

## Bullish mood

US and European equity indices had a solid night with gains in financial and technology shares leading the move higher. The USD was stronger against most other currencies although GBP was the outperformer. Meanwhile US Treasury yields ended the day higher along the curve.

Strong US new home sales data and a seemingly growing perception that the economy can cope with a gradual rise in US interest rates were seen as the catalyst for the increase in risk appetite. The bullish market mood was also helped by the positive tone from Europe. European markets reacted positively to news that the Brexit camp is in disarray along with another poll showing the Remain camp comfortably ahead. So although the USD had a solid night, outperforming 9 of the G10 currencies, the GBP was by far the outperformer, gaining 1% against the USD. Evidence of bounded rationality (sticking to the status quo given lack of quality information to make the change) appears to be emerging among voters with the latest poll showing that older voters, who are more likely to vote and who previously backed leaving the EU, are switching sides to the Remain camp. Comments from BoE Carney also helped the Pound noting that if Britons voted to remain in the EU, the next move in the key policy rate would probably be up, while a Leave outcome wouldn't automatically bring about an easing.

The AUD (-0.65%) is closer to the bottom of the G10 leader board just ahead of the Euro (-0.72%) and JPY (-0.73%). The AUD traded to a low of 0.7145 early in the overnight session, and then it staged a small recovery to be currently trading at 0.7182. However most of the damage had been done earlier following comments from RBA governor Stevens at a briefing in Sydney yesterday afternoon.

Although Governor Stevens did not make any attempt to jawbone the currency, noting that the currency was "doing what you'd expect it to do at the moment", it seems that the FX market treated the Governor's comments on inflation that it is "probably a little bit too low at the moment" as an opportunity to sell the currency.

In our view the Governor's remarks were fairly measured and although he noted that inflation is running below the banks 2%-3% target, he also said it's "not a rigid thing that requires a knee-jerk response". On this score we would note that the rates market reaction to the Governor's remarks was fairly muted with local yields ending the day practically unchanged along the curve.

In commodities oil prices climbed higher supported by the expectations that output disruptions will help alleviate the oversupply in the market. Gold lost nearly 2% with US cash rate repricing expectations weighing on the yellow metal. Copper gain 0.8% and after yesterday's fall, iron ore took breather and is practically unchanged at \$51.4.

## Coming Up

This morning in Australia we get skill vacancies and Construction Work Done for Q1. The later kicks off the start of GDP partial prints ahead of the March GDP number due for release on June 1<sup>st</sup>.

Our economists note that for some quarters now, the Construction Work Done release has been a "triple trend" composite indicator: rising dwelling investment, flat non-residential building investment, and declining engineering construction. This trend is expected to be repeated in the March quarter with a composite 1.25% decline in overall Work Done - similar to the market consensus of -1.5% q/q.

Ahead of the Australian data releases, New Zealand delivers its trade balance for April (\$25m exp vs \$117m prev). NZ new residential lending figures are out this afternoon.

In Europe, Germany gets its IFO survey for May and the US has a few data releases, but none of them are likely to be market moving. For choice, the advance goods trade balance for April could be the pick of the day. Last month exports and imports were depressed by seasonal adjustments due to the early Easter, higher oil prices in April and the Easter effect reversal are seen as the major reasons for a bigger deficit this month (\$60bn exp vs \$56bn prev). Other data releases include House Price Purchase Index (Q1) along with the Markit US Services and Composite PMIs (both for April). As for Fed speakers we have Fed Kaplan and Kashkari on the roster.

