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## Viewpoint •

### The ECB's compass: rates to rise further after the summer recess

*The communication from Frankfurt in recent weeks has maintained the same tone as the July bulletin, when the ECB deemed monetary policy to be still on the accommodative side. The euro's recent appreciation makes monetary conditions more restrictive, but for now the underlying situation is still solid and the risks to price stability remain on the upside. The ECB will therefore want to hike rates further after the summer break with a move in September or October, depending on the data and with a final 25 bp hike in December.*

### Forex markets \$: acute phase likely to be over

*Hot summer for the forex markets. It could be hard for the dollar to recover in the very short run, but the worst should be over. The euro should not reach new record highs, but risks are on the upside. We doubt that the recent recovery of the yen is the start of the long-awaited upward reversal.*

### The week's market movers

*In the **United States**, non farm payrolls will be the main event of the week. We look for a 140K rise in July, in line with the average of the past six months and consistent with the unemployment rate steady at 4.5%. The ISM should remain broadly unchanged in July, whereas we see the non-manufacturing index easing to 59.7. We see ample scope for a decline in the price paid indices both for manufacturing and services.*

*In the **Euro area** the publication of the EU Commission survey should confirm the message contained in the national surveys and the PMI indices: the euro's appreciation is for now having a modest impact on sentiment and the fall in the indices is still consistent with our projection of Euro area GDP growth still above trend in the summer months. In Germany, the June figures should leave 2Q07 sales up 2.1% qoq after the slide at the start of the year. In the coming months German and Euro area consumption is expected to expand at a more robust pace, thanks to the healthy labour market. In Germany unemployment should fall again to 9.0% in July, while in the Euro area unemployment should have fallen to 6.9% in June. Euro area inflation should be steady at 1.9% yoy in July, barring surprises from Italy where it is expected to decline one tenth to 1.9%yoy.*

*In **Japan** the June figures should confirm the robust performance of the labour market, with the unemployment rate again below 4% and healthy growth in payrolls. Household spending will continue on the positive trend started in early 2007, despite the coming into effect of the second tranche of income tax rises. Industrial production should increase in June after a disappointing performance in May and April.*

## Viewpoint ●

- **The period of rising interest rates stretching back to March has come to an abrupt stop**, with falls in yields topping 20bps on post-5Y maturities. The reason does not lie in a changed macroeconomic outlook, but rather in a **revision to the risk assessment**. This in turn was caused by the outbreak of the crisis in bonds backed by mortgage portfolios, which led to the failure of two hedge funds managed by Bear Stearns and to a series of issuance downgrades by the rating agencies. The decline in risk appetite, which was expected and is salutary, has fed through to other sectors suspected of being overvalued. The Itraxx Crossover index of credit default swaps on speculative issuers thus widened from 300bps in the quarter April-June to 450-490bps most recently. On the equity markets performance has deteriorated and implied volatility has risen. Consequently, we have seen government bond yields return to their May levels, while short-term rates implied in money market futures were falling sharply. On the forex markets, this peculiarly American crisis has weakened the dollar, which has fallen to new all-time lows against the euro and impacted on high-yielding currencies.
- **But to what extent might the US subprime crisis affect the economic outlook in the coming months?** As things currently stand, it does not seem likely that the phenomenon will develop into a systemic liquidity crisis. But **some macroeconomic impact is possible even assuming normal scenarios, via such channels as the movement in interest rates, the availability of credit and, lastly, the wealth effect.**

The interest rates channel tends to act as a support to growth: the demand for secure financial assets brings down yields, while the risk of financial instability reduces monetary tightening expectations. However, **the expansive effect of the downturn in interest rates will be offset by the rise in the risk premium**, especially for debtors with poor credit ratings.

Secondly, the alarm triggered by the evidence that the risk control system on the mortgage market was severely defective might produce a restrictive reaction both in mortgage approvals, where this is already evident and is having an effect on the US real estate market, and in other sectors which have recently shown robust expansion or, in other countries. One candidate is issuance to finance M&A deals or leveraged buyouts, as seen recently with the Chrysler deal. But if the impact were confined to this sector, the repercussions on the real economy would not be significant. **Only if the tightening of lending were to extend further might we see repercussions on investment flows and** (only in the United States) **the propensity to save among households**, for which consumer credit would be harder to secure. The effect would add to that of the rate hikes, which in Europe too have already started to cool the growth in loans.

**A wealth effect via the change in financial asset prices would require a steep and lasting fall in equity prices**, a combination which does not seem likely given the low level of the multiples. In the United States some repercussions cannot however be ruled out via real estate prices, which in the coming months will be dogged by the high level of unsold properties.

- On this front, the recent data have been unequivocally negative. The downturn in sales and the fall in the sector confidence indices do nothing to suggest a recovery any time soon. Luckily, employment remains healthy (jobless claims are still low) and business investments have picked up, despite the surprise dip recorded in June. But in light too of the high price of fuels, US growth is likely to be modest in the third quarter.

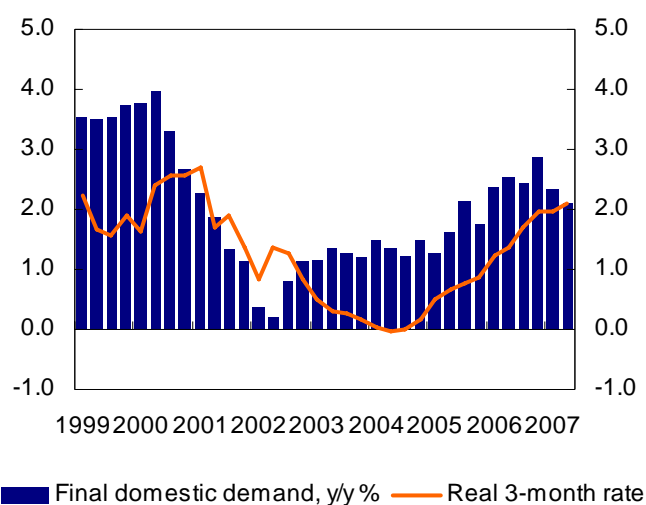
## The ECB's compass: rates to rise further after the summer recess

The communication from Frankfurt in recent weeks has maintained the same tone as the July bulletin, when the ECB deemed monetary policy to be still on the accommodative side. The euro's recent appreciation makes monetary conditions more restrictive, but for now the underlying situation is still solid and the risks to price stability remain on the upside. The ECB will therefore want to hike rates further after the summer break with a move in September or October, depending on the data and with a final 25 bp hike in December.

As usual, the meeting on 2 August will end without the usual press conference and with rates left unchanged at 4.0%.

**With the June hike, interest rates in the Euro area broke through the upper end of the neutral range.** However, the communication from Frankfurt at the press conference in recent weeks has remained quite aggressive and only slightly softer than when the central bank was preparing the ground for a rate hike two meetings down the line.

Fig.1 – Monetary policy is still on the accommodative side.



Source, Eurostat, Reuters and Intesa Sanpaolo calculations

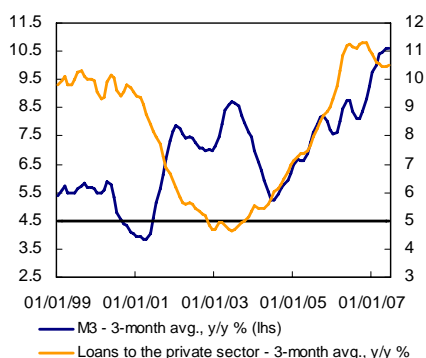
As clearly indicated by Quaden, "4% is still not a level that can be considered as restrictive". Real interest rates are not yet appropriate in a situation of growth that the ECB expects to remain robust through to year-end. As indicated by Stark, there are "upside risks to price stability in the medium to longer term".

**While pressures from imported goods will ease in the coming months,** aided by the firming of the euro, **pressures from domestic factors will increase.** Growing upside pressures stem from the high level of capacity utilisation. According to our estimates, **the output gap returned to positive territory in the spring months.** As spare resources in the economy dwindle, pressures increase on final selling prices, as signalled by the June and July manufacturing and service sector surveys. ULC growth has so far been modest thanks to wage moderation and the improvement in productivity. However, as stated by Stark and other ECB members, an acceleration in wages in 2007 – 2008 is more than likely given the steep fall in unemployment. On this front, Trichet noted that wage moderation is crucial to

maintaining expansive conditions on the labour market and to avoid triggering inflationary spirals.

