J.P.Morgan

Australia and New Zealand - Weekly Prospects

Summary

- In **Australia** last week, the October labour force survey showed another spike in employment, the outcome again running contrary to market expectations for a fall. The huge wave of natural resource projects getting underway means labour market conditions will strengthen in the second half of 2010, which raises the spectre of labour shortages and wage pressures emerging again. Outside the hot mining sector, though, employers first will rebuild the hours of employees whose working days were trimmed before taking on new staff; with participation rates elevated, this will contribute to a further rise in the jobless rate. Last week's bounce in employment, the surge in home loans, and the resilience of consumer confidence reaffirmed our view that the RBA will deliver another 25bp rate hike in early December. The week ahead is quiet by comparison, but the release of the labour cost index will confirm that wage growth, for now, remains subdued. The highlight this week, though, will be the release of the minutes of the RBA's November Board meeting, at which members lifted the cash rate another 25bp.

- In **New Zealand**, the soft retail sales numbers last week will be welcomed by the RBNZ. The RBNZ remains concerned that more debt-fuelled household exuberance could hamper the sustainability of the economic recovery. Household balance sheets will remain under pressure as unemployment rises and wage growth slows, but low interest rates are providing a powerful incentive to borrow. Part-time employment has risen significantly—the decline in workers' hours has squeezed household incomes. More households have moved toward short-term borrowing, however. This is a trend the RBNZ wants to see continue for an extended period before the next tightening cycle begins, so that hikes to the OCR, when delivered, will get the most bang for their buck. Our forecast remains that the RBNZ will kick-off the next tightening cycle in July 2010 with a 50bp hike.

- One of this year's key positive surprises has been the rebound in **global consumer spending**. With financial markets also lifting, this is expected to produce a gradual shift in business behaviour from retrenchment to expansion, most importantly in global labour markets. The extent of this shift in behaviour already in train may not be fully appreciated. Notwithstanding the disappointing October labour market reports in the US, conditions elsewhere are showing clear signs of improvement. The unemployment rate outside the US was stable at 7.8% in 3Q09, and early readings point to continued stability in October.

- Although the **Euro area** exited recession in 3Q09, the return to growth was more sluggish than anticipated. After contracting 5% between 1Q08 and 2Q09, GDP increased at a 1.5% annualized pace last quarter. The gain fell well short of our forecast, which was based on the double-digit IP increase in the region. Given the strength of manufacturing, output in construction and services was apparently very weak. The weakness in services is puzzling given the normal cyclical links between industry and parts of the service sector.

This week's highlight

The RBA Board minutes Tuesday will discuss in more detail the RBA's decision in November to hike the cash rate another 25bp. In the minutes for October, the Board unexpectedly inserted the phrase "possibly imprudent" in reference to the level of the cash rate.

November 16, 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 Australia Ltd., Sydney
Stephen Walters (61-2) 9220-1599
stephen.b.walters@jpmorgan.com
Helen Kevans (61-2) 9220-3250
helen.e.kevans@jpmorgan.com
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, November 17	11.30am	RBA Board minutes (Nov.)	**na**	na	*na*
Wednesday, November 18	9.05am	Speech by RBA Assistant Governor Guy Debelle	**na**	na	*na*
Wednesday, November 18	11.00am	Westpac Leading Index (%m/m, Sep.)	**na**	na	*1.1*
Wednesday, November 18	11.30am	Aust. labour price index (%q/q, 3Q)	**0.8**	0.7	*0.8*
Thursday, November 19	11.30am	Aust. average weekly wages (%q/q, Aug. qtr.)	**na**	na	*1.2*
Thursday, November 19	12.00pm	Panel discussion with RBA Assistant Governor Guy Debelle	**na**	na	*na*
Friday, November 20	1.00pm	NZ credit card spending (%m/m, Oct.)	**na**	na	*-1.0*

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

Australia

RBA Board minutes (Nov.) - The Board minutes will provide more detail on the thinking behind the second straight 25bp rate hike. The minutes of the October Board meeting included important additions to the official language including, unexpectedly, the insertion of the phrase "possibly imprudent" in reference to the level of the cash rate. The November minutes probably will signal that RBA officials intend to lift the cash rate "gradually" towards a neutral policy setting. Any references to the stance of fiscal policy, China, the labour market and housing activity will be of particular interest.

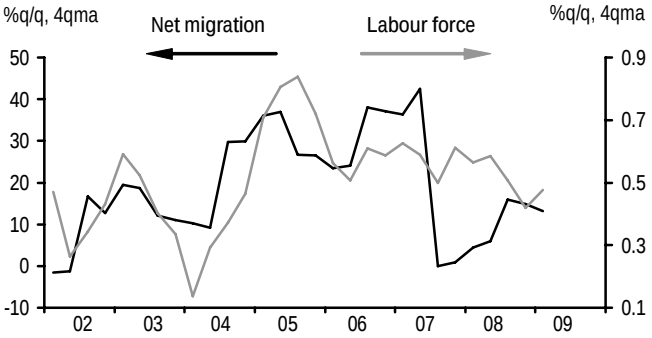
RBA Assistant Governor Debelle's speeches - The Assistant Governor (Financial Markets) will deliver a speech entitled "*Whither Securitisation*" to the the Australian Securitisation Conference on Wednesday. The speech will be followed by a Q&A session. On Thursday, Debelle will be a panel discussant at the Minter Ellison Financial Services Industry Executive Forum. The event is a private panel and may not involve media releases.

Labour price index (%q/q, 3Q) - Wage costs probably rose 0.8%q/q in 3Q, the same rate as in the previous three months. We expect that wage growth remained stable given the unemployment rate rose just 0.1%-pt during that period.

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

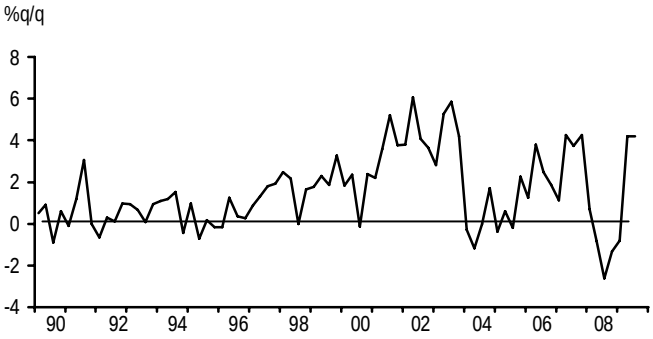
Feature charts

Australia: labour force and net migration



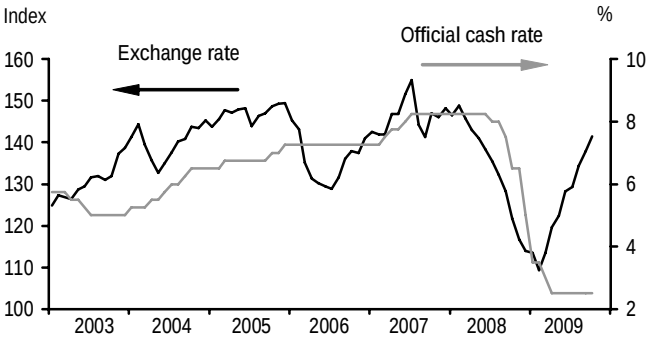
The Australian government has committed to increasing migration flows in the long term in an effort to curb wage cost pressure likely to emerge from a shortage of skilled labour. The resumption of large-scale investment projects, particuarly in the mining sector, will likely bring home familiar labour capacity issues for many employers. The concentration of investment within mining, however, means rapid wage growth will likely be confined to industries affiliated with that sector, at least in the early stages.

Australia: house prices



The last decade in Australia was characterized by low inflation and stable interest rates. One of the downsides of such an environment is that perceived uncertainties regarding the macroeconomic and interest rate outlooks fade away, which encourages speculative investment behaviour and greater debt burdens. This dynamic is particularly evident in the property market— the volatility of house price growth has increased dramatically over this decade. The exaggerated cycle has been helped along by aggressive policy intervention, such as the first home buyers' grant and its expansion last October.

New Zealand: broad effective exchange rate and official cash rate



The divergence between elevated NZD and the outlook for interest rates in New Zealand has been lamented by central bank officials over recent months. As the Kiwi data continues to print mostly on the strong side of expectations, officials will come under pressure to tighten policy earlier than their previously stated timeline of 2H10, in the process validating higher NZD. This would not only hamper growth in the export sector, but create credibility challenges for the RBNZ that would constrain monetary policy in the future.

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

Australia

- **Job data bolstered case for December rate hike**
- **First home buyers made last minute dash for loans**
- **Confidence dips a little after rate hikes**

Ahead of a quiet time this week, the data released in Australia last week generally surprised on the upside. The labour force survey was the highlight, with the spike in employment in October bucking expectations for a fall. The data reaffirmed our view that the RBA will deliver another 25bp rate hike in December, the third in three months. A significant downside surprise on the domestic or offshore economic data is needed for the RBA to sit on the policy sidelines next month.

