

### Good Morning

Admittedly not a particularly inspiring song title for today's missive, but justified on the basis it is by Flo Rida, that cringe-worthy name play on the location of one of the two key event risks confronting markets this side of the weekend, namely the Trump-Xi meetings in Mar a Largo. The other is of course the March U.S. employment report.

We haven't seen a whole lot of market price action overnight, with the US dollar marginally higher, as are US bonds yields but by less than one basis point. US equities meanwhile have had a better day than Wednesday, the main indices up by between 0.07% (Dow) and 0.25% (NASDAQ).

This follows what we regarded at the time as a bit of an overreaction to the March FOMC minutes released late in the New York afternoon on Wednesday. The suggestion that the Fed was minded to start the process of balance sheet shrinkage before the end of the year elicited a quite pronounced sell-off in US equities, lower bond yields (ironically and seemingly on the view that the Fed might now do less with the Fed Funds rate target) and a weaker US dollar. This was despite 'before year-end' being a date many Fed officials have already referenced in recent commentaries.

San Francisco Fed's President John Williams spoke last night and suggested it'll be "something like 5 years" to complete the process of balance sheet shrinkage and this process would likely be met with a slower pace of rate hikes. Of course, the Fed's prevailing 'dot' forecasts presumably already takes into account the likelihood of balance sheet shrinkage, so once the process does start we shouldn't be expecting the FOMC member dots to suddenly ratchet lower. Indeed, if the Fed is intent on starting this process by ceasing full re-investment of maturing bonds on its balance sheet before year end, this actually plays in favour of the Fed delivering on its expected further two Fed Funds rate increased in 2017 before that process starts (e.g. in June and September). We're currently reviewing our Fed rate call and will advise accordingly.

The marginally stronger US dollar owes something to a sell-off in the Euro right at the end of our day yesterday after ECB President Draghi said there was no need to deviate from previous wording on forward guidance, that a reassessment of the monetary stance was unwarranted and that there was scant evidence of inflation stabilising around the ECB's goal ('close to, but below, 2%'). This message was repeated in the ECB's March meeting minutes published last night, though Bundesbank President Jens Weidmann was out later saying that it was legitimate to discuss when to normalize policy. Clearly there are splits on the Council.

Locally, the AUD has stabilised just below 0.7550 after yesterday falling to its lowest level since March 13. This

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was in conjunction with a more 'risk-off' tone in APAC markets and where geopolitical stresses related to North Korea and Syria are becoming elevated, plus some relative soft China data (the Caixin services PMI). Note coking coal has surged another 10% to \$260 overnight.

### Coming Up

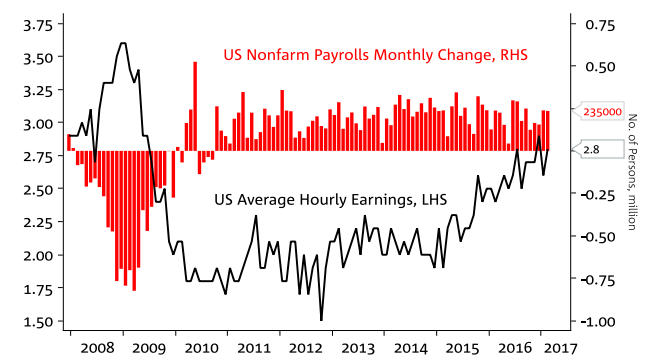
Words from Mar-a-Largo where Presidents Xi and Trump will be one focus for the remainder of the week, but it's also US payroll Friday of course. Here, the uncertainty quotient is even higher than usual given the conflicting signals from some of the popular survey-based and other lead indicators. The current market consensus is for a gain in non-farm payrolls of some 180,000. In truth, we suspect the market focus will - or certainly should be - as much on the earnings components of the data, in particular whether annual average earnings growth has picked up from February's 2.8% rate. It's not expected to - consensus is 2.7%.

At the moment, markets are attaching about a 60% probability to the Fed's next move coming at the June meeting. This is sure to move one way or the other once the payrolls report is digested. Also on the agenda today is German and French industrial production (will these hard activity numbers start to live up to the promises suggested by survey based indicators such as PMI data?). We also have UK industrial production and trade numbers and, alongside the US payroll data, equivalent numbers for Canada.

