

# MARKETS TODAY

## *Under pressure*



### Good Morning

European and US equities have brushed aside the negative lead from Asia which saw the Shanghai composite down nearly 1% on the day and its fourth session of declines. The Euro has also come under pressure amid softer than expected German inflation with the move lower in the currency also affected by the widening in the 10y US-Bunds spread. Solid US economic data helped 10y UST yields climb back above 2.40% while 10y Bunds edged a little bit lower as investors rethink the prospects of the ECB retaining its loose monetary policy for a while longer.

Energy shares on either side of the Atlantic have benefited by yet another jump in oil prices while US financial, yesterday's losers, are leading the move higher in the US, up 1.40% as we type. WTI oil is up 1.5% over the past 24 hours and now trades at \$50.27. The black gold was boosted over night following comments from Kuwait's oil minister suggesting Kuwait and other countries support prolonging production cuts that are scheduled to expire in June.

DXY, the USD index, is back above the 100 mark (up 0.50% over the past 24hrs) supported by an upward revision to the US Q4 GDP reading, up to 2.1% from 1.9% with real consumer spending climbing to 3.5% from 3.0%. The strength in the USD has largely come from its outperformance against the EUR and JPY while buoyant risk appetite and a solid to steady night for commodities have kept the AUD, NZD and CAD essentially unchanged from Sydney's closing levels.

After trading to an intraday high of 1.0906 on Monday, EUR has fallen another 0.70% overnight and is currently trading 1.0681. Softer than expected CPI readings from Germany and Spain have weighted on the currency union as investors reassess the timing on the ECB exit strategy, Germany's annual CPI inflation fell to 1.5% in February from 2.2%, while in Spain inflation dropped from 3.0% to 2.1%. Comments from ECB Liikanen didn't help the currency either as he noted that the euro area still needs "a very substantial degree of monetary accommodation for underlying inflation pressures to build up and support inflation in the medium term."

The rise in UST yields has helped USD/JPY climb another 0.5% overnight. The pair is currently trading at ¥111.78 and if Asia takes the risk positive lead from the US, a move above ¥112 today cannot be ruled out. USD month end buying is potentially another consideration.

Lastly, Donald Trump has made few headlines warning House Conservatives Republicans that he would work against them if they don't get on with the team and CNBC reported that the Trump administration was assessing the scope of its power to penalise countries whose currencies it says are undervalued.

Author **Rodrigo Catril**, Currency strategist

### Coming Up

As we are about to press the send button, Fed Dudley is speaking on financial conditions and monetary policy. New Zealand building permits are today's first cab off the rank and our BNZ colleagues note that unless we get a reversal in the monthly reading (Feb), another soft number will cast doubts on construction's contribution to GDP growth over the early part of 2017. Then New Zealand gets the ANZ business outlook survey, which is expected to show decent levels of confidence and another tick up in inflation expectations.

Also this morning in Australia we get the RBA Credit report for February. Our economists will be looking out for any comments on the growth in housing credit, especially investor housing, given that recent investor housing approvals in NSW and Victoria have shown signs of re-acceleration.

At, midday Sydney time, China releases its official PMIs for March and the market is looking for a small uptick in the manufacturing survey to 51.7 from 51.6. If so, the move would be consistent with the small rise seen in the satellite manufacturing survey. Then it is all about inflation with Japan (Feb) and the Euro zone (March estimate) CPI readings followed by the all-important US PCE deflator.

Slowly but surely price pressures are rising in Japan with the core reading expected to rise to 0.2% from 0.1%. Japan also prints its jobless rate (expected to remain unchanged at 3%) and industrial production which is seen rising to 1.2% from 0.4%.

The euro area inflation reading for March is expected to decline to 1.8% from 2.0% previously. The core CPI reading will also be important as the ECB looks into this number as a guide on the sustainability of price pressures. Core CPI is expected to decline from 0.9% to 0.8%.

