22 February 2016

Markets Today

National Australia Bank

Shanghai Surprise?

The 1986 film flop starring Madonna and Sean Penn cost $17mn to make and grossed just $2.3mn at the US box office. To say it underwhelmed expectations is an understatement. The G20 gathering in Shanghai (Friday and Saturday) looms large this week, and the potential for it to underwhelm runs similarly high.

While we might hope for some assurances from central bankers that they are not engaging in a race to the bottom on negative interest rates and that the Fed is not going to risk further upsetting febrile markets by pushing ahead with 'gradual' policy tightening anytime soon, risk is high that central bankers return to home shores and proceed on their (domestically driven) policy ways. The prospect of any meaningful commitment to fresh fiscal support by G20 nations to shore up global growth looks similarly slim, albeit the noises about 'helicopter money' being the next policy shoe to drop - Milton Friedman's concept of fiscal handouts funded via the printing presses - are becoming a little louder.

As for Friday's offshore markets, following sharply lower openings for US stocks in the wake of upside surprises in the US CPI report (core +0.3% m/m for 2.2% y/y up from 2.1%) the indices steadily recovered through the balance of the day with the S&P 500 ending flat having been -0.8% in morning trade. The US finished weaker in index terms (DXY - 036%) despite higher bond yields post-CPI, thanks to a firmer Euro - EUR/USD rallied to 1.1130 after an earlier low of 1.1067 - and a stronger yen (USD/JPY down to 112.63). GBP also got a boost late in the day having earlier ignored a stellar retail sales report (+2.3% on the month) on news of a deal in Brussels that UK PM Cameron said would enable him to recommend British voters elect to stay in the EU. The 'Brexit' referendum has now been called for 23 June. Sterling has given back all of Friday's gains at this morning's open on news that popular London mayor Boris Johnson is advocating in favour of Britain leaving the EU.

AUD/USD ended in NY -0.13% to 0.7149 but representing a smart NY afternoon recovery from a low of 0.7069 soon after the US CPI data. Similarly NZD/USD recovered from a 0.6565 low to finish NY -0.18% at 0.6632.

The S&P500's flat finish meant that on the week it was up 2.8%. The Dow was -0.13% on the day for +2.6% on the week and the NASDAQ +0.38% for +3.8% on the week. Earlier the Eurostoxx 50 finished 0.83% lower but on the week it was +4.2%, European stocks having been more badly beaten up than US indices in recent weeks. The VIX finished 1.1 pt. lower at 20.5, just under 5 points down on the week.

In bonds, 2yr Treasury yields jumped by 5bps on the CPI report to a high of 0.754% and largely held the jump through the remainder of the day (ending at 0.744%). 10 year Treasuries ended +0.6bp at 1.746%.

Commodities saw Brent crude -$1.30 at $33.01 and WTI - $1.10 to $29.64. On the week, oil was little changed (WTI +$0.20 and Brent -$0.35). The LMEX index gained by 1.55% to be 2.8% up on the week and iron ore added $$1.40 to $48.52 (it's now rallied by 11.2% in the past week).

Fed-speak Friday came from Cleveland Fed President Loretta Mester, a current FOMC voter and noted hawk who said she still backs further gradual increases in interest rates. She sees the U.S. economy as able to 'power through' the turbulence from financial markets with the help of the consumer. Also speaking Friday, the ECB';s Vice-President Vitor Constancio said the ECB would aim to protect banks from unintended harm if it decides next month to ease policy (a firm nod towards the 'tiered' negative rates employed by the SNB and BoJ).

Coming Up

G20 aside, other global event risks in the week ahead include Monday's 5-year outlook for oil prices from the IEA. Incoming opinion polls on the UK 'Brexit' referendum represent significant (two-way) risk for Sterling with some potential spill over to FX more broadly (investors won't be enamoured of the prospect of an EU without Britain) .

There is plenty of US data, covering consumer confidence, housing, durable goods orders, revised Q4 GDP and January PCE and deflator data, the latter of keen interest after Friday's CPI surprise. Fed speakers are also thick on the ground. Sound bites from G20 officials descending on Shanghai promise to be deafening later in the week.

In Australia, Thursday's capex data – including updated business spending intentions – is the highlight. The RBA's Guy Debelle speaks today on interest rate benchmarks today.

Overnight

On global stock markets, the S&P 500 was flat. Bond markets saw US 10-years +0.53bp to 1.74%. On commodity markets, Brent crude oil -3.70% to $33.01, gold+0.4% to $1,230, iron ore +2.9% to $48.52. AUD is at 0.7151 and the range since Friday's local close has been 0.7069 to 0.7161.

