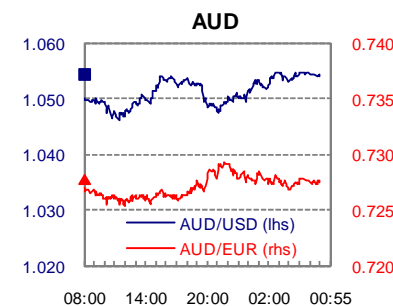
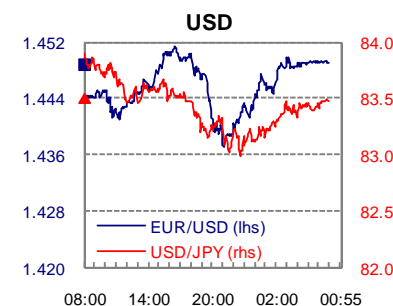
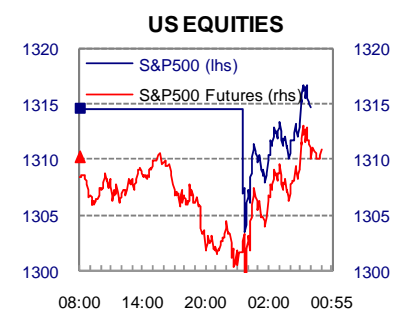
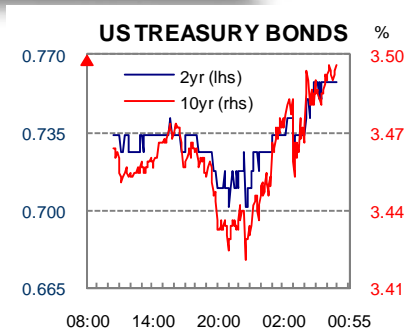


- US producer prices rose by a less than expected 0.7pct in March. Energy prices rose by 2.6pct in March, accounting for almost 90pct of the increase in wholesale prices. In the 12 months to March, producer prices rose by 5.8pct - the biggest gain in a year. Core producer prices (ex food & energy) gained a much more sedate 0.3pct with the annualised rate at 1.9pct.
- US initial jobless claims rose by 27,000 to 412,000 last week - well above expectations which had centred on a fall to 380,000. Those people remaining on unemployment benefits after drawing an initial week of aid fell from 3.738 million to 3.680 million.
- European shares fell on Thursday as worries about rising global inflation hurt investor sentiment. The STOXX Europe Banks index gave back the previous session's gains and more falling 1.4pct. The FTSEurofirst index fell by 0.5pct while the German Dax lost 0.4pct and the UK FTSE fell 0.8pct.
- US sharemarkets were mixed on Thursday following the unexpected rise in jobless claims. A senate investigation of Goldman Sachs (down 2.7pct) added to the weakness. The S&P financial sector lost 0.9pct. However energy stocks received a boost from the higher oil price. The Dow Jones index rose by 14pts or 0.1pct, with the S&P 500 up just 0.11points, while the Nasdaq lost 1.3pts or 0.1pct.
- US treasuries fell on Thursday in choppy trade (yields higher). The auction of \$13 billion in 30yr notes found moderate demand and marked the last auction this week. US 2yr yields rose by 4pts to 0.77pct and US 10yr yields gained 4pts to 3.50pct.
- The US dollar fell against major currencies in overnight trade on Thursday as the weak economic data supported the view that the Fed will continue its US\$600 billion QE policy to completion. The Euro hit early highs near US\$1.4510 before falling to lows near US\$1.4365, but did recover to close US trade near US\$1.4490. The Aussie dollar rose from US104.70c to highs near US105.50c, ending near US105.40c. And the Japanese yen traded between 83.60 yen per US dollar and JPY82.95, closing US trade near JPY83.40.
- US crude oil prices rose for the second straight session on Thursday. The Nymex crude oil contract rose by US\$1 or 0.9pct to US\$108.11 a barrel. The London Brent crude May contract which expired at the close of trade dipped by US52c to US\$122.36 a barrel.
- Base metal prices were mostly weaker on the London Metal Exchange on Thursday, with the exception of Aluminium which gained 0.1pct. Lead and Nickel posted the biggest declines. But the gold price rose supported by a weaker US dollar. The Comex gold futures price rose by US\$16.80 an ounce to US\$1,472.40.



