

MARKETS TODAY

Three Times a Lady



Good Morning

Janet and Co. has spoken and like the Commodores before them, re-affirmed that three is the magic number.

This remains the number of time the Fed thinks it will most likely raise rates this year in total, and again in 2019. Together with the absence of any reference to when balance sheet shrinkage might commence (either in the FOMC statement or Yellen's press conference) and a view that inflation – currently described as below target ex-food and energy – is likely to stabilise around 2% over the medium term rather than move above, marked out the Fed affair as slightly more dovish than some were positioned for going in to the FOMC pronouncements. The dissent of one FOMC member, Neel Kashkari, in favour of no change today was noted though really no surprise.

The Fed wasn't dovish per se, but with near record short speculative positioning in the US interest rate futures markets, and an expectation that if the Fed was going to do anything today with the 'dots' it would be to ratchet three up to four for either this year or next, markets really only had one way to react. Hence 10yr yields are down some 10bps (to 2.498%) and 2s down 7 bps.

That reaction has been most pronounced in currency markets and where the Aussie dollar – already in the ascendancy during the late APAC and European morning session – has jumped a full cent to spend time briefly back on a 0.77 handle (high of 0.7719). The New Zealand dollar isn't far behind, up 1.5% since this time yesterday and for the first time in over a week, to a high of 0.7039. We should also acknowledge here a very good night for commodities either side of the Fed, with oil up around a dollar, gold by almost \$20 and iron ore up \$2.79 to \$90.93 - the first time above \$90 since the beginning of the month.

Ahead of the Fed, US data showed CPI and retail sales coming in much as expected. With the core CPI measure rising 0.2% and, meaning year-on-year at 2.2% down from 2.3% (the Fed's preferred PCE deflator core measure, implicitly reference in the FOMC statement, remains below 2%). Headline CPI, at 2.7% is now at its highest since December 2012. Retail sales rose by 0.1% as expected on the headline, 0.2% ex-autos versus +0.1% expected and with some favourable back revisions. The NAHB housing index was very strong at 71 from 65, probably the result of very favourable weather. Earlier Wednesday, UK labour market data shows employment strong (and unemployment down) but earnings weak (down to 2.2% 3M Y/Y from 2.6% previously).

Coming Up

Post-FOMC, the other key event risks this week now come thick and fast. The Dutch general election results aren't expected to be a market mover, though we're on guard for the performance of Geert Wilders' Freedom

Party (PVV) having some impact on thinking about how well or otherwise Marine Le Pen might poll next month. The polls have just closed (07:00 AEDT) and first results, from the small island of Schiermonnikoog, are expected within the hour, as too an exit poll that is reported to cover some 38,000 people - a much more significant proportion of the voting population than the (wrong) equivalent exit poll on Brexit last June. The worse the PVV is seen to be faring, the more this can play with the grain of the post-Fed rally in the Euro.

Far more important in the scheme of things, Thursday is supposed to bring the outline of the Trump administration's budget ambitions but with a detailed Blueprint not promised before later in May. At this stage we don't know whether the news will have come out overnight to greet us this time tomorrow, or will only emerge during our Friday (late afternoon/Thursday evening Washington time). Either way, we expect it will be very light on detail (and note that Janet Yellen made clear in her press conference that no discussion or assumptions about fiscal policy had featured in their deliberations).

Also still to come is the commencement of the G20 meeting (Friday) and the delayed meeting between German Chancellor Merkel and US president Trump. Before that that, we'll get the latest decisions from both the Bank of Japan and Bank of England, neither of which are expected to offer any hint of early policy changes.

Locally, we get the February Labour Force survey today, which NAB expects will unveil a 25K rise in employment (consensus 16.0k) after last month's 13.7k gain. The unemployment rate is expected to dip by a tenth from 5.7% to 5.6% (consensus 5.7%). Lying behind this expected somewhat higher employment growth and tone have been stronger indicators of labour demand. For instance, recent readings on Employment from the NAB Survey (as well as the AiG surveys) have pointed to stronger employment growth. The trend in the NAB Employment index is consistent with employment growth of around 20k-plus per month. SEEK Job Ads have also picked up in recent months.

