THE EMERGING MARKETS WEEKLY

Surprise, surprise

Credit markets were rattled by the surprising Dubai announcement of the intended restructuring of Dubai World's debt. The surprise crowned a week with other unanticipated developments: the opposing move of the central banks of Israel and Colombia. Underscoring the different pace of recovery – linked in part to the pattern of the global recovery – the central banks illustrated a pattern of response that we think will hold in the next few months. Those central banks that have eased the most and that face a better grounded recovery are likely to initiate the process of normalization first. Central bank actions, therefore, are unlikely to be highly correlated. We maintain our iconoclastic set of trades, ranging from a few payers to some receivers.

Macro Outlooks

Emerging Asia: More moves to limit FX volatility 7
Vietnam devalues the currency and hikes the policy rate. Next week, we get Q3 GDP from India and policy meetings in Thailand and Indonesia.

EMEA: Crawling out of recession 9
With South Africa's economy finally growing again in Q3 on a seasonally adjusted q/q basis, emerging EMEA's larger economies have moved out of recession.

Latin America: What LatAm Linkers Say 11
LatAm linkers are pointing to a risk of upward movements in real rates and BE inflation in the short run. The beginning of the tightening cycle should represent a line in the sand, after which we expect inflation risk premia to start contracting.

Strategy Focus

What if the USD rates market reprices higher? 13
US monetary policy shocks seem to have a strong effect on LatAm rates. An 85bp upward shock (the historical average) to short-end USD rates may cause a 35bp/65bp upward shock in LatAm rates. These results suggest hedging USD rates risk may be appropriate once a US repricing episode appears imminent.

Dubai and Abu Dhabi: An emerging Islamic default 15
Today's news carries a series of unexpected and surprising headlines when the Dubai Government announced that Dubai World will ask creditors for a standstill agreement to extend the maturities of all debt repayments by Dubai World and its property unit Nakheel until May next year. This announcement fundamentally changes our views expressed in our latest notes in November.

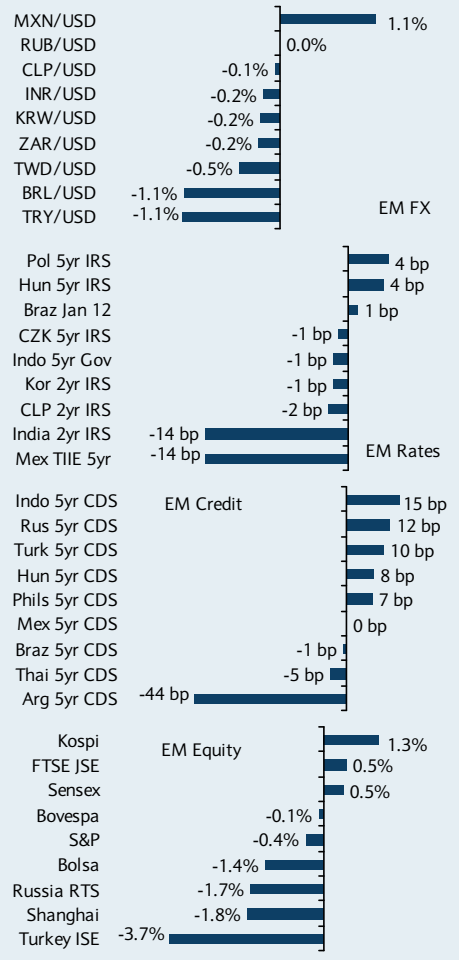
EM Credit Portfolio 17

Data Review & Preview
Emerging Asia 18
EMEA 19
Latin America 20

FX Forecasts and Forwards 22

Official Interest Rates 23

Weekly EM Asset Performance



Source: Bloomberg

Selected Trades

	Current	Target
Pay 5yr KRW IRS	4.30%	5.00%
Buy USD put/MXN call with KO at 12.50	12.97	12.60
Romania 5s10s CDS Steepener (DV01-neutral)	1bp	30bp

Note: Current values as of 24 November 2009.
Source: Barclays Capital

SUMMARY OF TRADE RECOMMENDATIONS AND EM CREDIT PORTFOLIO

George Christou +44 (0)20 777 31472 *george.christou@barcap.com*
Juha Seppala +1 212 412 5606 *juha.seppala@barcap.com*

Description	Entry Date	Entry	Current	Target	Stop	P&L To Target / P&L To Stop	Analyst
Credit (10)							
Mexico 2s5s DV01 Neutral Steepener	12-Nov-09	44bp	46bp	65bp	30bp	1.19	Guarino, Zuniga
Buy Lithuania 15s/ Buy 5y CDS	30-Oct-09	-75bp	-52bp	0bp	-130bp	0.67	Kolbe, Keller
Romania 5s10s CDS Steepener (DV01-neutral)	30-Oct-09	-2bp	1bp	30bp	-25bp	1.12	Kolbe, Keller
Sell Poland 5y CDS/ Buy iTraxx Main 5y CDS	30-Oct-09	31bp	39bp	-10bp	60bp	2.33	Kolbe, Keller
Venezuela 5s10s Steepener	10-Sep-09	-103bp	-98bp	-43bp	-133bp	1.57	Grisanti, Guarino
Brazil 1s10s DV01 steepener	19-Aug-09	68bp	84bp	120bp	50bp	1.06	Guarino
Long Ukraine 2011	27-Jul-09	91	89	100	80	1.22	Guarino, Kolbe
Long BR37 Short BR19N	08-Jun-09	37bp	28bp	10bp	45bp	1.06	Guarino
Hungary 2s10s steepener	02-Jun-09	25bp	61bp	80bp	-20bp	0.23	Guarino, Keller
Long Russia '30 Buy 10y CDS	01-Apr-09	-141bp	-17bp	0bp	-130bp	0.15	Guarino, Kolbe
FX (14)							
Buy USD/HKD 1mth outright	15-Nov-09	7.75	7.75	7.75	7.74	0.14	Redward, Rachapudi
USDINR sell atmf straddle buy 30d strangle	12-Nov-09	1.23%	1.22%	0.23%	1.73%	1.94	Rachapudi
Short USD/COP	28-Oct-09	2,011	1,968	1,900	2,095	0.53	Melzi, Zuniga
Sell USD/TWD 3mth NDF	21-Oct-09	32.01	31.88	31	32.7	1.07	Redward
Buy 1y ATMF / 7.85 USD/HKD call spd	15-Oct-09	0.33%	0.41%	0.53%	0%	0.29	Redward, Rachapudi
Buy 3mth 1x2 PLN Call Spread	07-Oct-09	4.12	4.12	3.95	-	2.13	Chow
USD/SGD 1x2 Put spread	07-Oct-09	53	30	313	0	9.43	Redward
Buy 3mth USD put/RUB call spread	24-Sep-09	30.1	28.81	28.25	-	3.75	Chow
Sell Basket / Buy RUB	24-Sep-09	36.43	35.2	34.8	36.5	0.31	Chow
Buy USD put/MXN call with KO at 12.5	21-Sep-09	13.37	12.97	12.6	-	2.5	Melzi, Seppala
3mth USD put/ ILS call RKO	10-Sep-09	3.77	3.78	3.48	-	7.8	Chow
Buy 6mth Atm-f USD/HKD call	23-Jul-09	0.19%	0.19%	0.53%	0%	1.86	Redward
Long EGP (Dec'09 Tbill, USD funded)	22-Jul-09	5.57	5.45	5.4	5.6	0.33	Chow, Christou, Moubayed
Long TRY (Jan'10 Tbill, USD funded)	13-May-09	1.57	1.5	1.4	1.54	2.50	Chow, Sen
Rates (8)							
Pay 5y KRW IRS	22-Sep-09	4.42%	4.3%	5%	4.2%	7.00	Huang
Pay Brazil DI Jan'17	22-Sep-09	12.67%	13%	13.4%	12.9%	4.00	Melzi, Seppala
KRW Long 10y bond Pay 10y swap	03-Sep-09	86bp	89bp	40bp	105bp	3.06	Huang
Rec 1y1y THB	28-Aug-09	3.28%	2.81%	1.7%	3.6%	1.41	Huang
Israel: Rec 10y	26-Aug-09	5.57%	5.36%	5.2%	5.65%	0.55	Sen
Long Dec24 MBono	14-Aug-09	8.48%	8.21%	7.75%	8.8%	0.78	Melzi
Pay 5y INR OIS	10-Jun-09	6.22%	6.5%	8%	5.75%	2.00	Huang
Receive TWD 1y forward starting 1yr IRS	16-Mar-09	1.18%	1.4%	0.67%	1.6%	3.65	Huang

Note: As of 24 November 2009. Methodology: P&L to target/P&L to stop is a measure of how much can be won relative to how much can be lost. Both are calculated from the current value and reported in dollars. This measure does not take probabilities into account. Source: Barclays Capital

EM credit portfolio – summary table

	Recommendation	Comment
Dominican Republic	Hold Overweight	Help from the IMF, IADB and Taiwan should boost the economy.
El Salvador	Hold Overweight	El Salvador has done a good job to get the resources to cover its financing needs.
Russia	Hold small Overweight	We continue to see value in current spread levels.
Ukraine	Hold Underweight	We remain cautious ahead of the January Presidential Elections

Source: Barclays Capital

EMERGING MARKETS OUTLOOK

Surprise, surprise

Guillermo Mondino
+1 212 412 7961
guillermo.mondino@barcap.com

Andrea Kiguel
+1 212 412 5965
andrea.kiguel@barcap.com

Credit markets were rattled by the surprising Dubai announcement of the intended restructuring of Dubai World's debt. The surprise crowned a week with other unanticipated developments: the opposing move of the central banks of Israel and Colombia. Underscoring the different pace of recovery – linked in part to the pattern of the global recovery – the central banks illustrated a pattern of response that we think will hold in the next few months. Those central banks that have eased the most and that face a better grounded recovery are likely to initiate the process of normalization first. Central bank actions, therefore, are unlikely to be highly correlated. We maintain our iconoclastic set of trades, ranging from a few payers to some receivers.

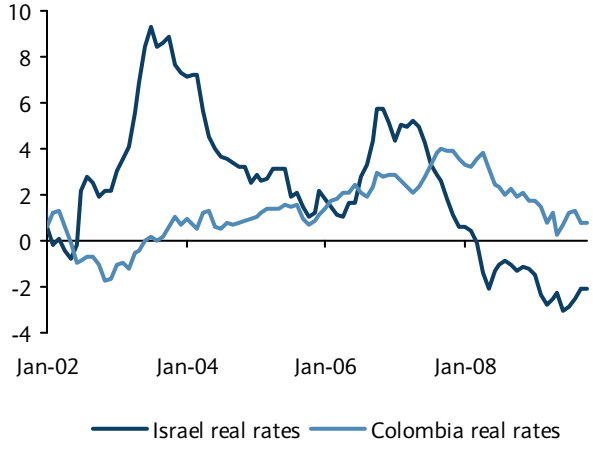
Dubai's Government announcement has rocked credit markets

In a highly surprising development, the Dubai Government announced that Dubai World will ask creditors for a standstill agreement to extend the maturities of all debt repayments by Dubai World and its property unit Nakheel until May next year. The move has rocked credit markets, as many expected Abu Dhabi to stand behind the emirate. In particular, the USD5bn raised only hours before by Dubai had been entirely placed with two Abu Dhabi-based banks. The uncertainty and unpredictability about upcoming debt repayments implied by today's events will likely add to pressures on Dubai spreads, which may lead to a re-pricing of Dubai and UAE risk, in our view. Upon impact, Dubai CDS spreads widened 130bp.

