J.P.Morgan

Australia and New Zealand - Weekly Prospects

Summary

- The **RBA** Governor's testimony last week reaffirmed our view that officials are in no hurry to ease policy. We forecast another 25bp cut to the cash rate target by year end, but the chances of a cut in October fell following the slew of upbeat economic data last week. The RBA will be on hold unless, of course, there is an unanticipated financial markets event that abruptly changes sentiment. The upbeat data last week included a bounce in retail sales, a spike in consumer sentiment, and an unexpected fall in the jobless rate. This week sees the release only of second tier economic data, but the RBA releases the minutes of the September Board meeting, at which officials elected to cut the cash rate for the first time since late 2001. Also, the RBA's Glenn Stevens delivers a speech and answers questions from the floor on Wednesday.

- The **RBNZ** cut the official cash rate 50bp on Thursday, an unexpectedly large rate cut owing, in our view, to the Bank's growing concern over the deteriorating global economic and financial outlook. In doing so, the RBNZ announced a downgrade to its annual 2008 GDP growth forecast to just 0.3%, with household consumption the biggest drag. This week sees the release of the Q2 current account deficit data in an otherwise quiet schedule. We are sticking with our view that the RBNZ will cut the cash rate twice more this year, but by only 25bp each time.

- The linkage between global financial market movements and macroeconomic performance is complex, as market moves both reflect current conditions and shape future outcomes. In this regard, the broadening weakness in **global growth** is now reverberating through markets across the globe. Downward motion in global equity and commodity markets is now firmly established. Interest rates are also falling—in part because of shifting expectations about the balance of risks between growth and inflation and the likely direction of monetary policy. While market developments reflect current economic weakness, their influence on future activity is less obvious. The rapid descent of oil and agricultural commodity prices is a strong positive for growth, as it restores purchasing power to beleaguered households in oil-importing nations. In addition, the US Treasury's plan to shore up the GSEs and purchase agency-sponsored mortgage-backed securities is likely to push mortgage interest rates lower.

- Tempering any optimism from these market movements is the chill of rising risk aversion. In the industrial world, credit spreads have continued to widen on the back of growing concern about the health of financial institutions. **Emerging economies** also are experiencing this chill in the form of reduced net capital inflows. The decline in EM equity prices significantly exceeds that in the developed world so far this year. This marks a sharp reversal from the outperformance of EM equities in the early stages of the credit turmoil. Likewise, EM corporate borrowing rates and spreads have climbed in recent months. Increasingly, the deceleration in capital inflows is taking a toll on EM fx rates.

This week's highlight

RBA Governor Glenn Stevens' speech on Wednesday. The Governor's speech is a golden opportunity for the RBA to massage market expectations, if officials think it necessary. Market pricing suggests a rate cut in October is more likely than not.

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

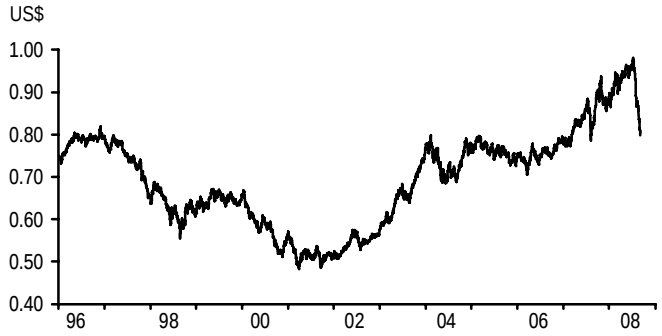
Date [(a)]	Data/event	Forecast		*Previous*	Comment
		JPMorgan	Consensus		
Monday, 15 September (11.30am)	**Aust. dwelling starts (Q2, %q/q)**	**-2.0**	-2.0	*-3.3*	The number of housing starts probably dropped another 2% in 2Q, after a 3.3% dive in Q1. Residential building approvals fell 2.8% across the quarter, and sentiment was rocked by high interest rates and evidence of falling home prices. Also, excessive red tape continues to restrain construction approvals, as do rising development costs.
Monday, 15 September (12.30am)	**Speech by Dr. John McDermott, RBNZ's Assistant Governor and Head of Economics**	**na**	na	*na*	Dr. McDermott will deliver a speech entitled "Monetary Policy Issues in New Zealand" at the Australian Business Economists' lunch in Sydney. The speech will be followed by a question and answer session.
Tuesday, 16 September (11.30am)	**Minutes of RBA Board's September meeting**	**na**	na	*na*	The minutes from the RBA's September meeting, when the RBA cut the cash rate for the first time since December 2001, should not reveal many surprises. The RBA Governor last week gave detailed testimony to a Parliamentary committee, so there is not too much that could be new. Also, the RBA explained it's decision clearly when the policy announcement was made back in early September. The main area of interest may be an explanation of why the RBA's guidance on the future direction of policy was less equivocal than many expected.
Wednesday, 17 September (10.30am)	**Aust. WMI leading index (Jul., %m/m)**	**na**	na	*0.1*	na
Wednesday, 17 September (12.30am)	**Speech by RBA Governor Glenn Stevens**	**na**	na	*na*	RBA Governor Glenn Stevens will deliver a speech to the Institute of Company Directors' luncheon in Sydney. Governor Stevens' speech is entitled *"The Director's Cut: Four Important Long-Run Themes"* . There is a question and answer session after the speech.
Friday, 19 September (8.45am)	**NZ current account deficit (Q2, NZ$ bil)**	**-2.6**	-3.5	*-2.2*	New Zealand's current account deficit likely widened to NZ$2.6 billion in 2Q, from NZ$2.2 billion in 1Q. The deficit in the year to June should have fallen to NZ$13.3 billion from NZ$13.8 billion, or to 7.2% of GDP from 7.9%. The goods balance likely fell back into deficit after returning briefly to a surplus of NZ$295 million in 1Q. The rate of growth in exports in the June quarter, while substantial, was less than that in imports over the quarter. Despite a slowdown in domestic demand, imports surged in 2Q, owing to increasing fuel costs. Elevated dairy prices will have provided underlying support for export values, however. The investment income deficit was probably still a concern in 2Q. The income deficit rose to NZ$3.58 billion in 1Q, owing mainly to a NZ$346 million fall in income earned from Kiwi investment abroad.
Friday, 19 September (8.45am)	**NZ visitor arrivals (Aug, %m/m)**	**na**	na	*2.1*	na
Friday, 19 September (8.45am)	**NZ net permanent migration (Aug, 000s)**	**na**	na	*0.7*	na
Friday, 19 September (3.00pm)	**NZ credit card spending (Aug, %m/m)**	**na**	na	*0.4*	na

(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

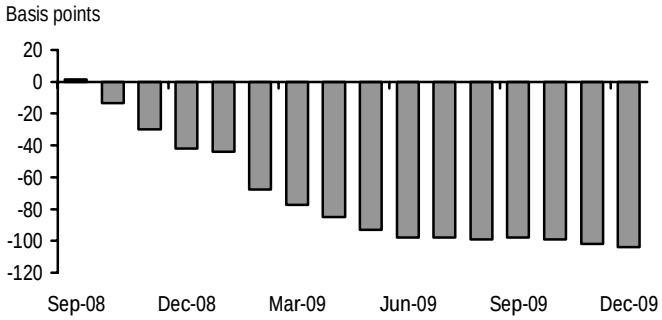
Feature charts

Aussie dollar v. USD



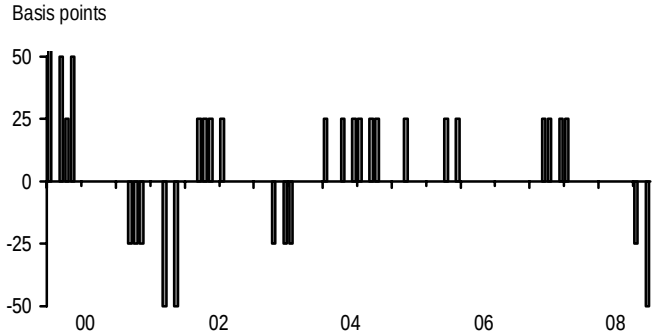
The battered AUD had plunged nearly 20% against the USD since mid July, owing mainly to RBA rate cuts and weaker commodity prices. While sustained declines of this magnitude are unusual, AUD remains well above the average rate prevailing against the greenback over the last decade. In fact, despite the sharp dive in recent weeks, AUD only is back to its level of 12 months ago.

RBA official rate cut expectations



The Aussie futures market (30-day IB contracts) still prices about 100bp of RBA rate cuts by June 2009. Last week's run of unexpectedly unbeat economic data, though, makes easing to this extent less likely, at least within the time frame expected. In particular, a rate cut in October now is less likely. Our view is that the RBA will wait until December before cutting the cash rate again, unless unforseen global financial market events swamp the otherwise firm macro news.

RBNZ official cash rate - New Zealand



The RBNZ surprised most last week by cutting the official cash rate (OCR) by 50bp - the market (and our) expectation was for only 25bp. This is the first 50bp rate cut since late 2001 - the RBNZ's previous 21 policy adjustments (up or down) have been of only 25bp. Market speculation is growing that the RBNZ will ease policy another 50bp in October, but we think a 25bp rate cut is more likely.

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

- **Aussie retail spending and confidence surged**
- **Unemployment rate fell back to 4.1% on strong Australian employment growth**
- **RBA Governor to speak this week**

The RBA testimony last week reaffirmed our view that officials are in no hurry to ease policy further. We forecast another cut to the cash rate by year end. The chances of a cut next month, though, have fallen, especially following the slew of upbeat economic data this week, including a bounce in retail sales, a spike in consumer sentiment, and an unexpected fall in the jobless rate.

