

MARKETS TODAY

French Kissin'



Good Morning

The final results of the first round of voting in the French presidential election aren't yet confirmed. Yet the certainty of a Le Pen/Macron one-two, with Le Pen not scoring much more than pre-election poll predictions of the low to mid 20 percents, means markets are happy to buy what they see as the fact – that 39 year old Emmanuel Macron will be confirmed as the next president of the French republic in two weeks' time. The defeated candidates have been quick to throw their support behind Macron in the second round, happy to distinguish between someone they saw as a political revival and an 'enemy of the republic'.

Unlike in the UK and United States, the results look like they represent a victory for French opinion polls. We'd also note that for the first time in modern French history, the 2nd round run off on June 7th won't include a candidate from any of the mainstream French political parties. This in turn makes the elections for the national assembly (on June 11th and 18) of particular importance in terms of the new President's prospects for enacting legislation. Remember Macron campaigned on a socially liberal platform but with business-friendly structural reforms at the heart of the economic philosophy of this formerly Socialist economy minister.

Market reaction at time of writing has seen the Euro gain the best part of 2% against the U.S. dollar (high of 1.0937 against Friday's close of 1.0728) USD/JPY gains of 1.3% to around ¥110.5 and the still risk-sensitive AUD up about 0.6% to a high of 0.7588. When Europe opens later today, the main reaction is like to be sharp compression in the spread between French and equivalent German bonds, as well as a rise in German Bund yields themselves. That said, it is far too early to see today's results as providing the green light for the ECB to start signalling any intentions with regards to its exit from current ultra-easy policy settings. European equities – in peripheral Eurozone markets in particular – are also likely to do well today. In our time-zone, the Nikkei will open with a need to celebrate the bounce in USD/JPY.

Markets went out on a quiet note of Friday whether in FX, interest rate to equity market and where the main offshore news event was an announcement from President Trump that he will unveil tax proposals this Wednesday. This reportedly left his own Treasury officials 'speechless'. It would seem though that we will get no more than a broad outline of tax plans this week. Of note is that administration officials are saying that at this stage at least, these will not include plans for a so-called border-adjustment tax. This is important because without the revenue assumed to accrue from this (potentially more than \$1 trillion) Trump won't be able to present plans for tax cuts that are revenue or deficit neutral. However, it appears this means there may well be deficit busting tax cut plans but which will contain so-called sunset clauses, meaning they expire in 10 years.

This will then greatly improve chances of Congressional approval since they could pass in the Senate by a simple majority (i.e. be 'filibuster' proof without requiring 60 of the 100 Senate votes). As such we should not simply dismiss what emerges this week as cheap talk. The Trump element of the 'reflation' trade may be battered and bruised, but is not yet completely dead.

Coming Up

Locally, Q1 CPI data on Wednesday is the highlight, following tomorrow's ANZAC Day holiday on both sides of the Tasman. NAB sees risks for the headline number skewed slightly to the upside of the +0.6% q/q consensus (2.3% Y/Y up from 1.5% in Q4). We don't beg to differ with the consensus for the core measures printing at 0.5% (1.8% y/y up from 1.6/1.5% in Q4 for the trimmed mean and weighted median measures respectively). Such outcomes won't shift the dial on RBA expectations one way or the other. RBA Governor Phil Lowe speaks on Thursday.

Internationally, we have the ECB on Thursday, where notwithstanding yesterday's election result Mr Draghi is fully expected to keep the hawkish contingent on the Governing Council firmly in their box, with no change to the forward guidance. The earliest that conceivably changes is June, a meeting that will be accompanied by updated forecasts and when the French election outcome will be known with certainty. 'Nothing to see here' is also likely to be the message out of the BoJ policy meeting on Thursday.

The bigger market draw this week may come from Washington, where as well as Trump's tax policy an announcement, the stop-gap funding bill that gives the government the right to spend money expires on Friday. The presumption is that a crisis will be avoided with an omnibus spending bill cobbled together and passed by the weekend. If not, there will be trouble....

