

MARKETS TODAY

Talk is cheap



Good Morning

Plenty of news, both economic and geopolitical, since we broke for Easter, the net market impact of which has frankly been quite modest. The risk-negative tone that pervaded markets last week and which centred on escalating geopolitical tension surrounding North Korea, has partially reversed after a long weekend and following the absence of any direct response from either the U.S. or China to North Korea's (failed) missile test on Sunday.

The bigger market moving event since last Thursday has actually been the soft U.S. CPI data reported Friday night, showing the first monthly fall in core inflation in seven years (-0.1%) and bringing the annual rate down to 2.0% from 2.2%. This poses something of a challenge to expectations of the Fed moving again on rates as early as June. The data came into a US rates market that was closed on Friday, so most of the impact was evident in yesterday's Asia-Pacific session, which saw 10-year Treasuries fall to as low as 2.20% compared to 2.24% at Thursday's close. The move clean below 2.30% last week was, recall, largely a response to President Trump's comments to the Wall Street Journal about the dollar being too strong and his preference for low interest rates.

On the dollar, US Treasury secretary Steve Mnuchin has just been talking to the Financial Times, and rebuffed suggestions that Washington may be seeking to depreciate the currency via verbal interventions following remarks from Mr Trump last week. "As the world's currency, the primary reserve currency, I think that over long periods of time the strength of the dollar is a good thing," said Mr Mnuchin. "It's a function of the confidence and the strength of the US economy. The president was making a factual comment about the strength of the dollar in the short term. . . there's a big difference between talk and action".

On Trump comments on currency strength he agreed with the president's repeated comments in recent months that the dollar's strength in the short term was hurting US exports and the economy.

Mnuchin's comments appear to have assisted a modest recovery in the U.S. dollar in the past few hours, together with a reversal of much of yesterday's fall in US Treasury yields (10s are now back close to 2.25%). This in turn has helped push the AUD/USD rate back down below 0.7600 (0.7590) having traded as high as 0.7610 in New York. The bigger impact has been seen on the Yen, with USD/JPY up to ¥109 from below ¥108.50.

Also to note on currencies since last Thursday has been the US Treasury's failure to label anyone a currency manipulator in its last report on major trading partners FX policies, published on Friday. President Trump on Sunday tweeted "Why would I call China a currency manipulator when they are working with us on the North

Korea Problem. We will see". The Treasury report continued to identify China, South Korea, Taiwan, Germany and Switzerland as meeting at least one of the three criteria viewed as potentially synonymous with currency manipulation (a bilateral trade surplus with the U.S. of at least \$20bn, an overall current account surplus of at least 3% of GDP and one-sided FX intervention worth at least 2% of GDP over 12 months). The bottom line is that the threat of U.S. protectionist action has abated for the next three months or so, pending tangible progress between the U.S. and China in particular on measures that will have some impact in reducing their bilateral trade balance.

Yesterday brought a slug of mostly better than expected China activity data. Q1 GDP printed 6.9% Y/Y up from 6.7% in Q4 and 6.8% expected. March activity readings meanwhile showed retail sales growth maintaining February's 10.9% annual growth rate against expectations for a fall to 9.7%, industrial production growth accelerating to 7.6% from 6.0% (6.3% expected) and fixed asset investment growth YTD Y/Y rising by 9.2% from 8.9% and better than the 8.8% expected.

Coming Up

The first round of the French Presidential elections is this Sunday and nervousness surrounding the outcome is likely to push risk sentiment back onto the back foot later this week. Marine Le Pen is expected to be one of the top two finishers, but markets will be cheered if the socially liberal and pro-business Emmanuel Macron, not the far left anti-austerity firebrand Jean-Luc Melenchon, is to be her opponent in the second round run-off in two weeks' time. If Melenchon makes it into the top two with Le Pen, markets will be gripped by a new source of fear come Monday week.

In Australia, a very quiet week ahead with just the RBA Minutes Tuesday and the Quarterly NAB Business Survey Thursday. The minutes are unlikely to yield much in the way of new information given RBA Governor Lowe gave public remarks following the April board meeting. Economists will also be paying close attention to the NZ CPI which is out on Thursday given its close relationship to Australia's CPI which is out the following week.

In the U.S. it's a quite week as far as known data and events go, with just industrial production Tuesday and the Fed's Beige Book Wednesday.

