ECONOMICS & MARKETS RESEARCH
ANZ MORNING NOTE

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ANZ AUSTRALIAN MACROECONOMICS, FX & COMMODITIES RESEARCH

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OVERNIGHT MARKETS UPDATE

- **US bonds** surged on strong demand for a US$21bn auction of 10-year notes (bid-to-cover ratio of 3.72 was the highest since at least 1994), and on concerns that the rescue plan for Greece might falter. The yield on 2-year notes decreased 9bps to 1.05%, whilst the 10-year yield lost 9bps to 3.86%.
- **Australian bond** futures underperformed US Treasuries. The implied yield on 3-year bond futures declined 4bps to 5.400% (price up 4bps to 94.600) and the implied yield on the 10-year bond futures lost 7bps to 5.81% (price up 7bps to 94.190).
- **US equities** fell overnight after US consumer credit fell more than forecast and on concerns that Greece might default. The DJIA was down 0.7% to 10898, the S&P 500 lost 0.6% to 1182 and the Nasdaq was 0.2% lower at 2431.
- **European equities** fell as gains in retail and financial services stocks were offset by concerns about Greece's rescue plan. The DJ Euro Stoxx 50 lost 0.5% to 2975, the German DAX declined 0.5% to 6222 and the UK FTSE fell 0.3% to 5762.
- **The Australian SPI 200 Mar 10 futures** contract was down 24 points or 0.5% to 4956.
- The **USD** traded positive against the major crosses overnight. **EUR/USD** weakened after data released showed that European growth stalled in the fourth quarter; the cross opens the morning weaker at around 1.3340. **GBP/USD** opens lower at 1.5235 after service companies in the UK grew less than expected. **USD/JPY** opens weaker at 93.35 after declining steadily.
- It was a mixed night for the **AUD**. **AUD/USD** gained steadily overnight to a high of 0.9299 but fell late in trade to open at 0.9265. **AUD/EUR** edged higher overnight to open at 0.6945. **AUD/JPY** opens lower at 86.50 after falling from its overnight high of 87.21 and the **AUD/NZD** opens weaker at 1.3100 after declining steadily overnight.
- **Crude oil** declined after a government report showed US inventories increased more than expected. WTI futures contract for May 10 fell 1.3% to US$85.76 a barrel.
- **Spot gold** touched a 12-week high as growth in Europe stalled, increasing the appeal of the precious metal as an alternative investment. Spot gold rose 1.4% to US$1,149.90 an ounce.
- **LME copper** fell 0.6% to US$7,945 as the strengthening USD reduced demand for commodities as an alternative investment. Stagnant economic growth in Europe also weighed on the commodity. Other base metals traded negative with **zinc**, **aluminium, lead** and **nickel** decreasing 2.0%, 0.6%, 0.4% and 0.6%, respectively.
- **US wheat** increased 2.5% on concerns that cold weather would damage US plantations. **Sugar** rose 1.7% on speculation that the harvest in Brazil would be delayed by rain. **Soybeans** climbed 0.8% on expectations that US exports to China would increase. **Corn** rose 2.9%, while **palm oil** was 0.8% higher.

Please note that the prices/rates have been updated at 0645 AEST.

ECONOMIC DATA & EVENTS

OVERNIGHT DATA AND EVENTS (MARKET EXPECTATIONS, LAST OBSERVATION)

