

# MARKETS TODAY

## *(More) Good vibrations*



### Good Morning

More unwinding of the Trump lower taxes/higher infrastructure spending US\$ reflation trade has again been the order of the day. The Bloomberg spot USD dollar index is down by ¾% as markets again sell the big buck, reacting to the latest statements from the new Administration, selling kicking off earlier in the session with some safe-haven buying of JPY and CHF in response to the immigration policies.

If the machinations over the firing of the US Attorney-General wasn't enough on top of the immigration bans, Trump trade advisor Peter Navarro (put that name into your memory banks now) said the Euro was "grossly undervalued", criticising Germany for using an undervalued EUR to exploit the US and Germany's own EU partners. Not to be left out, the President took a swipe at China and Japan saying they "plan" their money markets, presumably a pejorative reference to QE and lower currencies.

Sensitivity over the dollar's strength is becoming an issue, and of course, could yet come into Fed calculations, given time. The President has also been meeting with health/pharma companies telling them that plans to gut regulations, to smooth the FDA approval process and cut taxes would overwhelm lower drug prices. Health care stocks are, with (defensive) Utilities, outperforming the US market overnight, rising in a down day for stocks.

Dollar selling and Euro buying was done no harm from respectable EZ releases. The Eurozone's trifecta of flash Q4 GDP, January CPI and its December unemployment reflected continued economic improvement. GDP was 0.5/1.8, a tenth more than expected, unemployment was down to 9.6%. Core CPI was steady at 0.9%, while headline inflation was higher at 1.8%, up from 1.1%, thanks to an energy kick (possibly transitory unless oil keeps getting support and the EUR declines again) and some from food. Domestic services inflation was muted at 1.2%. So no clean fuel for the ECB to shift from their current QE policy path.

On the other side of the Atlantic – ahead of tomorrow's FOMC announcement – the data set turned was mixed and not standing in the way of US\$ selling then underway. US House prices in November continued rising, up 0.88%/5.27% (close to October's), while the Conference Board's Consumer Confidence report for January missed expectations at 111.8 down from 113.3 with 112.8 the consensus median. If the truth be told, it's still a sizeable net gain in confidence recent months and at levels not seen since before the GFC. And the Jobs Plentiful index component of the report continued to improve, as consumers' perceptions of job opportunities rose again to 5.9. As a slight dampener, and running against the tide of what have been more improving

regional manufacturing indexes in January, the Chicago PMI pulled back to 50.3 from 54.6 (E: 55.0).

The AUD has tested but stalled at 0.76, trading at 0.7582, making one of the more modest net gains against the US\$, even with yesterday's positive NAB Survey and RBA Credit tailwinds. With the USD softer, traded commodity prices have generally been higher overnight, copper +2.94%, gold +\$18.80 (+1.56%) to \$1215 but Brent up a more modest 0.85% to \$55.70. Treasuries have been bid.

### Coming Up

In today's APAC session, will China's official PMIs differ materially from expectations and if so in which direction? Australia's AiG PMI Manufacturing index for January (L: 55.4), the CoreLogic resi price report for January (around 0.7-0.8%) and the RBA Commodity Price Index for January this afternoon will likely have little to no market impact.

For the Kiwi, it'll be the Q4 labour market and wage costs data that will be worth a look. Recall that last quarter there was a very strong – almost unbelievably so – employment +1.6/6.1%; some payback has got to be a chance. Our BNZ colleagues look for a modest 0.6% q/q gain with focus ideally on the unemployment rate, forecast down to 4.8% from 4.9%. PM English is expected to announce a September 23 election at his 2pm NZT press conference.

