J.P.Morgan

Australia and New Zealand - Weekly Prospects

Summary

- There were no surprises from the RBA's decision to leave the cash rate steady, with the highlight of a slew of economic data released in **Australia** last week undoubtedly being the June employment report. The fall in employment was not as sharp as we had forecast, although it was entirely due to a drop in full-time jobs. With labour force participation still elevated, the jobless rate will probably continue to rise significantly. We no longer believe RBA officials will wait for unemployment to peak before starting to take back the current policy accommodation; this would be a break from historical convention. We forecast the RBA's next move will be a hike in 2010.

- The NZIER Quarterly Survey of Business Opinion last week reaffirmed our expectation that the **New Zealand** economy will contract again in 2Q and 3Q, marking seven straight quarterly GDP declines. Scheduled for release this week are the retail sales data for May and the 2Q CPI report. The retail sales numbers released this morning were much stronger than expected, though this strength is unlikely to be sustained given that unemployment is set to rise. Headline inflation (Thursday) should print back within the RBNZ's target range. Lower food prices will be the major downward force on headline CPI, particularly prices of fruit and vegetables.

- The transition of the **global economy** from recession to recovery is taking place faster than expected. Industrial output posted its second consecutive monthly gain in May, with output rising a full 1% m/m. Global consumption is also on an upward trajectory into midyear. Most striking is the bounce in auto sales. Our estimates point to a strong 1.4mn-unit rise in June on the back of an already significant increase during the first five months of this year. After collapsing 25% in 2008, auto sales have recovered two thirds of their decline.

- The recent growth in **global manufacturing** and consumption is largely a non-US affair. Indeed, US manufacturing looks set to fall again in June with output tracking a double-digit pace of decline in 2Q09. US consumption also probably dropped last quarter, while solid spending gains are being recorded in the Euro area and Japan, along with significant consumption growth in other Asian economies. Fiscal incentives have promoted the impressive climb in auto sales outside the US, but these incentives are not undermining growth in other components of consumer spending.

- This week's reports should confirm that **China's economy** boomed in 2Q. Our forecast calls for a nearly 15%q/q, saar increase in GDP, but comments from the National Bureau of Statistics suggest that the gain may have been closer to 20%. The accompanying June activity releases will continue to show that this burst was driven by domestic demand. Last week's trade data underscore this point, as exports slipped in June (vs May) whereas the recent import surge continued. Policy stimulus is playing an important role, but the increases in expenditures extend well beyond that support. One of the most striking developments is the surge in vehicle sales, which have increased by almost two thirds from around 6mn units (saar) to over 10mn units in the past six months.

This week's highlight

The New Zealand CPI print should show that inflation pressures continued to ease in 2Q, with the headline falling back within the RBNZ's comfort zone.

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Contents

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Data and event previews - Australia and New Zealand

			Forecast		
Date	**Time** [(a)]	**Data/event**	**JPMorgan**	Consensus [(b)]	***Previous***
Tuesday, July 14	11.30am	Aust. NAB business confidence (Index, Jun.)	**2**	na	*-2*
Wednesday, July 15	11.00am	Aust. Westpac leading index (%m/m, May)	**na**	na	*0.7*
Thursday, July 16	8.30am	NZ business PMI (Index, Jun.)	**na**	na	*42.7*
Thursday, July 16	8.45am	NZ CPI (%oya, 2Q)	**1.5**	1.8	*3.0*
Friday, July 17	11.30am	Aust. import price index (%q/q, 2Q)	**-1.0**	-6.0	*-2.8*
Friday, July 17	11.30am	Aust. export price index (%q/q, 2Q)	**-13.3**	-16.0	*-4.6*

(a) Australian Eastern Standard Time.
(b) Consensus based on Bloomberg survey.

Australia

Aust. NAB business confidence (Index, Jun.) - Business confidence rose to its highest level in 15 months in May, owing to improved financial and economic conditions. With more "green shoots" emerging offshore, and businesses reportedly having improved access to equity capital, we expect another improvement in confidence in June.

Aust. import and export prices (%q/q, 2Q) - The terms of trade will decline again in 2Q. Export prices are forecast to tumble, owing to a slump in commodity prices, though import prices will remain relatively steady. The terms of trade will be a drain on national income this year, having been a powerful source of support in recent years.

New Zealand

NZ CPI (%oya, 2Q) - Headline inflation will have falled back within the RBNZ's 1-3% target range in 2Q, owing mainly to lower food prices. Nontradable inflation should ease, though the tradable component of the CPI may rise owing to higher petrol prices. The CPI print will have few implications for our RBNZ call, which has the RBNZ's next move being a rate hike in 2H10.

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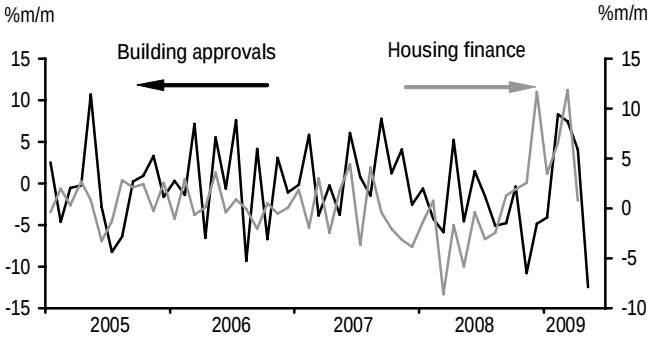
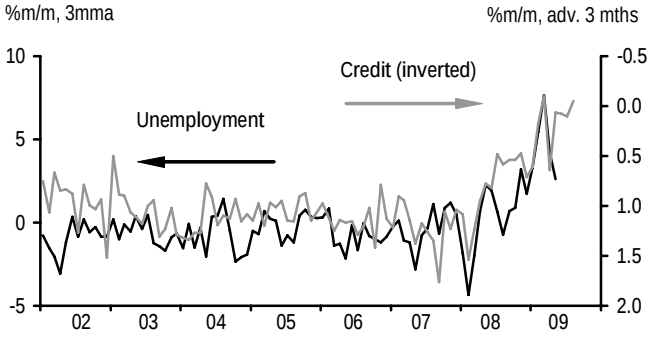
Feature charts

Australia: building approvals and housing finance for new dwellings



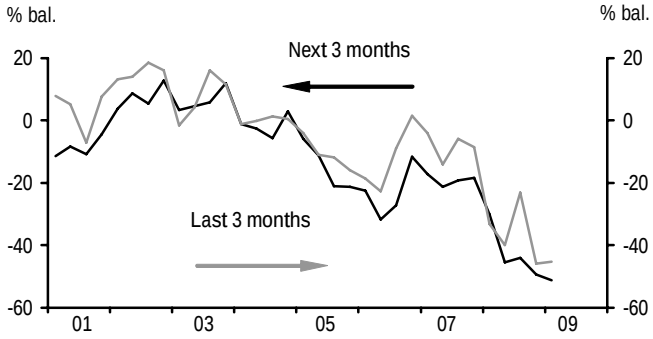
The expanded first home buyers' (FHB) grant in Australia has boosted demand for finance—loans to owner-occupiers have now surpassed 2007 peaks. As the expanded grant is phased down throughout 2H09, investors will pick up the slack. Tumbling building approvals, though, signal that developers are skeptical of opportunities in the housing market over the long term.

Australia: unemployment and private sector credit



Repeated contractions in the pool of outstanding credit, a rare event in the Australian economy, are a sign of weakening household consumption. Thus far, corporate cashflows have been supported in the goods-producing sector, owing to the government's cash hand-outs. As the stimulus payments are withdrawn and profit margins are squeezed, employers will have little choice but to trim excess labour, reaffirming our view that the unemployment rate will rise.

New Zealand: NZIER survey of business opinion - profitability



New Zealand has been in recession now for five straight quarters. Domestic demand has been hit particularly hard, contracting every quarter since mid-2008. The prolonged recession has damaged business profitability, which feeds into firms' expectations regarding future prospects. Capital expenditure has, therefore, plummeted 20% since the onset of recession, exacerbating the downturn.

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Economic Research Note

Aussie consumers will be standing on their own in 2H09

- **Impact of fiscal stimulus to fade in 2H09**
- **Lingering impact of wealth destruction apparent**
- **Unemployment fears to curb discretionary spending**

The Australian economy is in recession, although not technically, in that the economy has not reported consecutive declines. GDP over the last six months has, however, fallen, unemployment is rising, workers' hours have been slashed, wage growth is slowing, and the decline in corporate profits is driving a collapse in business investment. The economy will be feeling the brunt of the global recession for some time yet—Australia entered the recession later than most and, although it has fared better than other developed economies, it will exit this recession later.

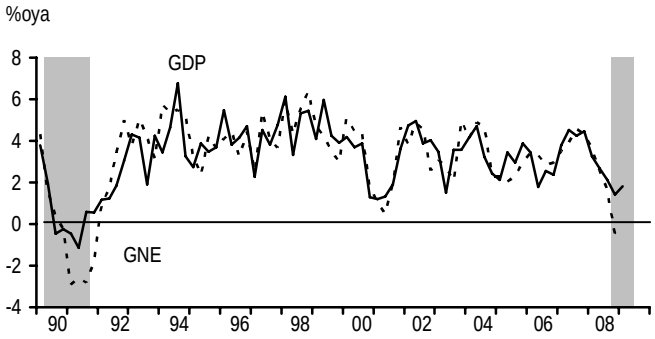
The recessionary environment has led consumers to reevaluate their spending. Credit card balances have fallen for the first time in more than 14 years as households have cut spending and begun to repay outstanding debt. The fading impact of the fiscal stimulus during the latter six months of 2009 will amplify the challenges facing the consumer stemming from rising unemployment, softer wage growth, rising mortgage rates, and higher petrol prices. The lingering drags of previous wealth losses from weak equity markets and falls in house prices also will be a burden.

Impact of stimulus evident, but short-lived

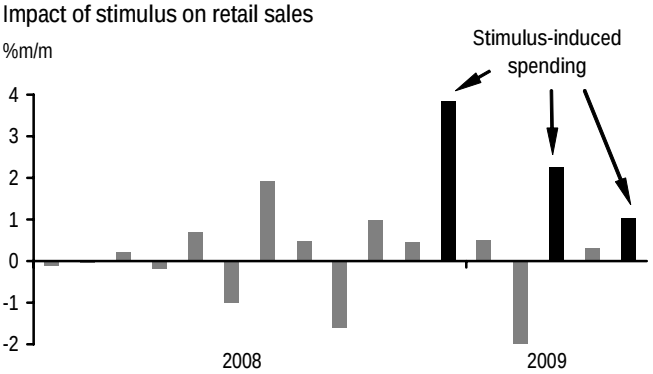
The unexpectedly upbeat 1Q GDP print (+0.4%q/q) showed that the economy skirted recession, technically at least. Without the government's stimulus payments, however, and noting that retail sales, which were temporarily boosted by government cash handouts, account for around 25% of GDP, the Treasury estimated that the economy would have contracted in 1Q. Gross national expenditure tanked 1%q/q, with only tumbling import volumes preventing a decline in GDP. Imports surely would have fallen further without the unprecedented degree of policy support.

