

One bad apple amongst the thundering silence

One old song title by the Osmonds and an overused oxymoronic phrase may be the most apt description of what happened overnight. Thundering silence came out of the BoJ while the RBNZ was also unchanged, with both resulting in gains in their currencies – 3.0% for USD/JPY and +1.6% for the NZD. The Nikkei also responded and was down 3.6%. My fellow NZ colleagues suggest the RBNZ's policy statement hinted at a slightly more hawkish tone – which came as a surprise to many. Such sentiments bled into Europe which was quiet in a European night lacking data with the only piece of news being an on-consensus print of German inflation of 0.1% y/y for April.

For US equities, it was a case of one bad apple in the bunch with investor Carl Ichan stating he sold his stake in Apple – in which he owned almost 1% of outstanding stock. Ichan said his decision to sell was more due to “China's attitude” toward the company, although it does follow Apple's worse than expected earnings which were reported on Tuesday. That was enough to offset the better than expected earnings by other technology companies such as Facebook. Even vastly above-consensus earnings by Amazon which saw its shares surge after reporting net income of \$1.07 a share (well above the \$0.57 consensus) could not reverse the decline. The net result was that US equities were 1.0% lower overnight.

Data wise, US GDP came in below consensus at an annualised 0.5% rate, below the 0.7% consensus but similar to the 0.6% rate indicated by the Atlanta Fed's GDPNow measure. There was little reaction in bonds initially, and while yields did drop by 3bps this appears to have occurred after a strong 7-year bond auction. Also playing against the grain was the stronger than expected core PCE deflator which rose at a 2.1% rate – the fastest increase since Q1 2012 (Chart 1). This could suggest some upward risk to tomorrow's March monthly PCE numbers.

The weaker US GDP numbers may have contributed to the weaker USD dollar, with most advanced currency pairs appreciating. The Euro is up 0.3% at US\$1.1354 with AUD/USD also 0.4% higher at US\$0.7623. Despite a consolidation in crude oil, the Canadian dollar bucked the trend and was 0.4% lower.

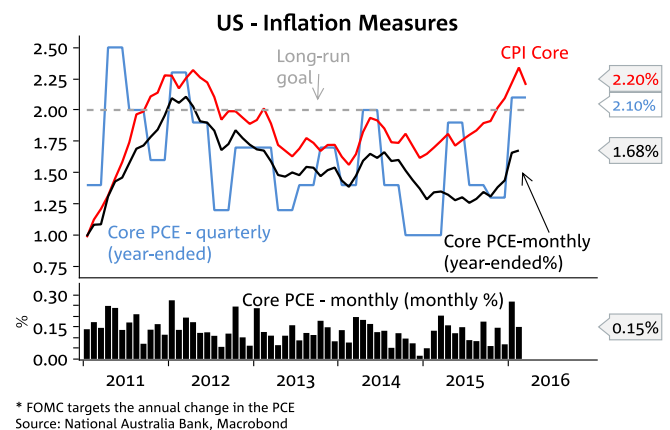
Crude oil consolidated recent gains with WTI rising 0.8%. Rumours continue of a possible future agreement by oil producers with Interfax reporting that Russia may take part in OPEC's June meeting.

Coming Up

A quiet day ahead for Australia with Private Sector Credit at 11.30am and the RBA's Debelle speaking at 12.45pm on “Developments in Global FX Markets and Challenges in Currency Internationalisation from an Australian perspective”. Both are unlikely to be particularly market moving. For Credit NAB looks for a 0.6% m/m rise, a similar pace of growth to last month, with business credit expected to continue its pick-up it has been experiencing since mid-2015.