Ahead: In Australia, no economic data is slated for release. In the US, consumer prices, capacity utilisation and industrial production are released. In China, retail sales, industrial production and inflation figures are expected.

Currencies			10 Yr Bond Yields (%)			Commodities			Equities		
AUD/USD	1.0541	0.3%	Australia	5.44	-0.02	CRB Index	360.66	0.3%	Dow	12,285	0.1%
NZD/USD	0.7932	0.5%	NZ	5.78	0.00	GS Index	#N/A	N/A	S&P 500	1,315	0.0%
EUR/USD	1.4492	0.3%	US	3.49	0.03	Aluminium \$/t	#N/A	N/A	NASDAQ	2,760	0.0%
USD/JPY	83.49	-0.4%	AU less US	1.95		Copper \$/t	#N/A	N/A	FTSE	5,964	-0.8%
GBP/USD	1.6349	0.5%	NZ less US	2.28		Lead \$/t	#N/A	N/A	Shanghai	3,043	-0.3%
USD/CHF	0.8921	-0.5%	AUD Swap Rates (%)			Nickel \$/t	#N/A	N/A	H.Seng	24,014	-0.5%
AUD/NZD	1.3288	-0.1%	3mth	4.93	-0.01	Zinc \$/t	#N/A	N/A	Nikkei	9,654	0.1%
AUD/JPY	88.01	-0.1%	3yr	5.45	0.04	Gold \$/o	1473.8	1.1%	ASX200	4,884	-0.5%
AUD/EUR	0.7274	0.0%	5yr	5.84	0.03	WTI Oil \$/b	108.11	0.9%	NZSX50	3,454	-0.1%

Indicative market rate at 7am Source: Bloomberg



Economics: Preview

AUSTRALIA & NEW ZEALAND

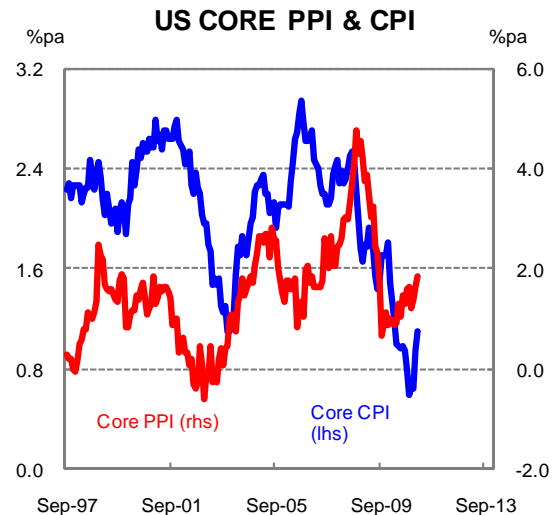
No major economic data is released in Australia or New Zealand today.

INTERNATIONAL

Friday 15 April

US CPI, Mar, m/y%ch, (0.5/2.1 prev)

In the year to February, US consumer prices increased 2.1%. The February rise was led by higher food prices and rising fuel costs. Significantly, core CPI increased by 0.2% in February (1.1% YoY), matching January's rise, which was the largest monthly gain since October 2009. It appears that higher production prices are beginning to filter into consumer goods and services prices. Despite the lift in the CPI, the Fed remains concerned that consumer inflation is tracking below its long-range annual 1.6-2% target.



