



ECONOMICS & MARKETS RESEARCH ANZ MORNING NOTE

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ANZ AUSTRALIAN
MACROECONOMICS,
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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** increased after the US Securities and Exchange Commission charged Goldman Sachs with fraud and as a decline in consumer confidence bolstered demand for safe-haven assets. The yield on 2-year notes declined 6bps to 0.951%, whilst the 10-year yield decreased 7bps to 3.763%.
- **Australian bond** futures underperformed US Treasuries. The implied yield on 3-year bond futures decreased 5bps to 5.340% (price up 5bps to 94.660) and the implied yield on the 10-year bond futures lost 4bps to 5.795% (price up 4bps to 94.205).
- **US equities** fell on fraud charges against Goldman Sachs, which led to a sharp decline in the shares of financial companies and stoked concerns about a recovery from the financial crisis. The DJIA closed down 1.1% to 11019, the S&P 500 lost 1.6% to 1192 and the Nasdaq was 1.4% lower at 2481.
- **European equities** declined following the SEC's charge against Goldman Sachs and an unexpected drop in US consumer confidence. The DJ Euro Stoxx 50 lost 2.1% to 2950, the German DAX fell 1.8% to 6181 and the UK FTSE was 1.4% lower at 5744.
- **The Australian SPI 200 May 10 futures** contract was down 48 points or 1.0% to 4950.
- The **USD** strengthened against most major crosses. **EUR/USD** opens weaker at 1.3470 after grinding lower on Friday night. **GBP/USD** opens weaker at 1.5270 after declining sharply on Friday. **USD/JPY** fell from its overnight high of 93.12 to open lower at 91.80.
- It was a weak night for the **AUD** against major currency pairs. **AUD/USD** declined steadily on Friday night to open the morning weaker at 0.9210. **AUD/EUR** initially traded flat, but fell late on Friday night to open lower at 0.6840. **AUD/JPY** opens weaker at 84.60 after falling steadily and the **AUD/NZD** opens at 1.3015.
- **Crude oil** dropped as the strengthening USD and weak equities reduced demand for commodities. The SEC's charge against Goldman Sachs also weighed on crude prices. WTI futures contract for May 10 decreased 2.7% to US\$83.24 a barrel.
- **Spot gold** declined on the back of the strengthening USD. Spot gold fell 1.9% to US\$1,137.40 an ounce.
- **LME copper** fell 0.1% to US\$7,945 tracking broader losses in other commodities. Other base metals also traded negatively with **zinc**, **aluminium**, **nickel** and **lead** decreasing 3.5%, 1.6%, 1.9% and 0.8% respectively.
- **US corn** rose 0.2% on concerns that the possibility of a drought in the US might reduce output. **Soybeans** increased 0.1% on expectations that China would increase its imports of US soybean oil. **Wheat** climbed 2.1% after investors reduced their short positions. **Sugar** fell 5.3% following SEC's charge against Goldman Sachs, while **palm oil** futures were 0.3% higher.

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

ECONOMIC DATA & EVENTS

OVERNIGHT DATA AND EVENTS (MARKET EXPECTATIONS, LAST OBSERVATION)

- **US Housing Starts m/m** (Mar) rose 1.6% (6.1%, 1.1%) as builders took advantage of the warmer weather to have properties available for homebuyers looking to utilise a government tax credit before it expires. Housing starts increased the most in the southern region of the US, climbing 18%.
- **US Housing Starts** (Mar): 626K (610K, 616K)
- **US Building Permits** (Mar) increased more than forecasts to 685K (625K, 637K), the highest level recorded since October 2008.
- **US Building Permits m/m** (Mar): 7.5% (-1.9%, 2.4%)
- **US Uni. of Michigan Consumer Confidence Survey** (Apr P) unexpectedly declined to 69.5 (75.0, 73.6), its lowest level in five months. The gauge of current conditions dropped to 80.7 from 82.4, while the index of consumer expectations fell to 62.3 from 67.9.
- **EU CPI m/m** (Mar): 0.9% (0.9%, 0.3%)
- **EU CPI y/y** (Mar) increased by 1.4% (1.5%, 0.9%), the fastest pace since December 2008, as a rise in crude oil prices offset company cost and payroll cuts. Energy prices climbed 7.2% and alcohol and tobacco rose 4%.
- **EU CPI - Core y/y** (Mar): 1.0% (0.9%, 0.9%)
- **EU Trade Balance** (Feb) improved back into surplus of €2.6B (€-0.5B, €-9.0B). Exports to the UK increased 4% while exports to China have jumped 45% in the year. Total imports increased 1.5% while exports to the US declined 1%.
- **EU Trade Balance SA** (Feb): 3.3B (3.0B, 3.4B)
- **EU 25 New Car Registrations y/y** (Mar): 10.8% (3.0%)
- **CA New Motor Vehicle Sales m/m** (Feb): 8.1% (7.0%, -1.0%)
- **CA Manufacturing Sales m/m** (Feb) 0.1% (1.0%, 1.8%)
- **The US Securities and Exchange Commission** announced that it had *"charged Goldman, Sachs & Co. and one of its vice presidents for defrauding investors by misstating and omitting key facts about a financial product tied to subprime mortgages as the U.S. housing market was beginning to falter"*.
- **Goldman Sachs is also facing scrutiny elsewhere.** Bloomberg News reports that *"Goldman Sachs Group Inc. faces a regulatory probe in Britain and scrutiny from the German government"*, noting that *"Gordon Brown today called for the Financial Services Authority to start an investigation"*, and that *"Germany's financial regulator, Bafin, asked the SEC for details on the suit"*.
- **US Treasury Secretary Timothy F. Geithner on a financial overhaul:** *"I think we will see Republicans and Democrats come together and pass strong reforms...I'm very confident you'll see Republicans vote for this."*
- **US Federal Reserve Policy Maker Thomas Hoenig said:** *"The problem on too-big-to-fail is that, at least since 1991, there has been no political will to take on the large financial institutions and their booming profits, campaign contributions, and tremendous lobbying power."*
- **EU ECB President Jean-Claude Trichet said:** *"We are fully supporting the reinforcement of the Stability and Growth Pact, its very rigorous implementation and any kind of improvement we can obtain."*

