J.P.Morgan

Australia and New Zealand - Weekly Prospects

Summary

- The **RBA** last week became the first G20 central bank to embark on policy normalization, a bare six months after delivering the last rate cut. Predictably, following the stunning September employment report, the consensus now has fallen in behind a second move in November. We are open-minded, but unconvinced. While a November hike carries a material risk, our call is for the next hike to come in December. Skipping November makes sense for a number of reasons: the domestic consumer-related data will soften post-rate hike; some of the global data has become patchy; waiting gives RBA officials time to assess how the highly-indebted consumer reacts; and, while officials want to withdraw the emergency component of the policy support, there is no mad rush—most other central banks are on hold. There is plenty of water to flow under the policy bridge before the November Board meeting, including this week's consumer confidence reading and the speech by Governor Stevens.

- In **New Zealand**, the economic data flow picks up this week. The highlight will be the 3Q CPI numbers. Headline inflation will remain comfortably in the RBNZ's 1-3%oya target range for the second straight quarter, reaffirming our view that the start of the RBNZ's tightening cycle is some way off. Attention should be directed to the nontradables component, which we forecast to print at the top end of the RBNZ's comfort zone. We maintain our view that the RBNZ will deliver the first rate hike, a 50bp move, in July 2010. Retail sales this week probably will show only a mild rise, but a lot of the weakness will be explained by lower prices, rather than a sharp drop in volumes. Positive net immigration flows and a recent up-tick in housing market activity will support underlying sales.

- With **global policymakers** having delivered aggressive stimulus, the global economy is now lifting in unison. Although the upturn began in Asia this spring, by early summer recoveries took hold in the Americas and Europe. If we are right, all major regions of the world grew at an above-trend pace last quarter. Our forecast is that above-trend growth can be sustained through 2010.

- Although **growth** performance is likely to remain synchronized, there are important differences in the position of the world's economies as this upturn begins. With EM and commodity producing economies having recorded an extended period of strong growth this decade, their utilization rates stand considerably higher than those in the G3. And while the financial crisis was felt across the globe, it is in the US and Europe that the lasting damage to credit markets has been concentrated. To an important degree, the US stands in a unique position, given the dramatic rise in its unemployment rate, the damage done to banks and securitized markets, and the deterioration in household finances.

Oct 12, 2009

Contents

JPMorgan Australia Ltd., Sydney
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This week's highlights

In Australia, the RBA Governor will deliver a speech on Thursday. In New Zealand, the 3Q CPI report will reaffirm our view that the RBNZ will sit on the policy sidelines for some time yet.

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Data and event previews - Australia and New Zealand

Date	Time [(a)]	Data/event	Forecast JPMorgan	Forecast Consensus [(b)]	Previous
Tuesday, October 13	8.45am	NZ retail (%m/m, Aug.)	**0.2**	0.5	*-0.5*
Tuesday, October 13	11.30am	Aust. NAB business confidence (% bal., Sep.)	**na**	na	*18*
Wednesday, October 14	10.30am	Aust. WMI consumer confidence (%m/m, Oct.)	**-5.0**	na	*5.2*
Thursday, October 15	8.45am	NZ CPI (%oya, 3Q)	**1.1**	1.1	*1.9*
Thursday, October 15	10.30am	RBA Governor Glenn Stevens' speech	**na**	na	*na*
Thursday, October 15	11.30am	RBA Bulletin (Oct.)	**na**	na	*na*

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

Australia

Aust. NAB business confidence (% bal., Sep.) - Whether the NAB business survey shows an improvement or deterioration in business confidence in September will depend largely on when the responses to the survey were collected. If the responses were collected last week, for example, we would expect to see a significant fall in confidence in the wake of the RBA's rate hike.

Aust. WMI consumer confidence (%m/m, Oct.) - Expect a slump in consumer confidence in October, owing to the RBA's decision to hike the cash rate last week. An even sharper fall in confidence will have been prevented, however, by last week's stunning employment report.

RBA Governor Stevens' speech - The Governor will speak at the John Curtin Institute of Public Policy in Perth on Thursday. No title has been announced for the speech, but the Governor inevitably will address the justifications for the RBA commencing an hiking cycle in the midst of such an uncertain global outlook. A Q&A session will follow.

New Zealand

NZ retail (%m/m, Aug.) - Retail sales values should rise 0.2%m/m, but lower prices will weigh down the headline, rather than lower volumes. The ex-auto measure should rebound 0.5%m/m, underpinned by positive net immigration flows and a recent up-tick in housing market activity.

NZ CPI (%oya, 3Q) - Third quarter CPI should print at 0.8%q/q, or 1.1%oya. The annual rate will fall comfortably in the RBNZ's 1-3%oya target range for the second straight quarter. The nontradable measure will remain elevated, owing to significant upward contributions from electricity, local authority rates and payments, and rentals. The still-high level of nontradable inflation will reaffirm our view that the official cash rate in New Zealand already has troughed at 2.5%.

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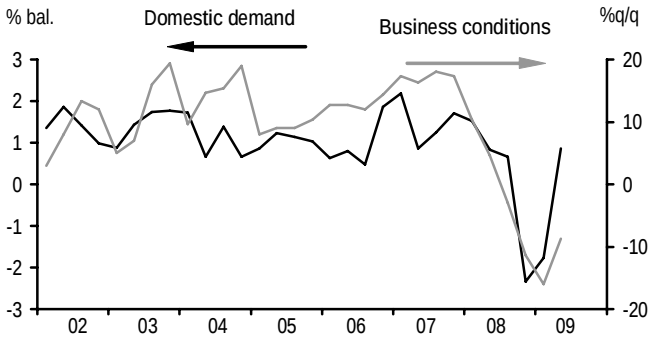
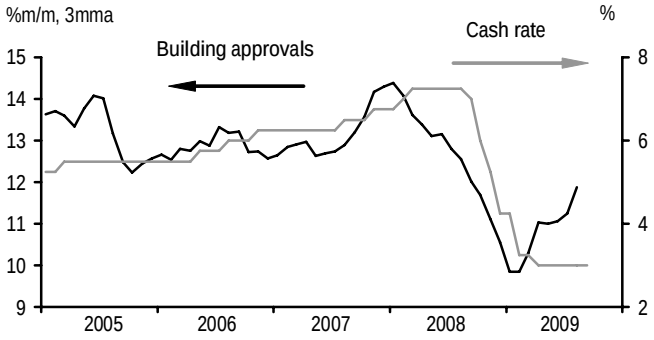
Feature charts

Australia: domestic demand and NAB business conditions



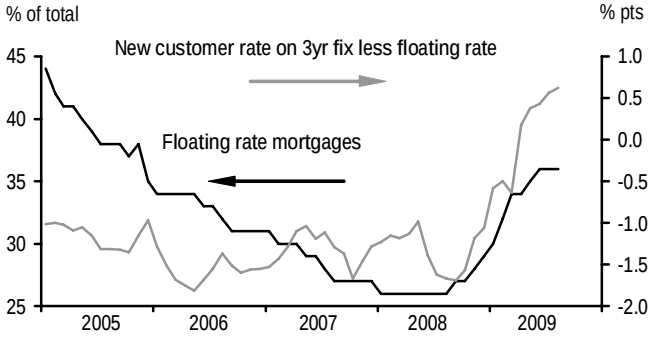
Despite the support provided to the Australian economy by an elevated level of exports to China, firms' assessment of economic conditions deteriorated markedly over 2H08. Fiscal stimulus, however, buoyed consumption over 1H09, arresting the deterioration in firms' outlook. Now it appears that the sustained support to confidence has been sufficient for firms to upgrade investment and employment plans.

Australia: building approvals and RBA cash rate



As a measure of financing costs, interest rates appear to be only a marginal factor for investors in the building sector. More important is the outlook for the economy, which is reflected in monetary policy—falling interest rates indicating poor investment prospects. The resergence in building approvals that occurred during the very bleak first half of 2009 can be linked to the First Home Buyers' grant. With this bounce in activity already spent, the building sector will likely be less sensitive to the economic recovery in the short term.

New Zealand: floating rate mortgages and fixed rate premium



New Zealand historically has had a particularly low percentage of mortgage holders in floating rate loans. As long end swap rates force up banks' funding costs for fixed rate loans, floating mortgages have become relatively more attractive. This will be welcome news to RBNZ officials. For some years the effectiveness of monetary policy has been dampened by delayed transmission to households' mortgage costs.

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Research note

RBNZ to be more aggressive in withdrawing stimulus

- **We now expect the RBNZ to tighten a combined 150bp in 2H10, commencing with two 50bp hikes**
- **Business surveys suggest the recovery underway will continue in coming quarters**
- **RBNZ will avoid stunting recovery with premature tightening; thus, first rate hike should come in July**

Following a string of upbeat economic data, we have revised higher our 2H09 and 2010 GDP forecasts for New Zealand. We also now believe the RBNZ will tighten monetary policy more aggressively, though we maintain that the first move will be delayed until July 2010. By then, the RBNZ should be confident that the withdrawal of policy stimulus will not stunt the recovery that only recently got underway. We acknowledge the risk of an earlier move, but believe it would take significant upside surprises in the economic data to prompt a rate hike in 1H10.