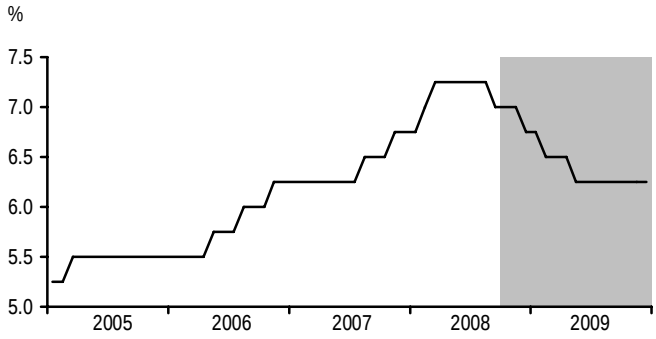
RBA appears in no rush to ease policy

RBA Governor Glenn Stevens this week delivered testimony to Federal Parliament's House of Representatives Standing Committee on Economics. He delivered a prepared statement that, as expected, echoed the tone of last Tuesday's policy announcement, when the RBA cut the cash rate for the first time since December 2001. The main message was that the RBA will move in a measured fashion while assessing the arguments in favor of further policy changes on a meeting by meeting basis. Officials believe that the slowdown in domestic demand owing to tight monetary conditions will help inflation return to the 2-3% target range over time. There are, however, more poor CPI prints expected in the near term.

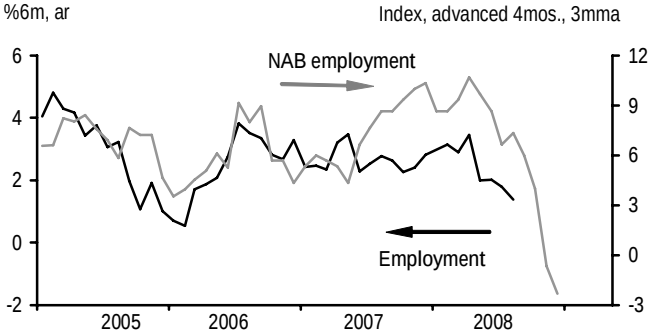
The measured tone of recent commentary means the RBA is in no rush to ease policy again—with inflation so high, officials believe they have to maintain a restrictive policy stance for some time yet, while simultaneously providing a cushion against a hard landing, which the Governor believes is unlikely. He described the policy easing so far as RBA officials taking their collective foot off the brake restraining growth in the economy. Indeed, officials are a long way from pressing the policy accelerator. With the cash rate currently 7%, monetary policy will still lean to the tight side of neutral even after, as we expect, the RBA lowers the cash rate target another 75bp by June 2009. The neutral cash rate is somewhere around 6%.

The RBA reiterated the reasons behind last week's rate cut and outlined the reasons officials probably will tread cautiously from here. RBA officials appear to be engaged in a difficult balancing act, given the weakness in domestic demand and ongoing instability in global financial markets on one hand and, on the other, the likely rise in inflation, which risks pushing up inflation expectations, and the booming terms of trade and business investment plans.

Australia: RBA cash target rate



Australia: NAB survey and employment growth



Aussie jobless rate back down to 4.1%

The labor force report for August showed a firm 14,600 rise in employment, triple market expectations. The bounce in August was split evenly between full-time (7,500) and part-time jobs (7,200). Job growth for July was revised up to a healthy 18,700; this previously was shown as a 10,900 gain. Average employment growth over the last six months, however, was just 12,200, a significant drop from average gains of 21,900 during 2007. Thousands of jobs are being created by firms in mining and farming. Many industries, however, including the big employers in construction, retailing and manufacturing, are shedding jobs.

The jobless rate unexpectedly dropped to 4.1% in August, from 4.3% in July. This is the lowest jobless rate since February. The drop in unemployment, however, is unlikely to be sustained. Job growth will weaken as demand in the economy continues to soften. Also, the size of the labor force is increasing, partly because of higher skilled migration, and be-

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

cause many workers are seeking second jobs. Not all of them will succeed, so the ranks of the unemployed will swell, albeit gradually.

Retail spending surged in July

Retail sales values spiked 1.4%m/m in July (JPMorgan 0.8%, consensus 0.5%) after an unexpected 0.9% plunge in June. The rise in July was the biggest since June 2007 and mainly resulted from a surge in department stores sales, which were up 7.3%m/m. The trend estimate of retail sales, now favored by the ABS, rose 0.1%m/m. The rebound in retail sales in July probably owes a debt to the impact of the personal income tax cuts paid from July 1, and the drop in retail gasoline prices over the month, which freed up disposable income. Anecdotal evidence suggests that sales in August also were good, mainly because of expectations that the RBA would soon cut the cash rate.

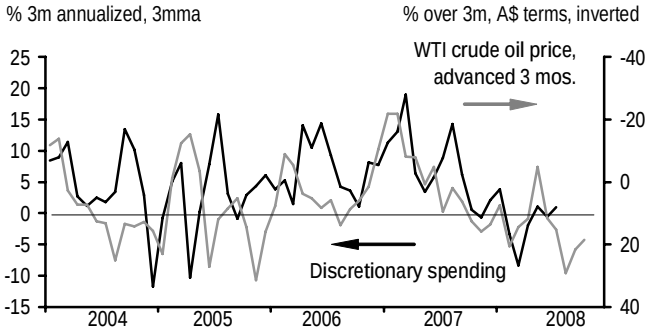
The July retail survey was, however, the first to reflect the huge reduction in the size of the retail sample from 2,700 to 900, owing to funding cuts in the May Budget. The ABS cautions that the usefulness of the seasonally adjusted retail data in interpreting month to month movements has been reduced; thus, this result should be interpreted carefully.

Demand for home loans stabilized

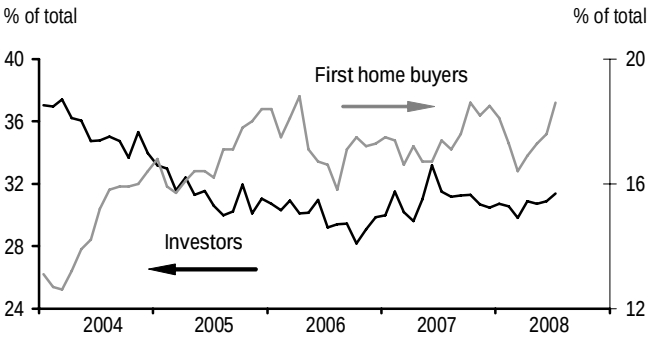
The number of home loans issued in July fell 0.2%m/m, the sixth straight monthly fall in the wake of the four interest rate hikes delivered by the RBA between August 2007 and March 2008. That said, the declines prior to the July month had averaged 5.6%m/m, so the relatively mild decline in July was a stark improvement. There was a strong rise in the number of first-home buyers in July—they accounted for 18.6% of all loans, up 1% from June. First-home buyers have struggled amid record low levels of housing affordability but, from July 1, were provided relief from the introduction of the Government's First Home Saver Accounts scheme; this offers deposit saving support for first-home buyers. Meanwhile, investors again represented just over a third of the home loan market.

Surprisingly, fixed rate loans as a percentage of all dwellings financed dropped to 8.8% in July from 11.7%, falling into single-digit territory for the first time since 2005. This was unusual, as there was little speculation in July of an imminent RBA rate cut. On that note, with leading housing market indicators, like auction clearance rates, having deteriorated further recently, any improvement that emerges in demand for home

Australia: crude oil and discretionary spending



Australia: housing finance



loans from here probably will stem from expectations the RBA will cut the cash rate further.

Consumers upbeat following rate cut

Consumer confidence surged 7%m/m in September (JPMorgan +8%) after jumping 9.1% in August when expectations were growing that the RBA was edging closer to a rate cut. The cumulative rise in confidence in August and September was the third largest two-month rise in the last 10 years, according to the Westpac-Melbourne Institute.

The RBA did in fact cut the cash rate early this month, only days before the confidence survey was taken. The consumer sentiment index rose from 86.2 to 92.2 and, although still 26% below its May 2007 peak, is slowly crawling back towards a reading of 100, where the number of optimists equals pessimists. Higher gasoline prices, however, which were up 2%m/m over the last month, would have weighed on sentiment. The fall in global crude prices was offset by the significant decline in AUD—down 13% since the start of August. High gasoline prices have a major dampening impact on sentiment—in the three months prior to August, for example, the cash rate was stable, but gasoline prices spiked 15%, leading confidence to crumble from nearly 90 to just 79 in July.

