



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** rose on strong demand and continued Greek jitters on Friday night. The yield on 2-year notes decreased 1bp to 1.056%, whilst the 10-year yield declined 1bp to 3.883%.
- **Australian bond** futures traded broadly inline with US Treasuries. The implied yield on 3-year bond futures was flat at 5.410% (price at 94.590) and the implied yield on the 10-year bond futures lost 2bps to 5.820% (price up 2bps to 94.180).
- **US equities** rose as US wholesale inventories increased and EU officials agreed to bail out Greece if needed. A rally in energy stocks also supported the markets. The DJIA was up 0.6% to 10997, the S&P 500 gained 0.7% to 1194 and the Nasdaq was 0.7% higher at 2454.
- **European equities** gained on optimism over a bailout plan for Greece. The rise in German exports also supported the European markets. The DJ Euro Stoxx 50 gained 1.7% to 2994, the German DAX rose 1.3% to 6250 and the UK FTSE was 1.0% higher at 5771.
- **The Australian SPI 200 May 10 futures** contract was up 19 points or 0.4% to 4989.
- The **USD** weakened against major crosses on Friday. **EUR/USD** opens significantly stronger around 1.3640 following the emergence of a Greek rescue package. **GBP/USD** also opens higher close to 1.5450 on the news, although **USD/JPY** is only marginally lower at 93.05 after declining steadily on Friday.
- The **AUD** has been given a boost from the Greek loan plan, with **AUD/USD** opening stronger at around 0.9380 and **AUD/JPY** higher at 87.30. But **AUD/EUR** has weakened to around 0.6870, and **AUD/NZD** is little changed at 1.3040.
- **Crude oil** declined on concerns that US oil inventories would increase. WTI futures contract for May 10 fell 0.6% to US\$84.92 a barrel.
- **Spot gold** touched a 4-month high on Friday as the weaker USD increased the appeal of the precious metal as an alternative investment. Spot gold rose 1.0% to US\$1,162.00 an ounce.
- **LME copper** rose 0.4% to US\$7,925 on expectations that demand from China would increase. Other base metals traded positive with **zinc**, **aluminium**, **lead** and **nickel** increasing 1.4%, 1.9%, 1.8% and 1.9%, respectively..
- **US wheat** fell 0.7% on forecasts that global output would increase. **Corn** declined 0.7% on concerns that warm weather would boost US planting. **Sugar** rose 3.0% on expectations that importers would increase purchases. **Soybeans** increased 0.6% as the USD weakened. **Palm oil** ended 3.8% lower.

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

ECONOMIC DATA & EVENTS

OVERNIGHT DATA AND EVENTS (MARKET EXPECTATIONS, LAST OBSERVATION)

- **US Wholesale Inventories** (Feb) increased by a greater than expected 0.6% (0.4%, 0.1%) in February, indicating that companies are increasing orders to meet the rising demand. Inventories of durable goods climbed 0.5%, while non-durable goods increased 0.8% and vehicle inventories rose 0.2%.
- **UK PPI Input Prices m/m** (Mar) rose 3.6% (1.2%, 0.1%).
- **UK PPI Input Prices y/y** (Mar): 10.1% (7.1%, 7.5%)
- **UK PPI Manufactured Products m/m** (Mar) rose 0.9% (0.4%, 0.3%) as manufacturers increased prices to offset higher raw material costs. Producer prices rose in 8 out of 10 categories with fuels and scrap metal prices increasing the most.
- **UK PPI Manufactured Products y/y** (Mar): 5.0% (4.4%, 4.2%)
- **UK PPI Output Prices Core m/m** (Mar): 0.7% (0.3%, 0.4%)
- **UK PPI Output Prices Core y/y** (Mar): 3.6% (3.1%, 3.0%)
- **GE Current Account** (Feb): €9.1B (€7.0B, €4.4B)
- **GE Trade Balance** (Feb): €12.6B (€11.4B, €8.0B).
- **GE Imports m/m** (Feb): 0.2% (-2.3%, 5.6%)
- **GE Exports m/m** (Feb) climbed 5.1% (4.0%, -6.5%), the most since June 2009, as companies increase output to meet reviving global demand, bolstered by a weaker euro.
- **CA Unemployment Rate** (Mar): 8.2% (8.1%, 8.2%)
- **China Trade Deficit:** China posted its first trade deficit of \$7.2bn in six years, in March. However, according to Chinese Commerce Minister Chen, the deficit is likely to be temporary as seasonal labour shortages for Chinese textile imports are alleviated. The Chinese trade deficit was mostly with Asian trading partners, with a trade surplus with the US being maintained.
- **Greek rescue package emerges.** On Friday, Eurozone deputy finance ministers and central bank governors agreed to a rescue package. Terms of the emergency loans (which could be worth as much as €45bn) would be "almost a carbon copy of the IMF terms" according to an EU source. For loans up to three years it is the SDR rate plus 300 bps plus 50 bps service charge. This would equate to more than 6 percent for loans up to three years and 100 basis points more for a longer term loan. This helped initially narrow the Greek 10-year bond spread with bunds to below 400 bps, although the downgrade by Fitch of the Greek sovereign rating to BBB- (its lowest investment grade rating), saw spreads retrace somewhat. With Greece needing to borrow 11 billion euros by the end of May to finance debt, crunch time is approaching.
- **US Federal Reserve Bank of New York President William Dudley on asset bubbles:** *"We should have a more proactive approach, a more willingness to consider all our available options rather than sit back with a view more that, now we can't really do anything about this; we can only respond after the fact."*
- **EU ECB President Jean-Claude Trichet said:** *"The fiscal authority has resisted pressures to introduce fiscal stimulus...This is an appropriate strategy, given Italy's public debt burden and the prospects for its evolution in the long run..."* **On Greece:** *"At this moment, I don't expect the use of the mechanism to be necessary...The issue isn't under discussion given the decisions taken by the Greek government to reduce its public deficit and the statements by the euro zone's...It's not possible to enter or exit the euro zone the same way one jumps one and off a bus."*

