

Market Highlights

Foreign exchange

	Sydney close	O/n range, <i>indicative only</i>	Latest
EUR	1.2807	1.2697/1.2814	1.2684
JPY	83.88	83.51/84.14	83.80
GBP	1.5372	1.5296/1.5425	1.5356
CHF	1.0087	1.0079/1.0148	1.0112
NZD	0.7226	0.7186/.7238	0.7189
AUD	0.9143	0.9092/.9147	0.9108
AUD TWI	70.3		

Upcoming events (mkt f/c %mth unless indicated)

Today

Aus Jul housing finance (no.) (last -3.8%, f/c 1.0%, WBC f/c 1.0%)
 NZ Q2 building work put in place (last 0.7%)
 NZ Q2 real manufacturing sales s.a. (last -2.7%)

Tonight

US Fed beige book
 US Jul consumer credit \$bn (last -1.3, f/c -5.4)

Australian dollar

Stress from Europe sees S&P500 close -1.1%. US equity investors returned from their holiday in a defensive mood as concerns over the robustness of the European banking sector resurfaced. A Wall Street Journal report said the recent European bank stress tests may have understated government bond holdings. Germany's banking association separately reported a potential large capital shortfall for its members and an FT report speculated that some of the weaker euro countries may fail to raise required funds in September – Sep borrowing needs are twice August's. The Irish 10yr yield rose 30bps to equal its Jan-09 high; Greece, Portugal, and Hungary also suffered. US 10yr Treasury yields fell 11bps to 2.59%. Key commodities fell, oil -0.7% and copper -1.1%.

The US dollar index rose on safe-haven buying, closing at 82.89. EUR slid after Sydney closed, from 1.2814 to 1.2684 currently, the surprise fall in German factory orders not helping. The outperforming yen saw USD/JPY make a fresh post-1995 low at 83.51, currently 83.80.

AUD fell from the Sydney close of 0.9143 to a low of 0.9092 during the European session, before recovering somewhat in NY to 0.9108 currently. NZD fell over the session to a low of 0.7186, currently 0.7189. AUD/NZD slipped to 1.2618 after Labour emerged as victors, then consolidated around 1.2650, currently 1.2669.

Economic data and events

No major US data

German Factory Orders contracted 2.2% in July, the biggest fall since February 2009. The annual rate eased to 17.7%, the third consecutive decline. Partly weighing on the monthly numbers was the upward revision to June's report, to 3.6%. Within the detail, exports were down 3.7%, domestic orders were 0.3% lower while capital goods (-5.5%) and consumer items (-1.0%) also posted contractions. The recent slowdown in the data, albeit from record levels, certainly suggests that the broader German economy will struggle to maintain the recent impressive performance from the first half of this year in the face of a slowdown in the US during the second half.

	Close/Latest	Change		Latest/Sycom**	Change
ASX/S&P 200	4573.20	-2.30	US Fed funds	0.25	0.00
Aust SPI 200	4550.00	-27.00	US 2yr note	0.48	-0.03
Nikkei 225	9226.00	-75.32	US 10yr bond	2.59	-0.11
FTSE	5407.82	-31.37	RBA cash	4.50	0.00
Dow Jones Ind	10340.69	-107.24	Aust 90d BB future	4.77	0.00
Nasdaq	2208.89	-24.86	Aust 3yr bond future	4.48	-0.04
Gold	1254.95	-0.60	Aust 10yr bond future	4.84	-0.02
Oil (Nymex)	74.09	-0.51	WCFI	268.33	-0.60
CRB	273.81	1.04			

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* Overnight trading ranges are indicative only. If you have any queries regarding overnight trading please contact your Westpac dealer.

** (Sycom Latest) Implied Yield. Change is implied yield. ^as at 07:52 AEDT

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