

MARKETS TODAY

Don't let me be misunderstood



Good Morning

The supposedly “lively” conversation that President Trump and PM Turnbull had yesterday over the Australia-US refugee deal has gotten quite a deal of not just Australian press but international press coverage overnight. It has come on the back of the President’s tweet and distaste for the deal reached with the Obama Administration. What with US criticism of Japan and Iran being put ON NOTICE (his capitals, not mine) and even a wild story yesterday that the US was considering sending troops south of the border to Mexico! International relations and trade has been totally front of mind.

Will the noise quieten down? We can only wait and see. Speaking to a National Prayer Breakfast in Washington overnight, President Trump said: “When you hear of tough phone calls I have, don’t worry about it. The world is in trouble but we’re going to straighten it out, OK? That’s what I do.”

With the news out of Washington and the new Administration ramping up even further, past Trump reflation enthusiasm has waned further. The USD has continued to leak lower, stocks are modestly lower in the afternoon session with Treasuries little changed.

At the top of the FX leader board over the past 24 hours is the Aussie in the wake of yesterday’s record trade surplus, thanks to growing export volumes and the super-charged resource commodity prices through the second half of last year. The AUD had been struggling to break through 0.76 in recent times, but it was bid up into the release of the trade number at 11.30 yesterday, that buying accelerating after the report was released, trading toward 0.77 overnight, before settling back in the mid 0.76s, currently at around 0.7660. We noted in our post-trade report yesterday that not only does the better trade add to Australia’s growth in the December quarter but it will be something that the ratings agencies will have also noticed, given the focus on Australia’s sovereign rating and some concern – now presumably less – over Australia’s current account deficit.

While there has been understandable and relentless big dollar focus this week, there was real interest in Sterling overnight, a day after the Parliamentary approval to trigger Article 50 has been delivered in essence. The UK Government published its White Paper on Brexit while there was close interest in the BoE overnight, its growth and inflation forecasts and Governor Carney’s presser.

The BoE left policy unchanged as entirely expected. It raised its growth forecasts for this year from 1.4% to 2.0%, but trimmed their medium term inflation forecasts. The tone of the forecasts changes though and Carney’s press conference evinced less hawkishness or inflation fetish than the market was prepared for, the Bank having to weigh up its formal outlook for higher than target

inflation against the post-Brexit economic uncertainties and the two way risks.

The Pound initially bounced on news of no change in policy and an increase in near term growth, but then pulled back from some dialling back of the degree of BoE hawkishness the market was half expecting. Sterling briefly spiked from 1.2650 to 1.27, but then fell back all the way through 1.26 to the lower 1.25s where it sits this morning. AUD/GBP this time yesterday was below 0.60; it’s now above 0.61.

It was a light night for data, the market thinking ahead to tonight’s and what payrolls and the US Non-manufacturing ISM might do to change Fed pricing. US Jobless claims remained low at 246k.

Coming Up

It’s likely to be uneventful in today’s APAC session, if the local calendar guide is any indication. There’s only the AiG Services Index and BoJ 19-20 Minutes, the latter of course coming after this week’s BoJ meeting and Kuroda press conference. NZ has its ANZ Commodity Price Index for January. Of more interest will be the Caixin China Manufacturing PMI that’s expected to be little changed at 51.8 after last month’s 51.9 reading.

Ahead of payrolls, in Europe there is the final release of the EZ Services/Composite PMIs for January, the final vintage usually revised little from the flash release.

Payrolls: markets are expecting another solid result and, as usual, interest not just in the initial payrolls headline but the underbelly of the report, in unemployment and the broader U6 unemployment rate as well as the key average hourly earnings that’s been on a rising trend through last year, annual growth increasing from 2.6% top December 2015 to 2.9% in December 2016. That’s the one to watch.

Chicago Fed President Evans (a voter this year) is speaking tonight and no doubt will get a lot of interest, 24 hours on from the FOMC. There is also the ISM Non-Manufacturing report for January that’s expected to be at a still high 57 (L:57.2). The December Factory orders report is also due.

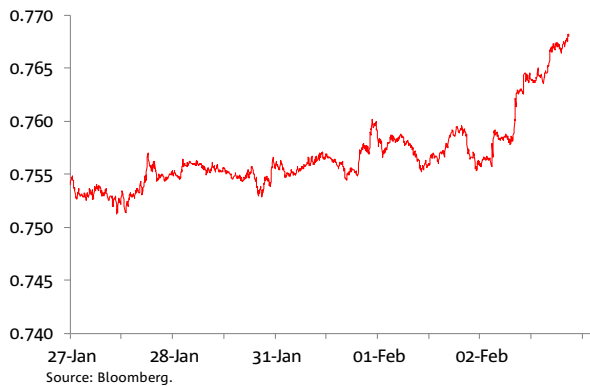
Looking ahead to next week, there is the RBA Board meeting on Tuesday, Governor Lowe is speaking on Thursday evening while the Bank publishes its quarterly Statement on Monetary Policy on Friday.

