

MARKETS TODAY

Quiet Houses



Good morning

Some very refined harmonies from Seattle indie folk band Fleet Foxes to start the week.

Friday's markets were not just about more weak data – important as that was with US Housing Starts, Housing Permits and Consumer Sentiment all much weaker than expected and driving the US dollar and US bond yields lower. Amazon's \$13.7bn bid for Whole Foods sent shivers down the spine of the US consumer staples sector, off 2% at one point with \$39bn was knocked off the market cap of the sector, led by Wal Mart. Amazon is promising to bring more automation and lower food prices to a company dubbed 'Whole Paycheck'. More structural disinflation may lie ahead.

Despite the hit to consumer staples, the broader stocks markets managed to (just) close in the black – the NASDAQ again the exception, down 0.22% to be 0.9% lower on the week and more than 3% off its earlier June highs. The S&P500 closed just 0.03% higher and 0.1% up on the week and the Dow +0.11% to be 0.1% w/w. The VIX lost 0.52 to 10.38 and is 0.32 down on the week.

In FX, the dollar was weaker across the board, the narrow DXY index -0.28% but only 0.11% lower on the week while BBDXY lost 0.33% to be 0.3% lower on the week. In individual currencies NZD gained the most, +0.64% to 0.7254 followed by NOK (-0.59%) and AUD, the latter +0.55% to 0.7621. This makes it the week's second top performer after the CAD, the latter keying off the shift in Bank of Canada narrative earlier in the week.

In rates markets, 2-year Treasuries finished 3.6bps lower at 1.317% and 2bps down on the week. 10s were -1.3bps to 2.152% (4.9bps w/w) so pretty much bisecting the pre and post US CPI highs and lows near 2.20% and 2.10% respectively.

Commodities were stronger across the board. Gold added \$1.8 to \$1254, oil added 30-40 cents, WTI to \$44.74 (-\$1.09 on the week) and Brent to \$47.37 (-\$0.78 on the week). Friday's Baker Hughes U.S. oil rig count rose by another 6 rigs to 747, now the 22nd straight weekly rise. Iron ore added 50 cents to \$55.75 for a weekly rise of \$1.34.

As well as the weak data, led by the 5.1% drop in housing starts and 2.6 point fall in the University of Michigan's preliminary consumer sentiment reading, Fed speak was also interesting. Dallas Fed President Robert Kaplan said the Fed needed to see more progress towards achieving its 2% inflation target before taking a next step. He acknowledged that the Phillips curve looks to be flatter than has been the case historically though said recent weakness may reflect some transitory factors. Neel Kashkari – who dissented against higher rates last week, said it was not yet possible to know if the drop in inflation was transitory. He argues "the outcome that the current FOMC is so focused on avoiding, high inflation of

the 1970s, may actually be leading us to repeat some of the same mistakes the FOMC made in the 1970s: a faith-based belief in the Phillips curve and an under appreciation of the role of expectations".

Finally, current polling indications suggest French President Macron's En Marche party and its allies are on course to win as many as 365 seats in the 577 seat National Assembly, having already secured a majority.

Coming Up

A glance at this week's calendar of economic and other known market events is far from inspirational in terms of its potential to drive significant market moves. That said, it's often the case that weeks with big set-piece event risks fail to produce significant market volatility, and week's that start off looking benign for markets end up anything but.

Coming out of pre-FOMC purdah, Fed speak will come thick and fast. After Kaplan and Kashkari on Friday, appearances are scheduled from Messrs Dudley (tonight) Evans, Fischer, Rosengren, Powell and Bullard as well as Loreatta Mester. As at Friday's close, markets were pricing the chances of one further quarter point rate rise by the end of the year at just under 50%.

Other central bank events this week are the minutes of the RBA's June meeting on Tuesday and the RBNZ OCR decision and statement on Thursday. Neither should be particularly market moving. A Reuter's poll on Friday shows no-one expects anything from the RBNZ this week, but 14 of 20 economists polled see rate hikes by Q3 2018 (against the banks latest OCR track suggesting no move until later in 2019). The Bank of Canada next week will likely be far more interesting, after comments from them last week implying they have shifted to a tightening bias. RBA Governor Lowe is appearing on a panel this morning at the Crawford Australian Leadership Forum in Canberra (09:30 AEST).

