Central Bank Watch

June 14, 2011

Note: Unless otherwise indicated all data in this document is sourced from Bloomberg as of 06/09/11

Reserve Bank of Australia

INDICATOR	CURRENT	3-MONTHS AGO	6-MONTHS AGO	12-MONTHS AGO
RBA Target Cash Rate	4.75	4.75	4.75	4.50
2 Year Bond Yield	4.79	4.98	4.97	4.48
10 Year Bond Yield	5.20	5.57	5.63	5.31
Aussie Yield Curve	0.41	0.59	0.66	0.83
CPI	3.30	2.70	2.80	2.90

The Reserve Bank of Australia has a mandate to maintain price stability.
It has an inflation target band of 2% to 3%, over the medium term.

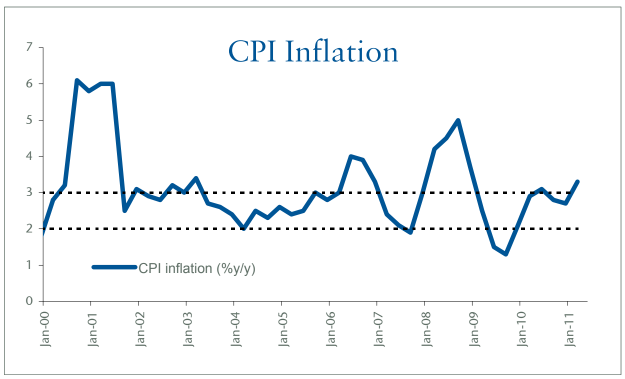
Current Policy

• The Reserve Bank of Australia (RBA) left interest rates on hold at 4.75% at the June 7th meeting. Rates have remained unchanged for seven consecutive months.

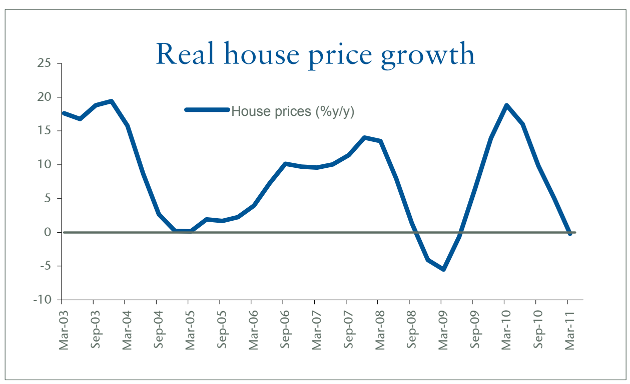
• The accompanying statement to the RBA's most recent meeting in June was slightly more dovish than the previous month. The RBA noted that the Japanese supply chain disruptions were significant and that commodity prices were putting less upward pressure on inflation. Domestically, house price weakness has become more broad-based. However, the RBA expects growth to remain "at trend or higher" in the medium term, and inflation to remain "close to target" over the next year. It concluded that the current policy stance "remained appropriate".

• Annual headline CPI increased from 2.7% in Q4 2010 to 3.3% in Q1 2011, and is now above the RBA's 3% target band ceiling. Inflationary pressures can be largely attributed to the rise in energy prices, as well as flood and cyclone distorted food prices.

• The RBA's expects underlying inflation to be around the top end of the target band (3%) by the end of 2011.

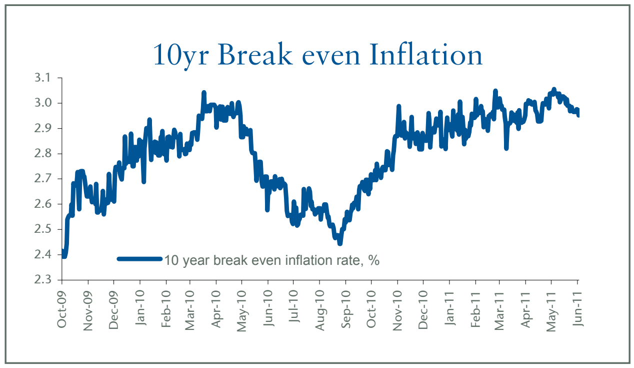


• GDP growth contracted by 1.2% quarter-on-quarter in Q1, the lowest reading since the early 1990s. Most of the weakness was due to the Queensland flooding. However, it seems likely that Q2 growth will not register a strong bounce back that the RBA is hoping for. Retail sales growth is subdued, as is credit growth. House prices have continued to fall, and are now lower than they were a year ago. These falls remain modest, but are now widespread across the country.



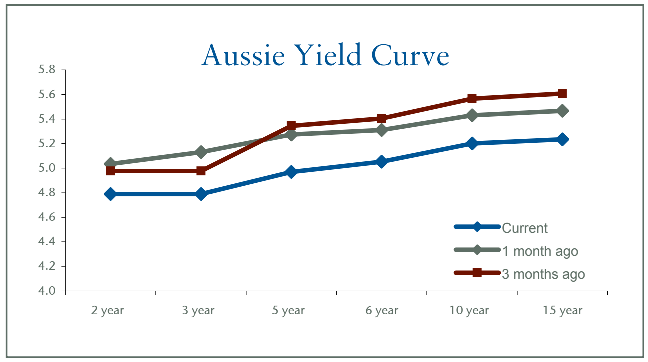
• Although financial market measures of inflation expectations - breakevens - remain elevated, they do not pose a significant concern to the RBA.

• Employment growth has started to slow although, with the unemployment rate below 5%, the labor market could hardly be considered to be in bad health. With wage inflation contained, there is little sign of second-round inflation effects.

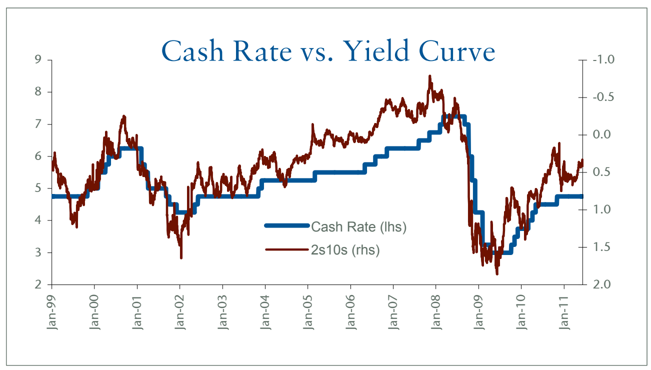


• The weak GDP growth reading, global growth concerns and continued house price declines have lowered market expectations for interest rates. As a result, the front end of the Australian yield curve has fallen around 15 basis points over the past month.

• The belly and long end of the yield curve have also fallen over the past month.



