



## ECONOMICS & MARKETS RESEARCH

### ANZ MORNING NOTE

03 MAY 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, as concerns over Greece's crisis bolstered the safe-haven appeal of US Treasuries, offsetting positive US economic data. The yield on 2-year notes decreased 4bps to 0.960%, whilst the 10-year yield lost 7bps to 3.653%.
- **Australian bond** futures underperformed US Treasuries. The implied yield on 3-year bond futures decreased 1bps to 5.350% (price up 1bps to 94.650) and the implied yield on the 10-year bond futures lost 1bps to 5.710% (price up 1bps to 94.290).
- **US equities** fell led by financial shares as prosecutors scrutinised Goldman Sachs and Barclays reporting earnings that missed estimates. The DJIA was down 1.4% to 11009, the S&P 500 lost 1.7% to 1187 and the Nasdaq was 2.0% lower at 2461.
- **European equities** followed US equities lower. The DJ Euro Stoxx 50 lost 0.4% to 2817, the German DAX fell 0.1% to 6136 and the UK FTSE was 1.1% lower at 5553.
- **The Australian SPI 200 May 10 futures** contract was down 62 points or 1.3% to 4757.
- It was a mixed night for the **USD** on Friday. **EUR/USD** recovered from an overnight low of 1.3256 on Friday to open higher at 1.3340. **GBP/USD** opens weaker at 1.5310 on concerns that the UK economy would grow at a slow pace compared to the US and Euro region. **USD/JPY** fell late on Friday night and opens the morning lower at 93.90.
- The **AUD** weakened against most major currency pairs on Friday. **AUD/USD** fell in late trade to open weaker at 0.9230. **AUD/EUR** opens lower at around 0.6920. **AUD/JPY** declined steadily and opens weaker at 86.60. **AUD/NZD** opens lower at 1.2680.
- **Crude oil** increased after reports showed the US GDP grew in the first quarter. WTI futures contract for June 10 increased 1.2% to US\$86.15 a barrel.
- **Spot gold** rose as investors sought alternative safe-haven assets on signals that sovereign-debt risk may erode the value of currencies. Spot gold rose 1.1% to US\$1,179.20 an ounce.
- **LME copper** climbed 1.0% to US\$7,430 on a weaker USD and better than expected US state manufacturing data. Other base metals traded positive with **zinc**, **aluminum** and **nickel** increasing 0.8%, 2.5% and 3.5%, respectively while **lead** ended 0.1% lower.
- **US corn** rose 1.6% as demand for the grain from ethanol refiners increased. **Wheat** rose 1.5% as investors reduced their short positions. **Soybeans** advanced 0.4% after China increased its import from the US. **Sugar** declined 0.3% on concerns that increased output from Brazil would increase global supply, while **palm oil** futures were 1.1% 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 GDP q/q** (1Q A) rose 3.2% (3.3%, 5.6%) led by a rise in consumer expenditure and business investment. However, inventory investment and net exports slowed in the first quarter.
- **US GDP Price Index q/q** (1Q A): 0.9% (0.9%, 0.5%)
- **US Personal Consumption** (1Q A) climbed 3.6% (3.3%, 1.6%), the most since the first quarter of 2007, led by growing sales at retailers.
- **US Personal Consumption Core q/q** (1Q A): 0.6% (0.5%, 1.8%)
- **US Employment Cost Index q/q** (1Q) increased 0.6% (0.5%, 0.4%), the most since September 2008, led by a 1.1% rise in benefit costs, while wages and salaries increased 0.4%. The rise in benefit costs were due to healthcare and pension plans.
- **US Chicago Purchasing Managers Index** (Apr) expanded more than estimated to 63.8 (60.0, 58.8), the highest level since April 2005, supported by an increase in business investments. The index of backlogs climbed to 61.4 from 54.3, while the employment index advanced to 57.2 from 53.1.
- **US Uni. of Michigan Consumer Confidence** (Apr F) fell to 72.2 (71.0, 69.5) from 73.6 in March but was less than market expectations. The gauge of current conditions declined to 66.5 from 67.9 in the previous month and the index of consumer expectations dropped to 66.5 from 67.9.
- **US Total Milwaukee Index** (Apr): 66.0 (62.0)
- **US Bloomberg Financial Conditions Index Monthly** (Apr): 0.4 (0.5)
- **EU Euro-zone CPI Estimate y/y** (Apr) increased 1.5% (1.5%, 1.4%), the fastest rate since December 2008, due to rising energy costs and despite companies cutting costs and reducing payrolls.
- **EU Euro-zone Unemployment rate** (Mar) was held at 10.0% (10.0%, 10.0%), with Spain reporting the highest unemployment rate in the euro region at 19.1%. Other countries with a double-digit unemployment rate were Ireland at 13.2% and Portugal at 10.5%.
- **CA Industrial Product Price m/m** (Mar): -0.4% (-0.1%, 0.1%)
- **CA GDP m/m** (Feb): 0.3% (0.3%, 0.6%)
- **CA Raw Materials Price m/m** (Mar): 0.8% (1.0%, 0.4%)
- **PBOC raise reserve requirement** to 17% for the biggest banks. The 50 basis point rise is effective May 10 and this is the third increase this year. With the Chinese economy still showing signs of overheating, analysts believe the policy tightening will be insufficient to prevent further cooling initiatives.
- **Australian Tax changes announced.** Key changes, to be phased in progressively from 2012/13, include corporate tax cuts (to 28% by July 2014), more generous treatment for superannuation, and additional funding for infrastructure. These changes are funded via raising the taxation of 'super-normal' profits from the Resource Sector to 40%.
- **UK election nears.** With the Conservative Party making gains in recent polls, leader David Cameron noted "*tough and difficult decisions*" to get the UK public finances under control. However, he pledged to act responsibly and to "*do everything we can to have a good and strong government in the natural interest*".