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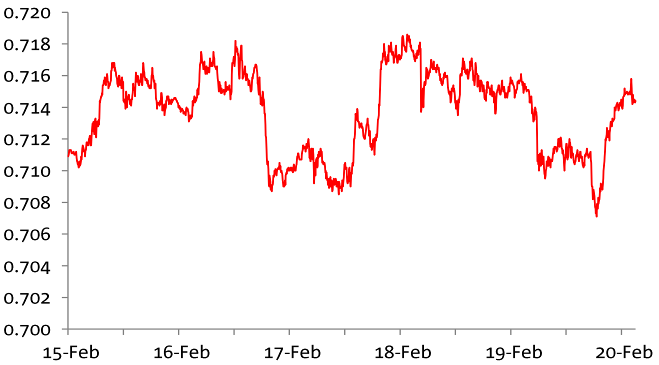
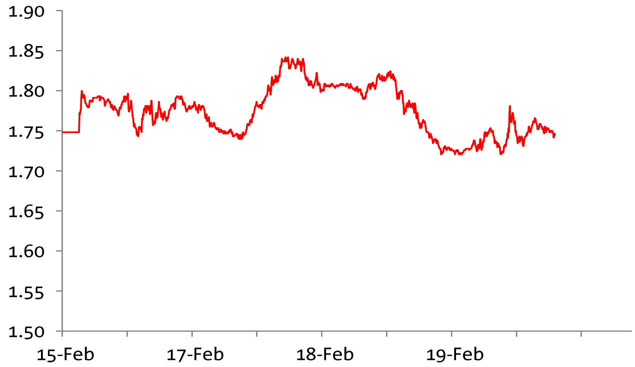
Markets

AUD/USD - past week



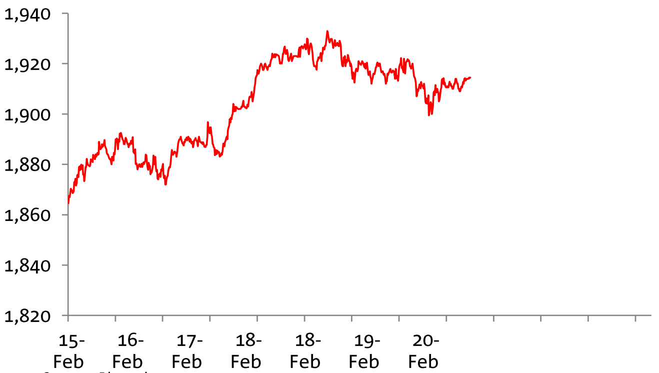
Source: Bloomberg.

US 10 yr - past week



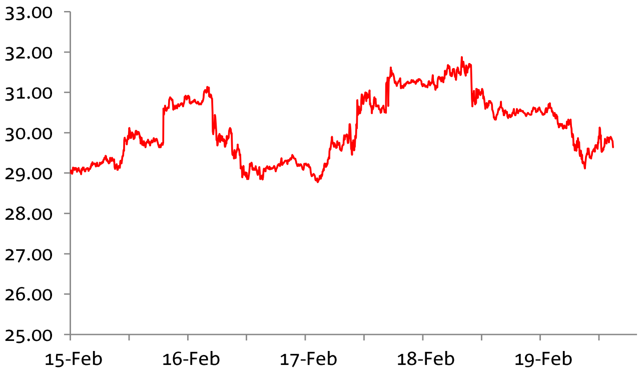
Source: Bloomberg.

S&P Futures - past week



Source: Bloomberg.

WTI - past week



Source: Bloomberg.

Foreign Exchange

	Last	% chge	Low	High
			Indicative 24hr ranges (**)	
AUD	0.7151	0.0	0.7139	0.7161
NZD	0.6643	0.2	0.6632	0.6648
EUR	1.1122	-0.1	1.1116	1.1135
GBP	1.4257	-1.0	1.4235	1.4332
JPY	112.49	-0.1	112.3600	112.7300
CAD	1.3767	0.0	1.3737	1.3813
AUD/EUR	0.6430	0.1		
AUD/JPY	80.44	-0.1		
AUD/GBP	0.5017	1.1		
AUD/NZD	1.0765	-0.1		
AUD/CNY	4.6226	-0.9		

Other FX

	Last	% chge
HKD	7.7746	0.0
CNY	6.5223	0.1
SGD	1.4053	0.2
IDR	13,509	0.0
THB	35.71	-0.1
KRW	1,234	0.6
TWD	33.25	0.1
PHP	47.59	-0.1
CHF	0.99	-0.1
SEK	8.45	0.0

