



## 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** rallied after US inflation data showed prices remained contained, while a pledge to cut budget deficits by 2013 by the leaders of the G20 summit also increased the safe-haven appeal of government debt. The yield on 2-year notes decreased 2bps to 0.625% and the 10-year yield decreased 9bps to 3.017%.
- **Australian bond futures** outperformed US Treasuries at the short end of the curve but underperformed at the long end. The implied yield on 3-year bond futures lost 4bps to 4.670% (price up 4bps to 95.330) and the implied yield on the 10-year bond futures lost 4bps to 5.210% (price up 4bps to 94.790).
- **US equities** declined after a retreat in energy stocks offset the bigger than expected increase in consumer spending and a rally in tobacco shares after the US Supreme Court declined to take up the case between the government and tobacco makers. The DJIA was down 0.1% to 10139, the S&P 500 lost 0.2% to 1075 and the Nasdaq was 0.1% lower at 2221.
- **European equities** advanced after leaders at the G20 summit promised to cut budget deficits by 2013. A rally in automakers and mining companies also supported equities. The DJ Euro Stoxx 50 gained 1.5% to 2669, the German DAX increased 1.4% to 6157 and the UK FTSE was 0.5% higher at 5072.
- **The Australian SPI 200 September 10 futures** contract was down 15 points or 0.3% to 4362.
- In a generally quiet overnight session, the **USD** was mixed against the majors currencies, trading slightly stronger against the **EUR** but weaker against the **GBP**.
- **AUD** tracked sideways in a .8707/59 range with movements in equities providing direction, closing little changed from the end of Asian trading. **AUD/EUR** firmed from around the .7060/70 region to trade above .7100, reflecting weakness in **EUR/USD**. By contrast, **AUD/GBP** eased from .5800/10 towards .5770 as **GBP/USD** had a firmer tone.
- **Crude oil** fell on the belief that production in the Gulf of Mexico would not be disrupted by a tropical storm in the region. WTI futures contract for August 10 decreased 1.1% to US\$77.96 a barrel.
- **Spot gold** declined as investor selling failed to sustain recent gains above US\$1260 an ounce. Spot gold decreased 1.3% to US\$1238.95 an ounce.
- **LME copper** rose 0.6% to US\$6,812 as better than expected US consumer spending data boosted demand for industrial metals. Other base metals traded higher, with **aluminium**, **lead**, **nickel** and **zinc** rising 1.5%, 2.5%, 3.4%, and 0.3% respectively.
- **US corn** and **wheat** fell 2.0% and 1.5% on speculation that dry conditions in the US would speed up harvest after recent wet weather. **Sugar** fell 3.5% on concerns that importers postponed purchases due to high prices. **Soybeans** rose 0.7% and **palm oil** futures were 0.6% higher.
- **Please note that the prices/rates have been updated at 0700 AEST.**

## ECONOMIC DATA & EVENTS

### OVERNIGHT DATA AND EVENTS (MARKET EXPECTATIONS, LAST OBSERVATION)

- **US Chicago Fed National Activity Index** (May): 0.21 (0.32, 0.25)
- **US Personal Income m/m** (May): 0.4% (0.5%, 0.5%)
- **US Personal Spending m/m** (May) rose more than expected by 0.2% (0.1%, 0.0%) as increased incomes are flowing through into spending even though savings rates are at eight month highs. Continuing low prices, driven by lower fuel costs gave the US consumer confidence to spend in May.
- **US PCE Deflator y/y** (May): 1.9% (1.8%, 2.0%)
- **US PCE Core m/m** (May): 0.2% (0.1%, 0.1%)
- **US PCE Core y/y** (May): 1.3% (1.2%, 1.2%)
- **US Dallas Fed Manufacturing Activity** (Jun): -4.0% (3.2%, 2.9%)
- **EU Euro-Zone M3 y/y** (May): -0.2% (0.3%, -0.2%)
- **EU Euro-Zone M3 Month Ave** (May) fell by 0.2% (0.0%, -0.2%) The annual growth of M1 slowed to 10.3% in May from 10.7% in April. Meanwhile, short-term deposits other than overnight deposits dropped 8% in May, following an 8.6% fall in the previous month.
- **GE CPI m/m** (Jun P): 0.1% (0.1%, 0.1%)
- **GE CPI y/y** (Jun P): 0.9% (1.0%, 1.2%)
- **Bank of England MPC member Andrew Sentance, who voted for a rate increase at the June meeting:** "I think it is desirable over this recovery to have a more gradual approach to tightening policy. Now that would imply moving in small steps and gradually, because I think there is a risk if you start tightening sharply you risk knocking back private sector confidence, which is the last thing I would want to do."
- **Bank for International Settlements General Manager James Caruana:** "We cannot wait for the resumption of strong growth to begin the process of policy correction. In particular, delaying fiscal policy adjustment would only risk renewed financial volatility, market disruptions and funding stress." "

