



### EFSF's First Test: The Dog Days Of August

The Romans, with their passion for the stars, used to mark the appearance of the constellation Canis Major—the big dog—in the southern skies for a few days each summer as the “Dog Days of August.” The Greeks, despite a lesser passion for the skies, may have to endure some pretty doggy days this August. Euroland officials, who continue to dream that Greece can be fixed by lending it more money, may find themselves sitting in the doghouse with their Greek friends as the EFSF structure they have created fails its first test.

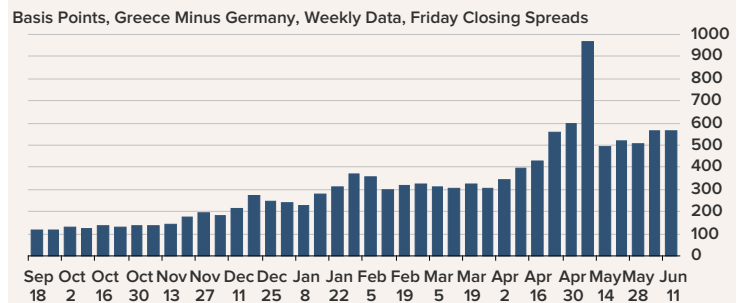
The challenge looming on the horizon is that Greece is scheduled to receive its second disbursement of funds from the EU and the IMF on August 30. The EU—actually, the EFSF will be the agent for this payment—will not disburse its SDR 5.32 billion share of this funding until the IMF disburses its SDR 2.16 billion share. **To get the IMF money, Greece has to conform to the Quantitative Performance Criteria incorporated in the Memorandum of Understanding it signed with the Fund in May, pre-requisite to its first disbursement.** The first review of Greece’s compliance with these criteria will be in early August, based on performance over the first half of the year: The national income and fiscal accounts data for the first half of the year will be compiled in July, and the IMF team will show up in Athens in early August. Either Greece will cut the mustard or it will not.

Here are the **six criteria** that Greece has to meet or exceed over the first six months of the year: First, the cash deficit of the central government is to be no more than €5 billion. Second, the primary spending of the central government must not exceed €34 billion. The IMF calculates that to limit the primary cash deficit to target, the government will have to collect €25.1 billion in tax revenues, on top of the €14.1 billion in disbursements from the IMF and the EU on May 9. This is an implicit additional target. Third, the government must not have any arrears in its payments as of the end of June. *This one is to prevent Greece from making the spending target by stiffing government workers, contractors or pensioners.* Fourth, the government must not borrow any more money from the financial markets... not that it could. Fifth, the government must not incur any new off-balance-sheet liabilities, like loan guarantees to state owned enterprises. Finally, the government has to make all of its scheduled coupon payments on its sovereign debt.

**If Greece fails any element of this test, the IMF will not disburse its bit of the money. In that case, the EU/EFSF will not disburse its bit of the money.** If so, we will all be back in the same boat we were in a few weeks ago: Default will be imminent. We have no reason to believe Greece will achieve any of these targets except for the one restricting its borrowing from the financial markets.

We have no idea what might happen next. **The EFSF has no contingency for circumstances in which the country fails to comply with its adjustment plan and faces default at once.** According to the statement of the Eurogroup, “The objective of the EFSF is to collect funds and provide loans in conjunction with the IMF to cover the financing needs of euro area Member States in difficulty, subject to **strict policy conditionality.**” The emphasis is ours. To just **give** the money to the Greek government even though the performance

### Spreads Between 10-Year Bunds And Greek Bonds



criteria were not met would make a mockery of this “strict conditionality” business. Should the IMF instead give the Greeks a new set of performance criteria to hit? What would they say? “Haha, we were just kidding with that first mean-old adjustment program! Take these new, easier, criteria and try again!” If that was all there was to it, no government would ever take an IMF/EFSF adjustment plan seriously... and the Europeans by all accounts really want to be taken seriously. On the same day that Eurogroup formed the EFSF, the EU declared plans to sanction countries that even seemed that they might some day think about violating the Growth and Stability Pact. *Greece surely qualifies for all of the strongest sanctions that the EU might have imagined.* Is the EU not only to forego Greece’s sanctions for GSP violations, but also to reward it by giving it billions of euros in donations to cover its fiscal imbalances with no effective conditionality at all? This seems unappealing... but then again, so does default.

**The only alternative—the only logical outcome, as Dr. Spock would say—is a default on Greece’s bonds and a shutdown of portions of the government. That would be horrific for the Greek economy, and for the markets.** How would the default swaps re-distribute the risk, and do the issuers have the financial strength to bear the load?

So here is a situation that the EFSF, the ECB and all the Euroland Heads of State cannot fix: Non-performance. We had all better hope that Greece’s government can keep the dog days of August at bay by making its adjustment program criteria... all of them. As our chart shows, the markets are as skeptical as ever that it will.

We stand by our core views: **No true solution to Greece’s fiscal cash flow gap can be achieved by lending it more money.** Fixing Greece by raising its debt to €340 billion over the next three years from €270 billion earlier this year—to 150% of GDP from 115%—is not really fixing anything. *That is what the EU/IMF program does.* **Any real solution to Greece’s woes has to involve the creditors.** Most easily and elegantly, a multiyear restructuring of all of Greece’s sovereign bonds into long-term securities—and some fancy lawmaking to prevent this from triggering the default swaps—can accomplish this and can be done quickly. If done before the new debt offered under the IMF/EFSF lending plan increases the problem, restructuring can be done without a haircut. By the time the debt gets to €340 billion, a haircut will be necessary. **Default by Greece is inevitable.** *The only choice is whether to suffer it the easy way or the hard way.*

## Weekly Calendar of International Economic Events &amp; Data Releases

High Frequency Economics®

	United States	Canada	Japan	France	Germany	United Kingdom	Australia	Europe & Global
Monday June 14	Weekly T-Bill Auction	Vehicle Sales (4)	Industrial Prod'n (4r) BoJ Board Meeting				<b>HOLIDAY</b> <i>Queen's Birthday</i>	<b>Industrial Prod'n (4)</b> Call For Repo Tenders
Tuesday June 15	Empire State Svy (6) NAHB Index (6) Import Prices (5) TIC Flows (4) Wkly Redbook Sales	Labor Productivity (Q1) <b>Survey of Mfg (4)</b>	<b>BoJ Board Meeting</b>		<b>ZEW Survey (6)</b>	<b>CPI (5)</b>	RBA Minutes (6)	<b>Employment (Q1)</b> Vehicle Regs (5) <b>TRADE (4)</b> Wkly Repos Allocated
Wednesday June 16	<b>*PPI (5)</b> <b>*Housing Starts (5)</b> <b>*Industrial Prod'n (5)</b> Wkly MBA Mortgages		Mach Tool Orders (5r) <b>Tertiary Index (4)</b> BoJ Monthly Report			<b>Employment (5)</b> <b>Avg Wkly Earnings (4)</b> Unit Labor Costs (4)	Housing Starts (Q1)	Labor Costs (Q1) <b>MUICP (5r)</b>
Thursday June 17	<b>*Current Account (Q1)</b> <b>*Philly Fed Survey (6)</b> <b>*CPI (5)</b> <b>*LEI (5)</b> <b>*Wkly Initial Claims</b>	Wholesale Sales (4)	BoJ Minutes (5) LEI (4r)			<b>CBI Industrial Svy (6)</b> <b>Retail Sales (5)</b>		ECB Monthly Report (6) Construction (4)
Friday June 18		<b>LEI (5)</b> Int'l Capital Flows (4) UI Claims (4)	Cabinet Office Report	Wages (Q1r)	PPI (4)	<b>M4 (5p)</b> PSNCR (5)		
Sometime Soon	<b>June 22 - 23:</b> FOMC Meeting	<b>July 20:</b> BoC Rate Decision	<b>July 14 - 15:</b> BoJ Board Meeting	<b>June 24:</b> Household Spdg (5)	<b>June 22:</b> IFO Survey (6)	<b>June 22:</b> Budget <b>July 7-8:</b> MPC Meeting	<b>July 6:</b> RBA Board Meeting	<b>June 26-27:</b> G-20 Summit In Toronto <b>July 8:</b> ECB Council Meeting
Key Data	Starts Down, IP Up Gas Depresses CPI	Manufacturing Still Depressed!	No BoJ Changes Tertiary Dips Again	Yawn!	ZEW Down Again?	Wages Flat, Jobs Down, Sales Sick	Starts Still Strong, But Housing Cooling	Sovereign Risk Trumps Econ News

