Where to Play Against a Sliding Greenback

Currency	What's Changed
USD	A gradual recovery from COVID lockdowns worldwide should weaken the USD
CAD	Limited room for CAD appreciation given weaker fundamentals in Canada
EUR	An eventual compromise on EU rescue fund plans is EUR supportive
GBP	Labour market trends will prove instrumental to future QE risks
JPY	Japan's external balance should support the JPY
Commodity FX	Headwinds now, but tailwinds later for AUD and NZD given recent price appreciation appears overdone
LATAM FX	Recovery of commodity prices bode well for LATAM, offset by dovish CB rhetoric, and local political and COVID-19 related news. We see opportunity in MXN and CLP following the recent sell-off
FX Asia	CNY and CNH to extend stability due to a resilient Chinese economy backstopped by fiscal and monetary support. For Asia overall, threats of soft external demand and weak portfolio inflows will cap currency gains

Currency Outlook

End of Period:	Jun-23	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21
USD/CAD	1.3524	1.39	1.38	1.37	1.38	1.39	1.41
EUR/USD	1.1261	1.14	1.15	1.15	1.16	1.16	1.17
USD/JPY	106.9	105	103	101	100	100	99
GBP/USD	1.2475	1.2391	1.2778	1.2994	1.3182	1.3257	1.3448
USD/CHF	0.9474	0.9518	0.9478	0.9522	0.9483	0.9526	0.9487
USD/SEK	9.3625	9.1667	8.9130	8.8261	8.6207	8.5345	8.4188
AUD/USD	0.6916	0.66	0.66	0.66	0.66	0.67	0.68
NZD/USD	0.6488	0.61	0.61	0.62	0.62	0.63	0.64
USD/NOK	9.5848	9.3421	9.1739	9.0870	8.9224	8.8362	8.5470
USD/ZAR	17.3014	17.7	17.4	17.15	16.9	16.65	16.5
USD/BRL	5.2589	5.3	5.1	5	5.2	5	4.8
USD/MXN	22.431	21	22	21	20.5	20.5	20
USD/COP	3740.7	3800	3600	3700	3600	3500	3500
USD/CLP	816.7	830	830	820	820	840	820
USD/CNY	7.0684	7.05	7.02	6.97	6.9	6.8	6.7
USD/KRW	1215.85	1215	1210	1195	1185	1175	1165
USD/INR	76.025	76	75.5	74.5	73.5	72.5	71
USD/SGD	1.3922	1.41	1.405	1.395	1.385	1.375	1.365
USD/TWD	29.632	30	29.7	29.6	29.5	29.3	29.1
USD/MYR	4.2787	4.3	4.25	4.15	4.05	3.95	3.85
USD/IDR	14150	14350	14250	14150	14050	13950	13800

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Other Crosses

End of Period:	Jun-23	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21
CAD/JPY	79.061	75.540	74.638	73.723	72.464	71.942	70.213
AUD/CAD	0.9353	0.9174	0.9108	0.9042	0.9108	0.9313	0.9588
GBP/CAD	1.6871	1.7224	1.7633	1.7802	1.8191	1.8427	1.8962
EUR/CAD	1.52299	1.58460	1.58700	1.57550	1.60080	1.61240	1.64970
EUR/JPY	120.39	119.70	118.45	116.15	116.00	116.00	115.83
EUR/GBP	0.90274	0.92000	0.90000	0.88500	0.88000	0.87500	0.87000
EUR/CHF	1.06693	1.08500	1.09000	1.09500	1.10000	1.10500	1.11000
EUR/SEK	10.5435	10.4500	10.2500	10.1500	10.0000	9.9000	9.8500
EUR/NOK	10.794	10.650	10.550	10.450	10.350	10.250	10.000

Key Indicators- Latest Data Point

Key Indicators	Quarterly Real GDP (y/y %)	CPI (y/y %)	Current Acct (% of GDP)	Central Bank Rate (%)
US	-5	0.1	-2.13	0.125
Canada	-8.177	-0.4	-1.76	0.25
Eurozone	-3.1	0.1	2.83	0
Japan	-1.7	0.1	3.58	-0.1
UK	-1.6	0.5	-3.78	0.1
Switzerland	-1.3	-1.3	12.24	-0.75
Sweden	0.4	0	4.56	0
Australia	1.4	2.2	1.1	0.25
New Zealand	-0.2	2.5	-3.04	0.25
Norway	1.1	1.3	4.09	0
South Africa	-0.5	4.1	-1.3	3.75
Brazil	-0.25	1.88	-2.78	2.25
Mexico	-1.37	2.84	0.44	5.5
Colombia	1.1	2.85	-4.2	2.75
Chile	0.36	2.8	-3.99	0.5
China	-6.8	2.4	0.58	12.5
South Korea	1.4	-0.3	3.79	0.5
India	3.1	5.84	-0.93	4
Singapore	-0.7	-0.7	16.64	N/A
Taiwan	1.59	-1.19	10.65	1.125
Malaysia	0.7	-2.9	2.83	2
Indonesia	2.97	2.19	-2.47	4.25

