

MARKETS TODAY

Non, Je Ne Regrette Rien



Good Morning

It's been something of a risk off session to open the week. There's been a focus on the upcoming French Presidential elections, ECB President Draghi has been battling back criticism from across the Atlantic on currency manipulation (regretting nothing), US markets fretting about the extent of timing of Trump reflation, not to mention ongoing tweets.

Among major currencies, the Yen has been the strongest performer with commodity currencies faring less well, AUD back to around the 76½ level, also after yesterday's softer retail sales for December. Among commodity prices overnight, base metals have fared well, though seemingly from supply concerns affecting copper (Chile strike talk) and nickel (Philippines mine shutdowns). Gold is up another \$13/oz to \$1233.80, WTI is off \$0.80 (US rig count numbers have continued rising), the VIX is higher as are Treasury and Bund yields. In contrast, French and periphery yields have risen across durations. Iron ore opened the week in China down \$1.59.

In a speech, French far right candidate Marine Le Pen vowed to take France out of the Euro if she won and rebuild France's industry. Among the candidates for the French Presidency, Republican Party candidate Francois Fillon fought back under pressure from "Penelopegate" saying that yes, he had employed his wife for 15 years, that it was legal, but acknowledged it was not acceptable to voters, saying he would fight on.

ECB President Draghi must have felt besieged on all fronts, telling the European Parliament that the Euro is irrevocable, that the ECB had not intervened in currency markets since 2011, while assuring markets that the central bank will continue with its bond purchase program to support growth. He downplayed any sensitivity to last week's inflation read noting that it was primarily energy and not European wages and fundamentals. He said that if the outlook were to worsen then they could step up bond purchases again.

Meanwhile, German factory orders in December ended the year strongly, up 5.2% m/m, in some part payback after -3.6% in November, but still up 8.1% on year. Both domestic and foreign orders made good gain in the month and in annual terms, domestic growth somewhat stronger.

The Fed Senior Loan Officers' Survey was released this morning and reported little change in credit standards and demand for business loans, but some weakening in the demand for home purchase loans in Q4.

Coming Up

First up today is Philly Fed President Patrick Harker (a voter this year; more on the hawkish side) who is speaking at 8.30 AEDT this morning, speaking on payment systems in San Diego. There is audience and media Q&A so it would be surprising if he wasn't asked

about his views on the economy, the jobs market/Friday's payrolls, fiscal policy, inflation or any combination thereof.

Weekly ANZ-Roy Morgan Consumer Confidence is being released as usual at 9.30; it was above average last week. China's Foreign Reserves are also being released today with a slight fall to \$US3.002tn expected from \$US3.011tn in December. Last month that release hit the screens at just after 1.45 AEDT. Also ahead of the RBA Board meeting outcome at 2.30 comes the RBNZ Inflation Expectations Survey. In Q4, CPI inflation expectations were 1.29% and 1.68% for 1-year and 2-year ahead respectively. Some modest further upgrade wouldn't surprise following the increase in the CPI which should be Kiwi-supportive.

As for Governor Lowe's Media Release at 2.30, the market is priced for no change in the cash rate with only the most minimal expectation for any change in coming months priced into the RBA cash rate futures curve. The OIS market is priced for only 4 bps of cuts in total by the 6 June Board meeting (that figure is a mere 0.8bps for today's meeting) and so no bias is priced for. This means that should the RBA re-word the final paragraph of the Release from a neutral bias ([look at the final sentence here](#)) there would be a market reaction. We also think such a change is very unlikely.

We will be alert to the language in the Release and what it infers about the Bank's evolving view of the economy both in terms of 1) the economy late last year and into this year, and 2) the medium term outlook, reflecting the mix of domestic and international factors, including the US and (the usual) China uncertainties. There may well be a one or two sentence forecast summary along the lines of: "the Board was briefed on the staff's latest forecasts for the Australian economy, the Board noting that some temporary factors at work had played a part in the contraction in real GDP in the September quarter but that growth likely resumed..... The Board also noted that inflation in the December quarter was broadly in line with the Bank's forecasts."

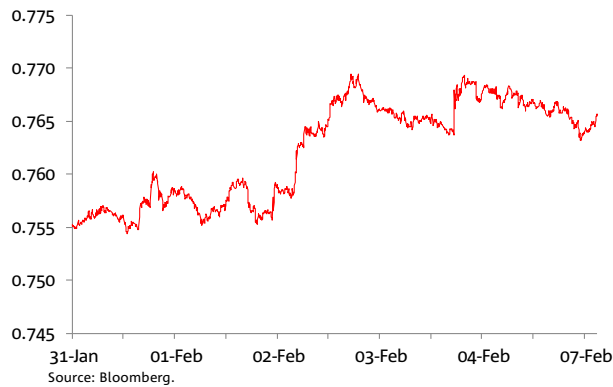
Tonight sees German Industrial Production first up, UK Halifax house prices with only the JOLTs Job Openings report on the US economic calendar. There will be some interest in the Canadian calendar with the IVEY PMI for January (it was a strong 60.8 in December; it's also an indirect reflection of US demand too).

