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Morning Note

5 March 2010

US RALLIES LATE GIVING AUSTRALIA SOLID LEAD

Index	Index Level	Change (%)	Stocks	Price ($)	Change (%)	Price rises	Price ($)	Change (%)
ASX S&P200	4758	0.29	ANZ	23.67	-0.88	HVN	4.01	3.35
All Ordinaries	4751	0.31	CBA	54.97	-0.31	SGP	4.20	2.44
SPI Futures	4769	0.44	NAB	26.65	1.72	MGR	1.60	1.92
Dow Jones (US)	10444	0.46	WBC	26.94	-0.19	NAB	26.65	1.72
FTSE (UK)	5527	-0.11	MQG	47.26	1.42	WDC	12.23	1.49
Shanghai(China)	3023	-2.38	BHP	42.28	1.46	Price falls	Price ($)	Change (%)
Nikkei 225 (Jap)	10146	-1.05	RIO	74.40	0.72	LLC	8.57	-4.03
Hang Seng (HK)	20576	-1.44	WPL	44.29	0.23	PPT	36.60	-3.68
AUS/USD	0.9006	-0.53	WOW	27.80	0.83	SKI	1.25	-3.49
Gold ($US)	1133.70	-0.84	WES	32.95	1.17	ENV	0.54	-2.73
Oil ($US)	80.51	-0.46	HVN	4.01	3.35	CEU	0.43	-2.30

Market Summary

Yesterday the Australian market pushed higher after a session that moved around the prior days close. Overnight the US markets pushed higher on late buying after being down for most of the session. Today the Australian market can expect a mildly positive session. The SPI Futures are 21 points higher.

Stocks that are trading ex dividend today include Flight Centre, Primary Health Care and Toll Holdings. There are no stocks trading ex dividend Monday.

Australian Company & Economic Reports

ANZ (ANZ) said that it has been given approval for a foreign banking license to operate in India, giving the bank a platform for growth in the fast-growing market. ANZ said that the Reserve Bank of India had awarded it in-principle approval for the license. "This is an important step for ANZ as part of a long-term commitment to progressively rebuild our presence in India," ANZ chief executive for Asia Pacific, Europe and America Alex Thursby said. Pending approval of the branch location by the RBI, ANZ said it intends to establish its first branch in Mumbai under its foreign bank license in the next 12 months. ANZ shed 21 cents (0.88%) to $23.67.

Rio Tinto (RIO) and BHP (BHP): Rio Tinto said it is in discussions with Russian's OAO Norilsk Nickel about the future of the pair's exploration joint venture, RioNor Exploration. However, Norilsk Deputy Chief Executive Oleg Pivovarchuk said OAO Norilsk Nickel is exiting the joint venture as it has enough of its own local concerns, and that it is also reviewing the Syradasaiskoye coal exploration project in the Arctic, being carried out under a similar joint venture with BHP. RIO rose 53 cents (0.72%) to $74.40 and BHP strengthened 61 cents (1.46%) to $42.28.

International Market Report

Analyst upgrades of a trio of blue-chip companies pushed the stock market a little higher on Thursday, as investors looked ahead to the latest reading of US employment. The Dow Jones Industrial Average strengthened 47.4 points (0.46%) to 10,444.1, led by a 2.9% gain in Walt Disney after analysts raised their rating on the company to "buy" from "neutral." The Standard and Poor's S&P500 gained 4.2 points (0.37%) to 1,123.0 and the Nasdaq advanced 11.6 points (0.51%) to 2,292.3.

Two other Dow components benefited from upgrades. Coca-Cola, which was moved to a "buy" rating from "neutral," was up 1.1%. Boeing was up 1.6% after being moved to a "neutral" rating from "sell", the analysts said a greater proportion of airlines are now looking to speed deliveries of new aircraft rather than postpone them.

The overall tone of the financial markets remained cautious ahead of US employment data due on Friday morning. Wall Street is expecting to see further declines in nonfarm payrolls for February - a worrisome sign for investors looking for a robust economic recovery.