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 September 15 - 19

Mon Sep 15 11:30am — **Dwelling starts**
Seasonally adjusted

	3Q07	4Q07	1Q08	2Q08
(%q/q)	2.8	4.2	-3.3	-2.0

Wed Sep 17 10:30am — **WMI leading index**
Seasonally adjusted

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

Review of past week's data

ANZ job advertisements
Seasonally adjusted

	Jun	Jul	Aug	
(%m/m)	-3.0	-0.3	__	*-4.9*

Housing finance approvals: owner occupiers
Number of loans, seasonally adjusted

	May	Jun	Jul	
(%m/m)	-6.9	-3.7	~~1.5~~	*-0.2*
(%oya)	-21.3	-24.8	~~-20.1~~	*-21.4*

NAB monthly business survey
% balance, seasonally adjusted

	Jun		Jul		Aug	
Business confidence	-9		-9		~~-5~~	*-3*

Retail trade
Seasonally adjusted

	May		Jun		Jul	
(%m/m)	~~0.9~~	*0.7*	~~-1.0~~	*-0.9*	~~0.8~~	*1.4*
(%oya)	~~6.1~~	*5.9*	~~3.2~~	*2.9*	~~3.1~~	*3.5*

WMI consumer sentiment index
100=neutral, seasonally adjusted

	Jul	Aug	Sep	
(%m/m)	-6.7	9.1	~~8.0~~	*7.0*

Labor force
Seasonally adjusted

	Jun		Jul		Aug	
Unemployment rate (%)	4.3		4.3		~~4.4~~	*4.1*
Employed (000 m/m)	22		~~11~~	*18.7*	~~7.5~~	*14.6*
Participation rate (%)	65.3		65.3		~~65.3~~	*65.2*

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

- **Retail sales dropped 0.8% in July**
- **RBNZ surprised with a 50bp cut in OCR**
- **Current account deficit to worsen in Q2**

The RBNZ cut the official cash rate 50bp last Thursday, an unexpectedly large rate cut owing, in our view, to the Bank's growing concern over the deteriorating global economic outlook. The central bank downgraded its annual 2008 GDP growth forecast to just 0.3%, with household consumption the biggest drag.

NZ current account gap to widen

New Zealand's current account deficit likely widened to NZ$2.6 billion in 2Q, from NZ$2.2 billion in 1Q. The deficit in the year to June should have fallen to NZ$13.3 billion from NZ$13.8 billion, or to 7.2% of GDP from 7.9%. The goods balance likely fell back into deficit after returning briefly to a surplus of NZ$295 million in 1Q. The rate of growth in exports in the June quarter, while substantial, was less than that in imports over the quarter. Despite a slowdown in domestic demand, imports surged in 2Q, owing to increasing fuel costs. Elevated dairy prices will have provided underlying support for export values, however.

The investment income deficit was probably still a concern in 2Q. The income deficit rose to NZ$3.58 billion in 1Q, owing mainly to a NZ$346 million fall in income earned from Kiwi investment abroad. Growing net liabilities mean that the economy faces the significant risk of a sharp reversal in capital flows if foreign investors lose confidence in the nation's ability to meet its obligations.

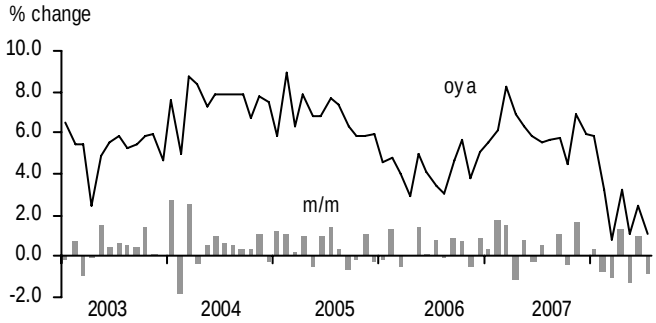
RBNZ unexpectedly cut OCR 50bp

The RBNZ unexpectedly cut the official cash rate (OCR) 50bp to 7.5%, mainly because of the RBNZ's increasing concern about the global economic outlook. In the accompanying statement, the RBNZ highlighted that the outlook for the global economy has "deteriorated further in the wake of continued financial market turmoil."

The RBNZ appears to be frontloading policy rate decisions—it has "brought forward some of the projected interest rate reduction." Indeed, the Bank remains focused on the near-term downside growth risks. Importantly, though, the RBNZ has not altered the expected overall decline in the key policy

New Zealand: RBNZ official cash rate

New Zealand: retail trade



rate. We maintain our forecast that the OCR will be cut by a further 25bp in October and again in December, and that the OCR will fall to 6.25% by mid-2009. Future policy changes will depend on how the inflation outlook evolves and the path of NZD. Any further, significant weakness in NZD would raise the likelihood that the RBNZ will cut the OCR less than we currently forecast.

The RBNZ forecasts the economy to grow 0.3% in 2008, in line with our forecast for annual GDP growth of 0.2%. This marked slowdown will be led "primarily by the household sector," which should start to recover in mid-2009, owing to personal income tax cuts and lower interest rates. Before then, though, the RBNZ expects that a deeper trough will occur. Our forecast calls for the economy to contract 0.5%q/q in 2Q and 0.3%q/q in 3Q, and to stagnate in 4Q.

On inflation, the RBNZ expects that softer economic activity should help rein in inflation pressures in the medium term. The RBNZ expects headline inflation to peak at 4.9% in 3Q. This forecast is up from 4.7% in the June MPS and still well above the Bank's 1-3% target range, remaining elevated owing to both tradable and nontradable inflation. No stimulus is expected from the terms of trade, however. In fact, the RBNZ

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

expects the terms of trade to fall sharply in the near term as import prices continue to rise (mainly owing to falling NZD) and export prices fall.

According to the RBNZ, "the scale and timing of further official cash rate reductions will depend on signs of declining inflation pressures and on exchange rate adjustments." As already mentioned, our forecast calls for the OCR to fall to 6.25% by mid-2009, below our estimate of the neutral rate of 6.5%. The key risks to this outlook, we believe, are a significant deterioration in the global economic outlook and/or a sharper than expected fall in NZD.

NZ retail sales dropped 0.8% in July

New Zealand's retail spending dropped 0.8%m/m; this all but reverses the revised 1.0% rise in sales in June. The weakness was due partly to soaring petrol prices, which reached a record high during July. Sales ex-autos also fell, so the weakness in spending was broad-based. Sales ex-autos dropped 0.2%m/m against market expectations of a 0.3% rise, following a 0.2% rise in June. Sales fell in 13 of the 24 retail categories in July. Car sales plunged 5.3% over the month and, of the other retail categories, the biggest declines were in sales of furniture, hardware, "other" retailing, and at cafes and restaurants. Sales at supermarkets plunged 2.0%m/m, even though food prices rose over the month. On the flipside, though, clothing sales bounced 9.0% over the month and spending in department stores unexpectedly soared 5.9%.

Data releases and forecasts

Week of September 15 - 19

Fri Sep 19 10:45am — **Balance of payments**
NZ$ mn, nsa

	3Q07	4Q07	1Q08	2Q08
Current account	-5220	-3413	-2155	-2600

Fri Sep 19 10:45am — **Visitor arrivals**
Not seasonally adjusted

	May	Jun	Jul	Aug
Total (%m/m)	9.1	-1.4	2.1	__

Fri Sep 21 10:45am — **Net permanent immigration**

	May	Jun	Jul	Aug
Monthly (000s)	-1.3	-0.6	0.7	__
12 month sum (000s)	4.9	4.7	5.2	__

Fri Sep 19 03:00pm — **Credit card spending**
Seasonally adjusted

	May	Jun	Jul	Aug
(%oya)	5.9	3.4	3.8	__
(%m/m)	-0.9	-0.4	0.4	__

Review of past week's data

QVNZ house prices
%, median

	Jun	Jul	Aug	
(%oya)	0.1	-2.2	__	*-4.5*

Terms of trade
Seasonally adjusted

	4Q07	1Q08	2Q08	
(%q/q)	2.6	4.1	~~3.0~~	*-0.5*

Business PMI
Seasonally adjusted

	Jun	Jul	Aug	
Index	45.3	48.8	__	*45.7*

Retail trade
Seasonally adjusted

	May	Jun		Jul	
(%m/m)	-1.3	~~0.9~~	*1.0*	-0.3	*-0.8*
(%oya)	1.1	~~1.8~~	*2.4*	2.0	*1.1*

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

- **Financial market moves dampen growth now but may cushion activity later**
- **The corporate spending adjustment is broadening and deepening**
- **3Q Euro area GDP set to contract more than the predicted 0.5%**
- **China stays on top even as growth slows across the EM**
- **Fx weakness puts added pressure on Latin central banks**

The condition our condition is in

The linkage between financial market movements and macroeconomic performance is complex, as market moves both reflect current conditions and shape future outcomes. In this regard, the broadening weakness in global growth is now reverberating through markets across the globe. Downward motion in global equity and commodity markets is now firmly established. Interest rates are also falling—in part because of shifting expectations about the balance of risks between growth and inflation and the likely direction of monetary policy.

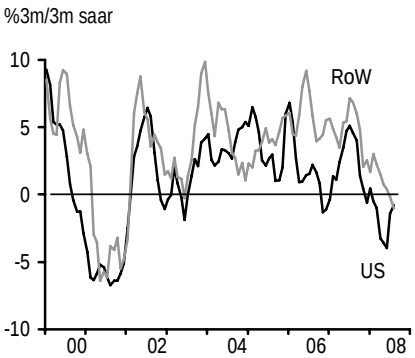
While market developments reflect current economic weakness, their influence on future activity is less obvious. The rapid descent of oil and agricultural commodity prices is a strong positive for growth, as it restores purchasing power to beleaguered households in oil-importing nations. Global sequential consumer price inflation is set to ease from a peak rate of 6.9% annualized this month (measured 3m/3m) to 2% or below by December. In addition, the US Treasury's plan to shore up the GSEs and purchase agency-sponsored mortgage-backed securities is likely to push mortgage interest rates lower. Over the past 10 days, the rate on a 30-year conventional fixed rate mortgage has declined almost 50bp. JPMorgan's strategists think that rates eventually will fall 100bp relative to the peak reached a few weeks ago. If so, this could boost home sales as much as 10% over the coming year.

