

Transcript of Chris Caton's Markets Update – 14 March 2011

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Chris Caton:

Good morning, this is Chris Caton, the chief economist of BT Financial Group. It's Monday, 14 March and this is my market report for trading off shore for the Friday session, that is for 11 March.

You might have expected a serious down day, mainly because of the market's reaction to the awful earthquake in Japan, but it turned out not so.

It is true that Europe was down slight, the FTSE I think by 0.3 and the German market by about 0.2, but in the US the market began down but then rallied and finished in positive territory. The Dow was up for the session by 0.5% and the S&P up by 0.7%.

For the week, mainly because of the very ugly Thursday, the Dow finished down by 1% and the S&P down by 1.3%, the S&P still trying to double its level at the trough two years ago. From that point it is now up 92.8%.

On the economic front there was not much to fuel the market on Friday. The US got retail sales for the month of February which showed a handy increase and not only that but the January increase which had been quite weak was in fact revised up.

So retail sales still doing quite well in the US and consumption has continued to grow at a moderately good rate when we get the first quarter figures there.

So the consumer spent in February but the consumer got quite unhappy in the month of March. We know this because we got the measure of Consumer Sentiment from the University of Michigan for the month. This had been a robust 77.5% in February and inclusively more than 80% in the second half of the month, but it fell sharply to 68% in the month of March. That fall has been exceeded just seven times in the past 33 years and the index is now, the Consumer Sentiment index is now back to where it was in November 2009.

Before then it was predominantly in the expectations component that is how consumer assess the future rather than how they assess current conditions.

There was another piece of news relating to business inventories but that was really neither here nor there.

Now coming up in the week ahead it's a reasonably strong week for data, a reasonably interesting week for data. It is all concentrated on Tuesday through Thursday. Among other things we get the manufacturing industry surveys from New York and from Philadelphia. We also get industrial production which is expected to show an increase of about 0.6% in February.

On the housing front we get the NAHB Housing Index, that's a Sentiment Index and also housing stats for February which were expected to fall, but that was after that surprisingly strong January reading.

On the inflation front we get the PPI for February and the CPI for February, both of them expected to show fairly hefty gains at 0.6% and 0.4% respectively, but that's once again energy prices. Also on Thursday we get the Index of Leading Indicators for the month.

So the market will have certainly some economic data to chew over in the course of the week, but the theme for the market of course continues to be Mid East unrest, continues to be a possible slow down in China and my thinking also is that bearing in mind the news that has come out over the weekend, it may take a bit more time to react to the Japanese earthquake.

So that's it from me. I won't be speaking to you very much for the next couple of weeks for very important personal reasons that is I'm getting married, but my colleagues will.

So have a good day, have a good week and I will be back with you in a couple of weeks. Thank you for listening.

END OF TRANSCRIPT