



Weekly Market & Economics Report

19th April, 2010

New South Wales
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Weekly Market Movements

		Close 16/04/10	Weekly Change			Close 16/04/10	Weekly Change
Bank Bills	90 day	4.48	-0.05	US Bonds	2 yr	0.96	-0.11
Aust Bonds	3 year	5.29	0.00		10 yr	3.76	-0.12
	10 year	5.82	0.00	Currency	AUD/USD	0.9243	-0.0089
Aust CPI-linked	4.0% Aug 20	2.86	0.01		USD/Yen	92.17	-1.01
TCorp Bonds	7.0% Dec 10*	4.66	-0.03		Euro/USD	1.3503	0.0003
	6.0% May 12*	5.26	-0.03	Equity	ASX 200	4,985	37
	5.5% Aug 13*	5.67	0.00	Indexes	S&P500	1,192	-2
	5.5% Aug 14**	5.68	0.00		Euro Stoxx 50	2,950	-44
	6.0% Apr 16*	6.02	-0.02		Nikkei	11,102	-102
	5.5% Mar 17**	5.97	0.00		Shanghai Comp	3,130	-15
	6.0% Apr 19**	6.09	0.00	Commodity	Oil (US\$ barrel)	83	-2
	6.0% May 20*	6.33	NA		CRB Index	276.3	0.2
	6.0% Jun 20**	6.15	0.00		LME Metals	3,688.3	-0.2
	6.0% May 23**	6.27	0.00		Gold (US\$ oz)	1,137.4	-24.6
TCorp CPI-linked	3.75% Nov 20*	3.52	0.00				
	2.75% Nov 25*	3.60	0.01				
	2.5% Nov 35*	3.54	0.00				

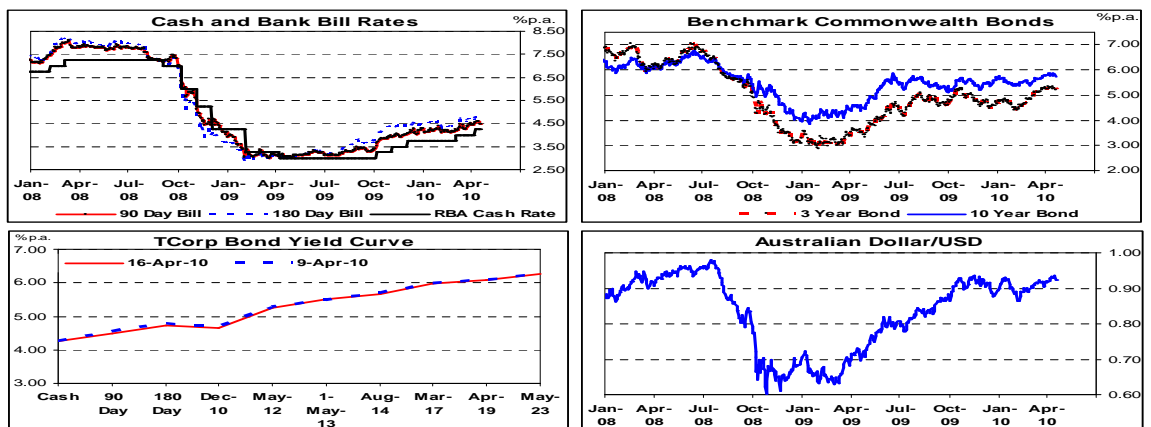
* NSW Govt Guaranteed ** Commonwealth Govt Guarantee

Market Commentary

US Treasury bond yields fell across the yield curve last week. 2-year and 10-year Treasury bond yields reversed four weeks of rising yields to close at their lowest levels since 23 March. Yields slid lower mid-week after a flat March US core inflation figure. US Fed Chairman Bernanke said in his testimony to the Joint Economic Committee that subdued inflationary pressures still warrant extremely low rates for an extended period. Yields were also pushed lower by strong demand from Asian investors for longer-dated Treasury bonds. On Friday, the US Securities and Exchange Commission charged Goldman Sachs with financial fraud. The charges stirred a bout of risk aversion that provided a safe-haven bid for US Treasuries. On Friday alone, 2-year yields fell 6 basis points and 10-year yields were 7 basis points lower. US Treasury bonds outperformed their Australian counterparts over the week. Australian Government bond yields closed the week unchanged. Yields were supported mid-week by the resilience of Australian consumer confidence despite the RBA's five official cash rate hikes at its last six meetings. But rumours that China could tighten monetary policy over the weekend helped Australian bonds rally on Friday.

