

# MARKETS TODAY

## Workin' 9 to 5



### Good Morning

298,000 more of them were doing just that last month according to ADP. This number, that is an amalgam of historical trends, other macroeconomic indicators (such as weekly jobless claims) as well as ADP's own payroll processing data, is often a less than reliable guide to the official payrolls figures. It is nevertheless seeing economists lift their forecasts for tomorrow's number.

The consensus heading into ADP was for a gain of around 200,000. Chances are the median NFP forecast will move up to at least 225,000 but with the 'whisper number' for tomorrow likely to be closer to 250,000. In truth, we'll be more interested in the earnings component of the report, though it's hard to see even a below-expectations number here derailing a Fed hike next Wednesday. We and the market are already focussed on what the new 'dot plots' will reveal and therefore how comfortable the Fed now feels about its prior guidance that rates will likely rise three times this year and by the same again next year.

Thank goodness for the strong ADP number, otherwise this column would be extremely hard to fill. As it is, this one data point sufficed to push US bond yields back up, to 2.58% at 10 years and 2.11% at 5 years, their highest levels since mid-December and so challenging the range highs in place since last November. An afternoon pull-back looks to owe something to sharply lower oil prices (by around 5% or nearly \$3). Here, comments from the Saudi oil minister have played a part, suggesting that Saudi Arabia would not bear the brunt of OPEC/non-OPEC supply reductions indefinitely and that ultimately intervention was futile. The absence to date of any big drop in inventories, alongside raised production estimated this week by the EIA for US crude production both this year and next, are also weighing.

In currencies, what's noticeable is that the four commodity linked G10 currencies – AUD, NZD, CAD and NOK, sit at the bottom of the 24-hour league table, with AUD/USD - currently 0.7534 – the lowest since January 30<sup>th</sup>. It does appear that the typical negative correlation between the US dollar and commodity prices – interrupted in the immediate aftermath of Trump's election win and where commodities received a fillip from the romantic thoughts about massive US infrastructure spending – is reasserting. This in turn means that commodity-linked currencies are flipping from outperformers on the crosses in late 2016 to underperformers now (and after the NZD had earlier led the way aided in part by lower dairy prices).

### Coming Up

The Australian calendar is blank today.

The main event internationally is the ECB meeting, the backdrop to which is the recent sharp pick-up in inflation in the Eurozone in aggregate and Germany in particular.

Previously, ECB President Mario Draghi had said that the recent pick up in headline inflation reflected base effects from year-ago oil price weakness and was unlikely to be sustained (and he could support his view with the fact EZ HICP is still running sub-1%). In contrast, the rise in German inflation to above 2% has prompted various outpourings of angst from German officials who believe that the ECB should start to signal its preparedness to start winding back on its super accommodative monetary policy sooner rather than later. Several politicians have publicly lamented that negative interest rates were killing German savers and are politically very unpopular.

Our view here is that it is premature to think Mr Draghi will signal that the end is nigh for its QE policy and -0.4% deposit rate and that the ECB needs to keep the pedal to the metal to ensure too-low inflation/inflation expectations are expunged once and for all. That said, there are question marks over how the ECB will deal with collateral shortages in order to accomplish its current €80bn per month QE buying programme - reducing to €60bn per month from April through year-end - without adding further downward pressure to rates. We will also be getting new ECB forecasts and where the extent of any upgrading of CPI forecasts may be more telling than what is likely to be a still-dovish Draghi at the post-meeting press conference.

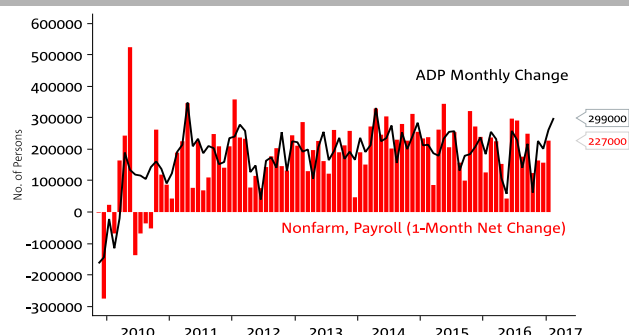
The Euro seems bound to display some fresh volatility out of the ECB, and which has been one of the better performing major currencies on the back of the inflation pick-up and what that potentially means for the ECB, alongside some diminution of perceived risks of Marine Le Pen becoming the next President of France.

The only data point to note tonight will be weekly US jobless claims, last week at their lowest level since 1973.

