

MARKETS TODAY

C'mon feel the noise



Good morning

Just in the past hour, President Trump has formally announced that the US will exit the Global Paris Climate Accord. There's been little to no market reaction, not that a big reaction would have been expected even if this announcement was not forewarned. US equities have closed on their highs and again with softer oil prices.

It's been a night of a little re-accumulating support for the USD, the Bloomberg spot dollar index up 0.22%, the AUD taking more heat than other major currencies, back down below 0.74 this morning, trading toward the end of the NY session on its lows at around 0.7375. A combination of a further decline in oil prices overnight (WTI at \$48.08), another \$1.05 off the iron ore price yesterday and USD-supportive rate rise comments from the Fed's John Williams yesterday in Seoul and Jerome Powell overnight have all contributed, also as the market ponders the possibility of a negative AU GDP print next week. Base metals were mixed, copper up, nickel down.

Oil prices had earlier garnered some support from an eighth-straight weekly drop in US inventories, down 6.4mb for the week to May 26, more than double analysts' estimates. But support above \$49 did not hold. US output was up another 22k bpd to 9.34mbpd. There was also a Bloomberg interview with the Russian Economics Minister Maxim Oreshkin suggesting that while OPEC/non-OPEC cuts are getting some traction, \$40 oil is their underlying economic assumption, a level he said Russia can live with forever.

Yesterday's super-charged local April retail sales growth of 1.0% (and OK Capex) saw the AUD initially spike to around 0.7450, a rise also short-lived. Well within the hour it was all unwound (and more) after Williams' comments, setting the tone for USD support/AUD weakness. We also note that Chinese Dalian iron ore futures were not travelling well for most of the APAC session, though they did however close up 0.47%. NAB also released an updated estimate for next Wednesday's GDP, now forecasting a slight contraction of 0.1%, some of that weather-affected, some though reflecting soft consumption and wages. GDP is being released next Wednesday June 7.

Fed President John Williams – whose views are regarded as close to Yellen's and moderate – said that three rises is a reasonable view for this year but that there is potential upside for the economy and if the economy strengthens, four rises would be appropriate. Strong comments, of course contingent on "if the economy strengthens". Thinking aloud about the possibility of four rate rises this year was certainly something for the market to chew on. Overnight, Fed Governor Powell said that he could see the Fed raising rates "a couple of more times" this year if the economy performs as policy makers expect. A rise at the June 14 FOMC now looks all

but baked in; it's a matter of what happens next and that's where tonight's payrolls report comes in.

Data released on the US economy overnight has been neutral-to-supportive for the USD. The ISM manufacturing index for May right on consensus at 54.9 after 54.8 in April, with 54.8 also the consensus pick. The employment component was up slightly from 52.0 to 53.5 while new orders was also even stronger at 59.5, up from 57.5. Jobless claims ticked a little higher to 248k, up from 235k, while the ADP Employment report for May reported a 253k rise in private sector payrolls for the month, whether you have faith in the predictive power of that indicator or not. Construction spending in April was softer than expected, down 1.4%, though there was a compensating upward revision to March. In the wake of the ISM Manufacturing and the Construction report, the Atlanta Fed's *GDPNow* estimate for Q2 was, on net edged higher to 4.0% from 3.8% earlier this week.

Into next week's UK election in what looks to be an increasingly close fought race, Sterling has been steadier, and even making up some ground on the USD at 1.2880 this morning, AUD/GBP down 0.56% overnight to the lower 0.57s.

Coming Up

That's pretty much it as far as local data is concerned for this week, with only the AU HIA New Home Sales report for April and Japanese Consumer Confidence being released in the APAC session.

All focus then on the May Non-farm payrolls report tonight, interest both in what it says about the tightness of the labour market from an employment/unemployment perspective and how that is playing out in terms of wages growth. (The full US trade balance report for April is also being released.) The market is priced for a 180k rise (L: 211k) and an unemployment rate of 4.4% (unchanged). The range of forecasts is 130-280k, most estimates are between 165-200k. The range of forecasts on the unemployment rate is 4.3%-4.5%.)

