

Smash & Grab

No, the title is not a summation of Australian Treasurer Scott Morrison's first Budget handed down last night. Rather it looks to be the most apt description of market price action – in FX at least – apropos the smart overnight session reversal in the fortunes of the Japanese Yen and the Euro. The last three days had seen EUR/USD jump from below 1.14 to above 1.16, and USD/JPY fall from above ¥111 to below ¥106. Given the torrid time macro hedge funds – and FX market participants in general – have suffered so far this year, anyone with two or three big figures on the positive side of their P&L could be completely forgiven for wanting to put something in the tin to show for their recent efforts.

So it is that without any obvious news catalysts, USD/JPY pulled up sharply and away from a test of ¥105.50, and EUR/USD beat a quick retreat from above 1.16, soon after Asia-Pacific traders left work for the day. EUR/USD subsequently gave back a whole big figure, to 1.15, and USD/JPY rose back to ¥106.50. There is some muttering about a 'bullish hammer' (candlestick chart pattern) emerging on the narrow (DXY) dollar indeed chart (please don't ask me to explain). The DXY is up over 1% from its intra-day lows and means we did not after all record a daily close below the previous 92.60-area low from last August.

One currency that did display some independent weakness last night and which may have a hand in the broader market moves was Sterling. This was after a particular poor manufacturing PMI (49.2 down from 51.0 from and a rise to 51.2 expected). The Impending EU referendum looks to have taken a bite out of both orders and output. The NZD also took a small hit on the 1.4% decline in dairy prices in last night's auction, against our expectation for a 4-5% lift. But looking at AUD/NZD and which is barely changed on levels seen soon after yesterday's RBA rate cut, the AUD and NZD story is really one of being pulled lower by the JPY and EUR-led US dollar recovery. That said, weaker commodity prices (including oil) and higher volatility associated with fresh falls in US (and European) stock markets, has ensured commodity currencies sit at the foot of the G10 FX leader board (and with the AUD very firmly at the bottom).

Last night's Budget, most of the contents of which were comprehensively leaked and so limiting any sense of anticipation or subsequent surprise, was in any event somewhat overshadowed by the earlier RBA rate cut. See our separate Budget reports. Residual market interest is in what the ratings agencies have to say in the cold light of day – they were all circumspect in their initial remarks last night.

The RBA surprised at least half the market with yesterday's quarter point cut to the Cash Rate to 1.75%, taking it to a new record low. The absence of any explicit easing bias in the post-meeting statement is standard fare in the months in which the RBA makes a policy change, so nothing should be inferred from that in regards to their proclivity towards cutting rates further. At this stage we regard August as 'live' with regards to a possible follow-up cut but are not yet formally forecasting it. This Friday's Statement on Monetary Policy will now be important, in particular for the revised inflation forecast cited behind yesterday's actions and whether or not the new track is based on an assumption of an unchanged Cash Rate or market interest rates (bearing in mind a further quarter-point cut is fully priced in).

Coming Up

Budget digestion, or rather indigestion, may be the order of the morning, but from a markets perspective this won't be important.

First up this morning is the NZ Q1 labour market data. Our BNZ colleagues are expecting to see ongoing robustness in the figures, including 0.7% quarterly employment growth in the Household Labour Force Survey and a nudge up in the unemployment rate to 5.3% from 5.5% but on immigration-fuelled working-age population growth and a slightly higher participation (68.6% from 68.4%). This would need to be seen in the context of its surprisingly big fall to 5.3% in Q4 2015 from 6.0% in Q3. Wages/salaries should show strength in real terms.

The Australia's calendar takes a pause in front of Thursday's retail sales and trade data and the (more important) RBA SoMP on Friday.

Offshore tonight, the main point of interest is The US April non-manufacturing ISM (expected to show a small lift to 54.8 from 54.4, in contrast to Monday's fall in the manufacturing version). ADP Employment is also due, and March trade figures (the latter will feed potential revision to Q1 GDP).

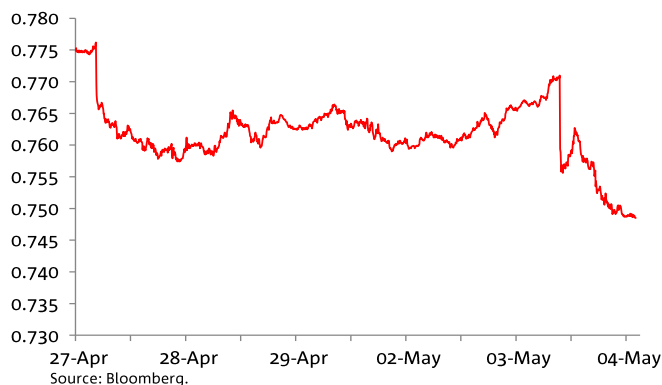
Overnight

On global stock markets, the S&P 500 was -0.90%. Bond markets saw US 10-years -7.6bps to 1.80%. On commodity markets, Brent crude oil -1.22% to \$45.27, gold -0.6% to \$1,288, iron ore -4.3% to \$63.41. AUD is at 0.7485 and the range since the Sydney close has been 0.7719 to 0.7484.