Employment spiked in October

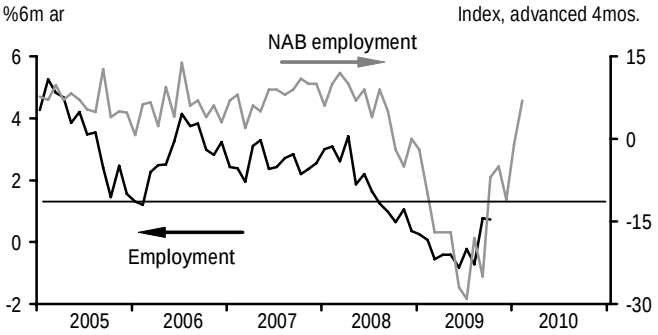
Further evidence was revealed last week that the Aussie economy has emerged from the global downturn largely unscathed. Employment unexpectedly jumped 24,500 in October (J.P. Morgan: -5,000; consensus: -10,000), after a 39,800 bounce in the September. With the participation rate remaining steady at 65.2% (we had expected a small fall), the survey showed a small rise in the unemployment rate, from 5.7% to 5.8% (J.P. Morgan and consensus: 5.8%).

The shift from full-time to part-time jobs resumed in October, after pausing in September. The jump in employment owed mainly to a 21,500 rise in part-time jobs; full-time employment was up 2,900. Casualization of the labour force has been very pronounced in this cycle. The fall in workers' hours has been significant (-1.3%oya in October)—employment has not contracted sharply owing to the shift to more part-time work. With uncertainty surrounding the economic outlook starting to abate, workers' hours probably will increase in 2010, as employers become increasingly confident that the recovery underway will be sustained.

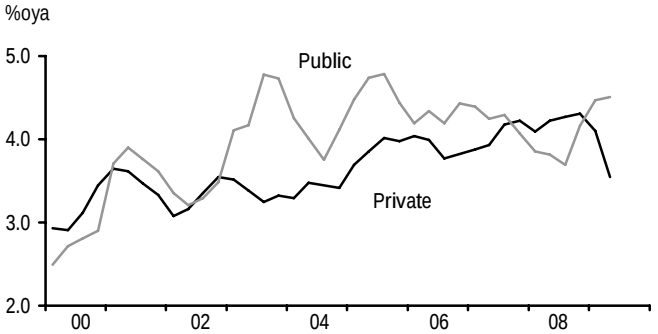
Employment growth also should accelerate in 2H10. This owes mainly to the wave of new natural resource projects getting underway in the near future; employment growth already has resumed in the industries that lead mining. Reflecting this, the jobless rate in Western Australia, the home of the mining industry, dropped from 5.7% to 5.0%, immediately following the recent approval of the A$43 billion Gorgon natural gas project.

Gorgon and the other A$120 billion-worth of approved investment projects point to the reemergence of labour shortages and wage pressures. This will be a concern for the RBA and supports our view that the RBA will continue tightening policy throughout 2010. RBA officials will view the October employment numbers as further confirmation that the crisis that led to the cash rate being slashed to "emergency" levels is well and truly over. The strong growth in employment in October, and the rising threat of wage pressures and capacity constraints down the track, as highlighted by RBA officials last week, reinforces our view that the RBA will continue tightening, albeit "gradually."

Australia: NAB survey and employment growth



Australia: labor price index



Wage pressures subdued.....for now

Australia's labour price index probably rose 0.8%q/q in 3Q, the same rate as in the previous three months. We expect that wage growth remained stable in the September quarter given that the unemployment rate rose just 0.1%-pt during that period. From a year ago, wage growth will have slowed from 3.8% to 3.7%, the slowest rate since the end of 2004. With labour market conditions not deteriorating as rapidly as we had anticipated at the start of the year, wage growth probably will slow only modestly going forward, before accelerating in 2H10. That said, household incomes are still being squeezed due to the considerable fall in workers' hours.

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

Given that the deterioration in the labour market has been mild, with the unemployment rate likely to peak at a much lower rate than we previously forecast and earlier than we (and the RBA) had anticipated, the threat of upward wage pressure will rise during 2010. Skill shortages and capacity constraints will be on the RBA's radar, reinforcing our view that the RBA will continue tightening policy next year.

Surge of FHB borrowing in September

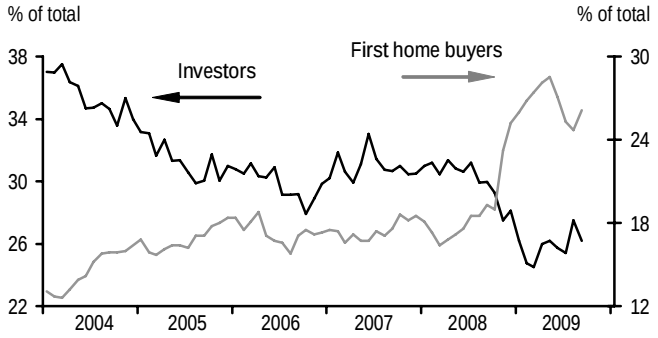
The total number of home loans issued in Australia surged 5.1%m/m in September (J.P. Morgan: 4.0%; consensus: 3.0%), as first home buyer (FHB) demand spiked ahead of the imminent phasing down of the expanded FHBs' grant on October 1. The rise in home loans in September followed two straight months of decline.

As we expected, FHBs accounted for a larger portion of loans issued in September, above 26% of the total compared to below 25% in August. With the expanded portion of the FHBs' grant now being phased down, however, and with mortgage rates rising and bank lending standards having tightened, FHB home loan demand should moderate from here. This demand probably will be further dampened by the government's decision to introduce house price caps on the basic grant of A$7,000 as of December 31. Since last October, when the grant was first expanded, there has been a significant rise in the value of home loans for owner-occupiers. This had appeared to be leveling off in recent months, but a last minute rush of FHBs attempting to take advantage of the fully expanded grant prompted an up-tick in owner-occupier housing finance in September.

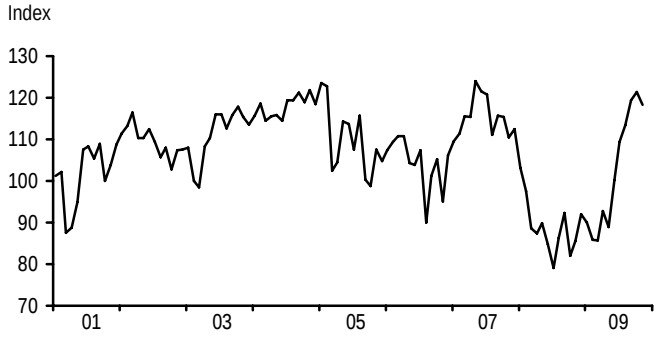
The number of fixed rate loans fell in September. We had expected that more borrowers would have locked in interest rates amid speculation that the official cash rate would rise throughout 4Q09 (the RBA hiked the cash rate 25bp in October and November). Marking the fourth straight monthly fall, fixed rate loans accounted for only 5.6% of all loans issued in September, down from 6.3% in August.

Some softening in demand for housing finance in the near term probably will be welcomed by the RBA. RBA officials have flagged the risks associated with excesses forming in the housing market, with Governor Stevens highlighting the risk that increased housing demand simply may push up prices, without creating enough new dwellings. Indeed, data

Australia: housing finance



Australia: Westpac-Melbourne consumer sentiment index



last week showed nationwide house prices spiked 4.2%q/q in 3Q, the same rate as in the previous quarter.

Aussie consumers less upbeat

The Westpac-Melbourne Institute (WMI) consumer confidence index declined only 2.5%m/m in November (J.P. Morgan: -5.0%), a mild fall given that the RBA hiked the cash rate 25bp earlier in the month on top of the 25bp hike four weeks earlier. According to the WMI, since the RBA began raising rates at the start of October, the confidence index has fallen only 0.8%, similar to the 0.7% fall at the beginning of the last rate hike cycle in 2002.

The WMI index slipped to 118.3, remaining above the neutral level of 100 for the sixth straight month and indicating that optimists continue to outnumber pessimists. This gap probably will close amid expectations of further RBA tightening. All components of the index fell in November, with the largest fall being in sentiment toward family finances a year ahead (-4%), not surprisingly in the wake of the 50bp increase to variable mortgage rates over the last six weeks.