• The slope of the Australian yield curve is flatter than any of the major central banks. However, policy rates are close to normal and the tightening cycle is almost at an end. We suspect that the RBA will raise rates only a further 25 or 50 basis points before it comes to a halt.



Expectations

• The timing of the RBA's next interest rate hike remains the most difficult to predict. At 4.75% policy rates have already increased some 175 basis points, and the tighter monetary conditions have caused the booming housing market to slow significantly. At the same time, the Queensland floods and Japanese earthquake and tsunami have taken a heavy toll on Australian economic activity, with the Q1 GDP numbers the weakest since the early 1990s recession.

• Yet, the unemployment rate is approaching 4%, inflation is expected to exceed the RBA's target in two-year's time, while domestic demand has remained resolutely robust through the challenging economic conditions in the first quarter of this year. As a result, it seems that the Australian economy still requires further policy tightening. Policy rates are likely to rise a further 25 or 50 basis points before they peak.

U.S. Federal Reserve (Fed)

INDICATOR	CURRENT	3-MONTHS AGO	6-MONTHS AGO	12-MONTHS AGO
Fed Funds Target Rate	0.25	0.25	0.25	0.25
2 Year Treasury Yield	0.40	0.69	0.62	0.72
10 Year Treasury Yield	2.94	3.47	3.20	3.17
Treasury Yield curve	2.54	2.78	2.58	2.45
Core PCE	1.00	0.80	0.90	1.50

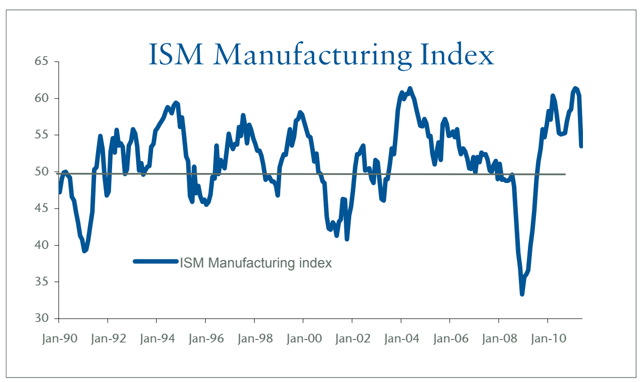
The Fed has a dual mandate of fostering price stability and employment.
It has an informal inflation target of around 2%.

Current Policy

• The Federal Open Market Committee (FOMC) held the Federal Funds Target Rate at 0.25% at its 27 April meeting. It signaled, however, that the purchases of $600 billion of long-term Treasury securities will be completed by June 2011.

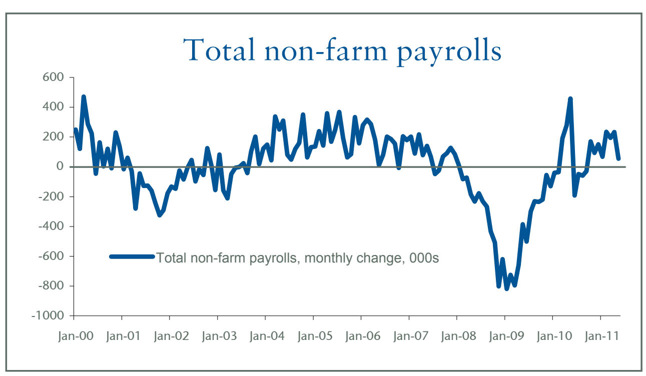
• FOMC minutes released on 18 May had contained extensive discussion of the eventual exit strategy. However, discussion of tighter monetary policy may have been premature. The sharp deterioration in economic activity indicators in May has raised doubts about the sustainability of the recovery. Fed Governor Bernanke acknowledged as much by concluding his June 7th speech with "the economy is still producing at levels well below its potential; consequently, accommodative monetary policies are still needed".

• The breadth of recent economic weakness has been surprising. The ISM manufacturing index fell sharply from 60.4 to 53.5 in May, while durable goods orders and industrial production growth were much weaker than expected.



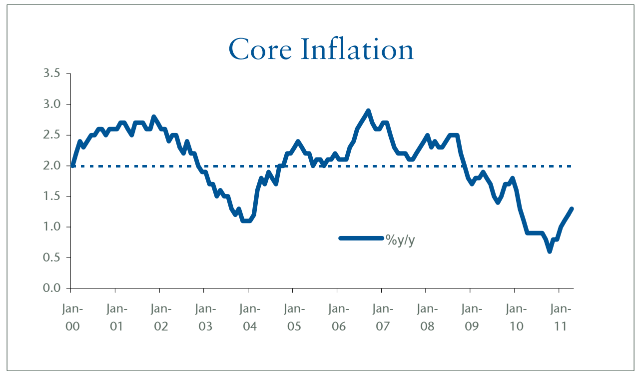
• Core retail sales growth slowed to 0.2% in April, although the ISM non-manufacturing index rose from 52.8 to 54.6 in May. Housing market data continued to show price declines and falling sales.

• Labor market data has also been severely disappointing. Non-farm payrolls increased by just 54,000 in May, a sharp drop from an average increase of 220,000 over the previous three months. Private payrolls rose at their slowest pace since last June, while the unemployment rate ticked up to 9.1%.



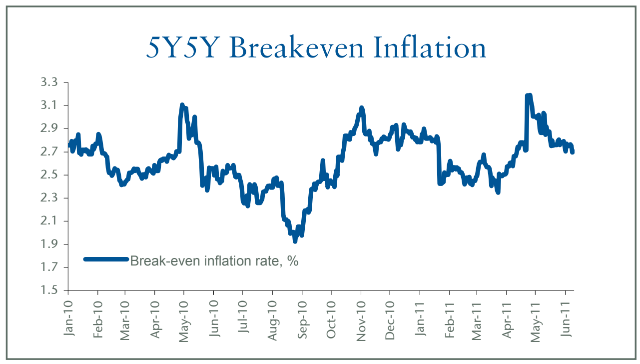
• The economic weakness most likely largely stems from Japanese supply chain disruptions and the oil price shock.

• Core inflation has continued to rise, reaching 1.3% in April. The FOMC believes that recent upward inflation pressures are simply transitory and should not pose a risk to price stability. Indeed, much of the increase in inflation in April was down to a pick-up in vehicle prices which is also related to Japanese supply chain disruptions.



