

## Back in black

It was a session of two halves with a risk off during European session spilling into the first part of the New York session, oil lower after the war of words yesterday Iran's oil Minister complaining about high Saudi production, the USD in the ascendancy and commodity currencies lower. Risk sentiment in the US market was not helped by the Markit version of the US Services PMI for the US which fell back from 53.2 to 49.8. It has yet to establish itself as a reliable monthly guide to the official non-manufacturing PMI, but it was enough to dampen the mood.

Then later in the session, the US EIA released its weekly oil report revealing a very modest decline in weekly US oil production but rising crude inventories. The market though was looking for some good news for once and took its cue from falling gasoline inventories with gasoline demand up 1.8%, a hint that the long looked-for increase in consumer-led driving and spending might be afoot. The turnaround in oil and equity markets also stymied a further rally in the US bond market, a rally that was also assisted to some extent by somewhat weaker than expected US new home sales for January, though they seem to be heavily affected by weather in the West and what were especially high sales in December. US homebuilder stocks are now out-pacing the broader recovery in US equities. The turnaround mid-session was the catalyst for an improvement in risk sentiment with US energy stocks doing an about turn. The S&P 500 is currently very close to square for the session, the S&P 500 having been down as much as 1½%.

The Aussie dollar is hovering at \$US0.72 this morning, having traded below 7150 when market sentiment was more brittle. Little change in the S&P 500 VIX index so far for the session; LME copper prices were virtually unchanged, while the Chinese iron ore price is up four cents to \$51.64, Dalian iron ore futures were also in positive territory yesterday as were Chinese steel rebar prices. Iron ore has had a 34.8% almost continuous rally from its December 11 low of \$38.30, right through the period of international market and commodity volatility.

Dallas Fed President Kaplan has been speaking this morning, seemingly adding a measure of calm saying he is patient in waiting for more data, that is aware of the dollar but it's not a major concern, he's not expecting a US recession this year and that there is no predetermined timetable for Fed action. Taking a more out there view, an IMF report released ahead of the Shanghai G20 finance ministers meeting is calling for bold multilateral actions to boost growth and that the Fund

is likely to downgrade its world growth forecasts in April when its next set is due.

## Coming Up

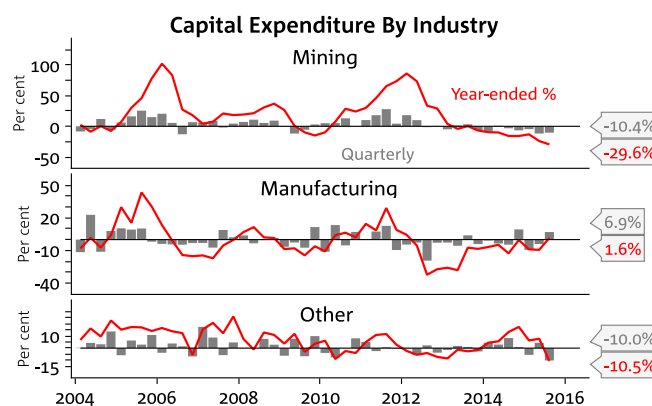
Yesterday's construction figures for the December quarter – wait down by a double-digit decline in engineering construction spending – gave a strong flavour of what might lie ahead for the Capex report this morning with NAB expecting a 4% decline in the December quarter and the market consensus at -3%. That is, unless there is a surprise lift in non-mining Capex in the quarter. A similar theme is likely to pervade the 2016-17 first estimate hold in January-February when markets were volatile. We look for an estimate of \$86 billion, dominated by a 30% decline in mining Capex, with some offset from a 7% increase in non-mining capital spending. The consensus is higher at \$92.8bn. We also have NZ net migration figures up first this morning at 845 and the feds James Bullard is speaking in New York at 11 AM our time, followed by the BOJ's Kiuchi at 1230.

Tonight, some interest in Sterling with possible revision to their first estimate of December quarter GDP, this release also providing the spending breakdown. There are more Fed speeches tonight with both Lockhart and Williams speaking while there is weekly jobless claims and the durable goods orders report for January.

## Overnight

On global stock markets, the S&P 500 was +0.40%. Bond markets saw US 10-years +2.59bp to 1.75%. On commodity markets, Brent crude oil +3.64% to \$34.49, gold +0.6% to \$1,230, iron ore +0.1% to \$51.64. AUD is at 0.7207 and the range was 0.7146 to 0.7212.

