ECONOMICS & MARKETS RESEARCH
ANZ MORNING NOTE

20 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 better than expected results at Citigroup helped stock markets and an increase in the Conference Board's index of leading indicators reduced the demand for US government debt. The yield on 2-year notes increased 3bps to 0.983%, while the 10-year yield gained 4bps to 3.799%.
- **Australian bond** futures traded broadly inline with US Treasuries. The implied yield on 3-year bond futures increased 4bps to 5.340% (price down 4bps to 94.650) and the implied yield on the 10-year bond futures gained 5bps to 5.820% (price down 5bps to 94.185).
- **US equities** rebounded, trimming earlier losses after sources revealed that the SEC did not unanimously approve pursuing the charges against Goldman Sachs. Positive earnings at Citigroup also supported the markets. The DJIA was up 0.7% to 11092, the S&P 500 gained 0.5% to 1198 and the Nasdaq was flat at 2480.
- **European equities** fell after the UK and Germany signaled that Goldman Sachs would be probed and volcanic ash disrupted most of Europe's airspace. The DJ Euro Stoxx 50 lost 0.3% to 2940, the German DAX fell 0.3% to 6162 and the UK FTSE was 0.3% lower at 5728.
- **The Australian SPI 200 May 10 futures** contract was up 31 points or 0.6% to 4945.
- The **USD** traded mixed against major currency pairs overnight. **EUR/USD** recovered from an overnight low of 1.3416 to open the morning stronger at 1.3485. **GBP/USD** opens at higher at 1.5335 after fluctuating overnight. But the JPY weakened, with **USD/JPY** opening stronger at 92.40 after gaining steadily in the night.
- The **AUD** strengthened against major crosses overnight. **AUD/USD** opens stronger at 0.9240 after gaining late in the night. **AUD/EUR** opens higher at 0.6850. **AUD/JPY** opens stronger at 85.40 after rallying late in the night but **AUD/NZD** is little changed after retracing overnight gains over the past hour.
- **Crude oil** dropped as demand for commodities fell following the SEC's charges against Goldman Sachs. WTI futures contract for May 10 decreased 1.7% to US$81.92 a barrel.
- **Spot gold** declined as the strengthening USD reduced the appeal of the precious metal as an alternative investment. Spot gold fell 0.3% to US$1,135.60 an ounce.
- **LME copper** fell 0.8% to US$7,695 as the strengthening USD supported by the charges against Goldman Sachs reduced the demand for commodities. Other base metals traded negative with **zinc, aluminum** and **lead** decreasing 1.5%, 2.7% and 1.3%, respectively while **nickel** ended flat.
- **US corn** and **soybeans** decreased 4.5% and 0.9% respectively on expectations that warm weather would boost US planting. **Wheat** declined 4.6% on concerns that the charges against Goldman Sachs would reduce demand for commodities. **Sugar** increased 6.0% on expectations that importers would increase purchases following the recent drop in prices. **Palm oil** futures were 1.9% 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 Conference Board Index of Leading Indicators m/m** (Mar) increased 1.4% (1.1%, 0.4%) with gains reported in 7 of the 10 indicators. The rise was supported by gains in average weekly manufacturing hours, stock prices, building permits and jobless claims. However, real money supply, manufacturers' new orders for non-defence capital goods and the index of consumer expectations came in negative.
- **UK Rightmove House Price Index m/m** (Apr) jumped 2.6% (0.1%) as the demand for properties exceeded supply. Out of the 10 regions tracked, 9 reported gains led by East Anglia where prices climbed 4.9%, while prices in London increased by 1%.
- **UK Rightmove House Price y/y** (Apr): 6.0% (5.3%)
- **EU Construction Output m/m** (Feb) declined 3.3% (-0.9%), the most since January 2007, as heavy winter weather disrupted building activity. Construction in Spain fell 6% and Slovenia reported a 9% decline. Construction output in Germany and Portugal rose 1% and 1.4%, respectively.
- **EU Construction Output y/y** (Feb): -15.2% (-10.6%)
- **CA International Securities Transactions CAD** (Feb): 6.720B (9.000B, 11.840B)
- **Greek concerns linger**. Bundesbank President Weber has said that Greece may need more aid than the €30bn already promised by the EC. The planned IMF/EC meeting in Athens has been delayed due to flight disruptions. Juncker, who heads the group of EU FinMins has said that it is possible more deficit cutting measures may be asked of Greece.
- **The IMF** is said to be about to recommend G-20 countries consider a tax on banks' non deposit liabilities or profits to fund bailouts, according to Bloomberg news, who has cited officials with knowledge.
- **US Federal Reserve Bank of Chicago President Charles Evans said:** "*We are now experiencing a recovery brought on by improving conditions throughout the broad economy…We will continue to advocate for more and better financial education.*"
- **US Senate Banking Committee Chairman Christopher Dodd said:** "*Our bill ends too big to fail; bailout ends forever…The status quo leaves us vulnerable should another economic crisis occur…The talking is almost over and now we need to move.*"
- **EU ECB Council Member Michael Bonello on the ash cloud caused by Iceland's volcanic eruption:** "*Of course, it is hurting the economy, it is hurting trade and business activity…The extent of the impact on the European economy depends on how long it lasts, and you can't quantify these things.*"

