

ISM boost

China's decision to reduce the required reserve ratio on major banks (-50bps) set the tone in yesterday's Asian session and it helped the market look through a set of soft PMI throughout the region. Against this backdrop, European equities opened firmer and then a better than expected set of US data releases provided an additional boost to risk appetite, pushing equity indices higher on both side of the Atlantic.

Major European equity indices ended the day up between 0.9% and 2.3% and US equity indices look set to end the day between 2.0% and 2.7% higher. While US auto sales for February and construction spending for January beat expectations, the big data surprise overnight was the stronger than expected rebound in the ISM Manufacturing survey. The February reading saw a bigger rebound to 49.5 vs 48.5 exp. and although it remains in contractionary mode, this was a second consecutive monthly gain and it has certainly alleviated fears of a manufacturing recession. That being said, we would note that the improvement in the survey has occurred in an environment of softer USD and stable to higher oil prices. A reversal on either or both could well reignite downward pressures on the troubled sector.

In currencies, the risk on sentiment has relegated the Yen to the bottom of the leader board with the currency down 1.18% against the USD over the past 24 hrs. The improvement in sentiment has also provided a lift to commodity prices and as a result commodity related currencies have outperformed. The CAD is at the top of the leader board, up 1.01% with the NZD and AUD close second and third, up 0.52% and 0.49% respectively.

Looking at commodities, Brent and WTI oil are up 0.7% and 2.1% respectively. Iron ore gained 3.7% to \$51.4, the CRB index is up 0.5% and gold is almost unchanged at \$1230.5.

Not surprisingly, the risk on mood has pushed core global yields higher. 10y US Treasury yields are back above 1.80% for the first time since February 18 while in Europe 10y Bunds ended the day +4bps at 0.145% and 10y UK Gilts closed +6bps at 1.395%.

Looking at other data releases, European manufacturing PMI's printed more or less in line with expectations, but the fall in the Eurozone unemployment rate to 10.3% from 10.4% was a welcomed surprise.

Ahead of the ECB meeting next week, in a letter to MEP Jonas Fernandez published overnight, ECB president Draghi increased the expectation of a significant stimulus package. In the letter Draghi noted that the ECB's review of its

stimulus measures "has to be seen against the background of increased downside risks to the earlier outlook" and "In this environment, euro-area inflation dynamics continue to be weaker than expected".

Coming Up

This morning in Australia we get GDP growth figures for Q4-2015. Yesterday's net export contribution to GDP was far weaker than expected (0.0% vs 0.3% exp), however the strong government spending in the quarter (1.6%) on the back of greater defence spending suggest the drag from soft net exports has somewhat been offset by public investment in defence.

Combining yesterday's income and inventories figures along with last week's investment numbers, NAB economists have pencilled a 0.6% q/q and 2.7% y/y Q4 GDP print. In their view, net exports and inventories present downside risks to the expenditure measure of GDP, however a better than expected terms of trade outcome and solid employment growth in Q4 provide upside risk to the income measure.

Looking at offshore markets it's a pretty quiet day in terms of data releases. Europe prints January PPI figures and the UK releases its construction PMI for February. Ahead of the all-important US non-farm payrolls report on Friday, tonight we get the ADP employment report. Despite the fact that the survey is highly affected by the previous non-farm payrolls report, it still has the ability to move the market. Current expectations are for a 188k print, however some commentators have noted that the pace of private job creation could have softened in February given the large number of job cuts announced by several household names, including Yahoo and Goldman Sachs amongst many others.

Tonight the Fed releases its Beige book, this report is a gathering of "anecdotal" evidence on current economic conditions by each Federal Reserve Bank and it will be interesting to see what extent the strength of the dollar and tightening of financial conditions is reflected in the survey.

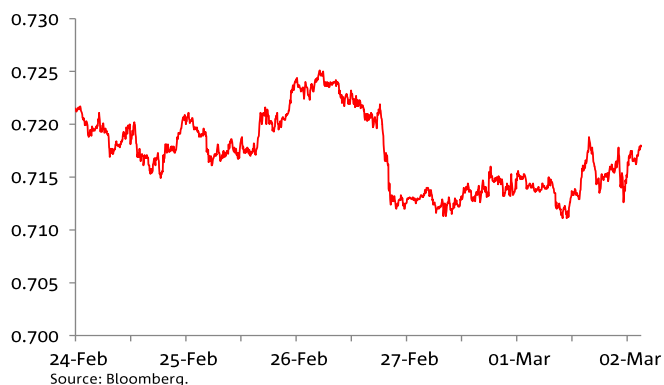
Fed Williams speaks in LA and given his known close relationship with Chair Yellen, the market will no doubt be on the lookout for any new insights.

