

In Monetary Policy We Trust

Friday's sharp improvement in global risk sentiment sparked by the Bank of Japan's largely unexpected decision to join the ECB, Danish and Swiss National Banks and Sweden's Riksbank, in taking interest rates into negative territory, extended throughout the western hemisphere sessions.

Yields fell in every major bond market alongside 2%+ bounces in all major bourses. So it was the spectre of more monetary accommodation globally (or in the case of the Fed, 'lower for longer'), rather than safe-haven considerations, driving price action across asset classes. Another (modest) rise in oil prices played with the grain (Russia still making overtures about production cuts alongside OPEC), while gold's further rise (\$3 to \$1118) is more reflective of the further fall in the opportunity cost of owning a yield-less asset than a symptom of risk aversion.

In currencies, DXY (+1%) outperformed broader dollar indices thanks to the former's higher (13.6%) weighting for the yen and also the 1% drop in EUR/USD and which carried a 57.6% weight. DXY +1.04% to 99.61 (its highest level of the year to date). BBDXY +0.62% while Asia EM index (ADXY) actually rose by 0.15%, the improvement in risk sentiment engendered by the BoJ outweighing contagion effects from the weaker yen.

USD/JPY ended in NY +1.92% at Y121.14, having been as high as 121.66 mid-afternoon London time. EUR/USD -1.0% to 1.0831 with confidence in more monetary accommodation from the ECB on 10 March bolstered by the BoJ's actions. AUD ended flat on the day at 0.7084 (so no evidence of strongly skewed month-end hedge adjustment flows) and NZD +0.06% at 0.6484.

In equities, after the Nikkei closed 2.8% higher (and +3.3% on the week) the S&P and Dow both rose by 2.5%, reducing January's overall losses to 5.1% (S&P) and 5.5% (Dow). The NASDAQ +2.4% for -7.9% YTD, Eurostoxx 50 +2.2% and the German Dax +1.6%. The VIX lost 2.2 to 20.2.

In US Treasuries, 2s fell by 4.35bps to 0.7737% and 10s by 5.8bps to 1.92%. 10yr Bunds earlier finished a full 10bps lower at 0.32% and UK gilts an even bigger 11bps to 1.557% with Short Sterling contracts now pricing for some 10bp of cuts from the BoE by the summer.

Commodities saw Brent crude +\$0.85 to \$34.74 and WTI +\$0.52 to \$33.74. The LME index added 1.06% while iron ore lost \$0.20 to \$41.72.

On the data front, US Q4 GDP came in at 0.7%, just beneath the 0.8% consensus - the latter one that had been

continually lowered in the days leading up to the release and so limiting market disappointment. Somewhat encouragingly, consumption expenditure rose by 2.2%.

Coming Up

Another big week ahead, beginning with the official China PMIs today as well as the Caixin manufacturing version. China's January FX reserves data should come later in the week, ahead of the Chinese New Year holidays that run from 8-12 Feb. A much smaller fall than December (some \$150bn after adjusting for FX valuation effects) will likely be supportive of risk sentiment (or another outsized fall the opposite).

The US calendar is book-ended by manufacturing ISM tonight and payrolls on Friday. Nothing due out of Japan but after Friday's BoJ news, Japanese stock watching will be a popular (global) pass-time.

Australia has the RBA board meeting Tuesday and Monetary Policy Statement Friday. The full suite of early month of data releases beckons retail sales Friday, trade and building approvals Wednesday the most market sensitive.

In NZ RBNZ Governor Wheeler speaks Wednesday and the RBNZ's McDermott on Thursday; Q4 labour market report Wednesday; ANZ commodity price index Tuesday with the dairy auction that night.

Google reports its earnings tonight and Exxon Mobil tomorrow.

Overnight

On global stock markets, the S&P 500 was +2.50%. Bond markets saw US 10-years -5.75bp to 1.92%. On commodity markets, Brent crude oil +3.42% to \$35.99, gold +0.1% to \$1,116, iron ore -0.5% to \$41.72. AUD is at 0.7084 and the range since Friday's local close was 0.7060 to 0.7140.

