



ECONOMICS & MARKETS RESEARCH

ANZ MORNING NOTE

31 MARCH 2010

ANZ AUSTRALIAN
MACROECONOMICS,
FX & COMMODITIES
RESEARCH

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OVERNIGHT MARKETS UPDATE

- **US bond yields** stayed relatively flat as the initial rise on the back of a strong rebound in consumer sentiment and buoyancy in housing prices was offset by fiscal debt concerns as the market awaits key labour market data at the end of the week. Month-end demand also lent some support. The yield on 2-year notes increased 2bps to 1.055%, whilst the 10-year yield was flat at 3.861%.
- **Australian bond** futures also traded flat. The implied yield on 3-year bond futures was unchanged at 5.440% (price unchanged at 94.560) and the implied yield on the 10-year bond futures stayed at 5.825% (price flat at 94.175) ahead of a May 2021 bond tender and a raft of economic data due for release today.
- **US equities** traded range-bound as a good consumer sentiment reading and better-than-expected housing price data were offset by weakness in financial stocks. Rating downgrade of Iceland and poor demand for Greece's auction dampened sentiment. The DJIA was up 0.1% to 10907, the S&P 500 was flat at 1173 and the Nasdaq was 0.3% higher at 2411.
- **European equities** edged lower as banking stocks slumped following a fine imposed onto the RBS and a fund management firm suspended its key fund manager, negating gains in the defensive sectors. The DJ Euro Stoxx 50 lost 0.3% to 2940, the German DAX declined 0.2% to 6142 and the FTSE fell 0.7% to 5672.
- **The Australian SPI 200 Mar 10 futures** contract was unchanged at 4927.
- The **USD** strengthened against most crosses overnight. **EUR/USD** opens at 1.3410 after Greece's bond auction failed to attract sufficient demand. **GBP/USD** trades at 1.5065 after UK GDP and house-price data came in better than expected. **USD/JPY** touched a new 11-week high of 93.02 before pulling back to 92.80.
- The **AUD** strengthened against major crosses overnight on the back of rising commodity prices. **AUD/USD** reached an overnight high of 0.9218 and opens slightly weaker at 0.9185. **AUD/EUR** traded above 0.6845 for the first time in 12 years and opens Wednesday's trade at 0.6847. **AUD/JPY** opens around 85.25 trading above 85.00 for the entire session and the **AUD/NZD** pair trades at 1.2945 after a choppy session.
- **Crude oil** rose following the release of positive US economic data. The gains were, however, limited as investors turned cautious ahead of US crude inventory data. WTI futures contract for May 10 rose 0.3% to US\$82.42 a barrel.
- **Spot gold** declined on concerns that the recovering USD would reduce the appeal of the metal as an alternative investment. Spot gold fell 0.6% to US\$1,103.10 an ounce.
- **LME copper** rose 1.0% to US\$7,850, the highest level since August 2008, as inventories declined further. Other base metals traded mixed with **zinc**, **aluminium** and **nickel** increasing 2.1%, 0.5% and 1.5%, respectively while **lead** declined 0.7%.
- **US corn** dropped 0.7% on concerns that farmers in the US might increase planting this year. **Sugar** rose 2.1% on speculation that demand for the commodity would increase following the drop in prices. **Wheat** and **soybeans** increased 1.6% and 0.7%, respectively. **Palm oil** futures were 0.7% higher.

ECONOMIC DATA & EVENTS

OVERNIGHT DATA AND EVENTS (MARKET EXPECTATIONS, LAST OBSERVATION)

