JPMorgan

Australia and New Zealand - Weekly Prospects

Summary

- The highlight in **Australia** last week undoubtedly was the commentary accompanying the RBA's decision to leave the cash rate unchanged. The dovish tone of the RBA's statement signaled clearly that the RBA will ease policy soon. We look for a 25bp rate cut in September, and another 25bp rate cut before year-end. Evidence continues to build showing that the Australian economy quickly is shedding momentum, with employment growth slowing and home loans falling again. Data this week should show that wage growth remains contained, but that consumer confidence rebounded owing to falling petrol prices and speculation that the RBA is poised to cut interest rates. Today's RBA quarterly statement is the highlight this week—the market wants guidance on whether the first rate cut will be 25bp or 50bp.

- In New Zealand, labour market data last week confirmed that wage growth remained contained and that employment rebounded in 2Q. That said, the moderation in economic growth probably will lead to further softening in the labour market which will weigh on consumers already facing significant headwinds; this is likely to be evidenced by retail sales data on Friday, which should show a second quarterly contraction in 2Q (-1.9%q/q).

- The **global economic slowdown** has both broadened and intensified through the middle of the year. This week's GDP releases should confirm that the Euro area and Japan contracted last quarter and the latest indicators suggest that neither of these economies will expand this quarter. Emerging market economies are also cooling materially, a point likely to be highlighted by this week's release of key July Chinese data. With this week also likely to reinforce the message of a US downshift following a solid 2Q08 outcome—notably with a decline in July retail sales—the first period of subpar global growth since early 2003 is now becoming well established.

- The close linkages between economies should also be recognized, a point that underscores the heightened state of concern we now maintain about the **global outlook**. With downward momentum in Europe and Asia intensifying and the US consumer turning weak, the global economy faces an elevated risk of experiencing a negative feedback loop that produces a recession. Downward pressures are at their most intense right now and, if a recession outcome can be avoided, the prospects for a growth recovery in 2009 look good—against the backdrop of fading drags from oil, inventories, and US housing.

- The deterioration in the global growth outlook will, along with falling oil prices, have important implications for **monetary policy**. However, the fall in headline inflation will likely be gradual and policymakers in most countries already maintain relatively accommodative stances. This implies relatively little policy easing ahead even as global growth remains below par through the rest of this year.

This week's highlight

The RBA's quarterly statement today. The market will be sifting for clues on whether the rate cut in September will be a quarter or half point move. Officials will raise the near term inflation forecast, but lower the forecast for 2009 and 2010.

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Data and event previews - Australia and New Zealand

Date [(a)]	Data/event	Forecast			Comment
		JPMorgan	Consensus	*Previous*	
Monday, 11 August (11:30am)	**RBA Statement on Monetary Policy**	**na**	na	na	The tone of the RBA's quarterly statement will be similar to the dovish tone of last week's policy announcement. RBA officials probably will endorse the likelihood that the cash rate will be cut soon (we expect a 25bp rate cut in September), but probably won't give any clues on whether the move will be a quarter point or a half point, or whether the banks will pass the cut in the official rate through to home mortgage rates. The upside surprise on 2Q inflation means officials will have to raise the inflation forecast for 2008, but there probably now will be a steeper trajectory back towards the target range in 2009 and 2010. That said, officials will still forecast core inflation above the 2-3% target for an extended period.
Tuesday, 12 August (11:30am)	**Aust. NAB monthly business survey (July, % balance)**	**na**	na	-9.0	na
Wednesday, 13 August (8:45am)	**NZ producer price index (2Q, %q/q)**	**1.3**	2.1	*1.8*	Producer input and output prices should rise 2.0%q/q and 1.3%, respectively, in 2Q. The significantly faster rate of growth in input prices over output prices suggests that producers are still finding it difficult to pass rising costs on to consumers; this is leaving profit margins squeezed, although is not surprising given the recent sharp slowdown in domestic demand.
Wednesday, 13 August (10:30am)	**Aust. WMI consumer sentiment index (Aug, %m/m)**	**6.0**	na	*-6.7*	Consumer confidence should bounce 6%m/m in August, after slumping 6.7% in July and 5.6% in June. The Westpac-Melbourne Institute's consumer sentiment index probably will rise from 79.0 to 83.8, remaining well below the 100 level, where the number of optimists equals pessimists. The improvement in confidence will emerge amid falling petrol prices and growing speculation that the RBA will cut interest rates as soon as September.
Wednesday, 13 August (11:30am)	**Aust. labour price index (2Q, %q/q)**	**1.1**	1.0	0.9	Wage growth should accelerate to 1.1%q/q in 2Q from 0.9% in 1Q. Labour market conditions have remained tight for an extended period and the multi-decade low unemployment rate has kept upside pressure on wages. Employment is a lagging indicator, so the weakness in the economy in the first half of 2008 probably has yet to be fully passed through to the labour market. That said, the tentative signs of a loosening in the labour market will help to keep wage growth contained.
Thursday, 7 August (8.45am)	**NZ business PMI (July, index)**	**na**	na	45.7	na
Friday, 15 August (8:45am)	**NZ retail trade (June, %m/m)**	**-0.4**	0.1	-1.2	Kiwi retail sales values should fall 0.4%m/m in June after slumping 1.2% in May. More importantly, in real terms, retail sales should fall 1.9% over the second quarter, marking the second straight quarterly decline following a 1.2% fall in 1Q. Consumers continue to face significant headwinds, owing partly to the negative wealth effects from the sharp deterioration in the housing market. Consumer confidence has plummeted, living costs are rising, and the labor market has shown tentative signs of softening.

(a) Australian Eastern Standard Time.

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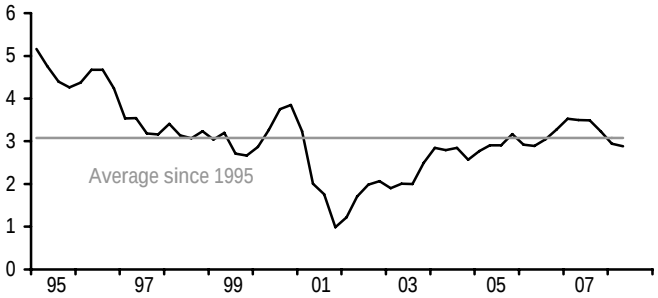
Feature charts

Australia: real interest rates

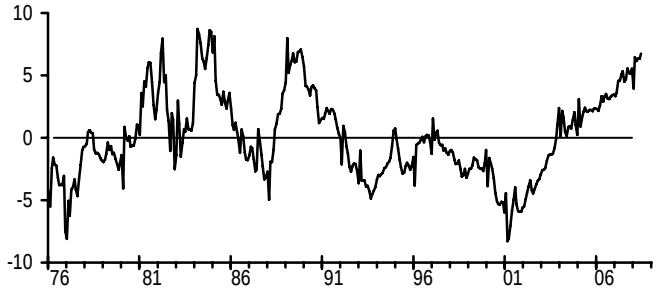
Cash rate less core inflation (trimmed mean), %



Nominal officials interest rates are at a 12-year high in Australia, but real interest rates are broadly in line with their long term average of 3%. This is partly because of the spike in core inflation over the past two years. Indeed, real interest rates have been falling in recent quarters.

Australia: monetary conditions index

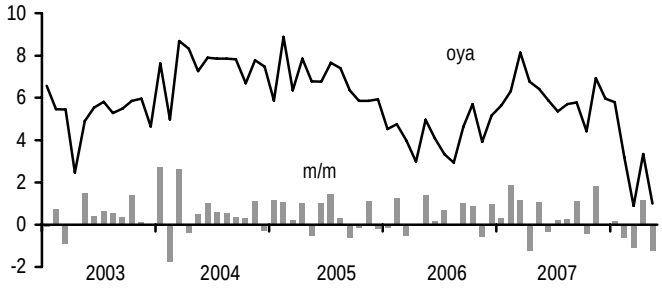
Percent



The RBA's policy announcement last week highlighted the fact that there has been a substantial tightening in financial conditions in Australia since the middle of 2007. JPMorgan's monetary conditions index, for example, which combimes market interst rates with the exchange rate, has risen to the highest level since before the last recession. The plunge in AUD in recent weeks will ease some of this pressure, but conditions remain tight.

New Zealand: retail trade

% change



Kiwi consumers continue to face significant headwinds; retail sales should fall 0.4% in June, after slumping 1.2% in May. The negative wealth effects from the sharp deterioration in the housing market and rising living costs are dampening spending. Furthermore, there have been tentative signs of easing in the labour market and, with business confidence plunging, companies will become more reluctant to hire workers going forward.

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Economic research note

Anxious RBA officials to cut cash rate in September

- **The Reserve Bank of Australia (RBA) has signaled that official interest rate cuts are imminent**
- **Clearly, officials now place more emphasis on weak growth than high inflation**
- **The first rate cut in September will be followed by another rate cut before year end**

The RBA last week announced an unchanged cash rate for the fifth straight month, in line with expectations. The dovish tone of the commentary announcing the decision, though, indicated that the RBA is close to cutting the cash rate. Indeed, the commentary signals a clear easing bias: the first rate cut probably will come in September. History tells us that the RBA moves to an easing bias only if rate cuts are imminent. Crucially, the concluding sentence in last month's commentary, saying that the current policy stance was appropriate, was removed last week. Given that RBA officials no longer believe the policy stance to be appropriate, the most plausible reason why officials did not cut the cash rate last week is that they had not yet signaled an intention to ease. RBA officials now have crossed that bridge.

