JPMorgan

Australia and New Zealand - Weekly Prospects

Summary

- The **RBA's** quarterly Statement on Monetary Policy last week signaled clearly that RBA officials are close to cutting the cash rate. Officials are placing significantly more emphasis on the downside risks to growth than the upside risks to inflation. We expect the first rate cut to be a 25bp move in early September. In our view, 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 that the economy is stumbling. Indeed, the easing cycle will end with the cash rate still on the tight side of neutral. Also, AUD's steep decline lessens the need for the RBA to kick the easing cycle off with a 50bp move, even though each of the last two easing cycles—in 1996 and 2001—started with 50bp cuts. The economic circumstances at the start of each of these easing cycles were significantly different from those prevailing now. This week's RBA Board minutes probably will endorse the view that the cash rate will be cut 25bp in September.

- Retail sales data were the highlight in **New Zealand** last week in what otherwise was a very quiet week. In real terms, retail sales slumped 1.5%q/q in 2Q, the largest fall on record; this was the first time since June 1998 that volumes have fallen in two consecutive quarters. The negative wealth effects from the sharp deterioration in the housing market and rising living costs clearly have led consumers to rein in discretionary spending. Consumer spending should recover in 2009, however, now that the RBNZ has embarked on what is likely to be an extended easing cycle. Inflation remains elevated, however, and producer price data this week should show that pipeline pressures persist.

- The **global economy** is sputtering amid a widening in the slowdown from the United States to Western Europe and Japan. Last week's reports confirmed that output in 2Q contracted in the Euro area and Japan. In both cases, these outcomes were exaggerated by calendar and holiday configurations and unusual weather, which boosted 1Q activity at the expense of 2Q. Still, a clear declining trend in the monthly business surveys in both regions suggests that underlying momentum has weakened considerably past midyear. Our Euro area and Japan GDP forecasts have been marked down to reflect continued, mild contraction in output in 3Q, followed by stagnation in 4Q.

- The deteriorating growth backdrop and the prospective fall in headline **inflation** is reverberating through the policy space. Our forecast for global policy interest rates is coming down. The extended period of subpar growth is forecast to induce a reluctant ECB to ease 75bp next year. The Bank of England's latest inflation report has opened the door to a November ease. And in the EM, last week's communications from central banks in the South Africa, Turkey, and Mexico signaled that their tightening cycles were over. There also is an increased likelihood of fiscal stimulus outside of the United States. Likely candidates include the United Kingdom, Spain, Japan, and numerous EM countries including China.

This week's highlight

The highlight will be the minutes from the RBA's board meeting in early August, when officials signaled that the cash rate is about to be lowered. The minutes will be interesting for, hopefully, revealing why the RBA did not cut the cash rate in early August.

Contents

JPMorgan Australia Ltd., Sydney
www.morganmarkets.com

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

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

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

Data and event previews - Australia and New Zealand

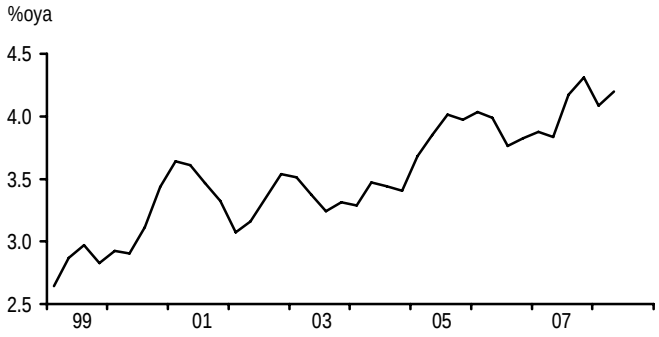
Date [(a)]	Data/event	Forecast			Comment
		JPMorgan	Consensus	*Previous*	
Tuesday, 19 August (8.45am)	**NZ PPI (Q2, q/q)**	**2.0**	na	2.3	Producer input prices in New Zealand likely rose 2.0%q/q in 2Q after spiking 2.3% in 1Q. Output prices probably grew 1.3%q/q, slowing from 1.8% previously. The significantly faster rate of growth in input prices relative to output prices suggests producers still are finding it difficult to pass rising costs on to consumers; this is leaving profit margins squeezed, although this is not surprising given the recent sharp slowdown in domestic demand. Despite significant pipeline pressures, the RBNZ has embarked on what is likely to be an extended easing cycle. We maintain our forecast that the RBNZ will cut the OCR by 25bp in September, October, and December, taking the key rate to 7.25% by year end.
Tuesday, 19 August (11:30am)	**RBA Board minutes**	**na**	na	na	The release of the minutes of the RBA's Board meeting from earlier this month should provide further confirmation that the next move in the cash rate will be a 25bp cut in September. That said, the Board minutes are unlikely to provide many revelations—the statement released earlier this month announcing an unchanged cash rate made clear that the emphasis of policymakers has shifted decisively in favour of cushioning the downside for the economy, at the expense, at least in the near term, of focusing on inflation. RBA officials still believe the prevailing policy rate is appropriate–if not, they would have adjusted the policy rate earlier this month—but the scope to move to a less restrictive policy rate clearly has increased. We characterise the first move down in the cash rate in September as RBA officials removing their collective foot from the brake on the economy, not stepping on the accelerator. Indeed, the RBA will move in measured steps, with each move dependent on the data flow and the behaviour of the banks. The easing cycle probably will end with the policy rate still above neutral.
Thursday, 20 August (8:45am)	**NZ visitor arrivals (July, m/m)**	**na**	na	*-1.4*	Visitor arrivals probably will slow in August, owing to rising travel costs. According to Bloomberg, jet fuel prices increased 60% in the year to March. A slowdown in the tourism industry will be another key drag on economic growth given that tourism accounts for 10% of the economy.
Thursday, 20 August (8:45am)	**NZ credit card spending (July, m/m)**	**na**	na	*3.3*	New Zealand credit card spending growth slowed to 3.3% annually in June from 5.9% recorded in May, and probably will remain weak in July given monetary conditions remain tight.
Friday, 19 August (11.30am)	**Aust. new vehicle sales (July, m/m)**	**-3.0**	na	*1.0*	Vehicle sales rose in June as the increase in the luxury car tax pulled purchases forward from later months. Car sales probably fell 3% in July, as sales of higher-priced vehicles dropped sharply as the new tax rate kicked in.

(a) Australian Eastern Standard Time.

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

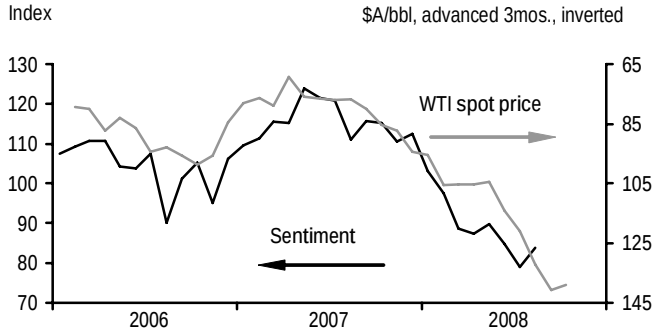
Feature charts

Australia - labour price index - private sector



The 1.2%q/q bounce in the Australian labour price index was the largest in the 11-year history of this data series. It took annual growth in wages to 4.2%oya, equal to the high set last year. Growth in private sector wages is slightly below last year's peak, but accelerating. The drop in the jobless rate in recent years means wages growth probably will continue to rise in the near term, before easing back in 2009.

