

MARKETS TODAY

Synergy



When thinking about a title for today's note and the impact the US labour market report had on Friday's session, Aristotle's quote "the whole is greater than the sum of its parts" seemed quite fitting, but way too long for a title. Thankfully there is nothing like Google when you have no coffee and a mental block early in the morning! ...So there you go, Synergy is the creation of a whole that is greater than the simple sum of its parts. As far as song titles go, Wales Euro 2016 official song by the Manic Street Preachers "Together Stronger (c'mon Wales)" was also a title contender for today.

US equities opened Friday's session on the back foot, but a decent US Jobs report, as a whole, triggered a turnaround in sentiment and helped equities end the week on a positive note (5%P +0.35%, DJ +0.32% and NASDAQ +0.60%). The Dow came close to breaking through the 20k mark, but after reaching an intraday high of 19,999.63, it ended the day at 19,963. After trending lower in the previous two days the USD recovered a bit of lost ground (DXY+0.69%) and US Treasury bonds sold off with the moves led by the back end of the curve. Fed hike expectations are now at 40% for March after declining to 34% post the Minutes on Thursday and now there are 2 ¼ of hikes priced for 2017, compared to 2 and a bit priced previously.

US payrolls in December printed at 156k, below the 175k expected by consensus, however given the +19k revisions to the previous months, we still ended up with a net rise of 175k job for the month. The unemployment rate rose one-tenth to 4.7% as expected, but on a positive note the rise in the unemployment rate was in part due to a slight increase in the labour force participation rate to 62.7%. Average earnings rose 0.4% mom and because a +0.0% monthly figure was seen in Dec-15, the annual rate rose to 2.9%; the highest rate of growth in the post-GFC period. So as whole, the US labour market report for December was pretty solid, there are more people in work, the pool of available labour is rising and wages are also going up.

Looking at currencies in more detail, the USD was stronger across the board with JPY leading the losses amongst G10 currencies. USDJPY gained 1.5% on Friday and it is currently trading at 117.02. GBP lost 1.2% and today it is down another 0.35% following weekend comments from PM May that the UK will leave the EU single market and that she is not interested in keeping "bits of EU membership". AUD also came under pressure post NFP (down 0.5%) but relative to other G10 currencies it was the second best performer (currently trading at 0.7294). In contrast, NZD fell 0.94% and now trades below the 70c mark after spending most of the previous 24hrs with a 7 in front of it. CAD was the outperformer (-0.09%) supported by better than expected jobs data (+53.k job vs -2.5k expected)

Over the weekend we also learned that China's FX reserves fell by \$41bn to \$3.01trn in December, fairly

close to analysts' expectations. Nevertheless, if we assume China's trade balance in December (due for release Friday) was close to the average seen over the previous three months (~ \$45bn) while also considering currency valuation effects, we estimate that the PBoC FX intervention in December was probably close to \$75bn. So pressure on the Renminbi was still significant in December and it remains to be seen if the recent introduction of new capital controls will help ease this downward pressure on the currency in 2017.

In other news Chicago Fed's Evans (voter, dove) said that 3 hikes is "not implausible", however there are also downside risks. Cleveland Fed Mester (non-voter, hawk) said that three hikes this year is a reasonable number, while Philly Fed Harker (voter, neutral) noted that he was also in the 3 hikes camp for 2017.

Lastly CFTC data showed that speculators increased their net long USD notional positions to \$25.4bn from \$24.17bn as of January 3. The \$1.26bn USD gain was largely driven by increases in short positions against most currencies with EUR and GBP recording the largest increase in short contracts (9.7k and 7.2k respectively).

Coming Up

Last week we learned in yet another Donald Trump tweet that he plans to hold a press conference on Wednesday this week. It is likely the conference will revolve around how Trump plans to distance himself from his business empire while in office (in December he cancelled a conference on this issue), but any policy comment could be important for markets.

US Fed Chair speech on Friday could also be another important event. Yellen is expected to briefly talk about the Fed System's mission and responsibilities, but there will also be a Q&A session.

