JPMorgan

Australia and New Zealand - Weekly Prospects

Summary

- Inflation pressure remained significant in **Australia** in 2Q, as last week's data showed. Inflation, though, should peak in 3Q, before easing back towards the RBA's target range in 2009. In a change of forecast, we now expect the RBA to cut interest rates in early 2009 - previously, we had the RBA on hold. The disinflationary impact of the weakness in domestic demand should be a more powerful force than the boost from the terms of trade. We forecast three more rate cuts later in 2009, which will take the cash rate to 6.25% by the end of the year. Retail sales and credit data this week should confirm that domestic demand continued to weaken in June, while the trade deficit should narrow.

- In **New Zealand**, the RBNZ cut the official cash rate (OCR) 25bp last Thursday, a close decision forecast by only four of 13 market economists. We believe the RBNZ now has embarked on what will be an extended easing cycle; we forecast a further three 25bp cuts to the OCR this year. Even though inflation will remain elevated, we expect that the RBNZ will continue to cut interest rates throughout 2009, too, which will leave the OCR at 6% at the end of 2009. The NBNZ business confidence survey this week should show a slight improvement in confidence in July, owing to heightened speculation of imminent interest rate cuts.

- The major macroeconomic development of recent weeks is the sharp slide in **Western European** growth momentum. After a surprisingly firm turn into the year, industrial indicators have contracted and business surveys have dived into midyear. Composite PMIs are now pointing to stagnant second-half performance in the Euro area and outright contraction in the **United Kingdom,** a development incorporated in recent forecast revisions. Our projections anticipated a midyear rotation in global growth whereby the **US** economy fared a little better while Western European activity downshifted. The magnitude of both sides of this rotation has been a surprise. While next week's US 2Q08 GDP release is anticipated to post a 2.4% gain (q/q, saar), the Euro area economy is estimated to have contracted last quarter. Stepping back, it is remarkable to observe that US GDP growth over 2007-08 is now tracking well above our expectations for the Euro area over this period.

- While the spotlight recently has been on the downshift in European growth, **Japan's** economy is displaying comparable weakness. Last week's reports showed that export volume contracted at a double-digit pace in 2Q. The export slide reinforced weakness in other key sectors, notably consumer spending and business equipment expenditures, to produce an expected downturn in GDP last quarter. This week's releases will help firm up our 2Q GDP estimate (-1.5%q/q, saar, released on August 13), while also giving some indication about momentum heading into the current quarter. A further slide in manufacturers' production plans (in the IP report) and in the small business survey would reinforce concerns that the economy has tipped into recession.

This week's highlight

The Aussie retail sales report on Thursday. Sales likely rose a weak 0.2%m/m in June as discretionary spending remained under pressure. Sales in real terms likely fell 0.1%q/q, which means GDP growth in the quarter probably was weak.

Contents

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Data and event previews - Australia and New Zealand

Date [(a)]	Data/event	Forecast			Comment
		JPMorgan	Consensus	*Previous*	
Tuesday, 29 July (08:45am)	**NZ building consents (June, $m/m)**	**na**	na	-30.3	na
Tuesday, 29 July (11:30am)	**NAB quarterly business survey (business confidence, net balance, Q2)**	**na**	na	*-4.0*	The monthly results already have been released, but the quarterly survey releases additional details on the state of the economy.
Wednesday, 30 July (11:30am)	**Aust. building approvals (July, %m/m)**	**4.0**	1.0	-6.5	Building approvals likely rose 4%m/m in June after slumping in May, which will continue the recent volatility in this series. The outlook for the building sector, though, remains negative. Building and material costs in the residential construction sector are elevated, excessive red tape continues to deter new development, and higher interest rates are weighing on home building.
Thursday, 31 July (01:00pm)	**NZ NBNZ business confidence (July, % bal)**	**-36.0**	na	-38.7	Confidence should have improved slightly in July, owing to heightened speculation of further interest rate cuts. That said, firms' activity expectations probably remained weak as corporate profitability continued to suffer amid record high interest rates and tighter credit conditions.
Thursday, 31 July (11:30am)	**Aust. RBA private sector credit aggregates (June, %m/m)**	**0.5**	0.6	0.6	Private sector credit growth probably slowed to 0.5%m/m in June, or 11.9%oya, falling below 12% for the first time since December 2002. Tighter credit conditions are weighing on credit demand, especially among businesses, some of which are postponing investment plans. Housing and personal credit growth also remains subdued owing to the RBA's back to back rate hikes in February and March, and the disproportionate rises in domestic banks' standard variable mortgage rates. Housing, personal and business credit should have grown 0.5%, -0.2% and 0.4%, respectively, in June.
Thursday, 31 July (11:30am)	**Aust. retail trade (June, %m/m)**	**0.2**	0.0	0.7	Retail sales values likely grew just 0.2%m/m in June as consumers still face significant headwinds. Sales in Q2 likely fell 0.1%q/q in real terms. Discretionary spending is likely to be particularly weak, owing to higher interest rates by the commercial banks, surging petrol prices and slumping confidence. Indeed, higher borrowing costs and rising living costs, particularly surging petrol prices, continue to eat away at households' disposable incomes. While the tax cuts delivered from July 1 may provide relief for some, those with a mortgage are no better off. The two rate hikes this year more than offset the positive impact on household incomes of the tax cuts across all income groups.
Thursday, 31 July (11:30am)	**Aust. trade balance (June, A$mn)**	**-750**	-100.0	-965.0	The trade gap should have narrowed to -A$750 mn in June, thanks to the ongoing impact of the rise in iron ore contract prices on export values. Going forward, though, the WA gas crisis should curb exports. An explosion in early June cut off almost 30% of the domestic gas supplied to WA, which generates roughly a third of the nation's exports.

(a) Australian Eastern Standard Time.

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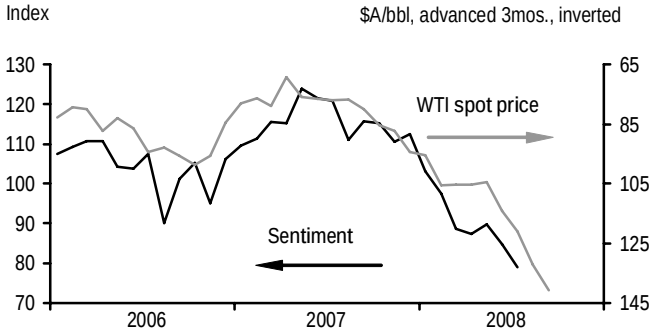
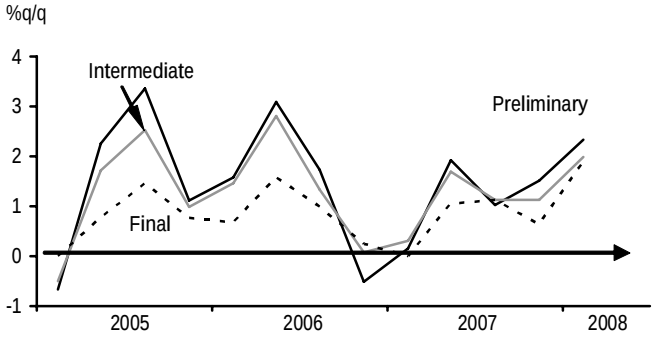
Feature charts

Australia: consumer sentiment and crude oil price



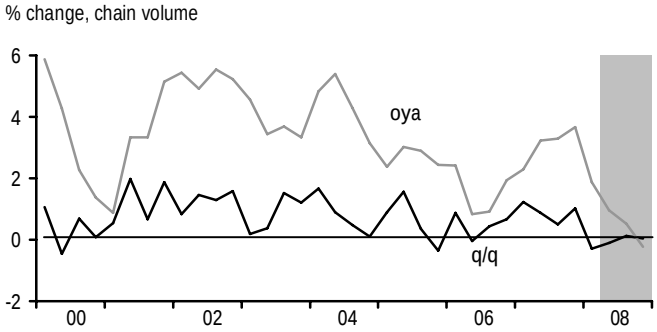
Retail sales data this week probably will show that discretionary spending remains subdued. Consumers are still facing significant headwinds. Falling stock prices, high interest rates, still elevated petrol prices, and the rising cost of living has sent consumer confidence to a 15-year low. For those with a mortgage, the July 1 tax cuts will do little to help households' disposable incomes, which have been more than offset by the two rate hikes this year.

Australia: PPI



Pipeline price pressures continue to build in Australia. While PPI growth at the final stage of production increased only 1.0%q/q in 2Q, at the preliminary and intermediate stages of production, prices surged 3.5% and 2.7%, respectively—both of these readings were the highest on record. Profit margins are being squeezed, with firms less able to pass on rising costs to final prices owing to deteriorating pricing power.

New Zealand: GDP growth



The RBNZ cut interest rates from a record high last week, marking the start of what probably will be an extended easing cycle. Our forecast calls for a another three rate cuts this year, and a further five in 2009, even though inflation will continue to run above the RBNZ's target. The aggressive easing should help kick start the New Zealand economy, which is probably in the midst of a recession.

Economic Research note

RBA to lower cash rate in 1Q 2009 despite elevated CPI

- **The Reserve Bank of Australia raised the cash rate in February and again in March**
- **The assertive monetary tightening triggered an abrupt slowdown in domestic demand growth**
- **High inflation prints, however, will delay the first rate cut until 1Q09**

The Australian Reserve Bank's tightening moves over the past few months have triggered an abrupt downshift in the pace of growth in Australia's domestic economy. The Reserve Bank raised the cash rate 25bp in both February and March of this year as the unexpectedly resilient Australian economy bumped up against capacity constraints and inflation soared above target. These were the 11th and 12th rate hikes, respectively, in this long tightening cycle. In unprecedented moves, Australia's commercial banks topped up the RBA's rate moves with increases in market interest rates independent of movements in the cash rate, in response to higher funding costs. This assertive action by the banks means more than 100bp of tightening now is squeezing its way down the policy pipeline.

As a result, some indicators, like consumer confidence, have plunged to recession-like levels, while demand for home loans has collapsed and nonfood retail spending has sagged. It is very unlikely the RBA will raise the cash rate again in this cycle. This is even though already elevated inflation has yet to peak, and the mining boom and the soaring terms of trade remain significant sources of support for Australia's national income and activity.

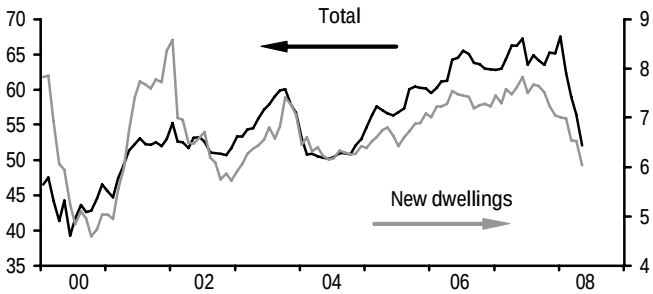
Two-speed economy complicates policy

Australia's two-speed economy and unusually heightened uncertainty over the outlook for growth and inflation mean that policy considerations are more complicated than before. Indeed, the RBA is on hold as officials assess which of the opposing forces at work in the economy—booming exports and commodity prices or sluggish domestic demand—prevails. These "opposing forces" have been recurring themes in recent RBA commentary. Previously, RBA officials expressed anxiety about the inflation outlook and the stimulative impact of the high and rising terms of trade.

