

Weasel words

Plenty of official hand-wringing regarding downside risks to global growth and which was reflected in the communique issued on Saturday after the 2-day G20 meeting of finance ministers and central bankers in Shanghai. This included - presumably at the urging of the UK government contingent and largely for the benefit of its domestic constituency - 'Brexit' as an additional risk to the global recovery.

Yet consistent with US treasury Secretary Jack Lew's pre-G20 comments that we shouldn't expect a crisis-response to a non-crisis situation, there were no hard policy commitments from anyone. This included on fiscal policy, where the declared need to ensure that debt to GDP ratios remained on a 'sustainable path', adequately reflects the public opposition of German finance minister Wolfgang Schäuble heading into G20 to calls for looser fiscal policy to support growth. The public commitment to refrain from competitive currency devaluations was a 'gimme' that means absolutely nothing in practise. We doubt the 25 members of the ECB Governing Council are about to invite representatives of their 19 fellow G20 members to express their views on 10 March; ditto the BoJ when it next meets on 15 March.

Expectations for any substantive commitments out of G20 were sufficiently low such that we shouldn't expect any significant market response early this week to what are a whole lot of weasel words. That said, there is some risk they aggravate the risk-negative reaction to Friday's jump in the Fed's preferred core PCE deflator inflation readings (to 1.7%) and which present a challenge to the market's hitherto confident pricing out of 2016 Fed tightening risks.

The dollar jumped, money market rates and bond yields rose, and US equities sold off. These directional moves were already underway ahead of the PCE release thanks to an unexpected upward revision to Q4 US GDP to 1.0% from 0.7%, albeit inventory driven. US Treasury yields pushed higher throughout Friday's NY session, 2s finishing 7bps higher at 0.79% and 10s +5bps at 1.76%.

Weaker than expected German CPI at -0.2% y/y on the HICP measure from 0.4% previously, and deterioration in EC confidence survey readings, conspired with the stronger US data to pull EUR/USD below 1.10 on a closing basis for the first time since 2 February. The S&P500 finished -0.2% at 1948, the Dow -0.3% and NASDAQ +0.2%. The VIX finished +0.7 at 19.81, very close to its long term average of around 20.

In FX, the narrow DXY index rose by 0.89% to 98.15 (its best level since 3 Feb). AUD was the worse performing G10

currency, -1.52% to 0.7126 closely followed by the NZD, -1.4% to 0.6629%. CAD was the surprise outperformer, +0.13% to 1.3513. In explaining these relative moves, it is worth noting that judging from Friday's IMM/CFTC data, the speculative trading community extended long AUD positioning in the week through last Tuesday while positioning in the CAD was still substantially net short.

Commodities saw crude 20-30 cents lower, while the LME index of industrial metals rallied by 1.64% (out of kilter with the stronger dollar). In contrast, iron ore gave back \$1.5 of its recent strong rally, down to \$48.29.

Yesterday's CoreLogic RP data weekend housing report shows Australia's combined capital cities auction clearance rate holding above 70 percent for the fourth consecutive week (first time since last September). Sydney cleared a preliminary 73.3% from 76.5% the week before and Melbourne 75% up from 74.1%.

Coming Up

With confidence in steady Fed policy for much of 2016 challenged by Friday's inflation news, there will be particularly keen interest in this week's triumvirate of heavyweight US economic releases – manufacturing and non-manufacturing ISMs (Tuesday and Thursday respectively) and then Friday's payrolls report.

