JPMorgan

Australia and New Zealand - Weekly Prospects

Summary

- The **RBA's commentary** last week announcing the widely anticipated 25bp rise in the cash rate to 6.75% was hawkish. Officials indicated that core inflation will be above the RBA's 2-3% target range in early 2008. This is the clearest signal yet that the RBA's tightening cycle is not yet finished. We expect a further 25bp rate rise in February, but the risk of a December tightening has risen. That said, back to back rate hikes risk over-egging the policy pudding. An important milestone on the road to the next RBA decision is this week's 3Q labour costs measure. The LPI probably increased by 1.1%q/q, which will take annual growth up to 4.2%, the fastest since 4Q 2005. Rising wage bills will add fuel to inflation's fire, particularly with corporate pricing power so healthy.

- **New Zealand's** housing market continued to soften in October, with both the QVNZ and REINZ reports showing increased days to sell and reduced activity. Labour market conditions to tightened in 3Q, despite a drop in employment. The drop in labour force participation and unemployment took the jobless rate to a new record low of 3.5%. The labour cost index rose a solid 0.9%q/q, which points to continued wage pressure from the tightening labour market. This week's retail trade report for September will be the highlight, and is likely to show a small gain in sales.

- The **global economy** has entered a phase in which growth is set to slow materially below trend and consumer price inflation will reach a cyclical high. The US, Euro area, and Japanese economies are all decelerating into year end, and this quarter is expected to post global GDP growth of just 2.4%q/q, saar—the smallest gain in over four years. Meanwhile, faster increases in food and energy prices, along with a modest rise in core inflation, is expected to push global consumer price inflation to 3.3%oya, the highest level in more than a decade.

- These developments highlight a powerful underlying tension at work. On one side stand the sustained and broad-based demand engines of emerging market economies. The current debate about whether **EM growth** can decouple from the developed economies misses the point that growth and asset price divergence has been a feature of the global landscape for the past five years, when EM GDP growth has averaged 6.5% per annum, alongside developed world growth of 2.5%. Together with slowing potential growth in the developed economies and a sustained accommodative monetary policy stance, resource utilization rates have moved above previous cyclical peaks and commodity prices have moved inexorably higher.

- On the other side lie powerful drags on **global growth** coming from the disorderly repricing of credit risk and the lagged effects of a tightening in European monetary conditions. With credit tightening concentrated in the United States and interacting with a deep housing downturn, there is an uncomfortably high risk that the US economy will slide into recession. How the interaction of these two powerful forces plays out is key to the global outlook.

This week's highlight

Wednesday's Australian labour price index for 3Q. We expect a 1.1% rise on the quarter, which will push up growth to 4.2%oya. This is within the RBA's unofficial comfort zone, but will show that wage pressure is building.

Contents

JPMorgan Australia Ltd., Sydney
www.morganmarkets.com

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

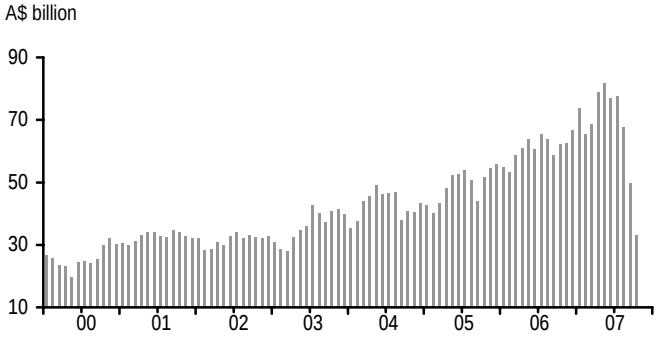
Jarrod Kerr
(61-2) 9220-1669
jarrod.w.kerr@jpmorgan.com

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

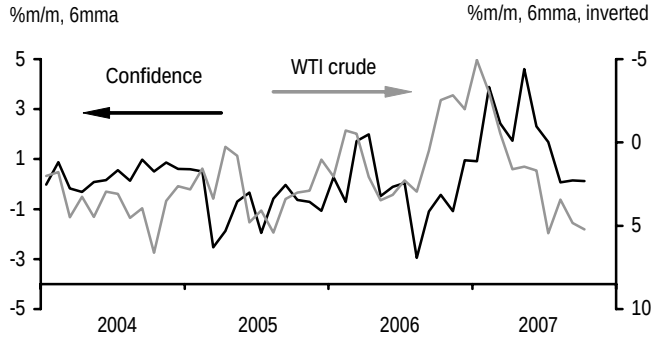
This week's feature charts

Australia - RBA foreign exchange reserves



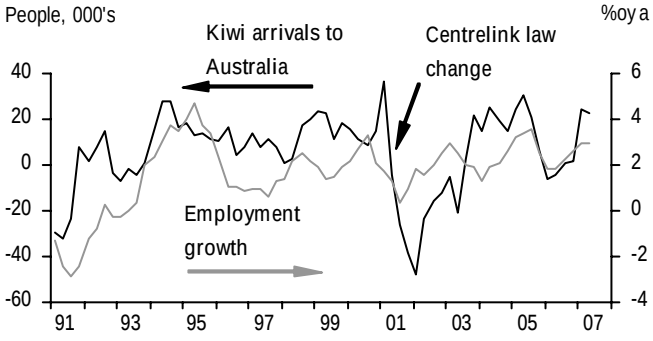
The RBA last week disclosed that Australia's holdings of foreign exchange had plunged from $81 billion in May to just $33 billion in October. This is the lowest holdings since April 2003. It seems that the RBA has significantly curtailed its engagement in FX transactions to potentially boost liquidity in domestic short term money markets and even improve investment returns. Short term interest rates in Australia are well above those available offshore.

Australia: consumer confidence and crude oil prices



Consumer confidence is likely to fall in November (-2.5%m/m). The RBA's decision to hike interest rates early in the month, combined with rising crude oil prices and falls in the domestic equity market, will curb consumer confidence. On the upside, however, the rising Australian dollar and persistently tight labour market conditions will prevent sentiment from slumping in November.

Kiwi emigration and Australian employment growth



When Australia's labour market tightens, so does New Zealand's. Accelerating employment growth in Australia opens up more job opportunites, and potentially higher pay, to Kiwis, who are renowned for being mobile workers. The leg down in migration in early 2001 was due to a change in Centrelink laws that tightened up on Kiwis flying over and going straight onto welfare. The change restricted the ability of NZ welfare recipients to move, and discouraged cheeky travellers from seeking a paid holiday in Australia.

JPMorgan Australia Ltd., Sydney
Stephen Walters (61-2) 9220-1599
stephen.b.walters@jpmorgan.com

Economic Research note

Australia's RBA to raise cash rate again in February

- **The RBA last week raised the cash rate 25bp to 6.75%, as expected**
- **Annual core inflation looks likely to be above the RBA's 2-3% target range in 4Q**
- **The RBA probably will respond with another 25bp policy tightening in February**

The RBA last week raised the cash rate 25bp to 6.75%, as expected, but the associated commentary was hawkish. The rise is the 10th since this extended tightening cycle began back in May 2002. High and rising core inflation, which now is at the top of the RBA's 2-3% target range, economic data indicating firm growth in the domestic economy, high rates of capacity utilization, and promises of a fiscal splurge by each of the major political parties running for government at the November 24 election helped trigger the move. With core inflation likely to breach the upper limit of the RBA's target range in 4Q, our forecast is that the RBA will tighten a further 25bp in February.

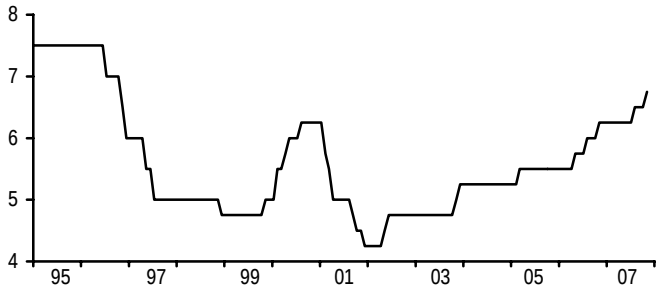
Strong domestic economy to blame

In announcing the tightening, the RBA acknowledged that inflation has increased, and that there are few signs of diminishing strength in the domestic economy; high rates of capacity utilization and shortages of suitable labour persist. Most importantly, RBA officials believe that both headline and core inflation will be above 3% in 1Q08. Officials indicated that the tightening in credit conditions in Australia is less pronounced than elsewhere, and that the flow of credit to sound borrowers does not appear to have been impaired. Finally, while growth in key economies will slow owing to tighter credit conditions and higher funding costs, RBA officials expect global growth to remain above average, led by strong growth in China and the rest of Asia. This implies that the high terms of trade will remain a stimulus to spending and activity in Australia.

The upside surprise on 3Q core inflation was the clincher for last week's rate rise. Having raised the cash rate 25bp back in August after an unexpectedly large 0.9%q/q rise in core inflation in 2Q, the Board hardly could ignore the unexpectedly hefty 0.95%q/q outcome delivered two weeks ago. Annual core inflation rose to 2.9%oya, at the top of the RBA's 2-3% target range, on the back of alarmingly

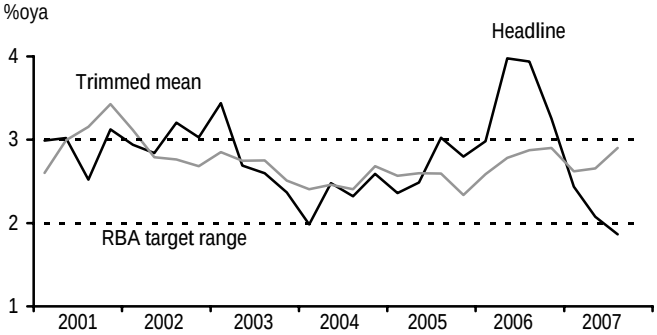
RBA cash target rate

Percent per annum, end of period



Headline and core CPI

%oya



broad-based price pressure. Of the 89 subgroups and expenditure classes in the CPI, 58 reported price rises in 3Q and only 25 printed falls (6 were flat). The big jumps in food, energy, and housing-related prices were mainly supply related and, therefore, are unlikely to be influenced by higher interest rates. That said, inflation also was fueled by robust demand; the latest data show that the domestic economy carried significant momentum into the final months of 2007. Pressure on scarce resources is unlikely to ease any time soon.

