

## Something in the air

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The centrepiece of overnight attention was always going to be the ECB policy meeting. After the thunderclap warnings and expectations into the December meeting and then disappointed expectations, was last night's meeting going to be a repeat or the real deal?

It's been more toward the latter that's transpired, at least as far as using all available tools in terms of lower/negative rates, boosting QE, including to purchase corporate debt and support for bank profits by paying banks to lend. There was certainly the push further toward if not into negative rates as a feature, but more and Draghi downplayed expectations of further rate cuts as the main future policy instrument. The main refi rate and the marginal lending facility rate were both cut by 5bps, to 0.00% and 0.25% respectively (no cut was expected to these), while the deposit facility rate was cut as expected by 10 bps to -0.40%.

But the future emphasis of policy has seemingly shifted with more emphasis on direct support for bank lending. There was certainly something in the air suggesting the Bank is switching tack and this did subsequently get the market's attention. ECB President Draghi ended his press conference by saying, "we do not anticipate reducing rates further." Instead the ECB hopes that it will both spur the Euro Zone economy and help out flagging bank profitability by coercing banks to use its new borrowing facility.

My colleague Gavin Friend neatly summarised the new approach: Termed 'TLTRO II', the ECB is now offering banks a new unlimited liquidity facility, which will start in June 2016 with four operations (one per quarter ending March 2017) where banks can borrow unlimited amounts at whatever the prevailing MRO is (currently zero). But if banks lend that money, they can get additional discounts to a maximum of the current -0.4% Deposit Rate. In other words banks that fulfil reasonably meagre lending requirements could be paid by the ECB to lend. What is not to like about that? Banks will also be able to transfer prior TLTRO and LTRO borrowing for the new cheaper version (providing this money was then lent out) to increase profits further. Hats off then to the ECB addressing the concern that negative rates could have on bank profits, concern that had stemmed from resistance by banks to offer negative retail deposit rates, funding being supported from the ECB.

It's been a topsy-turvy reaction in European markets. The EUR/USD was trading at 1.0975 into the ECB, it dropped sharply to 1.0818 as news of a larger-than-expected package emerged, only to reverse through 1.1150, to be trading at

just over 1.12 this morning, the market taking its lead from Draghi's no further rate cut comments. European bank stocks initially surged, up 5.1% in the first hour or so after the announcement, but ended the session down 0.52%. Feedback from a stronger Euro one could possibly surmise. Through all this EUR/USD volatility, the AUD/USD traded somewhat lower from 0.7490/7500, now consolidating around 0.7450 in early local trade, though more it seems from a pull-back in oil prices and subdued LME metals prices. The AUD/EUR though is down 2.33% this morning, to 0.6650/55.

## Coming Up

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The immediate data flow now winds down into the end of the week with just the NZ manufacturing PMI for February out this morning at 8:30 AM, followed at 845 by NZ food prices. That's pretty much it for our time zone today, with the local market to open on Monday in the aftermath of tomorrow's release of the key February Chinese trifecta of activity reports, industrial production, retail sales, and fixed assets investment. A slowing in industrial production growth for the first two months of the year combined is expected from 6.1% to 5.9%, also for fixed assets investment from 10.0% to 9.5%, while retail sales growth is expected to tick up from 10.7% to 10.9%. We would also be aware of the potential for the shifting timing of the Lunar New Year to impact these numbers. We will have a fairer read as far as these three sectors are concerned in a month's time once the March figures are released.

It's a fairly quiet night tonight with only the Canadian labour market report for February to speak of in terms of potential market sensitivity, though if the unemployment rate remained steady at 7.2% and employment rises a modest 10K after January's 5.7K drop, any marked reaction from the \$C would be a surprise.

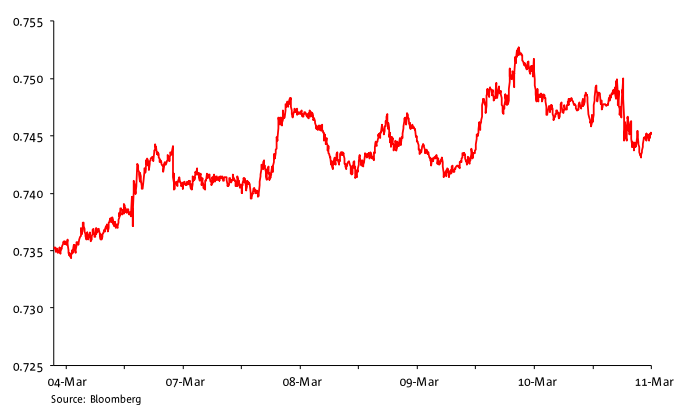
Next week, most attention will be on the FOMC meeting on Wednesday and what it reveals about members' projections of the funds rate (the so-called "dot points" charts) and the economy. Australia's employment/unemployment report for February is due Thursday, while the BOJ is also meeting mid-week.

