ECONOMICS & MARKETS RESEARCH
ANZ MORNING NOTE

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ANZ AUSTRALIAN MACROECONOMICS, FX & COMMODITIES RESEARCH

CONTRIBUTORS

Warren Hogan
Chief Economist, Australia
+61 2 9227 1562
Warren.Hogan@anz.com

Amy Auster
Head of FX Research
+61 3 9273 5417
Amy.Auster@anz.com

Mark Pervan
Head of Commodity Research
+61 3 9273 3716
Mark.Pervan@anz.com

Tony Morriss
Senior Rates Strategist,
Tony.Morriss@anz.com

Shane Lee
Senior Economist,
+61 2 92264632
Shane.Lee@anz.com

Julie Toth
Senior Economist,
+61 3 9273 6252
Julie.Toth@anz.com

Dr. Alex Joiner
Economist,
+61 3 9273 6123
Alex.Joiner@anz.com

Amber Rabinov
Economist
+61 3 9273 4853
Amber.Rabinov@anz.com

Melissa Fenech
Research Analyst
+61 3 9273 1590
Melissa.Fenech@anz.com

Natalie Robertson
Commodity Research Analyst
+61 3 9273 3415
Natalie.Robertson@anz.com

OVERNIGHT MARKETS UPDATE

- **US bond yields** rose sharply overnight after a favourable US job report data and a rise in PMI increased risk appetite among investors. The market will also have to absorb over $80 in new Treasury supply this week. The yield on 2-year notes increased 6bps to 1.168%, whilst the 10-year yield gained 4bps to 3.986% having traded above 4.0% during the session, the highest level in 10-months.
- **Australian bond** futures were closed for the Easter break. In trade ahead of the weekend the implied yield on 3-year bond futures was up 2bps to 5.370% (price down 2bps to 94.630) and the implied yield on the 10-year bond futures gained 3bps to 5.810% (price down 3bps to 94.190).
- **US equities** rose last night after better-than-expected data on the US labour market and an increase in activity in the manufacturing and services industries bolstered optimism that the economy is recovering. Energy companies rallied following a rise in crude oil prices. The DJIA was up 0.4% to 10974, the S&P 500 gained 0.8% to 1187 and the Nasdaq was 1.1% higher at 2430.
- **European markets** were closed.
- **The Australian SPI 200 June 10 futures** contract was up 11 points or 0.2% to 4949.
- The **USD** weakened against the major crosses after positive economic data releases in the US increased investor appetite for higher-yielding assets. **EUR/USD** strengthened to an overnight high of 1.3529 but fell late in trade to open marginally lower at 1.3485. **GBP/USD** opens at 1.5285 after gaining through the overnight session. **USD/JPY** opens lower at 94.30 after trading sideways.
- It was a broadly positive night for the **AUD** against its major counterparts as speculation that the RBA would raise interest rates increased its appeal. **AUD/USD** opens marginally higher at 0.9215 after a relatively flat session. **AUD/EUR** opens higher at 0.6830 after a rally late in the night. **AUD/JPY** opens lower at 86.90 after dipping late in the night and the **AUD/NZD** opens higher at 1.3085 after gaining steadily overnight.
- **Crude oil** surged to a 17-month high as a favourable US job report raised speculation that fuel demand would increase. WTI futures contract for May 10 climbed 2.3% to US$86.83 a barrel.
- **Spot gold** touched a 4-week high on concerns that a weakening USD would increase the appeal of the precious metal as an alternative investment. Spot gold was flat to end the session at US$1,131.70 an ounce.
- **London Metal Exchange** was closed on account of Easter Monday.
- **US corn** increased 0.4% on expectations that the rise in crude oil would increase the demand for ethanol. **Soybeans** declined 0.6% on concerns that increased planting in the US and a bigger harvest in South America would increase global inventories. **Wheat** dropped 0.3% on forecasts that warmer weather in the US would increase output. **Sugar** fell 1.8% while **palm oil** futures were 1.1% 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 ISM Non-Manufacturing** (Mar) increased more than expected to 55.4 (54.0, 53.0), its highest level since May 2006. Orders to service industries and backlogs rose, as the US recovery shifts beyond the manufacturing sector.