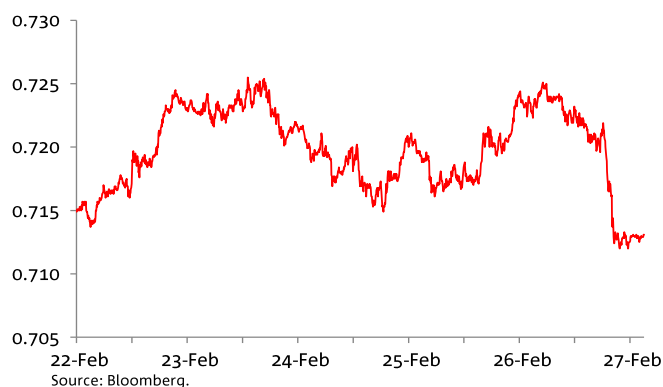
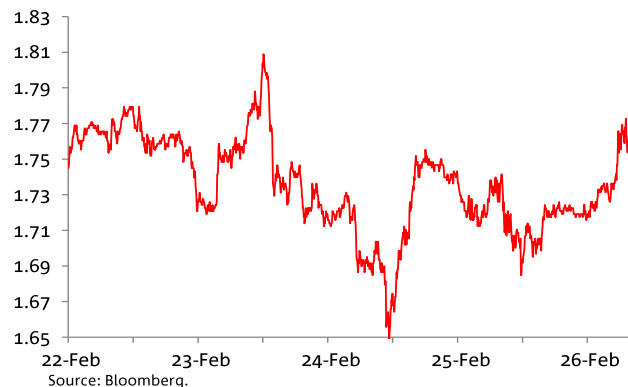
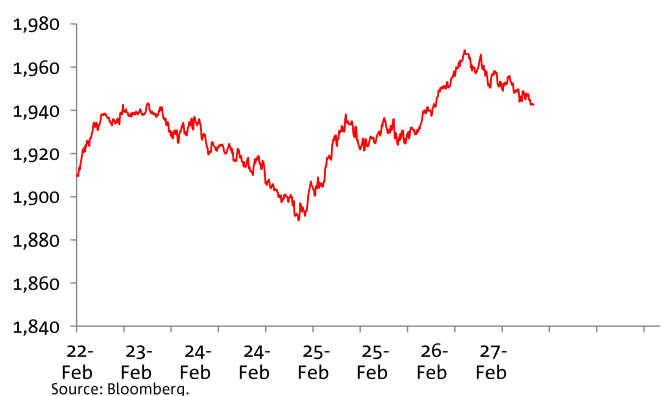
Tomorrow is 'Super Tuesday' and where we may end up closer to knowing the identities of both the Republican and Democratic presidential election nominees. This has not yet impacted markets, but could be about to, in particular if Donald Trump looks increasingly a shoo-in.

Elsewhere, EZ inflation tonight after Friday's weak German print is important, while China has official and Caixin manufacturing PMI data on Tuesday. China will also reveal its new 2016 growth target on Saturday.

Here, the RBA on Tuesday and GDP on Wednesday dominate proceedings. On the latter, we get inventory and company profits data today. NZ today has the ANZ business outlook, to be watched for any signs of weaker confidence at the beginning of the year,

Overnight

On global stock markets, the S&P 500 was -0.20%. Bond markets saw US 10-years +4.66bp to 1.76%. On commodity markets, Brent crude oil -0.54% to \$35.1, gold -1.5% to \$1,220, iron ore -2.9% to \$48.29. AUD is at 0.7133 and the range since Friday's local close has been 0.7118 to 0.7233.

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	0.7133	0.1	0.7124	0.7136	HKD	7.7751 0.0
NZD	0.6644	0.2	0.6633	0.6660	CNY	6.5404 0.1
EUR	1.0928	-0.1	1.0924	1.0938	SGD	1.4080 0.4
GBP	1.3878	0.1	1.3847	1.3893	IDR	13,382 -0.2
JPY	113.92	-0.1	113.7500	113.9600	THB	35.83 0.3
CAD	1.3529	0.1	1.3513	1.3535	KRW	1,238 -0.1
AUD/EUR	0.6527	0.1			TWD	33.34 -0.1
AUD/JPY	81.25	0.0			PHP	47.46 -0.4
AUD/GBP	0.5140	0.0			CHF	1.00 0.1
AUD/NZD	1.0735	-0.1			SEK	8.56 -0.1
AUD/CNY	4.6881	-0.4				

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge Sprd
USD	0.50	0.64	0.83	1.59	USD 10	1.76 0.05
AUD	2.00	2.29	2.00	2.56	AUD 10	2.38 -0.02 0.62
NZD	2.50	2.57	2.42	3.07	NZD 10	2.97 -0.02 1.20
EUR	0.05	0.06	-0.19	0.54	CAD 10	1.18 0.04 -0.58
GBP	0.50	0.59	0.73	1.35	EUR 10	0.15 0.01 -1.62
JPY	-0.02	-0.01	-0.16	0.11	GBP 10	1.40 0.04 -0.36
CAD	0.50	1.17	0.79	1.37	JPY 10	-0.07 0.00 -1.83