- **US Federal Reserve Consumer Credit** (Feb) decreased more than expected by $11.5B (-$0.7B, $10.6B), indicating US consumers are apprehensive about taking on more debt until the US job market improves.
- **US MBA Mortgage Market Index** (w/e 3 Apr) fell -11.0% (1.3%) as a jump in mortgage rates led to a drop in refinancing. Refinancing slipped 17%, the biggest fall since August, as interest rates increased while purchase applications rose 0.2%.
- **UK PMI Services Survey** (Mar) declined to 56.5 (58.0, 58.4), indicating the service sector in the UK is growing but at a slower pace than in February.
- **UK Total Service Industries Index q/q** (Jan): 0.6% (0.7%, 0.5%)
- **UK Official Reserves** (Mar): $80M ($314M)
- **EU PMI Services Survey** (Mar F): 54.1 (53.7, 53.7)
- **EU Composite PMI Survey** (Mar F) increased more than expected to 55.9 (55.5, 55.5), its highest reading since August 2007, and as companies in the Euro zone stepped up output to meet rising global demand.
- **EU GDP q/q** (4Q T) was revised lower to 0.0% (0.1%, 0.1%) in the fourth quarter on the back of a sharp downward revision to business investment estimates.
- **EU GDP y/y** (4Q T): -2.2% (-2.1%, -2.1%)
- **EU GDP Gross Fixed Capital Formation q/q** (4Q F): -1.3% (-0.8%, -0.8%)
- **EU GDP Household Consumption Expenditure q/q** (4Q F): 0.0% (0.0%, 0.0%)
- **EU Government Expenditure q/q** (4Q F): -0.1% (-0.1%, -0.1%)
- **EU PPI Ex-Construction m/m** (Feb): 0.1% (0.2%, 0.7%)
- **EU PPI Ex-Construction y/y** (Feb): -0.5% (-0.4%, -1.1%)
- **GE PMI Services Survey** (Mar F): 54.9 (54.7, 54.7)
- **GE Factory Orders m/m** (Feb) were flat (-0.5%, 5.1%) in February after an increase in overseas orders was offset by a decline in domestic demand.
- **GE Factory Orders y/y** (Feb): 24.5% (22.6%, 20.6%)
- **The PBOC announced that it will sell 3-year bills for the first time since 2008.** The sale of 15b yuan (US$2.2b) this week will be followed by issuance every two weeks. This move is seen as a liquidity tightening measure, and is prompting speculation that the PBOC will start raising interest rates soon.
- **Greek banks have asked to tap the remainder of the government's support package for banks which was launched in 2008. Some €17b remain in the scheme, mostly in state guarantees.**
- **Federal Reserve Chairman Ben Bernanke,** in a speech, noted that the US economy is "far from being out of the woods", that there is no evidence of a sustained housing recovery, and inflation appears well controlled. The speech suggests the Fed Chairman remains comfortable keeping rates low for a while.
- **US Federal Reserve Bank of New York President William Dudley on Asset Bubbles:** "*Asset bubbles are hard to recognize in real time and each asset bubble is different. However, these challenges cannot be an excuse for inaction.*"

ECONOMIC DATA & EVENTS

- **US Treasury Secretary Timothy F. Geithner in a letter to EU Finance Ministers:** "*As you consider how to design this important set of reforms, I hope you will keep in mind our shared commitment to create regulatory reform that does not discriminate against foreign firms.*"
- **European Union President Herman Van Rompuy on aid to Greece:** "*We stand ready, should market financing prove insufficient, to step in and provide support.*"

