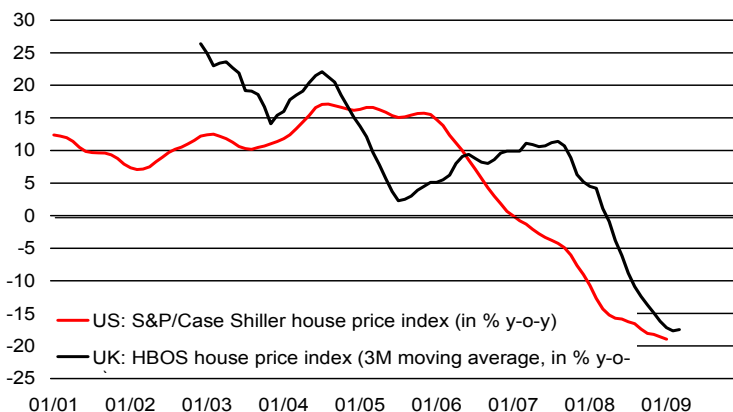


More action, please!

- **Missing links.** Billions in bailout and economic stimulus programs, zero interest rate policy and quantitative easing – the list of economic policy achievements thus far is impressive. But the final touches needed to revive confidence and return the global economy to a growth path are an end to the meltdown in house prices and a convincing new global financial architecture.
- **G-20 meeting.** It is true that banks should be more strictly regulated, oversight improved, and funding for the international financial institutions increased. The summit did not, however, bring a breakthrough. The trans-Atlantic dispute over the scale of financial market regulations and the volume of stimulus measures will continue to smolder (p. 2-3).
- **House prices.** The unrelenting decline in house prices also remains a heavy burden for the global economy. It is hurting not only bank balance sheets but also private consumption via the wealth effect. Until house prices stabilize, an economic recovery is out of the question.
- **US.** Since autumn of 2007, US house prices have fallen 30%. A further decline of 15%-20% is in the cards by the end of the year. The reason for this is the still immense excess supply of homes. But there is at least a justified hope that the pace of the decline is slowing (pages 4-6 & chart).
- **UK.** The UK housing market is just a mirror image of the US market. Here too, the unprecedented meltdown in house prices will probably persist for a few more quarters. But there are at least initial signs that the pace of the price meltdown is slowing (pages 7-9).
- **Further topics:**
 - **Weekly Comment:** G-20 – Emerging Markets-friendly (page 2).
 - **ECB:** Maybe May (page 10).
 - **Germany** has auto shopping fever (page 12).
 - **US:** Credit crunch continues unabated (page 14).
 - **Data outlook:** EMU-wide industrial production to fall further (p. 17).
 - **Market outlook:** EUR in demand; bonds to move sideways (page 24).

HOUSE PRICES STILL TUMBLING



Source: Thomson Datastream, UniCredit Research

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MIB MACRO FORECASTS

in % y-o-y	2008	2009	2010
GDP EMU	0.8	-3.5	0.1
CPI EMU	3.3	0.4	1.3
GDP Germany	1.0	-3.5	0.8
CPI Germany	2.6	0.6	2.0
GDP Italy	-1.0	-3.6	-0.3
CPI Italy	3.3	0.8	1.6
GDP US	1.1	-2.1	1.3
CPI US	3.8	-0.5	2.2

MIB FI/FX FORECASTS

	2009/10	30-June	30-Sept	31-Dec	31-Mar
EMU 3M (%)	1.30	1.30	1.30	1.30	1.25
EMU 10Y (%)	2.70	2.80	3.00	3.00	3.30
US 3M (%)	1.15	0.80	0.65	0.65	0.65
US 10Y (%)	2.30	2.30	2.80	2.80	3.40
EUR-USD	1.27	1.28	1.33	1.36	1.36
USD-JPY	97	102	103	105	105
Oil Price	50	55	65	70	70

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Friday, 03. Apr., 12:00H

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G-20: Emerging Markets-friendly

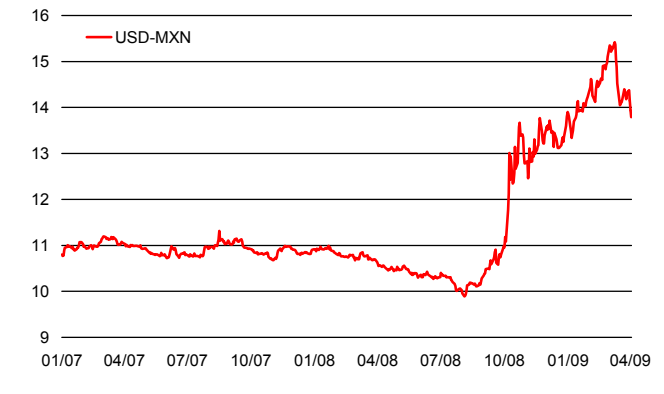
Yesterday's G-20 summit brought an important positive surprise in the scale of new resources made available to international financial institutions, and a major disappointment on all other fronts. The agreement to commit an additional USD 1.1 trillion in funds to the IMF (USD 500 bn) and other institutions seems to be in part to compensate for the complete lack of agreement on further fiscal stimulus at national levels. As I already argued, this raises the risk that we will have an unbalanced recovery following a prolonged slump. The final communiqué has a very strong emphasis on regulation, and while the general principles are sound (stronger and better coordinated regulation), the details sound more like a shopping list of the current favorite scapegoats (hedge funds, tax havens, bonuses). The other major disappointment is the lack of any detailed discussion of possible further steps to improve transparency and confidence in the financial system. The impression is that everyone is now hoping that Mr. Geithner's Public-Private Investment Program will resolve tensions in the US financial system and have a cascading spillover effect across the globe. It is a hope that I share, but I would prefer to see G-20 countries stepping up joint efforts on this front, as without a normalization in the global financial system, the green shoots of recovery could quickly wither and die.

Overall, the communiqué is long on lofty principles and short on concrete commitments, and my impression is that EU countries were able to get most of what they wanted into the communiqué, whereas the US will take home very little, except the stronger commitment of resources through international financial institutions. In terms of market reactions, Emerging Markets (EM) should be the big winners, but I see nothing that can bolster more general confidence in a quicker recovery from the financial turmoil and economic downturn. The major positive surprise is the large boost of IMF funds which will be tripled to USD 750 bn, rather than just doubled. This is extremely positive for emerging markets, especially in Central and Eastern Europe, where external financing needs have been identified by investors as the Achilles' heel.

It is especially positive as it coincides with the successful launch of the IMF's new Flexible Credit Line facility. Previous attempts to offer a contingent credit line to countries with good fundamentals as an insurance against worsening market conditions had systematically failed, as countries feared the associated stigma, namely that markets would see it is a signal of brewing troubles. This time, Mexico has broken the impasse by requesting a USD 47 bn credit line, and has been rewarded with a favorable market reaction, including a strengthening of the peso (cf. chart next column). This should open the way for more EM to follow suit. Contingent credit lines should work effectively as insurance policies, re-

assuring markets and lowering the risk of a collapse in confidence.

MEXICAN PESO HAS BENEFITED FROM IMF'S HELP



Source: Bloomberg, UniCredit Research

Moreover, G-20 leaders agreed on a new Special Drawings Right (the IMF's synthetic unit of account) allocation of USD 250 bn; another USD 250 bn for trade finance; and USD 100 bn for lending by Multilateral Development Banks. This brings the total increase in funding for international institutions to an impressive USD 1.1 trillion. There was no agreement on the scope and distribution of further fiscal stimulus. This leaves completely unresolved one of the key issues: whether additional stimulus is needed to lift the world economy out of the recession, and how to share the burden to avoid a resurgence of global macroeconomic imbalances. As I already argued, this raises the obvious risk of an unbalanced recovery after a prolonged recession. There is a strong emphasis on regulation: the general commitment to strengthen not only the national regulatory systems, but also their harmonization and coordination, is encouraging; the details less so:

- The Financial Stability Forum will be succeeded by a Financial Stability Board including all G-20 countries, and charged to monitor macro-prudential risks together with the IMF.
- The G-20 call on accounting standard setters, regulators and supervisors to improve standards on valuation and provisioning and to achieve a single set of high-quality global accounting standards.
- Credit rating agencies to be subjected to regulatory oversight.
- Systemically important hedge funds to be regulated.
- Compensation schemes to be reformed and made "sustainable" according to the Financial Stability Forum's "tough new principles".

The communiqué includes a dutiful pledge to refrain from protectionist measures, including through fiscal policy and financial sector support measures, and to avoid financial isolationism and distortions in financing flows. Sticking to this commitment will be crucial not only to prevent a further contraction in global trade, but also to prevent a dangerous further reduction in financing flows to Emerging Markets.

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US housing market crisis has intensified further

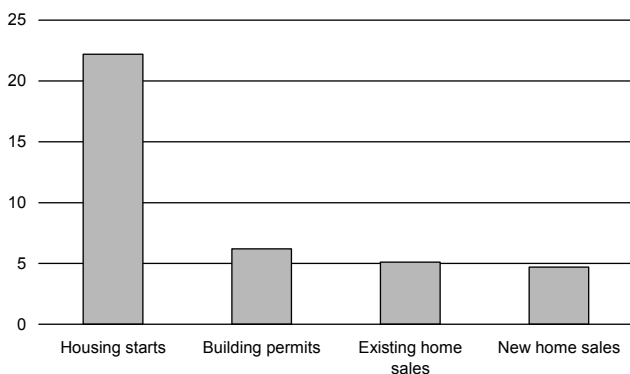
- In mid-March, there was – for a change – positive news from the US housing market. However, all those who were betting that the crisis would end soon had a reality check this week.
- In January, home prices posted their strongest monthly decline during the entire crisis. We expect prices will continue to fall into the coming year. But there is hope that at least the pace of the decline is gradually slowing.
- Construction activity also remains in free fall. Private residential construction expenditures in January and February posted their strongest quarterly decline of the current recession.
- The US housing market is, therefore, still mired in recession. What is needed to end the crisis is a sustained reduction of the immense excess supply of unsold homes. Only then will the US housing market have finally reached its turning point.

One swallow does not make a summer

In recent weeks there was – for a change – positive news from the US housing market. In February, for example, sales of existing homes and building permits were both up just over 5%, while housing starts even surged more than 20% m-o-m (cf. chart).

POSITIVE NEWS FROM THE HOUSING SECTOR

Change between January and February, in %



Source: Census Bureau, NAR, UniCredit Research

We do, however, think it would be very premature to deduce from this that the US housing recession is close to an end. Above all, it should not be overlooked that the increases in sales and building activity in February were preceded by

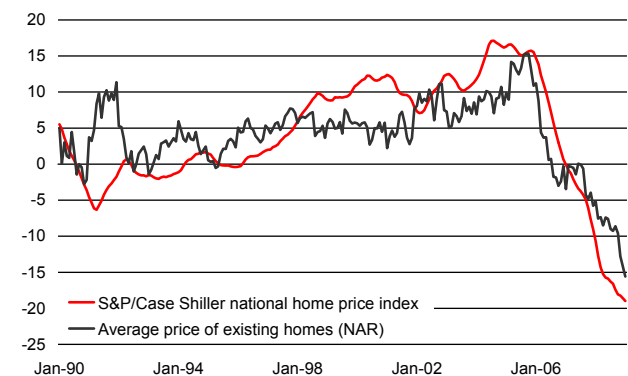
steep declines in the previous months. Housing starts even slumped close to 15% m-o-m in each (!) of November, December and January. For that reason, the spike in February is undoubtedly a welcome recovery, but in our view does not yet signal a trend reversal. Our more cautious outlook is confirmed by this week's data releases, which show that home prices and construction activity remain in free fall.

Home prices continue to plummet

The closely-monitored S&P/Case Shiller Home Price Index fell a further 2¾% in January. That was the 30th consecutive decline and, at the same time, the strongest monthly decrease in the entire recession. As a result, the y-o-y rate fell from -18.6% to a new all-time low of -19.0% (cf. chart).

PRICE DECLINE STILL GATHERING MOMENTUM

Home price indicators, in % y-o-y



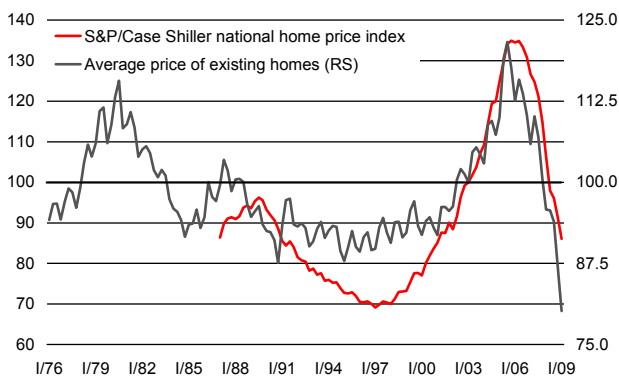
Source: NAR, Bloomberg, Thomson Datastream, UniCredit Research

And while the S&P/Case Case Shiller index has fallen a total of 30% since mid-2006, it is, nevertheless, still 20% above the January 2002 level. Home prices will therefore continue to decline, and we do not expect them to stabilize until the beginning of 2010. There is, however, at least the hope that the pace of the price decline will slow in the coming months. This is suggested by two factors. First, the fundamental overvaluation of home prices has already been eliminated for the most part. What we are now experiencing is an undershooting of prices: The excesses during the bubble are now being followed by an overshoot in the opposite direction during the recession. This is suggested, for example, by the ratio of home prices to disposable per-capita income. That incomes are one of the most important determinants for the long-term development of home prices can, for example, be seen from the fact that the ratio of homes prices to income is mean reverting, i.e. the ratio is fluctuation around a constant mean. Technically speaking, home prices and per-capita income are cointegrated. As the following chart illustrates, the price-to-income ratios for both the S&P/Case Shiller Index

and the average prices of existing homes, published by the National Association of Realtors (NAR), have already fallen below the long-term average (100). But while the price-to-income ratio for average prices has already posted a new all-time low, the ratio for the Case Shiller index is still roughly 15% above the level reached at the end of the 90s. Accordingly, we assume the Case Shiller index will fall a further 15-20% by the beginning of the coming year – albeit at a slightly lower pace.