CCI or BCI = Consumer or Business Confidence Index. p = Preliminary. f = Final data release. r = Data revision only. Figures in parentheses are dates: (1) indicates January, (2) February, etc. \*These releases will be subjects of HFE Snapshots. Italics indicate HFE estimated release date.

Elena Camaj, Research Analyst

Carl B. Weinberg, Chief Economist

## International Yield Curves

Things are not right in the money markets. Yields on 90-day U.S. T-bills have fallen to seven basis points. *That cannot mean anything good, eh?* Eurosystem banks with excess reserves are parking funds in deposits overnight with the ECB in record amounts. They should be lending those funds out to other banks, but they prefer to give up 75 basis points of interest to avoid counterparty risk. *If not for generous short-term injections of liquidity by the ECB, the Euroland banking system would be seizing up, and banks would be forced to call in loans to make reserve minimums.*

This is a scary time, with everyone certain that Greece will default on its sovereign bonds and set off an unpredictable set of reactions through the default swaps. No one knows how Greek debt would be distributed by these swaps across institutions. No one knows if the swap writers have the financial strength to pay, or if some of them might default, too. *Thus, institutional risk is high and unassessable, and systemic risk is non-trivial. Times like these encourage investors to buy safe, cash-like instruments, like U.S. dollar T-bills, and also to trade into "safe" bonds.*

In Euroland, weak economic news supports bond markets, but spreads between "safe" securities like Bunds and riskier ones—the

list of risky bonds now even includes OATs!—are widening. *Bund yields should continue to drop, probably seeing ten-year yields below 2% before this is over.*

**Britain** is seen as an economy whose government has a plan to reduce its deficit. As long as the LibDemTory budget next week does not disappoint traders with a soft plan for deficit reduction, we think gilts can perform as well as Bunds as traders look for inflation to fall **and** for safe haven from Euroland's crisis.

**Canada's** bonds ought to be doing better. The BoC has hinted that it may not tighten monetary conditions much further. Inflation will fall, by our estimate, and the economy will fall short of most projections. *We think last week's rise in yields will reverse quickly.*

**Australia** will have no major economic news this week. People are hoping the RBA will not raise rates again any time soon, as GDP growth starts to slow after big recent rate hikes. *We have no strong expectation for the Ozzie curve in this quiet week.*

**Japan's** bond market continues to defy gravity. For the moment, yields are falling because deflation has yet to be fully priced into JGBs. However, supply risks are substantial, and we think the rally in this market cannot persist for very long.

### Yields On 90-Day Paper — June 11, 2010

Country	Yield	Spread Against:							Curve's Slope*
		U.S.	Canada	Japan	France	U.K.	Germany	Aus'	
U.S.	0.07	—	-0.48	-0.32	-0.65	-0.42	-0.65	-4.83	3.16
Canada	0.55	+0.48	—	+0.16	-0.17	+0.06	-0.17	-4.35	2.78
Japan	0.39	+0.32	-0.16	—	-0.33	-0.10	-0.33	-4.51	0.76
France	0.72	+0.65	+0.17	+0.33	—	+0.23	+0.00	-4.18	2.30
Britain	0.49	+0.42	-0.06	+0.10	-0.23	—	-0.23	-4.41	2.81
Germany	0.72	+0.65	+0.17	+0.33	+0.00	+0.23	—	-4.18	1.79
Australia	4.90	+4.83	+4.35	+4.51	+4.18	+4.41	+4.18	—	0.45

\*Calculated as 10-year yield minus 90-day yield for each currency.

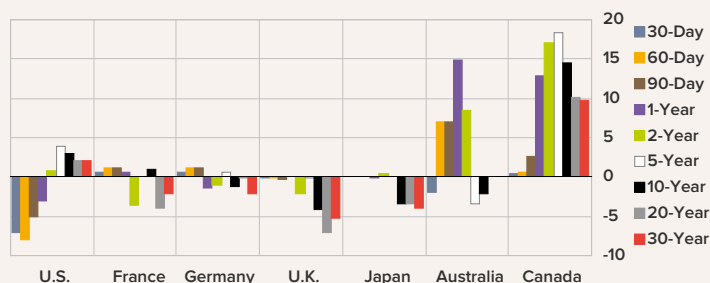
### Yields On 10-Year Bonds — June 11, 2010

Country	Yield	Spread Against:						
		U.S.	Canada	Japan	France	U.K.	Germany	Aus'
U.S.	3.23	—	-0.10	+2.08	+0.21	-0.07	+0.72	-2.12
Canada	3.33	+0.10	—	+2.19	+0.31	+0.03	+0.82	-2.02
Japan	1.15	-2.08	-2.19	—	-1.87	-2.16	-1.36	-4.20
France	3.02	-0.21	-0.31	+1.87	—	-0.28	+0.51	-2.33
Britain	3.30	+0.07	-0.03	+2.16	+0.28	—	+0.79	-2.05
Germany	2.51	-0.72	-0.82	+1.36	-0.51	-0.79	—	-2.84
Australia	5.35	+2.12	+2.02	+4.20	+2.33	+2.05	+2.84	—

Japanese 10-year simple interest yield converted to semi-annual compound yield.

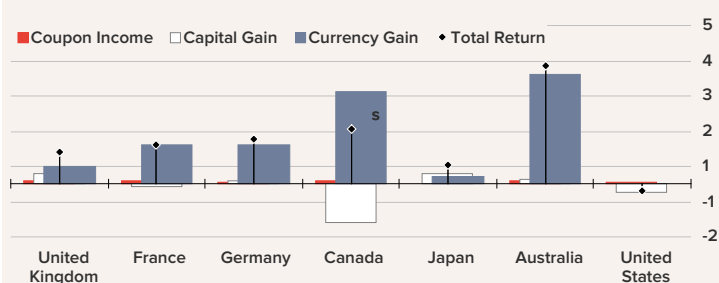
### Changes In Government Bond Yield Curves, Basis Points

