

# MARKETS TODAY

## Europa



### Good Morning

With the US out celebrating president's day, Europe was always going to be the focus in the overnight session. My dad used to listen to Santana, so the first song that came to mind was "Europa", a mellow song with no lyrics, but notable for Santana's guitar solo.

European stocks ended the day marginally higher following the positive lead from Asia. Losses from Unilever (-5%) after Kraft Heinz withdrew its \$143bn bid for the food-maker, were largely offset by gains in other sectors, particularly telcos and materials with the latter benefiting from a recovery in oil and copper, up 0.6% and 1.85% respectively.

European political risk has also remained a prevalent theme. An overnight OpinionWay poll showed an increase in first round support for France's anti-euro candidate Le Pen, up 1% to 27% while Macron and Fillion were unchanged at 20%. The Poll also suggested that Macron would beat Le Pen by 58% to 42% in the second round, but his advantage has halved in less than two weeks. So while political uncertainty is only exerting a mild downward pressure on the EUR (last night the currency was essentially unchanged), French bonds have remained under pressure. 10y French government bonds (OATs) ended the day 2.3bps higher at 1.051%, but at one point during the night they did trade as high as 1.135%. Meanwhile the OAT spread to 10y German bonds ended the day at 76.48, close to its ytd high and similar to levels not seen since late 2012.

Greek bonds were also making headlines following news that euro-area finance ministers have agreed to resume talks with Athens on reforms needed for its bailout. 10y Greek government bond rallied 30bps to 7.571% and 2y bonds rallied 58bps to 9.09%.

In currencies the USD is little changed with DXY trading at 100.88, almost exactly at the same level where it was 24hrs ago. USD gains against JPY and SEK were offset with losses against GBP and AUD. GBP was the G10 top performer, +0.34%, recovering a bit of lost ground from Friday's night sell off and ahead of the House of Lords 2 day Brexit debate. The pound was also supported by better than expected data with the UK CBI industrial orders index jumping to 8 in February from 5 previously (Export orders however were at -10 from -9 in January). The AUD continues to find support around the 0.7650 area and it is currently trading at 0.7686 following another solid night in commodities. Iron ore in particular gained +2.2% and closed the day at \$92.3. Meanwhile USD/JPY has crawled its way back above ¥113 following the marginally softer trading tone in 10y UST futures.

### Coming Up

Australia's weekly consumer confidence is the first cab off the rank followed by the RBA February Meeting Minutes, due out at 11:30 am (Sydney time). Since the Statement on Monetary Policy was released over a week ago and we have also heard from Governor Lowe, the Minutes are unlikely to reveal anything we don't already know, essentially that the Bank is quite relaxed about Australia's growth outlook and that inflation is expected to slowly return to target.

Also this morning Japan gets its Manufacturing PMI followed by its All Industry Activity Index in the afternoon. In January, Japan's manufacturing PMI rose for the eight consecutive month and printed above the 52 mark for a second month in a row, so it will be interesting to see if this momentum has been maintained in February. Meanwhile a negative surprise in retail sales appears to be the main reason the expected decline in industrial activity in December (-0.2% exp. vs 0.3% prev.).

French PMIs have been rising in recent months, but given the increase political uncertainty as evident by the widening in French sovereign bond spreads against German bunds it will be interesting to see if that upward momentum has been maintained in February. German PMIs are also due for release and market expectations are for both the manufacturing and services sectors to remain in solid expansionary mode (56 and 53.6 respectively).

On the other side of the Channel, the UK gets its public finances figures for January and Governor Carney speaks in Parliament.

The US also gets its PMI readings for February and both the services (55.8 vs 55.6) and manufacturing (55.3 exp. vs 55) indices are expected to edge a little bit higher.