HOME PRICES ARE NOW FUNDAMENTALLY UNDERVALUED

Home prices in relation to disposable per-capita income; 1/03 = 100*



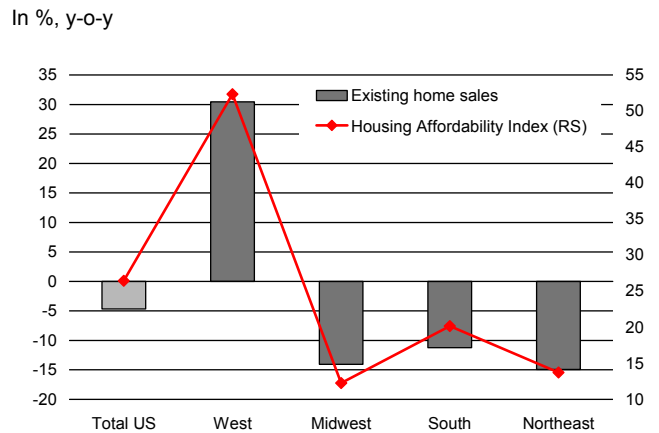
*We selected 1/03 as the base period (=100), as all home price-to-income ratios available over a long period were in line with their long-term average in this period.

Source: BEA, NAR, Bloomberg, Thomson Datastream, UniCredit Research

The second reason arguing for a slower decline in home prices is that in the so far devastated subprime states the price mechanism is gradually starting to work: Thanks to substantially lower house prices, the Affordability Index in the West (including California, Nevada and Arizona) has risen more than 50% in the past twelve months (cf. chart in the next column)!¹ At the same time, sales of existing homes recovered by more than 30% (y-o-y) in the region: In Nevada they jumped 134%, in California 86% and in Arizona 43%. The NAR estimates that foreclosures account for roughly two-thirds of home sales in these states. And even though foreclosures are per se a negative, this development nevertheless demonstrates that there are now interested parties who are willing and able to buy properties at these substantially lower prices.

¹ The Housing Affordability Index rises with falling home prices, lower mortgage rates and higher incomes.

PRICE MECHANISM SHOWING FIRST EFFECT

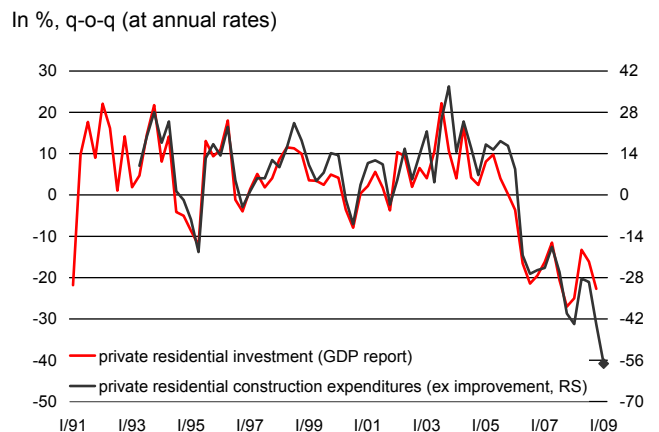


Source: Census Bureau, NAR, UniCredit Research

Private residential construction expenditures falling stronger than ever

Alongside home prices, construction activity also continues its hunt for new records – negative records. In February, for example, private residential construction expenditures fell a further 4½%. On average for the first two months of Q1, they were down an annualized 41% q-o-q; that is the strongest quarterly decline in the entire recession. If we exclude improvement costs from the monthly construction expenditures, the decline versus the fourth quarter even rises to 57% (cf. chart). While private residential investment as shown in the GDP report also contains improvement expenditures, the Bureau of Economic Analysis uses its own, less volatile estimate. Accordingly, our calculations show that private residential construction expenditures ex improvement costs better reflect residential investment as shown in the GDP report

DEEP, DEEPER, DEEPEST



Source: Census Bureau, BEA, Thomson Datastream, UniCredit Research

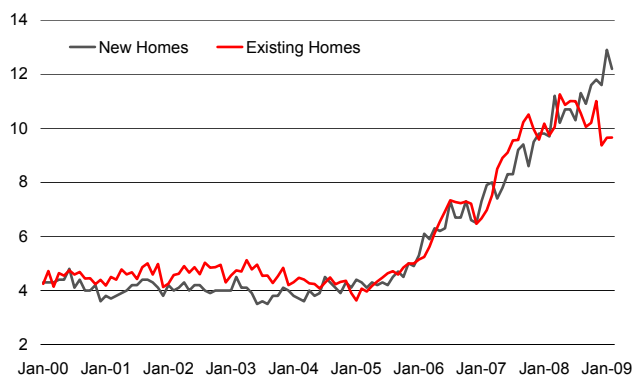
than total construction expenditures including improvement. We expect residential investment have plunged another 30% per annum in the first quarter. That would be the strongest decline in the current housing market recession, which is now entering its fourth year. And in light of the monthly data for January and February, our forecast of -30% could even still prove too "optimistic". For the current and the next quarter, we expect further declines of 15% (Q2) and 5% (Q3). It should be only towards the end of the year before construction activity finally stabilizes.

The necessary precondition

The recession in the US housing market will, therefore, drag on until the end of the year, and home prices will probably even ease into early 2010. The necessary precondition for an end to the housing crisis is the reduction of the immense excess supply of homes. While the ratio of offered to sold properties (inventory-to-sales ratio) before the crisis was roughly 4 months (based on monthly sales at the time, it took about four months until all homes on the market were sold), this ratio is currently still between 10 (existing homes) and 12 months (new homes; cf. chart). This considerable excess supply is exerting downward pressure on prices and is preventing the start of new construction projects. Only if this inventory-to-sales ratio has started to decline on a sustained basis can we start talking about a turning point on the US housing market.

EXCESS SUPPLY REMAINS THE MAIN PROBLEM

Ratio of offered to sold homes, in months



Source: NAR, Census Bureau, Thomson Datastream, UniCredit Research

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UK housing market: Searching for the bottom

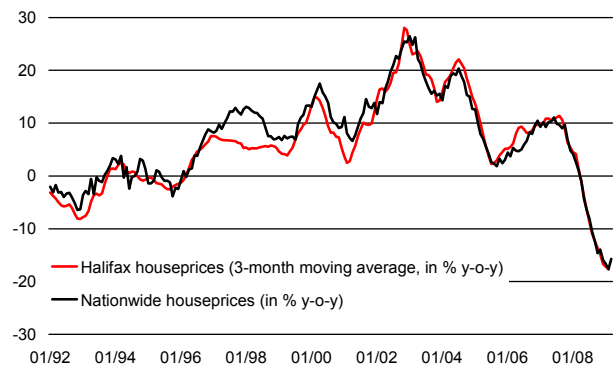
- The housing market in the UK remains under severe pressure. House prices contracted at a record pace in Q1 2009. The housing market outlook remains uncertain, but the bottom might not be too far away.
- Survey indicators and data on mortgage approvals signal some improvement in demand conditions further down the road, suggesting that house prices might be approaching the bottom.
- Mortgage growth keeps slowing, reflecting reduced supply as some lenders have left the market and banks remaining in the market have also lowered their levels of mortgage lending.
- The latest Credit Condition Survey confirmed that supply remained tight in Q1, but availability to lend should improve in Q2. Contrary to evidence from the RICS and mortgage approvals, demand conditions are set to worsen short term.
- Despite wider spreads, lending rates have declined substantially. The room for a further significant decline is limited, but interest rates should stay low for a while.

The housing slump still underway

The housing market in the UK remains under pressure, with prices still down by around 16%-17% versus a year ago. However, though it is too early to sound the all-clear, March Nationwide house prices marked the first m-o-m increase since October 2007, peaking up by 0.9%. But price growth plunged from the peak recorded in Q3 2007 at around 11% y-o-y to a record low in Q1 2009. Both measures of housing inflation which we usually look at contracted at a record pace: the Nationwide shrank by 15.7% y-o-y, and the 3-month average of the Halifax Index contracted by an average of 17.4% in January-February (cf. chart next column).

The housing market slump we are currently seeing has been so far the most severe since record-keeping began. Quite worryingly, there is a high degree of uncertainty on the outlook for the housing market going forward, as any tentative stabilization in price dynamics is highly dependent on how the financial crisis will evolve in coming months. The current downturn is indeed driven by a combination of weak demand and tight credit supply conditions. Therefore, even assuming some improvement in demand conditions, – with the evidence not being straightforward so far – it is unlikely that we will see any decisive turnaround in the housing market before bank lending will resume flowing regularly to the private sector.

HOUSE PRICES STILL IN DEEP CONTRACTION

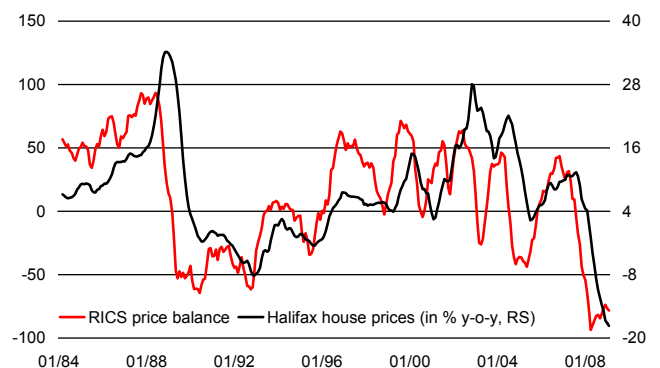


Source: Halifax, Nationwide, UniCredit Research

Some encouraging signs are emerging

Some encouraging signals are coming from the RICS survey. The RICS house price balance, which tends to anticipate with an average lag of 6-8 months turning points in the housing cycle, has indeed hit its historical low (-93.9%) in April 2008 and started to recover thereafter (cf. chart). It is still at a very low level, signaling that house prices should continue to fall sizably in coming months, but the recent pick-up might foreshadow a gradual easing in the pace of contraction in house prices.

RICS SURVEY: HOUSE PRICES NEARING A BOTTOM?

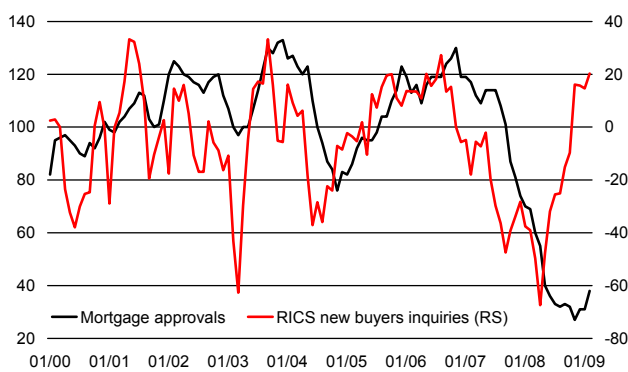


Source: RICS, Halifax, UniCredit Research

Demand conditions have probably begun to improve, as shown by the index of new buyer enquires of the RICS survey which, from the record low of -67.2% recorded in April 2008, marked a meaningful recovery and jumped to 20.3 in February 2009 (+15.8%). Mortgage approvals, another barometer of demand conditions, bottomed out in November 2007 and started to recover thereafter from its historical low, picking up to 38k in February 2009. The correlation between

new-buyer inquiries and approvals hints at further improvement in demand for mortgages in the coming months (cf. chart). Given the positive correlation between mortgage approvals and house price growth, these early signs of improvement in demand conditions are a glimmer of hope that the bottom in the housing cycle might not be too far off. As construction activity follows the dynamic in house prices, we expect construction investment to start recovering too, after the housing cycle will have reached its bottom.

NEW BUYERS ARE JUMPING IN



Source: RICS, Halifax, UniCredit Research

Assuming a stabilization of the financial crisis over the next few months and taking into account all factors mentioned above, we think that the housing cycle will reach its bottom in Q2. Still, we think that more pain lies ahead and house prices will continue to contract for few more quarters, though at a slower pace than we have seen so far.

Supply conditions weighing on lending

BoE data show that the deceleration in mortgage lending is well underway. Figures on total secured lending – which include not only banks and building societies but also other financial institutions – show this. In February (the latest data available), the yearly rate of growth of secured lending fell to 2.4%, down from 11% in August 2007 when the financial crisis erupted. A significant part of the slowing in secured lending growth reflects a contraction in supply. This in turn was due in part to the fact that some lenders, particularly those specialized in riskier loans with higher LTV (loan to value), have left the market, pulling down overall credit growth. But banks remaining in the market have contributed to reduce the availability of mortgage lending. On top of this, demand conditions, despite some timid signs of improvements, remain overall weak.

