

# MARKETS TODAY

## Hot n' Cold



### Good Morning

After spending a bit of time with my 7 and 9 year old nieces, now my 3 year old daughter is constantly asking me to play Katy Perry tunes in the car and at home. Believe it or not this is not a bad outcome for me, as this means (I hope!) that now we have finally moved on from the Frozen soundtrack. Hot n Cold is one of Perry's 2008 hits and is not a bad title for today's daily. Hot events overnight include EU inflation jumping to a 4 year high of 2%, US jobless claims falling to a 44 year low of 223k and Snap, the parent company of message app Snapchat, rallying 41% on its first trading day. Meanwhile on the cold end of the spectrum, US equities look set to record their biggest daily fall in a month ( US equity indices are down between 0.30% and 0.60% ) with bank share leading the way. Most commodities also had a day to forget and although the USD is stronger across the board, the AUD is the worst G10 performer, down 1.38%.

After Fed Brainard speech yesterday, where she noted that a rate hike 'will likely be appropriate soon', overnight Fed Powell added his voice to a growing choir of Fed officials who are suggesting a rate hike is imminent. Powell said that "I think the case for a rate increase in March has come together, and I do think it is on the table for discussion.". Using Fed Funds Futures or OIS, pricing expectations for a March hike are now somewhere between the 80% and 90% mark, suggesting that extremely soft US employment report next Friday is probably the only obstacle that can prevent the Fed from hiking in two weeks' time.

The record low weekly jobless claims coupled with Powell's comment helped UST yields continue their recent upward trend. After threatening a break below 2.30% last week, 10y UST yields are now trading at 2.49% and 2y UTS yields are at 1.31% after trading sub 1.15% last week.

The move higher in yields appears to finally be weighing on US equities while at the same time is helping the USD performed. As noted above the USD has continued its ascendancy with NZD and AUD bearing the brunt of USD strength. AUD 's underperformance began yesterday after the softer than expected January trade balance (A\$1.3bn vs A\$3.6 exp.), but the move gathered momentum during the London session following a break below the 76c mark. The softness in commodities also didn't help the AUD with aluminium, last month's top contributor in our AUD model estimate, down 2.1% while oil fell 2% and gold gave up 1.3%.

The EUR and GBP had modest falls against the USD with EU inflation a notable data release overnight. . Annual euro area CPI inflation jumped to a 4-year high of 2%, while the core measure remained at 0.9%. Higher headline inflation is likely to see the ECB revise up its inflation forecasts, although soft core inflation helps

justify its current QE programme. EUR is holding up close to 1.05 while GBP has steadied over recent hours around the 1.2260 mark.

### Coming Up

This morning the AiG Performance of Services index is due out in Australia and New Zealand gets Q4 buildings work data, crown accounts for the seven months to January along with February's ANZ Commodity Price Index. RBNZ Assistant Governor, John McDermott, is scheduled to speak in Nelson, but given that his speech is not public our BNZ colleagues don't expect anything to come from it.

The data highlight in our time zone is likely to come from Japan with both employment and CPI data due for release. The jobless rate is expected to have declined to 3.0% in January from 3.1% previously while the job to applicant ratio is seen to have climbed to 1.44 from 1.43. If so, the data will reaffirm the BoJ's view that slowly but surely the tightening in the labour will translate into higher wages, time will tell. Meanwhile, consensus expectations see Japan's headline inflation rising to 0.4%yoy in January from 0.3% previously. The BoJ's preferred core measure, CPI ex fresh food, is expected to print at 0%yoy, up from -0.2% previously. Such an outcome would be slightly above the -0.2% expected by the BoJ late in January, but still a long way off from the Bank's 2% target. So overall today's data is unlikely to sway the BoJ from keeping its foot firmly on the easing pedal.

Europe gets its final PMI readings and Italy gets its second GDP estimate for Q4. The UK construction, services and composite PMI readings (February) should be of more interest given that we don't get preliminary estimates and market expectations suggest the UK economy has remained firmly in expansionary mode.

