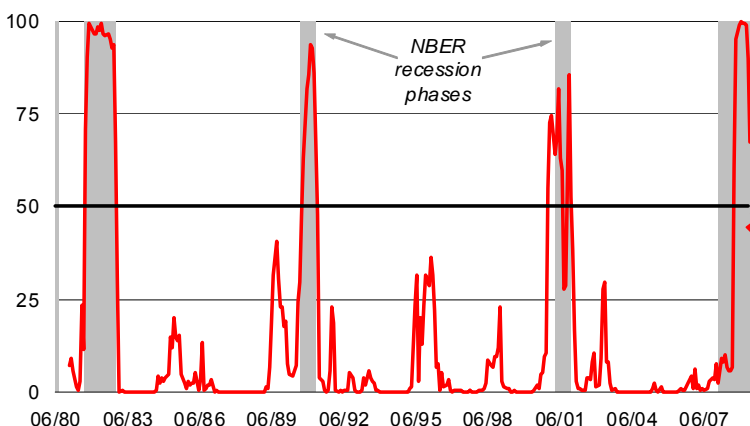


## W-shaped recovery increasingly probable

- **Sentiment.** Despite some setbacks, most of the leading and sentiment indicators continue to point north. The US manufacturing ISM, for example, jumped to a level now indicating expansion in the overall economy. As a result, the recession probability fell below 50% for the first time since summer 2008 (cf. chart).
- **Hope.** The US NBER must, however, wait for more hard data before it can declare the recession to be officially over (pages 4-6). Nevertheless, recent developments support our expectation that the US economy will return to growth in the course of the second half of this year.
- **Clunkers.** The reason for this is the exceptionally rapid destocking, which is now leading to a pick up in production again. At the same time, fiscal stimuli programs will start to have their impact. The "Cash for Clunkers" plan, the auto scrapping premium based on the German model, is expected to add one quarter of a percentage point to GDP growth in the second half of this year, possibly even more (p. 7-9).
- **Flash in the pan.** The experience of Germany, however, shows how rapidly this flash in the pan fizzles out again (p. 10-11). It is nothing more than borrowed growth that will then be all the more painfully missing in 2010. A W-shaped recovery in the US is, therefore, becoming increasingly probable, also because the deleveraging process in the private sector is not finished yet. A self-sustainable growth path looks different!
- **Further topics:**
  - **Weekly Comment:** Porte-parole privilege (page 2).
  - **EMU:** No quick exit from recession (page 12).
  - **Data outlook:** More new orders in Germany; US trade balance slides deeper into the red again (page 13).
  - **Market outlook:** EUR and govies back in quieter waters (page 20).

### US RECESSION PROBABILITY

in %, based on the ISM for manufacturing



Source: Thomson Datastream, UniCredit Research

### Contents

Weekly Comment	2
Research Notes	4
Data Monitor	13
FI Outlook	20
FX Outlook	21
MIB View	23
MIB Forecasts	24
Calendar	27

### MIB MACRO FORECASTS

in % y-o-y	2008	2009	2010
<b>GDP EMU</b>	0.6	-4.5	0.1
<b>CPI EMU</b>	3.3	0.3	1.3
<b>GDP Germany</b>	1.0	-6.2	0.4
<b>CPI Germany</b>	2.6	0.3	1.1
<b>GDP Italy</b>	-1.0	-5.2	-0.3
<b>CPI Italy</b>	3.3	0.8	1.5
<b>GDP US</b>	1.1	-2.2	1.5
<b>CPI US</b>	3.8	-0.8	2.1

### MIB FI/FX FORECASTS

2009/10	30-Sept	31-Dec	31-Mar	30-Jun
<b>EMU 3M (%)</b>	1.25	1.25	1.25	1.35
<b>EMU 10Y (%)</b>	3.40	3.50	3.75	4.00
<b>US 3M (%)</b>	0.60	0.60	0.60	0.65
<b>US 10Y (%)</b>	3.60	3.75	4.00	4.30
<b>EUR-USD</b>	1.35	1.45	1.50	1.52
<b>USD-JPY</b>	98	102	105	110
<b>Oil Price</b>	70	65	70	70

### Global Head of Research & Chief Strategist

Thorsten Weinelt, CFA (HVB)  
 +49 89 378-15110  
 thorsten.weinelt@unicreditgroup.de

### Head of Economics & FI/FX Research

Marco Annunziata, Ph.D. (HVB)  
 Chief Economist  
 +44 20 7826-1770  
 marco.annunziata@unicreditgroup.co.uk

### Editor

Nikolaus Keis (HVB)  
 +49 89 378-12560  
 nikolaus.keis@unicreditgroup.de

### Editorial deadline

Friday, 03. Jul., 12:00H

### Bloomberg

UCGR

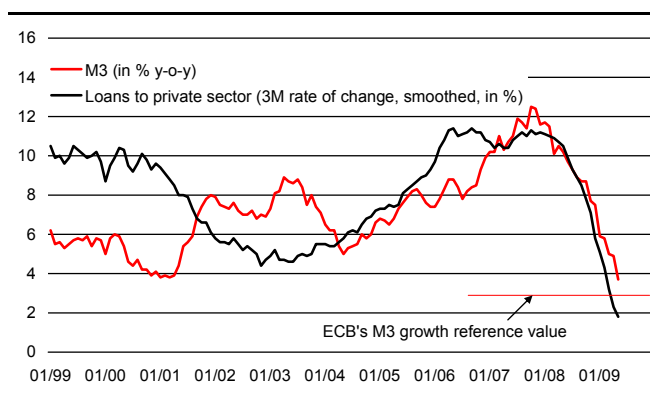
### Internet

www.globalresearch.unicreditmib.eu

## Porte-parole privilege

The ECB's press conference, which began as US non-farm payrolls dropped another 467k, turned out to be significantly more interesting than expected in at least one respect: just as economic activity begins to stabilize and financial market tensions abate, the ECB seems to become increasingly concerned about the risk of a credit crunch. Together with its cautious view of the recovery prospects, this supports my view that interest rates will remain on hold well into next year. Mr. Trichet confirmed that the current stance on both interest rates and "enhanced credit support" is appropriate, but it is clear that the bank stands ready to do more on either front if needed. The ECB talks the talk of the Bundesbank, but it walks the walk of the Fed and Bank of England. Another reason why the ECB is not in any hurry to deploy an exit strategy is that it is confident that it will be able to exit very quickly once it decides to. Trichet confirmed yesterday that all policy actions have been designed especially so that they could be unwound quickly – including, as I have noted in the past, the strategy to push market rates to zero while holding the refi at 1.0% and that of relying mostly on refinancing operations rather than on asset purchases. The ECB is rightly satisfied with the success of the 12-month refinancing operation, but with banks happy to pay a hefty 75 bp charge to redeposit much of it, there is clearly no certainty that the liquidity will be promptly passed on to the real economy. Individual Governing Council members have voiced different opinions on how the ECB can push banks to lend, or by-pass them if they do not. Mr. Trichet yesterday invoked "porte-parole privilege" to avoid commenting on the state of the internal debate, and instead deployed a very polished and articulated moral suasion on banks, something that is becoming a favored tool in the central bank's arsenal.

### SHARP DOWWARD TREND IN LOANS TO PRIVATE SECTOR



Source: ECB, UniCredit Research

The ECB's prudent attitude will keep short-term rates well anchored, with room for a further moderate decline in short-term Euribor rates, whereas the long end will remain exposed to risks coming from (premature) inflation fears and bond supply concerns. The great bear flattening trade will have to wait for quite a while. Just as economic activity has begun to stabilize and financial market tensions abate, the ECB seems to become increasingly concerned about the risk of a credit crunch. I have highlighted this trend over at least the last couple of months, but yesterday's press conference was especially interesting in this regard. ECB President Trichet was quite clear in stating that:

1. While it is difficult to disentangle the joint collapse in credit demand and supply, it seems likely that supply restrictions are now playing a role.
2. The recent decisions to launch 12-month refinancing operations and covered bond purchases are aimed at counteracting credit supply constrictions, and the ECB sees the measures deployed so far as adequate.
3. The ECB has stepped up its moral suasion, calling on banks to lend the liquidity on to the real economy, but also to strengthen their capital base including by taking recourse to the support measures offered by governments.

In this regard, Mr. Trichet referred to the latest Financial Stability Review to note that the ECB is well aware of the pressures bearing on the eurozone's banking system – even though it has a less pessimistic view than the IMF on the matter.

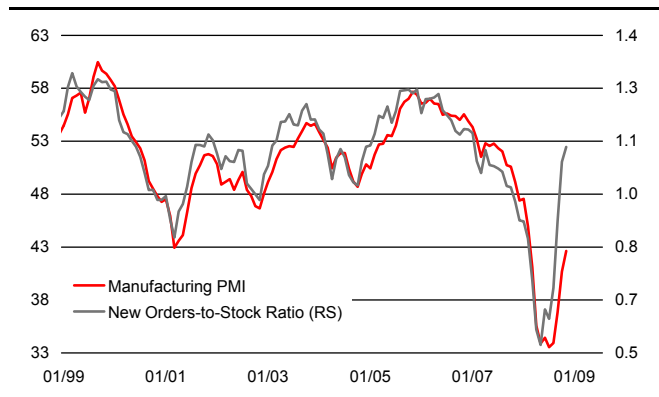
Moral suasion has recently come to play an increasingly prominent role in the ECB's strategy. Mr. Trichet yesterday offered the most polished and articulated version, explaining that the ECB's own efforts in providing enhanced credit support must be matched by governments and private banks in order to be successful. Mr. Bini Smaghi had recently voiced a rather sterner and somewhat disconcerting warning, saying that "the appropriate authorities" should ensure that banks on-lend the liquidity provided by the ECB.

This kind of "enhanced moral suasion" is pragmatic but somewhat questionable. To the extent that banks are tightening lending criteria in response to a deteriorating macro environment and the corresponding rise in projected default rates, pressing them to lend more is tantamount to a call to imprudence. Of course, banks would be carrying out a social responsibility in helping to soften the recession, but we should remember that while the ECB provides the liquidity, the banks still shoulder the credit risk. The next step in the logical chain is the ECB's recommendation that banks strengthen their capital position with the help of governments, if need be – obviously a rather sensitive issue.

Mr. Trichet invoked "porte-parole" privilege during the Q&A, rejecting requests to comment on statements by other Governing Council members, notably Mr. Weber, who stated that if banks do not channel the additional liquidity to the real economy, the ECB would have to bypass them. His reluctance is understandable, as this is very uncomfortable territory for the ECB. By-passing the banking system would presumably imply direct purchases of commercial paper and corporate bonds. In an environment of rising default rates, that would run counter to the ECB's desire to limit the risk on its books – indeed, Mr. Trichet said yesterday that the bank had decided to focus on covered bonds because they came with a double-guarantee and therefore carried very little risk.

The ECB's cautious assessment of the financial sector's situation is mirrored by an equally prudent view of the macro-economic outlook: the steady sprouting of new green shoots has not moved the ECB away from its view that positive growth will only return by the middle of next year. The bank sees risks to its growth outlook as balanced, with the risks of a stronger or more protracted feedback from the financial sector, of rising unemployment and oil prices, of protectionism and a possible disorderly correction of global imbalances matched by the hope for a stronger-than-expected impact of the policy stimulus or a faster improvement in confidence.

**MANUFACTURING ACTIVITY ON THE MEND**

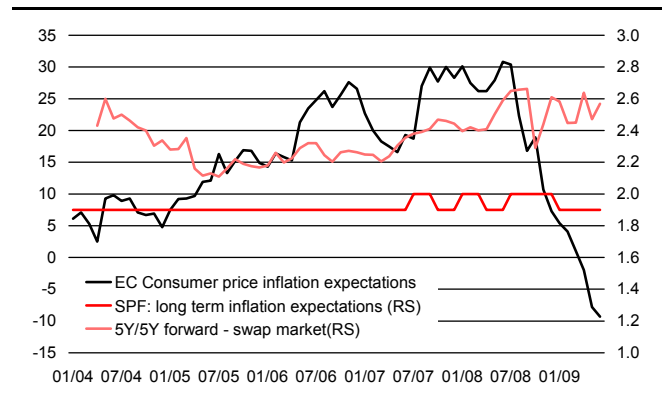


Source: Markit, UniCredit Research

The ECB's view on inflation is also unchanged, with price developments expected to remain dampened over the policy relevant horizon. As expected, Trichet repeated that the drop of inflation into negative territory which began last month will be temporary and is not relevant from a monetary policy perspective. He also stressed that inflation expectations remain well anchored, referring in particular of projections of 5-year inflation in the Survey of Professional Forecasters (SPF), so that the bank is confident that its objective of price stability will be met over the medium term. I tend to agree, but, as I have pointed out in the past, the real test of inflation expectations is coming now, and while the SPF is reassuring, consumers'

inflation expectations are more of a concern: they have already dropped sharply, and will likely fall further as we record a few months of negative headline inflation. Two additional minor points here: First, while risks to growth are seen as balanced, the growth outlook is seen as a downside risk to the inflation outlook – I think this is exactly right, given the projected widening in the output gap and consequent impact on core inflation. Second, the upside risks to inflation still sound unconvincing to me: Trichet mentioned commodity prices and the rise in indirect taxes and administered prices which will be needed for fiscal consolidation, but both of these factors in my view would imply if anything an even more sluggish recovery and therefore muted price pressures.

**DEFLATION IS NOT ON ECB RADAR SCREEN**



Source: EC, ECB, Bloomberg, UniCredit Research

The bottom line is that policy is seen as appropriate, both as regards the level of interest rates and the asset purchases program – although Trichet repeated that there is no pre-commitment, and in particular that 1.0% is not a hard floor for the refi rate. I therefore remain convinced that rates will be on hold for a long time, well into next year. The ECB is in no hurry to begin unwinding the stimulus also because it knows that it will be able to do so very quickly once it decides to – as Trichet noted yesterday, its policy has in fact been designed with an exit strategy already in mind.

**Marco Annunziata, Ph.D. (HVB)**  
+44 20 7826-1770  
marco.annunziata@unicreditgroup.co.uk

## US business recovery: Are we there yet? No, just be patient!

- Repeated talk of “green shoots” in the economy somehow misstates the current business situation in the United States. Although a deep and long-lasting recession is winding down, a self-sustaining recovery is still off in the future.
- The tempo of the recession has clearly eased in the past three months, and a bottoming out is likely. History shows that a careful analysis of real incomes, employment, industrial production, and wholesale & retail sales will give a good indication of when the trough is reached.
- Once it is, the Federal Reserve will face the difficult challenge of preserving sufficient monetary accommodation to nurture the recovery while retaining market confidence that it is not ignoring potential inflation dangers.
- Our assessment is that the recovery will be irregular, with a mix of ups and downs (W-shaped) that will leave both the markets and the Fed itself in doubt about how strong the turnaround will turn out to be. That is a recipe for considerable volatility in financial markets from here on.

### What happens when recessions end?

The National Bureau of Economic Research, NBER, has been tasked with determining the dating of business cycles since the early 1970s. A small group of specialists in macro-economics and national income data convene to pour over statistics on key cyclical elements. Their website stresses three points: First, real GDP is an important element in their decisions but critical to the judgment of when the economy peaks and when it hits a trough is the behavior of monthly data. Second, the indicators that get most attention are real personal income less transfers (such as unemployment compensation and Social Security pension payments) and total employment. In addition, the level of industrial production and the volume of wholesale and retail sales are also closely evaluated. Incidentally, these four indicators represent the four components of the index of contemporaneous indicators compiled by the Conference Board. Third, the business cycle dating committee is in no hurry to make a judgment. They are accountable to history books, not to traders or investors. The average length of time from a turning point to a “call” has been about eight months, although it took a full year before the committee determined that December 2007 represented the peak of the 2001-2007 business expansion.