- **US Pending Home Sales Index m/m** (Feb): 8.2% (0.0%, -7.8%)
- **US Pending Home Sales Index y/y** (Feb): 17.3% (8.6%)
- **US Auto Sales Domestic Vehicles** (Mar): 9.05M (9.00M, 7.91M)
- **US Auto Sales Total** (Mar): 11.77M (12.00M, 10.36M)
- **US Nonfarm Payrolls m/m** (Mar) increased by 162K (184K, -14K), the most in three years, after a revised 14K decline in February. The jump in payrolls in March was led by manufacturing, a 39K increase in US government agencies recruitment and a 7.8K rise in hiring of transportation and warehousing companies.
- **US Nonfarm Payrolls Manufacturing m/m** (Mar) rose 17K (15K, 6K) in March as manufacturers increased production to fill depleted inventories and stepped up exports.
- **US Nonfarm Payrolls Total Private m/m** (Mar): 123K (8K)
- **US Unemployment Rate** (Mar): 9.7% (9.7%, 9.7%)
- **US Challenger Job Cut Announcements y/y** (Mar) declined 55.0% (-77.4%) to 67,611 from 150,411 in the previous year.
- **US Initial Jobless Claims** (w/e 28 Mar) dropped to 439K (440K, 445K) as the economic recovery encouraged employers to retain workers.
- **US Continuing Jobless Claims** (w/e 21 Mar): 4,662K (4,618K, 4,668K)
- **US ISM Manufacturing** (Mar) rose to 59.6 (57.0, 56.5), the highest level since July 2004.
- **US ISM Manufacturing Prices Paid Index** (Mar): 75.0 (67.0, 67.0)
- **US Construction Spending m/m** (Feb) fell -1.3% (-1.0%, -1.4%) to its lowest level since November 2002, as lack of credit and increasing budget deficits dampened construction activity.
- **UK Manufacturing PMI** (Mar) rose to 57.2 (56.8, 56.5) in March, the highest since October 2004, as export demand increased.
- **EU Manufacturing PMI** (Mar F) increased faster than expected to 56.6 (56.3, 56.3) as companies were encouraged to increase output to meet reviving global demand.
- **GE Retail Sales m/m** (Feb): -0.4% (0.0%, -0.5%)
- **GE Retail Sales y/y** (Feb): -0.9% (-0.4%, -4.0%)
- **GE Manufacturing PMI** (Mar F): 60.2 (59.6, 59.6)
- **US Treasury Secretary Tim Geithner has delayed a report on global currency policies, initially scheduled for April 15.** The US Treasury has been under pressure from Congress to label China a currency manipulator in the report.
- **Newswires are reporting that the IMF's latest draft of its World Economic Outlook has forecast** global growth of 4.1% this year (up from 3.9% previously forecast) and 4.3% next year.

ECONOMIC DATA & EVENTS

UPCOMING DATA AND EVENTS

- NZ: NZIER Business Opinion Survey – (Q1): Last: 31
- NZ: ANZ Commodity Price Index – (Mar): Last: 3.8% - 03:00 GMT (13.00 AEST)
- AU: ANZ Job Advertisements m/m – (Mar): Last: 19.1% - 01:30 GMT (23.30 AEST)
- AU: RBA CASH TARGET: ANZ: 4.25% Market: 4.25% Last: 4.00% - 04:30 GMT (14.30 AEST)
- JP: BoJ Monetary Policy Meeting - 04:00 GMT (14.00 AEST)
- JP: Leading Index CI – (Feb P): Last: 96.7 - 05:00 GMT (15.00 AEST)
- JP: Coincident Index CI – (Feb P): Last: 100.1 - 05:00 GMT (15.00 AEST)
- EU: Sentix Investor Confidence – (Apr): Last: -7.5 - 08:30 GMT (18.30 AEST)
- UK: PMI Construction – (Mar): Last: 48.5 - 08:30 GMT (18.30 AEST)
- UK: BoE Housing Equity Withdrawal – (Q4): Last: -4.9B - 08:30 GMT (18.30 AEST)
- UK: Nationwide Consumer Confidence – (Mar): Last: 80 - 23:01 GMT (09.01 AEST)
- UK: BRC March Shop Price Index - 23:01 GMT (09.01 AEST)
- UK: Halifax House Prices m/m – (Mar): Last: 48.5
- US: Minutes of FOMC Meeting - 18:00 GMT (04.00 AEST)
- US: ABC Consumer Confidence – (w/e 4 Apr): Last: -47 - 21:00 GMT (07.00 AEST)
- US: Fed's Kocherlakota Speaks in Minnesota - 17:00 GMT (03.00 AEST)

