19 May 2016

Markets Today

National Australia Bank

On the prowl

It was the release this morning of the FOMC April Minutes that's gotten the attention of the wires and a noticeable chunk of market reaction to boot in rates, currencies, equities and gold. Recall that the outcome of that meeting was relatively uncontentious. The Fed seemingly relaxed, noting that while economic activity appeared to have slowed, the labour market continued to improved further, the Committee leaving the Fed funds rate steady and expecting the outlook would "warrant only gradual increases in the federal funds rate".

Whether the Fed's intentions were lost in translation to the meeting statement or clarified further as the Minutes were drafted, the phrase the market's taken to heart has been comments in the Minutes that while rates were left steady in April they should be data dependent and leave "open the possibility of an increase in the federal funds rate at the June FOMC meeting", "a few participants" judging it appropriate to hike in April. (Only George dissented though.)

The market has taken those comments to heart with a rise in the USD, a jump in Treasury yields along the curve, the edge taken off equities and a dip in the price of gold. All pretty much according to the market reaction playbook. Even though the market understands that the upcoming June 14-15 FOMC comes about a week before the June 23 Brexit poll, the Fed is still seriously considering enacting some further "gradual" removal of monetary accommodation.

The Bloomberg spot DXY index jumped around 0.5% as Minutes headlines hit the screens, with accompanying spill-over to the other FX majors. AUD sits this morning at 0.7230/35, having been in the 0.7260-90 region in the lead up to the Minutes, benefiting from a mild USD sell-off before their release. US 2 year Treasury yields have risen 6bps to 0.892% for the day, while 10s jumped 8bps to 1.852%. July Fed funds rose 4½bps with the market now pricing in a 50/50 chance of a hike at the July 27 meeting after a 30% chance by June. Among the non-USD majors, Sterling has stood out, a short squeeze coming after an Evening Standard/Ipsos poll revealed a 49% Bremain vote against 40% for Brexit. Cable sits on 1.46 this morning with AUD/GBP around 0.4950.

Coming up

It's pretty much all about the April Labour Force report today at 11.30, but before then we have NZ Job Ads at 8.00 am AEST and second tier Japanese releases, housing loans and machine orders, both at 9.50 AEST. Japan's machine tool orders is being released at 16.00 pm AEST. NZ's ANZ Consumer Confidence is out at 11.00 am AEST.

As for the AU jobs report, NAB's somewhat higher than consensus employment pick of 16K (cf consensus of 12K) is constructed from forward indicators of the labour market such as the NAB Survey employment index and SEEK's Job Ads indicators. There is no known risk to employment from sample rotation effects. NAB's forecast for the unemployment rate for April is 5.7%, unchanged from March whereas the consensus is picking a 5.8% rate from a somewhat lower employment growth. The RBA's monthly FX transactions report is being released as well at 11.30.

Tonight, there'll be some interest in UK retail sales for April with only limited payback of +0.6% tipped after the 1.6% drop in March. That could provide scope for a further squeeze up in sterling should larger growth payback be unveiled. In the US there's weekly jobless claims, the Philly Fed Survey, the US Leading Index, while Fed Vice-Chair Stanley Fischer and NY Fed President Bill Dudley are both speaking, both regarded as close to Yellen's thinking and of course then speakers the markets pay close attention to.

The G7 Finance Ministers/Central Bankers meet in Sendai, Japan from tomorrow, so opportunities for sound grabs, even starting with formal press opportunities from later today.

Overnight

On global stock markets, the S&P 500 was +0.00%. Bond markets saw US 10-years +8.15bp to 1.86%. On commodity markets, Brent crude oil -1.62% to $48.48, gold-1.5% to $1,258, iron ore +1.8% to $56.78. AUD is at 0.7223 and the range was 0.7222 to 0.7332.