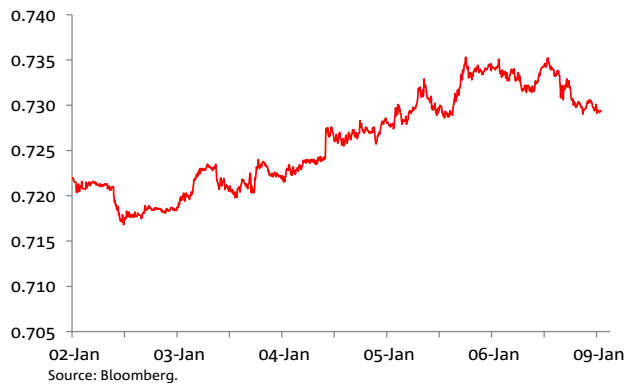
As for this week's data highlights, the US gets JOLTS job opening on Tuesday and business inventories, PPI and retail sales on Friday. Eurozone unemployment data is out tonight and Industrial production is released on Thursday. Today China gets PPI figures while Yuan loans and Money Supply are out tomorrow. Japan's Trade balance will be released on Wednesday and retail sales are the data highlight in Australia, out on Tuesday. The markets is currently looking for a 0.4% outcome, down from 0.5% in November, but NAB economists have an above consensus print of 0.7%, thanks to an extra boost from Black Friday sales.

Overnight

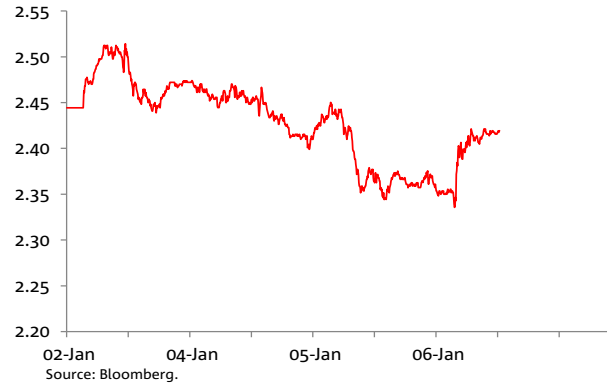
On global stock markets, the S&P 500 was +0.35%. Bond markets saw US 10-years +7.50bp to 2.42%. In commodities, Brent crude oil +0.37% to \$57.1, gold-0.7% to \$1,173, iron ore -3.4% to \$76.25, St. Coal -2.6% to \$83.50, Met. Coal -3.3% to \$206.00. AUD is at 0.7294 and the range since Friday 5pm Sydney time is 0.729 to 0.7352.

