

# NEWS FLASH

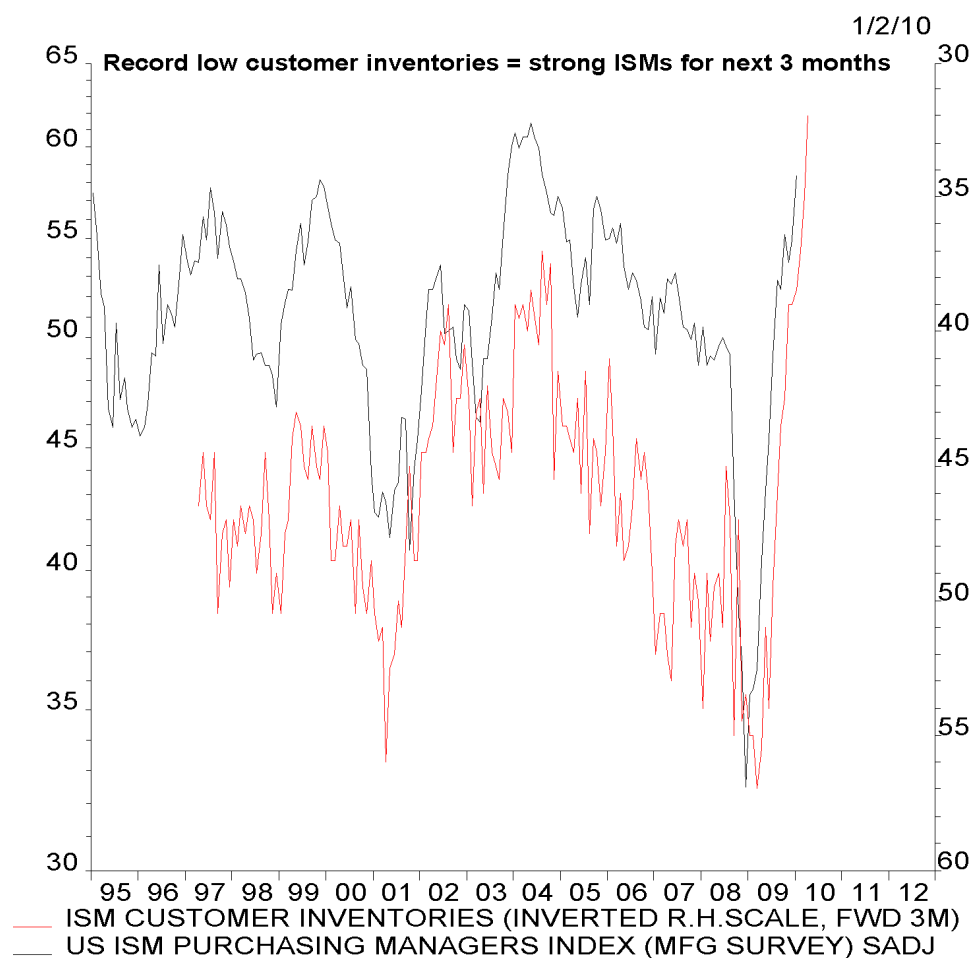
## GLOBAL MARKET UPDATE

Asia Pacific morning, 2 February 2010

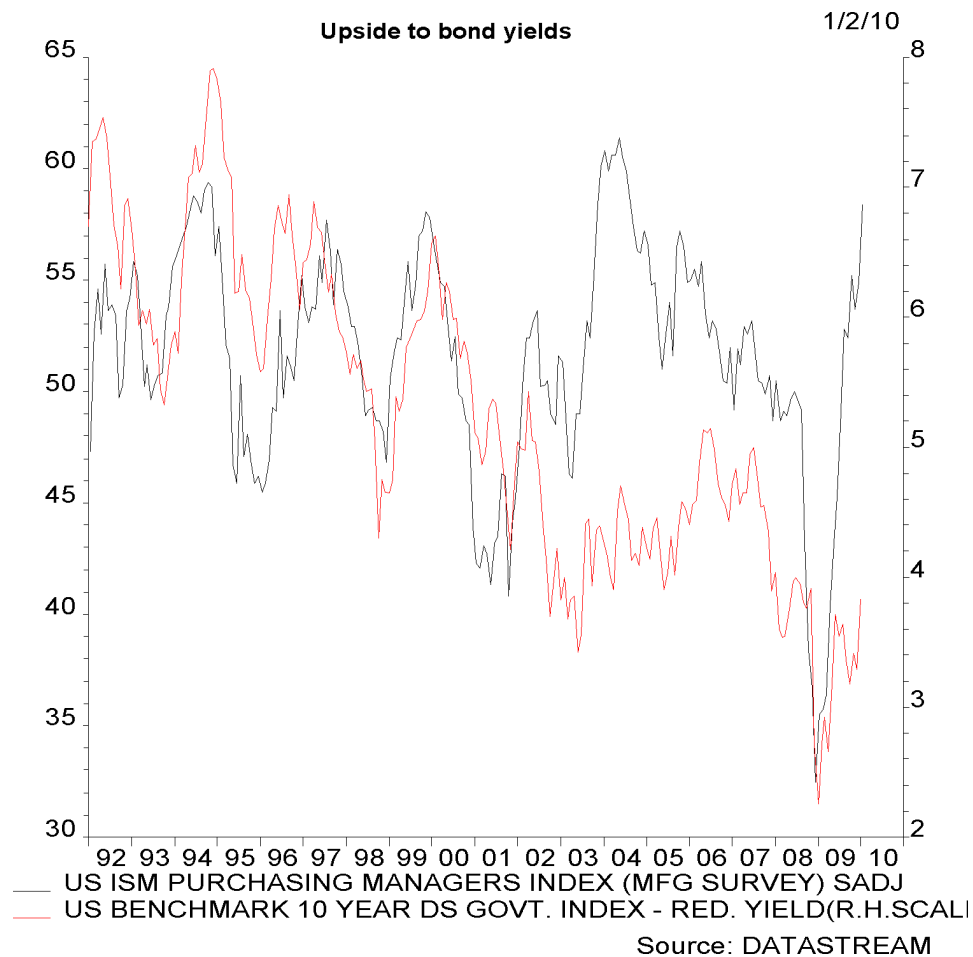
### Stocks rise over 1% on improvements in manufacturing in US, Europe

US and Europe markets traded higher on Monday, supported by stronger than expected manufacturing data. The Dow Jones industrial average rose 118 points or 1.2% to 10,118, while the Standard & Poor's 500 Index added 1.4% and the Nasdaq Composite Index rose by 1.5%.

The Dow was driven higher by the Materials (+3.4%) and Energy (+2.4%) sectors while other sectors also recorded gains. This was in reaction to the Institute for Supply Management manufacturing reports in the US, which showed a healthy gain of 3.5 pts in the composite Purchasing Managers' Index, to a robust 58.4. New orders and, especially, production rose, to levels of 65.9 and 66.2, respectively. Employment was up 3 points to 53.3 while new export orders played a role in the positive readings. Readings of greater than 50 signal expansion. What is also interesting is the relationship between bond yields and the ISM, which shows a large disparity compared to a historically closer relationship. Bond yields pushed higher on the release of the ISM Index.



Source: DATASTREAM



The latest US earnings season is likely to have ended a nine-quarter earnings slump for S&P 500 companies with a 76% increase in profits, according to analyst estimates compiled by Bloomberg. Almost 80% of the results released since Jan. 11 topped the average forecasts of Wall Street estimates.

A report from Markit Economics showed Europe's manufacturing industry also grew more than forecast last month, supporting rises in share prices across Europe. The Dow Jones Stoxx 600 Index added 0.6%, France's CAC 40 added 0.6%, Germany's DAX increased 0.8% and the UK's FTSE 100 rose 1.1%. Ryanair Holdings Plc advanced 6.7% in Dublin after Europe's biggest discount airline raised its profit forecast. Meanwhile, Vivendi SA, the world's largest music company, fell 2.4%. A Manhattan federal court jury ruled that the company acted recklessly and inflated its shares in misleading investors 57 times from 2000 to 2002.

UK house prices rose for a sixth month as a shortage of homes for sale supported property values, with the average home price increasing by 0.1%, the same as in the previous month. While house prices increased, there's a risk that the "skew in transactions, towards higher value property in better-off areas, has led to the general health of the housing market being overstated," Richard Donnell, director of research at Hometrack, said in the statement. "The outlook for 2010 remains far from certain." Other data suggests the pickup in house prices is enduring so far. Values jumped 1.2% in January, the most in five months, according to Nationwide Building Society. However, Mortgage approvals unexpectedly dropped in December for the first time in more than a year, according to Bank of England data.

