

18 March 2016

Markets Today



Free falling

Nothing better than Tom Petty to the end the week, the USD has continued to free fall overnight pretty much against all currencies. A more dovish than expected Fed has triggered a drastic USD repricing. Our live version of the Fed broad US Dollar index shows the currency has lost 1.01% over the past 24hrs, its biggest one day drop in almost 4 years. Barring some exotic currencies, the USD is only stronger against the Argentine peso. In G10 currencies, the NZD is at the top of the leader board. The Kiwi is up almost 2% against the USD, boosted by yesterday's stronger than expected Q4 GDP figures. Of the majors, GBP has performed relatively well. The BoE left its policy rate at 0.5% as expected, but the minutes dampened speculation that its next move is likely to be a cut.

Looking at equity markets it is interesting to note the contrasting performance between the US, Europe and Japan. The surprisingly dovish Fed has provided a boost to US equity stocks. US equity gains have been led by industrial shares with the Dow up 1% on the day and back in positive territory for the year. In contrast, shares of European exporters weighted on the Stoxx Europe 600 index (down 0.3%) as the Euro gained almost 1% against the big dollar. Similarly, the Nikkei ended 0.2% lower with exporters also the underperformers. The yen reached an overnight low of ¥110.67, but the dip sub 110 was short lived, as talk that the BoJ was checking rates, quickly lifted the pair by over a big figure. Abenomics and the BoJ strategy to reflate the Japanese economy are now looking even harder following the strengthening in the yen and fall in the Nikkei.

The drop in the US dollar overnight has effectively triggered a repricing in commodities (USD denominated). WTI oil is back above the \$40 mark for the first time since 4 December 15, gold is 2% and iron ore is up 4.7%, ending the day at \$56.

In other news, Norway's central bank cut its main interest rate by 25bps to 0.5% in order to boost its oil dependent economy. Looking ahead, however, the Bank noted that it needed to tread carefully from here as the effects of taking rates closer to or below zero remained unclear. Meanwhile the SNB maintained its policy rate and the non-committal accompanying statement offered no hints of further easing.

US data was mostly better than expected, but it did little to stem the fall in the USD. Jobless claims printed at 265k vs 268k consensus. JOLTs job openings came in better than expected, but there was a downward revision to the previous print. Philly Fed followed the recent trend in the

recent regional surveys and bounced back much more than forecast to 12.4 from -2.8 in February.

Coming Up

It a quiet end to the week in Australia with no data releases slotted for today. RBA Luci Ellis is due to speak at a Risk conference in Sydney and the title of her speech is "Booms, Busts, Cycles and Risk Appetite".

Just after mid-day, China releases property prices for February and later in the day we get Germany's PPI figures along with labour cost numbers for Q4.

Capping the week in terms of data releases we have the preliminary March reading for the U. of Michigan consumer Sentiment. February US retail sales figures released earlier in the week were weaker than expected and the strong downward revisions to January were also a disappointment. As such, the consumer sentiment reading for March will be important in assessing whether the soft demand seen in the first two months of the year was just a temporary blip or whether the US is seeing a more prolonged moderation in household demand. That said, the recent pick up in the equity market performance suggest we are likely to see an improvement in sentiment in March. Note too that the survey also includes a reading on inflation expectations and it will be interesting to see if we see a pickup in those numbers too. The February reading for the 5-10y inflation expectations printed at 2.5% and it equalled the lowest record on the time series.

Now that the FOMC meeting is behind us, Fed speakers are back on the road and tonight we have Fed Dudley and Rosengren on the speaking roster. Both are attending a Supervision conference, so comments on monetary policy might be limited. Fed Bullard instead is speaking in Frankfurt and given that he is delivering a presentation at a monetary policy conference his remarks are more likely to be of interest.

Overnight

On global stock markets, the S&P 500 was +0.70%. Bond markets saw US 10-years -1.05bp to 1.90%. On commodity markets, Brent crude oil +2.45% to \$41.32, gold +2.2% to \$1,257, iron ore +4.7% to \$56.09. AUD is at 0.7643 and the range was 0.7534 to 0.7657.