Australia: consumer sentiment and crude oil price



Consumer confidence surged 9.1%m/m in August in response to falling petrol prices, down 8% over the last month, and growing speculation of an imminent rate cut. In the three months prior to August, petrol prices had spiked 15%, leading to a sharp fall in consumer confidence; the index fell from a reading of nearly 90 to just 79 during this period. in August, rate cut speculation drove a significant improvement in sentiment toward family finances and family finances in the year ahead.

New Zealand: days to sell vs. house prices

Kiwi consumers continue to face significant headwinds owing, in part, to the negative wealth effects from the rapidly deteriorating housing market. The median house price was unchanged in July, according to the REINZ, but the average number of days it took to sell a house rose to 58 from 53. Now that the RBNZ has embarked on what is likely to be an extended easing cycle, however, consumers should be looking forward to some interest rate relief.

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

Australia

- **RBA reaffirmed rate cut expectations**
- **Aussie wage growth accelerated in 2Q**
- **Consumer confidence spikes on falling petrol prices**

The RBA's quarterly Statement on Monetary Policy last week signaled clearly that RBA officials are close to cutting the cash rate. Officials are placing significantly more emphasis on the downside risks to growth, as opposed to the upside risks to inflation. That said, economic data, including the wage cost index and confidence numbers, reduced the likelihood that the easing cycle will commence with a 50bp cut. We expect the first rate cut to be a 25bp move in early September, followed by a second 25bp in 4Q.

RBA reaffirms rate cut expectations

The tone of the RBA's quarterly Statement on Monetary Policy (SMP) mirrored the tone of the early July policy announcement. In line with recent, more dovish RBA verbiage, the SMP signaled clearly that RBA officials are close to cutting the cash rate. In particular, officials now place significantly more emphasis on the downside risks to growth in the economy than the upside risks to inflation. We expect the first rate cut to be a 25bp move in early September, followed by a second 25bp cut before year end.

The RBA reiterated that the scope to move to a less restrictive policy stance is increasing, although also indicated that the current policy stance is appropriate for the time being. Importantly, the RBA now forecasts headline inflation to peak later this year at 5%oya—double the midpoint of the RBA's target range. The upward revision to the RBA's inflation forecast seems to diminish the chances of a more aggressive start to the easing cycle.

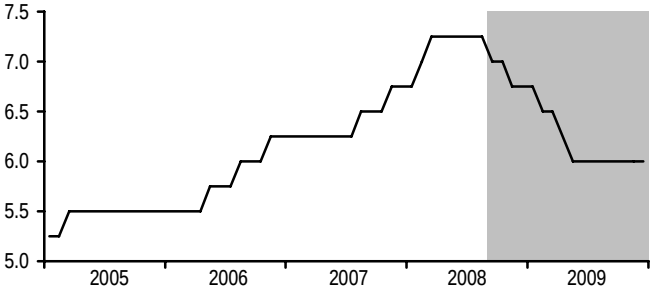
We believe talk of a 50bp rate cut was premature. First, it could send the unwanted signal that RBA officials were spooked by the abrupt slowdown in the indicators of domestic demand. Second, the RBA has tightened policy in recent years to engineer a slowdown. RBA officials, therefore, will be reluctant to throw the economy a lifeline in the form of a 50bp rate cut as soon as there is evidence that the economy is stumbling. With inflation still above target, the aim is to lessen the chances of the economy sinking, not fire up the engines with aggressive policy support. Last week's wage data and confidence numbers weakened the case for a 50bp cut in September.

Australia: RBA inflation forecasts
%oya

	Headline inflation		Core inflation	
	RBA	**Actual/JPM**	**RBA**	**Actual/JPM**
Mar-08	-	4.2	-	4.1
Jun-08	-	4.5	-	4.4
Dec-08	5.0	4.4	4.5	4.7
Jun-09	3.75	3.2	3.75	4.1
Dec-09	3.25	3.0	3.25	3.4
Jun-10	3.0	na	3.0	na
Dec-10	2.75	na	2.75	na

Source: RBA, JPMorgan

Australia: RBA cash target rate
%



Furthermore, a 50bp cut might induce an inflationary plunge in AUD that RBA officials probably want to avoid. AUD's precipitous rate of decline in recent weeks shows no sign of slowing. It has slipped from close to US$0.95 at the start of August to end the week under $0.87. Not only does AUD's demise risk higher imported inflation—core inflation already is tracking well above the RBA's 2-3%oya target range—it does some of the heavy lifting for the RBA in terms of loosening monetary conditions. Indeed, AUD's steep decline lessens the need for the RBA to kick the easing cycle off with a 50bp move, even though each of the last two easing cycles—in 1996 and 2001—started with 50bp cuts. The economic circumstances at the start of each of these easing cycles were significantly different from those prevailing now.

The SMP listed a number of areas in which domestic economic activity has slowed. In particular, there has been a "significant moderation" in consumer spending (highlighted by consecutive quarterly declines in real spending), household wealth contracted in 1H08, some firms have scaled back investment plans, and there are early signs that demand for labour has cooled. The SMP also highlighted that many observers expect growth in the global economy to be "well below the pace of

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

recent years." On the flipside, the terms of trade are still a significant support to national income. RBA officials remain unclear about which of these "opposing forces" will be dominant.

On inflation, the RBA now expects inflation to be higher in both 2008 and 2009; the forecast for 2010 was unchanged (table). Its assumptions still show underlying inflation above the 2-3% target range until mid-2010. According to the RBA, inflation (both headline and underlying inflation) will not be back within the target range until the end of 2010.

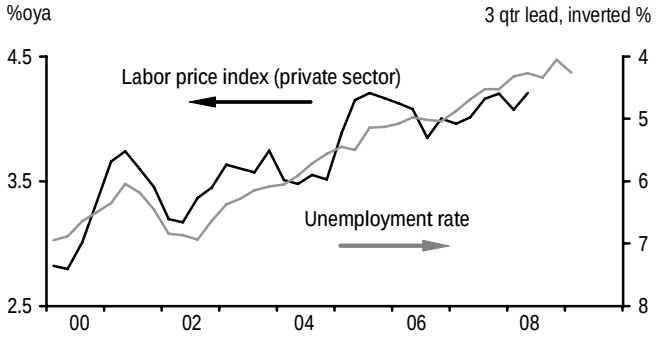
In the past, a forecast profile showing inflation above target for an extended period would have the RBA on a tightening bias. Now, though, the slowdown in domestic demand is becoming increasingly obvious, and probably is more abrupt than RBA forecasters had expected. In turn, officials are indicating that they will look through elevated inflation prints in coming quarters, in the expectation that the weakness in domestic demand will drag inflation back toward target within a reasonable period of time. The RBA expects "a significant reduction in inflation over time."

Behaviour of banks a key complication

A key complication for the policy outlook, however, is how quickly and fully the domestic commercial banks pass on official rate cuts. The big risk is that the banks will 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 rates. Banks, though, are under no obligation to comply. Competitive pressures in Australian banking are not what they were, but the competition probably is fierce enough to make it more likely than not that most, if not all, of the RBA's rate cuts will be passed on.

The release this week of the minutes of the RBA's Board meeting from earlier this month should provide further confirmation that the next move in the cash rate will be down. The Board minutes are unlikely to provide many revelations—the statement released earlier this month announcing an unchanged cash rate make clear that the emphasis of policymakers has shifted decisively in favour of cushioning the downside for the economy, at the expense, at least in the near term, of focusing on inflation.

