

MARKETS TODAY

Words



Good morning

It's all been about the FOMC and weakness in the AUD over the past 24 hours. It was just words, the statement, from the FOMC this morning, the FOMC leaving the Fed funds rate unchanged at 0.75-1.00% and not changing their guidance on when they might begin to run down their balance sheet. (You can read the statement [here](#).) There were no updated forecasts at this meeting. That comes next in at the June 15 meeting. While there was also no press conference from Chair Yellen, she will have the opportunity to spell out the Fed's views on the economy when she speaks at Brown University on Friday. You'd only expect a similar upbeat message from her tomorrow.

The words from the Fed were not vague at all, leaving no doubts in the mind of the market that the Fed retains a positive outlook for the US economy and will press on with their gradual removal of policy accommodation. The clear message from the statement is that the Fed remains upbeat on US economic prospects. They are looking through first quarter weakness, including the softness in consumer spending as "transitory". The statement highlighted the favourable backdrop for consumer spending even though it recognised that household spending had risen "only modestly". The Fed of course like others is also aware that first quarter growth numbers have consistently low-balled over the past decade, only to rebound in the second quarter, the residual seasonality. The backdrop for consumers and the economy gets a meaty update tomorrow night from payrolls, both in terms of employment growth and hourly earnings that also feeds back into inflation expectations. The Fed statement described job gains in recent months as having been solid on average and continued to describe the economic outlook as roughly balanced.

The USD has been stronger in the wake of the FOMC, stocks have been relatively steady and US Treasury yields higher. The market is now pricing in an 80% chance of a hike at the June 15 meeting (which has been and remains the NAB's forecast). 40 bps is priced by the December 13 FOMC. The US 10 year Treasury yield sits this morning at 2.318%, up 3.8bps. NAB forecasts another hike this year after June and a 0.70 cent AUD by year end.

The big dollar has made gains against all the majors. Sitting this morning with the largest hit is the AUD that's off the best part of 1½% in the past 24 hours, having been sold down through Asia and the London session, base metals lower overnight, LME copper down 3½%. Iron ore however has been virtually steady, though it's been a lighter week in China for holidays.

The AUD this morning sits back at 0.7420/25, the USD DXY index up 0.40%, while the Bloomberg spot dollar index is up a similar 0.36%, testimony to the big dollar strength. Also helping the US\$ was a stronger-than-

expected ISM Non-Manufacturing index for April. It was 57.5, up from 55.2 (E: 55.8), most metrics higher (including new orders and prices paid), the employment component virtually steady. Across the Atlantic, Eurozone Q1 GDP came in exactly on expectations at 0.5%/1.7% after 0.5/1.8% in Q4 with little market spin off. The big Macron-Le Pen TV debate has been going on as we go to press, seemingly with no politically killing blows landed by either combatant.

Coming Up

For the USD, tomorrow night is looming large with both the jobs report and a speech from Fed Chair Yellen, speaking at Brown University, her alma mater, speaking to a 125 Years of Women at Brown Conference. (Yellen speaks five hours after payrolls; see our calendar for times.) There's also a bevy of other Fed speakers, including Stanley Fischer, John Williams, Rosengren, Evans and Bullard, all speaking before the market closes in New York, apart from a second speech from Williams.

Today, RBA Governor Lowe is speaking to the Australian Business Economists' Queensland lunch today on "Household Debt, Housing Prices and Resilience", his opportunity to cover this most relevant of policy topics. It's scheduled to start at 1.10pm AEST. China has its Caixin Services/Composite PMIs (L: 52.1, 52.2) at 11.45.

For Sterling/Euro watchers tonight, there's a conference on European citizenship over the next three days at a state of the union conference. EC President Juncker, EC President Tusk and arguably more market-sensitive, Chief Brexit negotiator Michael Barnier all speaking, all doing the hard yards in Florence. Barnier is speaking on EU citizen's rights as a priority for Brexit negotiations. More speaking aloud about Brexit divorce bills (apparently it's now €100bn) and that trade not be negotiated until the divorce arrangements are settled. PM May is accusing "some in Brussels" of meddling in the UK election. It's all getting very serious.

