

Easy does it

Fed Chair Janet Yellen has reiterated her views that it is appropriate for the Fed to “proceed cautiously” in raising interest rates given the current uncertain global economic and financial environment. In a speech to the economic club of New York, Yellen argued that the need for caution was “especially warranted because, with the federal funds rate so low, the FOMC’s ability to use conventional monetary policy to respond to economic disturbances is asymmetric.”

Yellen, also said that the Fed needed to take into account the “the potential fallout from recent global economic and financial developments, which have been marked by bouts of turbulence since the turn of the year”. On this point she noted that the recent decline in market expectations for interest rate increases effectively worked as an “automatic stabilizer”, cushioning the US economy from these turbulences. As for risks to the outlook, the Fed Chair highlighted China’s slowing growth and commodity prices, particularly oil. Noting that further declines in oil could have “adverse” effects on the global economy.

Yellen’s cautious approach has practically dwarfed the recent hawkish message from other Fed speakers. The Fed Chair has now made it clear that she is happy to take the risk of higher inflation in exchange for a more certain growth outlook.

Yellen’s dovish remarks have yielded a positive reaction from risk assets. Overnight, US Treasury yields were already moving lower in line with the decline in oil prices, but the expectation of lower rates for longer provided an added boost to the rally. US equity indices erased earlier losses and ended the day up between 0.5% and 1.4%. The US Treasury curve bull steepened with 2y and 5y US treasury yields rallying between 7 and 9bps.

In currencies, the USD dollar is weaker across the board. The DXY index is down just under 1% on the day and month to date is -3.1%. The NZD is the G10 outperformer up 2.04% followed by the AUD +1.33%. The JPY is +0.73%, partly boosted by yesterday’s news that the Abe government has confirmed the consumption tax rise to 10% will go ahead as planned in 2017 barring a Lehman style shock or major earthquake. NOK is at the bottom of the G10 pack, up 0.63%.

In commodities, the Yellen effect has helped oil prices recovered some loss ground, but they are still down around 2% on the day. Iron ore ended the day -1.2%, not a bad

outcome considering the Dalian iron ore futures was down around 4.5% when we left work yesterday.

In terms of data releases, US consumer confidence came in better than expected at 96.2 (94e, 94p) and the Case Shiller house prices rose marginally more than anticipated.

Coming Up

Ahead of super Friday, it’s a quiet day of data releases both domestically and in offshore markets. In Australia we have the weekly consumer confidence reading and NAB releases its online retail sales index.

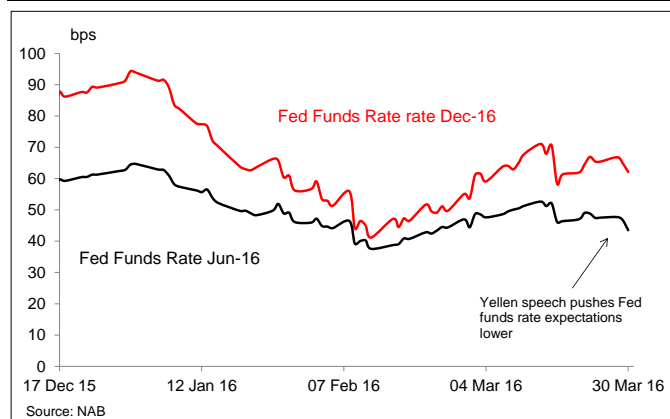
This morning we also get Japan’s preliminary industrial production figures (Feb). The fall in the new orders and new export orders PMI sub-indices as well as survey data suggest companies have been producing fewer goods than initially planned. Against this backdrop, industrial production in February is expected to drop 5.9% on a seasonally adjusted basis compared to a 3.7% rise in January.

In the US, the ADP report is slotted for release and the usual caveats apply to the report given its lagged relationship the payrolls report. Bloomberg is currently showing consensus at 195k.

Overnight

On global stock markets, the S&P 500 was +0.90%. Bond markets saw US 10-years -8.60bp to 1.80%. On commodity markets, Brent crude oil -2.28% to \$39.35, gold+1.8% to \$1,242, iron ore -1.2% to \$55.11. AUD is at 0.7638 and the range was 0.751 to 0.7645.