## Overnight

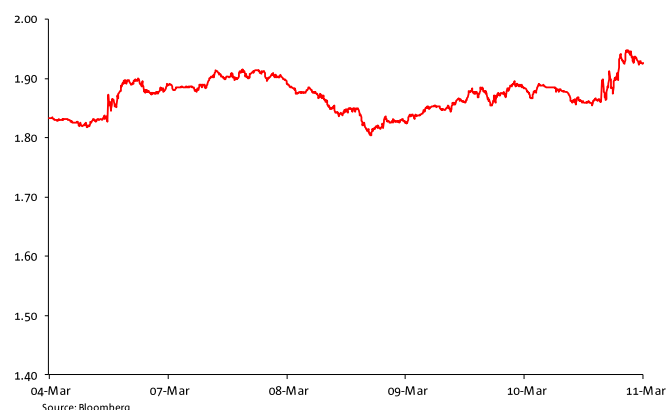
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On global stock markets, the S&P 500 was -0.30%. Bond markets saw US 10-years +4.75bp to 1.92%. On commodity markets, Brent crude oil -2.41% to \$40.08, gold +1.0% to \$1,270, iron ore -0.2% to \$57.92. AUD is at 0.7445 and the range was 0.7427 to 0.7512.

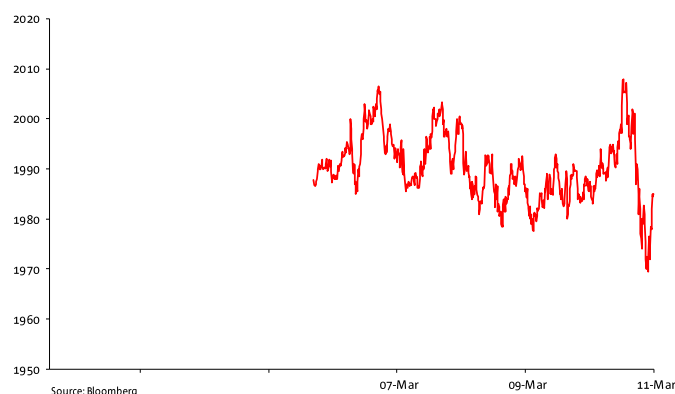
## AUD/USD - past week



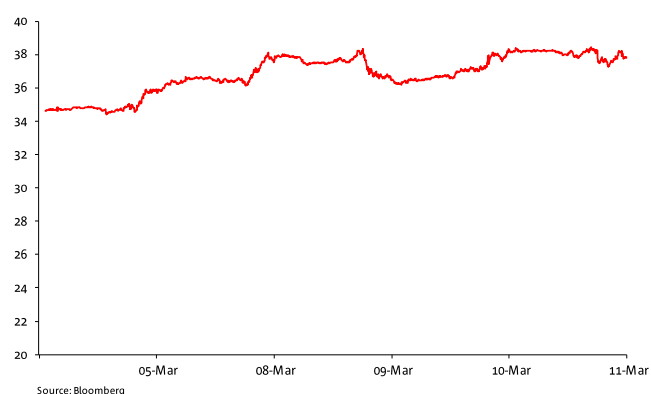
## US 10 yr - past week



## S&amp;P Futures - past week



## WTI - past week



## Foreign Exchange

| Indicative 24hr ranges (**) |        |        |        |        | Other FX |        |        |
|-----------------------------|--------|--------|--------|--------|----------|--------|--------|
|                             | Last   | % chge | Low    | High   |          | Last   | % chge |
| AUD                         | 0.7445 | -0.5   | 0.7427 | 0.7512 | HKD      | 7.7628 | 0.0    |
| NZD                         | 0.6662 | -0.1   | 0.6637 | 0.6712 | CNY      | 6.5086 | -0.1   |
| EUR                         | 1.1188 | 1.9    | 1.0822 | 1.1219 | SGD      | 1.3805 | -0.1   |
| GBP                         | 1.4282 | 0.4    | 1.4118 | 1.4319 | IDR      | 13,185 | 0.7    |
| JPY                         | 113.11 | -0.3   | 112.60 | 114.45 | THB      | 35.22  | -0.1   |
| CAD                         | 1.3362 | 0.6    | 1.3232 | 1.3398 | KRW      | 1,206  | 0.4    |
| AUD/EUR                     | 0.6654 | -2.3   |        |        | TWD      | 32.85  | -0.1   |
| AUD/JPY                     | 84.21  | -0.8   |        |        | PHP      | 46.81  | 0.3    |
| AUD/GBP                     | 0.5213 | -0.8   |        |        | CHF      | 0.98   | -1.5   |
| AUD/NZD                     | 1.1175 | -0.4   |        |        | SEK      | 8.37   | -0.9   |

## Interest Rates

| Indicative Swap Rates |       |      |       |      | Benchmark 10 Year Bonds |       |      |
|-----------------------|-------|------|-------|------|-------------------------|-------|------|
|                       | Cash  | 3mth | 2Yr   | 10Yr |                         | Last  | chge |
| USD                   | 0.50  | 0.63 | 0.97  | 1.76 | USD 10                  | 1.92  | 0.05 |
