

MARKETS TODAY

I can't stand up for falling down



Good morning

Almost certainly neither Sam and Dave nor Elvis Costello had inflation or inflation expectations in mind when they recorded this track, though for the record US CPI was running a little shy of 3% when Sam and Dave first recorded the song in 1967, and over 20% in the UK when Elvis Costello covered it in 1980. In the USA 50 years on, inflation expectations as measured by the University of Michigan on Friday fell to 2.3%, back to not only where they were at the end of last year, but equalling the lowest level recorded in the 24 years history of the survey. Consumer price inflation meanwhile dropped from 2.0% to 1.9% in April in core (ex food and energy) terms and back to levels last seen in October 2015.

Check out today's Chart of the Day below. Whether looking at wages growth, CPI, the Fed's preferred core PCE deflation measure or inflation expectations, inflation pressures are currently receding. We doubt this poses a serious challenge to the likelihood of a June Fed move, but beyond this, the (inflation) data dependency of additional tightening is surely paramount.

Neither Philadelphia Fed president Patrick Harker nor Chicago Fed President Charles Evans speaking on Friday said anything to disturb June Fed thinking. Harker said "Overall, things are looking good. We're essentially at normal now, and based on the strength of the economy, I continue to see two more rate hikes as appropriate this year". Evans also said he could see two more rate rises this year, though couched this by saying "The one lingering difficulty, I would say, and it's an important one, is that inflation pressures are still under-running our 2 percent objective in the U.S.. At the moment, I think the downside risks still predominate."

US retail sales on Friday also disappointed in terms of April headlines (0.4% and 0.3% ex-autos) though positive revisions for March more than compensated for the March headline misses.

The impact of the US data was that 2 year US Treasury yields finished 4.5bp lower at 1.292% and 2bps down on the week and 10s -6.1bps to 2.327% (-2.3bps w/w). The US dollar lost about 0.3% on average, just when it looked to be on track to record its strongest weekly showing of 2017 to date. This lifted the AUD, a move helped earlier in the day by stronger than expected China April loan data published about 6pm Sydney time and which alleviates some of the immediate concerns about tighter monetary conditions driving commodity price weakness and hence a weaker AUD. The data fuelled a brief short covering rally to back above 0.74. The Aussie then fell back into, but rose after, the US data to a high of 0.7421 before closing the week just below the figure, where it now sits at the start of the new week.

Stock markets went out mixed on Friday with the S&P500 lower at the open (post-data) but little changed

thereafter, to end -0.15% at 2,390.9 (-0.3% on the week). VIX lost 0.2 to 10.4 and ends the week down 0.17.

In commodities, gold added \$3.5 to \$1,227.7 for an overall flat week. Oil was flat on Friday to leave both WTI and Brent +3.5% on the week after the previous Friday's mini 'flash crash'. Friday's Baker Hughes U.S. oil rig count rose by another 9 rigs to 712, now the 17th straight weekly rise. The LME index gained just 0.07% and is down 0.4% on the week while iron ore added back \$1 to \$61.38 – still 35 cents down on the week.

CoreLogic's Weekend Market Summary shows auction clearance rates up on last week (high 70 percents in Melbourne and Sydney) though CoreLogic suggest (without offering any evidence) that vendors may be adjusting reserve pricing to clear their property. Auction volumes remained strong, 2,376 against 1,689 the previous weekend.