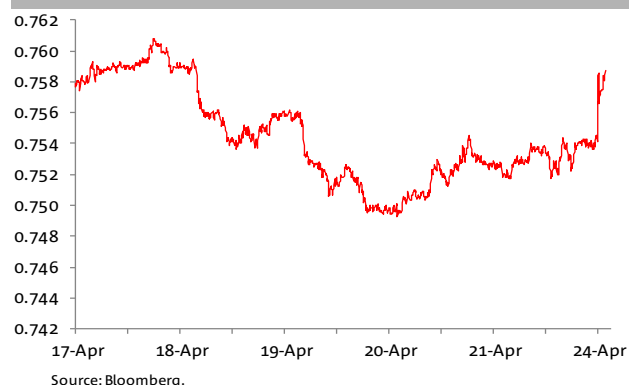
Friday also sees Q1 US GDP, with the consensus currently sitting at 1.1% but where the likes of the Atlanta Fed GDP tracker suggests growth of just 0.5%. The Fed has already indicated it is will likely look through a print with a 1 in front of it – if instead it prints with a minus sign in front of it that might be harder to ignore. We also get Q1 UK GDP on Friday, expected to print growth at half the pace of Q4 (i.e. around 0.4%) – now with downside risk after very weak March retail sales numbers on Friday.

Overnight

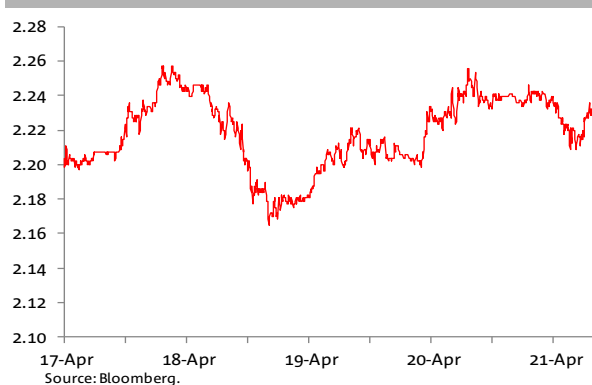
On global stock markets, the S&P 500 was -0.30%. Bond markets saw US 10-years +1.60bp to 2.25%. In commodities, Brent crude oil -1.94% to \$51.96, gold +0.4% to \$1,287, iron ore +4.4% to \$68.22, steam coal +0.1% to \$84.20, met.coal +0.0% to \$270.00. AUD is at 0.7587 and the range since Friday 5pm Sydney time is 0.7516 to 0.7588.

Markets

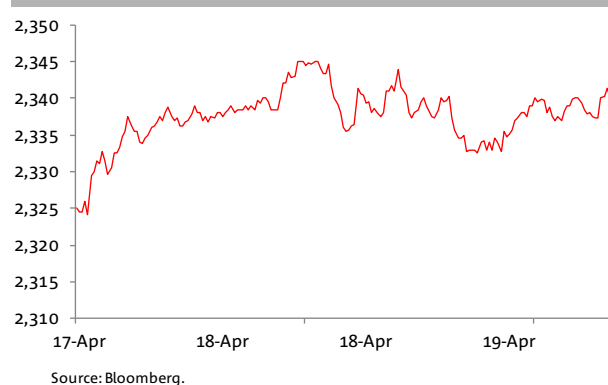
AUD/USD - past week



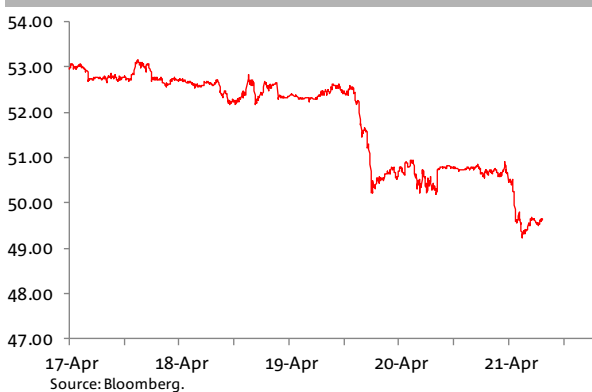
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

