



ECONOMICS & MARKETS RESEARCH OVERNIGHT MARKETS UPDATE

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ANZ AUSTRALIAN
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OVERNIGHT MARKETS UPDATE

- **US bonds** decreased after the US government sold \$13bn of 30-year notes at a yield of 4.182 % (forecast of 4.206 %), with a bid to cover ratio of 2.87 times (forecast of 2.60 times). The evidence of global economic recovery and the rally in equities also reduced the safe-haven appeal of the treasuries. The yield on 2-year notes increased 6bps to 0.782%, and the 10-year yield increased 15bps to 3.319%.
- **Australian bond futures** underperformed US Treasuries at the short end of the curve while outperforming at the long end of the curve. The implied yield on 3-year bond futures increased 9bps to 4.860% (price down 9bps to 95.140) and the implied yield on the 10-year bond futures gained 8bps to 5.420% (price down 8bps to 94.580).
- **US equities** advanced after positive economic data releases from China, Japan and Australia boosted optimism about the global economic recovery. The DJIA was up 2.8% to 10173, the S&P 500 gained 3.0% to 1087 and the Nasdaq was 2.8% higher at 2219.
- **European equities** rose, led by a rally in the mining sector. Positive economic releases from China, Japan and Australia also supported equities. The DJ Euro Stoxx 50 gained 2.0% to 2609, the German DAX increased 1.2% to 6057 and the UK FTSE was 0.9% higher at 5133.
- **The Australian SPI 200 May 10 futures** contract was up 68 points or 1.5% to 4509.
- The **USD** weakened against the major crosses overnight. **EUR/USD** opens stronger at 1.2120 after gaining on expectations that the debt crisis would not stall growth. **GBP/USD** opens higher at 1.4710 after gaining steadily overnight. **USD/JPY** opens at 91.30 after a quiet session.
- It was a positive night for the **AUD** after better than expected employment data increased investor appetite for higher yielding assets. **AUD/USD** opens stronger at 0.8495 after gaining in the latter half of the overnight session. **AUD/EUR** opens higher at 0.7005 after making some solid gains late in the night. **AUD/JPY** opens higher at 77.60, and **AUD/NZD** opens at 1.2360 after a flat session.
- **Crude oil** rose to a four week high on signs of a rebound in global economic growth. WTI futures contract for July 10 increased 1.6% to US\$75.69 a barrel.
- **Spot gold** declined as a rally in the Euro diminished the appeal of the precious metal as a safe-haven. Spot gold decreased 1.3% to US\$1,217.
- **LME copper** rose 1.1% to US\$ 6,410, after reports showed strong growth in China. Other base metals traded mixed with **aluminium** and **lead** increasing 1.1% and 0.2% and **zinc** and **nickel** decreasing 2.0% and 1.7%, respectively.
- **US sugar** rose 1.3% on expectations that importing countries would boost purchases. **Wheat** and **Corn** increased 1.2% and 1.5%, respectively, after a report showed a decline in US inventories. **Soybeans** fell 0.9% and **palm oil** futures were 0.3% 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 Trade Deficit** (Apr) worsened to \$40.3B (-\$41.0B, -\$40.0B) as both exports and imports fell.
- **US Initial Jobless Claims** (w/e 5 Jun) eased to 456K (450K, 459K), indicating a sluggish rebound in the economy. The current levels in jobless claims suggest that firings remain high, despite signs of a recovering economy.
- **US Continuing Jobless Claims** (w/e 29 May): 4462K (4640K, 4717K)
- **US Monthly Budget Statement** (May) -\$135.9B (-\$140.0B, -\$189.7B)
- **UK BOE Asset Purchase Target** (Jun) remained unchanged at £200B (£200B, £200B) along with a record low benchmark interest rate of 0.5% to aid the economy.
- **UK BOE Official Bank Rate** (w/e 10 Jun): 0.50% (0.50%, 0.50%)
- **GE CPI m/m** (May F): 0.1% (0.1%, 0.1%)
- **GE CPI y/y** (May F): 1.2% (1.2%, 1.2%)
- **GE HICP m/m** (May F): 0.1% (0.1%, 0.1%)
- **GE HICP y/y** (May F): 1.2% (1.2%, 1.2%)
- **EU ECB Main Refinancing Rate** (w/e 10 Jun): 1.00% (1.00%, 1.00%)
- **CA New Housing Price Index m/m** (Apr): 0.3% (0.3%, 0.3%)
- **CA Int'l Merchandise Trade** (Apr): 0.2B (0.6B, -0.2B)
- **US Federal Reserve Chairman Ben S. Bernanke said** the US recovery is being sustained by private demand, is not as strong as he prefers and faces risks from Europe's debt crisis that may require further Fed action. He said that the US growth is *"not as fast as we would like"* and with a *"modest"* pace in many regions.
- **EU European Union President Herman Van Rompuy, on the EU rescue plan, said** *"Currently there isn't even the hint of a request to put this rescue plan into practice...And if the plan were to prove insufficient, my answer is simple: in this case, we'll do more."*
- **EU European Central Bank President Jean-Claude Trichet, on sovereign debt crisis and interest rates, said** *"It's appropriate to continue to do what we've decided"* on purchases of sovereign and corporate bonds. *"We have a money market which is not functioning perfectly...Monetary policy will do all that's needed to maintain price stability over the medium term."*
- **Pressure back on Chinese exchange rate policy.** During a congressional hearing US Secretary Geithner suggested his patience was wearing thin: *"the distortions caused by China's exchange rate spread far beyond China's borders and are an impediment to the global rebalancing that we need"*. Pressure is building in the US senate which is threatening to move forward on trade sanctions. The 48.5 percent annual increase in Chinese exports in May is unlikely to soothe sentiment. Neither will the widening US trade deficit with China, which accounted for nearly half of the \$40.3bn monthly US trade deficit in April.

