

MARKETS TODAY

Don't let me down



Good Morning

Some mornings coming up with a title is a real struggle and then others like today you are spoiled for choice. I have no idea if Donald Trump is a Beatles' fan, but if he is 'Don't let me down' would be one of those songs that he couldn't get out of his head right now. If he is a Rolling Stone fan he would probably be humming "You can't always get what you want" and if he is into heavy metal he would probably be shouting Judas Priest "Raw deal" in his head. If Trump is a movie fan he would probably prefer to watch "Hall Pass" rather than "Kill Bill", ok I could go on, so I better get on with the note....

Well as I am writing Republicans have not been able to reach a deal in order to pass the Health bill to repeal Obamacare with the latest headlines noting that voting has been postponed and Paul Ryan, the House Speaker, has cancelled his press conference. Prior to this headlines markets were essentially in a holding pattern, but now we are seeing US equity indices under a little bit of pressure, falling around 0.2% in the last hour moving marginally into negative territory. Bond reaction has been pretty muted, after selling a few bps early in the session, 10y UST are essentially unchanged relative to Sydney's closing levels and are currently trading at 2.41%.

As for currencies, DXY has traded in a very tight range (20 pips) with latest headlines doing little to move the index. Looking at G10 currencies, the AUD is at the bottom of the leader board down 0.65% over the past 24 hours with most of the move coming after 5pm Sydney time yesterday. The currency fell about 40 pips to 0.7626 and it has stayed around that level for most of the night. The move was not triggered by any specific news and unlike yesterday, commodities had a reasonable night with iron ore up 1.6%, aluminium 0.5% and copper 0.3%.

The British pound on the other hand has been the top performer, boosted by better than expected retail sales. In February UK retail sales jumped 1.3% mom ex auto and 1.4% inc. fuel. But as our UK strategist noted, the UK consumer is spending more than he/she earns in aggregate and savings are low by historical standards. Therefore it is difficult to see how this is sustainable or why today's number won't wane the other way in March. For now however GBP is enjoying its time in the spotlight with short covering probably also a supporting factor. BoE Broadbent was also on the wires conceding that it is quite possible that UK interest rates could go up; however his comment was conditional on Brexit not being as bad as expected.

US data was a little bit mixed overnight and seemingly all due to the weather. Jobless claims rose 15K to a seven-week high of 258K, well above the 240k expected by consensus with the storm that hit the north east during the survey week blamed for the rise in the number. Meanwhile the better than expected rise in new home

sales (592k vs 564k exp.) was attributed to warm winter conditions.

Lastly, in a WSJ interview Fed Williams said that that three or "maybe even more" rate hikes this year make sense, depending on how the Bank is doing on its employment and inflation objective.

Coming Up

New Zealand's trade balance is today's first data release and our BNZ colleagues anticipate a \$268m surplus for the month while the market is looking for a \$180m print.

Then it is all about preliminary PMI readings starting with Japan's manufacturing PMI. Last month's headline index printed at 53.3 and barring a small blip in November the index has been in a solid upward trend since May last year.

The Eurozone along with France, Germany and Austria release their full PMI sets with preliminary readings for manufacturing, services and composite. Looking at market consensus the expectation is for activity to remain pretty buoyant throughout Europe. That said, on a relative basis political uncertainty might be a factor weighing on France's manufacturing sector where the survey is expected to print almost unchanged at 52.4 while all other European readings are anticipated to come out above 55. Europe had solid PMI prints in January and February and another solid outcome in March will solidify expectations of a decent Q1 GDP growth.

