

MARKETS TODAY

All Cried Out



Good Morning

Fed chair Janet Yellen sang from the same script as her FOMC colleagues before her on Friday and confirmed that 'fairly soon' really does mean March. Fed vice-chair Stanley Fischer later chimed in with "If there has been a conscious effort" to boost expectations of a rate rise, "I'm about to join it". Given the residual risk of a disastrous payrolls report yet derailing a March hike, market pricing moved up only slightly (to about 80%), while Treasury yields were marginally lower where changed and the dollar fell.

In the words of Alison Moyet (et al) markets look to be 'All Cried Out' in fretting about a quarter point Fed rate rise next week. At the same time, we'd note that Yellen failed to suggest any need to upgrade the inflation view this month compared to last December, or to suggest upside risk around the December FOMC median 'dot points' currently indicating three rate rises this year. She did acknowledge rates will likely move up faster this year than prior years, but with only one each in 2015 and 2016, this is hardly a big call.

US data wise, the non-manufacturing ISM exceeded expectations rising to 57.6 from 56.5 and with the new orders and employment sub-series both strong.

In FX the Euro was the best performing of the major currencies on Friday, ending just over 1% higher at 1.0622. Dollar slippage aside, we'd note that in the wake of last Thursday's rise in Eurozone CPI to 2% from 1.8% and in Germany from 2.2% from 1.9%, the pressure on the ECB from Germany to shift course is mounting. We doubt Draghi will have much sympathy for this view (after all, higher inflation in Germany compared to the rest of the Eurozone which raises Germany's real exchange rate is just what's needed). That said, the notion that the ECB will be quick to scale back its QE programme early next year is gaining traction.

Also relevant to the euro's revival (most evident in the likes of the AUD/EUR cross rate) is diminishing risk of Marine Le Pen being victorious in the April/May elections. Indeed, a weekend poll puts Emmanuel Macron ahead of Le Pen even in the first round of voting, with added support seemingly being drawn from the rapidly dwindling support for Francois Fillon. He has again just been out saying he won't stand down. Also to note is that Dutch voters appear to be turning away from Geert Wilders' populist message.

USD/JPY finished -0.32% at Y114.04 and AUD/USD 0.32% higher at 0.7596. In contrast NZD was Friday's worse during the APAC session). Sterling ended NY trade slightly higher (+0.2%) despite a weaker than expected UK services PMI (53.3 down from 54.5). In contrast the NZD was Friday's worse performer, -0.45% to 0.7031. In EM, the Mexican peso jumped by 2.5% after US Commerce secretary Wilbur Ross said it could strengthen

'quite a lot' if Mexico stuck a sensible trade deal with the United States.

US stocks took Yellen in their stride with the S&P closing +0.05%, the Dow +0.01% and the NASDAQ +0.16%. The VIX fell by 0.85 to 10.96, the first time back below 11 since mid-February.

In rates 2 year Treasuries fell by 0.3bp to 1.307% (+16.2bps on the week); 5s lost 0.6bp to 2.01% (+20.5bps on the week) and 10s finished unchanged at 2.479%, back from an intra-day high of 2.52% and 16.6bps up on the week.

In commodities, gold lost \$6.40 and is \$30 down on the week at \$1,226.50 while oil was 70-80 cents up. Iron ore lost \$1.00 to \$91.32 but is still \$0.82 on the week. Steaming coal lost \$1.25 to \$80.95 while coking coal didn't trade, last at \$165.00.

Sunday's CoreLogic's Weekend Market Summary showed the combined capital city preliminary clearance rate slipping marginally, to 77.8% from a final 78.4% last week and on lower volumes 2,714 down from 3,232).

Melbourne cleared a preliminary 80.4% versus 81.0% last week, the second week above 80% and Sydney a preliminary 80.5% up from a final 80.0% last weekend and the fourth consecutive week at or above 80%.

Also Sunday, China's National Policy Committee meeting opened with an affirmation of a 6.5% GDP growth target for 2017 (vs. 6.5-6.7.0% in 2016 and an actual 6.7% reported outturn). The NPC pledges to reduce coal production by 150 million tonnes this year and steel capacity by some 50 million tons (or 18%). Whether this means more or less demand for Australian coal as local production is pared back, remains to be seen. Last year, cuts in China production (under the 272 day rule) was the key driver of the coal price rally.

Coming Up

Next week is such a big one with the promised US budget outline, FOMC, the US hitting the debt ceiling hit, the likely Article 50 triggering of the Brexit process and Dutch elections, that this week pales by comparison even though we get US non-farm payrolls on Friday. Before that the RBA tomorrow and ECB on Thursday are of interest, also China trade, FX reserves and PPI/CPI data. Today sees January Australian retail sales, expected by both NAB and the market consensus to show a rise of 0.4%.

Overnight

On global stock markets, the S&P 500 was +0.05%. Bond markets saw US 10-years +0.01bp to 2.48%. In commodities, Brent crude oil +1.49% to \$55.9, gold -0.5% to \$1,227, iron ore -1.1% to \$91.32, steam coal -1.5% to \$80.95, met.coal +0.0% to \$165.00. AUD is at 0.7594 and the range since Friday 5pm Sydney time is 0.7543 to 0.7598.