Consumer confidence and retail sales

Number of home loans issued for owner occupation

000s, both scales



Only earlier this month did officials soften their rhetoric on inflation, acknowledging that domestic demand has cooled. In particular, the minutes for the July Board meeting show officials for the first time acknowledging the latest softness in demand for labour. This was a key development; previously, officials made repeated references to the resilience of job growth, despite significant weakness in home loan demand, retail spending, and consumer and business confidence. RBA officials assume that an extended period of subtrend growth is needed to bring inflation back to target. It seems officials are going to get what they wished for.

First RBA rate cut in early 2009

Now that the RBA's extended tightening cycle appears over, the market's attention has turned to the likely timing of the first rate cut. Futures market pricing implies that the cash rate will be unchanged until the end of 2008, with a 50% probability of a rate cut by mid-2009. Importantly, RBA Governor Glenn Stevens pointed out in his recent speech that the RBA will not wait for inflation to return to target before embarking on an easing cycle. Officials will, though, want to be confident that inflation has peaked and is on track to return to target in the medium term. The market interpreted the Governor's comments as significantly more dovish than previous commentary, but many of these comments, which the market perceived as dovish, were already on the public record.

We had assumed that with the high degree of uncertainty about the outlook for the economy and inflation, the RBA would leave the cash rate unchanged for an extended period. In a change of forecast, in the wake of the accumulation of evidence showing the abrupt loss of momentum in the domestic economy and new evidence of instability in global financial markets, we now believe that the RBA will cut the cash rate 25bp in early 2009. The first cut is likely to come at the February Board meeting, the first of 2009. This meeting is scheduled for just after the release of the 4Q CPI data, which is likely to reveal that inflation peaked in 3Q, according to our forecasts.

Our RBA forecasting tool, which uses a Taylor Rule probit model framework to assess the probability of policy moves at each Board meeting, shows a 68% chance of a rate cut in February. The model combines three measures of domestic economic activity and prices—capacity utilization, credit growth and the trimmed mean CPI—and two global measures—the GDP-weighted global policy rate and JPMorgan's global manufacturing PMI—to model the likely behaviour of RBA Board members. The model has a high success rate, having correctly predicted 11 of the RBA's 15 policy moves during that period.

High inflation a hurdle for early rate cut

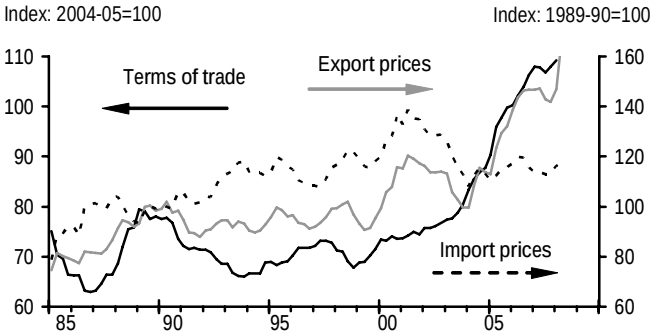
Only a more abrupt downshift in domestic demand could trigger a rate cut before the end of 2008. This still looks unlikely: the government paid another round of generous personal income tax cuts from July 1, soaring commodity prices are a key source of support to national income, and wage rises, while a threat to the inflation outlook, are cushioning the impact of high food and energy prices.

Moreover, a major stumbling block for a cut this year is the dire near-term inflation outlook. Last week's 2Q CPI data showed headline inflation running at 4.5%oya, an acceleration from the 4.2% delivered in 1Q. Inflation, therefore, continues to move further away from the RBA's official 2-3% comfort zone. Price pressures are broad-based too: core inflation, for example, as measured by the trimmed mean, rose 1.2%q/q in 2Q. Our forecast has core inflation peaking at 4.6%oya in 3Q, and the RBA expects core inflation to be above target until 2010.

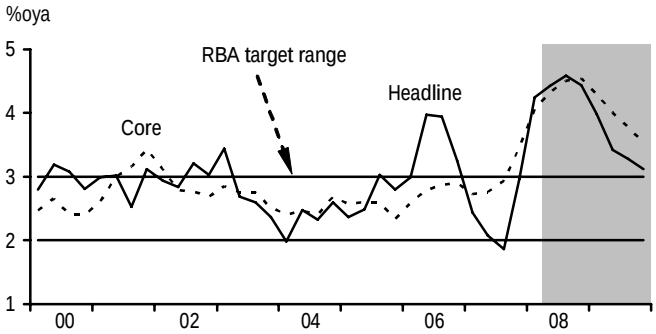
Subtrend growth in Australia in 2009

We recently trimmed our GDP forecast for 2009 to just 2.6%, from 2.9% previously. This is likely to follow similarly subtrend growth of 2.8% in 2008. The downgrade to growth in 2009 reflects the unexpectedly fast downshift in the pace of growth in the domestic economy. In particular, we now forecast growth in

Terms of trade



Inflation: headline and trimmed mean (core)



household spending of just 1.8% in 2009, half the growth rate we expect in 2008. The abrupt slowdown reflects our expectation that job growth will slow sufficiently in coming quarters to push the unemployment rate up above 5%. Most households can weather rising interest rates and high food and energy prices, but not a sustained reversal in the previously buoyant job market. Already, employment in sectors of the economy focused mainly on the domestic economy, like retailing, manufacturing and construction, is falling. The sectors of the economy focused on external markets, however, like mining, forestry, farming and fishing, have more than taken up the slack over the last three months. This, along with rapid labor force growth owing partly to a rise in skilled migration, explains why the jobless rate drifted up from the three-decade low of 4.0% to 4.3% in June.

That said, the mining boom continues and remains a key offset to the weakness in domestic demand. The terms of trade, for example, probably will rise another 30% this year as coal and iron ore prices, in particular, soar. Firms in mining and related sectors continue to invest and hire, although some managers recently have expressed anxiety about the government's planned introduction of an emissions trading scheme (ETS) in 2010. The most anxious believe the ETS is a material threat to investment and jobs.

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Australia

- **RBA to cut interest rates in February 2009**
- **Aussie CPI growth spiked to 4.5%oya in 2Q**
- **Domestic data this week likely to be soft**

Inflationary pressures remained significant in Australia in the June quarter, as indicated by data released last week. Inflation, though, is expected to peak in 3Q, before easing back within the RBA's 2-3% target range in the medium term. Amid such expectations, in a change of forecast, we now expect the RBA to cut interest rates in early 2009. Retail sales and credit data this week should confirm that domestic demand continued to ease in June.

Inflation accelerated in Australia in 2Q

Headline CPI printed slightly higher than expectations at 1.5%q/q in 2Q (JPMorgan 1.4%, consensus 1.3%), following a 1.3% rise in the first quarter. The increase pushed the annual change up from 4.2% to 4.5% (JPMorgan 4.4%, consensus 4.3%), which marked the highest annual outcome since the introduction of the GST.

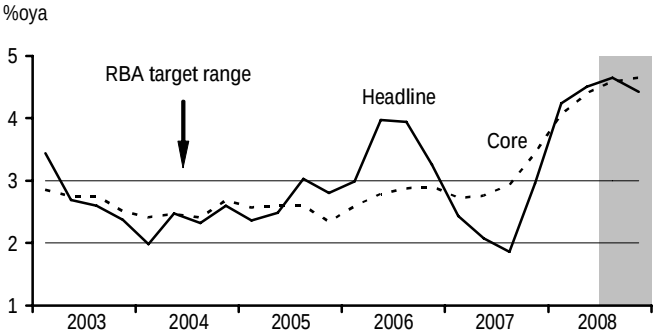
More importantly, though, the trimmed mean and weighted median printed at 1.2%q/q and 1.0%, respectively, in 2Q. The average of the two measures showed that core inflation slowed from 1.3%q/q to 1.1% in 2Q (JPMorgan 1.2%, consensus 1.1%). From a year ago, core inflation rose from 4.2% to 4.4% in 2Q, meaning that both headline and core inflation remained well above the RBA's 2-3% target range.

The main drivers of inflation were broadly as expected. The financial service component—carrying a significant 8% weighting in the CPI—surged 4.0%q/q in the June quarter, as the spread between deposit and lending rates widened further, reflecting the ongoing fallout from the global credit crunch. Within this component, deposit and loan facilities spiked 9.5%q/q. The other main drivers of the CPI were transportation (+3.1%q/q), owing to higher prices for automotive fuel (+8.7%), and increased costs for hospital and medical services (+4.0%), which pushed the health component of the CPI up 2.4%. Surprisingly, food prices fell, albeit it a mild 0.1%q/q.

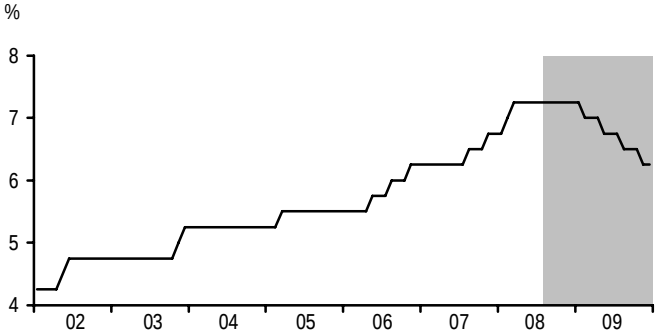
Next RBA move likely to be down

While a breach of the inflation target in the past, especially on the core measure, would have made an RBA rate hike at the next Board meeting a near certainty, we believe that the RBA will probably look through what are likely to be uncomfortably high CPI readings in coming quarters. Our forecast calls for both headline and core inflation to peak in 3Q and remain above target until the end of 2009.

Australia: CPI



Australia: RBA cash target rate



There already is substantial policy tightening in the pipeline—the RBA has hiked interest rates four times since August and this has been topped by additional rises in domestic banks' variable loan rates. This tightening has triggered a sharp downshift in the pace of growth in the domestic economy, which the RBA has acknowledged in recent commentary. A sustained downtrend in domestic demand growth should help curb inflation over the medium term.

The RBA has said that it will not wait until inflation returns to target before easing monetary policy. Given the accumulation of evidence showing an abrupt loss of momentum in the domestic economy, and new evidence of instability in global financial markets, we believe that the RBA will cut interest rates in February 2009.

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Pipeline price pressures were significant

Producer prices at the final stage of production increased only 1.0%q/q in 2Q (JPMorgan 1.5%, consensus 1.6%), after surging 1.9% in 1Q. However, at the preliminary and intermediate stages of production, prices surged 3.5%q/q and 2.7%, respectively—both of these readings were the highest on record. Profit margins are being squeezed, with firms less able to pass on rising costs to final prices.