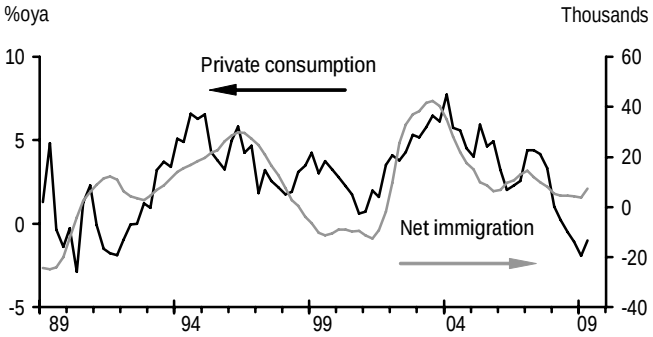
Recession over, but what next?

The New Zealand economy expanded in the June quarter for the first time since the end of 2007, but only by a marginal 0.1%q/q. Our forecast was for a 0.3%q/q print, but a sharper than expected inventory drawdown made for a lower number. The NZ$1.1 billion drop in inventories was the largest on record—a positive for near-term growth given that firms will need to replenish stock as sales improve, external demand recovers, and exports rise. Hence, we now anticipate GDP growth to average 0.5%q/q in 2H09.

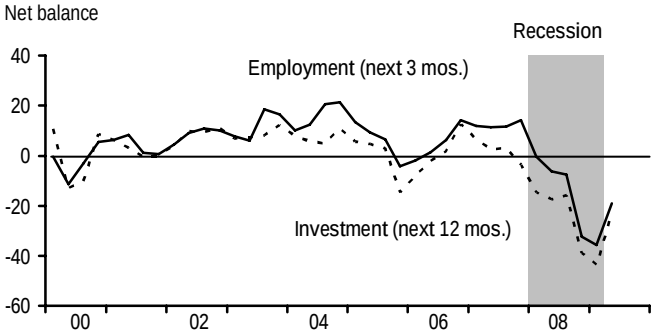
A run of upbeat confidence surveys, combined with an upwardly revised forecast payout to dairy farmers, suggests the recovery will be sustained in 2010, for which we now forecast growth of 2.8% (up from 2.3% previously). The outlook has improved for the economically important dairy sector, in particular, which accounts for a quarter of total exports. The Fonterra cooperative, which accounts for over 90% of New Zealand's dairy supply, recently raised its FY2010 forecast payout price from NZ$4.55/kg of milk solids to NZ$5.10, owing to a rise in demand for dairy products and higher prices in export markets. Assuming that production volumes are slightly higher than last year's drought-reduced output, on our estimates, the new Fonterra payout will add at least NZ$0.7 billion to the economy.

Meanwhile, consumer confidence continues to firm. The Westpac McDermott-Miller consumer confidence index

Net immigration underpinning consumption



NZIER survey signals investment and employment outlook improving



jumped to a four-year high in 3Q, signalling stronger household consumption in coming quarters. Surprisingly, confidence in the outlook for the labour market improved, even though the unemployment rate should meander higher, approaching 8% in mid-2010. It will be at least another 12 months before employees will be in a position to demand higher wages. In the meantime, rising unemployment and high levels of underemployment will mitigate another housing-fueled consumer spending spree, easing the RBNZ's concerns that this would hamper the chances of a sustainable recovery.

The key risk to our consumption forecast is the prospect of a pullback in net immigration, which could come to fruition if economic conditions offshore continue improving at their current rate. Net immigration in the year to August spiked to 11,300, compared to 3,800 for the whole of 2008. A turnaround in immigration would have significant negative consequences, particularly for the housing market. With the birth rate so low, the country relies heavily on immigration to boost population growth, and demand for housing. The birth rate in 2Q was 2.1 births per woman, down from 2.2 in 2008, and half the peak of 4.3 touched in 1961.

Business confidence also has been ratcheting higher. The NBNZ business confidence survey showed an impressive 15-point spike in September, with a net 49% of respon-

dents expecting better times ahead. The RBNZ should have found comfort in that inflation expectations remained contained, with stronger activity yet to translate into expectations of higher prices. Inflation expectations have eased sharply since 2H08—the RBNZ's own inflation measures, which at 1.8%oya one year out, are their lowest since 1999.

OCR to rise 150bp in 2H10

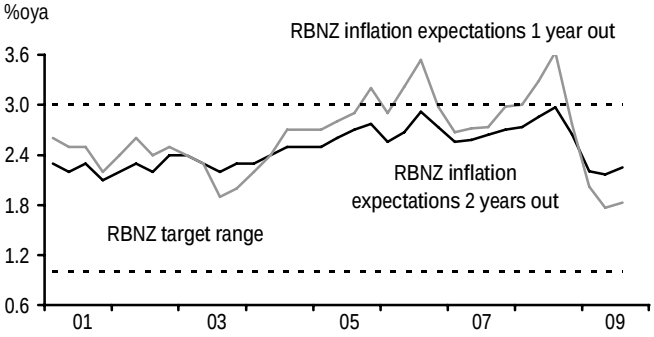
The NBNZ said that the last time the business confidence survey surged "this far, this fast" was following the late-1990s Asian crisis. At that time, the RBNZ watched the economy firm and resource pressures intensify for more than a year before taking action—between January and May in 2000, the RBNZ delivered 200bp of rate hikes. We believe the RBNZ will remain sidelined this time around also. Although financial markets do not believe Governor Bollard is committed to maintaining the OCR "at or below current levels until late 2010," we believe it will take a significant upside surprise in economic data to prompt an earlier move.

The recent RBA decision to hike Australia's cash rate 25bp bolstered speculation the RBNZ may have to tighten policy early. Australia, though, came through the global downturn largely unscathed, as one of the few economies to avoid back-to-back quarterly GDP declines, while New Zealand endured its longest recession on record. Further, there are reasons to be cautious regarding New Zealand's recovery path given question marks over the sustainability of the recent pickup in housing market activity. A small number of listings, for example, have been a big factor contributing to the recent rise in house prices.

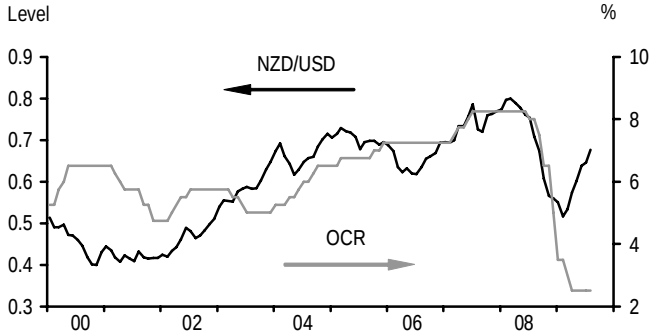
We forecast the RBNZ will shift to a neutral policy stance early in 2010, paving the way for the first hike to be delivered in July. That said, we now forecast a succession of larger rate moves, as delaying the first rate hike will mean the RBNZ will have to be more aggressive when the tightening cycle begins. The first OCR hike will be a 50bp move, followed by another 50bp hike in September, and 25bp hikes in October and December, respectively. These will take the OCR to 4% by end-2010. Previously, we had anticipated a steady stream of 25bp moves, but with the output gap closing more quickly, we believe policy will need to be normalized more swiftly than before.

Even larger rate hikes are a risk given the significant amount of policy stimulus to be withdrawn. Given the rapid rate at which the OCR was cut, the RBNZ could hike the cash rate 75bp, or even 100bp, to kick off the next tightening cycle. We believe, though, that as long as the household sector continues to move toward shorter-term borrowing, the rate hikes delivered will get more bang for their

Inflation expectations have fallen sharply



NZD ratcheting higher on firming investor risk appetite



buck, so 50bp hikes will suffice. The amount of fixed rate loans locked in for less than a year was 37% of all loans as of July, double the 19% at the start of 2008.

How big a problem is stronger NZD?

Stronger NZD, which Bollard has said is "the most vivid illustration of gains that are at odds with relative economic developments," will remain a key concern. NZD outperformed most G10 currencies in 3Q, but, outside direct intervention, there is little the RBNZ can do to stem the currency's rise. With investor risk appetite rising and speculation growing that the RBNZ will tighten policy in the next 12 months, we expect further NZD appreciation.

Elevated NZD is hampering the likelihood of a rebalancing of growth toward exports, which Bollard believes is needed to promote a sustainable recovery. So far, though, export prices and volumes have proved resilient, largely owing to the strong performance of New Zealand's largest trading partners, especially Australia and in Asia. Two-way trade with China, for example, has surged 23% just one year after the beginning of a free trade agreement between the two nations. Exports to China climbed to NZ$3.3 billion in the year to June, with exports of dairy products recording phenomenal growth rates (+60%oya). These trade flows should continue to increase, with Chinese tariffs on New Zealand goods to be lowered gradually—over 90% of exports should be tariff-free within the next decade.

