

26 May 2016

Markets Today



Inch by inch

It's been another night of measured markets with both European and US equities closing higher, US Treasury yields a little higher net on the day and the USD marking time. There has been a little more evident appetite for Sterling, while the Canadian dollar was also a little stronger, helped by higher oil prices and the Bank of Canada leaving rates on hold, as expected.

WTI and Brent are on their intra-day highs (up \$1.08 and \$1.25 to \$49.69 and \$49.86 respectively), adding support to US energy stocks and a risk-on mood. The US EIA reporting a larger than expected weekly inventory drawdown of 4.23m bbl, the market expecting a 2m fall with weekly US oil output down 24k bbl.

The AUD sits back almost on 0.72 this morning with the VIX back down, oil up, LME base metals mixed, while Chinese iron ore and steel prices were softer yesterday, spot iron ore down \$0.85/t to \$50.41, down 1.85%.

The NZD has seen some selling in the past 30 mins or so with dairy giant Fonterra announcing its initial 2016-17 milk price forecast of NZ\$4.25/kg, a little shy of expectations. The NZD/USD has dipped from 0.6765/70 to 0.6735, the AUD/NZD at 1.0680.

The BoC left rates as expected at 0.5%, the BoC saying it expects the Alberta fires to cut 1.25% points from Q2 GDP before a Q3 rebound. They also noted disappointing business investment and intentions, uneven structural adjustment, with "roughly balanced" inflation risks.

There have also been three Fed speakers, Fed President Harker saying that he still expects two, maybe three rate rises this year. President Kashkari spoke of a moderate growth outlook with inflation climbing back to target. The US Treasury yield curve closed by up to two bps higher for the day, the market also seeing little news on the data front, the advance goods balance for April coming in at a lower than expected deficit that should mechanically add a little to the US growth story into the June quarter.

The Euro was unmoved in response to a stronger than expected German Ifo Survey for May and the European FinMin meeting that has cut a deal to secure yet more funds for Greece.

Coming up

Most of the local interest will be in the AU New Private Capital Expenditure release, and there are two main

elements to consider. The first is the actual volume change in Capex in the quarter where NAB expects a decline of 5% as further declines in mining expenditure from the wind-down in major LNG project spending continues.

As far as the second element is concerned, the second estimate of 2016-17 expectations, NAB expects that the first estimate of \$82.6 billion will be revised up somewhat to a current estimate of \$92.3 billion. That could yet get some assistance from a steady-to-higher uplift in business confidence, conditions and capacity utilisation through April when the Capex survey was undertaken.

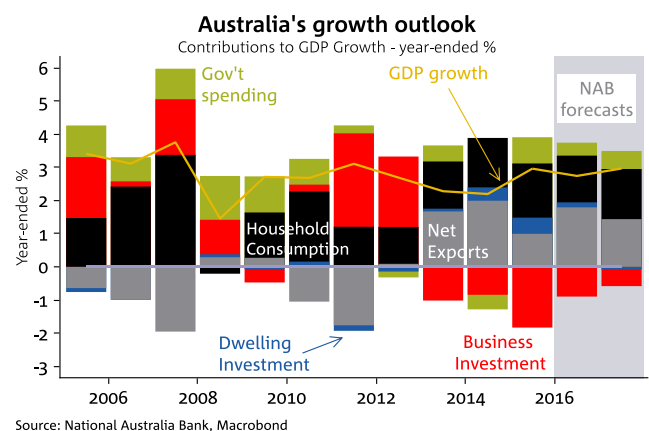
There is the potential for a little more price action in the overnight session with more Fed speak (this time from Bullard again and Fed Governor Powell), but durable goods, jobless claims and pending home sales, especially durable goods orders could offer some interest.

As well, the RBA's Guy Debelle is speaking in NY to launch of the Global FX Code of Conduct though there is always the potential for questions/views on the AUD, though it's hard to see him swaying at all from Stevens' by the book "shock absorber" role for the currency remarks on Tuesday.

Overnight

On global stock markets, the S&P 500 was +0.70%. Bond markets saw US 10-years +0.35bp to 1.87%. On commodity markets, Brent crude oil +2.63% to \$49.89, gold -0.4% to \$1,227, iron ore -1.9% to \$50.41. AUD is at 0.7199 and the range was 0.7182 to 0.7210.