The rise in producer prices at the final stage of production was mainly due to petroleum refining (+8.2%q/q). At the intermediate and preliminary stages, the large spikes in producer prices stemmed from price increases in oil and gas extraction, which surged 16.3%q/q at both stages.

Import prices fell at the final stage of production (-1.0%q/q), but rose strongly at the intermediate (+4.3%) and preliminary (+7.6%) stages, despite AUD strength. This reflects the sharp rise in prices for imports of producer goods, such as crude oil. Global crude prices were up 38% over 2Q, but AUD appreciated just 5% vis-à-vis the US dollar over the same period.

Credit growth likely remained subdued

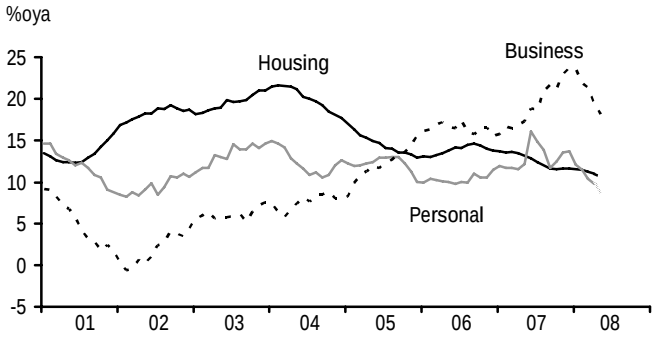
The RBA's private sector credit aggregates probably grew 0.5%m/m in June, compared to 0.6% in May. This would mean that the annual rate of credit growth probably slowed for the sixth straight month to 11.9%, falling below 12% for the first time since December 2002.

Business lending growth is expected to have remained subdued in June given that firms continued to postpone their investment plans amid significantly tighter credit conditions. Future spending intentions remained solid, however. The 1Q capital spending survey showed that firms intended to boost spending 24% in the fiscal year ending June 2009, meaning that the business investment cycle probably has further to run. Housing and personal credit growth may also have moderated in June in the wake of the RBA's back to back rate hikes in February and March, and the disproportionate rises in domestic banks' standard variable mortgage rates.

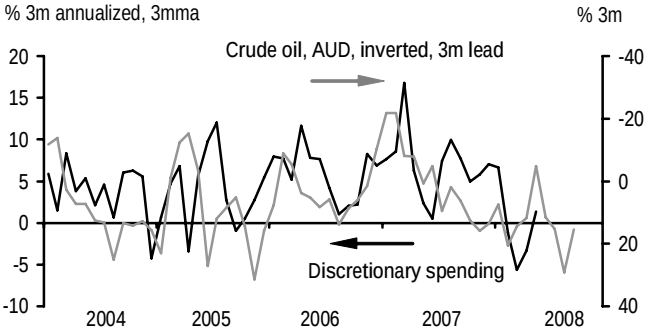
Aussie consumer spending stalled

Retail sales values likely grew 0.2%m/m in June after surging 0.7% in May. The spike in sales in May marked the largest rise in retail sales values since November 2007, but only the second rise in retail sales this year.

Australia: private sector credit aggregates



Australia: crude oil and discretionary spending



Discretionary spending probably was weak. Consumers still face significant headwinds, owing mainly to high interest rates and elevated petrol prices. Rising living costs ate into households' disposable incomes, and while the tax cuts delivered from July 1 may have provided relief for some, those with a mortgage were no better off. The two hikes in the official interest rate this year more than offset the positive impact on household incomes of the recently delivered tax cuts across the entire income spectrum.

Trade deficit should have improved

The trade gap should have narrowed to -A$750 mn in June vs. A$965 mn in May and a small surplus in April. The narrowing will be owing to the ongoing impact of the rise in iron ore contract prices on export values. The ABS last month decided to include the recent rise in iron ore contract prices of 85% on average.

Going forward, though, the gas crisis in Western Australia (WA) may curb exports. An explosion in early June cut off almost 30% of the domestic gas supplied to WA, which generates roughly a third of the nation's exports. The explosion has

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caused a large drop in output from some of WA's major exporters, leading to reduced output from a number of industries, including mining, manufacturing, livestock, and agriculture. According to the Chamber of Commerce and Industry, 14% of WA businesses have been forced to shut down, or are facing imminent closure. The gas shortage probably will continue to curb WA supplies for some time. The gas processing plant is not expected to be running at full capacity until December.

Data releases and forecasts

Week of Jul 28 - Aug 1

Wed Jul 30 11:30am — **Building approvals**
Seasonally adjusted

	Mar	Apr	May	Jun
(%m/m)	-6.5	5.4	-6.5	4.0
(%oya)	0.3	2.8	0.2	-1.2

Building approvals likely rose 4.0%m/m in June after slumping 6.5% in May. The outlook for the building sector remains negative. Building and material costs in the residential construction sector are elevated, excessive red tape continues to deter new development, and higher interest rates are weighing on home building.

Thu Jul 31 11:30am — **Private-sector credit**
Seasonally adjusted

	Mar	Apr	May	Jun
(%m/m)	0.7	0.4	0.6	0.5
(%oya)	15.0	14.1	13.4	11.9

Thu Jul 31 11:30am — **Retail trade**
Seasonally adjusted

	Mar	Apr	May	Jun
(%m/m)	0.3	-0.1	0.7	0.2
(%oya)	5.1	4.8	6.1	4.5

Thu Jul 31 11:30am — **Trade balance**
Seasonally adjusted

	Mar	Apr	May	Jun
Trade balance (A$ mn)	-2385	12	-965	-750
Exports (A$ mn)	19.6	21.6	21.9	21.7
Imports (A$ mn)	22.0	21.5	22.8	22.5

Review of past week's data

Producer price index

Not seasonally adjusted

	4Q07	1Q08	2Q08	
(%q/q)	0.6	1.9	~~1.5~~	*1.0*
(%oya)	2.8	4.8	~~5.2~~	*4.7*

Sales of new motor vehicles

Units, seasonally adjusted

	Apr		May		Jun	
(%m/m)	~~-0.6~~	*-0.3*	~~-1.6~~	*-1.5*	—	*1.0*
(%oya)	~~3.4~~	*3.9*	~~2.6~~	*2.4*	—	*1.4*

Consumer price index

Not seasonally adjusted

	4Q07	1Q08	2Q08	
Headline				
(%q/q)	0.9	1.3	~~1.4~~	*1.5*
(%oya)	3.0	4.2	~~4.4~~	*4.5*
Core (trimmed mean)				
(%q/q)	1.0	1.2	*1.2*	
(%oya)	3.4	4.1	~~4.4~~	*4.3*

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New Zealand

- **RBNZ cut the OCR 25bp, to 8.0%**
- **Another three rate cuts forecast for this year**
- **Business confidence to improve mildly**

In New Zealand, the RBNZ cut the official cash rate (OCR) 25bp last Thursday, a close decision forecast by only four of 13 market economists. We believe that the RBNZ has now embarked on what will be an extended easing cycle and forecast a further three 25bp cuts to the OCR this year. The NBNZ business confidence survey this week should show a slight improvement in confidence in July, owing to heightened speculation of an imminent interest rate cut.

RBNZ cut OCR from record high

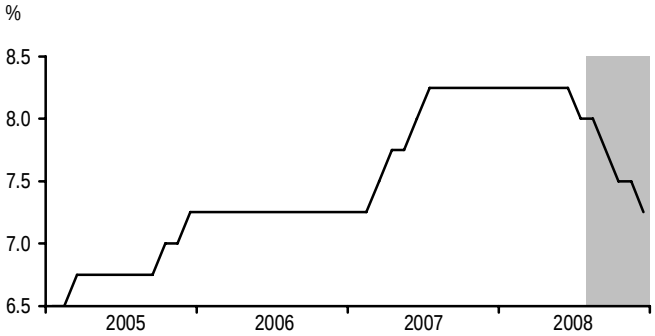
The RBNZ cut the official cash rate (OCR) 25bp to 8% (JPMorgan and consensus 8.25%) in what was a very close decision. Only four of 13 market economists expected a rate cut at last week's meeting.

We had believed that widespread inflation pressure, particularly the elevated level of nontradable inflation, would keep the RBNZ sidelined until September. In particular, we thought that leaving the OCR steady this month would have allowed time to assess whether the weakness in employment reported in 1Q had been sustained, hence, signaling that upside pressure on wages may abate.

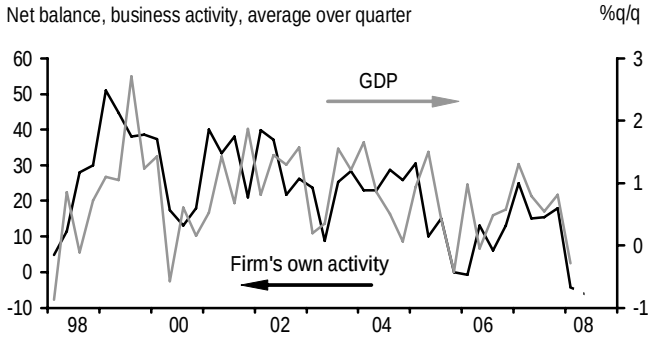
In the statement accompanying the decision to cut the OCR, however, RBNZ Governor Bollard said that "more unpleasant international news" had emerged since the last meeting. Financial conditions had worsened and the cost of funds raised abroad by banks had been rising. The Governor believed that lowering the OCR would mitigate the effect of these increases on borrowing costs paid by firms and households.

The RBNZ now expects inflation to peak at 5.0%oya in 3Q, compared with its previous forecast of 4.7%. In the medium term, the RBNZ expects that inflation will return to the 1-3%oya target range as economic growth slows. Economic activity is forecast to remain weak for the remainder of 2008, owing to the dampening effect on household spending of the rapidly deteriorating housing market and rising oil prices. Monetary policy settings, which have been tight for some time (the OCR has been at a record high since July 2007), are also curbing growth.

New Zealand: RBNZ official cash rate



New Zealand: NBNZ business outlook survey and GDP growth



Governor Bollard said that if the outlook for inflation evolves as expected, the OCR will likely be lowered further. We believe that the RBNZ has now embarked on what will be an extended easing cycle and forecast that the next OCR cut will be delivered in September.

The key risk to the rate outlook is a sharp fall in the NZ dollar. The downside for the currency should be limited, however. NZD should retain some interest-rate derived support because the OCR will remain relatively high even if the RBNZ cuts the OCR at each of the three scheduled meetings remaining this year (September, October, and December), as we currently forecast.

A weaker NZD would, however, help economic growth recover to 1.8% in 2009 from our forecast of 0.8% in 2008. The economy should benefit from increased exports, alongside lower interest rates, personal income tax cuts, increased government spending, and less drag from the housing market. Governor Bollard noted that he expects a recovery in economic activity next year thanks to "high export prices and an expansionary fiscal policy."

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NZ business confidence to improve

The NBNZ business confidence survey should show that confidence improved slightly in July, owing to heightened speculation of an imminent interest rate cut. The headline index should indicate that 36% of respondents expected business conditions to deteriorate over the coming year, down from 38.7% in the previous survey.

