

10 June 2016

# Markets Today



## Low

I should have titled yesterday's missive 'Rebel Rebel' not Rebellion, in yet another homage to David Bowie. Rebel One being BTMFJ who were reported to be on the verge of rescinding their JGB Primary Dealership and Rebel Two being Commerzbank, reported to be considering storing cash in vaults rather than pay the ECB for the privilege of depositing excess cash with them.

Well it seems the latter news made waves early in the European session Thursday, our London team reporting that this was credited for the Euro being sold across the board, with reverberation felt across market and blamed for a big equity sell-off (Euro Stoxx 50 off 1.02%, the German Dax -1.25% and the FTSE 100 -1.10%). With now only two weeks to go before the UK EU Referendum, 'Brexit' concerns are also very much to the fore. Our UK colleagues also note the fresh falls in Eurozone bond yields and driven by the ongoing ECB bond buying programme, as also receiving some of the blame for the moves in all things EUR. 10yr Bund yields dropped to a new record low of 2bp overnight (closing at 3bps) while 10 year gilts hit a new record low of 1.22% before closing at 1.24%.

The weakness in European stocks for once didn't go completely ignored by US markets, stocks closing modestly in the red (S&P500 -0.17% and the Dow -0.11%). US treasury yields are also showing the effects of negative risk sentiment and lower European yields, the 10 year note ending the New York session below 1.70% (-2.2bps to 1.68%, the lowest close so far in 2016). The only US data point of note was weekly initial jobless claims, which remained low at 264k after 268k last week (revised from 267k). The trend in claims remains consistent with ongoing falls in the unemployment rate (see our Chart of the Day) though it is the apparent reduction in hiring – rather than rise in firing – that was responsible for the sharp fall in employment growth in May.

In currencies EUR/USD lost almost a big figure (1.14 to 1.13) and led by EUR/JPY moves – the latter down about 150 points at one point. This has aided a partial reversal of the post-US payrolls US dollar weakness with broad USD indices up about 0.4% and with the NZD finishing the New York as the only currency to show gains against the dollar in the past 24 hours. A slightly firmer dollar has gone hand in hand with a reversal of some of this week's commodity price strength. On the JPY, one of our FX traders yesterday was noting the uncanny similarities between the USD/JPY and AUD/NZD charts. This after the latter pierced the November

2015 low of 1.0489 in the wake of yesterday's no-change decision by the RBNZ and, as one my BNZ FX Strategy colleague notes this morning, accompanied by 'definitely no Draghi-like "we'll do whatever it takes" message to get inflation higher'. AUD/USD is 30 points lower from where we left it yesterday.

## Coming Up

There's nothing on the Australian calendar this morning - next up of note is next Tuesday's NAB business survey. We expect to get China May loan data at some point and where the expectation is for a stronger numbers after the very soft April data (and which followed the surge in March).

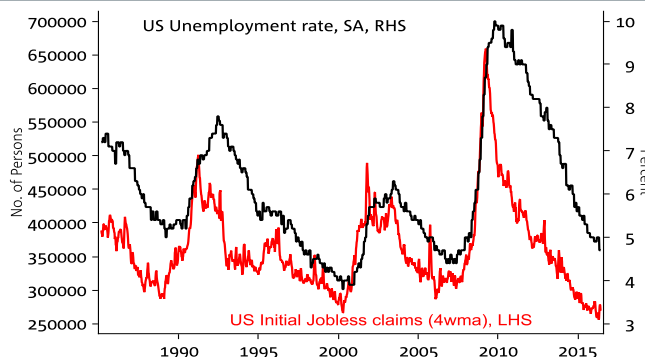
The biggest market moving data point offshore should be the preliminary June University of Michigan consumer sentiment index. This showed surprising strength in May (94.7 from 89.0), hence expectations for a small pull-back this month (to 94.0).

Monday will be a holiday in most of Australia (but not the UK) for the Queens' (90<sup>th</sup>) birthday. I read this morning that 70% of Brits would vote to retain the monarchy if asked today in a referendum. This means we'll miss the monthly slug of China activity data for June, covering industrial production (expected unchanged at 6.0% Y/Y) retail sales (seen unchanged at 10.1%) and fixed asset investment (seen at 10.4% from 10.5%).

## Overnight

On global stock markets, the S&P 500 was -0.17%. Bond markets saw US 10-years -1.55bp to 1.69%. In commodities, Brent crude oil -1.28% to \$51.84, gold +0.8% to \$1,270, iron ore +0.0% to \$52.56. AUD is at 0.7434 and the range since yesterday 5pm Sydney time is 0.7422 to 0.7467.