| AUD                   | 2.00  | 2.33 | 2.13  | 2.72 | AUD 10                  | 2.59  | 0.04 |
| NZD                   | 2.25  | 2.39 | 2.25  | 2.98 | NZD 10                  | 2.94  | 0.02 |
| EUR                   | 0.00  | 0.06 | -0.13 | 0.66 | CAD 10                  | 1.30  | 0.05 |
| GBP                   | 0.50  | 0.59 | 0.81  | 1.51 | EUR 10                  | 0.31  | 0.07 |
| JPY                   | -0.01 | 0.00 | -0.11 | 0.17 | GBP 10                  | 1.54  | 0.07 |
| CAD                   | 0.50  | 1.17 | 0.86  | 1.53 | JPY 10                  | -0.02 | 0.00 |

## Equities

## Major Indices

|           | Last   | % day | % year |
|-----------|--------|-------|--------|
| Dow       | 16,940 | -0.4  | -4.1   |
| S&P 500   | 1,984  | -0.3  | -2.9   |
| Nasdaq    | 4,651  | -0.5  | -4.3   |
| VIX Index | 18.69  | 1.9   | 12.0   |
| FTSE      | 6,037  | -1.8  | -9.9   |
| DAX       | 9,498  | -2.3  | -17.4  |
| CAC 40    | 4,350  | -1.7  | -10.9  |
| Nikkei    | 16,852 | 1.3   | -10.0  |
| Shanghai  | 2,805  | -2.0  | -14.8  |
| Hang Seng | 19,984 | -0.1  | -15.7  |
| ASX 200   | 5,150  | -0.1  | -11.1  |

## Overnight Futures

|            | Last  | Chge  |
|------------|-------|-------|
| Australia  |       |       |
| 3 mth bill | 97.78 | -0.01 |
| 3 Yr bond  | 98.01 | -0.02 |
| 10 Yr bond | 97.38 | -0.04 |
| 3/10 sprd  | 0.63  | 0.02  |
| SPI        | -11.0 | -0.2  |

## Commodities\*

|             | Last    | % day |
|-------------|---------|-------|
| Oil (Brent) | 40.08   | -2.4  |
| Oil (WTI)   | 37.80   | -1.3  |
| Oil (Tapis) | 41.85   | 0.3   |
| Gold        | 1269.90 | 1.0   |
| CRB         | 171.89  | -0.2  |
| GS Metals   | 265.8   | 1.4   |
| Aluminium   | 1560    | -1.4  |
| Copper      | 4890    | -0.9  |
| Nickel      | 8755    | -1.5  |
| Zinc        | 1766    | -1.7  |
| Ch. steel   | 2113    | -1.6  |
| Iron ore    | 57.92   | -0.2  |
| St. coal    | 51.8    | 0.0   |
| Wheat Chic  | 483.3   | 1.8   |
| Sugar       | 14.82   | 1.3   |
| Cotton      | 56.83   | 0.4   |
| Coffee      | 122.2   | -0.2  |

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

|          | Last | % day |
|----------|------|-------|
| Dec-2016 | 4.92 | -3.3  |
| Dec-2017 | 4.97 | -3.1  |
| Dec-2018 | 5.03 | -3.1  |