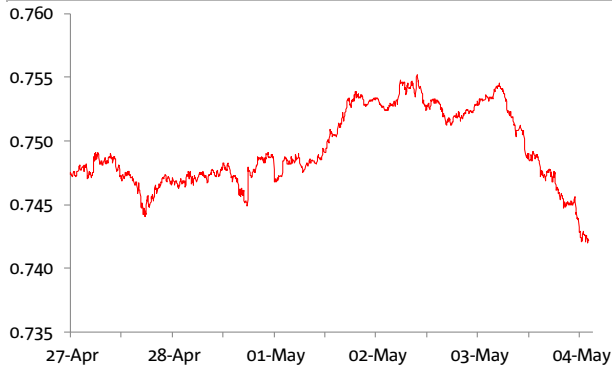
Tonight also sees the final April estimates for Service and Composite PMIs for the Eurozone and member economies. They are not usually revised much, if at all. The full US trade report for March (this one also includes services) might get a little attention, as might factory orders, jobless claims. More likely, the market will be looking for any chinks in Mr. Draghi's downside risk outlook when he speaks in Switzerland. BoC Governor Poloz is also speaking.

Overnight

On global stock markets, the S&P 500 was -0.13%. Bond markets saw US 10-years +3.77bp to 2.32%. In commodities, Brent crude oil +0.08% to \$50.5, gold -1.5% to \$1,239, iron ore -0.1% to \$68.68, steam coal -1.3% to \$78.00, met. coal -5.3% to \$180.00. AUD is at 0.7421 and the range since yesterday 5pm Sydney time is 0.742 to 0.7546.

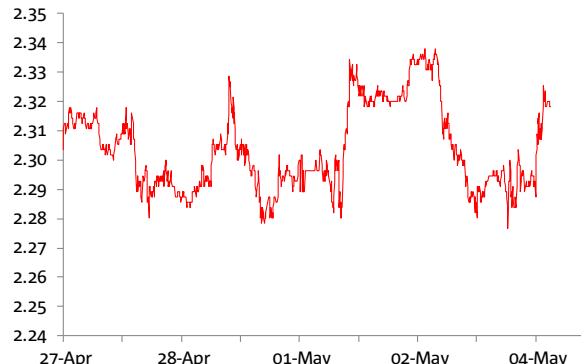
Markets

AUD/USD - past week



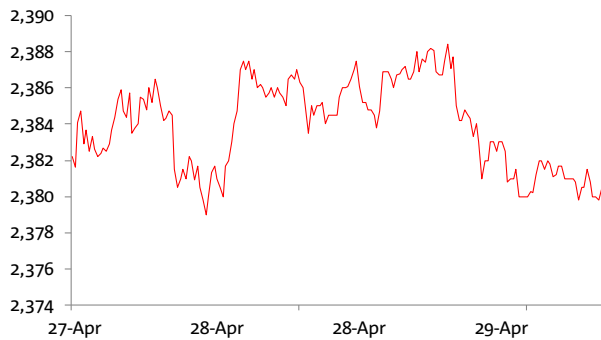
Source: Bloomberg.

US 10yr - past week



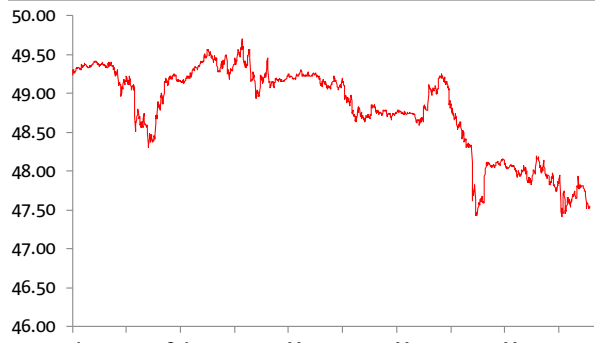
Source: Bloomberg.

