

15 February 2016

Markets Today



Rebound

European and US equity indices ended the week on a positive note, boosted by a rebound in bank stocks and a jump in oil prices. Deutsche Bank led the bank rally in Europe (up 11.8% on the day) after confirming a bond buyback programme reported earlier in the week. Thanks to yet another comment of cooperation between oil producers, energy companies on both side of the Atlantic also had a strong end to the week helped along by a solid jump in oil prices. WTI oil ended the week at \$29.44, up 12.3% on the day while Brent closed at \$32.65, up almost 11%. Data was also supportive; US January retail sales beat expectations, however consumer sentiment was weaker than expected (see more details below). Against this back drop of improved sentiment, core global yields drifted higher while the USD was stronger against most currencies.

Overall, it is hard to suggest Friday's move bore the signs of a much needed circuit breaker to the current market rout. While banks stocks rallied on the day, the Euro stoxx 600 financials sub index ended more than 12% down for the week and the S&P500 financial index lost more than 14% for the same period. The oil fuelled rally in energy stocks was not based on concrete new positive news, rumours or comments of cooperation between oil producers have previously amount to nothing, so we still need to see more tangible evidence that a bottom in oil prices has been reached. Time will tell, in the meantime on Monday all eyes are likely to be on China as it returns from a week long Lunar new year holiday. China's equity market's reaction to last week's turmoil as well as the degree, if any, of a lower USD/CNY fixing could set the tone for the week.

On this score, in an interview over the weekend, PBoC Governor Zhou played down concerns over the country's decline in fx reserves, noting the need to differentiate between capital outflows and capital flight. Zhou also stressed that Beijing strategy did not include further devaluation to boost exports.

Looking at Friday's equity markets performance in more detail, the Euro Stoxx 50 closed up 2.83%, the FTSE gained 3.08% and in the US the Dow was +2.0%, S&P 500 was +1.95 and NASDAQ was +1.66.

In currencies, the USD was stronger against most currencies with CAD one of the exceptions (+0.63%) boosted by the move in Oil. The AUD was practically unchanged (currently at 0.7108) and the NZD was the worst performer, falling 1.34%.

Core global yields drifted higher following the stronger than expected US retail sales and the sharp rise in oil prices. 10y UST notes ended at 1.74%, + 8.9bps while 10yr Bunds closed +7.5bps at 0.26.1% and 10y Gilts +11bps at 1.411%.

In other commodities, Gold lost 0.61% on Friday, but it ended 5.6% up for the week, its biggest weekly gain since October 2011. The LME index closed the week +1.03% and iron ore lost 3.54%, ending at \$43.65.

CFTC data for the w/e 9 February shows overall USD speculative longs were reduced again (186.5k to 130.3k). The fall was led by a significant paring of EUR shorts (-63.3k from -87.1k) as well as AUD shorts (-5.6k from -26.1k). Interestingly, the now small net short AUD position suggests that at least over the near term the currency is unlikely to benefit from any short squeezes. In rates, the prior week's net short of 360k was narrowly trimmed to -357.1k.

As for data releases, US January retail sales rose 0.2% vs. +0.1% expected. The Michigan consumer sentiment index fell to 90.7 from 92.0 (92.3 exp). Notably, 5-10 year inflation expectations fell to 2.4% from 2.7%. We know Fed officials pay a lot of attention to this reading, at 2.4% the series is now at a historical low and it supports the view the Fed will remain on hold in March, if not for longer.

The CoreLogic RPData report released over the weekend shows that Australia's preliminary auction clearance rate once again surprised to the upside, rising to 72% compared to 70.1% previously. In Melbourne, of the 440 reported results, 73.6% were successful while in Sydney, of the 469 auctions held the clearance rate was 78.6.

Coming Up

It's a quiet start to the week domestically with new motor vehicles sales (Jan) the only data scheduled for release. In offshore markets, Japan releases Q4 GDP figures and Industrial production (Dec F). From China we get, Trade balance (Jan) along with the Jan lending-money supply report while the US is observing the president's day holiday. Draghi speaks to European lawmakers in Brussels and no doubt the market will be looking for some reassuring words re their negative rate policy and fresh stimulus ahead.