### Overnight

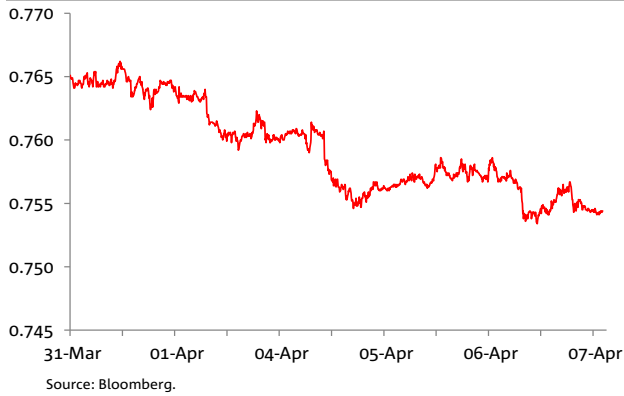
On global stock markets, the S&P 500 was +0.19%. Bond markets saw US 10-years +0.01bp to 2.34%. In commodities, Brent crude oil +0.90% to \$54.85, gold +0.4% to \$1,250, iron ore -0.8% to \$80.92, steam coal +0.2% to \$89.65, met.coal +10.2% to \$260.00. AUD is at 0.7544 and the range since yesterday 5pm Sydney time is 0.7533 to 0.7577.

Chart of the Day – US NFP and average earnings



Markets

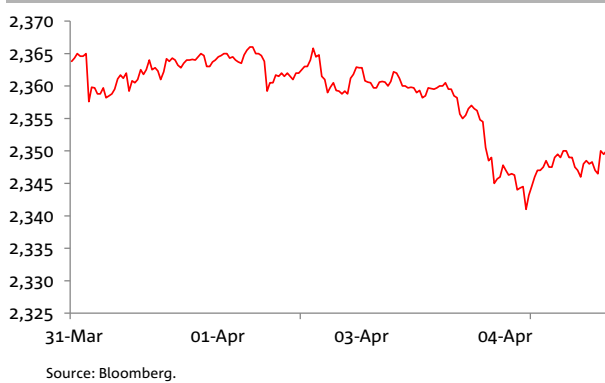
AUD/USD - past week



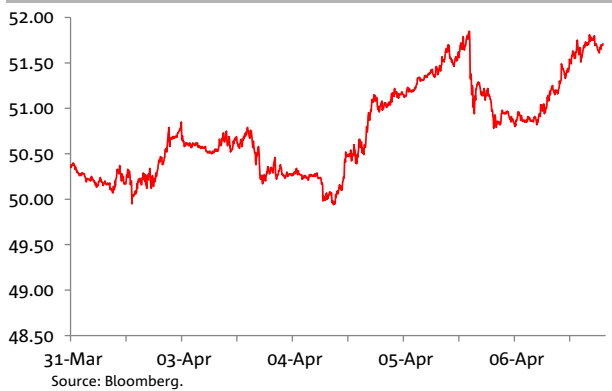
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

Indicative 24hr ranges (**)					Other FX		
	Last	% chge	Low	High		Last	% chge
AUD	0.7544	-0.3	0.7533	0.7577	HKD	7.7701	0.0
NZD	0.6970	0.1	0.6961	0.6990	CNY	6.8977	0.0
EUR	1.0642	-0.2	1.0629	1.0684	SGD	1.4018	0.0
GBP	1.2465	-0.1	1.2450	1.2506	IDR	13,328	0.1
JPY	110.74	0.0	110.29	111.14	THB	34.58	0.1
CAD	1.3417	-0.1	1.3398	1.3451	KRW	1,133	0.8
AUD/EUR	0.7088	-0.2	0.7056	0.7102	TWD	30.54	0.5
AUD/JPY	83.54	-0.3	83.15	83.92	PHP	50.16	0.0
AUD/GBP	0.6052	-0.2	0.6032	0.6072	CHF	1.01	0.0
AUD/NZD	1.0823	-0.4	1.0809	1.0872	SEK	9.02	0.3
AUD/CNH	5.2080	-0.3	5.1856	5.2222			

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	1.00	1.15	1.58	2.32	USD 10	2.34	0.01	
AUD	1.50	1.79	1.85	2.87	AUD 10	2.58	-2.40	0.25
NZD	1.75	2.00	2.26	3.34	NZD 10	3.09	-0.60	0.75
EUR	0.00	-0.33	-0.15	0.73	CAD 10	1.55	-0.90	-0.78
GBP	0.25	0.34	0.59	1.14	EUR 10	0.26	0.50	-2.07
JPY	-0.05	0.04	0.05	0.25	GBP 10	1.10	0.70	-1.24
CAD	0.50	0.94	1.10	1.84	JPY 10	0.06	-0.60	-2.28