Overnight

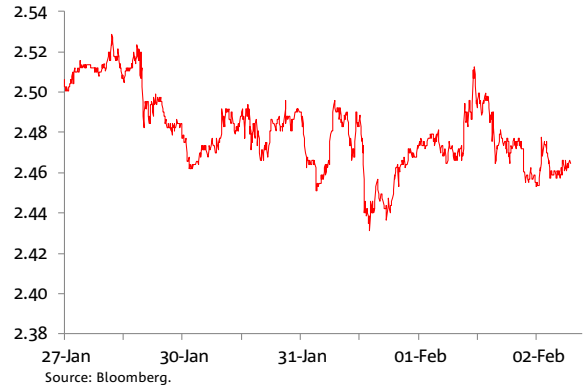
On global stock markets, the S&P 500 is -0.14%. Bond markets saw US 10-years +0.01bp to 2.47%. In commodities, Brent crude oil -0.39% to \$56.58, gold+0.8% to \$1,215, iron ore still closed for new year, steam coal +0.1% to \$82.75, met.coal +0.0% to \$168.00. AUD is at 0.7661 and the range since yesterday 5pm Sydney time is 0.7635 to 0.7696.

Markets

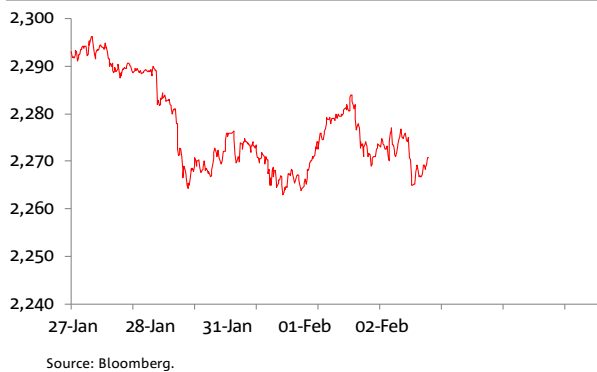
AUD/USD - past week



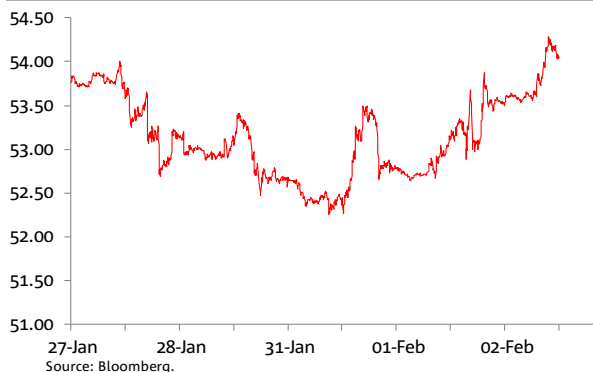
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

Indicative 24hr ranges (**)					Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7661	1.0	0.7578	0.7696	HKD	7.7597 0.0
NZD	0.7290	0.0	0.7285	0.7338	CNY	6.8388 -0.4
EUR	1.0762	-0.4	1.0758	1.0829	SGD	1.4103 -0.1
GBP	1.2523	-0.8	1.2521	1.2704	IDR	13,348 -0.3
JPY	112.74	-0.5	112.05	112.83	THB	35.06 -0.2
CAD	1.3028	-0.2	1.2981	1.3036	KRW	1,143 -1.1
AUD/EUR	0.7118	1.2	0.7091	0.7120	TWD	31.07 -0.4
AUD/JPY	86.37	0.4	86.16	86.50	PHP	49.74 0.0
AUD/GBP	0.6117	1.7	0.6042	0.6133	CHF	0.99 0.4
AUD/NZD	1.0509	0.9	1.0472	1.0520	SEK	8.75 0.4
AUD/CNH	5.2381	0.5	5.2143	5.2285		

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.75	1.03	1.50	2.38	USD 10	2.47	0.01
AUD	1.50	1.77	1.94	2.99	AUD 10	2.77	3.30 0.30
NZD	1.75	1.98	2.41	3.59	NZD 10	3.37	2.10 0.90
EUR	0.00	-0.33	-0.15	0.80	CAD 10	1.76	-0.60 -0.72
GBP	0.25	0.36	0.67	1.43	EUR 10	0.43	-4.10 -2.04
JPY	-0.03	0.00	0.05	0.29	GBP 10	1.38	-6.60 -1.09
CAD	0.50	0.96	1.10	1.98	JPY 10	0.12	1.80 -2.35