Last but not least the US non-manufacturing is also out later tonight and the market is looking for an unchanged outcome relative to the 56.5 print in January. That said, ahead of non-farm payrolls next week, the employment index will also be important and last month the index came out at a solid 54.7.

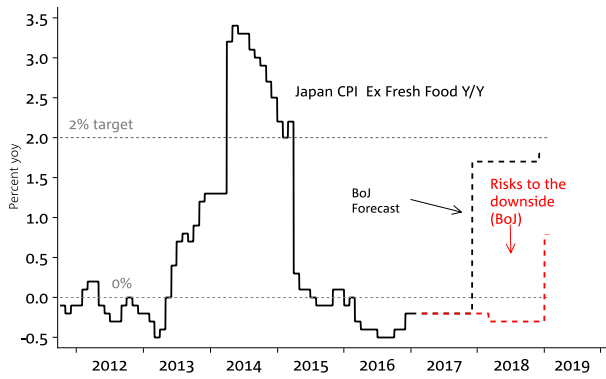
Ahead of the pre FOMC hiatus starting next week, Fed Mester is on the roster this morning followed by Fed Evans and Fed Powell tonight, culminating with Fed Vice Fisher and Chair Yellen early Saturday morning, Sydney time. An affirmation by the latter two that a March hike is very much on the cards will confirm the consensus view that a soft non payrolls report next week is the only data release likely to stop the Fed from hiking this month.

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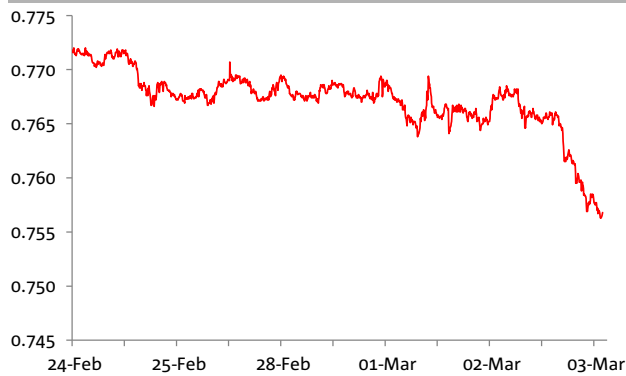
## Overnight

On global stock markets, the S&P 500 was -0.55%. Bond markets saw US 10-years +4.33bp to 2.49%. In commodities, Brent crude oil -2.25% to \$55.09, gold-1.2% to \$1,235, iron ore +1.2% to \$92.36, steam coal -0.7% to \$82.20, met.coal -0.6% to \$165.00. AUD is at 0.7571 and the range since yesterday 5pm Sydney time is 0.7558 to 0.7682.

## Chart of the day: BoJ still has a lot of work to do

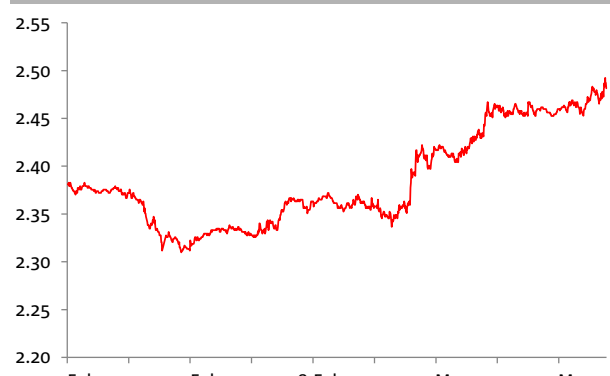


AUD/USD - past week



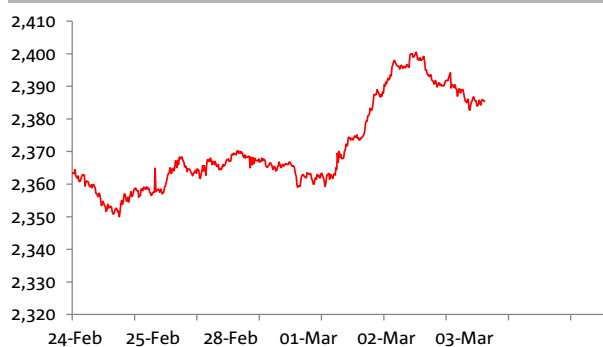
Source: Bloomberg.

