

MARKETS TODAY

William(s) Tell(s)



Good Morning

A bit of early 19th century opera to kick off the week (don't fret, I'm sure we'll be back in rock & roll mode for the rest of the week).

It was the San Francisco Fed's (John) Williams not William (Tell) who spilled the beans on Friday saying that raising rates at the Fed's March meeting might make sense. He said that inflation will build up if we push the economy too hard and sees arguments for moving rates earlier not later. He says all FOMC meetings are 'live'. In doing so he reversed a good chunk of the market's reaction to US employment data that in all but the headline payrolls number was a weaker than expected report.

Payrolls rose by 227k against 180k expected, but the prior two months saw downward revisions totalling 39k while the unemployment rates ticked up to 4.8% from 4.7% (albeit aided by a 2/10% rise in the labour participation rate). But the standout feature of the report was the mere 0.1% rise in average hourly earnings and where going in to the numbers the risks were seen to be skewed toward a rise of as much as 0.5% due primarily to the rise in minimum wage in many states

While scepticism regarding the veracity of the earnings number abounds, at face value annual growth dropped to 2.5% in January from 2.8%, well below the 3% that Fed vice chair Stan Fischer told us last year he wanted to see to be consistent with the Fed's 2% inflation target.

10-year Treasury yields dropped from 2.48% to 2.43% rose all the way back up to 2.5% after Williams, before settling at 2.465%. On the week, 10s are down 1.9bps.

The payrolls report was a goldilocks affair as far as equities were concerned, the S&P500 adding 0.73% to 2297.4, the Dow 0.94% to 20,071.46 and the NASDAQ 0.54%. Stocks didn't take a hit on Williams' comments, unlike bonds and where the firing of the starting gun on Thursday night for the repeal of Dodd-Franc saw the S&P financials sub-series jump by 2%. The VIX dropped back below 11 to 10.97, a full point down on the day.

In FX the dollar traced out a similar pattern to Treasuries with the BBDXY index off about 0.6% post payrolls and then recovering nearly half the losses after Williams. Taking into account the modest dollar gains in Asia and Europe pre-payrolls, BBDXY ended NY just 0.11% lower to be 1.2% down on the week.

For individual dollar pairs, NOK gained the most (0.56%) followed by NZD (+0.37% to 0.7315). AUD added 0.29% to 0.7680. EUR/USD +0.22% to 1.0783, USD/JPY fell 0.17% to Y112.61 while GBP/USD lost 0.34% to 1.2484. A disappointing service sector PMI was largely responsible (54.5 down from 56.2 and 55.8 expected).

In commodities, gold and oil were up smalls: gold +\$1.80 to \$1218.5, Brent and WTI crude both added \$0.30 to

\$56/81 and \$53.54 respectively. Iron ore +\$1.20 to \$82.19. Steaming coal out of Newcastle added 25 cents to \$83.00 while coking coal didn't trade, last at \$168.0.

CoreLogic have resumed their weekend Australian auction market summary noting auction volumes gathering momentum though not at the same pace as last year. Sydney is to blame, but we suspect that record January temperatures may have had a hand here.

Nationwide, the combined capital city auction clearance rate was 70.8% this weekend and 71.6% last. Sydney cleared a preliminary 78.1% and Melbourne 77.5%. It looks like a strong start to the year.

Coming Up

Trump-inspired volatility aside, it's not a big week internationally on the known data or events front. After Williams on Friday they'll be keen interest in what other Fed speakers have to say and where Harker (Tuesday) Bullard (Thursday) and Evans (also Thursday) are all on the slate.

The RBNZ Monetary Policy Statement on Thursday is the main event there but with keen interest elsewhere as well. No change in rates can be confidently expected but guidance on the future OCR track will be market sensitive. Our BNZ colleagues look for the RBNZ to drop its hitherto easing bias but not (yet) replace it with a tightening one.

Here, it's a big week kicking off with December and Q4 retail sales today, then the RBA tomorrow, a speech from Governor Phil Lowe on Thursday and then the Statement on Monetary Policy on Friday.

On retail sales the market consensus is 0.3% for December nominal and 0.9% for Q4 real. NAB is 1/10% above these estimates in both cases.

The RBA won't be changing rates, but the statement will be parsed for any changes. The weak Q3 growth outcome should be acknowledged in Mr Lowe's statement but alongside there will almost certainly be acknowledgement of signs that growth has picked up again since then.

