



ECONOMICS & MARKETS RESEARCH OVERNIGHT MARKETS UPDATE

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ANZ AUSTRALIAN
MACROECONOMICS,
FX & COMMODITIES
RESEARCH

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OVERNIGHT MARKETS UPDATE

- **US bond** markets were closed on account of US Memorial Day.
- **Australian bond** futures rallied overnight. The implied yield on 3-year bond futures decreased 4bps to 4.750% (price up 4bps to 95.250) and the implied yield on the 10-year bond futures fell 4bps to 5.340% (price up 4bps to 94.660).
- **US equities** also remained closed on account of US Memorial Day.
- **European equities** were little changed overnight in thin trading. The DJ Euro Stoxx 50 lost 0.1% to 2610, the German DAX increased 0.3% to 5964 and the UK FTSE was closed for the May Bank Holiday.
- **The Australian SPI 200 May 10 futures** contract was down 17 points or 0.4% to 4421.
- The **USD** weakened against the major crosses overnight. **EUR/USD** opens higher at 1.2305 after trading sideways. **GBP/USD** opens stronger at 1.4535 after gaining in the latter half of the overnight session. **USD/JPY** opens marginally lower at 91.25 after paring back some gains late in the night.
- It was a mixed night for the **AUD**. **AUD/USD** dipped to a low of 0.8382 but later rebounded to open higher at 0.8460. **AUD/EUR** opens marginally lower at 0.6870. **AUD/JPY** opens weaker at 77.25 and the **AUD/NZD** pair opens at higher at 1.2430 after gaining steadily overnight.
- **Crude oil** climbed on expectation that economic growth in the US would sustain the global recovery in fuel demand. WTI futures contract for July 10 increased 0.6% to US\$74.44 a barrel.
- **Spot gold** gained on safe-haven buying due to European debt concerns. Spot gold increased 0.2% to US\$1216.20.
- **LME** was closed.
- **US commodity** markets were closed.

Please note that the prices/rates have been updated at 0700 AEST.

ECONOMIC DATA & EVENTS

OVERNIGHT DATA AND EVENTS (MARKET EXPECTATIONS, LAST OBSERVATION)

- **EU ECB M3 Annual Growth Rate** (Apr) declined to -0.1%(-0.3%, -0.1%) after Europe's debt crisis rattled financial markets and fueled concerns about the future of the euro.
- **EU ECB M3 Money Supply 3 Month Moving Avg** (Apr): -0.2% (-0.2%, -0.2%)
- **EU European Business Climate Indicator** (May): 0.34 (0.20, 0.28)
- **EU Industrial Confidence** (May): -6 (-7, -7)
- **EU Consumer Confidence Indicator** (May F): -18 (-18, -18)
- **EU Economic Sentiment Indicator** (May) unexpectedly fell to 98.4 (100.6, 100.6) as Europe's debt crisis weighed on European equities and also due to higher import costs.
- **EU MUICP All Items y/y** (May): 1.6% (1.7%, 1.5%)
- **EU Services Confidence Indicator** (May): 3 (6, 6)
- **CA Expenditure Based GDP** (1Q) increased to 6.1% (5.9%, 4.9%) as consumer spending and manufacturing increased and also on expectations that the interest rate would rise.
- **CA GDP All Industries m/m** (Mar): 0.6% (0.5%, 0.2%)
- **CA Industrial Product Price m/m** (Apr): 0.3% (-0.2%, -0.4%)
- **CA Raw Materials Price m/m** (Apr): 1.7% (1.4%, 0.8%)
- **German President Koehler resigned unexpectedly** after criticism for suggesting that military engagement in Afghanistan is necessary to protect Germany's interests, despite it being unconstitutional.
- **US Federal Reserve Chairman Ben S. Bernanke said:** *"In the medium term, like the Federal Reserve and many other central banks, the Bank of Korea will have to manage its exit from accommodative policies...will have to weigh the risks of a premature exit against those of leaving expansionary policies in place for too long...This suite of policy responses helped stabilize Korean financial markets and promote a swift recovery of economic activity."*
- **European Central Bank President Jean- Claude Trichet said:** *"I never comment on rating agencies in real time. I would only say that it seems to me very, very important that those countries not fully credible in having medium-term sustainability go back to medium-term sustainability. Medium-term sustainability improves confidence...It's the channel of confidence that is fostering growth and the recovery through sound budget policies."*
- **European Central Bank Governing Council member Ewald Nowotny said:** *"The dramatic events around the situation in Greece have reminded us that the crisis that began in 2007 is still far from over... Public finances in the entire euro area face significant challenges from unexpectedly strong declines in GDP, leading to lower revenues while demanding higher public expenditures, coupled with structural problems in public finances that predate 2007."*

