

16 February 2016

Markets Today



The rebound continues

Global equities extended their Friday rally helped along by a strong lead from Asia. Draghi complemented the positive mood by yet again hinting at the possibility of further stimulus ahead and the stability in oil prices was also a positive contributing factor.

Yesterday's lower CNY fix (196 pips) helped USD/CNY trade sub 6.5 for the first time this year and was a source of stability for the region. China's soft trade figures and Japan's bleak Q4 GDP report did little to affect the positive mood. The Nikkei gained over 7%, boosted by news of SoftBank \$4.4bn share buyback plan.

The rally in European equities was led by banks and auto sectors with the Euro Stoxx 600 ending the day up 3%. Markets in the US were closed, but stock futures suggest the potential for a 1.3% opening gain for the S&P 500%.

The USD is stronger against safe haven currencies and softer against commodity ones. The AUD is the top performer up 0.45% followed closely by the NZD +0.44% and the CAD at +0.14. Yen was the biggest loser at -1.17% with CHF down -1.05%.

Comments from ECB Draghi dragged European core and peripheral sovereign bond yields lower. 10y Portuguese and Greek bond yields fell around 20bps while 10y Bunds dropped 2.4bps to 0.236%.

Draghi noted that the ECB deliberation will focus on two areas: Firstly, the pass-through from low imported inflation (from things like oil and commodity prices) to wages and inflation expectations, and secondly the transmission mechanism from the financial system, particularly banks. He said if either of these entail downside risk to price instability, "we will not hesitate to act".

Ahead of the 10 March policy meeting, there is a general consensus that the ECB will lower its deposit rate and while other additional measures aimed at boosting banks are also expected, what these might entail is still not very clear. As our European strategist noted, it does sound like the ECB will be at its most creative in trying to shore up share prices - which in turn could allow it to be more aggressive in lowering the deposit rate.

As for commodities, WTI and Brent oil grinded higher overnight, both up by 1%, gold was down 2.4% and iron ore had a solid day closing at \$46.3, up 6%.

Coming Up

In Australia this morning we get the weekly reading on consumer confidence followed by RBA minutes from their February meeting.

While the minutes will be scanned for the potential of any new hints on what the RBA is thinking, we know from Friday's RBA Governor Stevens parliamentary testimony that the Bank is currently watching international markets and economic events very closely. They are still fairly chilled about the current state and momentum in the domestic economy and the hurdle for any near-term rate cut remains high.

In Europe, we get the February edition of the ZEW surveys for Germany. This is an opinion survey from finance professionals and it tends to be more sensitive to equity market moves rather than recent economic data releases. As such, a pullback is expected in both the current situation and expectations series. Across the English channel, the UK releases its CPI and PPI reading for January. The market is expecting a small decline in core inflation (1.3%yoy vs 1.4%yoy prev), however because every January the office of national statistics updates the weightings it assigns to different goods and services in the basket, there is a wider than usual dispersion on the expected outcome.

The US is back from its long weekend holiday with the Empire Manufacturing survey (Feb) and NAHB Housing Market Index the two data highlights for Tuesday. The Empire survey should provide the first February look into the manufacturing sector in the US. While the survey is expected to pull back from -19.37 to -10.50, aided by recent softness in the USD, the index is still expected to remain well entrenched in contractionary territory.

Philly Fed President Harker (non-voter) is scheduled to deliver a speech on the 2016 economic outlook and Minneapolis President Kashkari, will speak at the Brookings Institution, but his speech is likely to be focused on legislative and regulatory issues.

