

MARKETS TODAY

After the after party



Good morning

In one of those moments of weakness I thought it was a good idea to teach my daughter the numbers to unblock my phone, learning how to play Spotify was just a few touches away and then a week later the repeat button was discovered. Charlie XCX "After the After party" is a very, very catchy song and if you don't know it don't look it up, otherwise you will find yourself singing the song in your head on your way to a meeting or when you are speaking to your boss.

After just over 24 hours since Macron's French presidential election win, the Euro and European equities are feeling a bit hangover following a solid run in the previous two weeks. Early on Monday the Euro traded to a high of 1.1023, but since then it has been on steady decline and now it trades at 1.0929, 0.68% lower. Investors have also sold European equities with the CAC 40 (-0.91%) leading the way (Stoxx Europe -0.41%). Buying the rumour and selling the fact appears to have been a greater force than the elimination of a tail risk. Macron's challenge to form a government and the National Assembly elections in June could also be a factor weighing on sentiment. All that said, however, after Austria and the Netherlands, Macron's win means that the EU and the Euro have yet again avoided a potential challenge to their existence. Hence we think that at least near term the obstacle of EU political risk has been removed and should allow the ECB to shift its language away from ultra-dovish tone. On this score we note that overnight ECB executive board member Mersch commented that risks to growth are almost back in balance and that the ECB could review the interaction of its policy tools. Note that ECB Draghi speaks tomorrow night and another comment along these lines would most likely give the Euro a boost.

Meanwhile the after party in the US appears to have just started given what appears to be a delayed reaction to Friday's employment report. Pricing expectations for a June hike are just under 80% and another hike before year end is now more than 60% priced (last weeks these probabilities were 60% and 35% respectively). US Treasury yields are about 2-3 bps higher with the 10y note currently trading at 2.385%. The rise in yield has boosted the USD which has outperformed all G10 and most EM currencies over the past 24hrs. The Euro and European currencies are at the bottom of the G10 leader board, down between 0.70% and 1.10%. The AUD and JPY are in the middle of the pack, down 0.50%.

While JPY's underperformance can be largely attributed to the move higher in UST yields, the AUD underperformance is also due to another soft night for key AU commodities. Iron ore fell another 2.6% and is just above the US\$60 mark, steam coal is down 4.9%, aluminium is -1.2% and metallurgical coal is -0.5%. Gold is essentially unchanged and oil prices are a little bit higher supported by overnight comments from Saudi

Arabia's energy minister saying that he expected the OPEC led production cut deal to be extended until at least the end of this year.

Although the S&P500 made a new intraday high, it has closed the day flat while the Dow and NASDAQ have ended at 0.03%. Meanwhile the VIX closed at 9.77, its lowest level since late 1993 and it has yet again spark the debate on whether the outlook is really that positive or whether the low VIX reading is just a sign of market. Time will tell.

Coming Up

We have a busy day of domestic data releases starting with the weekly consumer confidence reading followed by retail sales at 11:30 Sydney time and then of course the Federal Budget tonight. Offshore highlights include Germany's trade and industrial production (Mar) and later tonight the US gets April NFIB small business sentiment reading along with JOLTS job openings and wholesale inventories (both for March).

Our economists have pencilled in a 0.3% rise in retail Sales in March which is in line with the market. Note too that this data release includes the inflation adjusted reading which is a key component for the consumption reading in the Q1 GDP calculation.

As for the budget, Ivan Colhoun, our Chief Economist (Markets) has suggested 4 yardsticks by which to judge the Government on tonight's budget, namely: (i) the credibility of the short-term macro and budget forecasts; (ii) the appropriateness of the medium-term fiscal settings; (iii) the policy measures in the budget; and (iv) the fairness of the budget. Ivan also notes that the Government is likely to forecast a return to balance/small surplus by 2020-21 on an underlying cash balance basis and likely a year earlier on the new favoured Net Operating Balance (NOB) of the budget. This should be sufficient to maintain Australia's AAA rating, albeit with a continued negative outlook from S&P (for full details please refer to our Australian Markets Weekly publication - do send me an email if you would like a copy).

In the US the NFIB small business is expected to drop to 104 from 104.7 largely due to the inability of the Trump administration to repeal Obamacare (a big cost for small businesses) as the survey data was collected after the negotiations took place and before the bill was eventually passed by the house.

Overnight

On global stock markets, the S&P 500 was +0.00%. Bond markets saw US 10-years +3.81bp to 2.39%. In commodities, Brent crude oil +0.69% to \$49.44, gold -0.1% to \$1,226, iron ore -2.6% to \$60.15, steam coal -4.9% to \$74.20, met.coal +0.3% to \$175.00. AUD is at 0.7385 and the range since yesterday 5pm Sydney time is 0.7378 to 0.7425.