### Overnight

On global stock markets, the S&P 500 was -0.01%. Bond markets saw US 10-years +3.19bp to 2.55%. In commodities, Brent crude oil -4.74% to \$53.27, gold -0.7% to \$1,208, iron ore -2.9% to \$87.19, steam coal -0.8% to \$78.65, met.coal +0.0% to \$162.75. AUD is 0.7533, the range since yesterday 5pm Sydney time 0.7532 to 0.7609.

Chart of the Day: US ADP versus non-farm payrolls



Source: National Australia Bank, Macrobond

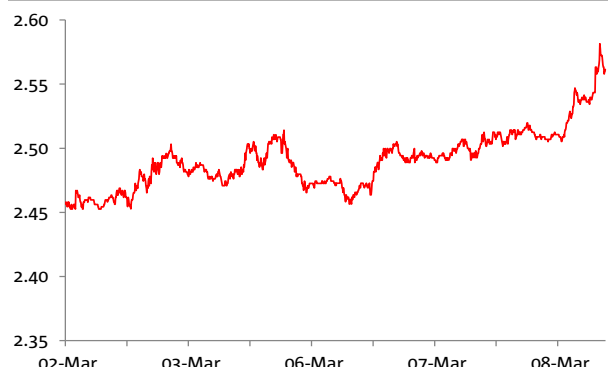
Markets

AUD/USD - past week



Source: Bloomberg.

US 10yr - past week



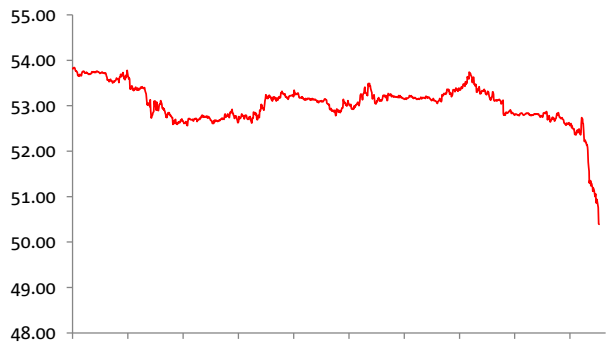
Source: Bloomberg.

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	0.7533	-0.7	0.7532	0.7609	HKD	7.7674	0.0
NZD	0.6908	-0.7	0.6905	0.6978	CNY	6.9131	0.2
EUR	1.0546	-0.2	1.0535	1.0574	SGD	1.4178	0.5
GBP	1.2164	-0.3	1.2139	1.2214	IDR	13,350	0.0
JPY	114.39	0.4	113.61	114.75	THB	35.32	0.6
CAD	1.3499	0.6	1.3398	1.3500	KRW	1,146	-0.1
AUD/EUR	0.7143	-0.5	0.7137	0.7201	TWD	30.89	0.0
AUD/JPY	86.17	-0.4	86.09	86.55	PHP	50.35	0.1
AUD/GBP	0.6193	-0.4	0.6189	0.6233	CHF	1.01	0.1
AUD/NZD	1.0904	-0.1	1.0876	1.0927	SEK	9.05	0.4
AUD/CNH	5.2134	-0.5	5.2085	5.2636			

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	0.75	1.11	1.66	2.50	USD 10	2.55	3.09	
AUD	1.50	1.79	2.06	3.13	AUD 10	2.86	4.10	0.31
NZD	1.75	1.98	2.33	3.56	NZD 10	3.33	1.80	0.78
EUR	0.00	-0.33	-0.12	0.80	CAD 10	1.78	3.50	-0.77
GBP	0.25	0.36	0.60	1.24	EUR 10	0.37	5.10	-2.18
JPY	-0.04	-0.02	0.04	0.27	GBP 10	1.22	2.50	-1.33
CAD	0.50	0.94	1.14	2.01	JPY 10	0.08	0.40	-2.47

Equities

Major Indices			
	Last	% day	% y/y
Dow	20,872	-0.25	23.0
S&P 500	2,368	-0.01	19.6
Nasdaq	5,841	0.12	25.6
VIX	11	-0.26	-38.8
FTSE	7,335	-0.1	19.7
DAX	11,967	0.0	23.5
CAC 40	4,960	0.1	12.6
Nikkei	19,254	-0.5	15.7
Shanghai	3,241	-0.1	13.2
Hang Seng	23,782	0.4	18.9
ASX 200	5,760	0.0	11.7

Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.20	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.05	-11.00
3/10 sprd	0.75	14.00
SPI	5744.0	10.0

