

Morning Report

Wednesday, 17 June 2009

EQUITIES			SYDNEY FUTURES EXCHANGE					INTEREST RATES		
S&P/ASX 200	3962.5	-1.7%		Last	Overnight Change		Australia			
Dow Jones	8504.7	-1.2%	10 yr bond	94.60	0.05		10 year bond	5.56	0.06	
Nikkei	9752.9	-2.9%	3 yr bond	95.55	0.04		3 year bond	4.28	-0.08	
Hang Seng	18165.5	-1.8%	3 mth bill	96.85	0.01		90 day bill	3.27	-0.03	
Shanghai	2776.0	-5.2%	SPI 200	3924	-38		United States			
DAX	4890.7	0.0%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.65	-0.06
FTSE100	4328.6	0.1%	TWI	64.6	-	-	63.6	2 year bond	1.18	-0.04
COMMODITIES			AUD/USD	0.7928	0.8068	0.7860	0.7923	3-month T Bill	0.17	0.02
CRB Index	255.9	-0.5	AUD/JPY	77.51	78.38	76.03	76.36	Other (10 year yields)		
Gold	934.10	5.90	AUD/GBP	0.4864	0.4891	0.4831	0.4832	Germany	3.52	0.00
Copper	4950	-262	AUD/NZD	1.2600	1.2652	1.2534	1.2600	Japan	1.48	-0.03
Oil WTI	70.47	0.27	AUD/EUR	0.5752	0.5793	0.5710	0.5726	UK	3.91	0.03

Data as at 7.30am. Change from yesterday morning (excluding the SFE – which is the change during the night session).
Source: Reuters/Bloomberg

SHARE MARKETS: US equities dropped further as Best Buy Co. reported a disappointing sales result and commodity producers fell on uncertainty surrounding the economic recovery. At session end, the S&P500 was 1.3% lower, the Dow Jones Index dropped more than 107 pts or was 1.3% lower, while the Nasdaq sank 1.1%.

BONDS: US treasury debt moved higher for the fourth consecutive session (yields falling). The demand for treasury debt has increased amid losses in the US equity market and as the Federal Reserve purchased \$US6.45bn of 3-year notes (more than its prior purchase of this debt). 10-year yields fell 6bp to 3.65%, while the 2-year yield dropped 4bp to 1.18%.

FX: The US dollar is 0.4% lower on a trade-weighted basis from 24 hours ago. It had weakened during the European session but then regained some losses during the US session. The USD is weaker against the Euro, Sterling and the Japanese Yen from 24 hours ago. The Australian Dollar initially benefited from the earlier weakness in the USD, touching a session high of 80.68 US cents from 79.28 US cents on Tuesday morning. But it then erased gains to be very little changed from 24 hours ago, trading just above 79 US cents.

COMMODITIES: Base metal prices posted losses with copper down 5.3%. Oil was very little changed and still trading just above \$US70 per barrel. The price of gold has gained almost \$US6 as demand for this safe-haven asset increased amid losses in equity markets.

US: US housing starts jumped 17.0% in May to a 532k annualized pace. The outcome was well above market expectations and was the largest increase since February. The current level of starts is also now the highest since November last year. Building permits, as a leading indicator of starts, also posted a better than expected result. Permits were up 4.0%, also marking the largest increase since February.

US industrial production dropped 1.1% in May. It was close to market forecasts for a 1.0% fall. The outcome follows a 0.7% drop in April. As part of this report, capacity utilisation (a measure of inflationary pressures) eased further to a new record low of 68.3% from 69.0%.

US producer prices edged 0.2% higher in May, below market expectations for a 0.6% increase. This brought the annual rate of contraction down to -5.0%. Core producer prices fell 0.1% for a 3.0% annual pace.

AUSTRALIA: The RBA board minutes for the June meeting showed that board members agreed on "a wait and see" policy. The RBA continues to "fairly gradual expansion getting underway later in the year with spare capacity tending to increase and inflation tending to decline". The RBA maintained an easing bias stating in the minutes that the inflation outlook afforded them "scope for some further easing of monetary policy if that were to be needed to support demand at a later stage."

EUROZONE: Consumer prices in the Euro Zone edged 0.1% higher in May. The annual rate of inflation eased to 0.0% from 0.6%, while the core inflation rate slowed to 1.5% from 1.8%.

German investor sentiment jumped in June to the highest level since June 2006. The ZEW Index jumped to 44.8 pts from 31.1 pts, beating market forecasts for a reading of 35.0 pts.

JAPAN: The Bank of Japan (BoJ) left its target rate unchanged at 0.1% after the conclusion of its board meeting. It also raised its view of the economy for a second month. The BoJ said in a statement "Japan's economic conditions, after deteriorating significantly, have begun to stop worsening". The Bank also said "in coming months, Japan's economy is likely to show clearer evidence of levelling out over time."

Upcoming Data/Events Today, AEST (Aust underlined)*

AU WBC Leading Index Apr prev 0.3% (11.30am)

AU Dwelling Starts Q1 exp -1% prev -9.9% (11:30am)

JN Bank of Japan Monthly Report (3pm)

JN Machine Tool Orders May (f) prev -79.3% (4pm)

JN Cabinet Office Monthly Economic Report (~)

UK Bank of England Policy Minutes (~)

UK Jobless Claims Chg May exp 6-k prev 57.1k (6:30pm)

UK ILO Unemployment Rate (3mths) Apr exp 7.3% prev 7.1% (6:30pm)

EZ Trade Apr exp -€1.5bn prev €0.4bn (7pm)

EZ Construction Output Apr prev -1% (7pm)

US MBA Mortgage Applications Jun 12 prev -7.2% (9pm)

US CPI May exp 0.3% prev 0.0% (10:30pm)

US Core CPI May exp 0.1% prev 0.3% (10:30pm)

US Current Account Q1 exp -\$85.0bn prev -\$132.8bn (10:30pm)

* All data forecasts are m/m or q/q unless specified otherwise. Forecasts for Australian data releases are based on St George Bank's forecasts. Forecasts for other countries represent consensus forecasts.

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