Despite the improvement in the headline confidence reading, firms' activity expectations probably remained weak as corporate profitability continued to suffer amid record high interest rates and tighter credit conditions. The economy continues to slow and is probably in the midst of a recession. Monetary easing may help support economic growth in 2H, however, with our forecast calling for the RBNZ to cut the OCR another 75bp this year.

Trade balance remained in deficit

The trade deficit widened less than expected in June to NZ$223 million (JPMorgan -NZ$450 million, consensus - NZ$350 million) from a deficit of NZ$168 million in May. The June deficit marked the fourth straight monthly deficit. In the 12 months to June, the deficit narrowed to NZ$4.5 billion, from NZ$4.8 billion in May.

Exports surged 31%oya in June, marking the largest rise since January 2001, owing to higher oil and dairy exports. Exports of crude oil, the third largest export after dairy and meat, rose NZ$261 million, or 463%oya, reflecting increased production from the Tui oil field (which commenced in July) and the elevated price of crude oil. Meanwhile, exports of milk powder, butter and cheese, which account for a fifth of all exports, surged 58%oya. The anticipated depreciation of the Kiwi dollar should help bolster exports going forward, although drought conditions and a sharper than expected slowdown in global demand remain key downside risks.

On the other side of the trade ledger, imports were up 17%oya, led by imports of petroleum and products, which increased by NZ$342 million, or 73%. Crude oil accounted for almost half of this increase thanks to the surge in global crude prices over the last 12 months. The downturn in domestic demand should mean that imports trend lower going forward, but elevated crude oil prices will keep upside pressure on the headline outcome.

Data releases and forecasts

Week of Jul 28 - Aug 1

Mon Jul 28 10:45am — **Trade balance**
Not seasonally adjusted

	Mar	Apr	May	Jun
Trade balance ($NZ mn)	-44	-296	-196	-450
Exports (NZ$ mn)	3431	3824	3726	3350
Imports (NZ$ mn)	3475	4120	3922	3800

Tue Jul 29 10:45am — **Building consents**
Not seasonally adjusted

	Mar	Apr	May	Jun
(%m/m)	-16.4	51.4	-30.3	__
(%oya)	-30.9	33.2	-28.8	__

Thu Jul 31 3:00pm — **NBNZ business confidence**

	Apr	May	Jun	Jul
% balance of respondents	-54.8	-49.7	-38.7	-36.0

Review of past week's data

Visitor arrivals
Not seasonally adjusted

	Apr		May		Jun	
Total (%m/m)	-11.8		~~9.4~~	*9.1*	__	*-1.4*

Net permanent immigration

	Apr		May		Jun	
Monthly (000s)	-1.3		-1.3		__	*-0.6*
12 month sum (000s)	4.7		4.9		__	*4.7*

Credit card spending
Seasonally adjusted

	Apr		May		Jun	
(%m/m)	~~4.0~~	*3.9*	~~-1.1~~	*-1.2*	__	*-0.7*
(%oya)	8.2		5.9		__	*3.3*

RBNZ cash rate announcement
See main essay.

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Global Essay

- **Slide in Western European growth vs. US highlights lack of policy support**
- **Commodity price retreat opens door for declines in global inflation and reduced household purchasing power squeeze**
- **Despite core inflation pressures, more EM central banks seeing G-3 weakness and prospective headline inflation peak as a reason to pause**
- **This week's data may decide whether Japan is in recession**

A simple twist of fate

The major macroeconomic development of recent weeks is the sharp slide in Western European growth momentum. After a surprisingly firm turn into the year—in which regional GDP averaged an above-trend 2.2% rate of increase in the two quarters to 1Q08—industrial indicators have contracted and business surveys have dived into midyear. Composite PMIs are now pointing to stagnant second-half performance in the Euro area and outright contraction in the United Kingdom, a development incorporated in recent forecast revisions.

In tracking the global business cycle, we look at the slide in European momentum largely through a regional lens. In contrast to the United States and Asia, Europe is experiencing the full force of the headwinds to growth—from rising oil prices, tightening credit, and falling housing activity—absent policy cushions. In contrast to the US, where aggressive Fed action has limited the rise in interest rates, European monetary policy has tightened modestly and private sector borrowing rates have moved significantly higher. There were also no rebate checks or government subsidies available to cushion the blow to European household purchasing power as energy prices spiked higher. And with the trade-weighted euro having moved roughly 10% higher over the past eighteen months, European producers have suffered a significant loss of competitiveness relative to their counterparts in the US and Asia.

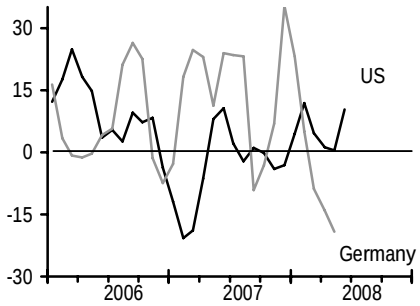
Our projections anticipated a midyear rotation in global growth whereby the US economy fared a little better while Western European activity downshifted. The magnitude of both sides of this rotation has been a surprise. While this week's US 2Q08 GDP release is anticipated to post a 2.4% gain (q/q, saar), the Euro area economy is estimated to have contracted last quarter. Stepping back, it is remarkable to observe that US GDP growth over 2007-08 is now tracking well above our expectations for the Euro area over this period.

A key question for the outlook is how this surprising development influences business plans. In the US, firms have used favorable final demand developments during 1H08 to slash inventories and cut labor costs. Pressure on nonfinancial profit margins has been mild; as a result, spending and hiring adjustments are less likely to intensify in coming months. In Europe, there is no evidence of a large inventory overhang at present. But, corporate margins are under pressure as wage inflation is moving modestly higher amid still positive employment gains. With corporate adjustments just beginning, it looks likely that the region will experience a weak patch that will extend beyond the second half of this year.

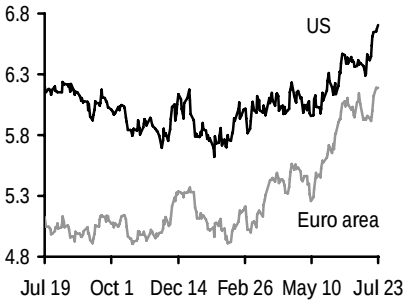
Japan on recession watch

While the spotlight recently has been on the downshift in Western European growth, the Japanese economy is displaying comparable weakness. Last week's reports showed that export volume—previously one of the bright spots in the economy—contracted at a double-digit pace in 2Q. The export

US and German capital goods orders
%3m/3m



Investment grade corporate borrowing rates
% p.a., all maturities



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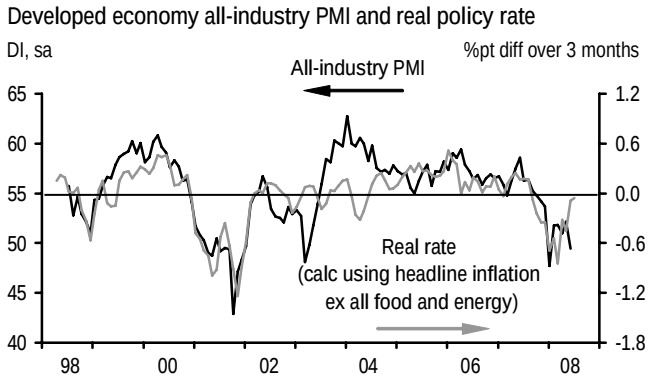

slide reinforced weakness in other key sectors, notably consumer spending and business equipment expenditures, to produce an expected downturn in GDP last quarter. This week's releases will help firm up our 2Q GDP estimate (-1.5%q/q, saar, released on August 13), while also giving some indication about momentum heading into the current quarter. The June IP report and the July Shoko Chukin survey are especially important. A further slide in manufacturers' production plans (in the IP report) and in the small business survey would reinforce concerns that the economy has tipped into recession.

Oil's slide opens door for fall in inflation

The weaker global growth backdrop is damping the demand for oil. This should put downward pressure on oil prices, barring an interruption in supply or a spike in geopolitical risk. The recent fall in oil prices is consistent with this development. The prices of key agricultural goods similarly have fallen about 15% over the course of this month. The sharp acceleration in energy and agricultural commodity prices was the main reason for the surge in global inflation this past year. If these key commodity prices remain near current levels, global inflation should peak in the current quarter.

The implied fall in sequential inflation into year end would reduce or possibly eliminate (if commodity prices fall further) the persistent, heavy drag on household purchasing power. Although consumers worldwide would benefit from lower oil prices, the relief would be concentrated in the developed economies, where retail energy prices are set by the market, as opposed to in the EM, where many governments control prices or else cushion price movements to consumers via subsidies. By contrast, the benefits of lower agricultural prices are felt most in the emerging world, where food is a much larger share of households' budgets.

The prospective reduction in headline inflation will also bring relief to central banks. Recent communications show that policymakers at the Fed and the Bank of England debated the merits of policy tightening at their latest meetings, while the ECB raised rates this month. A decline in the inflation rate would ease officials' inflation concerns and give them more room to maneuver should growth fall short of expectations. Indeed, our BoE forecast was changed this week to incorporate policy easing in 1H09. Likewise, a fall in headline inflation will encourage policymakers in the emerging world, who have been cautiously tightening, to go on hold. A shift in this direction already is evident in the CEEMEA block.

EM Asian officials shifting focus to growth

With prospects rising that headline inflation is near a peak in EM Asia, growth concerns are creeping back into view. In most cases, there has been very little tightening in the region this year anyway. On Friday, Bank Negara Malaysia unexpectedly left the OPR unchanged despite a surge in inflation to 7.7%oya, saying "the immediate concern is to avoid a fundamental economic slowdown." Indeed, the weakness of G-3 demand is taking its toll on most of the region's export-oriented economies. In Taiwan, export orders and IP already are growing at a subdued pace. Taiwan's important tech sector looks particularly vulnerable, with a bulge in inventories pointing to a likely contraction of IP in 3Q. In Korea, 2Q GDP rose at a below-trend 3.4%q/q annual rate with just a 1.3% advance in final domestic demand. More so than in Taiwan, Korea's tech inventory has surged, lifting its inventory to sales ratio and pointing to a correction in output. This week we trimmed 2H GDP growth forecasts for Taiwan and Korea to 4% and 3.5% annualized.

A prominent exception to this shift of focus is India. WPI inflation is at a 13-year high of 11.9%oya and is set to top 13%, on the back of upcoming increases in administered prices and a disappointing monsoon that may lift food prices. Having survived a no-confidence vote this week, the government's attention can now turn back to reining in inflation before upcoming state assembly votes and the general elections, which have to be called before May 2009. The immediate event to focus on is Tuesday's RBI quarterly review. We look for another 50bp hike in the repo rate, following 75bp of tightening in the past month, and a 25bp increase in the CRR.

