

MARKETS TODAY

Trump trade reignites



Good Morning

The Trump-trade was reignited overnight on the back of the President flagging an impending “phenomenal” tax announcement. That gave markets hope that Trump will at last provide long-awaited details on his fiscal plans (tax cuts and infrastructure spending). That saw equities surge, with the S&P500 hitting a new record high, while the US dollar renewed its march higher. Bond yields also ended the day higher.

President Trump’s comments followed a meeting with airline executives, where he stated that he will be announcing something “phenomenal in terms of tax and developing our aviation infrastructure” and that “lower[ing] the overall tax burden on American business is big league”. Equities responded positively to the news and were stronger across the board. The S&P500 rose 0.6% to a new record high, while the EuroStoxx was also up 1.2%. Financials continue to be outperformers, with US financials up 1.4%.

Bond yields also rose on the news with US Treasuries up 5.9bps to 2.39%. German Bund yields rose 1.6bps to 0.31% while UK Gilt yields also rose, up 3.4bps to 1.25%. Aussie CGS followed the moves in Treasuries the previous day down 5.2bps to 2.64% while NZ GBs fell sharper on the back of the RBNZ meeting (see below), down 7.7bps to 3.18%.

The US dollar was also supported by Trump’s comments with the DXY up 0.4%. Major currency pairs were mostly lower by a similar degree with the Euro down 0.4% along with the Pound. The two underperformers on the night were the Kiwi (-1.1%) and the Yen (-1.2%). The Aussie performed a little stronger, down 0.25%. An upbeat speech by RBA Governor Lowe supported. Although Lowe’s optimism was already well flagged following Tuesday’s meeting, he did make a few comments on the currency noting that “it’s difficult to suggest the AUD is too high” and that the AUD was “pretty much” where it was last year.

The Kiwi’s decline followed yesterday’s RBNZ meeting where the RBNZ put the kybosh on the possibility of rate hikes in 2017. The MPS noted a “premature tightening of policy could undermine growth and forestall the anticipated gradual increase in inflation, raising the risks of declines in longer-term inflation expectations”. The MPS also noted the “exchange rate remains higher than is sustainable” and that a “decline in the exchange rate is needed”. The Kiwi fell 0.8% immediately after the announcement and is down 1.4% since the announcement. In an interview with Reuters, Assistant Governor McDermott said the market reaction was “exactly what we wanted” and “we’re not trying to fake the market on the Kiwi”.

While markets are rallying on prospects of tax cuts, there still remains the danger of growing protectionism which Trump also implied when he noted “a lot of that [airline]

competition is subsidised by governments, big league”. Further elucidation of Trump’s policies – both stimulatory and protectionist ones – is also key for the Fed. The Fed’s Bullard (non-voter) was out overnight playing down the prospects of a March rate hike noting that fiscal uncertainties are unlikely to get meaningfully resolved by March and that conditions for much higher inflation are not materialising. Bullard also made some comments on the Fed’s balance sheet, arguing for a “more natural normalisation process” whereby the Fed would stop the reinvestment of maturing bonds alongside the gradual rate hikes that are expected. By doing so, would allow the whole yield curve to adjust. The Fed’s Evens (voter) was also out overnight, but did little more than reiterate the point of “gradual” rate hikes.

Economic data was sparse overnight, US jobless claims remains at very low levels, with the weekly figure falling to 234k against a consensus expectation of 249k. The four-week rolling average figure is now at its lowest level since 1973 and suggestive of strong payrolls prints ahead.

In commodities, oil rose 1-1.3% with WTI at \$53.03 and Brent at \$55.65. Prices for Australia’s major commodity exports were also mostly higher, with iron ore up 0.4% to \$83.8 a tonne, thermal coal up 0.4% to \$79.8, while coking coal was unchanged up 0.0%.

Coming Up

The main domestic game today is the RBA’s February Statement on Monetary Policy. The Bank took a glass half full view on the economy in Tuesday’s post meeting statement, reinforced overnight in Governor Lowe’s speech, so it is likely these sentiments will be reflected in today’s more detailed statement and forecasts. The RBA noted it was expecting economic growth to be around 3% over the next couple of years and that for inflation, headline was expected to above 2% in 2017, while core measures were likely to rise more gradually. Given the weak Q3 GDP number it’s likely the RBA will still need to downgrade its near-term growth forecasts.

Domestically, there are also housing finance figures for January. These are not usually market moving, though some interest will be on the investor approval series to see whether investor activity continues its recent acceleration. Bloomberg reports the headline owner-occupier series with the market looking for a 1.0% increase, while NAB expects a flattish outcome of 0.1%.

Internationally, the most important piece of data is the Chinese trade balance. The market looks for a surplus of \$US48.5bn, with imports expected to be 10% y/y and exports 3.2% y/y. The US has the University Michigan Consumer Confidence index while the UK has Industrial Production.

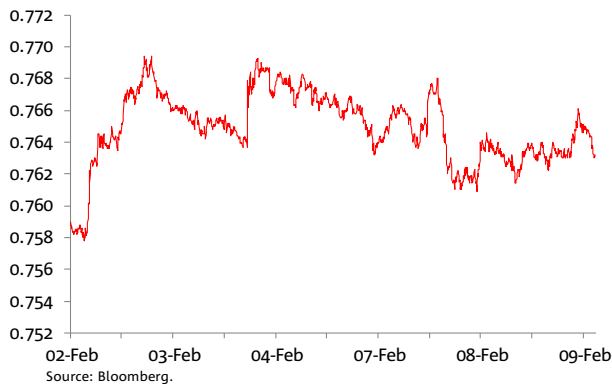
Given the focus on the oil price there are two other pieces of data worth keeping an eye on. The International Energy Agency releases its monthly oil market report while the Baker Hughes rig count is on.

