



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** were higher overnight, weighed down by a muted increase in industrial production and an unexpected rise in jobless claims. The yield on 2-year notes declined 4bps to 1.01%, whilst the 10-year yield decreased 3bps to 3.832%.
- **Australian bond** futures underperformed US Treasuries. The implied yield on 3-year bond futures was flat at 5.420% (price at 94.580) and the implied yield on the 10-year bond futures lost 2bps to 5.855% (price up 2bps to 94.145).
- **US equities** increased as investors were upbeat about earnings and a reviving US economy offset an increase in jobless claims. The DJIA was up 0.2% to 11145, the S&P 500 gained 0.1% to 1212 and the Nasdaq was 0.4% higher at 2516.
- **European equities** advanced on better-than-expected growth in China and as Roche Holding topped sales estimates. The DJ Euro Stoxx 50 gained 0.2% to 3013, the German DAX rose 0.2% to 6291 and the UK FTSE was 0.5% higher at 5825.
- **The Australian SPI 200 May 10 futures** contract was down 3 points or 0.1% at 5014.
- The **USD** traded mixed against major currency pairs overnight. **EUR/USD** has regained some of yesterday's late-session losses to be trading around 1.3580. **GBP/USD** opens stronger at 1.5500 after gaining steadily overnight as political uncertainty eased. **USD/JPY** opens lower at 93.00 after falling from its overnight high of 93.47.
- It was a mixed night for the **AUD**. **AUD/USD** traded sideways overnight to be trading marginally stronger at 0.9350. **AUD/EUR** traded relatively flat overnight and opens marginally higher at 0.6880. **AUD/JPY** opens weaker at 86.90 after a choppy night and the **AUD/NZD** has rallied to be trading stronger around 1.3120.
- **Crude oil** declined after US jobless claims unexpectedly increased and industrial production grew less than expected. WTI futures contract for May 10 decreased 0.5% to US\$85.37 a barrel.
- **Spot gold** strengthened on concerns that Europe's debt problems may not improve. Spot gold rose 0.4% to US\$1,159.00 an ounce.
- **LME copper** declined 0.1% to US\$7,945 as the strengthening USD reduced the demand for commodities as an alternative investment. Other base metals traded positive with **zinc**, **aluminium** and **nickel** decreasing 2.0%, 0.4% and 3.1%, respectively while **lead** ended 0.9% lower.
- **US corn** and **soybeans** both increased 1.5% overnight on expectations that the growing Chinese GDP would increase imports from the US. **Wheat** rose 1.2% as investors reduced their short positions. **Sugar** fell 3.9% as the strengthening USD reduced the demand for the commodity, while **palm oil** futures were 0.3% 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 Initial Jobless Claims** (w/e Apr 10) increased unexpectedly to 484K (440K, 460K) due to administrative backlogs caused by the shortened Easter weekend and reluctance on the part of companies to increase payrolls. **US Continuing Jobless Claims** (w/e 3 Apr) increased to 4,639K (4,580K, 4,566K).
- **US Philly Fed Business Outlook Survey** (Apr) climbed to 20.2 (20.0, 18.9) supported by an increase in US export demand and a recovery in domestic demand. Manufacturers are also investing in new equipment and increasing production to fill depleting inventories.
- **US Foreign Net Transactions** (Feb) grew to \$47.1B (\$29.7B, \$15.0B) as international demand for US securities increased. China and Japan remain the biggest investors in US Treasuries, while UK's investments increased 12.2%.
- **US TIC Net Monthly Inflows** (Feb): \$9.0B (-\$10.2B)
- **US Industrial Production m/m** (Mar) rose 0.1% (0.7%, 0.3%), led by a 0.9% jump in manufacturing and an increase of 2.3% in mining.
- **US Capacity Utilization** (Mar): 73.2% (73.3%, 73.0%)
- **US Empire State Manufacturing Survey** (Apr) expanded more than forecast to 31.86 (24.00, 22.86) as companies increase output to meet reviving domestic and export demand.
- **US NAHB Market Index** (Apr) increased to 19 (16, 15) as homebuilders take advantage of the federal tax credit before it expires.
- **EU ECB April monthly bulletin:** The Governing Council decided to leave key interest rates unchanged. Overall, the euro area economy is expected to expand at a moderate pace in 2010. Inflation rates are to be kept below, but close to 2% over the medium term. Governments need to reduce budget imbalances and correct excessive deficits by the agreed deadlines.
- **US Federal Reserve Bank of St. Louis President James Bullard said:** *"Only a few of the current financial-reform proposals are likely to help prevent future crises, most are not...As the nation's lender of last resort, the Fed will be at the centre of managing any future financial crisis and this argues for the Fed playing the lead role in the new regulatory structure."*
- **EU ECB Executive Board member Juergen Stark said:** *"A multi-speed recovery in the world economy, with some regions growing fast while the recovery in others remains weak, has the potential to exert upward pressure on prices...All in all, risks to the inflation outlook seem to be tilted to the upside."*
- **EU ECB council member Michael Bonello said:** *"The recovery in the euro area promises to be less robust than in other areas...Economic activity is expected to remain sluggish and GDP growth is expected to be less than 1%."*
- **Chinese authorities have announced measures to reign in property speculation.** These include a combination of more building, higher deposit requirements and higher funding costs for second properties.