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>Friday, 11 March 2016</b>                             |  |        |                |                |        |                |       |       |
| NZ   | BusinessNZ Manufacturing PMI                                 | Feb    |                |                |        | 57.9           | 21.30 | 8.30  |
| NZ   | Food Prices MoM  | Feb    | 0.8            |                |        | 2.0            | 21.45 | 8.45  |
| UK   | Trade Balance  | Jan    |                | -3000          |        | -2709.0        | 9.30  | 20.30 |
| CA   | Unemployment Rate  | Feb    |                | 7.2            |        | 7.2            | 13.30 | 0.30  |
| US   | Import Price Index MoM/YoY                                   | Feb    |                | -0.7/-6.5      |        | -1.1/-6.2      | 13.30 | 0.30  |
| CA   | Net Change in Employment                                     | Feb    |                | 10             |        | -5.7           | 13.30 | 0.30  |
| <b>Saturday, 12 March 2016</b>                           |  |        |                |                |        |                |       |       |
| CH   | Industrial Production YTD YoY                                | Feb    |                | 5.6            |        | 6.1            | 5.30  | 16.30 |
| CH   | Retail Sales YTD YoY   | Feb    |                | 10.9           |        | 10.7           | 5.30  | 16.30 |
| CH   | Fixed Assets Ex Rural YTD YoY                                | Feb    |                | 9.5            |        | 10.0           | 5.30  | 16.30 |
| <b>Monday, 14 March 2016</b>                             |  |        |                |                |        |                |       |       |
| NZ   | Performance Services Index                                   | Feb    |                |                |        | 55.4           | 21.30 | 8.30  |
| JN   | Machine Orders MoM/YoY                                       | Jan    |                | 2.2/-3.9       |        | 4.2/-3.6       | 23.50 | 10.50 |
| AU   | Credit Card Balances   | Jan    |                |                |        | 52.1           | 0.30  | 11.30 |
| AU   | Credit Card Purchases  | Jan    |                |                |        | 27.6           | 0.30  | 11.30 |
| NZ   | Non Resident Bond Holdings                                   | Feb    |                |                |        | 67.6           | 2.00  | 13.00 |
| EC   | Industrial Production SA MoM/YoY                             | Jan    |                | 1.4/1.2        |        | -1.0/-1.3      | 10.00 | 21.00 |
| CA   | Teranet/National Bank HPI MoM/YoY                            | Feb    |                | /              |        | -0.1/5.9       | 12.30 | 23.30 |
| EC   | Bank of France's Villeroy de Galhau speaks at Paris Dauphine |        |                |                |        |                |       |       |
| <b>Tuesday, 15 March 2016</b>                            |  |        |                |                |        |                |       |       |
| NZ   | RBNZ Governor Wheeler Speaks in Auckland (Not Public)        |        |                |                |        |                |       |       |
| AU   | ANZ Roy Morgan Weekly Consumer Confidence Index              | Mar 13 |                |                |        | 114.8          | 22.30 | 9.30  |
| AU   | New Motor Vehicle Sales MoM/YoY                              | Feb    |                |                |        | 0.5/5.1        | 0.30  | 11.30 |
| JN   | BOJ Policy meeting   |        |                |                |        |                | 3.30  | 14.30 |
| JN   | BOJ Policy Rate  | Mar 15 |                | -0.1           |        |                | 3.30  | 14.30 |
| JN   | Industrial Production MoM                                    | Jan F  |                |                |        | 3.7            | 4.30  | 15.30 |
| JN   | Industrial Production YoY                                    | Jan F  |                |                |        | -3.8           | 4.30  | 15.30 |
| JN   | Tertiary Industry Index MoM                                  | Jan    |                | 0.3            |        | -0.6           | 4.30  | 15.30 |
| EC   | Employment QoQ/YoY   | 4Q     |                |                |        | 0.3/1.1        | 10.00 | 21.00 |
| EC   | Employment YoY   | 4Q     |                |                |        | 1.1            | 10.00 | 21.00 |
| US   | Retail Sales Advance MoM                                     | Feb    |                | -0.1           |        | 0.2            | 12.30 | 23.30 |
| US   | PPI Final Demand MoM/YoY                                     | Feb    |                | -0.2/0.1       |        | 0.1/-0.2       | 12.30 | 23.30 |
| US   | Empire Manufacturing   | Mar    |                | -10            |        | -16.6          | 12.30 | 23.30 |
