

27 April 2016

Markets Today



Bend me, shape me

It's been a night of relative flatness in European and US equities, OK-to-softer US data reads and mixed on the commodity front, with oil standing above the pack, WTI up \$1.53 to \$44.16 and Brent up \$1.52 to \$46. That seems to have been enough to lend some support to the commodity currencies, the AUD trading the session in the 0.77s, sitting this morning at 0.7745, among the best performers of the top FX currencies. Iron ore gave up another \$3.29/t selling aided perhaps by a reported clamp down in China on speculative commodity trading. Dalian iron ore futures were down 1.85% and steel rebar futures off a similar 1.31%. Good luck to the Treasury forecasting iron ore in next week's Budget. Base metals and gold were little changed.

Both key US data releases, durable goods orders and consumer confidence, were a little softer than expectations, though the confidence report from the Conference Board did also report its labour net plentiful index as improving further in April, consumers still upgrading their assessment of the labour market. The Atlanta Fed's *GDPNow* estimate for Q1 GDP - ahead of its release tomorrow - though was upped slightly to 0.4% from 0.3%, thanks to higher estimates of residential investment and inventories offsetting softer business equipment investment. US Treasury yields eked higher, 2s by 3 bps and 10s by 1.6. Fed funds futures are fully priced for one rate hike by year-end and one more next year, still well shy of the FOMC's March dot plot median expectation of two more this year.

Sterling appears to be building a base of support with the "remainers" doing better in the Brexit polls as the "project fear" campaign builds some momentum. Voters though seemed to take some umbrage at President Obama's intervention into the debate during his recent visit, a very recent poll showing "remainers" dipped 2 points if still ahead at 51% cf 43 for "leavers".

Coming up

First up today is the NZ trade report for March at 8:45 AEST ahead of the weekly ANZ-Roy Morgan consumer sentiment index (it rebounded last week) ahead of the big one on the calendar today which is the AU CPI for the March quarter.

While the market is very sensitive to the CPI and the AUD and rates markets might see an immediate knee-jerk reaction, the market is not hanging on this number as one that might swing the RBA into action or inaction at upcoming meetings. The argument to keep rates steady has been won - at least for now - by the better domestic activity

reports over recent months keeping the RBA relatively comfortably on hold, and with a more resilient \$A. While the Bank has had an easing bias for many months now from low inflation (headline inflation has been below the 2-3 target range for five quarters now, with underlying inflation at a subdued 2%) it's kept rates steady with still evident labour market trend improvement and an upbeat NAB Business Survey.

As for today's number, NAB has a somewhat below consensus forecast for headline CPI of 0.1% q/q (L: 0.4%; E: 0.2%) while our underlying forecast is 0.5-0.6% (L: 0.5%; E: 0.5%) close to if a tad above consensus. As far as quarterly special influences are concerned, low banana prices might bend the figures even lower with the risk of an even larger fall in fruit prices than our 10% fall, a mirror opposite to a decade ago when Cyclone Larry decimated the crop and saw the CPI rise 1.7% in Q2 2006. Since preparing our bottom-up assessment, Wesfarmers' comments last week that Coles supermarkets was having the highest rates of food deflation since mid-2013 points to some more widespread downside risk, food having a 16.8% weight in the CPI, thus also spilling over into underlying inflation.

NAB's SME small business counterpart of the main quarterly business survey is also released at 11:30 as is China's March industrial profits figures. There are two second tier releases from Japan ahead of the BoJ tomorrow, the All Industry Activity index at 14:30 AEST and their Small Business Confidence survey at 15:00 AEST.

