

Love you till Tuesday

Any excuse playing homage to David Bowie (originally unreleased promotional film shot in 1969, in case you wondered). Monday's – and late last week's – warm and fuzzy feeling toward risk markets (that began with the ECB's efforts to shield the financial sector from more policy-induced pain) hasn't survived Tuesday. A downbeat BoJ yesterday afternoon got the (bearish) ball rolling, evident in a weaker Nikkei and stronger Yen. This has been followed by some underwhelming incoming US data (big downward revisions to January retail sales in particular) and a renewed lurch lower in oil prices (-75 cents). Iran's objections to an OPEC production freeze prior to first raising its output to the max, continues to weigh on sentiment. A near 50% drop in the share price of beleaguered Valeant Pharmaceuticals hasn't helped things either, with healthcare stocks down by more than the oil-price sensitive materials and energy sectors in the S&P 500 (latter down 0.2%).

Treasury bonds have traded quietly in front of tonight's FOMC outcome with yields a touch higher despite the more risk-off market tone. In currencies meanwhile, the Yen is the top performer of the past 24 hours, USD/JPY spending much of the night back below ¥113. NZD is the worse, with AUD/NZD spending time on a 1.13 handle for the first time since last September. This follows the latest Global Dairy Trade auction which produced a 2.9% fall against the pre-auction whisper numbers of +5-7%.

Commodity currencies in general are all down on oil and poorer risk sentiment but Sterling has under-performed all bar the kiwi. The latest 'Brexit' poll - showing the 'leave' camp back in the lead and apparently more motivated to vote than the 'remain' camp – took 'cable' down from 1.43 to 1.415. This is in front of tonight's UK Budget and where the projected Public Sector Borrowing Requirement is likely to be greater than assumed at the time of the December Autumn Statement, reflecting lower wages, lower inflation and lower economic growth than earlier assumed. Should the chancellor, George Osborne, decide to wield the spending axe even further in order to bring government finances towards balance, then projections on the timing of the first UK interest rate hike may be pushed out even further. Tight fiscal policy means lower rates for longer.

As for the US data, a retail sale was the highlight (or rather lowlight). Though both headline sales and sales ex-autos both came in 1/10% better than expected at -0.1%, it was the sharp downward revisions to January (both to -0.4% from 0.2% and 0.1% respectively) that resonated. The NAHB

housing index also underwhelmed at 58 (unchanged but against 59 expected). PPI was neither here nor there, while the one bright spot was the Empire manufacturing survey (0.62 up from -16.64) but which is a highly volatile series with little bearing on the likes of the manufacturing ISM.

Yesterday morning, both the AUD and Australian yields fell slightly following publication of the RBA's March Board meeting minutes (AUD/USD to back below 0.75, and 0.7450 now). The Bank concluded in March that there is no debate about whether there is scope for further easing, changing its view from "the outlook for continued low inflation may provide scope for easier monetary policy" to "continued low inflation would provide scope to ease monetary policy further" though again, this was qualified by "should that be appropriate to lend support to demand". This was nothing new, vis-a-vis what was said in the immediate post-March meeting statement, though our economists note that the tense of "continued" low inflation may be a heads-up to the outcome of the March quarter CPI being important, particularly in the light of other global central banks being concerned about inflation continuing to run below inflation targets and concern around declining inflation expectations.

Coming Up

The Fed's pronouncements in the early hours of our Thursday morning (05:00 AEDT) promises to make for quiet markets ahead of the event. That said, the latest US inflation read-out, courtesy of February CPI, has potential to create some volatility. Core (ex food and energy) CPI rose further above 2% in January (2.2% from 2.1%) and is expected to hold there. If US rates do trade higher (or even just steady) out of the Fed (or CPI) then this has potential to lift the US dollar and take a little more of the steam out of the AUD. The recent run-up in US yields (by some 40bps at 2 years) has so far had scant impact in supporting the US dollar. We question how long this can last. US housing starts are also due tonight, and in the UK latest labour market stats as well as the Budget. There's nothing on the Australian calendar, while New Zealand has Q4 current account data, expect to print a deficit of 3.3% of GDP in 2015.

