

26 April 2016

# Markets Today



## Stay

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Returning from the three day ANZAC Day weekend, there isn't a single major stock market anywhere in the world that finished in the green on Monday. The Eurostoxx 50 ended 0.75% down and the S&P 500 -0.18%. The latter is after a virtually unchanged performance on Friday and where drag from Alphabet's (nee Google) earnings on Thursday night and poor earnings results from GE and Caterpillar on Friday were somewhat offset by a stronger than expected showing by McDonalds. Maccas' all day breakfast are the go, apparently.

US bond yield continue their grind higher, with 2s +1bp, 5s +2bp and 10's +2, .5bps since Friday. This is not with any assistance from incoming US economic data. Their Markit US manufacturing PMI disappointed on Friday, falling to 50.8 from 51.5 and 52.0 expected, which overnight March New Home Sales fell by 1.05% instead of the 1.6% rise expected and the Dallas Fed manufacturing activity survey fell to -13.9 from -13.6, against the rise to -10.0 expected. Germany's latest IFO survey was a drag factor in Europe, its business climate reading dipping to 106.6 from 106.7 (1-7.1 expected) and though expectations rose to 100.5 from 100.0 they were expected at 100.9.

Crude oil has fallen by between \$ 0.30 (Brent) and \$0.74 (WTI) but given the news flow the surprise perhaps is that the falls haven't been bigger. Saudi Arabia announced it will complete an expansion of its major Shaybah oil field by the end of May, allowing the country to maintain output capacity at 12 million barrels a day. Iran announced it has boosted output by 1m b/d since January, Kuwait has now emerged from its recent strike to announce plans for record output. Meanwhile crude inventories at Cushing built by a further 1.5mn barrels last week.

In fact, the biggest move in commodities since we went home of Friday was iron ore, which lost \$4.10 or nearly 6% after having hit \$70 on Thursday for the first time since January 2015. Overnight the 62% fine China import price slipped a further \$0.26 to \$66.07.

In currencies the explosive move higher in USD/JPY that began during our session on Friday followed a Bloomberg 'source' story suggesting the BoJ was contemplating paying banks to borrow from it (ECB-style), sharply extended the rally offshore. From an Asia-session high of around ¥110.75, the pair ended NY at ¥111.79. Some of those gains have been given back in Monday's session, to ¥111.21. Comments from Abe adviser Etsuro Honda, that while Japan

may have to take additional measures, BoJ action might not come before June, did the damage here.

The other big mover was the British Pound. Having been rising though last week on diminishing fear that the 23 June UK referendum would result in a vote for 'Brexit', the intervention of US President Obama in the UK last last week making the case for 'remain', and the latest Number Cruncher Politics poll (who were almost alone in getting the last UK general election result right) has 45.8% in favour of 'Stay' (+0.8%) and 41% for leave (+0.2%) as undecideds slip by 1 point to 13.7%. GBP/USD rose back above \$1.45 for the first time since mid-March. As for today's title, there at last 15 songs titled Stay, but I'm humming Jackson Browne.

## Coming Up

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Super Thursday looms large, in the early hours of which we'll get the latest language from the Fed when it issues its post-FOMC meeting statement alongside what will inevitably be an unchanged rates decision.

A few hours later the RBNZ will deliver its latest interest rate verdict, for which our BNZ colleagues (just) come down on the side of another quarter point cut (very much a minority view with only 3 of 16 firms polled by Bloomberg favouring a cut this Thursday). The outcome will produce some fireworks in the NZD one way or another, though probably not nearly as much as in all things Yen when the Bank of Japan announces its latest policy decision(s) later Thursday.

Before all that we'll get Australian Q1 inflation data, which will have to deliver a big downside surprise (0.3% q/q or lower on the 'core' measures versus the 0.5% consensus estimates) to seriously entertain thoughts of an RBA rate cut on 3 May – the same day as the Budget.

As for today, nothing in our time zone to note, but offshore tonight we get US durable goods orders, house prices (Case Schiller) the Conference Board's version of consumer confidence (remembering the University of Michigan version was soft) and the Richmond Fed manufacturing survey.

