

# Global summary

11 July 2008

Global Economics &  
Strategy Team

## Developed Markets / Global

**US: It is still the petroleum import bill.** Although the export sector is firing on all engines, we believe it will not be enough to offset the surging petro import bill in the next few months.

**UK** The Bank of England left the policy rate unchanged yesterday, but with the recession threat growing and inflation eventually likely to subside we continue to expect the next rate move to be a cut.

## EMEA

**Ukraine: Real disposable income keeps growing (+16.0% over 5M08 YoY).** Disposable income continues to show quite a healthy upward movement thanks to economic growth and the high social spending in the state budget this year.

**Ukraine: UAH/USD market rate corrected up slightly due to NBU interventions.** The FX market closed at 4.60/4.64/USD because of NBU interventions at 4.74/USD in the second half of the day.

**Israel: Central Bank boosts USD purchases, ILS slides.** The CBI surprised the markets by announcing a four-fold increase in daily USD purchases, sending the ILS as much as 5.5% weaker against the USD intraday.

**Egypt: June CPI climbs further.** June CPI accelerated further to 20.2% YoY, still chiefly driven by food prices.

**Czech Republic: Industrial production edged down in May.** Industrial production decelerated in May from 12.2% YoY to 3.4% YoY, below the 6.0% YoY broadly expected by the market.

**Poland: Market strategy.**

**Romania: June inflation inched up to 8.6%.**

**Romania: Trade balance improves in May.**

**Slovakia: June inflation in line with expectations.**

**Kazakhstan: Industrial production fell 3.8% MoM in June.** It has registered MoM falls in nearly all months in the year to date

**Emerging Markets: New Directional Economics report on emerging markets.** We suggest hard commodities may still see rising prices until the global economy shows actual weakness which is unlikely before next year.

## Closing prices

Developed markets closing prices

Emerging markets closing prices

Key external debt prices

Local markets instruments: FX and forwards

Research Analyst Contacts

## today's key snapshots

(all times GMT)

**US May Trade Balance (USD bn) (1230)**

Typically we would expect a country heading into recession to cut back on imports, however with oil prices up over 60% in the year up to May and little impact on energy demand, we predict the US trade balance to worsen.  
ING=-62.5 cons=-62.5 prev=-60.9

**US Jul P University of Michigan Confidence (1400)**

Rising energy prices, increasing unemployment and falling asset prices are all likely to lead towards a further decline in consumer confidence.  
ING=56.0 cons=55.5 prev=56.4

# Developed Markets / Global

## US

### It is still the petroleum import bill

**Although the export sector is firing on all engines, we believe it will not be enough to offset the surging petro import bill in the next few months.**

An economy in, or skirting, a recession usually sees a sharp pullback in imports as consumers and producers cut back on spending, both domestically and abroad. During the 2001 recession import growth dropped from 18% YoY in 2000 to -5% the next year. The same happened during the 1991 slump (though by not as much). This time is different though. Up till now, US imports have been growing very strongly, despite consumers struggling with falling house prices and a deteriorating labour market. In the first four months of 2008, the value of US imports rose on average 12% YoY, up from 6% in 2007. The reason for the acceleration speaks for itself. A continuous string of record high oil prices has resulted in petroleum import prices rising over 60% in the year up to May. In spite of the oil prices, demand for energy has hardly showed any adjustment with the rise in the number of imported barrels at best levelling off. Consumers could easily scale back their use of energy, at least to some degree, but it is the companies – the biggest energy consumers – that are having the biggest problems adjusting their demand. Their stock of capital goods is built to use energy in fixed proportions. Short-term adjustments are therefore difficult.

Oil prices usually feed through into the import bill with a lag of about a month. So it was the March price jump of 10% that pushed the US petroleum import bill to a new record high of US\$39bn in April. Since then oil prices have, however, soared another 30%! Against this backdrop expecting a narrowing of the US trade balance is not on the cards. Although the export sector is performing well, posting record after record, foreign demand needs to rise 15% in the next three months to offset the effect of rising oil prices. Of course anything is possible, but since 1990 exports have never performed that well. The best three-month period was September-November 2003, when exports rose 8%, but that is only half of what is now needed. Our forecast for the May US trade balance is -US\$63.0bn (slightly worse than our previous estimate of -US\$62.5bn. Consensus: -US\$62.5. April: -US\$60.9bn).

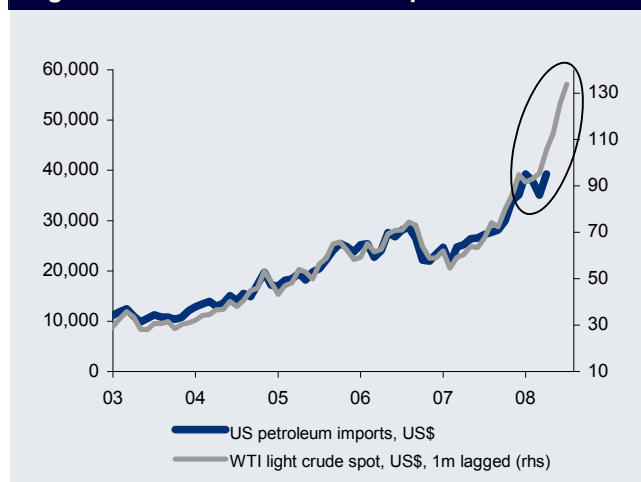
With the tax rebates rippling through the economy in 2Q/3Q08 (note the stronger-than-expected retail sales) there is another factor potentially pushing up imports in the short term. Note too that outside petroleum, import prices are rising fast as well. In May, non-petroleum prices rose 6.5% YoY, which is more than double the pace in 4Q07. Sticky demand means this will also boost the value of US imports in the short run. However, while we know the tax effect will wear off later in the year, import prices remain a wildcard, potentially keeping the US trade gap on a widening trajectory for longer.

**Fig 1 Soaring exports, declining core imports**



Source: EcoWin, ING

**Fig 2 The imminent rise of the petro-bill**



Source: EcoWin

**Investment implications: a widening of the US trade deficit – usually a signal of healthy domestic demand – should not lead attention away from the weak state the US economy is in.**

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**UK**

**The Bank of England left the policy rate unchanged yesterday, but with the recession threat growing and inflation eventually likely to subside we continue to expect the next rate move to be a cut.**

The Bank of England (BoE) left the bank rate unchanged at 5% yesterday. As is usual with such an outcome there was no statement accompanying the decision. It is likely that David Blanchflower again went for a rate cut based on the growing threat of recession, but for the rest of the committee the elevated inflation readings are likely to have been more than enough for them to vote for stable rates.

We suspect that rates will remain on hold until year-end. Rising food and energy costs continue to push CPI higher and we believe this process could last for several months with utility providers warning that the cost of gas means that they are likely to have to put up prices by around 40% from current levels. Consequently, we do not see inflation peaking until 4Q08 with CPI likely to hit 4.5% – more than double the official target rate. With the BoE worried about a potential wage-price spiral developing, this suggests that the scope for monetary policy easing is limited.

However, the growth outlook is looking increasingly grim. The household sector is particularly vulnerable with real wages growth still negative, unemployment rising for four consecutive months, borrowing rates rising, house prices falling 8% and equity markets now down heavily as well. At the same time household purchasing power is being eroded by rising food and fuel costs and by a plunge in housing equity withdrawal. Unfortunately, key lead surveys such as purchasing managers' indices suggest that economic weakness is broadening out and that the plunge in sterling is failing to provide significant support to growth.