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Australia

- **RBA kicks off tightening cycle with 25bp hike**
- **Eeconomy added 41,600 jobs in September**
- **Confidence to slump after first RBA rate hike**

Six months after delivering the last official rate cut, the RBA last week embarked on what will be an extended tightening cycle. Our call is for another 25bp rate hike to be delivered in December, although last week's unexpectedly good labour force report, which showed a spike in employment in September, highlighted the risk of back-to-back rate hikes. That said, there is plenty of water to flow under the policy bridge between now and the November Board meeting. A string of speeches from RBA officials is scheduled in coming weeks, along with a slew of key economic data.

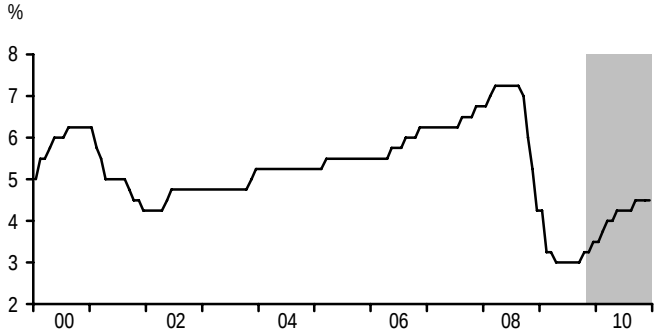
RBA declares "emergency" over

RBA officials last week moved away from "emergency" policy settings. By raising the cash rate 25bp to 3.25%, officials have signaled that the "crisis" that led to the cash rate being slashed to a multi-decade low is well and truly over. It makes sense then for the RBA to have started the cash rate on its long journey back toward a "normal" level at the earliest opportunity. As Governor Stevens hinted two weeks ago, not doing so would increase the risk of destructive imbalances forming in the economy, which would necessitate more abrupt and painful policy adjustments later.

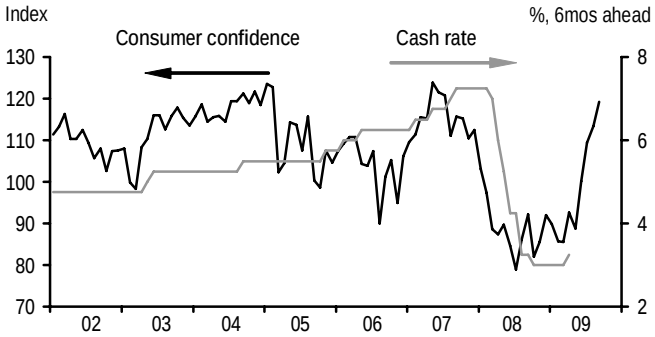
As always, there also are risks associated with the RBA having tightened last week, including the chance that consumer confidence could be undermined and that AUD will bounce and damage the competitiveness of Aussie exporters. It seems that RBA officials have accepted that they always must make something of a leap of faith when adjusting policy—up or down. No policy rate decision can be taken in an environment without uncertainty. Clearly, though, RBA Board members are assuming the domestic economy is robust enough to deal with a higher base rate. Given the almost uninterrupted run of upbeat economic data in recent weeks, this seems a pretty safe bet.

Also, there was a strategic reason for having hiked last week, rather than waiting until the November meeting. Hiking now avoids the need for officials having to explain in November why they were tightening policy the week after what is likely to be a low annual inflation print when the 3Q CPI data is released. Even with a low CPI print in late October, we expect a second 25bp rate hike before year-end, and a steady drumbeat of small hikes during 2010. The next move probably will be in early December,

Australia: RBA cash target rate



Australia: Westpac-MI consumer confidence and RBA cash rate



with officials allowing themselves a decent interval to gauge the strength of the economy in the post-rate-hike world.

In announcing the decision last week, the Board mentioned the "noticeably better" prospects for growth in Australia's Asian trading partners, and singled out the continued strength of growth in China. On the domestic economy, as we had expected, the RBA's commentary referred to the unexpectedly firm conditions in the economy, including a smaller-than-anticipated rise in unemployment, solid growth in housing credit, an improving medium-term business investment pipeline, and recovering levels of confidence. On inflation, the statement referred to elevated levels of underlying inflation, but also to the long-held view of RBA officials that core inflation will fall from here.

The only mitigating factors against a rate hike seemed to be that fixed rate borrowing costs already have risen, and that business borrowers are facing increased risk margins. Also, the statement made clear that AUD has risen sharply, but treats this as a positive by helping to keep a lid on inflation, which the RBA forecasts will be back within target within a reasonable period of time. The statement explicitly made clear that the Board considered each of these mitigating factors, but obviously believed the risks associated with tightening now were more palatable than the risks associ-

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ated with postponing the move another month.

Even with our forecast profile of steady policy tightening to the end of 2010, the RBA's policy lever will tilt decisively to accommodative for some time yet, just progressively less so. We characterize the first part of the tightening cycle as the RBA lifting its collective foot off the policy accelerator, not depressing the brake—at least not yet. That will come later, but as was the case during the last tightening cycle that began in mid-2002 and lasted nearly six years, it will be some time before the RBA's policy setting becomes restrictive. With the government still making clear it has no intention of winding back the fiscal stimulus soon, the heavy lifting inevitably will fall to the RBA.

In our view, the early move by the RBA minimizes the risk of low interest rates causing long-term damage to the economy. The price to be paid for what now is likely to be a smoother economic cycle, however, is near-term weakness in consumer confidence, in particular. The RBA also anticipates some weakness in domestic spending in the near term owing to the "drag-forward" effect of the fiscal stimulus. Last week's rate hike was not fully priced in futures markets and was predicted by less than a handful of market economists, and therefore will have been a shock to households which did not see it coming. Consumer confidence recently bounced to match the boom-time highs of two years ago, but is sure to suffer a set back in the next reading.

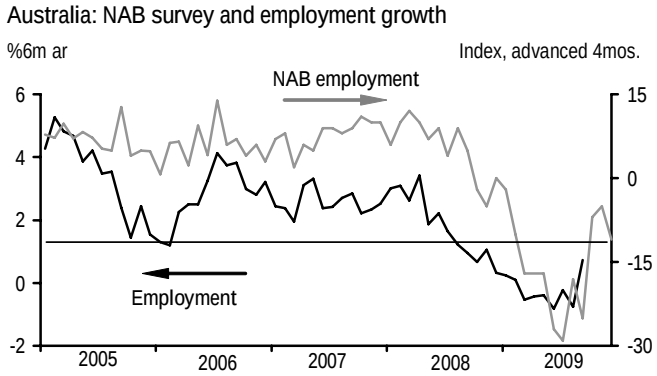
Rate rise a blow to consumer confidence

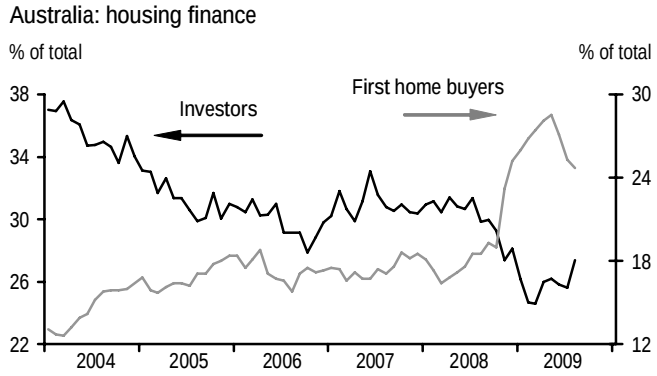
The Westpac-Melbourne Institute consumer confidence index should slump 5%m/m in October, falling to 112, but remaining well above the neutral level of 100. The sharp fall in confidence will owe primarily to the RBA's decision to hike the cash rate. Following the RBA's last four 25bp rate hikes, consumer confidence fell 6.7%m/m on average.

Despite the anticipated fall in sentiment in October, the rise in consumer confidence in recent months has been remarkable, and it has come at a time when fixed mortgage rates have risen, speculation grew of an imminent RBA rate hike, and no more cash handouts were delivered by the government. The post-cash-payments period always was going to be a key test for households, and to date, they seem to have adapted unexpectedly well. Headwinds remain, like rising unemployment, but Aussie consumer confidence thus far has proved resilient.

Aussie employment jumped 41K

Further evidence was offered last week that the Aussie





economy emerged from the global downturn largely unscathed. The September labour force survey showed that employment jumped 40,600 (J.P. Morgan: -20,000, consensus: -10,000), after slumping 26,100 in August. An unexpected rise in the participation rate from 65.1% to 65.2% prevented an even larger fall in the unemployment rate, which slipped from 5.8% in August to 5.7%.

The recent shift from full-time to part-time work unexpectedly ended in September. The jump in employment owed mainly to a 35,400 rise in full-time jobs. On this evidence, firms are increasing workers' hours amid improving economic conditions, both domestic and offshore. The shift back from part-time to full-time work in September meant a rise in workers' hours (+0.9%m/m).

Earlier in the week, in the commentary accompanying the RBA's decision to kick off the tightening cycle with a 25bp hike to the cash rate, RBA officials highlighted the smaller-tha-anticipated rise in unemployment. Indeed, the unemployment rate has risen "only" 2%-points from its 3.9% low in February 2008. We maintain that the unemployment rate will rise further, but will peak at a much lower rate than we anticipated earlier this year. By year-end, we forecast the unemployment rate to have a 6%-handle, provided the participation rate declines only modestly.