S&P Future - past week



Source: Bloomberg.

WTI - past week



Source: Bloomberg.

Foreign Exchange

Indicative 24hr ranges (**)

	Last	% chge	Low	High
AUD	0.7421	-1.5	0.7420	0.7546
NZD	0.6878	-0.5	0.6867	0.6970
EUR	1.0885	-0.3	1.0882	1.0957
GBP	1.2868	-0.4	1.2864	1.2991
JPY	112.69	0.4	111.87	113.31
CAD	1.3730	0.5	1.3660	1.3758
AUD/EUR	0.6818	-1.0	0.6808	0.6907
AUD/JPY	83.63	-0.9	83.59	84.54
AUD/GBP	0.5767	-0.9	0.5761	0.5833
AUD/NZD	1.0790	-0.8	1.0774	1.0881
AUD/CNH	5.1144	-1.4	5.1155	5.1981

Other FX

	Last	% chge
HKD	7.7820	0.0
CNY	6.8918	0.0
SGD	1.3974	0.2
IDR	13,321	0.0
THB	34.55	0.2
KRW	1,134	0.3
TWD	30.05	0.1
PHP	49.97	-0.1
CHF	0.99	0.0
SEK	8.85	0.3

Interest Rates

Indicative Swap Rates

	Cash	3mth	2Yr	10Yr
USD	1.00	1.17	1.58	2.27
AUD	1.50	1.74	1.86	2.90
NZD	1.75	1.98	2.32	3.38
EUR	0.00	-0.33	-0.16	0.80
GBP	0.25	0.32	0.56	1.15
JPY	-0.06	0.00	0.03	0.22
CAD	0.50	0.91	1.04	1.80

Benchmark 10 Year Bonds

	Last	chge	Spred
USD 10	2.32	3.77	
AUD 10	2.59	-1.10	0.27
NZD 10	3.00	-1.40	0.68
CAD 10	1.54	2.90	-0.78
EUR 10	0.33	-0.20	-1.99
GBP 10	1.07	-1.50	-1.25
JPY 10	0.02	0.00	-2.30

Equities

Major Indices

	Last	% day	% y/y
Dow	20,958	0.04	18.1
S&P 500	2,388	-0.13	15.7
Nasdaq	6,073	-0.37	27.5
VIX	11	0.85	-31.5
FTSE	7,235	-0.2	17.0
DAX	12,528	0.2	26.2
CAC 40	5,301	-0.1	21.2
Nikkei	19,446	0.0	20.4
Shanghai	3,135	-0.3	4.8
Hang Seng	24,696	0.0	19.4
ASX 200	5,892	-1.0	11.8

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.27	1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.35	-1.50
3/10 sprd	0.45	4.50
SPI	5871.0	63.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	50.50	0.1
Oil (WTI)	47.55	-0.2
Oil (Tapis)	51.47	-1.3
Gold	1238.50	-1.5
CRB	180.40	0.0
GS Metals	315.8	-2.2
Aluminium	1916.5	-0.3
Copper	5574.0	-3.5
Nickel	9180.0	-3.0
Zinc	2562.5	-3.1
Ch. steel	3038.0	-3.0
Iron ore	68.7	-0.1
St. Coal	78.0	-1.3
Met.coal	180.0	-5.3
Wheat Chic.	467.3	-0.2
Sugar	15.8	-0.7
Cotton	80.7	-0.2
Coffee	137.5	0.9

