

MARKETS TODAY

Down, down



Good Morning

Don't be alarmed. It's not that markets have spat the dummy, but rather US equity markets are down, having opened high, with bond yields also lower. In the currency space the USD has been softer, Euro, Sterling and the CHF stronger. The Aussie has been steady-to-lower, though hugging 0.77, supported by the soggy big buck.

It's not been any surprising weakness in the US data that's lead to USD-selling. US Housing Starts/Building Permits for January (coming in the wake of post-election rises in Treasury yields and mortgage rates to which they follow), the Philly Fed, and weekly jobless claims releases all beat street consensus overnight, but these did not bring back support to the dollar during the session.

Main board US stock indexes have been drifting lower, including after a press conference from President Trump who was vowing to spend up on the military and stating that his team was running like a "fine-tuned machine" rejecting perceptions to the contrary. "I see stories of chaos. It's the exact opposite", he said.

There has been some central bank news from both sides of the Atlantic in the form of the ECB meeting minutes from their January 18-19 meeting and Bloomberg TV interviews from Atlanta Fed President Dennis Lockhart (a non-voter this year) and Fed Vice Chair Stanley Fischer. While Lockhart said he could be persuaded that a March hike might be appropriate, Fischer was much more open-ended and general in his comments. He said that "I don't want to give you numbers on two or three, but this is consistent with what we had thought should be happening around now -- that is that we'd be moving closer to the 2 percent inflation rate, and that the labor market would continue to strengthen." If those two things happen, we'll be on the path that we more or less expected."

He was emphasising "gradual", saying that if rates reach anything like the levels of previous years then it will be a matter of "years". Keeping hopes of a near term hike alive, he did say that wages have "started happening". Next month's payrolls will be important in the lead up to the March 16 meeting with 10bps currently in the curve for March, a 40% chance, so still less than 50%.

(If you hadn't noticed, we've enhanced the data table on p2 of the pdf to now include market pricing for the next RBA and Fed meetings, at the bottom right.)

The ECB minutes of its Jan meeting highlighted that they would continue with the stimulus to the end of the year (through and beyond the elections) and that they were not jumping at shadows (my words) over the recent uptick in CPI, given the kick from energy and not internal subdued price pressures.

As for the AUD, it had been bought into yesterday's employment numbers, up to around 0.7730, but a mixed

report (weaker full-time) took the gloss off the report and buying interest faded. It's been flat still overnight, though not retracing too much. Bulk commodity prices have been lower overnight, iron ore down \$0.99, met coal down \$2. Base metals softer mostly, while gold has ticked up \$8.50 with stock soggy.

Coming Up

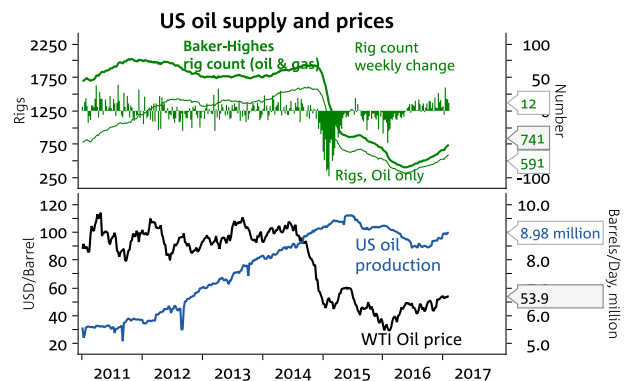
A time for consolidation and circumspection for the US dollar over the next 24 hours with the US reporting season now virtually done with and with very little as far as market moving data is concerned for the next few sessions. There is only the Leading Index out of the US tonight. Perhaps there will be more interest in the weekly US Baker-Hughes oil rig count numbers that have been pushing higher for quite some weeks now with US oil production knocking on the door of 9mbpd, production having been down to around 8½mbpd as recently as the middle of last year. (See the chart below.)

There will be some Sterling focus with the release of the January Retail Sales report out tonight. After a disappointing December, the market is only priced for an OK rebound in January, though not even enough to counter the 2.0% decline in December, a 0.7% rise tipped for January. For Australia, there are some key data releases next week when Q4 Wages and Construction Work Done hit the tapes next Wednesday, followed Thursday by the New Private Capital Expenditure report. That all comes ahead of the expected rebound in Q4 GDP the next Wednesday.

Overnight

On global stock markets, the S&P 500 was -0.22%. Bond markets saw US 10-years -4.12bp to 2.45%. In commodities, Brent crude oil -0.09% to \$55.7, gold+0.7% to \$1,240, iron ore -1.1% to \$90.06, steam coal +0.0% to \$80.00, met.coal -1.2% to \$160.00. AUD is at 0.769 and the range since yesterday 5pm Sydney time is 0.7685 to 0.7732.