Equities

Major Indices			
	Last	% day	% y/y
Dow	20,663	0.07	16.6
S&P 500	2,357	0.19	14.1
Nasdaq	5,879	0.25	19.5
VIX	12	-4.03	-12.1
FTSE	7,303	-0.4	18.5
DAX	12,231	0.1	27.1
CAC 40	5,121	0.6	19.5
Nikkei	18,597	-1.4	18.1
Shanghai	3,281	0.3	9.1
Hang Seng	24,274	-0.5	19.8
ASX 200	5,856	-0.3	18.0

Commodities\*

	Last	% day
Oil (Brent)	54.85	0.9
Oil (WTI)	51.71	1.1
Oil (Tapis)	55.34	-0.5
Gold	1250.30	0.4
CRB	186.78	0.3
GS Metals	328.1	-0.8
Aluminium	1941.3	-0.4
Copper	5834.0	-0.7
Nickel	10030.0	-2.1
Zinc	2705.3	-1.9
Ch. steel	3054.0	-5.7
Iron ore	80.9	-0.8
St. Coal	89.7	0.2
Met.coal	260.0	10.2
Wheat Chic.	436.0	-1.5
Sugar	16.5	2.2
Cotton	74.5	-0.5
Coffee	137.8	0.3

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-1.0	-4.0%
FED	-1	-2.4%

Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.23	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.39	4.00
3/10 sprd	0.41	-1.00
SPI	5865.0	-6.0

\*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/AEST
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		5.7		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		180/4.7		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		3011		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		2		9.2		
Monday, 10 April 2017								
JN	BoP Current Account Balance	Feb		2528.3		65.5	0.50	9.50
JN	BoP Current Account Adjusted	Feb		1791.5		1259.8	0.50	9.50
JN	Trade Balance BoP Basis	Feb		993.2		-853.4	0.50	9.50
AU	Home Loans MoM	Feb		0.4		0.5	2.30	11.30
AU	Investment Lending	Feb				4.2	2.30	11.30
AU	Owner-Occupier Loan Value MoM	Feb				-0.2	2.30	11.30
JN	Bankruptcies YoY	Mar				-4.8	5.30	14.30
EC	Sentix Investor Confidence	Apr		20.15		20.7	9.30	18.30
CA	Housing Starts	Mar		212		210.2	13.15	22.15
JN	Eco Watchers Survey Current SA	Mar		49.5		48.6	6.00	15.00
JN	Eco Watchers Survey Outlook SA	Mar		50.3		50.6	6.00	15.00
CH	Money Supply M2 YoY	Mar		11.1		11.1	#VALUE!	#VALUE!
CH	Money Supply M1 YoY	Mar		19.3		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		0.5		-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 9				111.1	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		2.2		2.3	9.30	18.30
UK	CPI MoM	Mar		0.2		0.7	9.30	18.30
UK	CPI YoY	Mar		2.2		2.3	9.30	18.30
UK	CPI Core YoY	Mar		1.8		2.0	9.30	18.30
UK	Retail Price Index	Mar		269		268.4	9.30	18.30
UK	RPI MoM	Mar		0.3		1.1	9.30	18.30
UK	RPI YoY	Mar		3.1		3.2	9.30	18.30
UK	RPI Ex Mort Int.Payments (YoY)	Mar		3.4		3.5	9.30	18.30
UK	PPI Input NSA MoM	Mar		-0.5		-0.4	9.30	18.30
UK	PPI Input NSA YoY	Mar		16.6		19.1	9.30	18.30
UK	PPI Output NSA MoM	Mar		0.2		0.2	9.30	18.30
UK	PPI Output NSA YoY	Mar		3.4		3.7	9.30	18.30
UK	PPI Output Core NSA MoM	Mar		0.2		0.0	9.30	18.30
UK	PPI Output Core NSA YoY	Mar		2.4		2.4	9.30	18.30
UK	House Price Index YoY	Feb				6.2	9.30	18.30
EC	Industrial Production SA MoM	Feb		0.1		0.9	10.00	19.00
EC	Industrial Production WDA YoY	Feb		2		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		13		12.8	10.00	19.00
US	NFIB Small Business Optimism	Mar		104.8		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		2-May	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

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