

7 June 2016

Markets Today



Walking away

In a cautiously optimistic speech, Fed Chair Yellen said that she still sees the need for a gradual policy tightening, but walked away from her previous timing guidance that a rate increase would be appropriate over coming months. Yellen acknowledged the softness of the May report, but also noted that 'one should never attach too much significance to any single monthly report', adding that "I see good reasons to expect that the positive forces supporting employment growth and higher inflation will continue to outweigh the negative ones".

Yellen speech did not elicit a big market reaction, but helped settle the mood following the big moves seen post payrolls on Friday. US equities ended day up between 0.5% and 0.65% with energy stocks leading the way on the back of gains in oil prices. Brent climbed +1.5% and WTI rose by 1.8% boosted by reports of a fall in Nigeria's production with rebel groups threatening further disruption.

In currencies the USD had a mixed night with the smart trade over the past 24hrs being long CAD/JPY, up a cool 1.78%. CAD benefited the most from the moves in oil prices, gaining 0.95% against the USD while JPY fell back (-0.83%) as stocks rallied. The AUD is little changed at 0.7368 and the NZD is a bit lower at 0.6929, down 0.42%. GBP had another volatile session with the latest ICM poll showing 48% of Britons would vote to leave vs 43% to stay. Cable fell to an overnight low of 1.4365, but it recovered some ground pre Yellen to finish the day at 1.4455.

Core global yields unwound some of their post payrolls gains. In Europe, 10y Bunds climbed 1.8bps to 0.08% while 10y Gilts edged 0.5bps higher to 1.278%. The US treasury curve bear steepened with 10Y UST climbing 3bps to 1.738% while 2y UST climbed 1.9bps to 0.793%

Looking at other commodities, gold is unchanged at \$1244.2, iron ore ended climbed 2.1% to \$51.1 and the CRB index is up 1.4%.

As for data releases, unsurprisingly the Fed's labor market conditions index fell by 4.8% in May and April was revised to -3.4% from -0.9%.

Fed Lockhart and Rosengren were also on the wires ahead of Yellen and their comments were fairly similar. Lockhart noted that the May's job report and Brexit justify patience. He also said that growth remains moderate and we need to see how the data looks after Brexit. In a similar vein, Fed Rosengren noted that how quickly the Fed hikes depends partly on whether last week's dismal non-farm payrolls report was an 'anomaly'. Rosengrenn (dove voter) still

expects enough growth to justify gradual hikes.

Coming Up

It's all about the RBA Board meeting today, not so much about the outcome that looks to be less up in the air as a highly likely "no change", but all about the words in Glenn Stevens 3rd last Media Release on behalf of the Board.

Given the stronger than expected AU GDP print from last week and signs that the housing markets have not lost too much of their mojo since the May rate cut, we think the Bank is in no rush to ease again. In fact, on the bias, we would be surprised if the Bank deviated too much from the final paragraph of the May statement: "The Board will continue to assess the outlook and adjust policy as needed to foster sustainable growth in demand and inflation outcomes consistent with the inflation target over time."

This may well be supplemented by the addition of the question the Board has been considering for many meetings now in this low rate environment: whether prospects for sustainable growth in the economy and inflation returning to target over time would be improved by further easing of monetary policy.

As far as the exchange rate is concerned, and the potential for it to complicate either the transition of the economy and/or the inflation outlook, the AUD/USD is still about 4½% lower than the pre-May RBA Board level or 2¾% on a trade-weighted basis. It's still something to have on the watch list but no increased anxiety or downside risk to growth and inflation at this point.

Before the RBA, we also have NZ wholesale trade (8.45 AEST) and then at 9.30 the AU AiG PCI Construction index (L: 50.8) and weekly ANZ-Roy Morgan consumer confidence (L: 113.2; -2.2%). China prints its may foreign reserves and in the northern hemisphere, Germany prints its April industrial production, the EZ gets its revised Q1 GDP number and on the other side of the Atlantic the US releases final Q1 readings of unit labour costs and productivity along with April consumer credit. Lastly the IVEY Manufacturing PMI (May) is due out in Canada.

