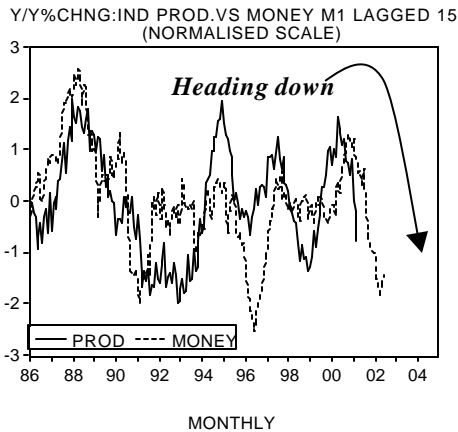
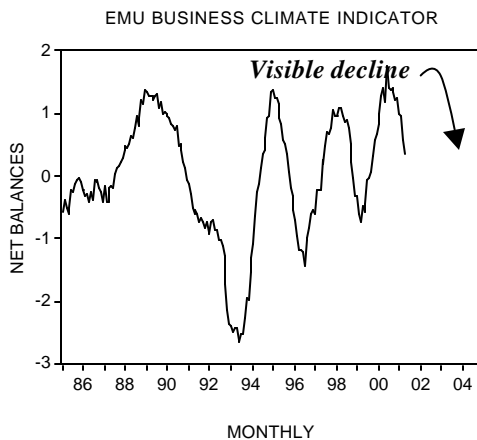


Combined output growth of major economies to weaken further

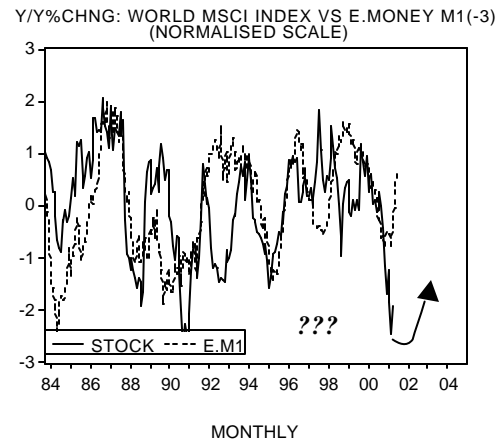
Year-on-year the combined rate of growth of industrial production of the US, Euro-land, UK and Japan fell to **0.5%** in March from **1.8%** in February. Using the combined lagged yearly rate of growth of money M1 we can suggest that it is quite likely that the momentum of growth of industrial production will weaken further (see chart).



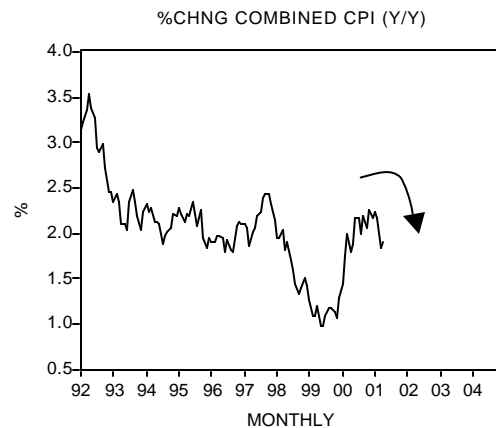
For the time being, business optimism appears to be weakening. In the UK, the CBI manufacturing optimism index fell to **-29** in Q2 from **-3** in Q1. The Euro-land Business climate index fell to **0.36** in April from **0.58** in March (see chart). Moreover, the IFO W.German business climate index fell to **92.5** in April from **93.9** in the previous month. In Japan the Tankan business conditions index fell to **-26** in Q2 from **-22** in Q1.



Meanwhile, the combined yearly rate of growth of money M1 in relation to nominal economic activity jumped to **4.9%** in March from **2.1%** in February. For April our estimate indicates that the figure could be in excess of **5%**. A visible rebound in this measure of liquidity bodes well for the world's stock markets (see chart).



Year-on-year the combined CPI rate of growth rose to **1.91%** in April from **1.8%** in March (see chart).



Financial News

- German GDP up **0.4%** in Q1 vs **0.2%** in Q4.
- German May CPI y/y +**3.5%** vs +**2.9%** in Apr.
- UK car production fell **10.3%** y/y in Apr.
- US stock funds take in **\$21bln** in Apr, reverse trend.
- In w/e May 18 US mortgage applic fell **15.2%**.
- The Dow fell **1.35%** the Nasdaq fell **3.04%**.

Thought for today

If you want something done, ask a busy person.
Benjamin Franklin