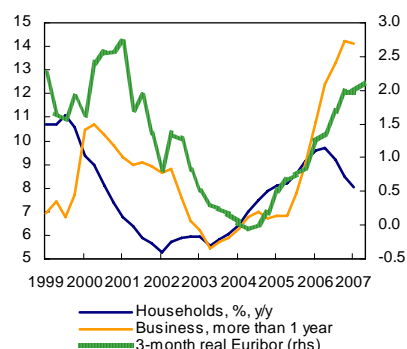
**A further concern, and one prompting the ECB to remain very watchful, is the trend in money supply.** Even though monetary conditions have become tighter on the back of the past rate hikes and the euro's appreciation, money supply is struggling to slow. In June annual growth in M3 rose to 10.9% yoy from 10.7% yoy before; the three-month moving average remains unchanged at 10.6% yoy, but these are still absolute highs. The growth in loans to the private sector has picked up again as a result of an upturn in loans to non-financial firms, offset only in part by moderation in loans to households. The ECB acknowledges that the trend in the monetary aggregates might be magnified by the demand for short-term instruments given the flat structure of the yield curve, but it also stresses that, aside from temporary distortions, **M3 growth remains a great concern vis-à-vis the medium-term price dynamic, and members of the ECB governing council have repeatedly stressed that the analysis of the second pillar remains crucial in deciding monetary policy.**

Fig.2 – M3 growth at 17-year highs



Source: ECB

Fig. 3 – Level of real interest rates just enough to check the trend in loans to businesses



Source: ECB

The analysis of the first and second pillar therefore justifies further rate hikes after the summer pause. The next moves will depend to a very large extent on the macro data and the trend in the monetary aggregates. **We believe the next move will come in September concurrent with the publication of the new macroeconomic forecasts.** The use of coded language and particularly the phrase “close vigilance” has always foreshadowed a rate hike at the next meeting and it is therefore likely to feature in the August press release. Even though the ECB does not want to be tied to a preset path for monetary policy, especially in these final stages of tightening, it has also said that it does not want to surprise the markets. However, **should the August data surprise, showing lower than expected Euro area GDP growth in 2Q07** (the flash estimates are due out in the second week of August) and a sharp decline in confidence, **the ECB might want to postpone a move to the autumn, as suggested by Garganas.**

The recent appreciation of the effective exchange rate makes monetary conditions more restrictive, but for now the ECB does not believe the movements are “abrupt” or that they pose a threat to exports and Euro area growth. The exchange rate will have a bearing on monetary policy decisions if and only if it alters the assessment of risks to price stability.

As indicated previously, the ECB is unlikely to want to alter monetary policy expectations with explicit verbal remarks on the exchange rate since a strategy of this type might compromise the credibility of the central bank.

**It is clear that any further firming of the euro would shift the balance of risks to the macro outlook onto the downside from the end of autumn and would therefore limit the scope for rates tightening to 4.5%, as factored into our central forecast.** However, we believe that a **continued and lasting appreciation of the euro above the current levels is hard to envisage, since we are well above the equilibrium values.**

*(Anna Grimaldi)*

### What they said...

Date	Who	What	Implications for ECB decision
11. 07	<b>Stark, ECB Executive Board Member</b>	<i>"Monetary and credit growth remain robust and continue to point to upside risks to price stability in the medium- to longer term. (...) Nobody in the ECB is questioning the monetary analysis."</i>	<p>As clearly indicated by Quaden, policy rates at 4% cannot be deemed restrictive in a context of growth remaining well above trend and liquidity that is struggling to slow. Members of the ECB governing council repeatedly stressed that the analysis of the second pillar remains crucial in deciding monetary policy.</p> <p>Even though the ECB confirmed that it did not want to surprise the markets, it is equally true that it does not want to be tied to a preset monetary policy path, particularly in this final stage of tightening. <b>The next moves will depend to a large extent on the macro data</b> and the trend in the monetary aggregates. We believe the ECB will next pull the trigger in <b>September, concurrent with the publication of the new macroeconomic forecasts</b>. However, should the August figures surprise, showing Euro area GDP growth below expectations in 2Q07 and a sharp decline in confidence, the ECB could make its move in October. We are confident that the macro outlook will remain solid and that the ECB will make its final rate hike to 4.5% at year-end.</p> <p>The recent firming of the effective exchange rate makes monetary conditions tighter, but for now the ECB does not believe that the exchange rate movements are abrupt or that they have dampened exports and Euro area growth. The exchange rate will have a bearing on monetary policy decisions if and only if it alters the assessment of the risks to price stability. As indicated previously, the ECB is unlikely to want to alter monetary policy expectations with explicit verbal remarks on the exchange rate, since a strategy of this type could compromise the central bank's credibility.</p>
16. 07	<b>Quaden, Bank of Belgium</b>	<i>"In the last months we used only one code word: The famous v-word. The wish of the members of the governing council is - if possible - not to surprise the markets. But at the same time we're never pre-committed, not even one month and certainly not two or three months in advance."</i>	
17. 07	<b>Garganas, Bank of Greece</b>	<i>"Based on my assessment of the current information available, further withdrawal of monetary accommodation would be warranted. (...) We have to wait for incoming data to determine whether to take action in September or October."</i>	
20. 07	<b>Constancio, Bank of Portugal</b>	<i>"I never comment on levels of exchange rate. We don't have that as a target as you know. It's something we take into consideration when we assess the risks for inflation."</i>	
23. 07	<b>Papademos, ECB Vice President</b>	<i>"Currently, the euro area economy enjoys a solid and broad-based recovery and growth is expected to remain robust in the coming quarters."</i>	
23. 07	<b>Stark, ECB Executive Board Member</b>	<i>"The euro region's exporters haven't suffered up to now because of the stronger euro. (...) we've seen a very gradual appreciation. It would be problematic if we started seeing abrupt changes."</i>	
25. 07	<b>Quaden, Bank of Belgium</b>	<i>"...t 4% is still not a level that can be considered as restrictive. (...) ....ECB policy makers are always opposed to abrupt and excessive movements in exchange rates."</i>	
25. 07	<b>Trichet, ECB President</b>	<i>"We all say the Asian emerging economies as well as the global economy would be better off if these currencies were more flexible. (...) In my view, we should not be influenced in any direction. Whatever happens, we have to achieve our primary mandate: price stability."</i>	

## Euro area: what has changed in macro data

**Prices and costs**

Index	Ave. Last 6 months	One month ago	Now	Period	Implications for ECB decision
HICP	1.9	1.9	<b>1.9</b>	Jun-07	Euro area inflation remained above 2.0% again in June; this trend is expected to persist until September when an adverse base effect from energy will return the consumer price dynamic above the ECB target. The price trend continues to concern the Central Bank, especially on a medium-term horizon. As the output gap closes, domestic pressures on the consumer price dynamic increase. While the labour cost remains contained for now, pressures are rising on selling prices on the back of fresh hikes in petrol and commodities prices. <b>Implications for interest rates: hike</b>
PPI	3.3	2.4	<b>2.3</b>	May-07	
PMI, prices manufacturing	65.5	66.0	<b>67.1</b>	Jul-07	
Break-even inflation, 10 years	2.15	2.15	<b>2.19</b>	Jul-07	
ULC	2.3	2.2	<b>2.2</b>	2007Q1	

**Real economy**

Index	Ave. Last 6 months	One month ago	Now	Period	Implications for ECB decision
Industrial production (y/y)	4.1	3.2	<b>2.0</b>	May-07	Euro area growth slowed less than expected at the start of 2007 (0.7% q/q, on final Estimates from Eurostat, after +0.9% q/q), driven by domestic demand and in particular the investment cycle. The orders and output figures signal a correction, but could be negatively affected by calendar effects. Also May and April retail sales data on average were not too encouraging, but may be revised in future estimates. What really matters is the information flowing from the confidence surveys, which despite the July correction remain at elevated levels and continue to signal growth above trend also in the summer months. <b>Implications for rates: hike</b>
New orders (y/y)	9.7	10.3	<b>5.9</b>	May-07	
Retail sales (y/y)	3.0	2.7	<b>1.5</b>	May-07	
Unemployment rate	7.3	7.1	<b>7</b>	May-07	
GDP (y/y)	3.1	3.3	<b>3.1</b>	2007Q1	

