



## ECONOMICS & MARKETS RESEARCH

### OVERNIGHT MARKETS UPDATE

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ANZ AUSTRALIAN  
MACROECONOMICS,  
FX & COMMODITIES  
RESEARCH

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#### OVERNIGHT MARKETS UPDATE

- **US bonds** rose as stock markets faltered ahead of the US government's sale of \$70bn worth of 3-year, 10- year and 30-year bonds over the next three days. The yield on 2-year notes decreased 2bps to 0.710%, while the 10-year yield decreased 6bps to 3.144%.
- **Australian bond futures** outperformed the US Treasuries at the short end of the curve and underperformed at the long end. The implied yield on 3-year bond futures decreased 3bps to 4.660% (price up 3bps to 95.340) and the implied yield on the 10-year bond futures fell 3bps to 5.250% (price up 3bps to 94.750).
- **US equities** declined after a fall in Apple and Google's shares triggered a decline in technology stocks and Goldman Sachs was subpoenaed in the financial crisis probe. The DJIA was down 1.2% to 9816, the S&P 500 lost 1.4% to 1050 and the Nasdaq was 2.0% lower at 2174.
- **European equities** fell on concerns that Europe's debt crisis would hold back the global economic recovery, overshadowing better than estimated German factory orders data. The DJ Euro Stoxx 50 lost 0.9% to 2530, the German DAX decreased 0.6% to 5905 and the UK FTSE was 1.1% lower at 5069.
- **The Australian SPI 200 May 10 futures** contract was down 38 points or 0.9% to 4300.
- It was a mixed night for the **USD** against the major currency pairs overnight. **EUR/USD** opens at 1.1915 after a choppy session overnight. **GBP/USD** strengthened to a high of 1.4563 overnight but later pared back gains to open at 1.4465. **USD/JPY** opens at 91.35.
- The **AUD** weakened against the major crosses overnight on concerns that the European debt crisis would dampen investor appetite for higher yielding assets. **AUD/USD** opens lower at around 0.8105 after falling from its overnight high of 0.8216. **AUD/EUR** opens at 0.6800 after a session of range trading. **AUD/JPY** initially strengthened to a high of 75.65 but later fell to open weaker at 74.00 and the **AUD/NZD** pair opens little changed at 1.2280 after falling late in the night.
- **Crude oil** fell on concerns that Europe's debt crisis would spread in the euro zone. WTI futures contract for July 10 decreased 0.6% to US\$71.20 a barrel.
- **Spot gold** rose as the European debt crisis boosted the appeal of the metal as an alternative holding currency. Spot gold increased 1.7% to US\$1,240.80.
- **LME copper** tumbled 2.9% to US\$6,101 on concerns that slow economic growth would curtail demand for the metal. Other base metals traded negative with **zinc**, **aluminium** and **lead** decreasing 0.9%, 0.8% and 3.4%, respectively. **Nickel** ended 1.4% higher.
- **US sugar** declined 1.3% on concerns that the worldwide economic recovery would falter and in turn reduce demand. **Corn** fell 1.3% to a 10-month low on expectations that favourable weather would increase yield prospects. **Wheat** fell 0.8% as farmers began harvesting, supported by favourable weather. **Soybeans** ended unchanged, while **palm oil** futures were 1.0% 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 Consumer Credit** (Apr) increased by \$1.0B (-\$1.0B, -\$5.4B), the first rise in three months, indicating that a recovery in bank lending would take time to develop. However, consumer spending might be restrained in coming months following the recent turmoil in financial markets as households may increase savings on the back of rising uncertainty.
- **GE Factory Orders m/m** (Apr) increased by 2.8% (-0.4%, 5.1%) as, the weakening euro boosted export demand, adding to the increase in companies investment.
- **GE Factory Orders y/y** (Apr): 29.6% (25.4%, 26.2%)
- **EU Sentix Investor Confidence** (Jun): -4.1 (-7.0, -6.4)
- **US Federal Reserve Bank of San Francisco President Janet Yellen said:**  
*"Although signs of recovery do abound, there are obviously significant headwinds to stability that remain...Those headwinds come from structural imbalances from financial sector weaknesses and uncertainties from unanticipated environmental and political events."*