ECONOMIC DATA & EVENTS

UPCOMING DATA AND EVENTS

- NZ: Performance Services Index - (Mar): Last: 53.7
- JP: Supermarket Sales y/y – (Mar): Last: -2.4%
- JP: Consumer Confidence - (Mar): Last: 40.0 - 05:00 GMT (15.00 AEST)
- JP: Consumer Confidence Households - (Mar): Last: 39.8 - 05:00 GMT (15.00 AEST)
- EU: Construction Output m/m – (Feb): Last: -2.2% - 09:00 GMT (19.00 AEST)
- EU: Construction Output y/y – (Feb): Last: -12.5% - 09:00 GMT (19.00 AEST)
- EU: ECB's Tumpel-Gugerell talk in Luxembourg - 15:00 GMT (01.00 AEST)
- EU: ECB's Papademos speaks in Strasbourg - 17:00 GMT (03.00 AEST)
- UK: Rightmove House Prices m/m: Last: 0.10% - 23:01 GMT (09.01 AEST)
- UK: Rightmove House Prices y/y: Last: 5.30% - 23:01 GMT (09.01 AEST)
- US: Leading Indicators – (Mar): Market: 1.0% Last: 0.1% - 14:00 GMT (00.00 AEST)
- US: Fed's Evans and Bernanke Speak in Chicago - 13:00 GMT (23.00 AEST)
- CA: International Securities Transactions – (Feb): Last: 11.830B - 12:30 GMT (22.30 AEST)

MARKET TABLES

TABLE 1: FIXED INCOME *

	LEVEL	CHANGE		LEVEL	CHANGE
US 2y note	0.951	-5.7	US 2y swap	1.11	-2.3
US 5y note	2.466	-7.8	US 5y swap	2.63	-4.3
US 10y note	3.763	-7.0	US 10y swap	3.74	-2.6
US 30y bond	4.671	-4.4	AUS 3y swap	5.47	-3.5
US 2y swap spread	15.19	0.3	AUS 5y swap	5.84	-4.0
US 5y swap spread	15.88	-0.1	AUS 10y swap	6.20	-2.4
US 10y swap spread	-2.75	0.3	NZ 3y swap	4.67	-1.0
AUS 3y	94.660	5.0	NZ 10y swap	5.86	-2.0
AUS 10y	94.205	3.5	AUS 3m bills	4.48	10.7
US 3m Libor	0.305	0.1	NZ 3m bills	2.68	1.0

Source: ANZ and Bloomberg. Change in basis points

TABLE 2: FOREIGN EXCHANGE#

	LAST	CHANGE	OVERNIGHT RANGE	CURRENT VS AUD
AUD	0.9243	-0.0102	0.9231 - 0.9334	-
TWI*	72.2000	-	-	-
NZD	0.7085	-0.0034	0.7066 - 0.7156	1.3028
EUR	1.3503	-0.0070	1.3473 - 1.3563	0.6842
JPY	92.17	-0.8600	91.91 - 93.11	84.65
GBP	1.5363	-0.0133	1.5361 - 1.5474	0.6021
CAD	1.0128	0.0108	1.0003 - 1.0164	0.9349
CHF	1.0614	0.0050	1.0567 - 1.0634	0.9797
DXY	80.8240	0.3890	-	-

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	-1.1	Gold (\$US/ounce)	1137.4	-1.9
S&P	1192	-1.6	Copper (\$US/tonne)	7945.0	-0.1
Nasdaq	2481	-1.4	Nickel (\$US/tonne)	27225.0	3.1
FTSE 100	5744	-1.4	CRB Index	276.3	-1.2
DAX	6181	-1.8	Oil (\$US/barrel)	83.24	-2.7

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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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

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