Evidence from the latest Credit Condition Survey

The latest BoE Credit Conditions (CCS) for Q1 2009 (released yesterday) confirmed that loan availability remained still tight in Q1 for the household sector, but, increased for the corporate sector for the first time since Q2 2007, as banks found it easier to raise funds. However, price and no-price terms were tightened further, both for households and firms, exceeding expectations. Quite importantly, contrary to the evidence we highlighted above, the CCS showed that demand for credit remained sluggish. Household demand for secured lending contracted, albeit at a slower pace than expected. Medium-sized enterprises also scaled back their demand for loans. The only exceptions were large firms which, in contrast, increased credit demand. However, this is not as positive as it would appear at first sight, as the higher demand was mainly driven by corporate balance sheet restructuring, while demand for capital investment continued to plunge.

As far as the outlook for Q1 is concerned, however, loan supply should improve as banks expect to increase credit availability both for mortgages (with lower spreads) and for the corporate sector. But, contrary to the encouraging signals we highlighted above, on the demand side households are expected to reduce demand for mortgages further, with large firms only continuing to request more credit. Overall, while the increase in supply of loans is partly encouraging, as apparently banks are finding it easier to raise funds to lend, the fact that households and firms are increasingly constrained on their propensity to spend and invest as the recession unfolds remains a negative spot, which does not bode well for a sustained recovery in house prices.

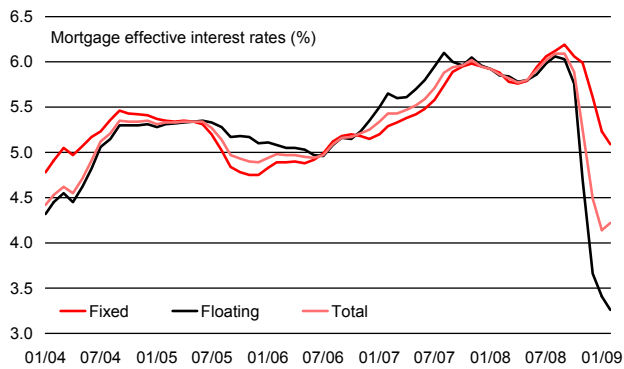
Lower rates should support demand

Interest rates on new mortgage loans have declined significantly (cf. chart next page), thanks to massive monetary stimulus implemented by the BoE since October 2008. The decline was broad-based, involving both fixed and variable mortgages. However, the spreads between the cost of loans and swap rates widened, particularly over the last few months. This in our view reflects a mix of factors, which are also likely to also play a role in coming months. First of all, the fact that spreads between lending and official rates widen during a recession is quite normal, as banks' risks perception and effective default rates increase. Secondly, wider spreads might also signal a persistent dislocation in financial markets. Last but not least, as the BoE has pointed out, this might also reflect the impact of low interest rates on banks' margins.

Still, the decline seen so far has been sizeable and mortgage rates are at their lowest level since 2003. Even though we

think they can go lower, assuming that financial markets will normalize throughout the year, the room for a further sizeable decline is of course limited by the current low level of official interest rates. In any case, whatever the bottom will be, mortgage rates are likely to stay very low for a long time, prompting a gradual recovery in demand for housing.

INTEREST RATES ARE COMING DOWN



Source: BoE, UniCredit Research

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ECB: Maybe May

- The ECB disappointed markets yesterday by cutting the refi rate by only 25 basis points (which has been our out-of-consensus call for a long time) and the fact that it did not lengthen the maturity of its liquidity operations from six to twelve months.
- But it is preparing a "big bang" move in early May, providing a final 25 bp refi rate cut, a lengthening of liquidity operations, and the launch of outright purchases of private sector assets, but not sovereign bonds.
- However, given the miserable growth outlook combined with the growing risk of a deepening credit crunch and thus a deflationary spiral, it becomes much harder for the ECB to remain the only major central bank not to implement "orthodox" Quantitative Easing, i.e., outright asset purchases further down the road.

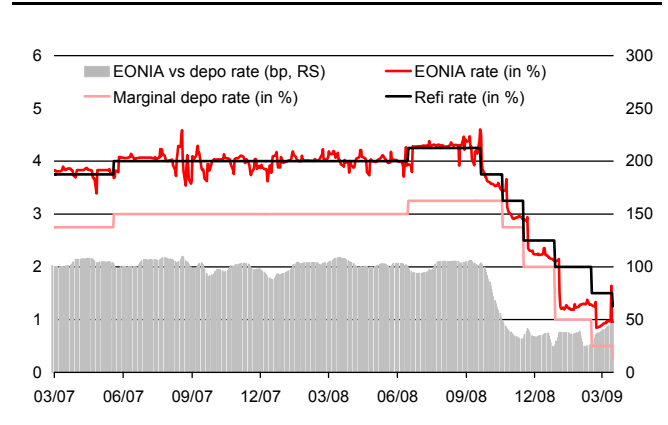
ECB disappointing investors, but preparing a major initiative for May

The European Central Bank surprised markets yesterday, but set the stage for a possible "big bang" move next month: It cut the refi by only 25 bp, as we expected, lowered the deposit rate to 0.25% and did not announce a lengthening of the maturity for liquidity operations. However, Trichet stated very definitely that next month the ECB will decide if and how to implement further non-standard measures. We now expect a big bang move at the May meeting, with another (final) 25 bp cut in the refi rate, a lengthening of liquidity operations to twelve months, and the launch of outright purchases of private sector assets, likely including financials and corporate bonds and commercial paper, but not sovereign bonds. This would help unburden the banking sector, lessening the risk of a serious credit crunch and easing financing conditions for companies. This could have a major market impact, lowering yields significantly and allaying concerns of a very prolonged slump in eurozone activity.

The ECB cut the refi rate by a meager 25 bp yesterday, in line with our out-of-consensus call and disappointing market expectations of a 50 bp cut. The decision was taken by consensus, with some Governing Council members apparently arguing for a larger (50 bp) cut. Importantly, the ECB also lowered the deposit rate by 25 bp to 0.25% (cf. chart next column). Trichet clearly indicated that the deposit rate has most likely reached its floor, while the refi rate could be lowered further in a "measured" way. Asked why the Governing Council had not decided for a larger refi cut yesterday, he elaborated that the widening of the corridor "has served us well" and they wanted to maintain it this time, but immediately added that this might be changed in the future. We reiterate our call for another 25 bp cut on the refi at the May

meeting. The deposit rate will be left unchanged, narrowing the corridor. We also continue to believe that the 1.0% will prove to be the floor for the refi, unless the ECB becomes seriously concerned about deflation risks.

DECLINING OFFICIAL AND MARKET RATES



Source: Bloomberg, UniCredit Research

The ECB is therefore pushing market rates close to zero via an extremely low deposit rate, while keeping the main policy rate well in positive territory. In our view, this strategy is guided by the ECB's desire to be well positioned for a timely withdrawal of stimulus once the economy recovers. The ECB could then begin to push market rates up via the depo rate, without an early hike in the refi rate that could attract headlines and unwanted political pressure. Moreover, keeping the refi rate in positive territory can help send a signal that the bank remains vigilant against possible inflation risks down the line. It would favor a more transparent strategy, lowering the refi further while signaling that the ECB will hike as soon as necessary, even in the face of pressure from peers and politicians – as it did in 2005 – but we do understand the concern.

The ECB also disappointed market expectations (and ours) that it would announce yesterday a lengthening of the maturity of its liquidity operations to twelve months from six. This would have been a natural further step in line with the ECB's strategy of working through the banking system rather than by-passing it. However, this measure would fall short of addressing the key problem, which is the banking system's need for medium-term funding. It is perhaps for this reason that the ECB decided not to take this step in isolation yesterday. Instead, surprisingly clear and explicit was Mr. Trichet's indication that at the next meeting the ECB will announce whether additional non-standard measures are necessary, and which ones will be taken.

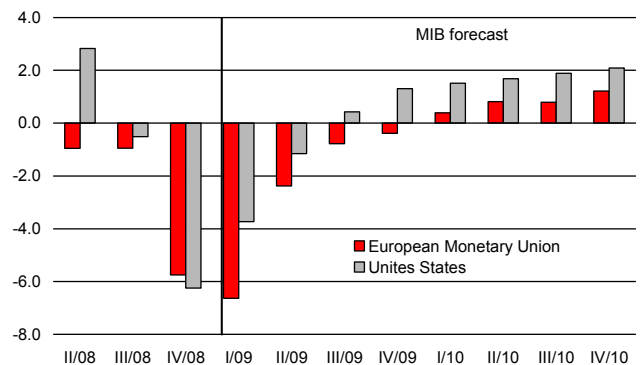
Unconventional measures

We therefore now expect that at the May meeting the ECB will announce the launch of outright asset purchases. These will likely include financial and corporate bonds, and commercial paper, but probably not sovereign bonds – as we argued earlier this week. Yesterday's press conference bolsters our conviction in this call:

- Trichet acknowledged that tighter credit supply might be playing a role now, above and beyond the decline in credit demand. He stressed that the ECB would adopt further non-standard measures which could optimally ensure the flow of financing to the economy. This, in our view, will now require both helping the banking system further, buying financials bonds and lengthening liquidity operations, and by-passing it with direct purchases of corporate bonds and commercial paper. We realize the market for corporate bonds and commercial paper is relatively smaller in Europe, but we still believe that such direct purchases would be helpful in lowering financing costs and averting a credit crunch.
- Trichet noted that in launching further non-standard operations, it would be essential to preserve the ECB's role as an anchor of stability and credibility. To us, this suggests that the ECB is likely to steer away from direct purchases of sovereign bonds, which could be interpreted as a monetization of fiscal deficits, as well as potentially distorting risk spreads.

The ECB has been reluctant so far to embark on direct asset purchases, probably because of the same desire to be able to tighten policy quickly enough once the time comes. Massive injections of liquidity via repos can be reversed easily and automatically once the repo comes to maturity. If the ECB buys assets, instead, it will face the more complicated issue of deciding when to sell them back onto the market. The dire growth outlook, however, clearly calls for further unconventional action: with the eurozone now forecast to experience an even deeper recession than the US (cf. chart next column), and the risk of a credit crunch rising, it becomes much harder for the ECB to remain the only major central bank not to implement "orthodox" Quantitative Easing, i.e., outright asset purchases.

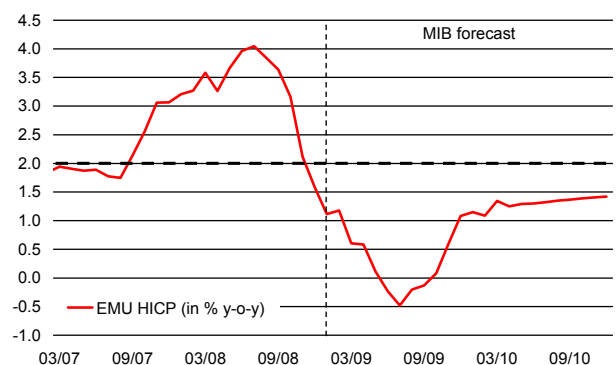
A DISMAL GROWTH OUTLOOK



Source: Thomson Datastream, UniCredit Research

Moreover, while the ECB continues to minimize the risk of deflation, it knows very well that a prolonged recession would put dangerous downward pressure on core inflation – while negating a rebound in commodity prices. Trichet admitted yesterday that a decline in core inflation is starting to play an important role side by side with the well-known base effects on energy prices. He said the decline in core inflation would be temporary, but he knows very well that that hinges on a timely recovery of the economy. Inflation expectations remain well-anchored, but this cannot be taken for granted while inflation plunges into negative territory this summer (cf. chart).

NEGATIVE INFLATION IS LIKELY IN THE SUMMER



Source: Thomson Datastream, UniCredit Research

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The German car buying frenzy

- German consumers have embarked on a car shopping spree. The number of applications for the auto scrapping premium skyrocketed this week to more than 1.1 mn.
- At least in theory, the potential for further purchases of new cars is immense, since nearly 19 mn cars are nine years old or older.
- According to our estimates, private consumption will rise by about 2½% q-o-q in Q1. The positive momentum might also carry over into the second quarter. However, the risks of a strong setback afterwards are high.

It was already in Asterix and Obelix ...

Admittedly, this is an unconventional start for an economic analysis. But let's give this comparison a try, since these are extraordinary – and mostly unpleasant – times. You are certainly familiar with the introduction text included in every Asterix and Obelix comic: *“The year is 50 B.C. Gaul is entirely occupied by the Romans. Well, not entirely... One small village of indomitable Gauls still holds out against the invaders.”* The situation in the German economy is currently pretty much comparable to the circumstances in France 2,000 years ago. All hard economic data are pointing south. Well, not entirely. As indicated by the Deutsche Bundesbank this week, car sales skyrocketed by 12% m-o-m in February. And more is definitely to come. As a matter of fact, something started which had not occurred for a long time in Germany: a shopping frenzy. Since Monday, applications for the car scrapping premium of EUR 2,500 can be made via the internet. Moreover, the application requirements have been relaxed. The actual car registration is not a necessary condition any longer. Instead, the purchase contract is now sufficient to apply for the premium. Submissions have literally been rising by the hour since then. At the end of last week, the number of submissions was about 441k. Today, it is 1.14 mn! Mr. Average Citizen is obviously not penny-pinching any longer. Instead, private households embarked on a shopping spree for cars.