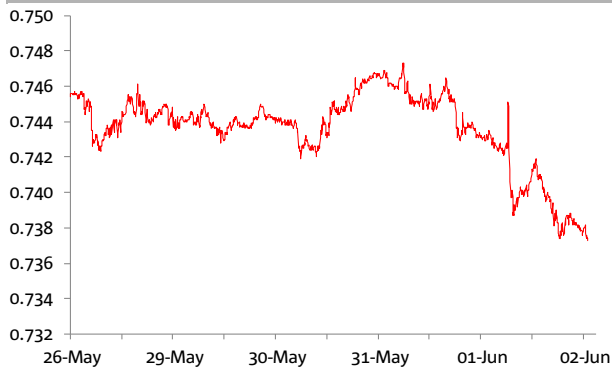
As for wages growth, average hourly earnings is expected to grow by 0.2%/2.6% after 0.3%/2.5%; monthly growth of 0.3% or more would give those like Stanley Fischer who are looking for annual growth in wages of around or 3% or higher as a firmer cost underpinning of the Fed's 2% inflation objective.

Overnight

On global stock markets, the S&P 500 was +0.76%. Bond markets saw US 10-years +0.86bp to 2.21%. In commodities, Brent crude oil -1.00% to \$50.25, gold -0.6% to \$1,265, iron ore -1.8% to \$55.97, steam coal +1.4% to \$74.50, met. coal +0.0% to \$146.00. AUD is at 0.7375 and the range since yesterday 5pm Sydney time is 0.7373 to 0.7455.

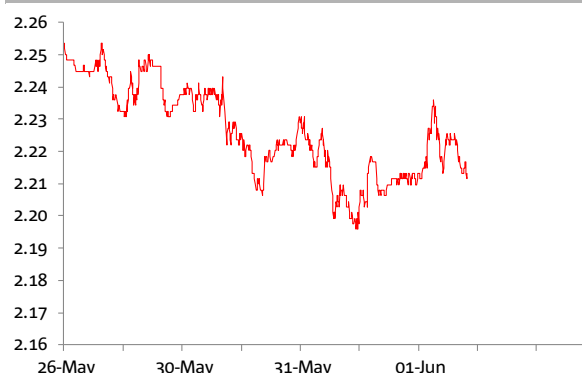
Markets

AUD/USD - past week



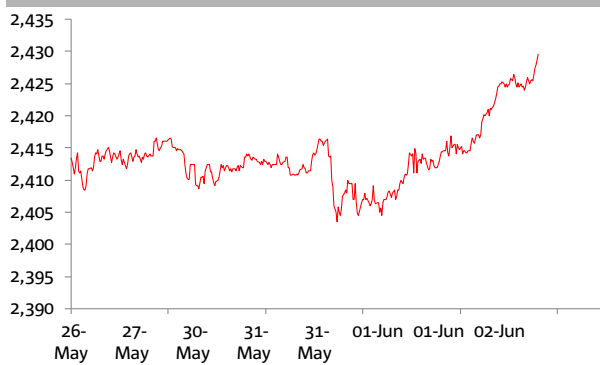
Source: Bloomberg.

US 10yr - past week



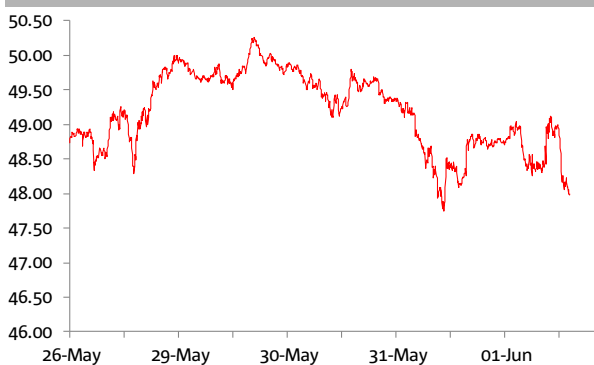
Source: Bloomberg.

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	0.7375	-0.7	0.7373	0.7455	HKD	7.7915 0.0
NZD	0.7061	-0.8	0.7058	0.7121	CNY	6.8084 -0.1
EUR	1.1214	0.0	1.1199	1.1257	SGD	1.3865 0.3
GBP	1.2886	0.4	1.2829	1.2922	IDR	13,296 -0.1
JPY	111.37	0.5	110.48	111.57	THB	34.15 0.3
CAD	1.3515	0.5	1.3431	1.3528	KRW	1,122 0.3
AUD/EUR	0.6577	-1.2	0.6566	0.6657	TWD	30.10 -0.1
AUD/JPY	82.14	-0.6	81.91	82.74	PHP	49.70 -0.1
AUD/GBP	0.5724	-1.5	0.5715	0.5817	CHF	0.97 0.0
AUD/NZD	1.0446	-0.4	1.0435	1.0520	SEK	8.68 -0.4
AUD/CNH	5.0213	-1.2	4.9707	5.0507		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.00	1.21	1.52	2.15	USD 10	2.21	0.86
AUD	1.50	1.74	1.75	2.67	AUD 10	2.40	0.90 0.18
NZD	1.75	1.96	2.21	3.17	NZD 10	2.73	-4.60 0.52
EUR	0.00	-0.33	-0.16	0.79	CAD 10	1.43	1.00 -0.79
GBP	0.25	0.29	0.53	1.15	EUR 10	0.31	0.10 -1.91
JPY	-0.06	-0.02	0.04	0.24	GBP 10	1.07	2.70 -1.14
CAD	0.50	0.90	1.04	1.74	JPY 10	0.05	-0.20 -2.16

