

MARKETS TODAY

The crude oil blues



Good Morning

The AUD remains a tad under 0.77 this morning, in a session where there's been some overall diminished appetite for the USD, with the Yen the strongest in the session, up 0.65% at 111.8, with gains also for the EUR, Sterling, and the Swiss Franc.

US stocks are lower and while it hasn't been any key economy reports nor especially enlightening Fed news, it's perhaps the lack of news out of Washington that's seeing some risk money come out of the market again. Some further unwinding of the Trump reflation trade is afoot.

Health care legislation looks gridlocked in Congress, delaying news on tax plans, infrastructure, and deregulation. The VIX is still low in absolute terms at 12.34, but up 1.1 index points in the session. Iron ore was down a meatier \$US3.90 to \$87.59/t, coal prices steadier, if down smalls. LME copper was down 1.77%, while gold was up \$11.60 to \$1245.50/oz.

It's been a session where a further push down in oil prices seems to have taken its toll together with lower US bank stocks, the KBW bank index down 3.94%. WTI is down another \$US0.88/bbl to \$47.34, not on news but the knowledge that US rig count numbers have continued rising, as has production, up to 6.1mbpd by last week, up from 8.5mbpd in May last year. That's added a continued bid tone to US Treasuries, with the curve down around 3bps through varying tenors. The big mover was the US 5y forward inflation swap that's rallied 14bps for the session, now testing among post-Trump lows.

While the AUD has lost 0.52% for the session, after having out-performed the previous night, the NZD has fared better, AUD/NZD somewhat lower this morning. The overnight Global Dairy Auction saw prices actually up 1.7%, against our BNZ colleagues' expectation of a fall of that quantum or somewhat larger. Also announced this morning, Fonterra's half-year results have re-affirmed their expectations for a \$NZ6 milk price with the Kiwi little changed as a result.

UK data surprised on the stronger side, and this time it was the February CPI report along with a better than expected CBI Trends industry report for February. CPI inflation pushed up through the BoE's target of 2% from 1.8% in January to 2.3% (the market was expecting 2.1%) with core CPI up from 1.6% to 2.0% (again stronger, much stronger, than the steady expectation). Sterling was already rallying into the report, which gave it a further lift, the GBP/USD up from 1.2340 yesterday afternoon, trading this morning a tad more than one big figure higher. The CBI Trends survey for March came in at +8 (market +5).

The Euro also seems to have benefited somewhat by a strong showing from Macron in yesterday's French televised Presidential aspirant debate.

Ahead of their Budget tonight, Canadian retail sales bounced back with a vengeance, up 2.1% in January after December's -0.4 disappointment. While more auto sales was certainly a contributing factor, ex-auto sales were still up a strong 1.7% after December's 0.5% dip. The strength in this report did support the loonie mid-session, but weakness in oil prices has kept USD/CAD bid.

Coming Up

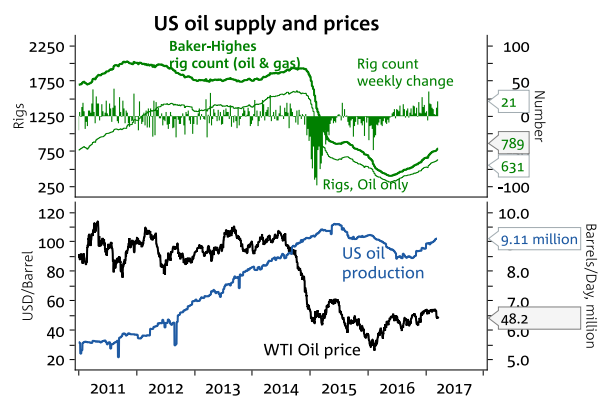
No AUD stats of note. As we go to print, Scembri is speaking and there is a speech from Fed President Mester this morning at 9.00 AEDT. There may be a little interest in Japan's trade balance for February released this morning along with the BoJ January 30-31 Minutes. BoJ Policy Board member is speaking today at 12.30 AEDT. RBA Deputy Governor Guy Debelle is speaking at a FX conference in Singapore today at 12.40 on the Global FX Code of Conduct. Any comments he makes in Q&A or one the sidelines on the economy, policy, and the Aussie, the market would certainly take note of.

