

MARKETS TODAY

Sitting, waiting, wishing



Good Morning

Just over a week ago, President Trump promised a 'phenomenal' tax announcement in 2-3 weeks, so as the clock ticks down to some form of announcement, market inertia is set to reign.

Certainly that was the impression conveyed by Friday's offshore markets, though admittedly there was a distinct absence of data or events to get anyone's pulses racing. US equities recouped early session losses to end Friday slightly in the black (all indices) and the US dollar tracked equities higher despite a fall in US yields. We'd note that core Eurozone bond yields fell by more than Treasuries, hence spreads moved slightly in the dollar's favour. So if there's a message, it's that the dollar is moving in sync with US equities and that bond spreads are currently more important than the absolute level of US Treasury yields (at least as far as the EUR/USD rate is concerned). On this, German Chancellor Merkel on Friday admitted – in the presence of US VP Mike Pence and like her Finance Minister before her – that the level of the euro was too low for Germany, but emphasized that it was out of Germany's control to do anything about it. Merkel said the weak euro was the result of ECB policy that was geared for the entire Euro zone.

10-year Treasury yields dropped from 2.448% to 2.416% but are still 0.8bp up on the week. 2s finished 1.4bps lower at 1.19% and 0.2bps down on the week, meaning no lasting impact from the more hawkish Fed speak from Yellen and co. last week. Indeed, market pricing for a 25-point hike at the March 14/15 meeting dropped to 40% on Friday from 45% and a mid-week peak of 52%.

10yr Bunds finished 4.7bps lower at 0.302% such that 10yr UST-Bund spread widened by 2.6bps on the week. Gilts lost 4.8bps with weak UK retail sales data to blame. Headline sales fell by 0.3% against an expected rise of 1.0%, and ex auto-fuel, fell by 0.2% against +0.7% expected. Annual sales volume growth is now down to 1.5% from 4.1% in November. Brexit related caution may finally be showing up after several months during which the incoming data has defied the Brexit naysayers.

The S&P 500 finished 0.17% higher (new record high) and is 1.5% up on the week. The Dow was just four points higher – also to a record high – and +1.7% on the week. European equities finished close to flat on Friday.

In FX the BBDXY index ended Friday 0.31% higher and the narrower DXY 0.51% up. On the week, BBDXY is +0.1%, as is DXY. For individual dollar pairs, NOK just edged out GBP for bottom spot in G10 despite little change in oil prices. GBP/USD fell by 0.62% to 1.2412 after those weak retail sales with SEK, EUR and CHF all down just over 0.5% (EUR/USD to 1.0616). AUD/USD and NZD/USD were both -0.39% to 0.7664 and 0.7182 respectively. USD/JPY bucked the trend, -0.35% to

Y112.84, the absolute level of US yields more relevant for the JPY given ongoing BoJ 'Yield Curve Control' and hence spread compression whenever US Treasury yields dip.

In commodities, gold lost \$2.40 to \$1,237.60, WTI oil was flat at \$53.40 and Brent +\$0.20 to \$55.81. The LME index lost 0.76% but iron ore gained 30 cents to \$90.37.

Yesterday, CoreLogic's Weekend Market Summary showed the combined capital city preliminary clearance rate remaining in the high 70 per cent range, despite auction volumes reaching the highest level so far this year. Nationwide, 77.0% of auctions were reported as successful. Melbourne cleared a preliminary 76.7%, up from 75.9% per cent last week and Sydney 83.5%.

Coming Up

Chances are we won't anything definitive about what Trump has in mind regarding tax (and infrastructure spending) policies this week. As and when we do, market focus is likely to shift almost immediately to Paul Ryan, the leader of the House of Representatives, to assess the breadth of Republican support for whatever Trump does want to try pass into law.

Until then, there's only a light international calendar this week, the highlight of which may well be the minutes of the January 31 FOMC meeting due on Wednesday (Thursday morning local time). Regardless of the pervasive uncertainty regarding US fiscal policy, quite a few Fed officials have of late pressed the argument for acting sooner rather than later on rates, so the extent to which this is reflected in the minutes will be of note. We also have no less than five Fed speakers on the calendar, starting with Loretta Mester tonight (a hawk currently without a vote). In Europe, 'flash' PMIs tomorrow should be the economic highlight.

