JPMorgan

Australia and New Zealand - Weekly Prospects

Summary

- **RBA** Governor Glenn Stevens provided last week's highlight with a punchy speech indicating that Australia's economy remains robust, despite financial market troubles, and that further restraint "perhaps would not be unwelcome". Whether this restraint is provided by credit market tightening, or via the policy rate, remains open for debate. The rise in market interest rates to unusually elevated levels relative to cash has delivered a defacto tightening, but the Governor's unexpectedly upbeat speech suggests further policy rate tightening cannot be ruled out. This week brings the August credit aggregates, which should show that credit growth returned to normal levels, following the superannuation fund, policy-induced bounce in June, and the inevitable correction in July.

- The 2Q GDP report will be the highlight in **New Zealand**. Growth will likely print at 0.4%q/q, keeping the annual rate of growth below potential at 2.5%. RBNZ officials are unlikely to be alarmed by the result because they already have lowered their 2Q forecast to 0.5%q/q (previously 0.8%), and remain focussed on the upside risks to inflation next year. Last week, the current account deficit widened in 2Q but, thanks to substantial revisions to the back data, the deficit improved sharply as a percentage of GDP. In other data, confidence in the rural sector rose sharply, buoyed by NZD's decline, and a sharp rebound in electronic card transactions in August points to a bounce in retail spending.

- In delivering a 50bp rate cut last week, the **FOMC** sent two messages. First, it expressed growing concern about the life of the US expansion against the backdrop of tightening credit conditions, declining housing prices, and a weak August payroll report. Second, it signaled a commitment to act preemptively to offset these risks. It was this second message that was most clearly heard by markets in a week in which US equity prices bounced, credit spreads narrowed, and stress in US money markets was relieved.

- These developments bolster confidence that the US can avoid a black hole scenario. There is, however, a pothole around the bend for the global economy. Further declines in housing will be accompanied by softer consumer durable spending in the US. Moreover, the September flash PMI for services points to a downshift in **Euro area growth.** Adding insult to injury, the recent rise in global energy prices poses the biggest threat to household purchasing power in these same regions.

- With **North American and Western European** growth set to slow below a 2% pace in the coming two quarters, it looks likely that further monetary easing will be required. We expect a further 25bp cut from the Fed in October, to be followed by easing from the BoC and the BoE. Risks are rising that the ECB, which has only recently suspended its tightening march, may need to follow suit.

This week's highlight

The Aussie highlight will be the private credit aggregates on Friday, which are forecast to rise 1.1%m/m in August. In New Zealand, 2Q GDP will take the spotlight on Friday; we expect growth of just 0.4% for the quarter.

Contents

JPMorgan Australia Ltd., Sydney
www.morganmarkets.com

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

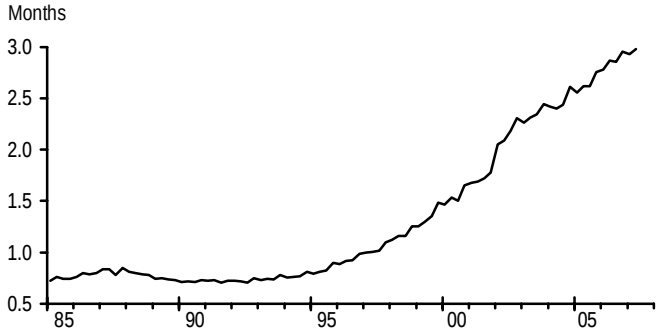
Jarrod Kerr
(61-2) 9220-1669
jarrod.w.kerr@jpmorgan.com

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

JPMorgan Chase Bank, Sydney
Stephen Walters (61-2) 9220-1599
stephen.b.walters@jpmorgan.com
Jarrod Kerr (61-2) 9220-1669
jarrod.w.kerr@jpmorgan.com
Helen Kevans (61-2) 9220-3250
helen.e.kevans@jpmorgan.com

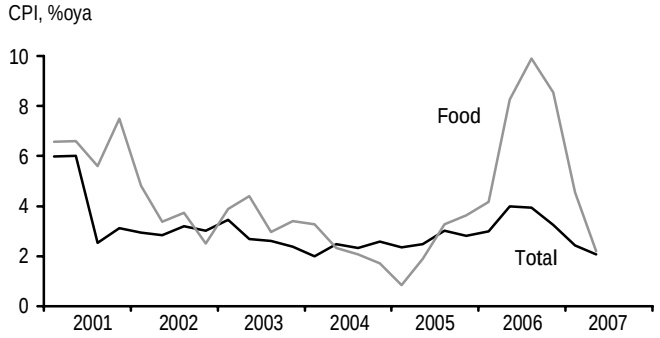
This week's feature charts

Australia - months' disposable income held on credit card balances



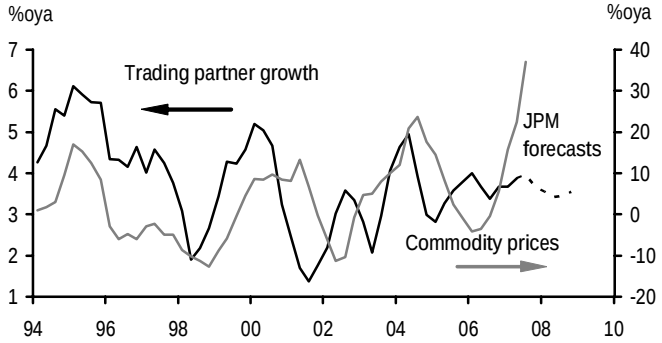
Australian households' ratio of debt to income is one of the highest in the world. While household balance sheets are in good shape—the assets financed by this debt also have risen sharply—one factor that has not attracted much attention has been the accummulation of credit card debt, at very high interest rates. Households now hold a record-high three months worth of disposable income on credit cards. To some extent, however, this reflects reward programs that encourage the use of credit cards for every-day expenses.

Australia's food prices to spike again



The moderation in food price inflation in Australia in 2Q was primarily attributed to favourable year-ago base effects. Rising food prices, owing to the widespread drought, will push headline CPI north in coming quarters, however. Increasing wheat and grain prices will push up the cost of staple goods, such as bread and eggs, while higher feed costs also are sending meat prices higher, and prices of dairy-related prices are trending north.

New Zealand: ANZ commodity prices and trading partner growth



The rapid rise in New Zealand's key soft commodity prices has been driven more by supply constraints and structural changes in the industry than offshore demand. Australia's drought, more widespread implementation of biofuels, and a reduction in Euro-area subsidies have spurred growth in 'soft' commodity prices over the last year. 'Soft' prices now are catching up on the extraordinary run 'hard' commodities have had over last few years, with more upside likely to come.

JPMorgan Australia Ltd., Sydney
Jarrod Kerr (61-2) 9220-1669
jarrod.w.kerr@jpmorgan.com

Economic Research

NZ housing slows with net-permanent migration flows

- **Net-permanent migration hit 18-month low**
- **RBNZ research suggests the leg down in migration flows will have a large effect on the housing market**
- **The brain drain of skilled workers to Australia and England will prove problematic for policy makers**

Net-permanent migration dropped to an 18-month low in August as the number of Kiwi's departing to seek employment opportunities offshore (mainly in Australia and England) continued to grow. The problem faced by policy makers is two-sided. On the one hand, lower migration flows reduces growth in domestic demand. On the other, though, increased migration exacerbates skill shortages and puts upward pressure on wages and inflation.

The RBNZ has released research detailing the impact of migration flows on the domestic economy, especially housing. The report estimates that a net migration inflow equal to 1% of the population will cause a double-digit rise in real house prices. This research supports that released by JPMorgan (see "Would the last Kiwi to leave please turn out the lights" *GDW*, 28 April, 2006). The sharp drop in migration suggests that the downside in housing is in its infancy.

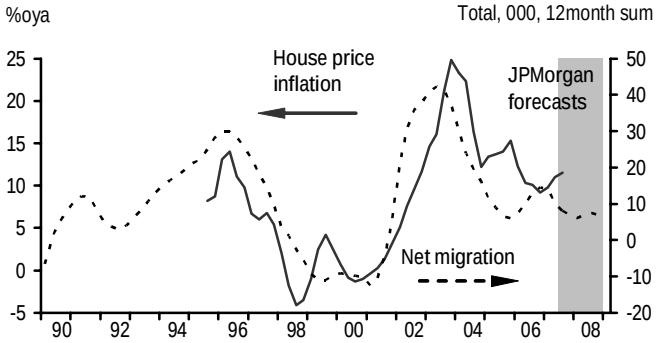
Annual migration at 18-month low

Annual net migration fell to just 8,730 persons in August, suggesting demand for houses and consumer goods will slow substantially over the year ahead. Departures are up 8.5%oya, while arrivals have increased just 2.5%oya. New Zealand citizens departing exceeded arrivals by 30,138.

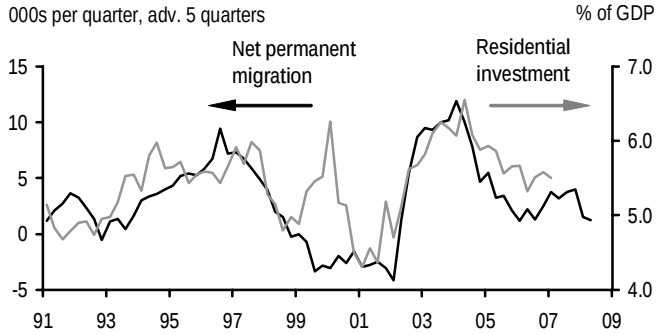
What's concerning about the make up of the migration flows is the export of skilled labour, and import of unskilled. Educated Kiwi's are heading to Australia and London in droves, seeking employment opportunites. Census data shows that incoming migrants from overseas, however, predominantly have a lower skill base. This "brain-drain", which has been on and off the list of political concerns since the 1980s, when then Prime Minister Muldoon coined the famous phrase that Kiwi's heading for Australia "are raising the average IQ of both countries".

The concern policy makers face is one of reduced domestic demand and rising wages. A reduction in net migration reduces the demand for housing and consumer goods, but this is offset by a tightening in the labour market—mainly in skilled employment—which can stimulate wage inflation. Unfortunately, all policy makers can do to solve the brain-drain problem is try and attract higher skilled migrants to New Zealand, and entice Kiwi's to stay at home. This will be a key election issue in 2008.

New Zealand: house price inflation and net permanent migration



Net permanent migration and residential investment



RBNZ research note suggests big impact

Under the RBNZ's structural vector autoregression model, a net migration inflow equal to 1% of the population will cause an 11-13% increase in real house prices after one year. This helps to explain the double digit pace of house price appreciation over the last few years, and the RBNZ's inability to rein in the housing market.

On the flipside, however, the RBNZ's model hints that the sharp downturn in net migration will pull the rug out from beneath the housing market. Although not stated in the report, the sensitivity of the model supports JPMorgan's forecast that house prices will flatline by 3Q08, from teh current 12%oya. Again, the state of the housing market and all-time low housing affordability will be key election issues in next year's race to the Beehive (New Zealand's parliament).

