

GLOBAL ECONOMIC OUTLOOK

AUGUST 2010

CONTENTS

SUMMARY & OVERVIEW Page 2

GLOBAL ECONOMIC FORECASTS Page 3

GLOBAL CURRENCY FORECASTS Page 6

COUNTRY FORECASTS Page 7

GLOBAL ECONOMIC OUTLOOK AUGUST 2010

EXECUTIVE SUMMARY

- Relative to last month we have become more cautious on the US recovery over H2 2010. Recent US economic data has been softer than expected, pointing to downside risks to US growth for coming quarters (though our 3% forecast already factored in a slowing for H2, and so is unchanged). On the other hand, the data from the Eurozone has surprised somewhat on the upside, pointing to upside risks to our 1.5% GDP growth forecast for 2010. Eurozone growth is being led by a strong recovery in German exports, though conditions remain weak in peripheral economies. Across the rest of the globe the data continues to point to ongoing recovery, and we have, indeed, revised up a number of our 2010 growth forecasts following Q2 GDP data. However, looking forward, the weakening in US leading indicators and the ongoing stressed financial market conditions, remain a concern and must be closely monitored.
- We have set out our 2011 forecasts for the first time in this month's GEO. The key point is that we expect ongoing recovery through 2011, as economies globally slowly close the large output gaps (i.e. spare capacity) that have built up during the crisis. However, we remain cautious, and feel that the recovery will remain gradual. The recent weaker US data reinforces the fact that the recovery in the major economies is likely to be stop-start in nature. The ongoing need for balance sheet adjustments, combined with fiscal tightening, particularly in the US and Europe, will continue to act as a drag on recovery. Growth can progress at a slightly stronger rate outside of the G4 economies (i.e. smaller developed economies and emerging economies), as these economies have lower levels of both public and private sector debt.
- In 2011 we expect US growth of about 2.5% to 3%, with Eurozone growth of about 1.5% to 2%. Japan may slow somewhat from a strong 2010 performance, seeing GDP growth of about 1.5%. The risks to these forecasts probably lie slightly to the downside, due to the potential for further periods of stress in global financial markets. Across the smaller developed economies, and across the emerging economies, we expect growth to proceed at trend, with an ongoing recovery in global trade key for the smaller export focused economies and commodity exporters. If the downside risks to the US and Europe were to materialise, then growth would likely slip below trend in many smaller developed economies, and in emerging economies.
- Financial markets are again entering a more cautious and risk averse phase, in response to weaker data from the US. Partly in response to this, and partly on foot of comments from a range of central bank policymakers, we have pushed back some of the tightening we expect into early 2011, instead of Q4 2010. In respect of the G4 economies we continue to expect monetary policy to remain on hold until well into 2011. Realistically, at the current juncture, it is difficult to forecast the exact timing of the first moves from the Fed or ECB, but it now looks as if it may be late in 2011 before either institution is ready to tighten. The outlook for 2011 is unusually uncertain. There remains the risk of further periods of significant financial market instability. With the scope for monetary and fiscal policy easing now reduced, any such period could lead to a serious slowing in global growth. This risk must be closely monitored.
- Our medium term currency outlook remains unchanged. We continue to believe that the G3 currencies (US Dollar, Euro and Yen) will weaken against most other global currencies. The fundamentals of the G3 have been severely compromised over the past few years, leaving each economy with weak growth, low interest rates and high public and private sector debt. This is a combination that typically leads to a trend weakening of the exchange rate over time. On the other hand, most other economies/currencies globally should see relatively stronger growth in coming years, with higher interest rates and stronger fiscal positions. In addition, our long term valuation analysis indicates that many currencies remain undervalued versus the G3, despite much improved relative fundamentals.

GLOBAL ECONOMIC OUTLOOK AUGUST 2010

GLOBAL GROWTH OUTLOOK

Summary: Relative to last month we have become more cautious on the US recovery over H2 2010. Recent US economic data has been softer than expected. On the other hand, the data from the Eurozone has surprised somewhat on the upside. Across the rest of the globe the data continues to point to ongoing recovery. We have set out our 2011 forecasts for the first time in this month's GEO. The key point is that we expect ongoing recovery through 2011, as economies globally slowly close the large output gaps (i.e. spare capacity) that have built up during the crisis. However, we remain cautious, and feel that the recovery will remain gradual. The recent weaker US data reinforces the fact that the recovery in the major economies is likely to be stop-start in nature. The ongoing need for balance sheet adjustments, combined with fiscal tightening, particularly in the US and Europe, will continue to act as a drag on recovery. Growth can progress at a slightly stronger rate outside of the G4 economies (i.e. smaller developed economies and emerging economies), as these economies have lower levels of both public and private sector debt (indeed, we have revised up our 2010 forecasts for a number of these economies). The risks to these forecasts lie to the downside, due to the potential for further periods of stress in global financial markets.

