Bloomberg BRIEF

Economics

NEWS, ANALYSIS & COMMENTARY

WEDNESDAY
11.06.13
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MOST READ ON BLOOMBERG

- Summers Sees U.S. Averting Brink-of-Default
- Fed Advisers: Policies Can Improve Economy
- Bubble Seen Brewing in Australia Housing
- Priciest London Homes Lose Shine
- Greek Labor Unions to Strike Today

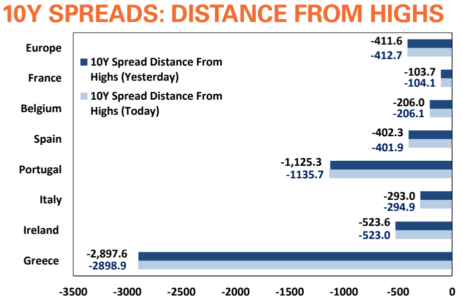
DATA REPORTS *(NEW YORK TIME)*

TIME	EVENT	SURVEY	ACTUAL	PRIOR
7:30	US Challenger Job Cuts	-	-	19.1%
8:30	CA Building Permits MoM	6.0%	-	-21.2%
9:30	BZ Commodity Prices MoM	-2.81%	-	-2.82%
9:30	BZ Commodity Prices YoY	-0.22%	-	2.08%
10:00	UK NIESR GDP Estimate	-	-	0.80%
10:00	CA Ivey PMI SA	52	-	51.9
10:00	US Leading Index	0.6%	-	0.7%
17:30	AU AiG Perf of Const. Index	-	-	47.6
19:30	AU Part Time Empl. Change	-	-	4.1K
19:30	AU Employment Change	10.0K	-	9.1K
19:30	AU Unemployment Rate	5.7%	-	5.6%
19:30	AU FT Employment Change	-	-	5.0K
19:30	AU Participation Rate	64.9%	-	64.9%
20:00	JN BB Nov. Eco. Survey	-	-	-
21:00	JN Tokyo Avg Office Vac.	-	-	7.9
22:30	TH Consumer Conf. Eco.	-	-	67.9
22:30	TH Consumer Confidence	-	-	77.9

ECONOMIC-EVENTS CALENDAR

TIME		
8:30	US	Treasury Announces Quarterly Refunding
9:15	US	SEC Chair White Speaks at the PLI Conf.
10:20	US	Puerto Rico's Acosta Speaks at Conference
12:00	UK	BOE's Don Kohn Speaks in Oxford, England
12:30	BZ	Central Bank Regional Report
13:10	US	Fed's Pianalto Speaks on Economy

10Y SPREADS: DISTANCE FROM HIGHS



U.S. Treasury Plan, EU PMI, Sebelius, Twitter, WTI

DAYBOOK:
Jennifer Bernstein

■ **WHAT TO WATCH:** The **U.S. Treasury** will release its quarterly refunding plan and may comment on the nation's debt limit and its plans to issue floating-rate notes. 8:30 a.m. An index of **U.S. leading economic indicators** probably rose 0.6 percent in September from a month earlier, according to economists' forecasts, 11 a.m. **Cleveland Fed President Sandra Pianalto** speaks, 2:10 p.m.

■ **ECONOMICS: Banxico Governor Agustin Carstens** will present a quarterly inflation report and new economic forecasts. Challenger, Gray & Christmas will announce **U.S. job cuts** for October, 8:30 a.m. A gauge of **euro-area services output** was revised to 51.9 in October, growing more than initially estimated. **U.K. industrial production** rose 0.9 percent, more than forecast, in September from a month before.

■ **GOVERNMENT: U.S. Health and Human Services Secretary Kathleen Sebelius** testifies before the Senate Finance Committee on plans to fix the Obamacare website. **SEC Chairwoman Mary Jo White** speaks, 9:15 a.m. The **U.S. oil industry** is preparing to challenge restrictions on crude exports.

■ **COMPANIES: Twitter** plans to raise $1.4 billion in an initial public offering. **BlackRock** and **Fidelity Investments** will face an initial risk study by U.S. regulators.

■ **MARKETS:** The **euro** rose against the **U.S. dollar** and the **yen**. **U.S. 10-year notes** snapped a decline. **West Texas Intermediate** rebounded from a five-month low.

BIG PICTURE: COMMENTARY BY DR. BJØRN LOMBORG, COPENHAGEN CONSENSUS CENTER

How Is the World Doing? A Global Scorecard, 1900-2050

One of the longest-running big picture debates is between optimists and pessimists arguing the state of the world. Pessimists have constantly painted a dystopian future from Malthus and Jevons to the 1972 book Limits to Growth. Optimists have cheerfully pointed to how everything is getting better.

But instead of simply using rose-tinted (or darkened) glasses, maybe we should look at the evidence. Together with 21 of the world's top economists, I've done just that, creating a scorecard from 1900 to 2050.

Across 10 important areas, from health, hunger and gender inequality to biodiversity and war, we have estimated their relative costs in the year 1900 all the way to 2013, with predictions to 2050.

Using standard economic valuations of everything from lives lost, to lost production from the exclusion of women, to lost wetlands from global warming, the economists measured the cost of not having fixed each problem. To estimate the size of a problem, it is compared to the total resources avail-

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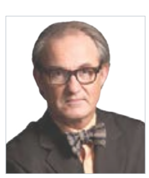


KEENE'S CORNER

Robert Sinche on deflationary pressures around the world

Back Page

BIG PICTURE BJØRN LOMBORG
continued from page 1

able to fix it. This gives us the problem in a percent-of-GDP measure.

