

# MARKETS TODAY

## Blue Monday



### Good Morning

New Order's Blue Monday is the best-selling 12 inch single of all time in Britain (mmm I wonder how many 12 inch singles are out there?) and is also the longest charting single at 7:25. As many New Order songs, the lyrics in Blue Monday are rather vague instigating a lot of speculation of dark motives for the song with particular reference to the late Ian Curtis (Joy division lead singer), but in a 2006 interview, Peter Hook (co-founder and bassist) explained that the inspiration came from a Fats Domino song, it was "Monday and we were all miserable", so that was it!

So Monday has not been a good day for risk assets with European and the US equity indices recording their worst day since the November US election. The Dow has lost over 175 points (-0.89%) and is back below the 20k mark, the S&P 500 is down -0.88% and while all sectors are in the red, sectors such as energy, industrials, materials and financial, which have been the outperformers since Donald Trump election victory, are at the bottom of the overnight pile, down between 1% and 2%. Meanwhile all European indices closed the day in negative territory with the Euro Stocks 600 down 1.05%, its worst day since the start of November last year.

Price action in currencies has been fairly muted with JPY and GBP the two exceptions. The USD is little changed against most currencies (BBDXY -0.02%), but it has lost over 1% against the Yen. Yesterday during our Asia session, USD/JPY was contained within a ¥114.29-¥114.92 range but as US equities took a dive overnight, USD/JPY followed the move lower and is currently trading at ¥113.79. Meanwhile GBP is at the bottom of the pile down 0.65%. The currency pair is currently trading at 1.2476 with technical suggesting it still has room to trade lower.

Looking at core global yields, 10y UST are little change at 2.48% and 2y UST are also essentially unchanged at 1.20%. The December PC deflator, the Fed's preferred inflation measure, was released overnight with the core measure printing at 1.7% and in line with expectations, slowly but surely inflation pressures are rising in the US with core measure recording a fourth straight 0.1% monthly rise. Meanwhile in Europe, German Bunds ended the day +1.2bps at 0.445%. Germany's yoy headline inflation climbed to 1.9% in December, just below the 2% expected by consensus. Still, the figures will no doubt give ammunition to German policy makers to pressure the ECB to wind down its QE programme.

### Coming Up

We have a busy day of data releases and events domestically and abroad. Australia's weekly consumer confidence reading is the first cab off the rank followed by private sector credit and the all-important NAB Business Survey. Also this morning, Japan releases December readings for industrial production and

household spending along with labour market data (jobless rates and jobs to applicants' ratio). Then and if recent history is any guide, the BoJ should make its policy announcement any time between 12:45 and 14:45 Sydney Time.

ECB President Draghi speaks in Frankfurt on Europe's "digital integrated market" (unlikely to be market moving) ahead of the release of EU preliminary Q4 GDP numbers and CPI figures for January.

Later tonight, Canada publishes its monthly GDP estimate before BoC Governor Poloz speaks in Alberta and the US gets employment cost index (Q4), S&P/CoreLogic Home Prices (Nov), Chicago PMI (Jan) and the Conference Board Consumer confidence reading for January.

Looking at today's key events in more detail, the December NAB business survey should give us a timely read on the state of the Australian economy. Last month the survey suggested there were some signs of moderation in the non-mining side of the economy with the business conditions index easing from 7 to 5, matching its long-run average level for the first time since April 2015. Meanwhile, business confidence showed a modest improvement with the index climbing to 5 from 4 in the previous month. Thus, in the December survey we will be looking for evidence of a bounce back in conditions which should help ease concerns that the non-mining recovery is running out of steam.

As for the BoJ, while recent data releases suggest the Bank could upgrade Japan's economic outlook, latest CPI data don't justify an upgrade to its CPI forecasts. The Bank therefore still needs to keep its foot firmly on the easing pedal. So, today we expect the Bank to stand pat and to also remain firmly committed to its Yield Curve Control and other expansionary policies.

Europe's CPI readings could show Spanish inflation rose above the ECB target in January (2.2% exp. vs 1.4%) while the Eurozone measure is expected to climb from 1.1% to 1.5%. Hawks remain a minority on the ECB (with Draghi believing the rise in inflation is likely to be transitory), but strong CPI figures today are likely to increase calls for an early end to the ECB's asset purchase programme and prove EUR supportive on the day.