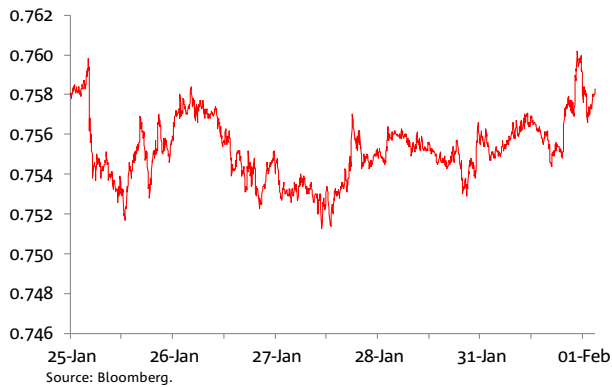
First up tonight in the US is the ISM Manufacturing report, a slight increase the consensus pick, released while the FOMC deliberates. For the FOMC tomorrow morning, we suspect it will be what changes in the statement are revealed. Right now, the market is pricing barely a 20% chance of a lift in rates, Janet Yellen's recent speeches non-committal on timing as you'd expect. Her recent speech in San Francisco spoke of the economy nearing the Fed's employment and inflation goals, of gradual rises, that the Fed can't give the timing of the next hike while not delaying too much that would risk a "nasty surprise", all keeping here options open. Only one of the 92 analysts surveyed by Bloomberg is forecasting a hike at tonight's meeting. The market will be most interested in whether the statement will be anything more specific on timing and whether the 15 March meeting is "seriously live" or not. The market is currently pricing in 9bps of tightening for that meeting, a 37% chance of a hike. Monday night's PCE deflators raised no new inflation risk alarm bells, but neither did it suggest that inflation is receding.

### Overnight

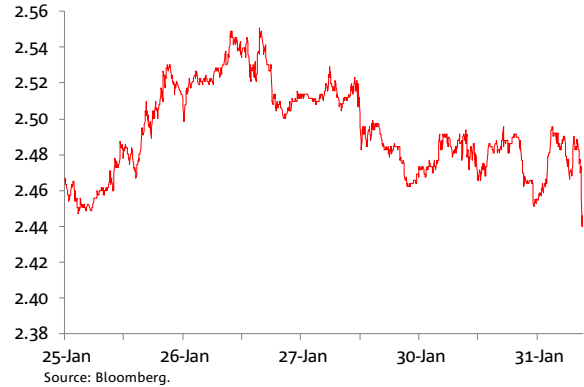
On global stock markets, the S&P 500 was -0.27%. Bond markets saw US 10-years -4.42bp to 2.44%. In commodities, Brent crude oil +0.47% to \$55.58, gold +1.6% to \$1,212, iron ore did not trade, steam coal -0.7% to \$83.00, met.coal +0.2% to \$185.53. AUD is at 0.7582 and the range since yesterday 5pm Sydney time is 0.7542 to 0.7606.

Markets

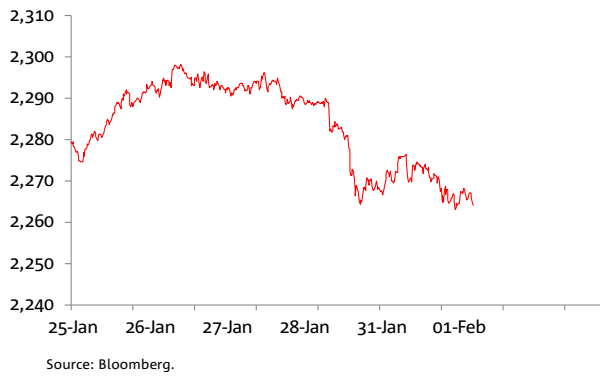
AUD/USD - past week



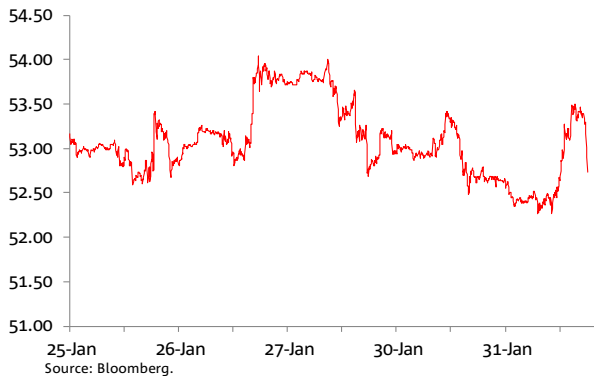
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7582	0.4	0.7542	0.7606	HKD	7.7587 0.0
NZD	0.7339	1.1	0.7273	0.7351	CNY	6.8644 -0.5
EUR	1.0797	1.0	1.0699	1.0813	SGD	1.4088 -1.1
GBP	1.2570	0.3	1.2426	1.2597	IDR	13,347 0.1
JPY	112.86	-1.5	112.07	113.92	THB	35.10 -0.4
CAD	1.3024	-0.9	1.2969	1.3120	KRW	1,150 -2.3
AUD/EUR	0.7023	-0.6	0.7017	0.7058	TWD	31.15 -1.2
AUD/JPY	85.57	-1.2	85.20	86.00	PHP	49.67 -0.2
AUD/GBP	0.6032	0.1	0.6016	0.6077	CHF	0.99 -1.0
AUD/NZD	1.0331	-0.7	1.0327	1.0380	SEK	8.75 -1.0
AUD/CNH	5.2049	-0.1	5.1666	5.1943		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.75	1.03	1.49	2.35	USD 10	2.44	-4.42
AUD	1.50	1.77	1.91	2.96	AUD 10	2.71	-1.10 0.27
NZD	1.75	1.99	2.45	3.59	NZD 10	3.34	-7.30 0.90
EUR	0.00	-0.33	-0.15	0.81	CAD 10	1.76	-2.70 -0.69
GBP	0.25	0.36	0.70	1.43	EUR 10	0.44	-1.30 -2.01
JPY	-0.05	-0.01	0.05	0.26	GBP 10	1.42	-2.70 -1.03
CAD	0.50	0.96	1.10	1.98	JPY 10	0.09	0.20 -2.36

