1.0	0.9
Yield on 90-day bank bill (%)*	3.0	3.0	3.8	2.9	3.2	3.2	2.7	2.9	3.3	3.3	3.5	3.8	4.0	4.1
10-year bond yield (%)*	5.5	5.5	4.9	5.6	5.2	5.5	5.9	5.7	5.3	5.1	5.1	4.9	4.8	4.8
US$/NZ$*	0.72	0.79	0.78	0.70	0.72	0.76	0.77	0.78	0.79	0.80	0.80	0.78	0.76	0.76
Commonwealth budget (NZ$ bil)	-7.2	-9.8	-5.0											
as % of GDP	-3.9	-5.1	-2.5											
Unemployment rate	6.4	6.5	5.4	6.9	6.4	6.4	6.0	6.8	6.7	6.4	5.7	5.6	5.4	4.9

*All financial variables are period averages

New Zealand - summary of main macro views

- The **New Zealand economy** contracted 0.2%q/q in 3Q. The economy has expanded less than 2% since it exited recession more than a year ago.
- Post-earthquake reconstruction work, higher export volumes and elevated commodity prices, and the positive economic effects related to the Rugby World Cup will help **GDP accelerate in 2011.**
- The recent surge in imports of capital goods—up 30% over the last six months—suggests that **business investment** will pick up; hence, the recovery in the labour market should gain traction.
- The **unemployment** rate dropped 0.5%-points to 6.4% in 3Q, although is only a notch lower than the 6.5% rate recorded a year earlier.
- The **RBNZ** left the OCR unchanged in December and delivered a more dovish statement. We expect the next rate hike to be delivered in June and an OCR of 3.75% at end-2011.
- Headline **inflation** at 1.5%oya in 3Q is below the middle of the RBNZ's 1%-3% target range, although this precedes what we expect will be a series of elevated prints commencing 4Q.
- **Inflation expectations** have remained anchored despite the October 1 GST hike. Two-year inflation expectations held steady in 4Q, with respondents expecting inflation in two-years' time to average 2.6%oya.

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Australia and New Zealand economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
17 Jan **Australia:** New motor vehicle sales (11:30 am) Nov 1.0%m/m, sa	**18 Jan**	**19 Jan** **Australia:** Westpac consumer confidence (11:30 am) Jan -5.0%m/m, sa	**20 Jan** **New Zealand:** CPI (10:45 am) 4Q 4.6%oya	**21 Jan** **Australia:** Export price index 4Q -5.0 %q/q, sa Import price index 4Q -2.5%q/q, sa **New Zealand:** Retail sales (1:00 pm) Nov 0.6%m/m, sa
24 Jan **Australia:** PPI 4Q	**25 Jan** **Australia:** CPI 4Q	**26 Jan** **New Zealand:** Credit card spending Dec *Holiday: Australia*	**27 Jan** **Australia:** Westpac leading index Nov **New Zealand:** Official cash rate Jan	**28 Jan**
31 Jan **Australia:** Pvt. sector credit Dec **New Zealand:** Building permits Dec Trade balance Dec	**1 Feb** **Australia:** NAB business confidence Dec RBA cash target Feb **New Zealand:** Pvt. wages 4Q	**2 Feb**	**3 Feb** **Australia:** Building approvals Dec Trade balance Dec **New Zealand:** Unemployment rate 4Q	**4 Feb**
7 Feb **Australia:** ANZ job ads Jan Retail sales Dec	**8 Feb**	**9 Feb** **Australia:** Westpac consumer confidence Feb	**10 Feb** **Australia:** Unemployment rate Jan	**11 Feb**

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Global Data Diary

Week / Weekend	Monday	Tuesday	Wednesday	Thursday	Friday
17 - 21 January	**17 January**	**18 January**	**19 January**	**20 January**	**21 January**
	Japan • Consumer sent (Dec) • Shirakawa speech **Singapore** • NODX (Nov) **United States** • Martin Luther King, Jr Day; markets closed	**Canada** • BoC mtg: no chg **United Kingdom** • CPI (Dec) **United States** • NY Fed surv (Jan) • NAHB surv (Jan)	**Brazil** • COPOM mtg: +50bp **Poland** • NBP mtg: +25bp **United Kingdom** • Labor mkt report (Dec) **United States** • Housing starts (Dec)	**China** • GDP (4Q) • CPI, FAI, retail sales, IP (Dec) **Japan** • Reuters Tankan (Jan) **Poland:** IP (Dec) **South Africa** • SARB mtg: no chg **Taiwan:** Export orders (Dec) **Turkey** • CBRT mtg: -50bp **United States** • Exstng home sales (Dec) • Philly Fed surv (Jan)	**Japan** • BoJ loan officers srv (4Q) **Germany** • IFO bus surv (Jan) **Mexico** • Banxico mtg: no chg **United Kingdom** • Retail sales (Dec)
24 - 28 January	**24 January**	**25 January**	**26 January**	**27 January**	**28 January**
Russia • CBR mtg: +25bp	**Euro area** • Industrial orders (Nov) • PMI flash (Jan) **France** • INSEE bus conf (Jan) **Hungary** • NBH mtg: +25bp **Israel** • BoI mtg: +25bp **Singapore** • CPI (Dec) **Taiwan** • IP (Dec)	**Canada** • CPI (Dec) **Germany** • GfK cons conf (Feb) **India** • RBI mtg: +25bp **Japan** • BoJ MPM: no chg **Russia** • IP (Dec) **United Kingdom** • GDP (4Q) **United States** • Case-Shiller HPI (Nov) • CB cons conf (Jan)	**Japan** • Shoko Chukin (Dec) **Korea** • GDP (4Q) **Norway** • Norges Bank mtg: no chg **Singapore** • IP (Dec) **United Kingdom** • BoE MPC minutes (Jan) **United States** • New home sales (Dec) • FOMC mtg: no chg	**Brazil** • COPOM minutes (Jan) **Euro area** • EC bus conf prelim (Jan) • EC cons conf prelim (Jan) **Germany:** CPI prelim (Jan) **Japan** • Trade report (Dec) **New Zealand** • RBNZ mtg: no chg **United States** • Durable goods (Dec) • Pending home sales (Dec)	**Colombia** • BanRep mtg: no chg **France** • INSEE cons conf (Jan) **Japan** • Core CPI (Dec) • Hhold spending (Dec) • Labor mkt report (Dec) • Retail sales (Dec) • MPM minutes (Dec) **United States** • GDP (4Q) • UMich cons sent final (Jan)

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