

# MARKETS TODAY

## Chilled end to a big quarter



### Good Morning

U.S. equities fell on the last day of a solid quarter, comments from Fed Dudley drag 10y UST below 2.40% and the USD had a mixed night, softer against GBP and JPY, but stronger against most other G10. US data releases were also mixed and didn't have much of an impact on markets.

The S&P 500 ended Friday down 0.2%, but up 5.5% for the quarter. The Dow dropped 0.3% on Friday, but sealed the quarter with a solid 4.6% and the NASDAQ ended the week almost unchanged at 0.04% but up a whopping 9.8% in Q1, its best quarter since 2013. The VIX closed the week at 12.37, almost unchanged on the week and marginally higher than its average of 11.73 year to date.

The USD ended the week under a little bit of pressure, following the move lower in UST yields in last few hours of trading. In the event, DXY was little changed on the day (-0.06%) and after trading to a low of 98.85 on Monday, it closed the quarter above 100 and up 0.73% on the week (BBDXY was -0.1% on Friday and up 0.27% on the week). Looking at G10 currencies, EUR remained under pressure on Friday with the EU CPI data printing below expectations (headline CPI for March printed at 1.5% y/y versus 1.8% exp. while core CPI fell to 0.7% vs 0.8% exp.) and consistent with the softer German and Spanish CPI reading the previous day. On Monday EUR reached an intraday high of 1.0906, but it closed the week at 1.0652 weighed by a pull back in expectation for the timing on the ECB QE exit strategy. GBP was not only Friday's top G10 performer against the USD (0.62%), it was also the best performer for the week (0.66%), despite the fact that the UK formally commenced its divorce process with Europe. Cable ended the week at 1.2550 and with speculators still severely short, the risk of short covering as well as key technical levels suggest the pound can still tick a little bit higher.

Meanwhile the AUD has remained contained within its 0.7585 and 0.7685 range held since March 22. The pair closed the week at 0.7629, little changed on the week. AUD support from steady to stronger commodity prices has been offset by hesitant risk appetite amid uncertainty surrounding US trade and fiscal policy.. Similarly NZD has also been treading water, the NZ economy remains buoyant, but the outlook for dairy continues to weigh on the NZD. The kiwi ended the week just above the 70c mark, -0.31% on the week, but near the middle of its 0.6970-0.7090 range held over the past 10 days.

JPY is still a beta play on UST yields and with 10y USTs rallying on Friday from a high of 2.428% to close the week at 2.387%, USD/JPY followed the move dropping from ¥112.20 to ¥111.39. The move lower in UST yields was triggered by dovish comments from Fed Dudley with the NY Fed president noting that three interest-rate hikes in 2017 is a "reasonable" projection and that the central bank may also begin shrinking its balance sheet later this year or in 2018, possibly pausing rate increases in the process. However his comment that "we have maybe 100,

150 basis points of tightening ahead, perhaps" was interpreted as dovish as it suggested a terminal rate of somewhere in between 2% to 3% rather than the 3% suggested by the median dot plot.

US core PCE edged up a little on a yoy basis from 1.7% to 1.8% yoy (+0.2% m/m, Jan revised up), but the reading remains slightly below the Fed's 2% goal. US personal income and spending for February printed broadly as expected (income +0.4% in line, with a one-tenth upward rev, spending one tenth below f/c at +0.1%, with no rev). So the spending data continues to suggest Q1 is going to be soft for private consumption. The Atlanta Fed's GDP Now estimate slipped to just 0.9% for Q1.

As for commodities, WTI oil consolidated above the \$50 mark ending the week up 5.5% and in contrasting fortunes, iron ore closed the week at \$80.39, down 1.7% on the day and 5.5% on the week. Met coal was unchanged on Friday but up 14.8% on the week while gold and thermal coal were little changed on the day.

On Saturday and against the trend seen in the official PMI reading, China's Caixin PMI fell to 51.2 in March from 51.7 previously. Weakness was concentrated in exports, clouding the outlook on foreign demand

Core logic weekend market update reported yet another solid week of auctions across capital cities. The combined capital cities recorded a preliminary auction clearance rate of 78.1%, up from 74.5% in the previous week.