Tempering any optimism from these market movements is the chill of rising risk aversion. In the industrial world, credit spreads have continued to widen on the back of growing concern about the health of financial institutions. Emerging economies also are experiencing this chill in the form of reduced net capital inflows. The decline in EM equity prices significantly exceeds that in the developed world so far this year. This marks a sharp reversal from the outperformance of EM equities in the early stages of the credit turmoil. Likewise, EM corporate borrowing rates and spreads have climbed in recent months. Increasingly, the deceleration in capital inflows is taking a toll on EM fx rates. As discussed below, the slide in EM currency values is a problem for a number of EM central banks, which are still facing significant domestic price pressures.

The counterpart to EM currency weakness—a rising US dollar—is helping to reduce inflation pressure in the United States. Indeed, this has combined with the rising unemployment rate to clip the wings of FOMC hawks, a change expected to be reflected in the absence of any hawkish dissent at next week's FOMC meeting.

In all, financial market developments are reinforcing the down-

Global manufacturing



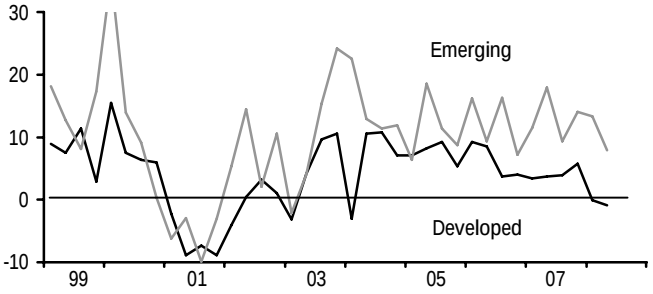
Financial market indicators

	Dec 31-Jul 14	Jul 14-pres	Ytd
WTI (chg in $/bbl)	46	-43	2
Rates (Chg in bp)			
G-7 10-yr gov't bond	1	-25	-24
US 30-yr FRM	35	-36	-1
USD: nom TWI (%ch)	-3.7	6.9	2.9
Spreads (Chg in bp)			
US IG (to LIBOR)	61	57	118
Global HY (to UST)	178	50	229
Equities (%ch)			
Developed	-17.8	-1.0	-18.7
Emerging	-17.6	-13.9	-29.1
Volatility (VIX)	26.6	-13.9	9.0

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

Business equipment spending

%q/q saar; total BFI in some EM countries, excludes China



shift in the global economy in the near term. In particular, this will entail a deeper slowdown in the previously high-flying emerging economies. This puts the global economy in a very vulnerable position, particularly as a more substantial corporate adjustment takes hold. If the economy can muddle through, increasingly powerful supports for growth in the form of lower oil prices and mortgage rates will take hold toward year end. The US economy stands to benefit most from these developments.

Businesses apply brakes to spending

Recent weeks have brought confirmation of a broadly based deceleration in business spending. One key to the global outlook is whether this corporate adjustment amplifies the weakness in consumer spending and housing to such an extent that it plunges the economy into recession.

Official data, which tend to be slow-arriving, already show that job growth is slowing in most countries. This message is reaffirmed by our more timely global PMI employment index, as well as the comprehensive quarterly Manpower global employment survey, released this week. As usually happens, the slowdown in hiring has been accompanied by a deceleration in capital spending. Our tally of 2Q GDP reports indicates that global investment spending stalled last quarter, the weakest performance since 1Q03. Data on G3 capital goods orders and shipments—using the gross (domestic and foreign) total as a proxy for global capital goods demand—suggest that this weakness carried over to the current quarter.

Against this backdrop, several distinctions merit attention. First, in the United States, there is a dichotomy between the downbeat labor market indicators versus the more upbeat data on capital goods orders and shipments. Part of the explanation is that exports are getting a boost from the US's competitive position overseas and its orientation toward commodity exporters and other fast-growing markets within the EM. Moreover, demand for capital goods is holding up better in the United States compared with Germany and Japan. Second, the corporate adjustment in the EM is relatively modest compared with that in the developed economies. This is consistent with the greater resilience of EM growth through 2Q.

Final demand growth still strong in China

EM GDP advanced at a 6% annual rate in 2Q, a pace that is near trend. This result was flattered by China, whose economy continued to boom in 2Q. The forecast anticipates a further slowing in EM growth to a pace that is noticeably below trend in the remainder of the year, as both China and the other EM economies lose momentum in response to slower exports, the lagged effects of higher inflation on household spending, and tighter domestic financial conditions.

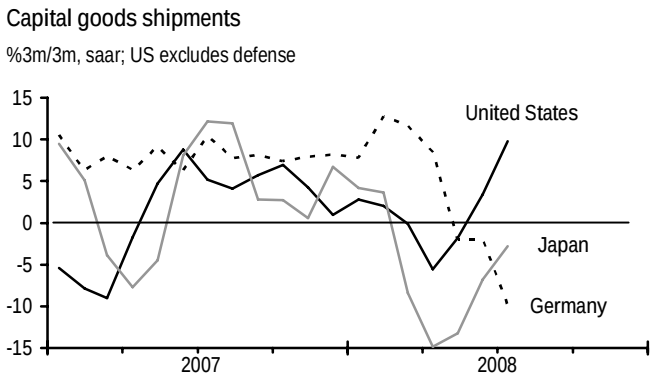
This week's reports from China both support and contradict the forecast. On a monthly basis, industrial production (our calculations) fell back to back in July and August. On the other hand, indicators of final demand including retail sales, fixed investment, and exports continued to expand at a solid pace in August. Most likely, the recent softness in IP reflects a temporary disruption in production during the Olympics, and possibly a slowdown in inventory accumulation. Thus, the activity data point to a moderation in GDP growth, but one that will prove temporary unless demand conditions soften as expected.

Meanwhile, developments on inflation are paving the way for a significant policy response should China's growth slow significantly. Headline inflation fell to 4.9%oya, down from above 8% earlier in the year. The decline in inflation began earlier and is much more impressive than elsewhere in the EM, reflecting the exaggerated swing in China's food inflation. Core inflation continues to move higher, however.

Downward momentum in Euro area

Euro area economic indicators continue to be very downbeat, putting downside risk to our forecast that the economy will contract at a 0.5% annual rate this quarter. This point is underscored by the latest data on manufacturing activity. July IP

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



fell at a 6.8% annual rate in the three months to July; barring revision, this exceeds the pace of decline at the height of the global downturn in 2001. A portion of this decline probably reflects an inventory adjustment. However, final demand growth also is slumping, reflecting weak exports, a consumer purchasing power squeeze, and corporate retrenchment. On this last point, German domestic capital goods orders plunged at a 22% annual rate in the three months to July, while German orders from the rest of the Euro area were down at a 17% pace. Notably, the relative intensity of the Euro area corporate adjustment is the opposite of that in the United States, with capex bearing the brunt of the adjustment rather than labor.

Latin currencies recouple with commodities

Latin policymakers continue to set themselves apart from their counterparts in the rest of the EM world in being more worried about inflation than growth. Indeed, the oya rate of headline inflation has yet to peak in most Latin countries—the peak is expected to be delayed to 4Q—and this is keeping central bankers on edge. Although Brazil's COPOM signaled that it would temper its future pace of tightening to 50bp per meeting in response to stabilizing inflation expectations and lower commodity prices, the Selic rate is still expected to be raised another 100bp to 14.75% by year end. The hawkish tone of this week's monetary policy report in Chile prompted us to raise the amount of expected tightening from now to year end to 75bp from 50bp. We still see another 50bp of rate hikes in Peru.

While policymakers remained focused on inflation, markets have started to worry more about the impact of slowing global growth and falling commodity prices on the region. Latin currencies rallied until the beginning of August, but have since depreciated 8.3% against the US dollar. Likewise, local bond markets have weakened. With commodities accounting for more that 50% of exports in many Latin countries, markets are increasingly concerned about the hit to the balance of payments, although the decline so far has not wiped out the 2008 gains. Meanwhile, central bank reaction to weaker fx is mixed, with Brazil just slowing the pace of USD purchases, and only Argentina and Peru selling dollars to contain the depreciation pressure. If fx weakness continues, more central banks may be forced to act on exchange rates, rather than interest rates, as the risks of inflation passthrough mount.

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

Awaiting the weekend

- Markets continue to be buffeted by events from both side of the spectrum, ranging from the de facto nationalization of the GSEs last weekend to the accelerating run on major financial institutions. On net, these have left bonds and equities largely unchanged on the week, as most investors are positioned for the carnage, though credit spreads keep widening. Few participants want to put new positions on given the rapid change in news flow.

- Our economists keep warning us about **downside risk in growth** as corporates retrench and financial conditions go from bad to worse. Hence, our tactical strategy retains a diversified set of **recession-bias positions**. We remain medium-term bullish on bonds and bearish credit. That said, with this weekend again promising to bring news on renewed financial consolidation, we are **temporarily putting long duration positions and steepeners in major markets on hold.**

- We remain in growth rotation trades, which attempts to exploit the spreading of recession forces from the US to Europe/Japan, and then on to emerging economies. The principle here is to underweight equities, credit, and currencies of regions where recession risks are spreading, and to be long their bonds. Consensus views on US growth are no longer falling, if only because of hyperactivity of US policymakers, while forecasts for Europe, Japan, and EM continue to fall. This has pushed up the dollar and allowed US equities to outperform, keeping the S&P500 in a range, while the rest of the world keeps falling. We **remain overweight US equities**.

- With growth pessimism spreading to emerging markets, we tactically moved last week to **underweight EM equities, credit and currencies**. This is working well, and will likely continue to do well with the sudden change in EM sentiment. Given how fast EM currencies are falling, reduce outright longs in EM local duration.

Fixed income

- Bonds gave back some of their gains this week, largely as renewed weekend event risk is forcing investors to cover longs. In our latest European Investor Survey, earlier this week, we found nobody short, explaining why European bonds underperformed this week. Beyond this weekend, we will likely turn positive on bonds again, depending on what we learn, as our medium view remains one of significant downside risks on growth.