- **US S&P/CS Composite-20 Home Price Index SA m/m** (Jan) increased 0.32% (-0.25%, 0.34%) as 12 out of the 20 cities experienced a price rise riding on cheaper borrowing costs, lower housing rates and **government** incentives to support the gradual recovery in housing market.
- **US S&P/CS Composite-20 City Home Price Index y/y** (Jan) was down 0.7% (-0.7%, -3.1%) driven by higher level of foreclosures.
- **US S&P/CS Composite-20 Home Price Index** (Jan): 145.3 (145.0, 145.9)
- **US Conference Board Consumer Confidence** (Mar) climbed to 52.5 (51.0, 46.0) in March as the current situation as well as the expectations sub-indices showed an improvement. However, consumer confidence in the labour market and expectations on spending remained pessimistic.
- **UK Nationwide House Price m/m** (Mar) increased 0.7% (0.2%, -0.8%)..
- **UK Nationwide House Prices y/y** (Mar): 9.0% (8.2%, 9.2%)
- **UK GDP q/q** (4Q T) was revised to 0.4% (0.3%, 0.3%) after a marginally higher revision in output of services, construction and agriculture.
- **UK GDP y/y** (4Q T): -3.1% (-3.3%, -3.3%)
- **UK BOP Current Balance** (4Q) shrank to -1.7B (-5.1B, -5.9B) as income from investments abroad improved.
- **GE Import Prices m/m** (Feb): 1.0% (0.4%, 1.7%)
- **GE Import Prices y/y** (Feb): 2.6% (2.0%, 1.4%)
- **CA STCA Industrial Product Price m/m** (Feb): 0.0% (0.1%, 0.4%)
- **CA STCA Raw Materials Price m/m** (Feb): 0.4% (-0.5%, 3.3%)
- **US Federal Reserve Bank of Chicago President Charles Evans said:** *"I am sceptical about using monetary policy to control financial exuberance...If, however, central banks have no supervision and regulation tools, they are constrained to act with the only tool at their disposal: monetary policy."*
- **EU ECB Governing Council Member Jozef Makuch on IMF aid to Greece:** *"An IMF involvement in solving the situation in Greece is not on the agenda. It is meant as a last-resort solution... Neither the ECB nor Greece expect that IMF involvement will be needed."*
- **UK BOE Official Andrew Haldane commented:** *"The marginal social benefits of restrictions could be greater than the marginal private costs...Restrictions on scale and activity are part of today's debate about solutions to the systemic pollution problem...banking pollution is a real and large social problem."*
- **EU S&P lowered its local currency ratings on Iceland to BBB, with a negative outlook.** S&P noted that foreign exchange controls in the country will restrict monetary and fiscal flexibility and investment prospects.
- **Greece sold €390m of 12-year bonds at an extraordinary auction.** However, they were initially looking to raise €1b but demand fell short.
- **EU Italy issued just under €10b of fixed and floating rate paper, attracting strong demand.**

