

Sailing

Markets have been generally drifting with FX, equity markets and bond yields trading in contained ranges. The short end of the US Treasury curve edged a little higher. As we go to print, the AUD/USD is trading in its recently familiar 0.7222/25 range with little movement in key yield differentials, base metals a touch softer, somewhat higher equity market volatility (the VIX rose 0.62 to 15.82) and a sharp move back in iron ore prices in China yesterday, dimming buyer appetite in the background.

Spot iron ore fell back \$3.67 on the day to \$51.22 (-6.69%), the lowest since 3 March, amid weakness yesterday in Dalian iron ore futures (down 2.79%) and Chinese steel rebar futures (down 2.27%). There is no key AU data today, but there are some “remarks”/Q&A from the RBA Governor at lunchtime that the market will have to chew over.

There have been two more Fed speakers overnight, James Bullard, hawkish and a voter this year, and John Williams, a non-voter this year and generally regarded as more at the dovish end of the policy spectrum. Bullard was downplaying the influence of the proximity of the Brexit poll (June 23) to the June 15 FOMC, saying that the probability of an exit vote has fallen somewhat recently, speaking at a financial forum in Beijing late yesterday afternoon. He also noted that even in the event of the UK leaving the EU “the next day nothing happens” with departure negotiations then to go “very slowly”. Because of these factors, he doesn’t expect it to influence the FOMC’s decision.

John Williams was a little more circumspect but far from an outright dove, saying that he doesn’t know what the Fed will do in June, with the Fed facing many uncertainties such as Brexit. What did catch the market’s attention is that he expects 2-3 rises this year and maybe 3-4 next, way more than market pricing of one for this year and next.

Get set for June or July is the clear message from the Fed. Yields along the Fed futures curve rose a further 1-2 bps, the probability of a June 15 move at 30%, increasing to a 54% by the July 27 FOMC meeting.

The preliminary Euro-zone/German/French PMIs for May were about the only data of significance released overnight. They revealed little change in the Manufacturing PMI (51.5 from 51.7) and an unchanged services reading at 53.1, both almost bang on expectations. Germany’s readings were a touch stronger, France’s a touch lower but also somewhat better overall, the Manufacturing PMI still below 50 at 48.3 after 48.0 in April, services at 51.8. There was weakness outside the core, Markit the survey owner, reported.

Coming up

First up is a speech from Fed President Harker at 8.30, potentially more US rate view wire stories. It’s hard to see anything else on the scheduled calendar today ahead of RBA Governor Stevens’ “Remarks”/Q&A at lunchtime today (13.05 AEST). There’s also another weekly ANZ-Roy Morgan Consumer Confidence update. Of course the market will be very interested in any comments the Governor is prepared to offer on inflation and policy tolerance around the inflation outlook.

For Kiwi dollar followers, keep in mind that the first forecast milk price payout forecast from Fonterra for 2016-17 is expected this week, but possibly later this week we understand from our colleagues across the ditch.

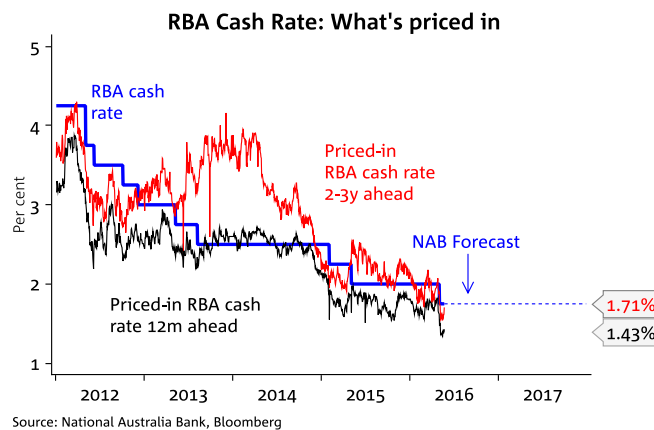
Tonight, more focus at least initially on Europe with another update to (and possible revision of) Germany’s Q1 GDP and the ZEW Investor Survey (the Survey also for the Eurozone).

