

MARKETS TODAY

Twice if you're lucky



Good Morning

Never underestimate the ability of markets to discount the same news twice. Or in the case of the US dollar, the ability to ignore a relevant piece of news one day only to react with alarm to it a day or two later.

So it is that on Monday, markets completely ignored comments by President-elect Trump in a Wall Street Journal interview published after Friday's market close, in which he said "Our companies can't compete with them (China) now because our currency is strong and it's killing us". A re-run of these comments yesterday afternoon Sydney time clearly contributed to dollar weakness.

To be fair, pressure on the US dollar also stemmed from comments in the same WSJ interview (but which didn't appear in the original report on Friday) in which Trump says, "It's too complicated....anytime I hear border adjustment, I don't love it....Because usually it means we're going to get adjusted into a bad deal. That's what happens."

Much has been written in recent days - including by ourselves - on the potential for a border tax to have a powerful positive impact on dollar. So in distancing himself from the notion, it makes some sense for the dollar to have fallen, even if Trump's plans to impose punitive (import) taxes on firms that make stuff outside the United States with the intention of then selling into the U.S., is also potentially dollar positive.

Perhaps contributing a little to the overnight FX and rates markets moves, NY Fed president Bill Dudley gave a speech and his comments came across dovish, although that is not unusual. He noted that the economy was not growing much above its sustainable long-term potential, pressures on labour market resources have been increasing, but quite slowly, and that the recent strength of the USD would put downward pressure on inflation.

While we can expect what have now been dubbed 'open mouth operations' to be a major feature of the Trump administration - from the Twitter fingers of the President himself in particular - a more nuanced view of administration dollar policy was on show in Davos yesterday in comments from Anthony Scaramucci, named as the Director of the Office of Public Liaison and Intergovernmental affair. Scaramucci noted that while 'we're going to have to be careful about the rising currency' because of the impact it can have domestically, he also noted that strong growth and a strong dollar can co-exist. This is still our preferred scenario for 2017.

For now, the upshot of the news flow since last Friday's market close is that the US dollar is weaker alongside lower US Treasury bond yields and where 10s are some 7bps lower overnight. The British Pound is the standout winner, GBP/USD adding three cents and so more than reversing Monday's slide.

There was nothing in UK PM May's speech last night to clearly counter the message derived from the weekend press reports indicating the UK would forgo seeking continued membership of the single market and customs union in order to prioritise immigration in its Brexit negotiations. Market did though latch on to May's stated commitment to put a settlement agreement back to parliament.

A market running very short GBP into the speech was given no fresh reason to hang on to positions.

AUD/USD overnight strength, to a new YTD high of 0.7565, is really just a reflection of latest USD slippage. GBP, JPY and NZD are all stronger than the AUD, the latter possibly aided by a 0.6% rise in the latest Global Dairy Trade auction.

Coming Up

Donald's Trump's views on this, that or the other continue to be the dominant driver of price action across asset classes, with no signs his Twitter fingers will be given any respite ahead of Friday's Presidential inauguration.

There is plenty on the calendar today and tonight but none of the content is an obvious game changer.

Fed chair Janet Yellen is scheduled to take part in a discussion at the Commonwealth Club in San Francisco but not until 7:00am Sydney time tomorrow morning. Later Thursday she'll be speaking at Stanford University on the economic and monetary policy outlook, which promises to be the bigger draw. SF Fed President John Williams should pop up on the wires from 10:00 EDT.

US data includes CPI and industrial production, both for December. CPI is expected to be above 2% on both the headline and core measures (2.1% and 2.2% respectively). While the Fed's preferred core PCE measure still languish below 2%, CPI data such as this will support Janet Yellen's view from last week that 'Inflation is below our 2% goal but it's pretty close'.

The Bank of Canada meets tonight but will almost certainly sit on its hands, particularly given the added uncertainty from the Trump factor. The UK has latest labour market data.

Locally, we get the January Westpac Consumer confidence index. This ended 2016 on a weak note.

Overnight

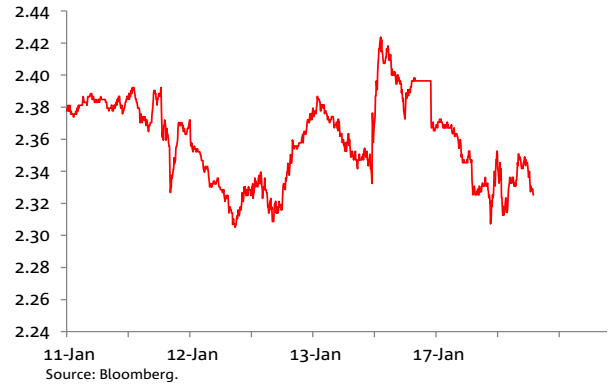
On global stock markets, the S&P 500 was -0.44%. Bond markets saw US 10-years -7.29bp to 2.32%. In commodities, Brent crude oil -0.73% to \$55.45, gold+1.6% to \$1,216, iron ore -2.5% to \$81.55, steaming coal -0.7% to \$82.90, mett. coal was untraded, last at \$190.00. AUD is at 0.7562 and the range since yesterday 5pm Sydney time is 0.7513 to 0.7564.

