

A night of two halves

Yesterday's fall in the Nikkei and strengthening of the Yen on the back of BoJ inaction and heightened concerns around the outcome of the UK EU referendum set the tone to the early part of the overnight session. Equities, risk sensitive currencies and the Pound were sold while core global yields and safe haven currencies were bought. Losses were then mitigated in the US session with the rebound in risk appetite coinciding with news that campaigning ahead of the UK EU referendum was halted following the murder of a UK labour MP. The recovery in equities and other risk assets occurred amid a gradual easing in bookmakers odds for the UK leaving the EU.

US equities pared early losses aided by gains in telecommunications and utilities shares. Main US equity indices ended the day with gains between 0.2% and 0.55% while all major European equity indices closed down between 0.27% and 1%.

The USD is stronger across all G10 currencies barring the JPY which has benefited from its preeminent safe haven attribute. Moves in JPY are also reflecting a dose of market disappointment from the BoJ decision to stand pat once again. Although the GBP is practically unchanged against the USD, it traded in a range of two big figures overnight. The Pound remains at the mercy of Brexit polls and Brexit odds by bookmakers.

Meanwhile, at 0.7367 the AUD/USD is basically unchanged relative to Sydney's closing level. Yesterday the AUD/USD reached an intraday high of 0.7440 immediately after the employment data was released. The unchanged 5.7% unemployment rate and the 18k jobs created in May were the catalyst for the move higher. But, details on the report were disappointing, no full time jobs were created in May and we had downward revision in April (-9.3k to 18.2k). As a result the AUD/USD was eventually dragged down to a 73 handle, however Ivan Colhoun, our Chief economist, noted that we need to be careful "in placing too much weight on short-term trends in this data, which continue to be volatile and potentially unreliable".

Looking at other markets, core global yields ended a little bit lower in Europe and marginally higher in the US. 10y Bunds closed at -0.025% (-1.4bps) and 10y UST are currently at 1.577%, 2.2bps higher relative to Sydney's closing level. In commodities, oil prices have continued to decline with both WTI and Brent down 3.0%. Iron ore has remained steady at \$50.7, copper lost 1.8% and gold lost 0.6%.

Given the current fragile risk sentiment, markets are paying very little attention to data releases at the moment. That

said we did have important US data releases overnight which were mostly in line with expectations. US May CPI rose 0.2% (0.3% exp) and the core measure printed at 0.2% in line with consensus. This was the fourth solid gain in core CPI over the past five months.

The US Philly Fed index rose to 4.7 in June from -1.8 in May. However, orders, shipments, inventories and the workweek all fell, so this is not the clear signal of better manufacturing conditions that the headline seems to suggest.

US Jobless claims rose to 277k from 264k (unrevised), above the 270k consensus, albeit by about the same amount that they were lower than expected last week. Finally, the NAHB index in the homebuilders' survey rose to 60 in early June from 58 in May.

Coming Up

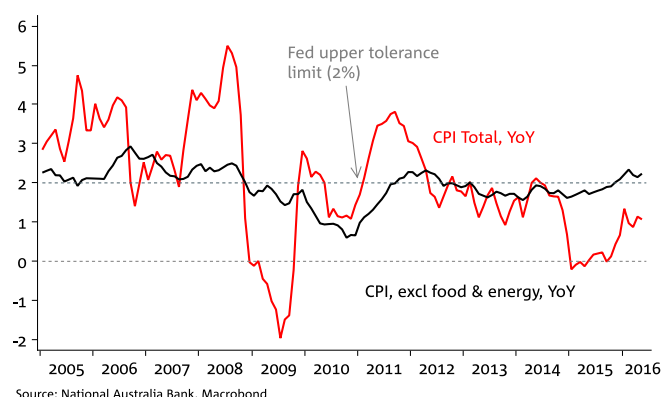
After a fairly hectic few days of data releases and central bank announcements, we have a quiet end to the week with no domestic data releases and only second tier data releases in offshore markets.

This morning New Zealand gets its business manufacturing PMI for May and consumer confidence readings for June. Then, we have an empty calendar until Europe opens with the Euro zone April current account due out along with the labour cost data for Q1. On the other side of the Atlantic, the US gets housing starts and building permits data and Canada releases its May CPI print.

