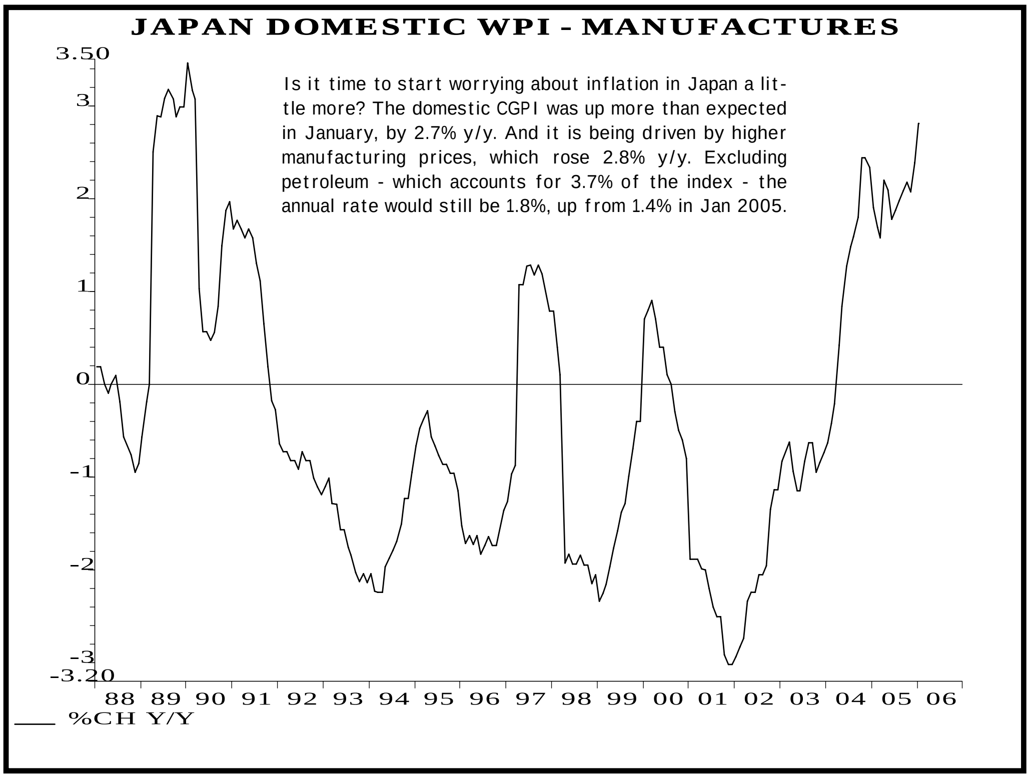
February 10th 2006

GFC ECONOMICS

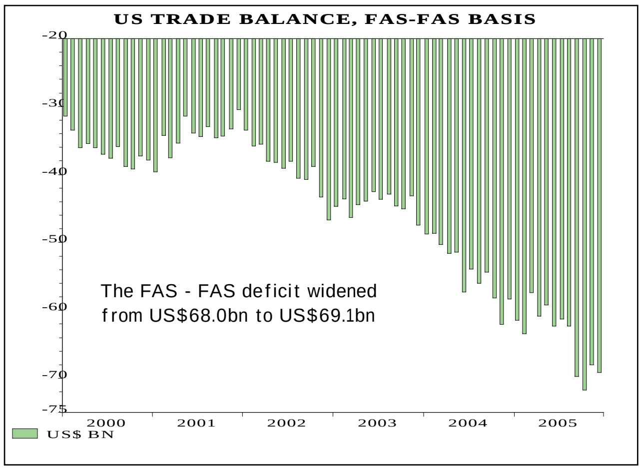
WEEKLY CHARTBOOK

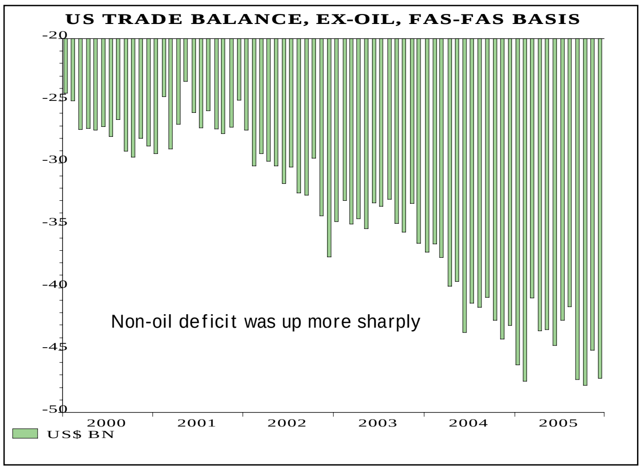
CHART OF THE WEEK

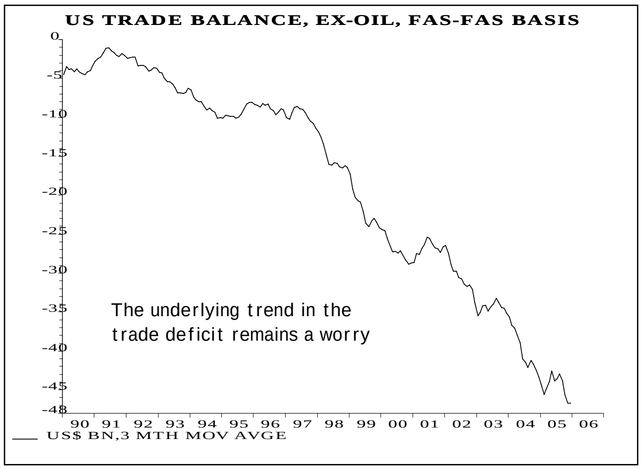


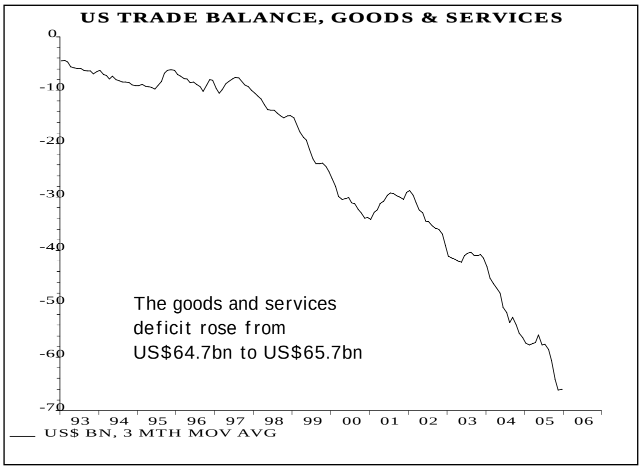
US - 1

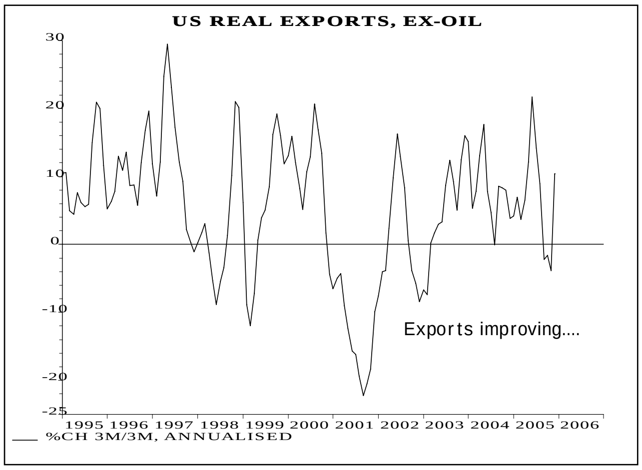
There are some signs that the US trade deficit stabilised towards the end of 2005, but in truth, much of that was due to a drop in oil imports. The non-oil deficit jumped during December from US$45.0bn to US$47.3bn, leaving the three month average unchanged at US$46.7bn. The underlying trend in exports has been quite encouraging of late. Non-oil exports rose by 2.6% m/m in real terms, the third consecutive monthly increase. The 3m/3m annualised rate has improved sharply, accelerating to 10.4%. However, imports are also turning up. Real non-oil imports climbed 3.1% m/m, pushing the 3m/3m annualised rate up to 14.4%. In real terms, the trade deficit continued to widen in Q4.