Different economic recovery paces will begin to guide monetary policy decisions

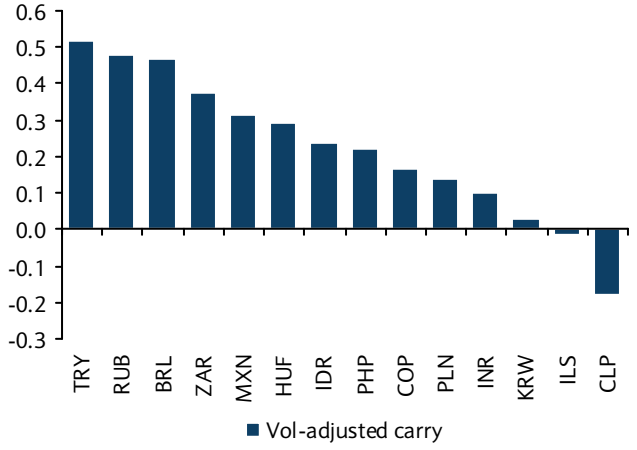
However, there were a few other surprises worth highlighting. On the one hand Israel surprisingly hiked interest rates a second time this year, while Colombia jolted markets with a 50bp rate reduction. These unexpected moves underscore a pattern that, we think, will remain in place for the net few months: a differential pace of response to the world economy will guide monetary policy decisions. Naturally, a number of idiosyncratic factors are also at play. However, we think that the recent surprising moves are fully consistent with a multi-speed world recovery.

Figure 1: Real interest rates, guess who cut and who hiked?



Source: Barclays Capital

Figure 2: Carry remains attractive, almost everywhere



Source: Barclays Capital

EM likely to be negatively affected by the slower-than-expected consumption growth in the US

Another surprise (if one may so call that) are the revisions to Q3 US GDP data, which also warrant some attention, as they highlight some interesting traits of the world recovery. To begin with, after the latest data revisions, consensus had moved its estimate to 2.8% for US GDP, from the already released advance estimate of 3.5%. Therefore, the 2.8% announced figure hardly surprised anybody. From EM perspective, while the slower US recovery is informative, we think that a few data points are even more telling. In the first place, personal consumption grew 2.9%, reflecting softer growth in all three major components: durable goods, nondurables and services. Slower-than-expected consumption growth is bound to have a negative impact on the pace of recovery of EM countries that supply the US consumer, particularly those focused on durables. Surprisingly, though, Mexico posted a stunning 12.2% q/q saar rebound in Q3.

The US GDP report also hints at accelerating investment. During Q3 there was another solid gain in corporate profits – which jumped 10.6% q/q (not annualized) marking the third quarter of consecutive gain – suggesting that corporations are generating internal funds that will allow a pick-up in investment. The first indications of a recovery in investment arise from the upward revision of investment in software and equipment (2.3% versus 1.1%) and more should be expected in coming quarters. Not surprisingly, countries with a significant exposure to "high-tech" production, such as Taiwan and Israel are showing clear signs of recovery: Taiwan's industrial production grew 6.6% y/y in October, while Israel's Q3 GDP grew 2.2% q/q saar.

Israel surprised by hiking 25bp…

Israel's central bank has responded to the signs that the economy is recovering. While the move was surprising, it follows a pattern that we should come to expect from other central banks. When the pace of recovery consolidates (Israel's 2.2% follows 1% from Q2) those central banks that most aggressively cut rates, are expected to initiate, early, a process of normalization: Interest rates, after the recent 25bp hike are only 1% and monetary policy remains expansionary with negative real rates, if less so than before (Figure 1). Furthermore, the recent weakness in the shekel gave the BoI more room to raise rates without having to worry about more ILS appreciation. In our view, Israel will continue its process of normalization going into 2010.

…while Colombia's central bank surprised in the opposite direction

Colombia's central bank also surprised markets, but in the opposite direction. The recovery remains weak, inflation has surprised on the low side, expectations are well anchored around the new 3% inflation target and the exchange rate provides some room for additional easing. Furthermore, given current expectations, Colombia's real interest rates are not nearly as expansionary as those of other central banks. As a result, Banrep surprised markets and cut the policy rate by 50bp. Notably, in contrast with the September move, Banrep did not focus on the COP's path. Nevertheless, the authorities have suggested in the past that monetary expansion in the future would be conducted through non-sterilized interventions, suggesting that, when convenient, Banrep would use its interest rate instrument. We do not expect further rate reductions in the future, unless activity surprises on the low side in coming weeks. Rather, we expect interest rates to begin to normalize in May 2010.

There have been other monetary policy actions, though less surprising. Hungary and Russia cut their interest rates by 50bp and Turkey reduced by 25bp, in line with expectations. Once again, the level of slack in those economies and the gradual stabilization award central banks some room to reduce interest rates. In turn, in line with market expectations, Poland and Malaysia maintained their rates unchanged.

Going into 2010, central banks are likely to be more coordinated in their actions

The somewhat uncorrelated pattern of monetary policy actions should continue in coming months. However, as we enter 2010, central banks are likely to increasingly appear more coordinated in their actions as the recovery takes hold. Despite the downward revision in US Q3 numbers, we remain upbeat about the pace of recovery in the emerging world.

Unsurprisingly, Mexico was downgraded; this opens the gate for a rally

The one unsurprising move of the week was the downgrade by one rating agency of Mexico. The move had been long expected by the markets and the speculation over the potential action (it resulted in a one-notch downgrade with Stable Outlook) had created extraordinary anxiety among some market participants. While markets await the decision of the second rating agency that has the Republic on Negative Outlook, the FX, local rates and to a lesser extent credit have enjoyed a relief rally. Our view is that a second downgrade is likely, based on similar concerns (limited fiscal flexibility and concerns over medium-term growth potential). However, we are constructive as we think that the country is initiating a process of vigorous recovery, as illustrated by its Q3 12.2% q/q saar rebound.

EM rates: Despite a surprise or two, stay put

In Malaysia, the central bank remains cautious as the recovery will be "gradual and uneven"

Rates in Asia have moved in small 2-3bp ranges. Thailand was the exception showing an 8bp rally over the past two days as the fixing fell 9bp. The move was in line with the recent declining trend of the 6mth fixing, down 24bp since the beginning of the month. We continue to hold our 1y forward 1y swap recommendation and look to take profits upon the fixing stabilizing. As the swap curve in Thailand remains among the steepest in Asia, we continue to favour receiving front-end rates as the 60bp of rate hikes priced by February appear aggressive. In a largely expected move, Bank Negara of Malaysia held rates on hold at 2%. Bank Negara remained cautious, highlighting that the recovery will be "gradual and uneven." We continue to see Malaysia policy rates anchored for the coming quarters. As such, the 1y rate at 2.32% is among the more reasonable candidates to pay in Asia. In Korea, we continue to highlight the large build-up of long foreign futures contracts and look for a sell-off to come in the coming weeks to lead rates higher.

Substantial rate cuts ahead in Russia

Russia's 50bp cut was well anticipated by the market and price action this week was driven more by jitters in the FX market that led to a steepening of the IRS and CCS curves. We believe substantial rate cuts lie ahead as inflation is likely to drop significantly over Q1 10 not least due to substantial base effects. The refinance rate is likely to hit 6.50 by March 2010, leaving ample scope for local rates/yields to rally further. Elsewhere, despite Israel's 25bp hike, we think the next rate increase will only materialize in January 2010, meaning in the near term that our long recommendation in back-end rates remains in place. We will look to switch into a flattener closer to year end.

Range trading is the name of the game in Brazil while we look for a rally in the long end of Mexico

Besides Colombia, activity in short-end rates has been muted over the past few weeks. The local Nov10 TES rallied 35bp following Banrep's surprise cut, but we expect short-end rates to stabilize near current levels as no more rate cuts should occur. In Brazil, Jan11 yields are trading very close to the lows of its recent trading range. Carry is very attractive in this part of the curve, so any spikes would probably be met by receiver interest. Range trading seems to be the name of the game in the near future. In Mexico, the action continues in the long end with local pension funds adding positions. We expect this trend to continue as the peso and forward rates are very attractive. We see value in long-end MBonos/TIIE rates and expect the yield curve to flatten.

EM FX: As you were

Asian currencies followed the broad dollar in direction, but the appreciation was quite limited compared to the move in DXY in all currencies except for the INR. USD/INR moved sharply lower just before close on Tuesday on speculative customer flows and interbank stop loss selling. While DXY lost about 0.70%, and EUR gained by about 0.57%, we think that it is not a case of improved risk appetite (unlike in recent times) as apart from INR, the appreciation in other Asians has been less than 0.10% on average. However the move in NDF space is higher at 0.28% appreciation on average across Asia.

For the coming week, we think markets will be tracking EUR and will be range bound on the lack of any triggers. In the vol space, we expect implied vols in short tenors to stay bid as investors will be willing to pay up a bit of premium for protection in an illiquid market. However, we think that realised volatility will be lower than implied as currencies trade range bound and in low volumes. In particular, we recommend selling 1mth straddles and buying 30d strangles in USD/INR.

We remain long ILS and RUB

The stability in EMEA currencies belies recent local developments that argue for greater volatility if not outright differentiation. Despite the Bank of Israel hike, 1% policy rates will not appeal to carry trade investors (vol adjusted carry is still low), the timing of the move suggests that current levels of the shekel are acceptable to the Bank (Figure 2). We opt to remain long shekel. Meanwhile, RON is starting to trade a little firmer against the EUR, as one political milestone has passed (the first round of the presidential elections). What will be key to unblocking loans from the IMF programme is the formation of a new government after the second-round presidential elections. Moreover the RON, having consistently underperformed other CE currencies, already has significant risk premium. The RON outlook is slowly improving. On the RUB, we continue to recommend longs. However the ongoing interest cuts are depleting the carry on the RUB (Figure 2). Still, the BoR's confirmation of a sliding short-term trading range on the basket/RUB cross suggests no draconian measures to weaken the RUB in the near term, thereby leaving the currency as a good oil trade.

We expect CLP and MXN to continue to outperform in the near term

Activity this week was concentrated in CLP and MXN, the top performers in LatAm FX. The former recovered all the lost terrain caused by heightened intervention fears last week. We see some additional potential for USD/CLP to decline in the very near term (towards 475) before intervention risks gain more traction. In Mexico, recent price action suggests investors may not be too concerned about an S&P downgrade. In any case, we view it more as a need by S&P to add precision to relative ratings within the category of countries to which Mexico belongs, rather than a view reflecting an absolute deterioration of fundamentals. We expect USD/MXN to reach 12.70 in the near term and see further appreciation potential for the peso, as our more-optimistic-than consensus view on the recovery gains traction.

EM Credit

Although Ukraine managed to reverse parts of its recent spread widening, the environment for CEE credit in general remains jittery. Fiscal concerns are coming to the fore again driving CDS spread underperformance in Poland and some western European countries. While we acknowledge that more political willingness to curb deficits in Poland seems needed, we highlight the country's comparatively solid growth prospects and would argue that current debt levels just below 55% of GDP (a threshold at which legislation to curb deficits kicks in) are much lower than for many countries within the EMU.

Positive developments in LatAm names could add fuel to the credit rally

After Mexico’s unsurprising downgrade by one of the rating agencies, the focus has started to shift away from ratings and back to growth and potential implementation of structural reforms. We are constructive the credit and see opportunities for the low beta to rally. In Venezuela, news that the government may limit PDVSA’s bond issuance to allow markets to recover could result in some relief. Meanwhile, credit markets continue to await official announcements from Argentina regarding its offer to holdouts. The credit has continued to rally and now trades comfortably inside Venezuela.

