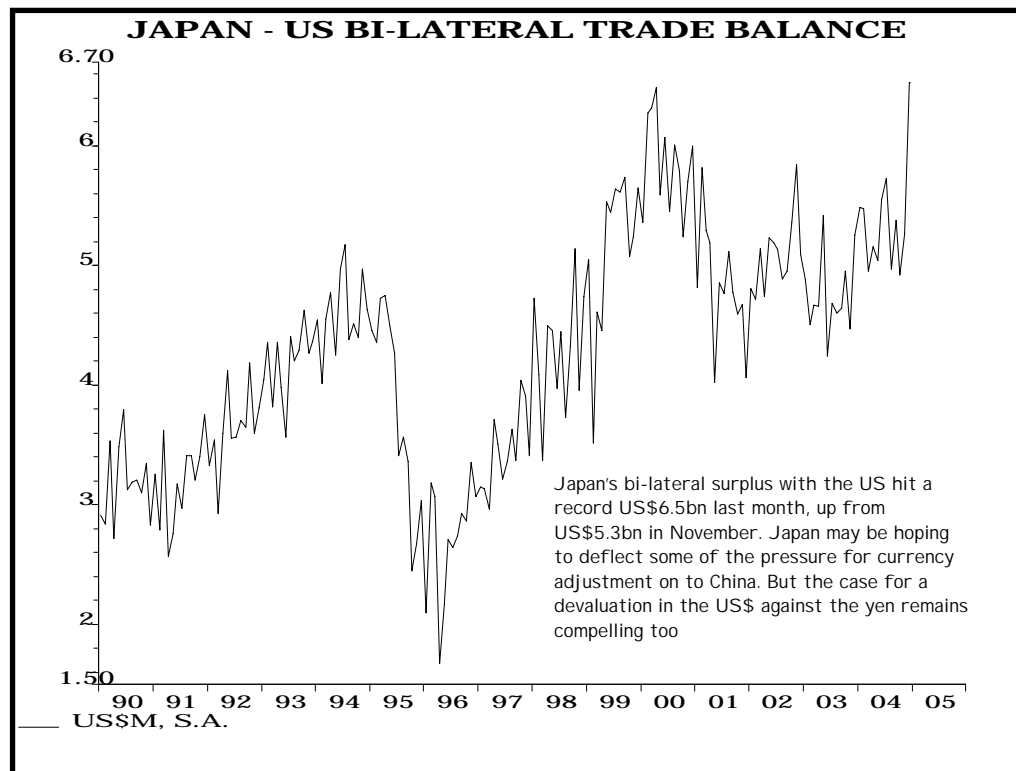


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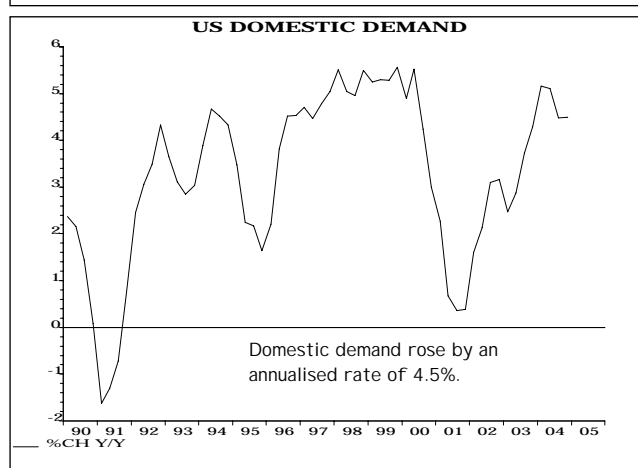
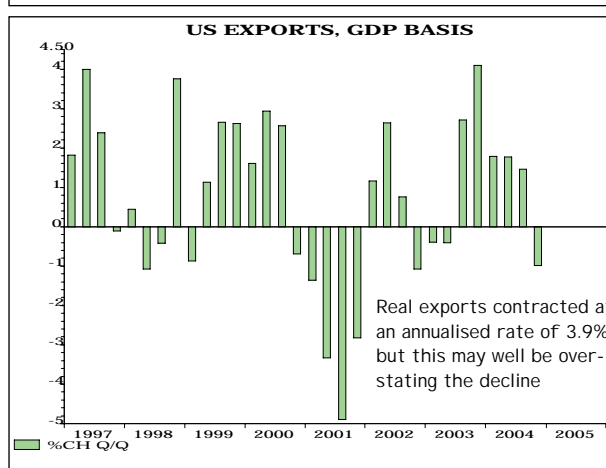
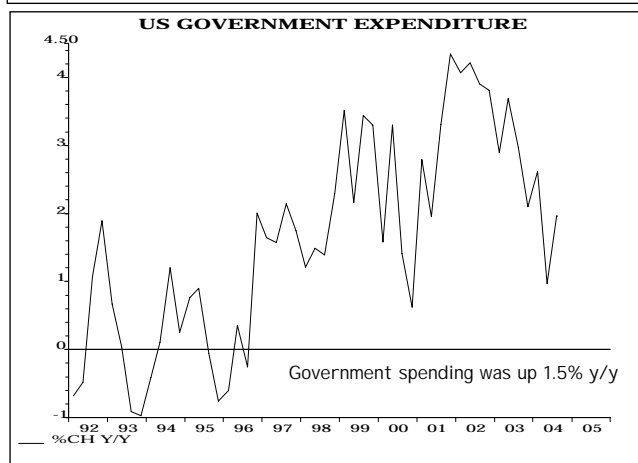
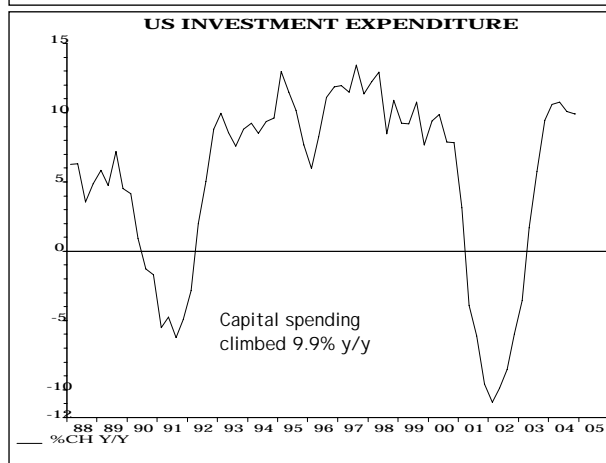
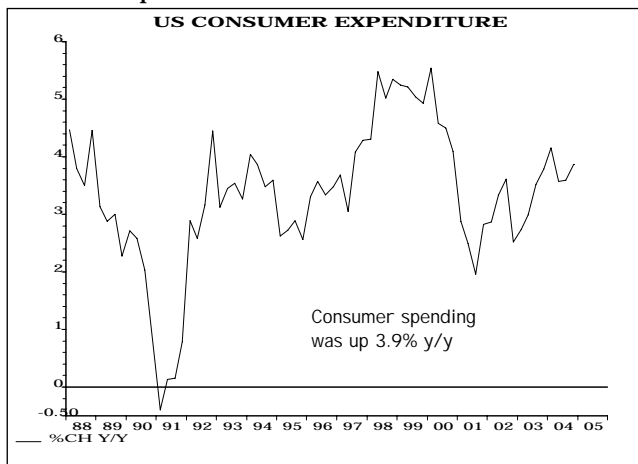
WEEKLY CHARTBOOK

