

# MARKETS TODAY

## *Crawling Back To You*



### Good Morning

The message in American band Daughtry's 2011 song later covered (with aplomb) by the Arctic Monkeys is, according to the writer, "Your significant other is in the right and just like she said it would happen, you come crawling back".

Being Valentine's Day, this seems at least slightly prophetic, while as a market metaphor, we note that the US dollar is continuing to crawl back higher. The narrow DXY index has now risen every day since January 31<sup>st</sup> and the broader BBDXY index on each of the last seven trading days. DXY, dominated by the Euro and Yen, is now almost 1.5% off its January lows, while the BBDXY is up a less impressive 0.7%. Gains nevertheless, after a period where many US dollar bulls were getting ready to throw in the towel on the 'Trump reflation' trade and already becoming evident in the likes of FX futures market positioning which has witnessed a steady erosion in 'speculative' dollar longs so far this year.

The nascent revival in the fortunes of the big dollar is evidently doing nothing as yet to upset the performance of the local one, now the only G10 currency to be showing a month-to-date gain against the USD. It's up 0.78% and which means it is now up more than 1% against every major non-dollar currency (including by over 2.5% against the kiwi dollar).

In asking why, the failure of the RBA to express any overt negative opinion about its value alongside a more upbeat economic view is obviously one factor, but more pertinent is the relentless rise in the price of iron ore. Reflecting the strong showing by the Chinese futures market yesterday, the benchmark import price has jumped by 6.5% overnight to \$92.23. This is its first time above \$90 since August 2014 and now its highest level since July 2014.

Accompanying – or leading – the revival in the big dollar's fortunes overnight has been a further tick higher in US Treasury yields with 10s up another 2.5bp to 2.432% and so some 10bps off their recent lows. U.S. stocks meanwhile are continuing to make new record highs by the day, the S&P500 currently 0.75% up on the Dow and other indices not far behind. President Trump's promise of phenomenon fiscal policy announcements in coming weeks are still resonating, with the risk of disappointment obvious.

### Coming Up

Just two weeks after the December survey, this morning sees the January NAB business survey. Recall that the December survey showed conditions rising from +6 to +11, and confidence unchanged at +6.

Internationally, the first of Janet Yellen's two semi-annual Congressional testimonies looms large, due to commence at 02:00am AEDT Wednesday (11:00am in Washington). We'd assess that the Fed chair will struggle

to offer concrete guidance outside of the existing 'gradual' approach to reducing accommodation, given the still highly uncertain picture regarding US administration fiscal policy proposals. It's therefore also highly doubtful she'll move to either rule in or out the possibility of a next rate rise coming as soon as March 15 - currently afforded a 36% probability by the OIS market.

One point of focus independent of trying to read the Yellen tea-leaves regarding near term interest rate risk will be any discussion regarding plans for shrinkage and eventual normalisation of the Fed's balance sheet. This is a topic which as we've seen during the 2013 'taper tantrum' and last year regarding possible ECB QE tapering, can be very bond market sensitive.

We'd also guess that some Senators will be quizzing her on the prospects of (or her enthusiasm for) being reappointed to the Fed chair when her current term expires next January. And/or whether – if not reappointed – she intends to stay on as Governor (and where her term doesn't expire for another 4 years). Expect tight-lipped diplomacy to reign.

There's plenty else on the international calendar today besides Yellen Dallas Fed President Robert Kaplan and Atlanta Fed President Dennis Lockhart are both speaking, in the early hours of tomorrow morning (05:00 and 05:15 AEDT). Neither has offered up an opinion on the March Fed meeting of late.

The US data highlight is the NFIB Small Business Optimism survey, whose hiring index last week rose to a new post-2012 high, and producer prices.

The UK has latest inflation data, more interesting after (outgoing) MPC member Kristen Forbes last week said that "I am beginning to grow uncomfortable with the trade-off embodied in our current forecast... If the real economy remains solid and the pickup in the nominal data continues, this could soon suggest an increase in bank rate." The Bank of England won't be raising rates anytime soon, but if CPI does spring an upside surprise versus consensus (+1.9%) chances are the British pound will get at least a temporary lift.