Core inflation above target in 4Q

On our forecasts, the 4Q CPI data (released in late January) will show core inflation at 3.3%oya (assuming a 0.8%q/q rise in the index), above the upper limit of the RBA's target range. Our preliminary forecast for 1Q08 (released in late April) is that core inflation will rise even further above the target to 3.5%oya. The RBA has shown in the recent past that it can tolerate temporary breaches of the inflation target, but officials are unlikely to accept the sustained violation of the target implied by our preliminary forecasts.

It seems that the RBA's earlier rate hikes have yet to gain traction. The RBA raised the cash rate three times during 2006, and again in August this year; yet private sector credit growth since has accelerated. This is despite the on

set of the credit crunch in August, a rise in the cost of finance supplied by nonbank mortgage providers, and the abrupt dislocation in financial markets.

While the RBA believes that wage costs are contained, growth will accelerate in response to the sustained drop in the jobless rate. Moreover, corporate pricing power is healthy owing to the buoyant state of the consumer. This is likely to continue into next year; each of the major political parties competing in the November 24 election has announced substantial reductions in personal taxes and increased spending, so household income will be well supported.

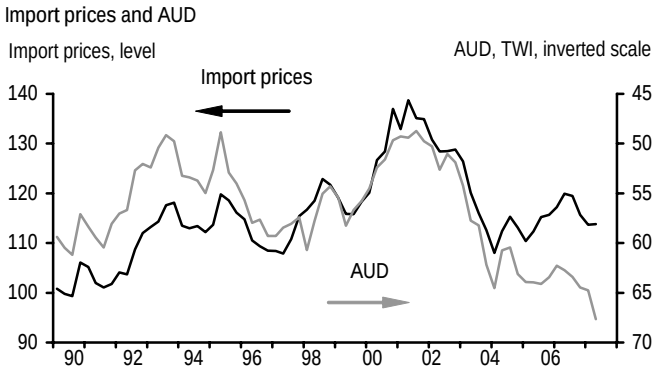
The RBA's statement indicated that higher AUD will help to contain pressure on prices. In fact, this was the only material factor mitigating high and rising inflation mentioned in the RBA's statement. So far, though, the soaring AUD does not seem to be pushing down retail prices. Instead, many firms are using lower import costs to inflate profit margins, rather than pass the savings on to customers.

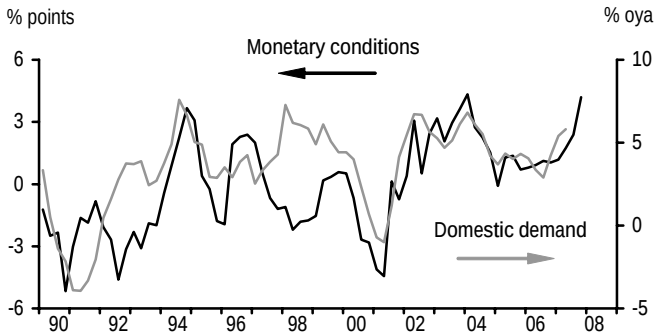
RBA hike breaks with pre-election lore

This is the first time the RBA has raised the cash rate in the midst of an election campaign. To be fair, though, previous campaigns have coincided with easing cycles, or extended periods of policy inactivity. The rate rise probably will damage the reelection chances of the Howard government, which already trails in the latest opinion polls. Prime Minister Howard promised before the 2004 election, in which the direction of interest rates was a key issue, to keep interest rates lower than under a Labor government. The six rate rises since that poll have damaged Howard's credibility, although a majority of voters side with the government when asked which party is best equipped to manage the economy.

The dominant risk is that the RBA may have to tighten more aggressively than our current forecast. For an inflation-targeting central bank, the message from high and rising core inflation is too compelling to ignore. That said, while the risk of a December move has increased, back to back tightenings risks over-egging the policy pudding. The policy stance already leans decisively to the tight side of neutral (our monetary conditions index is at a 22-year high, boosted by AUD at a 23-year high). Also, RBA officials have indicated their comfort with making policy changes only after the release of quarterly CPI results; a policy shift outside this convention in December would run contrary to recent behaviour.

On the flipside, adverse developments in markets or offshore could keep the RBA sidelined, although this looks unlikely.





For example, there are early signs of renewed strain in global financial markets, with market interest rates rising relative to cash in the wake of fresh disclosures of losses on subprime mortgage assets. Further material disruptions in financial markets could prompt the RBA to adopt a cautious approach. Similarly, material downside surprises on economic data for key offshore economies could signal an unexpectedly weak trajectory for the global economy.

For now, though, betting on the cash rate reaching 7% or higher in 2008 looks a safer wager than those taken by most punters on last week's Melbourne Cup. This iconic horse race, first run in 1861, once again stopped the nation, and Tuesday's RBA Board meeting, in its tracks.

Today's *Statement on Monetary Policy* will be important because it will contain updates to the RBA's inflation forecasts. Last week's hawkish commentary and acknowledgment of rising inflation mean that today's statement almost certainly will include an upward revision to the RBA's current forecast that core inflation will average 3%oya in the year to June 2008. The near-term forecast could be raised to 3.25%, but officials are more likely to simply restate that inflation will be above 3%oya in the near term. Raising the medium-term forecast to 3% or above would imply that the inflation genie already has escaped from the bottle.

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

- **RBA officials say inflation headed above target**
- **Australian labour market conditions remain tight**
- **Labour price index expected to rise 4.2%oya**

The focus last week settled firmly on the RBA's post Board meeting commentary. After lifting the cash rate 25bp, as expected, the statement accompanying the decision offered an unexpectedly hawkish tone. Other data, though, fell in line with expectations. House price growth was solid in 3Q, home loans pulled back in September, and employment growth eased in October. Attention now turns to the RBA's quarterly policy statement today, and a string of top-tier indicators scheduled for release this week, including the 3Q wage cost index.

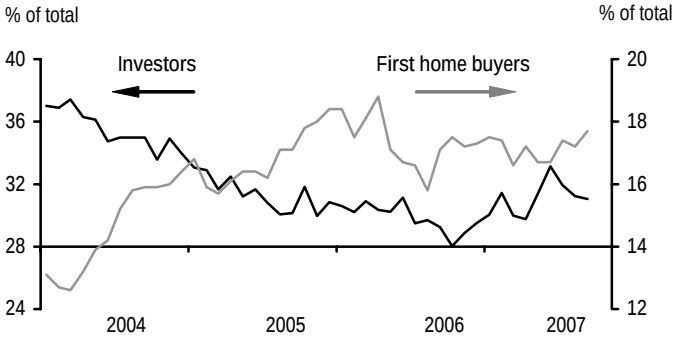
Preview: RBA quarterly policy statement

Today's Statement on Monetary Policy by the RBA will be important in determining how quickly the RBA tightens policy again because it will contain updates to the RBA's inflation forecasts. The RBA's recent hawkish commentary and acknowledgment of rising core inflation means that the statement almost certainly will include an upward revision to the current forecast that core inflation will average 3%oya in the year to June 2008. The near term forecast could be raised to 3.25%, but officials are more likely to simply state that annual inflation will be above 3% in the near term. Raising the medium-term forecast to 3% or above would imply that the inflation genie already has escaped from the bottle.

The major piece of Australian economic data released this week is the 3Q labour price index. A significant upside surprise could push the RBA into tightening policy again in December, but this looks unlikely. The labour price index likely will grow 1.1%q/q in 3Q, the same rate as in the previous quarter. The year ago rate will, however, accelerate to 4.2% from 4.0% previously, signalling that wage cost pressures are building. RBA officials have expressed comfort with annual wage growth with a four in front of the decimal place but, given the sustained drop in the jobless rate, the trend will be towards building wage pressures amid such tight labour market conditions. Unemployment is at multi-decade lows, skill shortages remain widespread, and the influx of skilled migrants will likely start to subside, albeit slowly; this will, though, contribute to a labour supply shortage. Growth in the labor price index is likely to be even higher in 4Q, given that the Federal Minimum Wage decision announced in July will become effective on October 1.

Australia: labor price index and unemployment

Australia: housing finance



RBA comments unexpectedly hawkish

The RBA hiked the cash rate 25bp to 6.75% as expected. The hawkish commentary accompanying the decision signalled that the cash rate has further to rise, with RBA officials saying that headline and core inflation will head above 3%oya in 1Q08, above the top end of bank's 2-3% target range. Our forecast is that the RBA will hike rates again (+25bp) in February 2008, just after the release of 4Q CPI data, although the risk of a December move has certainly given the RBA's hawkish tone. That said, bank officials have indicated their comfort with making policy changes only after the release of quarterly CPI data, so a December move would run contrary to their recent behaviour. The upside surprise on 3Q core inflation to 2.9%oya likely triggered the rate hike, which marked the 10th rise in the current tightening cycle commencing May 2002.

While noting that inflation has increased, the RBA indicated that there are few signs of diminishing strength in the domestic economy. Officials indicated that the credit tightening in the domestic market has been less pronounced than elsewhere, and that the flow of credit to sound borrowers does not appear to have been impaired. Additionally, the RBA expects global growth to stay above average, even though

growth in key economies will slow owing to tighter credit conditions and higher funding costs. The only real factor mitigating against high and rising inflation mentioned was the rising AUD; although, so far, soaring AUD does not seem to be pushing down retail prices. Many firms are instead using lower import costs to inflate profit margins, rather than pass the savings on to customers.

While further tightening appears warranted, any number of adverse developments, although unlikely, could keep the RBA sidelined from here. Further disruption in financial markets, for example, could prompt the RBA to adopt a cautious approach, as could material downside surprises on economic data for key offshore economies.

