



ECONOMICS & MARKETS RESEARCH ANZ MORNING NOTE

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ANZ AUSTRALIAN
MACROECONOMICS,
FX & COMMODITIES
RESEARCH

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OVERNIGHT MARKETS UPDATE

- **US bond yields** increased at the longer end, as demand for low-yield Treasuries declined following better-than-expected personal consumption data that rose for the fifth straight month, prompting greater confidence in the economic recovery. The yield on 2-year notes was unchanged at 1.040%, whilst the 10-year yield increased 2bps to 3.870%.
- **Australian bond** futures were weaker as the market sees an increasing probability that the RBA will lift rates again after Easter. The implied yield on 3-year bond futures was up 5bps to 5.470% (price down 5bps to 94.530) and the implied yield on the 10-year bond futures was up 2bps at 5.845% (price down 2bps at 94.155).
- **US equities** edged higher following a strong Dallas Manufacturing Activity report and improved personal spending data that boosted growth prospects. Energy and material stocks led the rally. At the time of writing, the DJIA was up 0.4% to 10896, the S&P 500 rose 0.6% to 1173 and the Nasdaq increased 0.4% to 2404.
- **European equities** closed up following strong performance from Vodafone who advanced merger talks. Strong economic sentiment helping to offset poor UK housing data. The DJ Euro Stoxx 50 gained 0.2% to 2947, the German DAX rose 0.6% to 6157 and the FTSE was 0.1% higher at 5711.
- **The Australian SPI 200 Mar 10 futures** contract was 0.3% or 17 points higher at 4940.
- The **USD** weakened overnight on improved risk appetite following the announcement of Greek's bond sale. **EUR/USD** traded weaker as it pulled back from the day's earlier gains and currently trades at 1.3480. **GBP/USD** trades above 1.4980 making gains early in the session. **USD/JPY** traded range-bound and opens this morning weaker at 92.45.
- The **AUD** strengthened against major crosses after RBA Governor hinted at raising rates to curb inflation. **AUD/USD** opens around 0.9170, strengthening steadily overnight. **AUD/EUR** opens back above 0.6800, the cross gaining 0.7% throughout the session. **AUD/JPY** traded 0.8480 a 10-week high for the cross, and opens Tuesday trade at 84.85. **AUD/NZD** pair opens at 1.2925 after a sharp increase overnight.
- **Crude oil** rose as the USD weakened. WTI futures contract for May 10 increased 3.0% to US\$82.40 a barrel.
- **Spot gold** climbed on the back of a weaker USD, increasing the appeal of the metal as an investment. Spot gold increased 0.3% to US\$1,110.55 an ounce.
- **LME copper** increased 3.4% to US\$7,770, an 11-week high, as inventories on the LME continued to decline. The demand for the metal was also supported by a weaker USD. Other base metals traded positive with **zinc**, **aluminium**, **lead** and **nickel** increasing 4.6%, 2.8%, 1.2% and 1.7%, respectively.
- **US corn** and **soybeans** increased 0.2% and 1.6%, respectively, as a weaker USD improved the export demand from the US. **Sugar** rose 3.0% as low prices helped improve demand for the commodity. **Wheat** was flat while **palm oil** futures were 0.6% lower.

Please note that the prices/rates have been updated at 0700 AEST.

ECONOMIC DATA & EVENTS

OVERNIGHT DATA AND EVENTS (MARKET EXPECTATIONS, LAST OBSERVATION)

