

MARKETS TODAY

Tick, tick, tick



Good Morning

The market opened yesterday in the Asia session where it closed on Friday with the USD and Treasury yields in retreat. Overnight, it's been something of a variation on a theme with the USD listless but not really losing further ground overall – the Pound and the Euro have both retreated – while US Treasury yields have eased lower. Equities have been flat in Europe and in the US, the S&P 500 and the Nasdaq down smalls, the Dow up just 10 points into the last hour. Aussie and Kiwi are higher this morning.

Traded industrial commodity prices are mostly lower, oil lower and most base metals down on the LME, the LME composite by 0.55% (aluminium was the exception), as have been iron ore, met and steaming coal. This hasn't seemingly dented appetite for a little more Aussie and Kiwi in a sideways pattern for the USD, the AUD/USD sitting this morning at around 0.7730.

The big news, though not really "news" in the sense of a surprise, was the announcement from UK PM May that a letter will be sent to the EC next Wednesday, 29 May, triggering the two years of talks in the lead up to Brexit. EC President Juncker has been talking tough, saying in an interview with German newspaper Bild am Sonntag that half memberships and cherry picking aren't possible and that in Europe you eat what's at the table or don't sit at the table, comments treated with not unexpected derision in the UK press.

Notwithstanding that this Article 50 trigger was always coming by the end of next week, the Pound still underperformed overnight, down 0.5%, GBP/USD sitting this morning at 1.2355/50, having been above 1.24 before the trigger news. And so the clock will start ticking next week. BoE Chief Andy Haldane has been speaking overnight and sticking to the much less sensitive issue for markets of low productivity and the need for less reliance on monetary policy, more reliance on structural policy.

There have been two Fed speakers overnight, Charles Evans and Patrick Harker. Evans said he supports two or three rate hikes this year and that inflation at 2.5% for a period of time is consistent the Fed's inflation goal. Patrick Harker appeared on CNBC saying that the inflation target is not a ceiling and that neither has he factored fiscal policy into his calculations. Evans noted that it would be a challenging time for the economy to get a fiscal boost now given the economy is close to full employment. Both spoke of normalising the Fed's balance sheet, not suggesting a start is imminent but as a topic for consideration. Harker suggested normalisation once Fed funds is "well north" of 1%.

Coming Up

In a light week for data, we have ABS House Prices for Q4 today. It's largely of historical interest given that the

alternative CoreLogic hedonic prices are now available up to the third week of this month. NZ has net migration and credit card spending data today.

Of much more interest today will be the RBA Minutes of this month's Board meeting and the focus on the still quite vibrant nature of Eastern residential property market, especially the investor market in Sydney and Melbourne. Officials in the past 24 hours, including the Treasurer, have been offering strong hints that further measures to cool the market appear to be imminent. We already know that in the March RBA post-Board Media Release, the Governor dialled up the level of concern over the whether lending standards have in fact been sufficiently strengthened to alleviate concerns over household leverage and house prices.

The Release then noted: "Supervisory measures have contributed to *some strengthening* (our emphasis) of lending standards". In February, the Release noted that "supervisory measures have strengthened lending standards", a more comfortable assessment that policy was adequate. Of course, the RBA does not wish to increase the official cash rate given higher than target unemployment and lower than target inflation.

The market has taken increased speculation of further official measures in its stride. There's been little to no spill-over evident for local rates markets, nor the dollar, the AUD/USD getting support today from a soggy big dollar.

Tonight, Sterling watchers will be casting an eye over tonight's CPI inflation release for February with headline inflation expected to push up from 1.8 to 1% and core from 1.6 to 1.7%. Upstream (PPI) prices for February after also due together with UK house prices, the monthly public finance report and the CBI Trends survey.

There are two more Fed speeches due, both from monetary policy hawks, Loretta Mester and Esther George, neither voters this year on the FOMC. It could well be one of those nights where there is more interest north of the border with interest in the January Canadian retail sales report and BOC Deputy Governor Schembri speaking ahead of the Canadian Budget tomorrow night.

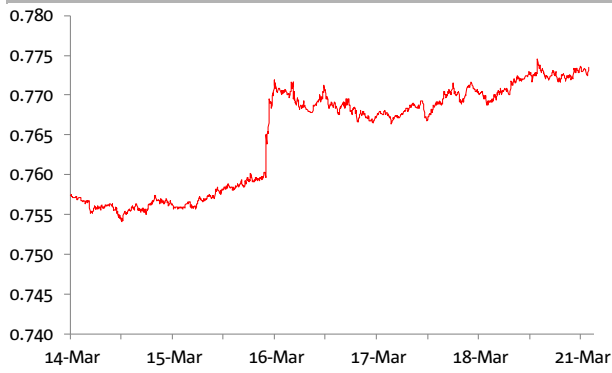
Of more interest tonight for local markets, specifically the Kiwi dollar, will be the Global Dairy auction, the Kiwi taking some heat last time when prices fell 6.3%.

