

9 March 2016

Markets Today



In retreat

Renewed concerns over China's economic outlook following yesterday's softer than expected trade numbers halted a five day equity rally and triggered a bid for safe haven assets.

China's February trade data disappointed with both exports and imports printing below expectations (-25.4%yoy and -13.8%yoy respectively). China's figures at this time of the year are highly affected by seasonality factors. China's lunar new year was one week later this year and given that the numbers are expressed in year on year terms, the base effect from the large export figures last year was always going to weigh on this year's February print (last year, China's export figures jumped 48.9% yoy).

All that being said, market reaction to the numbers suggests investors remain concerned over the apparent soft demand for China's exports. In that regard, we would note that soft export demand is more of a global than just a China story, for instance yesterday Japan's trade figures also showed a big drop in exports. For now, seasonality distortions suggests to us that is probably a bit too early to draw any big conclusions. Watch this space, however, March trade figures will be very important.

Looking at equity markets overnight, all main European main indices ended the day in negative territory. Euro Stoxx closed -0.63%, FTSE 100 -0.92% and the DAX -0.88%. The negative tone from Asia and Europe set the tone at the start of the US session with materials and energy sectors leading the move lower. Later in the session US equities recovered a bit of lost ground, however as we type they are still in the red with the S&P down 0.72% while the Dow is -0.32%.

In currencies, the Yen is the only G10 currency that has outperformed the USD, confirming once again its safe haven status. The AUD is the best performing commodity currency, down just 0.15% and still comfortably trading with a 74 handle (currently at 0.7450). On this score, we would note the AUD appears to have been supported by the resilience in the iron ore price. After yesterday's spectacular 18.6% jump, today the bulk metal is only down just 0.2%. In contrast, the CAD is the worst performing G10 currency (-0.83%) followed by the NOK at -0.68%. Both currencies got little help from the drop in oil with Brent -2.5% and WTI -3.1%.

The risk aversion tone to the overnight session boosted the demand for core global bonds. This demand was also aided by a very strong 30y Japanese bond auction which helped push 10y JGBs to an all-time low yield of -0.1%. In Europe, 10y Bunds fell -4.2bps to 0.18% and 10y UK gilts dropped

9.6bps to 1.382%. Relative to Sydney's closing levels 10y UST are down 5bps and currently trading at 1.829%.

Data releases overnight had little impact on the price action. German industrial production jumped 3.3% in January, its biggest monthly jump since May 2009 and Eurozone Q4 GDP yoy beat expectations at 1.6% vs 1.5% exp. In the US, the NFIB small business optimism index fell to 92.9 in February from 93.9 in January, below the 94.0 consensus.

Coming Up

In Australia this morning at 10:30am we get Westpac's consumer confidence reading for March and an hour later at housing finance approvals for January are released.

The consumer confidence survey was polled last week, at the time core equity markets were trending higher and we also got a better than expected Q4 GDP print. Given this backdrop our economists suggest that an improvement in sentiment is on the cards.

As for housing finance approvals, after a 2.6% increase in the number of owner occupied loans approved in December, NAB looks for a partial payback of -1.4%, a higher level than the market consensus of a -2.0% decline. In terms of investment lending approvals, the expectation is for a stabilisation in the numbers following the decline seen in the second half of 2015.

In offshore markets, this morning we get Japan's machine tool orders for February and tonight we get UK's industrial production (Jan) followed by US wholesale inventories (Jan).

Ahead of the RBNZ and ECB policy meetings tomorrow, the Bank of Canada (BoC) meets tonight. Bloomberg is showing a unanimous view from the 25 economists surveyed with all expecting the BoC to remain unchanged. While the Canadian economy is still growing below trend, the better than expected Q4 GDP print as well as the higher than expected January inflation reading suggest the BoC can afford to stand pat, at least for the time being. Similar to Australia, uncertainty over the global economic outlook means that the BoC is likely to retain an easing bias with the Federal budget becoming a focus later in the month.