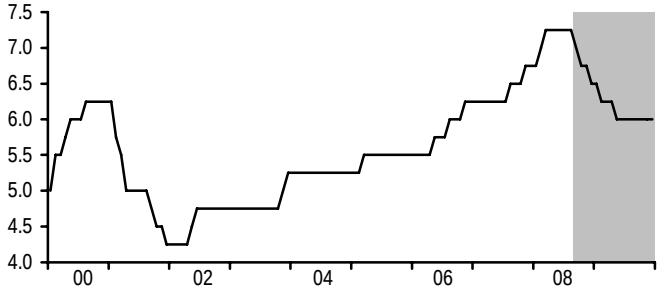
Previously, we had expected the RBA to wait until early 2009 before easing, owing to the boost to the economy from the terms of trade, and ongoing high inflation. The unexpected weakness in the domestic economy, though, clearly has brought forward the timing of the start of the easing cycle. The last two easing cycles—starting in 1996 and 2001—began with 50bp rate cuts. While talk of a 50bp rate cut this time is premature—it could signal that RBA officials were spooked by the abrupt slowdown in domestic demand—two 25bp rate cuts now are likely before year end, in order to get the easing cycle started with a bang.

Case for rate cut has strengthened

There is little doubt that the case for a rate cut has strengthened significantly. In particular, the back-to-back quarterly declines in real retail spending in the first half, and the plunge in nominal spending in June, confirm that the Aussie consumer is in recession. The precipitous 1%m/m drop in spending in June was the largest since 2002, while the consecutive falls in spending in real terms were the first since 1996. Clearly, assertive interest rate rises, including consecutive 25bp rate hikes in February and March this year and even larger rises by the commercial banks, and the spike in energy prices, have punched a large hole in household disposable income and confidence.

RBA cash target rate

Percent per annum, end of period



Consumer confidence and retail sales

It seems, though, that before the RBA can cut the cash rate, in addition to signaling their intentions, officials want even more evidence that the gasping domestic economy—and consumers in particular—needs resuscitation. This is not yet obvious. A key test will be whether the recent income tax cuts, which amount to A$9 billion in this fiscal year, provide a net boost to household spending. This looks increasingly unlikely, with energy prices still high, consumer confidence at the lowest level since the 1991 recession, and the jobless rate rising.

CPI prints no longer a key policy guide

Once more evidence of the weak domestic economy convinces RBA officials that rate cuts are justified—obviously, they are not there yet—there will be no need for officials to wait for the next CPI print, which traditionally has been the trigger for RBA policy moves. Indeed, waiting until after the release of the 3Q CPI data in late October before easing risks those data showing that inflation continues to run way above the RBA's target range. A rate cut at the September or October RBA Board meeting would avoid this complication, although officials then would have to take a leap of faith and assume that inflation was likely to peak in 3Q.

Unexpected change in RBA's tone

The abrupt shift to a dovish tone at the end of the statement came as a surprise. The shift signaled as clearly as possible that RBA officials now place much more weight on the weakness in growth than the boost from the terms of trade and high inflation. Officials again talked of the "opposing forces" at work in the economy, and the "considerable uncertainty" over the outlook, but the emphasis clearly had shifted. RBA officials again referred to the substantial tightening in financial conditions, weak household spending, the softer job market (job advertisements have fallen for five straight months), the abrupt decline in demand for credit, and softening business activity.

Working in the opposite direction to the slowing economy, however, albeit now to a lesser extent, is the boost to jobs, investment and income from the booming terms of trade. The terms of trade are at their highest level since the wool boom of the 1950s, and in 2008 should rise another 30%y/y, owing mainly to the huge rises in contract prices for coal and iron ore, Australia's largest exported commodities. The terms of trade bonanza has stimulated job growth and capital spending—the mining investment pipeline now stands at A$175 billion, up 40% from a year earlier—and should lift national income by 4% points in 2008 alone.

As expected, though, the RBA's statement also referred to "difficult" conditions offshore. Unanticipated weakness of growth in Australia's key trading partners could imperil the outlook for the terms of trade. This also could herald further weakness in AUD, which has sagged over the last couple of weeks. AUD weakness could mean unexpected imported inflation, although this effect probably will be partly offset by the recent drop in oil prices. While RBA officials talked of increased global inflation risks, they also believe that high energy prices are acting as a tax on growth.

Banks may not pass on cash rate drop

A key complication for the policy outlook is how quickly, if at all, the Aussie banks pass on official rate cuts to customers. The "Big-5" Aussie banks have raised their variable mortgage rates by an average 55bp since January, on top of the 50bp rise in the official cash rate, and bank funding pressures remain uncomfortable. The big risk, therefore, is that the banks may elect to boost margins rather than pass lower short-term rates through to borrowers.

Not passing on the official rate cuts, however, would attract intense political pressure; the Prime Minister and Treasurer already have implied that the banks should lower mortgage rates if the RBA eases policy. Banks, though, are under no obligation to comply. Previous governments have "named and shamed" banks for not passing on official rate cuts, but the demise of many nonbank mortgage providers since the onset of the credit crunch means that competitive pressures in Australian banking are not what they were.

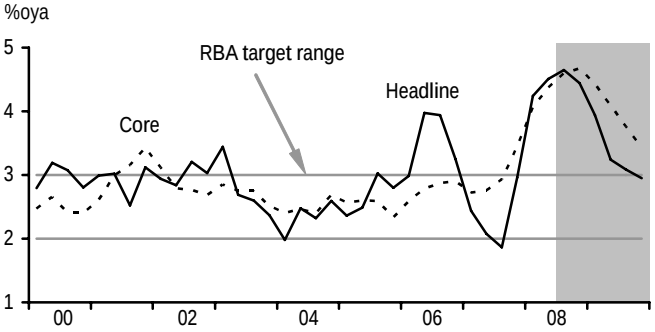
CPI inflation forecasts: RBA and JPMorgan

%oya

	RBA		JPMorgan	
	Headline	Core	Headline	Core
Dec 07	3.00	3.60	3.00	3.40
Mar 08	4.20	4.20	4.20	4.10
Jun 08	4.25	4.25	4.50	4.40
Dec 08	4.25	4.00	4.40	4.70
Jun 09	3.50	3.50	3.20	4.10
Dec 09	3.25	3.25	3.00	3.40
Jun 10	3.00	3.00	2.75	3.25
Dec 10	2.75	2.75	2.50	3.00

Source: RBA's May MPS.

CPI inflation: headline and trimmed mean (core)



Quarterly statement to trim CPI forecast

The next milestone for policy is the RBA's quarterly statement Monday, which will include the RBA's updated inflation forecasts. In the last quarterly statement in May, officials forecast that core inflation would remain above 3%oya until 2010; this week's statement indicated that this remains the case, despite the unanticipated weakness in the domestic economy. Indeed, the 3Q CPI data in late October probably will show an acceleration in the over-year-ago inflation rate.

Officials, therefore, will raise the near-term inflation forecast on Monday, but probably will lower the forecast for 2009 and 2010, owing mainly to weaker domestic activity. Clearly, last week's comments show that RBA officials are content to look through elevated inflation prints. Indeed, as Governor Stevens mentioned in his important speech last month, the RBA will not wait for inflation to fall back into the target range before cutting the cash rate.

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Australia

- **RBA to cut official cash rate by year end**
- **Unemployment rate probably will trend higher**
- **Consumer confidence should rebound in August**

The highlight in Australia last week undoubtedly was the commentary accompanying the RBA's decision to leave the cash rate unchanged. The dovish tone of the RBA's statement signaled that rate cuts this year are likely. Evidence continued to build last week that the Australian economy is quickly shedding momentum, with data showing a slowdown in job growth and a slump in demand for home loans. Data this week should show that wage growth remained contained in 2Q, and that consumer confidence rebounded in August amid falling petrol prices and speculation that the RBA would cut the cash rate as soon as September.

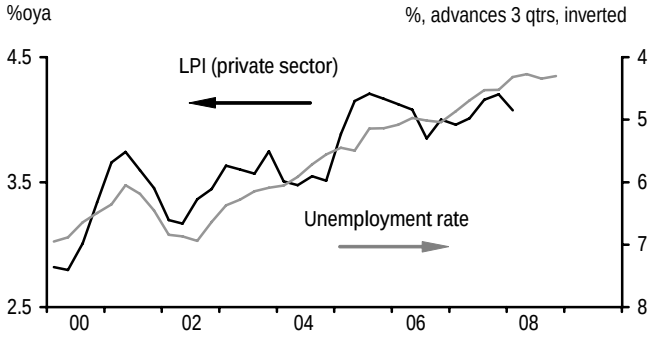
RBA signals rate cuts before year end

The RBA announced an unchanged cash rate as expected, but the dovish tone of the commentary indicated that the RBA is very close to cutting the cash rate. The last line of the commentary signaled an easing bias, suggesting the first rate cut probably will come in September.