Nevertheless, financial market participants are keen to know when business cycle peaks and troughs occur, since it can obviously have an impact not only on Federal Reserve monetary policy but also on the expectations of traders and investors for business profits, longer-term interest rates, and exchange rates.

As the US recession decelerates and the recession trough appears to be within sight (at least to the majority of forecasters; there are still a few who predict the economic contraction will persist well into 2010), it is useful to review the evidence of what past turning points have been like. Three sets of questions are especially pertinent: Do troughs take place all of a sudden, with an abrupt end to worsening levels of output, employment, income, and sales? Or is the trough associated with a gentler glide path – the proverbial soft landing? Do all of the five characteristics that the NBER committee emphasizes usually tell the same story? Or is there a tendency for at least one or two of the indicators to part company from the majority, either anticipating the end of a recession or showing persisting weakness even most factors have bottomed out? A review of the data for the major recessions of 1973-75, 1981-82, 1990-91, and 2001 yields the following scorecard:

### Real GNP a useful but not always a perfect guide to the end of a recession

For real GDP, quarters that contain the month designated by the NBER as the business cycle trough show no particular pattern. More often than not real GDP posted a negative result in the trough quarter, but a small positive was recorded in Q4 1982 (just before the huge rebound in the economy that was spurred by the relaxation of monetary policy and implementation of the Reagan tax cuts). What seems to be clear is that troughs do not have to emerge after gradual deceleration of the recession, such as took place during the severe 1981-82 downturn. “Saw-tooth” paths are frequent. One variety was demonstrated by the 1969-70 recession, when a recovery-like rebound took place in the quarter just before the trough, followed by a sharp reversal – a kind of “double-dip” recession. Another was the acceleration of the 1973-75 recession during its trough quarter. What the data suggest is that the NBER dating committee is right to dismiss conventional wisdom that maintains that recessions are solely about the behavior of real GDP. Much more is needed to identify true peaks and troughs in the business cycle.

#### REAL GDP DURING TROUGHS OF MAJOR RECESSIONS

real GDP in % q-o-q, saar	Quarter before trough	Trough quarter	Quarter after trough	subsequent quarter
Dec 69-Nov 70	3.6	-4.2	11.6	2.3
Nov 19-Mar 75	-1.6	-4.7	3.0	6.9
July 81-Nov 82	-1.5	+0.4	5.0	9.3
July 90-Mar 91	-3.0	-2.0	2.6	1.9
Mar 01-Nov 01	1.2	-1.4	2.7	2.2

Source: Bureau of Economic Analysis, UniCredit Research

## Real income less transfers bottoms within a month of recession troughs

The NBER obviously gives considerable weight to real income less transfers when dating the end of recessions. In every major recession in the past forty years, this measure of underlying household financial strength has hit its cyclical trough within a month of when the overall economy bottoms out. The path of this variable is certainly smoother than other economic indicators, reflecting the fact that wages and salaries fluctuate less over the business cycle than, for instance, levels of employment. Firms tend to be more willing to adjust jobs than to impose lower compensation on the workers they retain.

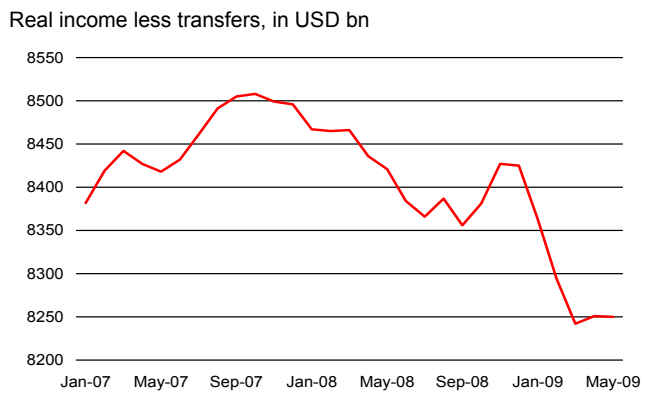
### LEVEL OF REAL PERSONAL INCOME LESS TRANSFERS AT PRINCIPAL CYCLICAL TROUGH

USD bn, saar	3M before trough	Trough month	3M after trough	6M months
Dec 69-Nov 70	2909	<b>2881</b>	2920	2948
Nov 73-Mar 75	3236	<b>3204</b>	3222	3267
July 81-Nov 82	4042	<b>4027</b>	4046	4095
July 90-Mar 91	5290	<b>5239</b>	5274	5271
Mar 01-Nov 01	7365	<b>7333</b>	7360	7359

Source: Bureau of Economic Analysis, UniCredit Research

What has been happening to this measure during the current recession? As the chart below shows, during the past three months this measure of household financial resources has leveled off, after trending lower for most of the recession, apart from a brief upturn in late 2008 when inflation eased. It probably hasn't reached a cyclical low point, however, since aggregate hours worked in the economy have continued to sink as non-farm payrolls have been slashed further. And the benefits of lower energy prices have faded. But a clear bottoming is clearly possible.

### TROUGH IS NEAR FOR INCOME GENERATION



Source: Bureau of Economic Analysis, UniCredit Research

## Weak labor market conditions persist well after recessions bottom out

Non-farm payrolls are a reliable contemporaneous indicator of the business situation. Unlike real personal income less transfers, however, they often don't stop declining until after the official trough of the cycle. What is clear from past recessions is that the biggest declines in employment come early, right after the economy starts to contract. As recessions mature, the pace of employment reductions normally tends to slow. In the current business cycle, by contrast, the worst of the employment declines came later, and job losses continue to mount. Based on the employment indicator alone, the end of the recession is not imminent.

### LEVEL OF EMPLOYMENT AT PRINCIPAL CYCLICAL TROUGH

Non-farm payrolls, in mn	3M before trough	Trough month	3M after trough	6M months
Dec 69-Nov 70	70.93	70.41	70.80	71.25
Nov 73-Mar 75	77.66	76.65	76.52	77.23
July 81-Nov 82	89.35	88.77	88.90	89.63
July 90-Mar 91	108.54	108.54	108.28	108.29
Mar 01-Nov 01	131.76	130.90	130.44	130.33

Source: Bureau of Labor Statistics, UniCredit Research

## Industrial production losses exceed prior recessions and aren't over

GDP is calculated quarterly, subject to substantial revisions over the years, and faces the challenge of accurately measuring output in the growing services sector (much of which, like the consumption of owner-occupied housing) is basically guess work. By comparison, the Federal Reserve's industrial production index comes out monthly, revisions are moderate at worst, and the data can be cross-checked against industry sales volumes for plausibility. So it is not surprising that the NBER business cycle dating committee pays considerable attention to the figures, even though manufacturing and utilities account for a diminishing share of total value added in the economy. The trough in industrial production usually coincides closely to the business cycle trough agreed upon by the NBER committee.

### LEVEL OF INDUSTRIAL PRODUCTION AT CYCLICAL TROUGH

Industrial production index, sa	3M before trough	Trough month	3M after trough	6M months
Dec 69-Nov 70	42.06	<b>40.65</b>	41.86	42.27
Nov 73-Mar 75	46.95	<b>44.75</b>	45.00	46.49
July 81-Nov 82	53.63	<b>52.81</b>	53.12	54.60
July 90-Mar 91	68.55	<b>67.47</b>	68.94	69.62
Mar 01-Nov 01	99.34	<b>97.94</b>	98.45	99.98

Source: Federal Reserve Board, UniCredit Research

If there is to be a “V”-shaped and self-sustaining recovery, then a quick and meaningful lift in industrial production must almost certainly be a main driving factor. That will be difficult this year because of the large, persisting overhang of unsold houses and the problems associated with large bankruptcies in the auto and auto parts sector. Moreover, export potential is limited in view of the global character of the economic downturn. More likely will be an irregular revival of manufacturing, leading to more of a “W”-shaped recovery for the economy as a whole.

## Wholesale-retail trade volumes may be starting to flatten after 2008 slump

The final ingredient in the story of determining when a recession ends is the trend in sales volumes, both at the wholesale and the retail level. Monthly shipments data generally slumped badly from late last year until April 2009, with a net decline of about 4% per annum. An unanticipated lift in real personal consumption expenditures in Q1 2009 prevented a bigger slide. In the past couple months, wholesale & retail sales volumes have tended to level off, which is a useful milestone along the way. Retail sales in past troughs have been heavily influenced by what happens to auto sales. And this time will be no different. The problem is that with major auto makers now in bankruptcy, along with the majority of auto parts manufacturers, it is more than usually difficult to discern how consumers will react. The latest real GDP estimates for Q1 2009 show just how important the sector can be: Motor vehicle output fell at an average annual rate of 58% in the six months from October 2008 through March 2009. In so doing, it subtracted close to 1.5 percentage points per annum from real GDP, about a quarter of the total contraction. Should that sector turn around reasonably quickly, the recession could end relatively soon. If it fails to revive, weaknesses in other sectors, especially business fixed investment and non-residential construction, would prolong the recession.

## How much does it matter for monetary policy if the recession ends soon?

The current business recession is unique in several respects: it is already the longest in the past half century; it is associated with the worst loss of household wealth since the 1930s; it has occasioned the most aggressive monetary policy easing ever; it has been associated with the largest bail-out of private financial institutions and the biggest federal budget deficits as a proportion of GDP apart from major wars; and even when it ends, the ensuing recovery will face formidable obstacles to replicating the generally robust rebounds that followed other deep recessions. Against that backdrop, it is highly unlikely that the Federal Reserve will act preemptively to withdraw monetary accommodation until the central bank is entirely sure that a durable recovery is in place, even though it may not reach historic norms right away. The dilemma would come if the end of the recession comes sooner than expected by most market participants. The likelihood is that markets will be looking for early signals that the Fed will continue to give appropriate weight to curtailing any reemergence of inflation. Pleading for patience by the Fed may not be sufficient to head off selling pressures in the longer-term bond market. But a rise in longer-term market interest rates could stunt any recovery in housing activity necessary to stabilize home prices. And without a meaningful rally in housing values, tens of millions of US homeowners will have little choice but to spend more cautiously to rebuild the depleted value of their savings.

**Roger Kubarych (HVB)**  
+212 672 5668  
[roger.kubarych@us.unicreditgroup.eu](mailto:roger.kubarych@us.unicreditgroup.eu)

## US car scrapping premium comes at the wrong time

- The US now has its own car scrapping premium. But the "cash for clunkers" program is substantially smaller than its German role model. Moreover, the premium received depends on how much more fuel efficient the new car is compared to the vehicle traded in.
- The program will provide the US economy with a temporary boost. We expect it to add roughly one quarter of a percentage point to real GDP growth in the second half of the year.
- This stimulus will, however, be at the expense of growth in the coming year. The scrapping premium will, therefore, spark a flash in the pan par excellence. Unfortunately, the timing of the program in the US is all wrong.
- The end of the destocking process and the impact of the other fiscal programs alone already harbored the danger of a W-shaped recovery. This risk is being exacerbated further by the auto scrapping premium. High uncertainty and the volatile path of the economy will complicate the stabilization of financial markets and the Federal Reserve's monetary policy.

## Made in Germany

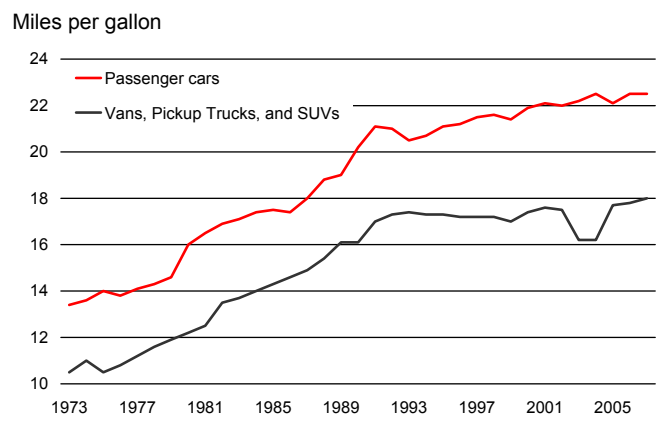
The US now also has its scrapping premium. At the end of last week, President Obama signed into law the corresponding legislation, under which households that scrap their old vehicle and replace it with a new, more fuel efficient car will receive a premium of USD 3,500 to 4,500 ("cash for clunkers"). So far, the administration has earmarked USD 1 bn for the bill. The program is, therefore, substantially smaller than its German role model (EUR 5 bn). If the totally provided premium is expressed as a percentage of auto sales in the respective country, the German program is even 30 times bigger than its US counterpart.

While the basic idea behind the cash for clunkers program is very similar to the German auto scrapping premium, the US program includes one innovation: The level of the premium paid depends on the fuel efficiency of the vehicles. First, the vehicle traded in must get 18 miles per gallon or less. This is to ensure that the vehicles being scrapped are indeed gas guzzlers. To receive a premium of USD 3,500, the newly purchased car must travel four miles more per gallon than the old vehicle. For a premium of USD 4,500, the improvement must be 10 miles per gallon. There are separate rules for trucks and SUVs. The purchase price of the new vehicle may not exceed USD 45,000. Evidence from Germany does, however, show anyway that the scrapping premium tends to generate higher demand for vehicles with lower sticker prices (EUR 10,000-15,000).

## Environmental aspect less important...

The US administration is pursuing two objectives with the cash for clunkers program: first, to stimulate the economy and, second, to reduce gasoline consumption. But while the program will probably result in some gas guzzlers disappearing from the road, the stipulated consumption numbers are by and large not particularly ambitious. As the following chart illustrates, the energy efficiency of vehicles has namely also improved substantially in the US. An average passenger vehicle now achieves 22½ miles per gallon. In our view, therefore the stipulations governing gasoline consumption are simply icing on the cake. The primary objective of the program is in fact to stimulate the economy.

### VEHICLES ALSO BECOMING MORE EFFICIENT IN THE US



Source: EIA, UniCredit Research

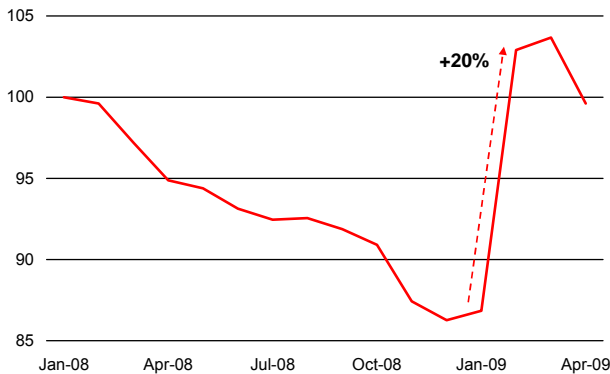
## ...than economic stimulus

In Germany, the scrapping premium saw vehicle sales soaring by 20% (cf. chart on the next page). While the US program is substantially smaller, here too car sales, personal consumption and, therefore, GDP will probably increase temporarily. To quantify the growth impulse, we have made the following assumptions:

- The entire available amount of USD 1 bn is used in the third quarter.
- The average premium approved is USD 4,000.
- The average purchase price of a new vehicle is USD 25,000 and, therefore, clearly below the stipulated ceiling of USD 45,000.

