

Transcript of Chris Caton's Markets Update – 24 February 2011

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Chris Caton:

Good morning, this is Chris Caton the Chief Economist at BT Financial Group. It's Thursday the 24th of February and this is my market report for trading offshore for the session on Wednesday the 23rd, and it was another down, another risk off day as they say. One major concern, and there's no question about that, Libya and oil supplies right now.

So the oil price rose again but, more importantly, share markets fell. I mentioned yesterday that Europe had held up rather well. Well, not so last night. The FTSE fell by 1.2% and the German market by 1.7%. Over in the US the S&P was down by 6/10 for the session after having been down more than a full per cent at one stage, and the Dow was down by 9/10. So obviously the Australian market will get off to a poor start.

There's not a lot beyond that. It's all about concerns about the Middle East or Northern Africa, call it what you will, and that's going to dominate market thinking I guess for a few days until that – until it's clear I guess how and if and when that situation will be resolved. So as I said, the Australian market will be off to a poor start today. Economic news in the US actually not too bad at all. The sales of existing homes, a key bellwether for the housing sector there, rose in January.

That surprised a few people because they've done quite well in December, and so that's actually quite a good piece of news but the same release did show that house prices are still quite weak. So that was probably the only substantial economic news in the US but this is not being driven by economic news at the moment as is well known.

In Australia, we get some news today in our capital spending data which is an important input into the GDP numbers for the fourth quarter of last year. We got some news yesterday on the construction spending which was broadly in line with what people thought, and that construction spending rose by about 8/10 of a per cent in the quarter. That will feed into GDP.

You'll in the coming days the economists sharpening their pencils and honing their GDP forecasts. That number is released next week. So not really much to talk about. The Australian dollar sitting just north of USD1. So to repeat, markets down everywhere, the US is obviously having its worst week in more than three months quite clearly, and this – my suspicion is that it will find support somewhere near here, although I have to admit I thought that yesterday, and that further fall last night did surprise me somewhat.

My colleague will be back with you again tomorrow morning and I'll be back with you on Monday morning. Thank you for listening. Have a great day.

END OF TRANSCRIPT