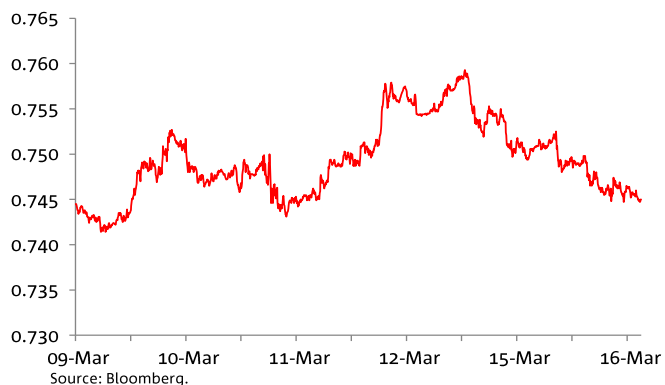
Overnight

On global stock markets, the S&P 500 is -0.20%. Bond markets see US 10-years +0.54bp to 1.96%. On commodity markets, Brent crude oil -2.02% to \$38.73, gold -1.0% to \$1,232, iron ore -4.8% to \$52.88. AUD is at 0.7458 and the range has been 0.7445 to 0.7528.

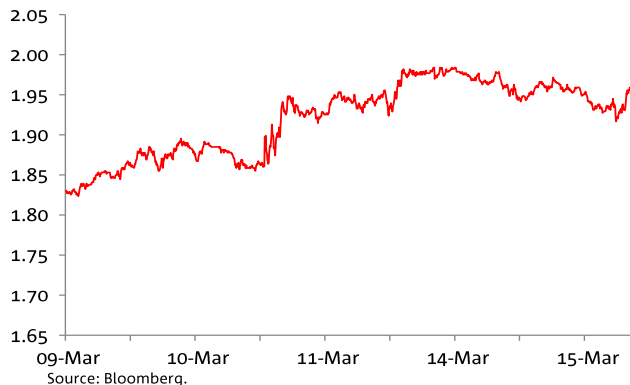
Author:

Ray Attrill – Global Co-Head of FX Strategy

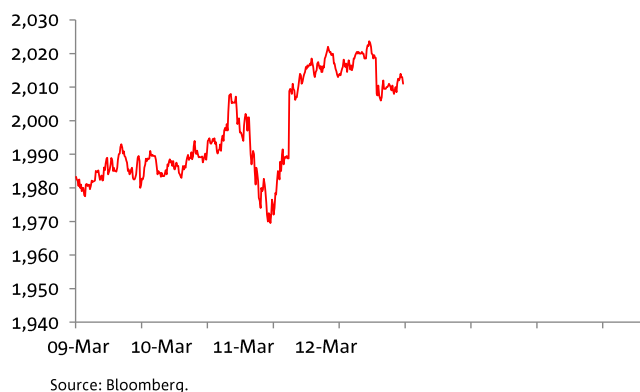
AUD/USD - past week



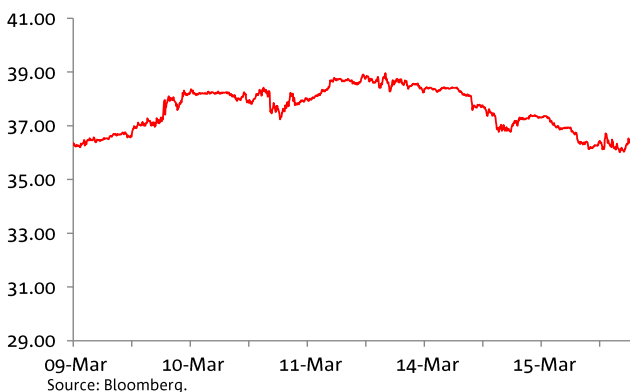
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7458	-0.8	0.7445	0.7528	HKD	7.7595 0.0
NZD	0.6605	-1.1	0.6587	0.6685	CNY	6.5145 0.2
EUR	1.1110	0.1	1.1072	1.1125	SGD	1.3818 0.4
GBP	1.4158	-1.0	1.4139	1.4306	IDR	13,164 0.8
JPY	113.12	-0.6	112.6300	114.1400	THB	35.12 0.1
CAD	1.3360	0.8	1.3260	1.3402	KRW	1,188 0.1
AUD/EUR	0.6711	-0.8			TWD	32.82 0.1
AUD/JPY	84.32	-1.4			PHP	46.78 0.4
AUD/GBP	0.5265	0.3			CHF	0.99 0.0
AUD/NZD	1.1289	0.3			SEK	8.32 -0.3
AUD/CNY	4.8566	-0.5				

Equities

Major Indices			
	Last	% day	% y/y
Dow	17,240	+0.1	-2.9
S&P 500	2,012	-0.4	-2.0
Nasdaq	4,729	-0.5	-2.9
VIX	17	+2.8	8.7
FTSE	6,140	-0.6	-8.9
DAX	9,934	-0.6	-16.5
CAC 40	4,473	-0.2	-10.7
Nikkei	17,117	-0.7	-11.1
Shanghai	2,864	+0.2	-17.0
Hang Seng	20,289	-0.7	-15.3
ASX 200	5,111	-1.4	-11.8

