

MARKETS TODAY

Happy Birthday



Good Morning

In 1979 President Carter endorsed a bill to have a holiday in honour of Martin Luther King (MLK), but a Conservative Congress at the time refused to pass the bill. Eventually President Reagan signed the holiday into law in 1983 and it was first observed three years later. When thinking of songs honouring MLK, U2 "Pride In The Name Of Love" was the first one that popped into my head, but then I remembered learning about Stevie Wonder's involvement in the campaign to have a holiday recognising the birth of Dr King. The 1981 hit "Happy Birthday" was written and performed by Stevie Wonder in order to raise awareness for the cause, it failed to reach the Billboard hot 100, but it was Wonder's biggest hit in the UK, reaching no 2 in the charts in August 1981.

Well with the US celebrating MLK's birthday, unsurprisingly we have had a relatively quiet session overnight. That said the risk off mode seen in Asia yesterday dominated proceedings with all European indices closing in negative territory while core European yields ended the day a touch lower. Gold has gained just under 1% and over the past 24 hrs, JPY, the preeminent safe haven currency, has been the only G10 currency that has outperformed the USD.

News over the weekend reporting PM Theresa May will deliver a speech today outlining the UK plans to exit the EU and regain control of immigration triggered a selloff in the pound and has been the main catalyst for the risk aversion seen in Asia yesterday and Europe overnight. That said, Donald Trump comments over the past few days have done little to ease market concerns, while the president elect comment that he wouldn't name China as a currency manipulator on "day one" was seen as a positive, he also said that his adherence to the One China policy depends on progress by China on trade issues. Given Beijing sensitivity on this latter issue, Trump's comments have not been seen as conducive to ease tension between the two countries. Similarly, Trump's prediction that other countries will follow Britain exiting the bloc while also labelling the EU a "vehicle for Germany" have raised concerns over the future transatlantic alliance.

Looking at currencies in more detail, the USD is stronger across the board with DXY +0.38% and BBDXY +0.30%. As noted above, the risk aversion tone has also benefited the yen. After yesterday's Sydney's close, USDJPY traded down to ¥113.63 and since then it has spent most of the overnight session just above ¥114. GBP/USD has also been pretty steady, after yesterday's big drop from 1.2199 to 1.1988, the currency pair has managed to trade above 1.20 for most of the overnight session. The risk off tone overnight has seen the AUD and NZD trade a little bit softer, but very much in line with other major currencies. The AUD is currently trading at 0.7475, down 0.36% and NZD is at 0.7105, down 0.38%.

With the US market closed, US Treasury futures have traded sideways in a very tight range and core European yields are a little bit lower. 10y Bunds closed -1.5bps at 0.319% and 10y UK gilts ended -5.2bps at 1.308%. The rally in UK Gilts suggests risk aversion has supported the bid, however we can help but think that inflationary concerns from a softer currency will turn to be a negative. Incidentally, over the past hour BoE governor Carney has been on the wires noting that policy makers will be monitoring developments closely as the impact of the weakening pound starts to feed through into prices. The Governor reiterated that BOE has limited tolerance for inflation.

Coming Up

Today's big event will be Theresa May's speech on her strategy for negotiating Britain's exit from the European Union and to add more drama to the event time and location of the speech has not yet been announced.

The PM is expected to walk a fine line between providing enough information on the government's intentions without necessarily showing too much of Britain's negotiating hand ahead of official discussions with the EU. That said, the key take away is that the central scenario is shifting towards pricing a fast and potentially disorderly Brexit. Accordingly, we have nudged our GBP forecast lower to reflect this view and now we see GBP heading towards 116 over the coming months as a fast and disorderly Brexit has not yet been fully discounted by the market.

The UK Supreme Court decision on whether the government must defer to parliament before triggering article 50 (due out any day now), may provide GBP some respite (assuming the court rules against the government), however the Court decision is unlikely to change the path to Brexit. Either way, GBP volatility is likely to remain elevated.

