

# MARKETS TODAY

## Groove Armada



### Good Morning

US equities have come under pressure in the past few hours weighted down by a sharp fall in oil prices following reports of an increase in gasoline inventories. Meanwhile US Treasury yields are higher along the curve and the USD is stronger across the board probably reflecting a bit of ease in geopolitical tension as the Pentagon confirms it didn't send an armada directly to North Korea.

US equities struggled for direction at the start of the session amid mixed earnings reports. IBM share fell after sales missed estimates and Morgan Stanley shares climbed more than 2% after the firm reported better profit and revenue figures. Later in the session, however, news that gasoline inventories rose by 1.54 m barrels last week against expectations of a modest decline triggered a selloff in the energy sector dragging the S&P and Dow Jones into negative territory.

Barring a few exceptions such as the Malaysian Ringgit and Peruvian Sol, the USD has been the outperformer with commodity linked currencies the biggest losers amongst G10, down between 0.75% and 0.85% while the Brazilian real and Mexican peso were the big EM underperformers, both down 1.37%.

Over the past 24hrs, the AUD has continued to lose ground against the USD, down 0.86% and it is back trading below 75 cent mark. Recent softness in commodity prices has been a factor weighing on the currency and although iron ore recovered a bit of ground overnight, up 2.4% to \$64.6, the slide in oil prices and softness in coal and aluminium have had a bigger dampening effect on the currency. Incidentally we would note that whilst there is a strong long term relationship between iron ore and the AUD, our analysis shows that big moves in iron ore prices are required in order to elicit a material move in the AUD. To that effect we would note that in the last twelve months, the correlation between AUD/USD and the iron ore price (using daily levels), is less than 0.2.

Looking at other currencies, GBP has given back some yesterday's gains. It is down around 0.5% against the USD and it currently trades at 1.2777. Yesterday PM May called a snap election and overnight she won overwhelming parliamentary support to go ahead with the 8 June election. In her speech to parliament PM May noted that "...every vote for the Conservatives will make it harder for those who want to stop me from getting the job done". We would suggest that GBP's underperformance overnight is probably a combination of profit taking from those lucky enough to have benefited from yesterday's move and the realisation that as much as a new election could strengthen PM May's hand, as she would have a more united front when negotiating with the EU, this doesn't mean she will get a better outcome as Europe still holds the stronger cards.

The Euro was the best performer in G10 currencies, down 0.20% against the USD. Overnight the final CPI figures for March confirmed the pull back in the headline inflation to 1.5% and core to 0.7%, easing the pressure on the ECB to change its policy guidance any time soon.

Lastly USDJPY has recovered a bit ground following the move higher in UST yields and is currently trading at ¥108.86, 20 pips higher in the past 24hrs. 10y UST are currently at 2.21%, up around 4bps relative to Sydney's closing level.

### Coming Up

Excluding the NZ CPI which is due for release this morning at 8:45am Sydney time we have another day of light data releases with Japan's trade balance for March the other highlight in our time zone. Later in the day Germany releases its PPI figures (Mar) and the Euro zone gets construction output (Feb) as well as its advance reading for consumer confidence. Then tonight the US prints its weekly jobless claims along with the Philly Fed survey and index of leading.

In terms of NZ CPI our BNZ colleagues are looking for a 0.9% q/q print which would take the annual increase to 2.1% y/y (market 0.8% and 2%). Such an outcome would be way above what the RBNZ expected as per its February Monetary Policy Statement, namely 0.3% for the quarter and 1.5% for the year. That said, more recently the Bank has inferred that its expectations are higher now and it has also noted that it doesn't see annual CPI inflation holding up near 2% beyond the short term. This has reduced the prospect for a significant market reaction to a high inflation outcome.

Japan's trade balance is expected to have shrunk in March both in unadjusted ( ¥608bn vs ¥813bn prev ) and adjusted terms ( ¥172bn vs ¥608bn prev. ). The expected contraction in the trade balances is largely attributed to a payback effect from the jump in export in Feb due to the lunar New Year holiday. A number above consensus would be a pleasant surprise and support the view that export demand for Japanese good remains buoyant.

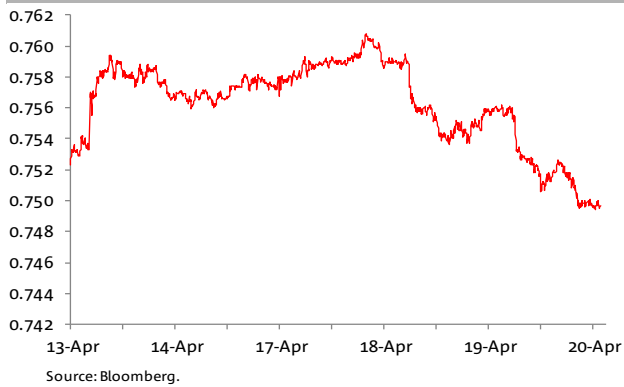
As for US data releases, jobless claims are expected to print at 240k, reinforcing the view that the slowdown in the March payrolls numbers was a one off due to weather effects. Meanwhile the solid Philly Fed March print suggest some payback should be expected in April (25.8 exp vs 32.8).

