

I (don't) need a dollar

A fairly uneventful offshore session on Friday saw US stocks recover some of Thursday's losses, bond yields pushing back higher while the US dollar was softer across the board. The speculative (futures) market is now short dollars for the first time in almost two years. Oil jumped by about \$2.5 in front of next week's Doha meeting of OPEC and non-OPEC producers but with no tangible reason for optimism that a production freeze will be agreed. (Incidentally, after Friday's close, Moody's cut by one notch their rating on three oil majors – Chevron, Royal Dutch Shell and Total SA).

The Canadian dollar was the clear outperformer in G10 FX, aided not just by oil but also a stellar employment report (employment +40.6k with unemployment down to 7.1% from 7.3% and against expectations for no change). AUD also benefited from firmer commodity prices and the improvement in risk sentiment, finishing NY at 0.7556 and after an only momentary dip below 0.75 last Thursday. Sterling held its own despite some dire production and trade data and latest 'poll of polls' on the UK EU referendum showing the 'remain' and 'leave' camps running neck and neck.

The S&P 500 was +0.28% to 2047.6 but down 1.2% on the week. US 2yr yields added 0.7bp to 0.695% and 10s +2.8bps to 1.7167%, so retracing a little of last Thursday's sharp fall. In commodities WTI crude added \$2.46 to \$39.72 and Brent +\$2.51 to \$41.94. The LME index was +0.46% but iron ore fell by 18 cents to \$54.57. Gold was virtually unchanged at \$1240.69.

CFTC/IMM data for the w/e 2 April shows overall USD speculative positioning turning to short for the first time since the week ended 6 May 2014. The prior week's +25.6k went to -4.5k. This was on a combination of a reduction in net EUR shorts (-53.5k from -62.8k) and a further extension in JPY longs (+60.1k from +54.4k). This is the largest net JPY long since March 2008 and has only been exceeded on 3 or 4 occasions in history - so clearly extreme. AUD net longs extended slightly, to 26.8k from 23.5k but are from extreme.

NY Fed President and FOMC vice-chair Bill Dudley embellished his dovish credentials/firm alignment with Janet Yellen in a speech Friday, though his acknowledgement of dollar weakness as having reduced 'that problem' could be telling, suggesting the currency may prove less of a constraint to tightening later this year than it evidently has done to date. Dudley said that low inflation expectations were cause for concern, that there is

'significant uncertainty' about growth prospects abroad and repeated the call for a cautious, gradual approach to rate hikes and (like Yellen before him) stressed the limited ability to lower rates as reason for this policy caution.

US February wholesale inventories fell by 0.5% (-0.1% expected) and wholesale sales were also weaker than expected at -0.2%. This prompted the Atlanta Fed to revise its Q1 'GDPNow' estimate to just 0.1% from 0.4% as of last Tuesday and 0.7% the Friday before.

UK February manufacturing production fell by 1.1%, much worse than the +0.3% expected with January revised down to 0.5% from 0.7%. Total industrial production fell by 0.3% against +0.1% expected with January revised down to 0.2% from 0.3%. This saw the NIESR to downgrade its estimate for Q1 GDP (due 27 April) to 0.3%. The February UK trade deficit came in at a much worse than expected GBP12bn (-10.2bn expected) with January revised to -12.2bn from -10.3bn.

Sunday's CoreLogic RP data preliminary auction clearance rates showed a city-weighted national average of 67.8% up from 66.6% last weekend. Sydney cleared 67.4% of auctions down from 69.8% and Melbourne 73.2% up from 69.2%.

Coming Up

It's a big week internationally. The US earnings season kicks off tonight with Alcoa and three of the major banks report on Wednesday, Thursday and Friday (JPM, BAML and Citi respectively). Retail sales (Wednesday) and CPI Thursday) top the economic calendar. China has Q1 GDP on Friday (expected at 6.7% QTD YoY from 6.9%) alongside the usual raft of (March) activity readings and before that we'll get CPI (today) and trade figures on Wednesday.