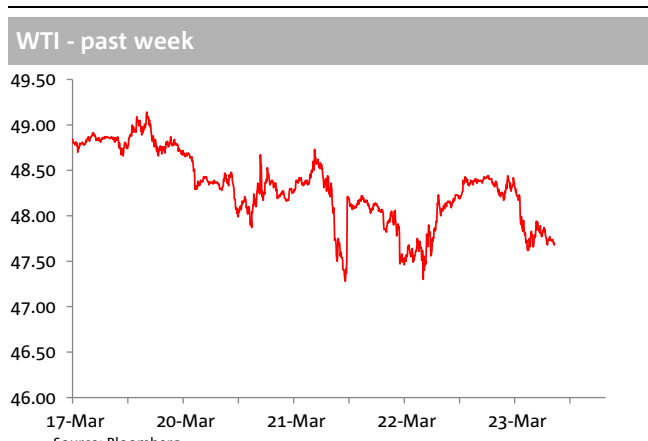
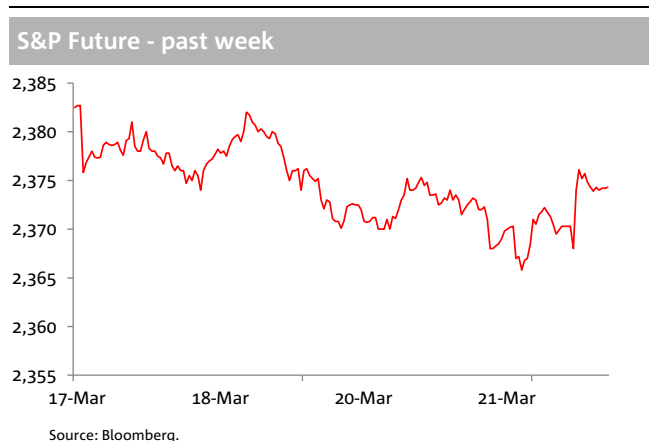
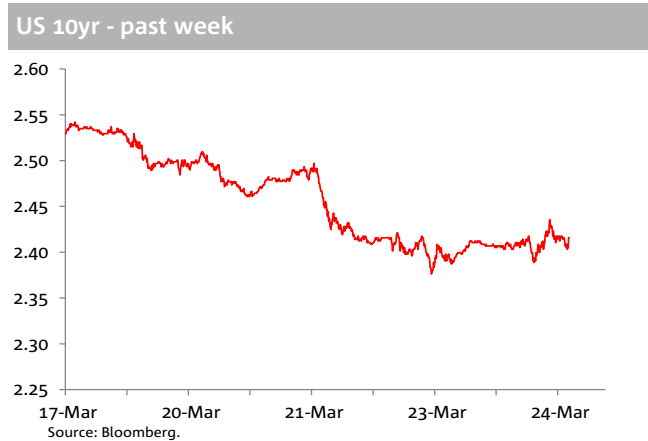
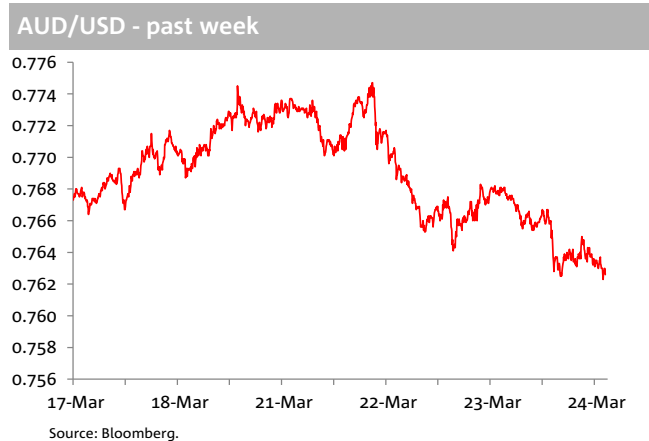
Loans data is out in the UK and given the recent softness in property prices the data is a timely release that should help assess the level of housing activity within Britain.

The US also gets its manufacturing preliminary reading for March and the market is looking for an outcome of 54.7, marginally above the February reading of 54.2. February durable goods orders are also due out and we have a few Fed speakers on the roster today. Fed Kaplan (hawk) speaks this morning (10am AEDT) in a moderated Q&A session and then tonight Fed Evans speaks at a community developments event, so no surprises expected there. Early Saturday, however, Fed Bullard (dove) and Dudley (neutral) will speak on the economic outlook.