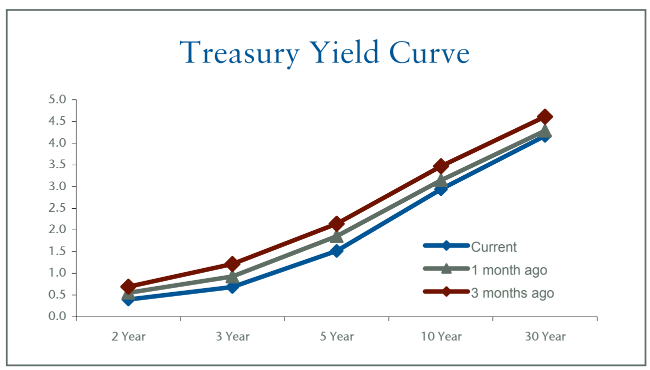
• The Fed Governor commented on 7 June that while "the recent increase in inflation is a concern... there is not much evidence that inflation is becoming broad-based or ingrained in our economy".

• Indeed, inflation expectations have eased significantly. Breakeven inflation rates have fallen back to around 2.8%.

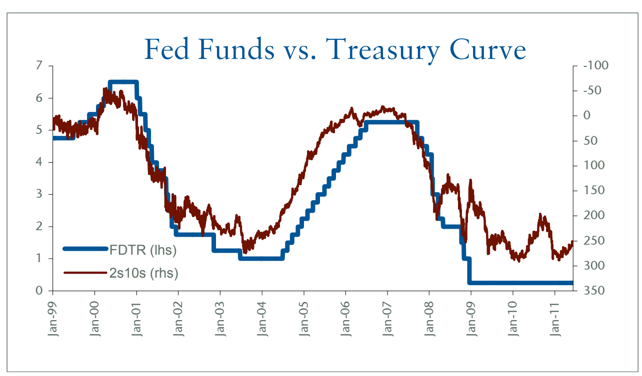


• As recently as February, ten-year Treasury yields were at 3.7%. However, by June 1st, just four month later, yields had dropped below 3%.

• Over the past month, the belly of the curve has led the rally, with 5-year yields dropping by around 25 basis points. In comparison, 2-year yields have fallen by around 10 basis points, while 10-year yields have fallen by around 15 basis points.

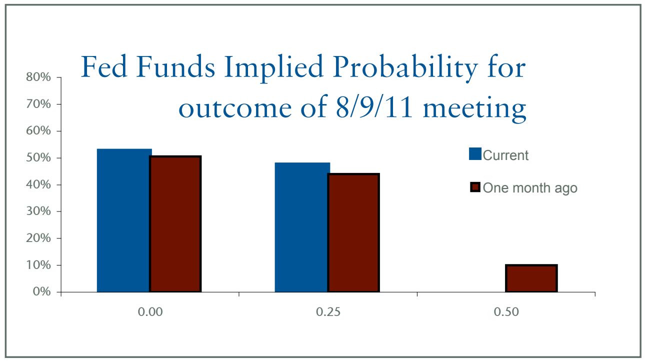


• Bond yields appear to be pricing in a renewed economic downturn. However, we suspect these fears are overdone. After all, not only are monetary conditions exceptionally simulative, but financial conditions remain accommodative and bank lending standards are easing. These factors should enable growth to rebound in the second half of the year.



• Market expectations for a tightening in policy have fallen. According to Fed Fund futures, markets now assign a smaller probability to a rise in policy rates to 0.5% than they did a month ago.

• Markets are now even starting to debate QE3. However, we believe the likelihood of a third round of quantitative easing is extremely low.



Expectations

• The magnitude of the drop in Treasury yields has taken markets by surprise, particularly as it is not clear what is accounting for the economic weakness. The sharp rise in oil prices and Japanese earthquake-related supply disruptions are clearly responsible for some of the slowdown. It is possible, then, that growth will rebound over the next few months as oil prices remain below their April peak and as the supply disruptions are resolved. Either way, with monetary and financial conditions so accommodative, it seems likely that fears of a double-dip and recession are overdone. Indeed, Fed Chairman Ben Bernanke sees growth as "likely to pick up somewhat in the second half of the year". Bond yields should be, therefore, close to their floor. The end of QE2 at the end of June will remove a significant demand from the market, potentially causing yields to spike.

• If the economic weakness deepens, however, all eyes will be on the possibility of further stimulus by the Federal Reserve. A third round for quantitative easing is extremely unlikely - the hurdles are very high. Data would need to deteriorate considerably further - perhaps a meaningful rise in unemployment and a renewed decline in inflation - before conditions would justify such drastic measures. Furthermore, political opposition to QE3 would be significant. Rather, the FOMC could simply indicate that they will continue to reinvest their securities portfolio for an extended period. In any case, it seems more likely that further monetary stimulus will not be required anyway.

Bank of England

INDICATOR	CURRENT	3-MONTHS AGO	6-MONTHS AGO	12-MONTHS AGO
Official Bank Rate	0.50	0.50	0.50	0.50
2 Year Gilt Yield	0.85	1.39	1.07	0.82
10 Year Gilt Yield	3.25	3.66	3.49	3.53
Gilt Yield Curve	2.41	2.27	2.42	2.71
CPI	4.50	4.00	3.20	3.70

The Bank has a mandate to maintain price stability.

The MPC has a symmetric inflation target of 2% on the Consumer Price Index, plus or minus 1%.

Current Policy

• The Monetary Policy Committee (MPC) decided to hold the Bank Rate at 50 basis points at its June 9th meeting, and also chose to keep its bond purchase plan at £200 billion.

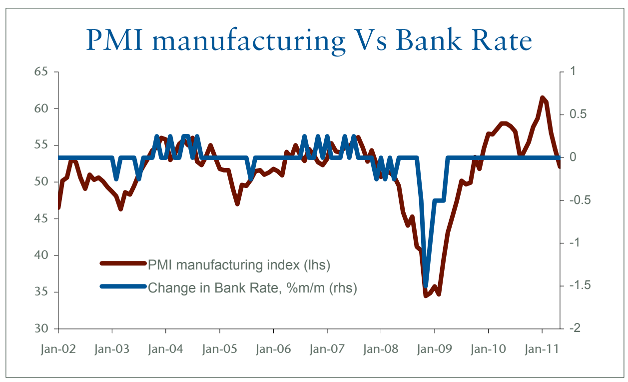
• The May Inflation Report (released on 11 May) revealed that the MPC has raised its inflation forecast and believes that the recent slowdown in economic activity is a "temporary soft patch". However, minutes to the May meeting revealed that the majority of members would prefer to wait until they are confident that the economy is sufficiently robust before tightening policy. They believe that the evolving data "could be revealing" about the underling strength of aggregate demand. Given that economic indicators have since continued to weaken, this suggests that policy rates will remain on hold for the time being.