Indeed, government spending was primarily aimed at preventing a technical recession. The impact of the stimulus has been particularly strong in the retail sector, where solid sales growth is being reported. Retail turnover jumped in December as the first round of cash handouts hit recipients' bank accounts. Following the announcement of a second round of handouts in February, retail turnover surged again. Sales in May were also firm, owing to the spillover of cash

Gap between GDP and GNE widest since last recession



Impact of stimulus on retail sales



payments from April. Treasury forecasts, however, that most of the impact of the fiscal stimulus packages is felt in the first six months after they are delivered, before gradually dissipating. Retailers, therefore, are justifiably concerned about the consumer spending outlook.

Similarly, the impact of the fiscal stimulus has been evident in the housing market, with passthrough benefits to consumer spending. The government in October doubled the first home buyers' (FHB) grant to A$14,000 for those buying established dwellings and tripled it for those buying newly constructed homes. The boost to the grant had an immediate impact on demand for housing, and FHBs now account for a record percentage of home loans after 19,607 FHBs took up the government grant last month. The impact of the expanded grant, though, already may be fading—building approvals unexpectedly slumped 13%m/m in May, after a FHB-induced period of strength.

Lingering wealth effects coming into play

With the impact of the fiscal stimulus dissipating, the lingering impacts of the wealth destruction from falling asset prices that has occurred in the highly leveraged household sector will be more apparent. Household wealth has diminished significantly—over one third of households' financial wealth has been lost since the start of the financial crisis. Financial wealth per household slid from A$159,000 to

A$98,000, the lowest in more than three years, and wealth per person slipped from A$58,900 to A$36,200.

Our forecast fall in house prices—we expect an 18% peak to trough decline, of which 7% already has been recorded—will add to this wealth destruction. Households have borrowed heavily against the value of their homes in recent years, so the impact of falling house prices on spending probably will be substantial, even though this trend has started to turn. The RBA highlighted in its Statement of Monetary Policy in February that households recently have been injecting equity into housing, after a sustained period of net equity withdrawal (chart).

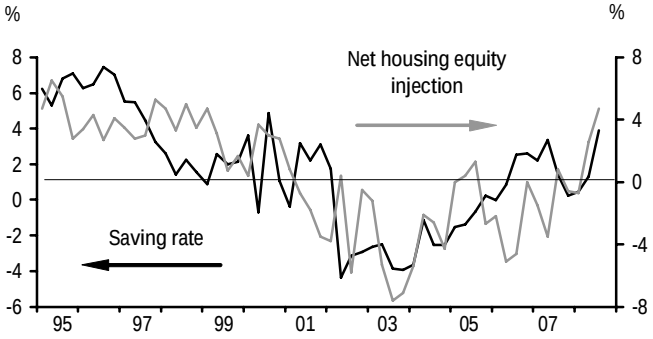
Job security is a growing concern

With the consumer no longer artificially propped up by government stimulus, job security will become key to spending. But, with the next phase of this recession to be marked by falling investment from tight financial conditions and weaker demand, the decline in corporate profits means that job cuts will accelerate. The recent slump in capital goods imports reaffirms our view that capital spending plans are being reined in significantly.

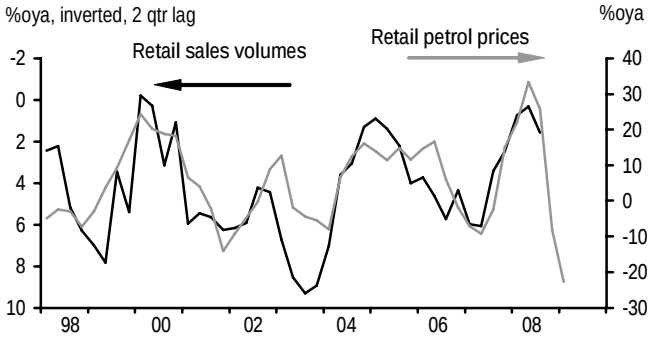
Only modest falls in employment (excluding June's result—a drop of 21,400) have been recorded in the recession so far, in contrast to plunging leading indicators of job growth, anecdotal industry evidence of widespread job losses, and responses from private surveys. A recent survey of privately owned companies by KPMG, for example, showed that half of those surveyed had laid off staff in the last six months, with another quarter intending to shed staff in the next 6-12 months. KPMG also found that, to prevent redundancies, 27% of firms were asking employees to take long-service leave, 50% had asked workers to take annual leave, and 20% had asked staff to work reduced hours. Indeed, employers tend to trim worker hours rather then shed workers in early stages of economic downturns.

As labour market conditions deteriorate, income growth will stagnate and, in a vicious cycle, the reductions to worker incomes will bring about further unemployment. We have long argued that our forecast for the jobless rate to peak at 9% in 2010 is predicated on elevated labour force participation. The participation rate will be slow to decline, mainly because older workers will stay in the work force longer in an attempt to resurrect their retirement funds. Further, we suspect that the unemployment rate will remain elevated for an extended period after peaking—after the early 1980s recession, for example, it took two decades for the unemployment rate to drop to its pre-recession levels.

Net housing equity injection has turned positive



Rising petrol prices to dent spending



More pain from rising mortgage rates

The fear of unemployment already has led consumers to tighten their belts, but rising mortgage rates will provide further reason for financial caution. One of the four large domestic banks recently raised its variable mortgage rate independently of an RBA move to compensate for rising funding costs, a move that drew political criticism from those claiming it would undermine economic activity. Although the move brought the bank's variable rate to equal the lowest offered, the negative media attention surrounding the unusual move—commercial banks typically move in line with changes to the RBA's official cash rate target, albeit not in linear fashion—probably weighed on consumer confidence, creating another hurdle for consumers.

Further, with confidence fragile, the impact of rising petrol prices will be significant. The immediate impact of rising energy prices is to increase consumer prices, dampen household purchasing power, and eat into households' disposable income. The rise in petrol prices holds the potential to squeeze household spending further—we forecast it to grow just 0.5% this year. Our modeling shows that, assuming AUD/USD 0.75, a US$10 rise in oil prices would increase CPI inflation 0.3% points. We also found that a 0.3%-point rise in CPI will dampen consumer spending growth by around 0.4% points, everything else being equal.

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Australia

- **Employment slumped owing to full-time jobs**
- **RBA's easing cycle probably has ended**
- **Consumer confidence continues remarkable rise**

There were no surprises from the RBA's decision to leave the cash rate steady last week. The highlight of a slew of economic data released in Australia, though, was undoubtedly the June employment report.

Full-time job cuts drive fall in employment

The labour force survey last week showed a sizable fall in employment in June. Employment fell 21,400 in June (J.P. Morgan -40,000, consensus -20,000), after May's 8,500 drop.

The slump in employment is finally starting to move into line with plunging leading indicators of job growth, such as the ANZ job advertisement series. This series is down 51%oya, consolidating our view that the unemployment rate will rise significantly. The unemployment rate edged up only mildly in June, however, from 5.7% to 5.8%. If the participation rate had not dropped to 65.3%, the lowest since January, the unemployment rate would have been higher. We continue to argue that the participation rate will be slower to decline in this recession—the main reason being that older workers will stay in the work force for longer in order to resurrect their retirement funds.

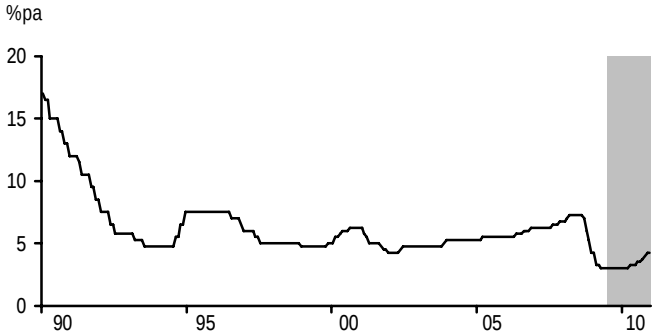
Indeed, the most noteworthy aspect of the job numbers is that the drop in the headline was entirely because of a 21,900 fall in full-time jobs. One factor adding to the fall in full-time workers was that smaller firms probably had more incentive to shed unwanted workers ahead of the July 1 changes to workplace laws. The new laws diminish previous workplace flexibility, and included the reinstatement of unfair dismissal provisions for smaller employers.

Nonetheless, the significant drop in full-time jobs, combined with the insignificant rise in part-time jobs (+400), reaffirms our view that the casualization of the labour force (often evident early on in recessionary periods) has possibly run its course. Firms tend to trim workers' hours before cutting staff during these times, which partly explains the recent rise in part-time jobs and underemployment. With this process nearing an end, we would expect to see the pace of full-time job losses accelerating in coming months.

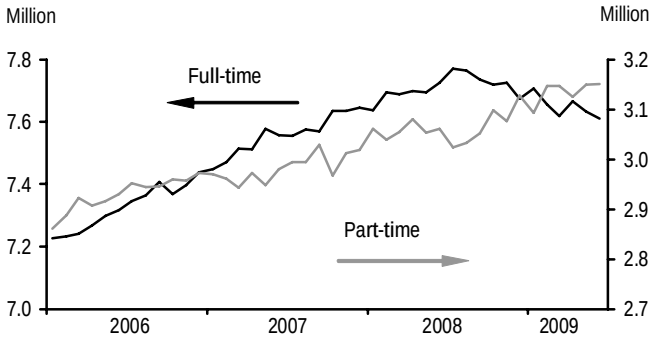
RBA in wait and see mode

The Reserve Bank left the cash rate steady, as expected, at 3% last Tuesday. The statement announcing the decision

Australia: RBA cash rate



Australia: employment



echoed that from June, when RBA officials highlighted that economic and financial conditions had improved offshore. Importantly, the RBA noted that downside risks to the outlook have diminished, but maintained its position that the inflation outlook may allow "scope for some further easing of monetary policy" if needed. On our forecast, the easing cycle is over; the RBA may ease again, but only if unemployment rises more quickly than currently forecast.

The predominant risk in the foreseeable future is that RBA officials may lean towards softening the impact of job destruction, if the spike in joblessness is unexpectedly sudden. So far, the pace at which the unemployment rate has been rising has been relatively modest when compared to previous downturns. That said, supporting our view that the unemployment rate will continue to edge higher, the RBA reiterated this week its concern about the ongoing decline in business borrowing, as companies postpone investment plans; this, of course, has negative implications for the employment outlook. On a positive note, large firms have had good access to equity capital, which should help strengthen company balance sheets.

We changed our forecast two weeks ago to include rate hikes beginning in mid-2010. Previously, we had expected two small rate cuts from later this year. Given the unprec-

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edented policy stimulus in place, in our view, RBA officials will not wait for the unemployment rate to peak before starting to take back the current policy accommodation; this would be a break from historical convention. The RBA's first rate hike following the early 1990s recessions was 20 months after the jobless rate peaked at 10.9% in December 1992. That said, if the policy response to the recent crisis had not been as immediate and extensive, we would probably deem further rate cuts necessary in the current cycle.

Further, we now believe that modest rises in banks' variable mortgage rates will be insufficient to trigger official rate cuts. One of Australia's major banks recently raised its variable mortgage rate, the first move for some time made independently of changes in the RBA cash rate. Further variable rate hikes outside moves by the RBA are a possibility as bank funding costs remain high, though this may be viewed favorably by the RBA, as it would take some of the steam out of the buoyant first home buyers' (FHB) market, where activity is booming.

