

MARKETS TODAY

What goes on



Good morning

It's been a night where oil news took centre stage in the lead up to the end of the week with liquidity likely thinner today/tonight into the US long weekend with the US Memorial Day holiday on Monday.

OPEC had their formal meeting, and what they agreed to do was extend the 1mbpd cut for another nine months. Clearly the market was expecting/hoping for more, both WTI and Brent crude down around \$2.75/bbl (both over 5%) with futures curves across tenors also down similarly.

Saudi Oil Minister Khalid Al-Falih said "we've said we'll do whatever is necessary" after the meeting. But clearly what was announced has not been enough, for now anyway. Spot WTI is back down to levels in the middle of the month, before the stories started to grow louder about extending the cuts. What's been announced bears little resemblance to the 4.8mbp cuts announced in the Asia crisis and during the GFC.

Not unexpectedly, the Canadian dollar has been softer in the session, retracing back up from below 1.34 reached during the APAC session yesterday to over 1.3480 as we go to press this morning. A larger casualty for the overnight session has been the AUD, down from over 0.75 yesterday – levels it has not been able to crack and hold decisively this week – to around 0.7450/60.

Moody's downgrade of China earlier this week, no new clear direction on iron ore (down \$0.28/t overnight) and a somewhat softer than expected Construction Work Done print have been neutral to mild headwinds. And in the wake of FOMC Minutes that failed to inspire any new buying of the USD, the market at the end of the day continues to price in the high likelihood of the FOMC hiking rates again at the June 15 meeting and the even money odds of another before year end.

Overnight, US jobless claims continued at very low levels (234k after 233k), a pointer to continued employment growth, counterbalanced by a wider than expected good trade deficit for April and a larger than expected decline in wholesale inventories. Little to no market impact was the result, but it's a sign that the GDP bounceback in Q2 might need to be trimmed a little.

On the Fed speakers' front, Fed Governor Lael Brainard was speaking again, this time at a global economy event and sounding quite positive on the world economic outlook, noting a stabilisation in Japan and that the outlook in Europe was solidifying. The view from outside Europe though appeared not to be wholly endorsed by ECB Vice President Vitor Constancio (ex Governor, Banco de Portugal) who, while noting the "very positive evolution" in the Portuguese economy also said that overall risks remain tilted to the downside, an attempt, the market could presume, to curtail expectations of the ECB winding back QE soon. Through

all this, the Euro has eased back in a night of indecisive currency moves. US equities have closed with the Dow up 0.34%, the S&P +0.44% and interestingly, despite the 1.79% decline in energy stocks. US bond yields are little changed.

RBA Governor Guy Debelle was speaking in London overnight and did not stray from the purpose of his visit which was to speak at the Launch of the FX Global Code of Conduct. He was speaking how the Code is a principles-centred approach rather than rules-based.

Coming Up

Japan's monthly CPI reports (9.30 AEST) are always watched for any progress in lifting Japanese inflation. This one for April (coming with the May figures for Tokyo) would see headline inflation inching up to 0.4% y/y from 0.2%, with a broadly similar rise in core rates also tipped.

Also in our time zone, Fed President Bullard is speaking on the US economy in Tokyo, at midday AEST. The market is well aware of his views of steady rates but the Fed beginning to wind down its bloated balance sheet as consistent, in his view, with the Fed's gradual removal of policy accommodation strategy. Also today, RBA Head of Payments Policy Tony Richards is on a panel at a Retail Banking Conference: there's always the potential for some comments on the economy, housing and banking matters, including because of his past role as a senior economist at the RBA. NZ Finance Minister Steven Joyce is at the podium twice today (once already in Auckland earlier at a breakfast function), selling yesterday's Budget, speaking again in Wellington at 10.00 AEST.

Tonight first sees the second estimate of Q1 US GDP along with the Durable Goods Orders report for April, with a modest 0.5% rise in core orders expected, followed by the late-month UoM Consumer Sentiment report for May. The durable goods orders report will be important in updating the progress of business capex into Q2 and its contribution to GDP. The Atlanta Fed's GDPNow estimate for Q2 currently stands at 4.1%, a seasonal rebound after the soft 0.9% Q1 result. (It wasn't updated overnight.)