**GERMAN VEHICLE SALES SKYROCKETED**

Germany retail sales: Auto dealers (Jan 2008 = 100)



Source: Bundesbank, Bloomberg, UniCredit Research

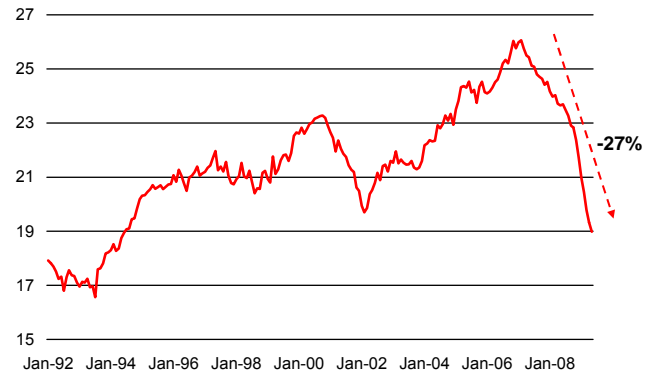
- 75% of the new vehicles purchased are manufactured in the US (US firms or foreign transplants). This share is identical to the current split between domestically produced and imported vehicles.

Under these assumptions, 250,000 additional new vehicles will be sold in the third quarter. Based on the assumed purchase price of USD 25,000, the value of these vehicles will be USD 6¼ bn. After subtracting imports (25%), the demand for domestic vehicles increases by USD 4¾ bn, or an annualized USD 18¾ bn. If these purchases are concentrated – as assumed – in the third quarter, GDP growth will temporarily be lifted by an annualized 0.5 percentage points. If, in contrast, the purchases are spread evenly over the second half of the year, the program will support GDP growth in each of the two quarters by 0.25 percentage points. The truth is probably somewhere in the middle, i.e. we expect the biggest impulse for the current quarter and some impetus for Q4.

The impact on growth could be lower if the newly purchased vehicles stem from existing stockpiles and are, therefore, not newly manufactured. One factor arguing against this is, however, that the automakers have already slashed their inventories in recent months. The current inventory of USD 19 bn is the lowest in 15 years (cf. chart next column). For that reason, we expect that the cash for clunkers program will indeed lead to an increase in car production and lift GDP by the amount cited above. If the cash for clunkers program proves to be very popular, the funds earmarked could be increased from USD 1 bn to USD 4 bn. That at least was the sum originally approved by the House of Representatives (in Germany too, the volume of the scrapping premium was increased from initially EUR 1.5 bn to EUR 5 bn). In this event, the growth impulse would quadruple accordingly.

**INVENTORY AT 15-YEAR LOW**

Inventories of durable goods: Motor vehicles & parts, in USD bn



Source: Census Bureau, Bloomberg, UniCredit Research

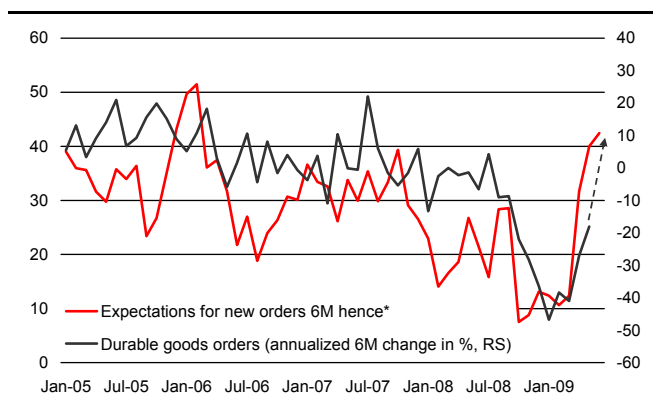
**Merely a flash in the pan**

The positive aspect of a scrapping premium is that from the administration's point of view it generates the biggest "bang for the buck". Based on our assumptions, the growth impulse from the program is USD 4¾ bn. That is exactly 4¾ times as much as the USD 1 bn "invested" by the administration. The trick is the inclusion of private capital. The scrapping premium is, therefore, merely an incentive designed to motivate households to purchase a new car. But the drawback of such an approach is obvious: Only because of a relatively small premium of USD 3,500 to USD 4,500, barely any additional cars will be sold. The program merely results in households bringing forward the purchase of vehicles. Accordingly, the positive growth impact in H2 2009 will come at the expense of lower growth in H1 2010. The scrapping premium will, therefore, spark a flash in the pan par excellence. But while the German scrapping premium impacted exactly at the trough of the recession, the cash for clunkers program will probably see this flash in the pan burn out at a very unpropitious time.

**W-shaped recovery increasingly likely**

While the recession in the US is still not over, some of the forward-looking indicators have at least ventured back into positive territory of late. Durable goods orders, for example, have increased by 1¼% in each of the last two months. And regional surveys in various Fed districts suggest that the improvement will continue in the coming months (cf. chart next page).

**SURVEYS POINT TO FURTHER RISE IN NEW ORDERS**



\* Average from the surveys of the New York, Philly and Richmond Fed

Source: Census Bureau, Thomson Datastream, UniCredit Research

The ISM Index for manufacturing has also continued to improve recently. In June, it rose to 44.8 points, which is the highest level since last August. While inventories continued to fall in June, the Institute for Supply Management acknowledged in its press release *“that the de-stocking cycle is at or near the end in most industries.”* This is in line with our own assessment. Since the contribution of the inventory component to GDP growth is calculated as the change of the inventory change, we expect that inventories will on average add one percentage point to GDP growth in each of Q2, Q3 and Q4. It is less clear, however, when the federal infrastructure programs will begin to support the economy as well. But President Obama has repeatedly urged that the measures resolved under the American Recovery and Reinvestment Act be realized as quickly as possible. Our expectation is, therefore, that growth will also be supported from this side in the second half of the year. Since neither the end of the destocking process nor the federal infrastructure programs will usher in a truly sustainable upswing, growth at the beginning of the coming year will be all the weaker. The risk of such a W-shaped recovery is now being amplified further by the cash for clunkers program. For financial markets, the related uncertainty is without doubt the least favorable scenario. Furthermore, the volatile pattern of economic growth will make it more difficult for the Fed to conduct its monetary policy, first and foremost the assessment from which point the degree of monetary policy accommodation should be scaled back.

**Dr. Harm Bandholz (HVB)**  
+1 212 672-5957  
harm.bandholz@us.unicreditgroup.eu

## Germany: Auto scrapping boom fizzling rapidly

- The scrapping premium for old vehicles triggered an unforeseen spike in auto sales at the beginning of the year. As a result, positive consumption effects succeeded in preventing an even stronger decline in GDP.
- The boom in auto sales is, however, now fizzling out as rapidly as it began. Vehicle sales were already down strongly recently and they will no longer have supported the economy in the spring quarter.
- The correction looks set to strengthen further in the coming months, since a high percentage of the vehicle purchases were brought forward and will, therefore, not drive future demand.

### Success model scrapping premium

The scrapping premium for old cars, which the German government approved as part of the second economic stimulus package, exceeded all expectations and triggered a veritable buying frenzy among German consumers at the beginning of the year. Shortly after the premium was launched at the end of January, the number of vehicle sales skyrocketed. February produced a rapid increase of 18.5% m-o-m. The program's unexpected success prompted the German government to expand the limit for the EUR 2,500 premium from originally 600,000 vehicles to 2 million until the end of this year. Consequently, the government is making available a total of up to EUR 5 bn in premium payments.

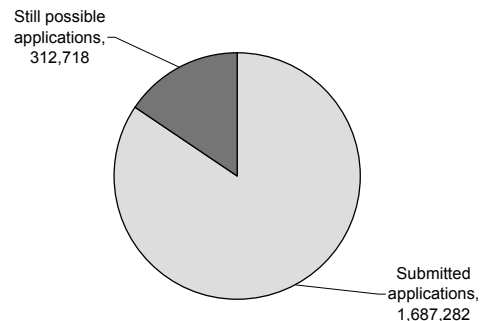
The boom in auto sales played a major role in private consumption, being the only component that made a perceptible contribution to growth in the first quarter of 2009. While retail sales ex autos were down at the beginning of the year, auto sales were up a very strong 11% q-o-q. This therefore spared the economy an even more serious plunge than the already record-high -3.8% q-o-q.

### But correction already under way

Even though the premium will continue until the end of the year, the boost to auto sales has already eased. While premium applications skyrocketed immediately after the program was launched, the number of new applications has fallen strongly of late. From the end of January to the beginning of April, roughly 1.2 million applications were submitted. Since then, there have been "only" close to 500,000 additional applications. A total of roughly 1.7 million vehicles have been sold or leased so far in connection with the scrapping premium (cf. chart).

### BRISK INTEREST IN SCRAPPING PREMIUM

Applications for the scrapping premium, position July 1, 2009

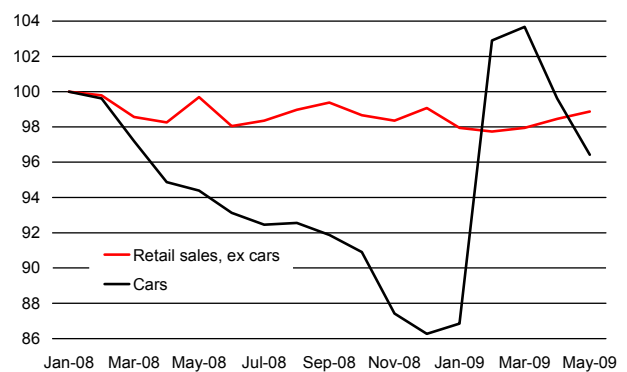


Source: BAFA, UniCredit Research

The decline in new applications is reflected in the latest auto sales numbers. Even though auto sales were recently still clearly above the level prior to introduction of the premium, compared to the temporary high posted in March, the sales numbers have already eased strongly. After nominal auto sales were already down 3.9% m-o-m in April, May brought a further decline of 3.2% (cf. chart).

### BOOM FIZZLING RAPIDLY

Sales, index (Jan-08 = 100)



Source: Bundesbank, UniCredit Research

As a result, auto sales in April/May are up only slightly (0.2%) compared to the first quarter. It should, therefore, not be expected that the scrapping premium will again make a positive contribution to growth in the second quarter. Even if the remaining 300,000 possible applications are still exploited by the end of the year, domestic demand for autos cannot be expected to rebound in the short term. Quite the opposite: There are now estimates that up to ¾ of the premium-induced purchases are replacement or advance effects, i.e. no real additional demand. Accordingly, the correction in auto sales will probably even strengthen in the coming months. The brought-forward purchases will have a negative impact on future demand. The boom in auto sales is fizzling out as

rapidly as it began. While domestic auto dealers cannot escape the correction, there is at least hope for the automakers. On the one hand, a large share of the premium-induced demand for new vehicles was directed at foreign makes. As a result, the automakers did not profit as strongly as dealers. Moreover, German automakers and part suppliers can still hope for an at least moderate rebound in foreign demand in the second half of this year, not least because the scrapping premium model is being adopted in numerous other countries.

**BOX: DETAILS ON THE SCRAPPING PREMIUM**

Buyers of passenger vehicles receive a scrapping premium of EUR 2,500 for their old vehicle. To qualify, the following preconditions must be met:

- Initial registration of the old vehicle must be at least nine years prior to its scrapping.
- Prior to scrapping, the vehicle must have been registered in the name of the applicant without interruption for at least one year.
- Purchase of a new or one-year-old car (Jahreswagen), including leasing cars, which has to fulfill emission standard Euro 4.

A maximum of EUR 5 billion is earmarked for the scrapping premium up to the end of 2009. This is enough to purchase a total of 2 million new vehicles.

**Alexander Koch (HVB)**  
+49 89 378-13013  
alexander.koch1@unicreditgroup.de

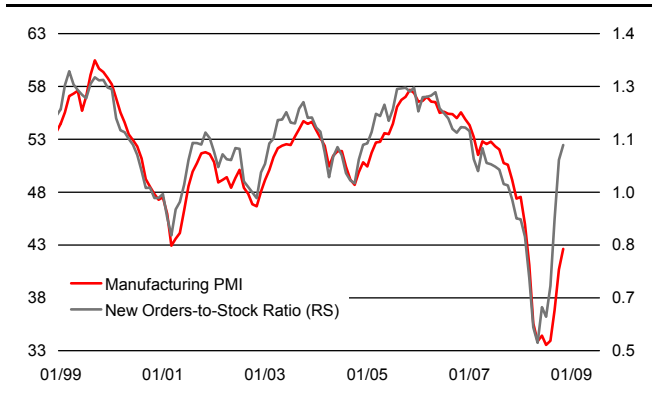
## EMU: No quick exit from recession

- After two horrible quarters, eurozone growth momentum is showing clear signs of improvement, particularly in manufacturing. However, this is just a rise from the abyss, as business surveys are stuck in recessionary territory.
- Our -0.6% q-o-q GDP forecast for Q2 remains on track, but risks seem tilted to the downside. Going forward, even if leading indicators were to keep improving at the pace seen in the last three months, they would continue to signal an outright output drop until approximately year-end.
- Accordingly, we remain confident that a contraction in GDP is likely to persist also in H2 2009, though the pace of decline should continue to ease as the year progresses.

### Recession not over yet

In the eurozone, the June round of business surveys generally confirmed that the pace of recession continues to ease, but a resumption of positive GDP growth is not around the corner. PMIs, our favorite indicators to gauge underlying growth momentum, in June sent mixed signals, with a further increase in manufacturing largely offset by an unexpected decline in the services index. The rise in the factory PMI was tangible, to 42.6 vs. 40.7, and this brought the index to the highest level since September 2008. The improvement was pretty generalized: the output index was up to 44.5 vs. 42.6 and new orders climbed to 44.9 vs. 42.2. Given that stocks of finished goods were up only tentatively (41.5 vs. 40.6), the orders-stock ratio rose further to 1.08, the highest level since November 2007. As we have repeatedly stressed, this ratio tends to lead the headline PMI, suggesting plenty of room for improvement in factory activity in the coming months.

### MORE UPSIDE POTENTIAL FOR MANUFACTURING



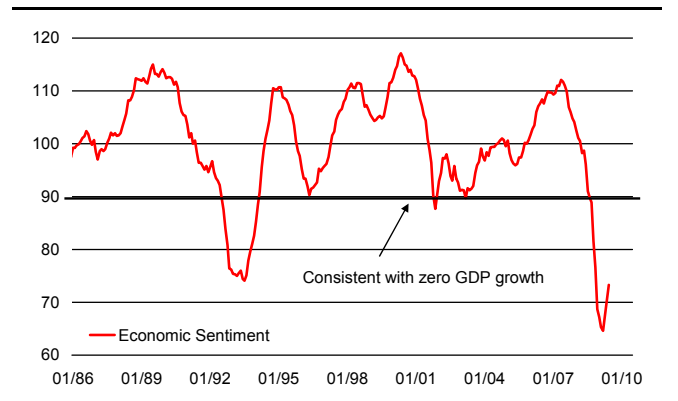
Source: Markit, UniCredit Research

Based on developments in the new orders/stocks balance, we would not be surprised to see the factory PMI edging close to 50 by the end of the summer. However, given that this upward trend in the factory index is mostly inventory-driven, caution is warranted in trying to extrapolate a tendency for the whole economy. Indeed, at this stage, it is possible that the services PMI delivers a better proxy for the degree of improvement in growth momentum for the economy as a whole. If this is the case, then the moderate correction in the services PMI to 44.7 vs. 44.8 is a useful reminder that the eurozone is not out of the woods, though obviously the pace of GDP decline will now ease significantly. In June, our composite PMI rose to 44.2 vs. 43.8 and remains consistent with a 0.6% GDP drop in Q2, which is our official forecast.