We suspect that commodity price appreciation will slow in response to a global downturn and the weak domestic growth environment will constrain corporate pricing power. Consequently, lower inflation will allow the BoE to respond to the recession threat in early 2009 with rates set to be cut aggressively towards 3.5% by mid-year, in our view.

***Investment implications: Eurosterling futures. Spot 3M = 5.841%. BUY Jun 09 contract @ 94.280***

***James Knightley, London (44 20) 7767 6614***

# EMEA

## Ukraine

### **Real disposable income keeps growing (+16.0% over 5M08 YoY)**

Disposable income continues to show quite a healthy upward movement (+45.6% over 5M08 YoY) thanks to economic growth and the high social spending in the state budget this year. However, real disposable income growth is 16.0% YTD in YoY terms due to high inflation.

The State Statistics Committee reported UAH226.2m (US\$45.2m) for disposable income over January-May 2008, which translates into a 45.6% YoY growth in nominal terms. Thus real economic growth and budgetary social spending support population income at quite a high level. However a large portion of this growth is deteriorated in real terms due to the high consumer inflation. Real disposable income grew over 5M08 by 16.0% YoY compared to 4M08 growth of 17.7% YoY. Because the lion's share of the population's income goes to current consumption, we believe that it could be a major driving factor for GDP growth this year. We maintain our forecast for real disposable income growth at 11.5% over 2008 because of the high inflation effect. Recent governmental plans to amend the state budget and direct additional expenditures into the social sphere would support the trend.

***Investment implications: Such real disposable income growth in a highly inflationary environment is a good support for further economic growth until year-end.***

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### **UAH/USD market rate corrected up slightly due to NBU interventions**

The FX market closed at 4.60/4.64/USD because of NBU interventions at 4.74/USD in the second half of the day.

The FX market stabilised at 4.570/4.605/USD during the first half of the day yesterday following an absence of interventions by the NBU during the last two days. However, the National Bank decided to support the exchange rate slightly and to move it closer to the currency band through taking bids at 4.74/USD in the second half of the day. This immediately corrected the spot rate to 4.65/4.74/USD. However possible unsatisfied demand moved the rate down ending the day at 4.60/4.64/USD, moving the rate closer to the lower limit of the currency band. Another probable factor influencing the National Bank's purchase of excessive US dollar supply yesterday was seasonal growth in demand for UAH in the money market because of the reserve period for Ukrainian banks.

***Investment implications: Though the National Bank wants to support the exchange rate on the market, its irregular interventions with unknown parameters do not add stability, in our view. In any case we still see the spot level at 4.55-4.59/USD as a likely indicator of possible interventions by the NBU on the FX market.***

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## Israel

### **Central Bank boosts USD purchases, ILS slides**

The CBI surprised the markets by announcing a four-fold increase in daily USD purchases, sending the ILS as much as 5.5% weaker against the USD intraday. This, in our view, reflects the current dilemma of mitigating inflationary pressures and ensuring the US slowdown does not weigh too much on the Israeli economy.

The Central Bank of Israel announced yesterday it would increase its daily USD purchases from US\$25m (part of a plan announced in March to increase foreign exchange reserves to US\$35-40bn within two years) to US\$100m, on current market conditions and the cumulative and rapid change in the ILS. This decision surprised the markets, which sent the ILS 5.5% weaker intra-session vs the USD, moments after the currency hit an 11-year low at 3.2025.

The CBI's move may appear contradictory with its recent efforts to mitigate inflationary pressures (with the 50bp hike delivered in 2Q08) while CPI is above target (at 5.4% YoY in May) and unlikely to return within the 1-3% range before 2H09. **However, it fits with the recurrent concerns of the authorities on the expected negative impact of the US growth slowdown on the Israeli economy (which has justified, arguably erroneously, the 100bp in cuts delivered in 1Q08) and exporters' struggles.**

The decision to pro-actively weaken the ILS (a four-fold increase in USD purchases is a substantial statement) **may also suggest that monetary tightening is not over yet.**

A critical inflationary risk (as 'stickier' in the medium term) for Israel has indeed built up recently. Looking at the latest inflation data, it appears that the services component has accelerated noticeably, from 0.2% YoY on average in 2007 to 3.4% YoY in May-08. Even if food and fuel remain the main inflationary drivers in Israel, services prices are confirming secondary effects from high commodities prices. Against this threat, the interest rate tool is critical – and with the negative real interest rate currently, the room to tighten further is significant. Since prospects of additional rate hikes would, however, heighten the attractiveness of the ILS vs USD, and further dampen export competitiveness amidst the deteriorating exports market outlook, the decision to pro-actively weaken the ILS may appear reasonable. After all, with the ILS is at its strongest vs the USD for 11 years and vs the EUR for 5 years, one may assume that the exchange rate's 'anti-inflationary' tool is currently already working at full capacity and if a moderation in imported prices has not materialised yet, it may be a matter of months. Accordingly, letting the currency weaken vs the USD/EUR by 5-10% is unlikely to challenge the "tightening" accumulated over the past months from exchange rate strength.

***Investment implications: The CBI's decision is a strong statement, in our view, hiding the need to hike interest rates further without dampening export competitiveness too much. Accordingly, we continue to expect another 25bp hike in August to bring the base rate to 4.00%. On the currency front, the CBI's decision is also comforting for our view that the 3.20-3.30 range is a floor on the USDILS cross for this year, but we doubt this will trigger a dramatic ILS weakening trend in the short term, owing to the persistent USD weakening risk.***

Dorothee Gasser-Châteauvieux, London (44 20) 7767 6023

## Egypt

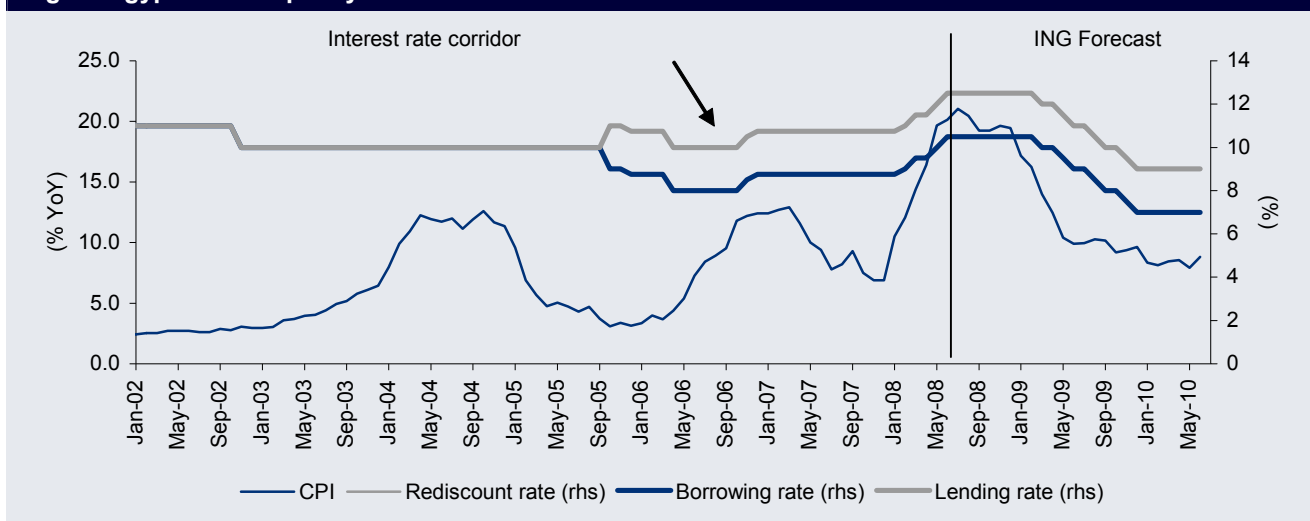
### June CPI climbs further

June CPI accelerated further to 20.2% YoY, still chiefly driven by food prices. As we believe the CPI peak is still ahead (for Jul-Aug), additional rate hikes by the CBE in August cannot be excluded, but given their limited monetary tightening efficiency and their potential costs for the government's borrowing, we continue to believe that the odds are tilting in favour of a pause next month.

