



## ECONOMICS & MARKETS RESEARCH ANZ MORNING NOTE

28 APRIL 2010

ANZ AUSTRALIAN  
MACROECONOMICS,  
FX & COMMODITIES  
RESEARCH

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### OVERNIGHT MARKETS UPDATE

- **US bonds** surged after S&P cut Greece's long- and short-term credit ratings to BB+ and B, respectively, and lowered Portugal's credit ratings by two notches to A-, increasing the safe-haven appeal of the US Treasuries. The yield on 2-year notes decreased 9bps to 0.958%, whilst the 10-year yield lost 11bps to 3.692%.
- **Australian bond** futures underperformed US Treasuries. The implied yield on 3-year bond futures decreased 9bps to 5.290% (price up 9bps to 94.710) and the implied yield on the 10-year bond futures lost 7bps to 5.725% (price up 7bps to 94.275).
- **US equities** dropped after Greece and Portugal's credit rating was cut by S&P, spurring concerns that Europe's debt crisis might hamper global economic recovery. The DJIA was down 1.9% to 10992, the S&P 500 lost 2.3% to 1184 and the Nasdaq was 2.0% lower at 2471.
- **European equities** sold off heavily following S&P's decision to cut Greece and Portugal's credit ratings. The DJ Euro Stoxx 50 lost 3.7% to 2839, the German DAX fell 2.7% to 6160 and the UK FTSE was 2.6% lower at 5604.
- **The Australian SPI 200 May 10 futures** contract was down 97 points or 2.0% to 4787.
- The **USD** rallied against most major currency pairs as investors sought safe-haven assets. **EUR/USD** is weaker at around 1.3160 after S&P cut Greece's and Portugal's credit ratings. **GBP/USD** is lower at 1.5245 on uncertainty about the outcome of UK's elections. **USD/JPY** opens weaker at 93.10.
- It was a mixed night for the **AUD** as demand for higher-yielding assets declined. **AUD/USD** opens weaker at 0.9150 after declining steadily overnight. **AUD/EUR** fluctuated overnight to open the morning stronger at 0.6950. **AUD/JPY** fell later in the night and opens the morning lower at 85.20. **AUD/NZD** rallied late in the night to open higher at 1.2860.
- **Crude oil** declined as the USD strengthened and S&P cut its sovereign credit ratings of Greece and Portugal. WTI futures contract for June 10 decreased 2.9% to US\$81.82 a barrel.
- **Spot gold** rose on increased demand for an alternative to holding currencies. Spot gold gained 1.2% to US\$1,167.70 an ounce.
- **LME copper** fell 4.1% to US\$7,490 as the USD strengthened and demand for raw materials decreased after S&P cut Greece and Portugal's credit ratings. Other base metals traded negative with **zinc**, **aluminum**, **nickel** and **lead** decreasing 3.3%, 7.2%, 4.5% and 2.5%, respectively.
- **US soybeans** dropped 1.6% on concerns that the Chinese government's measures to curb inflation might reduce imports from the US. **Corn** fell 1.3% on forecasts that increased planting in the US would boost output. **Sugar** declined 3.6% on expectations that favourable weather in Brazil would increase output. **Wheat** increased 0.5%, while **palm oil** futures were 0.4% 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 Consumer Confidence** (Apr) rose to 57.9 (53.5, 52.3), the highest level since September 2008, as consumers turn more optimistic about the labour market. The gauge of present conditions increased to 28.6 from 25.2 and the measure of expectations rose to 77.4 from 70.4, indicating a more positive economic outlook and a less pessimistic view on employment and income.
- **US Richmond Fed Manufacturing Index** (Apr) expanded to 30 (10, 6) as major indicators came in positive led by shipments, new orders, employment and backlogs, improving the overall economic outlook.
- **US S&P/CS Composite-20 City Home Price Index y/y** (Feb) increased a less-than-estimated 0.64% (1.30%, -0.73%), the first positive print since December 2006, as increasing foreclosures slowed down a recovery in the housing market. San Francisco reported the biggest increase of 12%, while 11 of the 20 cities reported a decline in prices with Las Vegas dropping 15% and Tampa suffering a 6% fall.
- **US S&P/CS Composite-20 Home Price Index SA m/m** (Feb) -0.10% (-0.10%, 0.28%)
- **UK BBA Loans Approved for House Purchase** (Mar): 34905 (38000, 33360)
- **GE GfK Consumer Confidence** (May) increased to 3.8 (3.2, 3.4), led by a rise in export demand supported by a weaker euro. The economic recovery is gaining momentum and the labour market is showing signs of improvement, indicating consumer spending may increase.
- **GE Import Prices y/y** (Mar) climbed 5.0% (4.2%, 2.6%), the fastest pace since September 2008, led by a rise in energy costs.
- **GE Import Prices m/m** (Mar): 1.7% (1.1%, 1.0%)
- **S&P cut Greece's credit rating** by three notches to BB+ with a negative outlook, effectively junk status, and warned that any debt restructuring will only see bondholders recover as little as 30 cents in the dollar. S&P also cut Portugal's rating by two notches to A-.
- **US Federal Reserve Chairman Ben S. Bernanke said:** *"Achieving long-term fiscal sustainability will be difficult, but the costs of failing to do so could be very high...Increasing levels of government debt relative to the size of the economy can lead to higher interest rates, which inhibit capital formation and productivity growth -- and might even put the current economic recovery at risk."*
- **EU ECB Vice President Lucas Papademos on Greece's rescue plan:** *"The actions to be taken after the program's conclusion will convince markets about the credibility of the fiscal adjustments and will contain potential contagion effects in the euro area."*
- **EU ECB Executive Board member Gertrude Tumpel-Gugerell said:** *"The ECB firmly believes that momentum should be maintained with regard to the global regulatory reform agenda."*
- **IMF Managing Director Dominique Strauss-Kahn on Greece's fiscal turnaround:** *"There's no other solution...To believe you just have to send the doctor away when he's prescribing unpleasant medicine, in order not to be sick anymore, would be a total illusion."*

