

“Livin’ On A Prayer”

In a night full of potential risk events – both OPEC and the ECB met – little actually happened. Markets mostly treaded water, and most US economic data was bang in line (Jobless Claims at 267k, and ADP payrolls at 173k) ahead of Friday’s US Non-farm Payrolls release (see *Coming Up* for details).

The UK’s referendum on EU membership on June 23 (termed Brexit) continues to be a dominating theme and Bon Jovi’s [Livin’ On a Prayer](#) gives a nod to how close the polls are now with the “Exit” camp marginally ahead. Although the Pound was little changed overnight, it has fallen over the past two days.

Most major sovereign bond yields moved lower overnight, and although there does not appear to be a clear catalyst, it appears Brexit fears are a factor. UK Gilt yields declined by around 2.9 bps to 1.34% and US Treasury yields also moved lower falling 3bps to 1.81%. The Fed’s Kaplan (non-voter) also hit the wires last night stating he sees “some immediate tail risk if [the] UK votes to exit [the] EU” and that “we need to be prepared if the UK” does exit. Despite those dovish remarks, Kaplan still thinks it is appropriate for the Fed to lift rates and in NAB’s opinion the proximity of the Brexit vote to June’s FOMC meeting tips the balance to a July rate hike with the market ascribing around a 60% probability. In related news, Q1 activity in the US may have been stronger than the headlines suggest with the statistical agency responsible for GDP reinforcing suggestions that Q1 GDP could have been distorted by residual seasonality with a paper stating “real GDP exhibits residual seasonality”.

Equities were quiet overnight with the Euro Stoxx down 0.2% along with the FTSE 100 which fell 0.1%. The US S&P500 initially dipped lower as well, but ended the day up 0.2% with health stocks outperforming up 1.3% on the day and extending their recent rally. Amongst currencies the Aussie and the Yen were the biggest movers in opposite directions with the Aussie falling 0.5% having ground lower following the weaker than expected retail sales number. The Yen in contrast rose 0.6%. Other major currencies were mostly lower with slight US dollar strength with the Kiwi down 0.2% and the Euro down 0.3%.

The OPEC meeting last night was of little significance and there was little coordination given geopolitical tensions between Iran and Saudi Arabia. That initially saw oil dip lower, before reversing on data that showed US oil inventories fell with WTI oil unchanged at US\$49 a barrel.

The ECB meeting was also fairly quiet with some signs that Draghi appeared a little more confident stating the

“probability mass had shifted upward, though not dramatically”. We think there will be little to come out of the ECB in months ahead with the ECB just starting its expansion of asset purchases into Corporate debt (commences 8 June) and the new Target Long-Term Refinancing Operation – where banks can effectively borrow at zero or below due to start on the 22 June.

Coming up

There is nothing on the domestic calendar and the main game internationally will be US Non-farm Payrolls tonight along with other components of the employment report. In the US we also have the Non-manufacturing ISM and US Fed speakers – non-voter Evans and voters Brainard and Mester. Governor Brainard is the highlight speaking on the “Economic Outlook and Monetary Policy” and she has not given a monetary related speech for some time. Given her international focus her views on the Brexit vote will be closely watched.

For Payrolls tonight, the Atlanta Fed’s Jobs Calculator suggests around 120k payrolls are required to keep the unemployment rate unchanged and the Fed’s Kaplan also stated overnight that around 100-150k payrolls is breakeven. That suggests a payrolls print north of 125k would be enough for the Fed. The market is currently expecting 160k jobs and for the unemployment rate to decline to 4.9% from 5.0%. That pace of growth is a step down from the 200k+ pace recorded over past months with the market incorporating some downside risk due to recent strike action at Verizon. Why? US payrolls are collected for those who are paid in the pay period including the 12th of the month and 35.1k Verizon employees were on strike action during May and hence not being paid.

Other data worth watching today are the Services PMIs that are released for China, Japan and the Eurozone. The Caixin China PMI will be the closet watch, providing an alternative read to the official non-manufacturing PMI which declined to 53.1 in May from 53.5 the previous month. Retail Sales are also released for the Eurozone and the US also has Trade Balance Data for April.