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

Data releases and forecasts

Week of November 16 - 20

Wed Nov 18 10:30am — **WMI leading index**
Seasonally adjusted

	Jun	Jul	Aug	Sep
(%m/m)	1.1	1.4	1.1	—

Wed Nov 18 11:30am — **Labour price index**
Seasonally adjusted

	4Q08	1Q09	2Q09	3Q09
(%q/q)	1.2	0.8	0.8	0.8
(%oya)	4.3	4.2	3.8	3.7

Review of past week's data

ANZ job advertisements

Seasonally adjusted

	Aug	Sep	Oct	
(%m/m)	4.1	4.4	—	*-1.7*

Housing finance approvals: owner occupiers

Number of loans, seasonally adjusted

	Jul		Aug		Sep	
(%m/m)	~~-2.2~~	*-1.6*	~~-0.6~~	*-1.9*	~~4.0~~	*5.1*
(%oya)	~~25.8~~	*26.0*	~~25.8~~	*25.2*	~~31.9~~	*32.7*

NAB monthly business survey

% balance, seasonally adjusted

	Aug	Sep	Oct	
Business confidence	18	14	~~11~~	*16*

WMI consumer confidence survey

100=neutral, seasonally adjusted

	Sep	Oct		Nov	
(%m/m)	5.2	~~1.6~~	*1.8*	~~-5.0~~	*-2.6*

Labour force

Seasonally adjusted

	Aug		Sep		Oct	
Unemployment rate (%)	5.8		5.7		*5.8*	
Employed (000 m/m)	~~-26.1~~	*-24.0*	~~40.6~~	*39.8*	~~-5~~	*24.5*
Participation rate (%)	65.1		65.2		~~65.1~~	*65.2*

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

New Zealand

- **RBNZ warns of risks from loose lending practices**
- **Retail sales growth softer over September month**
- **3Q retail volumes consistent with GDP forecast**

In New Zealand, retail sales growth remained subdued in September, as did sales in volumes terms over the third quarter. The data will be welcomed by the RBNZ, who again last week reiterated that the prospect of more debt-fuelled household exuberance is a key risk to the sustainability of the economic recovery currently underway.

NZ retail sales growth softened

Retail sales values increased a modest 0.2%m/m in September (J.P. Morgan: -0.4%; consensus: 0.4%), which marked a consolidation in sales growth after the 1.1% bounce in August. While underlying sales appeared slightly weaker than the headline figure, and with ex. auto sales flat, this figure was likely depressed by discounting from retailers and softer food prices. Over the quarter however, prices generally rose, which helped push retail sales values up 0.5%m/m, the second consecutive quarter of growth after a year of declines.

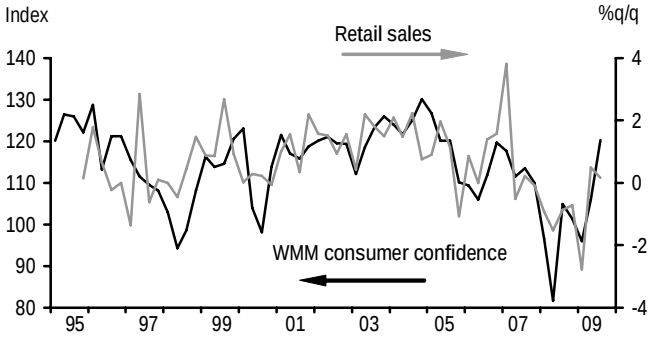
Over the third quarter, retail volumes also came in essentially flat (up 0.1%), slightly better than our forecast (J.P. Morgan: -0.2%q/q). The difference is insufficient to alter the outlook for private consumption, so our forecast for 3Q GDP remains unchanged at 0.5%q/q. We expect consumption growth to strengthen in the quarters ahead due to positive net migration flows, the recent pickup in housing market activity, and a rally in consumer confidence (chart).

Since the economy exited recession in 2Q, the data emerging from New Zealand has strengthened, increasing the chances of earlier policy tightening from the RBNZ. While officials appear concerned by the potentially speedy transition back towards old habits of debt-fueled consumption, and also by financial markets' views on the economy as expressed through the higher currency, we do not think Governor Bollard's hand will be forced just yet. Officials do not want to risk nipping the recovery in the bud and will continue to hose down bullish expectations on the economy and caution against irresponsible consumption through their commentary, rather than through monetary tightening.

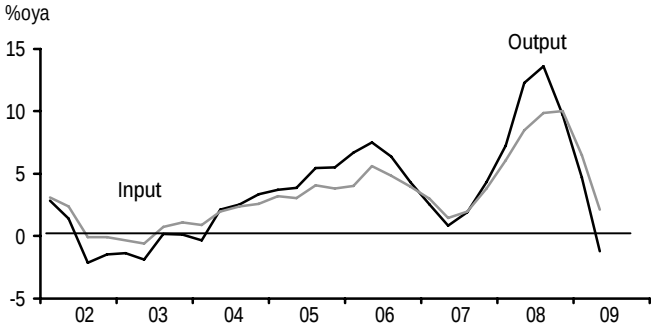
RBNZ concerned about lending practices

The RBNZ last week delivered its semiannual Financial Stability Review. The Review highlighted that global economic

New Zealand: consumer confidence and retail sales volumes



New Zealand: PPI



and financial market conditions have improved, but remain fragile, and that New Zealand's economy had "turned a corner." Strong NZD continues to curb the competitiveness of Kiwi exporters, however, and hampers the rebalancing of economic growth away from domestic consumption, an adjustment the RBNZ long has iterated as needed to promote a sustainable economic recovery. Some rebalancing in the economy does appear to have occurred over the past year, with the current account deficit having narrowed, but NZD strength could hinder further improvement in the nation's external imbalance.

The main concern for the RBNZ remains the prospect of another debt-fueled household spending spree. Indeed, according to the RBNZ, the recent lift in housing activity has increased the risk that consumers may revert to their old borrow-to-spend habits. House prices have been inflated by fewer listings in the market, a lack of supply exacerbated by strong net migration inflows. The recent recovery in the housing market will be limited according to the RBNZ, owing to rising unemployment and, eventually, higher interest rates, which will put stress on those who entered the market in a low interest rate environment. Nonperforming loans already have increased over the last year, with the ratio of

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

NPLs to total lending rising 0.5%-pt to 1.5%, a ratio the RBNZ suggested will not peak until mid-to-late 2010.

Household balance sheets will remain under pressure as unemployment rises and wage growth slows. Part-time employment, the RBNZ highlighted, has risen significantly—the decline in workers' hours has squeezed household incomes. The RBNZ highlighted that per capita incomes have fallen 2% over the past year, the largest decline since 1992, increasing the likelihood of defaults. This explains why the RBNZ is flagging its growing concern about banks becoming more lenient in their lending practices to households, offering home loans with higher loan-to-value ratios.

Part of this stress on household balance sheets has been alleviated by falling mortgage rates, but domestic lending rates now are rising because market pricing implies earlier and more extensive increases in the OCR. More households have moved toward short-term borrowing, however. This, we believe, is a trend the RBNZ wants to see continue for an extended period before the next tightening cycle begins, so that hikes to the OCR, when delivered, get the most bang for their buck.

Our forecast remains that the RBNZ will kick-off the next tightening cycle in July 2010 with a 50bp hike. We acknowledge the risk of an earlier RBNZ rate hike amid a sustained string of firmer consumer-related data, particularly those related to the housing market. Continued strength in the housing market could encourage households to take on more debt, behavior the RBNZ will be prepared to cool by hiking the OCR sooner.

Data releases and forecasts

Week of November 16 - 20

Wed Aug 19 8:45am	**Producer price index** nsa	4Q08	1Q09	2Q09	3Q09
	Inputs (%q/q)	-2.2	-2.5	0.0	*-1.1*
	Outputs (%q/q)	1.4	-1.4	-0.7	*-1.4*
Wed Oct 21 3:00pm	**Credit card spending** % change	Jul	Aug	Sep	Oct
	%oya	-1.9	0.1	-2.3	__

Review of past week's data

QVNZ house prices
%, median

	Aug		Sep		Oct	
(%oya)	-2.8		-1.1		__	*0.2*

Business PMI
Seasonally adjusted

	Aug		Sep		Oct	
Index	~~48.8~~	*48.7*	~~51.7~~	*51.5*	__	*50.6*
(%oya)	~~7.2~~	*7.0*	~~12.1~~	*11.7*	__	*17.6*

Retail trade
Seasonally adjusted

	Jul		Aug		Sep	
(%m/m)	-0.5		1.1		~~-0.4~~	*0.2*
(%oya)	-1.7		-0.6		~~-1.5~~	*-0.4*

Retail trade ex. inflation

	1Q09		2Q09		3Q09	
(%q/q , sa)	~~-2.7~~	*-2.8*	~~0.4~~	*0.5*	~~-0.2~~	*0.1*

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

Global Essay

- **Global businesses are gradually shifting from retrenchment to expansion, notwithstanding continued US job shedding**
- **Euro area exits from recession without expected vigour**
- **Bank of England sounds downbeat but issues robust growth forecast**
- **Impressive October gains suggest EM Asian growth is moderating less than expected**

