

MARKETS TODAY

Muddy Waters



Good Morning

The global macro picture has been muddied by a rise in geopolitical tensions, economic data releases overnight have been largely ignored and safe haven assets have outperformed. North Korea has warned of nuclear strikes if provoked and Trump's fingers have also played a role, tweeting "North Korea is looking for trouble," and "If China decides to help, that would be great. If not, we will solve the problem without them! U.S.A.". US Secretary of State Tillerson has arrived in Russia with news headlines suggesting President Putin has hardened his support for the Syrian regime. Earlier in the night the G7 meeting concluded with a united message condemning the Syrian chemical attack, but there were clear divisions over possible next steps.

So the rise in political tensions has boosted the demand for safe haven assets. Gold is up 1.7% and in the process it has punched through its 200 day moving average. The yellow metal currently trades at \$1272, its highest level since mid-November last year. Meanwhile, 10y US Treasury yields have rallied over 4bps and are now trading just under the 2.30% mark. The 2.30%-2.60% range in 10y UST held since the start of December last year is once again being tested to the downside.

The flight to safety and decline in US Treasury yields has seen JPY outperform all other currencies. USD/JPY is down 1.20%, the pair is now trading at ¥109.63, its lowest level in 5 months. From a technical perspective the move sub ¥110 means that USD/JPY has a fair bit of room to trade lower.

US equities have closed marginally in negative territory, but the spike in risk aversion has seen the VIX index climb above 15 for the first time since November 10. Notably and despite the rise in risk aversion, commodity linked currencies have managed to hold their ground. Overnight the AUD traded to an intraday low of 0.7474, but in the past few hours it has managed to settle around the 75c mark. The NZD is at 0.6959, 10pips above its average level over the past 3 days.

The euro is a little bit stronger against the USD and is back above the 106 level. The French election remains a concern for the political stability in the old continent, but the jump in German ZEW survey appears to have contributed to the euro performance overnight. The survey headline index bounced to 80.1 in April from 77.3 previously and now it is at its highest level since 2011.

GBP has also performed well against the USD overnight. It currently trades at 1.2492 (+0.664%) with short covering probably a factor at play. UK Mar CPI came in as expected at 2.3% y/y, after rising +0.4% m/m. Food, alcohol and tobacco added to inflation while air fares and the Easter effect detracted (as they did in Europe two weeks ago). Our European strategist notes that these base effects should partially reverse next month, putting renewed upward pressure on inflation.

Author **Ray Attrill**, Head of FX Strategy

As for commodities, oil prices have continued to edge a little bit higher (up 0.3%/0.4%), copper is -0.4%, but iron ore is -0.4%, steam coal is -2.2% and met coal is -5.8%. So a mixed to soft picture for AU related commodities

Coming Up

Australia's monthly consumer confidence reading is out this morning. Yesterday the weekly measure of confidence had a decent jump, but prior readings suggests a downtrend could be emerging, so it will be interesting to see if a similar pattern becomes evident in the monthly reading.

Japan's Machine orders are also out this morning. The monthly and yearly series can be quite volatile, but if one looks at the actual order rather than rate of change they can provide a good indication on the trend in capex. The market is looking for a 3.6% rise in February which would be consistent with the pick-up in capex expenditure suggested in the Tankan survey.

China's CPI reading for March is due for release half an hour before midday Sydney time and the market is looking for a 1%yoy rise, 2 tenth higher than in February. PPI data is also out and the consensus forecast is at 7.4% down from 7.8% previously.

The UK labour force report is the highlight in Europe. The market is looking for an unchanged outcome in the 3 month unemployment rate (4.7%) and the average weekly earnings is also expected to remain unchanged at 2.2%. BoE Carney will be speaking as the numbers are released (18:30 Sydney time) and it will be interesting to see if he offers any comments on the decline in real wages and the outlook for the economy.

