



ECONOMICS & MARKETS RESEARCH OVERNIGHT MARKETS UPDATE

04 JUNE 2010

ANZ AUSTRALIAN
MACROECONOMICS,
FX & COMMODITIES
RESEARCH

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OVERNIGHT MARKETS UPDATE

- **US bonds** were lower overnight on expectations that tonight's US payroll report would indicate signs of economic recovery, offsetting concerns that Europe's debt crisis would worsen. The yield on 2-year notes increased 1bps to 0.814% and the 10-year yield increased 2bps to 3.364%.
- **Australian bond futures** outperformed US Treasuries. The implied yield on 3-year bond futures decreased 1bps to 4.840% (price up 1bps to 95.160) and the implied yield on the 10-year bond futures fell 2bps to 5.410% (price up 2bps to 94.590).
- **US equities** rebounded from earlier losses to close higher on expectations that tonight's US payroll report would show that the economy is gaining momentum. The DJIA was up 0.1% to 10255, the S&P 500 gained 0.4% to 1103 and the Nasdaq was 1.0% higher at 2303.
- **European equities** advanced for fourth-consecutive session following better than expected US economic data. The DJ Euro Stoxx 50 gained 1.2% to 2634, the German DAX increased 1.2% to 6055 and the UK FTSE was 1.2% higher at 5211.
- **The Australian SPI 200 May 10 futures** contract was down 6 points or 0.1% to 4480.
- The **USD** strengthened against the major crosses overnight. **EUR/USD** opens weaker at 1.2160 after falling steadily overnight, while similar moves in **GBP/USD** sees it lower at 1.4620. **USD/JPY** opens at 92.70 after a mixed session overnight.
- It was a mixed night for the **AUD**. **AUD/USD** opens lower at around 0.8445 after weakening through the overnight session. **AUD/EUR** opens marginally higher at 0.6945 after rebounding from its overnight low of 0.6878. **AUD/JPY** opens at 78.30 after briefly trading below 77.50 and the **AUD/NZD** pair opens marginally weaker at 1.2330.
- **Crude oil** rose after a report showed a decline in US inventories due to higher fuel demand. WTI futures contract for July 10 increased 2.4% to US\$74.66 a barrel.
- **Spot gold** declined on expectations that a rebound in global stock markets would decrease investor demand for the precious metal. Spot gold decreased 1.5% to US\$1,205.60.
- **LME copper** fell 2.1% to US\$6,525 on concerns that the demand for the metal would decline in China, offsetting better than expected US home and auto sales data. Other base metals traded negative with **zinc**, **aluminum**, **lead** and **nickel** decreasing 3.2%, 1.5%, 3.0% and 5.0%, respectively.
- **US sugar** increased 0.4% on expectations that food companies would boost purchases to rebuild inventories. **Soybeans** advanced 2.4% on expectations that the US economic recovery would increase investment demand. **Corn** rose 0.3% on expectations that warm weather would disrupt yield prospects in US. **Wheat** fell 0.2% and **palm oil** futures were 0.5% 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 Domestic Vehicles Sales** (May): 9.14M (8.90M, 8.78M)
- **US Total Vehicle Sales** (May): 11.64M (11.40M, 11.21M)
- **US ADP National Employment Change** (May): 55K (70K, 65K)
- **US Nonfarm Productivity q/q** (1Q F): 2.8% (3.4%, 3.6%)
- **US Unit Labor Costs q/q** (1Q F): -1.3% (-1.4%, -1.6%)
- **US Initial Jobless Claims** (w/e 29 May) fell in line with market expectations to 453K (455K, 463K). The current levels in jobless claims suggest that firings remain high despite signs of a recovering economy.
- **US Continuing Jobless Claims** (w/e 22 May): 4666K (4610K, 4635K)
- **US Factory New Orders m/m** (Apr) rose for the eighth consecutive month in April by 1.2% (1.8%, 1.7%), a sign of strength in the manufacturing sector. Factory shipments rose 0.6%.
- **US ISM Non-manufacturing Survey** (May) rose to 55.4 (55.6, 55.4), for the fifth consecutive month, in May citing that the recovery is gaining momentum and generating jobs in the services sector.
- **US ICSC Chain Store Sales y/y** (May): 2.6% (0.8%)
- **UK Nationwide House Price m/m** (May): 0.5% (0.3%, 1.1%)
- **UK Nationwide House Prices y/y** (May): 9.8% (9.6%, 10.5%)
- **UK PMI Services** (May): 55.4 (55.7, 55.3)
- **UK Official Reserves** (May): \$731M (\$561M)
- **GE PMI Services** (May F): 54.8 (53.7, 53.7)
- **EU PMI Services** (May F): 56.2 (56.0, 56.0)
- **EU PMI Composite** (May F): 56.4 (56.2, 56.2)
- **EU Retail Sales y/y** (Apr) fell by -1.5% (-0.1%, 1.3%) as rising unemployment prompted households to reduce spending.
- **EU Retail Sales m/m** (Apr): -1.2% (0.1%, 0.5%)
- **US Federal Reserve Chairman Ben Bernanke said:** *"One particularly difficult issue is the continued high rate of unemployment... High unemployment imposes heavy costs on workers and their families, as well as on our society as a whole... Our collective challenge is to help ensure that creditworthy borrowers have access to credit so that, they should choose, they can expand their businesses or increase payrolls, helping our economy to recover."*
- **US Federal Reserve Bank of Atlanta President Dennis Lockhart said:** *"The policy rate may have to begin to rise even while unemployment is considerably higher than before the recession... Good policy, even in circumstances of unacceptable levels of unemployment, may incorporate higher interest rates."*
- **US Federal Reserve Bank of Kansas President Thomas Hoenig (Voting member) said:** *"The first step towards a more normal policy is to move policy rates off zero, back towards neutral... With the improvements in market conditions and liquidity, and with an improving outlook, the FOMC would be prepared to raise the funds rate target to 1 percent by the end of summer."*