Event risk starts kicking on tonight with the first cut of UK GDP. Growth of 0.4%/2.0% (after 0.6%/2.1%) is tipped; anything larger likely to propel Sterling further as recent Brexit fears have eased recently. Ahead of the FOMC (4:00 AEST tomorrow; followed by the RBNZ at 7:00 AEST) is the US goods trade and pending home sales. There will be interest in how much the FOMC statement (no forecast update nor Yellen presser at this meeting) might dial back their global risk assessment and how much to look through the Q1 slowdown given continued resilience in the labour market. Is June implicitly alive, semi-alive or unlikely? After tomorrow's meeting, the next one comes June 14, nine days before the June 23 Brexit referendum.

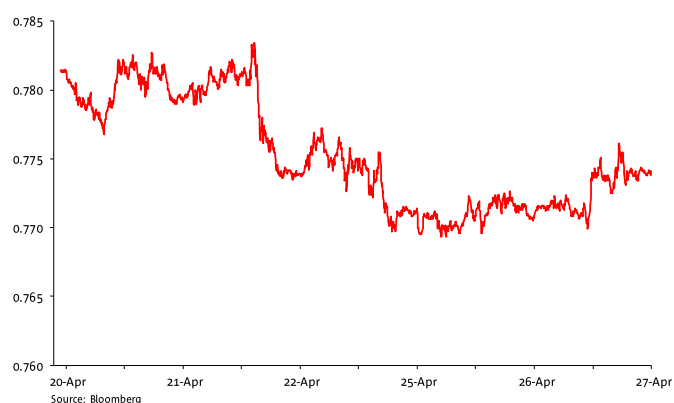
Overnight

On global stock markets, the S&P 500 was +0.20%. Bond markets saw US 10-years +1.43bp to 1.93%. On commodity markets, Brent crude oil +4.27% to \$45.8, gold +0.4% to \$1,245, iron ore -5.0% to \$62.78. AUD is at 0.7749 and the range was 0.7748 to 0.7751.

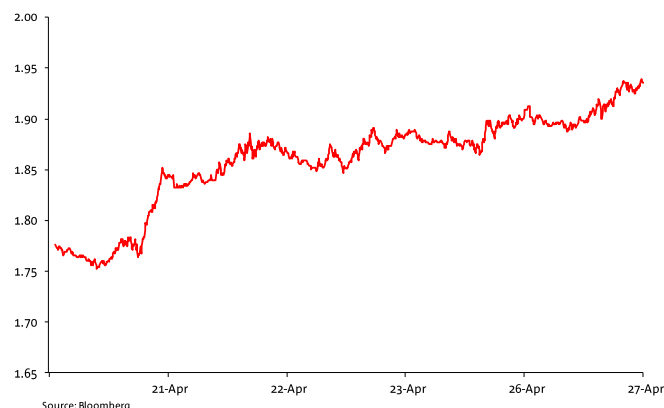
Author:

David de Garis, Senior Economist

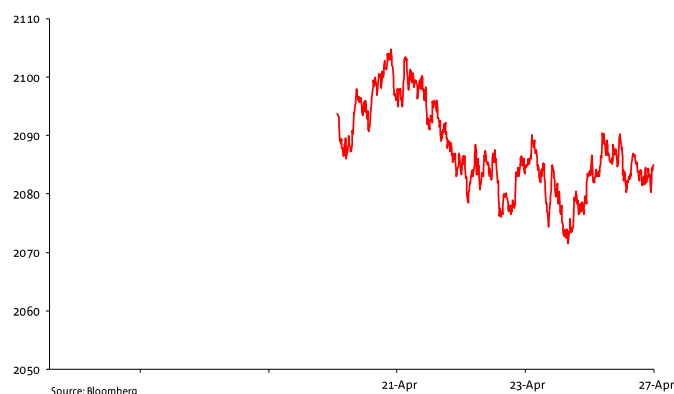
AUD/USD - past week



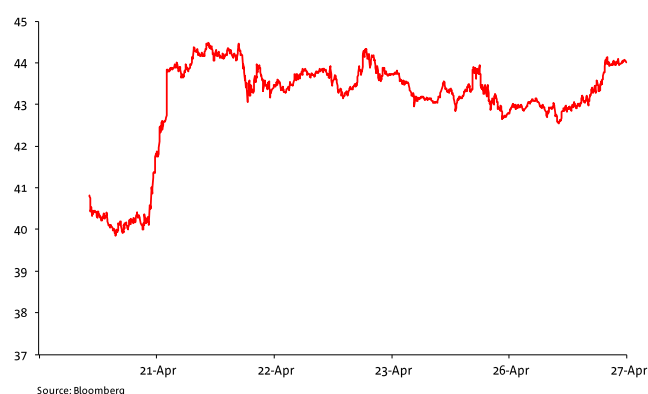
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

Indicative 24hr ranges (**)					Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7749	0.0	0.7748	0.7751	HKD	7.7554 0.0
NZD	0.6901	0.2	0.6870	0.6911	CNY	6.4916 0.0
EUR	1.1300	0.1	1.1271	1.1349	SGD	1.3517 -0.1
GBP	1.4580	0.1	1.4544	1.4640	IDR	13,185 -0.2
JPY	111.32	0.4	110.86	111.48	THB	35.14 -0.1
CAD	1.2606	-0.3	1.2594	1.2663	KRW	1,147 -0.1
AUD/EUR	0.6857	0.0			TWD	32.30 -0.1
AUD/JPY	86.27	0.5			PHP	46.83 0.0
AUD/GBP	0.5315	0.0			CHF	0.97 -0.1
AUD/NZD	1.1230	-0.1			SEK	8.12 0.0

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spnd
USD	0.50	0.63	0.97	1.79	USD 10	1.93	0.01
AUD	2.00	2.27	2.21	2.82	AUD 10	2.65	0.02 0.72
NZD	2.25	2.34	2.23	3.04	NZD 10	2.93	0.02 1.00
EUR	0.00	0.06	-0.15	0.70	CAD 10	1.55	0.01 -0.38
GBP	0.50	0.59	0.89	1.65	EUR 10	0.30	0.04 -1.63
JPY	-0.08	-0.04	-0.16	0.12	GBP 10	1.66	0.05 -0.27
CAD	0.50	1.17	1.04	1.73	JPY 10	-0.10	-0.04 -2.03

Equities

Major Indices

	Last	% day	% year
Dow	17,990	0.1	-0.5
S&P 500	2,092	0.2	-1.2
Nasdaq	4,888	-0.2	-4.0
VIX Index	13.96	-0.9	13.6
FTSE	6,285	0.4	-11.1
DAX	10,260	-0.3	-13.1
CAC 40	4,533	-0.3	-12.8
Nikkei	17,353	-0.5	-13.2
Shanghai	2,965	0.6	-34.5
Hang Seng	21,407	0.5	-24.7
ASX 200	5,221	-0.3	-12.7

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.76	0.00
3 Yr bond	97.94	-0.02
10 Yr bond	97.31	-0.02
3/10 sprd	0.63	0.00
SPI	19.0	0.4

Commodities*

	Last	% day
Oil (Brent)	46.38	4.3
Oil (WTI)	44.66	4.7
Oil (Tapis)	45.33	0.3
Gold	1244.80	0.4
CRB	181.48	1.5
GS Metals	271.3	-0.3
Aluminium	1648	-0.4
Copper	4962	-0.7
Nickel	9190	0.7
Zinc	1896	0.9
Ch. steel	2562	-1.3
Iron ore	62.78	-5.0
St. coal	51.8	0.0
Wheat Chic	497.3	2.1
Sugar	16.05	1.0
Cotton	63.83	-0.3
Coffee	125.8	1.8