MARKET TABLES

TABLE 1: FIXED INCOME*

	LEVEL	CHANGE		LEVEL	CHANGE
US 2y note	1.168	6.4	US 2y swap	1.33	5.6
US 5y note	2.733	6.5	US 5y swap	2.94	5.7
US 10y note	3.986	3.9	US 10y swap	4.02	6.0
US 30y bond	4.838	2.6	AUS 3y swap	5.48	0.0
US 2y swap spread	15.94	-1.3	AUS 5y swap	5.84	0.0
US 5y swap spread	19.75	0.1	AUS 10y swap	6.19	0.0
US 10y swap spread	3.00	1.5	NZ 3y swap	4.73	4.1
AUS 3y	94.630	-2.0	NZ 10y swap	5.93	3.0
AUS 10y	94.190	-3.0	AUS 3m bills	4.42	10.7
US 3m Libor	0.292	0.0	NZ 3m bills	2.71	0.0

Source: ANZ and Bloomberg. Change in basis points

TABLE 2: FOREIGN EXCHANGE#

	LAST	CHANGE	OVERNIGHT RANGE	CURRENT VS AUD
AUD	0.9214	0.0020	0.9191 - 0.9221	-
TWI*	71.7000	-	-	-
NZD	0.7036	-0.0024	0.7021 - 0.7073	1.3094
EUR	1.3487	-0.0017	1.3461 - 1.3529	0.6832
JPY	94.38	-0.2300	94.09 - 94.56	86.96
GBP	1.5298	0.0089	1.5227 - 1.5319	0.6023
CAD	1.0023	-0.0088	1.0011 - 1.0076	0.9235
CHF	1.0619	0.0014	1.0584 - 1.0644	0.9784
DXY	81.1000	-0.0730	-	-

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	10974	0.4	Gold ($US/ounce)	1131.5	1.0
S&P	1187	0.8	Copper ($US/tonne)	7885.0	1.2
Nasdaq	2430	1.1	Nickel ($US/tonne)	25050.0	0.2
FTSE 100	5745	1.1	CRB Index	279.5	1.1
DAX	6236	1.3	Oil ($US/barrel)	86.76	2.2

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.

IMPORTANT NOTICE

Australia and New Zealand Group Limited is represented in:

AUSTRALIA

Australia and New Zealand Banking Group Limited

ABN 11 005 357 522

ANZ Centre Melbourne, Level 9, 833 Collins Street, Docklands Victoria 3008, Australia

Telephone +61 2 9226 4647 Fax +61 3 9273 5711

UNITED STATES OF AMERICA

ANZ Securities, Inc. is a member of FINRA (www.finra.org) and registered with the SEC.

277 Park Avenue, 31st Floor,

New York, NY 10172, United States of America

Tel: +1 212 801 9160 Fax: +1 212 801 9163

UNITED KINGDOM BY:

Australia and New Zealand Banking Group Limited

ABN 11 005 357 522

40 Bank Street, Canary Wharf, London, E14 5EJ, United Kingdom

Telephone +44 20 3229 2121 Fax +44 20 7378 2378

NEW ZEALAND BY:

ANZ National Bank Limited

Level 7, 1-9 Victoria Street, Wellington, New Zealand

Telephone +64 4 802 2000