

MARKETS TODAY

Sense of doubt



Good Morning

When nothing else springs to mind, David Bowie songs are always a handy source for a daily note title. Sense of Doubt is an instrumental track from his Heroe album, pretty weird to say the least including the video which shows Bowie performing mime. Nevertheless the song title does help illustrate the market's mood overnight, mild risk off tone reflecting a bit uncertainty ahead of an imminent Fed hike next week with a bit of geopolitical tensions thrown in the mix.

US equities look set to end the day in negative territory (currently down between 0.2% and -0.4%) with financials the worst performing sector in the S&P 500. Early in the session main European equity indices ended day down between 0.3% and 0.6% with Deutsche Bank dragging financial shares lower after announcing plans to raise capital.

Yesterday's news that North Korea had launched four missiles with three of them landing inside Japan's Exclusive Economic Zone didn't help sentiment while commodities were also under the pressure on diminished Chinese growth prospects. Copper and aluminium ended the day down 1% and iron ore closed at -1.7%. Gold and oil prices were little changed.

In currencies the USD recovered a bit of lost ground after the mild sell off triggered by Fed Chair Yellen's speech early Saturday. Gains in the big dollar have coincided with a late selloff in US Treasury yields with the move led by the back end of the curve amid longer dated corporate issuance overnight and prospects of UST issuance later in the week.

JPY is the only G10 currency that has managed to withstand the late overnight rise in the USD. USD/JPY is essentially unchanged at ¥113.93 with the AUD a little bit softer, down 0.14% at 0.7585. Meanwhile NZD has remained under pressure, slipping another 0.5% over the past 24hrs and spending most of the past four hours just under the 70c mark. Expectations of a soft dairy auction tomorrow morning (see more below) and yesterday's soft dwelling's data have not helped the Kiwi.

The Euro is 0.3% lower against the USD and currently trading at 1.0587. Early in the session the currency pair traded to an overnight high of 106.4, but then it quickly sold off following news that Alain Juppe had ruled himself out of the French Presidential race. Evidently, Juppe's pull out has been interpreted as lessening the chances of Far Right Le Pen being knocked out in the first round. The move also saw the spread of 10y French to German bonds widen from 58 to 62 bps.

Coming Up

Ahead of the RBA this afternoon, this morning in Australia we get the weekly consumer confidence reading and February's AiG Performance of Construction Index.

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As for the RBA, all economists surveyed by Bloomberg expect the Bank to stand pat. Nevertheless, the market will be paying close attention to the language in the Governor's Media Release to see whether last week's December quarter GDP had any material bearing on the Bank's thinking. We don't think so, indeed, we expect the Bank to remain neutral with the final paragraph in the Governor's statement assessing current monetary policy settings as consistent with the Bank's policy mandates.

It's a quiet night in Europe with German factory orders the only notable data release. The third Q4 reading for the EU area GDP growth might prompt some attention with household consumption and investment spending likely to have been positive contributors to growth in the quarter.

Consumer credit and trade balance (both for January) are the two data highlights in the US. A pick in consumer credit is expected after a soft December print (\$18bn exp. vs 14bn prev.) and advance data on goods trade balance suggest the US trade deficits could have widened to a five year high of \$49bn from \$44bn in December, mainly on the back of rising imports. A trade deficit is a drag on growth and overnight US trade adviser Peter Navarro said the U.S. faced a growing economic and potential national security risk from the commercial behaviour of its major trading partners and added that the administration would make the reduction of U.S. trade deficits its top policy focus. Watch this space.

Early Wednesday morning sees the latest GDT (dairy) auction and our BNZ colleagues note that recent indicators and fundamentals suggest a price fall in the vicinity of 7% looks likely. (EU and NZ milk production declines are showing signs of abating, while rain in NZ has improved the late season outlook.) As a result, BNZ has nudged its NZ milk price forecast down to \$6.10 from \$6.40 previously, although it still remains a touch above Fonterra's current \$6.00 forecast.

Overnight

On global stock markets, the S&P 500 was -0.25%. Bond markets saw US 10-years +1.45bp to 2.49%. In commodities, Brent crude oil +0.18% to \$56, gold -0.0% to \$1,226, iron ore -1.7% to \$89.73, steam coal -0.9% to \$80.20, met.coal -1.1% to \$163.25. AUD is at 0.7582 and the range since yesterday 5pm Sydney time is 0.7571 to 0.7609.