Australia: labor price index and unemployment



RBA officials still believe the prevailing policy rate is appropriate–if not, they would have adjusted the policy rate earlier this month—but the scope to move to a less restrictive policy rate clearly has increased. We characterise the first move down in the cash rate in September as RBA officials removing their collective foot from the brake on the economy, not them stepping on the accelerator. Indeed, the RBA will move in measured steps, with each move dependent on the data flow and the behaviour of the banks.

Wage growth accelerated in 2Q

The labour price index (LPI) excluding bonuses showed an unexpectedly high 1.2%q/q rise in 2Q (JPMorgan 1.1%, consensus 1.0%). This delivered a surprise acceleration in the annual rate of wage growth to 4.2%oya, up slightly from the 4.1% gain in 1Q. The quarterly rise was the highest in the history of the LPI, dating back to 1997—the annual growth in the LPI of 4.2% in 2Q matched the previous record high set in the second half of 2007 and in 2005.

It seems, though, that the widespread anecdotes of extravagant wage increases in mining and related sectors, and the recently agreed significant pay rises for public and private sector employees—in sectors as diverse as airlines, teaching, law enforcement, engineering, and healthcare—are yet to be reflected in the economywide data. This wage pressure probably still is in the pipeline, owing to the strong growth in employment in recent years. The gradual rise in the jobless rate in 2008 eventually will help cap wage growth but, in the meantime, wage growth probably will accelerate toward 4.5%oya, the upper limit of the RBA's unofficial comfort zone.

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

Aussie consumer confidence surged

Consumer confidence surged 9.1%m/m in August (JPMorgan +6.0%), after slumping 6.7% in July and falling 5.6% in June. The Westpac-Melbourne Institute's consumer sentiment index rose from 79.0 to 83.8, although it still is 32% lower than its May 2007 peak. The index reading remains well below the 100 level, where the number of optimists equals that of pessimists.

The improvement in confidence was expected given recent falls in petrol prices (down 8% over the last month), growing speculation that the RBA will cut interest rates this year, and the personal income tax cuts delivered from July 1. In particular, high petrol prices have had a major dampening impact on sentiment in recent months. In the three months prior to August, official interest rates were stable but petrol prices spiked 15%, leading to a sharp fall in consumer confidence; the index fell from a reading of nearly 90 to just 79 over this period.

From the previous month, sentiment fell in only one of the five categories of the index—sentiment toward the economy in five years' time (-3.7%). In response to growing speculation that an RBA rate cut is imminent, there was a significant improvement in sentiment toward family finances (+18.0%), family finances in the year ahead (+16.9%), and the economy in one year's time (+14.8%). Sentiment toward whether now is a good time to buy a major household item also improved (+4.1%).

Data releases and forecasts

Week of August 18 - 22

Tue Aug 20 11:30am — RBA Board monetary policy minutes

Wed Aug 20 10:30am — WMI leading index
Seasonally adjusted

	Mar	Apr	May	Jun
(%m/m)	0.1	0.4	0.0	__

Thu Aug 21 11:30am — Sales of new motor vehicles
Units, seasonally adjusted

	Apr	May	Jun	Jul
(%m/m)	-0.3	-1.5	1.0	__
(%oya)	3.9	2.4	1.4	__

Review of past week's data

NAB monthly business survey
% balance, seasonally adjusted

	May	Jun	Jul	
Business confidence	-4	-9	__	*-9*

WMI consumer sentiment index
100=neutral, seasonally adjusted

	Jun	Jul	Aug	
(%m/m)	-5.7	-6.7	~~6.0~~	*9.1*

Labor price index
Seasonally adjusted

	4Q07	1Q08	2Q08	
(%q/q)	1.1	0.9	~~1.1~~	*1.2*
(%oya)	4.2	4.1	~~4.1~~	*4.2*

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

New Zealand

- **NZ retail sales slumped in June quarter**
- **Economy to contract again in 2Q**
- **Pipeline pressures persist**

Retail sales data were the highlight in New Zealand last week in what otherwise was a very quiet week. In real terms, retail sales slumped 1.5%q/q in 2Q, the largest fall on record; this was the first time since June 1998 that volumes have fallen in two consecutive quarters. The negative wealth effects from the sharp deterioration in the housing market and rising living costs clearly have led consumers to rein in discretionary spending. Consumer spending should recover in 2009, however, now that the RBNZ has embarked on what is likely to be an extended easing cycle.

Pipeline pressures still at large

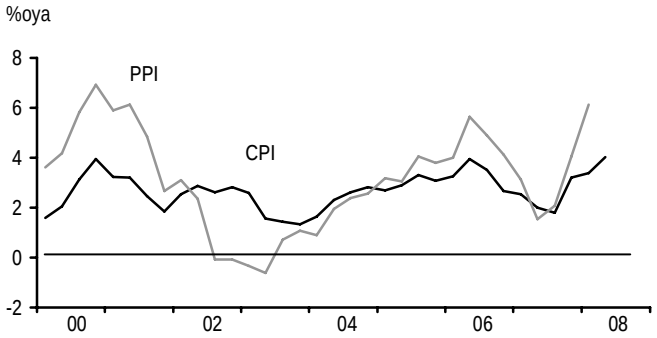
Producer input prices likely rose 2.0%q/q in 2Q after spiking 2.3% in 1Q. Output prices are expected to have grown 1.3%q/q, slowing from 1.8% previously. The significantly faster rate of growth in input prices than output prices suggests that producers are still finding it difficult to pass rising costs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

Retail sales volumes slumped in 2Q

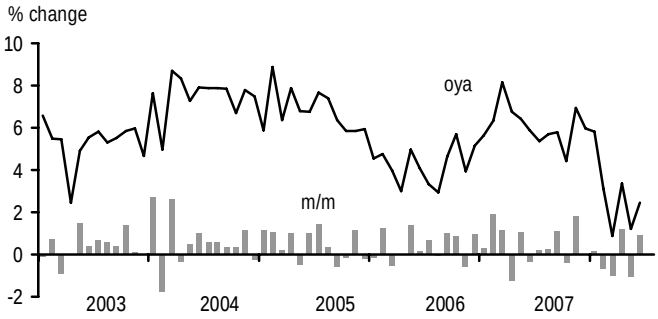
Retail sales values unexpectedly spiked 0.9%m/m in June (JPMorgan -0.4%, consensus 0.0) after slumping 1.1% in May. There also was unexpected strength in the underlying data. Ex-auto sales were flat in June (rather than negative as forecast) after rising 0.8%m/m in May, signaling that underlying consumer spending held up. Thirteen of the 24 retail industries recorded sales increases in June. The largest increases were in motor vehicle retailing (+5.2%) and automotive fuel retailing (+2.6%). Of the 11 retail industries to record sales decreases, the largest decrease was in department stores (-8.7%). Each of the four auto-related industries reported higher sales, with the largest increase recorded in motor vehicle retailing (+5.2%).

In real terms, retail sales declined 1.5%q/q in 2Q (JPMorgan -1.9%, consensus -1.8%), the largest fall on record, owing mainly to a decline in volumes of motor vehicle retailing. This was the first time since June 1998 that volumes have fallen in

New Zealand: CPI and PPI



New Zealand: retail trade



two consecutive quarters—in 1Q sales volumes fell 1.2%q/q. Weak private consumption growth was a key driver of the contraction in the economy in 1Q, when GDP growth declined 0.3%q/q. Our forecast calls for GDP growth of -0.5%q/q in 2Q, meaning New Zealand's economy will have endured a technical recession in the first half of 2008. This recession, though, is likely to be prolonged, with our forecast calling for another contraction in the economy in 3Q (-0.3%q/q).

