

10 May 2016

Markets Today



Treading water

The USD has continued its ascendancy with the DXY index up for a fifth day in a row. Meanwhile, European and US equity markets treaded water fluctuating between small losses and gains. Energy and industrial shares fell overnight weighted down by the move lower in oil prices while health care stocks posted gains on the back of better than expected earnings reports.

Reports that wildfires in Canada had moved away from key oil producing areas was cited as the major driver for the decline in oil prices. Other articles also suggested that Saudi Arabia's new oil minister was also a factor as the new appointment will not lead to a cut in oil production. Metal and bulk commodities also had a bad night dragged lower by concerns over china's economic prospect following disappointing trade figures over the weekend. Copper lost 2.6% overnight and iron prices fell 5.5%. The decline in iron ore was also not helped by an article from the Dalian exchange that it will introduce different transaction fees in order to strengthen market oversight and limit frequent short-term trading.

So given this backdrop of stronger USD and softer commodities, it is not surprising to see that the NZD, AUD and CAD amongst the biggest losers against the USD. The strength in the USD appears to have been driven by a reversal in positioning. The USD was heavily oversold in March and April and the bounce of a key technical level last week appears to have triggered an unwinding of these positions. Technical levels for the NZD and AUD have also been brought into the spotlight. The NZD/USD fell 0.8% overnight and in doing so it has broken through its 0.6790 support level. As noted by our BNZ currency strategist, the break of this key level brings into question the upward trend channel that has been in place over recent months. On this score we note that yesterday we published updated forecasts suggesting a range of 0.65-0.70 for NZD/USD over coming months. Similarly, the AUD fell 0.69% percent overnight and after trading to a low of 0.7308, it is now trading at 0.7315. Our technical analyst has noted that a confirmed break below the 0.7300/20 would imply that the recent decline is sustainable and could herald a retest of the 70 cent mark.

Looking at other currencies, the USD/JPY gained 1.3% on now new news. Stronger USD and good performance by the Nikkei contributed to the move while no material reaction was noted after Finance Minister Aso commented that that

sudden exchange rate moves aren't desirable and the government had the means to intervene.

On other news, Fed Kashkari was on the wires noting that a June Fed hike was possible and that the USD is important factor in Fed analysis.

Coming Up

It's a quiet day in Australia with the weekly consumer confidence reading the only notable data release on the roster.

Indeed, while the Housing Finance and Monthly Consumer Confidence due for release tomorrow should garner some attention the rest of domestic data releases over the remainder of the week are unlikely to elicit a material market reaction. Given this backdrop we would suggest the AUD is more likely to be driven by global risk appetite, technical levels and key data releases offshore.

China, has a busy week of data releases. The CPI and PPI for April are scheduled for release today, New Yuan loans and Aggregate financing reports are due any day and on Saturday we get the April figures for industrial production and retail sales. As for the CPI today (due for release at 11:30am AEST), the median in Bloomberg is showing market expectations are for 2.3% print, unchanged from the March reading. However, if food prices are any guide, the risk is that we get a stronger than expected inflation print.

Germany releases its trade balance and industrial production for March. The UK also releases its March trade balance and another large trade deficit is expected.

On the other side of the Atlantic, the NIFB small business optimism index is the only notable data release. Given the improvement in the hiring intentions sub index released last week, expectations are for an uptick in small business optimism in April.

As for Fed speakers, Minneapolis President Kashkari speaks in Minnesota, Fed Williams is on Q&A session and New York Fed Dudley is in Zurich speaking on a panel. Given that Dudley is considered to be one of Yellen's allies, the panel Q&A session could offer some noteworthy sound bites.

Overnight

On global stock markets, the S&P 500 was +0.20%. Bond markets saw US 10-years -2.47bp to 1.75%. On commodity markets, Brent crude oil -3.92% to \$43.59, gold-2.2% to \$1,266, iron ore -5.7% to \$54.99. AUD is at 0.7314 and the range was 0.7308 to 0.7385.