- The final University of Michigan's final January consumer sentiment index fell back to 92.0 from the 93.3 preliminary and 93.0 expected.
- EZ January CPI +0.4% up from 0.2% in December and as expected with the core HICP measure rising to 1.0% from 0.9% (0.9% expected).
- A wholly unbelievable surge in the Chicago PMI (55.6 from 42.9 and 45.3 expected). Safely ignored, though outsized rises (and falls) have often seen the subsequent nationwide manufacturing ISM index more modestly exceed (or fall short of) expectations.

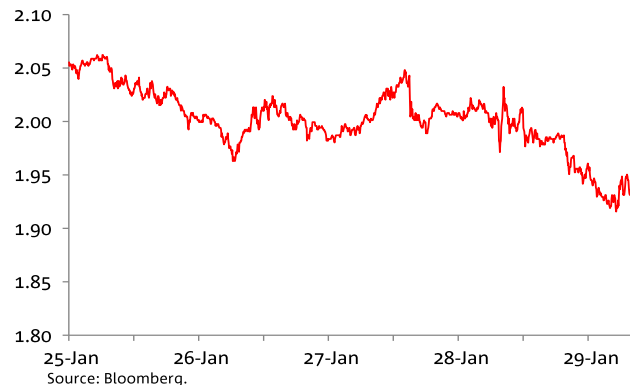
Author:

Ray Attrill, Global Co-Head of FX Strategy

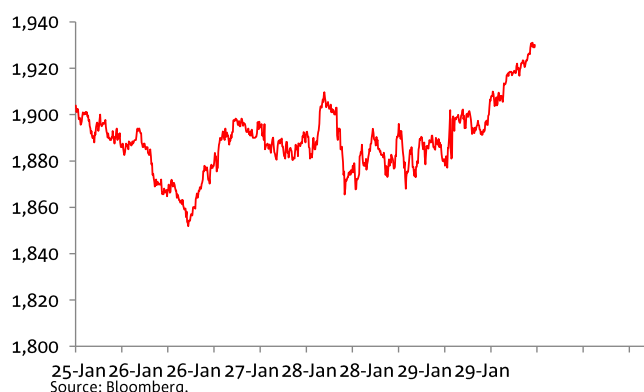
AUD/USD - past week



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	0.7084	0.0	0.7057	0.7108	HKD	7.7826	0.0
NZD	0.6487	0.0	0.6482	0.6496	CNY	6.5760	0.0
EUR	1.0832	0.0	1.0824	1.0844	SGD	1.4243	-0.3
GBP	1.4245	0.0	1.4240	1.4262	IDR	13,778	-0.7
JPY	121.29	0.1	121.04	121.31	THB	35.69	-0.4
CAD	1.3984	0.1	1.3973	1.4049	KRW	1,199	-0.8
AUD/EUR	0.6540	0.0			TWD	33.33	-0.8
AUD/JPY	85.91	0.1			PHP	47.74	-0.1
AUD/GBP	0.4973	0.0			CHF	1.02	0.0
AUD/NZD	1.0920	-0.1			SEK	8.58	0.0

Equities

Major Indices			
	Last	% day	% y/y
Dow	16,466	+2.5	-4.1
S&P 500	1,940	+2.5	-2.7
Nasdaq	4,614	+2.4	-0.5
FTSE	6,084	+2.6	-9.9
DAX	9,798	+1.6	-8.4
CAC 40	4,417	+0.4	-4.1
Nikkei	17,518	+2.8	-0.9
Shanghai	2,738	+3.1	-14.7
Hang Seng	19,683	+2.5	-19.7
ASX 200	5,006	+0.6	-10.4

Commodities*

	Last	% day
Oil (Brent)	35.99	3.4
Oil (WTI)	33.62	1.2
Oil (Tapis)	34.21	1.3
Gold	1116.40	0.1
CRB	166.75	0.9
GS Metals	249.2	0.9
Aluminium	1521	0.3
Copper	4569	0.7
Nickel	8592	0.4
Zinc	1627	3.1
Ch. steel	1835	1.1
Iron ore	41.7	-0.5
Coal	50.4	-0.9
Wheat Chic.	485.0	1.5
Sugar	13.14	-0.8
Cotton	61.13	-0.4
Coffee	116.4	-2.3

