

Weekly Market Movements

		Close 5/04/10	Change since 26/03			Close 5/04/10	Change since 26/03
Bank Bills	90 day	4.42	0.03	US Bonds	2 yr	1.17	0.13
Aust Bonds	3 year	5.25	0.02		10 yr	3.99	0.14
	10 year	5.78	0.05	Currency	AUD/USD	0.9214	0.0173
Aust CPI-linked	4.0% Aug 20	2.80	0.02		USD/Yen	94.37	1.85
TCorp Bonds	7.0% Dec 10*	4.67	0.02		Euro/USD	1.3504	0.0094
	6.0% May 12*	5.22	0.00	Equity	ASX 200	4,908	11
	5.5% Aug 13*	5.60	0.00	Indexes	S&P500	1,187	21
	5.5% Aug 14**	5.62	-0.02		Euro Stoxx 50	2,979	38
	6.0% Apr 16*	5.97	-0.02		Nikkei	11,339	343
	5.5% Mar 17**	5.91	0.00		Shanghai Comp	3,158	98
	6.0% Apr 19**	6.02	0.02	Commodity	Oil (US\$ barrel)	87	7
	6.0% Jun 20**	6.09	0.01		CRB Index	279.5	12.2
	6.0% May 23**	6.20	0.01		LME Metals	3,651.0	187.3
TCorp CPI-linked	3.75% Nov 20*	3.46	0.02		Gold (US\$ oz)	1,131.9	24.4
	2.75% Nov 25*	3.54	0.03				
	2.5% Nov 35*	3.48	0.03				

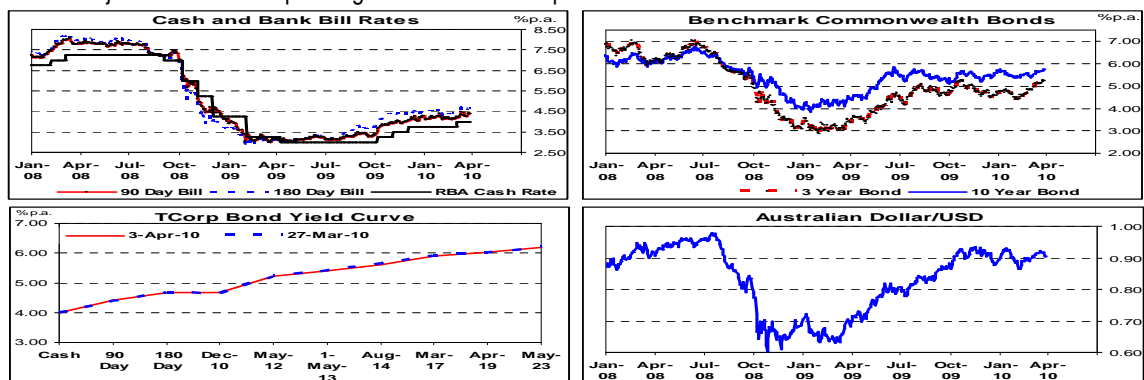
* NSW Govt Guaranteed ** Commonwealth Govt Guarantee

Market Commentary

Investors pushed US Treasury bond yields higher again last week. The sell off in Treasury yields was driven by the improved economic outlook and the better-than-expected US payrolls report, a hefty supply of Treasury bond auctions this week, and 10-yr yields breaking through a key 3.86% technical level. 10-year Treasury yields closed a remarkable 14bp higher on 5 April compared to 26 March. On Friday alone, 10-year Treasury bond yields moved 7bp higher and 2-year Treasury yields were 5bp higher after the strong US labour market report. 114k jobs were added after adjusting for the 48k US Census jobs. The outcome was better than expected by economists, and the upward revisions to the February and January employment data added to the positive result. Australian Government bond yields followed their US counterparts higher at shorter-dated and longer-dated maturities, but domestic yield increases may have been capped by market closures over the Easter long-weekend. Shorter-dated Australian Government bond yields were higher as investors firmed expectations of a hike in the RBA's official cash rate at today's Board meeting. The market is pricing a 65% chance of a 0.25% hike in the official cash rate after investors interpreted speeches by RBA officials hawkishly and the domestic economic outlook remains positive.