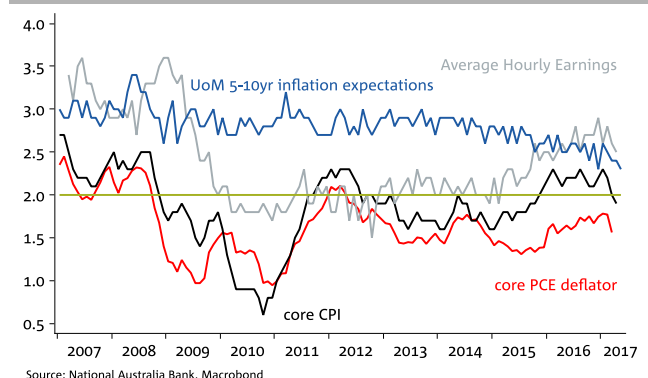
Coming Up

The week kicks off at mid-day AEST with the China April activity readings covering industrial production, retail sales and fixed asset investment. Small falls in year-on-year growth rates are expected for all three. It's a relatively quiet week in terms of known events and data in both the United States and Europe. In Australia, we get a triple dose of reports on the health of the consumer, starting Wednesday with WMI monthly Consumer Sentiment and Q1 Wages, followed Thursday with the ABS Labour Force report that should see some further gains in employment. Consumer Inflationary Expectations are also released on Thursday. The RBA releases May Board Minutes on Tuesday.

Overnight

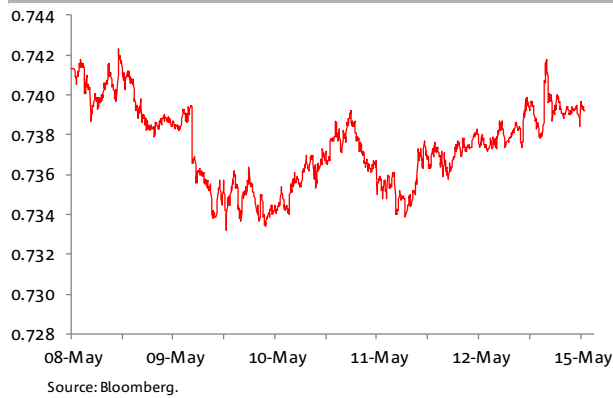
On global stock markets, the S&P 500 was -0.15%. Bond markets saw US 10-years -6.17bp to 2.33%. In commodities, Brent crude oil +0.14% to \$50.84, gold +0.3% to \$1,228, iron ore +1.7% to \$61.38, steam coal +0.4% to \$73.60, met.coal -0.9% to \$174.50. AUD is at 0.7392 and the range since Friday 5pm Sydney time is 0.7369 to 0.7421.