Overnight

On global stock markets, the S&P 500 was -0.11%. Bond markets saw US 10-years +0.72bp to 2.41%. In commodities, Brent crude oil -0.22% to \$50.53, gold -0.3% to \$1,245, iron ore +1.6% to \$86.36, steam coal +0.7% to \$80.95, met.coal +0.0% to \$156.75. AUD is at 0.7628 and the range since yesterday 5pm Sydney time is 0.7623 to 0.7679.

Markets



Foreign Exchange

Indicative 24hr ranges (**)					Other FX		
	Last	% chge	Low	High		Last	% chge
AUD	0.7695	0.2	0.7664	0.7718	HKD	7.7619	0.0
NZD	0.7020	0.5	0.6976	0.7046	CNY	6.9034	0.1
EUR	1.0738	-0.3	1.0728	1.0782	SGD	1.4015	0.0
GBP	1.2392	0.3	1.2324	1.2405	IDR	13,345	0.0
JPY	112.72	-0.5	112.57	113.49	THB	34.85	-0.2
CAD	1.3348	0.2	1.3304	1.3377	KRW	1,132	0.0
AUD/EUR	0.7167	0.5	0.7115	0.7179	TWD	30.63	-0.1
AUD/JPY	86.74	-0.3	86.53	87.22	PHP	50.17	0.0
AUD/GBP	0.6210	0.0	0.6196	0.6240	CHF	1.00	0.1
AUD/NZD	1.0962	-0.2	1.0941	1.1005	SEK	8.83	0.1
AUD/CNH	5.3154	0.5	5.2665	5.3139			

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	1.00	1.15	1.65	2.47	USD 10	2.50	-3.97	
AUD	1.50	1.80	1.96	3.09	AUD 10	2.86	4.50	0.36
NZD	1.75	1.96	2.30	3.56	NZD 10	3.25	-0.80	0.75
EUR	0.00	-0.33	-0.10	0.85	CAD 10	1.76	-4.10	-0.74
GBP	0.25	0.34	0.64	1.27	EUR 10	0.44	-1.30	-2.07
JPY	-0.04	-0.01	0.04	0.27	GBP 10	1.24	-0.50	-1.26
CAD	0.50	0.93	1.15	2.01	JPY 10	0.08	0.00	-2.43

Equities

Major Indices			
	Last	% day	% y/y
Dow	20,915	-0.10	18.8
S&P 500	2,378	-0.13	16.0
Nasdaq	5,901	0.00	23.0
VIX	11	0.62	-19.5
FTSE	7,425	0.1	20.0
DAX	12,095	0.1	21.6
CAC 40	5,029	0.3	12.7
Nikkei	19,522	-0.3	16.7
Shanghai	3,237	-1.0	9.6
Hang Seng	24,310	0.1	17.6
ASX 200	5,800	0.2	11.9

Commodities*

	Last	% day
Oil (Brent)	51.76	0.0
Oil (WTI)	48.78	0.1
Oil (Tapis)	52.99	-1.0
Gold	1230.20	0.3
CRB	184.48	0.2
GS Metals	330.7	0.9
Aluminium	1908.5	0.8
Copper	5928.0	0.4
Nickel	10222.5	0.4
Zinc	2876.0	-1.9
Ch. steel	3592.0	-0.8
Iron ore	92.3	-0.3
St. Coal	81.3	0.2
Met.coal	158.3	-0.3
Wheat Chic.	451.5	0.1
Sugar	18.2	-0.4
Cotton	78.4	0.2
Coffee	142.1	0.4

