Morning Report

Friday, 19 June 2009

EQUITIES (close & % chg)			SYDNEY FUTURES EXCHANGE					INTEREST RATES (close & chg)		
S&P/ASX 200	3892.10	-0.3%		Last		Overnight Chg		**Australia**		
Dow Jones	8555.60	0.7%	10 yr bond	5.69		0.11		10 year bond	5.66	0.09
Nikkei	9703.72	-1.4%	3 yr bond	4.71		0.10		3 year bond	4.68	0.08
Hang Seng	3892.10	-0.3%	3 mth bill	3.24		0.04		90 day bill	3.22	0.02
Shanghai	2995.80	1.46%	SPI 200	3882.0		21.0		**United States**		
DAX	4837.48	0.8%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.25	0.09
FTSE100	448.60	0.4%	TWI	64.2	-	-	63.5	2 year bond	3.83	0.14
COMMODITIES (close & chg)			AUD/USD	0.7925	0.8055	0.7912	0.8002	3-month T Bill	0.17	0.01
CRB Index	256.85	0.0	AUD/JPY	75.78	77.82	75.71	77.28	**Other (10 year yields)**		
Gold	933.05	-2.7	AUD/GBP	0.4836	0.4915	0.4832	0.4889	Germany	3.55	0.07
Copper	4,950.0	-30.0	AUD/NZD	1.2530	1.2592	1.2465	1.2506	Japan	1.46	-0.01
Oil (WTI)	71.55	0.53	AUD/EUR	0.5683	0.5772	0.5679	0.5751	UK	3.85	0.06

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 share markets finished higher overnight with the Dow Jones and S&P500 up by 0.7% and 0.8%, respectively. The Nasdaq, however, was flat at the close. A batch of better-than-expected US economic data helped spur equities higher.**

BONDS: **US Treasury prices sold off aggressively (i.e. yields higher) last night. The move was largely driven by better-than-expected US economic data and a large end-of-month financing requirement announced by Treasury. US 2-year bond yields rose by 14bp and 10-year yields lifted by 9bp.**

FX: **The AUD took out the earlier overnight high of USD0.8007 and took stops out just the other side of that level taking the AUD to its highs. Higher equities and a pick up in risk appetites helped spur the AUD higher. It is likely the AUD will look to consolidate in today's trading session. On the downside the AUD should find good support at USD0.7930.**

COMMODITIES: **Most commodities were generally well supported by the higher finish on share markets and the upward revision to China's growth forecast by the World Bank yesterday.**

US: **US Treasury Secretary Geithner gave testimony on the proposed overhaul of the US financial regulatory system. He defended the plan to give the US Federal Reserve more powers. He argued that this system would work better than the previous one where regulators were unable to spot system-wide threats because each was assigned to protect the individual institutions under their watch and none was assigned to look at the system as a whole.**

The US Philadelphia Fed manufacturing index improved in June to −2.2 points, from −22.6 in May. The outcome was better than expectations for −17 and the back-to-back gains were the strongest in at least 40 years.

US leading indicators rose by 1.2% in May, after a firm rise of 1.1% in April. It was also better than expectations for 1%. The recovery in the leading indicators supports the case that the US economy may be bottoming.

US initial jobless claims hovered just above 600k for the second week running last week. Continuing claims fell by 148k, the first decline since January this year.

AUSTRALIA: **Australian merchandise imports fell by 5.0% in May. Most components fell in the month with capital goods down 14.0%, machinery and industrial equipment lower by 15.0%, intermediate & other merchandise goods down 7.0% and consumption goods falling by 1.0%.**

CHINA: **Yesterday the World Bank raised its GDP growth forecast for China to 7.2% in 2009 from 6.5% previously.**

UNITED KINGDOM: **Retail sales fell by 0.6% in May versus consensus expectations for a rise of 0.3%. The annual rate contracted by 1.6% in June, down from growth of 2.6% in the previous month.**

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

JN Monetary Policy Meeting Minutes May (9.50am)
GE Producer Prices May exp 0.0% prev −1.4% (4pm)
GE Producer Prices May exp −3.6% prev −2.7% (4pm)

*** 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.**

Besa Deda, Chief Economist
Ph: 02-9320-5854
Email: dedab@stgeorge.com.au

St George Contact Listing

Economics & Strategy:

Chief Economist	Besa Deda	dedab@stgeorge.com.au	(02) 9320 5854
Senior Economist	Jo Heffernan	heffernanj@stgeorge.com.au	(02) 9320 5751
Treasury Economist	Amanda Tan	tanam@stgeorge.com.au	(02) 9320 5816