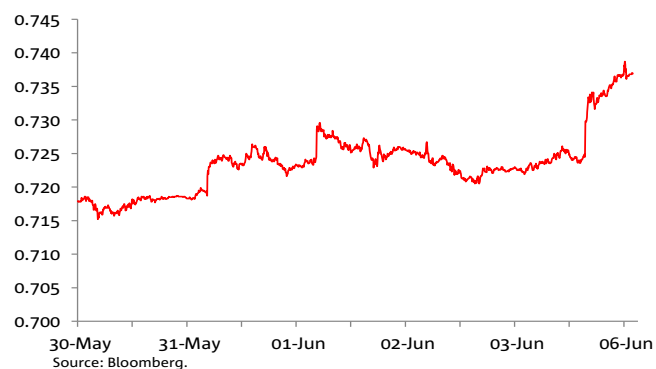
Overnight

On global stock markets, the S&P 500 was +0.49%. Bond markets saw US 10-years +3.63bp to 1.74%. In commodities, Brent crude oil +1.36% to \$50.52, gold+0.0% to \$1,245, iron ore +2.1% to \$51.11. AUD is at 0.7366 and the range since yesterday 5pm Sydney time is 0.7335 to 0.7379.

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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	0.7366	0.0	0.7315	0.7391	HKD	7.7676 0.0
NZD	0.6924	-0.5	0.6905	0.6965	CNY	6.5637 0.2
EUR	1.1357	-0.1	1.1326	1.1393	SGD	1.3558 -0.1
GBP	1.4446	-0.5	1.4353	1.4529	IDR	13,370 -1.7
JPY	107.57	1.0	106.38	107.66	THB	35.26 -0.3
CAD	1.2824	-0.9	1.2804	1.2983	KRW	1,167 -1.4
AUD/EUR	0.6486	0.1	0.6446	0.6514	TWD	32.33 -0.8
AUD/JPY	79.24	1.0	78.04	79.36	PHP	46.25 -0.6
AUD/GBP	0.5099	0.5	0.5073	0.5119	CHF	0.97 -0.5
AUD/NZD	1.0639	0.5	1.0564	1.0645	SEK	8.13 -0.2
AUD/CNH	4.8370	0.8	4.7977	4.8461		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spnd
USD	0.50	0.68	0.94	1.62	USD 10	1.74	3.63
AUD	1.75	1.99	1.79	2.34	AUD 10	2.16	-7.50 0.42
NZD	2.25	2.39	2.26	2.83	NZD 10	2.62	-0.40 0.89
EUR	0.00	-0.26	-0.17	0.51	CAD 10	1.24	6.10 -0.50
GBP	0.50	0.59	0.72	1.33	EUR 10	0.09	1.80 -1.65
JPY	-0.04	-0.03	-0.14	0.03	GBP 10	1.28	0.40 -0.46
CAD	0.50	0.89	0.92	1.49	JPY 10	-0.11	-1.50 -1.85

Equities

Major Indices

	Last	% day	% y/y
Dow	17,920	0.6	0.4
S&P 500	2,109	0.5	0.8
Nasdaq	4,969	0.5	-2.0
VIX	14	1.3	-3.9
FTSE	6,273	1.0	-7.8
DAX	10,121	0.2	-9.6
CAC 40	4,423	0.0	-10.1
Nikkei	16,580	-0.4	-19.0
Shanghai	2,934	-0.2	-41.6
Hang Seng	21,030	0.4	-22.9
ASX 200	5,360	0.8	-2.5

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.01	-2.00
3 Yr bond	97.8	-3.00
10 Yr bond	97.85	-8.50
3/10 sprd	-0.05	5.50
SPI	5378.0	-56.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	50.52	1.4
Oil (WTI)	49.71	1.7
Oil (Tapis)	50.91	0.3
Gold	1244.90	0.0
CRB	191.27	1.4
GS Metals	259.9	0.5
Aluminium	1549.0	0.2
Copper	4734.5	0.9
Nickel	8626.5	2.0
Zinc	2028.0	1.7
Ch. steel	2090.0	5.1
Iron ore	51.1	2.1
Coal	54.7	1.2
Wheat Chic.	517.0	2.3
Sugar	18.7	-0.2
Cotton	65.4	2.5
Coffee	131.7	3.6