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	-1.0	-4.0%
FED	-0	-0.4%

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	
Thursday, 4 May 2017									
NZ	ANZ Job Advertisements MoM	Apr				1.6	23.00	8.00	
NZ	ANZ Commodity Price	Apr				0.4	2.00	11.00	
AU	HIA New Home Sales MoM	Mar				0.2	2.00	11.00	
AU	Trade Balance	Mar	3350	3250		3574	2.30	11.30	
CH	Caixin China PMI Composite/Services	Apr		/		52.1/52.2	2.45	11.45	
AU	RBA Governor Lowe Speech: Household Debt, Housing Prices and Resilience, Economic Society (QLD) Business Lunch						4.10	13.10	
GE	Markit Germany Services/Composite PMI	Apr F		54.7/56.3		54.7/56.3	8.55	17.55	
EC	Markit Eurozone Services/Composite PMI	Apr F		56.2/56.7		56.2/56.7	9.00	18.00	
UK	Markit/CIPS UK Services/Composite PMI	Apr		54.5/54.5		55.0/54.9	9.30	18.30	
UK	Mortgage Approvals	Mar		67.2		68.3	9.30	18.30	
EC	Retail Sales MoM/YoY	Mar		0.1/2.1		0.7/1.8	10.00	19.00	
US	Challenger Job Cuts YoY	Apr				-2.0	12.30	21.30	
US	Nonfarm Productivity/Unit Labour costs	1Q P		-0.1/2.7		1.3/1.7	13.30	22.30	
US	Trade Balance	Mar		-44.5		-43.6	13.30	22.30	
CA	Int'l Merchandise Trade	Mar		-1		-1.0	13.30	22.30	
US	Initial Jobless Claims	Apr 29		248		257	13.30	22.30	
US	Factory Orders/ex transport	Mar		0.4/		1.0/0.4	15.00	0.00	
EC	ECB's Draghi Speaks in Lausanne, Switzerland						16.30	1.30	
CA	Bank of Canada Governor Stephen Poloz Speech in Mexico						21.25	6.25	
Friday, 5 May 2017									
AU	AiG Perf of Construction Index	Apr				51.2	0.30	9.30	
AU	RBA Statement on Monetary Policy						2.30	11.30	
NZ	RBNZ Survey of Inflation Expectations (2y ahead CPI expectations)					1.92	4.00	13.00	
US	Change in Nonfarm Payrolls/Unemployment rate	Apr		190/4.6		98.0/4.5	13.30	22.30	
US	Average Hourly Earnings MoM/YoY	Apr		0.3/2.7		0.2/2.7	13.30	22.30	
CA	Net Change in Employment/Unemployment rate	Apr		10/6.7		19.4/6.7	13.30	22.30	
CA	Ivey Purchasing Managers Index SA	Apr				61.1	15.00	0.00	
US	Fed's Fischer Speaks at Hoover Event in Stanford						16.30	1.30	
US	Fed's Williams Speaks in Keynote in New York						17.45	2.45	
US	Fed's Rosengren, Evans and Bullard on Hoover Institution Panel						18.30	3.30	
US	Fed's Yellen Speaks at Brown University						18.30	3.30	
US	Consumer Credit	Mar		14		15.2	20.00	5.00	
US	Fed's Williams Speaks in Stanford						20.00	5.00	
Sunday, 7 May 2017									
FR	French Presidential Election - final round								
Monday, 8 May 2017									
AU	Building Approvals MoM/YoY	Mar		/		8.3/-4.9	2.30	11.30	
AU	ANZ Job Advertisements MoM	Apr				0.3	2.30	11.30	
AU	NAB Business Conditions/Confidence						2.30	11.30	
CH	Trade Balance CNY	Apr		161.2		164.3	4.00	13.00	
CH	Exports/Imports YoY CNY	Apr		13.35/30.15		22.3/26.3	4.00	13.00	
CH	Trade Balance	Apr		32		23.9	4.00	13.00	
CH	Exports/Imports YoY	Apr		10/18		16.4/20.3	4.00	13.00	