- **US Personal Consumption Expenditures m/m** (Feb) increased 0.3% (0.3%, 0.4%), marking the fifth consecutive month of rise. The increase in February was, however, limited by heavy weather, leading to a dip in auto sales and also by the flat growth in wages and salaries.
- **US Personal Consumption Expenditures Chain Type Price Index y/y** (Feb): 1.8% (1.8%, 2.1%)
- **US Personal Consumption Expenditure Core Price Index m/m** (Feb): 0.0% (0.1%, 0.0%)
- **US Personal Consumption Expenditure Core Price Index y/y** (Feb): 1.3% (1.3%, 1.5%)
- **US Personal Income m/m** (Feb) had a flat growth at 0.0% (0.1%, 0.3%)
- **US Dallas Fed Manufacturing Activity** (Mar): 7.2% (5.2%, -0.1%)
- **UK Consumer Credit** (Feb): £0.5B (£0.4B, £0.3B)
- **UK Net Lending Secured On Dwellings** (Feb): £1.6B (£1.4B, £1.5B)
- **UK BoE Mortgage Approvals** (Feb) dropped unexpectedly for the third straight month to £47.1K (£48.4K, £48.1K), the lowest level in nine months.
- **UK Money Supply M4 m/m** (Feb F): 0.2% (0.2%)
- **UK Money Supply M4 y/y** (Feb F): 3.9% (3.6%)
- **EU Business Climate Indicator** (Mar): -0.32 (-0.82, -0.65)
- **EU Manufacturing Confidence Indicator** (Mar): -10 (-11, -13)
- **EU Consumer Confidence Indicator** (Mar F) stayed flat at -17 (-17, -17), as consumers saw no improvement in economic conditions over the next 12 months while only anticipating marginal improvement in job markets.
- **EU Economic Sentiment Indicator** (Mar) increased to 97.7 (97.1, 95.9) on strong manufacturing sector demand supported by a weaker euro that has helped in propping up export competitiveness.
- **EU Services Confidence Indicator** (Mar): 1 (2, 1)
- **GE CPI m/m** (Mar P): 0.5% (0.3%, 0.4%)
- **GE CPI y/y** (Mar P): 1.1% (0.9%, 0.6%)
- **GE EU Harmonised m/m** (Mar P): 0.6% (0.3%, 0.4%)
- **GE EU Harmonised y/y** (Mar P): 1.3% (0.9%, 0.5%)
- **EU ECB Governing Council Member Ewald Nowotny commented:** *"I wouldn't say that the euro is weak. What we have seen is that the problematic appreciation of the euro has been averted. It's not weak. It has stabilized and I think it's a positive effect for the economy. The current level of the euro is adequate."*
- **Greece prices bonds for first time since EU/IMF support deal.** But it still comes at a hefty price with the €5b of seven year bonds coming in at 5.9%, which is 310bps over swap.
- **AU RBA Governor Glenn Stevens:** *"It's not wise to leave interest rates right down at rock bottom any longer than you need. It would be not doing people any favours to have a prolonged period of very low rates and then hammer them unexpectedly."*

ECONOMIC DATA & EVENTS

UPCOMING DATA AND EVENTS

- NZ: Building Permits m/m – (Feb): Market: 2.0% Last: -2.8% - 21:45 GMT (08.45 AEST)
- NZ: Money Supply M3 y/y – (Feb): Last: -4.5% - 02:00 GMT (13.00 AEST)
- JP: Overall Household Spending y/y – (Feb): Market: 1.5% Last: 1.7% - 23:50 GMT (10.50 AEST)
- JP: Jobless Rate – (Feb): Market: 4.9% Last: 4.9% - 23:50 GMT (10.50 AEST)
- JP: Job-To-Applicant Ratio – (Feb): Market: 0.47 Last: 0.46 - 23:50 GMT (10.50 AEST)
- JP: Industrial Production m/m – (Feb P): Market: -0.5% Last: 2.7% - 23:50 GMT (10.50 AEST)
- JP: Industrial Production y/y % – (Feb P): Market: 31.8% Last: 18.5% - 23:50 GMT (10.50 AEST)
- JP: Vehicle Production y/y – (Feb): Last: 30.7% - 23:50 GMT (10.50 AEST)
- GE: Import Price Index m/m – (Feb): Market: 0.4% Last: 1.7%
- GE: Import Price Index y/y – (Feb): Market: 2.0% Last: 1.4%
- UK: GDP q/q – (Q4 F): ANZ: 0.3 Market: 0.3% Last: 0.3% - 08:30 GMT (19.30 AEST)
- UK: GDP y/y – (Q4 F): ANZ: -3.3% Market: -3.3% Last: -3.3% - 08:30 GMT (19.30 AEST)
- UK: Current Account (GBP) – (Q4 F): Last: -4.70 - 08:30 GMT (19.30 AEST)
- UK: BoE's Haldane speaks in Hong Kong - 16:45 GMT (03.45 AEST)
- UK: GfK Consumer Confidence Survey – (Mar): Market: -13 Last: -14 - 23:01 GMT (10.01 AEST)
- UK: Nat'wide House prices m/m – (Mar): Market: 0.2% Last: -1.0%
- UK: Nat'wide House prices y/y – (Mar): Market: 8.2% Last: 9.2%
- US: S&P/CaseShiller Home Price Ind – (Jan): Market: 145.0 Last: 145.9 - 13:00 GMT (00.00 AEST)
- US: S&P/CS Composite-20 y/y – (Jan): Market: -0.7% Last: -3.1% - 13:00 GMT (00.00 AEST)
- US: S&P/CS 20 City m/m % – (Jan): Market: -0.30% Last: 0.32% - 13:00 GMT (00.00 AEST)
- US: Consumer Confidence – (Mar): Market: 51.0 Last: 46.0 - 14:00 GMT (01.00 AEST)
- US: ABC Consumer Confidence – (Mar 28): Last: -44 - 21:00 GMT (08.00 AEST)
- US: Former Fed Chairman Volcker Speaks in DC - 16:00 GMT (03.00 AEST)
- CA: Industrial Product Price m/m – (Feb): Market: 0.1% Last: 0.3% - 12:30 GMT (23.30 AEST)
- CA: Raw Materials Price Index m/m – (Feb): Market: -0.5% Last: 3.3% - 12:30 GMT (23.30 AEST)