US 10yr - past week



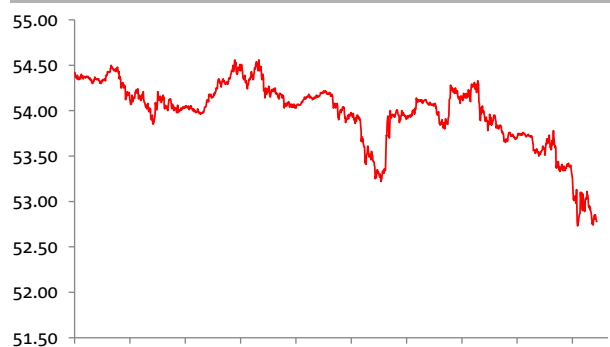
Source: Bloomberg.

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	0.7571	-1.4	0.7558	0.7682	HKD	7.7624	0.0
NZD	0.7068	-1.1	0.7050	0.7151	CNY	6.8899	0.1
EUR	1.0506	-0.4	1.0495	1.0552	SGD	1.4130	0.3
GBP	1.2261	-0.3	1.2243	1.2307	IDR	13,357	0.0
JPY	114.46	0.6	113.69	114.59	THB	35.06	0.2
CAD	1.3396	0.5	1.3324	1.3402	KRW	1,142	-0.2
AUD/EUR	0.7207	-1.0	0.7197	0.7282	TWD	30.79	0.0
AUD/JPY	86.66	-0.7	86.55	87.49	PHP	50.37	0.1
AUD/GBP	0.6175	-1.1	0.6165	0.6248	CHF	1.01	0.5
AUD/NZD	1.0712	-0.3	1.0699	1.0766	SEK	9.08	0.4
AUD/CNH	5.2204	-0.9	5.2049	5.2796			

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	0.75	1.09	1.66	2.47	USD 10	2.49	3.79	
AUD	1.50	1.79	1.98	3.08	AUD 10	2.79	-1.60	0.30
NZD	1.75	2.00	2.35	3.55	NZD 10	3.34	5.00	0.85
EUR	0.00	-0.33	-0.15	0.75	CAD 10	1.71	1.80	-0.78
GBP	0.25	0.35	0.58	1.23	EUR 10	0.32	3.50	-2.17
JPY	-0.05	-0.02	0.04	0.27	GBP 10	1.21	1.80	-1.28
CAD	0.50	0.94	1.12	1.95	JPY 10	0.07	0.40	-2.42

Equities

Major Indices			
	Last	% day	% y/y
Dow	21,025	-0.43	24.4
S&P 500	2,383	-0.55	20.0
Nasdaq	5,863	-0.69	24.7
VIX	12	-5.98	-31.0
FTSE	7,382	0.0	20.1
DAX	12,060	-0.1	23.4
CAC 40	4,964	0.1	12.2
Nikkei	19,565	0.9	15.4
Shanghai	3,230	-0.5	12.9
Hang Seng	23,728	-0.2	19.0
ASX 200	5,777	1.3	13.7

Commodities\*

	Last	% day
Oil (Brent)	55.09	-2.3
Oil (WTI)	52.64	-2.2
Oil (Tapis)	57.04	-1.5
Gold	1234.60	-1.2
CRB	188.81	-1.3
GS Metals	329.5	-1.9
Aluminium	1904.3	-2.1
Copper	5920.0	-1.4
Nickel	10734.3	-2.3
Zinc	2777.0	-2.9
Ch. steel	3481.0	-1.0
Iron ore	92.4	1.2
St. Coal	82.2	-0.7
Met.coal	165.0	-0.6
Wheat Chic.	452.8	-0.9
Sugar	19.7	0.9
Cotton	75.7	-1.5
Coffee	144.4	-0.3

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-0.2	-0.8%
FED	23	90.0%

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.21	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.16	-8.50
3/10 sprd	0.64	11.50
SPI	5742.0	-59.0

