

MARKETS TODAY

Parting Shot



Good Morning

US equities have reversed about half of yesterday's post Fed rally, the USD is a little bit softer and UST yields are a little bit higher.

The softness in US equities has been driven by declines in the healthcare and energy sectors. The Republican health plan approval by the House Budget Committee has increased uncertainty for health-care companies while lingering concerns over the near term outlook for oil appears to be weighing on the energy sector.

Although the USD has performed against commodity linked currencies, probably aided by the rise in US yields overnight, the USD index is lower amid yet another rise in the British pound and a late EUR rally. Overnight the BoE left its policy rate unchanged, but in a parting shot, Kristin Forbes who leaves the Bank in a few months dissented and voted for a hike. Other members who voted for an unchanged outcome said that it wouldn't take much more strength in inflation or growth for them to also shift their view. GBP jumped one big figure on the news to 1.2368 and now trades about 10 pips below this level.

Over the past hour the EUR has also been rallying jumping 60 pips to 1.0767 following reports that ECB Nowotny said rate increase may be on the way, noting that the ECB might move away from loose monetary policy in a different way than Fed. Nowotny added that the U.S. model was to finish bond purchases first, but this model might not transfer well to Europe.

Meanwhile AUD and NZD are at the bottom of the G10 leader board, both still affected by yesterday's softer data releases. Australia's February labour force report was disappointing and although details showed much of the weakness came from Queensland (a recently volatile component in the survey), the fact that the unemployment rate rose to 5.9% from 5.7% raises some concerns of a soft underbelly in the labour market. After trading above 77c post yesterday's Fed hike decision, the AUD spent the whole overnight session under the big figure and now trades at 0.7676. Meanwhile, yesterday's softer than expected NZ Q4-16 GDP figure continued to weight on the NZD/USD and the currency pair is now back below the 70c mark.

Somewhat surprising market reaction to President Trump budget outline (released yesterday) has been fairly muted. While the outline is just a proposal for spending measure with the revenue side and incentives (such as corporate tax cuts) still to be announced, the fact that there was nothing on infrastructure spending goes against the big moves in markets since Trump's presidential election win. Of course Congress still needs to approve any proposal, but at the minimum the budget outline suggests Trump's actions are going to be a belated and diluted version of his pre-election rhetoric and at worst it could suggest that not a lot will come

from his actions. This is a theme worth keeping an eye as the so call Trump trade could be at risk of an unwind.

Coming UP

After a pretty busy couple of days full of risk events, we have a relatively light calendar to close the week. US industrial production and consumer sentiment are the main data highlights, President Trump hosts German Chancellor Merkel at the White House and G-20 finance ministers and central bank governors gather today in Baden-Baden (Germany) for a two day meeting.

In our time zone China releases property prices for February and then Europe gets trade data for January.

US industrial production is expected to have risen in February to 0.4% mom from -0.2% previously, however the warmer weather suggests utilities were a production drag in the month. Meanwhile the market is looking for a small uptick in US consumer sentiment with the U. of Michigan reading expected to climb from 96.3 to 97. The inflation expectations reading in the survey is also likely to be of market interest, particularly given the small dip to 2.5% in February.

President Trump and Chancellor Merkel will be given a joint press conference at 1pm EDT (4:00am Sydney time) and no doubt it will be a friendly affair, but given the US is Germany's biggest exporting market at ~€107bn of goods while Germany only imports around €58bn, there is still a possibility for some tension, particularly if President Trump takes a similar line to his trade advisor Peter Navarro who just under two weeks ago accused Germany of "currency manipulation and other forms of trade cheating".

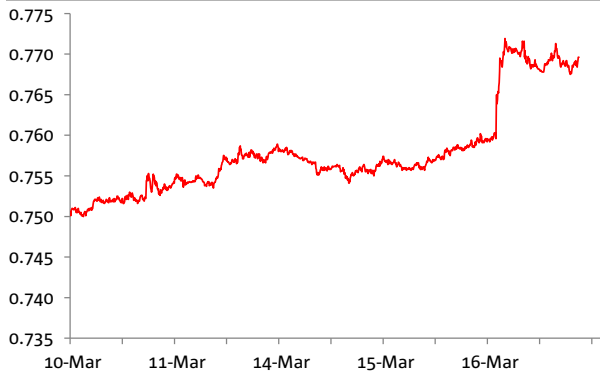
Usually G20 finance ministers and central bank chiefs summits are not that exciting, but given the US threat of protectionism and accusation of currency manipulation this time around the gathering could be more relevant for markets as it might provide some hints on what to expect in terms of US trade policy and a US border tax adjustment in particular.

