J.P.Morgan

Australia and New Zealand - Weekly Prospects

Summary

- The economic data flow picks up in **Australia** this week, with August retail sales and credit numbers on the agenda, as well as building approvals. The retail and credit data are important milestones ahead of the October RBA Board meeting, when we expect the first rate hike in this cycle. The odds of an October hike fell slightly after the unexpectedly soft retail and employment data a couple of weeks ago, but we retain the view that if the current "emergency" cash rate setting no longer is appropriate, why retain it? This morning's upbeat comments by the RBA Governor leave open the door for an October hike. Also this week, Treasurer Wayne Swan will provide an update of the Commonwealth Budget position. We already assume substantially better budget outcomes than the Treasurer forecast back in the Budget in May, which means Commonwealth bond issuance will be much lower than the Government's assumptions in the May Budget.

- The recession in **New Zealand** has ended. Indeed, last week marked an important turning point for the Kiwi economy, with the release of the 2Q GDP report showing the economy expanded 0.1%q/q in the June quarter, after five straight quarters of contraction. This week, we expect data to confirm that the economy will continue to expand in 2H09. We expect the NBNZ business confidence survey to show further improvement in the all important firms' own activity outlook—already at a five year high. The headline confidence figure should rise to 40, suggesting that a net 40% of respondents expect business conditions to improve in the next 12 months.

- Elsewhere, **central banks** are now actively talking about the timing of policy normalization. For many, this reflects the surprisingly strong growth bounce taking hold on the heels of aggressive easing earlier this year. However, a broad range of central banks are pointing to asset price inflation as a factor warranting consideration of early policy action. Notably, Fed Governor Warsh wrote last week that the level of asset prices will demand "careful assessment" and "that prudent risk management indicates that policy likely will need to begin normalization before it is obvious that it is necessary, possibly with greater force than is customary, and taking proper account of the policies being instituted by other authorities."

- Underlying the forecast of divergent timetables for **normalization** to begin are two factors that distinguish the position of the G-3 economies from the rest of the world. First, although the credit crisis was global in nature, the lasting damage to financial institutions and credit availability is concentrated in the US and Europe. Despite the improvement in financial conditions, home prices remain depressed and credit is contracting. In contrast, credit is now flowing again in Emerging Asia and property prices are making new highs in some important regional markets. Second, our forecasts see inflation remaining low across in 2010. However, the G-3 stand out in the degree that utilization rates will remain depressed and place downward pressure on inflation. In the US and Euro area, core inflation is expected to break below 1% next year—record low levels in each case. In Japan, deflationary pressures are set to intensify as core consumer prices are expected to fall 1.5% in 2010.

This week's highlight

Wednesday's Aussie retail data for August, which should show the consumer remained resilient, even as the impact of the government's cash handouts faded. This will be an important milestone ahead of the October RBA meeting.

Sep 28, 2009

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
Ben Jarman (61-2) 9220-1669
ben.k.jarman@jpmorgan.com

Data and event previews - Australia and New Zealand

Date	Time [a]	Data/event	Forecast JPMorgan	Forecast Consensus [b]	Previous
Tuesday, September 29	8.45am	NZ building permits (%m/m, Aug.)	**na**	na	*5.0*
Tuesday, September 29	1.05pm	RBA Head of Economic Analysis Tony Richards' speech	**na**	na	*na*
Wednesday, September 30	10.00am	Aust. Conference Board Leading Index (%m/m, Jul.)	**na**	na	*0.9*
Wednesday, September 30	11.30am	Aust. private sector credit (%m/m, Aug.)	**0.3**	0.2	*0.2*
Wednesday, September 30	11.30am	Aust. retail sales (%m/m, Aug.)	**0.3**	0.5	*-1.0*
Wednesday, September 30	11.30am	Aust. building approvals (%m/m, Jul.)	**3.0**	2.5	*7.7*
Wednesday, September 30	12.00pm	NBNZ business confidence (Index, Sep.)	**40.0**	na	*34.2*
Thursday, October 1	9.30am	AiG Performance of Manufacturing (Index, Sep.)	**na**	na	*51.7*
Friday, October 2	10.30am	Aust. TD Securities Inflation Gauge (%m/m, Sep.)	**na**	na	*0.0*

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

Australia

Comments by RBA's Tony Richards - The RBA's head of Economic Analysis Department will be a panel discussant at the CEDA housing forum in Sydney.

Aust. private sector credit (%m/m, Aug.) - The RBA's private sector credit aggregates are likely to have grown 0.3%m/m in August, accelerating from 0.2% in July and 0.1% in June, owing to a milder contraction in the amount of outstanding loans to businesses. Once again, contractions in personal and business credit outstanding should cap growth in total credit, and housing credit should expand.

Aust. retail sales (%m/m, Aug.) - Our forecast calls for retail sales values to have risen 0.3%m/m in August, after tumbling 1.0% in July. The improvement will be owing, in part, to less aggressive discounting by retailers. Lower food prices, though, again will be a drag on total sales. The minutes from the RBA's most recent Board meeting noted that RBA officials' conversations with retailers suggested that consumer spending picked up in August, supporting our view that sales increased.

Aust. building approvals (%m/m, Jul.) - After two straight months of solid gains, residential building approvals probably grew only mildly in August. The Government's decision in the budget in May to extend the expanded FHBs' grant for another six months beyond its original June 30 expiry will have underpinned approvals again in August.

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
Ben Jarman (61-2) 9220-1669
ben.k.jarman@jpmorgan.com

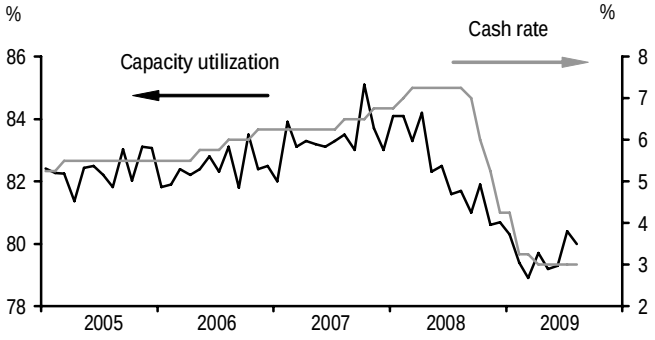
New Zealand

NBNZ business confidence (Index, Sep.) - Business confidence probably improved again in September. We forecast the headline figure will rise to 40, suggesting that a net 40% of respondents expect business conditions to improve in the next 12 months. The end of New Zealand's prolonged recession and improved economic conditions offshore should have bolstered business confidence this month. We also expect further improvement in the all important firms' own activity outlook—already at a five year high—supporting our view that the economy will continue to expand in 2H09.

JPMorgan Chase Bank, Sydney
Helen Kevans (61-2) 9220-3250
helen.e.kevans@jpmorgan.com
Ben Jarman (61-2) 9220-1669
ben.k.jarman@jpmorgan.com

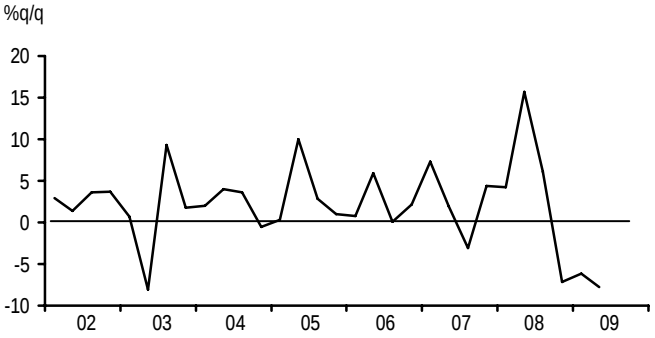
Feature charts

Australia: RBA cash rate and NAB survey



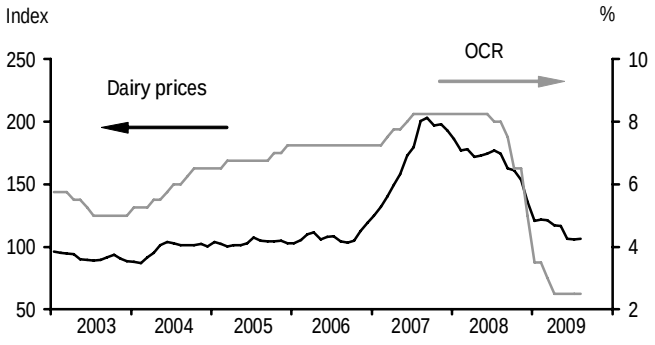
Accumulated slack in the major economies is putting intense downward pressure on global inflation. Price pressures also are weak in Australia, despite a more shallow and short-lived downturn in activity. Weak inflation will not deter the RBA from hiking interest rates, however. Recent RBA commentary repeatedly has drawn the distinction between an accommodative policy rate and the current "emergency" setting, the latter, in our view, being inconsistent with the economic outlook.

Australia: company gross operating profits



The income side of the national accounts was the first to be struck by the contraction in global trade flows that occurred late last year. The terms of trade tumbled in 1H09, reversing the huge increases in corporate profits associated with record high commodity prices in 2008. It now appears that Chinese demand for commodities will continue to keep a floor under the terms of trade, which will support profits and the investment outlook for the foreseeable future.

New Zealand: RBNZ official cash rate (OCR) and dairy price index



The New Zealand economy is particularly exposed to fluctuations in soft commodity prices like timber, dairy products, and food. Over the last year, exports of dairy products have grown strongly in real terms, but prices have fallen dramatically. As a result, the severe reduction in profitability in the Kiwi agricultural sector probably is a better indicator of economic conditions than relatively resilient export volumes.

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

- **Retail sales expected to rebound in August**
- **Credit growth should have accelerated last month**
- **RBA to hike cash rate in October**

The Aussie economic data flow picks up in Australia this week, with retail sales and credit numbers, in particular, on the agenda. There also will be residential building approvals data released for August.

Retail sales probably rose in August

Our forecast calls for retail sales values to have risen 0.3%m/m in August, after tumbling 1.0% in July. The improvement will be owing, in part, to less aggressive discounting among the nation's retailers. Also, the minutes from the RBA's most recent Board meeting noted that RBA officials' conversations with retailers suggested that consumer spending picked up in August, supporting our view that sales increased.

We maintain our view that the real test for consumers lies ahead, with no new stimulus expected, unemployment to rise, and higher mortgage rates to eat into households' disposable incomes. That said, the soft string of consumer data expected in the near term, as the positive impact of the government's fiscal stimulus fades, probably will not surprise RBA officials. For that reason, the data alone will be insufficient to delay the first rate hike beyond October. The RBA Board will be reluctant to leave policy settings at their current "emergency" levels for longer than necessary, provided that the transition to weaker data is orderly, as it has been so far.

