



ECONOMICS & MARKETS RESEARCH ANZ MORNING NOTE

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ANZ AUSTRALIAN
MACROECONOMICS,
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OVERNIGHT MARKETS UPDATE

- **US bond yields** declined overnight in response to an unexpected fall in US ADP payroll data declined, which increased the safe-haven appeal of US government debt. The yield on 2-year notes decreased 4bps to 1.02%, whilst the 10-year yield declined 3bps to 3.83%.
- **Australian bond** futures traded in line with US Treasuries. The implied yield on 3-year bond futures was down 1bps to 5.380% (price up 1bps to 94.620) and the implied yield on the 10-year bond futures lost 3bps to 5.760% (price up 3bps to 94.240).
- **US equities** fluctuated overnight as the declines in US labor market data and business activity offset better-than-expected factory orders. The DJIA was down 0.5% to 10,857, the S&P 500 lost 0.3% to 1,169 and the Nasdaq was 0.5% lower at 2,398.
- **European equities** were mixed after Moody's downgrade of Greek banks triggered a decline in financial sector stocks. A decline in US business activity and an increase in unemployment also weighed on the equities. The DJ Euro Stoxx 50 lost 0.3% to 2,931, the German DAX increased 0.2% to 6,154 and the FTSE was 0.1% higher at 5,680.
- **The Australian SPI 200 June 10 futures** contract was up 6 points or 0.1% to 4,885.
- The **USD** traded mixed against major crosses overnight. **EUR/USD** opens stronger around 1.3510 after gaining steadily through the overnight session. **GBP/USD** opens higher at around 1.5180 after rallying late in the night. **USD/JPY** opens strong at 93.45 after gaining momentum in the latter half of the session.
- The **AUD** traded mixed against major counterparts. **AUD/USD** opens at 0.9175 after gaining steadily overnight. **AUD/EUR** opens lower at 0.6790. **AUD/JPY** opens higher at 85.75 after rallying late in the night and the **AUD/NZD** pair opens lower at 1.2920 after touching a high of 1.2968 overnight.
- **Crude oil** was trading around its 11-week high overnight. WTI futures contract for May 10 rose 1.3% to US\$83.45 a barrel.
- **Spot gold** increased due to its continuing appeal as an alternative investment. Spot gold rose 0.9% to US\$1,113.00 an ounce.
- **LME copper** fell 0.8% to US\$7,790, from its 19-month high, on speculation that the recent rally in copper prices may not be sustained. Other base metals traded mixed with **aluminium**, **lead** and **nickel** increasing 1.3%, 0.6%, 2.6%, respectively while **zinc** fell 0.2%.
- **US corn** and **soybeans** declined 2.7% and 3.4%, respectively after a US report said that inventories levels rose more than forecasts. **Wheat** dropped 4.6% to its five-month low on reports that crop yields would increase in the US. **Sugar** dipped 7.2% on news that supply from India would increase. **Palm oil** futures were 0.2% higher.

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

ECONOMIC DATA & EVENTS

OVERNIGHT DATA AND EVENTS (MARKET EXPECTATIONS, LAST OBSERVATION)

- **US MBA Mortgage Market Index** (w/e Mar 26) recovered 1.3% (-4.2%), the highest since October. Purchase applications went up 6.8% as homebuyers took advantage of the federal tax credit before it expires. However refinancing declined 1.3% due to a rise in interest rates.
- **US ADP National Employment Change** (Mar) declined unexpectedly by -23K (+40K, -24K). The cut in the payrolls were led by the construction and manufacturing sectors.
- **US Chicago Purchasing Managers Index** (Mar) rose less than forecast to 58.8 (61.0, 62.6), but it nevertheless indicated that business activity is improving.
- **US Manufacturers New Orders m/m** (Feb) rose 0.6% (0.5%, 2.5%) led by a 2% increase in capital goods excluding aircraft and military equipment and a rise of 0.3% in non-durable goods.
- **US Total Milwaukee Index** (Mar): 62.0 (58.0, 56.0)
- **EU Eurozone Unemployment** (Feb) increased to 10.0% (10.0%, 9.9%) as expected, the highest level since August 1998.
- **EU Eurozone CPI estimate y/y** (Mar) climbed 1.5% (1.1%, 0.9%) as rising oil prices added to inflation.
- **GE Unemployment Change** (Mar) unexpectedly dropped -31K (7K, -1K) in March as the economy recovers from the recession.
- **GE Unemployment Rate** (Mar): fell to 8.0% (8.2%, 8.1%)
- **CA Canada GDP m/m** (Jan): 0.6% (0.5%, 0.5%)
- **US Federal Reserve Bank of Atlanta President Dennis Lockhart on the US Job Market:** *"I will be looking for signs that employment gains are likely to repeat, accumulate and, once achieved, are likely to be durable...Labor market trends appear to be headed in the right direction...But it's quite possible the recovery could be well advanced before any significant reduction of unemployment materializes...It's also quite possible circumstances justifying the start of a cycle of policy tightening will develop well before the unemployment rate has found a satisfactory level."*
- **US Federal Reserve Governor Elizabeth Duke on the drop in credit:** *"is of great concern and we must work together to reverse the trend...Banks still have significant delinquencies in their loan portfolios and some small businesses and consumers still report trouble obtaining credit...While conditions in some financial markets have improved markedly in recent months, conditions in the banking sector continue to be weak...The rate of bank failures has accelerated and appears likely to remain elevated for some time."*
- **PBOC Vice Governor Zhu Min:** *"There remains the latent risk of asset bubbles...What is worrisome is that once the US Federal Reserve embarks on interest rate increases, this dollar arbitrage may return, causing these bubbles to burst."*

