

MARKETS TODAY

Message to my market



Good Morning

It's been a rather listless overnight session as the US earnings season is drawing to a close with one of the best quarters of growth for quite some quarters. But that, and the tantalising prospect that corporate tax reductions and deregulation from the Trump Administration, and hopes of better growth, seems to be priced in. The market needs more to trade on, and it's happening at a time when news/statements from the White House environs continue. There's the fracas over the bans on immigration and court proceedings and there was also news overnight that US prominent retailer Nordstrom had pulled Ivanka Trump's fashion line from its shelf, copping a tweet from @realDonaldTrump and later re-tweeted from @POTUS. Not that this is an especially big market issue, but it keeps the continuation of comments from Washington front of mind.

As my BNZ colleague Jason Wong has already noted this morning, as far as the overnight session is concerned, there is little to report. The USD continues to retreat (though it has clawed back up a tad later in the session). Equity markets are flat to the point where you wonder if they're open, while there appears to be more action in the bond market, with yields lower across the board, including in Europe and more broadly there, despite political uncertainty in France, and in the past 24-48 hours more Greece news, an IMF report drawing attention to their unsustainable debt. The latest IFOP poll in France has Macron as winning in the second round against Le Pen 64-36. (Whether you view that as a contra indicator, it's up to you.) Gold is up \$5.10 so far in the session to \$1,241.20. Running a little against the tide, base metals are higher, copper by 1.73%, while iron ore in China was up modestly again yesterday, by \$0.24. Oil is also up smalls.

Just announced this morning, the RBNZ has left the cash rate unchanged at 1.75% (no surprise at all), but the outlook for the OCR is more dovish than the market had expected. The market had been priced for 1½ hikes from the RBNZ over the next 12 months (37 bps), but this morning's RBNZ OCR track has it steady not only through this year and next and not hiking until 2019. As a dampener on the inflation outlook, the RBNZ said that the NZD remains higher than sustainable for balanced growth, endeavouring to talk it down in the process.

In response, not a surprise perhaps that the Kiwi has been trading lower initially in response, the NZD/USD down from 0.73 just before the announcement, down to 0.7260 and at the time of going to press, now only 15 minutes after the announcement, is still trading at or slightly above that level, AUD/NZD at just over 1.05.

Coming Up

There's more Kiwi focus today with RBNZ Governor Wheeler about to step up to the podium for his press conference at 8am AEDT and then delivering his

Monetary Policy Statement before Parliament, at 11.10 AEDT. Will he be more open now with his retirement announced? Before then comes NZ Building Permits for December at 8.45 and Aussie HIA New Home Sales, one of the few demand side indicators, especially of the traditional detached homes sector and to some extent, the unit sector where HIA members participate, presumably in the suburban market more so than in the CBD markets. In November, HIA New Home Sales rose 6.1% from a 5.2% rise in detached home sales and a 9.3% rise in unit sales, though unit sales have been flat overall for the past half year or so, down one month and up the next.

There is also the quarterly (Q4) NAB Business Survey that, along with the main confidence, conditions and other metrics, provides other elements tracking capital spending and Capex expectations as well as what business are reporting are the major constraints on business. For UK home price watchers, there is the RICS House price balance that was still at a robust +24 in December.

The real focus though really comes early in the London session with RBA Governor Lowe's speech in Sydney at 8.00pm AEDT. There's no title as yet though a great opportunity for the Governor to outline in more detail the Bank's latest assessment and forecasts for the economy summarised in Tuesday's post-Board Media Release.

There are two Fed speakers tonight. St. Louis President James Bullard (FOMC nv this year) is speaking first, followed by Charles Evans (v) speaking three hours later. Evans is more toward the two rate hike camp – more dovish than the consensus – while Bullard is in the one more and done" camp on the basis that the forecasts have the economy continuing to dawdle along at full employment with inflation close to target, not foreseeing the need to tighten further. (Of course, whether Administration policy changes that outlook is a large uncertainty.)

