

MARKETS TODAY

You say tomato, I say tomahto



Good morning

A lingering risk off tone remains evident in markets with equities on either side of the Atlantic ending the day with small losses. Oil prices are again lower weighing on energy shares and commodity linked currencies while US Treasury yields are little changed after initially moving higher following the move in UK Gilts. GBP has been the big mover in currencies amid a reopening of BoE rate hike debate and as we are about to press the send button, the RBNZ has left the OCR unchanged at 1.75%. The language in the statement is very similar to the May's MPS, but the NZD has rallied given some expectations for a dovish statement amid recent NZD strength and lower oil prices.

Last week BoE unexpected 5-3 vote decision to leave the cash rate unchanged gave the pound an uplift and a day ago Governor Carney triggered a sell off as he seemingly shut the door on the idea of any tightening any time soon. Twenty four hours later the debate has been reopened again with BoE Chief Economist Andy Haldane admitting that he did consider voting for a rate hike last week and although in the end he sided with the 5-3 majority to stand pat, he noted that "The risks of tightening 'too early' have shrunk as growth and, to lesser extent, inflation have shown greater resilience than expected". All that said, a closer look at Haldane speech shows that his thinking is not that dissimilar to Carney's. Although Haldane clearly has a tightening bias, he also notes the high level of uncertainty, so if things pan out ok, then a small tightening would be appropriate. The message from Carney on the other hand is that he wants to see how "the extent to which weaker consumption growth is offset by other components of demand" before reassessing the inflation and stimulus trade off.

Reaction to Haldane's comments triggered a GBP rally across the board and a selloff in Gilts led by the front end of the curve. Pricing expectations for a December hike jumped from 20% to 44% and cable jumped from 1.2591 to 1.2708. The Queen speech turned the focus back into politics and Brexit, noting the government's plan to introduce eight new laws to ease Britain's withdrawal from the European Union. The speech weighed on GBP, dragging cable down to 1.2672.

Excluding NZD, softness in oil prices (-2.2% to -2.6%) has been the dominant factor for commodity linked currencies despite the fact that other commodities such as copper (+1.5%) and iron ore (+0.7%) had an OK day. So CAD (-0.48%) and AUD (-0.37%) are at the bottom of the G10 leader board, NZD has been boosted by a neutral RBNZ, despite some dovish expectations which has seen the Kiwi jump about 30 pips to 0.7253. The move higher in GBP appears to have contributed to European currencies also outperforming the USD, although on index terms the USD is little changed.

Rodrigo Catril, FX strategist

Looking at US equity markets performance is probably worth highlighting that as much as energy shares are again the underperformers, amid weakness in oil prices, Health care is the outstanding outperformer. The sector is up 1.23% boosted by speculation of deregulation on the drug industry and the prospect of Republicans unveiling their health care bill later this week. Watch this space.

Coming Up

Now that the RBNZ is out of the way, the rest of the agenda items for today are unlikely to elicit big market moves.

This morning New Zealand gets net migration numbers as well as credit card billings and BoJ Iwata speaks in Aomori. Later today, European Union Leaders begin a two day summit in Brussels looking at a number of pressing issues, including migration, security, defence, and economy. The European Council (Art. 50) will also meet to discuss Brexit.

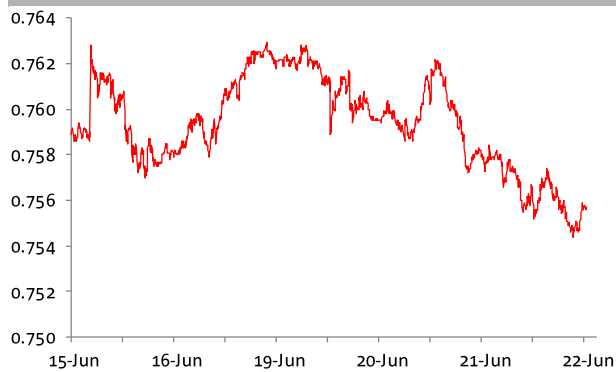
Europe's preliminary June reading of consumer confidence is out today and the UK gets its CBI trends in total orders and selling prices. The US releases its weekly jobless claims and the May leading indicators reading is also due out. Fed Governor Powell speaks at a hearing of the Senate Banking Committee and whilst the focus is likely to be on regulation, he is known to have a dovish inclinations and any comment on the economy and monetary policy will be closely monitored. Moving across the northern border, April retail sales figures are out in Canada where the headline number is expected to drop to 0.3% mom from 0.7% prev.

Overnight

On global stock markets, the S&P 500 was -0.06%. Bond markets saw US 10-years +0.69bp to 2.16%. In commodities, Brent crude oil -2.67% to \$44.79, gold +0.2% to \$1,243, iron ore +0.7% to \$56.82, steam coal -0.1% to \$80.70, met. coal +0.0% to \$145.00. AUD is at 0.7555 and the range since yesterday 5pm Sydney time is 0.7543 to 0.7586.