Tonight US Existing Home Sales is probably the pick. There is the Canadian Budget tonight being presented by Finance Minister Bill Morneau, Canada of course with a triple A rating. You'd think the market will still be fixated on news out of Washington.

Overnight

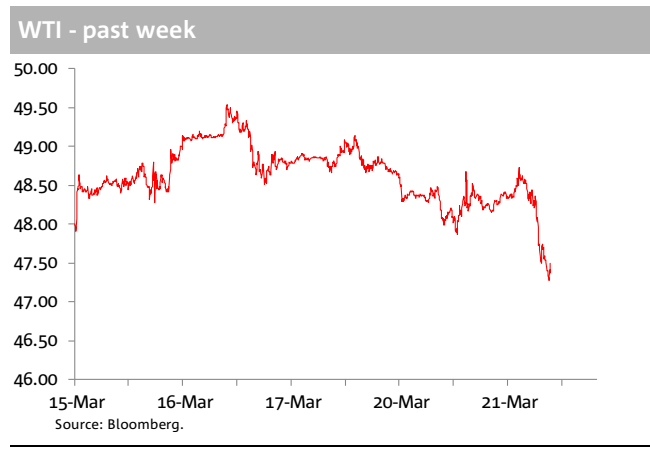
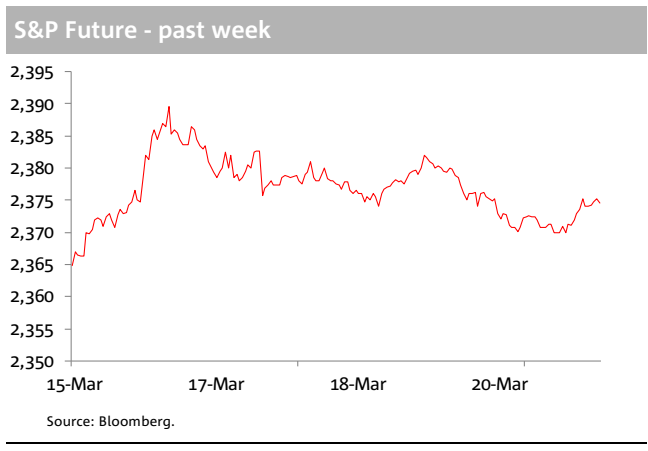
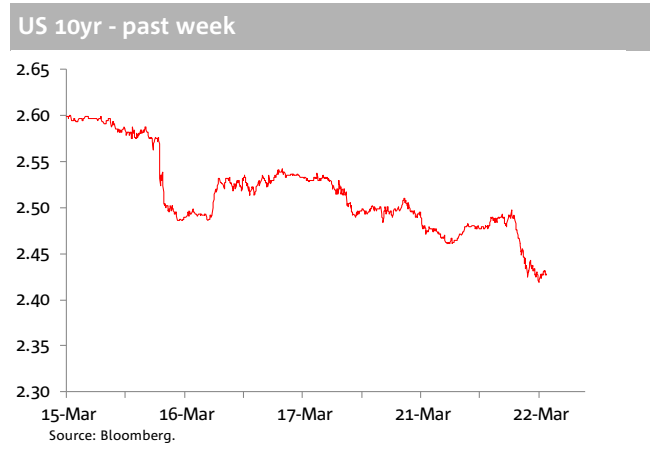
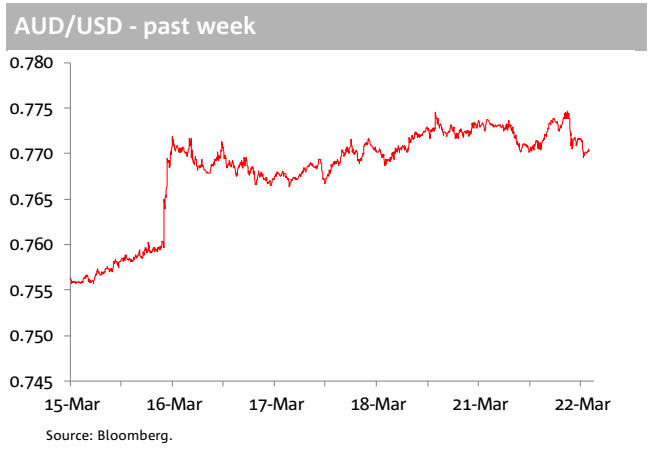
On global stock markets, the S&P 500 was -1.24%. Bond markets saw US 10-years -4.68bp to 2.41%. In commodities, Brent crude oil -1.28% to \$50.96, gold+0.9% to \$1,245, iron ore -4.3% to \$87.59, steam coal -0.4% to \$80.55, met.coal -0.2% to \$157.25. AUD is at 0.7693 and the range since yesterday 5pm Sydney time is 0.7683 to 0.775.

