

# Weekly market report

## Monday 26 July 2010

### Local markets

Local markets shrugged off depressed confidence reflected in the NAB Business Survey for the June quarter, and instead focused on strong economic data and corporate earnings reports out of the US.

The weekly gain on the ASX 200 was +0.8 per cent - the majority of the gains generated on Friday following a host of positive US earnings reports. The positive reports triggered recently weakened commodity markets in the hope that the state of the US recovery growth is not as bad as first expected. Metals & Mining stocks rose +3.5 per cent over the week and the Materials sector gained +3.2 per cent.

### Global markets

#### Equity markets

Positive Q2 earnings reports out of the US were the fuel on the fire for markets last week. Microsoft announced its largest sales gain in two and half years, Apple exceeded analyst sales estimates and UPS posted a 90 per cent increase in annualized profit, amongst others. Of those companies that have announced since 12 July, about 85 per cent of S&P 500 companies have exceeded analysts' per-share earnings forecasts, according to Bloomberg data.

The real positive sentiment to come out of the results was a return to sales growth. In the last year or so, profit surprises have largely been due to expense cuts, so sales-generated surprises are a positive sign for global growth.

The S&P 500 rose +3.6 per cent last week, whilst the tech-heavy Nasdaq rose +4.1 per cent.

Economic releases out of the Eurozone were also promising last week, with the latest manufacturing Purchasing Managers' Indices (PMI) showing the region growing much faster than expected in July. The German IFO index, a key indicator of business sentiment, and UK retail sales also came in much higher than expected.

The UK FTSE rose +3.0 per cent, the German DAX rose +2.1 per cent and the French CAC 40 rose +3.1 per cent over the week.

#### Commodities

In a clear sign that earlier negative sentiment towards global growth prospects is fading, an index of industrial metals prices increased by +6.5 per cent last week to its highest level in two months.

Underlying the rise was a strong +8.5 per cent increase in Copper and +7.5 per cent return for Nickel. Commodity prices have been pummeled since April, so last week's rebound only makes a small dent in the losses that have been experienced.

#### Currencies

Commodity prices rose and the combined effect of better risk appetite and higher commodity prices saw the Australian dollar rise strongly, hitting a high of \$0.8951 against the US dollar. It is the AUD's highest level since mid-May, when the currency was falling as the sovereign debt issues in Europe developed a head of steam.

The AUD ended the week just shy of this high at \$0.8910.

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### Market movements

Index	Close last Friday	% Weekly movement	% Yearly movement
ASX 200	4,458	+0.8%	+9.0%
Dow Jones	10,425	+3.2%	+14.6%
S&P 500	1,103	+3.6%	+12.6%
Nasdaq	2,269	+4.1%	+15.4%
FTSE	5,313	+3.0%	+16.1%
DAX	6,166	+2.1%	+17.9%
CAC 40	3,607	+3.1%	+7.1%
Nikkei	9,431	+0.2%	-5.2%
Shanghai	2,572	+6.1%	-23.7%
Hang Seng	20,815	+2.8%	+4.2%

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