CHART OF THE WEEK



WEEKLY CHARTBOOK**US - 1**

The GDP numbers confirmed the stronger momentum in the economy during the final quarter of 2004. Growth slowed from an annualised 4.0% in Q3 to 3.1%, but domestic demand was somewhat stronger. Falling net exports subtracted 1.6 percentage points from growth in Q4. Consumer spending rose by an annualised 4.6%, while capital spending expanded by 10.1%. These strong gains were offset in part by modest increases in government spending - up by an annualised rate of 0.4% - and in residential investment, up 0.3%. The poor performance of exports dragged GDP down in Q4, but the BEA assumption for December's trade report suggests there is potential for these numbers to be revised up in due course.

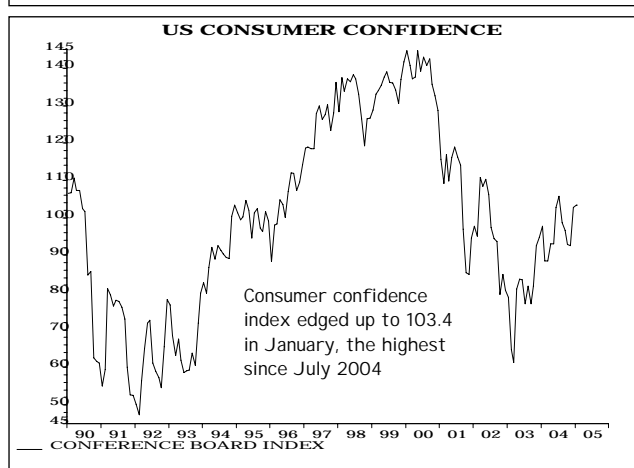
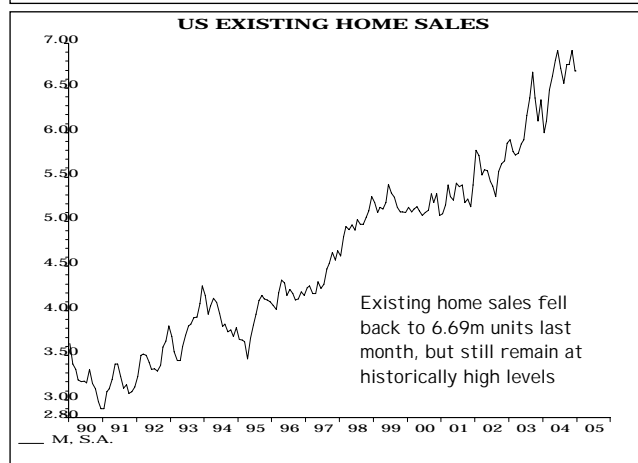
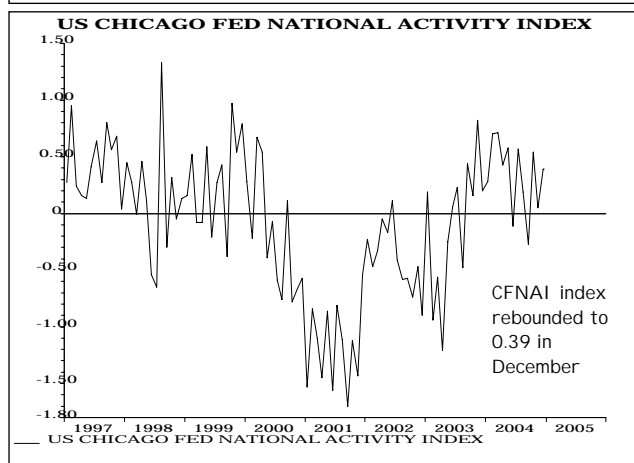
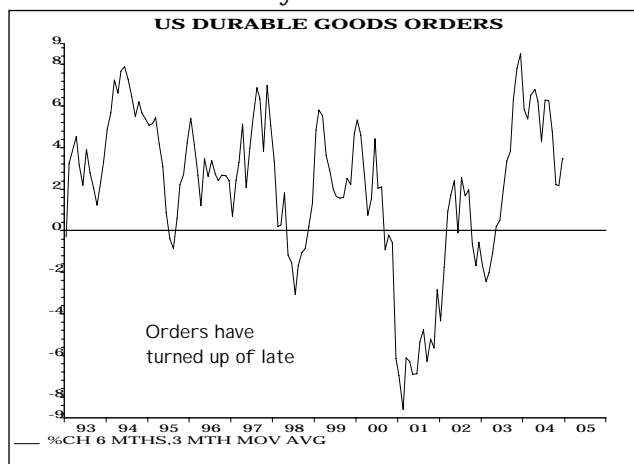