Markets

AUD/USD - past week



Source: Bloomberg.

US 10yr - past week



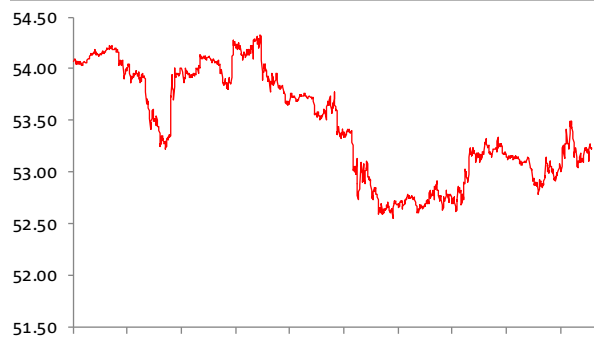
Source: Bloomberg.

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	0.7582	-0.2	0.7571	0.7609	HKD	7.7642	0.0
NZD	0.6996	-0.5	0.6992	0.7046	CNY	6.8970	0.0
EUR	1.0584	-0.4	1.0575	1.0640	SGD	1.4112	0.0
GBP	1.2237	-0.4	1.2224	1.2301	IDR	13,350	-0.2
JPY	113.91	-0.1	113.56	114.14	THB	35.07	0.1
CAD	1.3411	0.2	1.3365	1.3425	KRW	1,158	0.1
AUD/EUR	0.7164	0.2	0.7134	0.7181	TWD	30.98	-0.2
AUD/JPY	86.37	-0.3	86.17	86.61	PHP	50.31	-0.1
AUD/GBP	0.6197	0.3	0.6161	0.6204	CHF	1.01	0.4
AUD/NZD	1.0838	0.3	1.0771	1.0843	SEK	9.02	0.4
AUD/CNH	5.2371	0.5	5.2168	5.2395			

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprrd
USD	0.75	1.10	1.64	2.45	USD 10	2.49	1.45
AUD	1.50	1.79	1.98	3.07	AUD 10	2.80	-0.30
NZD	1.75	1.99	2.35	3.55	NZD 10	3.31	-0.30
EUR	0.00	-0.33	-0.12	0.78	CAD 10	1.71	0.60
GBP	0.25	0.36	0.59	1.23	EUR 10	0.34	-1.40
JPY	-0.03	-0.01	0.04	0.25	GBP 10	1.21	2.80
CAD	0.50	0.94	1.10	1.95	JPY 10	0.07	-0.40

Equities

Major Indices			
	Last	% day	% y/y
Dow	20,974	-0.15	23.3
S&P 500	2,377	-0.25	18.9
Nasdaq	5,855	-0.28	24.1
VIX	11	1.46	-34.0
FTSE	7,350	-0.3	18.6
DAX	11,958	-0.6	21.7
CAC 40	4,972	-0.5	11.6
Nikkei	19,379	-0.5	14.6
Shanghai	3,234	0.5	11.6
Hang Seng	23,596	0.2	17.0
ASX 200	5,747	0.3	11.7

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.21	0.00
3 Yr bond	97.8	0.00
10 Yr bond	97.16	0.50
3/10 sprd	0.64	-0.50
SPI	5723.0	-16.0

* Change in bps

Commodities*

	Last	% day
Oil (Brent)	56.00	0.2
Oil (WTI)	53.20	-0.2
Oil (Tapis)	56.53	0.5
Gold	1226.40	0.0
CRB	189.42	-0.2
GS Metals	328.4	0.0
Aluminium	1866.8	-1.0
Copper	5845.8	-1.0
Nickel	11046.8	0.9
Zinc	2734.0	-1.3
Ch. steel	3482.0	-0.5
Iron ore	89.7	-1.7
St. Coal	80.2	-0.9
Met.coal	163.3	-1.1
Wheat Chic.	458.5	1.1
Sugar	19.2	-1.9
Cotton	78.4	1.4
Coffee	141.5	-1.3

