J.P.Morgan

Australia and New Zealand - Weekly Prospects

Summary

- Last week's remarkably strong **Aussie** employment numbers are not enough to push the RBA over the line for a March rate hike. After all, hours worked fell during the month—the huge jobs gain masks what could be underlying weakness, and the leading indicators have softened. Moreover, since the RBA's surprise decision two weeks ago to leave the policy rate unchanged, other data has disappointed—retail sales, home loans, and consumer confidence each fell. The next move in the cash rate will be a quarter point hike in April. This week sees two important RBA events, each of which will colour thinking about the next move. First, Tuesday sees the release of the minutes from the February meeting—the key will be the degree to which Board members were unclear about how consumers were coping with last year's rate hikes. On Friday, Governor Stevens fronts a Parliamentary committee in Canberra. Topics of interest will include (of course) the rate decision, the situation in Greece, the imminent withdrawal of the bank guarantee, and any other potential political point-scorers sitting MPs can come up with.

- In **New Zealand**, with data last week showing that consumer spending stalled and housing activity eased, it appears the domestic economy already is losing momentum. Solid net permanent migration flows, low interest rates, and significant discounting among retailers was not enough to entice consumers to open their purse strings late last year. The good news is that recent surveys have signalled consumer sentiment toward current conditions has improved significantly, meaning that consumers may ostart spending in coming months. The soft data flow may have bought the RBNZ more time on the policy sidelines, but with inflation pressures to become a growing source of concern, there remains a good case for the RBNZ to start the next tightening cycle earlier than official guidance currently suggests.

- **Global growth** indicators remain solid but policy risks are weighing heavily on markets. In the developed world, concerns about unprecedented fiscal deficits widened sovereign spreads and raised particular concern about the credibility of Europe's political institutions. In emerging markets, the looming monetary adjustments facing China and other Asian economies have raised the fear of a disruptive policy adjustment that weakens global growth. On net, we are confident that the broad thrust of this year's policy stance will remain highly accommodative and limit the contagion of market stresses emanating from Greece. Beyond this year, there is still little clarity or confidence that policymakers can engineer a smooth path toward normalized stances.

- The **EU** is concerned about contagion, both to other sovereigns where fiscal positions more legitimately reflect adverse macro developments, and to financial institutions in the region that hold significant amounts of Greek debt. This concern motivates the EU's desire to "take determined and coordinated action, if needed, to safeguard financial stability in the region as a whole." As a result, Greece has been given the carrot of loans, credit lines, and guarantees, conditional on the implementation of appropriate fiscal measures. Thus far, progress has been slow: much more needs to happen before Greece writes its first report to the Commission on March 16 that explains how the implementation of this year's budget is progressing.

This week's highlight

RBA Governor Glenn Stevens' appearance before a Parliamentary committee in Canberra on Friday. These sessions always are illuminating, and particularly so given the events in Europe and last week's announcement on bank guarantees.

February 15, 2010

Contents

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Data and event previews - Australia and New Zealand

Date	Time (a)	Data/event	Forecast JPMorgan	Forecast Consensus (b)	*Previous*
Tuesday, February 16	8.45am	NZ PPI inputs (%q/q, 4Q)	**-1.0**	0.5	*-1.1*
Tuesday, February 16	8.45am	NZ PPI outputs (%q/q, 4Q)	**-0.5**	0.4	*-1.4*
Tuesday, February 16	11.30am	RBA Board minutes (Feb.)	**na**	na	*na*
Tuesday, February 16	11.30am	NAB business confidence (Index, Jan.)	**12**	na	*8*
Tuesday, February 16	12.45pm	RBA Assistant Governor Debelle's speech	**na**	na	*na*
Wednesday, February 17	10.30am	Westpac Leading Index (%m/m, Dec.)	**na**	na	*1.0*
Wednesday, February 17	11.00am	Aust. DEWR skilled vacancies (%m/m, Feb.)	**na**	na	*1.1*
Thursday, February 18	11.30am	NAB business confidence (Index, 4Q)	**15**	na	*16*
Thursday, February 18	1.00pm	NZ ANZ-RM consumer confidence (Index, Feb.)	**125**	na	*131.4*
Friday, February 19	9.30am	RBA Governor Stevens' Parliamentary testimony	**na**	na	*na*
Friday, February 19	1.00pm	NZ credit card spending (%m/m, Jan.)	**0.4**	na	*-1.3*

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

Australia

RBA Board Minutes (Feb.) - The release this week of the minutes of the RBA's February Board meeting should shed more light on the thinking behind the shock on-hold decision. One aspect of the minutes that should be particularly interesting will be the degree to which RBA officials' uncertainty over how households were coping with the rate hikes delivered last year colored the rate decision.

RBA Governor's Parliamentary testimony - The Governor's testimony to Parliament also will attract attention. Apart form further explanation of the decision to leave the cash rate steady, the testimony will likely drift into broader policy areas. We expect the Governor to be asked about the government's decision a week ago to announce the end of the guarantee on bank wholesale funding, his thoughts on the troubles in Greece, and how the government's fiscal plans are affecting monetary policy.

NAB business confidence (Index, Jan.) - We suspect that business confidence will have picked up a little in January. Interest rates were on hold, AUD remained elevated, and the economic data emerging from the nation's major trading partners in

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Data and event previews - contd.

Asia remained strong. We expect the headline reading to rise from 8 in December to 12 in January.

New Zealand

NZ PPI (%q/q, 4Q) - Producer prices probably fell in 4Q, thanks to strong NZD. The PPI print will have few implications for the RBNZ given that the CPI data was released weeks ago.

ANZ-Roy Morgan consumer confidence (Index, Feb.) - Consumer confidence probably fell in February amid news the labour market deteriorated further, that wage growth slowed, and amid growing uncertainties about the strength of the global economy. Some payback also is expected for the spike in confidence in January. We expect the headline index to read 125.

NZ credit card spending (%m/m, Jan.) - Credit card spending probably rose in January, increasing 0.4% over the month after slumping 1.3% in December. The recent improvement in sentiment toward current conditions signals that consumers will soon loosen their purse strings, however.

Research note

Aussie policymakers surprise on rates and bank guarantee

- **Central bank cautious as government pulls guarantee**
- **RBA will resume tightening in April**
- **Populist government should unwind fiscal support even as election looms**

Australia's policymakers have sprung two surprises in recent weeks. First, on February 2, the Reserve Bank unexpectedly kept the cash rate steady, bucking market expectations for the fourth hike in as many Board meetings. Then, on February 7, the government announced on an otherwise sleepy Sunday that the wholesale funding guarantee for Australia's banks would be withdrawn at the end of March. While this was not as much of a surprise as the cash rate shock, the announcement caught market participants, and some banks, off guard.

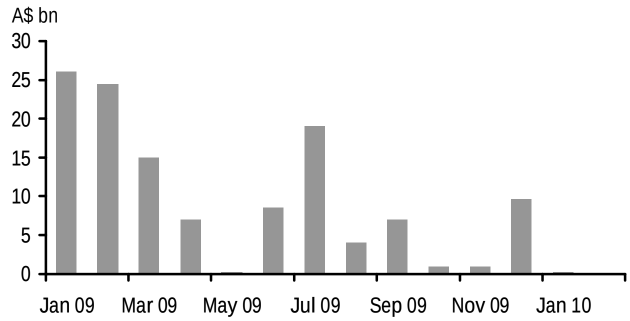
At first glance, the announcements are contradictory. The first hints that anxious RBA officials believe the economy may not cope with another rate hike, at least not yet; the second signals the opposite, that the banks and, by extension, the economy, are sufficiently healthy to stand unaided. It seems the government simply announced the planned withdrawal of the guarantee now because its use had dwindled to almost nothing (chart). The timing of the government's announcement so soon after an RBA meeting appears to be a coincidence, and RBA officials did anything but question the economy's health. Moreover, the RBA and the relevant regulators were consulted before the guarantee was pulled.

RBA's shock decision: cash rate inaction

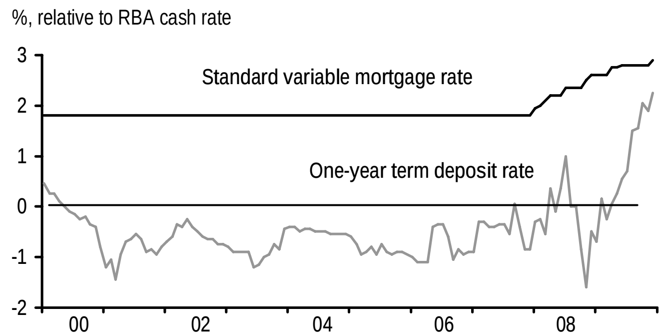
The seemingly hawkish RBA was the first G-20 central bank to tighten monetary policy last October, so its decision to go on hold attracted much attention. Aussie market economists had been unanimous that the RBA would lift the cash rate two weeks ago. Instead, the RBA left the rate steady at 3.75%. The accompanying statement was, given the decision, unexpectedly upbeat, suggesting that officials still are confident the economy is in good shape; the commentary even indicated that policy will be adjusted tighter during 2010.

RBA Board members, however, feel they had insufficient information about how households were coping with the three rate hikes delivered in late in 2009. With little consumer-related data scheduled for release in coming weeks, RBA officials probably will be equally ill-informed at the time of the early March Board meeting. We therefore look for the cash rate to remain steady until at least April, but

Banks' issuance of guaranteed long-term debt



Banks' home mortgage and retail deposit rates relative to cash



with a resumption of steady tightening in 2H10.

The optimistic tone of the commentary announcing the decision was an echo of the statement in December, when the rate did rise. Indeed, officials highlighted that economic conditions here and for our trading partners in Asia have been better than anticipated; they upgraded their growth and inflation forecasts. In fact, the official wording on conditions in Australia was more upbeat than before, since most data points released since the December Board meeting have been unexpectedly firm. Even the commentary on conditions offshore was positive, except for the insertion of a reference to concerns over "some sovereigns."

Cash rate no longer at "emergency" level

Stage one of the tightening cycle clearly is over—the cash rate is back within a "normal" range, meaning the emergency component is gone. Stage two, moving the policy stance back to "neutral", will start when officials are satisfied consumers have taken the rate hikes in their stride. We continue to look for the cash rate to reach 5% by end-2010, at the upper end of the "neutral" range. After February's surprise outcome, however, more of the tightening now looks likely to come in the second half of the year.

Aussie banks to stand alone from April 1

The announcement of the removal of the bank guarantee from April Fools' Day caught some on the hop. While some expected Australia's government to follow governments in the US, France, Korea, and Canada, which already have removed bank guarantees, the timing was a surprise. Why now, particularly with financial markets again on edge over sovereign concerns? There is speculation that removal of the guarantee while risk aversion is rising will make it more difficult for some banks to fund ballooning loan books. A worst-case scenario is that the withdrawal of the guarantee could trigger a credit squeeze.