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WEEKLY CHARTBOOK**US - 2**

The 0.6% rise in December's durable goods orders fell short of market expectations, but the underlying tone to the data was somewhat better than the headline numbers suggested. Excluding defence, orders were up 1.2% m/m following a strong gain of 4.1% m/m in the previous month. Non-defence capital goods orders outside of aircraft also rose for the second month running, by 1.8% m/m. The data is consistent with a modest bounce in the economy after the summer 'slowdown'. The Chicago Fed National Activity index also rose last month, while a small uptick in the Conference Board survey and the help wanted index point to an improvement in the economy towards the end of 2004.

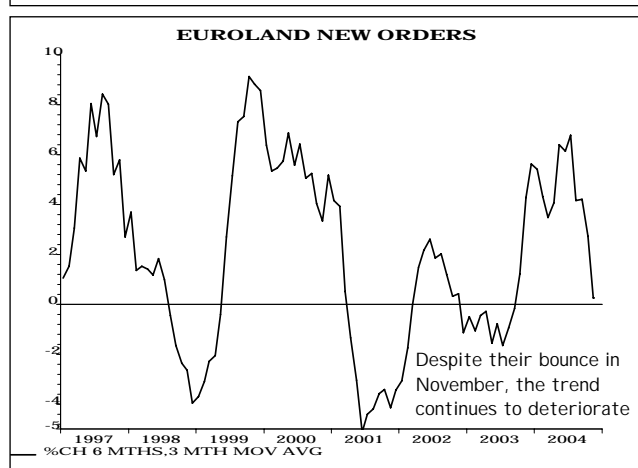
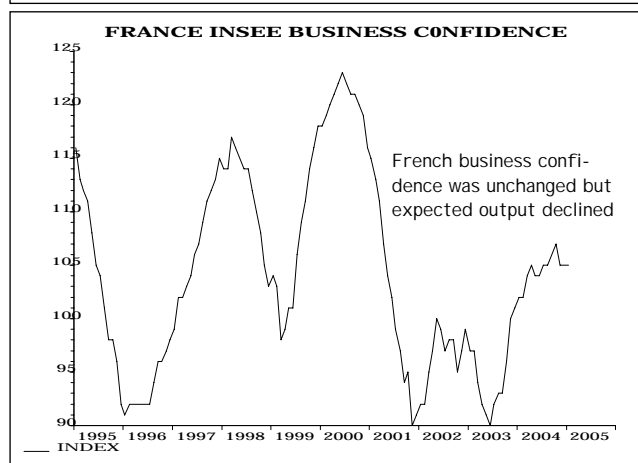
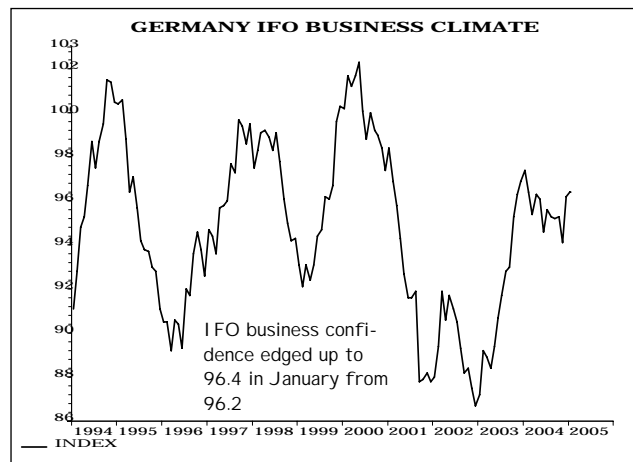


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WEEKLY CHARTBOOK**Euroland - 1**

This week's national business confidence indicators generally showed optimism in Euroland was little changed in January, following an improvement the previous month. The German IFO index edged up in January and has now recovered most of its decline during 2004 H2. The outlook component rose for the second month running, reversing a further part of the sharp deterioration seen in the second half of last year, but the current situation index slipped back a little. Belgian business confidence also held onto most of its December gain, though remains well below the highs touched last year. Euroland new orders rose a strong 1.7% m/m in November on the back of a one-off 21.7% m/m train-related surge in French orders.