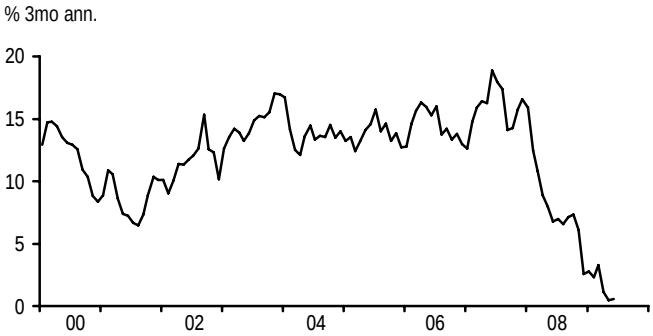
Credit growth will have strengthened

The RBA's private sector credit aggregates are forecast to have grown 0.3%m/m in August, accelerating from 0.2% in July and 0.1% in June, owing to a milder contraction in the amount of outstanding loans to businesses. The still sluggish rise in August will, however, drag the annual rate down to 2.8%oya, the slowest rate since mid-1993.

Once again, contractions in personal and business credit outstanding should cap growth in total credit, and housing credit should expand. The amount of business loans outstanding should fall "only" 0.1%m/m in August, though probably will start expanding in coming months. The most recent private business investment survey indicated that firms are upgrading their longer term investment plans, particularly in mining. While spending in the near term may

Australia: retail sales and consumer confidence

Australia: private sector credit aggregates



be compromised by tighter credit conditions, the pipeline of investment spending beyond June 2010 is swelling.

Personal credit is forecast to fall in August for the 15th straight month (-0.2%m/m), again thanks to much weaker margin lending. Credit to housing, though, should rise (+0.6%m/m), growing at the same rate as in the previous two months. Growth in housing credit has been remarkably stable at these levels over the last year, owing to the impact of the government's expanded first home buyers' (FHBs') grant, which has encouraged new activity in the sector. We suspect growth in housing credit will fall back as the expanded grant is phased down throughout 2H09.

Slowdown expected in building approvals

After two straight months of solid gains, residential building approvals in Australia probably grew only mildly in August. Our forecast is for a 3%m/m gain, after a 8% rise in July and a 10% spike in June. The government's decision in the budget in May to extend the expanded FHBs' grant for another six months beyond its original June 30 expiry will have underpinned approvals again in August, but the phasing down of the expanded grant from October 1 will lead to a softening in building activity going forward, adding to the chronic shortage of housing supply.

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 releases and forecasts

Week of September 28 - October 2

Wed Sep 30 11:30am — **Private-sector credit**
Seasonally adjusted

	May	Jun	Jul	Aug
(%m/m)	0.0	0.1	0.2	0.3
(%oya)	3.9	3.4	3.0	2.8

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

	May	Jun	Jul	Aug
(%m/m)	-11.4	9.9	7.7	3.0
(%oya)	-20.6	-13.7	-3.9	2.5

Wed Sep 30 11:30am — **Retail trade**
Seasonally adjusted

	May	Jun	Jul	Aug
(%m/m)	1.2	-0.8	-1.0	0.3
(%oya)	7.8	7.7	5.2	5.1

Review of past week's data

Sales of new motor vehicles

Units, seasonally adjusted

	Jun		Jul		Aug	
(%m/m)	~~5.8~~	*6.0*	-6.9		__	0.3
(%oya)	-7.1		~~10.4~~	*-10.3*	__	*-6.2*

JPMorgan Chase Bank, Sydney
Helen Kevans (61-2) 9220-3250
helen.e.kevans@jpmorgan.com

New Zealand

- **Prolonged recession has technically ended**
- **Consumer confidence jumped in 3Q**
- **Business confidence also trending higher**

Last week marked an important turning point for the New Zealand economy. Data on Wednesday showed the economy expanded in the June quarter, after five straight quarters of contraction. We believe the positive GDP print will have few implications for the monetary policy outlook. Our forecast remains that the RBNZ will shift to a neutral policy stance in early 2010, paving the way for the next tightening cycle to begin in mid-2010.

Kiwi recession finally ended in 2Q

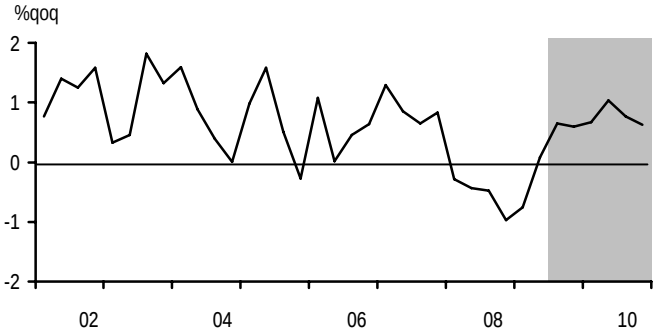
The New Zealand economy expanded for the first time since the end of 2007 in the June quarter, marking the end of a prolonged recession. The economy expanded 0.1%q/q in 2Q (J.P. Morgan: +0.3%, consensus: -0.2%), after contracting a revised 0.8% in 1Q (previously -1.0%).

Second quarter GDP growth would have been much stronger had inventories not fallen so sharply. The run down of inventories over the June quarter subtracted 2.3%-points from GDP growth. The NZ$1.1 billion drop in inventories in 2Q was the largest on record and owed to demand for exports being met with existing stock, combined with lower imports and a fall in manufacturing. The run down of inventories can be viewed as a positive for GDP growth in coming quarters, however. Firms will need to replenish stock as sales improve, particularly as external demand recovers and exports rise.

The other GDP components were much in line with our expectations. Net exports made another solid contribution to growth in 2Q, with export volumes spiking 4.7%q/q, marking the strongest rise since the end of 2007, thanks to a surge in shipments of dairy products; import volumes dropped 3.8%q/q.

Household consumption also rose (+0.4%q/q), propped up by record low interest rates, heavy discounting among the nation's retailers, strong migration flows, and signs of recovery in the domestic housing market. Only a subdued recovery in household spending is forecast, however, owing to rising unemployment, severe underemployment, and softer wage growth. With our forecast calling for the labour force participation rate to remain high, unemployment will continue to rise, even if only modest falls in employment are recorded in coming quarters. Furthermore, business profits remain under pressure, and firms, having already cut

New Zealand: real GDP



New Zealand: current account balance

workers' hours sharply, are increasingly shedding jobs to trim costs further. For these reasons, we forecast a 1.1% drop in household spending this year.

Gross fixed capital formation rose 0.1%q/q in the June quarter, buoyed by investment in other fixed assets, while investment in residential buildings remained weak as expected. Business investment was surprisingly firm, rising 1.3%q/q, failing to cave in amid reduced credit availability and tighter lending standards.

RBNZ to soon adopt neutral policy stance

Last week's positive GDP print will have come as a surprise to the RBNZ, which forecast that the New Zealand economy would contract for the sixth straight quarter in 2Q. We believe that, given how dated these data were, they have few implications for the monetary policy outlook.

We maintain our view that further cuts to the official cash rate (OCR) are unlikely. The RBNZ will be reluctant to facilitate a return to debt-driven consumption via further monetary policy stimulus, even if there is further evidence of near-term economic weakness. The RBNZ probably will maintain its explicit easing bias in the statements accompanying the upcoming October and December OCR announcements, before shifting to a neutral stance in early

2010. The first RBNZ move will likely be in July 2010, at which point RBNZ Governor Bollard should be confident that a rate hike won't stifle the recovery that now appears to be getting underway.

Kiwi business outlook getting brighter

Business confidence probably improved again in September. The NBNZ business confidence survey jumped from 18.7 to 34.2 in August, and this week should show another increase. We forecast the headline figure will rise to 40, suggesting that a net 40% of respondents expect business conditions to improve in the next 12 months.

The end of New Zealand's prolonged recession and improved economic conditions offshore should have bolstered business confidence this month. We also expect further improvement in the all important firms' own activity outlook—already at a five year high—supporting our view that the economy will continue to expand in 2H09 (chart).

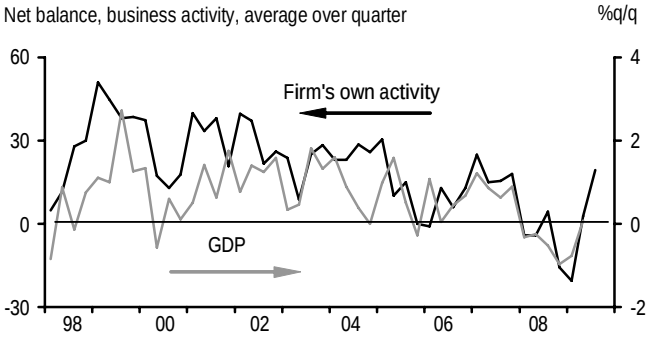
We expect the breakdown of the data will show that more respondents expect interest rate hikes in the next 12 months, compared to 31% in the August survey. Governor Bollard recently said that "until the risks and uncertainties about the outlook have acceptably reduced we anticipate keeping the OCR low." We believe that by year-end the synchronized global economic recovery will be gathering steam and the domestic economy will be expanding; hence diminishing these "risks and uncertainties."

NZ current account ventured into surplus

New Zealand's current account balance improved markedly in 2Q, posting NZ$124 million surplus (J.P. Morgan: -NZ$1.7 billion, consensus: -NZ$2.0 billion) versus a deficit of NZ$681 million in 1Q. The turn in the quarterly balance was mainly owing to a drop in foreign investment income in New Zealand. In the year to June, the CAD was 5.9% of GDP (down from 8.1% in 1Q), marking the smallest deficit as a percentage of GDP since 3Q04.

Income from foreign investment in New Zealand, which is not seasonally adjusted, fell by NZ$1.2 billion to NZ$2.1 billion in 2Q, the lowest level since early 2001. The drop owed to a fall in profits earned by foreign direct investors in New Zealand, mainly in the banking sector, which was influenced by a large company tax transaction during the quarter. Removing the effect of the one-off company tax transaction, a deficit of NZ$537 million would have been recorded in 2Q.

New Zealand: NBNZ business outlook survey and GDP growth



The goods balance in 2Q was unchanged at a surplus of NZ$822 million, remaining in positive territory for the second straight quarter. Exports were down 7%q/q (volumes rose, but prices tumbled) and imports fell 7.5%q/q (with both lower prices and volumes to blame).

As pointed out by Statistics New Zealand, "a current account which is near balance requires little financing." Indeed, though New Zealand's external imbalance remains significant, the economy appears less vulnerable now (i.e., less foreign capital is needed to make up for the deficient domestic saving), with net inflows in 2Q down considerably from those recorded in previous quarters. We expect a material improvement in the deficit in the medium term, as imports continue to weaken, private sector borrowing declines, and the household saving rate continues to rise.