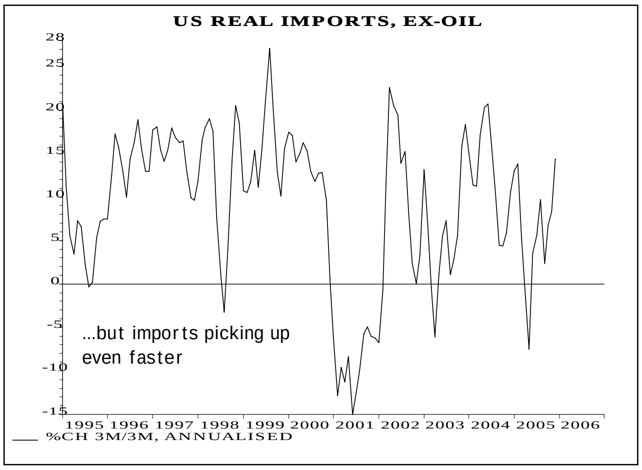












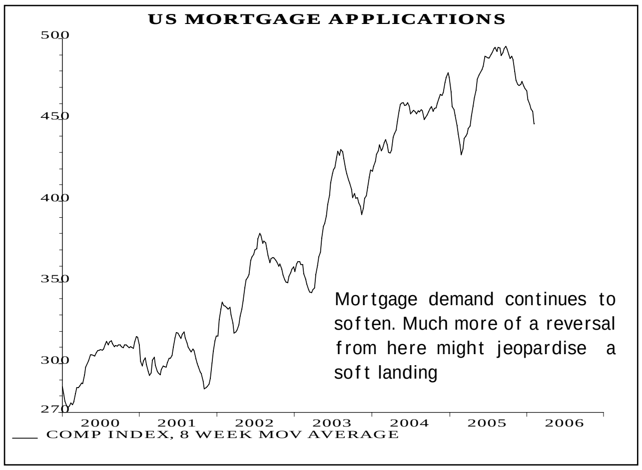
Source: Datastream

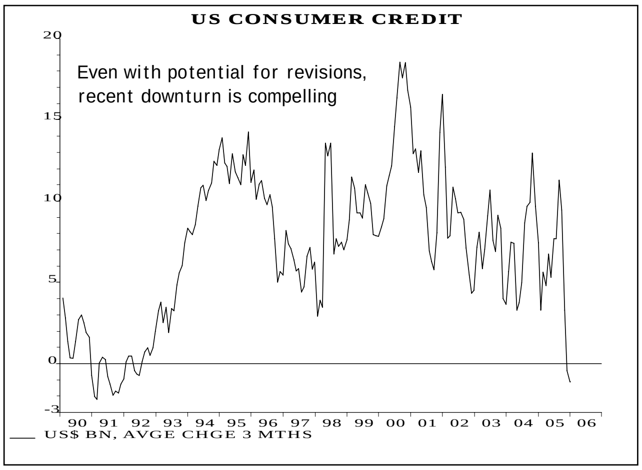
GFC ECONOMICS

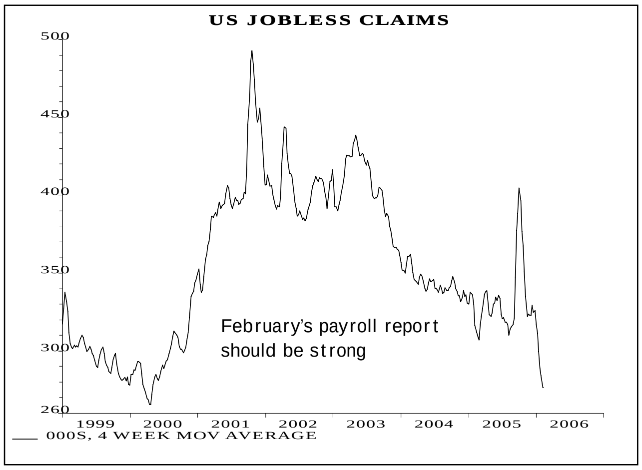
WEEKLY CHARTBOOK

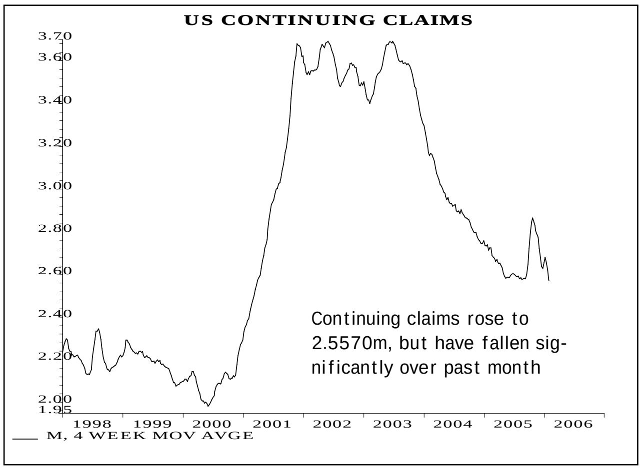
US - 2

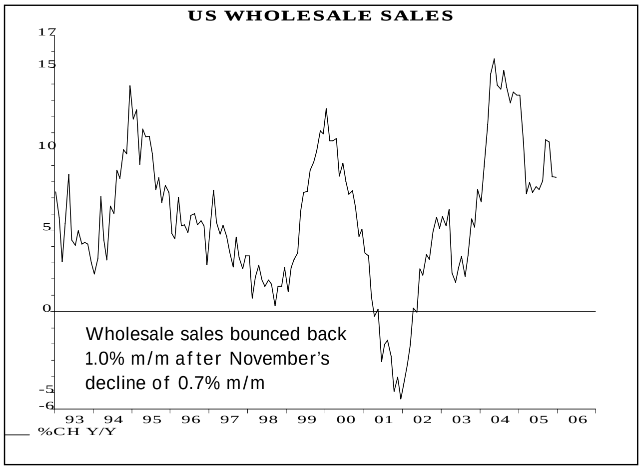
Another strong jobless claims report suggests that the short term risks to the Treasury market remain firmly to the downside. Claims rose by 4k to 276 during the first week of February, but that was enough to push the 4-week moving average down to a new low of 272k. The MBA mortgage applications index fell back to 425.1 during the first week of February, its lowest level for five weeks. The 8-week moving average has continued to trend down, suggesting the housing market is likely to soften further in the coming months. The consumer credit numbers also point to a retrenchment by individuals. Credit outstanding rose by US$3.3bn in December, but the last three months show an average decline of US$1.1bn.