GLOBAL GROWTH FORECASTS						
GDP Growth Y/Y	2006	2007	2008	2009	2010 F	2011 F
US	3.3%	2.0%	1.1%	-2.50%	3.00%	2.50%
EUROZONE	3.0%	2.6%	0.7%	-4.00%	1.50%	1.50%
JAPAN	2.0%	2.4%	-0.6%	-5.50%	3.00%	1.50%
UK	2.8%	3.0%	0.7%	-4.00%	1.50%	2.50%
CANADA	3.1%	2.7%	0.8%	-2.00%	3.50%	3.00%
AUSTRALIA	2.9%	4.0%	2.1%	1.00%	3.00%	3.00%
SWITZERLAND	2.7%	2.5%	2.0%	-1.50%	2.50%	2.50%
SWEDEN	4.3%	2.7%	0.0%	-5.00%	3.50%	2.50%
NORWAY	4.4%	4.5%	2.0%	-1.50%	2.50%	2.50%
NEW ZEALAND	1.5%	3.0%	0.5%	-1.50%	2.50%	2.50%
POLAND	6.2%	6.7%	4.5%	1.50%	3.00%	3.00%
CZECH	6.8%	6.0%	3.5%	-3.00%	1.50%	2.50%
HUNGARY	4.1%	1.1%	0.5%	-5.00%	1.50%	1.50%
RUSSIA	7.4%	8.1%	5.5%	-8.00%	5.00%	4.00%
SOUTH AFRICA	5.4%	5.1%	3.1%	-2.00%	3.50%	3.50%
TURKEY	6.9%	4.6%	1.0%	-6.00%	4.50%	4.50%
ISRAEL	5.2%	5.4%	3.2%	-1.00%	3.50%	3.50%
BRAZIL	3.7%	5.7%	5.0%	0.00%	7.00%	4.00%
MEXICO	4.9%	3.5%	1.3%	-7.00%	5.00%	4.00%
CHILE	4.3%	5.1%	3.4%	-1.50%	4.00%	4.00%
ARGENTINA	8.5%	5.7%	7.0%	-2.00%	3.00%	3.00%
COLUMBIA	6.8%	7.7%	3.0%	-1.50%	4.00%	4.00%
PERU	7.7%	8.9%	9.8%	1.50%	8.00%	7.00%
CHINA	11.6%	13.0%	9.0%	8.50%	10.50%	9.50%
INDIA	9.9%	9.2%	7.4%	6.50%	8.50%	7.50%
TAIWAN	4.9%	5.7%	0.0%	-3.00%	8.00%	5.00%
SOUTH KOREA	5.2%	5.1%	2.2%	-1.00%	6.00%	5.00%
SINGAPORE	8.4%	7.8%	1.0%	-4.00%	15.00%	5.00%
MALAYSIA	5.8%	6.3%	4.6%	-3.00%	6.00%	5.00%
INDONESIA	5.5%	6.3%	6.1%	4.00%	6.00%	5.00%
PHILIPPINES	5.5%	7.5%	4.0%	2.00%	6.00%	5.00%
WORLD	5.00%	4.50%	3.50%	-1.50%	4.50%	4.25%

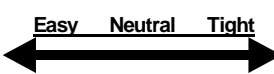
Forecast Downgrade

Forecast Upgrade

GLOBAL ECONOMIC OUTLOOK AUGUST 2010

GLOBAL MONETARY POLICY OUTLOOK

Summary: Inflation pressures remain well contained in developed economies. The large volume of spare capacity (high unemployment in particular) in the major developed economies is likely to keep inflation pressures in check over coming quarters. However, inflation pressures in many emerging market economies are now beginning to build. Levels of spare capacity are lower in large emerging economies such as China, India and Brazil. As such, the robust recovery in these economies is feeding through into upward pressures on inflation rates more readily.