### Overnight

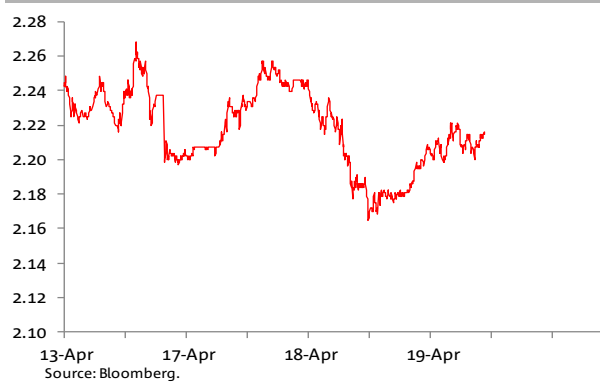
On global stock markets, the S&P 500 was -0.17%. Bond markets saw US 10-years +4.61bp to 2.21%. In commodities, Brent crude oil -3.30% to \$53.08, gold -0.8% to \$1,281, iron ore +2.2% to \$64.60, steam coal -0.3% to \$84.10, met.coal -3.7% to \$273.00. AUD is at 0.7494 and the range since yesterday 5pm Sydney time is 0.7492 to 0.7563.

# Markets

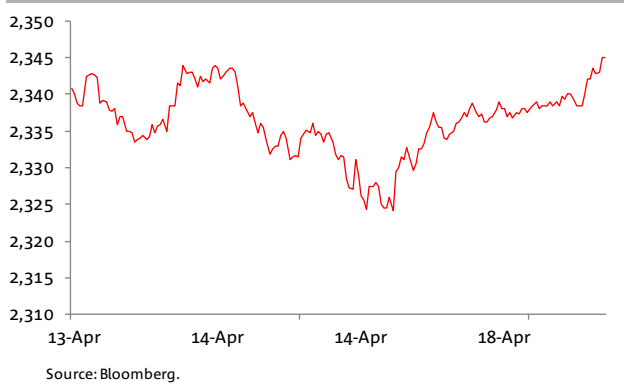
AUD/USD - past week



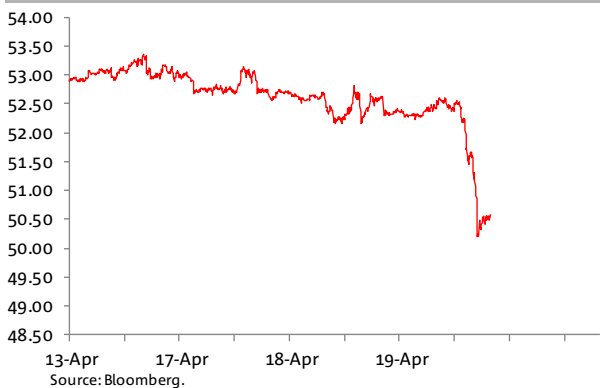
US 10yr - past week



S&P Future - past week



WTI - past week



## Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7494	-0.9	0.7492	0.7563	HKD	7.7743 0.0
NZD	0.7004	-0.6	0.6997	0.7053	CNY	6.8880 0.1
EUR	1.0711	-0.2	1.0700	1.0737	SGD	1.3985 0.2
GBP	1.2781	-0.5	1.2771	1.2860	IDR	13,319 0.2
JPY	108.86	0.4	108.38	109.18	THB	34.40 0.2
CAD	1.3481	0.8	1.3375	1.3490	KRW	1,140 -0.2
AUD/EUR	0.6997	-0.7	0.6993	0.7049	TWD	30.42 0.1
AUD/JPY	81.58	-0.5	81.49	82.17	PHP	49.77 0.2
AUD/GBP	0.5864	-0.4	0.5845	0.5889	CHF	1.00 0.2
AUD/NZD	1.0700	-0.3	1.0678	1.0743	SEK	8.97 0.2
AUD/CNH	5.1686	-0.5	5.1568	5.2005		

## Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.00	1.16	1.50	2.16	USD 10	2.21	4.61
AUD	1.50	1.75	1.81	2.78	AUD 10	2.46	-3.20 0.24
NZD	1.75	1.97	2.32	3.30	NZD 10	2.95	-2.60 0.73
EUR	0.00	-0.33	-0.16	0.68	CAD 10	1.47	2.90 -0.75
GBP	0.25	0.34	0.55	1.09	EUR 10	0.20	4.70 -2.01
JPY	-0.04	0.01	0.02	0.20	GBP 10	1.07	5.10 -1.15
CAD	0.50	0.94	1.06	1.74	JPY 10	0.01	0.10 -2.20

