

MARKETS TODAY

Enjoy the silence



Good morning

With the US and the UK markets closed for Memorial Day/Spring bank holidays, the focus in a quiet night was on European markets, specifically interest in ECB President Mario Draghi's speech to the European Parliament. Two comments have drawn the market's interest. First, some comments addressed across the Atlantic warning about the US push back on freer global trade. He noted that the neo-protectionist stances that have been stated in the United States are of concern.

Second, he virtually repeated his view that while the economic recovery has been "increasingly solid" and broadening, "we remain firmly convinced that an extraordinary amount of monetary policy support, including through forward guidance is still necessary for the present level of under-utilised resources to be reabsorbed and for inflation to return and durably stabilise around levels close to 2 percent within a meaningful medium-term horizon."

It's now only a week out from the ECB meeting and you can't get much clearer than that. The ECB will then unveil its new inflation forecasts; an about turn from the ECB signalling a winding down now of QE would be a big surprise to the market. Even the more hawkish Bundesbank President and ECB Governing Council member Jens Weidmann recognised that internal Eurozone price pressures beyond volatile energy are still muted but that it is legitimate question to raise of when to normalise policy.

The Euro has been little changed and in a contained range overnight, trading this morning at around 1.1165. Elsewhere in Europe, former PM Renzi suggested in an interview with *Il Messaggero* that instead of an election next year it would make sense to get it out of the way around the time of the German elections in September, rather than subsequent greater scrutiny Italy. This seems to have spooked Italian markets somewhat, the Milan MIB Index down 2.01% in a night of very little change in the DAX and the CAC. Italian bonds also took a hit, 10y yields up 8bps against falls in German and French yields.

As we go to press, UK PM May and Labor leader Jeremy Corbyn are locked in a BBC TV interview, but with little new market reaction after the Pound has lost pressure through the end of last week with narrower polls.

It's been a similar story for the Aussie that has also been trading in its recent range, ahead of Building Approvals today and key US inflation and consumer spending tonight. Despite the China holiday yesterday, there was a new price for spot iron ore, up \$0.59/t to \$58.50. Dalian futures though were closed and China has another holiday today.

Coming Up

The local data flow gets underway today with the release of the April Building Approvals report. There have been

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two standout points from this release of late. First, again incredibly volatile, approvals down a meaty 13.4% (thanks to a 22.5% monthly fall in private apartment approvals), but the standard deviation of monthly moves is still a large 6.7%. Second, the cyclical peak in approvals has passed. NAB expects – without a strong conviction – that approvals will only rise 3% in April.

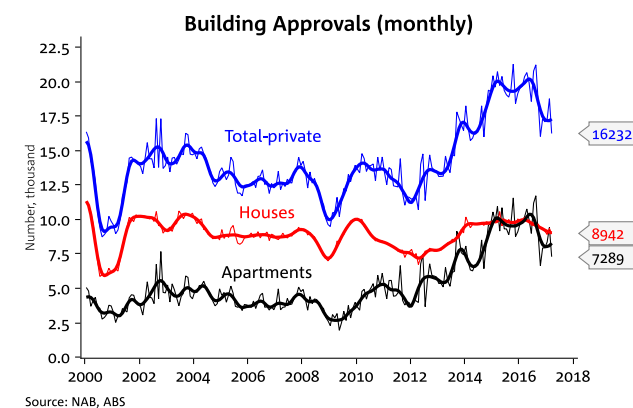
There are also three Japanese partials, out at 9.30/9.50 AEST, though they are of little market sensitivity, today's being retail sales, the monthly labour market report, and the overall household spending report.

While China is still out for the second of its Dragon Boat Festival holidays, the US and the UK come back on line again tonight with some key data points on the calendar. It kicks off with the EC Confidence Surveys for May, ahead of Germany's CPI, the market expecting the EU harmonised measure to ease from 2.0% to 1.5% y/y. Then attention turns to the US PCE deflators, expected to reveal a 0.2% rise in the headline and a 0.1% in the core deflator, making last month's look the "odd one out". Then there's the focus on the personal income and spending side of the report, both expected to rise 0.4% in nominal terms. The Conference Board Consumer Confidence report for May is also out tonight, containing its surveyed measure of the jobs plentiful index, consumers' readings on the health of the jobs market in terms of availability or difficulty in getting a job. It's been continuing to improve.

Overnight

US and UK markets were closed for holidays. In commodities, Brent crude oil +0.27% to \$52.29, gold -0.1% to \$1,267, iron ore +1.0% to \$58.50, steam coal +0.0% to \$73.85, met. coal +0.0% to \$173.65. The AUD is at 0.744 and the range since yesterday 5pm Sydney time is 0.7427 to 0.745.