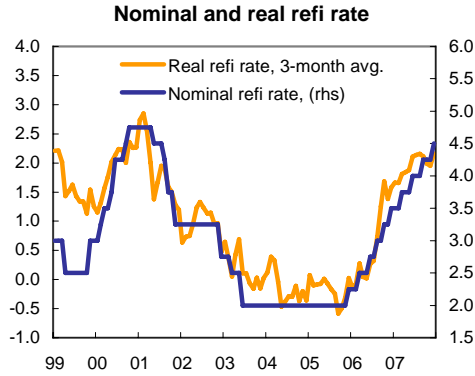
**Confidence indices**

Index	Ave. Last 6 months	One month ago	Now	Period	Implications for ECB decision
PMI composite	57.4	57.8	<b>57.4</b>	Jul-07	As expected, business surveys corrected in July. Possibly the appreciation of the euro dampened demand conditions. Yet, activity is expected to remain strong in the summer month albeit softer than in the Spring. The services industry seems to be holding up slightly better than manufacturing on average. The EU Commission economic sentiment indicator and the PMI composite are now more aligned and consistent with unchanged growth pace in the summer from the 0.7%/t seen in T1 and expected in Q2. <b>Implications for rates: hike</b>
EU Commission	110.5	112.1	<b>111.7</b>	Jun-07	
Ifo	107.8	107	<b>106.4</b>	Jul-07	
NBB	3.4	5.5	<b>4.2</b>	Jul-07	

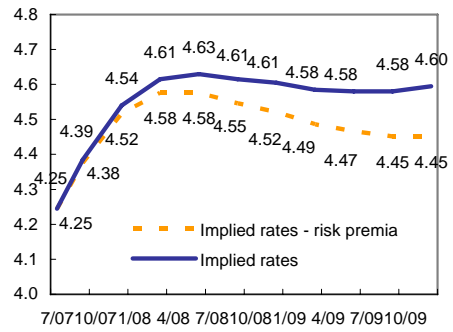
**Financial variables**

Index	Ave. Last 6 months	One month ago	Now	Period	Implications for ECB decision
€/\$, average	1.33	1.34	<b>1.37</b>	lug-07	Money supply remains at 24-year highs. In June, growth in M3 accelerated again to 10.9% y/y from 10.7% y/y. The three-month moving average stabilised at 10.6% y/y, still one of the absolute highs in history. Credit to the private sector accelerated again as the further moderation in household credit wasn't enough to balance off the stronger growth in loans to non financial corporations. The ample liquidity in the system continues to raise concern at the ECB. Monetary conditions are becoming more restrictive as the effective exchange rate appreciates and despite the decline long-term yields and still strong stock markets returns. For the time being the trend in the exchange rate does not alter the balance of risks for price stability and thus will not deter the ECB from hiking further. <b>Implications for interest rates: hike.</b>
€ nominal effective	106.3	106.9	<b>107.5</b>	lug-07	
10 y Bund average (%)	4.18	4.59	<b>4.55</b>	lug-07	
EuroStoxx (average index)	415.9	432.9	<b>434.2</b>	lug-07	
M3, quarterly ave. (y/y)	10.1	10.6	<b>10.6</b>	giu-07	
Loans to the private sector, quarterly ave. (y/y)	10.6	10.4	<b>10.8</b>	giu-07	

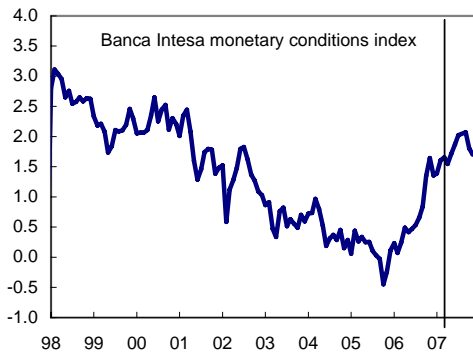
## The situation at a glance



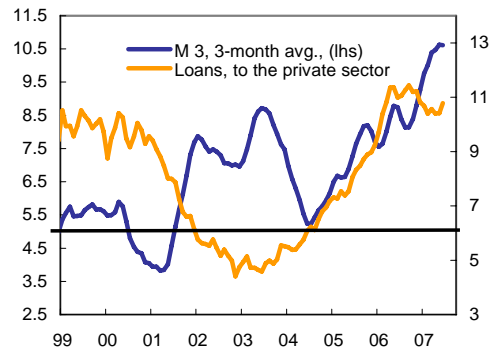
**The 3-month Euribor Futures strip curve**



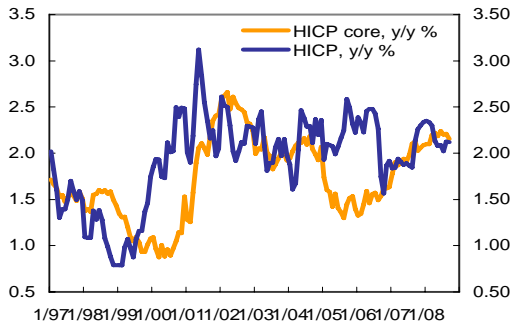
**Banca Intesa Monetary Condition Index**



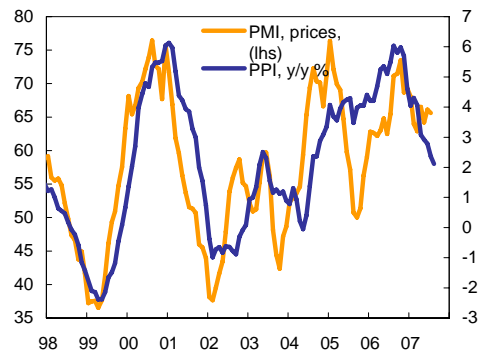
**Money and credit**



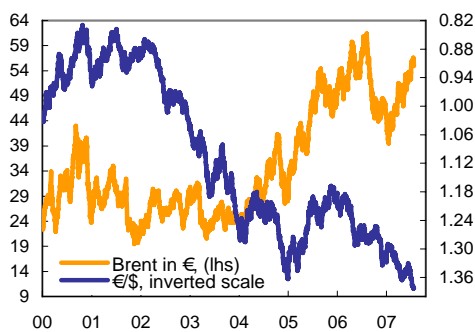
**Headline and core inflation**



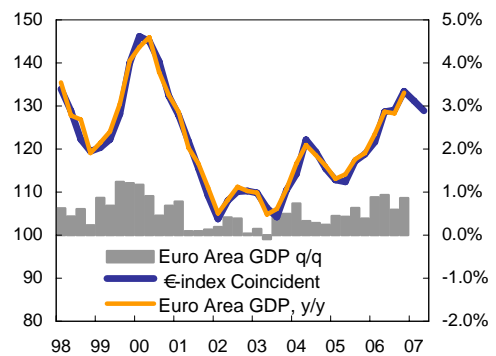
**Input prices and producer prices**



**External pressures on price stability**



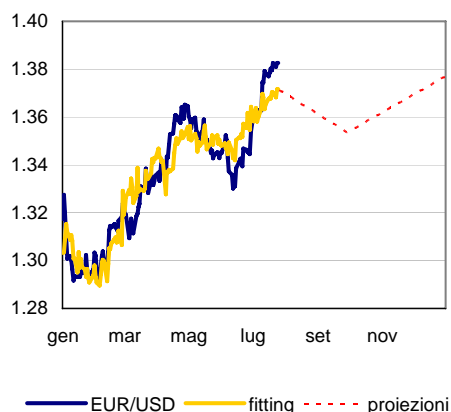
**Cyclical indicators and GDP growth**



## Forex markets \$: acute phase likely to be over

Hot summer for the forex markets. It could be hard for the dollar to recover in the very short run, but the worst should be over. The euro should not reach new record highs, but risks are on the upside. We doubt that the recent recovery of the yen is the start of the long-awaited upward reversal.