10-yr Government bond yields

	Current	Sep 08	Dec 08	Mar 09	Jun 09
United States	3.64	3.85	3.90	4.00	4.20
Euro area	4.03	3.95	3.90	3.90	3.85
United Kingdom	4.39	4.40	4.20	4.20	4.20
Japan	1.44	1.50	1.60	1.60	1.80

Equities

	Current	YTD Return (local currency)
S&P	1235	-14.5%
Topix	1171	-17.7%
FTSE 100	5241	-14.3%
MSCI Eurozone	182	-22.7%
MSCI Europe	1210	-19.0%

Credit markets

	Current	Dec 08
US high grade (bp over UST)	293	230
US high grade (bp over swaps)	201	168
Euro HG corp (bp over swaps)	102	65
USD high yield (bp vs. UST)	815	800
EMBIG (bp vs. UST)	347	250

Foreign exchange

	Current	Sep 08	Dec 08	Mar 09	Jun 09
EUR/USD	1.43	1.47	1.47	1.45	1.42
USD/JPY	107	108	110	112	115
GBP/USD	1.77	1.84	1.84	1.81	1.80

Commodities

	Current	Quarterly Average	
		Sep 08	Dec 08
Gold ($/oz)	798	915	900
Copper($/m ton)	7266	8800	8000
Corn ($/Bu)	5.47	6.15	6.30

Source: JPMorgan, Bloomberg, Datastream

- In **EM**, economic pessimism is rising, more than is warranted by activity data, but likely on autopilot. This depresses their currencies. Stay long duration, but focus on countries where currencies are relatively more stable.

- **Last weekend's** US Treasury virtual takeover of the GSE's and plans to expand mortgage funding keep us **overweight MBS** (most upside) and **Agency debt.** We advise buying US MBS outright, given our expectation that the Treasury aims to push mortgage rates lower. It similarly moves us again into US swap spread tighteners, on top of those in Europe, despite continued financial turmoil. On net, it moves us towards **US curve flattening** as UST and Agency funding will likely switch to the short end of the curve.

Equities

- Equities failed to hold onto their gains post the GSE bailout and finished the week little changed. Renewed worries and

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

uncertainty about US financials have been added to a backdrop of falling growth expectations—the S&P500 EPS for 3Q fell to -1% oya from +8% in early August—and continued outflows. The VIX, which has been rising steadily over the past two weeks, has climbed to above 25% from a 20% average level in August.

- **If the S&P500 breaks the cycle low of 1215, reached on July 15, technical indicators signal it will likely fall further to 1170**. If this happens, our technical strategists warn of a rally post US elections that could push the S&P500 above 1300. For year end, we have lowered our target to 1375, from 1450. This is still up from today; sharply lower oil prices, declining mortgage rates, and a bottoming out in consumer confidence should get us there.

- We have been long small caps vs large caps in the US for most of the year. **Russell 2000 has outperformed the S&P500 by 8% ytd**, largely owing to the underperformance of financials, which make up 20% of both indices. Financials have fallen 25% ytd in the S&P500, but only 6% in the Russell 2000, as SMid banks were less affected by subprime-related writedowns. However, with risks rising that a slowing economy will lead to more widespread credit losses across all banks, the unusually high premium that the Russell 2000 is trading vs the S&P500 is likely to unwind in coming months. **Take profit on the overweight of small vs large caps.**

- **EM** equities continue to underperform and have lost 12% vs developed market equities since mid-July. EM equities are facing the headwind of weakening EM activity indicators, especially outside China, and negative momentum in growth expectations. With EM equities, currencies and credit under pressure, financial conditions are tightening in EM, raising the risk of a more serious slowdown. We prefer to focus on relative trades within EM, favoring China vs Brazil, Mexico vs Russia, and Taiwan vs Korea.

Credit

- **Credit spreads continue to widen** reaching record wides in US HG, led by financials, which widened more than 40bp on the week. **Event risk remains very high near term**, as the fate around troubled US financials will set the tone for credit markets in the next few weeks.

- The **GSE conservatorship represents an important credit event**, given the sheer size of debt that agencies have outstanding, and the hundreds of billions of dollars of CDS notional that likely exist on the credits. With billions of senior unsecured bonds trading in the high $90s, which appear to be the cheapest to deliver, the recovery rate should be also in the high $90s. But we see a high chance of a **lower recovery rate**. Thus CDS protection sellers who can unwind trades using recovery rates in the high $90s should consider doing so.

Foreign exchange

- Deleveraging has been our core theme since the beginning of September, implemented by owning the primary funding currencies (JPY, CHF) and selling a commodity currency (CAD). The G-10 portfolio is close to flat over the week, though with considerable intraday volatility owing to the random battery of policy events (Fannie/Freddie, OPEC) and bank headlines over the week.

- These patterns echo the fits and starts of previous deleveraging episodes. If there is a takeaway from that experience, it is that **trades fall into two buckets**: medium-term ones where a significant position overhang is evident or a central bank is on the march, and very short term and usually based on technicals. The yen fits into the first bucket, as decent-sized short positions are verifiable against the commodity currencies such as AUD and NZD, and probably versus EM. We stay short USD/JPY but close short EUR/CHF. Sterling fits into the latter, based on technical and position indicators that it is oversold. We recommend owning it versus USD and EUR. Keep risk light, given high event risk around financials.

- We **revised EUR/USD forecasts** lower for Dec-08 from 1.47 to 1.42 to reflect the impact of deleveraging. We also marked down end-2009 forecasts down from 1.38 to 1.36 on a view that Treasury's efforts to reflate the US mortgage market will allow the US to further outperform Europe on growth terms next year. Near term, expect consolidation given the range of positioning indicators that are at extreme levels.

Commodities

- A stronger dollar and concerns about global growth continued to put pressure on **oil** prices, which were down another $5 this week. Negative momentum remains strong and was mostly unaffected by the announced OPEC cutbacks. **Oil** will likely fall below $100, but stay above $90 near term. We believe that the reductions in production will eventually have a positive effect in 4Q.

- Downside risks in global growth should also remain negative for both softs and metals. **Metals** continued to probe the downside this week but short covering emerged towards the weekend, allowing a modest rally to take place. Sentiment remains weak with industrial production slowing globally. Precious metals have been buffeted by the USD and trade at multi-month lows across the board. Precious metals offer value at current levels while base metals are likely to trade within recent ranges.

Markets - Australia and New Zealand

- **Domestic data have surprised on the stronger side of expectations this week, casting doubt on the need for back-to-back rate cuts from the RBA.**
- **We expect another 25bp rate cut from the RBA, but not until December; activity data will be critical to policy expectations in the next 3 months.**
- **Strong buying from offshore model accounts continues to support the market, despite better than expected economic fundamentals.**
- **Real money accounts should look to scale back long duration positions in AUD fixed income.**

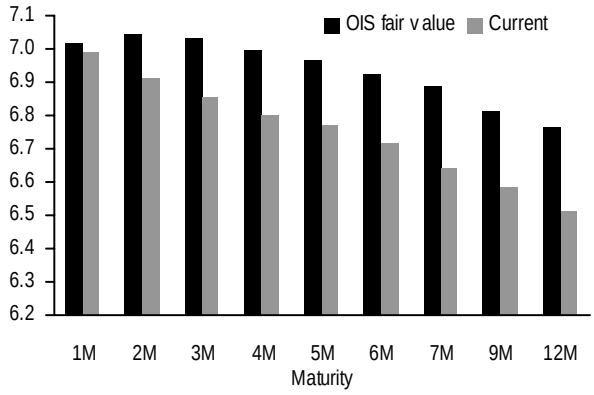
RBA – better data provides breathing room

The domestic data released this week were all better than expected. The first read on retail sales for Q3 showed a 1.4% rise in sales in July, almost double the market expectation. Even accounting for the significantly reduced sample size in the retail sales survey, the data were very robust and suggest that the Australian consumer has started Q3 on a more optimistic note. And if anecdotes of widespread discounting hold true, then the data imply that retail volumes could also be off to a good start for the quarter. The August labour market data also printed with a more positive tone. The surprise was the fall in the unemployment rate back to 4.1%, just 0.2ppts off the low for the cycle. It will be difficult for the RBA to justify too many rate cuts before year end if the data continues to be more positive in tone in coming months.

Comments from the RBA Governor in his semi-annual testimony before a Parliamentary Committee did not offer much joy for RBA watchers. The testimony was reasonably even handed, with the Governor setting out the RBA's game plan:

"*A somewhat larger fall in inflation overall is required on this occasion than was the case in either 2001 or 1995…Rather than trying to achieve that larger fall in inflation by pushing it down more quickly, the Board's strategy is to seek a gradual fall, but over a longer period. This carries less risk of a sharp slump in economic activity, though it does require a longer period of restraint on demand. On the other hand, this carries the risk that a long period of high inflation could lead to expectations of inflation rising to the point where it becomes both more difficult and more costly to reduce it.*"

Chart 1: AUS OIS market - current vs. JP Morgan's estimate of fair value
Percent



expensive on our economist's view that the RBA cash rate will settle at 6.25% mid next year (**chart 1**). Alternatively, shorts in the Dec-08 IB contract look attractive on a risk/reward basis at 93.45 or above. At 93.45, the investor stands to gain 20bps, while the maximum loss is 5bps.