OUTLOOK: EMERGING ASIA

More moves to limit FX volatility

Prakriti Sofat
+65 6308 3201
prakriti.sofat@barcap.com

Rahul Bajoria
+65 6308 3511
rahul.bajoria@barcap.com

- **Vietnam devalues the currency and hikes the policy rate**
- **We get Q3 GDP from India and policy meetings in Thailand and Indonesia**

Vietnam bucks the trend

Vietnam bucks the Asian trend of currency appreciation

While most currencies in Asia have been feeling the pressures of appreciation amid broad dollar weakness and strong portfolio inflows, Vietnam bucks the trend. This drives from lingering concerns of currency depreciation, which typically has been due to rising inflation and yawning trade deficits. In such times the demand for hard currencies/assets such as USD or gold accelerates. These currency pressures are reflected in the on-shore unofficial market rate of the currency trading well above the top end of official band and gold prices in Vietnam being higher than the international market. In such an environment exporters are unwilling to sell their dollars at the official rate and importers demand for USD increases rapidly as they would like to source dollars as fast as possible, exacerbating the imbalance.

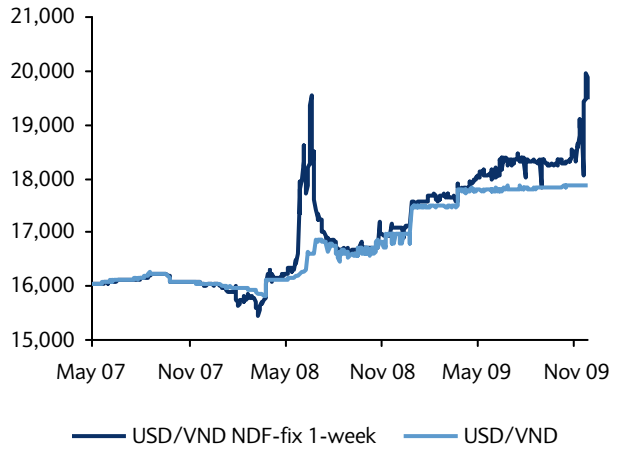
Vietnam devalues dong and narrows trading band

In a bid to address these issues the central bank weakened the fix for the dong by 5.44% and narrowed the trading band to ±3% from ±5%. Taking these measures together, the effective weakening is 3.5%. We believe that the one-off devaluation will reduce the misalignment between the official rate and expectations (one can use the NDF-fix as a proxy). This together with more credible and strong intervention in the FX market, as suggested by Governor Giau, and further policy tightening should help contain pressure on the currency. We regard the tightening of the trading band as a positive step, as the earlier range allowed a maximum intra-day volatility of 10% which is undesirable. Note, however, that the currency has typically traded at the weak end of the band.

Vietnam central bank hikes policy rate by 100bp; at least 200bp more to come, in our view

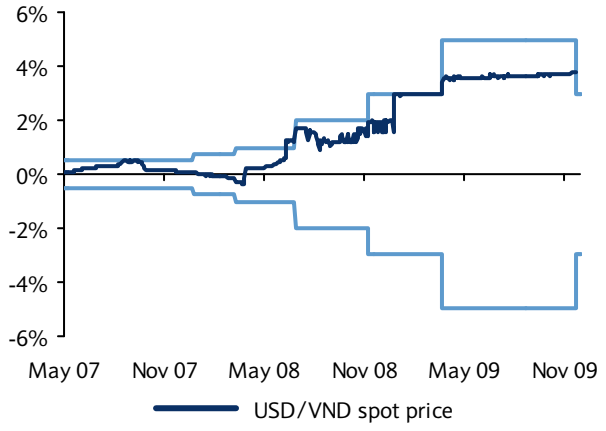
The State Bank of Vietnam (SBV) also hiked the policy rate by 100bp to 8%, effective 1 December. This means that lending rates in the economy, which are capped at 1.5x the base rate, now rise to 12% from 10.5% previously. Note that the cap in lending rate does not apply to consumer loans, since early this year. We did see increasing risk of a hike, although

Figure 1: USD/VND versus NDF fix



Source: CEIC, Barclays Capital

Figure 2: USD/VND relative to fix and band



Source: CEIC, Barclays Capital

the tightening has come somewhat sooner than we expected. This suggests that the SBV is focusing on containing rampant credit growth and inflation risks. We continue to expect at least 200bp of further hikes, with 100bp possibly before the year end.

Thailand and Malaysia: Growth forecasts remain on track

Growth surprised on the upside in Malaysia, 2009 forecast maintained at -2%

Looking at Q3 GDP figures from Thailand and Malaysia, in both countries, growth surprised on the upside, declining by 1.2% and 2.8% y/y. In Thailand, due to upward revisions to Q1 and Q2 09 GDP figures, the q/q sa bounce was smaller than our expectations. Private consumption continued to improve, while government consumption showed a smaller rise. In Malaysia, domestic demand also continued to show signs of a pick-up, showing positive y/y growth. We see an improvement in consumer sentiment, which is reflected in the rise in consumption. We believe this is due to the 12% rise in KLCI between July and September, which has boosted consumer confidence. The KLCI is up around 6% in Q4 to date, indicating that the positive momentum in private consumption is likely to continue. The pick-up in government spending is a sign that social developments projects under the Ninth Malaysia Plan have started to hit the ground and are likely to have a positive impact in the coming quarters. Furthermore, the planned special allowance for civil servants and tax cuts in 2010 are likely to spur private consumption.

Next fortnight: Focus on India, Indonesia and Korea

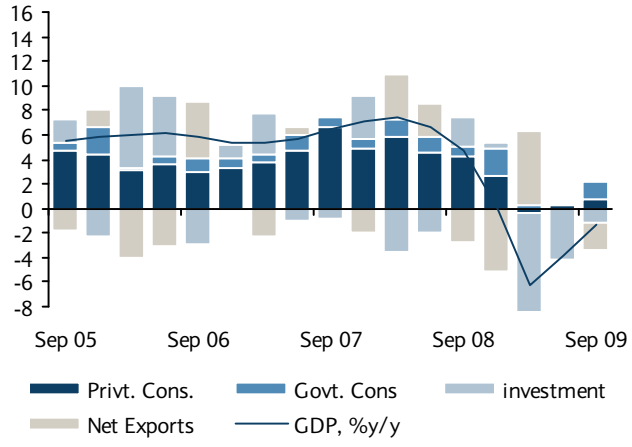
Q3 GDP to be strong in India; first glimpse of November exports likely to paint a picture of moderation

Next week, we expect India's Q3 09 GDP print. We estimate that the Indian economy probably expanded 6.5% y/y, above the 6.1% increase in Q2, despite negative agriculture output. The November PMI from China is expected next week. The underlying momentum remains strong despite snow storms in some areas that might have caused some disruption in activity. We also get October IP from Korea and Thailand. We get our first glimpse into Korea's export performance in November, which we expect to show a m/m decline on a temporary pause in auto shipments. We also get November CPI readings from Korea, Indonesia and Thailand.

Bank Indonesia and Bank of Thailand expected to remain on hold

We have monetary policy decisions coming up in Thailand and Indonesia, and we expect both central banks to keep policy rates unchanged. In Indonesia, we think the bias towards growth could remain, and the central bank is likely to use currency appreciation to lean against inflationary pressures.

Figure 3: Consumption spending helps growth in Malaysia



Source: CEIC, Barclays Capital

Figure 4: India's Q3 GDP likely rose to 6.5%

Source: CEIC, Barclays Capital

OUTLOOK: EMERGING EUROPE, MIDDLE EAST & AFRICA

Crawling out of recession

Christian Keller
+44 (0) 20 7773 2031
christian.keller@barcap.com

- **With South Africa' economy finally growing again in Q3 on a seasonally adjusted q/q basis, emerging EMEA's larger economies have moved out of recession.**
- **Rate cuts in Hungary and Russia and an unexpected hike in Israel confirm the increasingly diverging monetary policy trends in the region.**

South Africa's recession ended in Q3…

Supply-side GDP numbers released this week by South Africa showed that the economy crawled out of recession in Q3 09, growing an annualised 0.9% q/q (-2.1% y/y) after Q2's revised 2.8% contraction (previously: -3.0% q/q). The improvement was broad-based, with the manufacturing, general government, construction and personal services sectors the key contributors. The Q3 numbers, along with the revisions made to the historical growth rates, point to a preliminary full-year GDP growth estimate of just under 2% for 2009 (see *South Africa crawls out of recession, 24 November 2009*).

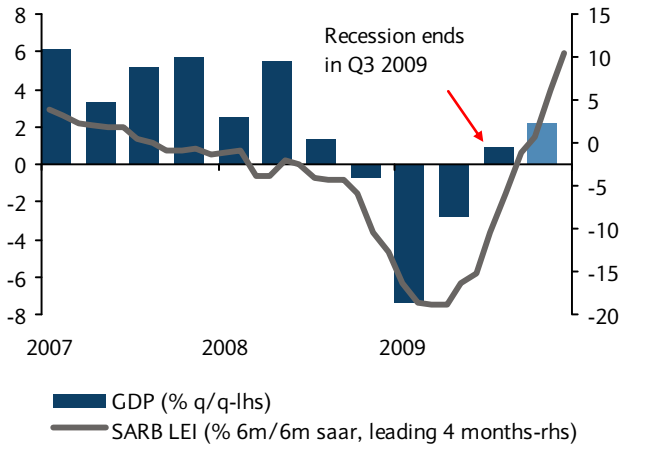
…while October inflation finally drops below the 6% target

Despite this growth, positive news emerged on the inflation front this week, as favourable base effects pushed October CPI inflation below the SARB's upper target band of 6% for the first time since March 2007. This dip within the target is likely to be fleeting, however, as the favourable base effects in food and fuel prices reverse as we approach year-end. Along with what remains a worrisome administered and service price inflation outlook (particularly through electricity price increases) and evidence that the domestic economy has moved out of recession, this is likely to cause the policy rate remain on hold for the remainder of the year. We expect the next move to be up, with the first hike likely to be delivered in Q3 10.

Only countries with intentional pro-cyclical fiscal tightening may need until 2010 to crawl out of recession

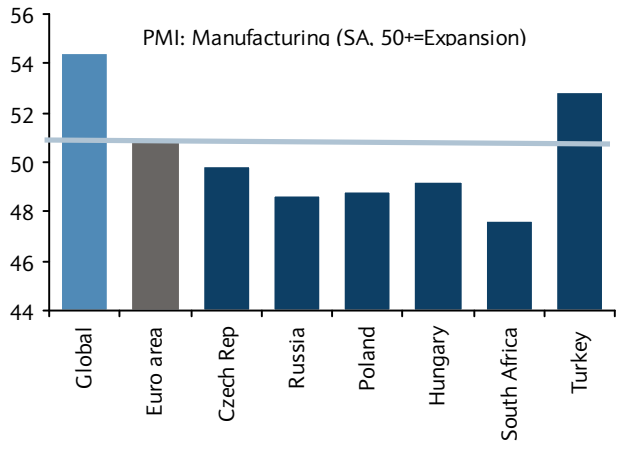
Next week, Poland will be among the last in the region to release Q3 GDP (Turkey will not be out until later in December), and we expect growth to continue to hover around low positive rates. Where does the region stand in terms of recovery? Out of the 15 countries shown in Figure 3 – mainly emerging Europe – all but Poland had negative q/q growth on a seasonally adjusted basis. In Q2, it was only seven out of 15, and from the 10 available Q3 prints thus far, only three remain negative. In other words, and roughly speaking, the recession pattern can be described as follows: in Q1 100% recession, in Q2 50% recession in Q3 30% recession. Importantly, with South Africa, Russia, Turkey and Poland having reported, all the

Figure 1: South Africa officially exits recession in Q3



Source: National Statistic Institutes, Haver Analytics, Barclays Capital

Figure 2: Still plenty of room for PMIs to catch up



Source: Markit Economics, Haver Analytics, Barclays Capital

larger economies are now out. Countries such as Hungary and Estonia, which thus far seem to show little rebound, are also among the few in the world that are undertaking a very pro-cyclical fiscal tightening, be it under an IMF programme (Hungary) or fulfilling the Maastricht deficit threshold in order to be allowed to adopt the euro in 2011 (Estonia). In these cases, growth may not turn positive until mid-2010, but for most others, the recession should formally end in 2009.