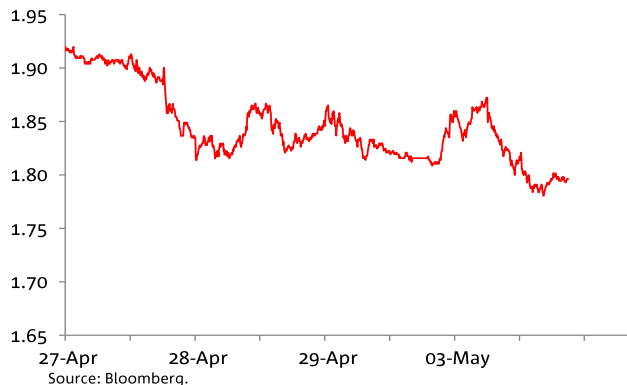
Author:

Ray Attrill – Global Co-Head of FX Strategy

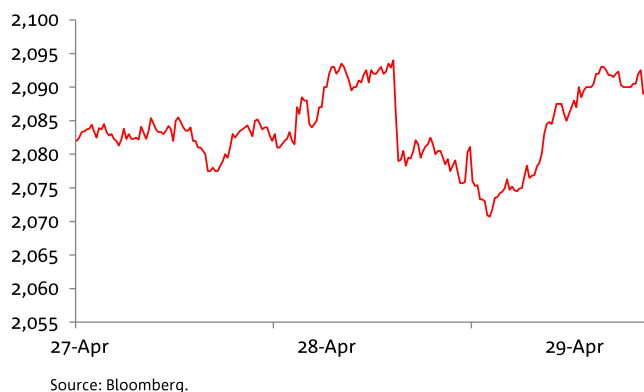
AUD/USD - past week



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	0.7485	0.0	0.7484	0.7487	HKD	7.7623 0.0
NZD	0.6914	0.0	0.6914	0.6915	CNY	6.4945 0.3
EUR	1.1497	0.0	1.1495	1.1498	SGD	1.3523 0.0
GBP	1.4535	0.0	1.4535	1.4538	IDR	13,188 0.2
JPY	106.63	0.0	106.5800	106.6600	THB	34.97 0.0
CAD	1.2725	0.0	1.2721	1.2725	KRW	1,140 0.2
AUD/EUR	0.6510	0.0			TWD	32.19 -0.1
AUD/JPY	79.82	0.0			PHP	46.94 -0.1
AUD/GBP	0.5149	0.0			CHF	0.95 0.0
AUD/NZD	1.0825	0.0			SEK	8.06 0.0
AUD/CNY	4.8736	-1.5				

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.64	0.90	1.68	USD 10	1.80	-0.08
AUD	2.00	2.15	1.89	2.53	AUD 10	2.47	-0.06 0.67
NZD	2.25	2.37	2.23	2.96	NZD 10	2.87	0.02 1.07
EUR	0.00	0.06	-0.14	0.60	CAD 10	1.46	-0.07 -0.34
GBP	0.50	0.59	0.83	1.49	EUR 10	0.20	-0.07 -1.60
JPY	-0.07	-0.02	-0.11	0.12	GBP 10	1.53	-0.07 -0.27
CAD	0.50	1.17	0.99	1.65	JPY 10	-0.12	0.00 -1.92

Equities

Major Indices			
	Last	% day	% y/y
Dow	17,751	-0.8	-1.5
S&P 500	2,063	-0.9	-2.1
Nasdaq	4,763	-1.1	-4.8
VIX	16	+6.3	22.8
FTSE	6,186	-0.9	-11.5
DAX	9,927	-1.9	-13.3
CAC 40	4,372	-1.0	-13.4
Nikkei	16,147	-3.1	-17.3
Shanghai	2,993	+1.8	-33.2
Hang Seng	20,677	-1.9	-26.5
ASX 200	5,354	+2.1	-8.1

