

## Feelin' Groovy

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There was nothing not to like about Friday's US data deluge. Payrolls just beat expectations at 215k vs. 205k with trivial revisions, the unemployment rate ticked up to 5.0% from 4.9% only because the participation rate rose again, and the 0.3% rise in average earnings merely countered the 0.1% February fall to leave annual growth steady at 2.3% (after February was revised up from 2.2%). The manufacturing ISM beat expectations at 51.8 (51.0E) up from 49.5 and consistent with stronger regional PMIs, with new orders particularly strong (58.3 up from 51.5).

The data failed to provide more than momentary support for either the dollar or Treasury yields while US equities shrugged off a weaker open (after a bad morning for European stocks) to close 0.6% to 0.9% higher with the S&P 500 closing at a new year-to-date high. This puts us within 3% of the May 2015 record highs. The VIX dropped 0.85 to 13.1 so matching its mid-week lows.

In FX, dollar indices closed within 0.1% of Thursday's closes. EUR/USD ended +0.1% at 1.1380 aided in part by a small upward revision to the final EZ manufacturing PMI. JPY was the strongest G10 currency Friday, USD/JPY -0.8% to Y111.69 following Friday's very poor showing by Japanese stocks post a weak tankan and rallying only briefly after US payrolls before falling away again. GBP fared worse in G10, -0.93% to 1.4227 and after a small downside miss in the UK manufacturing PMI. It won't be helped today by a weekend EU Referendum poll showing 43% for 'leave' and 39% 'stay'.

AUD/USD finished +0.26% at 0.7677 vs. Friday's local session high of 0.7701 (the offshore high was 0.7693 just before payrolls). NZD/USD closed little changed, -0.07% at 0.6904.

In US rates, yields spiked very briefly post-payrolls only to fully retrace. 2s were just 0.1bp higher at 0.724%, having jumped from 0.73% to 0.765% post-data. 10s were +0.1bp to 1.771%. On the week, 2s are down 14.7bps. Who'd have guessed that if they were given Friday's numbers on Monday but not Janet Yellen's Tuesday night speech?

In commodities, oil well by as much as \$1.60 (WTI) after Saudi Arabia's deputy crown prince told Bloomberg than any production freeze was contingent on Iran agreeing to the same – which we know isn't going to happen. Russia's energy minister expressed some surprise at the latest public Saudi position. Chances of any production freeze being agreed in Doha on 17 April look remote.

Sunday's CoreLogic RP data preliminary auction clearance rates showed a city-weighted national average of 67.0%. Sydney cleared 70.9% of auctions (trend is around 70.0%) and Melbourne 68.0% (vs. trend also close to 70%).

## Coming Up

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While US influences have been the main driver of Australian markets of late, the focus returns to Australia this week, with retail sales today and the RBA meeting on Tuesday.

There's particularly keen interest in what if anything the RBA has to say about the currency in Glenn Stevens' post meeting statement on Tuesday, alongside what is universally expected to be an unchanged Cash Rate decision. Given the neutral tones describing the currency in the March post meeting statement (*"The exchange rate has been adjusting to the evolving economic outlook"*), we expect Tuesday's statement to contain some low level currency concerns along the lines of a "a lower AUD would be helpful for the ongoing rebalancing of the economy". Even so, we do not think the RBA is too concerned about the current level of the exchange rate given that it can be largely explained by higher commodity prices and a generally weaker US dollar driven by diminished expectations for Fed rate rises this year. The RBA will likely continue to hold the belief that the currency should head back down if and when the Fed resumes tightening. This was evident in Stevens' recent comment that:

*"Unless you think that the commodity price trend now is different and we are heading back to a world with considerably higher prices for an extended period, and you think the [US Fed] is never going to lift rates, it is not clear that that situation will warrant a much higher exchange rate than this".*

There is a smattering of international event risk this week, notably Tuesday's US non-manufacturing ISM survey, Wednesday's equivalent from China (the Caixin version), China March DX reserves and Wednesday's minutes of the March FOMC meeting. On Friday, the past four Fed chairs - Volcker, Greenspan, Bernanke and Yellen - all make an appearance in New York. The views of only one of them matter, but we already know what they are. Cool.

## Overnight

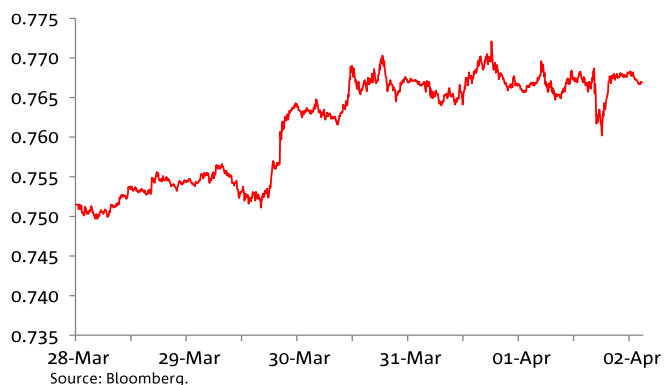
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On global stock markets, the S&P 500 was +0.60%. Bond markets saw US 10-years +0.18bp to 1.77%. On commodity markets, Brent crude oil -4.12% to \$38.67, gold -1.0% to \$1,222, iron ore +2.0% to \$54.80. AUD is at 0.7669 and the range since Friday's local close has been 0.7599 to 0.7693.

