

MARKETS TODAY

Dollar Days



Good Morning

The recovery in US equities continued on Friday and unlike Thursday, European equities also managed to record some gains. US Treasury yields were little changed, but the USD was softer across the board more than reversing Thursday's gains. The Big Dollar was on a steady decline for the whole of Friday with political news seemingly still weighing on the currency while equity markets focus appears to have shifted back towards the outlook on the economy and strong corporate earnings. North Korea test another missile on Sunday, but market reaction has been muted so far this morning.

The USD came under renewed downward pressure on Friday following a Washington Post Report stating that a current senior White House adviser is a person of interest on the FBI Russian probe during the election campaign. Meanwhile former FBI Director Comey has agreed to testify in public before the Senate Intelligence Committee after Memorial day at the end of the month.

On better news over the weekend, Saudi Arabia and the US announced several agreements from defense to gas and oil industries with the Pentagon reporting a package totalling approximately \$110 billion in arms purchases". The White House noted the deal would support "tens of thousands of new jobs in the U.S."

USD weakness on Friday was broad based with both DXY (-0.75%) and BBXY (-0.63%) indices showing a steady decline on the intraday chart. The Euro (+0.93%) and other European currencies (NOK +1.32%, DKK +0.91%, SKE +0.88%) were the top G10 outperformers while commodity-linked currencies made relatively modest gains (CAD 0.68%, AUD 0.54% NZD 0.36%).

The EUR closed the week above 1.12 for the first time since November 9 last year and it has risen close to 6% since mid April. The rapid rise in the currency is now getting to a point where the ECB is likely to become uncomfortable. The Central Bank monetary policy measures have been focused on reviving inflation within the Euro area, but a strong currency could potentially undermine these efforts. Bundesbank President Weidmann said "domestic price pressures are still subdued. But the economic recovery will gradually allow it to increase. This must be adequately taken into account in our forward-looking monetary policy".

USD weakness also helped GBP regained a 1.30 handle, closing up 0.8% and this morning the pound trades at to 1.3017. In a weekend interview, UK Brexit secretary Davis suggested that the UK would quit talks on leaving the EU unless the bloc drops its demands for a divorce payment as high as €100b. "The first crisis or argument is going to be over sequencing", he said.

The AUD closed the NY session on Friday at 0.7459 (currently at 0.7447), after trading to a short lived high of 0.7470 in the London morning session. Meanwhile

despite decent gains in oil prices, softer than expected retail sales and CPI readings prevented the CAD from making bigger inroads against the USD. WTI closed the week up 2% on the day and back above the \$50 mark for the first time since April 26 (Brent was 2.12%). Speculation of an extension to oil production cuts continues to support the move higher in oil prices. On this score, Saudi Arabia's energy minister Khalid Al-Falih said on Saturday that he believed everybody was on board favouring an extension to the production cuts agreement. OPEC are due to meet formally on Thursday.

US equities continued to recover on Friday with the S&P 500 climbing 16 points to 2381 (+0.68%) while the Dow (+0.69%) and NASDAQ (0.47%) also closed the week on a positive note. That said the positive returns on the last two days of the week were not enough to reverse the mid-week damage triggered by controversial reports on the Trump administration. The S&P 500 ended 0.38% down on the Week, the Dow was -0.44% and the NASDAQ -0.61%. The VIX closed the week at 12 (-18%).

10y UST yields closed the week at 2.325%, half a bps higher relative to Thursday's close while the 2y rate was essentially unchanged at 1.272%. Corporate issuance pushed longer dated yields higher, but US political turbulence capped the move keeping rates constrained within a relatively tight range.

US Fed's Bullard (non-voter) said recent economic data has been weak suggesting the current FOMC's contemplated policy rate path is overly aggressive relative to actual incoming data on U.S. macroeconomic performance". Interestingly Bullard also commented on recent political events noting, "Even if there is political turmoil, it would just mean that Washington was paralysed in terms of making macroeconomic policy decisions. But that wouldn't be any different than divided government which we have had in the past".

