



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** advanced on concerns Greece may tap the EU/IMF emergency fund before negotiations conclude, increasing the safe-haven appeal of US Treasuries. The yield curve flattened on the possibility that Treasury issuance might start to slow after a heavy auction schedule next week. The yield on 2-year notes decreased 2bps to 0.991%, while the 10-year yield was down 6bps to 3.740%.
- **Australian bond** futures traded broadly inline with US Treasuries. The implied yield on 3-year bond futures decreased 2bps to 5.430% (price up 2bps to 94.570) and the implied yield on the 10-year bond futures lost 4bps to 5.825% (price up 4bps to 94.175).
- **US equities** traded mixed as better-than-estimated earnings at Apple, Morgan Stanley and Boeing, offset concerns that Greece might default on its debt. The DJIA was up 0.1% to 11125, the S&P 500 lost 0.1% to 1206 and the Nasdaq was 0.2% higher at 2505.
- **European equities** declined on renewed concerns about Greece's deficit, as the cost of insuring the country's debt touched record levels. A decline in the shares of financial companies also weighed on the markets. The DJ Euro Stoxx 50 lost 1.2% to 2948, the German DAX fell 0.5% to 6230 and the UK FTSE was 1.0% lower at 5723.
- **The Australian SPI 200 May 10 futures** contract was down 35 points or 0.7% to 4937.
- It was a mixed night for the **USD**. **EUR/USD** opens weaker at 1.3390 on concerns that the aid package for Greece may not be sufficient. **GBP/USD** opens stronger at 1.5410 after the unemployment rate rose to the highest level since 1994 **USD/JPY** opens marginally lower at 93.15 after fluctuating overnight.
- The **AUD** weakened against major currency pairs overnight. **AUD/USD** opens weaker at 0.9260. **AUD/EUR** opens the morning lower at 0.6915. **AUD/JPY** opens weaker at 86.20 and the **AUD/NZD** pair opens lower at 1.3040.
- **Crude oil** dropped after the US Energy Department reported an increase in US oil inventories weighing on demand expectation. WTI futures contract for June 10 decreased 0.5% to US\$83.42 a barrel.
- **Spot gold** gained on safe haven buying due to sovereign-debt concerns. Spot gold rose 0.6% to US\$1,146.30 an ounce.
- **LME copper** fell 0.4% to US\$7,759 on forecasts that inventories in China might increase, raising concerns that Chinese imports of the metal may decline. Other base metals traded negative with **zinc**, **aluminum**, **nickel** and **lead** decreasing 1.1%, 1.4%, 1.1% and 1.6%, respectively.
- **US soybeans** and **corn** increased 1.2% and 1.1% on expectations that China would increase imports from the US after low prices prompted South American farmers to hold back their new harvest. **Sugar** rose 0.5% on expectations that global demand would rise. **Wheat** climbed 0.3%, while **palm oil** futures were 1.1% 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 16 Apr) increased 13.6% (-9.6%) as purchase applications rose 10.1%, while refinancing jumped 15.8% bolstered by a decline in borrowing costs.
- **UK ILO Unemployment Rate** (Feb) increased to 8.0% (7.8%, 7.8%), the highest since 1994, as the labour market in the UK is struggling to recover. The rise in the unemployment rate moved in a different direction to the claimant count, which declined more than expected.
- **UK Claimant Count Rate** (Mar) declined 4.8% (4.9%, 4.9%), the lowest since June.
- **UK Unemployment Claimant Count Change** (Mar): -32.9K (-10.0K, -40.1K).
- **UK Average Weekly Earnings 3M y/y** (Feb): 2.3% (2.4%, 0.8%)
- **UK Average Weekly Earnings Ex-Bonus 3M y/y** (Feb): 1.7% (1.6%, 1.5%)
- **CA Wholesale Sales m/m** (Feb): -1.2% (1.0%, 2.4%)
- **IMF urges China to allow renminbi to appreciate.** The IMF has said that "*currencies of a number of emerging Asian economies remain undervalued, substantially in the case of the renminbi*" in its semi-annual World Economic Report.
- **US financial regulation bill a step closer?** US Republicans are said to be close to agreement with Democrats on financial regulation bill. Last week all 41 Senate Republicans pledged to oppose Dodd's reform bill. However, Republican Senator Shelby has indicated a thaw in the gridlock may be near, saying that "I believe that we're going to get us a bipartisan bill", going on to say "we're probably conceptually together on 85 percent" of the bill.
- **Goldman employee agrees to testify.** Bloomberg News reports that the employee at the centre of fraud allegations "has agreed to testify and may defend his actions at a Senate hearing next week". Bloomberg also reports that Goldman Sachs has said the fraud case hinges on the actions of a single employee.
- **BHP faces probe.** BHP said that it has identified "*possible violations of applicable anti- corruption laws involving interactions with government officials*" and has asked the UK's Serious Fraud Office to investigate.

