

19 February 2016

# Markets Today



## Stay (just a little bit longer)

In the wake of yesterday's weaker employment report, the AUD/USD jagged down from around 7182 to 7140 and that's proven to be a base overnight in a 30 point range, with no particular new ground broken on the top or the low side. LME base metal prices were practically unmoved, the VIX index is down slightly notwithstanding what's proven to be a flat-to-softish session in US equities, while the iron ore spot price rose \$0.79 yesterday in China to \$47.14.

It's been a similarly contained session for the remainder of the major FX rates, though commodity currencies have in the latter part of the NY session given back earlier gains in the wake of signs of renewed oil price weakness (or at least enthusiasm for production cuts waning). Earlier strength in the commodity-linked FX rates helped to support the Aussie. US Treasury yields in net terms have eased, 2s by 4 basis points and tens by 7 basis points as US data showed no new clear direction with a virtually steady Philly Fed index in February and somewhat lower again levels of weekly jobless claims at 262k, down from 269K into the week of the February payrolls survey, a turn back down in oil investor sentiment in energy and other stocks and supporting bonds.

Both WTI and Brent are, in net terms, little changed from where they were in late Asia trade yesterday when the market was getting bulled up short-covering and hopes of a deal to limit production but have pulled back in afternoon trade. In late New York trade, WTI is back at \$30.77, giving back most of the gains made in late Asian trade yesterday with oil at one stage having looked like it could test \$32 a barrel. Surprise, surprise, the Saudi Foreign Minister has said that other nations can freeze production but the Saudis will not take part, all but scuttling hopes of cobbling together a deal to restrict global production. Also dampening sentiment, the OECD cuts its global growth forecasts by 0.3% to 3%, warning of markets at risk and FX volatility.

It's been something of a whippy night for Sterling as the EU Leaders Summit started its two day meeting. This scribe heard one political commentator describe this summit as genuinely "exciting" with the UK's membership of the EU at stake (and of course discussion of the refugee crisis). Various leaders have been providing semi-optimistic media grabs ahead of the Summit that a deal with the UK can be struck to satisfy the political aspirations of Europe and the UK, one that UK PM Cameron will get the concessions on he is seeking and then be able to campaign for a "yes/stay in" vote in a UK Brexit referendum. More volatility on this front ahead we'd suggest. Sterling did get a kick on hopes of a

deal at the Summit but there's lots of water still to go under the bridge ahead of a possible June UK referendum.

## Coming Up

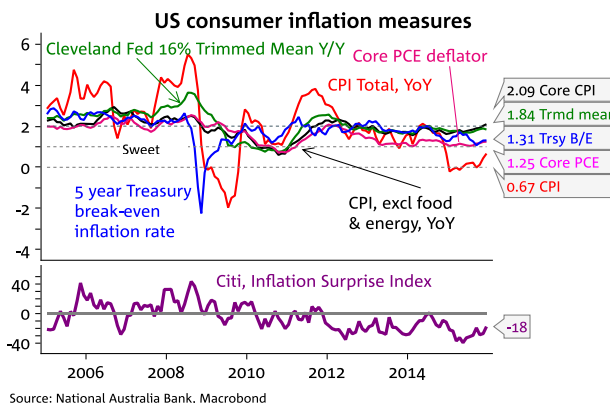
That's it for local data this week, with a quiet start to next week, apart from a speech from the RBA's Guy Debelle on Monday morning. Wages, construction work done, and Capex are due Wednesday-Thursday next week.

First up this morning is an outlook speech from San Francisco Fed President John Williams 7.30 a.m. who, although not a voting member on the FOMC this year, has views that the regarded as being closely aligned with Fed chair Yellen's thinking about US economy. Japan's all industry activity index this afternoon might draw a half glance from the market. More interest in the UK tonight not only with the EU leaders Summit but with their January retail sales report, the market expecting a bounce back after December's 0.9% decline. In the US Fed President Mester (voter) is speaking along with the release of January CPI, not the Fed's absolute preferred measure of consumer inflation, though one that is showing underlying CPI at 2.1% for December (towards the top of the various underlying measures), an annual rate that is expected to carry over into January on the basis of expected 0.2% gain. For CAD watchers, there is the December retail sales report due, along with the January CPI.

## Overnight

On global stock markets, the S&P 500 was -0.30%. Bond markets saw US 10-years -6.73bp to 1.75%. On commodity markets, Brent crude oil -1.07% to \$34.13, gold+2.1% to \$1,236, iron ore +1.7% to \$47.14. AUD is at 0.7154 and the range was 0.7133 to 0.7185.