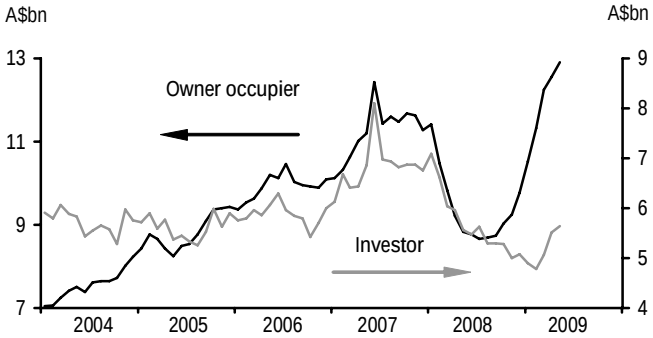
First home buyers buoying home loans

The number of home loans issued in Australia posted another solid gain in May, rising 2.2%m/m, after a 1.8% gain in April. The expansion of the FHB grant in October 2008 again underpinned home loan demand, with FHBs accounting for a record 29% of loans in May. The impact of the expanded grant is clear in the significant rise in the value of home loans for owner-occupiers since the end of last year (chart). The effect of the generous grant should start to fade throughout 2H09 as the expanded grant is phased out. Investor interest, though, continues to pick up, with investors accounting for nearly 25% of all loans issued in May.

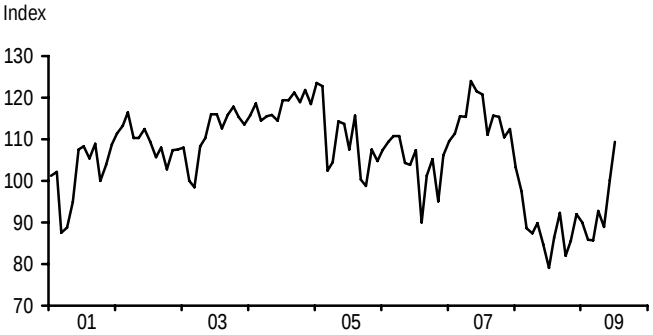
Demand for fixed-rate loans edged higher again from exceptionally low levels earlier this year. An increasing number of borrowers appear to be locking in interest rates amid speculation that the RBA is nearing the end of the current easing cycle. Recent moves by some of the largest domestic banks to raise their rates on fixed rate loans also would have driven a rush among borrowers to lock in loan rates. With our forecast calling for the next move in the cash rate to be up, we expect to see a significant rise in the number of fixed-rate mortgages issued.

Home loan demand will be influenced by conflicting forces in the months ahead. On one hand, improved housing affordability, stemming from lower interest rates and falling house prices (in some areas), should buoy home loan demand. On the other, the lingering impact of the wealth destruction in the household sector, owing to falls in asset

Australia: housing finance



Australia: Westpac-Melbourne consumer sentiment index



prices, tighter bank lending standards, and rising unemployment, will weigh on demand. With the impact of the fiscal stimulus abating in 2H09, the most likely scenario is that the rate of home loan growth will moderate.

Aussies upbeat, but real test lies ahead

The Westpac-Melbourne Institute (WMI) consumer confidence index jumped 9%m/m in July, after surging 13% in June, the largest rise in 22 years. The main reason for the recent spike in confidence was mainly news that the Aussie economy escaped recession, technically at least. Global "green shoots," rising equity prices, and appreciating AUD also probably drove confidence higher, keeping the index above the neutral level of 100 for the second straight month.

The WMI labeled the jump in the headline as an "unquestionably stunning result." We agree. We had expected a mild decline in confidence given the dampening impact on confidence of higher petrol prices, ongoing concerns about job security, and the end of the most recent round of government cash handouts. But the jump in confidence bucked expectations. In fact, the 23% gain in the index over the last two months is the largest on record, since the survey began in 1975. The real test for the consumer will be in 2H09, when the impact of the fiscal stimulus abates. Then, households' disposable incomes will be squeezed by falling

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labour income and rising petrol prices. And, again, we do not expect the RBA to deliver any more interest rate relief.

Data releases and forecasts

Week of July 13 - 17

Tue	NAB monthly business survey				
Jul 14	% balance, seasonally adjusted				
11:30am		Mar	Apr	May	Jun
	Business confidence	-13	-14	-2	2
Wed	WMI leading index				
Jul 15	Seasonally adjusted				
10:30am		Feb	Mar	Apr	May
	(%m/m)	-0.4	0.4	0.7	__
Fri	Export price index				
Jul 17	Not seasonally adjusted				
11:30am		3Q08	4Q08	1Q09	2Q09
	Index	189.8	219.9	209.8	182
	(%q/q)	13.8	15.9	-4.6	-13.3
	(%oya)	32.9	54.9	42.8	9.1
Fri	Import price index				
Jul 17	Not seasonally adjusted				
11:30am		3Q08	4Q08	1Q09	2Q09
	Index	123.7	137.0	133.2	131.9
	(%q/q)	5.0	10.8	-2.8	-1.0
	(%oya)	9.6	21.1	14.6	11.9

Review of past week's data

ANZ job advertisements

Seasonally adjusted

	Apr		May		Jun	
(%m/m)	-7.5		-0.2		__	*-6.7*

RBA cash rate announcement

No change. See main text.

WMI consumer confidence survey

100=neutral, seasonally adjusted

	May		Jun		Jul	
(%m/m)	-4.2		12.7		~~-1.0~~	*9.3*

Housing finance approvals: owner occupiers

Number of loans, seasonally adjusted

	Mar		Apr		May	
(%m/m)	~~4.8~~	*4.9*	~~0.9~~	*1.8*	~~0.7~~	*2.2*
(%oya)	~~3.0~~	*5.5*	~~9.1~~	*13.0*	~~17.2~~	*23.5*

Labour force

Seasonally adjusted

	Apr		May		Jun	
Unemployment rate (%)	5.5		5.7		~~6.1~~	*5.8*
Employed (000 m/m)	26		~~-2~~	*-8.5*	~~-40~~	*-21.4*
Participation rate (%)	65.4		~~65.5~~	*65.4*	~~65.4~~	*65.3*

New Zealand

- **Consumer spending to remain subdued**
- **Inflation to continue moderating in 2Q**
- **Business confidence improves, but still weak**

The NZIER Quarterly Survey of Business Opinion last week reaffirmed our expectation that the New Zealand economy will contract again in 2Q and 3Q, marking seven straight quarterly GDP declines. The highlight this week will be the 2Q CPI Thursday. Retail sales numbers this morning, though, printed well above expectations.

Kiwi retail spending strong in May

Retail sales values were unexpectedly strong in May, rising 0.8% (J.P. Morgan -0.2%, consensus 0.2%), marking the largest monthly increase since November 2007 and beating all market economists' expectations. Indeed, the strength in spending was surprising. Remember, the retail numbers are in value terms and, partly owing to this reason, we had expected a mild fall in sales values in May given the heavy amount of discounting by Kiwi retailers.

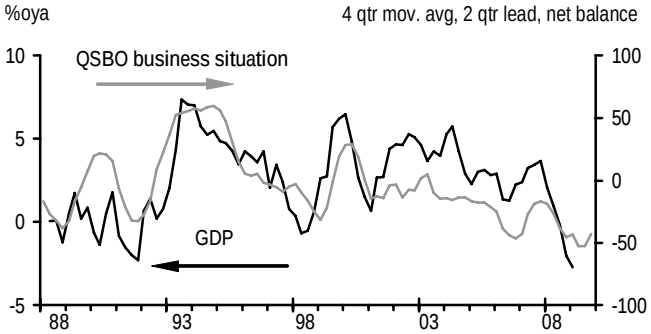
The series has been particularly volatile in recent months, however, due to the car sales component. The 1.6%m/m rise in core retailing in May, though, was the largest since February 2007, and was underpinned by solid sales at supermarket and grocery stores (+2.2%) and clothing and soft goods retailing (+12.6%).

We have our doubts, though, as to whether such strong retail numbers will be sustained. It appears that New Zealand retailers suffered a big setback in June, with data last week showing that monthly electronic card transactions slumped 1.2%m/m, marking the biggest monthly drop in the core retail sales figures since October 2007. Total electronic card transactions were down 0.4%m/m, while all retail industries (including fuel and automotive) were down 1%.

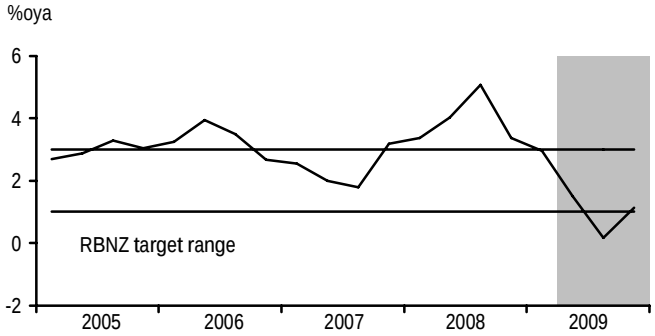
Widespread anxiety about job security will throw another spanner in the works. Rising unemployment probably is the biggest headwind facing consumers and, with the business surveys pointing to more firms shedding workers, the unemployment rate will continue to rise – on our forecast, approaching close to 8% in 2010. The resulting fall in labour income, combined with rising petrol prices, will eat into households' disposable incomes, supporting our view that private consumption will contract in 2009.

Net migration and signs of stabilization in the housing market should soften the blow. A Roy Morgan survey (also

New Zealand: GDP and QSBO expectations economy (6 mos ahead)



New Zealand: CPI



released earlier today) showed that consumers are less pessimistic about their future wealth, thanks to lower interest rates and recent signs of stabilization in the housing market. Housing market turnover has increased and other indicators, such as home loan approvals, are pointing to signs of recovery.

Consumers also should feel fairly confident that the cash rate will remain near or at record lows for the remainder of the year. We believe that the OCR already has bottomed at 2.5% in the current easing cycle, but the next move won't be for a while yet, with our forecast calling for the RBNZ next rate move to be a hike in mid-2010.

Inflation to fall into RBNZ comfort zone

Inflation in New Zealand, as measured by changes in the consumer price index, will remain subdued in 2Q, slowing to 0.2%q/q from 0.3% in 1Q. From a year ago, consumer price growth will be cut in half, falling to 1.5% from 3.0%, and back into the RBNZ's 1-3% target range. Lower food prices will be the major downward force on headline CPI, particularly prices of fruit and vegetables.

Nontradable inflation—generated domestically and not influenced by exchange rate fluctuations—should ease. In

1Q, nontradable inflation remained surprisingly strong and well above the RBNZ's target range, even though the Kiwi economy had been immersed in a homegrown recession since early 2008. The main drivers of nontradable inflation in 1Q were higher prices for electricity and rentals for housing. The tradable component of the CPI may rise in 2Q, however, mainly owing to higher petrol prices.

Kiwi firms' outlook improves, but still grim

The NZIER Quarterly Survey of Business Opinion (QSBO) showed a marked improvement, with the headline reading climbing to -25 (from -65), meaning that "only" a net 25% of firms surveyed last quarter expected the economy to deteriorate in the next six months. Fewer businesses surveyed expect their own trading activity, a leading indicator of GDP growth, to decline in the next three months—only a net 10% of firms expected a decrease in output and sales, down from 36% previously.

All key activity indicators in the 2Q survey were still in negative territory, however, supporting our view that, though the rate of slippage will ease, the economy will continue to contract in 2Q and 3Q. The significant monetary and fiscal policy easing that has been delivered should help New Zealand begin to expand in 4Q.

Investment intentions improved from record lows in the 2Q survey, but remained weak, not surprisingly, as the profitability outlook remains dire. A net 29% of firms intend to reduce investment in buildings over the next 12 months, and a net 23% expect to reduce investment on plant and machinery. The poor investment picture has negative implications for the employment outlook. A net 19% of firms intend to cut staff over the next three months, supporting the view that unemployment will continue to rise.