Kiwi consumer confidence jumped in 3Q

New Zealand's Westpac McDermott-Miller consumer confidence index jumped to a four-year high of 120.3 in 3Q from 106.0 in 2Q. This stands in sharp contrast to the 81.7 level touched just over a year ago when official interest rates were at record highs. Now, though, confidence is being underpinned by record low interest rates, combined with improved economic conditions offshore, and the end of New Zealand's prolonged recession.

We expect that optimists in New Zealand will continue to outweigh pessimists in the foreseeable future, particularly given recent signs of life in the domestic housing market. Median house prices rose 2%m/m in August, sales jumped 39%oya, and days to sell fell to 34, well below the peak of 62 days recorded in February. Though rising unemployment and softer wage growth will cap the upside, the improvement in confidence points to stronger retail sales in coming months. We, therefore, suspect that household consumption will make another positive contribution to economic growth in the September quarter.

JPMorgan Chase Bank, Sydney
Helen Kevans (61-2) 9220-3250
helen.e.kevans@jpmorgan.com

Data releases and forecasts

Week of September 28 - October 2

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

	May	Jun	Jul	Aug
(%m/m)	22.7	-11.1	10.4	__
(%oya)	-25.1	-20.3	-15.4	__

Wed Sep 30 3:00pm — **NBNZ business confidence**

	Jun	Jul	Aug	Sep
% balance of respondents	5.5	18.7	34.2	40.0

Review of past week's data

Visitor arrivals
Non seasonally adjusted

	Jun	Jul	Aug	
Total (%m/m)	-3.8	3.9	__	*-0.8*

Net permanent immigration
Non seasonally adjusted

	Jun	Jul		Aug	
Monthly (000s)	0.7	~~0.7~~	*2.7*	__	*1.6*
12 month sum (000s)	12.5	14.5		__	*15.6*

Credit card spending
Percentage change

	Jun		Jul		Aug	
%oya	-2.1		~~-2.0~~	*-1.9*	~~-1.0~~	*0.1*

Balance of payments
NZ$ million, nsa

	4Q08		1Q09		2Q09	
Current account	~~-4061~~	*-3996*	~~-1247~~	*-681*	~~-1700~~	*124*

Real GDP
Seasonally adjusted, production-based

	4Q08		1Q09		2Q09	
(%oya)	~~-2.1~~	*-2.2*	~~-2.7~~	*-2.6*	~~-2.2~~	*-2.1*
(%q/q)	-1.0		~~-1.0~~	*-0.8*	~~0.3~~	*0.1*

Westpac-McDermott-Miller consumer confidence
Not seasonally adjusted

	1Q09	2Q09	3Q09	
Index (neutral=100)	96.0	106.0	__	*120.3*

Trade balance
Not seasonally adjusted

	Jun		Jul		Aug	
Trade balance (NZ$ mn)	~~-332~~	*-331*	~~-163~~	*-175*	~~50~~	*-725*

New Zealand recorded a surprisingly large trade deficit in August, with imports rising 4% amid signs the economy has exited recession.

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

- **Policy normalization to take hold outside the G-3 early next year**
- **A drop in core inflation below 1% is key to low-for-long Fed and ECB projections**
- **Asia's bounce is ending but growth expected to remain solid**
- **Global rebalancing is already well in train as US trade balance set to consolidate improvement**

For the turnstiles

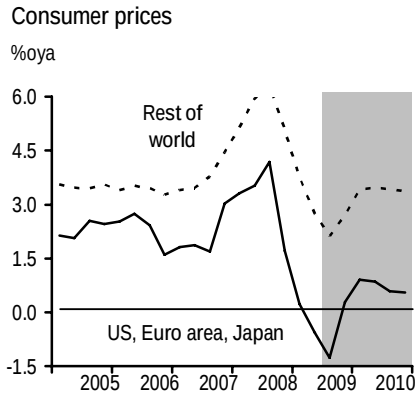
Although we are only a few months into recovery, central banks are now actively talking about the timing of policy normalization. For many, this reflects the surprisingly strong growth bounce taking hold on the heels of aggressive easing earlier this year. However, a broad range of central banks are pointing to asset price inflation as a factor warranting consideration of early policy action. Notably, Fed Governor Warsh wrote last week that the level of asset prices will demand "careful assessment" and "that prudent risk management indicates that policy likely will need to begin normalization before it is obvious that it is necessary, possibly with greater force than is customary, and taking proper account of the policies being instituted by other authorities."

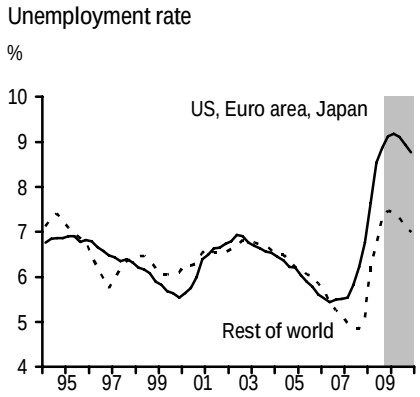
There are good reasons to believe that this shift in focus by central banks could have a material impact on policy actions. Policymakers now recognize that the risk biases on which they acted earlier this decade—their fear of deflation arising in the aftermath of the Asian crisis—produced an excessively accommodative global policy stance. Although it did not translate into overheating, it fueled a credit boom and helped lay the groundwork for the subsequent financial market crisis. In addition, policy action taken during the recent crisis was geared, in large measure, to offset financial market stresses that have abated considerably in recent months. All else equal, this improvement in financial market conditions warrants a policy adjustment even if inflation is projected to remain low.

Of course, all else has not remained equal. In many parts of the world, significant lasting damage has been done to labour and credit markets. It is the assessment of this damage, alongside the speed of improvement in financial conditions, which will determine how fast central banks move to the turnstiles. In general, these considerations point to a significant divergence in the timing of policy action between the G-3 and the rest of the world. While the Fed, ECB, and BoJ are likely to remain on hold for more than a year, we are in the process of making forecast changes that will incorporate a broad move early next year towards normalizing policy. Last week we added Brazil to this group and have pulled forward Norway's first rate hike to October.

Underlying the forecast of divergent timetables for normalization to begin are two factors that distinguish the position of the G-3 economies from the rest of the world.

- **Credit market stress.** Although the credit crisis was global in nature, the lasting damage to financial institutions and credit availability is concentrated in the US and Europe. Despite the improvement in financial conditions, home prices remain depressed and credit is contracting. In contrast, credit is now flowing again in Emerging Asia and property prices are making new highs in some important regional markets.
- **Significant disinflation.** Our forecasts see inflation remaining low across the globe in 2010. However, the G-3 stand out in the degree that utilization rates will remain depressed and place downward pressure on inflation. In the US and Euro area, core inflation is expected to break below 1% next year—record low levels in each case. In Japan, deflationary pressures are set to intensify as core consumer prices are expected to fall 1.5% next year.





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

Asian manufacturing output

%m/m, sa

	4Q08 avg	1Q09 avg	2Q09 avg	Jul	Aug
Asia	-4.7	-2.4	3.5	1.8	n/a
Japan	-6.2	-5.9	4.6	2.2	1.8[1]
China	-0.1	2.3	1.4	1.0	1.0
Korea	-7.8	4.8	3.4	2.2	0.1[1]
Taiwan	-10.2	5.0	4.7	1.4	1.5
Singapore	-9.1	-0.6	6.5	19.2	-3.5

1. J.P. Morgan forecast for this week's reports.

The central role that disinflation plays in our forecast for G-3 policy decisions should be highlighted. The Fed and ECB are not currently anticipating significant further disinflation. Its realization should change their perception of risk and significantly slow their response to above-trend growth and financial sector healing. It should also put modest downward pressure on long-term inflation expectations—an indicator that the FOMC elevated in importance in its statement last week.

Asia comes off the boil

The Asia industrial cycle has truly been V-shaped. Following two quarters in which output fell at a roughly 35% annualized pace—far in excess of the pace of decline during the late 1990s' Asian financial crisis—production grew at close to a 40% pace last quarter. On the back of this rebound, regional GDP also bounced out of the deepest recession on record with Emerging Asia delivering a double-digit annualized gain last quarter. All signs are that the current quarter will experience another impressive increase with regional production tracking a 20% pace of gain. Underlying data show that the tech sector has become the leading sector in this upturn, a typical development for Asian economic growth.

However, as we move towards the end of the quarter, August releases available so far suggest that the "bounce" phase of the Asian industrial recovery is coming to an end. The pace of output gains in Singapore and Taiwan appears to be moderating. Japanese exporters recorded a solid 1.5% m/m gain in volumes last month—a very impressive outcome but just one-third the pace of the past three months.

This week's activity releases (August IP in Japan and September trade in Korea) are expected to send a consistent message. The high-tech and auto components will be of particular interest in these reports, since they have been the driving force behind the surge in overall production. Japan's IP report will also provide manufacturers' production plans for September and October, which have provided good guidance on future output. In a similar vein, it will be important to see if Japan's manufacturing PMI's forward-looking orders/inventory ratio holds near its record high. This week also brings the BoJ's quarterly Tankan survey, which will show how corporate expectations for sales, profits, and capex are evolving, as well as their assessment of hiring needs.

Our forecast has anticipated a cooling off in regional growth but not a move toward weakness. The industrial upturn taking hold in the Americas and Europe should lift Asia, while final domestic demand is expected to firm in an environment of rising incomes and asset prices and still supportive policies. With all these moving parts, the downshift could prove bumpy. However, the most likely outcome is for a cooling to modestly above-trend industrial output growth as we move toward year-end.

The global balancing act

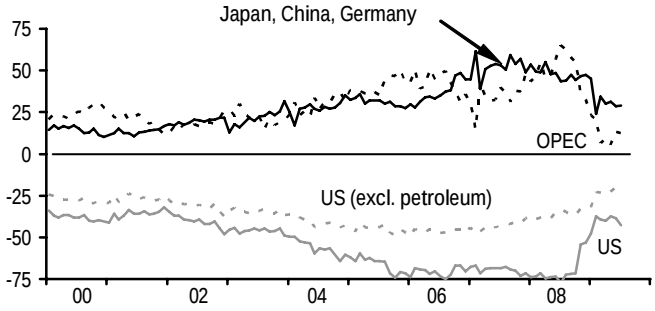
The imbalances that arose between nations' trade in merchandise and capital over the past decade are often viewed as either causes or symptoms of the financial crises and resulting global recession. In response, leaders of the world's 20 major economies have agreed last week to improve the coordination of policy making so as to keep the current recovery on a more sustainable path. In many ways, the necessary adjustments for achieving this outcome are already well underway. The US trade deficit has shrunk dramatically over the past year and stands at roughly one-half its peak. Although much of this rapid improvement reflects the collapse in the price of oil, this should not be so readily dismissed as the runup in the price of oil between 2002 and 2008 accounted for a majority of the rise in the deficit over that period and the most recent indicators suggest that the price of oil has likely stabilized. Moreover, the US trade position excluding petroleum has steadily improved since 2007 against the major non-OPEC trade surplus economies, suggesting that the rebalancing now underway is more broad-based.

