

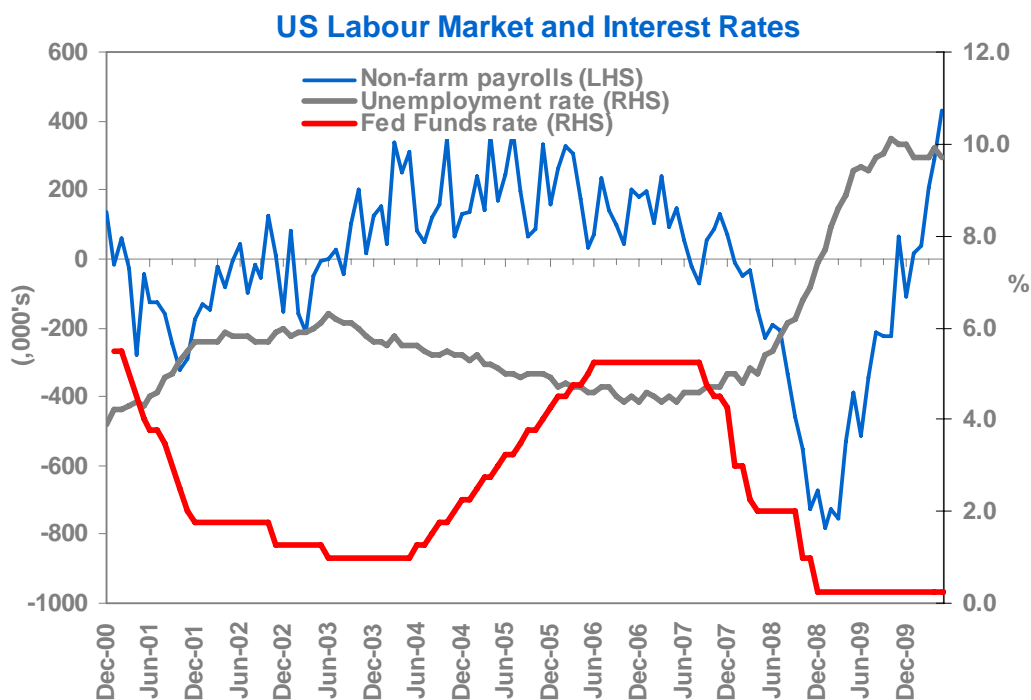
NEWS FLASH

GLOBAL MARKET UPDATE

Asia Pacific morning, 7 June 2010

Week ahead: US dollar strength, euro weakness and consumer resilience to set the tone

Asian markets are likely to start on a weak note this morning following the surprise fall in US employment data, which sent the key markets in the US down 3% on Friday. Employment data showed that only 41,000 private sector jobs were created, excluding temporary workers hired for the government census program. The non-farm US payrolls report showed an increase of 431,000 jobs compared to expectations of about 540,000, of which 411,000 were census-related temporary jobs. The figures showed cuts in financial services and construction jobs, while continuing jobless claims rose, raising concerns that unemployment in the US could remain stubbornly high for some time to come. The data also suggests the Federal Reserve won't be in any rush to raise interest rates.



Source: Bloomberg

The week ahead in the US will see data released on retail sales for May, along with the Federal Reserve's Beige Book report on economic conditions. The retail sales and consumer sentiment data should offer clues on the outlook for spending. Positive numbers from these releases may reverse some of the losses incurred last week. Market observers expect to see a continuation of modest economic expansion and some pickup in manufacturing and housing, but it remains to be seen how further weakness in the US labour market and global news events will counter the impact where stock markets are concerned.

Apple's 'worldwide developers' conference starts today. Apple's chief Steve Jobs will be delivering the keynote speech. The company is expected to showcase the next version of the iPhone at the conference.

Meanwhile, US Congress reconvenes after a week in recess to debate the Financial Services Bill, with a push to have the bill signed into law before 4 July.