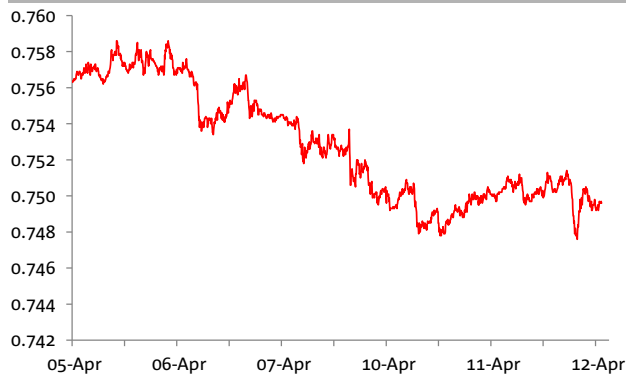
The US gets export and import prices along with the monthly budget update. Fed Kashkari will attend a 45min Q&A session and the Bank of Canada gives its policy rate announcement. While a no change is broadly expected by the market, the improvement in recent data releases as well as the pick-up in oil prices has motivated some market participant to suggest the Bank could change its policy guidance. We think a change in guidance is premature and suggest the Bank is likely to err on the side of caution, noting the spare capacity in the economy and US policy uncertainty.

Overnight

On global stock markets, the S&P 500 was -0.14%. Bond markets saw US 10-years -6.99bp to 2.30%. In commodities, Brent crude oil +0.27% to \$56.13, gold+1.7% to \$1,273, iron ore -0.4% to \$74.38, steam coal -2.2% to \$84.85, met.coal -5.8% to \$266.25. AUD is at 0.7496 and the range since yesterday 5pm Sydney time is 0.7474 to 0.7515.

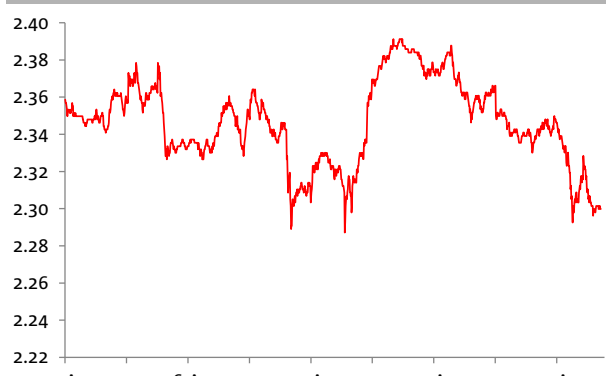
Markets

AUD/USD - past week



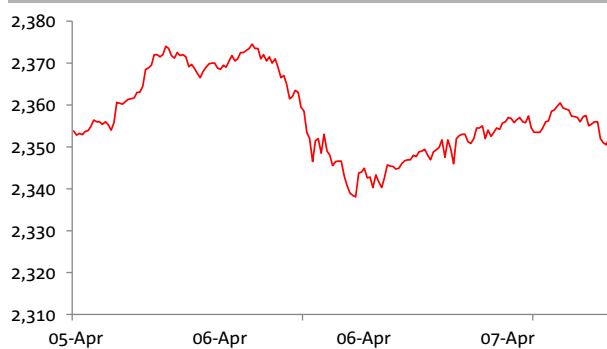
Source: Bloomberg.

US 10yr - past week



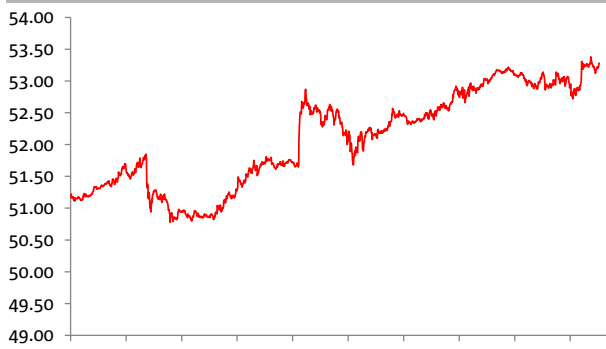
Source: Bloomberg.