MARKET TABLES

TABLE 1: FIXED INCOME *

	LEVEL	CHANGE		LEVEL	CHANGE
US 2y note	1.040	0.0	US 2y swap	1.20	-1.1
US 5y note	2.604	1.7	US 5y swap	2.73	-0.9
US 10y note	3.870	2.3	US 10y swap	3.82	-0.8
US 30y bond	4.774	2.8	AUS 3y swap	5.62	1.0
US 2y swap spread	15.31	0.7	AUS 5y swap	5.97	1.2
US 5y swap spread	13.25	2.3	AUS 10y swap	6.24	1.8
US 10y swap spread	-4.75	1.0	NZ 3y swap	4.77	3.0
AUS 3y	94.530	-5.0	NZ 10y swap	5.96	3.5
AUS 10y	94.155	-2.0	AUS 3m bills	4.49	-11.2
US 3m Libor	0.290	0.1	NZ 3m bills	2.69	0.0

Source: ANZ and Bloomberg. Change in basis points

TABLE 2: FOREIGN EXCHANGE#

	LAST	CHANGE	OVERNIGHT RANGE	CURRENT VS AUD
AUD	0.9174	0.0134	0.9113 - 0.9176	-
TWI*	71.0000	-	-	-
NZD	0.7096	0.0056	0.7076 - 0.7117	1.2927
EUR	1.3477	0.0067	1.3436 - 1.3506	0.6806
JPY	92.50	-0.0200	92.42 - 92.71	84.85
GBP	1.4983	0.0086	1.4955 - 1.5019	0.6123
CAD	1.0212	-0.0054	1.0177 - 1.0233	0.9367
CHF	1.0625	-0.0027	1.0593 - 1.0663	0.9747
DXY	81.3000	-0.3090	-	-

Source: ANZ and Bloomberg. * As at 4pm AEST yesterday. Change in pips.

#NB. Overnight ranges for European and New York trading sessions (0700-21:00 GMT)

TABLE 3: EQUITY MARKETS AND COMMODITIES*

	LAST	CHANGE		LAST	CHANGE
Dow Jones	10896	0.4	Gold (\$US/ounce)	1110.4	0.3
S&P	1173	0.6	Copper (\$US/tonne)	7515.0	1.1
Nasdaq	2404	0.4	Nickel (\$US/tonne)	23600.0	3.4
FTSE 100	5711	0.1	CRB Index	272.8	2.1
DAX	6157	0.6	Oil (\$US/barrel)	82.40	3.0

Source: ANZ and Bloomberg. Change in %.

*NB. Indicative levels only. Some base metal prices may not be in real time. Please speak to your ANZ representative if you require the latest market pricing.

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