



## 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** rallied strongly as stock market weakness is again generated a broad safe-haven bid for bonds. Treasuries were also supported by an unexpected increase in US initial jobless claims and heightening concerns that Europe's sovereign-debt crisis is worsening increased the safe-haven appeal of US debt. The yield on 2-year notes decreased 7bps to 0.708%, whilst the 10-year yield dipped 16bps to 3.213%.
- **Australian bond** futures also surged in line with the US rally. The implied yield on 3-year bond futures decreased 13bps to 4.710% (price up 13bps to 95.290) and the implied yield on the 10-year bond futures fell 11bps to 5.320% (price up 11bps to 94.705).
- **US equities** fell after jobless claims increased and concern grew that Europe's debt crisis is spreading. A retreat in industrials and oil stocks also weighed on the markets. The DJIA was down 3.6% to 10068, the S&P 500 lost 3.9% to 1072 and the Nasdaq was 4.1% lower at 2204.
- **European equities** retreated for the fourth time in five days, led by a selloff in basic-resource companies, as policy makers were split over response to the debt crisis in the region. The DJ Euro Stoxx 50 fell 1.9% to 2570, the German DAX declined 2.0% to 5868 and the UK FTSE was 1.6% lower at 5073.
- **The Australian SPI 200 May 10 futures** contract was down 106 points or 2.5% to 4211.
- It was a mixed night for the **USD**. **EUR/USD** dipped to a low of 1.2296 on concerns about Europe's debt crisis but later rebounded strongly on expectations that the ECB might intervene; the cross is higher at around 1.2470. **GBP/USD** fell steadily but later pared back some losses to open little changed at 1.4360. **USD/JPY** opens lower at 89.60.
- The **AUD** weakened against the major crosses overnight on growing concerns about Europe's debt crisis. **AUD/USD** dipped steadily to be trading around 0.8160. **AUD/EUR** opens weaker at 0.6545 after falling steadily. **AUD/JPY** opens at 73.15 after falling from its overnight high of 76.53 and the **AUD/NZD** pair opens at 1.2235 after a choppy session.
- **Crude oil** tumbled below \$65 a barrel on concerns that Europe would struggle to contain the sovereign-debt crisis but later managed to pare some losses. WTI futures contract for July 10 decreased 2.7% to US\$68.01 a barrel.
- **Spot gold** prices fell for the third consecutive day as doubts about the strength of the economic recovery and Europe's ability to contain its debt crisis prompted a selloff in commodities. Spot gold decreased 1.0% to US\$1,181.80.
- **LME copper** gained 1.6% to US\$6,610 as the USD weakened increasing the appeal of metals. Other base metals traded negative with **aluminum**, **lead** and **nickel** decreasing 0.5%, 0.6% and 0.5%, respectively. **Zinc** ended 0.9% higher.
- **US soybeans** and **corn** gained 0.6% and 0.8% as the USD weakened. **Sugar** rose 0.4% on expectations that anti-government protests in Thailand may exacerbate a production shortfall. **Wheat** gained 0.1%, while **palm oil** futures were 1.7% 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 15 May) unexpectedly increased to 471K (440K, 446K) indicating that firings remain elevated even as employment climbs. Some companies are trimming payrolls to boost or maintain profits, even as overall employment has grown each month this year. Unemployment may take time to recede as more jobseekers enter the workforce and fail to find work.
- **US Continuing Jobless Claims** (w/e 8 May): 4,625K (4,605K, 4,665K)
- **US Conference Board Leading Index m/m** (Apr): -0.1% (0.2%, 1.3%)
- **US Philadelphia Fed Business Outlook Survey** (May) rose to 21.4 (21.3, 20.2) in May as exports surged and business investment increased.
- **EC Consumer Confidence Indicator** (May A) fell to -18 (-16, -15) in May on concerns that austerity measures to fight the debt crisis will hurt economic growth.
- **UK Retail Sales ex-auto fuel m/m** (Apr): 0.1% (-0.1%, 0.4%)
- **UK Retail Sales ex-auto fuel y/y** (Apr): 3.0% (3.2%, 3.4%)
- **UK Retail Sales m/m** (Apr) rose for the third consecutive month to 0.3% (0.2%, 0.5%) in April as the economic recovery encouraged consumers to spend more at clothing shops and department stores.
- **UK Retail Sales y/y** (Apr): 1.8% (1.8%, 1.8%)
- **GE Producer Prices m/m** (Apr): 0.8% (0.6%, 0.7%)
- **GE Producer Prices y/y** (Apr): 0.6% (0.4%, -1.5%)
- **US Federal Reserve Governor Daniel Tarullo on Europe's debt crisis:** *"A deeper contraction in Europe associated with sharp financial dislocations would have the potential to stall the recovery of the entire global economy, and this scenario would have far more serious consequences for US trade and economic growth."*
- **Bank of England Policy Maker Adam Posen said:** *"Had there not been this breakdown in the euro area growth prospects, then I'd be more worried...This is certainly going to have some disinflationary, some negative drag on the U.K. economy...It's a little disturbing that when other countries' core inflation rates are descending, ours is not...I'd rather have this problem than be in deflation, so I don't think we're wholly wrong."*
- **European Central Bank Council Member Nout Wellink on the short sale ban imposed by Germany said:** *"Germany should have consulted and done it together with the others...It's not helpful."*
- **European Central Bank Council Member Axel Weber said:** *"In the first week of May, the development on government-bond markets of some countries of the currency union increasingly worsened to an unexpected extent...There was a threat of serious contagion effects for other member states in the currency union and beyond."*

