

# MARKETS TODAY

## *Process and the passion*



### Good Morning

In the lead up to President Trump's joint session address tonight in Washington (Wednesday 13.00 AEDT is the scheduled time), the US Treasury yields have started the week moving back up, but without too much conviction. The USD is not breaking decisively to the top side. It's frankly very difficult to know what markets expect from the joint session address, but expectations of an address with some reassuring and guiding details of the fiscal stance, from tax policies, and infrastructure might have been an ambitious hope. Perhaps the market is expecting a little more now. We can only bide our time till tomorrow and beyond.

And you never know with this President whether even his promises, such as "something special" that he has promised health insurers, will be matched with the required detail. He is saying that there is going to be a "massive" boost to the military, but even here, will the impact of this boost on the budget bottom line – in the order of a 10% defence boost - be totally neutralised by ambitious cuts elsewhere? According to Administration officials, the defence boost will be come with offsetting budget cuts, but not apparently to entitlement programs (two thirds of the Budget). This means cuts among discretionary spending programs will be required to the tune of an ambitious 10%, a big number.

Treasury Secretary Mnuchin has been saying in an interview on Fox News that the Budget will be constructed on a 2.4% growth forecast, not the 3% aspiration, the Budget being set to lay the foundations to create that growth. There is also talk that tax policies are waiting for further investigation of health care spending. Trump has been re-mentioning infrastructure, telling governors in a meeting overnight that "we're going to start spending on infrastructure, big".

There are still lots of uncertainties about policies and processes. It still has a strong pro-growth tilt and intention, but the details are all important.

US Treasury yields are back up by around 5 bps along the curve. We also note that pricing for the March 16 has been pushing up over recent days, Fed funds pricing now up to 50% and OIS even higher at 57%. The USD DXY and the Bloomberg spot dollar index are little changed overall. Overnight data was mixed with durable goods orders not too different from market expectations – taking in the Jan figures and revisions. The Atlanta Fed's *GDPNow* estimate for Q1 was ticked higher from 2.4% to 2.5% as a result. Pending Home Sales were not as upbeat as recent new home sales have been, analysts speaking that US realtors speaking of stock shortages still.

Dallas Fed President Kaplan (a voter this year) has been talking overnight and speaking still with a hawkish leaning but without nominating March for a hike. Instead, he repeated his view that he would prefer the

Fed to move "sooner rather than later," but without explicitly calling for a rate increase next month. "We want to guard against a situation where we get behind the curve" on inflation, he said. The AUD has continued to trade in a similar range overnight, in the high 76s. Yesterday's mix of stellar company profits, but with the drag from inventories and soft wage payments did not provide unwavering support to the AUD. The Aussie is this morning trading back toward the lows of yesterday ahead of more local pre-GDP quarterly partials today but more from a mini-kick up in the USD.

### Coming Up

The calendar starts with NZ trade for January, the weekly ANZ-Roy Morgan Consumer Confidence Survey, followed by Japanese Industrial Production and Retail Sales, both for January. Might Japanese IP surprise on the high side given the better tone of manufacturing around the world and in Japan in recent months? There's also the NZ ANZ Business Survey and the AU HIA New Home Sales.

Then the focus will switch to pre-AU GDP data watch again today will be a major focus. Yesterday came the mixed news from soft aggregate wage payments and a modest non-farm inventory contraction were overshadowed by a big quarterly 17.3% bump up in company operating profits thanks to a near 50% jump in Mining pre-tax earnings. Today we'll see a quarterly double from the balance of payments net exports contribution and the Statistician's estimate of government spending in the quarter. NAB estimates that after a 0.2% point drag on growth in Q3, net exports returned to +0.2% in Q4. (The market is looking for the same contribution.) NAB's model 0.9% GDP growth embodies flat government spending in Q4. There was no economists' survey of government spending.

Also being released today is the RBA's Credit Aggregates report for January. After last month's enlarged 0.7% m/m growth, the market (and NAB) is expecting some pull-back toward trend to 0.5%. There will be some interest in the Investor Housing component that grew a heftier 0.8% in December.