Chart of the Day: US inflation measures

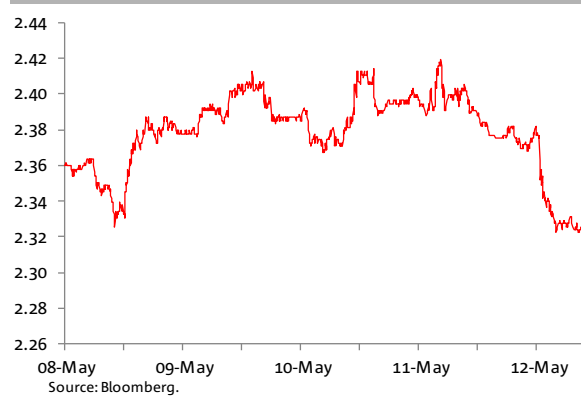


Markets

AUD/USD - past week



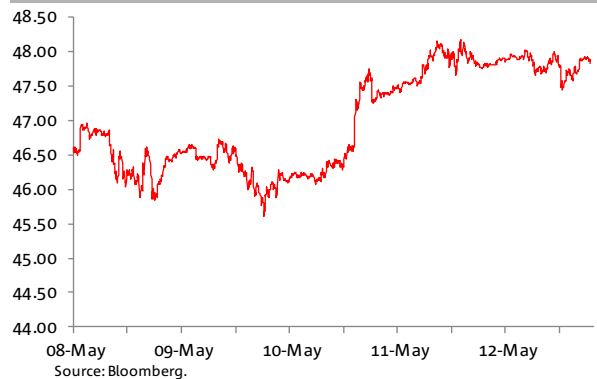
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7392	0.2	0.7369	0.7421	HKD	7.7932 0.0
NZD	0.6852	0.0	0.6827	0.6871	CNY	6.8995 -0.1
EUR	1.0931	0.6	1.0856	1.0934	SGD	1.4045 -0.2
GBP	1.2881	0.0	1.2845	1.2905	IDR	13,330 -0.1
JPY	113.19	-0.6	113.12	113.95	THB	34.66 -0.2
CAD	1.3701	0.0	1.3666	1.3742	KRW	1,127 0.0
AUD/EUR	0.6763	-0.5	0.6753	0.6816	TWD	30.17 -0.1
AUD/JPY	83.67	-0.4	83.64	84.20	PHP	49.77 -0.2
AUD/GBP	0.5739	0.2	0.5719	0.5761	CHF	1.00 -0.7
AUD/NZD	1.0787	0.1	1.0757	1.0806	SEK	8.84 -0.5
AUD/CNH	5.1055	0.3	5.0868	5.1194		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprrd
USD	1.00	1.18	1.54	2.25	USD 10	2.33	-6.17
AUD	1.50	1.74	1.80	2.81	AUD 10	2.64	-1.70 0.31
NZD	1.75	1.98	2.23	3.33	NZD 10	2.97	-5.30 0.64
EUR	0.00	-0.33	-0.14	0.81	CAD 10	1.57	-3.30 -0.75
GBP	0.25	0.31	0.54	1.17	EUR 10	0.39	-4.10 -1.93
JPY	-0.05	-0.01	0.04	0.24	GBP 10	1.09	-7.30 -1.24
CAD	0.50	0.89	0.99	1.80	JPY 10	0.05	-0.70 -2.28

Equities

Major Indices			
	Last	% day	% y/y
Dow	20,897	-0.11	19.2
S&P 500	2,391	-0.15	16.8
Nasdaq	6,121	0.09	29.8
VIX	10	-1.89	-30.9
FTSE	7,435	0.7	21.1
DAX	12,770	0.5	28.3
CAC 40	5,405	0.4	25.1
Nikkei	19,884	-0.4	21.2
Shanghai	3,084	0.7	9.1
Hang Seng	25,156	0.1	27.6
ASX 200	5,837	-0.7	9.5

Overnight Futures

Australia		
	Last	Chge*
3 mth bill	98.27	-1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.39	9.00
3/10 sprd	0.41	-9.00
SPI	5817.0	48.0

* Change in bps

Commodities*

	Last	% day
Oil (Brent)	50.84	0.1
Oil (WTI)	47.84	0.0
Oil (Tapis)	50.87	-0.3
Gold	1227.70	0.3
CRB	181.69	0.7
GS Metals	312.4	0.0
Aluminium	1885.5	0.9
Copper	5539.0	0.3
Nickel	9266.0	0.0
Zinc	2549.0	-1.2
Ch. steel	2951.0	-2.6
Iron ore	61.4	1.7
St. Coal	73.6	0.4
Met.coal	174.5	-0.9
Wheat Chic.	432.8	-0.2
Sugar	15.5	-0.8
Cotton	82.2	3.8
Coffee	135.0	0.5

