



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** declined after stocks rallied and as the Bank of Canada signalled it may raise interest rates. The yield on 2-year notes increased 3bps to 1.008%, whilst the 10-year yield was flat at 3.794%.
- **Australian bond** futures were also weak. The implied yield on 3-year bond futures increased 5bps to 5.420% (price down 5bps to 94.580) and the implied yield on the 10-year bond futures gained 5bps to 5.865% (price down 5bps to 94.135).
- **US equities** gained after companies Goldman Sachs and Harley-Davidson reported earnings that exceeded forecasts. The markets were also supported by a rally in oil companies. The DJIA was up 0.2% to 11117, the S&P 500 gained 0.8% to 1207 and the Nasdaq was 0.8% higher at 2500.
- **European equities** advanced as better than expected corporate earnings for Goldman Sachs deflected attention from recent fraud accusations. The rise in German investor confidence and gradual opening of European airspace also supported markets. The DJ Euro Stoxx 50 gained 1.5% to 2984, the German DAX rose 1.7% to 6264 and the UK FTSE was 1.0% higher at 5784.
- **The Australian SPI 200 May 10 futures** contract was up 42 points or 0.9% to 4971.
- It was a mixed night for the **USD**. **EUR/USD** opens weaker at 1.3440 after declining late in the night. **GBP/USD** opens stronger at 1.5370 after fluctuating overnight. **USD/JPY** traded relatively flat to open higher at 93.25.
- The **AUD** strengthened against major crosses after the RBA said that it might raise interest rates. **AUD/USD** opens stronger at 0.9320 after trading relatively flat overnight. **AUD/EUR** opens stronger at 0.6930. **AUD/JPY** gained steadily overnight to open the morning stronger at 86.90 and the **AUD/NZD** opens higher at 1.3090 after gaining late in the night.
- **Crude oil** rose after the demand for jet fuel increased as some European flights resumed and following the rally in US equity markets. WTI futures contract for May 10 increased 2.5% to US\$83.45 a barrel.
- **Spot gold** gained, tracking stronger oil prices on improved risk appetite for commodities. Spot gold rose 0.3% to US\$1,140.50 an ounce.
- **LME copper** increased 1.2% to US\$7,790 on renewed optimism in the market. Other base metals traded positive with **zinc**, **aluminum**, **nickel** and **lead** increasing 2.5%, 0.7%, 2.2% and 5.4%, respectively.
- **US soybeans** and **corn** rose 0.7% and 2.2% on expectations that the growing Chinese economy would boost imports from the US. **Wheat** increased 3.9% as investors reduced their short positions. **Sugar** fell 2.7% on concerns that output from India would increase, while **palm oil** futures were 1.2% higher.

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

ECONOMIC DATA & EVENTS

OVERNIGHT DATA AND EVENTS (MARKET EXPECTATIONS, LAST OBSERVATION)

- **UK CPI y/y** (Mar) increased more than expected by 3.4% (3.1%, 3.0%) as the surge in energy costs pushed up prices and a weaker pound increased the cost of imports.
- **UK CPI m/m** (Mar): 0.6% (0.3%, 0.4%)
- **UK CPI Core y/y** (Mar): 3.0% (2.8%, 2.9%)
- **UK RPI** (Mar): 220.7 (220.1, 219.2)
- **UK RPI y/y** (Mar) increased to 4.4% (4.4%, 3.7%), the highest since September 2008.
- **UK RPI m/m** (Mar): 0.7% (0.4%, 0.6%)
- **UK RPI Ex-Mortgage Interest Payments y/y** (Mar): 4.8% (4.5%, 4.2%)
- **GE ZEW Survey (Economic Sentiment)** - (Apr) increased more than forecast to 53.0 (45.1, 44.5) as economic outlook improved, on better employment conditions.
- **GE ZEW Survey (Current Situation)** - (Apr) improved to -39.2 (-48.0, -51.9) aided by a decline in unemployment and gains in manufacturing and service industries.
- **GE Producer Prices y/y** (Mar): -1.5% (-1.8%, -2.9%)
- **GE Producer Prices m/m** (Mar): 0.7% (0.5%, 0.0%)
- **EU ECB Euro-zone Current Account SA** (Feb): €-3.9B (€-1.7B)
- **EU Euro-zone Current Account NSA** (Feb): €-5.2B (€-14.7B)
- **EU ZEW Survey (Economic Sentiment)** - (Apr): 46.0 (39.3, 37.9)
- **CA Bank of Canada Lending Rate** (Apr 20): 0.25% (0.25%, 0.25%)
- **China tightens the net further.** Bloomberg New reports that China has "ordered developers not to take deposits for sales of uncompleted apartments without proper approval and barred them from charging 'abnormally high' prices, stepping up efforts to prevent a property bubble".
- **Reserve Bank of India tightens policy.** The RBI raised its policy rate from 3.50% to 3.75%. The move was widely expected, and coincided with a 0.25% increase in the cash reserve ratio from 5.75% to 6.00%.
- **EU ECB Council Member Erkki Liikanen said:** "The growth pattern is expected to be uneven owing to a number of special factors, which now also include the effects of the volcanic ash...it is clear that the longer the eruption continues, the more likely the overall effect will be negative for economic activity."
- **EU ECB Council Member Axel Weber said:** "The decisions of the Eurogroup offer significant incentives, through interest rates, for Greece to regain confidence through consolidation...Efforts to make a support mechanism automatic or install one permanently must be rejected."

