

You've lost that loving feeling

After the S&P 500 had, as of Tuesday, recovered all of the losses suffered during the first half of February - a rally of some 7.5% - risk markets have turned turtle overnight despite some reassuring words on monetary policy from both the Fed and Bank of England. Heading into the close of the NYSE, all the major indices are down over 1%, US Treasury yields are slightly lower across the curve, and in currencies the 'safe-haven' Yen and Swiss Franc top the G10 leader board. Sterling again sits firmly at the bottom as 'Brexit' concerns continue to dominate sentiment. Not too far behind sit the commodity currency triumvirate that is AUD, NZD and CAD, all of which have suffered on the sight of a 5% drop in oil prices as earlier (false?) optimism about OPEC production freezes has all but evaporated.

One other notable feature of the currency landscape is that the Euro is no longer proving to be a beneficiary of safe haven flows/unwinding of EUR-funded 'carry trades', with the prospect of UK 'Brexit' seen to be an almost equally bad news story for the EU (risk of wider fragmentation were the UK to vote to leave). A relatively poor German IFO survey also didn't help the Euro's cause, with the business climate reading down to 105.7 from 107.3 (106.8 expected) and Expectations dropping to 98.8 from 102.3 (101.6 expected).

The first opinion polls since the referendum was called for 23 June and after London Mayor Boris Johnson declared for the 'leave' side, are keenly awaited and should arrive by the weekend. Sterling will either snap back quite sharply, or suffer another lurch lower, depending on what they reveal.

Behind the renewed oil price drop are comments from Saudi Arabia's Oil Minister Ali Al-Naimi - in Houston attending the big energy industry conference - that the country wouldn't cut oil production as other countries would be unlikely to assist in restraining output, albeit he mentioned the proposed "freeze" at current production levels is the "beginning of the process". Earlier, Iran's Oil Minister said that it was "ridiculous" for Saudi Arabia to propose a production freeze when that country had already increased output. With the exception of tin and iron ore (the latter holding recent strong gains to be little changed at \$51.60 for the China import benchmark) industrial metals prices are all weaker by at least 1%.

Significant Fed speak overnight came from recently installed Dallas Fed president Robert Kaplan, who told the Financial Times that "In order to reach our inflation objective we may need to be more patient than we previously might have thought," he said. "If that means we take an extended

period of time where we stop and don't move, that may also be necessary". Fed Vice-Chair Stanley Fisher is due to speak in Houston in just over 5 hours' time (see 'Coming Up'). Kaplan's comments were preceded by data showing the Conference Board's consumer confidence index dropping to 92.2 from 97.8, below the 97.2 consensus though the survey date was right at the (11 Feb) stock market nadir.

Bank of England Governor Mark Carney, together with new MPC recruit Jan Vlieghe, testified to a Treasury select committee yesterday and implied the Bank had plenty of ammunition left in its arsenal should the UK economic outlook worsen. "We could cut interest rates towards zero. We could engage in additional asset purchases, including a variety of assets," Mr Carney said, while also saying that negative interest rates were not under consideration.

Vlieghe, meanwhile, said that "I have to say that I have relatively little tolerance for further downside surprises and should downside surprises continue then I think we will get relatively quickly to a point where I would find it appropriate to respond to it."

Coming Up

The ABS wage price index for the December quarter is due. NAB expects a repeat of 0.6% growth, resulting in annual growth of 2.3% and still subdued enough to point to muted upward pressure on business costs and prices. To the extent that the wage price index shows signs of stability, that would also be consistent with labour market trends through last year which reflected some overall net improvement.

Also due is Construction Work Done. NAB expects a decline of 1.4% for the quarter, somewhat better than last quarter's decline of 3.6%. (The market consensus is -2% and we would not quibble with that estimate either).

Neither of the releases is as significant as Thursday's Capex report. Nor will they be as potentially market sensitive as a speech from Fed Vice-Chair Stanley Fisher at the energy industry conference underway in Houston. This is slated for 12:30AEDT and an audience Q&A is scheduled. New Home Sales and the Markit services/composite PMIs are the main US economic release tonight.

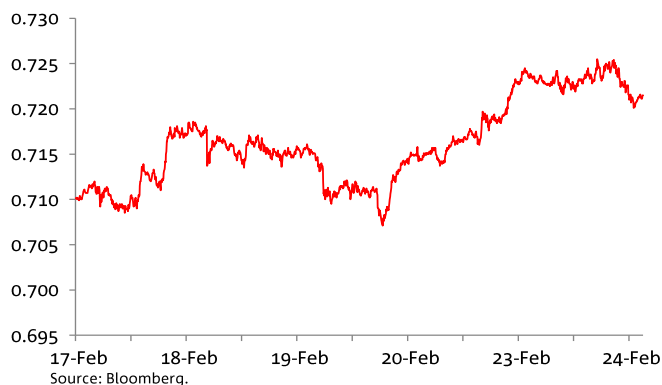
Overnight

On global stock markets, the S&P 500 is currently -1.10%. Bond markets saw US 10-years -0.86bp to 1.74%. On commodity markets, Brent crude oil -4.15% to \$33.25, gold+1.1% to \$1,222, iron ore +0.2% to \$51.60. AUD is at 0.7216 and the range has been 0.7200 to 0.7259.

