

MARKETS TODAY

A little less conversation



Good Morning

Titles for our Markets Today note are a great topic of conversation with colleagues and clients alike. Last night at a work function I was given a few suggestions, some were odd, others were funny and there was also a few career limiting ones. In the end, for today I had to go with my colleague Sue Walker's suggestion. "A little less conversation" was Elvis' post mortem number one hit, and it helped him overtake the Beatles as the artist with most hits in the UK (18 vs 17).

Last night Governor Lowe spoke at the RBA Board Dinner and similar to yesterday's Statement his remarks were focused on the labour and housing markets. The Governor noted that the labour market's conditions remain pretty soft and added that "we will want to see an improvement here before we can be confident that growth in the overall economy is strengthening". As for the housing market he reiterated the Bank's support for the need of additional strengthening in lending standards, but then he also said that other arms of policy need to do more in order to address housing supply issues (infrastructure, land release - and not mentioned, even immigration and/or foreign investment, none of which are RBA policy levers).

US equities have managed to end the day with modest gains while main European equity indices posted gains between 0.20% and 0.55%. After yesterday's rally, US Treasury yields are a little bit higher across the curve with the 10y note currently trading at 2.363%, 3.5bps higher relative to Sydney's closing levels.

The USD has been supported by the move higher in UST yields and is stronger against all G10 currencies barring JPY. That said with US equities closing in positive territory and 10Y UST edging higher later in the session we wouldn't be surprised to see USD/JPY make some gains today.

Meanwhile the AUD and NZD are at the bottom of the pile, down 0.57% and 0.58% respectively. The move lower in the AUD was sparked by the RBA policy announcement yesterday afternoon. As expected the RBA left the cash rate unchanged, but the acknowledgement of a weaker labour market, together with clear stress on macro-prudential restraints were seen as an excuse to sell the AUD, even though earlier in the day the AUD had been boosted by better than expected trade data (\$3.6bn surplus vs \$1.6bn exp.). The technical break below 0.7580 was also a factor weighing on the AUD, later on Governor's remarks did little to arrest the slide with pair trading to a low of 0.7548 about two hours after he spoke. This morning the AUD has regained a little bit of ground and it has settled just above 0.7560.

The NZD underperformance has been a bit more puzzling, yesterday the QSBO survey was strong and overnight the GDT dairy auction was better than

expected. The price index climbed 1.6% against expectations of a small decline. NZD is currently not trading on fundamentals and is probably suffering a bit of AUD weakness contagion.

As for commodities, oil prices have edged closed to 2% seemingly boosted by a Bloomberg survey suggesting US crude supplies probably fell by 150k barrels last week, (the EIA report is out tonight). Iron ore, copper and gold are little change while met. coal is the outstanding performer, up 10.3% amid supply disruption in Australia following cyclone Debbie.

Data releases were largely ignored last night. The March UK construction PMI was a little bit weaker (52.2 vs. 52.5 exp.) and EZ retail sales for February a touch stronger (0.7% vs. 0.5% exp.). The US trade gap for February narrowed a little further than consensus to \$43.6bn vs 48.5bn in January.

Coming Up

Services PMIs is the theme for the day. In Australia we get the AiG Performance Services index, then the Nikkei Services PMI is out in Japan and later today the UK, Eurozone (final) and Germany (final) also publish their readings for March. The US releases its non-manufacturing ISM and ahead of payrolls on Friday, the ADP report is also out tonight. RBA Heath speaks at a Bloomberg event in Sydney and early tomorrow morning the Fed publishes the Minutes from its March meeting.

Of all these surveys out today the UK and US are probably the most important ones. Services is the biggest sector in the UK economy and although the market is looking for an unchanged print of 53.3, the cooling in the latest manufacturing and construction PMIs suggest there is downside risk to today's release.