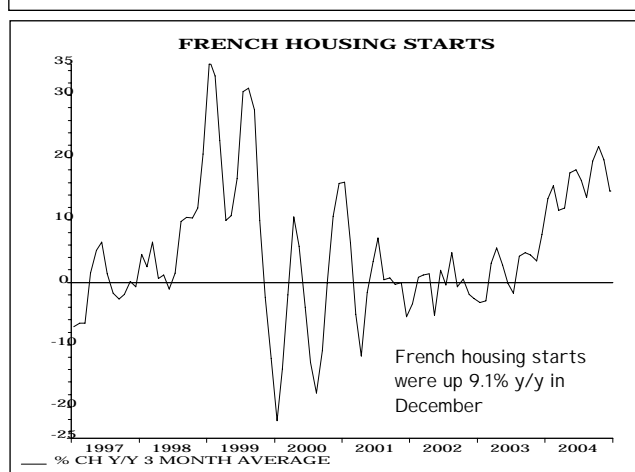
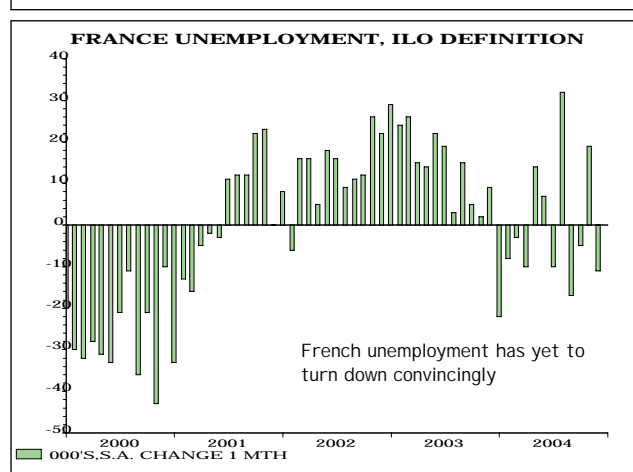
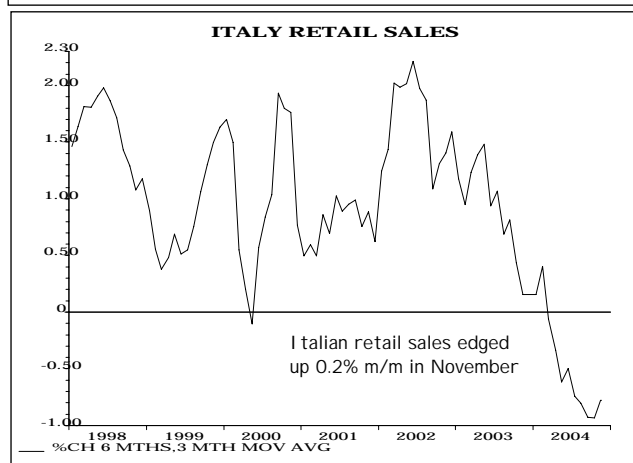
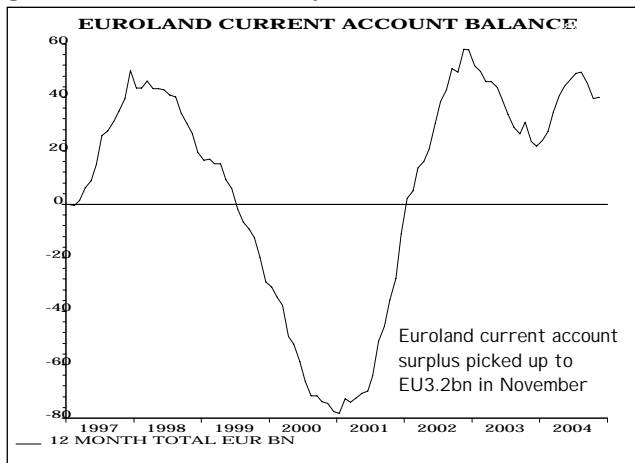
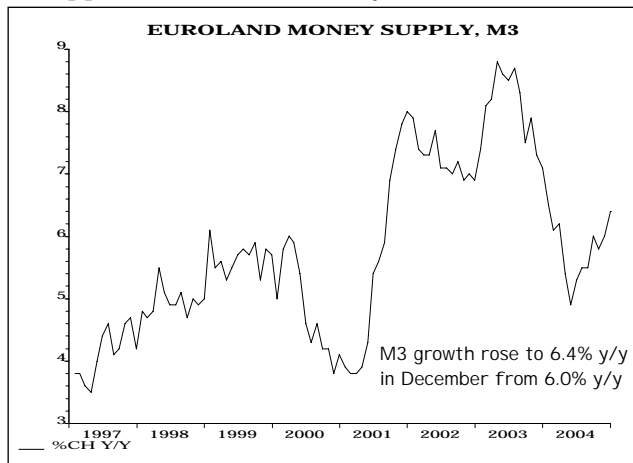


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WEEKLY CHARTBOOK**Euroland - 2**

Euroland M3 growth picked up further in December, continuing the steady rise seen since last spring. The ECB believes the low level of rates is the main factor driving the revival in M3 and this data will add to ECB's concerns over the inflationary threat posed by the liquidity overhang. Elsewhere, French unemployment fell 11,000 in December, reversing part of the 19,000 rise in November. The unemployment rate, however, remains stuck at 9.9% and there is still no sign of the improvement in the labour market needed to sustain the strong growth in consumer spending seen over the last year. The French housing market has been rather more of a support and remains buoyant, notwithstanding a slowdown in activity in the last few months.