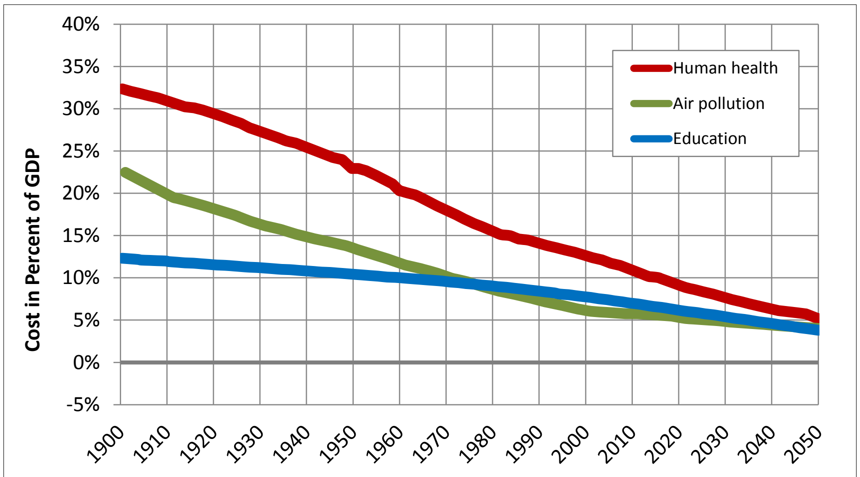
Take education. In 1900, about 70 percent of the world's population was illiterate and average schooling just one year. If we had fixed that problem, how much richer would the world have been? About 12.3 percent of GDP. So, in 1900 the world was forgoing 12.3 percent of GDP because it hadn't fixed illiteracy. Or put another way, the cost of poor education was 12.3 percent of GDP in 1900.

In the next decades, the prosperous West saw a rapid increase in literacy, but it was not matched elsewhere. Only after 1970 did large (and continuing) gains get made in the developing world, especially in China. Today the global average schooling is 8 years, and about 20 percent of the population illiterate. The cost of not having literacy is now down to 7 percent. By 2050, it is predicted illiteracy will go down to just 12 percent and the cost will have dwindled to just 3.8 percent of GDP.

Health turns out to be the biggest issue of all. In 1900 the average life expectancy was just 32. Today it is 69, and it will probably be 76 in 2050. Consider smallpox, the biggest single killer in the 20th century. It killed some 400 million people before being eradicated in 1979. In 1970, only some 5 percent of infants were vaccinated against measles, tetanus, whooping cough, diphtheria and polio. By 2000, 85 percent were vaccinated, saving about three million lives a year — more, each year, than world peace would have saved in the 20th century. The cost of poor health at the outset of the 20th century was a phenomenal 32 percent of global GDP. Today, it is down to about 11 percent, and by 2050 will have halved again.

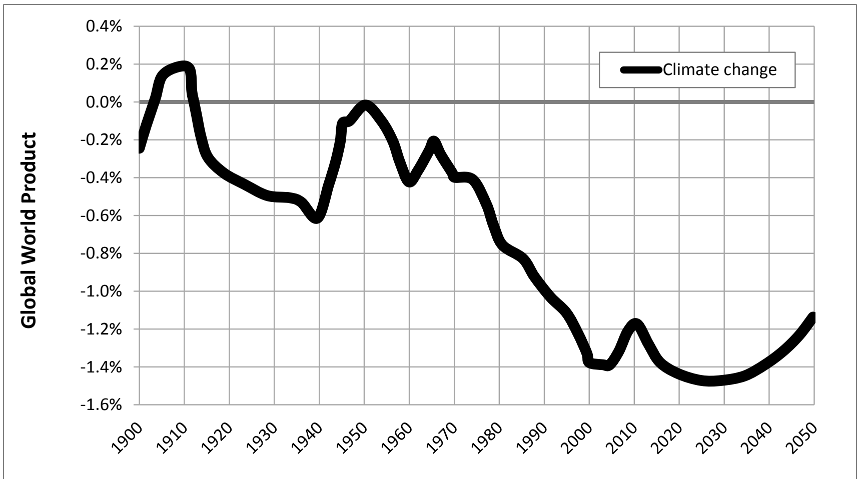
From 1900-2025 climate change has mostly been a net benefit, rising from barely positive in 1900 to increasing welfare by about 1.5 percent of GDP per year in 2025. Why? Because global warming has mixed effects, and for moderate warming the benefits prevail. Increased CO2 boosts agriculture as a fertilizer and adds 0.8 percent to GDP. Moderate warming also avoids more cold deaths than it causes extra deaths from heat. And it reduces the demand for heating more than it increases the costs of cooling. On the other hand, warming increases the competition for scarce water resources by about 0.2 percent and has

Cost of Health, Education, Pollution Declining as % of GDP



Source: *Copenhagen Consensus Center* BloombergBriefs.com

Global Warming Trending Toward Net Cost to World



Source: *Copenhagen Consensus Center* BloombergBriefs.com

a negative impact on ecosystems such as wetlands of about 0.1 percent. Global warming storm impacts are vanishingly small. As temperatures rise, the costs will rise and benefits decline, leading to a dramatic fall in net benefits. After 2070, global warming will become a net cost to the world.

The biggest environmental problem in the world is not global warming but air pollution. Most deaths are caused by indoor pollution from cooking and heating with dung and twigs. Over the 20th century, 260 million died from indoor air pollution in the Third World – about twice the toll in all the century's wars. This is more than 4 times the number who died from outdoor air pollution. As poverty has receded and clean fuels become cheaper, the risk has fallen eight-fold and will probably decline another 70 percent until 2050. In 1900, air pollution cost 23 percent of global GDP, today it is 6 percent and by 2050, it is expected to be 4 percent.

Overall, there are still very significant problems in the world. But the trends emphasize that the realist position now has to be: since 1900 the world has become an amazingly better place, and it is likely to continue to get better until 2050.

(Dr. Bjørn Lomborg, an adjunct professor at the Copenhagen Business School, directs the Copenhagen Consensus Center, ranking the smartest solutions to the world's biggest problems by cost-benefit. His new book is How Much have Global Problems Cost the World? A Scorecard from 1900 to 2050. Read more about the research described here at www.CopenhagenConsensus.com)

MARKET CALLS

BY BLOOMBERG NEWS

"Our initial assessment is that they considerably increase the probability that the FOMC will reduce its 6.5 percent unemployment threshold for the first hike in the federal funds rate," said **Jan Hatzius**, chief economist of **Goldman Sachs**. Such a move would happen before or "coincident" with the first tapering of quantitative easing, Hatzius said.

Joseph LaVorgna, chief U.S. economist for **Deutsche Bank**, expects Expect to reach 6.5% unemployment rate around the third quarter of 2014. "A reduction in the unemployment rate threshold would enable policy makers to taper sooner due to the offsetting effects of extended interest-rate guidance," LaVorgna said.

"Strong 3Q economic data may allow policy to shift focus back to structural reforms," says **Haibin Zhu**, China chief economist at **JPMorgan**. "Efforts to address overcapacity and credit imbalances may cause growth to gradually slow in 4Q"

Richard Yetsenga, the head of global markets research at **Australia & New Zealand Banking Group**, said "I've been surprised by the extent to which investors seem to want to buy the Aussie in the mid-to-high 90s." Yetsenga said the Australian dollar will end the year at 93 cents.

