MARKETS TODAY

Little Red Rooster

National Australia Bank

Good Morning

A glance at Friday's New York opening and closing levels for major FX rates tells us that the latest flurry of US data, including a slightly softer than expected Q4 GDP print and downside miss on headline durable goods orders, came and went without much fanfare. US yields dropped on the 1.9% headline GDP print while currencies and stocks did very little.

In the Trumposphere, the US president signed an executive order making major changes to America's policies on refugees and immigration. He suspended the US refugee program for 120 days, banned all immigrants from seven Muslim countries for 90 days and ordered his administration to develop "extreme vetting" measures for immigrants from those countries to keep "radical Islamic terrorists" out of America. This is bound to reverberate with risk of tit-for-tat responses (e.g. a ban on US citizens travelling to those countries most affected?). Short term market impact, if any, is not obvious though these actions do have the potential to undermine global risk sentiment.

Under the hood, the detail of the U.S. GDP report were more positive than the headline, with a big subtraction from growth from net exports (-1.7%) and where a reversal of the Q3 surge in soybean exports was largely to blame. Consumer spending at 2.5% was in line with expectations and business was also a reasonably healthy +2.4%.

Ditto for durable goods orders where the core measures (ex-transport and ex-defence ex-aircraft) at 0.5% and 0.8% were both better than the -0.4% headline print.

The S&P500 finished 0.09% lower at 2,296.68 (+1% on the week) and the Dow -0.04% at 20,093.78 (+1.3% on the week). Some note should be made of the VIX, which fell just 0.05 to 10.58 but is a point lower on the week and to its lowest since July 3rd 2014. The FT's John Authers' Friday night note (wittily titled VIX VapoRub) highlighted research showing the cyclical low in the VIX tends to lead cyclical downturns in US stocks by a couple of months. He suggests it may be time to buy the VIX, but not (just yet) to sell US stocks.

In bonds, US Treasury yields were modestly lower in a slight bull flattening move. 2s -0.6bp to 1.22% (+2.9bps on the week); 5s -1.9bps to 1.947% (+1.0bp on the week) and 10s -2.0bps to 2.485% (+1.7bps on the week).

In G10 FX, USD/JPY was the biggest mover, +0.5% to Y115.10, most likely reflecting catch-up to the rise in US Treasury yields earlier in the week and buoyant risk sentiment, rather than responding to Friday's post-US GDP dip. The BBDXY index finished just -0.01% lower to be 0.6% down on the week; DXY +0.15% to 100.53 and -0.21% lower on the week. EUR/USD +0.16% to 1.0699; AUD/USD ended NY +0.21% to 0.7551 and compared to a week-ago close of 0.7555. It's a touch higher at the re-open.

In commodities, gold and oil were down smalls; gold -$1.40 to $1188.4, Brent crude -$0.70 to $55.52 and WTI -$0.60 to 53.17. LME index +0.2%+1.45%. Iron ore (China import price) didn't trade due to the start of the Lunar New Year holiday, neither did coking coal. Steaming coal lost $0.95 to $83.50.

Coming Up

China is out Monday through Thursday and Hong Kong Monday and Tuesday, welcoming in the year of the rooster and which will make for a relatively subdued APAC market this week. This won't stop the release of the official China manufacturing and non-manufacturing PMIs on Wednesday and the Caixin manufacturing version on Friday.

It's U.S. non-farm payroll week and which comes on the heels of the FOMC's first meeting of the year and while not a press conference/fresh forecasts affair, will be parsed for any hints that the next Fed move could come as early as the next meeting (March 15). If so, this would be despite the fact that there is as yet little flesh on the bones of Trump administration trade or fiscal policy for the FOMC to be any more informed about the potential implications for the economy than was the case when they met in mid-December.

The BoJ also meets this week, on Tuesday, and can confidently be expected to hold policy where it is.

The current consensus on U.S. payrolls is for a 168k gain with the unemployment rate steady at 4.7% and annual average hourly earnings growth ticking down to 2.8% from 2.9%. We also get the ISM surveys for manufacturing (Wednesday) and services (Friday).

