

MARKETS TODAY



That's why they call me Mrs Fahrenheit

Good Morning

The Pound soared 2.2% overnight following the UK PM's call for early elections. Polls currently put the Tories in front at 42% of the vote, up from the 37% result in the 2015 election, and there is a good chance that the government could increase its majority in Parliament and thereby cement its authority during Brexit negotiations. Elsewhere geopolitics and the unwind of the Trump-reflation trade continued with the US dollar down, US Treasury yields down, while Equities were weighed down by sharp falls in commodity prices (particularly industrial metals) along with disappointing earnings from Goldman Sachs. The rally in the pound gives inspiration for today's title "That's why they call me Mrs Fahrenheit", a play on the lyrics from Queen's [Don't Stop Me Now](#) inspired by the UK PM.

UK PM Theresa May called for a snap election on June 8 which has also been supported by Labour's Jeremy Corbyn. The Pound rallied hard on the news, up 2.2% with the pound reaching a high of 1.2905, but edging back to finish at 1.2844 - its highest level since early October 2016. My colleague Nick Parsons observed that the 2-cent rise has meant the GBP/USD has broken its 200 day moving average for the first time since the Brexit referendum and given net shorts in IMM CFTC data, short covering could see a break higher which could bring the September 2016 high of 1.3445 into focus.

The moves in the Pound were also helped along by general US dollar weakness with the US dollar index (BBDXY) down 0.8% overnight and at its lowest level since late March. Most other currency pairs were higher with the Euro up 0.8% and the Yen also up 0.4%. Underperforming were the commodity-linked currencies with the Aussie down 0.4% and the Canadian dollar down 0.5%.

Driving the weakness in the Aussie has been sharply lower iron ore prices (along with other industrial metals), with the iron ore price down 4.6% overnight to \$63.2 a tonne. A somewhat dovish RBA Minutes also added to the tone which played into the view of the RBA being on hold in 2017. The Minutes showed overt anxiety over the lack of labour market improvement with the Board concluding "developments in labour and housing markets warranted careful monitoring over coming months". Bumper jobs figures released last week should help alleviate these concerns in the short term while the RBA will take "some time" to assess the effectiveness of recent macro-prudential policies. NAB continues to see the RBA on hold in 2017 and 2018.

The other big mover overnight were bond yields. US Treasury Yields fell 8.2 bps overnight to finish at 2.17%. There was no immediate catalyst, and it seems it is a continuation of an unwinding of the Trump-reflation trade as activity picked up following Easter. Scepticism continues on Trump's ability to implement his legislative

agenda, with Treasury Secretary Mnuchin on Monday stating getting tax reform by August was "an aggressive timeline" and would probably get delayed due to healthcare. A soft CPI print on Friday also added to the uncertainty over the pace of activity given already weak expectations for Q1 GDP. German Bund yields also followed these moves, down 3.1 bps to 0.16%.

US Fed pricing for June now sits at 34%, down from 42% yesterday and there is only one more rate hike fully priced by the end of year. Despite moves in pricing, Fed officials are sticking to the script of two more rate hikes for this year. The Fed's George (non-voter) overnight stated she still sticks to the base case and that while the first quarter "looks soft" the Fed should not start "over-interpreting what it means for the longer term" and that she does not want to be in the position of "allowing inflation to overshoot the 2% goal or to press labour markets into a condition where they are overheating".

Equities fell across the board overnight with the EuroStoxx down 1.1% and S&P500 down 0.3%. The FTSE100 was down a sharp 2.5%, but a fair chunk of that weakness was due to commodities and health care – with sharp falls in Materials (-4.2%), Energy (-3.4%) and Healthcare (-3.4%). Industrial metal prices were all weaker across the board with particularly sharp falls in Nickel (-4.4%), Zinc (-3.7%) and Copper (-1.9%). The falls reflect some uncertainty around the outlook for commodity demand from China and the US.

Coming Up

It is a very quiet day domestically with only second-tier Weekly Consumer Confidence and Motor Vehicle Sales due for release. The international calendar also brings little in the way of excitement. Today sees the Eurozone Final CPI figures and the February Trade Balance. While CPI is important, today's figures are the final reading for March with the flash measure already having come and gone. That flash measure disappointed coming in at 1.5% y/y, below the expectation of a 1.8% increase. The final measure today is similarly expected to be 1.5% y/y and Core at 0.7% y/y. French politics will also continue to be under the microscope with the first round a virtual four horse race between Le Pen, Macron, Fillon, and Melenchon (election April 23 and May 7).

