

Back to black

European and US equities ended the week in positive territory and the mild positive tone to the overnight session helped the S&P 500 move back to black for 2016.

In currencies, the USD had a mixed night making small losses against European currencies and the NZD while also gaining a little bit of ground against the AUD, JPY and GBP.

Overall markets in general took a breather on Friday and now appear to be on a wait and see mode. The USD has been on a broad based rally for three weeks with last week's gains primarily driven by a repricing of Fed hike expectations following the release of the FOMC April minutes and Fed speakers who also reinforced the message that at least two rate hikes should be expected before the end of the year. Last week the BBDXY index climbed 1.1% and the USD outperformed all G10 currencies, barring the GBP.

Core global yield had a quiet end to the week. 10y US Treasury yields closed at 1.834%, essentially the same as Sydney's closing levels while in Europe 10y Bunds closed -0.6bps at 0.164% and 10y gilts ended at 1.45%, +1.3bps.

In commodities, oil prices were a little bit softer with WTI and Brent down 1.2% and 0.3% respectively. Metal prices were mixed with gold -0.22% while silver was +0.26%. Iron ore had a good night climbing 2.6% finishing the week practically unchanged at \$54.89, not a bad result after considering the 5.8% loss recorded on Thursday.

CFTC data for the w/e 17 May shows overall net USD speculative shorts were reduced once again, dropping to -56.34k from -82.54k previously. The reduction is consistent with the USD gains recorded over the period, but notably they do not include the impact from the April FOMC minutes released on Wednesday last week. This would suggest next week data is likely to show another reduction in net USD shorts. Looking at the breakdown of the data, it was notable that the biggest change of the week came once again from a reduction in AUD longs, down to 24.9k from 38.2k.

As for data releases, US April existing home sales rose 1.7% to 5.45m, marginally higher than 5.4m expected by consensus. In Canada, retail sales fell 1% in March, faster than the 0.6% drop pencilled in by economists. Core CPI for April printed at 2.2% yoy versus the 2.0% expected.

Sunday's CoreLogic RP Data weekend auction data shows a preliminary capital city average clearance rate of 70% vs. 69.5% prev. Melbourne cleared a preliminary 70.7% down from a final 71.3% and Sydney 74.2% down from 76.2% previously.

Unsurprisingly the G7 summit of finance and central bank chiefs concluded on Saturday without any new announcements along the lines of a policy mix such as a coordinated fiscal stimulus strategy or structural reform. While the US and Japan, once again stated their difference of opinion on what constitutes an orderly or disorderly movement in a currency, officials agreed not to target currencies to boost growth and warned of the negative consequences from disorderly moves in exchange rates. The global finance leaders did unanimously agree that a UK departure from the EU would be bad for the European and world economies. Lastly and perhaps precluding the widely expected Japan fiscal stimulus, both the US and Japan supported the need for fiscal spending.

Coming Up

We have a quiet start to the week with no domestic data releases scheduled for today. This morning Japan releases its April trade balance figures and BOJ Nakaso speaks in Tokyo. Later today European countries get their preliminary services and manufacturing PMI prints for May. The Markit Manufacturing PMI is also out in the US and Fed Bullard, Williams and Harker are scheduled to speak.

Looking at the highlights for the week, in Australia RBA Governor Steven's speaks on Tuesday and we also get important GDP partials. NZ government announces its fiscal budget on Thursday and importantly Fed Chair Yellen speaks on Friday.

Overnight

On global stock markets, the S&P 500 was +0.23%. Bond markets saw US 10-years -1.03bp to 1.84%. In commodities, Brent crude oil -0.29% to \$48.74, gold -0.2% to \$1,253, iron ore +2.7% to \$54.89. AUD is at 0.7224 and the range since Friday 5pm Sydney time is 0.7214 to 0.7246.

