

3 March 2016

# Markets Today



## Riders on the storm

Well, not a storm, but the AUD is riding higher after much stronger-and-expected GDP for the December quarter, the surprise (relief) being not only the 0.6% quarterly print but annual growth with an unexpected "3" handle. The AUD immediately jumped on the release to above 7220, then traded around that level through the rest of Asia session and into London before for climbing higher. The Aussie is now trading at its session highs, knocking on the door of \$0.73, a level not seen since the start of this year this year's episodes of elevated global volatility unfolded. Iron ore, base metals and gold were all higher as well. Oil was little changed

The spot Bloomberg US dollar index has lost a little ground overnight, despite quite supportive words from moderate Fed President John Williams speaking to a strong US economy script and a none-too-damaging Fed Beige Book that's been released in the last hour. Data released overnight was very much second tier with the UK construction PMI at 54.2 in Feb and the US ADP employment report ahead of Friday's payrolls revealing no material change at 214K, up slightly from a revised 193K in January.

Elsewhere in the currency space, Sterling has had a better night, after previously having been sold on Brexit fears. BoE Deputy Governor Cunliffe said that he was not able to predict the impact of Brexit, clearly wanting to stay away from the politics ahead of the referendum but also not coming to any hasty judgements on the complexity of teasing out economic and market effects.

Speaking on the US economy, the usually moderate John Williams said that the US economic outlook hasn't changed more than a fraction, that he sees no sign of fragility in the US economy, that "we don't want to run a hot economy for too long" and that the US is able to "power through" headwinds from abroad. There's not too much concern in any of that. He also observed that he would be in favour of using forward guidance and more QE if needed to support the economy rather than negative rates. He declined to comment on the March meeting but made the general point that the Fed is on a path of raising rates. US bond yields edged a little higher overnight.

This morning's Fed Beige Book released ahead of the March 17 FOMC meeting pointed out that most districts were growing at either "moderate" or "modest" rates (a fine distinction that one), two districts reported flat business conditions and, in this report, one district – Kansas City – reported a modest decline. In net terms, pretty much the same to marginally softer.

## Coming Up

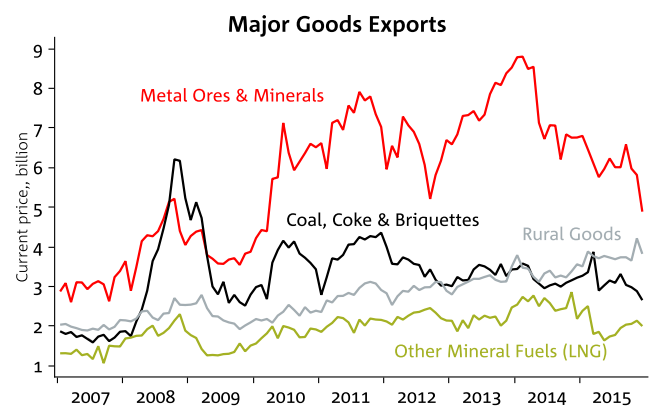
With the global manufacturing PMI data set for this month now dispensed with, the focus today and tonight shifts to the non-manufacturing counterpart indexes, especially the US ISM non-manufacturing index tonight.

First up today however we have NZ Q4 building work done at 8:45 AM, followed at 9:30 by the AIG PSI services index for Australia February, then NZ commodity prices at 11. The main focus will be on the AUD trade balance report for January is at its usual 11:30 AM time slot, coming out with the NAB online retail sales index for January ahead of the ABS figures tomorrow. NAB and the market consensus looks for a still hefty trade deficit that's expected to only improve only marginally from \$3.54 billion in December to \$3.2 billion. The threat of Cyclone Stan closed Port Hedland and disrupted iron ore exports but an assumed step up in LNG shipments from the new Queensland projects is also expected. A surprise would be a much lower deficit. Also today we have the unofficial Caixin China services/composite PMIs at 12:45 PM ahead of the Japanese counterpart at 1 PM and any revisions tonight to Eurozone's preliminary estimate of 53 and 55.1 for Germany. The US ISM is expected to ease a little further to 53 from 53.5, coming with no material change expected in weekly jobless claims, expected to be 270K from 272K and payrolls Friday.