Overnight

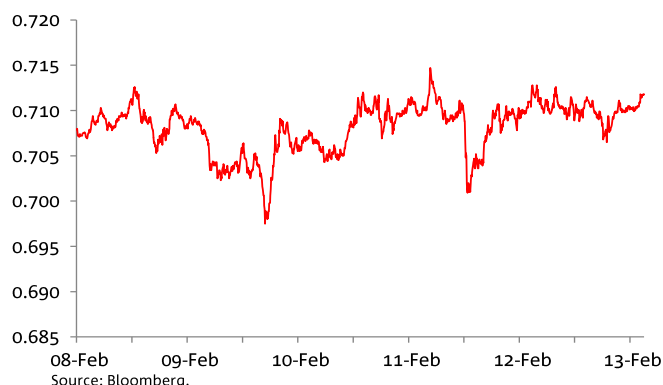
On global stock markets, the S&P 500 was +2.00%. Bond markets saw US 10-years +8.90bp to 1.75%. On commodity markets, Brent crude oil +10.98% to \$33.36, gold -0.7% to \$1,239, iron ore -3.5% to \$43.65. AUD is at 0.7108 and the range was 0.7064 to 0.7129.

Author:

Rodrigo Catril -FX Strategist

Markets

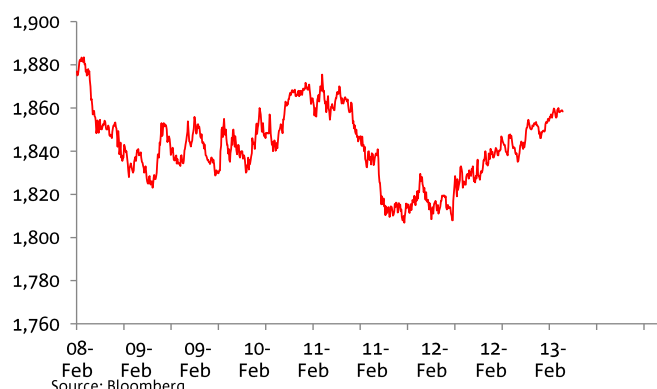
AUD/USD - past week



US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

| Indicative 24hr ranges (**) | | | | | Other FX | | |
|-----------------------------|--------|--------|----------|----------|----------|--------|--------|
| | Last | % chge | Low | High | | Last | % chge |
| AUD | 0.7110 | 0.0 | 0.7101 | 0.7120 | HKD | 7.7888 | 0.0 |
| NZD | 0.6622 | -0.1 | 0.6625 | 0.6632 | CNY | 6.5743 | 0.1 |
| EUR | 1.1230 | -0.2 | 1.1229 | 1.1261 | SGD | 1.3980 | 0.6 |
| GBP | 1.4505 | 0.0 | 1.4484 | 1.4567 | IDR | 13,490 | 0.2 |
| JPY | 113.40 | 0.1 | 113.0800 | 113.3700 | THB | 35.58 | 0.0 |
| CAD | 1.3840 | -0.1 | 1.3840 | 1.3867 | KRW | 1,212 | 0.7 |
| AUD/EUR | 0.6335 | 0.4 | | | TWD | 33.02 | -0.1 |
| AUD/JPY | 80.66 | 0.1 | | | PHP | 47.61 | 0.1 |
| AUD/GBP | 0.4907 | 0.0 | | | CHF | 0.98 | 0.0 |
| AUD/NZD | 1.0739 | 0.1 | | | SEK | 8.43 | 0.4 |
| AUD/CNY | 4.6603 | -0.2 | | | | | |