The Australian dollar appreciated 1.7% against the US dollar last week. The local currency was helped by firming expectations of an April official cash rate hike, and significantly higher commodity prices. The London Metal Exchange surged 5.4% over the week and the crude oil spot price increased 6.1%. BHP's announcement last week that it will move to quarterly, rather than annual, iron ore contracts with the majority of its Asian customers also boosted the Australian dollar.

Globally, equity markets were also generally stronger after reacting to signs that the global economic recovery is gaining momentum. In Australia, the ASX200 increased 0.2% over the shortened week, driven by gains in resources stocks. US markets posted solid gains on Friday after the labour market report was released. The S&P500 closed on Friday 1.0% higher over the week. In Europe, demand for equities was boosted by improved risk appetite after the 16 Eurozone Member States announced a joint IMF and European agreement on rescue plans for Greece.





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	Australia	United States/Other
Monday, 5th April	–	– US Services PMI (Mar) – US Pending Home Sales (Feb)
Tuesday, 6th April	– RBA Monetary Policy Meeting – ANZ Job Advertisements (Mar)	– Japan BoJ Monetary Policy Meeting – US FOMC Monetary Policy Meeting Minutes
Wednesday, 7th April	–	– US Fed Governor Bernanke Speaks About Economic Challenges – Fedspeak: Hoenig – US Consumer Credit
Thursday, 8th April	– Employment (Mar) – Unemployment Rate (Mar)	– Europe ECB Monetary Policy Meeting – UK BoE Monetary Policy Meeting – US Fed Governor Bernanke Speaks About Economic Policy
Friday, 9th April	–	– US Wholesale Inventories (Feb)

Preview - Key Releases and Events

Australia

The domestic market will focus on the RBA early this week before turning to the important labour market report on Thursday.

The **RBA Board** meets today to decide the official cash rate. At the 2 March meeting, the RBA increased the rate by 0.25% to 4.0%. If the RBA does hike in April, it could justify the move by referencing the strong positive underlying trends in recent economic releases. Domestic interest rates remain unusually low, the job market is strengthening, China's demand for Australian commodities is booming, and local house prices are soaring. Consensus is for a rate hike. 14 out of 23 market economists surveyed by Bloomberg expect a 0.25% increase, and 9 economists have predicted no change. Financial markets are pricing a 65% chance of a 0.25% hike. By end-2010, the market expects the official cash rate to be around 5.0%.

The March **employment report** and **unemployment rate** are released on Thursday. The Australian labour market recovery has been incredibly rapid. Almost 200k jobs have been added since September 2009. In February, only 400 jobs were added. But the 2.4% increase in hours worked continued the labour market recovery. For March, economists forecast a 20k increase in employment, but no change in the unemployment rate from 5.3% in February.

Preview - Key Releases and Events

United States/Other

The international data calendar this week is light. In the US, speeches by US Fed **Governor Bernanke** and Kansas City Fed **President Hoenig** are likely to dominate market attention. Investors will pay close attention to Governor Bernanke's speech on economic policy ahead of the 26-27 April FOMC meeting on monetary policy.

The March **FOMC monetary policy meeting minutes** are released on Tuesday. There were no surprise moves at the meeting, but markets will look for any signs of support for Fed President Hoenig's dissent over the "exceptionally low" rates for an "extended period" wording.

The US **services PMI** released on Monday was stronger than markets had expected. The index increased to 55.4 from 53.0 in February. And **pending home sales** surged 8.2% in February making up for the weakness in the three months prior, taking the annual increase to 17.3%.

In international markets, the calendar is dominated by central bank meetings. In Europe, the **European Central Bank** and **Bank of England** are not expected by markets to increase the prevailing cash rates from 1.0% and 0.5% respectively. The **Bank of Japan** is also expected by the market to leave its rate unchanged at 0.1%.