Tonight, we suspect the market will be watching for any material revision in another reading of US Q4 GDP and the Chicago PMI ahead of the national ISM tomorrow night.

### Overnight

On global stock markets, the S&P 500 was +0.16%. Bond markets saw US 10-years +5.50bp to 2.37%. In commodities, Brent crude oil +0.00% to \$55.99, gold -0.2% to \$1,255, iron ore +2.0% to \$92.33, steam coal -0.6% to \$83.50, met coal +0.0% to \$162.20. AUD is at 0.7678 and the range since yesterday 5pm Sydney time is 0.7663 to 0.7708.

# Markets

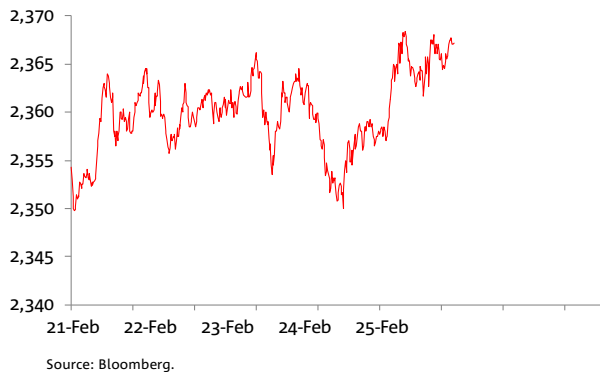
AUD/USD - past week



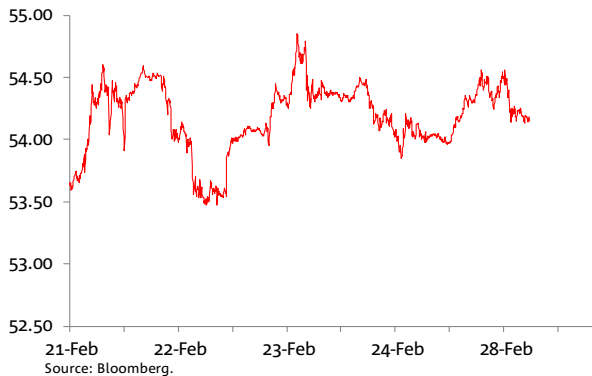
US 10yr - past week



S&P Future - past week



WTI - past week



### Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7678	0.0	0.7663	0.7708	HKD	7.7615 0.0
NZD	0.7196	-0.4	0.7190	0.7230	CNY	6.8685 0.0
EUR	1.0588	0.0	1.0578	1.0632	SGD	1.4036 0.0
GBP	1.2441	-0.8	1.2400	1.2479	IDR	13,344 0.2
JPY	112.80	0.4	111.96	112.85	THB	34.84 -0.2
CAD	1.3153	0.4	1.3083	1.3159	KRW	1,134 0.3
AUD/EUR	0.7251	-0.3	0.7236	0.7254	TWD	30.73 0.1
AUD/JPY	86.61	0.1	86.07	86.64	PHP	50.28 0.2
AUD/GBP	0.6171	0.5	0.6163	0.6190	CHF	1.01 0.4
AUD/NZD	1.0669	0.1	1.0646	1.0673	SEK	9.06 0.9
AUD/CNH	5.2765	-0.3	5.2623	5.2859		

### Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.75	1.05	1.56	2.34	USD 10	2.37	5.50
AUD	1.50	1.78	1.95	3.00	AUD 10	2.71	-1.90 0.34
NZD	1.75	2.00	2.33	3.44	NZD 10	3.21	-2.00 0.84
EUR	0.00	-0.33	-0.16	0.68	CAD 10	1.65	4.10 -0.72
GBP	0.25	0.35	0.58	1.17	EUR 10	0.20	1.20 -2.17
JPY	-0.04	-0.02	0.04	0.24	GBP 10	1.15	7.20 -1.22
CAD	0.50	0.95	1.10	1.88	JPY 10	0.05	-1.40 -2.31