## Chart of the Day: US jobless claims vs. unemployment

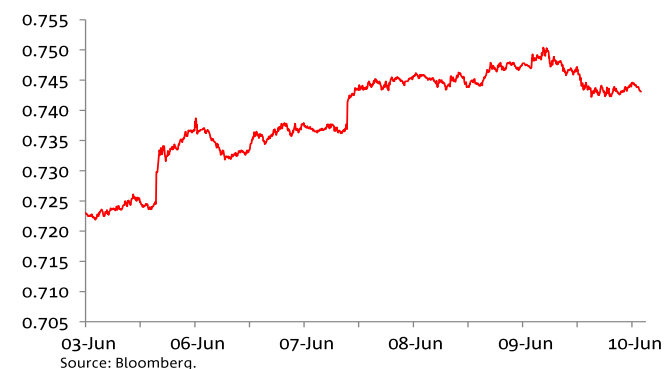


Source: National Australia Bank, Macrobond

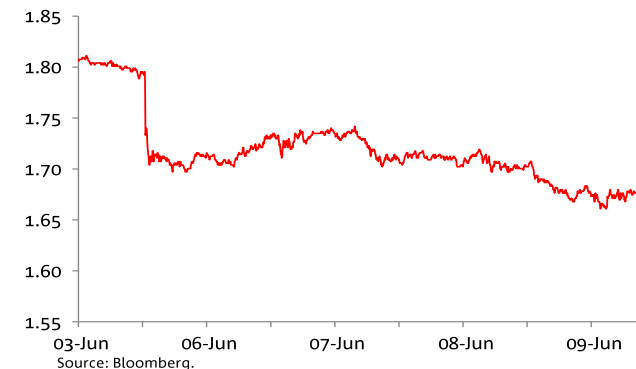
## Author:

Ray Attrill – Global Co-head of FX Strategy

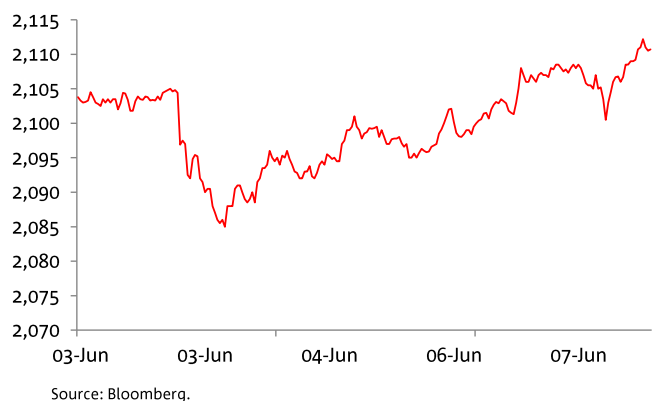
### AUD/USD - past week



### 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	0.7434	-0.5	0.7430	0.7436	HKD	7.7617 0.0
NZD	0.7106	1.4	0.7102	0.7107	CNY	6.5624 0.0
EUR	1.1316	-0.7	1.1314	1.1318	SGD	1.3528 0.4
GBP	1.4457	-0.3	1.4455	1.4461	IDR	13,287 0.1
JPY	107.06	0.1	107.05	107.10	THB	35.17 0.1
CAD	1.2721	0.2	1.2718	1.2725	KRW	1,156 -0.1
AUD/EUR	0.6569	0.2	0.6565	0.6571	TWD	32.21 0.2
AUD/JPY	79.58	-0.4	79.57	79.63	PHP	46.02 0.0
AUD/GBP	0.5141	-0.2	0.5138	0.5144	CHF	0.96 0.6
AUD/NZD	1.0462	-1.9	1.0459	1.0470	SEK	8.18 0.8
AUD/CNH	4.8764	-0.5	4.8923	4.9278		

### Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spnd
USD	0.50	0.66	0.91	1.56	USD 10	1.69	-1.55
AUD	1.75	2.03	1.85	2.32	AUD 10	2.09	-6.00 0.41
NZD	2.25	2.43	2.33	2.85	NZD 10	2.61	0.10 0.93
EUR	0.00	-0.26	-0.16	0.48	CAD 10	1.18	-1.70 -0.50
GBP	0.50	0.58	0.74	1.31	EUR 10	0.03	-2.20 -1.65
JPY	-0.05	-0.03	-0.14	0.01	GBP 10	1.24	-1.00 -0.44
CAD	0.50	0.89	0.89	1.44	JPY 10	-0.13	-2.50 -1.81

