

8 February 2016

# Markets Today



## Monkey Business

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Gong Xi Fa Cai!

Welcome to and best wishes for the Year of the Monkey.

China on Sunday reported its January FX reserves data. After adjusting for valuation changes arising from weakness in estimated non-US dollar reserve holdings during the month, and the reserves-boosting impact of ongoing trade surpluses of more than \$50bn. a month, we reckon the PBoC will have sold some \$130bn. Worth of FX reserves last month to limit weakness in the renminbi. This would be down on December (when we estimated intervention at more like \$170bn) and a bit less than the \$118bn median expectation Bloomberg were showing on Friday. Though intervention on this scale still means sizeable rebalancing flows including sales of AUD (and probably NZD too) there should be some relief the reserves drop was not larger.

As for Friday's markets, just when many has been starting to write the US dollar's epitaph, it roared back to life - no more so than against the AUD. This was in the wake of a US payrolls report that, as far as equity markets were concerned, wasn't weak enough to keep the Fed stuck where it is indefinitely, but wasn't strong enough to allay fears that the economic slowdown evident in the fourth quarter might be more than temporary (and that corporate profit margins might be set for a further squeeze given evidence that wages growth is finally accelerating). The S&P 500 traded south throughout the New York session to close down 1.85% while the NASDAQ lost a cool 3.25% led by a 40% slide in the share price of LinkedIn. US Treasury yields ended virtually unchanged at 10 years after having added 5bp from pre-release levels, while 2s ended just 2bp higher. This was after the algo crowd had dutifully sold the dollar and bought bonds on the weaker than consensus headline payroll number.

The payrolls report showed headline non-farm payrolls at 151k - beneath the 190k consensus but probably not far short of the whisper number going into the release. A downward revision to December (now 262k not 292k) was offset by an upward revision to November (280k not 252k). The unemployment rate fell to 4.9% from 5.0% even though the participation rate rose to 62.7% from 62.7% (as expected) with the U-6 underemployment rate steady at 9.9%. The most-market moving element of the report was average hourly earnings, jumping by 0.5% on the month not the 0.3% expected. Annual growth is now 2.5% (2.3%

expected) down from a sharply upwardly revised 2.7% in December, thanks to a high-side print last January (0.6%).

In currencies, DXY gained 0.58% to 97.03, led by a 0.6% fall-back in EUR/USD to 1.1158 but held back by a virtually unchanged USD/JPY (+0.08% to ¥116.87) and USD/CHF - 0.23% - further testament to payrolls not being a risk-positive event. The broader BBDXY added 0.63% and ADXY fell by 0.27%. Though commodity prices were set back by the stronger dollar, it was commodity currencies that fared worse Friday. AUD -1.86% to 0.7067, so well shy of weekly closing levels near 0.72 that would have many seasoned technical analysts calling a cyclical low in the Aussie. NZD -1.4% to 0.6629 and CAD -1.2% to 1.3917, the latter drawing some support from an out-sized jump in the Ivey PMI - this after a weaker than expected Canadian employment report (employment -5.7k and unemployment 7.2% up from 7.1%).

Commodities saw Brent crude -\$0.40 to \$34.06 and WTI - \$0.80 to \$30.89. The LME index lost 1.74% but iron ore added 20 cents to \$45.73. Gold was flat at \$1158 - sandwiched between 'risk-off' support and the US dollar's revival.

## Coming Up

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Today is the first day of the Lunar New Year holidays (which runs all week in China, Mon-Wed in Hong Kong and Mon-Tue in Singapore). Together with the Waitangi Day holiday in New Zealand, this leaves Sydney and Tokyo to run the show at the start of the week.

Central bank speak looms large, with Fed chair Yellen testifying before Congress on Wednesday and Thursday and RBA governor Glenn Stevens on Friday before the House of Representatives Standing Committee on Economics.

It's not a big week for data anywhere in the world, but locally both the January NAB business survey Tuesday and consumer confidence on Wednesday are of note. In the US retail sales and consumer confidence - both on Friday - look like being the highlights.

## Overnight

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On global stock markets Friday, the S&P 500 was -1.80%. Bond markets saw US 10-years -0.38bp to 1.84%. On commodity markets, Brent crude oil -1.16% to \$34.06, gold+0.0% to \$1,158, iron ore +0.5% to \$45.73. AUD is at 0.708 and the range since Friday local closer was 0.7067 to 0.7219.