Interest Rates

| Indicative Swap Rates | | | | | Benchmark 10 Year Bonds | | | |
|-----------------------|------|------|-------|------|-------------------------|------|-------|-------|
| | Cash | 3mth | 2Yr | 10Yr | | Last | chge | Sprd |
| USD | 0.50 | 0.62 | 0.77 | 1.60 | USD 10 | 1.75 | 0.09 | |
| AUD | 2.00 | 2.28 | 2.05 | 2.61 | AUD 10 | 2.42 | 0.05 | 0.67 |
| NZD | 2.50 | 2.62 | 2.54 | 3.13 | NZD 10 | 2.98 | -0.03 | 1.24 |
| EUR | 0.05 | 0.06 | -0.14 | 0.65 | CAD 10 | 1.13 | 0.11 | -0.62 |
| GBP | 0.50 | 0.59 | 0.75 | 1.42 | EUR 10 | 0.26 | 0.07 | -1.49 |
| JPY | 0.10 | 0.01 | -0.11 | 0.22 | GBP 10 | 1.41 | 0.11 | -0.33 |
| CAD | 0.50 | 1.17 | 0.72 | 1.41 | JPY 10 | 0.09 | 0.07 | -1.66 |

Equities

Major Indices

| | Last | % day | % y/y |
|-----------|--------|-------|-------|
| Dow | 15,974 | +2 | -11.4 |
| S&P 500 | 1,865 | +2 | -11.1 |
| Nasdaq | 4,338 | +1.7 | -11.4 |
| VIX | 25 | -9.7 | 72.9 |
| FTSE | 5,708 | +3.1 | -17.0 |
| DAX | 8,968 | +2.5 | -18.2 |
| CAC 40 | 3,995 | +0.4 | -16.1 |
| Nikkei | 14,953 | -4.8 | -16.5 |
| Shanghai | 2,763 | -0.6 | -10.2 |
| Hang Seng | 18,320 | -1.2 | -25.8 |
| ASX 200 | 4,765 | -1.2 | -18.9 |

Overnight Futures

| | Last | Chge |
|------------------|-------|-------|
| Australia | | |
| 3 mth bill | 97.76 | -0.01 |
| 3 Yr bond | 98.21 | -0.04 |
| 10 Yr bond | 97.55 | -0.12 |
| 3/10 sprd | 0.66 | 0.08 |
| SPI | 87.0 | 1.9 |

Commodities*

| | Last | % day |
|-------------|---------|-------|
| Oil (Brent) | 33.36 | 11.0 |
| Oil (WTI) | 29.44 | 12.3 |
| Oil (Tapis) | 33.66 | 3.7 |
| Gold | 1239.10 | -0.7 |
| CRB | 160.36 | 3.5 |
| GS Metals | 247.9 | 1.1 |
| Aluminium | 1499 | 1.1 |
| Copper | 4507 | 1.2 |
| Nickel | 7790 | 3.0 |
| Zinc | 1711 | 0.0 |
| Ch. steel | 1843 | 0.0 |
| Iron ore | 43.7 | -3.5 |
| Coal | 50.7 | 0.0 |
| Wheat Chic. | 462.5 | -0.2 |
| Sugar | 13.15 | 0.6 |
| Cotton | 58.90 | 0.8 |
| Coffee | 117.5 | 2.2 |

CO₂ Emissions - Euros

| | Last | % day |
|----------|------|-------|
| Jun-2016 | 5.05 | 6.8 |
| Dec-2016 | 5.07 | 6.7 |
| Jun-2017 | 5.10 | 6.7 |