## ECONOMIC DATA & EVENTS

### UPCOMING DATA AND EVENTS

- NZ: Manufacturing Activity – (Q1): Last: 0.7% - 22:45 GMT (08.45 AEST)
- AU: NAB Business Conditions Survey - (May): Last: 8 – 01:30 GMT (11:30 AEST)
- AU: NAB Business Confidence Survey - (May): Last: 13 – 01:30 GMT (11:30 AEST)
- JP: Current Account Total – (Apr): Market: ¥1286.5B Last: ¥2534.2B - 23:50 GMT (09.50 AEST)
- JP: Adjusted Current Account Total – (Apr): Market: ¥1460.0B Last: ¥1773.1B - 23:50 GMT (09.50 AEST)
- JP: Trade Balance (BoP Basis) – (Apr): Market: ¥872.3B Last: ¥1074.7B - 23:50 GMT (09.50 AEST)
- JP: Bank Lending y/y – (May): Last: -1.8% - 23:50 GMT (09.50 AEST)
- JP: Bank Lending Banks y/y – (May): Last: -1.8% - 23:50 GMT (09.50 AEST)
- JP: Bank Lending Banks Adjust y/y – (May): Last: -1.7% - 23:50 GMT (09.50 AEST)
- JP: Money Stock M2 y/y – (May): Market: 2.8% Last: 2.9% - 23:50 GMT (09.50 AEST)
- JP: Money Stock M3 y/y – (May): Market: 2.1% Last: 2.2% - 23:50 GMT (09.50 AEST)
- JP: Bankruptcies y/y – (May): Last: -13.2% - 04:30 GMT (14.30 AEST)
- JP: Leading Index CI – (Apr P): Market: 102.5 Last: 102.7 - 05:00 GMT (15.00 AEST)
- JP: Coincident Index CI – (Apr P): Market: 102.4 Last: 101.5 - 05:00 GMT (15.00 AEST)
- JP: Eco Watchers Survey: Current – (May): Last: 49.8 - 06:00 GMT (16.00 AEST)
- JP: Eco Watchers Survey: Outlook – (May): Last: 49.9 - 06:00 GMT (16.00 AEST)
- CH: China Manpower Survey – (Q3): Last: 17% - 16:01 GMT (02.01 AEST)
- EU: ECB's Trichet at IIF Conference in Vienna
- GE: Germany Manpower Employment Outlook – (Q3) - 22:01 GMT (08.01 AEST)
- GE: Trade Balance – (Apr): Market: 15.0B Last: 17.2B - 06:00 GMT (16.00 AEST)
- GE: Current Account (Euro) – (Apr): Market: 12.2B Last: 18.0B - 06:00 GMT (16.00 AEST)
- GE: Imports m/m – (Apr): Market: -3.0% Last: 11.0% - 06:00 GMT (16.00 AEST)
- GE: Exports m/m – (Apr): Market: -2.0% Last: 10.8% - 06:00 GMT (16.00 AEST)
- GE: Industrial Production m/m - (Apr): Market: 0.7% Last: 4.0% - 10:00 GMT (20.00 AEST)
- GE: Industrial Production y/y – (Apr): Market: 12.4% Last: 8.6% - 10:00 GMT (20.00 AEST)
- UK: BRC May Retail Sales Monitor – (May): - 23:01 GMT (09.01 AEST)
- US: NFIB Small Business Optimism – (Jun): Market: 91.0 Last: 90.6 - 11:30 GMT (21.30 AEST)
- US: IBD/TIPP Economic Optimism – (Jun): Market: 48.4 Last: 48.7 - 14:00 GMT (00.00 AEST)
- US: ABC Consumer Confidence – (Jun 6): Last: -44 - 21:00 GMT (07.00 AEST)
- US: Fed's Duke speaks in Florida - 12:25 GMT (22.25 AEST)
- US: Fed's Evans speaks in Chicago - 13:10 GMT (23.10 AEST)
- US: Fed's Bernanke interviewed in Washington - 23:55 GMT (09.55 AEST)

## ECONOMIC DATA & EVENTS

- CA: Housing Starts – (May): Market: 202.0K Last: 200.7K - 12:15 GMT (22.15 AEST)

# MARKET TABLES

**TABLE 1: FIXED INCOME \***

	LEVEL	CHANGE		LEVEL	CHANGE
US 2y note	0.710	-1.6	US 2y swap	1.18	-3.1
US 5y note	1.933	-5.0	US 5y swap	2.31	-7.2
US 10y note	3.142	-6.0	US 10y swap	3.26	-6.9
US 30y bond	4.079	-5.1	AUS 3y swap	5.05	-6.0
US 2y swap spread	46.75	0.2	AUS 5y swap	5.43	-6.0
US 5y swap spread	37.75	-0.3	AUS 10y swap	5.78	-4.3
US 10y swap spread	11.25	0.0	NZ 3y swap	4.67	-1.0
AUS 3y	95.350	4.0	NZ 10y swap	5.65	-3.7
AUS 10y	94.750	3.5	AUS 3m bills	4.86	-4.2
US 3m Libor	0.537	0.1	NZ 3m bills	3.00	0.0

Source: ANZ and Bloomberg. Change in basis points

**TABLE 2: FOREIGN EXCHANGE#**

	LAST	CHANGE	OVERNIGHT RANGE	CURRENT VS AUD
AUD	0.8105	-0.0129	0.8101 - 0.8216	-
TWI*	65.5000	-	-	-
NZD	0.6587	-0.0120	0.6582 - 0.6694	1.2303
EUR	1.1921	-0.0017	1.1913 - 1.1992	0.6799
JPY	91.35	-0.3300	91.31 - 92.08	74.04
GBP	1.4468	0.0014	1.4405 - 1.4563	0.5602
CAD	1.0606	-0.0011	1.0516 - 1.0665	0.8597
CHF	1.1630	0.0009	1.1585 - 1.1661	0.9426
DXY	88.4700	0.2370	-	-

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	9816	-1.2	Gold (\$US/ounce)	1241.4	1.8
S&P	1050	-1.4	Copper (\$US/tonne)	6101.0	-2.9
Nasdaq	2174	-2.0	Nickel (\$US/tonne)	18200.0	1.4
FTSE 100	5069	-1.1	CRB Index	249.0	0.0
DAX	5905	-0.6	Oil (\$US/barrel)	70.96	-0.8

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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