One theory on the curious timing is that the government wants to punish the banks for out-hiking the RBA. Certainly, government officials, including the Treasurer, who announced the guarantee withdrawal, have been dismayed that the banks raised variable mortgage rates more than the RBA. This suggestion, however, is fanciful; the Aussie banks seem indifferent about the guarantee's withdrawal, so are hardly being punished. The "Big Four", for example, have not needed the guarantee for some time. Where the removal of the guarantee leaves the smaller Aussie banks, though, is problematic. The sole issuance of guaranteed paper in January was by a small regional bank. Now, there could be a flood of such issuance before the end of March, notwithstanding the huge 150bp the government's fee adds to lesser-rated banks' funding costs.

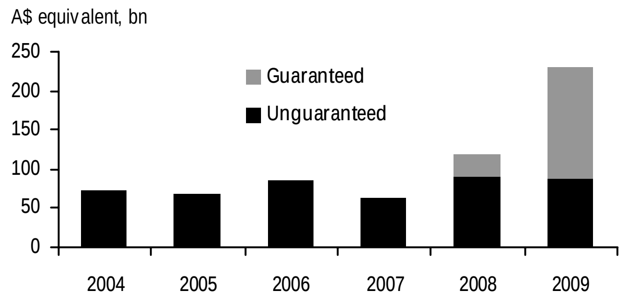
The government's guarantee of bank deposits up to the value of A$1 million remains in place until at least October 2011, while the guarantee of state governments' wholesale issuance will be maintained until the end of 2010. The State guarantee remains in place to allow the various states more time to establish sufficient lines of unguaranteed debt; some states have mountainous funding requirements to pay for planned infrastructure programs.

Government should unwind fiscal support

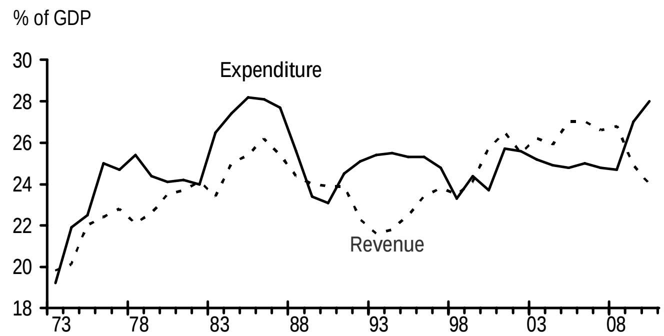
The government will raise more than A$5 billion in fees from the banks in return for the guarantee, so the Treasurer probably is more sorry to see it go than the banks. Indeed, with the Budget being squeezed by earlier funding commitments and a slump in revenue (chart), the fees will be missed. This is notwithstanding the fact that unexpectedly healthy economic conditions have improved the budget by A$7 billion.

In this context, one thing missing from the public policy puzzle is a more assertive withdrawal of the government's generous fiscal support. Thus far, officials have argued persistently that the stimulus should be delivered in full, no matter how far the economy has exceeded expectations.

Aussie banks' bond issuance



Federal government revenue and expenditure



This view was supported enthusiastically by the IMF, which brought comfort to government officials, whose spending priorities have come under fire. Since October 2008, when the bank guarantees also were announced, the government has pumped tens of billions of discretionary dollars into the economy. While the stimulus packages, which included direct cash payments to low- and middle-income households, supported confidence and jobs in the immediate aftermath of the global crisis, the unexpected outperformance of the economy since then means the fiscal support no longer is needed. The OECD two weeks ago said as much with specific reference to Australia.

A complication is that there is an election due in the second half of 2010. It would be rare for a government to trim spending as a poll approaches. In fact, the risk is that the government will attempt to shore up its shrinking lead over the Opposition in opinion polls by increasing spending. The government has taken small steps to tighten its purse strings, but should be winding back the support much more assertively. This is particularly so in the funding for new facilities in every school in the country; new student assembly halls will add little to the economy's productive capacity. Who knows, voters may reward the government for its completely unanticipated fiscal responsibility.

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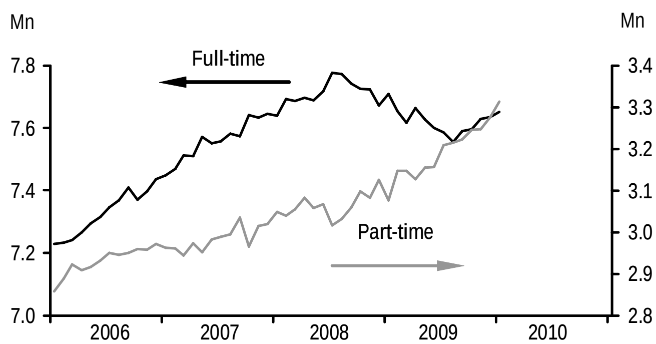
Australia

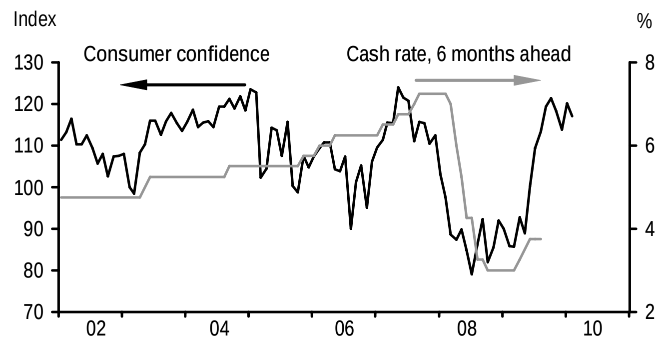
- **Aussie jobless rate slipped to just 5.3% in January**
- **RBA minutes to explain February's 'no change' decision**
- **Housing market is slowing in the absence of grants**

The Aussie employment numbers last week were remarkable, showing another unexpected surge. Since the RBA's surprise decision two weeks ago to leave the policy rate unchanged, though, other domestic data has disappointed—retail sales, home loans, and consumer confidence each declined. The next move in the cash rate probably will be a 25bp hike in April. The March Board meeting is two weeks away, and there is little domestic consumer data released before then for Board members to mull over. If officials were unsure about moving the cash rate two weeks ago, they probably will be equally uncertain in March too. By April, though, the RBA should have more information by which to measure the underlying strength of the Aussie consumer.

Australia: employment



Australia: RBA cash rate and Westpac-MI consumer confidence



RBA minutes to illuminate rates decision

The RBA Board's decision to leave the policy rate at 3.75% stunned markets; market economists had been unanimous in expecting the cash rate to rise. The release this week of the minutes of the Board meeting should shed more light on the RBA's thinking behind the on-hold decision. Later in the week, the RBA Governor and other senior officials will testify to Parliament.

One aspect of the minutes that should be particularly interesting will be the degree to which RBA officials' uncertainty over how households were coping with the rate hikes delivered last year coloured the rate decision. Data last week signalled that the RBA's tightening, and the likelihood of further rises in interest rates, has damaged consumer confidence (see next page for detail). While confidence remains at elevated levels, supporting our forecast for further rate hikes later this year, the need for more time to assess consumer sentiment seems to have been the main justification for the on-hold policy outcome. Sovereign troubles in Europe and the tightening of policy in China (now Australia's largest export market) may also have played a role. The minutes do not attribute comments to individual Board members and there is no voting record, but the minutes will be one highlight in an otherwise quiet week.

The Governor's testimony to Parliament Friday also will attract attention. Apart form further explanation of the decision to leave the cash rate steady, the testimony will likely drift into broader policy areas. We expect the Governor to be asked about the government's decision a week ago to announce the end of the guarantee on bank wholesale funding (see "Aussie policymakers surprise on rates and bank guarantee" in this *Weekly*), his thoughts on the troubles in Greece, and how the government's fiscal plans are affecting monetary policy.

Press reports last week attributed to the Governor comments that the government's fiscal profligacy was contributing to interest rates being higher than would otherwise be the case. The Governor was, however, speaking in general terms at the RBA's symposium of central bankers to celebrate the 50th anniversary of the RBA. He was speaking on the lessons learned from 50 years of monetary policy, not specifically about contemporary Australia. This qualification probably will not be sufficient, though, to dissuade opposition MPs from trying to score political points against the Government.

Australia added 50,000 jobs in January

The resilience of the Australian labour market is remarkable. The economy added another 52,700 jobs in January (J.P. Morgan: 5,000; consensus: 15,000), bucking expectations for a moderation in employment gains in the wake of the RBA's rate hikes and big gains in preceding months.

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Between September and December, the economy added an astonishing 141,000 jobs.

The leading indicators of employment signal that such gains in employment are unsustainable (ANZ job ads, for example, tanked 8.1%m/m in January). The jobless rate, though, probably already has peaked (at 5.8% late last year). If so, it means the unemployment rate topped-out just 1.9%-pts above the 3.9% low touched in February 2008, a stark contrast to the sharp rises recorded elsewhere. The unemployment rate slipped to 5.3% in January from 5.6%, but should meander higher near-term given that business confidence and hiring intentions took a hit from the hikes to the cash rate.

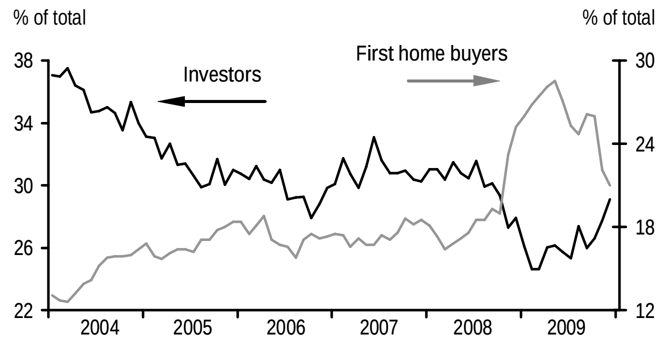
The spike in employment was driven by a 36,900 jump in part-time jobs; full-time jobs increased by 15,900. A shift from part-time to full-time work should, however, occur during the remainder of the year as firms rebuild reduced hours of existing staff. Workers' hours fell 1.0% over the month, the largest fall since August 2008.

The monthly employment gains are at levels witnessed during the last resource boom. One concern for the RBA is that these huge employment gains are ocurring ahead of what looks like the next boom in mining investment. The swelling investment pipeline and strengthening demand for Australia's key commodity exports mean significant employment gains will be recorded in the resource rich states in 2H10. This will lead to further tightening of the labour market and will add upward pressure to inflation, reaffirming our view that the RBA will continue hiking throughout 2010. In Western Australia, for example, the unemployment rate already has tumbled from 5.7% in September to just 5.0%.

