

4 March 2016

# Markets Today



## Power trip

It has not been a massive night in terms of market direction, the Australian dollar again capturing interest and making some further net gains, if pulling back a little from its intra-session highs into the New York close. The consolidated of some further net gains for the Aussie in the overnight session has been against the backdrop of generally supportive day-to-day market trading metrics. While the spot price of iron ore in China yesterday gave back \$1.30/t to \$51.20, LME base metal prices overnight gained another 1% (copper up 1.36%, nickel up 3.15%), gold is up 1.47% to \$1260.20, while the S&P 500 VIX volatility index is currently trading at 16.34, the lowest level seen since the start of the year. Oil prices were again little changed, as are US Treasury bond yields while the major US stock market indexes are trading close to flat, trying to rally into the close.

The AUD/USD has traded up into the high 73s and is currently at 0.7355/60 after yesterday's better-than-expected international trade report and ahead of this morning's January retail sales where the market is looking for the re-emergence of some growth.

US economic data was broadly in line with expectations. Weekly jobless claims printed at 278K for the last week of February (after 272K last week) while the US non-manufacturing ISM index for February came in at 53.4, only a fraction better than the 53.1 expected but coming with a sting, softness evident in the employment component which fell to 49.7 from 52.1 ahead of tonight's payrolls.

The Bloomberg spot DXY index is softer by 0.5% this morning, losing against the commodity currencies have also a little against the mainstream majors, seemingly on the absence of major direction from the scheduled data.

Robert Kaplan, Dallas Fed President (a non-voter this year) has been speaking, urging caution from the Fed. "While I believe that excessive accommodation carries a cost in terms of distortions and imbalances in hiring, asset allocation and investment decisions, I also believe that, at this juncture, the Fed needs to show patience in decisions to remove accommodation. "This is particularly true in light of key global secular trends as well as recent developments relating to slowing global economic growth and tightening financial conditions."

## Coming Up

For the for the local market today, it's pretty much all about retail sales for January and whether the flat result for

December was the odd man out or the start of a flattening out in retail spending around the turn of the year. NAB's forecasts call for a rise of 0.3%, immaterially shy of the market's 0.4% consensus. Also on the watch list, for yen followers, is Japan's labour cash earnings for January and whether it could be perky enough to suggest any uplift in wages and helping the monetary authorities avert deflationary risks.

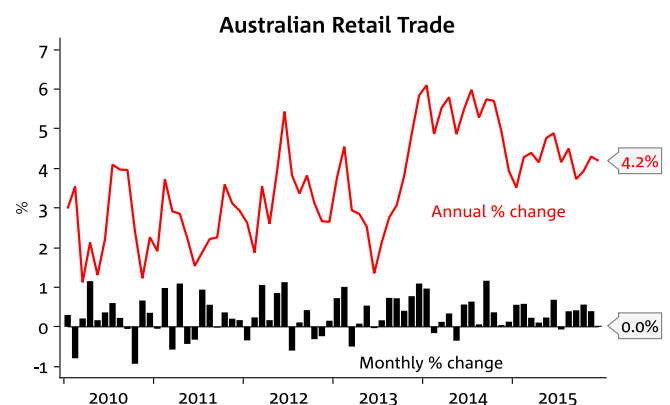
Then it's on to tonight's payrolls report for February and what that report says of 1) the state of labour demand from the employment component 2) how much spare capacity there is in the US labour market and the economy in general from the readings of the unemployment rate, the under-employment rate and of course in secondary market reading such as earnings growth. The report is still expected to be pretty solid overall with a near 200K print in employment expected (195K consensus), an unemployment rate of 4.9% and further growth in average earnings, by 0.2% for steady annual growth of 2.5%.

The focus over the weekend then shifts to China with the official announcement of its growth aspirations and its specific target for 2016 and the country's 13<sup>th</sup> Five Year Plan for 2016-20. China met last year's target of "around 7%" with actual growth of 6.9%. A target for this year of 6½-7% was apparently adopted (but not disclosed) in December and looks set to be announced.

## Overnight

On global stock markets, the S&P 500 was +0.20%. Bond markets saw US 10-years -1.39bp to 1.83%. On commodity markets, Brent crude oil +0.51% to \$37.12, gold+1.6% to \$1,261, iron ore -2.5% to \$51.20. AUD is at 0.7357 and the range was 0.7282 to 0.7374.