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

Australia

- **Hawkish RBA still upbeat about Australian economy**
- **Australian interest rates more likely to rise than fall**
- **Private sector credit growth to pick up in August**

In the absence of key economic data in Australia last week, market pundits looked abroad for direction. RBA Governor Glenn Stevens did, however, deliver an upbeat speech on the Australian economy last Wednesday, which reaffirmed expectations that the current tightening cycle may have further to run. A public opinion survey conducted by Newspoll showed that the Labor opposition still leads the government 55% to 45% on a two-party preferred basis ahead of the forthcoming election. The government has gained four points in the survey over the past two weeks.

Preview: August private sector credit

This week's highlight will be the private credit aggregates. Credit outstanding grew 0.9%m/m in July after surging 1.9% in June. Business lending once again underpinned credit growth in July (+1.4%m/m), which bodes for the economic outlook given that growth in business investment is crucial to alleviating the infrastructure bottlenecks and capacity constraints that are hampering the nation's export performance. Meanwhile, housing credit grew just 0.7%m/m in July and personal credit remained flat—both had spiked in the previous month owing to a flood of superannuation-related borrowing.

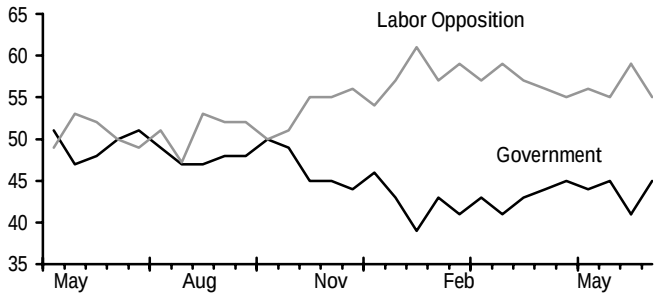
In August, private sector credit aggregates are forecast to rise 1.1%m/m. Business lending will likely remain strong, while personal and housing-related borrowing will return to more normal levels, although growth will be capped by the RBA's decision to hike interest rates in early August.

RBA believes economy is still strong

RBA Governor Glenn Stevens last Wednesday delivered a speech to the Asia Society AustralAsia Centre that focused on financial markets. The Governor outlined developments in market conditions in the region, and provided a useful update on the central bank's view of the path of the Australian and world economies. The tone of the Governor's speech was unexpectedly upbeat, and indicated that the RBA retains a bias to tighten policy. It also made clear the importance of not losing sight of the bank's objective of pursuing sustainable growth with price stability, while carefully monitoring developments in financial markets.

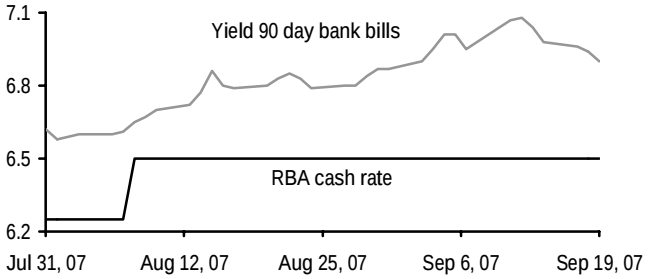
Australia: public opinion polls

Newspoll, % two party preferred



Australia: RBA cash rate and money market rates

%



The speech appears to signal that the RBA's tightening cycle may not be over, even after taking into account tightening domestic financial conditions in recent weeks. Our call for a quarter-point tightening in December remains intact, although we earlier trimmed the probability of a late-2007 move to 60%, from 75%. Our call for a December tightening depends on two key developments: first, that stability has returned to financial markets; and, second, that the spillover of re-pricing of risky assets to the real economy is contained. The RBA will not tighten if the real economy spillover turns out to be more pronounced than anticipated.

In particular, RBA officials will be gauging whether the downside risks to global growth have intensified. For this part, the Governor indicated that the negative implications for regional credit and financial markets stemming from the troubles in the US subprime mortgage market are, in fact, presently contained. The Governor said that while Asian exports clearly would be damaged by weaker growth in the US and Europe, China's strong economy will provide a welcome offset for growth in the Asian region. This is particularly favorable, given that China is Australia's second largest export destination behind Japan. More importantly, though, most of

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

Australia's bulk commodity exports to Asia are sold on extended volume contracts, meaning that even if regional growth slowed, Australia's export volumes would hold up for some time.

Local market conditions are improving

Governor Stevens spent a much of his speech describing recent developments in financial markets in Australia and Asia. He acknowledged that interbank and bank bill yields remain unusually high relative to the cash rate, but also that there had been an encouraging improvement in financial market conditions in recent days. While the Governor expects conditions to remain difficult for a while yet, he noted that the underlying asset quality in Australia is sound, pointing out that the equivalent of subprime mortgages in Australia represents just 1% of total mortgages, compared to 12% in the US, and the arrears rates are "exceptionally low" by global standards.

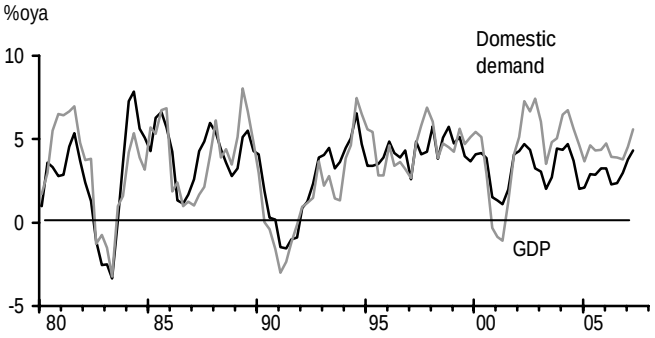
On the Australian economy, the Governor cannot as yet detect any evidence of a material slowdown in momentum, and claimed that economic growth remains at least as strong as when the RBA last raised the key cash rate in August. While acknowledging that the final impact of the turmoil in global financial and credit markets is not yet clear, and that Australia will not be immune, Governor Stevens indicated that additional restraint in the Australia economy "would perhaps not be unwelcome." It seems that, at present, the RBA is not overly concerned about the macroeconomic impact of the problems in global credit and money markets.

RBA officials will be watching carefully to gauge the extent to which the blowout in banks' funding costs has delivered a defacto policy tightening. Thus far, the impact appears modest. The commercial banks, for example, are reluctant to raise home mortgage interest rates because they would risk losing market share. Also, the average term on commercial borrowing is three years, so the banks cannot immediately pass on the rise in funding costs to commercial customers.

Economy robust, inflation risks building

Indeed, the Australian economy remains in good stead. Not only is economic growth running well above potential, but the economy is operating at full employment—the jobless rate remains at a three-decade low—and rates of capacity utilization are at record highs. Households remain in a favorable position thanks to the delivery of another substantial reduction in personal income taxes in July, on top of solid job growth,

Australia: growth in GDP and domestic demand



and the corporate profit share is at a record high. Moreover, with the government still trailing the Opposition Labor Party in public opinion polls, the government almost certainly will commit a large slice of the massive budget surplus to winning the election (expected to be held in early November).

Still, the gap between actual and potential growth means inflation risks already are tilted toward the upside. Food and electricity prices are rising owing to the drought, upward pressure on wages persists amid continued tight labour market conditions, and petrol prices remain elevated, as do rent and construction costs. Each of these factors will likely fuel measured inflation, which already is traveling uncomfortably close to the upper end of the RBA's 2-3% target range. The RBA recently raised the official forecast for core inflation from 2.75% to 3.0%.

Australia:
Data releases and forecasts

Week of September 24 - 28

Fri Sep 28 11:30am	Private-sector credit Seasonally adjusted	May	Jun	Jul	Aug
	(%m/m)	1.3	1.9	0.9	1.1
	(%oya)	14.8	15.8	15.4	15.5

Review of past week's data

WMI leading index
Seasonally adjusted

	May		Jun		Jul	
(%m/m)	0.2		1.0		__	*0.7*

Sales of new motor vehicles
Units, seasonally adjusted

	Jun		Jul		Aug	
(%m/m)	~~2.2~~	*2.1*	~~0.6~~	*0.5*	__	*-1.9*
(%oya)	11.5		8.7		__	*8.0*

New Zealand

- **GDP growth this week's data highlight**
- **NZ current account: a cloud with a 'white gold' lining**
- **Net migration flows point to leg down in housing**

This week's GDP report will be the highlight in New Zealand, and growth is likely to be below market expectations at 0.4%q/q. The flow of top-tier economic data out of New Zealand slowed to a trickle last week, with the current account deficit the highlight. The deficit widened slightly in 2Q, as expected, but thanks to substantial revisions to the back data, the deficit improved markedly as a percentage of GDP. The 2Q current account deficit now stands at 8.2% of GDP, from a downwardly revised 8.3% in 1Q (previously 8.5%). In other data, confidence in the rural sector rose for the third consecutive month, buoyed by NZD's decline; a sharp rebound in electronic card transactions in August point to a bounce in retail spending.

Preview: NZ GDP to shock the bulls

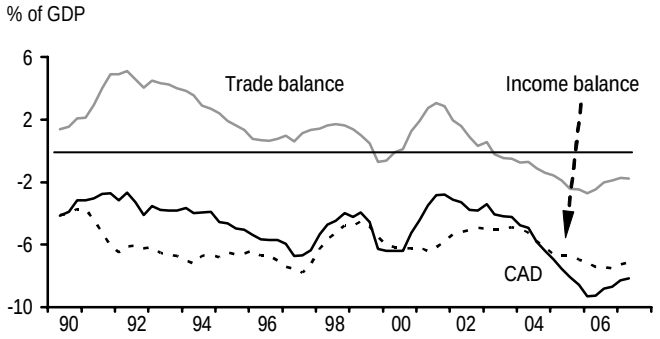
New Zealand's GDP growth in the second quarter will be like a red brick wall to the bulls on the economy, as growth is likely to be weak at 0.4%q/q. The poor quarterly outcome—which will be in line with the downwardly revised RBNZ forecast of 0.5%q/q (previously 0.8% in the June MPS)—comes off an elevated 1Q base, and will be a result of a 0.3%q/q contraction in consumption growth. Keeping the quarterly outcome in the black will be more government spending and an inventory build.

The annual rate of growth will remain at a subpar pace of 2.5% in 2Q. The second quarter drop in growth is likely to be backed up by an equally subdued 3Q and 4Q result, as higher interest rates and the financial market turbulence hits consumer and business confidence. JPMorgan forecasts annual GDP growth in 2007 to come in around 2.6%, up from the 1.5% annual growth recorded in 2006.

