

KEY ISSUES

- **Monetary Policy:** The Fed is expected to raise rates by 0.25% to 3.0% with the ECB leaving rates on hold. The UK MPC begins its 2 day meeting on Friday. RBA to leave rates on hold.
- **Forex Markets:** With FOMC and ECB announcements unlikely to cause any surprises the tone of the Fed statement and ECB press conference will be important as will be several key economic releases.
- **Fixed Income Markets:** After Tuesday's FOMC meeting, bond markets will refocus on Friday's key US employment data. Several other important economic releases also.

KEY POINTS TO WATCH

- A 0.25% rate hike by the Fed is expected but the market will be studying closely the tone of the accompanying statement and to see whether the commitment to 'measured' rate increases is maintained.
- Recently Treasuries and the dollar have been responding to swings in sentiment about interest rate prospects following each individual economic release. This week sees the April US employment report, the key data release for the month. Ahead of these, US economic focus will be on the manufacturing and services ISM surveys.
- In the eurozone, survey data is also to the fore. The manufacturing and services PMIs are both likely to again emphasise the sluggishness of the eurozone economy. Meanwhile, no change in ECB rates is anticipated but the tone of the press conference will be closely followed for monetary policy hints.
- Thursday's UK general election is unlikely to have much market impact. With the MPC announcement delayed until the following week, the UK focus will be on the CIPS/PMI surveys which could well again highlight the gulf between the services and manufacturing sectors of the economy.

Interest Rate Forecasts

	Current	End Q2 2005	End Q3 2005
Fed Funds	2.75	3.25	3.5
ECB Refi	2.0	2.0	2.0
BoE Repo	4.75	5.0	5.0
BoJ ODR	0.1	0.1	0.1

Key Exchange Rates

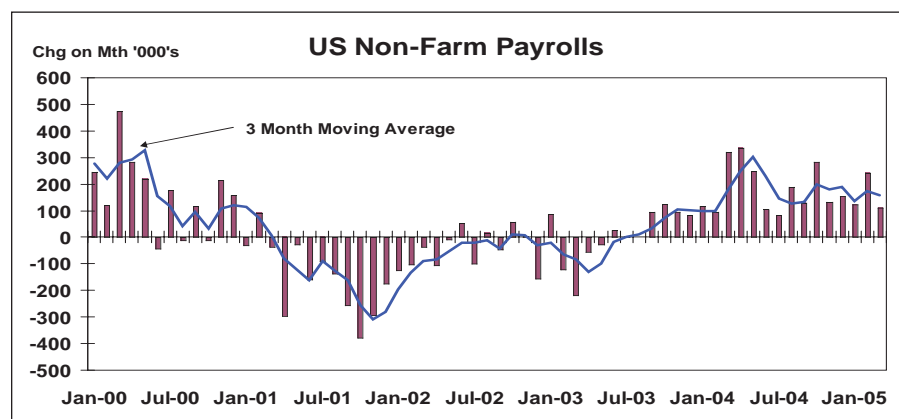
	Current	Change on Week (%)	2005 to Date (%)
US\$/EUR	1.2933	-1.05	-5.04
STG/EUR	0.6765	-0.89	-4.16
YEN/EUR	135.76	-2.08	-2.87
US\$/STG	1.9119	-0.17	-1.08
YEN/US\$	104.97	-1.06	2.44

Exchange Rate Forecasts

	Current	End Q2 2005	End Q3 2005
US\$/EUR	1.2933	1.30	1.32
STG/EUR	0.6765	0.69	0.70
YEN/EUR	135.76	137	137
US\$/STG	1.9119	1.90	1.90
YEN/US\$	104.97	105	104

Chart Of The Week: US Employment Report

Payrolls disappointed in March, increasing by just 110,000. Consensus forecast is for some strengthening of the employment situation in April with a 173,000 rise in payrolls numbers. The unemployment rate, meanwhile, is expected to be unchanged at 5.2%.





ECONOMIC DIARY

Monday 2nd May - Friday 6th May 2005



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New York

<i>Date</i>	<i>UK & Irish Time (GMT +1 hour)</i>	<i>Release</i>	<i>Previous</i> ♦	<i>Forecast</i> ♦
This Week:	JAP:	Golden Week : Markets Closed Tuesday - Thursday		
	UK:	Halifax House Prices (April)	+0.5% (+8.1%)	
Mon 2nd:	IRL & UK:	Holiday		
	GER: 08.55	Manufacturing PMI (April)	50.3	49.8
	EU-12: 09.00	Manufacturing PMI (April)	50.4	49.9
	US: 15.00	Construction Spending (March)	+0.4%	+0.3%
	US: 15.00	Manufacturing ISM (April)	55.2	54.6
Tues 3rd:	AUS:	Reserve Bank of Australia Policy Announcement		
	UK: 09.30	CIPS/PMI Manufacturing Survey (April)	52.0	51.5
	EU-12: 10.00	PPI (March)	+0.4% (+4.2%)	+0.6% (+4.2%)
	EU-12: 10.00	Unemployment (March)	8.9%	8.9%
	UK: 11.00	CBI Distributive Trade Survey (Apr)		
	US: 15.00	Factory Orders (March)	+0.2%	-1.0%
	US: 19.15	FOMC Rate Announcement		
	US:	Domestic Auto Sales (April)	13.5 m s.a.a.r.	13.2m s.a.a.r.
Wed 4th:	FRA:	Auction: 3.75% 04/2021 OATs		
	EU-12: 09.00	Services PMI (April)	53.0	52.7
	EU-12: 10.00	Retail Sales (March)	+0.3% (+1.0%)	-0.3% (+0.8%)
	EU-12: 12.45	ECB Interest Rate Announcement followed by Press Conference (13.30)		
	US: 15.00	Services ISM (April)	63.1	61.4
	IRL: 16.30	Exchequer Balance (April)	-€1,338m (Apr'04)	-€600m
Thurs 5th	GER:	Public Holiday - Ascension Day		
	SPA:	Auction: 5 Year Bonds		
	US:	Fed's Moskow, Greenspan , Olson all speak		
	UK:	General Election		
	UK: 09.30	CIPS/PMI Services Survey	57.0	56.6
	UK: 10.30	BRC Shop Prices (April)	(-0.2%)	
	US: 13.30	Initial Jobless Claims (w/e 30th Apr)	320,000	
	US: 13.30	Productivity (Q1)	+2.1%	+2.0%
Fri 6th:	UK:	2 Day PMC Meeting Begins (Continues on Monday 9th)		
	GER: 11.00	Manufacturing Orders (March)	-2.1% (+1.8%)	+0.4% (+1.3%)
	IRL: 11.00	Live Register (April)	+3,100 to 159,000	156,000
	US: 13.30	Non-Farm Payrolls (April)	+110,000	+173,000
		- Average Earnings	+0.3%	+0.2%
		- Unemployment	5.2%	5.2%
	US: 20.00	Consumer Credit (March)	\$5.6bn	\$6.0bn

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