Scale back long duration positions

Despite the better tone to the domestic data, outright yields are only a little higher when compared to levels of a week ago. Strong buying from offshore model accounts has kept a persistent bid tone to the local market, frustrating shorts (predominantly domestic in nature). If history is any guide, offshore accounts are often the dominant influence on price action and can have powerful effects on positioning, with shorts being forced to exit the market and helping to push the market to an extreme level. We would regard any move to the high 50s/low 60s in 3-years (Sep-08 contract or low to mid 70s in the Dec-08 contract) as indicative of any such dynamic. We would advise strategic short positions on any such move.

For real money accounts, we recommend scaling back on long duration positions at these levels. With 3-year government bond yields falling 150bps and 10-year government bond yields falling 120bps in just three months, we think it makes sense to move closer towards benchmark duration. As chart 2 illustrates, our estimate of fair value for Australian 10-year government bonds is around 5.65%. At a current yield of 5.67%, we see little justification in long duration positions.

3s10s curve range bound, trading directionally

The 3s10s yield curve remains range bound. Further steepening in the near term will be limited by a central bank which appears in no hurry to get the cash rate considerably lower. Expect the curve to trade a flat to 20bps range over the next month or so, with moves to either end of this range likely to be driven by moves in outrights (see chart 3). Our tactical strategy remains initiating steepeners on any move sub 5bps, and taking profit on any move to 15bps or above. While our strategic view favours a steeper curve, we don't expect this to eventuate until early 2009. Look to initiate strategic steepeners on a move sub 5bps in futures and -12.5bps in spot swap.

Longer dated semis look attractive

The AUD/JPY cross appears to have entered a period of consolidation, helping the AUD 10-year swap/efp spread to stabilise in the low 70s. As we noted last week, we think longer dated semi paper looks cheap on an asset swap basis (chart 4). We would look to start building a position in NSWTC Apr-19 paper, with a view to entering an asset swap at -2bps. With repo rates largely flat to OIS and the bills/OIS spread at 50bps, the trade has very attractive carry characteristics.

Trade recommendations

- Hold 3s/10s Aussie curve steepener in futures. Expectations of RBA easing against a back drop of high inflation should see the curve steepen. We are thus recommending strategic curve steepening positions in AUD. The trade has moved our way, but has further to run. We recommended buying the curve at a spread of 3bp, with a target of 25bp and a stop loss at -5bp. The curve currently is at 7.5bp, for a 4.5bp gain.
- Hold short Oct-08 IB 30-day cash futures positions. Stronger data and some commentary from RBA watchers suggesting that the RBA may not cut rates next month has helped this trade to move in our favour. Oct-08 IBs are currently at 93.13. We entered the trade at 93.17, and target a move to 93.10 in the first instance, with a stop at 93.20. Note that this contract should settle at 93.00 if the RBA leaves rates unchanged in October.
- Retain paid 3-month positions OIS at 6.87%. Currently the OIS market is priced for a 25bp easing in both October and

Chart 2: Australian 10-year government bond model
Percent

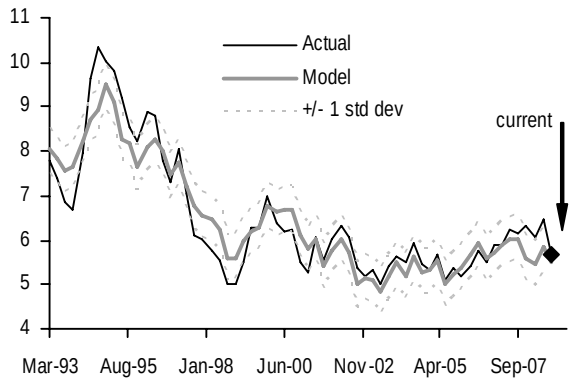


Chart 3: 3s10s curve vs. 3-year futures contract, daily data
Percentage points Price

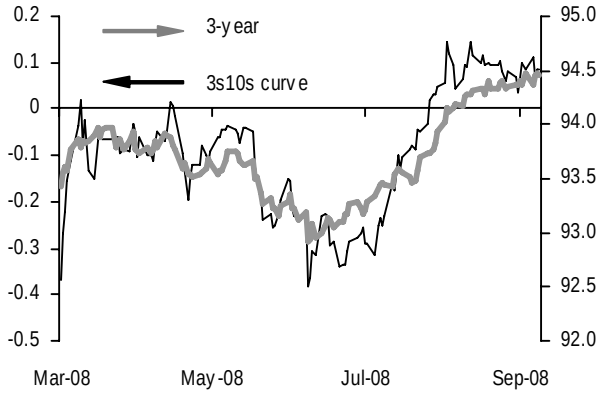
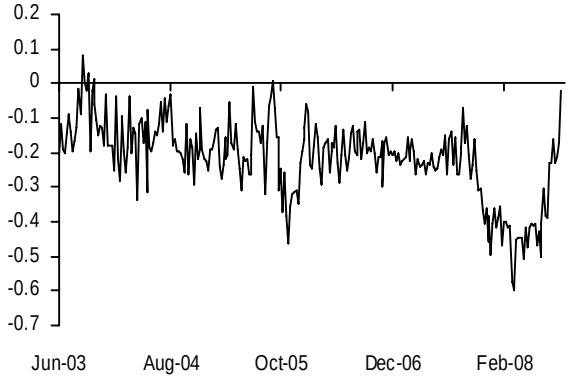


Chart 4: 10-year NSWTC spread to swap, weekly data
Percentage points



December. Our view on the RBA suggests fair value for 3-month OIS is 7.03%. Target a move back to 7%, with a stop at 6.82%.

- Asset swap NSWTC Apr-19 bond .We recommend investors asset swap the NSWTC Apr-19 bond. Look to initiate half the position at a spread of -2bps, and add to the position on any move above flat. We target a move back to -15bps in the first instance; we note that the medium term asset swap average for longer dated semi paper is closer to -20bps.

New Zealand

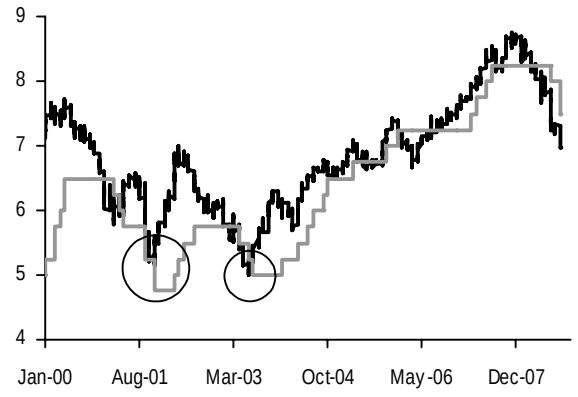
- **The RBNZ surprised with a 50bps rate cut last week, taking the OCR to 7.5%. As expected, both the RBNZ's GDP and inflation forecasts were revised lower in the *Monetary Policy Statement*.**
- **The RBNZ Governor described the NZ economy as in "technical recession". We continue to forecast a terminal OCR of 6.25% for the cycle.**
- **The Prime Minister announced a general election for 8 November. We do not expect this to have a material impact on the implementation of monetary policy.**

RBNZ – foot on the pedal

The RBNZ responded to a deterioration in both the global and domestic economic environment with a 50bp rate cut at its last meeting. This was a surprise outcome for the market and forecasters alike, with consensus strongly centred on a 25bp easing. The move is a clear reflection that the RBNZ has changed strategy, opting to front load the easing cycle while at the same time noting that the ultimate end point for the cash rate has not altered.

Market reaction to the rate cut was sharp, with the 2-year swap rate falling 22bps on the day and driving a 21bp steepening in the 2s10s swap curve to -12.5bps. The market is now toying with the possibility that the RBNZ might cut by another 50bps at its next meeting in October. Given more soft data over the course of the week (retail sales down 0.8% in July, home sales off 34% year-on-year in August), a 50bp cut is clearly the risk to the 23 October MP decision. But lingering concern about the fortunes of the NZD might be enough convince the RBNZ to take the more cautious path.

Chart 5: RBNZ cash rate and 2-year swap
Percent



Historical experience suggests that the 2-year swap rate troughs at somewhere between flat and 50bps over the trough in the OCR (chart 5). This would suggest a trough in the 2-year swap of around 6.25% to 6.75%, given our expectation that the cash rate will settle at 6.25% for the cycle. While there is scope for a further modest decline in front end yields, we think it would be preferable to look for a back up in yields before adding to or initiating received positions in the NZ front end.

Alternatively, we think the 1-year sector of the NZ curve is starting to look expensive with 125bps of rate hikes priced in over the next 12 months, look to pay 12-month OIS on any move to 6.90% or below.

Trade recommendations

- Take profits on long NZD 1Y1Y swap position. We established the position at 7% amid expectations that the RBNZ will lower the OCR aggressively. The 1Y1Y rate is currently trading at 6.63%, having rallied sharply in the past week. Exit the position for a profit of 37bps. We look for a backup in yields before reinitiating received positions in the front end of the Kiwi curve.

