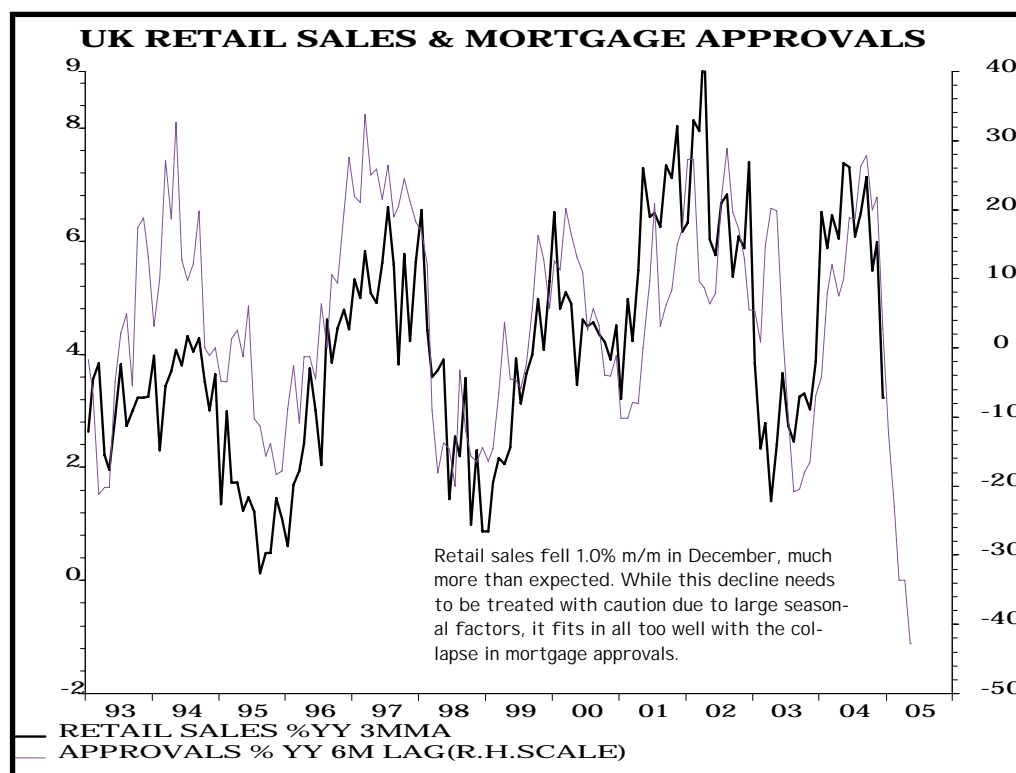


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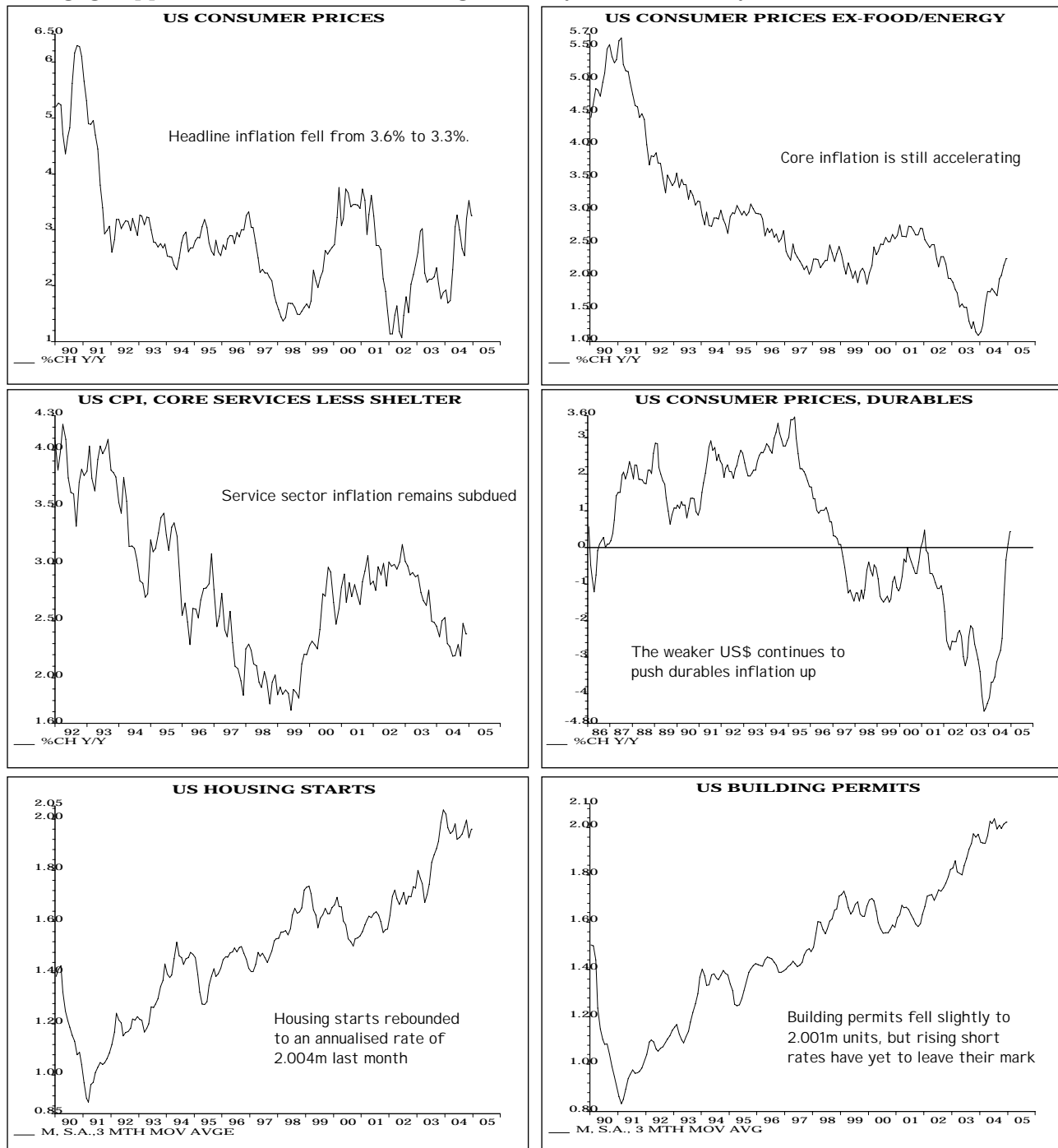
WEEKLY CHARTBOOK