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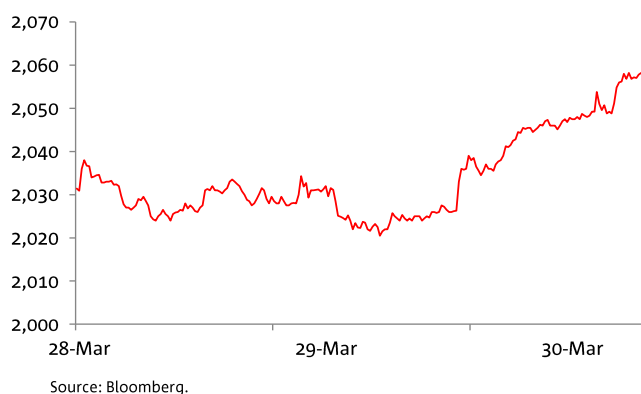
AUD/USD - past week



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	0.7669	-0.1	0.7663	0.7676	HKD	7.7540 0.0
NZD	0.6889	-0.2	0.6885	0.6903	CNY	6.4818 0.4
EUR	1.1401	0.1	1.1387	1.1402	SGD	1.3499 -0.1
GBP	1.4229	0.0	1.4213	1.4239	IDR	13,167 -0.5
JPY	111.62	-0.1	111.5700	111.7600	THB	35.17 0.0
CAD	1.3036	0.2	1.3012	1.3044	KRW	1,154 0.9
AUD/EUR	0.6727	-0.2			TWD	32.26 0.1
AUD/JPY	85.59	-0.1			PHP	46.02 0.1
AUD/GBP	0.5390	-0.2			CHF	0.96 0.0
AUD/NZD	1.1134	0.1			SEK	8.12 -0.3
AUD/CNY	4.9636	0.1				

Equities

Major Indices			
	Last	% day	% y/y
Dow	17,793	+0.6	0.2
S&P 500	2,073	+0.6	0.3
Nasdaq	4,915	+0.9	0.6
VIX	13	-6.1	-10.7
FTSE	6,146	-0.5	-10.1
DAX	9,795	-1.7	-18.2
CAC 40	4,322	-0.1	-14.8
Nikkei	16,164	-3.5	-16.8
Shanghai	3,010	+0.2	-22.1
Hang Seng	20,499	-1.3	-18.9
ASX 200	4,999	-1.6	-15.2

Commodities\*

	Last	% day
Oil (Brent)	38.67	-4.1
Oil (WTI)	36.79	-4.0
Oil (Tapis)	40.71	0.0
Gold	1222.20	-1.0
CRB	168.03	-1.5
GS Metals	259.6	0.6
Aluminium	1524	1.0
Copper	4855	-0.4
Nickel	8286	-2.0
Zinc	1866	3.1
Ch. steel	2167	2.1
Iron ore	54.8	2.0
Coal	50.5	-1.2
Wheat Chic.	483.0	0.5
Sugar	15.18	-1.1
Cotton	59.20	1.3
Coffee	127.3	-0.2

\* clsd = market holiday

CO <sub>2</sub> Emissions - Euros			
	Last	% day	
Jun-2016	5.16	N/A N	
Dec-2016	5.18	-0.8	
Jun-2017	5.22	-0.6	

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.63	0.87	1.65	USD 10	1.77	0.00
AUD	2.00	2.28	2.11	2.64	AUD 10	2.53	0.04 0.76
NZD	2.25	2.33	2.21	3.02	NZD 10	2.92	-0.01 1.15
EUR	0.00	0.06	-0.15	0.53	CAD 10	1.24	0.01 -0.53
GBP	0.50	0.59	0.79	1.41	EUR 10	0.13	-0.02 -1.64
JPY	-0.01	0.00	-0.11	0.14	GBP 10	1.41	-0.01 -0.36
CAD	0.50	1.17	0.88	1.50	JPY 10	-0.06	-0.03 -1.83

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.78	0.00
3 Yr bond	98.09	0.01
10 Yr bond	97.49	-0.03
3/10 sprd	0.61	0.05
SPI	23.0	0.5