### Equities

#### Major Indices

	Last	% day	% y/y
Dow	17,985	-0.1	1.2
S&P 500	2,115	-0.2	1.7
Nasdaq	4,959	-0.3	-1.1
VIX	15	4.0	1.2
FTSE	6,232	-1.1	-7.7
DAX	10,089	-1.3	-8.3
CAC 40	4,406	-1.0	-9.2
Nikkei	16,668	-1.0	-16.9
Shanghai	2,927	0.0	-42.8
Hang Seng	21,298	0.0	-21.1
ASX 200	5,362	-0.1	-2.1

### Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.07	1.00
3 Yr bond	97.8	-3.00
10 Yr bond	97.87	-5.50
3/10 sprd	-0.07	2.50
SPI	5335.0	39.0

\*Change in bps

### Commodities\*

	Last	% day
Oil (Brent)	51.84	-1.3
Oil (WTI)	50.46	-1.5
Oil (Tapis)	52.24	0.7
Gold	1270.20	0.8
CRB	195.10	-0.4
GS Metals	258.1	-1.3
Aluminium	1570.3	-1.7
Copper	4502.0	-1.5
Nickel	8894.0	-0.3
Zinc	2063.8	0.3
Ch. steel	2080.0	0.0
Iron ore	52.6	0.0
Coal	53.0	-0.8
Wheat Chic.	521.5	-1.7
Sugar	19.7	0.7
Cotton	65.0	-1.2
Coffee	135.9	-4.1