Commodities*

	Last	% day
Oil (Brent)	38.73	-2.0
Oil (WTI)	36.36	-2.2
Oil (Tapis)	40.97	-2.1
Gold	1232.30	-1.0
CRB	171.07	-0.8
GS Metals	263.0	-1.0
Aluminium	1519	-1.5
Copper	4961	0.1
Nickel	8533	-0.6
Zinc	1736	-2.4
Ch. steel	1998	0.8
Iron ore	52.9	-4.8
Coal	51.7	-0.6
Wheat Chic.	484.5	-0.3
Sugar	15.32	-0.6
Cotton	58.24	-0.1
Coffee	125.7	-1.2

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.64	1.03	1.81	USD 10	1.96	0.01
AUD	2.00	2.33	2.16	2.75	AUD 10	2.67	-0.02 0.70
NZD	2.25	2.39	2.27	3.09	NZD 10	3.07	0.02 1.10
EUR	0.00	0.06	-0.13	0.67	CAD 10	1.33	-0.01 -0.63
GBP	0.50	0.59	0.83	1.51	EUR 10	0.32	0.04 -1.65
JPY	0.00	0.00	-0.07	0.19	GBP 10	1.54	-0.01 -0.43
CAD	0.50	1.17	0.88	1.56	JPY 10	-0.01	0.03 -1.97

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.77	0.00
3 Yr bond	97.935	0.02
10 Yr bond	97.35	0.02
3/10 sprd	0.59	0.00
SPI	-11.0	-0.2

