

MARKETS TODAY

Alive and kicking



Good Morning

Last week the USD regained its mojo largely thanks to President Trump's hint of a phenomenal tax policy announcement and on Friday the USD waivered, particularly against JPY when at a joint press conference with Japan's PM Abe, President Trump responded to a question about currency devaluation saying that "we will all eventually...be at a level playing field." and then added "That's the only way you can fairly compete in trade". The dollar fell immediately after the comments but quickly recovered, suggesting that, at least for now, the prospect of tax policy changes is the dominant driver for the USD.

So although the joint Trump-Abe conference didn't offer much new in terms of policy or fireworks, it did strike a friendly and constructive note between the two countries. This follows early news on Friday that president Trump told Chinese President Xi that he will respect the "One China" policy, both actions suggest an easing in tension between the White House and Asia. Notably too, after North Korea launched a test missile in the weekend, Trump was alongside Abe and said that "...the USA stands behind Japan, its great ally, 100%". These are still early days of course, but recent events suggest that not only Trump policies will take longer to implement, they are also potentially likely to be a lighter version of the pre-election rhetoric. For now, the Trump reflation trade remains alive and kicking and on the positive side an all-out trade war looks less likely, however there are increasing doubts over the pro-growth policies too. Trump has set the stage for a phenomenal tax announcement, now he needs to deliver.

After being up nearly 0.4% on the day, DXY ended the week 0.15% with softer than expected consumer sentiment data (U of Michigan Consumer Sentiment index fell to 95.7 in Feb from 98. prev.) and Trump's remarks later in the day weighing on the USD index. The AUD is still benefiting from the RBA's optimistic outlook on the economy and a solid rise in iron ore (+5.39% on the week). The currency was the best G10 performer on Friday, up 0.64% on the day and 1.58% month to date. CAD was the other G10 outperformer, (+0.47%) boosted by a better than expected January employment report (+48k vs -10k exp.). In what has been a volatile week, JPY ended Friday unchanged at ¥113.2 and the EUR leaked another 0.11% with Scandinavian currencies down between 0.13% and 0.32%.

On Friday, US equities continued to climb amid expectations of tax cuts and fiscal spending from the Trump administration (S&P + 0.36%, DJ +0.48% and the NASDAQ was 0.33%). Financial shares were also boosted by news that Fed Tarullo, the sector top regulator, announced his resignation. Tarullo's departure means Trump will soon get to fill three of the Fed's seven board positions (currently there are two existing vacancies),

giving him the the opportunity to significantly shape the Fed thinking ahead.

UST yields were little changed on Friday (10y closed the week at 2.4073%) and in commodities, gold closed at \$1234.4(-0.06%), oil had a good night (WTI +1.62%, Brent 1.92%) and iron ore closed the week at \$86.62, up 3.32% on the day and 5.39% on the week. Copper also had a good day, +4.69% as BHP signals the strike in Escondida mine in Chile may last a long time.

Core logic weekend market update reported a solid week of auctions across capital cities. Melbourne auctions clearance rate was 75.4% compared to 77.7% in the previous week (which had low volumes). Sydney's had preliminary clearance rate of 84.8%, up from 72.3% previously and higher than last year's 78.1% rate.

CFTC data from the week ending February 7 shows USD speculative longs against G10 currencies were paired by 16.4k to 152k. Speculators reduced net JPY short positions by 3.4k to -55k. Longs in CAD and AUD rose by 5k and 4k respectively to 8.5k and 16.7k and GBP shorts were extended by 2.7k to -64.5k. Meanwhile in rates, 5y and 10y UST shorts were reduced by 34k and 49k respectively, and longs in 2y were reduced by 18k to 13k.

Coming Up

Yellen double testimony, NAB Business survey and Australia's labour force report are the main highlights for the week. The AUD closed the week essentially unchanged, but with solid momentum following the positive outlook on the economy by the RBA (Statement, Lowe speech and SoMP) and solid iron ore gains. That said, the AUD is still unable to make a break above the 77c mark, a solid labour force report on Thursday could be the domestic catalyst, but much will depend on the USD as well. Fed Chari Yellen's double Testimony and any policy tweet/update from Trump are the ones to watch.