### Coming Up

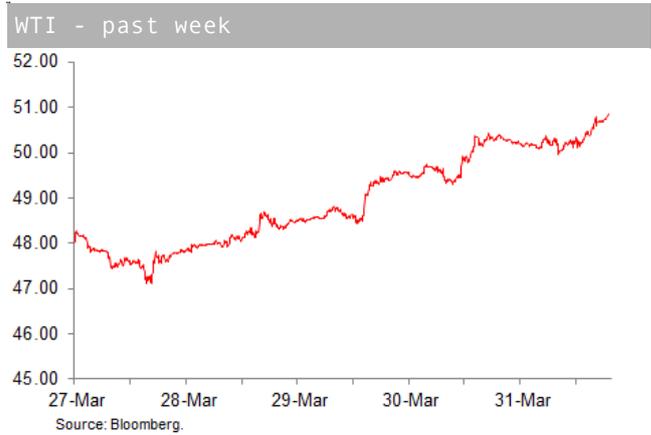
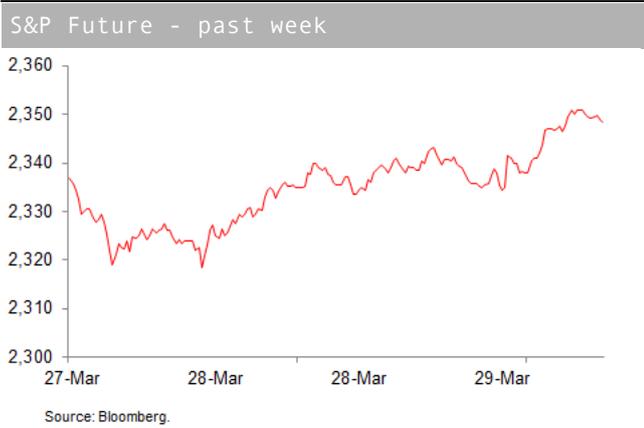
A negative end by US equities to Friday coupled with upcoming risk events suggest the AUD and NZD are likely to tread water at the start of the week. Impending US data releases have the potential to set the tone for risk sentiment over the near term, another round of positive readings starting with the ISM manufacturing tonight could work as a reminder that, politics aside, all is well in the USA and a solid US employment report on Friday would provide the Fed additional encouragement to "add a bit more fruit juice to the punch bowl" as Fed Dudley would remark. All that being said, the Xi -Trump Summit starting Thursday also looms large and any evidence of tension between the two leaders could heighten concerns of an imminent trade war.

As for today's calendar, Australia gets retail sales (Feb 0.3% exp. Vs 0.4% prev.) and building approval, Japan publishes its Tankan survey and the US releases its ISM Manufacturing for March (53.5 exp. vs 53.4 prev.). We also have another round of Fed speakers.

### Overnight

On global stock markets, the S&P 500 was -0.23%. Bond markets saw US 10-years -3.23bp to 2.39%. In commodities, Brent crude oil +0.75% to \$53.53, gold+0.2% to \$1,247, iron ore -1.7% to \$80.39, steam coal +1.0% to \$80.75, met.coal +0.0% to \$178.00. AUD is at 0.7635 and the range since Friday 5pm Sydney time is 0.7623 to 0.7663.

**Markets**



Foreign Exchange						
Indicative 24hr ranges (**)				Other FX		
	Last	% chge	Low	High	Last	% chge
AUD	0.7635	-0.1	0.7623	0.7663	HKD	7.7711 0.0
NZD	0.7000	0.1	0.6976	0.7017	CNY	6.8872 0.0
EUR	1.0662	-0.1	1.0652	1.0702	SGD	1.3976 0.0
GBP	1.2539	0.6	1.2434	1.2567	IDR	13,322 0.0
JPY	111.42	-0.4	111.25	112.20	THB	34.34 -0.3
CAD	1.3314	-0.2	1.3285	1.3368	KRW	1,118 0.1
AUD/EUR	0.7161	0.0	0.7130	0.7178	TWD	30.35 0.1
AUD/JPY	85.08	-0.5	84.95	85.77	PHP	50.20 0.1
AUD/GBP	0.6089	-0.6	0.6071	0.6153	CHF	1.00 0.1
AUD/NZD	1.0909	-0.1	1.0879	1.0967	SEK	8.96 0.2
AUD/CNH	5.2604	-0.5	5.1315	5.2749		