There's also the wire service stories from the G7 leaders' summit in Italy that concludes tomorrow. It will be interesting to see the Communique on trade and currencies.

Overnight

On global stock markets, the S&P 500 was +0.44%. Bond markets saw US 10-years +0.52bp to 2.26%. In commodities, Brent crude oil -4.86% to \$51.34, gold+0.2% to \$1,255, iron ore -0.5% to \$60.24, steam coal +0.0% to \$74.45, met. coal -0.1% to \$174.15. AUD is at 0.7456 and the range since yesterday 5pm Sydney time is 0.7451 to 0.7516.

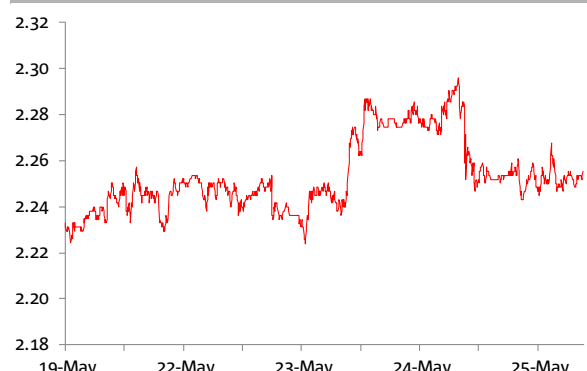
Markets

AUD/USD - past week



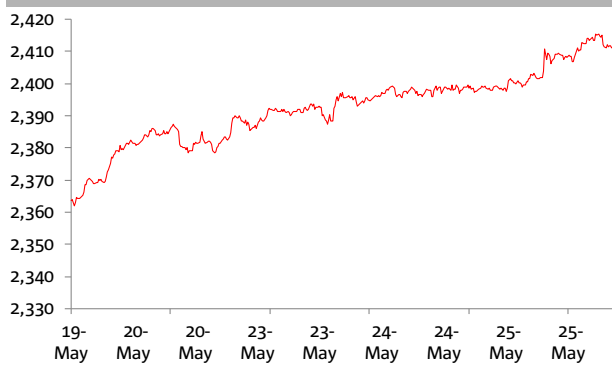
Source: Bloomberg.

US 10yr - past week



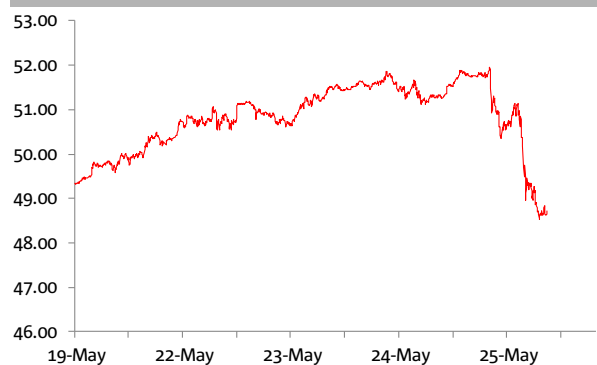
Source: Bloomberg.

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	0.7456	-0.6	0.7451	0.7516	HKD	7.7917 0.0
NZD	0.7022	-0.1	0.7010	0.7059	CNY	6.8583 -0.5
EUR	1.1211	0.2	1.1169	1.1251	SGD	1.3866 -0.1
GBP	1.2940	-0.2	1.2920	1.3024	IDR	13,293 -0.1
JPY	111.80	0.0	111.46	112.13	THB	34.16 -0.6
CAD	1.3488	-0.2	1.3388	1.3541	KRW	1,120 -0.3
AUD/EUR	0.665	-0.4	0.6638	0.6694	TWD	30.08 -0.3
AUD/JPY	83.35	-0.3	83.30	83.89	PHP	49.97 -0.1
AUD/GBP	0.5762	-0.1	0.5746	0.5790	CHF	0.97 -0.3
AUD/NZD	1.0617	-0.2	1.0589	1.0668	SEK	8.69 -0.2
AUD/CNH	5.1132	-0.7	5.1014	5.1641		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.00	1.20	1.53	2.20	USD 10	2.26	0.52
AUD	1.50	1.74	1.78	2.71	AUD 10	2.44	-4.40 0.18
NZD	1.75	1.97	2.23	3.24	NZD 10	2.84	0.10 0.59
EUR	0.00	-0.33	-0.14	0.82	CAD 10	1.46	-1.70 -0.79
GBP	0.25	0.30	0.54	1.14	EUR 10	0.36	-4.10 -1.89
JPY	-0.05	-0.01	0.04	0.24	GBP 10	1.04	-3.50 -1.22
CAD	0.50	0.89	1.05	1.73	JPY 10	0.05	-0.30 -2.21