CAD

Avery Shenfeld

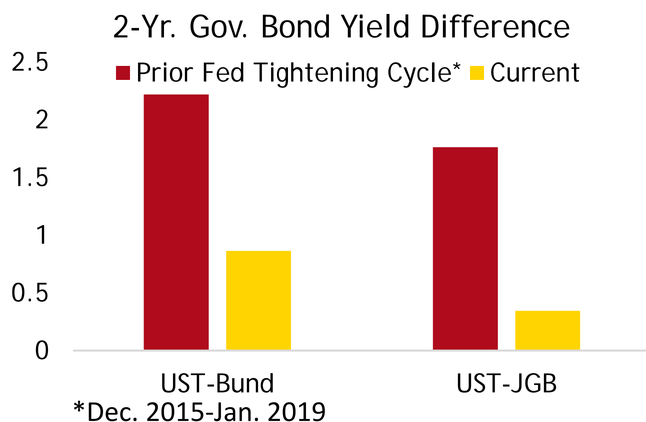
Loonie Can't Forever Fly with the Flock

Q3 20: 1.39 | Q4 20: 1.38 (USDCAD)

Much of the surprising rebound in the Canadian dollar since late March was tied to the loonie flying with the flock of other majors' gains on the greenback, with a tailwind from a turn in crude prices. We've reduced our targets for C$ weakness ahead due to that recovery in oil. However, we do not believe the Canadian dollar will be able to sustain that run, and will see 1.40 again at some point during this recovery.

Unlike the Eurozone or Japan, Canada entered this recession with a weak current account and trade balance, and the prior expansion's lackluster growth in real exports suggests its overvalued on trade fundamentals. Second, the C$ rallied when the market oddly priced in an earlier return to central bank tightening than elsewhere in the G-7. If anything, there's a risk that smaller countries like Canada won't be able to muscle their way to the front of the vaccine line-up. In addition, the country's overweight in energy points to a weaker 2020 starting point versus the US. Look for the Bank of Canada to pound home the message the output gap will remain wide over its full forecast horizon, implying a long wait for any move off near-zero rates, and helping to take some luster off the currency.

Chart 1: Narrower Interest Rate Differentials Make USD Less Attractive



Source: Bloomberg, CIBC

USD

Avery Shenfeld

A Vaccine Against the Greenback

Q3 20: 94.0 | Q4 20: 91.1 (DXY)

The US dollar has been a barometer of market sentiment this year, gaining on risk-off days, but sliding on hopes of a global recovery. The path may be long and uneven, but assuming a vaccine is in place by late 2021, there will be more days of economic recovery than backsliding ahead, tilting the odds towards a weaker dollar against many other majors.

That also reflects where we stood through the last cycle's Fed tightening: a greenback that was overvalued on trade fundamentals, offset by wide interest differentials vs. Europe and Japan. This time around, with recessions and recoveries linked to progress against the same viral shock, there's no reason to believe that the Fed will be running ahead of other central banks in launching a tightening cycle. That's already reflected in narrower yield differentials (Chart 1). Lacking as juicy a yield edge, or a sustained flight to safety bid, the dollar will be less well defended against a slippage tied to trade competitiveness.

EUR

Jeremy Stretch

Combination of Factors Call for Medium Run EUR Bullishness

Q3 20: 1.14 | Q4 20: 1.15 (EURUSD)

We have long anticipated that despite apparent deficiencies within the Eurozone, the project would be sustained as long as the political will to do so remained. A notable development from the macro devastation caused by the Covid crisis has been the galvanisation of politicians to look at fixing one of the key deficiencies of the system, namely a lack of fiscal transfers.

Although we are not yet considering debt mutualisation, there has been progress on that end. For instance, Germany has come around to the concept of rescue funds largely made up of grants (and not loans only). Furthermore, the German government has left the 'black zero' budget policy behind via two significant fiscal expansions, the latter equating to a larger than expected €130bn.