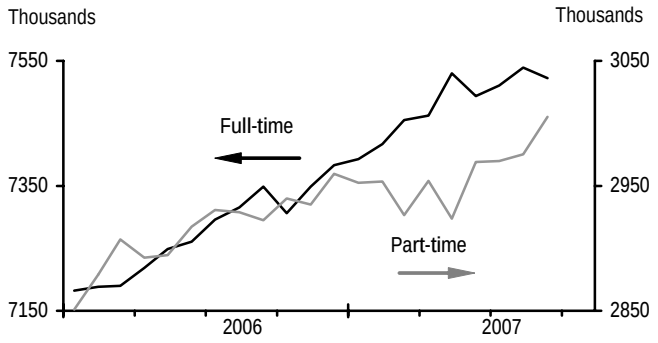
Home loans slump as house prices rise

The number of housing loans issued in September fell 2.4%m/m (JPMorgan -2.0%, consensus +0.1%) after rising 1.4% in August. The fall in September was mainly a payback for the spike in loans in the prior month, when borrowers shrugged off a 25bp rate rise and instead locked in finance amid concerns that lenders would soon pass on rising money market rates in the form of higher borrowing costs.

Investors again underpinned demand for home loans in September, accounting for 31% of total loans. This trend will likely continue as these investors usually are existing property owners able to receive significant tax benefits from buying an investment property, via such avenues as negative gearing—which enables them to lower their assessable income and, thus, enhance their after-tax returns. First home buyers, though, still remain largely priced out of the market, accounting for less than 18% of total loans, as a result of housing affordability holding at record lows.

Demand for home loans will likely ease. The 50bp rise in interest rates since August has added around A$100 to monthly repayments on the average A$250,000 mortgage. Moreover, the standard variable mortgage rate on loans will likely rise, given that domestic mortgage rates are primarily floating rate (about 90% of all mortgages) and are priced-off the cash rate, which the RBA will likely hike again in February 2008.

Australia: employment



Further dampening demand for housing finance is the ongoing rise in house prices, which were up 3.5%q/q in 3Q (JPMorgan 4.0%, consensus 3.0%), compared to 3.7% in 2Q. The rate of house price appreciation means that housing affordability will deteriorate further, especially when interest rates are likely to rise at least one more time in the current tightening cycle. First home buyers, therefore, will remain priced out of the housing market, while facing the fastest growth in residential rents in 15 years owing mainly to an acute shortage of new homes.

Full-time jobs surge in October

Australia added 12,900 jobs in October (JPMorgan 15,000, consensus 20,000), after an 8,300 gain in September. The job gain marked the 12th straight monthly rise, for a total accumulation of 281,000 since October 2006. The sustained growth in employment explains why the jobless rate has fallen from 4.6% to 4.3% over that period. Last month, the jobless rate ticked up to 4.3% (JPMorgan 4.3%, consensus 4.2%).

Strangely, though there appeared to be no unusual circumstances driving the data, full-time jobs surged 71,000 in October, but part time employment plunged 58,000. The size of these swings in opposite directions (which reversed the trends in September) certainly raises questions about the usefulness of the employment data in this notoriously noisy survey. The rise in the unemployment rate, which probably is a more reliable measure of labor market trends, is the first since February. The jobless rate, however, remains only marginally above the 33-year low rate of 4.2% set in September, indicating that the labour market remains drum-tight.

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:
Data releases and forecasts

Week of November 12-16

Mon Nov 12 11:30am — **RBA Statement on Monetary Policy**

See main essay.

Tue Nov 13 11:30am — **NAB monthly business survey**

% balance, seasonally adjusted

	Jul	Aug	Sep	Oct
Business confidence	12	10	7	—

Wed Nov 14 10:30 — **WMI consumer sentiment index**

100=neutral, seasonally adjusted

	Aug	Sep	Oct	Nov
(%m/m)	-8.0	4.1	-0.3	-2.5

Wed Nov 14 11:30am — **Labour price index**

Seasonally adjusted

	4Q06	1Q07	2Q07	3Q07
(%q/q	1.1	1.0	1.1	1.1
(%oya)	4.0	4.1	4.0	4.2

Review of past week's data

ANZ job advertisements

Seasonally adjusted

	Aug	Sep	Oct	
(%m/m)	-1.5	-0.7	—	*-2.7*
(%oya)	3.1	1.8	—	*-12.9*

RBA monetary policy announcement

See main essay.

House price index: eight capital cities

Weighted average

	1Q07	2Q07	3Q07	
(%q/q)	1.1	3.7	~~4.0~~	*3.5*
(%oya)	9.6	9.5	~~10.8~~	*10.6*

Housing finance approvals: owner occupiers

Number of loans, seasonally adjusted

	Jul	Aug	Sep	
(%m/m)	-4.4	1.4	~~-2.0~~	*-2.4*
(%oya)	-3.1	-0.4	~~-0.2~~	*1.1*

Labour force

Seasonally adjusted

	Aug	Sep	Oct	
Unemployment rate (%)	4.3	4.2	4.3	
Employed (000 m/m)	32.5	8.3	~~15.0~~	*12.9*

New Zealand

- **Retail trade on Thursday this week's highlight**
- **Labour market remains tight as a drum**
- **Labour cost index kept a solid floor under inflation**

The housing market continued to weaken under the weight of higher interest rates. The October reports showed a higher number of days to sell, and reduced activity; both point to a downturn in house prices as the market becomes unfavourable to sellers. New Zealand's labour market conditions tightened further in 3Q, despite a drop in employment. The drop in labour force participation and unemployment took the jobless rate to a new record low of 3.5%. Earlier in the week, the labour cost index rose a solid 0.9%q/q, which points to continued wage pressure from the tightening labour market. This week's retail trade report for September will be the highlight, and is likely to show a small gain in sales.

Retail sales to disappoint

Higher petrol prices, rising interest rates, negative anecdotes from retailers point to another ordinary retail sales number for the month of September. In volume terms, sales likely rose just 0.2%q/q. The volumes number is likely to confirm a sluggish quarter for consumer spending—higher interest rates have tightened households' purse strings.

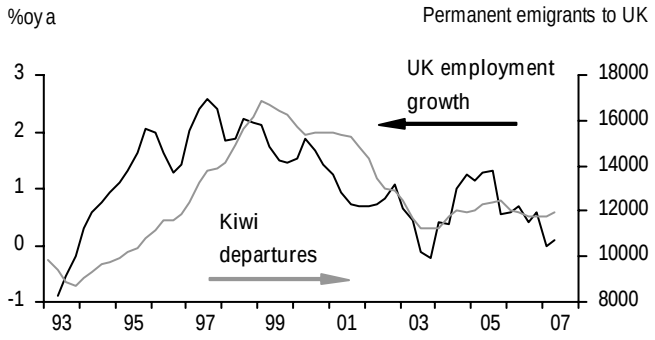
NZ housing market continues to soften

New Zealand's housing market continued to soften in October, with both the REINZ and QVNZ reports showing a drop in trading activity and an increase in the number of days to sell a listed property. The number of days to sell correlates with turning points in house prices, with an increasing number of days to sell a property pointing to a softening market (reduced demand) and an inevitable turn down in prices.

According to the REINZ, the median house price fell to 350,000 in October (down from 351,500 in September) and the number of days to sell increased to 34 (up from 32 days in September and 27 days in March). The level of trading in October was the lowest level (for an October month) since 2001—before the current housing cycle took off. The QVNZ report, however, showed a slight increase in the median house price to $406,176 (calculated over the three months ending October 2007 in comparison to the same period last year). The annual rate of house price appreciation dropped to 12.7%, from 13.2% in September.

New Zealand: days to sell vs. house prices

UK employment growth and Kiwi emigration



NZ labour market tightened in third quarter

New Zealand's labour force survey showed that conditions tightened last quarter. The unemployment rate dropped to a fresh record low of 3.5%—the lowest reading on record—as the number of people unemployed (-2.5%) fell at a faster rate than the overall size of the labour force (-0.4%) over the quarter. The decrease in the labour force participation rate was solely due to the labor force contracting, as the working age population grew (+0.2%q/q). Additionally, the number of employed persons unexpectedly fell 7,000 (-0.3%q/q) in 3Q.

The largest fall in employment came from the construction industry, indicative of the recent weakness in the property market and adverse weather conditions. Not surprisingly, the largest gain came from the agriculture, forestry, and fishing sector. The surge in soft commodity prices, particularly dairy, should mean further employment growth in the sector. Of the ten aggregated industries, only four recorded falls in employment: construction, business and financial services, education, and other services.

The survey reported a large drop in the female participation rate, which fell 0.9% to 61.2%. The male participation rate was unchanged at 75.7%. The fall in the total participation rate may be attributed to the uptick in the number of permanent departures overseas. More Kiwis are heading abroad in search of better job opportunities.

The gravitational pull of strong employment growth and attractive job offers, especially in Australia and the United Kingdom, has pushed up the number of permanent departures. Indeed, the increase in departures of working age Kiwis is adding to the pressures already building in New Zealand's tight labour market.

Kiwi labour costs an inflationary concern

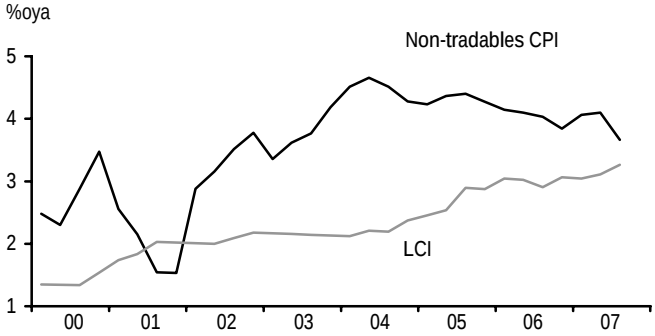
The 3Q labour cost index came in slightly above market expectations at 0.9%q/q (JPMorgan 0.8%, consensus 0.7%). The annual rate of total wage inflation rose 3.1%, down slightly from 3.2% in 2Q. The annual rate of private sector wages, however, accelerated to 3.3% (from 3.1%), and continues to trend higher under an already inflated non-tradables measure (chart). While the Kiwi economy is working at full capacity, the brain-drain of skilled workers heading overseas is keeping the pool of local skilled workers low and tight.

Statistics New Zealand also released the Quarterly Employment Survey (QES) for 3Q, which showed the annual increase in total gross earnings exceeded the annual increase in total paid hours. This resulted in a 3.9%oya increase in average total hourly earnings to NZ$23.10.

