

D-I-V-O-R-C-E

Lows for the day on Friday in all things GBP and AUD and highs for the USD and US Treasury prices came early to mid-afternoon Australian time almost as soon as it became clear the UK had voted for Brexit.

Somewhat remarkably, the UK stock market recovered smartly from its opening crunch with the FTSE closing -3.1% having been -8.7% early on and despite a falls of +/-20% in the share prices of Lloyds, Barclays and RBS. GBP/USD similarly recouped a good chunk of its 17.5 big figure or 12% record intraday fall, closing at 1.3679 (-8.05%). Both our London and New York institutional sales desks on Friday picked up plenty of chatter about repatriation flows – actual or prospective - from international bond and equity sales by UK fund managers.

Moody's on Friday formally put the UK sovereign on negative ratings watch. Though S&P and Fitch have as yet done nothing formally, both said that Friday's news is credit negative. S&P currently has the UK on AAA, Fitch and Moody's both one notch below.

The biggest stock index losses on Friday were reserved for continental Europe, where an 8.6% loss for the Eurostoxx 50 was led by Italy's FTSE MIB (-12.5%) and Spain's IBEX (-12.4%). The latter came in front of Sunday's Spanish general election and where incoming results suggesting another inconclusive outcome.

The S&P 500 lost about 2.75% in the opening minutes of cash market trading US and then lost another percent or so to end NY at 3.59% - a smaller fall than suffered by S&P futures during the APAC session. The VIX ended 50% up on its Thursday closing level at 25.76, close to the intra-day highs and at its highest since 11 February. Yet in the context of Friday's events, the surprise perhaps is that risk aversion indicators aren't higher. That can yet transpire.

In bonds, 10-year Treasuries finished 16bp up from their (1.40%) APAC session low at 1.561% (-18.6bps on the day); 10 year gilts finished 28.7bps lower at 1.086% and Bunds -14bps at -0.047% having been as low as -0.17%. Pricing for the Fed now has 3.7bps of easing for September (meaning a 15% probability of the December quarter point rate rise being reversed) and December 2016 shows 0.1bps of easing.

So in FX, GBP/USD finished in NY -8.05% at 1.3679 having been 1.3229 around 2:30pm AEST. EUR/USD -2.35% at 1.1117; USD/JPY -3.71% to 102.22; AUD/USD -1.93% to 0.7466 and NZD -1.74% to 0.7124; The SNB earlier confirmed intervention and after EUR/CHF had traded sub-1.0650). The

narrow DXY dollar index ended Friday +2.05% at 95.45, the broader BBDXY +1.81%.

Commodities, with the exception of gold predictably got hammered on global growth concerns and dollar strength. WTI and Brent crude both lost \$2.50. The LME index lost 1.56% and iron ore \$1.30 to \$50.61. Gold gained \$58.80 to \$1,320 having been as high as \$1,358.

Data published Friday, albeit ignored, showed US durable goods orders -2.2% (-0.5%E, +3.3%P). Ex-transport, orders were -0.3% (0.1%E, +0.5%P) and orders non-defence ex-aircraft -0.7% (+0.4%E, -0.4%P). Final University of Michigan consumer sentiment came in at 93.5 vs. the 94.1 expected and the preliminary 94.3. There was an unusually large (upwards) revision to 5-10 year inflation expectations (2.6% from 2.3%) – this after the Fed had implicitly acknowledged the dip in the preliminary reading in the June FOMC statement. German IFO survey 108.7 up from 107.8 in May and better than the 107.4 expected. Both current conditions and expectations readings rose.

CoreLogic RP data's weekend auction market summary shows the capital city weighted average clearance rate up to a preliminary 69.1% from 67.4%. Sydney cleared a preliminary 77.1% up from 73.4% and Melbourne 68.4% little changed from last week's 68.3%.

Coming Up

The weekend brought nothing but increased uncertainty about how the enormity of Friday's decision by the UK electorate plays out. Amid a UK political vacuum, the timing of the exit (assuming there will be one) is highly uncertain. Scotland looks like it may have a second referendum on independence from the UK; Northern Ireland will have real problems sharing a border with Eire. From a global perspective, whether we signs of dissent elsewhere in Europe will be a key for gauging whether the fall-out from 'Brexit' will be limited to a UK recession. In currencies, we see the USD and JPY remaining supported, GBP and EUR under further pressure and AUD and NZD weakness largely confined to movement down against the US dollar.

