12 May 2016

Markets Today

National Australia Bank

No retail therapy

The rise in oil prices overnight were not enough to prevent retail driven decline in US equity markets. The US dollar was weaker across the board and a solid 10y US Treasury auction amid a cautious mood helped core global yields move lower.

Disappointing earnings result from Macy's and Walt Disney triggered a selloff in the US consumer discretionary sector and across the Atlantic sentiment was also soured by fall in bank shares and disappointing earnings reports from JCDecaux.

Oil prices were higher overnight (Brent +4.17% and WTI 3.16%) with WTI making a new year to date high ($46.08) following news of a drop in the US stock piles. EIA reported a drop of 3.4m barrels in the week ending May 6 compared to market expectations for a jump of 0.4-0.7m. Commodity prices in general were also boosted by the retreat in the USD. Gold was up 1%%, copper and iron ore gained 0.6% and the GS metal index closed 1.0% higher.

The lack of key data releases, weaker risk appetite and the lure of profit taking after six consecutive days of gains were the most apparent drivers for a softer USD dollar overnight. The DXY index is 0.5% weaker relative to 24 hours ago with all G10 currencies outperforming the USD. The jump in oil prices boosted commodity currencies and NZD is at the top of the leader board following yesterday's RBNZ's Financial Stability Review which did not announce new macro prudential measures. USD/JPY is back below the ¥109 mark after a solid run in recent days and the EUR/USD is up 0.5% trading back above 1.14.

While core global yields were lower overnight amid a lack of risk appetite. The move lower in 10y US treasury yields was also boosted by a solid 10y US auction. Although the 2.68 bid to cover ratio was lower relative to recent auctions (suggesting weaker demand), the auction yield was lower than the 1.731 % anticipated by traders and at 73.5% indirect bidders (a gauge of foreign demand) was the highest on record.

On other news BoC Deputy Governor hosed down expectations of further stimulatory polices, noting that the BoC doesn't need to open up its policy "toolkit" while the most likely outcome is a continued progress in global recovery seen already in the US and Europe.

Coming Up

RBA assistant Governor Edy is speaking at a cards and payments Conference in Melbourne this morning (9:00am AEST), but given the subject of the conference we suspect there are unlikely to be any interesting headlines.

After the RBA decision to cut the cash rate to 1.75% and the low inflation outlook revealed in the Statement on Monetary Policy (SoMP) last week, the May consumer inflation expectation print due for release at 11:00am AEST could garner more attention than usual.

In the SoMP, the RBA noted that "inflation expectations will be persistently lower for longer than currently anticipated, given the forecast of a period of low inflation, which could weigh on wage outcome" and if so this will also weigh on inflation. On this point, we would note that although consumer inflation expectations have remained close to the lower end of historical ranges, unlike other market measures they are not (yet?) close to historical lows.

Looking at offshore markets, this morning the BoJ will release its summary from its April meeting. Recall that in April many participants (including yours truly) were blindsided by the BoJ decision to remain on hold, even though the Bank downgraded its growth and inflation outlook as expected. The summary should hopefully shed some light on how close the BoJ was from easing. BoJ Deputy Governor Nakaso speaks this afternoon and as a close ally to Koruda, it will be interesting to see if he makes any comments on monetary policy.

The Eurozone prints its industrial production for March and the BoE makes its rate announcement and publishes its inflation report. While a no change From the BoE is expected, attention will be given to how quickly the Bank thinks the economy will emerge from its current soft patch. As for the inflation report, given the assumptions made in the forecast, the Brexit outcome has the potential to make the inflation outlook redundant.

The US releases its weekly jobless claims and the Fed roadshow continues with Fed Mester, Rosengren and George all scheduled to speak.

Overnight

On global stock markets, the S&P 500 was -1.00%. Bond markets saw US 10-years -2.63bp to 1.74%. On commodity markets, Brent crude oil +4.11% to $47.39, gold+1.1% to $1,279, iron ore +0.6% to $55.57. AUD is at 0.7375 and the range was 0.7336 to 0.7402