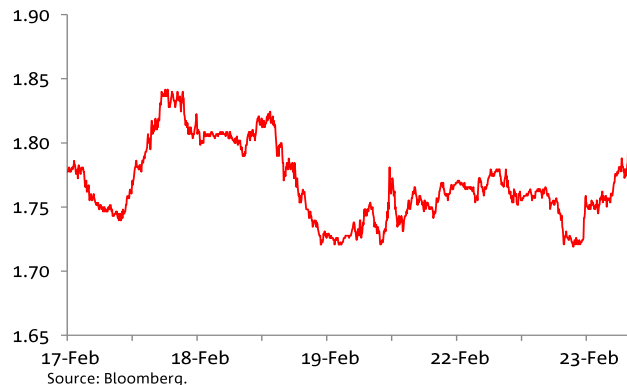
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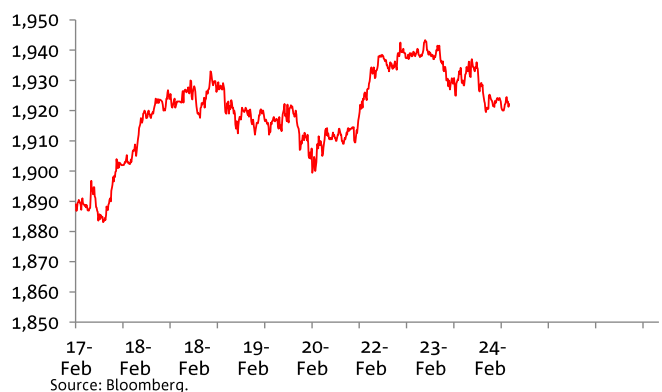
AUD/USD - past week



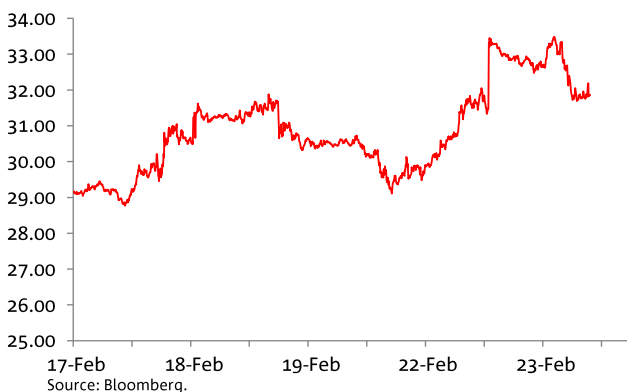
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

Indicative 24hr ranges (**)					Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7216	-0.2	0.7200	0.7259	HKD	7.7685 0.0
NZD	0.6668	-0.5	0.6648	0.6715	CNY	6.5272 0.1
EUR	1.1010	-0.2	1.0990	1.1053	SGD	1.4065 0.5
GBP	1.4017	-0.9	1.4012	1.4156	IDR	13,428 -0.1
JPY	112.05	-0.8	111.7800	113.0500	THB	35.73 -0.1
CAD	1.3759	0.4	1.3695	1.3821	KRW	1,231 -0.3
AUD/EUR	0.6555	0.0			TWD	33.37 0.4
AUD/JPY	80.85	-0.9			PHP	47.61 0.1
AUD/GBP	0.5149	0.8			CHF	0.99 -0.7
AUD/NZD	1.0822	0.3			SEK	8.49 -0.2
AUD/CNY	4.7159	0.0				

Equities

Major Indices			
	Last	% day	% y/y
Dow	16,434	-1.1	-9.3
S&P 500	1,925	-1.1	-8.8
Nasdaq	4,513	-1.3	-9.0
VIX	21	+6.4	41.6
FTSE	5,962	-1.2	-13.7
DAX	9,417	-1.6	-15.4
CAC 40	4,238	+0.1	-12.8
Nikkei	16,052	-0.4	-13.7
Shanghai	2,903	-0.8	-10.6
Hang Seng	19,415	-0.3	-21.6
ASX 200	4,980	-0.4	-16.0

Commodities*

	Last	% day
Oil (Brent)	33.25	-4.2
Oil (WTI)	31.86	-4.6
Oil (Tapis)	35.60	1.5
Gold	1222.30	1.1
CRB	160.44	-1.4
GS Metals	258.5	1.6
Aluminium	1549	-1.8
Copper	4652	-1.1
Nickel	8593	-1.9
Zinc	1735	-2.5
Ch. steel	1919	-1.1
Iron ore	51.6	0.2
Coal	50.3	0.0
Wheat Chic.	455.8	-1.8
Sugar	14.00	11.0
Cotton	58.17	0.7
Coffee	119.3	-1.1

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.62	0.80	1.60	USD 10	1.74	-0.01
AUD	2.00	2.28	2.02	2.59	AUD 10	2.42	-0.04 0.68
NZD	2.50	2.61	2.48	3.15	NZD 10	3.05	0.00 1.31
EUR	0.05	0.06	-0.19	0.55	CAD 10	1.15	0.03 -0.59
GBP	0.50	0.59	0.78	1.42	EUR 10	0.18	0.01 -1.56
JPY	-0.01	-0.01	-0.14	0.14	GBP 10	1.43	0.04 -0.31
CAD	0.50	1.17	0.74	1.36	JPY 10	0.00	0.01 -1.74

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.74	-0.01
3 Yr bond	98.2	-0.03
10 Yr bond	97.55	0.02
3/10 sprd	0.65	-0.05
SPI	-24.0	-0.5

CO₂ Emissions - Euros

	Last	% day
Jun-2016	4.90	-9.4
Dec-2016	4.91	-9.4
Jun-2017	4.93	-9.5

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
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
US	Fed's Fischer (v) speaks in Houston						1:30	12:30
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	Jan F		/		-0.9/0.4	#VALUE!	#VALUE!
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		2.6/1		-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		-61.25		-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		0/1.1		-0.1/0.6	15.00	2.00
US	PCE Core MoM/YoY	Jan		0.2/1.5		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				53.5	15.00	2.00
US	Pending Home Sales MoM/YoY	Jan		1/		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%		

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