Fig. 1 - Euro: upside theoretically over at the recent highs, barring fresh "crises"



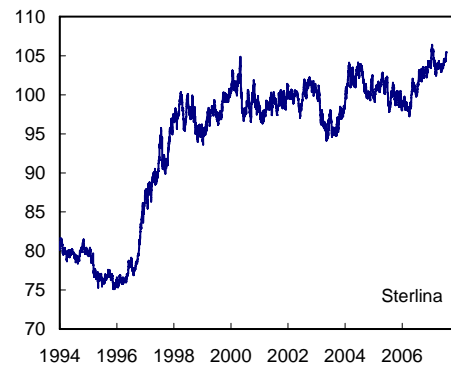
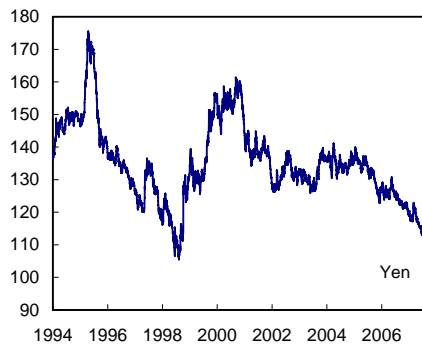
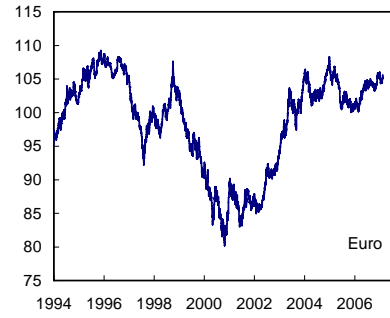
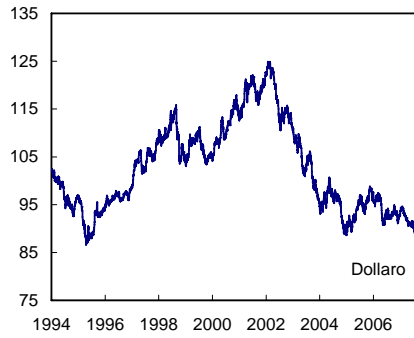
MAIN EXCHANGE RATES: FORECASTS					
	07/27/2007	1m	3m	6m	12m
EUR/USD	1.3647	1.34	1.37	1.29	1.25
USD/JPY	118.91	125	121	118	114
GBP/USD	2.0285	2.00	1.97	1.83	1.79
EUR/CHF	1.6521	1.67	1.64	1.62	1.57
EUR/SEK	9.1892	9.20	9.25	9.10	8.90
EUR/NOK	7.8951	7.95	7.90	8.00	8.10
EUR/DKK	7.4398	7.45	7.45	7.46	7.46
USD/CAD	1.0729	1.02	1.08	1.18	1.22
AUD/USD	0.8567	0.86	0.87	0.80	0.74
NZD/USD	0.7695	0.78	0.79	0.70	0.62
USD/ZAR	7.0905	7.00	7.10	7.40	7.60
EUR/JPY	162.28	167	165	152	143
EUR/GBP	0.6728	0.67	0.69	0.70	0.70
EUR/CAD	1.4642	1.37	1.47	1.52	1.53
EUR/AUD	1.5930	1.56	1.57	1.61	1.69
EUR/NZD	1.7735	1.71	1.73	1.84	2.01
EUR/ZAR	9.6764	9.35	9.71	9.51	9.53

- **USD – A hot summer is in prospect for the forex markets. The subprime mortgage crisis has crippled the dollar**, which in effective exchange rate terms has fallen to 10-year lows. It is unlikely to recover rapidly this next month. The market seems to be dominated by uncertainty and a certain volatility which naturally generates risk aversion. This in turn produces downward pressures on yields, notably US, which impacts directly, and negatively, on the greenback. However, since the subprime mortgage crisis is confined to the US market, the flight to quality in this case cannot bring any relief to the currency. High-yielding and/or emerging currencies have indeed been affected, but what we are seeing is mainly a flight from the dollar. And this in itself may be seen as offering grounds for moderate optimism, since (1) if the subprime crisis does not have a substantial knock-on effect, and (2) if US growth does not disappoint, **the worst should now be over for the dollar. And although the recovery might be slow and gradual** (and probably preceded by a period of stabilisation), **we are not looking at a collapse.**
- **EUR – What the euro will do in this period will simply be the other side of the dollar coin.** Given the excessively high levels the euro has reached (1.38 EUR/USD from 1.34 one month ago), developments on the US front rather than in Europe will be crucial. The mere prospect of two more ECB rate hikes by year-end vs. unchanged Fed rates is a factor lending support to the euro, and one militating against a correction.
- We have estimated the relationship that has recently linked the EUR/USD cross to 2Y European and US yields. The trend in the euro, as shown by the estimates (see "fitting" in Fig.), seems to be due almost entirely to the trend in rates. Projecting the model forward with our underlying yield forecasts, we arrive at stabilisation between 1.37 and 1.35 EUR/USD. Since this is not a structural model, but simply one which accurately reflects short-term behaviour, these estimates do not give a precise idea of what the equilibrium value of the currency should be, but they do give a good "dynamic" indication of responsiveness and directionality vs. underlying movements in rates. This is why, looking ahead, we stand by our range of 1.37-1.34 on a 1m-3m time horizon. However, should other factors manifestly unfavourable to the dollar materialise, as with the recent subprime crisis, there would be some risk of the euro climbing towards 1.40. However, we believe this would be a very short-lived development and would not jeopardise the prospect of a major correction later, between end-2007 and early 2008, when the expected divergence between a slowing European economy and a recovering US economy would once again favour the dollar.
- **JPY – After four months of steady depreciation, the yen has recently staged a recovery.** However, this is unlikely to be an upside turn. The recovery was triggered on the dollar's weakness, and strengthened after the Chinese central bank raised rates and risk aversion rose more sharply. The prospect of a rate hike in Japan in August does not seem enough to strengthen the upward trend unless the BoJ now steps up the pace of monetary normalisation. In the area 118-116 USD/JPY and 163-161 EUR/JPY it might therefore be worth taking profit ahead of further weakness towards the end of summer.
- **GBP – Like the euro, sterling has also risen to new record highs (2.06 GBP/USD) vs. the dollar, well past the 2.00 mark.** However, the generalised weakness of the greenback only played a part, with the rest coming from the inherent strength of the UK economy, which once again surprised on the upside, showing second quarter growth of 0.8% qoq from 0.7% before, compared with

expectations of stabilisation, i.e. accelerating again after six straight quarters above trend. This is sufficient to maintain market expectations of two more rate rises to 6.25% by the start of 2008, while our forecast is for a final hike (probably in September) to 6.0%. The short-term context (1m horizon) therefore remains conducive to sterling which, barring disappointments on the macro front, should keep above 2.00 GBP/USD and in the area 0.67-0.66 EUR/GBP.

*(Asmara Jamaleh)*

### Effective exchange rates (nominal)



## The week's market movers

In the **United States**, non farm payrolls will be the main event of the week. We look for a 140K rise in July, in line with the average of the past six months and consistent with the unemployment rate steady at 4.%. The ISM should remain broadly unchanged in July, whereas we see the non-manufacturing index easing to 59.7. We see ample scope for a decline in the price paid indices both for manufacturing and services.

In the **Euro area** the publication of the EU Commission survey should confirm the message contained in the national surveys and the PMI indices: the euro's appreciation is for now having a modest impact on sentiment and the fall in the indices is still consistent with our projection of Euro area GDP growth still above trend in the summer months. In Germany, the June figures should leave 2Q07 sales up 2.1% qoq after the slide at the start of the year. In the coming months German and Euro area consumption is expected to expand at a more robust pace, thanks to the healthy labour market. In Germany unemployment should fall again to 9.0% to July, while in the Euro area unemployment should have fallen to 6.9% in June. Euro area inflation should be steady at 1.9% yoy in July, barring surprises from Italy where it is expected to decline one tenth to 1.9%yoy.

In **Japan** the June figures should confirm the robust performance of the labour market, with the unemployment rate again below 4% and healthy growth in payrolls. Household spending will continue on the positive trend started in early 2007, despite the coming into effect of the second tranche of income tax rises. Industrial production should increase in June after a disappointing performance in May and April.

### Monday 30 July

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#### Euro Area

- **Germany. June retail sales ex auto should jump by 1.5% mom (-1.6% yoy)**, after the abrupt fall the previous month (1.8% mom). The Bundesbank figures including auto sales should show a less substantial rise of 1.3% mom. If confirmed, the June figure would leave sales up 2.1% qoq from -7.0% qoq before. We therefore expect national accounts data to show consumption recouping 0.5% qoq after the fall of 1.4% qoq at the start of the year due to the VAT hike.