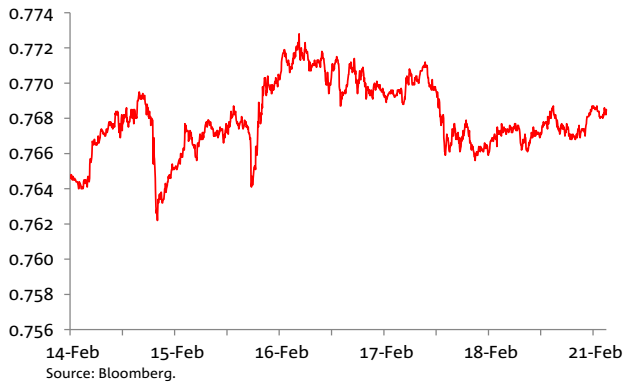
Fed Kashkari (voter), Harker (voter) and Williams (non-voter) are on the roster today. Based on recent appearances and publications we know that Fed Kashkari is a solid dove and has made his case for holding rates steady. Meanwhile, Fed Harker is probably one of the most hawkish voter on the FOMC this year and Fed Williams is somewhat in the neutral camp although early in February he noted that three hikes was a "reasonable perspective to have as a base case".

### Overnight

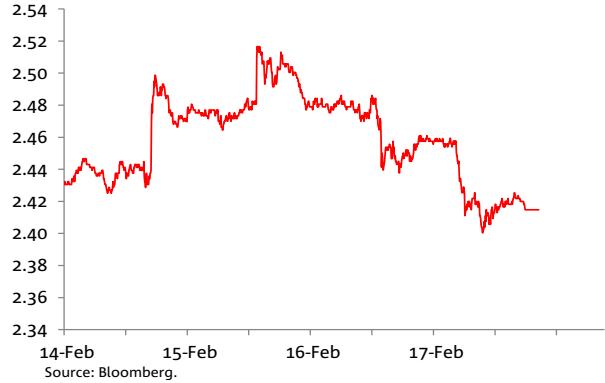
On global stock markets, the S&P 500 was +0.00%. Bond markets saw US 10-years +0.00bp to 2.41%. In commodities, Brent crude oil +0.59% to \$56.14, gold-0.0% to \$1,237, iron ore +2.2% to \$92.34, steam coal +0.3% to \$80.10, met.coal +0.0% to \$161.50. AUD is at 0.7685 and the range since yesterday 5pm Sydney time is 0.7659 to 0.769.

Markets

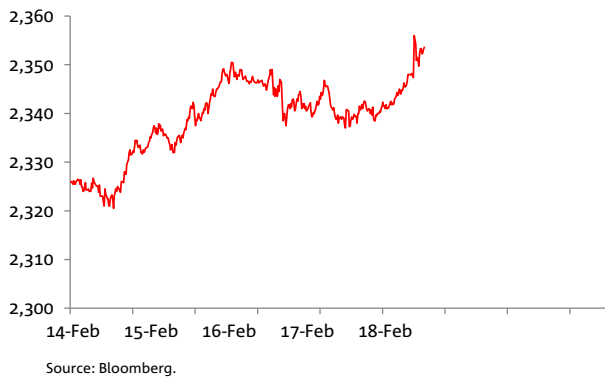
AUD/USD - past week



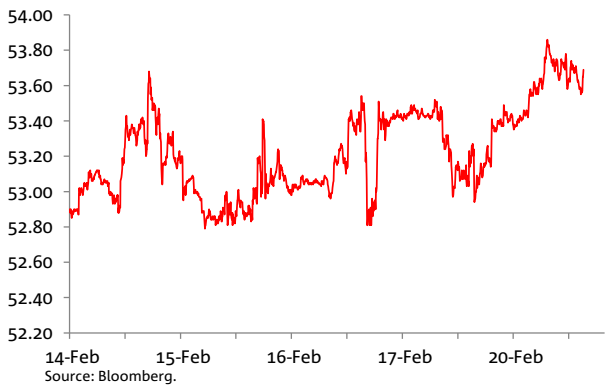
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

