



22 May 2013

Foreign exchange	* o/n ranges indicative only		
	Sydney close	o/n range*	Latest
EUR	1.2883	1.2841/1.2934	1.2906
JPY	102.59	102.25/102.89	102.52
GBP	1.5242	1.5113/1.5262	1.5151
CHF	0.9674	0.9655/0.9751	0.9703
NZD	0.8189	0.8117/0.8213	0.8163
AUD	0.9818	0.9751/0.9842	0.9805
AUD TWI	75.3		

Upcoming events (mkt f/c %mth unless indicated)

Today

Aus May Westpac-MI consumer sentiment (last 104.9)

Tonight

US Apr existing home sales (last -0.6%, f/c 1.4%, WBC f/c 1%)

US May FOMC meeting minutes

US Fed speak: Bernanke's testimony to Joint Economic Committee

Australian dollar

Dovish Fed speak dominated markets overnight. Voting FOMC members Dudley (dove) and Bullard (hawk) poured cold water on the notion of an imminent tapering of QE. That helped US equities reach fresh highs – the S&P500 is currently up 0.2%. Notably, Bullard saw no good case for tapering unless inflation rose. US 10yr Treasury yields initially rose from 1.96% to 2.00% – a two-month high; however, following Bullard's speech, the 10yr fell to 1.93%. Australian government bonds underperformed their US counterparts, seeing a net gain in yields overnight. That underperformance can be linked to RBA-watcher Alan Mitchell's view that the RBA would not have to cut if the AUD remained at the current lower level. The 3yr yield initially rose from 2.56% to 2.64%, currently 2.61%. The 10yr rose from 3.26% to 3.32%, now 3.29%.

The US dollar index rose and fell around Bullard's speech for little net change, currently 83.84. EUR rose from 1.2841 to a 1.2934 session high; this morning, it trades at 1.2906. USD/JPY ranged between 102.25 and 102.89, currently 102.52.

AUD consolidated in a wide range between 0.9751 and 0.9842 in the offshore session; it trades at 0.9805 this morning. NZD initially fell from 0.8213 to 0.8117 but subsequently recovered to 0.8163 post Bullard. AUD/NZD rose from 1.1975 to 1.2012 overnight.

	Close/Latest	Change
ASX/S&P 200	5180.06	-28.98
Aust SPI 200	5187.00	-5.00
Nikkei 225	15381.02	20.21
FTSE	6803.87	48.24
Dow Jones Ind	15387.58	52.30
Nasdaq	3502.12	5.69
Gold	1377.85	1.48
Oil (Nymex)	96.18	-0.75
CRB	287.92	-0.86

Economic wrap

UK inflation data was lower than expected in April, with the CPI coming in at 2.4%yr, down from 2.8% in March. A big drop in transport and petrol costs drove the decline. This is the first time UK inflation has been at this level since September last year; if oil pressures remain soft, inflation could significantly undershoot the latest Bank of England projections for inflation to peak above 3%yr in Q3. Also out overnight: UK core PPI inflation decelerated to 0.8%yr in April, from 1.3%yr in March; and annual house price growth accelerated to 2.7%yr in March according to the ONS, up from 1.9%yr in February.

German annual PPI inflation moderated to just 0.1%yr in April, down from 0.4%yr in March. The PPI declined by 0.2% in the month.

	Latest/Sycom**	Change
US Fed funds	0.25	0.00
US 2yr note	0.23	0.00
US 10yr bond	1.93	-0.04
RBA cash	2.75	0.00
Aust 90d BB future	2.78	0.01
Aust 3yr bond future	2.60	0.03
Aust 10yr bond future	3.28	0.03
WCFI	270.74	-0.02

* Overnight trading ranges are indicative only. If you have any queries regarding overnight trading please contact your Westpac dealer.

** (Sycom Latest) Implied Yield. Change is implied yield.



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