

Date	Time	The Day Ahead (AUSTRALIA)	Month	Survey	Prior
31/12	11:30	PRIVATE SECTOR CREDIT MoM	NOV	1.0%	1.0%
31/12	11:30	PRIVATE SECTOR CREDIT YoY	NOV	15.4%	15.4%

TREASURIES

NEW YORK, Dec 21 (Reuters) - U.S. Treasuries fell on Friday as stocks rallied and government data showed U.S. personal spending jumped in November, indicating that credit scarcity has had a limited impact on households so far.

The idea that consumer demand would still contribute to the economy's growth -- and new inflation data -- suggested that fewer Federal Reserve rate cuts might be in the offing than some have anticipated.

Technology shares led the rally in equities, although financial companies also benefited from news that Merrill Lynch <MER.N> had secured new money from Singapore state investor Temasek.

Wall Street's gains -- the Dow Jones industrial average <DJI> climbed 205.01 points, or 1.55 percent, to end at 13,450.65 -- drew investors away from safe-haven government debt, dragging the 10-year benchmark note US10YT=RR down 29/32 in price for a yield of 4.17 percent. That was up 12 basis points on the day but down 7 basis points for the week. Two-year notes <US2YT=RR> fell 5/32 to yield 3.19 percent.

"Stocks (were) strong, to the detriment of bonds," said Andrew Brenner, market analyst at MF Global in New York.

Results from the Fed's latest \$20 billion short-term debt auction, aimed at opening the spigots in a clogged bank lending system, were similar to the first Fed auction of this type conducted on Monday.

Demand for the loans seemed to ebb compared with the previous auction, but that could be because banks have already addressed their year-end funding needs this late in the month.

"The results indicated that the necessity for longer-term credit was meaningful, but not extreme, because a large portion of the bids came in at rates above the minimum, but not above the Fed's (4.75 percent) discount rate or even approaching the comparable open market rate," said Pierre Ellis, senior economist at Decision Economics in New York.

"If demand had been extreme, the auction would have closed closer to or above the open market rate," he said.

"Borrowers got a good deal and a large fraction of the bidders were hoping for an even better deal, which basically speaks to normal calculations, not panic."

The Fed's Term Auction Facility (TAF) seemed to have won the hearts and minds of the market more successfully than an earlier plan by large banks to bail out structured investment vehicles. Bank of America Corp <BAC.N>, Citigroup <C.N> and JPMorgan Chase & Co <JPM.N> have abandoned plans for a fund to bail out structured investment vehicles (SIVs), due to a lack of demand, according to sources familiar with the matter.

SIVs have had trouble borrowing in short-term markets to fund their investments recently and the so-called Super-SIV, officially known as the master liquidity enhancement conduit, or M-LEC, was meant to prevent SIVs from having to dump assets into financial markets.

But demand for the SIV rescue fund proved to be low because banks found other ways to restructure individual SIVs, sources said. Citigroup said last week that it was moving some \$49 billion of SIV assets to its own balance sheet.

The market registered little reaction to the news.

INFLATION TAKES BACK SEAT TO LIQUIDITY, ECONOMY CONCERNS

An uptick in November inflation put inflation excluding food and energy up 2.2 percent in November compared with a year earlier. Overall inflation, to which policy-makers are giving growing attention, spiked 3.6 percent.

Still, inflation pressures will not stop the Fed from cutting interest rates, economists said.

"The Fed has signaled the market that it intends to cut rates further and will have to accept a short-term trade-off of higher inflation for the lower interest rates it needs to address the liquidity crisis and a slowing economy," said Joseph Brusuelas, chief economist at IDEAGlobal in New York.

STOCKS

NEW YORK, Dec 21 (Reuters) - U.S. stocks jumped the most in three weeks on Friday, as strong results from the company behind the BlackBerry boosted technology shares while financials rose on a report that another U.S. brokerage may get a big foreign investment.

All three major indexes rose more than 1.5 percent, a lift that took them into positive territory for the week.

Investors were also heartened by a government report that showed U.S. personal spending jumped more than expected in November, suggesting consumers have not been discouraged by signs of a slowdown in the economy.

Bank stocks surged after the Wall Street Journal reported Merrill Lynch & Co Inc <MER.N> may get up to \$5 billion in a capital infusion from Singapore state investor Temasek Holdings. In the third quarter, Merrill had to write down \$8.4 billion on assets tied to risky subprime mortgages.