## ECONOMIC DATA & EVENTS

### UPCOMING DATA AND EVENTS

- NZ: Visitor Arrivals – (Apr): Last: 1.1% - 22:45 GMT (08:45 AEST)
- NZ: Net Migration – (Apr): Last: 980.0 - 22:45 GMT (08:45 AEST)
- NZ: Credit Card Spending m/m – (Apr): Last: 1.2% - 03:00 GMT (13:00 AEST)
- NZ: Credit Card Spending y/y – (Apr): Last: 6.3% - 03:00 GMT (13:00 AEST)
- NZ: ANZ Consumer Confidence Index – (Apr): Last: 121.9 - 03:00 GMT (13:00 AEST)
- NZ: ANZ Consumer Confidence m/m – (Apr): Last: 0.0% - 03:00 GMT (13:00 AEST)
- AU: AOFM auctions 700mn of Nov 2012 bonds
- JP: BOJ Target Rate: ANZ: 0.10% Market: 0.10% Last: 0.10%
- JP: Leading Index CI – (Mar F): Last: 102.8 - 05:00 GMT (15:00 AEST)
- JP: Coincident Index CI – (Mar F): Last: 101.1 - 05:00 GMT (15:00 AEST)
- EU: ECB Euro-Zone Current Account s.a. – (Mar): Last: -3.9B - 08:00 GMT (18:00 AEST)
- EU: Euro-Zone Current Account n.s.a. – (Mar): Last: -5.2B - 08:00 GMT (18:00 AEST)
- EU: PMI Services – (May A): Market: 55.6 Last: 55.6 - 08:00 GMT (18:00 AEST)
- EU: PMI Manufacturing – (May A): Market: 57.4 Last: 57.6 - 08:00 GMT (18:00 AEST)
- EU: PMI Composite – (May A): Market: 57.2 Last: 57.3 - 08:00 GMT (18:00 AEST)
- GE: GDP q/q – (Q1 F): Market: 0.2% Last: 0.2% - 06:00 GMT (16:00 AEST)
- GE: GDP wda y/y – (Q1 F): Market: 1.6% Last: 1.6% - 06:00 GMT (16:00 AEST)
- GE: GDP y/y – (Q1 F): Market: 1.7% Last: -1.7% - 06:00 GMT (16:00 AEST)
- GE: Private Consumption – (Q1 F): Market: -0.4% Last: -1.0% - 06:00 GMT (16:00 AEST)
- GE: Government Spending – (Q1 F): Market: 0.6% Last: -0.6% - 06:00 GMT (16:00 AEST)
- GE: Domestic Demand – (Q1 F): Last: -2.1% - 06:00 GMT (16:00 AEST)
- GE: Imports – (Q1 F): Market: 4.0% Last: -1.8% - 06:00 GMT (16:00 AEST)
- GE: Exports – (Q1 F): Market: 1.5% Last: -10.5% - 06:00 GMT (16:00 AEST)
- GE: Construction Investment – (Q1): Market: -3.0% Last: -0.5% - 06:00 GMT (16:00 AEST)
- GE: Capital Investment – (Q1 F): Market: 0.6% Last: -0.7% - 06:00 GMT (16:00 AEST)
- GE: PMI Services – (May A): Market: 55.4 Last: 55.2 - 07:30 GMT (17:30 AEST)
- GE: PMI Manufacturing – (May A): Market: 61.1 Last: 61.5 - 07:30 GMT (17:30 AEST)
- GE: IFO - Business Climate – (May): Market: 101.9 Last: 101.6 - 08:00 GMT (18:00 AEST)
- GE: IFO - Current Assessment – (May): Market: 100.0 Last: 99.3 - 08:00 GMT (18:00 AEST)
- GE: IFO - Expectations – (May): Market: 103.5 Last: 104.0 - 08:00 GMT (18:00 AEST)
- UK: Total Business Investment q/q – (Q1 P): Market: -0.6% Last: -4.3% - 08:30 GMT (18:30 AEST)