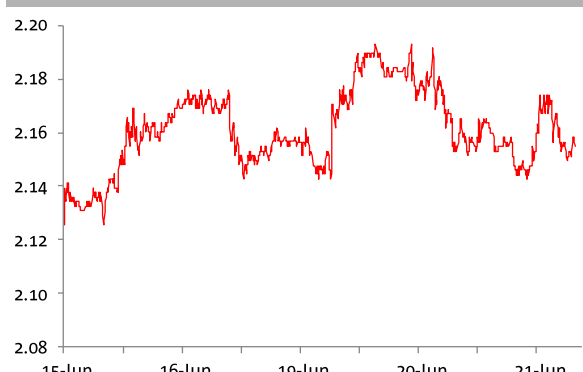
Markets

AUD/USD - past week



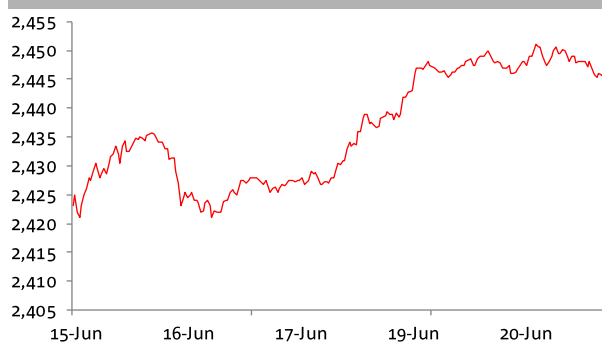
Source: Bloomberg.

US 10yr - past week



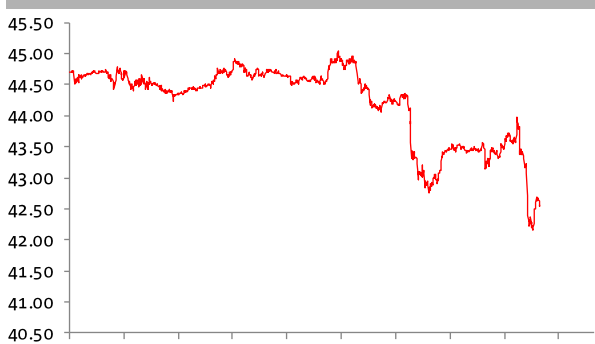
Source: Bloomberg.

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	0.7555	-0.3	0.7543	0.7586	HKD	7.8014	0.0
NZD	0.7252	0.1	0.7205	0.7277	CNY	6.8295	0.0
EUR	1.1166	0.3	1.1128	1.1169	SGD	1.3892	0.0
GBP	1.2673	0.3	1.2589	1.2710	IDR	13,318	0.2
JPY	111.38	-0.1	111.07	111.74	THB	34.00	0.0
CAD	1.3326	0.4	1.3265	1.3348	KRW	1,144	0.8
AUD/EUR	0.6767	-0.6	0.6759	0.6813	TWD	30.47	0.2
AUD/JPY	84.16	-0.4	83.89	84.56	PHP	50.37	0.4
AUD/GBP	0.5962	-0.7	0.5951	0.6009	CHF	0.97	-0.2
AUD/NZD	1.0417	-0.5	1.0388	1.0481	SEK	8.75	-0.4
AUD/CNH	5.1566	-0.3	5.1522	5.1760			

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	1.25	1.29	1.54	2.13	USD 10	2.16	0.69
AUD	1.50	1.72	1.84	2.69	AUD 10	2.39	-2.60 0.23
NZD	1.75	1.95	2.21	3.15	NZD 10	2.77	-1.00 0.61
EUR	questin:	-0.33	-0.19	0.72	CAD 10	1.49	-1.00 -0.67
GBP	0.25	0.29	0.57	1.11	EUR 10	0.27	0.30 -1.90
JPY	-0.06	0.00	0.05	0.24	GBP 10	1.03	3.70 -1.13
CAD	0.50	0.94	1.25	1.82	JPY 10	0.06	0.50 -2.10

Equities

Major Indices	Last	% day	% y/y
	Dow	21,410	-0.27
S&P 500	2,436	-0.06	16.6
Nasdaq	6,234	0.74	28.7
VIX	10.75	-1.01	-41.8
FTSE	7,448	-0.3	19.6
DAX	12,774	-0.3	27.5
CAC 40	5,274	-0.4	20.8
Nikkei	20,139	-0.5	25.4
Shanghai	3,156	0.5	8.6
Hang Seng	25,695	-0.6	23.6
ASX 200	5,666	-1.6	7.5