Overnight

On global stock markets, the S&P 500 was -3.59%. Bond markets saw US 10-years -18.6bps to 1.56%. In commodities, Brent crude oil -2.95% to \$48.41, gold+4.1% to \$1,320, iron ore -3.2% to \$50.61. AUD is at 0.7434 and the range since Friday 5pm Sydney time is 0.7361 to 0.7508.

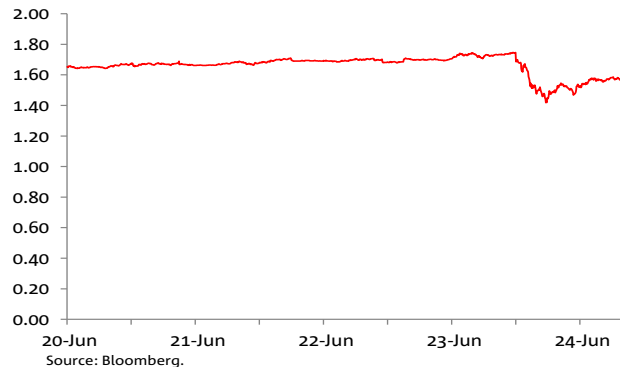
Author:

Ray Attrill – Global Co-Head of FX Strategy

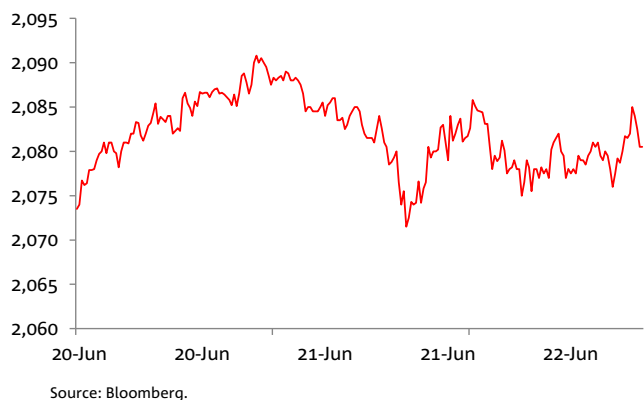
AUD/USD - past week



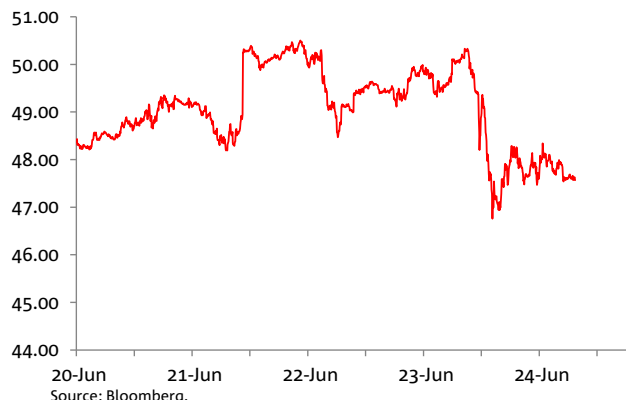
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7436	-2.3	0.7306	0.7648	HKD	7.7605 0.0
NZD	0.7091	-2.2	0.6974	0.7300	CNY	6.6218 0.7
EUR	1.1027	-3.1	1.0913	1.1428	SGD	1.3557 1.4
GBP	1.3495	-9.3	1.3229	1.5018	IDR	13,391 0.8
JPY	101.73	-4.2	99.02	106.84	THB	35.31 0.4
CAD	1.3039	2.2	1.2714	1.3099	KRW	1,179 2.1
AUD/EUR	0.6734	1.4	0.6607	0.6755	TWD	32.36 0.5
AUD/JPY	76.31	-2.6	72.53	81.62	PHP	46.86 0.6
AUD/GBP	0.5469	7.2	0.5082	0.5551	CHF	0.97 1.6
AUD/NZD	1.0467	0.0	1.0429	1.0530	SEK	8.54 4.6
AUD/CNH	4.9346	0.0	4.8447	5.0326		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.62	0.75	1.44	USD 10	1.56	-12.53
AUD	1.75	2.00	1.80	2.29	AUD 10	2.01	-21.40 0.45
NZD	2.25	2.30	2.19	2.66	NZD 10	2.39	-16.20 0.83
EUR	0.00	-0.28	-0.22	0.45	CAD 10	1.16	-6.80 -0.40
GBP	0.50	0.56	0.60	1.17	EUR 10	-0.05	-10.80 -1.61
JPY	-0.04	-0.03	-0.15	0.00	GBP 10	1.09	-22.70 -0.47
CAD	0.50	0.87	0.90	1.40	JPY 10	-0.17	-3.20 -1.73

