



## WHK ECONOMIC OUTLOOK for 14 MAY 2010

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### Market Summary

Yesterday, the Australian market increased steadily to finish stronger at the close as a result of the positive news in the labour market. Overnight saw the US markets decline as news of earnings guidance from the consumer discretionary sector and results from retailers weighed on the market. European markets rose marginally due to the ongoing sovereign debt issues continuing, and Asian markets increased as a result of positive earnings being posted. SPI Futures are down, pointing to a negative start to the day. Trading ex-dividend today is Incitec Pivot.

### Australian Company & Economic Reports

**Job Creation Strong:** The labour market remained strong in April, with a further 33,700 jobs created in the month. The number of new jobs created in the economy since August 2009 now exceeds 0.25m. Unemployment was steady at a higher-than-expected seasonally adjusted 5.4% in April from a revised 5.4% in March, the Australian Bureau of Statistics said. The number of people in full-time work rose 37,500, while the number in part-time work fell 3,900. The seasonally adjusted workforce participation rate remained at 65.2% in April.

**AMP (AMP) and AXA Asia Pacific (AXA AP):** AMP said its immediate focus in attempting to take over AXA AP is working through the relevant regulatory matters still outstanding. Chief Executive Craig Dunn said that the group is still engaged in "high level" talks with AXA SA, AXA AP's French parent, as it works out the structure of its potential new bid for AXA AP. AMP increased 17 cents (2.91%) to \$6.01. AXA rose 12 cents (2%) to \$6.11.

### International Market Report

US stocks fell on Thursday, led by the consumer-discretionary sector as earnings guidance and results from retailers Kohl's and Urban Outfitters disappointed. In addition, a forecast from Cisco Systems failed to improve investor sentiment toward technology. The Dow Jones Industrial Average fell 113.96 points (1.05%) to 10,782.95, its sixth drop in the past eight sessions.

The Nasdaq Composite fell 30.66 (1.26%) to 2,394.36. The Standard & Poor's 500 index slumped 14.23 (1.21%) to 1,157.44. In economic news, The Labor Department said initial claims for jobless benefits fell by 4,000 to 444,000 in the week ended May 8, in line with the economists' expectations, as the market slowly continues to improve. US import prices surged in April as energy prices helped lead broad gains in price pressures from overseas. The 0.9% increase from March follows a 0.5% gain in that month and was in line with economists' estimates.

European shares posted a minor advance on Thursday, with pressure due to ongoing worries about sovereign debt problems in the euro zone offset by a return to profit by BT Group and 3i Group. The Stoxx Europe 600 index rose 0.2% to close at 257.24. The index gained 1.5% on Wednesday, continuing to recoup some of last week's heavy losses, following the announcement of a EUR750bn aid package from

the European Union and the IMF to support struggling economies in Europe. Of the major regional indexes, the French CAC-40 index fell 0.1% to close at 3,731.54, the UK FTSE 100 index rose 0.9% to close at 5,433.73 and the German DAX index settled 1.1% higher at 6,251.97.

Asian markets jumped with Japanese stocks getting a boost from a flurry of solid earnings reports, while Hong Kong and Chinese shares gained as investors snapped up Chinese banks after a recent correction. Japan's Nikkei rallied 2.2%, China's Shanghai Composite Index jumped 2.1% and Hong Kong's Hang Seng Index advanced 1.0%. Base metals staged an afternoon rally to recoup early losses and end higher on the London Metal Exchange despite soft equity markets and euro weakness. Aluminium rose \$40 (1.88%) to \$2,170 while copper firmed \$125 (1.78%) to \$7,140 and nickel added \$235 (1.04%) to \$22,825. Zinc strengthened \$65 (3.10%) to \$2,160 and lead gained \$30 (1.47%) to \$2,070. Comex copper was last quoted at 318.80 US cents per pound. Gold futures eased from all-time highs but the losses were relatively small compared with the sharp safe-haven gains of late, keeping the bulls optimistic. Spot gold was last quoted at \$1,233.85. Comex gold futures shed \$13.90 (1.12%) to \$1,229.20. Spot silver was last quoted at \$19.41. Crude-oil tumbled to a three-month low amid persistent concerns over swelling inventories at a key US storage hub. West Texas Intermediate was last quoted at US\$74.40 per barrel.

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