## Overnight

On global stock markets, the S&P 500 was -0.10%. Bond markets saw US 10-years +2.10bp to 1.85%. On commodity markets, Brent crude oil +0.27% to \$36.91, gold+0.9% to \$1,242, iron ore +2.1% to \$52.50. AUD is at 0.7298 and the range was 0.7165 to 0.7299.

## Chart of the day: Tracking major exports

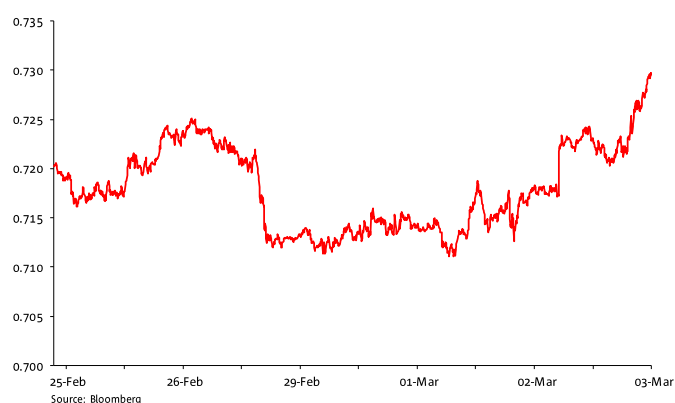


Source: National Australia Bank, Macrobond

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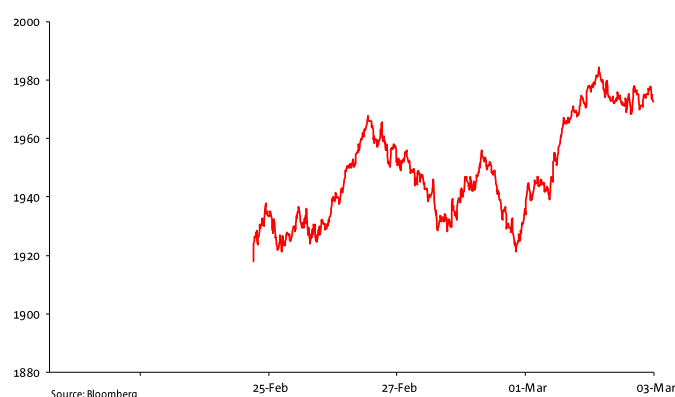
### AUD/USD - past week



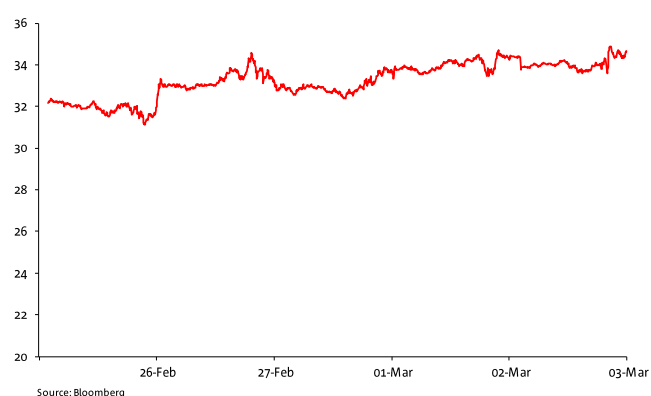
### US 10 yr - past week



### S&P Futures - past week



### WTI - past week



### Foreign Exchange

Indicative 24hr ranges (**)					Other FX		
	Last	% chge	Low	High		Last	% chge
AUD	0.7298	1.7	0.7165	0.7299	HKD	7.7734	0.0
NZD	0.6658	1.0	0.6595	0.6660	CNY	6.5510	0.0
EUR	1.0872	0.1	1.0825	1.0874	SGD	1.3973	-0.5
GBP	1.4081	0.8	1.3970	1.4094	IDR	13,285	-0.2
JPY	113.26	-0.9	113.25	114.57	THB	35.54	-0.1
CAD	1.3431	-0.2	1.3429	1.3500	KRW	1,227	-0.1
AUD/EUR	0.6711	1.1			TWD	33.05	-0.3
AUD/JPY	82.70	0.4			PHP	47.18	-0.3
AUD/GBP	0.5181	0.5			CHF	1.00	-0.3
AUD/NZD	1.0960	0.3			SEK	8.62	0.0

### Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Spnd
USD	0.50	0.63	0.90	1.69	USD 10	1.85	0.02	
AUD	2.00	2.30	2.06	2.64	AUD 10	2.46	0.11	0.61
NZD	2.50	2.59	2.43	3.11	NZD 10	3.01	0.09	1.17
EUR	0.05	0.06	-0.20	0.59	CAD 10	1.26	0.02	-0.59
GBP	0.50	0.59	0.76	1.42	EUR 10	0.21	0.06	-1.64
JPY	0.00	-0.01	-0.15	0.11	GBP 10	1.46	0.07	-0.38
CAD	0.50	1.17	0.81	1.47	JPY 10	-0.03	0.03	-1.87

### Equities

#### Major Indices

	Last	% day	% year
Dow	16,835	-0.2	-7.9
S&P 500	1,977	-0.1	-6.6
Nasdaq	4,676	-0.3	-6.6
VIX Index	17.63	-0.4	35.2
FTSE	6,147	-0.1	-11.4
DAX	9,777	0.6	-14.3
CAC 40	4,425	0.4	-10.0
Nikkei	16,747	4.1	-11.0
Shanghai	2,850	4.3	-12.7
Hang Seng	20,003	3.1	-19.0
ASX 200	5,021	2.0	-15.4

#### Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.70	-0.01
3 Yr bond	98.16	-0.03
10 Yr bond	97.49	-0.08
3/10 sprd	0.67	0.05
SPI	6.0	0.1

### Commodities\*

	Last	% day
Oil (Brent)	36.91	0.3
Oil (WTI)	34.66	0.8
Oil (Tapis)	38.35	-0.8
Gold	1241.60	0.9
CRB	164.12	0.2
GS Metals	259.2	0.5
Aluminium	1589	1.0
Copper	4790	1.6
Nickel	8725	0.5
Zinc	1815	1.7
Ch. steel	1986	-0.5
Iron ore	52.50	2.1
St. coal	50.5	0.0
Wheat Chic	456.0	0.8
Sugar	14.67	1.9
Cotton	55.98	-0.2
Coffee	115.6	0.7

