

2 May 2016

Markets Today



Debbie Downer

The 2004 Saturday Night Live fictional character, recently brought back to life in song on Cortney Barnett's brilliant debut album, would have been in her element on Friday. The (US) data was down, stocks (globally) were down and the US dollar was down. The only thing up was (downside) equity volatility, with the VIX above 17 at one point from 15 on Thursday, though a rally in the S&P in the last two hours of the New York session saw it close back on a 15 handle (15.7).

European and US equities fell for the second successive day – the Eurostoxx 50 by 3.1% and the S&P by 0.5% (having been down 1% earlier in the day). Treasury yields edged marginally higher, and the US dollar continues to slide, led by further EUR and JPY strength and bringing the dollar's drop on the week to just over 2% in index terms. It was a night where in FX the EUR/USD uptrend drew support from an upside surprise in the first estimate of Eurozone GDP (0.6% against 0.4% expected), USD JPY extended its losses below low Y107 and commodity currencies were caught between the support for commodity prices from further dollar weakness and higher downside equity volatility.

AUD/USD recovered to 0.7603 at the close from an intra-day low of 0.7587 on the S&P late-session rebound. It is struggling to regain a footing above 0.7600 so far this morning. Falls in the official China PMIs yesterday (manufacturing 50.1 from 50.2, services 53.3 from 53.8) are relevant factors here.

Commodities received a further lift from dollar weakness. The LME index was +1.68% and iron ore recouped a chunk of its early-week losses to be +3.30 at \$66.24.

None of Friday's US data was top drawer, but what there was more negative than positive. The Chicago PMI disappointed at 50.4, down from 53.6 in March and 52.6 expected. Milwaukee fell to 51.05 from 57.7. The final University of Michigan consumer sentiment index was 89.0 down from the 89.7 preliminary reading and a rise to 90.0 expected.

The March Personal income, spending and deflator date didn't add a whole lot to what we learned from the Q1 data on Thursday. The core PCE deflator 1.6% as expected down from 1.7%, personal income 0.4% better than the 0.3% expected but personal spending 0.1% against 0.2% expected.

The Q1 Employment Cost Index at 0.6% was as expected and the same as Q4. 2015.

Sunday's CoreLogic RP Data weekend auction summary shows a preliminary nationwide average clearance rate of 71.0% up from a final 69.7% last weekend and on relatively high volumes (2,519). Sydney cleared a preliminary 74% down from 77.4 last weekend and Melbourne 74.0% up from 71.5%.

Coming Up

If last week was a big one (and painful for those on the wrong side of the BoJ and RBNZ – we shared your pain) this week promises - or threatens - to be just as big. The money market judges Tuesday's RBA decision to be a line-ball call (the swaps market ended last week ascribing a 54% probability to a 25-point cut – pretty much the same odds NAB gives to its cut call). The Budget comes later that evening, but has not historically been a market mover, in FX at least. That said, there will be scrutiny on what the ratings agencies have to say about the sanctity of Australia's AAA rating and following Moody's low-level warning last month.

Ahead of these marquee Australian events, Monday sees the latest NAB business survey (in time for RBA deliberations) and the very market sensitive US manufacturing ISM tonight (consensus 51.5 from 51.8 in March). Tuesday morning also sees the Caixin version of China's manufacturing PMI following the small falls recorded in both the official manufacturing and service sector readings yesterday.

The US non-manufacturing ISM comes on Wednesday and the US April employment report on Friday. China FX reserves are on Saturday and latest trade figures on Sunday. Enough? NZ has its Q1 labour data on Wednesday).

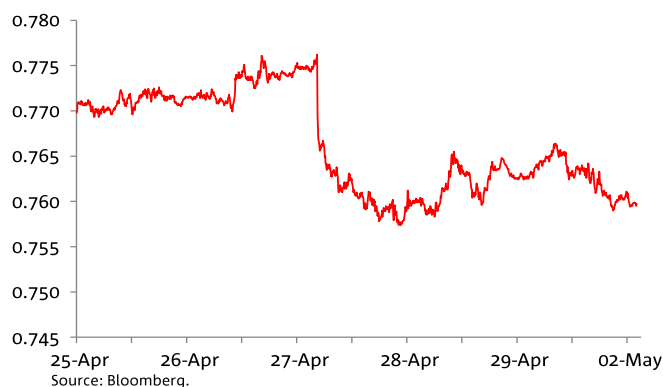
Much of Europe is closed today for the May Day holidays (and note value date for yen transactions will be Monday the 9th). Today's Nikkei performance (the market is then closed Tuesday-Wednesday-Thursday) will be a key focal point.