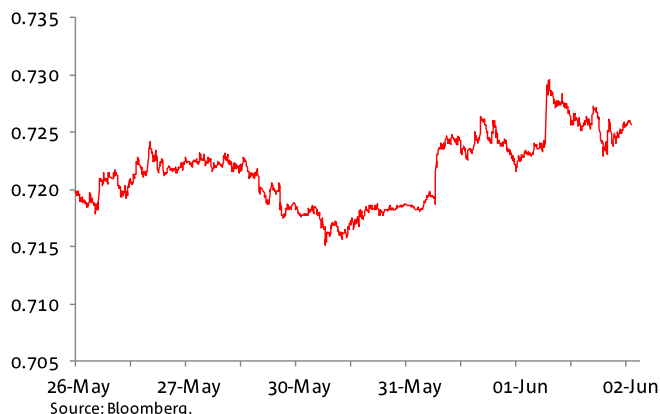
Overnight

On global stock markets, the S&P 500 was +0.18%. Bond markets saw US 10-years -2.95bp to 1.81%. In commodities, Brent crude oil +0.36% to \$49.9, gold -0.1% to \$1,211, iron ore -0.5% to \$48.18. AUD is at 0.7223 and the range since yesterday 5pm Sydney time is 0.7205 to 0.7234.

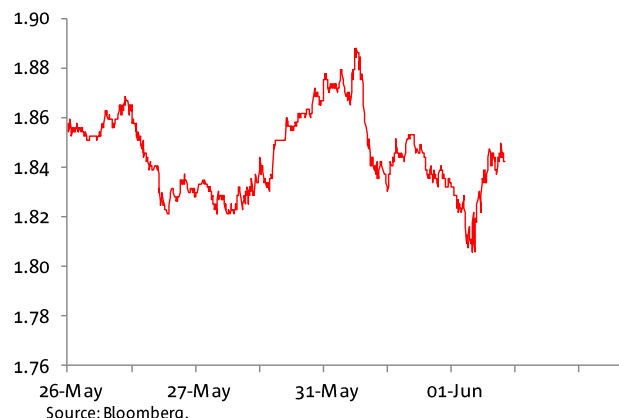
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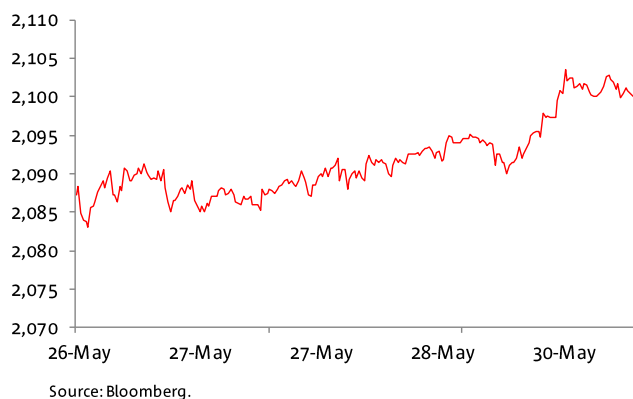
AUD/USD - past week



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	0.7223	-0.5	0.7202	0.7270	HKD	7.7712 0.0
NZD	0.6801	-0.2	0.6780	0.6834	CNY	6.5845 0.1
EUR	1.1152	-0.3	1.1145	1.1220	SGD	1.3761 -0.1
GBP	1.4430	0.1	1.4407	1.4473	IDR	13,643 -0.1
JPY	108.83	-0.6	108.53	109.59	THB	35.62 -0.2
CAD	1.3112	0.3	1.3056	1.3144	KRW	1,187 -0.5
AUD/EUR	0.6477	-0.1	0.6434	0.6495	TWD	32.60 -0.1
AUD/JPY	78.61	-1.1	78.31	79.53	PHP	46.58 -0.1
AUD/GBP	0.5006	-0.6	0.4980	0.5039	CHF	0.99 0.3
AUD/NZD	1.0620	-0.2	1.0588	1.0649	SEK	8.32 0.3
AUD/CNH	4.7587	-0.4	4.7440	4.7880		