\*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	AEDT
<b>Friday, 3 March 2017</b>								
NZ	ANZ Job Advertisements MoM	Feb				-0.2	22.00	8.00
NZ	Crown Accounts	Jan 7m					22.00	8.00
NZ	Value of All Buildings SA QoQ	4Q	1.0	1.5		1.4	22.45	8.45
AU	AiG Perf of Services Index	Feb				54.5	23.30	9.30
JN	Jobless Rate/Jobs-to-applicants ratio	Jan		3/1.44		3.1/1.4	0.30	10.30
JN	Natl CPI/ex fresh food YoY	Jan		0.4/0		0.3/-0.2	0.30	10.30
NZ	ANZ Commodity Price	Feb				-0.1	1.00	11.00
US	Fed's Mester speaks on Leadership in New York						1.00	11.00
JN	Nikkei Japan PMI Services/Composite	Feb		/		51.9/52.3	1.30	11.30
NZ	RBNZ Assistant Governor McDermott Speaks (Not Public)						1.30	11.30
CH	Caixin China PMI Services/Composite	Feb		/		53.1/52.2	2.45	12.45
GE	Markit Germany Services/Composite PMI	Feb F		54.4/56.1		54.4/56.1	9.55	19.55
EC	Markit Eurozone Services/Composite PMI	Feb F		55.6/56		55.6/56.0	10.00	20.00
UK	Markit/CIPS UK Services/Composite PMI	Feb		54.1/55.6		54.5/55.5	10.30	20.30
EC	Retail Sales MoM/YoY	Jan		0.3/1.5		-0.3/1.1	11.00	21.00
US	Markit US Services/Composite PMI	Feb F		54/		53.9/54.3	15.45	1.45
US	ISM Non-Manf. Composite	Feb		56.5		56.5	16.00	2.00
US	Fed's Evans (v) and Lacker (nv) Speak on Panel in New York						16.15	2.15
US	Fed Vice Chair Fischer Speaks in New York						18.00	4.00
US	Fed Chair Yellen Speaks at Executives Club in Chicago						19.00	5.00
<b>Monday, 6 March 2017</b>								
NZ	Building Permits MoM	Jan				-7.2	22.45	8.45
AU	Melbourne Institute Inflation MoM/YoY	Feb		/		0.6/2.1	1.00	11.00
AU	Retail Sales MoM	Jan		0.3		-0.1	1.30	11.30
AU	ANZ Job Advertisements MoM	Feb				4.0	1.30	11.30
GE	Markit Germany Construction PMI	Feb				52.0	9.30	19.30
UK	New Car Registrations YoY	Feb				2.9	10.00	20.00
GE	Markit Germany Retail PMI	Feb				50.3	10.10	20.10
EC	Markit Eurozone Retail PMI	Feb				50.1	10.10	20.10
EC	Sentix Investor Confidence	Mar				17.4	10.30	20.30
CA	Bloomberg Nanos Confidence	Mar 3				58.1	16.00	2.00
US	Factory Orders/Ex Transp	Jan		0.9/		1.3/2.1	16.00	2.00
NZ	RBNZ Governor Wheeler Speaks in Auckland (Not Public)						19.00	5.00
<b>Tuesday, 7 March 2017</b>								
AU	AiG Perf of Construction Index	Feb				47.7	23.30	9.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Mar 5				119.1	23.30	9.30
UK	BRC Sales Like-For-Like YoY	Feb				-0.6	1.10	11.10
AU	RBA Cash Rate Target	Mar 7		1.5		1.5	4.30	14.30
GE	Factory Orders MoM/YoY	Jan		/		5.2/8.1	8.00	18.00
CH	Foreign Reserves	Feb		2961		2998.2	9.00	19.00
UK	Halifax House Prices MoM/YoY	Feb		/		-0.9/5.7	9.30	19.30
EC	GDP SA QoQ/YoY	4Q F		/		0.4/1.7	11.00	21.00
US	Trade Balance	Jan		-45.7		-44.3	14.30	0.30