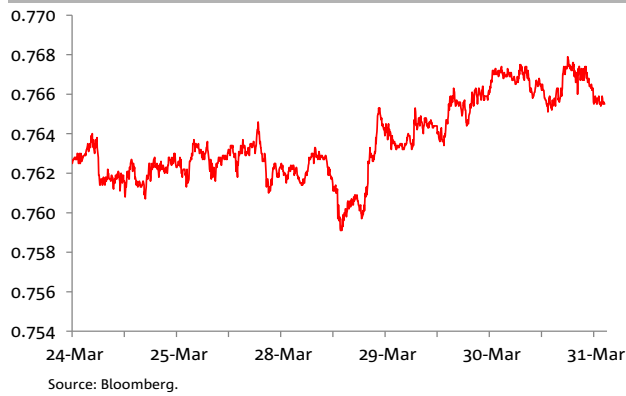
As for the US data, real spending was likely unchanged due to the unusually warm weather amid less demand for utilities. Meanwhile the monthly Core PCE reading is seen at 0.2% down from 0.3% in February but the yoY reading is seen unchanged at 1.7%. Meaning that at least from this reading, there is no need for an imminent Fed funds rate hike. The Chicago PMI and final Univ. Michigan consumer sentiment are also due out tonight and Fed Kashkari, Bullard, Dudley, Harker, Lacker and Tarullo are all speaking tonight.

### Overnight

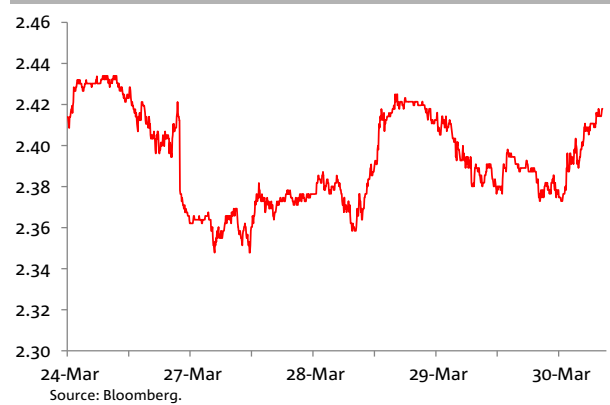
On global stock markets, the S&P 500 was +0.32%. Bond markets saw US 10-years +4.14bp to 2.42%. In commodities, Brent crude oil +0.80% to \$52.84, gold -0.9% to \$1,243, iron ore -0.6% to \$81.78, steam coal -0.1% to \$80.70, met.coal +0.0% to \$156.00. AUD is at 0.7655 and the range since yesterday 5pm Sydney time is 0.7649 to 0.7679.