Next week's PMIs will tell us more

The November PMI releases should provide more forward-looking information on the pace of recovery. The euro area 'flash' PMIs released early this week paint a relatively favourable picture. They all improved modestly in November, with the euro area composite headline reading having climbed to its highest level since November 2007. We look for PMIs in EMEA to stay behind global PMI developments but expect more countries to break the 50 threshold before year-end, especially as the euro area recovers (Figure 2).

Hungary and Russia cut rates as expected…

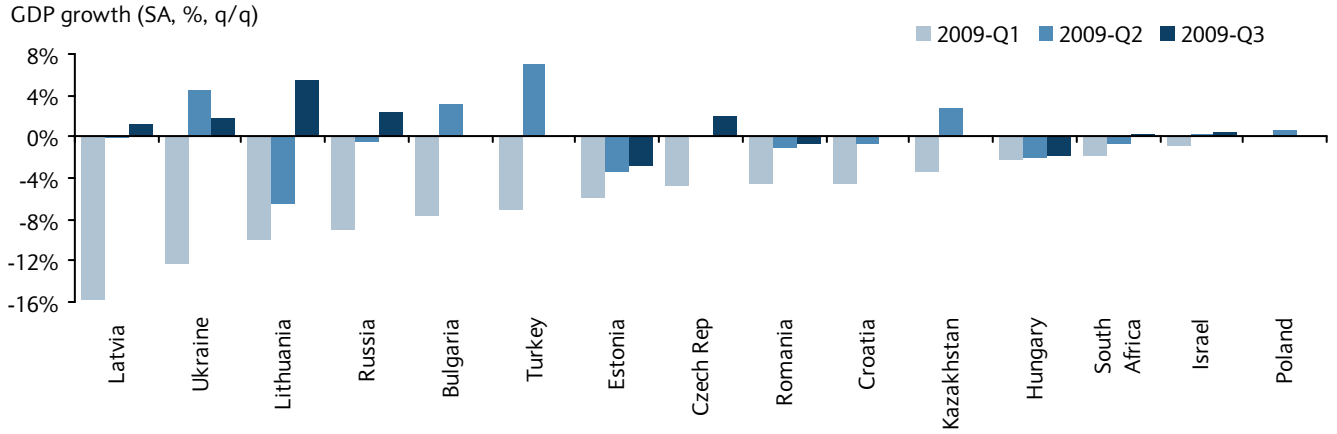
…and we see room for more cuts

Monetary policy decisions in Hungary and Russia were made early this week, with both central banks cutting rates 50bp, to 6.50% and 9.0%, respectively. In Hungary, this continued the pattern of 50bp cuts in the previous five months and we think that macro developments remain favourable for further rate cuts. The risks to further easing remain the same – global risk appetite and related HUF volatility – but are unlikely to materialise anytime soon, in our view. We see a further 50bp rate cut in December to 6% and a final rate of 5.0% in Q2 10 (*Hungary: MC tracker – on track, 23 November 2009*). Similarly, we see a rationale for more secular rate cuts in Russia. With demand conditions remaining weak and the lagged effects of weak money growth and an appreciating currency still to appear, inflation is likely to drop substantially in H1 10, creating room for a further easing of the refinancing rate to 6.50% by end-Q1.

Israel stays ahead of the curve surprising with another hike

Israel's BoI did surprise somewhat this week, raising rates for the second time since August. We had highlighted the risk of a hike but had expected the BoI to remain on hold, like most in the market. Consequently, the hike sparked a rally in the shekel. The BOI statement following the decision made for very positive reading about recent growth performance and the contribution from several sources such as consumption demand and investments, ie, moving on from what started as an export-led recovery. We also continue to hold a positive view of Israel's economic outlook for 2009, we see growth at +0.8 and for 2010 at least 3%+ with potential upside risk. Inflation over the coming months is likely to drift up above 3% as base effects turn unfavourable; however, we expect it to fall back thereafter toward the mid-point of the target 1-3%.

Figure 3: Q/Q GDP growth in seasonally adjusted terms – more countries moving above the line in Q3



Source: National Statistical Institutes, Haver Analytics, Barclays Capital

OUTLOOK: LATIN AMERICA

What LatAm Linkers Say

Guilherme Loureiro
+55 11 5509 3295
Guilherme.Loureiro@barcap.com

Roberto Melzi
+52 55 5241 3260
roberto.melzi@barcap.com

Marcelo Salomon
+55 (0) 11 5509 3295
marcelo.salomon@barcap.com

- **LatAm linkers are pointing to a risk of upward movements in real rates and BE inflation in the short run, especially in Mexico but also in Brazil.**
- **The beginning of the tightening cycle should represent a line in the sand, after which we expect inflation risk premia to start contracting.**

Tracking inflation-linked bonds provides insights into market concerns on monetary policymaking in the current recovery phase of LatAm economies. We focus on three main inflation targeters (Brazil, Mexico and Chile) and observe diverse behaviour in both real and break-even inflation (BE) rates. In our view, central bank credibility issues, against a backdrop of an uncertain outlook for activity and inflation, to some extent explain these differences. If our constructive view on the global and LatAm economic recovery (and, hence, about higher inflation) proves correct, we expect to see relatively more upward pressure on real yield curves – especially in Mexico and Brazil – at least until the tightening cycle kicks in. Then, BE and nominal rates should start to decline as the inflation risk premium related to uncertainty around monetary policy decisions dissipates.

Markets are tracking output gaps and non-demand driven motives to gauge CB policymaking

Markets appear to be assessing the trade-off between demand-driven inflation pressures (output gaps) and pre-emptive central bank actions (fight against asset/credit bubbles, and re-aligning inflation expectations) to gauge when the tightening cycle will start in the region. Add to this uncertainties about future monetary policy-making (Brazil's presidential elections in October, central bank board changes in both Brazil and Mexico) and the risk of a 2008-type of food price escalation, and we get the main macro drivers for the linkers market in the coming months.

In spite of a common activity pattern, linkers moved differently in LatAm

As shown in the charts below, while marked by different intensities, the dynamics of LatAm countries' activity in the post-Lehman period was characterized by the common cyclical downtrend. Yet, the behaviour of real and BE rates differed markedly among these markets. In Chile, these variables tracked activity very closely and have bounced back from their lows, with real rates now hovering around pre-crisis levels and BE stabilizing well below pre-crisis levels. To us, this reflects the central bank's strong credibility. After timely and aggressive action (the central bank slashed the policy rate by an impressive 775bp to 0.5%), real rates reacted by pricing a strong growth recovery (we expect real growth at +4.9% in 2010) with BE remaining well contained (currently at 3%, in line with the target).

Chilean real rates and BE tracked the activity cycle...

...while in Mexico the recent decoupling between the two shows concerns about the recovery and a rising inflation premium

Meanwhile, the correlation between real and BE rates and activity dynamics in Mexico has been more modest. On one hand, real rates have continued to decline in recent months, apparently reflecting scepticism about the extent of the economic rebound (we expect Mexico to grow by 5% in 2010, while consensus is a bit less than 3%) in spite of the better IP readings at the margin. On the other hand, BE rates reverted the downward trend and have been rising since mid-2009, reflecting inflation risks arising from the 2010 fiscal budget and from potentially higher domestic gasoline prices. To the extent that Banxico begins to "normalize" relatively quickly (we expect it to start hiking in March), credibility should be enhanced and this is likely to curb the increase in BE.

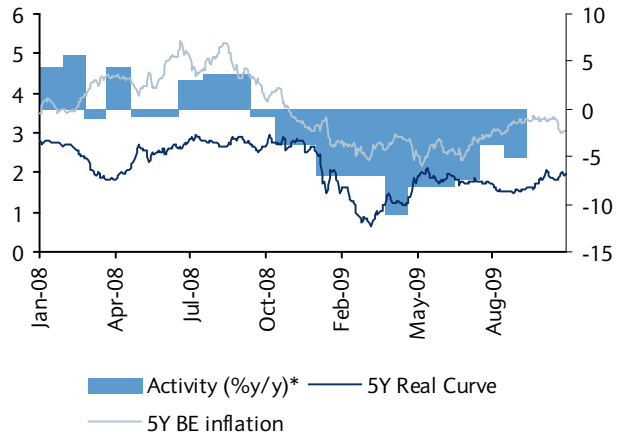
Real rates and BE inflation in Brazil lie somewhere in the middle between Mexico and Chile. Both rates fell as IP slumped but while BE has printed an upward trend since January, real rates remained very resilient after activity started to move up. It was only last September, when a very strong showing of formal job creation shocked the marked, that real rates started to rise. But this happened at the same time that consumer price inflation was

surprising on the downside, a critical force in keeping BE moving sideways. Real rates are already pricing a recovery process in Brazil, but upward surprises on activity and inflation could still pressure both real rates and BE in the coming months. We are already expecting seasonal factors to lift the IPCA over the next three-to-four months to 4.5% y/y from the current 4.17%. And if food price shocks observed in Asia start to move towards LatAm, both real rates and BE inflation would move up faster.

The behaviour of real and BE rates in Brazil are somewhere in the middle between Chile and Mexico

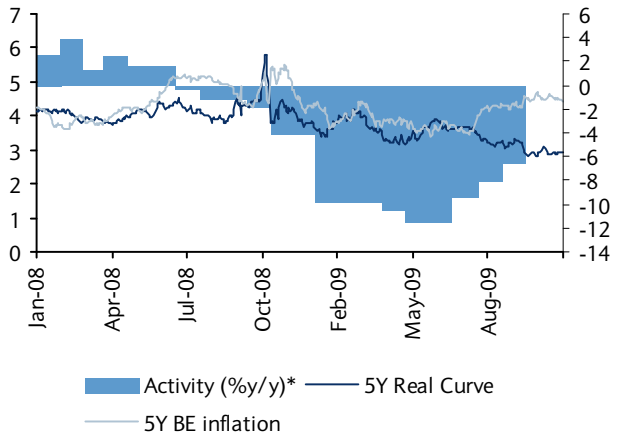
Linkers are indicating that there could still be space for upward movements in real rates and BE inflation in the short run, especially in Mexico but also in Brazil. The risks to our base case scenario are still tilted towards such correction, but this should only happen until CBs start hiking rates. Following the beginning of the tightening cycle, we believe the 5y BE inflation will start to wane and consequently its nominal counterpart.

