

## **Transcript of Chris Caton's Markets Update – 28 April 2011**

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### **Chris Caton:**

Good morning. This is Chris Caton, the chief economist of BT Financial Group. It's Friday - wedding day - the 29<sup>th</sup> day of April. What a wonderful day that is. I certainly will be glued to some television station this evening, but that's not the point of this missive.

The point is to bring you my market report for trading offshore on the Thursday Session. It was another good night, once again. The British market couldn't take a bid. Perhaps that's telling us something. It was close to flat, but the German market was up by close to 1%. The US market wandered around in the morning and then took a little heart in the afternoon.

For the session the S&P index rose by four tenths and the Dow rose by six tenths. The economic data had very little to do with this - the two most important pieces both weak. The GDP growth figures for the first quarter were expected to be weak, and they were. GDP grew at an annual rate of 1.8%. That brings the Year 2 growth rate to about 2.3% I think. Not the sort of stuff for which robust recoveries are made.

A weak figure was always expected. Among other things, consumer spending and construction spending were held down in the first quarter by poor weather; so we're not the only ones who have suffered as news of the tornados in the US in the last day or so will have brought home to everybody; but consumer spending and construction spending weak. That held down GDP growth.

There was also a surprisingly large fall - the more than 5% annual rate - in government spending; so GDP growth quite weak, but it's not really taken as an indicator of what's going on because industrial production growth in the first quarter, for example - and I believe I've mentioned this before - was at close to a 15 year high.

The other piece of data - also a bit on the weak side - jobless claims; the weekly indicator of how well the labour market's doing, jumped again to 429,000 from 404,000. That's a three month high. This is a volatile series, so you calculate a four week moving average to smooth out some of that volatility.

That four week moving average also appears to have bottomed out. This doesn't suggest that the labour market's deteriorating, but it does suggest that the improvement has halted.

The organisation that releases these figures - the Department of Labour - said no special factors, but I think you don't have to look too hard to figure that possibly the Easter holiday and probably supply disruptions, as a result of what's happened in Japan have softened the labour market - had effects on this weekly number. There was no strong economic data, so why did the market go up? Well, because it wants to, and also because earnings continue in the US.

The other thing, of course, going on in the US is that the FOMC meeting yesterday convinced people that, well yes, their rates are going to be low for a long time yet. As a result the US dollar has

weakened again. It fell by about three tenths overnight. That's pushed a lot of currencies up, including, of course, the Australian dollar, which now stands around USD1.093 - unbelievable stuff.

I still think that, you know, this is – you know, when you look at the reasons why it's holding up, one of them is levitation. The Australian dollar will have to give at some stage. It has defied me so far, as everybody out there knows.

The Australian market should get off to a good start today, but for the past two days we've taken a strong lead from overseas; so thank you very much. It started higher and finished lower or flat. My suspicion is we can do a bit better than that.

This will, of course, be the last day of trading in April. Indeed, April has traditionally been a strong month for the Australian market. It will be interesting to see just what the monthly gain looks like.

So that's it for today. Have a good day. Have a wonderful weekend. Have a wonderful evening glued to your TV set. Thank you for listening. I'll be back with you again on Monday morning.

**END OF TRANSCRIPT**