

## Weekly Market Movements

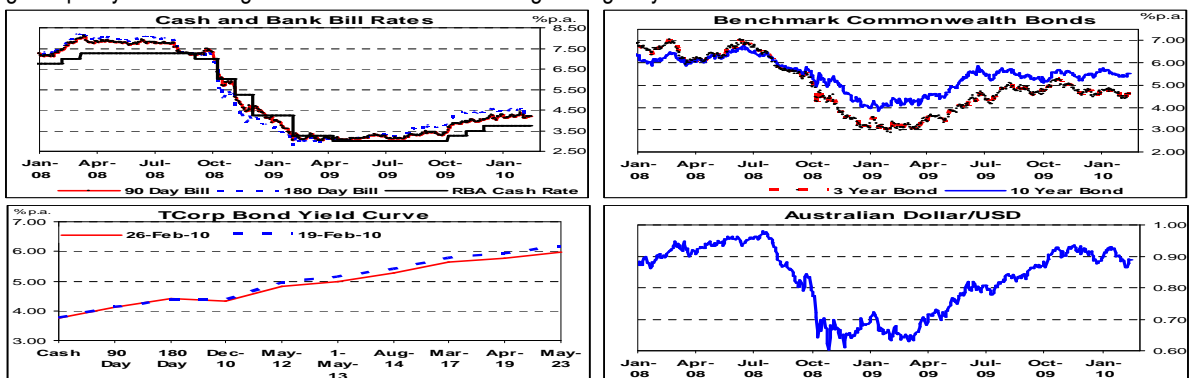
		Close 26/02/10	Weekly Change			Close 26/02/10	Weekly Change
<b>Bank Bills</b>	90 day	4.13	0.00	<b>US Bonds</b>	2 yr	0.82	-0.10
<b>Aust Bonds</b>	3 year	4.82	-0.12		10 yr	3.61	-0.16
	10 year	5.44	-0.13	<b>Currency</b>	AUD/USD	0.8954	-0.0034
<b>Aust CPI-linked</b>	4.0% Aug 20	2.68	-0.09		USD/Yen	88.97	-2.55
<b>TCorp Bonds</b>	7.0% Dec 10	4.34	-0.03		Euro/USD	1.3631	0.0018
	6.0% May 12	4.84	-0.13	<b>Equity</b>	ASX 200	4,638	3
	5.25% May 13	5.00	-0.14	<b>Indexes</b>	S&P500	1,104	-5
	5.5% Aug 14	5.26	-0.15		Euro Stoxx 50	2,728	-65
	5.5% Mar 17	5.63	-0.15		Nikkei	10,126	2
	6.0% Apr 19	5.77	-0.16		Shanghai Comp	3,052	34
	6.0% Jun 20	5.85	-0.16	<b>Commodity</b>	Oil (US\$ barrel)	80	0
	6.0% May 23	5.99	-0.17		CRB Index	274.8	-3.0
<b>TCorp CPI-linked</b>	3.75% Nov 20	3.38	-0.12		LME Metals	3,313.3	-85.2
	2.75% Nov 25	3.49	-0.08		Gold (US\$ oz)	1,117.6	-1.6
	2.5% Nov 35	3.36	-0.08				

## Market Commentary

International markets were overshadowed by Greece's continued sovereign credit woes last week. On Wednesday Standard & Poor's said that Greece's sovereign credit rating could be cut within a month. Moody's also said that a downgrade is possible if Greece does not follow through with its austerity measures. But risk aversion eased on Friday when rumours emerged that European nations might offer Greece aid, using State-owned institutions to buy Greek debt. The persistent uncertainty weighed on European risk assets and boosted safe-haven flows into US Treasury and Australian Government bonds over the week.

In Australia, capital expenditure increased 5.5% in Q4 2009. The survey of planned capital spending suggests strong growth in nominal capital spending for 2010/11. And the impact of the Fed and State stimulus measures helped boost construction work done for Q4 2009. The data firmed economists' expectations for a robust GDP growth outcome for Q4 2009 this week. Stronger investment data and a pick up in private sector credit helped the domestic ASX200 rally on Friday to close the week marginally higher. Risk aversion weighed on the Australian dollar early last week. But the Australian dollar rallied on Friday to close only 0.4% lower against the US dollar after commodities prices recovered late in the week. Concerns about Greece's financial position helped a safe-haven bid for Australian Government bonds. Commonwealth 3-year bond yields were 12bps lower and 10-year bond yields 13bps lower, dragged lower by falling global yields. Inflation-linked bonds underperformed their nominal counterparts as expectations of future inflation were pared.