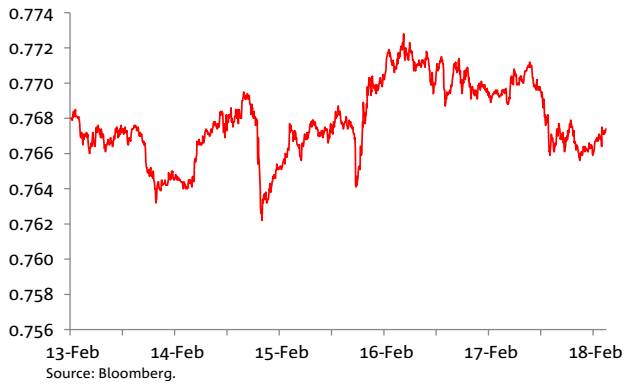
Here, we've got a fair amount to look forward to, with the first of the Q4 GDP partials released in the form of capex on Thursday, including the latest update of capex intentions. Wednesday sees construction work done and also the Wage Price Index (expected to stick at 1.9% in Y/Y terms). RBA Governor Phil Lowe speaks on Wednesday at the Australia-Canada Economic leadership Forum in Sydney (expect lots of talk espousing the benefits of free trade) and then testifies on Friday before the House of Representative Standing Committee on Economics. See our *What to Watch* for full details.

Overnight

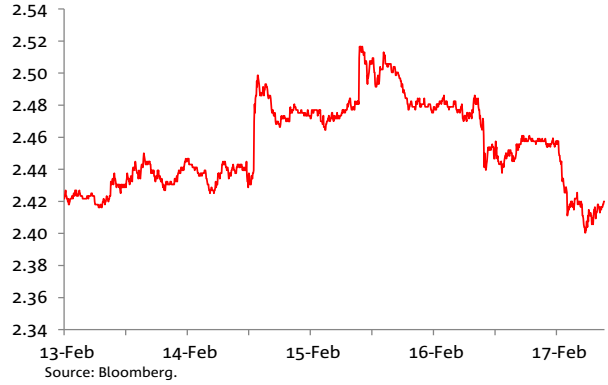
On global stock markets, the S&P 500 was +0.17%. Bond markets saw US 10-years -3.20bp to 2.41%. In commodities, Brent crude oil +0.29% to \$55.81, gold -0.2% to \$1,238, iron ore +0.3% to \$90.37, steam coal -0.1% to \$79.90, met.coal +0.9% to \$161.50. AUD is at 0.7674 and the range since Friday 5pm Sydney time is 0.7656 to 0.7713.

Markets

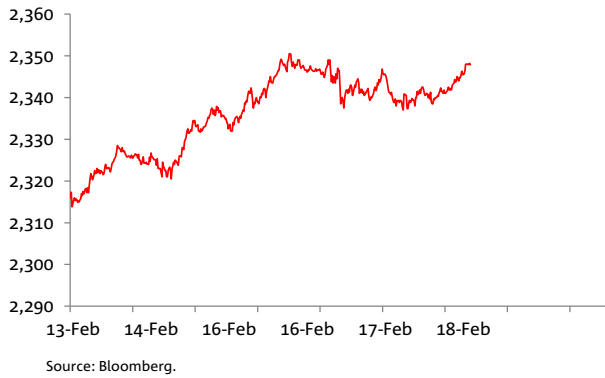
AUD/USD - past week



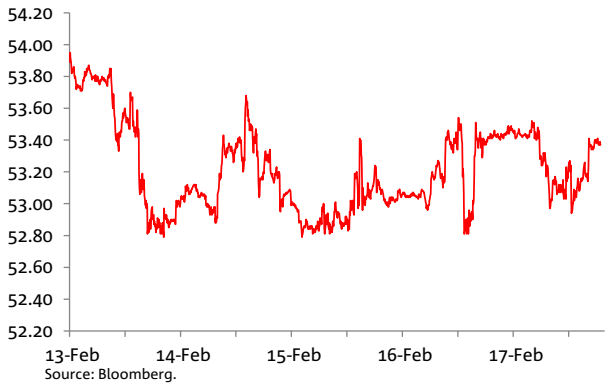
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

Indicative 24hr ranges (**)					Other FX		
	Last	% chge	Low	High		Last	% chge
AUD	0.7674	-0.3	0.7656	0.7713	HKD	7.7610	0.0
NZD	0.7187	-0.3	0.7180	0.7221	CNY	6.8665	0.2
EUR	1.0614	-0.6	1.0602	1.0677	SGD	1.4185	0.1
GBP	1.2422	-0.5	1.2388	1.2511	IDR	13,333	0.1
JPY	112.86	-0.3	112.62	113.50	THB	35.00	0.0
CAD	1.3103	0.2	1.3060	1.3126	KRW	1,146	0.4
AUD/EUR	0.7229	0.3	0.7193	0.7233	TWD	30.78	0.0
AUD/JPY	86.59	-0.6	86.30	87.46	PHP	50.05	0.2
AUD/GBP	0.6177	0.3	0.6149	0.6192	CHF	1.00	0.6
AUD/NZD	1.0670	0.0	1.0650	1.0709	SEK	8.91	0.6
AUD/CNH	5.2669	-0.2	5.2441	5.2854			