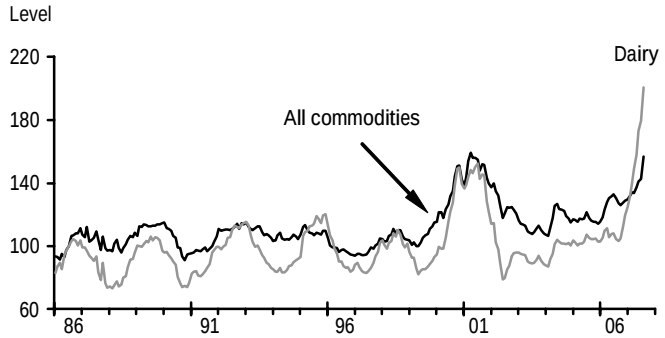
NZ CAD outlook painted in white gold

New Zealand's current account deficit (in actual dollar terms) widened as expected in the June quarter to NZ$2.91 billion from NZ$2.21 billion in 1Q, but came in well below market expectations (JPMorgan NZ$2.55 billion, consensus NZ$3.39 billion). The annual deficit has improved from NZ$14.6 billion in the year to June 2006 to NZ$13.6 billion in the June 2007 year. As a result, the current account deficit

New Zealand: current account



New Zealand: ANZ commodity price index - in NZD



dropped to 8.2% of GDP—down from a downwardly revised 8.3% in 1Q (previously 8.5%). In seasonally adjusted terms, the deficit actually narrowed by NZ$162 million over the quarter to NZ$3.415 billion.

Delving into the detail, the goods balance improved markedly, a result much better than the monthly trade figures had suggested, and over a period when the NZD hit record highs (the NZD traded US 0.81 cents, the highest level recorded since floating in 1985). The service balance was weaker than expected, given the solid flow of tourists over the quarter, especially from Australia. The income balance continued to weigh the current account down, as earnings by foreign investors in New Zealand outweighed the increase in income earned from New Zealand's investments abroad. On a positive note, the income deficit is flattening out on an annual basis—the deficit in the year to June 2007 was little unchanged from the deficit in the year to June 2006 and is now NZ$249 million lower than the year ended December 2006 income deficit of NZ$12.1 billion.

Overall, this was a positive report, and given the upbeat dairy industry outlook and recent drop in NZD, New Zealand's deficit

will continue to improve on the trade side. Although the income side continues to weigh on the current account balance, the CAD is likely to head towards 7.5% of GDP over the next four quarters.

Farmers spurred over white gold rush

Confidence is brewing in New Zealand's rural sector as commodity prices soar and the NZD declines. According to the August Rabobank-Nielsen rural confidence survey, half of New Zealand's farmers now expect the economy to improve in the next 12 months— up 10% from the 40% who held that expectation in June. This is the third consecutive improvement in farmer sentiment. The most striking improvement in the survey came outside the dairy industry, as sheep and beef producers rejoiced in the NZD's decline.

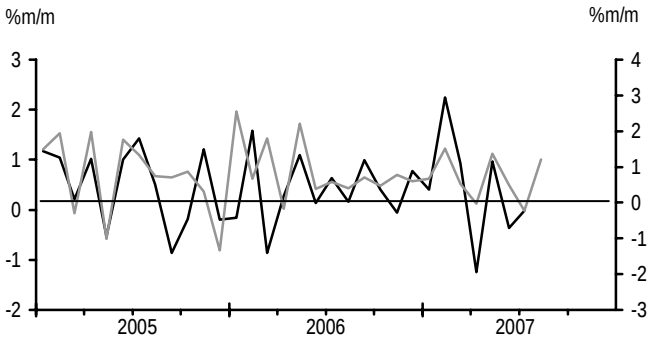
According to the report, sheep farmer confidence levels increased 12%, with 33% of sheep producers now expecting economic conditions to improve, while beef farmer confidence increased 17%, with 39% expecting improved conditions. Optimistic beef and sheep farmers now outnumber pessimists for the first time since October 2006. Beef and sheep farmers have faced weak meat prices because of the culling associated with Australia's drought, and have seen their earnings slaughtered by a surging NZD. Prospects are improving with the NZD's decline and the rise in meat prices.

As far as the level of confidence is concerned, however, As far as the level of confidence is concerned, however, cashed-up dairy farmers are on cloud nine. A massive 77% of dairy producers expect an improved economy. It is worth noting that this is compared to 78% in June, and that the survey was conducted prior to Fonterra's sizable payout announcement. Fonterra's forecast payout was upwardly revised to NZ$6.40/kg milk solids for 2007/08. The forecast is up nearly NZ$2 from actual NZ$4.46/kg MS paid last season. Milk prices are up 93% in NZD terms.

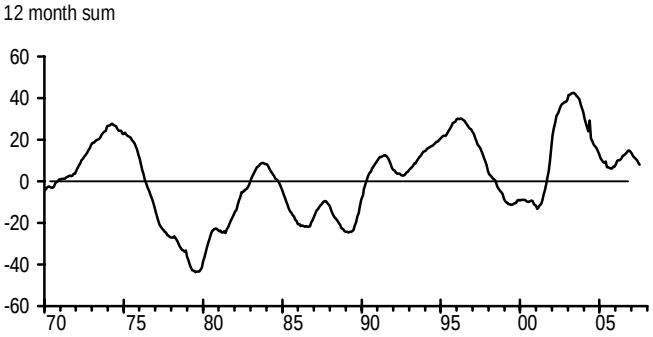
Electronic card payments up in August

While the relationship between electronic card payments and retail sales in New Zealand is far from perfect, the relatively new series from Statistics New Zealand does suggest there was a bounce in activity in August. Electronic card transactions bounced 1.2%m/m in August after a 0.2% decline in July. JPMorgan's forecast is for a 0.8%m/m bounce in retail spending after flat (0.0%) growth in July and a 0.4% contraction in June. The outlook for retail sales growth over the third quarter remains bleak, however, as tighter monetary conditions and a number of collapsing finance companies hit consumer confidence.

New Zealand: electronic card transactions and retail trade



New Zealand: net-permanent migration



Annual immigration at 18 month low

Net-permanent migration in dropped to an 18 month low in August as the number of Kiwi's departing to seek employment opportunities offshore (destined mainly for Australia and England) continued to grow. The problem faced by policy makers is double sided. On the one hand, reduced migration flows reduces growth in domestic demand; but on the other hand, increased emigration exaccerbates skill shortages and puts more pressure on wages and inflation.

In a rather timely manner the RBNZ last week released a research note detailing the impact of migration flows on the domestic economy, especially housing. The report estimates that a net migration inflow equal to 1% of the population will cause an 11-13% increase in real house prices after a year. This research note supports that released by JPMorgan (see "Would

the last Kiwi to leave please turn out the lights" *GDW*, 28 April 2006). Running with the RBNZ estimates, the recent downturn in immigration suggests that the downside in housing is very much in its infancy.

The large swings in migration, and the obvious impact on the local economy, was clearly noted in the RBNZ's submission to the Select Committee inquiry into the Future Monetary Policy Framework. The RBNZ made two recommendations regarding the issue:

- encourage further work by the relevant agencies to ensure that housing land supply and the development of new subdivisions is not unduly restricted by regulatory or administrative constraints; and
- consider whether variations in new migrant approvals could be used as a supplementary tool during periods in which demand pressures in the economy are becoming particularly intense.

The result of the parliamentary select committee are unlikely to be made public until early 2008. Change is very much on the cards, but just how much gets pushed trhough prior to next year's closely fought election remains to be seen. Any policy changes at this stage are likely to effect the next housing and migration cycle, not this one.

New Zealand:
Data releases and forecasts

Week of September 24 - 28

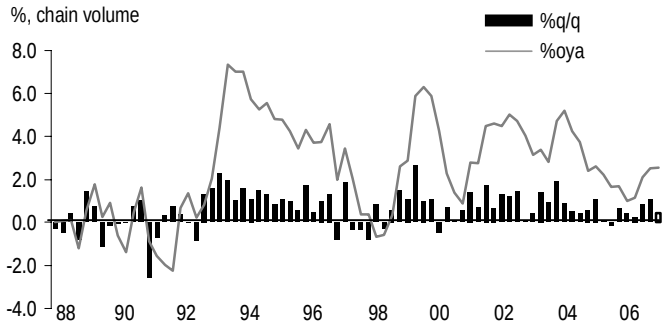
Wed Sep 26 10:45pm — **Trade balance**
Not seasonally adjusted

	May	Jun	Jul	Aug
Exports ($NZ mn)	3354	2747	2640	2500
Imports ($NZ mn)	3344	3258	3432	3400
Trade balance ($NZ mn)	9	-511	-791	-900

Thu Sep 27 10:45 — **Building consents**
Seasonally adjusted

	May	Jun	Jul	Aug
(%m/m)	4.9	14.2	-15.5	__
(%oya)	2.4	34.3	3.2	__

New Zealand: GDP growth



Thu Sep 27 10:45 — **NBNZ business confidence**

	Jun	Jul	Aug	Sep
(Net % of respondents)	-37.2	-38.5	-33.8	__

Fri Sep 28 10:45am — **Real GDP**
Seasonally adjusted, production-based

	3Q06	4Q06	1Q07	2Q07
(%q/q)	0.3	0.8	1.0	0.4
(%oya)	1.1	2.1	2.5	2.5

Review of past week's data

Balance of payments
NZ$ mn, nsa

	4Q06		1Q07		2Q07	
Trade balance	~~-1265~~	*-1222*	~~-386~~	*-342*	~~-350~~	*27*
Service balance	~~214~~	*280*	~~980~~	*1052*	~~970~~	*-120*
Net income	~~-3153~~	*-3157*	~~-2809~~	*-2894*	~~-3170~~	*-3014*
Current account	~~-3944~~	*-3856*	~~-2217~~	*-2205*	~~-2500~~	*-2914*

Credit card spending
Seasonally adjusted

	Jun	Jul	Aug
(%m/m)	2.0	-0.2	__
(%oya)	9.2	7.8	__

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

Global essay

- **Decisive Fed action buoys markets and confidence but a growth slowdown still lies ahead**
- **Scaling back policy rate expectations in Western Europe**
- **Emerging economies continue to outperform, led by Asia**

Bang for your buck

In delivering a 50bp rate cut last week, the FOMC sent two messages. First, it expressed growing concern about the life of the US expansion against the backdrop of tightening credit conditions, declining housing prices, and a weak August payroll report. Second, it signaled a commitment to act preemptively to offset these risks. It was this second message that was most clearly heard by markets in a week in which US equity prices bounced, credit spreads narrowed, and stress in US money markets was relieved.

These developments bolster confidence that the US can avoid a black hole scenario. There is, however, a pothole around the bend for the global economy. Further declines in housing will be accompanied by softer consumer durable spending in the US. Moreover, the September flash PMI for services points to a downshift in Euro area growth. Adding insult to injury, the recent rise in global energy prices poses the biggest threat to household purchasing power in these same regions.

With North American and Western European growth set to slow below a 2% pace in the coming two quarters, it looks likely that further monetary easing will be required. We expect a further 25bp cut from the Fed in October, to be followed by easing from the Bank of Canada and the Bank of England. Risks are rising that the ECB, which has only recently suspended its tightening march, may need to follow suit.

We maintain our cautious optimism about growth in Asia and in emerging markets and look for a an outcome that reflects a turnaround from the global growth dynamic following the 1997-98 financial turmoil. At that time, severe weakness in these regions was cushioned by resilient growth in the US and Western Europe. This time, Asian and EM resilience will help keep the global economy afloat. In making this comparison, it is important to recognize a key contrast from a decade ago. In the 1990s, an Asian recession, a sharp fall in the currencies of goods-producing nations, and a US productivity boom generated a powerful wave of disinflation. Now, reflationary forces dominate, as global resource utilization rates are high and commodity prices are firm. Indeed, as the response by markets to Fed easing indicates, expectations of a temporary slowing in growth promoted by central bank easing have modestly increased the perception of medium-term inflation risks.