Lastly, a bit of payback is expected in US consumer confidence (112.9 exp vs 113.7 prev) following the post-election Jump recorded in December.

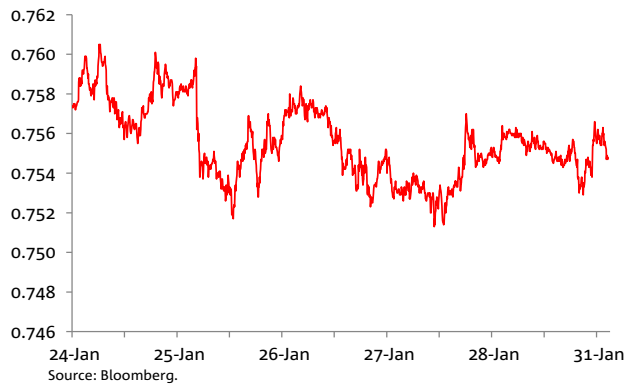
### Overnight

On global stock markets, the S&P 500 was -0.85%. Bond markets saw US 10-years +0.01bp to 2.48%. In commodities, Brent crude oil -0.54% to \$55.22, gold+0.5% to \$1,195, iron ore +0.0% to \$83.34, steam coal +0.1% to \$83.55, met.coal +0.0% to \$185.25. AUD is at 0.7549 and the range since yesterday 5pm Sydney time is 0.7528 to 0.7567.

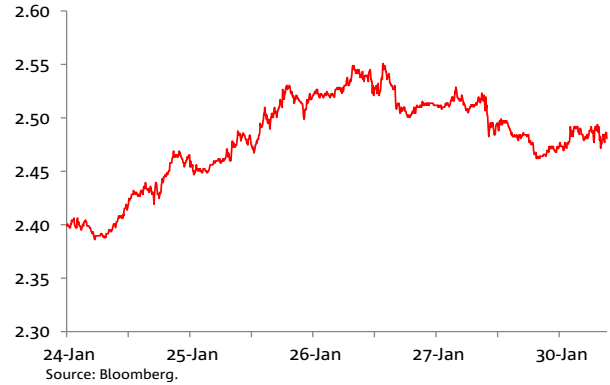
Author **Rodrigo Catril, FX Strategist**

