

# Morning Report

Monday, 22 June 2009

EQUITIES (close & % chg)			SYDNEY FUTURES EXCHANGE (close & chg)					INTEREST RATES (close & chg)		
S&P/ASX 200	3899.6	0.2%			Last	Overnight Chg		Australia		
Dow Jones	8539.7	-0.2%	10 yr bond	95.19			0.07	10 year bond	5.86	0.28
Nikkei	9786.3	0.9%	3 yr bond	94.25			0.10	3 year bond	4.64	0.25
Hang Seng	17920.9	0.8%	3 mth bill	3.24			-0.04	90 day bill	3.24	-0.04
Shanghai	3023.8	0.9%	SPI 200	3863.0			0.0	United States		
DAX	4839.5	0.0%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.78	-0.05
FTSE100	4345.9	1.5%	TWI	63.5	-	-	64.4	2 year bond	1.20	-0.05
COMMODITIES (close & chg)			AUD/USD	0.7984	0.8118	0.7981	0.8030	3-month T Bill	0.17	-0.01
CRB Index	252.8	-4.1	AUD/JPY	77.02	78.32	77.02	77.34	Other (10 year yields)		
Gold	934.2	0.1	AUD/GBP	0.4889	0.4924	0.4866	0.4872	Germany	3.50	-0.05
Copper	5008.8	61.3	AUD/NZD	1.2516	1.2607	1.2490	1.2504	Japan	1.45	-0.01
Oil (WTI)	69.3	-1.8	AUD/EUR	0.5744	0.5801	0.5741	0.5762	UK	3.81	-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 share markets finished mixed on Friday. The Dow Jones closed down 16 points (or 0.2%), the S&P 500 index rose by 3 points (or 0.3%) and the Nasdaq lifted by 20 points (or 1.1%). Energy stocks were lower on the back of a drop in oil prices but a bullish broker report from Goldman Sachs for Microsoft helped tech stocks rise. Financials were also stronger.

**BONDS:** Bond markets finished the week with a bid tone. US 2-year bond yields and 10-year yields lifted by 5bp each. There was no Treasury supply last week but there is US\$104bn due this week in paper.

**FX:** Currencies generally remained range bound on the day. There were rumours that Moody's might downgrade the state of California. That caused some selling in the USD, which helped the AUD move up to a high near USD0.8120. The AUD should trade quietly today with little economic data locally or offshore to rock the board.

**COMMODITIES:** Commodities were generally weaker, although some base metal prices finished higher.

Oil prices were off as worries about supply emerged. Gasoline inventories rose 3.39 million barrels to 205mn barrels in the latest week, the biggest increase since January (according to an Energy Department on June 17). Total demand for fuel is now also 6% lower than a year ago.

In separate news, global steel production rose in May as output in China and India increased. According to the World Steel Association, crude steel output in May was 95.6mn tonnes, down from 121mn tonnes in May 2008, but up from 89mn tonnes in April.

**US:** There were no major economic data releases on Friday. US Federal Reserve's Hoenig took to the podium and he spoke about exit strategies and the prospects of an outbreak of inflation due to the extraordinary stimulus.

The FOMC meet this Wednesday. They are expected to keep rates unchanged but the market will be looking for clues as on possible exit strategies. Indeed, fed fund futures are currently pricing in a 35% chance of a 25bp rate hike from the Fed before the end of the year.

**AUSTRALIA:** There were no major data releases on Friday.

The Australian newspaper has interviewed a vital source of retiree investment income. This source says that Australian Treasury is examining ways to wind back official bank guarantees that have allowed the big four to see off smaller competitors and led to a freeze on mortgage funds.

**JAPAN:** Nationwide department store sales fell by 12.3% in the year to May, from 11.3%pa in April.

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

UK Rightmove House Prices Jun prev 2.4% (9:01am)  
JN BSI Large All Industry Q2 prev -51.3 (9:50am)  
JN Tertiary Industry Idx Apr exp 2.3% prev -4% (9:50am)  
AU New Motor Vehicle Sales May prev 0.9% (11:30am)  
GE Ifo Business Climate Idx Jun exp 85.0 prev 84.2 (6pm)

\* 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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