

# MARKETS TODAY

## Markets to Trump: Achy Breaky Heart



### Good Morning

Have markets broken up with the Trump trade? Today will be a key test of this hypothesis with the US Congress voting today on a key healthcare reform bill which is seen as a crucial test of the relationship between the White House and Congress. If the bill does not pass, that could suggest a low willingness of Congress to accommodate Trump's legislative agenda and could delay or reduce the scope of Trump's signature policies of tax reform and infrastructure spending on which markets have rallied on. To borrow from Billy Ray Cyrus' 1991 hit "*Achy Breaky Heart*", don't tell my heart my achy break heart....it might be walking out on me today.

With such a backdrop, markets have mostly treaded water overnight following yesterday's risk-off Asia session. A tragic terrorist attack in London overnight (4 dead, 20 injured) yielded no immediate reaction, but did help the bid of risk-off assets. UK Gilt yields fell 2bps on the news and are down 7bps overnight while the Pound was broadly steady. The VIX did rise slightly, but at 12 is still at low levels.

US Treasury yields continue their Trump unwind with yields down 2.5bps to 2.39%, down from its recent peak of 2.63%. The unwind has mostly been focused on the real yield component, with real yields down at 0.41% - well down from the peak of 0.68%. In contrast, the inflation breakeven component still sits at 1.98% - around the 2% level it has been averaging since the beginning of January. Bund yields were also down 5.1bps overnight to 0.41%.

The US dollar was down 0.1% across the board overnight. Correspondingly the Euro was up 0.1% along with the Kiwi (+0.1%). The Aussie underperformed slightly, down 0.2% with a lower iron ore price weighing. The iron ore price fell 3.0% to \$85 a tonne and is down around 8% on the week. The Yen was the outperformer, up 0.77% largely in the Asian risk-off session, but also supported by the better than expected Trade Balance (¥813bn against expectations of 807bn and the highest for seven years).

Equities fell sharply in Asia, largely reflecting the sharp fall in US equities (down 1.2%) the previous day. Equities overnight were broadly steady, with the S&P500 up 0.2% and the EuroStoxx down 0.3%.

While the Trump unwind has affected most markets, expectations for the Fed have been more resilient. The market currently prices a 42% chance the Fed hikes rates in June and are currently pricing 1.4 rate hikes for the year ahead. Fed commentary in recent days has no doubt helped to steady expectations. Kaplan (voter) in a Reuters interview said two more rate hikes this year was a "reasonable" base case and on the balance sheet "we are moving toward a period where we should begin allowing the balance sheet to gradually patiently run off" but "we have work to do, probably, to get to that point".

Author **Tapas Strickland, Economist, Markets**

Mester (non-voter) was more unequivocal on the timing, stating she was comfortable starting to unwind the Fed's balance sheet "this year".

Finally, the RBNZ kept rates on hold as expected. The last paragraph was unchanged with a neutral policy bias maintained. The Kiwi dollar was unchanged on the news.

### Coming Up

Markets will be focused on the passage of the US healthcare reform bill. Trump himself has tweeted it's a "Big Day for Health Care. Working Hard". According to the Republican Freedom Caucus' Mark Meadows, 25 Republicans are opposed, meaning at this stage a defeat is likely - defeat only requires 21 to vote against.

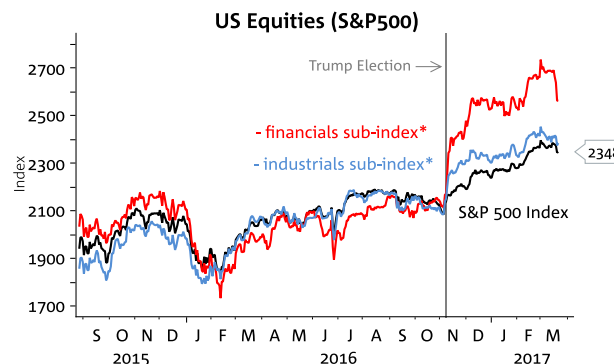
Data wise, it is another very quiet session ahead with little in the way of top-tier data. Normally a speech by US Fed Chair Yellen would elicit some excitement, but today's speech is to the Fed's Community Development Research Conference. The conference is aimed at the economic future of children and communities and thus unlikely to contain much in the way of policy guidance; FOMC members Evans and Kashkari also speak at this conference. The more interesting soundings are unlikely to come until Friday Australian time (10am AEDT) with the Fed's Kaplan (hawkish) speaking in an off the cuff Q&A session on the economic outlook.