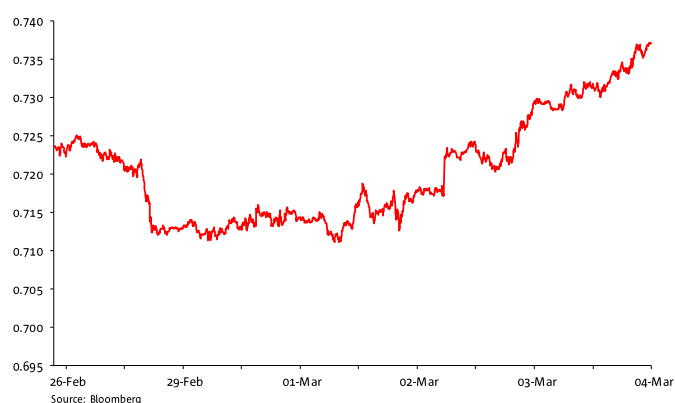
## Chart of the day: Retail was flat in December



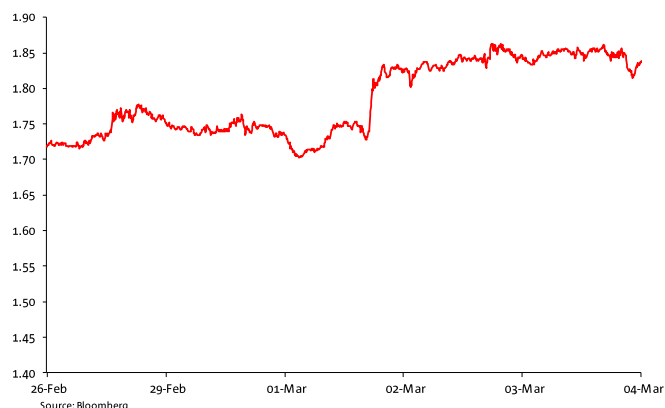
## Author:

David de Garis, Senior Economist

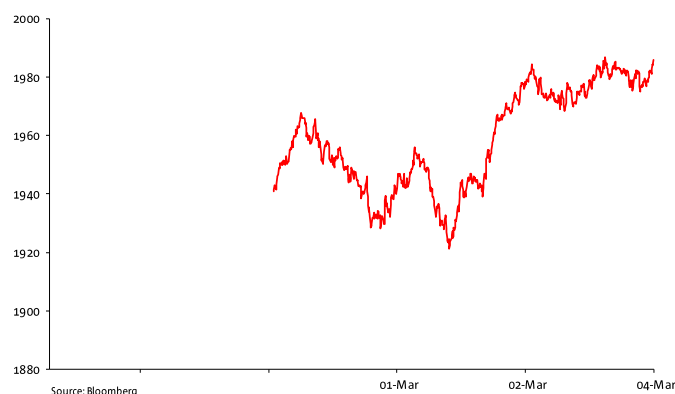
## AUD/USD - past week



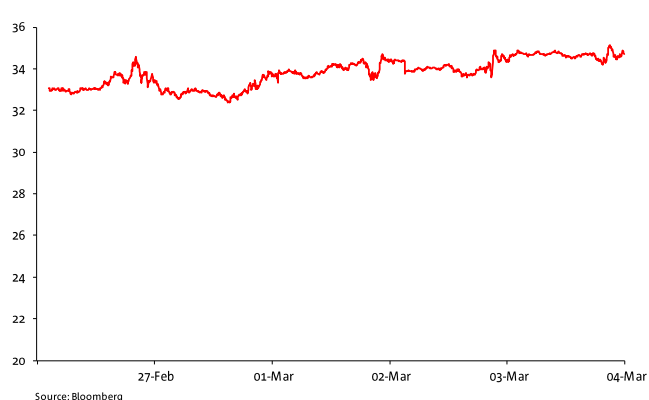
## US 10 yr - past week



## S&amp;P Futures - past week



## WTI - past week



## Foreign Exchange

Indicative 24hr  
ranges (\*\*)

	Last	% chge	Low	High
AUD	0.7355	0.8	0.7282	0.7374
NZD	0.6730	0.5	0.6685	0.6757
EUR	1.0957	0.7	1.0873	1.0974
GBP	1.4172	0.7	1.4045	1.4191
JPY	113.57	-0.3	113.30	114.09
CAD	1.3403	-0.2	1.3371	1.3474
AUD/EUR	0.6714	-0.4		
AUD/JPY	83.54	0.0		
AUD/GBP	0.5191	-0.4		
AUD/NZD	1.0928	-0.2		

## Other FX

	Last	% chge
HKD	7.7701	-0.1
CNY	6.5323	-0.1
SGD	1.3886	-0.3
IDR	13,186	-0.2
THB	35.43	-0.2
KRW	1,211	-0.3
TWD	32.88	-0.2
PHP	46.97	-0.1
CHF	0.99	-0.6
SEK	8.54	-0.8

## Interest Rates

## Indicative Swap Rates

	Cash	3mth	2Yr	10Yr
USD	0.50	0.63	0.89	1.68
AUD	2.00	2.31	2.06	2.65
NZD	2.50	2.59	2.43	3.14
EUR	0.05	0.06	-0.22	0.54
GBP	0.50	0.59	0.77	1.39
JPY	-0.02	-0.01	-0.13	0.11
CAD	0.50	1.17	0.80	1.45

