

MARKETS TODAY



Marking time ahead of ECB and Payrolls

Good Morning

Markets continue to tread water ahead of the more important risk events later this week – the ECB meeting Thursday and US Payrolls Friday. There was little in the way of significant movement in bonds or currencies, while equities were a touch lower after having had hit fresh highs last week.

Economic data was mute with the most significant piece being the US Jan Trade Deficit which increased to \$48.5bn - although at a near five year high it was as expected. If repeated in Feb and Mar, net exports would likely detract from US growth and the Atlanta Fed has downgraded its Q1 GDPNow forecast to 1.3% from 1.8%. The outcome is also likely to give further currency to protectionist policies, where Trump's Trade Adviser Peter Navarro indicated the US would make a reduction in the trade deficit its top policy focus noting that the U.S. faced a growing economic and potential national security risk from major trading partners. In other political news, House Republicans have proposed an Obamacare replacement plan while Trump also signed an updated travel ban with little reaction.

In the FX space, the US dollar (DXY) was up just 0.1% across the board. Other major currency pairs fell by a similar amount with the Euro and Yen both down 0.1%. The underperformers were the Pound (-0.3%) and the Kiwi (-0.5%).

The Aussie rose 0.1% helped along by the RBA's post meeting statement. Although the statement was mostly unchanged, it did act to reemphasise the optimism coming from Martin Place and the Governor's view (expressed in his recent Parliamentary Testimony) that "a period of stability of interest rates...is quite a reasonable one". The RBA is currently balancing getting back to the inflation objective and lowering the unemployment more quickly against avoiding creating fragilities in household balance sheets. Two changes are worth highlighting: (1) the RBA upgraded its view on the boost from commodity prices on Australian incomes to "significant"; and (2) the RBA raised its concerns around the housing market making a less definitive statement on the success of supervisory lending standards than in the past. Overall that suggests a high bar to further easing.

The British Pound was the clear underperformer. Overnight Prime Minister May suffered a defeat on her Brexit bill with the House of Lords voting to change the draft bill in order to give Parliament veto rights over the final Brexit agreement, as well as the power to stop the UK walking away from talks without a deal. The bill will need to be debated again in the House of Commons and it is unclear whether this will impact on the date PM May has given to trigger Article 50 – indicated to be sometime from March 15 to the 31st. Unofficial retail data in the UK was also weak with the Retail

Consortium's survey stating retail trade fell 0.4% m/m in Feb – official figures out on March 23.

Movements in sovereign bond yields were also mute. US Treasury yields rose 0.7 bps to 2.51% with the range being 2.49-2.51% overnight. German Bund yields declined 2.3 bps to 0.32% with a weak January Factory Goods Orders contributing (-7.4% m/m against an expected -2.5% outcome) along with reports that Swiss FX reserves increased by 24.2bn. Movements in Aussie CGS mostly followed US Treasuries the previous day, up 1.8 bps to 2.82%.

Equity markets also registered small moves. The S&P500 was down 0.2% while EuroStoxx was unchanged. A Trump tweet of "there will be competition in the drug industry. Pricing...will come way down!" weighed on Pharmaceuticals with the sub-index down 0.6%.

Finally, Chinese FX Reserves rose \$6.9bn in February to be \$3.0 trillion – the first increase since June 2016 – and beating expectations of a \$29.2bn fall. SAFE said that capital outflow pressures would continue to ease and suggests tightening capital controls are working to alleviate outflow pressures.

Coming Up

A quiet day down under with no data releases scheduled. Most focus in the Asian time zone will be on the Chinese Trade Balance – no time specified but is usually out post 12pm AEDT. The market looks for a surplus of \$27bn. Japan also has its Balance of Payments for January along with the Eco Watchers survey.

In Europe, focus will be on the UK Chancellor's budget though this usually is not market moving with most major items usually flagged beforehand. Germany also has Industrial Production figures for January which will likely garner greater attention following the surprise fall in December and the sharp fall in factory goods orders overnight – the market consensus looks for a bounce of 2.7% m/m.

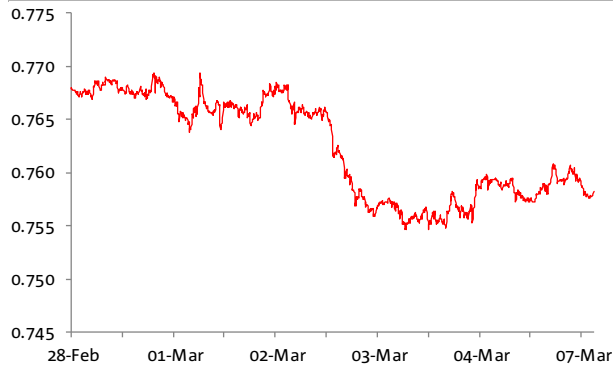
Otherwise most focus will be on the US where ADP Employment could provide a reasonable guide to the more important Non-farm Payrolls print Friday (see chart). Although ADP has been discounted by many as an indicator, it has improved over the past year. The market currently looks for a 189k print.