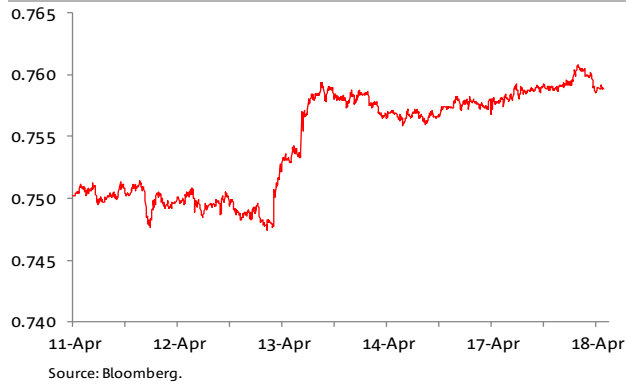
Overnight

On global stock markets, the S&P 500 was +0.86%. Bond markets saw US 10-years +1.07bp to 2.25%. In commodities, Brent crude oil -0.82% to \$55.43, gold+0.3% to \$1,289, iron ore -3.5% to \$66.25, steam coal +0.0% to \$84.15, met.coal +0.0% to \$280.00. AUD is at 0.7593 and the range since yesterday 5pm Sydney time last Thursday has been 0.7563 to 0.7611.

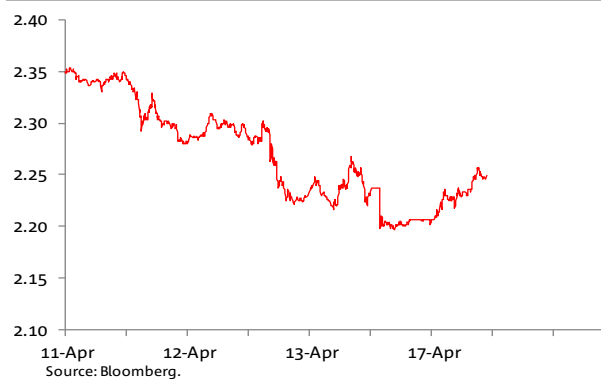
Author **Ray Attrill**, Head of FX Strategy

Markets

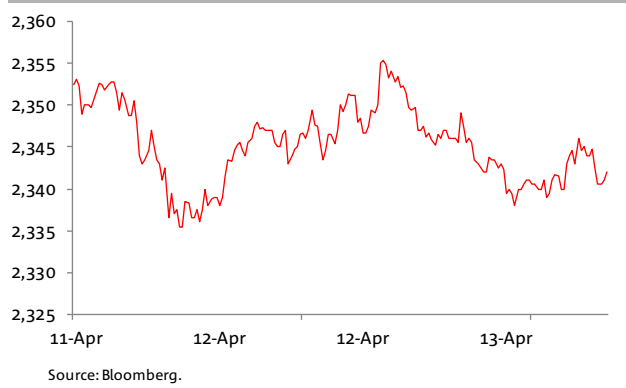
AUD/USD - past week



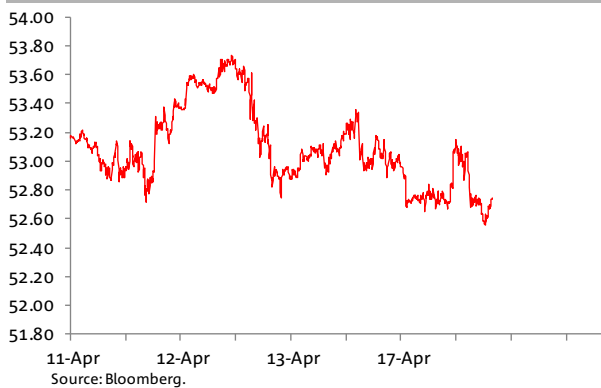
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7591	0.2	0.7565	0.7611	HKD	7.7723 0.0
NZD	0.7013	0.2	0.6982	0.7036	CNY	6.8803 -0.1
EUR	1.0643	0.2	1.0603	1.0670	SGD	1.3979 0.0
GBP	1.2568	0.4	1.2524	1.2596	IDR	13,286 0.1
JPY	109.07	0.4	108.13	109.08	THB	34.30 -0.3
CAD	1.3318	-0.1	1.3262	1.3326	KRW	1,138 -0.2
AUD/EUR	0.7133	-0.2	0.7122	0.7151	TWD	30.35 -0.1
AUD/JPY	82.79	0.6	82.00	82.80	PHP	49.58 0.1
AUD/GBP	0.6040	-0.3	0.6036	0.6058	CHF	1.00 -0.1
AUD/NZD	1.0825	-0.1	1.0789	1.0849	SEK	9.00 -0.4
AUD/CNH	5.2323	0.3	5.2099	5.2341		

