



## 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** traded mixed as yields declined at the long end of the curve on concerns of a subdued US economic outlook, with sentiment amongst small businesses weakening. The yield on 2-year notes rose 2bps to 1.05%, whilst the 10-year yield decreased 2bps to 3.82%.
- **Australian bond** futures broadly underperformed US Treasuries. The implied yield on 3-year bond futures increased 1bps to 5.370% (price down 1bps to 94.630) and the implied yield on the 10-year bond futures gained 4bps to 5.830% (price down 4bps to 94.170).
- **US equities** fluctuated as gains in industrials, technology and consumer stocks were offset by a disappointing first-quarter report from Alcoa and analyst downgrades of regional banks. The DJIA was up 0.1% to 11019, the S&P 500 gained 0.1% to 1197 and the Nasdaq was 0.3% higher at 2466.
- **European equities** declined after Alcoa's disappointing report and falling oil prices caused a decline in energy stocks. The DJ Euro Stoxx 50 lost 0.5% to 2988, the German DAX fell 0.3% to 6231 and the UK FTSE was 0.3% lower at 5762.
- **The Australian SPI 200 May 10 futures** contract was up 20 points or 0.4% to 4984.
- It was a mixed night for the **USD**. **EUR/USD** trade was choppy, touching an overnight high of 1.3628 before paring gains to open around 1.3600. **GBP/USD** rallied higher initially after UK exports increased, but later erased gains to open around 1.5375. **USD/JPY** dipped to a low of 92.63 overnight but later rebounded to open at 93.20.
- The **AUD** was broadly stronger overnight. **AUD/USD** opens at 0.9285 after a whippy night of trade. **AUD/EUR** opens marginally higher at 0.6825. **AUD/JPY** opens stronger at 86.55 while **AUD/NZD** has consolidated late session gains to be trading around 1.3015.
- **Crude oil** declined on forecasts that US inventories would rise, leading to concerns that markets are oversupplied. WTI futures contract for May 10 decreased 0.7% to US\$83.75 a barrel.
- **Spot gold** fell as investors took profits following its rally to a 4-month high earlier this week, and as Greece's debt concerns eased. Spot gold fell 0.1% to US\$1,151.10 an ounce.
- **LME copper** declined 0.1% to US\$7,900 on concerns that demand from China may fall due to weaker lending by Chinese banks. Other base metals traded mixed as **zinc** and **nickel** fell 1.5% and 1.1%, **aluminium** rose 0.8% and **lead** ended flat.
- **US corn** advanced 1.2% on forecasts that wet weather would delay US planting. **Sugar** rose 2.7% as Asian demand increased. **Wheat** increased 1.8% as investors reduced their short positions. **Soybeans** climbed 0.8%, while **palm oil** futures fell 0.2%.