Equities

Major Indices	Last	% day	% y/y
	Dow	17,401	-2.1
S&P 500	2,037	-2.3	-3.0
Nasdaq	4,708	-2.6	-7.3
VIX	26	21.7	83.7
FTSE	6,139	-2.0	-9.1
DAX	9,557	-5.1	-16.8
CAC 40	4,107	-6.2	-18.8
Nikkei	14,952	-6.9	-27.8
Shanghai	2,854	-1.8	-31.9
Hang Seng	20,259	-2.6	-24.0
ASX 200	5,113	-3.0	-7.8

Commodities*

	Last	% day
Oil (Brent)	48.41	-2.9
Oil (WTI)	47.64	-3.0
Oil (Tapis)	48.61	-5.2
Gold	1320.00	4.1
CRB	188.69	-1.6
GS Metals	264.3	-0.7
Aluminium	1611.3	-1.1
Copper	4695.5	-0.1
Nickel	8988.0	-2.3
Zinc	2015.8	-1.3
Ch. steel	2155.0	1.9
Iron ore	50.6	-3.2
Coal	52.9	-3.1
Wheat Chic.	465.0	-1.5
Sugar	19.0	-0.2
Cotton	64.5	2.5
Coffee	137.2	-1.8

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.12	6.00
3 Yr bond	97.8	1.00
10 Yr bond	97.90	11.50
3/10 sprd	-0.09	-10.50
SPI	5074.0	143.0