## Chart of the day: The capex story



Source: National Australia Bank, Macrobond

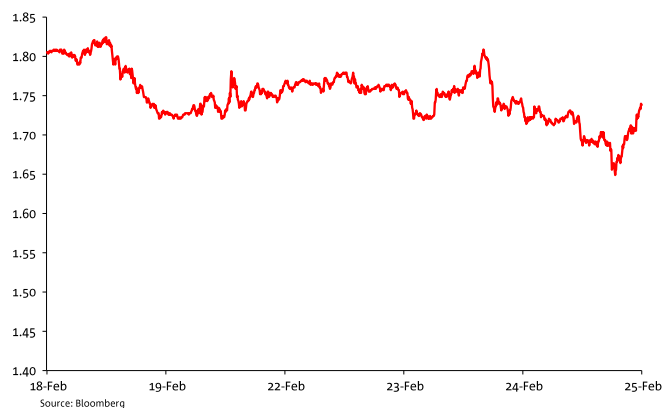
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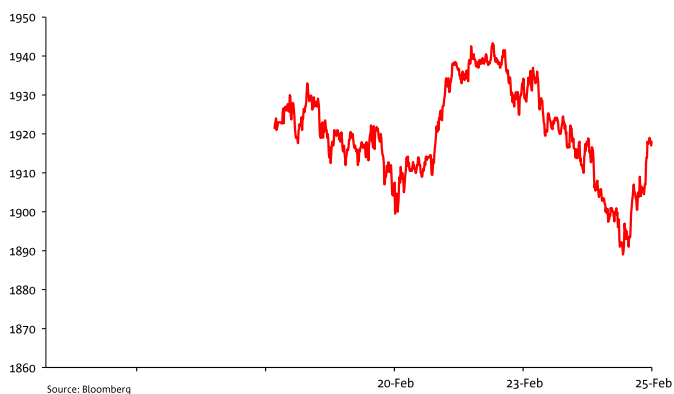
AUD/USD - past week



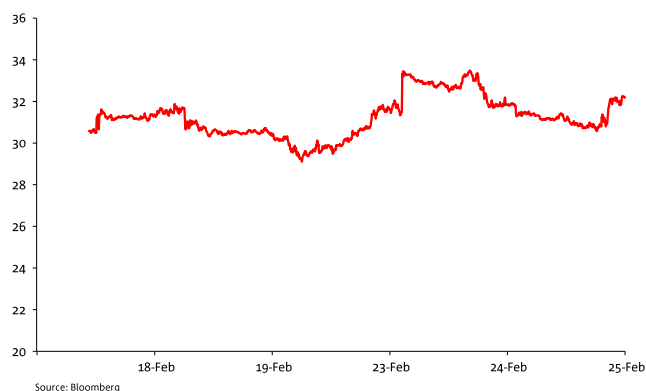
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

Indicative 24hr ranges (**)					Other FX		
	Last	% chge	Low	High	Last	% chge	
AUD	0.7207	0.1	0.7146	0.7212	HKD	7.7691	0.0
NZD	0.6667	0.9	0.6587	0.6671	CNY	6.5261	-0.1
EUR	1.1008	0.2	1.0957	1.1047	SGD	1.4035	-0.3
GBP	1.3922	0.2	1.3878	1.3960	IDR	13,418	0.0
JPY	111.93	0.1	111.04	111.97	THB	35.66	-0.1
CAD	1.3694	-0.9	1.3684	1.3864	KRW	1,233	-0.3
AUD/EUR	0.6547	0.3			TWD	33.28	-0.2
AUD/JPY	80.67	0.6			PHP	47.67	0.0
AUD/GBP	0.5177	0.4			CHF	0.99	-0.4
AUD/NZD	1.0808	-0.4			SEK	8.49	-0.4

Equities

Major Indices			
	Last	% day	% year
Dow	16,482	0.3	-9.5
S&P 500	1,930	0.4	-8.8
Nasdaq	4,540	0.8	-8.6
VIX Index	20.76	-1.0	51.6
FTSE	5,867	-1.6	-15.6
DAX	9,168	-2.6	-18.2
CAC 40	4,155	-2.0	-15.0
Nikkei	15,916	-0.8	-14.4
Shanghai	2,929	0.9	-9.3
Hang Seng	19,192	-1.1	-22.5
ASX 200	4,875	-2.1	-18.0

Commodities\*

	Last	% day
Oil (Brent)	34.48	3.6
Oil (WTI)	32.26	1.2
Oil (Tapis)	34.14	-4.1
Gold	1230.20	0.6
CRB	161.49	0.7
GS Metals	254.7	-1.5
Aluminium	1567	1.2
Copper	4642	-0.1
Nickel	8520	-1.0
Zinc	1755	1.0
Ch. steel	1945	1.0
Iron ore	51.64	0.1
St. coal	50.6	0.0
Wheat Chic	459.8	-0.9
Sugar	13.88	-0.1
Cotton	57.41	-1.0
Coffee	117.0	-1.9