# Markets

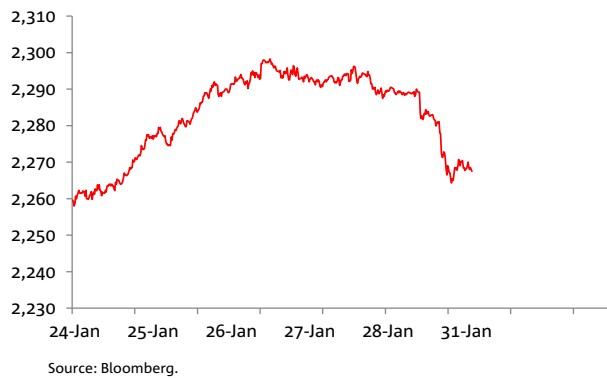
AUD/USD - past week



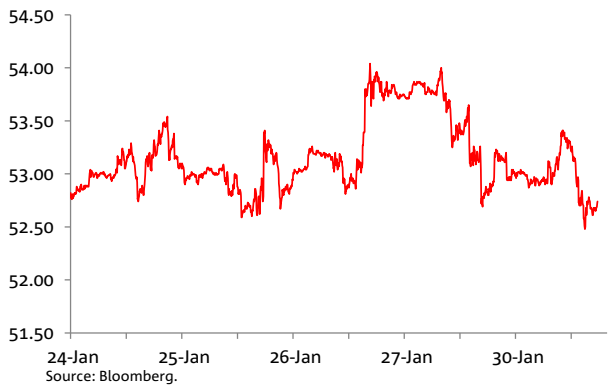
US 10yr - past week



S&P Future - past week



WTI - past week



## Foreign Exchange

	Indicative 24hr ranges (**)				Other FX		
	Last	% chge	Low	High		Last	% chge
AUD	0.7549	0.0	0.7528	0.7567	HKD	7.7582	0.0
NZD	0.7284	0.3	0.7237	0.7296	CNY	6.8840	0.0
EUR	1.0696	0.0	1.0620	1.0740	SGD	1.4205	-0.8
GBP	1.2483	-0.6	1.2466	1.2601	IDR	13,349	-0.1
JPY	113.61	-1.3	113.45	115.16	THB	35.21	-0.2
CAD	1.3118	-0.3	1.3077	1.3169	KRW	1,176	0.4
AUD/EUR	0.7058	-0.1	0.7034	0.7094	TWD	31.53	0.0
AUD/JPY	85.76	-1.3	85.75	86.92	PHP	49.80	-0.1
AUD/GBP	0.6047	0.5	0.5995	0.6059	CHF	1.00	-0.4
AUD/NZD	1.0364	-0.4	1.0363	1.0418	SEK	8.83	-0.2
AUD/CNH	5.2015	0.0	5.1683	5.1948			

## Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.75	1.04	1.51	2.39	USD 10	2.48	0.01
AUD	1.50	1.77	1.93	2.99	AUD 10	2.72	-5.50 0.24
NZD	1.75	1.98	2.44	3.56	NZD 10	3.35	-0.80 0.87
EUR	0.00	-0.33	-0.15	0.82	CAD 10	1.78	-0.20 -0.70
GBP	0.25	0.36	0.70	1.45	EUR 10	0.45	-1.30 -2.04
JPY	-0.05	-0.03	0.05	0.26	GBP 10	1.44	-2.70 -1.04
CAD	0.50	0.96	1.12	2.00	JPY 10	0.09	0.10 -2.40

## Equities

Major Indices	Last	% day	% y/y
	Dow	19,924	-0.84
S&P 500	2,275	-0.85	17.2
Nasdaq	5,603	-1.02	21.4
VIX	12	14.18	-40.2
FTSE	7,118	-0.9	17.0
DAX	11,682	-1.1	19.2
CAC 40	4,785	-1.1	8.3
Nikkei	19,369	-0.5	10.6
Shanghai	3,159	0.0	15.5
Hang Seng	23,361	0.0	18.7
ASX 200	5,662	-0.9	13.1

## Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.21	-1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.24	4.00
3/10 sprd	0.56	-4.00
SPI	5588.0	73.0

\*Change in bps

## Commodities\*

	Last	% day
Oil (Brent)	55.22	-0.5
Oil (WTI)	52.64	-1.0
Oil (Tapis)	57.60	0.0
Gold	1194.70	0.5
CRB	191.26	-1.1
GS Metals	320.7	0.0
Aluminium	1789.8	-0.9
Copper	5810.5	-1.3
Nickel	9634.5	2.2
Zinc	2770.3	1.0
Ch. steel	3339.0	0.0
Iron ore	83.3	0.0
St. Coal	83.6	0.1
Met.coal	185.3	0.0
Wheat Chic.	428.3	-1.4
Sugar	20.3	-0.1
Cotton	74.1	-0.9
Coffee	151.2	-0.8