Author:

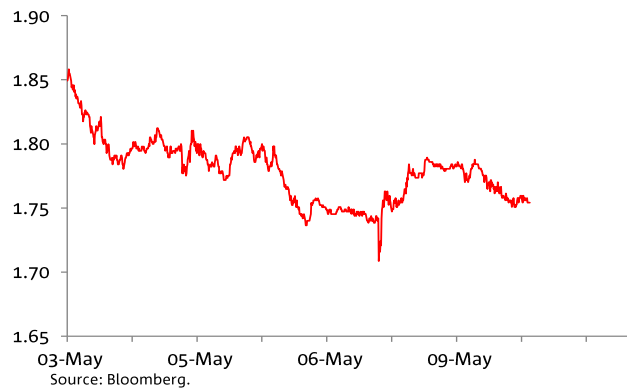
Rodrigo Catril – FX Strategist

Markets

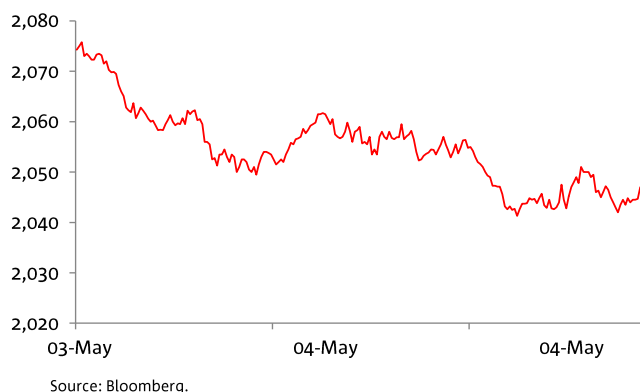
AUD/USD - past week



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	0.7316	-0.7	0.7308	0.7385	HKD	7.7638	0.0
NZD	0.6775	-0.8	0.6764	0.6848	CNY	6.5169	0.3
EUR	1.1388	-0.1	1.1376	1.1420	SGD	1.3701	0.6
GBP	1.4408	-0.1	1.4375	1.4480	IDR	13,314	-0.3
JPY	108.45	1.2	107.0300	108.6000	THB	35.25	0.4
CAD	1.2968	0.5	1.2906	1.3015	KRW	1,166	-0.3
AUD/EUR	0.6425	-0.5			TWD	32.42	0.1
AUD/JPY	79.34	0.5			PHP	47.09	0.1
AUD/GBP	0.5078	-0.6			CHF	0.97	-0.2
AUD/NZD	1.0798	0.1			SEK	8.16	0.3
AUD/CNY	4.7709	-0.3					

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd	
USD	0.50	0.63	0.85	1.60	USD 10	1.75	-0.02	
AUD	1.75	1.99	1.74	2.38	AUD 10	2.32	0.03	0.57
NZD	2.25	2.36	2.16	2.86	NZD 10	2.64	0.02	0.88
EUR	0.00	0.06	-0.17	0.52	CAD 10	1.32	-0.04	-0.43
GBP	0.50	0.59	0.75	1.42	EUR 10	0.13	-0.02	-1.63
JPY	-0.07	-0.02	-0.11	0.11	GBP 10	1.41	-0.01	-0.34
CAD	0.50	1.17	0.90	1.53	JPY 10	-0.10	0.02	-1.85

Equities

Major Indices

	Last	% day	% y/y
Dow	17,726	-0.1	-2.6
S&P 500	2,062	+0.2	-2.5
Nasdaq	4,762	+0.5	-4.8
VIX	14	-2.4	11.7
FTSE	6,115	-0.2	-13.2
DAX	9,980	+1.1	-14.8
CAC 40	4,323	+0.2	-15.1
Nikkei	16,216	+0.7	-16.3
Shanghai	2,832	-2.8	-32.7
Hang Seng	20,157	+0.2	-26.9
ASX 200	5,321	+0.5	-5.6

Overnight Futures

	Last	Chge
Australia		
3 mth bill	98.06	0.00
3 Yr bond	98.49	0.04
10 Yr bond	97.75	0.06
3/10 sprd	0.74	-0.02
SPI	-7.0	-0.1