## Overnight

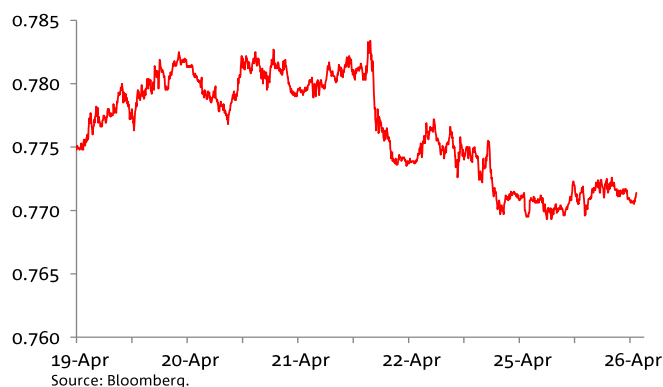
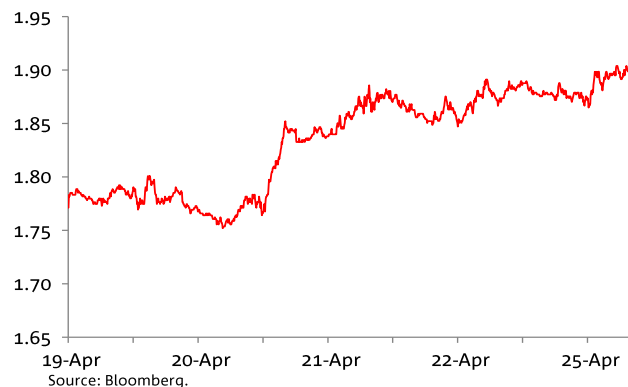
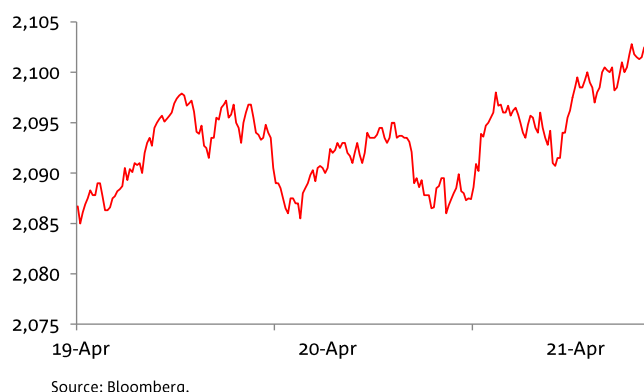
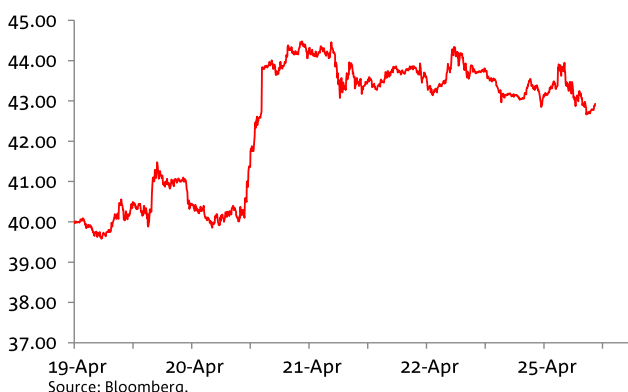
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On global stock markets, the S&P 500 was -0.20%. Bond markets saw US 10-years +2.14bp to 1.91%. On commodity markets, Brent crude oil -0.78% to \$44.76, gold +0.8% to \$1,239, iron ore -0.4% to \$66.07. AUD is at 0.7713 and the range since Friday's local close has been 0.7691 to 0.7757.

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### Author:

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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                         | 0.7714 | 0.0 | 0.7691   | 0.7729   | HKD      | 7.7557 0.0  |
| NZD                         | 0.6858 | 0.0 | 0.6842   | 0.6878   | CNY      | 6.4928 -0.1 |
| EUR                         | 1.1268 | 0.0 | 1.1217   | 1.1278   | SGD      | 1.3521 0.0  |
| GBP                         | 1.4482 | 0.0 | 1.4403   | 1.4520   | IDR      | 13,199 0.0  |
| JPY                         | 111.20 | 0.0 | 110.8400 | 111.9100 | THB      | 35.09 0.0   |
| CAD                         | 1.2679 | 0.0 | 1.2652   | 1.2717   | KRW      | 1,148 0.4   |
| AUD/EUR                     | 0.6849 | 0.0 |          |          | TWD      | 32.35 0.1   |
| AUD/JPY                     | 85.71  | 0.0 |          |          | PHP      | 46.91 0.6   |
| AUD/GBP                     | 0.5328 | 0.0 |          |          | CHF      | 0.98 0.0    |
| AUD/NZD                     | 1.1255 | 0.0 |          |          | SEK      | 8.14 0.1    |
| AUD/CNY                     | 5.0137 | 0.1 |          |          |          |             |