#### Japan

- **Industrial production should be up 0.2% in June after a disappointing May (-0.3% mom)**. Production expectations as compiled by METI remain very bullish, but they have been contradicted by the data for several quarters now. The manufacturing PMI indications are not particularly good, whilst remaining above 50, and the trend is for a general slowdown in growth in the sector.

### Tuesday 31 July

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#### Euro Area

- **The EU Commission index of economic confidence is expected to fall to 110.7 from 111.7 on the back of a deterioration in confidence in industry and services**. In retail and construction, sentiment should be steady, whereas we are looking for an improvement among households. For now, the euro's appreciation seems to have a limited impact on confidence and a fall in the

indicators was in any case expected over the summer. For now the figures on this front are still consistent with growth remaining above trend over the summer.

- **The Eurostat flash estimate should show inflation steady at 1.9% yoy in July**, barring upside surprises in Italy. In September, inflation should keep below the ECB target thanks to a favourable base effect from the energy component. The rise in the oil price should prove short-lived, although there are risks that the uptrend will persist over the summer.

- **Germany. The number of unemployed should be down again in July by around 35k, leaving the unemployment rate at 9.0% from 9.1% before**. Based on the surveys, the positive trend on the German labour market should continue through to year-end, delivering more solid growth in consumption.

- **Italy. Consumer prices are expected to rise by 0.2% mom on the national measure**, but should be down 0.4% mom on the harmonised measure, on account of seasonal factors, notably clothing. Inflation is expected to remain steady at 1.6%yoy on the national measure and to decline one-tenth on the harmonised measure to 1.9%yoy. In July, energy should account for 0.1% and will be partly offset by a seasonal fall in fresh food prices. The core aggregate should be up 0.2% mom, leaving the annual trend steady at 1.6% yoy.

#### United States

- **Consumer spending should be up 0.1% mom in June**. The figure should not generate any major market effects since the June data are incorporated in the second quarter numbers. In real terms we should see no change (0.0% mom), consistent with private consumption growth of 1.3% qoq in 2Q07. **The core deflator should be up 0.2%**

mom, leaving the trend rate at 1.9% yoy. Aided by the marginally deflationary effect of food and energy, the total deflator should be up by just 0.1% mom.

- **The Conference Board index of household confidence should fall by around 2 points to 102.0 in July.** The deterioration in household sentiment should stem from the hike in petrol prices in May and June and the slow cooling of employment growth. This latter development should also be manifest in the deterioration in the labour market indices.

#### Japan

- **The unemployment rate should remain steady at the 3.8% recorded in the last two months,** confirming the solid growth in labour demand. The jobs/applicant ratio should also stay at the recent levels (1.06), in line with the Tankan which showed excess labour market demand again in June.

- **Household spending in June should keep to the positive trend stretching back to the start of 2007,** showing growth of 0.5% yoy, and only a marginally positive monthly movement. The June figure should reflect the effects of the coming into effect of the second tranche of income tax increases; the first was implemented in mid-2006 and coincided with a marked slowdown in consumption. The continued growth in employment and the healthy trend in disposable income suggest that the effect of the income tax hikes should be more modest in 2007 than in 2006.

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#### Wednesday 01 August

##### Euro Area

- **The manufacturing PMI should be confirmed at 54.8 vs. 55.6 the previous month and in line with the flash estimate published on 24 July.** Manufacturing has been only partly affected by the euro's appreciation and the spike in the oil price. For now the confidence indices indicate merely a normalisation of output growth in the summer months, which was factored into our forecasts.

##### United States

- **The composite ISM manufacturing index is expected to be unchanged at 56.0 in July.** The June breakdown showed growth in production and new orders, and a decline in inventories, which should shore up the index despite the less encouraging signs arriving from the Zew index. The index of prices paid should be down 8 points at 60.

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#### Thursday 02 August

##### Euro Area

- **The services PMI should be confirmed at 58.1 vs. 58.3 the previous month and in line with the flash estimate published on 24 July. The composite PMI should come in at 57.3 from 57.6 before.** As is normal at this mature stage of the cycle, services are holding up better than manufacturing. The composite PMI is still consistent with Euro area GDP growth of 0.7% qoq, in line with the pace seen in the first six months of the year.

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#### Friday 03 August

##### Euro Area

##### United States

- **Non-farm payrolls growth should be steady at the levels seen in the last six months (+140k),** i.e. consistent with an unemployment rate steady at the June level (4.5%). Growth in nominal wages should be flat at 0.3% mom, bringing down the trend rate to 3.8% yoy.

- **The non-manufacturing ISM index should ease slightly to 59.7 in July.** As with manufacturing, there is ample scope for a fall in the index of prices paid, which is expected to slip by five points to 60.5.

## Calendar of economic data

*(Week 30 July – 03 August)*

Date	Time	Country	Data release	Period	Previous		Consensus	Intesa Sanpaolo
<b>Mon</b>	<b>30/7</b>	JAP	Industrial production mm	Jun	-0,30	%	1,10	0,20
		GB	Consumer credit	Jun	0,8420	bln	0,8	0,760
<b>Tue</b>	<b>31/7</b>	JAP	Household spending yy	* Jun	0,40	%	0,7	0,50
		JAP	Jobs to applicant ratio	Jun	1,060	-	1,06	1,060
		JAP	Manufacturing PMI	Jul	50,40	-	-	-
		JAP	Unemployment rate	Jun	3,80	%	3,80	3,80
		GER	Retail sales mm	** Jun	-1,8	%	1,00	1,50
		GER	Retail sales yy	Jun	-3,70	%	-1,60	-1,60
		FRA	Consumer confidence	Jul	-12,0	-	-12,00	-12,0
		GER	Unemployment rate	Jul	9,10	%	9,0	9,00
		GER	Unemployment change	** Jul	-37,0	k	-33,00	-35,0
		ITA	PPI mm	Jun	0,4	%	0,40	0,40
		ITA	PPI yy	Jun	3,00	%	3,00	3,00
		EUR	Consumer confidence	Jul	-2,0	-	-2,0	-1,0
		EUR	Economic confidence	** Jul	111,70	-	111,20	110,70
		EUR	Industrial confidence	Jul	6,0	-	5,0	5,0
		EUR	CPI (flash est.) yy	** Jul	1,9	%	1,9	1,90
		EUR	Services confidence	Jul	21,00	-	22,0	20,0
		EUR	Unemployment rate	Jun	7,00	%	7,00	6,90
		ITA	HICP mm	Jul	0,2	%	-0,3	-0,4
		ITA	HICP yy	Jul	1,90	%	1,90	1,90
		GB	CBI distributive trades survey	Jul	17,00	-	15,00	15,00
<b>Wed</b>	<b>1/8</b>	USA	Personal Consumer Spending mm	* Jun	0,50	%	0,2	0,10
		USA	PCE deflator (core) mm	* Jun	0,10	%	0,20	0,20
		USA	PCE deflator (core) yy	Jun	1,90	%	-	1,90
		USA	Employment Cost Index qq ar	* Q2	0,80	%	0,90	0,90
		USA	PCE deflator yy	Jun	2,30	%	-	-
		USA	Personal income mm	Jun	0,40	%	0,50	0,5
		USA	PMI (Chicago)	** Jul	60,20	-	58,0	58,0
		USA	Construction spending	Jun	0,90	%	0,3	0,30
		USA	Conference Board Cons. conf.	* Jul	103,90	-	105,0	102,0
		EUR	PMI (manufacturing)	** Jul	55,60	-	54,80	54,8
<b>Thu</b>	<b>2/8</b>	GB	PMI (manufacturing)	* Jul	54,30	-	54,00	52,30
		USA	ADP employment estimate	Jul	150,0	k	115,0	115,0
		USA	ISM (manufacturing)	** Jul	56,0	-	55,5	56,0
		USA	Vehicle sales	Jul	15,590	mln	16,1	16,0
		ITA	Treasury SSBR	Jul	18,50	bln	-	-
<b>Fri</b>	<b>3/8</b>	EUR	PPI yy	Jun	2,30	%	2,2	2,30
		USA	Jobless claims	week	301,00	k	-	-
		USA	Factory orders mm	Jun	-0,50	%	0,90	0,90
<b>Fri</b>	<b>3/8</b>	EUR	PMI (services)	* Jul	58,30	-	58,10	58,10
		EUR	PMI (composite)	** Jul	57,8	-	-	57,3
		GB	PMI (services)	Jul	57,7	-	57,5	57,5
		EUR	Retail sales mm	Jun	-0,500	%	0,70	-
		USA	Average hourly earnings mm	Jul	0,30	%	0,30	0,3
		USA	Change in non-farm payrolls	** Jul	132,00	k	130,0	140,0
		USA	Unemployment rate	* Jul	4,50	%	4,50	4,50
USA	ISM (non-manufacturing)	** Jul	60,70	-	59,5	59,7		