\*Change in bps

Commodities\*

	Last	% day
Oil (Brent)	53.27	-4.7
Oil (WTI)	50.38	-5.2
Oil (Tapis)	56.69	-0.7
Gold	1207.90	-0.7
CRB	185.56	-1.3
GS Metals	322.1	0.0
Aluminium	1868.3	0.1
Copper	5750.5	-0.1
Nickel	10149.0	-4.2
Zinc	2702.5	0.5
Ch. steel	3402.0	-2.2
Iron ore	87.2	-2.9
St. Coal	78.7	-0.8
Met.coal	162.8	0.0
Wheat Chic.	446.5	-2.2
Sugar	18.4	0.0
Cotton	77.0	-0.4
Coffee	141.8	0.7
<b>Prob. of 25bps hike/cut at next meeting</b>		
	bps	%
RBA	-1.0	-4.0%
FED	22	86.4%

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
<b>Thursday, 9 March 2017</b>								
JN	Labor Cash Earnings/Real Earnings YoY	Jan		0.4/		0.1/-0.4	1.00	11.00
UK	RICS House Price Balance	Feb		23		25.0	1.10	11.10
CH	CPI/PPI YoY	Feb		1.7/7.7		2.5/6.9	2.30	12.30
JN	Machine Tool Orders YoY	Feb P				3.5	7.00	17.00
EC	OECD Interim Economic Outlook						11.00	21.00
EC	ECB Main Refinancing Rate/Marginal Lending Facility	Mar 9		0/0.25		0.0/0.3	13.45	23.45
EC	ECB Deposit Facility Rate/Asset Purchase Target	Mar 9		-0.4/80		-0.4/80	13.45	23.45
EC	ECB's Draghi Press Conference						14.30	0.30
US	Import Price Index/Ex Petroleum MoM	Feb		0.1/0.1		0.4/0.0	14.30	0.30
US	Initial Jobless Claims	Mar 4		238		223	14.30	0.30
CA	Capacity Utilization Rate	4Q		82.5		81.9	14.30	0.30
CA	New Housing Price Index MoM/YoY	Jan		0.1/		0.1/3.0	14.30	0.30
US	Bloomberg Consumer Comfort	Mar 5				49.8	15.45	1.45
US	Household Change in Net Worth	4Q				1593.0	18.00	4.00
<b>Friday, 10 March 2017</b>								
NZ	Card Spending Retail/Total MoM	Feb		-0.4/		2.7/2.5	22.45	8.45
JN	BSI Large All Industry/Manufacturers QoQ	1Q		/		3.0/7.5	0.50	10.50
JN	PPI MoM/YoY	Feb		0.2/1		0.6/0.5	0.50	10.50
AU	Home Loans # MoM/Investment Lending \$ MoM	Jan	-1	-1/		0.4/-1.0	1.30	11.30
GE	Current Account Balance	Jan		15.5		24.0	8.00	18.00
GE	Labor Costs SA QoQ/YoY	4Q		/		0.8/2.5	8.00	18.00
EC	EU leaders Summit on Brexit (excluding UK), Brussels						9.15	19.15
UK	Industrial Production MoM/YoY	Jan		-0.5/3.2		1.1/4.3	10.30	20.30
UK	Manufacturing Production MoM/YoY	Jan		-0.7/2.9		2.1/4.0	10.30	20.30
UK	Construction Output SA MoM/YoY	Jan		-0.2/0.3		1.8/0.6	10.30	20.30
UK	Trade Balance	Jan		-3100		-3304.0	10.30	20.30
UK	BoE/TNS Inflation Next 12 Mths	Feb				2.8	10.30	20.30
CH	New Yuan Loans/Aggregate Financing CNY	Feb		950/1450		2030/3740	10-15 Mar release	
NZ	REINZ House Sales YoY	Feb				-14.7	10-14 Mar release	
US	Change in Nonfarm Payrolls/Unemployment rate	Feb		190/4.7		227.0/4.8	14.30	0.30
US	Average Hourly Earnings MoM/YoY	Feb		0.3/2.8		0.1/2.5	14.30	0.30
US	Underemployment/Participation Rate	Feb		/		9.4/62.9	14.30	0.30
CA	Net Change in Employment/Unemployment Rate	Feb		-5/6.8		48.3/6.8	14.30	0.30
UK	NIESR GDP Estimate	Feb		0.6		0.7	16.00	2.00
US	Monthly Budget Statement	Feb		-170		51.3	20.00	6.00
<b>Saturday, 11 March 2017</b>								
AU	WA State election							
<b>Monday, 13 March 2017</b>								
CH	Foreign Direct Investment YoY CNY	Feb		-4.15		-9.2	8-18 Mar release	
CH	New Yuan Loans CNY	Feb		950		2030.0	8-18 Mar release	
CH	Aggregate Financing CNY	Feb		1450		3740.0	8-18 Mar release	
