

## Kiwi dumped

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This morning the RBNZ cut its policy rate by 25bps to 2.25% and it signal that further easing may be required. Ahead of the announcement the market was pricing less than a 30% chance for a cut. Reaction to the announcement has seen the NZD/USD drop nearly 1.5% to 0.6665. The statement notes that further easing may be required “to ensure that future average inflation settles near the middle of the target range “.RBNZ staff suggest they might like to wait until June but, realistically, a strong chance of an April cut should be priced for the meantime

Looking at the overnight session, global equities edged a little higher overnight buoyed by a modest rebound in oil prices. The lack of safe haven demand saw core global yields move back to the top of recent ranges and in currencies commodity linked currencies where the outperformers against the USD.

On the seventh anniversary of the US equity bull market, energy stocks led the gains on both side of the Atlantic retracing some of the lost ground from the previous night. The Euro stox index closed +0.47%, the FTSE100 climbed +0.37% and in the US the DJ is currently +0.1% while the S&P and NASDAQ are +0.25% and +0.28% respectively.

We would suggest that the tepid equity gains overnight are also reflective of a cautious market ahead of the ECB policy announcement tonight (see details below). Consistent with this view, the Euro price action overnight was quite telling. As equity markets edged higher the Euro weakened against the USD, however as the equity rally faded later in the session, the Euro quickly retraced most of its losses. In theory further stimulus from the ECB should be risk positive and should weaken the Euro, however given question marks over the effectiveness of unorthodox policy measures, uncertainty is pretty high. Tonight the devil will be in the details.

Looking at the currency leader board, the USD has underperformed against all G10 currencies, excluding the Yen. The CAD is the G10 outperformers boosted by a less dovish BoC. As expected the BoC left its policy rate unchanged, however the bank was more upbeat on the economic outlook while also noting that risks to inflation are roughly balanced. The AUD has continued its upward trend against the USD, despite the fact that iron ore prices dropped 8.8% overnight. The Aussie gained nearly 1% and it is now trading just under 0.75c.

In terms of data releases, UK manufacturing was better than expected (+0.7% m/m vs +0.2% consensus), but industrial production printed at +0.3% vs the +0.4% consensus. US inventories rose 0.3% in January versus -0.2% expected.

## Coming Up

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We have a light domestic calendar today with consumer inflation expectations the only data scheduled for release.

At 12:30pm China will release its consumer and producer inflation reading. Market consensus is for CPI to print at 1.8%yoy, in line with its previous reading in January. However, some commentators have suggested that the risk is for a stronger print, given the sturdy rise in food prices last month. As for the PPI number expectations are for another soft print. Consensus forecast is for PPI to come in at 4.9% yoy in February following the -5.3% print in January.

China could also release its aggregate financing figures for February. This data is scheduled for release sometime between today and next Tuesday. Consensus forecast is for 1.79 trn yuan in new finance, down from 3.42 trn in January. The strong new finance figures in January suggest some lending was brought forward ahead of the new lunar New Year holiday. Thus the smaller expected February number reflects a bit of payback from January.

Once we get over the China data release(s), attention will turn to the ECB meeting tonight. Following the strong easing signal from their January meeting, the question now is how hard is the ECB going to go rather than whether they will ease or not.

Bloomberg's poll of 38 strategists/economists is showing the median estimate is for a 10bps cut to the deposit rate from -0.30% to -0.40%. However, what the poll doesn't show is that many expect the introduction of a tier system with a different rate on excess reserves. Like in Japan, the idea of the tier system would be to alleviate some of the pressures from this easing policy on commercial banks profitability.

The Bloomberg survey also shows that of those polled, 73% expect the ECB to increase the monthly pace of quantitative easing with the median estimate suggesting an uptick of €15bn. As for the details, speculation remains on whether the pool of eligible assets will be expanded and whether there would be any changes to the buying rules.

Note that the announcement will also include a new set of forecasts which will also have figures for 2018 for the first

time. This new set of data will be valuable for the assessment on how quickly the ECB expects to meet its inflation target.