While the global rebalancing to date has been significant and broad-based, it remains to be seen whether this process will continue. Here, the success of the G-20 summit agreement will rest largely on the interplay between macroeconomic and financial forces. The reemergence of the gradual exchange rate adjustments that were underway prior to the crisis are supportive of further rebalancing. Our forecast for one of the most global synchronized recoveries in decades would also prove constructive, as economic activity picks up coincidentally around the world. As such, we project a broadly stable US trade imbalance over the coming two years, one that would push the size of the deficit modestly lower as a percent of GDP.

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

Merchandise trade balance

USD billion, sa monthly rate (OPEC measure is a proxy)



Viewed in terms of US saving flows, public sector deficits are projected to fall in the coming two years as fiscal stimulus subsides and tax revenues move higher. Within the private sector, household saving is also set to drift higher. The major offset to these developments will be the reversal in the surge in corporate saving over the past year.

Germany votes: no change in fiscal policy

Predicting the actions of German policymakers has been difficult during this crisis. Initially, the German government expressed great skepticism about the fiscal support packages implemented elsewhere, and about the unconventional balance sheet expansions of the Anglo-Saxon central banks. Even the ECB, which tried very hard to balance the "audacity" of its nonconventional actions with the "wisdom" of maintaining a medium-term orientation, came under occasional criticism. But, despite the talk, the German government implemented two fiscal stimulus packages that were among the largest in Europe, a comprehensive bank rescue plan, and a hugely successful car scrappage program.

This seeming contradiction has continued into the election. The main contenders are all emphasizing the need to consolidate government finances, but at the same time they have all prominently included an income tax cut in their election manifestos, albeit a small one. Polls suggest that a center-right coalition of CDU-FDP or another Grand Coalition are the most likely outcomes, led by Chancellor Merkel. Either way, the differences between the main parties appear small. Most likely, fiscal policy will tighten slightly in 2010 as current stimulus measures wind down, with active policies to close the budget deficit deferred until 2011.

Improving odds for IMF program in Turkey

The plunge in policy interest rates, a rapid inventory depletion, and rising external demand have set the stage for an economic recovery in Turkey following a very deep recession. The pace of the rebound depends importantly on whether there is an IMF-supported economic program. This would not only improve investment sentiment, but IMF funds would also help prevent the crowding out of the private sector by the Treasury, whose domestic debt rollover rate otherwise will remain near 100%. In the event that a three-year stand-by program is signed and Turkey gets US$15 billion from the IMF next year, the rollover ratio would fall to an estimated 75%, providing the liquidity needed for the banks to increase private lending. Encouragingly, both the IMF and the Turkish government recently have shown more flexibility, with the government presenting a realistic medium-term fiscal plan, raising the odds of an agreement. The issue will be in the spotlight at the World Bank/IMF meetings in Istanbul this week.

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

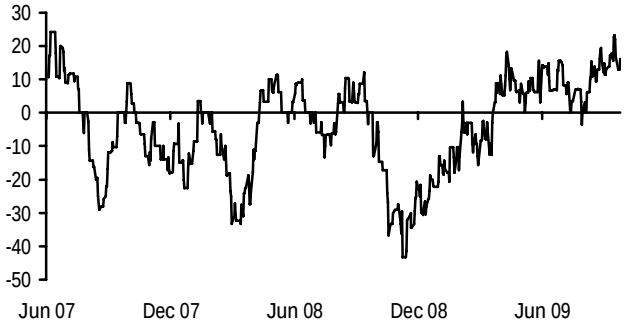
JPMorgan View - Global Markets

Questions, questions

- **Portfolio strategy:** The jury is out on whether investors have abandoned equities as a long-term asset. We stay long stocks over the remainder of the year.
- **Economics:** Policy makers signal greater focus on asset price inflation.
- **Fixed income:** Move to neutral duration and focus on carry trades.
- **Equities:** Pre-announcements point to another positive surprise for the 3Q reporting season.
- **Credit:** The HY bond default rate is set to collapse to 4% in 2010 vs 9% in 2009. Stay overweight HY credit.
- **FX:** Our main dollar short remains against JPY.
- **Alternatives:** Stay short crude oil, tactically.

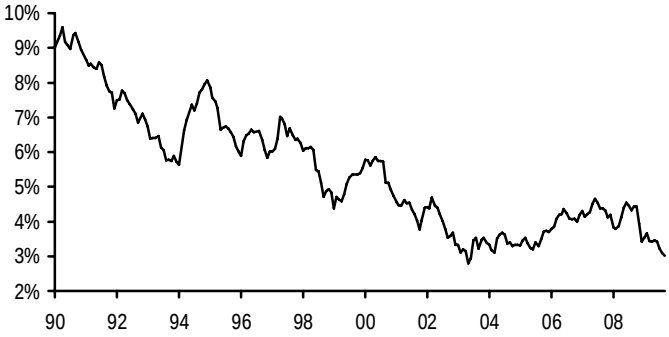
In a week with little economic news and range trading in many markets, we use the opportunity to address the most **frequently asked questions** from investor discussions. Each query merits in-depth analysis, but we provide here only summary replies as many have been addressed in other research reports.

US Economic Activity Surprise Index



Source: J.P. Morgan. US EASI is defined as the net balance of positive activity surprises over the past 6 weeks divided by the total number of releases over the period.

Yield on global bond index



Source: J.P. Morgan, BarCap, Datastream. Reported yield is the yield of the BarCap Global Aggregate index.

Is the crisis over? The financial crisis is largely over. The economic crisis, only half so. The recession is over but the recovery has just started. Even the above-trend growth pace that we project for this recovery will require years to get us back to trend levels of activity. This means high unemployment and disinflationary pressures over the next two years.

Is the recovery sustainable? Yes, odds are it is given unprecedented and synchronized global policy stimulus, low funding costs, a repaired financial system, and the massive need for inventory rebuilding into next year.

What are the main risk factors we should monitor? For the recovery in the world economy and in risky assets to be sustained, the private sector will need to take the baton from the public sector. Corporates are in the driver's seat here. We need to see them move from a precautionary into an expansionary mode. That means capital spending, jobs, and income creation. Watch these.

Is delevering over? No, to the extent that balance sheet repair and maintenance will remain important objectives of households and companies alike, and soon become so for governments. But delevering is not the first priority anymore. Much of the upcoming balance sheet repair will come from asset price appreciation, allowing economic agents to alter savings and funding practices gradually, without jeopardizing the economic recovery.

Do banks have a lot of skeletons left in their closets, keeping them from fulfilling their credit intermediation role? We do not think so. Our Head of ABS Strategy, Chris Flanagan, estimated two weeks ago that global banks and insurers are three-quarters of the way through their cycle writedown and credit losses (US$1.6 trillion so far, versus an estimated total of US$2.25 trillion). He projects that the last quarter of these losses will be spread out over a number of years.

Is it too late to buy equities? No. Both our recovery theme—further upgrading of growth prospects—and our asset reflation theme—the pain of earning no return on cash while the rally passes you by—keep us long equities. Earnings growth is keeping pace with equity indices, keeping stocks from overvalued levels. The global investor is not yet overweight stocks.

When will end investors start buying equities seriously? Stock markets have rallied strongly, but on weak flows. Much buying seems to be tactical and could reverse easily.

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

Retail is buying much more into bonds, while a number of pension funds are signaling they are lowering their equity benchmarks. Is the equity culture dead? Here, we must conclude that the jury is still out. It is equally possible that the severity of the crisis is delaying a return to normal investment patterns. The record low yields that bonds now offer, which fall below the dividend yields on many stock markets, could pull investors back to equities. Watch the flows, as we report them in our weekly *Flows & Liquidity*.

How serious is the risk of high inflation? It is serious, given the amount of fiscal and monetary pump priming, but not imminent. Au contraire—we agree with the warnings of a number of central bankers that disinflation, if not deflation, is the immediate risk, as excess capacity is huge and growth is only just above potential. Questions on how to hedge against inflation have not yet been replaced with questions on how to hedge against deflation, but the risk is clearly there. This is one reason we are short oil at the moment.

Fixed income

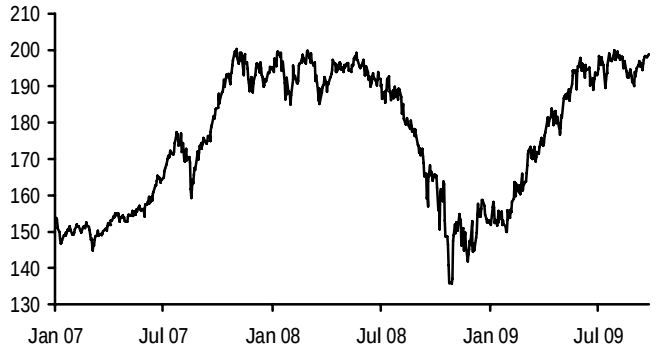
Bonds rallied again last week, on the mini-correction in equities. But bonds remain in a range. Issuance this year will set a new record, but its negative impact on prices is offset by the combination of continued heavy inflows into the asset class, steep curves, and falling volatility. Much of the capital inflow has targeted corporate bonds, but lower-risk bonds such as government and agency bonds and MBS also benefit when money flows into broad bond funds. Banks have faced weaker borrowing demand from corporates and have thus added significantly to their bond holdings, given the high carry and the steady fall in volatility.

In an environment of range trading, duration trades do not work well, so we **focus on carry and spread convergence trades**. We cut our short duration in the US two weeks ago, and did the same in Europe last week. In the pure rates world, we focus most on carry, as spreads have tightened a lot. Many of these carry positions come down to flatteners in the money market. Spread convergence trades have moved largely to the credit world.

Equities

Equity markets took a breather last week driven by slightly worse than expected economic data. Our Economic Activity Surprise Index, which tracks economic activity surprises over a six-week rolling period, fell from the two-year high of a fortnight ago, but remains positive.

EM versus DM equities
Relative total return index calculated from MSCI World$ and MSCI EM$ indices



Source: Datastream, J.P. Morgan

MSCI World$ Cyclical versus non-Cyclical sectors
Relative total return index based on MSCI World$ sector indices

Source: Datastream, J.P. Morgan

Albeit small, last week's equity market decline is a reminder of the **challenge that equity markets face once economic data do not surprise anymore on the upside, which will happen eventually**. We continue to believe that flows have the potential to replace the growth surprise factor and support the equity rally in coming months, as investors become less impressed by the return of their bond holdings and deploy more of their excess cash into equities. But admittedly, so far, both retail and other end-investors such as pension funds and insurance companies have been reluctant buyers of equities.