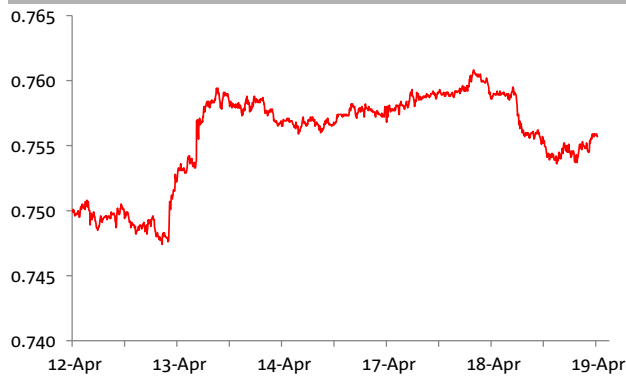
In the U.S. today we get the Fed's Beige Book and the Fed's Rosengren (non-voter, hawk) speaks at a Hyman Minsky Conference in New York.

Overnight

On global stock markets, the S&P 500 was -0.29%. Bond markets saw US 10-years -0.71bp to 2.17%. In commodities, Brent crude oil -0.87% to \$54.88, gold+0.2% to \$1,292, iron ore -4.6% to \$63.20, steam coal +0.2% to \$84.35, met.coal +1.3% to \$283.50. AUD is at 0.7558 and the range since yesterday 5pm Sydney time is 0.7534 to 0.7561.

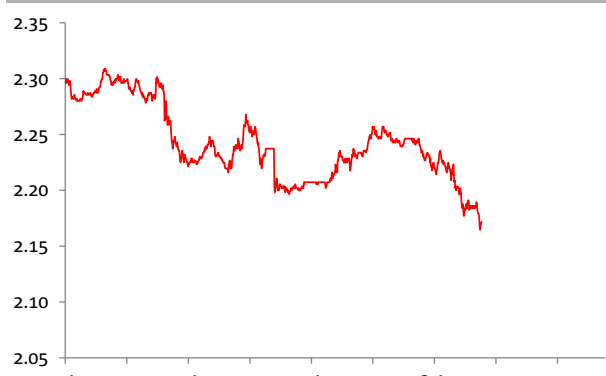
Markets

AUD/USD - past week



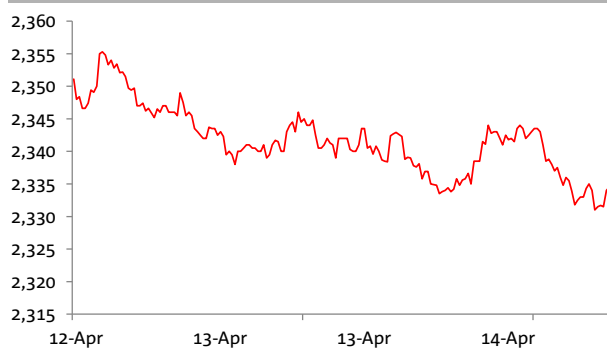
Source: Bloomberg.

US 10yr - past week



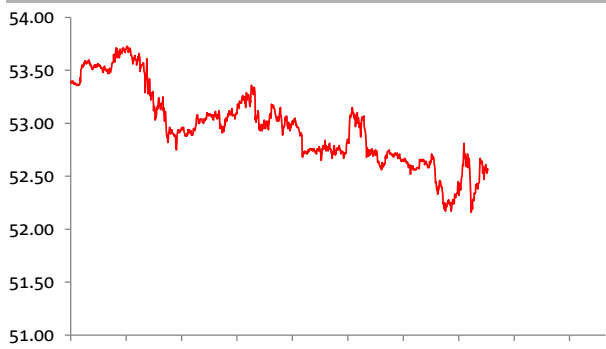
Source: Bloomberg.

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	0.7558	-0.4	0.7534	0.7596	HKD	7.7743 0.0
NZD	0.7039	0.4	0.7000	0.7043	CNY	6.8820 0.0
EUR	1.0729	0.8	1.0637	1.0736	SGD	1.3958 -0.2
GBP	1.2843	2.2	1.2516	1.2905	IDR	13,298 0.1
JPY	108.47	-0.4	108.32	109.22	THB	34.35 0.2
CAD	1.3380	0.5	1.3313	1.3400	KRW	1,142 0.4
AUD/EUR	0.7044	-1.2	0.7038	0.7140	TWD	30.40 0.2
AUD/JPY	81.98	-0.8	81.84	82.96	PHP	49.66 0.2
AUD/GBP	0.5885	-2.6	0.5867	0.6051	CHF	1.00 -0.8
AUD/NZD	1.0737	-0.8	1.0721	1.0833	SEK	8.96 -0.5
AUD/CNH	5.1943	-0.7	5.1813	5.2275		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	1.00	1.16	1.48	2.12	USD 10	2.17	-8.16
AUD	1.50	1.77	1.82	2.71	AUD 10	2.49	1.40 0.32
NZD	1.75	1.98	2.30	3.27	NZD 10	2.94	1.30 0.78
EUR	0.00	-0.33	-0.16	0.66	CAD 10	1.44	-8.00 -0.73
GBP	0.25	0.34	0.54	1.04	EUR 10	0.16	-3.10 -2.01
JPY	-0.05	0.01	0.02	0.20	GBP 10	1.01	-2.90 -1.15
CAD	0.50	0.94	1.05	1.71	JPY 10	0.01	0.20 -2.16

