

Morning Report

Wednesday, 24 February 2010

EQUITIES (close & % chg)			SYDNEY FUTURES EXCHANGE (close & chg)					INTEREST RATES (close & chg)		
S&P/ASX 200	4718.3	0.0%			Last	Overnight Chg		Australia		
Dow Jones	10292.5	-0.8%	10 yr bond	94.43				10 year bond	5.65	0.00
Nikkei	10352.1	2.7%	3 yr bond	95.11				3 year bond	4.93	-0.01
Hang Seng	20623.0	1.2%	3 m th bill rate	95.76				90 day bill	4.13	0.03
Shanghai	2982.6	-0.7%	SPI 200	4664				US		
DAX	5604.1	-1.5%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.69	-0.11
FTSE100	5315.1	-0.7%	TWI	70.5	-	-	70.5	2 year bond	0.84	-0.04
COMMODITIES (close & chg)			AUD/USD	0.9001	0.9070	0.8877	0.8895	3-month T Bill	0.12	0.03
CRB Index	272.53	-4.3	AUD/JPY	82.02	82.51	79.90	80.22	Other (10 year yields)		
Gold	1102.1	-11.7	AUD/GBP	0.5814	0.5862	0.5753	0.5768	Germany	3.16	-0.10
Copper	7115	-190.0	AUD/NZD	1.2835	1.2877	1.2802	1.2856	Japan	1.34	-0.01
Oil (WTI)	78.73	1.2	AUD/EUR	0.6618	0.6647	0.6566	0.6584	UK	4.18	-0.05

Data as at 8.00am. Change from yesterday morning (excluding the SFE – which is the change during the night session).
Source: Reuters, Bloomberg

SHARE MARKETS: Wall Street retreated for a second day after investor nerves were rattled by a plunge in US consumer confidence to a 10-month low. The S&P500, Dow Jones Index and the Nasdaq are currently down up to 1.3%.

BONDS: The disappointing US economic figures pushed up demand for safe-haven government debt. US treasury debt yields accordingly fell with the 10-years down 11bp and the 2-year yields down 4bp.

FX: Investors sought refuge in the US dollar and the Japanese Yen amid the weakness in economic figures during the US and European sessions. Figures from Germany also showed the first dip in business conditions since April 2009. The Australian dollar retreated as the USD strengthened and sentiment was pushed lower amid the disappointing data. The AUD is now trading at 89 US cents versus levels close to 90 US cents 24 hours ago.

COMMODITIES: Most commodity prices fell as investor sentiment dropped.

UNITED STATES: The Conference Board reported overnight that US consumer confidence plunged 10.5 pts in February, to the lowest level since April last year. According to the report, confidence fell as consumers' short-term outlook on jobs worsened. The current index level of 46.0 pts is sharply below market expectations for a reading of 55.0 pts.

Separately, S&P/Case Shiller reports that its index of home prices in 20 metropolitan areas edged 0.2% lower in December to be 3.1% lower over the year. It was also a weaker outcome than market expectations for a slight gain in prices.

The Richmond Fed's factory index rose to 2 pts in February from -2 pts. Shipments and orders were stronger but jobs were weaker. Meanwhile, the Richmond Fed's services index dropped sharply to -16 pts from 1 pt.

EUROPE: The German IFO business climate index declined for the first time since April last year. It fell to 95.2 in February, from 95.8 in January, defying expectations for an increase. Cold weather was cited as a possible factor, hurting retail and construction activity.

UK: In his parliamentary testimony, Bank of England Governor King said the economy is "this nascent recovery is fragile...healing will take time...recovery slow and protracted...risks to the downside." King noted the Bank of England might have to recommence its asset-buying program, which it stopped in February, if the economic outlook deteriorated. He also noted he saw no threat of Britain losing its triple-A sovereign credit rating. King expressed concern about the world economy, saying recovery in the Euro zone "appears to have stalled."

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

AU Conference Board Ldg Index Dec prev -0.3% [10am]
AU Wage Cost Index Q4 exp 0.8% prev 0.7% [11.30am]
GE GfK Consumer Confidence Mar exp 3.0 prev 3.2 (6pm)
US Mortgage Applications Feb 20 prev -2.1% [11pm]
US New Home Sales Jan exp 3.1% prev -7.6 [2am]
US Geithner Testimony on 2011 Spending [2am]
US Bernanke Monetary Policy Report [2am]

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

St. George Contact Listing

Economics & Strategy:

Chief Economist	Justin Smirk	smirkj@stgeorge.com.au	(02) 9320 5854
Senior Economist	Josephine Heffernan	heffernanj@stgeorge.com.au	(02) 9320 5751
Market Economist	Amanda Tan	tanam@stgeorge.com.au	(02) 9320 5816
Chief Economist (on maternity leave)	Besa Deda	dedab@stgeorge.com.au	(02) 9320 5854

The information contained in this report ("the Information") is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom St. George has a contract to supply Information, the supply of the Information is made under that contract and St. George's agreed terms of supply apply. St. George does not represent or guarantee that the Information is accurate or free from errors or omissions and St. George disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to St. George products and details are available. St. George or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. St. George owns copyright in the Information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of St. George.