St.George Financial Markets Morning Report

st.george
Big enough. Small enough.

Friday, 20 August 2010

EQUITIES (close & %chg)		
S&P/ASX 200	4479.0	0.1%
Dow Jones	10271.2	-1.4%
Nikkei	9362.7	1.3%
Hang Seng	21072.5	0.2%
Shanghai	2688.0	0.8%
DAX	6075.1	-1.8%
FTSE100	5211.3	-1.7%
COMMODITIES (close & chg)		
CRB Index	268.25	-1.6
Gold	1231.35	1.8
Copper	7315	-55.0
Oil (WTI)	0.00	-75.3

SYDNEY FUTURES EXCHANGE (close & chg)				
	Last		Overnight Chg	
10 yr bond	95.12		0.04	
3 yr bond	95.55		0.05	
3 mth bill rate	95.24		0.01	
SPI 500	1072		0.60	
FX Last 24 hrs	**Open**	**High**	**Low**	**Current**
TWI	69.6	-	-	69.4
AUD/USD	0.8980	0.9017	0.8906	0.8920
AUD/JPY	76.72	77.28	75.95	76.07
AUD/GBP	0.5755	0.5789	0.5706	0.5720
AUD/NZD	1.2588	1.2670	1.2547	1.2608
AUD/EUR	0.6985	0.7029	0.6942	0.6957

INTEREST RATES (close & chg)		
Australia		
10 year bond	5.02	0.14
3 year bond	4.51	0.09
90 day bill	4.71	-0.03
US		
10 year bond	2.58	-0.06
2 year bond	0.49	-0.01
3-month T Bill	0.15	-0.01
Other (10 year yields)		
Germany	2.30	-0.03
Japan	0.94	0.02
UK	3.01	-0.01

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

SHARE MARKETS: **US shares ended sharply weaker on renewed recession fears following an unexpected jump in jobless claims. The market's pessimism overwhelmed news that computer-producer Intel will acquire McAfee.**

BONDS: **Bonds rallied (yields fell) taking their lead from the weaker stock market and a bleaker outlook based on the employment and manufacturing data. US 10yr Treasury yields closed 6bps lower at 2.58 after reaching a fresh post-March 2009 low of 2.556% while the 2yr notes fell 2bps to a fresh record low. The US Fed bought $3.6bn of 6yr to 10yr Treasuries, slightly more than expected.**

FX: **The US dollar gained against the Euro but lost ground against the Yen. The Aussie is currently trading at 0.8920 after touching a low of 0.8906 overnight.**

COMMODITIES: **Most commodities were softer. Crude oil continues to lose ground – overnight prices fell below US$75 a barrel. In contrast gold advanced.**

UNITED STATES: **Initial jobless claims rose 12k to 500k in the week of the August payrolls survey. Expectations had been for claims to fall below 450k. This is the highest outcome since the December quarter last year when payrolls were still contracting. With no special factors or distortions noted by the Labor Dept, the implication is that more US workers are being laid off than at any time over the previous nine months. In contrast, in the prior week, continuing claims fell 13k to 4487k.**

US Philadelphia Fed index dropped dramatically from 5.1 to –7.7 in August. Orders fell 3.2pts to –7.1, representing a second consecutive decline, shipments slipped 8.5pts to –4.5 and jobs were down 6.7pts to –2.7. The survey suggests the industrial sector will be slowing in coming months, and could even be contracting.

In other US news, the Conference Board's leading index was up 0.1% in July and June revised lower to –0.3%. This is the weakest two-month reading since the March quarter last year. Also, the Congressional Budget Office published revised deficit numbers for 2011: $1066bn up from $966bn.

CANADA: **Canadian data was also weak. The leading index was up only 0.4% in July and June was revised down to 0.7%. These are the softest back-to-back readings since mid 2009. Wholesale sales fell 0.3% in June and have not posted a rise since March, the weakest set of readings since early 2009.**

GERMANY: **German producer prices grew 3.7%y/y in July, up from 1.7%y/y in June. The increase is due to a 0.5% gain in the month and base effects.**

UNITED KINGDOM: **UK retail sales jumped 1.1% in July. This is the third positive month of growth in a row. Most of the strength was in non-store retailing and other, which are largely internet sales. Demand for clothing was also up due to the warmer weather. Food and household goods sales both fell, probably a post-World Cup impact.**

The UK CBI industrial trends survey found orders rose from –16 to –14 in August, a two year high. Major bank mortgage approvals slipped from 48k in June to 47k in

July. M4 money supply growth slowed from 3.1% yr to 2.3% yr in July, slowest since 1993. Public sector net borrowing of £3.2bn in July compared to £5.6bn a year earlier, consistent with the view that the UK's budget deficit has probably past its peak.

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

NZ Net Migration SA Jul prev 70.0 (8.45am)

*** 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.**
To access our Monthly Economic Calendar please refer to:
http://www.stgeorge.com.au/corporate-business/report-centre/economic-calendar.asp

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
Senior Economist	Kate King	kingk@stgeorge.com.au	(02) 9320 5892
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