TWEET OF THE DAY

Ed Bradford
@Fullcarry
Follow

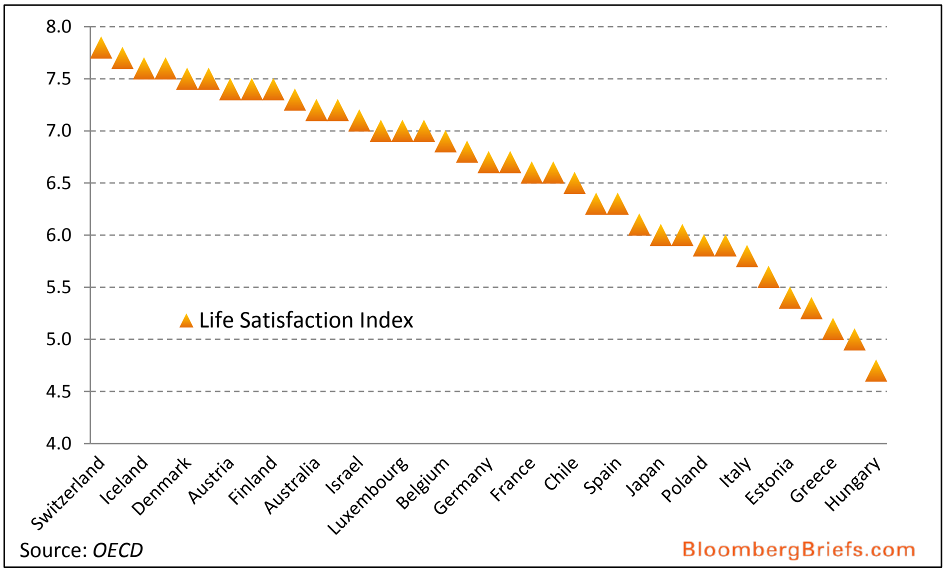
I am not sure how meaninful it is to talk of deflation when housing prices have had double digit gains in a year.

7:18 PM - 5 Nov 2013

For simple solutions to follow tweets about companies, industries and markets on the Bloomberg terminal run ***TWTR<GO>***

Ed Bradford, *@Fullcarry* I trade Government Bonds for a living and everything else for fun.

Satisfaction Level Falls Most in Greece, Rises in U.K.



Satisfaction with life in Greece fell 20 percent between 2007 and 2012, compared with declines of 12 percent in Spain and 10 percent in Italy, the OECD's Better Life Index shows. The index incorporates 11 areas of well-being including health, income, and work-life balance.

— Niraj Shah, Bloomberg Economist

AROUND THE WEB New research and commentary on the Web

A National Bureau of Economic Research working paper observes that the Great Recession tested the ability of the "great U.S. jobs machine" to limit the severity of unemployment. "In the crisis the American labor market failed to live up to expectations. The level and duration of unemployment increased substantially in the downturn and the growth of jobs was slow and anemic in the recovery."
http://goo.gl/4nL8Ko

An IMF working paper looks at recent changes and new questions about the Federal Reserve's framework for monetary policy. "We trace the recent evolution of the Federal Reserve's framework, and use a small-scale macro model and a simple static model to help illuminate the approaches taken with non-traditional monetary policy tools."
http://goo.gl/0f3H0a

Another IMF paper looks at aggregate supply in the U.S. in the context of these recent developments in monetary policy. "[A] significant portion of the recent damage to the supply side of the economy plausibly was endogenous to the weakness in aggregate demand – contrary to the conventional view that policy makers must simply accommodate themselves to aggregate supply conditions."
http://goo.gl/5jo2d8

OVERNIGHT

BY BLOOMBERG NEWS

EUROPE

■ **Euro-area services output** grew more than initially estimated in October. A gauge based on a survey of purchasing managers in the services industry fell to 51.6 from 52.2 in September. That exceeded Markit's initial estimate of 50.9.

■ **U.K. industrial production** rose more than economists forecast in September. Output increased 0.9 percent from August, when it fell 1.1 percent. The median forecast in a Bloomberg News survey was for an increase of 0.6 percent. Factory production surged 1.2 percent after dropping 1.2 percent in August.

■ **Two of the Riksbank's six members** said they could stick to a forecast of raising rates at the end of next year even if the economy performs better than expected, according to the minutes of its latest meeting.

■ **Iceland's central bank** left its benchmark interest rate unchanged for an eighth meeting. The seven-day collateral lending rate was kept at 6 percent.

■ **U.K. house prices** rose for a ninth month in October, Halifax said. Home values gained 0.7 percent, the biggest gain in three months, to an average 171,991 pounds. From a year earlier, values were 8.1 percent higher.

ASIA

■ **Indonesia's economic expansion** slowed for a fifth quarter. GDP increased 5.62 percent in the three months ended Sept. 30 from a year earlier. The year-on-year expansion compares with a revised 5.83 percent pace for the second quarter and the median estimate of 5.6 percent in a Bloomberg News survey.

■ New Zealand employers hired workers at more than double the pace economists forecast in the three months through September. Employment rose 1.2 percent, or by 27,000 jobs, from the second quarter, the most since early 2007. The jobless rate fell to 6.2 percent from 6.4 percent.

FX WATCH

COMMENTARY BY DAVID POWELL, BLOOMBERG ECONOMIST

Euro's Value Is Most in Line With German Economy, Least in Line With Spanish Economy

The euro appears to be trading most in line with the economic conditions of Germany and least in line with those of Spain among the 11 original countries that formed the monetary union in 1999.

A Bloomberg Brief estimate of the appropriate exchange rate for EUR/USD for Germany is about 1.31. That is 2.9 percent below its present level. The equivalent figure for Spain is about 1.12. That is 20.2 percent below its present level.

The estimate is based on a purchasing power parity model. It uses the birth date of the monetary union — January 1999 — as a starting point and calculates appreciation or depreciation of the euro relative to the U.S. dollar that would be appropriate based on the differences in inflation between the individual European nations and the U.S.

The rise of the price level of Germany has been about 21 percentage points greater than that of Spain during the life of the common currency. The consumer price index of Germany has increased by 28 percent since the euro's inception. The price level of Spain has risen by 49.5 percent. The price level of the U.S. has risen by 42.3 percent during that period.

