

Dogs days are “nearly “over?”

European and US equity markets started the week in a positive tone boosted by a commodity led improvement in risk sentiment. Oil prices surged higher (Brent 5.3% to \$34.77 and WTI Oil 7.8% to \$31.94) following the IEA released of its Medium Term Oil Market Report. IEA expects the global oil market will begin rebalancing in 2017, thanks to an anticipated decline in US output over the coming year. The report also noted that “oil prices should start to rise gradually once the market begins rebalancing, however the availability of resources that can be easily and quickly tapped will limit the scope of rallies – at least in the near term”.

The surge in oil prices was also aided by comments from Russia’s oil minister saying that discussions on a deal to cap oil production levels must be completed by the end of this month. The CERAWEEK Conference (aka the Davos of the energy industry) is currently underway in Houston, so the likelihood is that we are going to get similar headlines over the coming days. However, whether a meaningful deal gets done, is still anyone’s guess Note that Saudi Arabia’s oil minister will speak tonight.

The overnight surge in commodity prices was not limited to oil, metal prices also had a good night with copper and iron ore gaining 1.1% and 6.2% respectively. The FTSE100 climbed 1.5% with mining stocks leading the way while across the Atlantic, US equity indices looks set to end the day in positive territory (all up around 1.4%) with energy and materials shares the biggest winners.

The commodity led risk on sentiment has propelled commodity currencies to the top of the G10 leader board. The AUD followed by the NZD and CAD are the top performers against the USD Over the past 24hrs. After reaching a low of 0.7070 during the New York session on Friday, the AUD is now trading at 0.7230, having traded to an overnight high of 0.7247, its highest level in over a month. A rise in commodity prices, an improvement in risk sentiment and still well anchored Fed hike expectations are the perfect combo for the AUD. Our fair value model suggests the AUD still has more upside and now a 73c handle looks well within sight.

Fears of Brexit have relegated the GBP to the bottom of the leader board, down 1.74% against the USD. Data was also not helpful with the UK CBI survey showing continued weakness in the manufacturing sector, printing on the low side of expectations (12 vs 16 prev.). The Euro was also an underperformer down 0.97% against the USD, suggesting

the market is expressing some concerns for the Euro if the UK chooses to leave the European Union. Euro-zone PMI’s also came in on the soft side of expectations with German manufacturing pulling back sharply to 50.2 from 52.3 while France’s services PMI dipped back below 50 (49.8 from 50.3).

Looking at core global yields, 10y US treasuries have remained contained within their recent 1.72%-1.78% range, up 1bps to 1.76%. 10y Bunds dipped 2.3bps to 0.174% and 10y UK Gilts fell by 2bps to 1.392%.

In other news, Fed Williams noted in an LA times interview that “the gradual pace approach” is still right. Williams decline to say whether he would support a rate increase at the March 15-16 meeting.

Coming Up

It a quiet day of data releases in Australia with the weekly consumer confidence reading the only scheduled release. RBA’s Tony Richards is speaking at a Payments System Conference, but we don’t expect any market moving comments.

In Europe, we get the German ifo survey for as well as the final Q4 GDP reading (0.3%, no change expected). The ifo survey is a helpful leading indicator of German economic activity. In January the survey showed a weakening of expectations due to a decline in export and it will be interesting to see if we see an improvement in February.

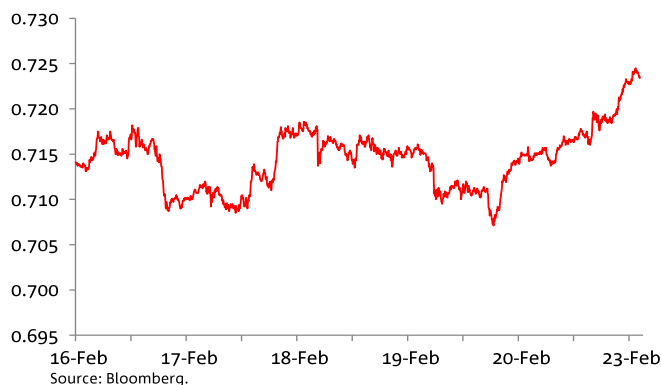
Later in the US we get Case-shiller Home Prices (Dec), Conference Board Consumer Confidence (Feb), Richmond Fed Manufact. Index (Feb) and Existing Home Sales (Jan). Consumer confidence is expected to remain elevated given the improving labour market while for existing home sales a small pay back is expected (-2.2%), after the large jump recorded in December (14.7%).