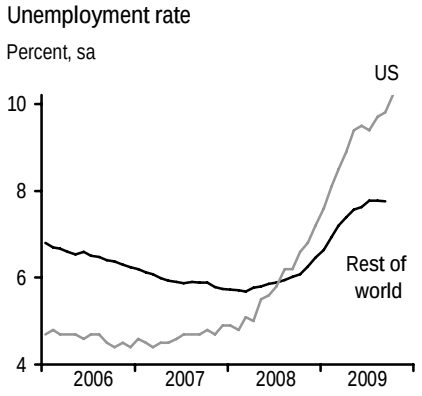
Less risky business

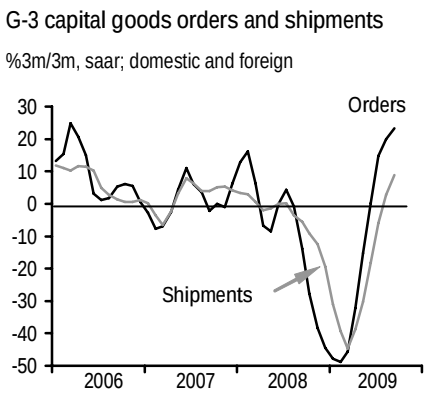
One of this year's key positive surprises has been the rebound in global consumer spending. With financial markets also lifting, this is expected to produce a gradual shift in business behaviour from retrenchment to expansion, most importantly in global labour markets. The extent of this shift in behaviour already in train may not be fully appreciated. Notwithstanding the disappointing October labour market reports in the US, conditions elsewhere are showing clear signs of improvement. The unemployment rate outside the US was stable at 7.8% in 3Q09, and early readings point to continued stability in October. Last week's reports highlighted that a range of countries are now generating job growth, including Australia, China, Korea, the Philippines, Brazil, Chile, and Russia. Japan's labour market appears to have bottomed, as does Germany's. Jobs are still falling in the UK, but the pace has moderated greatly. One common driver of labour market improvement is the sharp reduction in job shedding in the manufacturing sector. Moreover, the continued slide in US jobless claims and the stretched level of labour productivity suggest payrolls will stabilize around the turn of the year.

Although a rebound in business hiring is most important for sustained economic expansion, other aspects of business spending also are important. Capex fell precipitously during the downturn, exerting a severe drag on GDP. Although capex often lags in recoveries, this time the turn has been coincident. It appears that the level of spending has fallen so low that the capital stock is declining in the US, the Euro area, and Japan. With portions of the existing stock likely obsolete, firms are raising investment just to slow the pace of depreciation. Most incoming GDP reports show that capex stabilized or grew in 3Q versus 2Q; meanwhile, G-3 gross capital goods orders—which are a leading indicator of global capex—surged at a 23% annual rate last quarter, pointing to a strong gain in equipment spending in the current quarter.

Business inventory management also is shifting. The more rapid rise in manufacturing output compared with final sales confirms that we are past the peak in global inventory liquidation. Asia has been way out in front, where a dramatic increase in output has sharply narrowed the gap between production and sales. In contrast, the process has just begun elsewhere. The latest data show that the boom in global manufacturing output—the 3Q gain was almost 13% annualized—has carried over to the current quarter. Moreover, provided that final sales continue to grow, the inventory cycle will contribute to growth well into next year, as companies gradually shift from liquidating stocks to growing them in line with sales.

Despite these encouraging developments, the transition in business behaviour to expansion is not complete. The recent slippage in US consumer confidence is a reminder that spending remains vulnerable absent a return to job growth, and highly dependent on policy support. With diminished fiscal support in key countries in the current quarter—including the US (expiration of cash for clunkers) and Japan (the new government has frozen some spending), consumer spending growth is expected to moderate sharply. That said, the early

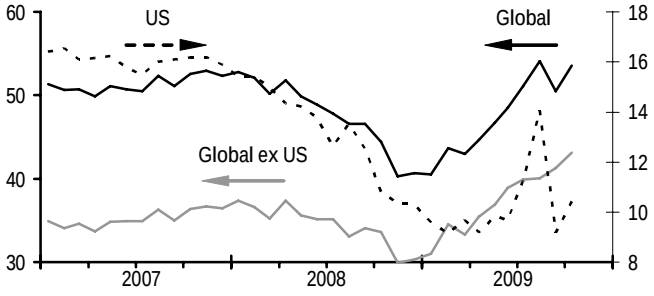




JPMorgan Chase Bank, New York
Bruce Kasman (1-212) 834-5515
bruce.c.kasman@jpmorgan.com
David Hensley (1-212) 834-5516
david.hensley@jpmorgan.com

Vehicle sales

Mn units, saar; both scales



readings on household spending in October have been encouraging. We estimate that global car sales surged 3 million units (saar) last month to a level just shy of August's record high. Retail sales continued to surge in China last month. This week brings October retail sales reports for the US and UK. Core readings, which exclude autos, are expected to be up 0.3%m/m in each country.

Euro area returned to growth in 3Q09

Although the Euro area exited recession in 3Q09, the return to growth was more sluggish than anticipated. After contracting 5% between 1Q08 and 2Q09, GDP increased at a 1.5% annualized pace last quarter. The gain fell well short of our forecast, which was based on the double-digit IP increase in the region. Given the strength of manufacturing, output in construction and services was apparently very weak. The weakness in services is puzzling given the normal cyclical links between industry and parts of the service sector.

The GDP results reinforce consensus expectations that the upswing in activity will be lackluster and uneven, and thus present a challenge to our more upbeat forecast for the coming year. For now, we maintain our view for a solid Euro area recovery, based on the belief that a strong rebound in global trade will act as a catalyst for corporate spending. The monthly data flow appears to be tracking our view, with exports, capital goods orders, and production all pointing to robust growth, notwithstanding the disappointing 3Q09 GDP report. The best way to track whether growth will achieve our forecast for near 3% growth is the composite PMI, which should rise from its current level of 53 to near 55.

BoE Inflation Report sends mixed signal

Although the presentation of last week's Bank of England Inflation Report was rather downbeat, the document's growth forecasts were quite upbeat. On the basis of an unchanged policy stance, the MPC projects GDP growth picking up to a 4% to 5% annualized pace from next spring and staying at that pace until the end of the forecast horizon in 4Q11. Moreover, under those same policy assumptions, the MPC believes that there is a greater likelihood of inflation being above 4% at the end of 2011 than below 0%. The report's more subdued tone reflects the MPC's perception that risks are skewed to the downside and that, even though growth may be turn out to be reasonably strong, the level of GDP will remain a lot lower than it would otherwise have been. Although the language in the report appears inconsistent with our projection that the MPC will begin tightening in the third quarter of next year—indeed, Governor King sounded reticent to tighten policy any time soon—the forecasts are aligned with our rate view.

Japan sentiment stalls despite solid data

The corporate adjustments needed for a sustained economic recovery are well under way in Japan. On the back of a surge in factory output, we project GDP jumped 3% annualized in 3Q09 (out today). The manufacturing boom has moderated but output was still rising at a 2% monthly pace in September as businesses continued to stem inventory losses. The resulting improvement in labour markets is generating gains in domestic income that are, in turn, lifting consumer spending. In addition, last week's robust machinery orders report underscores that the lift to manufacturers from rising global demand is continuing and that domestic capital expenditures likely bottomed last quarter. We maintain our view that GDP will post a strong 2.5% annualized gain this quarter.

Despite the improvements in the hard data, downside risks remain, particularly through early 2010. Fiscal stimulus is projected to slip in 4Q09 and 1Q10 before picking up again in 2Q10 with the start of the new fiscal year. The strengthening currency and uncertainty over the economic recovery in the US and Europe likely are dampening sentiment in the export sector, while an acceleration in the pace of deflation presents considerable challenges. These concerns may explain the recent stall in consumer and small firm sentiment.

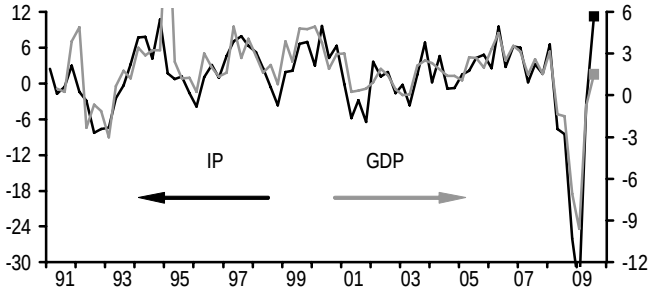
China grows and stays growth-friendly

China's October data confirmed that the economy's momentum remains solid. Concerns that the weeklong holiday would hold down October activity did not prove justified, with the strong gains in September being extended further.

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

Euro area IP and GDP

%q/q, both scales; IP is wtd avg of national releases



China's export gains in October echo the upside surprises in Korea and Taiwan. The latest round of Chinese data also featured impressive retail sales growth and a further uptick in real estate investment, all of which support the J.P. Morgan view that the sources of growth in the Chinese economy have broadened.

