

MARKETS TODAY

Read about it



Good Morning

More focus on the US economy and the big dollar overnight in the wake of a spate of interviews given by now-confirmed US Treasury Secretary Steve Mnuchin. He gave his first interview with the Wall Street Journal yesterday and followed that up overnight with two more interviews with CNBC and Bloomberg TV. The USD has had a mixed 24 hours or so in response. It's all sounded quite measured and careful. No labelling of China as a currency manipulator, development of tax plans and firm intentions to lift US growth but not to be evident till late next year. No immediate tick either to a border tax and little to nothing on infrastructure. The USD overall has been softer in response.

In his Wall Street interview he emphasised the importance of lifting growth to 3% and the priority the Administration is devoting to its tax plans. He said the White House is now working with Congressional Republicans, aiming to get legislation passed by the August recess, an "ambitious timeline" he recognised, adding "it could slip to later in the year".

Notably he dodged the important question of whether the tax cuts would be revenue neutral, instead highlighting the priority to lifting growth to 3%. The GOP tax plan includes a border tax (taxing imports and subsidising exports through a cash flow/VAT-style tax), a tax offset that Mnuchin was not giving the immediate green light to in his interviews. In his CNBC interview he said they are looking at the border tax, but noted that there are issues with it. (Some have said that such a tax could come with a higher dollar and thus neutralising the intended trade effects of such a tax. Mnuchin recognised the US Treasury as raising such concerns.)

Overnight, the USD has declined by around 0.4% overall, the market is continuing to wait for the important details of the tax/fiscal plans, the absence of any infrastructure details, and that Mnuchin said that the step up in growth to 3% may not occur until late 2018.

Separately, the President has been meeting with large US manufacturers, calling them out to restore US manufacturing jobs and US trade dominance, Trump blasting trade deals and large US deficits with Mexico and China. Business leaders, also meeting with White House senior officials, have been calling for deregulation, citing restrictions among others from the EPA, health care, aspects of Dodd-Frank legislation and some supply-side technical staff shortages.

The AUD has been an underperformer in this latest mini-episode of USD softness. Instead it's been tracking around 0.77. The strongest performer overnight has been the Pound and despite Austrian Chancellor Kern saying that Brexit is going to be costly for the UK, citing an estimate of €60bn as the UK's pension entitlement, budget and other obligations.

Elsewhere in Europe, Germany's second cut of its Q4 GDP confirmed the first estimate of 0.4%, notching up growth of 1.9% for 2016, the strongest in the G7, shading out the UK at 1.8% and the US behind at 1.6%. And that was all from domestic growth, exports lagging imports. Not wanting the market to move too quickly, ECB Chief Economist Peter Praet said overnight that the recovery is still dependant on supportive monetary policy and that the economies are fundamentally fragile. While Sterling has been stronger overnight, the Euro has been listless.

Coming Up

There's another big dose from RBA Governor Lowe and his senior team as he testifies this morning before the House Economics Committee. We've already had this week a major scene setting speech from the Governor on Tuesday. His big picture macro points will no doubt speak to the Bank's unwillingness at present to push harder on reducing unemployment and getting inflation back into the target band given concerns that another rate cut would only further enlarge an already high level of household debt and that the labour market is relatively stable.

What will be interesting for the market will be the extensive opportunity for the House Economics members to quiz Dr. Lowe on the various aspects and nuances of the outlook for domestic growth and inflation and risks around the RBA's forecasts outlined in its quarterly Statement on Monetary Policy released earlier this month. You'd be surprised if there wasn't a lot of parliamentary interest in the Bank's monitoring and assessment of offshore events, including not only in the US, but also in Europe and elsewhere and of course views on the level of the AUD. Is it getting toward the 'danger zone'? Dr. Lowe's testimony is scheduled to start at 9.30 AEDT.

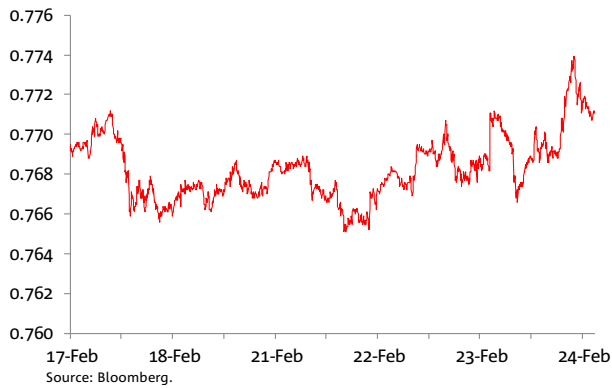
It's then a light European calendar (any more polls?). Canada releases its CPI for January, then there's US New Home Sales for January. The late month update of the UoM Consumer Sentiment is also out, the market also tracking 5-10 year consumer inflationary expectations that was 2.5% in the Preliminary February survey. This medium to longer term measure of expected inflation has been relatively steady through last year and into next year, having been as low at 2.3% and as high as 2.6%.