## **Overnight**

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On global stock markets, the S&P 500 was +0.30%. Bond markets saw US 10-years +5.96bp to 1.89%. On commodity markets, Brent crude oil +2.95% to \$40.82, gold-0.7% to \$1,254, iron ore -8.8% to \$58.02. AUD is at 0.7483 and the range was 0.7412 to 0.7528.

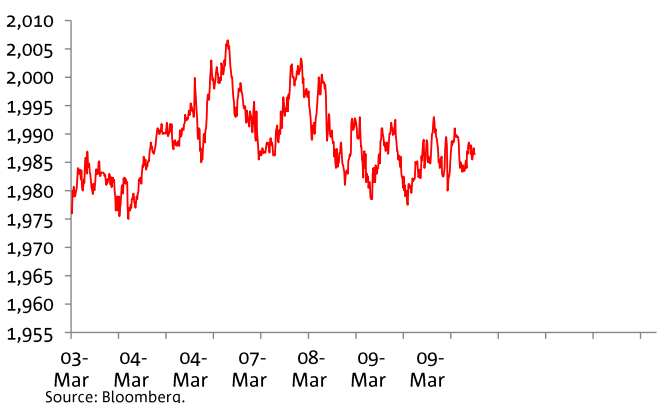
AUD/USD - past week



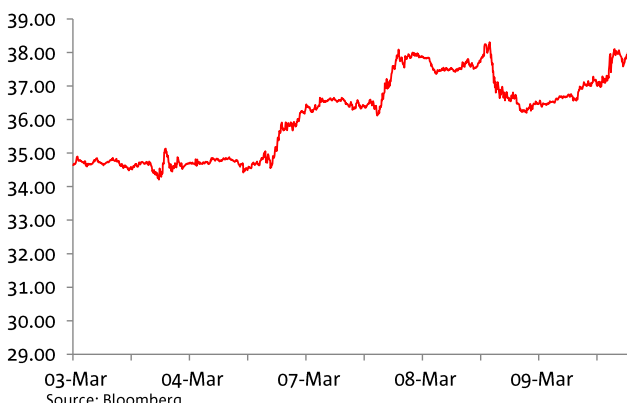
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7481	0.6	0.7412	0.7528	HKD	7.7648 0.0
NZD	0.6648	-1.5	0.6649	0.6810	CNY	6.5130 0.1
EUR	1.1007	0.0	1.0946	1.1035	SGD	1.3818 -0.2
GBP	1.4219	0.0	1.4178	1.4241	IDR	13,157 0.0
JPY	113.34	0.6	112.2300	113.4500	THB	35.28 -0.3
CAD	1.3252	-1.2	1.3229	1.3446	KRW	1,216 0.8
AUD/EUR	0.6800	0.6			TWD	32.87 0.3
AUD/JPY	84.81	1.2			PHP	46.87 -0.1
AUD/GBP	0.5263	0.5			CHF	1.00 0.1
AUD/NZD	1.1249	2.0			SEK	8.44 -0.5
AUD/CNY	4.8853	0.9				

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.64	0.94	1.73	USD 10	1.89	0.06
AUD	2.00	2.32	2.13	2.70	AUD 10	2.55	0.00 0.66
NZD	2.25	2.38	2.28	2.99	NZD 10	3.01	0.00 1.12
EUR	0.05	0.06	-0.19	0.62	CAD 10	1.27	0.09 -0.62
GBP	0.50	0.58	0.78	1.47	EUR 10	0.24	0.06 -1.65
JPY	0.00	-0.01	-0.13	0.15	GBP 10	1.47	0.09 -0.42
CAD	0.50	1.17	0.83	1.51	JPY 10	-0.02	0.08 -1.90

Equities

Major Indices	Last	% day	% y/y
	Dow	16,974	+0.1
S&P 500	1,985	+0.3	-4.5
Nasdaq	4,665	+0.3	-5.6
VIX	19	+0.1	24.1
FTSE	6,146	+0.3	-10.6
DAX	9,723	+0.3	-16.1
CAC 40	4,426	+0.3	-10.4
Nikkei	16,642	-0.8	-10.8
Shanghai	2,863	-1.3	-12.9
Hang Seng	19,996	-0.1	-16.3
ASX 200	5,157	+1	-11.5