Figure 1: Chile activity (RHS), real rates and BE



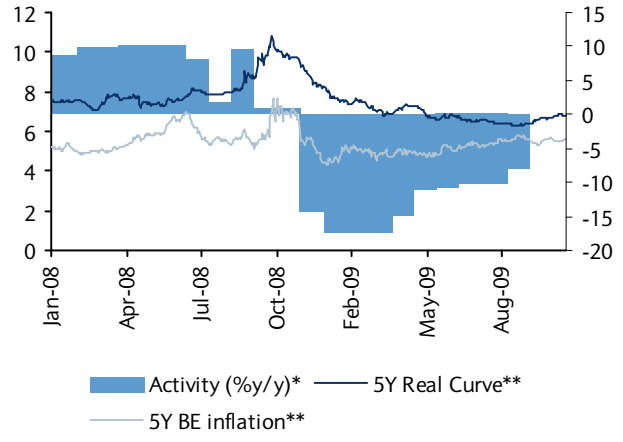
Note: *Industrial Production % y/y. Source: Bloomberg, INE, Barclays Capital

Figure 2: Mexico activity (RHS), real rates and BE



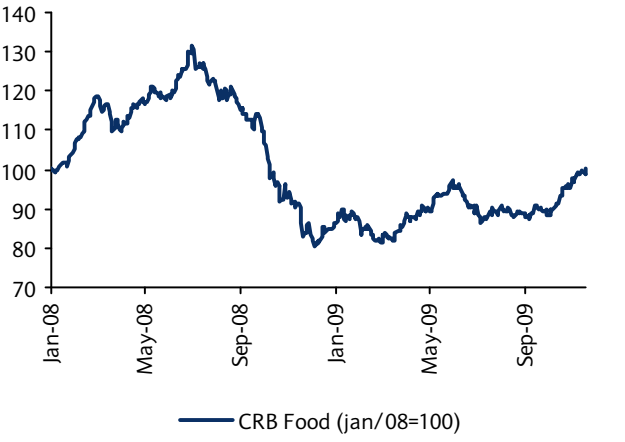
Note: *Industrial Production % y/y. Source: Bloomberg, INEGI, Barclays Capital

Figure 3: Brazil activity (RHS), real rates and BE



Note: *Industrial Production % y/y; **NTN-B May 2015 and NTN-F Jan 2014.
Source: Bloomberg, IBGE, Barclays Capital

Figure 4: CRB food prices



Source: Bloomberg, Barclays Capital

STRATEGY FOCUS 1: LATAM RATES

What if the USD rates market reprices higher?

Roberto Melzi
+52 55 5241 3260
roberto.melzi@barcap.com

Juha Seppala
+1 212 412 5606
juha.seppala@barcap.com

US monetary policy shocks seem to have a strong effect on LatAm rates. Our analysis indicates that an 85bp upward shock (the historical average) to short-end USD rates may cause a 35bp-65bp upward shock in LatAm rates. These results suggest hedging USD rates risk may be appropriate once a US repricing episode appears imminent.

LatAm rates during US monetary policy repricing episodes

The timing of when the Fed will begin to "normalize" its monetary policy stance is a key market uncertainty. Barclays Capital's view is for the fed funds rate to remain on hold until September despite its more optimistic than consensus view on the cyclical recovery; however,

History suggests that episodes of significant repricing of the US monetary policy outlook have non-negligible effects on LatAm rates

the risk is that financial markets react to data, potentially validating our house view in the coming months and price tighter monetary conditions well before September. History suggests that significant repricings of US monetary conditions may lead to similar dynamics in LatAm rates markets (Figure 1). For example, after the Fed became more "hawkish" in March/June 2004, the 1y1y USD swap rate sold off by almost 200bp (approximately 75bp per month, well above the typical monthly change). This repricing led to sharp corrections in LatAm rates, with 1y Pre-DI in Brazil, 10y TIIE in Mexico and 5y nominal swap in Chile selling off by a total of about 300bp, 190bp and 40bp, respectively. In this piece, we study the relationship between these repricing episodes and LatAm rates to shed light on what could happen when and if US rates adjust sharply higher in response to better economic data.

Model results

We analyze the relationship between shocks in USD rates and shocks in LatAm rates

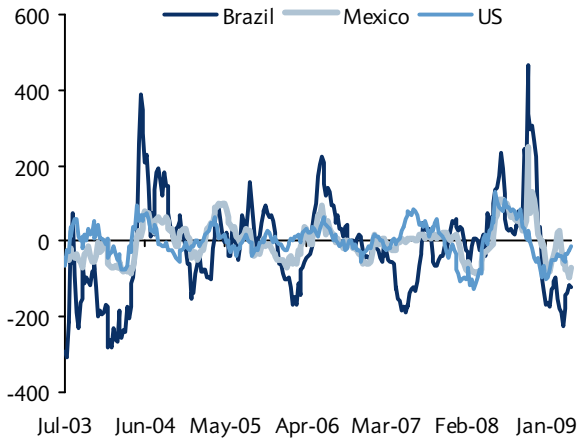
Although it makes intuitive sense for US monetary policy to have non-trivial effects on LatAm rates, finding the exact relationship may not be straightforward. First, given Fed's preparation of markets, it is possible that upcoming policy rate changes are fully anticipated. Second, the Fed's monetary policy may not have a direct effect on any given LatAm country, but may have an indirect one by influencing investors' sentiment toward EM markets in general. Third, given effects on EM sentiment, each country's markets (or assets) may adjust beyond what the general EM sentiment change would suggest, given country-specific conditions (say, investors' technical position) at the start of the adjustment process. We, thus, focus on the relationship between shocks to US short-end rates and shocks to short/long LatAm rates by regressing the deviations from trend[1] of short/long LatAm rates against those of the USD 1y1y forward rate and LatAm 1y1y forward rates, controlling for the deviations of other domestic and global risk aversion factors (i.e., VIX, FX and 5y CDS).

35-75% of the shock to USD rates is reflected in shocks to short/long LatAm rates…

Our results indicate that, all else equal, 36% to 76% of the unexpected change in the market pricing of the Fed's monetary policy stance is reflected in LatAm rates. The effect is the largest in Brazil and smallest in Chile. In all countries and for all tenors the effect is statistically highly significant. Moreover, in Mexico the US monetary policy shock turns out

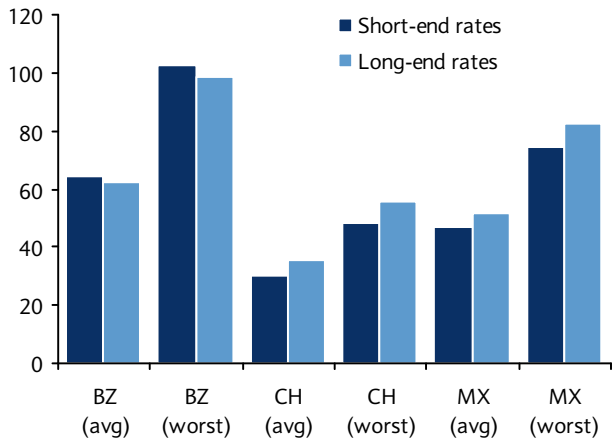
[1] We define monetary policy shocks as the deviation between observed 1y1y forward rates (in US and LatAm) and its 60w (centered) moving average. It turns out that US 1y1y forward rate is highly correlated with the Fed Funds target rate, but typically it starts the upward or downward trend much earlier than when the Fed actually starts the hiking or cutting cycle. In addition, it is typically highly correlated with S&P-500 equity index. Hence, it illustrates both how important is the US monetary policy in driving the investors' sentiment (causation) and how much this sentiment is reflected in US forward rates (correlation). We filter the other key financial variables (VIX, CDS, FX) that enter into our analysis to avoid data trends that may distort the econometric results.

Figure 1: Monetary policy re-pricings in the USD affect LatAm rates' dynamics



Plot of deviation of 1y1y forward rates from 60w (centered) moving average (in bp). Chile omitted from graph for clarity, but dynamics are similar to Brazil's and Mexico's. Source: Bloomberg, Barclays Capital

Figure 2: Shocks to USD rates have significant effects on LatAm rates



Note: Bars show expected effects of 85bp/135bp deviations from trend (average/worst case scenarios) of the 1y1y USD forward rate on the deviations from trend of short/long LatAm rates. Source: Bloomberg, Barclays Capital

to be by far the most significant explanatory variable. In both Brazil and Chile it is also highly significant, but the CDS is even more so. None of these results are surprising. The regressions capture the movements in de-trended LatAm rates surprisingly well, with R^2 coefficients varying between 35% (Chile 2y rate) and 49% (Chile 5y rate).

…with the average 85bp shock in the US causing a 35-65bp shock in short/long LatAm rates…

Figure 2 shows how much short/long LatAm rates could end up deviated from their trends once a repricing episode in the 1y1y USD forward rate ensues. On average the 1y1y USD forward rate has ended 85bp above trend after such episodes, although deviations have historically been as large as 135bp. Considering the estimated parameters, rates in Brazil, Chile, and Mexico may end such episodes between 35bp and 65bp above trend in the average case and between 50bp and 100bp above in the worst case scenario.

Hedging USD rates risk appropriate once a repricing episode in the US looks imminent

From a strategy perspective, these results suggest that hedging USD rates risk may be appropriate once a USD rates repricing episode appears imminent. As mentioned before, we do not foresee significant risks of this sort in the near term, especially considering the Fed's efforts to contain significant upward moves in the USD rates curve. A more active hedging strategy of this risk may be a more relevant topic some months into 2010.

STRATEGY FOCUS 2: DUBAI AND ABU DHABI

An emerging Islamic default?

Alia Moubayed
+44 (0) 20 3134 1120
Alia.moubayed@barcap.com

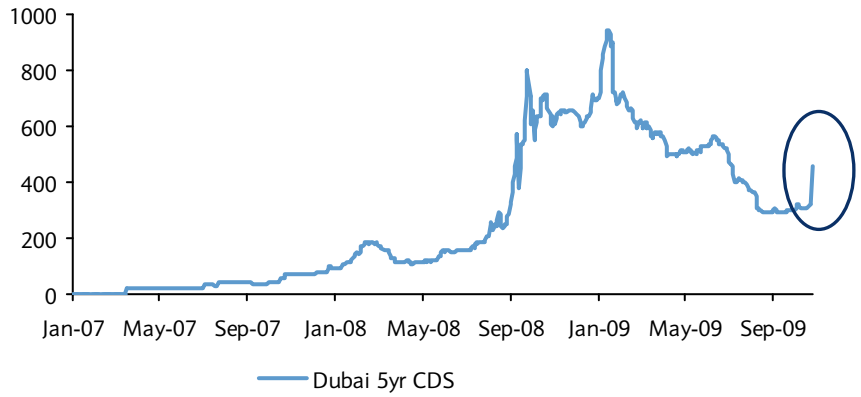
Milena Ianeva
+44 (0)20 777 38536
milena.ianeva@barcap.com

Andreas Kolbe
+44 (0)20 3134 3134
andreas.kolbe@barcap.com

- Today's news carries a series of unexpected and surprising headlines when the Dubai Government announced that Dubai World will ask creditors for a standstill agreement to extend the maturities of all debt repayments by Dubai World and its property unit Nakheel until May next year. This announcement fundamentally changes our views expressed in our latest notes in November.
- This news emerged minutes after Dubai placed a USD5bn bond equally allocated with the National Bank of Abu Dhabi (NBAD) and Al-Hilal Bank, for an interest rate of 4%. Both banks are majority owned by the Abu Dhabi Investment Council. At the same time, The Dubai Electricity and Water Authority (DEWA) announced that it will be issuing a USD1-2bn new bond in the coming few weeks.
- Today's statements are relatively confusing and could underestimate market reaction to the broader set of liabilities of UAE entities. In particular, as spreads were widening on the back of an imminent default scenario by the largest bond issuer in Dubai, another Dubai government entity, with significant financing needs was announcing its willingness to issue.
- On the back of today's developments, we reassess our view towards Dubai as a whole. Fundamentals remain challenging and with uncertainty around the support and political agenda of Abu Dhabi concerning Dubai Inc, spread levels do not seem justified.
- The credibility of Abu Dhabi to support Dubai with respect to its financing needs is dented, in our view, eroding the main pillar of Dubai's creditworthiness. Dubai's 5y CDS spreads widened by about 130bp when the news emerged, also sending jitters through wider markets.
- The uncertainty and unpredictability around upcoming debt repayments implied by today's events will add to pressures on Dubai spreads, which may lead to a re-pricing of Dubai and UAE risk, in our view. For the further financing needs of Dubai, today's announcements imply an increased dependence on Abu Dhabi, as international investors are likely to be much less receptive for Dubai paper than they have been lately.
- Given the terms of the 2009 bond, Nakheel now has less than five weeks (including the grace period) to put a proposal on the table before the bonds default. There are clearly many question marks as to how this can be restructured and the final outcome would depend on any "voluntary" element and the value that investors are likely to recover. Given the implications that a restructuring is already having on the region (including spread widening across the board and Gulf International Bank deal pulled from the market) we would expect the Dubai government to keep any restructuring as amicable terms as possible.
- We view the Abu Dhabi government's credibility with regard to the backing of weaker UAE corporates/quasi-sovereigns as dented and therefore also take a more cautious stance towards these names. We believe that names like Dubai Holdings, Tamweel and, to some extent, Jafza are most likely to be affected. In Abu Dhabi, Mubadala, TDIC and Aldar are likely to be affected as well.