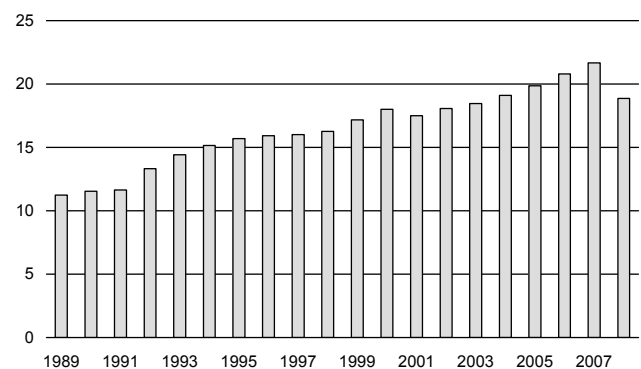
Of course, in contrast to Asterix and Obelix, the rise in car sales is not triggered by any magic potion. The car scrapping premium is part of the second fiscal package. Until recently, there has been a limit of 600,000 cars or equivalently of EUR 1.5 bn. Last week, Chancellor Merkel and Foreign Minister Steinmeier agreed upon extending the scrapping program in principle. However, the concise details are not clear yet. Recently, one spokesman of the government suggested that the sky is now the limit, i.e. there is no upper limit on the number of cars which can be scrapped. The only condition to be met additionally is that submissions have to be made until the end of 2009. However, at the same time, Mr. Steinmeier said

that the premium might be cut. Currently, a reduction by up to 50% is discussed from June onwards. This kind of uncertainty has probably been one of the key drivers for the extraordinary rise in the number of submissions. Obelix fell into the magic potion. German consumers obviously fear that the auto scrapping premium could be cut and therefore rushed in droves to car dealers.

The million-dollar question now is how long this development can last and what the overall macroeconomic consequences are². First of all, we have to get a rough indication of how many cars are eligible for the scrapping premium in theory. According to data from the Federal Motor Transport Authority, there were more than 41 mn passenger cars in 2008. About 45%, or nearly 19 mn, are nine years old or older (cf. chart). The latter is one of the prerequisites for getting the premium. Hence, at least in theory, the potential for further purchases of new cars is immense if politicians agree on unlimited scrapping until the end of 2009. How much of this potential will actually be made use of? Given that such a program was never implemented before, we are really sailing in uncharted waters. The potential for a positive impact is huge, but so is uncertainty surrounding the concise effect.

OLD!

Passenger cars (nine years old or older), in mn; 2008 figure without a temporary deregistration of cars



Source: Federal Motor Transport Authority, UniCredit Research

We think that there are several points which are worth keeping an eye on:

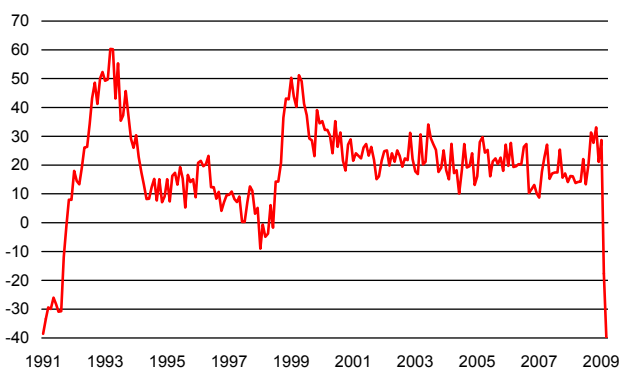
- The shopping frenzy will probably continue unabated in the next few days, as consumers are trying to secure the premium. This is at least true until the Grand Coalition clarifies whether there will be any limits or not.
- Most of the positive growth impact should take place in Q1 2009. According to our information, the Federal Sta-

² One month ago, we already dealt with this topic. Cf. Economic Special, Translating the car scrapping premium into GDP, 3 March 2009.

tistical Office will allocate the bulk of the car sales (which took place so far) to the first quarter. What matters for official statistics is when contracts with car dealers were settled even when autos could not be delivered immediately. The latter has actually been the case. According to the Ifo survey, new car dealers' inventories plunged at breakneck speed in February and March (cf. chart). Hence, with a due time lag, domestic new orders for cars which were in the doldrums should be boosted markedly. Already in January (latest available figure), domestic new orders for motor vehicles shrank less brutally than in the previous months. The figure was "only" -26% y-o-y after -37%. Given the current shopping spree, momentum will also carry over into Q2, i.e. consumer expenditures in spring should get a lift as well.

LOW INVENTORIES TO BOOST DOMESTIC NEW ORDERS

New car dealers' assessment of inventories



Source: Feri, UniCredit Research

- However, this is not a one-on-one situation. Two effects have to be taken into account in order to get a realistic picture of the – positive – net effect for GDP growth. On the one hand, car sales rose strongly. On the other hand, Mr. Average Citizen will probably spend less on items ex autos. This was already indicated by this week's data. Retail sales ex cars and petrol shrank slightly. This decoupling will continue for the time being and delivers a foretaste of what might lie ahead in the second half of this year: a two-engine economy. Sectors which do not benefit directly from the fiscal package will still be comparatively weak. At the same time, construction companies might take flight, as huge government spending for infrastructure investment gradually feeds through into the real economy.
- Our best guess for the medium term is that about another half a million – premium-related – new cars will be purchased. Of course, this assumption is debatable, given that a political consensus on the extension of the premium has to be reached. Most of the car sales should be

frontloaded until the summer break. Hence, consumer expenditures should increase markedly, especially in the first quarter. According to our estimates, private consumption will rise by about 2½% q-o-q. However, before being carried away, please keep one thing in mind. Other economic data, like exports and construction activity (due to the cold winter weather), were far worse than expected. It is therefore likely that – despite the car shopping frenzy – overall GDP will shrink even more than at year-end 2008 (-2.1% q-o-q). We will give a concise estimate next week after the release of the February industrial activity data.

- According to our calculations, the total positive growth effect could be up to 0.6% of GDP in 2009. However, this is a best-case scenario for three reasons. First, as was already mentioned, higher car sales are eating into sales of other items, as less purchasing power is left. Second, not all autos purchased are produced in Germany, i.e. the rise in imports will weigh on overall GDP. Last but not least, every decent party will be followed suit by a heavy hangover (maybe already starting in H2 2009). The bigger the success of the premium in the short run, the higher the potential setback. Although the fiscal incentive helped to activate pent-up demand and created "real" additional demand, surveys suggest that around half of the premium-related car purchases had been planned anyway or are being brought forward.

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US credit crunch is not over yet, despite Fed quantitative easing

- The Fed is battling the credit crunch through what central bank officials call “credit easing,” although others prefer the name “quantitative easing.” Enormous injections of bank reserves through multiple programs have spurred accelerated growth in the monetary aggregates. M2 is up about 10% from a year ago.
- The US Treasury has started to publish detailed data on loan originations from banks receiving TARP capital injections. As of January, all reported to the US Treasury that they were increasing loan originations.
- However, more recent Fed data on bank assets show declines in most lending categories, indicating that the credit crunch is not over – and may be starting to spread to commercial real estate lending and other areas.
- Surveys of small and medium-sized companies tell us that credit market conditions are difficult and expected to get worse. Unless they improve pretty soon, the best we can hope for is a relatively unimpressive economic recovery, even after the current steep recession comes to an end.

Money supply up as Fed drastically increases credit to the financial system

“Credit easing” or “quantitative easing” did not begin only in December 2008, when the Fed reduced the federal funds rate into a target range of 0% to 0.25%. The process of providing massive amounts of liquidity without regard to the effective Fed funds rate actually began shortly after the Lehman bankruptcy sent the world’s financial markets into turmoil last fall. During October 2008, the Federal Reserve credit exploded from around USD 1 trillion to almost USD 2 trillion. It peaked at USD 2.2 trillion just before the year end. It has subsequently fluctuated somewhat lower to USD 2.1 trillion in the most recent reporting week ended March 25. The amount of credit to be provided to the financial system at large, not simply to banks, is likely to expand by another USD 1.5-2 trillion within the next year, largely because of continued purchases of mortgage-backed securities, the expanded TALF program, and the announced purchases of US Treasury securities.

One direct consequence of this massive injection of liquidity is a mammoth increase in excess reserves of the banking system (total reserves minus the slim amount of required reserves on checkable deposits). But an equally significant, though indirect, effect is an exceptionally fast increase in the size of the money aggregates. The Table below shows the most recent Federal Reserve official data on the monetary

aggregates. Partial data for March indicate that the rapid increase in the money supply, however defined, has persisted.

FED “CREDIT EASING” SUPPORTS JUMP IN MONEY GROWTH

<i>in %, seasonally adjusted annual rate</i>	M1	M2
13-weeks, Dec 15, 08 to Mar 16, 09	16.9	15.1
6-months, Sep 15, 08 to Mar 16, 09	25.4	15.0
12-months, Mar 17, 08 to Mar 16, 09	15.0	10.1

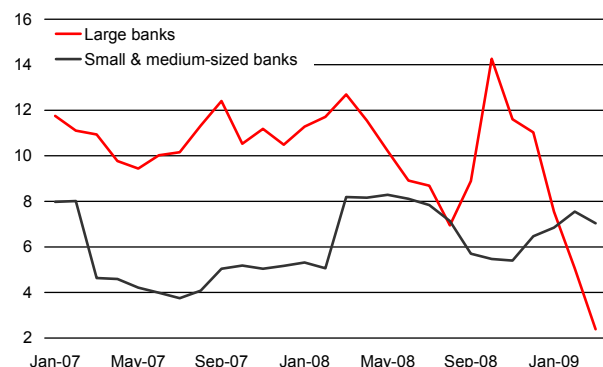
Source: Federal Reserve, UniCredit Research

But bank assets are no longer rising

Fed data on the assets and liabilities of commercial banks that appear on the weekly H.8 report show that the biggest domestically-chartered banks have been cutting back total assets since last fall. There was a brief spurt of lending in October and November that didn’t last. Aggregate bank credit has declined USD 64 bn to USD 5462 bn as of March 18, 2009. But it is worth noting that even in this more restrictive environment, bank credit outstanding at the largest US banks is still 3.8% higher than at the end of February 2008. That is a little more than the estimated increase in nominal GDP over that same period. By comparison, total bank credit provided by small and medium sized banks so far in 2009 has risen USD 55.9 bn to USD 3159 bn. At that level, it is up a fairly healthy 7.5% from end-February 2008. The problem in the US financial system is the balance sheet weakness of the largest banks (cf. chart). Small and medium-sized institutions have been operating, if not at “business as usual”, at least relatively normally. Whether that can last is doubtful. They will have trouble continuing to expand loans and other assets at the same pace as businesses and consumers encounter increasing debt servicing difficulties on existing loans.

SMALLER BANKS STAY ACTIVE, AS BIG BANKS PULL BACK

Bank Credit, in % y-o-y



Source: Federal Reserve, UniCredit Research

How does the money supply rise faster without a corresponding increase in bank credit? The answer is that non-monetary liabilities of banks may decline to offset the rise in M1 and M2 type deposits. Alternatively, increases in the money supply outside the banks -- for example, inflows into retail money market funds -- can lead to purchases of US Treasury securities. And sizable increases in currency in circulation often find their way outside the US, used as a medium of exchange in numerous third world countries or as a store of value in other lands.

What banks are telling the Treasury

One of the positive side-effects of the bank capital infusion programs is that the Treasury is able to collect (and now publish) some interesting information on bank lending practices. This greatly improves upon the results of the Fed's useful, but limited, senior loan officer opinion survey, in that it provides quantitative data, not just impressions, for each bank, identified by name, and for many of the most important lending categories. The Table below summarizes what can be learned from the initial survey for January 2009 (but without the bank-by-bank specifics).

TARP BANKS TO TREASURY: WE ARE STILL LENDING

Loan originations of domestic banks and other financial institutions receiving TARP capital injections	USD bn for the largest commercial banks	USD bn for the other TARP recipients
Consumer lending		
First mortgages	71824	6980
Home equity lines of credit	3547	927
Credit card loans	13813	2478
Other consumer lending	15136	2871
Commercial & Industrial loans		
Renewal of existing accounts	43455	13644
New commitments	39070	15176
Commercial real estate loans		
Renewal of existing accounts	6530	4787
New commitments	3983	1966

Source: US Treasury Department, UniCredit Research

The data appear to show that new lending has not dried up. To the contrary, banks say they are active in many areas. However, the information provided to the Treasury is restricted to loan originations. As noted above, data provided to the Federal Reserve that is aggregated in the H.8 report, the so-called "statement of condition" nets out loan repayments and write-downs. While the Fed's sample of large banks does not include all of the TARP recipients, it is necessary in order to interpret the new Treasury series. After repayments are taken into account, during January large banks reduced outstanding loans and leases by USD 75.4 bn, as compared to the USD 246 bn of loan originations reported to the Treasury, which are gross, not net, figures.

The information provided to the US Treasury goes beyond the data on originations to include brief statements on how the individual banks receiving TARP capital infusions assess lending conditions. It would be a little time-consuming to recount each bank's submission. But a few generalizations are warranted, based on the narratives provided by the largest banks in the sample: First, big banks insist they are willing to lend to creditworthy consumers and businesses borrowers. Mortgage refinancing spurred by the decline in mortgage interest rates was cited as a key factor behind higher first-mortgage originations. Second, where loan origination is down, the major factor is a decline in demand due to the recession. Third, several banks acknowledged that tighter credit standards have cut back approvals of new or expanded lines of credit. Fourth, the freezing up of secondary markets for loans and the lack of access to securitization have restrained enthusiasm for new lending.