### Equities

Major Indices			
	Last	% day	% y/y
Dow	20,846	0.12	25.3
S&P 500	2,371	0.16	21.7
Nasdaq	5,859	0.24	27.6
VIX	12	4.18	-39.7
FTSE	7,253	0.1	19.0
DAX	11,823	0.2	24.3
CAC 40	4,845	0.0	12.3
Nikkei	19,107	-0.9	19.2
Shanghai	3,229	-0.8	20.1
Hang Seng	23,925	-0.2	25.2
ASX 200	5,724	-0.3	17.3

### Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.21	0.00
3 Yr bond	97.8	0.00
10 Yr bond	97.24	2.00
3/10 sprd	0.56	-2.00
SPI	5699.0	20.0

\*Change in bps

### Commodities\*

	Last	% day
Oil (Brent)	55.99	0.0
Oil (WTI)	54.09	0.2
Oil (Tapis)	57.87	0.4
Gold	1254.60	-0.2
CRB	189.88	-0.6
GS Metals	329.0	0.0
Aluminium	1899.5	0.8
Copper	5925.0	0.1
Nickel	11003.5	1.7
Zinc	2803.8	-0.8
Ch. steel	3592.0	4.1
Iron ore	92.3	2.0
St. Coal	83.5	-0.6
Met.coal	162.2	0.0
Wheat Chic.	453.3	-1.9
Sugar	19.1	-3.6
Cotton	75.0	-0.6
Coffee	141.1	-3.5
Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-1.0	-4.0%
FED	13	52.0%