Chart: Past its peak



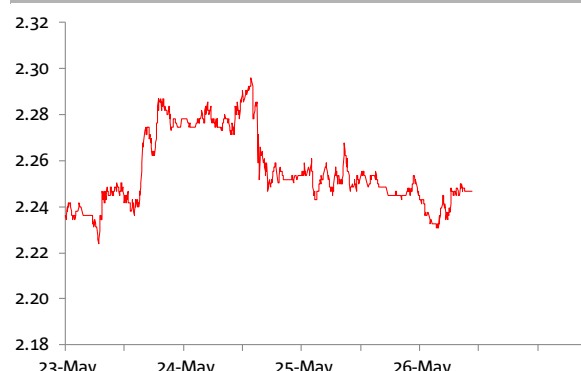
Markets

AUD/USD - past week



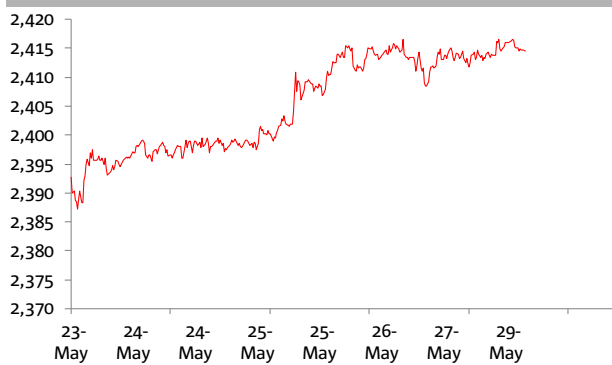
Source: Bloomberg.

US 10yr - past week



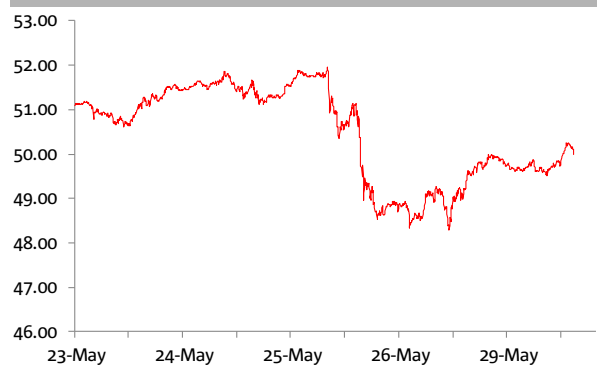
Source: Bloomberg.

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	0.7440	-0.1	0.7427	0.7450	HKD	7.7940 0.0
NZD	0.7058	0.0	0.7038	0.7092	CNY	6.8556 0.0
EUR	1.1164	-0.5	1.1101	1.1212	SGD	1.3865 0.4
GBP	1.2837	-0.1	1.2781	1.2862	IDR	13,299 0.0
JPY	111.26	0.3	110.96	111.72	THB	34.11 0.2
CAD	1.3462	0.1	1.3352	1.3500	KRW	1,122 0.5
AUD/EUR	0.6664	0.3	0.6644	0.6672	TWD	30.20 0.4
AUD/JPY	82.78	0.1	82.64	83.02	PHP	49.74 -0.1
AUD/GBP	0.5793	-0.1	0.5786	0.5850	CHF	0.98 0.8
AUD/NZD	1.0542	-0.2	1.0490	1.0572	SEK	8.71 0.4
AUD/CNH	5.1001	-0.2	5.0625	5.0832		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprid
USD	1.00	1.20	1.53	2.20	USD 10	2.25	-0.89
AUD	1.50	1.74	1.77	2.69	AUD 10	2.42	0.50 0.17
NZD	1.75	1.98	2.23	3.22	NZD 10	2.82	1.90 0.58
EUR	0.00	-0.33	-0.16	0.78	CAD 10	1.41	-3.40 -0.84
GBP	0.25	0.30	0.53	1.11	EUR 10	0.30	-3.30 -1.95
JPY	-0.06	-0.02	0.04	0.23	GBP 10	1.01	0.00 -1.23
CAD	0.50	0.89	1.05	1.72	JPY 10	0.04	-0.30 -2.21