Adding to the buoyant mood, several brokerages lifted their ratings or price targets on shares of Research in Motion after the BlackBerry wireless device maker reported earnings that topped forecasts after Thursday's closing bell.

"Technology is a sector that has earnings momentum behind it with good exposure to the foreign markets," said Craig Hester, CEO of Hester Capital Management in Austin, Texas.

The Dow Jones industrial average <.DJI> shot up 205.01 points, or 1.55 percent, to 13,450.65. The Standard & Poor's 500 Index <.SPX> leaped 24.34 points, or 1.67 percent, to 1,484.46. The Nasdaq Composite Index <.IXIC> climbed 51.13 points, or 1.94 percent, to 2,691.99.

For the week, the Dow rose 0.8 percent, the S&P gained 1.2 percent and the Nasdaq surged 2.1 percent.

SOVEREIGN WEALTH

Merrill shares gained 1.9 percent to \$55.54. Other financial-sector stalwarts also caught the wind in their sails, with Goldman Sachs <GS.N> up 3.4 percent at \$209.60 and Morgan Stanley <MS.N> up 6.3 percent at \$54.59.

A developing theme, rooted in the wreckage of the credit crunch, is that Gulf and Asian state investors, awash with cash, have been moving into large Western banks.

According to a Financial Times report, Saudi Arabia is planning to establish a sovereign fund that is expected to be larger than \$900 billion.

"The fact you're seeing sovereign wealth funds make investments shows that they see value in these financial companies, and the market is taking some comfort from that," Hester said.

"But there is still reason for caution as there is no transparency about the kind of toxic waste financials have on their balance sheet."

Research in Motion shares popped up 10.9 percent to \$118.63 on the Nasdaq.

Among consumer companies reporting results on Friday, drugstore chain Walgreen Co <WAG.N> posted earnings that topped estimates, while consumer electronics retailer Circuit City <CC.N> disclosed a wider-than-expected loss.

Walgreen shares rose 6.1 percent to \$38.47 on the New York Stock Exchange.

In contrast, Circuit City's stock plummeted 28.7 percent to \$4.75 and topped the NYSE's list of biggest percentage losers.

The Reuters/University of Michigan Surveys of Consumers index of consumer sentiment showed consumers' mood improved slightly in late December, but it still soured for the month as a whole.

Stock market volume was strong. Friday is the last major trading day before year-end holidays and also marked the expiration of equity derivatives contracts in the quarterly event known as "quadruple witching."

About 2.34 billion shares changed hands on the New York Stock Exchange, flying past last year's estimated daily average of 1.84 billion, while on the Nasdaq, about 2.56 billion shares traded, also topping last year's daily average of 2.02 billion.

Advancing stocks outnumbered declining ones by a ratio of about 3 to 1 on the NYSE and by 2 to 1 on Nasdaq.

Last Night's Figures US	Survey	Actual	Prior
PERSONAL INCOME	0.5%	0.4%	0.2%
PERSONAL SPENDING	0.7%	1.1%	0.4%*
PCE DEFLATOR YoY	3.4%	3.6%	3.0%*
PCE CORE MoM	0.2%	0.2%	0.2%
PCE CORE YoY	2.0%	2.2%	2.0%*
UNI of MICHIGAN SENTIMENT	74.5	75.5	74.5

*REVISED UP / **REVISED DOWN

Date	Time	The Week Ahead (US)	Month	Survey	Prior
27/12	01:00	S&P/CS COMPOSITE-20 YoY	OCT	-5.7%	-4.9%
27/12	01:00	S&P/CS HOME PRICE INDEX	OCT		195.6
27/12	02:00	RICHMOND FED MANUF. INDEX	DEC	0	0
28/12	00:30	DURABLE GOODS	NOV	2.0%	-0.2%
28/12	00:30	DURABLE GOODS ex TRANSPORT	NOV	0.5%	-0.4%
28/12	00:30	INITIAL JOBLESS CLAIMS		340K	346K
28/12	02:00	CONSUMER CONFIDENCE	DEC	86.5	87.3
29/12	01:45	CHICAGO PMI	DEC	51.9	52.9
29/12	02:00	NEW HOME SALES	NOV	720K	728K

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