Chart of the day: The Yellen effect

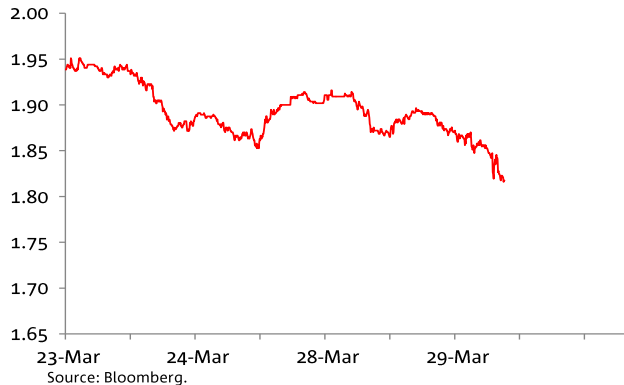


Markets

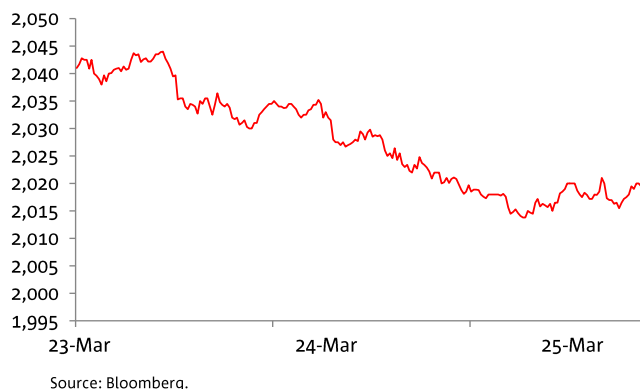
AUD/USD - past week



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	0.7631	1.1	0.7510	0.7637	HKD	7.7562 0.0
NZD	0.6864	2.1	0.6718	0.6867	CNY	6.5078 0.0
EUR	1.1291	0.8	1.1169	1.1293	SGD	1.3550 -1.1
GBP	1.4396	1.0	1.4195	1.4404	IDR	13,395 0.4
JPY	112.85	-0.5	112.7700	113.8000	THB	35.34 0.0
CAD	1.3068	-0.9	1.3067	1.3216	KRW	1,164 -0.2
AUD/EUR	0.6759	0.3			TWD	32.64 0.0
AUD/JPY	86.11	0.6			PHP	46.37 0.0
AUD/GBP	0.5301	0.2			CHF	0.97 -0.7
AUD/NZD	1.1118	-0.9			SEK	8.19 -1.1
AUD/CNY	4.9205	0.1				

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.63	0.91	1.69	USD 10	1.82	-0.07
AUD	2.00	2.30	2.12	2.65	AUD 10	2.57	0.01 0.76
NZD	2.25	2.35	2.28	3.11	NZD 10	3.04	0.00 1.23
EUR	0.00	0.06	-0.16	0.52	CAD 10	1.20	-0.06 -0.62
GBP	0.50	0.59	0.81	1.41	EUR 10	0.14	-0.04 -1.68
JPY	-0.01	-0.01	-0.11	0.12	GBP 10	1.41	-0.04 -0.41
CAD	0.50	1.17	0.84	1.46	JPY 10	-0.08	0.00 -1.90

Equities

Major Indices	Last	% day	% y/y
	Dow	17,632	+0.5
S&P 500	2,053	+0.8	-0.4
Nasdaq	4,840	+1.5	-1.0
VIX	14	-6.4	-5.4
FTSE	6,106	0.0	-12.7
DAX	9,888	+0.4	-16.7
CAC 40	4,367	-0.3	-13.0
Nikkei	17,104	-0.2	-11.9
Shanghai	2,920	-1.3	-22.9
Hang Seng	20,366	+0.1	-18.1
ASX 200	5,005	-1.6	-14.4

Commodities*

	Last	% day
Oil (Brent)	39.18	-2.7
Oil (WTI)	38.28	-2.8
Oil (Tapis)	40.67	-3.2
Gold	1238.70	1.5
CRB	171.72	-0.5
GS Metals	258.5	0.0
Aluminium	#N/A	N/A -0.2
Copper	#N/A	N/A 0.1
Nickel	#N/A	N/A -0.5
Zinc	#N/A	N/A -2.4
Ch. steel	2120	-1.3
Iron ore	55.1	-1.2
Coal	51.3	1.2
Wheat Chic.	483.0	1.0
Sugar	15.86	-0.5
Cotton	57.38	-0.7
Coffee	127.5	-0.9

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.77	0.01
3 Yr bond	98.08	0.05
10 Yr bond	97.49	0.05
3/10 sprd	0.59	0.00
SPI	22.0	0.4

CO ₂ Emissions - Euros		
	Last	% day
Jun-2016	4.77	N/A N/A
Dec-2016	4.79	-1.4
Jun-2017	4.82	-1.2