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Demand for home loans weakening

The number of home loans issued in August was down on the previous month, but by less than expected. The number of loans issued fell 0.6%m/m (J.P. Morgan: -2.0%, consensus: -0.5%), compared to a 2.2% fall in July. The stimulatory effects of the expanded first home buyers' (FHB) grant continued to fade, with FHBs accounting for less than 25% of all loans issued in August, compared to nearly 29% three months earlier. Investors flooded back into the housing market, accounting for 27% of all loans issued, up nearly 2%pt from July. Investment lending surged 7.6%m/m (or 1.4% in trend terms), owing to a spike in commitments for the purchase of dwellings for rent or resale.

With the expanded portion of the FHBs' grant being phased out throughout 2H09, mortgage rates rising, and bank lending standards having tightened, home loan demand should remain subdued throughout the remainder of the year. This probably will be welcomed by the RBA. RBA officials recently flagged the risks associated with excesses forming in the housing market, particularly at the lower end of the price spectrum. Governor Stevens said that increased housing demand may simply push up prices, without creating enough new dwellings. Considering the chronic shortage of housing supply in Australia, this would, in the words of the Governor, create more "risks of problems of over-leverage and asset price deflation down the track."

Data releases and forecasts

Week of October 12 - 16

Tue Oct 13 11:30am — **NAB monthly business survey**
% balance, seasonally adjusted

	Jun	Jul	Aug	Sep
Business confidence	4	10	18	

Wed Oct 14 10:30am — **WMI consumer confidence survey**
100=neutral, seasonally adjusted

	Jul	Aug	Sep	Oct
(%m/m)	9.3	3.7	5.2	-5.0

Review of past week's data

ANZ job advertisements

Seasonally adjusted

	Jul		Aug		Sep	
(%m/m)	-1.7		4.1		__	*4.4*

Trade balance

Seasonally adjusted

	Jun		Jul		Aug	
Trade balance (A$ mn)	~~-538~~	*-607*	~~-1556~~	*-1782*	~~-900~~	*-1524*

Imports fell in line with expectations, slipping 3%m/m in August. Exports fell unexpectedly, slipping 2%m/m, owing to both weaker farm and nonfarm goods (each down 3%).

RBA cash rate announcement

RBA raised cash rate 25bp to 3.25% as expected.

Housing finance approvals: owner occupiers

Number of loans, seasonally adjusted

	Jun		Jul		Aug	
(%m/m)	0.4		~~-2.0~~	*-2.2*	~~-2.0~~	*-0.6*
(%oya)	28.9		~~25.7~~	*25.8*	~~25.0~~	*25.8*

Labour force

Seasonally adjusted

	Jul		Aug		Sep	
Unemployment rate (%)	5.8		5.8		~~6.0~~	*5.7*
Employed (000 m/m)	~~32.2~~	*34.0*	~~-27.1~~	*-26.1*	~~-20.0~~	*40.6*
Participation rate (%)	65.3		65.1		~~65.0~~	*65.2*

New Zealand

- **3Q CPI to print in RBNZ's target range**
- **Retail sales growth probably sluggish in August**
- **Business confidence surging**

The economic data flow picks up in New Zealand this week, with the highlight being the 3Q CPI numbers. Headline inflation will remain comfortably in the RBNZ's 1-3%oya target range for the second straight quarter, reaffirming our view that the start of the RBNZ's tightening cycle is some way off. We maintain our view that the RBNZ will deliver the first rate hike in July 2010, although we now forecast a more aggressive tightening cycle (for reasons discussed in "RBNZ to be more aggressive in withdrawing stimulus").

NZ CPI to remain in RBNZ's comfort zone

Inflation probably accelerated in 3Q, with our forecast for consumer prices to grow 0.8%q/q, compared to 0.6% in 2Q. From a year ago, consumer price growth will fall markedly, printing at 1.1%, down from 1.9% in 2Q, falling comfortably in the RBNZ's 1-3%oya target range for the second straight quarter.

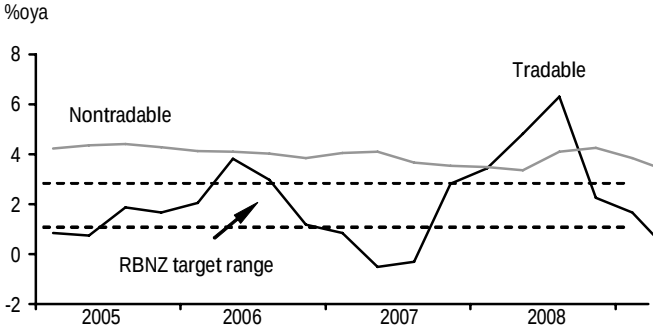
The nontradable measure—inflation generated domestically and not influenced by the exchange rate—will have remained elevated in 3Q, but should fall back within the RBNZ's comfort zone after printing at 3.3%oya in 2Q. Nontradable inflation will, however, remain elevated, owing to significant upward contributions from electricity, local authority rates and payments, and rentals. The still-high level of nontradable inflation will reaffirm our view that the official cash rate (OCR) in New Zealand already has troughed at 2.5%. In fact, the predominant risk is that, if nontradable inflation remains persistently high, the OCR will need to be hiked earlier than 2H10.

Kiwi retail sales trimmed by lower prices

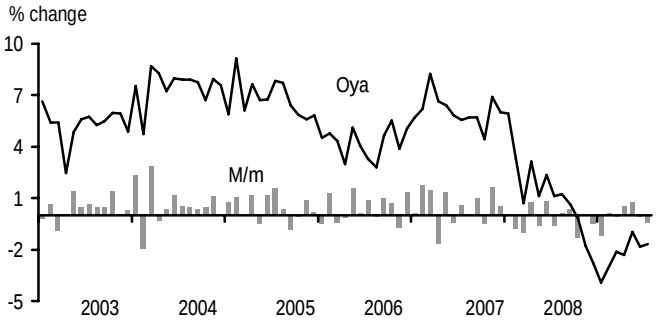
Retail sales probably rose just 0.2% in August, after unexpectedly falling 0.5%m/m in July, which marked the first fall in four months. A lot of the weakness in headline retail sales will be explained by lower prices, rather than a sharp drop in volumes. The ex-auto measure should rebound 0.5%m/m, underpinned by positive net immigration flows and a recent up-tick in housing market activity.

We maintain our forecast for a modest recovery in consumer spending throughout the remainder of 2009 and going into 2010, owing to the rise in confidence expected from the recent pickup in housing market activity and stabilization in financial markets. We acknowledge that further labour market weakness will cap the upside, with the unemployment rate likely to approach 8% by mid-2010.

New Zealand: nontradable and tradable inflation



New Zealand: retail trade



Consumers should, though, feel confident that the first OCR hike is some way off. Our forecast is for the first rate hike to be delivered in July 2010. 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 these uncertainties will have been significantly reduced, allowing Bollard to shift away from the current easing bias in early 2010.

Spike in NZ business confidence

The NZIER Quarterly Survey of Business Opinion showed a marked improvement in 3Q, with the headline surging to +36 from -25. A net 36% of firms surveyed expected the economy to improve in the next six months, after 10 straight quarters of expecting the economy to deteriorate. Firms appear cautiously optimistic, however, with their growing confidence yet to translate to new investment and increased hiring. Of the 10 major components, seven remained in negative territory in 3Q, but most improved markedly on the previous quarter. The largest improvement was toward profitability in the next three months—though a net 3% of respondents still expect profits to decline near-term, the index jumped 22 points.

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Data releases and forecasts

Week of October 12 - 16

During the week 10:30am — **Business PMI**
Seasonally adjusted

	Jun	Jul	Aug	Sep
Index	46.4	49.6	48.7	__
(%oya)	2.8	3.2	7.2	__

Mon Oct 12 — **QVNZ house prices**
%, median

	Jun	Jul	Aug	Sep
(%oya)	-7.1	-5.0	-2.8	__

Tue Oct 13 10:45am — **Retail trade**
Seasonally adjusted

	May	Jun	Jul	Aug
(%m/m)	0.7	-0.1	-0.5	0.2
(%oya)	-1.0	-1.8	-1.7	-1.6

Thu Oct 15 10:45am — **Consumer price index**
Not seasonally adjusted

	4Q08	1Q09	2Q09	3Q09
Headline (%oya)	3.4	3.0	1.9	1.1
Headline (%q/q)	-0.5	0.3	0.6	0.8

Review of past week's data

ANZ commodity price series
Not seasonally adjusted

	Jul	Aug	Sep
Index - world prices (%m/m)	1.0	~~4.2~~ 4.4	__ 6.8
Index - NZD (%m/m)	0.1	~~-0.7~~ -0.5	__ 2.4

NZIER QSBO
% balance of respondents

	1Q09	2Q09	3Q09
Headline index	-65	-25	__ *36*

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Global Essay

- **Euro area activity rises, confirming growth is now above-trend everywhere**
- **EM Asian currencies remain stuck at recession levels as policymakers resist appreciation**
- **BoE looks likely to extend purchase plans while BoJ looks set to end them**
- **September trade releases suggest Asian growth remains solid**

Synchronized decoupling

A striking feature of the global landscape in recent quarters is the synchronization of growth performance. The notion that the world would decouple from the US housing market downturn was dispelled last year as the global economy slid into recession in mid-2008, and the downturn intensified across the globe late last year. Indeed, the peak-to-trough loss in US GDP (3.8%) was more moderate than the losses recorded in Latin America, Europe, and Asia ex. China.

