

## Money's (not) too tight to mention

The rising US dollar in Friday's APAC session gathered fresh momentum from incoming US data. Retail sales rose by 1.3% headline, and the core so called 'Control' reading by 0.9%, confounding the gloomy profits and trading reports from several bricks and mortar retailers earlier in the week. Shortly after, the University of Michigan's consumer sentiment index jumped to its highest level since April last year (95.8 from 89.0). Given Amazon's stellar earnings report last week, the message would appear to be that consumers are in pretty rude health, driven by employment gains and now some pick up in earnings growth, but aren't rushing to spend their hard-earned cash at Macys. After autos and gasoline, on-line shopping was the third best performing category in Friday's report.

Also published right towards the close of Friday's APAC session (6:00pm AEDT) was the China April loan data. These were much weaker than expected and confirming the front-loaded nature of this year's lending intentions by state-owned banks in particular. New Yuan Loans slumped to just Y556bn from 1,370bn, and Total Social Financing to 751bn from 2,336bn. The data pushed AUD/USD back down to APAC session lows just below 0.7280, but the lows for the day (0.7254) came almost immediately after the US consumer sentiment report and which is when the USD hits its highs for the day (and week). Weakness relative to expectations in Saturday's China's data has added fresh weight to the AUD this morning, taking us below 0.7250. Industrial production was 6.0% YoY down from 6.8%, retail sales 10.1% YoY down from 10.5% and fixed asset investment 10.5% YTD YoY down from 10.7%.

The JPY was the only currency to strengthen against the USD Friday (USD/JPY -0.36% to 108.63). The narrow DXY added 0.49% to 94.61 (+0.8% on the week) and the broader BBDXY 0.46% (+0.9% on the week).

Rather than the data serving to bring forward expectations for the timing of Fed tightening, a weak performance by US equities saw the probability of the Fed Funds rate being 25-points higher by December fall to 60% from 64% on Thursday. The Fed's reaction function is still more equity dependent than data dependent in the market's mind, or so it would seem. The S&P lost 0.85% to 2,064.1 (for a loss of just 0.5% on the week, but taking the index below its 50 day average for the first time in two months). All ten S&P sectors ended in the red Friday, the biggest losers being financials, energy companies and consumer staples. Earlier the

Eurostoxx 50 added 0.72% and the Dax 0.92% (0.7% Q1 German growth figures may have helped the latter).

In US rates, Treasury yields were lower, 2s -0.8bp to 0.748 (+1.2bps on the week) and 10s -5.1bps to 1.701% (-7.9bps w/w).

Commodities were mixed rather than simply getting hit from the stronger dollar. Crude oil lower by 30-50 cents (WTI -\$0.50 to \$46.21 and Brent -\$0.30 to \$47.83) and the China 62% fines iron ore import price -\$0.50 to \$54.54. But the LME indeed finished 0.1% higher and gold +\$1.5 to \$1,272.7.

Sunday's CoreLogic RP Data weekend auction data shows a preliminary capital city average clearance rate of 68.9% versus last weekend's final 67.7 with auction volumes down on last week (1,824 from 2,230). Melbourne cleared a preliminary 70.6% down from a final 73.2% and Sydney 75.6% up from 71.8%.

## Coming Up

An important week in Australia with the RBA May Board Minutes Tuesday and the Employment report Thursday. The Following the SoMP, the market goes into the Minutes pricing 40 basis points of easing over the next 12 months with one Cash Rate cut fully priced by October.

For Thursday's employment report NAB is forecasting employment growth of 16k in the month, enough to keep the unemployment rate unchanged at 5.7%. The market consensus is for somewhat weaker employment growth of 12k and the unemployment rate expected to rise to 5.8%.

Globally, highlights include US CPI and industrial production (Tuesday) and FOMC minutes (Wednesday). Japan has Q1 GDP on Wednesday. RBA Assistant Governor Debelle also speaks Wednesday on Global FX Markets.