CH	Foreign Direct Investment YoY CNY	Apr				6.7	4.00	13.00	
JN	Consumer Confidence Index	Apr				43.9	6.00	15.00	
GE	Factory Orders MoM/YoY	Mar		/		3.4/4.6	7.00	16.00	
EC	Bank of Portugal Governor Speaks at Conference in Lisbon						9.30	18.30	
CH	BoP Current Account Balance	1Q P				11.8	9.00	18.00	
EC	Sentix Investor Confidence	May				23.9	9.30	18.30	
US	Fed's Mester Speaks at Chicago Council on Global Affairs						11.45	20.45	
CA	Housing Starts	Apr				253.7	13.15	22.15	
US	Fed's Bullard Speaks on Panel on Interest Rate Policy						13.35	22.35	
CA	Bloomberg Nanos Confidence	May 5				59.4	15.00	0.00	
US	Labor Market Conditions Index Change	Apr				0.4	15.00	0.00	
Tuesday, 9 May 2017									
UK	BRC Sales Like-For-Like YoY	Apr				-1.0	0.10	9.10	
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	May 7				111.3	0.30	9.30	
JN	Labor Cash/Real Cash Earnings YoY	Mar		0.4/		0.4/0.0	1.00	10.00	
AU	Retail Sales MoM/Ex Inflation QoQ	Mar		/		-0.1/0.9	2.30	11.30	
GE	Industrial Production SA MoM/YoY	Mar		/		2.2/2.5	7.00	16.00	
GE	Current Account Balance	Mar				20.4	7.00	16.00	
AU	Federal Budget, UCB 17-18 \$Abn		23-25			-28.7 (MYEFO)	10.30	19.30	
US	NFIB Small Business Optimism	Apr				104.7	11.00	20.00	
CA	Building Permits MoM	Mar				-2.5	13.30	22.30	
US	JOLTS Job Openings	Mar				5743.0	15.00	0.00	
US	Wholesale Trade Sales/Inventories MoM	Mar				0.6/-0.1	15.00	0.00	
US	Fed's Rosengren Speaks at NYU Conference on Risk Management						18.00	3.00	
Wednesday, 10 May 2017									
NZ	ANZ Truckometer Heavy MoM	Apr				1.7	23.00	8.00	
NZ	Card Spending Retail MoM/YoY	Apr				-0.3	23.45	8.45	
JN	BOJ Summary of Opinions at April 26-27 Meeting						0.50	9.50	
AU	Westpac Consumer Conf Index/MoM%	May				99.0/-0.7	1.30	10.30	
CH	CPI/PPI YoY	Apr		1.1/6.7		0.9/7.6	2.30	11.30	
JN	Leading/Coincident Index CI	Mar P		105.5/114.7		104.8/115.3	6.00	15.00	
EC	ECB's Draghi Speaks in Dutch Parliament						12.00	21.00	
US	Import Price Index MoM/YoY	Apr		0.2/		-0.2/4.2	13.30	22.30	
US	Export Price Index MoM/YoY	Apr		/		0.2/3.6	13.30	22.30	
CH	New Yuan Loans/Aggregate Financing CNY	Apr		800/1102.5		1020/2120	10-15 May release		
US	Fed's Rosengren to Speak on Economy at Vermont Business Group						17.00	2.00	
US	Monthly Budget Statement	Apr				-176.2	19.00	4.00	
Upcoming Central Bank Interest Rate Announcements									
New Zealand, RBNZ		11-May	1.75%	1.75%		1.75%			
UK BOE		11-May	0.25%	0.25%		0.25%			
Canada, BoC		25-May	0.5%	0.5%		0.5%			
Australia, RBA		6-Jun	1.50%	1.50%		1.50%			
Europe ECB		8-Jun	-0.4%	-0.4%		-0.4%			
US Federal Reserve		15-Jun	0.75-1.00%	0.75-1.00%		0.75-1.00%			
Japan, BoJ		16-Jun	-0.1%	-0.1%		-0.1%			

GMT: Greenwich Mean Time; AEST: Australian Eastern Standard Time

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