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, 28 February 2017</b>								
NZ	Trade Balance NZD	Jan	+50	-25		-41	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		0.4/4.3		0.7/3.2	0.50	10.50
JN	Retail Sales MoM	Jan		0.3/1		-1.7/0.6	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		-6		-5	1.10	11.10
UK	Lloyds Business Barometer	Feb				29	1.10	11.10
AU	Net Exports, % of GDP/Current Account Balance \$Abn	4Q	0.2/-2	0.2/-4		-0.2/-11.0	1.30	11.30
AU	Government spending, QoQ (underlying)	4Q	0.0			-0.7	1.30	11.30
AU	Private Sector Credit MoM/YoY	Jan	0.5/5.6	0.5/5.6		0.7/5.6	1.30	11.30
NZ	Credit Aggregates, household YoY	Jan				8.7	3.00	13.00
JN	Small Business Confidence	Feb		48.5		48.3	6.00	16.00
EC	CPI Estimate/Core YoY	Feb		1.9/0.9		1.8/0.9	11.00	21.00
US	GDP Annualized QoQ	4Q S		2.1		1.9	14.30	0.30
CA	Industrial Product/Raw Materials Price MoM	Jan		0.5		0.4/6.5	14.30	0.30
US	Advance Goods Trade Balance	Jan		-66		-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		0.7/5.3		0.9/5.3	15.00	1.00
US	Chicago Purchasing Manager	Feb		53		50.3	15.45	1.45
US	Conf. Board Consumer Confidence	Feb		111		111.8	16.00	2.00
US	Richmond Fed Manufact. Index	Feb		10		12.0	16.00	2.00
NZ	QV House Prices 3m, YoY	Feb				13.5	17.00	3.00
<b>Wednesday, 1 March 2017</b>								
US	Fed's Williams Speaks in Santa Cruz						21.30	7.30
NZ	Terms of Trade Index QoQ	4Q	4.6	4		-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	0.6			0.7	0.00	10.00
US	Fed's Bullard (nv) Speaks in Washington						0.50	10.50
UK	BRC Shop Price Index YoY	Feb		-1.4		-1.7	1.10	11.10
AU	GDP SA QoQ/YoY	4Q	0.9/2.1	0.7/1.9		-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		51.2/		51.3/54.6	2.00	12.00
US	President Trump addresses joint session of Congress						3.00	13.00
JN	BoJ's Policy Board member Sato speaks in Tokushima							
CH	Caixin China PMI Mfg	Feb		50.8		51.0	2.45	12.45
AU	Commodity Index AUD/SDR YoY	Feb		/		120.9/55.7	6.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Feb F		57		57.0	9.55	19.55
GE	Unemployment Change (000's/Rate)	Feb		-10/5.9		-26.0/5.9	9.55	19.55
EC	Markit Eurozone Manufacturing PMI	Feb F		55.5		55.5	10.00	20.00
UK	Markit UK PMI Manufacturing SA	Feb		55.7		55.9	10.30	20.30
UK	Net Lending Sec. on Dwellings	Jan		3.6		3.8	10.30	20.30
GE	CPI EU Harmonized MoM/YoY	Feb P		0.6/2.1		-0.8/1.9	14.00	0.00
CA	Current Account Balance	4Q		-9.75		-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		0.3/1.74		0.1/1.7	14.30	0.30
US	Markit US Manufacturing PMI	Feb F		54.5		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		56		56.0	16.00	2.00
US	Construction Spending MoM	Jan		0.6		-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
<b>Thursday, 2 March 2017</b>								
AU	Trade Balance	Jan	3640	3800		3511.0	1.30	11.30
AU	Building Approvals MoM/YoY	Jan	-2.7/-13.5	-0.5/-11.6		-1.2/-11.4	1.30	11.30
EC	Unemployment Rate	Jan		9.6		9.6	11.00	21.00
US	Challenger Job Cuts YoY	Feb				-38.8	13.30	23.30
US	Wards Total Vehicle Sales	Feb		17.7		17.5		
CA	GDP MoM/YoY	Dec		0.3/1.7		0.4/1.6	14.30	0.30
CA	Quarterly GDP Annualized	4Q		2		3.5	14.30	0.30
US	Initial Jobless Claims	Feb 25		245		244.0	14.30	0.30
<b>Friday, 3 March 2017</b>								
NZ	ANZ Job Advertisements MoM	Feb				-0.2	22.00	8.00
NZ	Crown Accounts	Jan 7m					22.00	8.00
NZ	Value of All Buildings SA QoQ	4Q	1.0	1.5		1.4	22.45	8.45
AU	AiG Perf of Services Index	Feb				54.5	23.30	9.30
JN	Jobless Rate/Jobs-to-applicants ratio	Jan		3/1.44		3.1/1.4	0.30	10.30
JN	Natl CPI/ex fresh food YoY	Jan		0.4/0		0.3/-0.2	0.30	10.30
NZ	ANZ Commodity Price	Feb				-0.1	1.00	11.00
US	Fed's Mester speaks on Leadership in New York						1.00	11.00
JN	Nikkei Japan PMI Services/Composite	Feb		/		51.9/52.3	1.30	11.30
NZ	RBNZ Assistant Governor McDermott Speaks (Not Public)						1.30	11.30
CH	Caixin China PMI Services/Composite	Feb		/		53.1/52.2	2.45	12.45
GE	Markit Germany Services/Composite PMI	Feb F		54.4/56.1		54.4/56.1	9.55	19.55
EC	Markit Eurozone Services/Composite PMI	Feb F		55.6/56		55.6/56.0	10.00	20.00
UK	Markit/CIPS UK Services/Composite PMI	Feb		54/55.6		54.5/55.5	10.30	20.30
EC	Retail Sales MoM/YoY	Jan		0.3/1.5		-0.3/1.1	11.00	21.00
US	Markit US Services/Composite PMI	Feb F		/		53.9/54.3	15.45	1.45
US	ISM Non-Manf. Composite	Feb		56.5		56.5	16.00	2.00
US	Fed's Evans (v) and Lacker (nv) Speak on Panel in New York						16.15	2.15
US	Fed Vice Chair Fischer Speaks in New York						18.00	4.00
US	Fed Chair Yellen Speaks at Executives Club in Chicago						19.00	5.00
<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

## 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.