CO₂ Emissions - Euros

	Last	% day
Jun-2016	4.85	-2.6
Dec-2016	4.87	-0.2
Jun-2017	4.89	-0.4

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
Wednesday, 16 March 2016							
US	Total Net TIC Flows	Jan				-114.0	20.00
US	Net Long-term TIC Flows	Jan				-29.4	20.00
NZ	Current Account GDP Ratio YTD	4Q	-3.2	-3.3		-3.3	21.45
AU	Westpac Leading Index MoM	Feb				0.0	23.30
JN	Machine Tool Orders YoY	Feb F				-22.6	6.00
UK	Jobless Claims Change	Feb		-9.1		-14.8	9.30
UK	Average Weekly Earnings 3M/YoY	Jan		2		1.9	9.30
UK	ILO Unemployment Rate 3Mths	Jan		5.1		5.1	9.30
UK	Osborne Makes Budget Speech to Parliament						
CA	Manufacturing Sales MoM	Jan		0.5		1.2	12.30
US	Housing Starts/MoM	Feb		1150/4.6		1099.0/-3.8	12.30
US	Building Permits/MoM	Feb		1200/-0.2		1202.0/-0.2	12.30
US	CPI MoM/YoY	Feb		-0.2/0.9		0.0/1.4	12.30
US	CPI Ex Food and Energy MoM/YoY	Feb		0.2/2.2		0.3/2.2	12.30
CA	Int'l Securities Transactions	Jan				-1.4	12.30
US	Real Avg Weekly Earnings YoY	Feb				1.2	12.30
US	Industrial Production MoM	Feb		-0.3		0.9	13.15
US	Manufacturing (SIC) Production	Feb		0.1		0.5	13.15
US	FOMC Rate Decision	Mar 16		0.25		0.25	18.00
Thursday, 17 March 2016							
NZ	GDP SA QoQ/YoY	4Q	0.7/2.1	0.7/2.1		0.9/2.3	21.45
AU	RBA's Debelle Speech in Sydney						
JN	Trade Balance	Feb		400.2		-645.9	23.50
AU	Employment Change	Feb		13.5		-7.9	0.30
AU	Labour Force Report (unemployment)	Feb	5.9	6		6.0	0.30
AU	Participation Rate	Feb		65.2		65.2	0.30
AU	RBA FX Transactions Market	Feb				728.0	0.30
EC	Trade Balance SA	Jan		19.5		21.0	10.00
EC	CPI MoM/YoY	Feb		0.1/-0.2		-1.4/0.3	10.00
UK	Bank of England Bank Rate	Mar 17		0.5		0.5	12.00
UK	BOE Asset Purchase Target	Mar		375		375.0	12.00
CA	Wholesale Trade Sales MoM	Jan		0.1		2.0	12.30
US	Current Account Balance	4Q		-118		-124.1	12.30
US	Philadelphia Fed Business Outlook	Mar		-1.5		-2.8	12.30
US	Initial Jobless Claims	Mar 12		268		259.0	12.30
US	JOLTS Job Openings	Jan		5500		5607.0	14.00
US	Leading Index	Feb		0.2		-0.2	14.00
Friday, 18 March 2016							
NZ	ANZ Job Advertisements MoM	Feb				-3.2	21.00
AU	RBA's Ellis Speech in Sydney						22.30
NZ	ANZ Consumer Confidence Index/MoM	Mar				119.7/-1.4	0.00
CH	Property Prices	Feb					1.30
GE	PPI MoM	Feb		-0.1/-2.6		-0.7/-2.4	7.00
GE	PPI YoY	Feb		-2.6		-2.4	7.00
EC	Labour Costs YoY	4Q				1.1	10.00
CA	Retail Sales MoM	Jan		0.6		-2.2	12.30
CA	Retail Sales Ex Auto MoM	Jan		0.4		-1.6	12.30
CA	CPI NSA MoM/YoY	Feb		0.4/1.5		0.2/2.0	12.30
CA	CPI Core MoM/YoY	Feb		0.5/2		0.3/2.0	12.30
US	Fed's Dudley Gives Opening Remarks at Supervision Conference						
US	U. of Mich. Sentiment	Mar P		92.2		91.7	14.00
US	U. of Mich. 5-10 Yr Inflation	Mar P				2.5	14.00
US	Fed's Rosengren Speaks on a Panel at Supervision Conference						
US	Fed's Bullard Speaks in Frankfurt at a monetary policy forum						
Monday, 21 March 2016							
NZ	Net Migration SA	Feb				6130.0	21.45
UK	Rightmove House Prices MoM	Mar				2.9	0.10
CH	MNI Business Indicator	Mar				49.9	1.45
NZ	Credit Card Spending MoM	Feb				2.3	2.00
EC	Current Account NSA	Jan				41.4	9.00
UK	CBI Trends Total Orders	Mar				-17.0	11.00
US	Chicago Fed Nat Activity Index	Feb				0.3	12.30
NZ	Westpac Consumer Confidence	1Q				110.7	
CA	Bloomberg Nanos Confidence	Mar 18				54.0	14.00
US	Existing Home Sales MoM	Feb		-2.38		0.4	14.00
US	Fed's Lockhart Speaks on U.S. Economy in Savannah, Georgia						
Tuesday, 22 March 2016							
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Mar 13				114.8	22.30
US	Fed's Bullard Speaks at Washington University in St. Louis						0.30
AU	House Price Index QoQ	4Q				2.0	0.30
AU	House Price Index YoY	4Q				10.7	0.30
US	RBA's Edey Panel Participation in Sydney						0.45
JN	All Industry Activity Index MoM	Jan				-0.9	4.30
JN	Small Business Confidence	Mar				47.9	5.00
AU	RBA's Stevens Speech at ASIC Forum in Sydney						5.30
JN	Convenience Store Sales YoY	Feb				1.0	7.00
GE	IFO Business Climate	Mar				105.7	9.00
GE	IFO Current Assessment	Mar				112.9	9.00
UK	CPI MoM	Feb				-0.8	9.30
UK	CPI YoY	Feb				0.3	9.30
UK	CPI Core YoY	Feb				1.2	9.30
UK	PPI Output Core NSA MoM	Feb				0.1	9.30
UK	PPI Output Core NSA YoY	Feb				0.0	9.30
UK	ONS House Price YoY	Jan				6.7	9.30
UK	Public Finances (PSNCR)	Feb				-24.9	9.30
GE	ZEW Survey Current Situation	Mar				52.3	10.00
GE	ZEW Survey Expectations	Mar				1.0	10.00
EC	ZEW Survey Expectations	Mar				13.6	10.00
EC	Bank of France's Villeroy de Galhau at Breugel Institute						12.00
US	FHFA House Price Index MoM	Jan		0.5		0.4	13.00
US	Richmond Fed Manufact. Index	Mar		-2		-4.0	14.00
US	Fed's Evans Speaks in Chicago						17.30
US	Fed's Harker Speaks in New York						23.00
Upcoming Central Bank Interest Rate Announcements							
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%	
Canada, BoC		14-Apr				0.50%	
Europe ECB		21-Apr				0.05%	
New Zealand, RBNZ		28-Apr				2.25%	

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

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