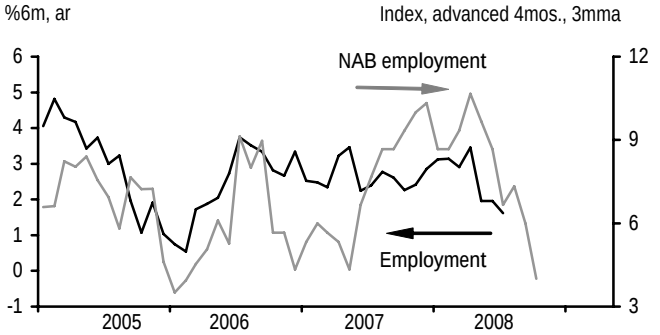
The case for a rate cut has strengthened significantly in recent weeks, especially following data indicating two straight quarters of declines in real retail spending. The consumer clearly is in recession. A rate cut in September, and possibly also at the October meeting, would avoid the complication of the 3Q CPI data, released in late October, showing another acceleration in core inflation. It seems that RBA officials now place much more weight on the weakness in growth than the boost to national income from the terms of trade. Officials did, though, again talk of the "opposing forces" working in the economy, and the "considerable uncertainty" over the outlook, but the emphasis clearly has shifted. RBA officials again referred to the substantial tightening in financial conditions, weak household spending, the softer job market, the abrupt decline in demand for credit, and softening business activity.

The RBA's statement also referred to "difficult" conditions offshore. Unanticipated weakness in growth in Australia's key trading partners could imperil the outlook for the terms of trade, which should be up another 30%y/y in 2008, but also could herald further weakness in AUD, which has plunged over the last couple of weeks. AUD weakness could mean

Australia: labor price index (LPI) and unemployment



Australia: NAB survey and employment growth



unexpected imported inflation in coming quarters, although this effect probably will be offset to some extent by the recent drop in crude oil prices. While RBA officials talked of global inflation risks, they also believe that high energy prices are acting as a tax on growth.

A key dynamic for the policy outlook is how quickly, if at all, the domestic commercial banks pass on official rate cuts to customers. The "Big 5" banks have raised their variable mortgage rates by an average of 55bp this year, on top of the 50bp rise in the official cash rate, and bank funding pressures remain uncomfortable.

The next milestone for the policy outlook is the RBA's quarterly statement today. In the last quarterly statement in May, RBA officials forecast that core inflation would remain above 3%oya until 2010. Clearly, RBA officials now are more content than before to look through elevated inflation prints in coming quarters. As Governor Stevens mentioned in his speech last month, the RBA will not wait for inflation to fall back into the target range before cutting the cash rate.

Consumer confidence should improve

Consumer confidence should bounce 6%m/m in August, after

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slumping 6.7% in July and 5.6% in June. The Westpac-Melbourne Institute's consumer sentiment index probably will rise from 79.0 to 83.8. The index remains well below the 100 level, where the number of optimists equals pessimists. In July, the index was 32% lower than its May 2007 peak.

The improvement in confidence will emerge amid the recent fall in petrol prices and growing speculation that the RBA will cut interest rates before the end of the year. Petrol prices have a significant dampening impact on sentiment—the fall in consumer confidence over the last three months has been a period during in which official interest rates have been stable but petrol prices have spiked 15%.

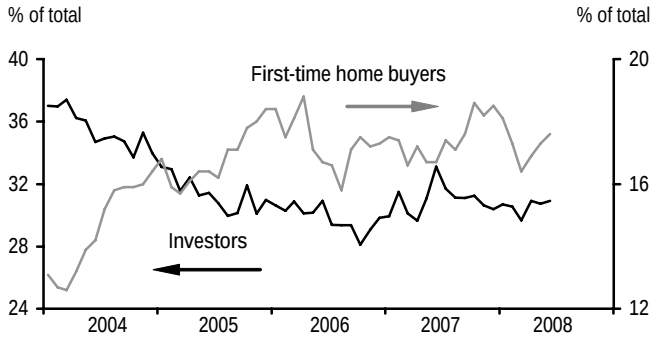
Employment growth moderated in July

Employment rose a higher than expected 10,900 in July (JPMorgan 7,500, consensus 5,000). There was, however, enormous volatility beneath the headline jobs result, owing to the drastic changes to the way the already labour volatile data are collected. Full-time employment, for example, surged 53,700 in July, but part-time employment sagged 42,800. The jobless rate remained at 4.3%.

The labour force report is the first to be released under the ABS's slimmer data collection regime. The ABS slashed the sample size by 24% in July, a reduction it said would produce more "random volatility" in this series. This will make interpreting the strength of the labour market, and the likely pressure on wages growth, even more difficult than before. On wage growth, we expect that the labour price index (LPI) next week will show wages to have risen 1.1%q/q in 2Q, up from 0.9% in the previous quarter. From a year ago, the LPI was likely up 4.1%, the same rate as in 1Q.

Industry data show that sectors of the economy focused mainly on exports—like mining, farming, fishing, and forestry—continue to create jobs. The jobless rate in mining-dependent WA, for example, dropped again to just 3.1% in July. Many sectors focused on domestic demand, though—like retailing, construction, and manufacturing—are destroying jobs, mainly in response to weaker sales. The leading indicators of employment, such as the ANZ job advertisement series and the employment measure of the NAB business survey, have been weakening for some time. Indeed, there have been some high-profile job reductions announced recently in industries as varied as airlines, car manufacturers, and retailers. Job growth in mining, though, seems as healthy as before.

Australia: housing finance



Employment, of course, is a lagging indicator, so the weakness in the economy in the first half of 2008 probably has yet to be fully passed through to the labour market. Employers typically cut workers' hours and/or the number of shifts before cutting staff numbers, so further jobs cuts in domestically-focused sectors probably are not far away. Our forecast is that the unemployment rate will push up through 5% during early 2009.

Home loan demand remained weak

Demand for housing finance fell for the fifth straight month in June, with the number of home loans falling 3.7%m/m (JPMorgan -3.5%, consensus -2.0%) after a 6.9% decline in May. Interestingly, fixed rate loans as a percentage of all dwellings financed dropped from 13% to 11.7%, the lowest level since October 2005, and well down from the 23.9% recorded in March when many borrowers locked in fixed rates amid speculation that interest rates could go higher.

The number of home loan commitments has trended lower, not simply in the wake of the four interest rate hikes delivered by the RBA since August 2007 but also because domestic banks have raised their variable loan rates disproportionately. Leading housing market indicators, like auction clearance rates, have been deteriorating, so any improvement that may emerge in demand for home loans in the near term will stem from growing speculation that the RBA will soon cut interest rates at least once more before year end.

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Data releases and forecasts

Week of August 11 - 15

Tue Aug 12 11:30am

NAB monthly business survey

% balance, seasonally adjusted

	Apr	May	Jun	Jul
Business confidence	-8	-4	-9	—

Wed Aug 13 10:30am

WMI consumer sentiment index

100=neutral, seasonally adjusted

	May	Jun	Jul	Aug
(%m/m)	2.7	-5.7	-6.7	6.0

Wed Aug 13 11:30am

Labor price index

Seasonally adjusted

	3Q07	4Q07	1Q08	2Q08
(%q/q)	1.0	1.1	0.9	1.1
(%oya)	4.2	4.2	4.1	4.1

Review of past week's data

House price index: eight capital cities

Weighted average

	4Q07		1Q08		2Q08	
(%q/q)	~~4.1~~	*4.2*	~~1.1~~	*0.4*	~~-2.0~~	*-0.3*
(%oya)	~~13.8~~	*14.0*	~~13.8~~	*13.2*	~~7.0~~	*8.2*

ANZ job advertisements

Seasonally adjusted

	May		Jun		Jul	
(%m/m)	-1.7		-3.0		—	*-0.3*

RBA cash rate announcement

No change. See main essay.

Housing finance approvals: owner occupiers

Number of loans, seasonally adjusted

	Apr		May		Jun	
(%m/m)	~~-4.2~~	*-4.8*	~~-7.9~~	*-6.9*	~~-3.5~~	*-3.7*
(%oya)	~~-14.7~~	*-15.3*	~~-21.5~~	*-21.1*	~~-25.4~~	*-25.2*

Labor force

Seasonally adjusted

	May		Jun		Jul	
Unemployment rate (%)	4.3		~~4.2~~	*4.3*	*4.3*	
Employed (000 m/m)	~~-26~~	*-25*	~~30~~	*22*	~~7.5~~	*11*
Participation rate (%)	65.2		65.3		*65.3*	

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New Zealand

- **Pipeline price pressures to remain strong**
- **Employment rebounded in June quarter**
- **Retail sales likely contracted again in 2Q**

In New Zealand, last week's labour market data confirmed that wage growth remained contained and that employment rebounded in 2Q. That said, the moderation in economic growth probably will lead to further softening in the labour market, which will weigh on consumers already facing significant headwinds; this is likely to be evidenced by retail sales data this week, which should show a second quarterly contraction in 2Q.

Kiwi consumer spending to remain weak

The value of retail sales likely fell 0.4%m/m in June after slumping 1.2% in May. Elevated prices will have prevented an even larger slump in retail sales values. In real terms, retail sales probably fell 1.9%q/q in the second quarter, marking the second straight quarterly decline following a 1.2% fall in 1Q.

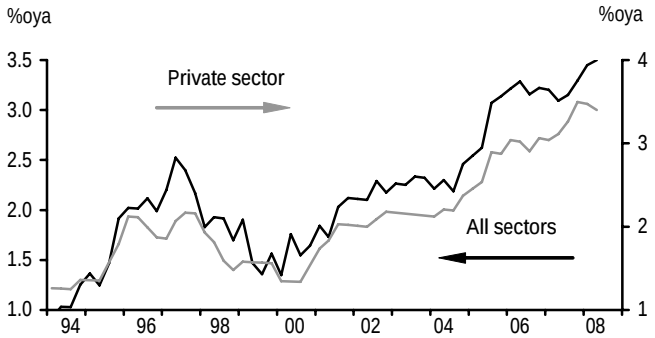
Consumers face significant headwinds, owing partly to the negative wealth effects from the sharp deterioration in the housing market. Consumer confidence has plummeted, living costs are rising, and the labour market has shown tentative signs of softening. While the near-term outlook for retailers remains bleak, we expect some improvement in sales going into 2009 now that the RBNZ has embarked on what is likely to be an easing cycle.