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.63	0.80	1.59	USD 10	1.75	0.03
AUD	2.00	2.28	2.02	2.59	AUD 10	2.40	-0.02
NZD	2.50	2.59	2.45	3.10	NZD 10	3.01	-0.01
EUR	0.05	0.06	-0.17	0.54	CAD 10	1.15	0.03
GBP	0.50	0.59	0.74	1.36	EUR 10	0.15	-0.03
JPY	-0.01	-0.01	-0.14	0.10	GBP 10	1.36	-0.07
CAD	0.50	1.17	0.76	1.36	JPY 10	-0.06	-0.06

Overnight Futures

	Last	Chge
<b>Australia</b>		
3 mth bill	97.75	0.00
3 Yr bond	98.22	-0.03
10 Yr bonc	97.57	0.01
3/10 sprd	0.66	-0.04
SPI	20.0	0.4

CO <sub>2</sub> Emissions - Euros		
	Last	% day
Dec-2016	4.87	-0.8
Dec-2017	4.91	-0.8
Dec-2018	4.98	-0.8

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, 25 February 2016</b>								
NZ	Net Migration SA	Jan				5510	21.45	8.45
NZ	Finance Minister English Speaks						23.45	10.45
AU	Private Capital Expenditure	4Q	-4	-3		-9.2	0.30	11.30
AU	Private Capital Expenditure, First estimate 2016/17, \$Abn		86.0	92.8			0.30	11.30
JN	BoJ's Kiuchi speaks in Kagoshima						1.30	12.30
NZ	New Residential Lending YoY	Jan				8.5	2.00	13.00
GE	GfK Consumer Confidence	Mar		9.3		9.4	7.00	18.00
JN	Cabinet Office Monthly Economic Report						8.30	19.30
UK	GDP QoQ/YoY	4Q P		0.5/1.9		0.5/1.9	9.30	20.30
EC	CPI MoM/YoY	Jan		-1.4/0.4		0/0.2	10.00	21.00
EC	CPI Core YoY	Jan F		1		1	10.00	21.00
US	Fed's Lockhart to Give Opening Remarks at Banking Conference						13.15	0.15
US	Initial Jobless Claims	Feb 20		270		262	13.30	0.30
US	Durable Goods Orders/Core orders	Jan P		2.7/1		-5/-4.3	13.30	0.30
US	House Price Purchase Index QoQ	4Q				1.27	14.00	1.00
US	FHFA House Price Index MoM	Dec		0.5		0.5	14.00	1.00
US	Kansas City Fed Manf. Activity	Feb		-6		-9	16.00	3.00
US	Fed's Williams Speaks in New York						17.00	4.00
<b>Friday, 26 February 2016</b>								
CH	G20 Finance Ministers and Central bank Governors' meeting, Shanghai (26-27 Feb)							
NZ	Trade Balance	Jan	-1	-270.5		-53	21.45	8.45
JN	Natl CPI YoY	Jan		0		0.2	23.30	10.30
UK	GfK Consumer Confidence	Feb		3		4	0.05	11.05
CH	Property Prices	Jan					1.30	12.30
JN	Natl CPI Ex Fresh Food, Energy YoY	Jan		1.2		1.3	5.00	16.00
EC	Business Climate Indicator	Feb		0.27		0.29	10.00	21.00
GE	CPI MoM/YoY	Feb P		0.5/0.1		-0.8/0.5	13.00	0.00
US	Advance Goods Trade Balance	Jan		-61.2		-61.5/3	13.30	0.30
US	GDP Annualized QoQ	4Q S		0.4		0.7	13.30	0.30
US	Personal Income/Spending	Jan		0.4/0.3		0.3/0	15.00	2.00
US	PCE Deflator MoM/YoY	Jan		0/1.1		-0.1/0.6	15.00	2.00
US	PCE Core MoM/YoY	Jan		0.2/1.5		0/1.4	15.00	2.00
US	U. of Mich. Sentiment/5-10 yr inflation expectations	Feb F		91/		90.7/2.4	15.00	2.00
US	Fed's Powell discussed Fed Communication at NY						15.15	2.15
US	Fed's Brainard speaks on International Policy Synchronisation						18.30	5.30
EC	ECB's Praet speaks on panel in NY						18.30	5.30
<b>Monday, 29 February 2016</b>								
NZ	Building Permits MoM	Jan				2.3	21.45	8.45
JN	Industrial Production MoM/YoY	Jan P		/		-1.7/-1.9	23.50	10.50
JN	Retail Trade YoY/YoY	Jan		/		-1.1/-0.2	23.50	10.50