Key economic data from the Asian region this week comes from China, Taiwan, Korea and Australia. China releases the latest on industrial production as well as consumer and wholesale prices this week. Markets will be interested in assessing the impact of the recent series of credit tightening measures and whether the case for further tightening exists. South Korea may raise its official interest rate this week after holding at 2% for 15 months. Dominique Strauss-Khan, Managing Director of the International Monetary Fund believes they should, citing the country's underlying economic strength, although political tensions may influence the decision to keep the rate unchanged. Taiwan releases its inflation and trade balance data this week. The nation's export growth is likely to have slowed due to the effects of weakening demand from Europe. In Australia, the latest ANZ Job Advertisements survey will be released today, followed by consumer and business sentiment indicators tomorrow and the key statistics of unemployment and consumer prices on Wednesday. The unemployment rate for April was a little higher than expected even though net growth in jobs was positive.

Europe comes to tail end of its corporate earnings season this week. Prudential holds its Annual General Meeting tonight following the failed bid for the Asian assets of AIG. The company's chief is under increasing pressure to step down following the failed bid, although he appears resolute for now.

On Thursday European Central Bank and the Bank of England announce interest rate decisions. Both are expected to remain unchanged at 0.5% and 1%, respectively, given the problem with the euro currency hitting a four-year low and further gyrations at the sovereign level.

Economic Calendar:

Central Bank activities		
7-Jun	United States	US Federal Reserve's Yellen Gives Welcome Remarks at Asia Conference
8-Jun	United States United States	US Federal Reserve's Duke speaks to Bankers in Florida US Federal Reserve's Hoenig speaks at Agricultural Symposium in Kansas City
9-Jun	Australia United States	Reserve Bank of Australia governor Glenn Stevens to address Western Sydney Business Connection NY US Federal Reserve's Sack speaks to economists in New York
11-Jun	United States	US Federal Reserve's Plosser speaks on Economic Outlook in Pennsylvania
Europe		
7-Jun	Germany	German Factory Orders (April)
8-Jun	France Germany Germany Switzerland	French Trade Balance (April) German Trade Balance (April) German Industrial Production (April) Unemployment Rate (May)
9-Jun	United Kingdom	Trade Balance (April)
10-Jun	Euro-zone France France United Kingdom	European Central Bank Rate Decision (June-10) French Manufacturing Production (April) French Industrial Production (April) Bank of England Rate Decision (June-10)
11-Jun	France United Kingdom United Kingdom	French Consumer Price Index (May) Producer Price Index (May) Industrial Production (April)
Asia Pacific		
6-Jun	China	Trade Balance
7-Jun	Japan	Trade Balance (April)

	Australia	ANZ Job Advertisements survey
	Taiwan	Consumer Price Index
	Taiwan	Wholesale Price Index
	Taiwan	Trade Balance
9-Jun	Australia	Westpac Consumer Confidence (June)
	Australia	NAB Business Conditions (May)
	New Zealand	Reserve Bank of New Zealand Rate Decision
	South Korea	Unemployment Rate
10-Jun	Australia	Consumer Inflation Expectation (June)
	Australia	Unemployment Rate (May)
	Japan	Consumer Confidence (May)
	South Korea	Bank of Korea Monetary Policy Committee Meeting
11-Jun	China	New Yuan Loans
	China	Consumer Price Index
	China	Industrial Production
	India	Industrial Production
Americas		
7-Jun	United States	Consumer Credit (April)
9-Jun	United States	Fed Releases Beige Book Economic Report
10-Jun	United States	Trade Balance (April)
	United States	Initial Jobless Claims
11-Jun	United States	Advance Retail Sales (May)
	United States	University of Michigan Confidence Index (June)

Sources: Bloomberg, Reuters, MarketWatch, Datastream

Friday's closing prices:

Equities

US stocks suffered steep falls on Friday following the weaker than expected results in the labour market, together with the latest addition to the euro melting pot; this time, Hungary. The country's spokesman for Prime Minister Viktor Orban was quoted as saying talk of default for the country was not "an exaggeration." The Hungarian government has since played down those fears, saying the comments were "exaggerated", highlighting that the nation's deficit of 4.1% of gross domestic product was lower than the euro-zone average of 6.3% and significantly lower than Greece's 9.3%.

The Dow Jones Industrial Average fell 324 points, or 3.2%, to 9,931, off 2% for the week. The S&P 500 fell 3.4% to be down 2.3% for the week, while the Nasdaq Composite fell 3.6%, 1.7% lower than the prior Friday's close.