Near term, the major driver for equities is likely to be the 3Q reporting season that kicks off three weeks from now. Strong 4% GDP growth in the US in 3Q and a surge in global IP set the stage for another surprise in the 3Q reporting season, relative to analysts. This should again be driven by Cyclical sectors. **Pre-announcements are pointing to another positive surprise.** We had 196 positive and 282 negative pre-announcements so far in 3Q, much better than last quarter, which saw 171 positive and 304 negative pre-announcements.

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

Within EM, we **upgrade South Africa** to neutral to capture rand appreciation. Near-zero US market rates mean that carry is high relative to history for many EM currencies, drawing investors to countries that offer high interest rates and **currency appreciation** potential. To fund the South Africa upgrade, we move China to an underweight from neutral. It is important not to confuse our expectation that Chinese equities lag EM with the outlook for China's economy. Chinese growth is likely to strengthen and broaden into 2010 as exports recover and infrastructure projects ramp up.

Credit

We believe **HG credit** spreads will continue to tighten and stay overweight. The outlook is less attractive from a total return perspective, though, as we expect UST yields to rise into 2010, offsetting gains from tighter spreads.

In **US HY**, primary activity strengthened in September and spreads tightened by a large 110bp mtd, a reflection of how strong demand is. We stay overweight in HY, and we also expect further spread tightening on rapidly shrinking default volumes. The reopening of the HY primary market gives leveraged companies access to refinancing, which in turn reduces default risk. Our high yield team now looks for the **HY bond default rate to collapse** to a long-term historical average of 4% in 2010 versus 9% in 2009. The HY loan default rate is expected to fall by even more, from 12% this year to 4% in 2010.

Foreign exchange

If most cyclical currencies (AUD, NZD, BRL) have retraced 80% of their post-Lehman losses, shouldn't carry exposure have returned to near-record highs? It hasn't. Across a range of indicators proxying exposure across several investor segments, longs in carry and shorts in the dollar appear to be only half their pre-Lehman highs. CTAs and Japanese retail hold the highest exposure, while currency managers and global macro funds hold the least. The dollar's decline will probably stall ahead of earnings season, but when corporate profit returns to the fore, positions should not obstruct a resumption of dollar weakness.

Our only cash USD position is **short USD/JPY**, which seems destined for a move into the mid- to high 80s for reasons we outlined last month: the trifecta of a rising Japanese trade surplus, narrowing US-Japanese rate spreads, and rising foreign inflows into the Nikkei. The rest of the cash portfolio remains in the cross rates, where policy divergence rather than carry is the driver (long EUR/GBP, short GBP/NOK, short GBP/JPY, and long NOK/SEK).

10-yr Government bond yields

	Current	Dec 09	Mar 10	Jun 10	Sep 10
United States	3.32	3.50	3.75	4.00	4.25
Euro area	3.26	3.30	3.40	3.50	3.55
United Kingdom	3.61	3.95	4.15	4.30	4.50
Japan	1.31	1.50	1.45	1.40	1.30

Foreign exchange

	Current	Dec 09	Mar 10	Jun 10	Sep 10
EUR/USD	1.47	1.50	1.50	1.47	1.45
USD/JPY	89.8	89	91	97	100
GBP/USD	1.59	1.63	1.60	1.58	1.58

Commodities - quarterly average

	Current	09Q4	10Q1	10Q2	10Q3
WTI ($/bbl)	66	70	70	65	70
Gold ($/oz)	991	975	-	-	-
Copper($/m ton)	5944	5600	-	-	-
Corn ($/Bu)	3.34	3.65	4.00	4.15	4.05

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

Alternatives

Commodities are down, as crude fell by nearly US$6 last week. We maintain our tactical short in crude oil as there is still downside risk, but advise reducing the size of the short around US$65 and closing it at US$60 (see last *GMOS*). Currently, we forecast that WTI prices will average US$69 in 2010, as OPEC is likely to increase supply and consumers to reduce their demand if prices go higher.

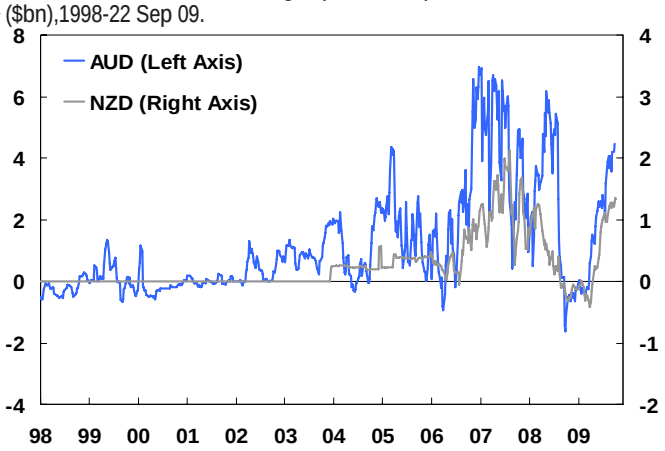
Hedge fund inflows show signs of acceleration. Eurekahedge reported net inflows of US$12.6 billion in August, significantly higher than their initial estimate. We currently forecast $65 to $85 billion of net inflows in 2H and expect the majority of these flows to take place in 4Q. On the performance side, we expect that hedge funds will return 17% in 2009 and 10% in the coming 12 months. Accordingly, assets under management will likely increase to US$1.6 trillion by year-end and reach the previous peak, US$2.0 trillion, by the end of 2010.

AUD and NZD Commentary

- **The high-beta FX rally vs. USD stalled two weeks ago, amid steady increases in long positions.**
- **We took profit on our short USD call vs AUD, but look for renewed gains as earnings season gets underway.**
- **Technicals: The trends are intact, but the bullish momentum is starting to wane; monitor key supports.**

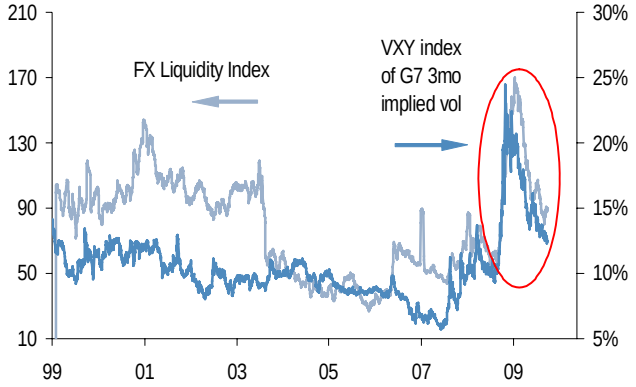
- The AUD and NZD have retraced 70% of their 08-09 peak-to-trough falls against the USD. The headlong USD sell-off paused two weeks ago, and an interlude of range-trading may be ahead against a backdrop of less outsized upside data surprises. But the growth-driven bullish high-beta FX theme remains intact, with the 3Q earnings season likely to provide the impetus for the next move.
- AUD and NZD sepeculative long positions on the IMM have climbed steadily. The net NZD long now exceeds its 2008 peak, but AUD positioning still remain far short of the 2006-08 extemes.
- Large high-beta FX gains do not reflect a full-throated return on the carry trade. Notably, hedge fund and currency manager returns remain insensitive to USD losses, consistent with modest positions, while FX-linked structured note issuance remains depressed and the market cap of US-listed currency ETFs runs 30% below its peak.
- Instead, lower liquidity appears to account for the volatile FX price action (see Chart 2). Out bid-offer-based FX liquidity measure suggests that FX markets have regained only 75% of their pre-Lehman depth. Thus, we remain optimistic that positioning does not preclude AUD and NZD making new highs against the USD before year-end.

Chart 1: AUD and NZD net longs speculative position on the IMM ($bn),1998-22 Sep 09.



Source: Bloomberg and J.P. Morgan

Chart 2: JPMorgan bid-offer FX liquidity index and VXY index of 3-mo, implied G7 FX volatility, 1999-25 Sep 09



Source: J.P. Morgan

Technical analysis

- The overall bull themes are intact, but clearly the rallies have lost upside momentum while suggesting a short term consolidation is close for both AUD/USD and NZD/USD. For AUD/USD, we note that the recent rallies have approached key resistance in the .8810/.8945 zone, which includes the 76.4% retracement of the fall from the 2008 cycle high. Still, the key nearby support levels are intact and should define whether a deeper corrective phase is underway. In that regard, the .8500/.8480 zone will be critical as it represents the important March uptrendline and the former highs/breakout zone from early-September. Breaks would suggest a pullback into the .8300/.8250 zone before prices attempt to resume the rally phase.
- Similarly, NZD/USD is approaching the next line of important resistance in the.7390/.7430 zone (again, the 76.4% retrace), as the upside momentum is starting to wane. Still, while the medium term bias remains bullish, a break of key short term support levels staring at the .7015 area and extending to the crtiical .6900 breakout will define whether a deeper corrective phase is underway. Still, the bias for new highs should continue.

AUD/USD - Daily chart

Thu Sep 24 2009 17:46:50

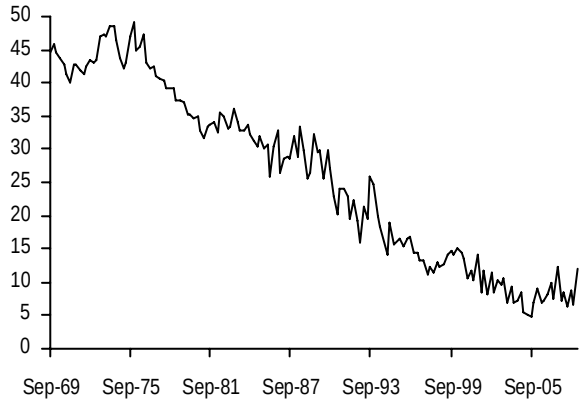
JPMorgan Australia Ltd., Sydney
Sally Auld (61-2) 9220-7816
sally.m.auld@jpmorgan.com

Markets - Australia and New Zealand

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

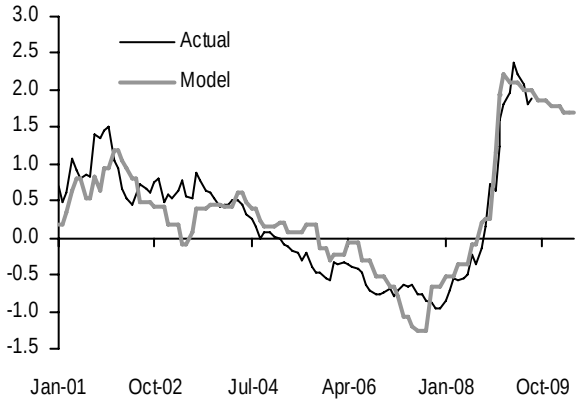
- Market direction has remained broadly sideways over the past week in Australia, with low volume, regional holidays and a lack of data conspiring to keep yields firmly range bound. But this has masked a more interesting basis dynamic – 3-year cash bonds are now rich to the futures contract while 10-year cash bonds are cheap (although less so).
- Risk/reward probably still favours playing the local market from the short side. We particularly like selling the AUD front end against the NZD front end. We continue to favour paid 3-year spread positions either outright or against received positions in 10-year spreads. Our view on inflation is little changed; breakevens have largely moved sideways over the past week. Tactically, we would look to underweight inflation in the months after the first rate hike of the cycle.
- We have re-calibrated our bond curve model for Australia and now use a broader measure of financial conditions than the real cash rate. We think the curve looks fair value at current levels (given policy expectations).
- Tactically, we would look to enter flatteners on any move in the 3s10s cash spread above 65bps. Take advantage of the bond basis by structuring flatteners via cash product rather than futures.
- Strategically, opportunities in the curve are likely to be dictated by the type of tightening cycle. An elongated tightening cycle usually offers such opportunities. We would target a re-steepening back towards the 70-80bps level (basis futures) before looking to re-enter strategic 3s10s curve flattening positions.
- We favour thinking about starting to build 2s10s swap curve flatteners in NZD. We estimate the cost of holding the position is 7bps per quarter. But in our view, the cost of entering the trade a touch too early is smaller than struggling to get set in the position once the curve starts to flatten more concertedly.
- Tactically, price action in the front end of the NZD curve in recent sessions means that current entry levels for curve flatteners are not particularly attractive. We would look for a move back above 185bps to start building a 2s10s flattening position.