CHART OF THE WEEK



WEEKLY CHARTBOOK**US - 1**

Lower energy prices pushed headline inflation down during December, but the core rate continues to accelerate. A 0.2% m/m gain in the ex-food and energy CPI sent the annual rate up to a new high of 2.3%. Service sector inflation, however, remains well behaved. The year-on-year increase in the ex-energy and shelter CPI slipped from 2.4% to 2.3%. Airline fares fell again, but recreation and telecommunication services also contributed to lower service sector inflation. That was offset by another rise in the durables component, with the year-on-year increase rising a notch to 0.4%. Elsewhere, housing starts rebounded in December, although mortgage applications have fallen during the early weeks of this year.

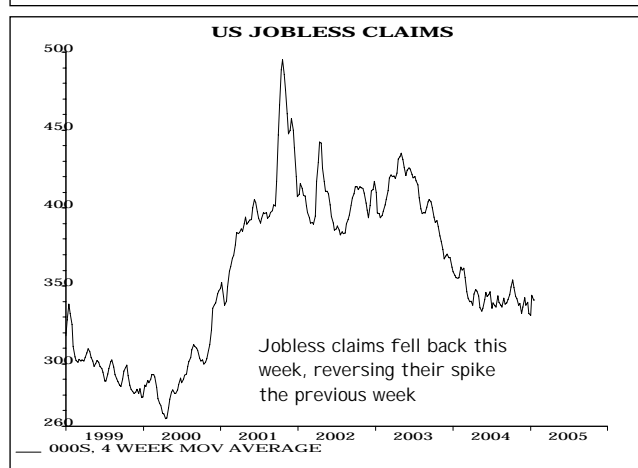
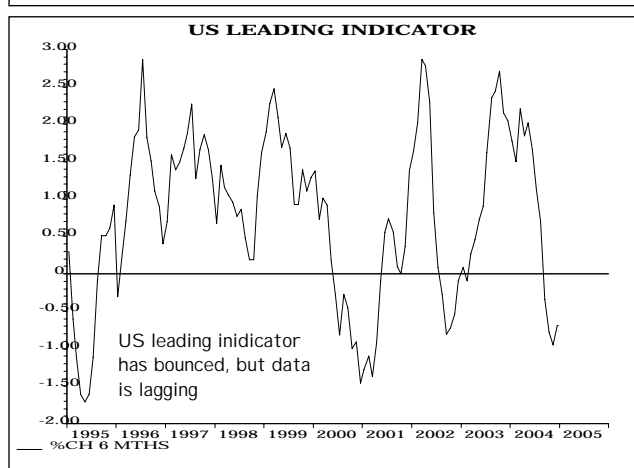
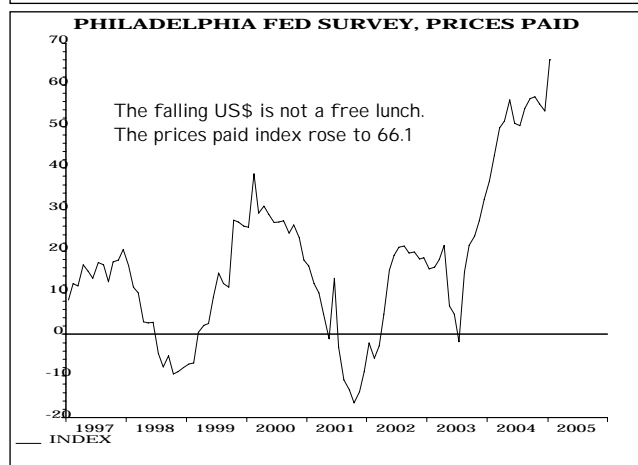
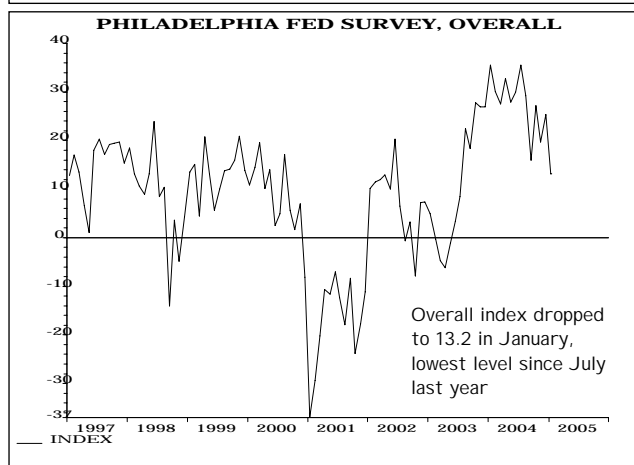
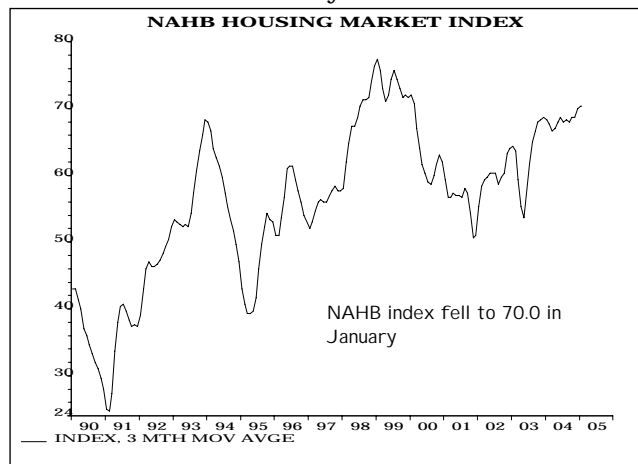
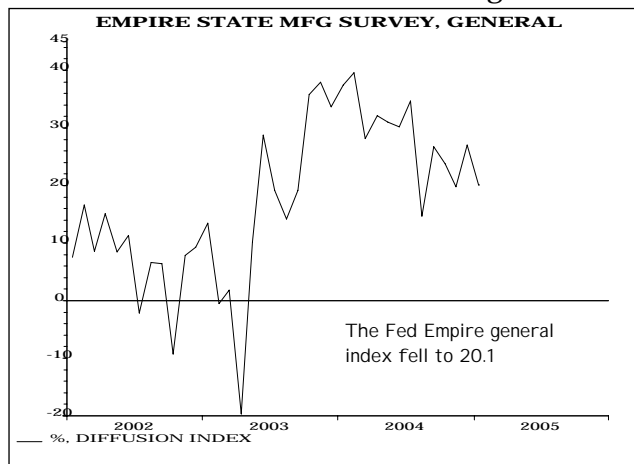