Equities

Major Indices			
	Last	% day	% y/y
Dow	21,080	0.00	17.9
S&P 500	2,416	0.00	15.1
Nasdaq	6,210	0.00	25.9
VIX	9.81	0.00	-25.2
FTSE	7,548	0.0	20.4
DAX	12,629	0.2	22.8
CAC 40	5,332	-0.1	18.1
Nikkei	19,683	0.0	15.3
Shanghai	3,110	0.0	10.2
Hang Seng	25,702	0.2	24.6
ASX 200	5,707	-0.8	5.5

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.27	-1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.57	4.00
3/10 sprd	0.23	-4.00
SPI	5709.0	47.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	52.29	0.3
Oil (WTI)	49.99	0.4
Oil (Tapis)	52.27	0.7
Gold	1266.50	-0.1
CRB	182.00	0.0
GS Metals	318.6	0.0
Aluminium	1944.3	0.0
Copper	5646.0	0.0
Nickel	9043.0	0.0
Zinc	2633.0	0.0
Ch. steel	3212.0	0.0
Iron ore	58.5	1.0
St. Coal	73.9	0.0
Met.coal	173.7	0.0
Wheat Chic.	451.3	0.0
Sugar	15.1	0.0
Cotton	77.1	0.0
Coffee	131.2	0.0
Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-1.0	-4.0%
FED	19	76.0%