Indicative 24hr
ranges (**)

	Last	% chge	Low	High
AUD	0.7587	0.8	0.7516	0.7588
NZD	0.7042	0.4	0.6984	0.7047
EUR	1.0931	2.0	1.0682	1.0937
GBP	1.2850	0.3	1.2757	1.2870
JPY	110.48	1.1	108.88	110.64
CAD	1.3466	0.0	1.3453	1.3525
AUD/EUR	0.694	-1.2	0.6928	0.7058
AUD/JPY	83.82	1.9	81.98	83.89
AUD/GBP	0.5904	0.5	0.5869	0.5915
AUD/NZD	1.0775	0.4	1.0719	1.0790
AUD/CNH	5.1833	-0.2	5.1745	5.1999

Other FX

	Last	% chge
HKD	7.7759	0.0
CNY	6.8859	0.1
SGD	1.3933	-0.3
IDR	13,322	0.0
THB	34.33	-0.2
KRW	1,134	-0.5
TWD	30.34	-0.2
PHP	49.79	0.0
CHF	0.99	-0.9
SEK	8.80	-2.0

Interest Rates

Indicative Swap Rates

	Cash	3mth	2Yr	10Yr
USD	1.00	1.16	1.53	2.21
AUD	1.50	1.75	1.84	2.83
NZD	1.75	1.95	2.33	3.33
EUR	0.00	-0.33	-0.14	0.76
GBP	0.25	0.34	0.55	1.09
JPY	-0.05	0.01	0.03	0.22
CAD	0.50	0.93	1.07	1.75

Benchmark 10 Year Bonds

	Last	chge	Spnd
USD 10	2.25	1.60	
AUD 10	2.54	3.50	0.29
NZD 10	3.00	4.80	0.75
CAD 10	1.47	-1.40	-0.78
EUR 10	0.25	0.90	-2.00
GBP 10	1.03	-3.50	-1.21
JPY 10	0.02	-0.40	-2.23

Equities

Major Indices

	Last	% day	% y/y
Dow	20,548	-0.15	14.1
S&P 500	2,349	-0.30	12.3
Nasdaq	5,911	-0.11	20.5
VIX	15	3.39	10.7
FTSE	7,115	-0.1	12.7
DAX	12,049	0.2	16.1
CAC 40	5,059	-0.4	10.7
Nikkei	18,621	1.0	6.0
Shanghai	3,173	0.0	7.2
Hang Seng	24,042	-0.1	12.0
ASX 200	5,854	0.6	11.8

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.27	1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.42	-4.00
3/10 sprd	0.38	4.00
SPI	5838.0	-35.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	51.96	-1.9
Oil (WTI)	49.62	-2.1
Oil (Tapis)	53.06	-0.7
Gold	1287.40	0.4
CRB	181.87	-0.6
GS Metals	316.8	-0.6
Aluminium	1925.3	-0.5
Copper	5604.5	0.0
Nickel	9303.0	-1.5
Zinc	2574.5	-1.9
Ch. steel	2928.0	3.0
Iron ore	68.2	4.4
St. Coal	84.2	0.1
Met.coal	270.0	0.0
Wheat Chic.	421.0	-0.2
Sugar	16.4	0.5
Cotton	79.0	-1.3
Coffee	132.9	-1.0

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	-1.5	-6.0%
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