Commodity prices less bubbly in CAD

Last week's new high in the price of crude oil underscores the resilience of global commodity prices. This performance, complemented by the Fed's bold rate move, has encouraged inflows into the commodity currencies. Canada, whose dollar reached parity with the US dollar last week for the first time in three decades, is a prime example. The surging Canadian dollar makes commodity prices look less buoyant from the Canadian point of view, however. Although the JOC-ESRI industrial materials price index measured in US dollars is down just 2% from its July 23 peak, the index in Canadian dollars peaked in March and has since declined 10%.

When the Canadian dollar reached parity with its US counterpart last week, most Canadians rejoiced at their increased purchasing power. However, the economic impact of a sharp exchange rate appreciation that is accompanied by neither strengthening demand for Canadian exports nor significantly higher commodity prices is cause for concern for the Bank of Canada. With the credit crunch having pushed up short-term borrowing costs and the currency rising, monetary conditions have tightened significantly over the past month. BoC Governor Dodge may use his speech in Vancouver on Tuesday to indicate that the BoC is open to the idea of cutting its policy rate to offset this development.

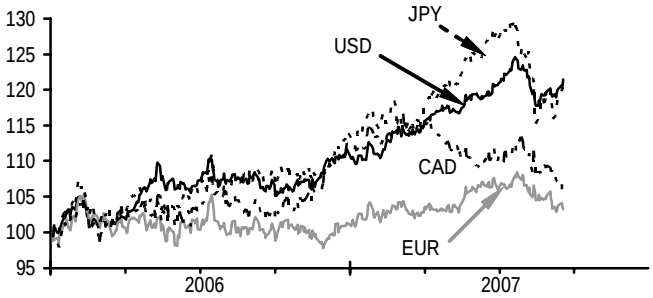
Market response to Fed easing
5-day change centered around ease

	Sep 29, 1998	Jan 3, 2001	Nov 6, 2002	Sep 18, 2007
Fed funds (bp)	-25	-50	-50	-50
2-year US Treasury yields (bp)	-26	-62	8	6
10-year US Treasury yields (bp)	-27	-19	-22	22
5yr-5yr forward breakevens (bp)	-23	-9	-18	8
Trade-weighted dollar (%)	0.1	0.1	-0.8	-1.3
S&P 500 (%)	-5.6	-1.7	-1.5	2.3

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

JOC-ESRI industrial materials price index, restated in various currencies

Jan 2, 2006 = 100



Scaling back rate expectations in Europe

While last week's Euro area flash PMI signals that the Euro area economy already may be downshifting, the adjustment may take place a bit more slowly in the rest of Western Europe. In the United Kingdom, the tightening in credit market availability and rising borrowing rates are likely to produce a marked slowing in demand growth. This will be a gradual process, however, since mortgage lenders are incrementally raising rates on new and existing loans, thereby insulating prime borrowers from the brunt of the market turmoil. And while the possibility of a confidence-driven downshift in spending cannot be dismissed, UK households have demonstrated impressive resilience to a series of shocks to date. The Bank of England has shifted from a hiking bias to a wait and see mode, as credit market events have hit and inflation has returned to near the target. Having taken rates into mildly restrictive territory and with demand growth expected to ease in coming months, we now expect the MPC to unwind some of the recent tightening. A move in November is a possibility if the data turn abruptly in the coming weeks, but an easing in February appears more likely.

Slower growth also may lie on the horizon in Scandinavia. Until now, the storyline there has been one of strong growth and rising inflation pressures. However, the prospective slowing in global growth is an important development for these highly open economies. This points to slower export demand into year end, a change that may be exacerbated by currency appreciation. With the Norges Bank meeting this week, we have changed our call from a 25bp rate hike to the Bank leaving rates on hold. The odds are increasing that this will turn into an extended pause. In Sweden, last week's Riksbank minutes depict a central bank that is prepared to stay the course on policy rate normalization. Yet the threat to growth from external developments may be more significant than the Riksbank believes. Although we continue to forecast a Riksbank hike in December, the risks that policymakers go on hold before then are rising (see "Downside risk to Sweden from softer exports and stockpiling," page 15).

Japan: Fukui still optimistic

The BoJ left rates unchanged last week, and Governor Fukui was surprisingly optimistic about the economic outlook in his post-meeting press conference. Fukui downplayed recent weakness in the Japanese indicators as both technical and weather-related and said he doubted that the Bank needs to revise its economic forecast, which will be laid out in October's *Outlook Report.* His concerns focused chiefly on the external backdrop, especially the US economy. Despite his warning that markets should not get complacent about BoJ policy, our call remains that the central bank will not be in a position to hike rates until early next year.

This week's data are expected to highlight the recovery of corporate and household activity in August, following setbacks in July. This development should be underscored by strong advances in industrial production and retail sales. Nonetheless, questions about the trend in consumer spending will linger. Real wage growth has slowed to near zero recently, while the turmoil in financial markets may add to consumer caution. A related question is how to interpret the surprisingly weak summer bonuses paid by small firms. The Shoko Chukin survey of small businesses, due on Thursday, and the BoJ's September Tankan, due on October 1, will provide important insight into conditions in the sector.

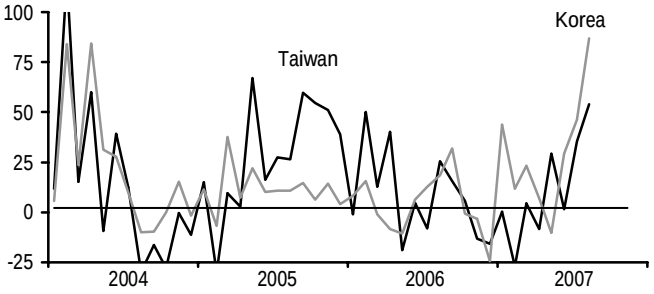
Emerging Asia's resiliency coming through

While storm clouds continue to gather over the developed economies, the picture from the emerging world so far remains upbeat. Taiwan has once again reported strong export orders data—this time for August—with notable strength in the tech sector, and raised its policy rate for the 13th time in the current tightening cycle. The news from Taiwan highlights the solid growth momentum in the EM Asia region and policymakers' confidence that this trend still has room to run. This dynamic is most apparent in China, but the latest business and consumer surveys and data on exports and IP from Korea point to a similarly positive view on growth. Our forecast calls for Emerging Asia GDP growth on average to stay above a 6% pace through the turn of the year, even taking into account an expected moderation in China. The broad re-

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

High-technology exports

% change over 3 months, saar



flation trend also remains intact, including continued rises in regional property prices and buoyant equity markets. Most central banks therefore will stay on hold, letting currency appreciation supplant marginal monetary tightening.

For countries still looking to boost domestic demand further, like the Philippines and Thailand, JPMorgan now envisages additional rate cuts. In the Philippines, capital inflows had led to a surge in M3 growth, which the central bank had to mop up. But having done so, and with inflation still likely to be at or below target next year, we now expect two 25bp rate cuts, with the first one on October 4. In Thailand, politics heading into the December 23 scheduled election remain messy and domestic demand growth very modest. We therefore are adding an additional 25bp rate cut to our BOT call.

Fed move is mixed blessing for Latins

Fed action has brought relief to Latin American money markets. In Brazil, swap markets that a week ago were pricing 90bp of rate hikes over the course of next year have adjusted to envisage only 25bp. In Mexico, policy rates were left unchanged despite market expectations for tightening. In Argentina, the O/N rate has fallen to 8% from 13% last week, as reduced pressure on the peso allowed authorities to inject liquidity rather than drain it. The improvement in money markets has occurred alongside a strengthening of Latin American currencies which may prove unwelcome if it occurs in large doses. Mexican officials welcome peso appreciation because its influence over tradable goods prices will help dampen inflation pressures. Similarly, the *real's* strengthening will help Brazil's central bank maintain an easing bias even if it pauses near term. That said, excessive gains likely would prompt official intervention similar to what was happening up through July. Officials in Argentina likewise wish to avoid significant fx moves in either direction.

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

JPMorgan View - Global Markets

Fed magic

Cross markets

- Last week, we asked rhetorically whether the Fed could really solve all problems. **Markets clearly voted "yes"** on this question with equity, credit, and emerging markets shooting up, bonds selling off, and curves steepening. The dollar was the only "risky" asset that was not bolstered by the Fed's Superman act, and reached decade lows against Europe and Canada.

- Central banks have been quite reluctant to switch from inflation concerns to crisis control, but once faced with the severity of the crisis they abandoned all talk of moral hazard, and moved into action. UK authorities moved furthest, de facto switching to a full guarantee of all bank deposits, while the Fed delivered double the hoped-for 25bp cut. **The willingness of central banks to abandon their caution had a powerful impact on economic sentiment**. By itself, this might boost spending by consumer and corporates alike.

- **Beyond sentiment, have conditions improved?** The answer is **yes**. US economic data for September so far do not validate the pothole in activity data for August, creating good hopes that September payroll gains will move back towards +100,000. Japanese and European data in contrast have worsened. Credit markets are slowly reviving, with increased primary issuance in high-grade, high-yield, and even asset-backed securities, despite continued, though slower, contraction in asset-backed commercial paper. CDO and CLOs remain dormant, and continue to face an uncertain future.

- **Bullish sentiment and momentum are very strong,** and little stands in the way near term. But the severity of this summer's credit crisis means that it is almost certain to have had **real repercussions**. Longer term, despite best intentions, **central banks have created more, rather than less moral hazard,** and will need to face the monster they have spawned. Shorter term, financial intermediation has improved, but volumes in more complex products remain extremely low. Banks have tightened credit conditions and this is unlikely to be turned around on a dime, or a 50bp Fed cut and an equity rally. We thus remain in data-watching mode, assessing the damage that the credit crisis has done to spending. Given high volatility, we prefer defensive, relative value over large directional exposures. With equities near cycle highs, we prefer corporate credit, volatility-weighted. Consumer discretionary should be underweight, but Financials are starting to look attractive. EM equities are getting strong inflows and we stay overweight here.