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
Wednesday, 30 March 2016								
US	Fed chair yellen speaks to Economics Club of New York						16.20	3.20
US	Fed's Kaplan (non voter) speaks in Austin						17.00	4.00
NZ	Building Permits MoM	Feb				-8.2	21.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Mar 27				116.0	22.30	9.30
JN	Industrial Production MoM/YoY	Feb P		-5.9/-1.7		3.7/-3.8	23.50	10.50
AU	NAB Online Retail Sales Index MoM/YoY	Feb				-0.2/10.6	0.30	11.30
CH	Westpac-MNI Consumer Sentiment	Mar				111.3	1.45	12.45
EC	Business Climate Indicator	Mar		0.08		0.1	9.00	20.00
GE	CPI MoM/YoY	Mar P		0.6/0.1		0.4/0.0	12.00	23.00
US	ADP Employment Change	Mar		195		214.0	12.15	23.15
US	Fed's Evans (non voter) speaks in Austin on the economy and monetary policy						17.00	4.00
Thursday, 31 March 2016								
UK	Lloyds Business Barometer	Mar				28.0	23.10	10.10
UK	GfK Consumer Confidence	Mar		-1		0.0	23.50	10.50
AU	HIA New Home Sales MoM	Feb				-1.8	0.00	11.00
NZ	ANZ Activity Outlook/Business Confidence	Mar				25.5/7.1	0.00	11.00
AU	Job vacancies	Feb				3.5	0.30	11.30
AU	Private Sector Credit MoM/YoY	Feb	0.5/6.5	0.5/6.5		0.5/6.5	0.30	11.30
NZ	Credit aggregates (household) YoY	Feb				7.5	2.00	13.00
GE	Unemployment Change (000's)/Rate	Mar		-6		-10.0/6.2	7.55	18.55
UK	Mortgage Approvals	Feb		73.5		74.6	8.30	19.30
UK	GDP QoQ/YoY	4Q F		0.5/1.9		0.5/1.9	8.30	19.30
UK	Current Account Balance	4Q		-21.15		-17.5	8.30	19.30
EC	CPI Estimate/Core YoY	Mar		-0.1/0.9		-0.2/0.8	9.00	20.00
US	Challenger Job Cuts YoY	Mar				21.8	11.30	22.30
CA	GDP MoM/YoY	Jan		0.3		0.2	12.30	23.30
US	Initial Jobless Claims	Mar 26		265		265.0	12.30	23.30
CH	BoP Current Account Balance	4Q F						
US	ISM Milwaukee	Mar				55.2	13.00	0.00
US	Chicago Purchasing Manager	Mar		50.5		47.6	13.45	0.45
US	Bloomberg Consumer Comfort	Mar 27				43.6	13.45	0.45
US	Fed's Evans (non voter) Speaks by Bloomberg radio						19.00	6.00
US	Fed's Dudley (voter) speaks on financial crises in lexington						21.00	8.00
Friday, 1 April 2016								
AU	AiG Perf of Mfg Index	Mar				53.5	22.30	9.30
AU	CoreLogic RP Data House Px MoM	Mar				0.5	23.00	10.00
JN	Tankan Large Mfg Index/Outlook	1Q		8/7		12.0/7.0	23.50	10.50
JN	Tankan Large Non-Mfg Index/Outlook	1Q		24/20		25.0/18.0	23.50	10.50
JN	Tankan Large All Industry Capex	1Q		-0.7		10.8	23.50	10.50
CH	Manufacturing/Non-manufacturing PMI	Mar		49.3/		49.0/52.7	1.00	12.00
CH	Caixin China PMI Mfg	Mar		48.3		48.0	1.45	12.45
JN	Nikkei Japan PMI Mfg	Mar F				49.1	2.00	13.00
AU	Commodity Index AUD/YoY	Mar				73.2/-21.6	5.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Mar F		50.4		50.4	7.55	18.55
EC	Markit Eurozone Manufacturing PMI	Mar F		51.4		51.4	8.00	19.00
UK	Markit UK PMI Manufacturing SA	Mar		51.2		50.8	8.30	19.30
UK	Unit Labor Costs YoY	4Q				2.0	7.30	18.30
EC	Unemployment Rate	Feb		10.3		10.3	9.00	20.00
US	Change in Nonfarm Payrolls	Mar		210/4.9		242.0/4.9	12.30	23.30
US	Average Hourly Earnings MoM/YoY	Mar		0.2/2.2		-0.1/2.2	12.30	23.30
CA	RBC Manufacturing PMI	Mar				49.4	13.30	0.30
US	Markit US Manufacturing PMI	Mar F		51.5		51.4	13.45	0.45