June CPI accelerated further, to reach 20.2% YoY from 19.7% YoY the previous month. The 0.6% MoM pickup was again chiefly due to food prices, up 0.8% MoM. The remaining price pressures were concentrated on the leisure/entertainment component (+9.0% MoM). Looking at the past six months of inflation data, it appears that food accounted for two-thirds of the YoY 16% pick-up (Jan-Jun average). The next main inflationary sector was education (accounting for 9% of the CPI 1H08 average reading). Worryingly, however, all subcomponents of the CPI index showed substantial increases: 36% YoY for hotel/restaurants, 10% for transport, leisure/entertainment, miscellaneous goods and services, health. Only communication and clothing/footwear prices seemed to have behaved more mildly: up 5% YoY "only" in 1H08. This suggests that the exogenous food and fuel shocks suffered by Egypt since mid-2007 have generated significant second-round effects.

Unfortunately, with less than 10% of the population having a bank account, the interest rate channel is inefficient to mitigate those pressures, and given political tensions, the fiscal tool is unlikely to be used either (with the violent demonstrations in the past six months). Accordingly, **the EGP remains the only tool left for the Egyptian authorities to tackle price pressures.** With base effects set to push the CPI higher over Jul-Aug (to 21.5-22% in our view), and heavy prices pressure at the factory doors still to be passed on to end-consumers, **the short-term outlook for the EGP remains one of strength vs the USD (ie trading in the 5.30-5.40 range).** However, we doubt this strategy will be sustainable in the medium term, given the risks to export competitiveness it would entail (especially when the EUR weakens more decidedly vs the USD, which we expect in 4Q08).

**Fig 3 Egypt CPI and policy rates**



Source: CAPMAS, ING estimates

**Investment implications: Further acceleration in inflation is unlikely to brighten foreign investors' mood towards Egypt, especially after May's cold shower with the government's decision to tax T-bills and T-bonds. The inflation backdrop is, however, still favourable for the EGP vs USD in the short term (5.30-5.40 trading range to hold). Policy rates (10.5-12.5%) may be hiked further in August (50bp), but we see this scenario weakening given the risks to borrowing costs.**

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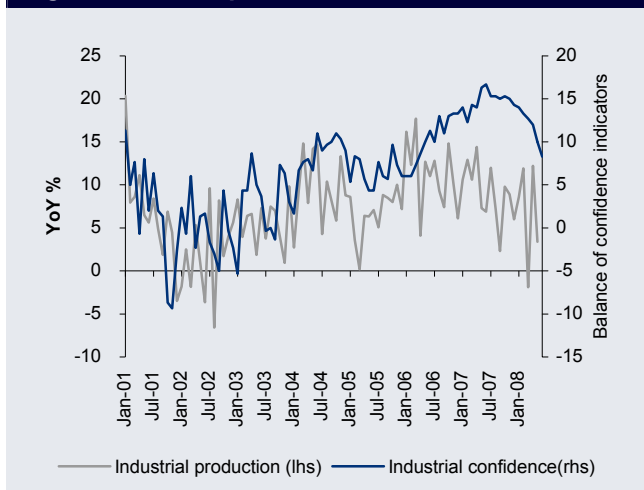
## Czech Republic

### Industrial production edged down in May

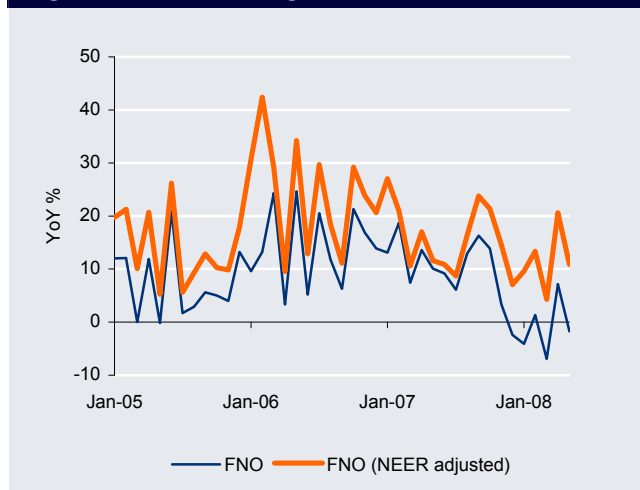
Industrial production decelerated in May from 12.2% YoY to 3.4% YoY, below the 6.0% YoY broadly expected by the market.

The results for May were partly affected by the number of working days (one day less than in the same month last year). Industrial growth remained robust in traditional sectors, such as electrical/optical equipment, machinery and vehicles. On the contrary, a YoY decrease (and main negative contribution to the overall growth) was recorded in the manufacture of foodstuffs, as well as in textile production.

Monthly industrial growth figures have been quite volatile during past months and thus it is hard to identify a significant trend. However, a few important facts are worth mentioning. First, the growth divergence among particular industrial branches likely reflects the different ways they are able to cope with the ongoing currency strengthening. While industrial sectors with a larger share of imported semi-products and more intensive exchange-rate hedging (such as the electronics and automotive industry) have remained in relatively good shape, the sharp decline in export prices due to the stronger koruna has been weighting on the low-tech and labour-intensive sectors (such as a textile production). In addition, industrial new orders declined in May by 4% YoY, mainly due to a decline in foreign new orders, which is likely reflecting the weakening demand in Western Europe. Moreover, the gap between the pace of hourly earnings and productivity remained positive in May (13.3% YoY vs 7.4% YoY), which together with the employment in industry increasing further by 1.9% YoY indicates the conditions in the labour market likely remained tight.

**Fig 4 Industrial production**

Source: Czech Statistical Office

**Fig 5 Industrial foreign new orders**

Source: Czech Statistical Office

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## Poland

### Market strategy

The recent rally brought €/PLN closer to our target at 3.10 in Dec-08. The carry and Slovakia's experience in the ERM-2 call for further strengthening. The fundamental models also point to some space for appreciation (PPP at 3.13/€ compared to prices in region).

In the short term, the recent rally may stop at 3.25 and the pair may revert to 3.30, but then strengthening should resume. Foreign players should still explore carry opportunity, as this is one of the best-performing asset classes in 2008. Also breaking historical levels is stripping exporters of most of their barrier options and they are being forced to sell exposure in euro again.

