9 June 2016

Markets Today

National Australia Bank

Rebellion

As central banks in this part of world (first the RBA and now the RBNZ) resist the pressure for still lower rates in part on evidence that their respective housing markets are in such rude health that further easing risks usurping the success of macro-prudential to date to keep prices rises in check, we are now seeing signs in other parts of the world of rebellion by private sector banks aimed at circumventing the deleterious effects of negative central bank policy rates and government bond yields .

Yesterday in Japan, BTMUFJ indicated it was minded to withdraw from being a Primary Dealer in JGBs. Though not yet confirmed, this would represent a protest against the inability to profit from taking JGBs on to their balance sheet at negative yields at the same time as having to pay the BoJ for the privilege of depositing excess reserves with them. In Germany meanwhile, Commerzbank has revealed that it is considering acquiring a stash of safe deposit boxes with the intention of holding a portion of its excess reserves in bank notes rather than negative yielding deposits with the Bundesbank. Stay long security firms.

Overnight markets haven't brought a whole lot of volatility. US Treasuries have spent most of the night within 2 basis point ranges (2s between 0.77 and 0.79% and 10s between 1.6950 and 1.7150%). US equities continued to draw comfort from the view the Fed is probably on hold at least until September, but if we remember price action in the run-up to last week's employment report, we could also argue that US risk markets were in any event travelling without much fear of a July tightening given the apparent strength of the US economy.

In currencies, the US dollar is softer for the fourth day running, off just under 0.5% and now some 2.75% below its pre-payrolls highs in broad index terms. This in turn has helped further support commodity prices - be it oil, metals or agriculture. Brent has added another $1.27 to $52.71 (highest since early November 2015) and WTI $1.21 to $51.27. Iron ore (up just 2 cents) hasn't fared as well as traded metals (LMEX +1.4%) while gold is up a further $19 to $1263 – its best levels for three weeks.

Individually against the US dollar and front of the RBNZ, the Swiss France was faring best (+0.65%) and the British Pound the worse (-0.28%). Given a stellar UK industrial production report (+2.0% m/m against unchanged expected) this is further testament to the dominance of Brexit concerns driving sentiment and flows. USD dollar slippage, meanwhile, has come despite fairly strong JOLTS (job opening report) up to 5.788mn from a downward revised 5.67mn in April. Some note was taken of a slightly lower 'quit-rate' (one of Janet Yellen's favourite labour stats).

Yesterday the AUD received a small boost, to back above 0.7450, after China's May trade data recorded a slightly smaller than expected surplus of $50bn, but led by a bigger than expected improvement in imports (the annual decline in imports in US$ terms reducing to -0.4% from -10.9%). The trade surplus, read in conjunction with latest FX reserves data, suggests ongoing capital outflows of perhaps $50bn a month and implies ongoing downward pressure on the CNY that is being partly resisted by the PBoC. For now though, with the post-US payrolls softening in the dollar taking upward pressure off USD/CNY, there is limited downside risk on AUD/USD from upward pressure on USD/Asia. Indeed, a return to a 0.75 handle is now a serious risk, post RBNZ.

The RBNZ has as generally expected maintain its OCR at 2.25%, but with electrifying impact on the NZD which now trades back above 0.71 cents for the first time in almost exactly a year (11 June 2015). Auckland house prices trends rate an explicit mention in the statement as does the exchange rate ("higher than appropriate") and though the RBNZ continues to indicate that further policy easing may be required, this does little to check the post-announcement jump in all thinks kiwi.

Coming Up

Post RBNZ, there's nothing much to look forward to today. China CPI/PPI are the only releases of note during the APAC session but shouldn't be a market mover (market consensus is for annual CPI inflation to drop to 2.2% from 2.3%, and producer prices to lift to -3.2% from -3.4%).

Tonight, ECB president Draghi is due to speak at an economic forum in Brussels, while the main US data point of note is weekly initial unemployment claims. This takes on a little more importance in light of last week's US payrolls shocker and given that the trend in jobless claims remains consistent with an ongoing decline in unemployment rate.

Overnight

On global stock markets, the S&P 500 was +0.33%. Bond markets saw US 10-years -1.55bp to 1.70%. In commodities, Brent crude oil +2.51% to $52.73, gold+1.2% to $1,260, iron ore +0.0% to $52.56. AUD is at 0.7493 and the range since yesterday 5pm Sydney time is 0.7438 to 0.7493.