In this part of the world, we get the NAB business survey (for December) on Tuesday and trade figures and building approvals on Thursday. Trade numbers could print a record surplus – NAB has $3.05bn – driven by the surge in coal and iron prices and too a probable rise in LNG volumes.

New Zealand has trade and retail sales data on Monday (Auckland is closed for the Anniversary holiday) and the key release of the week, Q4 employment data, on Wednesday.

Overnight

On global stock markets, the S&P 500 was -0.09%. Bond markets saw US 10-years -2.00bp to 2.48%. In commodities, Brent crude oil -1.28% to $55.52, gold-0.1% to $1,188, iron ore +0.0% to $83.34, steam coal -1.1% to $83.75, met.coal +0.0% to $185.25. AUD is at 0.756 and the range since Friday 5pm Sydney time is 0.7512 to 0.7573.

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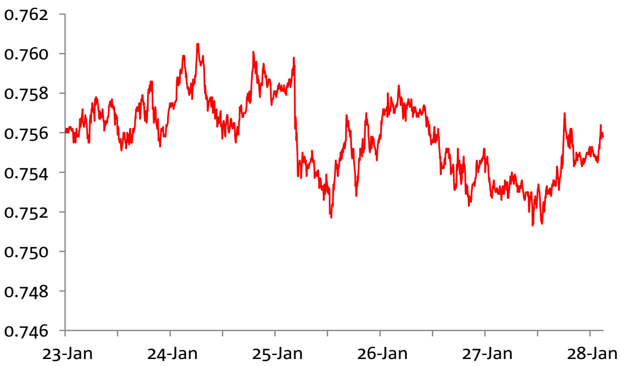
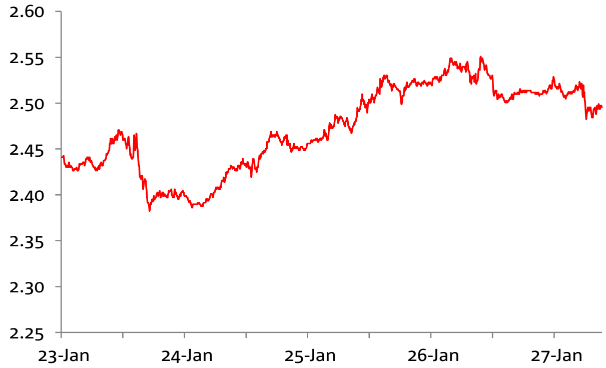
Markets

AUD/USD - past week



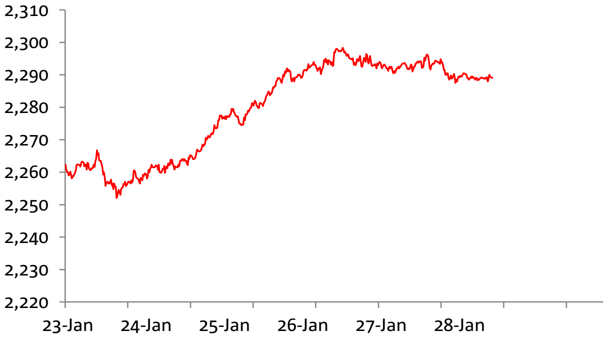
Source: Bloomberg.

US 10yr - past week



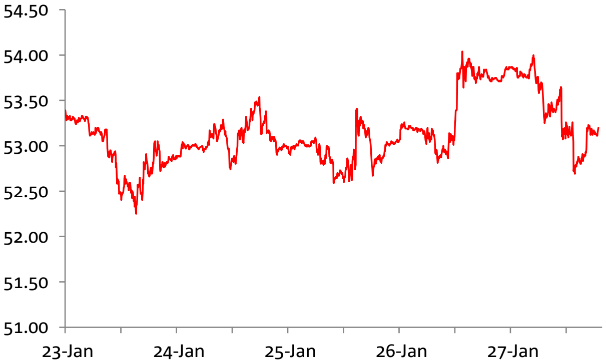
Source: Bloomberg.

