

Must try harder

Before the official start of the 4-day Easter break, there was a bit of good news about the US economy, courtesy of an upward revision to Q4 GDP, from 1.0% to 1.4% and driven by an upward revision to consumer spending (2.4% from 2.0%). Fast forward four days, and the Atlanta Fed has just published its latest “GDP Now” estimate of first quarter growth, which has been chopped to a dismal 0.6% from 1.4%. This follows the release of the February data on personal income and spending, the main feature of which was a big (0.4%) downward revision to the January spending figures (from 0.5% to 0.1% in nominal terms, and from 0.4% to 0.0% in real terms). February spending rose by just 0.1% (as expected). As a result, the Atlanta Fed has knocked down its Q1 real consumer spending estimate to 1.8% from 2.5%. Alongside, the worse than expected January trade data (deficit of \$62.9bn) has seen them increase the estimated drag on growth from net exports, to -0.52 percentage points from -0.26.

The negative growth connotations of the personal income and consumption data somewhat deflected attention from their inflation component - in particular the Fed’s preferred core PCE deflator. This held steady at 1.7% in February, against expectations for rise to 1.8%. This though is still up from 1.3% a year ago, and it may only be slightly mischievous to suggest that relative to the Atlanta Fed’s latest GDP estimate, inflation in the US is now tracking three times faster than its real growth rate.

This latest batch of US data sets the backdrop for an appearance tonight by Fed chair Janet Yellen before the Economics Club of New York – scheduled for 03:20 AEDT Wednesday morning. Following a somewhat shambolic post-FOMC press conference on 17th March and a string of sound bites from numerous FOMC members since then that suggest they attended a different FOMC meeting to the one Yellen chaired, we can but hope Ms Yellen takes heed of many people’s judgment on her 17 March performance, namely ‘must try harder’.

The overnight US data (the January PCE revision in particular) has had the effect of pulling the US dollar lower and providing support for the AUD by default. The narrow DXY dollar index is down a third of a percent and the broader BBDXY by 0.36%. Dollar weakness has been led by gains for the British pound (+0.9%) and Canadian and New Zealand dollars (+0.7%) with the AUD mid-pack within G10 currencies, +0.58% to 0.7546. With regards to positioning, Friday’s IMM data for the week ended 22 March and which

captures ‘Fed-week’ shows overall USD speculative longs down to their smallest since mid-July 2014.

The data also helped pull US yields down, with 5 and 10 year Treasuries both just shy of 2bs lower. US stocks meanwhile are closing virtually unchanged (S&P 500 +0.06% and the Dow +0.11%).

The exception to the weaker dollar has been USD/JPY, and which has risen to a high of ¥113.69, its best level since mid-March. This follows a good showing by the Nikkei on Monday (+0.8%) and intensifying speculation that the Abe government will (again) postpone the rise in the consumption tax from 8% to 10% - currently slated for April 2017. Last Friday, latest Japan CPI data showed inflation static in February, at 0.0% excluding fresh food, but up to 0.8% from 0.7% for the ex-food and energy measure now favoured by the BoJ. This does nothing to quell speculation of an intensification of the ‘QQME with a negative interest rate’ policy when the BoJ next meets on 28 April.

Coming Up

The end of this week packs such a punch, with US payrolls, the US manufacturing ISM and China’s PMI data that were it not for Janet Yellen’s appearance tonight, the first three days of this holiday-shortened week were otherwise at risk of involving a lot of hand-sitting.

As well as Yellen tonight, we’re also due to hear from FOMC Vice-Chairman and NY Fed President Bill Dudley on Friday – one of the three FOMC members who views count for much more than the various other Fed officials who have been voicing views seemingly at odds with the more dovish message that emanated from the 16/17 March FOMC meeting.

The only local data of any note this week is Thursday’s RBA credit data – after that it’s next Tuesday’s RBA meeting to look forward to. Elsewhere today, we get Japan’s unemployment, retail sales and household spending data and in the US tonight, Case-Schiller house prices and the Conference Board’s version of consumer confidence.

