

Hesitant

Markets ended the month of May in a cautious mood amid mixed US data and a Guardian poll that suggested Britain to be more in favour of leaving the EU.

US and European equity indices ended the day marginally in the red. Oil prices climbed over \$50 and then quickly retreated while in currencies the USD had a mixed night, losing ground against the NZD and AUD, but outperforming GBP and oil linked currencies.

US income spending beat expectation in April, jumping to 1% vs 0.7% expected, but consumer confidence fell in May and the Chicago PMI also disappointed. A rebound in spending was expected given the constrained spending in March due to Easter seasonal, but the drop in the Conference Board's measure of May consumer confidence to 92.6 from 94.7 triggered a bigger negative reaction, particularly given the solid print by the Michigan consumer reading on Friday. The Chicago PMI slipped to 49.3 in May from 50.4 previously and along with other soft regional PMI prints it has raised the expectations of a weak ISM print tonight.

US Treasury yields had a volatile session moving higher initially, then losing ground after the data releases. Month end buying was probably also a factor. Relative to Sydney closing levels, 2y UST yields have ended day 4.5bps lower at 0.879% and 10y UST are about 2bps lower at 1.84%.

Looking at G10 currencies, the NZD is at the top of the leader board (-1.02%) followed by the AUD (0.64%). Gains in the NZD were not driven by data releases while for the AUD most of the gains over the past 24hrs reflect the positive reaction from the better than expected net export figures released yesterday. The GBP sits at the bottom of the leader board, down 0.98% against the USD following a Guardian poll showing voters leaning towards Brexit. CAD (-0.47%) and NOK (-0.31%) also underperformed with the moves consistent with a sharp drop in oil prices in the later part of the session.

Oil prices initially traded over the \$50 mark, but in a somewhat belated fashion, prices followed the drop in equities and US yields. The lack of expectations of any agreement on drop in supply at the OPEC meeting this Thursday is probably also a factor at play.

Looking at other commodities, Gold ended marginally higher (+0.1%) ending a nine day losing streak. Iron ore was practically unchanged at \$50.2 and copper slipped -0.5%

Coming Up

It is a busy day of data releases both domestically and in offshore markets.

In Australia this morning we get the Q1 GDP growth number and after yesterday's larger than expected net export contribution (1.1% vs 0.7%) our economists now expect GDP to print at 1.1%qoq. Looking at Bloomberg, the median of 26 estimates is at 0.8% and NAB is one of two at the higher end of the spectrum. Our expectation for a strong number is largely driven by net exports with only a negligible contribution from domestic demand.

A strong headline number, as we expect, could provide a boost to the currency and trim expectations of future RBA rate cuts. However, attention should also be given to domestic final demand; a weak number could have a dampening effect on any initial positive reaction.

Ahead of the GDP release, we get the AIG performance manufacturing index and CoreLogic RP Data House prices, both for May. The NAB online retail sales index is also due out this morning and this afternoon the RBA prints its commodity index for May.

Looking at other markets, it is mostly all about activity readings. This morning NZ publishes its Q1 terms of trade and QV houses prices (May). Japan gets its Q1 capital spending and company profits along with its final Markit Manufacturing PMI reading for May. Also this morning, China publishes official PMIs (Manufacturing 50 exp vs 50.1) and Caixin manufacturing PMI (49.2 vs 49.4).

In Europe, final manufacturing PMIs (May) are due for Germany and Eurozone while the UK get its first May reading. On the other side of the Atlantic, the US releases its ISM Manufacturing reading for May, April Construction Spending and the Fed publishes its Beige Book also for May.

Lastly, early in the week a Nikkei article suggested Japan's Abe government could formally announce a postponement of the sales tax today and importantly for New Zealand we have a global dairy auction in the early hours of Thursday.