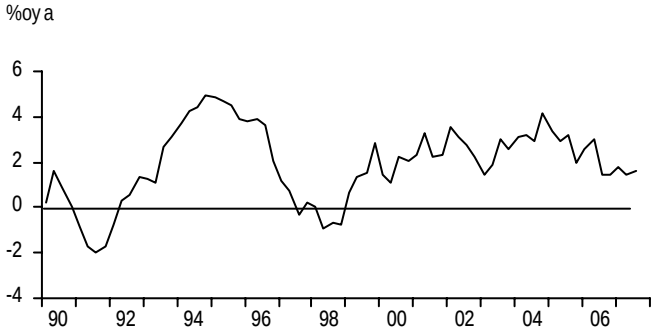
The RBNZ will view the labour market tightness and uptick in wages growth as continued threats to their inflation trajectory. The tight labour market, commodity price boom, and the government's conflicting fiscal policy, will all contribute to the RBNZ's concerns on inflation.

JPMorgan believes that the bank's assertive tightening, however, will be enough to satisfy their 1-3%oya inflation mandate, and the bar to raising the official cash rate (OCR) further remains high. That said, a rate cut in the near term is highly unlikely, and JPMorgan maintains its forecasts that the RBNZ will keep the OCR steady at 8.25% in the foreseeable future.

New Zealand: CPI (non-tradables) vs LCI (private sector)



New Zealand: employment growth



New Zealand: Data releases and forecasts

Week of November 12-16

Mon Nov 12	QVNZ house prices %, median				
		Jul	Aug	Sep	Oct
	(%oya)	12.7	13.3	13.2	*12.7*
Tue Nov 13 11:30am	Food prices Not seasonally adjusted				
		Jul	Aug	Sep	Oct
	(%m/m)	1.2	-0.1	0.4	0.6
Wed Nov 14 10:30am	Producer price index Not seasonally adjusted				
		4Q06	1Q07	2Q07	3Q07
	(%q/q)	-0.5	-0.3	1.2	1.3
	(%oya)	4.1	3.1	1.5	1.8

Thurs
Nov 15
11:30am

Retail trade
Seasonally adjusted

	Jun	Jul	Aug	Sep
(%m/m)	-0.4	0.1	0.2	0.5
(%oya)	6.6	5.3	5.6	4.9

	4Q06	1Q07	2Q07	3Q07
(%q/q)	1.3	3.3	0.4	0.2
(%oya)	4.6	6.9	6.3	5.3

Review of past week's data

Labour cost index
Private sector, ordinary time, sa

	1Q07		2Q07		3Q07	
(%q/q)	0.7		0.7		~~0.8~~	*0.9*

Labour force
Seasonally adjusted

	1Q07		2Q07		3Q07	
Unemployment rate (%)	~~3.8~~	*3.7*	3.6		~~3.6~~	*3.5*
Employed (000 m/m)	25		~~14~~	*13*	~~10.0~~	*-7*
Participation rate	68.6		68.8		~~68.9~~	*68.3*

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

Global essay

- **Current quarter will be marked by 4-year low on global growth and 10-year high on inflation, creating dilemma for policymakers**
- **BoJ to join ECB in an extended stay on the sidelines**
- **China's October data will show that growth and inflation remain uncomfortably high for policymakers**
- **Energy reform gets traction in Mexico**

Oil prices: up, up and oy vey

The global economy has entered a phase in which growth is set to slow materially below trend and consumer price inflation will reach a cyclical high. The US, Euro area, and Japanese economies are all decelerating into year end, and this quarter is expected to post global GDP growth of just 2.4%q/q, saar—the smallest gain in over four years. Meanwhile, faster increases in food and energy prices, along with a modest rise in core inflation, is expected to push global consumer price inflation to 3.3%oya, the highest level in more than a decade.

These developments highlight a powerful underlying tension at work. On one side stand the sustained and broad-based demand engines of emerging market economies. The current debate about whether EM growth can decouple from the developed economies misses the point that growth and asset price divergence has been a feature of the global landscape for the past five years, when EM GDP growth has averaged 6.5% per annum, alongside developed world growth of 2.5%. Together with slowing potential growth in the developed market economies and a sustained accommodative global monetary policy stance, resource utilization rates have moved above previous cyclical peaks and commodity prices have moved inexorably higher. On the other side lie powerful drags on global growth coming from the disorderly repricing of credit risk and the lagged effects of a tightening in European monetary conditions. With credit tightening concentrated in the United States and interacting with a deep housing downturn, there is an uncomfortably high risk that the US economy will slide into recession.

How the interaction of these two powerful forces plays out is key to the global outlook. The healthy financial position of the US corporate sector, which partly reflects strong foreign earnings growth and the improving US trade position, can provide an important offset to softening consumption and the ongoing correction in housing. The latest data releases suggest that this cushioning is taking place. Similarly, an expected moderation in EM export and industrial production growth could temper pressures on prices and resource utilization in a number of rapidly growing economies.

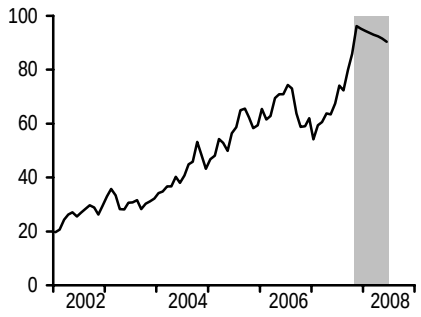
Spillover effects could, of course, prove to be damaging. The degree to which credit tightening in the developed world affects financial conditions in the emerging economies will be a key indicator of the nature of these spillovers. So far, the news is positive, as capital flows into emerging markets continue to support domestic demand. In the other direction, however, the recent surge in oil prices points to a large negative spillover from strong EM economies to the developed world.

The magnitude of the purchasing power squeeze on G-3 households from the latest rise in oil prices is not unusually large by the standards of recent years. If sustained, it will shave about one percentage point off annualized household income growth over the next six months. However, the interaction of this shock with other drags from tighter credit and slowing labour income is an important new element of risk.

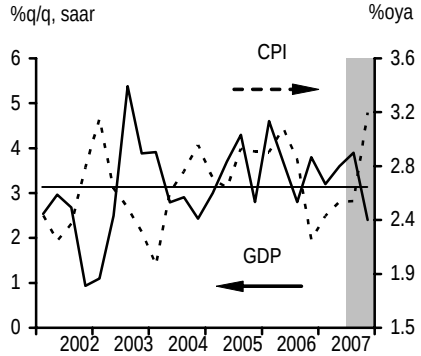
The rise in oil prices also constrains the response of central bankers to slower growth. The latest testimony from Chairman Bernanke makes it clear that the Federal Reserve is ready to respond if it believes the expansion is threatened.

WTI crude oil price

$ per barrel; forecast from futures mkt



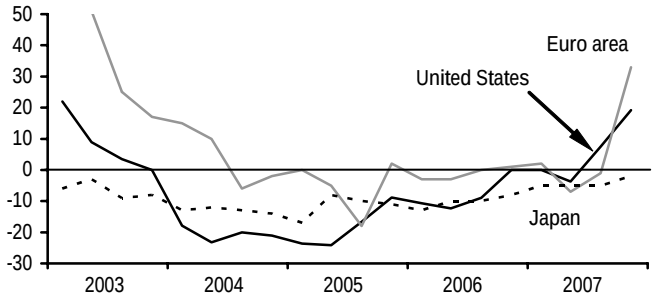
Global real GDP and consumer prices



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

Bank credit standards on loans to large nonfinancial firms

Net percentage tightening



But rising energy prices will raise the bar for an insurance ease from the Fed absent continued signs of financial market stress. With signs of stress emerging last week, the case for another rate cut is starting to build, but the outcome of the December meeting remains a close call. Higher oil prices will place more binding constraints on policy support from central bankers elsewhere. Indeed, setting aside the handful of economies that are the focus of credit tightening, the principal concern lies with strong growth and rising inflation pressures. This is particularly true in the EM economies, where food prices are surging and caps or subsidies on retail energy prices are becoming more costly and distorting.

Trichet borrows from his 2004-05 playbook

The ECB is the most prominent example of a central bank where inflation concerns are preventing a move toward easier policy. Even as the economy is downshifting, the central bank faces the prospect of a sustained breach of its inflation objective. As a result, the bar for ECB action in either direction is high at the moment. Already significant upside risks to inflation and significant downside risks to growth have increased further over the past month. Surging food and energy prices pushed inflation to an uncomfortably high 2.6%oya in October and, with resource utilization rates elevated, the ECB is justifiably concerned about second-round effects pushing up core inflation. Meanwhile, the ongoing stress in financial markets and the move up in energy prices and the currency have conspired to weigh more on the growth outlook.

The current situation is similar to the period from mid-2004 to mid-2005, when growth began sagging in the Spring of 2004 following a yearlong acceleration. At the same time, a surge in energy prices was aggravating inflation concerns. The ECB responded by using its rhetoric as an additional tool to keep a lid on inflation expectations. In President Trichet's words: "being able to refer in communication unambiguously to that objective [price stability] can, at times and under certain circumstances, provide an effective substitute for tangible action, provided 'credible alertness' of the central bank is undisputed by market participants." Judging by the press statement last week, the ECB has revisited the notion of rhetoric as an additional tool. Trichet's comments about inflation risk were emphatic, but this was not because the central bank is about to hike rates, but rather because it wants to keep inflation expectations stable.

BoJ to be on the sidelines until mid-2008

Among the major economies, Japan has experienced the smallest passthrough effect from oil to retail prices. When the domestic energy market was deregulated earlier this decade, the more competitive environment held down prices despite rising oil prices (e.g, the latest data show that retail energy prices have increased almost 50% in the US since January 2004, versus an 11% increase in Japan). This damping effect of deregulation is now losing force. In the electricity industry, where increases in oil prices used to have little effect on power prices, industry profits are being squeezed and increasing the likelihood that rising input costs will soon be passed on more fully to consumers.

If oil prices hold near the current level as anticipated in the futures market, Japan's rate of inflation—both headline and core (which also includes energy)—is expected to rise sharply, from just below zero to a peak of 0.7%oya by next spring. This would be the fastest rate of increase in either inflation measure since the early 1990s, excluding the consumption tax hike in 1997. Making matters worse, the pickup in inflation comes at a time when growth of nominal labor income has turned sluggish, further amplifying the squeeze on household purchasing power. The result is that consumer consumer spending growth will likely stay weak, putting downside risk to our GDP forecast. With this in mind, and taking into account the headwinds from weaker financial market conditions and the deteriorating export backdrop, we think that the BoJ will remain on the sidelines until June 2008, longer than we had previously expected.