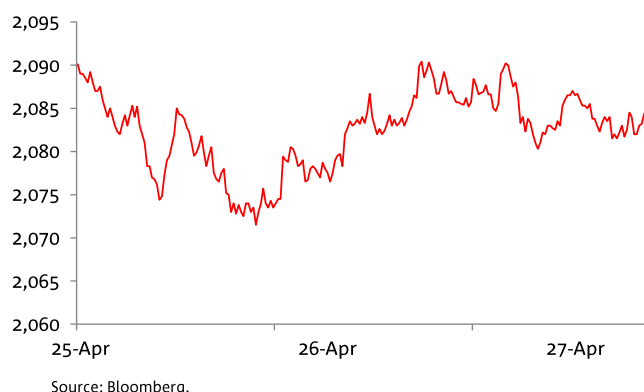
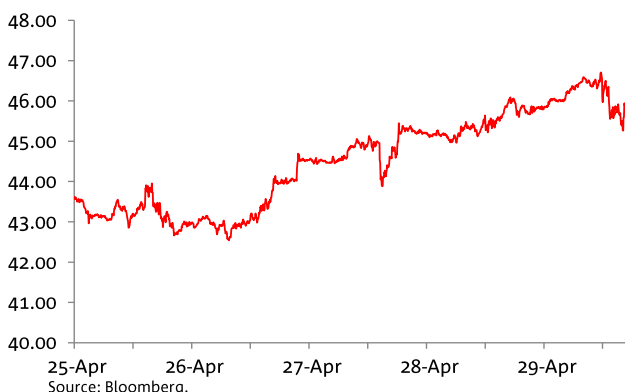
Overnight

On global stock markets, the S&P 500 was -0.50%. Bond markets saw US 10-years +0.90bp to 1.83%. On commodity markets, Brent crude oil -0.84% to \$47.37, gold +1.9% to \$1,291, iron ore +5.3% to \$66.24. AUD is at 0.7594 and the range since Friday's local close has been 0.7587 to 0.7657.

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	0.7598	-0.1	0.7593	0.7614	HKD	7.7575 0.0
NZD	0.6978	0.0	0.6966	0.6983	CNY	6.4780 0.0
EUR	1.1462	0.1	1.1431	1.1464	SGD	1.3448 0.1
GBP	1.4589	-0.2	1.4581	1.4617	IDR	13,180 -0.1
JPY	106.26	-0.2	106.2100	106.4700	THB	34.90 0.0
CAD	1.2556	0.0	1.2554	1.2571	KRW	1,139 0.1
AUD/EUR	0.6627	-0.2			TWD	32.27 -0.1
AUD/JPY	80.72	-0.3			PHP	46.91 0.2
AUD/GBP	0.5207	0.1			CHF	0.96 -0.2
AUD/NZD	1.0892	-0.1			SEK	8.02 -0.2
AUD/CNY	4.9345	-0.3				

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.64	0.92	1.73	USD 10	1.83	0.01
AUD	2.00	2.15	2.04	2.66	AUD 10	2.52	0.00 0.68
NZD	2.25	2.41	2.26	2.98	NZD 10	2.84	-0.01 1.01
EUR	0.00	0.06	-0.14	0.67	CAD 10	1.51	0.04 -0.32
GBP	0.50	0.59	0.87	1.56	EUR 10	0.27	0.01 -1.56
JPY	-0.07	-0.02	-0.11	0.14	GBP 10	1.60	-0.01 -0.24
CAD	0.50	1.17	1.04	1.70	JPY 10	-0.08	0.00 -1.91

Equities
Major Indices

	Last	% day	% y/y
Dow	17,774	-0.3	-1.4
S&P 500	2,065	-0.5	-2.0
Nasdaq	4,775	-0.6	-4.6
VIX	16	+3.2	23.6
FTSE	6,242	-1.3	-10.7
DAX	10,039	-2.7	-12.4
CAC 40	4,429	-0.8	-12.2
Nikkei	16,666	-3.6	-16.9
Shanghai	2,938	-0.2	-33.8
Hang Seng	21,067	-1.5	-25.1
ASX 200	5,252	+0.5	-9.7