CO₂ Emissions - Euros

	Last	% day
Dec-2016	6.62	12.2
Dec-2017	6.67	12.1
Dec-2018	6.72	12.0

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	AEST
Wednesday, 27 April 2016								
NZ	Trade Balance	Mar	-75	400.5		339.0	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Apr 24				115.8	23.30	9.30
CH	Industrial Profits YoY	Mar				-4.7	1.30	11.30
AU	CPI QoQ/YoY	1Q	0.1/1.6	0.2/1.7		0.4/1.7	1.30	11.30
AU	CPI Weighted Median QoQ/YoY	1Q	0.5/1.8	0.5/1.9		0.5/1.9	1.30	11.30
AU	CPI Trimmed Mean QoQ/YoY	1Q	0.6/2.1	0.5/2		0.6/2.1	1.30	11.30
AU	NAB SME Business Survey	1Q					1.30	11.30
CH	Westpac-MNI Consumer Sentiment	Apr				118.1	1.45	11.45
NZ	New Residential Lending YoY	Mar				11.7	3.00	13.00
JN	All Industry Activity Index MoM	Feb		-1.3		2.0	4.30	14.30
JN	Small Business Confidence	Apr		48.5		48.8	5.00	15.00
GE	GfK Consumer Confidence	May		9.4		9.4	6.00	16.00
UK	GDP QoQ/YoY	1Q A		0.4/2		0.6/2.1	8.30	18.30
UK	CBI Retailing Reported Sales	Apr		13		7.0	10.00	20.00
UK	CBI Total Dist. Reported Sales	Apr				20.0	10.00	20.00
US	Advance Goods Trade Balance	Mar		-62.8		-62.9	12.30	22.30
US	Pending Home Sales MoM/YoY	Mar		0.5/0.8		3.5/5.1	14.00	0.00
US	FOMC Rate Decision (Lower/Upper Bound)	Apr 27		0.25/0.5		0.3/0.5	18.00	4.00
Thursday, 28 April 2016								
NZ	RBNZ Official Cash Rate	Apr 28	2.00	2.25		2.3	21.00	7.00
JN	Jobless Rate	Mar		3.3		3.3	23.30	9.30
JN	Overall Household Spending YoY	Mar		-4.1		1.2	23.30	9.30
JN	Natl CPI/Ex fresh food, energy YoY	Mar		0/0.8		0.3/0.8	23.30	9.30
JN	Tokyo CPI/Ex fresh food, energy YoY	Apr		-0.2/0.5		-0.1/0.6	23.30	9.30
JN	Retail Sales MoM/YoY	Mar		0.5/-1.4		-2.3/0.5	23.50	9.50
JN	Industrial Production MoM/YoY	Mar P		2.8/-1.6		-5.2/-1.2	23.50	9.50
AU	Export/Import price index QoQ	1Q	-2.9/-1.3	-1.5/-0.9		-5.4/-0.3	1.30	11.30
AU	NAB Online Retail Sales Index MoM/YoY	Mar				0.8/10.4	1.30	11.30
AU	NAB Commercial Property Survey	1Q					1.30	11.30
JN	BOJ Policy Rate	Apr 28		-0.1		-0.1	4.35	14.35
GE	Unemployment Change (000's)	Apr		0		0.0	7.55	17.55
EC	Business Climate Indicator	Apr		0.14		0.1	9.00	19.00
GE	CPI MoM/YoY	Apr P		-0.2/0.1		0.8/0.3	12.00	22.00
GE	CPI EU Harmonized MoM/YoY	Apr P		-0.2/0		0.8/0.1	12.00	22.00
US	Initial Jobless Claims	Apr 23		259		247.0	12.30	22.30
US	GDP Annualized QoQ	1Q A		0.6		1.4	12.30	22.30
US	Bloomberg Consumer Comfort	Apr 24				42.9	13.45	23.45
US	Kansas City Fed Manf. Activity	Apr				-6.0	15.00	1.00
Friday, 29 April 2016								
NZ	Building Permits MoM	Mar				10.8	22.45	8.45
UK	Lloyds Business Barometer	Apr				43.0	23.10	9.10
UK	GfK Consumer Confidence	Apr		-1		0.0	23.50	9.50