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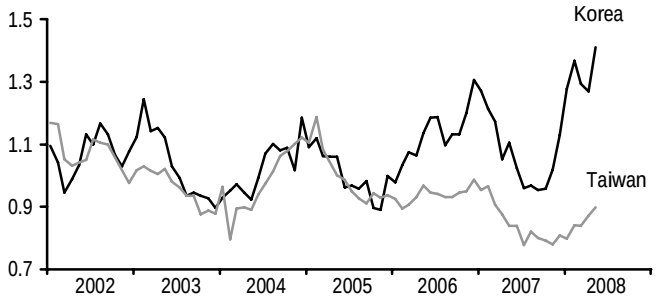
Domestic issues still driving Latin policy

A substantial further decline in commodity prices would draw attention from Latin policymakers, since the region is a major exporter of raw materials. For the time being, however, policymakers are focused on domestic considerations. In Brazil, the central bank stepped up its pace of monetary tightening to 75bp this week in a demonstration of its commitment to low inflation. Officials are frontloading their actions to contain inflation expectations amid key wage negotiations. Brazil's policy rate, which currently stands at 13%, is now expected to rise to 15% by December.

In Argentina, the recent Senate rejection of the agricultural export tax bill has begun to take its toll on the executive branch, with the resignation of the Chief of Cabinet this past week. In the near term, the decision will calm social protests and pave the way for a normalization of activity in the rural sector that will boost economic activity, US dollar inflows from exports, and tax collection. But the measure also constrains a government that has been inclined to spend the taxes collected associated with the commodity price windfall of recent years. Argentina's primary fiscal surplus is forecast to shrink to 2.0% of GDP in 2009 from the (downwardly revised) forecast of 3.2% for 2008.

High-tech manufacturing inventory to sales ratio

2005=100, sa



Reasons for optimism on Turkey

Recent political and inflation developments have made us more optimistic about the situation in Turkey. The Constitutional Court is starting deliberation on the AKP closure case on Monday. We now anticipate a market-friendly outcome that either keeps the AKP intact or disbands the party but lets it run as an independent in a general election, in which case there would likely be another Erdogan government within 3-5 months. As political sentiment improves, so does the inflation outlook. While a strong lira and weakening domestic demand have already started helping, the big fall in agricultural and energy prices will also support the disinflation process in coming months. We still expect one last 50bp hike from the CBRT in August. However, if this positive picture continues and July inflation turns out below consensus, a 25bp hike or even a halt could be in the cards.

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JPMorgan View - Global Markets

The JPMorgan view: markets

Europe's economy in jeopardy

- Last week was volatile, with markets being tugged back and forth by opposing economic signals. US news was mixed, while European activity data are scary, and depressing Europe's currencies.
- Economic risks in developed markets remain a negative for equities and credit over the next 1-2 months and a support for bonds. Our economists are warning us that there is downside and nonlinear risk around our current forecasts, consensus forecasts exhibit clear downside momentum, and economic activity releases continue to show an excess of downside surprises.
- We thus stay long in major bond markets on the downside of economic risks, and in local emerging markets on falling oil and headline inflation. Stocks are getting support from US earnings that are coming in better than expected outside of cars and banks and from the record number of underweight positions. This will likely nudge major indices up in coming weeks, just as happened in the January and April reporting seasons, but the rally will then probably peter out from mid-August on, as attention focuses again on economic risks.
- We remain negative on global credit (short in HY and in European HG, overweight in US HG). There is good medium-term value in high grade for the buy-and-hold investor, as spreads are near all-time wides. In Europe, we are wary, though, because there is little short-base support (unlike for equities), and the economic news is outright bad. In high yield, we are negative as we anticipate a dramatic rise in defaults over the coming year.

Fixed income

- Bond markets are in a noisy range. Ytd, they have underperformed cash on rising inflation fears, despite the worsening economic picture. We are currently long duration, but highly selective as the medium-term forces of value, supply, and inflation are negatives for bonds.
- We are most positive on the short ends of curves in Europe. In the UK, we now see three rate cuts next year, where none are priced in, as the economy is threatening to fall into a bad recession. In the Euro area, we are fifty-fifty on no cuts versus a lot of rate cuts as the so far hawkish attitude of the ECB can change swiftly if the economy follows the dramatic tone of recent data. We go outright long in the 4-year sector.
- In the US, we are currently long in 2s, given our perception of downside risks on the economy. In Japan, we largely play for carry. And in EM local markets, which are rallying strongly on the fall in oil prices, and thus reduced risk of monetary policy tightening, we are long in Poland, Hungary, and Mexico.
- Within rate markets, we retain a medium-term bullish view on spreads, especially on 2-year swap spreads, and stay overweight inflation-linked products in the US and Japan, both largely on value.

Equities

- Last week's rally stalled in the face of renewed worries about US financials and just plain weak economic data. Eq-

10-yr government bond yields

	Current	Sep 08	Dec 08	Mar 09	Jun 09
United States	4.09	3.85	4.05	4.30	4.30
Euro area	4.62	4.55	4.50	4.45	4.45
United Kingdom	4.99	5.00	4.80	4.70	4.60
Japan	1.58	1.50	1.60	1.60	1.85

Equities

	Current	YTD return (local currency)
S&P	1254	-13.7%
Topix	1298	-8.8%
FTSE 100	5353	-14.9%
MSCI Eurozone	185	-21.5%
MSCI Europe	1220	-18.6%

Credit markets

	Current	Dec 08
US high grade (bp over UST)	270	230
US high grade (bp over swaps)	181	175
Euro HG corp (bp over swaps)	91	65
USD high yield (bp vs. UST)	746	800
EMBIG (bp vs. UST)	295	250

Foreign exchange

	Current	Sep 08	Dec 08	Mar 09	Jun 09
EUR/USD	1.57	1.55	1.50	1.45	1.42
USD/JPY	108	108	110	112	115
GBP/USD	1.99	1.94	1.85	1.81	1.80

Commodities

		Quarterly average	
	Current	Sep 08	Dec 08
Gold ($/oz)	928	915	900
Copper($/m ton)	8127	8800	8000
Corn ($/Bu)	5.96	6.15	6.30

Source: JPMorgan, Bloomberg, Datastream.

uities are still 3-4% higher than the lows of July 15. Technically, there is further upside for coming weeks, as investors are still underweight and earnings are coming broadly in line with expectations. This week, we saw inflows in EM, Japanese, and Developed Europe equity mutual funds, but a $10bn outflow in the US.

- On this short-term basis, the S&P500 could easily break 1300, but as we go further into August, furtherupside will be challenged again by weak economic data across most of the major economies. A 1200-1300 range for the S&P500 is consistent with a stagnant growth pace.

- We continue to see more downside in European equities vs the US as European economies lack the monetary, fiscal, and currency supports that cushion the US economy. In addition, European companies have been slower in cutting costs, partly owing to more rigid labor markets, and are thus more susceptible to a profit margin squeeze.

- Value stocks rebounded vs growth helped by the rally in financials. The momentum in this spread has been interrupted. But we view this interruption as technical and temporary, similar to the episodes in early January and mid-March. Cyclical stocks rebounded, also helped by lower oil prices. With global activity indicators downshifting, we expect cyclical sectors to come under renewed pressure in coming months.

- EM equities as a block continue to track the performance of developed markets. We are neutral in EM vs developed markets overall, but lower oil prices currently favor oil importers vs exporters. Indeed, the momentum in EM equity funds flows favours our overweight of Asia relative to Brazil.

Credit

- HG spreads remain close to their recent highs but HY tightened 40bp last week. CDS spreads were tighter by around 10bp in HG and 20bp in HY, on modest short covering. Issuance activity remains subdued in both HG and HY.

- As with equities, we see range-trading in credit spreads and favor US over European credit and underweight cyclical sectors. Any equity-driven rebound from here should be modest as credit lacks the short base of equity investors. We continue to underweight HY vs HG credit and underweight CCCs within HY. The CDS-bond basis has turned even more negative in HG but narrowed significantly in HY. We no longer find the CDS-bond basis narrowing trade compelling in HY and recommend taking profit.

- We introduce a new publication, "Global Tranche Trader" to express our views across global credit correlation products. Correlation markets are yet to price the high dispersion and increased idiosyncratic risk of single names, especially in US HG. We are thus biased toward lower correlation in coming months but given uncertain timing, we currently prefer to position through relative value trades; i.e., short correlation in US HG vs HY and Russia.

Foreign exchange

- After three months of a relentless rise in oil prices and central bank focus on inflation, one central bank—the RBNZ—broke ranks and met stagflation with an ease. NZD/USD predictably slid, dragging down AUD/USD in sympathy, on the assumption the RBA will soon follow. In our view, this policy shift should start and stop with kiwi, at least for the next three months. While a growth rotation is under way from the US, which is skirting recession, to the rest of the G-10, which is flirting with it, policy responses among these countries are still too diverse to generalize about the dollar trend.

- We stick with the view that growth rotation reinforces the dollar's bottoming-out process but that positioning for a broad, sustained dollar rally will require Fed tightening, an event that won't be reflected in the money market until later this year. Our core strategy still centers on buying currencies where central banks prioritize inflation containment (Norway, Latin America) and selling currencies where central banks subordinate it (NZD, JPY). The risks on other pairs like EUR/USD are too balanced—a hawkish ECB vs Fed, but a weakening Euro area economy relative to the US—to justify anything other than intra-week position-taking.

- We also go short EUR/GBP. The UK and Euro data are both cratering and both central banks are sidelined for the rest of this year. What distinguishes the euro and sterling is the risk balance. The uptrend in EUR/GBP over the past six months reflected the risk of an independent implosion of the UK economy. The UK economy is certainly buckling under the post-credit crisis strain but so too is the Euro area's, a story that is much more recent and therefore not yet reflected in positions. IMMs are flat in GBP but still small long in EUR. Currencies are about relative, not absolute economic performance, and on this basis the worse Europe looks, the better sterling appears.

Commodities

- Overall a strong sense of investor deleveraging in commodities was evident. Given that some of this move was likely in anticipation of legislation against index investing, legislation that looks unlikely to be as punitive as feared, markets should start to stabilize. Some base metals are close to fair value (nickel, lead, and zinc). We are neutral on gold, where investor flight from ETFs looks minimal.

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Markets - Australia and New Zealand

- **RBA and RBNZ to look through elevated inflation**
- **RBA to start cutting interest rates in early 2009**
- **RBNZ to cut OCR another 75bp before year-end**

Australia

Data last week confirmed that inflation pressures remained significant in 2Q, with headline and core inflation running well above the RBA's 2-3% target range. But, amid building evidence showing an abrupt loss of momentum in the domestic economy, in a change of forecast, we now believe the RBA will cut interest rates in February 2009. RBA officials have said they will not wait until inflation returns to target before easing monetary policy.

Headline and core CPI printed at 4.5% and 4.2%, respectively, in 2Q. While a breach of the inflation target in the past, especially on the core measure, would have made an RBA rate hike at the next Board meeting a near certainty, we believe the RBA will look through what are likely to be uncomfortably high CPI readings in coming quarters, given that there already is substantial policy tightening in the pipeline. The RBA has hiked interest rates four times since August and this has been topped by additional rises in domestic banks' variable loan rates. This tightening has led to a sharp downshift in the pace of growth in the domestic economy, which will likely be confirmed by domestic data next week—including credit and retail sales. Consumers continue to face significant headwinds. Rising living costs are eating into households' disposable incomes, and while the tax cuts delivered from July 1 may have provided relief for some, those with a mortgage will be no better off, no matter which income bracket they fall in.