### Negative GDP throughout year-end

The message of no immediate exit from the recession is conveyed also by the EC economic confidence indicator, which in June was up for the third straight month to 73.3 vs. 70.2. This is a 0.8 standard deviation improvement from the March trough, but at the current level the index is still far from the zero-growth threshold that we put at 90.

### EC SURVEY: ZERO GROWTH THRESHOLD IS STILL FAR AWAY



Source: EU commission, UniCredit Research

Put differently, what the European Commission survey is telling us is that, even assuming that the pace of improvement of the last three months were to persist also in H2, the exit from the recession would not occur before the beginning of next year. The same exercise performed on the PMIs delivers a slightly more optimistic picture: in this case, the recession could be over in Q4. On balance, our forecast that sees a resumption of (moderate) GDP growth only in Q1 2010 remains on track. The ECB is even more cautious, and believes that the eurozone won't be back to growth before mid-2010. Green shoots are flourishing, but convincing upside risks to our GDP projections have not yet materialized.

**Marco Valli (HVB Milan)**  
+39 02 8862 8688  
marco.valli@unicreditgroup.de

## Data Monitor – Preview Europe

**Tuesday, July 7**

### GERMANY, NEW ORDERS

May	MIB	Cons.	Apr	March
in % m-o-m	0.8	–	0.0	3.7
in % y-o-y	-31.2	–	-33.2	-32.8

After the dramatic declines in new orders up to the beginning of the year, there was a recovery recently. In April, the order volume was up 1.4% q-o-q. With the ongoing clear improvement in business surveys and after the massive destocking, we see scope for an at least moderate upward trend in the coming months. The economic stimulus programs getting under way around the globe mean that even stronger increases cannot be ruled out in the short term.

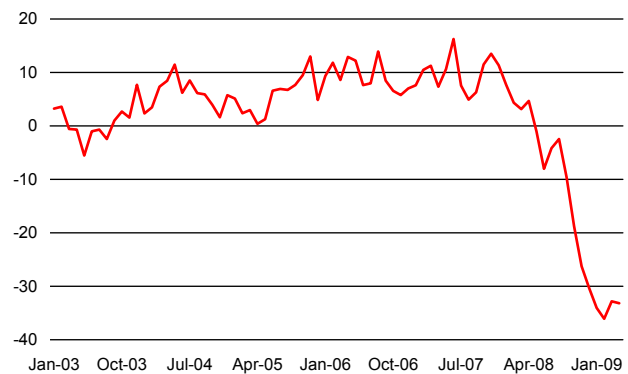
### UK, INDUSTRIAL PRODUCTION

May	MIB	Cons.	Apr	Mar
in % m-o-m	-0.3	0.2	0.3	0.2

Different surveys of manufacturing activity marked a significant improvement over the last few months, strong evidence that the worst of the industrial recession may be behind us. Still, at the current level, the surveys remain consistent with further production cuts in Q2. In particular the PMI, our best gauge of the manufacturing output trend, suggests that, following a modest increase in April, manufacturing (and total) production should contract by 0.5% m-o-m in May.

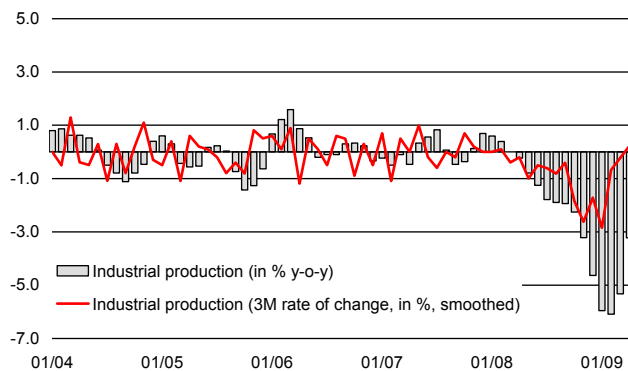
### SLUMP IN DEMAND HALTED

New orders, in % y-o-y



Source: Federal Statistical Office, UniCredit Research

### INDUSTRIAL RECESSION IS EASING



Source: ONS, UniCredit Research

**Wednesday, July 8**

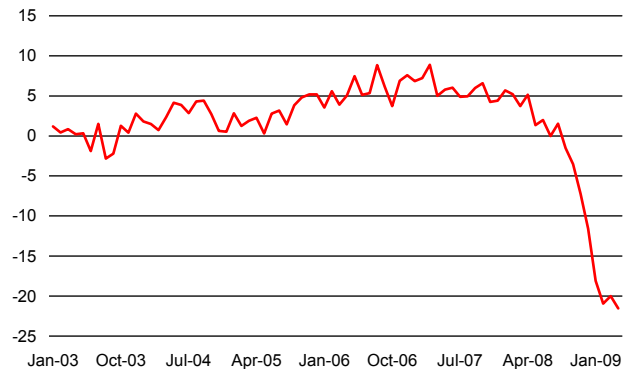
**GERMANY, INDUSTRIAL PRODUCTION**

May	MIB	Cons.	Apr	March
in % m-o-m	0.5	-	-1.9	0.3
in % y-o-y	-20.0	-	-21.6	-20.0

The setback for production in April was exacerbated by special factors. Alongside a correction for auto production, which had risen strongly in the previous month because of the auto scrapping premium, the late Easter break should also have had a negative impact. The slight recovery in orders combined with the massive destocking will probably provide production with at least a slight push in the coming months.

**BOTTOM MAY HAVE BEEN REACHED**

Industrial production, in % y-o-y



Source: Federal Statistical Office, UniCredit Research

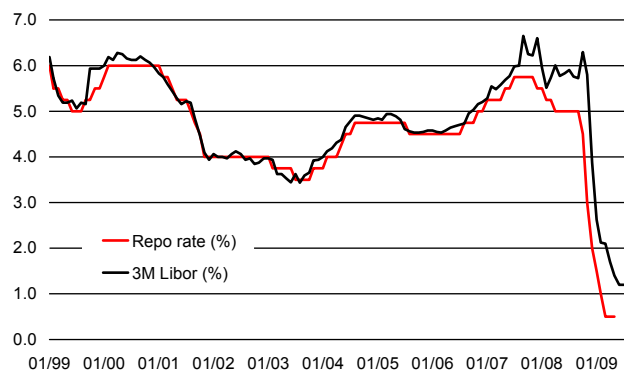
**Thursday, July 9**

**UK, BANK OF ENGLAND**

July	MIB	Cons.	Jun	May
Repo rate, in %	0.5	0.5	0.5	0.5

The GBP 125 bn target for the asset purchase facility (APF) will need approximately one month to be completed. Given the decisive improvement in survey indicators, the BoE might not feel in a hurry to step up its quantitative easing policy at the current juncture. Still, there are chances that the central bank will give hints on whether it intends to take further steps in this direction, expanding the asset purchase facility. The most likely outcome is that in the short term the BoE will exploit the maximum amount originally targeted for the APF (GBP 150 bn) and then take a pause for several months.

**IMPROVING SURVEYS BRING THE BOE SOME RELIEF**



Source: BoE, UniCredit Research

**Friday, July 10**

**FRANCE, INDUSTRIAL PRODUCTION**

May	MIB	Cons.	Apr	Mar
in % m-o-m	-0.3	-0.2	-1.4	-1.7

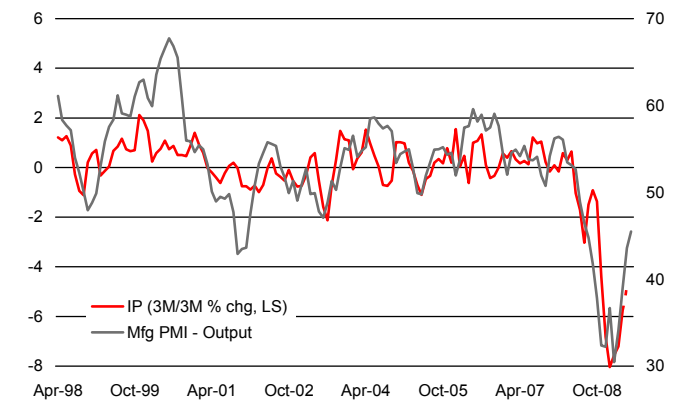
Following a disappointing April figure (which was primarily due to a sharp contraction in energy output), we expect that the pace of contraction in industrial production will ease meaningfully in May. If our forecast (-0.3% m-o-m) proves to be correct, it would support our call for the contraction in GDP to halve in Q2 with respect to the previous quarter.

**ITALY, INDUSTRIAL PRODUCTION**

May	MIB	Cons.	Apr	Mar
In % m-o-m	-0.3	-1.1	1.1	-4.5

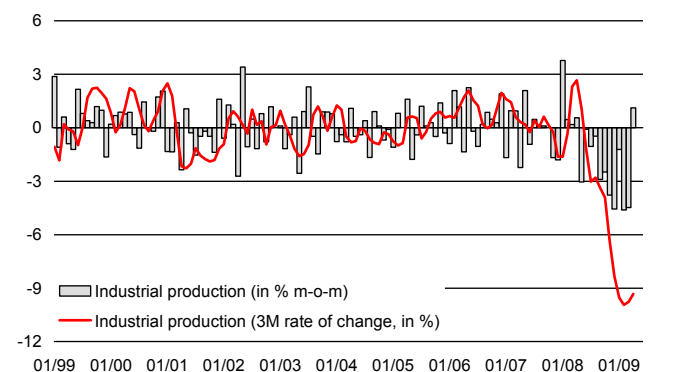
After eleven consecutive declines, the rebound in April industrial production confirmed that the pace of industrial recession is easing. However, given that manufacturing surveys remain at very depressed levels, we believe that the IP rebound was technical and doesn't signal the beginning of an expansionary phase. Accordingly, a moderate setback in production seems likely in May.

**ON THE MEND**



Source: INSEE, UniCredit Research

**FACTORY RECESSION IS EASING**



Source: Istat, UniCredit Research

**Tullia Bucco (HVB Milan)**  
+39 02 8862-2079  
tullia.bucco@unicreditgroup.de

**Chiara Silvestre (HVB Milan)**, chiara.silvestre@unicreditgroup.de

**Chiara Corsa (HVB Milan)**  
+39 02 8862-2209  
chiara.corsa@unicreditgroup.de

**Marco Valli (HVB Milan)**  
+39 02 8862-8688  
marco.valli@unicreditgroup.de

**Alexander Koch (HVB)**  
+49 89 378-13013  
alexander.koch1@unicreditgroup.de

## Data Monitor US - Preview of the coming week

### Monday, July 6

#### ISM NON-MANUFACTURING

June	MIB	Cons.	May	Apr
	45.0	46.0	44.0	43.7

The purchasing managers who respond to the ISM non-manufacturing survey have consistently indicated that more industries are contracting than are expanding. But the gap is narrowing. As a result, there has been a mild rise in the overall PMI since March. But the improvement has hardly been widespread. Few firms are increasing hiring, and business activity remains sluggish. In short, the recession continues but less strenuously.

#### SERVICES SECTOR PURCHASING MANAGERS LESS GLOOMY



Source: Thomson Datastream, UniCredit Research

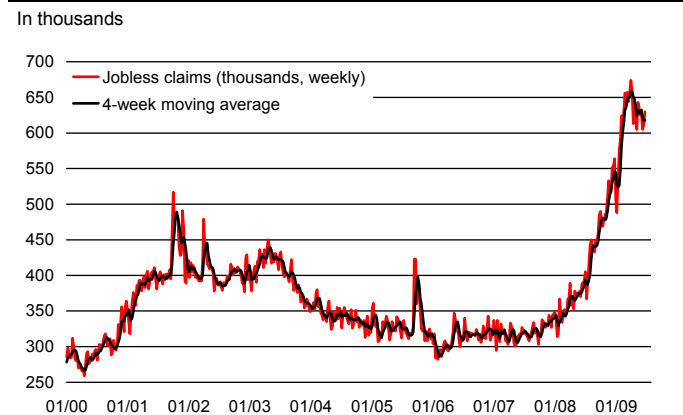
### Thursday, July 9

#### INITIAL JOBLESS CLAIMS

July 4	MIB	Cons.	Jun 27	Jun 20
in thousands	590	-	614	627

This usually reliable barometer of labor market conditions has been sending somewhat mixed signals recently. Initial claims for unemployment compensation have been edging irregularly lower, but continued claims have stayed at very high levels. The message is that firms are becoming less aggressive in laying off workers but are not willing to start hiring enthusiastically.

#### LAYOFFS HAVE PEAKED BUT ARE STILL ELEVATED



Source: Thomson Datastream, UniCredit Research

**Friday, July 10**

**TRADE BALANCE**

May	MIB	Cons.	Apr	Mar
in USD bn	-32.0	-30.0	-29.2	-28.5

Exports and imports have both been shrinking for over a year. But the slide in imports has been far greater, so the trade balance is about half as big as it was last summer. Further significant progress is unlikely, though, because higher commodity prices and a likely end to inventory destocking will tend to lift imports. US exports, in the meantime, are held back by continued weakness in the economies of many key trading partners.

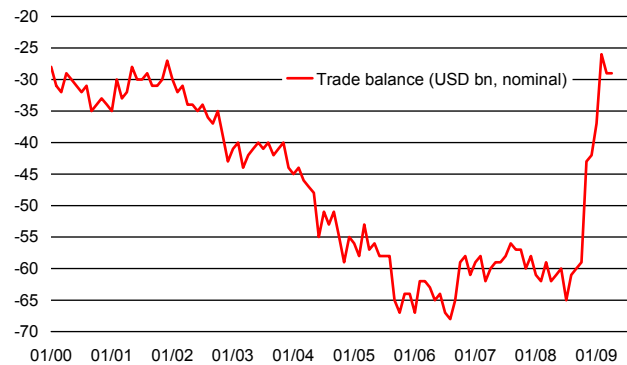
**CONSUMER CONFIDENCE – UNIVERSITY OF MICHIGAN**

July	MIB	Cons.	June	May
	70.0	70.6	70.8	68.7

There are many consumer surveys and most of them tend to be showing somewhat less anxiety among respondents. But this week's Conference Board indicator was down. The University of Michigan version tends to react more to stock market developments than the others. But the market has been choppy lately. All in all, June's improvement may not carry over into July.