GLOBAL INFLATION					
	Headline Inflation	Inflation Target	Policy Rate	Real Policy Rate	Policy Stance?
	Orange Bold = > 2% above target Grey Bold = > 2% below target				
US	1.40%	2% Core	0.13%	-1.28%	Easy
EUROZONE	1.70%	Max 2.00%	1.00%	-0.70%	Easy
JAPAN	-1.00%	1.00%	0.00%	1.00%	Neutral
UK	3.20%	Max 3.00%	0.50%	-2.70%	Easy
CANADA	1.00%	1.00% to 3.00%	0.75% (+25bp)	-0.25%	Easy
AUSTRALIA	3.10%	2.00% to 3.00%	4.50%	1.40%	Neutral
SWITZERLAND	0.40%	Max 2.00%	0.25%	-0.15%	Easy
SWEDEN	0.90%	1.00% to 3.00%	0.50%	-0.40%	Easy
NORWAY	1.90%	2.50%	2.00%	0.10%	Neutral
NEW ZEALAND	1.80%	1.00% to 3.00%	3.00% (+25bp)	1.20%	Neutral
POLAND	2.40%	1.50% to 3.50%	3.50%	1.10%	Neutral
CZECH	1.90%	2.00% to 4.00%	0.75%	-1.15%	Easy
HUNGARY	5.20%	3.00%	5.25%	0.05%	Neutral
RUSSIA	5.50%	7.00% approx	-	-	-
SOUTH AFRICA	4.20%	3.00% to 6.00% core	6.50%	2.30%	Tight
TURKEY	7.60%	6.50%	6.50%	-1.10%	Easy
ISRAEL	2.40%	1.00% to 3.00%	1.75% (+25bp)	-0.65%	Easy
BRAZIL	4.60%	2.50% to 6.50%	10.75% (+50bp)	6.15%	Tight
MEXICO	3.60%	2.00% to 4.00%	4.50%	0.90%	Neutral
CHILE	2.30%	2.00% to 4.00%	2.00%	-0.30%	Easy
ARGENTINA	-	-	-	-	-
COLUMBIA	2.20%	2.00% to 4.00%	3.00%	0.80%	Neutral
PERU	1.80%	1.00% to 3.00%	2.50% (+50bp)	0.70%	Neutral
CHINA	3.30%	-	5.31%	2.01%	Tight
INDIA (avg CPI and PPI)	12.00%	8.50%	4.50%	-7.50%	Easy
TAIWAN	1.30%	-	1.38%	0.08%	Easy
SOUTH KOREA	2.60%	2.00% to 4.00%	2.25%	-0.35%	Easy
SINGAPORE	2.80%	1.50%	-	-	Tight
MALAYSIA	1.70%	na	2.75%	1.05%	Neutral
INDONESIA	-	-	-	-	-
PHILIPPINES	3.90%	3.00% to 5.00%	4.00%	0.10%	Neutral

GLOBAL ECONOMIC OUTLOOK AUGUST 2010

GLOBAL MONETARY POLICY OUTLOOK

Summary: We have moderately changed some of our monetary policy forecasts. We continue to expect ongoing gradual and modest monetary tightening from the majority of emerging market economies, and smaller developed market economies, globally. However, we have pushed back some of this tightening into H1 2011 from H2 2010. The recent slowing in the US economic data, and the associated higher level of volatility in global financial markets, is likely to persuade many central banks to proceed more cautiously with monetary tightening. Most of these economies (i.e. outside of the G4) are seeing solid economic recoveries, with moderate but increasing inflation pressures, pointing to a need for gradual monetary tightening. In several emerging market economies, financial stability considerations also point to the need for tighter policy (i.e. to avoid asset bubbles in housing and equity markets for example). However, in the case of the G4 (US, Eurozone, Japan, UK) we do not expect any tightening until well into 2011. The economic recoveries in these larger economies remain less vigorous, while inflation pressures are not present in the face of significant spare capacity in product and labour markets. Furthermore, the recent slowing in US economic data has tilted the Fed towards a more dovish stance. At the current juncture, in light of recent weaker data and stress in financial markets, it looks as if it may well be late in 2011 before the Fed or ECB are ready to tighten.

GLOBAL MONETARY POLICY FORECASTS				
Central Bank Policy Rate y.e.	Current Rate	2009	2010 F	2011 F
US	0.125%	0.125%	0.125%	1.00%
EUROZONE	1.00%	1.00%	1.00%	1.50%
JAPAN	0.00%	0.00%	0.00%	0.00%
UK	0.50%	0.50%	0.50%	1.50%
CANADA	0.75% (+25bp)	0.25%	1.00%	2.50%
AUSTRALIA	4.50%	3.75%	4.75%	5.25%
SWITZERLAND	0.25%	0.25%	0.25%	1.00%
SWEDEN	0.50%	0.25%	0.75%	1.50%
NORWAY	2.00%	1.75%	2.25%	2.75%
NEW ZEALAND	3.00% (+25bp)	2.50%	3.50%	4.00%
POLAND	3.50%	3.50%	4.00%	4.50%
CZECH	0.75%	1.00%	0.75%	1.50%
HUNGARY	5.25%	6.25%	4.50%	4.50%
RUSSIA	-	-	-	-
SOUTH AFRICA	6.50%	7.00%	6.50%	7.00%
TURKEY	6.50%	6.50%	6.50%	8.00%
ISRAEL	1.75% (+25bp)	1.25%	2.00%	3.50%
BRAZIL	10.75% (+50bp)	8.75%	11.50%	12.50%
MEXICO	4.50%	4.50%	4.50%	5.50%
CHILE	2.00%	0.50%	2.00%	3.50%
ARGENTINA	-	-	-	-
COLUMBIA	3.00%	3.50%	4.00%	5.00%
PERU	2.50% (+50bp)	1.25%	3.50%	6.00%
CHINA	5.31%	5.31%	5.31%	5.31%
INDIA	4.50%	3.75%	5.00%	6.00%
TAIWAN	1.38%	1.25%	1.75%	2.25%
SOUTH KOREA	2.25%	2.00%	2.75%	3.50%
SINGAPORE	-	-	-	-
MALAYSIA	2.75%	2.00%	3.00%	3.50%
INDONESIA	-	-	-	-
PHILIPPINES	4.00%	4.00%	4.00%	5.00%