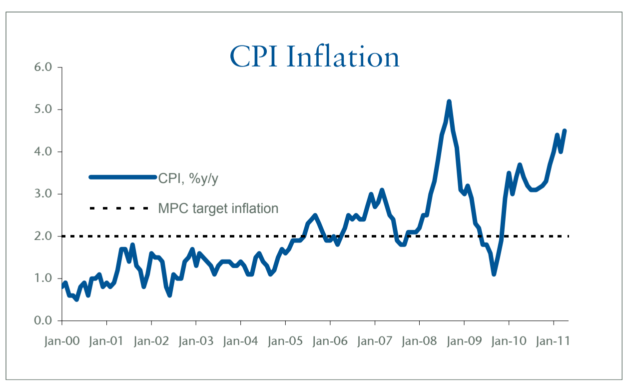
•The second estimate of Q1 GDP growth was left unrevised at 0.5%. Consumer spending and investment dropped while net trade made a large contribution to growth.

• Business surveys suggest that activity eased in Q2. The PMI manufacturing index fell sharply from 54.4 to 51.2 in May, while the PMI services index fell from 54.3 to 53.8. Retail sales rose 1.1% in April, but that reflected the temporary boost from the Royal Wedding.

• CPI inflation rose from 4% to 4.5% in April, reversing March's fall. The increase was driven by a rise in core inflation from 3.2% to 3.7% - its highest level since the series began in 1997.

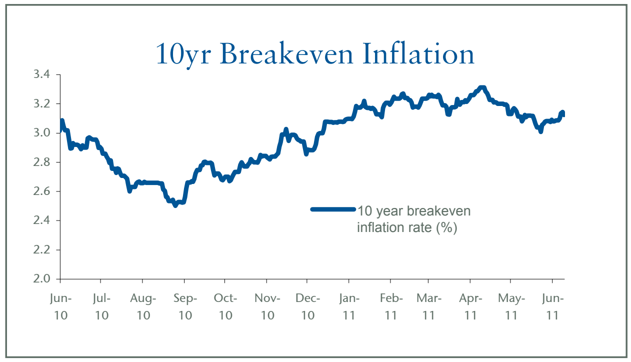
• According to the May Inflation Report, the MPC expects inflation to peak at 5% in Q4 this year, and does not expect inflation to return to the 2% target until the second quarter of 2013.





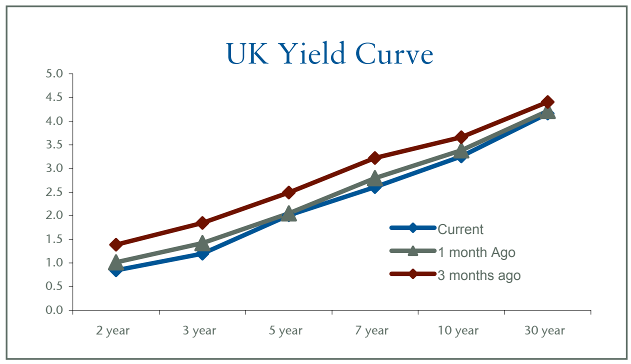
• Inflation expectations, which have been steadily rising over the past eight months, have eased recently. Breakeven inflation rates remained at around 3.1% in early June.

• A key reason why the MPC has not hiked rates, despite the rise in inflation, is the sluggishness of pay growth. As yet, there are no visible second round effects, allowing the MPC more time to evaluate the strength of underlying demand.



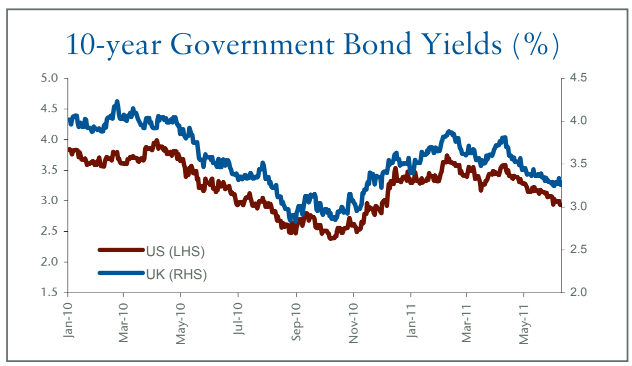
• The softening of risk appetite and deterioration in UK economic data have driven gilt yields lower over the past three months. On 25 May, 10-year gilt yields fell to 3.15%, the lowest level since last November.

• Markets have further revised down their interest rate expectations in the past month, pushing down the front end of the yield curve.



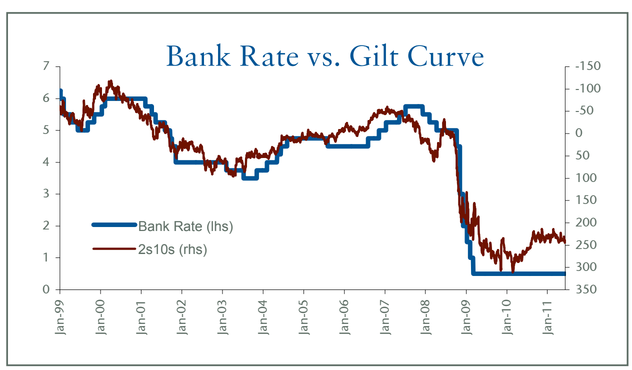
• The slowdown in UK economic activity indicators in the past month has mirrored the deterioration in the US. Bond yields in both countries have moved in sync.

• Continuing worries about Greek sovereign debt have also caused an erosion of global risk appetite, triggering a move into lower risk assets.



• The slope of the Gilt curve has remained broadly neutral over the past month.

• If the economic slowdown proves to be temporary - related to Japanese supply disruptions and the spike in oil prices - then the rise in inflation in coming months should cause markets to bring forward expectations for the first rate hike, pushing up the front end of the Gilt curve.



• The continued weakening of data on the UK's economic recovery has led markets to further revise down their interest rate expectations. Overnight index swap markets no longer expect a hike in interest rates as early as August.

• However, it is doubtful that the MPC will continue to turn a blind eye to above-target inflation into 2012. Some policy tightening is likely this year, in the latter part.

Expectations

• Renewed economic weakness both in the UK and globally appears to have pushed back the first rate hike. Although the May Inflation Report had been slightly more hawkish than expected - the MPC raised their inflation forecast - the deterioration in manufacturing and services activity indicators means that there are doubts about the strength of the economic recovery. Furthermore, although inflation is likely to rise further in the coming months, peaking at around 5% in Q4, with earnings growth still so sluggish, there is no immediate urgency to tighten monetary policy.