Japan Q4 GDP is the main data release for the day (1.1% annualised SA qoq exp. vs 1.3% prev) and then focus is likely to shift towards Europe with question marks on Greece ability to reach a deal with its lenders.

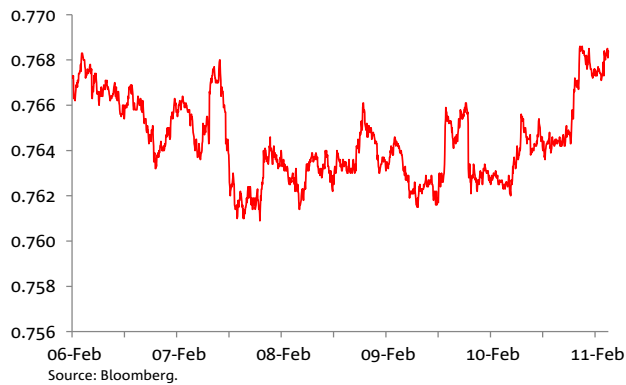
Overnight

On global stock markets, the S&P 500 was +0.36%. Bond markets saw US 10-years +1.25bp to 2.41%. In commodities, Brent crude oil +1.92% to \$56.7, gold-0.1% to \$1,234, iron ore +3.3% to \$86.62, steam coal +0.4% to \$80.05, met.coal +0.0% to \$164.00. AUD is at 0.7684 and the range since Friday 5pm Sydney time is 0.7619 to 0.7689.

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Markets

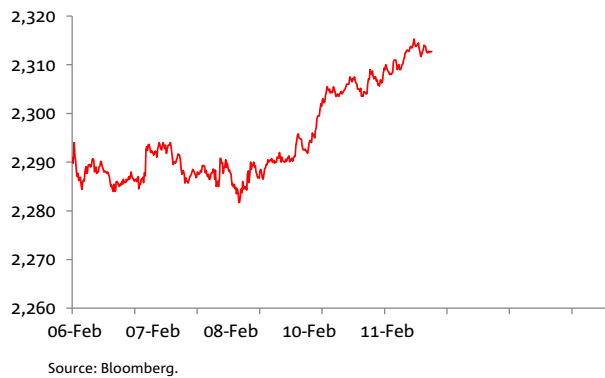
AUD/USD - past week



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	0.7684	0.8	0.7619	0.7689	HKD	7.7584	0.0
NZD	0.7199	0.2	0.7174	0.7210	CNY	6.8785	0.1
EUR	1.0626	-0.3	1.0608	1.0668	SGD	1.4218	0.1
GBP	1.2482	-0.1	1.2440	1.2528	IDR	13,312	0.1
JPY	113.63	0.3	112.71	113.86	THB	35.06	0.0
CAD	1.3085	-0.5	1.3063	1.3158	KRW	1,151	0.4
AUD/EUR	0.723	1.0	0.7152	0.7231	TWD	31.06	0.1
AUD/JPY	87.30	1.1	86.34	87.33	PHP	49.92	0.0
AUD/GBP	0.6157	0.9	0.6091	0.6161	CHF	1.00	0.2
AUD/NZD	1.0661	0.5	1.0596	1.0679	SEK	8.93	0.3
AUD/CNH	5.2756	0.7	5.2291	5.2767			

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.75	1.04	1.51	2.34	USD 10	2.41	1.25
AUD	1.50	1.77	1.93	2.95	AUD 10	2.70	5.30 0.29
NZD	1.75	2.02	2.35	3.48	NZD 10	3.20	4.00 0.79
EUR	0.00	-0.33	-0.14	0.75	CAD 10	1.70	1.70 -0.71
GBP	0.25	0.36	0.62	1.29	EUR 10	0.32	0.80 -2.09
JPY	-0.03	-0.01	0.05	0.28	GBP 10	1.26	1.00 -1.15
CAD	0.50	0.96	1.11	1.92	JPY 10	0.09	-0.70 -2.32