Forecast Downgrade

Forecast Upgrade

GLOBAL ECONOMIC OUTLOOK AUGUST 2010

GLOBAL CURRENCY FORECASTS

Summary: Our medium term currency outlook remains unchanged. We continue to believe that the G3 currencies (US Dollar, Euro and Yen) will weaken against most other global currencies. The fundamentals of the G3 have been severely compromised over the past few years, leaving each economy with weak growth, low interest rates and high public and private sector debt. This is a combination that typically leads to a trend weakening of the exchange rate over time. On the other hand, most other economies globally should see relatively stronger growth in coming years, with higher interest rates and stronger fiscal positions. In addition, our long term valuation analysis, indicates that many currencies remain undervalued versus the G3, despite much improved relative fundamentals.

FX FORECASTS				
vs USD	Spot Aug 16	6m Forecast	View	
G10				
EUR	1.28	1.25	depreciation	
JPY	85	92	depreciation	
GBP	1.57	1.60	neutral	
CAD	1.04	1.00	appreciation	
AUD	0.90	0.92	appreciation	
CHF	1.04	1.05	neutral	
SEK	7.36	7.35	neutral	
NOK	6.13	6.10	neutral	
NZD	0.71	0.71	neutral	
EMEA				
PLN	3.10	3.00	appreciation	
CZK	19.3	20.00	depreciation	
HUF	218	225	depreciation	
RUB	30.5	30.5	neutral	
ZAR	7.27	7.40	neutral	
TRY	1.51	1.50	neutral	
ILS	3.79	3.65	appreciation	
LATAM				
BRL	1.76	1.72	appreciation	
MXN	12.6	12.0	appreciation	
CLP	506	510	neutral	
COP	1825	1900	depreciation	
PEN	2.80	2.70	appreciation	
ASIA				
CNY	6.81	6.55	appreciation	
INR	46.8	45.0	appreciation	
TWD	31.9	31.0	appreciation	
KRW	1187	1150	appreciation	
SGD	1.36	1.36	neutral	
MYR	3.18	3.05	appreciation	
PHP	45.4	45.3	neutral	
vs EUR			View vs EUR	
GBP	0.82	0.78	appreciation	
CHF	1.33	1.33	neutral	
SEK	9.46	9.20	appreciation	
NOK	7.88	7.60	appreciation	
PLN	3.98	3.75	appreciation	
CZK	24.8	25.0	neutral	
HUF	280	280	neutral	

GLOBAL ECONOMIC OUTLOOK AUGUST 2010

G3 ECONOMIES

United States

--The state of the US economy has been the main focus of global markets over the past several months. The data has, in general, had a softer tone to it, with measures of consumer confidence, consumer spending and employment all weakening, and undershooting expectations. This has led to concern regarding the possibility of a double dip recession, although the data thus far points only to a slowing, not outright contraction. The Fed has acknowledged this trend in their most recent post FOMC statement, downgrading their US growth outlook. The Fed also took a modest step to re-engaging QE by committing to reinvest coupons on their current holdings.

--The data clearly points to a slowing into H2 2010. However, given that our 2010 GDP forecast already factored in a slowing to a 1.5% annualised pace in H2, we are happy to leave our 3% forecast unchanged. We expect growth to recover gradually in 2011 as domestic firms and households continue to return to more normal spending patterns, and as solid global demand provides a modest offset. Following the recent weaker data, and the Fed's recent statement, and given the lack of any inflation pressures, we have re-appraised our monetary policy outlook. We now see no Fed hikes until well into H2 2011.

US	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	2.9%	2.25%	0.50%	-2.50%	3.00%	2.50%
CPI	2.5%	2.25%	2.00%	1.25%	1.75%	2.00%
Fed Rate (y.e.)	5.25%	4.25%	0.50%	0.125%	0.125%	1.00%

Eurozone

-- The data from the Eurozone has provided a welcome offset to the weaker US data over the past month or two. Despite fears of a serious slowing after the fiscal crisis of April/May/June, the economic data from the Eurozone has actually strengthened in recent months, with Q2 GDP reaching 4% annualised. Admittedly, growth is being driven by German exports, while peripheral economy domestic demand remains weak.