• As a result, whilst August was recently considered the most likely month for the first rate hike, November seems a more likely bet. However, even if activity does not pick-up in the coming months, it will be difficult for the MPC to continue turning a blind eye to above-target inflation into 2012. As a result, while the exact timing of the first interest rate increase remains highly uncertain, it is likely that it will happen at some point this year.

European Central Bank (ECB)

INDICATOR	CURRENT	3-MONTHS AGO	6-MONTHS AGO	12-MONTHS AGO
ECB Refi Rate	1.25	1.00	1.00	1.00
2 Year Yield	1.62	1.73	1.02	0.48
10 Year Yield	3.02	3.29	2.95	2.57
Eurozone Yield Curve	1.40	1.56	1.93	2.08
HICP	2.40	2.30	1.90	1.50

The ECB has a mandate to maintain price stability and has an asymmetric inflation target of below but close to 2% over the medium term. The ECB also has a reference value for the growth of M3.

Current Policy

• The ECB kept the official policy rate on hold at 1.25% at the June 9th meeting. In April, the ECB had raised the policy rate for the first time since July 2009.

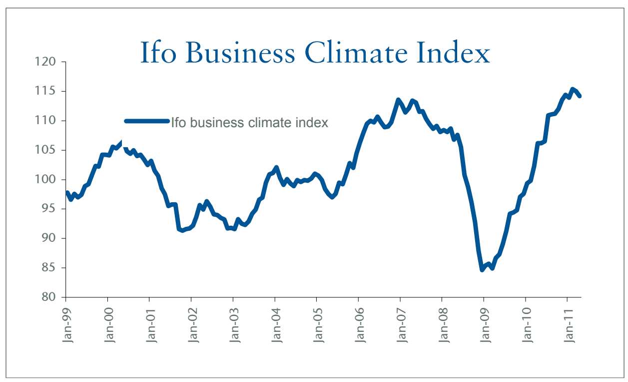
• At the post-meeting press conference on June 9th, ECB President Trichet signaled that policy rates will be raised in July, saying that "strong vigilance is needed to contain inflation". Trichet pointed out that there are upside risks to price stability, mainly relating to energy prices, reiterating again the importance of keeping inflation expectations anchored. The ECB expects GDP to continue expanding strongly, albeit at a slower pace in Q2. The ECB also took the press conference as an opportunity to restate its position against a restructuring of Greek debt and that its collateral rules will not be adjusted.

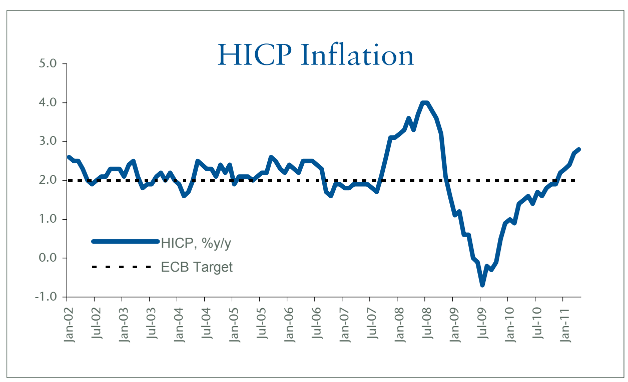
• As in the US, economic activity in the Eurozone has eased, albeit to a much lesser extent. The PMI manufacturing index fell from 58.1 to 54.6 in May but, at that level, the index remains consistent with above-trend growth.

• The Ifo business climate index was unchanged in May, remaining close to its record high. German factor orders rose sharply in April, suggesting that growth is still on track.

• The flash estimate of headline HICP inflation eased from 2.8% in April to 2.7% in May, but still remains firmly above the ECB's 2% target.

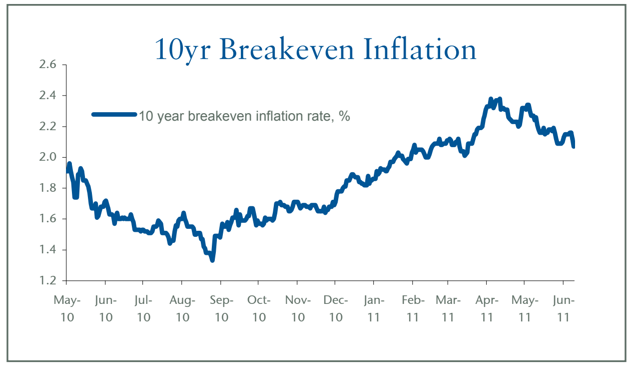
• The ECB has upwardly revised its inflation forecasts. It now expects inflation to end 2011 at 2.6% (up from a previous forecast of 2.3%). It noted that that energy prices pose a upward risk to their inflation forecast.





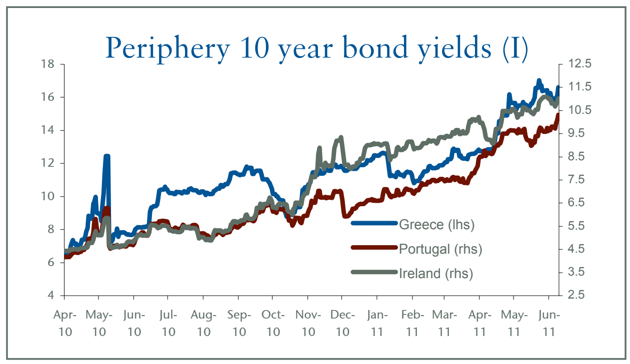
• Inflation expectations have come down over the past month. Ten-year breakeven inflation rates have weakened further to around 2.15% in early June.

• At its June meeting, the ECB emphasized the importance of avoiding second-round effects and keeping inflation expectations anchored.



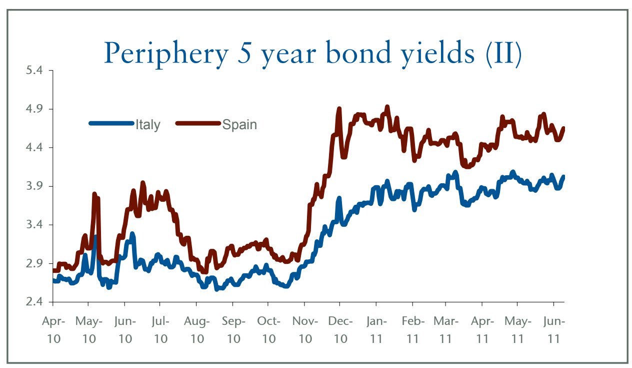
• Reports of a new Greek package have emerged. While a decision is unlikely until later this month, a new package to deal with the 2012/13 funding shortfall of €60-70bn is set to involve a mix of privatization, additional loans from the EU/IMF, and some form of private sector participation.