Overnight

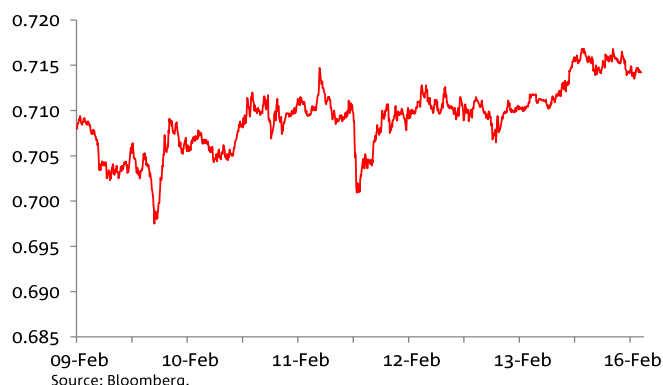
On global stock markets, the S&P 500 was +2.00%. Bond markets saw US 10-years +0.00bp to 1.75%. On commodity markets, Brent crude oil +1.86% to \$33.98, gold-2.4% to \$1,209, iron ore +6.0% to \$46.26. AUD is at 0.7141 and the range was 0.7099 to 0.7172.

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Markets

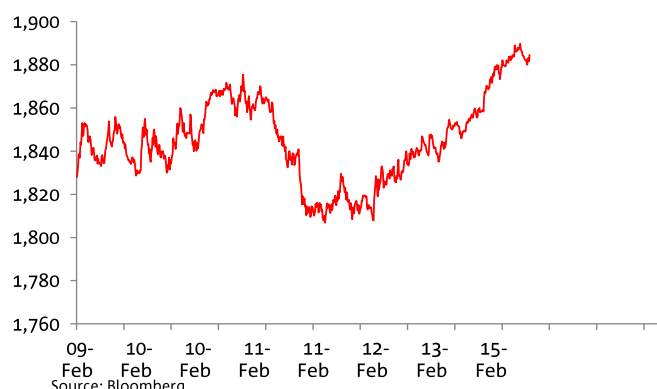
AUD/USD - past week



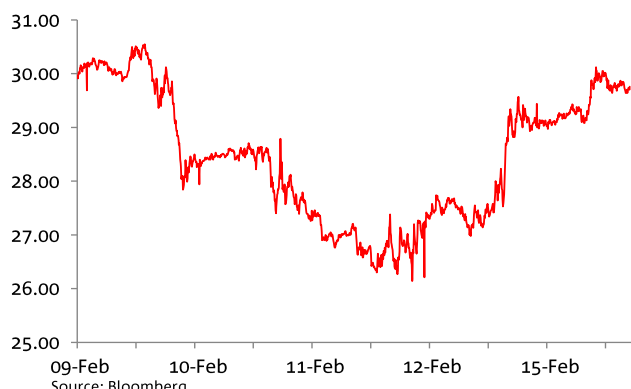
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

Indicative 24hr ranges (**)					Other FX		
	Last	% chge	Low	High		Last	% chge
AUD	0.7143	0.4	0.7099	0.7172	HKD	7.7863	0.0
NZD	0.6654	0.4	0.6614	0.6676	CNY	6.4962	-1.2
EUR	1.1156	-0.9	1.1128	1.1261	SGD	1.4006	0.2
GBP	1.4439	-0.4	1.4414	1.4567	IDR	13,379	-0.8
JPY	114.57	1.2	113.0800	114.7200	THB	35.64	0.1
CAD	1.3828	-0.2	1.3798	1.3867	KRW	1,208	-0.3
AUD/EUR	0.6402	1.6			TWD	32.98	-0.1
AUD/JPY	81.84	1.7			PHP	47.45	-0.3
AUD/GBP	0.4947	1.0			CHF	0.99	1.0
AUD/NZD	1.0733	0.1			SEK	8.49	1.0
AUD/CNY	4.6395	-0.4					

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	0.50	0.62	0.79	1.60	USD 10	1.75	0.00	
AUD	2.00	2.29	2.07	2.66	AUD 10	2.52	0.10	0.77
NZD	2.50	2.60	2.57	3.19	NZD 10	3.05	0.06	1.30
EUR	0.05	0.06	-0.16	0.62	CAD 10	1.13	0.11	-0.62
GBP	0.50	0.59	0.75	1.43	EUR 10	0.24	-0.02	-1.51
JPY	0.07	0.01	-0.09	0.24	GBP 10	1.43	0.02	-0.32
CAD	0.50	1.17	0.72	1.41	JPY 10	0.09	0.00	-1.66