CA	Int'l Merchandise Trade	Jan				0.9	14.30	0.30
CA	Ivey Purchasing Managers Index SA	Feb				57.2	16.00	2.00
<b>Wednesday, 8 March 2017</b>								
US	Consumer Credit	Jan		20		14.2	21.00	7.00
NZ	ANZ Truckometer Heavy MoM	Feb				-0.8	22.00	8.00
NZ	Mfg Activity Volume QoQ	4Q				2.1	22.45	8.45
NZ	Mfg Activity SA QoQ	4Q				0.4	22.45	8.45
JN	BoP Current Account Adjusted	Jan				1669.2	0.50	10.50
JN	GDP SA QoQ	4Q F		0.4		0.2	0.50	10.50
JN	GDP Annualized SA QoQ	4Q F		1.6		1.0	0.50	10.50
CH	Foreign Direct Investment YoY CNY	Feb				-9.2	3.00	13.00
CH	Trade Balance CNY	Feb		152.88		354.5	4.00	14.00
CH	Exports/Imports YoY CNY	Feb		14.2/26		15.9/25.2	4.00	14.00
CH	Trade Balance	Feb		26.7		51.4	4.30	14.30
CH	Exports/Imports YoY	Feb		13/20		7.9/16.7	4.30	14.30
JN	Eco Watchers Survey Current SA	Feb				49.8	6.00	16.00
JN	Eco Watchers Survey Outlook SA	Feb				49.4	6.00	16.00
JN	Leading Index Cl	Jan P				104.8	6.00	16.00
GE	Industrial Production SA MoM/YoY	Jan		/		-3.0/-0.7	8.00	18.00
US	MBA Mortgage Applications	Mar 3				5.8	13.00	23.00
US	ADP Employment Change	Feb		177.5		246.0	14.15	0.15
CA	Housing Starts	Feb				207.4	14.15	0.15
US	Nonfarm Productivity/Unit labor costs	4Q F		1.5/1.5		1.3/1.7	14.30	0.30
CA	Labor Productivity QoQ	4Q				1.2	14.30	0.30
CA	Building Permits MoM	Jan				-6.6	14.30	0.30
US	Wholesale Trade Inventories/Sales MoM	Jan F		/		-0.1/2.6	16.00	2.00
<b>Thursday, 9 March 2017</b>								
JN	Labor Cash Earnings/Real Earnings YoY	Jan		/		0.1/-0.4	1.00	11.00
UK	RICS House Price Balance	Feb				25.0	1.10	11.10
CH	CPI/PPI YoY	Feb		1.8/7.5		2.5/6.9	2.30	12.30
JN	Machine Tool Orders YoY	Feb P				3.5	7.00	17.00
EC	OECD Economic Outlook						11.00	21.00
EC	ECB Main Refinancing Rate/Marginal Lending Facility	Mar 9		/		0.0/0.3	13.45	23.45
EC	ECB Deposit Facility Rate/Asset Purchase Target	Mar 9		/		-0.4/80.0	13.45	23.45
US	Import Price Index/Ex Petroleum MoM	Feb		0.1/		0.4/0.0	14.30	0.30
US	Initial Jobless Claims	Feb 25		245		244.0	14.30	0.30
CA	Capacity Utilization Rate	4Q				81.9	14.30	0.30
CA	New Housing Price Index MoM/YoY	Jan		/		0.1/3.0	14.30	0.30
US	Bloomberg Consumer Comfort	Feb 26				48.0	15.45	1.45
US	Household Change in Net Worth	4Q				1593.0	18.00	4.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
Canada, BoC		12-Apr	0.5%	0.5%		0.5%		
Australia, RBA		7-Mar	1.50%	1.50%		1.50%		
Europe ECB		9-Mar	-0.4%	-0.4%		-0.4%		
US Federal Reserve		16-Mar	0.5-0.75%	0.5-0.75%		0.5-0.75%		
Japan, BoJ		16-Mar	-0.1%	-0.1%		-0.1%		
UK BOE		16-Mar	0.25%	0.25%		0.25%		
New Zealand, RBNZ		23-Mar	1.75%	1.75%		1.75%		

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



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