Equities

Major Indices			
	Last	% day	% y/y
Dow	20,523	-0.55	14.0
S&P 500	2,342	-0.29	11.8
Nasdaq	5,849	-0.12	17.9
VIX	14	-1.64	8.0
FTSE	7,148	-2.5	12.3
DAX	12,000	-0.9	18.9
CAC 40	4,990	-1.6	10.6
Nikkei	18,419	0.3	9.2
Shanghai	3,197	-0.8	5.1
Hang Seng	23,925	-1.4	11.6
ASX 200	5,837	-0.9	12.5

Commodities*

	Last	% day
Oil (Brent)	54.88	-0.9
Oil (WTI)	52.35	-0.6
Oil (Tapis)	55.15	-1.0
Gold	1291.70	0.2
CRB	186.54	-0.5
GS Metals	311.8	-2.4
Aluminium	1881.8	-0.7
Copper	5553.0	-1.9
Nickel	9265.5	-4.4
Zinc	2513.0	-3.7
Ch. steel	2828.0	-3.5
Iron ore	63.2	-4.6
St. Coal	84.4	0.2
Met.coal	283.5	1.3
Wheat Chic.	437.0	0.3
Sugar	16.7	1.4
Cotton	76.8	-0.3
Coffee	145.6	1.4

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.27	1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.53	8.00
3/10 sprd	0.27	-5.00
SPI	5790.0	62.0

