

# Morning Report

Foreign Exchange Market				
	Previous Range		Today's Open	Expected
	Asia	Overnight	8.00am NZD cross	Range Today
NZD	0.6857-0.6910	0.6857-0.6922	↓0.6861	0.6820-0.6900
AUD	0.8642-0.8724	0.8644-0.8710	↓0.8680 ↓0.7904	0.8620-0.8720
JPY	89.15-89.55	89.15-89.57	↓89.31 ↓61.280	88.80-89.80
EUR	1.3621-1.3717	1.3622-1.3714	↓1.3680 ↓0.5015	1.3620-1.3720
GBP	1.5580-1.5660	1.5535-1.5660	↓1.5624 ↓0.4391	1.5580-1.5680

NZ Domestic Market (Previous day's closing rates)					
Cash Curve	Govt Stock		Swap Rates (Qtrly)		
Cash	2.50%	Nov-11	3.83%	1 Year	3.47%
30 Days	2.71%	Apr-13	4.57%	2 Years	4.26%
60 Days	2.73%	Apr-15	5.05%	3 Years	4.74%
90 Days	2.75%	Dec-17	5.52%	4 Years	5.04%
180 Days	2.93%			5 Years	5.24%
1 Year	3.41%	May-21	5.84%	7 Years	5.56%
				10 Years	5.87%

World Bourses and Indices					
<b>AUD</b>			<b>USD</b>		
<b>Cash</b>	3.75%	0.00	<b>Fed Funds</b>	0.00-0.25%	
<b>90 Day</b>	4.20%	+0.08	<b>3 Mth Libor</b>	0.26%	0.00
<b>5 Year Bond</b>	5.02%	-0.01	<b>10 Year Notes</b>	3.59%	+0.02
<b>10 Year Bond</b>	5.40%	+0.01	<b>30 Year Bonds</b>	4.52%	0.00
<b>NZX 50</b>	3093.5	-11.5	<b>CRB</b>	261.5	+2.9
<b>All Ords</b>	4538.8	+6.3	<b>Gold</b>	1065.7	+0.1
<b>Nikkei</b>	9951.8	-105.3	<b>Copper Fut.</b>	290.10	+4.35
<b>FT100</b>	5092.3	+31.4	<b>Oil (WTI)</b>	71.59	+0.45
<b>DJI</b>	9992.0	-37.4	<b>NZ TWI</b>	63.77	-0.40

Upcoming Events				
Date	Country	Release	Last	Forecast
9 Feb	NZ	PM John Key State of Nation speech		
	Aus	Jan NAB Business Survey	10	-
	US	Jan NFIB Small Business Optimism	88.0	-
		Dec Wholesale Inventories	1.5%	0.5%
		Feb IBD/TIPP Economic Optimism	48.8	53.0
	UK	Jan RICS House Prices % Balance	30%	27%
		Dec Visible Trade Balance £bn	-6.8	-6.7
		Jan BRC Retail Sales Monitor %yr	4.2%	0.0%
10 Feb	NZ	Jan Electronic Card Transactions	0.3%	-
	Aus	Feb Westpac-MI Consumer Sent	120.1	-

- Latest Research Papers/Publications**
- Q4 HLFS Review (4 February)
  - RBNZ OCR Review (28 January)
  - Q4 labour market preview (27 January)
  - RBNZ OCR Preview (21 January)
  - Q4 CPI Review (20 January)
  - Economic Overview January 2010 (18 January)
  - Sectoral performance (15 January)
- These papers/publications are available on Online Research on Westpac Institutional Bank's website ([www.wib.westpac.co.nz](http://www.wib.westpac.co.nz))

## News and views

**In a fairly uneventful evening, most markets consolidated recent gains and losses.** US equities are largely unchanged, the S&P500 up 0.1%, although the banks' sub-index is down 1.3%. US Treasury Secretary Geithner said in an interview the US is in no danger of losing its AAA sovereign credit rating, but equity investors remain concerned about southern European sovereign risks. The world's largest bond fund, PIMCO, said as much at a press conference yesterday, commenting on its reallocation of risk from Europe into Brazilian bonds and the CNY currency, while also expressing confidence in the US economy. Commodities partly recouped recent heavy losses as the US dollar slipped, oil up 0.7% on cold weather, copper up 1.8%, and cotton up 2.8%. US treasuries added a couple of bp across the curve ahead of another hefty auction week (\$81b of 3yr, 10yr and 30yr bonds), safe haven demand slipping.

The US dollar index consolidated just under its recent high of 80.68, ranging between 80.10 and 80.50. The **EUR** fluctuated between 1.3640 and 1.3710, its oversold condition slowing further losses for now. **USD/JPY** ranged between 89.10 and 89.60.

**AUD** ranged between 0.8640 and 0.8710. Not market-moving but topical, influential journalist Terry McCrann cautioned yesterday's announced termination of the wholesale government guarantee facility could haunt in the event of another credit crunch.

**NZD** underperformed after spiking to 0.6920 early Europe, testing 0.6860 support several times. AUD/NZD rose from a 1.2570 overnight low to 1.2650.

### No US data.

**Japan's current account narrowed slightly in December.** The seasonally adjusted balance came in at ¥1100bn in December against a ¥1305bn surplus in November. The raw data (the relevant measure for flows) also narrowed by ¥200bn or so. The income surplus explained much of the that, falling to ¥806bn from close to ¥1 trillion for most of the second half of the year. Also today, January bank lending fell to -1.5%yr from -1.0%yr in December.

**Europe Sentix investor sentiment fell from -3.7 to -8.2 in February,** the first drop in seven months. A drop of around 6% in European share markets and growing concerns about sovereign debt gave investors plenty to worry about in January.

**Canada housing starts rose 5.8% in January,** continuing their strong recovery from the April lows. Annual benchmark revisions also added around 7% to starts through the second half of 2009.

## Outlook

**AUD/USD and NZD/USD outlook today:** AUD should again hold above 0.8600 support, given its resilience since Friday night. NZD should hold above 0.6800. Today's NZ PM speech to Parliament may outline tax system changes which could have a NZD bearish tilt.

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 With contributions from Westpac Economics

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