

¡Ay caramba!

Yeap, whichever way you cut it, Friday's US non-farm payrolls (NFP) was a shocker. Looking at the spectrum of forecasts ahead of the release, the 38k print for May was 52k lower than the lowest forecast surveyed by Bloomberg while consensus was at 160k. Adding salt to the wound, the previous two months readings were revised down by a net 59k and although unemployment rate fell to 4.7% from 5%, this was due to people leaving the work force rather than an increase in hiring (the participation rate fell to 62.6% from 62.8%). Meanwhile, average hourly earnings came in line with expectations, growing at 0.2% in May, leaving the annual growth unchanged at 2.5%.

Friday's US data disappointments was not limited to the employment report, one hour and a half later the market got another kick in the guts with the US non-manufacturing ISM report showing a fall in May to 52.9 from April's 55.7 (consensus 55.3). The details of the report were also soft. The employment index fell to 49.7 from 53, new orders slowed to 54.2 from 59.9 and business activity eased off to 55.1 from 58.8.

While currency and bond markets were mostly range trading ahead of the NFP report, US equity markets were drifting higher. The NFP report triggered a USD sell off against all G10 and most EM currencies. JPY, NZD and SEK were at the top of the G10 leader board up around 2.2% while AUD and EUR were closely behind at 1.9%. CAD and GBP were at the bottom at 1.2% and 0.7% respectively. The AUD ended the week at 0.7367 and the NZD closed at 0.6958.

US equities ended Friday in negative territory (S&P500 -0.29%, DJ -0.18%, NASDAQ -0.58%), however they did manage to stage a recovery late in the session. Presumably on the view that a lower for longer Fed is good for equities as long as the US economy does not fall off the wagon. The fall in European equities was larger (Eurostoxx50 -1.20%, DAX -1.03%), but the late US recovery suggests there might be some upside for Monday's Europe opening.

Core global yields also ended Friday lower and unsurprisingly the largest falls were recorded in the front end of the US Treasury curve. 2y and 5y UST closed 12bps lower at 0.774% and 1.232% respectively. 10y UST fell by 10bps closing at 1.701% and looking vulnerable to the downside. 10y Bunds ended at 0.068% (-4.7bps) and 10y UK gilts closed at 1.276% (-7bps), both making a new record lows.

As for commodities, oil prices were relatively steady. WTI and Brent closed at \$48.90 and \$49.84, losing 0.33% and 0.22% respectively. Gold was a big winner, up 2.83%. Iron ore also recovered some ground gaining 3.94% and finishing the week back above the \$50 mark (at \$50.04)

Rob Henderson, our retired chief economist, would often say that 'one swallow doesn't make a summer' and as such one 'odd' data print does not necessarily indicate a new trend. Those that remain bullish on the US economy would probably be quick to point out that the economy has still generated an average of 116k jobs per month over the past three months. Furthermore, many would suggest that the weakness in US jobs growth in May represents a delayed response to the sharp economic slowdown in late 2015 and Q1 2016. Therefore the impact should only be temporary. All valid points, but in the past year the market has been bitten more than once. Last month's uptick in the USD and rise in US treasury yields was largely driven by the release of the hawkish April Fed minutes, along with hawkish rhetoric from Fed speakers. Now, even if Fed speakers keep drumming up expectations of more than one rate hike for 2016, we suspect the market will be reluctant to follow until the data ratifies this view.

Over the weekend Fed Mester (hawk-voter) said the Fed should raise interest rates gradually despite weak jobs data while Fed's Brainard (dove-voter) said US jobs report was sobering and global risks still warrant caution.

Coming Up

The market is likely to open battered and bruised on Monday, suggesting investors should take a breather at the open. However reaction to Asia's equity markets will be important, particularly given that US equity staged a decent recovery on the later session on Friday. That said, we expect a limited response as the market waits to see if Yellen retains her hawkish pre NFP view when she speaks Monday night (Tuesday 2:30am AEST).

As for data releases, this morning in Australia we get the M1 inflation gauge, NZ is out celebrating the Queens birthday Fed Rosenberg speaks in Helsinki (16:00 AEST) and the US gets its May labor markets conditions index print.

Overnight

On global stock markets, the S&P 500 was -0.01%. Bond markets saw US 10-years -9.85bp to 1.70%. In commodities, Brent crude oil +0.20% to \$49.84, gold+2.7% to \$1,245, iron ore +3.5% to \$50.08. AUD is at 0.7369 and the range since Friday 5pm Sydney time is 0.7236 to 0.7387.