As for the non-manufacturing ISM, although still at elevated levels, the market is looking for a small pull back. In February the headline number printed at 57.6 and expectations are for a 57.0 outcome in March. The employment index is also going to be important and in February it printed at 55.2.

The correlation between the ADP report and non-farm payrolls has improved in recent years and for this week the market is looking for both the ADP and non-farm payrolls to print below the strong numbers delivered in February. 190k are expected for ADP (250k prev.) and 175k for payrolls (235k). A big ADP miss will undoubtedly affect market expectations for non-farm payrolls on Friday.

In spite of the overabundance of Fed speakers since the March 14-15 FOMC meeting, the Minutes are still likely to gather a fair bit of market's attention. The market will be on the lookout for any clues on the Fed's Balance sheet unwind strategy as well as any signs that might reflect a bias for a faster approach to lifting the funds rate.

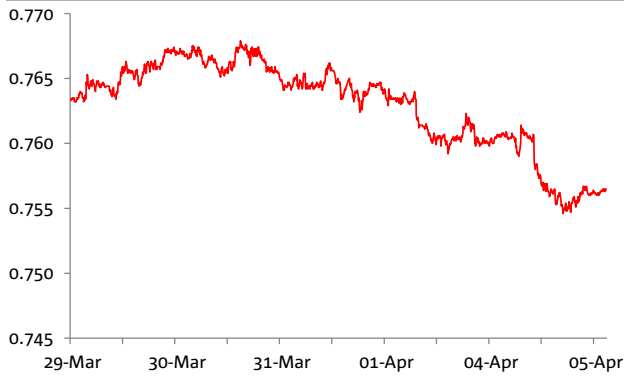
Author **Rodrigo Catril, FX Strategist**

Overnight

On global stock markets, the S&P 500 was +0.06%. Bond markets saw US 10-years +4.12bp to 2.36%. In commodities, Brent crude oil +2.03% to \$54.2, gold+0.3% to \$1,254, iron ore +0.1% to \$79.45, steam coal +0.3% to \$89.75, met.coal +10.3% to \$215.00. AUD is at 0.7564 and the range since yesterday 5pm Sydney time is 0.7545 to 0.7615.

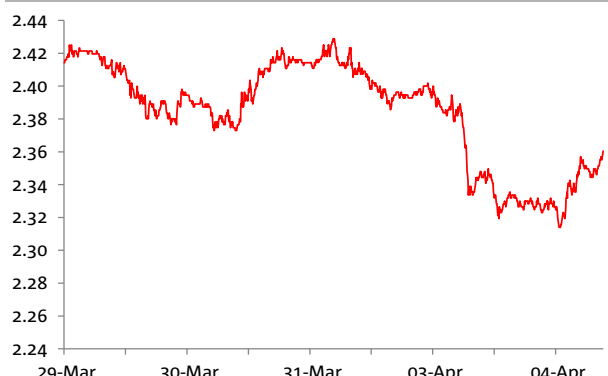
Markets

AUD/USD - past week



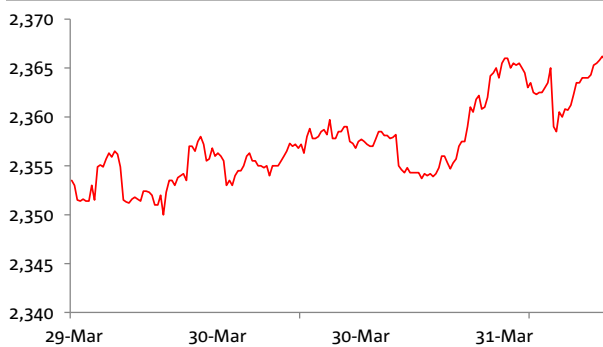
Source: Bloomberg.