Author:

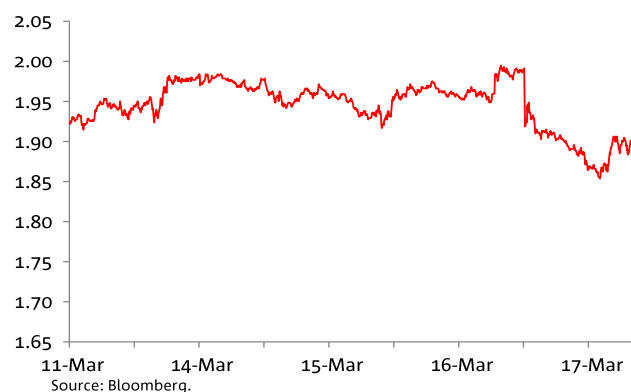
Rodrigo Catril – FX Strategist

Markets

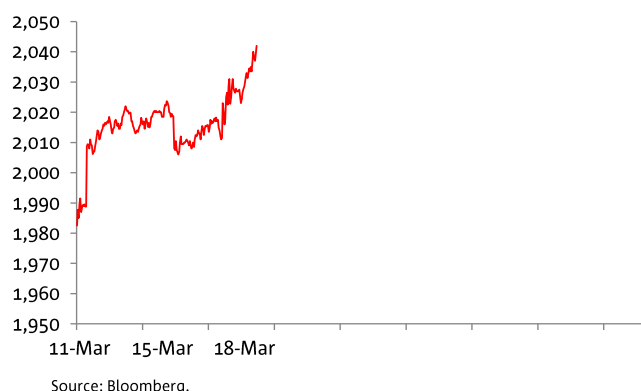
AUD/USD - past week



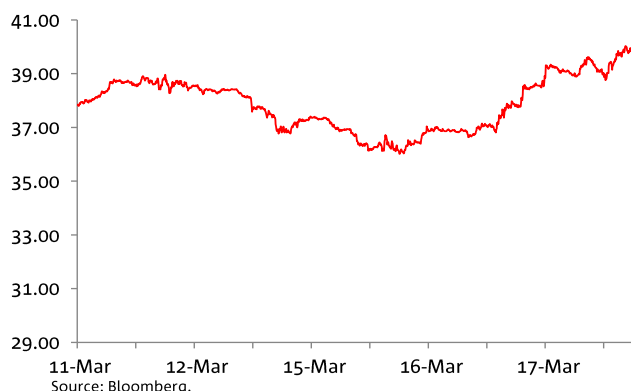
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

Indicative 24hr ranges (**)					Other FX		
	Last	% chge	Low	High		Last	% chge
AUD	0.7654	1.3	0.7534	0.7619	HKD	7.7590	0.0
NZD	0.6855	1.9	0.6721	0.6781	CNY	6.4989	-0.7
EUR	1.1319	0.8	1.1206	1.1229	SGD	1.3658	-1.1
GBP	1.4482	1.6	1.4239	1.4292	IDR	13,154	-1.4
JPY	111.40	-1.0	112.5400	112.9600	THB	34.81	-0.4
CAD	1.3000	-0.7	1.3071	1.3133	KRW	1,173	-1.7
AUD/EUR	0.6776	0.5			TWD	32.61	-0.7
AUD/JPY	85.71	0.3			PHP	46.47	-1.0
AUD/GBP	0.5329	-0.2			CHF	0.98	-1.0
AUD/NZD	1.1238	-0.6			SEK	8.23	-0.4
AUD/CNY	4.9413	1.8					

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	0.50	0.64	0.92	1.75	USD 10	1.91	0.00	
AUD	2.00	2.32	2.14	2.72	AUD 10	2.58	-0.05	0.67
NZD	2.25	2.35	2.26	3.06	NZD 10	3.06	-0.05	1.15
EUR	0.00	0.06	-0.14	0.62	CAD 10	1.30	-0.03	-0.61
GBP	0.50	0.59	0.85	1.52	EUR 10	0.31	-0.01	-1.60
JPY	-0.02	0.00	-0.10	0.12	GBP 10	1.52	-0.01	-0.39
CAD	0.50	1.17	0.84	1.54	JPY 10	-0.05	0.03	-1.96