We see a reversal in 2Q09, when expectations for a recovery in the US may attract money to other asset classes.

**Investment implication: The rally may stop at 3.25 and pair may revert to 3.30, but then strengthening should resume. We stick to our target for 3.10/EUR in Dec-08.**

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## Romania

### June inflation inched up to 8.6%

The figure was below our forecast (8.7%), but in line with market consensus.

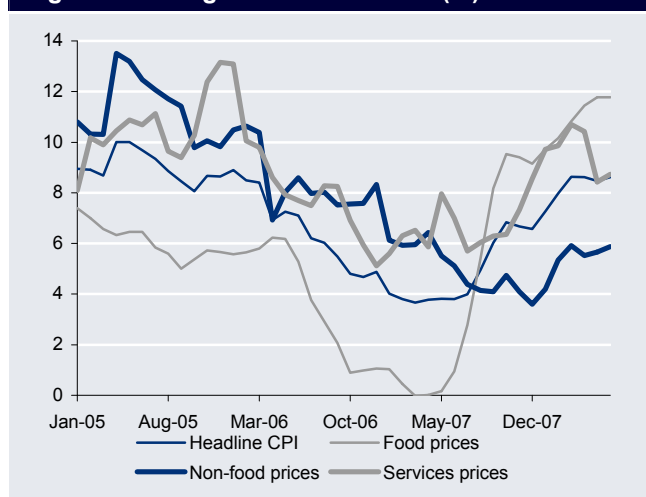
The annual rate of inflation for June came in at 8.6% YoY, in line with market consensus and slightly below our forecast of 8.7%. This, along with the RON appreciating against the EUR recently, leads us to maintain the view that the NBR will keep rates on hold on 31 July, but will compensate the likely decision with administrative measures on FX lending.

The main explanation for the slight deviation of our forecast from the actual number is because food prices remained at 11.8% vs our forecast of a slight acceleration to 12% YoY. Going forward, we expect a favourable impact from food prices (especially vegetables and fruit) on headline CPI. Nevertheless, it will only become evident starting with August inflation as we expect a temporary jump in July's annual rate to 9.4% YoY (because of hikes in energy prices and excise taxes on cigarettes). It is important to highlight that we do not see most food prices falling (quite the contrary, actually) because of buoyant global commodity prices and their tradability characteristic. However, there are reasons to expect deflation on vegetables and fruit as they are mostly perishable; items like sunflower oil that increased by 81% YoY are also likely to see a reversal in the trend in the following months.

As for the other CPI components, non-food prices increased from 5.7% to 5.9% YoY in June. At the same time, services prices also registered a mild increase from 8.4% to 8.7% YoY.

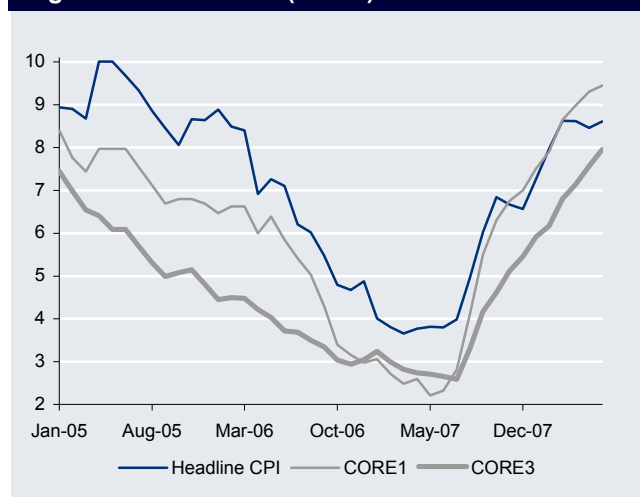
Regarding the core measures of inflation, they all continued to increase. CORE1 inflation (excluding regulated prices) rose from 9.4% to 9.5% YoY staying above headline CPI for the fourth consecutive month. CORE2 inflation (excluding vegetables, fruit, eggs and fuel prices from CORE1) climbed to 8.1% from 7.7% YoY in May. In addition, CORE3 (excluding from CORE2 alcohol beverages and tobacco products) increased from 7.6% to 8% YoY in June. Rising core measures of inflation (which is not looking good for monetary policy decision makers given the strong excess demand), are likely to fall considerably once food prices slow down (food items – excluding vegetables, fruits and eggs – account for about 50% of the CORE2 measure).

**Fig 1 Annual growth rates of CPI (%)**



Source: NIS, ING estimates

**Fig 2 Core inflation (%YoY)**



Source: NIS, ING estimates

We maintain our year-end inflation forecast at 6.5% YoY taking into account the likely easing in food prices and the considerable base effect starting with August. Also, since the NBR already took into account inflation above 9% in July at the 26 June meeting (when they hiked by 25bp to 10%), it is likely they will keep the key policy rate on hold in 2008.

**Investment implications: In our view, 10% represents a peak in the key policy rate in 2008. Falling inflation rates will automatically lead to increased restrictiveness for monetary policy.**

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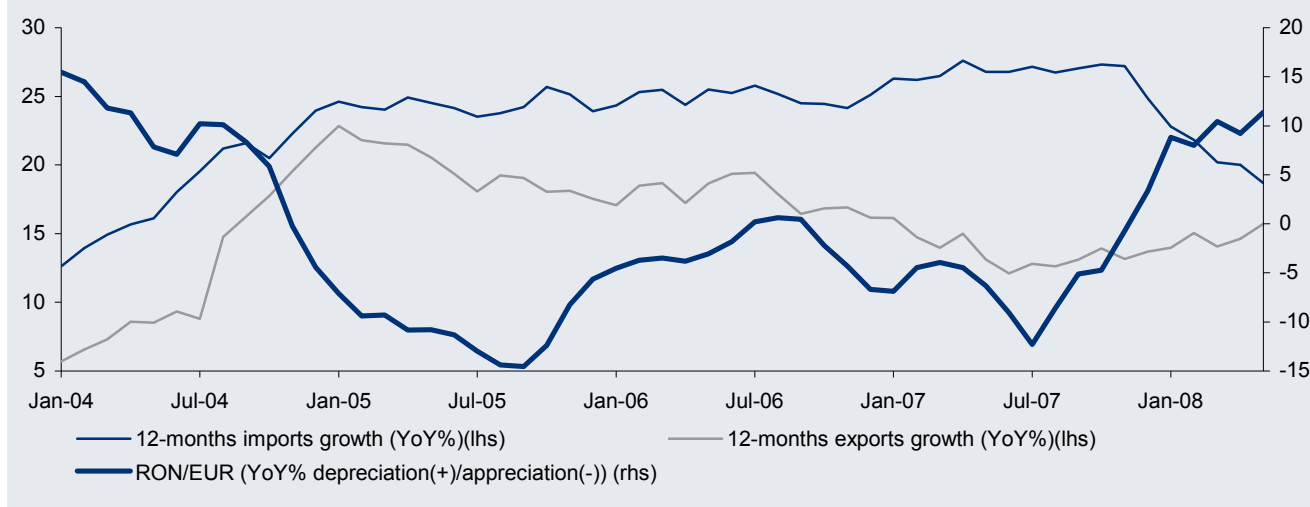
## Trade balance improves in May

Although we were looking for a widening in the trade deficit, it actually narrowed for the first time in more than a year.