ECONOMIC DATA & EVENTS

UPCOMING DATA AND EVENTS

- NZ: NBNZ Business Confidence – (Mar): Last: 50.1 - 02:00 GMT (13.00 AEST)
- AU: Building Approvals m/m – (Feb): ANZ: 2.1% Market: 2.1% Last: -7.0% - 00:30 GMT (11.30 AEST)
- AU: Building Approvals y/y – (Feb): ANZ: 38.2% Market: 38.1% Last: 47.6% - 00:30 GMT (11.30 AEST)
- AU: Retail Sales sa m/m – (Feb): ANZ: 0.2% Market: 0.3% Last: 1.2% - 00:30 GMT (11.30 AEST)
- AU: Retail Sales sa y/y – (Feb): ANZ: 5.5% Last: 3.0% - 00:30 GMT (11.30 AEST)
- AU: Private Sector Credit m/m % – (Feb): ANZ: 0.5% Market: 0.4% Last: 0.4% - 00:30 GMT (11.30 AEST)
- AU: Private Sector Credit y/y % – (Feb): ANZ: 1.6% Market: 1.5% Last: 1.3% - 00:30 GMT (11.30 AEST)
- AU: RBA Debelle speaks in Sydney - 02:00 GMT (13.00 AEST)
- AU: AOFM Auctions \$500 mn of May 2021 Bonds
- JP: Labor Cash Earnings y/y – (Feb): Market: -0.1% Last: -0.2% - 01:30 GMT (12.30 AEST)
- JP: Housing Starts y/y – (Feb): Market: -1.0% Last: -8.1% - 05:00 GMT (16.00 AEST)
- JP: Annualized Housing Starts – (Feb): Market: 0.865M Last: 0.863M - 05:00 GMT (16.00 AEST)
- JP: Small Business Confidence – (Mar): Last: 42.3 - 05:00 GMT (16.00 AEST)
- JP: Construction Orders y/y – (Feb): Last: 15.7% - 05:00 GMT (16.00 AEST)
- EU: Euro-Zone Unemployment Rate – (Feb): Market: 10.0% Last: 9.9% - 09:00 GMT (20.00 AEST)
- EU: Euro-Zone CPI Estimate y/y – (Mar): Market: 1.1% Last: 0.9% - 09:00 GMT (20.00 AEST)
- EU: ECB's Bini Smaghi Holds Speech in Rome - 17:30 GMT (04.30 AEST)
- GE: Unemployment Change (000's) – (Mar): Market: 7K Last: 7K - 07:55 GMT (18.55 AEST)
- GE: Unemployment Rate – (Mar): Market: 8.2% Last: 8.2% - 07:55 GMT (18.55 AEST)
- US: MBA Mortgage Applications – (Mar 26): Last: -4.2% - 11:00 GMT (22.00 AEST)
- US: ADP Employment Change – (Mar): Market: 40K Last: -20K - 12:15 GMT (23.15 AEST)
- US: Chicago Purchasing Manager – (Mar): Market: 61.7 Last: 62.6 - 13:45 GMT (00.45 AEST)
- US: Factory Orders – (Feb): Market: 0.5% Last: 1.7% - 14:00 GMT (01.00 AEST)
- US: NAPM-Milwaukee Purchases Manufacturing Index – (Mar): Last: 56.0 - 14:00 GMT (01.00 AEST)
- US: Fed's Lockhart speaks in Connecticut - 16:30 GMT (03.30 AEST)
- US: Fed's Lockhart speaks in Arizona - 16:30 GMT (03.30 AEST)
- CA: Gross Domestic Product m/m – (Jan): Market: 0.5% Last: 0.6% - 12:30 GMT (13.30 AEST)

MARKET TABLES

TABLE 1: FIXED INCOME *

	LEVEL	CHANGE		LEVEL	CHANGE
US 2y note	1.055	1.6	US 2y swap	1.21	-0.1
US 5y note	2.601	0.3	US 5y swap	2.74	-0.1
US 10y note	3.861	-0.4	US 10y swap	3.82	-0.8
US 30y bond	4.754	-1.5	AUS 3y swap	5.59	-1.0
US 2y swap spread	14.94	-0.4	AUS 5y swap	5.94	-1.0
US 5y swap spread	13.50	1.0	AUS 10y swap	6.23	0.3
US 10y swap spread	-4.50	0.4	NZ 3y swap	4.77	0.0
AUS 3y	94.560	0.0	NZ 10y swap	5.94	0.0
AUS 10y	94.175	0.0	AUS 3m bills	4.53	-13.3
US 3m Libor	0.291	0.1	NZ 3m bills	2.68	0.0

Source: ANZ and Bloomberg. Change in basis points

TABLE 2: FOREIGN EXCHANGE#

	LAST	CHANGE	OVERNIGHT RANGE	CURRENT VS AUD
AUD	0.9184	0.0007	0.9171 - 0.9216	-
TWI*	71.7000	-	-	-
NZD	0.7096	0.0000	0.7082 - 0.7132	1.2937
EUR	1.3414	-0.0068	1.3396 - 1.3531	0.6847
JPY	92.84	0.3800	92.43 - 93.02	85.26
GBP	1.5066	0.0078	1.5034 - 1.5127	0.6096
CAD	1.0194	-0.0017	1.0158 - 1.0209	0.9362
CHF	1.0668	0.0045	1.0589 - 1.0681	0.9797
DXY	81.4860	0.2140	-	-

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	10907	0.1	Gold (\$US/ounce)	1103.1	-0.6
S&P	1173	0.0	Copper (\$US/tonne)	7770.0	3.4
Nasdaq	2411	0.3	Nickel (\$US/tonne)	23995.0	1.7
FTSE 100	5672	-0.7	CRB Index	273.7	0.3
DAX	6142	-0.2	Oil (\$US/barrel)	82.43	0.3

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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