



## ECONOMICS & MARKETS RESEARCH OVERNIGHT MARKETS UPDATE

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ANZ AUSTRALIAN  
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RESEARCH

### CONTACTS

**Warren Hogan**  
Chief Economist, Australia  
+61 2 9227 1562  
Warren.Hogan@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** traded mixed as the yield curve flattened after the US government sold \$42bn of 2-year notes at a yield of 0.769% (the lowest on record), for a bid-to-cover ratio of 2.93 compared with an average of 3.12. The yield was the lowest on record for a 2-year auction. Concerns that Europe's debt crisis is spreading and the tensions between North and South Korea also boosted the safe haven appeal of bonds. The yield on 2-year notes increased 3bps to 0.755%, whilst the 10-year yield declined 3bps to 3.158%.
- **Australian bond** futures underperformed the US Treasuries. The implied yield on 3-year bond futures increased 7bps to 4.710% (price down 7bps to 95.290) and the implied yield on the 10-year bond futures gained 5bps to 5.315% (price down 5bps to 94.685).
- **US equities** were lower overnight after the increase in US dollar LIBOR rate to 0.536%, and heightened tensions between North and South Korea also weighed on the equities. The DJIA was down 0.2% to 10044, the S&P 500 was flat at 1074 and the Nasdaq was 0.1% lower at 2211.
- **European equities** declined as signs of weakness in the Spanish banking system increased concern that Europe's debt crisis is spreading, and due to worsening security situation in the Korean peninsula. The DJ Euro Stoxx 50 lost 2.7% to 2489, the German DAX fell 2.3% to 5670 and the UK FTSE was 2.5% lower at 4941.
- **The Australian SPI 200 May 10 futures** contract was up 65 points or 1.5% to 4339.
- The **USD** weakened against the major crosses overnight. **EUR/USD** opens higher at 1.2350 after gaining steadily overnight. **GBP/USD** opens stronger at 1.4410 after rallying late in the night. **USD/JPY** opens the morning higher at 90.20.
- It was a positive night for the **AUD**. **AUD/USD** opens stronger around 0.8290 after gaining steadily overnight. **AUD/EUR** opens marginally higher at around 0.6700 after late session gains. **AUD/JPY** opens higher at 74.75 after strengthening late in the night. The **AUD/NZD** pair opens at 1.2340 after rallying late in the night.
- **Crude oil** tumbled and briefly traded below \$68 as Europe's debt crisis dampened demand for the commodity. WTI futures contract for July 10 decreased 0.5% to US\$69.99 a barrel.
- **Spot gold** rose for the second consecutive day as investors sought a haven from a weaker Euro and plunging equities. Spot gold increased 0.6% to US\$1,199.02.
- **LME 3 month copper** fell 2.6% to US\$6730 as US dollar strengthened and investors shied away from risky assets on concerns about Spain. Other base metals fell with **zinc**, **aluminum**, **lead** and **nickel** decreasing 4.0%, 3.2%, 4.7% and 4.5%, respectively.
- **US soybeans** fell 1.1%, its 10-week low, and **corn** dropped 1.8% on speculation that a widening European-debt crisis will curb global demand for commodities. **Wheat** fell 1.5%, **sugar** rose 0.4% and **palm oil** futures were 2.2% 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** (May) increased more than expected to reach 63.3 (58.5, 57.7), its highest level since March 2008, on optimism that the economic recovery would create the jobs needed to encourage Americans to spend. However, confidence is still at risk of stalling as Europe's debt crisis is pushing stock prices lower.
- **US S&P/CS Home Price Index y/y** (Mar): 2.35% (2.50%, 0.66%)
- **US S&P/CS Home Price Index Not Seasonally Adjusted** (Mar) 143.35 (144.06)
- **US S&P/CS Home Price Index Seasonally Adjusted m/m** (Mar) -0.05% (-0.30%, -0.14%)
- **US S&P/CS Home Price Index Quarterly Data** (1Q): 131.81 (136.22)
- **US S&P/CS Home Price Index Quarterly Data y/y** (1Q): 1.99% (3.15%, -2.30%)
- **US Richmond Federal Reserve Manufacturing Survey** (May): 26 (26, 30)
- **US House Price Index (Purchase Only) m/m** (Mar): 0.3% (0.0%, -0.4%)
- **US House Price Index Seasonally Adjusted q/q** (1Q): -3.1 (-1.5%)
- **EU Industrial New Orders m/m** (Mar) increased the most in three years by 5.2% (2.5%, 1.9%) in March led by surging demand for capital goods such as machinery. The weaker Euro and a global recovery also boosted export demand from the Euro zone.
- **EU Industrial New Orders y/y** (Mar): 19.8% (15.0%, 12.5%)
- **UK GDP Chained q/q** (1Q P) increased by 0.3% (0.3%, 0.2%), driven by a rebound in investment activity and a jump in the manufacturing sector. The BoE has suggested that the economy will continue to gain momentum despite Europe's sovereign debt crisis.
- **UK GDP Chained y/y** (1Q P): -0.2% (-0.2%, -0.3%)
- **UK GDP Household Final Consumption Expenditure q/q** (1Q P): 0.0% (-0.2%, 0.4%)
- **UK GDP General Govt Consumption Expenditure q/q** (1Q P): 0.5% (0.6%, 1.0%)
- **UK GDP Exports q/q** (1Q P): 0.0% (0.0%, 3.8%)
- **UK GBP Imports q/q** (1Q P): 1.4% (0.4%, 4.7%)
- **UK GDP Gross Fixed Capital Expenditure q/q** (1Q P): 1.5% (-0.3%, -2.7%)
- **UK Index of Services (3 mth/3 mth) q/q** (Mar): 0.2% (0.2%, 0.4%)
- **US Federal Reserve Bank of St. Louis President James Bullard said:** *"There are several reasons why this new threat to global recovery will probably fall short of becoming a worldwide recessionary shock... Sovereign debt crises have been with us for many, many years. There is nothing intrinsic about such crises that they need to become important shocks to the broader, global macro economy."*
- **Bank of England policy maker Adam Posen said:** *"The U.K. and U.S. economies are at low risk of turning Japanese in the sense of having recurrent recessions through macroeconomic policy mistakes... we all share some risks and problems in common with Japan circa 1995... Deflation cannot be ruled out."*

