Morning Report

Monday, 29 June 2009

EQUITIES (close & % chg)			SYDNEY FUTURES EXCHANGE (close & chg)					INTEREST RATES (close & chg)		
S&P/ASX 200	3903.8	1.2%		Last		Overnight Chg		Australia		
Dow Jones	8438.4	-0.4%	10 yr bond	95.20		0.05		10 year bond	5.60	-0.09
Nikkei	9877.4	0.8%	3 yr bond	94.46		0.05		3 year bond	4.66	-0.06
Hang Seng	18600.3	1.8%	3 mth bill	3.24		0.00		90 day bill	3.24	0.00
Shanghai	3074.0	0.1%	SPI 200	3880.0		1.0		United States		
DAX	4776.5	-0.5%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.54	0.00
FTSE100	4241.0	-0.3%	TWI	64.1	-	-	64.4	2 year bond	1.11	-0.02
COMMODITIES (close & chg)			AUD/USD	0.8025	0.8087	0.80625	0.8065	3-month T Bill	0.17	0.00
CRB Index	251.3	-2.1	AUD/JPY	77.00	77.47	76.58	76.82	Other (10 year yields)		
Gold	940.1	0.9	AUD/GBP	0.4903	0.4920	0.4874	0.4887	Germany	3.39	-0.04
Copper	5020.5	-97.5	AUD/NZD	1.2436	1.2542	1.2415	1.2504	Japan	1.40	0.01
Oil (WTI)	68.8	-0.4	AUD/EUR	0.5737	0.5751	0.5714	0.5735	UK	3.69	-0.02

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

SHARE MARKETS: US share markets fell, after last week the World Bank said the global recession will be deeper than previously forecast and the US savings rate hit a 15½-year high. The Dow Jones dropped 34 points (or 0.4%), the S&P 500 index eased 1 point (or 0.2%) but the Nasdaq bucked the trend to rise 9 points (or 0.5%).

BONDS: US treasury bonds were little changed on Friday. Ten-year bond year yields finished flat and 2-year bond yields fell just 2bp.

FX: The USD fell against most major currencies on Friday with China's renewed call for a super-sovereign reserve currency spurring the sell off. China's central bank has renewed its call for the creation of a super-sovereign reserve currency to reduce the US dollar's global domination, which it said had worsened the financial crisis. In its annual financial stability report, the People's Bank of China did not mention the USD by name but said it was a serious defect that one currency should tower over all others.

Against this backdrop, the AUD reached a high of USD0.8087. However, the Aussie currency remained in a relatively tight range with the decline in commodity prices capping the AUD's gains.

COMMODITIES: Commodities were generally lower. Crude oil prices by around 1.5% and base metals were lower, except Nickel. Gold, however, posted a gain of nearly US$1 an ounce.

UNITED STATES: Personal income lifted by 1.4% in May, beating market expectations that centred on a rise of only 0.3%. It was the strongest monthly percentage gain in one year. Benefits from the Obama administration's stimulus plan helped spur the rise in incomes. The report also showed that inflation moderated. The personal consumption expenditure deflator rise 0.1% in May, the smallest gain on records. Further, the savings rate surged to 6.9%, the highest level since December 1993.

The final reading for consumer confidence published by the University of Michigan rose to 70.8 in June. That is from 69.0 in May and higher than market expectations for an outcome of 69.0.

AUSTRALIA: Financial assets of households (includes shares) fell by $23.6bn or 1.1% to $2,093bn, a 2-year low. Financial liabilities of households grew by 1.2% or $15.5bn to a record $1,306bn. In sum, net household financial wealth fell by 4.7% or $39.1bn to $786.6bn at the end of the March quarter. It is the sixth consecutive quarterly fall and takes net financial wealth to a 3½-year low. On a year ago, net wealth is down by 24.9%, the second biggest fall on record (i.e. since the data goes back to 1988).

CHINA: The China Securities Journal reported on Friday that new lending by Chinese banks could reach CNY1.2 trillion in June.

JAPAN: Consumer prices in Japan (excluding energy prices) fell a record 1.1% in the year to May.

NEW ZEALAND: New Zealand's economy contracted 1.0% in the March quarter – matching the (revised) fall seen in the December quarter. It marked the fifth consecutive quarterly fall in NZ GDP with the nation having entered a recession in the June quarter of last year. Key downward influences on GDP in Q1 were household consumption and manufacturing activity.

The Reserve Bank of New Zealand this month has said that it expects the economy to return to growth toward the end of this year. But they have also cautioned that any potential recovery would be slow and fragile with downside risks still prevalent. On the latter, one key risk has been the recent appreciation in the New Zealand dollar, which presents a downside risk to exports and the overall economy.

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

NZ Trade May exp $250mn prev $276mn (8.45am)
NZ Building Permits May prev 11.2% (8.45am)
NZ Imports May exp $3.42bn prev $3.37bn (8.45am)
NZ Exports May exp $3.7bn prev $3.7bn (8.45am)
UK Hometrack Housing Jun prev 0.0% (9.01am)
JN Industrial Prod. May exp 6.9% prev 5.9% (9.50am)
JN Retail Trade May exp +0.2% prev +0.6% (9.50am)
EZ Consumer Confidence Jun exp –30 prev –31 (7pm)
US Chicago Fed Nat. Activity Ind. May prev –2.1 (10.30pm)
US Dallas Fed Mfg Activity Jun prev –21.5% (12.30am)

* 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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