**Roger M. Kubarych (HVB)**  
+1 212 672-5668  
roger.kubarych@us.unicreditgroup.eu

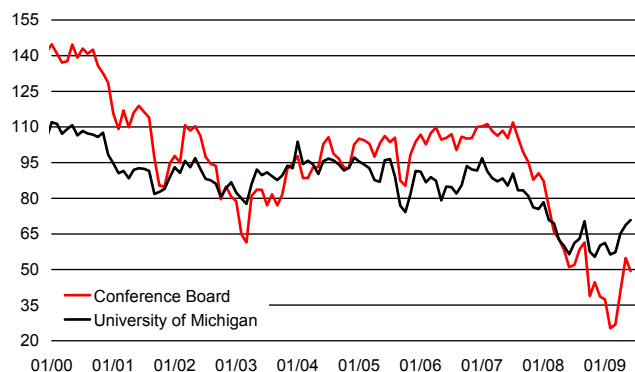
**ENERGY COSTS & RESTOCKING TO LIFT DEFICIT**



Source: Thomson Datastream, UniCredit Global Research

**ONLY A TENUOUS IMPROVEMENT IN SENTIMENT**

**Consumer confidence index**



Source: Thomson Datastream, UniCredit Global Research

## Review Europe

### German labor market: The worst is yet to come

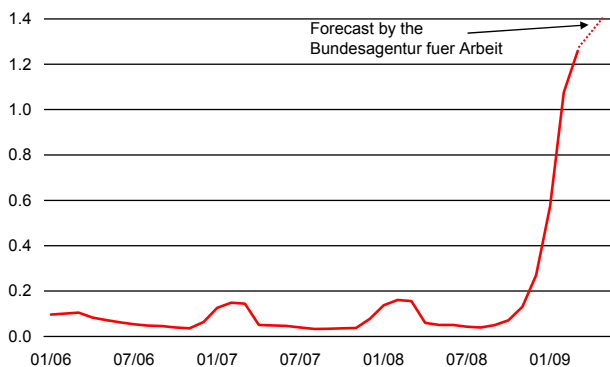
German unemployment was down 48k to 3.41 mn on a non-seasonally adjusted basis in June. Adjusted for seasonal effects, the number of jobless was, however, up 31k. It was the eighth consecutive increase. The adjusted unemployment rate increased from 8.2% to 8.3% – up from a low of 7.6% last November. The usual seasonal decline in unemployment before the start of the main holiday season turned out markedly weaker than in previous years, when the unadjusted figure was down on average more than 120,000. The deep recession is taking its toll on the labor market. The latest monthly increases remained, however, well below the average monthly increase of almost 60,000 in the first quarter. But this definitely doesn't mark a turnaround on the labor market yet. The increase in unemployment was dampened by around 20,000 in June and May each due to statistical changes – which will continue to influence the official figure in the short term. Moreover, the Bundesagentur estimates that the number of short-time workers rose further until May to up to 1.4 mn (cf. chart). Considering the recorded average reduction in working hours, this translates into 366,000 full-time equivalents.

The above mentioned (temporary) dampening factors will eventually not be able to prevent a further heavy rise in unemployment well into 2010. Even considering an imminent end of the deep recession followed by a respectable rebound in demand, the pick-up in production wouldn't be sufficient to let the massive excess capacities disappear in the short term. Production in the manufacturing sector is currently down almost 25% compared to the peak in early 2008. Hence, firms will still have to downsize their workforce strongly on a permanent basis. Unemployment should average well above 4 mn next year after a trough in adjusted unemployment of 3.18 mn in November last year.

**Alexander Koch (HVB)**  
+49 89 378-13013  
alexander.koch1@unicreditgroup.de

#### MASSIVE USE OF SHORT-TIME WORK

Short-time workers in mn



Source: Bundesagentur fuer Arbeit, UniCredit Research

## US Review

### June jobs report a reminder of remaining obstacles to robust recovery

There were no “green shoots” in the US labor market in June. Non-farm payrolls sank another 467k. That brings the total loss of jobs in Q2 2009 to 1.3 mn and since the recession began in December 2007 to 6.5 mn. The unemployment rate went up slightly last month too – to 9.5% from 9.4%. The index of aggregate hours worked, useful in making back-of-the-envelope estimates of real GDP, fell another 0.8, leaving the Q2 average about 2% lower than Q1. For GDP to have stayed unchanged, productivity would have had to climb enough to offset the decline in hours worked – not inconceivable, but hardly likely. More likely is that real GDP fell further in the just-completed quarter, though by much less than in the preceding six months. About the only good news in the labor report was that average hourly earnings were unchanged in June. The tamer inflation prospects are, the less pressure there will be on the Fed to even begin to contemplate any tightening of monetary policy.

### ISM manufacturing PMI hopeful

The purchasing managers' manufacturing survey is a combination of real-time assessment of current business conditions and a less rigorous glimpse of business attitudes about future prospects. June's figures certainly don't insist that the recession is over (although, according to the ISM, an index “in excess of 41.2 percent, over a period of time, generally indicates an expansion of the overall economy”), not least because only 9% of respondents are hiring while 25% are still laying off workers. And almost half the firms are still slashing inventories. But there are some hopeful developments in the newest report. The index rose to 44.8 in June from 42.8. The production sub-index was especially reassuring, a rise to 52.5 in June from 46.0. A plurality reported higher output (32% better, only 22% worse). New orders came in only a little lower at 49.2, while new export orders were slightly healthier. Deliveries were slower, too, a positive for the outlook.

### Construction in May loses ground

Construction data for May, released on July 1, showed another set-back in home-building, a steep 3.5% drop to a level 33% lower than a year ago. It totally reverses the brief improvement of the month before. Non-residential construction was essentially unchanged in May. But state and local construction was down 0.6%, no doubt curtailed by mounting budget deficits, most vividly in California, which faces a USD 24 billion deficit (larger than all but ten countries!). It turns out that the Obama fiscal stimulus was not as heavily tilted toward infrastructure projects as originally advertised. When the ink was dry on the legislation, funding was shifted to health, education, and other social programs. So-called “shovel ready” projects largely remain on the shelf.

### Some better news from Case-Shiller

When Yale University Professor Bob Shiller, and co-founder of the most closely-watched housing price index, sounds less gloomy, the rest of us should be grateful. Shiller told reporters there was “striking improvement in the rate of decline” in average home prices this spring. And on Bloomberg TV he went further: “My guess would be that home prices are going to level off -- they're not going to keep falling.” That's how he reacted to the latest S&P/Case-Shiller housing price index that came out this week. The year-over-year plunge in average prices for the 20-city sample eased back to 18.1% from a year ago. That's down from a peak of 19% registered last winter. It is computed from three-month average price data, so it implies a mild 0.5% decline in the latest month, April. Shiller's co-founder, Professor Karl Case of Wellesley College, noted that “these numbers are really showing that there's been a change in mood. For these numbers to go up in eight states, I was quite taken aback.” The lucky cities were Atlanta GA, Boston MA, Cleveland OH, Dallas TX, Denver CO, San Francisco CA, Seattle WA, and Washington DC. Alas, New York was not among them!

**Roger Kubarych (HVB)**  
+212 672 5668  
roger.kubarych@us.unicreditgroup.eu

## Fixed Income Outlook

- Following on the heels of an already disappointing Q1 performance of the EMU government bond sector, Q2 did not have much to offer either below the line.
- It was primarily the yield pick-up and tightening spreads between Germany and the periphery that saved the overall impression.
- Subdued hopes of a global recovery should dominate Q3 and do not argue for a clear improvement.

### Performance to date on the euro-zone bond market mixed...

Like Q1, which generated a small return of 0.88% in the euro-zone government bond sector, Q2 was no better either with 0.62%. The total return since the beginning of the year is, therefore, a disappointing 1.51%. Specifically, the ultra-long end remained under pressure, and it has been under water since the beginning of the year. A glance at the entire euro-zone universe even still conceals the fact that German Bunds turned in a negative performance. Here, the topic of the global recovery (new German "green shoots") impacted via two channels. On the one hand, the general pressure on government bonds with less depressing growth prospects and, second, the loss of Germany's safe-haven status, which in turn has a positive impact on the other countries in the form of spread narrowing. Also very positive, in contrast, was the performance of inflation-linked government bonds. Despite a steady decline in the reported inflation rate, which at -0.1% has now ventured into deflationary territory, the 1-10Y segment of this asset class added 4.03%.

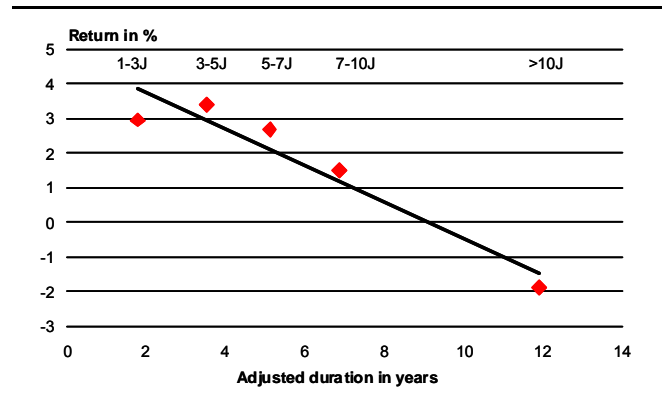
#### RETURNS ON EURO ZONE GOVERNMENT BONDS

Indicator	Total return since the start of the year	Total return Q1 2009	Total return Q2 2009
EGBs >1Y	1.51	0.88	0.62
EGBs 1-3Y	2.96	2.08	0.86
EGBs 3-5Y	3.40	2.29	1.09
EGBs 5-7Y	2.65	1.69	0.95
EGBs 7-10Y	1.48	0.99	0.47
EGBs > 10Y	-1.89	-1.80	-0.09
Bunds >1Y	-0.17	0.64	-0.81
Bunds 1-3Y	1.82	1.51	0.31
Bunds 3-5Y	1.69	1.79	-0.11
Bunds 5-7Y	0.77	1.60	-0.83
Bunds 7-10Y	-0.35	1.28	-1.61
Bunds > 10Y	-5.15	-2.68	-2.53
ILBs 1-10Y	4.03	1.78	2.21

Source: Bloomberg, UniCredit Research

Adjusted for risk, the entire maturity segment beyond 5Y was basically pulled down by the ultra-long end.

#### TOTAL RETURN OF EGBS IN H1 REGRESSED AGAINST AVERAGE DURATION



Source: Bloomberg, UniCredit Research

### ...and the outlook does not instill much enthusiasm

Looking forward, the prospects remain mixed. Investors should not be deceived by the recent pullback in yields. Some money from the 12M tender has undoubtedly migrated to the long end as a variant of the carry trade, a trend that is scarcely likely to continue with the same intensity. While the surprises from the high-frequency data releases are still on the positive side and are, consequently, triggering an upward revision of the growth expectations for 2009/2010, the generally muted tone in government bonds will probably remain in place. It is no wonder that the central banks have also scaled back their bearish rhetoric somewhat, even though they are probably not exactly delighted about the higher yields. In a best-case scenario, this means an extensively unchanged yield level across the entire curve. In our view, especially the short-term risk for Q3 tends to remain biased towards rising yields. All told, the risk towards earlier rate hike expectations is carved in stone, however unrealistic this may then also prove to be. But this is probably more a topic for Q4 2009/Q1 2010. At the current low yield levels, we tend to prefer a slight short duration positioning. We do, however, still like the yield pick-up in periphery.

**Michael Rottmann (HVB),**  
+49 89 378 15121  
michael.rottman1@unicreditgroup.de

## Forex Outlook

- We think that there is currently no reason to return to a severe magnitude of risk aversion or to exaggerate the risk-taking propensity.
- Hence, the dollar's leeway seems to be further limited on either side throughout the current quarter. The most likely outlook for EUR-USD is a sideways-move between 1.35 and 1.42.
- There is no doubt about further yen weakness in the long run, as the Japanese currency remains the absolute mirror of markets' risk taking attitude. However, in the medium term, we see the yen still exposed to corrections.
- We still target EUR-CHF at around 1.58-1.60 on a 9-12M horizon, but the SNB will be forced to continue its physical interventions.
- We expect diverging trends on cable and EUR-GBP, with the former heading towards 1.80 and the latter struggling further around 0.85.

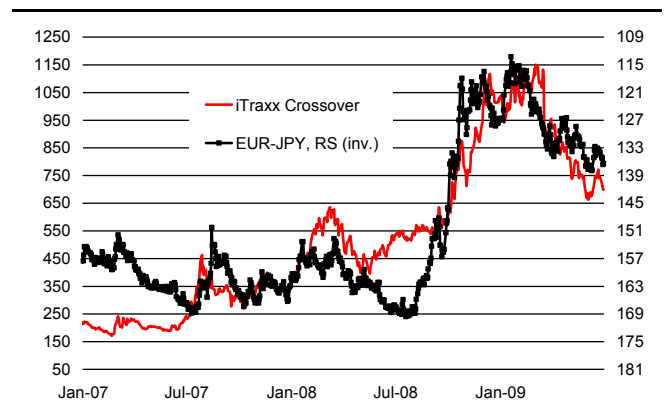
## In good hands around current levels until fall

FX markets are dealing in expectations. That old truism was perfectly demonstrated in the second quarter of this year, when –with most countries amidst a deep recession – some so-called green-shoots provided investors with more than little hope regarding a quick overcoming of the global recession. Supported by other market indicators like stocks, credit-spreads, volatilities, commodity prices and the positively interpreted G-20 summit, investor behavior has almost reflected an upcoming broad-based global recovery. Safe-havens were no longer needed. Thus, the dollar experienced a remarkable decline until the end of May, which was followed by a sideways-trend, due to both first doubts about the sustainability of an early economic recovery and speculation on an earlier-than-expected Fed rate hike. The euro experienced a real roller-coaster ride. On the one hand, it benefited from the clearly brighter risk-taking picture. On the other hand, however, investors still showed a somewhat restrained attitude due to the fragile state of CEE countries and Ireland's downgrading by several rating agencies. The clear winners of the second quarter are the former high yielding currencies Australian dollar and sterling. The former benefited from its still comparably nice key-rate advantage and its status as a commodity currency, while the latter was driven by the huge correction potential of cable, which, after all, lost about 46% of its value in the second half of last year.

We think that there is currently no reason to return to a severe level of risk aversion or to exaggerate the risk taking propensity. We also do not expect a serious and long lasting flare-up of Fed rate hike fantasy in the weeks ahead, particularly since yesterday's release of the US unemployment report. Hence, the dollar's leeway seems to be further limited on either side. While some strategic profit-taking on dollar short-positions may take place if further data releases from both sides of the Atlantic fail to be considered real green-shoots, the effect may be compensated to a certain extent by the ongoing debate of a new reserve currency, which is not the case but can be expected to move into the limelight gradually by Asian and South-American countries with huge dollar reserve assets. What applies to the dollar should also be true for the former high-yielders AUD, NZD and GBP, which are also dependent on the global risk picture. They should basically keep the elevated level compared to the first quarter, but will very unlikely gain more upward potential in Q3.

There is no doubt about further yen weakness in the long run, as the Japanese currency remains the absolute mirror of markets' risk taking sentiment (cf. chart below), as was reflected by the absence of a market reaction to the BoJ Tankan report. All former carry-trade receiver currencies show the same trading pattern vs. the yen. However, as we assess most of the crosses, which can usually be related to higher risk appetite, as almost exhausted to the upper side, also current JPY weakness will probably undergo some correction sooner rather than later. For Q3, we expect range-trading of 95-99 in USD-JPY and 130-138 in EUR-JPY.

### JPY REFLECTS THE GLOBAL RISK PICTURE

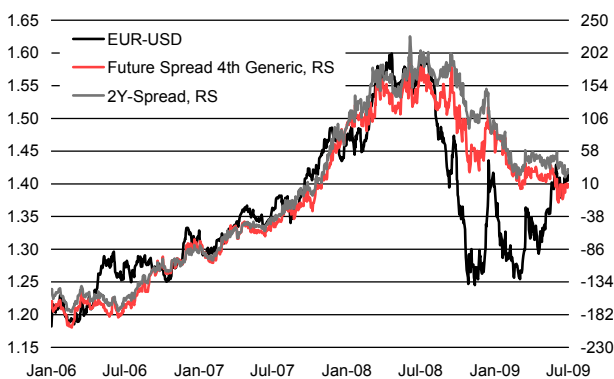


Source: Bloomberg, UniCredit Research

## EUR-USD: Around current levels for some more time

Our aforementioned expectation of a rather bumpy dollar performance will also be reflected in EUR-USD. As we do not expect justification for a premature Fed rate hike and thus the dollar to be mostly determined by the global risk picture and scattered doubts about its status as a primary reserve currency, the most likely outlook for Q3 is a sideways-move between 1.35 and 1.42. The euro will hardly be able to contribute significantly to more pronounced global risk appetite, since the uncertainties around the economic performance of CEE countries remain its foremost Achilles Heel. Our forecast is also consistent with our expectation of rather unchanged 2Y yields for both Bunds and UST, which, coupled with generic 4 money market spreads, can be considered a fair value gauge for EUR-USD (see chart right column) On a one year horizon, we stick to our expectation of levels beyond 1.50, given a clearly improved global risk appetite picture.

