

Morning Report

Foreign Exchange Market

	Previous Range		Today's Open	Expected
	Asia	Overnight	8.00am NZD cross	Range Today
NZD	0.6895-0.6963	0.6851-0.6917	↓0.6859	0.6840-0.6890
AUD	0.9018-0.9078	0.8978-0.9040	↓0.8991 ↓0.7629	0.8970-0.9050
JPY	88.36-88.64	88.14-89.21	↑89.24 ↓61.210	88.50-89.50
EUR	1.3677-1.3727	1.3551-1.3695	↓1.3563 ↓0.5057	1.3530-1.3630
GBP	1.5071-1.5131	1.5006-1.5136	↓1.5027 ↓0.4564	1.5000-1.5070

NZ Domestic Market (Previous day's closing rates)

Cash Curve	Govt Stock	Swap Rates (Qtrly)
Cash 2.50%	Nov-11 3.66%	1 Year 3.39%
30 Days 2.66%	Apr-13 4.44%	2 Years 4.11%
60 Days 2.80%	Apr-15 4.98%	3 Years 4.57%
90 Days 2.68%	Dec-17 5.45%	4 Years 4.87%
180 Days 2.85%	May-21 5.74%	5 Years 5.08%
1 Year 3.32%		7 Years 5.44%
		10 Years 5.76%

World Bourses and Indices

AUD			USD		
Cash	4.00%	+0.25	Fed Funds	0.00-0.25%	
90 Day	4.22%	-0.03	3 Mth Libor	0.26%	0.00
5 Year Bond	5.10%	-0.03	10 Year Notes	3.60%	-0.04
10 Year Bond	5.41%	-0.01	30 Year Bonds	4.56%	-0.04
NZX 50	3213.6	+15.1	CRB	274.9	-2.8
All Ords	4757.6	+13.8	Gold	1131.0	-11.5
Nikkei	10145.7	-107.4	Copper Fut.	336.60	-6.90
FT100	5527.2	-6.0	Oil (WTI)	80.25	-0.52
DJI	10415.6	+13.3	NZ TWI	63.62	-0.30

Upcoming Events

Date	Country	Release	Last	Forecast
5 Mar	NZ	Q4 Wholesale Trade Survey	-0.8%	1.5%
		US	Feb Non-Farm Payrolls ch'	-20k
		Feb Unemployment Rate	9.7%	9.9%
		Jan Consumer Credit \$bn	-1.7	-5.0
		Fedspeak: Bullard	-	-
8 Mar	Ger	Jan Factory Orders	-2.3%	-1.0%
	UK	Feb PPI %yr	2.5%	2.8%
	NZ	Q4 Building Work Put in Place	-4.9%	-
Q4 Real Manufacturing Sales		-1.4%	-	
Eur	Mar Sentix Investor Confidence	-8.2	-12.0	
	Ger	Jan Industrial Production	-2.6%	1.0%

Latest Research Papers/Publications

- RBNZ MPS Preview (4 March)
- Agribiz February 2010 (18 February)
- The bigGST step (12 February)
- Q4 Retail Sales Review (12 February)
- Q4 HLFs Review (4 February)
- RBNZ OCR Review (28 January)

These papers/publications are available on Online Research on Westpac Institutional Bank's website (www.wib.westpac.co.nz)

Westpac Banking Corporation ABN 33 007 457 141 incorporated in Australia (NZ division). Information current as at 5 March 2010. All customers please note that this information has been prepared without taking account of your objectives, financial situation or needs. Because of this you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation or needs. Australian customers can obtain Westpac's financial services guide by calling +612 9284 8372, visiting www.westpac.com.au or visiting any Westpac Branch. The information may contain material provided directly by third parties, and while such material is published with permission, Westpac accepts no responsibility for the accuracy or completeness of any such material. Except where contrary to law, Westpac intends by this notice to exclude liability for the information. The information is subject to change without notice and Westpac is under no obligation to update the information or correct any inaccuracy which may become apparent at a later date. Westpac Banking Corporation is registered in England as a branch (branch number BR000106) and is authorised and regulated by The Financial Services Authority. Westpac Europe Limited is a company registered in England (number 05660023) and is authorised and regulated by The Financial Services Authority. © 2010 Westpac Banking Corporation. Past performance is not a reliable indicator of future performance. The forecasts given in this document are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from these forecasts.