Overnight

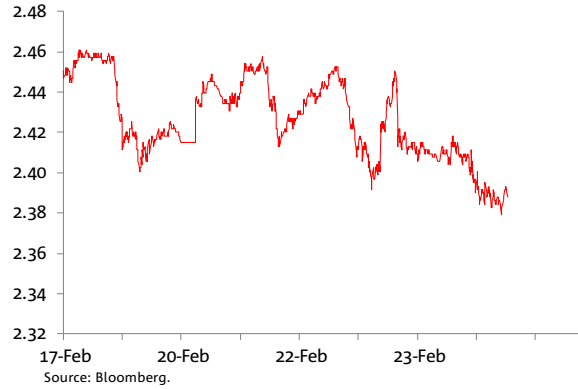
On global stock markets, the S&P 500 was +0.08%. Bond markets saw US 10-years -3.20bp to 2.38%. In commodities, Brent crude oil +1.18% to \$56.5, gold+1.4% to \$1,250, iron ore -3.1% to \$91.34, steam coal +0.1% to \$79.80, met coal +0.4% to \$162.25. AUD is at 0.7718 and the range since yesterday 5pm Sydney time is 0.7665 to 0.7741.

Markets

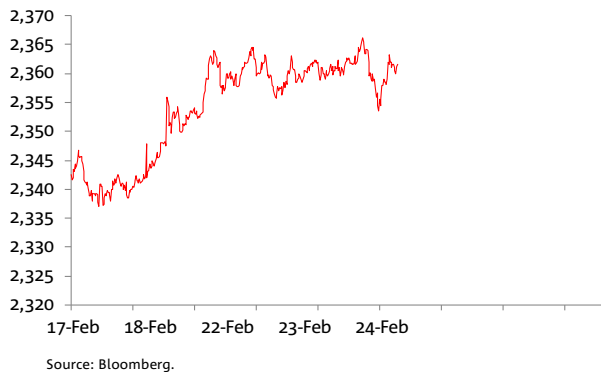
AUD/USD - past week



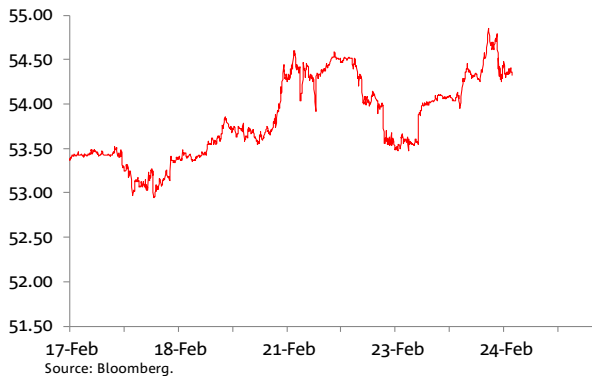
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7718	0.2	0.7665	0.7741	HKD	7.7599 0.0
NZD	0.7231	0.9	0.7193	0.7248	CNY	6.8672 -0.2
EUR	1.0579	0.7	1.0540	1.0598	SGD	1.4063 -0.8
GBP	1.2547	0.7	1.2451	1.2564	IDR	13,315 -0.3
JPY	112.71	-0.3	112.55	113.29	THB	34.97 -0.2
CAD	1.3112	-0.4	1.3083	1.3161	KRW	1,132 -1.0
AUD/EUR	0.7296	-0.2	0.7285	0.7319	TWD	30.64 -0.5
AUD/JPY	87.00	0.2	86.82	87.30	PHP	50.14 -0.4
AUD/GBP	0.6152	-0.2	0.6141	0.6191	CHF	1.01 -0.6
AUD/NZD	1.0674	-0.4	1.0661	1.0697	SEK	8.99 -0.2
AUD/CNH	5.3017	0.4	5.2770	5.2891		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spnd
USD	0.75	1.05	1.55	2.36	USD 10	2.38	-3.20
AUD	1.50	1.78	1.95	3.02	AUD 10	2.79	-4.90 0.40
NZD	1.75	2.00	2.32	3.49	NZD 10	3.25	-5.40 0.87
EUR	0.00	-0.33	-0.15	0.70	CAD 10	1.67	-4.80 -0.71
GBP	0.25	0.35	0.60	1.24	EUR 10	0.23	-4.60 -2.15
JPY	-0.04	-0.03	0.04	0.28	GBP 10	1.15	-4.90 -1.23
CAD	0.50	0.95	1.09	1.92	JPY 10	0.08	0.10 -2.30