With global policymakers having delivered aggressive stimulus, the global economy is now lifting in unison. Although the upturn began in Asia this spring, by early summer recoveries took hold in the Americas and Europe. If we are right, all major regions of the world grew at an above-trend pace last quarter. Our forecast is that above-trend growth can be sustained through 2010.

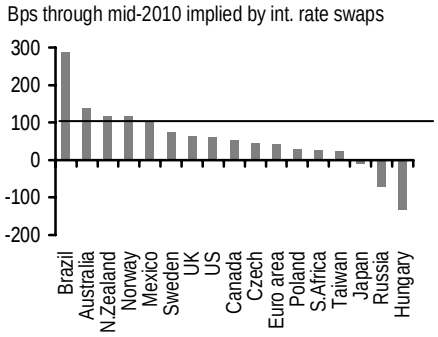
Although growth performance is likely to remain synchronized, there are important differences in the position of the world's economies as this upturns begins. With EM and commodity producing economies having recorded an extended period of strong growth this decade, their utilization rates stand considerably higher than those in the G3. And while the financial crisis was felt across the globe, it is in the US and Europe that the lasting damage to credit markets has been concentrated. To an important degree, the US stands in a unique position, given the dramatic rise in its unemployment rate, the damage done to banks and securitized markets, and the deterioration in household finances.

These differences are likely to drive a substantial decoupling in the pace of policy normalization over the coming year, a point punctuated by the RBA decision to raise rates last week. With core inflation expected to move below 1% (new historic lows) and credit creation expected to stagnate, above-trend growth is not likely to prompt rate adjustments in the US and Euro area next year. However, credit is growing again across much of the rest of the world and inflation is not likely to move much lower. Against the backdrop of a cumulative non-G3 easing of roughly 275bp since the crisis began, the case for a broad normalization in policy rates outside the G3 early next year is reasonable.

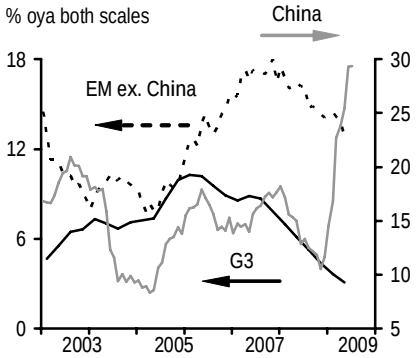
Currency markets should be expected to respond to this decoupling, and the move lower in the trade weighted dollar in recent weeks appears driven by this dynamic. There are important questions about how far the dollar may fall given expectations of a widening gap in policy rates next year, but it should be recognized that the dollar is not presently depressed. Indeed, having risen during the global recession, it has only now returned to its July 2007 level when the financial crisis began. What's more, a declining dollar should generally be seen as a constructive macroeconomic development in an environment in which the US faces significant disinflationary pressure and is still running a large current account deficit. Last week's August international trade report is supportive of our view that a competitive currency and synchronized global growth will allow the US to avoid the sharp deterioration in its trade position seen at the start of past economic recoveries.

Although the overall drift lower in the US dollar is constructive, there are tensions brewing in Asia due to the uneven distribution of dollar weakness across the region. China's trade-weighted currency rose along with the dollar during the global downturn and now authorities are maintaining a tight rein on their peg in an attempt to restore some lost competitiveness in global markets. Meanwhile,

Policy rate change, mkt expectations



Domestic credit



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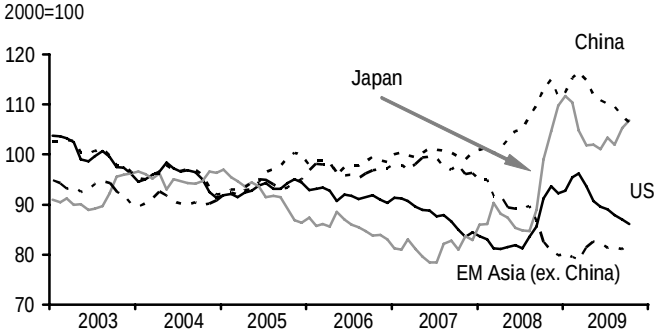
Nominal trade-weighted currency indices



the main beneficiary of the rise in the dollar and renminbi during the recession were other Emerging Asian currencies, which have fallen by roughly 11% over the past year. Although EM Asian currencies look depressed, their policymakers' resistance to unwinding their competitive gains against China and the US has prevented the overall adjustment in the dollar against EM Asia.

The stickiness of EM Asia is reinforcing the rise in the trade weighted yen as it drifts higher against the dollar. There should be little doubt that a significant further appreciation in the yen would be a negative development for an economy already set to face powerful deflationary forces in the coming year.

IP surge bolsters Euro area GDP forecast

Our recent publications have highlighted that the indicator flow was raising downside risk to our forecast that Euro area GDP bounced back at a 3% annualized pace last quarter. Coming into last week, we enumerated three things that needed to happen to avert a forecast revision. First, evidence that retail sales were broadly stable in August and September. Second, confirmation of a sizeable net trade contribution in 3Q. And third, industry would have to deliver a strong increase in August after the setback in July.

In the event, last week's reports delivered on all three counts. Euro area retail sales declined only 0.2%m/m in August, a much better outcome than indicated by the 1.5%m/m plunge reported in German sales. With auto sales up slightly and some improvement in services, it now seems likely that consumption was flat last quarter. Net trade still looks as if it will make a positive contribution, with both exports and imports rebounding solidly. Most important was the strong increase in industrial production in major countries across the region, which put Euro area IP on track for a near 10% annualized gain in 3Q. A gain of this magnitude sharply lowers the odds of a subpar reading on GDP growth. Moreover, with the Euro area joining in the manufacturing recovery, it raises the odds that global IP also rose at a breakneck 10% pace last quarter.

EM Asia exports so far rolling down softly

A key feature of our forecast for EM Asia is that the region's manufacturing boom will cool down over the course of 2H09. The downshift will be focused in the tech sector, where output boomed at a record 145% annualized rate in 2Q. While this roll-down view is tracking, it is encouraging that incoming reports show that Asian export growth remained solid through September. Combined with the August IP reports, this indicates that EM Asia's economic expansion, while moderating, is still strong. Last week, Taiwan reported that exports advanced a strong 2.7% m/m in September, following a similar gain in August, with broad-based strength across sectors and destinations. Korean exports rose even more impressively in September, although they were boosted by several one-time factors. China is set to release its September trade data this week. Exports likely continued to advance, especially in volume terms, on the back of the 1.0%m/m volume gain in August. On-the-ground evidence suggests that container throughput in Shanghai, the largest container port in China, continued to rise in September.

BoE to opt for additional £25bn in QE

While the upturn in Euro area industry has arrived, the picture is not uniform across Western Europe. Manufacturing production hit new cycle lows in the UK and Sweden in August. This is an odd development considering that their industrial cycles normally are aligned with the global one and that the recent declines in their currencies should be offering an opportunity to gain market share. Rising levels of exports and orders, and above average readings in surveys of manufacturers, suggest that a pickup in Swedish IP is just a matter of time. The same conclusion applies to the UK, but with more qualifications. The manufacturing PMI output and orders indexes slipped back into the low 50s in September, while other manufacturing business survey readings have pointed to an even more sluggish recovery.

Over recent months, the Bank of England's policies have been geared toward ensuring the robust and sustained upswing in output it believes is required to absorb slack and deliver on its inflation target in the medium-term. While rising confidence and asset prices and an improving global outlook point to faster growth, the latest data suggest 3Q GDP was close to flat, undershooting the MPC's (and J.P. Morgan's) forecast. With the majority on the MPC still focused on downside risks, we now anticipate a modest, £25bn further extension of quantitative easing in November. In addition, we have pushed back the anticipated onset of the MPC's rate normalization cycle to 3Q10 from 2Q10.

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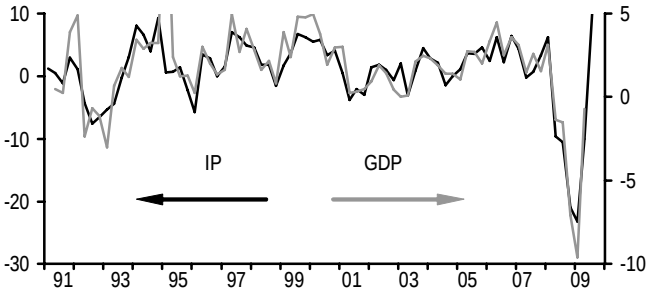
Euro area IP and GDP

%q/q, both scales; w/ 3Q est for IP



The MPC's approach carries some risk. While the MPC has said that inflation is likely to be "extremely volatile" in the coming months, it has not regarded that as informative about the medium-term. CPI inflation is likely to bottom near 1.2%oya in this week's September release before rising sharply owing to energy price base effects, pass-through of the weaker exchange rate, and the reversal of last year's cut in VAT. With a reduction in domestic energy tariffs now looking unlikely until the spring, the January CPI release is likely to see a breach of 3%oya, triggering an open letter from the BoE to the Chancellor. The combination of well above-target inflation, a central bank that has pursued QE aggressively, a wide fiscal deficit, and a looming election campaign is a potentially volatile one for markets, and policymakers will need to explain their actions carefully to retain credibility.