## ECONOMIC DATA & EVENTS

### UPCOMING DATA AND EVENTS

- NZ: ANZ Commodity Price – (Apr): Last: 1.8% - 03:00 GMT (13.00 AEST)
- AU: AIG Performance of Manufacturing Index – (Apr): Last: 50.2 - 23:30 GMT (09.30 AEST)
- AU: TD Securities Inflation m/m – (Apr): Last: 0.5% - 00:30 GMT (10.30 AEST)
- AU: TD Securities Inflation y/y – (Apr): Last: 2.5% - 00:30 GMT (10.30 AEST)
- AU: House Price Index q/q – (Q1): ANZ: 3.9% Market: 3.0% Last: 5.2% - 01:30 GMT (11.30 AEST)
- AU: House Price Index y/y – (Q1): ANZ: 19.0% Market: 18.0% Last: 13.6% - 01:30 GMT (11.30 AEST)
- AU: RBA Commodity Index SDR y/y – (Apr): Last: 1.4% - 06:30 GMT (16.30 AEST)
- JP: Markets Closed
- CH: Markets Closed
- CH: PMI Manufacturing – (Apr): Market: 55.9 Last: 55.1 - 01:00 GMT (11.00 AEST)
- EU: PMI Manufacturing – (Apr F): market: 57.5 Last: 57.5 - 08:00 GMT (18.00 AEST)
- GE: PMI Manufacturing – (Apr F): Market: 61.3 Last: 61.3 - 07:55 GMT (17.55 AEST)
- GE: Retail Sales m/m – (Mar): Market: 0.0% Last: 1.1%
- GE: Retail Sales y/y – (Mar): Market: -0.5% Last: -0.9%
- UK: Markets Closed
- US: Personal Income – (Mar): Market: 0.3% Last: 0.0% - 12:30 GMT (22.30 AEST)
- US: Personal Spending – (Mar): Market: 0.6% Last: 0.3% - 12:30 GMT (22.30 AEST)
- US: PCE Deflator y/y – (Mar): Market: 2.0% Last: 1.8% - 12:30 GMT (22.30 AEST)
- US: PCE Core m/m – (Mar): Market: 0.0% Last: 0.0% - 12:30 GMT (22.30 AEST)
- US: PCE Core y/y – (Mar): Market: 1.3% Last: 1.3% - 12:30 GMT (22.30 AEST)
- US: ISM Manufacturing – (Apr): Market: 60.0 Last: 59.6 - 14:00 GMT (00.00 AEST)
- US: ISM Prices Paid – (Apr): Market: 75.0 Last: 75.0 - 14:00 GMT (00.00 AEST)
- US: Construction Spending m/m – (Apr): Market: -0.3% Last: -1.3% - 14:00 GMT (00.00 AEST)
- US: Domestic Vehicle Sales – (Apr): Market: 8.80M Last: 9.05M - 21:00 GMT (07.00 AEST)
- US: Total Vehicle Sales – (Apr): Market: 11.40M Last: 11.77M - 21:00 GMT (07.00 AEST)