Equities

Major Indices			
	Last	% day	% y/y
Dow	20,269	0.48	26.9
S&P 500	2,316	0.36	24.2
Nasdaq	5,734	0.33	32.2
VIX	11	-0.28	-57.3
FTSE	7,259	0.4	27.2
DAX	11,667	0.2	30.1
CAC 40	4,828	0.0	20.9
Nikkei	19,379	2.5	29.6
Shanghai	3,197	0.4	15.7
Hang Seng	23,575	0.2	28.7
ASX 200	5,721	1.0	20.0

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.21	-1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.27	-4.50
3/10 sprd	0.53	4.50
SPI	5677.0	-67.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	56.70	1.9
Oil (WTI)	53.86	1.6
Oil (Tapis)	57.40	1.0
Gold	1234.40	-0.1
CRB	194.04	0.7
GS Metals	334.7	3.2
Aluminium	1866.5	1.7
Copper	6083.0	4.7
Nickel	10615.5	3.7
Zinc	2934.5	3.6
Ch. steel	3358.0	3.7
Iron ore	86.6	3.3
St. Coal	80.1	0.4
Met.coal	164.0	0.0
Wheat Chic.	463.0	1.7
Sugar	20.4	-1.1
Cotton	75.8	0.3
Coffee	148.2	0.4
CO₂ Emissions - Euros		
	Last	% day
Jun-2017	5.13	-2.5
Dec-2017	5.12	-3.2