Chart: US oil supply and activity higher again



Source: National Australia Bank, Macrobond

Markets



| Foreign Exchange | | | | |
|-----------------------------|--------|--------|--------|--------|
| Indicative 24hr ranges (**) | | | | |
| | Last | % chge | Low | High |
| AUD | 0.7693 | -0.5 | 0.7683 | 0.7750 |
| NZD | 0.7043 | 0.0 | 0.7033 | 0.7092 |
| EUR | 1.0813 | 0.5 | 1.0793 | 1.0820 |
| GBP | 1.2486 | 0.5 | 1.2440 | 1.2495 |
| JPY | 111.74 | -0.9 | 111.53 | 112.70 |
| CAD | 1.3354 | 0.1 | 1.3264 | 1.3363 |
| AUD/EUR | 0.7115 | -0.9 | 0.7106 | 0.7167 |
| AUD/JPY | 85.97 | -1.4 | 85.80 | 87.11 |
| AUD/GBP | 0.6162 | -1.0 | 0.6155 | 0.6220 |
| AUD/NZD | 1.0922 | -0.5 | 1.0916 | 1.0972 |
| AUD/CNH | 5.3024 | -0.7 | 5.2797 | 5.3313 |

| Other FX | | | | |
|----------|--------|--------|--|--|
| | Last | % chge | | |
| HKD | 7.7660 | 0.0 | | |
| CNY | 6.8882 | -0.3 | | |
| SGD | 1.3992 | 0.1 | | |
| IDR | 13,344 | 0.2 | | |
| THB | 34.72 | 0.0 | | |
| KRW | 1,123 | 0.5 | | |
| TWD | 30.52 | 0.2 | | |
| PHP | 50.23 | 0.2 | | |
| CHF | 0.99 | -0.3 | | |
| SEK | 8.80 | -0.2 | | |

| Interest Rates | | | | | | | |
|-----------------------|-------|-------|-------|-------------------------|------|-------|-------|
| Indicative Swap Rates | | | | Benchmark 10 Year Bonds | | | |
| | Cash | 3mth | 2Yr | 10Yr | Last | chge | Sprd |
| USD | 1.00 | 1.16 | 1.62 | 2.38 | 2.41 | -4.68 | |
| AUD | 1.50 | 1.80 | 2.00 | 3.03 | 2.81 | -1.50 | 0.39 |
| NZD | 1.75 | 1.95 | 2.27 | 3.48 | 3.18 | -4.60 | 0.77 |
| EUR | 0.00 | -0.33 | -0.08 | 0.86 | 1.71 | -2.20 | -0.71 |
| GBP | 0.25 | 0.34 | 0.66 | 1.27 | 0.46 | 1.90 | -1.95 |
| JPY | -0.04 | -0.01 | 0.05 | 0.27 | 1.25 | 1.90 | -1.16 |
| CAD | 0.50 | 0.93 | 1.14 | 1.96 | 0.07 | -0.90 | -2.35 |

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

| Equities | | | | Commodities* | |
|---------------|--------|-------|-------|--------------|--------------|
| Major Indices | | | | Last | % day |
| | Last | % day | % y/y | | |
| Dow | 20,668 | -1.14 | 17.3 | Oil (Brent) | 50.96 -1.3 |
| S&P 500 | 2,344 | -1.24 | 14.3 | Oil (WTI) | 48.23 0.0 |
| Nasdaq | 5,794 | -1.83 | 20.5 | Oil (Tapis) | 53.17 0.5 |
| VIX | 12 | 9.96 | -9.6 | Gold | 1244.60 0.9 |
| FTSE | 7,378 | -0.7 | 19.3 | CRB | 184.29 -0.3 |
| DAX | 11,962 | -0.8 | 20.2 | GS Metals | 326.5 -0.8 |
| CAC 40 | 5,002 | -0.2 | 13.0 | Aluminium | 1921.0 0.2 |
| Nikkei | 19,456 | -0.3 | 14.1 | Copper | 5762.0 -1.8 |
| Shanghai | 3,262 | 0.3 | 8.7 | Nickel | 10120.0 -0.1 |
| Hang Seng | 24,593 | 0.4 | 19.0 | Zinc | 2820.0 -1.2 |
| ASX 200 | 5,775 | -0.1 | 11.8 | Ch. steel | 3221.0 -4.6 |