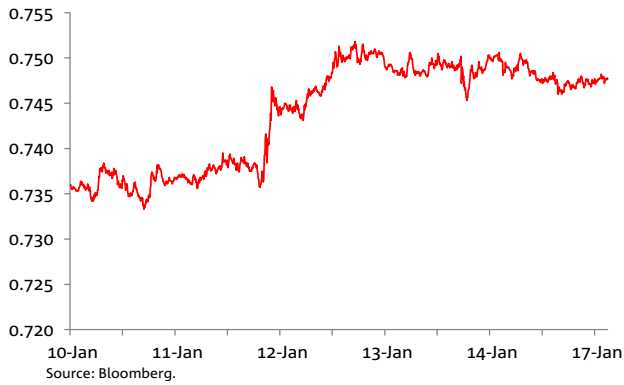
As for data releases, this morning Australia gets housing finance figures for November and Japan publishes its final industrial production reading (also for November). The UK releases CPI and PPI readings for December and Germany's ZEW survey (January) is also out today. There are no US data releases, but Fed Dudley (voter, dove) and Fed Williams (non-voter, centrist) are on the speaking roster. Tonight also sees the second GDT dairy auction for the year. NZ Farmers will be hoping for a better result than the chunky fall seen in pricing last fortnight.

Overnight

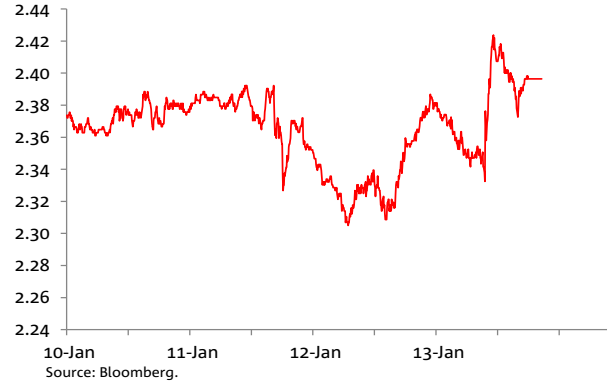
On global stock markets, the S&P 500 was +0.00%. Bond markets saw US 10-years +0.00bp to 2.40%. In commodities, Brent crude oil +0.40% to \$55.67, gold +0.5% to \$1,203, iron ore +3.9% to \$83.65, St. Coal -0.7% to \$82.90, Met. Coal -2.6% to \$190.00. AUD is at 0.7476 and the range since yesterday 5pm Sydney time is 0.746 to 0.7484.

Markets

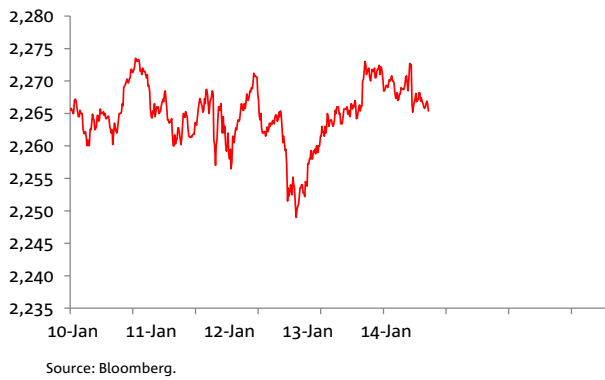
AUD/USD - past week



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	0.7476	-0.3	0.7458	0.7510	HKD	7.7553	0.0
NZD	0.7101	-0.4	0.7076	0.7148	CNY	6.9008	0.0
EUR	1.0603	-0.4	1.0580	1.0636	SGD	1.4298	0.1
GBP	1.2043	-1.1	1.1986	1.2085	IDR	13,362	0.2
JPY	114.13	-0.3	113.63	114.67	THB	35.42	0.0
CAD	1.3183	0.5	1.3104	1.3187	KRW	1,182	0.6
AUD/EUR	0.7051	0.0	0.7036	0.7079	TWD	31.68	0.3
AUD/JPY	85.33	-0.6	85.01	85.98	PHP	50.02	0.7
AUD/GBP	0.6208	0.8	0.6179	0.6256	CHF	1.01	0.3
AUD/NZD	1.0527	0.1	1.0494	1.0556	SEK	8.95	0.4
AUD/CNH	5.1559	-0.1	5.1169	5.1529			

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	0.75	1.02	1.49	2.26	USD 10	2.40	3.33	
AUD	1.50	1.78	1.97	2.89	AUD 10	2.70	0.50	0.30
NZD	1.75	2.00	2.39	3.40	NZD 10	3.12	-0.20	0.73
EUR	0.00	-0.33	-0.18	0.68	CAD 10	1.69	-3.00	-0.71
GBP	0.25	0.36	0.62	1.30	EUR 10	0.32	-1.50	-2.07
JPY	-0.05	-0.03	0.03	0.21	GBP 10	1.31	-5.20	-1.08
CAD	0.50	0.96	1.12	1.88	JPY 10	0.05	0.30	-2.34