Although there has been pushback against the EU's proposed €750bn rescue plan from the 'Frugal Four' (Austria, Denmark, Sweden and the Netherlands), we expect this pushback to dissipate. In part, their opposition could be seen as a negotiating tactic as the rescue fund is being debated in parallel with the new 7 year Multi-Annual Financial Framework (MFF).

The combination of a plan advocating joint debt issuance, German fiscal expansion, and the extension of the ECB PEPP programmes underlines our bias towards medium run EUR impetus. While real money longs have extended to levels not seen since May 2018, leveraged investors continue to maintain a modest negative positional skew, leaving room for position adjustment. The risk to our EUR bullish view is if talks on the EU rescue fund breaks down.

JPY

Bipan Rai

External Balances Should Support JPY Long Term

Q3 20: 105 | Q4 20: 103 (USDJPY)

The JPY continues to have the lowest realized volatility amongst major currencies over the past month. Of course, that's not surprising given its status as a haven currency backed by Japan's large net creditor status. One of the other reasons for the JPY's steady price action is that cross-currency correlation still remains high – which means that endogenous fundamentals take a back seat for the time being.

Fundamentally, the picture doesn't look all that great for the Japanese economy. BoJ Governor Kuroda has admitted that price momentum has been lost which points to accommodative policy staying in place until at least 2023. In normal times, that would mean that domestic flows would shift into foreign assets but with spreads compressed over the past several months, we might not see the same outbound flow as in the past. Indeed, flows data (either in Japan's weekly data set, or the monthly US TICs data) will be key to watch going forward. If there's a slowing in capital exports from Japan, then there are risks to the trade-weighted USD which could also manifest in a lower USD/JPY move.

Over the longer-term, we're still of the view that the path to external balance for Japan is for the JPY to strengthen.

GBP

Jeremy Stretch

Macro and Political Risks Still Cloud Sterling Outlook

Q3 20: 0.92 | Q4 20: 0.90 (EURGBP)

Although the BoE opted by a 8-1 majority to extend QE by an additional £100bn at the June meeting, the Bank surprised the market by paring the rate of purchases. Slowing bond purchases come as the BoE becomes more optimistic on growth. Updated growth forecasts call for a 20% GDP decline from Q4 levels, rather than 27% in the May MPR.

The key metric for monetary policy moving forward will be the path of the labour market, as detailed in the June minutes. Some 8.9 million employees having been sheltered by the national jobs reduction scheme, and another 2.6 million in the comparative scheme for the self-employed. The prospect of the scheme moving towards run-off in Q3 risks a scenario in which furloughed employees are not fully re-absorbed into the workforce. A rising tide of job losses highlights underperformance and raises the prospect of the BoE being forced to consider extending QE in H2.

Macro underperformance comes as Brexit uncertainty extends into Q3. With the UK formally ruling out an extension, the outcome is now essentially a deal/no deal scenario. Despite the UK looking towards an early resolution, the talks are likely to extend beyond Q3. However, our base case remains one of pragmatism eventually winning out. Expect a Q4 Brexit deal to provide some late year Sterling support.

CHF

Jeremy Stretch

A Stronger EUR Allows the SNB to Sit on the Side-lines

Q3 20: 1.085 | Q4 20: 1.090 (EURCHF)

The SNB continues on a unique path amongst central banks, focusing upon currency intervention rather than cutting rates further into negative territory or embarking upon QE. We expect that currency management will be the primary tool for the SNB, despite the prospect of a record economic contraction in 2020.

We expect the SNB to remain vigilant watchers of the CHF going forward, especially should EUR/CHF threaten to drift back below the 1.06 threshold. However, that is not our central case scenario as we remain upbeat on the EUR leg via German fiscal easing, ECB PEPP expansion and moves towards a type of fiscal transfer within the union.

After seeing FX reserves increase by 7% between March to May, we have seen SNB sight deposits proving to retreat in the first two weeks of June. There will be less intervention appetite as EUR/CHF moves away from the 1.06 threshold. We are looking for the prospect of EUR/USD gains to drag EUR/CHF towards 1.09, leaving the SNB to largely sit on the side-lines for now.

SEK

Jeremy Stretch

SEK Set to Benefit from Positive Macro Tailwinds

Q3 20: 10.45 | Q4 20: 10.25 (EURSEK)

Last month we underlined that despite not following the rest of the world into lockdown, the Swedish economy was still likely to register collateral damage. This is partly because the population proved to self-isolate. Nevertheless the combination of risk-positive sentiment and better than expected data validated our bias for a stronger SEK. Currently, the move in EUR/SEK and USD/SEK looks overextended from a tactical standpoint, but we remain bullish the SEK into H2.