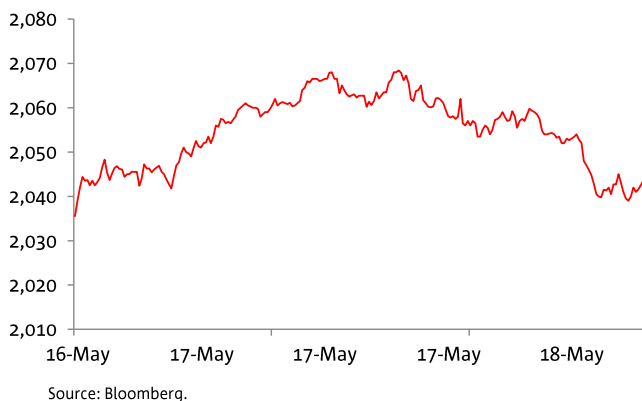
AUD/USD - past week



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	0.7224	-0.1	0.7212	0.7250	HKD	7.7679 0.0
NZD	0.6768	0.4	0.6737	0.6781	CNY	6.5490 0.2
EUR	1.1215	0.1	1.1196	1.1237	SGD	1.3812 0.0
GBP	1.4506	-0.7	1.4486	1.4613	IDR	13,608 1.7
JPY	110.14	0.2	109.85	110.59	THB	35.66 -0.1
CAD	1.3114	0.2	1.3077	1.3162	KRW	1,190 0.6
AUD/EUR	0.6437	-0.1	0.6434	0.6465	TWD	32.71 0.0
AUD/JPY	79.56	-0.1	79.39	79.96	PHP	46.78 0.2
AUD/GBP	0.4982	0.6	0.4945	0.4987	CHF	0.99 0.0
AUD/NZD	1.0673	-0.5	1.0663	1.0724	SEK	8.33 -0.4
AUD/CNH	4.7292	-0.7	4.7330	4.7330		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	0.50	0.66	1.02	1.70	USD 10	1.84	0.02
AUD	1.75	1.99	1.82	2.42	AUD 10	2.30	-0.01 0.46
NZD	2.25	2.38	2.29	2.91	NZD 10	2.69	-0.05 0.85
EUR	0.00	-0.26	-0.15	0.56	CAD 10	1.35	0.02 -0.49
GBP	0.50	0.59	0.82	1.48	EUR 10	0.17	0.00 -1.67
JPY	-0.06	-0.02	-0.12	0.09	GBP 10	1.45	-0.01 -0.39
CAD	0.50	0.91	0.99	1.58	JPY 10	-0.11	0.02 -1.95

Equities

Major Indices	Last	% day	% y/y
	Dow	17,501	-0.1
S&P 500	2,052	0.2	-3.5
Nasdaq	4,770	0.6	-6.3
VIX	15	-4.7	25.3
FTSE	6,156	-0.2	-12.4
DAX	9,916	-0.3	-16.1
CAC 40	4,354	0.8	-15.3
Nikkei	16,736	0.6	-17.4
Shanghai	2,825	0.6	-39.3
Hang Seng	19,852	0.1	-29.1
ASX 200	5,351	-0.1	-5.5

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.01	0.00
3 Yr bond	97.8	-1.00
10 Yr bond	97.72	-1.50
3/10 sprd	0.08	0.50
SPI	5360.0	-2.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	48.74	-0.3
Oil (WTI)	48.48	-0.6
Oil (Tapis)	49.94	2.9
Gold	1252.90	-0.2
CRB	184.21	0.2
GS Metals	253.9	0.0
Aluminium	1543.5	0.2
Copper	4584.0	-0.2
Nickel	8470.3	-2.0
Zinc	1862.0	0.2
Ch. steel	2004.0	-1.9
Iron ore	54.9	2.7
Coal	51.0	0.0
Wheat Chic.	478.3	0.1
Sugar	17.1	2.2
Cotton	61.7	0.9
Coffee	124.7	0.2