| Overnight Futures | | |
|-------------------|--------|-------|
| | Last | Chge* |
| Australia | | |
| 3 mth bill | 98.20 | 0.00 |
| 3 Yr bond | 97.8 | 3.00 |
| 10 Yr bond | 97.19 | 6.50 |
| 3/10 sprd | 0.61 | -3.50 |
| SPI | 5710.0 | 56.0 |

*Change in bps

| Prob. of 25bps hike/cut at next meeting | | |
|---|------|-------|
| | bps | % |
| RBA | -1.0 | -4.0% |
| FED | -0 | -1.6% |

CALENDAR

| Country | Economic Indicator | Period | Forecast | Consensus | Actual | Previous | GMT | AEDT |
|--|---|--------|----------|------------|--------|-------------|----------------------|-------|
| Wednesday, 22 March 2017 | | | | | | | | |
| NZ | Fonterra announces Half Year Results | | | | | | AM, NZT | |
| NZ | Productivity Statistics (1978-2016, March years) | | | | | | 22.45 | 8.45 |
| 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 | | 551.9 | | 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 at TradeTech FX Asia Conference | | | | | | 2.40 | 12.40 |
| JN | All Industry Activity Index MoM | Jan | | 0 | | -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 | | 0.4 | 14.00 | 0.00 |
| US | Existing Home Sales, #/MoM | Feb | | 5.56/-2.37 | | 5.7/3.3 | 15.00 | 1.00 |
| CA | Bank of Canada Deputy Governor Lawrence Schembri Speech | | | | | | 16.00 | 2.00 |
| Thursday, 23 March 2017 | | | | | | | | |
| NZ | RBNZ Official Cash Rate | Mar 23 | 1.75 | 1.75 | | 1.75 | 21.00 | 7.00 |
| GE | GfK Consumer Confidence | Apr | | 10 | | 10.0 | 8.00 | 18.00 |
| EC | ECB Publishes Economic Bulletin | | | | | | 10.00 | 20.00 |
| UK | Retail Sales Ex Auto Fuel MoM | Feb | | 0.3 | | -0.2 | 10.30 | 20.30 |
| UK | CBI Retailing/Total Distributive Reported Sales | Mar | | 4/ | | 9.0/25.0 | 12.00 | 22.00 |
| US | Fed's Yellen Speaks at Community Development Conference | | | | | | 13.00 | 23.00 |
| US | Initial Jobless Claims | Mar 18 | | 240 | | 241.0 | 13.30 | 23.30 |
| US | Bloomberg Consumer Comfort | Mar 19 | | | | 51.0 | 14.45 | 0.45 |
| US | New Home Sales, #/MoM | Feb | | 565/1.8 | | 555.0/3.7 | 15.00 | 1.00 |
| US | Kansas City Fed Manf. Activity | Mar | | 14 | | 14.0 | 16.00 | 2.00 |
| EC | Consumer Confidence | Mar A | | -5.8 | | -6.2 | 16.00 | 2.00 |
| US | Fed's Kashkari Speaks on US Education Outcomes in DC | | | | | | 17.30 | 3.30 |
| Friday, 24 March 2017 | | | | | | | | |
| NZ | Trade Balance NZD | Feb | | 180 | | -285.0 | 22.45 | 8.45 |
| US | Fed's Kaplan speaks on Economy in Chicago | | | | | | 0.00 | 10.00 |
| 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 | | 56.5 | | 56.8 | 9.30 | 19.30 |
| GE | Markit Germany Services/Composite PMI | Mar P | | 54.5/56 | | 54.4/56.1 | 9.30 | 19.30 |
| EC | Markit Eurozone Manufacturing PMI | Mar P | | 55.3 | | 55.4 | 10.00 | 20.00 |
| EC | Markit Eurozone Services/Composite PMI | Mar P | | 55.3/55.8 | | 55.5/56.0 | 10.00 | 20.00 |
| UK | BBA Loans for House Purchase | Feb | | 44900 | | 44657.0 | 10.30 | 20.30 |
| US | Fed's Evans Speaks at Community Development Event | | | | | | 13.00 | 23.00 |