? first likely date; (\*\*) very important; (\*) important

(Week 6 – 10 August)

Date	Time	Country	Data release	Period	Previous	Consensus	Intesa Sanpaolo		
<b>Mon</b>	<b>6/8</b>	7.00	JAP	Leading indicators mm	Jun	40,90	-	-	
		10.00	ITA	Industrial production mm	* Jun	0,90	%	-	
		10.00	ITA	Industrial production yy	Jun	0,90	%	-	
		10.30	GB	Manufacturing Production mm	Jun	0,40	%	-	
		10.30	GB	Manufacturing Production yy	Jun	1,00	%	-	0,10
		12.00	GER	Industrial orders mm	** Jun	3,2	%	-	0,9
<b>Tue</b>	<b>7/8</b>	12.00	GER	Industrial production mm	* Jun	1,90	%	-	
		14.30	USA	Unit Labour Cost qq ann	* Q2	1,80	%	-	
		14.30	USA	Nonfarm productivity qq ann	Q2	1,00	%	-	
<b>Wed</b>	<b>8/8</b>	1.50	JAP	Machinery orders mm	Jun	5,90	%	-	
		8.00	GER	Trade balance	Jun	17,60	bln	-	
<b>Thu</b>	<b>9/8</b>	10.00	ITA	GDP (prel.), qq	* Q2	0,50	%	-	
		10.00	ITA	GDP (prel.), yy	* Q2	1,5	%	-	
		14.30	USA	Jobless claims	week	-	k	-	
<b>Fri</b>	<b>10/8</b>	6.30	JAP	Industrial production (rev) mm	Jun	-	%	-	
		7.00	JAP	Consumer confidence	Jul	45,00	-	-	
		8.45	FRA	Industrial production mm	Jun	0,4	%	-	
		14.30	USA	Import prices mm	Jul	1,00	%	-	

? most probable date; (\*\*) very important; (\*) important

(Week 13 – 17 August)

Date	Time	Country	Data release	Period	Previous	Consensus	Intesa Sanpaolo
<b>Mon</b>	<b>13/8</b>	1.50	JAP	GDP, qq ar	Q2	3,30	% -
		1.50	JAP	GDP, qq	* Q2	0,80	% -
		10.30	GB	PPI (output) mm	Jul	0,20	% -
		10.30	GB	PPI (output) yy	Jul	2,40	% -
		14.30	USA	Retail sales (ex-auto) mm	** Jul	-0,4	% -
		14.30	USA	Retail sales mm	** Jul	-0,9	% -
		16.00	USA	Business Inventories mm	Jun	0,50	% -
<b>Tue</b>	<b>14/8</b>	1.50	JAP	Tertiary industry index	Jun	-0,1	% -
		8.00	GER	GDP (prel.), qq	** Q2	0,50	% -
		8.00	GER	GDP (prel.), yy	* Q2	3,60	% -
		8.45	FRA	HICP mm	* Jul	0,10	% -
		8.45	FRA	HICP yy	* Jul	1,30	% -
		11.00	EUR	GDP (flash est.) q/q	** Q2	0,70	% -
		11.00	EUR	GDP (flash est.) yy	** Q2	3,10	% -
		11.00	EUR	Industrial production mm	* Jun	0,90	% -
		14.30	USA	Trade balance	Jun	60,04	bln -
		14.30	USA	PPI mm	Jul	-0,20	% -
		14.30	USA	PPI (ex.food and energy) mm	* Jul	0,30	% -
<b>Wed</b>	<b>15/8</b>	14.30	USA	CPI (ex.food and energy) mm	** Jul	0,20	% -
		14.30	USA	CPI mm	* Jul	0,20	% -
		14.30	USA	CPI (ex.food and energy) yy	Jul	2,20	% -
		14.30	USA	CPI yy	Jul	2,70	% -
		14.30	USA	Empire Manufacturing	* Aug	26,46	- -
		15.00	USA	Net long-term TIC flows	Jun	126,100	bln -
		15.15	USA	Capacity utilization	Jul	81,70	% -
		15.15	USA	Industrial production mm	Jul	0,50	% -
		19.00	USA	NAHB Housing Market Index	Aug	24,00	- -
		<b>Thu</b>	<b>16/8</b>	11.00	EUR	CPI (core) yy	Jul
11.00	EUR			CPI mm	Jul	0,10	% -
11.00	EUR			CPI yy	** Jul	1,90	% -
14.30	USA			Building Permits	Jul	-	mln -
14.30	USA			Housing starts	Jul	-	mln -
14.30	USA			Jobless claims	week	-	k -
18.00	USA			Philadelphia Fed	* Aug	9,20	- -
<b>Fri</b>	<b>17/8</b>	8.00	GER	PPI mm	Jul	0,2	% -
		8.00	GER	PPI yy	Jul	2,80	% -
		16.00	USA	Consumer confidence (Michigan)	* Aug	-	- -

? most probable date; (\*\*) very important; (\*) important

(Week 20 – 24 August)

Date	Time	Country	Data release	Period	Previous	Consensus	Intesa Sanpaolo
<b>Mon</b>	<b>20/8</b>						
	16.00	USA	Leading indicators mm	Jul	-0,30	%	-
<b>Tue</b>	<b>21/8</b>						
	1.50	JAP	All industry activity index	Jun	-	%	-
	11.00	GER	Zew (Current Situation)	Aug	88,2	-	-
	11.00	GER	Zew (Econ. Sentiment)	** Aug	10	-	-
<b>Wed</b>	<b>22/8</b>						
	1.50	JAP	Trade balance	Jul	227,10	bln	-
<b>Thu</b>	<b>23/8</b>						
	8.00	GER	GDP (2nd est.) qq	* Q2	0,50	%	-
	8.00	GER	GDP (2nd est.) yy	Q2	3,30	%	-
	14.30	USA	Jobless claims	week	-	k	-
<b>Fri</b>	<b>24/8</b>	?					
	8.00	GER	Import price yy	Jul	1,30	%	-
	14.30	USA	Durable goods orders (ex-trans) mm	Jul	-	%	-
	14.30	USA	Durable goods orders mm	* Jul	-	%	-
	16.00	USA	New home sales (mln ann.)	Jul	-	mln	-
<b>Fri</b>	<b>24/8</b>	?					
	nd	GER	CPI (lander) mm	** Aug	-	%	-
	nd	GER	CPI (lander) yy	** Aug	-	%	-
	nd	GER	HICP mm	Aug	-	%	-
	nd	GER	HICP yy	* Aug	-	%	-