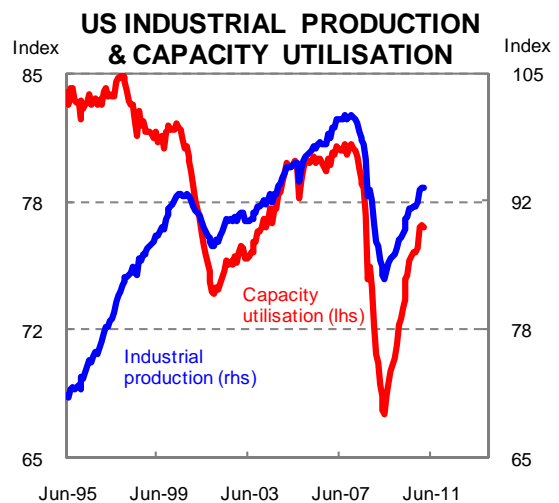
Friday 15 April

US Industrial Production, Mar, m%ch, (0.0 prev)

US Capacity Utilisation, Mar, %, (77.0 prev)

US industrial production was revised higher to show a flat result in February. Utility output declined 4.5% in the month, driven by the recent milder weather. In contrast manufacturing output increased 0.4% in the month, following on from the 0.9% increase in January. The US economic rebound continues to develop into a broad based recovery. The upward trend in manufacturing continues to be underpinned by strong export demand, robust business investment and inventory rebuilding.

Capacity utilisation was 77% in February, down slightly from the previous month. Despite the recent increases, capacity utilisation remains below the near 80% average of the last 20 years. The relative excess capacity in plant usage continues to contain a build up in inflationary pressures.





Friday 15 April

CH Industrial Production, Mar, y%ch, (14.9 prev)

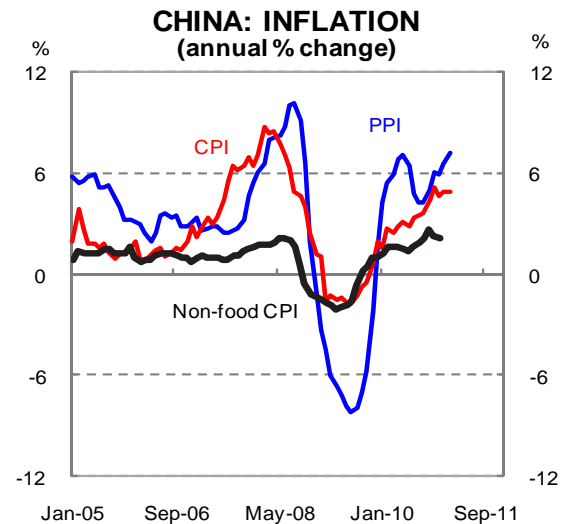
CH Retail Sales, Mar, y%ch, (11.6 prev)

CH Consumer Prices, Mar, y%ch, (4.9 prev)

CH Real GDP, Q1, y%ch, (9.8 prev)

The March batch of Chinese economic data releases will provide the first opportunity for participants to gauge the performance of China's economy without Lunar New Year holiday effects clouding the data. March quarterly industrial production, retail sales, fixed asset investment and GDP data will also be released.

China's inflation remained elevated at 4.9% (YoY) in February, largely as a function of elevated food prices. Non-food CPI increased by only 2.3% (YoY) in February. We expect China's CPI will peak in the coming months, if it hasn't already, in line with a peak in food prices. In contrast China's industrial production appears to have bottomed, and should accelerate in line with stronger manufacturing production in the coming months. Despite the recent policy "normalisation" undertaken by the PBoC, we continue to expect China's GDP growth to remain robust at 9.5% in 2011, down modestly from the 10.3% growth experienced in 2010.

