

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 26 (Reuters) - U.S. Treasuries fell on Wednesday in choppy, post-Christmas trading with benchmark yields at their highest levels since mid-November, prompted by a recovery in stocks and a poor two-year note auction.

The resurgence in oil prices was also negative for bonds. Oil climbed almost \$2 to nearly \$96 a barrel, feeding inflationary pressures and curbing expectations of the Federal Reserve slashing interest rates to counter the housing slump.

The below-average bidding for \$22 billion in 2-year debt, the largest December offering since 2004, was not entirely unexpected in light of skeletal staffing at many U.S. trading desks the day after Christmas.

"Today is more a mode of holiday trading. There is also tepid demand on two-year notes," said George Adell, fixed-income strategist at Commerce Capital Markets in Jupiter, Florida, said of the factors pushing down bond prices.

Treasury trading volume was running at less than half its recent average, according to bond broker ICAP.

The latest two-year auction results fell far short of their recent readings, foreshadowing possible lackluster demand for Thursday's \$13 billion of new five-year Treasury notes.

"You will have the Street trying to push up the yield as high as possible," Adell said.

Meanwhile, safe-haven buying of Treasuries also receded as stocks recovered from earlier lows, led by the Nasdaq's gains.

Treasury prices posted session lows after the two-year note auction. Two-year Treasury notes <US2YT=RR> were down 4/32 in price with their yields rising to 3.32 percent, up from 3.25 percent late on Monday. Bond prices and yields move inversely.

The benchmark 10-year U.S. Treasury note's price was down 20/32, erasing an 8/32 gain shortly before the auction. Its yield <US10YT=RR> was 4.30 percent, the highest since Nov. 14, up from 4.21 percent late on Monday.

Among other maturities, five-year notes <US5YT=RR> were down 11/32 to yield 3.73 percent, up from 3.64 percent late Monday, and the long bond <US30YT=RR> was off 1 full point for a yield of 4.69 percent versus 4.62 percent late Monday.

The U.S. bond market was closed on Tuesday for Christmas. Many European and some Asian markets stayed shut on Wednesday.

### WEAK DATA

On the data front, several reports suggested the housing slump was far from over and mixed Christmas results from retailers, portending a rocky economy in the coming months.

The Standard & Poor's/Case-Shiller said on Wednesday its index of home prices in 10 metropolitan areas fell 6.7 percent in October, its biggest-ever annual drop.

Readings on retailers' holiday sales, not as weak as some had feared, were far from robust. Domestic chain-store sales grew 1.0 percent to 3.0 percent last week against the comparable week in 2006, according to the separate reports from Redbook Research and International Council of Shopping Centers/UBS released on Wednesday.

Moreover, the Richmond Fed's factory activity index weakened to minus 4 in December, suggesting contraction in the region's manufacturing sector.

## STOCKS

**NEW YORK, Dec 26 (Reuters) - U.S. stocks were mostly flat on Wednesday as worries about a sales forecast from Target Inc <TGT.N> and falling home prices were offset by gains in energy shares.**

**Amazon.com Inc. <AMZN.O> shares helped the Nasdaq, after the online retailer said the 2007 holiday season was its strongest yet.**

**However, Target warned its December same-store sales would fall short of expectations, fueling concerns about some retailers' sales this holiday shopping season. The S&P retail index <.RLX> fell nearly 2 percent.**

**"You'll have to wait until January to see if gift cards can make up the difference ... But it's not going to be off to the races in terms of the American consumer next year," said Stephen Massocca, co-chief executive of Pacific Growth Equities, a San Francisco-based investment bank.**

**Shares of Exxon Mobil Corp <XOM.N> rose 1.4 percent to \$94.99 after U.S. crude oil futures hit their highest level since November. Exxon topped the list of the Dow's major advancers.**

**Trading volume was light following the Christmas holiday while major markets in Europe remained closed.**

**The Dow Jones U.S. Home Construction Index <.DJUSHB> was down 0.5 percent after the Standard & Poor's/Case-Shiller index showed prices of existing U.S. single-family homes recorded their biggest annual drop in October.**

**Target's shares fell 2 percent to \$51.45. After Monday's closing bell, the discount retailer said it expects sales at stores open at least a year to be in the range of down about 1 percent to up 1 percent, adjusted for the calendar shift. Previously, Target had forecast that December same-store sales would rise 3 percent to 5 percent on a calendar-adjusted basis.**

**Analysts and policy-makers have been closely monitoring the U.S. consumer for signs of flagging spending, which could send the economy into a recession.**

**In contrast to declines by the shares of Target, Macy's <M.N> and Wal-Mart Stores Inc <WMT.N>, the stock of Amazon.com was up 2.3 percent at \$93.13. Amazon's advance helped buoy the Nasdaq.**

**The Dow Jones industrial average <.DJI> was up 2.36 points, or 0.02 percent, to end unofficially at 13,551.69. The Standard & Poor's 500 Index <.SPX> was up 1.21 points, or 0.08 percent, to finish unofficially at 1,497.66. But the Nasdaq Composite Index <.IXIC> was up 10.91 points, or 0.40 percent, to close unofficially at 2,724.41.**

Last Night's Figures US	Survey	Actual	Prior
S&P/CS COMPOSITE-20 YoY	-5.7%	-6.1%	-4.9%
S&P/CS HOME PRICE INDEX		192.9	195.7*
RICHMOND FED MANUF. INDEX	1	-4	0

\*REVISED UP / \*\*REVISED DOWN

Date	Time	The Week Ahead (US)	Month	Survey	Prior
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

While MF Global believes this information to be reliable, no warranty is given as to its accuracy and persons who rely on it do so at their own risk. In so far as this information contains material from other sources, MF Global has not checked those sources and accepts no responsibility for the accuracy of that material. All information is for the person to whom it is provided and is not to be passed on to any third party. **WARNING.** This report is intended to provide general futures advice and does not purport to make any recommendation that any futures transaction is appropriate to your particular circumstances. Prior to making any investment, you should assess, or seek advice from your adviser, whether any part of this report is appropriate to your circumstances. PDS available upon request.  
MF Global Australia Limited (AFSL 230563)