

MARKETS TODAY

Forward March



Good Morning

Something of a return to the good old days in the last 24 hours, when an infolding economic calendar and rhetoric from Fed officials counted for more than what the leader of the free world had to say. So it was that New York Fed president Bill Dudley – considered to be one three most important Fed officials after Janet Yellen and Stanley Fisher – electrified markets first thing yesterday with his comments that the case for Fed tightening had become “a lot more compelling in recent months” and that “...the risks to the outlook are now starting to tilt to the upside”. These came hot on the heels of remarks from San Francisco Fed president John Williams that he saw a March hike getting “serious consideration”.

The net effect was to see market-implied probabilities for a March rate hike shift from near 50% at the start of the week to more like 80% now. It is evidently now going to take a very disappointing US payrolls report on March 10th – in particular evidence that earnings growth is not after all starting to pick up – to knock the market off the scent of a move on March 15th (incidentally the same day that the US government is expected to bump up against the debt ceiling, that was temporarily lifted with bipartisan support in front for the US elections). This will also be the week where the US administration is indicating it will provide at least an outline, rather than a blueprint, of its budget proposals about which President Trump provided very little detail yesterday such that market reaction was extremely limited.

Looking across markets, what is particularly noteworthy is that US stocks have powered ahead (the Dow above 21,000 for the first time) seemingly unperturbed by the sharply rising risk of a March hike (and which were it to occur would surely also have markets now believing that the Fed can and will deliver a total of three hikes this year). This tells us that Fed tightening in the face of unambiguous economic strength is not something to be feared.

In this regard, last night's manufacturing ISM report was gratifying, coming in ahead of expectations at 57.7 up from 56.0 in January and with the new orders sub-series leaping to 65.1 from 60.4. At the same time, the Fed's preferred PCE deflator inflation measure remained sedate in January, unchanged at 1.7% and something that the likes of Fed dove Neil Kashkari will use to support his claim the Fed should be in no rush to tighten. The Fed's Beige Book just released shows most districts reporting activity to be expanding at a 'modest to moderate' pace.

In the Eurozone, where the PMI story is also one of building economic strength, the higher than expected German CPI print at 2.2% up from 1.9% has provided a measure of support for the Euro against a stronger US dollar backdrop. In contrast, a weaker than expected UK manufacturing PMI (54.6 from 55.7 and 55.8 expected) has taken a bite out of Sterling.

Author **Ray Attrill**, Global Co-Head of FX Strategy

For the AUD, it's a very familiar scene to come in and see AUD/USD sitting comfortably between 0.7650 and 0.7700. Yesterday's Fed-inspired rally in the US dollar is largely offset by a positive reaction to yesterday's better than expected Q4 GDP figures. This leaves the AUD as by far the best performing G10 currency of the last 24 hours.

Finally, the Bank of Canada met last night against the backdrop of a big upside CPI surprise last Friday, but in leaving rates unchanged continued to point to persistent economic slack and 'significant uncertainties' weighing in the country's outlook.

Coming Up

Following on from yesterday's better than expected GDP report, today sees January's Trade Balance and Building Approvals. NAB is expecting to see a further enlargement of the monthly trade surplus from \$3.5 billion in December to \$3.6 billion. Bulk commodity exports are expected to feature with increases in coal, iron ore, and a further uplift in LNG exports as the production ramp-up from the projects that started operation last year continues. Gold exports could well be lower given Newcrest's reported flooding affecting production at Telfer. Supporting export receipts, the RBA Commodity Price index in January continued rising, up another 4.1% in Australian dollar terms.

On Building Approvals, surveys points to a diminishing pipeline of prospective apartment construction. The AiG PCI Construction of New Orders index points to a small decline in January, a hint that the appetite for new apartment development may have eased back a little further in January. NAB looks for a decline of 2.7% in aggregate Residential Building Approvals after the 1.2% decline in December, centred more likely on apartments.

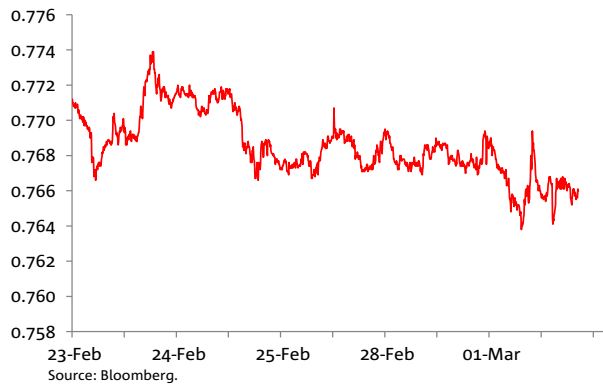
Internationally and ahead of speeches both from Fed chair Janet Yellen and vice-chair Stanley Fischer tomorrow night, the Fed speaking rostrum is this morning occupied by Lael Brainard who speaks at 10:00 AEDT at Harvard university. We doubt she'll pull the market off the scent of a March rate rise even though she has in the past been very vocal about the risks to the US economy from US dollar strength and its effect in tightening financial conditions. Those concerns should be less evident given the dollar's performance so far this year. Data wise, we get just weekly US jobless claims, Canada's Q4 GDP and EC employment/unemployment.