Locally it's a big week too with two important inputs in the lead up to the 3 May RBA meeting. NAB's latest business survey is tomorrow and The March labour force survey on Thursday. Barring particular weakness in one or other of these reports, the AUD looks like being well supported above 0.75 this week, having spent less than two hours below this level last week.

Overnight

On global stock markets, the S&P 500 was +0.30%. Bond markets saw US 10-years +2.78bp to 1.72%. On commodity markets, Brent crude oil +6.37% to \$41.94, gold+0.5% to \$1,243, iron ore -0.3% to \$54.57. AUD is at 0.7546 and the range since Friday's local close has been 0.7526 to 7579.

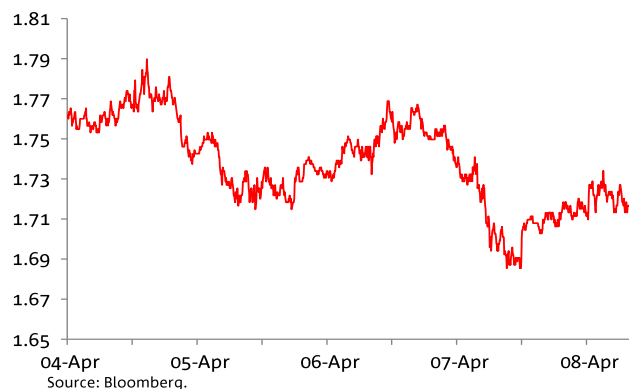
Author:

Ray Attrill – Global Co-Head of FX Strategy

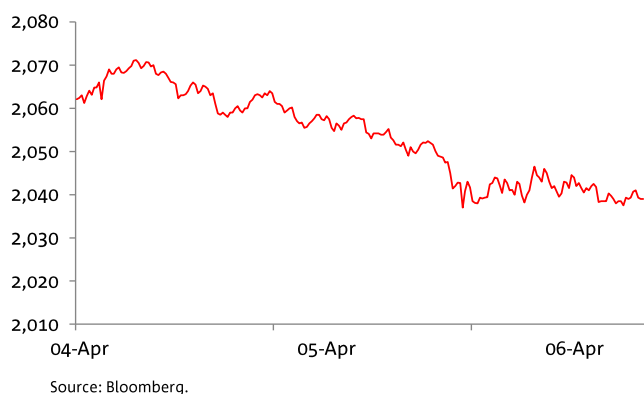
AUD/USD - past week



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	0.7552	-0.1	0.7545	0.7558	HKD	7.7587 0.0
NZD	0.6808	0.0	0.6800	0.6813	CNY	6.4636 0.0
EUR	1.1416	0.1	1.1396	1.1421	SGD	1.3485 0.0
GBP	1.4119	-0.1	1.4111	1.4130	IDR	13,144 -0.1
JPY	107.98	-0.1	107.8200	108.2600	THB	35.08 -0.1
CAD	1.2985	0.0	1.2976	1.3002	KRW	1,154 0.2
AUD/EUR	0.6615	-0.2			TWD	32.44 0.2
AUD/JPY	81.54	-0.1			PHP	46.11 -0.1
AUD/GBP	0.5348	0.0			CHF	0.95 -0.1
AUD/NZD	1.1092	0.0			SEK	8.14 -0.1
AUD/CNY	4.8948	1.0				

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.63	0.85	1.60	USD 10	1.72	0.03
AUD	2.00	2.25	2.05	2.57	AUD 10	2.40	-0.05 0.69
NZD	2.25	2.32	2.18	2.92	NZD 10	2.82	0.00 1.10
EUR	0.00	0.06	-0.16	0.50	CAD 10	1.23	0.06 -0.49
GBP	0.50	0.59	0.76	1.37	EUR 10	0.10	0.01 -1.62
JPY	-0.04	-0.01	-0.13	0.12	GBP 10	1.36	0.04 -0.35
CAD	0.50	1.17	0.88	1.47	JPY 10	-0.08	-0.02 -1.79