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WEEKLY CHARTBOOK**US - 2**

The Philadelphia Fed survey provided conflicting signals for the FOMC. The dichotomy between the overall index, which was driven lower by the sharp fall in the new orders index, and the rising prices paid index poses something of a dilemma. The new orders index fell to 9.8, the lowest reading since June last year, but the prices paid index was the highest since November 1980. The weaker US\$ is continuing to push raw material costs up. But the squeeze on real incomes and the end of the depreciation allowances on capital spending are leaving their mark. The balance of probability remains that the Fed will 'go with' the inflation numbers in the short term, exacerbating the downside risks for the economy.

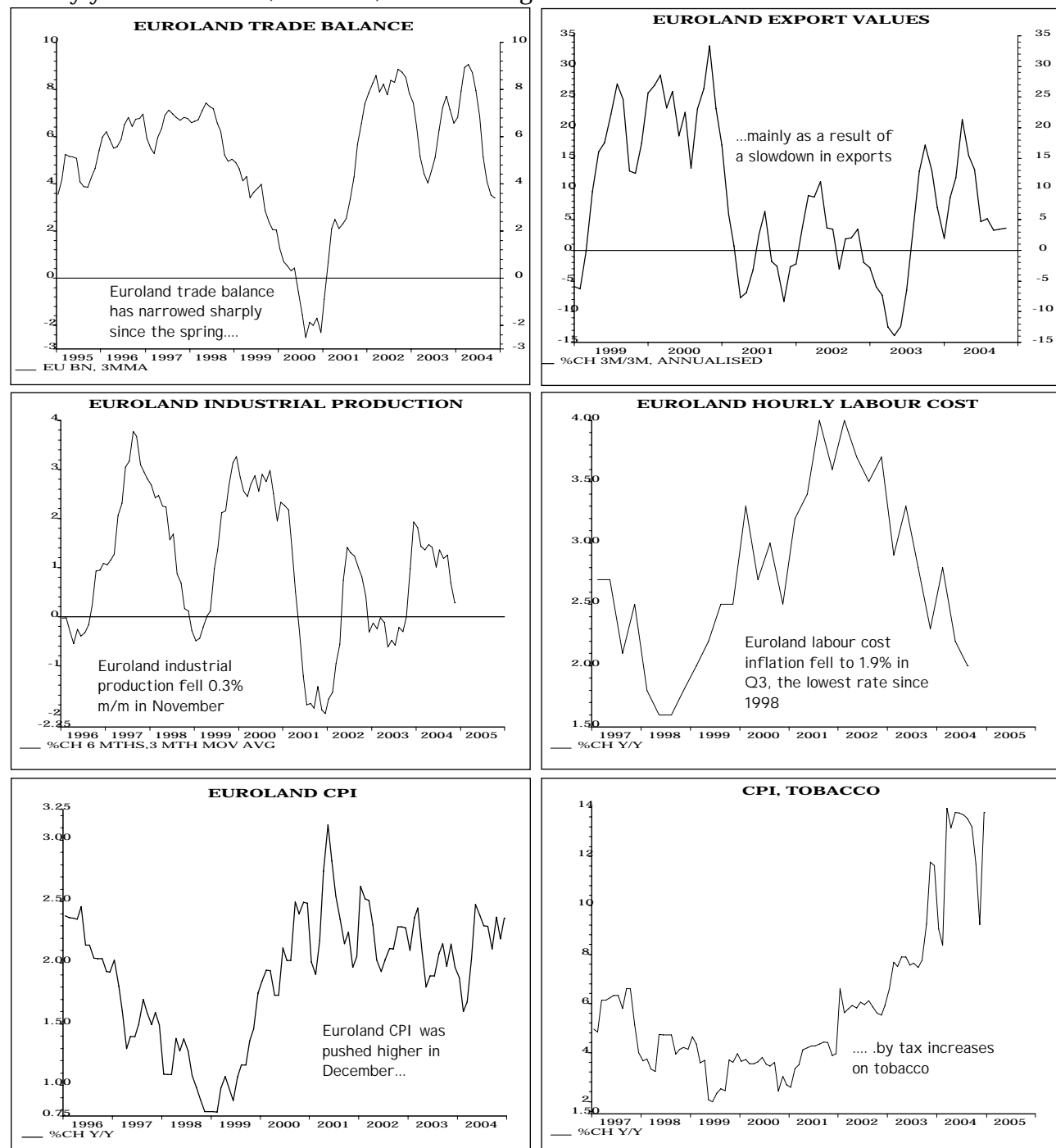


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WEEKLY CHARTBOOK**Euroland - 1**

