

No dice

Regardless of whether an agreement yesterday by major producers to freeze oil production would have had any meaningful impact on oil prices beyond the psychological boost it might have provided, the failure of the Doha talks to agree anything serves to underscore the ongoing global supply/demand imbalance and which the fall-off in US shale oil output does little to correct.

Anticipation of a sharp drop in crude oil futures today (the CME Globex Sunday night session is about to begin) sees the CAD, AUD and NZD all smartly lower at the Wellington open, in that order (-1.0%, -0.8% and -0.4% respectively). If non-oil hard commodity prices follow oil down this morning, expect more weakness over the course of the day. And if the energy sector then leads US stocks lower tonight (and this was the worst performing sector on Friday) expect higher volatility (read VIX) to also come into play.

On Friday, markets weren't put off too much by more poor incoming US data. It's not clear whether this is because of the comfort it provides to risk markets that the Fed is not going to lifting rates again anytime soon, or because they are already looking forward to the likelihood of a much-improved second quarter (and with the seasonal tendency for Q1 to be the worse quarter of the US year increasingly appreciated).

US March industrial production fell by a bigger than expected 0.6% (-0.1%E). The Michigan April preliminary consumer sentiment index disappointed expectations for 92.0, dropping to 89.7 from 91.0P. Perhaps more troubling for the Fed, its 5-10yr inflation expectations reading fell to 2.5% from 2.7% (the 1-year read-out was unchanged at 2.7%). At least the Empire (NY) manufacturing survey came in strong, +9.5 from +0.62 and well above the 2.0 expected.

Also to note on the data front and sneaked out late Friday, China said that Q1 GDP was just 1.1% on a seasonally adjusted basis, well below the 1.5% expected and Q4 2015's 1.5% (revised down from 1.6%).

US stocks closed very slightly weaker on Friday though the VIX was flat, the US dollar was a bit softer and Treasury yields were lower but still very much in the middle of the effective 1.6%-2.0% (10yr) range of the past two months. Oil slipped a little (+/- \$1) in front of the (now failed) Doha meeting of major producers. Iron ore lost 1.85% or \$1.10 to \$58.28 while the LME index was 0.31% lower.

US dollar indices closed with the DXY -0.22% but a fairly cool 2.6% lower on the week. AUD closed in NY at 0.7725, +0.4% on the day but is 0.7670 now. USD/JPY was 0.59% lower at Y108.76 at the NY close. This pair has moved lower again in early trade, after G20 officials (most prominently US Treasury Secretary Jack Lew) made clear at G20/IMF gatherings beginning on Friday that they do not support BoJ intervention to try weakening the Yen. Anticipation of a 'risk-off' morning post the failed Doha talks also looks to be weighing. Note though that Friday's CFTC data shows speculative yen longs on the IMM to have reached a record (or at last a post-1992 high) in the week ended last Tuesday.

In stocks on Friday, the S&P 500 was -0.1% at 2082.78, with the Dow and NASDAQ both -0.16%. Citi Group beat its \$1.03 EPS street consensus at \$1.10 (on deeper cost cuts than forecast) but the stock still finished -0.13%. Utilities (+0.66%) were the best performing S&P sector and energy shares (-1.26%) the worse. Financials finished -0.29% with Citi actually the least bad performer amongst the banks.

Coming Up

Oil prices looks should be centre stage today and for much of the week in what is otherwise a fairly uninspiring data and events calendar in the week ahead.

The key Australian and New Zealand events look like being firstly, today's Q1 NZ CPI report, coming ahead of next Thursday's RBNZ meeting and for which our BNZ colleagues are picking another 25-point cut to the OCR to 2%. Then on Tuesday we'll get the minutes of the RBA's 5 April Board meeting but hopefully more interesting, a speech from RBA Governor Glenn Stevens in New York later that evening (11:30pm AEST). There is as yet no title on the RBA's website.

There is no data of particular note in either Australia or The United States, though for the latter there'll be some interest in Tuesday's housing starts, Wednesday's existing home sales, and Thursday's weekly jobless claims (after they fell to a 41-year low last week) and the Philadelphia Fed business outlook.