ECONOMIC DATA & EVENTS

UPCOMING DATA AND EVENTS

- AU: Westpac Leading Index m/m – (Feb): Last: 0.2% - 00:30 GMT (10.30 AEST)
- AU: DEWR Skilled Vacancies m/m – (Apr): Last: 2.4% - 01:00 GMT (11.00 AEST)
- AU: AOFM \$700 million of April 2020 Bonds
- JP: Leading Index CI – (Feb F): Last: 97.9 - 05:00 GMT (15.00 AEST)
- JP: Coincident Index CI – (Feb F): Last: 100.7 - 05:00 GMT (15.00 AEST)
- UK: Bank of England Minutes - 08:30 GMT (18.30 AEST)
- UK: Claimant Count Rate – (Mar): Market: 4.9% Last: 4.90% - 08:30 GMT (18.30 AEST)
- UK: Jobless Claims Change – (Mar): Market: -10.0K Last: -32.3K - 08:30 GMT (18.30 AEST)
- UK: ILO Unemployment Rate (3mths) – (Feb): Market: 7.8K Last: 7.80% - 08:30 GMT (18.30 AEST)
- UK: Average Weekly Earnings 3M y/y – (Feb): Market: 2.4% Last: 0.90% - 08:30 GMT (18.30 AEST)
- UK: Weekly Earnings Ex-Bonus 3M y/y – (Feb): Market: 1.6% Last: 1.40% - 08:30 GMT (18.30 AEST)
- US: MBA Mortgage Applications – (w/e 16 Apr): Last: -9.6% - 11:00 GMT (21.00 AEST)
- CA: Wholesale Sales m/m – (Feb): Market: 1.0% Last: 3.0% - 12:30 GMT (22.30 AEST)

MARKET TABLES

TABLE 1: FIXED INCOME *

	LEVEL	CHANGE		LEVEL	CHANGE
US 2y note	1.01	3.3	US 2y swap	1.16	1.0
US 5y note	2.54	2.0	US 5y swap	2.70	-0.2
US 10y note	3.80	-0.4	US 10y swap	3.78	-2.2
US 30y bond	4.67	-2.3	AUS 3y swap	5.57	1.0
US 2y swap spread	15.00	0.0	AUS 5y swap	5.95	1.0
US 5y swap spread	15.75	-0.4	AUS 10y swap	6.27	1.5
US 10y swap spread	-1.19	0.3	NZ 3y swap	4.66	2.0
AUS 3y	94.580	-5.0	NZ 10y swap	5.83	2.0
AUS 10y	94.135	-4.5	AUS 3m bills	4.48	0.8
US 3m Libor	0.31	0.2	NZ 3m bills	2.71	0.0

Source: ANZ and Bloomberg. Change in basis points

TABLE 2: FOREIGN EXCHANGE#

	LAST	CHANGE	OVERNIGHT RANGE	CURRENT VS AUD
AUD	0.9316	0.0078	0.9287 - 0.9324	-
TWI*	72.1000	-	-	-
NZD	0.7113	0.0001	0.7087 - 0.7126	1.3092
EUR	1.3437	-0.0052	1.3429 - 1.3523	0.6934
JPY	93.24	0.8400	92.69 - 93.39	86.89
GBP	1.5368	0.0030	1.5307 - 1.5433	0.6062
CAD	0.9989	-0.0155	0.9972 - 1.0139	0.9301
CHF	1.0683	0.0052	1.0603 - 1.069	0.9955
DXY	81.0560	0.1420	-	-

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	11117	0.2	Gold (\$US/ounce)	1139.0	0.3
S&P	1207	0.8	Copper (\$US/tonne)	1140.2	1.2
Nasdaq	2500	0.8	Nickel (\$US/tonne)	27290.0	2.2
FTSE 100	5784	1.0	CRB Index	275.8	0.9
DAX	6264	1.7	Oil (\$US/barrel)	83.45	2.5

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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