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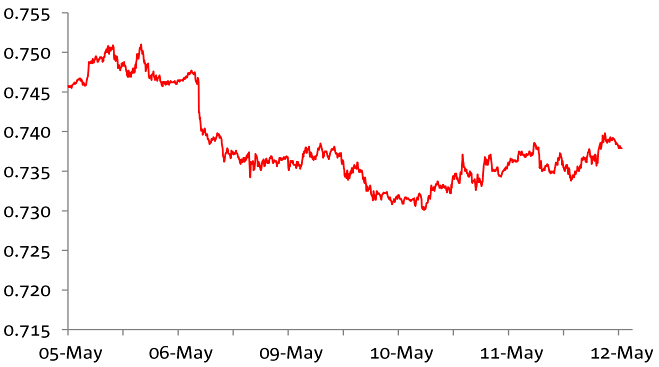
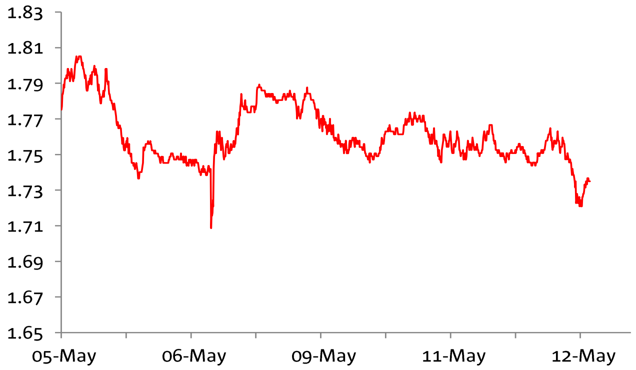
Markets

AUD/USD - past week



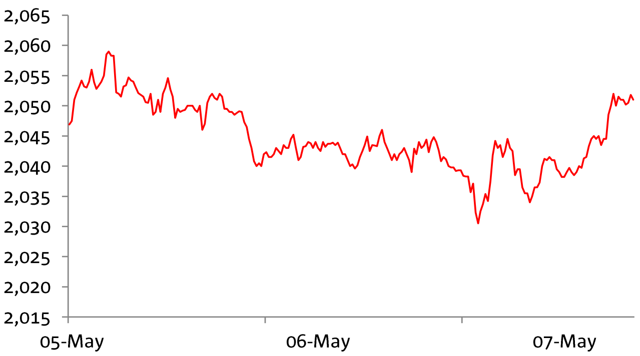
Source: Bloomberg.

US 10 yr - past week



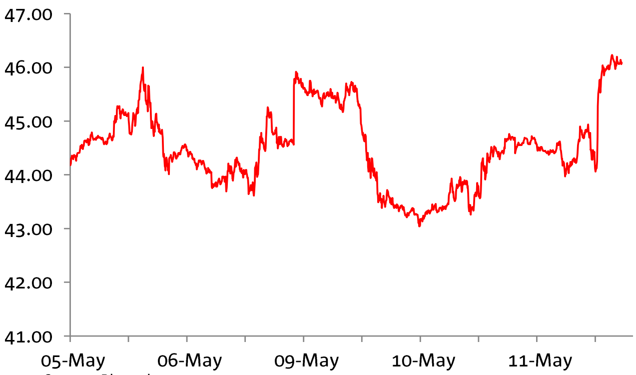
Source: Bloomberg.

S&P Futures - past week



Source: Bloomberg.

WTI - past week



Source: Bloomberg.

Foreign Exchange

			Indicative 24hr ranges (**)	
	Last	% chge	Low	High
AUD	0.7379	0.2	0.7336	0.7402
NZD	0.6830	1.0	0.6759	0.6845
EUR	1.1426	0.5	1.1369	1.1447
GBP	1.4449	0.0	1.4395	1.4488
JPY	108.47	-0.7	108.3700	109.3800
CAD	1.2846	-0.5	1.2831	1.2942
AUD/EUR	0.6458	-0.3		
AUD/JPY	80.04	-0.5		
AUD/GBP	0.5107	0.2		
AUD/NZD	1.0802	-0.8		
AUD/CNY	4.8070	0.3		

Other FX	Last	% chge
HKD	7.7606	0.0
CNY	6.4985	-0.3
SGD	1.3657	-0.2
IDR	13,309	0.2
THB	35.26	0.1
KRW	1,168	-0.5
TWD	32.53	0.0
PHP	46.49	-0.5
CHF	0.97	-0.5
SEK	8.13	-0.3

Equities

Major Indices	Last	% day	% y/y
Dow	17,739	-1.1	-2.0
S&P 500	2,068	-0.8	-1.8
Nasdaq	4,771	-0.8	-4.5
VIX	14	+5.8	4.1
FTSE	6,162	+0.1	-12.3
DAX	9,975	-0.7	-14.5
CAC 40	4,317	0.0	-14.1
Nikkei	16,579	+0.1	-15.5
Shanghai	2,837	+0.2	-35.5
Hang Seng	20,055	-0.9	-26.8
ASX 200	5,372	+0.6	-5.3

Commodities*

	Last	% day
Oil (Brent)	47.46	4.3
Oil (WTI)	46.09	3.2
Oil (Tapis)	46.42	2.4
Gold	1277.30	1.0
CRB	183.34	1.7
GS Metals	260.2	1.0
Aluminium	1549	0.7
Copper	4720	0.6
Nickel	8847	2.0
Zinc	1897	3.0
Ch. steel	2157	0.2
Iron ore	55.6	0.6
Coal	50.4	0.4
Wheat Chic.	459.0	-0.5
Sugar	16.77	4.7
Cotton	60.60	-0.5
Coffee	129.8	0.8

