



WHK MARKET UPDATE for 11 JUNE 2010

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Market Summary

In trading yesterday, Australia ended in positive territory as a result of positive unemployment news. In overnight trading, Europe and the US ended higher as positive economic data was released from the US, Japan and China. European officials also reassured global investors with the Central Bank in that region raising growth forecasts for the region.

Australian Company & Economic Reports

Labour Market Strengthens: The labour market remained a story of strength in May, with a further 26,900 jobs created over the month, enough to push the unemployment rate to its lowest since January. The increase in employment takes total job creation since August 2009 to 283,600, the Australian Bureau of Statistics said. Unemployment fell to a seasonally adjusted 5.2% in May from 5.4% in April. The number of people in full-time work rose 36,400, while the number in part-time work fell 9,400. The seasonally adjusted workforce participation rate fell to 65.1% in May from 65.2% in April. Aggregate monthly hours worked rose 2.9% in May from April to 1.57bn hours.

Crude Oil and Condensates Exports Fall: Exports of crude oil and condensates fell by 18% to 3,788m litres in the first quarter of this year, the Australian Bureau of Agricultural and Resource Economics said. The decline in volume was moderated by higher prices, with value falling by 15% to \$2bn. Thermal coal export volumes slipped 13% to 30.8m tonnes, with value falling 10% to \$2.6bn, while the value of liquefied natural gas exports rose 21% to \$2.2bn on steady production levels.

Rio Tinto (RIO): Chalco, the listed unit of Chinalco, is back in talks with Rio to jointly expand the Yarwun 2 refinery to process bauxite from Chalco's Aurukun project in Queensland, a newspaper has reported. The report said Chalco was set to put its \$3bn bauxite project on hold as a result of the government's proposed resource super profits tax and as it struggles to make the Aurukun development viable. It said Chalco was expected to lobby Queensland Premier Anna Bligh to amend the project's lease terms, which require an alumina refinery to be built near the site, and that Chalco might look to mine the ore and send it to China for processing. RIO increased \$1.49 (2.24%) to \$67.87.

Woolworths (WOW) and Harvey Norman (HVN): Woolworths Chief Executive Michael Luscombe said that he "absolutely" expects sales growth this holiday shopping season over last year, striking an optimistic tone despite two consecutive months of declines in consumer confidence. He wasn't alone. Harvey Norman Chairman Gerry Harvey said he thinks the holiday shopping season will be "quite good", barring any major global economic events. WOW rose 28 cents (1.03%) to \$27.50. HVN rose 9 cents (2.7%) to \$3.42.

Transurban (TCL) said it completed its \$542.3m equity raising, however retail investors largely shunned the offer to help fund its \$630.5m acquisition of Sydney's Lane Cove Tunnel. The 27.8m new securities not taken up by retail investors in the 1-for-11 entitlement offer, failed to achieve the \$4.60 clearance price under a book build and will be taken up by underwriters UBS and sub-underwriters to the issue. The institutional component of the entitlement offer, supported by both new and existing investors in mid-May, raised around \$410m from the issue of around 89m securities at \$4.60 each. The retail offer raised just \$6.4m from existing investors, when less than 5% of security holders elected to take up their entitlements. TCL improved 5 cents (1.12%) to \$4.50.

International Market Report

US stocks rallied broadly on Thursday as economic data from the US and China and comments from European officials reassured investors about the global economy. All three major large-cap measures experienced their third-largest one-day gains of the year. The Dow Jones Industrial Average rose 273.28 points (2.76%) to 10,172.53. The Nasdaq Composite added 59.86 (2.77%) to 2,218.71. The Standard & Poor's 500 index rose 31.15 (2.95%) to 1,086.84. All of the S&P 500's sectors rose, with the energy, industrial and materials sectors experiencing the largest percentage gains.

The rally followed a mix of economic data and commentary that encouraged investors about the global economy. In the US, the Labor Department's weekly report showed the number of US workers filing new claims for unemployment benefits decreased slightly in the first week of June while continuing claims fell to the lowest level in 18 months, indicating the job market continues to slowly improve.

European stocks ended higher on Thursday as the region's top two central banks stood pat on interest rates and investors focused on prospects for global economic growth. The Stoxx Europe 600 index rose 1.6% to close at 248.46. The advance was helped by gains for companies geared to economic growth. The European Central Bank has been buying European government bonds lately as part an effort to stabilise financial markets and President Jean-Claude Trichet said that the bank will continue with its liquidity measures. The ECB and the Bank of England both left key interest rates at record lows on Thursday, as was widely expected.

Of the regional benchmarks, the UK FTSE 100 index rose 0.9% to close at 5,132.50, the German DAX index climbed 1.2% to finish at 6,056.59 and the French CAC-40 index rose 2% to settle at 3,516.64. The oil and gas sector was unable to join in Thursday's advance, however, hit by a 6.7% drop in BP shares to 365.5 pence. The oil giant, currently battling to contain the massive oil spill in the Gulf of Mexico, said that it wasn't aware of any reason that would justify the sharp slide in its US-listed shares on Wednesday. Significant additional cash flow, below-target gearing and a strong asset base gives it significant capacity and flexibility in dealing with the cost of responding to the incident, the environmental remediation and the payment of legitimate claims, it said. The cost of the response to date is approximately US\$1.43bn.

Asian markets ended mostly higher as upbeat economic data from China, Japan and Australia as well as commodity price gains helped investors overlook losses on Wall Street and the eurozone's fiscal troubles. Japan's Nikkei Stock Average gained 1.1%, while Hong Kong's Hang Seng Index inched up 0.1%. However, China's Shanghai Composite fell 0.8%.

Base metals on the London Metal Exchange ended mixed as an early afternoon rally faded when the euro eased from its highs against the US dollar. Aluminium rose \$15

(0.78%) to \$1,945 while copper firmed \$60 (0.95%) to \$6,385 and nickel fell \$145 (0.76%) to \$18,940. Zinc weakened \$25 (1.42%) to \$1,730 and lead added \$10 (0.60%) to \$1,675. Comex copper was last quoted at 289.60 US cents per pound. Gold futures continued their slide as investors felt less of a need for the metal's safe-haven properties while optimism about global growth increased. Spot gold was last quoted at \$1,217.35. Comex gold futures shed \$7.70 (0.63%) to \$1,222.20. Spot silver was last quoted at \$18.21. Crude-oil prices climbed to a four-week high above \$75 a barrel, led by gains in equities prices. West Texas Intermediate was last quoted at US\$75.48 per barrel.

Please call Chris DiMattina or Damien Smith on 1300 135 543 if you would like to discuss any of the above.

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