| CA   | Existing Home Sales MoM                                      | Feb    |                |                |        | 0.5            | 13.00 | 0.00  |
| US   | NAHB Housing Market Index                                    | Mar    |                | 59             |        | 58.0           | 14.00 | 1.00  |
| US   | Business Inventories   | Jan    |                | 0              |        | 0.1            | 14.00 | 1.00  |
| <b>Wednesday, 16 March 2016</b>                          |  |        |                |                |        |                |       |       |
| US   | Total Net TIC Flows  | Jan    |                |                |        | -114.0         | 20.00 | 7.00  |
| US   | Net Long-term TIC Flows                                      | Jan    |                |                |        | -29.4          | 20.00 | 7.00  |
| NZ   | BoP Current Account Balance                                  | 4Q     |                |                |        | -4.7           | 21.45 | 8.45  |
| NZ   | Current Account GDP Ratio YTD                                | 4Q     |                |                |        | -3.3           | 21.45 | 8.45  |
| AU   | Westpac Leading Index MoM                                    | Feb    |                |                |        | 0.0            | 23.30 | 10.30 |
| JN   | Machine Tool Orders YoY                                      | Feb F  |                |                |        | -22.6          | 6.00  | 17.00 |
| UK   | Jobless Claims Change  | Feb    |                | -9             |        | -14.8          | 9.30  | 20.30 |
| UK   | Average Weekly Earnings 3M/YoY                               | Jan    |                | 2              |        | 1.9            | 9.30  | 20.30 |
| UK   | ILO Unemployment Rate 3Mths                                  | Jan    |                | 5.1            |        | 5.1            | 9.30  | 20.30 |
| UK   | Employment Change 3M/3M                                      | Jan    |                | 147            |        | 205.0          | 9.30  | 20.30 |
| UK   | Osborne Makes Budget Speech to Parliament                    |        |                |                |        |                |       |       |
| CA   | Manufacturing Sales MoM                                      | Jan    |                |                |        | 1.2            | 12.30 | 23.30 |
| US   | Housing Starts/MoM   | Feb    |                | 1143/4         |        | 1099.0/-3.8    | 12.30 | 23.30 |
| US   | Building Permits/MoM   | Feb    |                | 1200/-0.2      |        | 1202.0/-0.2    | 12.30 | 23.30 |
| US   | CPI MoM/YoY  | Feb    |                | -0.2/0.9       |        | 0.0/1.4        | 12.30 | 23.30 |
| US   | CPI Ex Food and Energy MoM/YoY                               | Feb    |                | 0.1/2.2        |        | 0.3/2.2        | 12.30 | 23.30 |
| CA   | Int'l Securities Transactions                                | Jan    |                |                |        | -1.4           | 12.30 | 23.30 |
| US   | Real Avg Weekly Earnings YoY                                 | Feb    |                |                |        | 1.2            | 12.30 | 23.30 |
| US   | Industrial Production MoM                                    | Feb    |                | -0.15          |        | 0.9            | 13.15 | 0.15  |
| US   | Manufacturing (SIC) Production                               | Feb    |                | 0.1            |        | 0.5            | 13.15 | 0.15  |
| US   | FOMC Rate Decision (Lower Bound)                             | Mar 16 |                | 0.25           |        | 0.25           | 18.00 | 5.00  |
| US   | FOMC Rate Decision (Upper Bound)                             | Mar 16 |                | 0.5            |        | 0.5            | 18.00 | 5.00  |
| <b>Thursday, 17 March 2016</b>                           |  |        |                |                |        |                |       |       |
| NZ   | GDP SA QoQ   | 4Q     |                |                |        | 0.9            | 21.45 | 8.45  |
| NZ   | GDP YoY  | 4Q     |                |                |        | 2.3            | 21.45 | 8.45  |
| AU   | RBA's Debelle Speech in Sydney                               |        |                |                |        |                |       |       |
| JN   | Trade Balance  | Feb    |                | 354.2          |        | -645.9         | 23.50 | 10.50 |
| JN   | Trade Balance Adjusted                                       | Feb    |                | 208.9          |        | 119.4          | 23.50 | 10.50 |
| AU   | Employment Change  | Feb    |                | 15             |        | -7.9           | 0.30  | 11.30 |
| AU   | Labour Force Report  | Feb    |                | 5.9            |        | 6.0            | 0.30  | 11.30 |