Equities

Major Indices

	Last	% day	% y/y
Dow	16,392	-0.1	-9.6
S&P 500	1,918	0.0	-9.1
Nasdaq	4,504	+0.4	-9.1
VIX	21	-5.1	43.6
FTSE	5,950	-0.4	-14.0
DAX	9,388	-0.8	-15.0
CAC 40	4,223	+0.1	-12.6
Nikkei	15,967	-1.4	-12.9
Shanghai	2,860	-0.1	-11.9
Hang Seng	19,286	-0.4	-22.3
ASX 200	4,953	-0.8	-15.8

Commodities*

	Last	% day
Oil (Brent)	33.01	-3.7
Oil (WTI)	29.64	-3.7
Oil (Tapis)	35.62	-2.0
Gold	1230.40	0.4
CRB	159.63	-1.4
GS Metals	254.5	1.7
Aluminium	1552	2.3
Copper	4628	1.0
Nickel	8563	2.8
Zinc	1742	2.8
Ch. steel	1913	1.7
Iron ore	48.5	2.9
Coal	50.5	-0.8
Wheat Chic.	466.8	-0.4
Sugar	12.52	-2.0
Cotton	60.01	0.2
Coffee	116.6	0.4

Interest Rates

Indicative Swap Rates

	Cash	3mth	2Yr	10Yr
USD	0.50	0.62	0.81	1.61
AUD	2.00	2.28	2.02	2.59
NZD	2.50	2.60	2.49	3.17
EUR	0.05	0.06	-0.17	0.58
GBP	0.50	0.59	0.77	1.42
JPY	-0.01	0.00	-0.14	0.16
CAD	0.50	1.17	0.72	1.38

Benchmark 10 Year Bonds

	Last	chge	Sprd
USD 10	1.74	0.01	
AUD 10	2.43	-0.11	0.69
NZD 10	3.05	-0.06	1.31
CAD 10	1.12	0.01	-0.62
EUR 10	0.20	-0.02	-1.54
GBP 10	1.41	-0.03	-0.33
JPY 10	0.01	-0.01	-1.73

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.74	-0.02
3 Yr bond	98.21	-0.02
10 Yr bond	97.56	0.03
3/10 sprd	0.65	-0.05
SPI	-1.0	0.0