ECONOMIC DATA & EVENTS

UPCOMING DATA AND EVENTS

- NZ: ANZ Consumer Confidence Index – (Apr): Last: 121.8 - 03:00 GMT (13.00 AEST)
- NZ: ANZ Consumer Confidence m/m – (Apr): Last: -1.5% - 03:00 GMT (13.00 AEST)
- AU: New Motor Vehicle Sales m/m – (Mar): Last: -1.9% - 01:30 GMT (11.30 AEST)
- AU: New Motor Vehicle Sales y/y – (Mar): Last: 17.1% - 01:30 GMT (11.30 AEST)
- AU: RBA Foreign Exchange Transactions – (Mar): Last: 424M - 01:30 GMT (11.30 AEST)
- JP: Merchandise Trade Balance Total – (Mar): Last: ¥649.6B - 23:50 GMT (09.50 AEST)
- JP: Adjusted Merchandise Trade Bal. – (Mar): Last: ¥470.5B - 23:50 GMT (09.50 AEST)
- JP: Merchandise Trade Exports y/y – (Mar): Last: 45.3 - 23:50 GMT (09.50 AEST)
- JP: Merchandise Trade Imports y/y – (Mar): Last: 29.5 - 23:50 GMT (09.50 AEST)
- EU: Euro-Zone Govt Debt/GDP Ratio – (Dec 31): Last: 69.3% - 08:00 GMT (18.00 AEST)
- EU: Euro-Zone Consumer Confidence – (Apr A): Market: -17 Last: -17 - 14:00 GMT (00.00 AEST)
- EU: PMI Services – (Apr A): Market: 54.4 Last: 54.1 - 08:00 GMT (18.00 AEST)
- EU: PMI Manufacturing – (Apr A): Market: 56.7 Last: 56.6 - 08:00 GMT (18.00 AEST)
- EU: PMI Composite – (Apr A): Last: 55.9 - 08:00 GMT (18.00 AEST)
- EU: ECB's Trichet, Wellink, Papademos, Provopoulos in Frankfurt - 11:00 GMT (21.00 AEST)
- GE: PMI Services – (Apr A): Market: 55.2 Last: 54.9 - 07:30 GMT (17.30 AEST)
- GE: PMI Manufacturing – (Apr A): Market: 60.1 Last: 60.2 - 07:30 GMT (17.30 AEST)
- UK: Major Banks Mortgage Approvals – (Mar): Last: 48K - 08:30 GMT (18.30 AEST)
- UK: M4 Money Supply m/m – (Mar P): Last: 0.20% - 08:30 GMT (18.30 AEST)
- UK: M4 Money Supply y/y – (Mar P): Last: 3.90% - 08:30 GMT (18.30 AEST)
- UK: CBI April Quarterly Industrial Trends - 10:00 GMT (20.00 AEST)
- UK: Public Finances (PSNCR) – (Mar): Market: 31.3B Last: 7.7B - 08:30 GMT (18.30 AEST)
- UK: Public Sector Net Borrowing – (Mar): Market: 24.0B Last: 12.4B - 08:30 GMT (18.30 AEST)
- UK: Retail Sales m/m – (Mar): Market: 0.6% Last: 2.10% - 08:30 GMT (18.30 AEST)
- UK: Retail Sales y/y – (Mar): Market: 2.3% Last: 3.50% - 08:30 GMT (18.30 AEST)
- UK: Retail Sales Ex Auto Fuel m/m – (Mar): Last: 1.60% - 08:30 GMT (18.30 AEST)
- UK: Retail Sales Ex Auto Fuel y/y – (Mar): Last: 5.40% - 08:30 GMT (18.30 AEST)
- US: Producer Price Index m/m – (Mar): Market: 0.5% Last: -0.60% - 12:30 GMT (22.30 AEST)
- US: Producer Price Index y/y – (Mar): Market: 6.0% Last: 4.40% - 12:30 GMT