The resulting fall in labour income, combined with rising petrol prices will dampen households' purchasing power, increasing the headwinds faced by consumers in 2H09. Recent signs of strength in the housing market, though, should to some extent buoy confidence in the highly leveraged Kiwi household sector. In the QSBO survey, the greatest improvement by industry was in the building sector, adding further to recent evidence that the housing market has started to stabilize after a prolonged downturn.

The jump in capital utilization to 91% was the largest quarterly increase on record, though largely a reflection of firms running on "leaner operations," according to NZIER, after trimming costs in response to weaker final demand. Pricing intentions remain relatively stable, so the spike in capital utilization is not necessarily a sign that inflationary pressures will increase, at least not yet. Therefore, the results are unlikely to unnerve the RBNZ, who we forecast will remain on the sidelines for the remainder of the year. Interestingly, interest rate expectations turned positive in the 2Q QSBO survey, with a net 23% of financial services firms expecting interest rates to be higher over the next year.

Data releases and forecasts

Week of July 13 - 17

Mon Jul 13	QVNZ house prices %, median				
		Mar	Apr	May	Jun
	(%oya)	-9.3	-9.2	-8.1	__
Mon Jul 13 10:45am	Retail trade Seasonally adjusted				
		Feb	Mar	Apr	May
	(%m/m)	0.2	-0.2	0.5	0.8
	(%oya)	-3.0	-2.1	-2.4	-0.9
Thu Jul 16 10:30am	Business PMI Seasonally adjusted				
		Mar	Apr	May	Jun
	Index	42.0	43.7	42.7	__
	(%oya)	-13.1	-13.9	-12.3	__
Thu Jul 16 10:45am	Consumer price index Not seasonally adjusted				
		3Q08	4Q08	1Q09	2Q09
	Headline (%oya)	5.1	3.4	3.0	1.5
	Headline (%q/q)	1.5	-0.5	0.3	0.2

Review of past week's data

NZIER QSBO
% balance of respondents

	4Q08	1Q09	2Q09	
Headline index	-64.0	-65.0	__	*-25.0*

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Global Essay

- **The global economy continues to move into recovery despite a lagging performance in the US**
- **Drive to recovery is about to get a lift from a moderation in the pace of business cutbacks, including employment**
- **Severe IP declines are being followed by big bounces**
- **Chinese policymakers are moving to fine-tune policy amid booming growth**

The US gets a little help from its friends

The transition of the global economy from recession to recovery is taking place faster than expected. Industrial output posted its second consecutive monthly gain in May, with output rising a full 1% m/m. Global consumption is also on an upward trajectory into midyear. Most striking is the bounce in auto sales. Our estimates point to a strong 1.4mn-unit rise in June on the back of an already significant increase during the first five months of this year. After collapsing 25% in 2008, auto sales have recovered two thirds of their decline.

The recent growth in global manufacturing and consumption is largely a non-US affair. Indeed, US manufacturing looks set to fall again in June with output tracking a double-digit pace of decline in 2Q09. US consumption also probably dropped last quarter, while solid spending gains are being recorded in the Euro area and Japan, along with significant consumption growth in other Asian economies. Fiscal incentives have promoted the impressive climb in auto sales outside the US, but these incentives are not undermining growth in other components of consumer spending.

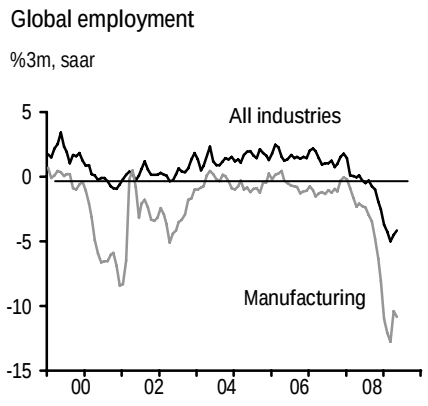
The recent improvement in the US trade balance is evidence of how a rising global tide is lifting all ships. With exports firming, trade flows added substantially to US second quarter GDP and helped contribute to the substantial progress by firms in lowering inventories and maintaining profit margins. Combined with a rebound in auto production, these adjustments set the stage for a major swing in US manufacturing output, which is expected to rise at an 8% annualized pace this quarter. This lift is not set to be accompanied by an immediate recovery in consumer spending, as was highlighted by the slide in US consumer confidence in early July. The US and global economies will grow materially this quarter, but the recovery will remain fragile until US households regain solid footing.

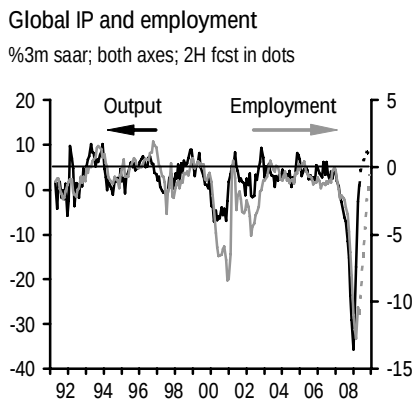
In this regard, the recent declines in global energy prices and mortgage rates are encouraging. But the more important source of support to look for this quarter is a change in global and US business behaviour. The recovery in global industry represents a broader shift on the part of business away from retrenchment. As part of this move, declines in capital spending and jobs are expected to moderate, with the latter promoting firmer labour income.

Although the June US payroll report disappointed, the fall in initial jobless claims and rise in the ISM employment index suggests that labour market conditions will improve. Indeed, with almost 40% of the past two months' US job losses in manufacturing, a turnaround in this sector could materially alter labour market conditions. We estimate that the percentage of job losses in manufacturing is even higher globally. The projected recovery in global manufacturing output during 2H09 should produce a sharp moderation in job losses during the second half of this year.

V-shaped IP recoveries

Although the global industrial downturn that began last autumn was highly synchronized around the world, the magnitude of the peak to trough moves in the level of output





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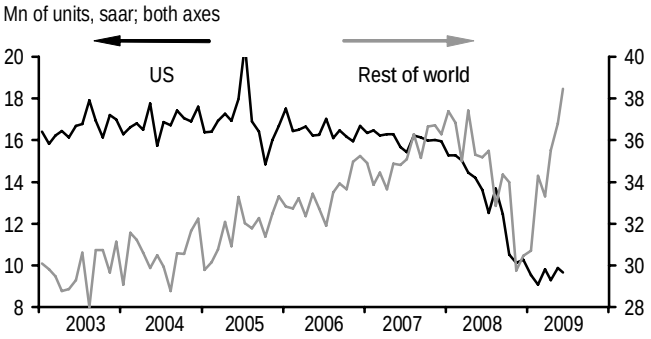
Vehicle sales

Mn of units, saar; both axes



varied considerably. As the rebound in global industry gathers momentum, those economies that experienced the largest declines in output will likely experience the sharpest rebounds. To the extent that the larger output declines reflected a particular exposure to spending on durables and to traded goods as well as a more intense inventory adjustment, a stronger bounce back would naturally follow from a rebound in spending on autos, a pickup in global trade, and a realignment of production with sales.

It is early days, but the pattern already is becoming evident in the data. Global IP fell 16.5% from peak in January 2008 to trough in March 2009. It since has increased 1.2%. Using this as a benchmark, countries that registered considerably bigger IP declines already are showing a tendency toward bigger bouncebacks. The pattern is quite consistent across Asia, where IP fell the most. Other candidates include Germany, France, Italy, Sweden, the Czech Republic, and Hungary. Against this backdrop, this week's booming increases in German IP and orders were notable. Developments in these economies suggest that Germany could be performing significantly better in the coming months.

PBoC fine-tuning accommodative policy

This week's reports should confirm that China's economy boomed in 2Q. Our forecast calls for a nearly 15%q/q, saar increase in GDP, but comments from the National Bureau of Statistics suggest that the gain may have been closer to 20%. The accompanying June activity releases will continue to show that this burst was driven by domestic demand. Last week's trade data underscore this point, as exports slipped in June (vs May) whereas the recent import surge continued. Policy stimulus is playing an important role, but the increases in expenditures extend well beyond that support. One of the most striking developments is the surge in vehicle sales, which have increased by almost two thirds from around 6mn units (saar) to over 10mn units in the past six months.

Despite the surprisingly strong economy and loan growth, rising inflation expectations, and the recovery in domestic asset prices, the central bank's recent policy announcements only amount to a fine-tuning of its highly accommodative monetary policy stance. To be sure, on top of recent jumps in market interest rates, the central bank this week resumed 1-year PBoC bill issuance, which had been halted in November 2008, to restrain liquidity. However, we do not view this as a major turning point or the start of the tightening process. Policymakers in China will likely maintain accommodative policies in the near term, as external demand remains weak and the authorities have to sustain, if not further stimulate, domestic demand. Meanwhile, core inflation pressure has remained subdued, given the excess capacity in many industrial sectors and the still significant unemployment pressure.

Fiscal plans hit sentiment in Russia, India

The recent deterioration in Russia's public finances, reflecting a collapse in revenues and massive social spending, will challenge policymakers for years to come (see "Russia's fiscal dynamics: consolidate or inflate," page 23). Officials are now signaling a much higher 2010 cash federal deficit (6.5-7.5% of GDP vs 5% previously), despite the fact that the underlying oil price assumption has been increased from $50 to $55/bbl. According to our estimates, the non-oil fiscal deficit will shrink only modestly next year to 12.3% of GDP from 14% this year. As the economy begins to recover, any failure to reduce the non-oil fiscal deficit, which will mostly be financed externally, or to devise better ways to sterilize extra liquidity stemming from this financing, may become a threat for inflation, capital flows, and ruble stability.

Lower oil prices (down 11% since June 2) and an increasingly expansionary fiscal policy are important contributors to the negative sentiment in Russian financial markets. The equity market has fallen 28% since early June, and the ruble lost 4.5% against its currency basket last week. Indeed, inflation and devaluation expectations are poorly anchored, owing in part to uncertainty about oil prices and the quality of Russia's fiscal policy. In this regard, an expansion of the monetary base stemming from nonsterilized external financing of non-oil deficits, which started in 2Q09 (money supply jumped 15% during the quarter) and will accelerate toward year end, may become an additional problem for policymakers. Nevertheless, the central bank appears to have maintained a growth bias. In spite of ruble weakness, the central bank just cut interest rates 50bp to spur domestic lending—this makes 200bp of cuts in the last three months. We expect one more 50bp cut during 2H09.

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Industrial production: recession decline and subsequent recovery

	Peak-to-trough % fall	% gain from trough
Global	-16.5	1.2
Taiwan	-44.8	42.4
Japan	-36.9	14.0
Singapore	-31.4	23.9
Czech Rep	-29.7	4.4
Philippines	-27.9	14.9
Hungary	-27.4	0.0
Italy	-25.7	0.6
Korea	-23.7	20.2
Germany	-23.7	4.2
Sweden	-23.7	0.0
Malaysia	-23.5	3.6

In India, the full-year FY10 budget targeted a deficit of 6.8% of GDP, close to our expectations but way above those of the consensus. Financial markets reacted negatively to the unexpectedly high deficit target and seeming lack of vision, medium-term fiscal consolidation plans, and a divestment program. A closer reading of the budget, however, suggests that this reaction could have been minimized through better presentation. In our view, the budget charted a reasonable course between short-term stimulus with medium-term consolidation, and it surprised positively with substantial tax reforms, although it did not spell out details of financial sector reforms. Risks of significantly missing the deficit target appear limited, especially if the divestment program and financial sector reforms are implemented.