Equities

Major Indices	Last	% day	% y/y
Dow	20,637	0.90	15.1
S&P 500	2,349	0.86	12.8
Nasdaq	5,857	0.89	18.4
VIX	15	-8.02	7.0
FTSE	7,328	0.0	15.1
DAX	12,109	0.0	20.0
CAC 40	5,071	0.0	12.4
Nikkei	18,355	0.1	12.8
Shanghai	3,222	-0.7	6.2
Hang Seng	24,262	0.0	13.7
ASX 200	5,890	0.0	15.1

Commodities*

	Last	% day
Oil (Brent)	55.49	-0.7
Oil (WTI)	52.75	-0.8
Oil (Tapis)	55.69	-1.4
Gold	1284.30	-0.1
CRB	187.39	-0.2
GS Metals	319.6	0.0
Aluminium	1895.0	0.0
Copper	5660.0	0.0
Nickel	9695.3	0.0
Zinc	2610.5	0.0
Ch. steel	2894.0	-1.9
Iron ore	66.3	-3.5
St. Coal	84.2	0.0
Met.coal	280.0	0.0
Wheat Chic.	435.8	-1.6
Sugar	16.5	-0.8
Cotton	77.0	1.9
Coffee	143.5	1.6

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-1.2	-4.8%
FED	-1	-2.4%

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.00	1.16	1.53	2.21	USD 10	2.25	1.24
AUD	1.50	1.77	1.86	2.81	AUD 10	2.47	-3.00 0.22
NZD	1.75	1.96	2.29	3.28	NZD 10	2.95	-5.60 0.70
EUR	0.00	-0.33	-0.16	0.68	CAD 10	1.52	2.40 -0.73
GBP	0.25	0.34	0.55	1.08	EUR 10	0.19	0.00 -2.06
JPY	-0.05	0.01	0.02	0.20	GBP 10	1.04	0.00 -1.21
CAD	0.50	0.94	1.10	1.80	JPY 10	0.01	-0.20 -2.24

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.26	0.00
3 Yr bond	97.8	0.00
10 Yr bond	97.45	0.00
3/10 sprd	0.35	0.00
SPI	5852.0	0.0