Large manufacturers were among the Dow's biggest losers, with manufacturer Caterpillar losing 5.5% and industrial conglomerate United Technologies declining 4%. Financials also suffered with JPMorgan Chase & Co down 3.5% and Bank of America Corp off 2.9%.

European markets were mostly weaker following the heightened sensitivity to their currency. The French CAC-40 index was down 2.9%, the German DAX index fell 1.9% and the UK's FTSE 100 index lost 1.6%. Meanwhile, Spain's Ibex 35 index fell 4.2%.

Fixed Income

The yield on US 10-year treasuries fell 16 basis points to 3.20% on Friday following the poor showing in labour market data.

Commodities

Metal prices fell at the end of last week with the exception of gold. The Reuters/CRB index of commodities slipped more than 2% on Friday. Oil was also sold down and has now fallen 5.8% from its close on

Thursday. In morning trade crude oil for July delivery is at \$US70.41 a barrel. Gold futures gained 0.6% to end the week at US\$US1218 an ounce

Currencies

The US dollar has rallied against all major currencies except the yen as investors shift preferences towards holding hard currency. Since the open on Friday, the US dollar is up 3.33% against the Australian dollar, 2.52% against the Brazilian real and 1.94% versus the euro. It is however 1.26% weaker against the yen at 91.53.

Looking ahead

Reflecting the falls in the US on Friday, Australia's SPI 200 futures contract is down 114 points or 2.55% this morning.

Latest markets:

Countries / Regions	Indices	Close	1 day		1 week		1 month	MTD	YTD		
			Net change	% change	Net change	% change	% change	% change	% change		
Equities - Asia	Japan	NIKKEI 225 STOCK AVERAGE	9,901	▼ (13.0)	-0.1 %	▲ 138.2	1.4 %	-10.5 %	1.4 %	-6.1 %	
	Japan	TOPIX	890	▼ (0.5)	-0.1 %	▲ 11.6	1.3 %	-9.8 %	1.1 %	-1.9 %	
	Hong Kong	HANG SENG	19,780	▼ (6.6)	-0.0 %	▲ 13.4	0.1 %	-4.7 %	0.1 %	-9.6 %	
	Hong Kong	HANG SENG CHINA ENTERPRISES	11,376	▼ (21.9)	-0.2 %	▼ (133.0)	-1.2 %	-4.1 %	-1.0 %	-11.1 %	
	China	SHANGHAI SE COMPOSITE	2,554	▲ 0.9	0.0 %	▼ (102.2)	-3.8 %	-9.9 %	-1.5 %	-22.1 %	
	China	SHENZHEN SE COMPOSITE	1,035	▲ 10.2	1.0 %	▼ (27.9)	-2.6 %	-6.3 %	0.1 %	-13.9 %	
	Taiwan	TAIWAN SE WEIGHTED	7,345	▼ (15.7)	-0.2 %	▲ 49.3	0.7 %	-7.4 %	-0.4 %	-10.3 %	
	Korea	KOREA SE COMPOSITE (KOSPI)	1,664	▲ 2.3	0.1 %	▲ 41.4	2.6 %	-3.2 %	1.4 %	-1.1 %	
	Australia	S&P/ASX 200	4,449	▼ (36.6)	-0.8 %	▼ (8.1)	-0.2 %	-6.1 %	0.4 %	-8.7 %	
	India	INDIA BSE (SENSEX) 30 SENSITIVE	17,118	▲ 95.4	0.6 %	▲ 254.6	1.5 %	-0.1 %	1.0 %	-2.0 %	
	Singapore	STRAITS TIMES INDEX L	2,807	▲ 13.0	0.5 %	▲ 66.8	2.4 %	-3.3 %	2.0 %	-3.1 %	
	Malaysia	FTSE BURSA MALAYSIA KLCI	1,294	▼ (0.1)	0.0 %	▲ 25.2	2.0 %	-3.6 %	0.7 %	1.7 %	
	Thailand	BANGKOK S.E.T.	771	▲ 5.5	0.7 %	▲ 34.2	4.6 %	-3.2 %	2.8 %	5.0 %	
	Indonesia	JAKARTA SE COMPOSITE	2,823	▲ 12.3	0.4 %	▲ 109.3	4.0 %	-4.6 %	0.9 %	11.4 %	
	Philippines	PHILIPPINE SE (PSEi)	3,357	▲ 1.8	0.1 %	▲ 104.4	3.2 %	2.0 %	2.6 %	10.0 %	
Equities - Other	US	DOW JONES INDUSTRIALS	9,932	▼ (323.3)	-3.2 %	▼ (204.7)	-2.0 %	-9.1 %	-2.0 %	-4.8 %	
	US	S&P 500 COMPOSITE	1,065	▼ (38.0)	-3.4 %	▼ (24.5)	-2.3 %	-9.3 %	-2.3 %	-4.5 %	
	US	NASDAQ COMPOSITE	2,219	▼ (83.9)	-3.6 %	▼ (37.9)	-1.7 %	-8.5 %	-1.7 %	-2.2 %	
	UK	FTSE 100	5,126	▼ (85.2)	-1.6 %	▼ (62.4)	-1.2 %	-5.3 %	-1.2 %	-5.3 %	
	Germany	DAX 30 PERFORMANCE	5,939	▼ (115.8)	-1.9 %	▼ (7.3)	-0.1 %	-1.1 %	-0.4 %	-0.3 %	
	France	FRANCE CAC 40	3,456	▼ (101.7)	-2.9 %	▼ (59.5)	-1.7 %	-6.3 %	-1.5 %	-12.2 %	
	World	*MSCI WORLD U\$	3,513	▼ (101.5)	-2.8 %	▼ (64.1)	-1.8 %	-9.1 %	-1.8 %	-8.0 %	
	EMEA	*MSCI EM EMEA \$	398	▼ (12.8)	-3.1 %	▼ (12.7)	-3.1 %	-9.0 %	-3.1 %	-7.0 %	
	Emerging Market	*MSCI EM U\$	1,615	▼ (19.7)	-1.2 %	▼ (5.6)	-0.3 %	-7.4 %	-1.4 %	-6.7 %	
	Global Property	*FTSE EPRA/NAREIT DEVELOPED \$	2,295	▼ (78.1)	-3.3 %	▼ (65.8)	-2.8 %	-9.9 %	-2.6 %	-4.9 %	
Fixed Interest	Global Bond	*BOFA ML GLB LARGE CAP (\$)	210	▼	0.0	0.0 %	▼ (1.3)	-0.6 %	-1.3 %	-0.5 %	-2.2 %
	Euro Bond	*BOFA ML EMU CORP. & LARGE CAP (\$)	171	▼ (2.1)	-1.2 %	▼ (3.8)	-2.1 %	-8.0 %	-1.8 %	-13.1 %	
	US Bond	*BOFA ML US CORP LGCP (\$)	229	▲ 2.1	0.9 %	▲ 1.2	0.5 %	-0.4 %	0.5 %	4.0 %	
	Global High Yield	*BOFA ML GLB HY (\$)	209	▼ (0.7)	-0.3 %	▼ (0.8)	-0.4 %	-4.9 %	-0.3 %	0.9 %	
	Euro High Yield	*BOFA ML EURO HIGH YIELD (\$)	186	▼ (2.9)	-1.5 %	▼ (4.9)	-2.6 %	-11.8 %	-2.1 %	-11.9 %	
	US High Yield	*BOFA ML US ORIGINAL ISSUE HY (\$)	211	▼ (0.3)	-0.2 %	▼ (0.2)	-0.1 %	-3.4 %	-0.1 %	2.5 %	
	Emerging Debts	*BOFA ML GLB EMRG SOV&CORP(\$)	359	▼ (1.9)	-0.5 %	▼ (1.1)	-0.3 %	-3.1 %	-0.3 %	2.8 %	
	Global Inf-Linked	*BOFA ML GLB GVT INFL LKD (\$)	229	▼ (0.3)	-0.1 %	▼ (0.4)	-0.2 %	-3.0 %	-0.3 %	-4.5 %	

Source: Datastream, 4-Jun-10, *Regional Indices in USD



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