The other peripheral nations are inbetween those two extremes. Bloomberg Brief estimates of the appropriate exchange rates for EUR/USD for Ireland, Italy and Portugal are 1.21, 1.20 and 1.19, respectively. Those figures are below the present exchange rate by 11.2 percent, 12.9 percent and 13.7 percent. The price levels in those countries have increased by 38.3 percent, 40.4 percent and 41.3 percent.

Greece also appears to be suffering from an overvalued currency. The appropriate exchange rate for EUR/USD for the beleaguered nation is 1.12. The starting point used for these calculations may be somewhat inappropriate for Greece because it joined the monetary union in January 2001.

EUR/USD Too Strong for Spanish Economy

CURRENCY	CURRENT	PPP	VALUATION
Austria/USD	1.3506	1.2528	7.8%
Belgium/USD	1.3506	1.2208	10.6%
Cyprus/USD	1.3506	1.1615	16.3%
Estonia/USD	1.3506	0.9208	46.7%
Eurozone	1.3506	1.2434	8.6%
Finland/USD	1.3506	1.2462	8.4%
France/USD	1.3506	1.2890	4.8%
Germany/USD	1.3506	1.3120	2.9%
Greece/USD	1.3506	1.1220	20.4%
Ireland/USD	1.3506	1.2141	11.2%
Italy/USD	1.3506	1.1964	12.9%
Luxembourg/USD	1.3506	1.1280	19.7%
Malta/USD	1.3506	1.1432	18.1%
Netherlands/USD	1.3506	1.2048	12.1%
Portugal/USD	1.3506	1.1882	13.7%
Slovakia/USD	1.3506	0.8452	59.8%
Slovenia/USD	1.3506	0.9082	48.7%
Spain/USD	1.3506	1.1235	20.2%

N.B. All calculations use 1/99 as the base period, though that date may be somewhat inappropriate for countries that joined the euro area afterward.

Source: *Bloomberg*

A safe haven bid would likely push a re-introduced deutsche mark significantly above its equilibrium value based on inflation differentials. For example, the Swiss franc is about 18.8 percent above its fair value based on PPP calculations, according to Bloomberg Brief estimates.

The initial depreciation of a re-introduced Spanish peseta would likely be much greater than that required to adjust for inflation differentials. For example, the Thai baht had fallen by about 83 percent versus the U.S. dollar during the year — 1997 — that policy makers in the Asian nation ended the currency's fixed exchange rate with its American counterpart.

Exchange rate over- and under-shooting is common. Major reversals of the multi-year trends of the U.S. dollar versus the euro and its predecessor currencies have normally been associated with over- or under-shoots of at least 25 percent.

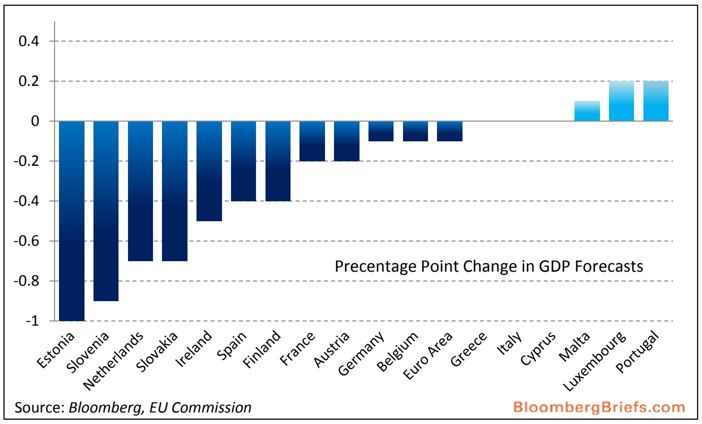
EURO-AREA OUTLOOK

NIRAJ SHAH, BLOOMBERG ECONOMIST

Euro-Area Economic Forecasts Revised Down, Adding to Pressure on ECB for Rate Cut

Weaker growth and inflation forecasts for the euro area may add to pressure on the ECB to ease monetary policy this year. The European Commission revised down its GDP forecast for 2014 to 1.1 percent from 1.2 percent in spring and 1.4 percent at the start of the year. The commission expects the region's economy to contract 0.4 percent this year, marking the first time output has fallen in two successive years since the introduction of the single currency in 1999.

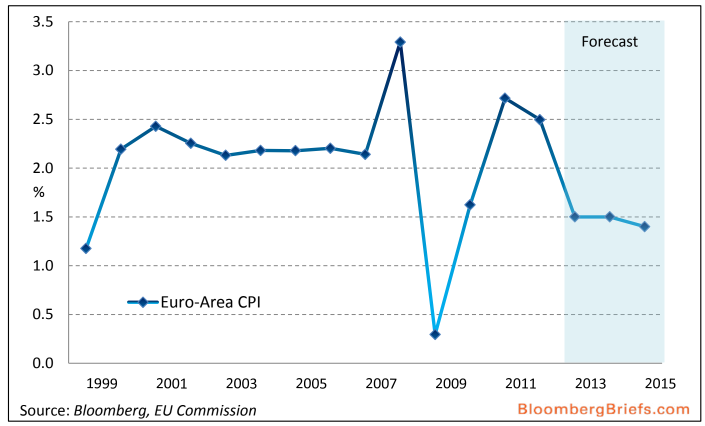
GDP Revised Lower for 12 Euro-Area Nations



Source: *Bloomberg, EU Commission*

Slovenia's outlook for 2014 was revised down, with the commission forecasting a 1 percent contraction versus 0.1 percent previously. The Netherlands forecast was lowered to 0.2 percent growth from 0.9 percent and Spain's outlook to 0.5 percent from 0.9 percent. The estimate for France was revised down to 0.9 percent from 1.1 percent and that for Germany to 1.7 percent from 1.8 percent.