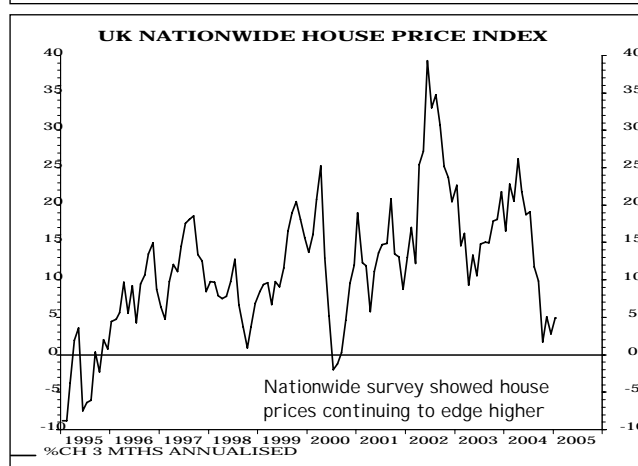
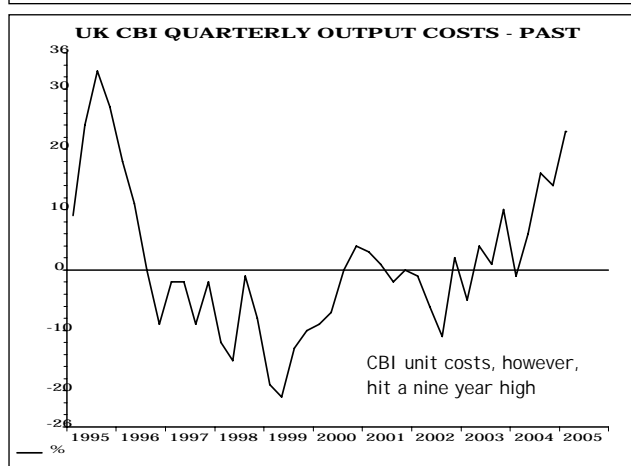
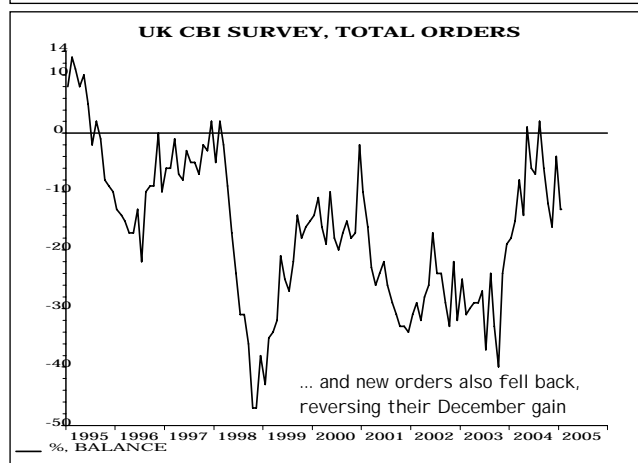
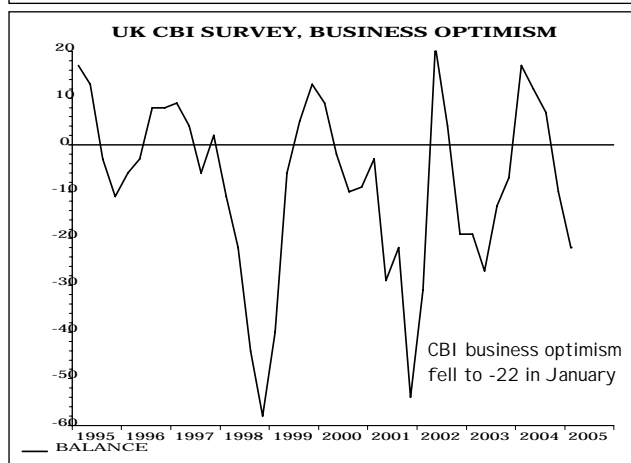
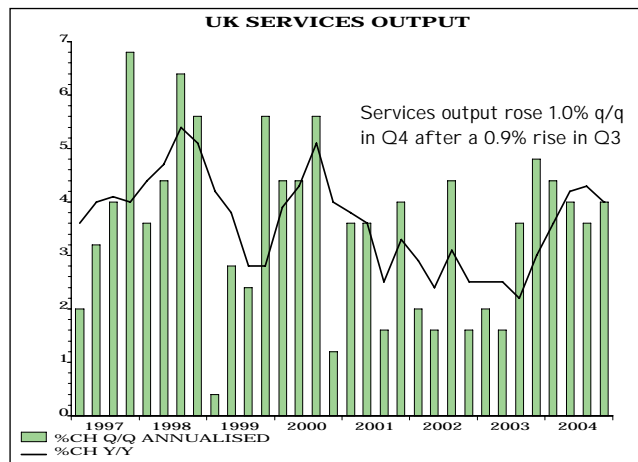
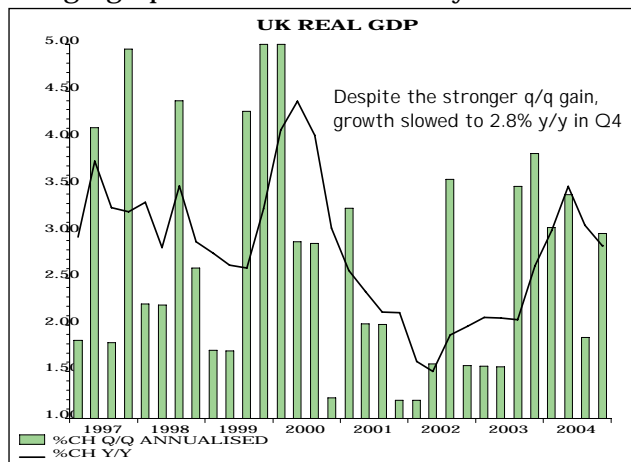