## CO<sub>2</sub> Emissions - Euros

	Last	% day
Dec-2016	#N/A N/A	Clsd
Jun-2017	5.15	4.5

\* 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	AEDT
<b>Tuesday, 31 January 2017</b>								
NZ	Net Migration SA	Dec				6220	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jan 29				117.0	23.30	9.30
JN	Jobless Rate/Job-To-Applclicant Ratio	Dec		3.1/1.42		3.1/1.4	0.30	10.30
JN	Overall Household Spending YoY	Dec		-0.9		-1.5	0.30	10.30
JN	Industrial Production MoM/YoY	Dec P		0.3/3		1.5/4.6	0.50	10.50
UK	GfK Consumer Confidence	Jan		-8		-7.0	1.10	11.10
UK	Lloyds Business Barometer	Jan		/		39.0/5.0	1.10	11.10
AU	<b>NAB Business Conditions/Confidence</b>	Dec				<b>5.0/5.0</b>	<b>1.30</b>	<b>11.30</b>
AU	Private Sector Credit MoM/YoY	Dec	0.5/5.7	0.5/5.4		0.5/5.4	1.30	11.30
NZ	Credit Aggregates, household YoY	Dec				8.6	3.00	13.00
JN	<b>BOJ Policy Rate</b>	Jan 31		<b>-0.1</b>		<b>-0.1</b>		
JN	Small Business Confidence	Jan				48.8	6.00	16.00
EC	ECB's Draghi speaks in Frankfurt on "Europe's digital integrated market"						9.00	19.00
UK	Mortgage Approvals	Dec		68.85		67.5	10.30	20.30
EC	Unemployment rate	Dec		9.8		9.8	11.00	21.00
EC	GDP QoQ/YoY	4Q A		0.4/1.7		0.3/1.7	11.00	21.00
EC	CPI/CPI Core YoY	Jan		1.7/1.5		1.7/1.1	11.00	21.00
US	Employment Cost Index QoQ/YoY	Jan A		0.9/0.6		0.9/0.6	11.00	21.00
CA	GDP MoM/YoY	Nov		0.3/1.4		-0.3/1.5	14.30	0.30
CA	Industrial Product/Raw Material Prices MoM	Dec		0.55/2.8		0.3/-2.0	14.30	0.30
US	S&P CoreLogic CS 20-City MoM/YoY SA	Nov		0.6/5.04		0.6/5.1	15.00	1.00
US	Chicago Purchasing Manager	Jan		55		54.6	15.45	1.45
US	Conf. Board Consumer Confidence	Jan		112.9		113.7	16.00	2.00
<b>Wednesday, 1 February 2017</b>								
NZ	QVNZ Housing Report 3m,YoY	Jan				12.5	17.00	3.00
NZ	Employment Change QoQ/YoY	4Q	0.6	0.7/6.1		1.4/6.1	22.45	8.45
NZ	Unemployment Rate	4Q	4.8	4.8		4.9	22.45	8.45
NZ	Average Hourly Earnings/Pvte Wages ex Overtime QoQ	4Q		0.6/0.5		0.3/0.4	22.45	8.45
AU	AiG Perf of Mfg Index	Jan				55.4	23.30	9.30
AU	CoreLogic House Px MoM	Jan	0.9			1.4	0.00	10.00
JN	Nikkei Japan PMI Mfg	Jan F				52.8	1.30	11.30
CH	<b>Manufacturing/Non-Manufacturing PMIs</b>	Jan		<b>51.2/</b>		<b>51.4/54.5</b>	<b>2.00</b>	<b>12.00</b>
AU	Commodity Index AUD/SDR YoY	Jan				116.8/45.5	6.30	16.30
EC	Markit Eurozone PMI Manufacturing SA	Jan F		55.1		55.1	10.00	20.00
UK	Markit UK PMI Manufacturing SA	Jan		55.9		56.1	10.30	20.30
CA	MLI Leading Indicator MoM	Dec				0.3	13.00	23.00
US	ADP Employment Change	Jan		167		153.0	14.15	0.15
CA	RBC Canadian Manufacturing PMI	Jan				51.8	15.30	1.30
US	Markit US Manufacturing PMI	Jan F		55.1		55.1	15.45	1.45
US	<b>ISM Manufacturing</b>	Jan		<b>55</b>		<b>54.7</b>	<b>16.00</b>	<b>2.00</b>
US	Construction Spending MoM	Dec		0.3		0.9	16.00	2.00
US	<b>FOMC Rate Decision (Lower/Upper Bound)</b>	Feb 1		<b>0.5/0.75</b>		<b>0.5/0.8</b>	<b>20.00</b>	<b>6.00</b>
<b>Thursday, 2 February 2017</b>								
NZ	ANZ Job Advertisements MoM	Jan				1.6	22.00	8.00
NZ	PM English gives State of Nation Address						0.30	10.30