Equities

Major Indices

	Last	% day	% y/y
Dow	15,974	+2	-11.4
S&P 500	1,865	+2	-11.1
Nasdaq	4,338	+1.7	-11.4
VIX	25	-9.7	72.9
FTSE	5,824	+2	-15.3
DAX	9,207	+2.7	-16.0
CAC 40	4,115	+2.3	-13.5
Nikkei	16,023	+7.2	-11.0
Shanghai	2,746	-0.6	-14.8
Hang Seng	18,918	+3.3	-23.5
ASX 200	4,843	+1.6	-17.7

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.76	0.00
3 Yr bond	98.17	0.00
10 Yr bond	97.49	-0.06
3/10 sprd	0.68	0.06
SPI	34.0	0.7

Commodities*

	Last	% day
Oil (Brent)	33.68	1.0
Oil (WTI)	29.76	1.1
Oil (Tapis)	34.15	1.5
Gold	1209.10	-2.4
CRB	160.36	3.5
GS Metals	247.9	1.1
Aluminium	1499	1.1
Copper	4507	1.2
Nickel	7790	3.0
Zinc	1711	0.0
Ch. steel	1871	0.6
Iron ore	46.3	6.0
Coal	50.7	0.0
Wheat Chic.	462.5	-0.2
Sugar	13.15	0.6
Cotton	58.90	0.8
Coffee	117.5	2.2