S&P Future - past week



Source: Bloomberg.

WTI - past week



Source: Bloomberg.

Foreign Exchange

			Indicative 24hr ranges (**)		Other FX		
	Last	% chge	Low	High		Last	% chge
AUD	0.7560	0.3	0.7512	0.7573	HKD	7.7590	0.0
NZD	0.7273	0.4	0.7232	0.7285	CNY	6.8840	0.0
EUR	1.0713	0.3	1.0658	1.0725	SGD	1.4315	0.4
GBP	1.2568	-0.2	1.2517	1.2606	IDR	13,360	0.2
JPY	114.76	0.2	114.39	115.38	THB	35.27	-0.2
CAD	1.3136	0.4	1.3087	1.3154	KRW	1,171	1.0
AUD/EUR	0.7056	0.0	0.7030	0.7080	TWD	31.53	0.6
AUD/JPY	86.74	0.5	86.16	87.09	PHP	49.84	0.2
AUD/GBP	0.6016	0.6	0.5975	0.6029	CHF	1.00	0.0
AUD/NZD	1.0394	0.0	1.0369	1.0410	SEK	8.83	-0.1
AUD/CNH	5.2037	0.3	5.1538	5.1948			

Equities

Major Indices	Last	% day	% y/y
Dow	20,094	-0.04	22.0
S&P 500	2,295	-0.09	18.3
Nasdaq	5,661	0.10	22.7
VIX	11	-0.47	-47.6
FTSE	7,184	0.3	18.1
DAX	11,814	-0.3	20.6
CAC 40	4,840	-0.6	9.6
Nikkei	19,467	0.3	11.1
Shanghai	3,159	0.0	15.5
Hang Seng	23,361	-0.1	18.7
ASX 200	5,714	0.7	14.2

Commodities*

	Last	% day
Oil (Brent)	55.52	-1.3
Oil (WTI)	53.17	-1.1
Oil (Tapis)	57.60	1.6
Gold	1188.40	-0.1
CRB	193.43	-0.4
GS Metals	320.7	0.1
Aluminium	1805.3	-0.2
Copper	5887.5	0.7
Nickel	9430.0	0.7
Zinc	2741.5	-0.5
Ch. steel	3339.0	0.0
Iron ore	83.3	0.0
St. Coal	83.8	-1.1
Met.coal	185.3	0.0
Wheat Chic.	434.5	-1.4
Sugar	20.3	-0.1
Cotton	74.9	0.9
Coffee	152.4	0.6

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	0.75	1.04	1.51	2.40	USD 10	2.48	-2.00	
AUD	1.50	1.77	1.93	3.02	AUD 10	2.78	4.90	0.29
NZD	1.75	1.98	2.47	3.61	NZD 10	3.41	5.50	0.93
EUR	0.00	-0.33	-0.14	0.82	CAD 10	1.78	-3.80	-0.70
GBP	0.25	0.36	0.71	1.47	EUR 10	0.46	-2.20	-2.02
JPY	-0.06	-0.03	0.04	0.25	GBP 10	1.47	-4.40	-1.01
CAD	0.50	0.96	1.12	1.99	JPY 10	0.08	-0.70	-2.40

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.22	0.00
3 Yr bond	97.8	0.00
10 Yr bond	97.20	-0.50
3/10 sprd	0.60	0.50
SPI	5650.0	1.0