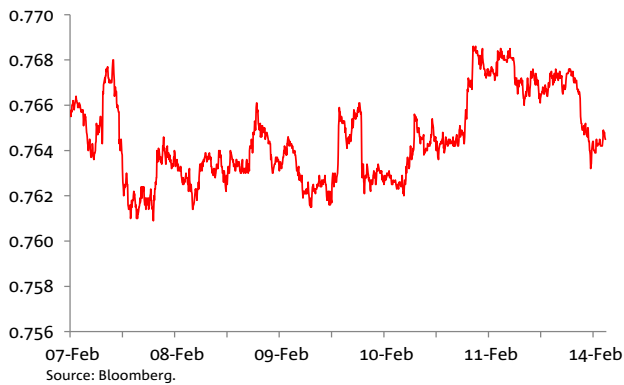
In the Eurozone, the second estimate of Q4 GDP is due, expected to be unchanged at 0.5%, and preceded by the first estimate of Germany's contribution to that total (also expected at 0.5%, up from 0.2% in Q3). The German ZEW survey is also due while China CPI and PPI for January is due at 12:30 AEDT.

### Overnight

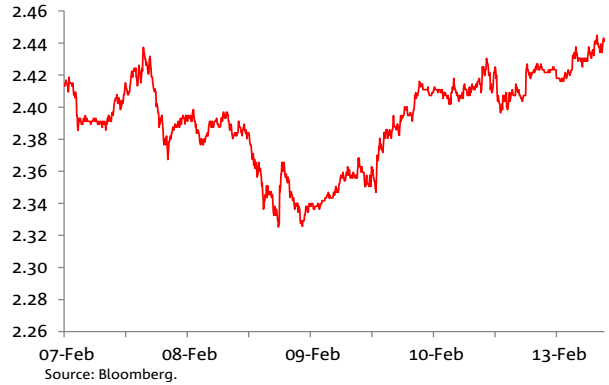
On global stock markets, the S&P 500 was +0.62%. Bond markets saw US 10-years +2.68bp to 2.43%. In commodities, Brent crude oil -2.19% to \$55.46, gold -0.7% to \$1,226, iron ore +6.5% to \$92.23, steam coal -0.2% to \$79.90, met.coal -0.6% to \$163.00. AUD is at 0.7649 and the range since yesterday 5pm Sydney time is 0.7631 to 0.7686.

Markets

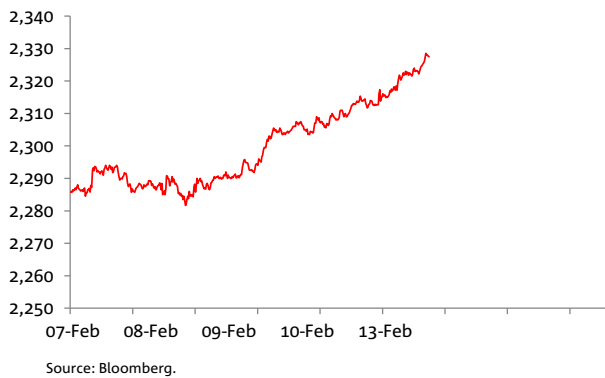
AUD/USD - past week



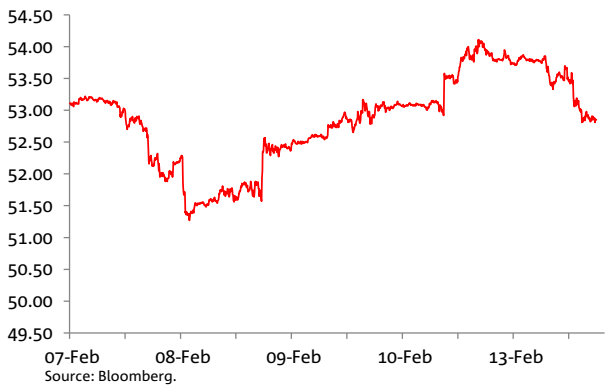
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX		
	Last	% chge	Low	High		Last	% chge
AUD	0.7649	-0.3	0.7631	0.7686	HKD	7.7594	0.0
NZD	0.7177	-0.2	0.7156	0.7218	CNY	6.8802	0.0
EUR	1.0600	-0.4	1.0592	1.0658	SGD	1.4242	0.3
GBP	1.2526	0.3	1.2456	1.2539	IDR	13,324	0.1
JPY	113.63	0.4	113.06	114.17	THB	35.08	0.0
CAD	1.3064	-0.1	1.3055	1.3121	KRW	1,152	0.1
AUD/EUR	0.7216	0.1	0.7199	0.7237	TWD	30.96	-0.3
AUD/JPY	86.92	0.0	86.90	87.50	PHP	49.93	0.0
AUD/GBP	0.6106	-0.5	0.6104	0.6168	CHF	1.01	0.3
AUD/NZD	1.0657	-0.1	1.0633	1.0679	SEK	8.93	0.2
AUD/CNH	5.2565	-0.4	5.2488	5.2767			