Economic data of significance is very thin on the ground. In Australia, its Q1 House prices on Tuesday where an average nationwide rise of 2.2% is expected to be reported (8.9% y/y). Indications of falling prices from CoreLogic (but which may be merely seasonal) post-date Q1, rendering the official figures less interesting.

US data is all 2nd tier (durable goods orders the highlight) with Eurozone flash June PMIs on Friday probably the pick of the crop. UK Brexit negotiations start today.

Overnight

On global stock markets, the S&P 500 was +0.03%. Bond markets saw US 10-years -1.23bp to 2.15%. In commodities, Brent crude oil +0.96% to \$47.37, gold+0.1% to \$1,254, iron ore +0.9% to \$55.75, steam coal +0.1% to \$80.85, met. coal +0.0% to \$144.00. AUD is at 0.7623 and the range since Friday 5pm Sydney time is 0.7576 to 0.7630.

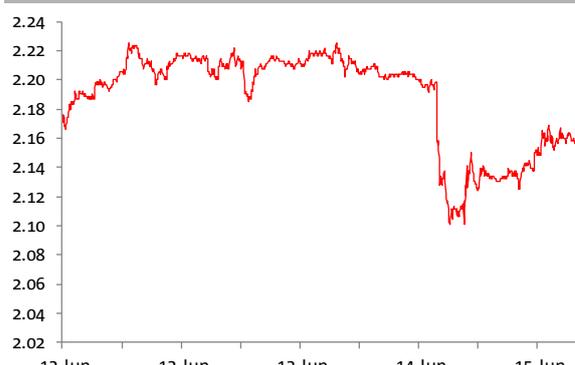
Markets

AUD/USD - past week



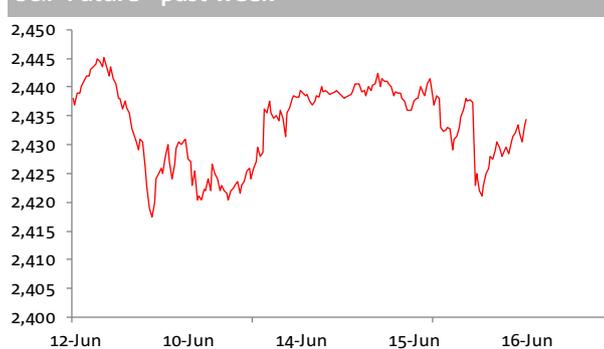
Source: Bloomberg.

US 10yr - past week



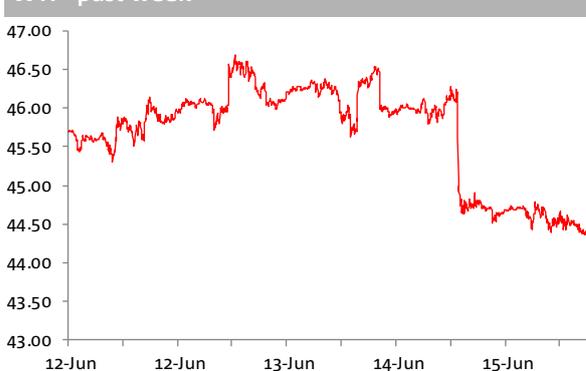
Source: Bloomberg.

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	0.7623	0.6	0.7576	0.7630	HKD	7.8007 0.0
NZD	0.7258	0.8	0.7200	0.7261	CNY	6.8105 0.0
EUR	1.1207	0.0	1.1139	1.1214	SGD	1.3830 -0.1
GBP	1.2777	0.1	1.2744	1.2805	IDR	13,299 0.1
JPY	110.89	0.0	110.65	111.42	THB	33.94 -0.1
CAD	1.3213	-0.4	1.3210	1.3274	KRW	1,134 0.6
AUD/EUR	0.6794	-0.1	0.6785	0.6820	TWD	30.35 0.3
AUD/JPY	84.53	0.5	84.02	84.81	PHP	49.93 0.7
AUD/GBP	0.5960	0.3	0.5932	0.5977	CHF	0.97 0.4
AUD/NZD	1.0502	-0.1	1.0500	1.0538	SEK	8.70 -0.5
AUD/CNH	5.1917	0.5	5.1577	5.1973		