Commodities*

	Last	% day
Oil (Brent)	45.27	-1.2
Oil (WTI)	43.91	-1.9
Oil (Tapis)	46.59	-4.7
Gold	1288.30	-0.6
CRB	179.84	-1.5
GS Metals	269.9	-2.5
Aluminium	1623	-3.0
Copper	4929	-2.7
Nickel	9488	0.8
Zinc	1892	-2.2
Ch. steel	2436	-1.4
Iron ore	63.4	-4.3
Coal	50.8	-0.4
Wheat Chic.	470.8	-3.5
Sugar	16.25	0.2
Cotton	63.05	-2.0
Coffee	119.3	-0.3

* clsd = market holiday

CO ₂ Emissions - Euros		
	Last	% day
Jun-2016	5.98	-2.0
Dec-2016	5.99	-2.0
Jun-2017	6.01	-2.0

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, 4 May 2016								
NZ	Unemployment Rate	1Q		5.5		5.3	22.45	8.45
NZ	Employment Change QoQ/YoY	1Q		0.6/1.3		0.9/1.3	22.45	8.45
NZ	Pvt Wages Ex/Incl Overtime QoQ	1Q		0.3/0.3		0.4/0.4	22.45	8.45
AU	AiG Perf of Services Index	Apr				49.5	23.30	9.30
NZ	QV House Prices YoY	Apr				11.4	0.00	10.00
NZ	ANZ Commodity Price	Apr				-1.3	1.00	11.00
GE	Markit Germany Services/Composite PMI	Apr F		54.6/53.8		54.6/53.8	7.55	17.55
EC	Markit Eurozone Services/Composite PMI	Apr F		53.2/53		53.2/53.0	8.00	18.00
UK	Markit/CIPS UK Construction PMI	Apr		54		54.2	8.30	18.30
EC	Retail Sales MoM/YoY	Mar		-0.1/2.6		0.2/2.4	9.00	19.00
US	ADP Employment Change	Apr		195		200.0	12.15	22.15
US	Trade Balance	Mar		-41.3		-47.1	12.30	22.30
CA	Int'l Merchandise Trade	Mar		-1.4		-1.9	12.30	22.30
US	Nonfarm Productivity/Unit labour costs	1Q P		-1.3/3.3		-2.2/3.3	12.30	22.30
US	Markit US Services/Composite PMI	Apr F		52.1/		52.1/51.7	13.45	23.45
US	ISM Non-Manf. Composite	Apr		54.8		54.5	14.00	0.00
US	Factory Orders	Mar		0.6		-1.7	14.00	0.00
UK	UK PM David Cameron questioned by House Committee on Brexit						15.30	1.30
Thursday, 5 May 2016								
US	Fed's Kashkari Hosts Town Hall in Rochester, MN						22.30	8.30
UK	BRC Shop Price Index YoY	Apr		-1.7		-1.7	23.10	9.10
AU	HIA New Home Sales MoM	Mar				-1.8	1.00	11.00
AU	Trade Balance	Mar		-3000		-3410.0	1.30	11.30
AU	Retail Sales MoM/Volumes QoQ	Mar	0.2/0.6	0.3/0.7		0.0/0.6	1.30	11.30
CH	Caixin China PMI Services/Composite	Apr		/		52.2/51.3	1.45	11.45
EC	ECB Publishes Economic Bulletin						8.00	18.00
UK	Markit/CIPS UK Services/Composite PMI	Apr		53.5		53.7/53.6	8.30	18.30
US	Challenger Job Cuts YoY	Apr				31.7	11.30	21.30
CA	Building Permits MoM	Mar		-4.8		15.5	12.30	22.30
US	Initial Jobless Claims	Apr 30		260		257.0	12.30	22.30
US	Bloomberg Consumer Comfort	May 1				43.4	13.45	23.45
EC	OECD Economic Outlook							
US	Fed's Bullard Speaks at Santa Barbara Conference						15.30	1.30
Friday, 6 May 2016								
US	Fed's Bullard, Kaplan, Lockhart, Williams Speak at Stanford						23.15	9.15
AU	AiG Perf of Construction Index	Apr				45.2	23.30	9.30
AU	RBA Statement on Monetary Policy						1.30	11.30
JN	Nikkei Japan PMI Services	Apr				50.0/49.9	2.00	12.00
CH	BoP Current Account Balance	1Q P				91.9		
GE	Markit Germany Construction PMI	Apr				55.8	7.30	17.30
GE	Markit Germany Retail PMI	Apr				54.1	8.10	18.10
US	Change in Nonfarm Payrolls/Unemployment rate	Apr		200/4.9		215.0/5.0	12.30	22.30
US	Average Hourly Earnings MoM/YoY	Apr		0.3		0.3	12.30	22.30