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	0.7496	-0.1	0.7474	0.7515	HKD	7.7711	0.0
NZD	0.6957	-0.1	0.6921	0.6969	CNY	6.8921	-0.2
EUR	1.0606	0.1	1.0570	1.0630	SGD	1.4037	-0.1
GBP	1.2492	0.6	1.2351	1.2493	IDR	13,281	0.0
JPY	109.65	-1.2	109.62	111.58	THB	34.55	-0.2
CAD	1.3328	0.0	1.3310	1.3426	KRW	1,146	0.3
AUD/EUR	0.7068	-0.2	0.7034	0.7097	TWD	30.64	0.0
AUD/JPY	82.20	-1.2	81.96	83.72	PHP	49.59	-0.1
AUD/GBP	0.6001	-0.7	0.5987	0.6069	CHF	1.01	-0.1
AUD/NZD	1.0775	0.0	1.0764	1.0835	SEK	9.06	-0.2
AUD/CNH	5.1630	-0.3	5.1602	5.1853			

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	1.00	1.16	1.56	2.26	USD 10	2.30	-6.63	
AUD	1.50	1.77	1.84	2.81	AUD 10	2.53	-4.20	0.23
NZD	1.75	1.97	2.26	3.31	NZD 10	3.06	-5.40	0.76
EUR	0.00	-0.33	-0.16	0.70	CAD 10	1.55	-4.90	-0.75
GBP	0.25	0.34	0.56	1.10	EUR 10	0.20	-0.30	-2.10
JPY	-0.04	0.01	0.04	0.23	GBP 10	1.05	-2.40	-1.25
CAD	0.50	0.94	1.10	1.84	JPY 10	0.04	-2.20	-2.26

Equities

Major Indices			
	Last	% day	% y/y
Dow	20,651	-0.03	17.6
S&P 500	2,354	-0.14	15.3
Nasdaq	5,867	-0.24	21.4
VIX	15	7.26	-7.3
FTSE	7,366	0.2	18.8
DAX	12,139	-0.5	25.4
CAC 40	5,102	-0.1	18.3
Nikkei	18,748	-0.3	17.7
Shanghai	3,289	0.6	8.8
Hang Seng	24,088	-0.7	17.5
ASX 200	5,929	0.3	19.2

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.26	1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.47	8.00
3/10 sprd	0.33	-5.00
SPI	5932.0	-31.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	56.13	0.3
Oil (WTI)	53.28	0.4
Oil (Tapis)	56.61	0.4
Gold	1272.50	1.7
CRB	188.00	0.2
GS Metals	321.1	-0.3
Aluminium	1906.8	-0.3
Copper	5739.8	0.4
Nickel	9784.5	-3.4
Zinc	2547.3	-1.8
Ch. steel	2913.0	-3.6
Iron ore	74.4	-0.4
St. Coal	84.9	-2.2
Met.coal	266.3	-5.8
Wheat Chic.	447.5	1.3
Sugar	16.7	0.5
Cotton	75.0	-0.2
Coffee	142.4	0.2

