

Dollar dumped on Dudley, data

There's still two hours to go until the New York close, but foreign exchange markets are having their biggest night of the year so far. The dollar has been dumped quite unceremoniously and across the board. In G10, four currencies have posted gains in excess of 2% since the start of yesterday's APAC session: NZD (+2.6%), JPY (2.3%), NOK (+2.1%) and AUD (2.1%). No currency has gained by less than 1.5% - that dubious honour bestowed on the British Pound. That this is a very broad-based US dollar sell-off encompassing all major currencies and most emerging market ones, is shown by the fact that the currencies of only six of the 31 countries comprising Bloomberg's 'Expanded Majors' currency tables are weaker over the past 24 hours: S.Korea (-1%), Indonesia (-0.6%), Taiwan (-0.5%), Malaysia (-0.3%), Argentine (-0.2%) and India (-0.1%). In index terms, the narrow DXY is -1.8% as we type and Bloomberg's broader BBDXY index down by 1.6%.

Since deepening US growth concern are the proximate cause of this dollar capitulation (see below) it might surprise some to see oil prices more than \$2 higher - despite another bigger than expected build in oil inventories reported by the EIA. It seems pretty clear than on this occasion, it is the weaker dollar (that makes oil cheaper for non-US dollar based purchasers) that has driven the bounce.

Equities were in a sea of red throughout Asia and Euro, but US stocks are more mixed headed into the close with the Dow and S&P500 currently up 0.5% on the day. Doubtless the weaker dollar and the latest Fed mood-music emanating from NY Fed President Dudley (through sounding more like the screeches from an amateur violinist) - are relevant here. In bonds, 2-year German yields have fallen below 0.5% for the first time while the US treasury curve has actually undertaken a mild bear steepening (2s +1bps and 10s +3bps).

Dudley came before the data. Broadcast around 08:15 NY time via Market News International (MNI) choice quotes included:

"One thing I think we can say with more confidence is that financial conditions are considerably tighter than they were at the time of the December meeting.....so if those financial conditions were to remain in place by the time we get to the March meeting, we would have to take that into consideration in terms of that monetary policy decision."

And then:

"On the one hand, you look at the U.S. and you say the direct effect of that to the U.S. is pretty limited, but

obviously if the global economy were to take a significant downturn, or if all this pressure were to lead to a significant appreciation of the dollar, then it could have significant consequences back to the U.S."

Less than two hours later, the US non-manufacturing ISM (PMI) came in almost two points below consensus at 53.5 (from 55.3 previously and 55.1 expected). This included a fall in the employment sub-index to 52.1 from 56.3. It was last lower in April 2014. The earlier ADP employment reading came in 205k, just above the current 190k consensus for Friday's non-farm payrolls. Forecast for the latter might now being revised down after the ISM.

Coming Up

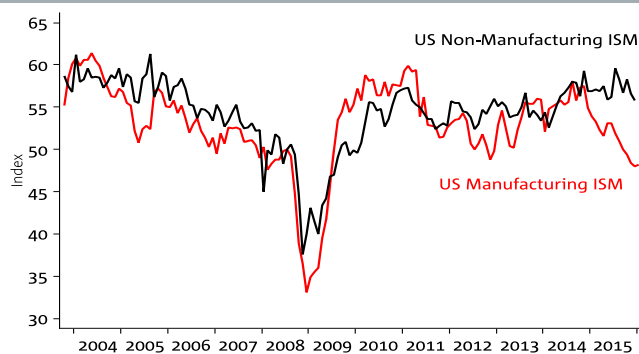
A bit of a lull in the data flow ahead of US payrolls tomorrow. RBNZ assistant governor John McDermott speaks in Sydney at 09:30 AEST, and NAB's quarterly business survey is due at 11:30 AEST.

Offshore, the BoE hands down its latest policy decision, together with the immediate release of the Minutes and the Quarterly Inflation Report. This comes at a time when the UK money market has started to price in the possibility of the next moves on rates being a cut (there is currently about 9bp of easing priced into the OIS curve over the coming 12 months). The US calendar is confined to weekly jobless claims and factory goods orders. More interest will be in speeches from the Fed's Rosengren and Kaplan.