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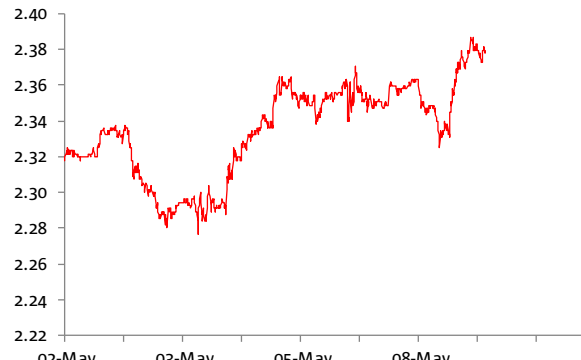
Markets

AUD/USD - past week



Source: Bloomberg.

US 10yr - past week



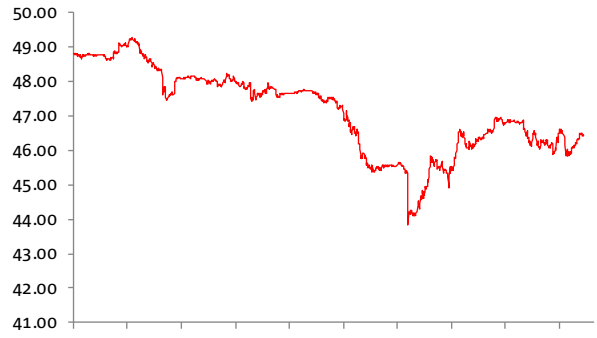
Source: Bloomberg.

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	0.7385	-0.5	0.7378	0.7425	HKD	7.7847	0.0
NZD	0.6908	-0.1	0.6889	0.6946	CNY	6.9045	0.0
EUR	1.0922	-0.7	1.0917	1.1023	SGD	1.4059	0.1
GBP	1.2940	-0.3	1.2930	1.2989	IDR	13,295	-0.3
JPY	113.26	0.5	112.40	113.30	THB	34.67	0.0
CAD	1.3696	0.3	1.3644	1.3734	KRW	1,131	-0.8
AUD/EUR	0.6761	0.2	0.6721	0.6774	TWD	30.16	-0.1
AUD/JPY	83.64	0.0	83.18	83.89	PHP	49.88	-0.1
AUD/GBP	0.5707	-0.2	0.5677	0.5784	CHF	1.00	1.1
AUD/NZD	1.0690	-0.4	1.0668	1.0748	SEK	8.85	0.6
AUD/CNH	5.0968	-0.3	5.0965	5.1268			

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprrd
USD	1.00	1.18	1.62	2.33	USD 10	2.39	3.81
AUD	1.50	1.74	1.89	2.94	AUD 10	2.67	2.50
NZD	1.75	1.99	2.36	3.46	NZD 10	3.08	4.30
EUR	0.00	-0.33	-0.12	0.85	CAD 10	1.59	4.60
GBP	0.25	0.32	0.59	1.23	EUR 10	0.42	0.00
JPY	-0.05	0.00	0.03	0.23	GBP 10	1.15	3.00
CAD	0.50	0.90	1.04	1.84	JPY 10	0.03	0.60

Equities

Major Indices			
	Last	% day	% y/y
Dow	21,012	0.03	18.4
S&P 500	2,399	0.00	16.6
Nasdaq	6,103	0.03	28.9
VIX	10	-7.57	-33.6
FTSE	7,301	0.0	19.2
DAX	12,695	-0.2	28.6
CAC 40	5,383	-0.9	25.1
Nikkei	19,896	2.3	22.7
Shanghai	3,079	-0.8	8.7
Hang Seng	24,578	0.4	21.9
ASX 200	5,871	0.6	10.3

Commodities*

	Last	% day
Oil (Brent)	49.44	0.7
Oil (WTI)	46.50	0.6
Oil (Tapis)	49.45	1.2
Gold	1226.20	-0.1
CRB	178.13	0.1
GS Metals	310.6	-1.1
Aluminium	1872.8	-1.2
Copper	5465.3	-1.8
Nickel	9101.5	0.1
Zinc	2581.8	0.3
Ch. steel	3004.0	2.5
Iron ore	60.2	-2.6
St. Coal	74.2	-4.9
Met.coal	175.0	0.3
Wheat Chic.	433.5	-2.0
Sugar	15.4	0.5
Cotton	76.8	-3.7
Coffee	136.9	0.9

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.27	0.00
3 Yr bond	97.8	0.00
10 Yr bond	97.27	-4.50
3/10 sprd	0.53	4.50
SPI	5867.0	-50.0