**Interest Rates**

| Indicative Swap Rates |       |       |       | Benchmark 10 Year Bonds |        |                  |
|-----------------------|-------|-------|-------|-------------------------|--------|------------------|
| Cash                  | 3mth  | 2Yr   | 10Yr  | Last                    | chge   | Sprd             |
| USD                   | 0.50  | 0.64  | 0.96  | 1.77                    | USD 10 | 1.91 0.02        |
| AUD                   | 2.00  | 2.27  | 2.21  | 2.79                    | AUD 10 | 2.63 0.00 0.72   |
| NZD                   | 2.25  | 2.32  | 2.22  | 2.98                    | NZD 10 | 2.87 0.00 0.96   |
| EUR                   | 0.00  | 0.06  | -0.15 | 0.65                    | CAD 10 | 1.55 0.03 -0.36  |
| GBP                   | 0.50  | 0.59  | 0.87  | 1.58                    | EUR 10 | 0.26 0.03 -1.65  |
| JPY                   | -0.07 | -0.04 | -0.17 | 0.15                    | GBP 10 | 1.61 0.01 -0.30  |
| CAD                   | 0.50  | 1.17  | 1.04  | 1.70                    | JPY 10 | -0.06 0.05 -1.97 |

**Equities**
**Major Indices**

|           | Last   | % day | % y/y |
|-----------|--------|-------|-------|
| Dow       | 17,977 | -0.1  | -0.6  |
| S&P 500   | 2,088  | -0.2  | -1.4  |
| Nasdaq    | 4,896  | -0.2  | -3.9  |
| VIX       | 14     | +6.7  | 14.8  |
| FTSE      | 6,261  | -0.8  | -11.5 |
| DAX       | 10,294 | -0.8  | -12.8 |
| CAC 40    | 4,546  | +0.1  | -12.6 |
| Nikkei    | 17,439 | -0.8  | -12.9 |
| Shanghai  | 2,947  | -0.4  | -32.9 |
| Hang Seng | 21,304 | -0.8  | -24.1 |
| ASX 200   | 5,236  | -0.7  | -11.7 |

**Commodities\***

|             | Last    | % day |
|-------------|---------|-------|
| Oil (Brent) | 44.76   | -0.8  |
| Oil (WTI)   | 42.94   | -1.8  |
| Oil (Tapis) | 45.21   | 0.4   |
| Gold        | 1238.60 | 0.8   |
| CRB         | 178.87  | -0.4  |
| GS Metals   | 272.1   | -0.5  |
| Aluminium   | 1650    | 0.1   |
| Copper      | 5008    | -0.7  |
| Nickel      | 9103    | 0.4   |
| Zinc        | 1874    | -1.6  |
| Ch. steel   | 2630    | -0.9  |
| Iron ore    | 66.1    | -0.4  |
| Coal        | 51.0    | 0.0   |
| Wheat Chic. | 477.8   | 0.8   |
| Sugar       | 15.63   | 2.4   |
| Cotton      | 64.77   | 2.7   |
| Coffee      | 123.6   | 0.2   |