Kiwi consumers will continue to face significant headwinds in coming months, owing partly to the negative wealth effects from the sharp deterioration in the housing market, high interest rates, and elevated petrol prices. Furthermore, weak business confidence suggests that companies will become increasingly reluctant to hire workers, meaning that the unemployment rate will trend north. While the near-term outlook for retailers is bleak, some improvement in sales can be expected toward the end of 2008 and into 2009 now that the RBNZ has embarked on what is likely to be an extended easing cycle. We maintain our forecast that the RBNZ will cut the OCR by another 25bp in September, October, and December, taking the key rate to 7.25% by year end.

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

Data releases and forecasts

Week of August 18 - 22

Tue Aug 19 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 21 10:45am — **Visitor arrivals**
Not seasonally adjusted

	Apr	May	Jun	Jul
Total (%m/m)	-11.8	9.1	-1.4	__

Thu Aug 21 10:45am — **Net permanent immigration**

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

Thu Aug 21 03:00pm — **Credit card spending**
Seasonally adjusted

	Apr	May	Jun	Jul
(%m/m)	3.9	-1.2	-0.7	__
(%oya)	8.2	5.9	3.3	__

Review of past week's data

QVNZ house prices
%, median

	May	Jun	Jul	
(%oya)	2.4	0.1	__	*-2.2*

Business PMI
Seasonally adjusted

	May	Jun	Jul	
Index	49.3	45.3	__	*48.8*
(%oya)	-12.1	-9.2	__	*-11.1*

Retail trade
Seasonally adjusted

	Apr		May		Jun	
(%m/m)	1.2		~~1.2~~	*-1.1*	~~-0.4~~	*0.9*
(%oya)	~~3.1~~	*3.4*	~~1.1~~	*1.2*	~~0.9~~	*2.7*

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

Global Essay

- **Global growth to reach expansion low of 1% this quarter**
- **Euro area and Japanese economies to contract back to back in 2Q and 3Q**
- **BoE easing cycle to begin in November; ECB to ease 75bp next year**
- **EM growth moderating to trend, including China**

Summer sputter

The global economy is sputtering amid a widening in the slowdown from the United States to Western Europe and Japan. Last week's reports confirmed that output in 2Q contracted in the Euro area and Japan. In both cases, these outcomes were exaggerated by calendar and holiday configurations and unusual weather, which boosted 1Q activity at the expense of 2Q. Still, a clear declining trend in the monthly business surveys in both regions suggests that underlying momentum has weakened considerably past midyear. Our Euro area and Japan GDP forecasts have been marked down to reflect continued, mild contraction in output in 3Q, followed by stagnation in 4Q.

The 2Q growth downshift in Europe and Japan occurred against the backdrop of a marked acceleration in the US economy. Based on June data for international trade and business inventories, we now estimate that US GDP expanded 2.7% in 2Q (q/q, saar). This acceleration in the US economy is fading as the fillip from the income tax rebates wanes. This week we cut our current-quarter GDP growth forecast to just 0.5%, based on evidence that consumer spending will contract for the first time since 4Q91.

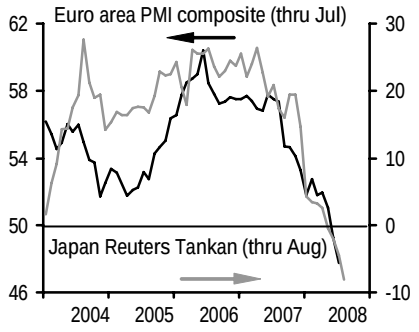
A major factor behind the deterioration in the growth backdrop is higher global inflation, which reached an estimated 5.1%oya in July, led by a spike in the United States. Rising inflation has squeezed household real incomes, especially in the developed world, and curtailed real spending. This squeeze, along with other drags, is expected to limit global GDP growth to a mere 1% this quarter, the weakest outcome since the middle of 2001.

That said, a prospective fading of the purchasing power squeeze, continued accommodative policy, and the more vibrant growth picture in the emerging economies are expected to prevent a global recession. The inflation surge is poised to reverse course in 2H. Slowing oil demand, increased agricultural yields, and the stronger US dollar are tempering commodity prices. The lags between movements in commodity prices and retail prices are short, suggesting that global consumer price inflation will peak during the current quarter (both sequentially and in %oya terms), unless commodity prices reaccelerate.

The deteriorating growth backdrop and the prospective fall in headline inflation is reverberating through the policy space. Our forecast for global policy interest rates is coming down. The extended period of subpar growth is forecast to induce a reluctant ECB to ease 75bp next year. The BoE's latest inflation report has opened the door to a November ease. And in the EM, last week's communications from central banks in the South Africa, Turkey, and Mexico signaled that their tightening cycles were over. There also is an increased likelihood of fiscal stimulus outside of the US. Likely candidates include the UK, Spain, Japan, and numerous EM countries including China.

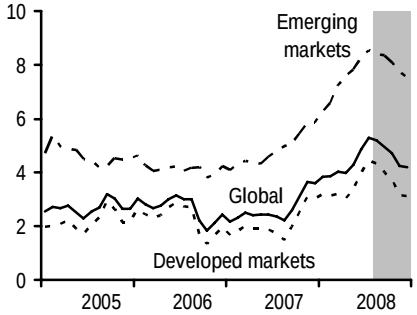
Business surveys

DI, both scales

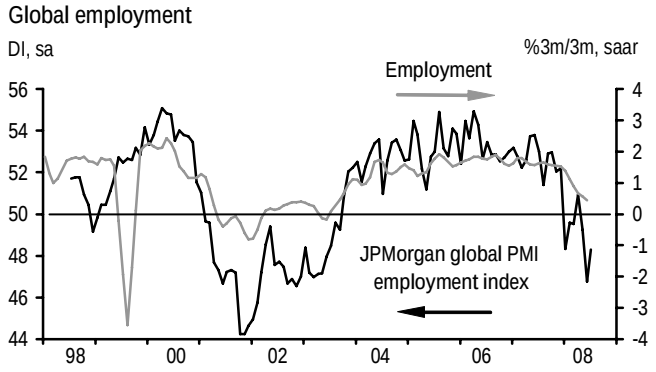


Consumer prices

%oya; forecast begins Aug 08



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



A key risk factor is business behavior. Nonfinancial corporations entered this slowdown on very strong footing in terms of profit margins and balance sheets. The forecast has assumed that businesses—which were cautious in their hiring for much of the expansion—would not retrench aggressively in response to slower demand. In the event, US businesses moved forcefully to cut costs in 1H08 despite the continued growth of final sales. The recent surge in US jobless claims sends a warning that the pace of US job-cutting may be intensifying, even if this signal is distorted by the recent extension of unemployment benefits. There also has been a significant deterioration in some European labour market indicators, including household unemployment fears in the Euro area, the claimant count in the UK, and the PMI employment index in both. Should businesses in the major economies begin to shed payrolls aggressively, the resulting decline in household incomes could further curtail spending and produce a broad-based recession.

A deeper slowdown in the Euro area

The economy stumbled last quarter in the Euro area and it appears increasingly likely that the region is in for a protracted slowdown, similar to the low-growth rut that occurred from 2001 to 2003. Our revised forecast now anticipates an eighteen month period of growth averaging just 0.5% annualized. The forecast was marked down for three reasons.