It’s a fairly light night as far as the US data schedule is concerned with New Home Sales for April the main data point, but unlikely to have any material impact on the outlook for the Fed and the USD, unless it’s an especially left field print.

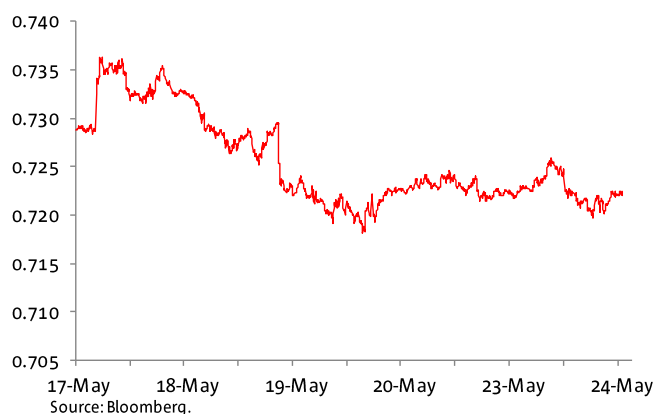
Overnight

On global stock markets, the S&P 500 was -0.20%. Bond markets saw US 10-years -0.52bp to 1.83%. On commodity markets, Brent crude oil -0.57% to \$48.44, gold -0.2% to \$1,250, iron ore -6.7% to \$51.22. AUD is at 0.7224 and the range was 0.7195 to 0.726.

Chart of the day: RBA market pricing for another easing



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	0.7224	0.0	0.7195	0.7260	HKD	7.7682 0.0
NZD	0.6765	-0.2	0.6748	0.6785	CNY	6.5560 0.0
EUR	1.1216	0.1	1.1187	1.1232	SGD	1.3781 -0.2
GBP	1.4482	0.1	1.4442	1.4493	IDR	13,583 -0.1
JPY	109.24	-0.2	109.11	109.58	THB	35.67 0.0
CAD	1.3144	-0.1	1.3120	1.3174	KRW	1,184 -0.2
AUD/EUR	0.6441	0.1			TWD	32.61 -0.2
AUD/JPY	78.92	0.0			PHP	46.73 -0.2
AUD/GBP	0.4988	0.1			CHF	0.99 -0.1
AUD/NZD	1.0677	0.4			SEK	8.34 0.1
AUD/CNY	4.7358	0.2				

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge
USD	0.50	0.66	1.03	1.69	USD 10	1.83 -0.01
AUD	1.75	2.00	1.83	2.42	AUD 10	2.29 -0.02
NZD	2.25	2.40	2.34	2.93	NZD 10	2.71 0.03
EUR	0.00	0.06	-0.15	0.58	CAD 10	1.35 0.00
GBP	0.50	0.59	0.82	1.48	EUR 10	0.18 0.01
JPY	-0.05	-0.02	-0.13	0.10	GBP 10	1.45 0.00
CAD	0.50	1.17	0.99	1.58	JPY 10	-0.09 0.02

Equities

Major Indices

	Last	% day	% y/y
Dow	17,496	0.0	-4.0
S&P 500	2,048	-0.2	-3.7
Nasdaq	4,766	-0.1	-6.4
VIX	16	+3.2	29.3
FTSE	6,136	-0.3	-12.7
DAX	9,842	-0.7	-16.7
CAC 40	4,325	+0.3	-15.9
Nikkei	16,655	-0.5	-17.8
Shanghai	2,844	+0.6	-38.9
Hang Seng	19,809	-0.2	-29.2
ASX 200	5,319	-0.6	-6.1

Overnight Futures

	Last	Chge
Australia		
3 mth bill	98.00	-0.01
3 Yr bond	98.38	-0.01
10 Yr bond	97.72	0.00
3/10 sprd	0.66	-0.01
SPI	0.0	0.0