Indicative 24hr ranges (**)					Other FX		
	Last	% chge	Low	High		Last	% chge
AUD	0.7685	0.3	0.7659	0.7690	HKD	7.7608	0.0
NZD	0.7187	0.1	0.7170	0.7198	CNY	6.8785	0.2
EUR	1.0614	0.0	1.0602	1.0635	SGD	1.4185	0.0
GBP	1.2465	0.4	1.2396	1.2483	IDR	13,354	0.2
JPY	113.13	0.3	112.77	113.24	THB	35.03	0.1
CAD	1.3100	0.0	1.3075	1.3120	KRW	1,148	0.1
AUD/EUR	0.724	0.3	0.7213	0.7243	TWD	30.80	0.1
AUD/JPY	86.93	0.5	86.48	87.01	PHP	50.35	0.6
AUD/GBP	0.6165	-0.2	0.6147	0.6186	CHF	1.00	0.0
AUD/NZD	1.0693	0.2	1.0660	1.0703	SEK	8.94	0.3
AUD/CNH	5.2838	0.3	5.2519	5.2854			

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	0.75	1.05	1.56	2.38	USD 10	2.41	-3.20	
AUD	1.50	1.78	1.96	3.06	AUD 10	2.79	-1.30	0.38
NZD	1.75	2.03	2.33	3.53	NZD 10	3.30	-3.00	0.88
EUR	0.00	-0.33	-0.15	0.74	CAD 10	1.71	0.00	-0.70
GBP	0.25	0.36	0.59	1.27	EUR 10	0.30	-0.60	-2.12
JPY	-0.05	-0.02	0.05	0.29	GBP 10	1.23	1.70	-1.19
CAD	0.50	0.95	1.11	1.94	JPY 10	0.10	0.80	-2.31

Equities

Major Indices			
	Last	% day	% y/y
Dow	20,624	0.00	25.8
S&P 500	2,351	0.00	22.6
Nasdaq	5,839	0.00	29.6
VIX	11	0.00	-44.0
FTSE	7,300	0.0	22.7
DAX	11,828	0.6	26.0
CAC 40	4,865	-0.1	15.2
Nikkei	19,251	0.1	20.6
Shanghai	3,240	1.2	13.3
Hang Seng	24,146	0.5	25.2
ASX 200	5,795	-0.2	17.0

Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.21	-1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.18	-2.50
3/10 sprd	0.63	2.50
SPI	5747.0	8.0

\*Change in bps

Commodities\*

	Last	% day
Oil (Brent)	56.14	0.6
Oil (WTI)	53.69	0.5
Oil (Tapis)	57.32	1.2
Gold	1237.20	0.0
CRB	192.12	0.0
GS Metals	329.3	0.0
Aluminium	1892.0	1.1
Copper	6065.3	1.9
Nickel	11111.3	0.9
Zinc	2887.5	2.9
Ch. steel	3587.0	3.9
Iron ore	92.3	2.2
St. Coal	80.1	0.3
Met.coal	161.5	0.0
Wheat Chic.	455.5	0.0
Sugar	20.3	0.0
Cotton	73.5	0.0
Coffee	149.6	0.0

