

It ain't over till it's over

After what has been a divisive campaign, Britain is almost done with voting on whether to leave the EU. Despite stormy weather in London and the south east, turnout has been reported to be high and although markets appear to have 'Remain' as the most likely outcome, recent history suggests that voting outcomes don't always end as expected. As we about to press the send button, UKIP leader Nigel Farage has told Sky News it "looks like Remain will edge it" while a youGov exit poll has 52-48 for "Remain".

In terms of markets, a couple of late polls released early in the overnight session showing "Remain" ahead appear to have contributed to a spike in risk appetite. A Populus poll reported a 55-45% in favour of "Remain" and an Ipsos Mori poll put "Remain" at 52% with "Leave" at 48%. GBP/USD made a new year to date high almost breaking the 1.50 mark (1.4947) and while it lost some ground later in the day, it still managed to climb a further 1.3% against the USD. On Thursday last week, Cable traded down to 1.4013 and now it is trading at 1.4880.

Risk assets enjoyed another positive night with European equities recording a fifth successive day of gains while in the US, the S&P500 ended above the 2100 level for the first time in a fortnight.

The USD is weaker across the board with the exceptions of the Yen and the Argentinian peso. Commodity currencies have outperformed with the NOK and AUD are at the top of the leader board, up 1.96% and 1.4% respectively. The AUD is back trading above 76c for the first time since early May and the NZD is back above 72c, currently trading at 0.7252.

Not surprisingly the risk on environment has pushed core global yields higher. The US Treasury curve is steeper with the move led by the back end of the curve. Relative to Sydney's closing levels, 10y UST are 4bps higher at 1.74% and 2y UST are 2.5bps higher at 0.7788%. Early in the session, 10y Bunds closed +3.2bps at 0.09% and 10y Gilts ended at 1.371%, 6.1bps higher.

Commodities had a mixed night. Brent and WTI oil are up 2.5%, gold is down 0.6% and iron ore also ended lower, down 0.8% (\$51.09).

As for data releases, Eurozone manufacturing PMI came in stronger at 52.6 (51.4e) but services were weaker at 52.4 (53.2e). Jobless claims in the US fell to just 259k from 277k and US new home sales fell 6% in May.

Coming Up

Polling booths closed at 7:00AEST and now we await the first hard UK referendum results. These should start

streaming in from around 9:30 AEST, but the bulk of the results are likely to come in between midday and 1:30 AEST. If it becomes clear that polling for both sides is close, it could be a lot later than this before the result is known. This shouldn't be later than 4pm AEST.

In terms of FX market reaction to the final result (or a confident view on the outcome) we've been saying that we thoughts GBP/USD would rally to the low 1.50's and AUD/USD to perhaps 0.77 (implying AUD/GBP around 0.5050). Since we've almost reach these levels already, we struggle to think there'll be too much upside. Yet in the event of a very convincing vote in favour of Remain (say 53% or more) we'd need to allow for GBP/USD adding at least a few more cents to the mid \$1.50s and risk sentiment potentially taking AUD/USD up to perhaps 0.78.

Of course, if the opposite outcome looks like eventuating, the downside is that much bigger – we would look for a plunge to \$1.30 or so in GBP/USD and for a spike in market risk aversion/volatility with AUD potentially challenging its 2016 lows (0.6827).

If there a vote for Brexit, no-one will care about anything else going on today; if 'Remain' prevails they'll be less disinterested. The BoJ June meeting summary of opinions are released this morning and the German IFO survey (which follows a good ZEW survey earlier this week), US durable goods orders and the final University of Michigan consumer sentiment survey are the main calendar items.