Equities

Major Indices			
	Last	% day	% y/y
Dow	16,640	-0.3	-8.2
S&P 500	1,948	-0.2	-7.4
Nasdaq	4,590	+0.2	-7.5
VIX	20	+3.7	48.5
FTSE	6,096	+1.4	-12.2
DAX	9,513	+1.9	-16.6
CAC 40	4,315	+1	-12.9
Nikkei	16,188	+0.3	-13.9
Shanghai	2,767	+0.9	-16.4
Hang Seng	19,364	+2.5	-22.0
ASX 200	4,880	0.0	-17.7

Commodities*

	Last	% day
Oil (Brent)	35.10	-0.5
Oil (WTI)	32.78	-0.9
Oil (Tapis)	36.96	4.1
Gold	1220.40	-1.5
CRB	161.67	-0.6
GS Metals	257.3	1.5
Aluminium	1560	0.2
Copper	4716	2.3
Nickel	8470	1.8
Zinc	1757	1.7
Ch. steel	1924	0.4
Iron ore	48.3	-2.9
Coal	50.7	0.5
Wheat Chic.	452.3	-0.4
Sugar	13.91	-2.3
Cotton	57.92	-0.4
Coffee	115.2	-0.8

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.74	-0.02
3 Yr bond	98.25	-0.03
10 Yr bond	97.59	-0.03
3/10 sprd	0.67	0.00
SPI	7.0	0.1