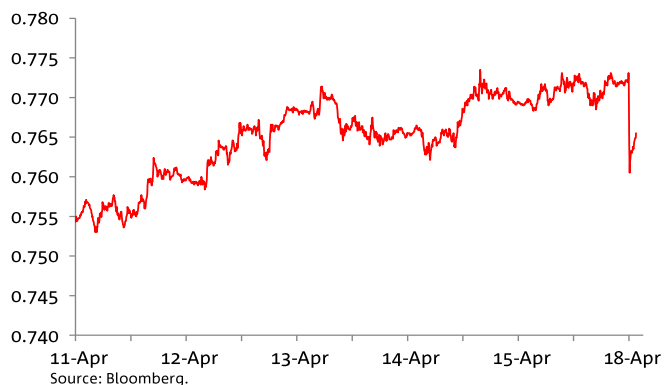
Overnight

On global stock markets, the S&P 500 was -0.10%. Bond markets saw US 10-years -4.01bp to 1.75%. On commodity markets, Brent crude oil -1.69% to \$43.1, gold+0.1% to \$1,234, iron ore -1.9% to \$58.28. AUD is at 0.7666 and the range since Friday local close has been 0.7594 to 0.7733.

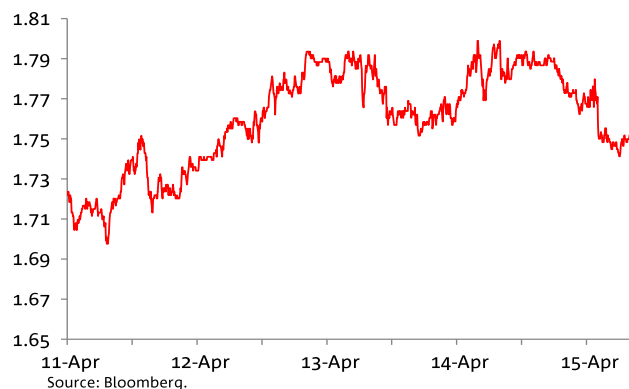
Author:

Ray Attrill – Global Co-Head of FX Strategy

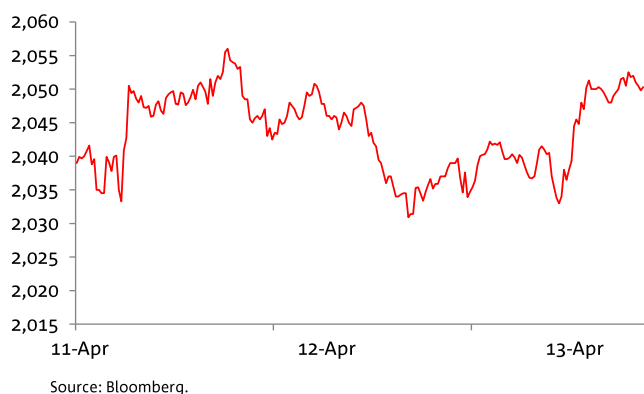
AUD/USD - past week



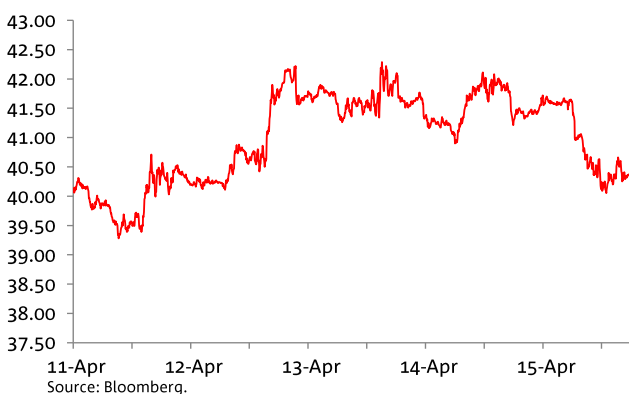
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

Indicative 24hr ranges (**)					Other FX		
	Last	% chge	Low	High		Last	% chge
AUD	0.7665	-0.8	0.7593	0.7658	HKD	7.7559	0.0
NZD	0.6890	-0.4	0.6866	0.6909	CNY	6.4755	-0.1
EUR	1.1302	0.2	1.1294	1.1319	SGD	1.3569	0.0
GBP	1.4192	-0.1	1.4163	1.4244	IDR	13,178	0.0
JPY	108.29	-0.4	107.7700	108.3300	THB	35.01	0.0
CAD	1.2940	0.9	1.2932	1.2958	KRW	1,146	-0.9
AUD/EUR	0.6768	-0.9			TWD	32.33	-0.3
AUD/JPY	82.85	-1.2			PHP	46.13	0.0
AUD/GBP	0.5389	-0.7			CHF	0.97	-0.2
AUD/NZD	1.1125	-0.3			SEK	8.12	0.0
AUD/CNY	4.9896	0.0					