Overnight

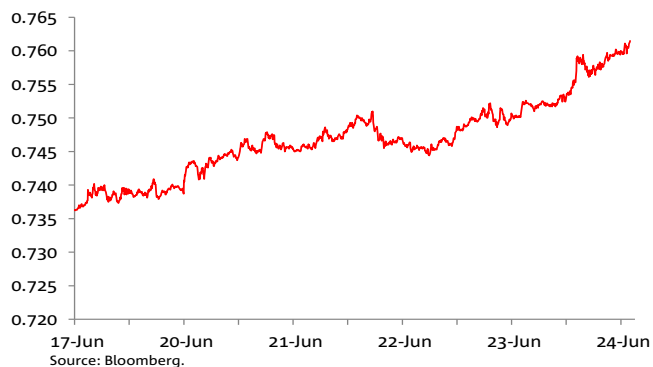
On global stock markets, the S&P 500 was +1.34%. Bond markets saw US 10-years +6.06bp to 1.75%. In commodities, Brent crude oil +2.20% to \$50.99, gold-0.6% to \$1,257, iron ore -0.8% to \$51.89. AUD is at 0.7632 and the range since yesterday 5pm Sydney time is 0.7532 to 0.7641.

Author:

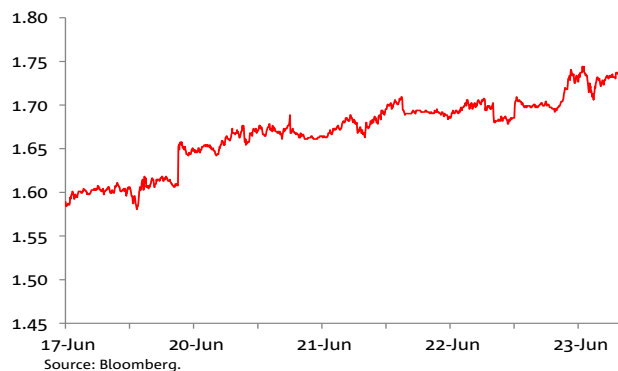
Ray Attrill – Global Co-Head of FX Strategy

Rodrigo Catril – Currency Strategist

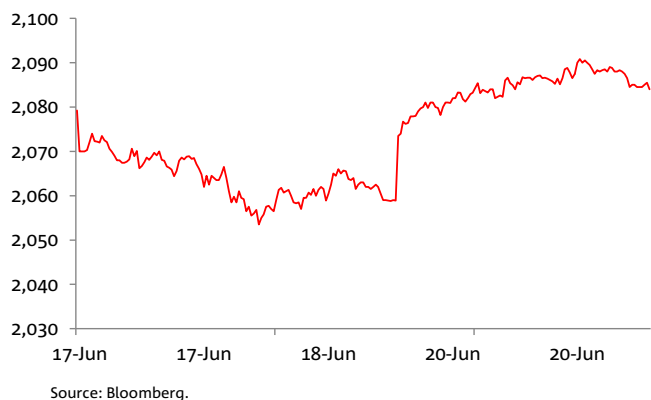
AUD/USD - past week



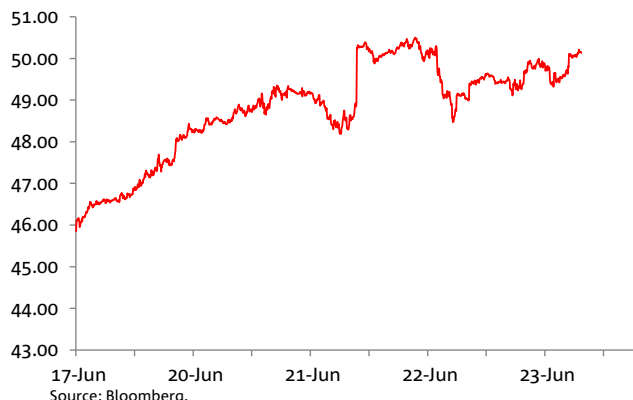
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7632	1.7	0.7612	0.7648	HKD	7.7575 0.0
NZD	0.7270	1.5	0.7219	0.7300	CNY	6.5807 0.0
EUR	1.1395	0.9	1.1379	1.1427	SGD	1.3369 -0.1
GBP	1.4987	1.9	1.4837	1.4999	IDR	13,248 -0.3
JPY	106.72	2.2	105.89	106.84	THB	35.14 -0.1
CAD	1.2747	-0.8	1.2714	1.2789	KRW	1,150 -0.4
AUD/EUR	0.6699	0.9	0.6679	0.6706	TWD	32.05 -0.5
AUD/JPY	81.45	4.0	80.70	81.62	PHP	46.49 -0.2
AUD/GBP	0.5093	-0.1	0.5092	0.5124	CHF	0.96 0.6
AUD/NZD	1.0499	0.3	1.0458	1.0517	SEK	8.13 -1.6
AUD/CNH	4.9905	1.2	5.0143	5.0200		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.64	0.91	1.65	USD 10	1.75	6.06
AUD	1.75	2.00	1.94	2.49	AUD 10	2.25	2.80 0.50
NZD	2.25	2.36	2.35	2.90	NZD 10	2.67	11.50 0.92
EUR	0.00	-0.27	-0.17	0.54	CAD 10	1.29	6.00 -0.45
GBP	0.50	0.58	0.84	1.45	EUR 10	0.09	3.20 -1.65
JPY	-0.04	-0.03	-0.11	0.03	GBP 10	1.37	6.00 -0.37
CAD	0.50	0.89	0.97	1.53	JPY 10	-0.14	-0.20 -1.89