A narrowing trade surplus and slowdown in industrial production highlighted the vulnerability of the Euroland recovery to the strong euro. The Euroland trade balance declined from EUR3.5bn s.a. to EUR2.8bn in November, its lowest level since July 2001. The main source of the deterioration in the trade surplus has been China. The deficit with China rose to EUR41.1bn in the first ten months of 2004 from EUR32.0bn over the same period in 2003. Meanwhile, Euroland inflation was revised up in December from the flash estimate of 2.3% to 2.4%. Alcohol and tobacco inflation was boosted by tax rises in Germany and Italy and rose to 8.4% y/y. Core inflation, however, was unchanged at 1.9% and labour cost inflation was revised

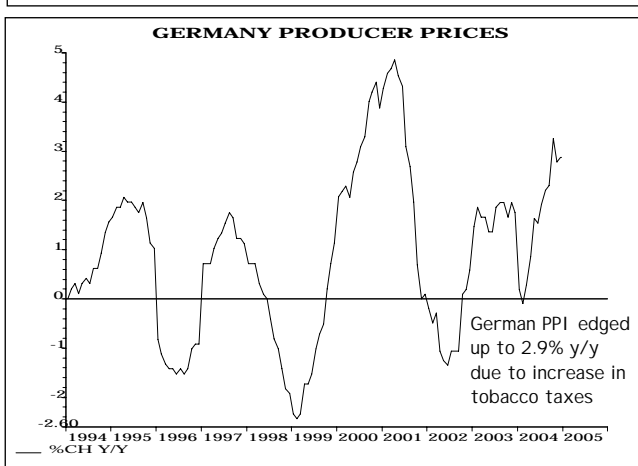
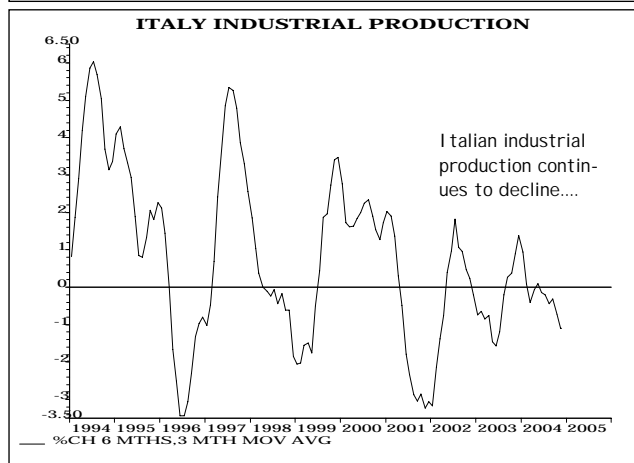
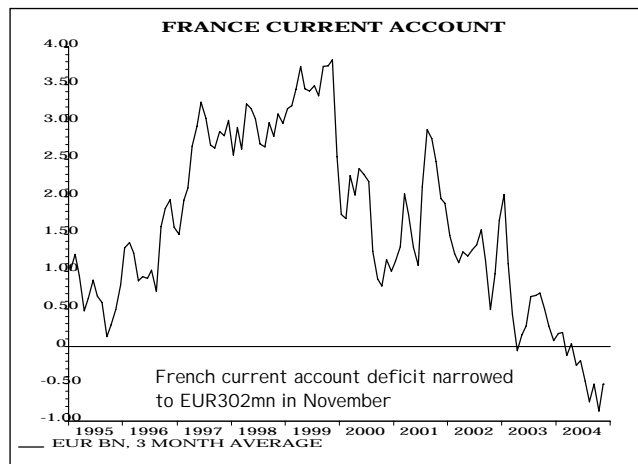
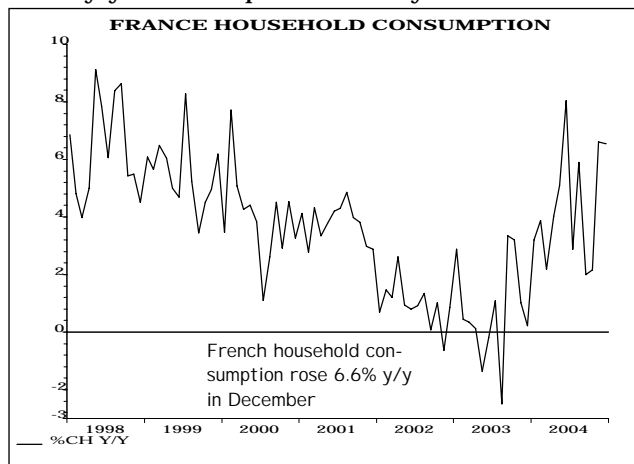