Equities

Major Indices	Last	% day	% y/y
Dow	17,814	0.1	-1.1
S&P 500	2,103	0.2	-0.3
Nasdaq	4,964	0.2	-2.2
VIX	14	-3.3	-3.6
FTSE	6,186	-0.1	-10.7
DAX	10,208	0.0	-9.9
CAC 40	4,466	-0.2	-10.8
Nikkei	16,563	-2.3	-19.1
Shanghai	2,925	0.4	-40.4
Hang Seng	20,859	0.5	-24.6
ASX 200	5,279	-0.8	-5.5

Commodities*

	Last	% day
Oil (Brent)	49.90	0.4
Oil (WTI)	49.02	0.0
Oil (Tapis)	50.66	1.9
Gold	1210.50	-0.1
CRB	188.03	0.6
GS Metals	257.8	0.0
Aluminium	1531.3	-1.8
Copper	4614.0	-0.2
Nickel	8434.8	-0.1
Zinc	1979.5	0.6
Ch. steel	1968.0	0.4
Iron ore	48.2	-0.5
Coal	53.6	0.8
Wheat Chic.	496.3	2.3
Sugar	18.1	3.8
Cotton	62.9	-0.5
Coffee	123.0	0.9

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.68	1.04	1.68	USD 10	1.81	-2.95
AUD	1.75	2.00	1.80	2.38	AUD 10	2.27	-2.50 0.46
NZD	2.25	2.43	2.29	2.89	NZD 10	2.63	-0.70 0.82
EUR	0.00	-0.26	-0.16	0.53	CAD 10	1.26	-4.50 -0.55
GBP	0.50	0.59	0.78	1.40	EUR 10	0.11	-2.20 -1.69
JPY	-0.04	-0.03	-0.13	0.07	GBP 10	1.34	-2.90 -0.46
CAD	0.50	0.90	0.95	1.52	JPY 10	-0.10	1.20 -1.91

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	97.99	2.00
3 Yr bond	97.8	-3.00
10 Yr bond	97.77	-5.50
3/10 sprd	0.03	2.50
SPI	5313.0	16.0