Elections keep Mexican reforms on track

In contrast to those in Russia and India, public finances are on much more solid ground in Mexico. Last Sunday, the opposition PRI party won the midterm elections, gaining more seats than expected, and came close to winning a majority in the Lower House. These results indicate that the PRI will have the upper hand in budget negotiations. However, we anticipate that the PRI will continue looking for agreement and pushing for fiscal reforms. The PRI owes much of the election result to its responsible, pro-reform attitude following the 2006 presidential election. They were the first to recognize President Calderon as President and coauthored most reforms passed by the Calderon Administration. Moreover, after the election the PRI will have 19 governors out of 32, and the states have experienced a sharp contraction in federal revenues, leaving them with a vested interest in reform. Against this backdrop, we believe that the government will propose a widening in the 2010 budget deficit to 3% of GDP (from 1.8% in 2009) but call for convergence to a balanced budget by 2012.

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JPMorgan View - Global Markets

Good fundamentals, bad technicals

- **Portfolio strategy:** we remain in recovery trades.
- **Fixed Income:** buying has been induced by record amount of carry. But rally has eliminated much of this carry. Be neutral duration at the moment.
- **Equities**: technicals suggest next S&P500 support is at 850, with maximum fall to 800.
- **Credit**: 3-5y CDX.IG curve to flatten.
- **FX:** upside surprises on US corporate earnings, remains the most likely trigger for a downside range break by USD.
- **Alternatives:** stay short oil. Hedge funds had positive net inflows for second straight month. Favour RV hedge funds.

10-yr Government bond yields

	Current	Sep 09	Dec 09	Mar 10	Jun 10
United States	3.29	3.25	3.00	3.25	3.50
Euro area	3.26	3.20	3.25	3.35	3.40
United Kingdom	3.74	4.10	4.25	4.50	4.55
Japan	1.30	1.50	1.45	1.40	1.30

Foreign exchange

	Current	Sep 09	Dec 09	Mar 10	Jun 10
EUR/USD	1.40	1.43	1.50	1.47	1.45
USD/JPY	92.3	94	96	100	103
GBP/USD	1.62	1.74	1.85	1.77	1.73

Commodities - quarterly average

	Current	3Q09	4Q09	1Q10
WTI ($/bbl)	60	60	65	65
Gold ($/oz)	913	975	1000	-
Copper($/m ton)	4884	4500	4250	-
Corn ($/Bu)	3.38	4.90	4.70	5.00

Source: J.P. Morgan, Bloomberg, Datastream.

Another week of profit-taking on the recovery trade, despite data flow that remains broadly supportive of our economic recovery story. Equities, commodities, and riskier currencies are all well down on the week, while CDS and HY spreads are wider, all moving against a portfolio of recovery trades. Cash credit spreads are the only risk premia that are down, but this reflects largely continued end-investor buying of high-grade bonds, a flow that started six months ago.

Our favorite measures of economic surprises and the momentum of forecast revisions remain in **recovery-buy mode**. Our economists remain comfortable with the data flow confirming the view that the world economy has exited recession. The recent drop in bond yields and oil prices, while moving against the recovery trade, do make us more comfortable with US consumption forecasts.

Our economic forecasts for growth in the current quarter are well above consensus, most notably in the US where our 2.5% prediction is way above the 1.0% of the consensus. What do we see that the average US forecaster does not see? We guess that it is the truly global nature of our economic coverage that allows us to better recognize the integrated and consistent rebound in manufacturing data and to forecast how the strongest rebound in manufacturing in two decades will launch the global recovery (see Hensley and Lupton, *Global Issues:*"Manufacturing to launch the Global Recovery," Jul 7, 2009).

As a result, we **thus stay with our recovery trade,** overweighting equities and credit to bonds, and overweighting higher-beta and cyclical sectors, countries, and currencies. The market is going against us, but we stand our ground, minimizing losses by keeping tactical risk low, and adding long carry trades.

Fixed income

Bonds rallied last week, largely as a result of the selloff in equities. But there is likely more to it. Bond managers have been long duration since the beginning of this year, as that was the right strategy is past recessions. Bonds even gained during the recovery periods after the past US recessions. Being long duration has been painful this year, however, as yields have risen under the onslaught of massive issuance.

In recent weeks, we have seen **increased demand from managers and banks** alike, likely in response to the high amount of carry offered through steep curves. Our European Duration Survey showed a significant increase in longs with two thirds of our EU managers and three quarters of our global managers now long duration. But there were significant increases from two weeks ago. Fed reports also show a significant increase in US bank holdings of bonds mid-last month when the 10-year UST reached 4%.

Near-term momentum is now bullish bonds. But medium term, over 2-3 months, given reduced value and our views of continued high supply pressure during 2H and a decent economic rebound for both the US and world economy, it is hard for us to be bullish on bond duration. Be neutral duration at the moment.

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Our recommended allocations within bond portfolio are largely based on value. We are now **long US TIPS** as breakevens have come down a lot, owing to heavy TIPS auctions. Underweight front-end agencies as spreads are now too tight, by our judgement. But we stay **overweight Greece and Italy** as their spreads over Bunds remain wide relative to the last recession. We stay overweight MBS vs USTs. Across the Atlantic, we remain long Bunds vs USTs, not on the basis of value, but on relative supply. In Germany, 3Q net issuance is expected to be negative. In the US, however, 2H is likely to see a mammoth $871bn of net issuance.

Equities

Stocks continued to fall last week on worries about US consumer spending. We continue to view the correction as short-lived and rather technical and expect the 2Q reporting season to support equities over the coming month. However, if the 2Q reporting season fails to lift the S&P500 above the 900 mark, our **technical** strategists are warnings us of a bearish tone in equity markets with the next support for the S&P500 at 850. Maximum downside is too 800.

We believe that the **2Q US earnings reporting season** will post a small positive surprise for a second straight quarter. Top-line revenues should perform better in 2Q owing to strong 6.3% growth in EM. US companies generate an ever greater share—currently 30%—of their earnings outside the US. We forecast overall revenues to rise 4-6% over 1Q, supported by a $218bn rise in EM GDP in 2Q. Revenues should rise in each sector, with the exception of utilities. Materials should see the biggest, double digit gain vs 1Q in revenues. Cost-cutting is added to top line improvement, allowing S&P500 EPS to gain almost 10% over 1Q.

EM equities underperformed DM last week driven by commodity exporters. We stay long EM vs DM equities as both return momentum and economic momentum currently favor the former, but prefer to focus on EM Asia, which as an oil importer actually benefits from a fall in oil prices.

Credit

HG spreads tightened slightly over last week, 2bp in the US and 7bp in Europe, while CDS widened 5bp. This is a continuation of the trend over the past month where US HG bond spreads have been range bound, but CDX.HG sold off 20bp.

We stay **overweight US HG owing to strong demand and limited supply**. Investors reaching for yield from other low-yielding money market instruments support high-quality short-maturity bonds. The widening of BBBs vs As suggests that investors are probably starting to move up the ratings spectrum. The long end of the maturity curve remains well bid, likely by cash-rich insurance companies and asset managers who are still trying to raise their HG credit holdings.

In US HG, the **3-5y CDX curve should flatten**. At 15bp, it is too steep vs the theoretical spread based on the underlyings, which is inverted at -3bp. The implementation of the new trading convention should help to reduce the difference between the index and its theoretical value.

The rally in EM corporates is likely to fade as the new issue pipeline builds up, especially in the Middle East and Latin America. We are increasing our 2009 new issuance forecast to $52-63bn from $33-42bp, at the same time revising downward our year-end forecast of CEMBI to 575bp from 675bp to reflect better economic conditions. Overall, we **remain neutral in EM Corporates**, and, as with equities, **overweight Asia and underweight Russia**.

Alternatives

Commodities had massive losses last week, with energy posting returns close to -10%. We **remain short oil on a tactical basis**, as oil prices will likely stay under pressure near term. We also keep this short a little longer to benefit from negative roll returns. We are **still medium-term bullish on oil**. We see the oil market going into a supply deficit later this year, but Friday's IEA 2009 supply revision adds risks to this bullish forecast. On the positive side, Saudi Arabia and the UAE appear to be tightening August supplies to Asia. We also expect stronger OPEC compliance ahead of the September meeting.

Hedge fund returns were close to flat in June, as HFR indices showed a monthly gain of 0.13% in their initial estimates. Eurekahedge released a report showing that **HFs had positive, but still small, net inflows in June** ($4bn). This is the second straight month with positive net inflows, confirming the turning point in asset flows. According to HFR, relative value funds were the best performers last month. We have been **overweight RV styles** since earlier this year and remain confident that these styles will outperform in coming months. Among all RV styles, we continue to favour convertible arb. Relative value funds have posted close to 30% returns so far this year.

AUD and NZD Commentary

- **US corporate earnings likely will trigger the next upside break for risk assets, inluding AUD and NZD.**
- **But, weak US economic data may overshadow earnings, and stretched AUD and NZD positions suggest caution.**
- **Technicals: Ranges continue but signs of a deeper correction are building.**
- The US corporate earnings season, which swings into high gear this week, is our top candidate for the catalyst that breaks the consolidation in risk markets, lifting equities and high-risk FX and driving down the USD. EPS expectations appear too cautious given J.P. Morgan's growth forecast and aggressive business cost-cutting in Q2; equity valuations do not appear stretched; and speculative positions on the S&P500 have flipped from net long to net short.
- But there are potential offsets for good earnings news this week. The market already is optimistic on financials, which dominate the week's reporting calendar. And, key US data releases, notably retail sales on Tuesday and CPI and industrial production on Wednesday may reinforce investor worries about US consumer resilience and the recovery.
- Positioning suggests AUD and NZD are vulnerable should weak US economic releases overshadow the good earnings news that we expect. Japanese retail margin investors' long AUD/JPY positions hit new all-time highs last week. We estimate the AUD/JPY pain threshold, where margin investors are forced to liquidate, around 66-68. But we cannot rule out newly-cautious retail investors bolting at higher levels. Similarly, speculative long NZD positions on the IMM have surpassed (and AUD longs are heading for) their 2008 highs. In short, buyer beware.