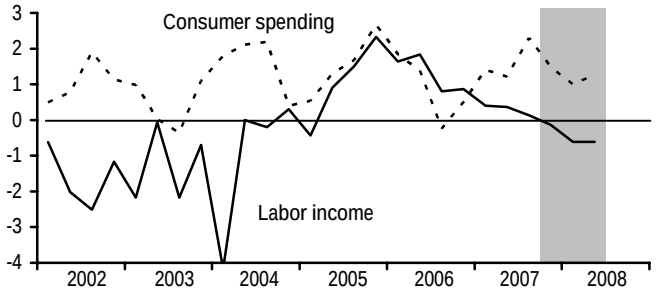
China's data to show limited slowing

Emerging market strength is highlighted by China, where real GDP rose more than 11% over the past four quarters. Policymakers have been trying to rein in the economy, especially

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

Japan: real labor income and consumer spending

%ch over 4 quarters



investment spending. This week's data on activity in October will provide a check on whether these policies are working.

On balance, the latest readings are likely to confirm some moderation in growth, with gains in retail sales, IP, and exports offsetting a leveling off in fixed investment. This may not be enough to appease policymakers. The monthly trade surplus, before seasonal adjustment, is likely to set a new high of over $30bn as exporters ship for Christmas demand, boosting excess liquidity in the domestic economy and raising concerns about accelerating goods and asset prices. On this point, the CPI report will be in the spotlight. September's inflation was only marginally lower than August's 11-year peak. The rapid rise in food prices, together with the recent hike in domestic energy prices and the expected fuel consumption tax, suggest that inflation (currently 6.2%oya) will remain high. This will increase the likelihood of more aggressive PBoC action and more rapid currency appreciation.

Mexico's energy reform takes the limelight

According to recent indications, Mexico's energy reform is moving forward in congress. For the first time, two senior PRI officials have signaled their intention to push forward a draft energy reform that would let Pemex, the state-owned oil company, subcontract certain activities to the private sector. The officials noted, however, that their reform draft will not seek full privatization of Pemex. Rather, it aims only to change secondary laws relating to the company; for example, to allow Pemex to subcontract services, and to engage in joint-venture deep-water exploration, and perhaps also joint-venture investment in oil refineries. Currently, Pemex subcontracting with the private sector is limited, but changing the relevant secondary laws requires only a simple majority for congressional approval. In the past, the PRI was reluctant to push privatization legislation. However, this more limited proposal has a good chance of passing in early 2008.

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

Fear drives markets

• Markets went back into recession mode with bonds rallying and curves steepening while the dollar, credit, and equity markets fell badly. The unrelenting barrage of profit-loss warnings from large banks, and mounting fears of SIV unwinds and of the multiplier impact of monoline insurer downgrades all contributed to rising fear of a credit crunch. The continued spike in oil compounded these fears.

• But fear is running ahead of the facts on economic activity. US bond yields have fluctuated closely with the ebb and flow of our Economic Activity Surprise Index over the past two years. But the past few weeks have seen a clear decoupling as activity data have come in close to expectations while bonds continued to rally on fear of future falls in growth. Forward indicators—surveys and the current oil price—suggest that growth should fall sharply in the current quarter, but we still have to see this in the data. This cautions against jumping wholeheartedly on the recession train.

• The Bernanke put is losing some of its punch, but has not disappeared. Equity markets have been relying on central bankers' ability and willingness to offset any threats to growth by easing policy rates. That was because inflation rates remained close to target rates. The recent spike in oil and food prices, along with a modest rise in core inflation, will bring global CPI inflation to a 10-year high of 3.3%. This is raising doubts in investors' minds about policymakers' willingness to fight recession risks. We believe that central bankers will try to deal with recession risks first, and that the Bernanke Put remains in place.

Fixed income

• Bonds continue to rally across the world, to the point that they are finally beating cash as an asset class. Year to date, our global index has breached the 5% return level, and is now 0.5% over cash. It has taken this long because most central banks have been tightening and curves have been quite flat.

• Momentum is near-term positiv e for bonds. But neither we, nor many of our investors, see much value in bonds. Institutional bond managers are moving more and more into the neutral duration camp, while central banks have barely bought anything over the past three weeks. Japanese and US retail investors remain robust bond buyers. We hold little risk in bonds as our negative value judgement is checked by positive price momentum.

• Inflation-linked bonds continue to flourish, both because of the overall fall in yields, and rising inflation fears owing to the unrelenting rise in oil prices. This week's CPI releases in Europe and the US are set to surprise on the upside, and should thus extend the rally in linkers. Stay overweight and long outright.

Equities

	Current	Ytd return (local currency)
S&P	1475	5.6%
Topix	1494	-8.7%
FTSE 100	6425	5.8%
MSCI Eurozone	245	9.2%
MSCI Europe	1554	7.0%

Credit markets

	Current	Dec 07
US high grade (bp over swaps)	83	0
Euro HG industrials (bp over swaps)	52	0
USD high yield (bp vs. UST)	489	0
EMBIG (bp vs. UST)	232	0

Foreign exchange

	Current	Dec 07	Mar 08	Jul 08
EUR/USD	1.47	1.48	1.48	1.48
USD/JPY	111	113.00	115.00	115.00
GBP/USD	2.10	2.10	2.08	2.08

Commodities

		Quarterly average		
		Dec 07	Mar 08	Jul 08
WTI oil $/bbl	95.6	0.0	62[1]	63[1]
Gold ($/oz)	833	0	807	821

1. Under revision.

Equities

• Global equities are down 3% last week led by financials, consumer discretionary, and technology sectors. We see further downside in US consumer discretionary and financials. The former will likely be hit by weaker consumption growth in 4Q and the latter by mortgage-related losses in various forms. Despite last week's profit taking, we stay overweight US IT, given strong earnings momentum and favorable seasonals in 4Q.

• Momentum has turned negative for equity markets over the past two weeks as worries about US housing and its impact on financials and the broader economy returned. The balance of risks is skewed to the downside for the near term, but any further downside from here should be limited. In our view, the

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

Bernanke put remains in place; strategic M&A activity is accelerating outside of LBO; positions and equity investors leverage are relative low; and, excluding writedowns of Financials, the 3Q reporting season confirmed a healthy fundamental picture of the corporate sector.

• EM equities were flat vs G-7 on the week. Momentum in prices is no longer positive, but inflows remain strong. We had another strong inflow of $2.5bn to EM equity funds last week, bringing the total inflow over the past 11 weeks to an unprecedented $36bn. US retail investors have been selling domestic equities and buying international equities, mostly EM, at a strong $4.8bn per week over the past four weeks.

Credit

• Credit spreads widened further by around 3-5bp in HG and 30bp in HY. Financials led the widening again. US HG spreads over USTs have passed the peak seen in the 1991 recession (chart), thus fully pricing a repeat of the 1991 recession. Value has thus become very attractive for financials, but momentum and positions are pointing to further weakness both outright and against industrials in both the US and Europe. Funded investors appear to have maintained a structural underweight industrials-overweight subordinated banks position in their portfolios. In Europe, we cut our Tier I and Upper Tier 2 recommendations to neutral, with longer-dated Lower Tier 2 being the only point on the Financials capital structure where we maintain an overweight.

• The flattening of credit maturity curves over past months implies a market view that default risk is more of an immediate concern than it was previously. We disagree. It is true that the recent tightening in credit conditions and weaker economic growth should put some pressure on HY default rates next year but only modestly, to 2.25% by the end of 2008 on our forecasts, from 0.6% in October. The surge in corporate lending over the last four and a half years has allowed most companies to secure attractive funding with limited near-term refinancing needs and sufficient covenant leeway. We thus see opportunities to implement steepening trades as we enter 1H08.

Foreign Exchange

• The rise in volatility has prompted carry trade unwinds across the board, with USD/JPY falling particularly hard this week (-4%). EUR/USD continues to mark new highs, confirming that the dollar has no safe-haven value when the US is the source of systemic risk. We therefore stay short the dollar broadly versus Europe (EUR, NOK, SEK).

• The yen crosses once again look vulnerable to a further unwind of carry trades, as Japanese retail positions in the high-yielders remain sizable. We estimate their total exposure to USD, EUR, AUD, NZD and GBP to be some $36bn, up from a low of $25bn two months ago.

• Emerging market currencies are faring much better than G-10 high-yielders, with only TRY declining meaningfully on the week. As has been the case during previous periods of credit market stress, EM will react with a lag and will probably outperform G-10 carry. Consistent with a view that US growth will skirt recession, we keep a core exposure but expect interim losses. We are long BRL, TRY, PLN, and HUF.

Commodities: introducing JPMCCI

• Last week we launched the JPMorgan Commodity Curve Index (JPMCCI), the first commodity index to invest along the whole of the futures curve. The index includes 33 commodities (compared to 19-24 in traditional indices) with return histories since 1991.

• Unlike traditional indices which focus exposure at a single maturity, JPMCCI holds exposure along the entire futures curve in proportion to the open interest of each tenor. The approach is, therefore, curve-neutral, analogous to a bond market index that invests in line with market outstandings.

• The aggregate index weights individual commodities by their open interest, implying 46% energy, 25% industrial metals, 8% precious metals, 19% agriculture, and 3% livestock. This is ore balanced than S&P GSCI without imposing arbitrary caps like DJ-AIG.

• This approach results in higher risk-adjusted performance historically, with a Sharpe of 0.39 since 1991 compared to 0.11 on S&P GSCI and 0.29 on DJAIG. This is due to stronger performance by some longerdated commodities, lower volatility of contracts along the curve, and less drag from negative roll yield.

