



ECONOMICS & MARKETS RESEARCH ANZ MORNING NOTE

15 APRIL 2010

ANZ AUSTRALIAN
MACROECONOMICS,
FX & COMMODITIES
RESEARCH

CONTACTS

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

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

Andrew Dowman
Research Analyst
+61 3 92736881
Andrew.Dowman@anz.com

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

OVERNIGHT MARKETS UPDATE

- **US bonds** declined after headline retail spending rose more than expected and Fed chief Bernanke commented that US growth will remain moderate. The yield on 2-year notes was flat at 1.048%, whilst the 10-year yield increased 4bps to 3.861%.
- **Australian bond** futures traded broadly in line with US Treasuries. The implied yield on 3-year bond futures increased 3bps to 5.430% (price down 3bps to 94.570) and the implied yield on the 10-year bond futures rose 3bps to 5.870% (price down 3bps to 94.130).
- **US equities** advanced on better-than-expected results from Intel, JP Morgan Chase and CSX. The rise in US retail sales also supported the markets. The DJIA was up 0.9% to 11123, the S&P 500 gained 1.1% to 1211 and the Nasdaq was 1.6% higher at 2505.
- **European equities** rose after good results from Intel and JPMorgan Chase bolstered optimism that the economy is recovering. The DJ Euro Stoxx 50 gained 0.7% to 3008, the German DAX rose 0.8% to 6278 and the UK FTSE was 0.6% higher at 5796.
- **The Australian SPI 200 May 10 futures** contract was up 30 points or 0.6% to 5035.
- The **USD** weakened against major crosses overnight after bigger than expected increase in US retail sales spurred demand for riskier assets. **EUR/USD** rebounded from its overnight low of 1.3595 to open stronger at 1.3650. **GBP/USD** opens higher at 1.5460 after gaining steadily overnight. **USD/JPY** opens weaker at 93.20 after falling sharply late in the night.
- The **AUD** gained against most major crosses after the positive US data. **AUD/USD** opens stronger at around 0.9350 after gaining steadily overnight. **AUD/EUR** opens higher at 0.6845. **AUD/JPY** opens marginally stronger at 87.15 after paring initial gains and the **AUD/NZD** cross opens weaker at 1.3075.
- **Crude oil** rose after US oil inventories declined unexpectedly. WTI futures contract for May 10 increased 2.3% to US\$85.94 a barrel.
- **Spot gold** advanced as the weakening USD increased the appeal of the precious metal as an alternative investment. Spot gold rose 0.5% to US\$1,156.20 an ounce.
- **LME copper** increased 0.6% to US\$7,950 as the weakening USD increased the demand for commodities, and as positive US retail sales signalled further economic recovery. Other base metals traded positive with **zinc**, **aluminium**, **lead** and **nickel** increasing 3.1%, 1.1%, 0.1% and 3.5%, respectively.
- **US corn and soybeans** climbed 1.6% and 0.1% on expectations that Chinese imports from the US would increase. **Wheat** fell 0.3% on forecasts that dry weather would support early planting in the US. **Sugar** rose 3.2% and **palm oil** futures were 0.1% 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 MBA Mortgage Market Index** (w/e 9 Apr) declined 9.6% (-11.0%) as limited job opportunities and rising foreclosures dampened the recovery in the housing market. Refinancing dropped 9%, the sixth consecutive decline, while purchase applications fell 11%.