-- We expect growth to remain at a pace of about 1.5% over the coming 18 months. Growth is likely to be somewhat stronger in Germany and other competitive Eurozone economies, but slower in the southern periphery. As with the Fed, we have decided to push back our ECB rate profile, and see no moves to tighten before H2 2011. Inflation pressures are well contained, and risks to financial stability remain present below the surface, keeping the ECB cautious with respect to the outlook.

EUROZONE	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	2.9%	2.75%	0.50%	-4.00%	1.50%	1.50%
CPI	2.2%	3.00%	2.00%	0.50%	1.50%	1.75%
ECB Rate (y.e.)	3.5%	4.00%	2.50%	1.00%	1.00%	1.50%

Japan

-- Recent data continues to point to a robust export and investment driven expansion in Japan, supported by strong growth in the Asian region generally. We have revised up our 2010 GDP growth forecast to 3%. However, slower growth looks in prospect in 2011, as the strong Yen places downward pressure on exports, and as domestic demand remains weak. Deflation remains a problem, and may provoke a move from the BoJ at some stage in 2011. A weaker Yen would be a welcome development, supporting growth in 2011, and helping to alleviate deflationary pressures.

JAPAN	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	2.2%	2.00%	0.00%	-5.50%	3.00%	2.00%
CPI	0.3%	0.50%	0.00%	-1.50%	-1.00%	-0.50%
BoJ Rate (y.e.)	0.3%	0.50%	0.15%	0.00%	0.00%	0.00%

GLOBAL ECONOMIC OUTLOOK AUGUST 2010

OTHER DEVELOPED ECONOMIES

UK

-- The data from the UK continues to point to ongoing recovery. We remain comfortable with our 2010 GDP growth forecast of 1.5% (unchanged). We expect recovery to strengthen moderately in 2011, with growth of about 2.5%. Given the likely tighter fiscal stance we feel the BoE will remain comfortable leaving rates on hold until well into 2011, despite somewhat above target inflation.

UK	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	2.8%	2.75%	1.00%	-4.00%	1.50%	2.50%
CPI	2.3%	2.25%	3.00%	2.00%	3.00%	2.50%
BoE Rate (y.e.)	4.3%	5.75%	2.00%	0.50%	0.50%	1.50%

Australia

-- The Australian economy continues to expand robustly, aided by strong growth in the Asian region. We expect GDP growth of 3% for 2010 as a whole. We expect growth to remain around trend in 2011, at about 3%. The RBA see stronger growth of 3.75%. We have lowered our end year forecast for the RBA policy rate, but see 50bp of tightening in 2011.

AUSTRALIA	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	2.7%	4.00%	2.50%	1.00%	3.00%	3.00%
CPI	3.5%	3.00%	3.50%	2.00%	2.50%	2.50%
RBA Rate (y.e.)	6.3%	6.75%	4.25%	3.75%	4.75%	5.25%

New Zealand

-- We expect GDP growth to register 2.5% in 2010 (unchanged), as New Zealand benefits somewhat from strong regional growth in Asia, and a modest domestic recovery. We see similar growth in 2011. As in Australia, we have pushed back our policy rate forecasts, but see further modest tightening in 2011.

NEW ZEALAND	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	1.8%	2.75%	0.50%	-1.50%	2.50%	2.50%
CPI	3.3%	3.25%	3.25%	2.00%	2.50%	2.50%
RBNZ Rate (y.e.)	7.3%	8.25%	5.00%	2.50%	3.50%	4.00%

Canada

-- Recent data has been quite strong, particularly in relation to the labour market. We have revised up our 2010 growth forecast to 3.5%, and expect 2011 growth of 3%. We have lowered our end year BoC rate forecast on foot of recent softer US data, but see some further 'catch-up' tightening in 2011.

CANADA	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	2.8%	2.75%	1.00%	-2.00%	3.50%	3.00%
CPI	2.0%	2.50%	2.00%	1.25%	2.00%	2.00%
BoC Rate (y.e.)	4.3%	4.50%	1.50%	0.25%	1.00%	2.50%

Switzerland

-- We expect growth of about 2.5%, as both external and domestic demand recover gradually. The Swiss Franc has continued to strengthen, tightening monetary conditions. In light of this, and given the financial stresses in the Eurozone, we expect monetary tightening to be delayed until 2011.

SWITZERLAND	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	3.2%	2.50%	2.00%	-1.50%	2.50%	2.50%
CPI	1.1%	2.00%	1.50%	0.00%	1.00%	1.50%
SNB Rate (y.e.)	2.0%	2.75%	0.50%	0.25%	0.25%	1.00%

GLOBAL ECONOMIC OUTLOOK AUGUST 2010

Sweden

-- Sweden's export focused economy continues to recover. We have revised up our 2010 GDP growth forecast to 3.5%, following recent stronger data. We see trend like growth of 2.5% next year. The policy rate is now at our year end target of 0.75%. We expect +75bp of tightening in 2011.