Overnight

On global stock markets, the S&P 500 is +0.50%. Bond markets sees US 10-years +3.3bp to 1.88%. On commodity markets, Brent crude oil +7.12% to \$35.05, gold+1.0% to \$1,139, iron ore +1.8% to \$44.63. AUD is at 0.7175 and the range has been 0.7003 to 0.7189.

Chart of the day – US ISMs

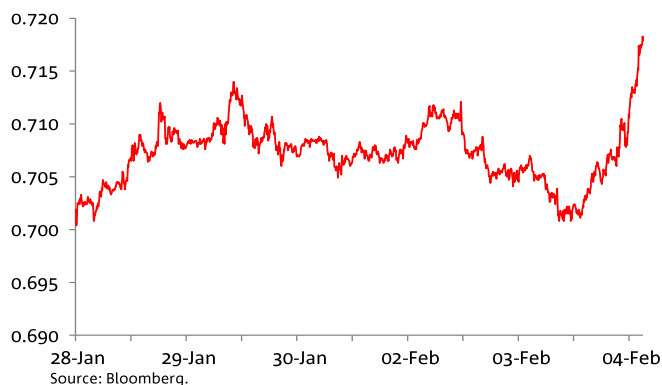


Source: National Australia Bank, Macrobond

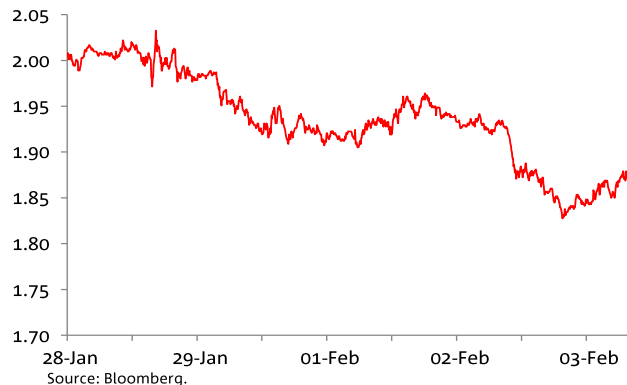
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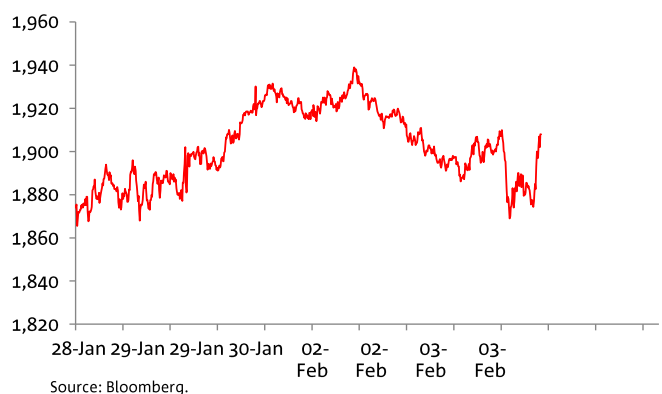
AUD/USD - past week



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	0.7176	1.9	0.7003	0.7189	HKD	7.7933 -0.1
NZD	0.6679	2.5	0.6509	0.6698	CNY	6.5770 0.0
EUR	1.1081	1.5	1.0904	1.1146	SGD	1.4131 -1.1
GBP	1.4597	1.3	1.4384	1.4649	IDR	13,770 0.6
JPY	117.96	-1.7	117.06	120.04	THB	35.72 -0.3
CAD	1.3782	-1.9	1.3782	1.4103	KRW	1,219 1.0
AUD/EUR	0.6476	0.5			TWD	33.58 0.5
AUD/JPY	84.65	0.2			PHP	47.86 0.2
AUD/GBP	0.4917	0.7			CHF	1.01 -1.2
AUD/NZD	1.0744	-0.6			SEK	8.45 -1.2
AUD/CNY	4.6597	0.5				

Equities

Major Indices			
	Last	% day	% y/y
Dow	16,378	+1.4	-7.3
S&P 500	1,911	+0.4	-6.8
Nasdaq	4,521	+0.1	-4.4
VIX	22	-0.8	25.9
FTSE	5,837	-1.4	-15.1
DAX	9,435	-1.5	-13.4
CAC 40	4,227	-0.8	-9.6
Nikkei	17,191	-3.2	-2.8
Shanghai	2,739	-0.4	-13.7
Hang Seng	18,992	-2.3	-23.0
ASX 200	4,877	-2.3	-15.6