Chart: US rig count, production and prices

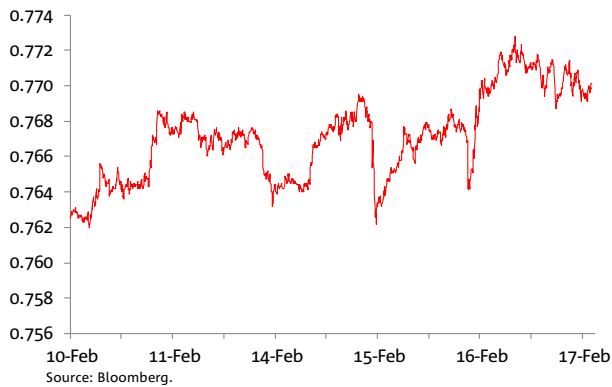


Source: National Australia Bank, Macrobond

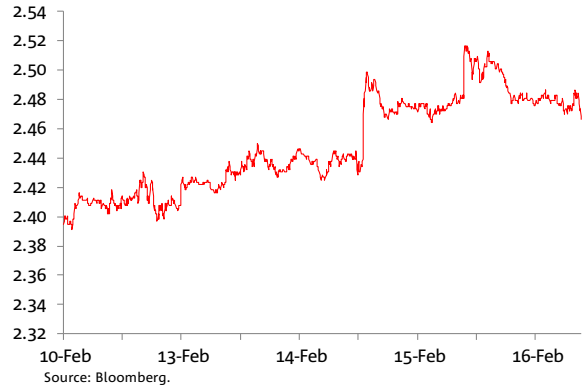
Author David de Garis, Director, Economics

Markets

AUD/USD - past week



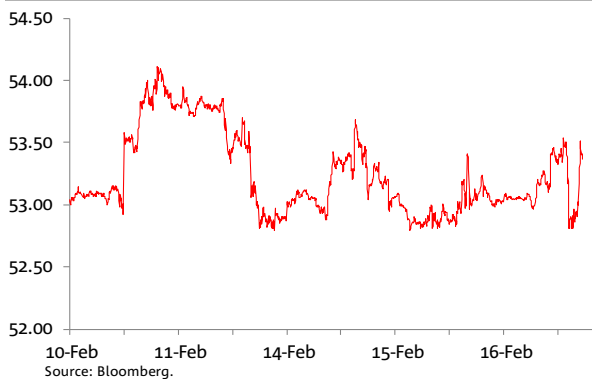
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7690	-0.3	0.7685	0.7732	HKD	7.7592 0.0
NZD	0.7227	0.8	0.7206	0.7237	CNY	6.8589 -0.2
EUR	1.0670	1.1	1.0626	1.0681	SGD	1.4169 -0.4
GBP	1.2491	0.5	1.2458	1.2520	IDR	13,335 0.1
JPY	113.22	-1.1	113.08	113.86	THB	34.99 -0.1
CAD	1.3070	-0.1	1.3009	1.3078	KRW	1,142 0.3
AUD/EUR	0.7207	-0.9	0.7203	0.7253	TWD	30.77 0.0
AUD/JPY	87.07	-1.0	87.02	87.64	PHP	50.00 0.2
AUD/GBP	0.6157	-0.3	0.6147	0.6176	CHF	1.00 -1.1
AUD/NZD	1.0641	-0.6	1.0634	1.0686	SEK	8.86 -1.2
AUD/CNH	5.2746	0.0	5.2652	5.2910		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.75	1.04	1.57	2.40	USD 10	2.45	-4.12
AUD	1.50	1.78	1.96	3.02	AUD 10	2.80	1.20 0.35
NZD	1.75	1.98	2.38	3.57	NZD 10	3.34	4.30 0.89
EUR	0.00	-0.33	-0.14	0.76	CAD 10	1.74	-4.30 -0.71
GBP	0.25	0.36	0.63	1.32	EUR 10	0.35	-2.40 -2.10
JPY	-0.04	-0.01	0.05	0.29	GBP 10	1.26	-3.80 -1.19
CAD	0.50	0.96	1.12	1.96	JPY 10	0.10	0.80 -2.35

Equities

Major Indices			
	Last	% day	% y/y
Dow	20,601	-0.05	27.2
S&P 500	2,344	-0.22	23.7
Nasdaq	5,806	-0.22	30.9
VIX	12	0.08	-50.3
FTSE	7,278	-0.3	24.2
DAX	11,757	-0.3	28.7
CAC 40	4,899	-0.5	19.2
Nikkei	19,348	-0.5	22.2
Shanghai	3,230	0.5	12.6
Hang Seng	24,108	0.5	27.4
ASX 200	5,816	0.1	19.1

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.22	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.20	2.00
3/10 sprd	0.61	1.00
SPI	5761.0	-2.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	55.70	-0.1
Oil (WTI)	53.38	0.5
Oil (Tapis)	57.01	0.4
Gold	1240.00	0.7
CRB	192.76	-0.3
GS Metals	335.1	0.0
Aluminium	1887.8	-0.9
Copper	5989.0	-1.1
Nickel	11031.8	1.3
Zinc	2853.3	-0.5
Ch. steel	3432.0	0.6
Iron ore	90.1	-1.1
St. Coal	80.0	0.0
Met.coal	160.0	-1.2
Wheat Chic.	473.8	-1.3
Sugar	20.4	-0.6
Cotton	75.0	-0.9
Coffee	148.4	1.0
Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-1.0	-4.0%
FED	10	38.0%