## Equities

Major Indices			
	Last	% day	% y/y
Dow	20,404	-0.58	13.0
S&P 500	2,338	-0.17	11.3
Nasdaq	5,863	0.23	18.7
VIX	15	3.54	12.8
FTSE	7,114	-0.5	11.1
DAX	12,016	0.1	16.1
CAC 40	5,004	0.3	9.6
Nikkei	18,432	0.1	9.0
Shanghai	3,171	-0.8	6.7
Hang Seng	23,826	-0.4	12.2
ASX 200	5,804	-0.6	11.3

## Overnight Futures

	Last	Chge*
Australia	98.26	0.00
3 mth bill	97.8	3.00
3 Yr bond	97.46	1.00
10 Yr bond	0.34	2.00
3/10 sprd	5784.0	44.0

\*Change in bps

## Commodities\*

	Last	% day
Oil (Brent)	53.08	-3.3
Oil (WTI)	50.58	-3.5
Oil (Tapis)	55.21	0.1
Gold	1281.40	-0.8
CRB	183.92	-1.4
GS Metals	313.2	0.4
Aluminium	1894.0	0.7
Copper	5537.0	-0.3
Nickel	9296.0	0.3
Zinc	2536.0	0.9
Ch. steel	2870.0	0.1
Iron ore	64.6	2.2
St. Coal	84.1	-0.3
Met.coal	273.0	-3.7
Wheat Chic.	434.5	-0.6
Sugar	16.4	-1.7
Cotton	77.7	1.1
Coffee	140.7	-3.4

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-1.8	-7.2%
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
<b>Thursday, 20 April 2017</b>								
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
<b>Friday, 21 April 2017</b>								
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
<b>Monday, 24 April 2017</b>								
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					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
GE	Import Price Index MoM	Mar				0.7		
GE	Import Price Index YoY	Mar				7.4		
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
<b>Tuesday, 25 April 2017</b>								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Apr 16				114.8	0.30	9.30
JN	PPI Services YoY	Mar				0.8	0.50	9.50
UK	Public Finances (PSNCR)	Mar				12.9	9.30	18.30
UK	Central Government NCR	Mar				-4.0	9.30	18.30
UK	Public Sector Net Borrowing	Mar				1.1	9.30	18.30
UK	PSNB ex Banking Groups	Mar				1.8	9.30	18.30
US	FHFA House Price Index MoM	Feb				0.0	14.00	23.00
US	S&P CoreLogic CS 20-City MoM SA	Feb				0.9	14.00	23.00
US	S&P CoreLogic CS 20-City YoY NSA	Feb				5.7	14.00	23.00
US	S&P CoreLogic CS 20-City NSA Index	Feb				192.8	14.00	23.00
US	S&P CoreLogic CS US HPI YoY NSA	Feb				5.9	14.00	23.00
US	S&P CoreLogic CS US HPI NSA Index	Feb				185.5	14.00	23.00
US	New Home Sales	Mar		590		592.0	15.00	0.00
US	New Home Sales MoM	Mar		-0.3		6.1	15.00	0.00
US	Conf. Board Consumer Confidence	Apr		124.5		125.6	15.00	0.00
US	Conf. Board Present Situation	Apr				143.1	15.00	0.00
US	Conf. Board Expectations	Apr				113.8	15.00	0.00
US	Richmond Fed Manufact. Index	Apr				22.0	15.00	0.00
<b>Wednesday, 26 April 2017</b>								
NZ	Net Migration SA	Mar				6000.0	23.45	8.45
AU	Skilled Vacancies MoM	Mar				0.1	2.00	11.00
AU	CPI QoQ	1Q				0.5	2.30	11.30
AU	CPI YoY	1Q				1.5	2.30	11.30
AU	CPI Trimmed Mean QoQ	1Q				0.4	2.30	11.30
AU	CPI Trimmed Mean YoY	1Q				1.6	2.30	11.30
AU	CPI Weighted Median QoQ	1Q				0.4	2.30	11.30
AU	CPI Weighted Median YoY	1Q				1.5	2.30	11.30
NZ	Credit Card Spending MoM	Mar				-1.4	4.00	13.00
NZ	Credit Card Spending YoY	Mar				5.3	4.00	13.00
JN	All Industry Activity Index MoM	Feb				0.1	5.30	14.30
JN	Machine Tool Orders YoY	Mar F				22.6	7.00	16.00
US	MBA Mortgage Applications	Apr 14				1.5	12.00	21.00
CA	Retail Sales MoM	Feb				2.2	13.30	22.30
CA	Retail Sales Ex Auto MoM	Feb				1.7	13.30	22.30
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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

## 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

### Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.