Equities

Major Indices			
	Last	% day	% y/y
Dow	21,083	0.34	18.1
S&P 500	2,415	0.44	15.5
Nasdaq	6,205	0.69	26.8
VIX	9.99	-0.30	-28.1
FTSE	7,518	0.0	20.0
DAX	12,622	-0.2	23.7
CAC 40	5,337	-0.1	19.1
Nikkei	19,813	0.4	18.1
Shanghai	3,108	1.4	10.1
Hang Seng	25,631	0.8	25.7
ASX 200	5,790	0.4	7.5

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.28	1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.53	5.00
3/10 sprd	0.27	-2.00
SPI	5792.0	-18.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	51.34	-4.9
Oil (WTI)	48.71	-5.2
Oil (Tapis)	53.90	-1.2
Gold	1255.30	0.2
CRB	181.15	-1.5
GS Metals	320.1	0.6
Aluminium	1954.0	0.8
Copper	5715.0	0.7
Nickel	9003.5	-0.7
Zinc	2627.0	-0.1
Ch. steel	3223.0	-1.1
Iron ore	60.2	-0.5
St. Coal	74.5	0.0
Met.coal	174.2	-0.1
Wheat Chic.	444.3	-0.4
Sugar	15.7	-0.1
Cotton	77.2	-0.5
Coffee	129.3	0.6
Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-1.0	-4.0%
FED	20	79.2%