Overnight

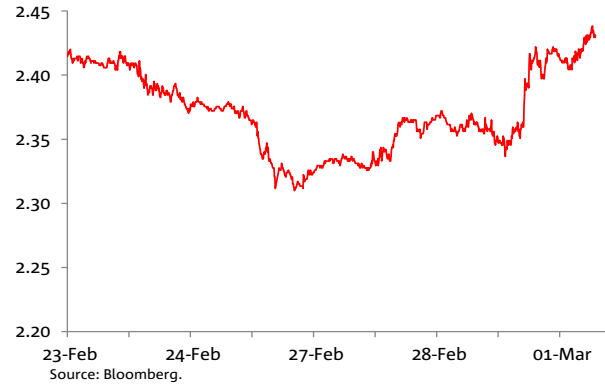
On global stock markets, the S&P 500 was +1.55%. Bond markets saw US 10-years +2.86bp to 2.46%. In commodities, Brent crude oil -0.18% to \$56.41, gold -0.3% to \$1,250, iron ore -0.0% to \$91.26, steam coal -0.8% to \$82.75, met.coal +0.3% to \$166.00. AUD is at 0.768 and the range since yesterday 5pm Sydney time is 0.7637 to 0.7700.

Markets

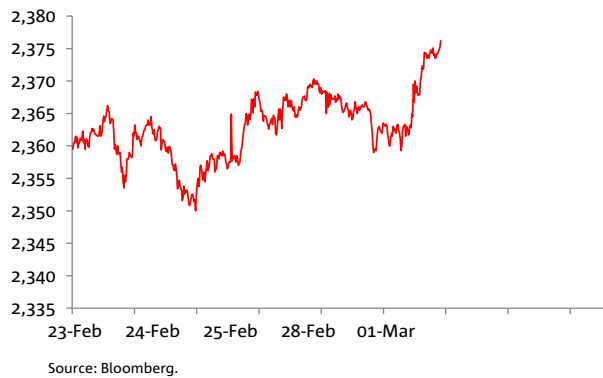
AUD/USD - past week



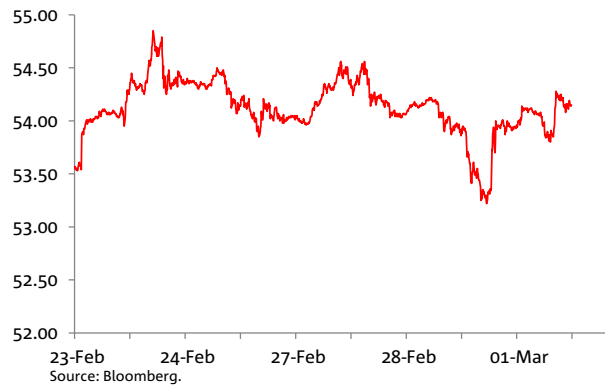
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX		
	Last	% chge	Low	High		Last	% chge
AUD	0.7680	0.3	0.7637	0.7700	HKD	7.7631	0.0
NZD	0.7162	-0.4	0.7100	0.7194	CNY	6.8819	0.2
EUR	1.0549	-0.3	1.0514	1.0589	SGD	1.4090	0.4
GBP	1.2288	-0.7	1.2280	1.2405	IDR	13,363	0.2
JPY	113.66	0.8	112.76	114.05	THB	34.98	0.1
CAD	1.3345	0.3	1.3285	1.3358	KRW	1,144	1.2
AUD/EUR	0.728	0.6	0.7227	0.7282	TWD	30.78	0.3
AUD/JPY	87.30	1.1	86.27	87.32	PHP	50.30	0.1
AUD/GBP	0.6250	1.1	0.6171	0.6251	CHF	1.01	0.3
AUD/NZD	1.0724	0.7	1.0638	1.0767	SEK	9.04	0.1
AUD/CNH	5.2678	-0.3	5.2397	5.2734			

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.75	1.06	1.62	2.43	USD 10	2.46	6.63
AUD	1.50	1.79	1.97	3.07	AUD 10	2.80	8.00 0.35
NZD	1.75	2.00	2.36	3.53	NZD 10	3.32	8.60 0.86
EUR	0.00	-0.33	-0.16	0.71	CAD 10	1.69	5.10 -0.77
GBP	0.25	0.36	0.58	1.20	EUR 10	0.28	7.40 -2.17
JPY	-0.04	-0.01	0.04	0.26	GBP 10	1.19	4.30 -1.26
CAD	0.50	0.95	1.11	1.94	JPY 10	0.07	0.90 -2.39

Equities

Major Indices			
	Last	% day	% y/y
Dow	21,143	1.59	25.4
S&P 500	2,400	1.55	21.3
Nasdaq	5,903	1.33	25.9
VIX	12	-7.28	-32.3
FTSE	7,383	1.6	20.0
DAX	12,067	2.0	24.2
CAC 40	4,961	2.1	12.6
Nikkei	19,394	1.4	15.8
Shanghai	3,247	0.2	13.9
Hang Seng	23,776	0.2	18.9
ASX 200	5,705	-0.1	13.6