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	0.50	0.61	0.84	1.80	USD 10	1.92	-0.06	
AUD	2.00	2.29	2.02	2.74	AUD 10	2.64	-0.05	0.71
NZD	2.50	2.71	2.63	3.41	NZD 10	3.22	-0.02	1.30
EUR	0.05	0.06	-0.17	0.67	CAD 10	1.23	-0.01	-0.70
GBP	0.50	0.59	0.78	1.59	EUR 10	0.33	-0.08	-1.60
JPY	0.07	0.05	-0.01	0.28	GBP 10	1.56	-0.11	-0.36
CAD	0.50	1.17	0.70	1.60	JPY 10	0.10	-0.13	-1.82

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.81	0.00
3 Yr bond	98.14	0.01
10 Yr bond	97.38	0.06
3/10 sprd	0.77	-0.05
SPI	37.0	0.7

CO₂ Emissions - Euros

	Last	% day
Jun-2016	6.05	-0.3
Dec-2016	6.07	-0.3
Jun-2017	6.10	-0.5

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, 1 February 2016								
NZ	Auckland Anniversary Day holiday							
NZ	Net Migration SA	Dec				6260	21.45	8.45
AU	AIG Perf of Mfg Index	Jan				51.9	22.30	9.30
AU	CoreLogic RP Data House Px MoM	Jan	0.9%			-1.5	23.00	10.00
AU	TD Securities Inflation MoM/YoY	Jan				0.2/2	23.30	10.30
CH	Manufacturing PMI	Jan		49.6		49.7	1.00	12.00
CH	Non-manufacturing PMI	Jan				54.4	1.00	12.00
CH	Caixin China PMI Mfg	Jan		48.1		48.2	1.45	12.45
JN	Nikkei Japan PMI Mfg	Jan F				52.4	2.00	13.00
AU	Commodity Index AUD	Jan				71.2	5.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Jan F		52.1		52.1	8.55	19.55
EC	Markit Eurozone Manufacturing PMI	Jan F		52.3		52.3	9.00	20.00
UK	Mortgage Approvals	Dec		69.5		70.4	9.30	20.30
UK	Markit UK PMI Manufacturing SA	Jan		51.8		51.9	9.30	20.30
US	Personal Income/Spending	Dec		0.2/0.1		0.3/0.3	13.30	0.30
US	Real Personal Spending	Dec		0		0.3	13.30	0.30
US	PCE Deflator MoM/YoY	Dec		0/0.6		0/0.4	13.30	0.30
US	PCE Core MoM/YoY	Dec		0.1/1.4		0.1/1.300004	13.30	0.30
CA	RBC Canadian Manufacturing PMI	Jan				47.5	14.30	1.30
US	Markit US Manufacturing PMI	Jan F		52.7		52.7	14.45	1.45
US	ISM Manufacturing	Jan		48.5		48.2	15.00	2.00
US	Construction Spending MoM	Dec		0.6		-0.4	15.00	2.00
Tuesday, 2 February 2016								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jan 31				112.2	22.30	9.30
NZ	ANZ Commodity Price	Jan				-1.8	0.00	11.00
AU	RBA Cash Rate Target	Feb 2	2	2		2	3.30	14.30
GE	Unemployment change/rate	Jan		-9.5/6.3		-14/6.3	8.55	19.55
EC	PPI MoM/YoY	Dec		-0.5		-0.2/-3.2	10.00	21.00
EC	Unemployment Rate	Dec		10.5		10.5	10.00	21.00
NZ	World Dairy Auction, GDT price index (early AM, NZT time)					-1.40%		
US	ISM New York	Jan				62	14.45	1.45
US	Fed's George Speaks on U.S. Economy in Kansas City						18.00	5.00
Wednesday, 3 February 2016								
NZ	Unemployment Rate	4Q	6.1	6.1		6	21.45	8.45
NZ	Employment Change QoQ	4Q	0.5	0.8		-0.4	21.45	8.45
NZ	Average Hourly Earnings QoQ	4Q		0.5		0.9	21.45	8.45
AU	AIG Perf of Services Index	Jan				46.3	22.30	9.30
NZ	RBNZ Governor Wheeler Speaks "The Global Economy, New Zealand's Economic Outlook, and the Policy Targets Agreement"						0.00	11.00
AU	NAB Residential Property Survey	Q4					0.30	11.30