SWEDEN	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	4.5%	2.75%	0.75%	-5.00%	3.50%	2.50%
CPI	1.5%	2.50%	2.00%	1.00%	2.00%	2.00%
CB Rate (y.e.)	3.0%	4.00%	2.00%	0.25%	0.75%	1.50%

Norway

-- We expect growth of about 2.5% for 2010 as a whole, and for 2011, close to trend. We expect the tightening cycle to continue, with the policy rate ending 2010 at 2.25% (lowered from 2.5%), before moving up 50bp in 2011 to 2.75% by year end.

NORWAY	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	4.3%	5.00%	2.00%	-1.50%	2.50%	2.50%
CPI	2.3%	2.50%	2.00%	2.00%	2.50%	2.00%
CB Rate (y.e.)	3.5%	5.00%	4.25%	1.75%	2.25%	2.75%

LATAM ECONOMIES

Brazil

-- Recent data from Brazil indicates that growth remains strong. Strong commodity prices, a recovery in world trade, and strong capital inflows are driving growth. Based on the latest data we expect growth for the year of about 7%, revised up from our prior forecast of 6%. With growth progressing quite strongly, we expect inflation pressures to increase in coming quarters. As such we continue to expect the central bank to deliver significant monetary tightening through the remainder of the year (with rates reaching 11.5% by year end). We expect further tightening to 12.5% over 2011. Given this monetary tightening, we expect growth to slow to 4% approx in 2011.

BRAZIL	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	3.7%	4.8%	5.0%	0.00%	7.00%	4.00%
CPI y/y	3.3%	4.5%	5.5%	4.00%	5.50%	5.50%
CB Rate (y.e.)	15.0%	11.25%	13.75%	8.75%	11.50%	12.50%

Mexico

-- 2009 was an extremely difficult year for the Mexican economy, suffering one of the worst recessions seen globally. However, while significant challenges remain, we continue to expect an improvement through 2010 and 2011 in line with global recovery. We expect GDP growth of about 5% in 2010 (unchanged) and 4% in 2011. However, the recent weaker US data does represent a risk to Mexico that needs to be monitored. In light of this we expect the central bank to exercise caution, delaying tightening until 2011 (+100bp over 2011).

MEXICO	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	4.5%	3.0%	2.0%	-7.00%	5.00%	4.00%
CPI y/y	3.8%	4.0%	6.0%	4.00%	5.00%	5.00%
CB Rate (y.e.)	7.0%	7.50%	8.25%	4.50%	4.50%	5.50%

GLOBAL ECONOMIC OUTLOOK AUGUST 2010

Chile

-- We expect growth of about 4% for 2010 and 2011. The earthquake earlier this year may result in some volatility in the quarterly figures due to reconstruction, but the underlying trend is likely to be for growth of about 4%. We see the policy rate ending 2010 at 2%, before moving up 150bp over the course of 2011 to 3.5% as the central bank moves rates back to more normal levels.

CHILE	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	4.5%	5.3%	4.0%	-1.50%	4.00%	4.00%
CPI y/y	3.5%	7.5%	8.0%	-1.00%	2.00%	3.00%
CB Rate (y.e.)	5.30%	6.00%	8.25%	0.50%	2.00%	3.50%

Columbia

-- We expect growth of about 4% in both 2010 and 2011, close to trend, representing a solid recovery from the 2008/9 crisis. We have, however, moderated our monetary policy call, and see rates reaching 4% by year end, before moving up perhaps 100bp over 2011 to 5%.

COLUMBIA	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	6.8%	7.5%	4.0%	-1.50%	4.00%	4.00%
CPI y/y	4.3%	5.3%	6.0%	3.00%	3.00%	4.00%
CB Rate (y.e.)		9.75%	9.50%	3.50%	4.00%	5.00%

Peru

-- Peru looks set to return to strong growth in 2010, aided by monetary stimulus and elevated commodity prices. Based on the latest data we expect GDP growth of up to 8% for 2010 as a whole (revised up from 7%). We feel growth should remain strong in 2011, at about 7% y/y. We continue to expect significant monetary tightening in coming quarters, taking rates to 3.5% by year end and 6% by end 2011.

PERU	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	7.7%	7.5%	9.0%	1.50%	8.00%	7.00%
CPI y/y	1.1%	3.8%	6.0%	1.00%	2.00%	4.00%
CB Rate (y.e.)		5.25%	6.50%	1.25%	3.50%	6.00%

ASIAN ECONOMIES

China

-- The data from China seems consistent with our expectation for a modest slowing over H2, taking the full year GDP growth figure to about 10%, or slightly above. The authorities continue to tighten monetary policy to achieve a smooth deceleration in growth from the exceptional stimulus driven levels of H1 2010. This effort seems to have been successful so far. Although there are clearly some risks, relating to global growth, and to domestic overheating in the property sector, we continue to expect growth to remain solid, reaching a somewhat slower 9.5% in 2011 as a whole. We have lowered our monetary policy rate call and now see the key policy rate unchanged. The authorities have shown a preference for using other tools, such as the exchange rate, and a range of administrative measures relating to the banking system and the housing/property sector. We expect this to continue.