Fundamentals have held up better than expected. Mainly, fears of a protracted period of deflation were dispelled by the May CPI data, which advanced 0.6% in the month. However, Riksbank deputy Governor Ohlsson has warned there are specific issues with CPI data, as consumers are not spending according to the weights of the CPI basket. Under such circumstances, expect an increasing focus on medium-run inflation expectations. Longer run inflation expectations remain intact at 1.7%.

In terms of monetary policy, the market will be watching for more stimulus, despite a more modest economic contraction than regional peers. With a Parliamentary court challenge potentially compromising an extension in QE beyond SEK300bn, the risk is a return to negative rates should data undershoot expectations. We would agree with Riksbank Deputy Governor Ohlsson that it would not be impossible to take rates back below zero. However, we assume policy inertia ahead with the currency set to benefit from supportive risk and macro dynamics.

Commodity FX

NOK

Jeremy Stretch

Oil Recovery Is an Added Impetus for NOK

Q3 20 : 10.65 | Q4 20: 10.55 (EURNOK)

The latest Norges Bank meeting was unremarkable in terms of the policy outcome, leaving rates at 0.0% as expected. There was little surprise when Governor Olsen declared that the policy rate 'will most likely remain at today's level for some time ahead'. Based on the Norges Bank forecast, rates will be left at 0.0% until 2022, but will rise to 0.65% by the end of 2023. Previously, policy inertia was expected until 2023.

A slight upgrade in the rate policy path comes as the central bank has become more constructive on the growth rebound. A rebound in the scale of oil investment over the next couple of years allied to strengthening wage growth validates a slightly more hawkish rate path after 2022.

Policy inertia will shift focus onto the fiscal front. The state continues to operate against the backdrop of significant fiscal firepower. A record drawdown (NOK368bn) from the sovereign wealth fund to cover fiscal expansion provides the prospect of significant NOK repatriation flows ahead.

Of course, the domestic economy remains uniquely exposed to oil prices. However, we would note that the Norges Bank has pared contractions in oil investment, likely due to a more constructive price outlook. With an early and strict lockdown now being eased, the backdrop for the NOK remains well supported. This is helped by more constructive growth targets, a more hawkish rate path medium term, and sizeable repatriation flows.

AUD

Patrick Bennett

Headwinds now, tailwinds later

Q3 20: 0.66 | Q4 20: 0.66 (AUDUSD)

AUD/USD has outperformed as the pair rebounded sharply off lows in mid-March, reaching above 0.70 earlier this month. RBA's Lowe described the rebound as valid given how far the currency had fallen. Since then, some consolidation has developed, and we expect this to continue over the near-term with prospects for AUD/USD re-testing the important break-out point of 0.6670.

The Australian economy's leverage to China is well-established, and the rally in AUD is a reflection of rebounding data in China. However, with borders still closed or under heavy restrictions, and with the timing of re-opening uncertain, Australia risks losing very strong support via inbound tourism and via education of foreign students. China's warning to students over studying in Australia referencing 'discriminatory incidents' was also concerning. Iron ore remains Australia's top export, but by a number of estimates is also is shaded by tourism, education and financial services. We don't doubt that these sectors will recover, but a risk premium is warranted to reflect uncertainty for now. The tailwinds for the currency will come later as the recovery is confirmed and a clearer picture on China engagement is made. In addition, both fiscal and monetary stimulus will in time be a medium-term lift for local assets and the currency.

The RBA's stance on the currency is noteworthy as the central bank has omitted any mention of it in recent statements. To us, that suggests comfort with present levels, confirmed by Governor Lowe who has said "I would like a lower currency at some point...but at the moment, I think it is really hard to argue the Australian dollar is overvalued." That aligns with our view of some consolidation in the short term. However, a weaker USD and general risk sentiment tied to extension and eventual recovery form virus concerns will remain key components of AUD valuation.

NZD

Patrick Bennett

Virus relief may have been premature

Q3 20: 0.61 | Q4 20: 0.61 (NZDUSD)

Like the AUD, some of the strong recovery in the Kiwi has since turned to consolidation as the macro risk rebound faced some questions. For the NZD specifically, while New Zealand was much heralded for its efforts in combatting the virus within the country, the recent week or so has seen an emergence of a second-round of infections – albeit in limited numbers and traced to returning overseas arrivals. Still, any prospect of second round infections stalling an incipient economic recovery, or forcing a return to more restrictive rules, would be detrimental.