Chart of the day: All about jobs/unemployment today

Source: National Australia Bank, ABS, RBA

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Markets

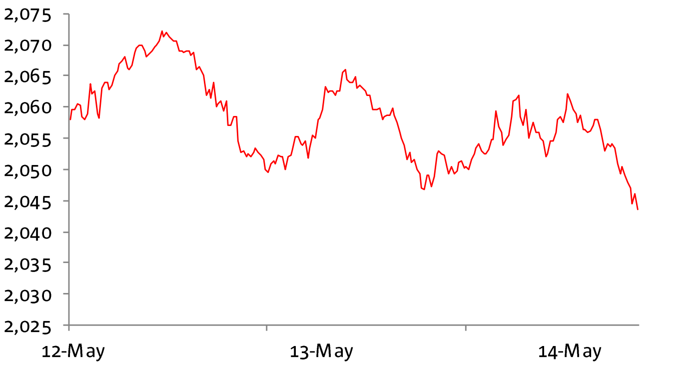
AUD/USD - past week

Source: Bloomberg.

US 10 yr - past week

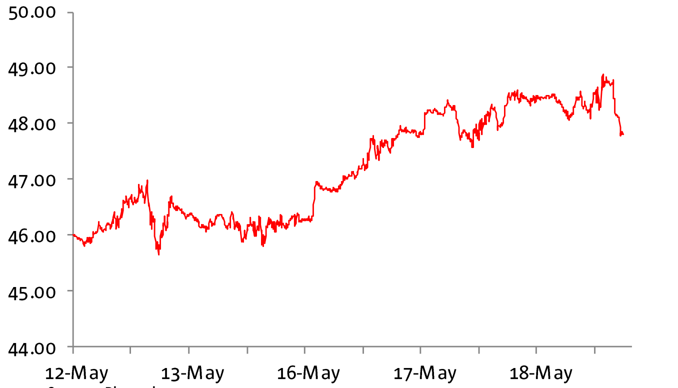
Source: Bloomberg.

S&P Futures - past week



Source: Bloomberg.

WTI - past week



Source: Bloomberg.

Foreign Exchange

	Last	% chge	Indicative 24hr ranges (**) Low	High
AUD	0.7226	-1.4	0.7222	0.7332
NZD	0.6734	-0.6	0.6729	0.6804
EUR	1.1219	-0.5	1.1218	1.1294
GBP	1.4593	0.8	1.4478	1.4639
JPY	110.21	0.7	109.30	110.26
CAD	1.3026	0.5	1.2894	1.3030
AUD/EUR	0.6440	-0.3		
AUD/JPY	79.66	-0.1		
AUD/GBP	0.4954	-1.5		
AUD/NZD	1.0732	-0.2		
AUD/CNY	4.7242	-0.7		

Other FX

	Last	% chge
HKD	7.7652	0.0
CNY	6.5389	0.0
SGD	1.3822	0.4
IDR	13,465	0.5
THB	35.69	0.3
KRW	1,192	0.5
TWD	32.82	0.2
PHP	46.72	0.1
CHF	0.99	0.4
SEK	8.35	0.8

Equities

Major Indices	Last	% day	% y/y
Dow	17,525	0.0	-4.2
S&P 500	2,047	+0	-3.8
Nasdaq	4,739	+0.5	-6.7
VIX	16	+1.5	24.2
FTSE	6,166	0.0	-11.5
DAX	9,943	+0.5	-14.2
CAC 40	4,319	0.0	-13.8
Nikkei	16,645	0.0	-16.9
Shanghai	2,808	-1.3	-36.4
Hang Seng	19,826	-1.5	-28.4
ASX 200	5,356	-0.7	-4.6

Commodities*

	Last	% day
Oil (Brent)	48.48	-1.6
Oil (WTI)	47.80	-1.1
Oil (Tapis)	50.06	0.5
Gold	1257.80	-1.5
CRB	185.40	-0.2
GS Metals	255.9	-0.5
Aluminium	1545	0.5
Copper	4619	-0.9
Nickel	8606	-1.8
Zinc	1882	-0.8
Ch. steel	2058	-1.6
Iron ore	56.8	1.8
St. Coal	51.3	0.0
Wheat Chic.	490.0	-0.3
Sugar	16.81	-0.1
Cotton	62.05	-0.2
Coffee	130.1	-2.0