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.75	1.04	1.52	2.36	USD 10	2.43	2.14
AUD	1.50	1.78	1.91	2.97	AUD 10	2.71	1.00 0.28
NZD	1.75	2.03	2.35	3.47	NZD 10	3.21	1.30 0.78
EUR	0.00	-0.33	-0.14	0.77	CAD 10	1.73	2.90 -0.70
GBP	0.25	0.36	0.64	1.33	EUR 10	0.33	1.10 -2.10
JPY	-0.02	-0.01	0.05	0.29	GBP 10	1.29	3.70 -1.14
CAD	0.50	0.96	1.12	1.95	JPY 10	0.09	0.10 -2.34

Equities

Major Indices			
	Last	% day	% y/y
Dow	20,425	0.77	27.9
S&P 500	2,331	0.62	25.0
Nasdaq	5,767	0.58	33.0
VIX	11	3.59	-55.7
FTSE	7,279	0.3	27.5
DAX	11,774	0.9	31.3
CAC 40	4,888	1.2	22.4
Nikkei	19,459	0.4	30.1
Shanghai	3,217	0.6	16.4
Hang Seng	23,711	0.6	29.4
ASX 200	5,761	0.7	20.9

Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.23	1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.27	-2.50
3/10 sprd	0.53	2.50
SPI	5736.0	-69.0

\*Change in bps

Commodities\*

	Last	% day
Oil (Brent)	55.46	-2.2
Oil (WTI)	52.80	-2.0
Oil (Tapis)	57.40	0.0
Gold	1226.00	-0.7
CRB	191.99	-1.1
GS Metals	334.7	0.0
Aluminium	1868.0	0.1
Copper	6103.5	0.3
Nickel	10680.0	0.6
Zinc	2923.5	-0.4
Ch. steel	3426.0	4.1
Iron ore	92.2	6.5
St. Coal	79.9	-0.2
Met.coal	163.0	-0.6
Wheat Chic.	466.0	0.6
Sugar	20.0	-2.1
Cotton	76.7	1.1
Coffee	146.6	-1.1

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-0.8	-3.0%
FED	8	32.0%

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
<b>Tuesday, 14 February 2017</b>								
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		2.4/6.5		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		0.5/1.8		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
<b>Wednesday, 15 February 2017</b>								
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
<b>Thursday, 16 February 2017</b>								
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
<b>Friday, 17 February 2017</b>								
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
<b>Monday, 20 February 2017</b>								
NZ	Performance Services Index	Jan				58.4	22.30	8.30
NZ	PPI Input/Output QoQ	4Q		/		1.5/1.0	22.45	8.45
JN	Trade Balance Adjusted	Jan				356.7	0.50	10.50
JN	Exports/Imports YoY	Jan		/		5.4/-2.6	0.50	10.50
UK	Rightmove House Prices MoM/YoY	Feb		/		0.4/3.2	1.10	11.10
US	Fed's Mester to Speak at Global Interdependence Center Event						2.15	12.15
CH	Westpac-MNI Consumer Sentiment	Feb				116.6	2.45	12.45
GE	PPI YoY	Jan				1.0	8.00	18.00
GE	PPI MoM	Jan				0.4	8.00	18.00
JN	Convenience Store Sales YoY	Jan				0.5	8.00	18.00
UK	CBI Trends Total Orders/Selling Prices	Feb		/		5.0/28.0	12.00	22.00
CA	Wholesale Trade Sales MoM	Dec				0.2	14.30	0.30
CA	Bloomberg Nanos Confidence	Feb 10				57.3	16.00	2.00
EC	Consumer Confidence	Feb A				-4.9	16.00	2.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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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