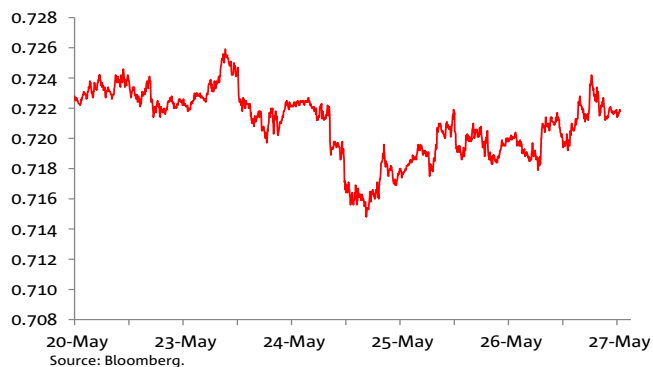
Overnight

On global stock markets, the S&P 500 was -0.10%. Bond markets saw US 10-years -0.52bp to 1.85%. On commodity markets, Brent crude oil -0.14% to \$49.57, gold+0.1% to \$1,215, iron ore -0.2% to \$50.15. AUD is at 0.7233 and the range was 0.7232 to 0.7235.

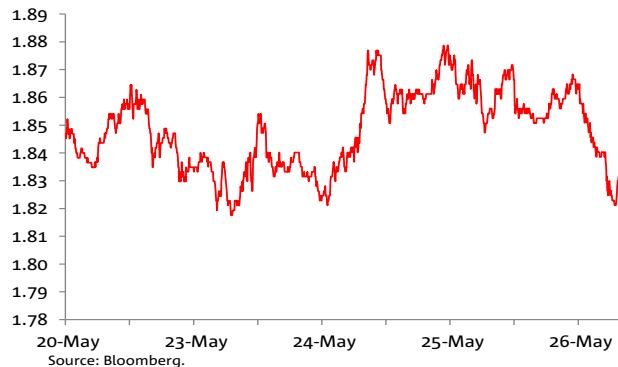
Author:

Rodrigo Catril – Currency Strategist

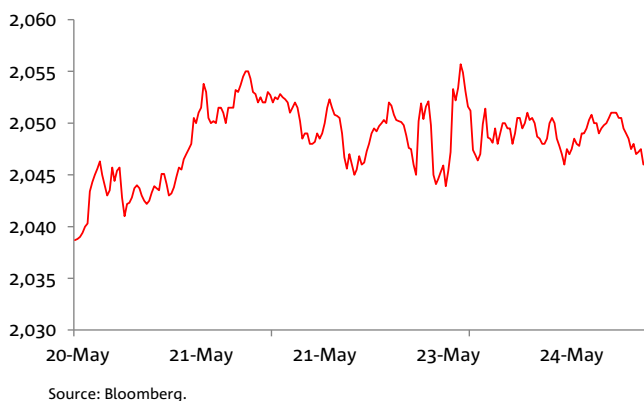
AUD/USD - past week



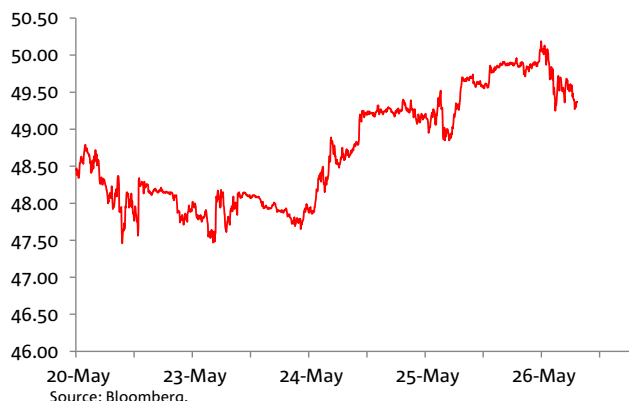
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7218	0.3	0.7162	0.7244	HKD	7.7668 0.0
NZD	0.6748	0.1	0.6693	0.6767	CNY	6.5585 0.0
EUR	1.1190	0.3	1.1150	1.1217	SGD	1.3735 -0.3
GBP	1.4661	-0.2	1.4641	1.4740	IDR	13,585 -0.4
JPY	109.72	-0.4	109.42	110.23	THB	35.62 -0.2
CAD	1.2983	-0.3	1.2911	1.3037	KRW	1,180 -0.2
AUD/EUR	0.6451	0.0	0.6412	0.6464	TWD	32.55 -0.3
AUD/JPY	79.20	-0.2	78.46	79.50	PHP	46.68 -0.3
AUD/GBP	0.4923	0.5	0.4871	0.4928	CHF	0.99 -0.2
AUD/NZD	1.0696	0.1	1.0668	1.0748	SEK	8.28 -0.2
AUD/CNH	4.7362	0.5	4.6983	4.7506		