BoJ to signal end of some QE measures

With the economy and domestic financial markets more clearly recovering, BoJ board members are expected to discuss the termination of some unconventional policy initiatives at this week's policy meeting. It now appears likely that the BoJ's programs to purchase commercial paper and corporate bonds will expire on schedule at year end due to dwindling market participation. On the other hand, the BoJ's other measure designed to support corporate finance, in which banks with qualifying collateral are allowed to borrow from the BoJ at rates as low as 0.1%, most likely will be extended into 2010 as banks are still utilizing this facility quite heavily. While it is possible that a decision on these programs will be announced this week, the more likely date is October 30 alongside the release of the semi-annual Outlook Report. If an announcement is planned for month end, Governor Shirakawa is likely to signal this at this week's press conference. At the same time, Shirakawa will reaffirm the BoJ's "low for long" stance with respect to the policy interest rate.

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JPMorgan View - Global Markets

New investment themes

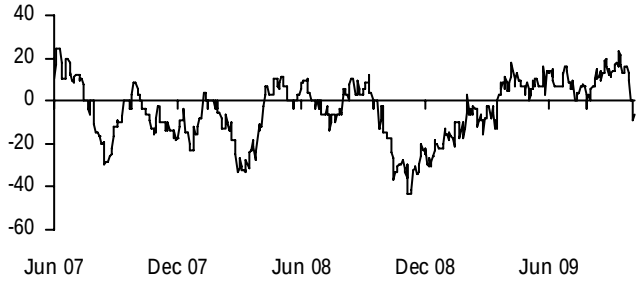
- **Portfolio strategy:** The recovery trade is becoming consensus and will lose its power to drive markets at some point. We thus diversify through eight new investment themes for the coming year. In aggregate, they are long equities and credit, and short USD.
- **Economics:** The foundations of the recovery are in place, even though there are clearly risks.
- **Fixed Income:** Range trading—focus on carry and spreads.
- **Equities:** Financials should benefit most from 3Q reporting season. Be long outright and versus other sectors.
- **Credit:** We stay overweight US HG given the exceptionally strong demand.
- **FX:** No urgency to exit the dollar short.
- **Alternatives:** Stay short WTI. Be long agricultural products, particularly sugar and cocoa.

Equities, credit, and commodities were up last week, while the dollar and government bonds are down. We stay with **the recovery trade**, but know we should not make it the sole idea on which to build an investment strategy for the coming six months. It is not that the data cast great doubt on the recovery, but more that it is **in the process of becoming consensus** and thus losing its power to drive asset prices. Last week's economic data were supportive of our global growth forecasts, but the sum total of the past few weeks was not far from consensus. Our six-week rolling US Economic Activity Surprise Index actually slipped below zero last week. And we were forced to lower our UK 3Q GDP growth forecast. Hence the need to **diversify beyond the recovery trade.**

We discussed **eight broad investment themes** for the next 6-12 months yesterday in our monthly *Global Markets Outlook and Strategy*. Here follows a brief summary of these forces and their respective impacts on markets.

Asset reflation. Cash is the most expensive asset in the world, and the main reason to hold it, which is uncertainty, is fading. The flow out of cash is lifting all other asset prices globally. This will end only when G-3 central banks start hiking or investors have become underweight cash. We are far from either.

US Economic Activity Surprise Index



Yield on the BarCap Global Aggregate index

G-3 disinflation. A massive output gap will push core inflation rates down in the US, Japan, and Europe. This should keep G-3 central banks on hold through next year. Long-term inflation expectations should fall, supporting bonds and flattening curves, but depressing commodities. This is not a negative for equities as we expect profit margins to be maintained.

Policy normalization outside the G-3. Economies on the global periphery are closer to full capacity, and are thus likely to normalize monetary policy rates earlier. Think of **Australia, Korea, Czech, Norway,** and **Brazil**. This will benefit their currencies, but hurt their bond markets. It should be neutral for their equity markets.

The new EM trade. Emerging economies are exiting the crisis relatively unscathed and with improved economic, financial, and fiscal positions versus developed economies. This means medium-term outperformance of their equities, currencies, and credit. Near term, it means their local debt will likely underperform, except for the highest-yielding markets, which should benefit from the search for yield. With much of the EM growth impetus emanating from commodity-hungry China, this should be bullish for commodities.

Banking revival. Markets are returning rapidly to normal and so are bank profits. Bank losses are not over, but we feel that we are about three-quarters through total cycle losses, with the remainder spread over the next five years.

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The main threat to bank earnings will eventually come from higher capital requirements. These will dilute bank earnings, but make bank debt even safer. This suggests overweighting bank debt, but underweighting bank stocks. The latter is probably somewhat premature as governments will take at least a year to decide how much these ratios should go up and will not impose changes before 2011.

Carry and the search for yield. The steady fall in volatility, inflation risks, and yield levels are forcing institutional investors—in particular insurers and banks—to move out along the risk/return trade-off line in search of higher yields. Many insurers are in dire need of fixed income products with higher yields as they have a lot of liabilities that promise minimum payouts. This search for yield and carry is bullish for bonds and credit, and flattens yield curves. It is a negative for USD against better-yielding currencies, which are largely in EM.

Death of the equity culture? Disappointing long-term equity returns, aging, and falling wealth are inducing US and European investors to depend less on equities as the mainstay of their retirement savings. Are they becoming like Japanese savers? Possibly, but there is one major force standing in the way of increased reliance on bonds to fund retirements: Yields on global bonds have fallen below 3%, requiring a massive increase in savings rates in order to meet pension needs solely with bonds. We believe that ultimately the low value of bonds will trump the fear of equities and entice end investors back into stocks to fund their pensions.

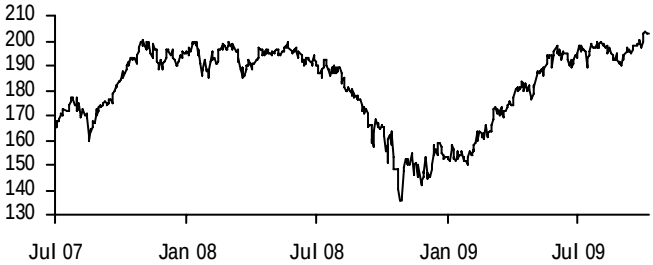
Balance sheets and delevering. Repairing balance sheets by improving liquidity, and making greater use of equity and long-dated debt funding will be with us for years. This implies continued high issuance of equity and long-dated debt. At this moment, this neatly matches the desire by investors to move out of low-return cash holdings, thus preventing a significant steepening of yield curves or losses on equities. Longer term, it implies that the risk premiums of bonds and equities over cash will stay higher than they have been over the past decades.

Fixed income

Government bonds backed up last week, moving back toward the middle of their 5-month trading range. Slightly better data last week and a nervous reaction to the latest Bernanke speech contributed to the sell-off. Both supply and demand for bonds are at record highs, but are keeping each other in rough balance at the moment. We continue to play the range, and focus exposures on earning carry and outperformance of higher-yielding bonds.

EM versus DM equities

Relative total return index, using MSCI World$ and MSCI EM$ indices



Equities

Equities rebounded sharply last week, erasing the losses of the previous two weeks. The rebound was driven by a strong start in the **3Q US reporting season**. Of the 31 S&P 500 companies having reported so far, 81% have beaten estimates. The average EPS beat was 18%.

We project a 3Q EPS of US$16.30 for the S&P 500, 10% above the bottom-up consensus of US$14.82. This will represent the third consecutive quarter of positive surprises. We are **most bullish on Financials** (beat by 25%) and Cyclicals (beat by 10%).

All eyes will be on the **top line**. Second-quarter bottom-line earnings surprised on the upside, but top-line revenues came in slightly below consensus. The market is now looking for signs that not only cost-cutting but also revenues are driving the profit recovery. We project that top line will beat by 1% in 3Q for the S&P 500, led by Financials (5%), Energy (5%-10%), and Technology (1%).

Pre-announcements are also supportive of a positive surprise in 3Q, which saw the highest level of positive pre-announcements since 2006. Meanwhile, negative pre-announcements are at the lowest level in 10 years.

Results for 3Q should validate a trajectory toward our 2010 $75 EPS. The $75 EPS forecast for 2010 would only match the 2002 expansion. Cost-cutting by corporates this cycle was 20% greater than in 2002, and we expect a stronger GDP recovery than that seen after the 1991 and 2001 recessions. For more details, see 3*Q09 Preview: The Bar Is Higher*, Tom Lee, October 8.