Commodities*

	Last	% day
Oil (Brent)	48.44	-0.6
Oil (WTI)	48.16	-0.5
Oil (Tapis)	49.38	-1.1
Gold	1250.00	-0.2
CRB	183.19	-0.5
GS Metals	253.9	0.0
Aluminium	1546	0.4
Copper	4569	-0.3
Nickel	8298	-2.0
Zinc	1837	-1.4
Ch. steel	1938	-2.3
Iron ore	51.2	-6.7
St. Coal	51.4	-0.8
Wheat Chic.	473.0	-1.2
Sugar	16.80	-1.6
Cotton	61.45	-0.4
Coffee	122.2	-2.0

* clsd = market holiday

CO₂ Emissions - Euros

	Last	% day
Jun-2016	5.72	-3.9
Dec-2016	5.74	-3.9
Jun-2017	5.75	-3.8

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, 24 May 2016								
NZ	Fonterra's opening forecast of its 2016/17 milk price; Prev: \$3.90 (2015/16) (release pending; possibly later this week)							
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	May 22				115.1	23.30	9.30
JN	Nikkei Japan PMI Mfg	May P				48.2	2.00	12.00
AU	RBA Governor Stevens speaks at the Trans-Tasman Business Circle boardroom briefing, Sydney						3.05	13.05
GE	GDP SA QoQ/YoY	1Q F		0.7/1.6		0.7/1.6	6.00	16.00
UK	Public Finances (PSNCR)	Apr				16.6	8.30	18.30
GE	ZEW Survey Current Situation/Expectations	May		49		47.7	9.00	19.00
EC	ZEW Survey Expectations	May				21.5	9.00	19.00
UK	CBI Retailing Reported Sales	May		8		-13.0	10.00	20.00
UK	CBI Total Dist. Reported Sales	May		12.5		13.0	10.00	20.00
CH	Conference Board Leading Economic Index	Apr					13.00	23.00
EC	Euro Finance Ministers Meet						13.00	23.00
EC	ECB's Nouy, BOE's Gracie Speak at IIF Conference in Madrid							
CA	Bloomberg Nanos Confidence	May 20				57.3	14.00	0.00
US	Richmond Fed Manufact. Index	May		8		14.0	14.00	0.00
US	New Home Sales, #/MoM	Apr		521/2		511.0/-1.5	14.00	0.00
Wednesday, 25 May 2016								
NZ	Trade Balance	Apr	-224	25		117.0	22.45	8.45
AU	Skilled Vacancies MoM	Apr				-1.2	1.00	11.00
AU	Construction Work Done	1Q	-1.25	-1.5		-3.6	1.30	11.30
CH	Westpac-MNI Consumer Sentiment	May				117.8	1.45	11.45
NZ	New Residential Lending, YoY	Apr				4.1	3.00	13.00
US	Fed's Kaplan Speaks in Houston						4.00	14.00
GE	GfK Consumer Confidence	Jun		9.7		9.7	6.00	16.00
GE	IFO Business Climate	May		106.8		106.6	8.00	18.00
GE	IFO Current Assessment/Expectations	May		113.3/100.8		113.2/100.4	8.00	18.00
US	Advance Goods Trade Balance	Apr		-60		-56.9	12.30	22.30
US	House Price Purchase Index QoQ	1Q				1.4	13.00	23.00
US	FHFA House Price Index MoM	Mar		0.5		0.4	13.00	23.00
US	Markit US Services/Composite PMI	May P		53/		52.8/52.4	13.45	23.45
CA	Bank of Canada Rate Decision	May 25		0.5		0.5	14.00	0.00
US	Fed's Kaplan Speaks at Greater Houston Partnership						18.00	4.00
Thursday, 26 May 2016								
JN	PPI Services YoY	Apr		0.2		0.2	23.50	9.50
NZ	ANZ Regional trends Survey	1Q				1.8		11.00
CH	Swift Global Payments CNY	Apr				1.9	1.00	11.00
AU	Private CapEx QoQ/Expectations 16-17 \$Abn	1Q	-5/92.3	-3.5/86.7		0.8/82.6	1.30	11.30