Markets

AUD/USD - past week



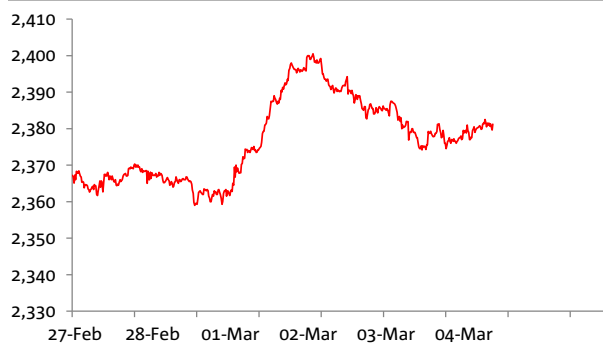
Source: Bloomberg.

US 10yr - past week



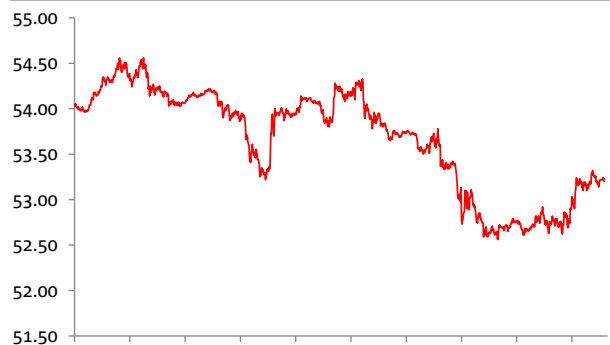
Source: Bloomberg.

S&P Future - past week



Source: Bloomberg.

WTI - past week



Source: Bloomberg.

Foreign Exchange

Indicative 24hr ranges (**)					Other FX		
	Last	% chge	Low	High		Last	% chge
AUD	0.7594	0.3	0.7543	0.7598	HKD	7.7632	0.0
NZD	0.7038	-0.4	0.7003	0.7068	CNY	6.9040	0.2
EUR	1.0604	0.9	1.0502	1.0624	SGD	1.4110	-0.1
GBP	1.2292	0.2	1.2215	1.2300	IDR	13,383	0.2
JPY	113.91	-0.4	113.76	114.75	THB	34.97	-0.2
CAD	1.3376	-0.1	1.3372	1.3437	KRW	1,156	1.3
AUD/EUR	0.7161	-0.6	0.7135	0.7212	TWD	31.05	0.8
AUD/JPY	86.50	-0.2	86.20	86.72	PHP	50.38	0.0
AUD/GBP	0.6178	0.1	0.6146	0.6198	CHF	1.01	-0.4
AUD/NZD	1.0789	0.6	1.0714	1.0822	SEK	8.99	-1.0
AUD/CNH	5.2128	-0.1	5.2019	5.2395			

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	0.75	1.10	1.65	2.46	USD 10	2.48	0.01	
AUD	1.50	1.79	1.97	3.07	AUD 10	2.81	2.10	0.33
NZD	1.75	2.00	2.35	3.54	NZD 10	3.31	-0.70	0.83
EUR	0.00	-0.33	-0.12	0.79	CAD 10	1.70	0.70	-0.78
GBP	0.25	0.36	0.59	1.24	EUR 10	0.36	3.90	-2.12
JPY	-0.04	-0.01	0.04	0.26	GBP 10	1.19	-2.70	-1.29
CAD	0.50	0.94	1.10	1.95	JPY 10	0.08	0.90	-2.40

Equities

Major Indices			
	Last	% day	% y/y
Dow	21,006	0.01	23.5
S&P 500	2,383	0.05	19.2
Nasdaq	5,871	0.16	24.5
VIX	11	-7.20	-35.0
FTSE	7,374	-0.1	19.0
DAX	12,027	-0.3	22.4
CAC 40	4,995	0.6	12.1
Nikkei	19,469	-0.5	14.4
Shanghai	3,218	-0.4	12.0
Hang Seng	23,553	-0.7	16.7
ASX 200	5,730	-0.8	12.6

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.20	0.00
3 Yr bond	97.8	0.00
10 Yr bond	97.15	-0.50
3/10 sprd	0.65	0.50
SPI	5728.0	35.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	55.90	1.5
Oil (WTI)	53.33	1.4
Oil (Tapis)	56.24	-1.4
Gold	1226.50	-0.5
CRB	189.72	0.5
GS Metals	328.4	-0.3
Aluminium	1884.8	-1.0
Copper	5907.8	-0.2
Nickel	10944.0	2.0
Zinc	2770.0	-0.3
Ch. steel	3550.0	-0.2
Iron ore	91.3	-1.1
St. Coal	81.0	-1.5
Met.coal	165.0	0.0
Wheat Chic.	453.5	0.2
Sugar	19.5	-0.7
Cotton	77.3	2.1
Coffee	143.3	-0.7
Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-1.0	-4.0%
FED	20	80.4%

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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