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
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
Sunday, 28 May 2017								
Monday, 29 May 2017								
US	Fed's Williams Speaks in Singapore						23:15	8:15
EC	ECB's Nowotny speaks at Austrian c.bank conference						8:15	17:15
Tuesday, 30 May 2017								
NZ	Building Permits MoM	Apr				-1.8	23:45	8:45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	May 28				110.5	0:30	9:30
JN	Jobless Rate/Job-to-applicant ratio	Apr		2.8/1.46		2.8/1.5	0:30	9:30
JN	Overall Household Spending YoY	Apr		-0.7		-1.3	0:30	9:30
JN	Retail Sales MoM/YoY	Apr		-0.1/2.2		0.2/2.1	0:50	9:50
AU	Building Approvals MoM/YoY	Apr		/		-13.4/-19.9	2:30	11:30
EC	Business Climate Indicator	May				1.1	10:00	19:00
EC	ECB's Liikanen speaks at Austrian c.bank conference						11:15	20:15
GE	CPI MoM/YoY	May P		/		0.0/2.0	13:00	22:00
GE	CPI EU Harmonized MoM/YoY	May P		/		0.0/2.0	13:00	22:00
CA	Current Account Balance	1Q				-10.7	13:30	22:30
US	Personal Income/Spending	Apr		0.4/0.4		0.2/0.0	13:30	22:30
US	Real Personal Spending	Apr				0.3	13:30	22:30
US	PCE Deflator MoM/YoY	Apr		0.2/1.7		-0.2/1.8	13:30	22:30
US	PCE Core MoM/YoY	Apr		0.1/1.5		-0.1/1.6	13:30	22:30
CA	Industrial Product Price/Raw Materials Price MoM	Apr		/		0.8/-1.6	13:30	22:30
US	S&P CoreLogic CS 20-City MoM/YoY	Mar		0.8/		0.7/5.9	14:00	23:00
US	Conf. Board Consumer Confidence	May		119.9		120.3	15:00	0:00
US	Dallas Fed Manf. Activity	May		15		16.8	15:30	0:30
Wednesday, 31 May 2017								
UK	GfK Consumer Confidence	May				-7.0	0:10	9:10
UK	Lloyds Business Barometer	May				47.0	0:10	9:10
UK	BRC Shop Price Index YoY	May				-0.5	0:10	9:10
JN	Industrial Production MoM/YoY	Apr P		4.3/6.3		-1.9/3.5	0:50	9:50
NZ	ANZ Activity Outlook/Business Confidence	May		/		37.7/11.0	2:00	11:00
CH	Manufacturing/Non-manufacturing PMI	May		51/		51.2/54.0	2:00	11:00
AU	Private Sector Credit MoM/YoY	Apr		/		0.3/5.0	2:30	11:30
JN	Small Business Confidence	May				48.6	6:00	15:00
GE	Unemployment Change (000's)/Claims Rate SA	May		/		-15.0/5.8	8:55	17:55
UK	Mortgage Approvals	Apr		66.3		66.8	9:30	18:30
EC	Unemployment Rate	Apr				9.5	10:00	19:00
EC	CPI Estimate/Core YoY	May		/		1.9/1.2	10:00	19:00
CA	Quarterly GDP Annualized	1Q		3.7		2.6	13:30	22:30
CA	GDP MoM/YoY	Mar		0.3/2.9		0.0/2.5	13:30	22:30
US	Chicago Purchasing Manager	May		57		58.3	14:45	23:45
US	Pending Home Sales MoM/YoY	Apr		1/		-0.8/0.5	15:00	0:00
NZ	QV House Prices YoY	May				11.1	18:00	3:00
US	U.S. Federal Reserve Releases Beige Book						19:00	4:00
Thursday, 1 June 2017								
NZ	Terms of Trade Index QoQ	1Q				5.7	23:45	8:45
AU	AiG Perf of Mfg Index	May				59.2	0:30	9:30
JN	Capital Spending YoY	1Q		3.8		3.8	0:50	9:50
JN	Company Profits/Sales	1Q		/		16.9/2.0	0:50	9:50
AU	CoreLogic House Px MoM	May				1.4	1:00	10:00
JN	Nikkei Japan PMI Mfg	May F				52.0	1:30	10:30
AU	Private Capital Expenditure	1Q				-2.1	2:30	11:30
AU	Retail Sales MoM	Apr				-0.1	2:30	11:30
JN	BOJ Harada speaks in Gifu						2:30	11:30
CH	Caixin China PMI Mfg	May		50.2		50.3	2:45	11:45
AU	Commodity Index AUD/SDR YoY	May		/		132.7/38.6	7:30	16:30
EC	ECB's Villeroy Speaks at Brussels Economic Forum in Brussels						8:15	17:15
GE	Markit/BME Germany Manufacturing PMI	May F				59.4	8:55	17:55
EC	Markit Eurozone Manufacturing PMI	May F				57.0	9:00	18:00
UK	Markit UK PMI Manufacturing SA	May		56.1		57.3	9:30	18:30
EC	EU's Dombrowskis Speaks at Brussels Economic Forum						10:00	19:00
CA	MLI Leading Indicator MoM	Apr				0.5	12:00	21:00
US	Challenger Job Cuts YoY	May				-42.9	12:30	21:30
EC	EU's Moscovici Speaks at Brussels Economic Forum						13:00	22:00
US	ADP Employment Change	May		180		177	13:15	22:15
US	Nonfarm Productivity/Unit Labour Costs	1Q F		-0.6/3		-0.6/3.0	13:30	22:30
US	Initial Jobless Claims	May 20		238		232	13:30	22:30
CA	Markit Canada Manufacturing PMI	May				55.9	14:30	23:30
US	Markit US Manufacturing PMI	May F				52.5	14:45	23:45
US	Wards Total Vehicle Sales	May		17		16.8		
US	ISM Manufacturing	May		54.6		54.8	15:00	0:00
US	Construction Spending MoM	Apr		0.5		-0.2	15:00	0:00
Upcoming Central Bank Interest Rate Announcements								
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%		
Canada, BoC		13-Jul	0.5%	0.5%		0.5%		

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

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