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 | AEDT |
|---|---|--------|----------------|----------------|--------|----------------|-------|-------|
| Monday, 15 February 2016 | | | | | | | | |
| US | Presidents' Day holiday | | | | | | | |
| NZ | REINZ House Sales YoY | Feb | | | | 4.3 | 22.05 | 9.05 |
| NZ | Performance Services Index | Jan | | | | 58.9 | 21.30 | 8.30 |
| JN | GDP Annualized SA QoQ | 4Q P | | -0.8 | | 1 | 23.50 | 10.50 |
| AU | New Motor Vehicle Sales MoM/YoY | Jan | | | | -0.5/2.2 | 0.30 | 11.30 |
| CH | Trade Balance (\$USbn) | Jan | | 60.6 | | 60.09 | 2.00 | 13.00 |
| CH | Exports/Imports YoY | Jan | | -1.8/-3.6 | | -1.4/-7.6 | 2.00 | 13.00 |
| CH | Agg Financing CNY (to be released by 15 Feb) | Jan | | 2200 | | 1820 | 2.00 | 13.00 |
| CH | New Yuan Loans CNY | Jan | | 1900 | | 597.8 | 2.00 | 13.00 |
| CH | Foreign Direct Investment YoY CNY | Jan | | -5.9 | | -5.8 | 2.00 | 13.00 |
| NZ | Non Resident Bond Holdings | Jan | | | | 67.4 | 2.00 | 13.00 |
| JN | Industrial Production MoM/YoY | Dec F | | / | | -1.4/-1.6 | 4.30 | 15.30 |
| JN | Tertiary Industry Index MoM | Dec | | -0.1 | | -0.8 | 4.30 | 15.30 |
| EC | Trade Balance NSA | Dec | | 27.5 | | 23.6 | 10.00 | 21.00 |
| EC | ECB's Draghi Speaks in EU Parliament Committee in Brussels | | | | | | 14.00 | 1.00 |
| Tuesday, 16 February 2016 | | | | | | | | |
| NZ | Retail Sales Ex Inflation QoQ | 4Q | 1.0 | 1.5 | | 1.6 | 21.45 | 8.45 |
| AU | ANZ Roy Morgan Weekly Consumer Confidence Index | Feb 14 | | | | 111.4 | 22.30 | 9.30 |
| AU | RBA Feb. Meeting Minutes | | | | | | 0.30 | 11.30 |
| NZ | 2Yr Inflation Expectation | 1Q | | | | 1.85 | 2.00 | 13.00 |
| UK | CPI MoM | Jan | | -0.7 | | 0.1 | 9.30 | 20.30 |
| GE | ZEW Survey Current Situation/Expectations | Feb | | 55 | | 59.7/10.2 | 10.00 | 21.00 |
| EC | ZEW Survey Expectations | Feb | | | | 22.7 | 10.00 | 21.00 |
| CA | Manufacturing Sales MoM | Dec | | 0.75 | | 1 | 13.30 | 0.30 |
| US | Fed's Harker Speaks on Economy at University of Delaware | | | | | | 13.30 | 0.30 |
| US | Empire Manufacturing | Feb | | -10.5 | | -19.37 | 13.30 | 0.30 |
| CA | Existing Home Sales MoM | Jan | | | | -0.6 | 14.00 | 1.00 |
| US | NAHB Housing Market Index | Feb | | 60 | | 60 | 15.00 | 2.00 |
| NZ | Dairy auction (GDT price index), early AM NZ time | | ~10% | | | -7.40% | | |
| Wednesday, 17 February 2016 | | | | | | | | |
| US | Net Long-term TIC Flows | Dec | | | | 31.4 | 21.00 | 8.00 |
| Nz | Finance Minister English testifies in Parliament on half year Budget/Economy update | | | | | | 21.45 | 8.45 |
| AU | Westpac Leading Index MoM | Jan | | | | -0.3 | 23.30 | 10.30 |
| JN | Machine Orders MoM | Dec | | 4.7/-2.8 | | -14.4/1.2 | 23.50 | 10.50 |
| US | Fed's Rosengren Speaks at Colby College | | | | | | 0.00 | 11.00 |
| UK | Jobless Claims Change | Jan | | -3 | | -4.3 | 9.30 | 20.30 |
| US | Housing Starts/MoM | Jan | | 1175/2.3 | | 1149/-2.5 | 13.30 | 0.30 |
| US | Building Permits/MoM | Jan | | 1200/-0.3 | | 1232/-3.9 | 13.30 | 0.30 |
| US | PPI Final Demand MoM | Jan | | -0.2 | | -0.2 | 13.30 | 0.30 |
| CA | Int'l Securities Transactions | Dec | | | | 2.58 | 13.30 | 0.30 |