Equities

Major Indices			
	Last	% day	% y/y
Dow	17,842	-0.1	-1.1
S&P 500	2,093	0.1	-0.6
Nasdaq	4,906	0.2	-2.5
VIX	14	-2.4	-3.5
FTSE	6,266	0.0	-9.8
DAX	10,273	0.7	-11.6
CAC 40	4,513	0.7	-11.2
Nikkei	16,772	0.1	-18.1
Shanghai	2,822	0.3	-42.9
Hang Seng	20,397	0.1	-27.4
ASX 200	5,388	0.3	-5.9

Commodities*

	Last	% day
Oil (Brent)	49.47	-0.5
Oil (WTI)	49.38	-0.4
Oil (Tapis)	50.95	1.7
Gold	1220.70	-0.3
CRB	185.59	0.2
GS Metals	254.3	0.0
Aluminium	1548.0	0.7
Copper	4669.3	0.2
Nickel	8361.5	0.5
Zinc	1873.8	2.4
Ch. steel	1952.0	0.6
Iron ore	49.5	-1.8
Coal	51.4	0.2
Wheat Chic.	491.8	3.0
Sugar	17.4	1.5
Cotton	64.3	2.3
Coffee	121.5	0.1

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.67	1.01	1.69	USD 10	1.83	-3.48
AUD	1.75	1.98	1.80	2.39	AUD 10	2.28	-3.20 0.45
NZD	2.25	2.39	2.27	2.89	NZD 10	2.62	-6.70 0.79
EUR	0.00	-0.26	-0.16	0.53	CAD 10	1.33	-5.40 -0.50
GBP	0.50	0.59	0.84	1.49	EUR 10	0.15	-0.60 -1.69
JPY	-0.06	-0.02	-0.13	0.09	GBP 10	1.42	-4.10 -0.42
CAD	0.50	0.91	0.99	1.58	JPY 10	-0.12	-3.70 -1.95

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.02	-1.00
3 Yr bond	97.8	-3.00
10 Yr bond	97.76	-7.00
3/10 sprd	0.05	4.00
SPI	5406.0	-38.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Jun-2016	5.78	Clsd
Dec-2016	6.03	2.7
Jun-2017	6.05	2.7