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

	Last	% day
Jun-2016	6.31	Clsd
Dec-2016	6.12	0.3
Jun-2017	6.14	0.2

\* 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
Friday, 10 June 2016								
NZ	Card Spending Retail/Total MoM	May	../-0.4	0.5		0.9/1.5	22.45	8.45
JN	PPI MoM/YoY	May		0.1		-0.3/-4.2	23.50	9.50
JN	Tertiary Industry Index MoM	Apr		0.6		-0.7	4.30	14.30
CH	Aggregate Financing CNY	May		1000		751.0	release 10-15 June	
CH	New Yuan Loans CNY	May		750		555.6	release 10-15 June	
GE	CPI EU Harmonized MoM/YoY	May F		0.4/0		0.4/0.0	6.00	16.00
UK	Construction Output SA MoM	Apr		1.4		-3.6	8.30	18.30
UK	BoE/TNS Inflation Next 12 Mths	May				#N/A N/A	8.30	18.30
CA	Net Change in Employment	May		1.75		-2.1	12.30	22.30
CA	Unemployment Rate	May		7.2		7.1	12.30	22.30
CA	Participation Rate	May				65.8	12.30	22.30
NZ	REINZ House Sales YoY	May				18.4		
US	U. of Mich. Sentiment/5-10 yr inflation expectations	Jun P		94/		94.7/2.5	14.00	0.00
US	Monthly Budget Statement	May		-56		106.5	18.00	4.00
Sunday, 12 June 2016								
CH	Industrial Production YoY	May		6		6.0	5.30	15.30
CH	Industrial Production YTD YoY	May		5.9		5.8	5.30	15.30
CH	Retail Sales YoY	May		10.1		10.1	5.30	15.30
CH	Retail Sales YTD YoY	May		10.2		10.3	5.30	15.30
CH	Fixed Assets Ex Rural YTD YoY	May		10.4		10.5	5.30	15.30
Monday, 13 June 2016								
NZ	REINZ House Sales YoY	May				18.4	10-15 June release	
CH	Aggregate Financing CNY	May		1000		751.0	10-15 June release	
CH	New Yuan Loans CNY	May		750		555.6	10-15 June release	
JN	BSI Large All Industry QoQ	2Q				-3.2	23.50	9.50
JN	BSI Large Manufacturing QoQ	2Q				-7.9	23.50	9.50
CA	Bloomberg Nanos Confidence	Jun 10				57.8	14.00	0.00
Tuesday, 14 June 2016								
NZ	Food Prices MoM	May				0.3	22.45	8.45
AU	Consumer Inflation Expectation	Jun				3.2	1.00	11.00
AU	NAB Business Conditions/Confidence	May				9.0/5.0	1.30	11.30
JN	Industrial Production MoM/YoY	Apr F		/		0.3/-3.5	4.30	14.30
UK	CPI MoM/YoY	May		/		0.1/0.3	8.30	18.30
UK	CPI Core YoY	May				1.2	8.30	18.30
UK	PPI Output Core NSA MoM/YoY	May		/		0.2/0.5	8.30	18.30
UK	ONS House Price YoY	Apr				9.0	8.30	18.30
EC	Industrial Production SA MoM/YoY	Apr		/		-0.8/0.2	9.00	19.00
EC	Employment QoQ/YoY	1Q				0.3/1.2	9.00	19.00
US	NFIB Small Business Optimism	May		93.6		93.6	10.00	20.00
US	Import Price Index MoM/YoY	May		0.9/		0.3/-5.7	12.30	22.30
US	Retail Sales Advance/Control Group MoM	May		0.3/0.3		1.3/0.9	12.30	22.30
CA	Teranet/National Bank HPI MoM/YoY	May		/		1.2/8.1	12.30	22.30
US	Business Inventories	Apr		0.2		0.4	14.00	0.00
Wednesday, 15 June 2016								
NZ	BoP Current Account Balance	1Q				-2.6	22.45	8.45
NZ	Current Account GDP Ratio YTD	1Q				-3.1	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jun 12				116.8	23.30	9.30
AU	Westpac Consumer Conf Index/MoM	Jun				103.2/8.5	0.30	10.30
NZ	Non Resident Bond Holdings	May				66.5	3.00	13.00
JN	Machine Tool Orders YoY	May P				-26.3	6.00	16.00
UK	Jobless Claims Change	May				-2.4	8.30	18.30
UK	Average Weekly Earnings 3M/YoY	Apr				2.0	8.30	18.30
UK	ILO Unemployment Rate 3Mths	Apr				5.1	8.30	18.30
UK	Employment Change 3M/3M	Apr				44.0	8.30	18.30
EC	Trade Balance SA	Apr				22.3	9.00	19.00
CA	Manufacturing Sales MoM	Apr				-0.9	12.30	22.30
US	PPI Final Demand MoM/YoY	May		0.4/-0.1		0.2/0.0	12.30	22.30
US	Empire Manufacturing	Jun		-4.95		-9.0	12.30	22.30
CA	Existing Home Sales MoM	May				3.1	13.00	23.00
US	Industrial Production MoM/Cap Use rate	May		-0.2/75.2		0.7/75.4	13.15	23.15
US	FOMC Rate Decision (Lower/Upper Bound)	Jun 15		0.25/0.5		0.3/0.5	18.00	4.00
US	Fed Summary of Economic Projections						18.00	4.00
US	Total Net TIC Flows	Apr				-98.3	20.00	6.00
US	Net Long-term TIC Flows	Apr				78.1	20.00	6.00
Thursday, 16 June 2016								
NZ	GDP SA QoQ/YoY	1Q		/		0.9/2.3	22.45	8.45
AU	Employment Change/Unemployment rate	May		/		10.8/5.7	1.30	11.30
AU	Participation Rate	May				64.8	1.30	11.30
AU	New Motor Vehicle Sales MoM/YoY	May				-2.5/2.4	1.30	11.30
AU	RBA FX Transactions Market	May				946.0	1.30	11.30
JN	BOJ Annual Rise in Monetary Base	Jun 16				80.0		
JN	BOJ Monetary Policy Statement							
JN	BOJ Basic Balance Rate	Jun 16				0.1		
JN	BOJ Macro Add-On Balance Rate	Jun 16				0.0		
JN	BOJ Policy Rate	Jun 16				-0.1		
EC	ECB Publishes Economic Bulletin						8.00	18.00
UK	Retail Sales Ex Auto Fuel MoM/YoY	May		/		1.5/4.2	8.30	18.30
EC	CPI MoM/YoY	May		/		0.0/-0.2	9.00	19.00
EC	CPI Core YoY	May F				0.8	9.00	19.00
UK	Bank of England Bank Rate	Jun 16				0.5	11.00	21.00
UK	BOE Asset Purchase Target	Jun				375.0	11.00	21.00
CA	Int'l Securities Transactions	Apr				17.2	12.30	22.30
US	Current Account Balance	1Q		-126.2		-125.3	12.30	22.30
US	Initial Jobless Claims	Jun 4		270		267.0	12.30	22.30
US	Philadelphia Fed Business Outlook	Jun		1.5		-1.8	12.30	22.30
US	CPI MoM/YoY	May		0.3/1.1		0.4/1.1	12.30	22.30
US	CPI Ex Food and Energy MoM/YoY	May		0.2/2.2		0.2/2.1	12.30	22.30
US	Real Avg Weekly Earnings YoY	May				1.3	12.30	22.30
US	Bloomberg Economic Expectations	Jun				44.5	13.45	23.45
US	Bloomberg Consumer Comfort	Jun 5				43.2	13.45	23.45
US	NAHB Housing Market Index	Jun		59		58.0	14.00	0.00
Upcoming Central Bank Interest Rate Announcements								
New Zealand, RBNZ		11-Aug	2.00%	n/a		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%		
Australia, RBA		5-Jul	1.75%	1.75%		1.75%		
Canada, BoC		14-Jul				0.50%		
Europe ECB		21-Jul				0.00%		

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

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