CO₂ Emissions - Euros

	Last	% day
Jun-2016	4.99	-1.6
Dec-2016	5.00	-1.6
Jun-2017	5.03	-1.6

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
Monday, 29 February 2016							
NZ	Building Permits MoM	Jan				2.3	21.45
JN	Industrial Production MoM/YoY	Jan P		3.2/-3.8		-1.7/-1.9	23.50
JN	Retail Trade YoY/YoY	Jan		0.1/0.1		-1.1/-0.2	23.50
AU	Melbourne Institute Inflation MoM/YoY	Feb		/		0.4/2.3	0.00
NZ	ANZ Activity Outlook	Feb				34.4	0.00
NZ	ANZ Business Confidence	Feb				23.0	0.00
UK	Lloyds Business Barometer	Feb				45.0	0.10
AU	Inventories SA QoQ	4Q	0.1	0.1		0.1	0.30
AU	Company Operating Profit QoQ	4Q	-3	-1.8		1.3	0.30
AU	Private Sector Credit MoM/YoY	Jan	0.5/6.6	0.5/6.5		0.5/6.6	0.30
AU	Mineral and Petroleum Expenditure	4Q				-6.2	0.30
NZ	Credit aggregates (household) YoY	Jan				7.4	2.00
UK	Mortgage Approvals	Jan		74		70.8	9.30
EC	CPI Estimate/Core YoY	Feb		0.1/		0.4/1.0	10.00
CA	Current Account Balance	4Q		-17		-16.2	13.30
CA	Industrial Product Price MoM	Jan				-0.2	13.30
CA	Raw Materials Price Index MoM	Jan				-5.0	13.30
US	ISM Milwaukee	Feb				50.4	14.00
US	Chicago Purchasing Manager	Feb		53		55.6	14.45
CA	Bloomberg Nanos Confidence	Feb 26				53.5	15.00
US	Pending Home Sales MoM/YoY	Jan		0.75/3.85		0.1/3.1	15.00
US	Dallas Fed Manf. Activity	Feb		-30		-34.6	15.30
Tuesday, 1 March 2016							
NZ	Terms of Trade Index QoQ	4Q	0.5	0		-3.7	21.45
AU	AiG Perf of Mfg Index	Feb				51.5	22.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Feb 28				114.3	22.30
AU	CoreLogic RP Data House Px MoM	Feb	0.2			0.9	23.00
NZ	QV House Prices YoY	Feb				12.6	23.00
JN	Jobless Rate/Job-Applicant ratio	Jan		3.3/1.28		3.3/1.3	23.30
JN	Overall Household Spending YoY	Jan		-2.8		-4.4	23.30
AU	Net Exports of GDP	4Q	0.4	0.3		1.5	0.30
AU	BoP Current Account Balance	4Q	-23	-20		-18.0	0.30
AU	Building Approvals MoM/YoY	Jan	-4	-3/-8.5		9.2/-2.5	0.30
AU	Government spending, real	4Q				-1.0	0.30
CH	Manufacturing PMI	Feb		49.4		49.4	1.00
CH	Non-manufacturing PMI	Feb				53.5	1.00
CH	Caixin China PMI Mfg	Feb		48.4		48.4	1.45
JN	Nikkei Japan PMI Mfg	Feb F				50.2	2.00
AU	RBA Cash Rate Target	Mar 1	2	2		2.0	3.30
CH	Fed's Dudley speaks on Economy and Policy in Hangzhou						4.30
AU	Commodity Index YoY	Feb				-25.8	5.30
GE	Unemployment Claims Rate SA	Feb		6.2		6.2	8.55
GE	Markit/BME Germany Manufacturing PMI F	Feb F		50.2		50.2	8.55
EC	Markit Eurozone Manufacturing PMI F	Feb F		51		51.0	9.00
UK	Markit UK PMI Manufacturing SA	Feb		52		52.9	9.30
EC	Unemployment Rate	Jan		10.4		10.4	10.00
CA	GDP MoM/YoY	Dec		0.1/0		0.3/0.2	13.30
CA	Quarterly GDP Annualized	4Q		0.1		2.3	13.30
EC	ECB's Lautenschlager speaks in New York						14.05
CA	RBC Canadian Manufacturing PMI	Feb				49.3	14.30
US	Markit US Manufacturing PMI	Feb F		51.2		51.0	14.45
US	ISM Manufacturing/New Orders	Feb		48.6/		48.2/51.5	15.00
US	Construction Spending MoM	Jan		0.5		0.1	15.00
NZ	Dairy Auction, GDT price index (early AM, NZ time)					-2.8	
Wednesday, 2 March 2016							
NZ	QV Housing Report, YoY	Feb				12.6	23.00
AU	GDP SA QoQ/YoY	4Q	0.6/2.7	0.5/2.6		0.9/2.5	0.30
AU	NAB Wellbeing Index	4Q					0.30
EC	ECB's Coeure speaks in Frankfurt						8.30
UK	Markit/CIPS UK Construction PMI	Feb		55.5		55.0	9.30
US	MBA Mortgage Applications	Feb 26				-4.3	12.00
US	Wards Total Vehicle Sales	Feb		17.6		17.5	
US	ADP Employment Change	Feb		190		205.0	13.15
US	ISM New York	Feb				54.6	14.45
US	Fed's Williams speaks in California						15.00
US	U.S. Federal Reserve Releases Beige Book						19.00
Thursday, 3 March 2016							
NZ	Value of All Buildings SA QoQ	4Q	1	2		0.5	21.45
AU	AiG Perf of Services Index	Feb				48.4	22.30
AU	HIA New Home Sales MoM	Jan				-1.8	0.00
NZ	ANZ Commodity Price	Feb	-3			-2.3	0.00
AU	Trade Balance	Jan	-3200	-3200		-3535.0	0.30
AU	NAB Online Retail Sales Index MoM/YoY	Jan				1.8/11.2	0.30
JN	BoJ's Nakaso speaks in Naha						1.30
CH	Caixin China PMI Services/Composite	Feb		/		52.4/50.1	1.45
JN	Nikkei Japan PMI Services/Composite	Feb		/		52.4/52.6	2.00
GE	Markit Germany Services PMI/Composite F	Feb F		55.1/53.8		55.1/53.8	8.55
EC	Markit Eurozone Services PMI/Composite F	Feb F		53/52.7		53.0/52.7	9.00
UK	Markit/CIPS UK Services PMI/Composite	Feb		55/		55.6/56.1	9.30
EC	Retail Sales MoM/YoY	Jan		0.1/		0.3/1.4	10.00
US	Challenger Job Cuts YoY	Feb				41.6	12.30
US	Nonfarm Productivity	4Q F		-3.3		-3.0	13.30
US	Initial Jobless Claims	Feb 27				272.0	13.30
US	Markit US Services PMI	Feb F		49.8/		49.8/50.1	14.45
US	ISM Non-Manf. Composite	Feb		53.5		53.5	15.00
US	Factory Orders	Jan		1.4		-2.9	15.00
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

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