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.27	1.53	2.12	USD 10	2.15	-1.23
AUD	1.50	1.72	1.83	2.67	AUD 10	2.41	4.90 0.26
NZD	1.75	1.95	2.20	3.15	NZD 10	2.77	4.50 0.61
EUR	0.00	-0.33	-0.19	0.75	CAD 10	1.52	-0.70 -0.63
GBP	0.25	0.30	0.52	1.09	EUR 10	0.28	-0.60 -1.88
JPY	-0.05	-0.01	0.04	0.24	GBP 10	1.02	-1.30 -1.13
CAD	0.50	0.91	1.24	1.84	JPY 10	0.06	0.30 -2.10

Equities

Major Indices			
	Last	% day	% y/y
Dow	21,384	0.11	21.0
S&P 500	2,433	0.03	17.5
Nasdaq	6,152	-0.22	28.2
VIX	10.38	-4.77	-46.5
FTSE	7,464	0.6	24.0
DAX	12,753	0.5	32.4
CAC 40	5,263	0.9	25.5
Nikkei	19,943	0.6	27.8
Shanghai	3,123	-0.3	8.3
Hang Seng	25,626	0.2	27.1
ASX 200	5,774	0.2	11.8

Commodities*

	Last	% day
Oil (Brent)	47.37	1.0
Oil (WTI)	44.74	0.6
Oil (Tapis)	47.23	0.5
Gold	1254.00	0.1
CRB	173.05	0.2
GS Metals	311.9	0.2
Aluminium	1855.0	-0.2
Copper	5639.8	0.0
Nickel	8883.5	1.6
Zinc	2512.5	1.4
Ch. steel	3115.0	2.8
Iron ore	55.8	0.9
St. Coal	80.9	0.1
Met.coal	144.0	0.0
Wheat Chic.	481.5	2.7
Sugar	13.4	-0.2
Cotton	71.9	-4.3
Coffee	126.0	-1.6