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-1.0	-4.0%
FED	9	35.2%

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, 21 February 2017</b>								
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		-0.2		0.3	5:30	15:30
GE	Markit/BME Germany Manufacturing PMI	Feb P		56		56.4	9:30	19:30
GE	Markit Germany Services/Composite PMI	Feb P		53.6/54.8		53.4/54.8	9:30	19:30
EC	Markit Eurozone Manufacturing PMI	Feb P		55		55.2	10:00	20:00
EC	Markit Eurozone Services/Composite PMI	Feb P		53.7/54.3		53.7/54.4	10:00	20:00
UK	Public Finances (PSNCR)/Public Sector Net Borrowing	Jan		/-14.45		36.3/6.4	10:30	20:30
UK	BoEs Carney speaks at Parliament						11:00	21:00
US	Fed's Kashkari (v) speaks in Golden Valley, MN						14:50	0:50
US	Markit US Manufacturing PMI	Feb P		55.3		55.0	15:45	1:45
US	Markit US Services/Composite PMI	Feb P		55.8/		55.6/55.8	15:45	1:45
US	Fed's Harker (v) speaks on Economic Outlook						18:00	4:00
US	Fed's Williams (nv) speaks to students in Boise, Idaho						21:00	7:00
NZ	Global Dairy Auction, GDT-weighted price index (early AM)					1.3		
<b>Wednesday, 22 February 2017</b>								
AU	RBA Governor Lowe Speech in Sydney to Australia-Canada Economic Leadership Forum, 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	0.4/1.8	0.5/1.9		0.4/1.9	1:30	11:30
AU	Construction Work Done	4Q	1.5	0.5		-4.9	1:30	11:30
CH	Property prices	Jan					2:30	12:30
NZ	Credit Card Spending MoM/YoY	Jan		109.6		3.1/8.5	3:00	13:00
GE	IFO Business Climate	Feb		109.6		109.8	10:00	20:00
GE	IFO Current Assessment/Expectations	Feb		116.6/103		116.9/103.2	10:00	20:00
UK	GDP QoQ/YoY	4Q P		0.6/2.2		0.6/2.2	10:30	20:30
UK	Index of Services MoM/ 3M/3M	Dec		0.1/0.8		0.3/1.0	10:30	20:30
UK	Total Business Investment QoQ/YoY	4Q P		0/0.2		0.4/-2.2	10:30	20:30
EC	CPI MoM/YoY	Jan		-0.8/1.8		0.5/1.1	11:00	21:00
EC	CPI Core YoY	Jan F		0.9		0.9	11:00	21:00
US	MBA Mortgage Applications	Feb 17				-3.7	13:00	23:00
CA	Retail Sales/ex autos MoM	Dec		0/0.6		0.2/0.1	14:30	0:30
CH	Conference Board Leading Economic Index	Jan					15:00	1:00
US	Existing Home Sales #/MoM	Jan		5.54/0.91		5.5/-2.8	16:00	2:00
US	Fed's Powell speaks on Economic Outlook in New York						19:00	5:00
US	FOMC Meeting Minutes	Feb 1					20:00	6:00
<b>Thursday, 23 February 2017</b>								
JN	PPI Services YoY	Jan		0.5		0.4	0:50	10:50
AU	Private Capital Expenditure	4Q	-3.2	-0.5		-4.0	1:30	11:30
AU	Capex intentions, 2016-17 (5th estimate)/2017-18 (first estimate)		107/74	../84		106.9/..	1:30	11:30
JN	BOJ Kiuchi speaks in Kofu						2:00	12:00
CH	Swift Global Payments, CNY YoY	Jan				1.68		
JN	Leading Index CI	Dec F				105.2	6:00	16:00
GE	GDP SA QoQ/WDA YoY	4Q F		0.4/1.7		0.4/1.7	8:00	18:00
GE	GfK Consumer Confidence	Mar		10.1		10.2	8:00	18:00
UK	CBI Total Dist./Retailing Reported Sales	Feb		24/2		26.0/-8.0	12:00	22:00
US	Chicago Fed Nat Activity Index	Jan		-0.025		0.1	14:30	0:30
US	Initial Jobless Claims	Feb 18		240		239.0	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		0.4		0.5	15:00	1:00
US	Bloomberg Consumer Comfort	Feb 19				48.1	15:45	1:45
US	Kansas City Fed Manf. Activity	Feb		9		9.0	17:00	3:00
US	Fed's Kaplan (voter) speaks						19:00	5:00
<b>Friday, 24 February 2017</b>								
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		571/6.5		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
<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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