Producer input prices in New Zealand likely rose 2.0%q/q in 2Q after spiking 2.3% in 1Q. Output prices are expected to have grown 1.3%q/q, slowing from 1.8% previously. The significantly faster rate of growth in input prices than output prices suggests that producers are still finding it difficult to pass rising costs on to consumers; this is leaving profit margins squeezed, although is not surprising given the recent sharp slowdown in domestic demand.

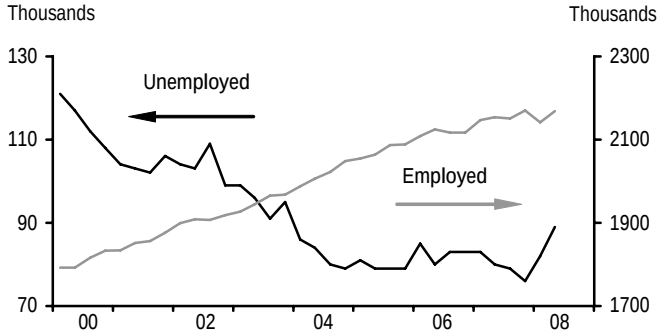
NZ employment rebounded in 2Q

Employment rebounded 1.2%q/q (26,000 persons) in the June quarter (JPMorgan 0.3%q/q, consensus 0.2%) after contracting 1.2% (28,000 persons) in the previous three months. On this evidence, labour market conditions remained firm despite a rise in the unemployment rate from 3.7% to 3.9%. The participation rate unexpectedly shot up from 67.7% to 68.6%; this probably was more noise than signal, as it reversed the big drop in the previous quarter.

New Zealand: labor costs



New Zealand: employed and unemployed



With business confidence at 17-year lows amid soaring petrol prices and tighter credit conditions, many companies are reluctant to hire workers. Firms will continue to shed human capital to cut costs as momentum slows, meaning employment growth probably will moderate in coming quarters. Additional job insecurity and redundancies mean that workers will continue to curb spending. That said, the migration of skilled labour abroad will keep the pool of available workers low, curbing the rise in the unemployment rate and keeping some upside pressure on wages.

Other data last week showed that growth in private sector labour costs (as measured by the LCI) rose 0.8%q/q in 2Q (JPMorgan and consensus 0.8%), slightly higher than the 0.7% rise in 1Q. The all-sector LCI grew 0.8%q/q (JPMorgan and consensus 0.8%), also up from 0.7% in 1Q. In recent commentary, RBNZ Governor Alan Bollard said that "the weaker economy is expected to reduce pressure on resources, making it more difficult for firms to pass on costs and for higher wage claims to be agreed." Amid such expectations, and despite inflation that remains above the RBNZ's 1-3%oya target range, a further three rate cuts look likely this year to help prop up the Kiwi economy. Our forecast calls for the OCR to be 7.25% by year end.

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Data releases and forecasts

Week of August 11 - 15

Mon Aug 11 — **QVNZ house prices**
%, median

	Apr	May	Jun	Jul
(%oya)	4.9	2.4	0.1	__

Wed Aug 13 10:45am — **Producer price index**
nsa

	3Q07	4Q07	1Q08	2Q08
(%q/q)	1.6	1.5	1.8	1.3
(%oya)	2.1	4.0	6.1	6.3

Thu Aug 14 12:00pm — **Business PMI**
Seasonally adjusted

	Apr	May	Jun	Jul
Index	51.5	49.3	45.7	__
(%oya)	-4.8	-12.1	-9.2	__

Fri Aug 15 10:45am — **Retail trade**
Seasonally adjusted

	Mar	Apr	May	Jun
(%m/m)	-1.1	1.2	-1.2	-0.4
(%oya)	0.8	3.1	1.1	0.9

Review of past week's data

Labor cost index and average hourly earnings

Private sector, ordinary time, sa

	4Q07	1Q08	2Q08
Labor cost index (%q/q)	1.1	0.7	*0.8*

ANZ commodity price series

Not seasonally adjusted

	May	Jun	Jul	
Index - world prices (%m/m)	0.9	0.0	__	*1.8*
Index - NZD (%m/m)	2.5	2.1	__	*2.8*

Labor force survey

Seasonally adjusted

	4Q07		1Q08		2Q08	
Unemployment rate (%)	3.4		~~3.6~~	*3.7*	~~3.6~~	*3.9*
Employment (000, q/q)	~~19~~	*20*	~~-28~~	*-27*	~~6.4~~	*28*
Participation rate (%)	68.6		67.7		~~67.7~~	*68.6*

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Global Essay

- **Downshift in growth is broadening and intensifying**
- **Oil slide to boost global consumption unless labour markets deteriorate sharply in coming months**
- **Both Euro area and Japan expected to post declines in 2Q08 GDP**
- **Looking for signs of slowing in July Chinese data releases**

Wobbly

The global economic slowdown has both broadened and intensified through the middle of the year. This week's GDP releases should confirm that the Euro area and Japan contracted last quarter and the latest indicators suggest that neither of these economies will expand this quarter. Emerging market economies are also cooling materially, a point likely to be highlighted by this week's release of key July Chinese data. With next week also likely to reinforce the message of a US downshift following a solid 2Q08 outcome—notably with a decline in July retail sales—the first period of subpar global growth since early 2003 is now becoming well established.

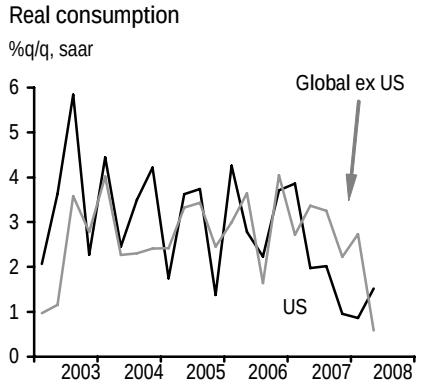
Subpar global growth, prompted by a deterioration in non-US economic performance around midyear, has been a central element of our outlook. But the recent downshift has proved more powerful than expected. It has also reinforces three points underlying our thinking about the forces driving current economic conditions.

- **Global shocks, global outcomes.** The risk that credit turmoil produces a US recession that in turn derails expansions elsewhere has received much attention. US weakness, however, is not the dominant factor currently depressing global growth. The spike in food and energy prices during 1H08 squeezed purchasing power broadly and is estimated to have slowed the pace of global consumption growth to about 1.5% around midyear—less than half its rate of gain for 2007. At the same time, global corporate profit margins are being squeezed as labor costs have accelerated along with commodity prices.
- **Policy action key to relative performance.** While there are significant global drags in place, the US economy is unique in being weighed down by the combination of large oil, credit, and housing drags. That it looks nonetheless to have outperformed the Euro area and Japan during 1H08 largely reflects policy actions. The US has benefited from monetary and fiscal policy ease that has promoted the dollar's decline, lowered short-term borrowing rates, and boosted household purchasing power temporarily in the face of rising energy prices. Financial conditions have tightened by more in the Euro area, where the ECB has tightened modestly despite a credit shock. And absent any new policy support, Japan has experienced a large shift in its competitive position as its trade-weighted currency has appreciated significantly at the same time that its commodity import bill has surged.
- **Positioning matters**. US firms entered 2008 prepared for the worst and were able to cut inventories and labour costs through a period in which final sales continued to grow. By contrast, firms across Europe and Asia seem to have been surprised by the recent fall-off in demand and profits. It is this positioning, and the corporate adjustments that lie ahead, that drive our forecast that the Euro area and Japan will likely grow more slowly than the US in 2H08.

The close linkages between economies should also be recognized, a point that underscores the heightened state of concern we now maintain about the global outlook. With down-

JPMorgan forecasts for 2008 real GDP
% change, 4Q/4Q

	2Q *WFM* Apr 11	Current forecast
Global	2.2	1.8
Developed markets	1.2	0.8
Emerging markets	5.9	5.5
US	0.9	1.2
Japan	1.2	0.5
Euro area	1.3	0.5
EM Latin America	3.3	3.1
EM Asia	7.2	6.7
EM Europe	5.4	5.4



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Identifying leaders of the global manufacturing business cycle
Global mfg output regressed on regional mfg output, %q/q saar

	Coefficient	t-statistic
Constant	-0.49	-0.46
US, t-1	0.35	3.29
Euro area, t-1	-0.19	-1.87
Japan, t-1	0.04	0.82
China, t-1	0.07	1.06
EM Asia excl China, t-1	0.13	2.71
EM Europe, t-1	0.09	1.91
Latin America, t-1	0.10	2.22
Adjusted R-square	0.49	

Note. Total IP used where manufacturing breakout unavailable.

ward momentum in Europe and Asia intensifying and the US consumer turning weak, the global economy faces an elevated risk of experiencing a negative feedback loop that produces a recession. Downward pressures are at their most intense right now and, if a recession outcome can be avoided, the prospects for a growth recovery in 2009 look good—against the backdrop of fading drags from oil, inventories, and US housing.