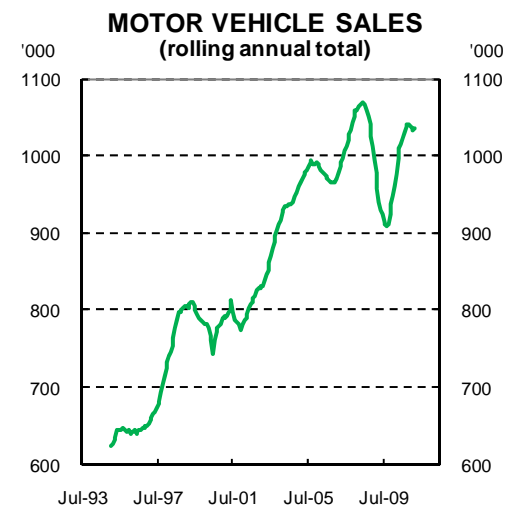


Economics: Review

AUSTRALIA & NEW ZEALAND

Australia

- Motor vehicle sales rose 3.4% in March 2011, driven by a 7.8% surge in sports utility vehicle (SUV) sales. Sales of SUVs have risen strongly over the past 3 months, reaching a record high in March. SUV sales are up 13.5% on year ago levels. Commercial vehicle sales have also been rising strongly, up 4.3% in March following a similar rise in February. Sales of commercial vehicles are up 8.4% compared to year ago levels. Passenger vehicle sales rose 1.3% in March, but remain 4.6% below year ago levels following weakness in the first two months of Q1.



New Zealand

- The NZ Business PMI, released yesterday, showed activity in the manufacturing sector was barely expanding in March, slipping to 50.1 in the month. There was a clear divergence between activity in the North and South Island. Activity in the Northern regions remained in expansion, while activity was weak in the South Island. In particular, manufacturing confidence slumped in the Canterbury region. Increased orders from Australia were highlighted as an area of strength, in contrast to continued soft domestic.

RBA view

The RBA has normalised monetary policy, and has begun a shift to contractionary rates to head off inflationary pressures. We expect rates to reach 5.50% by QIV 2011.



RBNZ view

In response to domestic economic weakness and the Christchurch earthquake, the RBNZ delivered a 50bpt rate cut at the 10 March policy meeting. We expect the RBNZ's tightening cycle to resume in Q1 2012.

US & CANADA

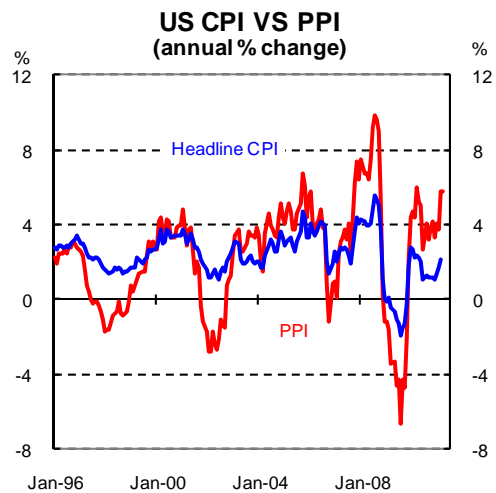
United States

Thursday 14 April

US PPI, Mar, m/y%ch, (1.6/5.6 prev)

US Wholesale prices continue to track above consumer prices. The PPI rose 0.7% in March, slightly below expectations for a 1.0% increase. The PPI in March was 5.8% higher than year ago levels. Wholesale prices excluding food and energy rose 0.3%, slightly above expectations for a 0.2% increase.

Higher input prices are yet to feed through into increases in consumer prices. Firms enjoyed significant increases in profit margins through the GFC as wholesale prices fell by more than consumer prices and cost cuts and productivity gains further boosted competitiveness. Whilst higher profit margins means capacity to absorb higher wholesale costs exists, at some point firms will be unable to absorb further increases and begin to pass higher input costs onto consumers.



- **Fedspeak:** Philadelphia Fed President Plosser noted the Federal Reserve should set an explicit inflation target in order to promote price stability. Meanwhile, Minneapolis Fed President Kocherlakota noted that despite the current low level of inflation pressures, the Fed will eventually need to tighten monetary policy.

Canada

- There was no major economic data released in Canada on Thursday.