ECONOMIC DATA & EVENTS

UPCOMING DATA AND EVENTS

- AU: TD Securities Inflation m/m - (Mar): Last: 0.1% - 22:30 GMT (09.30 AEST)
- AU: TD Securities Inflation y/y - (Mar): Last: 1.9% - 23:30 GMT (10.30 AEST)
- AU: AiG Performance of Mfg Index – (Mar): Last: 53.8 - 23:30 GMT (10.30 AEST)
- AU: Trade Balance – (Feb): ANZ: -1.0bn Market: -1340M Last: -1176M - 00:30 GMT (11.30 AEST)
- AU: RBA Commodity Index SDR y/y - (Mar): Last: 23.3% - 05:30 GMT (16.30 AEST)
- JP: Nomura/JMMA Manufacturing PMI – (Mar): Last: 52.5 - 23:15 GMT (10.15 AEST)
- JP: Tankan Lge Manufacturers Index – (Q1): Market: -14 Last: -24 - 23:50 GMT (10.50 AEST)
- JP: Tankan Lge Mfg Outlook – (Q1): Market: -8 Last: -18 - 23:50 GMT (10.50 AEST)
- JP: Tankan Non-Manufacturing – (Q1): Market: -18 Last: -22 - 23:50 GMT (10.50 AEST)
- JP: Tankan Non-Mfg Outlook – (Q1): Market: -15 Last: -19 - 23:50 GMT (10.50 AEST)
- JP: Tankan Large All Industries Capex – (Q1): Market: -0.4% Last: -13.8% - 23:50 GMT (10.50 AEST)
- JP: Loans & Discounts Corp y/y – (Feb): Last: -3.1% - 23:50 GMT (10.50 AEST)
- JP: Vehicle Sales y/y – (Mar): Last: 35.1% - 05:00 GMT (16.00 AEST)
- CH: PMI Manufacturing – (Mar): Market: 55.0 Last: 52.0 - 01:00 GMT (12.00 AEST)
- CH: HSBC Manufacturing PMI – (Mar): Last: 55.8 - 02:30 GMT (13.30 AEST)
- EU: PMI Manufacturing – (Mar F): Market: 56.3 Last: 56.3 - 08:00 GMT (19.00 AEST)
- GE: PMI Manufacturing – (Mar F): Market: 59.6 Last: 59.6 - 07:55 GMT (18.55 AEST)
- UK: PMI Manufacturing – (Mar): Market: 56.8 Last: 56.6 - 08:30 GMT (19.30 AEST)
- US: Challenger Job Cuts y/y – (Mar): Last: -77.4% - 11:30 GMT (22.30 AEST)
- US: Initial Jobless Claims – (w/e 27 Mar): Market: 440K Last: 442K - 12:30 GMT (23.30 AEST)
- US: Continuing Claims – (w/e 20 Mar): Last: 4648K - 12:30 GMT (23.30 AEST)
- US: ISM Manufacturing – (Mar): Market: 57.0 Last: 56.5 - 14:00 GMT (01.00 AEST)
- US: ISM Prices Paid – (Mar): Market: 67.0 Last: 67.0 - 14:00 GMT (01.00 AEST)
- US: Construction Spending m/m – (Feb): Market: -1.0% Last: -0.6% - 14:00 GMT (01.00 AEST)
- US: Domestic Vehicle Sales – (Mar): Market: 9.00M Last: 7.91M - 21:00 GMT (08.00 AEST)
- US: Total Vehicle Sales – (Mar): Market: 12.00M Last: 10.36M - 21:00 GMT (08.00 AEST)

MARKET TABLES

TABLE 1: FIXED INCOME *

	LEVEL	CHANGE		LEVEL	CHANGE
US 2y note	1.016	-4.0	US 2y swap	1.20	-3.9
US 5y note	2.560	-4.0	US 5y swap	2.74	-1.9
US 10y note	3.828	-2.9	US 10y swap	3.82	-0.2
US 30y bond	4.714	-3.3	AUS 3y swap	5.51	-1.0
US 2y swap spread	17.63	2.1	AUS 5y swap	5.86	-1.0
US 5y swap spread	17.63	4.4	AUS 10y swap	6.15	-3.0
US 10y swap spread	-1.25	3.7	NZ 3y swap	4.70	-2.3
AUS 3y	94.620	1.0	NZ 10y swap	5.90	-2.0
AUS 10y	94.240	1.5	AUS 3m bills	4.49	-0.2
US 3m Libor	0.292	0.1	NZ 3m bills	2.68	3.0

Source: ANZ and Bloomberg. Change in basis points

TABLE 2: FOREIGN EXCHANGE#

	LAST	CHANGE	OVERNIGHT RANGE	CURRENT VS AUD
AUD	0.9178	0.0020	0.9145 - 73	-
TWI *	71.7000	-	-	-
NZD	0.7102	0.0013	0.7083 - 106	1.2920
EUR	1.3511	0.0036	1.3394 - 1.3549	0.6791
JPY	93.46	0.0400	92.85 - 93.64	85.75
GBP	1.5184	0.0035	1.5043 - 1.5204	0.6043
CAD	1.0155	-0.0004	1.0125 - 1.0197	0.9317
CHF	1.0539	-0.0061	1.0489 - 1.0682	0.9671
DXY	81.0790	-0.4020	-	-

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	10857	-0.5	Gold (\$US/ounce)	1113.0	0.9
S&P	1169	-0.3	Copper (\$US/tonne)	7790.0	-0.8
Nasdaq	2398	-0.5	Nickel (\$US/tonne)	24995.0	2.6
FTSE 100	5680	0.1	CRB Index	273.3	-0.1
DAX	6154	0.2	Oil (\$US/barrel)	83.45	1.3

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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