



3 February 2012

Foreign exchange		* o/n ranges indicative only	
	Sydney close	o/n range*	Latest
EUR	1.3185	1.3086/1.3194	1.3146
JPY	76.13	76.05/76.25	76.19
GBP	1.5837	1.5795/1.5861	1.5805
CHF	0.9151	91.35/92.08	0.9166
NZD	0.8344	83.11/83.71	0.8331
AUD	1.0734	1.0680/1.0748	1.0708
AUD TWI	78.3		

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

### Today

NZ Dec net migration (last -50, WBC f/c -150)  
Inr Jan market services PMI (last 53.0)

### Tonight

Eur Jan PMI services final (last 50.5, f/c 50.5)  
Eur Dec retail sales (last -0.8%)  
UK Jan PMI services (last 54.0, f/c 53.0, WBC f/c 52.0)  
US Jan non-farm payrolls change (last 200k, f/c 140K, WBC f/c 150k)  
US Jan unemployment rate % (last 8.5%, f/c 8.5%, WBC f/c 8.6%)  
US Jan ISM non-manufacturing (last 52.6, f/c 53.2, WBC f/c 52.5)  
US Dec factory orders (last 1.8%, f/c 1.5%)  
Can Jan employment change (last 18k, f/c 22.3k)

## Australian dollar

**Markets consolidated.** US equities failed to extend the mini-rally rally 30 January, the S&P500 up just 0.1% despite the mildly positive news flow. Spanish and French government bond auctions were successful, China's Premier confirmed it was considering greater involvement in the EFSF and ESF Eurozone rescue funds, and Fed Chairman Bernanke reiterated to Congress his frustration with the slow pace of US economic recovery (leaving the door open for QE3) while noting improvement on some fronts. Separately, Fed dove, but non-voter, Evans favoured a new and aggressive round of treasury and MBS purchases. The CRB commodities index is 0.6% lower, oil -2.0%, copper -1.6%, but gold +0.7%. US 10yr treasury yields are 1bp lower at 1.82% after slipping from the Asian session high of 1.85% (the previous support level and now resistance). Following the successful auctions, French 10yr yields are 13bp lower but Spain's are 8bp higher. Portugal's 10yr yield continued to decline, down 42bp to 14.80% - where it was before the late January panic but still historically high.

**The US dollar index is little changed and most currencies were quiet ahead of tonight's important US payrolls report.** EUR consolidated between 1.3086 and 1.3194. USD/JPY settled above 76.05.

	Close/Latest	Change
ASX/S&P 200	4267.85	42.18
Aust SPI 200	4239.00	0.00
Nikkei 225	8876.82	67.03
FTSE	5796.07	5.35
Dow Jones Ind	12705.34	-11.12
Nasdaq	2859.68	11.41
Gold	1759.75	13.23
Oil (Nymex)	96.57	-1.04
CRB	310.90	-0.63

After making a slightly higher high of 1.0757 in Sydney, AUD retreated into a 1.0680-1.0748 range. NZD probed slightly higher to 0.8371 in NY but then retreated into the range 0.8310-0.8350. AUD/NZD ground lower from around 1.2870 to about 1.2830.

## Economic data and events

**US initial jobless claims fall 12k to 367k** in the week ended Jan 28, suggesting a slower pace of employee layoffs, compared to earlier in Q4 last year. With no special factors at play, the 4 week average pace of claims was 376k, down from 405k in the last week of October 2011. However in other job market news, corporate layoff announcements were up 38.9%yr in Jan, compared to a 30.6%yr rise in Dec. And non-farm productivity growth was 0.7% annualised in Q4, compared to 1.9% in Q3. Consequently unit labour costs which fell 2.1% in Q3 were up 1.2% in Q4.

In other US news, the NY factory ISM jumped from 51.7 to 60.1 in Jan, its strongest reading since the first half of last year (as with the national factory ISM yesterday). Also chain store sales rose 4.8%yr in Jan, their fastest growth pace since Sep 2011.

**Fedspeak** - nothing especially new from Fed chair Bernanke in budget committee testimony and Charles Evans from the Chicago Fed reiterated his preference for further QE, possible as much as another \$1 trillion.

**Euroland producer prices fell 0.2% in Dec** for an annual PPI pace of 4.3% yr, its lowest since October 2010.

**UK PMI construction slipped from 53.2 to 51.4 in Jan.** It did not dip into the contractionary range below 50 at all in 2011, when its lowest reading was 50.1 in Sep.

	Latest/Sycom**	Change
US Fed funds	0.25	0.00
US 2yr note	0.22	0.00
US 10yr bond	1.82	-0.01
RBA cash	4.25	0.00
Aust 90d BB future	4.16	0.01
Aust 3yr bond future	3.18	0.00
Aust 10yr bond future	3.77	0.00
<b>WCFI</b>	<b>308.88</b>	<b>-0.90</b>

\* 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.

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