\* clsd = market holiday

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

|          | Last | % day |
|----------|------|-------|
| Jun-2016 | 5.89 | -1.2  |
| Dec-2016 | 5.90 | -1.2  |
| Jun-2017 | 5.93 | -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   | AEST  |
|---|--|--------|-----------|-----------|--------|----------------|-------|-------|
| Tuesday, 26 April 2016                            |  |        |           |           |        |                |       |       |
| US  | Durable Goods Orders/Core orders                         | Mar P  |           | 1.9/0.6   |        | -3.0/-2.5      | 12.30 | 22.30 |
| US  | Cap Goods Orders Nondef Ex Air                           | Mar P  |           | 0.6       |        | -2.5           | 12.30 | 22.30 |
| US  | S&P/Case-Shiller US HPI MoM/YoY                          | Feb    |           | /5.5      |        | 0.5/5.8        | 13.00 | 23.00 |
| US  | Markit US Services/Composite PMI                         | Apr P  |           | 52/       |        | 51.3/51.3      | 13.45 | 23.45 |
| US  | Consumer Confidence Index                                | Apr    |           | 95.75     |        | 96.2           | 14.00 | 0.00  |
| US  | Richmond Fed Manufact. Index                             | Apr    |           | 12        |        | 22.0           | 14.00 | 0.00  |
| Wednesday, 27 April 2016                          |  |        |           |           |        |                |       |       |
| NZ  | Trade Balance  | Mar    | -75       | 400.5     |        | 339.0          | 22.45 | 8.45  |
| AU  | ANZ Roy Morgan Weekly Consumer Confidence Index          | Apr 24 |           |           |        | 115.8          | 23.30 | 9.30  |
| CH  | Industrial Profits YoY                                   | Mar    |           |           |        | -4.7           | 1.30  | 11.30 |
| AU  | CPI QoQ/YoY  | 1Q     | 0.1/1.6   | 0.2/1.7   |        | 0.4/1.7        | 1.30  | 11.30 |
| AU  | CPI Weighted Median QoQ/YoY                              | 1Q     | 0.5/1.8   | 0.5/1.9   |        | 0.5/1.9        | 1.30  | 11.30 |
| AU  | CPI Trimmed Mean QoQ/YoY                                 | 1Q     | 0.6/2.1   | 0.5/2     |        | 0.6/2.1        | 1.30  | 11.30 |
| AU  | NAB SME Business Survey                                  | 1Q     |           |           |        |                | 1.30  | 11.30 |
| CH  | Westpac-MNI Consumer Sentiment                           | Apr    |           |           |        | 118.1          | 1.45  | 11.45 |
| NZ  | New Residential Lending YoY                              | Mar    |           |           |        | 11.7           | 3.00  | 13.00 |
| JN  | All Industry Activity Index MoM                          | Feb    |           | -1.4      |        | 2.0            | 4.30  | 14.30 |
| JN  | Small Business Confidence                                | Apr    |           | 48.5      |        | 48.8           | 5.00  | 15.00 |
| GE  | GfK Consumer Confidence                                  | May    |           | 9.4       |        | 9.4            | 6.00  | 16.00 |
| UK  | GDP QoQ/YoY  | 1Q A   |           | 0.4/2     |        | 0.6/2.1        | 8.30  | 18.30 |
| UK  | CBI Retailing Reported Sales                             | Apr    |           | 13        |        | 7.0            | 10.00 | 20.00 |
| UK  | CBI Total Dist. Reported Sales                           | Apr    |           |           |        | 20.0           | 10.00 | 20.00 |
| US  | Advance Goods Trade Balance                              | Mar    |           | -62.8     |        | -62.9          | 12.30 | 22.30 |
| US  | Pending Home Sales MoM/YoY                               | Mar    |           | 0.5/0.8   |        | 3.5/5.1        | 14.00 | 0.00  |
| US  | FOMC Rate Decision (Lower/Upper Bound)                   | Apr 27 |           | 0.25/0.5  |        | 0.3/0.5        | 18.00 | 4.00  |
| Thursday, 28 April 2016                           |  |        |           |           |        |                |       |       |
| NZ  | RBNZ Official Cash Rate                                  | Apr 28 | 2.00      | 2.25      |        | 2.3            | 21.00 | 7.00  |
| JN  | Jobless Rate   | Mar    |           | 3.3       |        | 3.3            | 23.30 | 9.30  |
| JN  | Overall Household Spending YoY                           | Mar    |           | -4.1      |        | 1.2            | 23.30 | 9.30  |
| JN  | Natl CPI/Ex fresh food, energy YoY                       | Mar    |           | 0/0.8     |        | 0.3/0.8        | 23.30 | 9.30  |
