



## ECONOMICS & MARKETS RESEARCH ANZ MORNING NOTE

27 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** increased at the short end as risk appetite among investors waned on concerns that Germany might refuse an early release of the aid package for Greece. However, the Treasuries trimmed gains after the sale of \$11bn of 5-year inflation-protected securities. The yield on 2-year notes decreased 2bps to 1.049%, whilst the 10-year yield was flat at 3.807%.
- **Australian bond** futures broadly outperformed US Treasuries. The implied yield on 3-year bond futures decreased 2bps to 5.400% (price up 2bps to 94.600) and the implied yield on the 10-year bond futures lost 3bps to 5.820% (price up 3bps to 94.180).
- **US equities** traded mixed as positive earnings at Caterpillar and Whirlpool were offset by concerns that banks would be hurt by the proposed financial legislation, causing a decline in the shares of financial companies. The DJIA was flat at 11205, the S&P 500 lost 0.4% to 1212 and the Nasdaq was 0.3% lower at 2523.
- **European equities** advanced on positive earnings at TomTom NV and an increase in forecast earnings at Weir Group. A rally among raw-material producers supported by a rise in the price of commodities also supported the markets. The DJ Euro Stoxx 50 gained 1.0% to 2947, the German DAX rose 1.2% to 6332 and the UK FTSE was 0.5% higher at 5754.
- **The Australian SPI 200 May 10 futures** contract was down 11 points or 0.2% to 4896.
- The **USD** traded mixed against major currency pairs. **EUR/USD** recovered from an overnight low of 1.3291 to open the morning marginally stronger at 1.3400. **GBP/USD** is little changed at 1.5455. **JPY** is marginally stronger at **USD/JPY** 94.00 after fluctuating overnight.
- The **AUD** weakened against the major crosses overnight. **AUD/USD** initially traded higher, but declined late in the night to open lower at 0.9265. **AUD/EUR** is weaker at 0.6915. **AUD/JPY** rallied early in the night but pared gains to open weaker at 87.05. **AUD/NZD** opens weaker at 1.2800 after declining steadily overnight.
- **Crude oil** declined as the strengthening USD reduced the demand for commodities. WTI futures contract for June 10 decreased 1.5% to US\$83.85 a barrel.
- **Gold fell** as the strengthening USD reduced the appeal of the precious metal as an alternative investment. Spot gold fell 0.3% to US\$1,154.80 an ounce.
- **LME copper** increased 0.8% to US\$7,810 as concerns of an economic slowdown eased after Greece moved towards securing a rescue package. Other base metals traded positive with **zinc**, **nickel** and **lead** increasing 1.5%, 0.4% and 2.5%, respectively while **aluminium** ended 0.8% lower.
- **US soybeans** fell 0.1% on signs that US exports are decreasing. **Wheat** declined 3.5% on forecasts that favourable weather would boost US output. **Sugar** climbed 0.2% on concerns that drought in China would reduce output and after the US increased its import quota. **Corn** fell 0.2%, 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 Durable Goods Orders m/m** (Mar) declined 1.3% (0.2%, 1.1%), pulled down by a 67% drop in the demand for commercial aircraft.