Technical analysis

- The consolidations for AUD/USD and NZD/USD remain intact, but we are seeing signs that both are vulnerable to additional short term retracement in line with the risk aversion trade. For AUD, this week's violation of the important March trendline support and the .7790 June are bearish concerns. Importantly, while the short term setup is oversold, the near term setup argues for additional weakness particularly against the key .7780 breakdown area. While below here, there is room for new lows into the .7600/.7450 support zone and where prices should attempt to rebound.
- While NZD/USD maintains the consolidation phase below the May high, a few cracks have appeared in the bullish technical setup highlighted by the violation of the March trendline support. As such, we see room for additional retracement particularly against the .6400/.6455 resistance area, which includes the violated March trendline. While below here, the short term setup can allow for a closer test of the .6450/25 support area, if not the critical .6000/.5950 zone, which includes the 38.2% retracement from the March low and should be a max. Note that the me-

Chart 1: Net speculative long AUD and NZD positions on the IMM (thous contracts), 2005-10 Jul 09

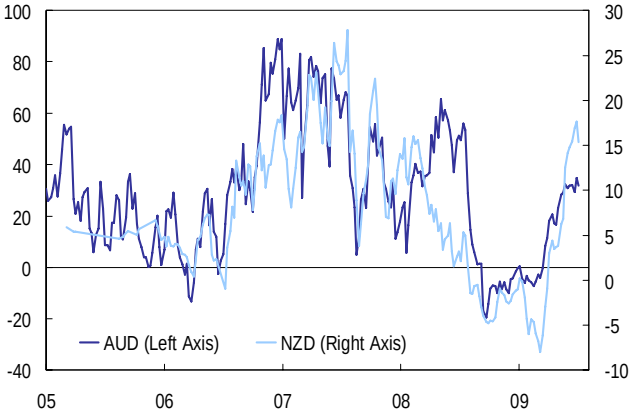
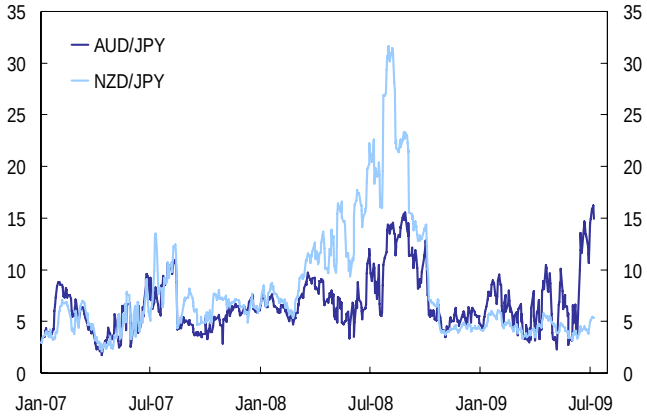


Chart 2: Long AUD/JPY and NZD/JPY positions held by Japanese retail marging investors (Bill of each curreny unit), 2007-9 Jul 09



AUD/USD - Daily chart

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Markets - Australia and New Zealand

Below is a summary of *The Antipodean Strategist*, published weekly. The full version can be found on Morgan Markets.

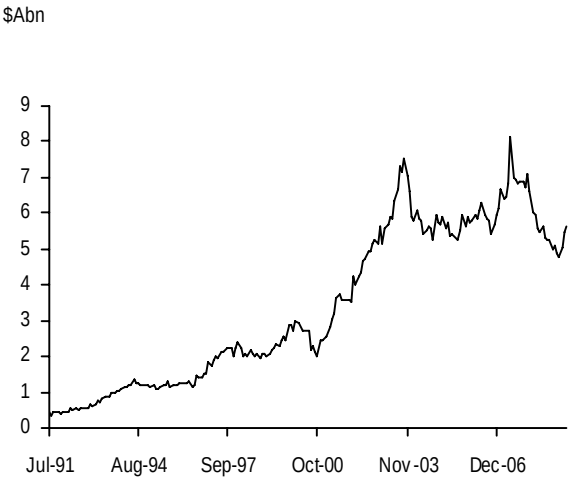
Australia

- The RBA left rates unchanged at 3% in July, as expected. While the market interpreted the RBA's accompanying statement as broadly neutral, we think it reflected growing confidence in the Chinese recovery and an acknowledgement of increasing momentum in the housing sector. Provided the monthly data flow remains robust, there is now a genuine chance of growth (and inflation) upgrades in the RBA's August *Statement on Monetary Policy*.
- Indeed, recent data flow (better consumer confidence, strong auction clearance rates, rising inflation expectations, healthy housing finance data and "less bad" jobs data) are painting a rather consistent picture which suggests that the Australian household sector is faring reasonably well post-stimulus. The consensus may well be surprised by the strength in retail sales numbers in coming months.
- Tactically, we are also happy to fade the recent rally in the front end of the AUD curve, and have taken profits on our received 2y1y vs. 1y swap position. Overall, we acknowledge that the macro picture remains difficult. Domestic data have largely printed stronger than anticipated, but recent US data (payrolls) have prompted some to question the durability of the recent recovery. In addition, risk aversion has returned to markets. Together, these factors make the near term direction of AUD rates markets difficult to predict, but reinforce the potential for AUD rates to under-perform in a global environment.

New Zealand

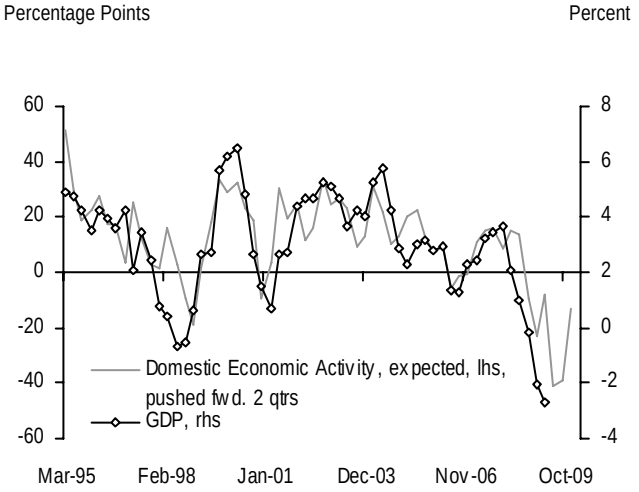
- Generally speaking, the New Zealand economic data have printed on the better side of expectations. This should reassure the RBNZ that some of the monetary stimulus is now starting to impact the economy.
- J.P. Morgan economists have revised their monetary policy outlook for New Zealand. We expect 2.5% to represent the trough for the monetary policy cycle (that is, no further rate cuts). We also expect that the RBNZ will start to normalize policy in 2010, with our economists forecasting a 25bp rate rise at the July OCR meeting.
- The RBNZ released some new prudential regulatory requirements for New Zealand banks. All other things equal, we suspect this means that the neutral cash rate in New Zealand will be lower, and that the monetary policy cycle should exhibit less volatility.
- Our trading themes have not changed for the New Zealand market. We recommend strategic curve flattening positions, trading the range for the front-end, and looking to receive NZD swap vs. AUD swap on any re-widening in yield differentials.

Chart 1: Investor property loans on the rise



Source: J.P. Morgan and ABS

Chart 2: Recent survey indicators suggest that the worst may be behind us in New Zealand



Source: J.P. Morgan and Bloomberg

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Global Economic Outlook Summary

	Real GDP			Real GDP							Consumer prices			
	% over a year ago			% over previous period, saar							% over a year ago			
	2008	2009	2010	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	1Q09	2Q09	4Q09	4Q10
The Americas														
United States	1.1	-2.2 ↑	2.9 ↑	-6.3	-5.5	-0.5 ↑	2.5	2.0	3.0	4.0	-0.2	-0.9	1.3 ↓	0.7 ↓
Canada	0.4	-2.3	2.3	-3.7	-5.4	-3.0	1.0	2.0	3.0	3.0	1.2	0.0	1.2	2.3
Latin America	3.8	-2.9	3.3	-8.9	-10.0	0.2	9.9	2.0	3.0	3.1	7.5	6.8	5.8	6.5
Argentina	6.8	-3.0	2.0	-2.0	0.2	-6.0	0.0	-4.0	6.0	6.0	6.6	7.0	6.0	10.2
Brazil	5.1	-1.0	3.5	-13.8	-3.3	4.3	5.0	3.5	3.0	3.0	5.8	5.2	4.3	4.5
Chile	3.2	-1.5	3.2	-7.9	-2.5	0.0	3.0	4.0	4.0	3.5	5.6	2.0	0.5	3.2
Colombia	2.5	-0.5	3.0	-5.9	0.9	0.0	0.8	2.1	3.5	4.3	6.6	4.6	4.1	4.5
Ecuador	6.5	-2.0	0.5	-1.0	-4.0	-6.5	-4.0	0.0	1.5	2.5	7.9	5.6	4.8	4.1
Mexico	1.3	-5.5	3.8	-9.8	-21.5	-1.0	21.6	2.0	2.0	2.0	6.2	6.0	4.2	3.4
Peru	9.8	2.2	4.7	-1.2	-6.2	2.5	5.5	5.0	4.8	5.5	5.6	3.5	1.5	2.0
Venezuela	4.8	-2.5	1.5	1.4	-9.3	-4.0	-2.0	0.0	2.0	3.5	29.5	28.4	31.5	37.4
Asia/Pacific														
Japan	-0.7	-5.6	2.3	-13.5	-14.2	4.5	2.0	3.5	3.0	-0.5	-0.1	-0.7	-1.3	-0.8
Australia	2.3	0.3	1.7	-2.2	1.5	2.0	-2.2	1.2	2.9	1.6	2.5	1.4	1.5	2.8
New Zealand	0.2	-2.2	2.3	-3.9	-3.9	-1.2	-0.4	2.5	3.4	2.7	3.0	1.5	1.1	2.3
Asia ex. Japan	5.8	3.5	6.8	-5.0	1.6	11.0	7.4	6.6	6.4	7.0	2.6	1.3	2.0	2.9
China	9.0	7.8	9.0	2.2	5.8	14.8	9.5	9.1	8.7	8.7	-0.6	-1.3	1.7	1.9
Hong Kong	2.4	-4.0	4.8	-7.4	-16.1	6.8	6.6	5.0	4.5	4.3	1.7	0.3	0.4	2.6
India	6.1	6.2	7.2	2.3	6.4	3.9	6.5	7.5	8.0	9.4	9.4	7.5	4.2	4.6
Indonesia	6.1	3.5	4.5	1.5	4.8	3.0	3.0	2.0	5.0	6.0	8.6	5.6	3.5	6.2
Korea	2.2	-1.1	3.9	-18.8	0.5	10.0	4.0	3.5	3.5	3.5	3.9	2.8	2.6	3.5
Malaysia	4.6	-3.0	4.4	-10.1	-15.1	10.0	6.1	4.5	1.6	4.9	3.7	1.5	0.3	2.4
Philippines	3.8	1.3	5.0	1.1	-8.9	8.0	6.0	6.0	5.0	4.0	6.9	4.7	3.0	3.7
Singapore	1.1	-4.3	4.4	-16.4	-14.6	14.8	7.4	2.0	0.4	4.1	2.1	-0.4	-0.7	3.6
Taiwan	0.1	-3.8	5.0	-23.8	-3.4	12.8	8.0	5.0	4.3	3.5	0.0	-0.6	0.3	2.1
Thailand	2.6	-2.6	6.1	-22.1	-7.3	13.4	7.8	4.9	3.2	8.2	-0.2	-2.7	0.5	2.4
Africa														
South Africa	3.1	-2.0	2.5 ↑	-1.8	-6.4	-2.9	1.0	2.2 ↑	3.6 ↑	4.1 ↑	8.4	7.8	6.2	4.2
Europe														
Euro area	0.6	-4.3	1.7	-6.9 ↓	-9.7	-3.0	1.5	2.0	2.5	2.0	1.0	0.2 ↓	0.6 ↓	1.1
Germany	1.0	-6.0	2.0	-8.6	-14.4	-3.0	2.0	2.5	3.0	2.0	0.8	0.1	0.3	0.3
France	0.3	-2.7	1.8	-5.7	-4.8	-2.5	1.5	2.0	2.5	2.0	0.7	-0.1	0.6	0.7
Italy	-1.0	-5.1	1.3	-8.3	-10.1	-3.5	1.0	1.5	2.0	1.5	1.4	1.0	1.0	1.0
Norway	2.5	-1.3	2.1	-3.0	-3.9	-1.0	1.5	2.0	2.5	2.5	2.4	2.7	1.0	0.4
Sweden	-0.4	-4.7	2.4	-18.5	-3.6	-1.0	2.0	3.0	3.0	2.5	0.8	-0.4	0.0	0.1
Switzerland	1.6	-1.4 ↑	1.9 ↑	-2.2	-3.2	-2.0	1.8 ↑	2.3 ↑	2.5 ↑	2.0 ↑	0.0	-0.6	0.1	0.4
United Kingdom	0.7	-4.1	1.9	-7.0	-9.3	-1.0	1.0	1.5	2.0	2.5	3.0	2.0	1.4	2.1
Emerging Europe	4.1	-5.4 ↓	3.0 ↑	-7.7	-17.1	-0.5	3.1	3.4	2.8	2.9	8.7	7.7	7.1	6.3
Bulgaria	6.1	-1.5	2.0	...	...	...	...	...	...	...	...	...	...	...
Czech Republic	3.0	-3.0	2.0	-6.8	-12.9	-1.0	2.5	3.0	1.5	2.5	2.1	1.5	1.3	3.6
Hungary	0.6	-6.0	-0.5	-7.2	-9.6	-4.5	-3.2	-1.0	0.0	1.0	3.0	3.7	7.2	2.4
Poland	4.9	-1.0	1.8	0.0	1.6	-4.0	-1.0	0.0	2.5	3.0	3.3	3.8	3.0	2.2
Romania	7.1	-4.0	1.5	...	...	...	...	...	...	...	6.8	6.3	7.0	6.5
Russia	5.6	-8.5	4.5	-11.6	-30.3	2.0	6.5	6.0	4.0	3.5	13.9	12.7	11.2	10.0
Turkey	1.1	-4.7 ↓	3.0 ↑	...	...	...	...	...	...	...	8.4	5.7 ↑	5.0 ↓	4.9 ↓
Global	1.5	-2.7	2.9	-7.3	-7.3	0.9 ↑	3.0	2.8 ↑	3.2	3.1	1.4	0.6 ↓	1.4	1.5
Developed markets	0.7	-3.4 ↑	2.3	-7.5	-8.1	-0.6 ↑	1.9 ↑	2.2	2.8	2.5	0.5	-0.3 ↓	0.7 ↓	0.8
Emerging markets	4.9	0.3	5.2	-6.3	-4.1	6.3	7.3	4.9	5.0 ↑	5.3	5.0	3.9	3.9	4.4