Overnight

On global stock markets, the S&P 500 closed +0.06%. Bond markets saw US 10-years -1.58bp to 1.88%. On commodity markets, Brent crude oil -0.40% to \$40.28, gold -0.1% to \$1,220, iron ore -1.1% to \$55.76. AUD is at 0.7543 and the range so far this week has been 0.7493 to 0.7558.

Author:

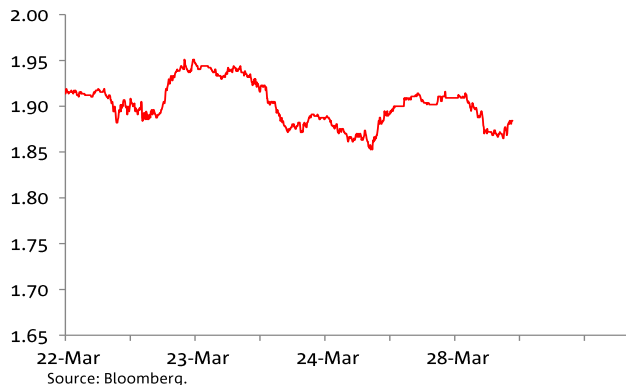
Ray Attrill – Global Co-Head of FX Strategy

Markets

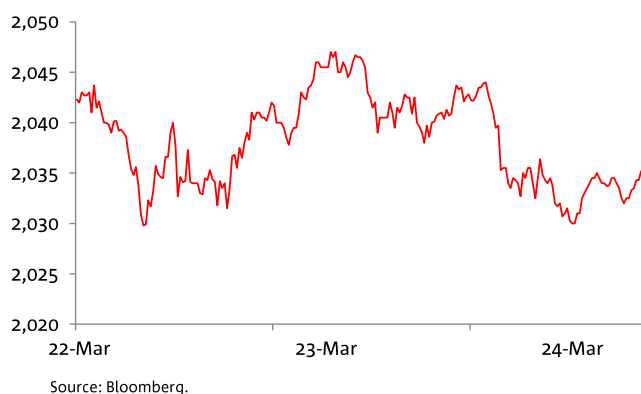
AUD/USD - past week



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	0.7545	0.5	0.7493	0.7558	HKD	7.7573 0.0
NZD	0.6729	0.6	0.6669	0.6736	CNY	6.5075 -0.1
EUR	1.1197	0.3	1.1153	1.1220	SGD	1.3701 -0.1
GBP	1.4256	0.9	1.4121	1.4283	IDR	13,343 0.7
JPY	113.43	0.3	113.0500	113.6900	THB	35.35 0.2
CAD	1.3183	-0.7	1.3168	1.3285	KRW	1,166 -0.3
AUD/EUR	0.6736	0.3			TWD	32.65 -0.1
AUD/JPY	85.56	0.8			PHP	46.35 0.0
AUD/GBP	0.5292	-0.3			CHF	0.97 -0.3
AUD/NZD	1.1209	-0.1			SEK	8.29 -0.2
AUD/CNY	4.9133	0.4				

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.63	0.97	1.76	USD 10	1.88	-0.02
AUD	2.00	2.30	2.16	2.69	AUD 10	2.57	0.00 0.68
NZD	2.25	2.34	2.26	3.08	NZD 10	3.04	0.00 1.15
EUR	0.00	0.06	-0.15	0.56	CAD 10	1.26	-0.01 -0.63
GBP	0.50	0.59	0.82	1.47	EUR 10	0.18	0.00 -1.70
JPY	-0.01	-0.01	-0.11	0.13	GBP 10	1.45	0.00 -0.43
CAD	0.50	1.17	0.87	1.52	JPY 10	-0.08	0.01 -1.97

Equities

Major Indices			
	Last	% day	% y/y
Dow	17,535	+0.1	-1.0
S&P 500	2,038	+0.1	-1.1
Nasdaq	4,767	-0.1	-2.3
VIX	15	+3.3	-1.4
FTSE	6,106	-1.5	-12.7
DAX	9,851	-1.7	-17.0
CAC 40	4,330	-0.7	-13.8
Nikkei	17,134	+0.8	-11.2
Shanghai	2,958	-0.7	-19.9
Hang Seng	20,346	-1.3	-17.1
ASX 200	5,084	-1.1	-14.9