On policy, the turn for China continues to be a very gradual one. Along with the PBoC's steady withdrawal of excess liquidity through open market operations, the sequential trend growth rates in M2 money supply and total bank loans have moderated recently. The growth-inflation balance improved somewhat in October, with notable easing in the pace of the sequential gain in food prices and the PPI, which underscores the low probability of near-term rate hikes. As for CNY, the central bank's 3Q monetary policy report released last week lays the groundwork for a resumption of gradual appreciation in the exchange rate. But our view is that this will only begin sometime in 2Q10 once oya export growth resumes and officials become convinced that the global recovery is on sure footing.

Central Europe exits recession in stages

Third-quarter GDP data showed that countries with IMF-imposed fiscal restraints and a large share of FX borrowing, namely Hungary and Romania, remained in recession, although the pace of contraction eased. The magnitude of fiscal tightening has been by far the greatest in Hungary and this is the main reason for its underperformance. (Hungary's cyclically adjusted primary budget balance improved to 4.5% of GDP over the past two years.) The recovery in the rest of Central Europe has been more closely aligned with the Euro area cycle as governments have been able to enact modest fiscal stimulus. Slovakia and the Czech Republic each recorded growth of more than 3% annualized in 3Q, and we expect the region's largest economy, Poland, to grow at an annual rate close to 5% annualized when it reports GDP figures at the end of month. All Central European countries are forecast to return to growth in 2010, but Hungary and Romania are likely to continue to lag the others.

Brazil signals tightening not yet in sight

Last week's data flow reaffirmed that Brazil is enjoying an enviable combination of strong growth and tame inflation. The absence of inflation pressures has limited the rise in market inflation expectations (currently at a below-target 4.46% for 2010 versus 4.30% a month ago), keeping the central bank from signaling a preemptive tightening. Against this backdrop, our call for a January rate hike is being challenged, but we still believe that the rapid increase in utilization rates, continued deterioration in fiscal policy, and the marginal increase in official inflation forecasts will trigger a change in tone by the December COPOM meeting, opening the way for a rate hike soon after.

In contrast, Chile's central bank continues to signal its intention to start hiking policy rates in 2Q10. Although BCCh left rates unchanged at 0.50% last week, it announced the reduction of the maximum term of the FLAP loan facility from 180 to 150 days starting in December, after which it will continue reducing it by 30 days each month until the liquidity facility is extinguished in May 2010. This leaves open the possibility that rate hikes will start by the end of 2Q10, in line with our forecast. BCCh stated that the pace of policy rate normalization would be more gradual than the pace implicit in the prices of financial assets. Despite this, market participants will remain wary if the economic recovery accelerates in tandem with the above-potential growth in many of Chile's trading partners expected in the quarters ahead.

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

FAQs on asset reflation

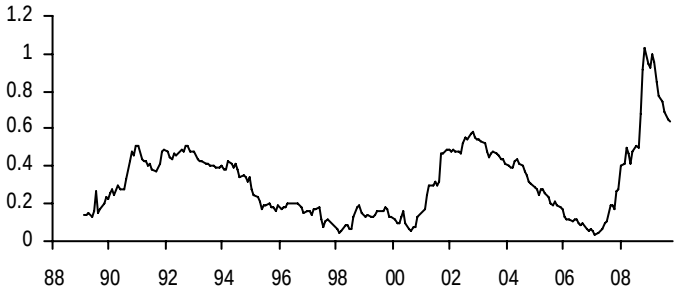
- **Portfolio strategy:** Low-for-long monetary policy rates and declining uncertainty favour further risk premia compression.
- **Fixed income:** Open short in 2-year USTs. Within EMU, we overweight Ireland and Italy but we prefer to position for this through CDS.
- **Equities:** Asset reflation favours the high-risk, high-beta parts of the equity market.
- **Credit:** European credit 2010 outlook—stay overweight Financials focusing on Lower Tier II, Tier I issued in 2009, and distressed Financials within HY.
- **FX:** We stay short USD medium term and focus on cross-rates where interest rate markets looked mispriced.
- **Alternatives:** Stay short oil, but long base metals and agricultural products.

Another week without great surprises from economic data, but again a week where virtually all asset classes are up in price. This fits our asset reflation strategy very well, which is based on falling uncertainty and steady/unsurprising growth, inducing a flight from zero-return cash into just about any asset with a pulse, or a yield. This strategy has raised many questions, if not criticisms, that we will try to address here.

- **What is asset reflation?** It is the broad rally in all major asset classes—bonds, equities, and alternatives.
- **What drives it?** A record low return on cash and falling uncertainty and volatility are inducing investors to flee into any asset that promises positive returns. We do not need economic data to surprise on the upside. It is enough and even better if data merely come out as expected.
- **What assets gain most?** The higher the yield and risk on the asset, the higher the return from asset reflation.
- **What will upset it?** Uncertainty from either renewed downside risks on the economy, or sudden rises in inflation risks that require premature rate hikes. Several central banks have started hiking rates and will be joined by others in coming months. Will that not upset the asset reflation trade? No offense, but it is only the monetary policy rates of the biggest central banks that matter here. And what about major central banks starting the normalization process by removing excess liquidity and reserves or the unwinding of money market support measures? By our thinking, it is the price of money, rather than its quantity, that matters most. Hence, mopping up excess reserves without pushing up money rates should not impede asset reflation.
- **Aren't central banks again committing the sins of the past by keeping borrowing costs low?** It may seem like this, but excessive private sector borrowing is clearly not the problem now. Au contraire! The sins of the past only become a danger if rates are kept too low in the face of rising inflation risks.
- **Won't asset inflation by itself force central banks to hike?** Not directly, in our mind. It is the economy and goods and services inflation that are the mandate of

Slope of the risk-return tradeoff line

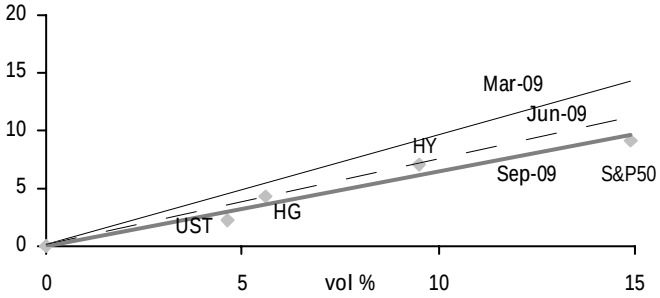
Required return per unit of risk



Note: The slope is calculated by applying a linear regression of the IRR of various assets against their historical vol.
Source: J.P. Morgan

Risk-return tradeoff line

IRR %



Note: IRRs are calculated as current yield, minus expected default or downgrade losses in the case of credit. The IRR for equities is earnings yield based on trend operating earnings, plus expected long-term inflation. The x-axis is historical vol.
Source: J.P. Morgan

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

central banks. Admittedly, the asset cycles of the past two decades have taught policymakers to pay more attention to asset prices as a driver of the business cycle. They are thus more likely now to use asset prices as an early warning device, but will not likely hike to contain asset reflation for its own sake.

- **Isn't the weak dollar the real cause of a new asset price bubble, creating negative borrowing costs, as it has been claimed?** We do not think so, at least not directly. It is not because the dollar has slipped 7% against the euro this year that somebody funding the purchase of bonds in dollars would have considered this a 7% funding subsidy. Shorting the dollar and buying bonds are two very separate trades. What is correct, though, is that a weak dollar, combined with a reluctance by a number of EM central banks to allow their currencies to appreciate, has forced them to buy dollars that are then at least partly invested in bonds. Pegging your currency to the dollar means you import US monetary policy and stimulus.

- **Isn't asset reflation just the next asset bubble?** Not yet, and with good timing and fortune, we can avoid the eventual normalization that punctures this balloon. A rally becomes a bubble when excessive leverage is applied and carry becomes negative. We are quite far from there.

- **Haven't assets got ahead of fundamentals and the economy?** To some degree, yes. But that is exactly the purpose. It is through monetary stimulus that central banks improve lending conditions and asset values, which in turn boost spending. However, we do think that investors will become more discriminating over time. This is particularly pertinent for government bonds, which remain near all-time low yields despite all-time-high issuance. Obviously QE has made a great difference here. Still, QE buying should stop in 1Q. It is then that we expect government bonds to escape the clutches of asset reflation and to start moving up in yield and down in price, even if only gradually.

Fixed income

The main theme across much of our global bond strategy is **carry and yield compression**. The search for yield among bond managers makes us focus our longs in the higher-yielding markets in EMU as well as select EM local markets––South Africa and Russia. Within EMU, we overweight Ireland and Italy, but we prefer to position for this through CDS rather than cash spread tighteners. In the US we turn negative on 2-year USTs as the yield rallied to well below our target and below its recent range.

Equities

With economic data coming broadly in line with expectations, asset reflation and risk premia compression have become more important forces for equity markets. **Asset reflation favours the high-risk, high-beta parts of the equity market**, i.e., small caps versus large caps, cyclicals versus non-cyclicals, and EM versus developed markets.