CHINA	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	10.5%	11.50%	9.50%	8.50%	10.50%	9.50%
CPI y/y	2.0%	7.00%	4.00%	1.00%	3.00%	3.00%
CB Rate (y.e.)		8.00%	5.58%	5.31%	5.31%	5.31%

GLOBAL ECONOMIC OUTLOOK AUGUST 2010

India

-- As in China, recent data from India points to ongoing strong GDP growth. We maintain our growth forecast for 2010 of 8.5%, and expect growth of 7.5% in 2011, close to the current trend rate. Inflation pressures remain too high. As such we expect ongoing monetary tightening over the balance of 2010 and into 2011.

INDIA	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	9.0%	9.0%	7.5%	6.50%	8.50%	7.50%
CPI y/y	7.0%	7.0%	8.5%	7.00%	9.00%	8.00%
CB Rate (y.e.)	6.00%	6.00%	6.00%	3.75%	5.00%	6.00%

Korea

-- As in Asia generally, the latest data from Korea remains quite strong. As such, we continue to expect growth of about 6% for 2010, slowing marginally to 5% for 2011 (still marginally above trend). The BoK has been slower to tighten rates than we anticipated. We have pushed back some of our forecast monetary tightening into 2011, but still expect the BoK to move rates to 3.5% by end 2011.

KOREA	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	5.0%	5.0%	4.5%	-1.00%	6.00%	5.00%
CPI y/y	2.3%	3.5%	4.5%	2.50%	3.00%	3.00%
CB Rate (y.e.)	4.50%	5.00%	3.00%	2.00%	2.75%	3.50%

Taiwan

-- The latest GDP data from Taiwan indicate that 2010 growth is likely to be stronger than previously anticipated, with GDP growth perhaps reaching 8%, driven by a strong pickup in both exports and domestic spending. We expect growth to remain solid, but slow to a more sustainable 5% in 2011. Inflation remains low, and as such monetary tightening is likely to remain gradual and modest.

TAIWAN	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	4.8%	5.5%	4.0%	-3.00%	8.00%	5.00%
CPI y/y	0.5%	3.3%	2.0%	-0.50%	1.50%	2.00%
CB Rate (y.e.)	2.8%	3.25%	2.00%	1.25%	1.75%	2.25%

Singapore

-- The data over H1 indicates that, driven by exports, Singapore's GDP may expand by as much as 15% in 2010, significantly higher than was anticipated by us, or by the market previously. This pace of growth, however, is exceptional, and is unlikely to continue into 2011. Nonetheless, growth is likely to remain robust, at perhaps 5% y/y. Further monetary tightening from the MAS, through currency appreciation, in H2 and 2011 looks likely.

SINGAPORE	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	7.9%	7.5%	3.0%	-4.00%	15.00%	5.00%
CPI y/y	1.0%	1.8%	5.0%	0.00%	3.00%	3.00%

Philippines

-- The Philippines economy continues to strengthen, in line with regional peers. We expect growth to match that in Korea and Taiwan, at about 6% y/y in 2010 and 5% in 2011. We expect the policy rate to be gradually tightened to 5% by year end 2011.

PHILIPPINES	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	5.5%	7.5%	4.0%	2.00%	6.00%	5.00%
CPI y/y	6.3%	2.5%	9.0%	3.50%	4.00%	4.00%
CB Rate (y.e.)		5.00%	6.00%	4.00%	4.00%	5.00%

GLOBAL ECONOMIC OUTLOOK AUGUST 2010

Malaysia

-- We continue to expect a solid recovery in 2010, with GDP growth of close to 6% on foot of stronger domestic and external demand conditions. Growth should match regional peers, at 5%, in 2011. The central bank is likely to continue to gradually tighten monetary policy over 2010 and into 2011.

MALAYSIA	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	5.9%	6.5%	5.5%	-3.00%	6.00%	5.00%
CPI y/y	3.6%	2.3%	6.0%	0.00%	1.50%	2.00%
CB Rate (y.e.)		3.50%	3.25%	2.00%	3.00%	3.50%

EMEA ECONOMIES

Russia

-- The Russian economy continues to heal after the sharp declines of 2008 and 2009. Growth should hit about 5% this year, before slowing to a respectable 4% y/y in 2011. Inflation pressures have reduced through the crisis, and have now stabilised. As always, the economy is highly sensitive to oil prices.