AU	Trade Balance	Dec	3050	2000		1243.0	1.30	11.30
AU	Building Approvals MoM/YoY	Dec	2.2/-7.3	-1.5/-10.8		7.0/-4.8	1.30	11.30
JN	Consumer Confidence Index	Jan		43.4		43.1	6.00	16.00
EC	ECB Publishes Economic Bulletin						10.00	20.00
UK	Markit/CIPS UK Construction PMI	Jan		53.8		54.2	10.30	20.30
UK	<b>Bank of England Bank Rate</b>	Feb 2		<b>0.25</b>		<b>0.3</b>	<b>13.00</b>	<b>23.00</b>
UK	BOE Asset Purchase/Corporate Bond Target	Feb		435/10		435.0/10.0	13.00	23.00
UK	Bank of England Inflation Report						13.00	23.00
EC	ECB's Draghi speaks in Ljubljana						13.15	23.15
US	Challenger Job Cuts YoY	Jan				42.4	13.30	23.30
CA	Carney Speaks at Inflation Report Press Conference						13.30	23.30
US	Wards Total Vehicle Sales	Jan		17.5		18.3		
US	Nonfarm Productivity/Unit Labour Costs	4Q P		0.9/1.9		3.1/0.7	14.30	0.30
US	Initial Jobless Claims	Jan 28		250		259.0	14.30	0.30
<b>Friday, 3 February 2017</b>								
AU	AiG Perf of Services Index	Jan				57.7	23.30	9.30
JN	BoJ Minutes of Dec 19-20 meeting						0.50	10.50
NZ	ANZ Commodity Price	Jan				0.7	1.00	11.00
JN	Nikkei Japan PMI Services/Composite	Jan				52.3/52.8	1.30	11.30
CH	Caixin China PMI Mfg	Jan		51.8		51.9	2.45	12.45
EC	Markit Eurozone Services/Composite PMI	Jan F		53.6/54.3		53.6/54.3	10.00	20.00
UK	Markit/CIPS UK Services/Composite PMI	Jan		55.8/56		56.2/56.7	10.30	20.30
EC	Retail Sales MoM/YoY	Dec		0.3/1.8		-0.4/2.3	11.00	21.00
US	<b>Change in Nonfarm Payrolls/Unemployment Rate</b>	Jan		<b>175/4.7</b>		<b>156.0/4.7</b>	<b>14.30</b>	<b>0.30</b>
US	<b>Average Hourly Earnings MoM/YoY</b>	Jan		<b>0.3/2.7</b>		<b>0.4/2.9</b>	<b>14.30</b>	<b>0.30</b>
US	Fed's Evans Speaks on Economy and Policy in Olympia Fields						15.15	1.15
US	Markit US Services/Composite PMI	Jan F		55.1		55.1	15.45	1.45
US	<b>ISM Non-Manf. Composite</b>	Jan		<b>57</b>		<b>57.2</b>	<b>16.00</b>	<b>2.00</b>
US	Factory Orders/Core Orders	Dec		1/		-2.4/0.1	16.00	2.00
<b>Monday, 6 February 2017</b>								
JN	Labor Cash Earnings YoY	Dec				0.2	1.00	11.00
JN	Real Cash Earnings YoY	Dec				-0.2	1.00	11.00
AU	Melbourne Institute Inflation MoM/YoY	Jan				0.5/1.8	1.00	11.00
AU	Retail Sales MoM/ex-Inflation QoQ	Dec		/		0.2/-0.1	1.30	11.30
AU	ANZ Job Advertisements MoM	Jan				-1.9	1.30	11.30
GE	Factory Orders MoM/YoY	Dec		/		-2.5/3.0	8.00	18.00
EC	Sentix Investor Confidence	Feb				18.2	10.30	20.30
EC	ECB's Smets, BIS's Caruana Speak at Conference in Brussels						11.30	21.30
CA	Bloomberg Nanos Confidence	Jan 27				56.4	16.00	2.00
US	Fed's Harker Speaks in San Diego						21.00	7.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
Japan, BoJ		31-Jan	-0.1%	-0.1%		-0.1%		
US Federal Reserve		2-Feb	0.5-0.75%	0.5-0.75%		0.5-0.75%		
UK BOE		2-Feb	0.25%	0.25%		0.25%		
Australia, RBA		7-Feb	1.50%	1.50%		1.50%		
New Zealand, RBNZ		9-Feb	1.75%	1.75%		1.75%		
Canada, BoC		2-Mar	0.5%	0.5%		0.5%		
Europe ECB		9-Mar	-0.4%	-0.4%		-0.4%		

GMT: Greenwich Mean Time; AEDT: Australian Daylight Savings Time



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