Interest Rates							
Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Spnd
USD	1.00	1.15	1.62	2.38	USD 10	2.39	-3.23
AUD	1.50	1.80	1.92	2.96	AUD 10	2.70	1.10 0.31
NZD	1.75	2.01	2.32	3.45	NZD 10	3.18	-0.80 0.79
EUR	0.00	-0.33	-0.13	0.76	CAD 10	1.63	-1.20 -0.76
GBP	0.25	0.34	0.62	1.18	EUR 10	0.33	-0.50 -2.06
JPY	-0.04	0.03	0.05	0.27	GBP 10	1.14	1.80 -1.25
CAD	0.50	0.94	1.10	1.90	JPY 10	0.07	0.20 -2.32

Equities				Commodities*	
Major Indices				Last	% day
	Last	% day	% y/y		
Dow	20,663	-0.31	16.1	Oil (Brent)	53.53 0.8
S&P 500	2,363	-0.23	14.0	Oil (WTI)	50.60 0.5
Nasdaq	5,912	-0.04	20.3	Oil (Tapis)	53.85 1.4
VIX	12	7.19	-5.6	Gold	1247.30 0.2
FTSE	7,323	-0.6	19.1	CRB	185.88 0.2
DAX	12,313	0.5	25.7	GS Metals	329.6 -1.5
CAC 40	5,123	0.6	18.5	Aluminium	1954.8 -0.5
Nikkei	18,909	-0.8	17.0	Copper	5824.0 -2.0
Shanghai	3,223	0.4	7.1	Nickel	9979.0 -1.1
Hang Seng	24,112	-0.8	17.6	Zinc	2756.3 -3.6
ASX 200	5,865	-0.5	17.3	Ch. steel	3166.0 0.4
				Iron ore	80.4 -1.7
				St. Coal	80.8 1.0
				Met.coal	178.0 0.0
				Wheat Chic.	439.0 1.2
				Sugar	16.8 -0.3
				Cotton	77.3 1.4
				Coffee	139.3 0.0

Overnight Futures		
	Last	Chge*
Australia		
3 mth bill	98.21	0.00
3 Yr bond	97.8	0.00
10 Yr bond	97.28	0.50
3/10 sprd	0.52	-0.50
SPI	5855.0	25.0

