

Down Down (prices are down)

I was hoping never to have to resort to Status Quo's only UK No.1 hit for a title, even more so it's tortured mangling into a commercial for a major Australian supermarket chain. But sometime, as the saying goes, 'if the cap fit, wear it'.

So it is that following yesterday's CPI report, NAB altered its 3 May RBA call to now expect a 25bps reduction in the Cash Rate (to 1.75%), seeing little risk in taking advantage of the extraordinarily low CPI (in fact, at an average of 1.55% for the two underlying measures, the lowest rate in the history of RBA inflation targeting). Market pricing as of last night's close sits at about 50:50 for a 3 May cut. AUD/USD has lost another quarter of a cent on its Sydney closing level (to near 0.7575 from around 0.7600, having been as low as 0.7550 immediately post-Fed). Further falls in iron ore prices - off another \$1.69 to \$61.09 and nearly \$10 off last week's highs - have not gone unnoticed.

As for the Fed, they have just come and gone to very limited fanfare. Concerns about international development were dialled down from being a 'risk' in March to now merely being 'taken into account'. Slower growth, specifically in household spending, was acknowledged and as will be evident in tonight's Q1 GDP report, though labour market improvements were re-instated to first place in the Fed's word-ordering. The March acknowledgement of higher inflation was dropped in favour of 'inflation has continued to run below the Committee's 2% longer-run objective'.

As for market reactions, US bond yields and the dollar underwent knee jerk moves higher on the dialling down of international concerns, before being fully unwound (and then some) in the case of bond yields. In index terms the dollar is now virtually flat to pre-FOMC levels. Equities liked the ongoing relaxed attitude of the Fed statement. After a very momentary dip, the S&P rallied by 0.7% to 2100 before giving back about a third of those gains into the close.

Post-Fed, we remain comfortable with our view for them not moving rates up at least until July, bearing in mind the UK EU referendum that falls a week after the mid-June FOMC - however much 'Brexit' risk is seen to have diminished in recent days.

The RBNZ has just delivered a 'no change' decision (2.25%) OCR decision, in line with the consensus view (we had been just in favour) of a cut. The easing bias is retained as is the stated desirability of a weaker NZD. This hasn't prevented the NZD from quickly adding a cent to its pre-RBNZ levels.

Coming Up

Three down (local CPI, Fed and RBNZ) one to go (Bank of Japan). The ANZAC-shortened week to date has been anything but dull, and such is the uncertainty surrounding what the BoJ will or will not do today that it could well be a lively afternoon, in FX-land at least. The BoJ should announce its latest decision 30 minutes or so one side or the other of 2:00pm AEDT on past form, though such is the potential complexity of today's announcement it could well come later rather than sooner.

We look for the BoJ to announce an increase in the target for its 'QQE' asset purchases from the current ¥80tn. annual rate (to as much as ¥100tn.) and which will likely include increased buying of ETFs (equity derivatives) from the current 3.3tn annual rate to as much as ¥7tn. The deposit rate is only likely to be cut further (we expect to -0.2% from -0.1%) in conjunction with a scheme that will effectively allow Japanese banks to get paid to borrow from the BoJ. This is crucial if bank stocks - and with that the broader equity market - is to take a new BoJ easing programme well. In turn, this is crucial to the fate of all things Yen. If stocks like what they hear today, chances are the yen will weaken.

Before the BoJ, we'll get the end of month slug of Japan March data, covering CPI, industrial production, household spending and retail sales. The BoJ's currently preferred CPI ex food and energy measures is expected to be unchanged at +0.8% Y/Y but just 0.3% (also unchanged) in Tokyo - which leads the nationwide series by a month.

Australian has Q1 trade prices (NAB forecasts export prices to be -2.9% and imports prices -1.3%, implying a softer terms of trade in Q1 and so highlighting a disconnect between the (much) stronger AUD since January and the (weaker) terms of trade. There is also NAB's on-line retail index and its latest commercial property survey.