First, the sharp downward momentum in key data points to a dramatic loss of momentum. It is possible that this was exaggerated by the spike in oil prices—this week's flash PMI for August will provide some indication of whether this factor was important. Second, there is increasing evidence from labor and capital spending indicators that corporates have started to retrench in response to the sharper than expected slowdown in demand and the increase in labor and other costs. This adjustment will weigh on demand further in the second half of the year. Third, the important cushions that typically help the region to find a trough and then recover, including an easing of monetary policy and a turn up in exports, are not being put in place at the moment. To be sure, the recent fall in both the price of oil and in the euro will relieve downside pressure, but not by much.

An extended period of subpar growth will create resource slack. Domestically generated inflation is likely to start easing over the course of next year with further downward momentum in 2010. With global inflation pressures also fading as commodity prices come down, the ECB will likely ease policy at some point next year. We now anticipate 75bp of monetary easing in 2009.

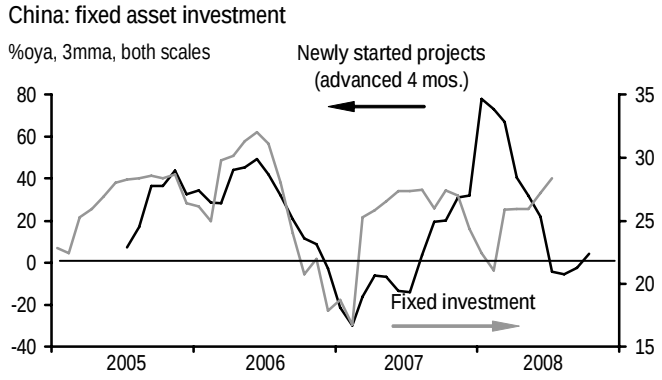
Whereas an extended slowdown is in store for the Euro area, it appears that the UK economy has tipped into recession. While the magnitude of the current shift downward in consumption growth remains in question, a relatively modest and slow adjustment in levels of employment was expected to cushion households. But the July data show a marked step up in inflows to unemployment, and business survey data on employment have been weakening sharply. Although the official data on redundancies do not report a big shift toward labor shedding and aggregate employment managed a small gain in the three months to May, the possibility of a significant downturn in employment is rising.

Last week's MPC inflation report notes that inflation is likely to hit 5%oya in the coming few months. But forecasting a drop below 2% in the medium term pushes open the door to an easing later this year. To be sure, the MPC needs to believe that the risks around that central forecast have become more balanced before it will be prepared to cut. And potentially volatile developments in oil prices, sterling, forward nominal and break-even rates, and market expectations of policy moves are shaping the MPC's view of inflation risks. But assuming no unfavorable surprises from those variables, and with GDP likely to contract in 3Q, we have penciled in a first cut from the MPC in November.

China moderating to 9% 2H growth pace

Although growth is moderating in emerging economies, the 2H08 forecast envisions a return from red-hot to near-trend

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



growth. China is the vanguard. Its growth remained solid at midyear, similar to the 2Q growth pace of 10.4% (q/q, saar), based on July reports on exports, retail sales, and fixed investment. Nonetheless, we look for GDP growth to slow modestly in 2H08 to an average of about 9%. Like others, Chinese exporters will face intense headwinds in coming months. A moderation in private fixed investment also is anticipated, focused in the real estate sector. This downshift already is foreshadowed by the recent stall in newly started projects. A sharp slowing in the economy still does not appear likely, however. Officials already are taking steps to support growth, for example, by raising export tax rebates and relaxing lending curbs. Moreover, the government stands ready to further accelerate its pace of infrastructure spending once it gets confirmation that private investment has moderated. The continued moderation in headline inflation also creates more maneuvering room for policymakers. Inflation surprised on the low side at 6.3%oya this past month and is down over 2% points in just three months.

Heightened political risk in Russia

Increased political risks have been a major theme in Russia since late July when PM Vladimir Putin criticized the pricing policy of a major domestic coal and steel producer, delivering a setback to the equity market while reminding investors of the risk of political interference in private business. This development has been followed by conflict over Georgia's breakaway regions of South Ossetia and Abkhazia. Despite the emergence of a potential peace plan, finding a long-term solution to both South Ossetia and Abkhazia is likely to be a drawn out affair. This has further damaged Russia's relationship with the West and eroded investor confidence in Russia. As a result, the risk premium on Russian assets is likely to increase further in coming months. JPMorgan has downgraded Russia from overweight to marketweight in the EMBIG portfolio amid the reassessment of political risk in Russia, worsening perceptions of the economic outlook, and possibly tighter liquidity conditions in 2H08.

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

JPMorgan View - Global Markets

Lower oil is not enough

- **Bonds rallied further, the dollar continued to go up, and oil continued to go down.** Markets are sensing that global demand is weakening and that economies outside the US are bearing the brunt of this weakness. Even EM growth, strikingly resilient in 1H, is at risk of falling below trend.
- We continue to position for growth weakness to intensify 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. There is no evidence yet of any significant position buildup.
- **Equities and credit have failed to benefit from lower oil prices and lower interest rates.** While global equities are up around 5% since mid July, this is largely the result of short covering, not new buying. Credit spreads are wider in cash bonds and little changed in CDS. Lower oil prices and interest rates are only acting as stabilizers, but are unable to offset fully the negative of weakening global demand. We thus stay neutral on equities despite bullish year-end targets.
- **We favour equities vs credit** on relative positions and supply. With credit investors slightly overweight, credit is susceptible to a new wave of financials issuance this autumn. Equities face a more favorable backdrop given still underweight positions and strong M&A activity.
- Following the US, an adjustment of corporate spending and hiring looks to have begun in Europe over the summer, which will weigh on growth over coming quarters. We thus stay **underweight corporate exposure,** i.e., equities and credit, **in Europe vs the US.**
- The **unwinding of commodity exposures is still under way.** While hedge funds have cut longs aggressively, there appears to be an overhang of commodity exposure among real money investors. With crude oil likely to see $105/bbl, real money investors will probably come under more pressure to liquidate commodity exposures. This is an overall negative for EM equities and credit, due to their large exposure to commodities.

Fixed income

- We stay **long in bonds as both value and momentum favor this trade.** Our client surveys suggest an extreme number of longs in Europe, but we believe the positions are small. In Europe, we focus our longs in the 5-yr sector in both Euros and Gilts. In the US, we focus our long on 2-yr USTs with a yield target of 2.25%.

10-yr government bond yields

% p.a.

	Current	Sep 08	Dec 08	Mar 09	Jun 09
United States	3.85	3.85	4.05	4.30	4.30
Euro area	4.15	4.10	3.90	3.80	3.80
United Kingdom	4.57	4.40	4.20	4.20	4.20
Japan	1.47	1.50	1.60	1.60	1.85

Equities

	Current	YTD return (local currency)
S&P	1297	-10.8%
Topix	1247	-15.2%
FTSE 100	5455	-12.4%
MSCI Eurozone	186	-21.0%
MSCI Europe	1238	-17.2%

Credit markets

	Current	Dec 08
US high grade (bp over UST)	282	230
US high grade (bp over swaps)	186	175
Euro HG corp (bp over swaps)	90	65
USD high yield (bp vs. UST)	779	800
EMBIG (bp vs. UST)	322	250

Foreign exchange

	Current	Sep 08	Dec 08	Mar 09	Jun 09
EUR/USD	1.47	1.47	1.47	1.45	1.42
USD/JPY	110	108	110	112	115
GBP/USD	1.86	1.84	1.84	1.81	1.80

Commodities

		Quarterly average	
	Current	Sep 08	Dec 08
Gold ($/oz)	784	915	900
Copper($/m ton)	7442	8800	8000
Corn ($/Bu)	5.48	6.15	6.30

Source: JPMorgan, Bloomberg, Datastream.