Overnight

On global stock markets, the S&P 500 was -0.16%. Bond markets saw US 10-years -0.17bp to 2.53%. In commodities, Brent crude oil -0.10% to \$51.76, gold +2.1% to \$1,226, iron ore +1.8% to \$92.61, steam coal -0.7% to \$81.10, met.coal -0.2% to \$158.75. AUD is at 0.768 and the range since yesterday 5pm Sydney time is 0.7664 to 0.7716.

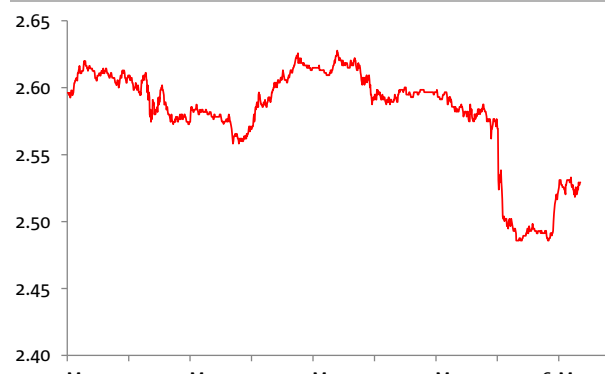
Markets

AUD/USD - past week



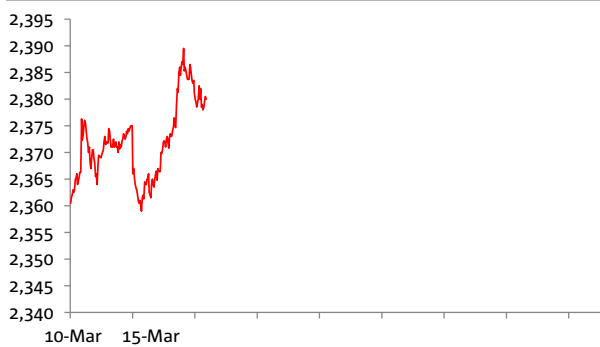
Source: Bloomberg.

US 10yr - past week



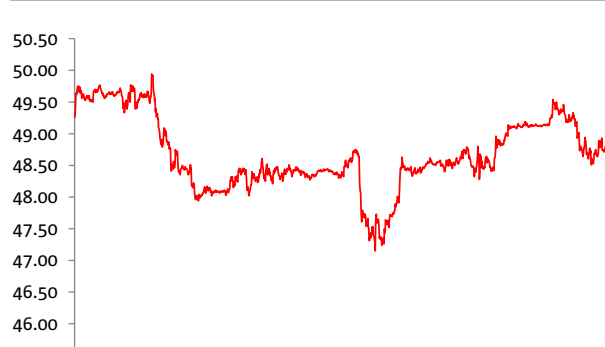
Source: Bloomberg.

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	0.7679	-0.4	0.7664	0.7717	HKD	7.7630	0.0
NZD	0.6985	-0.9	0.6969	0.7046	CNY	6.8980	-0.2
EUR	1.0769	0.3	1.0706	1.0770	SGD	1.4010	0.0
GBP	1.2356	0.5	1.2241	1.2377	IDR	13,347	-0.1
JPY	113.27	-0.1	112.91	113.55	THB	34.91	-0.4
CAD	1.3320	0.1	1.3277	1.3353	KRW	1,132	-1.0
AUD/EUR	0.7131	-0.7	0.7122	0.7192	TWD	30.66	-0.5
AUD/JPY	86.98	-0.5	86.70	87.49	PHP	50.18	-0.3
AUD/GBP	0.6215	-0.9	0.6200	0.6287	CHF	1.00	-0.4
AUD/NZD	1.0993	0.5	1.0931	1.1020	SEK	8.82	-0.5
AUD/CNH	5.2889	0.7	5.2628	5.2868			

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	1.00	1.15	1.67	2.50	USD 10	2.53	4.18	
AUD	1.50	1.80	1.99	3.13	AUD 10	2.82	-10.10	0.28
NZD	1.75	1.97	2.32	3.56	NZD 10	3.29	-7.30	0.75
EUR	0.00	-0.33	-0.11	0.90	CAD 10	1.80	3.90	-0.73
GBP	0.25	0.34	0.63	1.28	EUR 10	0.45	3.30	-2.09
JPY	-0.03	-0.02	0.04	0.27	GBP 10	1.25	3.80	-1.29
CAD	0.50	0.93	1.16	2.05	JPY 10	0.08	-2.20	-2.46

