

MARKETS TODAY

Calm Before the Storm



Good morning

It has been a quiet overnight session ahead of what could be a stormy Thursday with the ECB, UK election and Comey's testimony all occurring on the same day. US equities have closed the day marginally in negative territory, tension in Qatar have so far failed to ignite big moves in oil prices and US Treasury yields are a little bit higher while in currencies the AUD is the G10 outperformer.

US and European equity markets have begun the week in a tentative fashion with travel and insurance companies coming under a bit of selling pressures following the weekend terrorist attack in London. Meanwhile energy stocks are little changed despite rising tension in the Middle East.

The USD is a little bit stronger against most G10 currencies with GBP and AUD the two notable exceptions. After yesterday's better than expected Australian Q1 GDP partials (inventories and profits) the risk of a negative Q1 GDP growth outcome on Wednesday has diminished and in the process it has helped the AUD outperformed. Yesterday's news of Saudi Arabia, Bahrain, UAE and Egypt suspending diplomatic relations with Qatar and banning flights to and from the country, could be an additional factor helping the AUD. Qatar is the biggest LNG exporter in the world and any disruptions to their exports could trigger an increase in LNG demand from Australia. The fall in oil prices overnight might also reflect concerns over OPEC and friends ability to implement the extended agreement to curb production. AUD has been on a steady rise overnight, reaching an overnight high of 0.7498 and is currently trading at 0.7486.

GBP's outperformance appears to have been driven by yet another poll despite a softer than expected Services PMI (53.8 vs 55.8 prev.). A Guardian/ICM poll shows Conservatives have an 11-point lead over Labour and it suggests that the Tories lead remains in double digits. The pound climbed to an overnight high of 1.2940, but it has drifted lower over the past few hours and is currently trading at 1.2906.

Price action in the Euro has also been somewhat interesting. The Euro is 0.21% lower against the USD with softness in the pair seemingly triggered by a Bloomberg survey showing 90% of analysts expect the ECB to upgrade its risks around the euro area recovery to "balanced", but analysts are split as to whether the Bank will remove its easing bias on interest rates, with the majority now expecting that to occur next month. We see EUR ultimately heading higher over the balance of the year.

10y UST yields are have ended the NY session at 2.1817%, about 1.5bps higher relative to Sydney's closing level. Overnight the ISM non-manufacturing index printed marginally below expectations at 56.9 vs 57.1 fcst., but

the interesting bit in the report was the rise in the employment index. The index jumped to 57.8, its highest level since July 2015 and after two months of unexpectedly weak sub-52 readings. The rebound in the employment index supports our view that that the recent softish non-farm payrolls and earnings prints are largely driven by temporary weather and seasonality effects. Stronger numbers should be expected over the coming months.

Coming Up

We have a busy morning of key domestic data releases with Q1 Balance of Payments and Government Spending out at 11:30 am (Sydney Time) followed by the RBA cash rate decision this afternoon. Also this morning, New Zealand releases its Q1 Building Work Put in Place and early tomorrow morning the dairy auction is expected to be broadly steady. Germany and the Eurozone get their final services and composite PMI's for May and the JOLTS report and Labour Market Conditions index are due for release in the US tonight.

The Q1 Balance of Payments publication today could print the first current account surplus since 1975 aided by yet another boost from the terms of trade. Nevertheless in volume terms, the trade balance is expected to detract 0.4% from GDP growth.

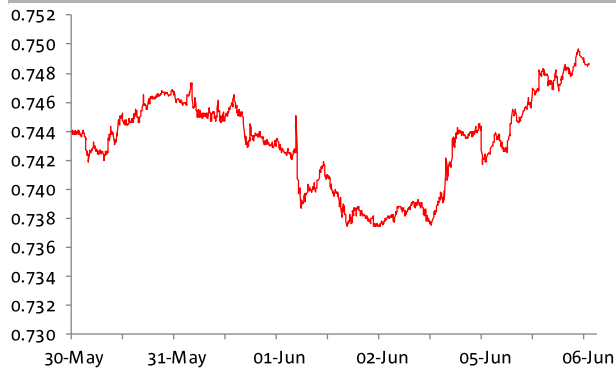
The RBA Board is universally expected to leave rates on hold and focus on the Statement is likely to be on whether there is any tilt in the Bank's description of the global and Australian economies. We would not be surprised to see some easing in concerns from the Bank around the housing market, likely observing the easing in Sydney and Melbourne residential property prices of late. The Board is also likely to draw some comfort from the more encouraging labour market report in April and the decent rebound in retail sales. That being said the underlying consumption trend remains anaemic, wage growth has also failed to pick up and with economic growth likely to undershoot the Bank's own forecast, it will be interesting to see if the Board views the current slowdown as driven by one off effects or more enduring factors. At this stage, our economists continue to expect the RBA to wait and watch before drawing any conclusions about how weakness in the labour market and GDP data and/or strength in house prices will resolve themselves.