NZ	ANZ Activity Outlook/Bus Confidence	Apr				29.4/3.2	1.00	11.00
AU	Private Sector Credit MoM/YoY	Mar	0.6/7.1	0.5/6.6		0.6/6.6	1.30	11.30
AU	PPI QoQ/YoY	1Q				0.3/1.9	1.30	11.30
NZ	Credit aggregates (household) YoY	Mar				7.6	3.00	13.00
AU	RBA's Debelle Gives Speech						3.45	13.45
UK	Mortgage Approvals	Mar		74.4		73.9	8.30	18.30
EC	Unemployment Rate	Mar		10.3		10.3	9.00	19.00
EC	CPI Estimate/Core YoY	Apr		0/0.9		-0.1/1.0	9.00	19.00
EC	GDP SA QoQ/YoY	1Q A		0.4/1.4		0.3/1.6	9.00	19.00
US	Fed's Kaplan Speaks in London						10.30	20.30
US	Employment Cost Index	1Q		0.6		0.6	12.30	22.30
US	Personal Income/Spending	Mar		0.3/0.2		0.2/0.1	12.30	22.30
US	PCE Deflator MoM/YoY	Mar		0.1/0.8		-0.1/1.0	12.30	22.30
US	PCE Core MoM/YoY	Mar		0.1/1.5		0.1/1.7	12.30	22.30
CA	Industrial Product/Raw Materials Prices MoM	Mar		0.5		-1.1/-2.6	12.30	22.30
CA	GDP MoM/YoY	Feb		-0.2		0.6	12.30	22.30
US	ISM Milwaukee	Apr				57.8	13.00	23.00
US	Chicago Purchasing Manager	Apr		52.8		53.6	13.45	23.45
US	U. of Mich. Sentiment	Apr F		90		89.7	14.00	0.00
US	U. of Mich. 5-10 Yr Inflation	Apr F				2.5	14.00	0.00
Saturday, 30 April 2016								
Sunday, 1 May 2016								
CH	Manufacturing PMI	Apr		50.3		50.2	1.00	11.00
CH	Non-manufacturing PMI	Apr				53.8	1.00	11.00
Monday, 2 May 2016								
US	Dudley Speaks at Atlanta Fed Conference at Amelia Island						23.15	9.15
AU	AiG Perf of Mfg Index	Apr				58.1	23.30	9.30
AU	CoreLogic RP Data House Px MoM	Apr				0.2	0.00	10.00
AU	Melbourne Institute Inflation MoM/YoY	Apr				0.0/1.7	1.00	11.00
AU	NAB Business Conditions/Conditions	Apr				12.0/6.0	1.30	11.30
JN	Nikkei Japan PMI Mfg	Apr F				48.0	2.00	12.00
AU	Commodity Index AUD/YoY	Apr				86.6/-15.4	6.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Apr F				51.9	7.55	17.55
EC	Markit Eurozone Manufacturing PMI	Apr F				51.5	8.00	18.00
US	Fed's Lockhart Makes Introductory Remarks in Florida						12.50	22.50
CA	RBC Canadian Manufacturing PMI	Apr				51.5	13.30	23.30
US	Markit US Manufacturing PMI	Apr F				50.8	13.45	23.45
CA	Bloomberg Nanos Confidence	Apr 22				55.9	14.00	0.00
US	ISM Manufacturing/New orders	Apr		51.5/		51.8/58.3	14.00	0.00
US	Construction Spending MoM	Mar		0.5		-0.5	14.00	0.00
Upcoming Central Bank Interest Rate Announcements								
US	Federal Reserve	28-Apr				0.25-0.50%		
New Zealand, RBNZ		28-Apr	2.00%	2.25%		2.25%		
Japan, BoJ		28-Apr				-0.1% to +0.1%		
Australia, RBA		3-May	2.00%	2.00%		2.00%		
UK BOE		12-May				0.50%		
Canada, BoC		26-May				0.50%		
Europe ECB		2-Jun				0.00%		

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

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