

## We didn't start the fire (did we?)

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Janet Yellen did her return testimony overnight, this time to the Senate. What has caught the market's attention is the inevitable interest from Congress in her views on, and conceivable policy responses to, current financial market turmoil. She was asked about the possibility of negative rates for the Fed, saying that in light of European other central bank actions, the Fed was taking a close look at negative rates in the event that it might be considered. The Fed is doing a lot more work on whether it would work and be right for the Fed in the event was "needed". She also said the Fed was surprised by the (size of) fall in oil and the extent of the strength in the US dollar since 2014 was not "something we anticipated".

There was nothing there deflecting the market from the view that the Fed is on hold for longer and that's how the market traded in what was last night deeper "risk-off" sentiment. The short end of the US Fed funds futures curve rallied further by up to 10bps and more with only a 50% chance of occurring priced in by the end of 2017. US 2y Treasury yields eased another 4bps.

Oil did come in for more concerted selling overnight with West Texas down another \$1, but is rallying into the last hour, trading at \$27. The Swedish Riksbank eased policy more than expected, cutting its rate 15 bps to -0.50%, the market is expecting a 10 point cut. The kroner did briefly weaken (presumably as the central bank had hoped) but then stabilised (even against the EUR) given the big rally going on in top tier bond markets.

Equities came in for more selling, the Eurostoxx 600 index down 3.68%, banks taking more heat, down in Europe by an eye glazing 6.26% with SocGen and Credit Suisse both reporting. It's been a similar if less savage story on Wall Street with the Dow down 1.8% into the last hour of trade and S&P 500 down 1.4% with the KBW banks index down 4.2%.

In FX markets, it's been another evolution with the US dollar running into some interest rate headwinds as their rate markets rally and lose some of its (expected) yield gloss, the Euro trading above 1.13 and the yen in the low 112s. The one asset class that has performed strongly overnight has been precious metals; gold up 4.3%, silver 3.1% and platinum 2.6%. The AUD has overall held its ground trading this morning close to 0.71, with the Chinese iron ore market coming back to life yesterday, prices edging lower by 1.05% to \$45.25/t for the 62% fines benchmark.

## Coming Up

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Last week we had the first RBA board meeting for this year quarterly statement on monetary policy and this morning commencing around 930 have Stevens and his team given their six monthly testimony before the House of Representatives' Standing Committee on Economics. This will be watched not for any new fundamental directions on the economy or the policy outlook but nuances surrounding risks and the subtext views on various aspects of the economy, the Aussie dollar and markets.

We also have at the 1130 ABS release time window housing finance approvals for December out this morning, the market looking for a 3% rise; NAB's estimate is a little thinner +1.2% for the headline number of owner-occupied approvals. Markets expect that the underlying tone will still point to trend weakness in investment lending finance demand, though we note that this week's HIA new home sales report for December revealed a stark rise in apartment sales and today's data will also be assessed in that light.

Tonight in the US, there will be intense focus on the US consumer with the release of January retail sales and preliminary consumer sentiment for February. We also have New York Fed President Bill Dudley giving a briefing on household borrowing and indebtedness along with the first estimate of consumer sentiment for February from the UoM survey, the market expecting steady confidence. The fed will also be paying close attention to this survey's measure of longer term (5-10 years) consumer inflationary expectations that, for the past three months, as counterintuitively been rising despite collapsing oil prices. Is this a sign of some greater labour market/ wage confidence? For CAD watchers, there is second leg of house price data, this one the Teranet/National Bank house price index for January.

There will also be pretty intense focus on key data out of Europe including Q4 private preliminary GDP figures for Germany, Italy, and the Eurozone, growth in the zone to be steady at 0.3% for the quarter for an almost in changed annual rate of 1.5% after 1.6% in Q3.

## Overnight

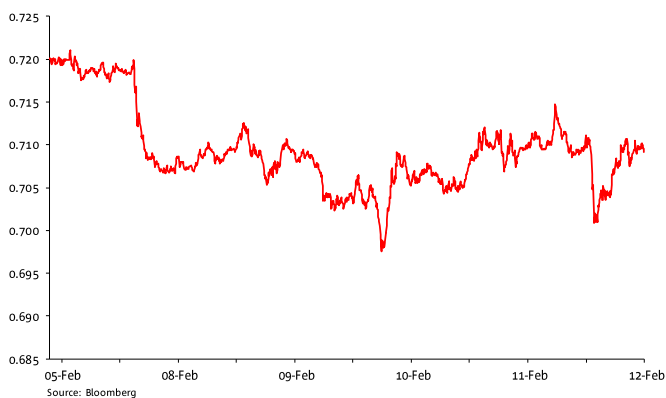
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On global stock markets, the S&P 500 was -1.40%. Bond markets saw US 10-years -4.31bp to 1.63%. On commodity markets, Brent crude oil -0.88% to \$30.57, gold+4.5% to \$1,248, iron ore -1.1% to \$45.25. AUD is at 0.7094 and the range was 0.6984 to 0.7153.