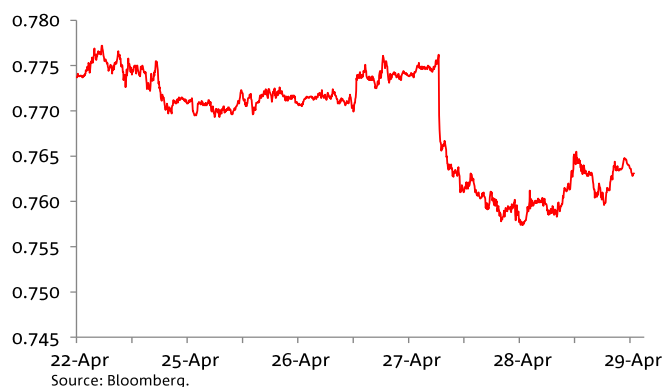
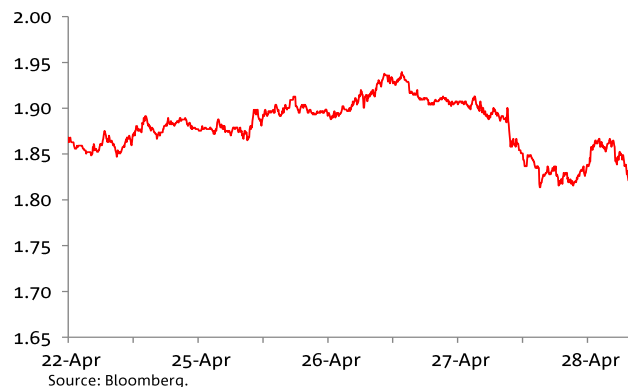
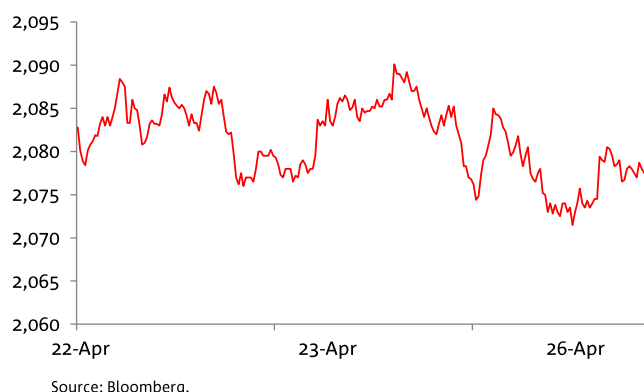
Internationally the focus will be on inflation, with US PCE and Eurozone CPI. Your scribe's parsing of Wednesday's Fed Statement suggests the FOMC still sees some downside risks to inflation with the Statement deleting the words inflation “picked up in recent months” and perhaps heeding the concerns of the ‘several’ participants that were identified at the previous meeting (as revealed in the March Minutes). While the correlation with the CPI suggests a lower read than last month, last night's quarterly core PCE deflator may imply a bigger March m/m number than expected (either that or revisions to Jan and Feb).

Chart 1: Last night's deflator may mean upward risks to PCE



Overnight

On global stock markets, the S&P 500 was -1.00%. Bond markets saw US 10-years -2.83bp to 1.82%. On commodity markets, Brent crude oil +1.25% to \$47.77, gold +1.5% to \$1,269, iron ore +3.0% to \$62.90. AUD is at 0.7626 and the range was 0.7576 to 0.7658.

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	0.7625	0.4	0.7576	0.7658	HKD	7.7575	0.0
NZD	0.6961	1.7	0.6847	0.6990	CNY	6.4759	-0.3
EUR	1.1353	0.3	1.1296	1.1368	SGD	1.3448	-0.3
GBP	1.4609	0.5	1.4524	1.4623	IDR	13,190	-0.1
JPY	108.09	-3.0	107.8700	111.8800	THB	35.00	-0.4
CAD	1.2553	-0.4	1.2515	1.2606	KRW	1,138	-0.9
AUD/EUR	0.6719	0.1			TWD	32.30	-0.1
AUD/JPY	82.44	-2.6			PHP	46.84	0.2
AUD/GBP	0.5224	0.0			CHF	0.97	-0.5
AUD/NZD	1.0950	-1.3			SEK	8.07	-0.3
AUD/CNY	4.9475	0.4					

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	0.50	0.64	0.91	1.70	USD 10	1.82	-0.03	
AUD	2.00	2.15	2.05	2.65	AUD 10	2.52	-0.10	0.69
NZD	2.25	2.40	2.25	2.97	NZD 10	2.85	-0.05	1.03
EUR	0.00	0.06	-0.15	0.64	CAD 10	1.48	-0.02	-0.34
GBP	0.50	0.59	0.87	1.58	EUR 10	0.26	-0.03	-1.57
JPY	-0.07	-0.03	-0.11	0.14	GBP 10	1.61	-0.02	-0.21
CAD	0.50	1.17	1.01	1.64	JPY 10	-0.08	-0.03	-1.90