Markets

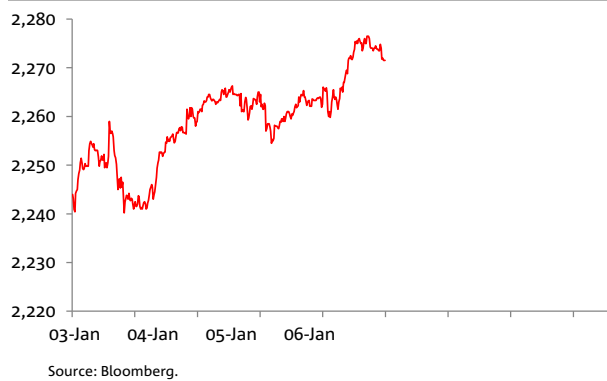
AUD/USD - past week



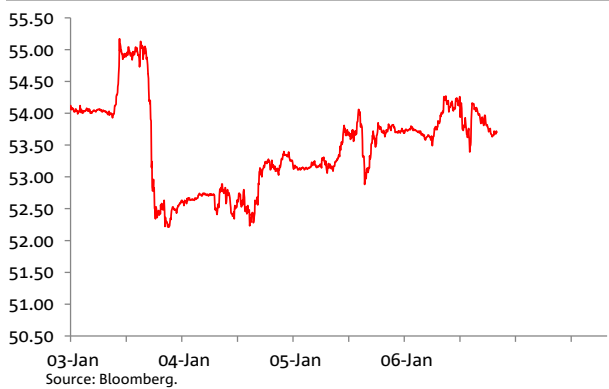
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX		
	Last	% chge	Low	High		Last	% chge
AUD	0.7294	-0.6	0.7289	0.7355	HKD	7.7553	0.0
NZD	0.6963	-0.9	0.6954	0.7044	CNY	6.9241	0.7
EUR	1.0530	-0.7	1.0525	1.0620	SGD	1.4390	0.7
GBP	1.2256	-1.3	1.2233	1.2431	IDR	13,371	0.0
JPY	117.01	1.4	115.07	117.18	THB	35.73	0.1
CAD	1.3257	0.2	1.3178	1.3268	KRW	1,193	0.6
AUD/EUR	0.6927	0.1	0.6911	0.6944	TWD	31.99	0.2
AUD/JPY	85.35	0.8	84.57	85.50	PHP	49.47	-0.1
AUD/GBP	0.5952	0.7	0.5906	0.5963	CHF	1.02	0.8
AUD/NZD	1.0475	0.3	1.0426	1.0500	SEK	9.07	0.9
AUD/CNH	5.0681	0.5	4.9816	5.0316			

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.75	1.01	1.48	2.29	USD 10	2.42	7.50
AUD	1.50	1.79	2.01	2.94	AUD 10	2.68	-6.10 0.26
NZD	1.75	1.98	2.41	3.42	NZD 10	3.19	-4.90 0.77
EUR	0.00	-0.32	-0.16	0.72	CAD 10	1.73	6.60 -0.69
GBP	0.25	0.37	0.64	1.34	EUR 10	0.30	5.50 -2.12
JPY	-0.05	-0.04	0.03	0.23	GBP 10	1.38	9.10 -1.04
CAD	0.50	0.95	1.11	1.92	JPY 10	0.06	-0.10 -2.36

Equities

Major Indices	Last	% day	% y/y
	Dow	19,964	0.32
S&P 500	2,277	0.35	18.5
Nasdaq	5,521	0.60	18.9
VIX	11	-3.00	-58.1
FTSE	7,210	0.2	21.9
DAX	11,599	0.1	17.8
CAC 40	4,910	0.2	13.3
Nikkei	19,454	-0.3	9.9
Shanghai	3,154	-0.4	-1.0
Hang Seng	22,503	0.2	10.0
ASX 200	5,756	0.0	15.3

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.18	1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.23	3.50
3/10 sprd	0.58	-3.50
SPI	5730.0	-14.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	57.10	0.4
Oil (WTI)	53.99	0.4
Oil (Tapis)	58.34	1.9
Gold	1173.40	-0.7
CRB	193.54	-0.1
GS Metals	304.6	0.3
Aluminium	1715.0	0.7
Copper	5574.8	0.2
Nickel	10197.3	-0.5
Zinc	2604.5	0.0
Ch. steel	2911.0	-1.4
Iron ore	76.3	-3.4
St. Coal	83.5	-2.6
Met.coal	206.0	-3.3
Wheat Chic.	434.8	-0.4
Sugar	20.8	-0.1
Cotton	74.0	0.3
Coffee	142.9	-0.6