Retail flows into equity funds picked up last week. We need to wait for a few more weeks to see if a new trend is emerging. Retail investors have been reluctant buyers of equities so far and have deployed most of their excess cash into bonds. In contrast, the **tactical flow remains supportive for equities** as equity hedge funds appear to have been steadily increasing their equity exposure since April. The 21-day rolling beta of equity long-short hedge funds with respect to the equity market reached its highest level since January 2008.

We stay long **Energy** and **Technology** across sectors. An analysis of US sector performance following seven major market bottoms since 1974 shows that the best two performing sectors were Energy and Technology in the 6th to 12th month following the market bottom (see *Guide to Stock Bottoms: Part II*, Tom Lee, May 12). Indeed, since Sep 9, six months following the equity market bottom, both Energy and Technology have outperformed MSCI World with Energy being the best performing sector.

Credit

Credit spreads are little changed over the past two weeks. We **stay long** as both flows and fundamentals remain supportive.

Looking into 2010, our European credit strategy team continues to favour Financials versus Industrials as the main 2010 investment theme (see *European Credit Outlook & Strategy 2010*, Steve Dulake et al). Within European Financials, the preferred sectors are Lower Tier II and Tier I issued in 2009 due to limited issuance. In contrast, expected high issuance and a modest yield make senior bank debt less attractive.

The **potential of overall spread tightening for 2010 is waning**, though, as European credit spreads have broken the 100bp mark over swaps, approaching their historical average

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

of 50bp before the crisis erupted.

Net **issuance** of European non-Financial corporate bonds is expected to shrink 20% from €132 billion to €104 billion, but remain elevated, well above historical levels, as firms continue to reduce their reliance on bank lending. We see corporates raising around 60% of their financing needs in the bond market rather than the average 25% in the past. At the same time, the portion of lower-rated and cyclical names is expected to increase.

For **Euro HY**, we think 2010 net bond issuance is likely to be heavy, due to "crossover" issuers, which were downgraded from HG into HY during the downturn, and loan refinancing. We expect net issuance of €29 billion for Euro HY bonds compared to €21 billion year-to-date. Within the asset class, we recommmend subordinated bonds in good companies and distressed Financials.

Foreign exchange

Inevitably in November the issue of year-end seasonality resurfaces. For all markets, the question is whether outsized moves year-to-date reverse in December. For currencies, the additional apprehension is that year-end flows lend some pairs a consistent bias. Neither effect is large. The better trade is to sell front-end vol, as a means of both earning premium during a consolidation phase and cheapening medium-term term bearish structures. The disconnect between frothy markets and poor data cautions against assuming that dollar weakness will continue uninterrupted into 2010.

Our strategy has centered on three themes: **(1) a basket of medium-term USD shorts through options** (one-touches in AUD/USD and USD/CAD, call spread in EUR/USD); **(2) cash positions in cross-rates where interest rate markets looked mispriced** relative to the batting order of central bank tightening (short GBP/NOK, long AUD/NZD, and short NZD/NOK); and **(3) minimal cash USD shorts** (versus CAD) in case excess liquidity sustained USD weakness even in the face of dollar-bullish data. Last week we added a fourth leg: exploiting the outsize moves in front-end vols and skews by selling 2-month USD calls with RKIs in AUD and EUR. Front-end vols have declined and skews reversed in some pairs but remain high enough to cheapen several additional bearish USD trades. Specifically we buy a 2-month EUR/JPY range binary; 6-month USD/CHF and USD/SEK puts with 1-mo window knock-outs; and a GBP/USD risk reversal with an RKO on the upper strike and RKI on the lower.

Ten-year Government bond yields

	Current	Dec 09	Mar 10	Jun 10	Sep 10
United States	3.45	3.50	3.75	4.00	4.25
Euro area	3.38	3.30	3.30	3.40	3.45
United Kingdom	3.80	3.95	4.10	4.30	4.45
Japan	1.34	1.40	1.30	1.40	1.50

Credit markets

	Current	YTD Return
US high grade (bp over UST)	189	16.4%
US high grade (bp over swaps)	172	
Euro high grade all (bp over swaps)	98	14.2%
USD high yield (bp vs. UST)	742	53.2%
EMBIG (bp vs. UST)	315	27.5%

Foreign exchange

	Current	Dec 09	Mar 10	Jun 10	Sep 10
EUR/USD	1.49	1.50	1.50	1.47	1.45
USD/JPY	89.6	89	91	97	100
GBP/USD	1.67	1.63	1.60	1.58	1.58

Commodities - quarterly average

	Current	09Q4	10Q1	10Q2	10Q3
WTI ($/bbl)	77	70	70	65	70
Gold ($/oz)	1116	1000	1050	1000	1000
Copper($/m ton)	6481	5950	6250	6000	5750
Corn ($/Bu)	3.88	3.65	4.00	4.15	4.05

Source: J.P. Morgan, Bloomberg, Datastream

Alternatives

Commodity prices were close to flat last week. **Crude oil** prices were down significantly on Thursday due to a large increase in stockpiles. Refining activity in the US went down to its lowest level in more than a year. We stay short oil, as total crude/product inventories are likely to remain high longer. In our view, the market overreacted to the declines in US petrol inventories last month, but this downward trend has reversed in the past reports. We stay overall neutral commodities, as we remain long both base metals and agricultural commodities.

The discussion on the new **hedge fund regulation** in Europe continues to progress. The addition of remuneration rules was a surprising change. These rules may not be excessively restrictive and will be similar to likely rules for bank remuneration. However, this inclusion will provide added motivation for managers that were already considering leaving Europe on other grounds, such as taxation. Overall, the directive will be a significant improvement over the previous proposal, as most of the distortions in the original draft will be corrected.