We have a busy day of central banks speakers. BoE Governor Carney testifies to lawmakers about the outlook for the UK economy and monetary policy. Later, and also in London, ECB Noy speaks at a capital conference. Finally in the US, Fed Vice Chair Fischer gives a speech on developments in monetary policy, followed by an audience Q&A.

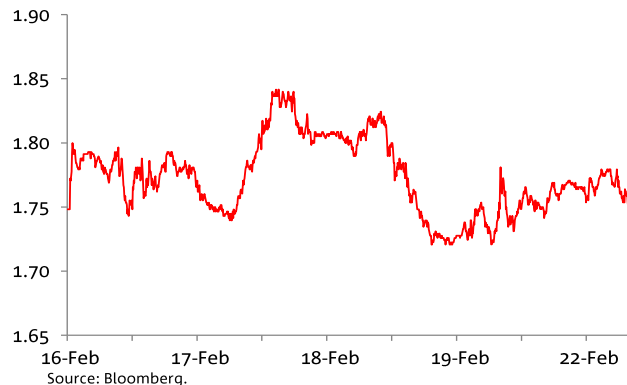
Overnight

On global stock markets, the S&P 500 was +1.30%. Bond markets saw US 10-years +1.38bp to 1.76%. On commodity markets, Brent crude oil +5.33% to \$34.77, gold-1.7% to \$1,210, iron ore +6.2% to \$51.52. AUD is at 0.7229 and the range was 0.7136 to 0.7247.

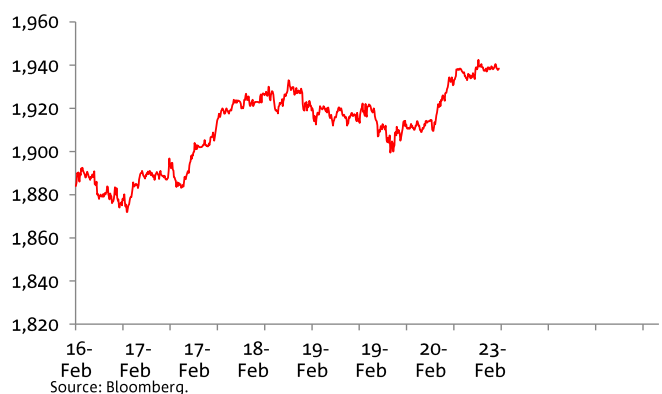
AUD/USD - past week



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	0.7234	1.2	0.7136	0.7247	HKD	7.7698 -0.1
NZD	0.6715	1.3	0.6622	0.6726	CNY	6.5218 0.0
EUR	1.1014	-1.0	1.1003	1.1135	SGD	1.3995 -0.4
GBP	1.4143	-1.8	1.4058	1.4332	IDR	13,439 -0.5
JPY	113.10	0.4	112.3600	113.3900	THB	35.75 0.0
CAD	1.3698	-0.5	1.3662	1.3813	KRW	1,234 0.0
AUD/EUR	0.6568	2.2			TWD	33.22 -0.1
AUD/JPY	81.81	1.6			PHP	47.57 0.0
AUD/GBP	0.5114	3.0			CHF	1.00 0.9
AUD/NZD	1.0773	-0.1			SEK	8.51 0.7
AUD/CNY	4.7158	2.0				

Equities

Major Indices			
	Last	% day	% y/y
Dow	16,616	+1.4	-8.4
S&P 500	1,942	+1.3	-8.0
Nasdaq	4,566	+1.4	-7.9
VIX	19	-5.8	35.2
FTSE	6,038	+1.5	-12.7
DAX	9,574	+2	-13.4
CAC 40	4,299	+1.1	-11.0
Nikkei	16,111	+0.9	-12.8
Shanghai	2,927	+2.3	-9.8
Hang Seng	19,464	+0.9	-21.6
ASX 200	5,001	+1	-15.3