Commodities*

	Last	% day
Oil (Brent)	35.05	7.1
Oil (WTI)	32.31	8.1
Oil (Tapis)	34.60	-1.4
Gold	1138.60	1.0
CRB	164.19	2.5
GS Metals	248.6	-0.4
Aluminium	1527	1.5
Copper	4641	1.9
Nickel	8489	1.4
Zinc	1697	1.3
Ch. steel	1844	1.4
Iron ore	44.6	1.8
Coal	50.5	0.1
Wheat Chic.	483.8	0.8
Sugar	12.89	-0.8
Cotton	61.94	-0.6
Coffee	121.6	1.4

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.62	0.79	1.74	USD 10	1.88	0.04
AUD	2.00	2.28	2.04	2.73	AUD 10	2.52	-0.10 0.64
NZD	2.50	2.66	2.62	3.32	NZD 10	3.09	-0.01 1.20
EUR	0.05	0.06	-0.20	0.63	CAD 10	1.16	0.04 -0.72
GBP	0.50	0.59	0.77	1.53	EUR 10	0.28	-0.03 -1.61
JPY	0.09	0.04	-0.08	0.25	GBP 10	1.53	-0.01 -0.35
CAD	0.50	1.17	0.70	1.55	JPY 10	0.07	-0.02 -1.82

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.80	-0.01
3 Yr bond	98.16	-0.05
10 Yr bond	97.42	-0.02
3/10 sprd	0.74	-0.03
SPI	34.0	0.7