Equities

Major Indices			
	Last	% day	% y/y
Dow	19,886	0.00	24.4
S&P 500	2,275	0.00	21.0
Nasdaq	5,574	0.00	24.2
VIX	11	0.00	-58.4
FTSE	7,327	-0.1	26.2
DAX	11,555	-0.6	21.1
CAC 40	4,882	-0.8	16.0
Nikkei	19,095	-1.0	11.4
Shanghai	3,103	-0.3	7.0
Hang Seng	22,718	-1.0	16.4
ASX 200	5,748	0.5	17.5

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.19	-1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.27	-3.00
3/10 sprd	0.53	3.00
SPI	5693.0	-4.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	55.67	0.4
Oil (WTI)	52.64	0.5
Oil (Tapis)	56.82	-0.4
Gold	1202.60	0.5
CRB	194.54	0.0
GS Metals	323.4	0.0
Aluminium	1797.5	-0.6
Copper	5843.5	-0.7
Nickel	10212.0	-1.8
Zinc	2733.5	-1.4
Ch. steel	3374.0	5.2
Iron ore	83.7	3.9
St. Coal	82.9	-0.7
Met.coal	190.0	-2.6
Wheat Chic.	439.8	0.0
Sugar	20.5	0.0
Cotton	72.3	0.0
Coffee	149.3	0.0