ECONOMIC DATA & EVENTS

UPCOMING DATA AND EVENTS

- NZ: Food Prices m/m – (May): Last: -0.5% - 22:45 GMT (08.45 AEST)
- CH: Producer Price Index y/y – (May): ANZ: 6.9% Market: 6.7% Last: 6.8% - 02:00 GMT (12.00 AEST)
- CH: Purchasing Price Index y/y – (May): Market: 11.5% Last: 12.0% - 02:00 GMT (12.00 AEST)
- CH: Consumer Price Index y/y – (May): ANZ: 3.1% Market: 3.0% Last: 2.8% - 02:00 GMT (12.00 AEST)
- CH: Retail Sales (y/y) – (May): ANZ: 18.6% Market: 18.5% Last: 18.5% - 02:00 GMT (12.00 AEST)
- CH: Retail Sales YTD y/y – (May): Market: 18.2% Last: 18.1% - 02:00 GMT (12.00 AEST)
- CH: Industrial Production (y/y) – (May): ANZ: 17.6% Market: 17.0% Last: 17.8% - 02:00 GMT (12.00 AEST)
- CH: Industrial Production YTD y/y – (May): Market: 18.6% Last: 19.1% - 02:00 GMT (12.00 AEST)
- CH: Fixed Assets Inv Urban YTD y/y – (May): ANZ: 26.0% Market: 25.7% Last: 26.1% - 02:00 GMT (12.00 AEST)
- GE: Wholesale Price Index (m/m) – (May): Market: 0.2% Last: 1.7% - 06:00 GMT (16:00 AEST)
- GE: Wholesale Price Index (y/y) – (May): Market: 6.1% Last: 6.0% - 06:00 GMT (16:00 AEST)
- UK: PPI Input m/m – (May): Market: -1.0% Last: 0.6% - 08:30 GMT (18.30 AEST)
- UK: PPI Input y/y – (May): Market: 10.7% Last: 13.1% - 08:30 GMT (18.30 AEST)
- UK: PPI Output (m/m) – (May): Market: 0.5% Last: 1.4% - 08:30 GMT (18.30 AEST)
- UK: PPI Output (y/y) – (May): Market: 5.8% Last: 5.7% - 08:30 GMT (18.30 AEST)
- UK: PPI Output Core m/m – (May): Market: 0.4% Last: 1.1% - 08:30 GMT (18.30 AEST)
- UK: PPI Output Core y/y – (May): Market: 4.7% Last: 4.4% - 08:30 GMT (18.30 AEST)
- UK: Industrial Production m/m – (Apr): Market: 0.4% Last: 2.0% - 08:30 GMT (18.30 AEST)
- UK: Industrial Production y/y – (Apr): Market: 2.2% Last: 2.0% - 08:30 GMT (18.30 AEST)
- UK: Manufacturing Production m/m – (Apr): Market: 0.5% Last: 2.3% - 08:30 GMT (18.30 AEST)
- UK: Manufacturing Production y/y – (Apr): Market: 3.8% Last: 3.3% - 08:30 GMT (18.30 AEST)
- UK: BOE Releases Inflation Attitudes Survey - 08:30 GMT (18.30 AEST)
- UK: NIESR GDP Estimate – (May): Last: 0.5%
- US: Advance Retail Sales m/m – (May): Market: 0.2% Last: 0.4% - 12:30 GMT (22.30 AEST)
- US: Retail Sales Less Autos m/m – (May): Market: 0.2% Last: 0.4% - 12:30 GMT (22.30 AEST)
- US: Retail Sales Ex Auto & Gas m/m – (May): Market: 0.3% Last: 0.4% - 12:30 GMT (22.30 AEST)