Global industry's leaders and laggards

Nowhere can the downshift in global economic momentum be seen more clearly than in industry. Based on the data in hand, global manufacturing appears to have contracted at an annualized pace of 0.8% in the three months through June. This is a marked deceleration from its average annual expansion pace of roughly 4% in 2006 and 2007 and the first move into contraction since 2003. As we move into 2H08, it is likely that industrial activity will continue to contract, given that demand is projected to remain weak and as the anticipated inventory correction gathers steam.

How sharp a decline is in the pipeline is a key outlook issue. Here, we tend to downplay the pronounced slowdown in Western Europe industry in recent months. European industry tends to respond to shifts in global demand with a lag and its performance has not provided a reliable guide to where the global cycle is heading (table). In contrast, the US and the emerging economies (particularly EM Asia ex China), tend to lead the global industrial cycle. This week's US July IP report should show a rise in manufacturing output, but upcoming Asian EM reports are not expected to deliver positive news.

Slowdown hitting all of EM Asia

The combination of decelerating demand for exports and diminished purchasing power from elevated commodity prices has already damped GDP growth in EM Asia outside China, and we are now marking down our 2H08 projections for growth in the ASEAN countries to an annualized pace of just 2.7% in 2H08, vs 4.3% in last week's GDW.

This week's release of the July indicators will likely show that even China is now feeling the impact of weakening external demand growth. Chinese export growth likely slowed markedly. Although domestic demand in China continues to expand fast, industrial activity probably also decelerated last month.

We believe that any significant shortfall in Chinese private or external demand will be offset by fiscal spending. However, the growth threshold at which the authorities will engage may be somewhat lower than previously expected. To be sure, the government in recent weeks has increased export tax rebates and eased its tight grip on banks' loan expansion. And we expect further fiscal measures to encourage domestic consumption. However, the long-expected infrastructure spending may be delayed until the government is confident of a meaningful deceleration in fixed asset investment, which we do not project to materialize in the coming months. This, together with a sharp slowdown in G-3 demand and some disruption of industrial activities around the Olympics period, suggest below-trend growth in the current quarter.

Small shifts from central bankers

The deterioration in the global growth outlook will, along with falling oil prices, have important implications for monetary policy. However, the fall in headline inflation will likely be gradual and policymakers in most countries already maintain relatively accommodative stances. This implies relatively little policy easing ahead even as global growth remains below par through the rest of this year.

ECB rhetoric shifted its only modestly at last week's press conference. Although the growth data are starting to surprise the ECB on the downside, the central bank is determined to ensure that inflation is in line with its objective in the medium term. If there is to be any monetary easing, it is unlikely to come until next year. The Fed and the Bank of Japan, both with policy rates at levels perceived as quite low, are unlikely to signal any shift toward ease in the face of slower growth.

For the United Kingdom we are now projecting GDP to con-

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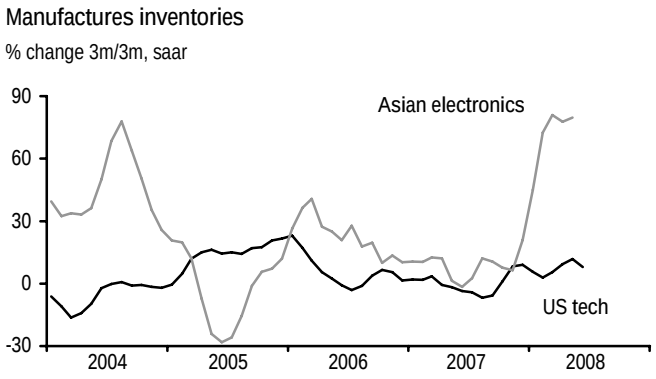

tract at an annualized pace of 1% in both 3Q and 4Q, followed by only a modest recovery in 2009. To be sure, the MPC's decision to hold rates was widely anticipated, given the likelihood that inflation will hit 5%oya over the coming three releases. But this week's inflation report will likely show inflation falling below the 2% target over the two-year horizon, opening the door for an ease in the policy rate perhaps as early as later this year. Elsewhere in the developed world, waning domestic demand is now expected to push the RBA to ease rates 50bp by year end.

In the emerging economies, the policy response to waning demand and elevated inflation continues to be mixed. The Bank of Indonesia this week hiked policy rates 25bp, citing lingering second-round effects from rising commodity prices and rising demand-pull inflation. The Bank of Korea also hiked 25bp to stem rising inflation expectations. And we now expect Chile's central bank to hike rates 50bp this week. That said, downside growth risks continue to keep the overall stance of policy accommodative across the EM, and a number of central banks are easing. Last week, the Czech National Bank (CNB) started its easing cycle earlier than expected by reducing the repo rate 25bp to 3.5%.

No policy support coming for Japan

While not officially declaring a recession, the Japanese government has downgraded its monthly economic assessment from a "pause" in the current expansion to a "weakening." Machinery orders data, including a weak forecast for 3Q, underscores how the fall in external demand is affecting business decisions. Although monetary policy remains accommodative, fiscal policy is mired in political infighting. While many politicians in the ruling LDP are calling for increased public spending ahead of the upcoming general elections, key members of PM Fukuda's new cabinet are keen to increase fiscal discipline as the gross public debt is already projected to move above 150% of GDP. This conservative stance assumes that the current weakening in growth will be short-lived. And so, while the cabinet has begun drafting stimulus measures, the size of any economic package will be small short of a more pronounced slowing in global growth.

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JPMorgan View - Global Markets

Weakness spreading to EM

Spreading growth weakness is leading us to maintain a cautious stance on risky markets. Our economists are warning us of **significant downside risks** to their forecast of stagnation in developed economies in 2H and see a 1/3 chance of a more severe recession. A stagnant developed world is probably already in the price but we still think insufficient downside risk is priced in. Economic recovery is effectively seen getting under way from 2Q of next year, at least nine months away. Looking at past slowdowns and recessions, it appears that markets typically sense the start of recovery 3-6 mths before it takes place, so by this argument the **eventual market rebound should come sometime in 4Q.**

The fall in oil prices admittedly provides some support, as it reduces inflationary pressures and provides relief to the global consumer, but by itself it is not enough to make us bullish on equities. If, as we believe, the **fall in oil prices reflects weakening global demand**, it is not positive for equities and risky markets more generally. It does suggest a rotation away from energy and commodity producers to consumers and thus is more negative for EM equities. Indeed, EM equities have underperformed developed markets by 5% in local currency terms since oil prices started coming down in mid-July.

We prefer to express our overall caution through a long in bonds and underweight in credit. Bonds have barely beaten cash in the year to date. Credit is susceptible to a new wave of financials issuance this autumn, given that credit investors are close to neutral or even slightly overweight. In equities, we are neutral outright and long vs credit, as equity investors are still underweight. We finally position for **intensification of growth weakness outside the US** through the currency markets. We stay long the dollar against the euro, kiwi, and aussie, where activity data are downshifting more markedly.

Fixed income

Bond markets continued to rally, led by Europe on dovish central bank rhetoric. We **stay long** in the US, UK, and Euro area as too much tightening or not enough easing is priced in. The European economy's slide into recession, while the US is more likely to skirt one, makes us positive on European duration relative to the US. Stay **long 10y Bunds vs USTs**.

In curves, we **take part profit on our 5s10s steepener in Euros** as curve normalization now looks complete. In the US, we also have a steepening bias due to upside risks to Treasury supply. Higher US Treasury supply is also supportive of our **overweights in Agencies, MBS, and swaps** vs USTs. We also stay **long US vs Euro breakevens**. The trade is supported by relative value and carry and our long duration bias in Euros vs the US. Falling oil prices are admittedly a headwind to this trade.

10-yr government bond yields

% p.a.

	Current	Sep 08	Dec 08	Mar 09	Jun 09
United States	3.95	3.85	4.05	4.30	4.30
Euro area	4.26	4.25	4.25	4.50	4.25
United Kingdom	4.68	4.80	4.50	4.50	4.20
Japan	1.47	1.50	1.60	1.60	1.85

Equities

	Current	YTD return (local currency)
S&P	1291	-12.7%
Topix	1260	-13.8%
FTSE 100	5489	-12.9%
MSCI Eurozone	187	-20.5%
MSCI Europe	1240	-17.2%

Credit markets

	Current	Dec 08
US high grade (bp over UST)	275	230
US high grade (bp over swaps)	179	175
Euro HG corp (bp over swaps)	91	65
USD high yield (bp vs. UST)	781	800
EMBIG (bp vs. UST)	316	250

Foreign exchange

	Current	Sep 08	Dec 08	Mar 09	Jun 09
EUR/USD	1.50	1.55	1.50	1.45	1.42
USD/JPY	110	108	110	112	115
GBP/USD	1.92	1.94	1.85	1.81	1.80

Commodities

		Quarterly average	
	Current	Sep 08	Dec 08
Gold ($/oz)	858	915	900
Copper($/m ton)	7810	8800	8000
Corn ($/Bu)	5.19	6.15	6.30

Source: JPMorgan, Bloomberg, Datastream.

Equities

We stay neutral on equities despite weakening global growth indicators because falling oil prices and underweight positions are providing an offset. While downside risks to 2H economic growth and earnings make us cautious in the near term, an expected economic recovery from 2Q of next year suggests that a market rebound should take place sometime in 4Q. So **we maintain bullish year-end targets.**

M&A activity is also supportive of equities. Strategic M&A has remained strong despite market weakness. This reflects the strong cash positions of global corporates outside the financial sector. Cash positions for S&P 500 nonfinancial companies

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remain impressive, reaching $816bn in 2Q, up $20bn from the beginning of the year and over 8.5% of assets.