* 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
Wednesday, 1 June 2016								
NZ	Terms of Trade Index QoQ	1Q	0	1		-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/Compnay profits YoY	1Q		2.4		8.5/-1.7	23.50	9.50
AU	CoreLogic RP Data House Px MoM	May				1.7	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	0.8/2.8	0.8/2.8		0.6/3.0	1.30	11.30
AU	NAB Online Retail Sales Index MoM/YoY	Apr				1.8/12.4	1.30	11.30
CH	Caixin China PMI Mfg	May		49.2		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		52.4	7.55	17.55
EC	Markit Eurozone Manufacturing PMI	May F		51.5		51.5	8.00	18.00
UK	Mortgage Approvals	Apr		67.9		71.4	8.30	18.30
UK	Markit UK PMI Manufacturing SA	May		49.6		49.2	8.30	18.30
CA	RBC Canadian Manufacturing PMI	May				52.2	13.30	23.30
US	Markit US Manufacturing PMI	May F		50.5		50.5	13.45	23.45
US	ISM Manufacturing	May		50.4		50.8	14.00	0.00
US	Construction Spending MoM	Apr		0.6		0.3	14.00	0.00
NZ	Dairy auction, GDT weighted price index					2.6	early am	NZT time
US	U.S. Federal Reserve Releases Beige Book						18.00	4.00
Thursday, 2 June 2016								
AU	Trade Balance	Apr	-2694	-2100		-2163.0	1.30	11.30
AU	Retail Sales MoM	Apr	0.2	0.3		0.4	1.30	11.30
JN	BoJ's Sato speaks in Kushiro						1.30	11.30
JN	Consumer Confidence Index	May		40.1		40.8	5.00	15.00
EC	OPEC meeting, Vienna							
UK	Markit/CIPS UK Construction PMI	May		52		52.0	8.30	18.30
US	Challenger Job Cuts YoY	May				5.8	11.30	21.30
EC	ECB Main Refinancing Rate	Jun 2		0		0.0	11.45	21.45
EC	ECB Deposit Facility Rate/marginal Lending Facility rate	Jun 2		-0.4/0.25		-0.4/0.3	11.45	21.45
US	ADP Employment Change	May		175		156.0	12.15	22.15
US	Initial Jobless Claims	May 28		270		268.0	12.30	22.30
US	Fed Governor Powell discusses Prudential Regulation						12.35	22.35
UK	ECB's Carney speaks to unveiling a new UK Five-pound note						13.00	23.00
US	ISM New York	May				57.0	13.45	23.45
US	Fed's Kaplan speaks on the economy in Boston						17.00	3.00
Friday, 3 June 2016								
NZ	Crown accounts	Apr					22.00	8.00
NZ	Value of All Buildings SA QoQ	1Q		1		2.5	22.45	8.45
AU	AiG Perf of Services Index	May				49.7	23.30	9.30
JN	Labor Cash Earnings YoY	Apr		0.9		1.4	0.00	10.00
NZ	ANZ Commodity Price	May				-0.8	1.00	11.00
CH	Caixin China PMI Services/Composite	May		/		51.8/50.8	1.45	11.45
JN	Nikkei Japan PMI Services/Composite	May		/		49.3/48.9	2.00	12.00
UK	Fed's Evans Speaks on Economy and Policy in London						7.45	17.45
GE	Markit Germany Services/Composite PMI	May F		55.2/54.7		55.2/54.7	7.55	17.55
EC	Markit Eurozone Services/Composite PMI	May F		53.1/52.9		53.1/52.9	8.00	18.00
UK	Markit/CIPS UK Services/Composite PMI	May		52.5/52.3		52.3/51.9	8.30	18.30
EC	Retail Sales MoM/YoY	Apr		0.4/2.1		-0.5/2.1	9.00	19.00
US	Change in Nonfarm Payrolls/Unemployment rate	May		160/5		160.0/5.0	12.30	22.30
US	Average Hourly Earnings MoM/YoY	May		0.2/2.5		0.3/2.5	12.30	22.30
US	Trade Balance	Apr		-41		-40.4	12.30	22.30
CA	Labor Productivity QoQ	1Q		0.35		0.1	12.30	22.30
CA	Int'l Merchandise Trade	Apr		-2.5		-3.4	12.30	22.30
US	Markit US Services/Composite PMI	May F		51.4/		51.2/50.8	13.45	23.45
US	ISM Non-Manf. Composite	May		55.4		55.7	14.00	0.00
US	Factory Orders MoM/YoY	Apr		1.8/		1.1/0.8	14.00	0.00
US	Fed's Brainard Speaks on Economic Outlook and Monetary Policy						16.30	2.30
US	Fed's Mester Speaks at on Macro and Financial Stability						7.00	17.00
Monday, 6 June 2016								
AU	Melbourne Institute Inflation MoM/YoY	May				0.1/1.5	1.00	11.00
AU	ANZ Job Advertisements MoM	May				-0.8	1.30	11.30
GE	Factory Orders MoM/YoY	Apr				1.9/1.7	6.00	16.00
us	Fed's Rosengran Gives Keynote at Helsinki Central Banking Conf						6.00	16.00
GE	Markit Germany Construction PMI	May				53.4	7.30	17.30
EC	Sentix Investor Confidence	Jun				6.2	8.30	18.30
CA	Bloomberg Nanos Confidence	Jun 3				57.5	14.00	0.00
US	Labor Market Conditions Index Change	May				-0.9	14.00	0.00
US	Fed Chair Yellen to Speak in Philadelphia						16.30	2.30
Upcoming Central Bank Interest Rate Announcements								
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%		
Canada, BoC		14-Jul				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.