From June 4, 2010 To June 11, 2010

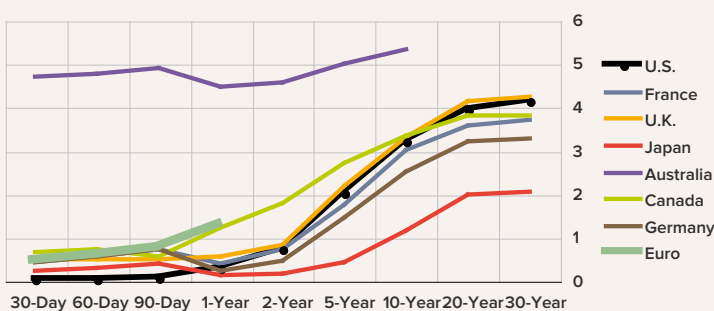


### Total Return On Ten-Year Bonds In U.S. Dollars, Percent

From June 4, 2010 To June 11, 2010

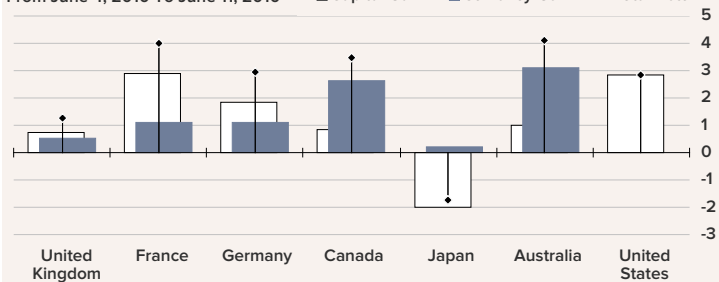


### Government Bond Yield Curves — June 11, 2010



### Capital Return In U.S. Dollars, Equity Market Indexes, Percent

From June 4, 2010 To June 11, 2010



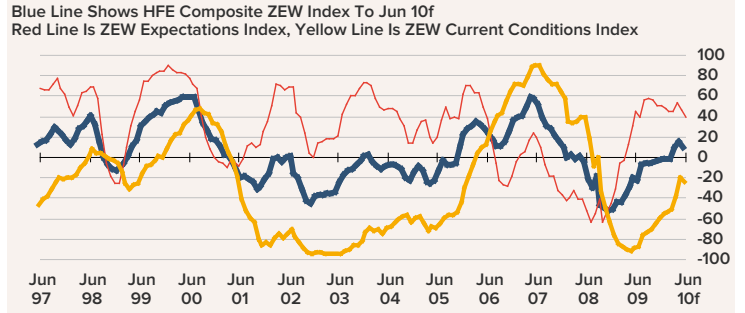
## Germany: Those Red Hot Bunds

For all the brouhaha about the unsustainability of the German fiscal deficit, the markets seem to find no problem funding it. Bunds are very much in demand right now. Yields on tens ended last week at 2.51%, up from their mid-week lows in the 2.40s. Most of the economic news last week supported Bund bulls. Industrial output, while a shade higher than people expected, remains depressed, as our chart below shows. Orders, too, are better but have a long way to go to regain pre-downturn levels of activity. CPI is rising barely 1% year-over-year, and its trend is clearly slowing. Greece remains on the rocks, un-cured of its excessive debt burden, threatening to destabilize the European financial system and to spread its woes to other PIIGS. *There never has been a better time to buy Bunds.*

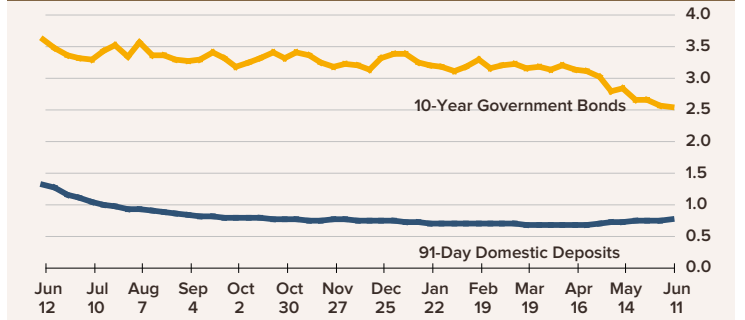
Can Bund yields can stay this low? These are historic lows, after all, more than 40 basis points below prior lows. However, they are still 120 basis points above current “inflation,” and there is a depression on. *We expect the yearly rate of increase of the CPI to fall another half a percentage point this year, and spreads above “inflation” should be under 100 basis points for tens in a depression. We thus expect another 50 to 75 basis points in declines for ten-year yields.*

There will come a day when investors will no longer believe that Bund yields can keep falling. At that time, no one will buy them, everyone will shift into cash and we will really be in Mr. Keynes’ liquidity trap. However, we think that point will come at the nadir of this economic downturn, and that day remains at least two years away now that fiscal retraction has been planned for next year. *Ouch!*

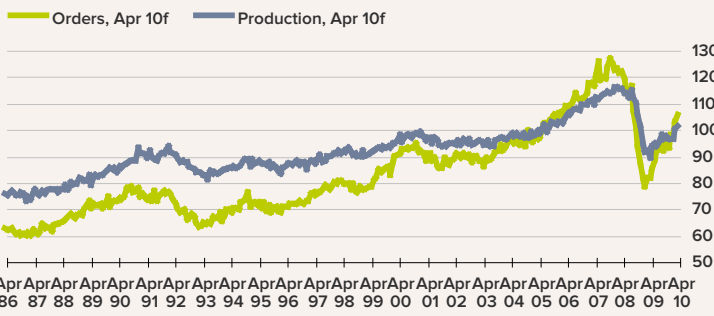
### Germany: ZEW index And Its Components



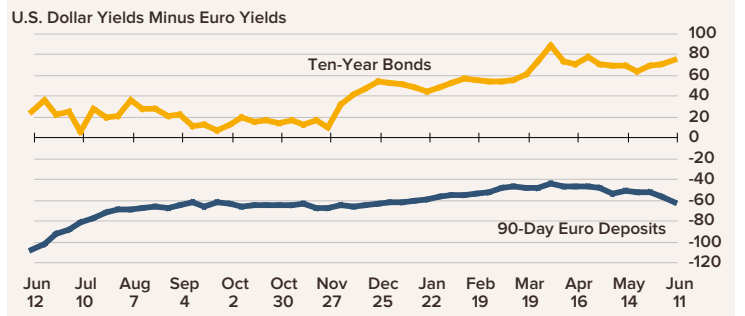
### Germany: Yields, Percent



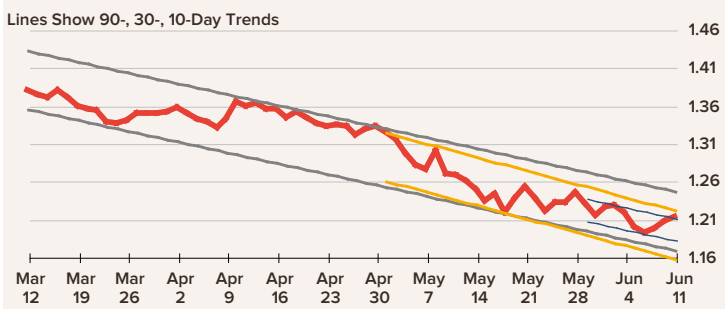
### Germany: Industrial Production And Orders, Index 1995=100



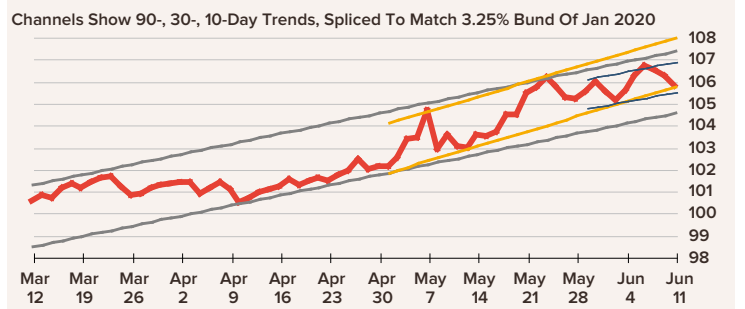
### Euro Vs U.S. Dollar Yield Spreads, Basis Points