Equities

Major Indices			
	Last	% day	% y/y
Dow	20,819	0.21	26.7
S&P 500	2,365	0.08	23.1
Nasdaq	5,834	-0.45	29.5
VIX	12	0.51	-43.7
FTSE	7,271	-0.4	22.0
DAX	11,948	-0.4	26.9
CAC 40	4,891	-0.1	15.4
Nikkei	19,371	0.0	21.7
Shanghai	3,251	-0.3	11.0
Hang Seng	24,115	-0.4	25.6
ASX 200	5,785	-0.4	18.7

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.21	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.22	4.00
3/10 sprd	0.58	-1.00
SPI	5758.0	12.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	56.50	1.2
Oil (WTI)	54.37	1.5
Oil (Tapis)	58.02	0.7
Gold	1249.70	1.4
CRB	191.63	0.2
GS Metals	332.1	0.0
Aluminium	1862.0	-0.9
Copper	5848.8	-3.0
Nickel	10538.0	-2.1
Zinc	2789.0	-2.6
Ch. steel	3479.0	-1.9
Iron ore	91.3	-3.1
St. Coal	79.8	0.1
Met.coal	162.3	0.4
Wheat Chic.	467.0	-0.6
Sugar	20.2	-2.7
Cotton	75.0	1.2
Coffee	150.0	-0.6
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, 24 February 2017								
AU	Appearance by Philip Lowe, Governor, before the House of Representatives' Standing Committee on Economics						23:30	9:30
UK	BBA Loans for House Purchase	Jan		42600		43228	10:30	20:30
CA	CFIB Business Barometer	Feb				60.1		
CA	CPI NSA MoM/YoY	Jan		0.4/1.6		-0.2/1.5	14:30	0:30
CA	CPI Core- Common YoY%	Jan				1.4	14:30	0:30
CA	CPI Core- Median/Trim YoY%	Jan		/		2.0/1.6	14:30	0:30
US	New Home Sales #/MoM	Jan		570/6.3		536.0/-10.4	16:00	2:00
US	U. of Mich. Sentiment/5-10Yr Inflation	Feb F		96/		95.7/2.5	16:00	2:00
Monday, 27 February 2017								
NZ	Net Migration SA	Jan				6010.0	22:45	8:45
AU	Inventories SA QoQ/Company operating profits QoQ	4Q				0.8	1:30	11:30
EC	Economic Confidence	Feb				107.9	11:00	21:00
EC	Business Climate Indicator	Feb				0.8	11:00	21:00
US	Durable Goods Orders/Core orders	Jan P		1.8/0.5		-0.5/0.7	14:30	0:30
CA	Bloomberg Nanos Confidence	Feb 24				57.7	16:00	2:00
US	Pending Home Sales MoM/YoY	Jan		0.9/		1.6/-2.0	16:00	2:00
US	Dallas Fed Manf. Activity	Feb		20		22.1	16:30	2:30
US	Fed's Kaplan (v) speaks in Oklahoma						17:00	3:00
Tuesday, 28 February 2017								
NZ	Trade Balance NZD	Jan				-41.0	22:45	8:45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Feb 26				113.7	23:30	9:30
JN	Industrial Production MoM/YoY	Jan P		/		0.7/3.2	0:50	10:50
JN	Retail Sales MoM	Jan				-1.7	0:50	10:50
JN	Retail Trade YoY	Jan				0.6	0:50	10:50
NZ	ANZ Activity Outlook/Business Confidence	Feb		/		39.6/21.7	1:00	11:00
AU	HIA New Home Sales MoM	Jan				0.2	1:00	11:00
UK	GfK Consumer Confidence	Feb				-5.0	1:10	11:10
UK	Lloyds Business Barometer	Feb				29.0	1:10	11:10
AU	Net Exports, % of GDP/Current Account Balance \$Abn	4Q		/		-0.2/-11.0	1:30	11:30
AU	Private Sector Credit MoM/YoY	Jan		/		0.7/5.6	1:30	11:30
JN	Vehicle Production YoY	Jan				4.2	5:00	15:00
JN	Housing Starts YoY	Jan				3.9	6:00	16:00
JN	Construction Orders YoY	Jan				7.1	6:00	16:00
JN	Small Business Confidence	Feb				48.3	6:00	16:00
