



ECONOMICS & MARKETS RESEARCH ANZ MORNING NOTE

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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** traded lower after a decline in jobless claims and an increase in existing home sales, offset concerns that Greece might default on its debt. The US government's plan to sell \$129bn in notes next week also weighed on the Treasuries. The yield on 2-year notes increased 3bps to 1.024%, while the 10-year yield gained 3bps to 3.767%.
- **Australian bond** futures traded broadly inline with US Treasuries. The implied yield on 3-year bond futures increased 2bps to 5.450% (price down 2bps to 94.540) and the implied yield on the 10-year bond futures gained 3bps to 5.840% (price down 3bps to 94.160).
- **US equities** ended higher after a rally in consumer companies and gains in financial companies followed US President Obama's speech on financial regulation. Positive economic data also supported the markets. The DJIA was up 0.1% to 11134, the S&P 500 gained 0.2% to 1209 and the Nasdaq was 0.6% higher at 2519.
- **European equities** fell after the Euro region's budget deficit expanded more than the EU's limit, raising concerns that government debt could hamper global economic recovery. The DJ Euro Stoxx 50 lost 1.7% to 2898, the German DAX fell 1.0% to 6169 and the UK FTSE was 1.0% lower at 5665.
- **The Australian SPI 200 May 10 futures** contract was up 4 points or 0.1% to 4911.
- The **USD** strengthened against major currency pairs. **EUR/USD** opens weaker at 1.3300 after the EU said Greece's deficit was worse than previously forecast. **GBP/USD** opens lower at 1.5390 after fluctuating overnight. **USD/JPY** opens the morning stronger at 93.45.
- The **AUD** strengthened against most major crosses overnight. **AUD/USD** fluctuated late in the night and is lower at 0.9275. **AUD/EUR** touched a new high overnight and opens stronger at 0.6975. **AUD/JPY** initially declined but gained late in the night to be higher at 86.65 and the **AUD/NZD** pair opens around 1.3035 after fluctuating overnight.
- **Crude oil** was unchanged as a rise in sales of existing US homes was offset by a strengthening USD. WTI futures contract for June 10 was flat at US\$83.73 a barrel.
- **Spot gold** declined as the extended rally of the USD reduced the appeal of the precious metal as an alternative investment. Spot gold fell 0.5% to US\$1,141.30 an ounce.
- **LME copper** dropped 0.9% to US\$7,690 as debt concerns in Europe strengthened the USD, eroding the demand for commodities. Other base metals traded negative with **zinc**, **aluminum** and **lead** decreasing 0.3%, 1.3% and 0.5%, respectively while **nickel** ended 0.4% higher.
- **US soybeans** rose 0.9% on expectations that China would increase imports from the US. **Wheat** increased 2.3% as investors reduced their short positions. **Sugar** fell 2.9% as importers delayed purchases on signs that production would increase. **Corn** climbed 0.8%, while **palm oil** futures were 0.8% 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 Initial Jobless Claims** (w/e 17 Apr) declined to 456K (450K, 480K) as the reviving US economy encouraged employers to retain staff and cut fewer payrolls. **US Continuing Jobless Claims** (w/e 10 Apr) fell to 4646K (4600K, 4686K). The four-week moving average increased to 460K from 457K.
- **US PPI m/m** (Mar) climbed 0.7% (0.5%, -0.6%) led by a 2.4% rise in food prices and an increase of 0.7% in energy costs.
- **US PPI y/y** (Mar): 6.0% (6.0%, 4.4%)
- **US PPI Ex-Foods & Energy m/m** (Mar) increased 0.1% (0.1%, 0.1%), mainly due to the rise in jewellery prices. The rise in core prices was restrained by a decline in the cost of autos and appliances.
- **US PPI Ex-Foods & Energy y/y** (Mar): 0.9% (0.9%, 1.0%)
- **US Existing Homes Sales** (Mar) increased to 5.35M (5.29M, 5.01M) as homebuyers took advantage of the government tax credit. The milder weather also supported the markets last month after harsh winter weather dampened the housing market in February.
- **US Existing Homes Sales m/m** (Mar): 6.8% (5.3%, -0.8%)
- **US House Price Index m/m** (Feb): -0.2% (-0.2%, -0.6%)
- **UK Retail Sales m/m** (Mar) rose 0.4% (0.6%, 2.5%) led by gains in department stores.
- **UK Retail Sales y/y** (Mar): 2.2% (2.3%, 3.2%)
- **UK Retail Sales Ex-Auto Fuel m/m** (Mar): 0.2% (0.5%, 2.0%)
- **UK Retail Sales Ex-Auto Fuel y/y** (Mar): 4.0% (4.0%, 5.0%)
- **UK PSNCR Public Finances** (Mar): £25.8B (£31.3B, £8.0B)
- **UK PSNCR Net Borrowing** (Mar) expanded to a deficit of £23.5B (£24.0B, £9.7B), the most since 1993. The annual budget deficit of £152.8bn in the fiscal year through to March is the largest recorded since WWII.
- **UK Money Supply M4 m/m** (Mar P): 0.1% (0.2%)
- **UK Money Supply M4 y/y** (Mar P): 3.5% (3.9%)
- **UK BoE Mortgage Approvals** (Mar) increased to 52K (50K, 48K) as the UK government cut the tax on house purchases for first time buyers.
- **GE Markit PMI Services Survey** (Apr A): 55.0 (55.2, 54.9)
- **GE Markit PMI Manufacturing Survey** (Apr A): 61.3 (60.1, 60.2)
- **EU Consumer Confidence Indicator** (Apr A) improved to -15 (-17, -17), the highest since May 2008, indicating that consumer spending may improve as companies increase investments and production to meet the rise in global demand.
- **EU Markit PMI Services Survey** (Apr A): 55.5 (54.4, 54.1)
- **EU Markit PMI Manufacturing Survey** (Apr A): 57.5 (56.7, 56.6)
- **EU Composite PMI Output** (Apr A) rose to 57.3 (55.9, 55.9), the highest since April 2007, as manufacturing and services expanded more than estimated. Manufacturers were encouraged to step up production due to the rise in export demand supported by a weakening euro.
- **EU Eurozone Govt Debt/GDP Ratio** (Dec 31): 78.7% (78.5%, 69.4%)