Government bond yields

		Current	Dec 07	Mar 08	Jun 08	Sep 08
United States	2-yr	4.08	3.90	4.00	4.35	4.75
	10-yr	4.64	4.50	4.50	4.80	5.15
Euro area	2-yr	4.04	3.90	3.80	3.80	3.80
	10-yr	4.36	4.25	4.20	4.20	4.20
United Kingdom	2-yr	5.07	5.10	5.00	5.00	5.00
	10-yr	5.11	5.05	5.00	5.00	5.00
Japan	2-yr	0.78	0.80	1.05	1.20	1.30
	10-yr	1.66	1.60	2.00	2.10	2.20

Equities

	Current	Ytd return (local currency)
S&P	1530	8.5%
Topix	1552	-6.2%
FTSE 100	6457	6.3%
MSCI Eurozone	244	8.6%
MSCI Europe	1561	7.4%

Credit markets

	Current	Dec 07
US high grade (bp over swaps)	80	60
Euro HG industrials (bp over swaps)	59	50
USD high yield (bp vs. UST)	434	400
EMBIG (bp vs. UST)	205	200

Foreign exchange

	Current	Dec 07	Mar 08	Jul 08
EUR/USD	1.41	1.42	1.36	1.35
USD/JPY	115	118.00	122.00	124.00
GBP/USD	2.02	2.01	1.92	1.90

Commodities

		Quarterly average			
	Current	3Q07	4Q07	1Q08	2Q08
WTI oil $/bbl	81.5	60.0	59.0	60.0	0.0
Gold ($/oz)	731	690	700	715	0

Fixed income

- **Bond markets sold off badly in mature markets, but rallied in EM**. The selloff was quite atypical for a week with an unexpectedly large Fed rate cut. Our US client base went short into the FOMC meeting and showed the first net short positions since April. Japanese investors sold last week, although central banks became net buyers again last week. Near term, momentum is negative, but we keep some longs at the short end in Europe as risks are biased toward central banks here having to follow the Fed. Everybody is in steepeners, and so are we. Underweight Inflation-linkers.

Equities

- Equities rallied following the 50bp rate cut by the Fed. G7 rose 2% and EM outperformed, rising more than 3% in local

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

terms. Investors have become confident that the **Bernanke put** will help equity markets to repeat their post-LTCM rally. **US retail** investors bought a massive $23bn last week. **EM equity** funds saw a very large $2bn of inflows last week, the highest weekly inflow year to date. Near-term momentum is strong but we are more skeptical for the next few months as we believe that equity investors are complacent with respect to the chance of a recession (1/3 in our mind).

- Even if a recession takes place we do not see a lot of downside. The closest to the one we fear today is the **1990 recession**. At that time, it was the S&L crisis that laid the seeds of the housing slump and eventual recession. But equity markets suffered only a 10% fall from peak to trough, half the average decline of the past 10 recessions. This is because the source of leverage and vulnerability was with the consumer rather than corporates. The backdrop is similar now as the ratings crisis and the tightening in credit conditions are threatening credit availability and US consumer spending.

- **A defensive view on equities is conventionally associated with overweighting large versus small caps, value vs growth, and mature vs EM markets.** We agree with an overweight of large caps, but disagree with the latter two calls. Growth sectors are less exposed to consumers and more to capex. Hence, our current preference for such growth sectors as Tech and Telecoms. With global activity downshifting in mature economies, capital is moving into EM, which is still growing well. Hence we are long EM vs G7.

Credit

- In tandem with equities, credit markets staged a **recovery** last week. Credit spreads are 4bp lower in HG and 30bp in HY. CDS outperformed posting a massive decline in spreads as investors unwound long protection positions. As a result, the basis between CDS and cash bonds has turned even more negative. We believe the basis is reaching a peak and we are biased towards narrowing in coming weeks, as improving funding conditions should allow hedge funds and dealers to exploit this positive carry value opportunity.

- **Volumes are improving.** There was more secondary trading last week, and primary activity rose in HG, HY and ABS. Momentum has improved in credit markets and risks are biased towards tighter spreads near term. But given medium-term risks we are reluctant to chase the rally and prefer to take risk on relative value trades. We overweight BBs against CCCs and US HG against HY, but on a volatility-adjusted basis to reduce directionality. In HG, we are biased toward curve steepening and turn more positive on Financials, where we see further spread tightening vs industrials.

Foreign exchange

- The Fed's 50bp rate cut had predictable impacts: a revival of carry trades globally, a weaker dollar (except vs yen) and a rally in commodity prices.

- **The dollar fell to a new record low versus EUR of 1.4120** (although this remains below the synthetic low of 1.4536 against DEM in 1995) and its lowest level versus CAD since 1976. The dollar's real trade-weighted value is only 4% above the all-time low from 1980—indicative of the confidence crisis the USD now faces. Despite seemingly stretched levels, we recommend holding a short USD position versus EUR, NOK, and SEK. Evidence of mounting economic pressure in the Euro area and the potential for this to depress monetary policy expectations may slow, but as yet is unlikely to reverse USD losses.

- **Sterling** continues to be distracted by domestic financial tensions. The immediate bank run may be over but anxiety about the knock-on effect of this for consumer confidence and the housing market should exert continued upward pressure on EUR/GBP and limit the potential for cable to rally.

- **The high-yielders enjoyed a strong week last week.** NZD was the strongest performer, on short-covering, with AUD and EM currencies not far behind. We recommend holding long AUD vs JPY and taking EM exposure in HUF, IDR, and ZAR.

Commodities

- **WTI** hit a new record high last week on Gulf production shut-ins and USD weakness. We expect supply conditions to ease later this year and into next year, thus pushing prices lower, but the near-term view is still for **firm prices.**

- Metals exploded higher last week as a return to risky assets materialized following the large Fed cut. Both precious and base moved higher but in percentage terms it was copper and nickel that outperformed, the former trading through to just below 8000/mt. Further gains look likely even though the physical market remains flat. Gold posted a new multi-decade high towards 740/oz. Investor demand has been unprecedented these past three months and will likely cool. Further gains rely on further USD weakness.

JPMorgan Chase Bank, Sydney
Stephen Walters (61-2) 9220-1599
stephen.b.walters@jpmorgan.com
Jarrod Kerr (61-2) 9220-1669
jarrod.w.kerr@jpmorgan.com
Helen Kevans (61-2) 9220-3250
helen.e.kevans@jpmorgan.com

Markets - Australia and New Zealand

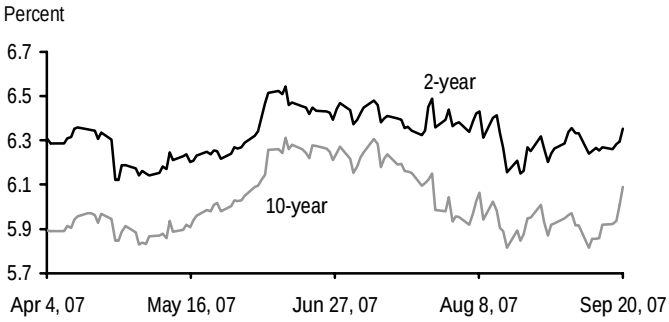
Main events for markets

- For **Australia**, in another quiet week for economic data, the highlight this week will be the RBA's August credit aggregates on Friday. Growth in total credit should bounce back to 1.1%q/q (from 0.9% in July), with a big rise in business lending again leading the way. Household and personal credit has been distorted by the June pension-related binge, but should return to 'normal' levels.
- In the meantime, Monday's release of the **RBA's Financial Stability Review** should attract market attention. Even after accounting for the blow-out in credit spreads and market interest rates in recent months, the review probably will highlight the underlying strength of Australia's financial sector. In particular, the sub-prime segment of the mortgage market is very small. Also, the balance sheets of corporates, households and the federal government are in great shape.
- **Deputy RBA Governor** Rick Battellino delivers a speech on Tuesday to a banking and finance conference. Mr Battellino probably will touch on recent developments in markets. The speech will be followed by a Q&A session.
- **New Zealand's GDP** report (Friday) will be the highlight of the week on the other side of the ditch, and is likely to close to market and RBNZ expectations of 0.5%q/q (JPMorgan 0.4%q/q). The details of the report, however, will be ugly. A contraction in consumption growth, coupled with a subdued export performance over the quarter, will be offset only by government spending and an inventory build.

Market commentary

- The market continues to price a low probability of **RBA policy tightening** later this year. Futures market pricing, for example, implies just a 21% probability of an RBA rate hike by December. The market implies a 44% chance of a rate hike, however, by next June. Our forecast is that the RBA will raise the cash rate in December, but this assumes that markets have normalised and that the spill-over to the real economy from the dislocation in credit markets has been modest. We put the probability of an end-year rate hike at 60%, albeit down from 75% a few weeks ago.
- The **Aussie 3s10s curve** steepened last week in line with the steepening in the US curve. Having started the week at -29bp, the curve steepened to -23 before retreating to -27 by week's end. The front end of the curve is pegged by expectations that the RBA will not ease policy, and the longer end is directional and dependent on movements offshore. The curve should continue to steepen this week on concerns that inflation pressure is building, both locally and offshore.

Australian government bond yields



- **10-year bond yields** in Australia rose sharply last week as markets priced in greater risk of inflation rising over the medium term. 10-year yields rose from 5.91% at the start of the week to a two-month high of 6.14% by Friday's close. 2-year yields also rose, but by 16bp to 6.41%. Yields are likely to rise further this week as markets digest the potential medium term inflation threat from central bank easing.
- The local equity market rallied in line with markets offshore after the Fed's 50bp rate cut last week. The **ASX 200,** for example, rose 160 points on Wednesday, but ended the week up just 50 points following a sluggish start to the week. Earnings growth in the current fiscal year is likely to be in single digits—bank earnings, in particular, are under pressure from the rise in the cost of credit.

Trade recommendations

We recommended the following trades in last week's Global Fixed Income Markets (GFIM). These trades will be reviewed further in today's GFIM.

- We established a short Dec'07 bank bills at 93.13, target 93.0 and stop at 93.17 on the basis that the market assumed too low a probability of an RBA rate hike. The contract currently is trading at 93.11, for a 2bp gain. Hold the position for now.
- We established a Dec'07 3s10s curve steepener when the curve flattened back to -28 (target -20, stop -32). The longer end of the curve is directional with yields offshore, but the shorter end is anchored by RBA expectations. The curve steepened as expected to -23, but flattened back to -27 by week's end. Hold the position in anticipation of further steepening.

Rebecca Patterson (1-212) 834-4254
Holly Huffman (1-212) 834-4953
Niall O'Connor (1-212) 834-5108

AUD and NZD Commentary

- **AUD and NZD rally in wake of aggressive Fed cut, broadly weak USD and alongside higher commodity prices**
- **Week ahead light for Australian data but heavy for New Zealand; focus on Q2 GDP, which we see disappointing**
- **Externally, numerous policymaker comments will shape global investor sentiment and commodity trends**
- **Technicals: Setup improves with break of key resistance levels; additional upside expected near-term**

Strategy comments

- Both AUD and NZD rallied in the last week. Especially after the Fed cut rates by an aggressive 50bps, investor sentiment improved, the broad USD fell and commodity prices rallied. All factors helped the Antipodeans – AUD/USD rose 2.7% on the week and NZD/USD rose 3.9% on the week.
- While FX are always driven by a myriad of forces, one in particular for the Australian dollar has come into sharper focus of late: gold. Gold is one of Australia's top-three exports, and Australia is the world's second-largest gold producer, after South Africa.
- Tuesday, following the Fed's cut, gold soared (ending the week around a 28-year high). That gold and AUD trend similarly is nothing new, given the trade-revenue ties. Looking at the last decade, the monthly percentage-change correlation between the trade-weighted AUD and gold prices has been 0.30; AUD/USD and gold have had a correlation of 0.25. In recent years, though, AUD's golden glow has gotten even stronger, in part as relatively more institutional investors have begun trading both commodities and FX. Since 2006, the monthly percentage-change correlation between AUD/USD and gold has risen to 0.41.
- For those focusing on gold for AUD direction, we would urge some caution about relying too much on upcoming seasonals to take AUD ever higher. Jewellery demand has seasonals, with the strongest buying seen coming in Q4 and Q1. A quick check of history, however, suggests that these patterns should not be counted on much – consistency in the monthly price changes has been very low since 1990, even if averages have suggested upside gold risks around the turn of the year.
- More important for AUD, and equally important for gold in coming months, will be broad investor risk appetite and the dollar's trend. Lately, gold has been tracking the dollar (TWI, inversely) more closely than usual (daily level correlation of -0.81 since end-July vs -0.56 for the ytd). The broadly weaker USD has helped lift AUD, just as higher gold prices have added to confidence regarding Australian trade revenues. Global gowth sentiment, tied closely with general risk appetite, also drives both AUD and gold. AUD, given its relatively high yields, tends to outperform in risk-seeking periods (as reflected in stocks). Gold has also tended to rally with better risk appetite, just as the broad USD falls in such scenarios as US investors add overseas' risk to portfolios.
- This week, a key factor for risk appetite, and the dollar via Fed expectations, will be Fed speakers. A number of US policymakers are due to speak (including Bernanke). Any hint that the Fed will not cut rates as much as is discounted (currently about 31bps by year-end) will help the dollar steady. Locally, we'd focus on New Zealand Q2 GDP. JPMorgan is looking for below-consensus, and below-trend numbers, which at the margin should boost AUD/NZD.