## ECONOMIC DATA & EVENTS

### UPCOMING DATA AND EVENTS

- NZ: Building Permits m/m – (May): Last: 8.5% - 22:45 GMT (08.45 AEST)
- NZ: Money Supply M3 y/y – (May): Last: -3.6% - 03:00 GMT (13.00 AEST)
- JP: Overall Household Spending y/y – (May): Market: 1.0% Last: -0.7% - 23:30 GMT (09.30 AEST)
- JP: Jobless Rate – (May): Market: 5.1% Last: 5.1% - 23:30 GMT (09.30 AEST)
- JP: Job-To-Applicant Ratio – (May): Market: 0.49 Last: 0.48 - 23:30 GMT (09.30 AEST)
- JP: Industrial Production m/m – (May P): Market: 0.0% Last: 1.3% - 23:50 GMT (09.50 AEST)
- JP: Industrial Production y/y – (May P): Market: 20.3% Last: 25.9% - 23:50 GMT (09.50 AEST)
- JP: Vehicle Production y/y – (May): Last: 50.8% - 04:00 GMT (14.00 AEST)
- JP: Small Business Confidence – (Jun): Last: 46.7 - 05:00 GMT (15.00 AEST)
- EU: Business Climate Indicator – (Jun): Market: 0.32 Last: 0.34 - 09:00 GMT (19.00 AEST)
- EU: Euro-Zone Industrial Confidence – (Jun): Market: -6 Last: -6 - 09:00 GMT (19.00 AEST)
- EU: Euro-Zone Consumer Confidence – (Jun F): Market: -17 Last: -17 - 09:00 GMT (19.00 AEST)
- EU: Euro-Zone Economic Confidence – (Jun): Market: 98.1 Last: 98.4 - 09:00 GMT (19.00 AEST)
- EU: Euro-Zone Services Confidence – (Jun): Market: 3 Last: 3 - 09:00 GMT (19.00 AEST)
- UK: Net Consumer Credit – (May): Market: 0.1B Last: -0.1B - 08:30 GMT (18.30 AEST)
- UK: Net Lending Sec. On Dwellings – (May): Market: 0.8B Last: 0.5B - 08:30 GMT (18.30 AEST)
- UK: Mortgage Approvals – (May): Market: 51.0K Last: 49.9k - 08:30 GMT (18.30 AEST)
- UK: M4 Money Supply m/m – (May F): Last: 0.0% - 08:30 GMT (18.30 AEST)
- UK: M4 Money Supply y/y – (May F): Last: 2.8% - 08:30 GMT (18.30 AEST)
- UK: Gfk Consumer Confidence Survey – (Jun): Market: -20 Last: -18
- US: S&P/CS Composite-20 y/y – (Apr): Market: 3.4% Last: 2.3% - 13:00 GMT (23.00 AEST)
- US: S&P/CS Home Price Index – (Apr): Market: 144.3 Last: 143.4 - 13:00 GMT (23.00 AEST)
- US: S&P/CS 20 City m/m – (Apr): Market: -0.15% Last: -0.05% - 13:00 GMT (23.00 AEST)
- US: Consumer Confidence – (Jun): Market: 62.5 Last: 63.3 - 14:00 GMT (00.00 AEST)
- US: ABC Consumer Confidence – (Jun 27): Last: -43 - 21:00 GMT (07.00 AEST)
- CA: Industrial Product Price m/m – (May): Market: 0.1% Last: 0.3% - 12:30 GMT (22.30 AEST)
- CA: Raw Materials Price Index m/m – (May): Market: -1.0% Last: 1.7% - 12:30 GMT (22.30 AEST)

# MARKET TABLES

**TABLE 1: FIXED INCOME \***

	LEVEL	CHANGE		LEVEL	CHANGE
US 2y note	0.625	-2.4	US 2y swap	0.98	-3.7
US 5y note	1.823	-7.9	US 5y swap	2.08	-6.0
US 10y note	3.019	-8.9	US 10y swap	3.08	-6.7
US 30y bond	4.003	-6.0	AUS 3y swap	5.09	-1.0
US 2y swap spread	35.00	-2.3	AUS 5y swap	5.41	-2.3
US 5y swap spread	25.88	-1.6	AUS 10y swap	5.72	-2.2
US 10y swap spread	5.50	-1.3	NZ 3y swap	4.49	-2.0
AUS 3y	95.330	4.0	NZ 10y swap	5.45	-2.0
AUS 10y	94.790	3.5	AUS 3m bills	4.97	-0.8
US 3m Libor	0.533	-0.1	NZ 3m bills	3.11	-0.5

Source: ANZ and Bloomberg. Change in basis points

**TABLE 2: FOREIGN EXCHANGE#**

	LAST	CHANGE	OVERNIGHT RANGE	CURRENT VS AUD
AUD	0.8726	-0.0015	0.8707 - 0.8759	-
TWI *	68.4500	-	-	-
NZD	0.7089	-0.0050	0.7065 - 0.7106	1.2307
EUR	1.2278	-0.0091	1.2266 - 1.2383	0.7107
JPY	89.36	0.1300	89.07 - 89.46	77.97
GBP	1.5107	0.0044	1.5017 - 1.5129	0.5776
CAD	1.0352	-0.0002	1.0321 - 1.0373	0.9033
CHF	1.0870	-0.0059	1.0818 - 1.0896	0.9485
DXY	85.7010	0.3880	-	-

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	10139	-0.1	Gold (\$US/ounce)	1239.2	-1.3
S&P	1075	-0.2	Copper (\$US/tonne)	6515.0	-1.4
Nasdaq	2221	-0.1	Nickel (\$US/tonne)	19275.0	-1.9
FTSE 100	5072	0.5	CRB Index	263.5	-0.8
DAX	6157	1.4	Oil (\$US/barrel)	78.04	-1.0

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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