Consumers less upbeat on rates outlook

Consumer confidence, as measured by the Westpac-Melbourne Institute (WMI), unexpectedly fell in February (-2.6%m/m). Though the index is still elevated at 117, we had expected a new record high to be achieved, owing to the RBA's shock decision to leave interest rates on hold in early February. We thought that consumers, particularly mortgage holders, would have felt some reprieve. Evidently, this wasn't the case. In fact, it is the *outlook* for interest rates that is the main concern. The WMI said that a massive 93% of those surveyed expect the cash rate to rise over the next 12 months, with over 60% expecting the increase to be more than 1%.

Australia: housing finance



Home loan demand slumped

The total number of housing loan commitments issued in Australia plummeted again in December, falling 5.5%m/m as expected (J.P. Morgan: -5.5%; consensus: -5.0%), after a 6.1% slide in the previous month. The December result marks the fifth decline in the latter six months of 2009.

The lull in home loan demand owes to the phasing out of the expanded first home buyers' (FHBs') grant in the final months of last year, combined with the RBA's assertive rate hikes and the decision by several major banks to out-hike the Reserve Bank in early December. FHBs accounted for just 21% of all loans issued in December, down from the all-time high of 28.5% reached in May last year. On average, FHBs accounted for 26% of all loans issued to owner-occupiers in 2009, well above the 19% of the previous year, thanks to the government's decision to expand the FHBs' grant in October 2008. The expanded grant, along with historically low real mortgage rates, drove the outperformance of the Aussie housing market relative to international peers over 2009.

Given that the expanded grant ended on December 31, price caps on the original grant became effective at January 1, and that mortgage rates are poised to rise further, demand for home loans should settle closer to long-run average levels in 1H10. Indeed, private survey data indicates that house price momentum slowed significantly in 4Q09. This implies that the stunning 5.2%q/q gain in nationwide house prices reported by the ABS belies a softening trajectory of activity and that the latter figure may be subject to revision, as was the case in 1Q09. Some payback for the stellar performance of 2009 was inevitable, and rising interest rates will certainly cap the upside near-term.

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Little has been done to address the chronic shortage of housing supply arising from a sluggish approvals process and burdensome taxes and levies. The recent withdrawal of one building insurance provider from the market adds additional uncertainty to the development process, further dimming the outlook for residential building activity. The undersupply of housing will, therefore, continue to support house prices, albeit in a fairly undesirable fashion.

Data releases and forecasts

Week of February 15 - 19

Tue Feb 16 11:30am

NAB monthly business survey

% balance, sa

	Oct	Nov	Dec	Jan
Business confidence	16	19	8	12

Wed Feb 17 10:30am

WMI leading index

sa

	Sep	Oct	Nov	Dec
%m/m	1.0	0.4	1.0	__

Thu Feb 18 11:30am

NAB business confidence

sa

	1Q09	2Q09	3Q09	4Q09
% balance, sa	-24	-4	16	15

Review of past week's data

Housing finance approvals: owner occupiers

Number of loans, sa

	Oct		Nov		Dec	
(%m/m)	~~-1.9~~	*-2.9*	~~-5.6~~	*-6.1*	-5.5	
(%oya)	24.7		~~14.1~~	*13.4*	~~1.5~~	*0.4*

WMI consumer confidence survey

100=neutral, sa

	Dec	Jan	Feb	
(%m/m)	-3.8	5.5	~~3.5~~	*-2.6*

Labor force

sa

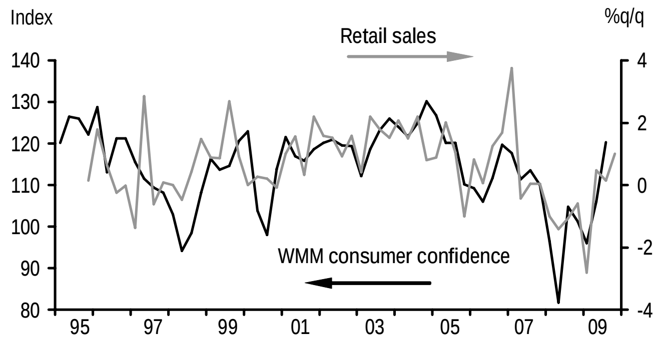
	Nov	Dec	Jan
Unemployment rate (%)	5.6	5.5	5.6
Employed (000 m/m)	31.4	35.2	5.0
Participation rate (%)	65.2	65.2	65.2

New Zealand

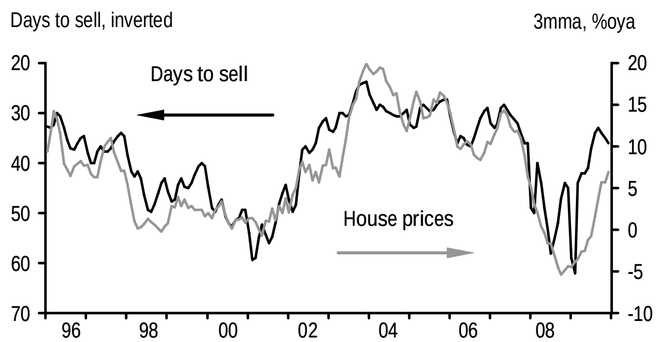
- **Consumer spending stalled in December**
- **Government discusses new tax proposals**
- **PPI should have fallen in 4Q due to NZD appreciation**

In New Zealand, with data last week showing that consumer spending stalled and housing activity eased, it appears the domestic economy already is losing momentum. Indeed, the soft data flow may have bought the RBNZ more time on the policy sidelines. That said, with inflation pressures likely to be a growing source of concern, there remains a good case for the RBNZ to start the next tightening cycle earlier than official guidance suggests is likely.

New Zealand: consumer confidence and retail sales volumes



New Zealand: REINZ days to sell vs. house prices



Retail spending slowed abruptly in Dec

Consumer spending hit a wall in the final month of 2009. Retail sales values were flat over the month (J.P. Morgan and consensus: 0.6%m/m), despite being propped up by a jump in automotive fuel retailing, low interest rates, and solid net permanent migration flows (which are at a five year high). Core retail sales slumped 1.8%m/m, marking the largest decline on record. The largest falls were recorded in discretionary spending: department store sales (-4.7%), recreational goods retailing (-5%) and appliance retailing (-3.8%).

The data even disappointed in real terms, despite significant discounting among retailers. Fourth quarter retail volumes grew a healthy 1.0%q/q, but fell short of expectations (J.P. Morgan: 1.4%, consensus: 1.3%). As highlighted by Statistics New Zealand last week, retail sales volumes have now risen for three straight quarters, but have still only regained a quarter of the ground lost since the high in March 2007. The quarterly number is, of course, important for our 4Q GDP growth forecast, which is currently tracking at 0.7%q/q. RBNZ Governor Alan Bollard two weeks ago, when asked about GDP expectations, said that reasonable growth should be achieved in coming quarters. This, he said, will provide the signal as to whether or not the "economy is getting out of a fragile growth phase into a more assured one."

The retail sales numbers, combined with a string of other weak economic data, signals that the domestic economy may be losing momentum. Housing market data on Friday showed that activity in the sector is easing. REINZ house prices fell for the second straight month in January, slipping 1.6%m/m. House sales were down 1.1%oya. The median number of days to sell a house jumped to 43 from 33. With housing market activity pulling back, and with credit growth still subdued, the RBNZ will become increasingly confident that another debt-fueled housing bubble will be avoided.

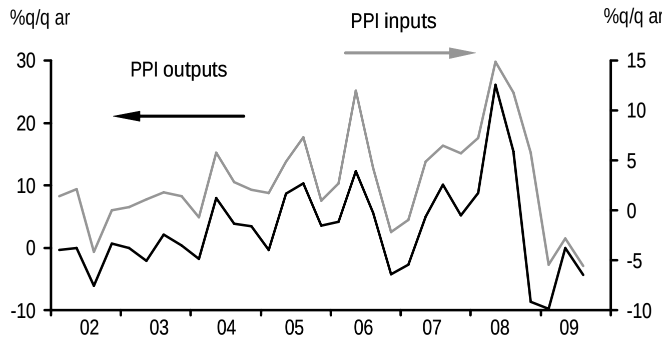
NZ Prime Minister considers tax changes

Prime Minister John Key delivered his opening parliamentary address last week in which he unveiled the direction of the government's economic and tax policies. The government's economic plan focuses on six main policy drivers: a growth enhancing tax system; better public services; support for science, innovation, and trade; better regulation; investment in infrastructure; and improved education and skills.

Attracting most attention were the changes to the tax system being considered, given there has been a lot of uncertainty around these changes since the Tax Working Group (TWG) made its recommendations to the government in January. PM Key acknowledged that the current tax system, which the TWG said needs comprehensive reform, taxes labour and investment income at higher rates than consumption and overly rewards people when they invest in residential property. The government is, therefore, considering, among other things, changes to the way property is taxed, an increase in the rate of GST from 12.5% to "no more than" 15%, reductions in personal taxes, and increased benefits to compensate for higher prices.

It will be interesting to see the details of the changes to the property tax, in particularly, in the upcoming Budget on May 20. RBNZ Governor Alan Bollard recently said that buoyancy in the property market was "exacerbated by a tax system which favoured investment in housing." He has been calling for some time for the government to remove tax incentives for home ownership to alleviate some of the pressure on monetary policy. The RBNZ may find comfort in the government's intention last week to keep a lid on new spending, which will help to keep pressure off interest rates and NZD, assisting in the transition of exports.

New Zealand: producer prices



Data releases and forecasts

Week of February 15 - 19

Tue Feb 16 8:45am	**Producer price index** nsa	1Q09	2Q09	3Q09	4Q09
	Inputs (%q/q)	-2.5	0.0	-1.1	-1.0
	Outputs (%q/q)	-1.4	-0.7	-1.4	-0.5

Producer prices probably fell in 4Q, thanks to strong NZD. The PPI print will have few implications for the RBNZ given that the CPI data was released weeks ago.