Commodities*

	Last	% day
Oil (Brent)	43.59	-3.9
Oil (WTI)	43.43	-2.8
Oil (Tapis)	47.17	3.0
Gold	1265.90	-2.2
CRB	177.04	-1.6
GS Metals	264.3	0.2
Aluminium	1546	-2.5
Copper	4698	-2.6
Nickel	8568	-5.1
Zinc	1830	-2.8
Ch. steel	2108	-6.6
Iron ore	55.0	-5.7
Coal	50.2	-0.9
Wheat Chic.	456.5	-1.6
Sugar	15.88	0.9
Cotton	61.33	-0.8
Coffee	126.5	1.6

* clsd = market holiday

CO₂ Emissions - Euros

	Last	% day
Jun-2016	5.69	-2.7
Dec-2016	5.70	-2.7
Jun-2017	5.72	-2.7

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, 10 May 2016								
NZ	ANZ Truckometer Heavy MoM	Apr				2.5	22.00	8.00
NZ	Crown Financial Accounts	Mar 9m					22.00	8.00
NZ	Card Spending Retail MoM	Apr	0.4	0.5		0.1	22.45	8.45
UK	BRC Sales Like-For-Like YoY	Apr		0.5		-0.7	23.10	9.10
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	May 8				113.9	23.30	9.30
CH	CPI/PPI YoY	Apr		2.3		2.3	1.30	11.30
GE	Industrial Production SA MoM	Mar		-0.2		-0.5	6.00	16.00
GE	Trade Balance	Mar		20.6		20.3	6.00	16.00
US	Fed's Dudley speaks on International Monetary System in Curich						7.15	17.15
UK	Trade Balance	Mar		-4200		-4840.0	8.30	18.30
US	NFIB Small Business Optimism	Apr		93.1		92.6	10.00	20.00
NZ	REINZ House Sales YoY	Apr				8.2	0/5 to 16/5	
CH	New Yuan Loans/Aggregate Financing CNY	Apr		800/1300		1370.0/2340.0	0/5 to 15/5	
US	Wholesale Inventories MoM	Mar		0.1		-0.5	14.00	0.00
US	JOLTS Job Openings	Mar		5400		5445.0	14.00	0.00
Wednesday, 11 May 2016								
NZ	RBNZ's Financial Stability Report (FSR)						21.00	7.00
NZ	RBNZ's Wheeler speaks on FSR in Conference and to Parliament						22.00	8.00
AU	Westpac Consumer Conf Index	May				95.1	0.30	10.30
AU	Home Loans MoM	Mar	-0.8	-1.5		1.5	1.30	11.30
AU	Investment Lending	Mar				4.1	1.30	11.30
JN	Leading Index CI	Mar P		96.3		96.8	5.00	15.00
UK	UK's Chancellor of the Exchequer Osborne questioned on Brexit by Parliament Treasury Committee						Anytime	Anytime
UK	Industrial Production MoM	Mar		0.5		-0.3	8.30	18.30
US	MBA Mortgage Applications	May 6				-3.4	11.00	21.00
CA	BoC's Deputy Wilkins speaks at CFA Conference and Panel						12.45	22.45
UK	NIESR GDP Estimate	Apr				0.3	14.00	0.00
US	EIA International Energy Outlook 2016 (NB Time shown is likely time)						14.30	0.30
US	Monthly Budget Statement	Apr		110		-108.0	18.00	4.00
EC	ECB's Nowotny speaks in Vienna						16.30	2.30
Thursday, 12 May 2016								
NZ	BusinessNZ Manufacturing PMI	Apr				54.7	22.30	8.30
NZ	Food Prices MoM	Apr	0.2			0.5	22.45	8.45
AU	RBA's Edey Speech in Melbourne						23.00	9.00
UK	RICS House Price Balance	Apr		35		42.0	23.10	9.10
JN	Bank of Japan summary of April 2016 meeting						23.50	9.50
JN	Eco Watchers Survey Current	Apr		44		45.4		anytime
JN	BoP Current Account Balance	Mar		2965.6		2434.9	23.50	9.50