Prob. of 25bps hike/cut at next meeting	
bps	%
RBA	-1.0 -4.0%
FED	-0 -1.2%

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
Monday, 19 June 2017								
NZ	Performance Services Index	May				52.8	23:30	8:30
UK	Rightmove House Prices MoM	Jun		/		1.2/3.0	0:10	9:10
AU	RBA's Lowe Participates in Panel at 2017 Crawford Australian Leadership Forum in Canberra						0:30	9:30
JN	Trade Balance Adjusted	May		345.5		97.6	0:50	9:50
AU	New Motor Vehicle Sales MoM/YoY	May		/		0.3/0.1	2:30	11:30
CH	Property Prices	May					2:30	11:30
EC	Construction Output MoM/YoY	Apr		/		-1.1/3.6	10:00	19:00
US	Fed's Dudley Holds Business Roundtable in Plattsburgh, NY						13:00	22:00
NZ	Westpac Consumer Confidence	2Q				111.9	19-23 Jun release	
CA	Bloomberg Nanos Confidence	Jun 16				57.8	15:00	0:00
Tuesday, 20 June 2017								
US	Fed's Evans Speaks in New York						0:00	9:00
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jun 18				112.9	0:30	9:30
NZ	ANZ Consumer Confidence Index/MoM	Jun		/		123.9/1.8	2:00	11:00
AU	House Price Index QoQ/YoY	1Q	1.6/9.5	2.2/8.9		4.1/7.7	2:30	11:30
AU	RBA June Rate Meeting Minutes						2:30	11:30
US	Fed's Fischer Speaks in Amsterdam (this event is closed press)						8:15	17:15
EC	ECB Current Account SA	Apr				34.1	9:00	18:00
US	Fed's Rosengren to Speak at Macroprudential Conference						12:45	21:45
CA	Wholesale Trade Sales MoM	Apr				0.9	13:30	22:30
US	Current Account Balance (incl. revisions)	1Q		-121.2		-112.4	13:30	22:30
CH	Conference Board Leading Economic Index	May					14:00	23:00
US	Fed's Kaplan Speaks in San Francisco						20:00	5:00
Wednesday, 21 June 2017								
JN	BOJ Minutes of April 26-27 Meeting						0:50	9:50
AU	Westpac Leading Index MoM	May				-0.1	1:30	10:30
AU	Skilled Vacancies MoM	May				0.1	2:00	11:00
JN	All Industry Activity Index MoM	Apr		1.6		-0.6	5:30	14:30
JN	Machine Tool Orders YoY	May F				24.4	7:00	16:00
JN	BOJ Kuroda speaks in Tokyo						7:36	16:36
UK	Public Sector Net Borrowing	May				9.6	9:30	18:30
US	Existing Home Sales, #/MoM	May		5.55/-0.36		5.6/-2.3	15:00	0:00
Thursday, 22 June 2017								
NZ	RBNZ Official Cash Rate	Jun 22		1.75		1.8	22:00	7:00
NZ	Net Migration SA	May				5780.0	23:45	8:45
JN	BOJ Iwata speaks in Aomori						2:30	11:30
NZ	Credit Card Spending MoM/YoY	May		/		0.9/6.4	4:00	13:00
EC	ECB Publishes Economic Bulletin						9:00	18:00
UK	CBI Trends Total Orders/Selling Prices	Jun		/		9.0/23.0	11:00	20:00
CA	Retail Sales MoM	Apr				0.7	13:30	22:30
US	Initial Jobless Claims	Jun 17				237.0	13:30	22:30
CA	Retail Sales Ex Auto MoM	Apr				-0.2	13:30	22:30
US	Fed's Powell Speaks Before Senate Banking Committee						14:00	23:00
US	FHFA House Price Index MoM	Apr				0.6	14:00	23:00
EC	Consumer Confidence	Jun A		-3		-3.3	15:00	0:00
US	Leading Index	May		0.4		0.3	15:00	0:00
US	Kansas City Fed Manf. Activity	Jun				8.0	16:00	1:00
Friday, 23 June 2017								
JN	Nikkei Japan PMI Mfg	Jun P				53.1	1:30	10:30
GE	Markit/BME Germany Manufacturing PMI	Jun P		59		59.5	8:30	17:30
GE	Markit Germany Services/Composite PMI	Jun P		55.4/57.2		55.4/57.4	8:30	17:30
EC	Markit Eurozone Manufacturing PMI	Jun P		56.7		57.0	9:00	18:00
EC	Markit Eurozone Services/Composite PMI	Jun P		56.2/56.6		56.3/56.8	9:00	18:00
CA	CPI NSA MoM/YoY	May		/		0.4/1.6	13:30	22:30
CA	CPI Core- Common/Trim YoY%	May		/		1.3/1.3	13:30	22:30
CA	CPI Core- Median YoY%	May				1.6	13:30	22:30
US	Markit US Manufacturing PMI	Jun P		53		52.7	14:45	23:45
US	Markit US Services/Composite PMI	Jun P		/		53.6/53.6	14:45	23:45
US	New Home Sales, #/MoM	May		600/5.5		569.0/-11.4	15:00	0:00
US	Fed's Bullard Speaks about Monetary Policy in Nashville						16:15	1:15
US	Fed's Mester Speaks in Cleveland						17:40	2:40
US	Fed's Powell Speaks in Chicago on Central Clearing						19:15	4:15
Monday, 26 June 2017								
JN	BOJ Summary of Opinions at June 15-16 Meeting						0:50	9:50
JN	PPI Services YoY	May				0.7	0:50	9:50
JN	Leading Index CI	Apr F				104.5	6:00	15:00
JN	Coincident Index	Apr F				117.7	6:00	15:00
GE	IFO Business Climate	Jun				114.6	9:00	18:00
GE	IFO Current Assessment/Expectations	Jun		/		123.2/106.5	9:00	18:00
UK	BBA Loans for House Purchase	May				40750	9:30	18:30
US	Durable Goods Orders/Core Orders	May P		/		-0.8/0.1	13:30	22:30
US	Chicago Fed Nat Activity Index	May				0.5	13:30	22:30
JN	Small Business Confidence	Jun				48.9	26-30 Jun release	
CA	Bloomberg Nanos Confidence	Jun 16				57.8	15:00	0:00
US	Dallas Fed Manf. Activity	Jun				17.2	15:30	0:30
Upcoming Central Bank Interest Rate Announcements								
New Zealand, RBNZ		22-Jun	1.75%	1.75%		1.75%		
Australia, RBA		4-Jul	1.50%	1.50%		1.50%		
Canada, BoC		13-Jul				0.5%		
Japan, BoJ		20-Jul	-0.1%	-0.1%		-0.1%		
Europe ECB		20-Jul	-0.4%	-0.4%		-0.4%		
US Federal Reserve		27-Jul				1.00-1.25%		
UK BOE		3-Aug				0.25%		

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

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