In the US, Q4 GDP growth was revised upwards on Friday to 5.9% (annualised) from 5.7% (annualised). But worse-than-expected house sales and Greece's continued problems weighed on investors' risk appetite. US equities tracked sideways, closing the week 0.4% lower and Treasury bond yields fell sharply across the curve. The 10-year Treasury bond yield fell 16bps to 3.61% and the 2-year Treasury bond yield dropped 10bps to 0.82%. US Fed Chairman Bernanke's dovish Monetary Policy testimony was cautiously optimistic on the economic outlook and for continued improvements in financial conditions. Bernanke reiterated that the Fed Funds policy rate would remain low for an extended period, but at some point the Fed would need to tighten policy. Bernanke gave no hint as to when that tightening may occur.





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# Weekly Market & Economics Report

1<sup>st</sup> March, 2010

	Australia	United States/Other
<b>Monday, 1<sup>st</sup> March</b>	<ul style="list-style-type: none"> <li>– RBA Governor Stevens speaks in Melbourne</li> <li>– TD Securities Inflation Gauge (Feb)</li> <li>– Company Operating Profits (Q4)</li> <li>– Current Account Balance (Q4)</li> <li>– Inventories (Q4)</li> <li>– Australian Net Exports (Q4)</li> </ul>	<ul style="list-style-type: none"> <li>– <b>US Personal Income and Spending (Jan)</b></li> <li>– <b>US Manufacturing PMI (Feb)</b></li> <li>– US Construction Spending (Jan)</li> <li>– Fedspeak: Lacker</li> </ul>
<b>Tuesday, 2<sup>nd</sup> March</b>	<ul style="list-style-type: none"> <li>– <b>Building Approvals (Jan)</b></li> <li>– <b>Retail Sales (Jan)</b></li> <li>– <b>RBA Monetary Policy Meeting</b></li> </ul>	<ul style="list-style-type: none"> <li>– Japan Jobless Rate (Jan)</li> <li>– Europe CPI (Feb)</li> <li>– Fedspeak: Kocherlakota</li> </ul>
<b>Wednesday, 3<sup>rd</sup> March</b>	<ul style="list-style-type: none"> <li>– <b>GDP (Q4)</b></li> </ul>	<ul style="list-style-type: none"> <li>– US ADP Employment Change (Feb)</li> <li>– <b>US Non-manufacturing PMI (Feb)</b></li> <li>– <b>US Fed Beige Book</b></li> <li>– Fedspeak: Lockhart, Rosengren</li> </ul>
<b>Thursday, 4<sup>th</sup> March</b>	<ul style="list-style-type: none"> <li>– Trade Balance (Jan)</li> </ul>	<ul style="list-style-type: none"> <li>– Europe GDP (Q4)</li> <li>– <b>Europe ECB Monetary Policy Meeting</b></li> <li>– <b>UK BoE Monetary Policy Meeting</b></li> <li>– US Non-farm Productivity (Q4)</li> <li>– US Pending Home Sales (Jan)</li> </ul>
<b>Friday, 5<sup>th</sup> March</b>	–	<ul style="list-style-type: none"> <li>– <b>US Non-farm Payrolls (Feb)</b></li> <li>– <b>US Unemployment Rate (Feb)</b></li> <li>– US Consumer Credit (Jan)</li> </ul>

## Preview - Key Releases and Events

### Australia

Markets will remain focused on the RBA this week. The **March Monetary Policy** meeting on Tuesday follows the decision to “pause” that surprised markets at the February meeting. Markets are uncertain about the near-term path of monetary policy. The March outcome is priced by markets as a 50% chance of a 0.25% rate hike to 4.00%. If the RBA hikes, it could justify the move by referencing its strong CPI and GDP forecasts, and the strength of recent domestic data. The RBA has been hawkish recently, saying that further official cash rate hikes will probably be needed if the economy develops as expected. Markets are forecasting the official cash rate to increase to around 4.75% by the end of the year.

On Wednesday, economists expect **GDP** data to show a 0.9% increase in Q4 2009. Forecasts have been fine tuned after the capex and construction work done data were released last week. **Inventories** and **net exports** will be released ahead of the GDP figure. Economists are expecting a further build in inventories to add to GDP growth, but net exports are expected to off-set some of that growth.

## Preview - Key Releases and Events

### United States/Other

The focus in the US this week will be on the **US labour market report**. 20k jobs were lost in January, after 150k were lost in December. But the unemployment rate fell to 9.7% from 10.0%. Economists are forecasting the unemployment rate to increase to 9.8% in February, and 50k jobs are expected to be lost.

Fed Presidents **Lacker, Lockhart and Rosengren** will speak this week, after a busy month of Fedspeak in February. Markets will be hoping for more clarity on the path of monetary policy for 2010.

In Europe, the **Bank of England** and the **European Central Bank** hold monetary policy meetings on Thursday. Economists do not expect the BoE to make any change to its official cash rate. But markets will be looking for any mention about the use of further asset purchases to combat deflationary pressures. Economists are also expecting no change from the ECB's monetary policy meeting.