Overnight

On global stock markets, the S&P 500 was -0.12%. Bond markets saw US 10-years +1.91bp to 2.18%. In commodities, Brent crude oil -0.94% to \$49.48, gold+0.1% to \$1,278, iron ore -3.3% to \$55.90, steam coal -0.1% to \$75.90, met. coal -2.9% to \$150.50. AUD is at 0.7486 and the range since yesterday 5pm Sydney time is 0.7373 to 0.7498.

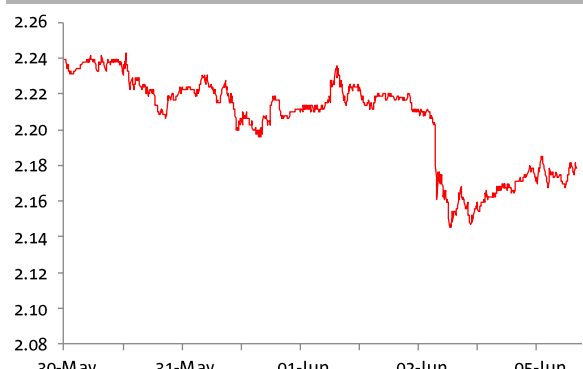
Markets

AUD/USD - past week



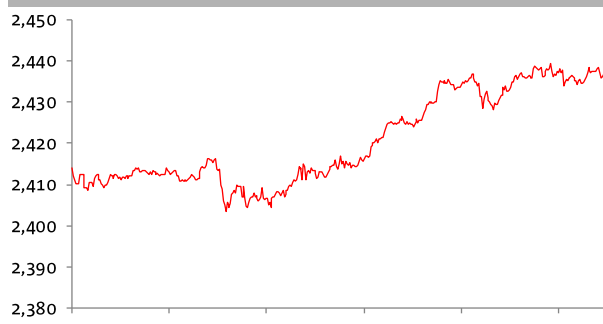
Source: Bloomberg.

US 10yr - past week



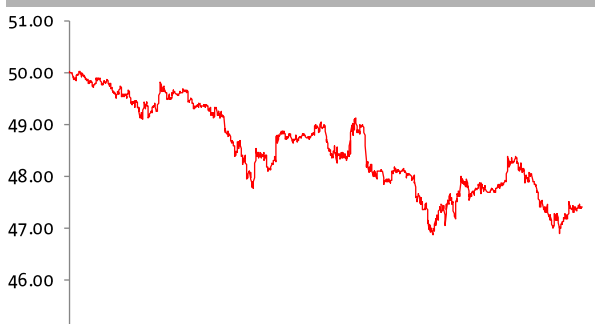
Source: Bloomberg.

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	0.7486	0.6	0.7373	0.7498	HKD	7.7922 0.0
NZD	0.7139	0.0	0.7060	0.7150	CNY	6.8040 -0.1
EUR	1.1256	-0.2	1.1205	1.1285	SGD	1.3815 0.1
GBP	1.2909	0.2	1.2846	1.2941	IDR	13,278 -0.3
JPY	110.50	0.1	110.26	111.71	THB	34.01 -0.1
CAD	1.3475	-0.1	1.3459	1.3547	KRW	1,118 -0.3
AUD/EUR	0.6651	0.9	0.6571	0.6659	TWD	30.06 -0.2
AUD/JPY	82.72	0.7	81.78	82.78	PHP	49.41 -0.2
AUD/GBP	0.5800	0.4	0.5721	0.5815	CHF	0.97 0.2
AUD/NZD	1.0487	0.7	1.0391	1.0489	SEK	8.65 0.4
AUD/CNH	5.0896	0.4	4.9757	5.0455		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.00	1.22	1.52	2.13	USD 10	2.18	1.91
AUD	1.50	1.73	1.77	2.67	AUD 10	2.39	-2.00 0.21
NZD	1.75	1.95	2.22	3.20	NZD 10	2.77	3.50 0.59
EUR	0.00	-0.33	-0.16	0.78	CAD 10	1.41	1.10 -0.77
GBP	0.25	0.29	0.51	1.12	EUR 10	0.29	1.30 -1.89
JPY	-0.05	-0.01	0.04	0.25	GBP 10	1.04	0.30 -1.14
CAD	0.50	0.90	1.05	1.72	JPY 10	0.05	-0.50 -2.13