Overnight

On global stock markets, the S&P 500 was -0.16%. Bond markets saw US 10-years +0.55bp to 2.51%. In commodities, Brent crude oil -0.20% to \$55.9, gold -0.9% to \$1,214, iron ore +0.1% to \$89.80, steam coal -1.2% to \$79.25, met.coal +0.0% to \$163.25. AUD is at 0.759 and the range since yesterday 5pm Sydney time is 0.7577 to 0.7633.

Markets

AUD/USD - past week



Source: Bloomberg.

US 10yr - past week



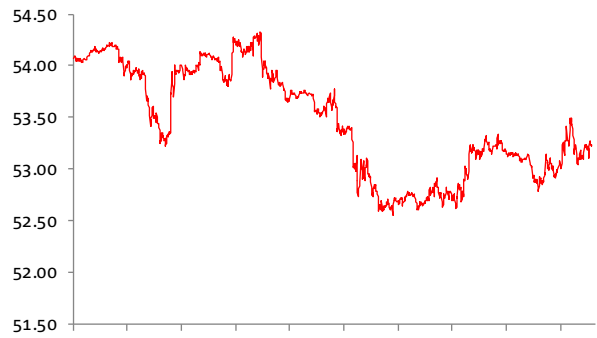
Source: Bloomberg.

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	0.7590	0.1	0.7577	0.7633	HKD	7.7645	0.0
NZD	0.6959	-0.5	0.6957	0.7018	CNY	6.9025	0.1
EUR	1.0567	-0.1	1.0558	1.0603	SGD	1.4112	-0.1
GBP	1.2204	-0.3	1.2170	1.2252	IDR	13,350	0.0
JPY	114.03	0.1	113.73	114.15	THB	35.13	0.2
CAD	1.3417	0.0	1.3384	1.3436	KRW	1,146	-1.0
AUD/EUR	0.7182	0.3	0.7160	0.7206	TWD	30.89	-0.3
AUD/JPY	86.54	0.3	86.27	86.92	PHP	50.32	0.0
AUD/GBP	0.6219	0.4	0.6190	0.6242	CHF	1.01	0.1
AUD/NZD	1.0907	0.7	1.0834	1.0909	SEK	9.01	-0.1
AUD/CNH	5.2381	0.0	5.2291	5.2452			

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.75	1.11	1.65	2.46	USD 10	2.51	1.09
AUD	1.50	1.79	2.01	3.11	AUD 10	2.82	1.80 0.31
NZD	1.75	1.99	2.34	3.58	NZD 10	3.31	0.40 0.80
EUR	0.00	-0.33	-0.13	0.78	CAD 10	1.74	3.10 -0.77
GBP	0.25	0.36	0.58	1.20	EUR 10	0.32	-2.30 -2.19
JPY	-0.04	-0.01	0.04	0.25	GBP 10	1.19	-2.00 -1.32
CAD	0.50	0.94	1.12	1.97	JPY 10	0.08	0.20 -2.43

Equities

Major Indices			
	Last	% day	% y/y
Dow	20,944	-0.05	22.7
S&P 500	2,371	-0.16	18.5
Nasdaq	5,846	-0.06	24.2
VIX	11	-1.33	-36.1
FTSE	7,339	-0.2	18.7
DAX	11,966	0.1	22.4
CAC 40	4,955	-0.3	11.5
Nikkei	19,344	-0.2	15.3
Shanghai	3,242	0.3	11.8
Hang Seng	23,681	0.4	18.3
ASX 200	5,761	0.3	12.8

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.20	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.11	-4.00
3/10 sprd	0.69	7.00
SPI	5744.0	-16.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	55.90	-0.2
Oil (WTI)	53.12	-0.2
Oil (Tapis)	57.10	1.0
Gold	1214.40	-0.9
CRB	188.02	-0.7
GS Metals	325.6	0.0
Aluminium	1866.5	0.0
Copper	5758.0	-1.5
Nickel	10595.8	-4.1
Zinc	2688.0	-1.7
Ch. steel	3477.0	-1.0
Iron ore	89.8	0.1
St. Coal	79.3	-1.2
Met.coal	163.3	0.0
Wheat Chic.	456.5	-0.4
Sugar	18.4	-3.9
Cotton	77.3	-1.4
Coffee	140.7	-0.5