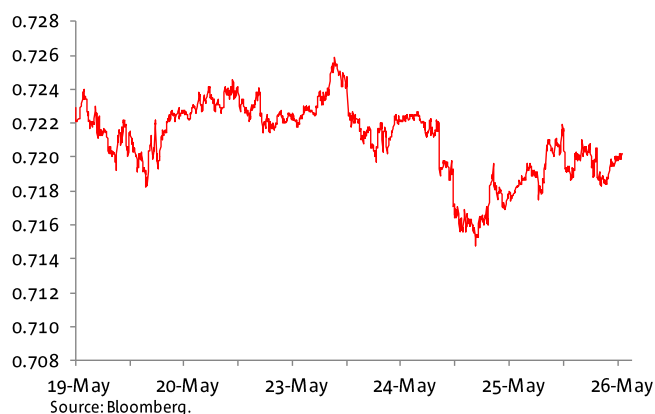
Chart of the day: The business investment growth drag



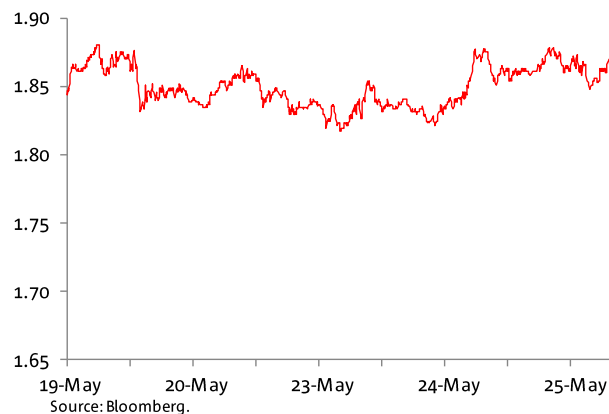
Author:

David de Garis, Senior Economist

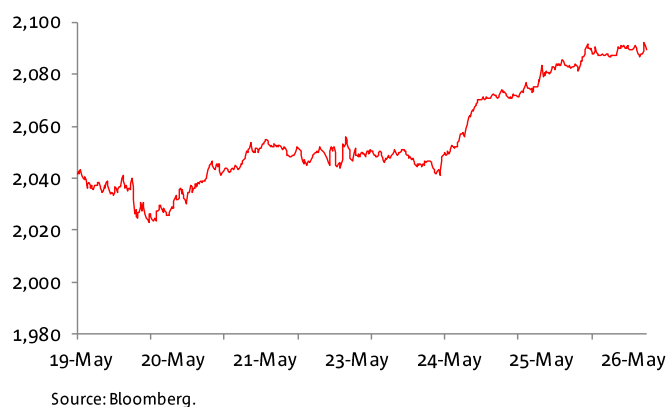
AUD/USD - past week



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	0.7199	0.0	0.7198	0.7199	HKD	7.7657
NZD	0.6736	-0.4	0.6726	0.6774	CNY	6.5541
EUR	1.1157	0.1	1.1129	1.1178	SGD	1.3782
GBP	1.4702	0.3	1.4653	1.4730	IDR	13,617
JPY	110.18	0.0	110.06	110.45	THB	35.68
CAD	1.3017	-0.7	1.3011	1.3136	KRW	1,182
AUD/EUR	0.6453	-0.2			TWD	32.59
AUD/JPY	79.32	-0.1			PHP	46.79
AUD/GBP	0.4896	-0.4			CHF	0.99
AUD/NZD	1.0688	0.3			SEK	8.29
AUD/CNY	4.7180	-0.2				

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.67	1.05	1.72	USD 10	1.87	0.00
AUD	1.75	2.00	1.84	2.44	AUD 10	2.31	0.03
NZD	2.25	2.41	2.30	2.91	NZD 10	2.68	-0.01
EUR	0.00	0.06	-0.16	0.55	CAD 10	1.39	0.02
GBP	0.50	0.59	0.85	1.51	EUR 10	0.15	-0.03
JPY	-0.05	-0.02	-0.12	0.10	GBP 10	1.46	-0.02
CAD	0.50	1.17	1.01	1.63	JPY 10	-0.08	0.02