Equities

Major Indices	Last	% day	% y/y
	Dow	21,184	-0.10
S&P 500	2,436	-0.12	16.1
Nasdaq	6,296	-0.16	27.4
VIX	10.01	2.67	-25.7
FTSE	7,526	-0.3	21.2
DAX	12,823	0.0	26.9
CAC 40	5,308	-0.7	20.0
Nikkei	20,171	0.0	21.7
Shanghai	3,092	-0.4	5.4
Hang Seng	25,863	-0.2	23.0
ASX 200	5,755	-0.6	7.4

Commodities*

	Last	% day
Oil (Brent)	49.48	-0.9
Oil (WTI)	47.39	-0.6
Oil (Tapis)	50.10	1.7
Gold	1278.40	0.1
CRB	177.30	-0.4
GS Metals	312.1	-1.0
Aluminium	1895.6	-1.5
Copper	5606.8	-0.7
Nickel	8868.8	-0.1
Zinc	2471.8	-1.8
Ch. steel	2929.0	-4.2
Iron ore	55.9	-3.3
St. Coal	75.9	-0.1
Met.coal	150.5	-2.9
Wheat Chic.	443.8	0.0
Sugar	13.9	1.1
Cotton	76.3	-0.5
Coffee	128.5	2.3
Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-0.5	-2.0%
FED	22	87.6%

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.26	-1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.56	-1.00
3/10 sprd	0.24	1.00
SPI	5757.0	30.0