US	ISM Manufacturing/New Orders	Mar		50.7/		49.5/51.5	14.00	1.00
US	Construction Spending MoM	Feb		0.1		1.5	14.00	1.00
US	U. of Mich. Sentiment/5-10y inflation expectations	Mar F		90.5/		90.0/2.7	14.00	1.00
US	Fed's Mester (v) Speaks in New York						16.00	3.00
Monday, 4 April 2016								
JN	Monetary Base YoY	Mar				29.0	22.50	9.50
JN	Monetary Base End of period	Mar				358.8	22.50	9.50
AU	Melbourne Institute Inflation MoM/YoY	Mar				-0.2/2.1	0.00	11.00
AU	Retail Sales MoM	Feb				0.3	0.30	11.30
AU	ANZ Job Advertisements MoM	Mar				-1.2	0.30	11.30
AU	Building Approvals MoM/YoY	Feb		/		-7.5/-15.5	0.30	11.30
UK	Markit/CIPS UK Construction PMI	Mar				54.2	7.30	18.30
EC	Sentix Investor Confidence	Apr				5.5	7.30	18.30
US	Fed's Rosengren (voter) speaks at a cybersecurity conference						12.30	23.30
US	ISM New York	Mar				53.6	12.45	23.45
CA	Bloomberg Nanos Confidence	Apr 1				54.5	13.00	0.00
US	Labor Market Conditions Index Change	Mar				-2.4	13.00	0.00
US	Factory Orders	Feb		-2		1.6	13.00	0.00
Tuesday, 5 April 2016								
US	Durable Goods Orders/Core Orders	Feb F		/		-2.8/-1.8	13.00	0.00
CA	Business Outlook Future Sales	1Q				16.0	13.30	0.30
CA	BoC Senior Loan Officer Survey	1Q				5.6	13.30	0.30
US	Fed's Kashkari Holds Town Hall on Too Big to Fail						22.00	9.00
AU	AiG Perf of Services Index	Mar				51.8	22.30	9.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Mar 27				116.0	22.30	9.30
JN	Labor Cash Earnings/Real earnings YoY	Feb				0.4/0.4	23.00	10.00
NZ	ANZ Commodity Price	Mar				0.4	0.00	11.00
AU	Trade Balance	Feb				-2937.0	0.30	11.30
JN	Nikkei Japan PMI Services/Composite	Mar				51.2/51.0	1.00	12.00
AU	RBA Cash Rate Target	Apr 5	2	2		2.0	3.30	14.30
GE	Factory Orders MoM/YoY	Feb				-0.1/1.1	5.00	16.00
GE	Markit Services/Composite PMI	Mar F		/		55.5/54.1	6.55	17.55
EC	Markit Services/Composite PMI	Mar F		/		54.0	7.00	18.00
UK	Official Reserves Changes	Mar				1362.0	7.30	18.30
UK	Markit/CIPS UK Services/Composite PMI	Mar				52.7/52.8	7.30	18.30
EC	Retail Sales MoM	Feb				0.4/2.0	8.00	19.00
US	Trade Balance	Feb				-45.7	11.30	22.30
CA	Int'l Merchandise Trade	Feb				-0.7	11.30	22.30
US	Markit Services/Composite PMI	Mar F		/		51.0	12.45	23.45
Wednesday, 6 April 2016								
US	ISM Non-Manf. Composite	Mar		54.2		53.4	13.00	0.00
US	IBD/TIPP Economic Optimism	Apr				0.0	13.00	0.00
US	JOLTS Job Openings	Feb				5541.0	13.00	0.00
UK	BRC Shop Price Index YoY	Mar				-2.0	22.10	9.10
NZ	QV House Prices YoY	Mar				11.6	23.00	10.00
CH	Caixin PMI Services/Composite	Mar		/		51.2	0.45	11.45
JN	Leading Index CI	Feb P				101.8	4.00	15.00
GE	Industrial Production SA MoM	Feb				3.3	5.00	16.00
GE	Industrial Production WDA YoY	Feb				2.2	5.00	16.00
AU	RBA's Kent Speech in Hobart						6.00	17.00
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		5-Apr	2.00%	2.00%		2.00%		
UK BOE		14-Apr				0.50%		
Canada, BoC		14-Apr				0.50%		
Europe ECB		21-Apr				0.00%		
New Zealand, RBNZ		28-Apr	2.25%	2.25%		2.25%		
Japan, BoJ		28-Apr				-0.1% to +0.1%		
US Federal Reserve		28-Apr				0.25-0.50%		

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

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