ECONOMIC DATA & EVENTS

UPCOMING DATA AND EVENTS

- AU: Home Loans – (Feb): ANZ: -1.6 Market: -1.0 Last: -7.9% - 01:30 GMT (11.30 AEST)
- AU: Investment Lending – (Feb): Last: 0.9% - 01:30 GMT (11.30 AEST)
- AU: Value of Loans m/m – (Feb): Last: -5.0% - 01:30 GMT (11.30 AEST)
- AU: RBA's Debelle speaks in Canberra - 00:15 GMT (10.15 AEST)
- JP: BoJ Monetary Policy Meeting Minutes for Mar - 23:50 GMT (09.50 AEST)
- JP: Japan Money Stock M2 y/y – (Mar): Market: 2.7% Last: 2.7% - 23:50 GMT (09.50 AEST)
- JP: Japan Money Stock M3 y/y – (Mar): Market: 2.0% Last: 2.0% - 23:50 GMT (09.50 AEST)
- JP: Bank Lending y/y – (Mar): Last: -1.5% - 23:50 GMT (09.50 AEST)
- JP: Bank Lending Banks y/y – (Mar): Last: -1.6% - 23:50 GMT (09.50 AEST)
- JP: Bank Lending Banks Adjust y/y – (Mar): Last: -1.3% - 23:50 GMT (09.50 AEST)
- CH: China NDRC Housing Prices – (Mar): Market: 11.2 Last: 10.7
- CH: Money Supply - M0 y/y – (Mar): Last: 22.0%
- CH: Money Supply - M1 y/y – (Mar): Last: 35.0%
- CH: Money Supply - M2 y/y – (Mar): Market: 22.2% Last: 25.5%
- CH: New Yuan Loans: Market: 750.0B Last: 700.1B
- CH: Foreign Exchange Reserves – (Mar): Last: \$2399.15
- CH: Actual FDI y/y – (Mar): Market: 2.50% Last: 1.08%
- US: Monthly Budget Statement: Market: -\$62.0B Last: -\$191.6B - 18:00 GMT (04.00 AEST)
- CA: Housing Starts – (Mar): Market: 205.0K Last: 196.7K - 12:15 GMT (22.15 AEST)
- CA: Business Outlook Future Sales – (Q1): Last: 49.00 - 14:30 GMT (00.30 AEST)
- CA: BoC Senior Loan Officer Survey – (Q1): Last: -8.7 - 14:30 GMT (00.30 AEST)

MARKET TABLES

TABLE 1: FIXED INCOME *

| | LEVEL | CHANGE | | LEVEL | CHANGE |
|--------------------|--------|--------|--------------|-------|--------|
| US 2y note | 1.056 | -0.8 | US 2y swap | 1.21 | 1.1 |
| US 5y note | 2.625 | -1.0 | US 5y swap | 2.77 | 0.9 |
| US 10y note | 3.883 | -0.8 | US 10y swap | 3.87 | 0.9 |
| US 30y bond | 4.740 | -1.3 | AUS 3y swap | 5.55 | 8.0 |
| US 2y swap spread | 14.38 | 0.2 | AUS 5y swap | 5.91 | 8.5 |
| US 5y swap spread | 15.25 | 0.0 | AUS 10y swap | 6.21 | 5.6 |
| US 10y swap spread | -1.50 | 0.5 | NZ 3y swap | 4.70 | 0.5 |
| AUS 3y | 94.590 | 0.0 | NZ 10y swap | 5.88 | 0.5 |
| AUS 10y | 94.180 | 1.5 | AUS 3m bills | 4.54 | 0.3 |
| US 3m Libor | 0.298 | 0.4 | 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 | 0.9365 | 0.0033 | 0.9285 - 0.9346 | - |
| TWI* | 72.4000 | - | - | - |
| NZD | 0.7188 | 0.0026 | 0.7086 - 0.7175 | 1.3053 |
| EUR | 1.3638 | 0.0138 | 1.3366 - 1.35 | 0.6866 |
| JPY | 92.98 | -0.2000 | 93.11 - 93.78 | 87.25 |
| GBP | 1.5444 | 0.0074 | 1.5299 - 1.5392 | 0.6064 |
| CAD | 1.0023 | -0.0004 | 0.9992 - 1.0083 | 0.9402 |
| CHF | 1.0549 | -0.0107 | 1.0656 - 1.0763 | 0.9878 |
| DXY | 80.8850 | -0.6080 | - | - |

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 | 10997 | 0.6 | Gold (\$US/ounce) | 1162.0 | 1.0 |
| S&P | 1194 | 0.7 | Copper (\$US/tonne) | 7925.0 | 0.4 |
| Nasdaq | 2454 | 0.7 | Nickel (\$US/tonne) | 25200.0 | 1.9 |
| FTSE 100 | 5771 | 1.0 | CRB Index | 276.1 | 0.3 |
| DAX | 6250 | 1.3 | Oil (\$US/barrel) | 84.92 | -0.6 |

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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