| US | Industrial Production MoM | Jan | | 0.35 | | -0.4 | 14.15 | 1.15 |
| US | Manufacturing (SIC) Production | Jan | | 0.3 | | -0.1 | 14.15 | 1.15 |
| US | U.S. Fed Releases Minutes from Jan. 26-27 FOMC Meeting | | | | | | 19.00 | 6.00 |
| Thursday, 18 February 2016 | | | | | | | | |
| NZ | ANZ Job Advertisements MoM | Jan | | | | 1.1 | 21.00 | 8.00 |
| NZ | PPI Input/Output QoQ | 4Q | | | | 1.6/1.3 | 21.45 | 8.45 |
| JN | Trade Balance Adjusted | Jan | | 62.1 | | 36.637 | 23.50 | 10.50 |
| NZ | ANZ Consumer Confidence Index/MoM | Feb | | | | 121.4/2.3 | 0.00 | 11.00 |
| AU | Employment Change | Jan | 22 | 13 | | -1 | 0.30 | 11.30 |
| AU | Unemployment Rate | Jan | 5.8 | 5.8 | | 5.8 | 0.30 | 11.30 |
| AU | RBA FX Transactions Market | Jan | | | | 1175 | 0.30 | 11.30 |
| US | Fed's Bullard Speaks to CFA Society St. Louis | | | | | | 1.00 | 12.00 |
| CH | CPI YoY | Jan | | 1.9 | | 1.6 | 1.30 | 12.30 |
| CH | PPI YoY | Jan | | -5.4 | | -5.9 | 1.30 | 12.30 |
| AU | RBA's Edey Speaks to Sydney Investor Forum ("The current risk environment") | | | | | | 3.00 | 14.00 |
| EC | ECB Current Account SA | Dec | | | | 26.4 | 9.00 | 20.00 |
| EC | ECB account of the monetary policy meeting | | | | | | 12.00 | 23.00 |
| CA | Wholesale Trade Sales MoM | Dec | | 0.2 | | 1.8 | 13.30 | 0.30 |
| US | Philadelphia Fed Business Outlook | Feb | | -3 | | -3.5 | 13.30 | 0.30 |
| US | Initial Jobless Claims | Feb 13 | | 275 | | 269 | 13.30 | 0.30 |
| US | Leading Index | Jan | | -0.2 | | -0.2 | 15.00 | 2.00 |
| Friday, 19 February 2016 | | | | | | | | |
| US | Fed's Williams speaks on outlook | | | | | | 20.30 | 7.30 |
| NZ | Crown Financial Statements | Dec | | | | | 21.00 | 8.00 |
| JN | All Industry Activity Index MoM | Dec | | -0.3 | | -1 | 4.30 | 15.30 |
| UK | Retail Sales Ex Auto Fuel MoM | Jan | | 0.7 | | -0.9 | 9.30 | 20.30 |
| UK | Public Finances (PSNCR) | Jan | | | | 8.100004 | 9.30 | 20.30 |
| US | Fed's Mester to Speak at Global Interdependence Center | | | | | | | |
| US | CPI MoM/YoY | Jan | | -0.1/1.3 | | -0.1/0.7 | 13.30 | 0.30 |
| US | CPI Ex Food and Energy MoM/YoY | Jan | | 0.2/2.1 | | 0.1/2.1 | 13.30 | 0.30 |
| CA | Retail Sales MoM | Dec | | -0.8 | | 1.7 | 13.30 | 0.30 |
| CA | CPI NSA MoM | Jan | | -0.1 | | -0.5 | 13.30 | 0.30 |
| EC | Consumer Confidence | Feb A | | -6.6 | | -6.3 | 15.00 | 2.00 |
| Upcoming Central Bank Interest Rate Announcements | | | | | | | | |
| Australia, RBA | | 1-Mar | 2.00% | 2.00% | | 2.00% | | |
| New Zealand, RBNZ | | 10-Mar | 2.50% | 2.50% | | 2.50% | | |
| Europe ECB | | 10-Mar | | | | 0.05% | | |
| Canada, BoC | | 10-Mar | | | | 0.50% | | |
| Japan, BoJ | | 15-Mar | -0.1% to +0.1% | -0.1% to +0.1% | | -0.1% to +0.1% | | |
| UK BOE | | 17-Mar | | | | 0.50% | | |
| US Federal Reserve | | 17-Mar | | | | 0.25-0.50% | | |

GMT: Greenwich Mean Time; AEDT: Australian Eastern Daylight Saving Time

Contact Details

Authors

David de Garis
Senior Economist
+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

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

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.