

All juiced up

The perception of a lower for longer Fed has slowly but surely brought back an improvement in risk sentiment. Global equities had another positive night, oil prices edged a little bit higher and risk sensitive currencies have outperformed with the AUD at the top of the leader board.

Euro stxx index ended the day at 1.29% while in the US a late selloff in bank and pharmaceutical shares took some of the gloss out of the day. The DJI (+0.1%) and S&P500 (+0.13) managed to eke out some gains while the NASDAQ slipped into negative territory.

The USD is weaker against all G10 currencies with the exception of the SEK. The AUD (1.18%) is at the top of the leader board aided by yesterday's RBA neutral policy stance (see more below). Next in line is the NZD (0.72%) benefiting from the risk on mood and its links to the AUD. A less dovish RBNZ on Thursday could well see these two currencies swap places tomorrow. Meanwhile, GBP (0.68%) remains the most volatile G10 currency with moves dictated by contradicting polls suggesting a majority is either with "Brexiters" or "Remainers".

In commodities, WTI is back above \$50 and Brent is \$1 higher at \$51.41. Gold is unchanged at \$1244.7, Copper had a bad night, dropping 3.8% and iron ore has gained another 2.8%, ending the day at \$52.5.

The expectation of a lower for longer Fed has continued to weigh on core global yields. 10y Bunds fell 3.6bps overnight and ended the day at 0.048%. Meanwhile, 10y US yields are still flirting with a break sub 1.70%, they are currently at 1.717%, 2.5bps lower on the day.

The RBA left the OCR unchanged at 1.75% and somewhat surprised many in the market by moving to a neutral stance. NAB has maintained its forecast of unchanged interest rates in the immediate future. The Statement suggests the RBA's May easing is currently seen as sufficient to return inflation to target and achieve sustainable growth. That said, inflation remains important and a low Q2 CPI print (due out 27 July) could still trigger a cut further down the line.

As for the AUD, it's worth noting that the RBA is seemingly happy where the currency is right now. The Statement noted that a lower currency and pick up in credit to businesses have assisted the economy to make the necessary economic adjustments. However the Statement also notes that an appreciating exchange rate could complicate this. Ironically with the USD vulnerable to the downside, post the dismal payrolls and Yellen's cautious speech, the move to a neutral stance by the RBA has given the AUD a reason to trade

higher and after yesterday's pop the AUD is almost back to where it was before the RBA cut in May.

Late in April we noted that the AUD was starting to look expensive relative to fundamentals. Back then the AUD was trading around the 78cent mark and iron ore was heading towards \$70. The AUD is not expensive today, but as a rule of thumb these levels could be useful to keep in mind for future reference.

Finally in terms of data releases, the Eurozone Q1 GDP was revised up slightly to 0.6% from 0.5%, US non-farm productivity was also revised up to -0.6% from -1% and China's May FX reserves printed at \$3.191bn, fairly close to expectations of \$3.2bn (\$3.219 bn prev).

Coming Up

In Australia this morning we get housing finance approvals for April. In March, total finance approvals were almost unchanged, declining 0.2% m/m. Owner-occupied fell 0.9% m/m, but investor housing approvals climbed by 1.5% m/m.

NAB expects the headline number of owner-occupied approvals to rise by 2.6% in April and we will also be interested to see if investment lending rose again.

Looking at offshore markets the data focus will be in Asia. This morning Japan prints its final reading for Q1 GDP along with its current account for April and at midday we get China's trade figures for May.

For China's trade data, consensus forecast is for exports in yuan terms to rise 1.5% yoy, down from April's jump of 4.1%, however recent business surveys suggest the risks are to the downside. As for Japan, GDP is likely to be revised up to 1.9% qoq sas from the advance estimate of 1.7%. Meanwhile the recent theme of weak Asian demand is expected to still weigh on Japan's exports.

The data highlight in Europe will be the UK's industrial production (April) and for the US it will be the Jolts report. In March the Jolts report jumped 2.7% and it will be interesting to see if we get a correction in April. Finally, we have no Fed speakers on the roster today and in fact now we won't get any speakers until after the 16 June FOMC meeting.