AU	Consumer Inflation Expectation	May				3.6	1.00	11.00
JN	BoJ's Deputy Governor Nakaso speaks in Tokyo at a retail settlements conference						5.00	15.00
Paris	International Energy Agency Oil Market Report	May					8.00	18.00
EC	Industrial Production SA MoM/YoY	Mar		0/1.1		-0.8/	9.00	19.00
UK	Bank of England Bank Rate	May 12		0.5		0.5	11.00	21.00
UK	Bank of England Inflation Report						11.00	21.00
US	Initial Jobless Claims	May 7		270		274.0	12.30	22.30
CA	Teranet/National Bank HPI YoY	Apr				7.0	12.30	22.30
US	Fed's Mester Speaks About Inflation Dynamics						15.00	1.00
US	Fed's Rosengren speaks on economic outlook						15.45	1.45
US	Fed's George Speaks on Economy in Albuquerque						17.30	3.30
Friday, 13 May 2016								
NZ	Retail Sales Ex Inflation QoQ	1Q	0.8	1		1.2	22.45	8.45
NZ	Non Resident Bond Holdings	Apr				67.4	3.00	13.00
JN	Tertiary Industry Index MoM	Mar		-0.1		-0.1	4.30	14.30
GE	CPI MoM/YoY	Apr F		-0.4/-0.1		-0.2/0.1	6.00	16.00
GE	CPI EU Harmonized MoM/YoY	Apr F		-0.5/-0.3		-0.3/-0.1	6.00	16.00
GE	GDP SA QoQ/YoY	1Q P		0.6/1.5		0.3/1.3	6.00	16.00
EC	GDP SA QoQ/YoY	1Q P		0.6/1.6		0.6/1.6	9.00	19.00
US	Retail Sales Advance/Ex Autos and Gas MoM	Apr		0.8/0.3		-0.3/0.1	12.30	22.30
US	PPI Final Demand MoM/YoY	Apr		0.3/0.2		-0.1/-0.1	12.30	22.30
US	Business Inventories	Mar		0.2		-0.1	14.00	0.00
US	U. of Mich. Sentiment/5-10 Yr Inflation	May P		89.5/		89.0/2.5	14.00	0.00
US	Fed's Williams Speaks in Sacramento						20.00	6.00
Saturday, 14 May 2016								
CH	Industrial Production YoY/YTD YoY	Apr		6.5/6.1		6.8/5.8	5.30	15.30
CH	Retail Sales YoY/YTD/YoY	Apr		10.6/10.4		10.5/10.3	5.30	15.30
Monday, 16 May 2016								
NZ	REINZ House Sales YoY	Apr				8.2		
NZ	Performance Services Index	Apr				54.8	22.30	8.30
UK	Rightmove House Prices MoM	May				1.3	23.10	9.10
JN	Loans & Discounts Corp YoY							
JN	PPI MoM	Apr				-0.1	23.50	9.50
JN	Machine Tool Orders YoY	Apr P				-21.2	6.00	16.00
US	Empire Manufacturing	May		7		9.6	12.30	22.30
CA	Existing Home Sales MoM	Apr				1.5	13.00	23.00
US	NAHB Housing Market Index	May		59		58.0	14.00	0.00
US	Total Net TIC Flows	Mar				33.5	20.00	6.00
US	Net Long-term TIC Flows	Mar				72.0	20.00	6.00
US	Fed's Kashkari Holds Town Hall on TBTF in Minneapolis						23.00	9.00
Upcoming Central Bank Interest Rate Announcements								
UK BOE		12-May		0.50%		0.50%		
Canada, BoC		26-May		0.50%		0.50%		
Europe ECB		2-Jun				0.00%		
Australia, RBA		7-Jun	1.75%	1.75%		2.00%		
New Zealand, RBNZ		9-Jun	2.00%	2.00%		2.25%		
US Federal Reserve		15-Jun	0.25-0.50%	0.5%-0.75%		0.25-0.50%		
Japan, BoJ		16-Jun		-0.1% to +0.1%		-0.1% to +0.1%		

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

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