? first likely date; (\*\*) very important; (\*) important

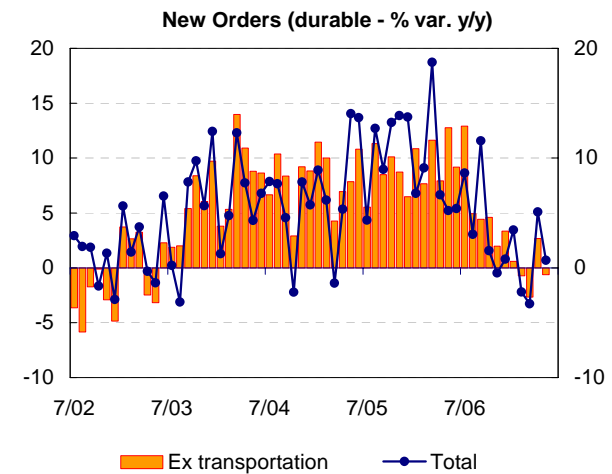
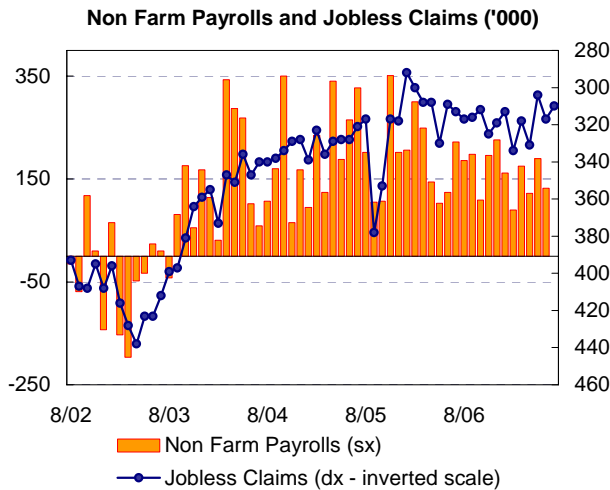
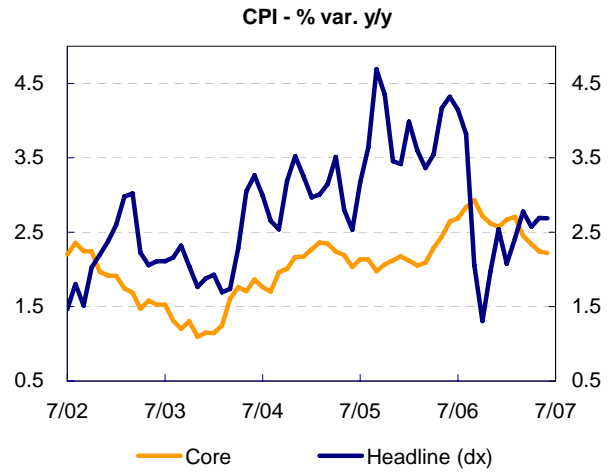
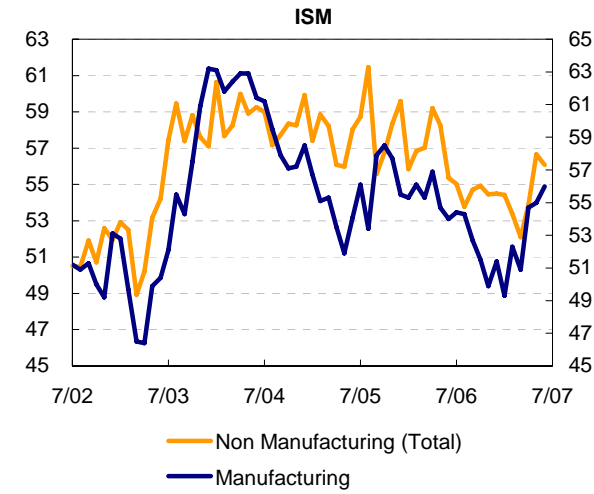


## Calendar of events

Date	Time	Country	Event
<b>Gio</b>	<b>2/8</b>	13.00	GB ** BoE Announces Interest Rates (Our Forecast: Rates Stable at 5.75%)
		13.45	EUR ** ECB Announces Interest Rates (Our Forecast: Rates Stable at 4.00%)
<b>Ven</b>	<b>3/8</b>	10.00	EUR ECB Publishes Quarterly Bank Lending Survey
<b>Mar</b>	<b>7/8</b>	15.00	USA ** FOMC Meeting (Intesa Sanpaolo Forecast: Rates Stable at 5.25%)
<b>Mer</b>	<b>8/8</b>	11.30	GB Bank of England Governor King Presents Quarterly Inflation Report
<b>Gio</b>	<b>9/8</b>	10.00	EUR ECB Publishes August Monthly Report
<b>Mar</b>	<b>14/8</b>	11.00	EUR European Commission Publishes its Most Recent Economic Forecasts
<b>Mer</b>	<b>15/8</b>	10.30	GB * Bank of England Publishes Minutes of Its August Meeting
<b>Ven</b>	<b>17/8</b>		EUR Bundesbank's Weber Speaks in Frankfurt at 50th Anniversary of Bundesbank
<b>Gio</b>	<b>23/8</b>	8.00	GIA BoJ Publishes Its Monthly Report
		8.30	GIA * BoJ Governor Fukui to Speak at Regular Press Conference
			GIA ** BoJ Announces Interest Rates (Our Forecast: Rates Stable at 0.50%)
<b>Lun</b>	<b>27/8</b>		GB Summer Bank Holiday in Britain (Markets Closed)
<b>Mar</b>	<b>28/8</b>	1.50	GIA * BoJ Publishes the Minutes of Its July Meeting

(\*\*) very important; (\*) important

USA

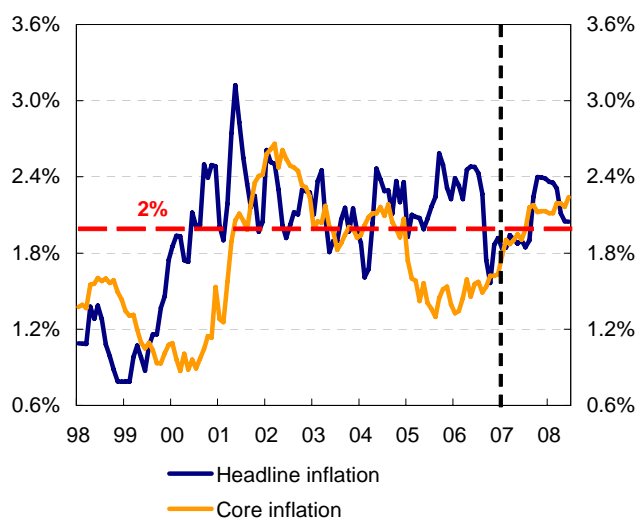
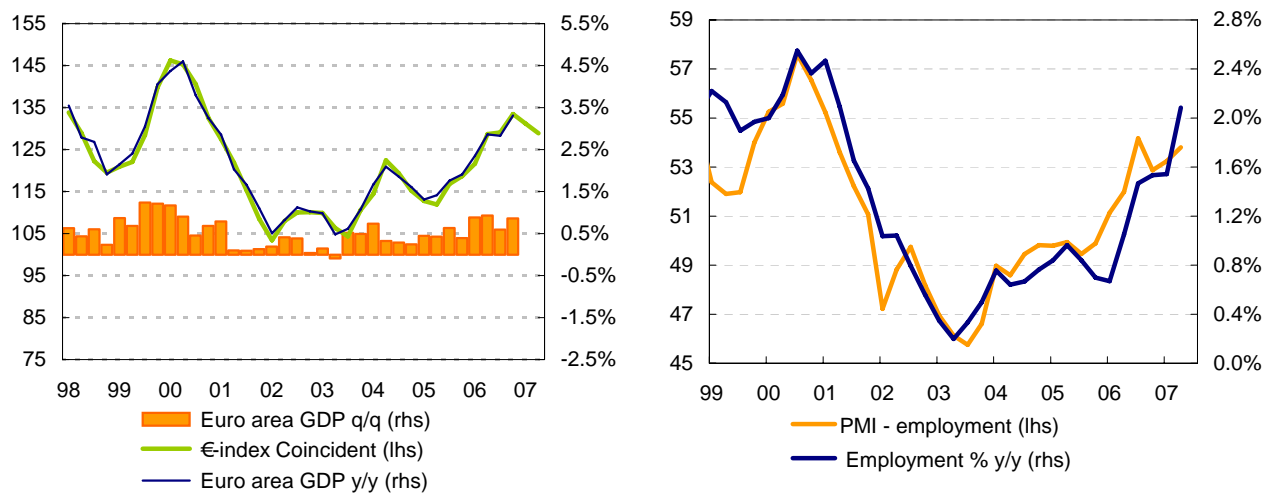


Forecast Table

	2006	2007	2008	2006		2007				2008	
				3	4	1	2	3	4	1	2
GDP ('96 US\$,y/y)	2,9	1,9	2,5	2,4	2,6	1,5	1,8	2,0	2,2	2,6	2,4
q/q annual rate				1,1	2,1	0,6	3,4	2,0	2,9	2,1	2,5
Private consumption	3,1	2,9	2,6	2,8	3,9	3,7	1,3	2,7	2,5	2,7	2,7
Fixed investment - nonresid.	6,6	3,4	4,7	5,1	-1,4	2,1	8,1	4,2	4,3	4,2	4,1
Fixed investment - residential	-4,6	-12,9	1,3	-20,4	-17,2	-16,3	-9,3	-2,7	0,8	2,6	3,6
Government consumption	2,1	1,8	1,3	0,8	3,5	-0,5	4,2	1,3	1,3	1,2	1,3
Export	8,3	6,1	6,7	5,7	14,3	1,1	6,4	4,1	7,1	7,1	7,1
Import	5,9	2,2	4,9	5,4	1,6	3,9	-2,6	3,3	5,0	5,5	6,8
Stockbuilding (% contrib. to GDP)	0,1	-0,1	0,0	0,1	-1,3	-0,7	0,2	-0,1	0,1	-0,1	0,0
Current account (% of GDP)	-6,5	-5,9	-5,8	-7,0	-5,9	-6,1	-6,0	-6,1	-5,8	-5,7	-5,8
Federal Deficit (% of GDP)	-1,6	-1,7	-1,9								
Gov. Debt (% of GDP)	61,8	62,8	63,7								
CPI (y/y)	3,2	2,7	1,9	3,4	2,0	2,4	2,6	2,4	3,3	2,6	1,6
Industrial production	4,0	3,1	2,5	4,0	-1,5	1,0	9,0	3,2	3,3	1,9	1,3
Unemployment (%)	4,6	4,6	5,0	4,7	4,5	4,5	4,5	4,7	4,8	4,9	5,0

Percentage annualised growth rates over previous period, if not otherwise specified.