## ECONOMIC DATA & EVENTS

### UPCOMING DATA AND EVENTS

- AU: Westpac Leading Index m/m – (Mar): Last: 0.5% - 00:30 GMT (10.30 AEST)
- AU: Construction Work Done – (Q1): ANZ: 5.0% Market: 4.0% Last: 2.6% - 01:30 GMT (11.30 AEST)
- AU: AOFM auctions \$500M of Apr 2020 bonds
- JP: BOJ Monetary Policy Meeting Minutes for Apr – 23:50 GMT (09.50 AEST)
- JP: Corp Service Price Index y/y – (Apr): Last: -1.1% - 23:50 GMT (09.50 AEST)
- JP: Small Business Confidence – (May): Last: 46.8 – 05:00 GMT (15.00 AEST)
- EU: ECB's Paramo Specks in Frankfurt – 07:40 GMT (17.40 AEST)
- GE: GfK Consumer Confidence Survey – (Jun): Market: 3.6 Last: 3.8 – 06:00 GMT (16.00 AEST)
- UK: Nationwide House prices m/m - (May): Market: 0.4% Last: 1.0%
- UK: Nationwide House prices y/y – (May): Market: 9.7% Last: 10.5%
- US: MBA Mortgage Applications – (May 21): Last: -1.5% - 11:00 GMT (21.00 AEST)
- US: Durable Goods Orders – (Apr): Market: 1.3% Last: -1.2% - 12:30 GMT (22.30 AEST)
- US: Durables Ex Transportation – (Apr): Market: 0.5% Last: 3.7% - 12:30 GMT (22.30 AEST)
- US: New Home Sales – (Apr): Market: 425K Last: 411K - 14:00 GMT (00.00 AEST)
- US: New Home Sales m/m – (Apr): Market: 3.4% Last: 26.9% - 14:00 GMT (00.00 AEST)
- US: Bernanke Speaks at BoJ Conference – 00:30 GMT (10.30 AEST)
- US: Fed's Plosser Speaks at BoJ Conference – 02:00 GMT (12.00 AEST)
- CA: Canada House Price Index y/y – (Apr): Last: 9.9 – 13:00 GMT (23.00 AEST)

# MARKET TABLES

**TABLE 1: FIXED INCOME \***

	LEVEL	CHANGE		LEVEL	CHANGE
US 2y note	0.755	3.2	US 2y swap	1.27	-1.1
US 5y note	1.972	-1.7	US 5y swap	2.34	4.3
US 10y note	3.156	-3.8	US 10y swap	3.25	6.6
US 30y bond	4.055	-2.7	AUS 3y swap	5.12	8.0
US 2y swap spread	51.01	-1.2	AUS 5y swap	5.51	8.0
US 5y swap spread	36.25	0.6	AUS 10y swap	5.84	6.4
US 10y swap spread	9.00	0.5	NZ 3y swap	4.65	1.8
AUS 3y	95.290	-7.0	NZ 10y swap	5.73	0.0
AUS 10y	94.685	-5.5	AUS 3m bills	4.85	-18.3
US 3m Libor	0.536	2.7	NZ 3m bills	2.94	0.0

Source: ANZ and Bloomberg. Change in basis points

**TABLE 2: FOREIGN EXCHANGE#**

	LAST	CHANGE	OVERNIGHT RANGE	CURRENT VS AUD
AUD	0.8266	0.0001	0.8067 - 0.8272	-
TWI*	65.4000	-	-	-
NZD	0.6694	0.0004	0.6561 - 0.6702	1.2348
EUR	1.2338	-0.0034	1.2178 - 1.2352	0.6700
JPY	90.20	-0.0900	89.27 - 90.25	74.55
GBP	1.4404	-0.0021	1.426 - 1.4409	0.5738
CAD	1.0680	0.0054	1.0666 - 1.0853	0.8828
CHF	1.1568	-0.0025	1.1561 - 1.1696	0.9562
DXY	86.5600	0.3540	-	-

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	10044	-0.2	Gold (\$US/ounce)	1200.9	0.8
S&P	1074	0.0	Copper (\$US/tonne)	NA	NA
Nasdaq	2211	-0.1	Nickel (\$US/tonne)	NA	NA
FTSE 100	4941	-2.5	CRB Index	248.8	-1.3
DAX	5670	-2.3	Oil (\$US/barrel)	69.59	-0.9

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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### 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

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