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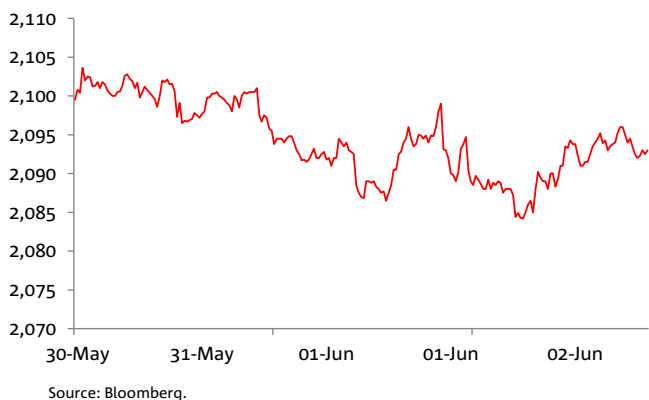
AUD/USD - past week



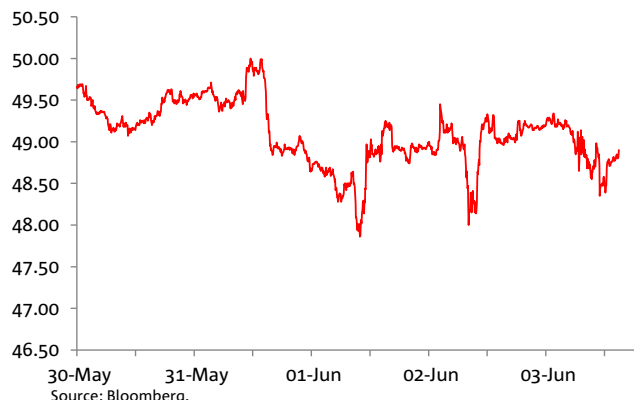
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7368	1.9	0.7219	0.7391	HKD	7.7693 0.0
NZD	0.6951	2.1	0.6801	0.6965	CNY	6.5492 -0.5
EUR	1.1356	1.8	1.1137	1.1374	SGD	1.3577 -1.3
GBP	1.4468	0.3	1.4399	1.4582	IDR	13,595 -0.5
JPY	106.53	-2.1	106.44	109.14	THB	35.38 -0.7
CAD	1.2945	-1.2	1.2916	1.3107	KRW	1,184 -0.8
AUD/EUR	0.6478	-0.1	0.6458	0.6514	TWD	32.60 0.0
AUD/JPY	78.49	-1.3	78.11	79.01	PHP	46.51 -0.2
AUD/GBP	0.5075	0.8	0.5009	0.5094	CHF	0.98 -1.4
AUD/NZD	1.0586	-0.6	1.0528	1.0625	SEK	8.15 -2.1
AUD/CNH	4.7995	0.5	4.7563	4.8225		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.68	0.92	1.57	USD 10	1.70	-13.50
AUD	1.75	2.00	1.76	2.32	AUD 10	2.23	-6.00 0.53
NZD	2.25	2.41	2.27	2.85	NZD 10	2.61	-2.20 0.91
EUR	0.00	-0.26	-0.17	0.49	CAD 10	1.18	-12.30 -0.52
GBP	0.50	0.59	0.73	1.34	EUR 10	0.07	-6.80 -1.63
JPY	-0.03	-0.03	-0.13	0.06	GBP 10	1.28	-9.70 -0.42
CAD	0.50	0.90	0.88	1.43	JPY 10	-0.10	1.70 -1.80

Equities

Major Indices	Last	% day	% y/y
	Dow	17,807	0.1
S&P 500	2,099	0.0	0.3
Nasdaq	4,943	-0.2	-2.5
VIX	13	-5.1	-5.2
FTSE	6,210	0.3	-8.7
DAX	10,103	-1.0	-9.8
CAC 40	4,422	-1.2	-10.1
Nikkei	16,642	-1.8	-18.7
Shanghai	2,939	0.9	-41.5
Hang Seng	20,947	0.9	-23.2
ASX 200	5,319	-0.1	-3.3

Commodities*

	Last	% day
Oil (Brent)	49.84	0.2
Oil (WTI)	48.90	0.0
Oil (Tapis)	50.75	2.1
Gold	1244.50	2.7
CRB	188.67	1.0
GS Metals	258.6	0.3
Aluminium	1546.0	-1.2
Copper	4692.0	1.7
Nickel	8460.3	0.9
Zinc	1994.0	2.1
Ch. steel	1985.0	1.5
Iron ore	50.1	3.5
Coal	54.0	0.8
Wheat Chic.	505.5	4.3
Sugar	18.8	8.1
Cotton	63.9	0.9
Coffee	127.1	4.2

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.01	0.00
3 Yr bond	97.8	-1.00
10 Yr bond	97.85	-13.50
3/10 sprd	-0.05	12.50
SPI	5324.0	4.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Jun-2016	5.96	Clsd
Dec-2016	5.93	-0.5
Jun-2017	5.97	-1.3