AU	Melbourne Institute Inflation MoM/YoY	Feb		/		0.4/2.3	0.00	11.00
NZ	ANZ Activity Outlook	Feb				34.4	0.00	11.00
NZ	ANZ Business Confidence	Feb				23.0	0.00	11.00
UK	Lloyds Business Barometer	Feb				45.0	0.10	11.10
AU	Inventories SA QoQ	4Q				0.1	0.30	11.30
AU	Company Operating Profit QoQ	4Q				1.3	0.30	11.30
AU	Private Sector Credit MoM/YoY	Jan		/		0.5/6.6	0.30	11.30
NZ	Money Supply M3 YoY	Jan				8.1	2.00	13.00
UK	Mortgage Approvals	Jan				70.8	9.30	20.30
EC	CPI Estimate YoY/YoY	Feb		/1		0.4/1.0	10.00	21.00
CA	Current Account Balance	4Q				-16.2	13.30	0.30
CA	Industrial Product Price MoM	Jan				-0.2	13.30	0.30
CA	Raw Materials Price Index MoM	Jan				-5.0	13.30	0.30
US	ISM Milwaukee	Feb				50.4	14.00	1.00
US	Chicago Purchasing Manager	Feb		53.8		55.6	14.45	1.45
CA	Bloomberg Nanos Confidence	Feb 26				53.5	15.00	2.00
US	Pending Home Sales MoM/YoY	Jan		1/		0.1/3.1	15.00	2.00
US	Dallas Fed Manf. Activity	Feb		-30		-34.6	15.30	2.30
<b>Tuesday, 1 March 2016</b>								
NZ	Terms of Trade Index QoQ	4Q				-3.7	21.45	8.45
AU	AiG Perf of Mfg Index	Feb				51.5	22.30	9.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Feb 28				114.3	22.30	9.30
AU	CoreLogic RP Data House Px MoM	Feb				-1.5	23.00	10.00
NZ	QV House Prices YoY	Feb				12.6	23.00	10.00
JN	Jobless Rate/Job-Applicant ratio	Jan		/		3.3/1.3	23.30	10.30
JN	Overall Household Spending YoY	Jan				-4.4	23.30	10.30
AU	Net Exports of GDP	4Q				1.5	0.30	11.30
AU	BoP Current Account Balance	4Q				-18.0	0.30	11.30
AU	Building Approvals MoM/YoY	Jan		/		9.2/-2.5	0.30	11.30
CH	Manufacturing PMI	Feb		49.5		49.4	1.00	12.00
CH	Non-manufacturing PMI	Feb				53.5	1.00	12.00
CH	Caixin China PMI Mfg	Feb		48.5		48.4	1.45	12.45
JN	Nikkei Japan PMI Mfg	Feb F				50.2	2.00	13.00
AU	RBA Cash Rate Target	Mar 1		2		2.0	3.30	14.30
AU	Commodity Index YoY	Feb				-25.8	5.30	16.30
GE	Unemployment Claims Rate SA	Feb				6.2	8.55	19.55
GE	Markit/BME Germany Manufacturing PMI	Feb F				50.2	8.55	19.55
EC	Markit Eurozone Manufacturing PMI	Feb F				51.0	9.00	20.00
UK	Markit UK PMI Manufacturing SA	Feb				52.9	9.30	20.30
EC	Unemployment Rate	Jan				10.4	10.00	21.00
CA	GDP MoM/YoY	Dec		/		0.3/0.2	13.30	0.30
CA	Quarterly GDP Annualized	4Q				2.3	13.30	0.30
CA	RBC Canadian Manufacturing PMI	Feb				49.3	14.30	1.30
US	Markit US Manufacturing PMI	Feb F				51.0	14.45	1.45
US	ISM Manufacturing/New Orders	Feb		48.5/		48.2/51.5	15.00	2.00
US	Construction Spending MoM	Jan		0.5		0.1	15.00	2.00
<b>Wednesday, 2 March 2016</b>								
AU	GDP SA QoQ/YoY	4Q		/		0.9/2.5	0.30	11.30
UK	Markit/CIPS UK Construction PMI	Feb				55.0	9.30	20.30
US	MBA Mortgage Applications	Feb 19				8.2	12.00	23.00
US	Wards Total Vehicle Sales	Feb		17.65		17.5		
US	ADP Employment Change	Feb		187.5		205.0	13.15	0.15
US	ISM New York	Feb				54.6	14.45	1.45
US	U.S. Federal Reserve Releases Beige Book							
<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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