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WEEKLY CHARTBOOK**Euroland - 2**

French consumption was stronger than expected in December, edging up a further 0.2% m/m after a large 1.5% m/m gain in November. As a result, consumer spending will post a large gain in Q4 following its drop in Q3, and should fuel a rebound in GDP overall. The Finance Ministry's estimate is for growth of 0.6-0.8% q/q in Q4. In Italy, meanwhile, the industrial production data for November painted a depressing picture. Output fell a larger than expected 0.7% m/m, following a revised 0.3% drop the previous month. Orders, however, suggest the worst may be over. They rose 0.6% m/m in November and, unlike output - which was down 1.8% y/y - were up 3.4% on a year earlier.

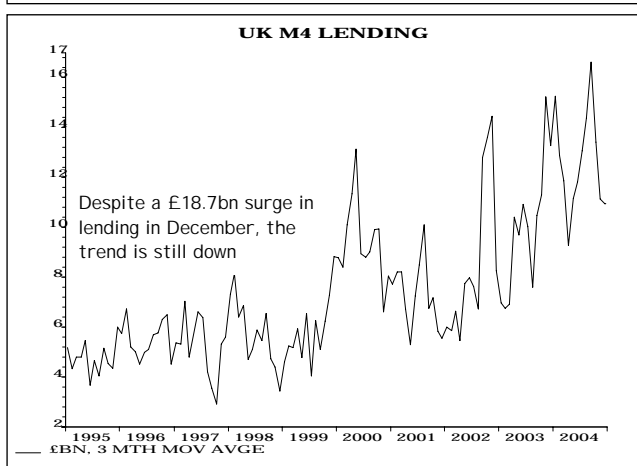
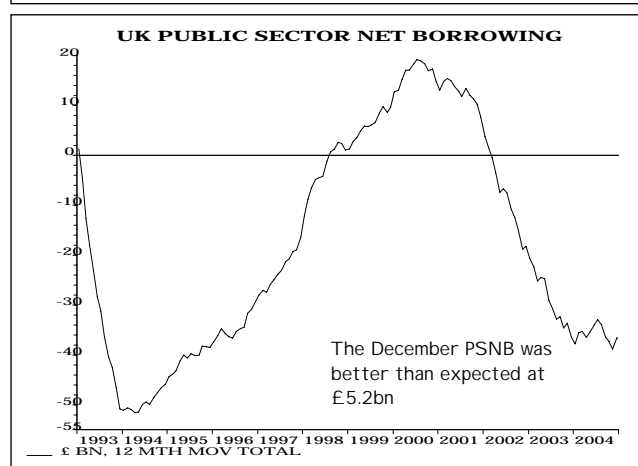
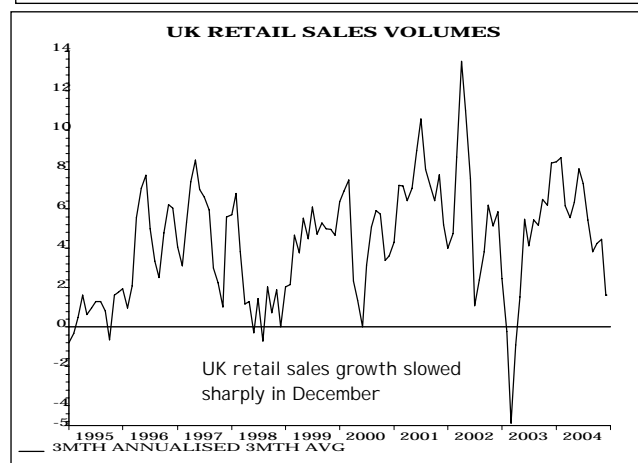
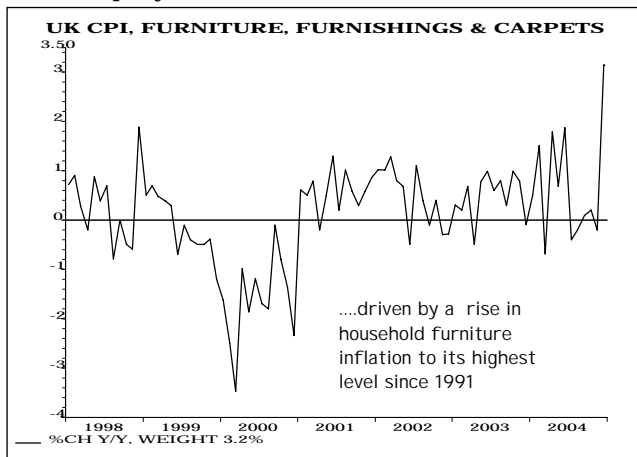
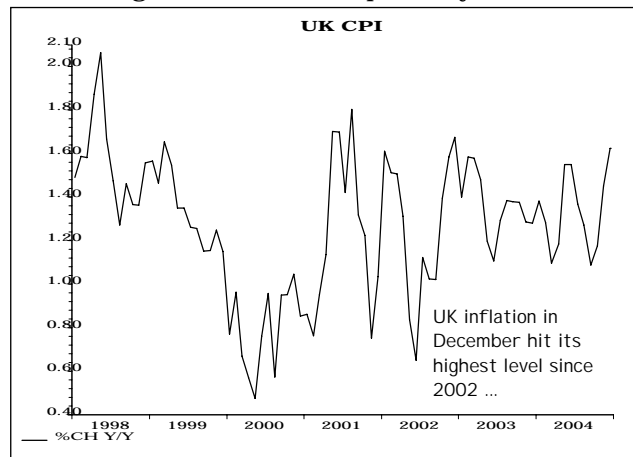