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	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	3Q09	4Q09	2Q10	4Q10
The Americas														
United States	0.4	-2.4	3.3	-0.7	3.5	3.5	3.0	4.0	4.0	3.5	-1.6	1.2	2.1	1.0
Canada	0.4	-2.6	2.4	-3.4	0.5	3.0	3.0	3.0	3.5	4.0	-0.9	0.8	1.4	2.3
Latin America	3.8	-3.1	3.9	0.8	6.0	5.6	4.7	3.2	3.9	2.3	5.9	5.6	6.9	7.0
Argentina	6.8	-4.5	2.5	1.1	-10.0	-4.0	12.0	10.0	6.0	4.0	6.0	6.0	10.0	10.2
Brazil	5.1	0.3	5.0	7.8	7.2	6.7	4.3	5.0	4.0	4.0	4.3	4.2	4.5	4.7
Chile	3.2	-1.5	5.0	-1.4	9.0	6.0	6.0	5.0	3.0	3.0	-0.5	-1.5	2.0	3.0
Colombia	2.4	-0.5	3.0	2.7	1.9	3.2	3.5	4.3	5.5	4.5	3.2	3.3	3.9	4.3
Ecuador	6.5	-1.0	1.5	-1.0	-2.0	0.0	2.0	2.5	4.0	4.0	3.4	3.5	2.4	4.0
Mexico	1.3	-7.0	3.5	-4.4	10.1	7.5	3.7	-0.6	3.3	-0.9	5.1	4.6	5.3	5.2
Peru	9.8	1.0	5.4	-1.6	8.0	13.0	3.0	3.5	3.5	4.0	1.9	1.1	1.5	2.0
Venezuela	4.8	-1.5	2.5	-3.3	0.0	2.0	3.0	4.0	4.0	6.0	28.7	29.1	34.4	35.0
Asia/Pacific														
Japan	-0.7	-5.6	2.2	2.3	3.0	2.5	2.5	1.5	1.5	2.0	-2.2	-1.8	-1.8	-1.3
Australia	2.4	1.0	2.9	2.5	1.2	3.8	2.1	2.4	4.4	6.2	0.7	1.5	1.9	2.6
New Zealand	0.1	-1.3	2.8	0.3	2.5	2.1	2.6	4.3	3.4	2.8	0.9	1.8	1.6	1.7
Asia ex Japan	5.8	4.1 ↓	7.3 ↓	12.7 ↑	9.5 ↓	5.3	6.8	7.0	7.3	7.0	0.8	2.0	3.5	3.2
China	9.0	8.6	9.5	14.8	10.0	9.1	9.0	9.5	9.3	8.7	-1.3	0.9	3.2	2.7
Hong Kong	2.4	-3.3 ↓	4.5 ↓	14.8 ↑	1.6 ↓	5.0	4.2	4.0	3.8	3.5	-0.9 ↓	-0.4	0.6	2.1
India	6.1	6.0	7.5	6.7	9.0	-1.0	10.0	7.0	9.6	9.0	7.6	7.4	6.3	4.7
Indonesia	6.1	4.3	5.3	4.3 ↑	5.3 ↓	3.5	5.5	6.0	6.0	6.0	2.8	2.8	4.9	6.0
Korea	2.2	0.2	4.7	11.0	12.3	4.0	2.0	3.5	3.5	3.5	2.0	2.5	3.0	3.3
Malaysia	4.6	-3.0	5.0	12.8	6.1	4.5	1.6	4.9	4.9	4.9	-2.6	-1.2	0.5	1.5
Philippines	3.8	1.5	5.0	10.0	4.0	4.0	5.0	5.0	5.0	5.0	2.3	3.0	3.6	3.7
Singapore	1.1	-2.0	6.5	20.7	14.9	-2.0	4.1	7.4	8.2	8.2	-0.6	-0.8	1.9	1.8
Taiwan	0.1	-3.8	5.8	20.7	11.5	4.2	3.8	4.0	3.8	3.8	-1.3	-1.0	1.8	2.1
Thailand	2.6	-3.1	6.1	9.6	7.0	5.3	4.9	5.7	7.0	7.0	-2.1	1.4	4.6	4.0
Africa/Middle East														
Israel	4.0	0.0	3.0	1.0	1.5	2.5	3.0	3.0	3.0	3.0	3.2	3.3	3.4	3.3
South Africa	3.1	-2.0	3.0	-3.0	0.5	3.4	4.4	3.8	3.6	4.1	6.4	6.2	4.3	4.8
Europe														
Euro area	0.6	-3.9 ↓	2.5 ↓	-0.7	1.5 ↓	2.5	3.0	3.0	3.0	2.5	-0.4	0.3	0.9	1.2
Germany	1.0	-4.7 ↓	3.4 ↓	1.8 ↑	2.9 ↓	4.0	3.5	3.5	3.5	2.5	-0.4	0.3	0.5	0.3
France	0.3	-2.3 ↓	2.5 ↓	1.1	1.1 ↓	2.5	3.0	3.0	3.0	2.5	-0.5	0.6	1.0	0.7
Italy	-1.0	-4.8 ↑	1.7 ↑	-1.9 ↑	2.4 ↑	1.0	2.0	2.0	2.0	2.5	0.1	1.0	1.4	1.0
Norway	2.5	-1.1	2.9 ↑	1.3	3.0 ↑	3.0	3.0	3.0	3.0	3.0	1.8 ↑	1.3 ↑	1.0	0.4
Sweden	-0.4	-4.2 ↑	3.4 ↑	0.6	3.0 ↑	4.0	4.0	3.5	3.5	3.0	-1.1 ↓	-0.3 ↓	0.8 ↓	0.5
Switzerland	1.8	-1.3	2.2	-1.0	1.8	2.3	2.5	2.5	3.0	3.0	-0.9	-0.3	0.7	0.7
United Kingdom	0.6	-4.7	1.6	-2.3	-1.6	2.0	2.0	2.5	2.8	3.5	1.5	2.2	2.3	1.4
Emerging Europe	4.1	-5.3 ↓	4.0	2.1	4.7 ↓	4.9 ↑	3.4 ↑	3.2	3.3	3.6 ↑	7.0	6.2	5.2	5.3
Bulgaria	6.1	-5.8	-2.0	...	...	...	...	...	...	...	...	...	...	...
Czech Republic	2.7	-4.0	2.5	1.2 ↑	3.2 ↓	5.0	2.8	2.5	2.2	2.0	0.1	0.6	1.9	3.6
Hungary	0.6	-6.5 ↓	1.0	-7.9	-7.0 ↓	3.5 ↑	3.0 ↑	2.5 ↑	2.5	3.5 ↑	5.0	5.1	3.7	2.8
Poland	5.0	1.7	3.2	2.8	5.5	3.0	2.5	3.0	3.5	3.5	3.5	3.4	2.1	2.3
Romania	7.1	-6.0	2.0	...	...	...	...	...	...	...	5.0 ↑	4.7	5.5	6.5
Russia	5.6	-8.5	5.0	4.5 ↓	7.9 ↓	6.5	4.5	4.0	4.0	4.5	11.4	9.5	7.0	7.4
Turkey	0.9	-5.3	5.0	...	...	...	...	...	...	...	5.4	5.0	6.3	5.2
Global	1.3	-2.6 ↓	3.3 ↓	1.3	3.4 ↓	3.4	3.4	3.6	3.7	3.5	-0.1	1.1	1.8	1.6
Developed markets	0.4	-3.4	2.7 ↓	-0.4	2.3 ↓	2.9	2.8	3.1	3.2	3.0	-1.0	0.5	1.1	0.8
Emerging markets	4.9	0.6	5.8	7.5	7.5 ↓	5.3 ↑	5.6	5.3	5.7	5.1	3.2	3.6	4.5	4.4

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	Dec 09	Mar 10	Jun 10	Sep 10	Dec 10
Global	GDP-weighted average	1.31	-341				1.30	1.32	1.37	1.44	1.49
excluding US	GDP-weighted average	1.87	-257				1.85	1.89	1.96	2.06	2.14
Developed	GDP-weighted average	0.49	-365				0.50	0.51	0.52	0.54	0.57
Emerging	GDP-weighted average	4.55	-245				4.48	4.57	4.76	5.00	5.19
Latin America	GDP-weighted average	5.75	-306				5.75	6.13	6.66	6.94	7.03
CEEMEA	GDP-weighted average	4.82	-218				4.52	4.36	4.46	4.82	5.11
EM Asia	GDP-weighted average	4.00	-232				4.00	4.07	4.17	4.34	4.53
The Americas	GDP-weighted average	0.75	-484				0.75	0.79	0.85	0.88	0.89
United States	Federal funds rate	0.125	-512.5	16 Dec 08 (-87.5bp)	16 Dec 09	on hold	0.125	0.125	0.125	0.125	0.125
Canada	Overnight funding rate	0.25	-425	21 Apr 09 (-25bp)	8 Dec 09	on hold	0.25	0.25	0.25	0.25	0.25
Brazil	SELIC overnight rate	8.75	-275	22 Jul 09 (-50bp)	9 Dec 09	Jan 10 (+50bp)	8.75	9.75	10.75	10.75	10.75
Mexico	Repo rate	4.50	-275	17 Jul 09 (-25bp)	27 Nov 09	Jun 10 (+25bp)	4.50	4.50	4.75	5.25	5.25
Chile	Discount rate	0.50	-500	9 Jul 09 (-25bp)	10 Dec 09	2Q 10 (+50bp)	0.50	0.50	1.00	2.00	3.50
Colombia	Repo rate	4.00	-525	25 Sep 09 (-50bp)	20 Nov 09	on hold	4.00	4.00	4.00	4.00	4.00
Peru	Reference rate	1.25	-350	6 Aug 09 (-75bp)	10 Dec 09	on hold	1.25	1.25	1.25	1.25	1.25
Europe/Africa	GDP-weighted average	1.37	-322				1.33	1.32	1.33	1.42	1.49
Euro area	Refi rate	1.00	-300	7 May 09 (-25bp)	3 Dec 09	on hold	1.00	1.00	1.00	1.00	1.00
United Kingdom	Repo rate	0.50	-525	5 Mar 09 (-50bp)	10 Dec 09	3Q 10 (+25bp)	0.50	0.50	0.50	0.75	1.00
Sweden	Repo rate	0.25	-325	2 Jul 09 (-25bp)	16 Dec 09	on hold	0.25	0.25	0.25	0.25	0.25
Norway	Deposit rate	1.50	-325	28 Oct 09 (+25bp)	16 Dec 09	3 Feb 10 (+25bp)	1.50	1.75	2.00	2.25	2.25
Czech Republic	2-week repo rate	1.25	-200	6 Aug 09 (-25bp)	16 Dec 09	2Q 10 (+25bp)	1.25	1.25	1.75	2.50	3.00
Hungary	2-week deposit rate	7.00	-75	19 Oct 09 (-50bp)	24 Nov 09	24 Nov 09 (-50bp)	6.00	5.50	5.50	5.50	5.50
Israel	Base rate	0.75	-325	23 Aug 09 (+25bp)	26 Nov 09	1Q 10 (+25bp)	0.75	1.25	2.25	3.25	4.00
Poland	7-day intervention rate	3.50	-125	24 Jun 09 (-25bp)	26 Nov 09	3Q 10 (+25bp)	3.50	3.50	3.50	4.00	4.50
Romania	Base rate	8.00	100	29 Sep 09 (-50bp)	5 Jan 09	1Q 10 (-25bp)	8.00	7.75	7.50	7.25	7.00
Russia	1-week deposit rate	4.75	150	29 Oct 09 (-50bp)	4Q 09	4Q 09 (-50bp)	4.25	3.75	3.75	3.75	3.75
South Africa	Repo rate	7.00	-300	13 Aug 09 (-50bp)	17 Nov 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	6.75	-1075	15 Oct 09 (-50bp)	19 Nov 09	19 Nov 09 (-25bp)	6.50	6.50	6.50	7.50	8.00
Asia/Pacific	GDP-weighted average	2.08	-147				2.09	2.14	2.21	2.31	2.42
Australia	Cash rate	3.50	-300	3 Nov 09 (+25bp)	1 Dec 09	1 Dec 09 (+25bp)	3.75	4.00	4.50	4.75	5.00
New Zealand	Cash rate	2.50	-575	30 Apr 09 (-50bp)	9 Dec 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)	20 Nov 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)	17 Dec 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)	9 Dec 09	1Q 10 (+25bp)	2.00	2.25	2.50	2.75	3.00
Indonesia	BI rate	6.50	-175	5 Aug 09 (-25bp)	3 Dec 09	on hold	6.50	6.50	6.50	6.50	6.50
India	Repo rate	4.75	-300	21 Apr 09 (-25bp)	1Q 10	1Q 10 (+25bp)	4.75	5.00	5.25	5.25	5.25
Malaysia	Overnight policy rate	2.00	-150	24 Feb 09 (-50bp)	24 Nov 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)	17 Dec 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)	2 Dec 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.