Bank holdings of ACGBs (excluding T-Notes)
Percent



Source: J.P. Morgan and RBA

NZD 2s10s swap curve model
Percentage Points



Source: J.P. Morgan

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			
	2008	2009	2010	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	2Q09	4Q09	2Q10	4Q10
The Americas														
United States	0.4	-2.4	3.2	-6.4	-1.0	4.0	3.0	3.0	4.0	4.0	-0.9	1.2	2.0	0.9
Canada	0.4	-2.4	2.6	-6.1	-3.4	2.0	3.0	3.0	3.0	3.5	0.1	1.3	1.9	2.3
Latin America	3.8	-3.1	4.5	-10.0	0.7 ↑	7.7	4.2	5.2	4.9	3.8	6.7	5.4	6.2	6.5
Argentina	6.8	-4.5	2.5	0.2	1.1 ↑	-10.0	-4.0	12.0	10.0	6.0	5.5	6.0	10.0	10.2
Brazil	5.1	0.0	5.0	-3.8	7.8	6.5	5.0	4.3	5.0	4.0	5.2	4.2	4.5	4.7
Chile	3.2	-1.5	5.0	-3.0	-1.4	8.0	6.0	6.0	5.0	3.0	3.1	-1.5	2.0	3.0
Colombia	2.4 ↓	-0.5	3.0	1.1 ↑	2.7 ↑	1.9	3.2	3.5	4.3	5.5	4.8	3.3	3.9	4.3
Ecuador	6.5	-1.5	1.5	-6.3	-4.0	0.0	2.0	2.0	2.5	3.0	5.5	3.5	2.4	4.0
Mexico	1.3	-6.5	5.0	-21.2	-4.4	15.5	5.0	5.0	4.0	3.0	6.0	4.0	3.3	3.5
Peru	9.8	1.0	5.5	-6.3	-1.6	8.0	13.0	3.0	3.5	4.0	4.0	1.1	1.5	2.0
Venezuela	4.8	-1.5	2.5	-7.3	-3.3	0.0	2.0	3.0	4.0	4.0	28.2	29.5	36.4	37.1
Asia/Pacific														
Japan	-0.7	-5.6	2.2	-12.4	2.3	3.0	3.0	2.5	1.0	1.5	-1.0	-2.0	-2.2	-1.5
Australia	2.4	1.0	2.9	1.6	2.5	1.2	3.8	2.1	2.4	4.4	1.5	1.5	1.9	2.6
New Zealand	0.1 ↓	-1.3 ↑	2.8 ↑	-3.0 ↑	0.3 ↓	2.5 ↑	2.1 ↑	2.6	4.3 ↑	3.4 ↓	1.9	1.8	1.6	1.7
Asia ex Japan	5.8	3.9	7.2	2.5	12.6	7.5	6.7 ↓	6.5 ↑	7.0	6.9	1.3	2.0	3.5	3.2
China	9.0	8.4	9.5	8.3	14.9	9.5	9.1	9.0	9.5	9.3	-1.5	0.9	3.2	2.7
Hong Kong	2.4	-2.6	5.3	-16.1	13.9	9.0	5.0	4.2	4.0	3.8	-0.1	-0.4	0.6	2.1
India	6.1	6.0	7.5	8.2	6.7	5.2	5.6	7.0	7.7	8.3	8.9	7.4	6.3	4.7
Indonesia	6.1	4.1	5.0	5.4	3.8	4.0	4.0	5.0	6.0	6.0	5.6	2.4	4.6	6.0
Korea	2.2	-0.8	4.0	0.5	11.0	4.0	3.5	3.5	3.5	3.5	2.8	2.5	3.0	3.3
Malaysia	4.6	-3.0	5.0	-17.7	12.8	6.1	4.5	1.6	4.9	4.9	1.3	-1.2	0.5	1.5
Philippines	3.8	1.5	5.0	-8.1	10.0	4.0	4.0	5.0	5.0	5.0	3.2	3.0	3.6	3.7
Singapore	1.1	-1.8	6.5 ↓	-12.2	20.7	14.8 ↑	2.0 ↓	4.0 ↑	5.3 ↑	6.1	-0.5	-0.8	1.9	1.8
Taiwan	0.1	-3.8	5.5	-10.2	20.7	9.5	8.0	3.0	3.0	2.0	-0.8	-1.0	1.8	2.1
Thailand	2.6	-3.1	6.1	-7.2	9.6	7.0	5.3	4.9	5.7	7.0	-2.8	1.4	4.6	4.0
Africa														
South Africa	3.1	-2.0	3.0	-6.4	-3.0	0.6	3.4	4.5	3.7	3.6	7.7	6.3	4.5	4.1
Europe														
Euro area	0.6	-3.6	2.7	-9.5	-0.5	3.0	2.5	3.0	3.0	3.0	0.2	0.3 ↓	0.9 ↓	1.2 ↑
Germany	1.0	-4.6	3.6	-13.4	1.3	5.0	4.0	3.5	3.5	3.5	0.2	0.3	0.5	0.3
France	0.3	-2.0 ↓	2.7	-5.4 ↓	1.1 ↓	2.8	2.5	3.0	3.0	3.0	-0.2	0.6	1.0	0.7
Italy	-1.0	-4.9	1.5	-10.4	-2.0	1.5	1.0	2.0	2.0	2.0	0.9	1.0	1.4	1.0
Norway	2.5	-1.1	2.8	-5.0	1.3	2.5	3.0	3.0	3.0	3.0	3.1	1.2	1.0	0.4
Sweden	-0.4	-4.5	3.2	-3.7	0.6	1.0	4.0	4.0	3.5	3.5	-0.4	-0.2	0.9	0.5
Switzerland	1.8	-1.3	2.2	-3.5	-1.0	1.8	2.3	2.5	2.5	3.0	-0.7	-0.3	0.7	0.7
United Kingdom	0.7	-4.2	2.1	-9.3	-2.6	1.5	3.0	2.0	2.5	2.8	2.1	1.7	2.0	1.7
Emerging Europe	4.1	-5.3	3.9	-19.3	1.9	5.4	4.7	3.5	3.3 ↓	3.3	7.7	6.8	6.3	6.0
Bulgaria	6.1	-5.0	-1.5	...	...	...	...	...	...	...	...	...	...	...
Czech Republic	2.7	-4.0	2.5 ↓	-17.9	0.4	4.5	5.0	2.8 ↓	2.5 ↓	2.2 ↓	1.4	1.0	2.7 ↑	3.4 ↓
Hungary	0.6	-6.2	1.0	-10.0	-7.9	-2.0	2.0	2.0	2.0	2.5	3.6	5.5	3.9	2.4
Poland	4.9	1.2	3.0	1.2	2.0	2.2	2.5	3.2	3.5	3.5	3.7	3.7	2.7	2.5
Romania	7.1	-6.0	2.0	...	...	...	...	...	...	...	6.1	6.0	6.2	6.5
Russia	5.6	-8.5	5.0	-33.6	4.9	9.0	6.5	4.5	4.0	4.0	12.6	10.6	9.1	9.2
Turkey	0.9	-5.3	5.0	...	...	...	...	...	...	...	5.7	5.0	6.3	5.2
Global	1.3	-2.5	3.4	-7.3	1.3 ↑	4.0	3.5	3.4	3.6	3.7	0.6	1.1 ↓	1.7 ↓	1.5
Developed markets	0.4	-3.3	2.8	-8.2	-0.4	3.2	2.9	2.8	3.1	3.2	-0.3	0.4 ↓	1.0 ↓	0.7
Emerging markets	4.9	0.5	5.9	-3.9	7.8 ↑	7.1	5.7 ↓	5.7	5.9	5.6	3.9	3.7	4.6	4.5

J.P. Morgan Chase Bank, New York
David Hensley (1-212) 834-5516
david.hensley@jpmorgan.com
Sam Conway (1-212) 834-9123
samuel.e.conway@jpmorgan.com