CO₂ Emissions - Euros

	Last	% day
Jun-2016	5.81	Clsd
Dec-2016	5.96	-0.7
Jun-2017	5.98	-0.5

* 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, 23 May 2016								
JN	Trade Balance Adjusted	Apr		274.1		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		52		51.8	7.30	17.30
GE	Markit Germany Services/Composite PMI	May P		54.6/53.9		54.5/53.6	7.30	17.30
EC	Markit Eurozone Manufacturing PMI	May P		51.9		51.7	8.00	18.00
EC	Markit Germany Services/Composite PMI	May P		53.2/53.2		53.1/53.0	8.00	18.00
US	Fed's Bullard Speaks in Beijing						10.15	20.15
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		-9.3	14.00	0.00
US	Fed's Harker Speaks on Economic Outlook in Philadelphia						22.30	8.30
Tuesday, 24 May 2016								
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		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		49		47.7	9.00	19.00
EC	ZEW Survey Expectations	May				21.5	9.00	19.00
UK	CBI Retailing Reported Sales	May		8		-13.0	10.00	20.00
UK	CBI Total Dist. Reported Sales	May		12.5		13.0	10.00	20.00
CH	Conference Board Leading Economic Index	Apr					13.00	23.00
EC	Euro Finance Ministers Meet						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		8		14.0	14.00	0.00
US	New Home Sales, #/MoM	Apr		521/2		511.0/-1.5	14.00	0.00
Wednesday, 25 May 2016								
NZ	Trade Balance	Apr		25		117.0	22.45	8.45
AU	Skilled Vacancies MoM	Apr				-1.2	1.00	11.00
AU	Construction Work Done	1Q		-1.5		-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		9.7	6.00	16.00
GE	IFO Business Climate	May		106.8		106.6	8.00	18.00
GE	IFO Current Assessment/Expectations	May		113.3/100.8		113.2/100.4	8.00	18.00
US	Advance Goods Trade Balance	Apr		-60		-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		53/		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
Thursday, 26 May 2016								
JN	PPI Services YoY	Apr		0.2		0.2	23.50	9.50
CH	Swift Global Payments CNY	Apr				1.9	1.00	11.00
AU	Private CapEx QoQ/Expectations 16-17 \$Abn	1Q		-3.5/		0.8/82.6	1.30	11.30
UK	BBA Loans for House Purchase	Apr		44700		45096.0	8.30	18.30
UK	GDP QoQ/YoY	1Q P		0.4		0.4	8.30	18.30
UK	Index of Services MoM	Mar		0.2		0.1	8.30	18.30
US	Fed's Bullard Speaks in Singapore						9.15	19.15
US	Initial Jobless Claims	May 21		275		278.0	12.30	22.30
US	Durable Goods Orders/Core orders	Apr P		0.4/0.3		0.8/0.1	12.30	22.30
AU	RBA's Debelle Speech in New York						13.00	23.00
US	Bloomberg Consumer Comfort	May 22				42.6	13.45	23.45
CA	CFIB Business Barometer	May				59.2		
US	Pending Home Sales MoM/YoY	Apr		0.7/0.2		1.4/2.9	14.00	0.00
US	Kansas City Fed Manf. Activity	May		-3		-4.0	15.00	1.00
US	Fed's Powell Speaks About Economy at Peterson Insitute						16.00	2.00
Friday, 27 May 2016								
AU	RBA's Debelle in Panel Participation						22.30	8.30
UK	GfK Consumer Confidence	May		-4		-3.0	23.50	9.50
JN	Natl CPI YoY/Ex Fresh Food YoY	Apr		-0.4/-0.4		-0.1/-0.3	23.30	9.30
JN	Tokyo CPI YoY/Ex Fresh Food YoY	May		-0.5/-0.4		-0.4/-0.3	23.30	9.30
CH	Industrial Profits YoY	Apr				11.1	1.30	11.30
JN	Natl CPI Ex Fresh Food, Energy YoY	Apr		1		1.1	5.00	15.00
US	GDP Annualized QoQ	1Q S		0.9		0.5	12.30	22.30
US	U. of Mich. Sentiment/5-10 Yr Inflation expectations	May F		95.5/		95.8/2.6	14.00	0.00
US	Fed's Yellen to Speak at Harvard's Radcliffe Day						14.30	0.30
CH	Leading Index	Apr				99.1	#VALUE!	#VALUE!
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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