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WEEKLY CHARTBOOK**UK**

This week's crop of data will encourage the MPC to stay on the sidelines for the time being. GDP was stronger than expected in Q4. Growth recovered to 0.7% q/q after a modest 0.5% q/q gain in Q3. Services output continued to grow strongly and manufacturing production fell only 0.2% q/q, following a 0.8% q/q drop the previous quarter. The CBI survey, meanwhile, confirmed the downbeat picture facing manufacturing. Business optimism declined to its lowest level since April 2003, and new orders were down, both on the month and the quarter. Expected output, however, recovered somewhat. The Nationwide, meanwhile, reported house prices nudging up 0.4% m/m in January, after a 0.2% m/m decline in December.

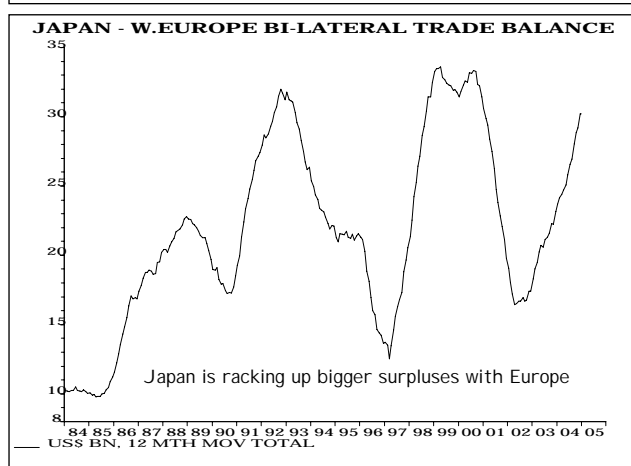
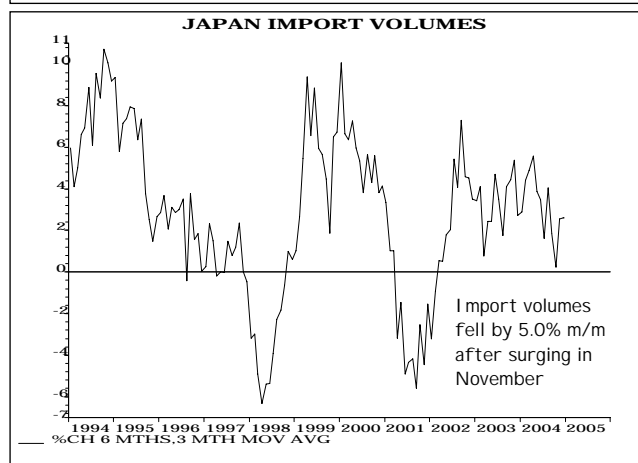
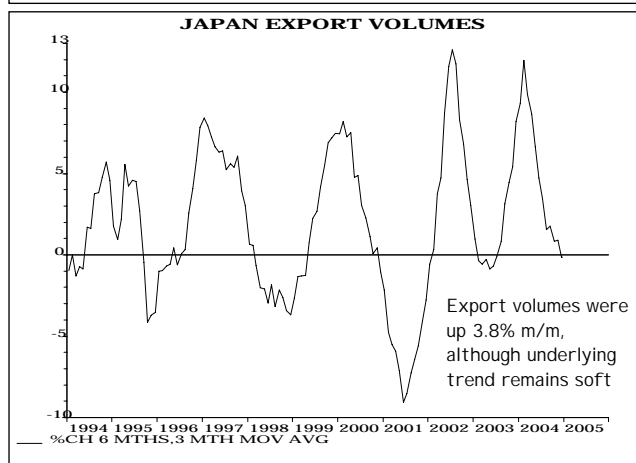
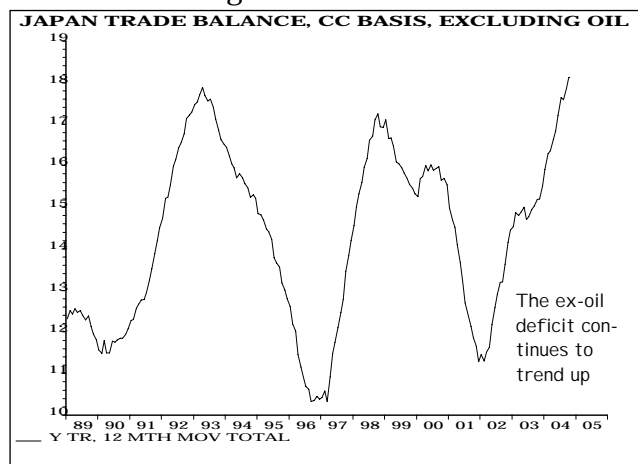
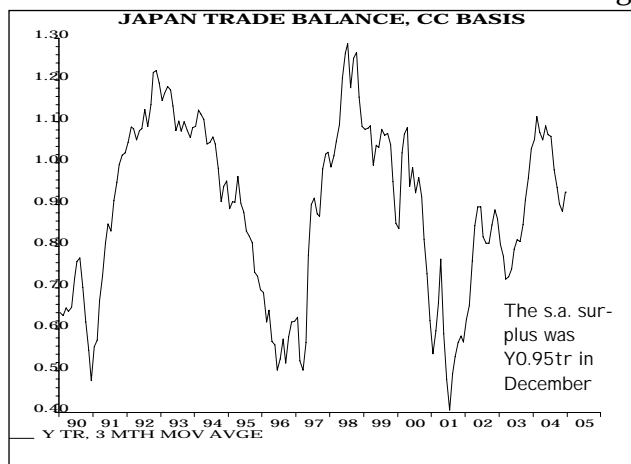