* clsd = market holiday

CO_2 Emissions - Euros

	Last	% day
Jun-2016	6.05	0.2
Dec-2016	6.06	0.2
Jun-2017	6.07	0.2

Interest Rates

Indicative Swap Rates

	Cash	3mth	2Yr	10Yr
USD	0.50	0.63	1.02	1.71
AUD	1.75	1.99	1.84	2.47
NZD	2.25	2.36	2.24	2.88
EUR	0.00	0.06	-0.15	0.59
GBP	0.50	0.59	0.80	1.46
JPY	-0.04	-0.03	-0.13	0.10
CAD	0.50	1.17	1.00	1.59

Benchmark 10 Year Bonds

	Last	chge	Sprd
USD 10	1.86	0.09	
AUD 10	2.29	-0.01	0.43
NZD 10	2.64	0.01	0.78
CAD 10	1.37	0.05	-0.50
EUR 10	0.17	0.04	-1.69
GBP 10	1.44	0.07	-0.42
JPY 10	-0.09	0.01	-1.95

Overnight Futures

	Last	Chge
Australia		
3 mth bill	98.00	-0.01
3 Yr bond	98.38	-0.04
10 Yr bond	97.65	-0.05
3/10 sprd	0.73	0.02
SPI	4.0	0.1

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
Thursday, 19 May 2016								
NZ	ANZ Job Advertisements MoM	Apr				2.9	22.00	8.00
JN	Housing Loans YoY	1Q				2.2	23.50	9.50
JN	Machine Orders MoM/YoY	Mar		-2/0.8		-9.2/-0.7	23.50	9.50
NZ	ANZ Consumer Confidence Index/MoM	May				120.0/1.7	1.00	11.00
AU	Employment Change/Unemployment rate	Apr	16/5.7%	12/5.8		26.1/5.7	1.30	11.30
AU	RBA FX Transactions Market	Apr				954.0	1.30	11.30
CH	MNI Business Indicator	May					1.45	11.45
JN	All Industry Activity Index MoM	Mar		0.7		-1.2	4.30	14.30
JN	Machine Tool Orders YoY	Apr F				-26.4	6.00	16.00
EC	ECB Current Account SA	Mar				19.0	8.00	18.00
UK	Retail Sales Ex Auto Fuel MoM/YoY	Apr		0.6/2		-1.6/1.8	8.30	18.30
EC	ECB account of the monetary policy meeting						11.30	21.30
US	Chicago Fed Nat Activity Index	Apr		-0.2		-0.4	12.30	22.30
CA	Wholesale Trade Sales MoM	Mar		-0.5		-2.2	12.30	22.30
US	Initial Jobless Claims	May 14		275		294.0	12.30	22.30
US	Philadelphia Fed Business Outlook	May		3		-1.6	12.30	22.30
US	Bloomberg Economic Expectations	May				44.5	13.45	23.45
US	Bloomberg Consumer Comfort	May 15				41.7	13.45	23.45
US	Leading Index	Apr		0.4		0.2	14.00	0.00
Friday, 20 May 2016								
NZ	Net Migration SA	Apr				5330.0	22.45	8.45
AU	Pre-Election Economic and Fiscal Outlook (PEFO), likely early afternoon, 1-3pm AEST							
NZ	Credit Card Spending MoM/YoY	Apr				-1.1/4.8	3.00	13.00
JN	Convenience Store Sales YoY	Apr				-0.1	7.00	17.00
CA	Retail Sales MoM	Mar		-0.6		0.4	12.30	22.30
CA	CPI NSA MoM/YoY	Apr		0.3/1.7		0.6/1.3	12.30	22.30
US	Existing Home Sales, #/MoM	Apr		5.4/1.31		5.3/5.1	14.00	0.00
Monday, 23 May 2016								
JN	Trade Balance Adjusted	Apr				276.5	23.50	9.50
JN	Leading Index CI	Mar F				98.4	5.00	15.00
GE	Markit/BME Germany Manufacturing PMI	May P				51.8	7.30	17.30
GE	Markit Germany Services/Composite PMI	May P		/		54.5/53.6	7.30	17.30