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-1.1	-4.4%
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	AEST
Wednesday, 12 April 2017								
NZ	ANZ Truckometer Heavy MoM	Mar				2.3	23.00	8.00
JN	PPI MoM	Mar		0.3		0.2	0.50	9.50
AU	Westpac Consumer Conf Index	Apr				99.7	1.30	10.30
AU	Westpac Consumer Conf SA MoM	Apr				0.1	1.30	10.30
CH	CPI YoY	Mar		1		0.8	2.30	11.30
CH	PPI YoY	Mar		7.5		7.8	2.30	11.30
UK	Average Weekly Earnings 3M/YoY	Feb		2.2		2.2	9.30	18.30
UK	ILO Unemployment Rate 3Mths	Feb		4.7		4.7	9.30	18.30
UK	Employment Change 3M/3M	Feb		70		92.0	9.30	18.30
UK	BoE's Carney speaks at a Fintech event						9.30	18.30
US	MBA Mortgage Applications	Apr 7				-1.6	12.00	21.00
US	Import Price Index MoM	Mar		-0.2		0.2	13.30	22.30
CA	Teranet/National Bank HPI MoM	Mar				1.0	13.30	22.30
US	Export Price Index MoM	Mar		0.1		#N/A N/A	13.30	22.30
US	Export Price Index YoY	Mar				#N/A N/A	13.30	22.30
CA	Bank of Canada Rate Decision	Apr 12		0.5		0.5	15.00	0.00
US	Fed's Kaplan (voter) speaks						15.00	0.00
US	Monthly Budget Statement	Mar		-167		-192.0	19.00	4.00
Thursday, 13 April 2017								
NZ	BusinessNZ Manufacturing PMI	Mar				55.2	23.30	8.30
NZ	Food Prices MoM	Mar				0.2	23.45	8.45
UK	RICS House Price Balance	Mar		22		24.0	0.10	9.10
JN	Money Stock M2 YoY	Mar		4.2		4.2	0.50	9.50
AU	Consumer Inflation Expectation	Apr				4.0	2.00	11.00
AU	RBA Financial Stability Review							
AU	Employment Change	Mar	20	20		-6.4	2.30	11.30
AU	Unemployment Rate	Mar	5.8%	5.9		5.9	2.30	11.30
JN	Tokyo Avg Office Vacancies	Mar				3.7	3.00	12.00
GE	CPI MoM	Mar F		0.2		0.2	7.00	16.00
GE	CPI YoY	Mar F		1.6		1.6	7.00	16.00
CA	New Housing Price Index MoM	Feb		0.2		0.1	13.30	22.30
CA	New Housing Price Index YoY	Feb		3.1		3.1	13.30	22.30
CA	Manufacturing Sales MoM	Feb		-0.7		0.6	13.30	22.30
US	PPI Final Demand MoM	Mar		0		0.3	13.30	22.30
US	PPI Ex Food and Energy MoM	Mar		0.2		0.3	13.30	22.30
US	PPI Ex Food and Energy YoY	Mar		1.8		1.5	13.30	22.30
US	Initial Jobless Claims	Apr 8		245		234.0	13.30	22.30
US	Continuing Claims	Apr 1		2024		2028.0	13.30	22.30
US	Bloomberg Consumer Comfort	Apr 9				50.2	14.45	23.45
CH	Trade Balance CNY	Mar		75.8		-60.4	unknown	unknown
CH	Imports YoY CNY	Mar		15		44.7	unknown	unknown
CH	Exports YoY CNY	Mar		8		4.2	unknown	unknown
CH	Imports YoY	Mar		15.5		38.1	unknown	unknown
CH	Exports YoY	Mar		3.8		-1.3	unknown	unknown
CH	Trade Balance	Mar		12.5		-9.2	unknown	unknown
GE	Wholesale Price Index MoM	Mar				0.5	unknown	unknown
GE	Wholesale Price Index YoY	Mar				5.0	unknown	unknown
US	U. of Mich. Sentiment	Apr P		96.5		96.9	15.00	0.00
US	U. of Mich. Current Conditions	Apr P				113.2	15.00	0.00
US	U. of Mich. 5-10 Yr Inflation	Apr P				2.4	15.00	0.00
Friday, 14 April 2017								
Public Holiday Friday Australia and NZ								
JN	Industrial Production YoY	Feb F				4.8	5.30	14.30
