

MARKETS TODAY

Strong



Good Morning

The German economy is continuing to out-perform. The run of better than expected data continued, this time from the German Ifo Survey for March. The survey was the strongest since 2011 and also not far off the pre-GFC highs of a decade ago when the German economy was growing at 3%-plus. The headline Business Climate Index printed at 112.3, up from an already high 111.1 (that was also the expectation), the Current Assessment and Expectations components all better than expected. The German economy notched up 1.9% growth last year that was stronger than the 1.6% US growth.

German bunds under-performed and there was apparent appetite for the Euro that tested 1.09 overnight (before pulling back) keeping the USD DXY on the back foot that is down 0.41%. US markets have been listless, Treasuries bid as the market resets after pulling of the health care bid, taking stock before entering any new Trump reflation trade positions.

Not doing the Euro too much harm, ECB Chief Economist Peter Praet noted that deflation risk in Europe was gone. He did though say that it was premature to talk about a stimulus exit even though the ECB is this year starting to see light at the end of the tunnel. Bundesbank President Jens Weidmann wasn't so coy. He would like less expansive policy, noting a danger QE will last too long. He also mentioned that some of the more indebted countries are using QE for more spending rather than paying down debt. European stocks were lower. Even so, it's hard to deny that positive European growth sentiment was also helped by Chancellor Merkel's party's strong showing in last weekend's regional Saarland elections, coming just weeks ahead now of the first round of the French Presidential election (April 23).

The AUD has continued to trade in a restricted range, despite a further sizeable clean out of iron ore prices overnight. The Qingdao 62% benchmark was down another \$3.49 to \$US81.57/t, back to early February levels, testing the faith of real money investors. With Cyclone Debbie now crossing the north Queensland coast, we'll be watching for news in coming days on the coal front. (There was no refresh of coal prices overnight.) Oil prices were also testing lower levels before support returned.

Chicago Fed President and 2017 voter Charles Evans was speaking at the same event in Madrid as Praet, Evans also doing an interview with Bloomberg TV. He thought that 2-3 rate hikes this year would probably be appropriate, noting that three would be likely appropriate "to the extent that he gains confidence" in his forecasts. He was also a little more illuminating on fiscal policy: "We probably got ahead of ourselves and thought that some of it would be showing up in 2017 in our first (December) forecast," he said. "This last one in March, we moved much more of it to 2018."

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Coming Up

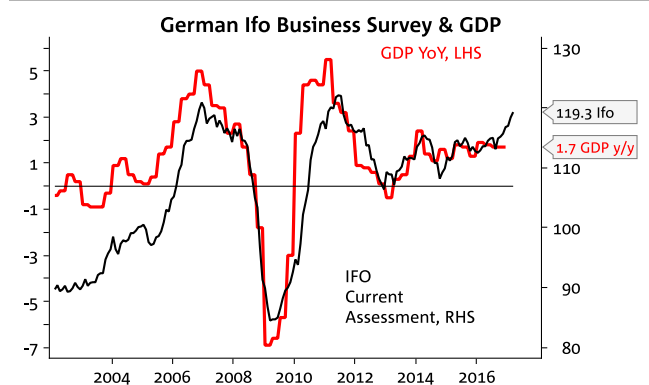
In a quiet week for scheduled events, it's a quiet day. RBA Deputy Governor Guy Debelle is speaking at 9.00 AEDT though don't expect any market fireworks. The market pays close attention to any comments on the Aussie or the market from Debelle (apologies if you've heard me say this before!) but expect him to stick to script on the Global FX Code of Conduct as he did to a conference in Singapore last week. This one looks like a repeat, the speech having almost the same title and only a week out from next week's Board meeting.