CO₂ Emissions - Euros

	Last	% day
Jun-2016	5.62	-3.4
Dec-2016	5.64	-3.4
Jun-2017	5.67	-3.4

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
Thursday, 4 February 2016								
NZ	RBNZ Assistant Governor John McDermott speaks (from Sydney) "Forward Guidance – Enhancing Monetary Policy in New Zealand"						22.30	9.30
AU	NAB Business Confidence (Quarterly survey)	4Q				0.47	0.30	11.30
AU	NAB Online Retail Sales Index MoM/YoY	Dec				0.7%/11.4%	0.30	11.30
GE	Markit Germany Construction PMI	Jan				55.5	8.30	19.30
UK	New Car Registrations YoY	Jan				8.4	9.00	20.00
EC	ECB Publishes Economic Bulletin						9.00	20.00
UK	Bank of England Bank Rate	Feb 4		0.5		0.5	12.00	23.00
UK	BOE Asset Purchase Target	Feb		375		375	12.00	23.00
UK	Bank of England Inflation Report						12.00	23.00
US	Challenger Job Cuts YoY	Jan				-27.6	12.30	23.30
US	Nonfarm Productivity	4Q P		-2		2.2	13.30	0.30
US	Initial Jobless Claims	Jan 30		276.5		278	13.30	0.30
US	Bloomberg Consumer Comfort	Jan 31				44.6	14.45	1.45
US	Factory Orders	Dec		-2.8/		-0.2/-0.3	15.00	2.00
US	Factory Orders Ex Trans	Dec				-0.3	15.00	2.00
US	Durable Goods Orders	Dec F		-4.5		-5.1	15.00	2.00
Friday, 5 February 2016								
AU	AiG Perf of Construction Index	Jan				46.8	22.30	9.30
AU	Retail Sales MoM	Dec		0.6	0.4	0.4	0.30	11.30
AU	Retail Sales Ex Inflation QoQ	4Q		1.0	0.9	0.6	0.30	11.30
AU	RBA Statement on Monetary Policy						0.30	11.30
JN	Leading Index CI	Dec P		102.7		103.5	5.00	16.00
GE	Factory Orders MoM	Dec		-0.5		1.5	7.00	18.00
US	Trade Balance	Dec		-43.2		-42.37	13.30	0.30
US	Change in Nonfarm Payrolls/Unemployment rate	Jan		190/5		292/5	13.30	0.30
US	Average Hourly Earnings MoM/YoY	Jan		0.3/2.2		0/2.5	13.30	0.30
CA	Net Change in Employment/Unemployment rate	Jan		6.05/7.1		22.8/7.1	13.30	0.30
CA	Int'l Merchandise Trade	Dec		-2.215		-1.99	13.30	0.30
CA	Ivey Purchasing Managers Index SA	Jan		49.75		49.9	15.00	2.00
US	Consumer Credit	Dec		16		13.951	20.00	7.00
Sunday, 7 February 2016								
CH	Foreign Reserves	Jan				3330		
Monday, 8 February 2016								
JN	BoP Current Account Adjusted	Dec				1423.5	23.50	10.50
AU	ANZ Job Advertisements MoM	Jan				-0.1	0.30	11.30
JN	Labor Cash Earnings YoY	Dec				0	1.30	12.30
JN	Real Cash Earnings YoY	Dec				-0.4	1.30	12.30
JN	Bankruptcies YoY	Jan				1.89	4.30	15.30
JN	Eco Watchers Survey Current/Outlook	Jan				48.7/48.2	6.00	17.00
GE	Industrial Production SA MoM/YoY	Dec		/		-0.3/0.1	7.00	18.00
EC	Sentix Investor Confidence	Feb				9.6	9.30	20.30
CA	Housing Starts/Building permits	Jan				172.965/-19.6	13.15	0.15
CA	Bloomberg Nanos Confidence	Jan 29				52.1	15.00	2.00
US	Labor Market Conditions Index Change	Jan				2.9	15.00	2.00
Tuesday, 9 February 2016								
NZ	ANZ Truckometer Heavy MoM	Jan				2.6	21.00	8.00
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jan 31				112.2	22.30	9.30
NZ	QV House Prices YoY	Jan				14.2	23.00	10.00
AU	HIA New Home Sales MoM	Dec				-1.8	0.00	11.00
AU	NAB Business Conditions/Confidence	Jan				7/3	0.30	11.30
JN	Machine Tool Orders YoY	Jan P				-25.7	6.00	17.00
GE	Trade Balance	Dec				20.6	7.00	18.00
GE	Current Account Balance	Dec				24.7	7.00	18.00
GE	Exports SA MoM	Dec				0.4	7.00	18.00
GE	Imports SA MoM	Dec				1.6	7.00	18.00
UK	Visible Trade Balance GBP/Mn	Dec				-10642	9.30	20.30
UK	Trade Balance Non EU GBP/Mn	Dec				-2450	9.30	20.30
UK	Trade Balance	Dec				-3170	9.30	20.30
US	NFIB Small Business Optimism	Jan		94		95.2	11.00	22.00
US	JOLTS Job Openings	Dec				5431	15.00	2.00
US	Wholesale Inventories MoM	Dec		-0.2		-0.3	15.00	2.00
US	Wholesale Trade Sales MoM	Dec				-1	15.00	2.00
Wednesday, 10 February 2016								
NZ	Card Spending Retail MoM/YoY	Jan				-0.2/0.1	21.45	8.45
AU	Westpac Consumer Conf Index	Feb				97.3/-3.5	23.30	10.30
UK	Industrial Production MoM/YoY	Dec		/		-0.7/0.9	9.30	20.30
UK	Manufacturing Production MoM	Dec		/		-0.4/-1.2	9.30	20.30
US	MBA Mortgage Applications	Jan 29				8.8	12.00	23.00
CH	Aggregate Financing CNY	Jan				1820		
CH	Money Supply M2 YoY	Jan		13.4		13.3		
CH	Money Supply M1 YoY	Jan		14.8		15.2		
CH	Money Supply Mo YoY	Jan				4.9		
CH	New Yuan Loans CNY	Jan		1900		597.8		
UK	NIESR GDP Estimate	Jan				0.6	15.00	2.00
US	Fed's Yellen to Appear Before House Financial Services Committee						15.00	2.00
US	Fed's Williams Speaks on Health and the Economy in LA						18.30	5.30
US	Monthly Budget Statement	Jan		1.5		-14.4	19.00	6.00
Upcoming Central Bank Interest Rate Announcements								
UK	BOE	4-Feb				0.50%		
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%		
US	Federal Reserve	17-Mar				0.25-0.50%		

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

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