CO₂ Emissions - Euros

	Last	% day
Jun-2016	5.96	Clsd
Dec-2016	6.20	4.6
Jun-2017	6.23	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
Tuesday, 7 June 2016								
NZ	ANZ Truckometer Heavy MoM	May				-2.4	22.00	8.00
NZ	Wholesale trade QoQ	Q1	1.0			-0.2	22.45	8.45
UK	BRC Sales Like-For-Like YoY	May		0.25		-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	1.75		1.75	4.30	14.30
JN	Leading Index CI	Apr P		100.7		99.3	5.00	15.00
GE	Industrial Production SA MoM/YoY	Apr		0.7		-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		4		4.1	12.30	22.30
CA	Ivey Purchasing Managers Index SA	May		52		53.1	14.00	0.00
US	IBD/TIPP Economic Optimism	Jun		48.4		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		2013.7		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		1.9		1.7	23.50	9.50
AU	Home Loans MoM	Apr	2.6	2.5		-0.9	1.30	11.30
AU	Investment Lending	Apr				1.5	1.30	11.30
CH	Trade Balance	May		55.6		45.6	2.00	12.00
CH	Exports/Imports YoY	May		-4.2		-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		0.3/-0.2	8.30	18.30
CA	Housing Starts	May		190		191.5	12.15	22.15
CA	Building Permits MoM	Apr		2.3		-7.0	12.30	22.30
UK	NIESR GDP Estimate	May				0.3	14.00	0.00
US	JOLTS Job Openings	Apr		5650		5757.0	14.00	0.00
Thursday, 9 June 2016								
NZ	RBNZ Official Cash Rate	Jun 9	2.25	2		2.25	21.00	7.00
NZ	RBNZ News Conference on MPS						23.00	9.00
UK	RICS House Price Balance	May		35		41.0	23.10	9.10
JN	Machine Orders MoM/YoY	Apr		-3		5.5/3.2	23.50	9.50
NZ	RBNZ Testifies to Parliament's Finance and Expenditure Committee						1.10	11.10
CH	CPI/PPI YoY	May		2.3		2.3/-3.4	1.30	11.30
JN	Machine Tool Orders YoY	May P				-26.3	6.00	16.00
GE	Current Account Balance	Apr		21		30.4	6.00	16.00
GE	Labor Costs SA QoQ/YoY	1Q				0.5/2.1	6.00	16.00
EC	ECB's Draghi Speaks at Economic Forum in Brussels						7.00	17.00
UK	Trade Balance	Apr		-3700		-3830.0	8.30	18.30
EC	ECB's Villeroy, ESM's Regling on Panel at Brussels Forum						8.30	18.30
US	Initial Jobless Claims	Jun 4		270		267.0	12.30	22.30
CA	New Housing Price Index MoM	Apr		0.2		0.2	12.30	22.30
CA	Capacity Utilization Rate	1Q		81.3		81.1	12.30	22.30
CA	New Housing Price Index YoY	Apr		2.1		2.0	12.30	22.30
US	Bloomberg Consumer Comfort	Jun 5				43.2	13.45	23.45
US	Wholesale Inventories/Sales MoM	Apr		0.1		0.1/0.7	14.00	0.00
US	Household Change in Net Worth	1Q				1637.0	16.00	2.00
Friday, 10 June 2016								
NZ	Card Spending Retail/Total MoM	May	../-0.4	0.5		0.9/1.5	22.45	8.45
JN	PPI MoM/YoY	May		0.1		-0.3/-4.2	23.50	9.50
JN	Tertiary Industry Index MoM	Apr		0.6		-0.7	4.30	14.30
CH	Aggregate Financing CNY	May		950		751.0	release 10-15 June	
CH	New Yuan Loans CNY	May		750		555.6	release 10-15 June	
GE	CPI EU Harmonized MoM/YoY	May F		0.4/0		0.4/0.0	6.00	16.00
UK	Construction Output SA MoM	Apr		1.2		-3.6	8.30	18.30
UK	BoE/TNS Inflation Next 12 Mths	May				#N/A N/A	8.30	18.30
CA	Net Change in Employment	May		5		-2.1	12.30	22.30
CA	Unemployment Rate	May		7.1		7.1	12.30	22.30
CA	Participation Rate	May				65.8	12.30	22.30
NZ	REINZ House Sales YoY	May				18.4		
US	U. of Mich. Sentiment/5-10 yr inflation expectations	Jun P		94/		94.7/2.5	14.00	0.00
US	Monthly Budget Statement	May		-56		106.5	18.00	4.00
Sunday, 12 June 2016								
CH	Industrial Production YoY	May		6		6.0	5.30	15.30
CH	Industrial Production YTD YoY	May		5.9		5.8	5.30	15.30
CH	Retail Sales YoY	May		10.1		10.1	5.30	15.30
CH	Retail Sales YTD YoY	May		10.2		10.3	5.30	15.30
CH	Fixed Assets Ex Rural YTD YoY	May		10.5		10.5	5.30	15.30
Upcoming Central Bank Interest Rate Announcements								
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%				
Canada, BoC		14-Jul				0.50%		
Europe ECB		21-Jul				0.00%		

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

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