Overnight

On global stock markets, the S&P 500 was -0.20%. Bond markets saw US 10-years -3.79bp to 2.46%. In commodities, Brent crude oil -0.23% to \$51.64, gold+0.3% to \$1,234, iron ore -0.9% to \$91.49, steam coal -0.5% to \$80.90, met. coal -0.5% to \$157.50. AUD is at 0.7733 and the range since yesterday 5pm Sydney time is 0.7686 to 0.7748.

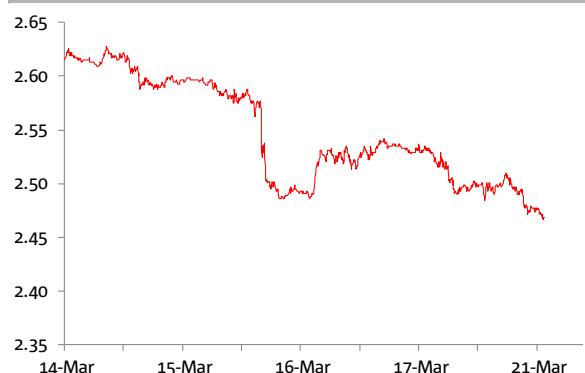
Markets

AUD/USD - past week



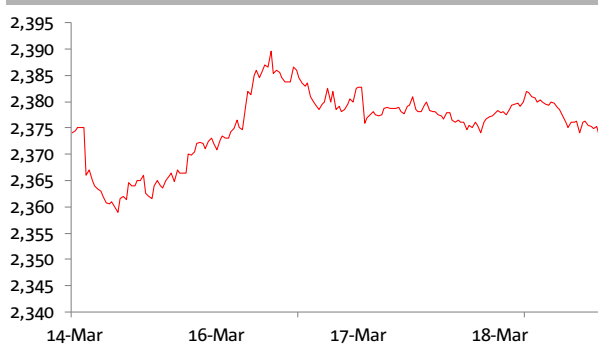
Source: Bloomberg.

US 10yr - past week



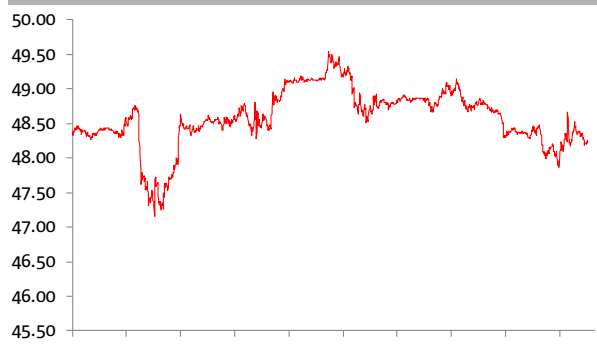
Source: Bloomberg.

S&P Future - past week



Source: Bloomberg.

WTI - past week



Source: Bloomberg.

Foreign Exchange

Indicative 24hr ranges (**)

	Last	% chge	Low	High	Other FX	Last	% chge
AUD	0.7733	0.4	0.7686	0.7748	HKD	7.7652	0.0
NZD	0.7054	0.5	0.7029	0.7056	CNY	6.9010	-0.1
EUR	1.0743	-0.2	1.0725	1.0763	SGD	1.3965	-0.3
GBP	1.2358	-0.2	1.2328	1.2420	IDR	13,300	-0.3
JPY	112.54	-0.6	112.49	112.90	THB	34.68	-0.5
CAD	1.3353	0.2	1.3339	1.3373	KRW	1,114	-1.4
AUD/EUR	0.7197	0.8	0.7175	0.7208	TWD	30.38	-0.6
AUD/JPY	87.02	-0.1	86.96	87.26	PHP	50.05	-0.3
AUD/GBP	0.6257	0.8	0.6223	0.6267	CHF	1.00	0.3
AUD/NZD	1.0962	0.1	1.0960	1.0982	SEK	8.82	0.3
AUD/CNH	5.3391	0.5	5.3176	5.3373			