| JN  | Tokyo CPI/Ex fresh food, energy YoY                      | Apr    |           | -0.2/0.5  |        | -0.1/0.6       | 23.30 | 9.30  |
| JN  | Retail Sales MoM/YoY                                     | Mar    |           | 0.5/-1.4  |        | -2.3/0.5       | 23.50 | 9.50  |
| JN  | Industrial Production MoM/YoY                            | Mar P  |           | 2.8/-1.6  |        | -5.2/-1.2      | 23.50 | 9.50  |
| AU  | Export/Import price index QoQ                            | 1Q     | -2.9/-1.3 | -1.5/-0.9 |        | -5.4/-0.3      | 1.30  | 11.30 |
| AU  | NAB Online Retail Sales Index MoM/YoY                    | Mar    |           |           |        | 0.8/10.4       | 1.30  | 11.30 |
| AU  | NAB Commercial Property Survey                           | 1Q     |           |           |        |                | 1.30  | 11.30 |
| JN  | BOJ Policy Rate  | Apr 28 |           | -0.1      |        | -0.1           | 4.35  | 14.35 |
| GE  | Unemployment Change (000's)                              | Apr    |           | 0         |        | 0.0            | 7.55  | 17.55 |
| EC  | Business Climate Indicator                               | Apr    |           | 0.14      |        | 0.1            | 9.00  | 19.00 |
| GE  | CPI MoM/YoY  | Apr P  |           | -0.2/0.1  |        | 0.8/0.3        | 12.00 | 22.00 |
| GE  | CPI EU Harmonized MoM/YoY                                | Apr P  |           | -0.2/0    |        | 0.8/0.1        | 12.00 | 22.00 |
| US  | Initial Jobless Claims                                   | Apr 23 |           | 259       |        | 247.0          | 12.30 | 22.30 |
| US  | GDP Annualized QoQ                                       | 1Q A   |           | 0.6       |        | 1.4            | 12.30 | 22.30 |
| US  | Bloomberg Consumer Comfort                               | Apr 24 |           |           |        | 42.9           | 13.45 | 23.45 |
| US  | Kansas City Fed Manf. Activity                           | Apr    |           |           |        | -6.0           | 15.00 | 1.00  |
| Friday, 29 April 2016                             |  |        |           |           |        |                |       |       |
| NZ  | Building Permits MoM                                     | Mar    |           |           |        | 10.8           | 22.45 | 8.45  |
| UK  | Lloyds Business Barometer                                | Apr    |           |           |        | 43.0           | 23.10 | 9.10  |
| UK  | GfK Consumer Confidence                                  | Apr    |           | -1        |        | 0.0            | 23.50 | 9.50  |
| NZ  | ANZ Activity Outlook/Bus Confidence                      | Apr    |           |           |        | 29.4/3.2       | 1.00  | 11.00 |
| AU  | Private Sector Credit MoM/YoY                            | Mar    | 0.6/7.1   | 0.5/6.6   |        | 0.6/6.6        | 1.30  | 11.30 |
| AU  | PPI QoQ/YoY  | 1Q     |           |           |        | 0.3/1.9        | 1.30  | 11.30 |
| NZ  | Credit aggregates (household) YoY                        | Mar    |           |           |        | 7.6            | 3.00  | 13.00 |
| AU  | RBA's Debelle Gives Speech                               |        |           |           |        |                | 3.45  | 13.45 |
| UK  | Mortgage Approvals                                       | Mar    |           | 74.4      |        | 73.9           | 8.30  | 18.30 |
| EC  | Unemployment Rate  | Mar    |           | 10.3      |        | 10.3           | 9.00  | 19.00 |
| EC  | CPI Estimate/Core YoY                                    | Apr    |           | 0/0.9     |        | -0.1/1.0       | 9.00  | 19.00 |
| EC  | GDP SA QoQ/YoY   | 1Q A   |           | 0.4/1.4   |        | 0.3/1.6        | 9.00  | 19.00 |
| US  | Fed's Kaplan Speaks in London                            |        |           |           |        |                | 10.30 | 20.30 |
| US  | Employment Cost Index                                    | 1Q     |           | 0.6       |        | 0.6            | 12.30 | 22.30 |
| US  | Personal Income/Spending                                 | Mar    |           | 0.3/0.2   |        | 0.2/0.1        | 12.30 | 22.30 |
| US  | PCE Deflator MoM/YoY                                     | Mar    |           | 0.1/0.8   |        | -0.1/1.0       | 12.30 | 22.30 |
| US  | PCE Core MoM/YoY   | Mar    |           | 0.1/1.5   |        | 0.1/1.7        | 12.30 | 22.30 |
| CA  | Industrial Product/Raw Materials Prices MoM              | Mar    |           | 0.5       |        | -1.1/-2.6      | 12.30 | 22.30 |