Overnight

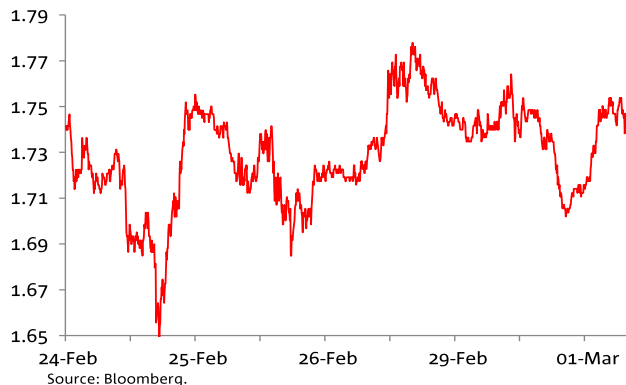
On global stock markets, the S&P 500 was +2.00%. Bond markets saw US 10-years +8.50bp to 1.82%. On commodity markets, Brent crude oil +0.71% to \$36.83, gold-0.3% to \$1,231, iron ore +3.7% to \$51.44. AUD is at 0.7175 and the range was 0.7109 to 0.7192.

Markets

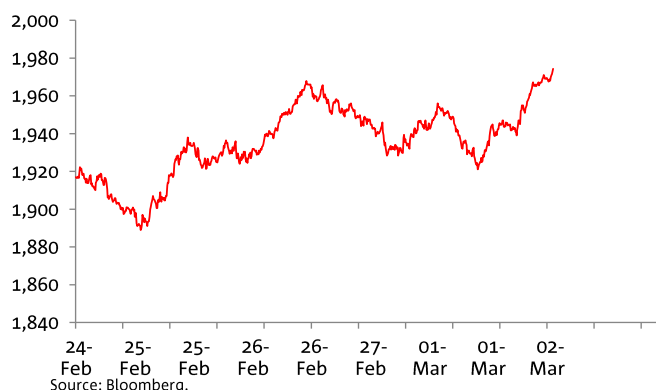
AUD/USD - past week



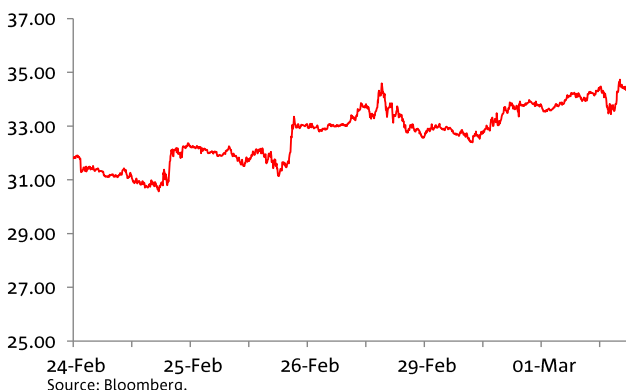
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7172	0.4	0.7109	0.7192	HKD	7.7705 -0.1
NZD	0.6626	0.5	0.6572	0.6640	CNY	6.5521 0.0
EUR	1.0867	-0.1	1.0834	1.0894	SGD	1.3999 -0.5
GBP	1.3953	0.3	1.3905	1.4018	IDR	13,347 -0.2
JPY	113.99	1.2	112.1600	114.1900	THB	35.59 -0.1
CAD	1.3401	-1.0	1.3386	1.3552	KRW	1,233 -0.3
AUD/EUR	0.6601	0.5			TWD	33.12 -0.5
AUD/JPY	81.76	1.6			PHP	47.36 -0.3
AUD/GBP	0.5141	0.2			CHF	1.00 -0.1
AUD/NZD	1.0827	-0.1			SEK	8.63 0.7
AUD/CNY	4.6742	0.0				

Equities

Major Indices			
	Last	% day	% y/y
Dow	16,845	+2	-7.1
S&P 500	1,976	+2.3	-6.1
Nasdaq	4,679	+2.7	-5.7
VIX	18	-12.9	34.1
FTSE	6,153	+0.9	-11.4
DAX	9,717	+2.3	-14.8
CAC 40	4,407	+1.7	-11.0
Nikkei	16,086	+0.4	-14.6
Shanghai	2,733	+1.7	-18.1
Hang Seng	19,407	+1.5	-22.0
ASX 200	4,922	+0.8	-17.4

Commodities*

	Last	% day
Oil (Brent)	36.87	0.8
Oil (WTI)	34.40	1.9
Oil (Tapis)	38.65	5.3
Gold	1236.50	0.2
CRB	163.87	0.4
GS Metals	257.9	0.2
Aluminium	1572	0.8
Copper	4706	-0.2
Nickel	8496	0.3
Zinc	1763	0.3
Ch. steel	1996	0.7
Iron ore	51.4	3.7
Coal	50.9	0.7
Wheat Chic.	446.0	-1.6
Sugar	14.39	0.2
Cotton	58.25	0.4
Coffee	114.8	-0.3

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.63	0.88	1.65	USD 10	1.82	0.09
AUD	2.00	2.29	2.00	2.58	AUD 10	2.35	-0.05 0.53
NZD	2.50	2.57	2.43	3.10	NZD 10	2.92	-0.05 1.10
EUR	0.05	0.06	-0.21	0.54	CAD 10	1.25	0.06 -0.57
GBP	0.50	0.59	0.73	1.35	EUR 10	0.15	0.04 -1.68
JPY	0.00	-0.01	-0.18	0.10	GBP 10	1.40	0.06 -0.43
CAD	0.50	1.17	0.81	1.45	JPY 10	-0.06	0.00 -1.88

