

Morning Report

Tuesday, 3 August 2010

EQUITIES (close & %chg)			SYDNEY FUTURES EXCHANGE (close & chg)					INTEREST RATES (close & chg)		
S&P/ASX 200	4541.6	0.4%	Last		Overnight Chg			Australia		
Dow Jones	10674.4	2.0%	10 yr bond	94.80	0.03			10 year bond	5.25	0.03
Nikkei	9570.3	0.4%	3 yr bond	95.32	0.00			3 year bond	4.71	0.03
Hang Seng	21412.8	1.8%	3 mth bill rate	95.23	0.00			90 day bill	4.79	0.02
Shanghai	2672.5	1.3%	SPI 200	1122	0.1			US		
DAX	6292.1	2.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	2.96	0.06
FTSE100	5397.1	2.7%	TWI	69.5	-		69.4	2 year bond	0.55	0.01
COMMODITIES (close & chg)			AUD/USD	0.9064	0.9147	0.9042	0.9124	3-month T Bill	0.17	-0.02
CRB Index	276.85	2.5	AUD/JPY	78.29	79.28	78.07	78.99	Other (10 year yields)		
Gold	1182.5	4.4	AUD/GBP	0.5762	0.5792	0.5732	0.5741	Germany	2.70	0.00
Copper	7460	210.0	AUD/NZD	1.2468	1.2489	1.2416	1.2442	Japan	1.03	0.00
Oil (WTI)	81.35	3.1	AUD/EUR	0.6936	0.6988	0.6912	0.6925	UK	3.35	0.03

Data as at 7.30am. Australian futures rates - change from Friday 30 July (NSW closed on Monday for Bank Holiday).

Source: Reuters, Bloomberg

SHARE MARKETS: US stocks rallied, boosted by energy and raw material shares. UK equities were also higher on commodity stocks as well as bank shares with HSBC saying its profit for the first half of the year doubled.

BONDS: The US bond curve weakened (yields rose) as US corporate earnings continued to show upside and US factor orders printed stronger-than-expected. While the index slipped it remains above 50 suggesting expansion.

FX: The Euro was pushed higher against the greenback, breaking a key technical level, supported by strong European economic and corporate news.

COMMODITIES: Gold was flat versus a rally in base metals, in particular copper, which touched a five month high. Wheat prices are record highs due to a heat wave in Russia.

UNITED STATES: GDP (2Q) printed close to expectations; annual back revisions lifted Q1's growth pace by around 1 ppt but shaved that much off the first two quarters of recovery in H2 2009. The Q2 GDP breakdown showed slower consumer spending growth, and a surge in housing spending. Government spending was positive for the first quarter in three. However that is unlikely to be sustained as the fiscal stimulus unwinds. Business investment was positive with spending on structures contributing. Inventories contributed 1.1 ppts to the GDP growth rate whereas net exports shaved 2.8 ppts off the GDP bottom line, due to very strong growth in import volumes.

James Bullard of the St Louis Fed said that the most likely scenario for the US economy was a return to normal activity levels, but he also warned that deflation remained a risk.

US ISM manufacturing slipped from 56.2 to 55.2 in July, its third straight month of decline though not as weak as some of the regional Fed factory indices were. The detail showed orders 5 pts lower, production 4 pts down but jobs actually rose from 57.8 to 58.6.

US construction spending rose 0.1% in June against expectations of a fall, driven by a 10% jump in public sector housing. But private sector residential and non-residential spending fell, and there was a steep downward revision to May spending as well.

EUROPE: Euroland PMI manufacturing revised up from 56.5 to 56.7, making the July gain over June now 1.1 pts, though the index is still down from the recent peak in April of 57.6.

UNITED KINGDOM: UK PMI factory slips from 57.6 to 57.3 in July, its second month of modest slippage from its April-May peak at 58.0.

JAPAN: June industrial production unexpectedly contracted 1.5% m/m following a 0.1% rise in May. The index was dragged lower by a fall in vehicle and mobile phone production. Consumer prices declined 1.3% y/y in July reflecting lower prices for public utilities, including city gas and electricity. The unemployment rate rose 0.1 of a point to 5.3% in June.

AUSTRALIA: Total credit grew 0.2% in June to be 2.8% higher than last year. Housing, which represents the largest component of total credit, increased 0.4% - a marginal slowdown from previous months. Business credit was flat, compared to 0.4% growth in May. Other personal credit contracted 0.3% following a 0.4% decrease in the previous month.

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

AU Retail Sales 2Q, exp 0.7%, prev 0.1% (11.30am)

AU Building Approvals Jun, exp 2.0% (11.30am)

AU RBA Monetary Policy Minutes, (2.30pm)

AU ANZ job ads Jul

CH Non-Manufacturing PMI Jul, prev 57.4 (11.00am)

EZ Euro-Zone PPI Jun, exp 0.4%, prev 0.3% (7.00pm)

US Personal Income Jun exp 0.2%, prev 0.4% (10.30pm)

US Factory Orders Jun exp -0.5%, prev -1.4% (12.00am)

US Pending Home Sales Jun exp 4%, prev -30% (12.00am)

* 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.

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