AUD looked at $0.98 early last week, before trending south to close the week below $0.96, amid growing speculation that the next move in interest rates would be down. The 3s 10s curve continued the steepening trend of recent weeks. Having started the week at -10.5, the curve moved steadily to -6 by week's end.

New Zealand

The highlight in New Zealand last week was the RBNZ's policy decision on Thursday. The RBNZ delivered a 25bp rate cut, against our and the consensus expectation for no change. Governor Bollard said that, if the outlook for inflation evolves as expected, the OCR will likely be lowered further. We believe that the RBNZ has now embarked on what will be an extended easing cycle and forecast that the next OCR cut will be delivered in September. Thereafter, we expect the RBNZ to cut rates in October and December. There is no monetary policy meeting scheduled in November.

We acknowledged prior to the OCR decision that a July move carried significant risk, but our forecast called for the RBNZ to delay a rate cut until September. Leaving the OCR unchanged last week, in our view, would have allowed time to assess whether the weakness in employment in 1Q has been sustained in 2Q; the 2Q employment report is due on Aug. 7.

In the statement accompanying the decision to cut the OCR, however, RBNZ Governor Bollard highlighted that financial conditions had recently worsened and the cost of funds raised abroad by banks had been rising. The Governor said that lowering the OCR would mitigate the effect of these increases on borrowing costs paid by firms and households. At the same time, though, inflationary pressures remain at large, and will remain at large in coming quarters. The RBNZ expects inflation to peak at 5%oya in 3Q, although return to the 1-3% target range in the medium term as economic growth slows. Economic activity is forecast to remain weak for the remainder of 2008, owing to the dampening effect on household spending of the deteriorating housing market and rising oil prices.

The NZ dollar fell nearly one cent against the US shortly after the OCR announcement. NZD, which started the week at $0.76 finished near $0.74, posting similar losses to its Australia counterpart. The yield on 90-day bank bills shed around 15bp to close the week near 8.29% amid growing expectations that the RBNZ would cut the OCR at least once more in coming months.

Trade recommendations

- Establish long Kiwi 1yr 1yr position at 7% amid expectations that the RBNZ will lower the OCR to 6% by the end of 2009. Target 6.5%. Stop loss 7.15%.
- Buy Aussie Dec. '08 bank bills at 92.81. Target 93.00. Stop loss 92.75. Market pricing suggests only 5bp of RBA easing by the end of 2008, but forthcoming domestic data will likely raise the likelihood of an RBA rate this year.

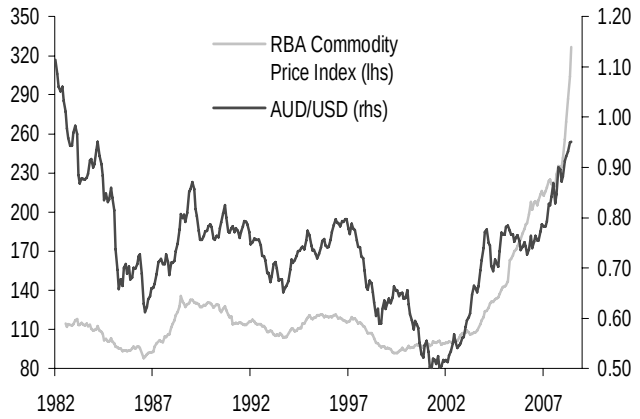
AUD and NZD Commentary

- **We remain long AUD versus JPY and USD as the Australian growth outlook remains brighter than elsewhere and terms of trade provide support**
- **Technicals: NZD to maintain the underperformance bias following the RBNZ breakdown**
- AUD sentiment has deteriorated over the past week following negative news from the Australian banking sector, softer core CPI, and pressure on commodities. The policy backdrop has also become less overtly bullish for AUD. Though inflation is likely to remain above the RBA 2%-3% target range until the end of 2009, the growth backdrop has become less certain. Indeed, our economists have now penciled in a rate cut for February 2009 with the assumption that domestic demand will continue to weaken and depress inflation.
- We are currently running long AUD positions versus JPY and USD but acknowledge the medium-term risks to the currency from the softer outlook for interest rates. However, while demand is softening, Australian growth is still likely to be relatively strong among the G-10 countries this year. Furthermore, with Asian and, more specifically, Chinese growth expected to remain firm this year, Australian commodity exports should remain buoyant and continue to provide a significant terms-of-trade boost to the currency.
- This week's data on building approvals, private sector credit growth, and retail sales should help to shape expectations on the interest rate outlook. However, on the whole, we doubt whether the market will be in any rush to increase its bets on RBA easing. Against this backdrop, and given the resilience of AUD to the recent bout of equity market volatility, we remain comfortable in holding AUD longs.

Technical analysis

- The underperformance in NZD accelerated last week following the RBNZ announcement. With regards to NZD/USD, the impulsive decline is now testing critical interim support against the January and October lows between 0.7385 and .7365. Whilst, the near term setup can allow for some consolidation, the bearish setup from this week suggests these levels are primed for a bearish break. Downside targets enter at .7265/40 with interim risk to the .7150 area. Note that the .7500/.7585 levels will now provide key resistance on near term retracements. Moreover, we see additional underperformance on the crosses with AUD/NZD and EUR/NZD expected to extend their recent trends.

Terms of trade boost continues to suggest further AUD upside



- For AUD/USD, the action has turned mixed for the short term view, but the interim bias continues to point higher. Our focus is on the 0.9500 support area, which includes the important uptrendline from the August '07 low. Breaks here would imply a deeper short term correction into the .9400 area and delay the expected test of the key 0.9950/1.00 targets.

NZD/USD - Vulnerable to further weakness

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Global Economic Outlook Summary

	Real GDP			Real GDP							Consumer prices			
	% over a year ago			% over previous period, saar							% over a year ago			
	2007	2008	2009	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	1Q08	2Q08	4Q08	2Q09
The Americas														
United States	2.2	1.8	2.1	1.0	2.2	1.0	1.0	2.0	3.0	3.0	4.2	4.3	4.8	3.2
Canada	2.7	1.1	2.4	-0.3	0.8	1.5	2.3	2.5	2.8	3.0	1.8	1.9	2.4	1.7
Latin America	5.3	4.0	3.8	1.6 ↑	3.4 ↓	3.5 ↑	4.2	3.5	4.1	3.4	6.3	7.4	7.5	6.6
Argentina	8.7	6.5	3.0	2.6	6.1 ↓	6.1 ↑	6.1	2.0 ↓	1.6	0.0	8.5	9.1	9.1	8.9
Brazil	5.4	4.4	3.8	2.9	3.0	4.0	4.0	3.8	3.5	3.4	4.6	5.6	6.6	6.6
Chile	5.1	3.5	3.5	5.8	5.0	1.0	5.0	4.0	4.0	1.0	8.0	8.9	7.5	5.3
Colombia	8.2	4.6	3.7	-3.7	10.1	4.2	6.0	1.3	2.1	2.9	6.1	6.4	6.9	4.5
Ecuador	2.0	2.5	2.5	2.0	1.5	1.0	1.0	2.5	3.5	4.0	5.3	9.1	9.8	5.3
Mexico	3.2 ↓	2.6	4.0	2.1 ↑	1.0	2.0	3.0	4.9	4.9	4.1	3.9	4.9 ↓	4.5	3.0
Peru	9.0	8.5	6.0	7.5	11.2	3.0	2.3	2.6	13.5	9.0	4.8	5.5	4.8	3.5
Venezuela	8.4	3.5	3.5	-12.5	4.5	7.5	10.0	-2.5	2.5	3.5	26.2	29.3	30.0	30.5
Asia/Pacific														
Japan	2.0	1.3	1.2	4.0	-1.5	0.5	0.8	1.2	1.8	2.3	1.0	1.4	2.3	1.6
Australia	4.3	2.8	2.6	2.5	1.3	2.6	3.2	3.2	2.0	2.4	4.2	4.3	4.5	3.6
New Zealand	3.1	0.8	1.8	-1.1	-0.2	-0.1	0.3	2.2	3.6	2.5	3.4	3.3	3.9	4.0
Asia ex. Japan	8.8	7.3	7.5	8.0	6.1 ↑	6.6 ↓	6.8 ↓	6.9	7.7 ↑	8.3	6.3	7.1	6.5	4.8 ↑
China	11.9	10.2	9.8	10.7	10.4	9.5	10.2	9.1	9.5	10.4	8.0	7.8	5.7	4.9
Hong Kong	6.4	4.8	5.0	7.3	-1.0	3.5	3.0	5.5	8.0	7.0	4.6	5.4	3.1	2.4
India	9.0	7.0	8.0	8.8	6.4	6.0	5.6	5.9	8.0	9.9	6.3	8.3	8.9	5.8
Indonesia	6.3	5.7	5.2	5.9	4.0	5.5	5.5	5.0	5.0	5.0	7.6	10.1	14.2	8.3
Korea	5.0	4.4	4.8 ↓	3.3	3.4 ↑	3.0 ↓	4.0 ↓	5.0	6.0 ↑	5.5	3.8	4.8	5.0	3.4
Malaysia	6.3	5.2	5.5	6.4	2.4	2.0	2.4	7.4	7.4	7.4	2.6	4.9 ↑	8.9 ↑	6.8 ↑
Philippines	7.2	4.0	4.4	4.3	2.0	3.5	3.5	3.5	3.5	4.0	5.5	9.7	8.0	4.3
Singapore	7.7	4.1 ↓	5.7	14.6	-7.4 ↓	10.8	4.9	6.1	6.1	6.6	6.6	7.5 ↑	5.3 ↑	2.3 ↑
Taiwan	5.7	4.1 ↓	4.6 ↓	3.0	1.8 ↑	4.0 ↓	3.8 ↓	4.8	5.2 ↑	5.5	3.6	4.2 ↑	2.1	2.8
Thailand	4.8	4.5	4.8	5.6	1.5	2.0	2.0	4.0	4.0	5.0	5.0	7.5	11.3	6.5
Africa														
South Africa	5.1	3.1	3.2	2.1	1.9	2.3	1.6	3.4	3.8	4.6	9.9	11.6	13.9	8.5
Europe														
Euro area	2.7	1.3	0.9	2.9	-0.8	0.0	0.5	1.0	1.5	1.5	3.4	3.6	4.1	3.0
Germany	2.6	1.7	1.4	6.3	-3.0	1.0	1.2	1.8	2.0	2.0	3.1	3.1	3.0	2.0
France	2.1	1.3	1.2	1.8	0.5	0.0	0.5	1.5	1.8	1.8	3.3	3.6	3.2	2.3
Italy	1.4	0.2	0.7	1.9	-0.5	0.0	0.0	1.0	1.2	1.4	3.3	3.8	3.8	2.8
Norway	6.3	3.2	1.9	0.8	3.0	1.5	1.5	1.7	2.0	2.2	3.5	3.2	4.2	4.2
Sweden	2.9	1.7	1.5	1.6	1.0	1.0	1.2	1.5	1.5	2.0	3.2	3.9	4.4	3.3
Switzerland	3.1	2.0	1.1	1.3	1.0	0.5	0.5	1.0	1.5	1.8	2.5	2.7	2.8	1.8
United Kingdom	3.1	1.2	0.8	1.1	0.8 ↑	-1.0	0.0	0.5	2.0	2.0	2.4	3.4 ↑	4.9 ↑	3.4 ↑
Emerging Europe	6.5	5.9	5.5	2.8	7.3	3.4	10.4	1.8	7.0	3.5	9.1	10.3	9.3	7.8
Bulgaria	6.2	5.2	5.5	…	…	…	…	…	…	…	…	…	…	…
Czech Republic	6.6	4.8	3.5	3.6	4.5	5.0	4.5	2.5	2.0	3.0	7.4	6.9	5.9	2.8
Hungary	1.3	2.0	2.8	1.2	3.0	2.8	2.9	2.8	2.8	3.0	6.9	6.9	6.1	4.5
Poland	6.6	5.4	4.8	5.7	4.5	2.5	5.2	5.2	5.0	5.0	4.1	4.3	4.2	3.7
Slovak Republic	10.4	7.5	5.5	-3.1	7.5	10.5	12.0	-5.0	6.0	8.5	4.0	4.5	4.3	3.2
Romania	6.0	7.0	4.0	…	…	…	…	…	…	…	8.0	8.7	6.4	5.8
Russia	8.1	7.8	7.0	0.9	10.5	3.0	16.0	0.0	10.0	2.5	12.9	14.8	13.2	11.4
Turkey	4.5	3.8	5.2	…	…	…	…	…	…	…	8.8	10.5	10.3	8.6
Global	3.5	2.5	2.5	2.7	1.6	1.5	2.0 ↓	2.2 ↓	3.1	3.1	4.0	4.4	4.8	3.5
Developed markets	2.5	1.5	1.5	2.0	0.6 ↑	0.5	0.8	1.5	2.2	2.3	3.2	3.5 ↑	4.1	2.9
Emerging markets	7.5	6.1 ↓	6.1 ↓	5.4	5.6 ↑	5.1 ↓	6.6 ↓	5.1	6.6 ↑	6.2	6.9	7.8	7.4	5.8