ECONOMIC DATA & EVENTS

UPCOMING DATA AND EVENTS

- NZ: REINZ House Sales y/y - (Mar): Last: -3.8% - 22:00 GMT (08.00 AEST)
- NZ: REINZ Housing Price Index - (Mar): Last: 3214.8 - 22:00 GMT (08.00 AEST)
- NZ: REINZ Housing Price Index m/m - (Mar) - 22:00 GMT (08.00 AEST)
- AU: AOFM auction \$750 mn of Nov 2012 bonds
- EU: 25 New Car Registrations – (Mar): Last: 3.0% - 06:00 GMT (16.00 AEST)
- EU: Euro-Zone CPI m/m – (Mar): Market: 0.9% Last: 0.3% - 09:00 GMT (19.00 AEST)
- EU: Euro-Zone CPI y/y – (Mar): Market: 1.5% Last: 1.5% - 09:00 GMT (19.00 AEST)
- EU: Euro-Zone CPI - Core y/y – (Mar): Market: 0.9% Last: 0.8% - 09:00 GMT (19.00 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): Market: 3.0B Last: 1.8B – 09:00 GMT (19:00 AEST)
- EU: Finance Chiefs and Central Bankers meet in Madrid - 02:30 GMT (12.30 AEST)
- US: Housing Starts – (Mar): Market: 610K Last: 575K - 12:30 GMT (22.30 AEST)
- US: Housing Starts m/m – (Mar): Market: 6.1% Last: -5.9% - 12:30 GMT (22.30 AEST)
- US: Building Permits – (Mar): Market: 625K Last: 612K - 12:30 GMT (22.30 AEST)
- US: Building Permits m/m – (Mar): Market: -1.9% Last: -1.6% - 12:30 GMT (22.30 AEST)
- US: U. of Michigan Confidence – (Apr P): Market: 75.0 Last: 73.6 - 13:55 GMT (23.55 AEST)
- US: Fed's Yellen Speaks in San Francisco - 01:00 GMT (11.00 AEST)
- US: Fed's Warsh Speaks in New York - 13:00 GMT (23.00 AEST)
- US: Fed's Hoenig Speaks in New York - 16:30 GMT (02.30 AEST)

MARKET TABLES

TABLE 1: FIXED INCOME *

	LEVEL	CHANGE		LEVEL	CHANGE
US 2y note	1.016	-3.2	US 2y swap	1.17	-0.5
US 5y note	2.547	-5.1	US 5y swap	2.71	-1.7
US 10y note	3.832	-2.5	US 10y swap	3.81	-0.4
US 30y bond	4.716	-1.4	AUS 3y swap	5.55	0.0
US 2y swap spread	14.81	1.2	AUS 5y swap	5.92	0.0
US 5y swap spread	16.00	2.0	AUS 10y swap	6.25	-0.3
US 10y swap spread	-3.00	1.0	NZ 3y swap	4.68	-0.5
AUS 3y	94.570	0.0	NZ 10y swap	5.88	0.0
AUS 10y	94.145	1.5	AUS 3m bills	4.60	-0.5
US 3m Libor	0.304	0.1	NZ 3m bills	2.69	0.5

Source: ANZ and Bloomberg. Change in basis points

TABLE 2: FOREIGN EXCHANGE#

	LAST	CHANGE	OVERNIGHT RANGE	CURRENT VS AUD
AUD	0.9342	-0.0009	0.9311 - 0.9348	-
TWI*	72.4000	-	-	-
NZD	0.7118	-0.0028	0.7104 - 0.7152	1.3122
EUR	1.3575	-0.0078	1.3522 - 1.3631	0.6881
JPY	93.04	-0.1900	92.87 - 93.47	86.91
GBP	1.5498	0.0032	1.5387 - 1.551	0.6027
CAD	1.0024	0.0038	0.9966 - 1.0037	0.9364
CHF	1.0563	0.0044	1.0529 - 1.0612	0.9868
DXY	80.4660	0.2760	-	-

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	11145	0.2	Gold (\$US/ounce)	1159.6	0.4
S&P	1212	0.1	Copper (\$US/tonne)	7945.0	-0.1
Nasdaq	2516	0.4	Nickel (\$US/tonne)	27225.0	3.1
FTSE 100	5825	0.5	CRB Index	279.8	-0.1
DAX	6291	0.2	Oil (\$US/barrel)	85.41	-0.5

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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