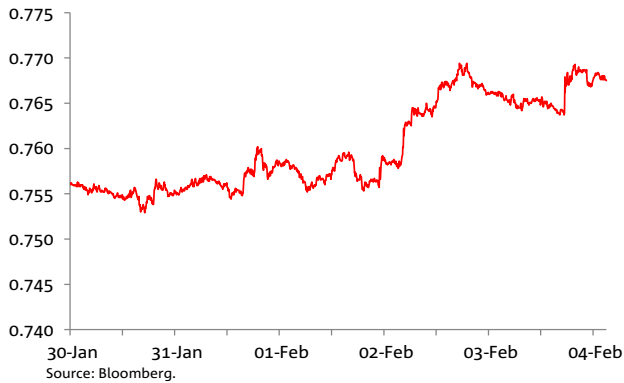
And on inflation the Q4 outcome was much in line with earlier forecasts. As such, this suggests that Friday's SoMP won't see much change to either the RBA's growth or inflation forecasts.

Overnight

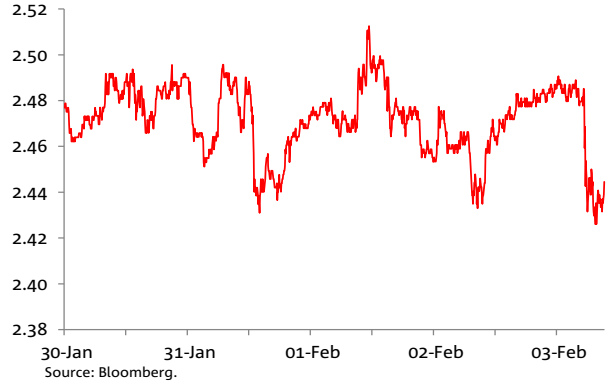
On global stock markets, the S&P 500 was +0.73%. Bond markets saw US 10-years -0.89bp to 2.46%. In commodities, Brent crude oil +0.44% to \$56.81, gold+0.1% to \$1,219, iron ore -1.4% to \$82.19, steam coal +0.3% to \$83.00, met.coal +0.0% to \$168.00. AUD is at 0.7674 and the range since Friday 5pm Sydney time is 0.7622 to 0.7695.

Markets

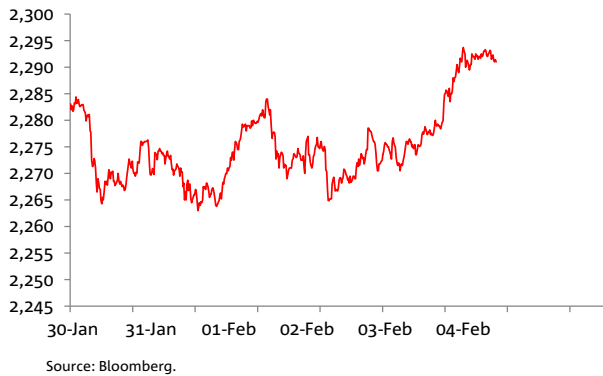
AUD/USD - past week



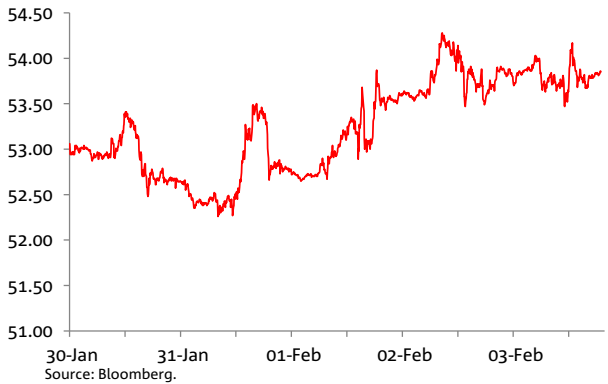
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