NZ	REINZ House Sales YoY	Feb				-14.7	10-14 Mar release	
NZ	Food Prices MoM	Feb				2.8	22.45	8.45
JN	Machine Orders MoM/YoY	Jan				6.7/6.7	0.50	10.50
JN	Tertiary Industry Index MoM	Jan				-0.4	5.30	15.30
CA	Bloomberg Nanos Confidence	Mar 10				57.4	15.00	1.00
US	Labor Market Conditions Index Change	Feb				1.5	15.00	1.00
<b>Tuesday, 14 March 2017</b>								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Mar 12				113.9	23.30	9.30
JN	Manpower Survey	2Q				23.0	1.10	11.10
AU	NAB Business Conditions/Confidence	Feb		/		16.0/10.0	1.30	11.30
CH	Retail Sales YTD YoY	Feb		10.7		10.4	3.00	13.00
CH	Fixed Assets Ex Rural YTD YoY	Feb		8.2		8.1	3.00	13.00
CH	Industrial Production YTD YoY	Feb		6.2		6.0	3.00	13.00
GE	CPI EU Harmonized MoM/YoY	Feb F		/		0.7/2.2	8.00	18.00
EC	Industrial Production SA MoM/YoY	Jan		/		-1.6/2.0	11.00	21.00
GE	ZEW Survey Current Situation/Expectations	Mar		/		76.4/10.4	11.00	21.00
US	ZEW Survey Expectations	Mar				17.1	11.00	21.00
EC	NFIB Small Business Optimism	Feb				105.9	11.00	21.00
US	PPI Final Demand MoM/YoY	Feb		0/1.8		0.6/1.6	13.30	23.30
CA	Teranet/National Bank HPI MoM/YoY	Feb		/		0.5/13.0	13.30	23.30
<b>Wednesday, 15 March 2017</b>								
NZ	BoP Current Account Balance NZD/% of GDP YTD	4Q		/		-4.9/-2.9	22.45	8.45
AU	Westpac Consumer Conf Index/MoM	Mar		/		99.6/2.3	0.30	10.30
AU	New Motor Vehicle Sales MoM/YoY	Feb		/		0.6/-0.9	1.30	11.30
JN	Industrial Production MoM/YoY	Jan F		/		-0.8/3.2	5.30	15.30
UK	Jobless Claims Change/Average Weekly Earnings 3M/YoY	Feb		/		-42.4/2.6	10.30	20.30
UK	Employment Change/ILO Unemployment Rate 3M	Jan		/		37.0/4.8	10.30	20.30
EC	Employment QoQ/YoY	4Q		/		0.2/1.2	11.00	21.00
US	MBA Mortgage Applications	Mar 3				5.8	13.00	23.00
US	Empire Manufacturing	Mar		15		18.7	13.30	23.30
US	CPI MoM/YoY	Feb		0/2.6		0.6/2.5	13.30	23.30
US	CPI Ex Food and Energy MoM/YoY	Feb		0.2/2.2		0.3/2.3	13.30	23.30
US	Retail Sales Advance MoM	Feb		-0.1		0.4	13.30	23.30
US	Retail Sales Ex Auto and Gas/Control Group	Feb		/		0.7/0.4	13.30	23.30
CA	Existing Home Sales MoM	Feb				-1.3	14.00	0.00
US	NAHB Housing Market Index	Mar		65		65.0	15.00	1.00
US	Business Inventories	Jan		0.3		0.4	15.00	1.00
US	FOMC Rate Decision (Lower/Upper Bound)	Mar 15		0.75/1		0.5/0.75	19.00	5.00
US	Total Net TIC Flows	Jan				-42.8	21.00	7.00
US	Net Long-term TIC Flows	Jan				-12.9	21.00	7.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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	0.75-1.00%	0.75-1.00%		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%		
Canada, BoC		12-Apr	0.5%	0.5%		0.5%		

## Upcoming Central Bank Interest Rate Announcements

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	0.75-1.00%	0.75-1.00%		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%		
Canada, BoC		12-Apr	0.5%	0.5%		0.5%		

GMT: Greenwich Mean Time; AEDT: Australian Daylight Savings Time

## CONTACT DETAILS

### Authors

David de Garis  
Senior Economist  
+61 3 8641 3045  
david.degaris@nab.com.au

Ray Attrill  
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

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