

Another Pounding

Risk assets took another pounding overnight as the UK decision to leave the EU continues to rock financial markets. Equity markets on both sides of the Atlantic ended the day sharply lower, the British Pound fell another 3.6% and demand for safe haven assets boosted gold and dragged core global yields lower.

UK Markets have continued to drive global sentiment. The prospects of weaker growth, regulatory and political uncertainty along with low interest rates have been noted as the major reasons for the selling of financial shares across Europe and Wall Street. Airlines and home builders have also taken a beating while utilities, healthcare and telcos had mixed results.

Adding salt to the wound, England has just lost to Iceland and they are out of Europe for a second time in less than a week. In addition, S&P stripped the UK from its AAA rating, cutting the country's debt by two notches with negative outlook. The rating agency noted that the UK decision to leave the EU threatens the country's constitutional and economic integrity and it said that leaving the Union would "lead to a less predictable, stable and effective policy framework in the UK". S&P was the last of the three big rating agencies to strip the UK from its triple A rating. Moody's rating for the UK is Aa1 with negative outlook and Fitch Ratings has the UK at an equivalent double-A-plus.

The lack of UK political leadership at a time of market disarray is doing little to reassure markets. On this point, there was little market reaction to news that the UK Conservative Party has brought the date forward to elect a new leader by almost a month to 2 September. Instead as yet another blow to the UK, German, French and Italian leaders have confirmed that they will not hold informal talks with the UK until it triggers article 50 to leave.

Looking at currencies, while the USD and JPY have retained their safe haven status, the lack of clarity on the future relationship between the UK and Europe suggests that the GBP adjustment still has more to go. The NZD and AUD have also underperformed (down 1.74% and 1.66% respectively) and notably the NZD is now struggling to stay above the 70c mark. The Euro loss 1% against the USD and JPY/USD is unchanged. Speculation of potential currency intervention by the BoJ has probably played a factor on the subdued performance of the Yen relative to the USD.

Amid the turmoil in risk assets core global yields were well supported overnight. 10y UK gilts moved sub the 1% mark

for the first time in history, after dropping 15bps to end the day at 0.931%. Both German and Japan 10-year rates fell further into negative territory, closing at minus 0.12% and minus 0.21% respectively and in the US, the Treasury curve flattened with the move led by the back end of the curve. 10y UST are currently trading at 1.439%, 7bps lower relative to Sydney's closing level.

In commodities, oil prices are about 2% lower, gold is up 0.8%, copper is unchanged and somewhat surprisingly, iron ore had a pretty solid night, jumping 6.4% to \$53.9.

As for data releases, the US trade deficit rose in May to \$60.6bn from \$57.5bn, marginally worse than the \$59.5bn expected by consensus.

Coming Up

Markets' remain sensitive to Brexit headlines and in a day devoid of major data releases, the two day EU Leaders summit commencing later today has the potential to be a weighty source of market volatility. If recent headlines are any guide, some leaders will no doubt take the opportunity to remind the UK that exit negotiations will be tough. Others are likely to urge the UK for a quick 'divorce' while the message of unity within the union is also likely to be touted. All that said, hopefully we also get some detail on what steps the EU plans to take in order minimize the negative ramifications from Brexit, both in terms of its economic as well socio-political impact. Let's see...

In Australia this morning we get the weekly consumer confidence reading. Last week the index reached a new 2 year high and it would be interesting to see if this level of confidence is maintained ahead of the Australian Federal election on Saturday.

In offshore markets it's all about US data releases. The third Q1 GDP estimate is expected to show an upward revision to 1% from 0.8% and the June Consumer confidence reading is anticipated to come at 93.4, almost a full point higher from its previous month print. The Case-Shiller Home Prices (April) are also due out along with the June Richmond Fed Manufacturing index.