### The Euro In U.S. Dollars, Daily Exchange Rate & Trends



### Germany: Daily Price Of 10-Year Bund



Monday 14

Tuesday 15

Wednesday 16

Thursday 17

Friday 18

ZEW	Expectations	Current	HFE Composite
Jun 09	44.8	-89.7	-22.5
Mar 10	44.5	-51.9	-3.7
Apr 10	53.0	-39.2	6.9
May 10	45.8	-21.6	12.1
Jun 10f	40.0	-25	7.5

PPI	%chya
May 09	-3.6
Feb 10	-2.9
Mar 10	-1.5
Apr 10	0.6
May 10f	0.9

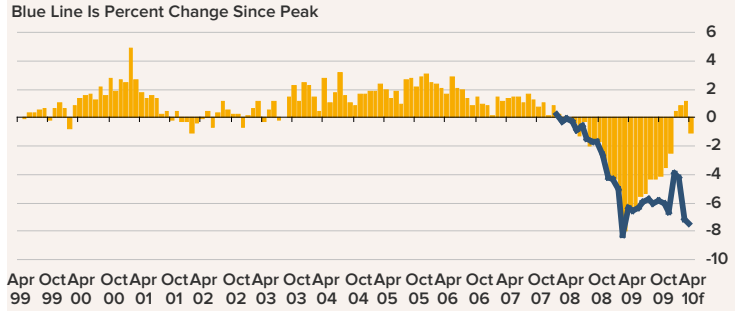
### Japan: Tertiary Discord

The tertiary sector index, due this week, has been telling a story very similar to the industrial production index: Activity in the economy's largest sector is well below the peaks observed before the financial crisis. However, the industrial sector is growing. Meanwhile, we figure the demand for services was eroded in April by falling employment and wages. *In any case, our outlook is that economic growth in the second quarter cannot turn out any stronger than the just-updated figures for first quarter GDP, results that we view as suspiciously strong.* This April tertiary sector figure will test that hypothesis.

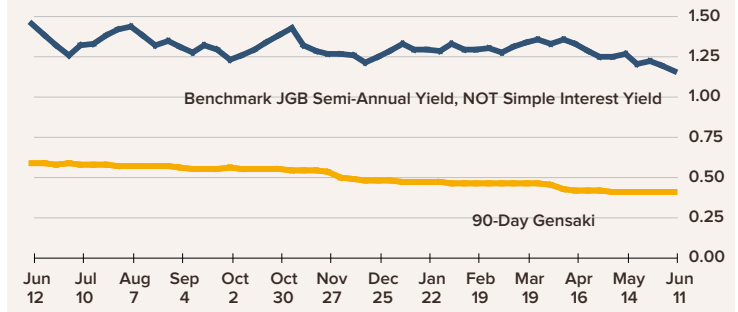
What we find amazing is the rally in JGB prices since April. It is astounding to hear the argument that JGBs are being considered safe haven assets from Euroland's sovereign debt crisis! The March rally in bond and stock prices together smacks of administrative guidance at work to amp up banks' and investors' balance sheets for end-of-fiscal-year window dressing. You cannot blame the BoJ for this: It bought the usual ¥1.8 trillion per month worth of JGBs throughout. Stocks dutifully tailed off after the books were closed on April 1, also succumbing to a markdown of global growth prospects to a more realistic level, prompted by the European debt crisis. *Institutions shift assets as stocks fall, even in Japan.*

Can this last? *Maybe for a while, but not for long!* People are still marking down their expectations for prices, which are falling. However, the big pools of money are squeezed for cash and have to sell assets to pay out retired baby boomers. Their net sales of JGBs will, we fear, lower demand for bonds by enough to depress prices.

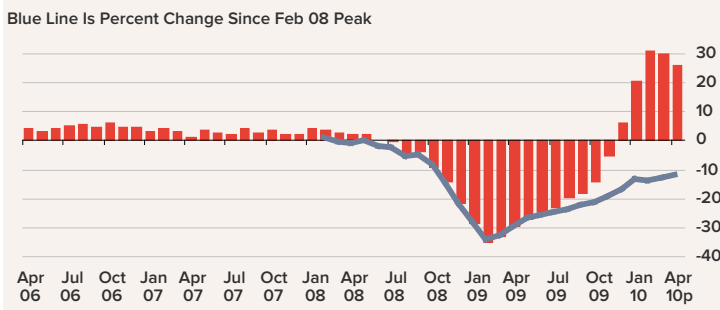
### Japan: Tertiary Sector Index, Percent Change Year Ago



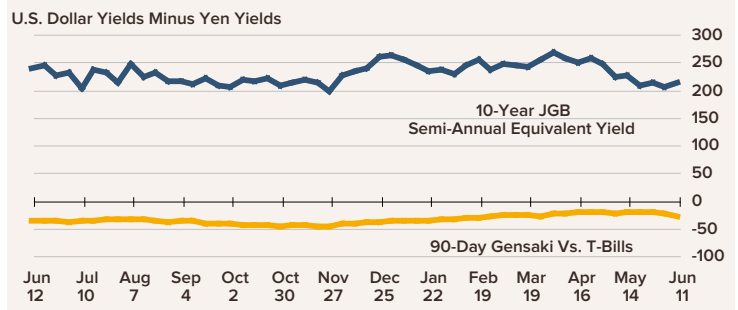
### Japan: Yields, Percent



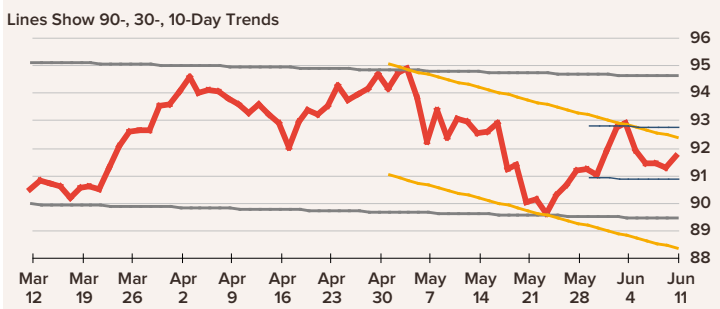
### Japan: Industrial Production, Percent Change Year Ago



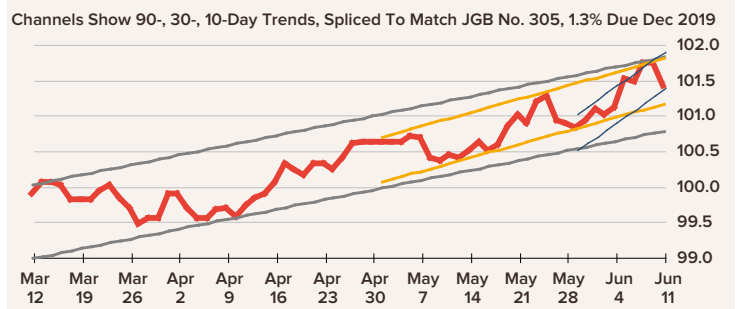
### Yen Vs U.S. Dollar Yield Spreads, Basis Points