• However, haircuts are unlikely given the dangers of contagion and the undercapitalization of European banks. A debt rollover or exchange is more likely, as long as they are not deemed "credit events".



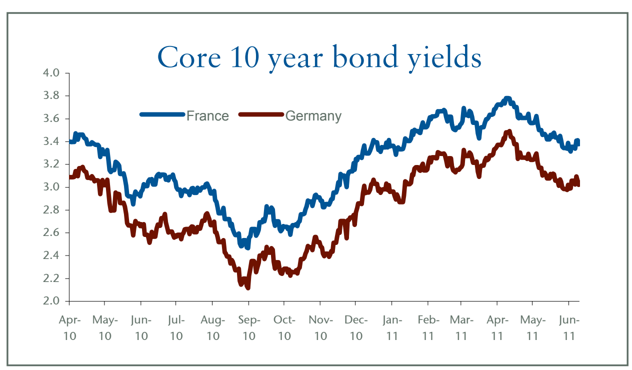
• Spanish and Italian yields increased in the first half of May, before tightening again in response to reassurances that contagion would be avoided.

• The rise in Italian yields was partially down to S&P downgrading Italy's outlook to negative on concerns that Italy will fail to deliver on fiscal consolidation.



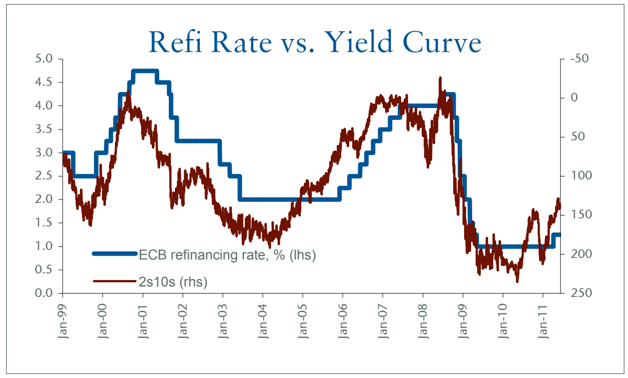
• Concerns about a potential Greek debt restructuring sent investors rushing for safe havens in May. Core bond yields have fallen sharply and are close to the lows seen in the early part of this year.

• Recent indications that a new Greek aid package are likely have soothed concerns, pushing German bund yields back up slightly. With the ECB set to raise rates again this year, core bond yields are likely to rise further.

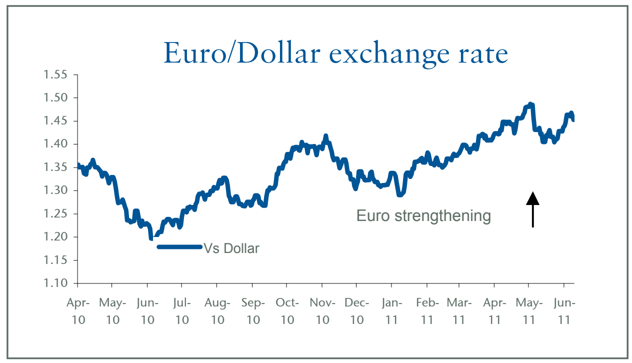


• Despite the emerging global slowdown, the ECB has clearly signaled that further rate hikes are in the pipeline, with the next one coming as soon as next month. Unsurprisingly then, the yield curve has flattened as the short end has risen.

• Market expectations are for ECB policy rates to end 2011 at 1.75% before rising further in 2012.



• Having dropped down from around $1.50 to around $1.40 in early May, the euro has reversed some of its losses in the past fortnight, reaching around $1.45 on 9 June. More positive news on the Greek front have helped push the euro higher, while weakening US economic data has also contributed. Indeed, while the ECB has indicated that further interest rate hikes are likely in the coming months, the Fed is still a long way from tightening.



Expectations

• Economic activity in the euro area has remained relatively robust compared to the US and the UK. Monthly indicators are consistent with above-trend growth in Q2, although there continues to be disparity in the performances of the core countries and the peripherals. Inflation remains firmly above the ECB's 2% target, with little indication that it will fall back to target in the near-term. As a result, it is little surprise that the ECB is set to raise interest rates for the second time in July, while the Bank of England and the Federal Reserve continue to sit on the sidelines.

• The Greek sovereign debt saga continues to twist and turn, bringing significant volatility to bond yields and the euro. As it stands, it seems that private sector participation is almost guaranteed. But the form the private sector participation takes is where the controversy lies. The ECB has made its point that any participation must be neither a credit event nor trigger a default status by rating agencies as the ECB would then not be able to accept Greek debt as collateral. However, while European politicians and policymakers are also keen to avoid a credit event, they are hoping that the ECB will be willing to override its collateral rules, therefore allowing more meaningful private sector participation, perhaps as a debt exchange. This issue is unlikely to be resolved before the end of June, but whatever the decisions are, they will not intrude on the ECB's hiking cycle.

Bank of Japan

INDICATOR	CURRENT	3-MONTHS AGO	6-MONTHS AGO	12-MONTHS AGO
BOJ Target Rate	0.10	0.10	0.10	0.10
2 Year Govt. Bond	0.17	0.24	0.23	0.16
10 Year Govt. Bond	1.14	1.31	1.27	1.21
JGB Yield Curve	0.97	1.07	1.04	1.06
CPI	0.30	0.00	0.20	-1.20

The BOJ does not have a formal target, but its objective is to maintain price stability. Since December 2009, the Board has defined this as being "in a positive range of 2% or lower".

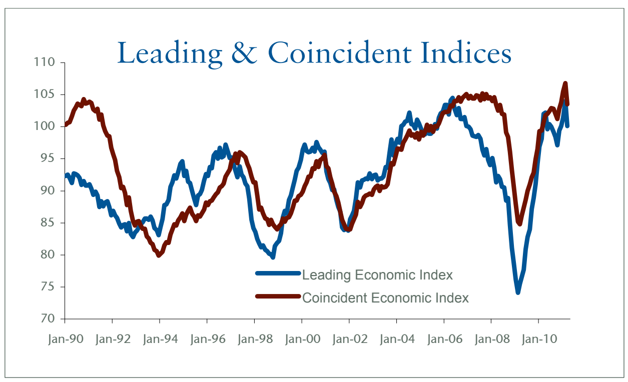
Current Policy

• The Bank of Japan (BOJ) maintained its overnight target rate at 0.1% at its May 20th meeting. It also kept unchanged its credit program and asset-purchase fund at ¥10 trillion (increased from ¥5 trillion in the immediate aftermath of the devastating March 11 earthquake and tsunami).