* 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, 6 June 2016								
NZ	Queen's Birthday holiday							
AU	Melbourne Institute Inflation MoM/YoY	May				0.1/1.5	1.00	11.00
AU	ANZ Job Advertisements MoM	May				-0.8	1.30	11.30
GE	Factory Orders MoM/YoY	Apr		-0.5		1.9/1.7	6.00	16.00
US	Fed's Rosengran Gives Keynote at Helsinki Central Banking Conf						6.00	16.00
GE	Markit Germany Construction PMI	May				53.4	7.30	17.30
EC	Sentix Investor Confidence	Jun		7		6.2	8.30	18.30
CA	Bloomberg Nanos Confidence	Jun 3				57.5	14.00	0.00
US	Labor Market Conditions Index Change	May		-0.8		-0.9	14.00	0.00
US	Fed Chair Yellen speaks on "Economic Outlook and Monetary Policy"						16.30	2.30
Tuesday, 7 June 2016								
NZ	ANZ Truckometer Heavy MoM	May				-2.4	22.00	8.00
NZ	Wholesale trade QoQ	Q1	1.0			-0.2	22.45	8.45
UK	BRC Sales Like-For-Like YoY	May		0.25		-0.9	23.10	9.10
AU	AiG Perf of Construction Index	May				50.8	23.30	9.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jun 5				113.2	23.30	9.30
CH	Foreign Reserves	May		3200		3219.0	2.45	12.45
AU	RBA Cash Rate Target	Jun 7	1.75	1.75		1.75	4.30	14.30
JN	Leading Index CI	Apr P		100.7		99.3	5.00	15.00
GE	Industrial Production SA MoM/YoY	Apr		0.7		-1.3/0.3	6.00	16.00
EC	GDP SA QoQ/YoY	1Q F		0.5		0.5/1.5	9.00	19.00
US	Nonfarm Productivity	1Q F		-0.6		-1.0	12.30	22.30
US	Unit Labor Costs	1Q F		4		4.1	12.30	22.30
CA	Ivey Purchasing Managers Index SA	May		52		53.1	14.00	0.00
US	IBD/TIPP Economic Optimism	Jun		48.4		0.0	14.00	0.00
US	Consumer Credit	Apr		18		29.7	19.00	5.00
Wednesday, 8 June 2016								
NZ	Mfg Activity SA QoQ	1Q				-1.9	22.45	8.45
JN	BoP Current Account Adjusted	Apr		2035		1893.6	23.50	9.50
JN	GDP SA QoQ	1Q F		0.5		0.4	23.50	9.50
JN	GDP Annualized SA QoQ	1Q F		2		1.7	23.50	9.50
AU	Home Loans MoM	Apr	2.6	2.5		-0.9	1.30	11.30
AU	Investment Lending	Apr				1.5	1.30	11.30
CH	Trade Balance	May		55.6		45.6	2.00	12.00
CH	Exports/Imports YoY	May		-4.2		-1.8/-10.9	2.00	12.00
CH	Foreign Direct Investment YoY CNY	May		5		6.0	8-12 June release	
JN	Bankruptcies YoY	May				-7.1	4.30	14.30
UK	Industrial Production MoM/YoY	Apr		0		0.3/-0.2	8.30	18.30
CA	Housing Starts	May		190		191.5	12.15	22.15
CA	Building Permits MoM	Apr		2.3		-7.0	12.30	22.30
UK	NIESR GDP Estimate	May				0.3	14.00	0.00
US	JOLTS Job Openings	Apr		5650		5757.0	14.00	0.00
Thursday, 9 June 2016								
NZ	RBNZ Official Cash Rate	Jun 9	2.25	2		2.25	21.00	7.00
NZ	RBNZ News Conference on MPS						23.00	9.00
UK	RICS House Price Balance	May		35		41.0	23.10	9.10
JN	Machine Orders MoM/YoY	Apr		-3		5.5/3.2	23.50	9.50
NZ	RBNZ Testifies to Parliament's Finance and Expenditure Committee						1.10	11.10
CH	CPI/PPI YoY	May		2.3		2.3/-3.4	1.30	11.30
JN	Machine Tool Orders YoY	May P				-26.3	6.00	16.00
GE	Current Account Balance	Apr		21		30.4	6.00	16.00
GE	Labor Costs SA QoQ/YoY	1Q				0.5/2.1	6.00	16.00
EC	ECB's Draghi Speaks at Economic Forum in Brussels						7.00	17.00
UK	Trade Balance	Apr		-3700		-3830.0	8.30	18.30
EC	ECB's Villeroy, ESM's Regling on Panel at Brussels Forum						8.30	18.30
US	Initial Jobless Claims	Jun 4		270		267.0	12.30	22.30
CA	New Housing Price Index MoM	Apr		0.2		0.2	12.30	22.30
CA	Capacity Utilization Rate	1Q		81.3		81.1	12.30	22.30
CA	New Housing Price Index YoY	Apr		2.1		2.0	12.30	22.30
US	Bloomberg Consumer Comfort	Jun 5				43.2	13.45	23.45
US	Wholesale Inventories/Sales MoM	Apr		0.1		0.1/0.7	14.00	0.00
US	Household Change in Net Worth	1Q				1637.0	16.00	2.00
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		0.7		-0.7	4.30	14.30
CH	Aggregate Financing CNY	May		950		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		1.2		-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		5		-2.1	12.30	22.30
CA	Unemployment Rate	May		7.1		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		10.5		10.5	5.30	15.30
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		7-Jun	1.75%	1.75%		2.00%		
New Zealand, RBNZ		9-Jun	2.00%	2.00%		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%				
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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