Asian stocks were mixed on Monday following the release of a purchasing managers' index released by HSBC Holdings Plc and Markit Economics, spurring concerns that China may need to tighten credit conditions sooner than initially thought. The Shanghai Composite Index slid 1.7%. In Japan, Toshiba Corp., Japan's biggest memory-chip maker, fell 6% after the company cut its annual sales forecast by 5.9%, citing the global recession. Honda Motor Co. sank 2.5% after saying it's recalling 646,000 City, Fit and Jazz cars primarily in North America and UK because of faulty power windows. In Australia, the market fell as the monthly survey by ANZ Bank showed the total number of jobs advertised in major metropolitan newspapers and on the internet fell by 8.1% in January to an average of 134,106 per week, seasonally adjusted. That compares with a 4.6 per cent gain in December, a figure revised down from the 6 per cent growth pace originally published.

## Fixed income

The yield on the benchmark 10-year treasury note rose seven basis points to 3.65%. Treasuries fell for the first time in three days following the ISM numbers and after Obama's budget proposal projected this year's deficit will rise to a record \$1.6 trillion.

## Currencies

The US dollar weakened against the major European currencies while remaining flat against the Australian dollar and weaker against most Asian currencies. In morning trade, the greenback was trading 0.5% lower against the euro at 0.7177 and 0.5% higher against the yen, last trading at 90.61.

## Commodities

Commodities rallied following the manufacturing reports, with the Reuters/Jefferies CRB Index of raw-material prices adding 0.9% and rising for the first time in five days. Crude oil futures advanced 2.1% to \$74.43 a barrel in New York, while spot Gold rose 2.4% to \$1,106.20 an ounce.

## Looking ahead

Australia's SPI 200 futures contract is higher this morning on the back of a better performance in the US indices, currently trading up 46 points or 1% at 4,555.

## Latest markets:

Regions	Countries	Indices	Close	Net			
				Change	% 1 day	% YTD	% 1 year
ASIA	Japan	Topix	899	-3	-0.3%	-1.0%	15.5%
	Japan	Nikkei 225	10,205	7	0.1%	-3.2%	29.6%
	Hong Kong	Hang Seng	20,244	122	0.6%	-7.4%	57.4%
	Hong Kong	China Enterprise H Share	11,622	123	1.1%	-9.2%	68.1%
	China	Shanghai SE	2,941	-48	-1.6%	-10.2%	46.2%
	China	Shenzhen SE	1,103	-18	-1.6%	-8.2%	77.0%
	Taiwan	Taiwan TAIEX	7,525	-116	-1.5%	-8.1%	76.6%
	Korea	KOSPI	1,606	4	0.3%	-4.5%	40.1%
	Australia	S&P/ASX200	4,524	-46	-1.0%	-7.1%	29.4%
	India	SENSEX 30	16,356	-2	0.0%	-6.3%	73.6%
	Singapore	Straits Times	2,736	-9	-0.3%	-5.6%	60.5%
	Malaysia	Kuala Lumpur Comp	Closed	Closed	Closed	-1.1%	42.4%
	Thailand	Stock Exchange Index	698	1	0.2%	-5.0%	63.1%
	Indonesia	Jakarta Comp	2,588	-23	-0.9%	2.1%	97.4%
Philippines	Philippine SE	2,883	-70	-2.4%	-5.6%	57.2%	
America	US	S&P 500	1,089	15	1.4%	-2.3%	31.9%
	US	Dow Jones Industrial Avg	10,186	118	1.2%	-2.3%	27.3%
	US	NASDAQ	2,171	24	1.1%	-4.3%	47.1%
	Brazil	Bovespa Index	66,572	1,170	1.8%	-2.9%	69.4%
Europe	UK	FTSE 100	5,247	59	1.1%	-3.1%	26.5%
	Germany	DAX	5,654	46	0.8%	-5.1%	30.3%
	France	CAC 40	3,762	23	0.6%	-4.4%	26.5%
	Russia	Russian RTS (USD)	1,477	6	0.4%	2.2%	176.0%

As of Sydney Time 8:43 2/02/10

Source: Bloomberg, Reuters, MarketWatch