Equities

Major Indices	Last	% day	% y/y
	Dow	18,011	1.3
S&P 500	2,113	1.3	-0.5
Nasdaq	4,910	1.6	-4.8
VIX	17	-18.5	42.4
FTSE	6,338	1.2	-7.3
DAX 40	10,257	1.8	-11.1
CAC 40	4,466	2.0	-11.7
Nikkei	16,238	1.1	-22.2
Shanghai	2,892	-0.5	-38.3
Hang Seng	20,868	0.4	-23.9
ASX 200	5,281	0.2	-7.1

Commodities*

	Last	% day
Oil (Brent)	50.99	2.2
Oil (WTI)	50.13	2.3
Oil (Tapis)	50.57	-1.4
Gold	1256.90	-0.6
CRB	193.52	0.9
GS Metals	268.5	0.9
Aluminium	1629.0	0.0
Copper	4773.0	1.6
Nickel	9194.0	-0.1
Zinc	2034.0	-0.3
Ch. steel	2152.0	0.4
Iron ore	51.9	-0.8
Coal	53.0	0.0
Wheat Chic.	466.3	-1.3
Sugar	19.2	0.8
Cotton	65.5	3.7
Coffee	142.9	2.1

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.05	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.66	-12.00
3/10 sprd	0.14	15.00
SPI	5294.0	-78.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Jun-2016	5.60	Clsd
Dec-2016	5.66	-0.9
Jun-2017	5.68	-0.7

