

MARKETS TODAY

European Dog Days Are Over



Good Morning

Markets have rallied hard on the back of the French Presidential elections on Sunday. European equities have surged a massive 4%, while the Euro has risen 2.1% since the weekend to be 1.0935 – its highest close since mid-November. The fear index (VIX) has also moved significantly lower to 10.78, after having been at 16 ahead of the elections. With centrist Macron seen easily beating Eurosceptic Le Pen (betting odds give Macron a 89% chance of winning and polls put him at 61% of the vote) it seems markets are pricing the [Dog Days Are Over](#) for Europe – inspiration for today's title by Florence and the Machine.

Moves overnight were more centred on the US. The S&P500 rose 0.6%, the Dow was up 1.1% and at 20,996 is within a hairsbreadth of its record closing high, while the NASDAQ breached the 6,000 level for the first time.

US Treasury yields rose 5.9bps to 2.33%. While yields did gap higher following the French election, today's moves appear more related to expectations for Trump's impending "broad principals" tax plan.

Trump – in his own words – is expected to have a "big announcement on Wednesday having to do with tax reform" and that the tax cuts will be "bigger I believe than any tax cut ever". It is widely tipped that the "broad principals" will be for the corporate tax rate to be cut to 15% from 35% (note this figure is not a surprise having been widely cited previously). The key for markets will be how will such a tax cut be funded and what is the likelihood of the tax cut being passed by Congress.

If the overall tax cut adds to the deficit after the initial 10-year window then it cannot be passed by a simple majority. It is unclear whether other revenue measures such as a "border tax" would be proposed to make up for the revenue loss. It is reported House Speaker Paul Ryan asked the Joint Committee on Taxation to analyse the budget effects of a temporary cut in the corporate tax rate to 20% which would expire after three years. Costings being cited in the media suggest that would lower federal tax revenue by 1.8 trillion over a decade, while a cut to 15% would decrease revenue by 2.4 trillion.

Fed market pricing has lifted significantly since last week with a 65% chance of June rate hike (compared to 34% this time last week) and 1.5 rate hikes are priced for the rest of the year.

The US dollar has fallen 1.0% since the weekend and was down 0.2% overnight. The Euro was up 0.6%, while the Yen fell 1.2%. The Aussie fell 0.4% while the Kiwi was down 0.9% overnight. There is no clear catalyst for the weakness in the Kiwi.

Finally the Canadian dollar fell 0.5% following news the US placed tariffs on Canada's soft lumber exports which

are worth around US\$6.4bn a year. The US found Canada had been improperly subsidising its exports and a tariff of around 20% will now generally apply – similar to the level applied in the 2001 dispute. Is this an opening gambit ahead of NAFTA renegotiation? Commerce Secretary Wilbur Ross stated "What we had tried to do was to clear the air and get this dispute out of the way before the big NAFTA talks went on.". The Loonie appears vulnerable to any further trade measures.

Coming Up

All domestic focus will be on Q1 CPI released at 11.30am AEDT. NAB looks for a Headline CPI outcome of +0.7% q/q and 2.4% y/y, slightly higher than the market consensus of 0.6% q/q and 2.2% y/y. If this eventuates it would be the first time since September 2014 that headline inflation has been within the RBA's target band.

The consensus for the core measures are 0.5% q/q (1.8-1.9% y/y up from 1.5-1.6% in Q4) – the same as NAB. For the RBA, a tick-up in the pace of headline inflation will be encouraging as it should increase confidence core inflation will return to target. However, the RBA is also concerned with the lack of improvement in the labour market with stronger wages growth important to sustain a durable return to the inflation target. NAB sees the RBA on hold in 2017 and 2018 with the RBA having little appetite to ease policy further given house prices and risks in household balance sheets.

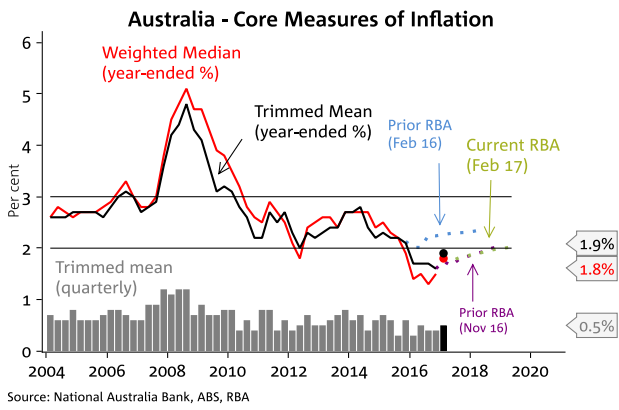
Internationally focus will be on the US where Trump is expected to announce his tax policy. Focus will also be on the ability of Congress to avoid a government shutdown on April 28. The spending plan being negotiated would keep the government funded through to Sept 30 with the sticking point being funding for the border wall with Mexico. The Administration is sending mixed messages with tweets by Trump emphasising the border wall and comments by Trump's Budget Director Mulvaney indicating an appetite to negotiate.

Otherwise it is quiet with Japan's Activity Index and Canadian Retail Sales. Thursday is bigger with BoJ/ECB.

Overnight

On global stock markets, the S&P 500 was +0.61%. Bond markets saw US 10-years +6.28bp to 2.33%. In commodities, Brent crude oil +0.91% to \$52.07, gold -0.8% to \$1,266, iron ore -0.7% to \$66.07, steam coal -0.1% to \$83.85, met.coal -3.5% to \$260.50. AUD is at 0.7537 and the range since yesterday 5pm Sydney time is 0.7521 to 0.7556.