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

## ECONOMIC DATA & EVENTS

### OVERNIGHT DATA AND EVENTS (MARKET EXPECTATIONS, LAST OBSERVATION)

- **US NFIB Small Business Optimism Index** (Mar) fell to 86.8 (89.2, 88.0), its lowest level in eight months, as small businesses grew concerned about earnings and sales.
- **US IBD/TIPP Index of Economic Optimism** (Apr) increased to 48.4 (47.5, 45.4) as the overall economic outlook improved. However, the index is below its all-time average of 51.0.
- **US Trade Balance** (Feb) weakened more than forecast to -\$39.7B (-\$38.5B, -\$37.0B), led by a rise in demand for consumer goods. Imports increased 1.7% and exports rose 0.2%.
- **US Import Price Index m/m** (Mar) increased by a less-than-expected 0.7% (1.0%, -0.2%), indicating that inflation pressures from offshore have not accelerated.
- **US Import Price Index y/y** (Mar): 11.4% (11.7%, 11.2%)
- **UK Visible Trade Balance** (Feb) improved more than forecasts to -£6,179Mn (-£7,400Mn, -£8,066Mn) led by a 9.5% surge in exports, the biggest monthly increase in seven years, and a decline of 0.1% in imports.
- **UK Trade Balance Non EU** (Feb): -£3,329Mn (-£3,900Mn, -£4,665Mn)
- **UK Total Trade Balance** (Feb): -£2,061Mn (-£3,000Mn, -£3,904Mn)
- **UK DCLG House Prices y/y** (Feb): 7.4% (6.2%)
- **GE CPI EU Harmonised m/m** (Mar F): 0.6% (0.6%, 0.6%)
- **GE CPI EU Harmonised y/y** (Mar F) rose by 1.2% (1.3%, 1.3%) to its fastest pace in 16 months on the back of higher energy prices.
- **GE CPI m/m** (Mar F): 0.5% (0.5%, 0.5%)
- **GE CPI y/y** (Mar F): 1.1% (1.1%, 1.1%)
- **GE Wholesale Prices Index m/m** (Mar): 1.3% (0.5%, 0.1%)
- **GE Wholesale Prices Index y/y** (Mar) climbed 4.3% (3.6%, 2.1%), its fastest pace since September 2008.
- **March minutes show FOMC discussed second discount rate hike** FOMC minutes show that some directors wanted to raise the rate charged on emergency loans to banks, one month after it was raised to 0.75 percent. The Minutes also showed officials were concerned over the sustainability of the recovery, noting that businesses remained cautious about capital investment and hiring and the job market was "flat". "Most directors agreed that the current accommodative stance of monetary policy remained appropriate" according to the minutes.
- **Bernanke testimony will be of interest.** Market whispers indicate that Bernanke's testimony to the Joint Economic Committee of Congress (12am AEST tonight) will be used as a platform to suggest a change in the "extended period" phrase rather than in the next FOMC meeting.
- **EU ECB Governing Council member Ewald Nowotny commented:** "We limited the impact of rating agencies...The destiny of Greece shouldn't be in the hands of one rating agency. We succeeded in that...We have decided to have a more flexible approach vis-a-vis the rating demands that we have in regard to collateral...as a general measure, not as a measure with regard to Greece."

## ECONOMIC DATA & EVENTS

### UPCOMING DATA AND EVENTS

- NZ: Retail Sales m/m – (Feb): Market: +0.2% Last: 0.8% - 22:45 GMT (08.45 AEST)
- NZ: Retail Sales Ex-Auto m/m – (Feb): Market: +0.4% Last: 0.3% - 22:45 GMT (08.45 AEST)
- NZ: Non Resident Bond Holdings – (Mar): Last: 64.2% - 03:00 GMT (13.00 AEST)
- AU: Westpac Consumer Confidence – (Apr): Last: 0.2% - 00:30 GMT (10.30 AEST)
- AU: AOFM auctions \$800 mn of July 2022 Bonds
- CH: China NDRC Housing Prices – (Mar): Market: 11.2 Last: 10.7
- CH: Actual FDI y/y – (Mar): Market: 2.50% Last: 1.08%
- EU: Euro-Zone Ind. Production. m/m – (Feb): Market: 0.1% Last: 1.6% - 09:00 GMT (19.00 AEST)
- EU: Euro-Zone Ind. Production y/y – (Feb): Market: 2.8% Last: 1.0% - 09:00 GMT (19.00 AEST)
- US: MBA Mortgage Applications – (Apr): Last: -11.0 - 11:00 GMT (21.00 AEST)
- US: Consumer Price Index m/m – (Mar): Market: 0.1% Last: 0.0% - 12:30 GMT (22.30 AEST)
- US: CPI Ex Food & Energy m/m – (Mar): Market: 0.1% Last: 0.1% - 12:30 GMT (22.30 AEST)
- US: CPI Ex Food & Energy y/y – (Mar): Market: 1.2% Last: 1.3% - 12:30 GMT (22.30 AEST)
- US: Consumer Price Index y/y – (Mar): Market: 2.4% Last: 2.1% - 12:30 GMT (22.30 AEST)
- US: Advance Retail Sales m/m – (Mar): Market: 1.2% Last: 0.3% - 12:30 GMT (22.30 AEST)
- US: Retail Sales Less Autos M/M – (Mar): Market: 0.5% Last: 0.8% - 12:30 GMT (22.30 AEST)
- US: Retail Sales Ex Auto & Gas m/m – (Mar): Market: 0.6% Last: 0.9% - 12:30 GMT (22.30 AEST)
- US: Business Inventories – (Feb): Market: 0.4% Last: 0.0% - 14:00 GMT (00.00 AEST)
- US: Fed's Beige Book - 18:00 GMT (04.00 AEST)
- US: Fed's Pinalto Speaks in New York - 13:30 GMT (23.30 AEST)
- US: Bernanke Speaks in Washington - 14:00 GMT (00.00 AEST)
- US: Fed's Lacker Speaks in West Virginia - 15:00 GMT (01.00 AEST)
- US: Fed's Fisher Speaks in New York - 17:00 GMT (03.00 AEST)
- US: NY Fed's Sack Speaks in New York - 23:00 GMT (09.00 AEST)