CO_2 Emissions - Euros

	Last	% day
Jun-2016	5.16	-1.7
Dec-2016	5.17	-1.7
Jun-2017	5.20	-1.7

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
Monday, 22 February 2016								
AU	RBA's Debelle Speech at Kanga News DCM Summit						22.10	9.10
CH	MNI Business Indicator	Feb					1.45	12.45
NZ	Credit Card Spending MoM/YoY	Jan				-0.8/7.4	2.00	13.00
JN	Nikkei Japan PMI Mfg	Feb P		52		52.3	2.00	13.00
GE	Markit/BME Germany Manufacturing/Services PMI	Feb P		51.9/54.7		52.3/55	8.30	19.30
EC	Markit Eurozone Manufacturing/Services PMI	Feb P		52/53.4		52.3/53.6	9.00	20.00
UK	CBI Trends Total Orders	Feb		-12		-15	11.00	22.00
US	IEA Five Year Oil Outlook launch at Houston Conference							
US	Chicago Fed Nat Activity Index	Jan		-0.1		-0.22	13.30	0.30
US	Markit US Manufacturing PMI	Feb P		52.5		52.4	14.45	1.45
US	NY Fed's Potter speaks						18.00	5.00
EC	ECB's Lautenschlager speaks in Stuttgart						18.00	5.00
Tuesday, 23 February 2016								
AU	RBA Tony Richards, Head of Payment Policy Department, at the Payments Innovation 2016 Conference, Sydney						22.10	9.10
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Feb 21				113.6	22.30	9.30
GE	GDP SA QoQ	4Q F		0.3/1.3		0.3/1.3	7.00	18.00
GE	IFO Business Climate/Current Assessment	Feb		106.8/112		107.3/112.5	9.00	20.00
US	Fed's Fischer (v) speaks in NY						13.30	0.30
EC	ECB's Nouy speaks in London						13.30	0.30
US	S&P/CS 20 City MoM/YoY SA	Dec		0.9/5.8		0.94/5.83	14.00	1.00
US	Consumer Confidence Index	Feb		97.3		98.1	15.00	2.00
US	Richmond Fed Manufact. Index	Feb		2		2	15.00	2.00
US	Existing Home Sales/MoM	Jan		5.34/-2.2		5.46/14.7	15.00	2.00
Wednesday, 24 February 2016								
US	Total Net TIC Flows	Jan				-114	20.00	7.00
JN	PPI Services YoY	Jan		0.3		0.4	23.50	10.50
AU	Skilled Vacancies MoM	Jan				0.4	0.00	11.00
AU	Wage Price Index QoQYoY	4Q	0.6/2.3	0.6/2.3		0.6/2.3	0.30	11.30
AU	Construction Work Done	4Q	-1.4	-2		-3.6	0.30	11.30
CH	Westpac-MNI Consumer Sentiment	Feb				114.9	1.45	12.45
JN	Small Business Confidence	Feb		47.1		47.2	5.00	16.00
JN	Leading Index CI	Dec F				102	5.00	16.00
UK	BBA Loans for House Purchase	Jan		44800		43975	9.30	20.30
UK	CBI Reported Sales	Feb		12		16	11.00	22.00
US	Markit US Services/Composite PMI	Feb P		53.5		53.2/53.2	14.45	1.45
US	New Home Sales/MoM	Jan		520/-4.4		544/10.8	15.00	2.00
CA	BoC's Schembri speaks in Ontario						17.35	4.35
US	Fed's Kaplan (nv) speaks in Dallas						18.15	5.15
Thursday, 25 February 2016								
NZ	Net Migration SA	Jan				5510	21.45	8.45
NZ	Finance Minister English Speaks						23.45	10.45
US	Fed's Bullard Speaks in New York						0.00	11.00
AU	Private Capital Expenditure	4Q	-4	-3		-9.2	0.30	11.30
AU	Private Capital Expenditure, First estimate 2016/17, $Abn		86.0	92.8			0.30	11.30
JN	BoJ's Kiuchi speaks in Kagoshima						1.30	12.30
NZ	New Residential Lending YoY	Jan				8.5	2.00	13.00
GE	CPI EU Harmonized MoM/YoY	Feb P		0.6/0		-0.9/0.4	13.00	0.00
GE	GfK Consumer Confidence	Mar		9.3		9.4	7.00	18.00
JN	Cabinet Office Monthly Economic Report						8.30	19.30
UK	GDP QoQ/YoY	4Q P		0.5/1.9		0.5/1.9	9.30	20.30
EC	CPI MoM/YoY	Jan		-1.4/0.4		0/0.2	10.00	21.00
EC	CPI Core YoY	Jan F		1		1	10.00	21.00
US	Fed's Lockhart to Give Opening Remarks at Banking Conference						13.15	0.15
US	Initial Jobless Claims	Feb 20		270		262	13.30	0.30
US	Durable Goods Orders/Core orders	Jan P		2.5/1		-5/-4.3	13.30	0.30
US	House Price Purchase Index QoQ	4Q				1.27	14.00	1.00
US	FHFA House Price Index MoM	Dec		0.5		0.5	14.00	1.00
US	Kansas City Fed Manf. Activity	Feb		-6		-9	16.00	3.00
US	Fed's Williams Speaks in New York						17.00	4.00
Friday, 26 February 2016								
CH	G20 Finance Ministers and Central bank Governors' meeting, Shanghai (26-27 Feb)							
NZ	Trade Balance	Jan	-1	-250		-53	21.45	8.45
JN	Natl CPI YoY	Jan		0		0.2	23.30	10.30
UK	GfK Consumer Confidence	Feb		3		4	0.05	11.05
CH	Property Prices	Jan					1.30	12.30
JN	Natl CPI Ex Fresh Food, Energy YoY	Jan		1.2		1.3	5.00	16.00
EC	Business Climate Indicator	Feb		0.27		0.29	10.00	21.00
GE	CPI MoM/YoY	Feb P		0.5/0.1		-0.8/0.5	13.00	0.00
US	Advance Goods Trade Balance	Jan		-61.3		-61.513	13.30	0.30
US	GDP Annualized QoQ	4Q S		0.4		0.7	13.30	0.30
US	Personal Income/Spending	Jan		0.4/0.3		0.3/0	15.00	2.00
US	PCE Deflator MoM/YoY	Jan		0/1		-0.1/0.6	15.00	2.00
US	PCE Core MoM/YoY	Jan		0.1/1.5		0/1.4	15.00	2.00
US	U. of Mich. Sentiment/5-10 yr inflation expectations	Feb F		91/		90.7/2.4	15.00	2.00
EC	ECB's Praet speaks on panel in NY						18.30	5.30
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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