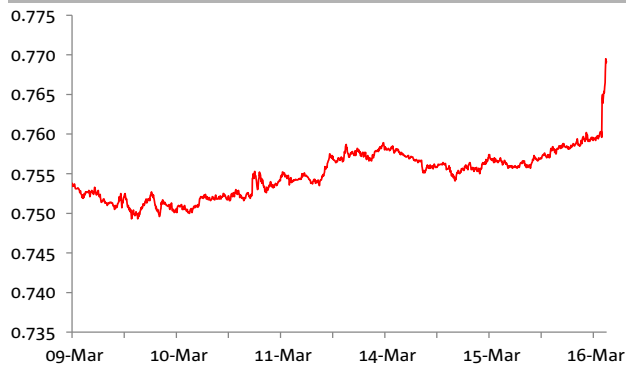
Before this, we get Q4 NZ GDP where are BNZ colleagues forecast a below-consensus 0.4% outcome (market +0.7%). US data tonight includes weekly jobless claims, the Philly Fed survey, housing starts and JOLTS job openings.

Overnight

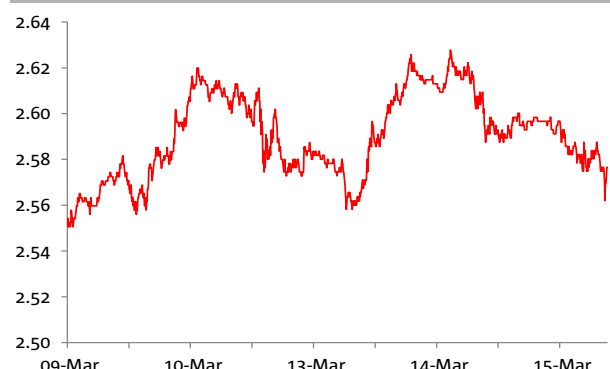
On global stock markets, the S&P 500 was +0.93%. Bond markets saw US 10-years -10.36bp to 2.50%. In commodities, Brent crude oil +1.83% to \$51.85, gold +1.4% to \$1,219, iron ore +3.2% to \$90.93, steam coal +0.9% to \$81.65, met.coal -0.2% to \$159.00. AUD is at 0.7715 and the range since yesterday 5pm Sydney time is 0.7555 to 0.7719.

Markets

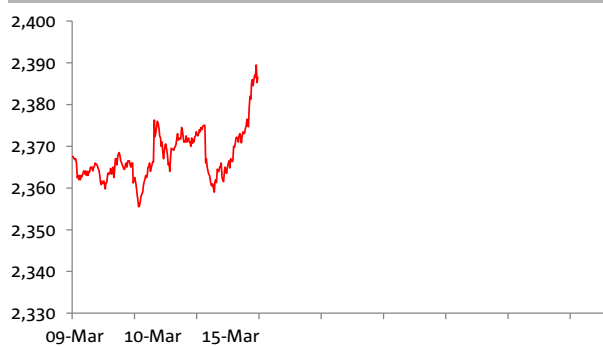
AUD/USD - past week



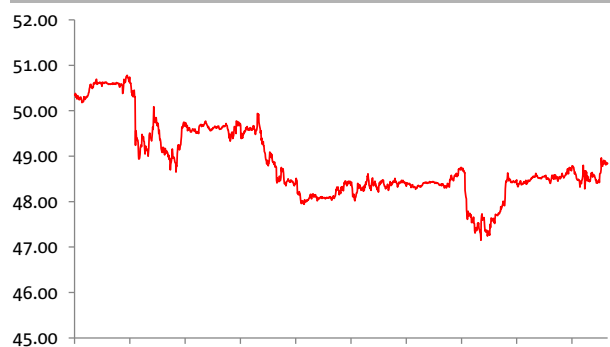
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

Indicative 24hr ranges (**)					Other FX		
	Last	% chge	Low	High		Last	% chge
AUD	0.7714	2.1	0.7555	0.7715	HKD	7.7659	0.0
NZD	0.7043	1.8	0.6918	0.7044	CNY	6.9149	0.0
EUR	1.0726	1.2	1.0603	1.0729	SGD	1.4015	-1.0
GBP	1.2299	1.2	1.2146	1.2303	IDR	13,364	0.0
JPY	113.21	-1.3	113.18	114.88	THB	35.06	-0.7
CAD	1.3300	-1.3	1.3299	1.3485	KRW	1,144	-0.5
AUD/EUR	0.7191	0.9	0.7118	0.7203	TWD	30.80	-0.5
AUD/JPY	87.33	0.7	86.69	87.42	PHP	50.33	0.0
AUD/GBP	0.6271	0.8	0.6186	0.6274	CHF	1.00	-1.1
AUD/NZD	1.0952	0.2	1.0906	1.0956	SEK	8.87	-1.1
AUD/CNH	5.2507	0.4	5.2128	5.2260			