- At the same time, we have already seen some bottom-fishing at the higher quality end of the credit spectrum – including names like DP World, Qatar sovereign and corporates and Abu Dhabi sovereign. In the medium term, we expect these names to continue to benefit from their stronger fundamental profiles, post the repricing.

Figure 1: Dubai 5yr CDS jumped after the news emerged



Source: Barclays Capital

EM CREDIT PORTFOLIO

Overweights and Underweights

Juha Seppala +1 212 412 5606 *juha.seppala@barcap.com*

	Recommendation (model weights)	Spread (weekly chg, bp)	Model fit (weekly chg, bp)	Comment
Dominican Republic	Hold Overweight (Underweight)	-30	-8	Given the new loans from the IMF, IDB and Taiwan, and very positive comments from the IMF, we maintain our Overweight recommendation.
El Salvador	Hold Overweight (Underweight)	-9	-5	In its Friday return to the dollar bond market in three years, El Salvador priced at the high end of its expected size range and the tight end of guidance, thanks in part to local demand. In our opinion, Funes' administration has done a good job to get the resources to cover its fiscal and external needs. In addition, the administration has maintained political stability in a challenging environment. We maintain our Overweight recommendation.
Russia	Hold small Overweight (Market Weight)	-14	2	Given our forecast of Brent at USD90 by end-2010, we expect Russia to have substantial over-performance in its 2010 budget deficit target of 6.8% of GDP – it should more likely be close to 4% of GDP as the oil price assumption of USD59/bbl and GDP growth of 1.6% seem quite conservative to us. In contrast, we expect GDP growth at over 4% in 2010. We maintain our small Overweight.
Ukraine	Hold Underweight (Market Weight)	72	-17	The challenging growth outlook, fragile banking system, high gross external debt, political rivalries ahead of presidential elections, lack of fiscal discipline, and the danger of further delays in the IMF disbursements persist. However, as debt service payments are low over the next year, a more constructive solution to the fiscal challenges and to the negotiations with the IMF can be found after the presidential elections in January. We maintain our long recommendation for the Ukraine 11 bonds, but reaffirm our more cautious stance towards longer-dated paper for now.

Note: The EM portfolio benchmark spread tightened 8bp last week.
Source: Barclays Capital

DATA REVIEW & PREVIEW: ASIA

Rahul Bajoria, Jian Chang

Review of last week's data releases

Main Indicators	Period	Previous	Barclays	Actual	Comments
Thailand: GDP (% y/y)	Q3	-4.9	-2.5	-2.8	Modest upward revision to Q1 09 and Q2 09 GDP figures
Taiwan: Exports orders (% y/y)	Oct	-3.0	-1.4	4.0	Continued strength in the electronics sector
Malaysia: Bank Negara Malaysia policy rate (%)	–	2.0	2.0	2.0	BNM now expects inflation to remain 'modest' in 2010

Preview of week ahead

Monday 30 November		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
12:30	Korea: Industrial production (% y/y)	Oct	0.7	1.1	11.0	-4.9	3.2
13:30	India: GDP (% y/y)	Q3	5.8	5.8	6.1	6.5	6.3
15:30	Thailand: Manufacturing production (% y/y)	Oct	-7.0	-10.1	-0.4	-3.0	–

Korea: Output likely eased owing to fewer working days in October compared with 2008. Auto production likely declined m/m.

India: We expect an acceleration in growth, on the back of a robust performance in the manufacturing sector.

Thailand: Moderate decline on m/m sa basis is likely to push manufacturing production into the negative territory.

Tuesday 1 December		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
09:00	China: PMI	Nov	54.0	54.3	55.2	55.2	56
09:00	Korea: Exports (% y/y)	Nov	-21.0	-7.8	-8.3	9.2	21.7
12:30	Korea: CPI (% y/y)	Nov	2.2	2.2	2.0	2.4	2.4
15:00	Thailand: CPI (% y/y)	Nov	-1.0	-1.0	0.4	1.9	
15:00	Indonesia: CPI (% y/y)	Nov	2.8	2.8	2.6	2.9	

China: We expect continued strong momentum following the usually strong print in October, while snow storms may have had some disruptive effect on manufacturing activities.

Korea: A low year-earlier base will magnify the headline, even as exports decline on a m/m basis.

Indonesia: Move up in line with food prices, expect headline to hit 3.8% by year-end.

Wednesday 2 December		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
15:30	Thailand: Bank of Thailand (%)	–	1.25	1.25	1.25	1.25	

Thailand: With core inflation remaining benign and growth recovering, we expect the policy rate to remain on hold.

Thursday 3 December		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
14:00	Indonesia: Bank Indonesia policy rate (%)	–	6.5	6.5	6.5	6.5	

Indonesia: Likely to remain on hold to support growth, with a bias to use currency appreciation to lean against inflation.

Friday 4 December		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
07:00	Korea: GDP (% y/y)	Q3	-3.4	-4.2	-2.2	0.6	
09:00	Philippines: CPI (% y/y)	Nov	0.1	0.7	1.6	3.0	–
18:00	Malaysia: Exports (% y/y)	Oct	-22.9	-19.9	-24.2	-10	–

Korea: Growth likely to come in broadly in line with the advance estimate.

Philippines: Inflation likely boosted by the impact of storms and removal of price caps imposed following the recent typhoons.

DATA REVIEW & PREVIEW: EMERGING EUROPE & AFRICA

George Christou, Jeffrey Schultz, Christian Keller, Daniel Hewitt

Review of last week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
Hungary: NBH Rate Announcement	24 Nov	7.00%	6.50%	6.50%	Wildly expected. We see another 50bp in Dec.
Israel: BoI Rate Announcement	26 Nov	0.75%	0.75%	1.00%	A surprise to most; BoI remains ahead of curve
South Africa: GDP n.s.a. (% y/y)	3Q	-2.6	-2.8	-2.1	+0.9% q/q saar Q3 growth; end of SA's recession.
South Africa: CPI (all items) (% y/y)	Oct	6.1	5.9	5.9	Dip below 6% likely to be fleeting in our view
Poland: NBP Rate Announcement	26 Nov	3.50%	3.50%	-	-

Preview of week ahead

Thursday 26 November		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
	Czech Republic: Industrial Output (% y/y)	Oct	-18.2	-8.4	-11.9	11.0	-
8:00	Turkey: Industrial Prod. WDA SA (% , m/m)	Sep	-0.1	0.9	-0.1	-1.5	-
9:30	South Africa: PPI (%, y/y)	Oct	-3.8	-4.0	-3.7	-	-

Czech Republic: Industrial production is starting to slowly rise and will benefit from base effects.

South Africa: Small slowing in the pace of deflation in producer prices in October.

Turkey: Non-adjusted IP for September (-8.6% y/y) was released earlier and we think it implies a m/m contraction in WDA SA basis

Monday 30 November		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
6:00	South Africa: Private Sector Credit (% y/y)	Oct	3.3	2.3	1.5	-	-
9:00	Poland: GDP (% y/y)	3Q	3.0	0.8	1.1	1.0	1.4
9:30	Slovenia: GDP (constant prices) (% y/y)	3Q	-0.8	-8.3	-9.3	-	-
	Hungary: PMI (SA)	Nov	46.1	49.0	48.2	-	-

South Africa: Growth in credit expected to remain stagnant in October.

Poland: Low positive GDP growth should continue. We expect 1.3% growth for 2009 as a whole and 2.9% in 2010.

Tuesday 1 December		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
5:30	Russia: PMI	Nov	49.6	52.0	49.6	-	-
8:00	Turkey: PMI	Nov	53.8	53.3	52.8	-	-
	Poland: PMI	Nov	48.2	48.2	48.8	-	-
8:30	Czech Republic: PMI	Nov	47.0	49.5	49.8	-	-
9:00	South Africa: Kagiso PMI	Nov	39.5	45.9	47.6	-	-

South Africa: We look for PMI to tick up further in November continuing to point to a recovery in the manufacturing sector.

We expect PMI and other economic sentiment indicators to continue to recover gradually.

Wednesday 2 December		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
9:00	South Africa: Naamsa Vehicle Sales (% y/y)	Nov	-26.2	-22.4	-16.9	-	-

South Africa: We look for the pace of contraction in new vehicle sales to continue to slow.

Thursday 3 December		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
15:00	Turkey: Consumer Prices (% y/y)	Nov	5.3	5.3	5.1	5.3	-

Turkey: November's base effect is still relatively modest, we expect a bigger upward jump in y/y inflation in December.

Friday 4 December		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
8:00	Czech Republic: Avg Real Wage (% y/y)	3Q	3.2	0.6	1.4	-	-
	Russia: Consumer Prices (% y/y)	Nov	11.6	10.7	9.7	9.1	-
15:00	Turkey: Trade Balance (USD bn)	Oct	-3.4	-4.9	-4.0	-	-

Russia: We expect the disinflation to continue; the benign weekly prints seem to suggest this as well.

Turkey: The September trade balance was better than expected, but rising energy prices should start to turn this trend.

DATA REVIEW & PREVIEW: LATIN AMERICA

Alejandro Grisanti, Guilherme Loureiro, Marcelo Salomon, Sebastian Vargas, Jimena Zuniga

Review of last week's data releases

Main indicators	Period	Previous	Barclays	Actual	Comments
Mexico – Retail sales (% y/y)	Sep	-5.5	-3.7	-4.6	
Colombia – Banrep rate decision	Nov	4.00%	4.00%	3.50%	Not-yet-clear evidence of a strong rebound
Brazil – Tax Collection (BRL bn)	Out	51.5	68.8	68.8	Punctual effects boosted revenue this month
Brazil – Current account (USD mn)	Oct	-2311	-2800	-2911	Profits and dividend remittals reduced CA balance
Mexico – Bi-weekly CPI % 2w/2w	Nov	0.35	0.68	0.53	Both headline and core inflation below expectations
Mexico – Trade balance (USD mn)	Oct	-835	-1300	96.3	Balance was pushed by oil prices increase
Mexico – Unemployment rate	Oct	6.4%	6.2%	5.9%	Continues to show marginal signs of rebound
Brazil - Outstanding Loans (USD bn)	Oct	1347	N/A	1367	

Preview of the week ahead

Thursday 26 November		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
6:00	Brazil – Unemployment rate	Oct	8.0%	8.1%	7.7%	7.5%	7.6%
6:00	Brazil - IPCA-15 Inflation (% m/m)	Nov	0.23	0.19	0.18	0.35	0.33
7:30	Brazil – Primary budget (BRL bn)	Oct	3.2	5.0	-5.8	16.2	13.6
7:30	Brazil – Net debt (%GDP)	Oct	44.0	44.0	44.9	44.7	44.7

Brazil unemployment rate: The reduction is in line with a strong net job creation in October recently released by Caged.

Brazil IPCA-15 Inflation: Regulated prices, in special, fuel and mobile phone bills, should pressure inflation up.