| Indicative 24hr ranges (**) | | | | | Other FX | | |
|-----------------------------|--------|--------|--------|--------|----------|--------|--------|
| | Last | % chge | Low | High | | Last | % chge |
| AUD | 0.7674 | 0.2 | 0.7622 | 0.7695 | HKD | 7.7580 | 0.0 |
| NZD | 0.7301 | 0.2 | 0.7249 | 0.7331 | CNY | 6.8672 | -0.2 |
| EUR | 1.0799 | 0.4 | 1.0713 | 1.0800 | SGD | 1.4095 | -0.1 |
| GBP | 1.2507 | -0.2 | 1.2460 | 1.2538 | IDR | 13,343 | -0.1 |
| JPY | 112.44 | -0.3 | 112.32 | 113.45 | THB | 35.03 | -0.1 |
| CAD | 1.3033 | 0.0 | 1.2993 | 1.3076 | KRW | 1,148 | 0.1 |
| AUD/EUR | 0.7105 | -0.2 | 0.7104 | 0.7142 | TWD | 31.02 | -0.3 |
| AUD/JPY | 86.29 | -0.1 | 86.02 | 86.73 | PHP | 49.80 | 0.2 |
| AUD/GBP | 0.6134 | 0.3 | 0.6098 | 0.6162 | CHF | 0.99 | -0.1 |
| AUD/NZD | 1.0506 | 0.0 | 1.0486 | 1.0530 | SEK | 8.75 | 0.0 |
| AUD/CNH | 5.2783 | -0.2 | 5.1975 | 5.2376 | | | |

Interest Rates

| Indicative Swap Rates | | | | | Benchmark 10 Year Bonds | | | |
|-----------------------|-------|-------|-------|------|-------------------------|------|-------|-------|
| | Cash | 3mth | 2Yr | 10Yr | | Last | chge | Sprd |
| USD | 0.75 | 1.03 | 1.50 | 2.39 | USD 10 | 2.46 | -0.89 | |
| AUD | 1.50 | 1.77 | 1.97 | 3.07 | AUD 10 | 2.80 | 2.50 | 0.33 |
| NZD | 1.75 | 1.98 | 2.41 | 3.59 | NZD 10 | 3.39 | 0.70 | 0.92 |
| EUR | 0.00 | -0.33 | -0.15 | 0.80 | CAD 10 | 1.77 | 0.00 | -0.70 |
| GBP | 0.25 | 0.35 | 0.65 | 1.40 | EUR 10 | 0.41 | -1.50 | -2.05 |
| JPY | -0.05 | 0.00 | 0.05 | 0.29 | GBP 10 | 1.35 | -3.10 | -1.11 |
| CAD | 0.50 | 0.96 | 1.10 | 1.99 | JPY 10 | 0.10 | -1.60 | -2.36 |

Equities

| Major Indices | | | |
|---------------|--------|-------|-------|
| | Last | % day | % y/y |
| Dow | 20,071 | 0.94 | 23.9 |
| S&P 500 | 2,297 | 0.73 | 22.2 |
| Nasdaq | 5,667 | 0.54 | 29.9 |
| VIX | 11 | -8.05 | -53.1 |
| FTSE | 7,188 | 0.7 | 22.9 |
| DAX | 11,651 | 0.2 | 25.5 |
| CAC 40 | 4,825 | 0.6 | 14.9 |
| Nikkei | 18,918 | 0.0 | 12.5 |
| Shanghai | 3,140 | -0.6 | 13.6 |
| Hang Seng | 23,129 | -0.2 | 19.9 |
| ASX 200 | 5,622 | -0.4 | 13.0 |

Overnight Futures

| | Last | Chge* |
|------------------|--------|-------|
| Australia | | |
| 3 mth bill | 98.22 | 0.00 |
| 3 Yr bond | 97.8 | 0.00 |
| 10 Yr bond | 97.15 | -7.00 |
| 3/10 sprd | 0.65 | 7.00 |
| SPI | 5596.0 | 2.0 |

*Change in bps

Commodities*

| | Last | % day |
|-------------|---------|-------|
| Oil (Brent) | 56.81 | 0.4 |
| Oil (WTI) | 53.83 | 0.5 |
| Oil (Tapis) | 58.04 | -0.4 |
| Gold | 1218.50 | 0.1 |
| CRB | 193.20 | -0.2 |
| GS Metals | 321.3 | -1.1 |
| Aluminium | 1819.8 | 0.2 |
| Copper | 5760.3 | -1.9 |
| Nickel | 10180.0 | -1.6 |
| Zinc | 2792.8 | -1.8 |
| Ch. steel | 3089.0 | -7.5 |
| Iron ore | 82.2 | -1.4 |
| St. Coal | 83.0 | 0.3 |
| Met.coal | 168.0 | 0.0 |
| Wheat Chic. | 443.0 | -0.9 |
| Sugar | 21.1 | 2.7 |
| Cotton | 76.4 | -0.7 |
| Coffee | 148.7 | 0.1 |