| CA  | GDP MoM/YoY  | Feb    |           | -0.2      |        | 0.6            | 12.30 | 22.30 |
| US  | ISM Milwaukee  | Apr    |           |           |        | 57.8           | 13.00 | 23.00 |
| US  | Chicago Purchasing Manager                               | Apr    |           | 52.8      |        | 53.6           | 13.45 | 23.45 |
| US  | U. of Mich. Sentiment                                    | Apr F  |           | 90        |        | 89.7           | 14.00 | 0.00  |
| US  | U. of Mich. 5-10 Yr Inflation                            | Apr F  |           |           |        | 2.5            | 14.00 | 0.00  |
| Saturday, 30 April 2016                           |  |        |           |           |        |                |       |       |
| Sunday, 1 May 2016                                |  |        |           |           |        |                |       |       |
| CH  | Manufacturing PMI  | Apr    |           | 50.3      |        | 50.2           | 1.00  | 11.00 |
| CH  | Non-manufacturing PMI                                    | Apr    |           |           |        | 53.8           | 1.00  | 11.00 |
| Monday, 2 May 2016                                |  |        |           |           |        |                |       |       |
| US  | Dudley Speaks at Atlanta Fed Conference at Amelia Island |        |           |           |        |                | 23.15 | 9.15  |
| AU  | AiG Perf of Mfg Index                                    | Apr    |           |           |        | 58.1           | 23.30 | 9.30  |
| AU  | CoreLogic RP Data House Px MoM                           | Apr    |           |           |        | 0.2            | 0.00  | 10.00 |
| AU  | Melbourne Institute Inflation MoM/YoY                    | Apr    |           |           |        | 0.0/1.7        | 1.00  | 11.00 |
| AU  | NAB Business Conditions/Conditions                       | Apr    |           |           |        | 12.0/6.0       | 1.30  | 11.30 |
| JN  | Nikkei Japan PMI Mfg                                     | Apr F  |           |           |        | 48.0           | 2.00  | 12.00 |
| AU  | Commodity Index AUD/YoY                                  | Apr    |           |           |        | 86.6/-15.4     | 6.30  | 16.30 |
| GE  | Markit/BME Germany Manufacturing PMI                     | Apr F  |           |           |        | 51.9           | 7.55  | 17.55 |
| EC  | Markit Eurozone Manufacturing PMI                        | Apr F  |           |           |        | 51.5           | 8.00  | 18.00 |
| US  | Fed's Lockhart Makes Introductory Remarks in Florida     |        |           |           |        |                | 12.50 | 22.50 |
| CA  | RBC Canadian Manufacturing PMI                           | Apr    |           |           |        | 51.5           | 13.30 | 23.30 |
| US  | Markit US Manufacturing PMI                              | Apr F  |           |           |        | 50.8           | 13.45 | 23.45 |
| CA  | Bloomberg Nanos Confidence                               | Apr 22 |           |           |        | 55.9           | 14.00 | 0.00  |
| US  | ISM Manufacturing/New orders                             | Apr    |           | 51.5/     |        | 51.8/58.3      | 14.00 | 0.00  |
| US  | Construction Spending MoM                                | Mar    |           | 0.5       |        | -0.5           | 14.00 | 0.00  |
| Upcoming Central Bank Interest Rate Announcements |  |        |           |           |        |                |       |       |
| US Federal Reserve                                | 28-Apr   |        |           |           |        | 0.25-0.50%     |       |       |
| New Zealand, RBNZ                                 | 28-Apr   | 2.00%  |           | 2.25%     |        | 2.25%          |       |       |
| Japan, BoJ  | 28-Apr   |        |           |           |        | -0.1% to +0.1% |       |       |
| Australia, RBA                                    | 3-May  | 2.00%  |           | 2.00%     |        | 2.00%          |       |       |
| UK BOE  | 12-May   |        |           |           |        | 0.50%          |       |       |
| Canada, BoC                                       | 26-May   |        |           |           |        | 0.50%          |       |       |
| Europe ECB  | 2-Jun  |        |           |           |        | 0.00%          |       |       |

GMT: Greenwich Mean Time; AEST: Australian Eastern Standard Time

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