Overnight

On global stock markets, the S&P 500 was +0.11%. Bond markets saw US 10-years +0.68bp to 1.56%. In commodities, Brent crude oil -3.23% to \$47.05, gold -0.6% to \$1,284, iron ore +0.1% to \$50.70. AUD is at 0.7365 and the range since yesterday 5pm Sydney time is 0.7292 to 0.7377.

Chart of the day: US CPI rising steadily

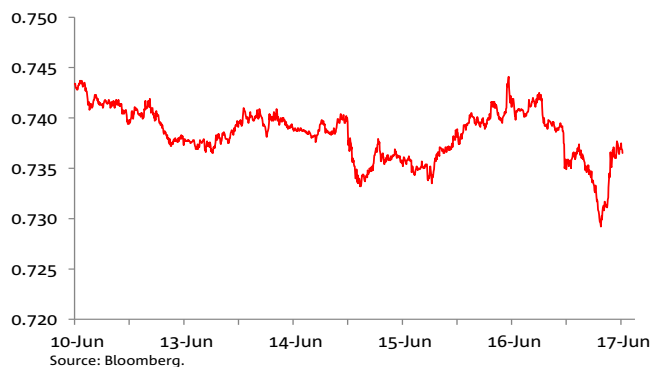


Source: National Australia Bank, Macrobond

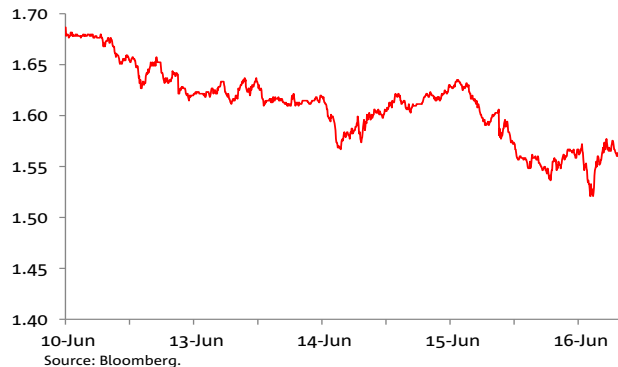
Author:

Rodrigo Catril – Currency Strategist

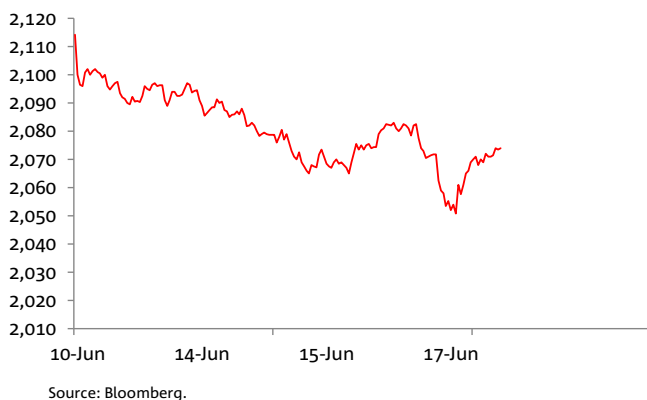
AUD/USD - past week



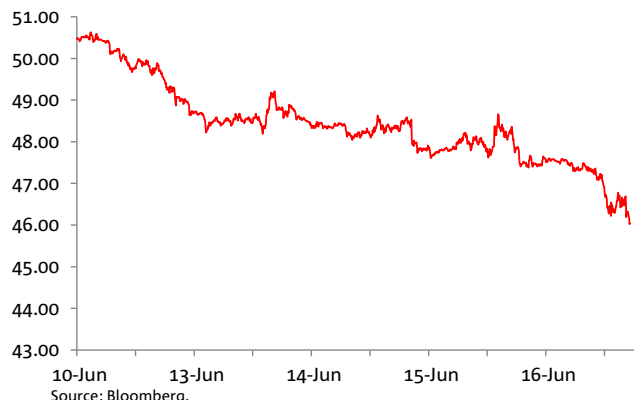
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX		
	Last	% chge	Low	High	Last	% chge	
AUD	0.7365	-0.6	0.7286	0.7440	HKD	7.7595	0.0
NZD	0.7039	0.1	0.6969	0.7093	CNY	6.5915	0.1
EUR	1.1231	-0.3	1.1131	1.1295	SGD	1.3492	-0.3
GBP	1.4209	0.0	1.4013	1.4254	IDR	13,375	0.1
JPY	104.27	-1.6	103.55	106.03	THB	35.29	0.1
CAD	1.2968	0.4	1.2896	1.3086	KRW	1,171	-0.2
AUD/EUR	0.6557	-0.3	0.6508	0.6599	TWD	32.38	-0.1
AUD/JPY	76.80	-2.2	75.60	78.66	PHP	46.41	0.2
AUD/GBP	0.5183	-0.6	0.5175	0.5241	CHF	0.96	0.3
AUD/NZD	1.0464	-0.6	1.0417	1.0534	SEK	8.35	0.5
AUD/CNH	4.8236	-1.1	4.8127	4.9091			