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-0.2	-0.8%
FED	#N/A	#N/A

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	
Wednesday, 8 March 2017									
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		1464.1		1669.2	0.50	10.50	
JN	GDP SA QoQ/Annualised QoQ	4Q F		0.4/1.5		0.2/1.0	0.50	10.50	
CH	Foreign Direct Investment YoY CNY	Feb		-4.15		-9.2	8-18 Mar release		
CH	Trade Balance CNY	Feb		172		354.5	4.00	14.00	
CH	Exports/Imports YoY CNY	Feb		14.9/25.2		15.9/25.2	4.00	14.00	
CH	Trade Balance	Feb		27		51.4	4.30	14.30	
CH	Exports/Imports YoY	Feb		14/20		7.9/16.7	4.30	14.30	
JN	Eco Watchers Survey Current/Outlook SA	Feb		50		49.8/49.4	6.00	16.00	
JN	Leading Index CI	Jan P		105.4		104.8	6.00	16.00	
GE	Industrial Production SA MoM/YoY	Jan		2.7/-0.6		-3.0/-0.7	8.00	18.00	
UK	Chancellor Hammon presents Budget with new Budget and economy forecasts							12.30	22.30
US	MBA Mortgage Applications	Mar 3				5.8	13.00	23.00	
US	ADP Employment Change	Feb		188.5		246.0	14.15	0.15	
CA	Housing Starts	Feb		200		207.4	14.15	0.15	
US	Nonfarm Productivity/Unit labor costs	4Q F		1.5/1.6		1.3/1.7	14.30	0.30	
CA	Labor Productivity QoQ	4Q		0.4		1.2	14.30	0.30	
CA	Building Permits MoM	Jan		3		-6.6	14.30	0.30	
US	Wholesale Trade Inventories/Sales MoM	Jan F		-0.1/0.5		-0.1/2.6	16.00	2.00	
Thursday, 9 March 2017									
JN	Labor Cash Earnings/Real Earnings YoY	Jan		0.4/		0.1/-0.4	1.00	11.00	
UK	RICS House Price Balance	Feb		23		25.0	1.10	11.10	
CH	CPI/PPI YoY	Feb		1.7/7.7		2.5/6.9	2.30	12.30	
JN	Machine Tool Orders YoY	Feb P				3.5	7.00	17.00	
EC	OECD Interim Economic Outlook						11.00	21.00	
EC	ECB Main Refinancing Rate/Marginal Lending Facility	Mar 9		0/0.25		0.0/0.3	13.45	23.45	
EC	ECB Deposit Facility Rate/Asset Purchase Target	Mar 9		-0.4/80		-0.4/80	13.45	23.45	
EC	ECB's Draghi Press Conference						14.30	0.30	
US	Import Price Index/Ex Petroleum MoM	Feb		0.1/0.1		0.4/0.0	14.30	0.30	
US	Initial Jobless Claims	Mar 4		238		223	14.30	0.30	
CA	Capacity Utilization Rate	4Q		82.5		81.9	14.30	0.30	
CA	New Housing Price Index MoM/YoY	Jan		0.1/		0.1/3.0	14.30	0.30	
US	Bloomberg Consumer Comfort	Mar 5				49.8	15.45	1.45	
US	Household Change in Net Worth	4Q				1593.0	18.00	4.00	
Friday, 10 March 2017									
NZ	Card Spending Retail/Total MoM	Feb		-0.4/		2.7/2.5	22.45	8.45	
JN	BSI Large All Industry/Manufacturers QoQ	1Q		/		3.0/7.5	0.50	10.50	
JN	PPI MoM/YoY	Feb		0.2/1		0.6/0.5	0.50	10.50	
AU	Home Loans # MoM/Investment Lending \$ MoM	Jan	-1			0.4/-1.0	1.30	11.30	
GE	Current Account Balance	Jan		15.5		24.0	8.00	18.00	
GE	Labor Costs SA QoQ/YoY	4Q		/		0.8/2.5	8.00	18.00	
EC	EU leaders Summit on Brexit (excluding UK), Brussels							9.15	19.15
UK	Industrial Production MoM/YoY	Jan		-0.5/3.2		1.1/4.3	10.30	20.30	
UK	Manufacturing Production MoM/YoY	Jan		-0.7/2.9		2.1/4.0	10.30	20.30	
UK	Construction Output SA MoM/YoY	Jan		-0.2/0.3		1.8/0.6	10.30	20.30	
UK	Trade Balance	Jan		-3100		-3304.0	10.30	20.30	
UK	BoE/TNS Inflation Next 12 Mths	Feb				2.8	10.30	20.30	
CH	New Yuan Loans/Aggregate Financing CNY	Feb		950/1400		2030/3740	10-15 Mar release		
NZ	REINZ House Sales YoY	Feb				-14.7	10-14 Mar release		
US	Change in Nonfarm Payrolls/Unemployment rate	Feb		190/4.7		227.0/4.8	14.30	0.30	
US	Average Hourly Earnings MoM/YoY	Feb		0.3/2.8		0.1/2.5	14.30	0.30	
US	Underemployment/Participation Rate	Feb		/		9.4/62.9	14.30	0.30	
CA	Net Change in Employment/Unemployment Rate	Feb		-5/6.8		48.3/6.8	14.30	0.30	
UK	NIESR GDP Estimate	Feb		0.6		0.7	16.00	2.00	
US	Monthly Budget Statement	Feb		-170		51.3	20.00	6.00	
Saturday, 11 March 2017									
AU	WA State election								
Upcoming Central Bank Interest Rate Announcements									
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	0.75-1.00%	0.75-1.00%		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%			
Canada, BoC		12-Apr	0.5%	0.5%		0.5%			

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

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