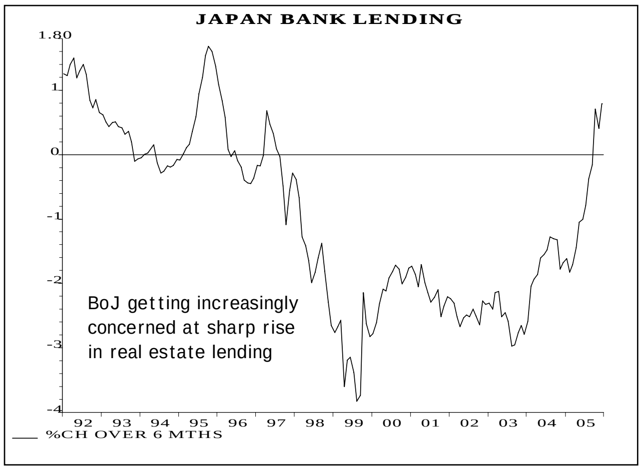


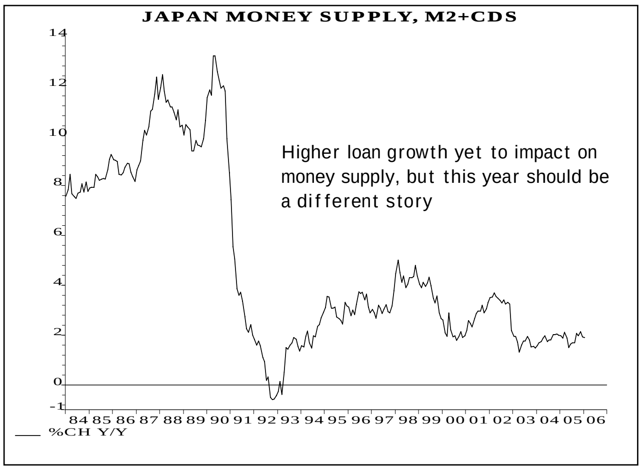


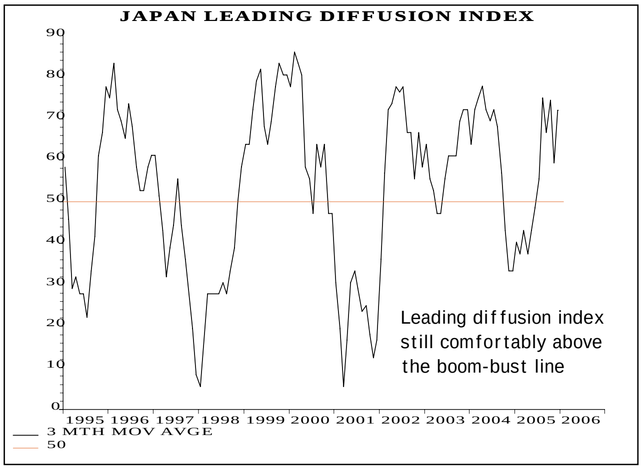
Source: Datastream

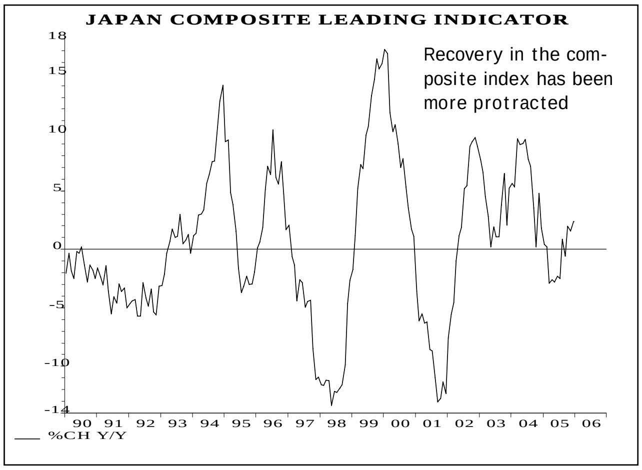
Japan - 1

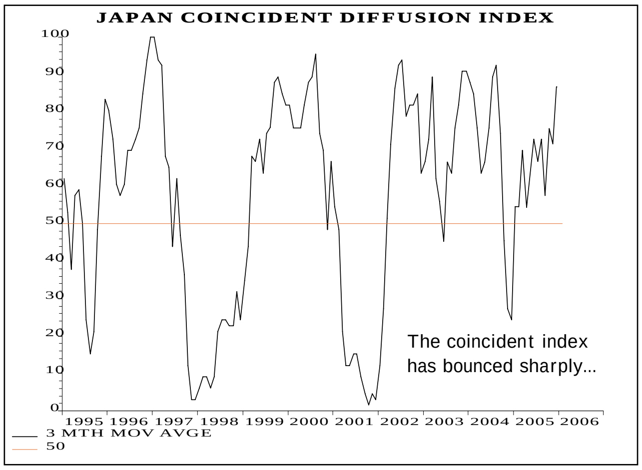
Bank lending in Japan continues to recover, putting added pressure on the BoJ to contemplate an early exit from quantitative easing. Total loans outstanding were unchanged in January on a seasonally adjusted m/m basis. But that was enough to push the 6-month and annual rates of change up to 0.8% and 0.0% respectively. Headline money supply growth remains very subdued. But the leading and coincident indicators were strong again in December. The leading diffusion indicator rose to 80.0, while the coincident index climbed to 100.0. The composite leading indicator fell back by 0.3% m/m, but the equivalent coincident measure was up sharply for the third month running, by 0.9% m/m.