Equities

Major Indices

	Last	% day	% y/y
Dow	17,326	+0.4	-2.9
S&P 500	2,027	+0.6	-2.3
Nasdaq	4,764	+0.7	-3.5
VIX	15	-11.0	-4.3
FTSE	6,175	+0.6	-9.7
DAX	9,983	+0.5	-16.7
CAC 40	4,463	+0.3	-11.3
Nikkei	17,210	+1.4	-11.5
Shanghai	2,866	-0.2	-18.2
Hang Seng	20,539	+1.4	-14.1
ASX 200	5,190	+1.4	-11.2

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.79	0.01
3 Yr bond	98.05	0.05
10 Yr bond	97.43	0.09
3/10 sprd	0.63	-0.03
SPI	68.0	1.3

Commodities*

	Last	% day
Oil (Brent)	40.66	0.8
Oil (WTI)	39.07	1.6
Oil (Tapis)	40.53	0.7
Gold	1256.60	2.2
CRB	173.76	1.6
GS Metals	259.6	-0.3
Aluminium	1504	-1.0
Copper	4948	-0.3
Nickel	8577	0.5
Zinc	1744	0.5
Ch. steel	2050	2.9
Iron ore	53.6	1.3
Coal	51.6	-0.1
Wheat Chic.	479.8	0.3
Sugar	15.47	1.0
Cotton	58.37	0.1
Coffee	129.1	2.7