Technical analysis

- AUD/USD and NZD/USD continued to rally last week, clearing several important resistance levels on the back of broad-based USD weakness. While the extent of the rallies can allow for some near-term consolidation, the break through these key levels suggests that near-term dips are likely to hold, before additional upside develops.
- For AUD/USD, the advance through the 0.8450/.8500 resistance area and August breakdown zone maintains the short-term bullish framework, while suggesting additional upside next week and a closer test of the 0.8870 July high. Dips will now find support at 0.8600/0.8550 with the 0.8275 support will maintain the short-term upside bias.
- Similarly, NZD/USD improved the technical setup with the break through the 0.7245/75 resistance area. This should allow for a test of the important 0.7550 resistance area, if not the 0.7700/.7850 short term targets. Supports at 0.7275/0.7185 will now maintain the short-term bullish bias.

AUD/USD - Daily technical chart

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

Global Economic Outlook Summary

	Real GDP			Real GDP							Consumer prices			
	% over a year ago			% over previous period, saar							% over a year ago			
	2006	2007	2008	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	2Q07	4Q07	2Q08	4Q08
The Americas														
United States	2.9	2.0	2.6	4.0	3.0	1.5	2.0	3.0	3.5	3.0	2.7	3.3 ↑	2.0 ↑	2.4
Canada	2.8	2.5	2.3	3.4	2.0	1.5	2.0	3.0	2.8	2.5	2.2	2.7	1.7	2.4
Latin America	5.3	4.8	4.4	5.2 ↓	4.7	4.5	4.6	4.5	4.6	4.3	5.1	5.3	5.8	5.8
Argentina	8.5	8.0	5.0	8.8 ↓	8.2	8.2	5.3	4.1	4.1	4.1	8.8	8.2	9.6	11.6
Brazil	3.7	5.0	4.7	3.2	5.2	4.8	5.3	4.8	4.4	4.3	3.3	4.0	4.0	4.1
Chile	4.0	6.0	5.0	6.5	3.0	3.0	6.0	6.0	5.5	5.5	2.9	5.8	4.9	2.8
Colombia	6.8	6.8	5.5	9.0	4.0	2.0	5.5	8.0	7.0	5.0	6.2	5.5	4.0	4.3
Ecuador	3.9	2.5	2.5	5.0	6.0	4.0	2.0	1.0	0.0	0.0	1.7	2.1	3.4	3.5
Mexico	4.8	2.8	3.9	5.3	3.2	3.2	3.6	4.1	4.9	4.9	4.0	4.0	4.1	3.5
Peru	7.6 ↓	7.5	6.5	-0.1 ↓	11.0	12.0	5.0	4.0	3.5	3.0	0.8	2.3	2.2	2.0
Venezuela	10.3	7.5	4.0	8.7	3.5	4.5	4.0	3.5	3.0	2.0	19.5	18.7	24.5	26.4
Asia/Pacific														
Japan	2.2	2.0	1.9	-1.2	2.0	1.8	2.0	2.5	2.3	2.3	-0.1	-0.2	0.1	0.5
Australia	2.7	4.1 ↓	3.3 ↓	3.8	1.8 ↓	3.8	4.4 ↓	2.8	2.3	3.0	2.1	3.7	3.7	2.5
New Zealand	1.5	2.6	2.4	1.7	1.9	1.9	2.0	2.8	4.0	2.7	2.0	2.2	2.4	2.6
Asia ex. Japan	8.4	8.3	7.7	11.0	6.8	5.5	9.0	8.4	7.5	6.6	3.4	4.0 ↑	3.9 ↑	4.0
China	11.1	11.3	10.5	15.7	8.2	6.1	13.0	12.6	10.4	7.8	3.6	4.2 ↑	3.9 ↑	4.1
Hong Kong	6.9	5.8	4.6	8.2	5.5	5.1	4.5	3.8	3.5	3.1	1.3	2.2	3.4	3.1
India	9.4	8.6	7.5	9.6	6.1	7.0	9.5	7.0	7.0	7.4	6.3	6.2	6.4	5.9
Indonesia	5.4	6.2	6.0	5.2	5.5	5.5	6.0	5.0	5.0	5.0	6.0	6.8	6.8	6.8
Korea	5.0	4.7	4.9	7.4	5.5	3.0	4.5	5.0	5.5	6.0	2.4	2.4	2.7	3.4
Malaysia	6.0	5.7	5.6	5.1	7.4	6.6	5.1	5.1	4.9	4.9	1.5	2.0	2.3	1.9
Philippines	5.4	7.4	6.4	5.6	5.6	5.6	6.0	5.0	5.5	6.0	2.4	3.7	3.7	3.7
Singapore	7.9	8.0	5.4	14.4	4.8	4.8	4.8	4.8	4.8	4.8	1.0	2.0	1.3	0.7
Taiwan	4.7	4.5	4.6	5.8	6.3	4.5	4.0	4.2	4.5	4.5	0.3	2.2	2.3	1.6
Thailand	5.0	4.2	5.1	5.2	3.8	4.0	5.5	6.0	5.0	5.0	1.9	2.4	2.4	2.4
Africa														
South Africa	5.0	4.8	4.9	4.5	4.9	4.5	4.5	5.4	5.6	5.8	7.0	7.2	6.6	5.6
Europe														
Euro area	2.9	2.6	1.8	1.4	2.5	2.0	1.5	1.8	1.8	1.8	1.9	2.3	2.0	2.0
Germany	3.1	2.7	1.9	1.0	2.8	2.5	1.5	1.8	1.8	1.8	2.0	2.1	1.2	1.3
France	2.2	1.7	1.9	1.3	2.2	2.0	1.5	2.0	2.0	2.0	1.3	1.8	1.5	1.7
Italy	1.9	1.7	1.3	0.5 ↑	1.0	1.5	1.0	1.6	1.6	1.6	1.9	1.8	1.8	1.9
Norway	4.6	5.2	3.3	5.4	3.5	3.5	3.0	3.0	2.8	2.8	0.3	0.3	2.6	3.1
Sweden	4.5	3.4 ↓	3.2	3.7 ↓	4.0	3.5	3.0	3.0	2.8	2.8	1.8	2.7	2.5	2.5
Switzerland	3.2	2.6	1.9	3.0	2.3	2.0	1.8	1.8	1.8	1.8	0.5	1.2	1.0	1.0
United Kingdom	2.8	3.1	2.5	3.4	3.3	2.8	2.5	2.0	2.0	2.0	2.6	2.1	1.9	2.3
Emerging Europe[1]	6.3	6.3	5.9	7.4 ↓	4.7	8.8	4.7	6.9	6.1	7.9	6.5	6.0	5.4	5.3
Bulgaria	6.1	6.1	5.4	...	...	...	...	...	...	...	...	...	...	...
Czech Republic	6.4	5.8	5.5	5.7	5.3	5.2	5.5	5.2	5.5	5.5	2.4	3.9	4.5	4.7
Hungary	3.9	2.2	3.2	0.2	4.5	4.6	3.5	2.0	2.5	2.5	8.6	5.9	4.0	3.4
Poland	6.1	6.5	5.8	7.0	4.5	4.5	6.5	6.0	6.5	6.5	2.4	2.7	2.5	3.0
Slovak Republic	8.3	9.0	7.0	9.9	7.5	7.5	7.0	7.0	6.5	6.5	2.5	2.6	2.4	3.3
Romania	7.7	6.0	5.6	...	...	...	...	...	...	...	3.8	5.4	5.0	5.0
Russia	6.7	7.7	6.9	8.8 ↓	3.0	12.0	3.5	8.0	5.5	10.0	8.1	7.7	7.3	7.0
Turkey	6.1	5.0	5.0	...	...	...	...	...	...	...	9.5	7.3	5.7	5.1
Global	3.7	3.3	3.1	3.7	3.3 ↓	2.7	3.0	3.4	3.4	3.2	2.4	2.8 ↑	2.3	2.5
Developed markets	2.8	2.4	2.3	2.3	2.7	1.9	1.9	2.5	2.6	2.4	1.9	2.3	1.7	2.0
Emerging markets	6.9	6.7	6.3	8.8 ↓	5.9	5.8	7.0	7.1	6.5	6.2	4.4	4.7 ↑	4.7 ↑	4.7

Note: For some emerging economies, 2006-2008 quarterly forecasts are not available and/or seasonally adjusted GDP data are estimated by JPMorgan.
Bold denotes changes from last edition of *Global Data Watch*, with arrows showing the direction of changes.