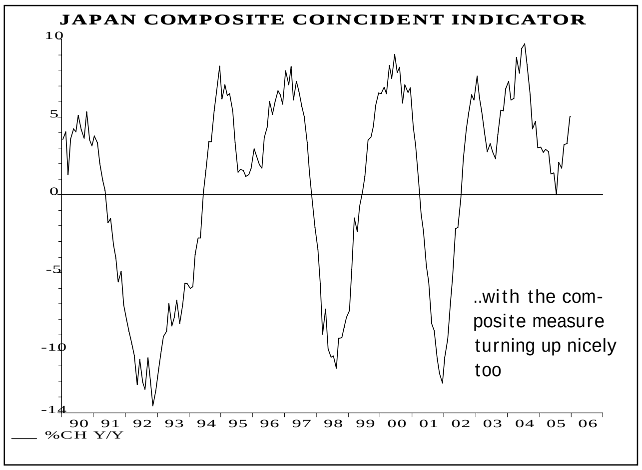








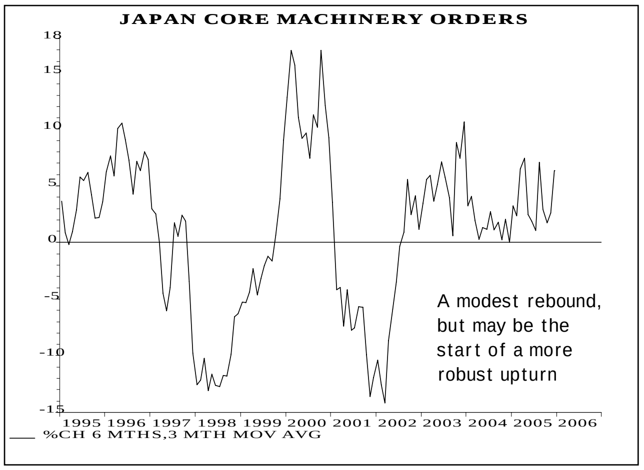


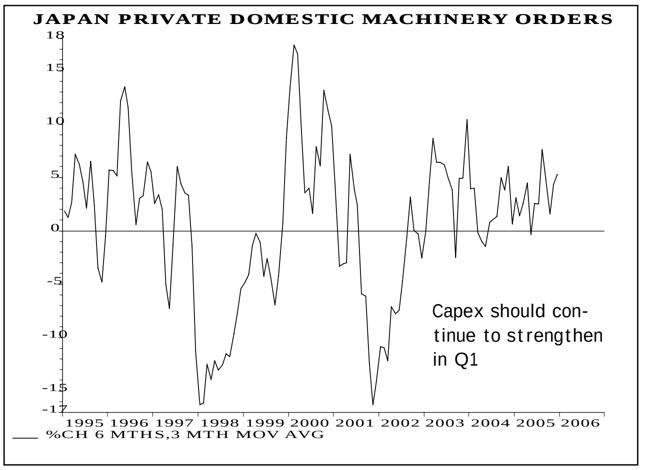


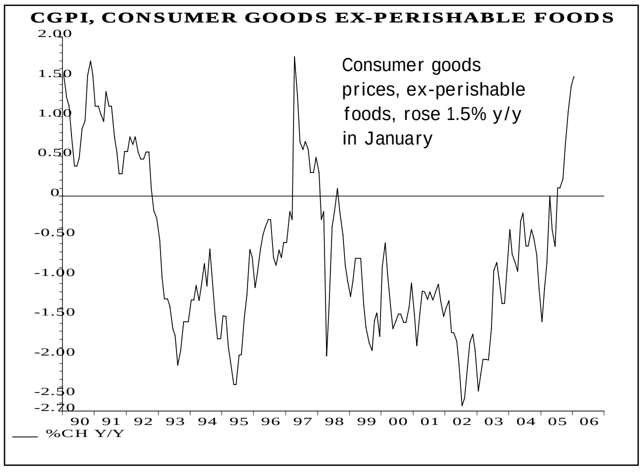
Source: Datastream

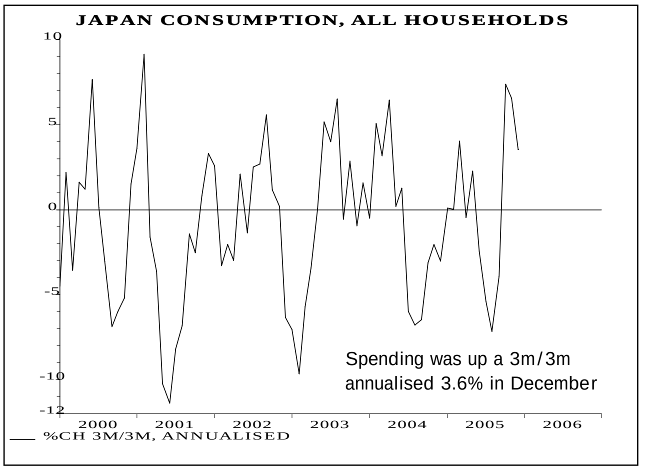
Japan - 2

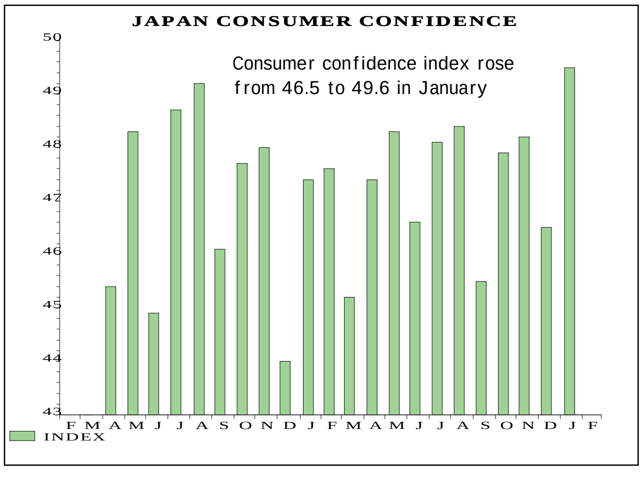
This morning's release of the machinery orders report was encouraging, and suggests capital spending will continue to play its part in driving Japan's economic recovery. Core machinery orders rose 6.8% m/m in December, a jump of 15.5% from a year earlier. Indeed, orders have risen for three months running, by a cumulative 14.6%. In mitigation, the quarterly gain of 4.1% was somewhat below the government's initial projection for a rise of 6.2% q/q. Nevertheless, the sharp improvement in the Cabinet Office's consumer confidence index also bodes well for consumer spending. The only fly in the ointment remains the CGDPI numbers, which suggest price pressures may be picking up more than expected.