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WEEKLY CHARTBOOK**UK - 1**

Inflation surprised on the upside again in November, rising to 1.6% from 1.5%. However, the recent rise has been down to relatively few components, rather than a general pick up in price pressures. Gas prices pushed inflation up in November, as did vegetable prices and a surge in furniture inflation. Petrol prices, by contrast, fell back. Retail sales, meanwhile, slowed much more sharply than expected in December, declining 1.0% m/m. The smoothed 3 month annualised growth rate has fallen back to 1.2%, its lowest rate since April 2003. While this data suggests consumption has slowed substantially, it does need to be treated with some caution due to the large seasonal (and possibly Tsunami) factors at play in December.

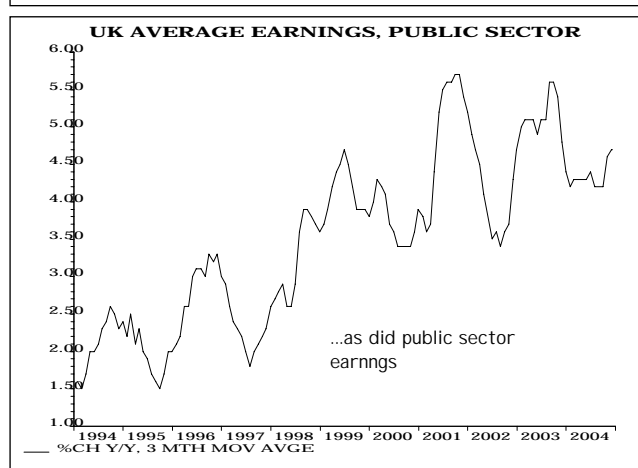
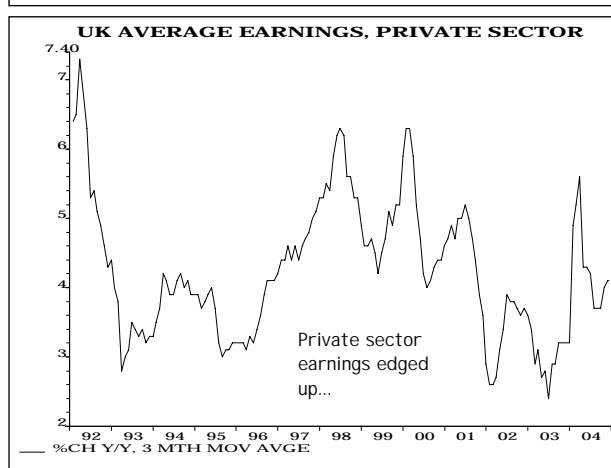
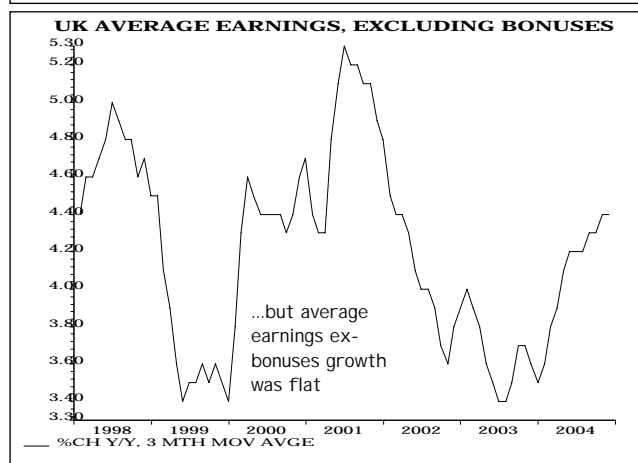