Frustrated borrower syndrome

When demand for credit shrinks, part reflects normal adjustments by business corporations in response to lower sales and orders. Part also reflects the understandable desire on the part of many households to tighten their belts in response to lowered incomes and net worth from housing and financial assets. But a portion reflects perceptions among potential borrowers that lending terms and conditions have become so restrictive that it is not worth the trouble to apply for a loan (and sometimes to pay sizable application fees) when the probability of being refused appears high.

The number of these so-called frustrated borrowers is not readily available from the standard consumer confidence surveys. However, the monthly surveys of small businesses by the National Federal of Independent Businesses, NFIB, provides some measure of the dissatisfaction that small business owners face in trying to get a loan. Respondents are asked each month about their perceptions of credit availability. The net percent of those who say credit is easier to get minus those who say credit is harder to get stayed at -13% in the latest survey conducted in February. That represents the worst credit market conditions at any time in the past 25 years in which the question was asked. (The previous period of extremely restrictive lending standards was during the banking and thrift industry crisis of the early 1990s). The picture is a little less worrisome when the question is whether the borrowing needs of respondents were satisfied or not. In February, 32% of respondents said their needs were satisfied, while 8% said they were not. That is only slightly worse than in earlier years. But when asked about future credit conditions, a record percentage expects that loans will become even harder to get over the next three months.

The bottom line is that the borrowers are unlikely to approach banks for loans until business conditions generally

appear to be improving. Therefore, it will take several more months before we will see a distinct positive impact from the Fed's credit easing policy on new bank lending and loan commitments. Bankers may tell the Treasury that loan originations are rising, but at least to small businesses the odds of getting a loan application approved are low and getting lower. And until that situation turns around, only a sub-par economic recovery can be expected, even after the recession itself comes to an end later this year.

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Data Monitor Europe - Preview of the coming week

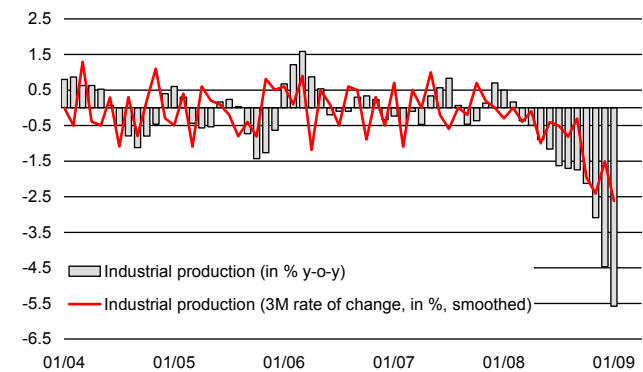
Tuesday, April 7

UK, INDUSTRIAL PRODUCTION

February	MIB	Cons.	Jan	Dec
Total, in % m-o-m	-1.2	-1.3	-2.6	-1.5
Manufacturing, in % m-o-m	-1.3		-2.8	-1.9

Surveys of manufacturing activity showed so far in Q1 that the pace of output contraction is likely to be similar to the one seen in Q4. Despite the ups and downs over the last few months, the manufacturing PMI was in line with Q4, while the Confederation of British Industries figure hit a new low. After a deep contraction in January, we expect total and manufacturing production to contract respectively by another 1.2% and 1.3% m-o-m. The sizeable de-stocking seen so far, however, signals that Q1 is likely to be the bottom of the production cycle.

MANUFACTURING ACTIVITY DEEP IN RECESSION



Source: ONS, UniCredit Research

Wednesday, April 8

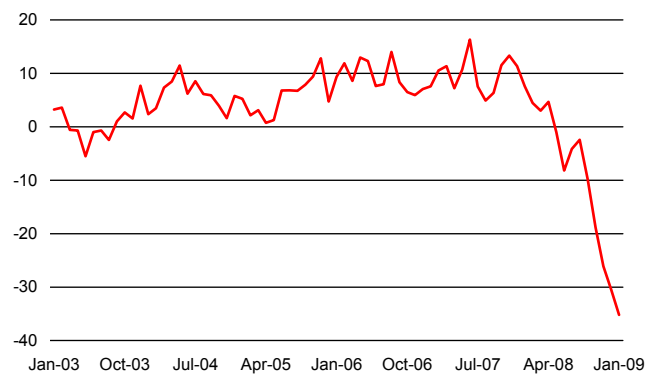
GERMANY, NEW ORDERS

February	MIB	Cons.	Jan	Dec
in % m-o-m	-2.0	-2.6	-8.0	-7.6
in % y-o-y	-36.4		-35.2	-30.5

Manufacturing companies' assessment of the order situation has stabilized recently, albeit at a still very depressed level. For that reason, we still do not expect a direct recovery following the five very strong declines in the preceding months. This is also suggested by the renewed decline in demand in engineering in February. There is, however, hope of a clearly weaker m-o-m decline, supported to some extent also by the success of the car scrapping premium.

UNPRECEDENTED SLUMP IN DEMAND

New orders, in % y-o-y



Source: Feri, UniCredit Research

Thursday, April 9

GERMANY, PRODUCTION

February	MIB	Cons.	Jan	Dec
in % m-o-m	-3.5	-3.0	-7.5	-3.9
in % y-o-y	-22.2	-21.6	-19.2	-11.6

The ongoing massive decline in demand as well as the spike in announcements of short-time work point to a further strong decline in industrial production following the slump in the preceding months. The cold winter weather also argues for a weak reading in February.

ITALY, INDUSTRIAL PRODUCTION

February	MIB	Cons.	Jan	Dec
in % m-o-m	-1.5		-0.2	-3.9

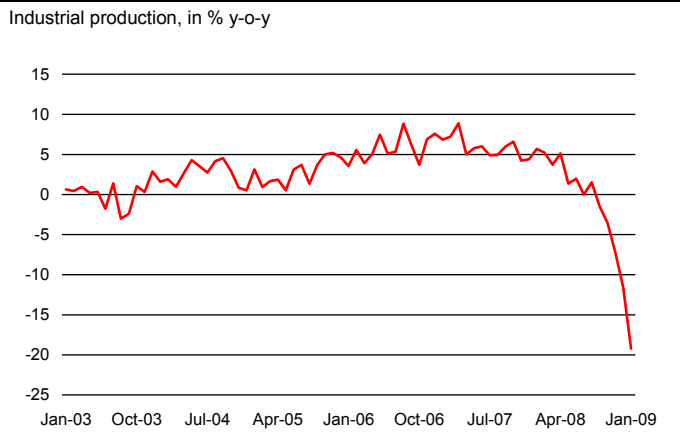
Judging from business surveys, Italy's industrial recession won't come to an end anytime soon. In February, the ISAE indicator of manufacturing confidence hit a new record low, while the factory PMI eased back after a brief improvement in January. Moreover, in Italy de-stocking seems to be proceeding at a slower pace than in the rest of the euro area, which doesn't bode well for future production plans. With industrial output in free fall, GDP will contract again strongly at the beginning of the year.

UK, BANK OF ENGLAND

April	MIB	Cons.	Mar	Feb
	0.5		0.5	1.0

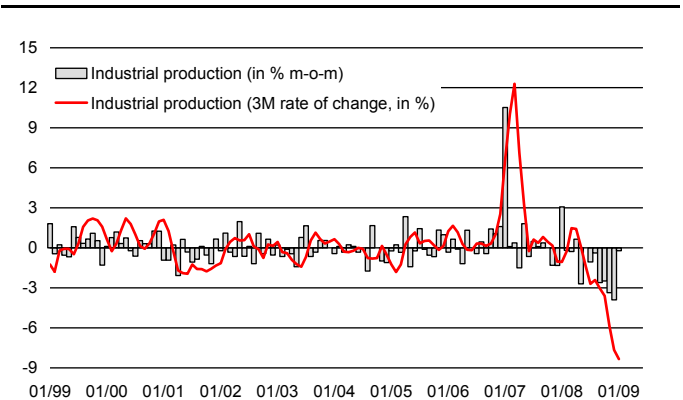
The BoE cut the repo rate to 0.5% in March and has already begun its quantitative easing. The rhetoric since then has made it clear that the bottom for the repo rate was reached in March and the implementation of monetary policy will solely rely on quantitative easing from now on. For the moment, the BoE is committed to buy GBP 75 bn of assets (mostly Gilts) and we don't expect any change this week to this strategy.

MASSIVE CORRECTION IN INDUSTRY



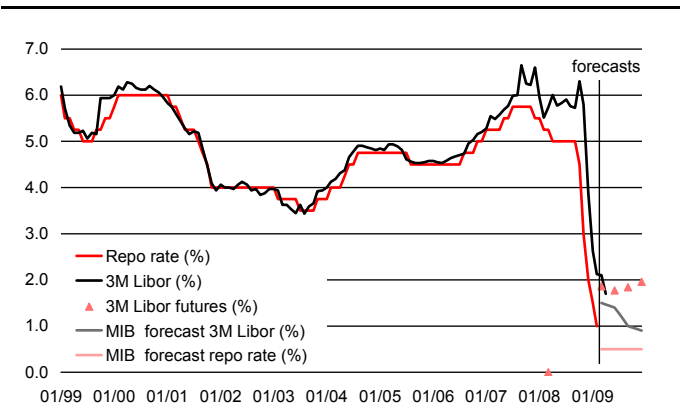
Source: Feri, UniCredit Research

INDUSTRY REMAINS IN DEEP RECESSION



Source: Thomson Datastream, UniCredit Research

REPO RATE ON HOLD FROM NOW ON



Source: BoE, UniCredit Research

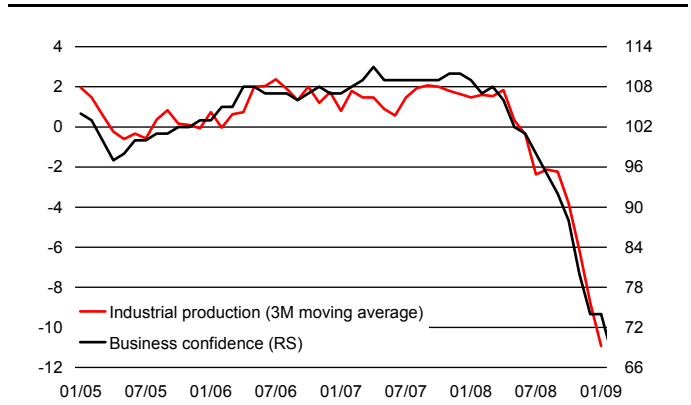
Friday, Apr 10

FRANCE, INDUSTRIAL PRODUCTION

February	MIB	Cons.	Jan	Dec
in % m-o-m	0.4		-3.1	-1.5

After the stronger-than-expected January's drop, we expect a mildly positive reading for February of 0.4% on a m-o-m basis. Nevertheless, we would not attach too much meaning to this uptick in production as the overall picture remains one of deep recession in manufacturing.

IN FREE FALL



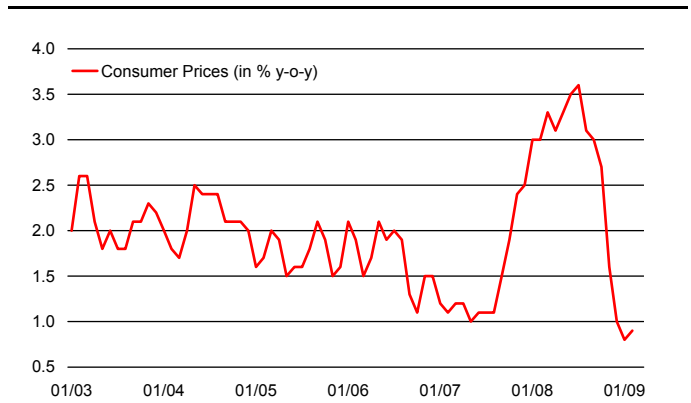
Source: INSEE, UniCredit Research

FRANCE, CONSUMER PRICES

March	MIB	Cons.	Jan	Dec
in % y-o-y	0.4		0.9	0.7

French consumer price inflation should further ease in March, with the headline reading taking a big step down to 0.4% – versus 0.9% in February. The bulk of the disinflation should be explained by energy prices together with persistently subdued food prices.

HEADING SOUTH FURTHER



Source: INSEE, UniCredit Research

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Data Monitor US - Preview of the coming week

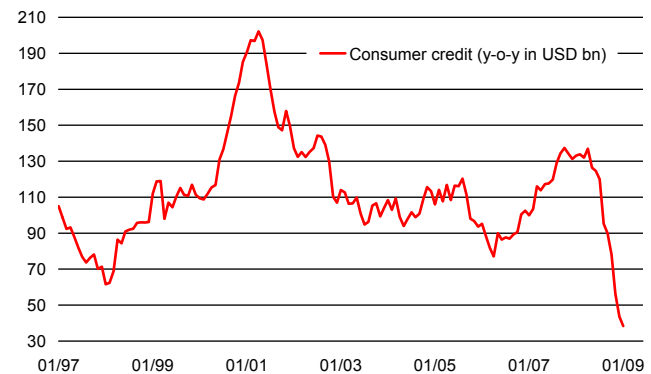
Tuesday, April 7

CONSUMER CREDIT

February	MIB	Cons.	Jan	Dec
in % m-o-m, USD bn	-3.5	-3.0	1.8	-7.5

Auto sales to consumers were weak, but credit card purchases were stable during February, according to industry sources. The net result is likely to be a moderate decline, more than reversing January's increase.