Global equity movements were mixed last week. In the US and Europe, the surge in risk aversion on Friday weighed on demand for equities. The S&P500 closed the week 0.2% lower. In Australia, resilient consumer and business confidence and a rebound in the NAB business conditions index boosted demand for domestic equities. The ASX200 climbed above 5000 for the first time since September 2008 before closing the week 0.7% higher.

The Australian dollar fell 1.0% against the US dollar last week. The local currency was pushed lower by generally softer commodity prices, investors paring expectations of a May official interest rate hike by the RBA, rumours that China was about to tighten its monetary policy further and a safe-haven bid for the US dollar after the SEC announced fraud charges against Goldman Sachs.



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	Australia	United States/Other
Monday, 19th April	–	–
Tuesday, 20th April	– RBA Monetary Minutes	– Ger ZEW Economic Sentiment (Apr) – UK CPI (Mar)
Wednesday, 21st April	– DEWR Skilled Vacancies (Apr)	– UK Monetary Minutes – UK Unemployment Rate (Mar)
Thursday, 22nd April	– New Motor Vehicle Sales (Mar)	– Ger Manufacturing/Services PMI (Apr) – US PPI (Mar) – US Existing Home Sales (Mar)
Friday, 23rd April	– Import/Export Prices (Q1) – RBA Governor Stevens Speaks on Economic Conditions	– UK GDP (Q1 Advance) – US Durable Goods (Mar) – US New Home Sales (Mar)

Preview - Key Releases and Events

Australia

The RBA's April **monetary policy meeting minutes** will be released on Tuesday this week. The RBA increased its official cash rate by 0.25% to 4.25% at its 6 April meeting. The Bank has now hiked at five of its last six meetings. The Bank's minutes are likely to justify the latest hike by referencing the improved domestic and international economic outlook and below-average domestic interest rates. The RBA will be in focus again later in the week on Friday, when **Governor Stevens** speaks about economic conditions. Investors will be particularly interested in the RBA's inflationary expectations over 2010 ahead of the Q1 CPI data announcement on 28 April.

Investors will look to the April minutes and Governor Stevens' speech for further clarity about the path of future RBA official cash rate hikes. The market is currently pricing a 23% chance of a May rate hike and expects the official cash rate to be around 5.0% by end-2010.

On Friday, Q1 trade prices are released. The market is forecasting a 3.7% increase in **export prices** after the recent strength in commodity prices. If export prices rebound, it will be the first increase after four successive quarterly falls during 2009. **Import prices** are expected to have declined a further 1.5% in Q1 after falling each quarter in 2009.

Preview - Key Releases and Events

United States/Other

In the US, economists are forecasting a 0.5% increase in the March **PPI**. Most of the increase is expected to come from oil and commodity prices. Annual producer price inflation is expected to hit 6.0%. This would be the highest rate of producer price inflation since September 2008.

US existing and **new home sales** are released on Thursday and Friday respectively. Inclement weather and snow storms weighed on existing and new home sales in February. The market is predicting a rebound in March. Existing home sales are forecast to have increased 5.6% in March and new home sales are expected to have climbed 5.5%. A rebound in sales would add to the improvement in the housing market in March after housing starts and building permits recovered from February.

Market economists are forecasting a continued uptrend in **durable goods orders**. Orders increased 0.9% in February, a third consecutive rise, and the market expects another 0.2% rise in March.

In the UK, the March **inflation** figure is released on Tuesday and Q1 **GDP** is released on Friday. The market expects annual core inflation to edge down from 2.9% in February to 2.8% in March, and quarterly GDP to post a 0.4% increase after a 0.4% rise in Q4 2009. The UK releases its Q1 GDP figure ahead of other advanced economies. The release will give an advance indication of how the international economy is recovering from the global downturn. The GDP number will also be an important release ahead of the 5 May UK General Election. A surprisingly high or low number could have a significant impact on the election result.