Overnight

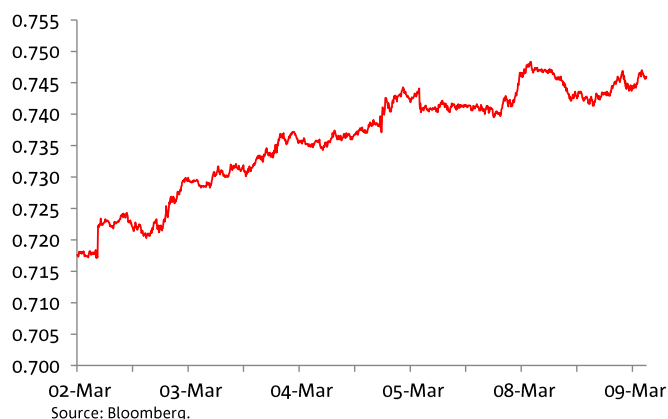
On global stock markets, the S&P 500 was -0.80%. Bond markets saw US 10-years -7.35bp to 1.83%. On commodity markets, Brent crude oil -3.13% to \$39.56, gold +0.0% to \$1,264, iron ore -0.2% to \$63.63. AUD is at 0.7444 and the range was 0.741 to 0.7473.

Author:

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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	0.7444	-0.3	0.7410	0.7473	HKD	7.7647 0.0
NZD	0.6750	-0.7	0.6740	0.6804	CNY	6.5047 -0.2
EUR	1.1004	-0.1	1.0994	1.1058	SGD	1.3847 0.5
GBP	1.4214	-0.4	1.4174	1.4276	IDR	13,160 0.6
JPY	112.58	-0.8	112.4300	113.5200	THB	35.36 -0.2
CAD	1.3408	0.9	1.3282	1.3412	KRW	1,207 0.4
AUD/EUR	0.6766	-0.2			TWD	32.77 0.1
AUD/JPY	83.82	-1.1			PHP	46.91 0.0
AUD/GBP	0.5239	0.0			CHF	1.00 0.1
AUD/NZD	1.1026	0.4			SEK	8.50 0.3
AUD/CNY	4.8408	-0.3				

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spnd
USD	0.50	0.64	0.92	1.68	USD 10	1.83	-0.07
AUD	2.00	2.33	2.12	2.66	AUD 10	2.56	-0.03
NZD	2.50	2.57	2.42	3.11	NZD 10	3.04	-0.01
EUR	0.05	0.06	-0.20	0.57	CAD 10	1.19	-0.08
GBP	0.50	0.58	0.78	1.41	EUR 10	0.18	-0.04
JPY	0.00	-0.01	-0.15	0.08	GBP 10	1.39	-0.10
CAD	0.50	1.17	0.81	1.44	JPY 10	-0.10	-0.05

Equities

Major Indices

	Last	% day	% y/y
Dow	17,004	-0.4	-4.8
S&P 500	1,985	-0.8	-4.2
Nasdaq	4,667	-0.9	-5.3
VIX	18	+5.8	20.7
FTSE	6,125	-0.9	-11.4
DAX	9,693	-0.9	-16.1
CAC 40	4,404	-0.6	-11.3
Nikkei	16,783	-0.8	-10.7
Shanghai	2,901	+0.1	-12.1
Hang Seng	20,012	-0.7	-17.0
ASX 200	5,108	-0.7	-12.3

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.67	-0.01
3 Yr bond	98.065	0.02
10 Yr bond	97.46	0.07
3/10 sprd	0.60	-0.05
SPI	-19.0	-0.4