- **Rising funding pressures and a heavy pipeline of issuance** are hurting our longs in swaps, Agencies, and MBS vs USTs. We stay overweight in US MBS and Agencies given compelling valuations and our expectation that real money will jump in. Admittedly, however, both international and domestic investors appear to be sitting on the sidelines right now. We close our swap spread narrower given incoming corporate and Agency supply.

Equities

- We stay neutral near-term as we expect dwindling economic and corporate profit growth will keep **equity investors on the sidelines**. Indeed most investors appear skeptical at the moment and most of the 5% gain in global equities since mid July has likely resulted from short covering rather than actual buying.

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

- This short covering, led by financials, has somewhat worsened the technical state of the equity market and makes equities more vulnerable to potential negative news in coming weeks. Speculative shorts have fallen over the past month and the latest fund manager surveys indicate that **real money investors have reduced their cash overweights**.

- Looking at equity mutual fund flows, the US was the only region to experience positive flows last week. This rotation toward US equities likely has further to go and we keep our **overweight in US vs European equities, currency unhedged.** The other trend apparent in mutual fund flows is a rotation out of commodity sectors. Latam and EMEA equity funds continue to post significant outflows, a trend that started in mid May for Latam and mid-June for EMEA. We expect continued underperformance of commodity sectors as there is still an overhang of longs. As a result, we **take profit** on our log standing overweight in **US Energy** and downgrade the sector to neutral.

- **EM equities** have underperformed developed markets by more than 6% since mid July in local currency terms. While EM investors keep lightening their exposure to commodity sectors, they are reluctant as yet to buy domestic demand-oriented stocks. We believe that growth concerns in EM will ultimately recede, favoring domestically oriented stocks and countries such as China with ample policy flexibility. We thus favour a long in MSCI EM Asia vs MSCI World.

Credit

- Since the equity market rebound in mid-July, credit spreads are wider in cash bonds but little changed in CDS. As a result, the **CDS-cash bond basis** has become more negative especially in US HG. This is likely to continue as we anticipate heavy new supply after Labor Day and funding costs are too high for leveraged investors to exploit the negative basis.

- We see few catalysts to push spreads tighter in coming weeks and stay **bearish in credit overall**. Investors appear slightly overweight currently, so HG is susceptible to forthcoming heavy supply, while HY faces the head-wind of fast-rising downgrade and default rates. We focus our bearish view in European credit, as growth indicators are weakening faster in Europe, and in HY, where not enough downgrade and default risk is priced in.

Foreign exchange

- **How far could the dollar run?** Over the next year, we think a lot, as the divergence in monetary policy between the US (tightening in 2009) and the rest of the world (easing then) occurs only once per decade, and always to the dollar's advantage. But that is too long a perspective to trade now, at least in the cash market. The current dilemma is that a 2009 policy divergence is being front-loaded now as much of the world downshifts into recession, compared to a US economy that is only stagnating.

- There is nothing irrational about a market being forward-looking, but moves in fx rates have overshot the spot moves implied by the changes in forward rates, such that mispricings are among the greatest seen over the past year. As a simple example, consider regressions of the major USD pairs and commodity crosses versus interest rate spreads (1-mo. rates, 12-mos. forward). These spreads have correlated well with spot rates over the past year, but even allowing for future interest rate cuts in the rest of the world versus the US, the dollar is some 1 to 3 sigmas too expensive based on this valuation metric.

- This apparent mispricing would probably be sufficient reason to take profits on USD longs if it coincided with evidence of a significant position buildup, but this is not the case. Both our internal Flow of Funds metrics and the IMMs for speculative positions show massive covering of USD shorts over the past few months, but there is no evidence of accumulated longs. More worrisome is the unknown overhang of dollar shorts from real money and corporates after a protracted dollar bear market. We suspect that corporate/long-term investor hedging activity could extend the dollar's overshoot of rate fundamentals unless US data slip enough in 4Q08 to rebalance sentiment. Thus our core position remains dollar long, though well short of maximum given the above valuation metric.

Commodities

- All metals ended the week lower, with precious under the most pressure and clearly weaker than correlated price drivers, such as the euro and energy markets. **Gold** traded at a multi-month low of $773/oz intraday, and while consolidating close to $800/oz, it is **still vulnerable**. Silver's losses amount to 25% over the past two weeks and while clearly oversold, it is unlikely to regain the $17/oz level this year. Base metals prices were also dragged lower, however, with global growth slowing, we are not expecting wholesale rallies in base metals, but more of a **consolidation in the next 1-2 months**.

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

Markets - Australia and New Zealand

- **RBA quarterly statement endorses rate cut expectations**
- **The first RBA move will be a 25bp cut, not 50bp**
- **NZ economy to contract again in 2Q on weak consumption**

Australia

The fog is clearing on the likely outcome of the RBA's early September Board meeting, when the cash rate is very likely to be cut. Last week's economic data, in fact, has made it even more likely than before that the first rate cut will be of a quarter point, not the half point talked about in some circles. Wage growth unexpectedly bounced in 2Q to be the fastest in the 11 year history of the labour price index and consumer confidence rebounded 9%, admittedly on the back of expectations that official interest rates are about to go down. This has damaged the already tenuous argument that the easing cycle should kick off with a 50bp bang.

We expect the first rate cut to be a 25bp move in early September, followed by a second quarter point move before year-end. Indeed, the case for a 50bp official rate cut in September—a case we never supported—has weakened by the day. Aside from the unexpectedly large bounce in confidence and quarterly wages growth, the AUD's precipitous rate of decline shows few signs of slowing. Not only does the AUD's demise risk higher imported inflation—core inflation already is tracking well above the RBA's 2-3% target range—it does some of the heavy lifting for the RBA in terms of loosening monetary conditions. Before the AUD's slide, monetary conditions were the tightest since before the last Aussie recession in 1991.

The tone of last Monday's quarterly Statement on Monetary Policy from the RBA mirrored the tone of the previous week's policy announcement. Indeed, in line with the shift in RBA verbiage to a more dovish tone, last week's statement signaled clearly that RBA officials now place significantly more emphasis on the downside risks to growth in the economy than the upside risks to inflation. Importantly, RBA forecasters now see headline inflation peaking at an unexpectedly high 5%oya later this year - double the mid-point of the RBA's target range. The upgrade to the RBA's inflation forecast seems to diminish the chances of a more aggressive start to the easing cycle.

Subsequent moves will depend on the data flow - in particular, whether the slowdown in domestic demand growth is sustained, which looks likely - and the behaviour of the large Australian banks. Failure of the big banks to pass the cut in the official rate to market rates could prompt the RBA to move more assertively than otherwise. That said, it now looks more likely than otherwise that the banks will pass through the rate cuts. Competitive tension in the mortgage market is not what it was, given the demise of some of the non-bank mortgage providers, but the market is sufficiently competitive for there to be enough pressure for the banks to want to gain market share.

The market now prices 66bp of rate cuts before the end of 2008 - this looks excessive given the well-established preference of RBA officials to move in measured steps and the upside surprises on last week's data. The market prices 100bp of easing by mid-2009—this also looks too much given that the aim of RBA officials is to ease their collective foot off the brake slowing the economy, not depress the accelerator. The massive boost to the terms of trade remains an important support for national income, and consumer just received a generous package of income tax relief.

The Aussie 3s 10s curve steepened again last week owing mainly to expectations of RBA easing, the upgrade to the RBA's inflation forecasts, increase chance of official rate cuts in key offshore markets, and unexpectedly bad global inflation prints. The curve started the week at 6.5, but steepened to 13.5 by week's-end.