The spreading and intensification of growth weakness outside the US supports an **overweight in US equities currency unhedged** to also take advantage of currency appreciation. We stay long the S&P500 vs MSCI EMU. **Small caps continue to do well vs large caps.** We remain positive on small cap relative to large cap stocks. Small cap stocks are benefiting from better earnings performance, partly due to their lower weight on financials and also because small caps have only recaptured a small portion of their previous underperformance relative to large cap shares globally.

Downshifting global activity indicators are keeping us **underweight Cyclical sectors.** This trade is also partially immune to the two most volatile sectors in the current market environment, Financials and Energy. These two sectors have historically exhibited low economic beta and thus belong to neither the Cyclical (Materials, Industrials, Consumer Discretionary, and IT) nor the non-Cyclical category (Consumer Staples, Healthcare, Telecoms).

EM equities underperfomed on signs that growth weakness is spreading to EM. Within EM we continue to favour a rotation away from this year's consensus overweights, Brazil and Russia, which are hurt by falling commodity prices, to China where falling inflation and policy stimulus lift the likelihood of a soft landing. Within **China**, we recommend increased exposure to domestic growth and demand names, and to sectors hard hit by higher inflation and tightening monetary policy.

Credit

Credit spreads widened despite stronger equity markets. Relative positions are partly to blame. Credit markets continue to face the headwind of rising downgrades and defaults. With the global economy weakening, downgrade and default rates will rise. Underweight credit both outright and against equities. **European credit continues to underperform** in HY and in CDS indices. Continue to underweight European credit vs the US in both HG and HY. Cyclical sectors are also underperforming and, as in equities, we stay underweight there.

We are **more negative on HY**. The rapid rise in downgrade rates, a forward-looking indicator of defaults, suggests that default rates have a long way to rise. Our forecast is that default rates will likely peak in 2010 at 8-10% in bonds and 12-14% in loans. At the same time, recoveries are likely to disappoint. So far this year, we had 34 defaults in loans and 18 in bonds and the recovery rates achieved were 54% and 25% respectively, well below the historical averages of 70% and 40%.

Foreign exchange

Recently, we **added to dollar longs** vs Europe (EUR, CHF, CZK) and the commodity currencies (AUD) on a view that the market would price in further backtracking on previous rate hikes, leading those currencies lower. Admittedly, these moves in rates and fx have progressed much more quickly than we expected, but none of these—one ECB cut by mid-2009, three RBA cuts—are extreme in an environment where these economies are in or approaching recession.

With any market move so front-loaded, the question is **how long to hold the trade**, a decision that hinges on the news flow and the extent of position adjustment. We doubt that the recession focus will swing back to the US and reverse recent rate/fx dynamics in the next couple of weeks, since most global activity data due last week and next are non-US. Eventually the data pendulum will swing back against the US as exports—the sector keeping US GDP prints in the black—slow, but that development is too medium-term to trade now.

Accordingly, we see little reason to cut USD longs. We stay long vs EUR, CHF, AUD, NZD, and CZK. We also stay short EUR vs GBP and SEK, as Euro area recession is least priced.

Commodities

The fall in **base metals** prices has pulled 4 out of the 5 major metals (other than copper) down close toward production breakeven levels and this should limit further declines. The metal with the most solid outlook short term is aluminum, with strong support at $2800-$2850/mt. We still see copper rebounding in 4Q based on stronger Chinese demand, but in the meantime prices could challenge $7200/mt, from the current $7450/mt. **Gold** should pull back toward $850/oz at least. **Crude** oil could see $110/bbl in the current demand environment.

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Markets - Australia and New Zealand

- **RBA language unexpectedly dovish, even though policy rate unchanged**
- **First rate cut to come in September; another by year-end**
- **RBNZ still on track to cut cash rate in September**

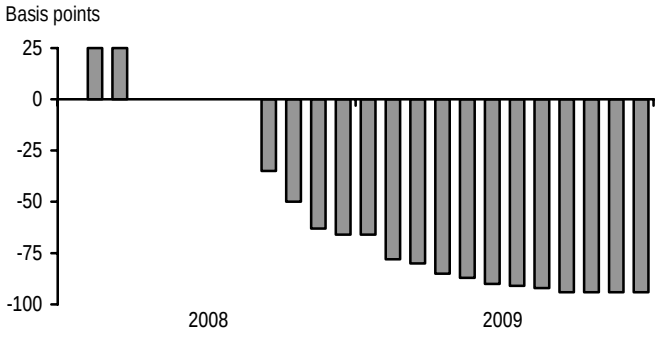
Australia

Rate cuts by the RBA before the end of the year now are all but certain. The dovish tone of last week's commentary announcing an unchanged policy rate indicated that the RBA is very close to cutting the cash rate. Indeed, the commentary signals a clear easing bias; the first rate cut probably will come in September—we expect a second 25bp rate cut before year-end. The RBA moves to an easing bias only if rate cuts are imminent. Crucially, RBA officials no longer believe the current policy stance is appropriate—the key phrase referring to the appropriate stance of policy was removed from this week's commentary. The most plausible reason officials did not cut the cash rate last week is that they had not yet signaled an intention to ease—RBA officials now have crossed that bridge.

Market talk of a 50bp rate cut this time is premature. First, it could signal that RBA officials were spooked by the abrupt slowdown in domestic demand. Second, the aim of RBA officials has been to engineer a slowdown, although even they probably would admit that things have cooled more than they anticipated. Either way, RBA officials will be reluctant to throw the economy a lifeline in the form of a 50bp rate cut as soon as there is evidence of consistent weakness. The aim now appears to be to cushion the downside for the economy, not trigger a rebound. That said, two 25bp rate cuts now are likely before year-end, in order to get the easing cycle started with something of a bang.

A key complication for the policy outlook is how quickly, if at all, the Aussie banks pass on official rate cuts to customers. The big risk is that the banks may elect to boost margins rather than pass lower short-term rates through to borrowers. Not passing on the rate hikes, though, would attract intense political pressure; the Prime Minister and Treasurer already have implied that the banks should pass on cuts in official interest rates. Banks, though, are under no obligation to comply. Competitive pressures in Australian banking are not what they were, but there probably is enough competitive tension to make it more likely than not that most of the RBA's rate cut will be passed on to customers.

RBA rate changes priced into futures market



As expected, the 3s 10s curve steepened again last week as it became more likely that the RBA was poised to cut the cash rate, so our recommended steepening position paid off. The curve started the week at +5, having moved up through zero last week, but ended the week at +8.5, having peaked at +14.5bp midweek.

The Aussie IB contract strip fully prices a 25bp RBA rate cut by September, and fully prices two 25bp rate cuts by October. In fact, nearly 100bp of RBA easing now is priced by September 2009. This is broadly in line with the JPMorgan forecast, although our forecast calls for a cash rate of 6% within a year, 125bp below the prevailing 7.25%.

New Zealand

The labour market data last week indicated that labour market conditions remained firm in 2Q. Employment rebounded 1.2%q/q after a surprise contraction in the March quarter and wage growth accelerated slightly to 0.8%q/q. But, the outlook for the domestic economy remains bleak, especially for consumers. With business confidence at 17-year lows amid soaring petrol prices and tighter credit conditions, companies are becoming increasingly reluctant to hire new workers. Firms probably will shed human capital to cut costs as economic momentum slows. Additional job insecurity and redundancies will mean that workers will continue to curb spending, which already is weak. In fact, we forecast that data this week will show retail sales contracting in real terms in 2Q for the second straight quarter.

In recent commentary, RBNZ Governor Alan Bollard said that "the weaker economy is expected to reduce pressure on resources, making it more difficult for firms to pass on costs and for higher wage claims to be agreed." Amid such

expectations, despite that inflation remains above the RBNZ's 1-3%oya target range, we expect a further three rate cuts this year to help prop up the Kiwi economy. Our forecast calls for the OCR to be 7.25% by year-end, with a 25bp cut in September, October, and December. RBNZ Governor Alan Bollard signalled in July that he was prepared to lower the OCR quickly, and there is ample scope for a projected easing in interest rates, given that real interest rates in New Zealand are among the highest in the developed world.

The NZ dollar fell around one cent against the US dollar to finish last week under $0.72. The yield on 90-day bank bills shed another 10bp to fall under 8.20%, compared to 8.7% at the end of June, amid growing expectations that the RBNZ would cut the OCR significantly in coming months.

Trade recommendations

- Hold 3s 10s Aussie curve steepener in futures we recommended last GFIMs. Expectations of RBA policy eases against a back drop of high inflation should see the curve continue to steepen. The trade has moved our way by 5bp, but probably has further to run. We recommended buying the curve at 3 last GFIMs, with a target of 25 and a stop loss at -5. The curve currently is at 8.5.
- Establish a short in Aussie Sep '08 IB contract. The market prices too high a chance of a 50bp rate cut by the RBA next month. In our view, a 25bp rate cut is more likely. Sell the Sep '08 IB contract in futures at 92.80, with a stop loss at 92.85 and target of 92.65.
- Keep position in long Kiwi 1yr 1yr, which already is in the money by 22bp. We established the position at 7% amid expectations that the RBNZ will lower the OCR to 6% by the end of 2009. Currently trading at 6.78%. Target is 6.5%, but lower the stop loss to 6.95%.