Whether the market gets anything new from Fed President Kaplan might also be a stretch (9.30). He's also a voter this year. He's only just spoken at the end of last week and then spoke of raising rates in a gradual, predictable way, that three hikes is a reasonable baseline, and that further economic progress still needed before announcing balance sheet plans. The market will be much more interested – or hoping (vainly) for new insights from Fed Chair Yellen's address tonight. There is also US S&P/CoreLogic House prices and the Conference Board Consumer Confidence tonight along with the Richmond Fed Manufacturing index for March and the Advance US Goods Trade balance for February. BoC Governor Poloz is also speaking tonight. Given the strong run of European data of late, there will be close monitoring of ECB commentary, tonight from ECB French member Coeure and Slovak CB Governor Makuch speaking.

Overnight

On global stock markets, the S&P 500 was -0.10%. Bond markets saw US 10-years -3.77bp to 2.37%. In commodities, Brent crude oil -0.06% to \$50.77, gold+0.5% to \$1,255, iron ore -4.1% to \$81.57, steam coal +0.0% to \$80.95, met.coal +0.0% to \$156.75. AUD is at 0.7622 and the range since yesterday 5pm Sydney time is 0.7606 to 0.7648.

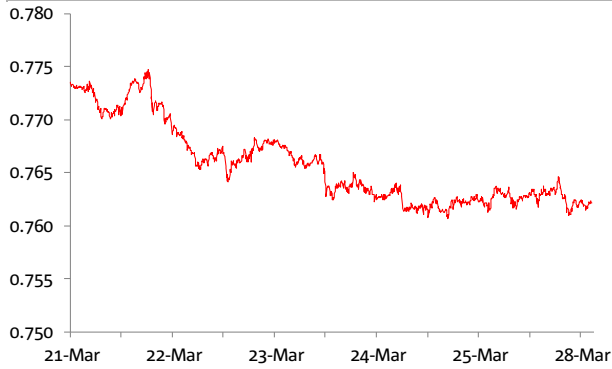
Chart: German economy on a growth spurt



Source: National Australia Bank, Macrobond

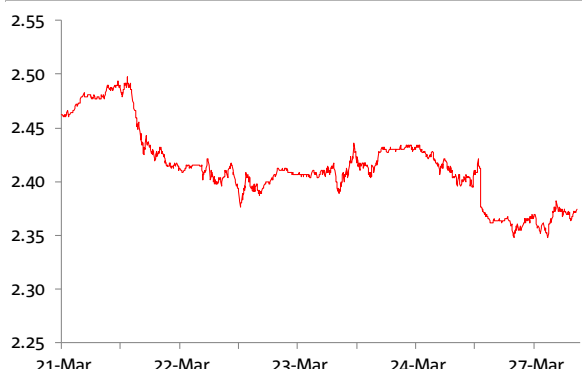
Markets

AUD/USD - past week



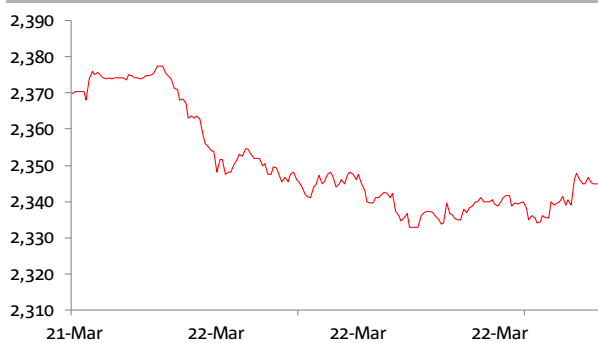
Source: Bloomberg.

US 10yr - past week



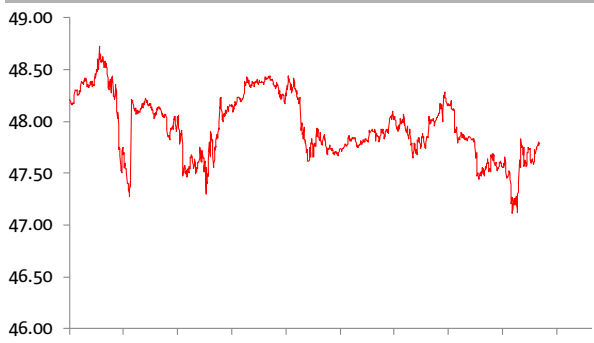
Source: Bloomberg.