ECONOMIC DATA & EVENTS

UPCOMING DATA AND EVENTS

- AU: Employment Change – (Mar): ANZ: +12K Market: +20.0K Last: 0.4K - 01:30 GMT (11.30 AEST)
- AU: Unemployment Rate – (Mar): ANZ: 5.3% Market: 5.3% Last: 5.3% - 01:30 GMT (11.30 AEST)
- AU: Participation Rate – (Mar): ANZ: 65.1% Market: 65.2% Last: 65.2% - 01:30 GMT (11.30 AEST)
- JP: Current Account Total – (Feb): Last: 899.8B - 23:50 GMT (09.50 AEST)
- JP: Adjusted Current Account Total – (Feb): Last: 1712.8B - 23:50 GMT (09.50 AEST)
- JP: Trade Balance – (Feb): Last: 197.2B - 23:50 GMT (09.50 AEST)
- JP: Bankruptcies y/y – (Mar): Last: -17.3% - 04:00 GMT (14.00 AEST)
- JP: BOJ Monthly Report - 05:00 GMT (15.00 AEST)
- JP: Machine Tool Orders y/y – (Mar P): Last: 217.4% - 06:00 GMT (16.00 AEST)
- EU: Euro-Zone Retail Sales m/m – (Feb): Market: 0.0% Last: -0.2% - 09:00 GMT (19.00 AEST)
- EU: Euro-Zone Retail Sales y/y – (Feb): Market: -0.4% Last: -0.6% - 09:00 GMT (19.00 AEST)
- EU: ECB Announces Interest Rates: ANZ: 1.00% Market: 1.00% Last: 1.00% - 11:45 GMT (21.45 AEST)
- GE: Industrial Production m/m – (Feb): Market: 1.0% Last: 0.6% - 10:00 GMT (20.00 AEST)
- GE: Industrial Prod. y/y wda – (Feb): Market: 6.3% Last: 2.2% - 10:00 GMT (20.00 AEST)
- UK: New Car Registrations y/y – (Mar): Last: 26.4%
- UK: Industrial Production m/m – (Feb): Market: 0.5% Last: -0.4% - 08:30 GMT (18.30 AEST)
- UK: Industrial Production y/y – (Feb): Market: -0.5% Last: -1.5% - 08:30 GMT (18.30 AEST)
- UK: Manufacturing Production m/m – (Feb): Market: 0.6% Last: -0.9% - 08:30 GMT (18.30 AEST)
- UK: Manufacturing Production y/y – (Feb): Market: 0.8% Last: 0.2% - 08:30 GMT (18.30 AEST)
- UK: BOE Announces Interest Rates: ANZ: 0.50% Market: 0.50% Last: 0.50% - 11:00 GMT (21.00 AEST)
- UK: BOE Asset Purchase Target: Market: 200B Last: 200B - 11:00 GMT (21.00 AEST)
- US: Initial Jobless Claims – (w/e 3 Apr) - 12:30 GMT (22.30 AEST)
- US: Continuing Claims – (w/e 27 Mar) - 12:30 GMT (22.30 AEST)
- US: ICSC Chain Store Sales y/y – (Mar): Last: 3.7% - 14:30 GMT (00.30 AEST)
- US: Fed's Duke speaks in Washington – 12:30 GMT (22:30 AEST)
- US: Fed's Tarullo speaks in New York – 14:30 GMT (00:30 AEST)
- US: Fed's Kohn speaks in San Francisco – 20:30 GMT (06:00 AEST)
- US: Fed's Kocherlakota Speaks in Montana - 18:45 GMT (04.45 AEST)

MARKET TABLES

TABLE 1: FIXED INCOME*

	LEVEL	CHANGE		LEVEL	CHANGE
US 2y note	1.048	-8.8	US 2y swap	1.19	-6.6
US 5y note	2.604	-9.1	US 5y swap	2.75	-8.9
US 10y note	3.861	-9.2	US 10y swap	3.83	-9.7
US 30y bond	4.743	-8.9	AUS 3y swap	5.52	-2.0
US 2y swap spread	13.81	-0.1	AUS 5y swap	5.87	-2.0
US 5y swap spread	14.63	-1.0	AUS 10y swap	6.18	-4.5
US 10y swap spread	-2.75	-0.8	NZ 3y swap	4.71	0.0
AUS 3y	94.600	4.0	NZ 10y swap	5.92	-2.5
AUS 10y	94.190	6.5	AUS 3m bills	4.54	-12.2
US 3m Libor	0.295	0.0	NZ 3m bills	2.69	1.0

Source: ANZ and Bloomberg. Change in basis points

TABLE 2: FOREIGN EXCHANGE#

	LAST	CHANGE	OVERNIGHT RANGE	CURRENT VS AUD
AUD	0.9273	-0.0010	0.9249 - 0.9298	-
TWI*	72.4000	-	-	-
NZD	0.7073	0.0006	0.704 - 0.7095	1.3107
EUR	1.3348	-0.0051	1.3326 - 1.3403	0.6947
JPY	93.36	-0.4300	93.15 - 94.04	86.58
GBP	1.5247	-0.0020	1.5139 - 1.5286	0.6081
CAD	1.0057	0.0041	0.9978 - 1.0058	0.9326
CHF	1.0733	0.0044	1.0687 - 1.0745	0.9953
DXY	81.5670	0.1800	-	-

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	10898	-0.7	Gold ($US/ounce)	1149.9	1.4
S&P	1182	-0.6	Copper ($US/tonne)	7945.0	-0.6
Nasdaq	2431	-0.2	Nickel ($US/tonne)	24725.0	-0.5
FTSE 100	5762	-0.3	CRB Index	277.6	-0.3
DAX	6222	-0.5	Oil ($US/barrel)	85.61	-1.4

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

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