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Global Central Bank Watch

	Official interest rate	Current	Change from Aug '07 (bp)	Last change	Next meeting	Forecast next change	Sep 09	Dec 09	Mar 10	Jun 10	Dec 10
Global	GDP-weighted average	1.37	-335				1.33	1.32	1.34	1.36	1.45
excluding US	GDP-weighted average	1.95	-248				1.90	1.89	1.91	1.94	2.07
Developed	GDP-weighted average	0.48	-366				0.48	0.48	0.50	0.52	0.57
Emerging	GDP-weighted average	4.89	-211				4.70	4.67	4.68	4.71	4.92
Latin America	GDP-weighted average	6.12	-269				5.79	5.79	5.79	5.82	5.96
CEEMEA	GDP-weighted average	6.01	-100				5.55	5.41	5.47	5.55	5.67
EM Asia	GDP-weighted average	4.01	-231				3.97	3.97	3.97	3.97	4.24
The Americas	GDP-weighted average	0.79	-480				0.76	0.76	0.76	0.76	0.77
United States	Federal funds rate	0.125	-512.5	16 Dec 08 (-87.5bp)	12 Aug 09	on hold	0.125	0.125	0.125	0.125	0.125
Canada	Overnight funding rate	0.25	-425	21 Apr 09 (-25bp)	21 Jul 09	on hold	0.25	0.25	0.25	0.25	0.25
Brazil	SELIC overnight rate	9.25	-225	10 Jun 09 (-100bp)	22 Jul 09	22 Jul 09 (-50bp)	8.75	8.75	8.75	8.75	8.75
Mexico	Repo rate	4.75	-250	19 Jun 09 (-50bp)	17 Jul 09	17 Jul 09 (-25bp)	4.50	4.50	4.50	4.50	4.50
Chile	Discount rate	0.50	-500	**9 Jul 09 (-25bp)**	13 Aug 09	**on hold**	0.50	0.50	0.50	1.00	3.50
Colombia	Repo rate	4.50	-475	19 Jun 09 (-50bp)	24 Jul 09	on hold	4.50	4.50	4.50	4.50	4.50
Peru	Reference rate	2.00	-275	**9 Jul 09 (-100bp)**	6 Aug 09	**6 Aug 09 (-50bp)**	1.50	1.50	1.50	1.50	1.50
Europe/Africa	GDP-weighted average	1.51	-308				1.45	1.44	1.48	1.53	1.62
Euro area	Refi rate	1.00	-300	7 May 09 (-25bp)	6 Aug 09	on hold	1.00	1.00	1.00	1.00	1.00
United Kingdom	Repo rate	0.50	-525	5 Mar 09 (-50bp)	6 Aug 09	1Q 10 (+25bp)	0.50	0.50	0.75	1.00	1.50
Sweden	Repo rate	0.25	-325	2 Jul 09 (-25bp)	3 Sep 09	on hold	0.25	0.25	0.25	0.25	0.25
Norway	Deposit rate	1.25	-350	17 Jun 09 (-25bp)	12 Aug 09	on hold	1.25	1.25	1.25	1.25	1.25
Czech Republic	2-week repo rate	1.50	-175	7 May 09 (-25bp)	6 Aug 09	6 Aug 09 (-25bp)	1.25	1.25	1.75	2.50	3.50
Hungary	2-week deposit rate	9.50	175	19 Jan 09 (-50bp)	27 Jul 09	27 Jul 09 (-50bp)	8.50	8.00	7.50	7.00	7.00
Israel	Base rate	0.50	-350	23 Mar 09 (-25bp)	27 Jul 09	4Q 09 (+50bp)	0.50	1.00	2.00	3.00	4.00
Poland	7-day intervention rate	3.50	-125	24 Jun 09 (-25bp)	29 Jul 09	30 Sep 09 (-25bp)	3.25	3.25	3.25	3.25	3.25
Romania	Base rate	9.00	200	30 Jun 09 (-50bp)	4 Aug 09	4 Aug 09 (-50bp)	8.50	8.50	8.00	7.50	7.00
Russia	1-week deposit rate	6.75	350	4 Jun 09 (-50bp)	3Q 09	3Q 09 (-50bp)	6.25	5.75	5.75	5.75	5.75
South Africa	Repo rate	7.50	-250	28 May 09 (-100bp)	13 Aug 09	on hold	7.50	7.50	7.50	7.50	7.50
Switzerland	3-month Swiss Libor	0.25	-225	12 Mar 09 (-25bp)	17 Sep 09	on hold	0.25	0.25	0.25	0.25	0.25
Turkey	Overnight borrowing rate	8.75	-875	16 Jun 09 (-50bp)	16 Jul 09	**16 Jul 09 (-50bp)**	8.00	8.00	8.00	8.00	8.00
Asia/Pacific	GDP-weighted average	2.05	-149				2.03	2.03	2.03	2.05	2.24
Australia	Cash rate	3.00	-350	7 Apr 09 (-25bp)	4 Aug 09	1 Jun 10 (+25bp)	3.00	3.00	3.00	3.25	4.25
New Zealand	Cash rate	2.50	-575	30 Apr 09 (-50bp)	30 Jul 09	8 Jul 10 (+25bp)	2.50	2.50	2.50	2.50	3.50
Japan	Overnight call rate	0.10	-40	19 Dec 08 (-20bp)	15 Jul 09	on hold	0.10	0.10	0.10	0.10	0.10
Hong Kong	Discount window base	0.50	-625	17 Dec 08 (-100bp)	13 Aug 09	on hold	0.50	0.50	0.50	0.50	0.50
China	1-year working capital	5.31	-171	22 Dec 08 (-27bp)	2Q 09	4Q 10 (+27bp)	5.31	5.31	5.31	5.31	5.58
Korea	Base rate	2.00	-300	12 Feb 09 (-50bp)	11 Aug 09	on hold	2.00	2.00	2.00	2.00	2.50
Indonesia	BI rate	**6.75**	-150	**3 Jul 09 (-25bp)**	3 Aug 09	**on hold**	**6.75**	**6.75**	**6.75**	**6.75**	**6.75**
India	Repo rate	4.75	-300	21 Apr 09 (-25bp)	2Q 09	2Q 09 (-25bp)	4.50	4.50	4.50	4.50	5.00
Malaysia	Overnight policy rate	2.00	-150	24 Feb 09 (-50bp)	29 Jul 09	on hold	2.00	2.00	2.00	2.00	2.00
Philippines	Reverse repo rate	4.00	-200	**9 Jul 09 (-25bp)**	20 Aug 09	**on hold**	4.00	4.00	4.00	4.00	4.00
Thailand	1-day repo rate	1.25	-200	8 Apr 09 (-25bp)	15 Jul 09	on hold	1.25	1.25	1.25	1.25	1.25
Taiwan	Official discount rate	1.25	-188	18 Feb 09 (-25bp)	3Q 09	on hold	1.25	1.25	1.25	1.25	1.25

Bold denotes move since last GDW and forecast changes. Underline denotes policy meeting during upcoming week.

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Economic forecasts - Australia

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

				2008			2009				2010			
	2008	2009	2010	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Chain volume GDP	2.3	0.3	1.7	1.4	0.9	-2.2	1.5	2.0	-2.2	1.2	2.9	1.6	2.9	3.6
Private consumption	2.2	0.5	0.6	-0.5	0.3	1.2	2.3	0.0	-2.4	-0.8	1.2	1.6	2.4	2.0
Construction investment	5.2	-3.2	2.6	1.7	6.5	-0.5	-11.5	-6.0	0.0	3.0	3.3	2.0	4.9	9.8
Equipment investment	15.7	-15.9	-9.7	36.8	1.4	-1.7	-33.1	-28.2	-19.3	-4.1	-10.0	-12.0	0.0	8.6
Public investment	12.0	-0.8	9.6	3.7	18.9	-11.1	-9.5	2.4	5.4	7.1	9.7	11.9	14.4	15.3
Government consumption	3.7	1.4	4.2	5.3	2.3	1.0	1.4	0.1	0.5	3.7	5.6	6.0	5.0	4.7
Exports of goods & services	3.9	-2.5	0.3	10.5	-3.4	-3.3	11.1	-16.8	-7.8	-3.9	2.0	6.1	8.2	10.4
Imports of goods & services	10.3	-11.3	0.5	15.7	2.6	-27.0	-25.2	4.1	-2.0	-7.8	-3.9	4.1	8.2	21.6
Contributions to GDP growth:														
Domestic final sales	4.4	-1.7	1.6	4.9	2.5	-3.6	-7.1	2.5	-2.5	0.7	1.9	2.0	3.8	4.8
Inventories	-0.6	-0.2	0.1	-1.9	-0.2	-5.4	0.1	4.2	1.5	-0.4	-0.3	-0.7	-0.7	1.1
Net trade	-1.5	2.2	0.0	-1.5	-1.4	7.1	9.0	-4.6	-1.2	0.9	1.2	0.3	-0.1	-2.2
GDP deflator (%oya)	6.7	2.0	1.8	6.7	8.5	7.5	5.1	2.5	0.3	0.3	1.8	1.7	1.7	2.0
Consumer prices (%oya)	4.4	1.5	2.4	4.5	5.0	3.7	2.5	1.4	0.7	1.5	2.1	2.3	2.6	2.8
Producer prices (%oya)	8.3	-3.5	0.7	8.7	10.9	6.7	-1.0	-4.4	-5.4	-2.8	1.1	0.5	0.4	1.0
Trade balance (A$ bil, sa)	-4.2	7.1	-22.8	-2.1	1.4	4.4	4.6	2.7	0.5	-0.6	-2.4	-4.5	-7.0	-8.8
Current account (A$ bil, sa)	-67.0	-39.2	-71.8	-14.8	-9.7	-6.4	-4.6	-9.5	-11.9	-13.2	-14.9	-17.5	-19.0	-20.3
as % of GDP	-6.2	-3.2	-5.7	-5.0	-3.2	-2.1	-1.5	-3.1	-3.9	-4.3	-4.8	-5.6	-6.0	-6.4
3m eurodeposit rate (%)*	6.0	3.1	2.9	7.8	7.0	4.1	3.1	3.2	3.3	3.1	3.1	2.8	2.6	3.0
10-year bond yield (%)*	5.6	5.1	5.2	6.5	5.4	4.0	4.4	5.4	5.4	5.0	5.0	5.5	5.0	5.3
US$/A$*	0.75	0.77	0.86	0.74	0.77	0.65	0.68	0.75	0.82	0.83	0.84	0.85	0.86	0.87
Commonwealth budget (FY, A$ bil)	13.5	-35.0	-68.0											
as % of GDP	1.1	-2.9	-5.4											
Unemployment rate	4.2	5.8	8.0	4.2	4.3	4.5	5.3	5.5	6.0	6.4	7.0	7.7	8.3	8.9
Industrial production	2.0	-7.4	3.5	-0.1	-4.9	-17.3	-12.7	-2.0	1.0	3.0	6.0	4.0	2.0	0.0