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	1.32	-339				1.32	1.32	1.35	1.40	1.50
excluding US	GDP-weighted average	1.88	-255				1.88	1.88	1.92	2.00	2.14
Developed	GDP-weighted average	0.48	-366				0.48	0.49	0.51	0.53	0.57
Emerging	GDP-weighted average	4.65	-235				4.63	4.59	4.69	4.85	5.18
Latin America	GDP-weighted average	5.75	-306				5.75	5.75	6.13	6.55	6.69
CEEMEA	GDP-weighted average	5.30	-171				5.20	5.01	4.97	5.08	5.40
EM Asia	GDP-weighted average	4.00	-232				4.00	4.00	4.04	4.13	4.53
The Americas	GDP-weighted average	0.75	-484				0.75	0.75	0.79	0.84	0.85
United States	Federal funds rate	0.125	-512.5	16 Dec 08 (-87.5bp)	4 Nov 09	on hold	0.125	0.125	0.125	0.125	0.125
Canada	Overnight funding rate	0.25	-425	21 Apr 09 (-25bp)	20 Oct 09	on hold	0.25	0.25	0.25	0.25	0.25
Brazil	SELIC overnight rate	8.75	-275	22 Jul 09 (-50bp)	21 Oct 09	**Jan 10 (+50bp)**	8.75	8.75	9.75	10.75	10.75
Mexico	Repo rate	4.50	-275	17 Jul 09 (-25bp)	16 Oct 09	on hold	4.50	4.50	4.50	4.50	4.50
Chile	Discount rate	0.50	-500	9 Jul 09 (-25bp)	8 Oct 09	2Q 10 (+50bp)	0.50	0.50	0.50	1.00	3.50
Colombia	Repo rate	4.00	-525	**25 Sep 09 (-50bp)**	23 Oct 09	on hold	4.00	4.00	4.00	4.00	4.00
Peru	Reference rate	1.25	-350	6 Aug 09 (-75bp)	7 Oct 09	on hold	1.25	1.25	1.25	1.25	1.25
Europe/Africa	GDP-weighted average	1.42	-317				1.41	1.39	1.39	1.45	1.56
Euro area	Refi rate	1.00	-300	7 May 09 (-25bp)	8 Oct 09	on hold	1.00	1.00	1.00	1.00	1.00
United Kingdom	Repo rate	0.50	-525	5 Mar 09 (-50bp)	8 Oct 09	2Q 10 (+25bp)	0.50	0.50	0.50	0.75	1.25
Sweden	Repo rate	0.25	-325	2 Jul 09 (-25bp)	22 Oct 09	on hold	0.25	0.25	0.25	0.25	0.25
Norway	Deposit rate	1.25	-350	17 Jun 09 (-25bp)	28 Oct 09	**28 Oct 09 (+25bp)**	1.25	**1.50**	1.75	2.00	2.25
Czech Republic	2-week repo rate	1.25	-200	6 Aug 09 (-25bp)	5 Nov 09	1Q 10 (+25bp)	1.25	1.25	1.75	2.50	3.50
Hungary	2-week deposit rate	8.00	25	24 Aug 09 (-50bp)	<u>28 Sep 09</u>	28 Sep 09 (-50bp)	7.50	6.50	6.00	6.00	6.00
Israel	Base rate	0.75	-325	24 Aug 09 (+25bp)	26 Oct 09	**26 Oct 09 (+25bp)**	0.75	1.50	2.00	3.00	4.00
Poland	7-day intervention rate	3.50	-125	24 Jun 09 (-25bp)	<u>30 Sep 09</u>	3Q 10 (+25bp)	3.50	3.50	3.50	3.50	4.50
Romania	Base rate	8.50	150	4 Aug 09 (-50bp)	<u>29 Sep 09</u>	29 Sep 09 (-50bp)	8.00	8.00	8.00	7.50	7.00
Russia	1-week deposit rate	5.75	250	14 Sep 09 (-25bp)	4Q 09	**4Q 09 (-50bp)**	5.75	**5.25**	**5.00**	**5.00**	**5.00**
South Africa	Repo rate	7.00	-300	13 Aug 09 (-50bp)	22 Oct 09	4Q 10 (+50bp)	7.00	7.00	7.00	7.00	7.50
Switzerland	3-month Swiss Libor	0.25	-225	12 Mar 09 (-25bp)	10 Dec 09	on hold	0.25	0.25	0.25	0.25	0.25
Turkey	Overnight borrowing rate	7.25	-1025	17 Sep 09 (-50bp)	15 Oct 09	15 Oct 09 (-25bp)	7.25	7.00	7.00	7.00	7.00
Asia/Pacific	GDP-weighted average	2.05	-150				2.05	2.08	2.12	2.18	2.38
Australia	Cash rate	3.00	-350	7 Apr 09 (-25bp)	6 Oct 09	6 Oct 09 (+25bp)	3.00	3.50	4.00	4.25	4.50
New Zealand	Cash rate	2.50	-575	30 Apr 09 (-50bp)	28 Oct 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)	14 Oct 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)	5 Nov 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	3Q 10 (+27bp)	5.31	5.31	5.31	5.31	5.85
Korea	Base rate	2.00	-300	12 Feb 09 (-50bp)	9 Oct 09	1Q 10 (+25bp)	2.00	2.00	2.25	2.50	3.00
Indonesia	BI rate	6.50	-175	5 Aug 09 (-25bp)	5 Oct 09	on hold	6.50	6.50	6.50	6.50	6.50
India	Repo rate	4.75	-300	21 Apr 09 (-25bp)	27 Oct 09	2Q 10 (+25bp)	4.75	4.75	4.75	5.00	5.25
Malaysia	Overnight policy rate	2.00	-150	24 Feb 09 (-50bp)	28 Oct 09	2Q 10 (+25bp)	2.00	2.00	2.00	2.25	3.00
Philippines	Reverse repo rate	4.00	-200	9 Jul 09 (-25bp)	<u>1 Oct 09</u>	4Q 10 (+25bp)	4.00	4.00	4.00	4.00	4.25
Thailand	1-day repo rate	1.25	-200	8 Apr 09 (-25bp)	21 Oct 09	2Q 10 (+25bp)	1.25	1.25	1.25	1.50	2.00
Taiwan	Official discount rate	1.25	-188	18 Feb 09 (-25bp)	4Q 09	**4Q 10 (+12.5bp)**	1.25	1.25	1.25	1.25	1.375

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

JPMorgan Chase Bank, Sydney
Stephen Walters (61-2) 9220-1599
stephen.b.walters@jpmorgan.com

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	2.4	1.0	2.9	1.4	1.3	-2.8	1.6	2.5	1.2	3.8	2.1	2.4	4.4	6.2
Private consumption	2.6	1.0	1.3	-0.1	0.8	0.5	2.0	3.4	-2.8	0.0	2.4	2.0	2.8	2.4
Construction investment	5.4	-3.4	3.6	4.2	5.9	0.2	-8.9	-6.9	-7.4	2.8	1.9	7.7	12.4	17.9
Equipment investment	15.6	-7.4	-4.7	33.7	3.7	0.3	-34.6	24.2	-22.8	-4.1	-10.1	-8.1	8.7	17.8
Public investment	14.6	-1.3	6.1	7.3	36.9	-8.9	-14.2	3.3	-4.5	0.0	2.6	16.3	18.2	11.6
Government consumption	4.1	2.2	4.1	4.6	4.4	1.7	1.0	3.2	-0.4	3.7	5.6	4.9	5.0	4.7
Exports of goods & services	3.8	1.4	3.6	13.0	-6.8	-5.1	8.2	3.9	-1.6	0.0	4.9	8.2	5.1	3.2
Imports of goods & services	11.3	-9.8	5.8	20.6	0.1	-27.9	-27.2	8.6	7.0	3.2	2.4	8.2	8.2	10.4
Contributions to GDP growth:														
Domestic final sales	4.8	-1.1	2.9	5.2	2.8	-3.7	-7.8	2.8	2.7	0.8	1.9	3.3	5.9	6.8
Inventories	-0.7	-0.6	0.6	-1.7	0.0	-5.9	0.8	0.7	0.4	3.7	-0.3	-0.7	-0.7	1.1
Net trade	-1.8	2.7	-0.5	-2.1	-1.5	7.1	9.1	-1.0	-1.8	-0.7	0.5	-0.1	-0.7	-1.6
GDP deflator (%oya)	6.7	0.3	1.1	6.5	8.4	7.5	5.3	0.3	-2.0	-2.2	-0.9	1.7	1.7	2.0
Consumer prices (%oya)	4.4	1.5	2.2	4.5	5.0	3.7	2.5	1.5	0.7	1.5	1.9	1.9	2.3	2.6
Producer prices (%oya)	8.3	-5.0	0.2	8.7	10.9	6.7	-1.0	-6.4	-7.4	-4.8	-1.0	0.5	0.4	1.0
Trade balance (A$ bil, sa)	-4.3	-4.0	-14.6	-2.1	1.4	4.3	4.4	-1.9	-2.9	-3.6	-3.6	-3.3	-3.3	-4.4
Current account (A$ bil, sa)	-67.0	-50.3	-65.2	-15.3	-10.6	-7.9	-6.3	-13.3	-14.8	-15.9	-16.0	-15.8	-15.9	-17.5
as % of GDP	-6.2	-4.2	-5.2	-5.2	-3.5	-2.6	-2.1	-4.5	-4.9	-5.2	-5.2	-5.1	-5.1	-5.5
3m eurodeposit rate (%)*	6.0	3.4	4.5	7.8	7.0	4.1	3.4	3.2	3.3	3.8	4.3	4.5	4.6	4.7
10-year bond yield (%)*	5.6	5.2	5.9	6.5	5.4	4.0	4.2	5.1	5.4	5.9	5.9	5.8	5.9	6.0
US$/A$*	0.75	0.77	0.86	0.74	0.77	0.65	0.66	0.76	0.82	0.83	0.84	0.85	0.86	0.87
Commonwealth budget (FY, A$ bil)	13.5	-29.0	-48.0											
as % of GDP	1.1	-2.4	-3.8											
Unemployment rate	4.3	5.8	6.9	4.2	4.2	4.5	5.3	5.7	5.9	6.5	6.8	7.0	7.0	6.8
Industrial production	2.0	-5.6	1.3	0.5	-5.2	-17.8	-10.3	2.9	5.0	3.0	0.0	-1.0	-2.0	0.0

*All financial variables are period averages

Australia - summary of main macro views

- The Australian economy has emerged from the global downturn largely unscathed as one of the few economies to **avoid back-to-back falls in GDP**.
- We expect only a mild **fall in business investment** in 2009-10, following the 2Q business investment survey, which showed firms are more optimistic about the outlook, both domestic and offshore. The longer term investment outlook has brighthened significantly.
- With **labour force participation falling** slowly, the jobless rate, however, will continue rising. That said, the fall in hours worked is spreading the pain.
- 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, along with interest rates.
- The **consumer** is yet to be fully tested—households have been on financial "life support" from the RBA and the government's fiscal support.
- **Export volumes** have held up owing mainly to firm demand from Asia, but the terms of trade is tumbling.
- The **RBA** has become more hawkish, particularly with respect to the global outlook, domestic investment prospects, and the domestic inflation outlook. We suspect the first rate hike will come in October 2009.
- Having front-loaded the **policy support**, the government is unlikely to deliver more significant fiscal stimulus.