CO₂ Emissions - Euros

	Last	% day
Jun-2016	5.96	Clsd
Dec-2016	6.03	1.2
Jun-2017	6.05	0.8

*Change in bps

* 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
Friday, 3 June 2016								
NZ	Crown accounts	Apr					22.00	8.00
NZ	Value of All Buildings SA QoQ	1Q		1		2.5	22.45	8.45
AU	AiG Perf of Services Index	May				49.7	23.30	9.30
JN	Labor Cash Earnings YoY	Apr		0.9		1.4	0.00	10.00
NZ	ANZ Commodity Price	May				-0.8	1.00	11.00
CH	Caixin China PMI Services/Composite	May		/		51.8/50.8	1.45	11.45
JN	Nikkei Japan PMI Services/Composite	May		/		49.3/48.9	2.00	12.00
UK	Fed's Evans Speaks on Economy and Policy in London						7.45	17.45
GE	Markit Germany Services/Composite PMI	May F		55.2/54.7		55.2/54.7	7.55	17.55
EC	Markit Eurozone Services/Composite PMI	May F		53.1/52.9		53.1/52.9	8.00	18.00
UK	Markit/CIPS UK Services/Composite PMI	May		52.5/52.3		52.3/51.9	8.30	18.30
EC	Retail Sales MoM/YoY	Apr		0.4/2.1		-0.5/2.1	9.00	19.00
US	Change in Nonfarm Payrolls/Unemployment rate	May		160/4.9		160.0/5.0	12.30	22.30
US	Average Hourly Earnings MoM/YoY	May		0.2/2.5		0.3/2.5	12.30	22.30
US	Trade Balance	Apr		-41		-40.4	12.30	22.30
CA	Labor Productivity QoQ	1Q		0.4		0.1	12.30	22.30
CA	Int'l Merchandise Trade	Apr		-2.5		-3.4	12.30	22.30
US	Markit US Services/Composite PMI	May F		51.4/		51.2/50.8	13.45	23.45
US	ISM Non-Manf. Composite	May		55.3		55.7	14.00	0.00
US	Factory Orders MoM/YoY	Apr		1.9/		1.1/0.8	14.00	0.00
US	Fed's Brainard Speaks on Economic Outlook and Monetary Policy						16.30	2.30
US	Fed's Mester Speaks at on Macro and Financial Stability						7.00	17.00
Monday, 6 June 2016								
AU	Melbourne Institute Inflation MoM/YoY	May				0.1/1.5	1.00	11.00
AU	ANZ Job Advertisements MoM	May				-0.8	1.30	11.30
GE	Factory Orders MoM/YoY	Apr		-0.5		1.9/1.7	6.00	16.00
us	Fed's Rosengran Gives Keynote at Helsinki Central Banking Conf						6.00	16.00
GE	Markit Germany Construction PMI	May				53.4	7.30	17.30
EC	Sentix Investor Confidence	Jun		7		6.2	8.30	18.30
CA	Bloomberg Nanos Confidence	Jun 3				57.5	14.00	0.00
US	Labor Market Conditions Index Change	May				-0.9	14.00	0.00
US	Fed Chair Yellen to Speak in Philadelphia						16.30	2.30
Tuesday, 7 June 2016								
NZ	ANZ Truckometer Heavy MoM	May				-2.4	22.00	8.00
UK	BRC Sales Like-For-Like YoY	May				-0.9	23.10	9.10
AU	AiG Perf of Construction Index	May				50.8	23.30	9.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jun 5				113.2	23.30	9.30
CH	Foreign Reserves	May		3200		3219.0	2.45	12.45
AU	RBA Cash Rate Target	Jun 7		1.75		1.8	4.30	14.30
JN	Leading Index CI	Apr P		100.6		99.3	5.00	15.00
GE	Industrial Production SA MoM/YoY	Apr		0.6		-1.3/0.3	6.00	16.00
EC	GDP SA QoQ/YoY	1Q F		0.5		0.5/1.5	9.00	19.00
US	Nonfarm Productivity	1Q F		-0.6		-1.0	12.30	22.30
US	Unit Labor Costs	1Q F		3.95		4.1	12.30	22.30
CA	Ivey Purchasing Managers Index SA	May				53.1	14.00	0.00
US	IBD/TIPP Economic Optimism	Jun				0.0	14.00	0.00
US	Consumer Credit	Apr		18		29.7	19.00	5.00
Wednesday, 8 June 2016								
NZ	Mfg Activity SA QoQ	1Q				-1.9	22.45	8.45
JN	BoP Current Account Adjusted	Apr		1988.9		1893.6	23.50	9.50
JN	GDP SA QoQ	1Q F		0.5		0.4	23.50	9.50
JN	GDP Annualized SA QoQ	1Q F		2		1.7	23.50	9.50
AU	Home Loans MoM	Apr		2.8		-0.9	1.30	11.30
AU	Investment Lending	Apr				1.5	1.30	11.30
CH	Trade Balance	May		54.7		45.6	2.00	12.00
CH	Exports/Imports YoY	May		-4.6		-1.8/-10.9	2.00	12.00
CH	Foreign Direct Investment YoY CNY	May		5		6.0	8-12 June release	
JN	Bankruptcies YoY	May				-7.1	4.30	14.30
UK	Industrial Production MoM/YoY	Apr		0.1		0.3/-0.2	8.30	18.30
CA	Housing Starts	May				191.5	12.15	22.15
CA	Building Permits MoM	Apr				-7.0	12.30	22.30
UK	NIESR GDP Estimate	May				0.3	14.00	0.00
US	JOLTS Job Openings	Apr				5757.0	14.00	0.00
Upcoming Central Bank Interest Rate Announcements								
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%		
Canada, BoC		14-Jul				0.50%		

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

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