### Yen Per U.S. Dollar, Daily Exchange Rate & Trends



### Japan: Daily Price Of 10-Year Benchmark JGB



Monday 14	Tuesday 15	Wednesday 16	Wednesday 16	Wednesday 16	Thursday 17	Thursday 17
<b>Industrial Production</b>	<b>BoJ Board Meeting</b>	<b>Machine Tool Orders</b>	<b>Tertiary Index</b>	<b>BoJ Monthly Report</b>	<b>Cyclical Indicators</b>	<b>BoJ Minutes (5)</b>
%chya %ch %chSP		%chya %chSP	%chya %chSP		LEI CEI	
Apr 09 -29.4 2.6 -17.9		May 09 -79.2 -80.6	Apr 09 -6.3 -6.6		Apr 09 54.2 18.2	
Jan 10 20.7 4.3 -14.4		Feb 10 217.4 -54.3	Jan 10 0.4 -4.2		Jan 10 75 90.9	
Feb 10 31.2 -0.6 -14.9		Mar 10 262.2 -46.5	Feb 10 0.8 -4.5		Feb 10 91.7 90.9	
Mar 10 29.9 1.2 -13.9		Apr 10 220.9 -43.0	Mar 10 1.2 -7.4		Mar 09 88.3 90.9	
Apr 10p 25.8 1.3 -12.8		May 10p 191.8 -43.3	Apr 10f -1.1 -7.6		Apr 10p 90 100	

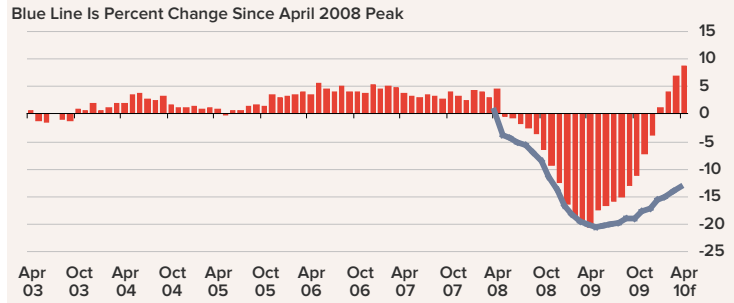
## France & Euroland: Logjam In Bank Reserves

Banks' overnight deposits at the ECB soared to record highs last week. Banks that could lend these funds out as reserves to other banks at 1% instead chose to park funds at 25 basis points with the central bank, presumably to ensure that they get them back. Everyone is fearful that some institutions have excessive exposure to Greek bonds, or to banks that are exposed to Greek bonds. No one knows **which** banks are holding what, so no one knows which banks to trust. The cost of parking €350 billion in safe deposits at the ECB rather than lending the funds out is £7.2 million per day, a direct hit to the profits of the banking system. These deposits offset 40% of the ECB's cash lending to the market through repo offerings. Meanwhile, 96 banks came to the ECB for one-week repos last week because they could not fund their reserve requirements on the open market.

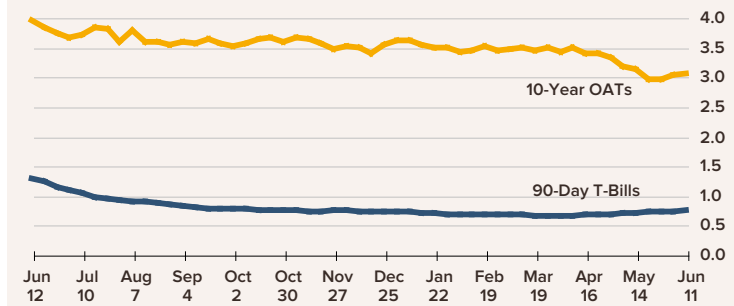
The ECB cannot withdraw support from the banking system. It has said it will **not** offer one-year repos to replace those maturing in July, but it **will** offer three-month funds. **Good! The banking system still cannot function without life support from the ECB.** Without its intermediation, many banks would not make reserve minimums.

This economy does not need another credit crunch, but bank lending continues to decline and interbank liquidity is all but seized up! Reports this week will show industrial output still 14% below where it started this depression. Price increases will be reported acceptably slow. *As long as the banking system does not seize up, yields on "safe" bonds should respond to the sovereign risk crisis and to miserable economic news with rallies to new lows.*

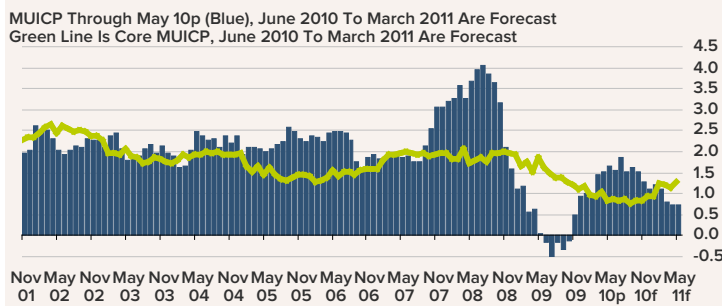
## Euro Zone: Industrial Production, Percent Change Year Ago



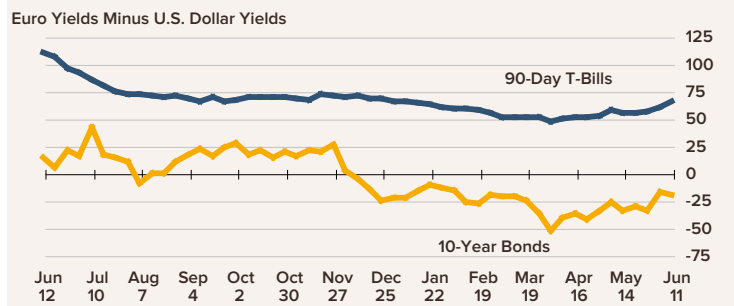
## France: Yields, Percent



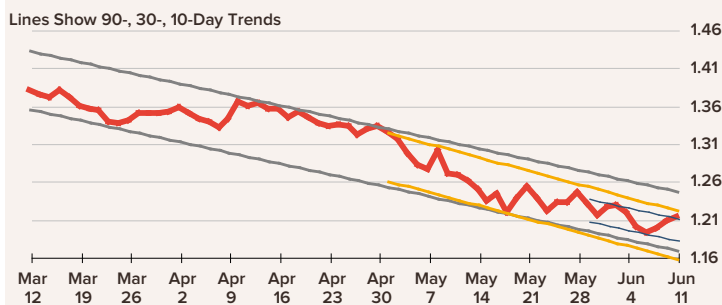
## Euro Zone: MUICP, Percent Change Year Ago



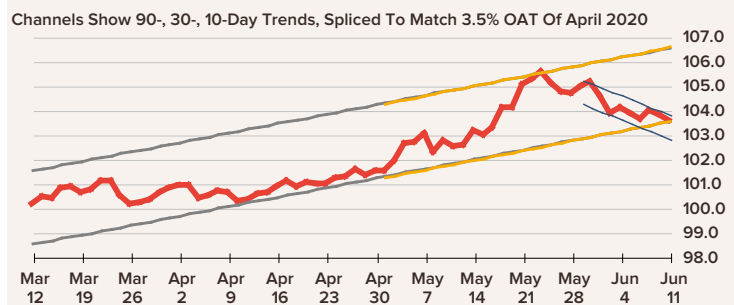
## Euro Vs U.S. Dollar Yield Spreads, Basis Points



