

US shares & yields lower. USD lower. AUD at USD1.06.

US durables orders rose by a larger than expected 3% in December. Durables orders, ex defence and aircraft orders, a proxy for business spending, rose by 2.9%.

US initial jobless claims rose by 21k to 377k last week. But the underlying trend remains lower with the four week average of claims falling by 2,500 to 377,500. New home sales fell by 2.2pct to 307k unit annual rate. The median price for a new home fell 2.5pct to \$210,300 - the biggest drop in four months.

European shares rallied to six month highs on Thursday with cyclical stocks leading the gains. The STOXX Europe 600 Basic Resources Index rose by 3.3pct. Greek banks also received a boost on speculation that a bond swap scheme to lighten the country's debt burden would be successful. The Greek banking index gained 19pct. The FTSEurofirst index rose by 1.2pct, with the UK FTSE rose 1.3pct and German Dax 1.8pct.

US sharemarkets eased lower on Thursday as weaker than expected housing data drove selling. **However losses were minimal given the Fed commitment to keep interest rates near zero until at least the end of 2014.** The PHLX housing sector index fell 1.1pct. The KBW banking index lost 1.8pct. AT&T fell 2.2pct after posting a \$6.6billion quarterly loss on a break-up fee for its failed T-Mobile USA merger. With an hour of trade, the Dow Jones was down by 25 points or 0.2pct with the S&P 500 down 0.6pct and the Nasdaq lost 16pts or 0.6pct.

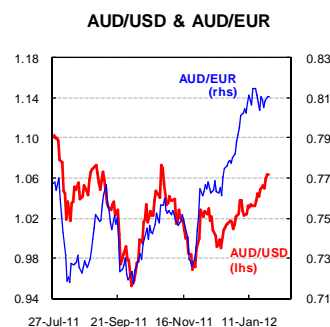
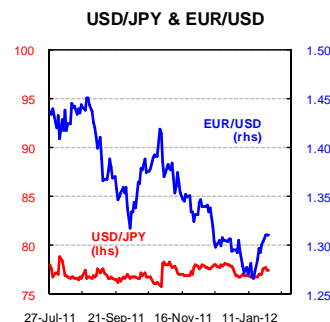
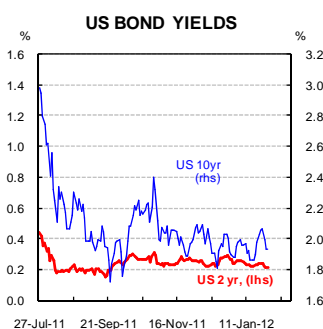
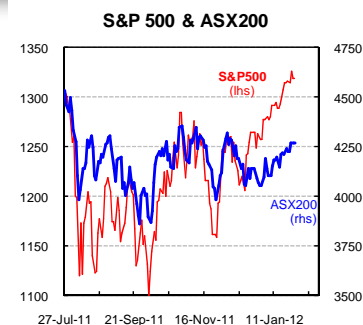
US treasuries rallied on Thursday (yields lower) as traders continued to react to the dovish signal from the Federal Reserve. US 2yr yields fell 1pt to 0.215pct and US 10yr yields fell 6pts to 1.933pct

The Euro and commodity currencies rallied against the US dollar overnight. The Euro hit early highs near US\$1.3180 before falling to lows near US\$1.3090 and was near US\$1.3105 in late US trade. **The Aussie dollar rallied from lows near US106.10c to US106.90c, but eased back to US106.20c in late US trade.** And the Japanese yen strengthened from 77.70 yen per US dollar to JPY77.30 and was near JPY77.45 in late US trade.

US oil prices gave back early gains on Thursday as the US dollar recouped some of its losses. The mixed set of US economic data also added to the more cautious tone. Nymex oil rose by US30c or 0.3pct to US\$99.70 a barrel and London Brent crude rose by US\$1.09 to US\$110.90 a barrel.

Base metals rallied on Thursday as investors cheered news that the US Fed was ready to offer additional stimulus. Copper rose 2.5pct to a four-month high while Tin surged by 7pct. And the gold price rallied to a seven week high on Thursday with the Comex February gold price up by US\$26.60 or 1.6pct to US\$1,726.60 an ounce.

Ahead: In Australia, no economic data is released. In the US, fourth quarter GDP and Consumer confidence figures are released.



Currencies			10 Yr Bond Yields (%)			Commodities			Equities		
AUD/USD	1.0625	0.3%	Australia	3.52	0.00	CRB Index	317.45	0.3%	Dow	12,740	-0.1%
NZD/USD	0.8194	0.3%	NZ	3.94	0.01	GS Index	#N/A N/A	#####	S&P 500	1,319	-0.6%
EUR/USD	1.3108	0.0%	US	1.93	-0.07	Aluminium \$/t	2245	1.22%	NASDAQ	2,805	-0.5%
USD/JPY	77.45	-0.4%	AU less US	1.59		Copper \$/t	8577	2.46%	FTSE	5,795	1.3%
GBP/USD	1.5692	0.2%	NZ less US	2.01		Lead \$/t	2300	1.95%	Shanghai	2,319	1.0%
USD/CHF	0.9202	-0.2%	AUD Swap Rates (%)			Nickel \$/t	21535	3.16%	H.Seng	20,439	1.6%
AUD/NZD	1.2964	-0.1%	3mth	#N/A N/A	~	Zinc \$/t	2189	1.42%	Nikkei	8,849	-0.4%
AUD/JPY	82.29	-0.2%	3yr	3.98	-0.05	Gold \$/o	1724.5	0.8%	ASX200	4,271	1.1%
AUD/EUR	0.8106	0.2%	5yr	4.37	-0.02	WTI Oil \$/b	100.77	1.7%	NZSX50	3,282	0.0%

Source Bloomberg, as at 7am.