*Change in bps

CO_2 Emissions - Euros

	Last	% day
Dec-2016	#N/A N/A	Clsd
Jun-2017	4.93	-4.6

* 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	AEDT
Monday, 30 January 2017								
NZ	*Holiday (partial) – Auckland Anniversary*							
NZ	Trade Balance/12m NZD	Dec	+180	-97.5/-3200		-705/-3175	22.45	8.45
JN	Retail Sales MoM/YoY	Dec		-0.5/1.7		0.2/1.7	0.50	10.50
NZ	New Residential Lending YoY	Dec				-1.0	3.00	13.00
AU	RBA Deputy Governor Debelle gives Opening Remarks at CLS FX Industry Reception						8.45	18.45
EC	Business Climate Indicator	Jan		0.83		0.8	12.45	22.45
US	Personal Income/Spending	Dec		0.4/0.5		0.0/0.2	14.30	0.30
US	PCE Deflator MoM/YoY	Dec		0.3/1.8		0.0/1.4	14.30	0.30
US	PCE Core MoM/YoY	Dec		0.1/1.7		0.0/1.6	14.30	0.30
US	Pending Home Sales MoM/YoY	Dec		1.5/		-2.5/1.4	16.00	2.00
US	Dallas Fed Manf. Activity	Jan		15.5		15.5	16.30	2.30
Tuesday, 31 January 2017								
NZ	Net Migration SA	Dec				6220	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jan 29				117.0	23.30	9.30
JN	Jobless Rate/Job-To-Applicant Ratio	Dec		3.1/1.42		3.1/1.4	0.30	10.30
JN	Overall Household Spending YoY	Dec		-1		-1.5	0.30	10.30
JN	Industrial Production MoM/YoY	Dec P		0.3/3		1.5/4.6	0.50	10.50
UK	GfK Consumer Confidence	Jan		-8		-7.0	1.10	11.10
UK	Lloyds Business Barometer	Jan		/		39.0/5.0	1.10	11.10
AU	NAB Business Conditions/Confidence	Dec				5.0/5.0	1.30	11.30
AU	Private Sector Credit MoM/YoY	Dec	0.5/5.7	0.5/5.4		0.5/5.4	1.30	11.30
NZ	Credit Aggregates, household YoY	Dec				8.6	3.00	13.00
JN	BOJ Policy Rate	Jan 31				-0.1		
JN	Small Business Confidence	Jan				48.8	6.00	16.00
UK	Mortgage Approvals	Dec		67.9		67.5	10.30	20.30
EC	Unemployment rate	Dec		9.8		9.8	11.00	21.00
EC	GDP QoQ/YoY	4Q A		0.4/1.7		0.3/1.7	11.00	21.00
EC	CPI/CPI Core YoY	4Q A		1.7/1.5		1.7/1.1	11.00	21.00
EC	Employment Cost Index QoQ/YoY	Jan A		0.9/0.6		0.9/0.6	11.00	21.00
CA	GDP MoM/YoY	Nov		0.3/		-0.3/1.5	14.30	0.30
CA	Industrial Product/Raw Material Prices MoM	Dec		/		0.3/-2.0	14.30	0.30
US	S&P CoreLogic CS 20-City MoM/YoY SA	Nov		0.6/5		0.6/5.1	15.00	1.00
US	Chicago Purchasing Manager	Jan		55		54.6	15.45	1.45
US	Conf. Board Consumer Confidence	Jan		112.8		113.7	16.00	2.00
Wednesday, 1 February 2017								
NZ	QVNZ Housing Report 3m,YoY	Jan				12.5	17.00	3.00
NZ	Employment Change QoQ/YoY	4Q	0.6	0.8/6.1		1.4/6.1	22.45	8.45
NZ	Unemployment Rate	4Q	4.8	4.8		4.9	22.45	8.45
NZ	Average Hourly Earnings/Pvte Wages ex Overtime QoQ	4Q		0.6/0.5		0.3/0.4	22.45	8.45
AU	AiG Perf of Mfg Index	Jan				55.4	23.30	9.30
AU	CoreLogic House Px MoM	Jan	0.9			1.4	0.00	10.00
JN	Nikkei Japan PMI Mfg	Jan F				52.8	1.30	11.30
CH	Manufacturing/Non-Manufacturing PMIs	Jan		51.2/		51.4/54.5	2.00	12.00
AU	Commodity Index AUD/SDR YoY	Jan				116.8/45.5	6.30	16.30