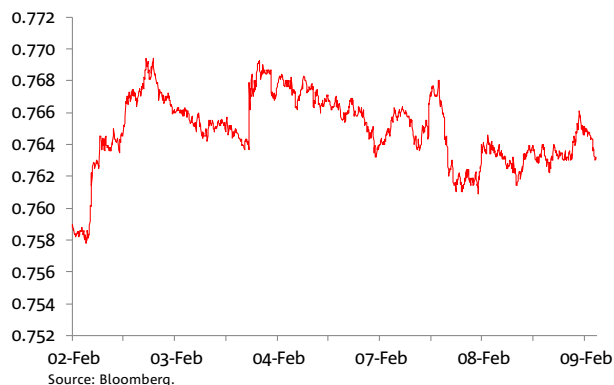
There's even more of a central bank hit later in the NY session time wise with the BoC's Schembri speaking, followed by Bank of England Governor Carney speaking at 19.30 GMT. Deputy Governor Jon Cunliffe was speaking overnight and his comments looked to be more cautious on the outlook than BoE MPC member Kristin Forbes' comments were the night before alluding to the potential for a rate hike.

Overnight

On global stock markets, the S&P 500 was +0.06%. Bond markets saw US 10-years -4.58bp to 2.35%. In commodities, Brent crude oil +0.22% to \$55.17, gold+0.3% to \$1,238, iron ore +0.3% to \$83.53, steam coal -1.2% to \$79.40, met.coal -1.8% to \$164.00. AUD is at 0.7635 and the range since yesterday 5pm Sydney time is 0.7612 to 0.7666.

Markets

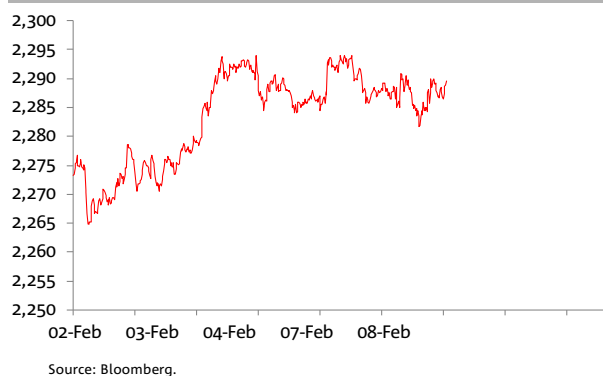
AUD/USD - past week



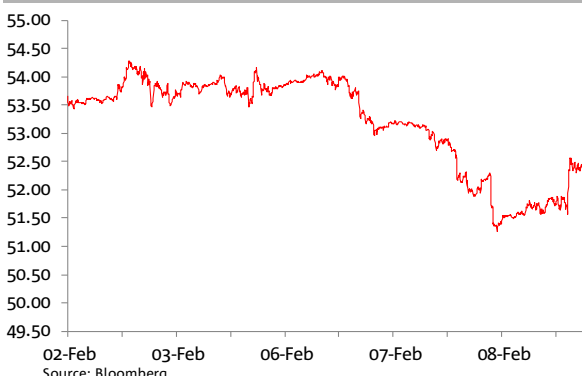
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7635	0.1	0.7612	0.7666	HKD	7.7596 0.0
NZD	0.7260	-0.5	0.7253	0.7335	CNY	6.8761 -0.1
EUR	1.0688	0.2	1.0642	1.0715	SGD	1.4179 -0.1
GBP	1.2530	1.2	1.2480	1.2551	IDR	13,314 -0.1
JPY	112.06	-0.2	111.63	112.39	THB	35.02 -0.1
CAD	1.3157	-0.3	1.3138	1.3179	KRW	1,147 0.0
AUD/EUR	0.7144	0.1	0.7137	0.7173	TWD	31.05 0.0
AUD/JPY	85.56	0.0	85.36	85.76	PHP	49.91 0.4
AUD/GBP	0.6093	-1.0	0.6088	0.6120	CHF	1.00 -0.4
AUD/NZD	1.0515	0.7	1.0438	1.0522	SEK	8.85 -0.5
AUD/CNH	5.2497	0.1	5.2191	5.2317		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.75	1.04	1.46	2.90	USD 10	2.35	-4.58
AUD	1.50	1.77	1.89	2.90	AUD 10	2.70	-0.10 0.35
NZD	1.75	2.03	2.35	3.46	NZD 10	3.24	-6.70 0.89
EUR	0.00	-0.33	-0.15	0.72	CAD 10	1.63	-6.70 -0.72
GBP	0.25	0.36	0.62	1.26	EUR 10	0.30	-5.40 -2.05
JPY	-0.02	0.01	0.05	0.29	GBP 10	1.21	-7.70 -1.14
CAD	0.50	0.96	1.07	1.87	JPY 10	0.10	-1.00 -2.25