CA	Net Change in Employment/Unemployment rate	Apr		2/7.2		40.6/7.1	12.30	22.30
CA	Ivey Purchasing Managers Index SA	Apr		52.25		50.1	14.00	0.00
US	Consumer Credit	Mar		16		17.2	19.00	5.00
Saturday, 7 May 2016								
CH	Foreign Reserves	Apr		3204				
Sunday, 8 May 2016								
CH	Trade Balance	Apr		40		29.9	not specified	not specified
CH	Exports/Imports YoY	Apr		1.2/-4		11.5/-7.6	not specified	not specified
Monday, 9 May 2016								
EC	European Commission Economic Forecasts						2/5 to 13/5	
CH	Foreign Direct Investment YoY CNY	Apr				7.8	2/5 to 11/5	n/a
JN	Labor Cash Earnings YoY	Mar				0.9	0.00	10.00
JN	Real Cash Earnings YoY	Mar				0.4	0.00	10.00
AU	ANZ Job Advertisements MoM	Apr				0.2	1.30	11.30
JN	Consumer Confidence Index	Apr				41.7	5.00	15.00
GE	Factory Orders MoM	Mar				-1.2	6.00	16.00
GE	Factory Orders WDA YoY	Mar				0.5	6.00	16.00
EC	Sentix Investor Confidence	May				5.7	8.30	18.30
US	Fed's Evans Speaks on Economy and Policy on Panel in London						9.10	19.10
CA	Housing Starts	Apr				204.3	12.15	22.15
CA	OECD Economic Outlook						9/May to 20/5	
CA	Bloomberg Nanos Confidence	May 6				56.9	14.00	0.00
US	Labor Market Conditions Index Change	Apr				-2.1	14.00	0.00
US	Fed's Kashkari Speaks in Minneapolis						17.00	3.00
Tuesday, 10 May 2016								
NZ	ANZ Truckometer Heavy MoM	Apr				2.5	22.00	8.00
NZ	Card Spending Retail MoM	Apr				0.1	22.45	8.45
NZ	Card Spending Total MoM	Apr				0.4	22.45	8.45
UK	BRC Sales Like-For-Like YoY	Apr				-0.7	23.10	9.10
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	May 1				111.7	23.30	9.30
CH	CPI YoY	Apr		2.3		2.3	1.30	11.30
CH	PPI YoY	Apr		-3.9		-4.3	1.30	11.30
GE	Industrial Production SA MoM	Mar				-0.5	6.00	16.00
GE	Industrial Production WDA YoY	Mar				1.3	6.00	16.00
GE	Trade Balance	Mar				20.3	6.00	16.00
GE	Current Account Balance	Mar				20.0	6.00	16.00
GE	Exports SA MoM	Mar				1.3	6.00	16.00
GE	Imports SA MoM	Mar				0.4	6.00	16.00
UK	Visible Trade Balance GBP/Mn	Mar				-11964.0	8.30	18.30
UK	Trade Balance Non EU GBP/Mn	Mar				-3357.0	8.30	18.30
UK	Trade Balance	Mar				-4840.0	8.30	18.30
US	NFIB Small Business Optimism	Apr				92.6	10.00	20.00
NZ	REINZ House Sales YoY	Apr				8.2	0/5 to 16/5	
CH	New Yuan Loans CNY	Apr		850		1370.0	0/5 to 15/5	
CH	Aggregate Financing CNY	Apr		1325		2340.0	0/5 to 15/5	
CH	Money Supply M2 YoY	Apr		13.5		13.4	0/5 to 15/5	
CH	Money Supply M1 YoY	Apr		22.65		22.1	0/5 to 15/5	
CH	Money Supply M0 YoY	Apr				4.4	0/5 to 15/5	
US	Wholesale Inventories MoM	Mar		0.1		-0.5	14.00	0.00
US	Wholesale Trade Sales MoM	Mar				-0.2	14.00	0.00
US	JOLTS Job Openings	Mar				5445.0	14.00	0.00
Upcoming Central Bank Interest Rate Announcements								
UK BOE		12-May				0.50%		
Canada, BoC		26-May				0.50%		
Europe ECB		2-Jun				0.00%		
New Zealand, RBNZ		9-Jun	2.00%	2.25%		2.25%		
US Federal Reserve		15-Jun				0.25-0.50%		
Japan, BoJ		16-Jun	more easing			-0.10%		
Australia, RBA		7-Jun	1.75%		n/a	1.75%		

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

Tapas Strickland
Economist
+61 2 9237 1980
tapas.strickland@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.