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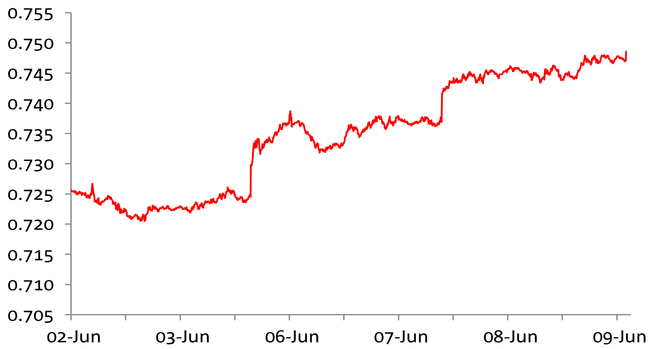
Markets

AUD/USD - past week

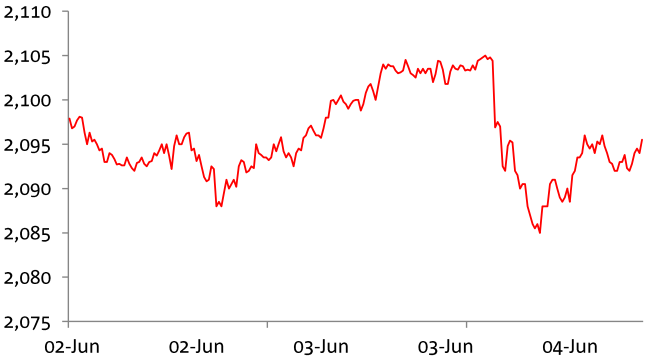


Source: Bloomberg.

US 10 yr - past week

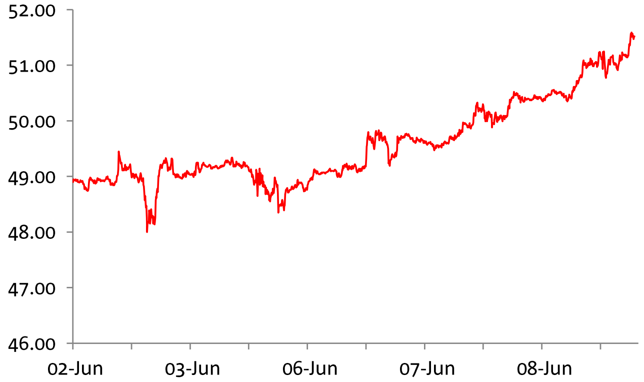
Source: Bloomberg.

S&P Futures - past week



Source: Bloomberg.

WTI - past week



Source: Bloomberg.

Foreign Exchange

	Last	% chge	Indicative 24hr ranges (**) Low	High
AUD	0.7493	0.5	0.7471	0.7499
NZD	0.7099	1.7	0.7009	0.7115
EUR	1.1393	0.3	1.1392	1.1398
GBP	1.4510	-0.2	1.4504	1.4511
JPY	106.99	-0.4	106.93	107.09
CAD	1.2692	-0.3	1.2692	1.2696
AUD/EUR	0.6577	0.1	0.6560	0.6580
AUD/JPY	80.16	0.1	79.93	80.30
AUD/GBP	0.5164	0.7	0.5153	0.5170
AUD/NZD	1.0556	-1.2	1.0534	1.0662
AUD/CNH	4.9032	0.1	4.9048	4.9163

Other FX	Last	% chge
HKD	7.7601	-0.1
CNY	6.5624	-0.1
SGD	1.3469	-0.3
IDR	13,269	0.0
THB	35.12	-0.3
KRW	1,157	-0.5
TWD	32.16	-0.3
PHP	46.01	-0.2
CHF	0.96	-0.6
SEK	8.11	-0.2

Equities

Major Indices	Last	% day	% y/y
Dow	18,005	0.4	1.3
S&P 500	2,119	0.3	1.9
Nasdaq	4,975	0.3	-0.9
VIX	14	0.2	-7.9
FTSE	6,302	0.3	-7.2
DAX	10,217	-0.7	-7.7
CAC 40	4,449	-0.6	-8.4
Nikkei	16,831	0.9	-16.2
Shanghai	2,927	-0.3	-42.8
Hang Seng	21,298	-0.1	-21.1
ASX 200	5,370	0.0	-1.9