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	0.7622	0.0	0.7606	0.7648	HKD	7.7670 0.0
NZD	0.7046	0.5	0.7038	0.7071	CNY	6.8663 -0.3
EUR	1.0864	0.6	1.0861	1.0907	SGD	1.3940 -0.4
GBP	1.2565	0.6	1.2560	1.2617	IDR	13,311 0.0
JPY	110.64	-0.4	110.11	110.70	THB	34.38 -0.7
CAD	1.3382	0.1	1.3332	1.3405	KRW	1,111 -0.7
AUD/EUR	0.7016	-0.5	0.6986	0.7034	TWD	30.18 -0.6
AUD/JPY	84.33	-0.2	83.90	84.37	PHP	50.15 -0.2
AUD/GBP	0.6066	-0.5	0.6039	0.6074	CHF	0.99 -0.6
AUD/NZD	1.0817	-0.4	1.0793	1.0824	SEK	8.78 -0.5
AUD/CNH	5.2332	-0.2	5.2131	5.2472		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.00	1.15	1.60	2.35	USD 10	2.37	-3.77
AUD	1.50	1.80	1.93	2.96	AUD 10	2.71	-4.20 0.33
NZD	1.75	1.98	2.30	3.42	NZD 10	3.19	-2.00 0.82
EUR	0.00	-0.33	-0.10	0.81	CAD 10	1.60	-3.90 -0.77
GBP	0.25	requesting	0.65	1.23	EUR 10	0.40	-0.10 -1.97
JPY	-0.04	0.02	0.05	0.25	GBP 10	1.17	-2.90 -1.21
CAD	0.50	0.93	1.09	1.87	JPY 10	0.06	-0.90 -2.32

Equities

Major Indices			
	Last	% day	% y/y
Dow	20,551	-0.22	17.3
S&P 500	2,342	-0.10	15.0
Nasdaq	5,840	0.20	22.3
VIX	13	-3.55	-15.2
FTSE	7,294	-0.6	19.4
DAX	11,996	-0.6	21.8
CAC 40	5,017	-0.1	15.9
Nikkei	18,986	-1.4	10.8
Shanghai	3,267	-0.1	10.5
Hang Seng	24,194	-0.7	18.9
ASX 200	5,747	-0.1	13.0

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.22	1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.25	3.50
3/10 sprd	0.55	-3.50
SPI	5752.0	-5.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	50.77	-0.1
Oil (WTI)	47.78	-0.4
Oil (Tapis)	51.62	-0.8
Gold	1254.50	0.5
CRB	183.10	-0.2
GS Metals	324.9	-1.0
Aluminium	1924.8	-0.5
Copper	5747.5	-0.8
Nickel	9725.0	-1.1
Zinc	2750.5	-2.5
Ch. steel	3055.0	-3.0
Iron ore	81.6	-4.1
St. Coal	81.0	0.0
Met.coal	156.8	0.0
Wheat Chic.	434.8	-1.1
Sugar	17.7	-0.1
Cotton	76.9	-0.7
Coffee	139.2	1.2

