



Weekly Market & Economics Report

12th April, 2010

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 Movements

		Close 9/04/10	Weekly Change		Close 9/04/10	Weekly Change
Bank Bills	90 day	4.54	0.12	US Bonds	2 yr	1.06
Aust Bonds	3 year	5.29	0.04		10 yr	3.88
	10 year	5.81	0.03	Currency	AUD/USD	0.9332
Aust CPI-linked	4.0% Aug 20	2.86	0.06		USD/Yen	93.18
TCorp Bonds	7.0% Dec 10*	4.69	0.03		Euro/USD	1.3500
	6.0% May 12*	5.29	0.07	Equity	ASX 200	4,948
	5.5% Aug 13*	5.67	0.07	Indexes	S&P500	1,194
	5.5% Aug 14**	5.68	0.06		Euro Stoxx 50	2,994
	6.0% Apr 16*	6.04	0.06		Nikkei	11,204
	5.5% Mar 17**	5.97	0.06		Shanghai Comp	3,145
	6.0% Apr 19**	6.09	0.07	Commodity	Oil (US\$ barrel)	85
	6.0% Jun 20**	6.16	0.07		CRB Index	276.1
	6.0% May 23**	6.27	0.06		LME Metals	3,688.5
TCorp CPI-linked	3.75% Nov 20*	3.52	0.06		Gold (US\$ oz)	1,162.0
	2.75% Nov 25*	3.60	0.06			
	2.5% Nov 35*	3.54	0.06			

* NSW Govt Guaranteed ** Commonwealth Govt Guarantee

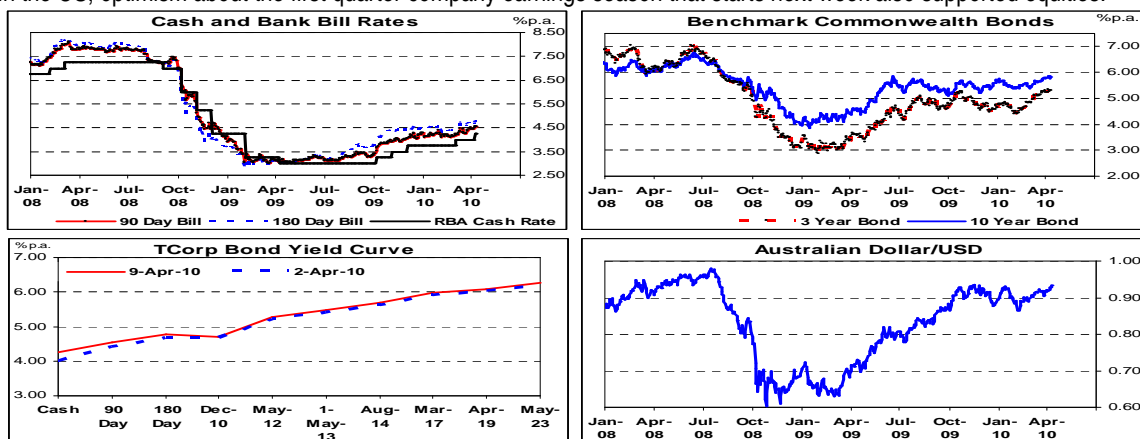
Market Commentary

The Reserve Bank Board increased its official cash rate by 0.25% to 4.25% at its 6 April meeting. The RBA has now removed 1.25% of stimulus from the economy with five hikes in the last six meetings, and suggested it is not finished yet. The RBA said in its accompanying statement that interest rates to some borrowers have been lower than average and that the April hike was a part of a process of moving rates closer to average. The Bank also said that the risk of serious economic contraction had passed in Australia, and that it expects growth to be around trend and inflation close to target over 2010. The market has priced in a further three 25bp rate increases by December taking the official cash rate to 5.0%.

Investors pushed yields Australian Government bonds higher over the week after the RBA's hawkish assessment of the domestic economy. The Australian labour report released on Thursday also boosted the domestic economic outlook. An additional 20k jobs were added in March, keeping unemployment steady at 5.3 which validates the RBA's decision to increase rates. Financial markets were hit by a bout of risk aversion mid-week driven sovereign credit woes in Greece where the banks asked the government for financial support and rumours circulated that Greece might try to renegotiate its support package. The resulting safe-haven trade capped increases in Australian yields as US Treasury bond yields fell across the yield curve.