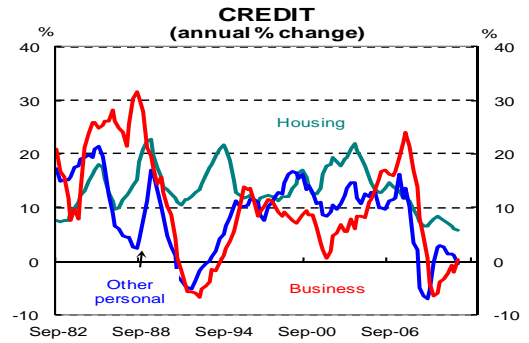


Economics: Preview AUSTRALIA & NEW ZEALAND

Tuesday 31 January

AU Private Sector Credit, Dec, m/y%ch, (f) 0.3/3.6 (0.3/3.5 prev)

Credit growth remains relatively soft. In November, annual credit growth stood at 3.5%, comparatively weaker to nominal spending growth of 5.5%p.a. The uncertain future economic outlook is keeping households and business from lifting their debt levels as they remain cautious about the future. However, business lending does seem to be in a very subdued recovery, with the annual growth rate in November being the highest since May 2009. We expect continued weakness in credit growth.

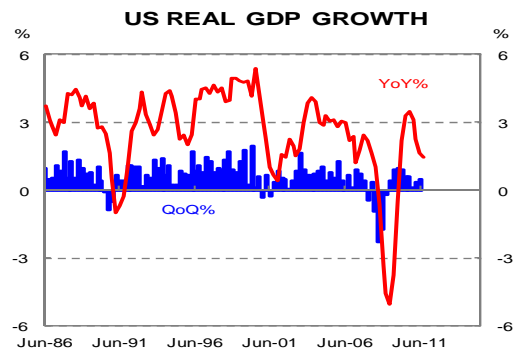


Economics: Preview INTERNATIONAL

Friday 27 January

US GDP, QIV 2011, q%chsaar, 3.0, (1.8 prev)

The partial economic data for the final quarter of 2011 suggests the US recorded solid economic growth of 3%saar. In our view, the solid end to 2011 in part reflects an unwind of temporary factors that were bearing down on growth earlier in 2011. The latest reading of the National Association of Home Builders suggests residential construction jumped. Given still high residential vacancy rates, we believe it is unlikely home construction is at the start of sustained upturn. Consumer spending likely remained soft as savings are rebuilt and jobs growth stays tepid.



Thursday in the US

The US FOMC announced that it will keep interest rates near zero until late 2014 after its Wednesday meeting

US durables orders jumped by 3.0% in December. Encouragingly the ex transportation measure jumped by 2.1% m/m in December. Durables orders ex defense orders rose even more strongly at 3.5%. Machinery orders rose 6%. Initial jobless claims rebounded to 377k in the week of Jan 21st. But the underlying trend remains lower. New home sales slipped to 307k from 314k and remain remarkably stable over the year.

Europe and the UK

Italy successfully auctioned EUR 5.0 b. of IL and zero coupon bonds. The EUR4.5b. of 2014 zeros yielded 3.76%, bid-cover was reasonable at 1.71. The EUR 0.5b. of IL 2014s were at yield 3.2%, bid-cover 2.79. The Italian bond market rallied strongly on the day, as did EUR. **Ireland returned to the international bond market for the first time since September 2010** in a EUR 3.52b. bond switch. Investors agreed to swap holdings of a January 14 bond yielding 4.9% into a February 2015 bond yielding 5.15%.

European Markets: EUR/USD popped up over 1.3150 as demand held up at an Italian bond auction and European markets generally digested the more dove-ish stance of the Fed following the first FOMC meeting of 2012. Equity indices followed the lead of their US counterparts, rallying through the morning helped by the positive tone following the successful Italian fund raising. Italian yields fell another 10-20bps along the curve. Spanish yields even more, the 5-year Spanish yield is now down to 3.70%, back in line with levels from mid-2010. In Ireland the 5 year sovereign yield is fast honing in on the 6% level.

Asia

Holidays associated with Chinese New Year celebrations have closed markets across Asia.

Friday 27 Jan	Monday 29 Jan	Tuesday 30 Jan
NZ Trade balance, Dec JP CPI, Dec, JP Retail sales, Dec UK GfK consumer confidence survey, Jan US GDP, QIV US Uni. Of Michigan confidence, Jan	NZ PSI, Dec, Index, (56.6) GE Retail sales, Dec GE CPI, Jan US Personal income/spending, Dec US PCE deflator/core, Dec, y%ch, (2.7/1.7) US Dallas Fed, Jan, Index	AU Private sector credit, Dec AU NAB Bus conf/cond Dec, Index, (2/1) NZ Building permits, Dec JP Vehicle/Industrial production/Construction Orders/... US Employment cost index, QIV, q%ch, (0.3) US S&P/Case-Shiller home price ind., Nov



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