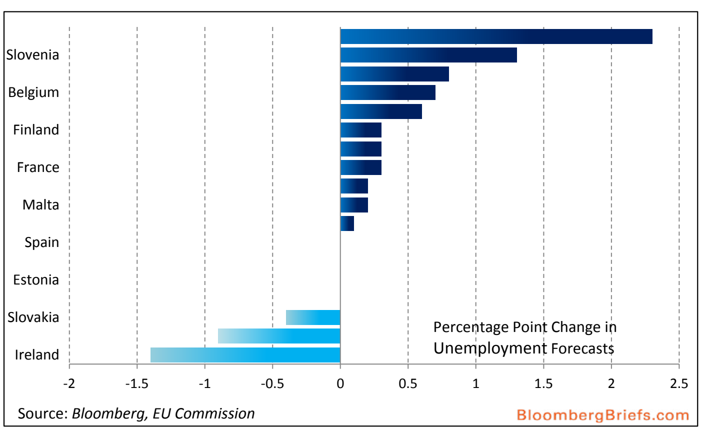
CPI to Slow Further Into 2015



Source: *Bloomberg, EU Commission*

The commission forecasts inflation will slow to 1.4 percent in 2015 from 1.5 percent next year. That gives the ECB room to ease monetary policy. CPI projections were lowered for seven countries next year. Greece is projected to remain in deflation for a second year with an annual CPI rate of minus 0.4 percent. Only Latvia and Slovenia are forecast to have annual inflation rates above 2 percent next year.

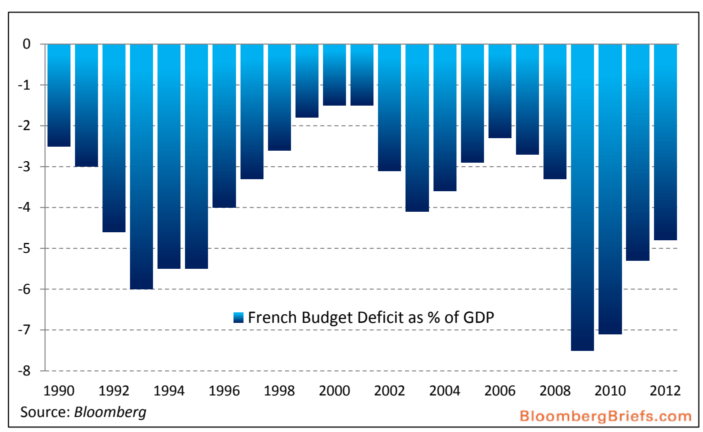
Unemployment to Stay at Record High for Longer



Source: *Bloomberg, EU Commission*

The weaker growth outlook will leave the unemployment rate at a record 12.2 percent for another year in 2014. The rate was revised higher for 10 countries. Joblessness will increase the most in Cyprus and Slovenia, rising by 2.3 percentage points and 1.3 percentage points to 19.2 percent and 11.6 percent, respectively. Portugal's unemployment rate is forecast to drop by 0.9 percentage point to 17.7 percent.

Deficits to Narrow at Slower Pace



Source: *Bloomberg*

National deficits may be cut at a slower pace than previously estimated. The commission forecasts France will miss its extended deadline to meet the 3 percent of GDP target by 2015. Revised forecasts show France will post a deficit of 4.1 percent of GDP this year, 3.8 percent in 2014 and 3.7 percent in 2015. In Italy, the deficit will be 3 percent of GDP in 2013 and 2.7 percent in 2014, the commission says.

ECONOMIST NOTEPAD

RICHARD YAMARONE, BLOOMBERG ECONOMIST

Each week Rich opens his notes of economic insights gathered from conversations and his extensive readings, which include over two dozen daily newspapers, scores of trade and industry publications, and journals and magazines.

John H. Makin of the American Enterprise Institute wrote an eye-opening piece in the November Economic Outlook (**"Beware the Monetary Cliff,"** *bit.ly/19NzNJG*) in which he argues that "the monetary cliff – the U.S. potential to slip into a period of negative inflation (deflation) at the end of quantitative easing – is a more threatening precipice than the fiscal cliff the United States faced earlier this year." He suggests that this deflationary concern is especially disconcerting for major economies due to its ability to drive down business investment, hiring, and lending.

Gene Epstein at Barron's wrote a response (**"Deflating the Inflation Myth,"** *on.barrons.com/19lKKTs*) to a recent New York Times article that argued a rising price level helps bolster corporate profits and increase consumer spending. He examined the profit picture, which is essentially the spread between the price of the output and the input costs.

There are a couple of articles on the labor market situation: Floyd Norris at the New York Times suggests the job picture may be better than it appears due to an aging population and its influence on the labor force participation rate (**"Changes in Labor Force Mask Gains in the Jobs Situation,"** *nyti.ms/1hbh80M*), while the Economist offered an interesting presentation of the steadfast decline in the rate of labor costs as a percent of nominal GDP for several top economies (**"Labour Pains,"** *econ.st/17zFo6O*) Of course rapid advancement in technological change and productivity has been behind most of this surge. This doesn't bode well for wage and salaried workers.

Some weakness was exhibited in the retail sector recently with soft sales and a Wall Street Journal article (**"Consumer Caution Blurs Retailers' Outlook,"** *on.wsj.com/18y3CtX*) looked at what the current pace of spending may mean for upcoming holiday sales. Note: this holiday season will be the shortest possible since there will be less than four weeks of shopping between Thanksgiving and Christmas.

Finally, Bloomberg Businessweek ran a story (**"A Chicken of Convenience,"** *buswk.co/1fcHkDI*) about how Tyson Foods is directing its sales effort to convenience food stores since their growth has eclipsed that of sales at fast-food restaurants. Habits have changed – though I can't help but believe that the soaring level of food stamps has helped boost spending at convenience stores.

The full Economist Notepad is attached as a supplement to the Economics Brief every Wednesday.

