

Transcript of Andrew Dowie's Markets Update – 4 February 2011

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Andrew Dowie:

Good morning, this is Andrew Dowie from Advance Asset Management with a rundown of the economic data releases for yesterday, Thursday the 3rd of February, in the United States. The major release out yesterday was January's ISM non-manufacturing index. Now this is the ISM report which essentially covers the services sector, the joint services sector in America.

Now consensus here was looking for 57.2 figure after December's 57.1. Instead we received a 59.4. This indeed is the strongest report since August 2005, and of note the employment index was at its highest since May of 2006. Now looking at the details of report, the big drivers were employment as mentioned and new orders with mining, real estate and utilities industries showing the most strength. The pace of price increases also accelerated in January.

Turning now to the other release last night, the initial jobless claim for the week ending January 29. Now these were slated to come in at about 420,000 after the previous week's shock 457,000. The actual result a bit below consensus at 415,000. So the previous week's roguish number was indeed revealed to be weather related – heavy snow in four states, Alabama, Georgia, both North and South Carolina's revealed to be the culprit.

However, turning to the less volatile four week moving average, it actually picked up to 431,000 from 430,000. Now as mentioned yesterday for tonight's biggie, the employment report, the market has factored in up 140,000 for the non-farm payrolls with the unemployment rate ticking up from 9.4 to 9.5% in this latest report.

A separate report finally revealed non-farm productivity increased as an annualised rate of 2.6% in the fourth quarter. We were up to 0.4% annualised in quarter three. All in all, this is positive. Firms being innovative in their cost cutting as the expansion matures and productivity designs cyclically. Expect to see firms hiring and increasing hours worked.

Thank you very much indeed.

END OF TRANSCRIPT