Overnight

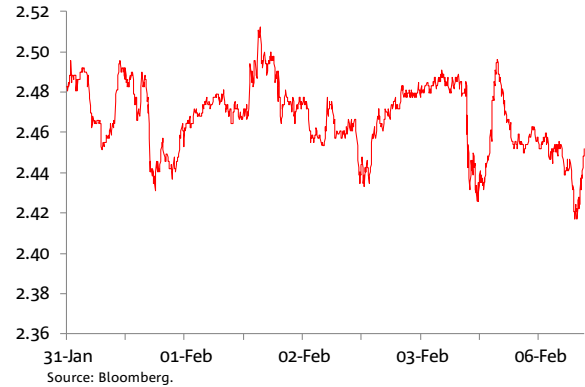
On global stock markets, the S&P 500 was -0.27%. Bond markets saw US 10-years -4.98bp to 2.42%. In commodities, Brent crude oil -1.67% to \$55.86, gold+1.1% to \$1,232, iron ore -1.9% to \$80.60, steam coal -2.0% to \$81.30, met.coal +0.6% to \$169.00. AUD is at 0.7658 and the range since yesterday 5pm Sydney time is 0.763 to 0.7684.

Markets

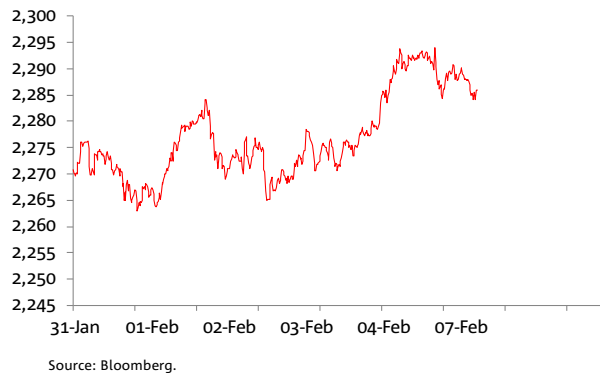
AUD/USD - past week



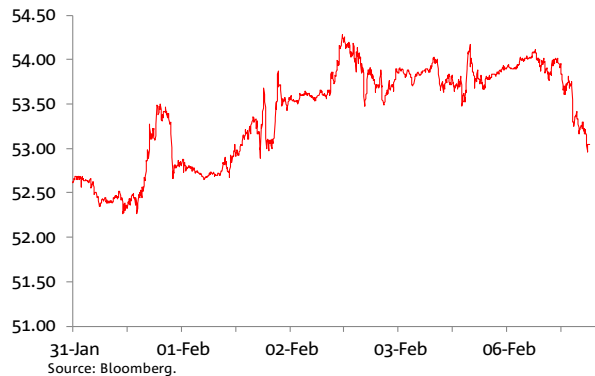
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

Indicative 24hr
ranges (**)

	Last	% chge	Low	High
AUD	0.7658	-0.3	0.7630	0.7684
NZD	0.7318	0.7	0.7285	0.7326
EUR	1.0745	0.1	1.0705	1.0755
GBP	1.2468	-0.1	1.2427	1.2490
JPY	111.83	-1.2	111.63	112.60
CAD	1.3090	0.4	1.3012	1.3137
AUD/EUR	0.7127	0.1	0.7109	0.7141
AUD/JPY	85.64	-1.0	85.47	86.23
AUD/GBP	0.6143	0.3	0.6128	0.6151
AUD/NZD	1.0464	-0.5	1.0459	1.0487
AUD/CNH	5.2410	-0.2	5.1966	5.2337

Other FX

	Last	% chge
HKD	7.7583	0.0
CNY	6.8441	-0.4
SGD	1.4092	-0.4
IDR	13,293	-0.3
THB	35.02	-0.1
KRW	1,135	-1.1
TWD	30.87	-0.6
PHP	49.55	-0.7
CHF	0.99	-0.5
SEK	8.83	0.3

Interest Rates

Indicative Swap Rates

	Cash	3mth	2Yr	10Yr
USD	0.75	1.03	1.48	2.35
AUD	1.50	1.77	1.90	2.96
NZD	1.75	1.98	2.39	3.55
EUR	0.00	-0.33	-0.15	0.76
GBP	0.25	0.35	0.64	1.36
JPY	-0.03	0.00	0.06	0.31
CAD	0.50	0.96	1.08	1.94