Fri Feb 19 3:00pm	**Credit card spending** % change	Oct	Nov	Dec	Jan
	%oya	-0.4	1.5	1.8	__

Review of past week's data

QVNZ house prices
%, median

	Nov	Dec	Jan
%oya	1.1	0.2	__

Business PMI
sa

	Nov	Dec	Jan
Index	51.5	50.6	__
%oya	11.7	17.6	__

Retail trade
sa

	Oct	Nov	Dec
%m/m	0.1	0.8	0.6
%oya	0.6	1.7	2.4

Retail trade ex. inflation

	2Q09	3Q09	4Q09
%m/m	0.5	0.1	__

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Global Essay

- **Policymakers continue to support growth and financial stability...**
- **...without instilling confidence in a responsible normalization path**
- **Growth disappointments accumulate across Europe**
- **Japanese GDP likely grew 3% last quarter**
- **Weather distortions to hit upcoming US and European data releases**

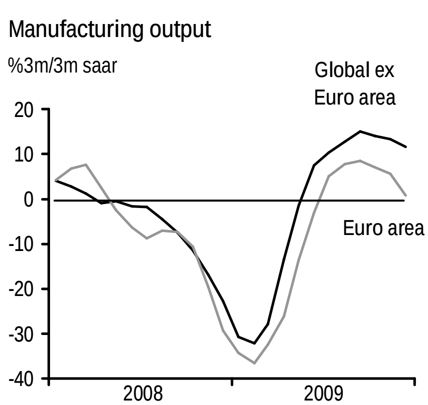
"Have a carrot" said the mother bunny

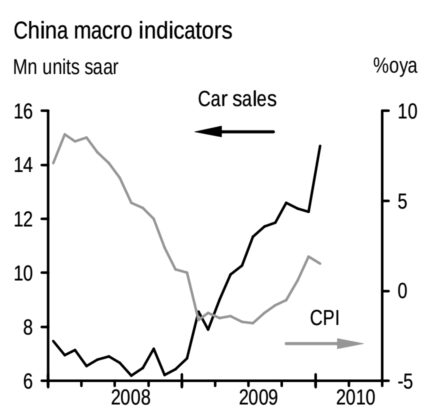
Global growth indicators remain solid but policy risks are weighing heavily on markets. In the developed world, concerns about unprecedented fiscal deficits widened sovereign spreads and raised particular concern about the credibility of Europe's political institutions. In emerging markets, the looming monetary adjustments facing China and other Asian economies have raised the fear of a disruptive policy adjustment that weakens global growth. On net, we are confident that the broad thrust of this year's policy stance will remain highly accommodative and limit the contagion of market stresses emanating from Greece. Beyond this year, there is still little clarity or confidence that policymakers can engineer a smooth path toward normalized stances.

The costs associated with fiscal accommodation are most evident in Europe. The EU's announcement on Greece last week delivered an appropriate balance of stick and carrot. Greece's fiscal problems largely reflect a long period of fiscal excess, whereby the rules governing behaviour within the monetary union have been breached. The rest of the region thus has limited sympathy for the Greeks and emphasizes the need for belt tightening. Moreover, the statement hinted at significant consequences if credible action is not implemented (a loss of fiscal sovereignty through IMF intervention).

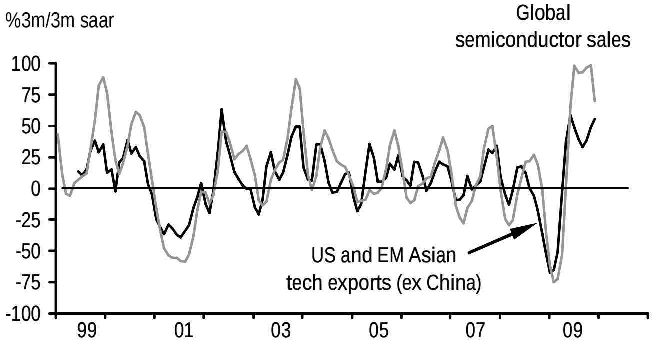
At the same time, the EU is concerned about contagion, both to other sovereigns where fiscal positions more legitimately reflect adverse macro developments, and to financial institutions in the region that hold significant amounts of Greek debt. This concern motivates the EU's desire to "take determined and coordinated action, if needed, to safeguard financial stability in the region as a whole." As a result, Greece has been given the carrot of loans, credit lines, and guarantees, conditional on the implementation of appropriate fiscal measures. Thus far, progress has been slow: much more needs to happen before Greece writes its first report to the Commission on March 16 that explains how the implementation of this year's budget is progressing.

In Emerging Asia, the case for starting the normalization of policy is compelling given the strength of the regional recovery and asset prices, and the early normalization in regional utilization rates. However, lingering uncertainties about global growth and the gravitational force exerted by a low-for-long Fed look likely to slow this adjustment. To be sure, action is under way in China and India, where reserve requirements are being raised to control loan growth and to rein in excess liquidity. However, regional policy rates—which fell 270bp (peak to trough) during the global recession—and regional currency values have yet to move higher. The start of adjustment in China on these fronts still seems some months away. Last week's Bank of Korea statement maintained its hawkish rhetoric but did not point to a need for immediate action. We therefore no longer expect the BoK to commence its rate hike cycle next month, the final meeting under the current governor, but instead to wait until 3Q and to eventually tighten a modest 50bp by year-end.





High-technology indicators



Greater Europe looks not so great

While there is understandably an intense focus on upcoming policy adjustments, the normalization of global monetary and fiscal policies will be a multi-year affair. Most likely, Greece will deliver on the first leg of tightening and will meet its current year funding needs that are concentrated in April and May. However, Greece will also almost certainly miss its fiscal target this year due to a weak economy. Looking ahead, the progress on fiscal adjustment across Europe is highly sensitive to regional performance. Although we have maintained a view that the Euro area would see a stronger-than-consensus bounce in activity, regional performance has disappointed. This week we are lowering our 2010 Euro area GDP growth forecast.

Regional manufacturing activity surged as the global recovery took hold, with Euro area IP jumping over 8% annualized in 2H09. However, domestic demand growth has been soft despite strong gains in exports. As reported Friday, Euro area GDP edged up just 0.4% annualized last quarter, with German GDP stagnant. The outcome was in line with our current expectation but well off the 2.5% annualized rise we were expecting just a couple of months ago.

Lacking a recovery in domestic demand, factory output growth is now slowing. According to data out Friday, Euro area industrial production sank 1.7% in December, with German IP slumping 2.6%. Combined with a likely weak January outcome, in response to unseasonably adverse weather conditions, IP growth in the Euro area will likely downshift further from the weak 0.7% annualized gain in 4Q09. Consequently, we now see Euro area GDP expanding just 1.5%q/q saar this quarter. Although we maintain GDP will accelerate to a 2.5% annualized pace during 2H10, we now forecast a 2.1% gain this year (4Q/4Q), a downward revision of 0.7%-pt from our December forecast.

The lacklustre start to the Euro area recovery is dampening activity in the region's nearest neighbors. Last week's GDP reports out of Central Europe were particularly disappointing with output in the region now looking to have been roughly unchanged in 2H09. Simply put, the recession has ended but no meaningful recovery has taken hold in a number of countries in the region. The largest surprise in last week's reports came from the Czech Republic, where output fell 2.4%q/q saar in 4Q10 in contrast to our expectations for a 3.5% rise. Disappointing 4Q09 GDP outcomes were also reported in Hungary and Romania. By contrast, the recent data on 2009 GDP in Russia suggest output picked up sharply in 4Q09, reflecting robust export growth and a strong contribution from inventories even as domestic demand remained soft.

Rising goods demand propels high-tech

Several of our bellwether high-technology indicators are rising at the fastest pace in decades. The global economic recovery to date has been focused in the goods sector, including household goods, autos, and capex. Tech is increasingly prominent in all these categories, from the standpoint of supplying both major components and the final product. Inventory dynamics also are playing an important role. A desire to liquidate inventory amplified the slide in final goods demand during the economic downturn. As the need to liquidate inventory fades, this process is working in reverse.

Although high-technology production is spread across the globe, the major hubs are located in Asia and the United States. Export and IP data show that activity exploded across EM Asia last spring and summer, followed shortly by Japan. On a high frequency, 3m/3m annualized basis, Asian output grew over 100% in these months. The growth of Asian tech activity has moderated since then but remains robust. The recovery took off in the US a few months later around mid-year. The growth of US exports and shipments of tech products was robust in 2H09, although these gains have yet to translate into a corresponding boom in tech production.

Stormy weather to hit US and Europe data

Over the coming weeks, stormy winter weather is likely to be reflected in data readings in the US and Europe. Europe is experiencing its coldest winter in 50 years, and upcoming January releases are expected to incorporate some disruption in construction and industrial activity. In the US, it is

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Likely impact of severe storms on US February economic data

	Impact of storms
Nonfarm payrolls	-150,000
Average workweek	-0.2 hours
Initial jobless claims	Minimal
New car and light truck sales	-5.0%
Core retail sales	-0.2%
Housing starts	-2.0%
Manufacturing IP	-0.1%

the February storms that have dropped record amounts of snowfall in several cities that will be reflected in the data. Based on the experience of past storms, we look for modest reductions to most components of activity. However, the worst disruptions occurred during the week of the February labour market survey, so the impact on the February jobs report could be especially significant.

Most likely, initial jobless claims will be only modestly impacted—as most workers laid off for a few days will not bother to file—and will therefore likely send a cleaner signal of labour market conditions as we move toward the end of the first quarter. Consistent with our forecast that the underlying pace of private payrolls will move above 100,000 by the end of the quarter, we expect jobless claims to stabilize at around the current level of 440,000.

Japan expected to post 3% GDP gain

Japan reports 4Q09 GDP on Monday and expectations are that the economy expanded at a 3% annualized pace. This would mark the third consecutive increase in GDP, confirming that its recovery is on a stronger footing than the anemic turn in Europe. The expansion so far has been led by net trade, and the latest reports show that export and IP growth remained robust through December. Consumer spending also is playing an important role. Last week's Cabinet Office report indicated that real household spending rose in December, putting consumption on track for a 3% gain on the quarter, following gains averaging in excess of 4% in 2Q09 and 3Q09. Capex also appears to be rising based on the advance in domestic capital goods shipments, although this will need to be confirmed by the MoF corporate survey that is due March 4. The forecast anticipates a downshift in growth in early 2010. Although export growth should remain buoyant, the waning of fiscal stimulus is expected to limit the growth of both consumer spending and public works. As a result, GDP growth is forecast to average a more moderate 1.5% annualized in 1H10.

Inflation turning across Latin America

Inflation slid across Latin America in 2009, reflecting recession and falling commodity prices. This disinflationary trend is moderating, and the forecast anticipates a gradual rise in regional inflation this year. We expect regional inflation, excluding Argentina and Venezuela, to accelerate to 4.6% in 4Q10. The January inflation releases suggest the turning point already has been reached, with Brazil, Mexico, Colombia, and Chile each posting increases in their over-year-ago rates.

Increases in taxes and/or administered prices were drivers of higher headline inflation in most countries last month. In addition, commodity prices are set to move higher across the region. Latin American economies are particularly sensitive to food prices, and the forecast assumes a return to food inflation in 2010. Beyond these common supply shocks, there are country-specific forces firming prices in Mexico and Brazil. In Brazil, a solid recovery in domestic demand and exports is expected to close the output gap this year. Mexico still has a large output gap that is putting downward pressure on prices, but its fiscal reform package will continue to drive up core inflation this year.