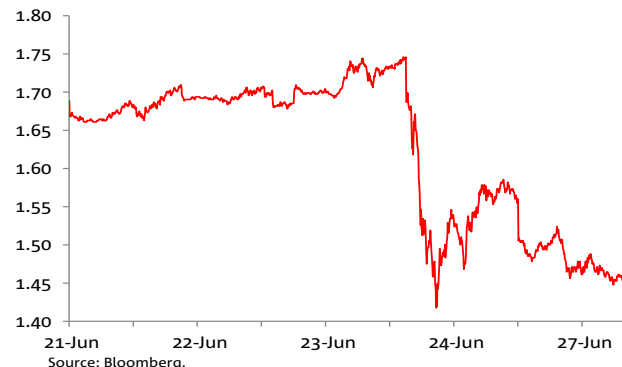
Overnight

On global stock markets, the S&P 500 was -1.81%. Bond markets saw US 10-years -12.22bp to 1.44%. In commodities, Brent crude oil -1.82% to \$47.53, gold+0.8% to \$1,327, iron ore +6.4% to \$53.86. AUD is at 0.7332 and the range since yesterday 5pm Sydney time is 0.7327 to 0.7448.

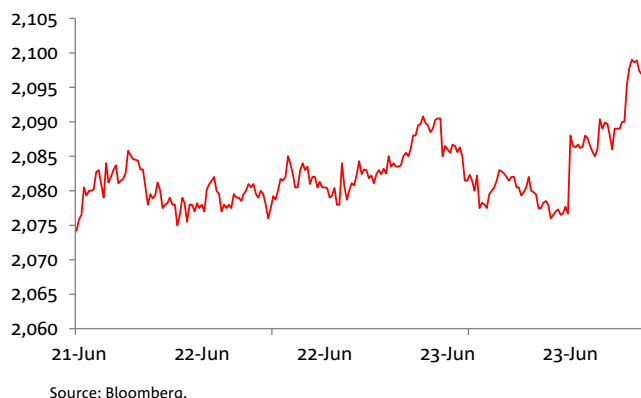
AUD/USD - past week



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	0.7332	-1.8	0.7330	0.7334	HKD	7.7612	0.0
NZD	0.6996	-1.8	0.6995	0.6998	CNY	6.6474	0.4
EUR	1.1022	-0.9	1.1021	1.1025	SGD	1.3630	0.7
GBP	1.3232	-3.3	1.3225	1.3234	IDR	13,351	-0.3
JPY	101.98	-0.2	101.94	102.00	THB	35.34	0.1
CAD	1.3073	0.5	1.3069	1.3081	KRW	1,182	0.3
AUD/EUR	0.6652	-1.2	0.6648	0.6658	TWD	32.46	0.3
AUD/JPY	74.76	-2.0	74.72	74.79	PHP	47.15	0.6
AUD/GBP	0.5541	1.3	0.5540	0.5546	CHF	0.98	0.7
AUD/NZD	1.0478	0.1	1.0476	1.0482	SEK	8.56	1.1
AUD/CNH	4.8795	-1.1	4.8971	4.9655			

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Spread	
USD	0.50	0.62	0.71	1.31	USD 10	1.44	-12.22	
AUD	1.75	1.94	1.74	2.18	AUD 10	2.06	4.90	0.62
NZD	2.25	2.35	2.15	2.61	NZD 10	2.33	-3.70	0.89
EUR	0.00	-0.28	-0.21	0.39	CAD 10	1.08	-8.30	-0.36
GBP	0.50	0.56	0.52	0.97	EUR 10	-0.12	-6.90	-1.55
JPY	-0.04	-0.03	-0.15	-0.04	GBP 10	0.93	-15.20	-0.50
CAD	0.50	0.87	0.85	1.31	JPY 10	-0.19	-2.00	-1.63