CONSUMER SPENDING REMAINS RESTRAINED



Source: Thomson Datastream, UniCredit Research

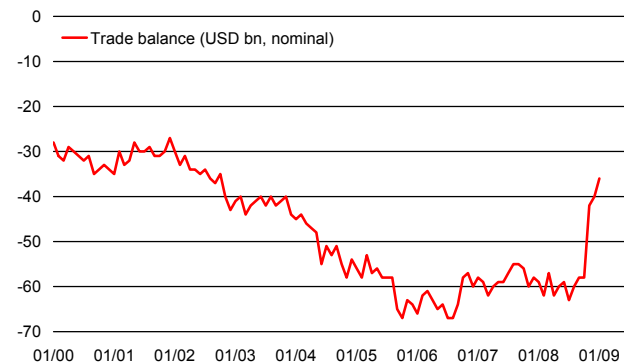
Thursday, April 9

TRADE BALANCE

February	MIB	Cons.	Jan	Dec
in USD bn	-35.0	-36.5	-36.0	-40

Exports and imports both probably fell in February, although the days of sharp declines in energy costs ended. Be on the lookout for what the numbers tell us about trade in capital goods. That is because the global recession is becoming more than just a consumer goods and commodities phenomenon. Businesses the world over are postponing or abandoning capital expenditures, with the result that international trade is contracting.

RECESSIONS NORMALLY IMPROVE THE US TRADE DEFICIT



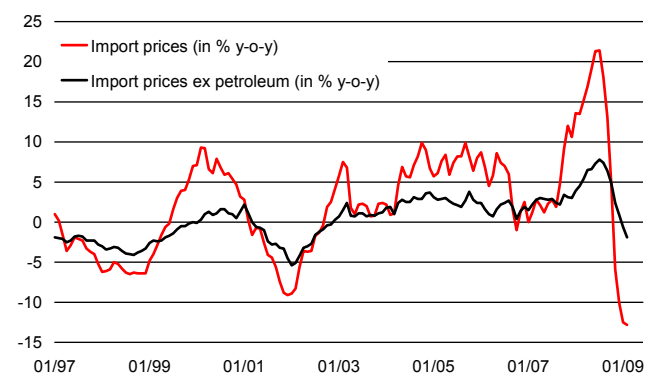
Source: Thomson Datastream, UniCredit Research

IMPORT PRICES

March	MIB	Cons.	Feb	Jan
in % m-o-m	0.5	0.9	-0.2	-1.2
in % y-o-y	-13.5		-12.8	-12.5

Crude oil price rebounded in March, and that will drive up the import price index, even though prices of most imported manufactured goods likely declined last month. Export prices were probably steady, by comparison.

GLOBAL RECESSION SQUEEZES SUPPLIERS EVERYWHERE



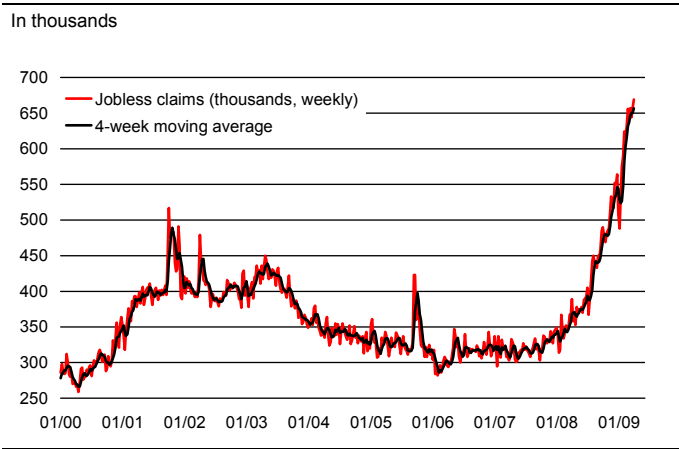
Source: Thomson Datastream, UniCredit Research

INITIAL JOBLESS CLAIMS

April 4	MIB	Cons.	Mar 26	Mar 19
in thousands	660		669	657

Layoffs have started moving up again, while continued claims for unemployment benefits are persistently rising. They are above 5.7million and it would not be surprising to see them above 6 million within a month or two. The insured unemployment rate is also edging higher, to 4.3% in the latest survey week.

NO RELIEF IN SIGHT FOR TROUBLED LABOR MARKET



Source: Thomson Datastream, UniCredit Research

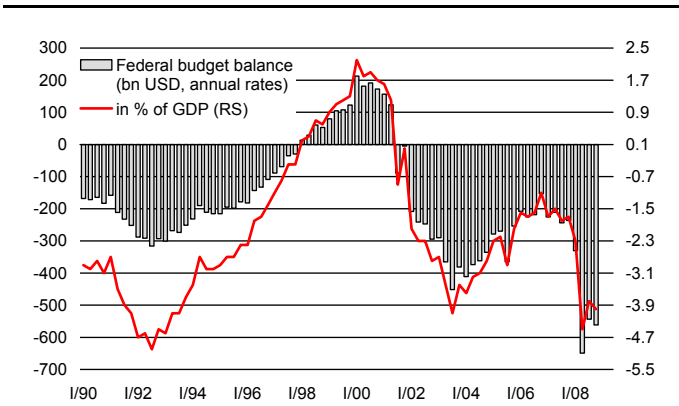
Friday, April 10

MONTHLY BUDGET STATEMENT

March	MIB	Cons.	Feb	Jan
USD bn	-165.0	-157.0	-192.8	-86.5

Tax receipts are sliding as the unemployment rate climbs, executive bonuses shrink, and corporate profits fall off. Moreover, the stock market crash has greatly reduced capital gains tax payments. Enlarged pending programs also add to the deficit, but the bulk of the Obama fiscal stimulus will be implemented only with considerable delay.

BIG DEFICITS TO LINGER FOR AT LEAST TWO MORE YEARS



Source: Thomson Datastream, UniCredit Research

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Review Europe

German labor market downswing gains momentum

German unemployment unexpectedly rose 34k to 3.586 mn on a non-seasonally adjusted basis in March. Usually, unadjusted unemployment declines substantially in March due to a trend reversal in winter unemployment. Although temperatures in recent weeks have been milder, the overall cold and snowy winter apparently prevented a monthly improvement in March. The weak outcome is, however, exacerbated by the deep recession in industry, reflected by the renewed strong rise in adjusted unemployment (+69k). Apart from the official unemployment data, the Bundesagentur für Arbeit reported that announcements of short-time work based on cyclical reasons rose further to a new record high of almost 700k in February, heavily up from 291k in January and 296k in December. Considering the corresponding average reduction in working hours of around one third, this compares to a total of more than 400k full-time equivalents or 1 PP of the unemployment rate – with a clearly further upward tendency in the short run.

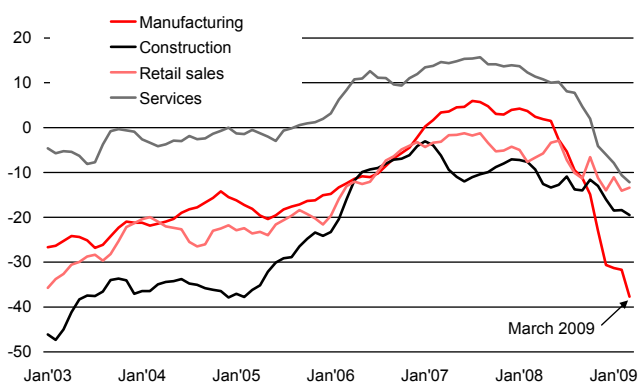
So far, the cumulative increase in adjusted unemployment of 229k or the rise in the unemployment rate of 0.5 PP to 8.1% since November looks relatively benign compared to most other industrialized countries. But the important German industry is increasingly hit hard by the "second-round" effects of the collapse in global demand. Although foreign demand is probably undershooting in the short run, it cannot be expected to return to the previous inflated levels in the foreseeable future. This puts pressure on firms to permanently downsize capacity and the workforce, which is underscored by the acceleration in lay-off plans in the manufacturing and business-related services sector (cf. chart).

And it is in line with company reports, which signal that many short-time workers will probably have to be sent into final unemployment already in the course of this year.

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ACCELERATING LAY-OFF PLANS

Employment plans, balance, in %



Source: EU Commission, UniCredit Research

Review US

Purchasing managers are less gloomy but manufacturing is still contracting

The Institute for Supply Management, ISM, released its March purchasing managers' index, PMI, for manufacturing. It showed a small increase in the overall index to 36.3 from 35.8, less gloomy but still indicating that the sector continues to contract. To be sure, some details were better. In particular, the sub-index for new orders climbed to 41.2 from 33.1 a month ago, with 28% of respondents citing better orders, more than double February's positive response and five times bigger than the dismal 5% recorded in December 2008. By comparison, official data on factory orders in February came out yesterday, showing a rise of 3.5% in durable goods orders and 0.5% in non-durables. But both are well below year-ago levels.

Meanwhile, inventories continued to be reduced at a brisk pace; the sub-index dropped to 32.2 from 37.0. Only 9% of manufacturers were increasing inventories last month, while 43% were cutting them. The sooner that firms are able to get rid of unwanted inventories, the sooner the recession can bottom out. What remained especially weak in the report was hiring. The employment sub-index went up marginally to 28.1 from a miserable 26.1 in February. But only 8% said they were adding to staff, while more than half were still reducing jobs. That portends a relatively uninspiring recovery even after the manufacturing sector hits bottom. What is clear is that growth prospects are held back by the global extent of the recession. Just 8% of exporters reported higher orders, while a third of them said export orders were sinking.

MANUFACTURING FALLS, BUT LESS STEEPLY THAN BEFORE

ISM components	% better/higher		% worse/lower	
	Mar 09	Dec 08	Mar 09	Dec 08
Production	17	7	44	60
New orders	28	5	41	64
New export orders	9	7	31	36
Employment	8	7	51	50
Inventories	9	18	43	42
Prices	7	2	45	66

Source: Institute for Supply Management, UniCredit Research

Construction data disappointing

February construction data pointed to ongoing weakness in both the public and private sectors. Home-building continued to shrink at an accelerating rate: a 4.3% decline to a level 41% per annum below already depressed Q4 2008 figures. By contrast, small increases in non-residential construction and state & local government infrastructure spending reversed only a minor part of the sharp declines in previous

months. Commercial construction, including shopping malls and other retailing, fell off another 1.9%, to a level that is almost 25% lower than a year ago. Even harder hit in February were major expansions of power plants, a market segment that had been strong up to now, and communications facilities (now down over 30% from a year ago). What remains relatively unscathed is construction of hospitals and laboratories, reflecting steady growth in the entire health care industry. State and local governments are facing the most severe budget problems in decades. Public construction was up 0.8% in February, but more projects are being postponed than are being started. It is hard to turn major infrastructure projects on and off – as the Obama administration will soon learn as it tries to implement the fiscal stimulus program.

Mixed picture of consumer sentiment

The handful of closely-followed consumer sentiment measures has been flashing somewhat different signals lately. The Conference Board's familiar consumer confidence survey was virtually unchanged in March, still signaling extreme pessimism, especially about the deteriorating job market. By contrast, the daily Rasmussen internet survey jumped almost 15% during last month. Part of the discrepancy can be explained by the timing of responses. Conference Board polling ended on March 24, before the stock market rallied. Other surveys are in between. What does it mean for consumer spending decisions? Despite shaky confidence, real consumer spending moved higher in January-February 2009, after two sharp declines over the second half of last year. The improvement in sentiment in recent weeks may presage higher spending in the coming months. But the continuing slide in employment, rise in joblessness, and uncertainty about when the recession will come to an end will hamper a reemergence of robust spending for some time to come.

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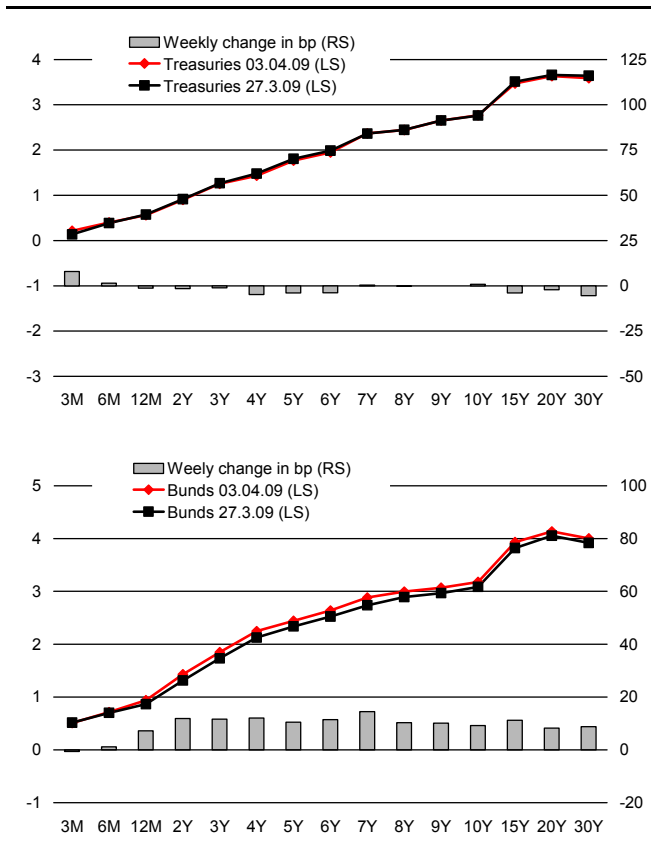
Fixed Income Outlook

- The ECB's and IMF's double whammy underpinned the future range we expect for 10Y Bunds between just under 2.9% and 3.4%.
- Strategy: Play big defense.