NZD/USD is now trading around levels of Sept-Dec of last year, and though the outlook for the economy is being backstopped by strong monetary and fiscal support, which should be supportive for assets and the NZD. Some risk premium from those levels given current uncertainty is appropriate. A weaker USD overall will be supportive for NZD/USD, though we do not see the market eclipsing highs around the New Year of 0.6750 in an easy manner.

Similar to Australia, a drying up of tourism and threats to inward education and the unknown of when those will return to previous levels suggest caution. We expect NZD to be a slight underperformer against the AUD.

ZAR

Jeremy Stretch

Higher COVID Cases and Increased Fiscal Spending Warrants Caution

Q3 20: 17.7 | Q4 20: 17.4 (USDZAR)

This year has seen extreme levels of ZAR volatility. USD/ZAR begun the year sub 13.95, but the market traded above 19.35 within four months amidst a USD funding squeeze. However, the return to risk optimism, fuelled by accelerated global central bank liquidity, encouraged a return to carry trades and therefore benefitted the ZAR. Appetite for ZAR bonds proved to materially accelerate into Q2 helping to boost ZAR valuations. There has also been a rebuilding in speculative longs, with holdings reaching three month highs into mid-June.

However, the number of domestic Covid cases continues to advance strongly. With the peak still to be reached, the damage of local lockdowns will likely be more extreme than expected. Hence, in contrast to many other jurisdictions, growth assumptions are being revised down rather than up.

It is against this backdrop that the government aggressively pursued a policy to alleviate the ravages of the crisis. However, amidst a ballooning budget deficit, the government may be forced to consider adjusting fiscal expenditure. Finance Minister Mboweni has stated that spending needs to be cut in an effort to avoiding another sovereign debt crisis in the next four years. Central Bank Governor Kganyago has also noted that the country has run ‘crisis level deficits’ even before COVID started. Concern about public finances can risk an unwind of near term ZAR longs, risking a spike back towards 17.90 prior to the gradual rebound through 2021.

LATAM FX

MXN

Luis Hurtado

Carry May Still Benefit the MXN but Beware of Fundamentals

Q3 20: 21| Q4 20: 22 (USDMXN)

After rallying for three consecutive weeks, USD/MXN appears to have found a floor at the 21.50 mark. Positive news on the reopening of advanced economies and expectations of a better scenario for the global economy boosted sentiment across risk assets. Moreover, a cautious Banxico benefitted those investors looking to profit from carry trades in emerging markets. These are the reasons why we suggested shorting USD/MXN at 25 back in the last week of April, with a 22 target (12% gain).

Despite all the technical moves in risk assets of late, we cannot forget the fundamental picture. We expect MXN volatility to reignite in the coming months given the steep deterioration in growth prospects, renewed risks in the US-China relationship, and increased focus on the US election cycle. Nevertheless, from a tactical perspective, the 22.75 mark may offer some opportunities for those looking to quickly benefit from a weaker USD trend, the MXN carry, and global recovery hopes. Hence, we suggest shorting USD/MXN on spikes at 22.75 with a 21.5 target and a tight stop loss at 23.0.

BRL

Luis Hurtado

BCB Leaves Door Open for a Final Cut

Q3 20: 5.3 | Q4 20: 5.1 (USDBRL)

In an unanimous decision, the Banco Central do Brasil cut the Selic rate by 75 bps to 2.25% on June 17, in line with market consensus and our forecast. The announcement leaves the door open for a final 25bps rate cut. Moreover, the BCB mentioned that the fiscal picture for the remainder of 2020 and into 2021 will be key to determine stimulus. We maintain our expectations of a 2.0% Selic

rate by the end of the year. With the Central Bank leaving the door open for a final rate cut, we expect the BRL to remain under pressure in the short-term and continue its upward path towards the 5.4 mark.

The dissipation of some of the political noise following the resignation of the Ministers of Justice and Health and the overall USD weakness in May allowed the BRL to recover some ground without any significant progress on the local picture. Nevertheless, supreme court and police investigations against President Bolsonaro and his family are likely to keep headline volatility high. Moreover, 2020 growth prospects continue to decline, while the fiscal picture would surely get worse as the government looks to increase social assistance due to the pandemic. As we mentioned in the past, despite BRL presenting some opportunities closer to the 5.50 mark, the volatility, lack of guidance on a reliable fiscal plan following the current crisis, and political uncertainty makes us hesitant to recommend long BRL positions without further clarity from the government.