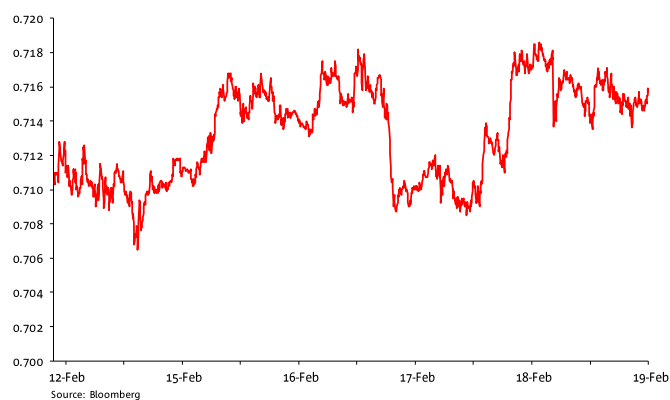
## Chart of the day: Take your pick



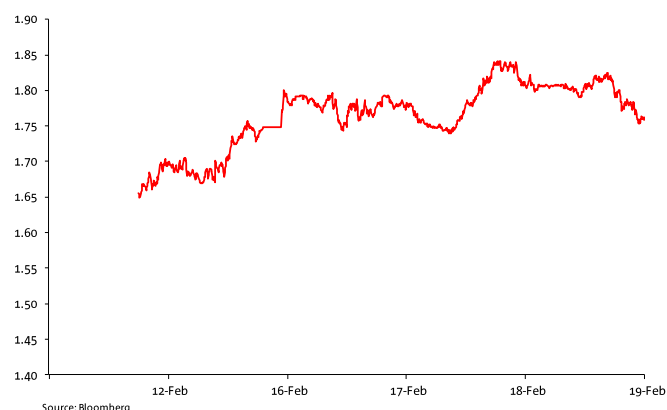
## Author:

David de Garis, Senior Economist

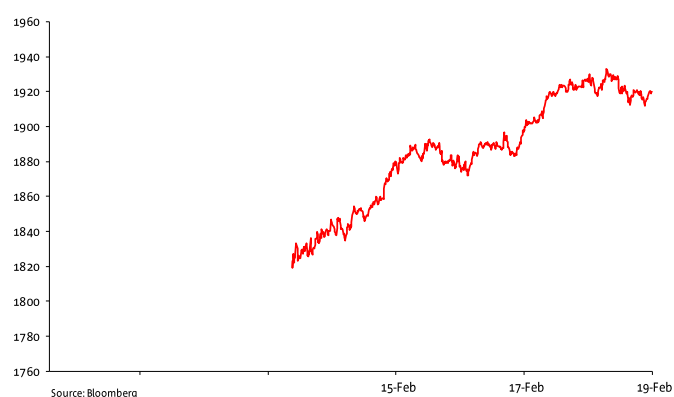
## AUD/USD - past week



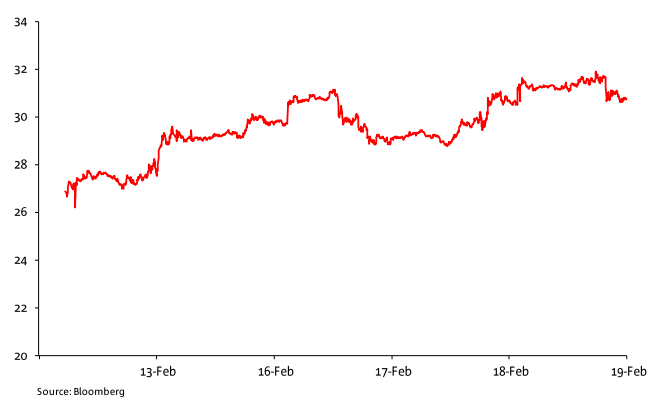
## US 10 yr - past week



## S&amp;P Futures - past week



## WTI - past week



## Foreign Exchange

Indicative 24hr ranges (**)					Other FX		
	Last	% chge	Low	High		Last	% chge
AUD	0.7156	-0.4	0.7133	0.7185	HKD	7.7814	0.0
NZD	0.6634	0.0	0.6604	0.6643	CNY	6.5149	0.0
EUR	1.1099	-0.2	1.1071	1.1132	SGD	1.4036	0.2
GBP	1.4321	-0.1	1.4313	1.4395	IDR	13,516	0.3
JPY	113.56	-0.3	113.44	114.01	THB	35.58	0.1
CAD	1.3737	0.4	1.3662	1.3751	KRW	1,232	0.5
AUD/EUR	0.6447	0.2			TWD	33.27	0.2
AUD/JPY	81.25	-0.4			PHP	47.59	0.1
AUD/GBP	0.4996	0.0			CHF	0.99	0.1
AUD/NZD	1.0786	-0.1			SEK	8.45	0.0

## Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr		Last	chge
USD	0.50	0.62	0.78	1.61	USD 10	1.75	-0.07
AUD	2.00	2.29	2.02	2.62	AUD 10	2.54	0.05
NZD	2.50	2.61	2.50	3.22	NZD 10	3.10	-0.01
EUR	0.05	0.06	-0.17	0.58	CAD 10	1.13	-0.05
GBP	0.50	0.59	0.78	1.44	EUR 10	0.22	-0.05
JPY	0.00	0.00	-0.13	0.17	GBP 10	1.45	-0.04
CAD	0.50	1.17	0.71	1.40	JPY 10	0.02	-0.04

