

Carnage

Yeap, the heading says it all. We had a brutal price action overnight with risk assets hammered while safe haven assets were bid. There was no clear catalyst for the sell-off, however market uncertainty has remained high. Question marks still remain over China's ability to control its currency, even though the fall in FX reserves released over the weekend was smaller than expected. Central banks' ability to stem the rot has also been questioned, the BoJ move into negative territory has not had a lasting effect and this lack of belief was little help by the Bank's release of "summary of opinions" from its last policy meeting. The comments revealed that some members within the committee feared negative rates could backfire as financial institutions worried about the risk of further cuts with one member noting that the BoJ's introduction of negative rates could "lead to a competition with other central banks in other countries". To this point, a few hours ago SNB's Jordan was quoted saying that the current -0.75% rate could go "lower than where we are now".

Equity markets on both side of the Atlantic fell between 2% and 4.7% led by sharp drops in banks as well as industrial shares in Europe and materials in the US. In Europe Deutsche bank and Commerzbank shares both tumbled by 9.5% dragging the DAX down to 3.3%. The DAX is now officially in bear market territory, down 21% from its late November high. In the US, Goldman Sachs and Morgan Stanley were also hit hard (down over 5%) while shares in construction materials dropped below 6%.

In bond markets, core global bond yields have moved sharply lower. Relative to Sydney's closing levels, 10y UST yields are down 13bps to 1.73% while the curve has flattened with the 2y10y slope down 5.2bps to 107bps while the 5y30 curve is 2bps lower at 140.8bps. In Europe, 10y Bunds ended the day 7.8bps lower at 0.216%, Italian and Spanish 10y yields closed 12bps and 10bps higher at 1.675% and 1.744% respectively and 10y yields in Greece jumped a whopping 61.8bps to 9.947%.

Looking at currencies, not surprisingly the JPY sits at the top of the leader, up 1.17% against the USD. Somewhat surprising and showing some resilience in a risk off environment, the AUD is second up 0.33% while the NOK and GBP are at the biggest losers, down 0.4 and 0.6% respectively.

In commodities, Brent and WTI oil fell just over 3% to be at \$32.89 and \$29.9 respectively. The LMEX index lost another

1.74% and iron ore is practically unchanged at \$45.7. Gold gained 3.3% and is currently trading at \$1196.2.

Coming Up

This morning in Australia we get the NAB Business survey for January. In December both business conditions and confidence remained above average, however relative to November both indices were a little bit softer. Conditions fell from 10 to 7 while confidence dropped from 5 to 3.

The December survey was run in early January and at the time we had heightened concerns over the global economic outlook triggered by China's CNY devaluation which was further compounded by renewed weakness in oil and sharp falls in equity markets. The January survey was run late in month into early February and while still volatile the global outlook was a little bit brighter thanks to: 1) a stable CNY 2) hints of potential easing by the ECB and 3) the BoJ move into negative territory. Domestically, data releases held up OK in January, retail sales were soft but the labour force report was better than expected. That said, uncertainty over the global outlook was still prevalent and as such it is hard to imagine a rebound in the survey in January.

In terms of monetary policy, no doubt the RBA would have noted the December ease back in business conditions from its +10 reading in November. Looking ahead, and as our economist Tapas Strickland has noted, it will be crucial to watch business conditions remain above average (+1 since 1989) in order for them to support the RBA's assessment of firming "reasonable" prospects in the domestic economy.

In offshore markets, Japan releases its preliminary January reading for machine tool orders and in Europe German industrial production is the main release for the day.

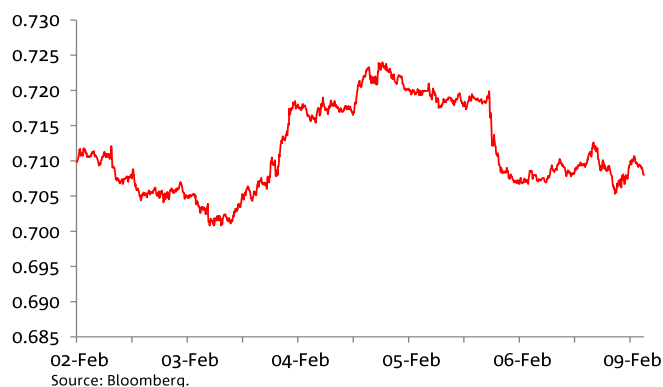
The NFIB Small Business Survey for January is released in the US and the soft print in the hiring intentions component released last week suggests the headline index will dip to 94.5 from 95.2. We also get the JOLTS survey where the number of hiring is expected to have remained unchanged, but still at elevated levels. Wholesale inventories (Dec) are also due and with stockpiles growing at a greater pace than sales another soft print is expected (-0.1% vs -0.33% prev).