MARKET INDICATORS

MSCI EQUITY INDICES

TICKER	COUNTRY	LAST PRICE	1D %Chg	YoY %Chg	52W Min	Avg Last	52W Max	FORW. PE 12M
North America								
MXCA Index	Canada	1690.2	0.1%	8.7%	1485		1702	14.2
MXUS Index	U.S.	1686.9	-0.3%	23.8%	1291		1696	15.0
Latin America								
MXAR Index	Argentina	1958.0	5.2%	92.3%	948		2055	6.9
MXBR Index	Brazil	2425.1	-2.8%	-10.5%	2,053		2842	10.9
MXCL Index	Chile	1998.6	-0.5%	-16.3%	1,809		2601	15.6
MXCO Index	Colombia	1148.1	-1.9%	-7.7%	1,028		1393	16.8
MXMX Index	Mexico	6586.9	-2.8%	-3.1%	5,951		7772	17.4
MXPE Index	Peru	1144.7	-0.2%	-23.3%	1,020		1681	12.4
Europe								
MXAT Index	Austria	123.5	-0.6%	18.0%	101		124	11.3
MXBE Index	Belgium	73.0	-0.2%	21.1%	59		74	16.1
MXCZ Index	Czech Rep.	276.9	-1.2%	-12.2%	223		311	11.3
MXDK Index	Denmark	4933.8	-0.5%	16.7%	4,238		5110	15.1
MXFI Index	Finland	98.3	0.1%	41.2%	66		98	17.5
MXFR Index	France	118.5	-0.8%	21.6%	94		120	13.0
MXDE Index	Germany	123.8	-0.4%	19.5%	98		124	12.2
MXGR Index	Greece	18.1	-2.5%	46.2%	12		20	16.5
MXHU Index	Hungary	981.8	0.1%	-7.6%	932		1107	8.3
MXIE Index	Ireland	34.1	0.0%	30.2%	25		34	26.2
MXIT Index	Italy	55.0	-1.2%	16.7%	43		56	12.3
MXNL Index	Netherlands	97.8	-0.6%	22.2%	76		98	13.8
MXNO Index	Norway	2622.8	-0.4%	13.4%	2,250		2646	11.2
MXPL Index	Poland	1790.9	-1.1%	10.6%	1,543		1833	13.7
MXPT Index	Portugal	53.0	0.6%	10.2%	46		56	15.9
MXRU Index	Russia	808.2	0.3%	5.1%	668		863	na
MXES Index	Spain	107.3	-0.9%	25.9%	81		111	13.9
MXSE Index	Sweden	9663.5	-0.5%	18.1%	7,829		9917	14.8
MXCH Index	Switzerland	1055.0	-0.5%	20.7%	843		1083	14.9
MXGB Index	U.K.	1994.1	-0.2%	14.5%	1,659		2023	12.3
Middle East & Africa								
MXEG Index	Egypt	1260.8	0.4%	5.4%	992		1282	7.3
MXIL Index	Israel	187.0	0.2%	-4.7%	179		203	8.2
MXJO Index	Jordan	189.4	0.8%	-12.5%	172		235	n.a.
MXMA Index	Morocco	288.4	-0.3%	-6.0%	247		314	11.3
MXZA Index	South Africa	1106.6	-0.4%	14.0%	916		1124	14.3
Asia/Pacific								
MXAU Index	Australia	1112.6	0.8%	21.8%	881		1115	14.9
MXCN Index	China	62.0	-0.5%	3.2%	51		66	9.0
MXHK Index	Hong Kong	12029.3	-1.1%	7.9%	10600		12380	15.0
MXID Index	Indonesia	5134.9	0.7%	-1.0%	4,487		6149	13.8
MXIN Index	India	809.1	-0.7%	10.5%	699		815	14.7
MXJP Index	Japan	730.1	-0.1%	59.6%	443		794	14.0
MXKR Index	Korea	591.5	-0.5%	7.3%	509		605	8.7
MXMY Index	Malaysia	649.3	-0.2%	10.3%	569		653	15.1
MXNZ Index	N. Zealand	110.1	0.1%	15.8%	95		111	16.9
MXPH Index	Philippines	1095.8	-0.2%	21.9%	892		1224	19.1
MXPK Index	Pakistan	495.1	2.1%	36.4%	360		515	8.1
MXSG Index	Singapore	1724.5	0.1%	7.8%	1,553		1823	n.a.
MXTH Index	Thailand	506.8	1.7%	5.8%	455		573	12.1
MXTR Index	Turkey	1048624	-2.1%	1.7%	928K		1327K	10.1

10Y GOVERNMENT BOND YIELDS

TICKER	COUNTRY	LAST YIELD	1D CHG BPS	YoY BPS	52W Min	Avg Last	52W Max	5Y CDS
North America								
GCAN10YR Index	Canada	2.54%	4.0	77.2	1.7		2.8	n.a.
USGG10YR Index	U.S.	2.66%	-1.5	90.4	1.6		3.0	29.5
Latin America								
	Argentina							1833
GEBR09Y Index	Brazil	12.15%	23.5	254.0	10.5		12.2	187.2
	Chile							84.5
COGR10Y Index	Colombia	6.98%	13.0	86.0	4.7		7.6	129.8
GMXN10YR Index	Mexico	6.18%	-0.3	63.0	4.4		6.6	109.5
GRPE10Y Index	Peru	5.42%	13.0	n.a.	3.9		6.1	134.9
Europe								
GAGB10YR Index	Austria	2.08%	-1.6	18.5	1.5		2.5	26.5
GBGB10YR Index	Belgium	2.45%	-1.4	6.3	1.9		2.9	49.3
CZGB10YR Index	Czech Rep.	2.39%	0.3	48.5	1.5		2.5	60.2
GDGB10YR Index	Denmark	1.82%	-1.3	61.9	1.0		2.2	20.6
GFIN10YR Index	Finland	1.95%	-1.2	22.0	1.3		2.3	19.7
GFRN10 Index	France	2.20%	-1.6	0.0	1.7		2.6	53.4
GDBR10 Index	Germany	1.73%	-1.3	29.1	1.2		2.0	23.2
GGGB10YR Index	Greece	8.06%	-1.2		8.0		18.1	1065
GHGB10YR Index	Hungary	5.54%	1.0	-133.0	4.9		7.0	266.6
GIGB10YR Index	Ireland	3.54%	-0.6	na	3.4		4.3	122.5
GBTPGR10 Index	Italy	4.14%	-3.0	-75.3	3.8		5.0	200.5
GNTH10YR Index	Netherlands	2.08%	-1.5	36.4	1.5		2.5	35.4
GNOR10YR Index	Norway	2.88%	-1.6	83.3	2.0		3.3	12.3
POGB10YR Index	Poland	4.32%	-0.5	-8.1	3.1		4.9	83.7
GSPT10YR Index	Portugal	5.98%	-10.9	-255.8	5.2		8.9	353.8
RUGE10Y Index	Russia	4.08%	8.6	105.5	2.7		4.8	165.9
GSPG10YR Index	Spain	4.10%	-0.8	-156.4	4.0		5.9	169.5
GSGB10YR Index	Sweden	2.38%	0.5	92.6	1.4		2.7	14.7
GSWISS10 Index	Switzerland	0.97%	0.1	48.1	0.4		1.2	n.a
GUKG10 Index	U.K.	2.73%	0.4	90.9	1.6		3.0	27.1
Middle East & Africa								
GISR10YR Index	Israel	3.70%	4.0	-26.0	3.5		4.2	113.5
GSAB10YR Index	South Africa	7.76%	-2.5	60.5	6.0		8.4	188.4
Asia/Pacific								
GACGB10 Index	Australia	4.21%	7.1	103.1	3.0		4.2	n.a.
GCNY10YR Index	China	4.22%	0.0	64.0	3.4		4.2	83.0
HKGG10Y Index	Hong Kong	1.86%	-3.3	121.2	0.5		2.6	n.a.
GIDN10YR Index	Indonesia	7.96%	11.3	233.7	5.1		8.9	226.5
GIND10YR Index	India	8.80%	6.6	61.9	7.1		9.2	n.a.
GJGB10 Index	Japan	0.61%	1.1	-15.2	0.4		0.9	55.2
GVSK10YR Index	Korea	3.52%	4.0	53.0	2.7		3.7	62.8
MGIY10Y Index	Malaysia	3.69%	1.5	24.6	3.1		4.1	111.4
GNZGB10 Index	N. Zealand	4.67%	6.5	116.3	3.2		4.8	n.a.
PDSF10YR Index	Philippines	3.55%	-1.0	-152.8	3.0		5.2	105.8
PKIB10YR Index	Pakistan	12.78%	0.0	165.0	10.7		13.0	n.a.
MASB10Y Index	Singapore	2.26%	1.0	93.0	1.3		2.8	n.a.
GVTL10YR Index	Thailand	3.94%	1.7	63.0	3.3		4.4	122.0
	Turkey							196.3