CO₂ Emissions - Euros

	Last	% day
Jun-2016	4.89	Clsd
Dec-2016	4.99	-12.6
Jun-2017	4.99	-12.1

*Change in bps

* 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
Monday, 27 June 2016								
NZ	Trade Balance	May	164	182		292.0	22.45	8.45
CH	Industrial Profits YoY	May				4.2	1.30	11.30
NZ	New Residential Lending YoY	May				15.0	3.00	13.00
EC	M3 Money Supply YoY	May		4.8		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		51.9		51.3/50.9	13.45	23.45
CA	Bloomberg Nanos Confidence	Jun 24				58.4	14.00	0.00
US	Dallas Fed Manf. Activity	Jun		-14.5		-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 26				118.8	23.30	9.30
EC	EU Leaders hold Summit in Brussels, 28-29 June							
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		0.5		0.9/5.4	13.00	23.00
CH	Leading Index	Apr				99.1	28-30 June release	
US	Consumer Confidence Index	Jun		93.05		92.6	14.00	0.00
US	Richmond Fed Manufact. Index	Jun		2		-1.0	14.00	0.00
Wednesday, 29 June 2016								
NZ	Household Labour Force Survey Revisions						22.45	8.45
US	Fed's Powell speaks in Chicago						23.00	9.00
JN	Retail Sales MoM/YoY	May		0.1		0.0/-0.8	23.50	9.50
JN	Dept. Store, Supermarket Sales	May		-1.5		-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
EC	EU Leaders hold Summit in Brussels, 28-29 June							
GE	GfK Consumer Confidence	Jul		9.9		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		0.2		0.3/0.1	12.00	22.00
GE	CPI EU Harmonized MoM/YoY	Jun P		0.1		0.4/0.0	12.00	22.00
US	Personal Income/Spending	May		0.3/0.3		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		0.2/1		0.3/1.1	12.30	22.30
US	PCE Core MoM/YoY	May		0.15/1.65		0.2/1.6	12.30	22.30
US/EC	Fed Chair Yellen participates in panel at ECB Conference						13.30	23.30
US	Pending Home Sales MoM/YoY	May		-1/4.8		5.1/2.9	14.00	0.00
Thursday, 30 June 2016								
NZ	Building Permits MoM	May				6.6	22.45	8.45
UK	Lloyds Business Barometer	Jun				32.0	23.10	9.10
UK	GfK Consumer Confidence	Jun				-1.0	23.50	9.50
JN	Industrial Production MoM/YoY	May P		-0.2/1.9		0.5/-3.3	23.50	9.50
CH	Swift Global Payments CNY	May				1.8	1.00	11.00
NZ	ANZ Activity Outlook/Business Confidence	Jun				30.4/11.3	1.00	11.00
AU	Job vacancies	May				2.7	1.30	11.30
AU	Private Sector Credit MoM/YoY	May	0.5/6.7	0.5/6.7		0.5/6.7	1.30	11.30
NZ	Credit aggregates, household YoY	May				7.9	3.00	13.00
GE	Unemployment Change (000's)/Rate	Jun		-5/6.1		-11.0/6.1	7.55	17.55
UK	GDP QoQ/YoY	1Q F		/		0.4/2.0	8.30	18.30
UK	Current Account Balance	1Q				-32.7	8.30	18.30
UK	Index of Services MoM	Apr				-0.1	8.30	18.30
UK	Total Business Investment QoQ/YoY	1Q F				-0.5/-0.4	8.30	18.30
CH	BoP Current Account Balance	1Q F				48.1	9.00	19.00
EC	CPI Estimate/Core YoY	Jun		0/0.8		-0.1/0.8	9.00	19.00
EC	ECB account of the monetary policy meeting						11.30	21.30
US	Initial Jobless Claims	Jun 25				259.0	12.30	22.30
CA	Raw Materials Price Index MoM	May				0.7	12.30	22.30
CA	Industrial Product Price MoM	May				-0.5	12.30	22.30
CA	GDP MoM/YoY	Apr		0.1/		-0.2/1.1	12.30	22.30
US	Chicago Purchasing Manager	Jun		50.5		49.3	13.45	23.45
US	Bloomberg Consumer Comfort	Jun 26				44.2	13.45	23.45
US	Fed's Bullard Speaks in London						17.30	3.30
Friday, 1 July 2016								
AU	AiG Perf of Mfg Index	Jun				51.0	23.30	9.30
JN	Jobless Rate/job-to-applicant ratio	May		3.2		3.2/1.3	23.30	9.30
JN	Overall Household Spending YoY	May		-1		-0.4	23.30	9.30
JN	Natl CPI/Ex fresh food YoY	May		-0.5/-0.4		-0.3/-0.3	23.30	9.30
JN	Natl CPI Ex Food, Energy YoY	May		0.6		0.7	23.30	9.30
JN	Tankan Large Mfg Index/Outlook	2Q		4/3		6.0/3.0	23.50	9.50
JN	Tankan Large All Industry Capex	2Q		5.6		-0.9	23.50	9.50
AU	CoreLogic House Px MoM	Jun	0.3			1.6	0.00	10.00
CH	Manufacturing/Non-manufacturing PMI	Jun		50/		50.1/53.1	1.00	11.00
CH	Caixin China PMI Mfg	Jun		49.2		49.2	1.45	11.45
JN	Nikkei Japan PMI Mfg	Jun F				47.8	2.00	12.00
JN	Natl CPI Ex Fresh Food, Energy YoY	May		0.8		0.9	5.00	15.00
JN	Consumer Confidence Index	Jun		41		40.9	5.00	15.00
AU	Commodity Index AUD	Jun				90.3	6.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Jun F		54.4		54.4	7.55	17.55
EC	Markit Eurozone Manufacturing PMI	Jun F		52.6		52.6	8.00	18.00
UK	Markit UK PMI Manufacturing SA	Jun				50.1	8.30	18.30
UK	Unit Labor Costs YoY	1Q				1.3	8.30	18.30
EC	Unemployment Rate	May		10.1		10.2	9.00	19.00
US	Markit US Manufacturing PMI	Jun F				51.4	13.45	23.45
US	ISM Manufacturing	Jun		51.5		51.3	14.00	0.00
US	Construction Spending MoM	May		0.6		-1.8	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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