Below are our the latest views from Citi analysts on the European debt crisis:

ECB on hold for the time being: Several ECB Governing Council Members gave speeches after the IMF meetings in the US. The main message is that the ECB is on hold for the time being. Regarding the SMP, which as the latest settlement data show was not used last week, officials made clear that the programme still exists, but as the Austrian Governor Nowotny described it, was in *"sleep mode"*. According to Bundesbank President Jens Weidmann the programme should not be linked to policy measures taken by member countries, as the programme is not meant to reward or punish countries. In his speech, Mr. Weidmann demanded governments should implement austerity measures without delay, because a delay in implementation would hit confidence. Regarding monetary policy he warned that too lax a monetary policy would create even greater risks in the future, adding that monetary policy must do what is necessary when upside risk to inflation increased. The Banque de France Governor Christian Noyer said at a speech in Paris that the ECB would take *"all necessary measures"* to stabilise prices, and banks and governments should see its recent exceptional measures as a *"window of opportunity"* to make improvements. Regarding the 3Y LTRO, he said that positive effects have already materialised, but added that it is too early to assess the extent to which these measures will 'trickle down' to the financing of the real economy. **Comment:** The statements of ECB officials continue to stress that the ECB is on hold for the time being.

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General Government Deficits & Debt: Yesterday, the first notification of the general government deficit and debt figures for 2011 showed a deficit-to-GDP ratio for the euro area on average of 4.1%, down from 6.2% in 2010. However, the debt-to-GDP ratio increased further from 85.3% in 2010 to 87.2% in 2011. Out of the 17 member countries only one country (Estonia) reported a surplus and only five countries (Germany, Austria, Finland, Luxembourg, Malta) a deficit ratio below 3% of GDP. **Comment**: While there has been progress in the deficit reduction, there remains a long journey to reduce the deficits and stop the increase in the general government debt ratios.

Netherlands Crisis: Yesterday the Dutch PM Mark Rutte tendered his cabinet's resignation to the Queen. According to Mr. Rutte, the Queen will consider the resignation and has asked the government to do what is in the country's interest. Mr. Rutte did not say whether early elections will be called. While the Rutte government is working to present a 2013 budget proposal to the EU Commission by April 30, it looks very difficult to achieve this. Yesterday, the leaders of the opposition Labour Party and the D66 asked for early elections before the summer. Some member of the current government coalition mentioned June 27 as a possible date for early elections.

FX Forecasts

			Forecasts		
		spot	0-3 mos	6-12 mos	long-term
G10					
Euro	EURUSD	1.32	1.30	1.25	1.30
Japanese yen	USDJPY	82	81	80	85
British Pound	GBPUSD	1.61	1.57	1.53	1.65
Swiss Franc	USDCHF	0.91	0.92	0.97	0.96
Australian Dollar	AUDUSD	1.04	1.03	1.00	0.90
New Zealand Dollar	NZDUSD	0.82	0.82	0.76	0.63
Canadian Dollar	USDCAD	0.99	0.99	0.98	0.97
Dollar Index*	DXY	79.19	80.22	82.24	80.17
G10 Crosses					
Japanese yen	EURJPY	108	105	100	111
Swiss Franc	EURCHF	1.20	1.20	1.21	1.25
British Pound	EURGBP	0.82	0.83	0.81	0.79
Swedish Krona	EURSEK	8.84	8.85	8.75	8.65
Norwegian Krone	EURNOK	7.56	7.55	7.50	7.50
Norwegian Krone	NOKSEK	1.17	1.17	1.17	1.17
Australian Dollar	AUDNZD	1.27	1.26	1.28	1.43
Australian Dollar	AUDJPY	85	83	80	77
Asia					
Chinese Renminbi	USDCNY	6.31	6.31	6.22	6.11
Hong Kong Dollar	USDHKD	7.76	7.75	7.76	7.75
Indonesian Rupiah	USDIDR	9188	9400	9350	9300
Indian Rupee	USDINR	52.1	53.5	54.0	51.0
Korean Won	USDKRW	1138	1150	1110	980
Malaysian Ringgit	USDMYR	3.06	3.08	2.98	2.90
Philippine Peso	USDPHP	42.6	43.0	42.0	41.5
Singapore Dollar	USDSGD	1.25	1.25	1.21	1.17
Thai Baht	USDTHB	30.9	31.0	30.2	30.0
Taiwan Dollar	USDTWD	29.5	29.7	28.8	28.2
EMEA					
Czech Koruna	EURCZK	24.9	24.5	25.2	24.0
Hungarian Forint	EURHUF	297	298	285	290
Polish Zloty	EURPLN	4.19	4.15	4.12	3.90
Israeli Shekel	USDILS	3.75	3.80	3.95	3.90
Russian Ruble	USDRUB	29.4	29.8	32.1	32.2
Russian Ruble Basket		33.7	33.8	35.8	36.5
Turkish Lira	USDTRY	1.79	1.75	1.85	1.82
South African Rand	USDZAR	7.80	7.70	8.10	8.80
LATAM					
Brazilian Real	USDBRL	1.87	1.84	1.77	1.70
Chilean Peso	USDCLP	486	495	500	490
Mexican Peso	USDMXN	13.1	13.2	12.5	12.2
Colombian Peso	USDCOP	1770	1830	1800	1850