Equities

Major Indices			
	Last	% day	% y/y
Dow	19,839	-0.66	20.5
S&P 500	2,275	-0.27	17.2
Nasdaq	5,603	-0.20	21.4
VIX	12	4.63	-38.5
FTSE	7,099	-0.3	16.7
DAX	11,535	-1.3	17.7
CAC 40	4,749	-0.7	7.5
Nikkei	19,041	-1.7	6.6
Shanghai	3,159	0.0	15.5
Hang Seng	23,361	0.0	18.7
ASX 200	5,621	-0.7	11.4

Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.22	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.28	7.50
3/10 sprd	0.52	-4.50
SPI	5569.0	34.0

\*Change in bps

Commodities\*

	Last	% day
Oil (Brent)	55.58	0.5
Oil (WTI)	52.81	0.3
Oil (Tapis)	56.13	-2.6
Gold	1212.40	1.6
CRB	192.04	0.4
GS Metals	319.6	0.0
Aluminium	1807.0	1.0
Copper	5984.3	3.0
Nickel	9910.5	2.9
Zinc	2852.8	3.0
Ch. steel	3339.0	0.0
Iron ore	83.3	0.0
St. Coal	83.0	-0.7
Met.coal	185.5	0.2
Wheat Chic.	433.5	1.2
Sugar	20.5	0.7
Cotton	74.9	1.1
Coffee	149.6	-1.1