Credit

Retail demand of HG bonds has accelerated further. The current four-week average inflow to US HG bond funds reached more than US$5 billion per week, the strongest since

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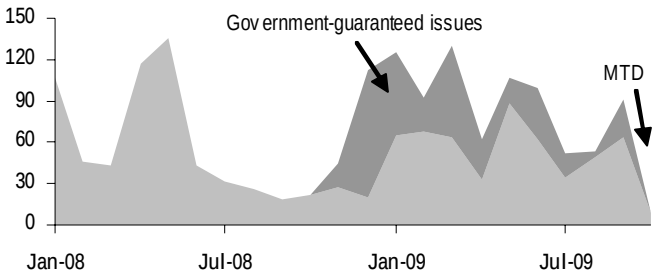
US gross issuance

US$ bn



data are available in 1992. Stay overweight US HG.

Higher-rated CMBS should continue to gain over the next six months. We stay **overweight super senior CMBS**. Thus far, US$3 billion of PPIP investment funds has been raised from private investors, which creates US$12 billion in purchasing power. We expect PPIP funds to start investing this month, restarting the tightening trend.

Foreign exchange

Despite the impressiveness of earnings, the sense that markets are overshooting is as prevalent in FX as it is in equities and credit. But just as record returns since March do not make equities or credit expensive, neither do record runs in most currency pairs. Based on regressions of currencies on cyclical drivers such as rate spreads and commodity prices, several currencies are at least 5% misaligned. Those trading at least 5% too strong are **NZD**/USD (12%), **AUD**/USD (6%) and **EUR/GBP** (5%). Those trading at least 5% too weak are **USD/JPY** (-6%) and **GBP/USD** (-5.4%). Given the standard error of the models, only NZD/USD and USD/JPY are meaningfully misaligned. And counter to the conventional view, EUR/USD is not very stretched even at current levels (only 3% rich on the two-year regression), and EUR/NOK sits at fair value even after a 9% collapse in 3Q.

Of course valuations only matter when fundamentals change, which is economists' version of Newton's Law—objects stay in motion until acted upon by another force. Reversals in commodity currencies were prompted by external shocks or policy shifts such as the 120bp sell-off in US Treasuries in spring 2004 in anticipation of Fed tightening; the subsequent lift in Fed funds from 1% to 5.25% from 2004 to 2006; the onset of the credit crisis in 2007; and the initiation of RBA/RBNZ easing cycles in 2008.

Ten-year Government bond yields

	Current	Dec 09	Mar 10	Jun 10	Sep 10
United States	3.38	3.50	3.75	4.00	4.25
Euro area	3.20	3.20	3.30	3.35	3.40
United Kingdom	3.45	3.70	3.95	4.10	4.30
Japan	1.28	1.45	1.40	1.30	1.40

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	1.58	1.63	1.60	1.58	1.58

Commodities - quarterly average

	Current	09Q4	10Q1	10Q2	10Q3
WTI ($/bbl)	72	70	70	65	70
Gold ($/oz)	1046	1000	-	-	-
Copper($/m ton)	6312	5950	-	-	-
Corn ($/Bu)	3.63	3.65	4.00	4.15	4.05

Source: J.P. Morgan, Bloomberg, Datastream

Given that such event risks are unlikely this year, there is **little urgency to reduce dollar shorts**. Stay long cyclical currencies and short the dollar, but be discriminating. Add short USD/CAD and GBP/CAD to existing shorts in USD/JPY, NZD/NOK, EUR/NOK, and GBP/NOK. Stay long EUR/GBP and NOK/SEK.

Alternatives

Commodities rallied last week, with industrial metals gaining almost 7%. We maintain an overall neutral allocation. Our tactical short in WTI is offset by long positions in base metals and now in agricultural products, particularly sugar and cocoa. Disinflation risk is a negative for the asset class; investors'/hedgers' interest in inflation protection is likely to go down. The global recovery will, however, limit near-term downside.

Hedge funds continue to perform well. The major indices suggest they made 2.8% last month. Emerging Markets, Distressed, Convertible Arb, and Equity Long-Short performed best. The latter three are our top picks for the remainder of the year. Last month, we upgraded Distressed Securities to overweight after almost two years of underweight or neutral recommendations. HY market fundamentals continue to improve, particularly in the US. We expect the US HY default rate to collapse to 4% in 2010.

AUD and NZD Commentary

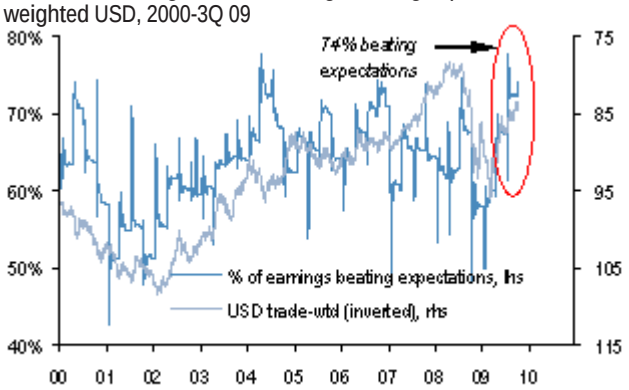
- **The US earnings season is poised to fuel the next leg higher in equities and high-beta FX.**
- **AUD and NZD stretched, but AUD is better value.**
- **Technicals: Bull trends extend but short term setup suggests some pause; AUD/NZD should extend higher.**

- The Q3 reporting season has barely begun but it is already shaping up as a boon to stocks and high-beta FX and a bomb for the dollar. Of the 31 S&P500 companies that have reported so far, 74% have beaten expectations. This share rivals the 2Q09 earnings reports, which marked a decade-high for the percentage of EPS beats, setting the stage for the dollar's subsequent slide and the take-off in EM and commodity currencies (Chart 1).

- But investors are concerned that the rally in risk has gone too far: The S&P500 is up 55% from its March lows while AUD/USD and NZD/USD have rallied 43% and 49%, respectively. Steep gains, however, are not proof of overvaluation. Indeed, the S&P does not appear stretched if we apply consensus earnings projections ($75 EPS for 2010) to a typical end-of-recession P/E ratio of 16.4, which yields a fair-value estimate of 1230.

- Matters for high-risk currencies are not so clear-cut. On the IMM, speculative long positioning in both NZD and AUD has climbed steadily. And some models suggest that AUD/USD and NZD/USD are rich relative to a small set of high-frequency drivers including interest-rate spreads, equity prices (a proxy for growth expectations) equity volatility and CRB index of commodity prices.

Chart 1: Percentage of S&P earnings beating expoectations vs trade-weighted USD, 2000-3Q 09



Source: Bloomberg and J.P. Morgan

- We are wary of using models estimated over the financial crisis period (mid-2007 to mid-2009) as guides for trade recommendations because the forecast errors from these models are so large as to cast doubt on their ability to capture of the current market environment. In contrast to the crisis period when risk aversion ruled and investors sought the safety of cash, the price action in a wide range of risk assets increasing appears to reflect asset reflation trades. Investors are dumping cash for higher-yielding assets in an environment where the G3 central banks have created ample liquidity and have committed to low policy rates for an extended period.

- We have steered clear of outright AUD and NZD positions against the USD for now. Nevertheless, since early March the AUD-NZD two-year government bond yield spread has shifted nearly 50 basis points in Aussie's favour suggesting that NZD has less upside than AUD following its significant steeper gains since March.

Technical analysis

- The medium term advances remain intact for both AUD/USD and NZD/USD as the price action over the past two weeks has extended through a number of important resistance levels. While the short term setup is overbought and due for some consolidation, the overall bullish setup remains intact while suggesting additional upside is likely beyond any short term corrective phase that may develop. For AUD/USD, last week's advance cleared the important .8945/.9030 resistance zone, which includes the 76.4% retracement from the 2008 cycle high. This setup implies an extension of the advance is likely with short term targets located at .9150 and then .9250. Note that the .8860/.8800 support area will maintain the short term upside bias.

- Similarly, the uptrend for NZD/USD remains intact, but is struggling against the next line of key resistance near .7420/.7490. Support starts at .7285/15 and then .7110. We see room for AUD/NZD to correct higher over the short term given this past week's sharp reversal from the medium term range lows. Resistance at 1.2425 will be key and define a deeper corrective phase.