OTHER INDICATORS

TICKER	SPREAD/RATE/INDEX	LAST PRICE	1D Chg bps/%	YoY bps/%	52W Min	Average Last	52W Max	1Y Z-SCORE
Fixed Income								
$$SWAP10 Curncy	10Y US Swap Spread	13.5	-0.8	9.3	2		26	0.2
$$SWAP2 Curncy	2Y US Swap Spread	11.3	-0.8	1.3	11		20	(1.5)
USGGBE01 Index	1Y Breakeven Rate	0.0	0.0	-0.1	(1.0)		2.6	(1.3)
.2Y10Y Index	2Y10Y Spread	235.7	-1.1	na	134		253	5.2
.10YV3MSP Index	3M10Y	260.9	-1.5	95.0	149		297	1.4
.TED3M Index	3M Ted Spread	19.2	0.0	-2.8	14		29	(1.9)
.LIBORIOS Index	3M Libor/OIS	15.2	-0.1	-0.9	13		19	(0.6)
JPEIPLSP Index	EMBI+ Spread	338.2	4.6	66.6	229		389	1.2
.AAA10Y Index	IG Corp Spread	188.5	1.5	15.6	171		208	(0.1)
.AAABAA Index	IG HY Corp Spread	75.0	0.0	-29.0	74		108	(2.3)
MUNSMT10 Index	Muni Spread	100.6	-1.6	-5.2	86		115	(0.3)
Equity								
VIX Index	CBOE VIX Index	13.3	0.3	-4.3	11.3		22.7	(0.8)
SKEW Index	CBOE Skew Index	123.0	-2.6	7.5	112.5		135	0.9

COMMODITIES

TICKER	COMMODITY	LAST PRICE	1D %Chg	YoY %Chg	52W Min	Average Last	52W Max	RSI 30D
Agricultural								
C 1 Comdty	Corn	425.0	0.0%	-42.6%	425		760	36.6
KC1 Comdty	Coffee	103.5	0.0%	-31.3%	103		156	34.2
SB1 Comdty	Sugar	18.2	-0.2%	-6.9%	16		20	52.7
W 1 Comdty	Wheat	659.8	0.6%	-24.8%	627		903	46.4
Metals								
LA1 Comdty	Aluminum	1778.5	-0.3%	-5.7%	1,728		2150	46.6
HG1 Comdty	Copper	327.1	0.4%	-6.7%	302		378	49.7
GC1 Comdty	Gold	1316.8	0.7%	-23.2%	1,212		1751	48.2
SI1 Comdty	Silver	21.9	1.3%	-31.6%	19		34	49.2
Energy								
CO1 Comdty	Crude (Brent)	106.1	0.7%	-4.5%	98		119	44.9
CL1 Comdty	Crude (WTI)	94.0	0.7%	6.0%	84		111	37.4
XB1 Comdty	Gasoline	254.9	1.3%	-5.6%	252		320	41.9
NG1 Comdty	Natural Gas	3.5	0.3%	-3.9%	3.1		4.4	45.7
Indices								
CRY Index	CRB index	273.0	-0.3%	-8.1%	273		305	34.9
BDIY Index	Baltic Dry Index	1600.0	3.1%	65%	698		2146	48.4
GI1 COMB Index	GS Cmdty Index	605.4	-0.3%	-6.0%	601		681	37.8
CMDI3MO Index	Bloomberg 3M Cmdty	229.5	0.0%	-7.2%	218		253	53.1
DBLCDBAT Index	DBIQ Diversified Ag Index	205.9	0.2%	-12.2%	201		238	43.2
CMDIBASS Index	Bloomberg Base Metal	191.3	0.5%	-4.7%	179		222	50.3