Commodities*

	Last	% day
Oil (Brent)	34.77	5.3
Oil (WTI)	31.94	7.8
Oil (Tapis)	35.09	-1.5
Gold	1209.90	-1.7
CRB	163.27	2.3
GS Metals	254.5	1.7
Aluminium	1552	2.3
Copper	4628	1.0
Nickel	8563	2.8
Zinc	1742	2.8
Ch. steel	1950	0.8
Iron ore	51.5	6.2
Coal	50.3	-0.4
Wheat Chic.	464.8	-0.4
Sugar	12.61	0.7
Cotton	58.58	-2.4
Coffee	120.8	3.6

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.62	0.81	1.61	USD 10	1.76	0.01
AUD	2.00	2.28	2.02	2.60	AUD 10	2.45	0.02 0.70
NZD	2.50	2.59	2.50	3.18	NZD 10	3.08	0.02 1.32
EUR	0.05	0.06	-0.18	0.55	CAD 10	1.14	0.02 -0.62
GBP	0.50	0.59	0.77	1.40	EUR 10	0.18	-0.03 -1.58
JPY	-0.01	0.00	-0.15	0.14	GBP 10	1.39	-0.02 -0.36
CAD	0.50	1.17	0.72	1.38	JPY 10	-0.01	-0.02 -1.76

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.75	0.00
3 Yr bond	98.19	-0.01
10 Yr bond	97.54	-0.02
3/10 sprd	0.65	0.00
SPI	26.0	0.5

CO ₂ Emissions - Euros		
	Last	% day
Jun-2016	5.41	4.8
Dec-2016	5.42	4.8
Jun-2017	5.45	4.8

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
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
US	Fed's Bullard Speaks in New York						0.00	11.00
Thursday, 25 February 2016								
NZ	Net Migration SA	Jan				5510	21.45	8.45
NZ	Finance Minister English Speaks						23.45	10.45
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	-270.5		-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		-61.5/13	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
US	Fed's Powell discussed Fed Communication at NY						15.15	2.15
US	Fed's Brainard speaks on International Policy Synchronisation						18.30	5.30
EC	ECB's Praet speaks on panel in NY						18.30	5.30
Monday, 29 February 2016								
NZ	Building Permits MoM	Jan				2.3	21.45	8.45
JN	Industrial Production MoM/YoY	Jan P		/		-1.7/-1.9	23.50	10.50
JN	Retail Trade YoY/YoY	Jan		/		-1.1/-0.2	23.50	10.50
AU	Melbourne Institute Inflation MoM/YoY	Feb		/		0.4/2.3	0.00	11.00
NZ	ANZ Activity Outlook	Feb				34.4	0.00	11.00
NZ	ANZ Business Confidence	Feb				23.0	0.00	11.00
UK	Lloyds Business Barometer	Feb				45.0	0.10	11.10
AU	Inventories SA QoQ	4Q				0.1	0.30	11.30
AU	Company Operating Profit QoQ	4Q				1.3	0.30	11.30
AU	Private Sector Credit MoM/YoY	Jan		/		0.5/6.6	0.30	11.30
NZ	Money Supply M3 YoY	Jan				8.1	2.00	13.00
UK	Mortgage Approvals	Jan				70.8	9.30	20.30
EC	CPI Estimate YoY/YoY	Feb		/1		0.4/1.0	10.00	21.00
CA	Current Account Balance	4Q				-16.2	13.30	0.30
CA	Industrial Product Price MoM	Jan				-0.2	13.30	0.30
CA	Raw Materials Price Index MoM	Jan				-5.0	13.30	0.30
US	ISM Milwaukee	Feb				50.4	14.00	1.00
US	Chicago Purchasing Manager	Feb		53.8		55.6	14.45	1.45
CA	Bloomberg Nanos Confidence	Feb 19				52.1	15.00	2.00
US	Pending Home Sales MoM/YoY	Jan		0.9/		0.1/3.1	15.00	2.00
US	Dallas Fed Manf. Activity	Feb		-30		-34.6	15.30	2.30
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

Contact Details

Authors

David de Garis
Senior Economist
+61 3 8641 3045
david.degaris@nab.com.au

Ray Attrill
Global Co-Head of FX Strategy
+61 2 9237 1848
ray.attrill@nab.com.au

Rodrigo Catril
Currency Strategist
+61 2 9293 7109
rodrigo.h.catril@nab.com.au

Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406
peter.jolly@nab.com.au

Group Economics

Alan Oster
Chief Economist
+61 3 8634 2927
alan_oster@national.com.au

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.