Overnight

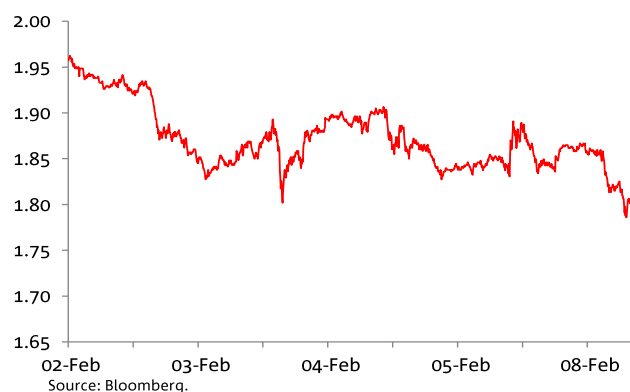
On global stock markets, the S&P 500 was -2.50%. Bond markets saw US 10-years -10.11bp to 1.73%. On commodity markets, Brent crude oil -3.44% to \$32.89, gold +3.3% to \$1,196, iron ore +0.5% to \$45.73. AUD is at 0.7086 and the range was 0.7051 to 0.7129.

Markets

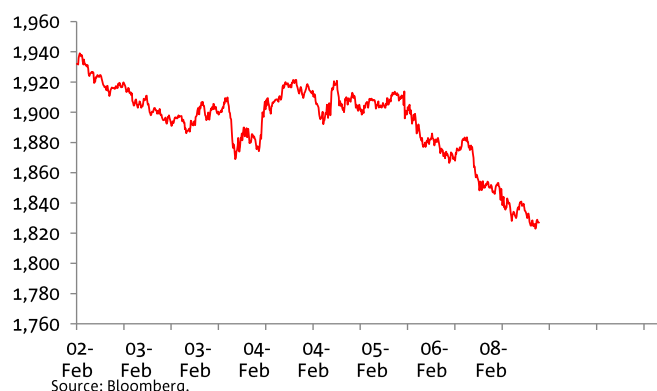
AUD/USD - past week



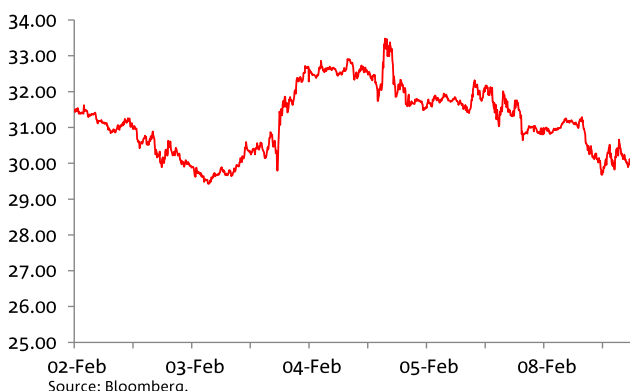
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

Indicative 24hr ranges (**)					Other FX		
	Last	% chge	Low	High		Last	% chge
AUD	0.7086	0.3	0.7051	0.7129	HKD	7.7922	0.0
NZD	0.6620	-0.1	0.6593	0.6660	CNY	6.5743	0.1
EUR	1.1208	0.4	1.1087	1.1216	SGD	1.4042	-0.3
GBP	1.4439	-0.4	1.4352	1.4547	IDR	13,597	-0.2
JPY	115.43	-1.2	115.18	117.53	THB	35.53	-0.2
CAD	1.3930	0.1	1.3841	1.3978	KRW	1,204	0.6
AUD/EUR	0.6322	-0.2			TWD	33.32	0.4
AUD/JPY	81.79	-1.0			PHP	47.75	0.2
AUD/GBP	0.4907	0.6			CHF	0.99	-0.6
AUD/NZD	1.0703	0.3			SEK	8.44	-0.2
AUD/CNY	4.6470	-0.5					