Commodities*

	Last	% day
Oil (Brent)	44.79	-2.7
Oil (WTI)	42.53	-2.3
Oil (Tapis)	45.89	-2.4
Gold	1243.40	0.2
CRB	167.42	-1.3
GS Metals	316.3	1.0
Aluminium	1858.3	-1.0
Copper	5724.5	1.5
Nickel	8966.0	2.1
Zinc	2637.0	3.4
Ch. steel	3105.0	-0.4
Iron ore	56.8	0.7
St. Coal	80.7	-0.1
Met.coal	145.0	0.0
Wheat Chic.	479.5	-1.7
Sugar	13.1	-4.0
Cotton	70.9	-0.6
Coffee	122.1	-2.0

Prob. of 25bps hike/cut at next meeting	
bps	%
RBA	-0.2 -1.0%
FED	-1 -2.4%

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.26	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.56	2.50
3/10 sprd	0.24	0.50
SPI	5622.0	74.0

*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
Thursday, 22 June 2017								
NZ	RBNZ Official Cash Rate	Jun 22	1.75	1.75		1.75	22.00	7.00
NZ	Net Migration SA	May				5780	23.45	8.45
NZ	Credit Card Billings (May)	May						11.00
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	European Union Leaders Hold Summit in Brussels (22-23 June)							
EC	ECB Publishes Economic Bulletin						9.00	18.00
UK	CBI Trends Total Orders/Selling Prices	Jun		7/20		9.0/23.0	11.00	20.00
CA	Retail Sales MoM	Apr		0.3		0.7	13.30	22.30
US	Initial Jobless Claims	Jun 17		240		237.0	13.30	22.30
CA	Retail Sales Ex Auto MoM	Apr		0.7		-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		0.5		0.6	14.00	23.00
US	Bloomberg Consumer Comfort	Jun 18				50.0	14.45	23.45
US	Bloomberg Economic Expectations	Jun				49.5	14.45	23.45
EC	Consumer Confidence	Jun A		-3		-3.3	15.00	0.00
US	Leading Index	May		0.3		0.3	15.00	0.00
US	Kansas City Fed Manf. Activity	Jun		9		8.0	16.00	1.00
US	Fed releases Part I of its annual bank stress tests						21.15	6.15
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		56.8		57.0	9.00	18.00
EC	Markit Eurozone Services/Composite PMI	Jun P		56.1/56.6		56.3/56.8	9.00	18.00
EC	European Union Leaders Hold Summit in Brussels (22-23 June)							
CA	CPI NSA MoM/YoY	May		0.2/1.5		0.4/1.6	13.30	22.30
CA	CPI Core- Common/Trim YoY%	May		1.4/		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		53.5/		53.6/53.6	14.45	23.45
US	New Home Sales, #/MoM	May		590/3.7		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		-0.9/0.3		-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 23				58.0	15.00	0.00
US	Dallas Fed Manf. Activity	Jun				17.2	15.30	0.30
Tuesday, 27 June 2017								
NZ	Trade Balance NZD/12m YTD	May		/		578.0/-3481.0	23.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jun 25				112.4	0.30	9.30
CH	Industrial Profits YoY	May				14.0	2.30	11.30
UK	CBI Retailing/Distributive Reported Sales	Jun		/		2.0/18.0	11.00	20.00
US	S&P CoreLogic CS 20-City MoM SA/YoY	Apr		/		0.9/5.9	14.00	23.00
US	Conf. Board Present Situation	Jun				140.7	15.00	0.00
US	Richmond Fed Manufact. Index	Jun				1.0	15.00	0.00
US	Fed's Harker Speaks on Economy in London						16.00	1.00
US	Fed's Kashkari Speaks at Townhall Event in Houghton, Michigan						22.30	7.30
Wednesday, 28 June 2017								
EC	M3 Money Supply YoY	May				4.9	9.00	18.00
US	Advance Goods Trade Balance	May		-65.5		-67.1	13.30	22.30
US	Wholesale Inventories MoM	May P				-0.5	13.30	22.30
CA	Bank of Canada's Poloz at ECB Panel						14.30	23.30
UK	Nationwide House PX MoM/YoY	Jun		/		-0.2/2.1	28 June - 4 Jul release	
US	Pending Home Sales MoM/YoY	May		/		-1.3/-5.4	15.00	0.00
CA	Bank of Canada Deputy Governor Lynn Patterson Speaks						19.15	4.15
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

CONTACT DETAILS

Authors

David de Garis
Director, Economics
+61 3 8641 3045
david.degaris@nab.com.au

Ray Attrill
Global Co-Head of FX Strategy
+61 2 9237 1848
ray.attrill@nab.com.au

Rodrigo Catril
Currency Strategist
+61 2 9293 7109
rodrigo.h.catril@nab.com.au

Tapas Strickland
Economist
+61 2 9237 1980
tapas.strickland@nab.com.au

Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406
peter.jolly@nab.com.au

Group Economics

Alan Oster
Chief Economist
+61 3 8634 2927
alan_oster@national.com.au

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