NZ	Government Budget						2.00	12.00
UK	BBA Loans for House Purchase	Apr		44700		45096.0	8.30	18.30
UK	GDP QoQ/YoY	1Q P		0.4		0.4	8.30	18.30
UK	Index of Services MoM	Mar		0.2		0.1	8.30	18.30
US	Fed's Bullard Speaks in Singapore						9.15	19.15
US	Initial Jobless Claims	May 21		275		278.0	12.30	22.30
US	Durable Goods Orders/Core orders	Apr P		0.4/0.3		0.8/0.1	12.30	22.30
AU	RBA's Debelle Speech in New York, Launch of the Global Code of Conduct for the Foreign Exchange Market						13.00	23.00
US	Bloomberg Consumer Comfort	May 22				42.6	13.45	23.45
CA	CFIB Business Barometer	May				59.2		
US	Pending Home Sales MoM/YoY	Apr		0.7/0.2		1.4/2.9	14.00	0.00
US	Kansas City Fed Manf. Activity	May		-3		-4.0	15.00	1.00
AU	Remarks by Guy Debelle, Assistant Governor (Financial Markets), at the Profit & Loss Forex Network Conference, New York						15.45	1.45
US	Fed's Powell Speaks About Economy at Peterson Institute						16.00	2.00
Friday, 27 May 2016								
AU	RBA's Debelle in Panel Participation at the ACI FMA America panel discussion on the BIS Code, New York						22.00	8.00
UK	GfK Consumer Confidence	May		-4		-3.0	23.50	9.50
JN	Natl CPI YoY/Ex Fresh Food YoY	Apr		-0.4/-0.4		-0.1/-0.3	23.30	9.30
JN	Tokyo CPI YoY/Ex Fresh Food YoY	May		-0.5/-0.4		-0.4/-0.3	23.30	9.30
CH	Industrial Profits YoY	Apr				11.1	1.30	11.30
JN	Natl CPI Ex Fresh Food, Energy YoY	Apr		1		1.1	5.00	15.00
US	GDP Annualized QoQ	1Q S		0.9		0.5	12.30	22.30
US	U. of Mich. Sentiment/5-10 Yr Inflation expectations	May F		95.5/		95.8/2.6	14.00	0.00
US	Fed's Yellen to Speak at Harvard's Radcliffe Day						14.30	0.30
CH	Leading Index	Apr				99.1	28-31 May release	
Monday, 30 May 2016								
JN	Retail Sales MoM/YoY	Apr		/		1.4/-1.1	23.50	9.50
JN	Dept. Store, Supermarket Sales	Apr				-1.2	23.50	9.50
US	Fed's Bullard Speaks in Seoul						0.20	10.20
AU	HIA New Home Sales MoM	Apr				-1.8	1.00	11.00
AU	Inventories SA QoQ	1Q				-0.4	1.30	11.30
AU	Company Operating Profit QoQ	1Q				-2.8	1.30	11.30
EC	Business Climate Indicator	May				0.1	9.00	19.00
EC	OECD Economic Outlook						9.00	19.00
EC	Consumer Confidence	May A		-9		-9.3	14.00	0.00
GE	CPI MoM/YoY	May P		/		-0.4/-0.1	12.00	22.00
GE	CPI EU Harmonized MoM/YoY	May P		/		-0.5/-0.3	12.00	22.00
CA	Current Account Balance	1Q				-15.4	12.30	22.30
CA	Industrial Product Price MoM	Apr				-0.6	12.30	22.30
CA	Raw Materials Price Index MoM	Apr				4.5	12.30	22.30
CA	Bloomberg Nanos Confidence	May 20				57.3	14.00	0.00
Upcoming Central Bank Interest Rate Announcements								
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%		
UK BOE		16-Jun		0.50%		0.50%		

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

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