EC	CPI Estimate/Core YoY	Feb		/		1.8/0.9	11:00	21:00
US	President Trump addresses joint session of Congress							
US	GDP Annualized QoQ	4Q S		2.1		1.9	14:30	0:30
CA	Industrial Product Price MoM	Jan				0.4	14:30	0:30
US	Core PCE QoQ	4Q S				1.3	14:30	0:30
CA	Raw Materials Price Index MoM	Jan				6.5	14:30	0:30
US	Advance Goods Trade Balance	Jan		-65.95		-64.4 r	14:30	0:30
US	Wholesale Inventories MoM	Jan P		0.4		1.0	14:30	0:30
US	S&P CoreLogic CS 20-City MoM SA/YoY	Dec		0.7/		0.9/5.3	15:00	1:00
US	S&P CoreLogic CS US HPI YoY NSA	Dec				5.6	15:00	1:00
US	Chicago Purchasing Manager	Feb		53		50.3	15:45	1:45
US	Conf. Board Consumer Confidence	Feb		110.9		111.8	16:00	2:00
US	Richmond Fed Manufact. Index	Feb		10		12.0	16:00	2:00
NZ	QV House Prices YoY	Feb				13.5	17:00	3:00
Wednesday, 1 March 2017								
US	Fed's Williams Speaks in Santa Cruz						21:30	7:30
NZ	Terms of Trade Index QoQ	4Q				-1.8	22:45	8:45
AU	AiG Perf of Mfg Index	Feb				51.2	23:30	9:30
AU	CoreLogic House Px MoM	Feb				0.7	0:00	10:00
US	Fed's Bullard (nv) Speaks in Washington						0:50	10:50
JN	Capital Spending YoY	4Q				-1.3	0:50	10:50
JN	Company Profits/Sales	4Q		/		11.5/-1.5	0:50	10:50
UK	BRC Shop Price Index YoY	Feb				-1.7	1:10	11:10
AU	GDP SA QoQ/YoY	4Q		/		-0.5/1.8	1:30	11:30
JN	Nikkei Japan PMI Mfg	Feb F				53.5	1:30	11:30
CH	Manufacturing/Non-manufacturing PMI	Feb		51.1/		51.3/54.6	2:00	12:00
JN	BoJ's Policy Board member Sato speaks in Tokushima							
CH	Caixin China PMI Mfg	Feb		50.6		51.0	2:45	12:45
JN	Vehicle Sales YoY	Feb				8.6	6:00	16:00
AU	Commodity Index AUD/SDR YoY	Feb		/		120.9/55.7	6:30	16:30
GE	Markit/BME Germany Manufacturing PMI	Feb F				57.0	9:55	19:55
GE	Unemployment Change (000's/Rate)	Feb		/		-26.0/5.9	9:55	19:55
EC	Markit Eurozone Manufacturing PMI	Feb F				55.5	10:00	20:00
UK	Markit UK PMI Manufacturing SA	Feb				55.9	10:30	20:30
UK	Net Lending Sec. on Dwellings	Jan				3.8	10:30	20:30
US	MBA Mortgage Applications	Feb 17				-2.0	13:00	23:00
CA	MLI Leading Indicator MoM	Jan				0.6	13:00	23:00
GE	CPI EU Harmonized MoM/YoY	Feb P		/		-0.8/1.9	14:00	0:00
CA	Current Account Balance	4Q				-18.3	14:30	0:30
US	Personal Income/Spending	Jan		0.3/0.3		0.3/0.5	14:30	0:30
US	PCE Deflator MoM/YoY	Jan		0.5/2		0.2/1.6	14:30	0:30
US	PCE Core MoM/YoY	Jan		0.3/1.79		0.1/1.7	14:30	0:30
CA	Markit Canada Manufacturing PMI	Feb				53.5	15:30	1:30
US	Markit US Manufacturing PMI	Feb F				54.3	15:45	1:45
CA	Bank of Canada Rate Decision	Mar 1		0.5		0.5	16:00	2:00
US	ISM Manufacturing	Feb		55.6		56.0	16:00	2:00
US	Construction Spending MoM	Jan		0.7		-0.2	16:00	2:00
US	Fed's Kaplan speaks in Dallas						19:00	5:00
US	U.S. Federal Reserve Releases Beige Book						20:00	6:00
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
Director, Economics
+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

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.