New Zealand

Retail sales data were the highlight in New Zealand last week in what otherwise was a very quiet week. In real terms, retail sales slumped 1.5%q/q in 2Q, the largest fall on record; this was the first time since June 1998 that volumes have fallen in two consecutive quarters. Weak private consumption growth was a key driver of the contraction in the economy in 1Q, when GDP growth declined 0.3%q/q. Our forecast calls for GDP growth of -0.5%q/q in 2Q, meaning New Zealand's economy will have endured a technical recession in the first half of 2008. This recession, though, is likely to be prolonged, with our forecast calling for another contraction in the economy in 3Q (-0.3%q/q).

Kiwi consumers will continue to face significant headwinds in coming months, owing partly to the negative wealth effects from the sharp deterioration in the housing market, high interest rates, and elevated petrol prices. Furthermore, weak business confidence suggests that companies will become in-

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

creasingly reluctant to hire workers, meaning that the unemployment rate will trend north. Still, consumer spending may pick up in the final months of the year given the tax cuts delivered from October 1 and further cuts to the OCR.

We maintain our forecast that the RBNZ will cut the OCR by another 25bp in September, October, and December, taking the key rate to 7.25% by year end. Market pricing suggests that the OCR will be cut 75bp by year end, and by another 80bp in 2009. On our forecasts, the OCR probably be lowered to 6.25% in 2009, despite that inflation remains well above the RBNZ's 1-3% target range. Headline CPI is expected to peak in 3Q at 5%, according to our and the RBNZ forecasts. That said, upside risks to inflation remain given that pipeline prices pressure are significant.

Data this week probably will show that producer input prices rose 2.0%q/q in 2Q, and output prices rose 1.3%. 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 this is not surprising given the recent sharp slowdown in domestic demand.

The NZ dollar, alongside its Australian counterpart, shed 1.0% against the US dollar. The kiwi started the week above $0.7050, dipped below $0.6830 mid-week, before recovering slightly to close the week just under $0.7000. The NZD also shed over 2.0% against the yen. The yield on 90-day bank bills shed another 7bp to fall toward 8.17%; this compares to 8.65% just two months ago.

Trade recommendations

- Hold 3s 10s Aussie curve steepener in futures. 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 another 12bp, but probably still has further to run. We recommended buying the curve at 3, with a target of 25 and a stop loss at -5. The curve currently is at 13.5.
- Hold short in Aussie Sep '08 IB contract. The market still 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. We recommended selling the Sep '08 IB contract in futures at 93.06. Move the stop to 93.08 and target of 92.99. Currently at 93.055.
- Keep position in long Kiwi 1yr 1yr, which is in the money by 16bp. 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 6.84%. Target is 6.5%, but lower the stop loss to 6.95%.

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

Global Economic Outlook Summary

	Real GDP			Real GDP							Consumer prices			
	% over a year ago			% over previous period, saar							% over a year ago			
	2007	2008	2009	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	2Q08	4Q08	2Q09	4Q09
The Americas														
United States	2.0	1.5 ↓	2.0 ↓	0.9	1.9	0.5 ↓	1.0	2.0	3.0	3.0	4.3	4.8 ↑	3.2 ↑	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	8.2 ↑	7.6 ↑	6.5 ↑
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	8.4 ↑	6.8 ↑	4.5 ↑
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	0.7 ↓	0.6	3.2 ↓	-2.4 ↓	-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	7.2 ↓	7.2 ↓	8.5 ↑	6.3 ↑	5.8 ↓	6.3 ↓	7.2 ↑	7.6 ↑	7.8 ↓	7.0 ↓	6.3 ↓	4.5 ↓	4.6
China	11.9	10.1 ↓	9.6 ↓	11.7 ↑	11.5 ↑	8.7 ↓	9.0 ↓	9.5 ↑	10.0 ↑	10.0 ↓	7.8	5.3 ↓	4.5 ↓	5.1
Hong Kong	6.4	4.0 ↓	4.5 ↓	8.2 ↑	-5.5 ↓	0.8 ↓	5.2 ↑	5.5	6.0 ↓	6.5 ↓	5.7 ↑	3.1	2.4	3.6
India	9.0	7.0	7.5 ↓	8.8	4.8 ↓	6.6 ↑	6.3 ↑	7.5 ↑	7.0 ↓	7.8 ↓	7.8 ↓	8.9	5.8	5.7
Indonesia	6.3	5.6	4.7	6.0 ↑	5.4 ↑	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	4.3 ↑	4.3	2.0	1.0 ↑	2.0 ↑	5.0 ↑	5.5 ↑	6.0 ↑	9.7	8.0	4.3	3.7
Singapore	7.7	4.0 ↑	4.3 ↑	15.7 ↑	-6.0 ↑	6.6 ↓	4.1	4.5 ↑	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	4.8 ↑	1.9 ↓	1.9 ↑	2.4 ↓	2.5 ↓	4.7 ↑	11.6	13.1	8.2	6.4 ↓
Europe														
Euro area	2.7	1.2	0.4 ↓	2.9	-0.8 ↑	-0.5 ↓	0.0 ↓	0.5 ↓	0.7 ↓	1.5	3.6	3.5 ↓	2.7 ↓	2.0 ↑
Germany	2.6	1.6 ↑	0.7 ↓	5.2 ↓	-2.0 ↑	0.5 ↓	0.5 ↓	0.8 ↓	1.0 ↓	1.5 ↓	3.0	2.7 ↓	1.9 ↓	1.7 ↓
France	2.1	1.0 ↓	0.7 ↓	1.6 ↓	-1.2 ↓	0.0	0.5	0.8 ↓	1.0 ↓	1.5 ↓	3.7 ↑	3.5 ↑	2.1 ↓	1.8 ↓
Italy	1.4	-0.1 ↓	0.1 ↓	2.0	-1.1	-1.0 ↓	-0.5 ↓	0.5 ↓	0.5 ↓	1.0 ↓	3.8	3.6 ↓	2.8	2.3 ↑
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	3.2 ↑	7.2 ↓	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	3.6 ↓	5.0	4.5	2.5	2.0	3.0	6.8 ↓	5.9	2.8	3.0
Hungary	1.3	2.0	2.8	1.3 ↑	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	8.7 ↑	5.3 ↓	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	2.3 ↓	2.2 ↓	2.6 ↓	1.4	1.0 ↓	1.7 ↓	2.1	2.8 ↓	3.0 ↓	4.4	4.6 ↓	3.4	2.6 ↑
Developed markets	2.4	1.3 ↓	1.2 ↓	1.8 ↓	0.3	0.0 ↓	0.5 ↓	1.3 ↓	1.8 ↓	2.2	3.5	3.9	2.8	1.8
Emerging markets	7.5	6.1	5.9 ↓	5.7 ↑	5.7 ↑	4.8 ↓	6.3 ↓	5.0 ↑	6.4	5.9 ↓	7.8	7.4 ↓	5.9 ↓	5.5