US 10yr - past week



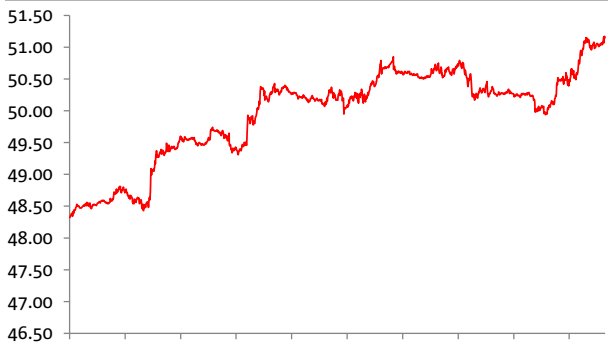
Source: Bloomberg.

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	0.7564	-0.5	0.7545	0.7615	HKD	7.7709	0.0
NZD	0.6975	-0.6	0.6970	0.7022	CNY	6.8872	0.0
EUR	1.0674	0.0	1.0636	1.0677	SGD	1.3983	0.1
GBP	1.2441	-0.4	1.2419	1.2496	IDR	13,331	0.0
JPY	110.71	-0.2	110.27	110.94	THB	34.46	0.3
CAD	1.3404	0.2	1.3374	1.3456	KRW	1,122	0.6
AUD/EUR	0.7087	-0.6	0.7082	0.7136	TWD	30.49	0.5
AUD/JPY	83.74	-0.7	83.23	84.42	PHP	50.18	0.0
AUD/GBP	0.6080	-0.2	0.6062	0.6103	CHF	1.00	0.0
AUD/NZD	1.0845	0.0	1.0812	1.0879	SEK	9.01	0.6
AUD/CNH	5.2091	-0.5	5.1904	5.2338			

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spnd
USD	1.00	1.15	1.59	2.35	USD 10	2.36	4.12
AUD	1.50	1.79	1.89	2.90	AUD 10	2.61	-7.00
NZD	1.75	2.00	2.28	3.37	NZD 10	3.09	-7.30
EUR	0.00	-0.33	-0.15	0.74	CAD 10	1.58	1.40
GBP	0.25	0.34	0.58	1.12	EUR 10	0.26	-2.00
JPY	-0.04	0.02	0.05	0.25	GBP 10	1.07	0.30
CAD	0.50	0.94	1.11	1.87	JPY 10	0.07	-0.90

Equities

Major Indices			
	Last	% day	% y/y
Dow	20,689	0.19	16.6
S&P 500	2,360	0.06	14.2
Nasdaq	5,899	0.07	20.6
VIX	12	-4.77	-16.5
FTSE	7,322	0.5	18.8
DAX	12,282	0.2	25.0
CAC 40	5,101	0.3	17.4
Nikkei	18,810	-0.9	19.6
Shanghai	3,223	0.0	7.1
Hang Seng	24,261	0.0	18.4
ASX 200	5,857	-0.3	18.9

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.23	2.00
3 Yr bond	97.8	3.00
10 Yr bond	97.35	7.50
3/10 sprd	0.45	-4.50
SPI	5871.0	-12.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	54.20	2.0
Oil (WTI)	51.13	1.8
Oil (Tapis)	54.54	0.0
Gold	1254.40	0.3
CRB	185.59	0.6
GS Metals	325.7	0.2
Aluminium	1927.8	-0.8
Copper	5762.3	0.4
Nickel	9929.8	1.3
Zinc	2714.8	1.0
Ch. steel	3166.0	0.0
Iron ore	79.5	0.1
St. Coal	89.8	0.3
Met.coal	215.0	10.3
Wheat Chic.	440.0	-0.1
Sugar	16.2	-2.3
Cotton	74.9	-0.8
Coffee	137.8	-0.1