# MARKET TABLES

**TABLE 1: FIXED INCOME \***

	LEVEL	CHANGE		LEVEL	CHANGE
US 2y note	0.960	-4.0	US 2y swap	1.20	-2.2
US 5y note	2.416	-6.0	US 5y swap	2.61	-4.6
US 10y note	3.653	-7.1	US 10y swap	3.66	-5.2
US 30y bond	4.517	-7.2	AUS 3y swap	5.55	-2.5
US 2y swap spread	23.52	5.1	AUS 5y swap	5.90	-2.5
US 5y swap spread	19.00	2.2	AUS 10y swap	6.12	-3.0
US 10y swap spread	0.19	1.9	NZ 3y swap	4.83	0.6
AUS 3y	94.650	1.0	NZ 10y swap	5.82	0.0
AUS 10y	94.290	1.0	AUS 3m bills	4.63	-3.8
US 3m Libor	0.347	0.2	NZ 3m bills	2.73	1.5

Source: ANZ and Bloomberg. Change in basis points

**TABLE 2: FOREIGN EXCHANGE#**

	LAST	CHANGE	OVERNIGHT RANGE	CURRENT VS AUD
AUD	0.9228	-0.0015	0.9236 - 0.9325	-
TWI*	72.5000	-	-	-
NZD	0.7260	-0.0010	0.726 - 0.7326	1.2713
EUR	1.3344	0.0050	1.3256 - 1.3342	0.6916
JPY	93.82	-0.0300	93.84 - 94.58	86.56
GBP	1.5311	0.0037	1.5254 - 1.5388	0.6027
CAD	1.0177	-0.0002	1.0016 - 1.018	0.9391
CHF	1.0749	-0.0027	1.0748 - 1.0813	0.9920
DXY	81.8660	-0.1330	-	-

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	11009	-1.4	Gold (\$US/ounce)	1179.2	1.1
S&P	1187	-1.7	Copper (\$US/tonne)	7430.0	1.0
Nasdaq	2461	-2.0	Nickel (\$US/tonne)	26300.0	3.5
FTSE 100	5553	-1.1	CRB Index	277.7	0.9
DAX	6136	-0.1	Oil (\$US/barrel)	86.15	1.2

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.

# IMPORTANT NOTICE

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](http://www.finra.org)) and registered with the SEC.  
 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

This document ("document") is distributed to you in Australia and the United Kingdom by Australia and New Zealand Banking Group Limited ABN 11 005 357 522 ("ANZ") and in New Zealand by ANZ National Bank Limited ("ANZ NZ"). ANZ holds an Australian Financial Services licence no. 234527 and is authorised in the UK and regulated by the Financial Services Authority ("FSA").

This document is being distributed in the United States by ANZ Securities, Inc. ("ANZ S") (an affiliated company of ANZ), which accepts responsibility for its content. Further information on any securities referred to herein may be obtained from ANZ S upon request. Any US person(s) receiving this document and wishing to effect transactions in any securities referred to herein should contact ANZ S, not its affiliates.

This document is being distributed in the United Kingdom by ANZ solely for the information of its eligible counterparties and professional clients (as defined by the FSA). It is not intended for and must not be distributed to any person who would come within the FSA definition of "retail clients". Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the FSA.

This document is issued on the basis that it is only for the information of the particular person to whom it is provided. This document may not be reproduced, distributed or published by any recipient for any purpose. This document does not take into account your personal needs and financial circumstances. Under no circumstances is this document to be used or considered as an offer to sell, or a solicitation of an offer to buy.

In addition, from time to time ANZ, ANZ NZ, ANZ S, their affiliated companies, or their respective associates and employees may have an interest in any financial products (as defined by the Australian Corporations Act 2001), securities or other investments, directly or indirectly the subject of this document (and may receive commissions or other remuneration in relation to the sale of such financial products, securities or other investments), or may perform services for, or solicit business from, any company the subject of this document. If you have been referred to ANZ, ANZ NZ, ANZ S or their affiliated companies by any person, that person may receive a benefit in respect of any transactions effected on your behalf, details of which will be available upon request.

The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable. The views expressed in this document accurately reflect the author's personal views, including those about any and all of the securities and issuers referred to herein. The author however makes no representation as to its accuracy or completeness and the information should not be relied upon as such. All opinions and estimates herein reflect the author's judgement on the date of this document and are subject to change without notice. No part of the author's compensation was, is or will directly or indirectly relate to specific recommendations or views expressed about any securities or issuers in this document. ANZ, ANZ NZ, ANZ S, their affiliated companies, their respective directors, officers, and employees disclaim any responsibility, and shall not be liable, for any loss, damage, claim, liability, proceedings, cost or expense ("Liability") arising directly or indirectly (and whether in tort (including negligence), contract, equity or otherwise) out of or in connection with the contents of and/or any omissions from this communication except where a Liability is made non-excludable by legislation.

Where the recipient of this publication conducts a business, the provisions of the Consumer Guarantees Act 1993 (NZ) shall not apply.