

Life's a gas

Be grateful for small mercies. It's a good job this 1971 T.Rex classic popped into my head as I was alighting at Wynyard station this morning, or else you might have been subjected to the ultra-cringe-worthy 1968 Dolly Parton ditty, "I'll oil well love you" (I kid you not).

After a few days when it looked as though global markets, whether in FX, rates or equities, were no longer moving in lock-step with intra-day swings in the oil price, oil looks to be back front and centre of things this morning. Brent crude is within kissing distance of \$50 for the first time since November last year (+\$1.24 on the night to \$49.07) while WTI crude has advanced an even bigger \$1.67 to 47.88, also its best level since November. Supply disruptions in Nigeria, political instability in Venezuela and upgraded price forecasts for the second half of the year by the most well know US investment bank in the energy space, are all being cited as being somewhat responsible for the latest moves higher.

US stocks have recoupled all of Friday's losses, the S&P up by 1% with gains led by the materials and energy sectors. In third place is information technology and where Apple is up about 3.5% on news that Warren Buffett just bought nearly \$1bn worth of the stock.

In bonds, just as weaker US stocks post-Friday's strong US retail sales and consumer confidence data ended up pulling Treasury yields lower, the stock market recovery and higher oil has now pushed nominal yields and break-evens back higher. 10s are +5.3bps since Friday's close at 1.753% and 10-year break-evens just over 2bps higher at 1.6356%.

In currencies, and after Monday's early-day downside forays in AUD and NZD on Saturday's soft China data failed to attract selling, its NOK, CAD, AUD and NZD that occupy the top four spots on the G10 leader board. For AUD, this means that against the USD, the pair is ending the New York day back above its 200-day moving average. This after much excitement generated by the break below the 0.7255-60 area at yesterday's Asia-Pacific open.

Coming Up

A fairly big day both domestically and globally with RBA May meeting Minutes at 11:30 AEDT and then tonight, US CPI and industrial production. We also get NZ inflation expectations (and remembering that last week's Australian equivalent pulled the AUD lower), US housing starts, UK CPI and Fed speakers including Williams, Lockhart and Kaplan.

On the Minutes, if we go back to February 2015 when the RBA last initiated a mini-easing cycle, neither the post-meeting Statement nor the subsequent Minutes revealed an explicit bias regarding the prospects for further easing. However, come March it became clear both in the Statement and the Minutes that the RBA had its finger firmly on the easing trigger. As such, we might learn a lot less about the RBA's proclivity to cut rates further today than following the March meeting.

In any event, NAB's view is that the Board will at least want to see the Q2 inflation data before deciding whether to cut again. If the RBA does play the proverbial straight bat in the Minutes, the AUD is likely to draw a little support from this given the current state of market pricing for further RBA easing (some 41bps of further cuts).

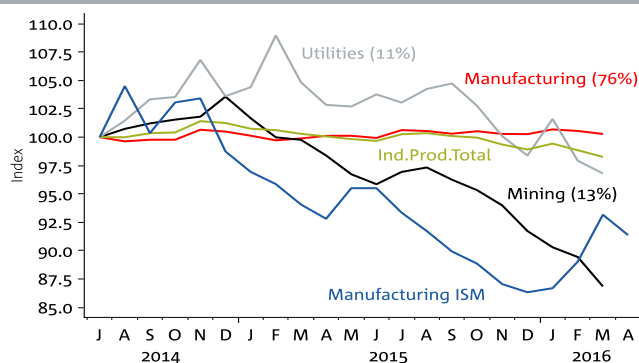
The US data will be important tonight amid a nascent US dollar recovery and which is one key reason the AUD has fallen as much as it has in recent weeks. For the core (ex-food and energy) CPI reading favoured by policy makers, a small fall is expected, from 2.2% to 2.1%.

On industrial production, a partial recovery from the big March fall is expected (0.3% vs. -0.6%) including a 0.3% rise for the manufacturing sub-sector which represents some 76% of total production. Weakness in the latter since 2014 has been largely a function of the loss of mining investment and production due to the drop in oil prices rather than dollar strength (see Chart of the Day).

Overnight

On global stock markets, the S&P 500 was +0.98%. Bond markets saw US 10-years +5.15bp to 1.75%. In commodities, Brent crude oil +2.53% to \$49.04, gold+0.3% to \$1,276, iron ore -0.4% to \$54.34. AUD is at 0.7289 and the range since yesterday 5pm Sydney time is 0.7284 to 0.7307.