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WEEKLY CHARTBOOK**Japan - 1**

Japan's trade surplus is climbing again. After peaking in May, the seasonally-adjusted numbers fell back over the summer, but the more recent data suggests the trade balance has started to rise once more. In truth, most of the decline had been precipitated by higher oil prices. The ex-oil deficit has continued to trend higher. The bi-lateral balance with the US has turned up sharply of late. But the surplus vis a vis W.Europe accelerated to US\$3.4bn last month too, matching July's high. The pressure for a revaluation in the Yen against both the euro and the US\$ is mounting. The higher surplus with the US was offset in part by a bigger shortfall with China. Global trade imbalances are becoming more destabilising.

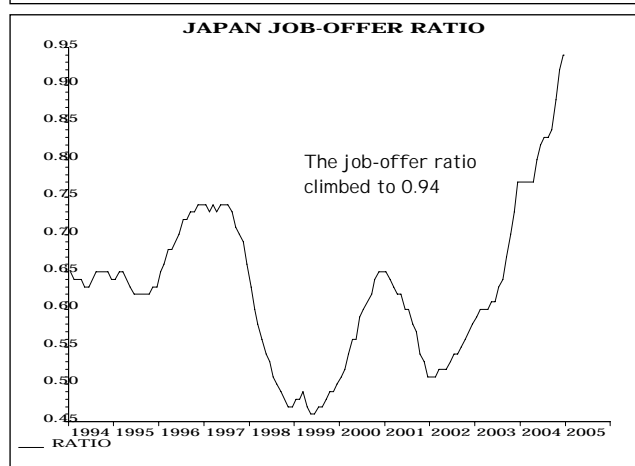
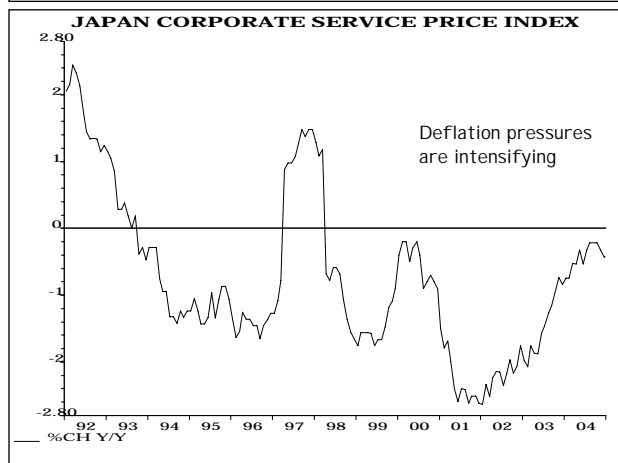
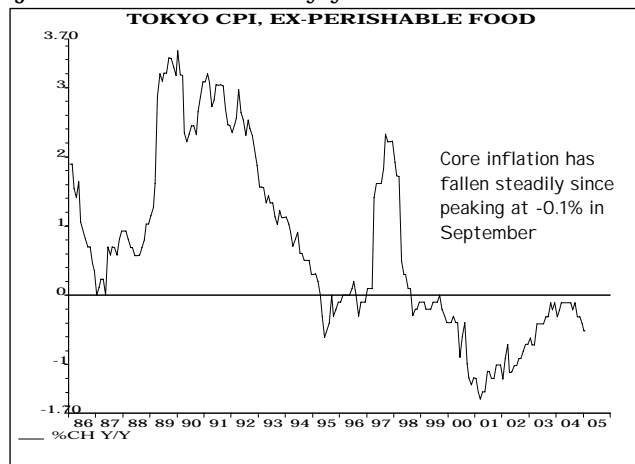
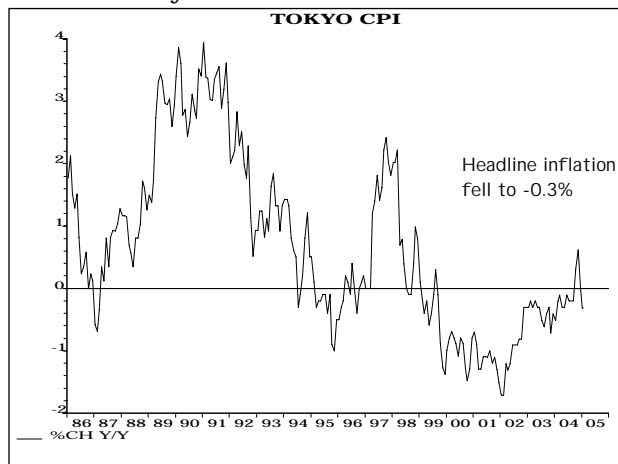