Coming Up

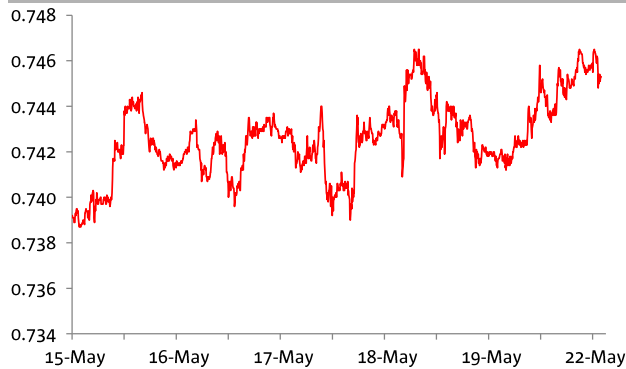
We have a light start to the week with Japan's trade data and Chicago's activity index the notable releases for today. Looking at the rest of the week, AU Construction Work Done (Wed) and NZ Budget (Thurs) are the regional highlights. Trump Budget is expected Tuesday, then FOMC Minutes Wednesday, OPEC meets Thursday and then the G7 meets Friday-Saturday in Italy. More Fed and ECB speakers too.

Overnight

On global stock markets, the S&P 500 was +0.68%. Bond markets saw US 10-years +0.52bp to 2.23%. In commodities, Brent crude oil +2.09% to \$53.61, gold+0.1% to \$1,254, iron ore +1.8% to \$62.69, steam coal +0.3% to \$74.25, met. coal +0.0% to \$174.50. AUD is at 0.7447 and the range since Friday 5pm Sydney time is 0.7407 to 0.7470.

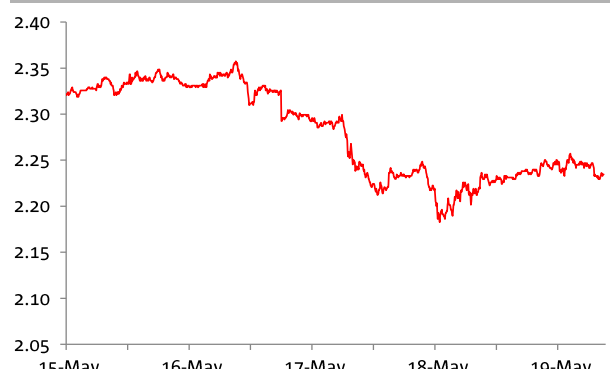
Markets

AUD/USD - past week



Source: Bloomberg.

US 10yr - past week



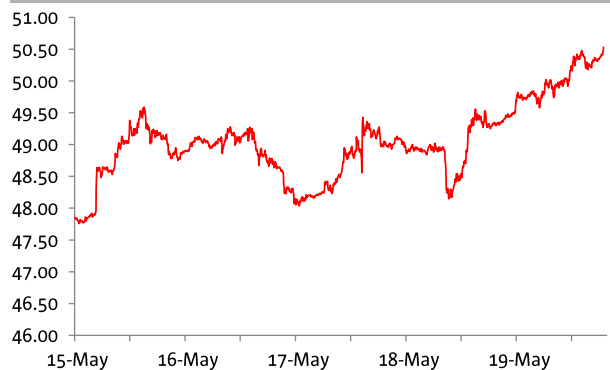
Source: Bloomberg.

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	0.7447	0.4	0.7407	0.7470	HKD	7.7831 0.0
NZD	0.6921	0.3	0.6882	0.6939	CNY	6.8850 -0.1
EUR	1.1207	0.9	1.1097	1.1212	SGD	1.3860 -0.5
GBP	1.3018	0.6	1.2927	1.3040	IDR	13,325 -0.2
JPY	111.15	-0.3	110.88	111.70	THB	34.33 -0.6
CAD	1.3517	-0.6	1.3509	1.3611	KRW	1,127 0.2
AUD/EUR	0.6643	-0.6	0.6638	0.6695	TWD	30.19 -0.1
AUD/JPY	82.77	0.1	82.34	83.43	PHP	49.81 -0.1
AUD/GBP	0.5717	-0.3	0.5704	0.5747	CHF	0.97 -0.7
AUD/NZD	1.0760	0.1	1.0741	1.0821	SEK	8.73 -0.9
AUD/CNH	5.1309	0.2	5.1014	5.1395		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	1.00	1.19	1.51	2.17	USD 10	2.23	0.52
AUD	1.50	1.74	1.81	2.72	AUD 10	2.48	-2.50 0.24
NZD	1.75	1.98	2.23	3.24	NZD 10	2.84	0.80 0.60
EUR	0.00	-0.33	-0.14	0.80	CAD 10	1.48	3.00 -0.76
GBP	0.25	0.30	0.55	1.15	EUR 10	0.37	2.50 -1.87
JPY	-0.05	-0.01	0.04	0.24	GBP 10	1.09	3.50 -1.14
CAD	0.50	0.89	1.01	1.75	JPY 10	0.04	-0.70 -2.19