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

- **RBA's commentary last week announcing the rate hike was unexpectedly hawkish**
- **The Aussie labour price index is this week's highlight - wage growth will accelerate**
- **New Zealand's retail report will likely show a weak gain of around 0.5%m/m**

Main events for markets this week

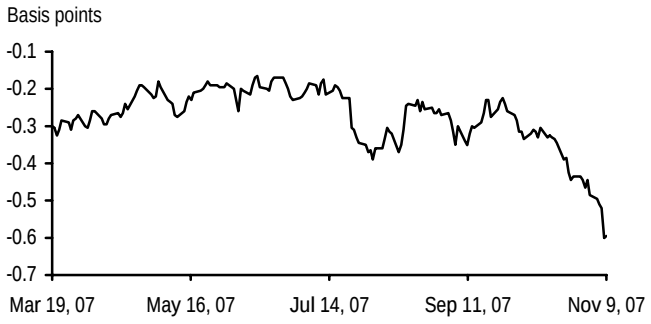
- In Australia, the highlight will be the 3Q labour costs data. We expect a 1.1% gain over the quarter, which will take annual growth up to the fastest pace since late 2005. The consensus expects a 1.0% rise over the quarter, which nevertheless will push annual growth up above 4.0%.
- Today's policy statement by the RBA is unlikely to break much new ground relative to last week's commentary, but probably will include a formal upgrade to the official CPI projections. This was signalled clearly in last week's commentary, which indicated that core inflation will be above 3% in early 2008.
- Australia also sees the November consumer confidence reading. Confidence probably will be lower because the survey was collected after the RBA had raised the cash rate 25bp. Even though the RBA move was well telegraphed in markets and the media, heavily indebted households are unlikely to react favourably.
- New Zealand's retail report (Thursday) will likely show a weak gain of around 0.5%m/m (4.9%oya), with the quarterly volumes number posting a disappointing 0.2%q/q (5.3%oya).

Market commentary

Australia

The Aussie curve has continued to flatten on the back of unexpectedly hawkish commentary from the RBA that indicated the RBA will raise the cash rate at least once more time. The 3s 10s curve flattened to -60bp last week, from -48 at the end of the previous week. Our forecast is that the RBA will tighten again in February, but the risk is that the RBA will move more aggressively than forecast. We believe, however, that back to back policy tightenings in November and December are unlikely.

Aussie 3s 10s curve



The AUD bounced in response to the RBA's upbeat language, and briefly poked it's nose above 94 US cents. The Aussie until was, however, belted on Friday on the back of more fall out from the sub-prime mortgage problems, which increased investors' risk aversion. AUD ended the week close to 90 US cents.

Today's quarterly statement by the RBA is important because it will include an update of the official inflation forecasts. Last week's RBA statement announcing the rate hike made clear that core inflation is likely to be above 3% in early 2008. While this week's statement will reinforce the point that core inflation is rising, the statement is unlikely to include an explicit forecast of say, 3.25% for 1Q 2008. Rather, like last week's announcement, today's statement probably will indicate that core inflation will be above 3%, which leaves the RBA with wriggle room. Indeed, in our view, core inflation will be closer to 3.5% early next year.

Market pricing implies around a 30% chance of an RBA rate hike in December. A move in February is priced at around an 90% probability. We favour February for the move because the RBA has established a clear pattern of waiting for published CPI reports before adjusting the cash rate, if necessary. The next inflation report is not released until late January. Also, we believe the RBA will tread carefully while assessing developments offshore—there are signs of stress in financial markets—and gauging the impact of the recent policy adjustments.

While the next CPI report is the most likely trigger for a policy move, this week's labour price index is important. The RBA's commentary last week indicated that wage costs are contained, but we expect wage growth to accelerate in

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

response to the sustained drop in the jobless rate in recent years. Annual wage growth probably will tick up to 4.2%oya, from 4.0% in 2Q.

New Zealand

Across the Tasman in New Zealand, the highlight of the week will be the September quarter labour force survey due out on Thursday. Higher petrol prices, rising interest rates, negative anecdotes from retailers point to another ordinary retail sales number for the month of September. In volume terms, sales likely rose just 0.2%q/q.

The September retail report is likely to confirm the slowdown in domestic demand and, coupled with the weakening housing data out today, is likely to give RBNZ officials confidence that the steady tightening to date is having an impact. Although JPMorgan believes RBNZ officials cannot afford to relax, and will remain on the warpath against fiscal largesse and inflation, the bar for another interest rate increase is high.

Trade recommendations

- Establish short Dec'07 interbank contract in futures. The market under-prices the risk of a December rate hike. Establish short at 93.20, with target of 93.14 and stop at 93.23.
- Hold long Aussie March bank bills, short June. We established this position at 4bp, with target 12bp and stop of -1. Currently trading 6bp, but it should have further to run. There is not enough RBA tightening priced in for next year.
- Aussie 3s 10s curve steepener stopped out. The curve continued to flatten on the back of bad news from the US, which saw 10-year bonds rally. Established at -51, the position stopped out at -56, for a loss of 5bp.

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

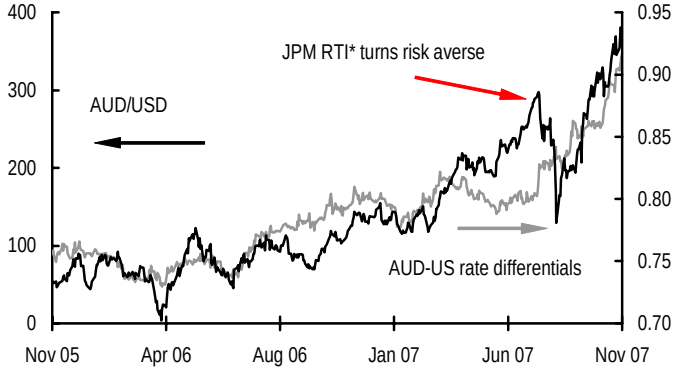
AUD and NZD Commentary

- **AUD and NZD benefit versus USD, but JPY is the key G10 outperformer**
- **Rates and commodities continue to support AUD, but risk-aversion-led profit taking now more of a threat**
- **Technicals: AUD/USD and NZD/USD stay vulnerable to short term consolidations**

Strategy comments

- AUD and NZD ended another week higher versus USD, by 1.5% and 1.3%, respectively. The key driver of the move was further weakness in the broad dollar, which also fell 1.3% versus EUR and 3% versus JPY. Risk appetite, meanwhile, took a turn for the worse. The S&P 500 fell 3.7% as the markets continued to digest negative news from financial service companies regarding the valuation of bond holdings. The outperformance of the yen was a key symptom of the turn in sentiment, and the relatively strong performance of the Antipodeans in such an environment is notable.
- The developments in rate and commodity markets remain positive for AUD in particular. Gold rose an additional 3.4% on the week to just 2% below its all-time high of $850. The hawkish RBA, meanwhile, has been in sharp contrast to the Fed who is dealing with the uncertainty of the US outlook. US 2-year yields have fallen approximately 50bp since the last day of October, pushing the spread between front-end US and Australian rates to the highest level since April 2004. Though we currently call for the Fed to stay on hold through the end of the year, the influx of news certainly has had a negative tilt in recent weeks, and the market currently is pricing in more than a 25bp ease in December.
- As we discussed last week, AUD has been more immune of late than it was this summer to changes in risk appetite due to the above-mentioned factors. The latest deterioration in many indicators, though, makes it prudent to at least revisit the last significant drop in the Antipodeans. One of the leading indicators of the spike in volatility and weakness in AUD and NZD was the JPMorgan Risk Tolerance Index, which turned risk averse on July 25, one day before the downturn in G10 high-yielders (see chart). The Index has again turned negative Friday. We remain long AUD/CHF in our model portfolio, but we are watching long carry FX exposure more closely in light of recent market developments.
- Events this week relevant for USD include Fed speakers (Bernanke on Wednesday), CPI on Thursday, and TIC data on Friday. Potentially more important, though, will be the G20 policymaker meeting set for Nov. 17-18 in Cape Town. Given the increased policymaker rhetoric regarding FX moves in the past week, notably from the ECB's Trichet and Canada's Finance Minister Flaherty, there is a meaningful risk that the fall in the broad USD will be addressed. While we do not suspect this would signal the end of USD weakness, headlines have the potential to raise FX volatility near-term.