Equities

Major Indices			
	Last	% day	% y/y
Dow	17,577	+0.2	-2.7
S&P 500	2,048	+0.3	-2.6
Nasdaq	4,851	+0	-2.9
VIX	15	-5.0	22.1
FTSE	6,204	+1.1	-12.5
DAX	9,622	+1	-22.2
CAC 40	4,303	+0.6	-17.9
Nikkei	15,822	+0.5	-20.5
Shanghai	2,985	-0.8	-26.0
Hang Seng	20,370	+0.5	-25.3
ASX 200	4,938	-0.5	-17.3

Commodities*

	Last	% day
Oil (Brent)	41.94	6.4
Oil (WTI)	39.72	6.6
Oil (Tapis)	41.46	1.7
Gold	1242.50	0.5
CRB	171.04	2.5
GS Metals	252.6	0.5
Aluminium	1507	1.2
Copper	4665	0.0
Nickel	8513	1.9
Zinc	1748	0.2
Ch. steel	2250	2.8
Iron ore	54.6	-0.3
Coal	49.9	0.5
Wheat Chic.	466.8	0.5
Sugar	14.69	1.8
Cotton	60.07	1.8
Coffee	122.6	0.5

* clsd = market holiday

CO ₂ Emissions - Euros		
	Last	% day
Jun-2016	5.41	2.7
Dec-2016	5.42	2.7
Jun-2017	5.46	2.6

