

*From the Desk of John Colley ...*

*~ Economic Growth Concerns Weigh In ~*

By lowering China's growth target to 7.5% this year, Premier Wen Jiabao signals a comfort level with less robust growth (8% - 10% has been the 5 year average range), but the slowdown could have a profound effect on China's trading partners (mainly Australia, Brazil, Japan, and the Middle East) and a general ripple effect to the rest of the world.

So China's supercharged GDP expansion rate may be slowing down and that's "okay" with Chinese government officials who reminded us that high inflation (on the order of 6% - 7%) also came along with that growth. So China feels they will not have to stimulate the economy or bolster their currency and they look forward to some slowed inflation. I must note though that the forecast had been 8% and it's down slightly to 7.5% (and that's a goal) ... so it may be good to note, but not a horrible signal either. The shift could lift imports, especially of high-tech companies, pharmaceuticals, and certain consumer goods from the U.S., Canada, and Europe.

Analysts' first reaction is to expect less pollution and fewer environmental problems because infrastructure growth is likely to slow. The Chinese consumers may spend more and actually, this could produce more jobs in the homeland (right now unemployment in China is almost 6%).

***Take-away:** This is an economic factor with some dimension, but remember that China wants this ... it is their goal to relax and temper back some. After all, 5 years of 6% - 7% inflation is something to contend with. The immediate reaction in the stock market is on industrials, natural resources, and metals.*

**\* Sidebar: After two years of disagreement, the U.S. Senate unanimously passes China Tariff Bill to serve as an equalizer on imports and exports.**

**\*\* Greek Debt Swap Jitters Persist – Relief could come by this Friday for this portion of the private-sector bond swap.**

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