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	USD 10	Last	chge	Sprd
USD	1.00	1.15	1.64	2.43	USD 10	2.46	-3.79	
AUD	1.50	1.80	1.99	3.07	AUD 10	2.82	-3.80	0.36
NZD	questing	1.98	2.28	3.51	NZD 10	3.21	-6.90	0.75
EUR	0.00	-0.33	-0.09	0.85	CAD 10	1.73	-3.30	-0.73
GBP	0.25	0.34	0.64	1.26	EUR 10	0.44	0.50	-2.02
JPY	-0.04	-0.01	0.04	0.27	GBP 10	1.23	-1.00	-1.23
CAD	0.50	0.93	1.13	1.98	JPY 10	0.08	0.00	-2.39

Equities

Major Indices

	Last	% day	% y/y
Dow	20,906	-0.04	18.8
S&P 500	2,373	-0.20	15.8
Nasdaq	5,902	0.01	23.1
VIX	11	0.53	-19.0
FTSE	7,430	0.1	20.0
DAX	12,053	-0.4	21.1
CAC 40	5,012	-0.3	12.3
Nikkei	19,522	0.0	16.7
Shanghai	3,251	0.4	7.7
Hang Seng	24,502	0.8	18.5
ASX 200	5,779	-0.4	11.9

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.20	1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.15	6.50
3/10 sprd	0.65	-6.50
SPI	5755.0	28.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	51.64	-0.2
Oil (WTI)	48.20	-1.2
Oil (Tapis)	52.99	0.0
Gold	1234.00	0.3
CRB	184.78	0.2
GS Metals	329.2	-0.5
Aluminium	1916.3	0.4
Copper	5869.0	-1.0
Nickel	10125.8	-0.9
Zinc	2855.3	-0.7
Ch. steel	3292.0	-2.8
Iron ore	91.5	-0.9
St. Coal	80.9	-0.5
Met.coal	157.5	-0.5
Wheat Chic.	445.5	-1.3
Sugar	17.7	-2.6
Cotton	77.3	-1.3
Coffee	145.3	2.3