ECONOMIC DATA & EVENTS

UPCOMING DATA AND EVENTS

- AU: AOFM auctions \$700mn of April 2015 bonds
- EU: Euro-Zone Gross Fixed Capital Expenditure q/q –(Q1 P): Market: -1.1% Last: -1.3% - 09:00 GMT (19.00 AEST)
- EU: Euro-Zone Govt Expenditure q/q – (Q1 P): Market: 0.3% Last: -0.1% - 09:00 GMT (19.00 AEST)
- EU: Euro-Zone Household Consumption q/q – (Q1 P): Market: -0.1% Last: 0.0% - 09:00 GMT (19.00 AEST)
- EU: Euro-Zone GDP q/q – (Q1 P): Market: 0.2% Last: 0.2% - 09:00 GMT (19.00 AEST)
- EU: Euro-Zone GDP y/y – (Q1 P): Market: 0.5% Last: 0.5% - 09:00 GMT (19.00 AEST)
- UK: Halifax House Prices sa m/m – (May): Market: 0.3% Last: -0.1%
- UK: Halifax House Prices sa 3mths/year – (May): Market: 7.4% Last: 6.6%
- UK: New Car Registrations y/y – (May): Last: 11.5%
- US: Change in Nonfarm Payrolls – (May): Market: 536K Last: 290K - 12:30 GMT (22.30 AEST)
- US: Change in Private Payrolls – (May): Market: 180K Last: 231K - 12:30 GMT (22.30 AEST)
- US: Change in Manufacturing Payrolls – (May): Market: 33K Last: 44K - 12:30 GMT (22.30 AEST)
- US: Unemployment Rate – (May): Market: 9.8% Last: 9.9% - 12:30 GMT (22.30 AEST)
- US: Avg Hourly Earning m/m All Employees – (May): Market: 0.1% Last: 0.0% - 12:30 GMT (22.30 AEST)
- US: Avg Hourly Earning y/y All Employees – (May): Market: 1.6% Last: 1.6% - 12:30 GMT (02.30 AEST)
- US: Avg Weekly Hours All Employees – (May): Market: 34.1 Last: 34.1 - 12:30 GMT (22.30 AEST)
- US Fed's Fisher Speaks in Dallas – 00:45 GMT (10:45 AEST)
- US: Treasury's Geithner Attends G-20 Meeting in South Korea - 04:00 GMT (14.00 AEST)
- US: Fed's Lockhart to Speak in Alabama - 13:30 GMT (23.30 AEST)
- CA: Unemployment Rate – (May): Market: 8.0% Last: 8.1% - 11:00 GMT (21.00 AEST)
- CA: Participation Rate – (May): Market: 67.2 Last: 67.2 - 11:00 GMT (21.00 AEST)
- CA: Net Change in Employment – (May): Market: 15.0K Last: 108.7K - 11:00 GMT (21.00 AEST)
- CA: Full Time Employment Change – (May): Last: 43.8 - 11:00 GMT (21.00 AEST)
- CA: Part Time Employment Change – (May): Last: 64.8 - 11:00 GMT (21.00 AEST)
- CA: Building Permits m/m – (Apr): Market: -2.0% Last: 12.2% - 12:30 GMT (22.30 AEST)
- CA: Ivey Purchasing Managers Index – (May): Market: 60.5 Last: 58.7 - 14:00 GMT (00.00 AEST)

MARKET TABLES

TABLE 1: FIXED INCOME *

	LEVEL	CHANGE		LEVEL	CHANGE
US 2y note	0.814	0.8	US 2y swap	1.25	1.9
US 5y note	2.148	1.7	US 5y swap	2.49	8.6
US 10y note	3.366	2.6	US 10y swap	3.47	10.6
US 30y bond	4.272	3.3	AUS 3y swap	5.19	12.5
US 2y swap spread	42.88	-0.4	AUS 5y swap	5.57	11.8
US 5y swap spread	33.88	1.1	AUS 10y swap	5.92	11.3
US 10y swap spread	9.50	0.0	NZ 3y swap	4.79	0.8
AUS 3y	95.160	1.0	NZ 10y swap	5.76	2.5
AUS 10y	94.590	1.5	AUS 3m bills	4.82	3.3
US 3m Libor	0.538	0.0	NZ 3m bills	3.03	-2.0

Source: ANZ and Bloomberg. Change in basis points

TABLE 2: FOREIGN EXCHANGE#

	LAST	CHANGE	OVERNIGHT RANGE	CURRENT VS AUD
AUD	0.8451	0.0030	0.8365 - 0.8522	-
TWI *	67.6000	-	-	-
NZD	0.6849	0.0032	0.6785-0.6899	1.2337
EUR	1.2162	-0.0087	1.2226 - 1.2327	0.6949
JPY	92.72	0.5900	92.04 - 92.81	78.36
GBP	1.4615	-0.0037	1.4587 - 1.4716	0.5782
CAD	1.0403	0.0020	1.0334 - 1.0464	0.8792
CHF	1.1567	0.0018	1.1499-1.1574	0.9774
DXY	87.2200	0.5030	-	-

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	10255	0.1	Gold (\$US/ounce)	1206.1	-1.4
S&P	1103	0.4	Copper (\$US/tonne)	6525.0	-2.1
Nasdaq	2303	1.0	Nickel (\$US/tonne)	18675.0	-5.0
FTSE 100	5211	1.2	CRB Index	254.9	0.8
DAX	6055	1.2	Oil (\$US/barrel)	74.58	2.4

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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