* clsd = market holiday

CO_2 Emissions - Euros

	Last	% day
Jun-2016	6.01	2.0
Dec-2016	6.02	2.0
Jun-2017	6.04	1.9

Interest Rates

Indicative Swap Rates	Cash	3mth	2Yr	10Yr
USD	0.50	0.63	0.86	1.58
AUD	1.75	2.02	1.81	2.41
NZD	2.25	2.36	2.17	2.82
EUR	0.00	0.06	-0.16	0.53
GBP	0.50	0.59	0.76	1.42
JPY	-0.06	-0.03	-0.14	0.10
CAD	0.50	1.17	0.88	1.50

Benchmark 10 Year Bonds	Last	chge	Sprd
USD 10	1.74	-0.03	
AUD 10	2.30	0.00	0.57
NZD 10	2.61	0.02	0.87
CAD 10	1.30	-0.02	-0.44
EUR 10	0.13	0.00	-1.61
GBP 10	1.39	-0.01	-0.34
JPY 10	-0.10	-0.02	-1.84

Overnight Futures

	Last	Chge
Australia		
3 mth bill	98.03	0.00
3 Yr bond	98.41	-0.02
10 Yr bond	97.71	0.03
3/10 sprd	0.70	-0.06
SPI	-26.0	-0.5

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
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		0/0.9		-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	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
Tuesday, 17 May 2016								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	May 15				113.9	23.30	9.30
AU	RBA May Meeting Minutes						1.30	11.30
AU	New Motor Vehicle Sales MoM	Apr				2.2/4.2	1.30	11.30
NZ	2Yr Inflation Expectation	2Q				1.6	3.00	13.00
JN	Capacity Utilization MoM	Mar				-5.4	4.30	14.30
JN	Industrial Production MoM/YoY	Mar F				3.6/0.1	4.30	14.30
UK	CPI MoM/YoY	Apr		/		0.4/0.5	8.30	18.30
UK	CPI Core YoY	Apr				1.5	8.30	18.30
UK	PPI Input NSA MoM/YoY	Apr		/		2.0/-6.5	8.30	18.30
UK	ONS House Price YoY	Mar				7.6	8.30	18.30
EC	Trade Balance SA	Mar				20.2	9.00	19.00
CA	Manufacturing Sales MoM	Mar				-3.3	12.30	22.30
US	Housing Starts, #/MoM	Apr		1120/2.9		1089.0/-8.8	12.30	22.30
US	Building Permits, #/MoM	Apr		1133/5.3		1086.0/-7.7	12.30	22.30
US	CPI MoM/YoY	Apr		0.4/1.1		0.1/0.9	12.30	22.30
US	CPI Ex Food and Energy MoM/YoY	Apr		0.2/2.2		0.1/2.2	12.30	22.30
US	Real Avg Weekly Earnings YoY	Apr				1.1	12.30	22.30
US	Industrial Production MoM/Cap Use	Apr		0.3/74.95		-0.6/74.8	13.15	23.15
US	Manufacturing (SIC) Production	Apr		0.3		-0.3	13.15	23.15
US	Fe's Williams and Lockhart Discuss Economy at Politico Event						16.00	2.00
US	Fed's Kaplan in Moderated Q&A at Petroleum Club of Midland						17.15	3.15
Wednesday, 18 May 2016								
NZ	PPI Output QoQ	1Q				-0.8	22.45	8.45
JN	GDP Nominal SA QoQ	1Q P		0.5		-0.2	23.50	9.50
JN	GDP Deflator YoY	1Q P		1		1.5	23.50	9.50
JN	GDP Private Consumption QoQ	1Q P		0.3		-0.9	23.50	9.50
JN	GDP Business Spending QoQ	1Q P		-0.8		1.5	23.50	9.50
NZ	RBNZ Governor Wheeler Speaks in Hamilton (Not Public)						0.00	10.00
AU	Westpac Leading Index MoM	Apr				-0.1	0.30	10.30
AU	RBA's Debelle speaks at Beijing RMB FX Forum on Developments in Global FX Markets and Challenges ….. from an Australian Perspective"						1.00	11.00
CH	Property Prices						1.00	11.00
AU	Wage Price Index YoY	1Q				2.2	1.30	11.30
UK	Jobless Claims Change	Apr				6.7	8.30	18.30
UK	Weekly Earnings ex Bonus 3M/YoY	Mar				2.2	8.30	18.30
UK	ILO Unemployment Rate 3Mths	Mar				5.1	8.30	18.30
EC	CPI MoM/YoY	Apr		/		1.2/0.0	9.00	19.00
CA	Int'l Securities Transactions	Mar				15.9	12.30	22.30
US	FOMC Minutes from April 26-27 Meeting						18.00	4.00

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%

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