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	-1.0	-4.0%
FED	-0	-1.6%

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
Wednesday, 5 April 2017								
NZ	ANZ Job Advertisements MoM	Mar				0.4	23.00	8.00
UK	BRC Shop Price Index YoY	Mar		-0.8		-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
AU	RBA's Heath at Bloomberg Voices Event						8.30	17.30
GE	Markit Germany Services/Composite PMI	Mar F		55.6/57		55.6/57.0	8.55	17.55
EC	Markit Eurozone Services/Composite PMI	Mar F		56.5/56.7		56.5/56.7	9.00	18.00
UK	Markit/CIPS UK Services/Composite PMI	Mar		53.4/53.8		53.3/53.8	9.30	18.30
UK	Unit Labor Costs YoY	4Q		2		2.3	9.30	18.30
US	ADP Employment Change	Mar		190		298.0	13.15	22.15
US	Markit US Services PMI	Mar F		53.1		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
Thursday, 6 April 2017								
AU	RBA Deputy Gov Debelle speaking on "Recent Trends in Australian Capital Flows"						23.40	8.40
CH	Caixin China PMI Services/Composite	Mar		/		52.6/52.6	2.45	11.45
JN	Consumer Confidence Index	Mar		43.4		43.1	6.00	15.00
GE	Factory Orders MoM/YoY	Feb		4/3.9		-7.4/-0.8	7.00	16.00
EC	ECB account of the monetary policy meeting						12.30	21.30
CA	Building Permits MoM	Feb		1.3		5.4	13.30	22.30
US	Initial Jobless Claims	Apr 1		250		258.0	13.30	22.30
US	Fed's Williams Speaks on a Panel in Frankfurt						14.30	23.30
US	Bloomberg Consumer Comfort	Apr 2				49.7	14.45	23.45
Friday, 7 April 2017								
AU	AiG Perf of Construction Index	Mar				53.1	0.30	9.30
JN	Labor Cash Earnings YoY	Feb		0.5		0.5	1.00	10.00
JN	Leading Index CI	Feb P		104.6		104.9	6.00	15.00
GE	Industrial Production SA MoM/YoY	Feb		-0.2/0.5		2.8/0.0	7.00	16.00
GE	Current Account Balance	Feb		19.1		12.8	7.00	16.00
UK	Halifax House Prices MoM/3M YoY	Mar		0.2/4		0.1/5.1	8.30	17.30
UK	Industrial Production MoM/YoY	Feb		0.2/3.7		-0.4/3.2	9.30	18.30
UK	Manufacturing Production MoM/YoY	Feb		0.3/3.9		-0.9/2.7	9.30	18.30
UK	Construction Output SA MoM/YoY	Feb		0.1/1.9		-0.4/2.0	9.30	18.30
UK	Trade Balance	Feb		-2200		-1966.0	9.30	18.30
UK	NIESR GDP Estimate	Mar		0.6		0.6	13.00	22.00
CA	Net Change in Employment	Mar		5		15.3	13.30	22.30
CA	Unemployment Rate	Mar		6.7		6.6	13.30	22.30
US	Change in Nonfarm Payrolls/Unemployment Rate	Mar		175/4.7		235.0/4.7	13.30	22.30
US	Average Hourly Earnings MoM/YoY	Mar		0.2/2.7		0.2/2.8	13.30	22.30
CH	Foreign Reserves	Mar		3012.5		3005.1		
CA	Ivey Purchasing Managers Index SA	Mar		56		55.0	15.00	0.00
US	Wholesale Inventories MoM	Feb F		0.4		0.4	15.00	0.00
US	Consumer Credit	Feb		15		8.8	20.00	5.00
CH	Foreign Direct Investment YoY CNY	Mar				9.2		
Monday, 10 April 2017								
CH	Foreign Direct Investment YoY CNY	Mar				9.2	#VALUE!	#VALUE!
JN	BoP Current Account Balance	Feb			65.5	0.50	9.50	9.50