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	1.8	2.1	0.9	3.3	0.5	1.0	2.0	3.0	3.0	4.3	4.6 ↑	3.1 ↑	1.9
Canada	2.7	0.9	2.3	-0.8	0.3	1.5	2.3	2.5	2.8	3.0	2.4	2.9	1.7	1.9
Latin America	5.3	4.1 ↑	3.4	0.8 ↑	4.9 ↑	3.1 ↓	3.1 ↓	2.7 ↑	3.8	3.8 ↑	7.5	8.3	7.8 ↑	6.6 ↑
Argentina	8.7	6.5	3.0	2.6	7.4 ↑	6.1	2.8 ↓	2.8 ↑	2.8 ↑	0.8 ↑	9.1	8.8 ↓	8.6 ↓	9.8
Brazil	5.4	5.2 ↑	3.8	3.4 ↑	6.5 ↑	3.0 ↓	3.2 ↓	3.5	3.9	3.8	5.6	6.6	6.6	5.0
Chile	5.1	4.0	3.0	6.8	7.4	2.5 ↑	-2.0 ↓	3.0	3.0	7.0 ↑	8.9	8.8 ↓	7.3 ↓	4.6 ↑
Colombia	8.2	3.7	3.6	-3.7	3.8	5.8	6.2	1.2	2.1	2.9	6.4	7.0 ↑	5.5 ↑	4.9 ↑
Ecuador	2.0	2.5	2.5	2.0	3.5 ↑	4.0 ↑	4.0 ↑	2.5	2.0 ↓	1.5 ↓	9.1	9.8	5.9 ↑	4.9 ↑
Mexico	3.2	2.0	3.0	-0.5	0.6	1.5	2.0	3.0	4.1	4.1	4.9	5.8 ↑	5.1 ↑	3.9
Peru	9.0	9.2	6.1	7.5	11.2	6.1	5.1	2.8	10.1	6.0	5.5	6.1	4.5 ↑	3.5 ↑
Venezuela	8.4	5.0	3.5	-12.5	15.0	5.0	10.0	-2.5	2.5	3.5	31.0	33.9 ↑	33.6 ↑	31.2 ↑
Asia/Pacific														
Japan	2.0	0.5 ↓	0.5 ↓	2.8 ↓	-3.0 ↓	-0.5	0.2	0.7	1.2	1.7	1.4	1.8 ↓	1.4 ↓	1.1 ↑
Australia	4.2	2.7	2.6	2.7	1.1	2.6	3.2	3.2	2.0	2.4	4.5	4.6	3.2	3.0
New Zealand	3.1	0.2	1.5	-1.1	-2.2	-1.3	0.2	2.4	3.1	3.2	4.0	5.2	4.3	3.0
Asia ex. Japan	8.8	7.2	7.1 ↓	8.6	6.6	5.6	6.2	7.1	7.6	7.8	7.0	5.9 ↓	4.2 ↓	4.8 ↑
China	11.9	10.1	9.6	11.7	11.5	8.7	9.0	9.5	10.0	10.0	7.8	4.4 ↓	3.8 ↓	5.7 ↑
Hong Kong	6.4	4.0	4.5	8.2	-5.5	0.8	5.2	5.5	6.0	6.5	5.7	2.5 ↓	2.4	4.2 ↑
India	9.0	7.0	7.5	9.8	5.9	5.8	5.9	7.1	7.3	7.9	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	4.8	4.6	6.0	3.7	-1.2	0.8	6.6	7.0	7.4	4.9	7.1	4.9	2.3
Philippines	7.2	4.4	4.3	4.2	6.2	2.0	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	3.9	4.4	3.3	1.3	2.5	3.8	4.8	5.2	5.5	4.2	2.1	2.8	2.4
Thailand	4.8	4.2	4.6	6.0	2.3	0.0	1.0	2.0	3.0	5.0	7.5	11.3	6.5	5.0
Africa														
South Africa	5.1	3.3	2.7	2.1	4.9	0.9	-0.4	2.2	3.5	5.6	11.6	13.6	8.7	6.6
Europe														
Euro area	2.6	1.1	0.4	2.7	-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	2.8	1.5 ↓	-0.2	3.9	1.5	1.0 ↓	1.0 ↓	1.5	2.0	3.2	4.0 ↓	3.7 ↓	1.8 ↓
Sweden	2.9	1.1	1.0 ↓	0.5 ↓	-0.1	1.2	0.8	0.8	1.2 ↓	1.5 ↓	3.8 ↓	3.7 ↓	2.8 ↓	2.1 ↓
Switzerland	3.3	2.0	1.1	1.1	1.5	0.5	0.5	1.0	1.5	1.5	2.7	2.2 ↓	1.1 ↓	1.1
United Kingdom	3.1	1.0 ↓	0.4	1.1	0.2 ↓	-1.0	-1.0	0.5	1.0	2.0	3.4	4.9	3.4	2.1
Emerging Europe	6.5	5.8	5.0 ↓	6.4 ↓	6.4 ↑	4.7 ↓	4.9 ↑	4.5 ↓	4.9 ↓	5.2 ↓	10.2 ↓	9.1 ↓	7.7 ↓	7.2
Bulgaria	6.2	5.2	5.5	…	…	…	…	…	…	…	…	…	…	…
Czech Republic	6.6	4.5 ↓	2.5 ↓	3.8 ↑	3.6	3.5 ↓	5.0 ↑	0.5 ↓	1.0 ↓	2.0 ↓	6.8	5.3 ↓	2.0 ↓	2.3 ↓
Hungary	1.3	2.2	2.8	2.2	2.3	2.5	2.5	2.2	2.2	3.0	6.8	5.7	4.4	3.8
Poland	6.6	5.3	4.3	5.7	6.1	4.0	3.5 ↑	2.8	3.5	4.5	4.3	3.9 ↓	3.8	3.3 ↑
Slovak Republic	10.4	7.0	3.5	8.7	5.3	5.0	0.0	5.0	4.0	4.0	4.5	4.1	3.2	3.7
Romania	6.0	8.5	3.5	…	…	…	…	…	…	…	8.6	6.4	5.8	5.5
Russia	8.1	7.4	6.5	7.2 ↓	7.3 ↑	5.5	6.5	6.5	7.0	7.0	14.8	13.2	11.3	11.0
Turkey	4.6 ↑	3.8	5.0 ↓	…	…	…	…	…	…	…	10.3 ↓	10.0 ↓	8.5 ↓	7.2
Global	3.5 ↑	2.3 ↓	2.2	2.6 ↓	1.8 ↓	1.0	1.5	2.1	2.7	3.1	4.4	4.5	3.3	2.6
Developed markets	2.4	1.3 ↓	1.2 ↓	1.7	0.7 ↓	0.0	0.5	1.3	1.8	2.2	3.5	3.8 ↑	2.7 ↑	1.8
Emerging markets	7.5	6.1	5.8	6.2	6.1 ↑	4.7 ↓	5.1 ↓	5.5	6.1	6.3	7.8	7.2 ↓	5.8 ↓	5.7 ↑

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	3.83	-89				3.83	3.84	3.77	3.66	3.80
excluding US	GDP-weighted average	4.69	22				4.70	4.72	4.61	4.45	4.42
Developed	GDP-weighted average	2.84	-130				2.84	2.82	2.72	2.61	2.79
Emerging	GDP-weighted average	7.81	76				7.83	7.98	8.00	7.92	7.89
Latin America	GDP-weighted average	10.41	160				10.41	10.86	10.85	10.82	10.47
CEEMEA	GDP-weighted average	8.13	87				8.22	8.32	8.39	8.04	7.47
EM Asia	GDP-weighted average	6.72	40				6.73	6.79	6.80	6.80	7.07
The Americas	GDP-weighted average	2.99	-260				2.99	3.04	3.04	3.03	3.44
United States	Federal funds rate	2.00	-325	30 Apr 08 (-25bp)	16 Sep 08	4Q 09 (+25bp)	2.00	2.00	2.00	2.00	2.50
Canada	Overnight funding rate	3.00	-150	22 Apr 08 (-50bp)	21 Oct 08	**20 Oct 09 (+25bp)**	3.00	3.00	3.00	3.00	**3.50**
Brazil	SELIC overnight rate	**13.75**	225	**10 Sep 08 (+75bp)**	30 Oct 08	**30 Oct 08 (+50bp)**	**13.75**	**14.75**	**14.75**	**14.75**	**14.00**
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	8.25	275	4 Sep 08 (+50bp)	9 Oct 08	**9 Oct 08 (+50bp)**	8.25	**9.00**	**9.00**	**8.50**	**7.75**
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	**6.50**	175	**11 Sep 08 (+25bp)**	9 Oct 08	**9 Oct 08 (+25bp)**	**6.50**	7.00	7.00	7.00	7.00
Europe/Africa	GDP-weighted average	4.81	21				4.82	4.79	4.59	4.31	4.08
Euro area	Refi rate	4.25	25	3 Jul 08 (+25bp)	9 Oct 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)	9 Oct 08	6 Nov 08 (-25bp)	5.00	4.75	4.50	4.00	4.00
Sweden	Repo rate	4.75	125	4 Sep 08 (+25bp)	23 Oct 08	on hold	4.75	4.75	4.75	4.75	4.75
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	2.75	2.50
Hungary	2-week deposit rate	8.50	75	26 May 08 (+25bp)	29 Sep 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)	24 Sep 08	2Q 09 (-25bp)	6.00	6.00	6.00	5.75	5.25
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)	30 Sep 08	Mar 09 (-25bp)	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	10.00
Switzerland	3-month Swiss Libor	2.75	25	13 Sep 07 (+25bp)	18 Sep 08	on hold	2.75	2.75	2.75	2.75	2.75
Turkey	Overnight borrowing rate	16.75	-75	17 Jul 08 (+50bp)	18 Sep 08	Apr 09 (-25bp)	16.75	16.75	16.75	16.00	14.50
Asia/Pacific	GDP-weighted average	3.75	20				3.75	3.76	3.74	3.73	3.97
Australia	Cash rate	7.00	50	2 Sep 08 (-25bp)	7 Oct 08	1 Dec 08 (-25bp)	7.00	6.75	6.50	6.25	6.25
New Zealand	Cash rate	**7.50**	-75	**11 Sep 08 (-50bp)**	22 Oct 08	**22 Oct 08 (-25bp)**	**7.50**	**7.00**	**6.50**	**6.25**	**6.25**
Japan	Overnight call rate	0.50	0	21 Feb 07 (+25bp)	17 Sep 08	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	3.50	3.50	4.00
China	1-year working capital	7.47	45	20 Dec 07 (+18bp)	3Q 08	3Q 09 (+27bp)	7.47	7.47	7.47	7.47	8.01
Korea	Base rate	5.25	25	7 Aug 08 (+25bp)	8 Oct 08	on hold	5.25	5.25	5.25	5.25	5.25
Indonesia	BI rate	9.25	100	4 Sep 08 (+25bp)	8 Oct 08	**8 Oct 08 (+25bp)**	9.25	**9.50**	**9.75**	**9.75**	**9.75**
India	Repo rate	9.00	125	29 Jul 08 (+50bp)	24 Oct 08	**24 Oct 08 (+25bp)**	9.00	**9.25**	**9.25**	**9.25**	**9.25**
Malaysia	Overnight policy rate	3.50	0	26 Apr 06 (+25bp)	24 Oct 08	on hold	3.50	3.50	3.50	3.50	3.50
Philippines	Reverse repo rate	6.00	0	28 Aug 08 (+25bp)	9 Oct 08	on hold	6.00	6.00	6.00	6.00	6.00
Thailand	1-day repo rate	3.75	50	27 Aug 08 (+25bp)	8 Oct 08	on hold	3.75	3.75	3.75	3.75	3.75
Taiwan	Official discount rate	3.625	50	26 Jun 08 (+12.5bp)	26 Sep 08	26 Sep 08 (+12.5bp)	3.75	3.75	3.75	3.75	4.00