Of the second tier data flow, UK Retail Sales and German Gfk Consumer Confidence are the likely highlights. The US also has Initial Jobless Claims, New Home Sales as well as the Kansas City Fed Manufacturing Index.

### Overnight

On global stock markets, the S&P 500 was +0.24%. Bond markets saw US 10-years -2.87bp to 2.40%. In commodities, Brent crude oil -0.43% to \$50.74, gold+0.1% to \$1,248, iron ore -3.0% to \$84.99, steam coal -0.2% to \$80.40, met.coal -0.3% to \$156.75. AUD is at 0.7678 and the range since yesterday 5pm Sydney time is 0.7639 to 0.7691.

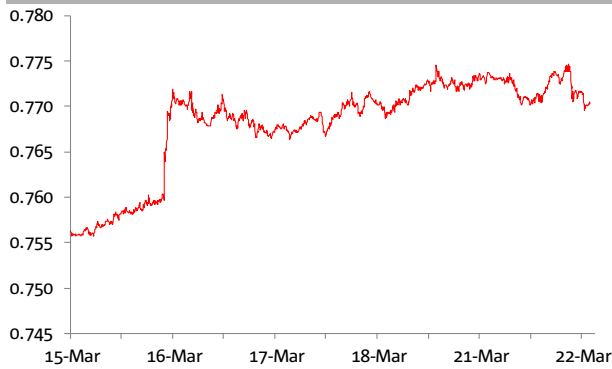
Chart: Trump rally fading; tonight is a key test



\* Indexed to the S&P500 Index = 2016  
Source: National Australia Bank, Bloomberg

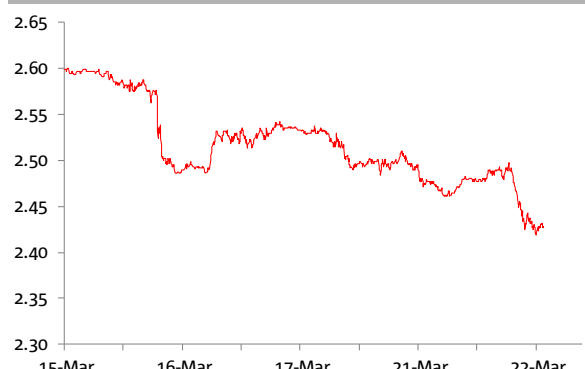
# Markets

AUD/USD - past week



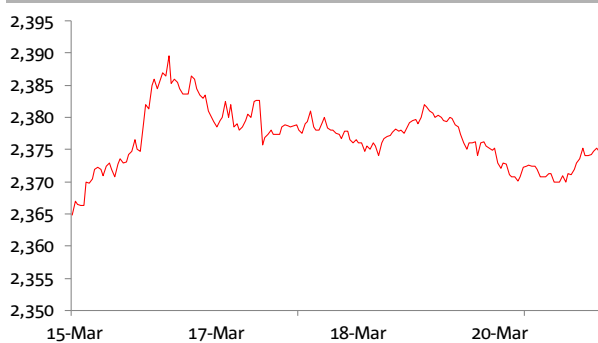
Source: Bloomberg.