EC	Markit Eurozone Manufacturing PMI	May P				51.7	8.00	18.00
EC	Markit Germany Services/Composite PMI	May P		/		53.1/53.0	8.00	18.00
US	Fed's Bullard Speaks in Beijing						9.30	19.30
US	Fed's Williams Speaks in New York						12.00	22.00
US	Markit US Manufacturing PMI	May P		51		50.8	13.45	23.45
JN	Cabinet Office Monthly Economic Report for May							
EC	Consumer Confidence	May A				-9.3	14.00	0.00
Tuesday, 24 May 2016								
US	Fed's Harker Speaks on Economic Outlook in Philadelphia						22.30	8.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	May 22				115.1	23.30	9.30
JN	Nikkei Japan PMI Mfg	May P				48.2	2.00	12.00
AU	RBA's Stevens Speech in Sydney						3.05	13.05
GE	GDP SA QoQ/YoY	1Q F		/		0.7/1.6	6.00	16.00
UK	Public Finances (PSNCR)	Apr				16.6	8.30	18.30
GE	ZEW Survey Current Situation/Expectations	May				47.7	9.00	19.00
EC	ZEW Survey Expectations	May				21.5	9.00	19.00
UK	CBI Retailing Reported Sales	May				-13.0	10.00	20.00
UK	CBI Total Dist. Reported Sales	May				13.0	10.00	20.00
CH	Conference Board Leading Economic Index	Apr					13.00	23.00
EC	ECB's Nouy, BOE's Gracie Speak at IIF Conference in Madrid							
CA	Bloomberg Nanos Confidence	May 20				57.3	14.00	0.00
US	Richmond Fed Manufact. Index	May		10		14.0	14.00	0.00
US	New Home Sales, #/MoM	Apr		520/1.8		511.0/-1.5	14.00	0.00
Wednesday, 25 May 2016								
NZ	Trade Balance	Apr				117.0	22.45	8.45
AU	Skilled Vacancies MoM	Apr				-1.2	1.00	11.00
AU	Construction Work Done	1Q				-3.6	1.30	11.30
CH	Westpac-MNI Consumer Sentiment	May				117.8	1.45	11.45
US	Fed's Kaplan Speaks in Houston						4.00	14.00
GE	GfK Consumer Confidence	Jun				9.7	6.00	16.00
GE	IFO Business Climate	May				106.6	8.00	18.00
GE	IFO Current Assessment/Expectations	May		/		113.2/100.4	8.00	18.00
US	Advance Goods Trade Balance	Apr		-59.6		-56.9	12.30	22.30
US	House Price Purchase Index QoQ	1Q				1.4	13.00	23.00
US	FHFA House Price Index MoM	Mar		0.5		0.4	13.00	23.00
US	Markit US Services/Composite PMI	May P		/		52.8/52.4	13.45	23.45
CA	Bank of Canada Rate Decision	May 25		0.5		0.5	14.00	0.00
US	Fed's Kaplan Speaks at Greater Houston Partnership						18.00	4.00
Upcoming Central Bank Interest Rate Announcements								
Canada, BoC		26-May		0.50%		0.50%		
Europe ECB		2-Jun				0.00%		
Australia, RBA		7-Jun	1.75%	1.75%		2.00%		
New Zealand, RBNZ		9-Jun	2.00%	2.00%		2.25%		
US Federal Reserve		15-Jun	0.25-0.50%	0.5%-0.75%		0.25-0.50%		
Japan, BoJ		16-Jun		-0.1% to +0.1%		-0.1% to +0.1%		
UK BOE		16-Jun		0.50%		0.50%		

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

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