Sunday 23 April 2017						
FR French Presidential Election - first round						
Monday, 24 April 2017						
UK	CBI Trends Total Orders	Apr	6	8.0	11.00	20.00
UK	CBI Trends Selling Prices	Apr	26.5	29.0	11.00	20.00
UK	CBI Business Optimism	Apr	12	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	112.4	112.3	9.00	18.00
GE	IFO Expectations	Apr	105.9	105.7	9.00	18.00
GE	IFO Current Assessment	Apr	119.2	119.3	9.00	18.00
EC	Govt Debt/GDP Ratio	2016			10.00	19.00
CA	Wholesale Trade Sales MoM	Feb	-1	3.3	13.30	22.30
US	Chicago Fed Nat Activity Index	Mar	0.5	0.3	13.30	22.30
UK	CBI Retailing Reported Sales	Apr	6	9.0	11.00	20.00
JN	Small Business Confidence	Apr	49.4	50.5	6.00	15.00
US	Dallas Fed Manf. Activity	Apr	17	16.9	15.30	0.30
Tuesday, 25 April 2017						
AU Australia and NZ Public Holiday - ANZAC Day						
JN	PPI Services YoY	Mar	0.8	0.8	0.50	9.50
UK	Public Finances (PSNCR)	Mar		12.9	9.30	18.30
US	S&P CoreLogic CS 20-City MoM SA	Feb	0.65	0.9	14.00	23.00
US	S&P CoreLogic CS 20-City YoY NSA	Feb	5.73	5.7	14.00	23.00
US	New Home Sales	Mar	584	592.0	15.00	0.00
US	New Home Sales MoM	Mar	-1.4	6.1	15.00	0.00
US	Conf. Board Consumer Confidence	Apr	123	125.6	15.00	0.00
US	Richmond Fed Manufact. Index	Apr	16	22.0	15.00	0.00
Wednesday, 26 April 2017						
NZ	Net Migration SA	Mar		6000.0	23.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Apr 23		112.6	0.30	9.30
AU	Skilled Vacancies MoM	Mar		0.1	2.00	11.00
AU	CPI QoQ	1Q	0.7%	0.6	0.5	2.30
AU	CPI Trimmed Mean QoQ	1Q	0.5%	0.5	0.4	2.30
AU	CPI Weighted Median QoQ	1Q	0.5%	0.5	0.4	2.30
NZ	Credit Card Spending MoM	Mar		-1.4	4.00	13.00
JN	All Industry Activity Index MoM	Feb	0.6	0.1	5.30	14.30
JN	Machine Tool Orders YoY	Mar F		22.6	7.00	16.00
US	MBA Mortgage Applications	Apr 21		-1.8	12.00	21.00
CA	Retail Sales MoM	Feb	0	2.2	13.30	22.30
CA	Retail Sales Ex Auto MoM	Feb	-0.3	1.7	13.30	22.30
Thursday, 27 April 2017						
AU	Import Price Index QoQ	1Q	-0.5	0.2	2.30	11.30
AU	Export Price Index QoQ	1Q	8	12.4	2.30	11.30
CH	Industrial Profits YoY	Mar		2.3	2.30	11.30
JN Bank of Japan Meeting				afternoon sometime		
GE	GfK Consumer Confidence	May	9.9	9.8	7.00	16.00
EC	Economic Confidence	Apr	108.1	107.9	10.00	19.00
EC	Business Climate Indicator	Apr	0.82	0.8	10.00	19.00
EC	Consumer Confidence	Apr F	-3.6	-3.6	10.00	19.00
EC	ECB Main Refinancing Rate	Apr 27	0	0.0	12.45	21.45
GE	CPI MoM	Apr P	-0.1	0.2	13.00	22.00
GE	CPI YoY	Apr P	1.9	1.6	13.00	22.00