Overnight

On global stock markets, the S&P 500 was +0.67%. Bond markets saw US 10-years +4.96bp to 2.39%. In commodities, Brent crude oil +0.96% to \$55.65, gold-0.3% to \$1,235, iron ore +0.4% to \$83.84, steam coal +0.4% to \$79.75, met.coal +0.0% to \$164.00. AUD is at 0.7628 and the range since yesterday 5pm Sydney time is 0.7611 to 0.7664.

Markets

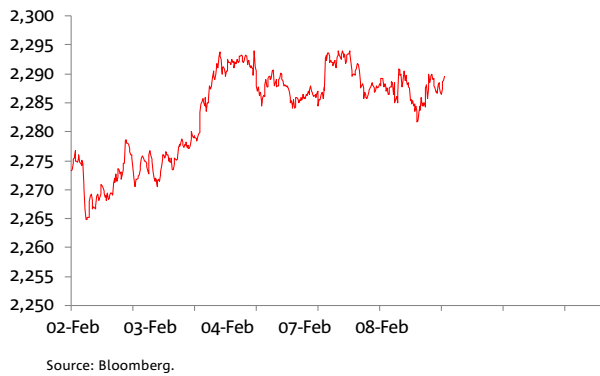
AUD/USD - past week



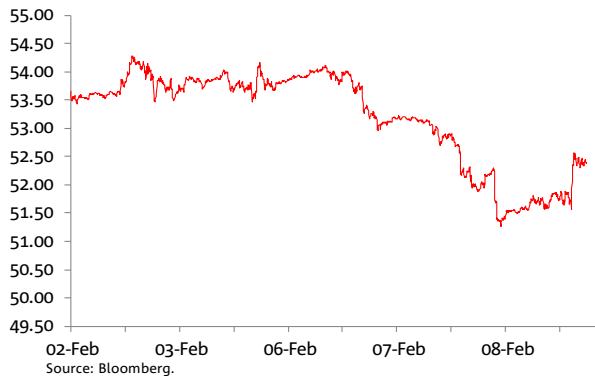
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX		
	Last	% chge	Low	High	Last	% chge	
AUD	0.7628	-0.2	0.7611	0.7664	HKD	7.7582	0.0
NZD	0.7188	-1.1	0.7174	0.7266	CNY	6.8691	0.1
EUR	1.0659	-0.4	1.0651	1.0710	SGD	1.4203	0.3
GBP	1.2495	-0.4	1.2495	1.2582	IDR	13,295	-0.2
JPY	113.28	1.2	111.74	113.30	THB	35.05	0.1
CAD	1.3136	-0.1	1.3095	1.3168	KRW	1,146	-0.1
AUD/EUR	0.7157	0.2	0.7122	0.7172	TWD	31.04	-0.3
AUD/JPY	86.41	1.0	85.36	86.42	PHP	49.91	0.1
AUD/GBP	0.6105	0.1	0.6067	0.6107	CHF	1.00	0.7
AUD/NZD	1.0612	0.8	1.0521	1.0631	SEK	8.90	0.7
AUD/CNH	5.2377	-0.2	5.2133	5.2455			

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.75	1.03	1.49	2.32	USD 10	2.39	5.85
AUD	1.50	1.77	1.93	2.93	AUD 10	2.64	-5.20 0.25
NZD	1.75	2.02	2.35	3.46	NZD 10	3.18	-7.70 0.78
EUR	0.00	-0.33	-0.14	0.74	CAD 10	1.68	5.00 -0.72
GBP	0.25	0.36	0.63	1.29	EUR 10	0.31	1.60 -2.08
JPY	-0.04	0.01	0.05	0.28	GBP 10	1.25	3.40 -1.15
CAD	0.50	0.96	1.10	1.90	JPY 10	0.10	0.10 -2.30

Equities

Major Indices	Last	% day	% y/y
	Dow	20,193	0.69
S&P 500	2,310	0.67	24.7
Nasdaq	5,719	0.65	34.0
VIX	11	-5.59	-59.3
FTSE	7,230	0.6	28.4
DAX	11,643	0.9	31.1
CAC 40	4,826	1.3	20.7
Nikkei	18,908	-0.5	20.3
Shanghai	3,183	0.5	15.2
Hang Seng	23,525	0.2	22.0
ASX 200	5,665	0.2	18.6

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.22	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.30	1.50
3/10 sprd	0.50	1.50
SPI	5636.0	-38.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	55.65	1.0
Oil (WTI)	53.03	1.3
Oil (Tapis)	56.82	1.9
Gold	1234.50	-0.3
CRB	192.76	0.3
GS Metals	326.9	0.0
Aluminium	1835.5	0.3
Copper	5809.5	-1.2
Nickel	10234.0	-2.0
Zinc	2832.5	-0.7
Ch. steel	3263.0	2.0
Iron ore	83.8	0.4
St. Coal	79.8	0.4
Met.coal	164.0	0.0
Wheat Chic.	455.3	2.6
Sugar	20.7	-0.5
Cotton	75.6	0.4
Coffee	147.6	1.6

CO₂ Emissions - Euros

	Last	% day
Jun-2017	5.26	1.3
Dec-2017	5.29	1.3

* cld = 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	
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		0.2		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	
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	
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	
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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