Nothing of note locally today and just US existing home sales and the Empire manufacturing survey tonight.

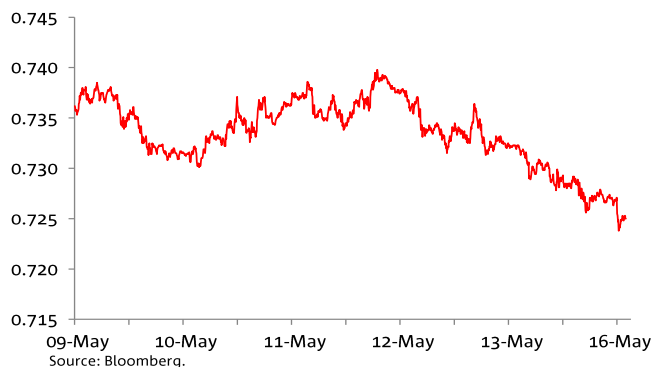
## Overnight

On global stock markets, the S&P 500 was -0.86%. Bond markets saw US 10-years -5.15bp to 1.70%. On commodity markets, Brent crude oil +0.48% to \$47.83, gold-0.2% to \$1,273, iron ore -1.9% to \$54.54. AUD is at 0.725 and the range 5PM Friday Sydney has been 0.7237 to 0.7300.

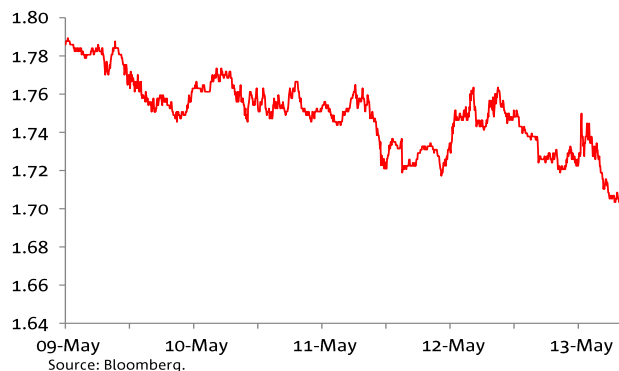
### Author:

Ray Attrill – Global Co-Head of FX Strategy

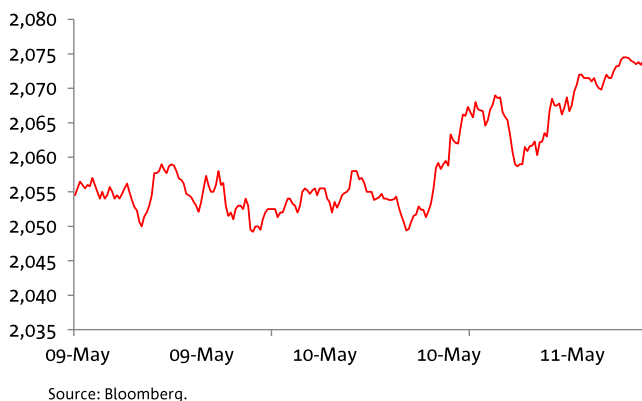
AUD/USD - past week



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	0.7250	-1.0	0.7237	0.7326	HKD	7.7631 0.0
NZD	0.6765	-0.8	0.6750	0.6831	CNY	6.5320 0.5
EUR	1.1307	-0.6	1.1283	1.1380	SGD	1.3741 0.1
GBP	1.4351	-0.7	1.4339	1.4456	IDR	13,325 0.1
JPY	108.64	-0.3	108.52	109.56	THB	35.46 0.5
CAD	1.2953	0.8	1.2836	1.2958	KRW	1,171 0.3
AUD/EUR	0.6429	-0.4	0.6399	0.6445	TWD	32.61 0.2
AUD/JPY	78.99	-1.2	78.62	79.90	PHP	46.59 0.2
AUD/GBP	0.5062	-0.8	0.5042	0.5071	CHF	0.98 0.5
AUD/NZD	1.0736	-0.7	1.0707	1.0747	SEK	8.25 0.8
AUD/CNH	4.7487	-1.2	4.7571	#N/A N/A		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	0.50	0.63	0.88	1.57	USD 10	1.70	0.04
AUD	1.75	1.99	1.75	2.34	AUD 10	2.27	0.03 0.57
NZD	2.25	2.35	2.22	2.86	NZD 10	2.63	-0.02 0.93
EUR	0.00	-0.26	-0.16	0.52	CAD 10	1.27	0.03 -0.43
GBP	0.50	0.59	0.77	1.41	EUR 10	0.12	0.00 -1.58
JPY	-0.04	-0.03	-0.14	0.10	GBP 10	1.38	0.02 -0.32
CAD	0.50	0.91	0.92	1.49	JPY 10	-0.11	0.01 -1.81

Equities

Major Indices	Last	% day	% y/y
	Dow	17,535	-1.0
S&P 500	2,047	-0.9	-3.6
Nasdaq	4,718	-0.9	-6.5
VIX	15	2.4	21.5
FTSE	6,139	-0.4	-11.8
DAX	9,953	-0.2	-13.1
CAC 40	4,320	0.1	-13.5
Nikkei	16,412	-1.0	-16.8
Shanghai	2,827	-0.3	-34.4
Hang Seng	19,719	-1.7	-29.1
ASX 200	5,329	-0.8	-7.1

Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.04	-2.00
3 Yr bond	97.8	-1.00
10 Yr bond	97.78	-10.00
3/10 sprd	0.02	9.00
SPI	5316.0	44.0

\*Change in bps

Commodities\*

	Last	% day
Oil (Brent)	47.83	0.5
Oil (WTI)	46.21	0.0
Oil (Tapis)	48.36	4.2
Gold	1272.70	-0.2
CRB	182.55	-0.4
GS Metals	255.3	-1.9
Aluminium	1517.3	-2.1
Copper	4636.5	-1.8
Nickel	8599.5	-2.8
Zinc	1880.3	-0.9
Ch. steel	2062.0	-4.2
Iron ore	54.5	-1.9
Coal	50.6	0.4
Wheat Chic.	474.8	3.4
Sugar	16.7	-0.2
Cotton	60.6	0.0
Coffee	130.1	0.3

