



ECONOMICS & MARKETS RESEARCH OVERNIGHT MARKETS UPDATE

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ANZ AUSTRALIAN
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FX & COMMODITIES
RESEARCH

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OVERNIGHT MARKETS UPDATE

- **US bonds** rose after the US government sold \$21bn of 10-year notes at a yield of 3.242 % (forecast of 3.252 %), with a bid to cover ratio of 3.24 times (forecast of 2.95 times). Weaker stock markets also lent support. The yield on 2-year notes decreased 2bps to 0.718%, and the 10-year yield decreased 1bps to 3.175%.
- **Australian bond futures** were little changed. The implied yield on 3-year bond futures increased 1bps to 4.73% (price down 1bps to 95.270) and the implied yield on the 10-year bond futures were down slightly with yields up 0.5% to 5.305% (price down 2bps to 94.695).
- **US equities** declined after a retreat in banking and energy stocks offset an increase in Chinese exports. Fed's comments that the economic recovery might be subdued also weighted on equities. The DJIA was down 0.4% to 9899, the S&P 500 lost 0.6% to 1056 and the Nasdaq was 0.5% lower at 2159.
- **European equities** advanced after a report showed that China's exports surged, boosting confidence that the global economy could withstand the sovereign debt crisis. The DJ Euro Stoxx 50 increased 1.8% to 2557, the German DAX increased 2.0% to 5985 and the UK FTSE was 1.1% higher at 5086.
- **The Australian SPI 200 May 10 futures** contract was down 12 points or 0.3% to 4390.
- The **USD** weakened against the major crosses overnight. **EUR/USD** opens lower at 1.1985 after falling from its overnight high of 1.2074. **GBP/USD** initially strengthened to a high of 1.4608 but later pared back gains to open at 1.4540. **USD/JPY** opens lower at 91.20 after falling late in the night.
- It was a mixed night for the **AUD** after a report showed a surge in Chinese exports, boosting demand for higher yielding assets. **AUD/USD** initially strengthened but later pared back gains to open lower at 0.8278. **AUD/EUR** opens at 0.6905 after a flat session. **AUD/JPY** opens lower at 75.45 and **AUD/NZD** pair opens at 1.2350 after paring back gains late in the night.
- **Crude oil** rose as equity markets strengthened and USD weakened. WTI futures contract for July 10 increased 2.7% to US\$74.00 a barrel.
- **Spot gold** declined on profit taking and expectations that a rebound in global stock markets would decrease investor demand for the safe-haven asset. Spot gold decreased 0.3% to US\$1,232.70.
- **LME copper** rose 2.8% to US\$ 6,340 after a report showed an increase in Chinese export data. Other base metals traded positive with **zinc**, **aluminium**, **lead** and **nickel** increasing 1.2%, 0.4%, 5.0% and 4.3%, respectively.
- **US sugar** rose 1.9% on expectations that supplies would ease from Brazil. **Wheat** fell 1.0% as farmers began harvesting in US. **Soybeans** rose 1.3% on expectations that inventories would be tighter than expected in the US. **Corn** gained mildly to 0.3%. **Palm oil** futures were 0.6% lower.

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

ECONOMIC DATA & EVENTS

OVERNIGHT DATA AND EVENTS (MARKET EXPECTATIONS, LAST OBSERVATION)

- **RBNZ lifted interest rates to 2.75%** (2.75%, 2.50%) in line with market expectations. This was the first official rate rise in three years.
- **US MBA Mortgage Market Index** (w/e 4 Jun) fell -12.2% (0.9%) last week as purchases declined. There was a fall in demand as US homebuyers have not yet returned to the market following the expiration of the homebuyer tax credit at the end of April. The group's purchases index decreased 12%, while the refinancing measure decreased 14%.
- **US Wholesalers Inventories** (Apr) rose to 0.4% (0.5%, 0.7%), an indication that wholesalers are still cautiously holding stocks despite an improvement in sales.
- **UK Visible Trade Balance GBP/M** (Apr) declined -£7279 (-£7000,-£7259) as exports fell, outpacing the drop in imports.
- **UK Trade Balance Non EU GBP/M** (Apr): -£3991 (-£3800, -£4037)
- **UK Total Trade Balance GBP/M** (Apr): -£3263 (-£3000, -£3174)
- **US Federal Reserve Chairman Ben Bernanke said** *"Our ongoing international cooperation sends an important signal to global financial markets that we will take the actions necessary to ensure stability and continued economic recovery."* He also said that the impact of the crisis on US growth is *"likely to be modest"* if financial markets *"continue to stabilise."*
- **EU European Central Bank Governing Council member Axel Weber said** Germany must cut its budget deficit *"quickly and decisively"* to show that it is a role model for the euro region on fiscal discipline. *"The need for consolidation is significant."* Lower borrowing is not only in Germany's *"own basic interest"* as it restores public finances, the country also has *"an important function as a role model for the whole currency bloc."*
- **World Bank:** *"If markets lose confidence in the credibility of efforts to put policy on a sustainable path, global growth could be significantly impaired and a double dip recession could no longer be excluded."*
- **RBNZ Governor Alan Bollard said** *"Underlying inflationary pressures are expected to increase ... Given the current low level of the cash rate, it is therefore appropriate to gradually remove policy stimulus."* The government expects inflation to rise to 5.3% next year.