The data action continues offshore with German preliminary CPI (and where the EU harmonized measure is seen falling back to 0.0% from 0.1%) and US Q1 GDP - latter expected at 0.6% (annualized rate).

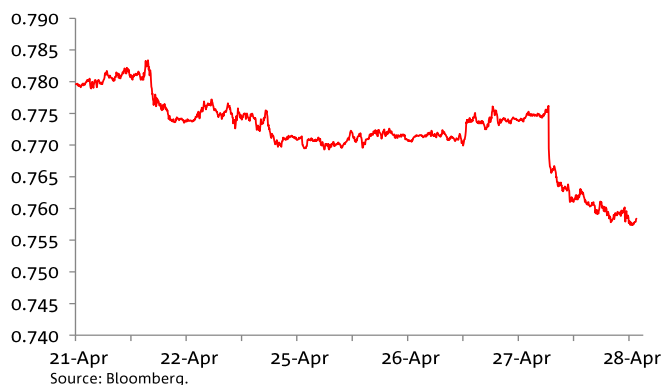
Overnight

On global stock markets, the S&P 500 was +0.20%. Bond markets saw US 10-years -7.63bp to 1.85%. On commodity markets, Brent crude oil +3.15% to \$47.18, gold+0.6% to \$1,249, iron ore -2.7% to \$61.09. AUD is at 0.7595 and the range was 0.7576 to 0.7606.

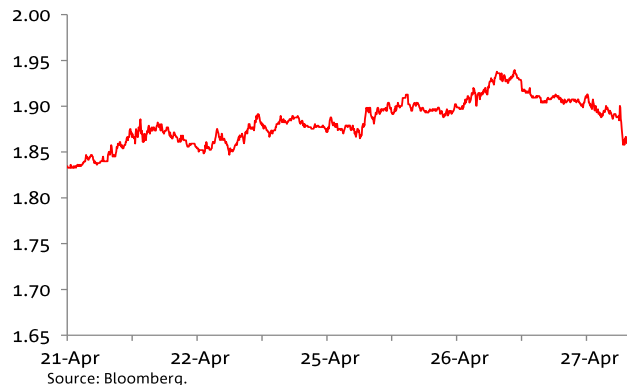
Author:

Ray Attrill - Global Co-Head of FX Strategy

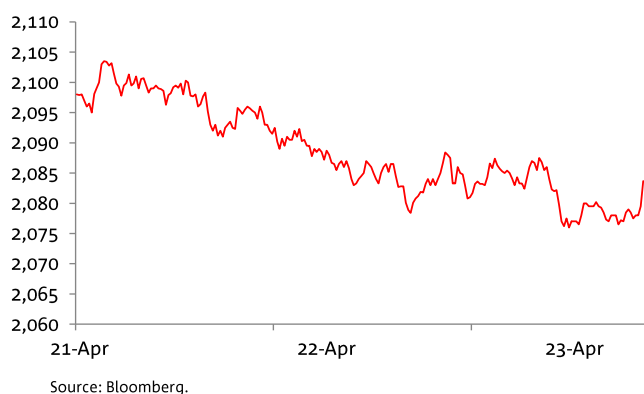
AUD/USD - past week



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	0.7584	-2.1	0.7549	0.7765	HKD	7.7563 0.0
NZD	0.6851	-0.7	0.6808	0.6907	CNY	6.4980 0.1
EUR	1.1319	0.2	1.1272	1.1362	SGD	1.3496 -0.1
GBP	1.4538	-0.3	1.4475	1.4622	IDR	13,202 0.0
JPY	111.55	0.2	111.0300	111.7500	THB	35.10 -0.1
CAD	1.2605	0.0	1.2572	1.2694	KRW	1,148 -0.2
AUD/EUR	0.6700	-2.3			TWD	32.34 0.0
AUD/JPY	84.60	-1.9			PHP	46.76 -0.2
AUD/GBP	0.5217	-1.8			CHF	0.97 -0.2
AUD/NZD	1.1070	-1.4			SEK	8.10 -0.3
AUD/CNY	4.9279	-2.0				