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.85	0.01
3 Yr bond	98.2	-0.01
10 Yr bond	97.58	-0.03
3/10 sprd	0.62	0.02
SPI	20.0	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
Monday, 11 April 2016							
NZ	Credit Spending Retail M/M	Mar		0.3		0.7	22.45
NZ	REINZ House Sales YoY	Mar					Anytime from 11
JN	Machine Orders MoM/YoY	Feb		-12/-2.5		15/8.4	23.50
AU	Home Loans MoM	Feb	1.8%	2		-3.9%	1.30
CH	CPI/PPI YoY	Mar				2.4/-4.6%	1.30
CA	Housing Starts	Apr				204.3	12.15
CA	Unemployment Rate	Apr				7.1	12.30
UK	NIESR GDP Estimate	Apr				0.3	13.00
CH	New Yuan Loans CNY	Mar		1100		726.6	Anytime f
CH	Aggregate Financing CNY	Mar		1400		780.2	Anytime f
CH	Money Supply M2 YoY	Mar		13.5		13.3	Anytime f
Tuesday, 12 April 2016							
CA	Bloomberg Nanos Confidence	Apr 8				54.7	13.00
UK	BRC Sales Like-For-Like YoY	Mar		1.4		0.1	22.10
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Apr 10				113.4	22.30
AU	Credit Card Balances	Feb				50.9	0.30
AU	NAB Business Conditions	Mar				8.0	0.30
AU	NAB Business Confidence	Mar				3.0	0.30
CH	CPI YoY	Mar		2.4		2.3	0.30
CH	PPI YoY	Mar		-4.6		-4.9	0.30
JN	Machine Tool Orders YoY	Mar P				-22.5	5.00
GE	CPI MoM/YoY	Mar F		0.8/0.3		0.8/0.3	5.00
UK	CPI MoM	Mar		0.3		0.2	7.30
UK	PPI Input NSA MoM	Mar		2.3		0.1	7.30
US	NFIB Small Business Optimism	Mar		93.7		92.9	9.00
US	Import Price Index MoM	Mar		1		-0.3	11.30
US	Monthly Budget Statement	Mar		-104		-192.6	17.00
US	Fed's Williams Speaks in San Francisco						
Wednesday, 13 April 2016							
NZ	Food Prices MoM	Mar				-0.6	21.45
JN	Money Stock M2 YoY	Mar		3.1		3.1	22.50
JN	PPI MoM	Mar		0		-0.2	22.50
AU	Westpac Consumer Conf Index	Apr				99.1	23.30
EC	Industrial Production SA MoM/YoY	Feb		-0.5/1.2%		2.1%/2.8%	8.00
US	MBA Mortgage Applications	Apr 8				2.7	10.00
US	Retail Sales Advance MoM	Mar		0.1		-0.1	11.30
CA	Teranet/National Bank HPI YoY	Mar				6.5	11.30
US	Retail Sales Ex Auto MoM	Mar		0.4		-0.1	11.30
US	PPI Final Demand MoM	Mar		0.3		-0.2	11.30
CH	Trade Balance	Mar		34.95		32.6	Anytime c
CH	Exports YoY	Mar		10		-25.4	Anytime c
CH	Imports YoY	Mar		-10.1		-13.8	Anytime c
GE	Wholesale Price Index MoM	Mar				-0.5	
CA	Bank of Canada Rate Decision	Apr 13		0.5		0.5	13.00
US	U.S. Federal Reserve Releases Beige Book						
Thursday, 14 April 2016							
NZ	BusinessNZ Manufacturing PMI	Mar				56.0	21.30
UK	RICS House Price Balance	Mar		50		50.0	22.10
JN	Japan Buying Foreign Bonds	Apr 8				-1555.1	22.50
JN	Foreign Buying Japan Bonds	Apr 8				30.2	22.50
AU	Consumer Inflation Expectation	Apr				3.4	0.00
AU	Employment Change	Mar	40k	18.5		0.3	0.30
AU	Labour Force Report (unemployment)	Mar	5.8%	5.9		5.8	0.30
NZ	Non Resident Bond Holdings	Mar				68.3	2.00
EC	CPI MoM/YoY	Mar		-0.1%/1.0		-0.1%/1.0	8.00
UK	Bank of England Bank Rate	Apr 14		0.5		0.5	10.00
CA	New Housing Price Index MoM	Feb		0.1		0.1	11.30
US	Initial Jobless Claims	Apr 9		270		267.0	11.30
US	Continuing Claims	Apr 2		2182.5		2191.0	11.30
US	CPI MoM	Mar		0.2		-0.2	11.30
US	Real Avg Weekly Earnings YoY	Mar				0.6	11.30
US	Bloomberg Consumer Comfort	Apr 10				42.6	12.45
US	Fed's Powell Appears Before Senate Banking Committee						
Friday, 15 April 2016							
AU	RBA Financial Stability Review						0.30
CH	Industrial Production YTD YoY	Mar		5.5		5.4	1.00
CH	Industrial Production YoY	Mar		6		5.9	1.00
CH	Retail Sales YoY	Mar		10.4		11.1	1.00
CH	Retail Sales YTD YoY	Mar		10.2		10.2	1.00
CH	Fixed Assets Ex Rural YTD YoY	Mar		10.4		10.2	1.00
CH	GDP SA QoQ/YoY	1Q		1.5/6.7		1.6/6.8	1.00
JN	Capacity Utilization MoM	Feb				2.6	3.30
JN	Industrial Production MoM	Feb F				-6.2	3.30
UK	Construction Output SA MoM	Feb		0		-0.2	7.30
EC	Trade Balance SA	Feb		21.5		21.2	8.00
CA	Manufacturing Sales MoM	Feb		-1.5		2.3	11.30
US	Empire Manufacturing	Apr		2		0.6	11.30
US	Industrial Production MoM	Mar		-0.1		-0.5	12.15
US	Capacity Utilization	Mar		75.3		76.7	12.15
US	U. of Mich. Sentiment	Apr P		92		91.0	13.00
US	U. of Mich. 5-10 Yr Inflation	Apr P				2.7	13.00
US	Total Net TIC Flows	Feb				118.4	19.00
Upcoming Central Bank Interest Rate Announcements							
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%	
Australia, RBA		3-May	2.00%	2.00%		2.00%	

GMT: Greenwich Mean Time; AEST: Australian Eastern Standard Time

Contact Details

Authors

David de Garis
Senior Economist
+61 3 8641 3045
david.degaris@nab.com.au

Ray Attrill
Global Co-Head of FX Strategy
+61 2 9237 1848
ray.attrill@nab.com.au

Rodrigo Catril
Currency Strategist
+61 2 9293 7109
rodrigo.h.catril@nab.com.au

Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406
peter.jolly@nab.com.au

Group Economics

Alan Oster
Chief Economist
+61 3 8634 2927
alan_oster@national.com.au

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.