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JPMorgan View - Global Markets

Through the fog, things are looking up

- **Asset allocation:** A lot of risks are bothering investors, but to us, they are outweighed by the upward momentum of global growth and earnings.
- **Economics:** Activity data are stronger in US, Japan, and EM, but much weaker in Europe. Inflation data are soft, signaling that central banks are unlikely to over-tighten.
- **Fixed income:** Stay short duration. EU support underpins EMU high-deficit markets. Turn neutral on the Agency MBS basis, from underweight.
- **Equities:** The risk of premature fiscal tightening hurts Europe. Companies that generate most of their revenues domestically look set to underperform.
- **Credit:** Move EMBIG to neutral from overweight versus UST.
- **FX:** Stay long USD versus AUD, NZD, NOK, and SEK.
- **Commodities:** Stay long.

A confusing week, with bonds down, commodities up, equities and the dollar flat, and credit all over the place. Through the fog of conflicting economic data, policy signals, and market flows, we think **conditions have on the margin improved for equities and commodities, and continue to worsen for bonds**.

The most important issue remains where the **world economy** is headed. The recovery probably started in the middle of last year. It remains vulnerable, narrow, and weak by historical standards. And it will take years to repair the damage done to public and private sector balance sheets. Our economists have rightly called this a "bounce toward malaise." See this week's front essay for an update.

But given how low our and the consensus growth forecasts are, market participants know already that the economic future is not bright. The issue for markets is whether this collective pessimism about the future is getting worse or is slowly fading. Our expectation is the latter. **Our global growth forecasts for 2010 remain remarkably stable, while the consensus forecast continues to edge up toward our numbers** (chart). Our and consensus forecasts for US growth in 2010 are still rising, while profit forecasts are racing up.

Last week's **economic data were on net better than hoped**, but continue to showcase the **widening divide across the Atlantic**. US data picked up—retail sales, claims, and trade—with 4Q GDP now tracking a 6% pace. The Euro area, in contrast, saw no domestic demand in 4Q with only exports pulling GDP to a barely positive 0.4% saar. We stay long the US/EU growth gap trade through an overweight of Bunds versus UST and US versus EU HG corporate spreads. Near term, it is also bullish USD versus EUR, although this conflicts with our positive view on global equities.

Our medium-term strategy of being long risky assets depends on both the global recovery strengthening, or at least not weakening, and fading risks and growing confidence around this recovery. Markets have focused on three sources of uncertainty—**monetary tightening, fiscal tightening, and renewed delevering. Our view remains that over this year, these risks are less acute than the risk premia we are getting paid, in particular in equities**.

We do not see early **monetary** tightening as a big threat to equity and credit markets. Monetary tightening depends very much upon when inflation returns. On this, recent news has helped, with a dovish UK Inflation Report from the BoE and lower-than-feared Chinese inflation data. China still elected to hike reserve requirements last week, earlier than we had expected, but a number of other central banks have either passed on hiking further—the RBA, Norges Bank, and Bank of Israel—or signaled they are set to stay on hold—Korea and Brazil. Overall, monetary policy normalization does not scare us as it is stability oriented and there is little indication central banks are behind the curve.

Premature **fiscal and regulatory** tightening remain bigger risks to our bullish views. The noise from Washington has softened and was thus a positive for markets. World attention focused last week on how the EU Summit would deal with the fiscal crisis around **Greece**. EU leaders did not signal direct help, but promised to take action if stability is threatened, while demanding strong action from Greece. We are positive that the Greek parliament in coming weeks will pass the government's plans to bring its deficit down to 8% of GDP this year.

Fixed income

Global bonds fell last week on heavy US issuance. **We retain our short duration position** in 2s in the US and Europe, as short rates remain near the lower end of their recent range, and the end of QE should push yields higher across the curve. Treasuries underperformed European bonds, and we expect they will continue to do so with Friday's weak Euro area GDP data, underlining the increasing growth gap with the US.

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Greek government bonds rallied for the second week in a row, in response to the European Union's declaration of support, although the lack of detail in the EU statement and the difficulty in implementing the fiscal tightening needed are likely to keep Greek debt volatile near term. Other Euro area high-yielders were also implicitly supported by the EU statement, and with stronger fundamentals offer a more stable way of positioning for Euro area spread convergence. **Ireland** remains our preferred market.

Agency MBS spreads narrowed as Fannie and Freddie announced accelerated buybacks of delinquent mortgages. We estimate this could be up to US$200bn over the next few months. We and many bond managers have been underweight MBS on the expected end of QE, under which the Fed bought some US$50bn a month in MBS. This change in the supply/demand balance over coming months forces us to advise moving again to neutral on MBS (see *GSE Buyouts*, Feb. 11). But spreads are still likely to widen later this year in the absence of further Fed or Agency buying.

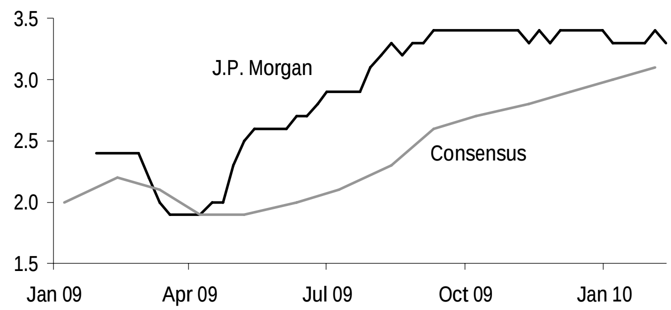
Equities

Equities were little changed on the week. A positive reaction to the anticipation of an EU support plan for Greece earlier in the week was reversed by a rather disappointing EU statement and a surprise increase in the reserve requirement ratio by the PBoC Friday. While we believe that the EU statement is very important and limits the contagion from the Greek debt crisis, the risk to growth from **premature fiscal tightening** remains significant with important implications for regional and sectoral allocation.

Clearly **Europe** is more at risk of premature fiscal tightening. Market pressures are forcing higher-deficit EMU countries to pursue faster fiscal consolidation, creating the risk that Euro area growth will continue to disappoint this year. Companies that generate most of their revenues domestically are thus set to underperform. Utilities and telecoms are especially vulnerable to governments' efforts to raise tax revenues, as they cannot move operations and have stable cash flows, supporting our medium-term call to **underweight non-cyclical sectors**.

In **China**, although we continue to believe that the monetary authorities' main policy intention is to smooth credit creation and not to curb real economic activity, last week's monetary tightening came earlier than we anticipated and is a reminder of the risk of an abrupt policy response. Stay **underweight China within EM**.

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



Small caps outperformed in global indices during the recent correction. We remain overweight versus large caps as a prospective rebound in M&A activity this year is more supportive for small caps. Small companies are also less vulnerable to regulatory and tax hike risks.

Credit

Spreads tightened for most credit markets last week. The announcement that Euro area members would step up to help Greece if needed—though vague—stabilized markets.

Emerging market sovereign external debt rallied 26bp over last week, recovering close to half of the spread widening from the mid-January trough. We take the opportunity to **move EMBIG to neutral from overweight versus UST** by downgrading some European EM countries. Hungary, Poland, and Turkey are downgraded to underweight as they are among the top 10 EM sovereign borrowers and are trading tight relative to their peers. Although we maintain the view that the current market turmoil is unlikely to create contagion to EM sovereigns, the lack of details on a Euro area aid package and the market's lack of trust in Greece's ability to contain its fiscal deficit and stabilize its debt to GDP ratio are likely to keep EM sovereign spreads volatile longer.

With uncertainty remaining high and few catalysts to drive markets up in the short term, **we stay tactically short US HG**. Retail investor flows into the asset class are slowing and institutional investors have been reducing their overweights, as shown in our latest US HG client survey.

Stay **overweight benchmark AAA ABS**, which continued to see strong demand, as it serves as a cheap alternative to Treasuries and provides more spread than Agency debt and Agency MBS. In our view, the coming end of TALF will not produce a substantial widening of spreads since most ABS issuers do not solely rely on TALF investors.

Foreign exchange

Our core views are unchanged from those outlined two weeks ago. There are three major fissures in financial markets—European sovereign risk, China's property market, and a potential US slowdown—and each will require several weeks at least to be resolved convincingly enough to lift risky markets and reverse the dollar's strength. The most significant headwind is that USD positioning is moving rapidly from short to long, a skew that seems inappropriate unless the global economy were tipping back into recession or the Fed were near tightening. This skew may limit the pace of the dollar's up move, but as long as policy uncertainties persist, it will grind higher. In cash, **stay long USD** versus **AUD, NZD, NOK, and SEK**. **Also keep long EUR/GBP.** In options, keep put spreads in EUR/SEK, NZD/CHF, and GBP/CHF.

It may seem that **euro pessimism has reached an extreme** given that positioning indicators such as the IMMs show record shorts and since risk reversals are moving toward their post-Lehman extreme. One element is missing to declare this move overdone: the euro has not yet undershot levels that fundamentals would have predicted. Currently, the euro trades about two cents cheap on a short-term fair value model, compared to the post-Lehman experience when more indiscriminate selling left EUR/USD some 10 cents cheap. Betas suggest the euro would fall another 1.5 to 2 cents for every 100bp of Greek-German spread widening, which implies that further pressure on the periphery can easily push EUR/USD into the low 1.30s if peripheral bond markets deteriorate further. Conversely, resolution of the Greek issue with conditionality would force spreads back to pre-crisis levels (around 150bp) and push EUR/USD back above 1.40. From there, the euro's path depends on whether the growth slump evident in last week's GDP report persists for much longer.

Commodities

Commodities rallied 3% last week, outperforming other risky asset classes. Base metals recovered half of their losses seen since early this year, as prices climbed almost 8%. This strong performance came in a week where most risky markets were flat and the DXY finished near last Friday's level.

Ten-year Government bond yields

	Current	Mar 10	Jun 10	Sep 10	Dec 10
United States	3.68	3.90	4.10	4.25	4.50
Euro area	3.19	3.35	3.50	3.65	3.75
United Kingdom	4.04	4.15	4.35	4.50	4.55
Japan	1.33	1.30	1.40	1.50	1.55
GBI-EM	7.21				7.90

Credit markets

	Current	YTD Return
US high grade (bp over UST)	166	1.4%
Euro high grade (bp over Euro gov)	161	1.2%
USD high yield (bp vs. UST)	706	-0.2%
Euro high yield (bp over Euro gov)	682	2.4%
EMBIG (bp vs. UST)	320	0.4%
EM Corporates (bp vs. UST)	366	0.7%

Foreign exchange

	Current	Mar 10	Jun 10	Sep 10	Dec 10
EUR/USD	1.36	1.45	1.48	1.45	1.40
USD/JPY	90.0	85	82	85	89
GBP/USD	1.57	1.54	1.59	1.58	1.56

Commodities - quarterly average

	Current	10Q1	10Q2	10Q3	10Q4
WTI ($/bbl)	74	72	76	80	85
Gold ($/oz)	1091	1250	1400	1300	1200
Copper($/m ton)	6922	7350	8000	6800	6250
Corn ($/Bu)	3.74	3.85	4.05	3.95	3.90

Source: J.P. Morgan, Bloomberg, Datastream

Crude oil prices are now $74, but down more than 2% this Friday on increased US inventories and policy tightening in China. While we believe prices will be higher by the end of 2Q, increasing crude inventories will continue to limit price gains near term.