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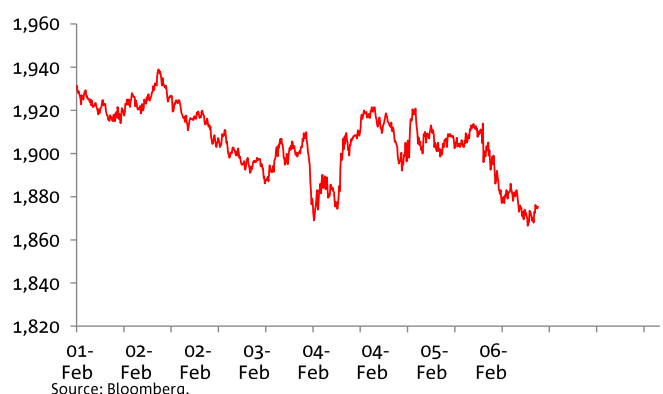
AUD/USD - past week



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	0.7080	0.2	0.7070	0.7087	HKD	7.7903 0.0
NZD	0.6623	-0.1	0.6622	0.6623	CNY	6.5743 0.1
EUR	1.1150	-0.1	1.1147	1.1162	SGD	1.4083 0.8
GBP	1.4497	0.0	1.4482	1.4501	IDR	13,624 -0.1
JPY	116.84	0.0	116.84	117.05	THB	35.60 0.1
CAD	1.3887	-0.2	1.3880	1.3908	KRW	1,198 -0.4
AUD/EUR	0.6350	0.2			TWD	33.18 -0.6
AUD/JPY	82.73	0.1			PHP	47.68 0.1
AUD/GBP	0.4884	0.2			CHF	0.99 0.0
AUD/NZD	1.0690	0.2			SEK	8.46 0.1
AUD/CNY	4.6712	-1.6				

### Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge Sprd
USD	0.50	0.62	0.82	1.75	USD 10	1.84 0.00
AUD	2.00	2.29	2.05	2.69	AUD 10	2.55 -0.02 0.71
NZD	2.50	2.67	2.63	3.30	NZD 10	3.14 0.01 1.30
EUR	0.05	0.06	-0.19	0.63	CAD 10	1.13 -0.02 -0.71
GBP	0.50	0.59	0.78	1.55	EUR 10	0.30 -0.01 -1.54
JPY	0.07	0.03	-0.14	0.19	GBP 10	1.56 -0.01 -0.28
CAD	0.50	1.17	0.67	1.51	JPY 10	0.03 -0.03 -1.81

### Equities

#### Major Indices

	Last	% day	% y/y
Dow	16,205	-1.3	-9.1
S&P 500	1,880	-1.8	-8.5
Nasdaq	4,363	-3.2	-8.0
VIX	23	+7.1	35.2
FTSE	5,848	-0.9	-14.7
DAX	9,286	-1.1	-14.4
CAC 40	4,201	-0.1	-10.5
Nikkei	16,820	-1.3	-4.7
Shanghai	2,763	-0.6	-10.2
Hang Seng	19,288	+0.5	-21.8
ASX 200	4,976	-0.1	-14.5

### Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.77	-0.02
3 Yr bond	98.15	-0.02
10 Yr bond	97.43	0.01
3/10 sprd	0.72	-0.03
SPI	-56.0	-1.1

### Commodities\*

	Last	% day
Oil (Brent)	34.06	-1.2
Oil (WTI)	30.89	-2.6
Oil (Tapis)	36.16	-2.7
Gold	1157.80	0.0
CRB	161.93	-0.9
GS Metals	249.9	-2.0
Aluminium	1495	-2.6
Copper	4635	-1.2
Nickel	8128	-4.5
Zinc	1676	-2.3
Ch. steel	1842	0.0
Iron ore	45.7	0.5
Coal	51.6	1.3
Wheat Chic.	470.5	-1.3
Sugar	13.27	2.9
Cotton	59.97	-0.4
Coffee	120.4	-2.3