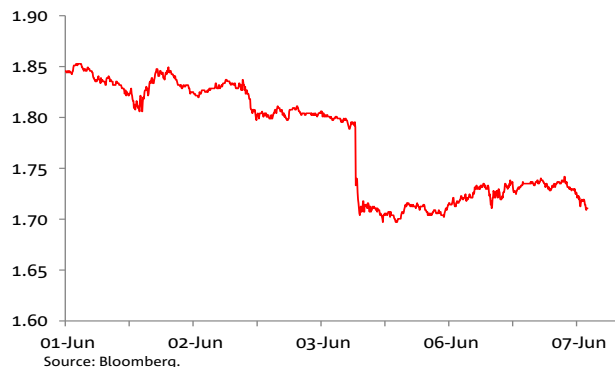
Overnight

On global stock markets, the S&P 500 was +0.13%. Bond markets saw US 10-years +3.63bp to 1.72%. In commodities, Brent crude oil +1.84% to \$51.41, gold-0.0% to \$1,245, iron ore +2.8% to \$52.54. AUD is at 0.746 and the range since yesterday 5pm Sydney time is 0.7433 to 0.7452.

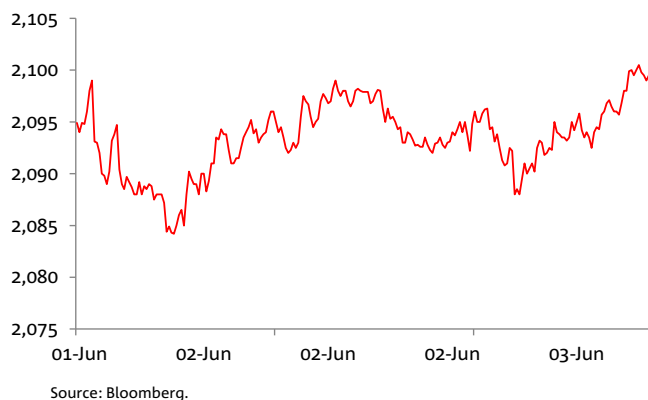
AUD/USD - past week



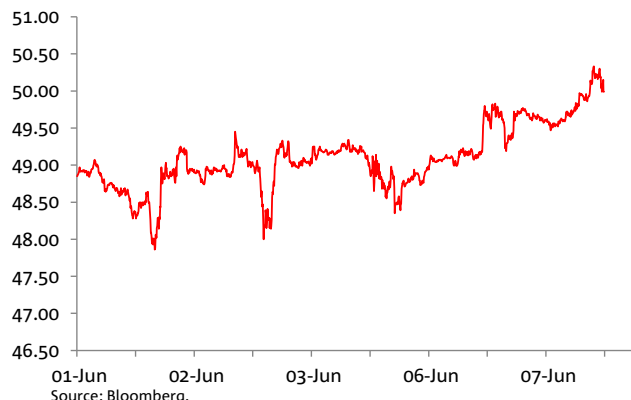
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7460	1.3	0.7360	0.7464	HKD	7.7658 0.0
NZD	0.6978	0.8	0.6893	0.6982	CNY	6.5715 0.1
EUR	1.1356	0.0	1.1339	1.1381	SGD	1.3514 -0.3
GBP	1.4537	0.7	1.4439	1.4660	IDR	13,263 -0.8
JPY	107.37	-0.2	107.15	107.90	THB	35.22 -0.1
CAD	1.2751	-0.5	1.2752	1.2840	KRW	1,163 -0.4
AUD/EUR	0.6569	1.3	0.6482	0.6570	TWD	32.25 -0.3
AUD/JPY	80.10	1.1	79.02	80.31	PHP	46.10 -0.3
AUD/GBP	0.5131	0.6	0.5034	0.5132	CHF	0.97 -0.5
AUD/NZD	1.0690	0.5	1.0634	1.0740	SEK	8.13 0.1
AUD/CNH	4.8978	1.3	4.8334	4.8461		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.66	0.93	1.59	USD 10	1.72	-2.07
AUD	1.75	1.99	1.83	2.37	AUD 10	2.19	3.70 0.48
NZD	2.25	2.37	2.25	2.84	NZD 10	2.60	-0.80 0.89
EUR	0.00	-0.26	-0.17	0.49	CAD 10	1.22	-2.10 -0.50
GBP	0.50	0.58	0.73	1.33	EUR 10	0.05	-3.60 -1.67
JPY	-0.04	-0.03	-0.13	0.04	GBP 10	1.27	-1.30 -0.45
CAD	0.50	0.89	0.89	1.46	JPY 10	-0.12	-0.80 -1.83