Equities

Major Indices			
	Last	% day	% y/y
Dow	20,935	-0.07	20.8
S&P 500	2,381	-0.16	17.5
Nasdaq	5,901	0.01	23.9
VIX	11	-3.61	-25.2
FTSE	7,416	0.6	20.1
DAX	12,083	0.6	21.0
CAC 40	5,013	0.6	12.3
Nikkei	19,590	0.1	15.7
Shanghai	3,269	0.8	12.5
Hang Seng	24,288	2.1	18.5
ASX 200	5,786	0.2	12.0

Commodities*

	Last	% day
Oil (Brent)	51.74	-0.1
Oil (WTI)	48.78	-0.2
Oil (Tapis)	53.51	1.5
Gold	1226.20	2.1
CRB	184.04	0.1
GS Metals	327.9	0.6
Aluminium	1894.0	0.7
Copper	5901.5	0.8
Nickel	10182.5	0.2
Zinc	2822.3	0.7
Ch. steel	3591.0	-1.0
Iron ore	92.6	1.8
St. Coal	81.1	-0.7
Met.coal	158.8	-0.2
Wheat Chic.	451.0	0.1
Sugar	18.3	0.1
Cotton	78.2	0.1
Coffee	141.5	0.4

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-1.0	-4.0%
FED	-0	-1.2%

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.19	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.09	5.50
3/10 sprd	0.72	-2.50
SPI	5777.0	-10.0

*Change in bps

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
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								
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 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	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		471.05		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								
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 17				3.1	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		
Thursday, 23 March 2017								
GE	GfK Consumer Confidence	Apr				10.0	8:00	18:00
EC	ECB Publishes Economic Bulletin						10:00	20:00
UK	Retail Sales Ex Auto Fuel MoM	Feb				-0.2	10:30	20:30
UK	CBI Retailing Reported Sales	Mar				9.0	12:00	22:00
UK	CBI Total Dist. Reported Sales	Mar				25.0	12:00	22:00
US Fed's Yellen Speaks at Community Development Conference								
US	Initial Jobless Claims	Mar 11		240		243.0	13:30	23:30
US	Bloomberg Consumer Comfort	Mar 12				50.6	14:45	0:45
US	New Home Sales	Feb		560		555.0	15:00	1:00
US	New Home Sales MoM	Feb		0.9		3.7	15:00	1:00
US	Kansas City Fed Manf. Activity	Mar				14.0	16:00	2:00
EC	Consumer Confidence	Mar A				-6.2	16:00	2:00
US	Fed's Kashkari Speaks at Community Development Event						19:00	5:00
Friday, 24 March 2017								
NZ	Trade Balance NZD	Feb		100		-285.0	22:45	8:45
JN	Nikkei Japan PMI Mfg	Mar P				53.3	1:30	11:30
JN	Leading Index CI	Jan F				105.5	6:00	16:00
GE	Markit/BME Germany Manufacturing PMI	Mar P				56.8	9:30	19:30
GE	Markit/BME Germany Services PMI	Mar P				54.4	9:30	19:30
GE	Markit/BME Germany Composite PMI	Mar P				56.1	9:30	19:30
EC	Markit Eurozone Manufacturing PMI	Mar P				55.4	10:00	20:00
EC	Markit Eurozone Services PMI	Mar P				55.5	10:00	20:00
EC	Markit Eurozone Composite PMI	Mar P				56.0	10:00	20:00
UK	BBA Loans for House Purchase	Feb				44657.0	10:30	20:30
US	Durable Goods Orders	Feb P		1		2.0	13:30	23:30
US	Durables Ex Transportation	Feb P		0.5		0.0	13:30	23:30
US	Cap Goods Orders Nondef Ex Air	Feb P		0.6		-0.1	13:30	23:30
US	Cap Goods Ship Nondef Ex Air	Feb P				-0.4	13:30	23:30
CA	CPI YoY	Feb				2.1	13:30	23:30
CA	CPI Core- Common YoY%	Feb				1.3	13:30	23:30
US	Fed's Evans Speaks at Community Development Event						13:00	23:00
US	Markit US Manufacturing PMI	Mar P				54.2	14:45	0:45
US	Fed's Bullard to Speak to Economic Club of Memphis						14:05	0:05
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

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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