

MARKETS TODAY

It Ain't Over 'til It's Over



Good Morning

The UK Brexit letter has finally been delivered, but market reaction has been fairly muted. US equity indices have traded in and out of positive territory and main European indices closed the day up between 0.29% and 0.45%. The USD is stronger against European currencies amid a report noting the ECB was wary of changing its policy message before June and commodity linked currencies are the outperformers with AUD and CAD at the top of the leader board, aided by the rise in oil prices and steadiness in iron ore.

The UK letter to Europe struck a conciliatory tone, but there was a notable underlying warning that EU security would be “weakened” if Britain left the block without a new comprehensive deal with Brussels. EU Council president, Donald Tusk, decided to focus on the letter’s positive tone and even showed a bit of sense of humour noting that “After nine months, the UK has delivered”. PM May addressed the House of Commons and called for early technical talks on a “bold and ambitious free trade agreement”. Chancellor Merkel on the other hand, took a hard line, saying Britain’s future relationship with the EU could be discussed only after a divorce settlement is reached which Europe believes is somewhere in the region of €60bn . So it is still early days and negotiations still have the potential to get messy. Recent history also suggests a deal could take several years, Canada’s free trade agreement took 5 years and then the ratification of the deal took another 2. The UK has started its divorce process, but as Lenny Kravitz ‘It Ain’t Over ‘til It’s Over’.

US equities are still struggling to get back into a positive trend. Yesterday financials were the winners and today they are at the bottom of the pile. Meanwhile the energy sector is leading the way, currently up 1.25%, helped along by the move higher in oil prices. After yesterday’s reports of disruptions in Libya’s oil output, oil prices rose again overnight following news that US crude stocks rose by less than expected. WTI is currently up 2.2% and Brent is 1.9%.

The move higher in oil, the steadiness in bulk commodities and the improvement in risk appetite has been a nice positive combo for the AUD. After trading to a low of 0.7588 on Tuesday, the AUD has been on a steady rise and is currently trading at 0.7672. Our AUD model is currently suggesting fair value is at 0.776, so on this measure the AUD still has room to climb a little bit higher.

GBP was under pressure yesterday during our Asian session and eventually traded to a low of 1.2377 just after the Brexit letter was delivered. That said the currency has been rising since midnight and now it is essentially back to where it was yesterday, currently trading at 1.2439.

A Reuters report noted that the ECB wants to reassure markets that that its extraordinary support isn’t yet

ending and that its tweak in its policy language was over- interpreted. The news saw the EUR dropped from 1.0790 to an overnight low of 1.074 and now it is trading at 1.0766.

The report also triggered a rally in bonds with German Bunds leading the way. 10y Bunds ended the day 4.5bps lower at 0.339% and after trading to an overnight high of 2.425%, 10y UST are down 5bps and currently trading at 2.378%.

US pending home sales jumped by 5.5% in February, well above the 2.5% expected by consensus, but the data was largely ignored by the market. Meanwhile Fed Williams said that “would not rule out more than three increases total for this year.” While Fe Rosenberg suggested that that four hikes in 2017 may be needed to guard against economic overheating.

Coming Up

This morning HIA New Homes Sales and Job vacancies are out in Australia and New Zealand publishes its Regional GDP estimates for the year ended March 2016. None of these data releases are expected to be market moving.

The European session should be more interesting with CPI prints for Spain and Germany along with the Euro Area consumer confidence reading for March. Ahead of tomorrow’s Euro Zone CPI, today’s releases for Spanish (2.7%yoy exp. vs 3.0% prev.) and German inflation are expected to have eased in March (1.8%yoy exp. vs 2.2% prev.). Given the increase chatter around ECB QE exit strategy, since the Bank’s meeting on March 9, we suspect softer than expected CPI readings could weight on the Euro as the market questions its expectations on timing of ECB QE tapering and the deposit rate lift-off.

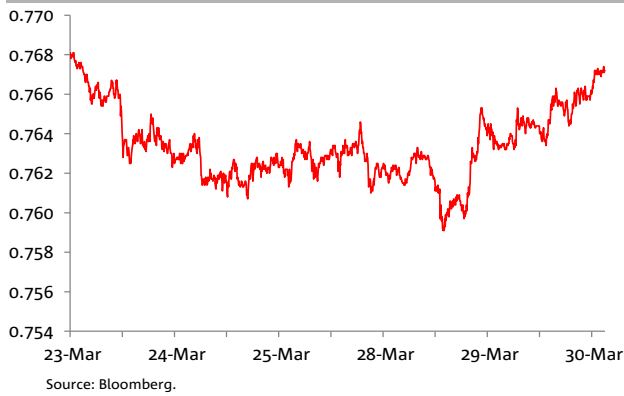
Later on, the US gets its third Q4 GDP reading along with weekly jobless claims and an abundance of Fed speakers. Fed Mester, Kaplan, Williams and Dudley are all in the roster, but given so many of them have already spoken this week, it is difficult to conceive that we are going to learn anything new. For choice Fed Dudley’s speech could be interesting as he will be talking on financial conditions and monetary policy (Dudley speaks at 7:30 tomorrow morning Sydney time).