Brazil primary budget: Seasonal effects on revenues, as well as increase in judicial revenues, will boost the balance in October,

Friday 27 November		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
5:00	Brazil - IGP-M Inflation (% m/m)	Nov	-0.36	0.42	0.05	0.15	0.16
6:30	Chile – Central bank minutes	Nov	N/A	N/A	N/A	N/A	N/A
10:00	Mexico – Banxico rate decision	Nov	4.50%	4.50%	4.50%	4.50%	4.50%
N/A	Peru – GDP (% y/y)	Q3	6.4	1.8	-1.1	-0.4	-0.4

Brazil IGP-M inflation: Agricultural inflation, mainly pushed by grains and raw products, should lift the IGP-M in November.

Chile central bank minutes: The minutes should outline the rationale for BCCh to have shortened the term of its liquidity facility, but we expect them to suggest that the risks to the start of the rate normalization process are tilted toward the later side.

Mexico rate decision: We think the statement could tilt to the hawkish side, with Banxico expressing its take on the effect of recent fiscal announcements on inflation.

Monday 30 November		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
7:00	Chile – Industrial production (% y/y)	Oct	-7.4	-3.8	-5.2	-7.0	-4.0
7:00	Chile – Unemployment (%)	Oct	10.8	10.8	10.2	9.9	9.9
15:30	Mexico – Budget balance (MXN bn)	Oct	-143	-100	-122	N/A	N/A
N/A	Colombia – Unemployment rate	Oct	12.8	13.1	12.9%	N/A	12.5

Chile IP: The forecast is hurt by a negative calendar effect, with the underlying trend likely increasing in October.

Chile unemployment: We expect unemployment to drop below 10%, helped by stabilization and favourable seasonality.

Tuesday 1 December		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
7:00	Brazil – PMI Manufacturing	Nov	50.6	52.3	53.7	N/A	N/A
N/A	Peru – CPI Inflation (% m/m)	Nov	-0.21	-0.09	0.12	0.06	0.03
8:00	Brazil – Trade balance (USD mn)	Nov	3060	1330	1328	100	N/A

Brazil trade balance: Imports remain strong, fuelled by a strong BRL and a robust domestic economic recovery.

Wednesday 2 December		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
6:00	Brazil – Industrial Production (% y/y)	Oct	-10.0	-7.2	-7.8	-3.8	N/A

Brazil industrial production: automobiles should continue to be the main driver of IP.

Thursday 3 December		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
13:00	Mexico – IMEF Manufacturing	Nov	51.1	51.7	52.9	53.1	53.0
13:00	Mexico – IMEF Non-manufacturing	Nov	51.1	51.8	52.2	52.5	52.5

Mexico IMEF indicators: We expect the improvement of the manufacturing index to show some stabilization, with some catching up in the non-manufacturing component.

Friday 4 December		Period	Prev 2	Prev 1	Latest	Forecast	Consensus
6:00	Chile – CPI (% m/m)	Nov	-0.4	1.0	0.0	0.3	0.0
6:00	Chile – Core CPI (% m/m)	Nov	-0.6	0.7	0.0	0.1	0.0
N/A	Colombia – CPI Inflation (% m/m)	Nov	0.04	-0.11	-0.13	0.41	0.10
N/A	Mexico – Consumer confidence	Nov	81.5	81.9	77.0	82.0	80.0

Chile CPI: The forecast reflects still-subdued core inflation pressures, with increases in gasoline and perishable food prices pushing up the headline reading. The effect of the CLP appreciation will probably be reflected more clearly in December.

Colombia CPI: The forecast reflects less favorable seasonality in food prices and would bring the y/y rate to 2.85%, from 2.72%.

Mexico consumer confidence: We expect confidence to remain subdued but increase from the October slide.

FX FORECASTS AND FORWARDS

Koon Chow, George Christou, Roberto Melzi, Rahul Bajoria

	FX forecasts					Forecast vs outright forward			
	Spot	1m	3m	6m	1y	1m	3m	6m	1y
G7 countries									
EUR	1.50	1.50	1.52	1.50	1.45	-0.1%	1.3%	0.0%	-3.0%
JPY	88	93	95	95	100	5.4%	7.7%	7.7%	13.7%
GBP	1.67	1.63	1.73	1.76	1.77	-2.4%	3.6%	5.5%	6.4%
CHF	1.00	1.02	1.03	1.05	1.09	1.5%	2.2%	4.9%	8.7%
CAD	1.05	1.07	1.03	1.00	1.00	1.6%	-2.2%	-5.0%	-5.2%
AUD	0.93	0.95	0.95	1.00	0.92	2.8%	3.4%	10.0%	3.6%
NZD	0.73	0.75	0.78	0.82	0.74	2.8%	7.4%	13.7%	4.4%
Emerging Asia									
CNY	6.827	6.825	6.810	6.750	6.600	0.0%	0.1%	0.0%	-0.2%
HKD	7.75	7.75	7.75	7.78	7.80	0.0%	0.1%	0.5%	0.9%
INR	46.26	46.50	46.00	45.50	45.00	0.6%	-0.7%	-2.1%	-4.1%
IDR	9403	9200	9000	9350	9200	-2.3%	-5.2%	-2.9%	-7.8%
KRW	1153.4	1150	1135	1120	1100	-0.1%	-1.7%	-3.3%	-5.8%
MYR	3.3747	3.35	3.35	3.30	3.30	-0.6%	-0.8%	-2.3%	-2.3%
PHP	46.72	46.00	46.00	46.00	45.50	-1.6%	-2.3%	-2.7%	-4.5%
SGD	1.3803	1.3800	1.3700	1.3550	1.3500	-0.1%	-0.8%	-2.0%	-2.4%
THB	33.16	33.25	33.00	32.50	31.50	0.3%	-0.6%	-2.2%	-5.7%
TWD	32.22	31.75	31.25	30.75	30.00	-1.3%	-2.1%	-2.7%	-3.7%
Latin America									
ARS	3.80	3.85	3.85	4.05	4.50	0.8%	-0.8%	2.0%	6.4%
BRL	1.73	1.68	1.65	1.75	1.70	-3.2%	-6.0%	-2.1%	-8.6%
CLP	488	500	490	475	490	2.8%	1.1%	-2.9%	1.6%
MXN	12.85	12.90	12.70	12.50	12.90	0.0%	-2.3%	-5.0%	-4.6%
COP	1975	1950	1900	1850	1950	-1.6%	-4.6%	-7.9%	-4.8%
PEN	2.89	2.87	2.85	2.90	3.10	-0.6%	-1.3%	0.3%	7.1%
EMEA									
EUR/CZK	25.98	25.60	25.50	25.00	24.50	-1.5%	-2.0%	-4.0%	-6.0%
EUR/HUF	267	270	270	275	280	0.7%	0.0%	1.0%	1.3%
EUR/PLN	4.10	4.05	4.00	3.95	3.80	-1.5%	-3.1%	-4.7%	-9.3%
EUR/RON	4.26	4.28	4.28	4.25	4.20	-0.1%	-1.5%	-4.1%	-8.6%
RUB	28.80	28.50	28.30	28.50	28.50	-1.5%	-3.2%	-4.0%	-7.0%
TRY	1.49	1.45	1.45	1.50	1.55	-3.5%	-4.4%	-2.7%	-3.0%
ZAR	7.40	7.44	7.49	7.63	8.01	0.0%	-0.5%	-0.4%	1.1%
ILS	3.76	3.72	3.65	3.60	3.50	-1.0%	-2.9%	-4.2%	-6.8%
EGP	5.45	5.42	5.40	5.37	5.30	-0.9%	-1.9%	-4.9%	-8.8%

Source: Barclays Capital

OFFICIAL INTEREST RATES

		Start of cycle			Next move expected	Forecasts as at end of			
Official rate	Current	Date	Level	Last move		Q4 09	Q1 10	Q2 10	Q3 10
% per annum (unless stated)									
Advanced									
Fed funds rate	0-0.25	Easing: 17 Sep 07	5.25	Dec 08 (-75-100)	Q3 10 (+25)	0-0.25	0-0.25	0-0.25	0.50
BoJ overnight rate	0.10	Easing: 30 Oct 08	0.50	Dec 08 (-20)	Q4 11 (+20)	0.10	0.10	0.10	0.10
ECB repo rate	1.00	Easing: 8 Oct 08	4.25	May 09 (-25)	Q1 11 (+25)	1.00	1.00	1.00	1.00
Emerging Asia									
China: Working capital rate	5.31	Easing: 12 Sep 08	7.47	Dec 08 (-27)	Q3 10	5.31	5.31	5.31	5.58
Hong Kong: Base rate	0.50	Easing: 19 Sep 07	6.75	Dec 08 (-100)	Q3 10	0.50	0.50	0.50	0.75
India: Repo rate	4.75	Easing: 1 Oct 08	9.00	Apr 09 (-25)	Q1 10	4.75	5.25	5.75	6.0
Indonesia: O/N policy rate	**6.**50	Easing: 4 Dec 08	9.50	Aug 09 (-25)	Q2 10	6.50	6.50	6.75	7.0
Korea O/N call rate	2.00	Easing: 8 Oct 08	5.25	Feb 09 (-50)	Q1 10	2.00	2.50	2.50	3.0
Malaysia: O/N policy rate	2.00	Easing: 24 Nov 08	3.50	Feb 09 (-50)	Q3 10	2.00	2.00	2.00	2.25
Philippines: O/N lending	4.00	Easing: 18 Dec 08	6.00	May 09 (-25)	Q3 10	4.00	4.00	4.00	4.25
Taiwan: Rediscount rate	1.25	Easing: 25 Sep 08	3.625	Feb 09 (-25)	Q2 10	1.25	1.25	1.375	1.625
Thailand: O/N repo rate	1.25	Easing: 3 Dec 08	3.75	Apr 09 (-25)	Q2 10	1.25	1.25	1.50	1.75
Emerging Europe and Africa									
Czech R: 2w repo rate	1.25	Easing: 8 Aug 08	3.75	Aug (-25)	Q3 10 (+25)	1.25	1.25	1.25	1.75
Hungary: 2w deposit rate	**6.50**	Easing: 24 Nov 08	11.50	**Nov (-50)**	**Dec (-50)**	6.00	5.50	5.00	5.00
Poland: 2w repo rate	3.50	Easing: 26 Nov 08	6.00	Jun (-25)	Q3 10 (+25)	3.50	3.50	3.50	4.00
Romania: Key policy rate	8.00	Easing: 4 Feb 08	10.25	Sep (-50)	Feb (-50)	8.00	7.50	7.00	7.00
Russia: refi rate	**9.00**	Easing: 24 Apr 09	13.00	**Nov (-50)**	**Dec (-50)**	8.50	6.50	6.00	7.00
South Africa: repo rate	7.00	Easing: 11 Dec 08	12.00	Aug (-50)	Aug 10 (+50)	7.00	7.00	7.00	7.50
Turkey: CBT rate	6.50	Easing: 20 Nov 08	16.75	Oct (-50)	Dec (-25)	6.25	6.25	6.25	6.75
Egypt: Deposit rate	8.25	Easing: 13 Feb 09	11.50	Sep (-25)	Q2 (+25)	8.25	8.25	8.50	8.50
Israel: Discount Rate	**1.00**	Tightening: Aug 09	0.50	**Nov (+25)**	**Q1 (+25)**	1.00	1.50	2.00	**2.50**
Latin America									
Brazil: SELIC rate	8.75	Easing: 21 Jan 09	13.75	Jul 09 (-50)	Jul10 (+50)	8.75	8.75	8.75	9.75
Chile: Monetary Policy Rate	0.50	Easing: 8 Jan 09	8.25	Jul 09 (-25)	May 10 (+25)	0.50	0.50	1.00	1.75
Colombia Repo Rate	**3.50**	Easing: 19 Dec 08	10.00	**Nov 09 (-50)**	May 10 (+25)	3.50	3.50	4.00	4.75
Mexico: Overnight Rate	4.50	Easing: 16 Jan 09	8.25	Jul 09 (-25)	Mar 10 (+25)	4.50	4.75	5.25	5.50
Peru: Reference rate	1.25	Easing: 5 Feb 09	6.50	Aug 09 (-75)	Apr 10 (+25)	1.25	1.25	1.75	2.25