### EUR-USD IS CURRENTLY AT FAIR VALUE



Source: Bloomberg, UniCredit Research

## EUR-CHF: A lot of work to do for the SNB

We warned last week that, although the intervention campaign was impressive, EUR-CHF had not already turned into a simple one-way bet to the upside, as the SNB has still to convince markets that a strong franc is totally unwelcome and thus prevent investors from another attack on the 1.50 area. The consequent EUR-CHF consolidation at around 1.52 was not surprising, as USD-CHF struggling back below 1.10 returned to be a drag for a sustained EUR-CHF rally. Indeed, the signal the SNB gave investors through its interventions was clear. We actually expect more SNB action in the coming months, if EUR-CHF crumbles back below 1.51 and this potential risk should discourage investors from selling aggressively this cross. Any EUR-CHF slide below 1.51 should be considered again as a favorable opportunity for new long strategies. We still target EUR-CHF at around 1.58-1.60 on a 9-12M horizon,

but, as noted, this rise should occur at a slow pace, due to the persistent drag represented by a steady to weaker USD-CHF remaining mostly below 1.10 at the same time.

## GBP: Diverging trends in cable and EUR-GBP

As expected, cable remained mostly sensitive to the renewed swings in the global risk picture and thus to the US dollar's performance across the board. As long as markets are not fully confident that the global recession has bottomed out, we can expect cable to stay volatile. Yet, investors have showed little initiative so far to run a significant cable drop even when the USD gained ground. After all, playing the idea that the US economy may recover faster than the rest of the world and the UK in particular may not prove attractive in a scenario in which the Fed funds rate might stay on hold throughout 2010, as Fed Yellen hinted this week. Of course, cable's inability to break through 1.67 is proof that life will not be easy for sterling bulls, but the fact that the consequent pullback did not exceed the 1.62-1.63 area is still a sign of underlying strength. In a scenario in which the global picture will gradually improve and more risk appetite will spread across markets, we still expect cable to hit 1.70 and rise close to 1.80 in one year: hence, buy on dips strategies should remain favored here. Of course, we don't minimize risks of further bad news coming from the beleaguered UK economy or the ballooning UK budget deficit, as well as BoE's intentions to avoid a firmer exchange rate. Indeed, all these issues will affect more directly EUR-GBP, favoring more consolidation at around the 0.85. Unless some unexpected "idiosyncratic risk" arises affecting the UK economy as whole, cable and EUR-GBP should keep diverging trends.

**Armin Mekelburg (HVB)**  
+49 89 378-14307  
armin.mekelburg@unicreditgroup.de

## MIB View – Our Global Picture

### Global economy

- The global economy is still in recession. But there are growing signs of stabilization during the second half of this year followed by a mild recovery in 2010. Nevertheless, PPP based real global GDP will post its first minus in 2009 since WW II (-1.1%; 2008: +3%). Based on market exchange rates, it will even shrink massively (by roughly 2½%)! For next year, we expect the global economy to grow at around 2½% (PPP-based), which is well below trend.
- Real GDP in the industrialized countries will most probably shrink by 4.0% this year – more severely than during all the recessions in the 70s and 80s. Japan is hit most (-7.5%), followed by the eurozone (-4.5%) and the US, where we expect a minus of 2.2%. Next year, the industrialized world will show only meager growth (+¾%; US: +1.3%, EMU: +0.1%). Emerging Asia and especially China will continue to lead the growth rankings.

### US

- After shrinking dramatically at the turn of 2008/09, the US economy is currently stabilizing and should grow out of recession late this year helped by the massive unprecedented monetary and fiscal policy impulses. But the ongoing, inevitable deleveraging process of the private sector will prevent a V-shaped recovery that normally follows severe recessions.
- After having lowered its target rate by 425 bp since September 2007 to 1%, the FOMC decided to reduce the key rate to 0%-0.25%, adopting a virtually Zero Interest Rate Policy (ZIRP) in December 2008. The Fed is now pursuing a Quantitative Easing Policy.
- Rising inflation expectations and improved economic data fuelled rate hike speculation recently, which is exaggerated in our view. The US tightening cycle should not start before summer 2010.

### Eurozone

- The eurozone economy is still mired in recession. But the worst is now definitely behind us, although real GDP should continue to shrink until the end of this year. And for 2010, we expect EMU-wide economic activity to just stagnate (+0.1%).
- The ECB started its easing cycle in October last year. With the presumably last 25 bp cut in May 2009 to 1.0%, the cumulative easing amounts to 325 bp. In addition to the full-allotment of refi-operations up to 12 months, the ECB is starting to purchase covered bonds.
- Given this fragile economic outlook, the ECB should not start to hike its refi rate next year.

### Government bond markets

- After consolidating over the next few weeks (too much too soon, profit taking), declining risk aversion combined with improving macroeconomic data and corporate news will see government bond yields trending upward again for the rest of this and also next year.
- Since the supply of government bonds will surge, US 10Y yields reach the 4%-mark as soon as at the beginning of 2010 and are expected to near the 4½% threshold by summer of next year.
- 10Y Bund yields should roughly mimic the pattern of their US counterparts, reaching 4% by the middle of next year.

### Exchange rates

- Beyond a temporary pause, EUR-USD is expected to strengthen further, heading toward 1.45 at the end of 2009 and jumping above the 1.50 threshold by the middle of next year.
- JPY should weaken over the course of this as well as next year.

#### OUR MACRO FORECASTS

in % y-o-y	2008	2009	2010
<b>GDP EMU</b>	0.6	-4.5	0.1
<b>CPI EMU</b>	3.3	0.3	1.3
<b>GDP Germany</b>	1.0	-6.2	0.4
<b>CPI Germany</b>	2.6	0.3	1.1
<b>GDP Italy</b>	-1.0	-5.2	-0.3
<b>CPI Italy</b>	3.3	0.8	1.5
<b>GDP US</b>	1.1	-2.2	1.5
<b>CPI US</b>	3.8	-0.8	2.1

#### OUR FI/FX & OIL PRICE FORECASTS

2009/10	30-Sept	31-Dec	31-Mar	30-Jun
<b>EMU 3M (%)</b>	1.25	1.25	1.25	1.35
<b>EMU 10Y (%)</b>	3.40	3.50	3.75	4.00
<b>US 3M (%)</b>	0.60	0.60	0.60	0.65
<b>US 10Y (%)</b>	3.60	3.75	4.00	4.30
<b>EUR-USD</b>	1.35	1.45	1.50	1.52
<b>USD-JPY</b>	98	102	105	110
<b>Oil Price</b>	70	65	70	70

## Macro Forecasts

<b>GDP, real (% , y-o-y)</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009f</b>	<b>2010f</b>
World economy *	3.7	4.9	4.4	4.9	4.9	3.0	-1.1	2.5
Industrialized countries *	1.9	3.1	2.5	2.9	2.6	0.7	-3.9	0.8
US	2.5	3.6	2.9	2.8	2.0	1.1	-2.2	1.5
Euro area	0.8	1.9	1.8	3.0	2.7	0.6	-4.5	0.1
Germany **	-0.2	0.7	1.0	3.2	2.6	1.0	-6.2	0.4
France	1.1	2.2	1.9	2.4	2.3	0.3	-3.1	0.2
Italy	0.1	1.4	0.8	2.1	1.5	-1.0	-5.2	-0.3
Spain	3.1	3.3	3.6	3.9	3.7	1.2	-3.5	-0.8
Austria	0.8	2.5	2.9	3.4	3.1	1.8	-3.5	-0.3
UK	2.8	3.3	2.1	2.8	3.0	0.7	-4.0	0.0
Switzerland	-0.2	2.5	2.4	3.2	3.3	1.6	-1.7	0.4
Sweden	2.1	3.5	3.3	4.4	2.9	-0.5	-5.2	1.0
Japan	1.4	2.7	1.9	2.0	2.4	-0.7	-7.5	0.5
Developing countries *	6.6	7.6	7.4	8.1	8.6	6.3	2.9	5.3
Asia	8.2	8.6	9.0	9.8	10.6	7.7	5.7	7.5
China	10.0	10.1	10.4	11.1	13.0	9.0	7.0	8.5
India	6.9	7.9	9.1	9.7	9.3	7.3	4.5	6.5
Latin America	2.2	6.0	4.7	5.7	5.7	4.2	-1.5	2.5
Brazil	1.1	5.7	3.2	3.8	5.9	5.1	-1.5	3.5
Central and Eastern Europe	5.8	6.9	5.5	6.3	6.5	4.1	-3.4	0.8
Russia	7.3	7.2	6.4	6.7	8.1	5.6	-3.9	0.6

<b>Consumer prices, CPI (% , y-o-y)</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009f</b>	<b>2010f</b>
US	2.3	2.7	3.4	3.2	2.9	3.8	-0.8	2.1
core rate (ex food & energy)	1.5	1.8	2.2	2.5	2.3	2.3	1.4	1.0
Euro area, HICP	2.1	2.1	2.2	2.2	2.1	3.3	0.3	1.3
core rate (ex food & energy)	1.8	1.8	1.4	1.4	1.9	1.8	1.4	0.3
Germany	1.0	1.7	1.6	1.6	2.3	2.6	0.4	1.0
France	2.1	2.1	1.7	1.7	1.5	2.8	0.2	1.4
Italy	2.7	2.2	1.9	2.1	1.8	3.3	0.8	1.5
Spain	3.0	3.4	3.6	2.8	2.8	4.1	-0.1	1.8
Austria	1.3	2.1	2.3	1.5	2.2	3.2	0.4	1.1
UK	1.4	1.3	2.0	2.3	2.3	3.6	1.6	1.4
Switzerland	0.6	0.8	1.2	1.1	0.7	2.4	-0.5	1.2
Sweden	1.9	0.4	0.5	1.4	2.2	3.4	-0.3	1.2
Japan	-0.2	0.0	-0.3	0.2	0.1	1.4	-1.3	-0.5

<b>GDP, real (% , q-o-q)</b>	<b>I/08</b>	<b>II/08</b>	<b>III/08</b>	<b>IV/08</b>	<b>I/09</b>	<b>II/09p</b>	<b>III/09p</b>	<b>IV/09p</b>
US (annualized)	0.9	2.8	-0.5	-6.3	-5.5	-0.7	2.1	2.3
Euro area	0.7	-0.3	-0.3	-1.8	-2.5	-0.6	-0.2	-0.1
Germany	1.5	-0.5	-0.5	-2.2	-3.8	-0.5	-0.2	0.2
France	0.4	-0.4	-0.2	-1.5	-1.2	-0.6	-0.3	-0.1
Italy	0.5	-0.6	-0.8	-2.1	-2.6	-0.5	-0.2	-0.3
Spain	0.4	0.1	-0.3	-1.0	-1.9	-0.7	-0.4	-0.4
Austria	0.6	0.2	0.0	-0.4	-2.6	-0.5	-0.2	-0.1
UK	0.3	0.0	-0.7	-1.6	-1.9	-0.5	-0.3	-0.1
Switzerland	0.4	0.0	-0.2	-0.6	-0.8	-0.4	-0.2	0.0
Sweden	-0.6	-0.5	-1.0	-5.0	-0.9	-0.5	0.0	0.3
Japan	0.8	-0.9	-0.6	-3.8	-4.0	-0.5	0.2	0.2

<b>Consumer prices, CPI (% , y-o-y)</b>	<b>I/08</b>	<b>II/08</b>	<b>III/08</b>	<b>IV/08</b>	<b>I/09</b>	<b>II/09p</b>	<b>III/09p</b>	<b>IV/09p</b>
US	4.2	4.3	5.2	1.5	-0.2	-1.1	-2.1	0.4
core rate (ex food & energy)	2.4	2.3	2.5	2.0	1.7	1.8	1.1	1.1
Euro area, HICP	3.4	3.6	3.8	2.3	1.0	0.2	-0.3	0.5
core rate (ex food & energy)	1.8	1.7	1.8	1.9	1.6	1.6	1.3	1.1
Germany	2.3	3.0	2.9	2.9	3.1	1.7	0.8	0.2
France	2.9	3.3	3.3	1.8	0.6	-0.2	-0.2	0.7
Italy	3.1	3.6	4.0	2.8	1.5	0.9	0.2	0.8
Spain	4.5	4.7	5.0	2.5	0.5	-0.8	-1.1	0.8
Austria	3.3	3.6	3.7	2.2	1.1	0.3	-0.2	0.3
UK	2.4	3.4	4.8	3.9	3.0	1.9	0.8	0.8
Switzerland	2.5	2.7	3.0	1.6	0.0	-0.7	-1.1	-0.3
Sweden	3.2	3.8	4.3	2.4	0.7	-0.5	-1.2	0.0
Japan	1.0	1.4	2.2	1.0	-0.1	-0.7	-2.0	-1.4

Comments: \* The GDP shares used for aggregation are based on the purchasing-power-parity (PPP) valuation of country GDPs

GDP = Gross Domestic Product, HICP = Harmonized Index of Consumer Prices, CPI = Consumer Price Index, f = forecast; \*\* GDP growth unadjusted, 2008: 2.5%

## Interest & Exchange Rate Forecasts (I)

### INTEREST RATE FORECASTS (% , END QUARTER)

2009	current	end-Q3	end-Q4	end-Q1	end-Q2
<b>Eurozone bond market</b>					
Refi rate	1.00	1.00	1.00	1.00	1.00
3M Euribor	1.07	1.00	1.05	1.20	1.30
2Y	1.23	1.40	1.40	1.55	1.90
5Y	2.39	2.50	2.50	2.70	2.95
10Y	3.34	3.40	3.50	3.75	4.00
30Y	4.16	4.20	4.20	4.45	4.60
10Y swap spread (in bp)	26	5	5	5	5
<b>US Treasury Market</b>					
Fed funds target rate	0.13	0.25	0.25	0.25	0.25
3M USD Libor	0.58	0.45	0.45	0.60	0.75
2Y	0.98	1.10	1.25	1.50	1.90
5Y	2.42	2.50	2.55	2.80	3.15
10Y	3.49	3.60	3.75	4.00	4.30
30Y	4.32	4.60	4.75	5.10	5.40
10Y swap spread (in bp)	22	20	20	10	10
<b>Japan</b>					
Target rate	0.10	0.10	0.10	0.10	0.10
3M JPY Libor	0.45	0.50	0.50	0.50	0.50
10Y JGB	1.33	1.30	1.45	1.70	1.85
<b>United Kingdom</b>					
Repo rate	0.50	0.50	0.50	0.50	0.50
3M GBP Libor	1.16	0.90	0.90	0.90	0.95
10Y Gilt	3.77	3.70	3.85	4.10	4.30
<b>Switzerland</b>					
3M CHF Libor mid target rate	0.25	0.25	0.25	0.25	0.25
3M CHF Libor	0.40	0.40	0.40	0.45	0.45
10Y Swissie	2.283	2.50	2.60	2.85	2.85