Commodities\*

	Last	% day
Oil (Brent)	40.82	3.0
Oil (WTI)	38.18	4.6
Oil (Tapis)	41.72	-1.0
Gold	1253.70	-0.7
CRB	172.22	1.6
GS Metals	262.2	-2.8
Aluminium	1560	-2.0
Copper	4876	-2.6
Nickel	8560	-8.6
Zinc	1755	-2.8
Ch. steel	2183	4.1
Iron ore	58.0	-8.8
Coal	51.3	0.4
Wheat Chic.	468.3	0.6
Sugar	14.63	-1.5
Cotton	56.59	-0.5
Coffee	122.4	0.5

Overnight Futures

	Last	Chge
<b>Australia</b>		
3 mth bill	97.66	-0.01
3 Yr bond	98.04	0.00
10 Yr bond	97.42	-0.06
3/10 sprd	0.63	0.06
SPI	9.0	0.2

CO<sub>2</sub> Emissions - Euros

	Last	% day
Jun-2016	5.08	1.2
Dec-2016	5.09	1.2
Jun-2017	5.12	1.2

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
<b>Thursday, 10 March 2016</b>								
NZ	RBNZ Official Cash Rate	Mar 10	2.5	2.5		2.5	20.00	7.00
AU	Consumer Inflation Expectation	Mar				3.6	0.00	11.00
UK	RICS House Price Balance	Feb		50		49.0	0.10	11.10
CH	CPI/PPI YoY	Feb		1.8/-4.9		1.8/-5.3	1.30	12.30
EC	Main Refi/Deposit rate	Mar 10		0.05/-0.4		0.1/-0.3	12.45	23.45
CH	Aggregate Financing CNY (released 10-15 Mar)	Feb		1840.55		3420.0		
CH	New Yuan Loans CNY	Feb		1200		2510.0		
CA	Capacity Utilization Rate	4Q		81.7		82.0	13.30	0.30
US	Initial Jobless Claims	Mar 5		275		278.0	13.30	0.30
CA	New Housing Price Index MoM/YoY	Jan		0.15/1.8		0.1/1.6	13.30	0.30
US	Bloomberg Consumer Comfort	Mar 6				43.6	14.45	1.45
US	Household Change in Net Worth	4Q				-1232.0	17.00	4.00
US	Monthly Budget Statement	Feb		-196.5		55.2	19.00	6.00
<b>Friday, 11 March 2016</b>								
NZ	BusinessNZ Manufacturing PMI	Feb				57.9	21.30	8.30
NZ	Food Prices MoM	Feb	0.8			2.0	21.45	8.45
UK	Trade Balance	Jan		-3000		-2709.0	9.30	20.30
CA	Unemployment Rate	Feb		7.2		7.2	13.30	0.30
US	Import Price Index MoM	Feb		-0.7		-1.1	13.30	0.30
US	Import Price Index YoY	Feb		-6.5		-6.2	13.30	0.30
CA	Net Change in Employment	Feb		10		-5.7	13.30	0.30
<b>Saturday, 12 March 2016</b>								
CH	Industrial Production YTD YoY	Feb		5.6		6.1	5.30	16.30
CH	Retail Sales YTD YoY	Feb		10.9		10.7	5.30	16.30
CH	Fixed Assets Ex Rural YTD YoY	Feb		9.5		10.0	5.30	16.30
<b>Monday, 14 March 2016</b>								
NZ	Performance Services Index	Feb				55.4	21.30	8.30
JN	Machine Orders MoM	Jan				4.2	23.50	10.50
JN	Machine Orders YoY	Jan				-3.6	23.50	10.50
AU	Credit Card Balances	Jan				52.1	0.30	11.30
AU	Credit Card Purchases	Jan				27.6	0.30	11.30
NZ	Non Resident Bond Holdings	Feb				67.6	2.00	13.00
EC	Industrial Production SA MoM	Jan				-1.0	10.00	21.00
EC	Industrial Production WDA YoY	Jan				-1.3	10.00	21.00
CA	Teranet/National Bank HPI MoM	Feb				-0.1	12.30	23.30
CA	Teranet/National Bank HPI YoY	Feb				5.9	12.30	23.30
<b>Tuesday, 15 March 2016</b>								