Chart 1: Aussie core expected to lift to 0.5% q/q



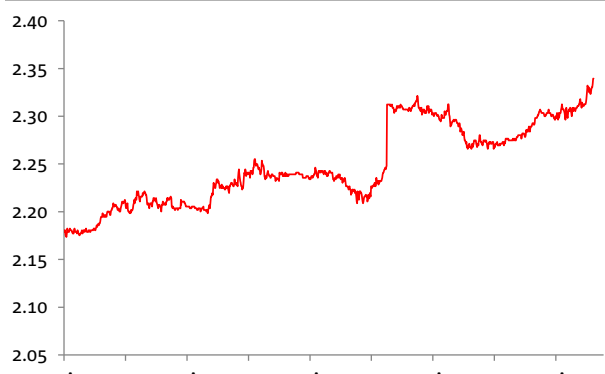
Markets

AUD/USD - past week



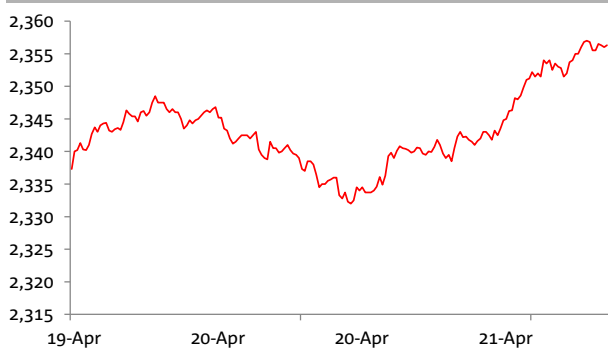
Source: Bloomberg.

US 10yr - past week



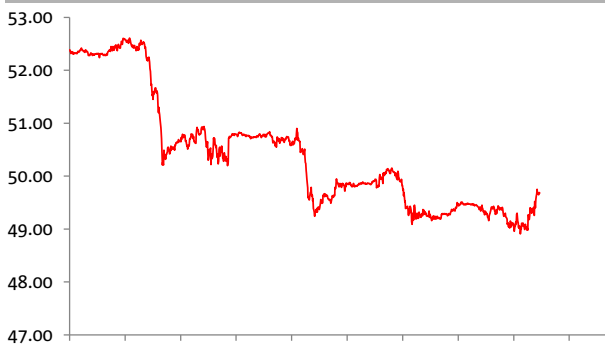
Source: Bloomberg.

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	0.7537	-0.4	0.7521	0.7572	HKD	7.7793 0.0
NZD	0.6951	-0.9	0.6941	0.7017	CNY	6.8847 0.0
EUR	1.0934	0.6	1.0851	1.0950	SGD	1.3936 0.1
GBP	1.2832	0.3	1.2775	1.2846	IDR	13,284 -0.2
JPY	111.13	1.2	109.60	111.19	THB	34.43 0.2
CAD	1.3567	0.5	1.3499	1.3626	KRW	1,125 -0.4
AUD/EUR	0.6893	-1.0	0.6877	0.6968	TWD	30.12 -0.5
AUD/JPY	83.75	0.8	82.84	83.81	PHP	49.70 -0.2
AUD/GBP	0.5874	-0.7	0.5864	0.5922	CHF	0.99 -0.3
AUD/NZD	1.0843	0.5	1.0776	1.0854	SEK	8.76 -1.1
AUD/CNH	5.1918	-0.3	5.1797	5.2218		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	1.00	1.17	1.60	2.31	USD 10	2.33	5.92
AUD	1.50	1.75	1.89	2.89	AUD 10	2.60	5.70 0.26
NZD	1.75	1.97	2.33	3.41	NZD 10	3.04	6.80 0.71
EUR	0.00	-0.33	-0.12	0.83	CAD 10	1.52	3.60 -0.81
GBP	0.25	0.33	0.56	1.14	EUR 10	0.38	4.90 -1.95
JPY	-0.06	0.01	0.04	0.23	GBP 10	1.09	3.40 -1.25
CAD	0.50	0.93	1.11	1.81	JPY 10	0.03	0.40 -2.31

Equities

Major Indices	Last	% day	% y/y
	Dow	20,996	1.12
S&P 500	2,389	0.61	14.4
Nasdaq	6,025	0.70	23.1
VIX	11	-0.74	-23.6
FTSE	7,276	0.2	16.2
DAX	12,467	0.1	21.1
CAC 40	5,278	0.2	16.1
Nikkei	19,079	1.1	9.9
Shanghai	3,135	0.2	5.7
Hang Seng	24,456	1.3	14.2
ASX 200	5,872	0.0	12.1

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.27	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.35	-7.50
3/10 sprd	0.45	10.50
SPI	5903.0	-47.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	52.07	0.9
Oil (WTI)	49.50	0.5
Oil (Tapis)	52.11	-1.1
Gold	1265.60	-0.8
CRB	181.91	0.5
GS Metals	320.9	0.7
Aluminium	1955.8	1.0
Copper	5686.0	0.9
Nickel	9276.0	0.7
Zinc	2594.5	0.1
Ch. steel	2967.0	2.5
Iron ore	66.1	-0.7
St. Coal	83.9	-0.1
Met.coal	260.5	-3.5
Wheat Chic.	427.0	1.8
Sugar	16.2	-0.4
Cotton	80.7	0.8
Coffee	132.4	0.4
Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-1.0	-4.0%
FED	-1	-2.0%

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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