CO<sub>2</sub> Emissions - Euros

	Last	% day
Jun-2017	5.37	4.3
Dec-2017	5.36	3.7

\* 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
<b>Wednesday, 1 February 2017</b>								
NZ	QVNZ Housing Report 3m, YoY	Jan				12.5	17.00	3.00
NZ	Employment Change QoQ/YoY	4Q	0.6	0.7/6.1		1.4/6.1	22.45	8.45
NZ	Unemployment Rate	4Q	4.8	4.8		4.9	22.45	8.45
NZ	Average Hourly Earnings/Pvte Wages ex Overtime QoQ	4Q		0.6/0.5		0.3/0.4	22.45	8.45
AU	AiG Perf of Mfg Index	Jan				55.4	23.30	9.30
AU	CoreLogic House Px MoM	Jan	0.9			1.4	0.00	10.00
JN	Nikkei Japan PMI Mfg	Jan F				52.8	1.30	11.30
CH	Manufacturing/Non-Manufacturing PMIs	Jan		51.2/		51.4/54.5	2.00	12.00
AU	Commodity Index AUD/SDR YoY	Jan				116.8/45.5	6.30	16.30
EC	Markit Eurozone PMI Manufacturing SA	Jan F		55.1		55.1	10.00	20.00
UK	Markit UK PMI Manufacturing SA	Jan		55.9		56.1	10.30	20.30
CA	MLI Leading Indicator MoM	Dec				0.3	13.00	23.00
US	ADP Employment Change	Jan		167		153.0	14.15	0.15
CA	RBC Canadian Manufacturing PMI	Jan				51.8	15.30	1.30
US	Markit US Manufacturing PMI	Jan F		55.1		55.1	15.45	1.45
US	ISM Manufacturing	Jan		55		54.7	16.00	2.00
US	Construction Spending MoM	Dec		0.2		0.9	16.00	2.00
US	FOMC Rate Decision (Lower/Upper Bound)	Feb 1		0.5/0.75		0.5/0.8	20.00	6.00
<b>Thursday, 2 February 2017</b>								
NZ	ANZ Job Advertisements MoM	Jan				1.6	22.00	8.00
NZ	PM English gives State of Nation Address						0.30	10.30
AU	Trade Balance	Dec	3050	2000		1243.0	1.30	11.30
AU	Building Approvals MoM/YoY	Dec	2.2/-7.3	-1.5/-10.8		7.0/-4.8	1.30	11.30
JN	Consumer Confidence Index	Jan		43.4		43.1	6.00	16.00
EC	ECB Publishes Economic Bulletin						10.00	20.00
UK	Markit/CIPS UK Construction PMI	Jan		53.8		54.2	10.30	20.30
UK	Bank of England Bank Rate	Feb 2		0.25		0.3	13.00	23.00
UK	BOE Asset Purchase/Corporate Bond Target	Feb		435/10		435.0/10.0	13.00	23.00
UK	Bank of England Inflation Report						13.00	23.00
EC	ECB's Draghi speaks in Ljubljana						13.15	23.15
US	Challenger Job Cuts YoY	Jan				42.4	13.30	23.30
CA	Carney Speaks at Inflation Report Press Conference						13.30	23.30
US	Wards Total Vehicle Sales	Jan		17.5		18.3		
US	Nonfarm Productivity/Unit Labour Costs	4Q P		1/1.9		3.1/0.7	14.30	0.30
US	Initial Jobless Claims	Jan 28		250		259.0	14.30	0.30
<b>Friday, 3 February 2017</b>								
AU	AiG Perf of Services Index	Jan				57.7	23.30	9.30
JN	BoJ Minutes of Dec 19-20 meeting						0.50	10.50
NZ	ANZ Commodity Price	Jan				0.7	1.00	11.00
JN	Nikkei Japan PMI Services/Composite	Jan		/		52.3/52.8	1.30	11.30
CH	Caixin China PMI Mfg	Jan		51.8		51.9	2.45	12.45
EC	Markit Eurozone Services/Composite PMI	Jan F		53.6/54.3		53.6/54.3	10.00	20.00
UK	Markit/CIPS UK Services/Composite PMI	Jan		55.8/56		56.2/56.7	10.30	20.30
EC	Retail Sales MoM/YoY	Dec		0.3/1.8		-0.4/2.3	11.00	21.00
US	Change in Nonfarm Payrolls/Unemployment Rate	Jan		175/4.7		156.0/4.7	14.30	0.30
US	Average Hourly Earnings MoM/YoY	Jan		0.3/2.8		0.4/2.9	14.30	0.30
US	Fed's Evans Speaks on Economy and Policy in Olympia Fields						15.15	1.15
US	Markit US Services/Composite PMI	Jan F				55.1	15.45	1.45
US	ISM Non-Manf. Composite	Jan		57		57.2	16.00	2.00
US	Factory Orders/Core Orders	Dec		0.6/		-2.4/0.1	16.00	2.00
<b>Monday, 6 February 2017</b>								
JN	Labor Cash Earnings YoY	Dec				0.2	1.00	11.00
JN	Real Cash Earnings YoY	Dec				-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		/		0.2/-0.1	1.30	11.30
AU	ANZ Job Advertisements MoM	Jan				-1.9	1.30	11.30
GE	Factory Orders MoM/YoY	Dec		/		-2.5/3.0	8.00	18.00
EC	Sentix Investor Confidence	Feb				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
US	Fed's Harker Speaks in San Diego						21.00	7.00
<b>Tuesday, 7 February 2017</b>								
US	Fed's Harker Speaks About Payment Systems in San Diego						22.30	8.30
AU	AiG Perf of Construction Index	Jan				47.0	23.30	9.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jan 29				117.0	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	2Yr Inflation Expectation	1Q				1.7	3.00	13.00
CH	Foreign Reserves	Jan				3010.5	3.45	13.45
AU	RBA Cash Rate Target	Feb 7	1.5	1.5		1.5	4.30	14.30
JN	Leading Index CI	Dec P				102.8	6.00	16.00
GE	Industrial Production SA MoM/YoY	Dec		/		0.4/2.2	8.00	18.00
UK	Halifax House Prices MoM/YoY	Jan				1.7/6.5	9.30	19.30
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
<b>Upcoming Central Bank Interest Rate Announcements</b>								
US	Federal Reserve	2-Feb	0.5-0.75%	0.5-0.75%		0.5-0.75%		
UK	BOE	2-Feb	0.25%	0.25%		0.25%		
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%		
Japan	BoJ	16-Mar	-0.1%	-0.1%		-0.1%		

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

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