| US | Durable Goods Orders | Feb P | | 1.2 | | 2.0 | 13.30 | 23.30 |
| US | Cap Goods Orders Nondef Ex Air | Feb P | | 0.6 | | -0.1 | 13.30 | 23.30 |
| CA | CPI/Core (Common) YoY | Feb | | 2.1/ | | 2.1/1.3 | 13.30 | 23.30 |
| US | Fed's Evans Speaks at Community Development Event | | | | | | 13.00 | 23.00 |
| US | Markit US Manufacturing PMI | Mar P | | 54.7 | | 54.2 | 14.45 | 0.45 |
| US | Fed's Bullard to Speak to Economic Club of Memphis | | | | | | 14.05 | 0.05 |
| Saturday, 25 March 2017 | | | | | | | | |
| CH | PBoC Governor speaks at opening of Boao Forum, Hainan | | | | | | | |
| Monday, 27 March 2017 | | | | | | | | |
| JN | BOJ Summary of Opinions at March 15-16 Meeting | | | | | | 0.50 | 10.50 |
| JN | PPI Services YoY | Feb | | | | 0.5 | 0.50 | 10.50 |
| CH | Industrial Profits YoY | Feb | | | | 2.3 | 2.30 | 12.30 |
| EC | M3 Money Supply YoY | Feb | | | | 4.9 | 9.00 | 19.00 |
| GE | IFO Business Climate | Mar | | | | 111.0 | 9.00 | 19.00 |
| GE | IFO Current Assessment/Expectations | Mar | | / | | 118.4/104.0 | 9.00 | 19.00 |
| GE | Retail Sales MoM/YoY | Feb | | / | | -0.8/2.3 | 27 Mar-3 Apr release | |
| CA | Bloomberg Nanos Confidence | Mar 17 | | | | 58.2 | 15.00 | 1.00 |
| US | Dallas Fed Manf. Activity | Mar | | 20.5 | | 24.5 | 15.30 | 1.30 |
| US | Fed's Evans Speaks on Economy and Policy in Madrid | | | | | | 18.15 | 4.15 |
| Tuesday, 28 March 2017 | | | | | | | | |
| AU | RBA's DeBelle Speech in Sydney | | | | | | 23.00 | 9.00 |
| AU | ANZ Roy Morgan Weekly Consumer Confidence Index | Mar 19 | | | | 113.1 | 23.30 | 9.30 |
| US | Advance Goods Trade Balance | Feb | | -67.2 | | -68.8 | 13.30 | 23.30 |
| US | Wholesale/Retail Inventories MoM | Feb P | | / | | -0.2/0.8 | 13.30 | 23.30 |
| UK | Nationwide House PX MoM/yOy | Mar | | / | | 0.6/4.5 | 28 Mar-4 Apr release | |
| US | S&P CoreLogic CS 20-City MoM/YoY | Jan | | 0.75/ | | 0.9/5.6 | 14.00 | 0.00 |
| US | Markit US Services/Composite PMI | Mar P | | 54/ | | 53.8/54.1 | 14.45 | 0.45 |
| US | Conf. Board Consumer Confidence | Mar | | 113 | | 114.8 | 15.00 | 1.00 |
| US | Richmond Fed Manufact. Index | Mar | | 14 | | 17.0 | 15.00 | 1.00 |
| CA | Bank of Canada Governor Stephen Poloz Speech in Oshawa | | | | | | 15.10 | 1.10 |
| CA | Bank of Canada Governor Stephen Poloz Press Conference | | | | | | 16.10 | 2.10 |
| US | Fed's George Speaks in Midwest City, OK | | | | | | 17.45 | 3.45 |
| Upcoming Central Bank Interest Rate Announcements | | | | | | | | |
| 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% | | |
| Japan, BoJ | | 27-Apr | -0.1% | -0.1% | | -0.1% | | |
| US Federal Reserve | | 4-May | | | | 0.75-1.00% | | |
| UK BOE | | 11-May | 0.25% | 0.25% | | 0.25% | | |

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

CONTACT DETAILS

Authors

David de Garis
Director, Economics
+61 3 8641 3045
david.degaris@nab.com.au

Ray Attrill
Global Co-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.