



## 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** were higher overnight as persistent concerns about the European debt crisis drove falls in equities and the Euro, and saw investors buy safe-haven assets such as US government debt. The yield on 2-year notes decreased 7bps to 0.725%, whilst the 10-year yield declined 15bps to 3.346%.
- **Australian bond** futures underperformed US Treasuries. The implied yield on 3-year bond futures decreased 8bps to 4.910% (price up 8bps to 95.090) and the implied yield on the 10-year bond futures fell 7bps to 5.430% (price up 7bps to 94.570).
- **US equities** declined, led by financial and technology companies, as the Euro retreated close to a four-year low against the dollar and Germany planned to ban naked short selling. The DJIA was down 1.1% to 10511, the S&P 500 lost 1.4% to 1121 and the Nasdaq was 1.6% lower at 2317.
- **European equities** rose for the first time in three days as concerns that measures to control the region's debt crisis would curb economic growth eased. The DJ Euro Stoxx 50 rose 2.4% to 2698, the German DAX gained 1.5% to 6156 and the UK FTSE was 0.9% higher at 5307.
- **The Australian SPI 200 May 10 futures** contract was down 52 points or 1.2% to 4440.
- It was a positive night for the **USD** against major crosses overnight. **EUR/USD** opens lower at 1.2185 after falling late in the night. **GBP/USD** is weaker at 1.4305 after falling from its overnight high of 1.4522. **USD/JPY** opens at 92.10 after a predominantly flat session.
- It was a mixed night for the **AUD** after the RBA indicated that it will slow interest-rate increases. **AUD/USD** opens lower at around 0.8630. **AUD/EUR** is higher at 0.7080 after gaining steadily. **AUD/JPY** opens weaker at 79.50 after falling steadily and the **AUD/NZD** pair opens lower at 1.2475 after a choppy session.
- **Crude oil** rose from a five-month low on increasing confidence that the US economic rebound would accelerate, bolstering demand, but later pared gains to end lower. WTI futures contract for June 10 decreased 1.4% to US\$69.13 a barrel.
- **Spot gold** fell to a one-week low as some investors booked profits following last week's rally. Spot gold decreased 0.1% to US\$1,223.60.
- **LME copper** increased 3.5% to US\$6,695 after European finance ministers said only high-deficit countries including Spain and Portugal would be ordered to make more cuts. Other base metals traded positive with **zinc**, **aluminum**, **lead** and **nickel** increasing 2.1%, 3.2%, 1.6% and 7.0%, respectively.
- **US sugar** decreased 0.3% despite renewed demand from Asian importers. **Corn**, **soybeans** and **wheat** lost 2.7%, 1.3% and 1.6%, respectively, as the USD strengthened decreasing the appeal of commodities. **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 PPI Finished Goods m/m** (Apr) unexpectedly dropped by -0.1% (0.1%, 0.7%) in April signalling the global economic recovery is yet to stoke inflation.
- **US PPI Finished Goods Core m/m** (Apr): 0.2% (0.1%, 0.1%)
- **US PPI Finished Goods y/y** (Apr): 5.5% (5.6%, 6.0%)
- **US PPI Core y/y** (Apr): 1.0% (0.9%, 0.9%)
- **US Housing Starts** (Apr) rose to an annual rate of 672K (650K, 635K) in April, the highest level since October 2008.
- **US Housing Starts % Change** (Apr): 5.8% (3.8%, 5.0%)
- **US Building Permits** (Apr): declined to 606K (680K, 685K) in April, suggesting that the new home demand is slowing.
- **US Building Permits m/m** (Apr): -11.5% (0.0%, 5.4%)
- **UK CPI m/m** (Apr): 0.6% (0.4%, 0.6%)
- **UK CPI y/y** (Apr) accelerated more than forecast to 3.7% (3.5%, 3.4%) in April. Bank of England Governor Mervyn King downplayed the threat of inflation after consumer prices jumped at the fastest annual pace since 2008, saying the surge is "temporary".
- **UK CPI Core y/y** (Apr): 3.1% (2.9%, 3.0%)
- **UK RPI m/m** (Apr): 1.0% (0.5%, 0.7%)
- **UK RPI y/y NSA** (Apr): 5.3% (4.9%, 4.4%)
- **UK RPI Less Mortgage Interest Payments y/y** (Apr): 5.4% (4.9%, 4.8%)
- **GE ZEW Survey (Economic Sentiment)** (May) plunged to 45.8 (47.0, 53.0) in May as Europe's deepening debt crisis stoked concern about the Euro's future and rattled financial markets.
- **GE ZEW Survey (Current Situation)** (May): -21.6 (-33.0, -39.2)
- **EZ CPI m/m** (Apr): 0.5% (0.4%, 0.9%)
- **EZ CPI y/y** (Apr F) accelerated to 1.5% (1.5%, 1.4%), a 16-month high, in April as the economy gathered strength.
- **EZ Core CPI y/y** (Apr): 0.8% (0.8%, 1.0%)
- **EZ ZEW Survey (Economic Sentiment)** (May): 37.6 (38.0, 46.0)
- **EZ Trade Balance** (Mar): 4.5B (5.0B, 2.4B) Exports from the Euro area rose a seasonally adjusted 7.5% in March from February, the biggest increase since January 2008.
- **EZ Trade Balance s.a.** (Mar): 0.6B (4.4B, 3.4B)
- **US Federal Reserve Bank of Cleveland President Sandra Pianalto said:**  
*"Our journey out of this deep recession will be a slow one because we face two primary headwinds that I expect will temper growth for a while...The first is the effect of prolonged unemployment, and the second is a heightened sense of caution on the part of consumers and businesspeople."*
- **The US Senate rejected an amendment** to the financial-regulation legislation aimed at preventing taxpayer bailouts of state and local governments that have defaulted or are at risk of defaulting on debt.