Spot rates end of day 23th April 2012, FX Forecasts as of 13th April 2012

Data Releases: The Week Ahead

USD:

- ***Apr 25, The FOMC will post its interest rate decision and monetary policy statement -*** *Fed officials are expected to reaffirm the need for a highly accommodative monetary policy "at least through late 2014." The Committee has set hurdles for additional QE-type asset purchases and at this meeting is not likely to resolve plans beyond the scheduled completion of Operation Twist (due to end in June)*
- ***Apr 25, Fed Chairman Bernanke to hold a press conference on the monetary policy decision.***
- ***Apr 24, April Consumer Confidence: Citi. 70.0, March 70.2, Feb. 71.6, Jan. 61.5, Dec. 64.8 -*** *We look for little change in confidence in April. Both the confidence and sentiment indexes have flattened out recently at levels that represent improvements from earlier lows, but still reflect a lot of pessimism among consumers.* ***Note:*** *The present situation subindex has rallied in the past two months, and we would not be surprised by a minor correction.*
- ***Apr 24, March New Home Sales (Thousands): Citi. 310, Feb. 313, Jan. 318, Dec. 336, Nov. 322, Oct. 311 -*** *New home sales likely were little changed in March.* ***Note 1:*** *The last two winters have had apparent increases in sales around December when seasonal factors look for the biggest declines and the level of activity already is at rock bottom. In both years this led to a decline in the early months of the new year as seasonal factors normalized.* ***Note 2:*** *We are hesitant to identify any significant trend in housing during the winter months. Instead we look for clarification of conditions in the new home market in the March and April figures.*
- ***Apr 25, March Durable Goods Orders (Percent Change): New Orders Total – Citi. -3.5 %, Feb. 2.4 %, Jan. -3.5 %, Dec. 3.3 %; Excl. Transportation – Citi. 0.8, Feb. 1.8, Jan. -2.8, Dec. 2.3 -*** *Details in the March durable goods report are likely to be overshadowed by a large drop in civilian aircraft orders. Away from aircraft, orders probably rose by 0.6%. We look for only a moderate gain in core capital goods orders as a large increase in ventilation and refrigeration machinery probably partially reversed.* ***Note:*** *Durable goods orders are prone to erratic swings, but stepping back, it is clear that in spite of the wild gyrations in aircraft and motor-vehicles, orders are on average growing at a healthy rate, consistent with modestly rising demand.*
- ***Apr 27, Q1'12 (Prelim) GDP (Percent Change at Annual Rate Unless Noted): Citi. 2.6 %, Q4'11 3.0 %, Q3 1.8 %, Q2 1.3 %, Q1 0.4 % -*** *We expect another solid increase in real GDP in the first quarter, but much of the gain in production has accumulated in inventory. Domestic demand, which is the main driver of economic growth, remains relatively modest. Consumer spending growth picked up, led by motor vehicles, but the rise in business investment tailed off.* ***Note 1:*** *This was the second consecutive quarter that benefited from an inventory boost. Now, however, the level of inventory accumulation probably is too high. So this run-up in inventories, which was mirrored in production and employment data, probably has run its course.* ***Note 2:*** *We believe the inventory pendulum is likely to swing the other way in the second quarter. We figure that a pullback to more normal inventory levels will dampen growth toward the 1¼% range. However, we won't view any slowing due to inventories as a change in underlying growth any more than we did the previous pickup.*
- ***Apr 27, April (Final) Reuters/Michigan Sentiment Index: Citi. 76.0, April (Prelim) 75.7, March 76.2, Feb. 75.3 -*** *Consumer sentiment likely was little changed in the second pass for April.* ***Note:*** *The current economic conditions sub index dropped more than five points in the preliminary April reading. We will be looking to see if this reverses. The fall in current conditions could reflect the pickup in jobless claims, but for now we are hesitant to read too much into it.*

CAD:

- ***Apr 24, Retail Sales (Feb): Citi Forecast 0.0%, Median 0.1%, Last 0.5% - Sales Stall on Autos*** *– Nominal retail sales probably were flat in February on a forecast 2% drop in new car dealer receipts in the month. Unit auto sales fell by almost 7% during the reference period after a 14% surge in January. The pullback in this category weighed heavily on overall sales. Away from autos (new, used, other cars and parts), sales likely rebounded after a 0.5% tumble. Much of the impetus probably was in sales at gasoline stations (+1.7%) as retail gasoline prices ticked higher on rising imported energy costs. Less autos and gas, underlying sales were up a respectable 0.1% following a 0.5% plunge. A pick-up in purchases at food and clothing proprietors, and improvement at home supply stores amid another month of unseasonably warm and dry weather, probably offset weakness elsewhere.* ***GDP Bean Count*** *– After adjusting for a projected 0.4% rise in the retail sales price index, real retail sales probably fell by 0.4% in February. If correct, receipts were 1.5% annualized above the fourth quarter, after an outsized 5.7% annualized rise. This pace is consistent with the 1.0% annualized pace of real PCE growth we anticipate for the first quarter of 2012. Folding in our retail sales and wholesale sales forecasts, real industry-based output is tracking at 0.0% in February or 1.9% y/y. January-February tracking is 1.9% annualized, close to the 2.0% annualized rate of growth we forecast for real GDP in 1Q 2012. We are well below the Bank of Canada's recently published 2.5% annualized estimate.*

AUD:

- ***23 Apr, PPI, Q1 Forecast: 0.4%., Previous: 0.3% -*** *Prices paid by businesses as inputs to processes of production remain subdued in Q1 for manufacturers and construction firms. This argues for another soft PPI result following the deceleration in the second half of 2011. Citi's Q1 forecast of 0.4% would bring the yearly growth rate down from 2.9% to 2.1%.*
- ***24 Apr, CPI, Q1 Forecast: 0.6%, Previous:0.0%; Underlying inflation, Q1 Forecast: 0.5%, Previous:0.55% - In Australia, a favorable Q1 CPI should seal the deal for a May rate cut****. We forecast a 0.6% rise in the headline CPI and a 0.5% rise in underlying inflation. We forecast annual underlying inflation to remain consistently within the RBA's target band through 2013. A*

further cut in June or July is possible given the expected May cut is largely catch up for the rise in bank lending rates. But we doubt the RBA is contemplating as deep cuts as the market is pricing or as the government is hoping.

NZD:

- ***26 Apr, RBNZ OCR Decision Forecast: no change, Previous: no change -*** *The RBNZ should maintain the OCR at 2.50%. Weaker than expected GDP growth and little inflation pressure outside of some regulated price rises argues for ongoing accommodative policy.*

GBP:

- ***24 Apr, Public Sector Net Borrowing (Mar) Forecast: £17.0 billion deficit, £127.0 billion deficit fiscal year to date (Figures Exclude Costs of Financial Intervention); Year Ago: £18.0 billion deficit, £136.8 billion deficit fiscal year to date*** *- These figures are likely to leave the outturn for the 11/12 fiscal deficit at £125-£130bn, close to the OBR's forecast (£126.0bn). Both revenues and spending are likely to have undershot the 2011 spring Budget forecasts, and – with the sluggish economy – revenues may well undershoot again in the coming 2012/13 fiscal year.*
- ***25 Apr, GDP (Q1, Preliminary Estimate) Forecast: 0.0% QoQ, 0.4% YoY Prior: -0.3% QoQ, 0.5% YoY*** *- Data released so far suggest that the economy was roughly flat in Q1 and indeed there is a chance of another negative quarter (which would technically put the UK back into recession). Available data suggest that industrial and construction output both contracted in Q1, while services output recorded modest growth. The simultaneous release of the February services output data creates uncertainty over the GDP release, which could well be slightly positive or slightly negative.*
- ***25 Apr, Service Sector Output (Feb) Forecast: 0.2% MoM, 1.6% YoY Prior: 0.2% MoM, 1.8% YoY*** *- Surveys suggest that service sector output continues to grow at a modest pace, and hence we expect another gain – the fourth in a row. Such a figure would put the average level of output in January and February 0.6% above the Q4 average.*
- ***25 Apr, CBI Industrial Trends Survey (Apr); Quarterly Industrial Confidence (Apr) Forecast: 0% Prior (Jan): -25%; Monthly Output Expectations Net Balance (Apr) Forecast: +15% Prior (Mar): +24%; Monthly Order Books Net Balance (Apr) Forecast: -10% Prior (Mar): -8%; Monthly Selling Prices Net Balance (Apr) Forecast: +15% Prior (Mar): +24%*** *- Output expectations and price expectations among manufacturing firms have improved quite markedly over the past three months and, together with the usual seasonal improvement in the business confidence index between January and April (median gain of 20 points over the last 10 years), we expect the business confidence index will improve by about 25 points, reaching zero from minus 25 in January. The comparable figure a year ago was plus 9.*

JPY:

- ***Apr 27, The BoJ policy meeting: We expect a 6-month extension of the asset purchase program combined with modest lengthening of the maximum maturity of JGB purchases*** *— We expect the BoJ to extend the deadline of the asset purchase program (currently this yearend) by 6 months but to maintain largely the current pace of JGB purchases (i.e. about ¥1.5trn per month) next week. Moreover, policymakers will probably lengthen the maximum maturity of JGBs that they purchase under the program from the current 2 years to 3 years in order to push down longer interest rates.* ***Despite likely upward revisions, the BoJ's core inflation forecasts will fall short of 1%*** *— The BoJ is likely to revise up its core inflation forecasts in the economic outlook report, given the rise in crude oil prices since January and an increase, albeit technical, in television prices in February. We expect a forecast for fiscal 2013 to be upgraded slightly to +0.6%, but still falling short of the price stability goal. Meanwhile, the BoJ's growth forecasts likely will remain largely the same. Policymakers probably have become more confident in their growth outlook, and this probably makes bold easing measures less likely.* ***We revised up our growth forecasts for Japan*** *– We now expect GDP to grow 2.0% in calendar 2012 (versus our previous projection of +1.5% as of March 21) and 1.6% in 2013 (+1.4%). The large revision for 2012 is driven mainly by domestic private final demand, especially consumer spending. We raised our consumer spending forecast to a 1.7% YoY increase in 2012 from a 1.3% YoY gain previously.*
- ***Apr. 27, Nationwide Consumer Prices, Overall (Mar) Forecast: 0.4% YoY, Previous: 0.3% YoY; Excluding Fresh Food (Mar) Forecast: 0.1% YoY, Previous: 0.1% YoY; Excluding Food (but not Alcoholic Beverages) and Energy (Mar) Forecast: -0.6% YoY, Previous: -0.6% YoY -*** *We estimate that the nationwide core CPI (excluding fresh food) rose 0.1% YoY in March, unchanged from February. The headline nationwide CPI will likely register a 0.4% YoY rise in March (+0.3% YoY in February), while the CPI excluding food and energy probably dropped 0.6% YoY (-0.6% YoY). The core CPI is likely to hover around 0% YoY in the coming months.*
- ***Apr. 27, Nominal Household Spending, All Households (Mar) Forecast: 6.1% YoY; 1.4% SA MoM, Previous: 2.7% YoY; 2.0% SA MoM;*** *e* ***Real Household Spending, All Households (Mar) Forecast: 5.6% YoY; 1.8% SA MoM, Previous: 2.3% YoY; 1.5% SA MoM -*** *Nominal spending of all households probably increased 6.1% YoY and 1.4% MoM in March (+2.7% YoY and +2.0% MoM in February) while real spending likely advanced 5.6% YoY and 1.8% MoM (+2.3% YoY and +1.5% MoM).*
- ***Apr. 27, Labor Data, Job Offers-to-Seekers Ratio (Mar) Forecast: 0.76, Previous: 0.75; Unemployment Rate (Mar) Forecast: 4.5% of Workforce, Previous: 4.5% of Workforce -*** *We expect the March unemployment rate to have remained unchanged from February at 4.5%. Labor demand has been on the mend with a notable pickup in the ratio in disaster-stricken prefectures.*

- ***Apr. 27, Industrial Production (Mar) Forecast: 1.0% MoM; 13.9% YoY, Previous: -1.6% MoM; 1.5% YoY -*** *We expect industrial production to have increased 1.0% MoM in March after a 1.6% MoM fall in February. Our forecast points to a 1.1% QoQ increase in industrial production in the first quarter (+0.4% QoQ in 4Q11).*
- ***Apr. 27, Retail Sales, Overall (Mar) Forecast: 9.8% YoY; -1.7% SA MoM, Previous: 3.4% YoY; 1.9% SA MoM -*** *We estimate that retail sales increased 9.8% YoY and declined 1.7% MoM in March (+3.4% YoY and +1.9% MoM in February) with the former reflecting the base effect of the disaster-driven sales drop a year ago. On a MoM basis, sales probably lost steam after sustained rapid growth in January and February. Still, our projection points to a 3.9% QoQ advance in the first quarter as a whole (+0.5% QoQ in 3Q11 and -1.0% QoQ in 4Q11). We expect relatively high consumer spending growth in the first quarter.*
- ***Apr. 27, Housing Starts (Mar) Forecast: 8.2%YoY; 0.875mn units SAAR, Previous: 7.5% YoY; 0.917mn Units SAAR -*** *We expect March housing starts to stand at 875k (+8.2% YoY) on a seasonally adjusted annualized basis (917k, +7.5% YoY in February). Based on our projection, housing starts likely have increased 9.5% QoQ in the first quarter (-0.5% QoQ in 1Q, -1.0% QoQ in 2Q, +7.2% QoQ in 3Q and -9.8% QoQ in 4Q). Housing starts seem to be on the mend. Thus, we expect residential investment will turn around to positive growth in the second quarter GDP data.*

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