ECONOMIC DATA & EVENTS

- **CA Leading Indicators m/m (Mar):** 1.0% (0.7%, 0.9%)
- **Greek credit rating downgrade.** Moody's has cut its rating on Greece one notch to A3. Moody's rating is still a notch higher than S&P's BBB+ rating and Fitch's BBB- rating, and if it goes, it will see the repo haircut on Greek bonds rise by a further 5%, making them even less attractive. Making matters worse, Eurostat has revised its figures, and has reported that Greece's 2009 fiscal deficit was actually 13.6%, and may be revised to as high as 14.1%. The Greek government estimate was 12.7%.
- **Obama urges financial industry to embrace regulation.** US President Obama spoke at a function attended by 700 senior executives, including the CEOs of the major investment banks, urging them to end their "*furious efforts*" to fight regulation. He criticized the "*battalions of financial industry lobbyists descending on Capitol Hill*", reminding the industry that "*some on Wall Street forgot that behind every dollar traded or leveraged, there's family looking to buy a house, or pay for an education, open a business, or save for retirement*".
- **IMF Managing Director Dominique Strauss-Kahn said:** "*If you consider the euro zone as a whole, there's no specific problem of sovereign debt...We're prepared to help countries if needed, but we don't see a need these days to focus on any other countries but Greece...It's clear that the Greek situation is a very serious one and we're very much concerned.*"