The 12-month rolling trade deficit (FOB/CIF) narrowed from €22.5bn in April to €22.3bn. In terms of growth rates, the trade deficit decelerated in May to 23.1% YoY compared to 28.3% in April. Our forecast error came from the bearish exports growth that we had pencilled in, which was in line with the weak industrial output in Romania and in the region.

In our view, the narrowing is a temporary phenomenon and we remain negative on future trade balance developments as it is very hard to imagine that the consumption acceleration along with brisk investment dynamics will not lead to a recovery on import growth rates.

In addition, as can be seen in the below graph, the exchange rate depreciation clearly contributed to the trade balance improvement, though we admit it was not the only factor. The imports growth rate seems to be the most affected, but we have to stress that import dynamics at the beginning of 2008 was also influenced by a methodology change.

**Fig 6 Trade balance developments**

Source: NIS, NBR, ING estimates

**Investment implications: It is too early to conclude that the trade balance will improve. We remain bearish on future developments and see risks for RON depreciation.**

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## Slovakia

### June inflation in line with expectations

June inflation (national measure) was up 4.6% YoY, after recording the same dynamics in May. The figure was in line with both market consensus and our forecast at 4.6% YoY. Looking at the breakdown, inflation is still driven mainly by exogenous factors (food, energy). As we expected, food prices accelerated further to 11.1% YoY (vs our forecast at 11.2%) from 10.1% a month ago, while fuel prices witnessed 12.0% YoY from 10.7% in May.

Underlying inflation (ex-fuel/imputed rents net inflation) has gradually increased, after bottoming at 0.9% YoY in August 2007. In June, the figure stagnated at 1.7% YoY. In our view, underlying inflation could increase somewhat through the end of the year even if the risks of second-round effects from high energy prices should be restrained by the disinflationary effect from a strong koruna.

In the upcoming months, we expect inflation to rise to 4.7-4.8% YoY, driven mainly by likely increases of regulated heating and gas prices as well as the expected rise of prices of cigarettes (due to a tax hike). However, inflation could start to ease in November-December, assuming an improvement in food inflation in 4Q08, and could reach 4.3% YoY by the end of the year. There still could be upside risks on the side of oil prices.

**Investment implications: Inflation could accelerate in upcoming months before starting to ease going into next year (assuming stable oil prices and a deceleration in food inflation in 4Q08).**

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## Kazakhstan

### Industrial production fell 3.8% MoM in June

It has registered MoM falls in nearly all months in the year to date

According to the data released by the Statistics Office, industrial production continued to shrink in MoM terms in June, and was up 4.0% YoY. In the whole of 1H, it was 3.8% higher than in the same period of 2007. The industrial production index shrank in all months of this year to date except for March. The June statistics show that both mineral extraction and manufacturing fell in MoM terms (by 4.1% and 2.1%, respectively), while production and distribution of water, electricity and

gas was down 9.3% from its level in May. The IP data for the recent months point at the weakness of domestic demand, which we think may protract into 2009. In the first quarter of 2008, the economy expanded by 6% according to the official statistics, but we believe that growth should slow down markedly in subsequent quarters.

**Investment implications: We believe that sky-high hydrocarbons should save the economy from falling into recession, and expect growth of around 4% despite the poor performance of consumer-oriented sectors. We do not expect a quick recovery in construction and the banking sector, which will probably drag on growth in the near term.**

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## Emerging Markets

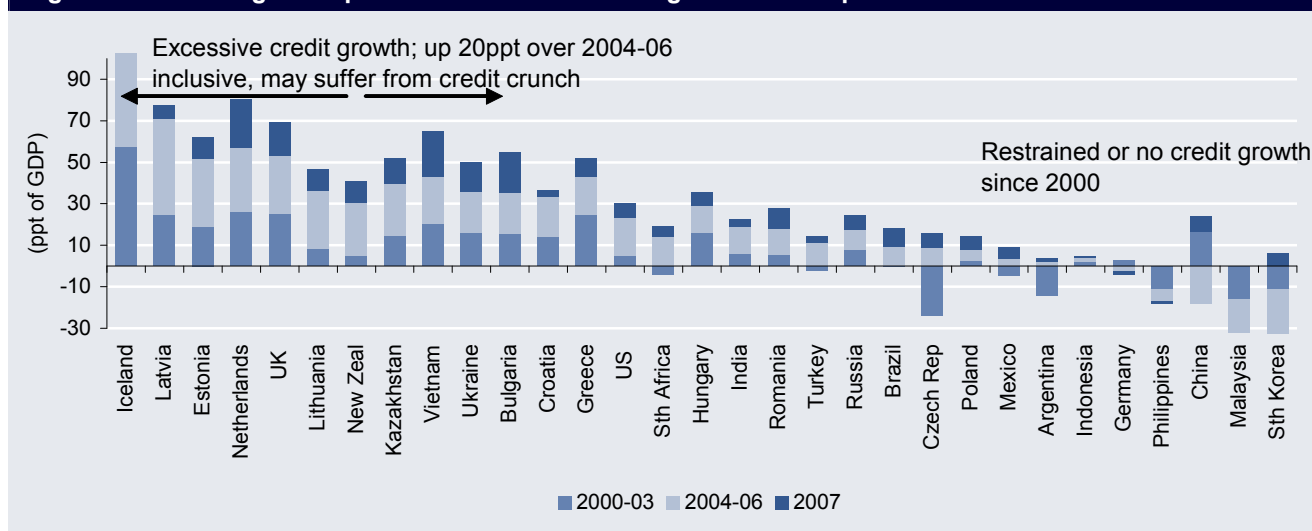
### New Directional Economics report on emerging markets

We suggest hard commodities may still see rising prices until the global economy shows actual weakness which is unlikely before next year. Food prices might start falling as soon as August. The carry trade has legs, but is vulnerable to possible 4Q08 market sell-off.

Our latest EM report focuses on commodities. World demand exceeded cheap supply in 2004 and it will take a significant global slowdown to stop oil and other hard commodities rising further. That slowdown is unlikely before 2009 – Eurozone import growth alone is running at US\$364bn over the past year. The 1980s precedent suggests oil only dropping by 13% annually after exceeding US\$150/bbl later this year - good news for Russia and the Gulf but problematic for Turkey and some of Asia.

More bullish for all is that inflation could be at a turning point due to anticipated record wheat harvests globally. Also broadly positive is our credit crunch analysis. One key chart shows that the most vulnerable EM countries have already fallen, and while a few others might follow, the major EM countries seem largely unaffected.

Fig 7 Total lending to corporates/households - change in stock as pct of GDP



Source: IMF

This is generally good for the carry trade, for which the greatest risk may be a generalised market sell-off. This still seems a real threat for 4Q08.

Hard copies are due by Wednesday 16<sup>th</sup> July.