Equities
Major Indices

	Last	% day	% y/y
Dow	17,841	-1.1	-1.5
S&P 500	2,075	-1.0	-1.9
Nasdaq	4,813	-1.0	-4.8
VIX	15	+10.7	22.8
FTSE	6,322	+0	-10.1
DAX	10,321	+0.2	-12.6
CAC 40	4,557	-0.1	-11.9
Nikkei	16,666	-3.6	-16.9
Shanghai	2,946	-0.3	-34.2
Hang Seng	21,388	+0.1	-24.7
ASX 200	5,225	+0.7	-10.5

Commodities*

	Last	% day
Oil (Brent)	47.77	1.3
Oil (WTI)	45.68	0.8
Oil (Tapis)	47.90	1.4
Gold	1268.70	1.5
CRB	183.16	0.4
GS Metals	269.4	-0.7
Aluminium	1664	1.4
Copper	4957	0.8
Nickel	9268	1.0
Zinc	1907	1.4
Ch. steel	2584	3.1
Iron ore	62.9	3.0
Coal	51.0	0.1
Wheat Chic.	485.5	0.4
Sugar	15.32	-1.5
Cotton	63.69	-0.6
Coffee	121.0	-0.5

* clsd = market holiday

CO₂ Emissions - Euros

	Last	% day
Jun-2016	6.33	-7.3
Dec-2016	6.34	-7.3
Jun-2017	6.37	-7.3

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
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		74.2		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 (non-voter) 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
US	Dudley Speaks at Atlanta Fed Conference at Amelia Island						23.15	9.15
Monday, 2 May 2016								
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		51.9	7.55	17.55
EC	Markit Eurozone Manufacturing PMI	Apr F		51.5		51.5	8.00	18.00
US	Fed's Lockhart (non-voter) 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
US	Fed's Williams (non-voter) Speaks in Los Angeles						21.30	7.30
Tuesday, 3 May 2016								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	May 1				111.7	23.30	9.30
AU	Building Approvals MoM/YoY	Mar		-1.9/-13.8		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		17.1		16.5		
US	IBD/TIPP Economic Optimism	May				0.0	14.00	0.00
US	Fed's Mester (non-voter) Moderates Panel on Financial Markets						14.30	0.30
US	Fed's Williams (non-voter) Speaks iwith Bloomberg radio						18.00	4.00
US	Fed's Lockhart Speaks to World Affairs Council Jacksonville						23.00	9.00
Wednesday, 4 May 2016								
NZ	Unemployment Rate	1Q		5.5		5.3	22.45	8.45
NZ	Employment Change QoQ/YoY	1Q		0.5/1.2		0.9/1.3	22.45	8.45
NZ	Pvt Wages Ex/Incl Overtime QoQ	1Q		0.3/0.3		0.4/0.4	22.45	8.45
AU	AiG Perf of Services Index	Apr				49.5	23.30	9.30
NZ	QV House Prices YoY	Apr				11.4	0.00	10.00
NZ	ANZ Commodity Price	Apr				-1.3	1.00	11.00
GE	Markit Germany Services/Composite PMI	Apr F		54.6/53.8		54.6/53.8	7.55	17.55
EC	Markit Eurozone Services/Composite PMI	Apr F		53.2/53		53.2/53.0	8.00	18.00
UK	Markit/CIPS UK Construction PMI	Apr				54.2	8.30	18.30
EC	Retail Sales MoM/YoY	Mar		/		0.2/2.4	9.00	19.00
US	ADP Employment Change	Apr		195		200.0	12.15	22.15
US	Trade Balance	Mar		-46.85		-47.1	12.30	22.30
CA	Int'l Merchandise Trade	Mar				-1.9	12.30	22.30
US	Nonfarm Productivity/Unit labour costs	1Q P		-1.3/2.4		-2.2/3.3	12.30	22.30
US	Markit US Services/Composite PMI	Apr F		/		52.1/51.7	13.45	23.45
US	ISM Non-Manf. Composite	Apr		54.8		54.5	14.00	0.00
US	Factory Orders	Mar		1		-1.7	14.00	0.00
Upcoming Central Bank Interest Rate Announcements								
Japan, BoJ		28-Apr				-0.1% to +0.1%		
Australia, RBA		3-May	1.75%	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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