ECB's and IMF's double whammy

The trends in Bunds remain dominated by central bank action. While the ECB delivered the 25 bp key rate cut expected by our economists, it did disappoint the overwhelming market consensus of 50 bp. Looking ahead, the script appears quite clear. The refi rate will reach 1% at the end of Q2. Details concerning a possible quantitative easing will be announced at the next press conference in May. While we think the purchase of government bonds is highly unlikely, we assume that the ECB will target private paper from banks.

WEEKLY CHANGE IN UST AND BUND YIELDS



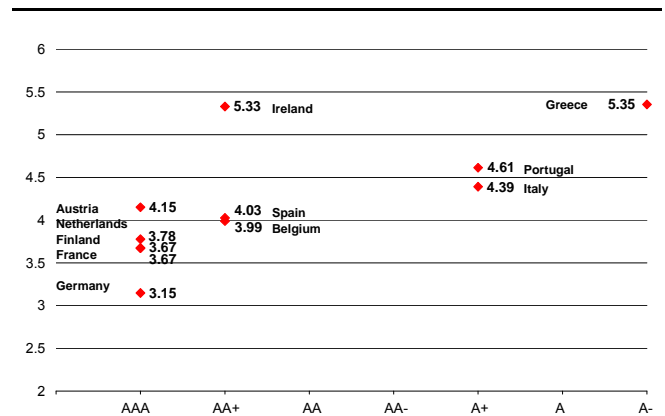
Source: Bloomberg, UniCredit Research

The second hit that weighed on Bunds was the large increase of IMF funds from USD 250 bn to USD 750 bn, with the consensus looking for just USD 500 bn. Despite the disappointment that fiscal policy coordination wasn't agreed upon at the G-20 summit, the increase was naturally pretty good news for emerging market segment and therefore boosted the Euroland periphery on a relative basis, while Bunds lost some of their safe-haven appeal, overcompensating for the negative mood earlier this week after the negative rating drift (Ireland downgraded by S&P from AAA to AA+ and Hungary down to BBB-) gathered traction. The economic data, in contrast, had little impact once again. The first inflation Flash for the month of March of only +0.6% y-o-y managed to conjure up slightly positive sentiment for Bunds, but the rise in the US PMI for manufacturing from 35.8 to 36.3 was not considered an epiphany, but was received without emotion.

Play big defense

Looking forward, there is still no reason to assume a clear trend on bond markets. The money market rates will continue their benign neglect, and the long end should tread water. 10Y Bunds will, therefore, trade in a range from just shy of 2.9% to at most 3.4%. "High yield countries" within the eurozone have most likely seen the maximum in spread widening now that the potential bailout funds for the IMF have been increased substantially. Consequently, especially Austria should be among the favorites.

10Y YIELDS VS. RATING (S&P)



Source: Bloomberg, UniCredit Research

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Forex Outlook

- The G-20 meeting managed to boost confidence in markets, sustaining a rally of the Pacific Rim and Nordics bloc currencies. Better-than-expected data in UK also helped the GBP.
- After a weak start of the week, the below consensus 25 bp rate cut by the ECB sent the EUR-USD higher to trade above the 1.35 area, at least temporarily.
- Next week, a light data calendar may bring swings in risk aversion/risk appetite back amid much thinner market conditions

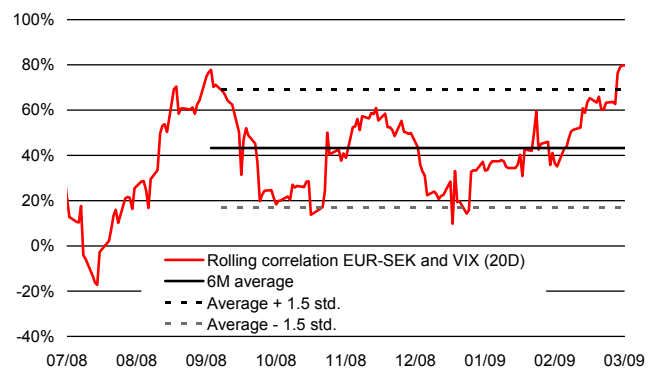
Thinner market may still exacerbate swing in risk aversion

After a start of the week characterized by mixed sentiment, the final communiqué of the G-20 meeting in London managed to pump some optimism into markets. On top of that, the other main event of the week was the below-consensus 25 bp cut by the ECB yesterday. The revival of risk appetite over this week has sustained the Pacific Rim currencies and the Nordic bloc currencies across the board. GBP was the winner of the week in the G-10 world, rallying on a positive surprise in construction and more critically manufacturing PMIs as well rising housing prices as reported by the Nationwide Survey (but today's HBOS price index was down again). Interestingly, positive sentiment did not help the CAD, which instead suffered from BoC Carney stating that the economy is expected to shrink further in H2 2009. Turning to the EUR, it was generally weaker across the board until the ECB meeting yesterday. The 25 bp cut, in line with our expectations, surprised markets and sent the EUR-USD temporarily above the 1.35 threshold. Today, a negative surprise on non-farm payrolls in US could further sustain the EUR vs. the greenback, provided Wall Street won't react too badly to the data.

Next week, given thinner market conditions as the Easter recess get close and the quite empty data calendar on both sides of the Atlantic, we expect EUR-USD to remain steady to firmer within relatively narrow ranges, although we can't exclude some occasional swings in risk aversion. In the UK, the BoE meeting is scheduled, from which we expect a relatively low impact on markets. In such a context, cable should as well move in tandem with shifts in market sentiment, leaving EUR-GBP in the 0.90/0.95 trading range. On the Asian side, while the BoJ meeting is likely to be a non event, investors should keep an eye on the RBA meeting. We expect the central bank to deliver a 75 bp rate cut, while the market expects a more modest 50 bp rate cut. We would thus recommend going short on AUD-USD after the meeting, if our expectations are met.

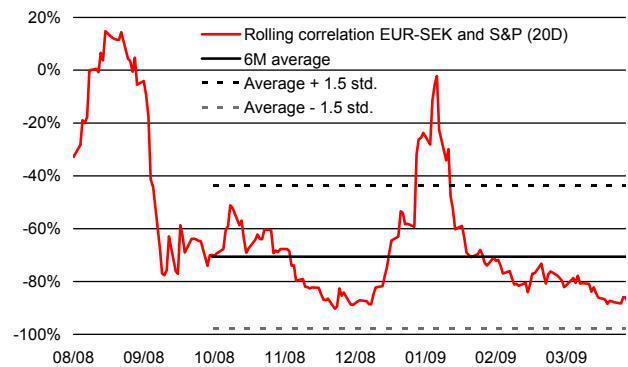
Finally, it is worth noting that recently the EUR-SEK has showed a progressively more positive correlation with the volatility of stock prices and a progressively more negative correlation with the US stock prices: currently, both correlation coefficients well exceed the long-term average threshold and the average +/- 1.5*standard deviation threshold (see the two charts).

EUR-SEK AND VOLATILITY OF THE EQUITY MARKET



Source: Bloomberg, UniCredit Research

EUR-SEK AND US STOCK PRICES



Source: Bloomberg, UniCredit Research

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MIB View – Our Global Picture

Global economy

- The ongoing financial market crisis and the after-effects of soaring commodity prices are taking their toll: The global economy is in the middle of a severe recession. At -½%, PPP based real global GDP in 2009 will post its first minus since WWII (2008: +3.1%, 2007:+5%). Based on market exchange rates, global growth will contract substantially this year (by approximately 2%)!
- Real GDP in the industrialized countries will most probably shrink this year by 3.1% – more severely than during the recessions in the 70s and 80s. For the US, we expect a minus of 2.1%, while economic activity in the eurozone is expected to even drop by 3.5%. Emerging Asia and China will again lead the growth rankings (2009: +5% and 5.5%, respectively), but will also face a massive economic slowdown.

US

- The US economy, now officially in recession since December 2007, is shrinking dramatically, despite massive unprecedented monetary and fiscal policy impulses. For Q1 2009, we expect an annualized minus of just below 4% (IV/08: -6.2%). And although oil & commodity prices have fallen dramatically, downside risks are still high.
- 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. The Fed is now pursuing a Quantitative Easing Policy which it already announced in late 2008.

Eurozone

- The eurozone economy is now in its deepest recession since WWII. Tighter credit conditions, poorer consumer as well as business sentiment and the (after-effects) of the EUR appreciation up until last summer will accentuate the slowdown, leading to a contraction of 3.5% this year.
- The miserable economic outlook together with the sustained correction in commodity prices converted inflation fears into deflation anxieties.
- Therefore, in a coordinated action, the ECB started an easing cycle in early October. With the 50 bp cut in early March to 1.50%, the cumulative easing amounts to 275 bp. Given the gloomy economic environment coupled with pronounced disinflation, the ECB will lower its refi rate to at least 1.0% by spring 2009. But an outright Zero Interest Rate Policy (ZIRP) or Quantitative Easing à la Fed or BoE (bypassing banks) faces resistance in Frankfurt.

Government bond markets

- Still substantial risk aversion combined with poor macro-economic data and corporate news will see government bond yields fall further over the short-term horizon from their current levels.
- But as financial markets as well as the US economy start to stabilize in the course of H2 2009 and the supply of government bonds will surge at the same time, US yields should rise again later this year.
- Bund yields should fall further until mid-2009, as the ECB will continue with its easing cycle. Beginning in the summer they should also start to rise – although not as pronounced as their US counterparts.

Exchange rates

- EUR-USD is expected to fluctuate lower over the next few months. However, later this year it should strengthen again, heading toward 1.33 at the end of 2009.
- JPY should weaken over the course of this year.

OUR MACRO FORECASTS

in % y-o-y	2008	2009	2010
GDP EMU	0.8	-3.5	0.1
CPI EMU	3.3	0.4	1.3
GDP Germany	1.0	-3.5	0.8
CPI Germany	2.6	0.6	2.0
GDP Italy	-1.0	-3.6	-0.3
CPI Italy	3.3	0.8	1.6
GDP US	1.1	-2.1	1.3
CPI US	3.8	-0.5	2.2

OUR FI/FX & OIL PRICE FORECASTS

	2009/10	30-June	30-Sept	31-Dec	31-Mar
EMU 3M (%)	1.30	1.30	1.30	1.30	1.25
EMU 10Y (%)	2.70	2.80	3.00	3.00	3.30
US 3M (%)	1.15	0.80	0.65	0.65	0.65
US 10Y (%)	2.30	2.30	2.80	2.80	3.40
EUR-USD	1.27	1.28	1.33	1.33	1.36
USD-JPY	97	102	103	103	105
Oil Price	50	55	65	65	70

Macro Forecasts

GDP, real (% , y-o-y)	2003	2004	2005	2006	2007	2008p	2009f	2010f
World economy *	3.7	4.9	4.3	5.0	5.0	3.1	-0.4	2.5
Industrialized countries *	1.9	3.1	2.5	3.1	2.7	0.9	-3.1	0.8
US	2.5	3.6	2.9	2.8	2.0	1.1	-2.1	1.3
Euro area	0.8	1.9	1.8	3.0	2.7	0.8	-3.5	0.1
Germany **	-0.2	0.7	1.0	3.2	2.6	1.0	-3.5	0.8
France	1.1	2.2	1.9	2.4	2.1	0.7	-2.3	0.4
Italy	0.0	1.4	0.7	1.9	1.4	-1.0	-3.6	-0.3
Spain	3.1	3.3	3.6	3.9	3.7	1.2	-2.9	-0.8
Austria	0.8	2.5	3.3	3.3	3.1	1.7	-1.6	0.7
UK	2.8	3.3	2.1	2.8	3.0	0.7	-3.6	0.5
Switzerland	-0.2	2.5	2.4	3.2	3.3	1.9	-1.4	0.6
Sweden	2.1	3.5	3.3	4.4	2.9	-0.5	-3.7	1.2
Japan	1.6	2.7	1.9	2.4	2.0	-0.7	-4.0	1.0
Developing countries *	6.5	7.7	7.4	8.2	8.7	6.5	3.3	5.1
Asia	8.1	8.6	9.0	9.9	10.6	7.8	5.0	6.4
China	10.0	10.1	10.4	11.1	13.0	9.0	5.5	6.8
India	6.9	7.9	9.1	9.7	9.3	7.3	5.1	6.5
Latin America	2.1	6.2	4.6	5.5	5.7	4.6	1.1	3.0
Brazil	1.1	5.7	3.2	3.8	5.7	5.8	1.8	3.5
Central and Eastern Europe	5.7	6.9	5.5	6.6	6.5	4.3	-0.8	2.6
Russia	7.3	7.2	6.4	7.4	8.1	6.0	-0.8	2.9

Consumer prices, CPI (% , y-o-y)	2003	2004	2005	2006	2007	2008p	2009f	2010f
US	2.3	2.7	3.4	3.2	2.9	3.8	-0.5	2.2
core rate (ex food & energy)	1.5	1.8	2.2	2.5	2.3	2.3	1.0	0.4
Euro area, HICP	2.1	2.1	2.2	2.2	2.1	3.3	0.4	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	0.6	2.0
France	2.1	2.1	1.7	1.7	1.5	2.8	0.3	1.4
Italy	2.7	2.2	1.9	2.1	1.8	3.3	0.8	1.6
Spain	3.0	3.4	3.6	2.8	2.8	4.1	0.1	1.8
Austria	1.3	2.0	2.1	1.7	2.2	3.2	0.9	1.6
UK	1.4	1.3	2.0	2.3	2.3	3.6	0.8	1.1
Switzerland	0.6	0.8	1.2	1.1	0.7	2.4	0.0	1.7
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	-0.5	0.0