ECONOMIC DATA & EVENTS

UPCOMING DATA AND EVENTS

- NZ: Business PMI – (May): Last: 58.9 - 22:30 GMT (08.30 AEST)
- NZ: Terms of Trade Index q/q – (Q1): Last: 5.7% - 22:45 GMT (08.45 AEST)
- NZ: Card Spending m/m – (May): Last: -1.7 - 22:45 GMT (08.45 AEST)
- NZ: Food Prices m/m – (May): Last: -0.5% - 22:45 GMT (08.45 AEST)
- AU: Consumer Inflation Expectation – (Jun): Last: 3.6% - 01:00 GMT (11.00 AEST)
- AU: Employment Change – (May): ANZ: 20.0K Market: 15K Last: 33.7K - 01:30 GMT (11.30 AEST)
- AU: Unemployment Rate – (May): ANZ: 5.4% Market: 5.4% Last: 5.4% - 01:30 GMT (11.30 AEST)
- AU: Participation Rate – (May): ANZ: 65.2% Market: 65.2% Last: 65.2% - 01:30 GMT (11.30 AEST)
- AU: Full Time Employment Change – (May): Last: 37.5K - 01:30 GMT (11.30 AEST)
- AU: Part Time Employment Change – (May): Last: -3.9K - 01:30 GMT (11.30 AEST)
- AU: RBA Bulletin – (Q2) - 01:30 GMT (11.30 AEST)
- JP: Gross Domestic Product q/q – (Q1 F): Market: 1.0% Last: 1.2% - 23:50 GMT (09.50 AEST)
- JP: GDP Annualized – (Q1 F): Market: 4.2% Last: 4.9% - 23:50 GMT (09.50 AEST)
- JP: Nominal GDP (q/q) – (Q1 F): Market: 1.0% Last: 1.2% - 23:50 GMT (09.50 AEST)
- JP: GDP Deflator y/y – (Q1 F): Market: -3.0% Last: -3.0% - 23:50 GMT (09.50 AEST)
- JP: Domestic CGPI m/m – (May): Market: 0.2% Last: 0.4% - 23:50 GMT (09.50 AEST)
- JP: Domestic CGPI y/y – (May): Market: 0.3% Last: -0.2% - 23:50 GMT (09.50 AEST)
- JP: Buying Foreign Stocks – (Jun 4): Last: ¥275.9B - 23:50 GMT (09.50 AEST)
- JP: Buying Foreign Bonds – (Jun 4): Last: ¥1174.9B - 23:50 GMT (09.50 AEST)
- JP: Foreign Buying Japan Stocks – (Jun 4): Last: -¥80.6B - 23:50 GMT (09.50 AEST)
- JP: Foreign Buying Japan Bonds – (Jun 4): Last: ¥62.4B - 23:50 GMT (09.50 AEST)
- JP: Consumer Confidence – (May): Last: 42.1 - 23:50 GMT (09.50 AEST)
- JP: Consumer Confidence Households – (May): Last: 42.0 - 23:50 GMT (09.50 AEST)
- CH: Money Supply M0 y/y – (May): Last: 15.8%
- CH: Money Supply M1 y/y – (May): Market: 29.5% Last: 31.3%
- CH: Money Supply M2 y/y – (May): Market: 21.0% Last: 21.5%
- CH: New Yuan Loans – (May): Market: 600.0B Last: 774.0B
- CH: NDRC Housing Prices – (May): Market: 11.5 Last: 12.8
- CH: Trade Balance USD – (May): ANZ: 8.2B Market: \$8.2B Last: \$1.68B
- CH: Exports y/y – (May): ANZ: 32.0% Market: 32.0% Last: 30.5%
- CH: Imports y/y – (May): ANZ: 44.7% Market: 49.7% Last: 49.7%
- EU: ECB Announces Interest Rates – ANZ: 1.00% Market: 1.00% Last: 1.00% -