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	0.50	0.63	0.86	1.61	USD 10	1.75	-0.04	
AUD	2.00	2.29	2.14	2.64	AUD 10	2.56	0.04	0.81
NZD	2.25	2.34	2.26	2.98	NZD 10	2.86	0.01	1.11
EUR	0.00	0.06	-0.16	0.52	CAD 10	1.27	-0.02	-0.48
GBP	0.50	0.59	0.80	1.41	EUR 10	0.13	-0.04	-1.62
JPY	-0.03	-0.01	-0.11	0.10	GBP 10	1.41	-0.04	-0.34
CAD	0.50	1.17	0.91	1.50	JPY 10	-0.12	-0.02	-1.87

Equities

Major Indices			
	Last	% day	% y/y
Dow	17,897	-0.2	0.4
S&P 500	2,081	-0.1	0.0
Nasdaq	4,938	-0.2	0.1
VIX	14	-0.7	-1.9
FTSE	6,344	-0.3	-9.3
DAX	10,052	-0.4	-14.0
CAC 40	4,495	+0.1	-12.6
Nikkei	16,848	-0.4	-14.3
Shanghai	3,078	-0.1	-28.2
Hang Seng	21,316	-0.1	-22.9
ASX 200	5,157	+0.8	-12.3

Commodities*

	Last	% day
Oil (Brent)	43.10	-1.7
Oil (WTI)	40.36	-2.7
Oil (Tapis)	44.16	-1.3
Gold	1234.20	0.1
CRB	173.64	-0.7
GS Metals	261.0	-0.3
Aluminium	1545	-0.2
Copper	4829	-0.4
Nickel	8881	-0.9
Zinc	1861	0.3
Ch. steel	2323	0.2
Iron ore	58.3	-1.9
Coal	50.9	0.0
Wheat Chic.	467.5	0.2
Sugar	15.04	6.4
Cotton	60.03	-1.0
Coffee	124.9	-0.2

* clsd = market holiday

CO ₂ Emissions - Euros		
	Last	% day
Jun-2016	5.47	-2.3
Dec-2016	5.48	-2.3
Jun-2017	5.51	-2.3