- **US CPI m/m** (Mar) rose 0.1% (0.1%, 0.0%) led by a 0.2% rise in food prices indicating subdued inflation is accompanying the moderate US economic recovery.
- **US CPI Ex-Food & Energy m/m** (Mar) unexpectedly stalled at 0.0% (0.1%, 0.1%) as a weak job market and rising foreclosures are prompting retailers like Wall-Mart stores Inc and Home Depot Inc to offer discounts to attract customers.
- **US CPI Ex-Food & Energy y/y** (Mar): 1.1% (1.2%, 1.3%)
- **US CPI** (Mar): 217.631 (217.714, 216.741)
- **US CPI Ex-Food & Energy** (Mar): 220.664 (220.579)
- **US Retail Sales m/m** (Mar) advanced more than expected by 1.6% (1.2%, 0.5%) supported by an early Easter and favorable weather. Out of the 13 major categories, 11 reported an increase in sales — led by a 6.7% rise in motor vehicle sales and a 3.1% increase in building materials sales.
- **US Retail Sales Ex-Autos m/m** (Mar): 0.6% (0.5%, 1.0%)
- **US Retail Sales Ex-Autos and Gas m/m** (Mar): 0.7% (0.6%, 1.1%)
- **US Business Inventories m/m** (Feb) climbed 0.5% (0.4%, 0.2%), the most since July 2008, as companies increased orders to meet the rise in sales.
- **EU Industrial Production (Ex-Construction) m/m** (Feb) increased more than forecast by 0.9% (0.1%, 1.6%) as manufactures increased output to meet reviving export demand. The rise in output was led by a 1.5% increase in intermediate goods and a 0.9% rise in capital goods.
- **EU Industrial Production (Ex-Construction) y/y** (Feb): 4.1% (2.8%, 1.0%)
- **According to Moody's a further ratings downgrade is possible for Greece over the next 18 months.** Moody's has Greece rated the highest of the three rating agencies.
- **US Federal Reserve's Beige Book stated:** *"Overall economic activity increased somewhat since the last report across all Federal Reserve Districts except St. Louis, which reported 'softened' economic conditions...While labor markets generally remained weak, some hiring activity was evident, particularly for temporary staff."*
- **Chinese economy shows considerable momentum.** According to market rumours, the Chinese economy expanded by 11.9 percent from a year ago in March. Inflation in March eased to 2.4 percent. Official data is due today. The government struck a note of caution and took aim at the property sector, noting "we will unswervingly curb excessively fast house price increases".
- **US Federal Reserve Chairman Ben S. Bernanke in a testimony to Congress said:** *"On balance, the incoming data suggest that growth in private final demand will be sufficient to promote a moderate economic recovery in coming quarters...Significant restraints on the pace of the recovery remain, including weakness in both residential and nonresidential construction and the poor fiscal condition of many state and local governments...Consumer spending should be aided by a gradual pickup in jobs and earnings, the recovery in household wealth from recent lows, and some improvement in credit availability."*