## The Euro In U.S. Dollars, Daily Exchange Rate & Trends



## France: Daily Price Of 10-Year OAT



Monday 14	Tuesday 15	Tuesday 15	Tuesday 15	Wednesday 16	Wednesday 16	Thursday 17
<b>Industrial Production</b>	EZ Vehicle Regs (5)	<b>EZ Trade</b>	<b>Ex-ports</b>	<b>EZ Employment (Q1)</b>	<b>EZ MUICP</b>	<b>Core</b>
%chya %chSP		€bns	ports ports		%ch %chya %chya	
Apr 09 -20.6 -20.6		Apr 09 103.0 100.5 2.5	ance		May 09 0.1 0.0 1.5	
Jan 10 1.2 -16.1		Jan 10 97.7 106.7 -9.0			Feb 10 0.3 0.9 0.9	
Feb 10 4.0 -15.5		Feb 10 110.3 107.8 2.4			Mar 10 0.9 1.4 1.0	
Mar 10 6.8 -14.5		Mar 10 134.9 130.3 4.5			Apr 10 0.5 1.5 0.8	
Apr 10f 8.6 -13.8		Apr 10f 128.5 125.8 2.7			May 10f 0.2 1.7 0.8	
						EZ Labor Costs (Q1)
						ECB Monthly Report (6)
						EZ Construction (4)



### Canada: Manufacturing Is Still Hurting

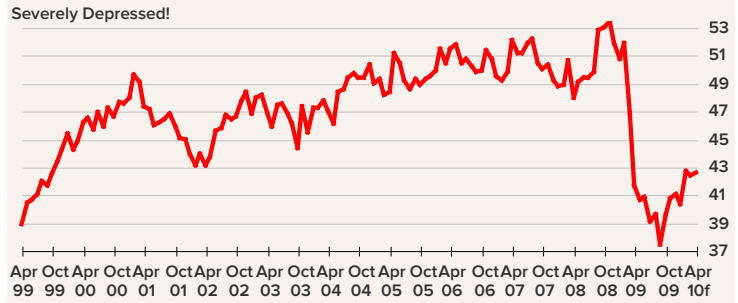
As much as we are impressed with the rebound in employment and capacity reported in the latest figures, we still need someone to explain to us how to reconcile theories that the economy is prone to overheating and inflation with the chart to the right. Manufacturing production, as we figure it from the survey of manufacturing data, is 20% below its recent peak despite a 13% recovery from its nadir last fall. It strikes us that there is still plenty of excess capacity in this sector. Unless all the people who lost jobs in this sector found work in services or resource extraction, there must be plenty of labor floating around as well as excess industrial capacity.

This is not what the labor market data show. Employment is still 1% lower than when this downturn began, but that is not much compared to the levels of excess capacity, eh? *There is a mismatch here, and we do not know how to reconcile it. Impressed by the manufacturing depression, we see the economy as depressed even though it is growing a bit. No tightening of monetary conditions is needed.*

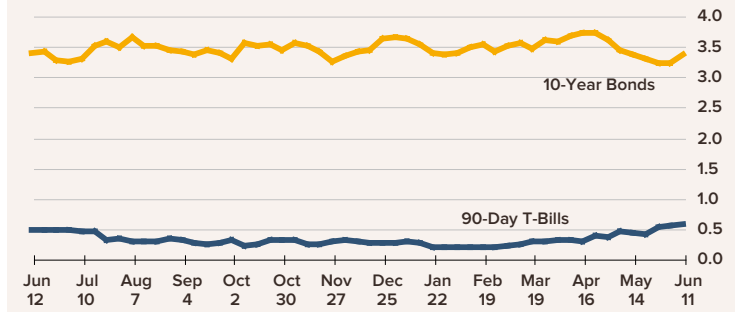
*As we see it, neither the domestic nor foreign demand that the BoC has put into its forecast is going to materialize. Excess capacity will persist, and price increases will be well short of the inflation target.*

On our outlook, the yield curve should flatten a lot. Even if the Bank defers the next hike in interest rates—it has hinted that this is a real possibility—we do not understand why bond yields should not fall. On top of the fundamental story, they are also safe haven assets against risks from Euroland bonds. *Soft industrial data this week may turn the tide on bond yields.*

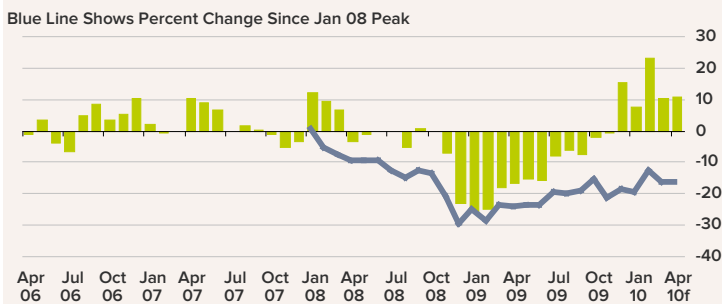
#### Canada: Manufacturing Output, C\$ Billions



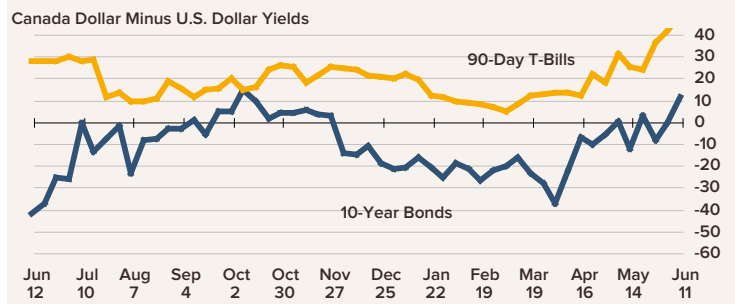
#### Canada: Yields, Percent



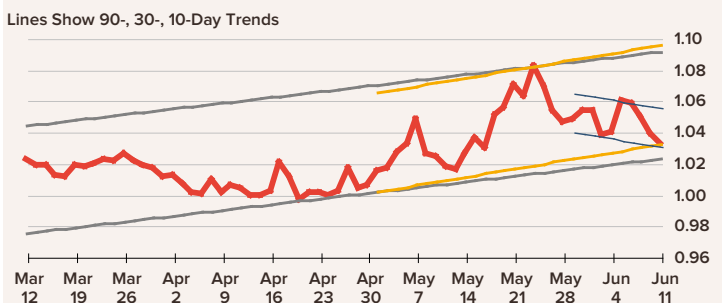
#### Canada: Motor Vehicle Sales, Percent Change Year Ago



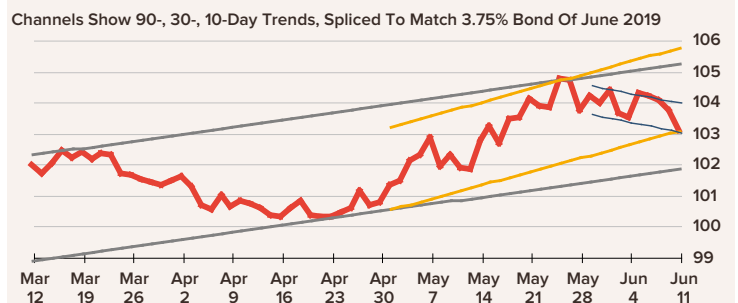
#### Canada Vs United States Yield Spreads, Basis Points