CO₂ Emissions - Euros

| | Last | % day |
|----------|------|-------|
| Jun-2017 | 5.15 | -1.3 |
| Dec-2017 | 5.16 | -1.3 |

* cisd = 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, 6 February 2017 | | | | | | | | | |
| NZ | <i>National Holiday – Waitangi Day</i> | | | | | | | | |
| JN | Labor/Real Cash Earnings YoY | Dec | | 0.4 | | 0.2/-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 | 0.4/1.0 | 0.3/0.9 | | 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 | | 0.5/4.1 | | -2.5/3.0 | 8.00 | 18.00 | |
| EC | Sentix Investor Confidence | Feb | | 16.5 | | 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 | Feb 3 | | | | 56.1 | 16.00 | 2.00 | |
| Tuesday, 7 February 2017 | | | | | | | | | |
| US | Fed's Harker Speaks About Payment Systems in San Diego | | | | | | | | |
| AU | AiG Perf of Construction Index | Jan | | | | 47.0 | 23.30 | 9.30 | |
| AU | ANZ Roy Morgan Weekly Consumer Confidence Index | Feb 5 | | | | 118.1 | 23.30 | 9.30 | |
| UK | BRC Sales Like-For-Like YoY | Jan | | | | 1.0 | 1.10 | 11.10 | |
| CH | Caixin China PMI Services/Composite | Jan | | / | | 53.4/53.5 | 2.45 | 12.45 | |
| NZ | RBNZ Inflation expectations survey; 2Yr Expectation | 1Q | | | | 1.7 | 3.00 | 13.00 | |
| CH | Foreign Reserves | Jan | | 3008.5 | | 3010.5 | 3.45 | 13.45 | |
| AU | RBA Cash Rate Target | Feb 7 | 1.5 | | | 1.5 | 4.30 | 14.30 | |
| JN | Leading Index CI | Dec P | | 105.5 | | 102.8 | 6.00 | 16.00 | |
| GE | Industrial Production SA MoM/YoY | Dec | | 0.4/2.5 | | 0.4/2.2 | 8.00 | 18.00 | |
| UK | Halifax House Prices MoM/YoY | Jan | | 0.2 | | 1.7/6.5 | 9.30 | 19.30 | |
| NZ | GDT Dairy auction, GDT-weighted price index | | | | | 0.6 | <i>early am NZT</i> | | |
| US | Trade Balance | Dec | | -45 | | -45.2 | 14.30 | 0.30 | |
| CA | Int'l Merchandise Trade | Dec | | | | 0.5 | 14.30 | 0.30 | |
| CA | Building Permits MoM | Dec | | | | -0.1 | 14.30 | 0.30 | |
| US | JOLTS Job Openings | Dec | | | | 5522.0 | 16.00 | 2.00 | |
| CA | Ivey Purchasing Managers Index SA | Jan | | | | 60.8 | 16.00 | 2.00 | |
| US | Consumer Credit | Dec | | 20 | | 24.5 | 21.00 | 7.00 | |
| Wednesday, 8 February 2017 | | | | | | | | | |
| NZ | ANZ Truckometer Heavy MoM | Jan | | | | -0.1 | 22.00 | 8.00 | |
| JN | BOJ Summary of Opinions at Jan. 30-31 Meeting | | | | | | | | |
| JN | BoP Current Account Adjusted | Dec | | 1709.4 | | 1799.6 | 0.50 | 10.50 | |
| JN | Eco Watchers Survey Current SA | Jan | | 51.8 | | 51.4 | 6.00 | 16.00 | |
| JN | Eco Watchers Survey Outlook SA | Jan | | | | 50.9 | 6.00 | 16.00 | |
| CH | BoP Current Account Balance | 4Q P | | | | 69.3 | 8.15 | 18.15 | |
| US | MBA Mortgage Applications | Feb 3 | | | | -3.2 | 13.00 | 23.00 | |
| CH | <i>Foreign Direct Investment YoY CNY</i> | | | | | | | | |
| CA | Housing Starts | Jan | | | | 207.0 | 14.15 | 0.15 | |
| NZ | RBNZ Official Cash Rate | Feb 9 | | 1.75 | | 1.8 | 21.00 | 7.00 | |
| Thursday, 9 February 2017 | | | | | | | | | |