Overnight

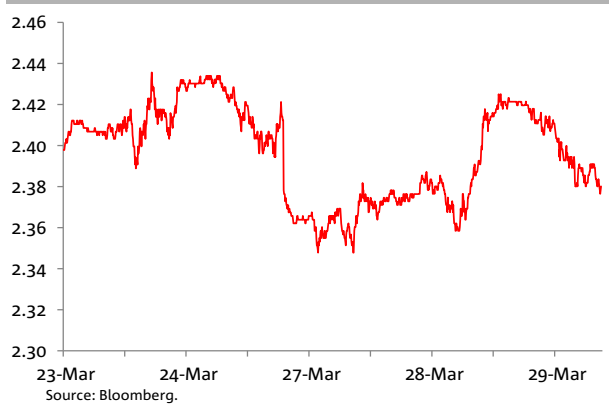
On global stock markets, the S&P 500 was +0.11%. Bond markets saw US 10-years -3.77bp to 2.38%. In commodities, Brent crude oil +1.93% to \$52.32, gold-0.3% to \$1,252, iron ore +0.3% to \$82.25, steam coal +0.0% to \$80.75, met.coal -0.6% to \$156.00. AUD is at 0.7668 and the range since yesterday 5pm Sydney time is 0.7633 to 0.7675.

Markets

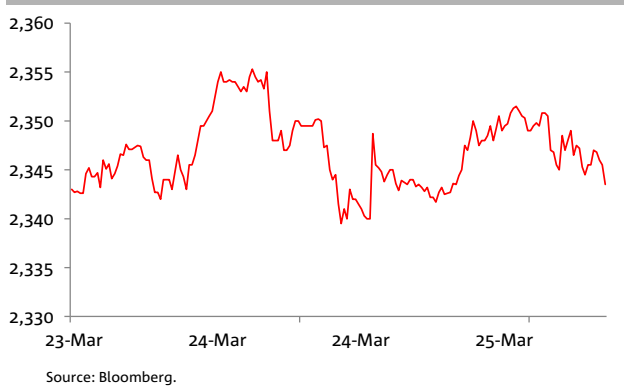
AUD/USD - past week



US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX		
	Last	% chge	Low	High	Last	% chge	
AUD	0.7668	0.5	0.7631	0.7675	HKD	7.7691	0.0
NZD	0.7033	0.3	0.6993	0.7039	CNY	6.8901	0.2
EUR	1.0765	-0.5	1.0740	1.0827	SGD	1.3939	-0.3
GBP	1.2439	-0.1	1.2377	1.2476	IDR	13,314	0.0
JPY	111.04	-0.1	110.72	111.32	THB	34.40	-0.2
CAD	1.3335	-0.4	1.3323	1.3401	KRW	1,114	0.1
AUD/EUR	0.7123	0.9	0.7057	0.7138	TWD	30.25	0.2
AUD/JPY	85.15	0.4	84.67	85.28	PHP	50.15	0.0
AUD/GBP	0.6165	0.5	0.6128	0.6180	CHF	1.00	0.4
AUD/NZD	1.0902	0.2	1.0881	1.0926	SEK	8.87	0.4
AUD/CNH	5.2800	0.3	5.2454	5.2550			

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.00	1.15	1.61	2.36	USD 10	2.38	-3.77
AUD	1.50	1.80	1.91	2.94	AUD 10	2.72	2.30 0.34
NZD	1.75	1.99	2.32	3.44	NZD 10	3.20	1.70 0.82
EUR	0.00	-0.33	-0.12	0.77	CAD 10	1.59	-3.80 -0.79
GBP	0.25	0.34	0.64	1.21	EUR 10	0.34	-4.40 -2.04
JPY	-0.04	0.02	0.05	0.25	GBP 10	1.15	-4.20 -1.23
CAD	0.50	0.93	1.08	1.87	JPY 10	0.06	0.00 -2.32