| AU   | Participation Rate   | Feb    |                | 65.2           |        | 65.2           | 0.30  | 11.30 |
| AU   | RBA FX Transactions Market                                   | Feb    |                |                |        | 728.0          | 0.30  | 11.30 |
| EC   | Trade Balance SA   | Jan    |                |                |        | 21.0           | 10.00 | 21.00 |
| EC   | CPI MoM/YoY  | Feb    |                | 0.1/-0.2       |        | -1.4/0.3       | 10.00 | 21.00 |
| EC   | CPI Core YoY   | Feb F  |                | 0.7            |        | 0.7            | 10.00 | 21.00 |
| UK   | Bank of England Bank Rate                                    | Mar 17 |                | 0.5            |        | 0.5            | 12.00 | 23.00 |
| UK   | BOE Asset Purchase Target                                    | Mar    |                | 375            |        | 375.0          | 12.00 | 23.00 |
| CA   | Wholesale Trade Sales MoM                                    | Jan    |                |                |        | 2.0            | 12.30 | 23.30 |
| US   | Current Account Balance                                      | 4Q     |                | -115           |        | -124.1         | 12.30 | 23.30 |
| US   | Philadelphia Fed Business Outlook                            | Mar    |                | -1.35          |        | -2.8           | 12.30 | 23.30 |
| US   | Initial Jobless Claims                                       | Mar 5  |                | 275            |        | 278.0          | 13.30 | 0.30  |
| US   | JOLTS Job Openings   | Jan    |                |                |        | 5607.0         | 14.00 | 1.00  |
| US   | Leading Index  | Feb    |                | 0.2            |        | -0.2           | 14.00 | 1.00  |
| <b>Friday, 18 March 2016</b>                             |  |        |                |                |        |                |       |       |
| NZ   | ANZ Job Advertisements MoM                                   | Feb    |                |                |        | -3.2           | 21.00 | 8.00  |
| AU   | RBA's Ellis Speech in Sydney                                 |        |                |                |        |                | 22.30 | 9.30  |
| NZ   | ANZ Consumer Confidence Index                                | Mar    |                |                |        | 119.7          | 0.00  | 11.00 |
| NZ   | ANZ Consumer Confidence MoM                                  | Mar    |                |                |        | -1.4           | 0.00  | 11.00 |
| CH   | Property Prices  | Feb    |                |                |        | 1.30           | 12.30 |       |
| GE   | PPI MoM  | Feb    |                | -0.1/-2.6      |        | -0.7/-2.4      | 7.00  | 18.00 |
| GE   | PPI YoY  | Feb    |                | -2.6           |        | -2.4           | 7.00  | 18.00 |
| EC   | Labour Costs YoY   | 4Q     |                |                |        | 1.1            | 10.00 | 21.00 |
| CA   | Retail Sales MoM   | Jan    |                |                |        | -2.2           | 12.30 | 23.30 |
| CA   | Retail Sales Ex Auto MoM                                     | Jan    |                |                |        | -1.6           | 12.30 | 23.30 |
| CA   | CPI NSA MoM/YoY  | Feb    |                | /              |        | 0.2/2.0        | 12.30 | 23.30 |
| CA   | CPI Core MoM/YoY   | Feb    |                | /              |        | 0.3/2.0        | 12.30 | 23.30 |
| US   | Fed's Dudley Gives Opening Remarks at Supervision Conference |        |                |                |        |                |       |       |
| US   | U. of Mich. Sentiment  | Mar P  |                | 92.2           |        | 91.7           | 14.00 | 1.00  |
| US   | U. of Mich. 5-10 Yr Inflation                                | Mar P  |                |                |        | 2.5            | 14.00 | 1.00  |
| US   | Fed's Rosengren Speaks on a Panel at Supervision Conference  |        |                |                |        |                |       |       |
| <b>Upcoming Central Bank Interest Rate Announcements</b> |  |        |                |                |        |                |       |       |
| 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%     |       |       |
| Australia, RBA   |  | 5-Apr  | 2.00%          | 2.00%          |        | 2.00%          |       |       |
| Canada, BoC  |  | 14-Apr |                |                |        | 0.50%          |       |       |
| Europe ECB   |  | 21-Apr |                |                |        | 0.05%          |       |       |
| New Zealand, RBNZ  |  | 28-Apr |                |                |        | 2.25%          |       |       |

GMT: Greenwich Mean Time; AEDT: Australian Eastern Daylight Saving Time

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