We stay overall **long commodities, but keep risk low**, due to the macro uncertainty near term. Commodities should continue to benefit from strength of EM growth, despite the weaker performance in the developed economies. Last week was no exception to this trend, as we saw weaker-than-expected GDP growth in Europe, but still strong export and loan growth numbers in China. Nevertheless, commodity markets continue to react negatively to policy tightening in **China**. In our view, the recent policy moves are just a natural reaction to a strong economy and not necessarily a problem for commodity demand growth. We do not yet see a bias toward excessive tightening.

Global Economic Outlook Summary

	Real GDP % over a year ago			Real GDP % over previous period, saar							Consumer prices % over a year ago			
	2009	2010	2011	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	4Q09	2Q10	4Q10	2Q11
The Americas														
United States	-2.4	3.5	3.1	2.2	5.7	3.0	4.0	4.0	3.5	2.5	1.5	2.8	1.4	0.9
Canada	-2.6	2.7	3.4	0.4	3.0	4.5	2.5	3.5	4.0	4.0	0.9	1.5	1.7	1.9
Latin America	-3.1	4.6	3.7	6.3	5.6	4.6	4.5	3.6	2.8	3.4	5.3	**6.7 ↓**	7.4	**6.9 ↓**
Argentina	-4.0	4.0	3.0	0.2	1.0	8.0	8.0	3.0	3.0	2.0	6.5	8.0	9.0	10.0
Brazil	0.1	6.2	4.0	5.1	7.7	6.3	5.0	5.1	4.0	3.8	4.2	4.5	4.7	4.7
Chile	-1.7	5.0	5.0	4.6	8.0	6.0	5.0	3.0	4.0	6.0	-1.8	2.0	2.6	2.9
Colombia	0.3	3.0	4.1	0.9	3.7	3.0	3.5	3.7	4.0	4.2	2.4	**2.1 ↓**	**3.7 ↓**	**2.9 ↓**
Ecuador	-1.0	2.0	3.0	-2.0	0.0	3.0	3.5	4.0	4.5	3.0	3.8	3.8	4.2	3.8
Mexico	-6.7	4.5	3.5	12.2	5.5	4.1	4.9	0.5	1.4	3.0	4.0	4.4	5.1	4.5
Peru	1.0	5.5	6.0	9.3	12.9	3.0	3.5	4.0	5.0	6.0	0.4	**1.0 ↓**	2.0	2.2
Venezuela	-2.9	-1.5	2.5	-7.8	-0.5	-4.0	-5.0	15.0	1.0	1.5	28.1	41.4	43.2	39.1
Asia/Pacific														
Japan	-5.2	2.0	1.9	1.3	3.0	1.8	1.5	2.0	2.2	1.8	-2.0	-1.9	-1.2	-0.1
Australia	0.9	3.0	3.5	0.8	2.5	3.3	3.8	4.2	3.9	3.1	2.2	2.6	2.6	3.0
New Zealand	-1.6	2.5	3.2	0.8	2.2	3.6	3.0	2.9	2.6	2.9	2.0	1.8	1.8	2.3
Asia ex Japan	**4.4 ↑**	7.7	7.2	10.0	**6.1 ↑**	7.6	7.2	7.2	6.8	6.9	2.7	4.5	3.8	3.2
China	8.6	10.0	9.4	10.3	10.0	9.8	9.4	9.5	9.0	9.1	0.7	3.2	3.1	2.4
Hong Kong	-3.3	4.5	4.1	1.6	5.0	4.2	4.0	3.8	3.5	4.2	1.4	2.4	2.3	1.9
India	6.8	7.8	8.3	11.6	1.8	10.4	8.1	7.0	8.7	7.9	12.2	11.9	6.2	5.5
Indonesia	**4.5 ↑**	5.5	**6.6 ↑**	**5.8 ↑**	**9.6 ↑**	6.0	4.0	8.5	5.0	6.0	2.6	5.3	6.3	4.9
Korea	0.2	5.3	4.1	13.6	0.7	3.6	4.2	4.2	3.5	4.0	2.4	3.1	3.6	3.4
Malaysia	-2.4	5.0	5.1	9.4	4.5	1.6	5.3	5.7	5.3	4.9	-0.5	1.7	2.4	2.4
Philippines	0.9	4.5	4.3	3.1	3.5	6.0	5.0	3.5	4.0	4.5	3.0	4.1	4.7	4.9
Singapore	-2.2	6.5	5.0	14.2	-6.8	11.2	7.0	4.9	4.9	4.1	-0.4	3.4	2.9	2.1
Taiwan	-2.9	6.3	4.8	8.3	8.0	4.2	5.0	4.6	3.8	4.8	-1.2	0.9	2.0	1.8
Thailand	-2.9	5.5	5.0	5.5	5.3	4.9	5.7	5.3	5.3	4.1	1.9	5.5	4.4	3.0
Africa/Middle East														
Israel	0.0	3.0	4.5	2.9	2.5	3.0	3.5	3.5	4.0	4.0	3.6	**3.2 ↓**	**3.0 ↓**	3.1
South Africa	**-1.8 ↑**	3.0	3.5	0.9	**3.0 ↓**	**4.4 ↑**	**4.3 ↑**	**4.3 ↑**	**4.9 ↑**	**3.6 ↑**	6.0	**4.3 ↓**	**5.3 ↓**	5.8
Europe														
Euro area	**-4.0 ↓**	**1.6 ↓**	2.1	1.7	**0.4 ↓**	**1.5 ↓**	**3.0 ↑**	**2.3 ↓**	2.0	2.0	0.4	1.3	1.3	0.8
Germany	-4.9	**1.7 ↓**	**2.1 ↓**	2.9	0.0	**1.0 ↓**	**3.0 ↑**	**2.0 ↓**	**2.0 ↓**	2.0	**0.3 ↓**	0.9	1.3	1.3
France	-2.2	**2.0 ↓**	2.2	**0.7 ↓**	**2.4 ↓**	**1.5 ↓**	**3.0 ↑**	**2.0 ↓**	2.5	2.0	**0.4 ↓**	1.4	0.9	0.9
Italy	**-4.9 ↓**	**1.1 ↓**	1.7	**2.4 ↑**	**-0.8 ↓**	**1.0 ↓**	**2.5 ↑**	**1.5 ↓**	2.0	1.5	0.7	1.1	1.1	1.1
Norway	-1.1	2.8	2.8	2.0	3.0	3.0	3.0	3.0	2.8	2.8	1.4	1.9	1.2	1.2
Sweden	-4.4	2.4	3.0	0.7	1.0	3.5	3.5	3.0	3.0	3.0	-0.4	1.1	0.9	1.8
Switzerland	-1.5	2.2	2.8	1.2	2.3	2.5	2.8	3.0	3.0	2.8	-0.1	0.9	0.7	0.8
United Kingdom	-4.8	1.4	3.1	-0.6	0.4	2.0	2.5	2.8	3.5	2.8	2.1	2.2	1.4	1.9
Emerging Europe	**-5.1 ↑**	**4.1 ↓**	**4.7 ↓**	**4.1 ↑**	**5.4 ↓**	4.0	3.5	**3.4 ↑**	**4.0 ↑**	4.4	**6.2 ↑**	**5.4 ↑**	**5.5 ↑**	**4.9 ↓**
Bulgaria	**-5.1 ↑**	-1.5	4.5	...	...	...	...	...	...	...	...	...	...	...
Czech Republic	**-4.3 ↓**	**2.0 ↓**	4.0	3.3	**-2.4 ↓**	**2.0 ↓**	**3.0 ↑**	**2.5 ↑**	**2.5 ↑**	3.5	0.4	**1.3 ↓**	**3.0 ↓**	3.0
Hungary	**-6.3 ↑**	1.0	4.0	**-4.7 ↑**	**-1.6 ↓**	3.0	3.0	3.0	3.0	4.0	5.2	3.8	2.8	2.8
Poland	1.6	3.5	4.2	2.0	4.0	3.5	3.5	3.0	3.0	4.0	3.3	2.0	2.5	2.5
Romania	**-7.2 ↓**	**1.5 ↓**	**4.0 ↓**	...	...	...	...	...	...	...	**4.6 ↓**	**4.5 ↓**	**5.3 ↓**	**4.5 ↓**
Russia	**-7.9 ↑**	5.5	5.0	7.9	**10.5 ↑**	5.0	4.0	4.0	5.0	5.0	9.2	6.7	7.2	6.9
Turkey	**-5.3 ↑**	5.0	**5.3 ↓**	...	...	...	...	...	...	...	**5.7 ↑**	**8.5 ↑**	**6.6 ↑**	**4.8 ↓**
Global	-2.5	**3.3 ↓**	3.3	2.9	**3.7 ↓**	**3.2 ↓**	**3.7 ↑**	3.6	3.4	3.0	1.3	2.2	1.8	1.6
Developed markets	-3.4	**2.5 ↓**	2.6	1.6	**3.1 ↓**	**2.4 ↓**	**3.1 ↑**	3.1	2.9	2.3	0.6	1.5	1.0	0.9
Emerging markets	**0.8 ↑**	6.2	5.8	7.8	**5.8 ↑**	6.2	5.8	**5.6 ↑**	**5.3 ↑**	5.5	3.9	5.1	4.9	4.3

Note: For some emerging economies, 2009-2011 quarterly forecasts are not available and/or seasonally adjusted GDP data are estimated by J.P. Morgan.
Bold denotes changes from last edition of *Global Data Watch*, with arrows showing the direction of changes. Underline indicates beginning of J.P. Morgan forecasts.