CO₂ Emissions - Euros

	Last	% day
Jun-2016	4.95	-2.6
Dec-2016	4.97	2.1
Jun-2017	4.99	2.0

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
Thursday, 17 March 2016								
NZ	GDP SA QoQ/YoY	4Q	0.7/2.1	0.7/2.1		0.9/2.3	21.45	8.45
AU	RBA's Debelle Speech in Sydney							
JN	Trade Balance	Feb		400.2		-645.9	23.50	10.50
AU	Employment Change	Feb	18	13.5		-7.9	0.30	11.30
AU	Labour Force Report (unemployment)	Feb	5.9	6		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		19.5		21.0	10.00	21.00
EC	CPI MoM/YoY	Feb		0.1/-0.2		-1.4/0.3	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		0.1		2.0	12.30	23.30
US	Current Account Balance	4Q		-118		-124.1	12.30	23.30
US	Philadelphia Fed Business Outlook	Mar		-1.5		-2.8	12.30	23.30
US	Initial Jobless Claims	Mar 12		268		259.0	12.30	23.30
US	JOLTS Job Openings	Jan		5500		5607.0	14.00	1.00
US	Leading Index	Feb		0.2		-0.2	14.00	1.00
Friday, 18 March 2016								
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/MoM	Mar				119.7/-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		0.6		-2.2	12.30	23.30
CA	Retail Sales Ex Auto MoM	Jan		0.4		-1.6	12.30	23.30
CA	CPI NSA MoM/YoY	Feb		0.4/1.5		0.2/2.0	12.30	23.30
CA	CPI Core MoM/YoY	Feb		0.5/2		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							2.00
US	Fed's Bullard Speaks in Frankfurt at a monetary policy forum							2.00
Monday, 21 March 2016								
NZ	Net Migration SA	Feb				6130.0	21.45	8.45
UK	Rightmove House Prices MoM	Mar				2.9	0.10	11.10
CH	MNI Business Indicator	Mar				49.9	1.45	12.45
NZ	Credit Card Spending MoM	Feb				2.3	2.00	13.00
EC	Current Account NSA	Jan				41.4	9.00	20.00
UK	CBI Trends Total Orders	Mar				-17.0	11.00	22.00
US	Chicago Fed Nat Activity Index	Feb				0.3	12.30	23.30
NZ	Westpac Consumer Confidence	1Q				110.7		
CA	Bloomberg Nanos Confidence	Mar 18				54.0	14.00	1.00
US	Existing Home Sales MoM	Feb		-2.38		0.4	14.00	1.00
US	Fed's Lockhart Speaks on U.S. Economy in Savannah, Georgia							
Tuesday, 22 March 2016								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Mar 20				116.4	22.30	9.30
US	Fed's Bullard Speaks at Washington University in St. Louis						0.30	11.30
AU	House Price Index QoQ	4Q				2.0	0.30	11.30
AU	House Price Index YoY	4Q				10.7	0.30	11.30
US	RBA's Edey Panel Participation in Sydney						0.45	11.45
JN	All Industry Activity Index MoM	Jan				-0.9	4.30	15.30
JN	Small Business Confidence	Mar				47.9	5.00	16.00
AU	RBA's Stevens Speech at ASIC Forum in Sydney						5.30	16.30
JN	Convenience Store Sales YoY	Feb				1.0	7.00	18.00
GE	IFO Business Climate	Mar				105.7	9.00	20.00
GE	IFO Current Assessment	Mar				112.9	9.00	20.00
UK	CPI MoM	Feb				-0.8	9.30	20.30
UK	CPI YoY	Feb				0.3	9.30	20.30
UK	CPI Core YoY	Feb				1.2	9.30	20.30
UK	PPI Output Core NSA MoM	Feb				0.1	9.30	20.30
UK	PPI Output Core NSA YoY	Feb				0.0	9.30	20.30
UK	ONS House Price YoY	Jan				6.7	9.30	20.30
UK	Public Finances (PSNCR)	Feb				-24.9	9.30	20.30
GE	ZEW Survey Current Situation	Mar				52.3	10.00	21.00
GE	ZEW Survey Expectations	Mar				1.0	10.00	21.00
EC	ZEW Survey Expectations	Mar				13.6	10.00	21.00
EC	Bank of France's Villeroy de Galhau at Breugel Institute						12.00	23.00
US	FHFA House Price Index MoM	Jan		0.5		0.4	13.00	0.00
US	Richmond Fed Manufact. Index	Mar		-2		-4.0	14.00	1.00
US	Fed's Evans Speaks in Chicago						17.30	4.30
US	Fed's Harker Speaks in New York						23.00	10.00
Wednesday, 23 March 2016								
AU	Skilled Vacancies MoM	Feb				0.4	0.00	11.00
US	MBA Mortgage Applications	Mar 11				0.2	11.00	22.00
US	New Home Sales	Feb		502		494.0	14.00	1.00
US	New Home Sales MoM	Feb		1.6		-9.2	14.00	1.00
EC	Consumer Confidence	Mar A				-8.8	15.00	2.00
Thursday, 24 March 2016								
NZ	Trade Balance	Feb				8.0	21.45	8.45
JN	Nikkei Japan PMI Mfg	Mar P				50.1	2.00	13.00
GE	GfK Consumer Confidence	Apr				9.5	7.00	18.00
GE	Markit/BME Germany Manufacturing PMI	Mar P				50.5	8.30	19.30
GE	Markit Germany Services PMI	Mar P				55.3	8.30	19.30
EC	Markit Eurozone Manufacturing PMI	Mar P				51.2	9.00	20.00
EC	Markit Eurozone Services PMI	Mar P				53.3	9.00	20.00
EC	ECB Publishes Economic Bulletin						9.00	20.00
UK	Retail Sales Ex Auto Fuel MoM	Feb				2.3	9.30	20.30
UK	Retail Sales Ex Auto Fuel YoY	Feb				5.0	9.30	20.30
UK	BBA Loans for House Purchase	Feb				47509.0	9.30	20.30
UK	CBI Retailing Reported Sales	Mar				10.0	11.00	22.00
UK	CBI Total Dist. Reported Sales	Mar				#N/A N/A	11.00	22.00
US	Initial Jobless Claims	Mar 12		268		259.0	12.30	23.30
US	Durable Goods Orders	Feb P		-2.5		4.7	12.30	23.30
US	Markit US Manufacturing PMI	Mar P		51.5		51.3	13.45	0.45
US	Kansas City Fed Manf. Activity	Mar				-12.0	15.00	2.00
Upcoming Central Bank Interest Rate Announcements								
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%				
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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