Bold denotes move this week and forecast changes. Underline 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	4.2	2.7	2.6	3.3	4.3	2.8	2.7	1.1	2.6	3.2	3.2	2.0	2.4	2.3
Private consumption	4.5	2.7	1.7	2.5	4.1	5.7	2.6	-0.6	2.8	2.0	1.2	1.6	2.0	2.4
Construction investment	9.8	3.2	3.3	3.1	10.0	-3.0	9.7	-4.6	6.1	3.0	5.1	2.0	1.9	5.9
Equipment investment	9.6	14.7	5.8	24.1	-0.6	16.2	-1.3	53.4	13.2	4.2	-2.1	4.2	0.0	8.6
Public investment	5.7	14.0	6.2	72.3	-27.7	30.6	27.5	9.8	5.8	5.7	5.8	6.0	6.3	6.7
Government consumption	2.4	4.2	3.3	1.0	5.5	5.8	2.4	4.8	5.4	3.7	3.5	2.2	1.8	2.2
Exports of goods & services	3.2	5.5	5.1	0.8	8.8	-2.6	7.7	11.1	4.1	6.1	4.1	4.1	6.1	4.1
Imports of goods & services	10.8	11.8	4.4	7.1	11.1	13.4	18.2	9.3	8.2	4.1	2.0	4.1	5.1	2.0
Contributions to GDP growth:														
Domestic final sales	5.3	4.7	2.8	6.8	3.6	6.8	4.8	3.5	4.5	3.0	2.2	2.3	2.1	3.8
Inventories	0.6	-0.3	-0.1	-1.9	1.5	-0.2	0.7	-2.2	-0.6	0.0	0.6	-0.1	0.3	-1.8
Net trade	-1.8	-1.7	-0.1	-1.4	-0.8	-3.5	-2.6	-0.1	-1.2	0.2	0.3	-0.2	0.0	0.3
GDP deflator (%oya)	3.8	5.6	3.2	4.0	3.2	3.5	3.7	6.7	6.3	5.6	5.2	2.6	2.6	2.5
Consumer prices (%oya)	2.3	4.5	3.3	2.1	1.9	3.0	4.2	4.5	4.6	4.6	3.9	3.2	3.1	3.0
Producer prices (%oya)	2.3	8.5	3.4	1.5	0.8	3.4	6.9	8.7	9.8	8.7	6.1	2.5	2.5	2.5
Trade balance (A$ bil, sa)	-20.7	-2.7	15.6	-4.6	-5.4	-6.9	-8.0	-0.5	2.5	3.4	4.0	4.2	3.6	3.8
Current account (A$ bil, sa)	-67.0	-50.4	-33.5	-16.4	-16.8	-19.0	-19.8	-12.8	-9.3	-8.5	-8.0	-8.0	-8.8	-8.7
as % of GDP	-6.2	-4.3	-2.7	-6.1	-6.1	-6.8	-7.0	-4.4	-3.1	-2.8	-2.6	-2.6	-2.8	-2.8
3m eurodeposit rate (%)*	6.0	7.6	6.9	5.8	7.1	7.2	7.6	7.8	7.7	7.4	7.2	7.0	6.8	6.6
10-year bond yield (%)*	5.6	6.1	5.8	5.6	5.7	6.4	6.1	6.2	6.2	6.1	6.0	5.9	5.8	5.7
US$/A$*	0.75	0.90	0.83	0.74	0.77	0.91	0.91	0.97	0.87	0.84	0.83	0.83	0.83	0.83
Commonwealth budget (FY, A$ bil)	17.2	16.8	21.7											
as % of GDP	1.6	1.4	1.7											
Unemployment rate	4.4	4.5	5.3	4.3	4.3	4.3	4.0	4.3	4.4	4.7	4.9	5.1	5.3	5.5
Industrial production	3.2	3.9	0.8	-0.3	1.5	5.6	10.2	1.6	0.0	-1.0	3.0	2.5	1.0	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	4.4	3.8	4.0	2.0	4.8	3.4	4.0	5.1	5.2	5.0	4.3	3.5	3.0
%oya	2.4	4.4	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
15 Sep Australia: Dwelling starts (11:30am) 2Q -2.0 %q/q, sa	16 Sep	17 Sep Australia: Westpac leading index (10:30am) Jul	18 Sep	19 Sep New Zealand: Current account (10:45am) 2Q -2600 NZ$ mn Visitor arrivals (10:45am) Aug Credit card spending (03:00pm) Aug
22 Sep Australia: New motor vehicles sales (11:30am) Aug	23 Sep	24 Sep	25 Sep	26 Sep New Zealand: GDP (10:45am) 2Q
29 Sep New Zealand: Trade balance (10:45am) Aug Money supply (03:00pm) Aug	30 Sep Australia: Pvt. sector credit (11:30am) Aug Retail sales (11:30am) Aug Building approvals (11:30am) Aug New Zealand: Building permits (10:45am) Aug NBNZ bus. conf. (03:00pm) Sep	1 Oct	2 Oct Australia: Trade balance (11:30am) Aug New Zealand: ANZ commodity price (03:00pm) Sep	3 Oct
6 Oct Australia: ANZ job ads (11:30am) Sep *Holiday Australia*	7 Oct Australia: RBA cash target (02:30pm) Oct	8 Oct Australia: WMI cons. conf. (10:30am) Oct Housing finance (11:30am) Aug	9 Oct Australia: Unemployment rate (11:30am) Sep	10 Oct

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

Global Data Diary

Week / Weekend	Monday	Tuesday	Wednesday	Thursday	Friday
15 - 19 September	15 September	16 September	17 September	18 September	19 September
	Euro area • Labor costs (2Q) • Trichet speech Poland • CPI (Aug) United States • IP (Aug) • NY Fed survey (Sep)	China • IP (Aug) Euro area • HICP final (Aug) Germany • ZEW bus survey (Sep) Japan • Consumer sent (Aug) • Flow of funds (2Q) Russia • IP (Aug) United Kingdom • CPI (Aug) United States • CPI (Aug) • NAHB survey (Sep) • FOMC meeting	China • FAI (Aug) Euro area • Trade balance (Jul) Japan • BoJ meeting United Kingdom • Labor mkt report (Aug) • BoE minutes United States • Housing starts (Aug)	Japan • Dept store sales (Aug) • Reuters Tankan (Sep) • Tertiary sector activity (Jul) • Shirakawa speech Mexico • IP (Jul) Poland • IP (Aug) Turkey • CBRT meeting United Kingdom • Retail sales (Aug) Switzerland • SNB meeting United States • Flow of funds (2Q) • Philly Fed survey (Sep)	Colombia • BanRep meeting Euro area • Trichet speech Mexico • Banxico meeting
22 - 26 September	22 September	23 September	24 September	25 September	26 September
	Germany • CPI 6 states and prelim (Sep) Japan • All sector act index (Jul) • BoJ minutes: Aug 18-19 mtg Mexico • GDP by expenditure (2Q)	Belgium • BNB business surv (Sep) Canada • CPI (Aug) Euro area • Industrial orders (Jul) • PMI flash (Sep) South Africa • CPI (Aug) Taiwan • Export orders (Aug) • IP (Aug) United Kingdom • BBA mort lending (Aug) United States • OFHEO HPI (Jul)	Euro area bus surveys • France INSEE (Sep) • Germany IFO (Sep) • Italy ISAE (Sep) Japan • MoF bus survey (3Q) Norway • Norges Bank meeting Poland • NBP meeting United States • Existing home sales (Aug) • Bernanke testifies before Joint Econ Committee	Czech Republic • CNB meeting Euro area • M3 (Aug) Japan • Trade balance (Aug) Netherlands • CBS bus survey (Sep) Romania • NBR meeting Taiwan • CBC meeting United States • Durable goods (Aug) • New home sales (Aug) • Bernanke and Paulson speak on GSE before Congress	Japan • Core CPI (Aug) United States • Consumer sent (Sep) • Real GDP final (2Q)

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
Michael Feroli (1-212) 834-5523
Abiel Reinhart (1-212) 834-5614

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

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

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