CO₂ Emissions - Euros

	Last	% day
Dec-2016	5.09	Clsd
Jun-2017	5.03	-5.1

* 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, 9 January 2017								
CH	Foreign Direct Investment YoY CNY	Dec		0.8		1.2	8-13 Jan release	
AU	AIG Perf of Construction Index	Dec				46.6	23.30	9.30
AU	Building Approvals MoM/YoY	Nov		4.5/-5.7		-12.6/-24.9	1.30	11.30
GE	Industrial Production SA MoM/YoY	Nov		0.7/1.9		0.3/1.2	8.00	18.00
GE	Current Account Balance	Nov		20		18.4	8.00	18.00
UK	Halifax House Prices MoM/3m YoY	Dec		0.3		0.2/6.0	9.30	19.30
EC	Sentix Investor Confidence	Jan		12		10.0	10.30	20.30
EC	Unemployment Rate	Nov		9.8		9.8	11.00	21.00
CH	CPI YoY	Dec		2.2		2.3	9-11 Jan release	
CH	PPI YoY	Dec		4.6		3.3	9-11 Jan release	
US	Fed's Rosengren speaks						15.00	1.00
CA	Bloomberg Nanos Confidence	Jan 6				56.8	16.00	2.00
US	Labor Market Conditions Index Change					1.5		
US	Fed's Lockhart Speaks to the Rotary Club of Atlanta						18.45	4.45
Tuesday, 10 January 2017								
US	Consumer Credit	Nov		18.225		16.0	21.00	7.00
NZ	Building Permits MoM	Nov				2.6	22.45	8.45
AU	Retail Sales MoM	Nov		0.4		0.5	1.30	11.30
JN	Consumer Confidence Index	Dec				40.9	6.00	16.00
NZ	REINZ House Sales YoY	Dec				-6.0		
CH	Aggregate Financing CNY	Dec		1300		1740.0	10-15 Jan release	
CH	New Yuan Loans CNY	Dec		663		794.6	10-15 Jan release	
CA	Building Permits MoM	Nov				8.7	14.30	0.30
US	Wholesale Inventories MoM	Nov F		0.9		0.9	16.00	2.00
US	IBD/TIPP Economic Optimism					54.8		
US	JOLTS Job Openings	Nov				5534.0	16.00	2.00
Wednesday, 11 January 2017								
NZ	ANZ Job Advertisements MoM	Dec					22.00	8.00
AU	Job vacancies	Nov				4.6	1.30	11.30
JN	Leading Index CI	Nov P		102.6		100.8	6.00	16.00
UK	Trade Balance	Nov		-3755		-1971.0	10.30	20.30
UK	Industrial Production MoM/YoY	Nov		0.5		-1.3/-1.1	10.30	20.30
UK	Construction Output SA MoM/YoY	Nov		0.3		-0.6/0.7	10.30	20.30
UK	NIESR GDP Estimate	Dec				0.4	16.00	2.00
NZ	ANZ Truckometer Heavy MoM	Dec				4.0	22.00	8.00
Thursday, 12 January 2017								
JN	BoP Current Account Adjusted	Nov		1880.7		1928.9	0.50	10.50
NZ	ANZ Commodity Price	Dec				2.7	1.00	11.00
GE	Budget Maastricht % of GDP	2016		0.6			10.00	20.00
EC	Industrial Production SA MoM/YoY	Nov		0.5		-0.1/0.6	11.00	21.00
EC	ECB Meeting Minutes	Dec					13.30	23.30
JN	Eco Watchers Survey Current	Dec				48.6		
JN	Eco Watchers Survey Outlook	Dec				49.1		
US	Fed's Harker speaks						14.30	0.30
US	Fed's Evans (voter) and Lockhart in panel in Florida						14.30	0.30
CA	New Housing Price Index MoM/YoY	Nov				0.4/3.0	14.30	0.30
US	Import Price Index YoY	Dec		1.7		-0.1	14.30	0.30
CA	Teranet/National Bank HPI MoM/YoY	Dec				0.2/11.9	14.30	0.30
US	Fed's Lockhart speaks in Florida; Q&A also						18.30	4.30
US	Fed's Bullard speaks on the US Outlook						19.15	5.15
US	Yellen to Address Town Hall with Educators						1.00	11.00
Friday, 13 January 2017								
NZ	Card Spending Retail MoM/YoY	Dec		1		-0.1/-0.3	22.45	8.45
NZ	Card Spending Total MoM	Dec				-0.3	22.45	8.45
CH	Trade Balance	Dec		48		44.6		
UK	BoE's Saunders speaks on the labour market in London							20.30
US	PPI Final Demand MoM/YoY	Dec		0.3/1.5		0.4/1.3	14.30	0.30
US	Retail Sales Advance/Control Group MoM	Dec		0.5/0.5		0.1/0.1	14.30	0.30
US	Fed's Harker (voter) speaks on Economic Mobility						15.30	1.30
US	Business Inventories	Nov		0.3		-0.2	16.00	2.00
US	U. of Mich. Sentiment/5-10 Yr Inflation	Jan P		98.6/		98.2/2.3	16.00	2.00
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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