• The BOJ's view of the short-term economic outlook has improved. As Shirakawa noted at the May meeting press conference, industrial production is recovering faster than they had expected. Although the BOJ decided not to expand the existing bank lending scheme (banks can borrow funds at 0.1% to finance bank lending), the BOJ Governor indicated that it would increase the scheme once demand for borrowing increases.

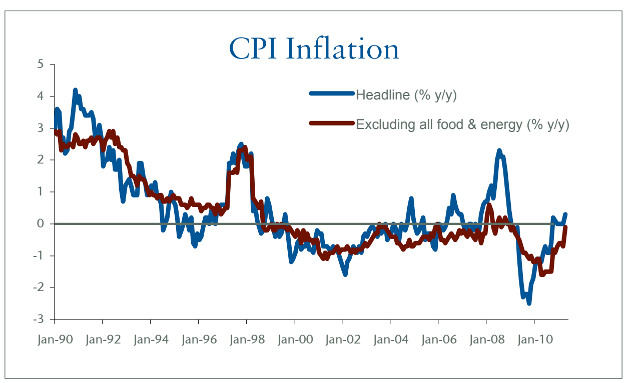
• Q1 GDP contracted more than expected (-3.5% quarter-on-quarter) and activity failed to pick up in April. However, monthly indicators suggest that activity picked up sharply in May.

• After plunging 15.5% in March, industrial production only grew by 1% in April, but manufacturers expect production to jump by around 8% in both May and June. Similarly, after plummeting in March and April, new auto registrations rebounded in May.



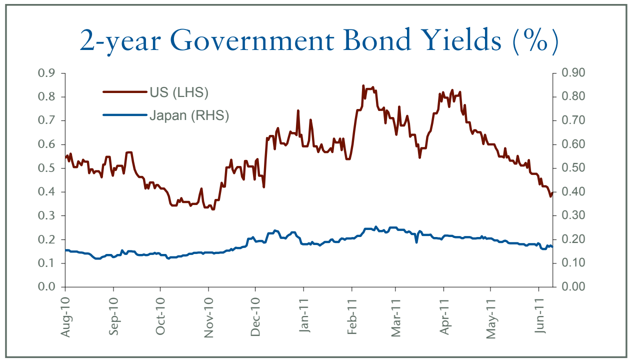
• The annual change in core CPI, which excludes food and energy, rose sharply in April, increasing from -0.7% in March to -0.1%. Much of the rise can be explained by base effects and the increase in food prices.

• The BOJ has upwardly revised its inflation outlook. It now expects inflation in 2011 to reach 0.7% (up from a previous forecast of 0.3%). The revision largely reflects the rise in energy prices.

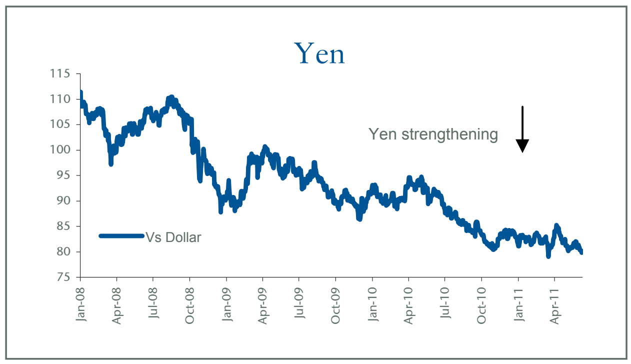


• The difference in 2-year US treasury yields and 2 year JGBs has narrowed to the least so far this year. The deterioration in US economic growth has raised expectations to that Federal Reserve monetary stimulus will remain in place for longer, pushing down the front end of the US Treasury curve.

• As a result, the attraction of US debt for Japanese investors has fallen, pushing the yen back to ¥79 on 8 June.

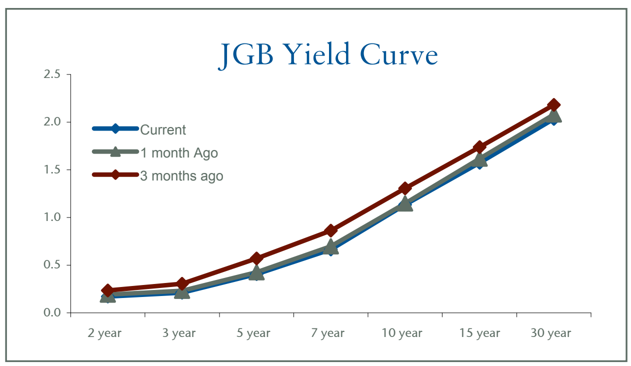


• Given the weakness of Japan's economy, a strengthening in the yen is a serious threat to an export-driven recovery. A further deterioration in the US economy may push 2-year US treasury yields even lower, triggering a further appreciation of the yen. This may trigger action to weaken the currency, either by loosening monetary policy further or by intervention in the currency market.



• Unlike the US, the JGB yield curve has remained broadly unmoved over the past month. At 1.14% on June 8th, 10-year JGB yields are only marginally lower than a month ago, but 15 basis points lower than three months ago.

• Although the Japanese economy has started to recover, global growth risks and risk aversion should keep downward pressure on JGB yields.



Expectations

• The impact of the earthquake on March 11 was greater than most were expecting. Globally, the spillover effects on supply disruptions have been meaningful and have certainly taken markets by surprise. However, monthly indicators suggest that Japan should experience a sharp rebound, further supported by easy monetary conditions.

• However, political developments have renewed worries about Japan's fiscal health and economic performance in 2012. There is likely to be a delay in the second supplementary budget for rebuilding which will weigh heavily on public spending. Meanwhile, although a no confidence vote against Prime Minister Kan was rejected, averting more political uncertainty, the ruling coalition still does not have a majority in the Upper House. This will make it difficult to pass through fiscal legislation, a key risk for Japan's fiscal and economic performance.

Bank of Canada

INDICATOR	CURRENT	3-MONTHS AGO	6-MONTHS AGO	12-MONTHS AGO
BOC Lending Rate	1.00	1.00	1.00	0.50
2 Year Bond Yield	1.44	1.85	1.67	1.72
10 Year Bond Yield	3.02	3.34	3.25	3.35
Canada Yield Curve	1.57	1.49	1.58	1.63
Core CPI	1.70	1.20	1.50	1.60

The Bank of Canada has a mandate to maintain price stability.
It has a symmetric inflation target of 2%, plus or minus 1%.