## ECONOMIC DATA & EVENTS

- **Germany temporarily bans short selling** of euro area government bonds from midnight CET tonight. Bloomberg reports that the ban also extends to naked short selling of CDS of euro area government bonds, and shares of 10 banks and insurance companies including Deutsche Bank and Allianz.
- **EU makes €14.5bn payment to Greece last night**, ensuring that the €8.5bn bond maturing today will be met in a timely fashion. Greek bonds rallied on news confirming that the payment was made.

## ECONOMIC DATA & EVENTS

### UPCOMING DATA AND EVENTS

- AU: RBA's Malcolm Edey speaks in Sydney - 00:30 GMT (10.30 AEST)
- AU: Westpac Consumer Confidence – (May): Last: -1.0% - 00:30 GMT (10.30 AEST)
- AU: Westpac Cons. Confidence Index – (May): Last: 116.1 - 00:30 GMT (10.30 AEST)
- AU: DEWR Skilled Vacancies m/m – (May): Last: 1.3% - 01:00 GMT (11.00 AEST)
- AU: Wage Price Index q/q – (Q1): ANZ: 0.7% Last: 0.6% - 01:30 GMT (11.30 AEST)
- AU: Wage Price Index y/y – (Q1): ANZ: 2.8% Last: 2.9% - 01:30 GMT (11.30 AEST)
- AU: AOFM auctions 500mn of Feb 2017 bonds
- JP: Industrial Production m/m – (Mar F): Last: 0.3% - 04:30 GMT (14.30 AEST)
- JP: Industrial Production y/y – (Mar F): Last: 30.7% - 04:30 GMT (14.30 AEST)
- JP: Capacity Utilization m/m – (Mar F): Last: 0.0% - 04:30 GMT (14.30 AEST)
- EU: Construction Output sa m/m – (Mar): Last: -3.3% - 09:00 GMT (19.00 AEST)
- EU: Construction Output wda y/y – (Mar): Last: -15.2% - 09:00 GMT (19.00 AEST)
- EU: ECB's Constancio, Schroder's Wade Speak at Lisbon Conference - 08:00 GMT (18.00 AEST)
- UK: Bank of England Minutes - 08:30 GMT (18.30 AEST)
- US: MBA Mortgage Applications – (w/e 14 May): Last: 3.9% - 11:00 GMT (21.00 AEST)
- US: Consumer Price Index m/m – (Apr): Market: 0.1% Last: 0.1% - 12:30 GMT (22.30 AEST)
- US: Consumer Price Index y/y – (Apr): Market: 2.4% Last: 2.3% - 12:30 GMT (22.30 AEST)
- US: CPI Ex Food & Energy m/m – (Apr): Market: 0.1% Last: 0.0% - 12:30 GMT (22.30 AEST)
- US: CPI Ex Food & Energy y/y – (Apr): Market: 1.0% Last: 1.1% - 12:30 GMT (22.30 AEST)
- US: Minutes of FOMC Meeting - 18:00 GMT (04.00 AEST)
- US: Volcker Speaks at Stanford University - 01:45 GMT (11.45 AEST)
- US: Fed's Dudley speaks in New York – 13:00 GMT (23:00 AEST)
- CA: Wholesale Sales m/m – (Mar): Last: -1.2% - 12:30 GMT (22.30 AEST)

# MARKET TABLES

**TABLE 1: FIXED INCOME \***

	LEVEL	CHANGE		LEVEL	CHANGE
US 2y note	0.733	-6.5	US 2y swap	1.12	-2.6
US 5y note	2.069	-12.9	US 5y swap	2.38	-9.0
US 10y note	3.350	-13.7	US 10y swap	3.41	-11.4
US 30y bond	4.236	-12.3	AUS 3y swap	5.25	-9.5
US 2y swap spread	39.40	4.7	AUS 5y swap	5.60	-9.2
US 5y swap spread	30.81	3.4	AUS 10y swap	5.97	-9.3
US 10y swap spread	5.94	1.7	NZ 3y swap	4.83	-3.2
AUS 3y	95.080	7.0	NZ 10y swap	5.83	-3.2
AUS 10y	94.580	8.5	AUS 3m bills	4.84	4.0
US 3m Libor	0.465	0.5	NZ 3m bills	2.92	0.0

Source: ANZ and Bloomberg. Change in basis points

**TABLE 2: FOREIGN EXCHANGE#**

	LAST	CHANGE	OVERNIGHT RANGE	CURRENT VS AUD
AUD	0.8640	-0.0134	0.8626 - 0.8789	-
TWI *	69.2000	-		-
NZD	0.6935	-0.0034	0.6922 - 0.704	1.2460
EUR	1.2208	-0.0187	1.2162 - 1.2444	0.7087
JPY	92.24	-0.3500	92.11 - 92.97	79.70
GBP	1.4339	-0.0136	1.4306 - 1.4517	0.6026
CAD	1.0386	0.0061	1.0247 - 1.0411	0.8974
CHF	1.1473	0.0161	1.1268 - 1.1379	0.9912
DX	87.0980	0.9420	-	-

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	10511	-1.1	Gold (\$US/ounce)	1221.9	0.0
S&P	1121	-1.4	Copper (\$US/tonne)	6695.0	3.5
Nasdaq	2317	-1.6	Nickel (\$US/tonne)	22150.0	7.0
FTSE 100	5307	0.9	CRB Index	254.9	0.7
DAX	6156	1.5	Oil (\$US/barrel)	69.24	-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.

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