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	0.75	1.05	1.55	2.38	USD 10	2.41	-3.20	
AUD	1.50	1.78	1.98	3.03	AUD 10	2.80	0.30	0.39
NZD	1.75	2.03	2.37	3.56	NZD 10	3.33	-1.40	0.91
EUR	0.00	-0.33	-0.15	0.74	CAD 10	1.71	-3.50	-0.70
GBP	0.25	0.36	0.59	1.27	EUR 10	0.30	-4.70	-2.11
JPY	-0.04	-0.02	0.05	0.29	GBP 10	1.21	-4.80	-1.20
CAD	0.50	0.95	1.11	1.94	JPY 10	0.09	-0.50	-2.32

Equities

Major Indices			
	Last	% day	% y/y
Dow	20,624	0.02	25.8
S&P 500	2,351	0.17	22.6
Nasdaq	5,839	0.41	29.6
VIX	11	-2.30	-44.0
FTSE	7,300	0.3	22.7
DAX	11,757	0.0	25.2
CAC 40	4,868	-0.7	15.3
Nikkei	19,235	-0.6	20.5
Shanghai	3,202	-0.9	12.0
Hang Seng	24,034	-0.3	24.6
ASX 200	5,806	-0.2	17.2

Commodities*

	Last	% day
Oil (Brent)	55.81	0.3
Oil (WTI)	53.40	0.1
Oil (Tapis)	56.63	-0.7
Gold	1237.60	-0.2
CRB	192.12	-0.3
GS Metals	329.3	-0.8
Aluminium	1871.3	-0.9
Copper	5952.0	-0.6
Nickel	11011.8	-0.2
Zinc	2805.3	-1.7
Ch. steel	3489.0	2.0
Iron ore	90.4	0.3
St. Coal	79.9	-0.1
Met.coal	161.5	0.9
Wheat Chic.	455.5	-1.2
Sugar	20.3	-0.3
Cotton	73.5	-2.0
Coffee	149.6	0.8

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.21	-1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.19	3.00
3/10 sprd	0.61	-3.00
SPI	5760.0	4.0