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-0.5	-2.0%
FED	17	69.6%

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
Friday, 12 May 2017								
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
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
Monday, 15 May 2017								
CH	Foreign Direct Investment YoY CNY	Apr				6.7		Due this week
CH	New Yuan Loans CNY	Apr		815/1150		1020/2120		Overdue
NZ	Performance Services Index	Apr				59.0	23.30	8.30
NZ	Retail Sales Ex Inflation QoQ	1Q	0.7	0.9		0.8	23.45	8.45
UK	Rightmove House Prices MoM/YoY	May		/		1.1/2.2	0.10	9.10
AU	Home Loans/Investment Lending MoM	Mar	0.9	0/		-0.5/-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		10.8/10.2		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
EC	Bundesbank's Dombret speak at Banking Union conference in Frankfurt						9.50	18.50
EC	ECB's Nowy speaks at Banking Union conference in Frankfurt						10.50	19.50
US	Empire Manufacturing	May		7.5		5.2	13.30	22.30
CA	Existing Home Sales MoM	Apr				1.1	14.00	23.00
CA	Bloomberg Nanos Confidence	May 12				59.0	15.00	0.00
US	NAHB Housing Market Index	May		68		68.0	15.00	0.00
US	Total Net/Long term TIC Flows	Mar		/		19.3/53.4	21.00	6.00
Tuesday, 16 May 2017								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	May 14				112.3	0.30	9.30
AU	New Motor Vehicle Sales MoM/YoY	Apr		/		1.9/-3.0	2.30	11.30
AU	RBA May Rate Meeting Minutes						2.30	11.30
NZ	Household Inflation Expectations, 1 year median	2Q				2.0	4.00	13.00
JN	Tertiary Industry Index MoM	Mar		0.1		0.2	5.30	14.30
UK	CPI MoM/YoY	Apr		0.4/2.6		0.4/2.3	9.30	18.30
UK	CPI Core YoY	Apr		2.2		1.8	9.30	18.30
UK	PPI Input NSA MoM/YoY	Apr		0.2/17.3		0.4/17.9	9.30	18.30
UK	PPI Output NSA MoM/YoY	Apr		0.2/3.4		0.4/3.6	9.30	18.30
UK	PPI Output Core NSA MoM/YoY	Apr		0.2/2.6		0.3/2.5	9.30	18.30
UK	House Price Index YoY	Mar		5.3		5.8	9.30	18.30
EC	Trade Balance SA	Mar				19.2	10.00	19.00
GE	ZEW Survey Current Situation/Expectations	May		80.9		80.1	10.00	19.00
EC	ZEW Survey Expectations	May				26.3	10.00	19.00
EC	GDP SA, QoQ/YoY	1Q P		0.5/1.7		0.5/1.7	10.00	19.00
US	Housing Starts, #/MoM	Apr		1250/2.9		1215.0/-6.8	13.30	22.30
US	Building Permits, #/MoM	Apr		1270/0.2		1260.0/3.6	13.30	22.30
US	Industrial Production MoM/Capacity utilisation	Apr		0.4/76.3		0.5/76.1	14.15	23.15
US	Manufacturing (SIC) Production	Apr		0.4		-0.4	14.15	23.15
US	ECB's Nowotny Speaks in Vienna						16.30	1.30
NZ	Global Dairy Auction, GDT-weighted price index (early AM, NZT)			broadly steady		3.6		
Wednesday, 17 May 2017								
NZ	PPI Input/Output QoQ	1Q		/		1.0/1.5	23.45	8.45
NZ	Concrete production	1Q					23.45	8.45
JN	Machine Orders MoM/YoY	Mar		2.5/1.2		1.5/5.6	0.50	9.50
AU	Westpac Consumer Conf Index/MoM	May		/		99.0/-0.7	1.30	10.30
AU	Wage Price Index QoQ/YoY	1Q	0.5/1.9	0.5/1.9		0.5/1.9	2.30	11.30
JN	Industrial Production MoM/YoY	Mar F		/		-2.1/3.3	5.30	14.30
UK	Jobless Claims Change	Apr				25.5	9.30	18.30
UK	Average Weekly Earnings/ex bonus 3M/YoY	Mar		2.4/2.1		2.3/2.2	9.30	18.30
UK	Employment Change 3M/3M/Unemployment rate 3M	Mar		23/4.7		39.0/4.7	9.30	18.30
EC	Construction Output MoM/YoY	Mar		/		6.9/7.1	10.00	19.00
EC	CPI MoM/YoY	Apr		0.4/1.9		0.8/1.5	10.00	19.00