| NZ | RBNZ OCR | | 1.75 | 1.76 | | 1.78 | 21.00 | 7.00 | |
| NZ | Building Permits MoM | Dec | | | | -9.2 | 22.45 | 8.45 | |
| JN | Housing Loans YoY | 4Q | | | | 2.7 | 0.50 | 10.50 | |
| JN | Machine Orders MoM/YoY | Dec | | 3.1 | | -5.1/10.4 | 0.50 | 10.50 | |
| AU | HIA New Home Sales MoM | Dec | | | | 6.1 | 1.00 | 11.00 | |
| UK | RICS House Price Balance | Jan | | 23.5 | | 24.0 | 1.10 | 11.10 | |
| AU | NAB Business Confidence | 4Q | | | | 5 | 1.30 | 11.30 | |
| JN | Machine Tool Orders YoY | Jan P | | | | 4.4 | 7.00 | 17.00 | |
| AU | RBA Governor Lowe Speech in Sydney | | | | | | | | |
| CA | New Housing Price Index MoM/YoY | Dec | | | | 0.2/3.0 | 14.30 | 0.30 | |
| US | Initial Jobless Claims | Feb 4 | | | | 246.0 | 14.30 | 0.30 | |
| US | Fed's Bullard (nv) Speaks in St. Louis | | | | | | 15.10 | 1.10 | |
| US | Wholesale Trade Sales/Inventories MoM | Dec | | /1 | | 0.4/1.0 | 16.00 | 2.00 | |
| US | Fed's Evans (v) Speaks on Economy and Policy in Chicago | | | | | | | | |
| US | | | | | | | 19.10 | 5.10 | |
| Friday, 10 February 2017 | | | | | | | | | |
| JN | PPI MoM/YoY | Jan | | 0.2/0 | | 0.6/-1.2 | 0.50 | 10.50 | |
| AU | Home Loans, Owner Occupied #/Investment \$, MoM | Dec | -0.1 | 1 | | 0.9/4.9 | 1.30 | 11.30 | |
| AU | RBA Statement on Monetary Policy | | | | | | | | |
| CH | Trade Balance | Jan | | 50 | | 40.8 | 3.45 | 13.45 | |
| CH | Exports/Imports YoY | Jan | | 2/9.8 | | -6.1/3.1 | 3.45 | 13.45 | |
| JN | Tertiary Industry Index MoM | Dec | | -0.2 | | 0.2 | 5.30 | 15.30 | |
| UK | Trade Balance | Dec | | -3500 | | -4167.0 | 10.30 | 20.30 | |
| UK | Industrial Production MoM/YoY | Dec | | -0.2/2.9 | | 2.1/2.0 | 10.30 | 20.30 | |
| UK | Construction Output SA MoM/YoY | Dec | | 1 | | -0.2 | 10.30 | 20.30 | |
| CH | <i>New Yuan Loans/Aggregate financing CNY</i> | | | | | | | | |
| NZ | REINZ House Sales YoY | Jan | | 2340/3000 | | 1040/1630 | <i>10-15 Feb release</i> | | |
| US | Import Price Index/ex Petroleum MoM | Jan | | 0.4/ | | 0.4/-0.2 | 14.30 | 0.30 | |
| CA | Net Change in Employment/Unemployment Rate | Jan | | / | | 53.7/6.9 | 14.30 | 0.30 | |
| UK | NIESR GDP Estimate | Jan | | | | 0.5 | 16.00 | 2.00 | |
| US | U. of Mich. Sentiment/5-10 Yr Inflation Expectations | Feb P | | 97.8 | | 98.5/2.6 | 16.00 | 2.00 | |
| US | Monthly Budget Statement | Jan | | 33 | | -27.5 | 20.00 | 6.00 | |
| Saturday, 11 February 2017 | | | | | | | | | |
| US | Fed's Fischer (v) addresses Economic Conference in the UK | | | | | | | | |
| Upcoming Central Bank Interest Rate Announcements | | | | | | | | | |
| 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% | | | |
| US Federal Reserve | | 16-Mar | 0.5-0.75% | 0.5-0.75% | | 0.5-0.75% | | | |
| Japan, BoJ | | 16-Mar | -0.1% | -0.1% | | -0.1% | | | |
| UK BOE | | 16-Mar | 0.25% | 0.25% | | 0.25% | | | |

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

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