NZ	RBNZ Governor Wheeler Speaks in Auckland (Not Public)							
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Mar 13				114.8	22.30	9.30
AU	New Motor Vehicle Sales MoM	Feb				0.5	0.30	11.30
AU	New Motor Vehicle Sales YoY	Feb				5.1	0.30	11.30
AU	RBA March Meeting Minutes						0.30	11.30
JN	BOJ Policy meeting						3.30	14.30
JN	Industrial Production MoM	Jan F				3.7	4.30	15.30
JN	Tertiary Industry Index MoM	Jan				-0.6	4.30	15.30
EC	Employment QoQ	4Q				0.3	10.00	21.00
US	Retail Sales Advance MoM	Feb		0.1		0.2	12.30	23.30
US	PPI Final Demand MoM	Feb		-0.1		0.1	12.30	23.30
US	Empire Manufacturing	Mar		-10		-16.6	12.30	23.30
CA	Existing Home Sales MoM	Feb				0.5	13.00	0.00
US	NAHB Housing Market Index	Mar		59		58.0	14.00	1.00
US	Business Inventories	Jan		0		0.1	14.00	1.00
<b>Wednesday, 16 March 2016</b>								
US	Total Net TIC Flows	Jan				-114.0	20.00	7.00
US	Net Long-term TIC Flows	Jan				-29.4	20.00	7.00
NZ	BoP Current Account Balance	4Q				-4.7	21.45	8.45
AU	Westpac Leading Index MoM	Feb				0.0	23.30	10.30
JN	Machine Tool Orders YoY	Feb P				-17.2	6.00	17.00
UK	ILO Unemployment Rate 3Mths	Jan				5.1	9.30	20.30
UK	Osborne Makes Budget Speech to Parliament							
CA	Manufacturing Sales MoM	Jan				1.2	12.30	23.30
US	Housing Starts	Feb		1139		1099.0	12.30	23.30
US	Building Permits	Feb		1203		1202.0	12.30	23.30
US	CPI MoM	Feb		-0.2		0.0	12.30	23.30
CA	Int'l Securities Transactions	Jan				-1.4	12.30	23.30
US	Real Avg Weekly Earnings YoY	Feb				1.2	12.30	23.30
US	Industrial Production MoM	Feb		-0.1		0.9	13.15	0.15
US	Manufacturing (SIC) Production	Feb				0.5	13.15	0.15
US	FOMC Rate Decision (Lower Bound)	Mar 16		0.25		0.25	18.00	5.00
<b>Thursday, 17 March 2016</b>								
NZ	GDP SA QoQ	4Q				0.9	21.45	8.45
AU	RBA's Debelle Speech in Sydney							
JN	Trade Balance Adjusted	Feb				119.4	23.50	10.50
AU	Labour Force Report	Feb				6.0	0.30	11.30
EC	Trade Balance SA	Jan				21.0	10.00	21.00
EC	CPI MoM	Feb				-1.4	10.00	21.00
UK	Bank of England Bank Rate	Mar 17		0.5		0.5	12.00	23.00
UK	BOE Asset Purchase Target	Mar				375.0	12.00	23.00
CA	Wholesale Trade Sales MoM	Jan				2.0	12.30	23.30
US	Current Account Balance	4Q		-116.55		-124.1	12.30	23.30
US	Philadelphia Fed Business Outlook	Mar		-2		-2.8	12.30	23.30
US	Initial Jobless Claims	Mar 5		275		278.0	13.30	0.30
US	JOLTS Job Openings	Jan				5607.0	14.00	1.00
US	Leading Index	Feb		0.2		-0.2	14.00	1.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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%		
Australia, RBA		5-Apr	2.00%	2.00%		2.00%		

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

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