CO₂ Emissions - Euros

	Last	% day
Dec-2016	5.09	Clsd
Jun-2017	4.70	-6.9

* 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
Monday, 16 January 2017								
CH	Foreign Direct Investment YoY CNY	Jan				5.7		
NZ	Food Prices MoM	Dec				-0.1	22.45	8.45
JN	Machine Orders MoM	Nov		-1.7		4.1	0.50	10.50
AU	Melbourne Institute Inflation MoM/YoY	Dec				0.1/1.5	1.00	11.00
UK	Rightmove House Prices MoM/YoY	Jan				-2.1/3.4	1.10	11.10
JN	Tertiary Industry Index MoM	Nov		0.2		0.2	5.30	15.30
EC	Trade Balance SA	Nov		20.8		19.7	11.00	21.00
CA	Bloomberg Nanos Confidence	Jan 13				56.5	16.00	2.00
Tuesday, 17 January 2017								
AU	Home Loans #/Investment Lending \$ MoM	Nov		0.3		-0.8	1.30	11.30
AU	New Motor Vehicle Sales MoM/YoY	Dec				-0.6/-1.1	1.30	11.30
JN	Industrial Production MoM/YoY	Nov F		/		1.5/4.6	5.30	15.30
EC	EU27 New Car Registrations	Dec				5.8	8.00	18.00
UK	UK PM May on Major Brexit Speech "Brexit Approach"							time unknown
UK	CPI MoM/YoY	Dec		0.3/1.4		0.2/1.2	10.30	20.30
UK	CPI Core YoY	Dec		1.4		1.4	10.30	20.30
UK	PPI Output Core NSA MoM/YoY	Dec		0.2/2.2		0.0/2.2	10.30	20.30
UK	House Price Index YoY	Nov		6.1		6.9	10.30	20.30
GE	ZEW Survey Expectations	Jan		18.4		13.8/63.5	11.00	21.00
EC	ZEW Survey Expectations	Jan				18.1	11.00	21.00
US	Fed's Dudley (voter) Speaks on Consumer Behavior in New York						14.45	0.45
US	Fed's Williams (non-voter) speaks in Sacramento						0.00	10.00
Wednesday, 18 January 2017								
AU	Westpac Consumer Conf Index/MoM	Jan				97.3/-3.9	0.30	10.30
NZ	Non Resident Bond Holdings	Dec				63.6	3.00	13.00
GE	CPI EU Harmonized MoM/YoY	Dec F		1/1.7		1.0/1.7	8.00	18.00
UK	Jobless Claims Change	Dec		5		2.4	10.30	20.30
UK	Average Weekly Earnings 3M/YoY	Nov		2.6		2.5	10.30	20.30
UK	Employment Change 3M/3M/ILO Unemployment rate 3M	Nov		-35/4.8		-6.0/4.8	10.30	20.30
EC	Construction Output MoM	Nov				0.8	11.00	21.00
EC	CPI MoM/YoY	Dec		0.5/1.1		-0.1/0.6	11.00	21.00
EC	CPI Core YoY	Dec F		0.9		0.9	11.00	21.00
CH	Property Prices	Dec						
US	CPI MoM/YoY	Dec		0.3/2.1		0.2/1.7	14.30	0.30
US	CPI Ex Food and Energy MoM/YoY	Dec		0.2/2.2		0.2/2.1	14.30	0.30
US	Industrial Production MoM	Dec		0.6		-0.4	15.15	1.15
US	Fed's Kaplan (voter) speaks in Dallas							1.00
CA	Bank of Canada Rate Decision	Jan 18		0.5		0.5	16.00	2.00
US	Fed's Kashkari speaks in San Francisco							3.00
US	Fed Chair Yellen speaks in San Francisco						21.00	7.00
Thursday, 19 January 2017								
NZ	BusinessNZ Manufacturing PMI	Dec				54.4	22.30	8.30
NZ	CPI QoQ/YoY	4Q		/		0.2/0.2	22.45	8.45
AU	Consumer Inflation Expectation	Jan				3.4	1.00	11.00
UK	RICS House Price Balance	Dec		30		30.0	1.10	11.10
AU	Employment Change/Unemployment rate	Dec		10		39.1	1.30	11.30
AU	RBA FX Transactions Market	Dec				503.0	1.30	11.30
JN	Tokyo Condominium Sales YoY	Dec				-22.7	5.00	15.00
EC	ECB Current Account SA	Nov				28.4	10.00	20.00
EC	ECB Main Refinancing Rate	Jan 19		0		0.0	13.45	23.45
EC	ECB Marginal Lending Facility	Jan 19		0.25		0.3	13.45	23.45
EC	ECB Deposit Facility Rate	Jan 19		-0.4		-0.4	13.45	23.45
EC	ECB Asset Purchase Target	Jan		80		80.0	13.45	23.45
CA	Int'l Securities Transactions	Nov				15.8	14.30	0.30
CA	Manufacturing Sales MoM	Nov		1		-0.8	14.30	0.30
US	Housing Starts #/MoM	Dec		1184/8.6		1090/-18.7	14.30	0.30
US	Building Permits #/MoM	Dec		1225/1.1		1201/-4.7	14.30	0.30
US	Philadelphia Fed Business Outlook	Jan		16		21.5	14.30	0.30
US	Fed Chair Yellen speaks at Stanford						2.00	12.00
Friday, 20 January 2017								
NZ	ANZ Consumer Confidence Index/MoM	Jan				124.5/-2.1	1.00	11.00
AU	HIA New Home Sales MoM	Nov				-8.5	1.00	11.00
CH	GDP SA QoQ/YoY	4Q		1.7/6.7		1.8/6.7	20 Jan release	
CH	GDP YTD YoY	4Q		6.7		6.7	20 Jan release	
CH	Industrial Production YoY/YTD YoY	Dec		6.1/6		6.2/6.0	20 Jan release	
CH	Retail Sales YoY/YTD YoY	Dec		10.7/10.4		10.8/10.4	20 Jan release	
CH	Fixed Assets Ex Rural YTD YoY	Dec		8.3		8.3	20 Jan release	
GE	PPI MoM/YoY	Dec		0.4/1		0.3/0.1	8.00	18.00
EC	ECB Survey of Professional Forecasters						10.00	20.00
UK	Retail Sales Ex Auto Fuel MoM/YoY	Dec		-0.4/7.5		0.5/6.6	10.30	20.30
UK	CBI Trends Total Orders/Selling Prices	Jan				0.0	20-26 Jan release	
UK	CBI Business Optimism	Jan				-8.0	20-26 Jan release	
CA	Retail Sales/Ex Autos MoM	Nov		0.5/0.1		1.1/1.4	14.30	0.30
CA	CPI NSA MoM/YoY	Dec		0/1.7		-0.4/1.2	14.30	0.30
CA	CPI SA MoM	#N/A Field Not Applicable				-0.2		
US	Fed's Harker speaks in New Jersey on Economic Outlook						15.00	1.00
Upcoming Central Bank Interest Rate Announcements								
Europe ECB		19-Jan		0.00%		0.00%		
Canada, BoC		19-Jan				0.50%		
US Federal Reserve		28-Jan				0.5-0.75%		
Japan, BoJ		31-Jan		-0.1% to +0.1%		-0.1% to +0.1%		
UK BOE		2-Feb				0.25%		
Australia, RBA		7-Feb	1.50%	1.50%		1.50%		
New Zealand, RBNZ		9-Feb	1.75%	1.75%		1.75%		

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

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