Equities

Major Indices			
	Last	% day	% y/y
Dow	20,805	0.69	18.9
S&P 500	2,382	0.68	16.1
Nasdaq	6,084	0.47	27.6
VIX	12.04	-17.87	-20.8
FTSE	7,471	0.5	21.4
DAX	12,639	0.4	27.5
CAC 40	5,324	0.7	22.3
Nikkei	19,591	0.2	17.1
Shanghai	3,091	0.0	9.4
Hang Seng	25,175	0.2	26.8
ASX 200	5,727	-0.2	7.0

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.27	-1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.50	-1.00
3/10 sprd	0.30	1.00
SPI	5752.0	-22.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	53.61	2.1
Oil (WTI)	50.33	2.0
Oil (Tapis)	53.37	2.8
Gold	1253.60	0.1
CRB	185.08	1.4
GS Metals	318.9	1.7
Aluminium	1938.8	1.1
Copper	5676.0	1.9
Nickel	9332.0	2.1
Zinc	2612.0	3.4
Ch. steel	3334.0	6.9
Iron ore	62.7	1.8
St. Coal	74.3	0.3
Met.coal	174.5	0.0
Wheat Chic.	448.5	2.0
Sugar	16.4	2.2
Cotton	79.5	0.3
Coffee	132.1	1.9
Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-0.5	-2.0%
FED	17	68.8%