COP

Luis Hurtado

Fiscal deterioration to the forefront

Q3 20: 3800 | Q4 20: 3600 (USDCOP)

In line with the improvement in global sentiment and oil prices, COP gained some ground in May, approaching the 3600 mark. Moreover, the government managed to secure USD2.5bln in external financing in early June, a strategy that sat well with investors as the country took a gradual approach to fiscal expansion since the start of the pandemic. Although we thought it was the right approach, we had warned about the risk of further fiscal spending as soon as the government saw an improvement in the external picture (debt issuance in external markets), and the subsequent negative implication for the credit, already at the brink of losing its investment grade status.

Our analysis of the government's strategy was on point. Not so long after the government managed to secure external financing, the fiscal rule committee announced the suspension of the fiscal rule for 2020 and 2021 due to the economic shock from COVID-19. The committee had already allowed the government to increase the fiscal deficit for this year in two occasions with the latest nominal fiscal deficit target landing at 6.1% of GDP. In line with this decision, we expect the deficit to land closer to 8% of GDP this year as congress discuss further social assistance measures.

Fitch has already sounded some alarms, stating that without government guidance and fiscal consolidation, the country could lose its investment grade status. We continue to see a gradual deterioration of the country's debt metrics as we do not envisage enough political will to push for substantial fiscal reforms in 2022 during an election year. For now, we expect USD/COP to stabilize at around the 3800 mark as the government has already covered its most immediate financing needs in external markets.

CLP

Luis Hurtado

Dovish CB and More Quarantines Push USD/CLP Back Above 800

Q3 20: 830 | Q4 20: 830 (USDCLP)

The BCCh kept the overnight rate at 0.5% in line with our call and market expectations. The communique restated that the Central Bank will remain on hold at 0.5% for a long period. We maintain our overnight rate forecast at 0.5% for the remainder of 2020. The decision to implement further liquidity measures signals a very dovish bias by the CB and a willingness to use all tools available to avoid a deeper contraction to economic activity.

Economic activity, exports, consumer and business confidence levels have all suffered strong contractions due to the pandemic. Moreover, we do not ignore the possibility that protests can resume as we approach the new constitution vote cycle in November. Finally the CLP, like most LATAM currencies, has been supported by unprecedented amounts of liquidity measures and Central Bank intervention, which are likely to be slowly removed starting in Q3/Q4 2020. Although we do not see enough evidence to support a sustained rebound in CLP from current levels by the end of the year, Chile's better fiscal picture and stronger public institutions should provide enough tactical support for the peso as it moves closer to 820. Hence, we suggest shorting USD/CLP at 820 with a 770 target and a 840 stop loss.

Asia FX

Patrick Bennett

Emerging stability and a nascent recovery in Chinese economic data has been welcome, though challenges from the coronavirus remain. Recovery in the wider Asian region is more patchy and in many cases, still to develop. Regardless, all Asian currencies have appreciated against the USD over the last two months, and all but the INR have posted gains over the last month.

While the mentioned resilience of the Chinese economy is notable, threats of soft external demand and weak portfolio inflow remains for Asia overall. This suggests caution in making too-swift an extrapolation of Asian currency gains from present levels. USD/China stability remains a powerful anchor. If that continues, we see modest gains only. Consolidation is the more likely outcome over the coming month for Asian currencies.

Previously heightened US-China trade tension remains in force. Accusations around the virus continue and the US hawkishness toward China is entrenched and will not pass anytime soon.

During the last month both CNY and CNH again resisted selling pressure, USD/CNH topping out in late May at 7.1965, just above the Sept '19 high of 7.1957. Those levels are now an important reference. We expect them to remain intact absent a broad (and unexpected) USD rally. Previous discussion of China responding to tensions on trade, and on the proposed law changes in Hong Kong by pursuing a weaker yuan have faded. We reiterate that any such move is highly unlikely, as are any steps to alter the operation of level of the USD/HKD convertibility band.

With respect to China stimulus, Chinese leaders are supporting both fiscal and monetary policy, but the approach vs post 2008-09 is expected to be much more 'measured'. China's total fiscal stimulus announced amounts to around 12% of GDP, slightly less than the 13% of GDP package announced in Nov 2008. We expect the fiscal package will lift Chinese and global growth overall, with select economic partners benefiting in particular including Japan, South Korea, and Taiwan, and to a lesser extent, Australia and Brazil.

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