- **US Durable Goods Ex-Transportation m/m** (Mar) jumped 2.8% (0.7%, 1.7%), the most since December 2007, led by a rise in demand for metals, machinery and electrical equipment.
- **US New Home Sales** (Mar): 411K (325K, 324K)
- **US New Home Sales m/m** (Mar) surged 26.9% (5.5%, -4.1%) as sales rose in all regions in the US, led by a 43.5% jump in the south and a 35.7% increase in the northeast. The rise in sales was supported by the rush among homebuyers to qualify for the federal tax credit before it expires.
- **US Dallas Fed Manufacturing Activity** (Apr): 21.1% (9.8%, 7.2%)
- **UK GDP q/q** (1Q A) grew less than forecast by 0.2% (0.4%, 0.4%) as harsh winter weather dampened construction and consumer expenditure. Construction declined 0.7% while industrial production and services rose 0.7% and 0.2%, respectively.
- **UK GDP y/y** (1Q A): -0.3% (-0.1%, -3.1%)
- **UK Index of Services 3mth/3mth** (Feb): 0.4% (0.6%, 0.6%)
- **UK Hometrack House Prices m/m** (Apr) climbed 0.2% (0.3%), the slowest rate in three months, as supply of properties increased 3.7%. Growth in the housing market is losing momentum, slowed down by a weak job market and uncertainty over the upcoming elections.
- **UK Hometrack House Prices y/y** (Apr): 1.8% (1.3%)
- **GE IFO Business Climate** (Apr) advanced to 101.6 (98.7, 98.2), the highest since May 2008, led by a surge in export demand supported by the reviving global economy and a weaker Euro. Manufacturing is growing at a fast pace, while the warmer weather is supporting construction activity and consumer spending.
- **GE IFO Current Assessment** (Apr): 99.3 (95.3, 94.5)
- **GE IFO Business Expectations** (Apr): 104.0 (102.1, 102.0)
- **EU Industrial New Orders m/m** (Feb) rose by a higher-than-expected 1.5% (1.0%, -1.6%) led by a 2.6% rise in demand for intermediate goods, a 2.3% expansion in orders for capital goods and 2.5% increase in durable goods.
- **EU Industrial New Orders y/y** (Feb): 12.2% (11.2%, 7.5%)
- **CA CPI m/m** (Mar): 0.0% (0.2%, 0.4%)
- **CA CPI y/y** (Mar): 1.4% (1.6%, 1.6%)
- **CA Bank Canada CPI Core m/m** (Mar): -0.2% (0.1%, 0.7%)
- **CA Bank Canada CPI Core y/y** (Mar): 1.7% (2.0%, 2.1%)
- **CA Retail Sales m/m** (Feb): 0.5% (1.0%, 0.9%)
- **CA Retail Sales Less Auto m/m** (Feb): -0.1% (0.5%, 2.0%)
- **EU ECB President Jean-Claude Trichet said:** "The recovery should be measured in much broader terms than focusing on a resumption of GDP growth...A full recovery also implies a return to sustainable fiscal positions. It means the full restoration of trust in some of our financial institutions...the recovery remains somewhat fragile and not yet sufficiently supported by private demand, therefore, this is not the time for complacency."