Equities

Major Indices			
	Last	% day	% y/y
Dow	18,042	+0.3	0.0
S&P 500	2,095	+0.2	-0.7
Nasdaq	4,863	-0.5	-3.9
VIX	14	-1.4	5.0
FTSE	6,320	+0.6	-11.0
DAX	10,300	+0.4	-14.4
CAC 40	4,559	+0.3	-13.5
Nikkei	17,290	-0.4	-13.8
Shanghai	2,954	-0.4	-34.0
Hang Seng	21,362	-0.2	-24.9
ASX 200	5,188	-0.6	-12.8

Commodities*

	Last	% day
Oil (Brent)	47.19	3.2
Oil (WTI)	45.29	2.8
Oil (Tapis)	47.22	4.2
Gold	1249.20	0.6
CRB	182.49	0.6
GS Metals	269.4	-0.7
Aluminium	1642	-0.2
Copper	4916	-1.2
Nickel	9173	0.1
Zinc	1880	-0.5
Ch. steel	2499	-0.8
Iron ore	61.1	-2.7
Coal	51.0	-0.2
Wheat Chic.	483.5	-0.9
Sugar	15.55	-1.4
Cotton	64.07	1.0
Coffee	121.5	-3.4
* clsd = market holiday		
CO ₂ Emissions - Euros		
	Last	% day
Jun-2016	6.83	3.3
Dec-2016	6.84	3.3
Jun-2017	6.87	3.3

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.63	0.94	1.73	USD 10	1.85	-0.07
AUD	2.00	2.28	2.00	2.65	AUD 10	2.61	-0.04 0.76
NZD	2.25	2.32	2.22	3.01	NZD 10	2.90	-0.01 1.04
EUR	0.00	0.06	-0.15	0.64	CAD 10	1.50	-0.05 -0.35
GBP	0.50	0.59	0.88	1.59	EUR 10	0.29	-0.01 -1.57
JPY	-0.07	-0.04	-0.14	0.15	GBP 10	1.63	-0.03 -0.23
CAD	0.50	1.17	1.01	1.67	JPY 10	-0.05	0.05 -1.90

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.92	0.04
3 Yr bond	98.13	0.06
10 Yr bond	97.45	0.14
3/10 sprd	0.68	-0.08
SPI	49.0	1.0

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
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		53		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 29				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
Tuesday, 3 May 2016								
US	Fed's Williams Speaks in Los Angeles						21.30	7.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Apr 24				115.8	23.30	9.30
AU	Building Approvals MoM/YoY	Mar		/		3.1/-9.0	1.30	11.30
CH	Caixin China PMI Mfg	Apr		49.8		49.7	1.45	11.45
AU	RBA Cash Rate Target	May 3	2	2		2.0	4.30	14.30
UK	Markit UK PMI Manufacturing SA	Apr				51.0	8.30	18.30
EC	PPI MoM/YoY	Mar				-0.7/-4.2	9.00	19.00
AU	Federal Budget						9.30	19.30
US	ISM New York	Apr				50.4	13.45	23.45
US	Wards Total Vehicle Sales	Apr		17.3		16.5		
US	IBD/TIPP Economic Optimism	May				0.0	14.00	0.00
US	Fed's Mester Moderates Panel on Financial Markets						14.30	0.30
Upcoming Central Bank Interest Rate Announcements								
Japan, BoJ		28-Apr				-0.1% to +0.1%		
Australia, RBA		3-May	2.00%	2.00%				
UK, BOE		12-May				0.50%		
Canada, BoC		26-May				0.50%		
Europe, ECB		2-Jun				0.00%		
New Zealand, RBNZ		9-Jun	2.00%	2.25%		2.25%		
US, Federal Reserve		15-Jun				0.25-0.50%		

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

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