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	-1.0	-4.0%
FED	-0	-1.6%

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
Tuesday, 21 March 2017								
NZ	Net Migration SA	Feb				6460	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Mar 19				113.1	23.30	9.30
AU	House Price Index QoQ/YoY	4Q		2.5/6.3		1.5/3.5	1.30	11.30
AU	RBA March Rate Meeting Minutes						1.30	11.30
NZ	Credit Card Spending MoM/YoY	Feb		/		0.2/7.1	3.00	13.00
UK	CPI YoY	Feb		2.1		1.8	10.30	20.30
UK	CPI Core YoY	Feb		1.7		1.6	10.30	20.30
UK	PPI Input NSA MoM	Feb		0.1		1.7	10.30	20.30
UK	House Price Index YoY	Jan		6.3		7.2	10.30	20.30
UK	Public Finances (PSNCR)	Feb				-26.5	10.30	20.30
US	Fed's Dudley speaks at BoE Event on Bank Ethics in London						11.00	21.00
UK	CBI Trends Total Orders/Selling Prices	Mar		5/32		8.0/32.0	12.00	22.00
CA	Retail Sales MoM	Jan		1.5		-0.5	13.30	23.30
US	Current Account Balance	4Q		-128.05		-113.0	13.30	23.30
CA	Retail Sales Ex Auto MoM	Jan		1.3		-0.3	13.30	23.30
CH	Conference Board Leading Economic Index	Feb					14.00	0.00
US	Fed's George Speaks in Washington on U.S. Economy and the Fed						17.00	3.00
US	Fed's Mester Speaks at University of Richmond						23.00	9.00
NZ	Global Dairy Auction, GDT-weighted price index (early AM, NZT)					-6.3		
Wednesday, 22 March 2017								
NZ	Fonterra announces Half Year Results						<i>AM, NZT</i>	
NZ	Productivity Statistics (1978-2016, March years)						22.45	8.45
AU	Westpac Leading Index MoM	Feb				0.0	0.30	10.30
JN	BOJ Minutes of Jan. 30-31 Meeting						0.50	10.50
JN	Trade Balance Adjusted	Feb		551.9		155.5	0.50	10.50
AU	Skilled Vacancies MoM	Feb				1.0	1.00	11.00
JN	BOJ Funo speaks in Shizuoka						2.30	12.30
AU	RBA's Debelle Speech in Singapore at TradeTech FX Asia Conference						2.40	12.40
JN	All Industry Activity Index MoM	Jan		0		-0.3	5.30	15.30
EC	ECB Current Account SA	Jan				31.0	10.00	20.00
US	MBA Mortgage Applications	Mar 17				3.1	12.00	22.00
US	FHFA House Price Index MoM	Jan		0.4		0.4	14.00	0.00
US	Existing Home Sales, #/MoM	Feb		5.56/-2.37		5.7/3.3	15.00	1.00
CA	Bank of Canada Deputy Governor Lawrence Schembri Speech						16.00	2.00
Thursday, 23 March 2017								
NZ	RBNZ Official Cash Rate	Mar 23	1.75	1.75		1.75	21.00	7.00
GE	GfK Consumer Confidence	Apr		10		10.0	8.00	18.00
EC	ECB Publishes Economic Bulletin						10.00	20.00
UK	Retail Sales Ex Auto Fuel MoM	Feb		0.3		-0.2	10.30	20.30
UK	CBI Retailing/Total Distributive Reported Sales	Mar		4/		9.0/25.0	12.00	22.00
US	Fed's Yellen Speaks at Community Development Conference						13.00	23.00
US	Initial Jobless Claims	Mar 18		240		241.0	13.30	23.30
US	Bloomberg Consumer Comfort	Mar 19				51.0	14.45	0.45
US	New Home Sales, #/MoM	Feb		565/1.8		555.0/3.7	15.00	1.00
US	Kansas City Fed Manf. Activity	Mar		14		14.0	16.00	2.00
EC	Consumer Confidence	Mar A		-5.8		-6.2	16.00	2.00
US	Fed's Kashkari Speaks on US Education Outcomes in DC						17.30	3.30
Friday, 24 March 2017								
NZ	Trade Balance NZD	Feb		180		-285.0	22.45	8.45
US	Fed's Kaplan speaks on Economy in Chicago						0.00	10.00
JN	Nikkei Japan PMI Mfg	Mar P				53.3	1.30	11.30
JN	Leading Index CI	Jan F				105.5	6.00	16.00
GE	Markit/BME Germany Manufacturing PMI	Mar P		56.5		56.8	9.30	19.30
GE	Markit Germany Services/Composite PMI	Mar P		54.5/56		54.4/56.1	9.30	19.30
EC	Markit Eurozone Manufacturing PMI	Mar P		55.3		55.4	10.00	20.00
EC	Markit Eurozone Services/Composite PMI	Mar P		55.3/55.8		55.5/56.0	10.00	20.00
UK	BBA Loans for House Purchase	Feb		44900		44657.0	10.30	20.30
US	Fed's Evans Speaks at Community Development Event						13.00	23.00
US	Durable Goods Orders	Feb P		1.2		2.0	13.30	23.30
US	Cap Goods Orders Nondef Ex Air	Feb P		0.6		-0.1	13.30	23.30
CA	CPI/Core (Common) YoY	Feb		2.1/		2.1/1.3	13.30	23.30
US	Fed's Evans Speaks at Community Development Event						13.00	23.00
US	Markit US Manufacturing PMI	Mar P		54.7		54.2	14.45	0.45
US	Fed's Bullard to Speak to Economic Club of Memphis						14.05	0.05
Saturday, 25 March 2017								
CH	PBoC Governor speaks at opening of Boao Forum, Hainan							
Upcoming Central Bank Interest Rate Announcements								
New Zealand, RBNZ		23-Mar	1.75%	1.75%		1.75%		
Australia, RBA		4-Apr	1.50%	1.50%		1.50%		
Canada, BoC		12-Apr	0.5%	0.5%		0.5%		
Europe ECB		17-Apr	-0.4%	-0.4%		-0.4%		
Japan, BoJ		27-Apr	-0.1%	-0.1%		-0.1%		
US Federal Reserve		4-May				0.75-1.00%		
UK BOE		11-May	0.25%	0.25%		0.25%		

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

CONTACT DETAILS

Authors

David de Garis
Director, Economics
+61 3 8641 3045
david.degaris@nab.com.au

Ray Attrill
Global Co-Head of FX Strategy
+61 2 9237 1848
ray.attrill@nab.com.au

Rodrigo Catril
Currency Strategist
+61 2 9293 7109
rodrigo.h.catril@nab.com.au

Tapas Strickland
Economist
+61 2 9237 1980
tapas.strickland@nab.com.au

Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406
peter.jolly@nab.com.au

Group Economics

Alan Oster
Chief Economist
+61 3 8634 2927
alan_oster@national.com.au

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.