**Investment implications: The coming two months suggest plenty of opportunities in the carry trade, Russia looks healthy from most perspectives for now, but the fourth quarter carries market risk.**

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# Closing prices

## Developed markets closing prices

Cash Market	Last	Chg DoD bp	Chg WoW bp	Yield curves/ swap spreads	Last	Chg DoD bp	Chg WoW bp	Chg MoM bp	Swap Spd bp	Chg DoD bp		
US	1-mth	2.459	0.0	-0.4	US	2yr govt	2.377	-0.9	-19.9	-54.4	94.5	-0.3
	3-mth	2.792	0.2	0.1		5yr govt	3.074	-0.7	-22.2	-48.8	95.5	-0.6
	6-mth	3.113	1.6	-2.1		10yr govt	3.817	0.6	-14.1	-28.6	72.3	-0.3
	12-mth	3.249	2.6	-9.6		10s-2s (bp)	144	145	151	177		
EU12	1-mth	4.470	-0.1	2.3	EU12	2yr govt	4.419	2.2	-21.4	-27.0	71.4	-1.2
	3-mth	4.962	0.0	0.6		5yr govt	4.410	1.6	-27.1	-13.1	52.0	0.5
	6-mth	5.145	0.5	-0.8		10yr govt	4.413	0.0	-24.0	-7.8	46.5	1.0
	12-mth	5.396	1.7	-2.1		10s-2s (bp)	-1	-3	-5	14		
UK	1-mth	5.448	-0.3	-3.9	UK	2yr govt	4.901	0.3	-26.1	-49.1	104.8	0.1
	3-mth	5.850	-0.9	-8.2		5yr govt	4.857	-0.6	-26.8	-41.1	90.3	0.1
	6-mth	6.055	-0.4	-9.5		10yr govt	4.885	-2.1	-24.1	-25.8	56.5	0.0
	12-mth	6.315	0.3	-11.6		10s-2s (bp)	-2	-4	-2	21		
Japan	1-mth	0.926	-0.1	-0.4	Japan	2yr govt	0.780	-3.5	-6.9	-16.9	40.3	0.0
	3-mth	0.704	0.0	0.0		5yr govt	1.150	-4.5	-11.0	-27.7	26.9	0.0
	6-mth	1.037	0.0	-0.6		10yr govt	1.580	-4.0	-8.5	-22.9	20.5	0.0
	12-mth	1.161	0.1	-0.3		10s-2s (bp)	80	80	78	72		
Canada	1-mth	3.197	0.2	-0.3	Canada	2yr govt	3.188	-1.1	-4.7	11.9	42.5	0.0
	3-mth	3.432	-1.8	-2.0		5yr govt	3.402	-1.3	-5.6	5.7	54.3	0.3
	6-mth	3.580	0.0	-1.8		10yr govt	3.687	-0.6	-6.5	-2.3	54.5	-0.5
	12-mth	3.992	-0.7	-3.5		10s-2s (bp)	50	50	49	34		

Spot FX	Last	Abs chg DoD	Abs chg WoW	Abs chg MoM	Market forwards			
					1mth	3mth	6mth	12m
EUR/USD	1.5725	-0.0019	0.0022	0.0258	1.5700	1.5650	1.5578	1.5443
USD/JPY	106.96	0.20	0.23	-0.47	106.77	106.41	105.81	104.70
EUR/JPY	168.17	0.12	0.57	2.00	167.61	166.51	164.80	161.67
GBP/USD	1.9788	-0.0045	-0.0046	0.0243	1.9742	1.9653	1.9525	1.9286
EUR/GBP	0.7947	0.0008	0.0029	0.0032	0.7952	0.7963	0.7978	0.8009
EUR/SEK	9.4536	-0.0038	0.0418	0.0826	9.4546	9.4574	9.4672	9.4921
EUR/NOK	8.0525	0.0007	0.0585	0.0549	8.0631	8.0853	8.1204	8.1834
EUR/CHF	1.6192	0.0005	0.0075	0.0076	1.6161	1.6103	1.6014	1.5861
USD/CAD	1.0123	0.0007	-0.0057	-0.0099	1.0127	1.0133	1.0142	1.0163
AUD/USD	0.9604	0.0034	0.0001	0.0143	0.9565	0.9490	0.9379	0.9163
NZD/USD	0.7569	-0.0012	0.0003	0.0041	0.7532	0.7463	0.7368	0.7207

Equity markets	Last	% chg DoD	% chg WoW	% chg MoM	Commodity markets	Last	% chg DoD	% chg WoW	% chg MoM	
US	Dow Jones	11147	-2.1	-2.1	-9.3	Brent Crude (bbl)	136.2	0.3	-5.6	1.5
	S&P 500	1245	-2.3	-3.1	-8.4	Brent 1mth fwd (bbl)	136.4	-0.2	-6.6	1.5
	Nasdaq	2235	-2.6	-3.0	-8.7	WTI (bbl)	136.1	0.0	-3.5	1.3
EU	Eurotop 300	1181	1.7	1.1	-7.1	OPEC basket (bbl)	135.2	-2.3	-1.3	7.2
	DAX	6386	1.3	1.3	-5.7	Base metals*	240.5	-2.3	-2.8	1.7
	CAC	4340	1.5	1.0	-8.9	Gold (oz)	928.6	0.0	-0.6	7.1
	Milan MIB30	29849	1.5	-0.9	-8.0	Precious metals*	376.6	0.9	-4.3	-1.5
UK	FTSE 100	5530	1.6	1.9	-5.1	Food & fibre*	179.2	-0.5	-3.3	7.1
	FTSE all-share	2790	1.7	1.5	-5.9					
Japan	Nikkei 225	13087	0.3	-1.3	-6.7					
	Topix	1293	0.6	-0.4	-6.5					