*Change in bps

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	-1.1	-4.4%
FED	-1	-2.4%

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	AEST
Tuesday, 18 April 2017								
CH	China March Property Prices						2.30	11.30
AU	RBA April Rate Meeting Minutes	April					2.30	11.30
NZ	Non Resident Bond Holdings	Mar				62.6	4.00	13.00
CA	Int'l Securities Transactions	Feb				6.2	13.30	22.30
US	Housing Starts	Mar		1260		1288.0	13.30	22.30
US	Building Permits	Mar		1255		1213.0	13.30	22.30
CA	Existing Home Sales MoM	Mar				5.2	14.00	23.00
US	Fed's George Speaks at Bard College Conference						14.00	23.00
US	Industrial Production MoM	Mar		0.4		0.0	14.15	23.15
US	Capacity Utilization	Mar		76.1		75.4	14.15	23.15
US	Manufacturing (SIC) Production	Mar		0.2		0.5	14.15	23.15
EU	ECB Survey of Professional Forecasters							
Wednesday, 19 April 2017								
NZ	Performance Services Index	Mar				58.8	23.30	8.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Apr 16				114.8	0.30	9.30
AU	Westpac Leading Index MoM	Mar				-0.1	1.30	10.30
AU	New Motor Vehicle Sales MoM	Mar				-2.7	2.30	11.30
AU	New Motor Vehicle Sales YoY	Mar				-4.1	2.30	11.30
EC	Trade Balance SA	Feb				15.7	10.00	19.00
EC	Trade Balance NSA	Feb				-0.6	10.00	19.00
EC	CPI MoM	Mar				0.4	10.00	19.00
EC	CPI YoY	Mar F				2.0	10.00	19.00
EC	CPI Core YoY	Mar F				0.7	10.00	19.00
US	MBA Mortgage Applications	Apr 14				1.5	12.00	21.00
US	Fed's Rosengren Speaks at Bard College Conference						17.00	2.00
US	U.S. Federal Reserve Releases Beige Book						19.00	4.00
Thursday, 20 April 2017								
NZ	CPI QoQ	1Q		0.8		0.4	23.45	8.45
NZ	CPI YoY	1Q		2		1.3	23.45	8.45
JN	Trade Balance	Mar		616.85		813.4	0.50	9.50
JN	Trade Balance Adjusted	Mar		229.75		680.3	0.50	9.50
JN	Exports YoY	Mar		5.5		11.3	0.50	9.50
JN	Imports YoY	Mar		10		1.2	0.50	9.50
AU	RBA FX Transactions Market	Mar				282.0	2.30	11.30
AU	NAB Business Confidence	1Q				5.0	2.30	11.30
GE	PPI MoM	Mar				0.2	7.00	16.00
GE	PPI YoY	Mar				3.1	7.00	16.00
JN	Convenience Store Sales YoY	Mar				-1.7	8.00	17.00
EC	Construction Output MoM	Feb				-2.3	10.00	19.00
EC	Construction Output YoY	Feb				-6.2	10.00	19.00
US	Initial Jobless Claims	Apr 8		245		234.0	13.30	22.30
US	Continuing Claims	Apr 1		2024		2028.0	13.30	22.30
US	Philadelphia Fed Business Outlook	Apr		25.5		32.8	13.30	22.30
UK	CBI Trends Total Orders	Apr				8.0	11.00	20.00
UK	CBI Trends Selling Prices	Apr				29.0	11.00	20.00
UK	CBI Business Optimism	Apr				15.0	11.00	20.00
JN	Supermarket Sales YoY	Mar				-3.3	6.00	15.00
EC	Consumer Confidence	Apr A				-5.0	15.00	0.00
US	Leading Index	Mar		0.2		0.6	15.00	0.00
Friday, 21 April 2017								
JN	Nikkei Japan PMI Mfg	Apr P				52.4	1.30	10.30
NZ	ANZ Consumer Confidence Index	Apr				125.2	2.00	11.00
NZ	ANZ Consumer Confidence MoM	Apr				-1.7	2.00	11.00
JN	Tertiary Industry Index MoM	Feb				0.0	5.30	14.30
GE	Markit/BME Germany Manufacturing PMI	Apr P				58.3	8.30	17.30
GE	Markit Germany Services PMI	Apr P				55.6	8.30	17.30
GE	Markit/BME Germany Composite PMI	Apr P				57.1	8.30	17.30
EC	Markit Eurozone Manufacturing PMI	Apr P				56.2	9.00	18.00
EC	Markit Eurozone Services PMI	Apr P				56.0	9.00	18.00
EC	Markit Eurozone Composite PMI	Apr P				56.4	9.00	18.00
EC	ECB Current Account SA	Feb				24.1	9.00	18.00
EC	Current Account NSA	Feb				2.5	9.00	18.00
UK	Retail Sales Ex Auto Fuel MoM	Mar		-0.3		1.3	9.30	18.30
UK	Retail Sales Ex Auto Fuel YoY	Mar		3.9		4.1	9.30	18.30
UK	Retail Sales Inc Auto Fuel MoM	Mar		-0.2		1.4	9.30	18.30
UK	Retail Sales Inc Auto Fuel YoY	Mar		3.6		3.7	9.30	18.30
CA	CPI Core- Trim YoY%	Mar				1.6	13.30	22.30
CA	CPI Core- Median YoY%	Mar				1.9	13.30	22.30
CA	CPI NSA MoM	Mar				0.2	13.30	22.30
CA	CPI YoY	Mar				2.0	13.30	22.30
CA	CPI Core- Common YoY%	Mar				1.3	13.30	22.30
CA	Consumer Price Index	Mar				129.7	13.30	22.30
US	Markit US Manufacturing PMI	Apr P		53.5		53.3	14.45	23.45
US	Markit US Services PMI	Apr P				52.8	14.45	23.45
US	Markit US Composite PMI	Apr P				53.0	14.45	23.45
US	Existing Home Sales	Mar		5.55		5.5	15.00	0.00
US	Existing Home Sales MoM	Mar		1.28		-3.7	15.00	0.00
Monday, 24 April 2017								
UK	CBI Trends Total Orders	Apr				8.0	11.00	20.00
UK	CBI Trends Selling Prices	Apr				29.0	11.00	20.00
UK	CBI Business Optimism	Apr				15.0	11.00	20.00
JN	Supermarket Sales YoY	Mar				-3.3	6.00	15.00
JN	Leading Index CI	Feb F				104.4	6.00	15.00
JN	Coincident Index	Feb F				115.5	6.00	15.00
GE	IFO Business Climate	Apr				112.3	9.00	18.00
GE	IFO Expectations	Apr				105.7	9.00	18.00
GE	IFO Current Assessment	Apr				119.3	9.00	18.00
EC	Govt Debt/GDP Ratio	2016				#N/A	N/A	10.00
CA	Wholesale Trade Sales MoM	Feb				3.3	13.30	22.30
US	Chicago Fed Nat Activity Index	Mar				0.3	13.30	22.30
FALSE	Conference Board China March Leading Economic Index	#N/A Invalid Security		#N/A Invalid Security		#N/A Invalid Security	#VALUE!	#VALUE!
GE	Import Price Index MoM	Mar				0.7	#VALUE!	#VALUE!
GE	Import Price Index YoY	Mar				7.4	#VALUE!	#VALUE!
UK	CBI Retailing Reported Sales	Apr				9.0	11.00	20.00
UK	CBI Total Dist. Reported Sales	Apr				32.0	11.00	20.00
JN	Small Business Confidence	Apr				50.5	6.00	15.00
CA	Bloomberg Nanos Confidence	Apr 14				58.9	15.00	0.00
US	Dallas Fed Manf. Activity	Apr				16.9	15.30	0.30
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		2-May	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%		0.75-1.00%		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; AEST: Australian Eastern Standard Time

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