Note: Changes denoted in bold. Source: Barclays Capital

EMERGING MARKETS RESEARCH

Piero Ghezzi
Head of Economic and Emerging Markets Research
+44 (0)20 3134 2190
piero.ghezzi@barcap.com

EM Global

Michael Gavin
Head of Emerging Markets Strategy
+1 212 412 5915
michael.gavin@barcap.com

Andrea Kiguel
EM Strategist
+1 212 412 5965
andrea.kiguel@barcap.com

Juha Seppala
Quantitative Research
+212 412 5606
juha.seppala@barcap.com

Latin America

Guillermo Mondino
Head of Latin American Research
+1 212 412 7961
guillermo.mondino@barcap.com

Alejandro Grisanti
Senior Economist – Ecuador, Peru, Venezuela, Central America and the Caribbean
+1 212 412 5982
alejandro.grisanti@barcap.com

Donato Guarino
Senior Strategist
+1 212 412 5564
donato.guarino@barcap.com

Guilherme Loureiro
Economist – Brazil
+52 55 5509 3372
guilherme.loureiro@barcap.com

Roberto Melzi
Senior Strategist
+52 55 5241 3260
roberto.melzi@barcap.com

Marcelo Salomon
Chief Brazil Economist
+54 (0)11 5509 3295
marcelo.salomon@barcap.com

Sebastian Vargas
Economist – Argentina, Uruguay
+54 (0)11 4850 1230
sebastian.vargas@barcap.com

Jimena Zuniga
Economist – Chile, Colombia, Mexico
+1 212 412 5361
jimena.zuniga@barcap.com

Asia

Jon Scoffin
Head of Research, Asia-Pacific
+65 6308 3217
jon.scoffin@barcap.com

Peter Redward
Head of Emerging Asia Research
+65 6308 3528
peter.redward@barcap.com

Wensheng Peng
Head of China Research
+852 2903 2651
wensheng.peng@barcap.com

Jian Chang
Regional Economist – China, Hong Kong
+852 2903 2654
jian.chang@barcap.com

Wai Ho Leong
Senior Regional Economist – Korea, Malaysia, Singapore, Taiwan
+65 6308 3292
waiho.leong@barcap.com

Prakriti Sofat
Regional Economist – Indonesia, Philippines, Vietnam
+65 6308 3201
prakriti.sofat@barcap.com

Rahul Bajoria
Regional Economist – India, Malaysia, Thailand
+65 6308 3511
rahul.bajoria@barcap.com

Matthew Huang
Strategist – North Asia
+65 6308 3093
matthew.huang@barcap.com

Kumar Rachapudi
Strategist – South Asia
+65 6308 3383
kumar.rachapudi@barcap.com

Krishna Hegde
Credit Strategist
+65 6308 2979
krishna.hegde@barcap.com

Emerging EMEA

Matthew Vogel
Head of Emerging EMEA Research
+44 (0)20 7773 2833
matthew.vogel@barcap.com

Jeff Gable
Head of ABSA Capital Research
+27 11 895 5368
jeff.gable@absacapital.com

Koon Chow
Senior FX Strategist
+44 (0)20 777 37572
koon.chow@barcap.com

George Christou
EM Strategist
+44 (0)20 7773 1472
george.christou@barcap.com

Daniel Hewitt
Senior Emerging EMEA Economist
+44 (0)20 3134 3522
daniel.hewitt@barcap.com

Christian Keller
Chief Economist – Emerging Europe
+44 (0)20 7773 2031
christian.keller@barcap.com

Andreas Kolbe
Credit Strategist
+44 (0)20 313 43134
andreas.kolbe@barcap.com

Ridle Markus
Economist – Sub-Saharan Africa
+27 11 895 5374
ridle.markus@absacapital.com

Ian Marsberg
Economist – South Africa
+27 11 895 5347
ian.marsberg@absacapital.com

Alia Moubayed
Senior Economist – Middle East & North Africa
+44 (0)20 313 41120
alia.moubayed@barcap.com

Arko Sen
Rates Strategist
+44 (0)20 3134 2839
arko.sen@barcap.com

EM Corporate Credit

Juan C. Cruz
Head of Latin America & EEMEA Corporate Credit Research
+1 212 526 0128
juan.cruz@barcap.com

Alexander Monroy
+1 212 526 0399
alexander.monroy@barcap.com

Christopher Buck
+1 212 526 0073
christopher.buck@barcap.com

Autumn Graham
+1 212 412 2839
autumn.graham@barcap.com

Milena Ianeva
+44 (0)20 7773 8536
milena.ianeva@barcap.com

Serge Lioutyi
+44 (0)20 7773 37987
serge.lioutyi@barcap.com

Analyst Certification(s)

We, Koon Chow, George Christou, Juha Seppala, Rahul Bajoria, Jian Chang, Arko Sen, Christian Keller, Roberto Melzi, Marcelo Salomon, Prakriti Sofat, Guilherme Loureiro, Jeffrey Schultz, Daniel Hewitt, Alia el-Moubayed, Milena Ianeva, Andreas Kolbe, Guillermo Mondino and Andrea Kiguel, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

Important Disclosures

For current important disclosures regarding companies that are the subject of this research report, please send a written request to: Barclays Capital Research Compliance, 745 Seventh Avenue, 17th Floor, New York, NY 10019 or refer to https://ecommerce.barcap.com/research/cgi-bin/all/disclosuresSearch.pl or call 212-526-1072.

Barclays Capital does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that Barclays Capital may have a conflict of interest that could affect the objectivity of this report. Any reference to Barclays Capital includes its affiliates. Barclays Capital and/or an affiliate thereof (the "firm") regularly trades, generally deals as principal and generally provides liquidity (as market maker or otherwise) in the debt securities that are the subject of this research report (and related derivatives thereof). The firm's proprietary trading accounts may have either a long and / or short position in such securities and / or derivative instruments, which may pose a conflict with the interests of investing customers. Where permitted and subject to appropriate information barrier restrictions, the firm's fixed income research analysts regularly interact with its trading desk personnel to determine current prices of fixed income securities. The firm's fixed income research analyst(s) receive compensation based on various factors including, but not limited to, the quality of their work, the overall performance of the firm (including the profitability of the investment banking department), the profitability and revenues of the Fixed Income Division and the outstanding principal amount and trading value of, the profitability of, and the potential interest of the firms investing clients in research with respect to, the asset class covered by the analyst. To the extent that any historical pricing information was obtained from Barclays Capital trading desks, the firm makes no representation that it is accurate or complete. All levels, prices and spreads are historical and do not represent current market levels, prices or spreads, some or all of which may have changed since the publication of this document. Barclays Capital produces a variety of research products including, but not limited to, fundamental analysis, equity-linked analysis, quantitative analysis, and trade ideas. Recommendations contained in one type of research product may differ from recommendations contained in other types of research products, whether as a result of differing time horizons, methodologies, or otherwise.

This publication has been prepared by Barclays Capital, the investment banking division of Barclays Bank PLC, and/or one or more of its affiliates as provided below. This publication is provided to you for information purposes only. Prices shown in this publication are indicative and Barclays Capital is not offering to buy or sell or soliciting offers to buy or sell any financial instrument. Other than disclosures relating to Barclays Capital, the information contained in this publication has been obtained from sources that Barclays Capital believes to be reliable, but Barclays Capital does not represent or warrant that it is accurate or complete. The views in this publication are those of Barclays Capital and are subject to change, and Barclays Capital has no obligation to update its opinions or the information in this publication. Barclays Capital and its affiliates and their respective officers, directors, partners and employees, including persons involved in the preparation or issuance of this document, may from time to time act as manager, co-manager or underwriter of a public offering or otherwise, in the capacity of principal or agent, deal in, hold or act as market-makers or advisors, brokers or commercial and/or investment bankers in relation to the securities or related derivatives which are the subject of this publication.
The analyst recommendations in this report reflect solely and exclusively those of the author(s), and such opinions were prepared independently of any other interests, including those of Barclays Capital and/or its affiliates.
Neither Barclays Capital, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this publication or its contents. The securities discussed in this publication may not be suitable for all investors. Barclays Capital recommends that investors independently evaluate each issuer, security or instrument discussed in this publication and consult any independent advisors they believe necessary. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including changes in market liquidity). The information in this publication is not intended to predict actual results, which may differ substantially from those reflected. Past performance is not necessarily indicative of future results.
This communication is being made available in the UK and Europe to persons who are investment professionals as that term is defined in Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion Order) 2005. It is directed at, and therefore should only be relied upon by, persons who have professional experience in matters relating to investments. The investments to which it relates are available only to such persons and will be entered into only with such persons. Barclays Capital is authorized and regulated by the Financial Services Authority ('FSA') and member of the London Stock Exchange.
Barclays Capital Inc., US registered broker/dealer and member of FINRA (www.finra.org), is distributing this material in the United States and, in connection therewith accepts responsibility for its contents. Any U.S. person wishing to effect a transaction in any security discussed herein should do so only by contacting a representative of Barclays Capital Inc. in the U.S. at 745 Seventh Avenue, New York, New York 10019.
Subject to the conditions of this publication as set out above, ABSA CAPITAL, the Investment Banking Division of ABSA Bank Limited, an authorised financial services provider (Registration No.: 1986/004794/06), is distributing this material in South Africa. Any South African person or entity wishing to effect a transaction in any security discussed herein should do so only by contacting a representative of ABSA Capital in South Africa, 15 ALICE LANE, SANDTON, JOHANNESBURG, GAUTENG, 2196. ABSA CAPITAL IS AN AFFILIATE OF BARCLAYS CAPITAL.
Non-U.S. persons should contact and execute transactions through a Barclays Bank PLC branch or affiliate in their home jurisdiction unless local regulations permit otherwise.
In Japan, foreign exchange research reports are prepared and distributed by Barclays Bank PLC Tokyo Branch. Other research reports are distributed to institutional investors in Japan by Barclays Capital Japan Limited. Barclays Capital Japan Limited is a joint-stock company incorporated in Japan with registered office of 2-2-2, Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan. It is a subsidiary of Barclays Bank PLC and a registered financial instruments firm regulated by the Financial Services Agency of Japan. Registered Number: Kanto Zaimukyokucho (kinsho) No. 143.
Barclays Bank PLC Frankfurt Branch is distributing this material in Germany under the supervision of Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin). This material is distributed in Malaysia by Barclays Capital Markets Malaysia Sdn Bhd.
IRS Circular 230 Prepared Materials Disclaimer: Barclays Capital and its affiliates do not provide tax advice and nothing contained herein should be construed to be tax advice. Please be advised that any discussion of U.S. tax matters contained herein (including any attachments) (i) is not intended or written to be used, and cannot be used, by you for the purpose of avoiding U.S. tax-related penalties; and (ii) was written to support the promotion or marketing of the transactions or other matters addressed herein. Accordingly, you should seek advice based on your particular circumstances from an independent tax advisor.
© Copyright Barclays Bank PLC (2009). All rights reserved. No part of this publication may be reproduced in any manner without the prior written permission of Barclays Capital or any of its affiliates. Barclays Bank PLC is registered in England No. 1026167. Registered office 1 Churchill Place, London, E14 5HP. Additional information regarding this publication will be furnished upon request.