AUD and NZD Commentary

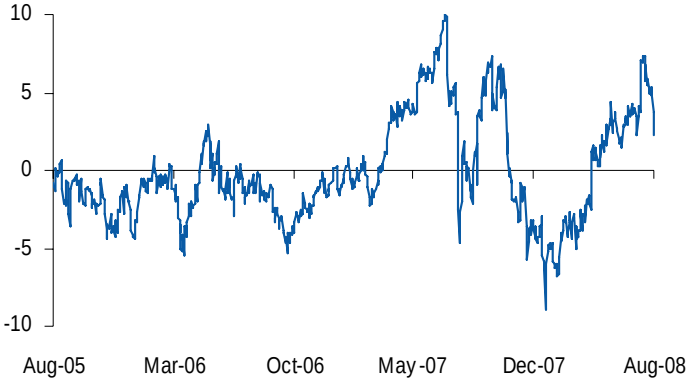
- **We believe the dollar has the most upside versus the commodity currencies since (1) central banks are/will be easing (NZD, AUD); and (2) commodity prices will stay soft until China reflates and regulatory issues around commodity investment are clarified.**
- **Technicals: Bearish action continues to develop following last week's breakdown; commodities stay weak**
- **USD appreciation has gained momentum and broadened.**
- After spending most of the past three months locked in ranges against the majors, USD has climbed against every other G10 currency over the past three weeks, rising 8.25% against AUD at one end of the spectrum and 2.9% against JPY at the other. The speed and breadth of recent moves, even in a global environment of falling rates and stock markets testifies to the sea change in recession focus to non-US markets, and the extent of short USD positions. While some markets have indeed factored in our base case on central bank policy, pessimism will overshoot until a greater force acts against it. Accordingly, we stay long dollars vs commodity currencies, but take profits on our long position vs CHF and half of our long against EUR where valuation appears stretched.
- The past week's price action in fixed income brought into play our downside risk scenario for the AUD. Aussie two-year yields have fallen about 30 bp from last Friday in the wake of the RBA's signal of a rate cut before yearend. At the same time, market concern about the possibility of a sharp slowdown in China has dragged down commodity prices broadly in line with CNY depreciation, further eroding support for the dollar bloc. In light of these developments AUD/USD appears poised to test its early-February lows, creating scope for a drop below our 87c risk forecast. An unwind of retail margin investors' substantial long AUD/JPY and NZD/JPY positions would significantly extend such a move lower. **We continue to recommend short AUD/USD positions.**
- Our China economics team remains upbeat, arguing that fiscal stimulus, slower CNY appreciation and a possible relaxation of credit restraints will cushion Chinese growth toward yearend. However, the news on fiscal policy should accumulate slowly, **leaving scope for downside data surprise to dominate the daily news flow, possibly until early fall, posing downside for commodities and the $bloc currencies.**

Technical analysis

- The bearish tone continues to develop for both AUD and NZD and the trends are still incomplete particularly given the negative setup for commodities including gold. The impulsive falls in recent weeks has led to a break of several important support levels against the USD, while suggesting further weakness is in the offing. In that regard, AUD/USD extended below the critical 0.92/.90 support levels and now suggests a near term test of the 0.8800/.8765 area with interim risk to the 0.8500 zone. Importantly, the 0.9000/.9030 area will now act as key resistance on initial bounces, but the .92/.93 zone will act as a short term ceiling.
- For NZD/USD, prices have accelerated lower following the impulsive violation of the key 0.7250/20 support area While the near term setup suggesting some initial pause, the interim risks point to further weakness with targets located at the 0.6800 uptrendline from the late-2001 low with interim risk to the 0.6642 August '07 low. Note that near term bounces will now find resistance at 0.7125/65, while the .7250/.7325 levels will act as a short term cap.

AUD/USD still looks high relative to interest rate differentials

Residual, or "mispricing," of AUD/USD relative to 3-mon, 1-yr forward rate differentials (%); regression over the past 3 years



AUD/USD - Breakdown continues

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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	2Q08	4Q08	2Q09	4Q09
The Americas														
United States	2.0	1.6	2.1	0.9	1.9	1.0	1.0	2.0	3.0	3.0	4.3	4.6	3.0	1.9
Canada	2.7	1.1	2.4	-0.3	0.8	1.5	2.3	2.5	2.8	3.0	1.9	2.4	1.7	1.9
Latin America	5.3	3.9	3.6	1.6	3.4	3.3	4.2	3.2	3.8	3.6	7.5	8.1	7.5	6.4
Argentina	8.7	6.5	3.0	2.6	6.1	6.1	6.1	2.0	1.6	0.0	9.1	9.1	8.9	9.8
Brazil	5.4	4.4	3.8	2.9	3.0	4.0	4.0	3.8	3.5	3.4	5.6	6.6	6.6	5.0
Chile	5.1	3.5	3.5	5.8	5.0	1.0	5.0	4.0	4.0	1.0	8.9	7.5	5.3	3.3
Colombia	8.2	4.6	3.7	-3.7	11.3	2.2	6.0	1.3	2.1	2.9	6.4	6.9	4.5	4.0
Ecuador	2.0	2.5	2.5	2.0	1.5	1.0	1.0	2.5	3.5	4.0	9.1	9.8	5.3	4.5
Mexico	3.2	2.4	3.5	2.1	1.0	2.0	3.0	4.1	4.1	4.5	4.9	5.6	5.0	3.9
Peru	9.0	8.5	6.1	7.5	11.2	3.0	2.3	2.6	13.5	9.0	5.5	4.8	3.5	3.1
Venezuela	8.4	3.5	3.5	-12.5	4.5	7.5	10.0	-2.5	2.5	3.5	31.0	33.6	32.5	30.5
Asia/Pacific														
Japan	2.0	1.2	0.6	4.0	-1.5	-0.5	0.2	0.7	1.2	1.7	1.4	2.0	1.6	1.0
Australia	4.3	2.8	2.6	2.5	1.3	2.6	3.2	3.2	2.0	2.4	4.3	4.5	3.6	3.3
New Zealand	3.1	0.8	1.8	-1.1	-0.2	-0.1	0.3	2.2	3.6	2.5	3.3	3.9	4.0	3.4
Asia ex. Japan	8.8	7.3	7.3 ↓	8.0	6.1	6.2 ↓	6.6 ↓	6.7 ↓	7.5 ↓	8.2 ↓	7.1	6.4 ↓	4.7 ↓	4.6
China	11.9	10.2	9.8	10.7	10.4	9.5	10.2	9.1	9.5	10.4	7.8	5.7	4.9	5.1
Hong Kong	6.4	4.8	5.0	7.3	-1.0	3.5	3.0	5.5	8.0	7.0	5.4	3.1	2.4	3.6
India	9.0	7.0	8.0	8.8	6.4	6.0	5.6	5.9	8.0	9.9	8.3	8.9	5.8	5.7
Indonesia	6.3	5.6 ↓	4.7 ↓	5.9	4.0	5.0 ↓	4.5 ↓	4.5 ↓	5.0	5.0	10.1	14.2	8.3	6.8
Korea	5.0	4.4	4.8	3.3	3.4	3.0	4.0	5.0	6.0	5.5	4.8	5.0	3.4	3.1
Malaysia	6.3	4.7 ↓	4.5 ↓	6.4	2.4	-1.2 ↓	0.8 ↓	6.6 ↓	7.0 ↓	7.4	4.9	7.1 ↓	4.9 ↓	2.3 ↓
Philippines	7.2	3.2 ↓	3.0 ↓	4.3	2.0	0.1 ↓	1.0 ↓	1.0 ↓	1.0 ↓	2.0 ↓	9.7	8.0	4.3	3.7
Singapore	7.7	3.8 ↓	4.2 ↓	14.6	-7.4	8.2 ↓	4.1 ↓	4.1 ↓	4.5 ↓	5.3 ↓	7.5	4.7 ↓	1.2 ↓	2.8 ↓
Taiwan	5.7	4.1	4.6	3.0	1.8	4.0	3.8	4.8	5.2	5.5	4.2	2.1	2.8	2.4
Thailand	4.8	4.2 ↓	4.6 ↓	5.6	1.0 ↓	0.0 ↓	1.0 ↓	2.0 ↓	3.0 ↓	5.0	7.5	11.3	6.5	5.0
Africa														
South Africa	5.1	3.1	3.2	2.1	1.9	2.3	1.6	3.4	3.8	4.6	11.6	13.1 ↓	8.2 ↓	6.4 ↓
Europe														
Euro area	2.7	1.2 ↓	0.8 ↓	2.9	-1.4 ↓	0.0	0.5	1.0	1.5	1.5	3.6	4.0 ↓	3.0	1.8
Germany	2.6	1.5 ↓	1.3 ↓	6.3	-4.0 ↓	1.0	1.2	1.8	2.0	2.0	3.0 ↓	2.9 ↓	2.0	1.8
France	2.1	1.3	1.2	1.8	0.5	0.0	0.5	1.5	1.8	1.8	3.6	3.2	2.3	2.1
Italy	1.4	0.1 ↓	0.7	2.0 ↑	-1.1 ↓	0.0	0.0	1.0	1.2	1.4	3.8	3.8	2.8	2.1
Norway	6.3	3.2	1.9	0.8	3.0	1.5	1.5	1.7	2.0	2.2	3.2	4.2	4.2	2.2
Sweden	2.9	1.2	1.4	0.6	-0.1	1.5	1.2	1.2	1.5	2.0	3.9	4.4	3.3	2.2
Switzerland	3.1	2.0	1.0 ↓	1.3	1.0	0.5	0.5	1.0	1.5	1.5 ↓	2.7	2.7 ↓	1.7 ↓	1.1 ↓
United Kingdom	3.1	1.1 ↓	0.4 ↓	1.1	0.8	-1.0	-1.0 ↓	0.5	1.0 ↓	2.0	3.4	4.9	3.4	2.1
Emerging Europe	6.5	5.9	5.5	2.8	7.3	3.7	9.9	1.2	6.6	3.4	10.3	9.3	7.8	7.3
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	6.9	5.9	2.8	3.0
Hungary	1.3	2.0	2.8	1.2	2.0	2.5	2.5	2.2	2.2	3.0	6.8	5.7	4.3	4.0
Poland	6.6	5.4	4.8	5.7	4.8	4.0	3.2	2.8	3.5	4.5	4.3	4.1	4.0	3.4
Slovak Republic	10.4	7.5	5.5	-3.1	7.5	10.5	12.0	-5.0	6.0	8.5	4.5	4.3	3.2	3.8
Romania	6.0	7.0	4.0	...	...	...	...	...	...	...	8.7	6.4	5.8	5.5
Russia	8.1	7.8	7.0	0.9	10.5	3.0	16.0	0.0	10.0	2.5	14.8	13.2	11.4	11.0
Turkey	4.5	3.8	5.2	...	...	...	...	...	...	...	10.5	10.3	8.6	7.2
Global	3.5	2.4	2.3 ↓	2.7	1.4 ↓	1.3 ↓	1.9 ↓	2.1	3.0	3.1	4.4	4.7	3.4 ↓	2.5
Developed markets	2.4	1.4	1.4	2.0	0.3 ↓	0.4	0.7	1.4	2.1	2.2	3.5	3.9	2.8	1.8
Emerging markets	7.5	6.1	6.0 ↓	5.4	5.6	5.0 ↓	6.5 ↓	4.8 ↓	6.4	6.1 ↓	7.8	7.5	6.0	5.5