*Change in bps

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	-1.0	-4.0%
FED	9	35.2%

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, 20 February 2017								
NZ	Performance Services Index	Jan				58.4	22.30	8.30
NZ	PPI Input/Output QoQ	4Q		/		1.5/1.0	22.45	8.45
JN	Trade Balance Adjusted	Jan		252		356.7	0.50	10.50
JN	Exports/Imports YoY	Jan		5/4.8		5.4/-2.6	0.50	10.50
UK	Rightmove House Prices MoM/YoY	Feb		/		0.4/3.2	1.10	11.10
US	Fed's Mester to Speak at Global Interdependence Center	Event					2.15	12.15
GE	PPI MoM/YoY	Jan		0.3		0.4/1.0	8.00	18.00
UK	CBI Trends Total Orders/Selling Prices	Feb		5/		5.0/28.0	12.00	22.00
CA	Wholesale Trade Sales MoM	Dec				0.2	14.30	0.30
CA	Bloomberg Nanos Confidence	Feb 17				57.3	16.00	2.00
EC	Consumer Confidence	Feb A		-4.8		-4.9	16.00	2.00
Tuesday, 21 February 2017								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Feb 19				116.4	23.30	9.30
JN	Nikkei Japan PMI Mfg	Feb P				52.7	1.30	11.30
AU	RBA Feb. Meeting Minutes						1.30	11.30
JN	All Industry Activity Index MoM	Dec		-0.2		0.3	5.30	15.30
GE	Markit/BME Germany Manufacturing PMI	Feb P		56.2		56.4	9.30	19.30
GE	Markit Germany Services/Composite PMI	Feb P		53.7/54.9		53.4/54.8	9.30	19.30
EC	Markit Eurozone Manufacturing PMI	Feb P		55		55.2	10.00	20.00
EC	Markit Eurozone Services/Composite PMI	Feb P		53.8/54.4		53.7/54.4	10.00	20.00
UK	Public Finances (PSNCR)/Public Sector Net Borrowing	Jan		/-13.5		36.3/6.4	10.30	20.30
US	Fed's Kashkari (v) speaks in Golden Valley, MN						14.50	0.50
US	Markit US Manufacturing PMI	Feb P		54.7		55.0	15.45	1.45
US	Markit US Services/Composite PMI	Feb P		55.7/		55.6/55.8	15.45	1.45
US	Fed's Harker (v) speaks on Economic Outlook						18.00	4.00
US	Fed's Williams (nv) speaks to students in Boise, Idaho						21.00	7.00
NZ	Global Dairy Auction, GDT-weighted price index (early AM)					1.3		
Wednesday, 22 February 2017								
AU	RBA Governor Lowe Speech in Sydney to Australia-Canada Economic Leadership Forum, Sydney						22.30	8.30
AU	Westpac Leading Index MoM	Jan				0.4	0.30	10.30
AU	Skilled Vacancies MoM	Jan				0.2	1.00	11.00
AU	Wage Price Index QoQ/YoY	4Q	0.4/1.8	0.5/1.9		0.4/1.9	1.30	11.30
AU	Construction Work Done	4Q	1.5	0.5		-4.9	1.30	11.30
CH	Property prices	Jan					2.30	12.30
NZ	Credit Card Spending MoM/YoY	Jan		/		3.1/8.5	3.00	13.00
GE	IFO Business Climate	Feb		109.7		109.8	10.00	20.00
GE	IFO Current Assessment/Expectations	Feb		116.7/103.2		116.9/103.2	10.00	20.00
UK	GDP QoQ/YoY	4Q P		0.6/2.2		0.6/2.2	10.30	20.30
UK	Index of Services MoM/ 3M/3M	Dec		0.2/0.9		0.3/1.0	10.30	20.30
UK	Total Business Investment QoQ/YoY	4Q P		/		0.4/-2.2	10.30	20.30
EC	CPI MoM/YoY	Jan		-0.8/1.8		0.5/1.1	11.00	21.00
EC	CPI Core YoY	Jan F		0.9		0.9	11.00	21.00
US	MBA Mortgage Applications	Feb 17				-3.7	13.00	23.00
CA	Retail Sales/ex autos MoM	Dec		0.2/0.8		0.2/0.1	14.30	0.30
CH	Conference Board Leading Economic Index	Jan					15.00	1.00
US	Existing Home Sales #/MoM	Jan		5.55/1.09		5.5/-2.8	16.00	2.00
US	Fed's Powell speaks on Economic Outlook in New York						19.00	5.00
US	FOMC Meeting Minutes	Feb 1					20.00	6.00
Thursday, 23 February 2017								
JN	PPI Services YoY	Jan		0.5		0.4	0.50	10.50
AU	Private Capital Expenditure	4Q	-3.2	-0.5		-4.0	1.30	11.30
AU	Capex intentions, 2016-17 (5th estimate)/2017-18 (first estimate)		107/74	../84		106.9/..	1.30	11.30
JN	BOJ Kiuchi speaks in Kofu						2.00	12.00
CH	Swift Global Payments, CNY YoY	Jan				1.68		
JN	Leading Index CI	Dec F				105.2	6.00	16.00
GE	GDP SA QoQ/WDA YoY	4Q F		/		0.4/1.7	8.00	18.00
GE	GfK Consumer Confidence	Mar		10.2		10.2	8.00	18.00
UK	CBI Total Dist./Retailing Reported Sales	Feb		/		26.0/-8.0	12.00	22.00
US	Chicago Fed Nat Activity Index	Jan				0.1	14.30	0.30
US	Initial Jobless Claims	Feb 11		245		239.0	14.30	0.30
US	Fed's Lockhart to Speak on His 10-Year Tenure at the Fed						14.35	0.35
US	House Price Purchase Index QoQ	4Q				1.5	15.00	1.00
US	FHFA House Price Index MoM	Dec				0.5	15.00	1.00
US	Bloomberg Consumer Comfort	Feb 12				47.2	15.45	1.45
US	Kansas City Fed Manf. Activity	Feb				9.0	17.00	3.00
Friday, 24 February 2017								
AU	Appearance by Philip Lowe, Governor, before the House of Representatives' Standing Committee on Economics						23.30	9.30
UK	BBA Loans for House Purchase	Jan				43228	10.30	20.30
CA	CFIB Business Barometer	Feb				60.1		
CA	CPI NSA MoM/YoY	Jan		0.3/1.6		-0.2/1.5	14.30	0.30
CA	CPI Core- Common YoY%	Jan				1.4	14.30	0.30
CA	CPI Core- Median/Trim YoY%	Jan		/		2.0/1.6	14.30	0.30
US	New Home Sales #/MoM	Jan		575/7.3		536.0/-10.4	16.00	2.00
US	U. of Mich. Sentiment/5-10Yr Inflation	Feb F		96/		95.7/2.5	16.00	2.00
Upcoming Central Bank Interest Rate Announcements								
Canada, BoC		2-Mar	0.5%	0.5%		0.5%		
Australia, RBA		7-Mar	1.50%	1.50%		1.50%		
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%		
New Zealand, RBNZ		23-Mar	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

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