Benchmark 10 Year Bonds

	Last	chge	Spnd
USD 10	2.42	-4.98	
AUD 10	2.76	-3.10	0.35
NZD 10	3.38	0.10	0.97
CAD 10	1.71	-5.30	-0.70
EUR 10	0.37	-4.20	-2.05
GBP 10	1.32	-3.50	-1.10
JPY 10	0.11	0.60	-2.31

Equities

Major Indices

	Last	% day	% y/y
Dow	20,047	-0.12	23.7
S&P 500	2,291	-0.27	21.9
Nasdaq	5,657	-0.17	29.7
VIX	11	3.01	-51.7
FTSE	7,172	-0.2	22.6
DAX	11,510	-1.2	23.9
CAC 40	4,778	-1.0	13.7
Nikkei	18,977	0.3	12.8
Shanghai	3,157	0.5	14.2
Hang Seng	23,348	0.9	21.0
ASX 200	5,616	-0.1	12.8

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.23	1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.26	5.50
3/10 sprd	0.54	-5.50
SPI	5555.0	17.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	55.86	-1.7
Oil (WTI)	53.12	-1.3
Oil (Tapis)	58.09	0.1
Gold	1231.80	1.1
CRB	192.16	-0.5
GS Metals	321.3	0.0
Aluminium	1819.0	0.0
Copper	5833.8	1.3
Nickel	10403.5	2.2
Zinc	2792.5	0.0
Ch. steel	3095.0	-2.5
Iron ore	80.6	-1.9
St. Coal	81.3	-2.0
Met.coal	169.0	0.6
Wheat Chic.	435.5	-1.7
Sugar	21.2	0.3
Cotton	75.6	-1.0
Coffee	146.6	-1.4

CO₂ Emissions - Euros

	Last	% day
Jun-2017	5.09	-1.2
Dec-2017	5.10	-1.2

* 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
Tuesday, 7 February 2017								
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		0.9		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		3002		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		105.5		102.8	6.00	16.00
GE	Industrial Production SA MoM/YoY	Dec		0.3/2.5		0.4/2.2	8.00	18.00
UK	Halifax House Prices MoM/YoY	Jan		0		1.7/6.5	9.30	19.30
NZ	GDT Dairy auction, GDT-weighted price index					0.6	early am NZT	
US	Trade Balance	Dec		-45		-45.2	14.30	0.30
CA	Int'l Merchandise Trade	Dec		0.2		0.5	14.30	0.30
CA	Building Permits MoM	Dec		-3		-0.1	14.30	0.30
US	JOLTS Job Openings	Dec		5569		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						0.50	10.50
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
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	Foreign Direct Investment YoY CNY	Jan		1.4		5.7	8-18 Feb release	
UK	BoE's Cunliffe speaks in Birmingham						14.00	0.00
CA	Housing Starts	Jan		200		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		-5.1/10.4	0.50	10.50
AU	HIA New Home Sales MoM	Dec				6.1	1.00	11.00
NZ	RBNZ's Wheeler speaks at Parliament on Monetary Policy Statement						1.10	11.10
UK	RICS House Price Balance	Jan		22		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						10.00	20.00
CA	New Housing Price Index MoM/YoY	Dec		0.15		0.2/3.0	14.30	0.30
US	Initial Jobless Claims	Feb 4		249		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
CA	BOC's Schembri speaks at Western University						17.20	3.20
US	Fed's Evans (v) Speaks on Economy and Policy in Chicago						19.10	5.10
UK	BoE's Carney speaks in London						19.30	5.30
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						1.30	11.30
CH	Trade Balance	Jan		48.6		40.8	3.45	13.45
CH	Exports/Imports YoY	Jan		3.3/10		-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		0.2/3.2		2.1/2.0	10.30	20.30
UK	Construction Output SA MoM/YoY	Dec		1		-0.2	10.30	20.30
CH	New Yuan Loans/Aggregate financing CNY	Jan		2410/3013		1040/1630	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		-5/6.9		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		40		-27.5	20.00	6.00
Saturday, 11 February 2017								
US	Fed's Fischer (v) addresses Economic Conference in the UK						13.30	23.30
Monday, 13 February 2017								
CH	Foreign Direct Investment YoY CNY	Jan		1.4		5.7	8-18 Feb release	
CH	New Yuan Loans/Aggregate Financing CNY	Jan		2410/3013		1040/1630	10-15 Feb release	
NZ	REINZ House Sales YoY	Jan				-10.7	10-14 Feb #VALUE!	
NZ	Card Spending Total MoM	Jan				0.0	22.45	8.45
NZ	Card Spending Retail MoM	Jan				-0.1	22.45	8.45
JN	GDP SA QoQ/QoQ saar	4Q P		0.3/1.1		0.3/1.3	0.50	10.50
CA	Bloomberg Nanos Confidence	Feb 3				56.1	16.00	2.00
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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