

# MARKETS TODAY

## "Let's Love France"



### Good Morning

My stock of suitable French song title being almost non-existent, we'll go with newly elected French President Emmanuel Macron's rallying cry, after confirmation of his victory (or rather acknowledgement of defeat by his opponent Marine Le Pen) within just 15 minutes or so after the polls closed. Besides, maybe it's a future Eurovision song contest winner, next year if not later this month.

Exit polls put the vote at 65/35% in Macron's favour, though incoming Interior Ministry figures are currently more like 61/39% (though if you recall two weeks ago, Macron's final showing proved to be better than earlier official counting suggested). Market reaction so far has been muted, though EUR/USD has pushed clean above 1.10 (high of 1.1023) for the first time since November 8th 2016 (so exactly six months ago), having just kissed 1.10 late on Friday to close in New York at 1.0998.

The question now is whether real money investors, hesitant to commit more to Eurozone assets 'just in case', will now do so with more gusto. If the euro is to move higher they will need to, in so far as last Friday's FX futures market positioning data from the CFTC showed the previous net short position in EUR/USD all but eliminated last week. We do expect that the Euro can grind higher in coming weeks and months (NAB FX Strategy's year-end target is 1.13) partly in anticipation of the ECB now expressing more confidence that downside risks to the Eurozone economy and inflation have further receded. We'll hear from Mr. Draghi later in the week (he speaks to the Dutch parliament on Wednesday).

There wasn't a whole lot of market movement on Friday in the wake of the April US employment report showing a 211k rise in non-farm payrolls and a drop in the unemployment rate to 4.4% from 4.5% (back to the levels of late 2006/early 2007 and last lower way back in May 2001). Market impact was neutralised by average hourly growth down to 2.5% (back to where it was in August 2016) thanks to downward revisions to prior months. Market-implied odds on a June rate rise lifted slightly (to around 75% from 70%). Bearing in mind Fed Vice-chair Stan Fischer has spoken of the desire to see wages growth of at least 3% to be consistent with the inflation target and with two CPI reports and another payrolls/earnings report to be seen before the Fed hands down their next decision, markets are understandably hesitant in pushing pricing much closer to 100% for June.

None of the various Fed speakers on Friday offered up their views on June, but several of them expressed their enthusiasm to start shrinking the balance sheet before the end of the year. The biggest story of the week turned out to be commodity prices, where another fall for iron ore on Friday means it is down 10% on the week. Oil's minor bounce Friday still leaves crude 5-6% lower and gold is off over \$40 or 3.3% on a week ago. This proved much more negative for AUD than other commodity

currencies, though AUD/USD did manage to pull back up through 0.74 on Friday to close the week -0.9% at 0.7424, well up on its 0.7368 intra-day low. This was aided by a small bounce back in oil, and the Dalian iron ore futures price jumping by about 3% in the Friday night session.

Stock markets went out on Friday with the S&P500 +0.41% to 2399.29 – a new record closing high and 0.6% higher on the week. The Dow ended +0.26% and the NASDAQ +0.42%. The VIX added 0.11 to 10.57 but is still down by a quarter point or 2.3% on the week. Earlier the Eurostoxx 50 gained 0.85% to be 2.8% on the week, continuing its impressive run since the results of the first round of the French elections (now +6.4%), with the likelihood being that these gains extent when Europe come in later today.

In US rates markets, 2 year Treasuries finished 0.4bp higher at 1.312% and 4.8bps up on the week and the 10-year -0.5bp to 2.35% (+6.9bps on the week). The 10yr Bund added another 2.4bps to 0.418% to be 10.1bps higher on a week ago. Here, the risk is that Bunds yields continue rising while French yields fall, alongside euro-peripheral bond markets. Residual Eurozone political risk now lies largely with Italy, but that should not be until next year.

### Coming Up

With the French election out of the way and US payrolls not moving the dial significantly on June Fed tightening risk, there will be a bit more of domestic flavour to Australian markets this week, courtesy of the NAB business survey today and the Budget tomorrow (NAB survey bought forward a day because of that) and on the data front, building approvals today and retail sales tomorrow. See out *What to Watch* publication for a full run-down on the Budget and data, though on building approvals today the market looks for a fall of 4% (NAB 2%) as partial payback for last month's 8.3% jump.