#### Canadian Dollar Per US\$, Daily Exchange Rate & Trends



#### Canada: Daily Price Of 10-Year Bond



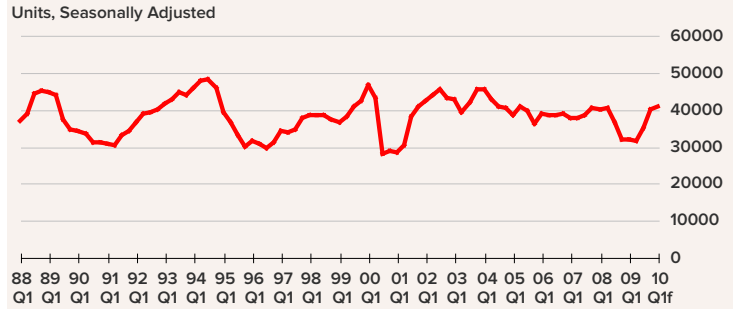
Monday 14	Tuesday 15	Tuesday 15	Thursday 17	Friday 18	Friday 18	Friday 18
<b>Vehicle Sales</b>	<b>Survey of Industry</b>	<b>Labor Productivity (Q1)</b>	<b>Wholesale Sales (4)</b>	<b>Leading Indicator</b>	<b>Int'l Capital Flows</b>	<b>UI Claims (4)</b>
000s %chya	%chya Apr 10f Mar 10 Feb 10			Index %chya	C\$ Mns	
Apr 09 120.0 -16.6	New Orders 1.4 -12.8 -26.6			May 09 213.8 -6.6	Apr 09 7516	
Jan 10 127.8 7.6	Shipments -0.1 -10.0 -16.5			Feb 10 232.4 6.2	Jan 10 17541	
Feb 10 138.7 23.1	Backlogs -27.4 -27.7 -26.0			Mar 10 235.1 8.9	Feb 10 4938	
Mar 10 132.9 10.2	Inventories -10.9 -12.2 -12.5			Apr 10 237.2 10.9	Mar 10 -2068	
Apr 10f 132.8 10.7	Prod'n 2.3 -9.5 -17.8			May 10f 239.6 12.1	Apr 10f 7978	

### Australia: What Goes Up...

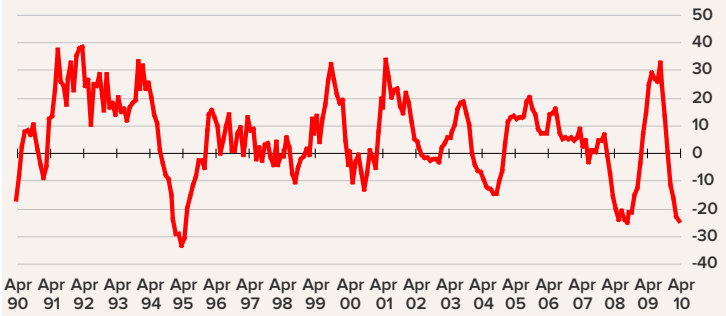
The only news about the economy during this holiday week will show housing starts slowed in the first quarter, although they persist at a spritely pace. Housing is a key channel by which higher interest rates slow the economy. Mortgage approvals are down, so housing starts eventually must wane. However, permit issuance has been pretty strong. *You cannot expect starts to stop on a dime, eh?*

Local traders are pretty sure that the RBA is going to keep its cash rate steady for a while. *We concur.* The Ozzie dollar is supported by high interest rates, but the commodity price drop and the supertax on resource extraction are raising questions about export revenues. In this quiet week, we will look for the A\$ to hold its value and for bonds to trade quietly in the absence of any significant economic news.

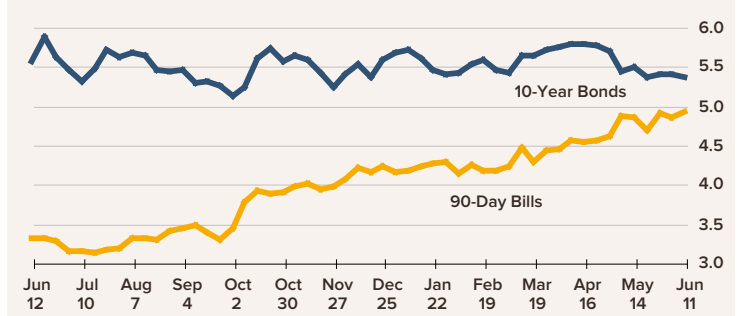
### Australia: Housing Starts



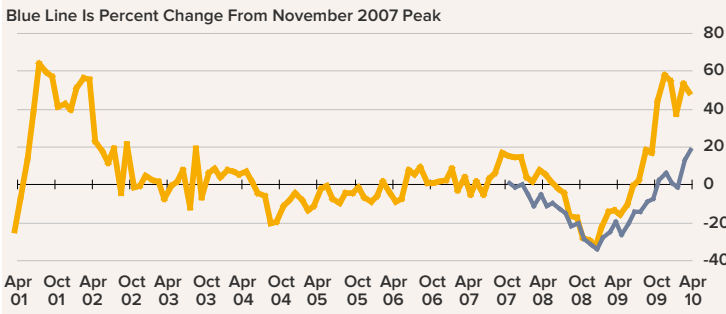
### Australia: Mortgage Approvals, Percent Change Year Ago



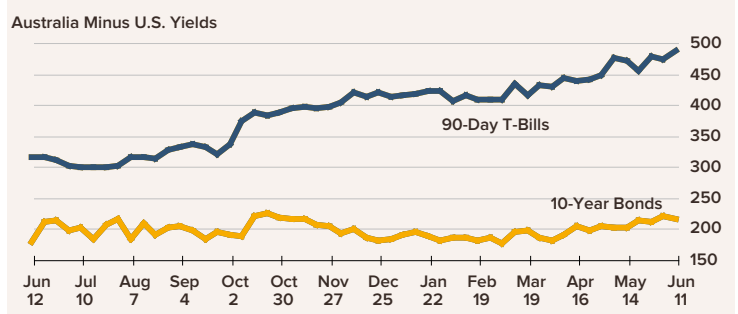
### Australia: Yields, Percent



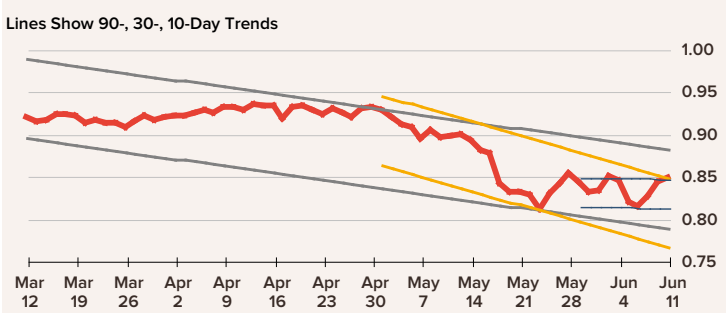
### Australia: Building Permits, Percent Change Year Ago



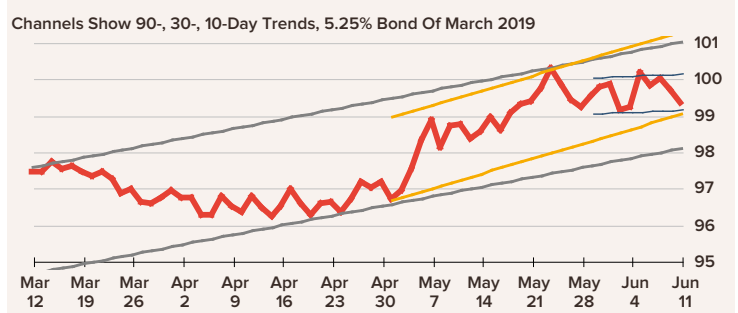
### Australia Dollar Vs U.S. Dollar Yield Spreads, Basis Points