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	AEST
Sunday, 17 April 2016								
Oil	Major Oil Producers Meet to Discuss Production Freeze							
Monday, 18 April 2016								
NZ	CPI QoQ/YoY	1Q	0.1/0.3	0.1/0.4		-0.5/0.1	22.45	8.45
UK	Rightmove House Prices MoM/YoY	Apr				1.3/7.6	23.10	9.10
AU	New Motor Vehicle Sales MoM/YoY	Mar				-0.1/2.3	1.30	11.30
CH	Property Prices	Mar					1.30	11.30
CA	Int'l Securities Transactions	Feb				13.5	12.30	22.30
US	Fed's Dudley Gives Opening Remarks at Economics Conference						12.30	22.30
CA	Bloomberg Nanos Confidence	Apr 15				55.0	14.00	0.00
US	NAHB Housing Market Index	Apr		59		58.0	14.00	0.00
US	Fed's Kashkari Speaks in Minneapolis						16.30	2.30
Tuesday, 19 April 2016								
NZ	Performance Services Index	Mar				56.9	22.30	8.30
US	Fed's Rosengren to Speak at Central Conn State University						23.00	9.00
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Apr 17				112.0	23.30	9.30
AU	RBA April Meeting Minutes							
EC	ECB Current Account SA	Feb				25.4	8.00	18.00
EC	ECB Bank Lending Survey						8.00	18.00
EC	Construction Output MoM/YoY	Feb				3.6/6.0	9.00	19.00
GE	ZEW Survey Current Situation/Expectations	Apr		50.5/8		50.7/4.3	9.00	19.00
EC	ZEW Survey Expectations	Apr				10.6	9.00	19.00
US	Housing Starts/MoM	Mar		1170/-0.7		1178.0/5.2	12.30	22.30
US	Building Permits/MoM	Mar		1200/2		1167.0/-3.1	12.30	22.30
AU	RBA Governor Stevens Speech in New York							
NZ	Dairy Auction, GDT price index (early AM, NZ time)					2.1		
Wednesday, 20 April 2016								
JN	Trade Balance/Adjusted	Mar		819.1/450		242.8/166.1	23.50	9.50
AU	Westpac Leading Index MoM	Mar				-0.2	0.30	10.30
AU	Skilled Vacancies MoM	Mar				-0.9	1.00	11.00
JN	Machine Tool Orders YoY	Mar F				-21.2	6.00	16.00
UK	Jobless Claims Change	Mar		-10		-18.0	8.30	18.30
UK	Average Weekly Earnings 3M/YoY	Feb		2.3		2.1	8.30	18.30
UK	ILO Unemployment Rate 3Mths	Feb		5.1		5.1	8.30	18.30
US	MBA Mortgage Applications	Apr 15				10.0	11.00	21.00
CA	Wholesale Trade Sales MoM	Feb				0.0	12.30	22.30
CH	Conference Board Leading Economic Index	Mar					13.00	23.00
US	Existing Home Sales/MoM	Mar		5.27/3.74		5.1/-7.1	14.00	0.00
Thursday, 21 April 2016								
NZ	ANZ Job Advertisements MoM	Mar				0.9	22.00	8.00
NZ	Net Migration SA	Mar				6070.0	22.45	8.45
NZ	ANZ Consumer Confidence Index/MoM	Apr				118.0/-1.4	1.00	11.00
AU	NAB Business Confidence	1Q				4.4	1.30	11.30
AU	RBA FX Transactions Market	Mar				476.0	1.30	11.30
NZ	Credit Card Spending MoM/YoY	Mar				-0.4/7.3	3.00	13.00
JN	Supermarket Sales YoY	Mar				3.4	5.00	15.00
UK	Retail Sales Ex Auto Fuel MoM/YoY	Mar		-0.4/3.7		-0.2/4.1	8.30	18.30
UK	Public Finances (PSNCR)	Mar				0.1	8.30	18.30
EC	Govt Debt/GDP Ratio	2015					9.00	19.00
EC	ECB Main Refinancing Rate	Apr 21		0		0.0	11.45	21.45
EC	ECB Deposit Facility Rate	Apr 21		-0.4		-0.4	11.45	21.45
EC	ECB Marginal Lending Facility	Apr 21		0.25		0.3	11.45	21.45
US	Chicago Fed Nat Activity Index	Mar				-0.3	12.30	22.30
US	Initial Jobless Claims	Apr 16				253.0	12.30	22.30
US	Philadelphia Fed Business Outlook	Apr		8		12.4	12.30	22.30
US	FHFA House Price Index MoM	Feb		0.4		0.5	13.00	23.00
EC	Consumer Confidence	Apr A		-9.3		-9.7	14.00	0.00
US	Leading Index	Mar		0.3		0.1	14.00	0.00
Friday, 22 April 2016								
CH	MNI Business Indicator	Apr				49.9	1.45	11.45
JN	Nikkei Japan PMI Mfg	Apr P		49.5		49.1	2.00	12.00
JN	Tertiary Industry Index MoM	Feb		-0.5		1.5	4.30	14.30
GE	Markit/BME Germany Manufacturing/Services PMI	Apr P		51/55.3		50.7/55.1	7.30	17.30
EC	ECB Survey of Professional Forecasters						8.00	18.00
EC	Markit Eurozone Manufacturing/Services PMI	Apr P		51.9/53.3		51.6/53.1	8.00	18.00
EC	Euro Area Fourth Quarter Government Deficit	Q4					9.00	19.00
EC	Euro Area Fourth Quarter Government Debt	Q4					9.00	19.00
CA	Retail Sales/ex autos MoM	Feb		-0.8/-0.8		2.1/1.2	12.30	22.30
CA	CPI NSA MoM/YoY	Mar				0.2/1.4	12.30	22.30
CA	CPI Core MoM/YoY	Mar		0.3/1.7		0.5/1.9	12.30	22.30
US	Markit US Manufacturing PMI	Apr P		51.7		51.5	13.45	23.45
Upcoming Central Bank Interest Rate Announcements								
UK BOE		14-Apr				0.50%		
Europe ECB		21-Apr				0.00%		
New Zealand, RBNZ		28-Apr	2.00%	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%		
Canada, BoC		26-May				0.50%		

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.