Equities

Major Indices

	Last	% day	% y/y
Dow	17,852	+0.8	-2.1
S&P 500	2,091	+0.7	-1.7
Nasdaq	4,895	+0.7	-3.8
VIX	14	-3.6	14.6
FTSE	6,263	+0.7	-10.9
DAX	10,205	+1.5	-13.6
CAC 40	4,482	+0.6	-12.4
Nikkei	16,757	+1.6	-18.0
Shanghai	2,815	-0.2	-42.7
Hang Seng	20,368	+2.7	-27.9
ASX 200	5,373	+1.5	-6.9

Overnight Futures

	Last	Chge
Australia		
3 mth bill	98.00	-0.01
3 Yr bond	98.38	-0.01
10 Yr bond	97.70	0.01
3/10 sprd	0.69	-0.02
SPI	34.0	0.6

Commodities*

	Last	% day
Oil (Brent)	49.89	2.6
Oil (WTI)	49.74	2.3
Oil (Tapis)	50.09	2.1
Gold	1226.80	-0.4
CRB	185.30	1.1
GS Metals	254.3	0.1
Aluminium	1537	-0.8
Copper	4662	1.1
Nickel	8317	-0.6
Zinc	1830	0.3
Ch. steel	1931	-0.5
Iron ore	50.4	-1.9
St. Coal	52.5	1.4
Wheat Chic.	477.3	0.5
Sugar	17.16	3.3
Cotton	62.90	-0.2
Coffee	121.4	-0.3

* clsd = market holiday

CO₂ Emissions - Euros

	Last	% day
Jun-2016	5.85	1.2
Dec-2016	5.87	1.2
Jun-2017	5.89	1.2

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, 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		0.5/0.3		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 Insititute						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		95.4/		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	
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 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
Tuesday, 31 May 2016								
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 29				115.7	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		0.2/1.6		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		51.5		50.4	13.45	23.45
US	Consumer Confidence Index	May		96.2		94.2	14.00	0.00
US	Dallas Fed Manf. Activity	May		-8		-13.9	14.30	0.30
Wednesday, 1 June 2016								
NZ	Terms of Trade Index QoQ	1Q				-2.0	22.45	8.45
UK	BRC Shop Price Index YoY	May				-1.7	23.10	9.10
AU	AiG Perf of Mfg Index	May				53.4	23.30	9.30
JN	Capital Spending YoY	1Q				8.5	23.50	9.50
JN	Company Profits	1Q				-1.7	23.50	9.50
JN	Company Sales	1Q				-2.7	23.50	9.50
AU	CoreLogic RP Data House Px MoM	May				0.2	0.00	10.00
NZ	QV House Prices YoY	May				12.0	0.00	10.00
CH	Manufacturing PMI	May		50		50.1	1.00	11.00
CH	Non-manufacturing PMI	May				53.5	1.00	11.00
AU	GDP SA Qo/YoY	1Q		/		0.6/3.0	1.30	11.30
CH	Caixin China PMI Mfg	May		49.4		49.4	1.45	11.45
JN	Nikkei Japan PMI Mfg	May F				47.6	2.00	12.00
AU	Commodity Index AUD/YoY	May		/		87.0/-9.4	6.30	16.30
GE	Markit/BME Germany Manufacturing PMI	May F				52.4	7.55	17.55
EC	Markit Eurozone Manufacturing PMI	May F				51.5	8.00	18.00
UK	Mortgage Approvals	Apr				71.4	8.30	18.30
UK	Markit UK PMI Manufacturing SA	May				49.2	8.30	18.30
US	MBA Mortgage Applications	May 20				-1.6	11.00	21.00
CA	RBC Canadian Manufacturing PMI	May				52.2	13.30	23.30
US	Markit US Manufacturing PMI	May F				50.5	13.45	23.45
US	ISM Manufacturing	May		50.9		50.8	14.00	0.00
US	Construction Spending MoM	Apr		0.5		0.3	14.00	0.00
US	Wards Total Vehicle Sales	May		17.2		17.3		
US	U.S. Federal Reserve Releases Beige Book						18.00	4.00
Upcoming Central Bank Interest Rate Announcements								
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

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