ECONOMIC DATA & EVENTS

UPCOMING DATA AND EVENTS

- AU: AIG Performance of Manufacturing Index – (May): Last: 59.8 - 23:30 GMT (09.30 AEST)
- AU: Retail Sales m/m – (Apr): ANZ: -0.2% Market: 0.3% Last: 0.3% - 01:30 GMT (11.30 AEST)
- AU: Building Approvals m/m – (Apr): ANZ: -6.3% Market: -5.0% Last: 15.3% - 01:30 GMT (11.30 AEST)
- AU: Building Approvals y/y – (Apr): ANZ: 31.9% Market: 34.0% Last: 51.6% - 01:30 GMT (11.30 AEST)
- AU: RBA CASH TARGET – ANZ: 4.50% Market: 4.50% Last: 4.50% - 04:30 GMT (14.30 AEST)
- AU: RBA Commodity Index y/y – (May): Last: 29.4% - 06:30 GMT (16.30 AEST)
- JP: Loans & Discounts Corp y/y – (Apr): Last: -3.2% - 23:50 GMT (09.50 AEST)
- JP: Vehicle Sales y/y – (May): Last: 33.5% - 05:00 GMT (15.00 AEST)
- CH: PMI Manufacturing – (May): Market: 54.5 Last: 55.7 - 01:00 GMT (11.00 AEST)
- CH: HSBC Manufacturing PMI – (May): Last: 55.4 - 02:30 GMT (12.30 AEST)
- EU: PMI Manufacturing – (May F): Market: 55.9 Last: 55.9 - 08:00 GMT (18.00 AEST)
- EU: Euro-Zone Unemployment Rate – (Apr): Market: 10.0% Last: 10.0% - 09:00 GMT (19.00 AEST)
- GE: Unemployment Change – (May): Market: -17K Last: -68K - 07:55 GMT (17.55 AEST)
- GE: Unemployment Rate – (May): Market: 7.8% Last: 7.8% - 07:55 GMT (17.55 AEST)
- GE: PMI Manufacturing – (May F): Market: 58.3 Last: 58.3 - 07:55 GMT (17.55 AEST)
- UK: PMI Manufacturing – (May): Market: 57.9 Last: 58.0 - 08:30 GMT (18.30 AEST)
- US: ISM Manufacturing – (May): Market: 59.0 Last: 60.4 - 14:00 GMT (00.00 AEST)
- US: Construction Spending m/m – (Apr): Market: 0.1% Last: 0.2% - 14:00 GMT (00.00 AEST)
- US: Dallas Fed Manufacturing Activity – (May): Market: 18.6% Last: 21.1% - 14:30 GMT (00.30 AEST)
- US: ABC Consumer Confidence – (May 30): Market: -45 Last: -45 - 21:00 GMT (07.00 AEST)
- US: Fed's Evans, Noyer Speak at Bank of Korea Conference - 02:25 GMT (12.25 AEST)
- CA: Bank of Canada Rate decision – Market: 0.50% Last: 0.25% - 13:00 GMT (23.00 AEST)

MARKET TABLES

TABLE 1: FIXED INCOME *

	LEVEL	CHANGE		LEVEL	CHANGE
US 2y note	0.766	0.0	US 2y swap	1.25	-3.0
US 5y note	2.092	0.0	US 5y swap	2.54	4.3
US 10y note	3.285	-0.7	US 10y swap	3.37	-8.0
US 30y bond	4.204	-0.5	AUS 3y swap	5.09	-17.5
US 2y swap spread	47.00	2.1	AUS 5y swap	5.48	-17.0
US 5y swap spread	34.25	0.5	AUS 10y swap	5.85	-11.1
US 10y swap spread	8.25	0.0	NZ 3y swap	4.78	1.6
AUS 3y	95.250	4.0	NZ 10y swap	5.76	-3.5
AUS 10y	94.660	3.5	AUS 3m bills	4.87	1.3
US 3m Libor	0.536	-0.2	NZ 3m bills	3.01	4.0

Source: ANZ and Bloomberg. Change in basis points

TABLE 2: FOREIGN EXCHANGE#

	LAST	CHANGE	OVERNIGHT RANGE	CURRENT VS AUD
AUD	0.8454	-0.0020	0.8382 - 0.849	-
TWI *	67.5000	-	-	-
NZD	0.6802	0.0013	0.671 - 0.6842	1.2425
EUR	1.2301	0.0028	1.2267 - 1.2325	0.6872
JPY	91.24	0.1800	90.95 - 91.58	77.13
GBP	1.4535	0.0077	1.4476 - 1.4549	0.5816
CAD	1.0437	-0.0109	1.0414 - 1.0509	0.8822
CHF	1.1553	-0.0038	1.1536 - 1.1581	0.9765
DXY	86.5240	-0.2570	-	-

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	10137	-1.2	Gold (\$US/ounce)	1216.2	0.2
S&P	1089	-1.2	Copper (\$US/tonne)	6939.0	-0.6
Nasdaq	2257	-0.9	Nickel (\$US/tonne)	21350.0	-2.1
FTSE 100	5188	-0.1	CRB Index	254.8	0.0
DAX	5964	0.3	Oil (\$US/barrel)	74.44	0.6

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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