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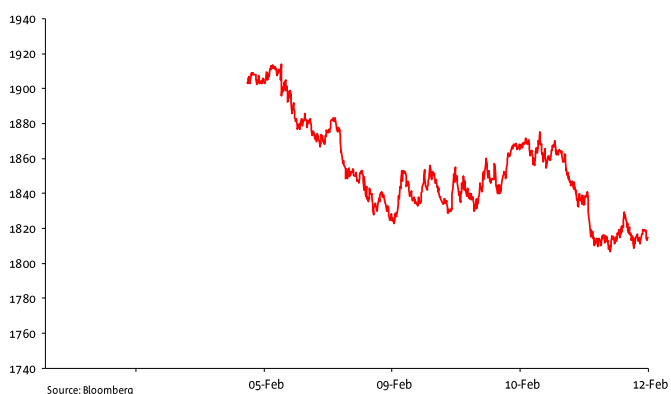
AUD/USD - past week



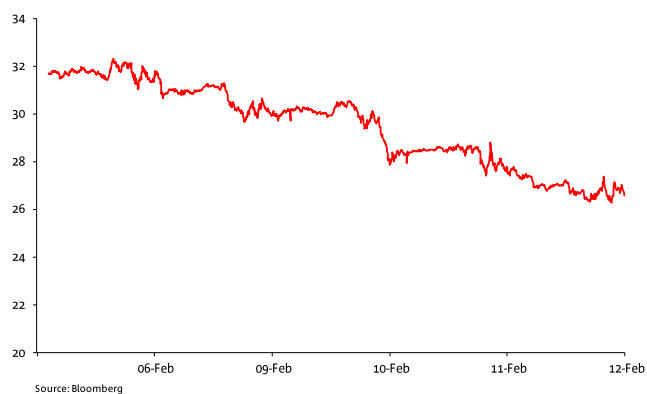
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

Indicative 24hr ranges (**)					Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7092	0.0	0.6984	0.7153	HKD	7.7915 0.0
NZD	0.6691	0.6	0.6638	0.6702	CNY	6.5732 0.0
EUR	1.1335	0.2	1.1305	1.1377	SGD	1.3898 0.0
GBP	1.4470	0.1	1.4383	1.4482	IDR	13,505 0.4
JPY	112.21	0.4	111.11	113.25	THB	35.24 -0.1
CAD	1.3958	0.0	1.3908	1.4018	KRW	1,198 -0.3
AUD/EUR	0.6255	0.5			TWD	32.96 0.0
AUD/JPY	79.55	1.2			PHP	47.49 0.0
AUD/GBP	0.4900	0.7			CHF	0.97 0.2
AUD/NZD	1.0598	0.2			SEK	8.37 -0.4

Equities

Major Indices			
	Last	% day	% year
Dow	15,626	-1.8	-12.5
S&P 500	1,825	-1.4	-11.8
Nasdaq	4,257	-0.6	-11.3
VIX Index	28.78	9.5	69.7
FTSE	5,537	-2.4	-18.8
DAX	8,753	-2.9	-18.6
CAC 40	3,897	-4.1	-16.7
Nikkei	15,713	-2.3	-11.0
Shanghai	2,763	-0.6	-10.2
Hang Seng	18,546	-3.8	-24.1
ASX 200	4,821	1.0	-16.1

Commodities\*

	Last	% day
Oil (Brent)	30.57	-0.9
Oil (WTI)	26.73	-2.6
Oil (Tapis)	32.47	-0.8
Gold	1248.60	4.5
CRB	155.01	-0.9
GS Metals	245.1	-0.6
Aluminium	1485	0.3
Copper	4445	0.0
Nickel	7595	-3.6
Zinc	1706	-0.1
Ch. steel	1842	0.0
Iron ore	45.3	-1.1
St. coal	48.7	0.0
Wheat Chic	463.5	-0.3
Sugar	13.02	-2.3
Cotton	58.42	-0.8
Coffee	115.0	-1.6