Health-care stocks, which led a late-day swoon in the market on Wednesday, continued to be a sore spot. Insurance companies led the sector's losses on Thursday after executives entered a meeting with US Health and Human

Services Secretary Kathleen Sebelius at the White House. UnitedHealth Group fell 3.3%, Aetna was down 2.5%, and Cigna fell 1.5%.

Financial stocks rose after Greece successfully launched a sale of 5bn euros in 10-year debt. The issuance was seen by many traders as a barometer of whether Greece will be able, in coming months, to right its finances without relying too heavily on assistance from neighbouring governments. Goldman Sachs Group, which drew attention for swaps that enabled the Greek government to use favourable exchange rates to record some of its debt, rose 3.6%.

Investors also welcomed data showing a slightly bigger drop in weekly jobless claims than economists had predicted, while non-farm business productivity rose by a bigger-than-expected seasonally adjusted annual rate.

However, other reports disappointed the market. Factory orders rose in January but the increase was weaker than anticipated. Meanwhile, an indicator of pending home sales slipped more than expected in January as "abnormal weather conditions" hurt sales.

Several retailers reported improved sales in February, thanks to easy year-ago comparisons. Among the companies that handily topped expectations, Zumiez shares jumped 12.4%, while Abercrombie & Fitch climbed 13.6% and Aeropostale rose 6.5%.

For Australian ADRs listed on the NYSE, **BHP Billiton** increased 0.08%, **Rio Tinto Plc** slid 0.67%, **Telstra Corporation** weakened 0.75% and Westpac fell 0.72%.

At 7:45 AM (AEST), the 10-year Treasury note yield was 3.60% and the five year yield was 2.27%.

European shares ended a choppy session slightly higher on Thursday, after bouncing back from early lows as two of the region's top central banks remained committed to ultra-low rates.

The Stoxx Europe 600 index ended 0.2% higher at 253.00. Of the major regional equity markets, the UK FTSE 100 index closed 0.1% lower at 5,527.16 and the German DAX index lost 0.4% to 5,795.32 with the French CAC-40 index ending down 0.4% at 3,828.41. Data out on Thursday confirmed that gross domestic product across the 16-nation euro zone grew by just 0.1% in the final quarter of 2009.

In light of Greece's recent troubles, it was a key topic at the ECB press conference and President Jean-Claude Trichet continued Europe's broadly supportive stance, welcoming Greece's moves to try and get its fiscal deficit down to levels acceptable to the rest of Europe. Greece said it will issue a new bond after announcing fresh austerity measures on Wednesday. Meanwhile the cash-hungry Greek government could begin to privatise firms such as utility Public Power Corp., up 4.6%, and lottery operator Opap, up 4.3%, strategists said.

Banks were higher, with BBVA shares up 1.4%. The Bank of England and the European Central Bank both kept rates on hold at ultra-low levels on Thursday amid subdued economic progress for the region. European corporate earnings weren't inspiring investors on Thursday, helping to keep broad market sentiment in check.

On the FTSE 100, **Rio Tinto** dropped 1% and **BHP Billiton** shed 1.05%.

Asian markets ended mostly lower Thursday, with Chinese banking and property shares losing ground a day before the mainland's annual National People's Congress amid concerns about policy tightening. Japan's Nikkei 225 finished off 1.1%, Hong Kong's Hang Seng Index dropped 1.4% and China's Shanghai Composite fell 2.4%.

Base metals on the London Metal Exchange reversed lower in Europe on a stronger US dollar, mixed equity markets and weaker crude oil prices. Aluminium rose $11 (0.50%) to $2,210 while copper fell $125 (1.66%) to $7,410 and nickel weakened $350 (1.54%) to $22,350. Zinc dropped $35 (1.53%) to $2,250 and lead shed $35 (1.59%) to $2,170. Comex copper was last quoted at 336.70 US cents per pound.

Spot gold was last quoted at $1,131.50. Comex gold futures slid $10.20 (0.89%) to $1,133.10. Spot silver was last quoted at $17.09.

Crude settled lower as investors sold on concerns that unemployment data due on Friday could disappoint. A recovering US dollar also weighed. West Texas Intermediate was last quoted at US$80.21 per barrel.

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