Equities

Major Indices	Last	% day	% y/y
	Dow	20,659	-0.20
S&P 500	2,361	0.11	14.9
Nasdaq	5,898	0.38	21.7
VIX	11	-0.95	-17.4
FTSE	7,374	0.4	20.8
DAX	12,203	0.4	23.4
CAC 40	5,069	0.5	16.1
Nikkei	19,217	0.1	13.9
Shanghai	3,241	-0.4	8.0
Hang Seng	24,392	0.2	17.3
ASX 200	5,874	0.9	17.2

Commodities*

	Last	% day
Oil (Brent)	52.32	1.9
Oil (WTI)	49.42	2.2
Oil (Tapis)	52.63	0.9
Gold	1252.20	-0.3
CRB	185.21	0.6
GS Metals	332.6	0.8
Aluminium	1955.0	0.9
Copper	5895.5	0.6
Nickel	9997.5	0.5
Zinc	2847.8	1.2
Ch. steel	3182.0	3.6
Iron ore	82.3	0.3
St. Coal	80.8	0.0
Met.coal	156.0	-0.6
Wheat Chic.	438.5	0.2
Sugar	17.1	-2.5
Cotton	76.1	-1.0
Coffee	139.3	0.3

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-0.2	-0.8%
FED	-1	-2.4%

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.21	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.27	2.50
3/10 sprd	0.53	0.50
SPI	5865.0	-52.0