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	1.00	1.14	1.64	2.47	USD 10	2.50	-10.36	
AUD	1.50	1.79	1.94	3.08	AUD 10	2.92	-0.50	0.42
NZD	1.75	1.96	2.32	3.57	NZD 10	3.36	0.30	0.86
EUR	0.00	-0.33	-0.11	0.82	CAD 10	1.77	-7.10	-0.73
GBP	0.25	0.34	0.61	1.24	EUR 10	0.42	-3.00	-2.08
JPY	-0.03	-0.02	0.05	0.29	GBP 10	1.21	-1.30	-1.29
CAD	0.50	0.93	1.14	2.02	JPY 10	0.10	0.00	-2.40

Equities

Major Indices			
	Last	% day	% y/y
Dow	20,947	0.53	21.4
S&P 500	2,387	0.93	18.4
Nasdaq	5,900	0.74	24.8
VIX	11	-7.40	-32.4
FTSE	7,369	0.1	20.0
DAX	12,010	0.2	20.9
CAC 40	4,985	0.2	11.5
Nikkei	19,577	-0.2	15.3
Shanghai	3,242	0.1	12.9
Hang Seng	23,793	-0.1	17.5
ASX 200	5,774	0.3	12.8

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.20	2.00
3 Yr bond	97.8	3.00
10 Yr bond	97.12	10.80
3/10 sprd	0.69	-7.80
SPI	5799.0	-52.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	51.85	1.8
Oil (WTI)	48.83	2.3
Oil (Tapis)	52.73	0.1
Gold	1219.40	1.4
CRB	183.80	0.9
GS Metals	325.9	1.1
Aluminium	1881.3	1.5
Copper	5856.0	0.8
Nickel	10166.5	-0.3
Zinc	2801.5	2.2
Ch. steel	3653.0	1.9
Iron ore	90.9	3.2
St. Coal	81.7	0.9
Met.coal	159.0	-0.2
Wheat Chic.	450.8	4.7
Sugar	18.2	0.4
Cotton	78.1	1.2
Coffee	140.9	-0.2