ECONOMIC DATA & EVENTS

UPCOMING DATA AND EVENTS

- NZ: Food Prices m/m - (Mar): Last: -1.3% - 22:45 GMT (08.45 AEST)
- NZ: Consumer Prices q/q - (Q1): ANZ: 0.5% Market: 2.6% Last: -0.2% - 22:45 GMT (08.45 AEST)
- NZ: Consumer Prices y/y - (Q1): ANZ: 2.2% Market: 2.2% Last: 2.0% - 22:45 GMT (08.45 AEST)
- AU: Reserve Bank's Board April Minutes released - 01:30 GMT (11.30 AEST)
- JP: Tertiary Industry Index m/m – (Feb): Last: 2.90% - 23:50 GMT (09.50 AEST)
- JP: Machine Tool Orders y/y – (Mar F): Last: 262.10% - 06:00 GMT (16.00 AEST)
- JP: Convenience Store Sales y/y – (Mar): Last: -4.70% - 07:00 GMT (17.00 AEST)
- EU: ECB Euro-Zone Current Account sa – (Feb): Last: -8.1B - 08:00 GMT (18.00 AEST)
- EU: Euro-Zone Current Account nsa – (Feb): Last: -16.7B - 08:00 GMT (18.00 AEST)
- EU: ZEW Survey (Economic Sentiment) – (Apr): Last: 37.9 - 09:00 GMT (19.00 AEST)
- EU: ECB’s Weber Speaks in Germany - 16:00 GMT (02.00 AEST)
- GE: Producer Prices m/m – (Mar): Market: 0.5% Last: 0.0% - 06:00 GMT (16.00 AEST)
- GE: Producer Prices y/y – (Mar): Market: -1.8% Last: -2.9% - 06:00 GMT (16.00 AEST)
- GE: ZEW Survey (Economic. Sentiment) – (Apr): Market: 45.1 Last: 44.5 - 09:00 GMT (19.00 AEST)
- GE: ZEW Survey (Current Situation) – (Apr): Market: -48.0 Last: -51.9 - 09:00 GMT (19.00 AEST)
- UK: CPI m/m – (Mar): Market: 0.3% Last: 0.40% - 08:30 GMT (18.30 AEST)
- UK: CPI y/y – (Mar): Market: 3.1% Last: 3.00% - 08:30 GMT (18.30 AEST)
- UK: Core CPI y/y – (Mar): Market: 2.8% Last: 2.90% - 08:30 GMT (18.30 AEST)
- UK: RPI m/m – (Mar): Market: 0.4% Last: 0.60% - 08:30 GMT (18.30 AEST)
- UK: RPI y/y – (Mar): Market: 4.2% Last: 3.70% - 08:30 GMT (18.30 AEST)
- UK: RPI Ex Mort. & Interest Payments y/y – (Mar): Market: 4.5% Last: 4.20% - 08:30 GMT (18.30 AEST)
- US: ABC Consumer Confidence – (w/e 18 Apr): Last: -47 - 21:00 GMT (07.00 AEST)
- CA: Bank of Canada Rate – (Apr 20): ANZ: 0.25% Market: 0.25% Last: 0.25% - 13:00 GMT (23.00 AEST)

MARKET TABLES

TABLE 1: FIXED INCOME*

	LEVEL	CHANGE		LEVEL	CHANGE
US 2y note	0.984	3.2	US 2y swap	1.13	3.7
US 5y note	2.517	5.1	US 5y swap	2.68	6.0
US 10y note	3.799	3.7	US 10y swap	3.79	4.1
US 30y bond	4.693	2.3	AUS 3y swap	5.51	4.0
US 2y swap spread	15.13	-0.1	AUS 5y swap	5.88	4.0
US 5y swap spread	16.25	0.4	AUS 10y swap	6.23	4.5
US 10y swap spread	-1.50	1.3	NZ 3y swap	4.67	1.5
AUS 3y	94.660	-4.0	NZ 10y swap	5.84	1.6
AUS 10y	94.190	-5.0	AUS 3m bills	4.46	14.3
US 3m Libor	0.305	0.0	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	0.9235	-0.0008	0.9161 - 0.9238	-
TWI*	71.5000	-	-	-
NZD	0.7102	0.0017	0.7054 - 0.7105	1.3003
EUR	1.3485	-0.0018	1.3416 - 1.3488	0.6848
JPY	92.41	0.2400	91.6 - 92.47	85.33
GBP	1.5332	-0.0031	1.5192 - 1.534	0.6023
CAD	1.0150	0.0022	1.0141 - 1.0216	0.9372
CHF	1.0635	0.0021	1.063 - 1.069	0.9820
DXY	80.9510	0.1270	-	-

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	11092	0.7	Gold ($US/ounce)	1134.5	-0.3
S&P	1198	0.5	Copper ($US/tonne)	7695.0	-0.8
Nasdaq	2480	0.0	Nickel ($US/tonne)	26700.0	0.0
FTSE 100	5728	-0.3	CRB Index	273.2	-1.1
DAX	6162	-0.3	Oil ($US/barrel)	81.77	-1.8

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