### EXCHANGE RATE FORECASTS (END QUARTER)

	current	end-Q3	end-Q4	end-Q1	end-Q2
EUR-USD	1.3999	1.35	1.45	1.50	1.52
EUR-JPY	134.42	132	148	158	167
EUR-GBP	0.8549	0.88	0.87	0.86	0.85
EUR-CHF	1.5184	1.53	1.55	1.58	1.60
USD-JPY	96.02	98	102	105	110
GBP-USD	1.6375	1.53	1.67	1.75	1.79
USD-CHF	1.0847	1.13	1.07	1.05	1.05

### COMMODITY PRICE FORECASTS

	current	end-Q3	end-Q4	end-Q1	end-Q2
Oil price (Brent, USD/b)	66.96	70	65	70	70
DJ commodity price index		265	275	290	290

## Interest & Exchange Rate Forecasts (II)

### INTEREST RATE FORECASTS (% , END QUARTER)

2008/09	current	end-Q3	end-Q4	end-Q1	end-Q2
<b>Sweden</b>					
Key rate	0.50	0.50	0.50	0.50	0.50
3M rate	0.70	0.70	0.70	0.75	0.75
10Y government bond yield	3.34	3.65	3.75	3.90	4.10
10Y spread to Bunds (in bp)	0	25	25	15	10
<b>Norway</b>					
Key rate	1.25	1.00	1.00	1.00	1.00
3M rate	1.91	1.25	1.25	1.25	1.25
10Y government bond yield	4.12	4.30	4.50	4.90	5.10
10Y spread to Bunds (in bp)	77	90	100	115	110
<b>Canada</b>					
Key rate	0.25	0.25	0.25	0.25	0.25
3M rate	0.60	0.75	0.75	0.75	0.75
10Y government bond yield	3.35	3.40	3.60	4.00	4.30
10Y spread to Bunds (in bp)	1	0	10	25	30
<b>Australia</b>					
Key rate	3.00	3.00	3.00	3.00	3.00
3M rate	3.50	3.50	3.50	3.60	3.70
10Y government bond yield	5.43	5.60	5.70	6.00	6.30
10Y spread to Bunds (in bp)	209	220	220	225	230
<b>New Zealand</b>					
Key rate	2.50	2.50	2.50	2.50	2.50
3M rate	3.17	3.10	3.10	3.20	3.30
10Y government bond yield	5.78	6.05	6.20	6.50	6.80
10Y spread to Bunds (in bp)	244	265	270	275	280

### EXCHANGE RATE FORECASTS (END QUARTER)

	current	end-Q3	end-Q4	end-Q1	end-Q2
EUR-SEK	10.9132	10.70	10.50	10.30	10.10
EUR-NOK	8.9784	8.75	8.55	8.35	8.15
EUR-CAD	1.6232	1.55	1.64	1.68	1.67
EUR-AUD	1.7544	1.73	1.75	1.72	1.67
EUR-NZD	2.2132	2.25	2.23	2.14	2.03
USD-SEK	7.7952	7.93	7.24	6.87	6.64
USD-NOK	6.4133	6.48	5.90	5.57	5.36
USD-CAD	1.1595	1.15	1.13	1.12	1.10
AUD-USD	0.7979	0.78	0.83	0.87	0.91
NZD-USD	0.6327	0.60	0.65	0.70	0.75
EUR-USD	1.3999	1.35	1.45	1.50	1.52

## Economic Event & Data Release Calendar

Date	Time (ECB)	Country	Indicator	Period	MIB est.	Consensus (Bloomberg)	Prev. period
<b>03 July to 10 July 2009</b>							
Mon, 06 Jul '09	10:30	GE	Sentix growth expectations	Jul			-27.0
	16:00	US	ISM Non-manufacturing (index)	Jun	45.0	46.0	44.0
Tue, 07 Jul '09	8:45	FR	Trade balance (EUR bn)	May		-4	-3792
	10:30	UK	Industrial production (in % m-o-m)	May	-0.3	0.2	0.3
	12:00	GE	Industrial orders (in % m-o-m)	May	0.8		0.0
Wed, 08 Jul '09	7:45	SZ	Unemployment rate (in %)	Jun		3.6	3.5
	11:00	EMU	Private consumption (in % q-o-q)	Q1			-0.5
	11:00	EMU	Government consumption (in % q-o-q)	Q1			0.0
	11:00	EMU	Gross fixed capital formation (in % q-o-q)	Q1			-4.2
	11:00	EMU	Real GDP (in % q-o-q)	Q1			-4.8
	11:00	EMU	Real GDP (in % y-o-y)	Q1			-2.5
	12:00	GE	Industrial production (in % m-o-m)	May	0.5		-1.9
	12:00	GE	Industrial production (in % y-o-y)	May	-20.0		-21.6
	13:00	US	MBA mortgage applications	Jul 3			-18.9
	21:00	US	Consumer credit (USD bn)	May		-10.0	-15.7
Thu, 09 Jul '09	8:00	GE	Harmonized CPI (in % y-o-y)	Jun			0.0
	8:00	GE	Consumer price index, CPI (national, in % y-o-y)	Jun			0.1
	8:00	GE	Exports (in % m-o-m)	May			-4.8
	8:00	GE	Imports (in % m-o-m)	May			-5.8
	10:00	EC	ECB Publishes July Monthly Report (Text)				
	10:30	UK	Trade balance (EUR bn)	May			-3014
	13:00	UK	Bank of England repo rate (in %)	Jul 3	0.5	0.5	0.5
	14:30	US	Initial jobless claims (in thousands)	Jul 4	590		614
Fri, 10 Jul '09	15:00	US	Fed's Duke Speaks at FDIC Conference in Chicago				
	8:45	FR	Budget balance (EUR bn)	May			-71.922
	8:45	FR	Current account balance (EUR bn)	May			-3.1
	8:45	FR	Industrial production (in % m-o-m)	May	-0.3	-0.2	-1.4
	10:00	IT	Industrial production (in % m-o-m)	May	-0.3	-1.1	1.1
	10:30	UK	Producer price index, manuf. products (in % m-o-m)	Jun		0.3	0.4
	14:30	US	Import prices (in % m-o-m)	Jun		2.0	1.3
	14:30	US	Trade balance (USD bn)	May	-32.0	-30.0	-29.2
16:00	US	University of Michigan consumer confidence	Jul	70.0	70.6	70.8	

\*: Asterisked releases are scheduled on or after the date shown; sa = seasonal adjusted, nsa = not seasonally adjusted, wda = working day adjusted

## Economic Event & Data Release Calendar – The week after

Date	Time (ECB)	Country	Indicator	Period	MIB est.	Consensus (Bloomberg)	Prev. period	
<b>13 July to 17 July 2009</b>								
Mon, 13 Jul '09	6:30	JN	Industrial production (in % y-o-y)	Jun			-29.5	
	7:00	JN	Consumer confidence (Nationwide, index)	Jun			36.3	
	20:00	US	Federal budget (USD bn)	Jun		3.4	-189.651	
Tue, 14 Jul '09	1:01	UK	House price (RICS, balance)	Jun			-44.1	
	10:30	UK	CPI core (in % y-o-y)	Jun	1.5		1.6	
	10:30	UK	Consumer price index (in % y-o-y, harmonized)	Jun	1.8		2.2	
	11:00	GE	ZEW survey - current situation (index)	Jul			-89.7	
	11:00	GE	ZEW survey - expectations (index)	Jul			44.8	
	11:00	EMU	Industrial production (in % m-o-m)	May			-20.7	
	14:30	US	Retail sales ex autos (in % m-o-m)	Jun		0.5	0.5	
	14:30	US	Retail sales (in % m-o-m)	Jun	-1.0	0.4	0.5	
	14:30	US	PPI ex food & energy (core, in % y-o-y)	Jun			3.0	
	14:30	US	Producer price index, PPI (in % y-o-y)	Jun			-5.0	
	14:30	US	PPI ex food & energy (core, in % m-o-m)	Jun	0.1	0.1	-0.1	
	14:30	US	Producer price index, PPI (in % m-o-m)	Jun	0.3	0.8	0.2	
	16:00	US	Business inventories (in % m-o-m)	May		-1.1	-1.1	
	Wed, 15 Jul '09	0:00	JN	Bank of Japan key rate (in %)	Jan 1			0.1
		8:00	EMU	New passenger car registration (EU 25, in % y-o-y)	Jun			-4.4
10:00		IT	Consumer price index (in % y-o-y)	Jul			0.5	
10:30		UK	Average earnings (in % y-o-y, 3M moving average)	May	2.6		0.8	
10:30		UK	Jobless claims (change in thousands)	Jun	30		2.61	
10:30		UK	Unemployment rate (in %)	Jun			2.6	
11:00		EMU	Core CPI (in % y-o-y)	Jun	1.5		1.5	
11:00		EMU	Consumer price index, CPI (in % y-o-y)	Jun	-0.1		0.0	
14:30		US	CPI ex food & energy (core, in % y-o-y)	Jun			1.8	
14:30		US	Consumer price index (in % y-o-y)	Jun			-1.3	
14:30		US	CPI ex food & energy (core, in % m-o-m)	Jun	0.1	0.2	0.1	
14:30		US	Consumer price index (in % m-o-m)	Jun	0.2	0.6	0.1	
14:30		US	NY Fed Empire State Manufacturing Survey	Jul		-5.0	-9.4	
15:15		US	Capacity utilization (in %)	Jun	67.8	67.8	68.3	
15:15		US	Industrial production (in % m-o-m)	Jun	-0.5	-0.6	-1.1	
20:00	US	Fed Releases Minutes from June 23-24 FOMC Meeting						
Thu, 16 Jul '09	8:45	FR	Consumer price index (in % y-o-y)	Jun			-0.3	
	10:00	IT	Trade balance (EUR bn)	May			-277	
	15:00	US	Net long-term capital inflows (TIC, USD bn)	May			11.231	
	16:00	US	Philadelphia Fed Business Outlook Survey	Jul		-5.0	-2.2	
	19:00	US	NAHB housing market index	Jul	18.0		15.0	
Fri, 17 Jul '09	10:00	IT	Industrial orders (in % m-o-m)	May			-3.7	
	11:00	IT	Current account balance (EUR bn)	May			-2736	
	11:00	EMU	Trade balance (EUR bn)	May			-0.3	
	14:30	US	Housing starts (in thousands)	Jun	525	525	532	
	14:30	US	Building permits (in thousands)	Jun	525	520	518	

\*: Asterisked releases are scheduled on or after the date shown; sa = seasonal adjusted, nsa = not seasonally adjusted, wda = working day adjusted

## Disclaimer

Our recommendations are based on information obtained from, or are based upon public information sources that we consider to be reliable but for the completeness and accuracy of which we assume no liability. All estimates and opinions included in the report represent the independent judgment of the analysts as of the date of the issue. We reserve the right to modify the views expressed herein at any time without notice. Moreover, we reserve the right not to update this information or to discontinue it altogether without notice.

This analysis is for information purposes only and (i) does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for any financial, money market or investment instrument or any security, (ii) is neither intended as such an offer for sale or subscription of or solicitation of an offer to buy or subscribe for any financial, money market or investment instrument or any security nor (iii) as an advertisement thereof. The investment possibilities discussed in this report may not be suitable for certain investors depending on their specific investment objectives and time horizon or in the context of their overall financial situation. The investments discussed may fluctuate in price or value. Investors may get back less than they invested. Changes in rates of exchange may have an adverse effect on the value of investments. Furthermore, past performance is not necessarily indicative of future results. In particular, the risks associated with an investment in the financial, money market or investment instrument or security under discussion are not explained in their entirety.

This information is given without any warranty on an "as is" basis and should not be regarded as a substitute for obtaining individual advice. Investors must make their own determination of the appropriateness of an investment in any instruments referred to herein based on the merits and risks involved, their own investment strategy and their legal, fiscal and financial position. As this document does not qualify as an investment recommendation or as a direct investment recommendation, neither this document nor any part of it shall form the basis of, or be relied on in connection with or act as an inducement to enter into, any contract or commitment whatsoever. Investors are urged to contact their bank's investment advisor for individual explanations and advice.

Neither Bayerische Hypo- und Vereinsbank AG, Bayerische Hypo- und Vereinsbank AG, London Branch, UniCredit CAIB AG, Bayerische Hypo- und Vereinsbank AG Milan Branch, UniCredit CAIB Securities UK Ltd., UniCredit Securities, UniCredit Menkul Değerler A.Ş., UniCredit Bulbank, Zagrebačka banka, UniCredit Bank, Bank Pekao, Yapı Kredi, UniCredit Tiriak Bank, ATFBank, nor any of their respective directors, officers or employees nor any other person accepts any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection therewith.

This analysis is being distributed by electronic and ordinary mail to professional investors, who are expected to make their own investment decisions without undue reliance on this publication, and may not be redistributed, reproduced or published in whole or in part for any purpose.

### Responsibility for the content of this publication lies with:

a) Bayerische Hypo- und Vereinsbank AG, Am Tucherpark 16, 80538 Munich, Germany, (also responsible for the distribution pursuant to §34b WpHG). The company belongs to UCI Group.

Regulatory authority: "BaFin" – Bundesanstalt für Finanzdienstleistungsaufsicht, Lurgiallee 12, 60439 Frankfurt, Germany.

b) Bayerische Hypo- und Vereinsbank AG, London Branch, Moor House, 120 London Wall, London EC2Y 5ET, United Kingdom.

Regulatory authority: "BaFin" – Bundesanstalt für Finanzdienstleistungsaufsicht, Lurgiallee 12, 60439 Frankfurt, Germany and subject to limited regulation by the Financial Services Authority (FSA), 25 The North Colonnade, Canary Wharf, London E14 5HS, United Kingdom. Details about the extent of our regulation by the Financial Services Authority are available from us on request.

c) Bayerische Hypo- und Vereinsbank AG Milan Branch, Via Tommaso Grossi, 10, 20121 Milan, Italy, duly authorized by the Bank of Italy to provide investment services.

Regulatory authority: "Bank of Italy", Via Nazionale 91, 00184 Roma, Italy and Bundesanstalt für Finanzdienstleistungsaufsicht, Lurgiallee 12, 60439 Frankfurt, Germany.