JPMorgan Chase Bank, New York
David Hensley (1-212) 834-5516
david.hensley@jpmorgan.com
Donald Martis (1-212) 834-5667
donald.j.martis@jpmorgan.com

Global Central Bank Watch

	Official interest rate	Current	Change from Jun 04 (bp)	Last change	Forecast next change	Sep 07	Dec 07	Mar 08	Jun 08	Dec 08
Global	GDP-weighted average	4.53	210			4.57	4.50	4.51	4.50	4.75
excluding US	GDP-weighted average	4.42	132			4.43	4.45	4.47	4.45	4.58
Developed	GDP-weighted average	3.94	243			3.94	3.85	3.87	3.87	4.18
Emerging	GDP-weighted average	7.09	79			7.11	7.17	7.15	7.10	7.07
The Americas	GDP-weighted average	5.09	312			5.18	4.97	4.95	4.93	5.39
United States	Federal funds rate	**4.75**	375	**18 Sep 06 (-50bp)**	**31 Oct 07 (-25bp)**	**4.75**	4.50	4.50	4.50	5.00
Canada	Overnight funding rate	4.50	250	10 July 07 (+25bp)	4 Dec 07 (-25bp)	4.50	4.25	4.00	4.00	5.00
Brazil	SELIC overnight rate	11.25	-475	5 Sep 07 (-25bp)	16 Apr 08 (-25bp)	11.25	11.25	11.25	10.75	10.25
Mexico	Repo rate	7.25	75	27 Apr 07 (+25bp)	21 Sep 07 (+25bp)	7.50	7.50	7.50	7.50	7.50
Chile	Discount rate	5.75	400	13 Sep 07 (+25bp)	15 Nov 07 (+25bp)	5.75	6.00	6.00	6.50	6.50
Colombia	Repo rate	9.25	250	27 July 07 (+25bp)	26 Oct 07 (+25bp)	9.25	9.50	9.50	9.50	9.00
Peru	Reference rate	5.00	250	6 Sep 07 (+25bp)	1Q 08 (+25bp)	5.00	5.00	5.25	5.25	5.25
Europe/Africa	GDP-weighted average	4.59	169			4.59	4.61	4.58	4.57	4.57
Euro area	Refi rate	4.00	200	6 June 07 (+25bp)	on hold	4.00	4.00	4.00	4.00	4.00
United Kingdom	Repo rate	5.75	125	5 July 07 (+25bp)	**7 Feb 08 (-25bp)**	5.75	5.75	**5.50**	**5.50**	**5.50**
Sweden	Repo rate	3.75	175	7 Sep 07 (+25bp)	19 Dec 07 (+25bp)	3.75	4.00	4.25	4.25	4.25
Norway	Deposit rate	4.75	300	15 Aug 07 (+25bp)	**31 Oct 07 (+25bp)**	4.75	**5.00**	5.25	5.50	5.50
Czech Republic	2-week repo rate	3.25	100	30 Aug 07 (+25bp)	4Q 07 (+25bp)	3.25	3.50	3.75	4.00	4.50
Hungary	2-week deposit rate	7.75	-375	25 Jun 07 (-25bp)	24 Sep 07 (-25bp)	7.50	7.00	6.50	6.50	6.50
Poland	7-day intervention rate	4.75	-50	29 Aug 07 (+25bp)	31 Oct 07 (+25bp)	4.75	5.00	5.25	5.50	6.00
Russia[1]	1-week deposit rate	3.25	225	14 Aug 07 (+25bp)	Dec 07 (+25bp)	3.25	3.50	3.50	3.50	3.75
Slovak Republic	2-week repo rate	4.25	-75	27 Apr 07 (-25bp)	4Q 08 (-25bp)	4.25	4.25	4.25	4.25	4.00
South Africa	Repo rate	10.00	200	16 Aug 07 (+50bp)	11 Oct 07 (+50bp)	10.00	10.50	10.50	10.50	10.50
Switzerland	3-month Swiss Libor	2.75	225	13 Sep 07 (+25bp)	13 Dec 07 (+25bp)	2.75	3.00	3.25	3.25	3.25
Turkey	Overnight borrowing rate	17.25	-475	13 Sep 07 (-25bp)	16 Oct 07 (-25bp)	17.25	16.50	15.75	15.00	14.00
Asia/Pacific	GDP-weighted average	3.59	112			3.59	3.64	3.76	3.76	4.01
Australia	Cash rate	6.50	125	8 Aug 07 (+25bp)	5 Dec 07 (+25bp)	6.50	6.75	6.75	6.75	6.75
New Zealand	Cash rate	8.25	250	26 July 07 (+25bp)	3Q 08 (-25bp)	8.25	8.25	8.25	8.25	7.75
Japan	Overnight call rate	0.50	50	21 Feb 07 (+25bp)	15 Feb 08 (+25bp)	0.50	0.50	0.75	0.75	1.25
Hong Kong	Discount window base	**6.25**	375	**19 Sep 07 (-50bp)**	**1 Nov 07 (-25bp)**	**6.25**	6.00	6.00	6.00	6.50
China	1-year working capital	7.29	198	14 Sep 07 (+27bp)	4Q 07 (+27bp)	7.29	7.56	7.56	7.56	7.56
Korea	Overnight call rate	5.00	125	9 Aug 07 (+25bp)	on hold	5.00	5.00	5.00	5.00	5.00
Indonesia	BI rate	8.25	91	5 July 07 (-25bp)	4Q 07 (-25bp)	8.25	8.00	8.00	8.00	8.00
India	Repo rate	7.75	175	30 Mar 07 (+25bp)	on hold	7.75	7.75	7.75	7.75	7.75
Malaysia	Overnight policy rate	3.50	80	26 Apr 06 (+25bp)	on hold	3.50	3.50	3.50	3.50	3.50
Philippines	Reverse repo rate	6.00	-75	12 July 07 (-150bp)	**4 Oct 07 (-25bp)**	6.00	5.50	5.50	5.50	**5.50**
Thailand	1-day repo rate	3.25	200	18 July 07 (-25bp)	10 Oct 07 (-25bp)	3.25	2.75	2.75	2.75	2.75
Taiwan	Official discount rate	**3.25**	188	**20 Sep 07 (+12.5bp)**	**Dec 07 (+12.5bp)**	3.25	3.375	3.375	3.375	**3.50**

[1]Rather than the refi rate, we now display the 1-wk dep rate, which better represents CBR policy stance and is closer to interbank market rates.

Bold denotes move this week and forecast changes

JPMorgan Chase Bank, Sydney
Stephen Walters (61-2) 9220-1599
stephen.b.walters@jpmorgan.com
Jarrod Kerr (61-2) 9220-1669
jarrod.w.kerr@jpmorgan.com
Helen Kevans (61-2) 9220-3250
helen.e.kevans@jpmorgan.com

Forecasts - Australia and New Zealand

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

				2006			2007				2008			
	2006	2007	2008	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Chain volume GDP	2.7	4.1	3.3	1.7	2.4	4.6	6.5	3.8	1.8	3.8	4.4	2.8	2.3	3.0
Private consumption	3.0	3.6	2.3	2.9	2.7	4.9	5.9	2.2	1.6	2.0	2.4	2.4	2.8	2.8
Construction investment	5.1	12.1	6.6	12.8	-2.9	7.8	29.5	10.1	8.7	4.7	6.5	6.1	5.9	7.5
Equipment investment	6.3	10.5	2.5	-15.2	-5.1	-2.9	30.7	27.1	6.4	4.2	0.0	0.0	-4.1	0.0
Public investment	12.1	6.7	8.3	-7.6	23.6	61.5	-48.0	77.4	6.1	4.2	4.7	5.2	5.4	5.8
Government consumption	3.9	2.1	1.7	8.6	6.7	-4.2	3.8	1.8	1.4	2.0	2.0	1.6	1.6	1.6
Exports of goods & services	3.3	4.2	7.0	11.0	-0.1	2.5	4.2	3.2	8.2	6.1	8.2	8.2	6.1	4.1
Imports of goods & services	7.5	9.3	3.5	13.1	-3.3	28.6	10.9	4.6	2.0	3.0	4.1	4.1	3.2	3.2
Contributions to GDP growth:														
Domestic final sales	4.4	5.3	3.4	5.5	1.1	8.0	5.7	6.1	5.1	2.9	3.0	2.9	2.8	3.4
Inventories	-0.6	0.1	-0.6	-2.8	0.5	2.2	2.5	-1.7	-4.1	0.5	0.8	-0.7	-0.9	-0.4
Net trade	-1.0	-1.3	0.5	-0.8	0.7	-5.2	-1.7	-0.5	1.0	0.4	0.6	0.6	0.4	0.0
GDP deflator (%oya)	4.7	3.5	2.4	4.3	5.2	4.5	4.8	4.1	2.8	2.4	2.3	2.5	2.5	2.5
Consumer prices (%oya)	3.5	2.6	3.5	4.0	3.9	3.3	2.4	2.1	2.3	3.5	3.9	3.2	3.0	2.6
Producer prices (%oya)	7.9	2.7	3.2	9.9	7.9	6.1	3.8	1.5	2.0	3.8	4.7	2.9	2.7	2.5
Trade balance (A$ bil, sa)	-13.2	-16.7	-17.1	-3.5	-1.9	-3.9	-4.1	-4.3	-4.1	-4.3	-3.9	-4.1	-4.5	-4.6
Current account (A$ bil, sa)	-55.1	-64.9	-68.1	-13.5	-12.7	-15.4	-15.5	-16.0	-16.1	-17.3	-16.4	-17.1	-17.5	-17.1
as % of GDP	-5.5	-6.0	-6.0	-5.5	-5.0	-6.0	-5.9	-6.0	-5.9	-6.3	-5.8	-6.0	-6.1	-5.9
3m eurodeposit rate (%)*	6.0	6.5	6.8	5.8	6.2	6.2	6.4	6.3	6.8	6.9	6.9	6.8	6.8	6.8
10-year bond yield (%)*	5.6	5.8	6.2	5.6	5.7	5.7	5.9	5.9	5.7	5.9	6.0	6.2	6.2	6.3
US$/A$*	0.75	0.83	0.82	0.74	0.77	0.77	0.80	0.83	0.83	0.87	0.85	0.85	0.80	0.78
Commonwealth budget (FY, A$ bil)	15.8	13.6	8.5											
as % of GDP	1.6	1.3	0.7											
Unemployment rate	4.8	4.6	5.2	4.9	4.7	4.6	4.5	4.3	4.6	4.8	5.0	5.1	5.3	5.5
Industrial production	-1.2	2.4	0.2	0.5	5.3	11.2	-0.4	2.2	-4.0	-1.0	1.0	3.0	4.0	0.0