ECONOMIC DATA & EVENTS

11:45 GMT (21.45 AEST)

- EU: Trichet speaks at ECB Monthly News Conference - 12:30
- GE: Consumer Price Index m/m – (May F): Market: 0.1% Last: 0.1% - 06:00 GMT (16.00 AEST)
- GE: Consumer Price Index y/y – (May F): Market: 1.2% Last: 1.2% - 06:00 GMT (16.00 AEST)
- GE: CPI - EU Harmonised m/m – (May F): Market: 0.1% Last: 0.1% - 06:00 GMT (16.00 AEST)
- GE: CPI - EU Harmonised y/y – (May F): Market: 1.2% Last: 1.2% - 06:00 GMT (16.00 AEST)
- UK: BOE Announces Rates – ANZ: 0.50% Market: 0.50% Last: 0.50% - 11:00 GMT (21.00 AEST)
- UK: BOE Asset Purchase Target – ANZ: 200B Market: 200B Last: 200B - 11:00 GMT (21.00 AEST)
- US: Trade Balance – (Apr): Market: -\$41.0B Last: -\$40.4B - 12:30 GMT (22.30 AEST)
- US: Initial Jobless Claims – (Jun 5): Market: 450K Last: 453K - 12:30 GMT (22.30 AEST)
- US: Continuing Claims – (May 29): Market: 4640K Last: 4666K - 12:30 GMT (22.30 AEST)
- US: Monthly Budget Statement – (May): Market: -\$140.0B Last: -\$189.7B - 18:00 GMT (04.00 AEST)
- CA: New Housing Price Index m/m – (Apr): Market: 0.3% Last: 0.3% - 12:30 GMT (22.30 AEST)
- CA: Int'l Merchandise Trade – (Apr): Market: 0.6B Last: 0.3B - 12:30 GMT (22.30 AEST)

MARKET TABLES

TABLE 1: FIXED INCOME *

	LEVEL	CHANGE		LEVEL	CHANGE
US 2y note	0.718	-2.4	US 2y swap	1.13	-3.2
US 5y note	1.973	-0.7	US 5y swap	2.31	-3.9
US 10y note	3.177	-0.9	US 10y swap	3.28	-2.9
US 30y bond	4.108	-0.3	AUS 3y swap	5.12	-2.0
US 2y swap spread	40.88	-1.1	AUS 5y swap	5.49	-2.0
US 5y swap spread	33.50	-2.3	AUS 10y swap	5.83	-0.5
US 10y swap spread	9.75	-0.8	NZ 3y swap	4.67	2.0
AUS 3y	95.275	-0.5	NZ 10y swap	5.64	1.5
AUS 10y	94.690	-1.0	AUS 3m bills	4.90	-4.3
US 3m Libor	0.537	0.0	NZ 3m bills	3.01	0.0

Source: ANZ and Bloomberg. Change in basis points

TABLE 2: FOREIGN EXCHANGE#

	LAST	CHANGE	OVERNIGHT RANGE	CURRENT VS AUD
AUD	0.8273	-0.0005	0.8231 - 0.8358	-
TWI*	66.1000	-	-	-
NZD	0.6667	-0.0005	0.6633 - 0.6748	1.2406
EUR	1.1977	0.0004	1.194 - 1.2074	0.6908
JPY	91.27	-0.1900	91.06 - 91.67	75.51
GBP	1.4527	0.0059	1.4432 - 1.4608	0.5695
CAD	1.0447	-0.0028	1.0365 - 1.0507	0.8643
CHF	1.1488	-0.0038	1.1416 - 1.1535	0.9504
DX	87.9290	-0.4650	-	-

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	9899	-0.4	Gold (\$US/ounce)	1234.4	-0.2
S&P	1056	-0.6	Copper (\$US/tonne)	6340.0	2.8
Nasdaq	2159	-0.5	Nickel (\$US/tonne)	19270.0	4.3
FTSE 100	5086	1.1	CRB Index	253.1	1.2
DAX	5985	2.0	Oil (\$US/barrel)	73.93	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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