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-0.2	-0.8%
FED	-1	-2.8%

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
Tuesday, 28 March 2017								
AU	RBA's Debelle Speech in Sydney						23.00	9.00
US	Fed's Kaplan speaks in Texas						23.30	9.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Mar 26				112.0	23.30	9.30
US	Advance Goods Trade Balance	Feb		-66.55		-68.8	13.30	23.30
US	Wholesale/Retail Inventories MoM	Feb P		0.2/		-0.2/0.8	13.30	23.30
US	S&P CoreLogic CS 20-City MoM/YoY	Jan		0.7/5.6		0.9/5.6	14.00	0.00
US	Markit US Services/Composite PMI	Mar F		/		52.9/53.2	13.45	23.45
US	Conf. Board Consumer Confidence	Mar		114		114.8	15.00	1.00
US	Richmond Fed Manufact. Index	Mar		15		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
US	Fed's Yellen speaks						17.50	3.50
US	Fed's Kaplan speaks in Dallas						18.00	4.00
Wednesday, 29 March 2017								
US	Fed Governor Powell speaks						21.30	7.30
JN	Retail Sales MoM/YoY	Feb		0.3/0.7		0.5/1.0	0.50	10.50
JN	Small Business Confidence	Mar				47.7	6.00	16.00
UK	Mortgage Approvals	Feb		69.1		69.9	9.30	19.30
US	Fed's Evans Speaks on Economy and Policy in Frankfurt						14.20	0.20
US	Pending Home Sales MoM/YoY	Feb		2.1/		-2.8/2.7	15.00	1.00
US	Fed's Rosengren Speaks at Economic Club of Boston						16.30	2.30
US	Fed's Williams speaks at Forecaster's Club in New York						18.15	4.15
Thursday, 30 March 2017								
NZ	Regional GDP, year ended March	2016					22.45	8.45
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		0.87		0.8	10.00	20.00
GE	CPI MoM/YoY	Mar P		0.4/1.8		0.6/2.2	13.00	23.00
GE	CPI EU Harmonized MoM/YoY	Mar P		0.5/1.9		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		0.2/0.9		0.4/1.7	13.30	23.30
US	Initial Jobless Claims	Mar 25		247		258.0	13.30	23.30
US	Fed's Mester speaks on Payment System Improvement						14.45	0.45
US	Bloomberg Consumer Comfort	Mar 26				51.3	14.45	0.45
US	Fed's Kaplan speaks in Washington						16.00	2.00
US	Fed's Williams speaks at Learning Community Event in New York						16.15	2.15
Friday, 31 March 2017								
NZ	Building Permits MoM	Feb				0.8	22.45	8.45
NZ	Annual Balance Sheets	07-15					22.45	8.45
UK	GfK Consumer Confidence	Mar		-7		-6.0	0.10	10.10
UK	Lloyds Business Barometer	Mar				40.0	0.10	10.10
JN	Jobless Rate/Jobs-to-Applicants Ratio	Feb		3/1.44		3.0/1.4	0.30	10.30
JN	Overall Household Spending YoY	Feb		-1.7		-1.2	0.30	10.30
JN	Natl CPI YoY	Feb		0.3		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	Mar		-0.2/-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		1.2/3.9		-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	0.4/5.2	0.5/5.3		0.2/5.4	1.30	11.30
AU	NAB Online Retail Sales Index	Feb				-0.5/11.7	1.30	11.30
CH	Manufacturing/Non-manufacturing PMI	Mar		51.7/		51.6/54.2	2.00	12.00
GE	Unemployment Change (000's)/Claims Rate	Mar		-10/5.9		-14.0/5.9	8.55	18.55
UK	Current Account Balance	4Q		-16		-25.5	9.30	19.30
UK	GDP QoQ/YoY	4Q F		0.7/2		0.7/2.0	9.30	19.30
UK	Index of Services MoM/3M/3M	Jan		0.2/0.7		0.2/0.8	9.30	19.30
UK	Total Business Investment QoQ/YoY	4Q F		-1/-0.9		-1.0/-0.9	9.30	19.30
EC	CPI Estimate/Core YoY	Mar		1.8/0.8		2.0/0.9	10.00	20.00
US	Personal Income	Feb		0.4		0.4	13.30	23.30
US	Personal Spending/Real Personal Spending	Feb		0.2/0.1		0.2/-0.3	13.30	23.30
US	PCE Deflator MoM/YoY	Feb		0.1/2.1		0.4/1.9	13.30	23.30
US	PCE Core MoM/YoY	Feb		0.2/1.7		0.3/1.7	13.30	23.30
CA	GDP MoM/YoY	Jan		0.3/1.8		0.3/2.0	13.30	23.30
CA	CFIB Business Barometer	Mar				62.9		
Sunday, 2 April 2017								
AU/NZ	Daylight saving ends in Australia and New Zealand							
Upcoming Central Bank Interest Rate Announcements								
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%		
New Zealand, RBNZ		11-May	1.75%	1.75%		1.75%		
UK BOE		11-May	0.25%	0.25%		0.25%		

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

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