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
<b>Monday, 4 April 2016</b>							
JN	Monetary Base YoY	Mar				29.0	23.50
AU	Melbourne Institute CPI gauge MoM/YoY	Mar				-0.2/2.1	1.00
AU	Retail Sales MoM	Feb	0.4	0.4		0.3	1.30
AU	ANZ Job Advertisements MoM	Mar				-1.2	1.30
AU	Building Approvals MoM/YoY	Feb	1.5/-10.4	3/-9		-7.5/-15.5	1.30
UK	Markit/CIPS UK Construction PMI	Mar		54.1		54.2	8.30
EC	ECB's Praet speaks in Rome						8.30
EC	Sentix Investor Confidence	Apr		7		5.5	8.30
US	Fed's Rosengren (voter) speaks at a cybersecurity conference						13.30
US	ISM New York	Mar				53.6	13.45
CA	Bloomberg Nanos Confidence	Apr 1				54.5	14.00
US	Labor Market Conditions Index Change	Mar				-2.4	14.00
US	Factory Orders	Feb		-1.7		1.6	14.00
US	Durable Goods Orders/Core Orders	Feb F		/		-2.8/-1.8	14.00
CA	Business Outlook Future Sales	1Q				16.0	15.30
CA	BoC Senior Loan Officer Survey	1Q				5.6	15.30
<b>Tuesday, 5 April 2016</b>							
NZ	QSBO	Q1					
US	Fed's Kashkari Holds Town Hall on Too Big to Fail						23.00
AU	AiG Perf of Services Index	Mar				51.8	23.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Apr 3				114.5	23.30
JN	Labor Cash Earnings/Real earnings YoY	Feb		0.2		0.4/0.4	0.00
NZ	ANZ Commodity Price	Mar				0.4	1.00
AU	Trade Balance	Feb	-2600	-2500		-2937.0	1.30
JN	Nikkei Japan PMI Services/Composite	Mar				51.2/51.0	2.00
AU	RBA Cash Rate Target	Apr 5	2	2		2.0	4.30
US	Fed's Evans speaks on economy in New York						5.00
GE	Factory Orders MoM/YoY	Feb		0.5		-0.1/1.1	6.00
GE	Markit Services/Composite PMI	Mar F		55.5/54.1		55.5/54.1	7.55
EC	Markit Services/Composite PMI	Mar F		54/53.7		54.0	8.00
UK	Official Reserves Changes	Mar				1362.0	8.30
UK	Markit/CIPS Services/Composite PMI	Mar		53.9		52.7/52.8	8.30
UK	BoE's Financial Policy Committee Record of March 23 meeting						8.30
EC	Retail Sales MoM	Feb				0.4/2.0	9.00
US	Trade Balance	Feb		-46.3		-45.7	12.30
CA	Int'l Merchandise Trade	Feb				-0.7	12.30
US	Markit Services/Composite PMI	Mar F		/		51.0/51.1	13.45
US	ISM Non-Manf. Composite	Mar		54		53.4	14.00
US	IBD/TIPP Economic Optimism	Apr		47.5		0.0	14.00
US	JOLTS Job Openings	Feb				5541.0	14.00
NZ	Dairy Auction, GDT price index (early AM, NZ time)					-2.9	
CA	BoC's Wilkins speaks in Vancouver						20.45
<b>Wednesday, 6 April 2016</b>							
UK	BRC Shop Price Index YoY	Mar				-2.0	23.10
NZ	QV House Prices YoY	Mar				11.6	0.00
CH	Caixin PMI Services/Composite	Mar				51.2/49.4	1.45
JN	Leading Index CI	Feb P		99.8		101.8	5.00
GE	Industrial Production SA MoM/YoY	Feb		-2/0.4		3.3/2.2	6.00
AU	RBA's Kent Speaks in Hobart: Economic Forecasting at the Reserve Bank of Australia						6.00
CA	Ivey Purchasing Managers Index SA	Mar				53.4	13.00
US	Fed's Mester speaks in Cleveland						15.00
US	Fed Releases Minutes from March 15-16 FOMC Meeting						17.00
<b>Thursday, 7 April 2016</b>							
NZ	ANZ Truckometer Heavy MoM	Mar				1.6	21.00
AU	AiG Perf of Construction Index	Mar				46.1	22.30
US	Fed's Kaplan speaks in Dallas						23.00
AU	Foreign Reserves, \$Abn	Mar				61.2	5.30
EC	ECB and Its Watchers Conference						5.30
EC	ECB's Constancio speak at EU Parliament in Brussels						6.00
CH	Foreign Reserves	Mar		3194.5		3202.3	8.10
EC	ECB account of the monetary policy meeting						10.30
EC	ECB's Draghi attends meeting of Portuguese President's Council						
CA	Building Permits MoM	Feb				-9.8	11.30
US	Initial Jobless Claims	Apr 2				276.0	11.30
US	Bloomberg Consumer Comfort	Apr 3				42.8	12.45
US	Consumer Credit	Feb		15		10.5	18.00
<b>Friday, 8 April 2016</b>							
CH	Foreign Direct Investment YoY (for release 8-12 Apr)					1.8	
US	Fed's Yellen in New York, with Greenspan, Bernanke and Volcker						20.30
NZ	Crown accounts	Feb					21.00
US	Fed's George Speaks in York, Nebraska						23.15
UK	Industrial production MoM/YoY	Feb		0.1/0		0.3/0.2	7.30
UK	UK trade balance	Feb		-3700		-3459.0	7.30
CA	Employment/Unemployment rate	Mar		/		-2.3/7.3	11.30
US	Wholesale inventories/sales MoM	Feb		-0.3/0.5		0.3/-1.3	13.00
US	Wholesale sales MoM	Feb		0.5		-1.3	13.00
US	Fed's George Speaks in York, Nebraska						23.15
<b>Upcoming Central Bank Interest Rate Announcements</b>							
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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