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	-0.5	-2.0%
FED	-2	-7.6%

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, 16 March 2017								
NZ	GDP SA QoQ/YoY	4Q	0.4/2.8	0.7/3.2		1.1/3.5	22.45	8.45
AU	Consumer Inflation Expectation	Mar				4.1	1.00	11.00
AU	Employment Change/Unemployment Rate	Feb	25/5.6	16/5.7		13.5/5.7	1.30	11.30
AU	Participation Rate	Feb	64.6	64.6		64.6	1.30	11.30
AU	RBA FX Transactions Market	Feb				557.0	1.30	11.30
AU	RBA Bulletin						1.30	11.30
JN	BOJ Policy Balance Rate	Mar 16		-0.1		-0.1	4.00	14.00
JN	Machine Tool Orders YoY	Feb F				9.1	7.00	17.00
EC	CPI MoM/YoY	Feb		0.4/2		-0.8/1.1	11.00	21.00
EC	CPI Core YoY	Feb F		0.9		0.9	11.00	21.00
UK	Bank of England Bank Rate	Mar 16		0.25		0.3	13.00	23.00
CA	Int'l Securities Transactions	Jan				10.2	13.30	23.30
US	Housing Starts/MoM	Feb		1263/1.4		1246.0/-2.6	13.30	23.30
US	Building Permits/MoM	Feb		1267/-2		1285.0/4.6	13.30	23.30
US	Philadelphia Fed Business Outlook	Mar		30		43.3	13.30	23.30
US	Initial Jobless Claims	Mar 11		240		243	13.30	23.30
US	JOLTS Job Openings	Jan		5562		5501.0	15.00	1.00
Friday, 17 March 2017								
G20	G20 Finance Ministers and Central Bank Governors meet for two days							
NZ	BusinessNZ Manufacturing PMI	Feb				51.6	22.30	8.30
NZ	ANZ Consumer Confidence Index/MoM	Mar		/		127.4/-1.0	1.00	11.00
CH	Property Prices	Feb					2.30	12.30
EC	Trade Balance SA	Jan		22		24.5	11.00	21.00
CA	Manufacturing Sales MoM	Jan		-0.3		2.3	13.30	23.30
US	Industrial Production MoM	Feb		0.2		-0.3	14.15	0.15
US	U. of Mich. Sentiment/5-10 Yr Inflation	Mar P		97		96.3	15.00	1.00
US	Leading Index	Feb		0.5		0.6	15.00	1.00
Monday, 20 March 2017								
NZ	Performance Services Index	Feb				59.5	22.30	8.30
UK	Rightmove House Prices MoM	Mar				2.0	1.10	11.10
UK	Rightmove House Prices YoY	Mar				2.3	1.10	11.10
AU	RBA's Ellis Speech in Canberra						2.30	12.30
GE	PPI MoM	Feb				0.7	8.00	18.00
GE	PPI YoY	Feb				2.4	8.00	18.00
EC	Labour Costs YoY	4Q				1.5	11.00	21.00
CA	Wholesale Trade Sales MoM	Jan				0.7	13.30	23.30
US	Chicago Fed Nat Activity Index	Feb				-0.1	13.30	23.30
NZ	Westpac Consumer Confidence	1Q				113.1		
CA	Bloomberg Nanos Confidence	Mar 17				58.2	15.00	1.00
US	Fed's Evans Speaks on Economy and Policy in New York						18.10	4.10
Tuesday, 21 March 2017								
NZ	Net Migration SA	Feb				6460.0	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Mar 19				113.1	23.30	9.30
AU	House Price Index QoQ	4Q				1.5	1.30	11.30
AU	House Price Index YoY	4Q				3.5	1.30	11.30
AU	RBA March Rate Meeting Minutes						1.30	11.30
NZ	Credit Card Spending MoM	Feb				0.2	3.00	13.00
NZ	Credit Card Spending YoY	Feb				7.1	3.00	13.00
UK	CPI MoM	Feb				-0.5	10.30	20.30
UK	CPI YoY	Feb				1.8	10.30	20.30
UK	CPI Core YoY	Feb				1.6	10.30	20.30
UK	PPI Input NSA MoM	Feb				1.7	10.30	20.30
UK	PPI Input NSA YoY	Feb				20.5	10.30	20.30
UK	PPI Output NSA MoM	Feb				0.6	10.30	20.30
UK	PPI Output NSA YoY	Feb				3.5	10.30	20.30
UK	PPI Output Core NSA MoM	Feb				0.5	10.30	20.30
UK	PPI Output Core NSA YoY	Feb				2.4	10.30	20.30
UK	House Price Index YoY	Jan				7.2	10.30	20.30
UK	Public Finances (PSNCR)	Feb				-26.5	10.30	20.30
UK	CBI Trends Total Orders	Mar				8.0	12.00	22.00
UK	CBI Trends Selling Prices	Mar				32.0	12.00	22.00
CA	Retail Sales MoM	Jan				-0.5	13.30	23.30
US	Current Account Balance	4Q		-128.6		-113.0	13.30	23.30
CA	Retail Sales Ex Auto MoM	Jan				-0.3	13.30	23.30
CH	Conference Board Leading Economic Index	Feb					14.00	0.00
US	Fed's George Speaks in Washington on U.S. Economy and the Fed						17.00	3.00
US	Fed's Mester Speaks at University of Richmond						23.00	9.00
Wednesday, 22 March 2017								
AU	Westpac Leading Index MoM	Feb				0.0	0.30	10.30
JN	BOJ Minutes of Jan. 30-31 Meeting						0.50	10.50
JN	Trade Balance Adjusted	Feb				155.5	0.50	10.50
AU	Skilled Vacancies MoM	Feb				1.0	1.00	11.00
JN	BOJ Funo speaks in Shizuoka						2.30	12.30
AU	RBA's Debelle Speech in Singapore						2.40	12.40
JN	All Industry Activity Index MoM	Jan				-0.3	5.30	15.30
EC	ECB Current Account SA	Jan				31.0	10.00	20.00
US	MBA Mortgage Applications	Mar 10				3.3	12.00	22.00
US	FHFA House Price Index MoM	Jan				0.4	14.00	0.00
US	Existing Home Sales	Feb		5.58		5.7	15.00	1.00
US	Existing Home Sales MoM	Feb		-1.93		3.3	15.00	1.00
CA	Bank of Canada Deputy Governor Lawrence Schembri Speech						16.00	2.00
NZ	RBNZ Official Cash Rate	Mar 23		1.75		1.8	21.00	7.00
Upcoming Central Bank Interest Rate Announcements								
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%		
Australia	RBA	4-Apr	1.50%	1.50%		1.50%		
Canada	BoC	12-Apr	0.5%	0.5%		0.5%		
Europe	ECB	17-Apr	-0.4%	-0.4%		-0.4%		

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

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