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprrd
USD	0.50	0.62	0.77	1.67	USD 10	1.74	-0.09	
AUD	2.00	2.28	1.98	2.59	AUD 10	2.59	0.04	0.85
NZD	2.50	2.68	2.57	3.24	NZD 10	3.15	0.01	1.40
EUR	0.05	0.06	-0.16	0.58	CAD 10	1.05	-0.08	-0.69
GBP	0.50	0.59	0.76	1.44	EUR 10	0.22	-0.08	-1.52
JPY	0.08	0.03	-0.16	0.16	GBP 10	1.41	-0.15	-0.33
CAD	0.50	1.17	0.65	1.43	JPY 10	0.05	0.02	-1.70

Equities

Major Indices

	Last	% day	% y/y
Dow	15,914	-1.8	-10.7
S&P 500	1,841	-2.1	-10.4
Nasdaq	4,246	-2.7	-10.5
VIX	27	+14.6	54.9
FTSE	5,689	-2.7	-17.0
DAX	8,979	-3.3	-17.2
CAC 40	4,066	-2.7	-13.3
Nikkei	17,004	+1.1	-4.0
Shanghai	2,763	-0.6	-10.2
Hang Seng	19,288	+0.5	-21.8
ASX 200	4,975	0.0	-14.4

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.78	0.00
3 Yr bond	98.23	0.08
10 Yr bond	97.54	0.11
3/10 sprd	0.69	-0.03
SPI	-81.0	-1.6

Commodities*

	Last	% day
Oil (Brent)	32.92	-3.3
Oil (WTI)	29.93	-3.1
Oil (Tapis)	36.16	-2.7
Gold	1196.20	3.3
CRB	160.58	-0.8
GS Metals	249.9	-2.0
Aluminium	1495	-2.6
Copper	4635	-1.2
Nickel	8128	-4.5
Zinc	1676	-2.3
Ch. steel	1842	0.0
Iron ore	45.7	0.5
Coal	51.5	-0.2
Wheat Chic.	463.0	-1.6
Sugar	13.45	1.4
Cotton	59.60	-0.6
Coffee	115.8	-3.9