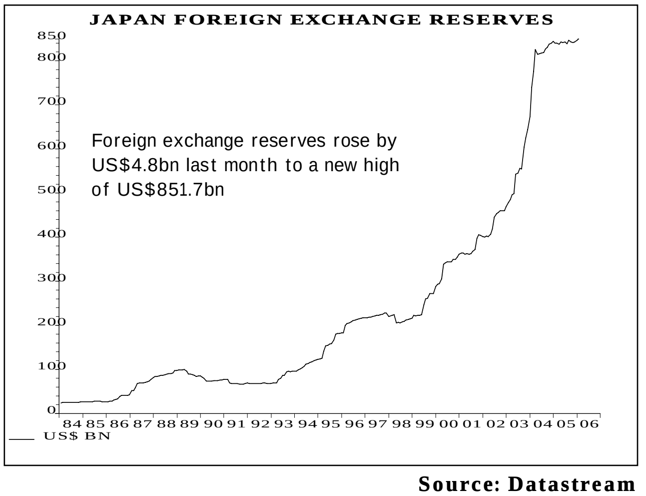








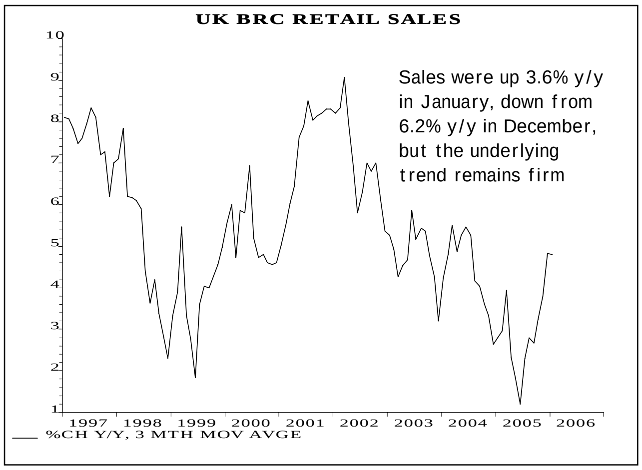


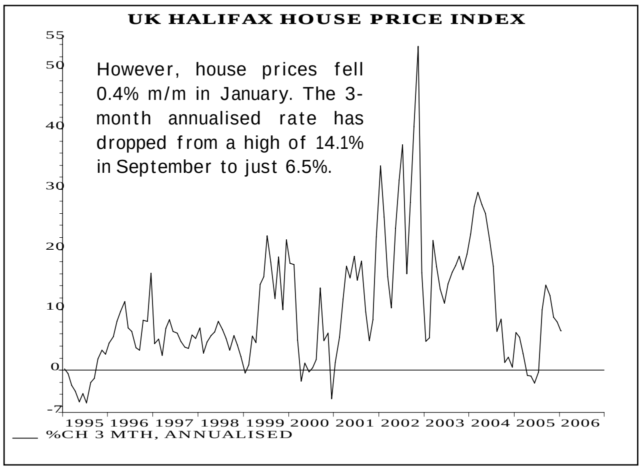


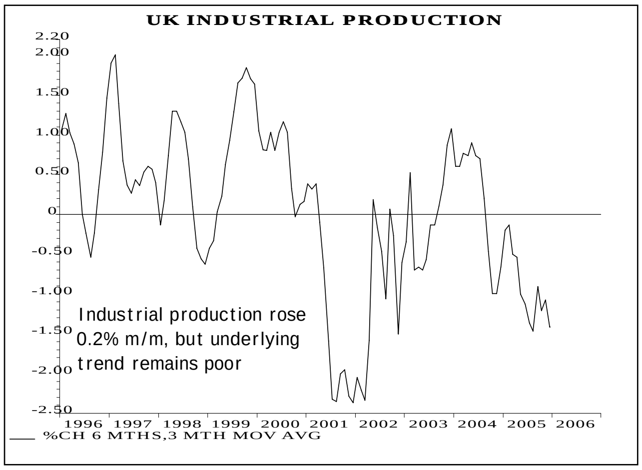
Source: Datastream

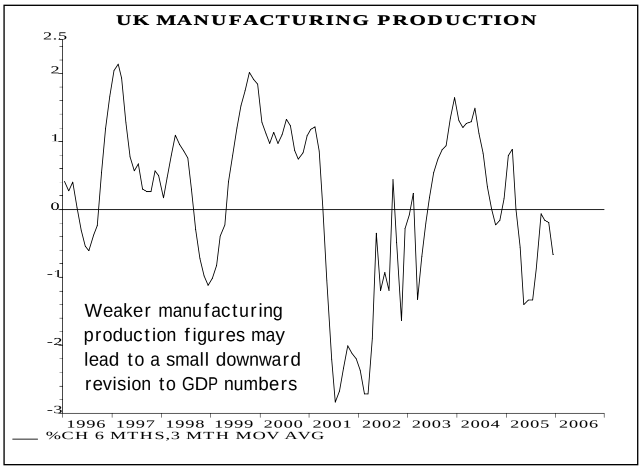
UK

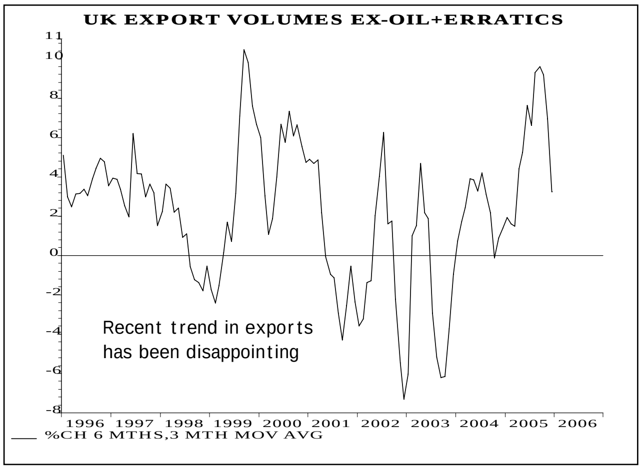
A disappointing set of trade numbers dominated the UK economic headlines this week, with the December deficit hitting another record. The goods deficit of £6.06bn was only marginally higher than the previous month's shortfall of £6.01bn. But it confirmed the sharp deterioration in recent months. Part of the decline was due to oil, but not all. The ex-oil deficit has also hit a new high over the past six months. Worryingly, exports have tailed off in recent months after a promising run over the summer. With imports growth largely unchanged, UK manufacturers appear once again to be losing market share. That was borne out by another disappointing report on production, where output rose by just 0.2% m/m in December, but fell 1.0% q/q in Q4.