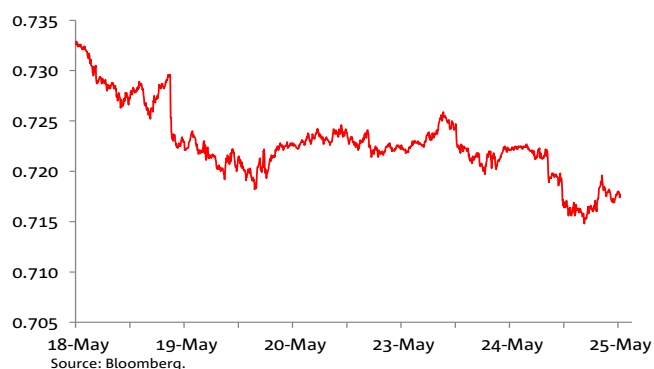
Finally, the BoC makes its rate decision and while an unchanged rate is universally expected, we think the relative upbeat tone from the April meeting is likely to be substituted by a more explicit easing bias.

## Overnight

On global stock markets, the S&P 500 was +1.37%. Bond markets saw US 10-years +2.79bp to 1.86%. In commodities, Brent crude oil +1.49% to \$49.11, gold -1.8% to \$1,227, iron ore +0.3% to \$51.36. AUD is at 0.7185 and the range since yesterday 5pm Sydney time is 0.7148 to 0.7196.

## 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	0.7185	-0.5	0.7183	0.7185	HKD	7.7687 0.0
NZD	0.6738	-0.4	0.6737	0.6739	CNY	6.5572 0.0
EUR	1.1142	-0.7	1.1139	1.1143	SGD	1.3812 0.2
GBP	1.4632	1.0	1.4632	1.4636	IDR	13,638 0.5
JPY	109.97	0.7	109.96	109.99	THB	35.73 0.2
CAD	1.3127	-0.1	1.3122	1.3129	KRW	1,193 0.8
AUD/EUR	0.6448	0.2	0.6447	0.6450	TWD	32.71 0.1
AUD/JPY	79.02	0.1	78.99	79.03	PHP	46.88 0.2
AUD/GBP	0.4910	-1.5	0.4908	0.4911	CHF	0.99 0.4
AUD/NZD	1.0662	-0.2	1.0660	1.0667	SEK	8.31 -0.3
AUD/CNH	4.7158	-0.4	4.7166	4.7168		

### Equities

Major Indices	Last	% day	% y/y
	Dow	17,706	1.2
S&P 500	2,076	1.4	-2.4
Nasdaq	4,861	2.0	-4.5
VIX	14	-8.8	18.9
FTSE	6,219	1.3	-11.6
DAX	10,057	2.2	-14.9
CAC 40	4,432	2.5	-13.8
Nikkei	16,499	-0.9	-19.2
Shanghai	2,822	-0.8	-41.4
Hang Seng	19,830	0.1	-29.2
ASX 200	5,296	-0.4	-7.4

### Commodities\*

	Last	% day
Oil (Brent)	49.11	1.5
Oil (WTI)	49.12	2.1
Oil (Tapis)	49.05	-0.7
Gold	1227.20	-1.8
CRB	183.35	0.1
GS Metals	253.9	0.4
Aluminium	1547.0	0.0
Copper	4612.0	0.9
Nickel	8367.5	0.8
Zinc	1825.0	-0.5
Ch. steel	1960.0	0.7
Iron ore	51.4	0.3
Coal	51.0	0.1
Wheat Chic.	476.0	0.4
Sugar	16.7	-0.7
Cotton	63.2	2.7
Coffee	121.9	-0.3

### Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.66	1.06	1.72	USD 10	1.86	2.79
AUD	1.75	2.00	1.85	2.44	AUD 10	2.28	-1.00 0.42
NZD	2.25	2.41	2.32	2.92	NZD 10	2.71	0.10 0.85
EUR	0.00	-0.26	-0.15	0.57	CAD 10	1.37	1.50 -0.50
GBP	0.50	0.59	0.86	1.52	EUR 10	0.18	0.10 -1.69
JPY	-0.06	-0.02	-0.13	0.09	GBP 10	1.47	2.30 -0.39
CAD	0.50	0.91	1.00	1.60	JPY 10	-0.10	-1.00 -1.97

### Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.01	0.00
3 Yr bond	97.8	-3.00
10 Yr bond	97.69	3.50
3/10 sprd	0.11	-6.50
SPI	5371.0	-36.0

\*Change in bps

### CO<sub>2</sub> Emissions - Euros

	Last	% day
Jun-2016	5.78	Clsd
Dec-2016	5.80	0.2
Jun-2017	5.82	1.2

\* clsd = market holiday

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
<b>Wednesday, 25 May 2016</b>								
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
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
<b>Thursday, 26 May 2016</b>								
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		0.5/0.3		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		0.7/0.1		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 Insitute						16.00	2.00
<b>Friday, 27 May 2016</b>								
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		95.4/		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	
<b>Monday, 30 May 2016</b>								
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 F				-7.0	9.00	19.00
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
<b>Tuesday, 31 May 2016</b>								
NZ	Building Permits MoM	Apr				-9.8	22.45	8.45
UK	Lloyds Business Barometer	May				38.0	23.10	9.10
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	May 22				115.1	23.30	9.30
JN	Jobless Rate	Apr				3.2	23.30	9.30
JN	Overall Household Spending YoY	Apr				-5.3	23.30	9.30
JN	Industrial Production MoM/YoY	Apr P		/		3.8/0.2	23.50	9.50
NZ	ANZ Activity Outlook	May				32.1	1.00	11.00
NZ	ANZ Business Confidence	May				6.2	1.00	11.00
AU	Net Exports of GDP/Current Account balance	1Q		/		0.0/-21.0	1.30	11.30
AU	Building Approvals MoM/YoY	Apr		/		3.7/-6.5	1.30	11.30
AU	Private Sector Credit MoM/YoY	Apr		/		0.4/6.4	1.30	11.30
JN	Small Business Confidence	May				47.8	5.00	15.00
GE	Unemployment Change (000's)	May				-16.0	7.55	17.55
EC	M3 Money Supply YoY	Apr				5.0	8.00	18.00
EC	Unemployment Rate	Apr				10.2	9.00	19.00
EC	CPI Core YoY	May A				0.7	9.00	19.00
US	Personal Income/Spending	Apr		0.4/0.7		0.4/0.1	12.30	22.30
US	PCE Deflator MoM/YoY	Apr		0.3/		0.1/0.8	12.30	22.30
US	PCE Core MoM/YoY	Apr		0.15/		0.1/1.6	12.30	22.30
CA	Quarterly GDP Annualized	1Q				0.8	12.30	22.30
CA	GDP MoM/YoY	Mar		/		-0.1/1.5	12.30	22.30
US	S&P/CS 20 City MoM/YoY SA	Mar		0.6/		0.7/5.4	13.00	23.00
US	Chicago Purchasing Manager	May		51		50.4	13.45	23.45
US	Consumer Confidence Index	May		96.1		94.2	14.00	0.00
US	Dallas Fed Manf. Activity	May		-8		-13.9	14.30	0.30
<b>Upcoming Central Bank Interest Rate Announcements</b>								
Canada, BoC		25-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

## Contact Details

### Authors

David de Garis  
Senior Economist  
+61 3 8641 3045  
david.degaris@nab.com.au

Ray Attrill  
Global Co-Head of FX Strategy  
+61 2 9237 1848  
ray.attrill@nab.com.au

Rodrigo Catril  
Currency Strategist  
+61 2 9293 7109  
rodrigo.h.catril@nab.com.au

Tapas Strickland  
Economist  
+61 2 9237 1980  
tapas.strickland@nab.com.au

### Markets Research

Peter Jolly  
Global Head of Research  
+61 2 9237 1406  
peter.jolly@nab.com.au

### Group Economics

Alan Oster  
Chief Economist  
+61 3 8634 2927  
alan\_oster@national.com.au

### Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.