The Australian dollar closed the week 1.4% higher against the US dollar at US\$0.9332, its highest close since mid-November 2009. The domestic currency was boosted by generally higher commodity prices and the continued improvement in Australia's economic outlook. Investors' higher interest rate expectations also supported the local dollar.

In the US and Australia equity markets closed higher last week higher as the economic outlook continued to improve. On Friday, rumours that the Greek bailout plan details would be announced further boosted demand for US and European equities. In the US, optimism about the first quarter company earnings season that starts next week also supported equities.



This information is given in good faith in relation to the facts known for the use of the party to whom it is addressed and for no other purposes and on the basis that New South Wales Treasury Corporation and the Government of the State of New South Wales shall not be liable except in so far as any statutory liability cannot be excluded to any person for any errors or omissions including negligence.



Weekly Market & Economics Report

12th April, 2010

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

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

	Australia	United States/Other
Monday, 12th April	– Housing Finance (Feb)	–
Tuesday, 13th April	– NAB Business Survey (Mar)	– US Trade Balance (Feb)
Wednesday, 14th April	– Westpac Consumer Confidence (Apr)	– US CPI (Mar) – US Retail Sales (Mar) – US Business Inventories (Feb) – US Fed Chairman Bernanke Testifies Before Joint Economic Committee of Congress
Thursday, 15th April	–	– China GDP, CPI, Retail Sales, Industrial Production, Money Supply, Bank Lending (Mar) – Japan Industrial Production (Feb) – US Fed Beige Book (Apr) – US Industrial Production – FedSpeak: Bullard, Lockhart, Yellen
Friday, 16th April	–	– US Housing Starts

Preview - Key Releases and Events

Australia

The Australian data calendar is light this week.

Housing finance data for February are released today. Housing finance approvals have fallen for the past four months after surging in late 2009. The termination of the first home buyer's boost and the recent official cash rate hikes have weighed on housing finance. The market expects another 1.0% decrease in February.

The **NAB Business Survey** is released on Tuesday. In February, business confidence increased to the elevated levels of late 2009 and business conditions also improved. The market expects a further improvement in March.

The **Westpac Consumer Confidence** index released on Wednesday will give an indication of how households are coping with the RBA's official cash rate hikes. Consumers have so far been remarkably resilient to the RBA's process of normalising interest rates but the 0.25% hike at the RBA's 6 April meeting was the fifth hike in six meetings. The RBA has also indicated in its official commentary that rates are likely to gradually rise during 2010. Economists are predicting a fall in consumer confidence as higher interest costs begin to sting households.

Preview - Key Releases and Events

United States/Other

In the US, investors will focus on the March **inflation** and **retail sales** figures released on Wednesday. Core inflationary pressures have been subdued in the US. Market economists expect that inflationary pressures will remain weak. The market has forecast a 0.1% increase in inflation in March after a 0.1% increase in February. Retail sales are expected by the market to have increased 1.0% in March after a 0.3% increase in the snowstorm-affected February.

In Asia, the focus will be on China's monthly data released on Thursday. The People's Bank of China has raised reserve requirements twice in 2010, but maintains accommodative monetary policy. Investors widely expect further tightening of monetary policy in 2010. Economists expect that the data released on Thursday will show continued strength in **industrial production** and **retail sales**. Industrial production increased 12.8% in the year to February, and is expected to be 18.2% higher in the year to March. Retail sales are forecast to have grown 18.0% in the year to March compared to 22.1% in February. China's **money supply** surged 25.5% in the year to February and expected to have increased 22.2% in the year to March, pushed up by strong **bank lending**. **Consumer price inflation** and **GDP** data are also released. Economists expect 2.6% inflation in the year to March, down slightly from 2.7% in February while Q1 annual GDP growth is expected to be a strong 11.6% in the year to March, compared to 10.7% in 2009.