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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	3.81	-91				3.84	3.86	3.94	4.10	4.48
excluding US	GDP-weighted average	4.66	19				4.70	4.75	4.75	4.74	4.82
Developed	GDP-weighted average	2.85	-129				2.84	2.84	2.91	3.11	3.57
Emerging	GDP-weighted average	7.69	64				7.85	8.03	8.12	8.13	8.15
Latin America	GDP-weighted average	9.94	113				10.50	10.99	10.98	10.95	10.88
CEEMEA	GDP-weighted average	6.30	121				6.45	6.58	6.67	6.43	6.17
EM Asia	GDP-weighted average	6.70	37				6.73	6.80	6.94	7.09	7.32
The Americas	GDP-weighted average	2.94	-265				3.00	3.05	3.26	3.67	4.53
United States	Federal funds rate	2.00	-325	30 Apr 08 (-25bp)	16 Sep 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)	8.50	8.50	8.50	8.50	8.50
Chile	Discount rate	7.25	175	10 Jul 08 (+50bp)	14 Aug 08	**14 Aug 08 (+50bp)**	8.00	8.00	8.00	7.50	6.50
Colombia	Repo rate	10.00	75	25 Jul 08 (+25bp)	15 Aug 08	1Q 09 (-25bp)	10.00	10.00	9.75	9.75	9.50
Peru	Reference rate	**6.25**	150	**7 Aug 08 (+25bp)**	11 Sep 08	**4Q 08 (+25bp)**	6.25	6.50	6.50	6.50	6.50
Europe/Africa	GDP-weighted average	4.80	20				4.82	4.83	4.80	4.69	4.63
Euro area	Refi rate	4.25	25	3 Jul 08 (+25bp)	4 Sep 08	on hold	4.25	4.25	4.25	4.25	4.25
United Kingdom	Repo rate	5.00	-75	10 Apr 08 (-25bp)	4 Sep 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	on hold	4.50	4.50	4.50	4.50	4.50
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	**3.50**	25	**7 Aug 08 (-25bp)**	25 Sep 08	25 Sep 08 (-25bp)	3.25	3.25	3.00	3.00	3.00
Hungary	2-week deposit rate	8.50	75	26 May 08 (+25bp)	25 Aug 08	2Q 09 (-25bp)	8.50	8.50	8.50	8.25	7.75
Poland	7-day intervention rate	6.00	125	25 Jun 08 (+25bp)	27 Aug 08	24 Sep 08 (+25bp)	6.25	6.25	6.25	6.00	5.50
Romania	Base rate	10.25	325	31 Jul 08 (+25bp)	25 Sep 08	25 Sep 08 (+25bp)	10.50	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)	26 Aug 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	**Apr 09 (-50bp)**	12.00	12.00	12.00	11.00	10.50
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	Apr 09 (-25bp)	16.75	16.75	16.75	16.00	14.50
Asia/Pacific	GDP-weighted average	3.75	21				3.75	3.77	3.81	3.96	4.18
Australia	Cash rate	7.25	75	4 Mar 08 (+25bp)	2 Sep 08	**Sep 08 (-25bp)**	7.00	6.75	6.50	6.00	6.00
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)	17 Sep 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	**5.25**	25	**7 Aug 08 (+25bp)**	10 Sep 08	**on hold**	5.25	5.25	5.25	5.25	5.25
Indonesia	BI rate	**9.00**	75	**5 Aug 08 (+25bp)**	4 Sep 08	**on hold**	9.00	9.00	9.00	9.00	9.00
India	Repo rate	9.00	125	29 Jul 08 (+50bp)	24 Oct 08	24 Oct 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	3.75	3.75	3.75	3.75
Taiwan	Official discount rate	3.625	50	26 Jun 08 (+12.5bp)	Sep 08	Sep 08 (+12.5bp)	3.75	3.75	3.875	4.00	4.00

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	7.7	7.2	5.8	7.1	7.2	7.6	7.8	7.8	7.7	7.5	7.3	7.0	7.0
10-year bond yield (%)*	5.6	6.4	6.4	5.6	5.7	6.4	6.1	6.4	6.5	6.5	6.5	6.5	6.3	6.2
US$/A$*	0.75	0.93	0.89	0.74	0.77	0.91	0.91	0.94	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
11 Aug	12 Aug Australia: NAB business confidence (11:30am) Jul	13 Aug Australia: Westpac consumer confidence (10:30am) Aug 6.0%m/m, sa Wage cost index (11:30am) 2Q 1.1 %q/q, sa New Zealand: PPI (10:45am) 2Q 1.3 %q/q	14 Aug New Zealand: PMI (12:00pm) Jul	15 Aug New Zealand: Retail sales (10:45am) Jun -0.4 %m/m, sa
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
25 Aug	26 Aug New Zealand: Trade balance (10:45am) Jul RBNZ inflation expectation (03:00pm) 3Q	27 Aug Australia: Construction work done (11:30am) 2Q	28 Aug Australia: Private capital expenditure (11:30am) 2Q New Zealand: Money supply (01:00pm) Jul NBNZ business conf. (01:00pm) Aug	29 Aug Australia: Private sector credit (11:30am) Jul New Zealand: Building permits (10:45am) Jul
1 Sep Australia: Current account (11:30am) 2Q Company profits (11:30am) 2Q Inventories (11:30am) 2Q	2 Sep Australia: Building approvals (11:30am) Jul Retail sales (11:30am) Jul	3 Sep Australia: GDP (11:30am) 2Q New Zealand: ANZ commodity price (01:00pm) Aug	4 Sep Australia: Trade balance (11:30am) Jul	5 Sep Australia: Foreign reserves (04:30pm) 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
11 - 15 August	**11 August**	**12 August**	**13 August**	**14 August**	**15 August**
China • Money supply (Jul) • Trade balance (Jul) United States • Senior Loan Officer Survey (3Q)	France • IP (Jun) Norway • CPI (Jul)	Canada • Trade balance (Jun) China • CPI (Jul) Japan • Consumer sent (Jul) • IP final (Jun) United Kingdom • CPI (Jul) United States • Trade balance (Jun)	China • Retail sales (Jul) Euro area • IP (Jun) Japan • GDP 1st est (2Q) Norway • Norges bank meeting Poland • CPI (Jul) United Kingdom • Labor market report (Jul) United States • Business inventories (Jun) • Import prices (Jul) • Retail sales (Jul)	Chile • BCCh meeting China • IP (Jul) Euro area • GDP flash (2Q) • HICP final (Jul) France • Employment (2Q) Japan • Tertiary sector act index (Jun) South Africa • SARB meeting Turkey • CBRT meeting United States • CPI (Jul)	China • FAI (Jul) Colombia • BanRep meeting Japan • Reuters Tankan (Aug) Mexico • Banxico meeting United States • Consumer sent prelim (Aug) • IP (Jul) • NY Fed survey (Aug)
18 - 22 August	**18 August**	**19 August**	**20 August**	**21 August**	**22 August**
Japan • Nationwide dept store sales (Jul)	Euro area • Trade balance (Jun) Mexico • IP (Jun) United States • NAHB survey (Aug)	Germany • ZEW business survey (Aug) Japan • BoJ meeting Russia • IP (Jul) South Africa • GDP (2Q) United States • Housing starts (Jul) • PPI (Jul)	Japan • All sector act index (Jun) Poland • IP (Jul)	Canada • CPI (Jun) Euro area • PMI flash (Aug) Japan • Trade balance (Jul) United Kingdom • Retail sales (Jul) United States • Philly Fed survey (Aug)	Euro area • Industrial new orders (Jun) Euro area bus surveys • Belgium BNB (Aug) • Netherlands CBS (Aug) Japan • BoJ minutes: Jul 14-15 Taiwan • GDP (2Q) United Kingdom • GDP (2Q)

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