\*Bloomberg index

Source: Bloomberg

## Emerging markets closing prices

### Key external debt prices

Country	Benchmark asset	Moody's/S&P	Price		Price support				Spread (bp)		YTM (%)	Total return (%)		
			Close	ΔDoD	II	I	I	II	Close	ΔDoD		close	DoD	WoW
<b>USD denominated</b>														
Argentina	Discount '33	N/R/B+	74.20	-1.06	71.25	73.95	82.05	79.35	686	18	11.20	-1.23	-0.79	-18.88
Brazil	Rep 11% '40	Ba1/BBB-	131.88	-0.15	128.74	130.56	136.02	134.20	195	7	5.50	-0.06	0.12	2.19
Belize	Rep Step-up '29	Caa1/B	66.80	0.00	63.51	65.56	73.74	71.69	770	4	11.86	0.02	-5.18	-5.01
Bulgaria	Rep 8.25% '15	Baa3/BBB+	115.17	0.17	113.02	114.65	117.89	116.27	196	2	5.45	0.11	0.71	-1.75
Chile	Rep 5.5% '13	A2/A+	103.89	-0.17	102.67	103.61	104.55	105.49	135	9	4.53	-0.14	0.49	-0.22
China	Rep 4.75% '13	A1/A	100.60	0.03	99.90	100.58	101.27	101.95	130	5	4.62	0.03	0.32	2.04
Colombia	Rep 7.375% '17	Ba1/BBB-	109.70	-0.05	107.99	109.69	113.09	111.39	221	5	5.91	-0.02	0.49	-0.46
Costa Rica	Rep 6.548% '14	Ba1/BB+	102.03	0.00	100.99	101.97	104.90	103.93	274	5	6.12	0.01	-0.07	2.35
Dom Rep	Rep 9.04% '18	B2/B+/*-	102.00	-0.13	99.55	101.72	108.23	106.06	508	7	8.65	-0.08	-0.58	-1.87
Ecuador	Rep 9.375% '15	B3/B-	100.17	0.42	97.38	99.29	106.95	105.04	575	-3	9.34	0.36	-1.84	3.04
Egypt	Rep 8.75% '11	Ba1/BB+	108.63	-0.17	107.14	108.35	111.96	110.76	273	12	5.57	-0.05	0.07	-1.60
El Salv	Rep '23 (put '13)	Baa3/BBB+	108.19	0.06	104.74	106.48	113.45	111.71	275	4	6.85	0.06	-0.06	-2.74
Fiji	Rep 6.875% '11	Ba2/B	95.32	0.13	94.04	95.16	97.42	96.29	570	1	8.59	0.14	0.28	-1.38
Gabon	Rep 8.2% '17	N/R/BB-	103.03	-0.39	101.64	102.98	107.01	105.66	396	10	7.74	-0.34	0.20	4.02
Georgia	Rep 7.5% '13	N/R/B+	100.00	0.01	95.46	97.89	102.74	100.31	427	5	7.50	0.03	0.66	
Ghana	Rep 12% Apr 17	N/R/B+	100.35	-0.05	97.90	99.35	105.16	103.71	468	5	8.44	-0.02	-0.36	0.61
Guatemala	Rep 9.25% '13	Ba2/BB	114.56	0.20	113.07	113.86	116.23	115.44	260	1	5.87	0.15	0.41	-0.35
Hungary	Rep 4.75% '15	A2/BBB+	97.29	-1.83	95.99	96.95	98.89	97.92	176	38	5.24	-1.61	0.60	-2.12
Hong Kong	SAR 5.125% '14	Aa2/AA	102.16	0.41	100.48	101.72	102.96	104.20	129	-3	4.71	0.36	0.62	-0.29
Indonesia	Rep 6.875% '18	Ba3/BB-	94.93	0.41	90.44	93.38	102.20	99.26	385	-2	7.64	0.37	0.66	
Iraq	Rep 5.8% '28	N/R/N/R	74.25	0.25	71.02	72.79	74.56	76.33	473	0	8.88	0.28	2.38	13.58
Jamaica	Rep 10.625% '17	B1/B	114.00	0.14	110.35	113.02	121.05	118.37	463	3	8.37	0.11	-0.03	-3.67
Kazakhstan	DBKaz 6.5% '20	A2/BBB-	89.08	0.23	87.55	88.69	89.83	90.97	398	1	7.94	0.24	3.69	-0.09
Korea	Rep 5.125% '16	A2/A	99.91	-0.48	98.00	99.87	101.75	103.63	145	12	5.14	-0.43	0.93	2.81
Lebanon	Rep 4% '17	N/R/CCC+	81.75	-0.44	80.78	81.62	82.45	83.29	562	19	8.88	-0.44	-0.51	3.05
Malaysia	Rep 5.625% '16	A3/A-	103.33	0.50	101.34	102.54	104.96	103.75	148	-3	5.09	0.46	0.69	-0.32
Mexico	UMS 5.625% '17	Baa1/BBB+	100.88	0.20	97.17	99.08	104.81	102.90	180	2	5.49	0.18	0.68	-0.49
Pakistan	Rep 6.875% '17	B2/B	72.90	-8.60	64.47	69.67	85.28	80.08	817	187	11.90	-9.66	0.67	-20.41
Panama	Rep 7.25% '15	Ba1/BB+	108.10	-0.01	106.01	107.25	110.97	109.73	226	5	5.77	0.01	0.85	-1.54
Peru	Rep 8.375% '16	Ba2/BB+	116.73	-0.51	112.65	114.83	121.37	119.19	206	12	5.69	-0.31	0.56	2.37
Philippines	Rep 9.875% '19	B1/BB-	110.69	0.09	106.62	109.71	118.98	115.89	334	3	7.01	0.08	-0.13	-1.85
Poland	Rep 5% '15	A2/A-	101.69	0.31	99.88	101.18	102.47	103.77	115	0	4.72	0.28	1.24	2.25
Russia	Rep 5.00% '30	Baa2/*+/BBB+	113.13	0.13	111.67	112.70	114.78	113.74	178	3	5.53	0.11	0.86	2.16
S Africa	Rep 8.5% '17	Baa1/BBB+	114.15	0.38	111.97	113.36	117.52	116.13	266	-1	6.40	0.27	0.31	-1.55
Serbia	Rep 3.75% '24	N/R/BB-	91.88	0.08	90.59	91.29	93.37	92.67	373	3	7.47	0.09	-0.04	1.20
Seychelles	Rep 11% '12	N/R/B	95.33	0.01	94.22	95.03	96.67	95.85	797	6	10.87	0.03	0.57	-3.06
Sri Lanka	Rep 9.125% '11	N/R/B+	91.16	-0.25	90.46	91.00	92.06	91.53	774	13	10.88	-0.23	0.17	-8.37
Trin&Tob	Rep 9.75% '20	Baa1/A-	131.00	0.00	128.71	130.71	134.70	132.70	211	4	6.07	0.02	0.88	-1.93
Tunisia	Rep 7.375% '12	Baa2/BBB	105.75	0.00	103.09	104.80	109.92	108.21	262	5	5.66	0.01	0.10	0.21
Turkey	Rep 7% '16	Ba3/BB-	97.83	0.53	94.59	97.30	102.71	100.01	369	-4	7.35	0.52	2.22	-7.07
UAE	A Dhabi 14.5% '09	Aa2/AA	103.64	0.26	99.70	96.38	123.05	149.73	141	-2	4.50	0.26	0.71	0.63
Ukraine	Rep 6.58% '16	B1/*+/B+	90.12	0.54	82.56	86.53	98.44	94.47	455	-5	8.24	0.56	1.70	-5.25
Uruguay	Rep 7.5% '15	B1/BB-	109.00	0.22	108.72	108.97	109.49	109.23	235	1	5.85	0.17	-0.25	0.43
Venezuela	Rep 9.25% '27	B2/BB-	93.00	-0.75	90.76	92.26	95.26	93.76	579	13	10.08	-0.54	-0.43	-5.19
Vietnam	Rep 6.875% '16	Ba3/BB	95.77	-0.20	90.38	94.73	103.44	99.09	403	9	7.63	-0.18	-0.35	-8.27
<b>Euro denominated</b>														
Brazil	Rep 7.375% '15	Ba1/BBB-	105.75	0.00	103.27	104.61	108.62	107.29	185	8	6.17	0.02	0.15	8.46
Bulgaria	Rep 7.5% '13	Baa3/BBB+	106.10	0.02	102.86	104.62	109.93	108.16	151	7	5.82	0.03	0.39	-2.63
China	Rep 4.25% '14	A1/A	93.65	-0.06	77.22	91.53	105.85	120.16	105	7	5.39	-0.05	1.16	-0.30
Colombia	Rep 1.5% '11	Ba1/BBB-	117.38	0.00	117.38	117.38	117.38	117.38	48	3	4.82	0.03	0.21	8.89
Croatia	Rep 5% '14	Baa3/BBB	97.11	-0.08	95.37	96.70	99.36	98.03	119	8	5.52	-0.07	1.04	16.69
Czech Rep	Rep 4.625% '14	A1/A	98.14	-0.10	95.85	97.43	100.58	99.00	58	6	4.93	-0.09	1.17	0.06
Hungary	Rep 4.5% '14	A2/BBB+	94.95	-0.09	92.76	94.31	97.42	95.86	117	8	5.50	-0.09	1.19	4.59
Lebanon	Rep 7.25% '09	N/R/CCC+	100.00	0.00	99.66	99.96	100.25	100.54	272	8	7.05	0.02	0.29	10.58
Mexico	UMS 4.25% '15	Baa1/BBB+	90.75	-0.19	88.94	90.12	93.64	92.46	149	10	5.83	-0.20	0.15	-0.72
Peru	Rep 7.5% '14	Ba2/BB+	104.50	0.00	102.59	104.13	108.73	107.19	217	8	6.48	0.02	-0.08	-0.80
Poland	Rep 4.5% '13	A2/A-	96.89	-0.05	94.69	96.29	99.50	97.90	88	7	5.21	-0.04	0.95	3.80
Philippines	Rep 9.125% '10	B1/BB-	102.66	0.00	100.55	101.91	106.00	104.64	285	9	7.14	0.02	0.03	2.33
Romania	Rep 8.5% '12	Baa3/BBB-	107.40	0.02	105.55	107.32	110.86	109.09	185	6	6.16	0.04	0.78	10.16
Slovakia	Rep 4.5% '14	A1/A	97.54	-0.03	95.46	96.83	99.56	98.20	58	5	4.93	-0.02	1.04	4.64
Slovenia	Rep 5.38% '11	Aa2/AA	101.75	0.00	99.77	100.76	102.75	101.76	27	3	4.62	0.01	1.15	20.95
S Africa	Rep 5.25% '13	Baa1/BBB+	93.90	0.09	91.54	92.94	97.13	95.73	236	7	6.65	0.11	0.29	3.63
Turkey	Rep 6.5% '14	Ba3/BB-	95.48	-0.01	92.09	94.26	100.78	98.61	310	12	7.37	0.01	0.14	-0.30
Venezuela	Rep 7% '15	B2/BB-	84.73	-0.17	84.09	84.50	85.31	84.91	583	27	10.00	-0.17	0.60	66.41