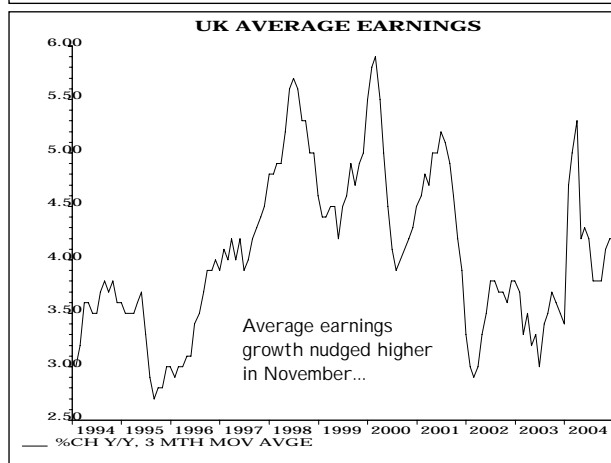
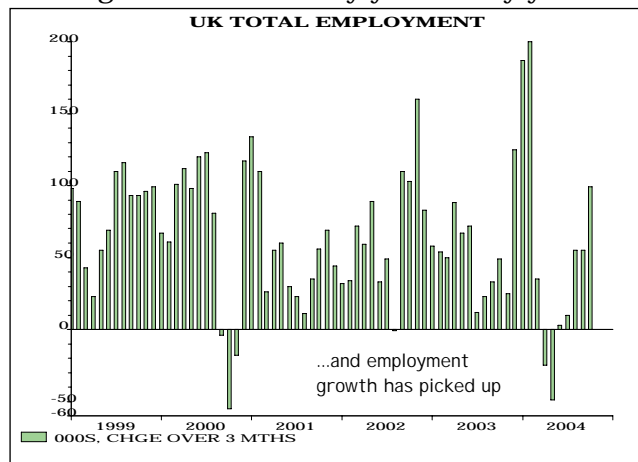
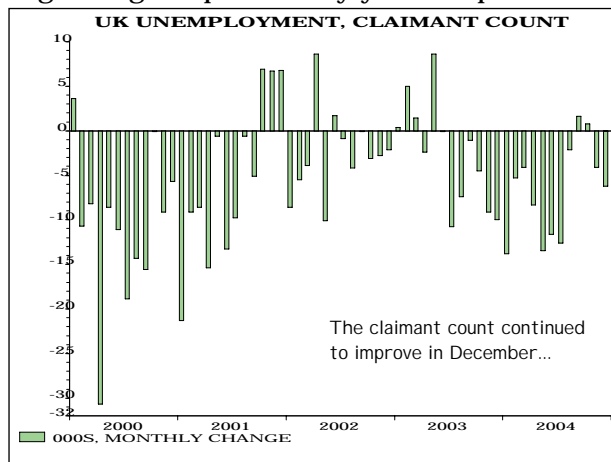


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WEEKLY CHARTBOOK**UK - 2**

The labour market appeared to tighten further in December, fuelling concerns that labour shortages are putting wage inflation under upward pressure. The claimant count fell by 6,200 last month and employment in the three months to November was up 1.0% on a year earlier, with the bulk of the gain in full time employees. The jobs data, however, paints a much more subdued picture, with jobs up only 0.3% y/y and all of this rise and more accounted for by the education, health and public administration sector. Average earnings growth, meanwhile, edged higher from 4.1% y/y to 4.2% y/y in the three months to November. Private sector earnings nudged up to 4.1% y/y, while public sector earnings rose from 4.6% y/y to 4.7% y/y.