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.62	0.70	1.47	USD 10	1.63	-0.04
AUD	2.00	2.28	2.00	2.53	AUD 10	2.38	-0.03 0.75
NZD	2.50	2.63	2.54	3.14	NZD 10	3.01	-0.02 1.38
EUR	0.05	0.06	-0.18	0.60	CAD 10	1.00	0.00 -0.62
GBP	0.50	0.59	0.69	1.33	EUR 10	0.19	-0.05 -1.44
JPY	0.07	0.03	-0.12	0.17	GBP 10	1.30	-0.11 -0.32
CAD	0.50	1.17	0.65	1.29	JPY 10	0.02	0.00 -1.60

Overnight Futures

	Last	Chge
<b>Australia</b>		
3 mth bill	97.80	0.01
3 Yr bond	98.3	0.01
10 Yr bond	97.65	0.07
3/10 sprd	0.65	-0.06
SPI	-37.0	-0.8

CO <sub>2</sub> Emissions - Euros		
	Last	% day
Dec-2016	4.75	-2.9
Dec-2017	4.80	-2.8
Dec-2018	4.88	-2.8

Please note the high/low FX rates are only an indication. Please refer to your National Dealer for confirmation.

\* All near futures contracts, except CRB. GS Metals is Goldman Sachs industrial metals index. Metals prices are CME. Emissions: ICE Dec contracts, Euros

\*\* These are indicative ranges over the past 24 hours; please confirm rates with your NAB dealer