Rates supportive, but risk tolerance has notably shifted



Technical analysis

- This last week saw AUD/USD extend to new highs before failing; the setup continues to suggest a short-term consolidation phase. Importantly, Friday's AUD decline developed in an impulsive manner, which seems consistent with additional short-term corrective work. The key test starts at the 0.9110/.9080 support area as this area includes the important uptrendline from the August low and will define a deeper correction into the 0.9000 support area. The ability to rally back above the 0.9250/.9325 area would imply a retest of the 0.9400 high.
- NZD/USD stays positioned for short-term range action particularly given Friday's bearish outside day reversal and weekly failure below the 0.7900 resistance zone. Key support restsat the 0.7620 September uptrendline and then the 0.7570/75 zone, as breaks would imply a deeper pullback into the 0.7470/.7365 zone, which should define the short term range lows. Importantly, the 0.7750/.7820 resistance levels will now act as the key upside pivot levels, with breaks reasserting the upside 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	2.1	2.6	3.8	3.9	1.0	2.0	3.0	3.5	3.0	2.7	3.8	**2.8 ↑**	**2.6 ↑**
Canada	2.8	**2.4 ↓**	**1.9 ↓**	3.4	**1.8 ↓**	1.0	**1.5 ↓**	2.3	2.8	2.5	2.2	2.4	0.8	1.5
Latin America	5.3	**4.9 ↓**	4.6	4.9	**5.6 ↓**	**5.0 ↑**	**4.0 ↓**	**4.8 ↓**	**4.3 ↓**	4.1	5.1	5.4	6.0	6.1
Argentina	8.5	8.3	6.0	8.8	11.2	10.0	4.1	4.9	2.0	2.0	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	**4.1 ↑**	4.0	**4.2 ↑**
Chile	4.0	**5.2 ↓**	5.0	6.5	**-7.5 ↓**	**14.5 ↑**	**5.0 ↓**	**5.0 ↓**	**5.0 ↓**	**5.0 ↓**	2.9	**6.7 ↓**	**5.9 ↓**	**3.1 ↓**
Colombia	6.8	6.8	5.5	4.4	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	1.9	6.0	4.0	2.0	1.0	0.0	0.0	1.7	2.1	3.4	3.5
Mexico	4.8	3.2	4.1	5.3	6.1	2.6	2.6	4.9	4.9	4.9	4.0	3.8	4.4	4.1
Peru	7.6	7.5	6.5	-0.1	11.0	12.0	5.0	4.0	3.5	3.0	0.8	3.0	2.9	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	1.8	-1.2	2.5	0.5	2.0	3.0	2.5	2.3	-0.1	**0.2 ↑**	**0.7 ↑**	**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	**3.3 ↓**	**3.6 ↓**	**2.8 ↑**
New Zealand	1.6	**3.2 ↑**	**2.6 ↑**	3.0	**3.1 ↑**	**2.9 ↑**	**2.3 ↑**	**2.5 ↓**	**2.5 ↓**	**2.6 ↓**	2.0	**2.7 ↑**	**2.6 ↑**	**2.8 ↑**
Asia ex. Japan	8.4	8.4	7.7	10.7	7.3	6.0	8.8	8.0	7.4	6.4	3.4	**4.7 ↑**	**4.4 ↑**	**3.2 ↓**
China	11.1	11.4	10.5	15.0	9.4	7.4	12.6	11.7	10.0	7.4	3.6	**5.7 ↑**	**4.8 ↑**	**2.1 ↓**
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	**6.9 ↑**	**6.9 ↑**	**7.4 ↑**
Korea	5.0	4.7	4.9	7.4	5.7	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	**3.1 ↓**	**3.2 ↓**	**2.4 ↓**
Singapore	7.9	8.2	5.8	14.4	6.4	4.1	5.3	5.3	5.7	5.7	1.0	3.1	3.1	1.3
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	**4.2 ↑**	**4.4 ↑**	**3.8 ↑**
Africa														
South Africa	5.0	4.8	**4.6 ↓**	4.5	**4.7 ↓**	**4.0 ↓**	**4.1 ↓**	**4.8 ↓**	5.6	**5.5 ↓**	7.0	**7.7 ↑**	**6.3 ↓**	**4.9 ↓**
Europe														
Euro area	2.9	2.6	1.8	1.3	3.0	1.8	1.5	1.8	1.8	1.8	1.9	2.7	2.1	**2.1 ↑**
Germany	3.1	2.7	1.9	1.0	3.0	2.0	1.5	1.8	1.8	1.8	2.0	2.6	1.4	**1.2 ↓**
France	2.2	1.9	1.9	1.2	3.0	1.8	1.5	2.0	2.0	2.0	1.3	2.3	1.7	**2.0 ↑**
Italy	1.9	1.8	1.3	0.5	2.0	1.0	1.0	1.6	1.6	1.6	1.9	2.3	2.0	**2.5 ↑**
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	3.3	3.0	3.7	3.2	3.2	3.0	2.8	2.8	2.8	1.8	**2.8 ↑**	**3.2 ↑**	**2.9 ↑**
Switzerland	3.2	2.6	1.8	3.0	2.3	1.5	1.8	1.8	1.8	1.8	0.5	1.0	1.0	1.2
United Kingdom	2.8	**3.1 ↓**	**2.3 ↓**	3.3	3.2	**2.3 ↓**	**2.0 ↓**	2.0	2.0	**2.3 ↑**	2.6	2.1	**2.1 ↑**	**2.4 ↑**
Emerging Europe[1]	6.4	6.2	5.9	7.8	4.7	8.8	4.7	6.9	6.1	7.9	6.5	**6.2 ↑**	**5.8 ↑**	**5.5 ↑**
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	6.4	5.0	3.9
Poland	6.2	5.7	5.8	6.1	4.5	4.5	6.5	6.0	6.5	6.5	2.4	2.6	2.6	3.0
Slovak Republic	8.8	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	10.0	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	**8.1 ↑**	**7.4 ↑**	**6.3 ↑**
Global	3.7	3.3	3.1	3.6	3.9	2.4	**2.9 ↓**	3.5	3.4	3.2	2.4	**3.2 ↑**	**2.9 ↑**	**2.6 ↑**
Developed markets	2.8	2.4	2.2	2.2	3.2	1.4	1.9	2.5	2.7	**2.5 ↑**	1.9	**2.7 ↑**	**2.3 ↑**	**2.1 ↑**
Emerging markets	6.9	6.8	6.3	8.6	**6.4 ↓**	**6.2 ↑**	6.8	7.0	6.4	6.1	4.4	**5.2 ↑**	**5.1 ↑**	**4.3 ↓**

Note: For some emerging economies, 2007-2008 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	Dec 07	Mar 08	Jun 08	Sep 08	Dec 08
Global	GDP-weighted average	4.49	195			4.49	4.48	4.49	4.50	4.70
excluding US	GDP-weighted average	4.49	134			4.49	4.47	4.49	4.50	4.56
Developed	GDP-weighted average	3.85	224			3.85	3.83	3.85	3.87	4.12
Emerging	GDP-weighted average	7.10	80			7.12	7.15	7.11	7.07	7.07
The Americas	GDP-weighted average	4.98	272			4.96	4.95	4.93	4.94	5.38
United States	Federal funds rate	4.50	325	31 Oct 07 (-25bp)	29 Oct 08 (+25bp)	4.50	4.50	4.50	4.50	5.00
Canada	Overnight funding rate	4.50	250	10 July 07 (+25bp)	4 Dec 07 (-25bp)	4.25	4.00	4.00	4.50	5.00
Brazil	SELIC overnight rate	11.25	-475	5 Sep 07 (-25bp)	16 Apr 08 (-25bp)	11.25	11.25	10.75	10.25	10.25
Mexico	Repo rate	7.50	100	26 Oct 07 (+25bp)	on hold	7.50	7.50	7.50	7.50	7.50
Chile	Discount rate	5.75	400	13 Sep 07 (+25bp)	14 Feb 08 (+25bp)	5.75	6.00	6.25	6.25	6.25
Colombia	Repo rate	9.25	250	27 July 07 (+25bp)	23 Nov 07 (+25bp)	9.50	9.50	9.50	9.25	9.00
Peru	Reference rate	5.00	250	6 Sep 07 (+25bp)	1Q 08 (+25bp)	5.00	5.25	5.25	5.25	5.25
Europe/Africa	GDP-weighted average	4.60	170			4.59	4.55	4.51	4.51	4.51
Euro area	Refi rate	4.00	200	6 Jun 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	5.50	**5.25**	**5.25**	**5.25**
Sweden	Repo rate	4.00	200	30 Oct 07 (+25bp)	13 Feb 08 (+25bp)	4.00	4.25	4.25	4.25	4.25
Norway	Deposit rate	5.00	325	26 Sep 07 (+25bp)	12 Dec 07 (+25bp)	5.25	5.25	5.50	5.50	5.50
Czech Republic	2-week repo rate	3.25	100	30 Aug 07 (+25bp)	29 Nov 07 (+25bp)	3.50	3.75	4.00	4.00	4.00
Hungary	2-week deposit rate	7.50	-400	24 Sep 07 (-25bp)	26 Nov 07 (-25bp)	7.25	6.75	6.50	6.50	6.50
Poland	7-day intervention rate	4.75	-50	29 Aug 07 (+25bp)	28 Nov 07 (+25bp)	5.00	5.25	5.50	5.75	6.00
Russia	1-week deposit rate	3.25	225	14 Aug 07 (+25bp)	Aug 08 (+25bp)	3.25	3.25	3.25	3.50	3.50
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	10.50	250	11 Oct 07 (+50bp)	on hold	10.50	10.50	10.50	10.50	10.50
Switzerland	3-month Swiss Libor	2.75	225	13 Sep 07 (+25bp)	on hold	2.75	2.75	2.75	2.75	2.75
Turkey	Overnight borrowing rate	16.75	-525	16 Oct 07 (-50bp)	14 Nov 07 (-50bp)	15.75	15.00	14.50	14.00	13.50
Asia/Pacific	GDP-weighted average	3.60	113			3.64	3.69	3.81	3.81	3.94
Australia	Cash rate	**6.75**	150	**7 Nov 07 (+25bp)**	**5 Feb 08 (+25bp)**	6.75	**7.00**	**7.00**	**7.00**	**7.00**
New Zealand	Cash rate	8.25	250	26 July 07 (+25bp)	on hold	8.25	8.25	8.25	8.25	8.25
Japan	Overnight call rate	0.50	50	21 Feb 07 (+25bp)	**13 Jun 08 (+25bp)**	0.50	**0.50**	0.75	**0.75**	**1.00**
Hong Kong	Discount window base	6.00	350	1 Nov 07 (-25bp)	30 Oct 08 (+25bp)	6.00	6.00	6.00	6.00	6.50
China	1-year working capital	7.29	198	14 Sep 07 (+27bp)	4Q 07 (+18bp)	7.47	7.65	7.65	7.65	7.65
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)	**1Q 08 (-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	5.75	-100	4 Oct 07 (-25bp)	on hold	5.75	5.75	5.75	5.75	5.75
Thailand	1-day repo rate	3.25	200	18 July 07 (-25bp)	on hold	3.25	3.25	3.25	3.25	3.25
Taiwan	Official discount rate	3.25	188	20 Sep 07 (+12.5bp)	Dec 07 (+12.5bp)	3.375	**3.50**	**3.625**	**3.625**	**3.625**