Source: ING All data as of 5PM London; 1st resistance/support level = +/- 1-standard deviation from 42-day average

1) EMBI Global/Euro daily changes represent estimates based on ING equivalent indices

**Local markets instruments: FX and forwards**

	FX rate/US\$			NDF outright (offer)				NDF Implied yield (offer %)			
	Bid	Offer	Mid	1M	3M	6M	12M	1M	3M	6M	12M
<b>US\$ RATES</b>											
<b>Latin America</b>											
Argentina	3.016	3.018	3.017	3.060	3.138	3.229	3.437	18.53	18.67	17.20	17.71
Brazil	1.608	1.609	1.608	1.622	1.649	1.692	1.788	12.43	12.83	13.49	14.55
Chile	502.2	502.5	502.3	503.0	504.9	509.2	518.3	3.50	4.65	5.75	6.41
Colombia	1,755	1,759	1,757	1,771	1,796	1,834	1,808	10.66	11.26	11.71	6.04
Mexico*	10.30	10.31	10.30	10.35	10.44	10.57	10.84	7.77	7.99	8.23	8.50
Peru	2.815	2.819	2.817	2.820	2.822	2.827	2.824	2.88	3.22	3.63	3.39
Venezuela	2.145	2.150	2.147	2.150	2.150	2.150	2.150	2.46	2.79	3.09	3.21
<b>EMEA</b>											
Bulgaria	1.240	1.241	1.240	1.244	1.253	1.268	1.294	6.29	6.95	7.52	7.58
Croatia	4.588	4.591	4.590	4.603	4.591	4.671	4.719	5.54	2.79	6.60	6.04
Czech Rep*	14.88	14.90	14.89	14.92	14.94	14.94	15.05	3.66	3.19	3.30	3.31
Hungary*	146.7	146.8	146.7	147.5	148.9	150.9	154.6	8.19	8.30	8.63	8.61
Poland*	2.074	2.076	2.075	2.082	2.093	2.109	2.140	6.03	6.20	6.31	6.37
Romania	2.264	2.266	2.265	2.283	2.317	2.370	2.467	11.63	11.80	12.33	12.28
Russia	23.39	23.39	23.39	23.40	23.45	23.57	23.95	2.58	2.83	3.11	5.60
Slovakia*	19.19	19.22	19.21	19.25	19.29	19.32	19.54	4.03	4.20	4.13	4.90
South Africa	7.709	7.712	7.710	7.775	7.901	8.093	8.471	12.31	12.58	13.03	13.24
Turkey*	1.220	1.222	1.221	1.238	1.273	1.323	1.435	18.71	19.42	19.73	20.95
Ukraine	4.600	4.640	4.620	5.075	5.125	5.075	5.075	26.04	22.68	21.45	17.02
<b>Asia</b>											
China	6.843	6.843	6.843	6.825	6.757	6.655	6.480	-0.57	-2.21	-2.45	-2.17
Hong Kong*	7.803	7.804	7.803	7.799	7.790	7.783	7.771	1.65	2.10	2.55	2.78
Indonesia*	9,154	9,164	9,159	9,214	9,314	9,464	9,824	8.81	9.31	9.71	10.50
Korea*	998	999	999	1,002	1,007	1,013	1,017	3.18	3.34	3.43	3.79
Malaysia*	3.249	3.252	3.251	3.253	3.254	3.251	3.248	2.94	2.97	3.05	3.08
Philippines	45.55	45.60	45.58	45.74	46.01	46.44	47.25	6.13	6.34	6.82	6.87
Singapore*	1.360	1.361	1.360	1.359	1.355	1.350	1.342	0.75	1.15	1.55	1.78
Taiwan	30.38	30.40	30.39	30.40	30.40	30.40	30.40	1.35	1.63	1.60	1.64
Thailand*	33.65	33.71	33.68	33.82	34.03	34.23	34.64	6.25	6.51	6.18	5.98
	FX rate/€			NDF outright (offer)				NDF Implied yield (offer %)			
	Bid	Offer	Mid	1M	3M	6M	12M	1M	3M	6M	12M
<b>EURO CROSS RATES</b>											
<b>EMEA</b>											
Bulgaria	1.956	1.956	1.956	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Croatia	7.237	7.243	7.240	7.24	7.25	7.26	0.00	4.60	5.19	5.65	N/A
Czech Rep*	23.48	23.50	23.49	23.49	23.45	23.40	23.31	3.82	4.14	4.24	4.54
Hungary*	231.2	231.7	231.5	232.5	233.9	235.7	239.8	8.31	8.60	8.56	9.00
Poland*	3.269	3.271	3.270	3.276	3.282	3.293	3.336	6.14	6.32	6.46	7.43
Romania	3.565	3.578	3.571	3.599	3.640	3.707	3.825	11.77	11.94	12.49	12.58
Russia	36.85	36.86	36.85	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Serbia	0.00	0.00	0.00	60.91	62.21	0.00	0.00	18.82	18.37	0.00	0.00
Slovakia*	30.28	30.32	30.30	30.30	30.27	30.23	30.64	3.88	4.40	4.56	6.48
Turkey*	1.927	1.930	1.928	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Israel	5.284	5.287	5.285	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
South Africa	12.161	12.170	12.165	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

All data as of 5PM London

\* Forwards are deliverable

Source: ING

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