* Change in bps

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	-0.5	-2.0%
FED	20	78.4%

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
Tuesday, 9 May 2017								
UK	BRC Sales Like-For-Like YoY	Apr		0.5		-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		0.5/		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		-0.7/2.6		2.2/2.5	7.00	16.00
GE	Current Account Balance	Mar		26.5		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		104.7	11.00	20.00
CA	Building Permits MoM	Mar		2.8		-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
Wednesday, 10 May 2017								
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		0.2/3.6		-0.2/4.2	13.30	22.30
US	Export Price Index MoM/YoY	Apr		0.2/		0.2/3.6	13.30	22.30
CH	New Yuan Loans/Aggregate Financing CNY	Apr		815/1150		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		177		-176.2	19.00	4.00
Thursday, 11 May 2017								
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		20		22.0	0.10	9.10
JN	BoP Current Account Adjusted	Mar		1735		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		-0.4/2		-0.7/2.8	9.30	18.30
UK	Construction Output SA MoM/YoY	Mar		0.3		-1.7	9.30	18.30
UK	Trade Balance	Mar		-3000		-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		0.25		0.3	12.00	21.00
UK	BOE Asset Purchase Target/Corporate Bond Target	May		435/10		435.0/10.0	12.00	21.00
UK	Bank of England Inflation Report						12.00	21.00
UK	NIESR GDP Estimate	Apr		0.4		0.5	13.00	22.00
CA	New Housing Price Index MoM/YoY	Mar		0.2/		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		245		238.0	13.30	22.30
US	Bloomberg Consumer Comfort	May 7				50.9	14.45	23.45
Friday, 12 May 2017								
NZ	BusinessNZ Manufacturing PMI	Apr				57.8	23.30	8.30
NZ	Non Resident Bond Holdings	Apr				61.5	4.00	13.00
NZ	2Yr Inflation Expectation	3Q				2.2	4.00	13.00
JN	BOJ Harada speaks as panelist in Tokyo						5.15	14.15
GE	GDP SA QoQ/YoY	1Q P		0.6/1.7		0.4/1.7	7.00	16.00
GE	CPI MoM/YoY	Apr F		0/2		0.0/2.0	7.00	16.00
GE	CPI EU Harmonized MoM/YoY	Apr F		0/2		0.0/2.0	7.00	16.00
EC	Industrial Production SA MoM/YoY	Mar		0.3/2.3		-0.3/1.2	10.00	19.00
US	CPI MoM/YoY	Apr		0.2/2.3		-0.3/2.4	13.30	22.30
US	CPI Ex Food and Energy MoM/YoY	Apr		0.2/2		-0.1/2.0	13.30	22.30
US	Retail Sales Advance/Ex Autos and Gas MoM	Apr		0.6/0.4		-0.2/0.1	13.30	22.30
US	Retail Sales Control Group	Apr		0.4		0.5	13.30	22.30
CA	Teranet/National Bank HPI MoM/YoY	Apr		/		0.9/13.5	13.30	22.30
US/EC	Fed's Evans Speaks in Dublin						14.00	23.00
US	U. of Mich. Sentiment	May P		97/		97.0/2.4	15.00	0.00
US	Business Inventories	Mar		0.1		0.3	15.00	0.00
Saturday, 13 May 2017								
Sunday, 14 May 2017								
Monday, 15 May 2017								
CH	Foreign Direct Investment YoY CNY	Apr				6.7	May 8-18 release	
CH	New Yuan Loans CNY	Apr		815		1020.0	May 10-15 release	
CH	Aggregate Financing CNY	Apr		1150		2120.0	May 10-15 release	
NZ	Performance Services Index	Apr				59.0	23.30	8.30
NZ	Retail Sales Ex Inflation QoQ	1Q				0.8	23.45	8.45
UK	Rightmove House Prices MoM/YoY	May		/		1.1/2.2	0.10	9.10
AU	Home Loans MoM	Mar				-0.5	2.30	11.30
AU	Investment Lending	Mar				-5.9	2.30	11.30
CH	Industrial Production YoY/YTD YoY	Apr		7/6.9		7.6/6.8	3.00	12.00
CH	Retail Sales YoY/YTD YoY	Apr		10.9/10.2		10.9/10.0	3.00	12.00
CH	Fixed Assets Ex Rural YTD YoY	Apr		9.1		9.2	3.00	12.00
JN	Machine Tool Orders YoY	Apr P				22.8	7.00	16.00
US	Empire Manufacturing	May		6		5.2	13.30	22.30
CA	Existing Home Sales MoM	Apr				1.1	14.00	23.00
CA	Bloomberg Nanos Confidence	May 5				59.4	15.00	0.00
US	NAHB Housing Market Index	May				68.0	15.00	0.00
US	Total Net TIC Flows	Mar				19.3	21.00	6.00
US	Net Long-term TIC Flows	Mar				53.4	21.00	6.00
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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