US 10yr - past week



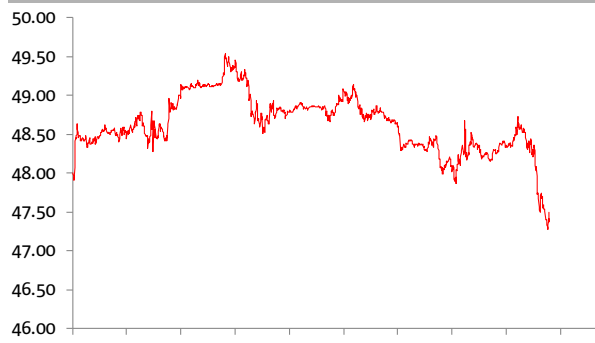
Source: Bloomberg.

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	0.7678	-0.2	0.7639	0.7691	HKD	7.7656	0.0
NZD	0.7052	0.1	0.7016	0.7073	CNY	6.8819	-0.1
EUR	1.0799	-0.1	1.0776	1.0825	SGD	1.3982	-0.1
GBP	1.2483	0.0	1.2424	1.2507	IDR	13,329	0.1
JPY	111.16	-0.5	110.73	111.80	THB	34.56	-0.5
CAD	1.3327	-0.2	1.3322	1.3409	KRW	1,123	0.3
AUD/EUR	0.711	-0.1	0.7081	0.7116	TWD	30.49	0.1
AUD/JPY	85.35	-0.7	84.82	85.94	PHP	50.33	0.3
AUD/GBP	0.6151	-0.2	0.6128	0.6173	CHF	0.99	-0.2
AUD/NZD	1.0888	-0.3	1.0858	1.0923	SEK	8.79	-0.1
AUD/CNH	5.2876	-0.5	5.2465	5.3299			

## Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.00	1.16	1.61	2.36	USD 10	2.40	-1.97
AUD	1.50	1.80	2.02	2.99	AUD 10	2.76	-5.30 0.36
NZD	1.75	1.98	2.29	3.46	NZD 10	3.19	-2.70 0.80
EUR	0.00	-0.33	-0.10	0.83	CAD 10	1.68	-2.70 -0.72
GBP	0.25	0.34	0.64	1.23	EUR 10	0.41	-5.10 -1.99
JPY	-0.03	0.00	0.05	0.26	GBP 10	1.18	-7.70 -1.22
CAD	0.50	0.93	1.13	1.93	JPY 10	0.06	-0.50 -2.34

## Equities

Major Indices	Last	% day	% y/y
	Dow	20,661	-0.03
S&P 500	2,350	0.24	14.6
Nasdaq	5,822	0.48	20.7
VIX	13	0.80	-11.3
FTSE	7,325	-0.7	18.3
DAX	11,904	-0.5	19.2
CAC 40	4,995	-0.2	12.7
Nikkei	19,041	-2.1	12.0
Shanghai	3,245	-0.5	7.8
Hang Seng	24,320	-1.1	18.0
ASX 200	5,685	-1.6	10.5

## Commodities\*

	Last	% day
Oil (Brent)	50.74	-0.4
Oil (WTI)	48.17	-0.1
Oil (Tapis)	51.40	-3.3
Gold	1248.00	0.1
CRB	183.85	-0.2
GS Metals	328.3	0.6
Aluminium	1918.8	-0.1
Copper	5795.0	0.6
Nickel	9979.0	-1.4
Zinc	2846.5	0.9
Ch. steel	3164.0	-3.3
Iron ore	85.0	-3.0
St. Coal	80.4	-0.2
Met.coal	156.8	-0.3
Wheat Chic.	437.5	-1.1
Sugar	17.3	0.1
Cotton	77.3	0.7
Coffee	141.7	-2.1

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

## Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.20	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.22	7.00
3/10 sprd	0.58	-4.00
SPI	5687.0	71.0

\*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
<b>Wednesday, 22 March 2017</b>								
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
<b>Thursday, 23 March 2017</b>								
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
<b>Friday, 24 March 2017</b>								
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
<b>Saturday, 25 March 2017</b>								
CH	PBoC Governor speaks at opening of Boao Forum, Hainan							
<b>Monday, 27 March 2017</b>								
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
<b>Tuesday, 28 March 2017</b>								
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
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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

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