# MARKET TABLES

**TABLE 1: FIXED INCOME \***

|                    | LEVEL  | CHANGE |              | LEVEL | CHANGE |
|--------------------|--------|--------|--------------|-------|--------|
| US 2y note         | 1.048  | 1.6    | US 2y swap   | 1.19  | 0.0    |
| US 5y note         | 2.578  | -1.0   | US 5y swap   | 2.71  | -0.9   |
| US 10y note        | 3.818  | -2.3   | US 10y swap  | 3.77  | -3.3   |
| US 30y bond        | 4.679  | -1.8   | AUS 3y swap  | 5.53  | 0.0    |
| US 2y swap spread  | 13.41  | -0.7   | AUS 5y swap  | 5.89  | 0.0    |
| US 5y swap spread  | 12.75  | -0.5   | AUS 10y swap | 6.23  | 1.4    |
| US 10y swap spread | -5.25  | -1.1   | NZ 3y swap   | 4.71  | 0.0    |
| AUS 3y             | 94.630 | -1.0   | NZ 10y swap  | 5.84  | 0.5    |
| AUS 10y            | 94.170 | -3.5   | AUS 3m bills | 4.60  | -6.2   |
| US 3m Libor        | 0.303  | 0.2    | NZ 3m bills  | 2.70  | -0.5   |

Source: ANZ and Bloomberg. Change in basis points

**TABLE 2: FOREIGN EXCHANGE#**

|      | LAST    | CHANGE  | OVERNIGHT RANGE | CURRENT VS AUD |
|------|---------|---------|-----------------|----------------|
| AUD  | 0.9291  | 0.0016  | 0.9238 - 0.9294 | -              |
| TWI* | 71.9000 | -       | -               | -              |
| NZD  | 0.7133  | 0.0011  | 0.7097 - 0.7147 | 1.3025         |
| EUR  | 1.3616  | 0.0025  | 1.3547 - 1.3628 | 0.6823         |
| JPY  | 93.17   | -0.0700 | 92.63 - 93.41   | 86.57          |
| GBP  | 1.5384  | 0.0016  | 1.5347 - 1.5449 | 0.6040         |
| CAD  | 1.0011  | -0.0014 | 1.0005 - 1.0066 | 0.9301         |
| CHF  | 1.0537  | -0.0055 | 1.0538 - 1.0603 | 0.9790         |
| DXY  | 80.4290 | -0.1400 | -               | -              |

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 | 11019 | 0.1    | Gold (\$US/ounce)   | 1151.4  | -0.4   |
| S&P       | 1197  | 0.1    | Copper (\$US/tonne) | 7900.0  | -0.1   |
| Nasdaq    | 2466  | 0.3    | Nickel (\$US/tonne) | 25505.0 | -1.1   |
| FTSE 100  | 5762  | -0.3   | CRB Index           | 277.4   | 0.4    |
| DAX       | 6231  | -0.3   | Oil (\$US/barrel)   | 83.82   | -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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