CO₂ Emissions - Euros

	Last	% day
Jun-2016	5.23	-5.6
Dec-2016	5.25	-5.7
Jun-2017	5.28	-5.7

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
Tuesday, 9 February 2016								
NZ	ANZ Truckometer Heavy MoM	Jan				2.6	21.00	8.00
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Feb 7				111.2	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	Current Account Balance	Dec		26.7		24.7	7.00	18.00
FR	IEA Oil Market report	Feb					9.00	20.00
UK	Trade Balance	Dec		-3000		-3170	9.30	20.30
US	NFIB Small Business Optimism	Jan		94.5		95.2	11.00	22.00
US	JOLTS Job Openings	Dec		5350		5431	15.00	2.00
US	Wholesale Inventories MoM	Dec		-0.1		-0.3	15.00	2.00
Wednesday, 10 February 2016								
NZ	Card Spending Retail MoM/YoY	Jan	0.3	0.3		-0.2/0.1	21.45	8.45
AU	Westpac Consumer Conf Index	Feb				97.3/-3.5	23.30	10.30
AU	HIA new home sales	Dec				-1.8	0.00	11.00
AU	NAB Commercial Property Survey	Q4					0.30	11.30
UK	Industrial Production MoM/YoY	Dec		-0.1/1		-0.7/0.9	9.30	20.30
CH	Agg Financing CNY (these released from 10/2)	Jan		2200		1820		
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		22.8		-14.4	19.00	6.00
Thursday, 11 February 2016								
NZ	BusinessNZ Manufacturing PMI	Jan				56.7	21.30	8.30
AU	Consumer Inflation Expectation	Feb				3.6	0.00	11.00
UK	RICS House Price Balance	Jan		52		50	0.10	11.10
AU	NAB SME Business Survey	Q4					0.30	11.30
US	Initial Jobless Claims	Feb 6		280		285	13.30	0.30
CA	New Housing Price Index MoM	Dec		0.2		0.2	13.30	0.30
CA	New Housing Price Index YoY	Dec				1.6	13.30	0.30
US	Bloomberg Consumer Comfort	Feb 7				44.2	14.45	1.45
US	Fed's Yellen to Appear Before Senate Banking Committee						15.00	2.00
Friday, 12 February 2016								
NZ	Food Prices MoM	Jan	1.3			-0.8	21.45	8.45
AU	RBA Governor's appearance before the House of Representatives' Standing Committee on Economics						22.30	9.30
AU	Home Loans MoM	Dec	1.2	3		1.8	0.30	11.30
AU	Investment Lending	Dec				0.7	0.30	11.30
GE	CPI MoM/YoY	Jan F		-0.8/0.5		-0.8/0.5	7.00	18.00
GE	GDP QoQ/YoY	4Q P		0.3/1.4		0.3/1.7	7.00	18.00
EC	Industrial production MoM/YoY	Dec		0.3/0.9		-0.7/1.1	10.00	21.00
EC	GDP QoQ/YoY	4Q A		0.3/1.5		0.3/1.6	10.00	21.00
CA	Teranet/National Bank HPI MoM	Jan				-0.1	13.30	0.30
US	Retail sales MoM/ex autos and gas	Jan		0.1/0.3		-0.1/0	13.30	0.30
US	Import prices MoM/YoY	Jan		-1.5/-6.8		-1.2/-8.2	13.30	0.30
US	Business Inventories	Dec		0.2		-0.2	15.00	2.00
US	U. of Mich. Sentiment	Feb P		92.5		92	15.00	2.00
Monday, 15 February 2016								
NZ	REINZ House Sales YoY	Jan				3.5	22.05	9.05
NZ	Performance Services Index	Jan				58.9	21.30	8.30
JN	GDP SA QoQ	4Q P		-0.3		0.3	23.50	10.50
JN	GDP Annualized SA QoQ	4Q P		-0.8		1	23.50	10.50
UK	Rightmove House Prices MoM	Feb				0.5	0.10	11.10
UK	Rightmove House Prices YoY	Feb				6.5	0.10	11.10
AU	New Motor Vehicle Sales MoM	Jan				-0.5	0.30	11.30
AU	New Motor Vehicle Sales YoY	Jan				2.2	0.30	11.30
NZ	Non Resident Bond Holdings	Jan				67.4	2.00	13.00
JN	Industrial Production MoM	Dec F				-1.4	4.30	15.30
JN	Industrial Production YoY	Dec F				-1.6	4.30	15.30
JN	Tertiary Industry Index MoM	Dec				-0.8	4.30	15.30
EC	Trade Balance NSA	Dec				23.6	10.00	21.00
CH	Trade Balance	Jan		60.75		60.09	2.00	13.00
EC	ECB's Draghi Speaks in EU Parliament Committee in Brussels						14.00	1.00
Tuesday, 16 February 2016								
NZ	Retail Sales Ex Inflation QoQ	4Q				1.6	21.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Feb 7				111.2	22.30	9.30
AU	RBA Feb. Meeting Minutes						0.30	11.30
NZ	2Yr Inflation Expectation	1Q				1.85	2.00	13.00
JN	Tokyo Condominium Sales YoY	Jan				-34.1	4.00	15.00
UK	CPI MoM	Jan				0.1	9.30	20.30
UK	PPI Input NSA MoM	Jan				-0.8	9.30	20.30
GE	ZEW Survey Current Situation	Feb				59.7	10.00	21.00
GE	ZEW Survey Expectations	Feb				10.2	10.00	21.00
EC	ZEW Survey Expectations	Feb				22.7	10.00	21.00
CA	Manufacturing Sales MoM	Dec				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		-19.37	13.30	0.30
CA	Existing Home Sales MoM	Jan				-0.6	14.00	1.00
CA	Bloomberg Nanos Confidence	Feb 5				52.1	15.00	2.00
US	NAHB Housing Market Index	Feb		61		60	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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