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.66	0.83	1.43	USD 10	1.56	-1.02
AUD	1.75	2.00	1.80	2.23	AUD 10	2.00	-6.30
NZD	2.25	2.35	2.26	2.73	NZD 10	2.43	-5.10
EUR	0.00	-0.26	-0.18	0.46	CAD 10	1.11	2.30
GBP	0.50	0.57	0.70	1.22	EUR 10	-0.02	-1.40
JPY	-0.03	-0.04	-0.15	-0.02	GBP 10	1.11	-1.00
CAD	0.50	0.89	0.88	1.37	JPY 10	-0.19	-1.20

Equities

Major Indices			
	Last	% day	% y/y
Dow	17,711	0.4	-1.1
S&P 500	2,074	0.1	-1.1
Nasdaq	4,833	0.0	-4.4
VIX	20	-0.3	35.6
FTSE	5,950	-0.3	-11.3
DAX	9,550	-0.6	-13.5
CAC 40	4,153	-0.4	-14.2
Nikkei	15,434	-3.0	-23.7
Shanghai	2,873	-0.5	-42.2
Hang Seng	20,038	-2.1	-25.1
ASX 200	5,146	0.0	-8.0

Commodities*

	Last	% day
Oil (Brent)	47.05	-3.2
Oil (WTI)	46.05	-3.0
Oil (Tapis)	48.41	-0.9
Gold	1283.70	-0.6
CRB	188.89	-1.5
GS Metals	263.5	0.0
Aluminium	1600.5	-1.2
Copper	4548.0	-1.8
Nickel	8841.0	-1.9
Zinc	1985.0	-2.3
Ch. steel	2043.0	-1.2
Iron ore	50.7	0.1
Coal	52.6	0.3
Wheat Chic.	486.3	-0.8
Sugar	19.7	-0.3
Cotton	63.3	0.8
Coffee	141.5	0.7

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.10	0.00
3 Yr bond	97.8	-3.00
10 Yr bond	97.96	-1.70
3/10 sprd	-0.16	-1.30
SPI	5097.0	10.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Jun-2016	5.86	Clsd
Dec-2016	5.71	-3.5
Jun-2017	5.73	-3.4

