

The Day Ahead

20-May-09

The ASX200 Index should open around 12 higher as traders tread carefully into the later half of the week. After a better session for Asian and European equities, US stocks mostly fell following an unexpected sharp decline in April housing starts data. However Wall Street did manage to hold onto most of the previous day's large gain showing the optimism of a US economic recovery by years end is still there kicking the market along.

The June SPI closed this morning on SYCOM up a mere 2 points from yesterday's close. Will be interesting to see whether our market can hold up today after the SPI was forced higher post the ASX200 cash close yesterday. It continued on to trade on strongly, well above 3833 all night before a late sell-off saw it dumped back towards that level. Can't help feeling a little sceptical with the late push yesterday so watch the 3833 level very closely this morning.

On the other hand, the outperformance by the AUD in the last 24hrs certainly reflects the better sentiment about Australia. Local bonds have also been sold off much more than their counterparts in the US perhaps helping our equity market continue to be underbid. A cautious approach to today's trade would be wise looking for the cash and the SPI to hold the 3823 and 3833 levels respectively. The SPI is moving to a larger premium as the yield on the cash dwindles out so look for any sign of the cash moving towards equilibrium for signs of a well bid, cash driven market. Keep an eye out for our wage prices data today as well as the Japanese GDP numbers.

Support is set at 3833 and 3818 followed by 3800 and 3792.
Resistance set at 3850, 3864, 3882 and 3900 followed by 3927

The June futures contract closed just above the 3833 level yesterday, but still below the required 3850 which is required to give the Bulls momentum advantage. The Bulls will attempt to achieve that close today. The major resistance remains clearly set at 3959 in the medium term. Expect support to be found today between 3833 and 3800. The Bears will be working towards a close below 3800 today in order to gain distance from the key 3833 level. Would advocate buying any weakness towards 3833 on the session using a stop below 3800 to protect.

This recommendation is rated 3

Rating levels are as follows. 1 star = not confident 2 star = high risk 3 star = confident 4 star = low risk 5 star = Very confident.

Fair Value of June SPI to ASX200 = 5.55 Point Premium

Equity Indexes

Index	Close	Change	% Change	Open	High	Low	30day Vol/Previous
Dow Shares	8474.85	-29.23	-0.34	8502.48	8538.01	8463.54	-
NASDAQ	1398.05	5.32	0.38	1387.2	1410.65	1380	-
S&P 500	908.13	-1.58	-0.17	909.67	916.39	905.22	-
FTSE							-
DAX	4959.62	107.66	2.22	4874.84	5005.45	4874.84	-
ASX200							-
JUNE SPI 200 (night)	3842	-2	-0.05	3844	3879	3833	-

Local	Latest	Change	US Yields	Latest	Change
SFE Bank Accepted Bills (Mar08)	96.840	-0.010	5 Year US Treasury Note Yield	2.102	0.023
SFE 3YR Bonds (MAR08)	96.040	-0.050	10 Year US Treasury Note Yield	3.243	0.032
SFE 10YR Bonds (MAR09)	94.970	-0.050	30 Year US Bond Yield	4.207	0.031

FX

USD	Bid	Offer	AUD Cross	Bid	Offer
AUD	0.7742	0.7747	AUD/EUR	0.5674	0.5684
EUR	1.3642	1.3644	AUD/GBP	0.4993	0.5003
GBP	1.5495	1.5500	AUD/JPY	74.47	74.53
JPY	96.19	96.22	AUD/NZD	1.2834	1.2851
USD INDEX Last / Change	82.06	0.085	AUD/CAD	0.8933	0.8941

Economic Data

AU: AOFM to auction \$700m of Apr 2020 bonds - 00:15 GMT (10:15 AEST)
 AU: Westpac Consumer Confidence (May): Last: 8.3% - 00:30 GMT (10:30 AEST)
 AU: Wage Price Index (Q1) – QoQ: Market: 0.8% Last: 1.2% - 01:30 GMT (11:30 AEST)
 AU: Wage Price Index (Q1) – YoY: Market: 4.2% Last: 4.3% - 01:30 GMT (11:30 AEST)
 JP: Housing Loans (Q1) – YoY: Last: 3.3% - 23:50 GMT (09:50 AEST)
 JP: GDP (Q1 P) – QoQ: Market: -4.3% Last: -3.2% - 23:50 GMT (09:50 AEST)
 JP: GDP Annualized (Q1 P): Market: -16.2% Last: -12.1% - 23:50 GMT (09:50 AEST)
 JP: GDP Nominal (Q1 P): Market: -3.4% Last: -1.6% - 23:50 GMT (09:50 AEST)
 JP: GDP Deflator (Q1 P) – YoY: Market: 1.8% Last: 0.7% - 23:50 GMT (09:50 AEST)
 GE: Producer Prices (Apr) – MoM: Market: 0.0% Last: -0.7% - 06:00 GMT (16:00 AEST)
 GE: Producer Prices (Apr) – YoY: Market: -1.3% Last: -0.5% - 06:00 GMT (16:00 AEST)
 UK: BoE Monetary Policy Meeting Minutes - 08:30 GMT (18:30 AEST)
 UK: UK CBI Industrial Trend Total Orders (May) - 10:00 GMT (20:00 AEST)
 US: NY Fed plans outright Treasury Coupon Purchase
 US: MBA Mortgage Applications (week ending 15 May): Last: -8.6% - 11:00 GMT (21:00 AEST)
 US: FOMC Minutes - 18:00 GMT (04:00 AEST)
 US: US Treasury's Geithner at Senate Hearing on TARP - 13:30 GMT (23:30 AEST)
 CA: CPI (Apr) – MoM: Market: 0.2% Last: 0.2% - 11:00 GMT (21:00 AEST)
 CA: CPI (Apr) – YoY: Market: 0.6% Last: 1.2% - 11:00 GMT (21:00 AEST)
 CA: BoC CPI Core (Apr) – MoM: Market: 0.1% Last: 0.3% - 11:00 GMT (21:00 AEST)
 CA: BoC CPI Core (Apr) – YoY: Market: 1.8% Last: 2.0% - 11:00 GMT (21:00 AEST)
 CA: Leading Indicators (Apr) – MoM: Market: -1.0% Last: -1.3% - 12:30 GMT (22:30 AEST)

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