AUD/USD - Daily chart

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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	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	2Q09	4Q09	2Q10	4Q10
The Americas														
United States	0.4	-2.4	3.2	-6.4	-0.7	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	-3.2 ↓	3.9 ↓	-10.0	0.8	5.7 ↓	5.1 ↑	4.7 ↓	3.2 ↓	3.9 ↑	6.7	5.6 ↑	7.0 ↑	7.2 ↑
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	-1.0	1.5	-5.1	-1.0	-2.0	0.0	2.0	2.5	4.0	5.5	3.5	2.4	4.0
Mexico	1.3	-7.0 ↓	3.5 ↓	-21.2	-4.4	10.1 ↓	7.5 ↑	3.7 ↓	-0.6 ↓	3.3 ↑	6.0	4.6 ↑	5.3 ↑	5.2 ↑
Peru	9.8	1.0	5.4	-6.3	-1.6	8.0	13.0	3.0	3.5	3.5	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	2.5	2.5	1.5	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/Middle East														
Israel	4.0	0.0	3.0	-3.2	1.0	1.5	2.5	3.0	3.0	3.0	3.2	3.3	3.4	3.3
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	-3.7 ↓	2.6 ↓	-9.6 ↓	-0.7 ↓	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	0.6	-4.4 ↓	2.0 ↓	-9.6	-2.3	0.5 ↓	3.0	2.0	2.5	2.8	2.1	2.2 ↑	2.3 ↑	1.4 ↓
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	-7.5 ↓	1.3	3.8 ↓	3.4	3.4	3.6 ↓	3.7	0.6	1.2 ↑	1.8 ↑	1.5
Developed markets	0.4	-3.3	2.8	-8.3 ↓	-0.4 ↓	3.1 ↓	2.8	2.8	3.1	3.2	-0.3	0.5 ↑	1.0	0.7
Emerging markets	4.9	0.5	5.7 ↓	-3.9	7.5	6.5 ↓	5.8 ↑	5.4 ↓	5.3 ↓	5.5	3.8	3.7	4.7 ↑	4.6 ↑

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Global Central Bank Watch

	Official interest rate	Current	Change from Aug '07 (bp)	Last change	Next meeting	Forecast next change	Dec 09	Mar 10	Jun 10	Sep 10	Dec 10
Global	GDP-weighted average	1.32	-340				1.31	1.33	1.37	1.43	1.48
excluding US	GDP-weighted average	1.88	-256				1.86	1.90	1.95	2.04	2.12
Developed	GDP-weighted average	0.49	-365				0.49	0.51	0.51	0.54	0.56
Emerging	GDP-weighted average	4.61	-239				4.54	4.61	4.77	4.97	5.16
Latin America	GDP-weighted average	5.75	-306				5.75	6.13	6.55	6.61	6.69
CEEMEA	GDP-weighted average	5.09	-191				4.77	4.61	4.71	5.02	5.29
EM Asia	GDP-weighted average	4.00	-232				4.00	4.04	4.13	4.34	4.53
The Americas	GDP-weighted average	0.75	-484				0.75	0.79	0.84	0.85	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	9.75	10.75	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)	13 Oct 09	2Q 10 (+50bp)	0.50	0.50	1.00	2.00	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)	5 Nov 09	on hold	1.25	1.25	1.25	1.25	1.25
Europe/Africa	GDP-weighted average	1.40	-320				1.36	1.35	1.36	1.44	1.51
Euro area	Refi rate	1.00	-300	7 May 09 (-25bp)	5 Nov 09	on hold	1.00	1.00	1.00	1.00	1.00
United Kingdom	Repo rate	0.50	-525	5 Mar 09 (-50bp)	5 Nov 09	**3Q 10 (+25bp)**	0.50	0.50	0.50	0.75	1.00
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)	1.50	1.75	2.00	2.00	2.25
Czech Republic	2-week repo rate	1.25	-200	6 Aug 09 (-25bp)	5 Nov 09	**2Q 10 (+25bp)**	1.25	1.25	1.75	2.50	3.00
Hungary	2-week deposit rate	7.50	-25	28 Sep 09 (-50bp)	19 Oct 09	19 Oct 09 (-50bp)	6.50	6.00	6.00	6.00	6.00
Israel	Base rate	0.75	-325	24 Aug 09 (+25bp)	26 Oct 09	26 Oct 09 (+25bp)	1.50	2.00	3.00	3.50	4.00
Poland	7-day intervention rate	3.50	-125	24 Jun 09 (-25bp)	28 Oct 09	3Q 10 (+25bp)	3.50	3.50	3.50	4.00	4.50
Romania	Base rate	8.00	100	29 Sep 09 (-50bp)	3 Nov 09	1Q 10 (-25bp)	8.00	7.75	7.50	7.25	7.00
Russia	1-week deposit rate	5.25	200	29 Sep 09 (-50bp)	4Q 09	4Q 09 (-50bp)	4.75	4.25	4.25	4.25	4.25
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)	6.50	6.50	6.50	7.50	8.00
Asia/Pacific	GDP-weighted average	2.06	-149				2.08	2.12	2.18	2.30	2.39
Australia	Cash rate	3.25	-325	**6 Oct 09 (+25bp)**	2 Nov 09	**Dec 09 (+25bp)**	3.50	4.00	4.25	4.50	4.50
New Zealand	Cash rate	2.50	-575	30 Apr 09 (-50bp)	28 Oct 09	**8 Jul 10 (+50bp)**	2.50	2.50	2.50	3.50	4.00
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	5.58	5.85
Korea	Base rate	2.00	-300	12 Feb 09 (-50bp)	12 Nov 09	1Q 10 (+25bp)	2.00	2.25	2.50	2.75	3.00
Indonesia	BI rate	6.50	-175	5 Aug 09 (-25bp)	4 Nov 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	5.00	5.25	5.25
Malaysia	Overnight policy rate	2.00	-150	24 Feb 09 (-50bp)	28 Oct 09	2Q 10 (+25bp)	2.00	2.00	2.25	2.50	3.00
Philippines	Reverse repo rate	4.00	-200	9 Jul 09 (-25bp)	5 Nov 09	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	1.50	1.75	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. 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	2.4	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** kicked off the tightening cycle with a 25bp rate hike in October, making it the first central bank in the G20 to tighten policy. We expect another 25bp rate hike in December.
- 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)	0.1	-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.

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Australia and New Zealand economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
12 Oct New Zealand: QV house prices Sep	13 Oct Australia: NAB bus. Confidence (11:30 am) Sep 20 %bal sa New Zealand: Retail sales (10:45 am) Aug 0.2 %m/m, sa	14 Oct Australia: Westpac consumer confidence (10:30 am) Oct -5.0 Index, sa	15 Oct New Zealand: CPI (10:45 am) 3Q 1.1 %oya	16 Oct
19 Oct	20 Oct	21 Oct Australia: Westpac leading index (10:30 am) Aug New motor vehicles sale (11.30 am) Sep 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
26 Oct Australia : PPI (11:30 am) 3Q *Holiday New Zealand*	27 Oct	28 Oct Australia : CPI (11:30 am) 3Q New Zealand : NBNZ business conf.(2:00 pm) Oct	29 Oct New Zealand: Trade balance (10:45 am) Sep RBNZ official cash rate (9:00 am) Oct	30 Oct Australia: Pvt. Sector credit (11:30 am) Sep New Zealand: Building permits (10:45 am) Sep
2 Nov Australia: House price index (11:30 am) 3Q	3 Nov Australia: RBA cash target (2:30 pm) Nov New Zealand: Labor cost index (10:45 am) 3Q ANZ commodity price (2:00 pm) Oct	4 Nov Australia: Building approvals (11:30 am) Sep Retail sales (11:30am) Sep	5 Nov Australia: Trade balance (11: 30 am) Sep New Zealand: Unemployment rate (10:45 am) 3Q	6 Nov

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Global Data Diary

Week / Weekend	Monday	Tuesday	Wednesday	Thursday	Friday
12 Oct - 16 Oct	12 October	13 October	14 October	15 October	16 October
China • Money supply (Sep)	Mexico • Auto report (Sep) • IP (Aug) Singapore • GDP adv (3Q)	Chile • BCCh meeting France • CPI (Sep) Germany • ZEW bus survey (Oct) Sweden • CPI (Sep) United Kingdom • CPI (Sep) United States • Kohn speaks on economy	China • Trade balance (Sep) Euro area • IP (Aug) Japan • Consumer sent (Sep) • BoJ meeting Poland • CPI (Sep) United Kingdom • Labor mkt report (Sep) United States • Bus inventories (Aug) • Import prices (Sep) • Retail sales (Sep) • FOMC minutes	Brazil • Retail sales (Aug) Euro area • HICP final (Sep) • Trichet speech Japan • IP final (Aug) • Reuters Tankan (Oct) Turkey • CBRT meeting United States • CPI (Sep) • NY Fed survey (Oct) • Philly Fed survey (Oct)	Canada • CPI (Sep) Euro area • Foreign trade (Aug) Japan • Shirakawa speech Mexico • Banxico meeting United States • Consumer sent (Oct) • IP (Sep)
19 Oct - 23 Oct	19 October	20 October	21 October	22 October	23 October
Japan • Department store sales (Sep)	Hungary • NBH meeting Japan • Tertiary sect activity (Aug) • BoJ minutes • Shirakawa speech Poland • IP (Sep) United States • NAHB survey (Oct) • Bernanke speaks on economy	Canada • BoC meeting United States • Housing starts (Sep) • PPI (Sep)	Brazil • COPOM meeting Japan • BoJ bank loan officers survey (4Q) Thailand • BoT meeting United States • Beige book United Kingdom • MPC minutes	Belgium • BNB bus survey (Oct) Brazil: U-rate (Sep) China • CPI, FAI, IP, Retail sales (Sep) • GDP (3Q) France • INSEE bus survey (Oct) Japan • All sector activity (Aug) • Trade balance (Sep) South Africa • SARB meeting Sweden • Riksbank meeting UK: Retail sales (Sep) United States • FHFA HPI (Aug)	Colombia • BanRep meeting Euro area • Industrial orders (Aug) • PMI flash (Oct) France • Cons of mfg goods (Sep) Germany • IFO bus survey (Oct) Korea • GDP prelim (3Q) Taiwan • Export orders, IP (Sep) United Kingdom • BBA mort lending (Sep) • GDP prelim (3Q) United States • Exist home sales (Sep) • Bernanke and Kohn speak at Boston Fed

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