*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	AEST
Tuesday, 6 June 2017								
NZ	Crown Financial Accounts	Apr					23.00	8.00
NZ	Value of All Buildings SA QoQ	1Q	0 (downside risk)	0.3		1.9	23.45	8.45
NZ	Wholesale Trade QoQ	1Q	1.7			0.7	23.45	8.45
UK	BRC Sales Like-For-Like YoY	May		-0.15		5.6	0.10	9.10
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jun 4				112.2	0.30	9.30
JN	Labor Cash/Real Earnings YoY	Apr		0.3/		-0.4/-0.8	1.00	10.00
NZ	ANZ Commodity Price	May	2.9			-0.2	2.00	11.00
AU	BoP Current Account Balance/Net exports % of GDP	1Q		-1/-0.4		-4.0/0.2	2.30	11.30
AU	Government spending	1Q	1.2			1.4	2.30	11.30
AU	RBA Cash Rate Target	Jun 6		1.5		1.5	5.30	14.30
GE	Markit Germany Services/Composite PMI	May F		55.2/57.3		55.2/57.3	8.55	17.55
EC	Markit Eurozone Services/Composite PMI	May F		56.2/56.8		56.2/56.8	9.00	18.00
FR	OECD Economic Outlook						9.30	18.30
EC	Sentix Investor Confidence	Jun		27.4		27.4	9.30	18.30
EC	Retail Sales MoM/YoY	Apr		0.1/2.1		0.3/2.3	10.00	19.00
US	JOLTS Job Openings	Apr		5737.5		5743.0	15.00	0.00
CA	Ivey Purchasing Managers Index SA	May				62.4	15.00	0.00
US	Labor Market Conditions Index Change	May				3.5		
NZ	Dairy Auction, GDT-weighted price index		broadly steady			3.2	early am NZT	
Wednesday, 7 June 2017								
NZ	ANZ Job Advertisements MoM	May				2.8	23.00	8.00
NZ	Mfg Activity Volume/sa QoQ	1Q		/		-1.8/0.8	23.45	8.45
AU	AiG Perf of Construction Index	May				51.9	0.30	9.30
AU	GDP SA QoQ/YoY	1Q		0.3/1.6		1.1/2.4	2.30	11.30
CH	Foreign Reserves	May		3048		3029.5	3.30	12.30
JN	Leading Index Cl	Apr P		104.3		105.5	6.00	15.00
GE	Factory Orders MoM/YoY	Apr		-0.3/4.7		1.0/2.4	7.00	16.00
GE	Markit Germany Construction PMI	May		54.6		54.6	8.30	17.30
UK	Halifax House Prices MoM	May		-0.2		-0.1	8.30	17.30
UK	Halifax House Price 3Mths/Year	May		3		3.8	8.30	17.30
EC	OECD Economic Outlook						10.00	19.00
EC	GDP SA QoQ/YoY	1Q F		0.5/1.7		0.5/1.7	10.00	19.00
CA	Building Permits MoM	Apr		2.5		-5.8	13.30	22.30
US	Consumer Credit	Apr		15		16.4	20.00	5.00
Thursday, 8 June 2017								
NZ	ANZ Truckometer Heavy MoM	May				-1.8	23.00	8.00
UK	RICS House Price Balance	May		20		22.0	0.10	9.10
JN	GDP SA QoQ/YoY	1Q F		0.6/2.4		0.5/2.2	0.50	9.50
JN	BoP Current Account Adjusted	Apr		1624.4		1731.2	0.50	9.50
AU	Trade Balance	Apr	1000	2000		3107	2.30	11.30
CH	Trade Balance CNY	May		324.1		262.3	4.20	13.20
CH	Trade Balance	May		48.2		38.1	4.40	13.40
CH	Foreign Direct Investment YoY CNY	May	To be released 8-18 June			-4.3	5.40	14.40
JN	Eco Watchers Survey Current/Outlook SA	May		48.6/48.5		48.1/48.8	6.00	15.00
GE	Industrial Production SA MoM/YoY	Apr		0.5/2.1		-0.4/1.9	7.00	16.00
EC	ECB Deposit Facility Rate/Asset Purchase Target	Jun 8		0.3/4.5		-0.3/3.9	12.45	21.45
CA	Housing Starts	May		201		214.1	13.15	22.15
CA	New Housing Price Index MoM/YoY	Apr		0.3/4.5		-0.3/3.9	13.30	22.30
EC	ECB President Mario Draghi Holds Press Conference						13.30	22.30
US	Initial Jobless Claims	Jun 3		240		248.0	13.30	22.30
US	Ex-FBI Director Comey testifies before Senate Intelligence Committee						15.00	0.00
CA	BoC Financial Stability Review (Poloz/Wilkins press conference 45 mins later)						15.30	0.30
Friday, 9 June 2017								
UK	General election (voting ends 22.00 London time; 7am AEDT)							
CH	CPI/PPI YoY	May		1.5/5.6		1.2/6.4	2.30	11.30
AU	Home Loans # MoM/Investment lending \$ MoM	Apr	-0.8	-1/		-0.5/0.8	2.30	11.30
JN	Tertiary Industry Index MoM	Apr		0.5		-0.2	5.30	14.30
GE	Current Account Balance	Apr		24.5		30.2	7.00	16.00
GE	Labor Costs SA QoQ/YoY	1Q		/		1.5/3.0	7.00	16.00
UK	Industrial Production MoM/YoY	Apr		0.7/-0.3		-0.5/1.4	9.30	18.30
UK	Construction Output SA MoM/YoY	Apr		0.4/-0.3		-0.7/2.4	9.30	18.30
UK	Trade Balance	Apr		-3500		-4900	9.30	18.30
UK	BoE/TNS Inflation Next 12 Mths	May				2.9	9.30	18.30
UK	NIESR GDP Estimate	May				0.2	13.00	22.00
CA	Net Change in Employment/Unemployment Rate	May		15/6.6		3.2/6.5	13.30	22.30
CA	Capacity Utilization Rate	1Q		83.5		82.2	13.30	22.30
US	Wholesale Trade Sales/Inventories MoM	Apr		/-0.3		0.0/-0.3	15.00	0.00
Saturday, 10 June 2017								
CH	New Yuan Loans/Aggregate Financing CNY	May	For release 10-15 Jun	1000/1200		1100.0/1390.0	9.00	18.00
Sunday, 11 June 2017								
Monday, 12 June 2017								
NZ	REINZ House Sales YoY	May	10-14 June release			-31.0		
NZ	Card Spending Retail MoM/YoY	May		/		1.1/0.5	23.45	8.45
JN	Machine Orders MoM/YoY	Apr		/		1.4/-0.7	0.50	9.50
JN	PPI MoM/YoY	May		/		0.2/2.1	0.50	9.50
JN	Machine Tool Orders YoY	May P				34.7	7.00	16.00
CA	Bloomberg Nanos Confidence	Jun 2				58.5	15.00	0.00
US	Monthly Budget Statement	May				182.4	19.00	4.00
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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