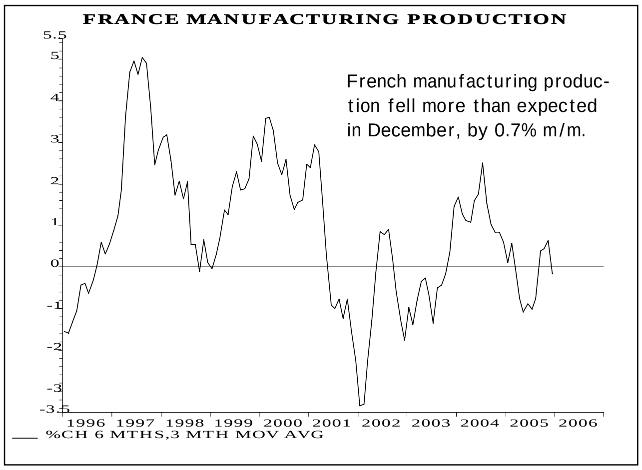


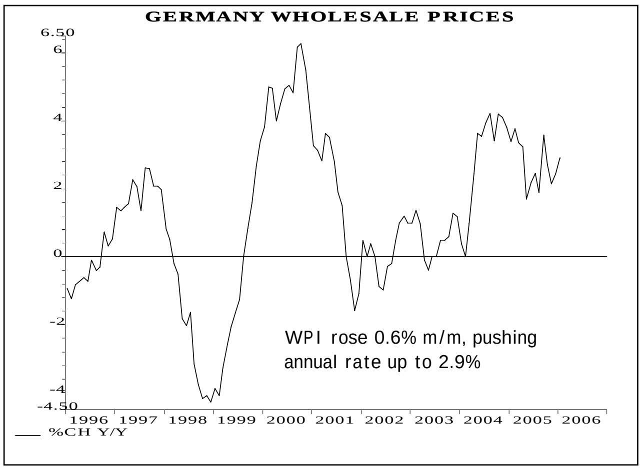


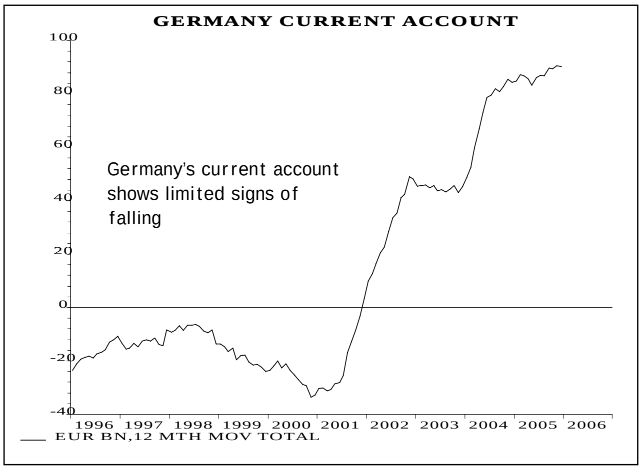
Source: Datastream

Euroland

The latest German new orders and manufacturing production reports fell short of expectations, and while exports were also soft in December, it is too early to judge whether the recovery is in danger of stalling. Orders fell by a larger-than-expected 1.6% m/m in January, in part because of a 1.8% m/m reversal in foreign demand. But domestic orders also slipped back 1.4% m/m. In mitigation, the 3m/3m annualised rate for domestic orders still accelerated from 6.2% to 7.2%. But manufacturing output fell 0.8% m/m in January, while exports rose by just 0.8% m/m, some way below the 5.8% m/m rise in imports. That helped to push the trade surplus down to Eur11.0bn its lowest level since October 2004.







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