*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	AEST
Tuesday, 18 April 2017								
CH	China March Property Prices					2.30	2.30	11.30
AU	RBA April Rate Meeting Minutes	April					2.30	11.30
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	Building Permits	Mar		1255		1213.0	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						14.00	23.00
US	Industrial Production MoM	Mar		0.4		0.0	14.15	23.15
US	Capacity Utilization	Mar		76.1		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							
Wednesday, 19 April 2017								
NZ	Performance Services Index	Mar				58.8	23.30	8.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Apr 16				114.8	0.30	9.30
AU	Westpac Leading Index MoM	Mar				-0.1	1.30	10.30
AU	New Motor Vehicle Sales MoM	Mar				-2.7	2.30	11.30
AU	New Motor Vehicle Sales YoY	Mar				-4.1	2.30	11.30
EC	Trade Balance SA	Feb				15.7	10.00	19.00
EC	Trade Balance NSA	Feb				-0.6	10.00	19.00
EC	CPI MoM	Mar				0.4	10.00	19.00
EC	CPI YoY	Mar F				2.0	10.00	19.00
EC	CPI Core YoY	Mar F				0.7	10.00	19.00
US	MBA Mortgage Applications	Apr 14				1.5	12.00	21.00
US	Fed's Rosengren Speaks at Bard College Conference						17.00	2.00
US	U.S. Federal Reserve Releases Beige Book						19.00	4.00
Thursday, 20 April 2017								
NZ	CPI QoQ	1Q		0.8		0.4	23.45	8.45
NZ	CPI YoY	1Q		2		1.3	23.45	8.45
JN	Trade Balance	Mar		616.85		813.4	0.50	9.50
JN	Trade Balance Adjusted	Mar		229.75		680.3	0.50	9.50
JN	Exports YoY	Mar		5.5		11.3	0.50	9.50
JN	Imports YoY	Mar		10		1.2	0.50	9.50
AU	RBA FX Transactions Market	Mar				282.0	2.30	11.30
AU	NAB Business Confidence	1Q				5.0	2.30	11.30
GE	PPI MoM	Mar				0.2	7.00	16.00
GE	PPI YoY	Mar				3.1	7.00	16.00
JN	Convenience Store Sales YoY	Mar				-1.7	8.00	17.00
EC	Construction Output MoM	Feb				-2.3	10.00	19.00
EC	Construction Output YoY	Feb				-6.2	10.00	19.00
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	Philadelphia Fed Business Outlook	Apr		25.5		32.8	13.30	22.30
UK	CBI Trends Total Orders	Apr				8.0	11.00	20.00
UK	CBI Trends Selling Prices	Apr				29.0	11.00	20.00
UK	CBI Business Optimism	Apr				15.0	11.00	20.00
JN	Supermarket Sales YoY	Mar				-3.3	6.00	15.00
EC	Consumer Confidence	Apr A				-5.0	15.00	0.00
US	Leading Index	Mar		0.2		0.6	15.00	0.00
Friday, 21 April 2017								
JN	Nikkei Japan PMI Mfg	Apr P				52.4	1.30	10.30
NZ	ANZ Consumer Confidence Index	Apr				125.2	2.00	11.00
NZ	ANZ Consumer Confidence MoM	Apr				-1.7	2.00	11.00
JN	Tertiary Industry Index MoM	Feb				0.0	5.30	14.30
GE	Markit/BME Germany Manufacturing PMI	Apr P				58.3	8.30	17.30
GE	Markit Germany Services PMI	Apr P				55.6	8.30	17.30
GE	Markit/BME Germany Composite PMI	Apr P				57.1	8.30	17.30
EC	Markit Eurozone Manufacturing PMI	Apr P				56.2	9.00	18.00
EC	Markit Eurozone Services PMI	Apr P				56.0	9.00	18.00
EC	Markit Eurozone Composite PMI	Apr P				56.4	9.00	18.00
EC	ECB Current Account SA	Feb				24.1	9.00	18.00
EC	Current Account NSA	Feb				2.5	9.00	18.00
UK	Retail Sales Ex Auto Fuel MoM	Mar		-0.3		1.3	9.30	18.30
UK	Retail Sales Ex Auto Fuel YoY	Mar		3.9		4.1	9.30	18.30
UK	Retail Sales Inc Auto Fuel MoM	Mar		-0.2		1.4	9.30	18.30
UK	Retail Sales Inc Auto Fuel YoY	Mar		3.6		3.7	9.30	18.30
CA	CPI Core- Trim YoY%	Mar				1.6	13.30	22.30
CA	CPI Core- Median YoY%	Mar				1.9	13.30	22.30
CA	CPI NSA MoM	Mar				0.2	13.30	22.30
CA	CPI YoY	Mar				2.0	13.30	22.30
CA	CPI Core- Common YoY%	Mar				1.3	13.30	22.30
CA	Consumer Price Index	Mar				129.7	13.30	22.30
US	Markit US Manufacturing PMI	Apr P		53.5		53.3	14.45	23.45
US	Markit US Services PMI	Apr P				52.8	14.45	23.45
US	Markit US Composite PMI	Apr P				53.0	14.45	23.45
US	Existing Home Sales	Mar		5.55		5.5	15.00	0.00
US	Existing Home Sales MoM	Mar		1.28		-3.7	15.00	0.00
Monday, 24 April 2017								
UK	CBI Trends Total Orders	Apr				8.0	11.00	20.00
UK	CBI Trends Selling Prices	Apr				29.0	11.00	20.00
UK	CBI Business Optimism	Apr				15.0	11.00	20.00
JN	Supermarket Sales YoY	Mar				-3.3	6.00	15.00
JN	Leading Index CI	Feb F				104.4	6.00	15.00
JN	Coincident Index	Feb F				115.5	6.00	15.00
GE	IFO Business Climate	Apr				112.3	9.00	18.00
GE	IFO Expectations	Apr				105.7	9.00	18.00
GE	IFO Current Assessment	Apr				119.3	9.00	18.00
EC	Govt Debt/GDP Ratio	2016				#N/A	10.00	19.00
CA	Wholesale Trade Sales MoM	Feb				3.3	13.30	22.30
US	Chicago Fed Nat Activity Index	Mar				0.3	13.30	22.30
FALSE	Conference Board China March Leading Economic Index	#N/A Invalid Security		#N/A Invalid Security		#N/A Invalid Security	#VALUE!	#VALUE!
GE	Import Price Index MoM	Mar				0.7	#VALUE!	#VALUE!
GE	Import Price Index YoY	Mar				7.4	#VALUE!	#VALUE!
UK	CBI Retailing Reported Sales	Apr				9.0	11.00	20.00
UK	CBI Total Dist. Reported Sales	Apr				32.0	11.00	20.00
JN	Small Business Confidence	Apr				50.5	6.00	15.00
CA	Bloomberg Nanos Confidence	Apr 14				58.9	15.00	0.00
US	Dallas Fed Manf. Activity	Apr				16.9	15.30	0.30
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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