Morning Report

Tuesday, 23 June 2009

EQUITIES (close & % chg)		
S&P/ASX 200	3918.2	0.5%
Dow Jones	8339.0	-2.4%
Nikkei	9826.3	0.4%
Hang Seng	18059.6	0.8%
Shanghai	2896.3	-4.2%
DAX	4693.4	-3.0%
FTSE100	4234.1	-2.6%
COMMODITIES (close & chg)		
CRB Index	246.1	-6.7
Gold	921.90	-12.30
Copper	4740	-269
Oil (WTI)	66.93	-2.4

SYDNEY FUTURES EXCHANGE (close & chg)				
	Last		Overnight Chg	
10 yr bond	94.39		0.10	
3 yr bond	95.25		0.10	
3 mth bill	96.82		0.04	
SPI 200	3800		-89	
FX Last 24 hrs	Open	High	Low	Current
TWI	64.4	-	-	64.2
AUD/USD	0.8030	0.8062	0.7849	0.7868
AUD/JPY	77.34	77.56	75.22	75.47
AUD/GBP	0.4872	0.4882	0.4800	0.4813
AUD/NZD	1.2504	1.2561	1.2451	1.2495
AUD/EUR	0.5762	0.5777	0.5661	0.5677

INTEREST RATES (close & chg)		
Australia		
10 year bond	5.82	-0.04
3 year bond	4.64	0.00
90 day bill	3.25	0.01
United States		
10 year bond	3.68	-0.10
2 year bond	1.13	-0.07
3-month T Bill	0.19	0.02
Other (10 year yields)		
Germany	3.45	-0.05
Japan	1.46	0.01
UK	3.74	-0.07

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: Sentiment weakened overnight on the back of pessimistic global economic forecasts by the World Bank. Commodity stocks were a key drag on equities, as commodity prices fell amid global recessionary concerns. Financials were also a major downward driver. The S&P500 ended 3.1% lower, the Dow Jones Index suffered its largest daily point and percentage fall since April 20 of more than 200 pts (or was 2.4% weaker), while the Nasdaq sank 3.4%.

BONDS: US treasuries rose again on Monday (i.e. bond yields lower) as investors shifted towards the safety of bonds on new jitters about the global outlook. The bond market is also preparing for the Federal Reserve policy meeting on Wednesday and the record US$104 billion of government bonds to be auctioned this week. US 2-year bond yields dropped by 7bp and 10-year bond yields fell by 10bp.

FX: The USD was stronger overnight driven by the downward revisions to world growth by the World Bank (refer to the Global section below) and expectations for the record bond issuance over this week. The stronger USD caused the AUD to pull back sharply from USD0.8118 to USD0.7850. Despite the AUD's pullback, it remains in the broad trading range of USD0.7820 to USD0.8250 that it has become accustomed to this month.

COMMODITIES: Crude oil prices fell again overnight, as the US dollar rallied and investors locked in profits. Base metal prices also recorded sharp falls. Aluminium shed the biggest fall of 6.5%. The price of gold declined in line with the general decline across commodities. Speculation of possible gold sales by the IMF also weighed on the gold price.

GLOBAL: The World Bank made downward revisions to world growth and overnight it released the breakdowns. It expects the US economy to contract by 3% in 2009, from 2.4% previously. It expects the Euro region to contract by 4.5%, from 2.7% previously and Japan is expected to shrink 6.8%, from 5.3% previously. Overall world growth was revised down to a contraction of 2.9%, from 1.7%.

US: The US, again, had no major economic releases on Monday. But a spokesman from the government had noted that forecasts were for the US unemployment rate to reach 10% within a few months (from the current about 25-year high of 9.4%). "I think the president has said this, and I would certainly say this, I think you're likely to see unemployment at 10 percent within the next couple of months", said White House spokesman Robert Gibbs.

AUSTRALIA: Sales of new motor vehicles jumped 5.4% in May with SUVs higher by 6.4% and passenger vehicles up 2.9%. It marks the second consecutive month of good gains. In April, vehicle sales rose 1.7%. Prior to this, vehicle sales had declined sharply for eight out of nine months. From a year ago, however, vehicle sales are still lower, by 12.6%.

EURO ZONE: German business sentiment improved to a seven-month high this month. The Ifo business climate index (which is based on a survey of 7,000 firms) rose to 85.9 pts from 84.3 pts in May. It marked the third consecutive monthly gain with the index now at the highest level since November.

UNITED KINGDOM: British asking house prices fell in June after gains in the prior four months. Data from Rightmove showed that prices edged 0.4% lower this month. But given the gains in prior months, the annual rate of contraction has improved to 5.5% from 6.2% previously. It marks an eight-month low in the annual pace of decline.

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

GE GfK Consumer Confid Jul exp 2.5 prev 2.5 (4.10pm)
EU PMI Mfg Jun exp 42.1 prev 40.7 (6pm)
US Richmond Fed Mfg Index Jun exp 5 prev 4 (12am)
US Existing Home Sales May exp 3.0% prev 2.9% (12am)

* 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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