ECONOMIC DATA & EVENTS

UPCOMING DATA AND EVENTS

- NZ: Visitor Arrivals – (Mar): Last: -1.9% - 22:45 GMT (08.45 AEST)
- NZ: Credit Card Spending m/m – (Mar): Last: -0.3% - 03:00 GMT (13.00 AEST)
- NZ: Credit Card Spending y/y – (Mar): Last: 1.1% - 03:00 GMT (13.00 AEST)
- AU: Import price index q/q – (Q1): ANZ: -2.2% Market: -1.9% Last: -4.3% - 01:30 GMT (11.30 AEST)
- AU: Export price index q/q – (Q1): ANZ: 1.8% Market: 3.9% Last: -1.7% - 01:30 GMT (11.30 AEST)
- AU: AOFM auctions \$500 mn of Mar 2019 Bonds
- JP: All Industry Activity Index m/m – (Feb): Market: -1.6% Last: 3.8% - 04:30 GMT (14.30 AEST)
- JP: BoJ's Shirakawa Speaks in New York - 16:15 GMT (02.15 AEST)
- EU: Industrial New Orders m/m – (Feb): Market: 1.0% Last: -1.6% - 09:00 GMT (19.00 AEST)
- EU: Industrial New Orders y/y – (Feb): Market: 11.2% Last: 7.5% - 09:00 GMT (19.00 AEST)
- EU: ECB's Gonzalez-Paramo in Frankfurt - 07:00 GMT (17.00 AEST)
- GE: IFO - Business Climate – (Apr): Market: 98.7 Last: 98.1 - 08:00 GMT (18.00 AEST)
- GE: IFO - Current Assessment – (Apr): Market: 95.3 Last: 94.4 - 08:00 GMT (18.00 AEST)
- GE: IFO - Expectations – (Apr): Market: 102.1 Last: 101.9 - 08:00 GMT (18.00 AEST)
- UK: GDP q/q – (Q1 A): Market: 0.4% Last: 0.4% - 08:30 GMT (18.30 AEST)
- UK: GDP y/y – (Q1 A): Market: -0.1% Last: -3.1% - 08:30 GMT (18.30 AEST)
- UK: Index of Services (3mth/3mth) – (Feb): Last: 0.60% - 08:30 GMT (18.30 AEST)
- US: Durable Goods Orders m/m – (Mar): Market: 0.2% Last: 0.90% - 12:30 GMT (22.30 AEST)
- US: Durables Ex Transportation m/m – (Mar): Market: 0.7% Last: 1.40% - 12:30 GMT (22.30 AEST)
- US: New Home Sales – (Mar): Market: 325K Last: 308K - 14:00 GMT (00.00 AEST)
- US: New Home Sales m/m – (Mar): Market: 5.5% Last: -2.2% - 14:00 GMT (00.00 AEST)
- US: Fed's Kohn Speaks at ECB Conference - 07:00 GMT (17.00 AEST)
- CA: Consumer Price Index m/m – (Mar): Market: 0.2% Last: 0.4% - 11:00 GMT (21.00 AEST)
- CA: Consumer Price Index y/y – (Mar): Market: 1.6% Last: 1.6% - 11:00 GMT (21.00 AEST)
- CA: Bank Canada CPI Core m/m – (Mar): Market: 0.1% Last: 0.70% - 11:00 GMT (21.00 AEST)
- CA: Bank Canada CPI Core y/y – (Mar): Market: 2.0% Last: 2.1% - 11:00 GMT (21.00 AEST)
- CA: Retail Sales m/m – (Feb): Market: 1.0% Last: 0.7% - 12:30 GMT (22.30 AEST)
- CA: Retail Sales Less Autos m/m – (Feb): Market: 0.5% Last: 1.8% - 12:30 GMT (22.30 AEST)

MARKET TABLES

TABLE 1: FIXED INCOME *

	LEVEL	CHANGE		LEVEL	CHANGE
US 2y note	1.024	3.3	US 2y swap	1.20	5.0
US 5y note	2.534	4.1	US 5y swap	2.70	5.5
US 10y note	3.767	3.1	US 10y swap	3.76	4.7
US 30y bond	4.635	1.9	AUS 3y swap	5.59	4.0
US 2y swap spread	17.31	1.3	AUS 5y swap	5.95	4.0
US 5y swap spread	16.50	1.1	AUS 10y swap	6.21	3.7
US 10y swap spread	-0.50	1.0	NZ 3y swap	4.73	0.8
AUS 3y	94.550	-2.0	NZ 10y swap	5.85	0.8
AUS 10y	94.155	-2.5	AUS 3m bills	4.49	-1.0
US 3m Libor	0.316	0.3	NZ 3m bills	2.68	0.0

Source: ANZ and Bloomberg. Change in basis points

TABLE 2: FOREIGN EXCHANGE#

	LAST	CHANGE	OVERNIGHT RANGE	CURRENT VS AUD
AUD	0.9267	-0.0001	0.9228 - 0.9304	-
TWI*	72.1000	-	-	-
NZD	0.7106	0.0008	0.7071 - 0.714	1.3041
EUR	1.3293	-0.0097	1.3261 - 1.3422	0.6971
JPY	93.48	0.2900	92.81 - 93.61	86.63
GBP	1.5367	-0.0044	1.5343 - 1.5468	0.6031
CAD	1.0007	0.0009	0.9961 - 1.004	0.9273
CHF	1.0779	0.0074	1.0674 - 1.0803	0.9989
DXY	81.6920	0.4710	-	-

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	11134	0.1	Gold (\$US/ounce)	1141.3	-0.5
S&P	1209	0.2	Copper (\$US/tonne)	7690.0	-0.9
Nasdaq	2519	0.6	Nickel (\$US/tonne)	27095.0	0.4
FTSE 100	5665	-1.0	CRB Index	277.1	0.1
DAX	6169	-1.0	Oil (\$US/barrel)	83.69	0.0

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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