

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 24 (Reuters) - U.S. Treasuries fell on Monday in shortened, pre-Christmas trading, as improvement in credit conditions and Merrill Lynch's plan to boost its capital cushion reduced safe-haven demand for U.S. government debt.

U.S. stocks rose following news that Merrill Lynch <MER.N>, which has posted billions in subprime write-downs, aimed to sell a lending unit and to raise up to \$6.2 billion, with a majority of the expected capital infusion coming from Singapore's Temasek Holdings.

The Merrill news, together with hopes of a last-minute surge in holiday shopping, pushed major U.S. stock indexes up 0.6 percent.

"Stocks are higher, and Treasuries are lacking a bid," said John Spinello, Treasury bond strategist at Jefferies & Co. in New York.

Spinello and other analysts downplayed the significance of Monday's bond losses given the thin pre-holiday trading and the absence of major economic data.

Benchmark 10-year benchmark notes <US10YT=RR> lost 10/32 in price to yield 4.21 percent, up from 4.17 percent on Friday. Bond prices and yields move inversely.

Among shorter maturities, two-year debt issues <US2YT=RR> fell 3/32, yielding 3.24 percent from 3.19 percent late on Friday.

Demand for short-dated Treasuries has tapered off on signs of credit conditions loosening in the wake of coordinated steps among global central banks to encourage lending between banks.

Short-term lending rates for U.S. dollars, euros and sterling continued their recent decline, with the three-month dollar London Interbank Offered Rate fixed at 4.84250 percent.

The U.S. bond market will close early at 2 p.m. (1900 GMT), an hour after stocks are to stop trading.

All U.S. financial markets will be shut on Tuesday for Christmas.

STOCKS

NEW YORK, Dec 24 (Reuters) - U.S. stocks rallied on Monday, led by financial companies, after Merrill Lynch <MER.N> took steps to shore up its balance sheet with plans to raise up to \$6.2 billion and sell a lending unit.

The Dow industrials and the S&P 500 closed higher for the third day in a row, while the Nasdaq posted its fifth straight day of gains. But trading volume was light, with the stock market closing early for Christmas Eve.

Merrill Lynch & Co Inc <MER.N>, hit by huge subprime mortgage losses, said it would increase its capital with an investment from Singapore's Temasek Holdings and Davis Selected Advisers, a U.S.-based asset manager.

While the news lifted the financial sector as investors welcomed another big investment in a U.S. bank, shares of Merrill fell on word Temasek was paying just \$48 per share while the broker's stock trades at \$53.90. Merrill's stock reversed earlier sharp gains to slide 3 percent on the New York Stock Exchange.

The S&P financial index <.GSPF> rose 1.8 percent.

Before the opening bell, Merrill also announced that it plans to sell most of its middle-market lending business to General Electric Co's <GE.N> commercial finance arm in a deal to free up capital. GE shares rose 1.1 percent to \$37.53.

"The fact that large banks are taking the necessary steps to raise capital and clean up their balance sheets is a good indication that people understand the severity of the problem and are working to fix it," said Edward Bretschger, director of equity sales and trading, at Calyon Securities in New York.

But, "while the news is giving a boost to others, the structure and details of the (Merrill) deal are starting to come to light and the stock is under pressure."

The Dow Jones industrial average <.DJI> shot up 98.68 points, or 0.73 percent, to end at 13,549.33. The Standard & Poor's 500 Index <.SPX> gained 11.99 points, or 0.81 percent, to 1,496.45. The Nasdaq Composite Index <.IXIC> climbed 21.51 points, or 0.80 percent, to 2,713.50.

Investors kept a close eye on the retail sector, as they speculated about how retailers fared during the holiday shopping season. A survey by consumer marketing firm America's Research Group showed on Sunday that U.S. retailers offering the widest discounts were the winners of this holiday season in a challenging sales environment.

Shares of Wal-Mart Stores Inc <WMT.N>, the world's largest retailer and a Dow component, gained 1.1 percent to \$48.74, while shares of rival discount retailer Target Corp <TGT.N> rose 3.5 percent to \$52.47.

Alcoa Inc's <AA.N> advanced 1.8 percent to \$37.01 after it agreed to sell its packaging and consumer businesses to New Zealand's Rank Group for \$2.7 billion in cash -- the latest move by the world's third-largest aluminum producer to focus on its core business. Alcoa also is among the 30 stocks that make up the blue-chip Dow Jones industrial average.

Shares of Teva Pharmaceuticals <TEVA.O> rose 2.9 percent to \$46.48 and helped buoy the Nasdaq after the drug maker raised its 2007 profit forecast. Teva's higher forecast came in conjunction with the launch of its generic version of Wyeth's <WYE.N> drug Protonix, often prescribed to treat ulcers and acid reflux disease.

Trading was thin on the NYSE, with about 536.5 million shares changing hands, far below last year's estimated daily average of 1.84 billion, while on the Nasdaq, about 762.9 million shares traded, less than half of last year's daily average of 2.02 billion.

Advancing stocks outnumbered decliners by a ratio of more than 3 to 1 on the NYSE and by 9 to 5 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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