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-0.2	-0.8%
FED	0	0.8%

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
<b>Monday, 3 April 2017</b>								
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		-0.3		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	0.3%	0.3		0.4	2.30	11.30
AU	Building Approvals MoM/YoY	Feb	0.1%	-1.5/-14.5		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		51.7		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		58.3	8.55	17.55
EC	Markit Eurozone Manufacturing PMI	Mar F		56.2		56.2	9.00	18.00
UK	Markit UK PMI Manufacturing SA	Mar		55		54.6	9.30	18.30
EC	PPI MoM/YoY	Feb		0.25/4.35		0.7/3.5	10.00	19.00
EC	Unemployment Rate	Feb		9.5		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		17.4		17.5		
CA	Bloomberg Nanos Confidence	Mar 31				58.5	15.00	0.00
US	ISM Manufacturing	Mar		57		57.7	15.00	0.00
US	Construction Spending MoM	Feb		1.2		-1.0	15.00	0.00
US	Fed's Dudley speaks at a press briefing on US household debt						15.30	0.30
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
<b>Tuesday, 4 April 2017</b>								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Apr 2				113.8	0.30	9.30
AU	Trade Balance	Feb	1200	1700		1302.0	2.30	11.30
AU	RBA Cash Rate Target	Apr 4	1.5%	1.5		1.5	5.30	14.30
UK	Markit/CIPS UK Construction PMI	Mar		52.5		52.5	9.30	18.30
EC	Retail Sales MoM/YoY	Feb		0.2/0.8		-0.1/1.2	10.00	19.00
US	Trade Balance	Feb		-46.5		-48.5	13.30	22.30
CA	Int'l Merchandise Trade	Feb		0.67		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
<b>Wednesday, 5 April 2017</b>								
NZ	ANZ Job Advertisements MoM	Mar				0.4	23.00	8.00
UK	BRC Shop Price Index YoY	Mar				-1.0	0.10	9.10
AU	AiG Perf of Services Index	Mar				49.0	0.30	9.30
JN	Nikkei Japan PMI Services/Composite	Mar		/		51.3/52.2	1.30	10.30
NZ	ANZ Commodity Price	Mar				2.0	2.00	11.00
GE	Markit Germany Services/Composite PMI	Mar F		55.6/57		55.6/57.0	8.55	17.55
EC	Markit Eurozone Services/Composite PMI	Mar F		56.5/56.7		56.5/56.7	9.00	18.00
UK	New Car Registrations YoY	Mar		-0.3		-0.3	9.00	18.00
UK	Markit/CIPS UK Services/Composite PMI	Mar		53.5/		53.3/53.8	9.30	18.30
UK	Unit Labor Costs YoY	4Q		2.3		2.3	9.30	18.30
US	ADP Employment Change	Mar		180		298.0	13.15	22.15
US	Markit US Services PMI	Mar F				52.9	14.45	23.45
US	ISM Non-Manf. Composite	Mar		57		57.6	15.00	0.00
US	FOMC Meeting Minutes	Mar 15					19.00	4.00
<b>Thursday, 6 April 2017</b>								
AU	RBA's Debelle Speech in Sydney						23.40	8.40
CH	Caixin China PMI Services/Composite	Mar		/		52.6/52.6	2.45	11.45
JN	Consumer Confidence Index	Mar				43.1	6.00	15.00
GE	Factory Orders MoM/YoY	Feb		3.4/3.5		-7.4/-0.8	7.00	16.00
US	Challenger Job Cuts YoY	Mar				-40.0	12.30	21.30
EC	ECB account of the monetary policy meeting						12.30	21.30
CA	Building Permits MoM	Feb				5.4	13.30	22.30
US	Initial Jobless Claims	Apr 1				258.0	13.30	22.30
US	Fed's Williams Speaks on a Panel in Frankfurt						14.30	23.30
US	Bloomberg Consumer Comfort	Apr 2				49.7	14.45	23.45
<b>Friday, 7 April 2017</b>								
AU	AiG Perf of Construction Index	Mar				53.1	0.30	9.30
JN	Labor Cash Earnings YoY	Feb		0.5		0.5	1.00	10.00
JN	Leading Index CI	Feb P		104.6		104.9	6.00	15.00
GE	Industrial Production SA MoM/YoY	Feb		-0.3/0.6		2.8/0.0	7.00	16.00
GE	Current Account Balance	Feb				12.8	7.00	16.00
UK	Halifax House Prices MoM/3M YoY	Mar		/4.1		0.1/5.1	8.30	17.30
UK	Industrial Production MoM/YoY	Feb		-0.1/3.4		-0.4/3.2	9.30	18.30
UK	Manufacturing Production MoM/YoY	Feb		0.2/3.8		-0.9/2.7	9.30	18.30
UK	Construction Output SA MoM/YoY	Feb		/		-0.4/2.0	9.30	18.30
UK	Trade Balance	Feb		-1900		-1966.0	9.30	18.30
UK	NIESR GDP Estimate	Mar				0.6	13.00	22.00
CA	Net Change in Employment	Mar		3.2		15.3	13.30	22.30
CA	Unemployment Rate	Mar		6.7		6.6	13.30	22.30
US	Change in Nonfarm Payrolls/Unemployment Rate	Mar		174/4.7		235.0/4.7	13.30	22.30
US	Average Hourly Earnings MoM/YoY	Mar		0.3/2.8		0.2/2.8	13.30	22.30
CH	Foreign Reserves	Mar		3015		3005.1		
CA	Ivey Purchasing Managers Index SA	Mar				55.0	15.00	0.00
US	Wholesale Inventories MoM	Feb F				0.4	15.00	0.00
US	Consumer Credit	Feb		11		8.8	20.00	5.00
CH	Foreign Direct Investment YoY CNY	Mar				9.2		
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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%		
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

## CONTACT DETAILS

### **Authors**

David de Garis  
Senior Economist  
+61 3 8641 3045  
david.degaris@nab.com.au

Ray Attrill  
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

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