*All financial variables are period averages

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

				2006			2007				2008			
	2006	2007	2008	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real GDP (1995-96 prices)	1.5	2.6	2.4	1.6	1.0	3.3	4.2	1.7	1.9	1.9	2.0	2.8	4.0	2.7
Private consumption	2.3	3.2	1.0	-0.3	1.6	5.6	8.8	-1.0	0.0	0.8	0.9	1.6	2.8	1.3
Fixed Investment	-2.4	4.3	0.6	-19.8	5.1	4.2	17.1	1.1	0.2	0.3	0.3	0.5	1.5	1.0
Residential construction	-2.7	1.8	0.6	-21.3	16.8	8.2	-1.3	1.0	0.3	0.4	0.7	0.7	0.8	0.9
Other fixed investment	-2.3	5.0	0.5	-19.4	2	3.2	22.6	1.2	0.2	0.2	0.2	0.4	1.7	1.0
Inventory change (NZ$ bil, saar)	0.0	-0.1	0.1	-0.1	-0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Government spending	4.8	3.0	3.7	7.4	4.0	1.0	3.6	2.3	2.6	4.0	4.8	4.3	1.9	4.2
Exports of goods & services	1.9	2.2	3.4	11.3	11.0	-9.2	8.3	-3.8	4.2	4.0	3.8	3.6	3.8	4.2
Imports of goods & services	-2.5	5.5	2.1	-5.0	2.7	6.5	18.4	-2.4	2.0	2.2	2.4	2.2	3.0	3.0
Contributions to GDP growth:														
Domestic final sales	0.7	4.0	1.9	-0.8	-0.4	4.5	10.8	1.8	1.4	1.4	1.3	2.2	3.7	2.4
Inventories	-0.8	-0.1	0.2	-2.9	-1.1	4.3	-2.5	0.2	-0.1	0.1	0.4	0.3	0.1	0.1
Net trade	1.6	-1.3	0.3	5.4	2.5	-5.4	-3.7	-0.3	0.6	0.5	0.3	0.3	0.1	0.2
GDP deflator (%oya)	2.4	2.8	2.1	2.0	2.7	2.9	3.2	3.2	2.5	2.4	2.1	2.1	2.1	2.1
Consumer prices	3.4	2.1	2.5	6.2	2.8	-0.8	2.0	4.0	1.9	0.8	3.2	4.0	2.6	0.7
%oya	3.4	2.1	2.5	4.0	3.5	2.7	2.5	2.0	1.8	2.2	2.5	2.4	2.6	2.6
Trade balance (NZ$ bil, sa)	-3.2	-4.5	-4.9	-0.7	-0.7	-0.8	-0.9	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2
Current account (NZ$ bil, sa)	-14.4	-14.4	-14.3	-3.5	-3.2	-3.6	-3.6	-3.6	-3.6	-3.5	-3.5	-3.6	-3.6	-3.6
as % of GDP	-9.2	-8.7	-8.3	-9.2	-8.1	-9.0	-8.9	-8.8	-8.7	-8.4	-8.3	-8.4	-8.2	-8.2
Yield on 90-day bank bill (%)*	7.5	8.2	8.1	7.5	7.5	7.7	7.8	8.2	8.4	8.3	8.3	8.3	8.1	7.8
10-year bond yield (%)*	5.8	6.3	6.3	5.8	5.8	5.8	6.0	6.4	6.5	6.4	6.5	6.4	6.3	6.2
US$/NZ$*	0.65	0.73	0.68	0.62	0.64	0.67	0.70	0.74	0.72	0.77	0.75	0.71	0.64	0.63
Commonwealth budget (NZ$ bil)	6.5	6.4	5.7											
as % of GDP	4.2	3.9	3.3											
Unemployment rate	3.8	3.8	4.4	3.6	3.8	3.7	3.7	3.6	3.8	4.0	4.2	4.3	4.4	4.5

*All financial variables are period averages

JPMorgan Chase Bank, Sydney
Stephen Walters (61-2) 9220-1599
stephen.b.walters@jpmorgan.com
Jarrod Kerr (61-2) 9220-1669
jarrod.w.kerr@jpmorgan.com
Helen Kevans (61-2) 9220-3250
helen.e.kevans@jpmorgan.com

Australasian economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
24 Sep	25 Sep	26 Sep New Zealand: Trade balance (10:45am) Aug -900 $NZ mn	27 Sep New Zealand: Building permits (10:45am)Aug NBNZ business confidence (03:00pm) Sep Money supply (03:00pm) Aug	28 Sep Australia: Pvt sector credit (11:30am) Aug 1.1 %m/m New Zealand: GDP (10:45am) 2Q 0.4 %q/q
1 Oct	2 Oct	3 Oct Australia: RBA Cash target (09:30am) Oct Retail sales (11:30am) Aug Trade balance (11:30am) Aug	4 Oct Australia: Building permits (11:30am) Aug	5 Oct
8 Oct Australia: ANZ job ads (11:30am) Sep	9 Oct Australia: NAB business survey (11:30am) Sep	10 Oct Australia: Westpac consumer confidence (10:30am) Oct	11 Oct Australia: Consumer inflation expectation (10:30am) Oct Unemployment rate (11:30am) Sep	12 Oct New Zealand: Retail sales (10:45am) Aug
15 Oct New Zealand: CPI (10:45am) 3Q	16 Oct	17 Oct Australia: Westpac leading index (10:30am) Aug	18 Oct	19 Oct Australia: New passenger car sales (11:30am) Sep Import/Export price index (11:30am) 3Q New Zealand: Visitor arrivals (10:45am) Sep Credit card spending (03:00pm) Sep

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

JPMorgan Chase Bank, New York
David Hensley (1-212) 834-5516
david.hensley@jpmorgan.com
Donald Martis (1-212) 834-5667
donald.j.martis@jpmorgan.com

Global Data Diary

Week / Weekend	Monday	Tuesday	Wednesday	Thursday	Friday
24 - 28 September	24 Sep	25 Sep	26 Sep	27 Sep	28 Sep
	Belgium • BNB bus survey (Sep) **Euro Area** • Industrial orders (Jul) **Germany** • CPI 6 states and prelim (Sep) **Hungary** • NBH meeting **Mexico** • CPI (Aug)	**Canada** • Payrolls (Jul) **Germany** • IFO bus survey (Sep) **Japan** • CSPI (Aug) • BoJ minutes of Aug 22-23 **Netherlands** • CBS bus survey (Sep) **Slovak Republic** • NBS meeting **United Kingdom** • Business investment (2Q) **United States** • Existing home sales (Aug) • S&P/Case-Shiller HPI (Jul)	**France** • INSEE bus survey (Sep) **Italy** • ISAE bus survey (Sep) **Japan** • Trade balance (Aug) **Norway** • Norges Bank meeting **Poland** • NBP meeting **United Kingdom** • GDP (2Q) **United States** • Durable goods (Aug)	**Czech Republic** • CNB meeting **Euro Area** • M3 (Aug) • PMI retail (Sep) **France** • Unemployment (Aug) **Germany** • Employment (Aug) • Unemployment (Sep) **Japan** • Shoko Chukin small bus survey (Sep) **United States** • Agriculture prices (Sep) • New home sales (Aug) • Real GDP (2Q)	**Euro Area** • EC bus survey (Sep) • HICP flash (Sep) **France** • GDP (2Q) **Germany** • Retail sales (Aug) **Japan** • Household spending (Aug) • IP (Aug) • Nationwide core CPI (Aug) • PMI mfg (Sep) • Retail sales (Aug) • Unemployment rate (Aug) **New Zealand** • GDP (2Q) **United States** • Chicago Fed sur (Sep) • Consumer sentiment (Sep) • Construction spend (Aug) • Personal income (Aug)
1 - 5 October	1 Oct	2 Oct	3 Oct	4 Oct	5 Oct
Japan • Cabinet office private consumption index (Aug)	**China** • PMI mfg (Sep) **Euro Area** • PMI mfg (Sep) **Japan** • Nominal wages (Aug) • Tankan survey (3Q) **Korea** • IP (Aug) **United Kingdom** • PMI mfg (Sep) **United States** • ISM mfg (Sep)	**Euro Area** • Unemployment (Aug) **Korea** • CPI (Sep) **Singapore** • PMI mfg (Sep) **United States** • Light vehicle sales (Sep) • Pending home sales (Aug)	**Australia** • RBA meeting (Sep) **Euro Area** • PMI services (Sep) • Retail sales (Aug) **United Kingdom** • PMI services (Sep) **United States** • ADP employment (Sep) • ISM nonmfg (Sep)	**Canada** • Ivey PMI (Sep) **Euro Area** • ECB meeting **Peru** • BCRP meeting **Philippines** • BSP meeting **United Kingdom** • BoE meeting **United States** • Factory orders (Aug)	**Taiwan** • CPI (Sep) **United States** • Consumer credit (Aug) • Employment report (Sep)

Economic Research and Global Currency Strategy at JPMorgan

Global Economics

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

Economics: Global

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

Data and Forecast Systems

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

Economics: United States and Canada

United States

Robert Mellman, New York (1-212) 834-5517
Haseeb Ahmed (1-212) 834-5221
Michael Feroli (1-212) 834-5523
Abiel Reinhart (1-212) 834-5614

Canada

Ted Carmichael, Toronto (1-416) 981-9115

Economics: Latin America

Brazil

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

Colombia, Ecuador, Venezuela, Peru

Luis Oganes, New York (1-212) 834-4326
Andres Ortiz, New York (1-212) 834-7351
Benjamin Ramsey, New York (1-212) 834-4308

Argentina, Chile

Vladimir Werning, New York (1-212) 834-8144
Florencia Vazquez, Buenos Aires (54-11) 4348-3405

Mexico

Alfredo Thorne, Mexico City (525) 540-9558
David Franco, Mexico City (525) 540-9339

Economics: Asia/Pacific

Head of Japan

Masaaki Kanno, Tokyo (81-3) 6736-1166

Japan

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

Head of Emerging Asia Economic Research

David G. Fernandez, Singapore, (65) 6882-2461

Greater China

Frank Gong, Hong Kong (852) 2800-7006
Grace Ng, Hong Kong (852) 2800-7002
Qian Wang, Hong Kong (852) 2800-7009
Peng Chen, Hong Kong (852) 2800-7005

Korea

Jiwon Lim, Seoul (822) 758-5509

India

Rajeev Malik, Singapore (65) 6882-237

Indonesia, Malaysia, Philippines, Singapore, Thailand

Sin Beng Ong (65) 6882-7143
Matthew Hildebrandt (65) 6882-2253

Australia, New Zealand

Stephen Walters, Sydney (61-2) 9220 -1599
Jarrod Kerr (61-2) 9220-1669
Helen Kevans (61-2) 9220-3250

Economics: Europe/Africa

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

United Kingdom, Switzerland

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

Euro area

Silvia Pepino, London (44-20) 7325-4250
Maryse Pogodzinski, Paris (33-1) 4015-4225
Marta Bastoni, London (44-20) 7325-9114

Scandinavia

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

Czech Republic, Hungary, Poland, Slovakia

Nora Szentivanyi, London (44-20) 7777-3981
Ryszard Jakubowski, London (44-20) 7777-4504

CEEMEA

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

Turkey, Bulgaria, the Baltics

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

Russia, Ukraine, Bulgaria, Kazakhstan

Nina Chebotareva, Moscow (7-095) 937-7321

Africa

Graham Stock (44-20) 7777-3430

FX Strategy Management

Global Head of Emerging Markets and FX Strategy Research
Joyce Chang (1-212) 834-4203

FX Strategy: United States

Global FX Strategists
Kenneth Landon (1-212) 834-2391
Rebecca Patterson (1-212) 834-4254
Karim Pakravan (1-312) 325-3164

FX Analysts

Holly Huffman (1-212) 834-4953
Arindam Sarndilya (1-212) 834-2304

FX Strategy: Europe

Global FX Strategist
Paul Meggyesi (44-20) 7859-6714

Global FX and Fixed Income Strategist
John Normand (44-20) 7325-5222

Emerging Markets FX Strategist
Nandita Singh (44-20) 7777-3413

FX Analysts
Frida Gjorstrup (44-20) 7777-1503

FX Strategy: Asia

Global FX Strategists
Claudio Piron (65) 6882-2218
Tohru Sasaki (81-3) 5570-7717
Junya Tanase (81-3) 5570-7718

FX Analysts
Yen Ping Ho (65) 6882-2216

FX/Commodities

Technical Strategists
Robin Wilkin (44-20) 7777-1345
Niall O'Connor (1-212) 834-5108

Global Energy Strategists
Katherine Spector (1-212) 834-2031
Scott Speaker (1-212) 834-3878

Global Metals Strategist
Jon Bergtheil (44-20) 7325-6433
Michael Jansen (44-20) 7325-5882

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