Markets

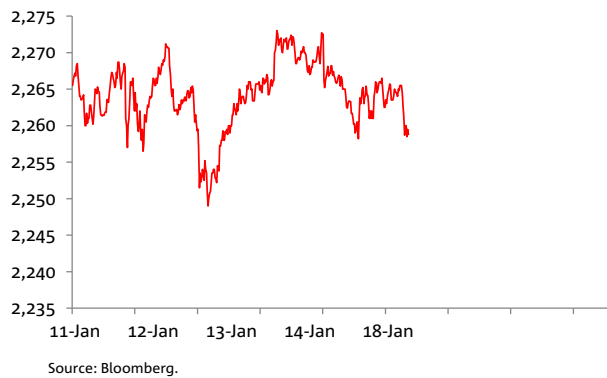
AUD/USD - past week



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	0.7562	1.1	0.7465	0.7565	HKD	7.7559	0.0
NZD	0.7206	1.5	0.7096	0.7210	CNY	6.8450	-0.8
EUR	1.0703	1.0	1.0598	1.0719	SGD	1.4159	-1.0
GBP	1.2394	2.9	1.2018	1.2415	IDR	13,333	-0.2
JPY	112.69	-1.3	112.63	114.28	THB	35.28	-0.4
CAD	1.3057	-0.9	1.3019	1.3189	KRW	1,174	-0.6
AUD/EUR	0.7065	0.2	0.7036	0.7077	TWD	31.53	-0.5
AUD/JPY	85.22	-0.2	85.01	85.60	PHP	49.73	-0.6
AUD/GBP	0.6101	-1.7	0.6086	0.6228	CHF	1.00	-0.9
AUD/NZD	1.0493	-0.3	1.0482	1.0531	SEK	8.90	-0.6
AUD/CNH	5.1650	0.2	5.1207	5.1520			

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	0.75	1.02	1.45	2.21	USD 10	2.32	-7.29	
AUD	1.50	1.78	1.96	2.87	AUD 10	2.70	0.10	0.37
NZD	1.75	2.00	2.39	3.39	NZD 10	3.12	-2.10	0.79
EUR	0.00	-0.33	-0.18	0.66	CAD 10	1.66	-3.30	-0.66
GBP	0.25	0.36	0.63	1.29	EUR 10	0.32	-0.20	-2.00
JPY	-0.05	-0.02	0.03	0.20	GBP 10	1.31	-0.30	-1.01
CAD	0.50	0.96	1.10	1.86	JPY 10	0.05	-0.60	-2.28

Equities

Major Indices			
	Last	% day	% y/y
Dow	19,795	-0.45	23.8
S&P 500	2,265	-0.44	20.4
Nasdaq	5,532	-0.76	23.2
VIX	12	7.84	-55.2
FTSE	7,220	-1.5	24.4
DAX	11,540	-0.1	20.9
CAC 40	4,860	-0.5	15.4
Nikkei	18,814	-1.5	11.0
Shanghai	3,109	0.2	6.7
Hang Seng	22,841	0.5	18.7
ASX 200	5,699	-0.9	17.3

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.20	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.31	5.00
3/10 sprd	0.49	-2.00
SPI	5635.0	68.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	55.45	-0.7
Oil (WTI)	52.45	0.2
Oil (Tapis)	57.55	1.3
Gold	1215.70	1.6
CRB	195.14	0.3
GS Metals	323.4	0.0
Aluminium	1793.8	-0.2
Copper	5740.3	-1.8
Nickel	10125.5	-0.8
Zinc	2708.3	-0.9
Ch. steel	3349.0	0.9
Iron ore	81.6	-2.5
St. Coal	82.9	-0.7
Met.coal	190.0	0.0
Wheat Chic.	448.3	1.9
Sugar	20.7	1.0
Cotton	72.1	-0.2
Coffee	149.9	0.4

CO₂ Emissions - Euros

	Last	% day
Dec-2016	5.09	Clsd
Jun-2017	4.98	6.0

* 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
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

CONTACT DETAILS

Authors

David de Garis
Senior Economist
+61 3 8641 3045
david.degaris@nab.com.au

Ray Attrill
Global Co-Head of FX Strategy
+61 2 9237 1848
ray.attrill@nab.com.au

Rodrigo Catril
Currency Strategist
+61 2 9293 7109
rodrigo.h.catril@nab.com.au

Tapas Strickland
Economist
+61 2 9237 1980
tapas.strickland@nab.com.au

Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406
peter.jolly@nab.com.au

Group Economics

Alan Oster
Chief Economist
+61 3 8634 2927
alan_oster@national.com.au

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.