JPMorgan Chase Bank, Sydney
Helen Kevans (61-2) 9220-3250
helen.e.kevans@jpmorgan.com

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)	0.1	-1.3	2.8	-1.7	-1.9	-3.8	-3.0	0.3	2.5	2.1	2.6	4.3	3.4	2.8
Private consumption	-0.1	-1.0	0.6	-2.0	-0.1	-0.6	-4.8	1.7	0.9	0.4	0.3	0.5	0.8	0.9
Fixed Investment	-4.3	-14.8	-1.6	7.0	-29.9	-17.8	-20.4	0.3	-15.0	-7.7	0.7	6.0	2.7	4.7
Residential construction	-16.7	-19.7	0.4	-32.8	-24.6	-46.6	0.6	-10.0	-9.6	-6.0	4.0	6.0	8.0	8.0
Other fixed investment	-1.1	-13.7	-2.1	18.9	-31	-10.3	-24.0	2.5	-16.0	-8.0	0.0	6.0	1.6	4.0
Inventory change (NZ$ bil, saar)	1.4	-2.4	0.0	0.3	0.5	0.2	-0.2	-1.1	-0.7	-0.4	-0.2	0.0	0.1	0.1
Government spending	3.8	0.3	-1.3	2.8	-0.1	6.6	1.4	-4.0	-3.9	-2.0	-0.8	0.0	0.4	0.4
Exports of goods & services	-1.2	2.2	8.7	-2.7	-9.2	-12.4	2.6	20.3	11.0	10.0	4.0	8.0	9.0	10.0
Imports of goods & services	2.5	-16.6	5.0	4.8	-20.6	-24.3	-29.2	-14.2	6.0	9.0	4.0	7.0	7.0	6.0
Contributions to GDP growth:														
Domestic final sales	1.0	-5.6	-0.3	1.8	-10.0	-6.4	-9.7	-0.4	-3.8	-1.9	0.1	1.5	1.1	1.6
Inventories	0.3	-2.8	1.8	-0.7	2.6	-3.4	-5.5	-9.8	4.8	3.6	2.4	2.3	1.5	-0.2
Net trade	-1.3	7.1	1.2	-2.7	6.1	6.3	13.3	11.3	1.6	0.4	0.0	0.4	0.7	1.4
GDP deflator (%oya)	3.6	2.5	2.6	3.8	2.2	2.4	2.4	2.1	3.7	1.6	1.4	3.0	3.1	3.1
Consumer prices	4.0	1.8	1.7	6.7	6.2	-1.8	1.1	2.3	2.0	1.6	1.4	1.4	1.7	2.3
%oya	4.0	1.9	1.7	4.0	5.1	3.4	3.0	1.9	0.9	1.8	1.8	1.6	1.6	1.7
Trade balance (NZ$ bil, sa)	-2.3	1.6	-1.1	-1.1	-0.8	-0.1	0.8	0.8	0.0	-0.1	-0.2	-0.2	-0.3	-0.4
Current account (NZ$ bil, sa)	-15.9	-6.2	-15.1	-4.6	-4.1	-3.6	-1.2	-2.1	-0.6	-2.2	-2.9	-5.2	-3.5	-3.6
as % of GDP	-8.9	-4.3	-8.1	-10.4	-9.2	-8.1	-4.7	-1.4	-4.9	-6.3	-7.5	-7.6	-7.8	-9.4
Yield on 90-day bank bill (%)*	7.9	3.0	3.2	8.8	8.2	6.0	3.4	2.8	2.8	2.8	3.0	3.1	3.2	3.3
10-year bond yield (%)*	6.0	5.5	6.0	6.5	5.9	5.3	4.7	5.7	5.7	5.8	6.0	6.0	6.1	6.1
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	-8.1	-8.9											
as % of GDP	-1.7	-4.5	-4.7											
Unemployment rate	4.2	6.2	7.6	4.0	4.3	4.7	5.0	6.0	6.6	7.1	7.5	7.8	7.6	7.4

*All financial variables are period averages

New Zealand - summary of main macro views

- The New Zealand **economy expanded** in the June quarter, after five straight quarters of contraction. The sharp run down in inventories in the June quarter is positive news for GDP growth in 3Q and 4Q.
- **Business confidence** has improved markedly, though investment will remain a drag on GDP growth this year; this, of course, has negative implications for the employment outlook.
- **Private consumption** will remain subdued, particularly given the recent deterioration in the labour market. 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. In the June quarter, wage growth slowed to a standstill and unemployment jumped a full percent to 6%.
- 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.

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
28 Sep	29 Sep New Zealand: Building permits (10:45 am) Aug	30 Sep Australia: Building approvals (11:30 am) Aug 3.0 %m/m sa Pvt. Sector credit (11:30 am) Aug 0.3 %m/m sa Retail sales (11:30am) Aug 0.3 %m/m sa New Zealand : NBNZ business conf.(2:00 pm) Sep 40 % bal	1 Oct	2 Oct
5 Oct Australia: ANZ job ads (11:30 am) Sep New Zealand: ANZ commodity price (3:00 pm) Sep	6 Oct Australia: Trade balance (11: 30 am) Aug RBA cash target (2:30 pm) Oct New Zealand: NZIER bus. opinion survey (%bal) (11:00 am) 3Q	7 Oct Australia: Housing finance approvals (11:00 am) Aug	8 Oct Australia: Unemployment rate (11:00 am) Sep	9 Oct
12 Oct New Zealand: QV house prices Sep	13 Oct Australia: NAB bus. Confidence (11:30 am) Sep New Zealand: Retail sales (10:45 am) Aug	14 Oct Australia: Westpac consumer confidence (10:30 am) Oct	15 Oct New Zealand: CPI (10:45 am) 3Q	16 Oct
19 Oct	20 Oct	21 Oct Australia: Westpac leading index (10:30 am) Aug New Zealand: Visitor arrivals (10:45 am) Sep Credit card spending (2:00 pm) Sep	22 Oct	23 Oct Australia: Export price index (12:30 pm) 3Q Import price index (12:30 pm) 3Q

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

Global Data Diary

Week / Weekend	Monday	Tuesday	Wednesday	Thursday	Friday
28 Sep - 2 Oct	28 September	29 September	30 September	1 October	2 October
United Kingdom • Nat'wide HPI (Sep)	Euro area • Trichet speech Germany • CPI prelim (Sep) Hungary • NBH meeting	Euro area • EC bus survey (Sep) Italy • ISAE bus survey (Sep) Japan • CPI (Aug) • Shoko Chukin (Sep) Romania • NBR meeting United Kingdom • GDP final (2Q) • Mortgage approvals (Aug) United States • S&P/C-S HPI (Jul)	Australia: Retail sales (Aug) Canada • Monthly GDP (Jul) China: PMI mfg (Sep) Euro area • HICP flash (Sep) • Trichet speech Germany • Labor mkt report (Sep) Japan • IP prelim (Aug) • Nom wages (Aug) • PMI mfg (Sep) Korea: IP (Aug) Poland: NBP meeting United States • ADP employment (Sep) • Chicago PMI (Sep) • Real GDP third (2Q)	Euro area • PMI mfg final (Sep) • Unemployment (Aug) Germany • Retail sales (Aug) Japan • Auto regs (Sep) • BoJ Tankan (3Q) • Retail sales (Aug) Korea • CPI, Trade balance (Sep) Philippines: BSP meeting United Kingdom • PMI mfg (Sep) • BoE credit cond surv (3Q) United States • Construct spend, Pend homes, Pers income (Aug) • ISM mfg, LV sales (Sep) • Bernanke testifies on financial regulation	Brazil • IP (Aug) Japan • Hhold spending (Aug) • Unemployment (Aug) United States • Employment report (Sep) • Factory orders (Aug)
5 Oct - 9 Oct	5 October	6 October	7 October	8 October	9 October
Brazil • Auto report (Sep) Japan • Cabinet Office private consumption index (Aug) United Kingdom • Halifax HPI (Sep)	Euro area • PMI services final (Sep) • Retail sales (Aug) Indonesia • BI meeting Japan • PMI services (Sep) Singapore • PMI mfg (Sep) Taiwan • CPI (Sep) United Kingdom • PMI services (Sep) United States • ISM nonmfg (Sep)	Australia • RBA meeting Canada • Ivey PMI (Sep) United Kingdom • New car regs (Sep)	Euro area • GDP final (2Q) Germany • Mfg orders (Aug) Peru • BCRP meeting Taiwan • Trade balance (Sep) United States • Consumer credit (Aug)	Brazil • IPCA (Sep) Euro area • ECB meeting Germany: IP (Aug) Japan • Econ watch survey (Sep) Mexico: CPI (Sep) South Africa • Mfg output (Aug) United Kingdom • MPC meeting United States • Wholesale trade (Aug)	Canada • Employment (Sep) Germany • CPI final (Sep) • Foreign trade (Aug) Japan • Machinery orders (Aug) Korea • BoK meeting Norway • CPI (Sep) United States • International trade (Aug)

Economic Research, Emerging Markets Research and Global FX 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

Canada

Sandy Batten, New York (1-212) 834-9645

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
Benjamin Ramsey, New York (1-212) 834-4308
Julio Callegari, São Paulo (55-11) 3048-3369

Argentina, Chile
Vladimir Werning, New York (1-212) 834-8144
Mexico
Alfredo Thorne, Mexico City (525) 540-9558

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

Australia, New Zealand

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

Emerging Markets Research

Head of Emerging Markets Research
Joyce Chang (1-212) 834-4203
Head of Emerging Asia Economic Research
David G. Fernandez, Singapore, (65) 6882-2461

Greater China

Frank Gong, Hong Kong (852) 2800-7006
Qian Wang, Hong Kong (852) 2800-7009

Korea
Jiwon Lim, Seoul (822) 758-5509
James Lee, Seoul (822) 758-5512

India
Jahangir Aziz, Mumbai (91-22) 6639-8033
Gunjan Gulati, Mumbai (91-22) 6639-3125

Indonesia, Malaysia, Philippines, Singapore, Thailand

Matt Hildebrandt (65) 6882-2253

Emerging Markets FX Strategy
Claudio Piron (65) 6882-2218
Yen Ping Ho (65) 6882-2216

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

Marta Bastoni, London (44-20) 7325-9114
Greg Fuzesi London (44-20) 7777-4792

Scandinavia

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

Czech Republic, Hungary, Poland, Slovakia

Nora Szentivanyi, London (44-20) 7777-3981
Miroslav Plohjar, London (44-20) 7325-0745

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
Anatoliy Shal (7-495) 937-7321

Africa
Graham Stock (44-20) 7777-3430
Sonja Keller (27-11) 507-0376

Global FX Strategy

Global Head
John Normand (44-20) 7325-5222

Global FX Strategy, New York

Gabriel De Kock (1-212) 834-4254
Kenneth Landon (1-212) 834-2391
Arindam Sandilya (1-212) 834-2304

FX & Commodity Technical Strategy
Niall O'Connor (1-212) 834-5108

Global FX Strategy, London

Paul Meggyesi (44-20) 7859-6714
Kamal Sharma (44-20) 7777-1729
Talis Bauer (44-20) 7777-5276

Emerging Markets FX Strategy
Robert Beange (44-20) 7777-3246

Global FX Strategy: Asia

Tohru Sasaki (81-3) 5570-7717
Junya Tanase (81-3) 5570-7718

Commodity Strategy

Head of Commodites Research
Lawrence Eagles (1-212) 834-8107
Global Energy Strategy
Scott Speaker (1-212) 834-3878
Shikha Chaturvedi (1-212) 834-3245
Mark Gravener (1-212) 834-3089
Sung Yoo (1-212) 834-7045
Kristi Jones (1-212) 834-2835

Global Metals Strategy
Michael Jansen (44-20) 7325-5882

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

Commodity Index Research
Jennie Byun (44-20) 7777-0070