*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/AEST
Thursday, 30 March 2017								
NZ	Regional GDP, year ended March	2016					22.45	8.45
AU	HIA New Home Sales MoM	Feb				-2.2	1.00	11.00
AU	Job vacancies	Feb				2.2	1.30	11.30
CH	Swift Global Payments CNY	Feb				1.7	2.00	12.00
CH	BoP Current Account Balance	4Q F				37.6	8.15	18.15
EC	Business Climate Indicator	Mar		0.87		0.8	10.00	20.00
GE	CPI MoM/YoY	Mar P		0.4/1.8		0.6/2.2	13.00	23.00
GE	CPI EU Harmonized MoM/YoY	Mar P		0.5/1.9		0.7/2.2	13.00	23.00
US	GDP Annualized QoQ	4Q T		2		1.9	13.30	23.30
CA	Industrial Product/Raw Materials Price MoM	Feb		0.4/0.9		0.4/1.7	13.30	23.30
US	Initial Jobless Claims	Mar 25		247		258.0	13.30	23.30
US	Fed's Mester speaks on Payment System Improvement						14.45	0.45
US	Bloomberg Consumer Comfort	Mar 26				51.3	14.45	0.45
US	Fed's Kaplan speaks in Washington						16.00	2.00
US	Fed's Williams speaks at Learning Community Event in New York						16.15	2.15
Friday, 31 March 2017								
NZ	Building Permits MoM	Feb				0.8	22.45	8.45
NZ	Annual Balance Sheets	07-15					22.45	8.45
UK	GfK Consumer Confidence	Mar		-7		-6.0	0.10	10.10
UK	Lloyds Business Barometer	Mar				40.0	0.10	10.10
JN	Jobless Rate/Job-to-Applicants Ratio	Feb		3/1.44		3.0/1.4	0.30	10.30
JN	Overall Household Spending YoY	Feb		-1.7		-1.2	0.30	10.30
JN	Natl CPI YoY	Feb		0.2		0.4	0.30	10.30
JN	Natl CPI Ex Fresh Food/Ex FF & EnergyYoY	Feb		0.2/0.1		0.1/0.2	0.30	10.30
JN	Tokyo CPI/Ex FF YoY	Mar		-0.2/-0.2		-0.3/-0.3	0.30	10.30
JN	Loans & Discounts Corp YoY	Feb				2.7	0.50	10.50
JN	Industrial Production MoM/YoY	Feb P		1.2/3.9		-0.4/3.7	0.50	10.50
NZ	ANZ Activity Outlook/Business Confidence	Mar		/		37.2/16.6	1.00	11.00
AU	Private Sector Credit MoM/YoY	Feb	0.4/5.2	0.5/5.3		0.2/5.4	1.30	11.30
AU	NAB Online Retail Sales Index	Feb				-0.5/11.7	1.30	11.30
CH	Manufacturing/Non-manufacturing PMI	Mar		51.6/		51.6/54.2	2.00	12.00
GE	Unemployment Change (000's)/Claims Rate	Mar		-10/5.9		-14.0/5.9	8.55	18.55
UK	Current Account Balance	4Q		-16		-25.5	9.30	19.30
UK	GDP QoQ/YoY	4Q F		0.7/2		0.7/2.0	9.30	19.30
UK	Index of Services MoM/3M/3M	Jan		0.2/0.7		0.2/0.8	9.30	19.30
UK	Total Business Investment QoQ/YoY	4Q F		-1/-0.9		-1.0/-0.9	9.30	19.30
EC	CPI Estimate/Core YoY	Mar		1.8/0.8		2.0/0.9	10.00	20.00
US	Personal Income	Feb		0.4		0.4	13.30	23.30
US	Personal Spending/Real Personal Spending	Feb		0.2/0.1		0.2/-0.3	13.30	23.30
US	PCE Deflator MoM/YoY	Feb		0.1/2.1		0.4/1.9	13.30	23.30
US	PCE Core MoM/YoY	Feb		0.2/1.7		0.3/1.7	13.30	23.30
CA	GDP MoM/YoY	Jan		0.3/1.9		0.3/2.0	13.30	23.30
CA	CFIB Business Barometer	Mar				62.9		
Sunday, 2 April 2017								
AU/NZ	Daylight saving ends in Australia and New Zealand							
Monday, 3 April 2017								
AU	AiG Perf of Mfg Index	Mar				59.3	0.30	9.30
JN	Nikkei Japan PMI Mfg	Mar F				52.6	0.30	9.30
JN	Tankan Large Mfg/Non-Mfg Index	1Q		14/19		10.0/18.0	0.50	9.50
JN	Tankan Large All Industry Capex	1Q		-0.5		5.5	0.50	9.50
AU	CoreLogic House Px MoM	Mar				1.4	1.00	10.00
AU	Melbourne Institute Inflation MoM/YoY	Mar				-0.3	2.00	11.00
AU	Retail Sales MoM	Feb				0.4	2.30	11.30
AU	Building Approvals MoM/YoY	Feb		/		1.8/-12.0	2.30	11.30
AU	ANZ Job Advertisements MoM	Mar				-0.7	2.30	11.30
CH	Caixin China PMI Mfg	Mar		51.5		51.7	2.45	11.45
AU	Commodity Index AUD/SDR YoY	Mar		/		120.9/56.0	7.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Mar F				58.3	8.55	17.55
EC	Markit Eurozone Manufacturing PMI	Mar F				56.2	9.00	18.00
UK	Markit UK PMI Manufacturing SA	Mar				54.6	9.30	18.30
EC	PPI MoM/YoY	Feb		/		0.7/3.5	10.00	19.00
EC	Unemployment Rate	Feb				9.6	10.00	19.00
CA	MLI Leading Indicator MoM	Feb				0.6	12.00	21.00
CA	Markit Canada Manufacturing PMI	Mar				54.7	14.30	23.30
US	Markit US Manufacturing PMI	Mar F				53.4	14.45	23.45
US	Wards Total Vehicle Sales	Mar		17.3		17.5		
CA	Bloomberg Nanos Confidence	Mar 31				58.5	15.00	0.00
US	ISM Manufacturing	Mar		56.8		57.7	15.00	0.00
US	Construction Spending MoM	Feb		1.3		-1.0	15.00	0.00
CA	Business Outlook Future Sales	1Q				26.0	15.30	0.30
CA	BoC Senior Loan Officer Survey	1Q				-2.6	15.30	0.30
US	Fed's Harker Speaks in Philadelphia on Fintech						20.00	5.00
US	Fed's Lacker Speaks in Lexington, Virginia						22.00	7.00
Tuesday, 4 April 2017								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Apr 2				113.8	0.30	9.30
AU	Trade Balance	Feb				1302.0	2.30	11.30
AU	RBA Cash Rate Target	Apr 4		1.5		1.5	5.30	14.30
UK	Markit/CIPS UK Construction PMI	Mar				52.5	9.30	18.30
EC	Retail Sales MoM/YoY	Feb		/		-0.1/1.2	10.00	19.00
US	Trade Balance	Feb		-46.65		-48.5	13.30	22.30
CA	Int'l Merchandise Trade	Feb				0.8	13.30	22.30
US	Factory Orders/Ex-trans	Feb		0.9/		1.2/0.3	15.00	0.00
NZ	QV House Prices YoY	Mar				13.5	18.00	3.00
AU	RBA's Heath Bloomberg Panel Participation						20.30	5.30
US	Fed's Tarullo speaks at Princeton University						21.30	6.30
Upcoming Central Bank Interest Rate Announcements								
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, Bol		27-Apr	-0.1%	-0.1%		-0.1%		
US Federal Reserve		4-May				0.75-1.00%		
New Zealand, RBNZ		11-May	1.75%	1.75%		1.75%		
UK BOE		11-May	0.25%	0.25%		0.25%		

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

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