

MARKETS TODAY

ECB Creaking Door



Good Morning

As expected the ECB left its key interest rates and QE programme unchanged, but a more optimistic Draghi has helped the EUR performed and it has also pushed bond yields higher. Commodities have remained under pressure and it has been the key driver of AUD underperformance and other commodity linked currencies.

The ECB statement and forecasts had no major surprises and resulted in a fairly muted reaction by the market. The forward guidance in the statement was unchanged ("interest rates will stay low, or lower for an extended period of time") and the only notable tweak in the forecasts was the 2017 inflation uplift to 1.7% from 1.4% previously. But 45 minutes later in the press conference an upbeat Draghi boosted the Euro and pushed core global yields higher as he ever so slightly suggested the ECB door could be opening to the possibility of a change in policy stance in the future.

Draghi noted that further measures to support the Eurozone economy have become less likely given the threats to its recovery have become less severe and while he also noted that "There is no sign of a convincing upward trend in underlying inflation," he then added that "There is no longer that sense of urgency in taking further actions,".

The Euro jumped about 60p to 106.15 on Draghi's comments but the move quickly faded and now it trades about 20pips lower at 105.92. In contrast reaction in the bond market has been more lasting. 10y bunds have ended the day close to their overnight highs (up 5.6bps to 0.421%) and 10y UST yield have continued to creep up and briefly traded above 2.60%.

Meanwhile commodities and not just oil, have remained under pressure. 20 days ago iron ore was close to \$95 now is at \$86.8, oil was at \$54.5 and now is at 48.96 and copper is also down almost 8% from its mid-February peak.

Unsurprisingly then commodity linked currencies are the G10 underperformers overnight. The AUD (-0.33%) traded below 0.75c last night before finding some support, CAD is also down 0.2% and NZD is -0.30%. The latter appears to be finding some support at 0.6890 and it has traded mostly sideways in the last few hours.

Finally, European equities ended the day mildly in positive territory and US equities looks set to end the day essentially unchanged.

Coming Up

February's US employment report is today's data highlight and is scheduled for release half an hour after midnight (Sydney time). In our time zone, however, the day starts with New Zealand's card spending data (Feb)

followed by Australia's housing finance (Jan) and Japan's PPI figures for February.

Ahead of the US payrolls report, Germany gets its January current account balance and the UK releases industrial, manufacturing and construction output data for January. All monthly readings are expected to print in negative territory. The pound has been under pressure in recent days and while monthly output data can be volatile, a round of soft data releases below expectations tonight could well be the trigger that pushes GBP below the 1.21 mark, a level not seen since mid-January this year

After yesterday's stronger than expected ADP print (298k vs 200k exp.), the market is looking for a 200k non-farm payrolls outcome tonight but the 'whisper number' is probably closer to 250k. Meanwhile the consensus is looking for the unemployment rate to slide 0.1% to 4.7% and for average hourly earnings to rebound +0.3% in the month taking the annual reading to 2.7% from 2.5% previously.

Right now a Fed hike looks well baked, as Ray Attrill, our Head of FX Strategy, noted yesterday and we will probably need to see an extremely soft report tonight, particularly the earnings numbers, to stop the Fed from hiking next week.

A hike next week is 88% priced and a report with no surprises tonight could well push expectations close to 100%. But with forward job indicators suggesting solid non-farm payrolls numbers should be expected over the coming months, tonight's earnings data will probably be more important given its likely influence on the Fed rates guidance next week (the dot plots) and market's expectations of further rate hikes in 2017. Currently the market is pricing over a 60% chance of a third Fed hike by December.

Overnight

Bond On global stock markets, the S&P 500 was +0.10%. Bond markets saw US 10-years +3.28bp to 2.59%. In commodities, Brent crude oil -1.21% to \$52.47, gold -0.6% to \$1,202, iron ore -0.5% to \$86.79, steam coal -0.6% to \$78.20, met.coal -0.8% to \$161.50. AUD is at 0.7509 and the range since yesterday 5pm Sydney time is 0.7492 to 0.7534.

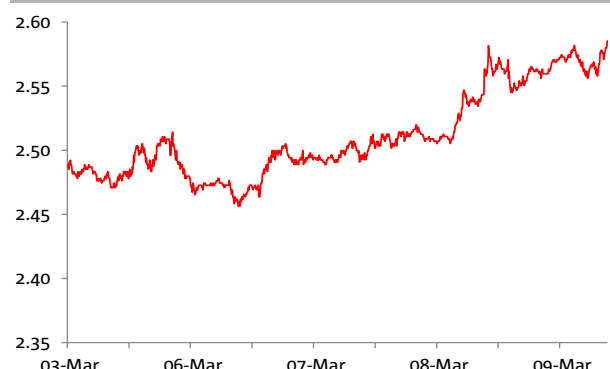
Markets

AUD/USD - past week



Source: Bloomberg.

US 10yr - past week



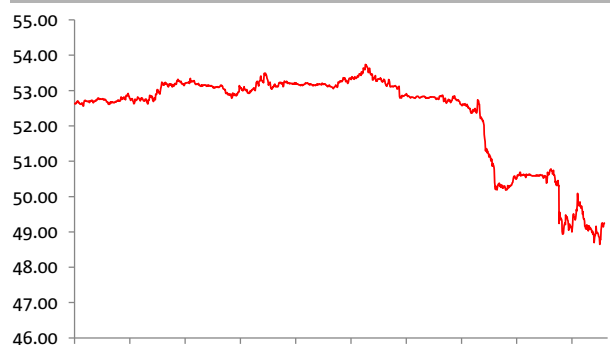
Source: Bloomberg.