CO<sub>2</sub> Emissions - Euros

	Last	% day
Jun-2016	5.81	Clsd
Dec-2016	5.85	-3.0
Jun-2017	5.86	0.7

\* clsd = market holiday

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
<b>Monday, 16 May 2016</b>								
NZ	Performance Services Index	Apr				54.8	22.30	8.30
UK	Rightmove House Prices MoM	May				1.3	23.10	9.10
JN	Loans & Discounts Corp YoY							
JN	PPI MoM	Apr		0.2		-0.1	23.50	9.50
JN	Machine Tool Orders YoY	Apr P				-21.2	6.00	16.00
US	Empire Manufacturing	May		7		9.6	12.30	22.30
CA	Existing Home Sales MoM	Apr				1.5	13.00	23.00
US	NAHB Housing Market Index	May		59		58.0	14.00	0.00
US	Total Net TIC Flows	Mar				33.5	20.00	6.00
US	Net Long-term TIC Flows	Mar				72.0	20.00	6.00
US	Fed's Kashkari Holds Town Hall on TBTF in Minneapolis						23.00	9.00
<b>Tuesday, 17 May 2016</b>								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	May 15				113.9	23.30	9.30
AU	RBA May Meeting Minutes						1.30	11.30
AU	New Motor Vehicle Sales MoM	Apr				2.2/4.2	1.30	11.30
NZ	2Yr Inflation Expectation	2Q				1.6	3.00	13.00
JN	Capacity Utilization MoM	Mar				-5.4	4.30	14.30
JN	Industrial Production MoM/YoY	Mar F				3.6/0.1	4.30	14.30
UK	CPI MoM/YoY	Apr		0.3/0.5		0.4/0.5	8.30	18.30
UK	CPI Core YoY	Apr		1.4		1.5	8.30	18.30
UK	PPI Input NSA MoM/YoY	Apr		1/-6.8		2.0/-6.5	8.30	18.30
UK	ONS House Price YoY	Mar				7.6	8.30	18.30
EC	Trade Balance SA	Mar				20.2	9.00	19.00
CA	Manufacturing Sales MoM	Mar		-0.8		-3.3	12.30	22.30
US	Housing Starts, #/MoM	Apr		1120/2.9		1089.0/-8.8	12.30	22.30
US	Building Permits, #/MoM	Apr		1128/4.8		1086.0/-7.7	12.30	22.30
US	CPI MoM/YoY	Apr		0.4/1.1		0.1/0.9	12.30	22.30
US	CPI Ex Food and Energy MoM/YoY	Apr		0.2/2.1		0.1/2.2	12.30	22.30
US	Real Avg Weekly Earnings YoY	Apr				1.1	12.30	22.30
US	Industrial Production MoM/Cap Use	Apr		0.3/75		-0.6/74.8	13.15	23.15
US	Manufacturing (SIC) Production	Apr		0.3		-0.3	13.15	23.15
US	Fe's Williams and Lockhart Discuss Economy at Politico Event						16.00	2.00
US	Fed's Kaplan in Moderated Q&A at Petroleum Club of Midland						17.15	3.15
<b>Wednesday, 18 May 2016</b>								
NZ	PPI Input QoQ	1Q				-1.2	22.45	8.45
NZ	PPI Output QoQ	1Q				-0.8	22.45	8.45
JN	GDP SA QoQ/SAAR QoQ	1Q P		0.1/0.3		-0.3/-1.1	23.50	9.50
NZ	RBNZ Governor Wheeler Speaks in Hamilton (Not Public)						0.00	10.00
AU	Westpac Leading Index MoM	Apr				-0.1	0.30	10.30
AU	RBA's Debelle speaks at Beijing RMB FX Forum on Developments in Global FX Markets and Challenges ..... from an Australian Perspective"						1.00	11.00
CH	Property Prices						1.00	11.00
AU	Wage Price Index QoQ/YoY	1Q		0.5/2.2		0.5/2.2	1.30	11.30
UK	Jobless Claims Change	Apr		2		6.7	8.30	18.30
UK	Average Weekly Earnings 3M/YoY	Mar		1.6		1.8	8.30	18.30
UK	Weekly Earnings ex Bonus 3M/YoY	Mar		2.3		2.2	8.30	18.30
UK	ILO Unemployment Rate 3Mths	Mar		5.1		5.1	8.30	18.30
UK	Employment Change 3M/3M	Mar		-15		20.0	8.30	18.30
EC	CPI MoM/YoY	Apr		0/-0.2		1.2/0.0	9.00	19.00
EC	CPI Core YoY	Apr F		0.7		0.7	9.00	19.00
CA	Int'l Securities Transactions	Mar				15.9	12.30	22.30
US	FOMC Minutes from April 26-27 Meeting						18.00	4.00
<b>Thursday, 19 May 2016</b>								
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		-1.9/0.8		-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		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 P				-21.2	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		0.3/1.6		-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				-0.4	12.30	22.30
CA	Wholesale Trade Sales MoM	Mar				-2.2	12.30	22.30
US	Initial Jobless Claims	May 14				294.0	12.30	22.30
US	Philadelphia Fed Business Outlook	May		3.5		-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
<b>Friday, 20 May 2016</b>								
NZ	Net Migration SA	Apr				5330.0	22.45	8.45
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		0.6	12.30	22.30
US	Existing Home Sales, #/MoM	Apr		5.4/1.31		5.3/5.1	14.00	0.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
Canada, BoC		26-May				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

## 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

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