

Transcript of Chris Caton's Markets Update – 30 August 2010

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Chris Caton:

Good morning, this is Chris Caton, the chief economist at BT Financial Group. It's Monday, 30 August and this is my market report for trading in offshore markets for the Friday sessions too-wit 27 August.

I have good news to report: markets did well. Over in Europe the FTSE was up by nine tenths of a per cent and the German market up by six or seven tenths, while the US market did even better than that with both the Dow and the S&P up by 1.7%. It was a good day, certainly, but it still left both of those major market indexes down for the week by 0.6% and 0.7%, one way around or the other.

What drove the market higher? Well Ben Bernanke spoke at the annual fess shrift if you like put on the Kansas City Fair, in Jackson Hole, Wyoming. They do this every year and Ben went along this year and laid out, I guess, an outlook for the economy that said slow recovery, but no double dip and made it clear that the Fed was prepared to do whatever was necessary to keep the US economy progressing. If you read a summary of his speech, some of the summaries looked pretty austere, but if you read the detail, it was balanced, it was measured and it said pretty much just the sensible, reasonable things, that economy is in a slow growth trap to some extent, but the Fed stands ready to do whatever is necessary, including unconventional methods to at least keep it moving forward, so the market took some heat from that.

The only other economic news was a first revision of the second quarter GDP growth figures. Because of the partial information that has been obtained since the first estimate was made a month ago, everybody in the world knew that GDP growth in the second quarter would be revised downwards and it was, but not by quite as much as expected. Measured

by the way the American's measure it, they take the quarterly growth rate and then annualise it. Growth was revised from 2.4% to 1.6% in the quarter.

We got a first look at profits in the quarter and one measure of profits, for example, was up by 39% in the past year. So I guess markets looked at that and thought, oh not as bad as we thought and that helped markets along their way too.

What this means of course is that the Australian market will get a positive start this morning and we'll see how we go from there, but we should be boosted by close to 1% at opening I would have thought.

Coming up this week of course we've got quite a swag of data in Australia, but the more important market moving news will of course be in the US and the most important will be the jobs report for the month of August which will be released this coming Friday night. It's not clear what effect it will have on the US market in part because it's a long weekend in the US, the following Monday 6 September being Labor Day and so trading in the US on Friday will be quiet. I guess what that means is that maybe the report will be ignored or maybe, because there will be fewer people around, it could lead to quite a volatile Friday coming up this week.

That's all in the future of course and we'll just have to wait and see; one other thing, one closing note, the Australian dollar trading just a touch below US\$0.90 as I speak. So that's the report. Have a good day. My colleague will be filling in for me tomorrow morning on Tuesday, but I'll be back with you on Wednesday morning. Thank you for listening.

END OF TRANSCRIPT