## Equities

## Major Indices

	Last	% day	% year
Dow	16,446	0.0	-8.8
S&P 500	1,922	-0.3	-8.5
Nasdaq	4,501	-0.7	-8.3
VIX Index	21.40	-4.1	38.5
FTSE	5,972	-1.0	-13.4
DAX	9,464	0.9	-13.7
CAC 40	4,240	0.1	-11.7
Nikkei	16,197	2.3	-11.3
Shanghai	2,863	-0.2	-11.8
Hang Seng	19,363	2.3	-22.0
ASX 200	4,992	2.3	-15.5

## Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.74	-0.01
3 Yr bond	98.19	0.03
10 Yr bond	97.52	0.07
3/10 sprd	0.67	-0.04
SPI	-5.0	-0.1

## Commodities\*

	Last	% day
Oil (Brent)	34.13	-1.1
Oil (WTI)	30.72	0.2
Oil (Tapis)	36.35	6.6
Gold	1236.40	2.1
CRB	161.89	-0.4
GS Metals	249.9	-0.1
Aluminium	1517	-0.1
Copper	4576	-0.3
Nickel	8350	-0.7
Zinc	1697	3.2
Ch. steel	1870	0.5
Iron ore	47.14	1.7
St. coal	51.3	0.0
Wheat Chic	475.5	-1.0
Sugar	12.85	-2.3
Cotton	59.70	0.3
Coffee	116.1	-0.4

CO<sub>2</sub> Emissions - Euros

	Last	% day
Dec-2016	5.26	3.1
Dec-2017	5.31	3.3
Dec-2018	5.39	3.3

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
<b>Thursday, 18 February 2016</b>								
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
US	Fed's Bullard speaks about US economic outlook and monetary policy						23.00	10.00
JN	Trade Balance Adjusted	Jan		61.55		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
AU	RBA's Edey speaks to Sydney Investor Forum ("The current risk environment")						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
JN	BoJ's Ishida speaks in Fukuoka						1.30	12.30
UK	BoE's Cunliffe speaks on a panel in Brussels						8.55	19.55
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
US	Fed's Williams speaks on outlook						20.30	7.30
<b>Friday, 19 February 2016</b>								
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				8.1%	9.30	20.30
EC	ECB's Constancio speaks in New York						13.30	0.30
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		-0.9		1.7	13.30	0.30
CA	CPI NSA MoM	Jan		0		-0.5	13.30	0.30
EC	Consumer Confidence	Feb A		-6.6		-6.3	15.00	2.00
<b>Monday, 22 February 2016</b>								
AU	RBA's Debelle Speech in Sydney						22.10	9.10
CH	MNI Business Indicator	Feb					1.45	12.45
NZ	Credit Card Spending MoM/YoY	Jan				-0.8/7.4	2.00	13.00
JN	Nikkei Japan PMI Mfg	Feb P				52.3	2.00	13.00
JN	Supermarket Sales YoY	Jan				0	5.00	16.00
GE	Markit/BME Germany Manufacturing/Services PMI	Feb P		/		52.3/55	8.30	19.30
EC	Markit Eurozone Manufacturing/Services PMI	Feb P		/		52.3/53.6	9.00	20.00
UK	CBI Trends Total Orders	Feb				-15	11.00	22.00
US	Chicago Fed Nat Activity Index	Jan				-0.22	13.30	0.30
US	Markit US Manufacturing PMI	Feb P				52.4	14.45	1.45
<b>Tuesday, 23 February 2016</b>								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Feb 21				113.6	22.30	9.30
GE	GDP SA QoQ	4Q F				0.3	7.00	18.00
GE	GDP WDA YoY	4Q F				1.3	7.00	18.00
GE	IFO Business Climate/Current Assessment	Feb		/		107.3/112.5	9.00	20.00
US	S&P/CS 20 City MoM/YoY SA	Dec		1/5.5		0.94/5.83	14.00	1.00
US	Consumer Confidence Index	Feb		97.5		98.1	15.00	2.00
US	Richmond Fed Manufact. Index	Feb		2		2	15.00	2.00
US	Existing Home Sales/MoM	Jan		5.4/-1.1		5.46/14.7	15.00	2.00
<b>Wednesday, 24 February 2016</b>								
US	Total Net TIC Flows	Dec				-114	21.00	8.00
JN	PPI Services YoY	Jan				0.4	23.50	10.50
AU	Skilled Vacancies MoM	Jan				0.4	0.00	11.00
AU	Wage Price Index QoQYoY	4Q		/		0.6/2.3	0.30	11.30
AU	Construction Work Done	4Q				-3.6	0.30	11.30
CH	Westpac-MNI Consumer Sentiment	Feb				114.9	1.45	12.45
JN	Small Business Confidence	Feb				47.2	5.00	16.00
JN	Leading Index CI	Dec F				102	5.00	16.00
UK	BBA Loans for House Purchase	Jan				43975	9.30	20.30
UK	CBI Reported Sales	Feb				16	11.00	22.00
US	MBA Mortgage Applications	Feb 12				9.3	12.00	23.00
US	Markit US Services PMI	Feb P				53.2	14.45	1.45
US	Markit US Composite PMI	Feb P				53.2	14.45	1.45
US	New Home Sales/MoM	Jan		525/-3.5		544/10.8	15.00	2.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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

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