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	3.6	2.8	4.3	5.2	4.5	4.8	4.1	2.9	2.7	2.8	3.0	2.9	2.6
Consumer prices (%oya)	3.5	2.4	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	2.2	2.8	9.9	7.9	6.1	3.8	1.5	0.8	2.7	3.7	1.9	2.9	2.6
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	-5.9	-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	4.5	5.2	4.9	4.7	4.6	4.5	4.3	4.3	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)	1.6	3.2	2.6	0.1	1.6	3.3	4.9	3.0	3.1	2.9	2.3	2.5	2.5	2.6
Private consumption	2.1	4.4	1.5	0.1	2.3	5.8	8.8	2.6	2.2	1.2	1.0	1.2	1.8	1.5
Fixed Investment	-2.4	3.8	1.9	-17.0	4.9	5.6	15.7	-6.1	5.9	1.6	1.9	1.8	2.6	3.0
Residential construction	-2.7	4.5	2.9	-20.5	15.2	8.0	-1.3	15.9	1.2	1.6	2.8	2.4	2.0	2.4
Other fixed investment	-2.3	3.6	1.7	-16.0	2	4.9	20.7	-11.2	7.2	1.6	1.6	1.6	2.8	3.2
Inventory change (NZ$ bil, saar)	0.1	0.4	0.1	-0.1	-0.2	0.2	0.1	0.3	0.0	0.0	0.0	0.0	0.0	0.1
Government spending	4.9	3.6	4.6	6.7	3.7	1.7	2.0	4.7	5.5	4.8	4.8	4.3	4.0	4.2
Exports of goods & services	1.9	4.1	5.3	10.5	10.9	-9.1	7.8	1.8	10.0	8.0	4.0	3.6	4.0	4.2
Imports of goods & services	-2.5	7.7	3.1	-5.9	4.0	6.6	15.8	10.4	4.0	2.2	2.4	2.2	3.0	3.0
Contributions to GDP growth:														
Domestic final sales	0.9	4.5	2.3	-1.1	0.0	4.2	9.7	3.0	6.2	1.1	1.5	1.9	2.2	2.2
Inventories	-0.8	0.2	-0.2	-4.0	-0.4	4.6	-1.5	3.2	-4.5	0.1	0.4	0.3	0.1	0.1
Net trade	1.5	-1.5	0.5	5.4	2.0	-5.3	-2.9	-3.1	1.6	1.7	0.4	0.3	0.2	0.3
GDP deflator (%oya)	2.3	3.5	3.0	1.9	2.6	2.9	3.2	3.8	3.4	3.5	3.4	2.9	2.9	2.8
Consumer prices	3.4	2.3	2.8	6.2	2.8	-0.8	2.0	4.0	2.0	2.8	3.0	2.7	2.8	2.5
%oya	3.4	2.3	2.8	4.0	3.5	2.6	2.5	2.0	1.8	2.7	3.0	2.6	2.8	2.8
Trade balance (NZ$ bil, sa)	-3.0	-4.6	-6.2	-0.6	-0.7	-0.8	-0.8	-0.8	-1.5	-1.5	-1.5	-1.6	-1.6	-1.6
Current account (NZ$ bil, sa)	-14.0	-14.7	-15.6	-3.3	-3.1	-3.5	-3.6	-3.4	-3.9	-3.8	-3.8	-3.9	-3.9	-3.9
as % of GDP	-8.8	-8.7	-8.7	-8.5	-7.8	-8.7	-8.7	-8.1	-9.2	-8.8	-8.7	-8.8	-8.7	-8.6
Yield on 90-day bank bill (%)*	7.5	8.2	8.1	7.5	7.5	7.7	7.8	8.2	8.7	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	6.4	6.4	6.5	6.4	6.3	6.2
US$/NZ$*	0.65	0.74	0.68	0.62	0.64	0.67	0.70	0.74	0.74	0.77	0.75	0.71	0.64	0.63
Commonwealth budget (NZ$ bil)	6.5	6.4	5.7											
as % of GDP	4.1	3.8	3.2											
Unemployment rate	3.8	3.7	4.4	3.6	3.8	3.7	3.7	3.6	3.5	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

Non-Japan Asia economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
12 Nov **Australia:** RBA Quarterly monetary policy statement (11:30am) **China:** PPI (10:30am) Oct **India:** IP (12:00pm) Sep *Holiday Taiwan*	**13 Nov** **Australia:** NAB business survey (11:30am) Oct **China:** CPI (10:00am) Oct	**14 Nov** **Australia:** Westpac consumer confidence (10:30am) Nov Wage cost index (11:30am) 3Q **China:** Retail sales (10:00am) Oct **Korea:** Export/import price index (12:00pm) Oct Unemployment rate (01:30pm) Oct **New Zealand:** PPI (10:45am) 3Q	**15 Nov** **Australia:** RBA monthly bulletin (11:30am) Avg weekly wages (11:30am) Aug Cons infl exp (10:30am) Nov **China:** IP (10:00am) Oct **New Zealand:** Retail sales (10:45am) Sep **Philippines:** BoP Oct Overnight borrowing rate **Singapore:** Retail sales (01:00pm) Sep	**16 Nov** **China:** Fixed asset investment (10:00am) Oct **Hong Kong:** GDP (04:15pm) 3Q **Singapore:** NODX (01:00pm) Oct
During the week: **China:** Trade balance Oct Money supply Oct FDI Oct **Indonesia:** GDP 3Q **Philippines:** Budget Def/Surplus				
19 Nov **Hong Kong:** Unemployment rate (04:15pm) Oct	**20 Nov** **Taiwan:** Current account (04:20pm) 3Q	**21 Nov** **Australia:** Westpac Leading Index (10:30am) Sep Auto sales (11:30am) Oct **Malaysia:** CPI (05:00pm) Oct	**22 Nov** **Hong Kong:** CPI (04:15pm) Oct **Taiwan:** Unemployment rate (04:00pm) Oct Export orders (04:00pm) Oct Industrial production (04:00pm) Oct	**23 Nov** **Singapore:** CPI (01:00pm) Oct
During the week: **South Korea:** Current account Oct **Malaysia:** GDP 3Q **Taiwan:** GDP 3Q **Singapore:** GDP 3Q				
26 Nov **China:** Government expenditure Oct **Malaysia:** BNM Monetary Policy Meeting (06:00pm) **New Zealand:** Trade balance (10:45am) Oct **Singapore:** Industrial production (12:00pm) Oct	**27 Nov** **Australia:** New homes sales Oct **Hong Kong:** Trade balance Oct **Philippines:** Trade balance (09:00am) Sep Total monthly imports (09:00am) Sep Trade balance (09:00am) Sep **Taiwan:** Leading index (04:00pm) Oct Coincident Index (04:00pm) Oct	**28 Nov** **Australia:** Construction work done (11:30am) 3Q **South Korea:** Industrial production (01:30pm) Oct Leading index (01:30pm) Oct	**29 Nov** **South Korea:** Service sector output (01:30pm) Oct **New Zealand:** Building permits (10:45am) Oct Bus. conditions index (01:00pm) Nov **Philippines:** GDP (09:00am) 3Q GDP (09:00am) 3Q **Taiwan:** Commercial sales (04:00pm) Sep	**30 Nov** **Australia:** Private capital expenditure (11:30am) 3Q Current account (11:30am) 3Q Private sector credit (11:30am) Oct **India:** GDP (12:00pm) 3Q *Holiday Philippines*
During the week: **China:** Leading index Oct Government revenue Oct **South Korea:** FKI bus. Survey Dec **Malaysia:** GDP 3Q				
3 Dec **Australia:** Trade balance (11:30am) Oct RBA Commodity Index (04:30pm) Nov Reserve Bank Rate **China:** PMI Mfg (09:00am) Nov **Hong Kong:** PMI (01:30am) Nov **South Korea:** CPI (01:30am) Nov CPI (12:30pm) Nov	**4 Dec** **Australia:** Building approvals (11:30am) Oct Retail sales (11:30am) Oct **Hong Kong:** Retail sales (04:15am) Oct **Malaysia:** Trade balance (01:00pm) Oct **Singapore:** PMI (09:30pm) Nov	**5 Dec** **Australia:** RBA cash target (09:30am) Dec GDP (11:30am) 3Q **Philippines:** CPI (09:00am) Nov *Holiday Thailand*	**6 Dec** **China:** China Corporate Access Days Lijiang (12:00am) **South Korea:** Consumer confidence (12:30pm) Nov **New Zealand:** RBA official cash rate Dec 5 (09:00am) **Taiwan:** CPI (04:00am) Nov Foreign reserves (04:20am) Nov	**7 Dec** **Indonesia:** BI reference rate Dec **South Korea:** BoK monetary policy meeting (08:00am) Dec Korea overnight cal rate (09:00am) Dec **Malaysia:** Industrial production (01:00pm) Oct
During the week: **Indonesia:** Foreign reserves **South Korea:** Foreign reserves GDP final				

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
12 Nov - 16 Nov	**12 Nov**	**13 Nov**	**14 Nov**	**15 Nov**	**16 Nov**
China • FDI (Oct) • Trade balance (Oct)	**Japan** • Consumer sent (Oct) **Sweden** • CPI (Oct)	**Chile** • BCCh meeting **China** • CPI (Oct) **Euro Area** • IP (Sep) **France** • CPI (Oct) **Germany** • ZEW bus surv (Nov) **Japan** • GDP 1st est (3Q) • BoJ meeting **United Kingdom** • CPI (Oct) **United States** • Pending home sales (Sep)	**China** • Retail sales (Oct) **Euro Area** • GDP flash (3Q) **Germany** • GDP flash (3Q) **Mexico** • IP (Sep) **Turkey** • CBRT meeting **United Kingdom** • Average earnings (Sep) • Claimant count (Oct) **United States** • Bus inventories (Sep) • PPI (Oct) • Retail sales (Oct) • Bernanke speaks at monetary conference	**China** • IP (Oct) **Euro Area** • HICP final (Oct) **Germany** • CPI final (Oct) **Philippines** • BSP meeting **Sweden** • Unemployment rate (Oct) **United Kingdom** • Retail sales (Oct) **United States** • CPI (Oct) • NY Fed bus surv (Nov) • Philly Fed bus surv (Nov)	**China** • FAI (Oct) **Euro Area** • Trade balance (Sep) **Japan** • BoJ minutes: Oct 10-11 mtg **Mexico** • GDP (3Q) **United States** • IP (Oct)
19 Nov - 23 Nov	**19 Nov**	**20 Nov**	**21 Nov**	**22 Nov**	**23 Nov**
Japan • Electric power usage (Oct) • Nationwide dept store sales (Oct)	**United States** • NAHB survey (Nov)	**Canada** • CPI (Oct) **Norway** • GDP (3Q) **United States** • Housing starts (Oct)	**Japan** • Trade balance (Oct) **Spain** • GDP final (3Q) **United Kingdom** • BoE minutes **United States** • Consumer credit • FOMC minutes	**Belgium** • BNB bus survey (Nov) **Euro Area** • Industrial new orders (Sep) **Germany** • GDP (3Q) **Taiwan** • Export orders (Oct) • IP (Oct)	**Brazil** • IPCA **Colombia** • BanRep meeting **Euro Area** • PMI flash (Oct) **Netherlands** • CBS bus survey (Nov) **Norway** • Unemployment rate (Sep) **United Kingdom** • GDP 2nd est (3Q)

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