The UniCredit CAIB Group, consisting of

d) UniCredit CAIB AG, Julius-Tandler-Platz 3, 1090 Vienna, Austria

Regulatory authority: Finanzmarktaufsichtsbehörde (FMA), Praterstrasse 23, 1020 Vienna, Austria

e) UniCredit CAIB Securities UK Ltd., Moor House, 120 London Wall, London EC2Y 5ET, United Kingdom

Regulatory authority: Financial Services Authority (FSA), 25 The North Colonnade, Canary Wharf, London E14 5HS, United Kingdom

f) UniCredit Securities, Boulevard Ring Office Building, 17/1 Chistoprudni Boulevard, Moscow 101000, Russia

Regulatory authority: Federal Service on Financial Markets, 9 Leninsky prospekt, Moscow 119991, Russia

g) UniCredit Menkul Değerler A.Ş., Büyükdere Cad. No. 195, Büyükdere Plaza Kat. 5, 34394 Levent, Istanbul, Turkey

Regulatory authority: Sermaye Piyasası Kurulu – Capital Markets Board of Turkey, Eskişehir Yolu 8.Km No:156, 06530 Ankara, Turkey

h) UniCredit Bulbank, Sveta Nedelya Sq. 7, BG-1000 Sofia, Bulgaria

Regulatory authority: Financial Supervision Commission, 33 Shar Planina str., 1303 Sofia, Bulgaria

i) Zagrebačka banka, Paromlinska 2, HR-10000 Zagreb, Croatia

Regulatory authority: Croatian Agency for Supervision of Financial Services, Miramarska 24B, 10000 Zagreb, Croatia

j) UniCredit Bank, Na Prikope 858/20, CZ-11121 Prague, Czech Republic

Regulatory authority: CNB Czech National Bank, Na Příkopě 28, 115 03 Praha 1, Czech Republic

k) Bank Pekao, ul. Grzybowska 53/57, PL-00-950 Warsaw, Poland

Regulatory authority: Polish Financial Supervision Authority, Plac Powstańców Warszawy 1, 00-950 Warsaw, Poland

l) UniCredit Bank, Prechistsenskaya emb. 9, RF-19034 Moscow, Russia

Regulatory authority: Federal Service on Financial Markets, 9 Leninsky prospekt, Moscow 119991, Russia

m) UniCredit Bank, Šancova 1/A, SK-813 33 Bratislava, Slovakia

Regulatory authority: National Bank of Slovakia, Stefanikovo nam. 10/19, 967 01 Kremnica, Slovakia

n) Yapı Kredi, Yapı Kredi Plaza D Blok, Levent, TR-80620 Istanbul, Turkey

Regulatory authority: Sermaye Piyasası Kurulu – Capital Markets Board of Turkey, Eskişehir Yolu 8.Km No:156, 06530 Ankara, Turkey

o) UniCredit Tiriak Bank, Ghetarilor Street 23-25, RO-014106 Bucharest 1, Romania

Regulatory authority: CNVM, Romanian National Securities Commission, Foişorului street, no.2, sector 3, Bucharest, Romania

p) ATFBank, 100 Furmanov Str., KZ-050000 Almaty, Kazakhstan

Agency of the Republic of Kazakhstan on the state regulation and supervision of financial market and financial organisations, 050000, Almaty, 67 Aiteke Bi str., Kazakhstan

### POTENTIAL CONFLICTS OF INTEREST

Bayerische Hypo- und Vereinsbank AG acts as a Specialist or Primary Dealer in government bonds issued by the Italian, Portuguese and Greek Treasury. Main tasks of the Specialist are to participate with continuity and efficiency to the governments' securities auctions, to contribute to the efficiency of the secondary market through market making activity and quoting requirements and to contribute to the management of public debt and to the debt issuance policy choices, also through advisory and research activities.

### ANALYST DECLARATION

The author's remuneration has not been, and will not be, geared to the recommendations or views expressed in this study, neither directly nor indirectly.

### ORGANIZATIONAL AND ADMINISTRATIVE ARRANGEMENTS TO AVOID AND PREVENT CONFLICTS OF INTEREST

To prevent or remedy conflicts of interest, Bayerische Hypo- und Vereinsbank AG, Bayerische Hypo- und Vereinsbank AG, London Branch, UniCredit CAIB AG, Bayerische Hypo- und Vereinsbank AG Milan Branch, UniCredit CAIB Securities UK Ltd., UniCredit Securities, UniCredit Menkul Degerler A.Ş., UniCredit Bulbank, Zagrebačka banka, UniCredit Bank, Bank Pekao, Yapi Kredi, UniCredit Tiriak Bank, ATFBank have established the organizational arrangements required from a legal and supervisory aspect, adherence to which is monitored by its compliance department. Conflicts of interest arising are managed by legal and physical and non-physical barriers (collectively referred to as "Chinese Walls") designed to restrict the flow of information between one area/department of Bayerische Hypo- und Vereinsbank AG, Bayerische Hypo- und Vereinsbank AG, London Branch, UniCredit CAIB AG, Bayerische Hypo- und Vereinsbank AG Milan Branch, UniCredit CAIB Securities UK Ltd., UniCredit Securities, UniCredit Menkul Degerler A.Ş., UniCredit Bulbank, Zagrebačka banka, UniCredit Bank, Bank Pekao, Yapi Kredi, UniCredit Tiriak Bank, ATFBank and another. In particular, Investment Banking units, including corporate finance, capital market activities, financial advisory and other capital raising activities, are segregated by physical and non-physical boundaries from Markets Units, as well as the research department. In the case of equities execution by Bayerische Hypo- und Vereinsbank AG Milan Branch, other than as a matter of client facilitation or delta hedging of OTC and listed derivative positions, there is no proprietary trading. Disclosure of publicly available conflicts of interest and other material interests is made in the research. Analysts are supervised and managed on a day-to-day basis by line managers who do not have responsibility for Investment Banking activities, including corporate finance activities, or other activities other than the sale of securities to clients.

#### **ADDITIONAL REQUIRED DISCLOSURES UNDER THE LAWS AND REGULATIONS OF JURISDICTIONS INDICATED**

##### **Notice to Austrian investors**

This document does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for any securities and neither this document nor any part of it shall form the basis of, or be relied on in connection with or act as an inducement to enter into, any contract or commitment whatsoever.

This document is confidential and is being supplied to you solely for your information and may not be reproduced, redistributed or passed on to any other person or published, in whole or part, for any purpose.

##### **Notice to Czech investors**

This report is intended for clients of Bayerische Hypo- und Vereinsbank AG, Bayerische Hypo- und Vereinsbank AG, London Branch, UniCredit CAIB AG, UniCredit CAIB Securities UK Ltd. or Bayerische Hypo- und Vereinsbank AG Milan Branch in the Czech Republic and may not be used or relied upon by any other person for any purpose.

##### **Notice to Italian investors**

This document is not for distribution to retail clients as defined in article 26, paragraph 1(e) of Regulation n. 16190 approved by CONSOB on October 29, 2007.

In the case of a short note, we invite the investors to read the related company report that can be found on UniCredit Research website [www.globalresearch.unicreditmib.eu](http://www.globalresearch.unicreditmib.eu).

##### **Notice to Russian investors**

As far as we are aware, not all of the financial instruments referred to in this analysis have been registered under the federal law of the Russian Federation "On the Securities Market" dated April 22, 1996, as amended, and are not being offered, sold, delivered or advertised in the Russian Federation.

##### **Notice to Turkish investors**

Investment information, comments and recommendations stated herein are not within the scope of investment advisory activities. Investment advisory services are provided in accordance with a contract of engagement on investment advisory services concluded with brokerage houses, portfolio management companies, non-deposit banks and the clients. Comments and recommendations stated herein rely on the individual opinions of the ones providing these comments and recommendations. These opinions may not suit your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely on the information stated here may not result in consequences that meet your expectations.

##### **Notice to Investors in Japan**

This document does not constitute or form part of any offer for sale or subscription for or solicitation of any offer to buy or subscribe for any securities and neither this document nor any part of it shall form the basis of, or be relied on in connection with or act as an inducement to enter into, any contract or commitment whatsoever.

##### **Notice to UK investors**

This communication is directed only at clients of Bayerische Hypo- und Vereinsbank AG, Bayerische Hypo- und Vereinsbank AG, London Branch, UniCredit CAIB AG, UniCredit CAIB Securities UK Ltd. or Bayerische Hypo- und Vereinsbank AG Milan Branch who (i) have professional experience in matters relating to investments or (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or (iii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.

##### **Notice to U.S. investors**

This report is being furnished to U.S. recipients in reliance on Rule 15a-6 ("Rule 15a-6") under the U.S. Securities Exchange Act of 1934, as amended. Each U.S. recipient of this report represents and agrees, by virtue of its acceptance thereof, that it is such a "major U.S. institutional investor" (as such term is defined in Rule 15a-6) and that it understands the risks involved in executing transactions in such securities. Any U.S. recipient of this report that wishes to discuss or receive additional information regarding any security or issuer mentioned herein, or engage in any transaction to purchase or sell or solicit or offer the purchase or sale of such securities, should contact a registered representative of UniCredit Capital Markets, Inc. ("UCI Capital Markets").

Any transaction by U.S. persons (other than a registered U.S. broker-dealer or bank acting in a broker-dealer capacity) must be effected with or through UCI Capital Markets.

The securities referred to in this report may not be registered under the U.S. Securities Act of 1933, as amended, and the issuer of such securities may not be subject to U.S. reporting and/or other requirements. Available information regarding the issuers of such securities may be limited, and such issuers may not be subject to the same auditing and reporting standards as U.S. issuers.

The information contained in this report is intended solely for certain "major U.S. institutional investors" and may not be used or relied upon by any other person for any purpose. Such information is provided for informational purposes only and does not constitute a solicitation to buy or an offer to sell any securities under the Securities Act of 1933, as amended, or under any other U.S. federal or state securities laws, rules or regulations. The investment opportunities discussed in this report may be unsuitable for certain investors depending on their specific investment objectives, risk tolerance and financial position. In jurisdictions where UCI Capital Markets is not registered or licensed to trade in securities, commodities or other financial products, transactions may be executed only in accordance with applicable law and legislation, which may vary from jurisdiction to jurisdiction and which may require that a transaction be made in accordance with applicable exemptions from registration or licensing requirements.

The information in this publication is based on carefully selected sources believed to be reliable, but UCI Capital Markets does not make any representation with respect to its completeness or accuracy. All opinions expressed herein reflect the author's judgment at the original time of publication, without regard to the date on which you may receive such information, and are subject to change without notice.

UCI Capital Markets may have issued other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. These publications reflect the different assumptions, views and analytical methods of the analysts who prepared them. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is provided in relation to future performance.

UCI Capital Markets and any company affiliated with it may, with respect to any securities discussed herein: (a) take a long or short position and buy or sell such securities; (b) act as investment and/or commercial bankers for issuers of such securities; (c) act as market makers for such securities; (d) serve on the board of any issuer of such securities; and (e) act as paid consultant or advisor to any issuer.

The information contained herein may include forward-looking statements within the meaning of U.S. federal securities laws that are subject to risks and uncertainties. Factors that could cause a company's actual results and financial condition to differ from expectations include, without limitation: political uncertainty, changes in general economic conditions that adversely affect the level of demand for the company's products or services, changes in foreign exchange markets, changes in international and domestic financial markets and in the competitive environment, and other factors relating to the foregoing. All forward-looking statements contained in this report are qualified in their entirety by this cautionary statement

**This document may not be distributed in Canada or Australia.**

**UniCredit Research\***

Thorsten Weinelt, CFA  
 Global Head of Research & Chief Strategist  
 +49 89 378-15110  
 thorsten.weinelt@unicreditgroup.de

Dr. Ingo Heimig  
 Head of Research Operations  
 +49 89 378-13952  
 ingo.heimig@unicreditgroup.de

**Economics & FI/FX Research**

Marco Annunziata, Ph.D., Chief Economist  
 +44 20 7826-1770  
 marco.annunziata@unicreditgroup.co.uk

**Economics & Commodity Research**
**Global Economics**

Dr. Davide Stroppa, Global Economist  
 +39 02 8862-2890  
 davide.stroppa@unicreditgroup.de

**European Economics**

Aurelio Maccario, Chief Eurozone Economist  
 +39 02 8862-8222  
 aurelio.maccario@unicreditgroup.de

Andreas Rees, Chief German Economist  
 +49 89 378-12576  
 andreas.rees@unicreditgroup.de

Marco Valli, Chief Italian Economist  
 +39 02 8862-8688  
 marco.valli@unicreditgroup.de

Tullia Bucco  
 +39 02 8862-2079  
 tullia.bucco@unicreditgroup.de

Chiara Corsa  
 +39 02 8862-2209  
 chiara.corsa@unicreditgroup.de

Alexander Koch  
 +49 89 378-13013  
 alexander.koch1@unicreditgroup.de

Chiara Silvestre  
 chiara.silvestre@unicreditgroup.de

**US Economics**

Roger M. Kubarych, Chief US Economist  
 +1 212 672-5668  
 roger.kubarych@us.unicreditgroup.eu

Dr. Harm Bandholz  
 +1 212 672 5957  
 harm.bandholz@us.unicreditgroup.eu

**Commodity Research**

Jochen Hitzfeld  
 +49 89 378-18709  
 jochen.hitzfeld@unicreditgroup.de

Nikolaus Keis  
 +49 89 378-12560  
 nikolaus.keis@unicreditgroup.de

**EEMEA Economics & FI/FX Strategy**

Martin Blum, Head  
 +43 50505 823-63, martin.blum@caib.unicreditgroup.eu

Cevdet Akcay, Ph.D., Chief Economist, Turkey  
 +90 212 319-8430, cevdet.akcay@yapikredi.com.tr

Dmitry Gourov, Economist, EEMEA  
 +43 50505 823-64, dmitry.gourov@caib.unicreditgroup.eu

Hans Holz hacker, Chief Economist, Kazakhstan  
 +7 727 244-1463, h.holz hacker@atfbank.kz

Anna Kopetz, Economist, Baltics  
 +43 50505 823-64, anna.kopetz@caib.unicreditgroup.eu

Marcin Mrowiec, Chief Economist, Poland  
 +48 22 656-0678, marcin.mrowiec@pekao.com.pl

Vladimir Osakovsky, Ph.D., Head of Strategy and Research, Russia  
 +7 495 258-7258 ext.7558, vladimir.osakovsky@unicreditgroup.ru

Rozália Pál, Ph.D., Chief Economist, Romania  
 +40 21 203-2376, rozalia.pal@unicredit.ro

Kristofor Pavlov, Chief Economist, Bulgaria  
 +359 2 9269-390, kristofor.pavlov@unicreditgroup.bg

Goran Šaravanja, Chief Economist, Croatia  
 +385 1 6006-678, goran.saravanja@unicreditgroup.zaba.hr

Pavel Sobisek, Chief Economist, Czech Republic  
 +420 2 211-12504, pavel.sobisek@unicreditgroup.cz

Gyula Toth, Economist/Strategist, EEMEA  
 +43 50505 823-62, gyula.toth@caib.unicreditgroup.eu

Jan Toth, Chief Economist, Slovakia  
 +421 2 4950-2267, jan.toth@unicreditgroup.sk

**Global FI/FX Strategy**

Michael Rottmann, Head  
 +49 89 378-15121, michael.rottman1@unicreditgroup.de

Dr. Luca Cazzulani, FI Strategy  
 +39 02 8862-0640, luca.cazzulani@unicreditgroup.de

Chiara Cremonesi, FI Strategy  
 +44 20 7826-1771, chiara.cremonesi@unicreditgroup.co.uk

Giuseppe Maraffino, FI Strategy  
 +39 02 8862-2027, giuseppe.maraffino@unicreditgroup.de

Armin Mekelburg, FX Strategy  
 +49 89 378-14307, armin.mekelburg@unicreditgroup.de

Roberto Mialich, FX Strategy  
 +39 02 8862-0658, roberto.mialich@unicreditgroup.de

Kornelius Purps, FI Strategy  
 +49 89 378-12753, kornelius.purps@unicreditgroup.de

Herbert Stocker, Technical Analysis  
 +49 89 378-14305, herbert.stocker@unicreditgroup.de

**Publication Address**

**UniCredit Markets & Investment Banking**  
 Bayerische Hypo- und Vereinsbank AG  
 UniCredit Research  
 Arabellastrasse 12, D-81925 Munich  
 Tel. +49 89 378-12559  
 Fax +49 89 378-13024

**Bloomberg**  
 UCGR

**Internet**  
 www.globalresearch.unicreditmb.eu

\* UniCredit Research is the joint research department of Bayerische Hypo- und Vereinsbank AG (HVB), UniCredit CAIB Group (CAIB), UniCredit Securities (UniCredit Securities), UniCredit Menkul Değerler A.Ş. (UniCredit Menkul), UniCredit Bulbank, Zagrebačka banka, UniCredit Bank, Bank Pekao, Yapi Kredi, UniCredit Tiriac Bank and ATFBank.