ECONOMIC DATA & EVENTS

UPCOMING DATA AND EVENTS

- NZ: Business NZ PMI – (Mar): Last: 53.3 - 22:30 GMT (08.30 AEST)
- AU: Consumer Inflation Expectation – (Apr): Last: 3.2% - 01:00 GMT (11.00 AEST)
- JP: Industrial Production m/m – (Feb F): Last: -0.9% - 04:30 GMT (14.30 AEST)
- JP: Industrial Production y/y – (Feb F): Last: 31.3% - 04:30 GMT (14.30 AEST)
- JP: Capacity Utilization m/m – (Feb F): Last: 3.9% - 04:30 GMT (14.30 AEST)
- CH: Real GDP y/y – (Q1): ANZ: 11.6 Market: 11.6% Last: 10.7% - 02:00 GMT (12.00 AEST)
- CH: Producer Price Index y/y – (Mar): ANZ: 6.0 Market: 6.4% Last: 5.4% - 02:00 GMT (12.00 AEST)
- CH: Purchasing Price Index y/y – (Mar): Market: 11.5% Last: 10.3% - 02:00 GMT (12.00 AEST)
- CH: Consumer Price Index y/y – (Mar): ANZ: 3.2 Market: 2.6% Last: 2.7% - 02:00 GMT (12.00 AEST)
- CH: Retail Sales y/y – (Mar): ANZ: 19.2 Market: 18.0% Last: 22.1% - 02:00 GMT (12.00 AEST)
- CH: Retail Sales YTD y/y – (Mar): Market: 18.1% Last: 17.9% - 02:00 GMT (12.00 AEST)
- CH: Industrial Production y/y – (Mar): Market: 18.2% Last: 12.8% - 02:00 GMT (12.00 AEST)
- CH: Industrial Production YTD y/y – (Mar): Market: 20.4% Last: 20.7% - 02:00 GMT (12.00 AEST)
- CH: Fixed Assets Inv Urban YTD y/y – (Mar): ANZ: 28.5 Market: 26.0% Last: 26.6% - 02:00 GMT (12.00 AEST)
- EU: ECB Publishes Apr. Monthly Report - 08:00 GMT (18.00 AEST)
- EU: Euro-Zone Trade Balance – (Feb): Market: -0.5B Last: -8.9B - 09:00 GMT (19.00 AEST)
- EU: Euro-Zone Trade Balance sa – (Feb): Last: 1.8B - 09:00 GMT (19.00 AEST)
- UK: Nationwide Consumer Confidence – (Mar): Market: 81 Last: 80 - 23:01 GMT (09.01 AEST)
- US: Initial Jobless Claims – (w/e 10 Apr): Market: 440K Last: 460K - 12:30 GMT (22.30 AEST)
- US: Continuing Claims – (w/e 3 Apr): Market: 4583K Last: 4550K - 12:30 GMT (22.30 AEST)
- US: Empire Manufacturing – (Apr): Market: 24.00 Last: 22.86 - 12:30 GMT (22.30 AEST)
- US: Net Long-term TIC Flows – (Feb): Last: \$19.1B - 13:00 GMT (23.00 AEST)
- US: Total Net TIC Flows – (Feb): Last: -\$33.4B - 13:00 GMT (23.00 AEST)
- US: Industrial Production – (Mar): Market: 0.7% Last: 0.1% - 13:15 GMT (23.15 AEST)
- US: Capacity Utilization – (Mar): Market: 73.3% Last: 72.7% - 13:15 GMT (23.15 AEST)
- US: Philadelphia Fed. Business Outlook Survey– (Apr): Market: 20.0 Last: 18.9 - 14:00 GMT (00.00 AEST)
- US: NAHB Housing Market Index – (Apr): Market: 16 Last: 15 - 17:00 GMT (03.00 AEST)
- US: Fed's Lacker to Speak in Charlotte - 14:30 GMT (00.30 AEST)
- US: Fed's Bullard Speaks in New York - 16:15 GMT (02.15 AEST)

ECONOMIC DATA & EVENTS

- US: Fed's Lockhart in Pensacola, Florida - 17:40 GMT (03.40 AEST)
- US: Volcker Speaks in New York - 19:00 GMT (05.00 AEST)
- US: Fed's Lacker to Hold Press in Charlotte Cf - 19:15 GMT (05.15 AEST)
- CA: New Motor Vehicle Sales m/m – (Feb): Market: 7.0% Last: 0.0% - 12:30 GMT (22.30 AEST)
- CA: Manufacturing Sales m/m – (Feb): Market: 1.0% Last: 2.4% - 12:30 GMT (22.30 AEST)

MARKET TABLES

TABLE 1: FIXED INCOME *

	LEVEL	CHANGE		LEVEL	CHANGE
US 2y note	1.048	0.0	US 2y swap	1.19	-1.6
US 5y note	2.601	2.7	US 5y swap	2.74	1.5
US 10y note	3.861	4.3	US 10y swap	3.82	2.5
US 30y bond	4.732	5.2	AUS 3y swap	5.59	3.0
US 2y swap spread	14.00	0.4	AUS 5y swap	5.95	3.5
US 5y swap spread	13.88	1.0	AUS 10y swap	6.28	2.0
US 10y swap spread	-4.00	1.3	NZ 3y swap	4.68	-0.5
AUS 3y	94.570	-3.0	NZ 10y swap	5.87	0.0
AUS 10y	94.130	-2.5	AUS 3m bills	4.59	-2.0
US 3m Libor	0.304	0.1	NZ 3m bills	2.70	0.0