US	Advance Goods Trade Balance	Mar	-65.4		13.30	22.30
US	Wholesale Inventories MoM	Mar P	0.3	0.4	13.30	22.30
US	Durable Goods Orders	Mar P	1.3	1.8	13.30	22.30
US	Durables Ex Transportation	Mar P	0.4	0.5	13.30	22.30
US	Cap Goods Orders Nondef Ex Air	Mar P	0.5	-0.1	13.30	22.30
US	Cap Goods Ship Nondef Ex Air	Mar P		1.0	13.30	22.30
US	Initial Jobless Claims	Apr 22	243	244.0	13.30	22.30
AU RBA Governor Lowe Gives Speech				Not available yet		
JN	BOJ Policy Balance Rate	Apr 27	-0.1	-0.1		
JN	BOJ 10-Yr Yield Target	Apr 27	0	0.0		
GE	Retail Sales MoM	Mar	0	1.8		
GE	Retail Sales YoY	Mar	2.2	-2.1		
US	Pending Home Sales MoM	Mar	-1	5.5	15.00	0.00
US	Pending Home Sales NSA YoY	Mar		-2.4	15.00	0.00
US	Kansas City Fed Manf. Activity	Apr	16	20.0	16.00	1.00
Friday, 28 April 2017						
NZ	Building Permits MoM	Mar		14.0	23.45	8.45
NZ	Trade Balance NZD	Mar		-18.0	23.45	8.45
NZ	Exports NZD	Mar	4.66	4.0	23.45	8.45
NZ	Imports NZD	Mar	4.3	4.0	23.45	8.45
NZ	Trade Balance 12 Mth YTD NZD	Mar	-3606.5	-3794.0	23.45	8.45
UK	GfK Consumer Confidence	Apr	-7	-6.0	0.10	9.10
UK	Lloyds Business Barometer	Apr		35.0	0.10	9.10
JN	Jobless Rate	Mar	2.9	2.8	0.30	9.30
JN	Natl CPI YoY	Mar	0.3	0.3	0.30	9.30
JN	Natl CPI Ex Fresh Food YoY	Mar	0.2	0.2	0.30	9.30
JN	Tokyo CPI YoY	Apr	-0.2	-0.4	0.30	9.30
JN	Tokyo CPI Ex-Fresh Food YoY	Apr	-0.2	-0.4	0.30	9.30
JN	Industrial Production YoY	Mar P	4	4.7	0.50	9.50
JN	Retail Sales MoM	Mar	-0.3	0.2	0.50	9.50
JN	Dept. Store, Supermarket Sales	Mar	-1	-2.7	0.50	9.50
NZ	ANZ Activity Outlook	Apr		38.8	2.00	11.00
NZ	ANZ Business Confidence	Apr		11.3	2.00	11.00
AU	Private Sector Credit MoM	Mar	0.5	0.3	2.30	11.30
UK	BBA Loans for House Purchase	Mar	42000	42613.0	9.30	18.30
UK	GDP QoQ	1Q A	0.4	0.7	9.30	18.30
UK	GDP YoY	1Q A	2.3	1.9	9.30	18.30
UK	Index of Services MoM	Feb	0.3	-0.1	9.30	18.30
EC	CPI Estimate YoY	Apr	1.8	1.5	10.00	19.00
EC	CPI Core YoY	Apr A	1	0.7	10.00	19.00
US	Employment Cost Index	1Q	0.6	0.5	13.30	22.30
CA	GDP YoY	Feb	2.6	2.3	13.30	22.30
CA	GDP MoM	Feb	0.1	0.6	13.30	22.30
US	GDP Annualized QoQ	1Q A	1.1	2.1	13.30	22.30
US	Personal Consumption	1Q A	0.9	3.5	13.30	22.30
US	GDP Price Index	1Q A	2	2.1	13.30	22.30
US	Core PCE QoQ	1Q A	2	1.3	13.30	22.30
US	Chicago Purchasing Manager	Apr	56.5	57.7	14.45	23.45
US	U. of Mich. Sentiment	Apr F	98	98.0	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; AEST: Australian Eastern Standard Time

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