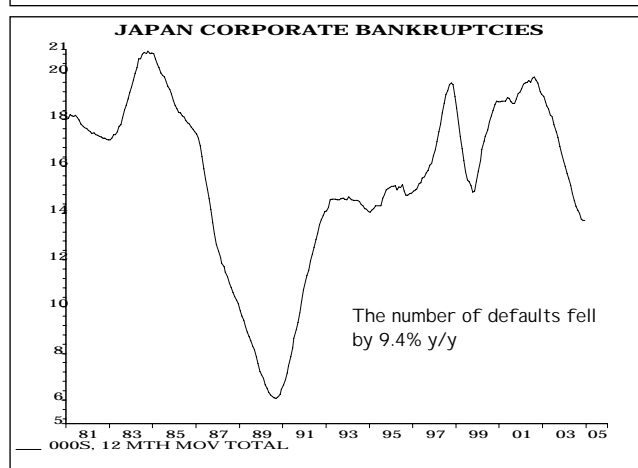
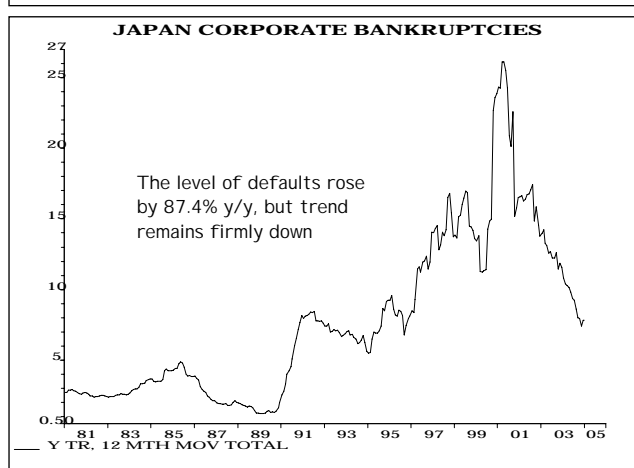
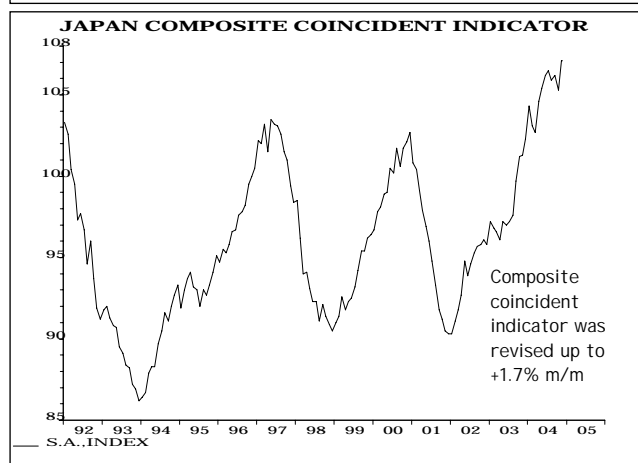
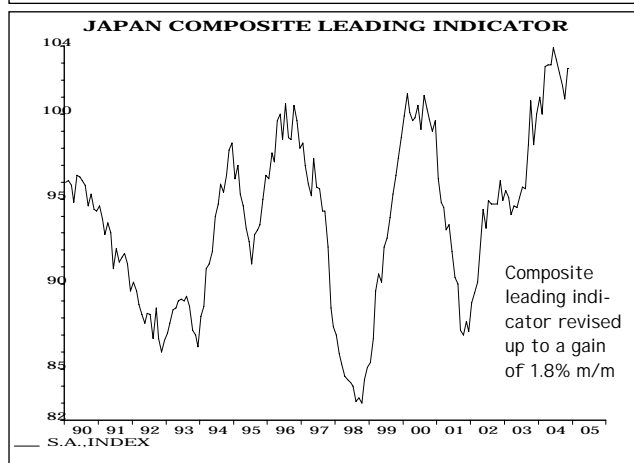
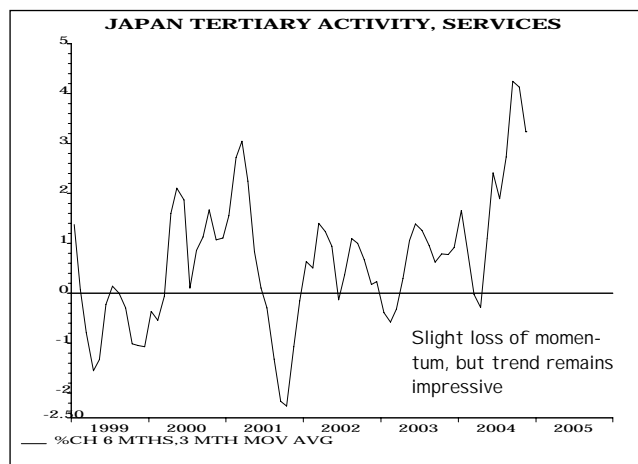
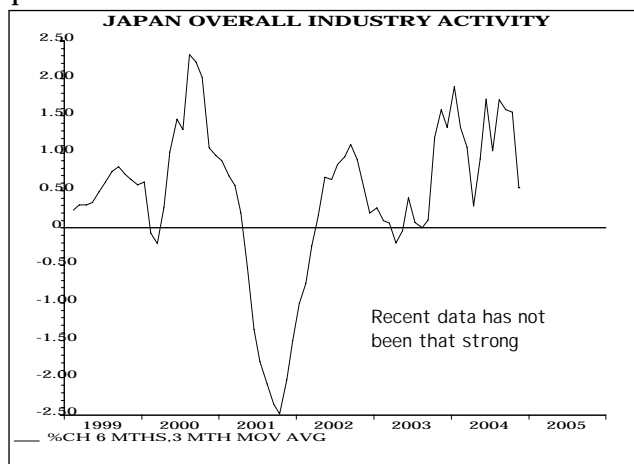


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WEEKLY CHARTBOOK**Japan**

Japanese economic activity remained sluggish in November. The METI's overall index rose by just 0.3% m/m, despite a bounce in industrial production. Over the past three months, the all activity index has climbed by just 0.1% m/m. However, the service sector remained buoyant, with business activity rising by 2.3% m/m. The upward revisions to the leading and coincident indicators certainly suggest the economy is turning the corner. The leading diffusion index was nudged up from 30.0 to 36.4, while the coincident diffusion index was revised from 44.4 to 60.0. The bankruptcy data was not quite so positive, however, as the level of defaults in December posted the first annual increase in nine months.



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