Source: ANZ and Bloomberg. Change in basis points

TABLE 2: FOREIGN EXCHANGE#

	LAST	CHANGE	OVERNIGHT RANGE	CURRENT VS AUD
AUD	0.9353	0.0062	0.9305 - 0.936	-
TWI*	72.4000	-	-	-
NZD	0.7144	0.0007	0.7094 - 0.7154	1.3088
EUR	1.3656	0.0042	1.3597 - 1.3679	0.6848
JPY	93.26	0.0600	92.83 - 93.72	87.22
GBP	1.5470	0.0089	1.5378 - 1.5491	0.6045
CAD	0.9990	-0.0021	0.9954 - 0.9996	0.9343
CHF	1.0518	-0.0019	1.0503 - 1.0561	0.9837
DXY	80.1880	-0.2320	-	-

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	11123	0.9	Gold (\$US/ounce)	1156.2	0.5
S&P	1211	1.1	Copper (\$US/tonne)	7950.0	0.6
Nasdaq	2505	1.6	Nickel (\$US/tonne)	26395.0	3.5
FTSE 100	5796	0.6	CRB Index	280.0	0.9
DAX	6278	0.8	Oil (\$US/barrel)	85.98	2.3

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.

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

This document ("document") is distributed to you in Australia and the United Kingdom by Australia and New Zealand Banking Group Limited ABN 11 005 357 522 ("ANZ") and in New Zealand by ANZ National Bank Limited ("ANZ NZ"). ANZ holds an Australian Financial Services licence no. 234527 and is authorised in the UK and regulated by the Financial Services Authority ("FSA").

This document is being distributed in the United States by ANZ Securities, Inc. ("ANZ S") (an affiliated company of ANZ), which accepts responsibility for its content. Further information on any securities referred to herein may be obtained from ANZ S upon request. Any US person(s) receiving this document and wishing to effect transactions in any securities referred to herein should contact ANZ S, not its affiliates.

This document is being distributed in the United Kingdom by ANZ solely for the information of its eligible counterparties and professional clients (as defined by the FSA). It is not intended for and must not be distributed to any person who would come within the FSA definition of "retail clients". Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the FSA.

This document is issued on the basis that it is only for the information of the particular person to whom it is provided. This document may not be reproduced, distributed or published by any recipient for any purpose. This document does not take into account your personal needs and financial circumstances. Under no circumstances is this document to be used or considered as an offer to sell, or a solicitation of an offer to buy.

In addition, from time to time ANZ, ANZ NZ, ANZ S, their affiliated companies, or their respective associates and employees may have an interest in any financial products (as defined by the Australian Corporations Act 2001), securities or other investments, directly or indirectly the subject of this document (and may receive commissions or other remuneration in relation to the sale of such financial products, securities or other investments), or may perform services for, or solicit business from, any company the subject of this document. If you have been referred to ANZ, ANZ NZ, ANZ S or their affiliated companies by any person, that person may receive a benefit in respect of any transactions effected on your behalf, details of which will be available upon request.

The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable. The views expressed in this document accurately reflect the author's personal views, including those about any and all of the securities and issuers referred to herein. The author however makes no representation as to its accuracy or completeness and the information should not be relied upon as such. All opinions and estimates herein reflect the author's judgement on the date of this document and are subject to change without notice. No part of the author's compensation was, is or will directly or indirectly relate to specific recommendations or views expressed about any securities or issuers in this document. ANZ, ANZ NZ, ANZ S, their affiliated companies, their respective directors, officers, and employees disclaim any responsibility, and shall not be liable, for any loss, damage, claim, liability, proceedings, cost or expense ("Liability") arising directly or indirectly (and whether in tort (including negligence), contract, equity or otherwise) out of or in connection with the contents of and/or any omissions from this communication except where a Liability is made non-excludable by legislation.

Where the recipient of this publication conducts a business, the provisions of the Consumer Guarantees Act 1993 (NZ) shall not apply.