Last is around 6:30am Sydney

Source: Bloomberg

# Calendar

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEDT
<b>Friday, 12 February 2016</b>								
NZ	Food Prices MoM	Jan	1.3			-0.8	21.45	8.45
AU	RBA Governor's appearance before the House of Representatives' Standing Committee on Economics						22.30	9.30
AU	Home Loans MoM	Dec	1.2	3		1.8	0.30	11.30
AU	Investment Lending	Dec				0.7	0.30	11.30
GE	CPI MoM/YoY	Jan F		-0.8/0.5		-0.8/0.5	7.00	18.00
GE	GDP QoQ/YoY	4Q P		0.3/1.4		0.3/1.7	7.00	18.00
EC	Industrial production MoM/YoY	Dec		0.3/0.7		-0.7/1.1	10.00	21.00
EC	GDP QoQ/YoY	4Q A		0.3/1.5		0.3/1.6	10.00	21.00
CA	Teranet/National Bank HPI MoM	Jan				-0.1	13.30	0.30
US	Retail sales MoM/ex autos and gas	Jan		0.1/0.3		-0.1/0	13.30	0.30
US	Import prices MoM/YoY	Jan		-1.5/-6.8		-1.2/-8.2	13.30	0.30
US	Fed's Dudley press briefing on household borrowing and indebtedness						15.00	2.00
US	Business Inventories	Dec		0.1		-0.2	15.00	2.00
US	U. of Mich. Consumer Sentiment	Feb P		92.3		92	15.00	2.00
<b>Monday, 15 February 2016</b>								
NZ	REINZ House Sales YoY	Jan				3.5	22.05	9.05
NZ	Performance Services Index	Jan				58.9	21.30	8.30
JN	GDP SA QoQ	4Q P		-0.2		0.3	23.50	10.50
JN	GDP Annualized SA QoQ	4Q P		-0.7		1	23.50	10.50
AU	New Motor Vehicle Sales MoM/YoY	Jan				-0.5/2.2	0.30	11.30
CH	Trade Balance	Jan		60.75		60.09	2.00	13.00
NZ	Non Resident Bond Holdings	Jan				67.4	2.00	13.00
JN	Industrial Production MoM/YoY	Dec F		/		-1.4/-1.6	4.30	15.30
JN	Tertiary Industry Index MoM	Dec		-0.1		-0.8	4.30	15.30
EC	Trade Balance NSA	Dec				23.6	10.00	21.00
EC	ECB's Draghi Speaks in EU Parliament Committee in Brussels						14.00	1.00
<b>Tuesday, 16 February 2016</b>								
NZ	Retail Sales Ex Inflation QoQ	4Q		1.3		1.6	21.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Feb 14				111.4	22.30	9.30
AU	RBA Feb. Meeting Minutes						0.30	11.30
NZ	2Yr Inflation Expectation	1Q				1.85	2.00	13.00
UK	CPI MoM	Jan				0.1	9.30	20.30
GE	ZEW Survey Current Situation/Expectations	Feb				59.7/10.2	10.00	21.00
EC	ZEW Survey Expectations	Feb				22.7	10.00	21.00
CA	Manufacturing Sales MoM	Dec				1	13.30	0.30
US	Fed's Harker Speaks on Economy at University of Delaware						13.30	0.30
US	Empire Manufacturing	Feb		-10		-19.37	13.30	0.30
US	Existing Home Sales MoM	Jan				-0.6	14.00	1.00
US	NAHB Housing Market Index	Feb		60		60	15.00	2.00
<b>Wednesday, 17 February 2016</b>								
US	Net Long-term TIC Flows	Dec				31.4	21.00	8.00
AU	Westpac Leading Index MoM	Jan				-0.3	23.30	10.30
JN	Machine Orders MoM	Dec		4.5/-3.1		-14.4/1.2	23.50	10.50
US	Fed's Rosengren Speaks at Colby College						0.00	11.00
UK	Jobless Claims Change	Jan				-4.3	9.30	20.30
US	Housing Starts/MoM	Jan		1180/2.7		1149/-2.5	13.30	0.30
US	Building Permits/MoM	Jan		1203/-0.1		1232/-3.9	13.30	0.30
US	PPI Final Demand MoM	Jan		-0.2		-0.2	13.30	0.30
CA	Int'l Securities Transactions	Dec				2.58	13.30	0.30
US	Industrial Production MoM	Jan		0.3		-0.4	14.15	1.15
US	Manufacturing (SIC) Production	Jan		0.2		-0.1	14.15	1.15
US	U.S. Fed Releases Minutes from Jan. 26-27 FOMC Meeting						19.00	6.00
<b>Thursday, 18 February 2016</b>								
NZ	ANZ Job Advertisements MoM	Jan				1.1	21.00	8.00
NZ	PPI Input QoQ	4Q				1.6	21.45	8.45
NZ	PPI Output QoQ	4Q				1.3	21.45	8.45
JN	Trade Balance Adjusted	Jan		53.4		36.637	23.50	10.50
NZ	ANZ Consumer Confidence Index	Feb				121.4	0.00	11.00
NZ	ANZ Consumer Confidence MoM	Feb				2.3	0.00	11.00
AU	Employment Change			15		-1	0.30	11.30
FALSE	Unemployment Rate	#N/A Requesting Data...		#N/A Requesting Data...		#N/A Requesting Data...	#VALUE!	#VALUE!
AU	RBA FX Transactions Market	Jan				1175	0.30	11.30
US	Fed's Bullard Speaks to CFA Society St. Louis							
CH	CPI YoY	Jan		1.9		1.6	1.30	12.30
CH	PPI YoY	Jan		-5.4		-5.9	1.30	12.30
EC	ECB Current Account SA	Dec				26.4	9.00	20.00
EC	ECB account of the monetary policy meeting						12.00	23.00
AU	RBA's Edey Speech in Sydney							
CA	Wholesale Trade Sales MoM	Dec				1.8	13.30	0.30
US	Philadelphia Fed Business Outlook	Feb		-2.9		-3.5	13.30	0.30
US	Initial Jobless Claims	Feb 6		280		285	13.30	0.30
US	Leading Index	Jan		-0.2		-0.2	15.00	2.00
<b>Friday, 19 February 2016</b>								
JN	All Industry Activity Index MoM	Dec		-0.3		-1	4.30	15.30
UK	Retail Sales Ex Auto Fuel MoM	Jan				-0.9	9.30	20.30
UK	Public Finances (PSNCR)	Jan				8.100004	9.30	20.30
US	Fed's Mester to Speak at Global Interdependence Center							
US	CPI MoM/YoY	Jan		-0.1/1.3		-0.1/0.7	13.30	0.30
US	CPI Ex Food and Energy MoM/YoY	Jan		0.2/2.1		0.1/2.1	13.30	0.30
CA	Retail Sales MoM	Dec				1.7	13.30	0.30
CA	CPI NSA MoM	Jan				-0.5	13.30	0.30
EC	Consumer Confidence	Feb A				-6.3	15.00	2.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
Australia, RBA		1-Mar	2.00%	2.00%		2.00%		
New Zealand, RBNZ		10-Mar	2.50%	2.50%		2.50%		
Europe ECB		10-Mar				0.05%		
Canada, BoC		10-Mar				0.50%		
Japan, BoJ		15-Mar	-0.1% to +0.1%	-0.1% to +0.1%		-0.1% to +0.1%		
UK BOE		17-Mar				0.50%		
US Federal Reserve		17-Mar				0.25-0.50%		

GMT: Greenwich Mean Time; AEDT: Australian Eastern Daylight Saving Time

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