Commodities*

	Last	% day
Oil (Brent)	52.73	2.5
Oil (WTI)	51.52	2.3
Oil (Tapis)	51.89	2.1
Gold	1259.80	1.2
CRB	195.82	1.8
GS Metals	261.4	1.7
Aluminium	1596.8	2.6
Copper	4570.3	0.1
Nickel	8920.8	4.4
Zinc	2057.5	3.0
Ch. steel	2080.0	0.3
Iron ore	52.6	0.0
Coal	53.4	-1.4
Wheat Chic.	530.5	2.2
Sugar	19.6	3.2
Cotton	65.8	-0.1
Coffee	139.7	5.6

CO_2 Emissions - Euros

	Last	% day
Jun-2016	6.31	Clsd
Dec-2016	6.10	-0.2
Jun-2017	6.13	-0.2

* clsd = market holiday

Interest Rates

Indicative Swap Rates	Cash	3mth	2Yr	10Yr
USD	0.50	0.66	0.91	1.57
AUD	1.75	2.02	1.83	2.34
NZD	2.25	2.37	2.30	2.88
EUR	0.00	-0.26	-0.16	0.50
GBP	0.50	0.58	0.73	1.31
JPY	-0.04	-0.03	-0.12	0.03
CAD	0.50	0.89	0.90	1.44

Benchmark 10 Year Bonds	Last	chge	Sprd
USD 10	1.70	-1.55	
AUD 10	2.15	-4.10	0.45
NZD 10	2.62	3.00	0.92
CAD 10	1.20	-2.00	-0.50
EUR 10	0.06	0.50	-1.65
GBP 10	1.25	-1.40	-0.45
JPY 10	-0.10	1.80	-1.80

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	97.96	5.00
3 Yr bond	97.8	-3.00
10 Yr bond	97.85	-0.30
3/10 sprd	-0.05	-2.70
SPI	5381.0	-3.0

*Change in bps

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
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		55.7		45.6	2.00	12.00
CH	Exports/Imports YoY	May		-4		-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		189		191.5	12.15	22.15
CA	Building Permits MoM	Apr		1.5		-7.0	12.30	22.30
UK	NIESR GDP Estimate	May				0.3	14.00	0.00
US	JOLTS Job Openings	Apr		5675		5757.0	14.00	0.00
Thursday, 9 June 2016								
NZ	RBNZ Official Cash Rate	Jun 9	2.25	2.25		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		2.2		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		1000		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		1.4		-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		1.75		-2.1	12.30	22.30
CA	Unemployment Rate	May		7.2		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		10.4		10.5	5.30	15.30
Monday, 13 June 2016								
NZ	REINZ House Sales YoY	May				18.4	10-15 June release	
CH	Aggregate Financing CNY	May		1000		751.0	10-15 June release	
CH	New Yuan Loans CNY	May		750		555.6	10-15 June release	
JN	BSI Large All Industry QoQ	2Q				-3.2	23.50	9.50
JN	BSI Large Manufacturing QoQ	2Q				-7.9	23.50	9.50
CA	Bloomberg Nanos Confidence	Jun 10				57.8	14.00	0.00
Tuesday, 14 June 2016								
NZ	Food Prices MoM	May				0.3	22.45	8.45
AU	Consumer Inflation Expectation	Jun				3.2	1.00	11.00
AU	NAB Business Conditions/Confidence	May				9.0/5.0	1.30	11.30
JN	Industrial Production MoM/YoY	Apr F		/		0.3/-3.5	4.30	14.30
UK	CPI MoM/YoY	May		/		0.1/0.3	8.30	18.30
UK	CPI Core YoY	May				1.2	8.30	18.30
UK	PPI Output Core NSA MoM/YoY	May		/		0.2/0.5	8.30	18.30
UK	ONS House Price YoY	Apr				9.0	8.30	18.30
EC	Industrial Production SA MoM/YoY	Apr		/		-0.8/0.2	9.00	19.00
EC	Employment QoQ/YoY	1Q				0.3/1.2	9.00	19.00
US	NFIB Small Business Optimism	May		93.6		93.6	10.00	20.00
US	Import Price Index MoM/YoY	May		0.9/		0.3/-5.7	12.30	22.30
US	Retail Sales Advance/Control Group MoM	May		0.3/0.3		1.3/0.9	12.30	22.30
CA	Teranet/National Bank HPI MoM/YoY	May		/		1.2/8.1	12.30	22.30
US	Business Inventories	Apr		0.2		0.4	14.00	0.00

Upcoming Central Bank Interest Rate Announcements

New Zealand, RBNZ	11-Aug	2.00%	n/a	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%
Australia, RBA	5-Jul	1.75%	1.75%	1.75%
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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