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

Global Central Bank Watch

	Official interest rate	Current	Change from 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	-90				3.83	3.85	3.87	3.94	4.25
excluding US	GDP-weighted average	4.67	20				4.70	4.72	4.64	4.50	4.49
Developed	GDP-weighted average	2.85	-129				2.84	2.82	2.82	2.91	3.29
Emerging	GDP-weighted average	7.72	67				7.83	8.02	8.10	8.11	8.14
Latin America	GDP-weighted average	10.08	127				10.39	10.88	10.86	10.84	10.76
CEEMEA	GDP-weighted average	6.30	121				6.45	6.58	6.66	6.41	6.14
EM Asia	GDP-weighted average	6.70	37				6.73	6.82	6.96	7.11	7.34
The Americas	GDP-weighted average	2.95	-264				2.99	3.04	3.25	3.65	4.52
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	**8.25**	100	**15 Aug 08 (+25bp)**	19 Sep 08	**on hold**	8.25	8.25	8.25	8.25	8.25
Chile	Discount rate	**7.75**	225	**14 Aug 08 (+50bp)**	4 Sep 08	**4 Sep 08 (+25bp)**	8.00	8.00	8.00	7.50	6.50
Colombia	Repo rate	10.00	75	25 Jul 08 (+25bp)	19 Sep 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	4.79	4.59	4.31	4.09
Euro area	Refi rate	4.25	25	3 Jul 08 (+25bp)	4 Sep 08	**Mar 09 (-25bp)**	4.25	4.25	4.00	3.75	3.50
United Kingdom	Repo rate	5.00	-75	10 Apr 08 (-25bp)	4 Sep 08	**Nov 08 (-25bp)**	5.00	4.75	4.50	4.00	4.00
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)	24 Sep 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	4.00	3.75	3.50
South Africa	Repo rate	12.00	200	12 Jun 08 (+50bp)	9 Oct 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)	18 Sep 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	3.82	3.85	4.07
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)	<u>19 Aug 08</u>	**4Q 09 (+25bp)**	0.50	0.50	0.50	0.50	0.75
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	**4 Sep 08 (+25bp)**	9.25	9.50	9.50	9.50	9.50
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	**on hold**	3.50	3.50	3.50	3.50	3.50
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. <u>Underline</u> denotes policy meeting during upcoming week.

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

Forecasts - Australia and New Zealand

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

				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	0.3	1.5	3.2	2.2	3.3	-1.1	-2.0	-1.1	0.0	2.4	3.1	3.2	3.6
Private consumption	4.1	-1.1	-0.2	1.7	2.1	2.0	-1.4	-7.5	-0.2	0.0	0.1	0.2	1.1	1.8
Fixed Investment	4.4	-0.7	1.2	0.4	1.6	12.5	-7.6	-5.5	-1.0	0.3	2.0	2.8	3.1	3.9
Residential construction	4.4	-16.9	-1.0	52.6	22.7	-5.5	-52.2	-19.0	0.0	-2.0	0.0	0.8	2.8	3.2
Other fixed investment	4.4	3.4	1.7	-9.4	-3	17.9	8.0	-2.4	-1.2	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	10.6	7.0	3.8	7.6	0.9	4.7	34.9	14.7	3.9	4.6	4.7	3.3	2.3
Exports of goods & services	3.3	-0.8	-0.5	-4.8	-0.2	19.3	-7.1	-3.5	-7.1	-6.2	2.5	3.2	3.5	4.1
Imports of goods & services	8.6	3.7	-1.1	11.0	3.0	16.2	4.9	-6.2	-0.1	-3.2	-0.5	-0.2	0.2	0.9
Contributions to GDP growth:														
Domestic final sales	4.6	2.3	1.5	4.1	5.0	6.0	-0.2	-0.2	2.6	1.0	0.6	1.7	3.3	2.8
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	-1.1	-0.1
Net trade	-2.0	-1.7	0.3	-5.4	-1.2	-0.1	-4.2	1.4	-2.3	-0.7	1.0	1.1	1.0	0.9
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	-7.1	-6.3	-6.1	-5.6	-4.9
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

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

Australia and New Zealand economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
18 Aug	19 Aug New Zealand: PPI (10:45am) 2Q 1.3 %q/q	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 India: GDP 2Q 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 RBA cash rate (02:30pm) Sep	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
8 Sep Australia: ANZ job ads (11:30am) Aug New Zealand: QV house prices Aug	9 Sep Australia: Housing finance (11:30am) Jul NAB business confidence (11:30am) Aug	10 Sep Australia: Westpac consumer confidence (10:30am) Sep New Zealand: Terms of trade (10:45am) 2Q	11 Sep Australia: Unemployment rate (11:30am) Aug New Zealand: RBNZ official cash rate (9am) Sep PMI (12:00pm) Aug	12 Sep New Zealand: Retail sales (10:45am) Jul

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

JPMorgan Chase Bank, New York
Sam Conway (1-212) 834-9123
samuel.e.conway@jpmorgan.com

Global Data Diary

Week / Weekend	Monday	Tuesday	Wednesday	Thursday	Friday
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) United Kingdom • BoE minutes	Canada • CPI (Jun) Euro area • PMI flash (Aug) Japan • Trade balance (Jul) Mexico • GDP (2Q) United Kingdom • Business invest prelim (2Q) • 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) United States • Bernanke speech
25 - 29 August	25 August	26 August	27 August	28 August	29 August
United Kingdom • Nationwidehouse price index (Aug)	Hungary • NBH meeting Japan • Shirakawa speech Malaysia • BNM meeting Taiwan • Export orders (Jul) United States • Existing home sales (Jul)	Germany • CPI 6 states and prelim (Aug) • GDP (2Q) • IFO business surv (Aug) United Kingdom • BBA mtge lending (Jul) United States • New home sales (Jul) • OFHEO HPI (Jun, 2Q) • S&P/C-S HPI (Jun, 2Q) • FOMC minutes	Poland • NBP meeting South Africa • CPI (Jul) Thailand • BoT meeting United States • Durable goods (Jul)	Euro area • EC business survey (Aug) • M3 (Jul) Germany • Employment (Jul) • Unemployment (Aug) Philippines • BSP meeting United States • GDP prelim (2Q)	Canada • GDP (2Q) Euro area • HICP flash (Aug) • Unemployment (Jul) Japan • Core CPI (Jul) • Hhold spending (Jul) • Housing starts (Jul) • IP prelim (Jul) • PMI mfg (Aug) • Retail sales (Jul) • Shoko Chukin (Aug) • Unemployment (Jul) Korea • IP (Jul) Poland • GDP (2Q) United States • Chicago Fed survey (Aug) • Consumer sent (Aug) • Personal income (Jul)

Economic Research and Global Currency Strategy at JPMorgan

Global Economics

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

Economics: Global

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

Data and Forecast Systems

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

Economics: United States and Canada

United States

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

Canada

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

Economics: Latin America

Brazil

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

Colombia, Ecuador, Venezuela, Peru

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

Argentina, Chile

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

Mexico

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

Economics: Asia/Pacific

Head of Japan

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

Japan

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

Head of Emerging Asia Economic Research

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

Greater China

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

Korea

Jiwon Lim, Seoul (822) 758-5509

India

Rajeev Malik, Singapore (65) 6882-237

Indonesia, Malaysia, Philippines, Singapore, Thailand

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

Australia, New Zealand

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

Economics: Europe/Africa

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

United Kingdom, Switzerland

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

Euro area

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

Scandinavia

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

Czech Republic, Hungary, Poland, Slovakia

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

CEEMEA

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

Turkey, Bulgaria, the Baltics

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

Russia, Ukraine, Bulgaria, Kazakhstan

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

Africa

Graham Stock (44-20) 7777-3430

FX Strategy Management

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

FX Strategy: United States

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

FX Analysts

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

FX Strategy: Europe

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

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

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

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

FX Strategy: Asia

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

FX Analysts
Yen Ping Ho (65) 6882-2216

FX/Commodities

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

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

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

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