RUSSIA	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	6.3%	7.50%	6.50%	-8.00%	5.00%	4.00%
CPI y/y	9.0%	12.00%	14.00%	9.00%	7.00%	8.00%

Turkey

-- We expect growth of 4.5% for 2010 and into 2011, close to trend. Marginally stronger growth in 2010 is a possibility, as the economy recovers from the severe 2009 recession. The market remains somewhat uneasy about inflation pressures, though the central bank feels inflation is well contained. Nonetheless, we expect some tightening later in 2011 (pushed back from late 2010).

TURKEY	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	6.0%	5.0%	2.0%	-6.00%	4.50%	4.50%
CPI y/y	10.0%	8.3%	12.0%	6.00%	8.00%	7.00%
CB Rate (y.e.)	17.50%	15.75%	15.00%	6.50%	6.50%	8.00%

South Africa

-- We continue to expect a gradual recovery in 2010 to 3.5% GDP growth, with a similar rate in 2011 – somewhat below the rates envisaged for LATAM and Asia. The RBSA has been more aggressive in cutting rates than we or the market expected. As a result we have fully pushed back any forecast rate hikes into 2011. The RBSA looks unlikely to move before then, barring a sharp spike in inflation.

SOUTH AFRICA	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	5.0%	5.0%	3.5%	-2.00%	3.50%	3.50%
CPI y/y	4.8%	9.0%	12.0%	6.00%	5.00%	5.00%
CB Rate (y.e.)	9.00%	10.50%	12.00%	7.00%	6.50%	7.00%

Poland

-- We continue to expect GDP growth of 3%, outperforming regional peers in Eastern Europe (unchanged), on foot of relatively stronger domestic demand conditions. We envisage a similar growth rate of 3% or marginally above in 2011. We expect gradual tightening from the central bank through the balance of 2010 (+25bp) and into 2011 (+50bp).

POLAND	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	5.8%	6.5%	5.0%	1.50%	3.00%	3.00%
CPI y/y	1.3%	3.5%	4.5%	3.00%	3.00%	3.00%
CB Rate (y.e.)	4.00%	5.00%	5.25%	3.50%	4.00%	4.50%

GLOBAL ECONOMIC OUTLOOK AUGUST 2010

Czech

-- The recovery in Czech is weaker than in Poland, and this looks likely to continue over the balance of 2010 and into 2011, although the growth gap in 2011 is likely to be marginal (2.5% vs 3%). With growth subdued, and inflation contained, we expect the Czech central bank to raise rates only very gradually in 2011 (we have removed our call for one hike late in 2010).

CZECH	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	5.5%	6.5%	4.0%	-3.00%	1.50%	2.50%
CPI y/y	2.5%	5.0%	5.0%	0.50%	1.50%	2.00%
CB Rate (y.e.)	2.50%	3.50%	2.50%	1.00%	0.75%	1.50%

Hungary

-- Unfortunately, Hungary looks likely to continue to underperform regional peers in terms of its growth and fiscal performance. We expect GDP to expand by 1.5% in 2010 and 2011. The scope for monetary easing looks likely to be near an end. Insufficient credibility on the fiscal or inflation fronts looks likely to prevent an easing of rates to the levels seen in Czech, despite weaker growth.

HUNGARY	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	3.5%	2.5%	1.5%	-5.00%	1.50%	1.50%
CPI y/y	4.0%	6.5%	6.0%	5.00%	5.00%	4.00%
CB Rate (y.e.)	8.00%	7.25%	10.00%	6.25%	4.50%	4.50%

Israel

-- We expect growth of 3.5% in both 2010 and 2011, close to trend, and representing a solid recovery. The latest data indicates upside risks to this outlook for 2010, with growth of 4% or slightly above possible. Inflation pressures are relatively well contained, allowing the central bank to engage in further gradual tightening as rates move back to more normal levels of 3%+.

ISRAEL	2006	2007	2008	2009	2010 F	2011 F
GDP y/y	5.1%	5.3%	5.0%	-1.00%	3.50%	3.50%
CPI y/y	2.1%	0.5%	4.0%	3.50%	3.00%	3.00%
CB Rate (y.e.)	5.00%	4.00%	1.75%	1.25%	2.00%	3.50%

Important Notice

Lee Overlay Partners is authorized by the Irish Financial Regulator under Section 10 of the Investment Intermediaries Act, 1995 and is registered with the S.E.C.

The prices of investments may go up as well as down and past performance is not a guarantee of future returns.

The returns highlighted in this presentation are set out for the purposes of illustration and are based on simulated trades. Such simulated returns may not be achieved by the Investment Manager.

Performance returns are shown exclusive of any fees payable to the Investment Manager.

Except where noted, all charts in this document are courtesy of Datastream, Bloomberg and Lee Overlay Partners Ltd.

*Lee Overlay Partners Ltd.
Block 1
6th Floor Grand Mill Quay
Barrow Street
Dublin 4
Ireland
Tel: +353 1 6318 500 Fax: + 6602 948*