ECONOMIC DATA & EVENTS

(22.30 AEST)

- US: PPI Ex Food & Energy m/m – (Mar): Market: 0.1% Last: 0.10% - 12:30 GMT (22.30 AEST)
- US: PPI Ex Food & Energy y/y – (Mar): Market: 0.9% Last: 1.00% - 12:30 GMT (22.30 AEST)
- US: Initial Jobless Claims – (w/e 17 Apr): Market: 450K Last: 484K - 12:30 GMT (22.30 AEST)
- US: Continuing Claims – (w/e 10 Apr): Last: 4639K - 12:30 GMT (22.30 AEST)
- US: RPX Composite 28dy y/y – (Feb): Last: -0.51% - 13:00 GMT (23.00 AEST)
- US: RPX Composite 28dy Index – (Feb 28): Last: 185.8 - 13:00 GMT (23.00 AEST)
- US: House Price Index m/m – (Feb): Market: -0.2% Last: -0.60% - 14:00 GMT (00.00 AEST)
- US: Existing Home Sales – (Mar): Market: 5.28M Last: 5.02M - 14:00 GMT (00.00 AEST)
- US: Existing Home Sales m/m – (Mar): Market: 5.2% Last: -0.60% - 14:00 GMT (00.00 AEST)
- US: G-20 Meets in Washington - 23:00 GMT (09.00 AEST)
- CA: Leading Indicators m/m – (Mar): Market: 0.7% Last: 0.8% - 12:30 GMT (22.30 AEST)

MARKET TABLES

TABLE 1: FIXED INCOME *

	LEVEL	CHANGE		LEVEL	CHANGE
US 2y note	0.992	-1.6	US 2y swap	1.16	2.1
US 5y note	2.493	-5.1	US 5y swap	2.65	-4.6
US 10y note	3.740	-5.8	US 10y swap	3.73	-6.1
US 30y bond	4.618	-5.6	AUS 3y swap	5.58	0.0
US 2y swap spread	16.06	1.0	AUS 5y swap	5.95	-1.6
US 5y swap spread	15.38	-0.5	AUS 10y swap	6.20	-2.3
US 10y swap spread	-1.50	-0.3	NZ 3y swap	4.69	-1.0
AUS 3y	94.570	2.0	NZ 10y swap	5.87	-0.5
AUS 10y	94.175	4.0	AUS 3m bills	4.50	-3.8
US 3m Libor	0.313	0.6	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	0.9268	-0.0050	0.9259 - 0.9337	-
TWI*	72.5000	-	-	-
NZD	0.7100	-0.0017	0.7076 - 0.7132	1.3051
EUR	1.3393	-0.0042	1.3359 - 1.3446	0.6921
JPY	93.16	-0.0600	92.94 - 93.44	86.35
GBP	1.5412	0.0053	1.5361 - 1.544	0.6014
CAD	0.9995	0.0009	0.9931 - 1.0014	0.9265
CHF	1.0701	0.0015	1.0659 - 1.0725	0.9919
DXY	81.2170	0.1680	-	-

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	11125	0.1	Gold (\$US/ounce)	1147.3	0.6
S&P	1206	-0.1	Copper (\$US/tonne)	7759.0	-0.4
Nasdaq	2505	0.2	Nickel (\$US/tonne)	27000.0	-1.1
FTSE 100	5723	-1.0	CRB Index	276.8	0.4
DAX	6230	-0.5	Oil (\$US/barrel)	83.66	-0.2

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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