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
Monday, 6 March 2017								
CH	China's People's Congress - Annual Session (lasts for around 10 days - headlines possible)							
NZ	Crown Accounts	Jan				22.00	8.00	
NZ	Building Permits MoM	Feb				-7.2	22.45	8.45
NZ	Wholesale trade	Q4	1.5-2.0			1.0	22.45	8.45
AU	Melbourne Institute Inflation MoM/YoY	Mar				0.6/2.1	1.00	11.00
AU	Retail Sales MoM	Feb	0.4		0.4	-0.1	1.30	11.30
AU	ANZ Job Advertisements MoM	Mar				4.0	1.30	11.30
GE	Markit Germany Construction PMI	Feb				52.0	9.30	19.30
EC	Sentix Investor Confidence	Mar		18.5		17.4	10.30	20.30
UK	BoE's Andy Haldane speaks in London						10.30	20.30
UK	BoE's Deputy Hogg speaks in Lincoln						12.30	22.30
CA	Bloomberg Nanos Confidence	Mar 3				58.1	16.00	2.00
US	Factory Orders/Ex Transp	Jan		1/		1.3/2.1	16.00	2.00
NZ	RBNZ Governor Wheeler Speaks in Auckland (Not Public)						19.00	5.00
US	Fed's Kashkari (v) speaks at NABE conference						21.00	7.00
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		-0.15		-0.6	1.10	11.10
AU	RBA Cash Rate Target	Mar 7	1.5%	1.5		1.5	4.30	14.30
GE	Factory Orders MoM/YoY	Jan		-2.5/4.3		5.2/8.1	8.00	18.00
CH	Foreign Reserves	Feb		2969		2998.2	9.00	19.00
UK	Halifax House Prices MoM/YoY	Feb		0.4/5.3		-0.9/5.7	9.30	19.30
EC	GDP SA QoQ/YoY	4Q F		0.4/1.7		0.4/1.7	11.00	21.00
US	Trade Balance	Jan		-48.5		-44.3	14.30	0.30
CA	Int'l Merchandise Trade	Jan		0.75		0.9	14.30	0.30
CA	Ivey Purchasing Managers Index SA	Feb		58.5		57.2	16.00	2.00
US	Consumer Credit	Jan		17.75		14.2	21.00	7.00
NZ	Dairy Auction, GDT-weighted price index		circa -7% fall				early am NZT	
Wednesday, 8 March 2017								
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		1464.1		1669.2	0.50	10.50
JN	GDP SA QoQ/Annualised QoQ	4Q F		0.4/1.5		0.2/1.0	0.50	10.50
CH	Foreign Direct Investment YoY CNY	Feb		-4.15		-9.2	8-18 Mar release	
CH	Trade Balance CNY	Feb		172.5		354.5	4.00	14.00
CH	Exports/Imports YoY CNY	Feb		17.25/25.6		15.9/25.2	4.00	14.00
CH	Trade Balance	Feb		27		51.4	4.30	14.30
CH	Exports/Imports YoY	Feb		14/20		7.9/16.7	4.30	14.30
JN	Eco Watchers Survey Current/Outlook SA	Feb		50		49.8/49.4	6.00	16.00
JN	Leading Index CI	Jan P		105.4		104.8	6.00	16.00
GE	Industrial Production SA MoM/YoY	Jan		2.7/-0.6		-3.0/-0.7	8.00	18.00
UK	Chancellor Hammon presents Budget with new Budget and economy forecasts						12.30	22.30
US	MBA Mortgage Applications	Mar 3				5.8	13.00	23.00
US	ADP Employment Change	Feb		188.5		246.0	14.15	0.15
CA	Housing Starts	Feb		200		207.4	14.15	0.15
US	Nonfarm Productivity/Unit labor costs	4Q F		1.5/1.6		1.3/1.7	14.30	0.30
CA	Labor Productivity QoQ	4Q		0.4		1.2	14.30	0.30
CA	Building Permits MoM	Jan		3		-6.6	14.30	0.30
US	Wholesale Trade Inventories/Sales MoM	Jan F		-0.1/0.5		-0.1/2.6	16.00	2.00
Thursday, 9 March 2017								
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		1.8/7.7		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
Friday, 10 March 2017								
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		950/1400		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
Saturday, 11 March 2017								
AU	WA State election							
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

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