

Weekly Market Movements

		Close 5/03/10	Weekly Change			Close 5/03/10	Weekly Change
Bank Bills	90 day	4.21	0.08	US Bonds	2 yr	0.89	0.08
Aust Bonds	3 year	4.83	0.01		10 yr	3.68	0.07
	10 year	5.47	0.03	Currency	AUD/USD	0.9077	0.0123
Aust CPI-linked	4.0% Aug 20	2.66	-0.02		USD/Yen	90.28	1.31
TCorp Bonds	7.0% Dec 10*	4.43	0.09		Euro/USD	1.3626	-0.0005
	6.0% May 12*	4.89	0.05	Equity	ASX 200	4,767	130
	5.5% Aug 13*	5.24	0.06	Indexes	S&P500	1,139	34
	5.5% Aug 14**	5.29	0.02		Euro Stoxx 50	2,877	149
	5.5% Mar 17**	5.62	-0.01		Nikkei	10,369	243
	6.0% Apr 19**	5.75	-0.02		Shanghai Comp	3,031	-21
	6.0% Jun 20**	5.83	-0.02	Commodity	Oil (US\$ barrel)	80	1
	6.0% May 23**	5.97	-0.02		CRB Index	276.9	2.2
TCorp CPI-linked	3.75% Nov 20*	3.33	-0.05		LME Metals	3,472.2	158.9
	2.75% Nov 25*	3.48	-0.02		Gold (US\$ oz)	1,134.7	17.1
	2.5% Nov 35*	3.33	-0.03				

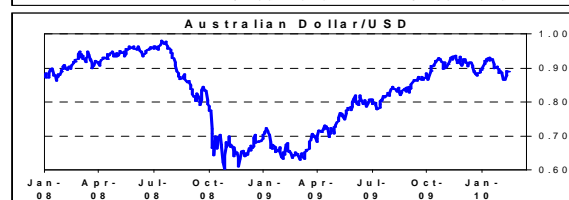
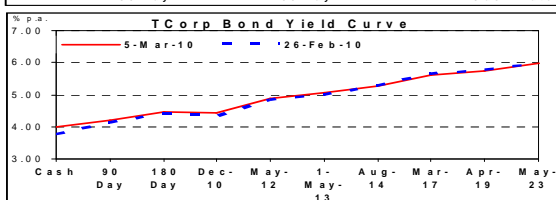
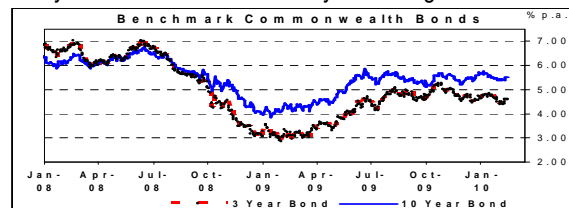
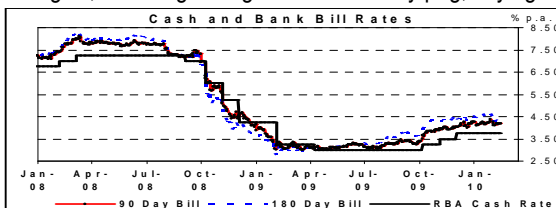
* NSW Govt Guaranteed ** Commonwealth Govt Guarantee

Market Commentary

The Reserve Bank raised its official cash rate 0.25% to 4.0% last week as it continued its process of normalising monetary policy. The RBA said that “growth was likely to be close to trend and inflation close to target” in 2010, and that the hike was part of a move towards a rate “closer to average”. The RBA also said that the domestic economy may have been growing at or close to trend for some months now. The economy grew 0.9% in Q4, in line with market expectations, after 0.3% growth in Q3, according to the GDP data released on Wednesday. Private and public demand were boosted by Federal and State fiscal measures, but net exports detracted from growth in the quarter. The hawkish RBA assessment of the economy pushed up yields on Australian government bonds. But strong demand for NSW government bonds covered by the Federal Government Guarantee sent yields on NSW government bonds lower at longer-dated maturities. Inflation-linked bonds outperformed their nominal counterparts as investors’ inflation expectations were lifted by the strength of the domestic economy. The Australian dollar appreciated 1.4% over the week against the US dollar after commodity prices strengthened and the RBA hiked rates.