Equities

Major Indices

	Last	% day	% y/y
Dow	17,140	-1.5	-4.5
S&P 500	2,001	-1.8	-4.8
Nasdaq	4,594	-2.4	-9.6
VIX	24	-7.4	70.1
FTSE	5,982	-2.5	-11.4
DAX	9,269	-3.0	-19.3
CAC 40	3,985	-3.0	-21.2
Nikkei	15,309	2.4	-26.1
Shanghai	2,896	1.5	-30.9
Hang Seng	20,227	-0.2	-24.1
ASX 200	5,137	0.5	-7.4

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.13	8.00
3 Yr bond	97.8	3.00
10 Yr bond	98.03	36.50
3/10 sprd	-0.23	-33.50
SPI	5001.0	70.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	47.53	-1.8
Oil (WTI)	46.64	-2.0
Oil (Tapis)	48.49	-0.2
Gold	1326.90	0.8
CRB	187.57	-0.6
GS Metals	262.8	-0.6
Aluminium	1592.0	-0.9
Copper	4688.5	0.0
Nickel	8946.0	-0.5
Zinc	1999.5	-1.0
Ch. steel	2277.0	7.1
Iron ore	53.9	6.4
Coal	54.1	-0.3
Wheat Chic.	458.3	-1.5
Sugar	19.6	2.9
Cotton	63.5	-1.7
Coffee	136.0	-0.6

CO₂ Emissions - Euros

	Last	% day
Jun-2016	5.00	Clsd
Dec-2016	4.78	-4.2
Jun-2017	4.80	-3.8

* 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
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		0.58		0.9/5.4	13.00	23.00
CH	Leading Index	Apr				99.1	28-30 June release	
US	Consumer Confidence Index	Jun		93.4		92.6	14.00	0.00
US	Richmond Fed Manufact. Index	Jun		3		-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		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		9.8		9.8	6.00	16.00
UK	Mortgage Approvals	May		65		66.3	8.30	18.30
EC	Business Climate Indicator	Jun		0.26		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		0.3/0.4		0.4/1.0	12.30	22.30
US	Real Personal Spending	May		0.2		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		0.2/1.6		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		-1.1/4.6		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		-2		-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		0.4/2.0	8.30	18.30
UK	Current Account Balance	1Q		-28		-32.7	8.30	18.30
UK	Index of Services MoM	Apr		0.2		-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		267		259.0	12.30	22.30
CA	Raw Materials Price Index MoM	May		5		0.7	12.30	22.30
CA	Industrial Product Price MoM	May		0.35		-0.5	12.30	22.30
CA	GDP MoM/YoY	Apr		0.1/1.4		-0.2/1.1	12.30	22.30
US	Chicago Purchasing Manager	Jun		51		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		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		50.1	8.30	18.30
UK	Unit Labor Costs YoY	1Q		1.5		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		51.4	13.45	23.45
US	ISM Manufacturing	Jun		51.4		51.3	14.00	0.00
Monday, 4 July 2016								
UK	Lloyds Business Barometer	Jun				32.0	23.10	9.10
JN	Monetary Base YoY	Jun				25.5	23.50	9.50
AU	Melbourne Institute Inflation MoM	Jun				-0.2	1.00	11.00
AU	Melbourne Institute Inflation YoY	Jun				1.0	1.00	11.00
AU	ANZ Job Advertisements MoM	Jun				2.4	1.30	11.30
AU	Building Approvals MoM/YoY	May		/		3.0/0.7	1.30	11.30
UK	Markit/CIPS UK Construction PMI	Jun				51.2	8.30	18.30
EC	Sentix Investor Confidence	Jul				9.9	8.30	18.30
EC	PPI MoM/YoY	May		/		-0.3/-4.4	9.00	19.00
CA	RBC Canadian Manufacturing PMI	Jun				52.1	13.30	23.30
CA	Bloomberg Nanos Confidence	Jun 24				58.4	14.00	0.00
CA	Business Outlook Future Sales	2Q				16.0	14.30	0.30
CA	BoC Senior Loan Officer Survey	2Q				6.6	14.30	0.30
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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