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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 10	Jun 10	Sep 10	Dec 10	Jun 11
Global	GDP-weighted average	1.30	-337				1.30	1.35	1.44	1.52	1.98
excluding US	GDP-weighted average	1.85	-251				1.85	1.93	2.06	2.17	2.69
Developed	GDP-weighted average	0.50	-361				0.50	0.52	0.54	0.59	1.04
Emerging	GDP-weighted average	4.47	-239				4.48	4.68	5.01	5.22	5.76
Latin America	GDP-weighted average	5.72	-321				5.91	6.41	7.10	7.36	8.32
CEEMEA	GDP-weighted average	4.50	-236				4.34	4.22	4.51	4.76	5.21
EM Asia	GDP-weighted average	4.00	-210				4.00	4.21	4.42	4.60	5.02
The Americas	GDP-weighted average	0.75	-484				0.77	0.82	0.93	0.99	1.44
United States	Federal funds rate	0.125	-512.5	16 Dec 08 (-87.5bp)	16 Mar 10	2Q 11 (+25bp)	0.125	0.125	0.125	0.125	0.50
Canada	Overnight funding rate	0.25	-400	21 Apr 09 (-25bp)	2 Mar 10	20 Jul 10 (+25bp)	0.25	0.25	0.75	1.25	1.75
Brazil	SELIC overnight rate	8.75	-325	22 Jul 09 (-50bp)	17 Mar 10	Mar 10 (+50bp)	9.25	10.25	11.25	11.75	11.75
Mexico	Repo rate	4.50	-270	17 Jul 09 (-25bp)	19 Feb 10	Jun 10 (+25bp)	4.50	4.75	5.25	5.25	6.75
Chile	Discount rate	0.50	-450	9 Jul 09 (-25bp)	31 Mar 10	3Q 10 (+25bp)	0.50	0.50	1.25	2.00	3.50
Colombia	Repo rate	3.50	-550	23 Nov 09 (-50bp)	26 Feb 10	1Q 11 (+50bp)	3.50	3.50	3.50	3.50	5.50
Peru	Reference rate	1.25	-325	6 Aug 09 (-75bp)	11 Mar 10	Jul 10 (+25bp)	1.25	1.25	2.00	2.75	4.25
Europe/Africa	GDP-weighted average	1.32	-320				1.31	1.30	1.35	1.42	2.08
Euro area	Refi rate	1.00	-300	7 May 09 (-25bp)	4 Mar 10	1Q 11 (+25bp)	1.00	1.00	1.00	1.00	1.75
United Kingdom	Repo rate	0.50	-500	5 Mar 09 (-50bp)	4 Mar 10	**Nov 10 (+25bp)**	0.50	0.50	0.50	0.75	1.25
Sweden	Repo rate	0.25	-325	2 Jul 09 (-25bp)	20 Apr 10	1Q 11 (+25bp)	0.25	0.25	0.25	0.25	0.75
Norway	Deposit rate	1.75	-275	16 Dec 09 (+25bp)	24 Mar 10	24 Mar 10 (+25bp)	2.00	2.25	2.50	2.50	3.25
Czech Republic	2-week repo rate	1.00	-175	16 Dec 09 (-25bp)	25 Mar 10	**23 Sep 10 (+25bp)**	1.00	1.00	1.25	1.75	2.75
Hungary	2-week deposit rate	6.00	-175	25 Jan 10 (-25bp)	22 Feb 10	22 Feb 10 (-25bp)	5.50	5.50	5.50	5.50	5.50
Israel	Base rate	1.25	-275	28 Dec 09 (+25bp)	22 Feb 10	22 Feb 10 (+25bp)	1.75	2.50	3.50	4.00	4.00
Poland	7-day intervention rate	3.50	-100	24 Jun 09 (-25bp)	24 Feb 10	3Q 10 (+25bp)	3.50	3.50	3.75	4.00	5.00
Romania	Base rate	7.00	0	3 Feb 10 (-50bp)	29 Mar 10	29 Mar 10 (-25bp)	6.75	6.25	6.00	6.00	7.00
Russia	1-week deposit rate	4.00	100	28 Dec 09 (-25bp)	Feb 10	Feb 10 (-25bp)	3.50	3.00	3.00	3.00	3.50
South Africa	Repo rate	7.00	-250	13 Aug 09 (-50bp)	25 Mar 10	4Q 10 (+50bp)	7.00	7.00	7.00	7.50	8.50
Switzerland	3-month Swiss Libor	0.25	-225	12 Mar 09 (-25bp)	Mar 10	Sep 10 (+25bp)	0.25	0.25	0.50	0.75	1.25
Turkey	Overnight borrowing rate	6.50	-1100	19 Nov 09 (-25bp)	16 Feb 10	3Q 10 (+50bp)	6.50	6.50	7.50	8.00	7.50
Asia/Pacific	GDP-weighted average	2.09	-135				2.09	2.22	2.33	2.45	2.67
Australia	Cash rate	3.75	-250	1 Dec 09 (+25bp)	1 Mar 10	6 Apr 10 (+25bp)	3.75	4.25	4.50	5.00	5.50
New Zealand	Cash rate	2.50	-550	30 Apr 09 (-50bp)	10 Mar 10	29 Apr 10 (+25bp)	2.50	3.00	3.50	4.00	4.75
Japan	Overnight call rate	0.10	-43	19 Dec 08 (-20bp)	18 Feb 10	4Q 11 (+15bp)	0.10	0.10	0.10	0.10	0.10
Hong Kong	Discount window base	0.50	-625	17 Dec 08 (-100bp)	17 Mar 10	2Q 11 (+25bp)	0.50	0.50	0.50	0.50	1.00
China	1-year working capital	5.31	-126	22 Dec 08 (-27bp)	1Q 10	2Q 10 (+27bp)	5.31	5.58	5.85	6.12	6.39
Korea	Base rate	2.00	-250	12 Feb 09 (-50bp)	11 Mar 10	**3Q 10 (+25bp)**	2.00	2.00	2.25	2.50	3.00
Indonesia	BI rate	6.50	-200	5 Aug 09 (-25bp)	4 Mar 10	4Q 11 (-25bp)	6.50	6.50	6.50	6.50	6.50
India	Repo rate	4.75	-300	21 Apr 09 (-25bp)	Apr 10	Apr 10 (+25bp)	4.75	5.25	5.50	5.50	6.50
Malaysia	Overnight policy rate	2.00	-150	24 Feb 09 (-50bp)	4 Mar 10	13 May 10 (+25bp)	2.00	2.25	2.50	2.50	3.00
Philippines	Reverse repo rate	4.00	-350	9 Jul 09 (-25bp)	11 Mar 10	2Q 10 (+25bp)	4.00	4.25	4.75	5.00	5.00
Thailand	1-day repo rate	1.25	-200	8 Apr 09 (-25bp)	10 Mar 10	2 Jun 10 (+25bp)	1.25	1.50	1.50	1.75	2.25
Taiwan	Official discount rate	1.25	-188	18 Feb 09 (-25bp)	1Q 10	4Q 10 (+12.5bp)	1.25	1.25	1.25	1.375	1.625

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

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Economic forecasts - Australia

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

				2009			2010				2011			
	2009	2010	2011	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Chain volume GDP	0.9	3.0	3.5	2.6	0.8	2.5	3.3	3.8	4.2	3.9	3.1	3.8	3.0	3.1
Private consumption	1.5	2.3	1.7	2.9	2.6	1.6	2.4	2.4	2.4	1.6	1.6	1.6	1.2	2.0
Construction investment	-0.7	3.9	5.5	-2.7	1.9	0.4	7.6	4.4	6.5	4.3	5.1	5.8	6.7	6.8
Equipment investment	-7.6	2.0	7.1	7.9	-15.5	-4.2	6.3	8.5	8.5	6.3	7.8	4.3	8.7	8.7
Public investment	0.9	11.6	13.6	10.7	27.1	7.7	7.1	10.6	15.4	10.4	12.3	14.3	16.5	19.0
Government consumption	2.3	3.5	3.1	4.0	2.8	2.5	3.9	4.1	3.9	3.8	1.9	3.8	3.8	0.4
Exports of goods & services	1.8	5.3	5.1	3.2	-8.7	14.8	5.1	8.2	3.2	7.4	4.1	4.1	4.1	8.2
Imports of goods & services	-8.5	8.2	5.5	2.8	25.2	-2.0	12.6	8.2	4.9	4.1	4.1	4.1	8.2	12.6
Contributions to GDP growth:														
Inventories	-1.1	-1.0	-0.1	0.8	3.2	-7.9	0.7	-0.1	0.0	-0.1	-0.2	0.1	-0.2	-0.1
Net trade	2.3	-0.6	-0.1	0.1	-6.3	3.2	-1.5	-0.1	-0.4	0.6	0.0	0.0	-0.9	-1.0
GDP deflator (%oya)	-0.3	0.8	2.4	0.7	-3.0	-3.3	-1.5	1.2	1.7	2.0	2.2	2.4	2.5	2.5
Consumer prices (%oya)	1.8	2.4	2.8	1.5	1.3	2.2	2.5	2.4	2.2	2.4	2.6	2.9	2.8	2.8
Producer prices (%oya)	-4.9	0.3	3.5	-6.4	-7.2	-4.7	-0.9	0.7	0.4	1.0	2.5	3.5	4.0	4.0
Trade balance (A$ bil, sa)	-4.4	-15.8	-17.3	-0.9	-4.8	-2.9	-3.8	-3.9	-4.2	-3.8	-3.9	-3.9	-4.5	-5.1
Current account (A$ bil, sa)	-49.6	-62.6	-67.3	-13.1	-16.2	-14.0	-15.3	-15.5	-16.0	-15.7	-15.9	-16.2	-17.1	-18.1
as % of GDP	-6.2	-4.8	-4.9	-4.2	-5.2	-4.5	-4.8	-4.8	-4.9	-4.7	-4.7	-4.7	-4.9	-5.1
3m eurodeposit rate (%)*	6.0	4.9	5.4	3.5	3.4	4.1	4.4	4.8	5.0	5.4	5.4	5.4	5.4	5.4
10-year bond yield (%)*	5.6	5.8	6.0	5.5	5.1	5.8	5.7	5.8	5.8	6.0	6.0	6.0	6.0	6.0
US$/A$*	0.75	0.98	0.92	0.82	0.88	0.91	0.94	1.00	0.99	0.98	0.98	0.95	0.90	0.85
Commonwealth budget (FY, A$ bil)	-27.0	-43.0	-29.0											
as % of GDP	-2.2	-3.3	-2.1											
Unemployment rate	5.6	5.7	4.9	5.7	5.8	5.5	5.7	5.8	5.6	5.4	5.3	5.0	4.8	4.5
Industrial production	-5.6	1.3	1.5	2.9	5.0	3.0	1.0	0.0	-1.0	-2.0	0.0	1.0	2.0	3.0

*All financial variables are period averages

Australia - summary of main macro views

- The Australian economy has powered out of the global downturn largely unscathed; it is one of the few economies to **avoid back-to-back falls in GDP**. Growth will accelerate this year and again 2011.
- B**usiness investment** will be broadly unchanged at elevated levels in the year to June now that firms have upgraded their spending plans. The longer term outlook has brightened significantly, with mining leading the way.
- On **housing**, with the expanded first home owners' grant now having expired and price caps on the basic grant in place, house price growth should cool, particularly at the low and middle-end of the price spectrum.
- The **consumer** has remained remarkably resilient in the absence of further fiscal support from the government. Consumer confidence has returned to pre-crisis highs even in the wake of the RBA's three rate hikes.
- **Export volumes** have held up owing mainly to firm demand from Asia, but the terms of trade has tumbled.This decline looks set to reverse, though, in 2010.
- The **RBA** was the first central bank in the G20 to tighten monetary policy. We expect another 25bp rate hike in April, and a cash rate of 5% by the end of the year.
- Having front-loaded the **policy support**, the government now is winding back the fiscal stimulus. Indeed, fiscal policy will be a drag on the economy in 2010, despite the looming federal election.