## ECONOMIC DATA & EVENTS

- UK: Total Business Investment y/y – (Q1 P): Market: -16.5% Last: -23.5% - 08:30 GMT (18:30 AEST)
- UK: Public Finances (PSNCR) – (Apr): Market: 7.0B Last: 25.8B - 08:30 GMT (18:30 AEST)
- UK: Public Sector Net Borrowing – (Apr): Market: 10.9B Last: 23.5B - 08:30 GMT (18:30 AEST)
- UK: M4 Money Supply m/m – (Apr P): Market: 0.3% Last: 0.2% - 08:30 GMT (18:30 AEST)
- UK: M4 Money Supply y/y – (Apr P): Market: 3.8% Last: 3.6% - 08:30 GMT (18:30 AEST)
- UK: Major Banks Mortgage Approvals – (Apr): Market: 54K Last: 52K - 08:30 GMT (18:30 AEST)
- US: Fed's Kohn Speaks in Frankfurt – 09:15 GMT (19:15 AEST)
- US: Fed's Dudley to Speak in Florida - 23:00 GMT (09:00 AEST)
- CA: Consumer Price Index m/m – (Apr): Market: 0.2% Last: 0.0% - 11:00 GMT (21:00 AEST)
- CA: Consumer Price Index y/y – (Apr): Market: 1.7% Last: 1.4% - 11:00 GMT (21:00 AEST)
- CA: Bank Canada CPI Core m/m – (Apr): Market: 0.2% Last: -0.2% - 11:00 GMT (21:00 AEST)
- CA: Bank Canada CPI Core y/y – (Apr): Market: 1.8% Last: 1.7% - 11:00 GMT (21:00 AEST)
- CA: Retail Sales m/m – (Apr): Market: 0.1% Last: 0.5% - 12:30 GMT (22:30 AEST)
- CA: Retail Sales Less Autos m/m – (Apr): Market: 0.4% Last: -0.1% - 12:30 GMT (22:30 AEST)

# MARKET TABLES

**TABLE 1: FIXED INCOME \***

	LEVEL	CHANGE		LEVEL	CHANGE
US 2y note	0.708	-6.5	US 2y swap	1.11	-1.7
US 5y note	1.983	-13.9	US 5y swap	2.28	-10.2
US 10y note	3.211	-15.7	US 10y swap	3.27	-12.7
US 30y bond	4.087	-15.7	AUS 3y swap	5.03	-13.0
US 2y swap spread	40.75	4.4	AUS 5y swap	5.41	-13.0
US 5y swap spread	30.00	1.8	AUS 10y swap	5.78	-10.3
US 10y swap spread	5.94	0.2	NZ 3y swap	4.74	-11.0
AUS 3y	95.280	12.0	NZ 10y swap	5.77	-8.1
AUS 10y	94.700	10.0	AUS 3m bills	4.71	12.7
US 3m Libor	0.484	0.7	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	0.8184	-0.0288	0.8151 - 0.8352	-
TWI*	66.2000	-	-	-
NZD	0.6662	-0.0115	0.6621 - 0.6798	1.2285
EUR	1.2486	0.0071	1.2297 - 1.2598	0.6555
JPY	89.64	-2.0700	88.97 - 91.5	73.35
GBP	1.4352	-0.0092	1.4231 - 1.4459	0.5703
CAD	1.0696	0.0258	1.0519 - 1.072	0.8753
CHF	1.1515	0.0009	1.1452 - 1.157	0.9423
DXY	85.9180	-0.2240	-	-

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	10068	-3.6	Gold (\$US/ounce)	1181.1	-1.1
S&P	1072	-3.9	Copper (\$US/tonne)	6610.0	1.6
Nasdaq	2204	-4.1	Nickel (\$US/tonne)	21200.0	-0.5
FTSE 100	5073	-1.6	CRB Index	250.1	-1.0
DAX	5868	-2.0	Oil (\$US/barrel)	68.01	-2.7

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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