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
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 QoQ	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
Monday, 20 February 2017								
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		544		356.7	0.50	10.50
JN	Exports/Imports YoY	Jan		6.5/5		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
GE	PPI MoM/YoY	Jan				0.4/1.0	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 17				57.3	16.00	2.00
EC	Consumer Confidence	Feb A				-4.9	16.00	2.00
Tuesday, 21 February 2017								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Feb 19				116.4	23.30	9.30
JN	Nikkei Japan PMI Mfg	Feb P				52.7	1.30	11.30
AU	RBA Feb. Meeting Minutes						1.30	11.30
JN	All Industry Activity Index MoM	Dec				0.3	5.30	15.30
GE	Markit/BME Germany Manufacturing PMI	Feb P				56.4	9.30	19.30
GE	Markit Germany Services/Composite PMI	Feb P		/		53.4/54.8	9.30	19.30
EC	Markit Eurozone Manufacturing PMI	Feb P				55.2	10.00	20.00
EC	Markit Eurozone Services/Composite PMI	Feb P		/		53.7/54.4	10.00	20.00
UK	Public Finances (PSNCR)/Public Sector Net Borrowing	Jan				36.3/6.4	10.30	20.30
US	Markit US Manufacturing PMI	Feb P		54.6		55.0	15.45	1.45
US	Markit US Services/Composite PMI	Feb P		55.5/		55.6/55.8	15.45	1.45
Wednesday, 22 February 2017								
AU	RBA Governor Lowe Speech in Sydney						22.30	8.30
AU	Westpac Leading Index MoM	Jan				0.4	0.30	10.30
AU	Skilled Vacancies MoM	Jan				0.2	1.00	11.00
AU	Wage Price Index QoQ/YoY	4Q		0.5/1.9		0.4/1.9	1.30	11.30
AU	Construction Work Done	4Q				-4.9	1.30	11.30
NZ	Credit Card Spending MoM/YoY	Jan		/		3.1/8.5	3.00	13.00
GE	IFO Business Climate	Feb				109.8	10.00	20.00
GE	IFO Current Assessment/Expectations	Feb		/		116.9/103.2	10.00	20.00
UK	GDP QoQ/YoY	4Q P		/		0.6/2.2	10.30	20.30
UK	Index of Services MoM/ 3M/3M	Dec		/		0.3/1.0	10.30	20.30
UK	Total Business Investment QoQ/YoY	4Q P		/		0.4/-2.2	10.30	20.30
EC	CPI MoM/YoY	Jan		/		0.5/1.1	11.00	21.00
EC	CPI Core YoY	Jan F				0.9	11.00	21.00
US	MBA Mortgage Applications	Feb 10				-3.7	13.00	23.00
CA	Retail Sales/ex autos MoM	Dec		/		0.2/0.1	14.30	0.30
US	Existing Home Sales #/MoM	Jan		5.55/1.09		5.5/-2.8	16.00	2.00
US	FOMC Meeting Minutes	Feb 1					20.00	6.00
Thursday, 23 February 2017								
JN	PPI Services YoY	Jan				0.4	0.50	10.50
AU	Private Capital Expenditure	4Q				-4.0	1.30	11.30
JN	BOJ Kiuchi speaks in Kofu						2.00	12.00
JN	Leading Index CI	Dec F				105.2	6.00	16.00
GE	GDP SA QoQ/WDA YoY	4Q F		/		0.4/1.7	8.00	18.00
GE	GfK Consumer Confidence	Mar				10.2	8.00	18.00
UK	CBI Total Dist./Retailing Reported Sales	Feb		/		26.0/-8.0	12.00	22.00
US	Chicago Fed Nat Activity Index	Jan				0.1	14.30	0.30
US	Initial Jobless Claims	Feb 11		245		234.0	14.30	0.30
US	Fed's Lockhart to Speak on His 10-Year Tenure at the Fed						14.35	0.35
US	House Price Purchase Index QoQ	4Q				1.5	15.00	1.00
US	FHFA House Price Index MoM	Dec				0.5	15.00	1.00
US	Bloomberg Consumer Comfort	Feb 12				47.2	15.45	1.45
US	Kansas City Fed Manf. Activity	Feb				9.0	17.00	3.00
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

CONTACT DETAILS

Authors

David de Garis
Senior Economist
+61 3 8641 3045
david.degaris@nab.com.au

Ray Attrill
Global Co-Head of FX Strategy
+61 2 9237 1848
ray.attrill@nab.com.au

Rodrigo Catril
Currency Strategist
+61 2 9293 7109
rodrigo.h.catril@nab.com.au

Tapas Strickland
Economist
+61 2 9237 1980
tapas.strickland@nab.com.au

Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406
peter.jolly@nab.com.au

Group Economics

Alan Oster
Chief Economist
+61 3 8634 2927
alan_oster@national.com.au

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