Source: Bloomberg. Updated at 5:45 a.m. ET

CURRENCIES

TICKER	CURRENCY	LAST PRICE	1D %CHG	YoY %CHG	52W Min	Average Last	52W Max	1Y Z-SCORE
Americas								
ARS Curncy	Argentine Peso	5.96	0.2%	-19.9%	4.8		6.0	2.5
BRL Curncy	Brazilian Real	2.29	1.9%	-11.1%	1.9		2.5	1.4
CAD Curncy	Canadian Dollar	1.04	-0.2%	-5.0%	1.0		1.1	1.3
CLP Curncy	Chilean Peso	515.68	0.5%	-6.8%	467.1		518.5	1.9
COP Curncy	Colombian Peso	1920.01	0.9%	-4.7%	1759.0		1956.3	1.5
MXN Curncy	Mexican Peso	13.12	-0.3%	-1.2%	12.0		13.4	1.2
Europe								
GBP Curncy	British Pound	1.61	0.3%	0.6%	1.5		1.6	1.3
CZK Curncy	Czech Koruna	19.11	-0.4%	3.2%	18.6		20.3	-1.1
DKK Curncy	Danish Krone	5.52	-0.2%	5.4%	5.4		5.9	-1.8
EUR Curncy	Euro	1.35	0.2%	5.4%	1.3		1.4	1.8
HUF Curncy	Hungarian Forint	219.95	-0.3%	0.0%	211.7		238.2	-0.7
NOK Curncy	Norwegian Krone	5.97	-0.4%	-4.2%	5.5		6.3	1.0
PLN Curncy	Polish Zloty	3.09	-0.6%	4.0%	3.0		3.4	-1.5
RON Curncy	Romanian Leu	3.28	-0.5%	7.3%	3.2		3.6	-1.2
RUB Curncy	Russian Ruble	32.40	-0.5%	-3.0%	29.9		33.5	0.9
SEK Curncy	Swedish Krona	6.50	-0.4%	2.9%	6.3		6.8	-0.4
CHF Curncy	Swiss Franc	0.91	-0.2%	3.4%	0.9		1.0	-1.5
TRY Curncy	Turkish Lira	2.03	0.0%	-12.6%	1.7		2.1	2.2
UAH Curncy	Ukranian Hryvnia	8.19	-0.2%	-0.1%	8.0		8.2	1.6
Middle East & Africa								
ILS Curncy	Israeli Shekel	3.53	-0.2%	10.3%	3.5		4.0	-1.4
ZAR Curncy	S. African Rand	10.21	-0.3%	-15.5%	8.5		10.4	1.6
Asia/Pacific								
AUD Curncy	Australian Dollar	0.95	0.2%	-8.7%	0.9		1.1	-0.8
CNY Curncy	Chinese Renminbi	6.09	-0.1%	2.5%	6.1		6.3	-1.8
HKD Curncy	HK Dollar	7.75	0.0%	0.0%	7.7		7.8	-1.0
INR Curncy	Indian Rupee	62.28	1.1%	-12.6%	53.1		68.8	1.5
IDR Curncy	Indonesian Rupiah	11410.0	0.5%	-15.6%	9600.0		11649	2.8
JPY Curncy	Japanese Yen	98.60	0.1%	-18.5%	79.4		103.2	0.8
SGD Curncy	Singapore Dollar	1.24	0.0%	-1.6%	1.2		1.3	-0.1
NZD Curncy	N. Zealand Dollar	0.84	0.5%	1.7%	0.8		0.9	1.0
KRW Curncy	S. Korean Won	1060.90	0.0%	2.8%	1054.7		1161.2	-1.8
THB Curncy	Thai Baht	31.27	-0.1%	-1.7%	28.7		32.3	1.0
TWD Curncy	Taiwan Dollar	29.45	0.0%	-0.7%	28.9		30.2	-0.4
Euro Crosses								
EURGBP Curncy	Euro-Pound	0.84	-0.1%	-4.5%	0.8		0.9	-0.1
EURNOK Curncy	Euro-NOK	8.06	-0.2%	-9.1%	7.3		8.2	1.9
EURCHF Curncy	Euro-Swiss Franc	1.23	0.1%	-1.9%	1.2		1.3	0.5

KEENE'S CORNER

Robert Sinche, global strategist for Pierpont Securities, talks to Tom Keene about deflationary pressures around the world.

Q: We've seen a reversal lately in currency trends. The euro getting gobsmacked last week by news that inflation is running at just seven-tenths of a percent year over year; if you use the same kind of measurement, it is only eight-tenths of a percent in the U.S. Are we beginning to see a disinflationary trend take hold?

A: There is definitely a whiff of disinflation taking hold globally. A lot of that is driven by lower food prices, which is particularly good for emerging economies. We're seeing industrial commodity prices well behaved, energy prices obviously coming back off a little bit. So, yes, it does look as though inflation is certainly not a concern on the upside anywhere. A lot of analysts looking at the ECB and their measures of inflation are suggesting they may actually ease policy at their meeting later this week.

Q: Are you willing to bet on them easing policy at this point?

A: The ECB is not prone to surprises and I think a move at the meeting this week would be a bit of a surprise given their recent rhetoric. However, they could set the stage for some easing of policy at their December meeting.

It is an interesting time for the ECB. They're encouraged on the one hand by the economy performing a little bit better across the region. On the other hand, the inflation numbers are very low and falling further below their target range. I think they are pretty comfortable for now, but will open up the potential for a policy easing at the December meeting.

Q: So what happens in currency trading?

A: The euro is getting some pressure here. It's off against the yen, it's off against the dollar, it's off against the British pound. In general, rather than this being a dollar move, this really is a euro move. And it's a weaker euro pretty much across the board.

Q: What do these harmonized international consumer price index readings mean globally?

A: What they show is that monetary policy around the world is probably going to stay accommodative for a good deal longer. Earlier this year, as economic momentum began to pick up — a surprising momentum in the U.K., a little bit better momentum in the euro zone than maybe had been expected, and it looks like Chinese growth is stabilizing, maybe accelerating a bit into year-end — there was some concern that all that monetary accommodation might turn into higher inflation. Now that you're seeing the readings coming down, and some of the leading indicators like commodity prices and wages remaining well restrained, that takes a lot of pressure off on the inflation side.

Q: Is inflation coming down a good thing? Or is it indicative of a slowdown in real or nominal GDP?

A: It doesn't look like there is a slowing globally. Obviously the U.S. has come in a little bit weaker than people might have expected. I think the U.K. and the euro zone are probably doing a little bit better. China is stabilizing and maybe improving a little bit. Particularly this decline in food prices is going to be very important for consumers and policy makers in the emerging market countries where food is a bigger part of their consumer basket.

Q: What does Mark Carney do?

A: I don't think much. There was an expectation when he relocated from Canada to the U.K. that he would try to coalesce the Monetary Policy Committee around some further easing and more aggressive stance on policy. You have to put the U.K. at the top of the list on surprising economic performance this year. The economy has done much better than expected, particularly in the face of tightening fiscal policy. Part of that CPI measure is some tax changes, which are showing up as price increases. But in general, the economy is performing well, inflation is not that low. I think the Bank of England is just stuck on hold.

Q: Can you bring that enthusiasm over to Europe?

A: I don't think the U.K. is big enough anymore to be a driver. You're seeing the real estate market perform well; a lot of that is driven by foreign capital. You're seeing retail spending doing well; I think that is probably tourists. So I think that, in general, it is not a manufacturing global demand-led economy.

(This interview was condensed and edited.)

Today's guests:
John Sculley, former CEO of Apple; Hayley Barna & Katia Beauchamp of Birchbox; Robert Peck of Suntrust; Ellen Zentner, Morgan Stanley; Howard Lindzon of Stocktwits

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