## ECONOMIC DATA & EVENTS

- **German Chancellor Angela Merkel:** *"We need a positive development in Greece together with further savings measures. Germany will help if the appropriate conditions are met. That will take a few more days."*
- **EU ECB Governing Board member Christian Noyer said:** *"Larger capital and liquidity buffers are necessary, especially for trading activities...in the immediate future, disorderly deleveraging is one of the main downside risks to the recovery process."*
- **Swedish central banker Svante Oberg:** *"Greece has recently been the primary object of speculation regarding the sustainability of public finances. But Greece is not the only potential problem. Other countries also have major problems. In a worst-case scenario, this could develop into a debt crisis in several countries, which also affects the bank system."*
- **Australia is tightening rules on foreign investment in real estate.**  
Temporary residents will have to seek approval from the Foreign Investment Review Board to buy Australian real estate and be required to sell their property when they leave the country

## ECONOMIC DATA & EVENTS

### UPCOMING DATA AND EVENTS

- NZ: AON 1-Year Inflation Expect – (Apr): Last: 7.2%
- AU: Quarterly Wage Agreements– (Apr)
- AU: Producer Price Index q/q: Market: 0.5% - 01:30 GMT (11.30 AEST)
- AU: Producer Price Index y/y: Market: -0.7% Last: -1.5% - 01:30 GMT (11.30 AEST)
- AU: NAB Business Confidence – (Q1): Last: 18 - 01:30 GMT (11.30 AEST)
- JP: Small Business Confidence – (Apr): Last: 45.8 - 05:00 GMT (15.00 AEST)
- EU: ECB's Tumpel-Gugerell Speaks in Paris
- EU: ECB's Orphanides Speaking in Cyprus
- EU: ECB's Trichet Speaks in Chicago
- EU: ECB's Trichet Speaks in Evanston, IL
- GE: Import Price Index m/m – (Mar): Market: 1.1% Last: 1.0%
- GE: Import Price Index y/y – (Mar): Market: 4.2% Last: 2.6%
- GE: GfK Consumer Confidence Survey – (May): Market: 3.2 Last: 3.2 - 06:00 GMT (16.00 AEST)
- UK: Nat'wide House prices m/m – (Apr): Market: 0.4% Last: 0.7%
- UK: Nat'wide House prices y/y – (Apr): Market: 9.7% Last: 9.0%
- UK: BBA Loans for House Purchase – (Mar): Last: 35276 - 08:30 GMT (18.30 AEST)
- UK: CBI April Distributive Trades: Last - 10:00 GMT (20.00 AEST)
- US: S&P/CS Composite-20 City House Prices y/y – (Feb): Market: 1.3% Last: -0.7% - 13:00 GMT (23.00 AEST)
- US: S&P/CS 20 City m/m – (Feb): Market: -0.10% Last: 0.32% - 13:00 GMT (23.00 AEST)
- US: Richmond Fed Manufacturing Index – (Apr): Last: 6 - 14:00 GMT (00.00 AEST)
- US: Consumer Confidence – (Apr): Market: 53.7 Last: 52.5 - 14:00 GMT (00.00 AEST)
- US: ABC Consumer Confidence – (Apr 25): Last: -50 - 21:00 GMT (07.00 AEST)
- US: Bernanke Speaks at Debt-Reduction Commission - 14:00 GMT (00.00 AEST)

# MARKET TABLES

**TABLE 1: FIXED INCOME \***

	LEVEL	CHANGE		LEVEL	CHANGE
US 2y note	1.049	-1.6	US 2y swap	1.26	1.1
US 5y note	2.564	-1.7	US 5y swap	2.75	1.0
US 10y note	3.807	-0.4	US 10y swap	3.81	1.0
US 30y bond	4.666	0.6	AUS 3y swap	5.55	-2.0
US 2y swap spread	20.16	1.7	AUS 5y swap	5.90	-2.0
US 5y swap spread	18.13	1.6	AUS 10y swap	6.20	-1.4
US 10y swap spread	0.88	1.1	NZ 3y swap	4.74	0.7
AUS 3y	94.600	2.0	NZ 10y swap	5.86	1.5
AUS 10y	94.185	2.5	AUS 3m bills	4.53	-3.3
US 3m Libor	0.324	0.3	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	-0.0010	0.9257 - 0.9312	-
TWI*	71.8000	-	-	-
NZD	0.7233	0.0060	0.7179 - 0.7256	1.2814
EUR	1.3382	-0.0002	1.3292 - 1.3389	0.6926
JPY	93.98	0.0100	93.93 - 94.31	87.10
GBP	1.5455	0.0078	1.5428 - 1.5498	0.5997
CAD	1.0013	0.0022	0.9971 - 1.0024	0.9280
CHF	1.0730	-0.0001	1.0723 - 1.0788	0.9944
DXY	81.3140	-0.0330	-	-

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	11205	0.0	Gold (\$US/ounce)	11205	0.0
S&P	1212	-0.4	Copper (\$US/tonne)	7810.0	0.8
Nasdaq	2523	-0.3	Nickel (\$US/tonne)	27155.0	0.4
FTSE 100	5754	0.5	CRB Index	278.4	-0.2
DAX	6332	1.2	Oil (\$US/barrel)	83.82	-1.5

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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### 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

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 277 Park Avenue, 31<sup>st</sup> 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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