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Global Central Bank Watch

	Official interest rate	Current	Change from Aug 07 (bp)	Last change	Next meeting	Forecast next change	Sep 08	Dec 08	Mar 09	Jun 09	Dec 09
Global	GDP-weighted average	3.79	-92				3.84	3.87	3.96	4.13	4.50
excluding US	GDP-weighted average	4.64	17				4.71	4.76	4.77	4.78	4.85
Developed	GDP-weighted average	2.85	-129				2.85	2.85	2.93	3.13	3.58
Emerging	GDP-weighted average	7.61	56				7.83	8.02	8.15	8.19	8.22
Latin America	GDP-weighted average	9.91	110				10.36	10.85	10.84	10.80	10.72
CEEMEA	GDP-weighted average	6.31	122				6.50	6.62	6.71	6.52	6.26
EM Asia	GDP-weighted average	6.57	24				6.69	6.81	7.01	7.19	7.44
The Americas	GDP-weighted average	2.94	-266				2.98	3.04	3.24	3.65	4.52
United States	Federal funds rate	2.00	-325	30 Apr 08 (-25bp)	5 Aug 08	17 Mar 09 (+25bp)	2.00	2.00	2.25	2.75	3.75
Canada	Overnight funding rate	3.00	-150	22 Apr 08 (-50bp)	3 Sep 08	Jul 09 (+25bp)	3.00	3.00	3.00	3.00	3.75
Brazil	SELIC overnight rate	13.00	150	**23 Jul 08 (+75bp)**	10 Sep 08	**10 Sep 08 (+75bp)**	13.75	15.00	15.00	15.00	15.00
Mexico	Repo rate	8.00	75	18 Jul 08 (+25bp)	15 Aug 08	15 Aug 08 (+25bp)	8.25	8.25	8.25	8.25	8.25
Chile	Discount rate	7.25	175	10 Jul 08 (+50bp)	14 Aug 08	14 Aug 08 (+25bp)	7.75	7.75	7.75	7.25	6.25
Colombia	Repo rate	9.75	50	22 Feb 08 (+25bp)	15 Aug 08	19 Sep 08 (+25bp)	10.00	10.00	9.75	9.75	9.50
Peru	Reference rate	6.00	125	10 Jul 08 (+25bp)	8 Aug 08	4Q 08 (+25bp)	6.00	6.25	6.25	6.00	5.75
Europe/Africa	GDP-weighted average	4.80	20				4.84	4.85	4.82	4.71	4.66
Euro area	Refi rate	4.25	25	3 Jul 08 (+25bp)	7 Aug 08	on hold	4.25	4.25	4.25	4.25	4.25
United Kingdom	Repo rate	5.00	-75	10 Apr 08 (-25bp)	7 Aug 08	**Feb 09 (-25bp)**	5.00	5.00	4.75	4.25	4.25
Sweden	Repo rate	4.50	100	3 Jul 08 (+25bp)	4 Sep 08	4 Sep 08 (+25bp)	4.75	4.75	4.75	4.75	4.75
Norway	Deposit rate	5.75	100	25 Jun 08 (+25bp)	13 Aug 08	on hold	5.75	5.75	5.75	5.75	5.75
Czech Republic	2-week repo rate	3.75	50	7 Feb 08 (+25bp)	7 Aug 08	**25 Sep 08 (-25bp)**	3.50	3.50	3.25	3.00	3.00
Hungary	2-week deposit rate	8.50	75	26 May 08 (+25bp)	25 Aug 08	25 Aug 08 (+25bp)	8.75	8.75	8.75	8.50	8.00
Poland	7-day intervention rate	6.00	125	25 Jun 08 (+25bp)	30 Jul 08	24 Sep 08 (+25bp)	6.25	6.25	6.25	6.00	5.50
Romania	Base rate	10.00	300	26 Jun 08 (+25bp)	31 Jul 08	31 Jul 08 (+25bp)	10.75	11.00	11.00	10.50	9.50
Russia	1-week deposit rate	4.25	100	11 Jul 08 (+25bp)	Sep 08	Sep 08 (+25bp)	4.50	4.75	5.00	5.00	5.00
Slovak Republic	2-week repo rate	4.25	0	27 Apr 07 (-25bp)	29 Jul 08	on hold	4.25	4.25	4.25	4.25	4.25
South Africa	Repo rate	12.00	200	12 Jun 08 (+50bp)	14 Aug 08	Jun 09 (-50bp)	12.00	12.00	12.00	11.50	11.00
Switzerland	3-month Swiss Libor	2.75	25	13 Sep 07 (+25bp)	18 Sep 08	on hold	2.75	2.75	2.75	2.75	2.75
Turkey	Overnight borrowing rate	16.75	-75	17 Jul 08 (+50bp)	14 Aug 08	14 Aug 08 (+50bp)	17.25	17.25	17.25	16.50	15.00
Asia/Pacific	GDP-weighted average	3.70	15				3.75	3.80	3.87	4.05	4.25
Australia	Cash rate	7.25	75	4 Mar 08 (+25bp)	5 Aug 08	**1Q 09 (-25bp)**	7.25	7.25	7.00	6.75	6.25
New Zealand	Cash rate	8.00	-25	**24 Jul 08 (-25bp)**	11 Sep 08	10 Sep 08 (-25bp)	7.75	7.25	6.75	6.50	6.00
Japan	Overnight call rate	0.50	0	21 Feb 07 (+25bp)	19 Aug 08	Jun 09 (+25bp)	0.50	0.50	0.50	0.75	1.00
Hong Kong	Discount window base	3.50	-325	1 May 08 (-25bp)	6 Aug 08	18 Mar 09 (+25bp)	3.50	3.50	3.75	4.25	5.25
China	1-year working capital	7.47	45	20 Dec 07 (+18bp)	3Q 08	1Q 09 (+27bp)	7.47	7.47	7.74	8.01	8.46
Korea	Base rate	5.00	0	9 Aug 07 (+25bp)	7 Aug 08	1Q 09 (+25bp)	5.00	5.00	5.25	5.50	5.50
Indonesia	BI rate	8.75	50	3 Jul 08 (+25bp)	5 Aug 08	5 Aug 08 (+25bp)	9.00	9.25	9.50	9.50	9.50
India	Repo rate	8.50	75	24 Jun 08 (+50bp)	29 Jul 08	29 Jul 08 (+50bp)	9.00	9.50	9.50	9.50	9.50
Malaysia	Overnight policy rate	3.50	0	26 Apr 06 (+25bp)	25 Aug 08	**25 Aug 08 (+25bp)**	3.75	3.75	3.75	3.75	3.75
Philippines	Reverse repo rate	5.75	-25	17 Jul 08 (+50bp)	28 Aug 08	28 Aug 08 (+25bp)	6.00	6.00	6.00	6.00	6.00
Thailand	1-day repo rate	3.50	25	16 Jul 08 (+25bp)	27 Aug 08	27 Aug 08 (+25bp)	3.75	4.25	4.50	4.50	4.50
Taiwan	Official discount rate	3.625	50	26 Jun 08 (+12.5bp)	Sep 08	Sep 08 (+12.5bp)	3.75	3.875	4.00	4.125	4.25

Bold denotes move this week and forecast changes. Underline denotes policy meeting during upcoming week.