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.20	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.16	-8.50
3/10 sprd	0.64	11.50
SPI	5740.0	-56.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	56.41	-0.2
Oil (WTI)	53.82	-0.4
Oil (Tapis)	57.88	1.3
Gold	1249.80	-0.3
CRB	191.27	0.3
GS Metals	332.5	0.0
Aluminium	1944.3	1.2
Copper	6006.5	0.7
Nickel	10985.5	0.4
Zinc	2858.5	1.3
Ch. steel	3551.0	-0.4
Iron ore	91.3	0.0
St. Coal	82.8	-0.8
Met.coal	166.0	0.3
Wheat Chic.	457.0	3.0
Sugar	19.5	0.9
Cotton	76.9	2.0
Coffee	144.8	1.5
Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-1.0	-4.0%
FED	21	82.4%

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
Thursday, 2 March 2017								
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
Friday, 3 March 2017								
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		54/		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
Monday, 6 March 2017								
NZ	Building Permits MoM	Jan				-7.2	22:45	8:45
AU	Melbourne Institute Inflation MoM/YoY	Feb		/		0.6/2.1	1:00	11:00
AU	Retail Sales MoM	Jan				-0.1	1:30	11:30
AU	ANZ Job Advertisements MoM	Feb				4.0	1:30	11:30
GE	Markit Germany Construction PMI	Feb				52.0	9:30	19:30
UK	New Car Registrations YoY	Feb				2.9	10:00	20:00
GE	Markit Germany Retail PMI	Feb				50.3	10:10	20:10
EC	Markit Eurozone Retail PMI	Feb				50.1	10:10	20:10
EC	Sentix Investor Confidence	Mar				17.4	10:30	20:30
CA	Bloomberg Nanos Confidence	Mar 3				58.1	16:00	2:00
US	Factory Orders/Ex Transp	Jan		0.9/		1.3/2.1	16:00	2:00
NZ	RBNZ Governor Wheeler Speaks in Auckland (Not Public)						19:00	5:00
Tuesday, 7 March 2017								
AU	AiG Perf of Construction Index	Feb				47.7	23:30	9:30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Mar 5				119.1	23:30	9:30
UK	BRC Sales Like-For-Like YoY	Feb				-0.6	1:10	11:10
AU	RBA Cash Rate Target	Mar 7		1.5		1.5	4:30	14:30
GE	Factory Orders MoM/YoY	Jan		/		5.2/8.1	8:00	18:00
CH	Foreign Reserves	Feb		2961		2998.2	9:00	19:00
UK	Halifax House Prices MoM/YoY	Feb		/		-0.9/5.7	9:30	19:30
EC	GDP SA QoQ/YoY	4Q F		/		0.4/1.7	11:00	21:00
US	Trade Balance	Jan		-45.7			14:30	0:30
CA	Int'l Merchandise Trade	Jan				0.9	14:30	0:30
CA	Ivey Purchasing Managers Index SA	Feb				57.2	16:00	2:00
Wednesday, 8 March 2017								
US	Consumer Credit	Jan		20		14.2	21:00	7:00
NZ	ANZ Truckometer Heavy MoM	Feb				-0.8	22:00	8:00
NZ	Mfg Activity Volume QoQ	4Q				2.1	22:45	8:45
NZ	Mfg Activity SA QoQ	4Q				0.4	22:45	8:45
JN	BoP Current Account Adjusted	Jan				1669.2	0:50	10:50
JN	GDP SA QoQ	4Q F		0.4		0.2	0:50	10:50
JN	GDP Annualized SA QoQ	4Q F		1.6		1.0	0:50	10:50
CH	Foreign Direct Investment YoY CNY	Feb				-9.2	3:00	13:00
CH	Trade Balance CNY	Feb				354.5	4:00	14:00
CH	Exports/Imports YoY CNY	Feb		/		15.9/25.2	4:00	14:00
CH	Trade Balance	Feb		25.07		51.4	4:30	14:30
CH	Exports/Imports YoY	Feb		12.5/19.5		7.9/16.7	4:30	14:30
JN	Eco Watchers Survey Current SA	Feb				49.8	6:00	16:00
JN	Eco Watchers Survey Outlook SA	Feb				49.4	6:00	16:00
JN	Leading Index CI	Jan P				104.8	6:00	16:00
GE	Industrial Production SA MoM/YoY	Jan		/		-3.0/-0.7	8:00	18:00
US	MBA Mortgage Applications	Feb 24				-2.0	13:00	23:00
US	ADP Employment Change	Feb		177.5		246.0	14:15	0:15
CA	Housing Starts	Feb				207.4	14:15	0:15
US	Nonfarm Productivity/Unit labor costs	4Q F		1.5/1.5		1.3/1.7	14:30	0:30
CA	Labor Productivity QoQ	4Q				1.2	14:30	0:30
CA	Building Permits MoM	Jan				-6.6	14:30	0:30
US	Wholesale Trade Inventories/Sales MoM	Jan P		0.4/		-0.1/2.6	14:30	0:30
Upcoming Central Bank Interest Rate Announcements								
Canada, BoC		12-Apr	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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