ECONOMIC DATA & EVENTS

- US: U. of Michigan Consumer Confidence – (Jun P): Market: 74.5 Last: 73.6 - 13:55 GMT (23.55 AEST)
- US: Business Inventories – (Apr): Market: 0.5% Last: 0.4% - 14:00 GMT (00.00 AEST)
- US: Treasury's Geithner testifies to Senate Finance Committee on US-China relations (
- US: Fed's Plosser speaks in Pennsylvania - 12:20 GMT (22.20 AEST)
- US: Fed's Kocherlakota speaks in Minneapolis - 16:00 GMT (02.00 AEST)
- CA: Capacity Utilization Rate – (Q1): Market: 73.2% Last: 70.9% - 12:30 GMT (22.30 AEST)

MARKET TABLES

TABLE 1: FIXED INCOME *

	LEVEL	CHANGE		LEVEL	CHANGE
US 2y note	0.790	7.2	US 2y swap	1.16	1.6
US 5y note	2.112	14.2	US 5y swap	2.42	7.4
US 10y note	3.319	14.6	US 10y swap	3.42	10.7
US 30y bond	4.234	12.4	AUS 3y swap	5.26	6.7
US 2y swap spread	36.38	-4.9	AUS 5y swap	5.61	6.6
US 5y swap spread	30.00	-3.5	AUS 10y swap	5.94	5.3
US 10y swap spread	9.50	-0.3	NZ 3y swap	4.67	4.5
AUS 3y	95.145	-8.0	NZ 10y swap	5.62	4.5
AUS 10y	94.585	-7.0	AUS 3m bills	4.93	-4.5
US 3m Libor	0.536	0.0	NZ 3m bills	3.07	0.0

Source: ANZ and Bloomberg. Change in basis points

TABLE 2: FOREIGN EXCHANGE#

	LAST	CHANGE	OVERNIGHT RANGE	CURRENT VS AUD
AUD	0.8498	0.0220	0.8356 - 0.8509	-
TWI*	67.1000	-	-	-
NZD	0.6869	0.0198	0.676 - 0.6877	1.2371
EUR	1.2131	0.0152	1.2009 - 1.2142	0.7006
JPY	91.29	-0.0100	90.86 - 91.48	77.58
GBP	1.4717	0.0189	1.4564 - 1.4718	0.5775
CAD	1.0304	-0.0141	1.0288 - 1.0414	0.8757
CHF	1.1419	-0.0065	1.1398 - 1.1477	0.9704
DXY	87.0180	-0.8790	-	-

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	10173	2.8	Gold (\$US/ounce)	1218.1	-1.3
S&P	1087	3.0	Copper (\$US/tonne)	6410.0	1.1
Nasdaq	2219	2.8	Nickel (\$US/tonne)	18945.0	-1.7
FTSE 100	5133	0.9	CRB Index	255.1	0.8
DAX	6057	1.2	Oil (\$US/barrel)	75.64	1.7

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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