

Transcript of Andrew Dowie's Economics Update – 15 April 2011

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Andrew Dowie, Advance Asset Management:

Good morning. This is Andrew Dowie from Advance Asset Management with a rundown of the data releases for yesterday, Thursday, 14 April, in the United States.

March's headline - PPI - the producer price index - on a monthly basis, came in shy of consensus last night. It was up just 0.7%. Consensus was chasing an up 1% to 1.1% kind of figure. So even though this March figure was far more subdued than February's 1.6% increase - which, indeed, was the largest rise since June of 2009 - if we look at the annualised metric, we were up 5.8%; a 12 month high.

Turning to March's monthly details, again petrol prices were the main driver - up 5.7% for the month. No surprise, really, there. However, food prices did surprise. They actually dipped by 0.2%, after having increased by some 3.9% in February. So if we take February's and March's food prices together, food up about 2% over the period.

So given the enormous surge in agricultural commodity prices over the past nine months or so, expect to see food prices increase over the next several months.

Turning now to the core metric: up a relatively modest 0.3%. Consensus was [unclear] 0.2% increase, which matched February's [print]. The main driver in this core report was the vehicle component: cars up 0.9% on the month, with light trucks up 0.7%.

Now, this is probably not a Fukushima related supply constraint; which may, or will impact in the months ahead. It is more related to the Labour Department who produce the report still, perhaps, getting a handle on new models; particularly of vans; which has been a current theme for a while.

So, annualised, the core up just 1.9% in March - equalling consensus forecast - and a touch above February's 1.8% reading. Even though this annualised core measure was the highest since August of 2009, it is, essentially, in line with the Fed's unofficial target of around 2%.

Lastly - turning now to the initial jobless claims for the week ending April 9 - they, essentially, did not do well - consensus thought they would. For the previous week claims printed at the

385,000 figure, and consensus was after a 380,000 release for this latest report. Instead we received a 412,000 number.

Now, this surprise caused the less volatile four week moving average to increase to 396,000 from 390,000. This weekly increase is an aberration. It is due to quarter and seasonal factors, and claims should review in the gradual downtrend in the weeks and months ahead.

Thank you.

END OF TRANSCRIPT