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WEEKLY CHARTBOOK**Japan - 2**

The threat of further yen appreciation will only exacerbate Japan's deflation problem. The Tokyo CPI report for January showed core inflation fell again to -0.5%, the biggest decline since March 2003. Part of the drop was due to a cut in the price of fixed-line fees by NTT Telecommunications. But there is no disguising the fact that deflation is intensifying in Japan again. Clothing prices fell sharply, durables deflation is accelerating, and the service sector CPI was down 0.2% y/y. There was, however, better news on the labour market front, with the jobless rate slipping to its lowest level in December since the end of 1998. Importantly, employment rose by 290,000, while the number of new job offers rose 10.3% y/y.

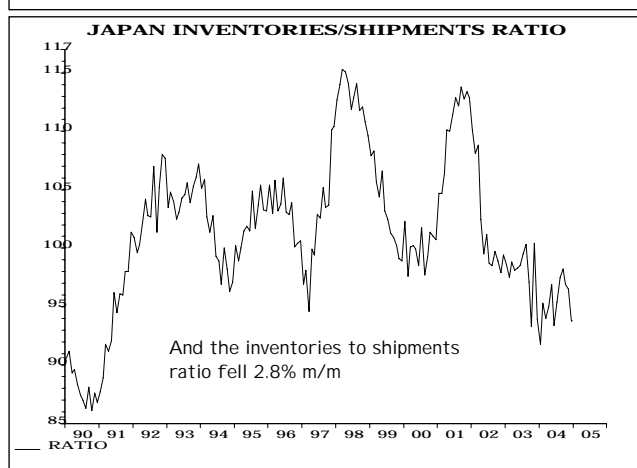
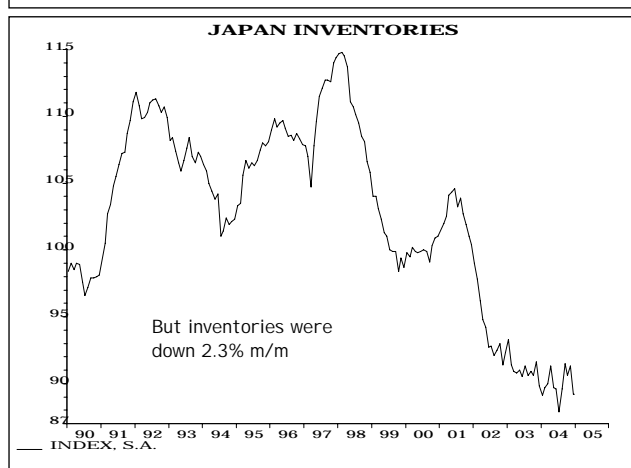
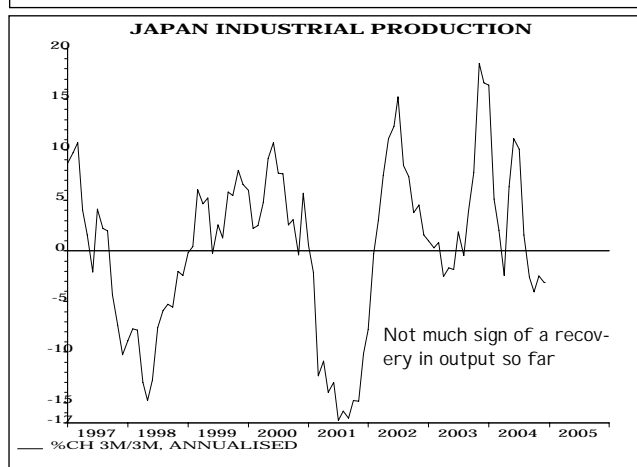
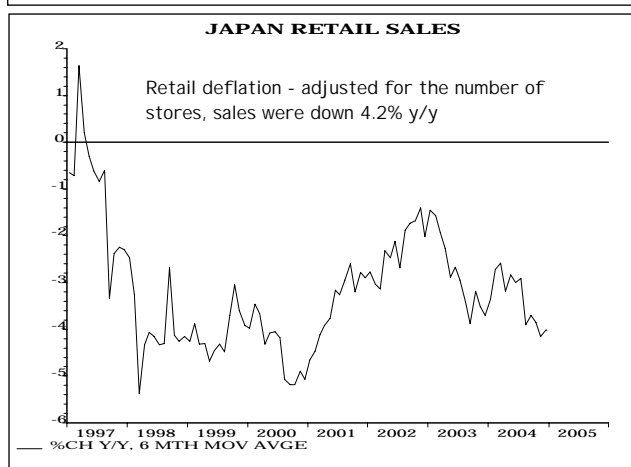


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WEEKLY CHARTBOOK**Japan - 3**

Despite the improvement in the labour market, the recent spending numbers have been somewhat disappointing. This morning's household survey showed worker consumption fell for the fourth month in succession during December. Indeed, last month's contraction of 3.2% m/m means that consumer spending has contracted in seven out of the last eight months. Household incomes also fell sharply and were down 2.3% y/y last month. The softer tone to this week's data was underlined by a soft industrial production report, which showed output falling more than expected. The 1.2% m/m decline was offset in part by a sharp fall in inventories. But the failure of consumer spending to improve remains troubling.



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