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Forecasts - Australia and New Zealand

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

				2007			2008				2009			
	2007	2008	2009	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Chain volume GDP	4.3	2.8	2.6	4.5	4.9	2.7	2.5	1.3	2.6	3.2	3.2	2.0	2.4	2.3
Private consumption	4.6	3.4	1.8	3.3	4.7	6.3	2.8	1.2	2.8	2.0	1.2	1.6	2.0	2.4
Construction investment	9.7	3.6	3.7	4.1	10.0	-5.5	7.9	1.8	6.1	3.0	5.1	2.0	1.9	5.9
Equipment investment	7.7	3.9	3.4	26.7	-11.2	16.1	-6.0	4.3	13.2	4.2	-2.1	4.2	0.0	8.6
Public investment	5.4	11.9	5.8	82.8	-29.8	28.0	25.9	3.5	5.8	5.7	5.8	6.0	6.3	6.7
Government consumption	2.2	4.5	3.4	0.6	5.8	6.5	1.4	6.7	5.4	3.7	3.5	2.2	1.8	2.2
Exports of goods & services	3.2	2.5	4.6	3.5	8.1	-2.8	2.1	2.4	4.1	6.1	4.1	4.1	6.1	4.1
Imports of goods & services	10.6	10.4	4.2	7.4	10.0	14.3	14.6	6.1	8.2	4.1	2.0	4.1	5.1	2.0
Contributions to GDP growth:														
Domestic final sales	5.2	4.2	2.6	6.5	4.1	7.2	5.6	-1.1	4.8	2.9	2.2	2.3	2.1	3.7
Inventories	0.7	0.5	0.2	-1.0	1.4	-0.5	-0.1	3.5	-0.9	0.1	0.6	-0.1	0.4	-1.7
Net trade	-1.7	-2.0	-0.1	-1.0	-0.7	-3.7	-2.9	-1.0	-1.2	0.2	0.3	-0.2	-0.1	0.3
GDP deflator (%oya)	3.8	3.3	2.6	4.1	3.3	3.5	3.5	3.7	3.4	2.8	2.6	2.6	2.6	2.5
Consumer prices (%oya)	2.3	4.4	3.6	2.1	1.9	3.0	4.2	4.3	4.5	4.5	4.0	3.6	3.4	3.3
Producer prices (%oya)	2.3	5.7	2.5	1.5	0.8	3.4	6.9	5.0	6.0	5.0	2.5	2.5	2.5	2.5
Trade balance (A$ bil, sa)	-20.7	-24.1	-15.2	-4.5	-5.4	-7.0	-8.3	-7.6	-5.4	-2.9	-1.7	-2.3	-4.4	-6.9
Current account (A$ bil, sa)	-67.0	-63.4	-43.6	-16.0	-16.3	-18.7	-19.5	-17.6	-14.5	-11.9	-8.7	-8.3	-10.5	-16.2
as % of GDP	-6.2	-5.5	-3.6	-6.0	-6.0	-6.7	-6.9	-6.1	-5.0	-4.0	-2.9	-2.7	-3.4	-5.3
3m eurodeposit rate (%)*	6.0	7.3	6.8	5.8	7.1	7.2	7.3	7.3	7.3	7.1	6.9	6.8	6.8	6.7
10-year bond yield (%)*	5.6	6.3	5.8	5.6	5.7	6.4	6.1	6.5	6.3	6.2	6.0	5.7	5.7	5.7
US$/A$*	0.75	0.94	0.89	0.74	0.77	0.91	0.91	0.96	0.95	0.93	0.91	0.89	0.88	0.88
Commonwealth budget (FY, A$ bil)	17.2	16.8	21.7											
as % of GDP	1.6	1.5	1.8											
Unemployment rate	4.4	4.5	5.3	4.3	4.3	4.3	4.1	4.4	4.6	4.9	5.1	5.2	5.3	5.4
Industrial production	3.2	3.7	0.8	3.0	-0.1	5.5	6.7	1.0	3.0	4.0	-1.0	-2.0	-3.0	0.0

*All financial variables are period averages

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

				2007			2008				2009			
	2007	2008	2009	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real GDP (1995-96 prices)	3.1	0.8	1.8	3.2	2.2	3.3	-1.1	-0.2	-0.1	0.3	2.2	3.6	2.5	3.6
Private consumption	4.1	0.3	1.2	1.7	2.1	2.0	-1.4	-0.1	-0.5	0.5	0.7	2.1	2.9	3.3
Fixed Investment	4.4	-0.2	1.7	0.4	1.6	12.5	-7.6	-5.3	2.6	0.3	2.0	2.8	3.1	3.9
Residential construction	4.4	-17.4	-1.7	52.6	22.7	-5.5	-52.2	-18.0	-6.0	-2.0	0.0	0.8	2.8	3.2
Other fixed investment	4.4	4.2	2.4	-9.4	-3	17.9	8.0	-2.4	4.4	0.8	2.4	3.2	3.2	4.0
Inventory change (NZ$ bil, saar)	0.8	0.3	-0.1	0.4	0.3	0.1	0.4	0.1	0.0	-0.1	0.0	0.0	-0.1	-0.1
Government spending	3.9	1.6	1.7	3.8	7.6	0.9	4.7	-0.9	-4.3	-2.2	5.0	5.1	3.5	2.5
Exports of goods & services	3.3	2.4	3.0	-4.8	-0.2	19.3	-7.1	4.1	3.1	2.5	2.5	3.1	3.6	3.7
Imports of goods & services	8.6	5.3	1.0	11.0	3.0	16.2	4.9	0.6	0.2	0.5	0.5	1.5	2.2	2.5
Contributions to GDP growth:														
Domestic final sales	4.6	2.3	1.5	4.1	5.0	6.0	-0.2	2.0	0.4	-0.1	0.7	2.8	3.3	3.5
Inventories	0.5	-0.3	-0.3	4.6	-1.5	-2.4	3.3	-3.2	-1.4	-0.2	0.8	0.4	-1.0	-0.1
Net trade	-2.0	-1.2	0.6	-5.4	-1.2	-0.1	-4.2	1.1	0.9	0.6	0.6	0.4	0.3	0.2
GDP deflator (%oya)	4.2	4.8	2.8	4.1	3.9	5.6	5.9	5.3	4.9	3.3	2.9	2.8	2.7	2.7
Consumer prices	2.4	4.2	3.8	4.0	2.0	4.8	3.4	3.9	5.0	4.4	3.2	3.5	3.5	3.2
%oya	2.4	4.2	3.8	2.0	1.8	3.2	3.4	3.3	4.1	4.0	4.1	4.0	3.7	3.4
Trade balance (NZ$ bil, sa)	-2.3	-0.8	0.7	-0.8	-0.7	0.0	-0.2	-0.2	-0.2	-0.2	-0.1	0.1	0.3	0.5
Current account (NZ$ bil, sa)	-13.8	-13.3	-10.7	-3.6	-3.6	-3.1	-3.5	-3.3	-3.3	-3.2	-2.9	-2.8	-2.6	-2.3
as % of GDP	-8.1	-7.4	-5.7	-8.4	-8.3	-7.0	-7.9	-7.4	-7.2	-7.0	-6.3	-6.1	-5.6	-4.8
Yield on 90-day bank bill (%)*	8.4	8.5	7.7	8.2	8.7	8.8	8.8	8.7	8.5	8.2	8.0	7.8	7.6	7.5
10-year bond yield (%)*	6.3	6.3	5.7	6.4	6.4	6.4	6.4	6.4	6.3	6.2	6.0	5.7	5.5	5.5
US$/NZ$*	0.74	0.75	0.68	0.74	0.74	0.76	0.79	0.76	0.74	0.72	0.70	0.68	0.67	0.68
Commonwealth budget (NZ$ bil)	6.4	5.3	5.0											
as % of GDP	3.7	2.9	2.6											
Unemployment rate	3.6	3.9	4.5	3.6	3.5	3.4	3.6	3.9	4.1	4.2	4.3	4.5	4.6	4.7

*All financial variables are period averages

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Australia and New Zealand economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
28 Jul New Zealand: Trade balance (10:45am) Jun	29 Jul New Zealand: Building permits (10:45am) Jun	30 Jul Australia: Building approvals (11:30am) Jun 4.0 %m/m, sa New Zealand: Money supply (03:00pm) Jun	31 Jul Australia: Pvt. sector credit (11:30am) Jun 0.5 %m/m, sa Trade balance (11:30am) Jun -750 A$ mn Retail sales (11:30am) Jun 0.2 %m/m, sa New Zealand: NBNZ business conf. (03:00pm) Jul -36.0 % bal	1 Aug Australia: RBA commodity index (04:30pm) Jul
4 Aug Australia: House price index (11:30am) 2Q ANZ job ads (11:30am) Jul New Zealand: Wage cost index (10:45am) 2Q	5 Aug Australia: RBA cash target (02:30pm) Aug New Zealand: ANZ commodity price (03:00pm) Jul	6 Aug Australia: Housing finance (11:30am) Jun	7 Aug Australia: Unemployment rate (11:30am) Jul New Zealand: Unemployment rate (10:45am) 2Q	8 Aug Australia: Foreign reserves (04:30pm) Jul
11 Aug New Zealand: QV house prices Jul	12 Aug Australia: NAB bus. conf. (11:30am) Jul	13 Aug Australia: WMI cons. conf. (10:30am) Aug Wage cost index (11:30am) 2Q New Zealand: PPI (10:45am) 2Q	14 Aug New Zealand: PMI (12:00pm) Jul	15 Aug New Zealand: Retail sales (10:45am) Jun
18 Aug	19 Aug	20 Aug Australia: Westpac leading index (10:30am) Jun	21 Aug Australia: New motor vehicles sales (11:30am) Jul New Zealand: Visitor arrivals (10:45am) Jul Credit card spending (03:00pm) Jul	22 Aug

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

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Global Data Diary

Week / Weekend	Monday	Tuesday	Wednesday	Thursday	Friday
28 July - 1 August	28 July	29 July	30 July	31 July	1 August
	Germany • CPI 6 states/prelim (Jul)	India • RBI meeting Japan • Hhold spending (Jun) • Retail sales (Jun) • Unemployment (Jun) Slovak Republic • NBS meeting United Kingdom • Mortgage approvals (Jun) United States • S&P/C-S HPI (May)	Euro area • EC business survey (Jul) Japan • IP prelim (Jun) • Shoko Chukin (Jul) Poland • NBP meeting South Africa • CPI (Jun) United States • ADP employment (Jul)	Euro area • HICP flash (Jul) • Unemployment (Jul) Germany • Employment (Jun) • Unemployment (Jul) Japan • Housing starts (Jun) • Nominal wages (Jun) • PMI mfg (Jul) Korea • IP (Jun) Romania • NBR meeting United Kingdom • Nationwide HPI (Jul) United States • Chicago Fed surv (Jul) • Employ cost index (2Q) • Real GDP adv (2Q)	Germany • Retail sales (Jun) Korea • CPI (Jul) • Trade balance (Jul) United States • Construct spend (Jun) • Employment report (Jul) • Vehicle sales (Jul) Manufacturing PMIs • China (Jul) • Euro area final (Jul) • United Kingdom (Jul) • United States (Jul)
4 - 8 August	4 August	5 August	6 August	7 August	8 August
Japan • Cabinet Office private consumption index (Jun) United Kingdom • Halifax HPI (Jul)	Singapore • PMI mfg (Jul) Turkey • CPI (Jul) United States • Factory orders (Jun) • Personal income (Jun)	Australia • RBA meeting Euro area • Retail sales (Jun) Indonesia • BI meeting Taiwan • CPI (Jul) United States • FOMC meeting Services PMIs • Euro area final (Jul) • United Kingdom (Jul) • US ISM nonmfg (Jul)	Canada • Ivey PMI (Jul) Germany • Mfg orders (Jun)	Germany • IP (Jun) • Trade balance (Jun) Japan: Machinery ords (Jun) Mexico: CPI (Jul) Sweden: CPI (Jul) South Africa: IP (Jun) Taiwan • Trade balance (Jul) United States • Consumer credit (Jun) • Pending home sales (Jun) Central bank meetings • Czech Republic, Euro area, Korea, United Kingdom, Peru	Brazil • IPCA (Jul) Canada • Employment (Jul) Japan • Economy watcher survey (Jul) Turkey • IP (Jun) United States • Prod and costs prelim (2Q) • Wholesale trade (Jun)

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