## Benchmark 10 Year Bonds

	Last	chge	Spd
USD 10	1.83	-0.01	
AUD 10	2.56	0.10	0.73
NZD 10	3.05	0.00	1.22
CAD 10	1.23	-0.02	-0.60
EUR 10	0.17	-0.04	-1.66
GBP 10	1.43	-0.03	-0.40
JPY 10	-0.01	0.02	-1.84

## Equities

## Major Indices

	Last	% day	% year
Dow	16,916	0.1	-7.1
S&P 500	1,990	0.2	-5.6
Nasdaq	4,701	0.0	-5.6
VIX Index	16.42	-3.9	18.5
FTSE	6,130	-0.3	-11.0
DAX	9,752	-0.3	-13.5
CAC 40	4,416	-0.2	-9.3
Nikkei	16,960	1.3	-9.3
Shanghai	2,860	0.4	-12.8
Hang Seng	19,942	-0.3	-18.5
ASX 200	5,081	1.2	-13.9

## Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.69	0.00
3 Yr bond	98.12	0.01
10 Yr bond	97.48	-0.02
3/10 sprd	0.65	0.03
SPI	2.0	0.0

## Commodities\*

	Last	% day
Oil (Brent)	37.10	0.5
Oil (WTI)	34.59	-0.2
Oil (Tapis)	38.46	0.3
Gold	1260.90	1.5
CRB	165.04	-0.2
GS Metals	262.7	1.4
Aluminium	1577	-0.8
Copper	4855	1.4
Nickel	9000	3.2
Zinc	1843	1.5
Ch. steel	1988	0.3
Iron ore	51.20	-2.5
St. coal	50.9	0.0
Wheat Chic	465.8	2.1
Sugar	14.84	1.2
Cotton	56.41	0.9
Coffee	117.9	2.0

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

	Last	% day
Dec-2016	4.90	-1.4
Dec-2017	4.95	-1.2
Dec-2018	5.02	-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
Friday, 4 March 2016								
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
Saturday, 5 March 2016								
CH	China Announces 2016 GDP Forecast							
Monday, 7 March 2016								
AU	AIQ 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		3186.5		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
Tuesday, 8 March 2016								
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		51		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
Wednesday, 9 March 2016								
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	Mar				-2.0	22.10	9.10
AU	Home Loans MoM	Jan		-1.3		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
Thursday, 10 March 2016								
NZ	RBNZ Official Cash Rate	Mar 10		2.5		2.5	20.00	7.00
AU	Consumer Inflation Expectation	Mar				3.6	0.00	11.00
UK	RICS House Price Balance	Feb				49.0	0.10	11.10
CH	CPI/PPI YoY	Feb		1.8/-4.9		1.8/-5.3	1.30	12.30
EC	Main Refi/Deposit rate	Mar 10		/		0.1/-0.3	12.45	23.45
CH	Aggregate Financing CNY (to be released 10-15 Mar)	Feb		1854		3420.0		
CH	New Yuan Loans CNY	Feb		1200		2510.0		
CA	Capacity Utilization Rate	4Q				82.0	13.30	0.30
US	Initial Jobless Claims	Feb 27		270		272.0	13.30	0.30
CA	New Housing Price Index MoM	Jan				0.1	13.30	0.30
CA	New Housing Price Index YoY	Jan				1.6	13.30	0.30
US	Bloomberg Consumer Comfort	Feb 28				44.2	14.45	1.45
US	Household Change in Net Worth	4Q				-1232.0	17.00	4.00
US	Monthly Budget Statement	Feb		-206		55.2	19.00	6.00
Friday, 11 March 2016								
NZ	BusinessNZ Manufacturing PMI	Feb				57.9	21.30	8.30
NZ	Food Prices MoM	Feb				2.0	21.45	8.45
UK	Visible Trade Balance GBP/Mn	Jan				-9917.0	9.30	20.30
UK	Trade Balance Non EU GBP/Mn	Jan				-2357.0	9.30	20.30
UK	Trade Balance	Jan				-2709.0	9.30	20.30
CA	Unemployment Rate	Feb				7.2	13.30	0.30
US	Import Price Index MoM	Feb		-0.8		-1.1	13.30	0.30
CA	Net Change in Employment	Feb				-5.7	13.30	0.30
US	Import Price Index YoY	Feb				-6.2	13.30	0.30
CA	Full Time Employment Change	Feb				5.6	13.30	0.30
CA	Part Time Employment Change	Feb				-11.3	13.30	0.30
CA	Participation Rate	Feb				65.9	13.30	0.30
Saturday, 12 March 2016								
CH	Industrial Production YTD YoY	Feb		5.6		6.1	5.30	16.30
CH	Retail Sales YTD YoY	Feb		11		10.7	5.30	16.30
CH	Fixed Assets Ex Rural YTD YoY	Feb		9.4		10.0	5.30	16.30
Upcoming Central Bank Interest Rate Announcements								
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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