## ECONOMIC DATA & EVENTS

### UPCOMING DATA AND EVENTS

- NZ: NBNZ Business Confidence – (Apr): Last: 42.5 - 03:00 GMT (13.00 AEST)
- NZ: AON 1-Year Inflation Expect – (Apr): Last: 7.2%
- AU: Quarterly Wage Agreements– (Apr)
- AU: RBA's Debelle speaks in Sydney - 22:30 GMT (08.30 AEST)
- AU: Consumer Prices q/q – (Q1): ANZ: 0.8% Market: 0.8% Last: 0.5% - 01:30 GMT (11.30 AEST)
- AU: Consumer Prices y/y – (Q1): ANZ: 2.8% Market: 2.8% Last: 2.4% - 01:30 GMT (11.30 AEST)
- AU: RBA Trimmed Mean q/q – (Q1): ANZ: 0.6% Market: 0.6% Last: 0.8% - 01:30 GMT (11.30 AEST)
- AU: RBA Trimmed Mean y/y – (Q1): ANZ: 2.9% Market: 2.9% Last: 3.3% - 01:30 GMT (11.30 AEST)
- AU: RBA Weighted Median q/q – (Q1): ANZ: 0.6% Market: 0.7% Last: 0.7% - 01:30 GMT (11.30 AEST)
- AU: RBA Weighted Median y/y – (Q1): ANZ: 2.9% Market: 3.0% Last: 3.5% - 01:30 GMT (11.30 AEST)
- JP: Retail Trade m/m – (Mar): Market: -0.6% Last: 0.9% - 23:50 GMT (09.50 AEST)
- JP: Retail Trade y/y – (Mar): Market: 3.6% Last: 4.2% - 23:50 GMT (09.50 AEST)
- JP: Large Retailers' Sales – (Mar): Market: -5.0% Last: -4.0% - 23:50 GMT (09.50 AEST)
- EU: ECB's Mersch Holds Event to Review Financial Stability
- ECB's Tumpel-Gugerell Speaks in Madrid
- ECB's Stark speak at Euromoney Conference - 06:15 GMT (16.15 AEST)
- GE: IFO Business Climate Survey by Industry - (Apr)
- GE: Consumer Price Index m/m – (Apr P): Market: 0.2% Last: 0.5%
- GE: Consumer Price Index y/y – (Apr P): Market: 1.2% Last: 1.1%
- GE: CPI – EU Harmonised m/m – (Apr P): Market: 0.2% Last: 0.6%
- GE: CPI – EU Harmonised y/y – (Apr P): Market: 1.3% Last: 1.2%
- 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%
- US: MBA Mortgage Applications – (w/e 28 Apr): Last: 13.6% - 11:00 GMT (21.00 AEST)
- US: FOMC Rate Decision: ANZ: 0.25% Market: 0.25% Last: 0.25% - 18:15 GMT (04.15 AEST)
- CA: Canada House Price Index y/y – (Feb): Last: 7.5% - 13:00 GMT (23.00 AEST)

# MARKET TABLES

**TABLE 1: FIXED INCOME \***

	LEVEL	CHANGE		LEVEL	CHANGE
US 2y note	0.959	-9.0	US 2y swap	1.19	-3.9
US 5y note	2.422	-14.2	US 5y swap	2.64	-7.3
US 10y note	3.692	-11.4	US 10y swap	3.70	-7.7
US 30y bond	4.577	-8.7	AUS 3y swap	5.44	-8.0
US 2y swap spread	23.17	2.7	AUS 5y swap	5.80	-8.0
US 5y swap spread	21.38	3.1	AUS 10y swap	6.10	-6.0
US 10y swap spread	0.88	0.4	NZ 3y swap	4.73	-5.0
AUS 3y	94.700	8.0	NZ 10y swap	5.79	-4.0
AUS 10y	94.280	7.5	AUS 3m bills	4.54	-5.8
US 3m Libor	0.328	0.4	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	0.9148	-0.0121	0.9136 - 0.9257	-
TWI*	72.0000	-	-	-
NZD	0.7114	-0.0119	0.7099 - 0.7218	1.2860
EUR	1.3186	-0.0197	1.3166 - 1.338	0.6939
JPY	93.18	-0.7800	92.82 - 93.94	85.24
GBP	1.5266	-0.0192	1.524 - 1.5427	0.5992
CAD	1.0167	0.0157	1.0008 - 1.0181	0.9300
CHF	1.0870	0.0141	1.0725 - 1.0883	0.9944
DXY	82.2700	1.0570	-	-

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	10992	-1.9	Gold (\$US/ounce)	1167.7	1.2
S&P	1184	-2.3	Copper (\$US/tonne)	7490.0	-4.1
Nasdaq	2471	-2.0	Nickel (\$US/tonne)	25925.0	-4.5
FTSE 100	5604	-2.6	CRB Index	273.2	-1.9
DAX	6160	-2.7	Oil (\$US/barrel)	81.77	-2.9

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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