CO₂ Emissions - Euros

	Last	% day
Jun-2016	4.79	-5.1
Dec-2016	4.81	-5.1
Jun-2017	4.84	-5.1

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
Tuesday, 16 February 2016								
NZ	Retail Sales Ex Inflation QoQ	4Q	1.0	1.5		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		-0.7		0.1	9.30	20.30
GE	ZEW Survey Current Situation/Expectations	Feb		55		59.7/10.2	10.00	21.00
GE	ZEW Survey Expectations	Feb				22.7	10.00	21.00
CA	Manufacturing Sales MoM	Dec		0.75		1	13.30	0.30
US	Fed's Harker Speaks on Economy at University of Delaware						13.30	0.30
US	Empire Manufacturing	Feb		-10.5		-19.37	13.30	0.30
CA	Existing Home Sales MoM	Jan				-0.6	14.00	1.00
US	Fed's Harker Speaks on Economy at University of Delaware						14.00	1.00
UK	BoE's Brazier speaks in London on Financial Stability						14.30	1.30
US	NAHB Housing Market Index	Feb		60		60	15.00	2.00
US	Fed's Kashkaris speaks on lessons learned from the Financial Crisis						15.30	2.30
US	Fed's Rosengren Speaks at Colby College						0.00	11.00
NZ	Dairy auction (GDT price index), early AM NZ time		~-10%			-7.4%		
Wednesday, 17 February 2016								
US	Net Long-term TIC Flows	Dec				31.4	21.00	8.00
Nz	Finance Minister English testifies in Parliament on half year Budget/Economy update						21.45	8.45
AU	Westpac Leading Index MoM	Jan				-0.3	23.30	10.30
JN	Machine Orders MoM	Dec		4.4/-2.8		-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		-3		-4.3	9.30	20.30
US	Housing Starts/MoM	Jan		1175/2.3		1149/-2.5	13.30	0.30
US	Building Permits/MoM	Jan		1200/-0.3		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		0.35		-0.4	14.15	1.15
US	Manufacturing (SIC) Production	Jan		0.3		-0.1	14.15	1.15
US	U.S. Fed Releases Minutes from Jan. 26-27 FOMC Meeting						19.00	6.00
US	Fed's Bullard speaks about US economic outlook and monetary policy						23.00	10.00
Thursday, 18 February 2016								
NZ	ANZ Job Advertisements MoM	Jan				1.1	21.00	8.00
NZ	PPI Input/Output QoQ	4Q				1.6/1.3	21.45	8.45
JN	Trade Balance Adjusted	Jan		62.1		36.637	23.50	10.50
NZ	ANZ Consumer Confidence Index/MoM	Feb				121.4/2.3	0.00	11.00
AU	Employment Change	Jan	22	13		-1	0.30	11.30
AU	Unemployment Rate	Jan	5.8	5.8		5.8	0.30	11.30
AU	RBA FX Transactions Market	Jan				1175	0.30	11.30
US	Fed's Bullard Speaks to CFA Society St. Louis						1.00	12.00
CH	CPI YoY	Jan		1.9		1.6	1.30	12.30
CH	PPI YoY	Jan		-5.4		-5.9	1.30	12.30
JN	BoJ's Ishida speaks in Fukuoka						1.30	12.30
AU	RBA's Edey Speaks to Sydney Investor Forum ("The current risk environment")						1.00	12.00
UK	BoE's Cunliffe speaks on a panel in Brussels						8.55	19.55
EC	ECB Current Account SA	Dec				26.4	9.00	20.00
EC	ECB account of the monetary policy meeting						12.00	23.00
CA	Wholesale Trade Sales MoM	Dec		0.2		1.8	13.30	0.30
US	Philadelphia Fed Business Outlook	Feb		-3		-3.5	13.30	0.30
US	Initial Jobless Claims	Feb 13		275		269	13.30	0.30
US	Leading Index	Jan		-0.2		-0.2	15.00	2.00
US	Fed's Williams speaks on outlook						20.30	7.30
Friday, 19 February 2016								
NZ	Crown Financial Statements	Dec					21.00	8.00
JN	All Industry Activity Index MoM	Dec		-0.3		-1	4.30	15.30
UK	Retail Sales Ex Auto Fuel MoM	Jan		0.7		-0.9	9.30	20.30
UK	Public Finances (PSNCR)	Jan				8.1%	9.30	20.30
EC	ECB's Constancio speaks in New York						13.30	0.30
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		-0.8		1.7	13.30	0.30
CA	CPI NSA MoM	Jan		-0.1		-0.5	13.30	0.30
EC	Consumer Confidence	Feb A		-6.6		-6.3	15.00	2.00
Monday, 22 February 2016								
AU	RBA's Debelle Speech in Sydney						22.10	9.10
CH	MNI Business Indicator	Feb					1.45	12.45
NZ	Credit Card Spending MoM	Jan				-0.8	2.00	13.00
NZ	Credit Card Spending YoY	Jan				7.4	2.00	13.00
JN	Nikkei Japan PMI Mfg	Feb P				52.3	2.00	13.00
JN	Supermarket Sales YoY	Jan				0	5.00	16.00
GE	Markit/BME Germany Manufacturing PMI	Feb P				52.3	8.30	19.30
GE	Markit Germany Services PMI	Feb P				55	8.30	19.30
GE	Markit/BME Germany Composite PMI	Feb P				54.5	8.30	19.30
EC	Markit Eurozone Manufacturing PMI	Feb P				52.3	9.00	20.00
EC	Markit Eurozone Services PMI	Feb P				53.6	9.00	20.00
EC	Markit Eurozone Composite PMI	Feb P				53.6	9.00	20.00
UK	CBI Trends Total Orders	Feb				-15	11.00	22.00
US	Chicago Fed Nat Activity Index	Jan				-0.22	13.30	0.30
US	Markit US Manufacturing PMI	Feb P				52.4	14.45	1.45
CA	Bloomberg Nanos Confidence	Feb 12				52.2	15.00	2.00
Upcoming Central Bank Interest Rate Announcements								
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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