* cisd = 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
Monday, 13 February 2017								
NZ	REINZ House Sales YoY (Pending release)	Jan				-10.7	10-14 Feb release	
NZ	Card Spending Total/Retail MoM	Jan	0.5/..	/0.7		0.0/-0.1	22.45	8.45
JN	GDP SA QoQ/GoQ 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	1.7			-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				11/6	1.30	11.30
CH	CPI/PPI YoY	Jan		2.4/6.6		2.1/5.5	2.30	12.30
NZ	Household Inflation Expectations (RBNZ Survey), median, 1Y ahead CPI, YoY					2.0	3.00	13.00
JN	Industrial Production MoM	Dec F				0.5	5.30	15.30
GE	GDP SA QoQ/YoY	4Q P		0.5/1.8		0.2/1.7	8.00	18.00
GE	CPI MoM/YoY	Jan F		-0.6/1.9		-0.6/1.9	8.00	18.00
GE	CPI EU Harmonized MoM/YoY	Jan F		-0.8/1.9		-0.8/1.9	8.00	18.00
UK	CPI MoM/YoY	Jan		-0.5/1.9		0.5/1.6	10.30	20.30
UK	CPI Core YoY	Jan		1.7		1.6	10.30	20.30
UK	PPI Input NSA MoM/YoY	Jan		1/18.5		1.8/15.8	10.30	20.30
UK	PPI Output Core NSA MoM/YoY	Jan		0.3/2.2		0.0/2.1	10.30	20.30
UK	House Price Index YoY	Dec		6.5		6.7	10.30	20.30
EC	Industrial Production SA MoM/YoY	Dec		-1.5/1.7		1.5/3.2	11.00	21.00
GE	ZEW Survey Current Situation/Expectations	Feb		77/15		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		0.5/1.8	11.00	21.00
US	NFIB Small Business Optimism	Jan		104.9		105.8	12.00	22.00
US	PPI Final Demand MoM/YoY	Jan		0.3/1.5		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 Kaplan (v) speaks in Houston						19.00	5.00
US	Fed's Lockhart to Speak on Economy in Huntsville, Alabama						19.15	5.15
Wednesday, 15 February 2017								
AU	RBA'S Heath (Chief Economist) Speech and Panel Participation at ABE Conference in Sydney						21.50	7.50
AU	Westpac Consumer Conf Index/MoM	Feb		/		97.4/0.1	0.30	10.30
AU	New Motor Vehicle Sales MoM/YoY	Jan		/		0.3/0.2	1.30	11.30
UK	Jobless Claims Change/ILO Unemployment rate	Jan		1/4.8		-10.1/4.8	10.30	20.30
UK	Average Weekly Earnings/AWE ex bonus 3M/YoY	Dec		2.8/2.7		2.8/2.7	10.30	20.30
EC	Trade Balance SA	Dec		22		22.7	11.00	21.00
US	MBA Mortgage Applications	Feb 10				2.3	13.00	23.00
CA	Manufacturing Sales MoM	Dec		0.3		1.5	14.30	0.30
US	Empire Manufacturing	Feb		7		6.5	14.30	0.30
US	CPI MoM/YoY	Jan		0.3/2.4		0.3/2.1	14.30	0.30
US	CPI Ex Food and Energy MoM/YoY	Jan		0.2/2.1		0.2/2.2	14.30	0.30
US	Retail Sales Advance/Control Group MoM	Jan		0.1/0.3		0.6/0.2	14.30	0.30
CA	Existing Home Sales MoM	Jan				2.2	15.00	1.00
US	Industrial Production MoM	Jan		0		0.8	15.15	1.15
US	Manufacturing (SIC) Production	Jan		0.2		0.2	15.15	1.15
US	NAHB Housing Market Index	Feb		67		67.0	16.00	2.00
US	Fed Chair Yellen Delivers Semi-Annual Testimony to House Panel						16.00	2.00
US	Business Inventories	Dec		0.4		0.7	16.00	2.00
US	Fed's Rosengren to Address NY Assoc for Business Economics						18.00	4.00
US	Fed's Harker Speaks in Philadelphia						18.45	4.45
Thursday, 16 February 2017								
US	Net Long-term/Total Net TIC Flows	Dec		/		30.8/23.7	22.00	8.00
AU	RBA's Ellis (Assistant Governor, Economic) Panel Participation at 2017 Australasian Housing Researchers Conference, Melbourne						23.00	9.00
NZ	Finance Minister Joyce speaks on the Economic Outlook to Auckland Chamber of Commerce						0.00	10.00
NZ	ANZ Consumer Confidence MoM/Index	Feb				3.4/128.7	1.00	11.00
AU	Consumer Inflation Expectation	Feb				4.3	1.00	11.00
AU	Employment Change/Unemployment rate	Jan	20/5.8	10/5.8		13.5/5.8	1.30	11.30
AU	Participation Rate	Jan	64.7	64.7		64.7	1.30	11.30
AU	RBA FX Transactions Market	Jan				1799.0	1.30	11.30
NZ	Non Resident Bond Holdings	Jan				63.2	3.00	13.00
JN	Machine Tool Orders YoY	Jan F				3.5	7.00	17.00
EC	ECB account of the monetary policy meeting						13.30	23.30
EC	EU's Moscovici, ECB's Nowotny on panel in Vienna						14.30	0.30
US	Housing Starts #/MoM	Jan		1226/0		1226.0/11.3	14.30	0.30
US	Building Permits #/MoM	Jan		1230/0.2		1210.0/-0.2	14.30	0.30
US	Initial Jobless Claims	Feb 11		244		234.0	14.30	0.30
US	Philadelphia Fed Business Outlook	Feb		18		23.6	14.30	0.30
Friday, 17 February 2017								
NZ	Crown Financial Statements	Dec					22.00	8.00
NZ	BusinessNZ Manufacturing PMI	Jan				54.5	22.30	8.30
NZ	Retail Sales Ex Inflation GoQ	4Q	0.6	1		0.9	22.45	8.45
EC	ECB Current Account SA	Dec				36.1	10.00	20.00
UK	Retail Sales Ex Auto Fuel MoM/YoY	Jan		0.7/3.9		-2.0/4.9	10.30	20.30
UK	Retail Sales Inc Auto Fuel MoM/YoY	Jan		1/3.4		-1.9/4.3	10.30	20.30
EC	Construction Output MoM/YoY	Dec		/		0.4/0.0	11.00	21.00
CA	Int'l Securities Transactions	Dec				7.2	14.30	0.30
US	Leading Index	Jan		0.5		0.5	16.00	2.00
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%		1.75%		

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

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