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

	Last	% day
Dec-2016	4.97	-0.6
Dec-2017	5.01	-0.6
Dec-2018	5.08	-0.6

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	AEDT
<b>Thursday, 3 March 2016</b>								
NZ	Value of All Buildings SA QoQ	4Q	1	2		0.5	21.45	8.45
AU	AiG Perf of Services Index	Feb				48.4	22.30	9.30
NZ	ANZ Commodity Price	Feb	-3			-2.3	0.00	11.00
AU	Trade Balance	Jan	-3200	-3200		-3535.0	0.30	11.30
AU	NAB Online Retail Sales Index MoM/YoY	Jan				1.8/11.2	0.30	11.30
JN	BoJ's Nakaso speaks in Naha						1.30	12.30
CH	Caixin China PMI Services/Composite	Feb		/		52.4/50.1	1.45	12.45
JN	Nikkei Japan PMI Services/Composite	Feb		/		52.4/52.6	2.00	13.00
GE	Markit Germany Services PMI/Composite F	Feb F		55.1/53.8		55.1/53.8	8.55	19.55
EC	Markit Eurozone Services PMI/Composite F	Feb F		53/52.7		53.0/52.7	9.00	20.00
UK	Markit/CIPS UK Services PMI/Composite	Feb		55.1/55.7		55.6/56.1	9.30	20.30
EC	Retail Sales MoM/YoY	Jan		0.1/1.3		0.3/1.4	10.00	21.00
US	Challenger Job Cuts YoY	Feb				41.6	12.30	23.30
US	Nonfarm Productivity	4Q F		-2.9		-3.0	13.30	0.30
US	Initial Jobless Claims	Feb 27		270		272.0	13.30	0.30
US	Markit US Services PMI	Feb F		50/		49.8/50.1	14.45	1.45
US	ISM Non-Manf. Composite	Feb		53.1		53.5	15.00	2.00
US	Factory Orders	Jan		2.1		-2.9	15.00	2.00
<b>Friday, 4 March 2016</b>								
NZ	Crown Financial Accounts	Jan					21.00	8.00
AU	Retail Sales MoM	Jan	0.3	0.4		0.0	0.30	11.30
JN	Labor Cash Earnings/Real Earnings YoY	Jan		0.4/		0.1/-0.1	0.00	11.00
US	Change in Nonfarm Payrolls/Unemployment rate	Feb		195/4.9		151.0/4.9	13.30	0.30
US	Average Hourly Earnings MoM/YoY	Feb		0.2/2.5		0.5/2.5	13.30	0.30
US	Trade Balance	Jan		-44		-43.4	13.30	0.30
CA	Int'l Merchandise Trade	Jan		-0.9		-0.6	13.30	0.30
CA	Labor Productivity QoQ	4Q		0		0.1	13.30	0.30
CA	Ivey Purchasing Managers Index SA	Feb		58		66.0	15.00	2.00
<b>Saturday, 5 March 2016</b>								
CH	China Announces 2016 GDP Forecast							
<b>Monday, 7 March 2016</b>								
AU	AiG Perf of Construction Index	Feb				46.3	22.30	9.30
AU	ANZ Job Advertisements MoM	Feb				1.0	0.30	11.30
CH	Foreign Reserves	Feb		3168		3230.9	1.15	12.15
JN	Leading Index CI	Jan P				102.1	5.00	16.00
AU	Foreign Reserves	Feb				61.6	5.30	16.30
EC	Sentix Investor Confidence	Mar				6.0	9.30	20.30
CA	Bloomberg Nanos Confidence	Mar 4				53.6	15.00	2.00
US	Labor Market Conditions Index Change	Feb				0.4	15.00	2.00
US	Fed's Fischer Speaks at Annual NABE Conference in Washington						17.30	4.30
<b>Tuesday, 8 March 2016</b>								
US	Consumer Credit	Jan		17		21.3	20.00	7.00
NZ	ANZ Truckometer Heavy MoM	Feb				-4.3	21.00	8.00
NZ	Mfg Activity/Volume SA QoQ	4Q				4.2/3.5	21.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Mar 6				111.3	22.30	9.30
AU	RBA's Lowe Speech In Adelaide						23.20	10.20
JN	GDP Annualized SA QoQ	4Q F		-1.6		-1.4	23.50	10.50
JN	BoP Current Account Adjusted	Jan				1635.4	23.50	10.50
UK	BRC Sales Like-For-Like YoY	Feb				2.6	0.10	11.10
AU	NAB Business Conditions/Confidence	Feb				5.0/2.0	0.30	11.30
JN	Eco Watchers Survey Current/Outlook	Feb				46.6/49.5	5.00	16.00
JN	Consumer Confidence Index	Feb				42.5	5.00	16.00
EC	GDP SA QoQ/YoY	4Q P		/		0.3/1.5	10.00	21.00
US	NFIB Small Business Optimism	Feb				93.9	11.00	22.00
CH	Trade Balance	Feb		50.3		63.3	2.00	13.00
CH	Trade Balance CNY	Feb		312.15		406.2	2.00	13.00
CH	Foreign Direct Investment YoY CNY	Feb				3.2	9.40	20.40
CA	Housing Starts	Feb				165.9	13.15	0.15
CA	Building Permits MoM	Jan				11.3	13.30	0.30
<b>Wednesday, 9 March 2016</b>								
NZ	Card Spending Retail/Total MoM	Feb				0.3/0.6	21.45	8.45
AU	Westpac Consumer Conf Index/MoM	Mar				101.3/4.2	23.30	10.30
UK	BRC Shop Price Index YoY	Feb				-1.8	0.10	11.10
AU	Home Loans MoM	Jan				2.6	0.30	11.30
AU	Investment Lending	Jan				0.6	0.30	11.30
AU	Owner-Occupier Loan Value MoM	Jan				0.9	0.30	11.30
JN	Machine Tool Orders YoY	Feb P				-17.2	6.00	17.00
UK	Industrial Production MoM/YoY	Jan		/		-1.1/-0.4	9.30	20.30
CA	Bank of Canada Rate Decision	Mar 9		0.5		0.5	15.00	2.00
US	Wholesale Inventories/Sales MoM	Jan		-0.2/		-0.1/-0.3	15.00	2.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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%		
Australia, RBA		5-Apr	2.00%	2.00%		2.00%		

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

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