Fed view

The Fed has announced a further \$600bn QE program in addition to reinvesting maturing funds into Treasury purchases. We do not expect the first Fed Funds hike until QIV 2011.

Bank of Canada view

The Canadian economy is recovering, and the BoC has begun to remove stimulus. We expect a slow and steady removal of policy accommodation to ensue.

EUROZONE & UK

Eurozone

- Greece is set to announce new measures to meet its deficit-reduction goals today. The Greek government's medium-term fiscal plan is set to detail more than 22bn euros of deficit reduction measures through 2014, mostly in the form of spending cuts according to Finance Minister George Papaconstantinou. A further program of 15bn euros of asset sales is also expected to be unveiled (Bloomberg).
- The German government raised its official growth forecast for 2011, noting the improvement in consumer spending. Growth of 2.6% is now expected over the year, revised up from the 2.3% forecast previously.

UK

- No major UK economic data was released on Thursday.

**ECB view**

Elevated inflation in the Eurozone has led to the ECB commencing tightening in an effort to pre-empt the onset of second round inflation effects. We expect the ECB to raise rates again in QIV 2011.

Bank of England view

Members of the BoE are becoming more concerned about UK inflationary pressures. But, most members expect significant spare capacity to dull the near-term pressures. We expect the first move in QII 2011.

CHINA & JAPAN**Japan**

- Japan's Finance Minister Noda announced the Japanese Government will be calling for continued co-operation from the G-7 in the currency markets. The G-7 took a united approach in intervening to prevent the yen's rapid appreciation last month, in the wake of the natural disasters in Japan.
- Bank of Japan Governor Shirakawa noted the Japanese economy will expand in QIII as the country recovers from the natural disasters. In a speech to the Council on Foreign Relations, Shirakawa highlighted the central bank will take whatever measures are required to maintain stability..

Bank of Japan

In response to the recent natural disasters, the Bank of Japan has implemented further quantitative easing measures. Monetary policy in Japan is likely to remain accommodative for some time.



The Week Ahead

Calendar - Australasia, Japan and China

Date	Time			Period	Unit	Last	Forecast	
	AEST	Econ	Event				Market	CBA
Fri 15 Apr	12.00	CH	Business climate index	QI	Index	138.0	~	~
	12.00	CH	Entrepreneur confidence index	QI	Index	137.0	~	~
	12.00	CH	Real GDP	QI	y%ch	9.8	9.4	~
	12.00	CH	Consumer price index	Mar	y%ch	4.9	5.2	~
	12.00	CH	Producer price index	Mar	y%ch	7.2	7.2	~
	12.00	CH	Industrial production	Mar	y%ch	14.9	14.0	~
	12.00	CH	Retail sales	Mar	y%ch	11.6	16.5	~
	12.00	CH	Fixed assets inv excl. rural	Mar	y%ch	24.9	24.8	~
	14.30	JP	Industrial production	Feb	m%ch	0.4	~	~
	14.30	JP	Capacity utilization	Feb	m%ch	3.6	~	~

Calendar – North America & Europe

Please note all days and times are UK time, not local release day/times

Date	UK			Period	Unit	Last	Forecast	
	Time	Econ	Event				Market	CBA
Fri 15 Apr	10.00	EZ	CPI - core	Mar	y%ch	1.0	1.0	~
	10.00	EZ	CPI	Mar	y%ch	2.6	~	~
	10.00	EZ	Trade balance	Feb	€bn	-3.3	~	~
	13.30	US	CPI	Mar	y%ch	2.1	2.6	~
	13.30	US	CPI ex food & energy	Mar	y%ch	1.1	1.2	~
	14.00	US	Net long-term TIC flows	Feb	\$bn	51.5	~	~
	14.15	US	Industrial production	Mar	m%ch	0.0	0.5	~
	14.15	US	Capacity utilization	Apr	%	77.0	77.4	~
	14.55	US	University of Michigan confidence	Apr	Index	67.5	69.0	~