Equities

Major Indices			
	Last	% day	% y/y
Dow	19,854	-0.19	22.9
S&P 500	2,276	-0.14	19.6
Nasdaq	5,629	-0.25	24.6
VIX	12	1.86	-45.3
FTSE	7,141	0.5	20.6
DAX	11,628	-0.3	21.4
CAC 40	4,794	0.0	11.9
Nikkei	18,915	-1.2	10.0
Shanghai	3,159	0.0	15.5
Hang Seng	23,185	-0.6	22.1
ASX 200	5,645	-0.1	15.8

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.22	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.22	-5.00
3/10 sprd	0.58	8.00
SPI	5596.0	3.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	56.58	-0.4
Oil (WTI)	53.57	-0.6
Oil (Tapis)	58.28	2.4
Gold	1215.10	0.8
CRB	193.52	-0.4
GS Metals	325.8	0.0
Aluminium	1815.8	0.5
Copper	5872.0	-1.1
Nickel	10349.0	1.4
Zinc	2844.5	-1.0
Ch. steel	3339.0	0.0
Iron ore	83.3	0.0
St. Coal	82.8	0.1
Met.coal	168.0	0.0
Wheat Chic.	447.0	0.2
Sugar	20.6	-1.4
Cotton	76.9	0.6
Coffee	146.0	-2.8

CO₂ Emissions - Euros

	Last	% day
Jun-2017	5.22	-0.9
Dec-2017	5.23	-0.9

* 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
Friday, 3 February 2017								
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		0.7/		-2.4/0.1	16:00	2:00
Monday, 6 February 2017								
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
Tuesday, 7 February 2017								
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	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	2Yr Inflation Expectation	1Q				1.7	3:00	13:00
CH	Foreign Reserves	Jan		3007		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	16:00	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						0:50	10:50
JN	BoP Current Account Adjusted	Dec				1799.6	0:50	10:50
JN	Bankruptcies YoY	Jan				1.6	5:30	15:30
JN	Eco Watchers Survey Current SA	Jan				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
EC	ECB's Draghi Speaks in Dutch Parliament						10:00	20:00
US	MBA Mortgage Applications	Jan 27				4.0	13:00	23:00
CH	Foreign Direct Investment YoY CNY	Jan				5.7	8-18 Feb release	
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	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				-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				24.0	1:10	11:10
AU	NAB Business Confidence	4Q				5.0	1:30	11:30
JN	Machine Tool Orders YoY	Jan P				4.4	7:00	17:00
GE	Current Account Balance	Dec				24.6	8:00	18:00
AU	RBA Governor Lowe Speech in Sydney						9:15	19:15
CA	New Housing Price Index MoM/YoY	Dec				0.2/3.0	14:30	0:30
US	Initial Jobless Claims	Jan 28		250		259.0	14:30	0:30
US	Fed's Bullard Speaks in St. Louis						15:10	1:10
US	Bloomberg Consumer Comfort	Jan 29				45.2	15:45	1:45
US	Wholesale Trade Sales/Inventories MoM	Dec		/1		0.4/1.0	16:00	2:00
US	Fed's Evans Speaks on Economy and Policy in Chicago						19:10	5:10
Friday, 10 February 2017								
JN	PPI MoM	Jan				0.6	0:50	10:50
JN	PPI YoY	Jan				-1.2	0:50	10:50
AU	Home Loans, Owner Occupied #/Investment \$, MoM	Dec				0.9/4.9	1:30	11:30
AU	RBA Statement on Monetary Policy						1:30	11:30
CH	Trade Balance	Jan		51		40.8	3:45	13:45
CH	Exports/Imports YoY	Jan		2.8/6.3		-6.1/3.1	3:45	13:45
CH	Trade Balance CNY	Jan				275.4	3:45	13:45
CH	Imports YoY CNY	Jan				10.8	3:45	13:45
CH	Exports YoY CNY	Jan				0.6	3:45	13:45
JN	Tertiary Industry Index MoM	Dec				0.2	5:30	15:30
UK	Trade Balance	Dec				-4167.0	10:30	20:30
UK	Industrial Production MoM/YoY	Dec		/		2.1/2.0	10:30	20:30
UK	Construction Output SA MoM/YoY	Dec				-0.2	10:30	20:30
CH	New Yuan Loans CNY	Jan		2450		1040	10-15 Feb release	
CH	Aggregate Financing CNY	Jan		3200		1630	10-15 Feb release	
NZ	REINZ House Sales YoY	Jan				-10.7	10-14 Feb release	
US	Import Price Index/ex Petroleum MoM	Jan		0.2/		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		97.9		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 addresses Economic Conference in the UK						13:30	23:30
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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