Commodities*

	Last	% day
Oil (Brent)	40.28	-0.4
Oil (WTI)	39.38	-0.2
Oil (Tapis)	42.00	1.8
Gold	1220.00	-0.1
CRB	172.57	0.2
GS Metals	258.5	0.0
Aluminium	1469	-0.2
Copper	4970	0.1
Nickel	8622	-0.5
Zinc	1788	-2.4
Ch. steel	2165	-0.8
Iron ore	55.8	-1.1
Coal	50.7	0.0
Wheat Chic.	478.0	1.5
Sugar	15.94	0.4
Cotton	57.80	0.1
Coffee	128.6	0.8

* clsd = market holiday

CO ₂ Emissions - Euros			
	Last	% day	
Jun-2016	4.84	N/A N	
Dec-2016	4.86	0.0	
Jun-2017	4.88	0.0	

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, 29 March 2016								
JN	Jobless Rate/Job-applicant ratio	Feb		3.2		3.2/1.3	23.30	10.30
JN	Overall Household Spending YoY	Feb		-1.9		-3.1	23.30	10.30
JN	Retail Sales MoM/YoY	Feb		-0.9		-1.1/-0.1	23.50	10.50
JN	Small Business Confidence	Mar		49		47.9	5.00	16.00
US	Fed's Williams Speaks in Singapore						9.15	20.15
CA	Industrial Product Price MoM	Feb		-0.2		0.5	12.30	23.30
CA	Raw Materials Price Index MoM	Feb		-0.9		-0.4	12.30	23.30
US	S&P/CS 20 City MoM/YoY	Jan		0.7/5.75		0.8/5.7	13.00	0.00
US	Consumer Confidence Index	Mar		94		92.2	14.00	1.00
Wednesday, 30 March 2016								
US	Fed chair yellen speaks to Economics Club of New York							3:20
NZ	Building Permits MoM	Feb				-8.2	21.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Mar 27				116.0	22.30	9.30
JN	Industrial Production MoM/YoY	Feb P		-5.9/-1.7		3.7/-3.8	23.50	10.50
AU	NAB Online Retail Sales Index MoM/YoY	Feb				-0.2/10.6	0.30	11.30
CH	Westpac-MNI Consumer Sentiment	Mar				111.3	1.45	12.45
EC	Business Climate Indicator	Mar		0.08		0.1	9.00	20.00
GE	CPI MoM/YoY	Mar P		0.6/0.1		0.4/0.0	12.00	23.00
US	ADP Employment Change	Mar		195		214.0	12.15	23.15
Thursday, 31 March 2016								
UK	Lloyds Business Barometer	Mar				28.0	23.10	10.10
UK	GfK Consumer Confidence	Mar		-1		0.0	23.50	10.50
AU	HIA New Home Sales MoM	Feb				-1.8	0.00	11.00
NZ	ANZ Activity Outlook/Business Confidence	Mar				25.5/7.1	0.00	11.00
AU	Job vacancies	Feb				3.5	0.30	11.30
AU	Private Sector Credit MoM/YoY	Feb	0.5/6.5	0.5/6.5		0.5/6.5	0.30	11.30
NZ	Credit aggregates (household) YoY	Feb				7.5	2.00	13.00
GE	Unemployment Change (000's)/Rate	Mar		-6		-10.0/6.2	7.55	18.55
UK	Mortgage Approvals	Feb		73.5		74.6	8.30	19.30
UK	GDP QoQ/YoY	4Q F		0.5/1.9		0.5/1.9	8.30	19.30
UK	Current Account Balance	4Q		-21.15		-17.5	8.30	19.30
EC	CPI Estimate/Core YoY	Mar		-0.1/0.9		-0.2/0.8	9.00	20.00
US	Challenger Job Cuts YoY	Mar				21.8	11.30	22.30
CA	GDP MoM/YoY	Jan		0.3		0.2	12.30	23.30
US	Initial Jobless Claims	Mar 26		265		265.0	12.30	23.30
CH	BoP Current Account Balance	4Q F						
US	ISM Milwaukee	Mar				55.2	13.00	0.00
US	Chicago Purchasing Manager	Mar		50.5		47.6	13.45	0.45