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

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, 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		1.3		2.0	13.30	23.30
US	Cap Goods Orders Nonfed Ex Air	Feb P		0.5		-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	Mar				2.3	1.30	11.30
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 24				59.2	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 26				112.0	23.30	9.30
US	Advance Goods Trade Balance	Feb		-66.85		-68.8	13.30	23.30
US	Wholesale/Retail Inventories MoM	Feb P		0.2/		-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
Wednesday, 29 March 2017								
JN	Retail Sales MoM/YoY	Feb		/1		0.5/1.0	0.50	10.50
JN	Small Business Confidence	Mar				47.7	6.00	16.00
UK	Mortgage Approvals	Feb				69.9	9.30	19.30
US	MBA Mortgage Applications	Mar 24				-2.7	12.00	22.00
US	Fed's Evans Speaks on Economy and Policy in Frankfurt						14.20	0.20
US	Pending Home Sales MoM/YoY	Feb		2.4/		-2.8/2.7	15.00	1.00
US	Fed's Rosengren Speaks at Economic Club of Boston						16.30	2.30
Thursday, 30 March 2017								
AU	HIA New Home Sales MoM	Feb				-2.2	1.00	11.00
AU	Job vacancies	Feb				2.2	1.30	11.30
CH	Swift Global Payments CNY	Feb				1.7	2.00	12.00
CH	BoP Current Account Balance	4Q F				37.6	8.15	18.15
EC	Business Climate Indicator	Mar				0.8	10.00	20.00
GE	CPI MoM/YoY	Mar P		/		0.6/2.2	13.00	23.00
GE	CPI EU Harmonized MoM/YoY	Mar P		/		0.7/2.2	13.00	23.00
US	GDP Annualized QoQ	4Q T		2		1.9	13.30	23.30
CA	Industrial Product/Raw Materials Price MoM	Feb				0.4/1.7	13.30	23.30
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
Friday, 31 March 2017								
NZ	Building Permits MoM	Feb				0.8	22.45	8.45
UK	Gfk Consumer Confidence	Mar				-6.0	0.10	10.10
UK	Lloyds Business Barometer	Mar				40.0	0.10	10.10
JN	Jobless Rate/Job-to-Applicants Ratio	Feb		3/1.43		3.0/1.4	0.30	10.30
JN	Overall Household Spending YoY	Feb		-1.3		-1.2	0.30	10.30
JN	Natl CPI YoY	Feb		0.2		0.4	0.30	10.30
JN	Natl CPI Ex Fresh Food/Ex FF & EnergyYoY	Feb		0.2/0.1		0.1/0.2	0.30	10.30
JN	Tokyo CPI/Ex FF YoY	Feb		-0.1/-0.2		-0.3/-0.3	0.30	10.30
JN	Loans & Discounts Corp YoY	Feb				2.7	0.50	10.50
JN	Industrial Production MoM/YoY	Feb P		1.5/5.7		-0.4/3.7	0.50	10.50
NZ	ANZ Activity Outlook/Business Confidence	Mar				37.2/16.6	1.00	11.00
AU	Private Sector Credit MoM/YoY	Feb		0.5/5.3		0.2/5.4	1.30	11.30
CH	Manufacturing/Non-manufacturing PMI	Mar		51.6/		51.6/54.2	2.00	12.00
GE	Unemployment Change (000's)/Claims Rate	Mar		/		-14.0/5.9	8.55	18.55
UK	Current Account Balance	4Q				-25.5	9.30	19.30
UK	GDP QoQ/YoY	4Q F		/		0.7/2.0	9.30	19.30
UK	Index of Services MoM/3M/3M	Jan		/		0.2/0.8	9.30	19.30
UK	Total Business Investment QoQ/YoY	4Q F		/		-1.0/-0.9	9.30	19.30
EC	CPI Estimate YoY	Mar				2.0	10.00	20.00
EC	CPI Core YoY	Mar A				0.9	10.00	20.00
US	Personal Income	Feb		0.4		0.4	13.30	23.30
US	Personal Spending/Real Personal Spending	Feb		0.2/		0.2/-0.3	13.30	23.30
US	PCE Deflator MoM/YoY	Feb		0.1/		0.4/1.9	13.30	23.30
US	PCE Core MoM/YoY	Feb		0.2/		0.3/1.7	13.30	23.30
CA	GDP MoM/YoY	Jan		/		0.3/2.0	13.30	23.30
CA	CFIB Business Barometer	Mar				62.9		
Upcoming Central Bank Interest Rate Announcements								
New Zealand, RBNZ		11-May	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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