Commodities*

	Last	% day
Oil (Brent)	47.37	-0.8
Oil (WTI)	45.92	-0.2
Oil (Tapis)	48.90	2.1
Gold	1290.50	1.9
CRB	184.61	0.8
GS Metals	276.8	1.6
Aluminium	1674	0.6
Copper	5064	2.2
Nickel	9417	1.6
Zinc	1934	1.4
Ch. steel	2567	2.4
Iron ore	66.2	5.3
Coal	51.0	0.8
Wheat Chic.	488.5	0.6
Sugar	16.32	3.9
Cotton	63.76	0.1
Coffee	121.5	0.5

* clsd = market holiday

CO₂ Emissions - Euros

	Last	% day
Jun-2016	6.17	-2.5
Dec-2016	6.18	-2.5
Jun-2017	6.21	-2.5

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
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		51		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		-2/-14		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		51.2		51.0	8.30	18.30
EC	PPI MoM/YoY	Mar		-0.1		-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		46.5		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		0.6/1.3		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		54.2	8.30	18.30
EC	Retail Sales MoM/YoY	Mar		0/2.7		0.2/2.4	9.00	19.00
US	ADP Employment Change	Apr		197.5		200.0	12.15	22.15
US	Trade Balance	Mar		-46		-47.1	12.30	22.30
CA	Int'l Merchandise Trade	Mar		-1.2		-1.9	12.30	22.30
US	Nonfarm Productivity/Unit labour costs	1Q P		-1.3/2.5		-2.2/3.3	12.30	22.30
US	Markit US Services/Composite PMI	Apr F		52.4/		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		0.7		-1.7	14.00	0.00
Thursday, 5 May 2016								
US	Fed's Kashkari Hosts Town Hall in Rochester, MN						22.30	8.30
UK	BRC Shop Price Index YoY	Apr				-1.7	23.10	9.10
AU	HIA New Home Sales MoM	Mar				-1.8	1.00	11.00
AU	Trade Balance	Mar		-2900		-3410.0	1.30	11.30
AU	Retail Sales MoM/Volumes QoQ	Mar		0.3/0.7		0.0/0.6	1.30	11.30
CH	Caixin China PMI Services/Composite	Apr		/		52.2/51.3	1.45	11.45
EC	ECB Publishes Economic Bulletin						8.00	18.00
UK	Markit/CIPS UK Services/Composite PMI	Apr		53.5		53.7/53.6	8.30	18.30
US	Challenger Job Cuts YoY	Apr				31.7	11.30	21.30
CA	Building Permits MoM	Mar				15.5	12.30	22.30
US	Initial Jobless Claims	Apr 30				257.0	12.30	22.30
US	Bloomberg Consumer Comfort	May 1				43.4	13.45	23.45
EC	OECD Economic Outlook							
US	Fed's Bullard Speaks at Santa Barbara Conference						15.30	1.30
Friday, 6 May 2016								
US	Fed's Bullard, Kaplan, Lockhart, Williams Speak at Stanford						23.15	9.15
AU	AiG Perf of Construction Index	Apr				45.2	23.30	9.30
AU	RBA Statement on Monetary Policy						1.30	11.30
JN	Nikkei Japan PMI Services	Apr				50.0/49.9	2.00	12.00
CH	BoP Current Account Balance	1Q P				91.9		
GE	Markit Germany Construction PMI	Apr				55.8	7.30	17.30
GE	Markit Germany Retail PMI	Apr				54.1	8.10	18.10
US	Change in Nonfarm Payrolls/Unemployment rate	Apr		200/5		215.0/5.0	12.30	22.30
US	Average Hourly Earnings MoM/YoY	Apr		0.3		0.3	12.30	22.30
CA	Net Change in Employment/Unemployment rate	Apr		0/7.15		40.6/7.1	12.30	22.30
CA	Ivey Purchasing Managers Index SA	Apr				50.1	14.00	0.00
US	Consumer Credit	Mar		15.825		17.2	19.00	5.00
Saturday, 7 May 2016								
CH	Foreign Reserves	Apr		3208				
Sunday, 8 May 2016								
CH	Trade Balance	Apr		40.35		29.9		
CH	Exports/Imports YoY	Apr		1.3/-4		11.5/-7.6		
CH	Foreign Direct Investment YoY CNY	Apr				7.8		
Upcoming Central Bank Interest Rate Announcements								
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%		
Japan, BoJ	16-Jun					-0.1% to +0.1%		

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

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