### U.S. Dollars Per Australian Dollar, Daily Exchange Rate & Trends



### Australia: Daily Price Of 10-Year Bond



Monday 14

Tuesday 15

Wednesday 16

Thursday 17

Friday 18

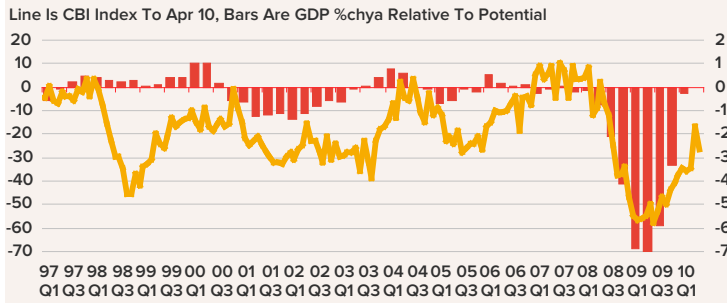
**HOLIDAY**  
Queen's Birthday

RBA Minutes (6)

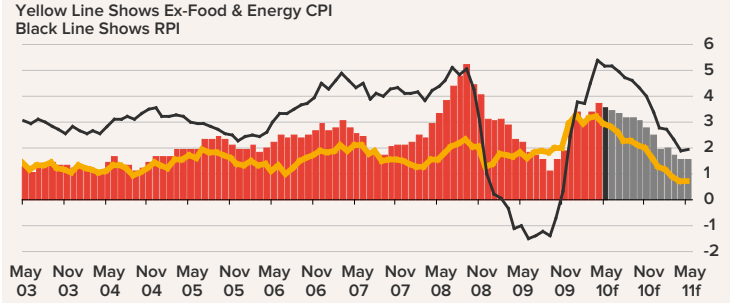
Housing Starts			
	000s	%ch	%chya
09 Q1	31.6	-0.6	-20.6
09 Q2	31.3	-0.9	-22.4
09 Q3	34.8	11.0	-4.2
09 Q4	40.0	15.1	26.0
10 Q1f	40.8	1.9	29.1

## Britain's Miserable Economy At A Glance

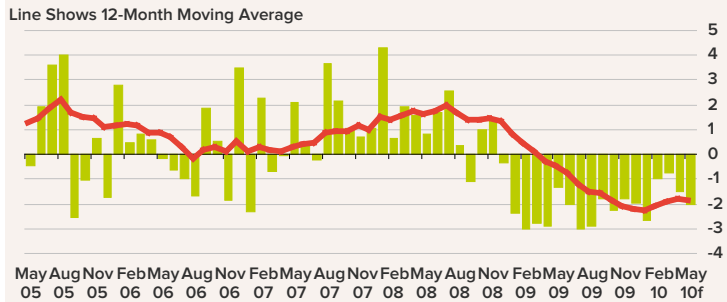
### United Kingdom: CBI Orders Index Vs Potential GDP Growth



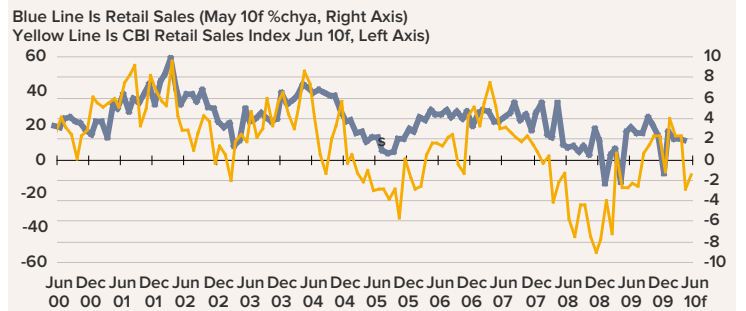
### United Kingdom: CPI, Percent Change Year Ago



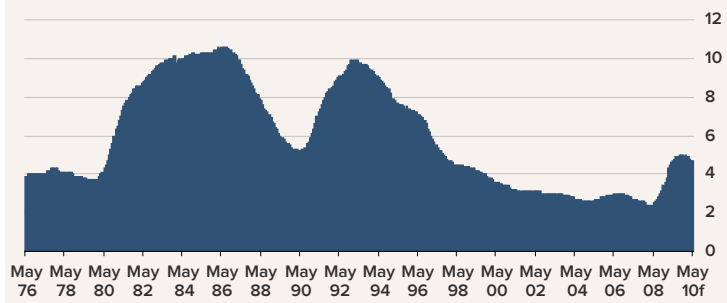
### United Kingdom: Employment, Percent Change Year Ago



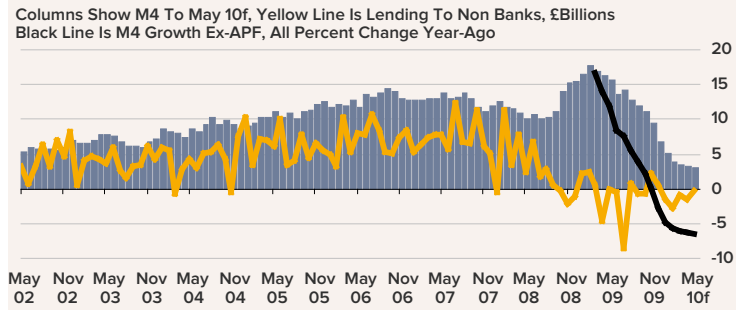
### United Kingdom: Retail Sales Vs CBI Retail Index



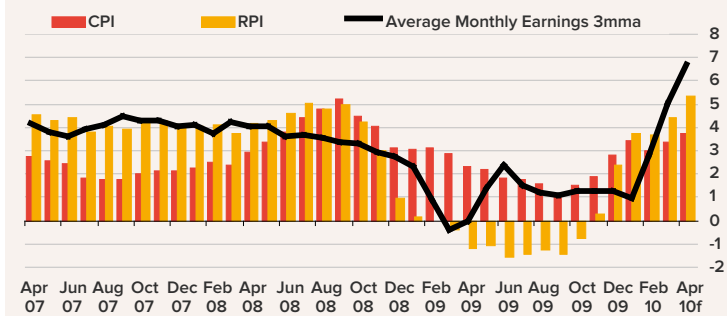
### United Kingdom: Unemployment Rate, Percent



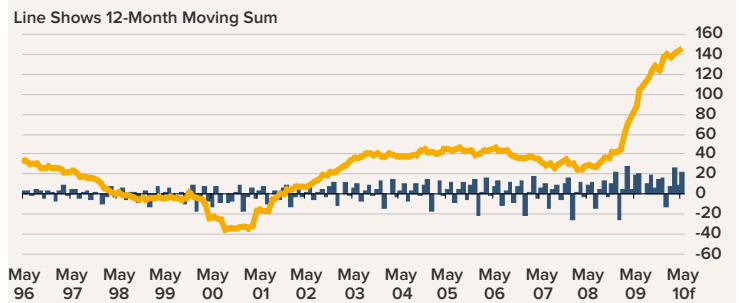
### United Kingdom: Growth Of Broad Money & Credit



### United Kingdom: Average Monthly Earnings, %chya



### United Kingdom: PSNCR, £Billions



Elena Camaj, Research Analyst

Carl B. Weinberg, Chief Economist