### Euro area



	2006	2007	2008
January	2.4%	1.8%	2.4%
February	2.3%	1.8%	2.4%
March	2.2%	1.9%	2.3%
April	2.5%	1.9%	2.1%
May	2.5%	1.9%	2.0%
June	2.5%	1.9%	2.0%
July	2.4%	1.8%	2.0%
August	2.3%	1.9%	2.1%
September	1.7%	2.2%	2.1%
October	1.6%	2.4%	2.0%
November	1.9%	2.4%	2.0%
December	1.9%	2.4%	2.0%

Source: Eurostat, Banca Intesa forecast

#### Forecast Table

	2006	2007	2008	2006		2007				2008	
				3	4	1	2	3	4	1	2
GDP (constant prices, y/y)	2.9	2.9	2.4	2.8	3.3	3.0	2.8	2.8	2.4	2.5	2.4
- q/q change				0.6	0.9	0.7	0.7	0.6	0.5	0.7	0.6
Private consumption	1.8	1.4	2.3	0.7	0.4	0.0	0.6	0.6	0.6	0.6	0.5
Fixed investment	5.1	5.6	3.6	1.0	1.5	2.4	0.3	0.8	1.0	1.3	0.5
Government consumption	2.0	1.7	1.3	0.6	0.4	0.8	-0.1	0.4	0.3	0.5	0.2
Export	8.5	6.1	5.7	1.4	3.5	0.7	1.6	1.2	1.3	1.5	1.6
Import	8.0	6.1	5.6	2.1	1.7	1.6	1.1	1.3	1.4	1.4	1.3
Stockbuilding (% contrib. to GDP)	0.1	0.3	0.0	0.1	-0.5	0.5	0.1	0.1	-0.1	-0.1	0.0
Current account (% of GDP)	-0.1	0.2	0.1	-0.2	0.5	0.2	0.2	0.3	0.1	0.0	0.1
Deficit (% of GDP)	-1.6	-1.1	-1.0								
Debt (% of GDP)	68.2	67.0	65.7								
CPI (y/y)	2.2	2.1	2.1	2.2	1.8	1.9	1.9	2.0	2.3	2.3	2.1
Industrial production (y/y)	4.0	3.0	2.5	0.9	0.6	0.8	0.9	0.3	0.6	0.7	0.8
Unemployment (%)	7.8	7.1	6.8	7.8	7.6	7.2	7.0	7.0	6.8	6.8	6.8

Percentage variations over previous period, if not otherwise specified.

## Interest Rates and Currencies Forecasts

Germany							Italy						
	27/07	Weekly change bp	Sep '07	Dec '07	Mar '08	Jun '08		27/07	Weekly change bp	Sep '07	Dec '07	Mar '08	Jun '08
<b>Refi rate</b>	<b>4.00</b>	-	<b>4.25</b>	<b>4.50</b>	<b>4.50</b>	<b>4.50</b>	<b>Refi rate</b>	<b>4.00</b>	-	<b>4.25</b>	<b>4.50</b>	<b>4.50</b>	<b>4.50</b>
3m Euribor	4.25	+2	4.40	4.65	4.65	4.65	3m Euribor	4.25	2	4.40	4.65	4.65	4.65
2 years	4.27	-23	4.50	4.50	4.45	4.40	2 years	4.39	-19	4.62	4.61	4.56	4.51
5 years	4.29	-25	4.50	4.40	4.35	4.35	5 years	4.48	-18	4.69	4.59	4.54	4.54
10 years	4.32	-23	4.50	4.45	4.40	4.40	10 years	4.63	-17	4.82	4.76	4.70	4.69
30 years	4.47	-20	4.60	4.50	4.55	4.55	30 years	4.90	-14	5.04	4.93	4.97	4.96
2/10y	5	-0	0	-5	-5	0	2/10y	25	2	20	15	14	18
10/30y	15	+4	10	5	15	15	10/30y	27	3	22	17	27	27
2/5y	3	-3	0	5	5	5	2/5y	16	1	13	17	16	15
<b>TNote-Bund spreads</b>							<b>BTP-Bund spreads</b>						
2 years	31	-9	56	36	41	36	2 years	12	4	12	11	11	11
5 years	34	-10	67	77	71	71	5 years	19	7	19	19	19	19
10 years	50	-3	67	61	66	56	10 years	32	7	32	31	30	29
30 years	52	+1	67	77	62	56	30 years	44	6	44	43	42	41
USA							United Kingdom						
	27/07	Weekly change bp	Sep '07	Dec '07	Mar '08	Jun '08		27/07	Weekly change bp	Sep '07	Dec '07	Mar '08	Jun '08
<b>Fed Funds</b>	<b>5.25</b>	-	<b>5.25</b>	<b>5.25</b>	<b>5.25</b>	<b>5.25</b>	<b>Base rate</b>	<b>5.75</b>	-	<b>5.75</b>	<b>6.00</b>	<b>6.00</b>	<b>6.00</b>
3M Libor\$	5.36	-0	5.35	5.30	5.30	5.30	3M Libor	6.03	-1	6.00	6.10	6.05	6.05
2 years	4.53	-31	5.00	4.80	4.80	4.70	2 years	5.47	-29	6.00	5.90	5.80	5.70
5 years	4.57	-34	5.10	5.10	5.00	5.00	10 years	5.19	-22	5.70	5.65	5.55	5.55
10 years	4.76	-25	5.10	5.00	5.00	4.90	2/10y	-27	+7	-30	-25	-25	-15
30 years	4.93	-18	5.20	5.20	5.10	5.05	<b>Gilt-Bund spreads</b>						
2/10y	24	+6	10	20	20	20	2 years	120	-6	150	140	135	130
10/30y	16	+7	10	20	10	15	10 years	88	+1	120	120	115	115
2/5y	19	-3	0	-10	0	-10							
Japan							Currencies						
	27/07	Weekly change bp	Sep '07	Dec '07	Mar '08	Jun '08		27/07	Weekly change %	Sep '07	Dec '07	Mar '08	Jun '08
<b>O/n call rate</b>	<b>0.500</b>	-	<b>0.750</b>	<b>0.750</b>	<b>1</b>	<b>1</b>	<b>EUR/USD</b>	1.365	-1.2%	1.3270	1.3670	1.2840	1.2540
3m Libor Yen	0.78	-6	0.85	1.00	1.10	1.15	<b>USD/JPY</b>	118.63	-2.7%	125.00	121.00	118.00	109.00
JGB 2 years	0.98	-12	1.00	1.10	1.20	1.30	<b>GBP/USD</b>	2.029	-1.1%	1.9940	1.9700	1.8300	1.7900
JGB 10 years	1.79	+0	1.90	2.00	2.00	2.00	<b>EUR/CHF</b>	1.649	-0.7%	1.6700	1.6400	1.6200	1.5700
2/10y	81	-6	90	90	80	70	<b>USD/CAD</b>	1.058	1.4%	1.0800	1.1200	1.2000	1.2400
3m/2y	21	-6	105	100	90	85	<b>AUD/USD</b>	0.857	-2.6%	0.8400	0.8300	0.7700	0.7400
							<b>EUR/SEK</b>	9.212	0.4%	9.3500	9.2500	9.1000	8.9000
							<b>EUR/NOK</b>	8.031	1.5%	8.0500	8.0000	8.2000	8.3000

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