News and views

In a mixed evening, where negative news outweighed the positive, US equities were roughly flat, commodities and risk currencies weaker. US economic data releases were a mixed bag, jobless claims improvements later dampened by a plunge in pending home sales. Central bank events failed to elicit much response, the BoE holding at 0.5% without commentary and the ECB also holding, at 1.0%. The markets took interest in Moody's downgrade of Deutsche Bank from AA1 to AA3. Also of interest were rumours suggesting US agency Fannie Mae discriminate its surplus cash lending in favour of US domestic banks at the expense of Europeans. The S&P500 is currently up 0.1%, with commodity index CRB down 1.2% (oil -1.1%, copper -2.1%, gold -0.7%). The US treasuries curve is 6bp flatter, driven by a 5bp sell-off in the 2yr ahead of tonight's key payrolls report.

The US dollar is stronger, the DXY index bouncing from 80.00 to 80.65. **EUR** fell from the 1.3650-1.3700 area to 1.3550. **USD/JPY** bounced strongly on the Fannie Mae rumours above, from 88.20 to 89.20, and formed a bullish key reversal day.

The **AUD** was volatile, and twice tried unsuccessfully to break below 0.8980, punctuated by a visit to 0.9040.

NZD continued to underperform, breaking minor support levels to land around 1.6860. AUD/NZD made a fresh decade high at 1.3126, and held its gains.

US pending home sales fell 7.6% in Jan, way below the weakest forecast, and with sales down in all regions but by the most in the mild West, it is unlikely to be a temporary weather disruption story. Rather, the housing market seems to have exhausted the benefit from the tax credit for buyers, and is once again revealing its underlying weakness, also apparent in new home sales.

US factory orders rose 1.7% in Jan, reflecting a revised 2.6% durables component, and a 0.9% rise in non-durables, some of that due to energy price gains. Factory stocks rose 0.2%.

US initial jobless claims fell 29k to 469k last week, suggesting the previous week's spike was weather-related. In that previous week, continuing claims fell 134k to 4.5mn, a new cycle low. In other news, Feb chain store sales accelerated to a 3.7% yr pace, suggesting weather impact was not severe. Productivity growth was revised up from 6.2% annualised to 6.9% in Q4, so unit labour costs were marked lower from -4.4% to -5.9%.

The ECB left rates on hold at 1.00%. At the press conference rates were described as appropriate, inflation subdued, and growth uneven. It was also decided to continue with fixed tender/full allotment main and special refinancing operations until October, but other non-standard operational measures were phased out.

Euroland GDP growth was confirmed at 0.1% in Q4, down from 0.4% in Q3. The Q4 detail included flat household spending, falling investment/public spending and export and import gains.

The Bank of England left the Bank rate at 0.50% (it's been there a year now) and maintained the stock of asset purchases at £200bn. There was no commentary in the perfunctory statement. On the data front house prices fell 1.5% in Feb, the first decline on the HBoS measure since June last year. Prices are still up 4.5% yr.

Canadian building permits fell 4.9%, their third consecutive decline after revisions. In Jan residential permits rose 4.1% but non-res fell 21.0%.

Canadian IVEY PMI rose just 1.1 pts to 51.9 in Feb, a very soft gain compared to the average rise of 8 pts in the previous five Februaries (series not seasonally adjusted).

Outlook

AUD/USD and NZD/USD outlook next 24 hours: AUD should be contained by 0.9040 and 0.8980 during today's domestic session. NZD is supported at 0.6850 and 0.6800, but looks vulnerable.

Imre Speizer, Senior Market Strategist, NZ, Ph: (04) 470 8266

With contributions from Westpac Economics