US	Bloomberg Consumer Comfort	Mar 27				43.6	13.45	0.45
Friday, 1 April 2016								
AU	AiG Perf of Mfg Index	Mar				53.5	22.30	9.30
AU	CoreLogic RP Data House Px MoM	Mar				0.5	23.00	10.00
JN	Tankan Large Mfg Index/Outlook	1Q		8/7		12.0/7.0	23.50	10.50
JN	Tankan Large Non-Mfg Index/Outlook	1Q		24/20		25.0/18.0	23.50	10.50
JN	Tankan Large All Industry Capex	1Q		-0.5		10.8	23.50	10.50
CH	Manufacturing/Non-manufacturing PMI	Mar		49.3/		49.0/52.7	1.00	12.00
CH	Caixin China PMI Mfg	Mar		48.3		48.0	1.45	12.45
JN	Nikkei Japan PMI Mfg	Mar F				49.1	2.00	13.00
AU	Commodity Index AUD/YoY	Mar				73.2/-21.6	5.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Mar F		50.4		50.4	7.55	18.55
EC	Markit Eurozone Manufacturing PMI	Mar F		51.4		51.4	8.00	19.00
UK	Markit UK PMI Manufacturing SA	Mar		51.2		50.8	8.30	19.30
UK	Unit Labor Costs YoY	4Q				2.0	7.30	18.30
EC	Unemployment Rate	Feb		10.3		10.3	9.00	20.00
US	Change in Nonfarm Payrolls	Mar		210/4.9		242.0/4.9	12.30	23.30
US	Average Hourly Earnings MoM/YoY	Mar		0.2/2.2		-0.1/2.2	12.30	23.30
CA	RBC Manufacturing PMI	Mar				49.4	13.30	0.30
US	Markit US Manufacturing PMI	Mar F		51.5		51.4	13.45	0.45
US	ISM Manufacturing/New Orders	Mar		50.7/		49.5/51.5	14.00	1.00
US	Construction Spending MoM	Feb		0.1		1.5	14.00	1.00
US	U. of Mich. Sentiment/5-10y inflation expectations	Mar F		90.5/		90.0/2.7	14.00	1.00
US	Fed's Mester (v) Speaks in New York						17.00	4.00
Monday, 4 April 2016								
JN	Monetary Base YoY	Mar				29.0	22.50	9.50
JN	Monetary Base End of period	Mar				358.8	22.50	9.50
AU	Melbourne Institute Inflation MoM/YoY	Mar				-0.2/2.1	0.00	11.00
AU	Retail Sales MoM	Feb				0.3	0.30	11.30
AU	ANZ Job Advertisements MoM	Mar				-1.2	0.30	11.30
AU	Building Approvals MoM/YoY	Feb		/		-7.5/-15.5	0.30	11.30
UK	Markit/CIPS UK Construction PMI	Mar				54.2	7.30	18.30
EC	Sentix Investor Confidence	Apr				5.5	7.30	18.30
US	ISM New York	Mar				53.6	12.45	23.45
CA	Bloomberg Nanos Confidence	Mar 25				53.8	14.00	1.00
US	Labor Market Conditions Index Change	Mar				-2.4	13.00	0.00
US	Factory Orders	Feb		-2		1.6	13.00	0.00
Tuesday, 5 April 2016								
US	Durable Goods Orders/Core Orders	Feb F		/		-2.8/-1.8	13.00	0.00
CA	Business Outlook Future Sales	1Q				16.0	13.30	0.30
CA	BoC Senior Loan Officer Survey	1Q				5.6	13.30	0.30
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		5-Apr	2.00%	2.00%		2.00%		
UK BOE		14-Apr				0.50%		
Canada, BoC		14-Apr				0.50%		
Europe ECB		21-Apr				0.00%		
New Zealand, RBNZ		28-Apr	2.25%	2.25%		2.25%		
Japan, BoJ		28-Apr				-0.1% to +0.1%		
US Federal Reserve		28-Apr				0.25-0.50%		

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

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