JN	Industrial Production MoM	Feb F				2.0	5.30	14.30
JN	Capacity Utilization MoM	Feb				0.1	5.30	14.30
US	CPI MoM	Mar		0		0.1	13.30	22.30
US	CPI Ex Food and Energy MoM	Mar		0.2		0.2	13.30	22.30
US	CPI YoY	Mar		2.6		2.7	13.30	22.30
US	CPI Ex Food and Energy YoY	Mar		2.3		2.2	13.30	22.30
US	CPI Core Index SA	Mar		251.651		251.3	13.30	22.30
US	CPI Index NSA	Mar		244.214		243.6	13.30	22.30
US	Real Avg Weekly Earnings YoY	Mar				-0.3	13.30	22.30
US	Real Avg Hourly Earning YoY	Mar				0.0	13.30	22.30
US	Retail Sales Advance MoM	Mar		-0.2		0.1	13.30	22.30
US	Retail Sales Ex Auto MoM	Mar		0.1		0.2	13.30	22.30
US	Retail Sales Ex Auto and Gas	Mar		0.3		0.2	13.30	22.30
US	Retail Sales Control Group	Mar		0.3		0.1	13.30	22.30
Monday, 17 April 2017								
CH	Foreign Direct Investment YoY CNY	Mar		2		9.2	#VALUE!	#VALUE!
GE	Wholesale Price Index MoM	Mar				0.5	7.00	16.00
GE	Wholesale Price Index YoY	Mar				5.0	7.00	16.00
UK	Rightmove House Prices MoM	Apr				1.3	0.10	9.10
UK	Rightmove House Prices YoY	Apr				2.3	0.10	9.10
CH	Retail Sales YoY	Mar		9.7		10.9	3.00	12.00
CH	Retail Sales YTD YoY	Mar		9.6		9.5	3.00	12.00
CH	Fixed Assets Ex Rural YTD YoY	Mar		8.8		8.9	3.00	12.00
CH	Industrial Production YoY	Mar		6.3		6.0	3.00	12.00
CH	Industrial Production YTD YoY	Mar		6.3		6.3	3.00	12.00
CH	GDP YoY	1Q		6.8		6.8	3.00	12.00
CH	GDP SA QoQ	1Q		1.5		1.7	3.00	12.00
CH	GDP YTD YoY	1Q		6.8		6.7	3.00	12.00
JN	Tokyo Condominium Sales YoY	Mar				3.3	5.00	14.00
JN	BOJ Kuroda speaks to Trust Companies Assoc.	#N/A		#N/A		#N/A	#N/A	#N/A
US	Empire Manufacturing	Apr		15.2		16.4	13.30	22.30
JN	Nationwide Dept Sales YoY	Mar				-1.7	#VALUE!	#VALUE!
JN	Tokyo Dept Store Sales YoY	Mar				-3.1	#VALUE!	#VALUE!
CA	Bloomberg Nanos Confidence	Apr 7				58.9	15.00	0.00
US	NAHB Housing Market Index	Apr		70		71.0	15.00	0.00
US	Total Net TIC Flows	Feb				110.4	21.00	6.00
US	Net Long-term TIC Flows	Feb				6.3	21.00	6.00
Tuesday, 18 April 2017								
CH	China March Property Prices	#N/A		#N/A		#N/A	#N/A	#N/A
AU	RBA April Rate Meeting Minutes	#N/A		#N/A		#N/A	#N/A	#N/A
NZ	Non Resident Bond Holdings	Mar				62.6	4.00	13.00
CA	Int'l Securities Transactions	Feb				6.2	13.30	22.30
US	Housing Starts	Mar		1260		1288.0	13.30	22.30
US	Housing Starts MoM	Mar		-2.2		3.0	13.30	22.30
US	Building Permits	Mar		1258		1213.0	13.30	22.30
US	Building Permits MoM	Mar		3.4		-5.2	13.30	22.30
CA	Existing Home Sales MoM	Mar				5.2	14.00	23.00
US	Fed's George Speaks at Bard College Conference	#N/A		#N/A		#N/A	#N/A	#N/A
US	Industrial Production MoM	Mar		0.5		0.0	14.15	23.15
US	Capacity Utilization	Mar		76.15		75.4	14.15	23.15
US	Manufacturing (SIC) Production	Mar		0.2		0.5	14.15	23.15
EU	ECB Survey of Professional Forecasters	#N/A		#N/A		#N/A	#N/A	#N/A
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; AEST: Australian Eastern Standard Time

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