Equities

Major Indices			
	Last	% day	% y/y
Dow	17,938	0.1	0.5
S&P 500	2,112	0.1	0.9
Nasdaq	4,962	-0.1	-2.1
VIX	14	2.9	-1.1
FTSE	6,285	0.2	-7.6
DAX	10,288	1.6	-8.1
CAC 40	4,476	1.2	-9.0
Nikkei	16,675	0.6	-18.5
Shanghai	2,936	0.1	-42.8
Hang Seng	21,328	1.4	-21.9
ASX 200	5,371	0.2	-2.3

Commodities*

	Last	% day
Oil (Brent)	51.41	1.8
Oil (WTI)	50.33	1.2
Oil (Tapis)	50.81	-0.2
Gold	1244.70	0.0
CRB	192.43	0.6
GS Metals	257.0	-1.1
Aluminium	1556.5	0.5
Copper	4554.5	-3.8
Nickel	8546.0	-0.9
Zinc	1998.0	-1.5
Ch. steel	2044.0	-0.7
Iron ore	52.5	2.8
Coal	54.2	-0.9
Wheat Chic.	521.3	0.8
Sugar	19.0	1.4
Cotton	65.9	0.7
Coffee	131.8	0.1

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	97.98	3.00
3 Yr bond	97.8	-3.00
10 Yr bond	97.82	2.50
3/10 sprd	-0.02	-5.50
SPI	5363.0	-1.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Jun-2016	6.31	Clsd
Dec-2016	6.11	-1.5
Jun-2017	6.14	-1.4

* 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
Wednesday, 8 June 2016								
NZ	Mfg Activity SA QoQ	1Q				-1.9	22.45	8.45
JN	BoP Current Account Adjusted	Apr		2013.7		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		1.9		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		55.85		45.6	2.00	12.00
CH	Exports/Imports YoY	May		-4		-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		189		191.5	12.15	22.15
CA	Building Permits MoM	Apr		1.5		-7.0	12.30	22.30
UK	NIESR GDP Estimate	May				0.3	14.00	0.00
US	JOLTS Job Openings	Apr		5675		5757.0	14.00	0.00
Thursday, 9 June 2016								
NZ	RBNZ Official Cash Rate	Jun 9	2.25	2.25		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		2.2		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		0.6		-0.7	4.30	14.30
CH	Aggregate Financing CNY	May		1000		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		1.4		-3.6	8.30	18.30
UK	BoE/TNS Inflation Next 12 Mths	May					8.30	18.30
CA	Net Change in Employment	May		1.75		-2.1	12.30	22.30
CA	Unemployment Rate	May		7.2		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
Monday, 13 June 2016								
NZ	REINZ House Sales YoY	May				18.4	10-15 June release	
CH	Aggregate Financing CNY	May		1000		751.0	10-15 June release	
CH	New Yuan Loans CNY	May		750		555.6	10-15 June release	
JN	BSI Large All Industry QoQ	2Q				-3.2	23.50	9.50
JN	BSI Large Manufacturing QoQ	2Q				-7.9	23.50	9.50
CA	Bloomberg Nanos Confidence	Jun 10				57.8	14.00	0.00
Tuesday, 14 June 2016								
NZ	Food Prices MoM	May				0.3	22.45	8.45
AU	Consumer Inflation Expectation	Jun				3.2	1.00	11.00
AU	NAB Business Conditions/Confidence	May				9.0/5.0	1.30	11.30
JN	Industrial Production MoM/YoY	Apr F		/		0.3/-3.5	4.30	14.30
UK	CPI MoM/YoY	May		/		0.1/0.3	8.30	18.30
UK	CPI Core YoY	May				1.2	8.30	18.30
UK	PPI Output Core NSA MoM/YoY	May		/		0.2/0.5	8.30	18.30
UK	ONS House Price YoY	Apr				9.0	8.30	18.30
EC	Industrial Production SA MoM/YoY	Apr		/		-0.8/0.2	9.00	19.00
EC	Employment QoQ/YoY	1Q				0.3/1.2	9.00	19.00
US	NFIB Small Business Optimism	May		93.6		93.6	10.00	20.00
US	Import Price Index MoM/YoY	May		0.8/		0.3/-5.7	12.30	22.30
US	Retail Sales Advance/Control Group MoM	May		0.4/0.3		1.3/0.9	12.30	22.30
CA	Teranet/National Bank HPI MoM/YoY	May		/		1.2/8.1	12.30	22.30
US	Business Inventories	Apr		0.2		0.4	14.00	0.00
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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