AU	Trade Balance	Dec	-2500	-2450		-2906	0.30	11.30
AU	Building Approvals MoM/YoY	Dec	4.9/-7.2	4.5/-7.2		-12.7/-8.4	0.30	11.30
CH	Caixin PMI Services/Composite	Jan		/		50.2/49.4	1.45	12.45
JN	Nikkei PMI Services/Composite	Jan				51.5/52.2	2.00	13.00
JN	Consumer Confidence Index	Jan				42.7	5.00	16.00
GE	Markit Services/Composite PMI	Jan F		55.4/54.5		55.4/54.5	8.55	19.55
EC	Markit Services/Composite PMI	Jan F		53.6/53.5		53.6/53.5	9.00	20.00
UK	Markit/CIPS UK Services/Composite PMI	Jan		55.3/		55.5/55.3	9.30	20.30
EC	Retail Sales MoM	Dec		0.3		-0.3	10.00	21.00
US	ADP Employment Change	Jan		195		257	13.35	0.15
US	Markit Services/Composite PMI	Jan F				53.7	14.45	1.45
US	Markit US Composite PMI	Jan F		/55.3		53.7/55.3	14.45	1.45
US	ISM Non-Manufacturing	Jan		55.3		55.3	15.00	2.00
Thursday, 4 February 2016								
NZ	RBNZ Assistant Governor John McDermott speaks (from Sydney) "Forward Guidance – Enhancing Monetary Policy in New Zealand"						22.30	9.30
AU	NAB Business Confidence (Quarterly survey)	4Q				0.47	0.30	11.30
AU	NAB Online Retail Sales Index MoM/YoY	Dec				0.7%/11.4%	0.30	11.30
GE	Markit Germany Construction PMI	Jan				55.5	8.30	19.30
UK	New Car Registrations YoY	Jan				8.4	9.00	20.00
EC	ECB Publishes Economic Bulletin						9.00	20.00
UK	Bank of England Bank Rate	Feb 4		0.5		0.5	12.00	23.00
UK	BOE Asset Purchase Target	Feb		375		375	12.00	23.00
UK	Bank of England Inflation Report						12.00	23.00
US	Challenger Job Cuts YoY	Jan				-27.6	12.30	23.30
US	Nonfarm Productivity	4Q P		-1.5		2.2	13.30	0.30
US	Initial Jobless Claims	Jan 30				278	13.30	0.30
US	Bloomberg Consumer Comfort	Jan 31				44.6	14.45	1.45
US	Factory Orders	Dec		-1.3/		-0.2/-0.3	15.00	2.00
US	Factory Orders Ex Trans	Dec				-0.3	15.00	2.00
US	Durable Goods Orders	Dec F				-5.1	15.00	2.00
Friday, 5 February 2016								
AU	AIG Perf of Construction Index	Jan				46.8	22.30	9.30
AU	Retail Sales MoM	Dec	0.6	0.4		0.4	0.30	11.30
AU	Retail Sales Ex Inflation QoQ	4Q	1.0	0.9		0.6	0.30	11.30
AU	RBA Statement on Monetary Policy						0.30	11.30
JN	Leading Index CI	Dec P		102.8		103.5	5.00	16.00
GE	Factory Orders MoM	Dec		-0.4		1.5	7.00	18.00
US	Trade Balance	Dec		-42.7		-42.37	13.30	0.30
US	Change in Nonfarm Payrolls/Unemployment rate	Jan		200/5		292/5	13.30	0.30
US	Average Hourly Earnings MoM/YoY	Jan		0.3/2.2		0/2.5	13.30	0.30
CA	Net Change in Employment/Unemployment rate	Jan		/		22.8/7.1	13.30	0.30
CA	Int'l Merchandise Trade	Dec				-1.99	13.30	0.30
CA	Ivey Purchasing Managers Index SA	Jan				49.9	15.00	2.00
US	Consumer Credit	Dec		15.5		13.951	20.00	7.00
Sunday, 7 February 2016								
CH	Foreign Reserves	Jan				3330		
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		2-Feb	2.00%	2.00%		2.00%		
UK BOE		4-Feb				0.50%		
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	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
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.