# Markets

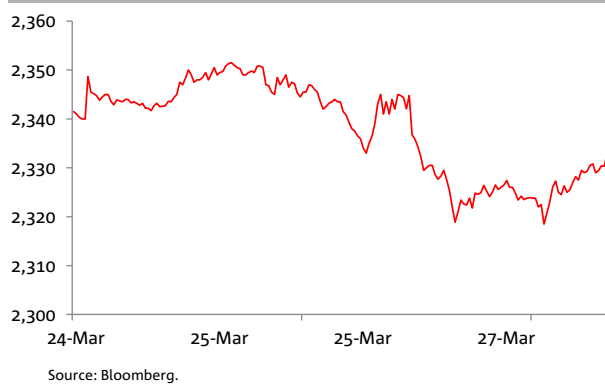
AUD/USD - past week



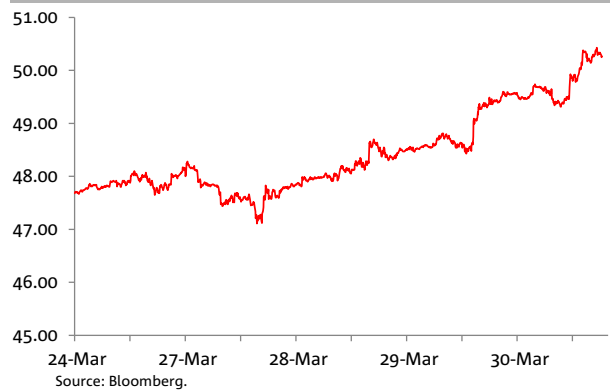
US 10yr - past week



S&P Future - past week



WTI - past week



## Foreign Exchange

	Indicative 24hr ranges (**)				Other FX		
	Last	% chge	Low	High	Last	% chge	
AUD	0.7655	-0.2	0.7651	0.7680	HKD	7.7704	0.0
NZD	0.7004	-0.4	0.7001	0.7045	CNY	6.8894	0.0
EUR	1.0682	-0.8	1.0681	1.0770	SGD	1.3972	0.2
GBP	1.2469	0.3	1.2403	1.2524	IDR	13,316	0.0
JPY	111.74	0.6	110.94	111.75	THB	34.45	0.1
CAD	1.3321	0.0	1.3278	1.3346	KRW	1,117	0.3
AUD/EUR	0.7167	0.6	0.7112	0.7168	TWD	30.31	0.2
AUD/JPY	85.54	0.4	84.89	85.56	PHP	50.16	0.0
AUD/GBP	0.6139	-0.5	0.6126	0.6175	CHF	1.00	0.4
AUD/NZD	1.0930	0.2	1.0891	1.0945	SEK	8.94	0.8
AUD/CNH	5.2843	0.1	5.2617	5.2707			

## Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.00	1.15	1.64	2.41	USD 10	2.42	4.14
AUD	1.50	1.80	1.93	2.96	AUD 10	2.69	-3.20 0.27
NZD	1.75	1.99	2.31	3.44	NZD 10	3.20	-2.40 0.78
EUR	0.00	-0.33	-0.13	0.77	CAD 10	1.63	3.30 -0.79
GBP	0.25	0.34	0.62	1.18	EUR 10	0.33	-1.10 -2.08
JPY	-0.04	0.02	0.05	0.26	GBP 10	1.12	-2.90 -1.30
CAD	0.50	0.93	1.11	1.90	JPY 10	0.07	1.00 -2.35

## Equities

Major Indices	Last	% day	% y/y
	Dow	20,733	0.36
S&P 500	2,369	0.32	14.8
Nasdaq	5,915	0.29	21.5
VIX	11	0.09	-15.7
FTSE	7,370	-0.1	18.8
DAX	12,256	0.4	22.0
CAC 40	5,090	0.4	14.5
Nikkei	19,063	-0.8	13.8
Shanghai	3,210	-1.0	6.9
Hang Seng	24,301	-0.4	17.0
ASX 200	5,896	0.4	16.0

## Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.22	1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.26	2.50
3/10 sprd	0.54	0.50
SPI	5891.0	-31.0

\*Change in bps

## Commodities\*

	Last	% day
Oil (Brent)	52.84	0.8
Oil (WTI)	50.27	1.5
Oil (Tapis)	53.10	0.9
Gold	1242.80	-0.9
CRB	185.52	0.2
GS Metals	332.6	0.0
Aluminium	1965.0	0.5
Copper	5945.0	0.8
Nickel	10089.0	0.9
Zinc	2858.5	0.4
Ch. steel	3217.0	3.0
Iron ore	81.8	-0.6
St. Coal	80.7	-0.1
Met.coal	156.0	0.0
Wheat Chic.	434.0	-1.0
Sugar	16.8	-1.8
Cotton	76.2	0.1
Coffee	139.3	0.0
<b>Prob. of 25bps hike/cut at next meeting</b>		
	bps	%
RBA	-0.2	-0.8%
FED	-1	-2.4%