JPMorgan Australia Ltd., 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	1.8	2.6	4.5	5.0	3.7	2.5	1.5	1.3	2.2	2.5	2.6	2.5	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	3.5	4.8	7.8	7.0	4.1	3.4	3.2	3.3	4.0	4.4	4.8	5.0	5.0
10-year bond yield (%)*	5.6	5.1	5.8	6.5	5.4	4.0	4.2	5.1	5.4	5.8	5.9	5.8	5.8	5.8
US$/A$*	0.75	0.81	0.94	0.74	0.77	0.65	0.66	0.76	0.92	0.90	0.92	0.93	0.94	0.95
Commonwealth budget (FY, A$ bil)	13.5	-27.1	-42.6											
as % of GDP	1.1	-2.3	-3.4											
Unemployment rate	4.3	5.8	6.4	4.2	4.2	4.5	5.3	5.7	5.9	6.3	6.4	6.5	6..5	6.3
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 brightened 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 has tumbled.
- 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 now is starting to wind back the fiscal stimulus.

JPMorgan Australia Ltd., 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	2.3	3.3	2.9	3.0	3.7	2.7
Private consumption	-0.1	-0.8	2.1	-2.0	-0.1	-0.6	-4.8	1.7	2.1	2.4	1.8	2.3	2.1	1.5
Fixed Investment	-4.3	-14.8	-2.2	7.0	-29.9	-17.8	-20.4	0.3	-15.0	-7.7	-1.0	4.3	4.0	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	-2.7	18.9	-31	-10.3	-24.0	2.5	-16.0	-8.0	-2.0	4.0	3.2	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	7.6	-2.7	-9.2	-12.4	2.6	20.3	11.0	10.0	4.0	4.0	7.0	9.0
Imports of goods & services	2.5	-16.3	5.7	4.8	-20.6	-24.3	-29.2	-14.2	9.0	9.0	4.0	9.0	7.0	6.0
Contributions to GDP growth:														
Domestic final sales	1.0	-5.4	0.4	1.8	-10.0	-6.4	-9.7	-0.4	-3.0	-0.7	0.5	2.2	2.1	2.0
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	7.0	0.6	-2.7	6.1	6.3	13.3	11.3	0.7	0.4	0.0	-1.5	0.0	1.0
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	2.6	2.4	6.7	6.2	-1.8	1.1	2.3	5.3	1.6	2.0	2.0	2.5	2.5
%oya	4.0	2.3	2.5	4.0	5.1	3.4	3.0	1.9	1.7	2.6	2.8	2.7	2.0	2.3
Trade balance (NZ$ bil, sa)	-2.3	4.3	2.2	-1.1	-0.8	-0.1	0.8	0.8	1.5	1.1	0.7	0.6	0.5	0.4
Current account (NZ$ bil, sa)	-15.9	-3.7	-8.3	-4.6	-4.1	-3.6	-1.2	-2.1	-0.6	0.2	-0.4	-5.2	-0.8	-1.9
as % of GDP	-8.9	-1.6	-4.0	-10.4	-9.2	-8.1	-4.7	-1.4	0.5	-0.8	-1.7	-4.0	-4.9	-5.1
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.
- **Retail sales volumes** rose just 0.1%q/q in 3Q, and will likely remain subdued given the continued deterioration in the labour market. We expect the unemployment rate to peak close to 7.6% in 2010.
- The **RBNZ** has delivered 575bp of policy easing since mid-2008. We believe that the OCR, currently at 2.5%, is the terminal cash rate in this cycle, and the RBNZ will begin tightening policy in mid-2010. The recent pick up in housing market activity, if continued into 2010, will increase the risk of an earlier move from the RBNZ.
- **Inflation** remained in the bottom half of the RBNZ's 1-3%oya target range in 3Q. The 1.7%oya headline was lifted by one-off influences that pushed prices higher. Nontradable inflation remained elevated but has come down significantly in recent quarters and should meander even lower.

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

Australia and New Zealand economic calendar

Monday	Tuesday	Wednesday	Thursday	Friday
16 Nov New Zealand: PPI (10: 45 am)	17 Nov Australia: RBA Board minutes (11:30am) Nov	18 Nov Australia: Westpac leading index (10::30 am) Sep Labor price index (10: 30am) 3Q 0.8 %q/q, sa	19 Nov	20 Nov New Zealand: Credit card spending (2:00 pm) Oct
23 Nov Australia: New motor vehicle sales (10: 30 am) Oct New Zealand: Visitor arrivals (10:45 am) Oct	24 Nov	25 Nov	26 Nov Australia: Pvt. capital exp. (10:30 am) 3Q New Zealand: NBNZ business conf.(2:00 pm) Nov	27 Nov New Zealand : Trade balance (10:45 am) Oct
30 Nov Australia: Pvt. Sector credit (11:30 am) Oct Inventories (11:30 am) 3Q Company profits (11:30 am) 3Q New Zealand: Building permits (10:45 am) Oct	1 Dec Australia: Building approvals (11:30 am) Oct RBA cash target (2:30 pm) Dec	2 Dec	3 Dec Australia: Retail sales (11:30am) Oct New Zealand: ANZ commodity price (2:00 pm) Nov	4 Dec
7 Dec Australia: ANZ job ads (11:30 am) Nov	8 Dec Australia: NAB bus. Confidence (11: 30 am) Nov Current account balance 3Q	9 Dec Australia: Westpac consumer confidence (10: 30 am) Dec Housing finance approvals (11:00 am) Oct Trade balance (11: 30 am) Oct	10 Dec Australia: Unemployment rate (11:00 am) Nov New Zealand: RBNZ official cash rate (9:00 am) Dec Terms of trade (10:45 am) 3Q	11 Dec

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
16 - 20 November	16 November	17 November	18 November	19 November	20 November
	Euro area • HICP final (Oct) Japan • GDP 1st est (3Q) • Shirakawa speech United States • Business inventories (Sep) • NY Fed bus survey (Nov) • Retail sales (Oct) • Bernanke speech	Euro area • Foreign trade (Sep) South Africa • SARB meeting United Kingdom • CPI (Oct) United States • IP (Oct) • NAHB survey (Nov) • PPI (Oct)	Canada • CPI (Oct) Euro area • Trichet speech Russia • IP (Oct) United Kingdom • MPC minutes United States • CPI (Oct) • Housing starts (Oct)	Euro area • Trichet speech Poland • IP (Oct) Turkey • CBRT meeting United Kingdom • Retail sales (Oct) United States • Philly Fed bus surv (Nov)	Colombia • BanRep meeting Euro area • Trichet speech Japan • BoJ meeting
23 - 27 November	23 November	24 November	25 November	26 November	27 November
United Kingdom • Nationwide HPI (Nov)	Euro area • PMI flash (Nov) Germany • CPI prelim (Nov) Hungary • NBH meeting Israel • BoI meeting Taiwan • Export orders (Oct) • IP (Oct) United States • Existing home sales (Oct)	Euro area • Industrial orders (Sep) France • Cons of mfg goods (Oct) • INSEE bus surv (Nov) Germany • GDP final (3Q) • IFO bus surv (Nov) Malaysia • BNM meeting United Kingdom • Bus investment (3Q) United States • GDP second (3Q) • FHFA HPI (Sep, 3Q) • S&P/C-S HPI (Sep, 3Q) • Richmond Fed surv (Nov)	Japan • Shoko Chukin (Nov) • Trade balance (Oct) Poland • NBP meeting United Kingdom • GDP 2nd est (3Q) United States • Consumer sent (Nov) • Durable goods (Oct) • Initial claims • New home sales (Oct) • Personal income (Oct) • FOMC minutes	Brazil • Unemployment (Oct) Euro area • M3 (Nov) Italy • ISAE bus surv (Nov) Japan • BoJ minutes	Euro area • EC bus surv (Nov) Japan • CPI (Oct) • Hhold spending (Oct) • Retail sales (Oct) • Unemployment (Oct) Mexico • Banxico meeting

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