Economic forecasts - New Zealand

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

				2009			2010				2011			
	2009	2010	2011	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real GDP (1995-96 prices)	-1.6	2.5	3.2	0.9	0.8	2.2	3.6	3.0	2.9	2.6	2.9	4.6	3.2	2.6
Private consumption	-0.9	0.8	0.6	1.5	3.0	0.2	0.4	0.8	0.2	0.6	0.7	0.5	0.9	0.6
Fixed Investment	-12.9	-1.6	3.9	-2.8	-6.0	-7.7	-2.0	3.7	3.0	4.3	2.2	4.1	6.0	7.4
Residential construction	-20.4	-3.7	4.3	-8.7	-18.6	-6.0	-2.0	2.0	3.2	6.0	3.2	4.8	6.0	4.0
Other fixed investment	-11.4	-1.3	3.9	-1.6	-3	-8.0	-2.0	4.0	3.0	4.0	2.0	4.0	6.0	8.0
Inventory change (NZ$ bil, saar)	-2.6	-0.6	0.0	-1.0	-0.7	-0.6	-0.3	-0.2	-0.1	0.1	0.0	0.0	0.0	0.0
Government spending	1.1	0.5	0.6	-5.8	1.5	0.9	0.8	0.8	0.8	0.8	0.4	0.8	0.0	0.2
Exports of goods & services	0.9	8.4	11.0	20.0	0.1	11.0	8.0	10.0	8.0	5.0	12.0	16.0	15.0	10.0
Imports of goods & services	-16.4	5.9	6.8	-9.3	2.7	7.0	8.0	9.0	6.0	7.0	5.0	6.5	12.0	4.0
Contributions to GDP growth:														
Domestic final sales	-5.2	0.2	1.3	0.8	-1.6	-0.8	-0.1	1.4	1.0	1.4	1.0	1.4	2.0	0.4
Inventories	-3.0	1.6	0.4	-8.6	3.2	1.8	3.7	1.2	1.2	1.8	-0.5	-0.1	0.0	0.0
Net trade	6.6	0.8	1.5	9.4	-0.8	1.2	0.0	0.3	0.7	-0.6	2.3	3.2	1.2	2.2
GDP deflator (%oya)	2.1	2.0	2.2	2.0	2.9	0.9	0.7	2.0	2.6	2.8	2.8	2.4	1.9	1.6
Consumer prices	2.1	2.3	2.4	2.3	5.3	-0.7	2.2	2.1	1.9	2.8	2.7	2.6	2.1	1.9
%oya	2.1	2.0	2.4	1.9	1.7	2.0	2.2	2.2	1.4	2.3	2.4	2.5	2.6	2.3
Trade balance (NZ$ bil, sa)	1.3	-6.3	-8.5	0.8	0.7	-1.1	-1.4	-1.5	-1.7	-1.7	-1.8	-2.0	-2.3	-2.4
Current account (NZ$ bil, sa)	-3.1	-6.7	-13.7	-0.4	0.3	-0.9	-1.2	-1.2	-2.0	-2.3	-2.7	-5.2	-2.9	-2.9
as % of GDP	-1.7	-4.3	-5.8	-0.9	0.8	-2.0	-2.6	-4.2	-4.9	-5.5	-6.0	-5.8	-5.7	-5.8
Yield on 90-day bank bill (%)*	3.0	3.6	4.5	2.8	2.8	2.8	2.8	3.5	3.9	4.4	4.4	4.5	4.5	4.5
10-year bond yield (%)*	5.5	5.6	5.9	5.7	5.7	5.9	5.6	5.6	5.6	5.7	5.7	5.8	5.9	6.0
US$/NZ$*	0.64	0.75	0.70	0.60	0.68	0.73	0.73	0.76	0.75	0.74	0.72	0.70	0.70	0.68
Commonwealth budget (NZ$ bil)	-4.0	-7.2	-7.1											
as % of GDP	-2.2	-3.8	-3.6											
Unemployment rate	6.1	7.3	6.9	6.0	6.5	7.3	7.2	7.4	7.3	7.2	7.1	7.0	6.9	6.7

*All financial variables are period averages

New Zealand - summary of main macro views

- The **New Zealand economy expanded a mere 0.2%q/q in 3Q**, the same rate as in the previous three months. The third-quarter result marked the second straight quarter of expansion following five quarters of GDP declines.
- **Business confidence** has improved markedly. This mainly owes to continued improvement in economic conditions in Australia and New Zealand's other major trading partners in Asia.
- Even though firms are becoming more upbeat, **investment** will remain a drag on GDP growth this year; this, of course, has negative implications for the employment outlook.
- The **unemployment** rate probably peaked in 4Q. Hiring intentions are picking up, and as employment growth accelerates, wage growth should follow suit.
- **The RBNZ will begin tightening policy in April.** The risk is growing of a later move given the recovery in the domestic economy appears to be losing momentum.
- **Inflation** fell in the final three months of 2009, with headline CPI slipping 0.2%q/q. Medium term inflation pressures are, however, a concern, given diminishing excess capacity and firms' intentions to raise domestic prices.

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Australia and New Zealand economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
15 Feb	16 Feb Australia: NAB business confidence (11:30 am) Jan 12 %bal, sa New Zealand: PPI (10:45 am) 4Q -1.0 %q/q, nsa	17 Feb Australia: Westpac leading index (11: 30 am) Dec	18 Feb Australia: NAB business confidence (11:30 am) 4Q 15 %bal, sa	19 Feb New Zealand: Credit card spending (2:00 pm) Jan
22 Feb Australia: New motor vehicle sales (10: 30 am) Jan	23 Feb	24 Feb Australia: Pvt. wage index (10:30 am) 4Q	25 Feb Australia: Pvt. capital exp. (10:30 am) 4Q Construction work done (10:30 am) 4Q New Zealand: NBNZ business confidence (2: 00 pm) Feb	26 Feb Australia: Pvt. Sector credit (11:30 am) Jan New Zealand: Building permits (10:45 am) Jan Trade balance (10:45 am) Jan
1 Mar Australia: Company operating profits (11:30 am) 4Q Current account (11:30 am) 4Q Inventories (11:30 am) 4Q New Zealand: Visitor arrivals (10:45 am) Jan ANZ commodity price (2:00 pm) Feb	2 Mar Australia: Building approvals (11:30 am) Jan Retail sales (11:30am) Jan RBA cash target (2:30 pm) Mar I	3 Mar Australia: GDP (12:30 am) 4Q	4 Mar Australia: Trade balance (12:30 am) Jan	5 Mar
8 Mar New Zealand: QV house price Feb Manufacturing activity (10:45 am) 4Q	9 Mar Australia: NAB bus. Confidence (11: 30 am) Feb ANZ job ads Feb	10 Mar Australia: Westpac consumer confidence (10: 30 am) Mar Housing finance approvals Jan New Zealand: Terms of trade index (10:45 am) 4Q	11 Mar Australia: Unemployment rate (11:00 am) Feb New Zealand: Business NZ PMI (10:30 pm) Feb RBNZ official cash rate Mar	12 Mar New Zealand: Retail sales (10:45 am) Jan

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Global Data Diary

Week / Weekend	Monday	Tuesday	Wednesday	Thursday	Friday
15 - 19 February	15 February	16 February	17 February	18 February	19 February
	Japan • GDP 1st est (4Q) • IP final (Dec) Russia • IP (Jan)	Germany • ZEW bus surv (Feb) Turkey • CBRT mtg: No Chg United Kingdom • CPI (Jan) United States • NAHB survey (Feb) • NY Fed survey (Feb)	Euro area • Foreign trade (Dec) Japan • Reuters Tankan (Feb) United Kingdom • Labor mkt report (Jan) • MPC minutes United States • Housing starts (Jan) • Import prices (Jan) • IP (Jan) • FOMC minutes	Canada: CPI (Jan) Germany: Employment (4Q) Japan: BoJ mtg: No Chg Norway: GDP (4Q) Poland: IP (Jan) Russia: Retail sales (Jan) Sweden: CPI (Jan) United States • Philly Fed survey (Feb) • PPI (Jan)	Euro area • PMI flash (Feb) France • INSEE bus surv (Feb) Mexico • Banxico mtg: No Chg United Kingdom • Retail sales (Jan) United States • CPI (Jan)
22 - 26 February	22 February	23 February	24 February	25 February	26 February
	Germany • CPI prelim (Feb) Hungary • NBH mtg: -25bp Israel • BoI mtg: +25bp Mexico • Real GDP (4Q) Taiwan • GDP (4Q)	Brazil • Retail sales (Dec) France • Cons of mfg goods (Jan) • CPI (Jan) Germany • IFO bus surv (Feb) Japan • BoJ minutes: Jan 25-26 United States • Richmond Fed surv (Feb) • S&P/C-S HPI (Dec, 4Q)	Euro area • Industrial orders (Dec) Germany • GDP final (4Q) Japan • Shoko Chukin (Feb) • Trade balance (Jan) Poland • NBP mtg: No Chg United States • New home sales (Jan)	Euro area • EC bus survey (Feb) • M3 (Jan) Germany • Labor mkt report (Feb) Italy • ISAE bus surv (Feb) United Kingdom • Bus invest prelim (4Q) United States • Durable goods (Jan) • FHFA HPI (Dec, 4Q)	Colombia • BanRep mtg: No Chg Euro area • HICP final (Jan) • Unemployment (Jan) India: GDP (4Q) Japan • CPI (Jan) • IP prelim (Jan) • PMI mfg (Feb) • Retail sales (Jan) Taiwan • Export orders (Jan) • IP (Jan) UK: GDP (4Q) United States • Chicago PMI (Feb) • Consumer sent (Feb) • Existing homes (Jan) • GDP 2nd est (4Q)

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