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

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEST
Tuesday, 30 May 2017								
CH	<i>Markets in China and Taiwan closed for Dragon Boat Festival holidays</i>							
NZ	Building Permits MoM	Apr				-1.8	23.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	May 28				110.5	0.30	9.30
JN	Jobless Rate/Job-to-applicant ratio	Apr		2.8/1.46		2.8/1.5	0.30	9.30
JN	Overall Household Spending YoY	Apr		-0.9		-1.3	0.30	9.30
JN	Retail Sales MoM/YoY	Apr		-0.2/2.3		0.2/2.1	0.50	9.50
AU	Building Approvals MoM/YoY	Apr	3/-18.6	3/-18.1		-13.4/-19.9	2.30	11.30
EC	Business Climate Indicator	May		1.11		1.1	10.00	19.00
EC	ECB's Liikanen speaks at Austrian c.bank conference						11.15	20.15
GE	CPI MoM/YoY	May P		-0.1/1.6		0.0/2.0	13.00	22.00
GE	CPI EU Harmonized MoM/YoY	May P		-0.1/1.5		0.0/2.0	13.00	22.00
CA	Current Account Balance	1Q		-12		-10.7	13.30	22.30
US	Personal Income/Spending	Apr		0.4/0.4		0.2/0.0	13.30	22.30
US	Real Personal Spending	Apr		0.2		0.3	13.30	22.30
US	PCE Deflator MoM/YoY	Apr		0.2/1.7		-0.2/1.8	13.30	22.30
US	PCE Core MoM/YoY	Apr		0.1/1.5		-0.1/1.6	13.30	22.30
CA	Industrial Product Price/Raw Materials Price MoM	Apr		/		0.8/-1.6	13.30	22.30
US	S&P CoreLogic CS 20-City MoM/YoY	Mar		0.9/5.61		0.7/5.9	14.00	23.00
US	Conf. Board Consumer Confidence	May		119.8		120.3	15.00	0.00
US	Dallas Fed Manf. Activity	May		15		16.8	15.30	0.30
US	Fed's Brainard speaks on Economy and Monetary Policy in New York						18.00	3.00
Wednesday, 31 May 2017								
NZ	RBNZ Financial Stability Report						22.00	7.00
AU	PM Turnbull speaks to CEDA State of the Nation Conference (Wednesday-Thursday event with an array of MPs/others speaking)						22.55	7.55
UK	GfK Consumer Confidence	May		-8		-7.0	0.10	9.10
UK	Lloyds Business Barometer	May				47.0	0.10	9.10
UK	BRC Shop Price Index YoY	May		-0.3		-0.5	0.10	9.10
JN	Industrial Production MoM/YoY	Apr P		4.2/6.1		-1.9/3.5	0.50	9.50
NZ	ANZ Activity Outlook/Business Confidence	May		/		37.7/11.0	2.00	11.00
CH	Manufacturing/Non-manufacturing PMI	May		51/		51.2/54.0	2.00	11.00
AU	Private Sector Credit MoM/YoY	Apr	0.4/4.9	0.4/4.9		0.3/5.0	2.30	11.30
JN	Small Business Confidence	May				48.6	6.00	15.00
GE	Unemployment Change (000's)/Claims Rate SA	May		-14.5/5.7		-15.0/5.8	8.55	17.55
UK	Mortgage Approvals	Apr		66		66.8	9.30	18.30
EC	Unemployment Rate	Apr		9.4		9.5	10.00	19.00
EC	CPI Estimate/Core YoY	May		1.5/1		1.9/1.2	10.00	19.00
US	Fed's Kaplan speaks in New York						13.00	22.00
EC	Merkel, Lautenschlaeger Address German Credit-Union Conference						13.30	22.30
CA	Quarterly GDP Annualized	1Q		4.2		2.6	13.30	22.30
CA	GDP MoM/YoY	Mar		0.2/2.9		0.0/2.5	13.30	22.30
US	Chicago Purchasing Manager	May		57		58.3	14.45	23.45
US	Pending Home Sales MoM/YoY	Apr		0.4/		-0.8/0.5	15.00	0.00
US	U.S. Federal Reserve Releases Beige Book						19.00	4.00
Thursday, 1 June 2017								
NZ	QVNZ Housing Report YoY	May				11.1	22.00	7.00
NZ	Terms of Trade Index QoQ	1Q	3.9	3.9		5.7	23.45	8.45
AU	AiG Perf of Mfg Index	May				59.2	0.30	9.30
AU	CoreLogic House Px MoM	May				1.4	1.00	10.00
US	Fed's Williams speaks in Seoul						1.10	10.10
JN	Nikkei Japan PMI Mfg	May F				52.0	1.30	10.30
AU	Treasurer Morrison speaks to CEDA State of the National Conference						2.00	11.00
AU	Private Capex QoQ/Expectations, 17-18 2nd estimate	1Q	-1.5/87.1	0.5/		-2.1/80.6	2.30	11.30
AU	Retail Sales MoM	Apr	0.3	0.3		-0.1	2.30	11.30
JN	BOJ Harada speaks in Gifu						2.30	11.30
CH	Caixin China PMI Mfg	May		50.2		50.3	2.45	11.45
AU	Commodity Index AUD/SDR YoY	May		/		132.7/38.6	7.30	16.30
EC	ECB's Villeroy Speaks at Brussels Economic Forum						8.15	17.15
GE	Markit/BME Germany Manufacturing PMI	May F		59.4		59.4	8.55	17.55
EC	Markit Eurozone Manufacturing PMI	May F		57		57.0	9.00	18.00
UK	Markit UK PMI Manufacturing SA	May		56.5		57.3	9.30	18.30
EC	EU's Dombrovskis Speaks at Brussels Economic Forum						10.00	19.00
EC	ECB's Hakkarainen, Costa, EBA's Enria Speak in Lisbon						19.00	19.00
CA	MLI Leading Indicator MoM	Apr				0.5	12.00	21.00
US	Challenger Job Cuts YoY	May				-42.9	12.30	21.30
US	Fed's Powell speaks on Normalisation of Monetary Policy						13.00	22.00
EC	EU's Moscovici Speaks at Brussels Economic Forum						13.00	22.00
US	ADP Employment Change	May		180		177	13.15	22.15
US	Nonfarm Productivity/Unit Labour Costs	1Q F		-0.5/2.9		-0.6/3.0	13.30	22.30
US	Initial Jobless Claims	May 27		238.5		234	13.30	22.30
CA	Markit Canada Manufacturing PMI	May				55.9	14.30	23.30
US	Markit US Manufacturing PMI	May F		52.5		52.5	14.45	23.45
US	Wards Total Vehicle Sales	May		16.95		16.8		
US	ISM Manufacturing	May		54.6		54.8	15.00	0.00
US	Construction Spending MoM	Apr		0.5		-0.2	15.00	0.00
Friday, 2 June 2017								
AU	HIA New Home Sales MoM	Apr				-1.1	2.00	11.00
NZ	Credit Aggregates	Apr					4.00	13.00
JN	Consumer Confidence Index	May		43.5		43.2	6.00	15.00
CA	Labor Productivity QoQ	1Q		1.1		0.4	13.30	22.30
CA	Int'l Merchandise Trade	Apr		-0.015		-0.1	13.30	22.30
US	Change in Nonfarm Payrolls/Unemployment rate	May		185/4.4		211/4.4	13.30	22.30
US	Average Hourly Earnings MoM/YoY	May		0.2/2.6		0.3/2.5	13.30	22.30
US	Trade Balance	Apr		-45.95		-43.7	13.30	22.30
EC	ECB's Visco Speaks at Trento Economic Festival						14.30	23.30
Upcoming Central Bank Interest Rate Announcements								
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%		
Canada, BoC		13-Jul	0.5%	0.5%		0.5%		

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

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