* 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, 17 June 2016								
NZ	BusinessNZ Manufacturing PMI	May				56.5	22.30	8.30
NZ	ANZ Consumer Confidence Index/MoM	Jun				116.2/-3.2	1.00	11.00
EC	ECB Current Account SA	Apr				27.3	8.00	18.00
EC	Current Account NSA	Apr				32.3	8.00	18.00
EC	Labour Costs YoY	1Q				1.3	9.00	19.00
US	Housing Starts #/MoM	May		1150/-1.9		1172.0/6.6	12.30	22.30
US	Building Permits #/MoM	May		1145/1.3		1116.0/3.6	12.30	22.30
CA	CPI NSA MoM/YoY	May		0.5/1.6		0.3/1.7	12.30	22.30
CA	CPI Core MoM	May		0.3/2.1		0.2/2.2	12.30	22.30
Saturday, 18 June 2016								
CH	China May Property Prices						1.30	11.30
Monday, 20 June 2016								
NZ	Performance Services Index	May				57.7	22.30	8.30
JN	Trade Balance Adjusted	May				426.6	23.50	9.50
JN	Convenience Store Sales YoY	May				0.9	7.00	17.00
EC	Construction Output MoM/YoY	Apr				-0.9/-0.5	9.00	19.00
CA	Wholesale Trade Sales MoM	Apr				-1.0	12.30	22.30
NZ	Westpac Consumer Confidence	2Q				109.6	22.00	8.00
CA	Bloomberg Nanos Confidence	Jun 17				57.9	14.00	0.00
Tuesday, 21 June 2016								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jun 19				116.4	23.30	9.30
AU	RBA June Meeting Minutes						1.30	11.30
AU	House Price Index QoQ/YoY	1Q				0.2/8.7	1.30	11.30
JN	All Industry Activity Index MoM	Apr				0.1	4.30	14.30
UK	Public Finances (PSNCR)	May				-2.4	8.30	18.30
GE	ZEW Survey Current Situation/Expectations	Jun				53.1/6.4	9.00	19.00
EC	ZEW Survey Expectations	Jun				16.8	9.00	19.00
UK	CBI Trends Total Orders/Selling prices	Jun				-8.0/2.0	10.00	20.00
US	Yellen Testifies on Monetary Policy to Senate Banking Panel						14.00	0.00
Wednesday, 22 June 2016								
NZ	Net Migration SA	May				5520.0	22.45	8.45
AU	Westpac Leading Index MoM	May				0.2	0.30	10.30
AU	Skilled Vacancies MoM	May				0.6	1.00	11.00
NZ	Credit Card Spending MoM/YoY	May				2.5	3.00	13.00
US	MBA Mortgage Applications	Jun 10				-2.4	11.00	21.00
CA	Retail Sales MoM	Apr				-1.0	12.30	22.30
US	FHFA House Price Index MoM	Apr		0.5		0.7	13.00	23.00
CH	Conference Board Leading Economic Index	May				-7.0	13.00	23.00
EC	Consumer Confidence	Jun A				-7.0	14.00	0.00
US	Existing Home Sales, #/MoM	May		5.5		5.5/1.7	14.00	0.00
Thursday, 23 June 2016								
NZ	ANZ Job Advertisements MoM	May				1.7	22.00	8.00
CH	MNI Business Indicator	Jun					1.45	11.45
JN	Nikkei Japan PMI Mfg	Jun P				47.7	2.00	12.00
JN	Leading Index CI	Apr F				100.5	5.00	15.00
JN	Coincident Index	Apr F				112.2	5.00	15.00
UK	UK votes on whether to remain in or leave the EU							
GE	Markit/BME Germany Manufacturing PMI	Jun P				52.1	7.30	17.30
GE	Markit Germany Services/Composite PMI	Jun P				55.2/54.5	7.30	17.30
EC	Markit Eurozone Manufacturing PMI	Jun P				51.5	8.00	18.00
EC	Markit Eurozone Services/Composite PMI	Jun P				53.3/53.1	8.00	18.00
US	Chicago Fed Nat Activity Index	May				0.1	12.30	22.30
US	Initial Jobless Claims	Jun 11		270		264.0	12.30	22.30
US	Continuing Claims	Jun 4		2140		2095.0	12.30	22.30
US	Bloomberg Consumer Comfort	Jun 12				43.5	13.45	23.45
US	Markit US Manufacturing PMI	Jun P		50.5		50.7	13.45	23.45
US	New Home Sales	May		560		619.0	14.00	0.00
US	Leading Index	May		0.2		0.6	14.00	0.00
US	New Home Sales MoM	May		-9.5		16.6	14.00	0.00
US	Kansas City Fed Manf. Activity	Jun				-5.0	15.00	1.00
Friday, 24 June 2016								
UK	EU referendum vote counting begins						21.00	7.00
US	Fed's Kaplan Speaks in New York						23.00	9.00
JN	PPI Services YoY	May				0.2	23.50	9.50
GE	Ifo Business Climate	Jun				107.7	8.00	18.00
GE	Ifo Current Assessment/Expectations	Jun				114.2/101.6	8.00	18.00
UK	BBA Loans for House Purchase	May				40104.0	8.30	18.30
US	Durable Goods Orders/Core orders	May P		-0.8		3.4/-0.6	12.30	22.30
US	U. of Mich. Sentiment/5-10yr inflation expectations	Jun F		94.3		94.3/2.3	14.00	0.00
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		5-Jul	1.75%	1.75%		1.75%		
UK BOE		14-Jul				0.50%		
Canada, BoC		14-Jul				0.50%		
Europe ECB		21-Jul				0.00%		
US Federal Reserve		27-Jul				0.25-0.50%		
Japan, BoJ		29-Jul				-0.1% to +0.1%		
New Zealand, RBNZ		11-Aug	2.00%			2.25%		

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

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