Chart of the Day: US industrial production

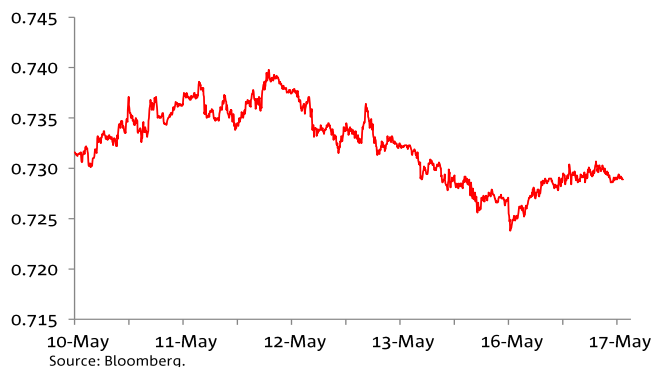


Source: National Australia Bank, Macrobond

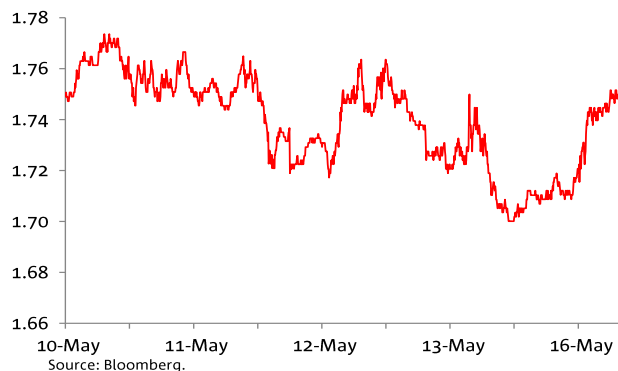
Author:

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	0.7289	0.2	0.7237	0.7309	HKD	7.7637 0.0
NZD	0.6789	0.2	0.6747	0.6809	CNY	6.5205 -0.2
EUR	1.1318	0.1	1.1302	1.1342	SGD	1.3695 -0.2
GBP	1.4391	0.2	1.4333	1.4415	IDR	13,310 -0.1
JPY	108.96	0.3	108.47	109.10	THB	35.41 -0.1
CAD	1.2905	-0.3	1.2875	1.2963	KRW	1,180 0.7
AUD/EUR	0.644	0.2	0.6399	0.6450	TWD	32.64 0.1
AUD/JPY	79.42	0.5	78.62	79.53	PHP	46.45 -0.3
AUD/GBP	0.5065	0.1	0.5042	0.5086	CHF	0.98 0.3
AUD/NZD	1.0736	0.0	1.0709	1.0784	SEK	8.27 0.2
AUD/CNH	4.7578	0.2	4.7541	4.7822		

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Spnd
USD	0.50	0.63	0.91	1.62	USD 10	1.75	-0.05
AUD	1.75	1.99	1.79	2.38	AUD 10	2.23	0.04 0.48
NZD	2.25	2.35	2.21	2.84	NZD 10	2.60	0.04 0.84
EUR	0.00	-0.26	-0.15	0.54	CAD 10	1.31	-0.04 -0.44
GBP	0.50	0.59	0.77	1.42	EUR 10	0.14	-0.02 -1.61
JPY	-0.05	-0.03	-0.14	0.09	GBP 10	1.40	-0.02 -0.36
CAD	0.50	0.91	0.93	1.52	JPY 10	-0.10	-0.01 -1.86

Equities

Major Indices			
	Last	% day	% y/y
Dow	17,711	1.0	-3.1
S&P 500	2,067	1.0	-2.6
Nasdaq	4,775	1.2	-5.4
VIX	15	-2.8	18.1
FTSE	6,151	0.2	-11.6
DAX	9,953	0.0	-13.1
CAC 40	4,312	-0.2	-13.6
Nikkei	16,466	0.3	-16.6
Shanghai	2,851	0.8	-33.8
Hang Seng	19,884	0.8	-28.5
ASX 200	5,359	0.6	-6.6

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.03	0.00
3 Yr bond	97.8	-3.00
10 Yr bond	97.74	-4.00
3/10 sprd	0.06	1.00
SPI	5391.0	-60.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	49.04	2.5
Oil (WTI)	47.84	3.5
Oil (Tapis)	49.63	2.6
Gold	1276.00	0.3
CRB	184.58	1.1
GS Metals	257.0	0.7
Aluminium	1532.0	1.0
Copper	4649.5	0.3
Nickel	8680.5	0.9
Zinc	1890.3	0.5
Ch. steel	2060.0	1.1
Iron ore	54.3	-0.4
Coal	50.7	0.2
Wheat Chic.	484.0	1.9
Sugar	16.9	0.9
Cotton	61.0	0.6
Coffee	133.6	2.7

CO₂ Emissions - Euros

	Last	% day
Jun-2016	5.81	Clsd
Dec-2016	6.10	4.3
Jun-2017	6.12	4.4

* 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
Monday, 16 May 2016								
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		6.5		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
Tuesday, 17 May 2016								
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		1.1/-6.7		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		22		20.2	9.00	19.00
CA	Manufacturing Sales MoM	Mar		-2		-3.3	12.30	22.30
US	Housing Starts, #/MoM	Apr		1125/3.3		1089.0/-8.8	12.30	22.30
US	Building Permits, #/MoM	Apr		1135/5.5		1086.0/-7.7	12.30	22.30
US	CPI MoM/YoY	Apr		0.3/1.1		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
Wednesday, 18 May 2016								
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		4.5		6.7	8.30	18.30
UK	Average Weekly Earnings 3M/YoY	Mar		1.7		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		0		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
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		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		0.7/2		-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
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		0.4		0.6	12.30	22.30
US	Existing Home Sales, #/MoM	Apr		5.4/1.31		5.3/5.1	14.00	0.00
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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