EC	CPI Core YoY	Apr F		1.2		1.2	10.00	19.00
CA	Manufacturing Sales MoM	Mar				-0.2	13.30	22.30
US	NY Fed's Household Debt and Credit report	1Q					16.00	1.00
CH	FX Net Settlement - Clients CNY	Apr				-48.3		
Thursday, 18 May 2017								
NZ	Net Migration SA	Apr				6,100	23.45	8.45
JN	GDP SA QoQ/saar QoQ	1Q P		0.4/1.8		0.3/1.2	0.50	9.50
JN	GDP Deflator YoY	1Q P		-0.7		-0.1	0.50	9.50
NZ	ANZ Consumer Confidence Index/MoM	May		/		121.7/-2.8	2.00	11.00
AU	Consumer Inflation Expectation	May				4.1	2.00	11.00
AU	RBA FX Transactions Market	Apr				1248	2.30	11.30
CH	China Property Prices	Apr					2.30	11.30
AU	Employment Change/Unemployment Rate	Apr	10/5.8	5/5.9		60.9/5.9	2.30	11.30
AU	Participation Rate	Apr	64.7	64.7		64.8	2.30	11.30
NZ	Credit Card Billings	Apr				0.8	4.00	13.00
US	Fed's Bullard to Brief Press With Bank of England's Forbes						5.00	14.00
UK	Retail Sales Ex/Incl Auto Fuel MoM	Apr		0.8/3.5		-1.5/2.6	9.30	18.30
UK	Retail Sales Inc Auto Fuel MoM	Apr		0.7/2.9		-1.8/1.7	9.30	18.30
CA	Int'l Securities Transactions	Mar				38.8	13.30	22.30
US	Initial Jobless Claims	May 13				236	13.30	22.30
US	Philadelphia Fed Business Outlook	May		19.5		22.0	13.30	22.30
EC	ECB's Lautenschlaeger speaks in Berlin						13.45	22.45
EC	ECB's Nowotny speaks in Vienna						13.50	22.50
US	Leading Index	Apr		0.3		0.4	15.00	0.00
EC	ECB's Draghi speaks in Tel Aviv						18.00	3.00
US	Fed's Mester Speaks on Economy and Monetary Policy						18.15	3.15
Friday, 19 May 2017								
NZ	Net Migration SA	Apr				6100	23.45	8.45
NZ	Credit Card Spending MoM/YoY	Apr		/		0.8/7.1	4.00	13.00
EC	ECB Current Account SA	Mar				37.9	9.00	18.00
EC	EU's Dombrowskis speaks at ECB-EU Conference in Brussels						9.00	18.00
EC	ECB's Praet (Chf Economist) moderates panel at Conference in Brussels						10.00	19.00
UK	CBI Trends Total Orders/Selling Prices	May		5/		4.0/29.0	11.00	20.00
EC	ECB's Constancio speaks at Conference in Brussels						13.00	22.00
CA	Retail Sales/ex autos MoM	Mar		/		-0.6/-0.1	13.30	22.30
CA	CPI NSA MoM/YoY	Apr		/		0.2/1.6	13.30	22.30
CA	CPI Core- Common/Trim YoY%	Apr		/		1.3/1.4	13.30	22.30
CA	CPI Core- Median YoY%	Apr		/		1.7	13.30	22.30
US	Fed's Bullard to Speak about U.S. Economy and Monetary Policy						14.15	23.15
EC	Consumer Confidence	May A		-3		-3.6	15.00	0.00
EC	EU Commission's Guersen speaks at Conference in Brussels						15.15	0.15
Upcoming Central Bank Interest Rate Announcements								
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%		
UK BOE		15-Jun	0.25%	0.25%		0.25%		
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%		
New Zealand, RBNZ		22-Jun	1.75%	1.75%		1.75%		

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

CONTACT DETAILS

Authors

David de Garis
Director, Economics
+61 3 8641 3045
david.degaris@nab.com.au

Ray Attrill
Global Co-Head of FX Strategy
+61 2 9237 1848
ray.attrill@nab.com.au

Rodrigo Catril
Currency Strategist
+61 2 9293 7109
rodrigo.h.catril@nab.com.au

Tapas Strickland
Economist
+61 2 9237 1980
tapas.strickland@nab.com.au

Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406
peter.jolly@nab.com.au

Group Economics

Alan Oster
Chief Economist
+61 3 8634 2927
alan_oster@national.com.au

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