Commodities*

	Last	% day
Oil (Brent)	39.56	-3.1
Oil (WTI)	36.46	-3.8
Oil (Tapis)	42.13	2.9
Gold	1264.20	0.0
CRB	169.47	-1.3
GS Metals	269.8	-0.2
Aluminium	1592	0.6
Copper	5007	-0.6
Nickel	9362	0.4
Zinc	1806	-2.6
Ch. steel	2066	-3.8
Iron ore	63.6	-0.2
Coal	51.1	0.2
Wheat Chic.	465.3	0.5
Sugar	14.86	1.4
Cotton	58.21	-1.2
Coffee	121.7	0.7

CO₂ Emissions - Euros

	Last	% day
Jun-2016	5.02	-1.6
Dec-2016	5.03	-1.4
Jun-2017	5.06	-1.4

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, 10 March 2016								
NZ	RBNZ Official Cash Rate	Mar 10	2.5	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		50		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		0.05/-0.4		0.1/-0.3	12.45	23.45
CH	Aggregate Financing CNY (released 10-15 Mar)	Feb		1840.55		3420.0		
CH	New Yuan Loans CNY	Feb		1200		2510.0		
CA	Capacity Utilization Rate	4Q		81.7		82.0	13.30	0.30
US	Initial Jobless Claims	Mar 5		275		278.0	13.30	0.30
CA	New Housing Price Index MoM/YoY	Jan		0.15/1.8		0.1/1.6	13.30	0.30
US	Bloomberg Consumer Comfort	Mar 6				43.6	14.45	1.45
US	Household Change in Net Worth	4Q				-1232.0	17.00	4.00
US	Monthly Budget Statement	Feb		-198		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	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	Feb		-0.7		-1.1	13.30	0.30
US	Import Price Index YoY	Feb		-6.5		-6.2	13.30	0.30
CA	Net Change in Employment	Feb		10		-5.7	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		10.9		10.7	5.30	16.30
CH	Fixed Assets Ex Rural YTD YoY	Feb		9.5		10.0	5.30	16.30
Monday, 14 March 2016								
NZ	Performance Services Index	Feb				55.4	21.30	8.30
JN	Machine Orders MoM	Jan				4.2	23.50	10.50
JN	Machine Orders YoY	Jan				-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	Jan				-1.0	10.00	21.00
EC	Industrial Production WDA YoY	Jan				-1.3	10.00	21.00
CA	Teranet/National Bank HPI MoM	Feb				-0.1	12.30	23.30
CA	Teranet/National Bank HPI YoY	Feb				5.9	12.30	23.30
Tuesday, 15 March 2016								
NZ	RBNZ Governor Wheeler Speaks in Auckland (Not Public)							
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Mar 6				111.3	22.30	9.30
AU	New Motor Vehicle Sales MoM	Feb				0.5	0.30	11.30
AU	New Motor Vehicle Sales YoY	Feb				5.1	0.30	11.30
AU	RBA March Meeting Minutes						0.30	11.30
JN	BOJ Policy meeting						3.30	14.30
JN	Industrial Production MoM	Jan F				3.7	4.30	15.30
JN	Tertiary Industry Index MoM	Jan				-0.6	4.30	15.30
EC	Employment QoQ	4Q				0.3	10.00	21.00
US	Retail Sales Advance MoM	Feb		0.1		0.2	12.30	23.30
US	PPI Final Demand MoM	Feb		-0.1		0.1	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
Wednesday, 16 March 2016								
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
AU	Westpac Leading Index MoM	Feb				0.0	23.30	10.30
JN	Machine Tool Orders YoY	Feb P				-17.2	6.00	17.00
UK	ILO Unemployment Rate 3Mths	Jan				5.1	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	Feb		1140		1099.0	12.30	23.30
US	Building Permits	Feb		1203		1202.0	12.30	23.30
US	CPI MoM	Feb		-0.2		0.0	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		-0.1		0.9	13.15	0.15
US	Manufacturing (SIC) Production	Feb				0.5	13.15	0.15
US	FOMC Rate Decision (Lower Bound)	Mar 16		0.25		0.25	18.00	5.00
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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