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

	Last	% day
Jun-2016	5.55	-1.1
Dec-2016	5.57	-0.9
Jun-2017	5.60	-0.9

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, 8 February 2016								
Asia	Lunar New year holidays this week							
NZ	Waitangi Day holiday							
JN	BoP Current Account Adjusted	Dec		1614.7		1423.5	23.50	10.50
AU	ANZ Job Advertisements MoM	Jan				-0.1	0.30	11.30
CH	Foreign Direct Investment YoY CNY (release from 8/2)	Jan		-2		-5.8	2.00	13.00
JN	Labor Cash Earnings YoY	Dec		0.5		0	1.30	12.30
JN	Eco Watchers Survey Current/Outlook	Jan		48.2		48.7/48.2	5.00	16.00
GE	Industrial Production SA MoM/YoY	Dec		0.5/-0.5		-0.3/0.1	7.00	18.00
EC	Sentix Investor Confidence	Feb				9.6	9.30	20.30
EC	ECB's Walter, Dutch CB's Sijbrand, Dijsselbloem speak						11.00	22.00
CA	Housing Starts/Building permits	Jan		185		172.965/-19.6	13.15	0.15
CA	Bloomberg Nanos Confidence	Feb 5				52.1	15.00	2.00
US	Labor Market Conditions Index Change	Jan				2.9	15.00	2.00
Tuesday, 9 February 2016								
NZ	ANZ Truckometer Heavy MoM	Jan				2.6	21.00	8.00
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Feb 7				111.2	22.30	9.30
NZ	QV House Prices YoY	Jan				14.2	23.00	10.00
AU	HIA New Home Sales MoM	Dec				-1.8	0.00	11.00
AU	NAB Business Conditions/Confidence	Jan				7/3	0.30	11.30
JN	Machine Tool Orders YoY	Jan P				-25.7	6.00	17.00
GE	Current Account Balance	Dec				24.7	7.00	18.00
UK	Trade Balance	Dec		-2700		-3170	9.30	20.30
US	NFIB Small Business Optimism	Jan		94.5		95.2	11.00	22.00
US	JOLTS Job Openings	Dec				5431	15.00	2.00
US	Wholesale Inventories MoM	Dec		-0.1		-0.3	15.00	2.00
Wednesday, 10 February 2016								
NZ	Card Spending Retail MoM/YoY	Jan	0.3	0.3		-0.2/0.1	21.45	8.45
AU	Westpac Consumer Conf Index	Feb				97.3/-3.5	23.30	10.30
AU	HIA new home sales	Dec				-1.8	0.00	11.00
AU	NAB Commercial Property Survey	Q4					0.30	11.30
UK	Industrial Production MoM/YoY	Dec		0/1		-0.7/0.9	9.30	20.30
US	MBA Mortgage Applications	Feb 5				-2.6	12.00	23.00
CH	Agg Financing CNY (these released from 10/2)	Jan		2300		1820		
CH	New Yuan Loans CNY	Jan		1865		597.8		
UK	NIESR GDP Estimate	Jan				0.6	15.00	2.00
US	Fed's Yellen to Appear Before House Financial Services Committee						15.00	2.00
US	Fed's Williams Speaks on Health and the Economy in LA						18.30	5.30
US	Monthly Budget Statement	Jan		10.1		-14.4	19.00	6.00
Thursday, 11 February 2016								
NZ	BusinessNZ Manufacturing PMI	Jan				56.7	21.30	8.30
AU	Consumer Inflation Expectation	Feb				3.6	0.00	11.00
UK	RICS House Price Balance	Jan				50	0.10	11.10
AU	NAB SME Business Survey	Q4					0.30	11.30
US	Initial Jobless Claims	Jan 30		278		285	13.30	0.30
CA	New Housing Price Index MoM	Dec				0.2	13.30	0.30
CA	New Housing Price Index YoY	Dec				1.6	13.30	0.30
US	Bloomberg Consumer Comfort	Jan 31				44.6	14.45	1.45
US	Fed's Yellen to Appear Before Senate Banking Committee						15.00	2.00
Friday, 12 February 2016								
NZ	Food Prices MoM	Jan	1.3			-0.8	21.45	8.45
AU	RBA Governor's appearance before the House of Representatives' Standing Committee on Economics						22.30	9.30
AU	Home Loans MoM	Dec	1.2	2.8		1.8	0.30	11.30
AU	Investment Lending	Dec				0.7	0.30	11.30
GE	CPI MoM/YoY	Jan F		-0.8/0.5		-0.8/0.5	7.00	18.00
GE	GDP QoQ/YoY	4Q P		0.3/1.4		0.3/1.7	7.00	18.00
EC	Industrial production MoM/YoY	Dec		0.3/-0.2		-0.7/1.1	10.00	21.00
EC	GDP QoQ/YoY	4Q A		0.3/		0.3/1.6	10.00	21.00
JN	Machine Tool Orders YoY	Jan P				-25.7	6.00	17.00
CA	Teranet/National Bank HPI MoM	Jan				-0.1	13.30	0.30
US	Retail sales MoM/ex autos and gas	Jan		0.1/0.3		-0.1/0	13.30	0.30
US	Import prices MoM/YoY	Jan		-1.5/-6.8		-1.2/-8.2	13.30	0.30
US	Business Inventories	Dec		0.2		-0.2	15.00	2.00
US	U. of Mich. Sentiment	Feb P		92.5		92	15.00	2.00
US	U. of Mich. 5-10 Yr Inflation	Feb P				2.7	15.00	2.00
Monday, 15 February 2016								
NZ	REINZ House Sales YoY	Jan				3.5	22.05	9.05
NZ	Performance Services Index	Jan				58.9	21.30	8.30
JN	GDP SA QoQ	4Q P		-0.3		0.3	23.50	10.50
JN	GDP Annualized SA QoQ	4Q P		-0.8		1	23.50	10.50
UK	Rightmove House Prices MoM	Feb				0.5	0.10	11.10
UK	Rightmove House Prices YoY	Feb				6.5	0.10	11.10
AU	New Motor Vehicle Sales MoM	Jan				-0.5	0.30	11.30
AU	New Motor Vehicle Sales YoY	Jan				2.2	0.30	11.30
NZ	Non Resident Bond Holdings	Jan				67.4	2.00	13.00
JN	Industrial Production MoM	Dec F				-1.4	4.30	15.30
JN	Industrial Production YoY	Dec F				-1.6	4.30	15.30
JN	Tertiary Industry Index MoM	Dec				-0.8	4.30	15.30
EC	Trade Balance NSA	Dec				23.6	10.00	21.00
CH	Trade Balance	Jan		61		60.09	2.00	13.00
EC	ECB's Draghi Speaks in EU Parliament Committee in Brussels						14.00	1.00
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

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