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	0.7509	-0.3	0.7491	0.7534	HKD	7.7648	0.0
NZD	0.6900	-0.2	0.6890	0.6917	CNY	6.9110	0.0
EUR	1.0588	0.4	1.0525	1.0615	SGD	1.4194	0.1
GBP	1.2177	0.1	1.2135	1.2195	IDR	13,390	0.3
JPY	114.91	0.5	114.32	114.98	THB	35.38	0.2
CAD	1.3505	0.1	1.3483	1.3535	KRW	1,158	1.1
AUD/EUR	0.7092	-0.7	0.7083	0.7146	TWD	31.04	0.5
AUD/JPY	86.29	0.2	85.85	86.42	PHP	50.38	0.1
AUD/GBP	0.6167	-0.3	0.6159	0.6192	CHF	1.01	-0.4
AUD/NZD	1.0882	0.0	1.0861	1.0908	SEK	9.03	-0.3
AUD/CNH	5.1879	-0.5	5.1706	5.2468			

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	0.75	1.11	1.69	2.56	USD 10	2.59	3.28	
AUD	1.50	1.80	2.05	3.18	AUD 10	2.93	6.60	0.34
NZD	1.75	1.97	2.36	3.64	NZD 10	3.38	4.80	0.78
EUR	0.00	-0.33	-0.10	0.88	CAD 10	1.81	2.80	-0.79
GBP	0.25	0.35	0.61	1.26	EUR 10	0.43	5.60	-2.17
JPY	-0.03	-0.01	0.05	0.28	GBP 10	1.23	0.70	-1.37
CAD	0.50	0.94	1.15	2.05	JPY 10	0.10	1.60	-2.50

Equities

Major Indices			
	Last	% day	% y/y
Dow	20,859	0.02	22.7
S&P 500	2,365	0.10	18.9
Nasdaq	5,841	0.06	25.0
VIX	12	1.94	-34.1
FTSE	7,315	-0.3	19.0
DAX	11,978	0.1	23.2
CAC 40	4,982	0.4	12.6
Nikkei	19,319	0.3	14.6
Shanghai	3,217	-0.7	14.7
Hang Seng	23,502	-1.2	17.6
ASX 200	5,741	-0.3	11.5

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.18	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.01	-11.00
3/10 sprd	0.80	14.00
SPI	5759.0	-12.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	52.47	-1.2
Oil (WTI)	49.62	-1.3
Oil (Tapis)	54.26	-4.3
Gold	1202.00	-0.6
CRB	183.22	-1.0
GS Metals	321.6	0.0
Aluminium	1855.8	-0.7
Copper	5674.0	-1.3
Nickel	10094.5	-0.5
Zinc	2670.5	-1.2
Ch. steel	3401.0	-1.7
Iron ore	86.8	-0.5
St. Coal	78.2	-0.6
Met.coal	161.5	-0.8
Wheat Chic.	444.0	-0.7
Sugar	18.0	-2.2
Cotton	76.6	-0.4
Coffee	140.5	-0.9
Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-0.5	-2.0%
FED	22	87.6%

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
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			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		200/4.7		227.0/4.8	14.30	0.30
US	Average Hourly Earnings MoM/YoY	Feb		0.3/2.7		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		-177.5		51.3	20.00	6.00
Saturday, 11 March 2017								
AU	WA State election							
Monday, 13 March 2017								
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		-0.8		6.7/6.7	0.50	10.50
JN	Tertiary Industry Index MoM	Jan		0.5		-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
Tuesday, 14 March 2017								
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
EC	ZEW Survey Expectations	Mar				17.1	11.00	21.00
US	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
Wednesday, 15 March 2017								
NZ	BoP Current Account Balance NZD/% of GDP YTD	4Q		-2.27/-2.7		-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 10				3.3	12.00	22.00
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
Thursday, 16 March 2017								
NZ	GDP SA QoQ/YoY	4Q		0.9/3.3		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		18/5.7		13.5/5.7	1.30	11.30
AU	Participation Rate	Feb		64.6		64.6	1.30	11.30
AU	RBA FX Transactions Market	Feb				557.0	1.30	11.30
NZ	Non Resident Bond Holdings	Feb				62.5	3.00	13.00
JN	BOJ Policy Balance Rate	Mar 16				-0.1	4.00	14.00
JN	BOJ 10-Yr Yield Target	Mar 16				0.0	4.00	14.00
JN	Machine Tool Orders YoY	Feb P				3.5	7.00	17.00
EC	CPI MoM/YoY	Feb		/		-0.8/1.1	11.00	21.00
EC	CPI Core YoY	Feb F				0.9	11.00	21.00
UK	Bank of England Bank Rate	Mar 16				0.3	13.00	23.00
UK	BOE Asset Purchase/Corporate Bond Target	Mar		/		435.0/10.0	13.00	23.00
CA	Int'l Securities Transactions	Jan				10.2	13.30	23.30
US	Housing Starts/MoM	Feb		1255/0.7		1246.0/-2.6	13.30	23.30
US	Building Permits/MoM	Feb		1250/-3.3		1285.0/4.6	13.30	23.30
US	Philadelphia Fed Business Outlook	Mar		25		43.3	13.30	23.30
US	Initial Jobless Claims	Mar 4		238		223.0	14.30	0.30
US	Bloomberg Consumer Comfort	Mar 5				49.8	15.45	1.45
US	JOLTS Job Openings	Jan				5501.0	15.00	1.00
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%		0.50-0.75%		
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

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.