* 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, 22 June 2016								
NZ	Net Migration SA	May				5520	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
CA	Retail Sales MoM	Apr		0.8		-1.0	12.30	22.30
US	FHFA House Price Index MoM	Apr		0.6		0.7	13.00	23.00
CH	Conference Board Leading Economic Index	May					13.00	23.00
EC	Consumer Confidence	Jun A		-7		-7.0	14.00	0.00
US	Existing Home Sales, #/MoM	May		5.55/1.83		5.5/1.7	14.00	0.00
US	Yellen Testifies on Monetary Policy to House Financial Services Panel						14.00	0.00
US	Fed Governor Powell gives introductory remarks at panel in New York						18.30	4.30
Thursday, 23 June 2016								
NZ	ANZ Job Advertisements MoM	Jun				0.2	22.00	8.00
AU	Panel participation by RBA's Luci Ellis, Head of Financial Stability Department, at the finance and regulation banking event, Sydney						23.00	9.00
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
UK	UK votes on whether to remain in or leave the EU							
GE	Markit/BME Germany Manufacturing PMI	Jun P		52		52.1	7.30	17.30
GE	Markit Germany Services/Composite PMI	Jun P		55/54.3		55.2/54.5	7.30	17.30
EC	Markit Eurozone Manufacturing PMI	Jun P		51.4		51.5	8.00	18.00
EC	Markit Eurozone Services/Composite PMI	Jun P		53.2/53		53.3/53.1	8.00	18.00
AU	Remarks by RBA's Debelle at Sydney Harcourt Visiting Professorship event						8.15	18.15
US	Chicago Fed Nat Activity Index	May		0.11		0.1	12.30	22.30
US	Initial Jobless Claims	Jun 18		270		277	12.30	22.30
US	Bloomberg Consumer Comfort	Jun 19				42.1	13.45	23.45
US	Markit US Manufacturing PMI	Jun P		50.9		50.7	13.45	23.45
US	New Home Sales	May		560		619	14.00	0.00
US	Leading Index	May		0.1		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		-8		-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		0.1		0.2	23.50	9.50
GE	IFO Business Climate	Jun		107.4		107.7	8.00	18.00
GE	IFO Current Assessment/Expectations	Jun		114/101.2		114.2/101.6	8.00	18.00
UK	BBA Loans for House Purchase	May		37850		40104	8.30	18.30
US	Durable Goods Orders/Core orders	May P		-0.4/0.3		3.4/-0.6	12.30	22.30
US	U. of Mich. Sentiment/5-10yr inflation expectations	Jun F		94.1/		94.3/2.3	14.00	0.00
Monday, 27 June 2016								
NZ	Trade Balance	May				292.0	22.45	8.45
CH	Industrial Profits YoY	May				4.2	1.30	11.30
EC	M3 Money Supply YoY	May				4.6	8.00	18.00
US	Advance Goods Trade Balance	May		-59.5		-57.5	12.30	22.30
US	Markit US Services/Composite PMI	Jun P				51.3/50.9	13.45	23.45
CA	Bloomberg Nanos Confidence	Jun 17				57.9	14.00	0.00
US	Dallas Fed Manf. Activity	Jun		-15		-20.8	14.30	0.30
EC/CH	PBOC Governor Zhou Speaks at ECB Forum in Sintra, Portugal						17.30	3.30
Tuesday, 28 June 2016								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jun 19				116.4	23.30	9.30
UK	CBI Retailing Reported Sales	Jun				7.0	10.00	20.00
UK	CBI Total Dist. Reported Sales	Jun				19.0	10.00	20.00
US	GDP Annualized QoQ	1Q T		1		0.8	12.30	22.30
US	S&P/CS 20 City MoM/YoY SA	Apr				0.9/5.4	13.00	23.00
CH	Leading Index	Apr				99.1	28-30 June release	
US	Consumer Confidence Index	Jun		93.1		92.6	14.00	0.00
US	Richmond Fed Manufact. Index	Jun		2		-1.0	14.00	0.00
Wednesday, 29 June 2016								
JN	Retail Sales MoM/YoY	May				0.0/-0.8	23.50	9.50
JN	Dept. Store, Supermarket Sales	May				-0.7	23.50	9.50
AU	HIA New Home Sales MoM	May				-1.8	1.00	11.00
CH	Westpac-MNI Consumer Sentiment	Jun				114.2	1.45	11.45
GE	GfK Consumer Confidence	Jul				9.8	6.00	16.00
UK	Mortgage Approvals	May				66.3	8.30	18.30
EC	Business Climate Indicator	Jun				0.3	9.00	19.00
GE	CPI MoM/YoY	Jun P				0.3/0.1	12.00	22.00
GE	CPI EU Harmonized MoM/YoY	Jun P				0.4/0.0	12.00	22.00
US	Personal Income/Spending	May		0.3/0.4		0.4/1.0	12.30	22.30
US	Real Personal Spending	May				0.6	12.30	22.30
US	PCE Deflator MoM/YoY	May		0.2/		0.3/1.1	12.30	22.30
US	PCE Core MoM/YoY	May		0.1/		0.2/1.6	12.30	22.30
US	Pending Home Sales MoM/YoY	May		-1/		5.1/2.9	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%	2.00%		2.25%		

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

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