EC	Markit Eurozone PMI Manufacturing SA	Jan F		55.1		55.1	10.00	20.00
UK	Markit UK PMI Manufacturing SA	Jan		56		56.1	10.30	20.30
CA	MLI Leading Indicator MoM	Dec				0.3	13.00	23.00
US	ADP Employment Change	Jan		160		153.0	14.15	0.15
CA	RBC Canadian Manufacturing PMI	Jan				51.8	15.30	1.30
US	Markit US Manufacturing PMI	Jan F				55.1	15.45	1.45
US	ISM Manufacturing	Jan		55		54.7	16.00	2.00
US	Construction Spending MoM	Dec		0.2		0.9	16.00	2.00
US	FOMC Rate Decision (Lower/Upper Bound)	Feb 1		0.5/0.75		0.5/0.8	20.00	6.00
Thursday, 2 February 2017								
NZ	ANZ Job Advertisements MoM	Jan				1.6	22.00	8.00
NZ	PM English gives State of Nation Address						0.30	10.30
AU	Trade Balance	Dec	3050	2000		1243.0	1.30	11.30
AU	Building Approvals MoM/YoY	Dec	2.2/-7.3	-1.8/-11.1		7.0/-4.8	1.30	11.30
JN	Consumer Confidence Index	Jan				43.1	6.00	16.00
EC	ECB Publishes Economic Bulletin						10.00	20.00
UK	Markit/CIPS UK Construction PMI	Jan		54		54.2	10.30	20.30
UK	Bank of England Bank Rate	Feb 2		0.25		0.3	13.00	23.00
UK	BOE Asset Purchase/Corporate Bond Target	Feb		435/10		435.0/10.0	13.00	23.00
UK	Bank of England Inflation Report						13.00	23.00
US	Challenger Job Cuts YoY	Jan				42.4	13.30	23.30
CA	Carney Speaks at Inflation Report Press Conference						13.30	23.30
US	Wards Total Vehicle Sales	Jan		17.9		18.3		
US	Nonfarm Productivity/Unit Labour Costs	4Q P		1/2.3		3.1/0.7	14.30	0.30
US	Initial Jobless Claims	Jan 28				259.0	14.30	0.30
Friday, 3 February 2017								
AU	AiG Perf of Services Index	Jan				57.7	23.30	9.30
JN	BoJ Minutes of Dec 19-20 meeting						0.50	10.50
NZ	ANZ Commodity Price	Jan				0.7	1.00	11.00
JN	Nikkei Japan PMI Services/Composite	Jan		/		52.3/52.8	1.30	11.30
CH	Caixin China PMI Mfg	Jan		51.8		51.9	2.45	12.45
EC	Markit Eurozone Services/Composite PMI	Jan F		53.6/54.3		53.6/54.3	10.00	20.00
UK	Markit/CIPS UK Services/Composite PMI	Jan		55.9/		56.2/56.7	10.30	20.30
EC	Retail Sales MoM/YoY	Dec		0.3/		-0.4/2.3	11.00	21.00
US	Change in Nonfarm Payrolls/Unemployment Rate	Jan		168/4.7		156.0/4.7	14.30	0.30
US	Average Hourly Earnings MoM/YoY	Jan		0.3/2.8		0.4/2.9	14.30	0.30
US	Fed's Evans Speaks on Economy and Policy in Olympia Fields						15.15	1.15
US	Markit US Services/Composite PMI	Jan F				55.1	15.45	1.45
US	ISM Non-Manf. Composite	Jan		57		57.2	16.00	2.00
US	Factory Orders/Core Orders	Dec		1.4/		-2.4/0.1	16.00	2.00

Upcoming Central Bank Interest Rate Announcements				
Japan, BoJ	31-Jan	-0.1%	-0.1%	-0.1%
US Federal Reserve	2-Feb	0.5-0.75%	0.5-0.75%	0.5-0.75%
UK BOE	2-Feb	0.25%	0.25%	0.25%
Australia, RBA	7-Feb	1.50%	1.50%	1.50%
New Zealand, RBNZ	9-Feb	1.75%	1.75%	1.75%
Canada, BoC	2-Mar	0.5%	0.5%	0.5%
Europe ECB	9-Mar	-0.4%	-0.4%	-0.4%

GMT: Greenwich Mean Time; AEDT: Australian Daylight Savings Time

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