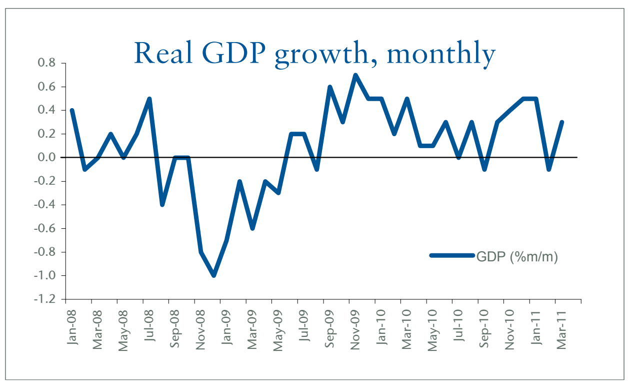
Current Policy

• The Bank of Canada (BoC) left its key policy rate unchanged at 1% at its May 31st meeting. Rates were last increased at the September meeting.

• At the latest meeting in May, the BoC noted that it expects temporary Japanese earthquake related supply chain disruptions to slow the pace of growth in Q2. However, the BoC took on a slightly more hawkish tone at the meeting, emphasizing the upside risks to inflation. It commented that "to the extent that the expansion continues and the current material excess supply in the economy is gradually absorbed, some of the considerable monetary stimulus currently in place will be eventually withdrawn, consistent with achieving the 2% inflation target".

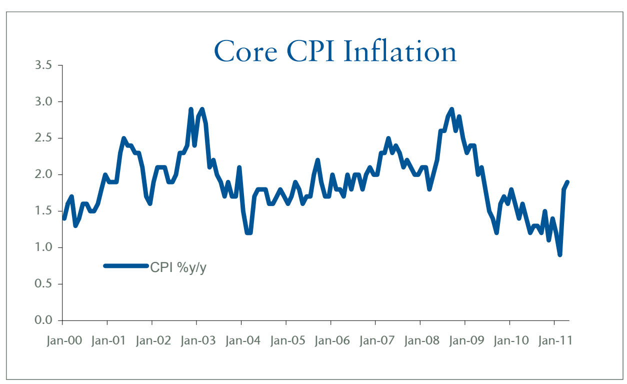
• Canadian GDP growth came in at a strong 3.9% quarter-on-quarter (annualized) in Q1, up from 3.1% in Q4. Consumer spending rose only 0.2%, while inventories were the key driver of growth.

• Economic activity is likely to have slowed in Q2 as the strong Canadian dollar, supply chain disruptions, and the cooling of the US economy takes its toll.



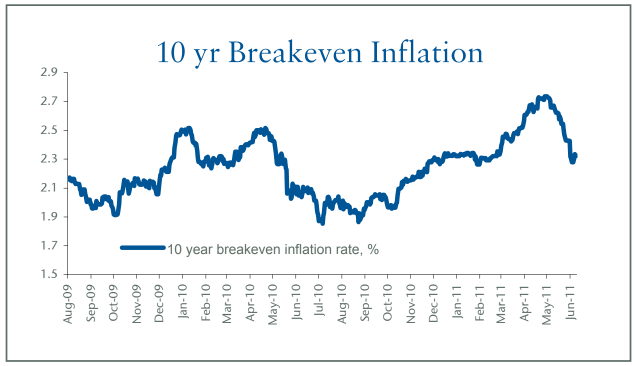
• Canadian core inflation edged down from 1.7% in March to 1.6% in April, slightly below the BoC's 2% target.

• Core inflation has been slightly higher than the BoC expected, but the central bank believes that the upward pressures are temporary. It expects higher energy prices to push total CPI inflation above 3% in the near-term, but then to return to target in mid-2012.



• Concerns that higher inflation will become entrenched in inflation expectations have eased. Breakeven inflation rates have fallen from around 2.7% in April to around 2.3% in early June.

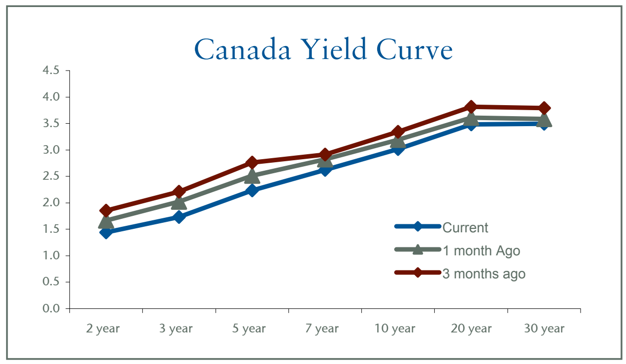
• The BoC Governor, Carney, has recently said that underlying inflation is relatively subdued, and that the strength of the Canadian dollar poses a downside risk to inflation.



10 yr Breakeven Inflation

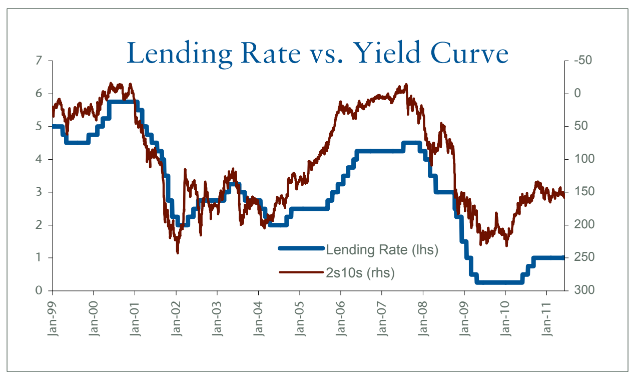
• The Canadian yield curve has shifted down in the past month, with the front end falling the most. Two-year yields have fallen by around 20 basis points, compared to just 5 basis point for 30-year yields.

• Indeed, despite the BoC's more hawkish comments, the sharp deterioration in US economic indicators has raised fears about Canada's economic performance.



Canada Yield Curve

• If US economic growth does not gain momentum, the CAD is likely to appreciate further. Against such an uncertain backdrop, the BoC may like to have some reassurance that growth will re-strengthen in the second half of the year before withdrawing stimulus. At the May 31st meeting, the BoC commented that a reduction in stimulus 'would need to be carefully considered".



Lending Rate vs. Yield Curve

Expectations

• In recent months, the Bank of Canada had begun to sound more willing to resume their monetary tightening cycle. However, the abrupt slowdown in US economic growth has pushed the CAD higher as markets push out the likely timing of US Federal Reserve policy tightening, and also raised fears for the sustainability of Canadian economic growth.

• Yet, inflation is likely to exceed the BoC's 2% target, while the housing market boom continues unabated. As a result, while the timing of the BoC's rate hike is uncertain, that they will start to hike rates at some point in the second half of the year seems clear. After all, at 1%, policy rates remain extraordinarily low at a time when economic growth has more or less returned to trend, inflation is close to target, and household debt has become an issue that needs to be dealt with.

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