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.72	-0.01
3 Yr bond	98.26	-0.06
10 Yr bond	97.58	-0.06
3/10 sprd	0.69	0.00
SPI	88.0	1.8

CO₂ Emissions - Euros

	Last	% day
Jun-2016	4.99	-0.2
Dec-2016	5.00	-0.2
Jun-2017	5.03	-0.2

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
Wednesday, 2 March 2016								
NZ	QV Housing Report, YoY	Feb				12.6	23.00	10.00
AU	GDP SA QoQ/YoY	4Q	0.6/2.7	0.4/2.5		0.9/2.5	0.30	11.30
AU	NAB Wellbeing Index	4Q					0.30	11.30
EC	ECB's Coeure speaks in Frankfurt						8.30	19.30
UK	Markit/CIPS UK Construction PMI	Feb		55.5		55.0	9.30	20.30
US	MBA Mortgage Applications	Feb 26				-4.3	12.00	23.00
US	Wards Total Vehicle Sales	Feb		17.7		17.5		
US	ADP Employment Change	Feb		187.5		205.0	13.15	0.15
US	ISM New York	Feb				54.6	14.45	1.45
US	Fed's Williams speaks in California						15.00	2.00
US	U.S. Federal Reserve Releases Beige Book						19.00	6.00
Thursday, 3 March 2016								
NZ	Value of All Buildings SA QoQ	4Q	1	2		0.5	21.45	8.45
AU	AiG Perf of Services Index	Feb				48.4	22.30	9.30
AU	HIA New Home Sales MoM	Jan				-1.8	0.00	11.00
NZ	ANZ Commodity Price	Feb	-3			-2.3	0.00	11.00
AU	Trade Balance	Jan	-3200	-3200		-3535.0	0.30	11.30
AU	NAB Online Retail Sales Index MoM/YoY	Jan				1.8/11.2	0.30	11.30
JN	BoJ's Nakaso speaks in Naha						1.30	12.30
CH	Caixin China PMI Services/Composite	Feb		/		52.4/50.1	1.45	12.45
JN	Nikkei Japan PMI Services/Composite	Feb		/		52.4/52.6	2.00	13.00
GE	Markit Germany Services PMI/Composite F	Feb F		55.1/53.8		55.1/53.8	8.55	19.55
EC	Markit Eurozone Services PMI/Composite F	Feb F		53/52.7		53.0/52.7	9.00	20.00
UK	Markit/CIPS UK Services PMI/Composite	Feb		55.1/55.7		55.6/56.1	9.30	20.30
EC	Retail Sales MoM/YoY	Jan		0.1/1.3		0.3/1.4	10.00	21.00
US	Challenger Job Cuts YoY	Feb				41.6	12.30	23.30
US	Nonfarm Productivity	4Q F		-3		-3.0	13.30	0.30
US	Initial Jobless Claims	Feb 27		270		272.0	13.30	0.30
US	Markit US Services PMI	Feb F		50/		49.8/50.1	14.45	1.45
US	ISM Non-Manf. Composite	Feb		53.1		53.5	15.00	2.00
US	Factory Orders	Jan		2.1		-2.9	15.00	2.00
Friday, 4 March 2016								
NZ	Crown Financial Accounts	Jan					21.00	8.00
AU	Retail Sales MoM	Jan	0.3	0.4		0.0	0.30	11.30
JN	Labor Cash Earnings/Real Earnings YoY	Jan		0.4/		0.1/-0.1	0.00	11.00
US	Change in Nonfarm Payrolls/Unemployment rate	Feb		195/4.9		151.0/4.9	13.30	0.30
US	Average Hourly Earnings MoM/YoY	Feb		0.2/2.5		0.5/2.5	13.30	0.30
US	Trade Balance	Jan		-44		-43.4	13.30	0.30
CA	Int'l Merchandise Trade	Jan		-0.9		-0.6	13.30	0.30
CA	Labor Productivity QoQ	4Q		0		0.1	13.30	0.30
CA	Ivey Purchasing Managers Index SA	Feb		58		66.0	15.00	2.00
Saturday, 5 March 2016								
CH	China Announces 2016 GDP Forecast							
Monday, 7 March 2016								
AU	AiG Perf of Construction Index	Feb				46.3	22.30	9.30
AU	ANZ Job Advertisements MoM	Feb				1.0	0.30	11.30
CH	Foreign Reserves	Feb				3230.9	1.15	12.15
JN	Leading Index CI	Jan P				102.1	5.00	16.00
AU	Foreign Reserves	Feb				61.6	5.30	16.30
EC	Sentix Investor Confidence	Mar				6.0	9.30	20.30
CA	Bloomberg Nanos Confidence	Mar 4				53.6	15.00	2.00
US	Labor Market Conditions Index Change	Feb				0.4	15.00	2.00
US	Fed's Fischer Speaks at Annual NABE Conference in Washington						17.30	4.30
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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