GDP, real (% , q-o-q)	I/08	II/08	III/08	IV/08p	I/09p	II/09p	III/09p	IV/09p
US (annualized)	0.9	2.8	-0.5	-6.2	-3.7	-1.0	0.4	1.3
Euro area	0.7	-0.2	-0.2	-1.5	-1.7	-0.6	-0.4	-0.1
Germany	1.5	-0.5	-0.5	-2.1	-1.5	-0.3	0.0	0.2
France	0.4	-0.3	0.1	-1.2	-0.9	-0.6	-0.1	0.0
Italy	0.4	-0.6	-0.6	-1.9	-1.2	-0.5	-0.2	-0.3
Spain	0.3	0.1	-0.2	-1.0	-1.1	-0.8	-0.7	-0.3
Austria	0.1	-0.2	-0.3	-0.2	-0.5	-0.3	0.0	0.1
UK	0.4	0.0	-0.6	-1.5	-1.5	-0.6	-0.4	-0.1
Switzerland	0.0	-0.3	-0.5	-0.5	-0.8	-0.5	0.0	0.1
Sweden	0.0	-0.1	-1.0	-2.4	-1.1	-0.5	0.1	0.3
Japan	0.6	-1.0	-0.5	-2.5	-0.5	0.0	0.1	0.2

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

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: 1.3%

Interest & Exchange Rate Forecasts (I)

INTEREST RATE FORECASTS (% , END QUARTER)

2009	current	end-Q2	end-Q3	end-Q4	end-Q1
Eurozone bond market					
Refi rate	1.25	1.00	1.00	1.00	1.00
3M Euribor	1.48	1.30	1.30	1.30	1.25
2Y	1.46	1.20	1.20	1.30	1.50
5Y	2.43	1.90	1.90	2.20	2.45
10Y	3.16	2.70	2.70	3.00	3.30
30Y	3.98	3.75	3.80	4.15	4.45
10Y swap spread (in bp)	37	40	30	30	30
US Treasury Market					
Fed funds target rate	0.13	0.25	0.25	0.25	0.25
3M USD Libor	1.16	1.15	0.80	0.65	0.65
2Y	0.90	0.70	0.70	0.95	1.30
5Y	1.78	1.35	1.35	1.75	2.20
10Y	2.78	2.30	2.30	2.80	3.40
30Y	3.61	3.45	3.50	4.00	4.60
10Y swap spread (in bp)	19	25	25	25	25
Japan					
Target rate	0.10	0.10	0.10	0.10	0.10
3M JPY Libor	0.59	0.50	0.50	0.50	0.50
10Y JGB	1.43	1.20	1.20	1.45	1.70
United Kingdom					
Repo rate	0.50	0.50	0.50	0.50	0.50
3M GBP Libor	1.61	1.40	1.00	0.90	0.90
10Y Gilt	3.36	2.80	2.80	3.15	3.55
Switzerland					
3M CHF Libor mid target rate	0.25	0.25	0.25	0.25	0.25
3M CHF Libor	0.40	0.30	0.30	0.30	0.30
10Y Swissie	2.159	1.80	1.80	2.15	2.50

EXCHANGE RATE FORECASTS (END QUARTER)

	current	end-Q2	end-Q3	end-Q4	end-Q1
EUR-USD	1.3439	1.27	1.28	1.33	1.36
EUR-JPY	134.20	123	131	137	143
EUR-GBP	0.9104	0.92	0.90	0.88	0.87
EUR-CHF	1.5248	1.52	1.52	1.54	1.59
USD-JPY	99.87	97	102	103	105
GBP-USD	1.4763	1.38	1.43	1.52	1.57
USD-CHF	1.1347	1.20	1.19	1.16	1.17

COMMODITY PRICE FORECASTS

	current	end-Q2	end-Q3	end-Q4	end-Q1
Oil price (Brent, USD/b)	53.13	50	55	65	70
DJ-AIG commodity price index	225.09	230	250	270	290

Interest & Exchange Rate Forecasts (II)

INTEREST RATE FORECASTS (% , END QUARTER)

2008/09	current	end-Q2	end-Q3	end-Q4	end-Q1
Sweden					
Key rate	1.00	0.75	0.50	0.50	0.50
3M rate	1.10	0.95	0.70	0.70	0.75
10Y government bond yield	3.15	2.50	2.50	2.85	3.20
10Y spread to Bunds (in bp)	-1	-20	-20	-15	-10
Norway					
Key rate	2.00	1.50	1.50	1.50	1.50
3M rate	3.05	2.00	1.75	1.75	1.80
10Y government bond yield	3.93	3.60	3.60	3.95	4.30
10Y spread to Bunds (in bp)	77	90	90	95	100
Canada					
Key rate	0.50	0.50	0.50	0.50	0.50
3M rate	1.02	1.00	0.90	1.00	1.10
10Y government bond yield	2.86	2.50	2.50	2.85	3.20
10Y spread to Bunds (in bp)	-30	-20	-20	-15	-10
Australia					
Key rate	3.25	2.50	2.00	1.50	1.50
3M rate	3.70	2.90	2.40	2.00	2.10
10Y government bond yield	4.43	3.80	3.80	4.15	4.50
10Y spread to Bunds (in bp)	127	110	110	115	120
New Zealand					
Key rate	3.00	3.00	2.50	2.00	2.00
3M rate	3.79	3.10	2.80	2.40	2.50
10Y government bond yield	5.23	4.30	4.30	4.65	5.10
10Y spread to Bunds (in bp)	207	160	160	165	180

EXCHANGE RATE FORECASTS (END QUARTER)

	current	end-Q2	end-Q3	end-Q4	end-Q1
EUR-SEK	10.8175	11.05	11.25	10.91	10.50
EUR-NOK	8.8417	8.70	8.70	8.50	8.40
EUR-CAD	1.6655	1.63	1.63	1.64	1.66
EUR-AUD	1.8817	1.90	1.88	1.85	1.84
EUR-NZD	2.3021	2.40	2.37	2.33	2.31
USD-SEK	8.0500	8.70	8.79	8.20	7.72
USD-NOK	6.5786	6.85	6.80	6.39	6.18
USD-CAD	1.2394	1.28	1.27	1.23	1.22
AUD-USD	0.7143	0.67	0.68	0.72	0.74
NZD-USD	0.5837	0.53	0.54	0.57	0.59
EUR-USD	1.3439	1.27	1.28	1.33	1.36

Economic Event & Data Release Calendar

Date	Time (ECB)	Country	Indicator	Period	MIB est.	Consensus (Bloomberg)	Prev. period	
03 April to 10 April 2009								
Fri, 03 Apr '09	14:30	US	Average weekly hours	Mar		33.3	33.3	
	14:30	US	Average hourly earnings (in % m-o-m)	Mar		0.2	0.2	
	14:30	US	Unemployment rate (in %)	Mar		8.5	8.1	
	14:30	US	Non-farm payrolls (change in thousands m-o-m)	Mar		-660	-651	
	16:00	US	ISM Non-manufacturing (index)	Mar		42.0	41.6	
Sat, 04 Apr '09	9:30	EC	Europe Finance Chiefs, Central Bankers Meet: Informal EcoFin					
Mon, 06 Apr '09	10:20	EC	ECB's Bini Smaghi Speaking in Brussels					
	10:30	GE	Sentix growth expectations	Apr			-42.6656	
	11:00	EMU	Retail sales (volume, in % m-o-m)	Feb		-0.3	0	
	11:00	EMU	Producer price index, PPI (in % y-o-y)	Feb		-1.5	-0.7	
Tue, 07 Apr '09		JN	Bank of Japan key rate (in %)	Jan 1		0.1	0.1	
	10:30	UK	Industrial production (in % m-o-m)	Feb	-1.2	-1.3	-2.6	
	11:00	EMU	Private consumption (in % q-o-q)	Q1			-0.3	
	11:00	EMU	Government consumption (in % q-o-q)	Q1			0.1	
	11:00	EMU	Gross fixed capital formation (in % q-o-q)	Q1			-3.7	
	11:00	EMU	Real GDP (in % q-o-q)	Q1		-1.3	-1.3	
	11:00	EMU	Real GDP (in % y-o-y)	Q1		-1.5	-1.5	
	21:00	US	Consumer credit (USD bn)	Feb	-3.5	-3.0	1.8	
	Wed, 08 Apr '09	8:00	GE	Exports (in % m-o-m)	Feb		-2.5	-4.4
8:00		GE	Imports (in % m-o-m)	Feb			-0.8	
8:45		FR	Trade balance (EUR bn)	Feb			-4549	
12:00		GE	Industrial orders (in % m-o-m)	Feb	-2.0	-2.6	-8.0	
13:00		US	MBA mortgage applications	Apr 3			3.0	
Thu, 09 Apr '09	7:45	SZ	Unemployment rate (in %)	Mar		3.3	3.1	
	8:00	GE	Harmonized CPI (in % y-o-y)	Apr		0.4	0.4	
	8:00	GE	Consumer price index, CPI (national, in % y-o-y)	Apr		0.5	0.5	
	10:00	IT	Industrial production (in % m-o-m)	Feb	-1.5		-0.2	
	10:30	UK	Producer price index, manuf. products (in % m-o-m)	Mar		0.1	0.1	
	10:30	UK	Trade balance (EUR bn)	Feb		-3500	-3585	
	12:00	GE	Industrial production (in % m-o-m)	Feb	-3.5	-3.0	-7.5	
	12:00	GE	Industrial production (in % y-o-y)	Feb	-22.2	-21.6	-19.3	
	13:00	UK	Bank of England repo rate (in %)	Apr 3		0.5	0.5	
	14:30	US	Import prices (in % m-o-m)	Mar	0.5	0.9	-0.2	
	14:30	US	Trade balance (USD bn)	Feb	-35.0	-36.5	-36.03	
	14:30	US	Initial jobless claims (in thousands)	Apr 3	660		669	
	18:00	EC	ECB's Mersch Speaks At Event In Luxembourg					
	Fri, 10 Apr '09	8:45	FR	Budget balance (EUR bn)	Feb			-8.134
		8:45	FR	Consumer price index (in % y-o-y)	Mar	0.4		0.9
8:50		FR	Industrial production (in % m-o-m)	Feb	0.4		-3.1	
20:00		US	Federal budget (USD bn)	Mar	-165.00	-157.00	-192.78	

*: 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
13 April to 17 April 2009							
Tue, 14 Apr '09	1:01	UK	House price (RICS, balance)	Mar			-78.3
	8:45	FR	Current account balance (EUR bn)	Feb			-2.8
	14:30	US	Retail sales ex autos (in % m-o-m)	Mar	0.7		0.7
	14:30	US	Retail sales (in % m-o-m)	Mar	-0.1		-0.1
	14:30	US	PPI ex food & energy (core, in % y-o-y)	Mar			4.0
	14:30	US	Producer price index, PPI (in % y-o-y)	Mar			-1.3
	14:30	US	PPI ex food & energy (core, in % m-o-m)	Mar	0.2		0.2
	14:30	US	Producer price index, PPI (in % m-o-m)	Mar	0.1		0.1
	16:00	US	Business inventories (in % m-o-m)	Feb			-1.3
	Wed, 15 Apr '09	6:30	JN	Industrial production (in % y-o-y)	Mar		
14:30		US	CPI ex food & energy (core, in % y-o-y)	Mar			1.8
14:30		US	Consumer price index (in % y-o-y)	Mar			0.2
14:30		US	CPI ex food & energy (core, in % m-o-m)	Mar	0.2		0.2
14:30		US	Consumer price index (in % m-o-m)	Mar	0.4		0.4
14:30		US	NY Fed Empire State Manufacturing Survey	Apr			-38.23
15:00		US	Net long-term capital inflows (TIC, USD bn)	Feb			-42.986
15:15		US	Capacity utilization (in %)	Mar	70.9		70.2
15:15		US	Industrial production (in % m-o-m)	Mar	-1.4		-1.5
19:00		US	NAHB housing market index	Apr			9.0
20:00		US	Fed Releases Beige Book Economic Report				
Thu, 16 Apr '09	8:00	EMU	New passenger car registration (EU 25, in % y-oy)	Mar			-18
	10:00	IT	Consumer price index (in % y-o-y)	Apr			1.2
	11:00	EMU	Core CPI (in % y-o-y)	Mar			1.7
	11:00	EMU	Consumer price index, CPI (in % y-o-y)	Mar			1.2
	11:00	EMU	Industrial production (in % m-o-m)	Feb			-17.1
	14:30	US	Housing starts (in thousands)	Mar	583		583
	14:30	US	Building permits (in thousands)	Mar	547		564
	16:00	US	Philadelphia Fed Business Outlook Survey	Apr			-35.0
Fri, 17 Apr '09	1:30	US	Fed's Yellen Speaks on Economic Crisis in New York City				
	7:00	JN	Consumer confidence (Nationwide, index)	Mar			27.6
	10:00	SZ	SNB's Roth Holds Speech in Bern				
	10:00	IT	Industrial orders (in % m-o-m)	Feb			-2.1
	11:00	IT	Current account balance (EUR bn)	Feb			-7248
	11:00	EMU	Trade balance (EUR bn)	Feb			-5500
	14:30	US	Fed's Hoenig Speaks at Fed Conference in Washington				
	16:00	US	University of Michigan consumer confidence	Apr	57.3		57.3
	18:00	US	Bernanke Speaks at Fed Conference in Washington				

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* 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.