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/AEST
<b>Friday, 31 March 2017</b>								
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		0.2		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	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		0.3/1.9		0.3/2.0	13.30	23.30
CA	CFIB Business Barometer	Mar				62.9		
<b>Sunday, 2 April 2017</b>								
AU/NZ	Daylight saving ends in Australia and New Zealand							
<b>Monday, 3 April 2017</b>								
AU	AiG Perf of Mfg Index	Mar				59.3	0.30	9.30
JN	Nikkei Japan PMI Mfg	Mar F				52.6	0.30	9.30
JN	Tankan Large Mfg/Non-Mfg Index	1Q		14/19		10.0/18.0	0.50	9.50
JN	Tankan Large All Industry Capex	1Q		-0.5		5.5	0.50	9.50
AU	CoreLogic House Px MoM	Mar				1.4	1.00	10.00
AU	Melbourne Institute Inflation MoM/YoY	Mar				-0.3	2.00	11.00
AU	Retail Sales MoM	Feb				0.4	2.30	11.30
AU	Building Approvals MoM/YoY	Feb		/		1.8/-12.0	2.30	11.30
AU	ANZ Job Advertisements MoM	Mar				-0.7	2.30	11.30
CH	Caixin China PMI Mfg	Mar		51.7		51.7	2.45	11.45
AU	Commodity Index AUD/SDR YoY	Mar		/		120.9/56.0	7.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Mar F				58.3	8.55	17.55
EC	Markit Eurozone Manufacturing PMI	Mar F				56.2	9.00	18.00
UK	Markit UK PMI Manufacturing SA	Mar				54.6	9.30	18.30
EC	PPI MoM/YoY	Feb		/		0.7/3.5	10.00	19.00
EC	Unemployment Rate	Feb				9.6	10.00	19.00
CA	MLI Leading Indicator MoM	Feb				0.6	12.00	21.00
CA	Markit Canada Manufacturing PMI	Mar				54.7	14.30	23.30
US	Markit US Manufacturing PMI	Mar F				53.4	14.45	23.45
US	Wards Total Vehicle Sales	Mar		17.3		17.5		
CA	Bloomberg Nanos Confidence	Mar 31				58.5	15.00	0.00
US	ISM Manufacturing	Mar		57		57.7	15.00	0.00
US	Construction Spending MoM	Feb		1.3		-1.0	15.00	0.00
CA	Business Outlook Future Sales	1Q				26.0	15.30	0.30
CA	BoC Senior Loan Officer Survey	1Q				-2.6	15.30	0.30
US	Fed's Harker Speaks in Philadelphia on Fintech						20.00	5.00
US	Fed's Lacker Speaks in Lexington, Virginia						22.00	7.00
<b>Tuesday, 4 April 2017</b>								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Apr 2				113.8	0.30	9.30
AU	Trade Balance	Feb				1302.0	2.30	11.30
AU	RBA Cash Rate Target	Apr 4		1.5		1.5	5.30	14.30
UK	Markit/CIPS UK Construction PMI	Mar				52.5	9.30	18.30
EC	Retail Sales MoM/YoY	Feb		/		-0.1/1.2	10.00	19.00
US	Trade Balance	Feb		-46.65		-48.5	13.30	22.30
CA	Int'l Merchandise Trade	Feb				0.8	13.30	22.30
US	Factory Orders/Ex-trans	Feb		0.9/		1.2/0.3	15.00	0.00
NZ	QV House Prices YoY	Mar				13.5	18.00	3.00
AU	RBA's Heath Bloomberg Panel Participation						20.30	5.30
US	Fed's Tarullo speaks at Princeton University						21.30	6.30
<b>Wednesday, 5 April 2017</b>								
NZ	ANZ Job Advertisements MoM	Mar				0.4	23.00	8.00
UK	BRC Shop Price Index YoY	Mar				-1.0	0.10	9.10
AU	AiG Perf of Services Index	Mar				49.0	0.30	9.30
JN	Nikkei Japan PMI Services/Composite	Mar		/		51.3/52.2	1.30	10.30
NZ	ANZ Commodity Price	Mar				2.0	2.00	11.00
GE	Markit Germany Services/Composite PMI	Mar F		/		55.6/57.0	8.55	17.55
EC	Markit Eurozone Services/Composite PMI	Mar F		/		56.5/56.7	9.00	18.00
UK	New Car Registrations YoY	Mar				-0.3	9.00	18.00
UK	Markit/CIPS UK Services/Composite PMI	Mar		/		53.3/53.8	9.30	18.30
UK	Unit Labor Costs YoY	4Q				2.3	9.30	18.30
US	ADP Employment Change	Mar		180		298.0	13.15	22.15
US	Markit US Services PMI	Mar F				52.9	14.45	23.45
US	ISM Non-Manf. Composite	Mar		57		57.6	15.00	0.00
US	FOMC Meeting Minutes	Mar 15					19.00	4.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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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