Also of interest to Australian markets will be today's Chinese April trade figures, which should be a clean read after the Lunar new year distortions in February and March, and then later in the week PPI and CPI. US CPI and retail sales, both on Thursday, are the US highlights, along with a whole host of additional Fed speakers (none of whom said much on rates on Friday). The language surrounding what will be an unchanged RBNZ decision on Thursday. Commodities are bound to remain a key focus as well

### Overnight

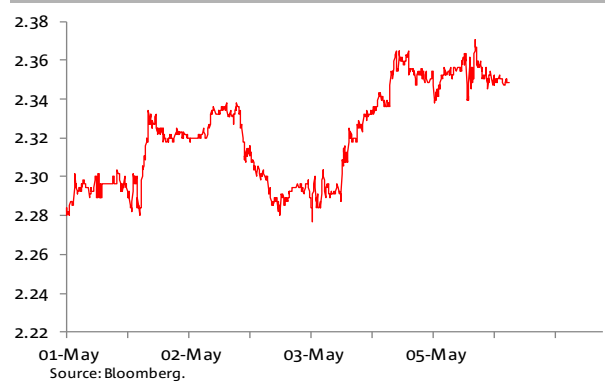
On global stock markets, the S&P 500 was +0.41%. Bond markets saw US 10-years -0.54bp to 2.35%. In commodities, Brent crude oil +1.49% to \$49.1, gold -0.1% to \$1,227, iron ore -5.3% to \$61.73, steam coal +0.0% to \$78.00, met.coal -0.6% to \$174.50. AUD is at 0.7414 and the range since Friday 5pm Sydney time is 0.7368 to 0.7437.

# Markets

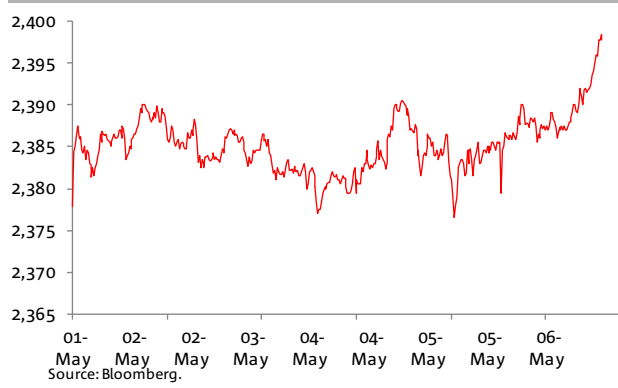
AUD/USD - past week



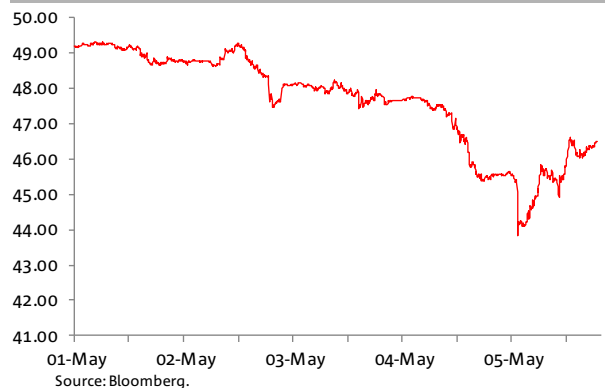
US 10yr - past week



S&P Future - past week



WTI - past week



### Foreign Exchange

	Indicative 24hr ranges (**)				Other FX		
	Last	% chge	Low	High	Last	% chge	
AUD	0.7414	0.1	0.7368	0.7437	HKD	7.7833	0.0
NZD	0.6906	0.5	0.6862	0.6929	CNY	6.9031	0.1
EUR	1.1019	0.3	1.0950	1.1023	SGD	1.4048	0.3
GBP	1.2978	0.4	1.2901	1.2989	IDR	13,330	0.0
JPY	112.89	0.4	112.09	113.13	THB	34.67	0.1
CAD	1.3667	-0.6	1.3643	1.3793	KRW	1,140	0.6
AUD/EUR	0.6727	-0.3	0.6706	0.6755	TWD	30.18	0.1
AUD/JPY	83.69	0.4	82.68	83.89	PHP	49.95	0.1
AUD/GBP	0.5702	-0.5	0.5677	0.5784	CHF	0.99	0.1
AUD/NZD	1.0735	-0.5	1.0702	1.0791	SEK	8.78	-0.6
AUD/CNH	5.1138	0.3	5.0826	5.1260			

### Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.00	1.18	1.60	2.29	USD 10	2.35	-0.54
AUD	1.50	1.74	1.87	2.92	AUD 10	2.65	0.70
NZD	1.75	1.98	2.28	3.41	NZD 10	3.03	1.80
EUR	0.00	-0.33	-0.13	0.86	CAD 10	1.54	0.40
GBP	0.25	0.32	0.59	1.21	EUR 10	0.42	2.40
JPY	-0.06	0.00	0.03	0.22	GBP 10	1.12	0.10
CAD	0.50	0.91	1.03	1.79	JPY 10	0.02	0.00

### Equities

Major Indices			
	Last	% day	% y/y
Dow	21,007	0.26	18.4
S&P 500	2,399	0.41	16.6
Nasdaq	6,101	0.42	28.8
VIX	11	1.05	-28.2
FTSE	7,297	0.7	19.1
DAX	12,717	0.5	28.8
CAC 40	5,432	1.1	26.3
Nikkei	19,446	0.0	20.4
Shanghai	3,103	-0.8	6.5
Hang Seng	24,476	-0.8	21.7
ASX 200	5,837	-0.7	10.3

### Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.27	0.00
3 Yr bond	97.8	0.00
10 Yr bond	97.31	-4.00
3/10 sprd	0.49	4.00
SPI	5872.0	-8.0

\*Change in bps

### Commodities\*

	Last	% day
Oil (Brent)	49.10	1.5
Oil (WTI)	46.22	1.5
Oil (Tapis)	48.87	-4.0
Gold	1226.90	-0.1
CRB	177.92	0.5
GS Metals	314.1	0.3
Aluminium	1895.3	-0.5
Copper	5565.5	0.8
Nickel	9096.5	1.4
Zinc	2574.5	0.7
Ch. steel	3020.0	0.4
Iron ore	61.7	-5.3
St. Coal	78.0	0.0
Met.coal	174.5	-0.6
Wheat Chic.	442.3	1.0
Sugar	15.3	-0.4
Cotton	79.8	-1.3
Coffee	135.7	0.6

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-1.0	-4.0%
FED	18	73.6%

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>Monday, 8 May 2017</b>								
AU	Building Approvals MoM/YoY	Mar	-2	-4/-10		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	Apr		/		14.0/6.0	2.30	11.30
CH	Trade Balance CNY	Apr		197.2		164.3	4.00	13.00
CH	Exports/Imports YoY CNY	Apr		16.8/29.3		22.3/26.3	4.00	13.00
CH	Trade Balance	Apr		35.2		23.9	4.00	13.00
CH	Exports/Imports YoY	Apr		11.3/18		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		1/2.3		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		24.65		23.9	9.30	18.30
CA	Housing Starts	Apr		220		253.7	13.15	22.15
US	Fed's Bullard Speaks on Panel on Interest Rate Policy						13.35	22.35
US	Fed's Mester Speaks at Chicago Council on Global Affairs						13.45	22.45
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
<b>Tuesday, 9 May 2017</b>								
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	0.3/0.4	0.3/0.5		-0.1/0.9	2.30	11.30
NZ	Credit Aggregates (new format)	Mar					4.00	13.00
GE	Industrial Production SA MoM/YoY	Mar		-0.6/2.4		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	-28		-28.7 (MYEFO)	10.30	19.30
US	NFIB Small Business Optimism	Apr		104.8		104.7	11.00	20.00
CA	Building Permits MoM	Mar				-2.5	13.30	22.30
US	Fed's Kashkari to speak to Minnesota High Tech Conference						14.00	23.00
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
US	Fed's Kaplan speaks to Dallas Regional Chamber						21.15	6.15
<b>Wednesday, 10 May 2017</b>								
NZ	ANZ Truckometer Heavy MoM	Apr				1.7	23.00	8.00
NZ	Crown Financial Accounts	Mar					23.00	8.00
NZ	Card Spending Retail MoM/YoY	Apr		0.6		-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		800/1127.5		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
<b>Thursday, 11 May 2017</b>								
NZ	RBNZ Official Cash Rate	May 11	1.75	1.75		1.75	22.00	7.00
NZ	Food Prices MoM	Apr				-0.3	23.45	8.45
UK	RICS House Price Balance	Apr				22.0	0.10	9.10
JN	BoP Current Account Adjusted	Mar		1731.9		2210.9	0.50	9.50
AU	Consumer Inflation Expectation	May				4.1	2.00	11.00
JN	Bankruptcies YoY	Apr				5.4	5.30	14.30
EC	ECB Publishes Economic Bulletin						9.00	18.00
UK	Industrial Production MoM/YoY	Mar		/		-0.7/2.8	9.30	18.30
UK	Construction Output SA MoM/YoY	Mar				-1.7	9.30	18.30
UK	Trade Balance	Mar				-3663.0	9.30	18.30
EC	European Commission Economic Forecasts						10.00	19.00
US/IN	Fed's Dudley speaks on Globalisation in Mumbai						11.25	20.25
UK	Bank of England Bank Rate	May 11				0.3	12.00	21.00
UK	BOE Asset Purchase Target/Corporate Bond Target	May		/		435.0/10.0	12.00	21.00
UK	Bank of England Inflation Report						12.00	21.00
UK	NIESR GDP Estimate	Apr				0.5	13.00	22.00
CA	New Housing Price Index MoM/YoY	Mar		/		0.4/3.3	13.30	22.30
US	PPI Final Demand/Ex Food & Energy MoM	Apr		0.2/0.2		-0.1/0.0	13.30	22.30
US	Initial Jobless Claims	May 6				238.0	13.30	22.30
US	Bloomberg Consumer Comfort	May 7				50.9	14.45	23.45
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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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