JN	BoP Current Account Adjusted	Feb			1259.8	0.50	9.50	9.50
JN	Trade Balance BoP Basis	Feb			-853.4	0.50	9.50	9.50
AU	Home Loans MoM	Feb			0.5	2.30	11.30	11.30
AU	Investment Lending	Feb			4.2	2.30	11.30	11.30
AU	Owner-Occupier Loan Value MoM	Feb			-0.2	2.30	11.30	11.30
JN	Bankruptcies YoY	Mar			-4.8	5.30	14.30	14.30
EC	Sentix Investor Confidence	Apr			20.7	9.30	18.30	18.30
CA	Housing Starts	Mar			210.2	13.15	22.15	22.15
JN	Eco Watchers Survey Current SA	Mar			48.6	#VALUE!	#VALUE!	#VALUE!
JN	Eco Watchers Survey Outlook SA	Mar			50.6	#VALUE!	#VALUE!	#VALUE!
CH	Money Supply M2 YoY	Mar		11.2		11.1	#VALUE!	#VALUE!
CH	Money Supply M1 YoY	Mar		19.55		21.4	#VALUE!	#VALUE!
CH	Money Supply M0 YoY	Mar		4		3.3	#VALUE!	#VALUE!
CH	New Yuan Loans CNY	Mar		1200		1170.0	#VALUE!	#VALUE!
CH	Aggregate Financing CNY	Mar		1500		1150.0	#VALUE!	#VALUE!
NZ	REINZ House Sales YoY	Mar				-14.2	#VALUE!	#VALUE!
CA	Bloomberg Nanos Confidence	Apr 7				58.7	15.00	0.00
US	Labor Market Conditions Index Change	Mar				1.3	#VALUE!	#VALUE!
Tuesday, 11 April 2017								
NZ	Card Spending Retail MoM	Mar				-0.6	23.45	8.45
NZ	Card Spending Total MoM	Mar				-1.0	23.45	8.45
UK	BRC Sales Like-For-Like YoY	Mar				-0.4	0.10	9.10
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Apr 2				113.8	0.30	9.30
AU	NAB Business Conditions	Mar				9.0	2.30	11.30
AU	NAB Business Confidence	Mar				7.0	2.30	11.30
JN	Machine Tool Orders YoY	Mar P				9.1	7.00	16.00
UK	CPIH YoY	Mar				2.3	9.30	18.30
UK	CPI MoM	Mar				0.7	9.30	18.30
UK	CPI YoY	Mar				2.3	9.30	18.30
UK	CPI Core YoY	Mar				2.0	9.30	18.30
UK	Retail Price Index	Mar				268.4	9.30	18.30
UK	RPI MoM	Mar				1.1	9.30	18.30
UK	RPI YoY	Mar				3.2	9.30	18.30
UK	RPI Ex Mort Int. Payments (YoY)	Mar				3.5	9.30	18.30
UK	PPI Input NSA MoM	Mar				-0.4	9.30	18.30
UK	PPI Input NSA YoY	Mar				19.1	9.30	18.30
UK	PPI Output NSA MoM	Mar				0.2	9.30	18.30
UK	PPI Output NSA YoY	Mar				3.7	9.30	18.30
UK	PPI Output Core NSA MoM	Mar				0.0	9.30	18.30
UK	PPI Output Core NSA YoY	Mar				2.4	9.30	18.30
UK	House Price Index YoY	Feb				6.2	9.30	18.30
EC	Industrial Production SA MoM	Feb				0.9	10.00	19.00
EC	Industrial Production WDA YoY	Feb				0.6	10.00	19.00
GE	ZEW Survey Current Situation	Apr				77.3	10.00	19.00
EC	ZEW Survey Expectations	Apr				25.6	10.00	19.00
GE	ZEW Survey Expectations	Apr				12.8	10.00	19.00
US	NFIB Small Business Optimism	Mar				105.3	11.00	20.00
US	JOLTS Job Openings	Feb				5626.0	15.00	0.00
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%	0.75-1.00%		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

CONTACT DETAILS

Authors

David de Garis
Senior Economist
+61 3 8641 3045
david.degaris@nab.com.au

Ray Attrill
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

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