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	AEST
Monday, 22 May 2017								
JN	Trade Balance Adjusted	Apr		259.55		172.2	0.50	9.50
JN	Leading Index CI	Mar F				105.5	6.00	15.00
US	Chicago Fed Nat Activity Index	Apr		0.1		0.1	13.30	22.30
CH	Conference Board China April Leading Economic Index						14.00	23.00
US	Fed's Harker speaks in Singapore						15.00	0.00
CA	Bloomberg Nanos Confidence	May 19				58.1	15.00	0.00
US	Fed's Kashkari speaks at Minneapolis Fed Conference						15.30	0.30
AU	RBA's Debelle Speech in Basel: How I Learned to Stop Worrying and Love the Basis – at the BIS Symposium: CIP – RIP?						18.30	3.30
Tuesday, 23 May 2017								
US	Fed's Brainard speaks on Role of Inclusion in Economy						0.30	9.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	May 21				109.4	0.30	9.30
US/CH	Fed's Evans speaks in Shanghai						2.10	11.10
JN	All Industry Activity Index MoM	Mar		-0.5		0.7	5.30	14.30
JN	Machine Tool Orders YoY	Apr F				34.7	7.00	16.00
GE	GDP SA QoQ/YoY	1Q F		0.6/1.7		0.6/1.7	7.00	16.00
GE	IFO Business Climate	May		113.1		112.9	9.00	18.00
GE	IFO Current Assessment/Expectations	May		121		121.1	9.00	18.00
UK	Public Finances (PSNCR)	Apr				34.3	9.30	18.30
UK	CBI Retailing/Distributive Reported Sales	May		10		38.0	11.00	20.00
CA	Wholesale Trade Sales MoM	Mar		1		-0.2	13.30	22.30
US	Fed's Kashkari speaks with reports in Minneapolis						14.00	23.00
US	New Home Sales, #/MoM	Apr		610/-1.8		621.0/5.8	15.00	0.00
US	Richmond Fed Manufact. Index	May		15		20.0	15.00	0.00
US	Fed's Kashkari speaks in Minneapolis						20.15	5.15
US	Fed's Harker speaks in New York						22.00	7.00
Wednesday, 24 May 2017								
NZ	Trade Balance NZD/YTD	Apr		266.5		332.0	23.45	8.45
NZ	RBNZ Governor Wheeler Speaks in Hamilton (Not Public)						1.00	10.00
JN	BOJ Kuroda speaks in Tokyo						1.00	10.00
AU	Westpac Leading Index MoM	Apr				0.1	1.30	10.30
JN	Nikkei Japan PMI Mfg	May P				52.7	1.30	10.30
AU	Skilled Vacancies MoM	Apr				-0.6	2.00	11.00
AU	Construction Work Done	1Q	-0.5	-0.5		-0.2	2.30	11.30
AU	NAB Consumer Behaviour Survey (Cons. Anxiety Index)	1Q				58.7	2.30	11.30
NZ	New Residential Lending YoY	Apr				-8.9	4.00	13.00
GE	GfK Consumer Confidence	Jun		10.2		10.2	7.00	16.00
GE	Markit/BME Germany Manufacturing PMI	May P		58/55.5		58.2/55.4	8.30	17.30
GE	Markit Germany Services/Composite PMI	May P		55.5		55.4	8.30	17.30
EC	Markit Eurozone Manufacturing PMI	May P		56.5/56.4		56.7/56.4	9.00	18.00
EC	Markit Eurozone Services/Composite PMI	May P		56.4		56.4	9.00	18.00
EC	ECB's Praet (Chf Economist) speaks in Sofia						9.30	18.30
EC	ECB's Draghi speaks in Madrid						13.45	22.45
US	FHFA House Price Index MoM	Mar		0.5		0.8	14.00	23.00
US	House Price Purchase Index QoQ	1Q				1.5	14.00	23.00
US	Markit US Manufacturing PMI	May P		53.1		52.8	14.45	23.45
US	Markit US Services/Composite PMI	May P		53.3/		53.1/53.2	14.45	23.45
CA	Bank of Canada Rate Decision	May 24		0.5		0.5	15.00	0.00
US	Existing Home Sales, #/MoM	Apr		5.65/-1.05		5.7/4.4	15.00	0.00
US	FOMC Meeting Minutes	May 3					19.00	4.00
Thursday, 25 May 2017								
US	Fed's Kaplan speaks in Toronto						23.00	8.00
US	Fed's Kashkari speaks in Wisconsin						23.30	8.30
CN	Swift Global Payments CNY	Apr				1.8	2.00	11.00
NZ	Government Budget						3.00	12.00
AU	RBA's Debelle Remarks in London at the launch of the FX Global Code, FX Week						9.00	18.00
UK	BBA Loans for House Purchase	Apr		40800		41061.0	9.30	18.30
UK	GDP QoQ/YoY (revision)	1Q P		0.3/2.1		0.3/2.1	9.30	18.30
UK	Index of Services MoM/ 3m/3M	Mar		0/0.3		0.2/0.5	9.30	18.30
UK	Total Business Investment QoQ/YoY	1Q P		0.3/		-0.9/-0.9	9.30	18.30
US	Advance Goods Trade Balance	Apr		-64.65		-64.2	13.30	22.30
US	Wholesale/Retail Inventories MoM	Apr P		0.2		0.2	13.30	22.30
US	Initial Jobless Claims	May 20		238		232	13.30	22.30
US	Bloomberg Consumer Comfort	May 21				50.2	14.45	23.45
US	Fed's Brainard Panel Discussion on Global Economy						15.00	0.00
US	Kansas City Fed Manf. Activity	May		8.5		7.0	16.00	1.00
EC	ECB's Constancio speaks in Lisbon						18.00	3.00
CA	Bank of Canada Deputy Governor Sylvain Leduc Speech						22.20	7.20
Friday, 26 May 2017								
JN	Natl CPI YoY	Apr		0.4		0.2	0.30	9.30
JN	Natl CPI Ex Fresh Food/Ex Fresh Food, Energy YoY	Apr		0.4/0		0.2/-0.1	0.30	9.30
JN	Tokyo CPI YoY	May		0		-0.1	0.30	9.30
JN	Tokyo CPI Ex-Fresh Food/Ex-Fresh Food, Energy YoY	May		0/-0.1		-0.1/-0.1	0.30	9.30
JN	PPI Services YoY	Apr		0.9		0.8	0.50	9.50
US	Fed's Bullard Speaks on U.S. economy in Tokyo						3.00	12.00
AU	RBA's Richards (Head of Payments Policy) Panel Participation at Australian Retail Banking Summit						5.30	14.30
US	GDP Annualized/Core PCE QoQ	1Q S		0.9/2		0.7/2.0	13.30	22.30
US	Durable Goods Orders/Ciore Orders	Apr P		-1.5/0.5		0.9/0.5	13.30	22.30
US	U. of Mich. Sentiment/5-10Yr Inflation	May F		97.5/		97.7/2.3	15.00	0.00
Saturday, 27 May 2017								
CH	Industrial Profits YoY	Apr				23.8	2.30	11.30
Upcoming Central Bank Interest Rate Announcements								
Canada, BoC		25-May	0.5%	0.5%		0.5%		
Australia, RBA		6-Jun	1.50%	1.50%		1.50%		
Europe ECB		8-Jun	-0.4%	-0.4%		-0.4%		
UK BOE		15-Jun	0.25%	0.25%		0.25%		
US Federal Reserve		15-Jun	0.75-1.00%	0.75-1.00%		0.75-1.00%		
Japan, BoJ		16-Jun	-0.1%	-0.1%		-0.1%		
New Zealand, RBNZ		22-Jun	1.75%	1.75%		1.75%		

GMT: Greenwich Mean Time; AEST: Australian Eastern Standard Time

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