*All financial variables are period averages

Australia - summary of main macro views

- Australia is in **recession** even though we avoided back-to-back falls in GDP—GDP probably will fall in 3Q as the fiscal stimulus payments are withdrawn.
- We expect a **sustained drop in business investment**, particularly mining, which will force down employment.
- With **labour force participation falling** only slowly, the jobless rate will soar to 9% by end-2010.
- On **housing**, the expanded first home owners' grant has sucked forward buyers from 2010. The mini-boom will end in tears as the jobless rate rises and house prices fall.
- The still **fragile consumer** is yet to be tested—households have been on financial "life support" from the RBA and the government.
- **Export volumes** have held up owing mainly to firm demand from Asia, but the terms of trade is tumbling.
- The **RBA** is comfortably on hold - the next move in the official cash rate will be up in the middle of 2010, even though the jobless rate will not yet have peaked.
- Having front-loaded the **policy support**, the government is unlikely to deliver more significant fiscal stimulus.

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Economic forecasts - New Zealand

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

				2008			2009				2010			
	2008	2009	2010	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real GDP (1995-96 prices)	0.2	-2.2	2.3	-0.9	-2.0	-3.9	-3.9	-1.2	-0.4	2.5	3.4	2.7	3.2	3.7
Private consumption	0.1	-1.6	1.7	-0.9	-0.5	-1.0	-5.3	-3.1	2.2	5.2	1.0	0.5	1.2	2.5
Fixed Investment	-3.7	-19.7	-1.1	5.6	-26.2	-22.5	-27.0	-19.7	-10.6	-4.6	2.5	4.6	5.8	7.7
Residential construction	-17.1	-18.2	3.6	-27.2	-25.6	-45.8	-1.2	-8.0	-4.0	2.0	4.8	7.2	10.0	8.0
Other fixed investment	-0.3	-20.1	-2.1	14.7	-26	-16.7	-31.2	-22.0	-12.0	-6.0	2.0	4.0	4.8	7.6
Inventory change (NZ$ bil, saar)	1.4	-0.2	0.4	0.3	0.5	0.2	-0.2	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Government spending	3.9	2.2	1.8	1.6	1.6	6.2	1.4	0.8	1.2	2.0	1.6	2.0	2.8	1.2
Exports of goods & services	-1.5	-3.5	7.2	0.4	-11.5	-11.9	2.3	-1.1	-2.5	5.2	10.0	15.0	7.0	9.0
Imports of goods & services	2.5	-17.0	3.4	13.4	-24.4	-23.6	-30.2	-10.0	-1.0	6.5	4.0	5.0	5.0	8.0
Contributions to GDP growth:														
Domestic final sales	1.3	-6.4	0.8	5.0	-11.0	-6.1	-11.6	-6.3	-0.8	2.6	1.4	-0.4	2.4	3.3
Inventories	0.4	-1.2	0.5	-0.9	2.4	-3.7	-4.8	2.1	0.9	0.4	0.3	0.2	0.2	0.1
Net trade	-1.4	5.4	1.1	-4.8	7.3	6.1	13.7	3.1	-0.5	-0.5	1.7	2.9	0.6	0.3
GDP deflator (%oya)	3.6	3.7	3.0	3.7	2.1	2.5	2.4	3.9	5.4	3.1	2.8	3.0	3.1	3.1
Consumer prices	4.0	1.1	1.7	6.7	6.2	-1.8	1.1	0.7	0.7	2.0	1.3	1.7	2.4	3.8
%oya	4.0	1.4	1.7	4.0	5.1	3.4	3.0	1.5	0.2	1.1	1.2	1.4	1.8	2.3
Trade balance (NZ$ bil, sa)	-2.2	-2.6	1.5	-1.1	-0.8	-0.1	0.9	-0.5	-1.3	-1.7	-1.3	0.1	1.3	1.4
Current account (NZ$ bil, sa)	-16.0	-13.5	-17.4	-4.7	-4.0	-3.7	-4.1	-2.7	-3.1	-3.6	-4.4	-5.2	-4.4	-3.4
as % of GDP	-9.0	-7.6	-7.1	-10.5	-9.1	-8.3	-6.0	-6.8	-8.0	-9.6	-9.5	-7.1	-5.4	-6.5
Yield on 90-day bank bill (%)*	7.9	2.6	2.6	8.8	8.2	6.0	2.8	2.5	2.5	2.5	2.5	2.5	2.6	2.7
10-year bond yield (%)*	6.0	5.1	5.3	6.5	5.9	5.3	4.1	5.9	5.5	5.0	5.3	5.3	5.3	5.4
US$/NZ$*	0.71	0.60	0.66	0.78	0.71	0.58	0.51	0.64	0.62	0.64	0.65	0.66	0.67	0.67
Commonwealth budget (NZ$ bil)	-3.0	-8.9	-9.8											
as % of GDP	-1.7	-4.9	-5.1											
Unemployment rate	4.2	6.1	7.6	4.0	4.3	4.7	5.0	5.8	6.5	7.1	7.5	7.7	7.8	7.5

*All financial variables are period averages

New Zealand - summary of main macro views

- The New Zealand economy was in a homegrown **recession** before the worst of the international troubles unfolded.
- The economy already has contracted for five straight quarters. We forecast another two quarters of negative GDP growth, with mild positive growth forecast for 4Q.
- **Business confidence** recently has improved, though firms' investment will remain a drag on GDP growth; this, of course, has negative implications for the employment outlook.
- The prolonged decline in **private consumption** is set to continue for some time yet. The recession has altered consumer behaviour, leading consumers toward increased saving rather than spending.
- **Increased anxiety about job security** probably is the strongest headwind facing consumers. We expect the unemployment rate to peak close to 8% in 2010.
- The **RBNZ** has delivered 575bp of policy easing since mid-2008. We believe that the OCR, currently at 2.5%, is the terminal cash rate in this cycle, and the RBNZ will begin tightening policy in mid-2010.

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Australia and New Zealand economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
13 Jul New Zealand : Retail sales (10:45 am) May -0.2 %m/m,sa	14 Jul Australia: NAB bus. Confidence (11:30 am) Jun 2.0 %bal, sa	15 Jul Australia : Westpac leading index (10:30 am) May	16 Jul New Zealand : PMI (10:30 am) Jun CPI (10:45 am) 2Q 1.5 %oya	17 Jul Australia : Export price index 2Q -13.3 %q/q Import price index 2Q -1.0 %q/q
20 Jul Australia : PPI (11:30 am) 2Q	21 Jul Australia : New motor vehicles sale (11.30 am) Jun New Zealand : Visitor arrivals (10:45 am) Jun Credit card spending (3:00 pm) Jun	22 Jul Australia : CPI (11:30 pm) 2Q	23 Jul	24 Jul
27 Jul	28 Jul New Zealand : Trade balance (10:45 am) Jun	29 Jul New Zealand : NBNZ business conf. (3:00 pm) Jul Building permits (10:45 am) Jun RBNZ official cash rate (9:00 am) Jul	30 Jul Australia : Building approvals (11:30 am) Jun	31 Jul Australia : Pvt. sector credit (11:30 am) Jun
3 Aug Australia : ANZ job ads (11:30 am) Jul Retail sales (11:30am) Jun	4 Aug Australia : House price index (11:30 am) 2Q RBA cash target (2:30 pm) Aug New Zealand : ANZ comm. Price (3:00 pm) Jul Private sector labor cost index (10:45 am) 2Q	5 Aug Australia : Trade balance (11:30 am) Jun	6 Aug Australia : Unemployment rate (11:30 am) Jul New Zealand : Unemployment rate (10:45 am) 2Q	7 Aug

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

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Global Data Diary

Week / Weekend	Monday	Tuesday	Wednesday	Thursday	Friday
13 - 17 July	13 July	14 July	15 July	16 July	17 July
China • Money supply (Jun)	China • Trade balance (Jun) Euro area • Trichet speech Japan • Consumer sent (Jun) • IP final (May)	Brazil • Retail sales (May) Euro area • IP (May) Germany • ZEW business surv (Jul) Poland • CPI (Jun) United Kingdom • CPI (Jun) United States • Business inventories (May) • NFIB survey (Jun) • PPI (Jun) • Retail sales (Jun)	Euro area • HICP final (Jun) Japan • BoJ meeting Thailand • BoT meeting United Kingdom • Labor mkt report (Jun) United States • CPI (Jun) • IP (Jun) • NY Fed bus survey (Jul) • FOMC minutes	China • CPI (Jun) • FAI (Jun) • GDP (2Q) • IP (Jun) • Retail sales (Jun) Japan • Reuters Tankan (Jul) • Tertiary sect activity (May) Turkey • CBRT meeting United States • NAHB survey (Jul) • Philly Fed bus surv (Jun)	Canada • CPI (Jun) Euro area • Foreign trade (May) Mexico • IP (May) • Banxico meeting Poland • IP (Jun) United States • Housing starts (Jun)
20 - 24 July	20 July	21 July	22 July	23 July	24 July
Japan • Department store sales (Jun)		Canada • BoC meeting Japan • BoJ minutes United States • Bernanke presents semiannual monetary policy report to the House	Australia • CPI (2Q) Brazil • COPOM meeting Euro area • Industrial orders (May) France • Cons of mfg goods (Jun) Germany • IFO bus survey (Jul) Japan • BoJ bank loan officers survey (2Q) United Kingdom • MPC minutes United States • FHFA HPI (May)	France • INSEE bus survey (Jul) Japan • Trade balance (Jun) Taiwan • Export orders (Jun) • IP (Jun) United Kingdom • Retail sales (Jun) United States • Existing home sales (Jun)	Colombia • BanRep meeting Euro area • PMI flash (Jul) Japan • All sector activity (May) Korea • GDP (2Q) United Kingdom • GDP advance (2Q) United States • Consumer sent (Jul)

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