Equities

Major Indices			
	Last	% day	% y/y
Dow	20,053	-0.18	25.1
S&P 500	2,295	0.06	23.8
Nasdaq	5,683	0.15	32.7
VIX	11	0.62	-56.3
FTSE	7,189	0.0	26.4
DAX	11,543	-0.1	28.6
CAC 40	4,767	0.3	17.2
Nikkei	19,008	0.5	18.2
Shanghai	3,167	0.4	14.6
Hang Seng	23,485	0.7	21.8
ASX 200	5,651	0.5	17.0

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.22	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.32	6.00
3/10 sprd	0.48	-3.00
SPI	5601.0	-29.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	55.17	0.2
Oil (WTI)	52.45	0.5
Oil (Tapis)	55.75	-1.6
Gold	1238.10	0.3
CRB	192.26	0.5
GS Metals	322.0	0.0
Aluminium	1830.5	0.9
Copper	5879.5	1.7
Nickel	10447.5	1.4
Zinc	2852.0	2.0
Ch. steel	3236.0	3.4
Iron ore	83.5	0.3
St. Coal	79.4	-1.2
Met.coal	164.0	-1.8
Wheat Chic.	443.5	0.2
Sugar	20.8	0.2
Cotton	75.3	0.2
Coffee	145.3	0.2

CO₂ Emissions - Euros

	Last	% day
Jun-2017	5.19	0.8
Dec-2017	5.22	1.0

* 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	
Thursday, 9 February 2017									
NZ	RBNZ OCR		1.75	1.75		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	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	20.00
CA	New Housing Price Index MoM/YoY	Dec		0.2		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	11.30
CH	Trade Balance	Jan		48.75		40.8	3.45	13.45	
CH	Exports/Imports YoY	Jan		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		2410/3000		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		0.3/		0.4/-0.2	14.30	0.30	
CA	Net Change in Employment/Unemployment Rate	Jan		-10/6.9		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		43		-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	23.30
Monday, 13 February 2017									
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 10				57.3	16.00	2.00	
Tuesday, 14 February 2017									
NZ	Food Prices MoM	Jan				-0.8	22.45	8.45	
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Feb 12				117.5	23.30	9.30	
AU	NAB Business Conditions/Confidence	Jan		/		11.0/6.0	1.30	11.30	
CH	CPI/PPI YoY	Jan		2.4/6.6		2.1/5.5	2.30	12.30	
JN	Industrial Production MoM	Dec F				0.5	5.30	15.30	
GE	GDP SA QoQ/YoY	4Q P		/		0.2/1.7	8.00	18.00	
GE	CPI MoM/YoY	Jan F		/		-0.6/1.9	8.00	18.00	
GE	CPI EU Harmonized MoM/YoY	Jan F		/		-0.8/1.9	8.00	18.00	
UK	CPI MoM/YoY	Jan		/		0.5/1.6	10.30	20.30	
UK	CPI Core YoY	Jan		/		1.6	10.30	20.30	
UK	PPI Input NSA MoM/YoY	Jan		/		1.8/15.8	10.30	20.30	
UK	PPI Output Core NSA MoM/YoY	Jan		/		0.0/2.1	10.30	20.30	
UK	House Price Index YoY	Dec		/		6.7	10.30	20.30	
EC	Industrial Production SA MoM/YoY	Dec		/		1.5/3.2	11.00	21.00	
GE	ZEW Survey Current Situation/Expectations	Feb		/		77.3/16.6	11.00	21.00	
EC	ZEW Survey Expectations	Feb		/		23.2	11.00	21.00	
EC	GDP SA QoQ/YoY	4Q P		/		0.5/1.8	11.00	21.00	
US	NFIB Small Business Optimism	Jan		105		105.8	12.00	22.00	
US	PPI Final Demand MoM/YoY	Jan		0.2/1.5		0.3/1.6	14.30	0.30	
CA	Teranet/National Bank HPI MoM/YoY	Jan		/		0.3/12.3	14.30	0.30	
US	Fed's Lacker to Speak at University of Delaware						14.50	0.50	
US	Fed's Yellen Gives Semi-Annual Testimony on Monetary Policy to Senate Banking Panel						16.00	2.00	2.00
US	Fed's Lockhart to Speak on Economy in Huntsville, Alabama						19.15	5.15	
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%			

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

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