In the US, the market focused on the February labour data that was released on Friday. The report was better than economists had predicted. Nonfarm payrolls fell 36k in February compared to a forecast 65k fall, and the unemployment rate held steady at 9.7%. The January and December payrolls data were revised upwards by a net 35k jobs. Investors interpreted the result as a sign of a stabilising labour market. The data supported risk assets and pushed up Treasury bond yields. The S&P500 closed the week 3.1% higher.

In China, the National People’s Congress provided some official commentary ahead of this week’s February data releases. China’s Premier Wen Jiabou said that China would maintain moderately loose monetary policy this year. Financial regulators are concerned about credit risks in the economy and said that China would end the guarantees that its local governments provide to separate financing vehicles. The People’s Bank of China Governor Zhou was cautious on the timing of other exit strategies, including changes to its currency peg, saying that the yuan would remain “basically stable” against the US dollar.





New South Wales
Treasury Corporation
www.tcorp.nsw.gov.au

CONTACT
Jenny Sillar
Isaac Poole
(02) 9325 9268
jennys@tcorp.nsw.gov.au

Weekly Market & Economics Report

8th March, 2010

	Australia	United States/Other
Monday, 8th March	–	–
Tuesday, 9th March	– NAB Business Survey (Feb) – ANZ Job Advertisements (Feb)	– US Fedspeak: Evans
Wednesday, 10th March	– RBA Assistant Governor Lowe Speaks – Westpac Consumer Confidence (Mar) – Housing Finance (Jan)	– China Trade Balance (Feb) – US Wholesale Inventories (Jan)
Thursday, 11th March	– Unemployment Rate (Feb) – Employment (Feb)	– Japan GDP (Q4) – China: Retail Sales, Industrial Production, CPI, Money Supply, House Prices, Bank Lending (Feb) – US Trade Balance (Jan) – Fedspeak: Dudley
Friday, 12th March	–	– Japan Industrial Production (Jan) – US Retail Sales (Feb) – US Michigan Consumer Confidence (Mar)

Preview - Key Releases and Events

Australia

The domestic market will focus on the February employment report this week. Economists are predicting a 15k increase in **employment** and no change in the **unemployment rate**. Employment jumped by 52.7k in January and the unemployment rate fell to 5.3% from 5.5%. The domestic labour market has added 195k jobs since September, and beat market expectations for a fifth consecutive month in January.

The **NAB Business Survey** is released on Tuesday and the **Westpac Survey of Consumer Confidence** is released on Wednesday. Consumer and business confidence recovered with the improving domestic economy during the latter half of 2009. Confidence remained elevated despite the official cash rate hikes in Q4 2009. Business confidence is likely to have been supported by the strong domestic share market in February. But there is a risk that confidence could slide from its peaks if the RBA continues its process of tightening monetary policy.

The RBA hiked the official cash rate three times in three months in Q4 2009 and the Federal Government's housing stimulus measures were wound back. Housing finance fell 5.5% in December but was 14% higher in 2009 than in 2010. Economists are predicting a 2.0% rebound in January after the December fall.

Preview - Key Releases and Events

United States/Other

The international data calendar is light this week.

In the US, **retail sales** are released on Friday. Retail sales posted a 0.5% gain in January, but the snowstorms that afflicted the US in February are expected to dampen retail sales in February. Economists are expecting a 0.2% fall in sales in February.

In Asia, the focus will be on China's monthly data that are to be released on Thursday. The Peoples' Bank of China has raised reserve requirement ratios twice in 2010, but maintains accommodative monetary policy. China's fiscal stimulus was also significant through 2009. Economists forecast that the data released on Thursday will show continued strength in **industrial production** and **retail sales**. Industrial production increased by 18.5% in 2009, and economists have predicted a 19.6% increase in the year to February. Retail sales are forecast to have grown 18.6% in the year to February, compared to 17.5% in December. **Consumer price inflation** data are also released. Inflation was subdued in 2009, but economists are expecting the February release to show an annual inflation rate of 2.5%, up from 1.5% in January. China's **money supply** increased 26% in 2009, and is expected to have increased 25% in the year to February, pushed up by strong **bank lending** growth. The growth is much higher than the PBOC's 17.5%



Weekly Market & Economics Report

8th March, 2010

New South Wales
Treasury Corporation
www.tcorp.nsw.gov.au

CONTACT
Jenny Sillar
Isaac Poole
(02) 9325 9268
jennys@tcorp.nsw.gov.au

money supply growth target. This could increase market expectations of further tightening of China's monetary policy.