Equities

Major Indices			
	Last	% day	% y/y
Dow	21,144	0.65	18.9
S&P 500	2,430	0.76	15.8
Nasdaq	6,247	0.78	26.1
VIX	9.89	-5.00	-30.4
FTSE	7,544	0.3	21.8
DAX	12,665	0.4	24.1
CAC 40	5,319	0.7	18.8
Nikkei	19,860	1.1	19.9
Shanghai	3,103	-0.5	6.1
Hang Seng	25,809	0.6	23.7
ASX 200	5,738	0.2	8.7

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.27	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.57	-2.50
3/10 sprd	0.23	5.50
SPI	5770.0	-30.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	50.25	-1.0
Oil (WTI)	48.03	-0.6
Oil (Tapis)	50.94	-0.4
Gold	1264.70	-0.6
CRB	179.09	-0.4
GS Metals	316.4	-0.2
Aluminium	1919.0	-0.1
Copper	5683.0	0.3
Nickel	8800.0	-1.5
Zinc	2559.8	-1.2
Ch. steel	3073.0	-3.4
Iron ore	56.0	-1.8
St. Coal	74.5	1.4
Met.coal	146.0	0.0
Wheat Chic.	443.5	-0.1
Sugar	14.2	-4.3
Cotton	77.6	0.8
Coffee	127.7	-1.3
Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-0.5	-2.0%
FED	22	86.0%

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
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		1.15		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		180/4.4		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		-46.1		-43.7	13.30	22.30
EC	ECB's Visco Speaks at Trento Economic Festival						14.30	23.30
Monday, 5 June 2017								
AU	AiG Perf of Services Index	May				53.0	0.30	9.30
JN	Nikkei Japan PMI Services/Composite	May		/		52.2/52.6	1.30	10.30
AU	Melbourne Institute Inflation MoM/YoY	May		/		0.5/2.6	2.00	11.00
AU	Inventories SA QoQ	1Q				0.3	2.30	11.30
AU	Company Operating Profit QoQ	1Q				20.1	2.30	11.30
AU	ANZ Job Advertisements MoM	May				1.4	2.30	11.30
CH	Caixin China PMI Services/Composite	May		/		51.5/51.2	2.45	11.45
UK	New Car Registrations YoY	May				-19.8	9.00	18.00
UK	Markit/CIPS UK Services/Composite PMI	May		/		55.8/56.2	9.30	18.30
US	Markit US Services/Composite PMI	May F		/		54.0/53.9	14.45	23.45
CA	Bloomberg Nanos Confidence	Jun 2				58.5	15.00	0.00
US	ISM Non-Manf. Composite	May		57		57.5	15.00	0.00
US	Factory Orders/ex-Trans	Apr		-0.2/		0.2/-0.3	15.00	0.00
Tuesday, 6 June 2017								
NZ	Value of All Buildings SA QoQ	1Q				1.9	23.45	8.45
UK	BRC Sales Like-For-Like YoY	May				5.6	0.10	9.10
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jun 4				112.2	0.30	9.30
JN	Labor Cash/Real Earnings YoY	Apr		0.3/4.5		-0.3/3.9	1.00	10.00
NZ	ANZ Commodity Price	May				-0.2	2.00	11.00
AU	BoP Current Account Balance/Net exports % of GDP	1Q		/		-4.0/0.2	2.30	11.30
AU	RBA Cash Rate Target	Jun 6		1.5		1.5	5.30	14.30
GE	Markit Germany Services/Composite PMI	May F		/		55.2/57.3	8.55	17.55
EC	Markit Eurozone Services/Composite PMI	May F		/		56.2/56.8	9.00	18.00
EC	Sentix Investor Confidence	Jun				27.4	9.30	18.30
EC	Retail Sales MoM/YoY	Apr		0.3/4.5		-0.3/3.9	10.00	19.00
US	JOLTS Job Openings	Apr				5743.0	15.00	0.00
CA	Ivey Purchasing Managers Index SA	May				62.4	15.00	0.00
US	Labor Market Conditions Index Change	May				3.5		
Wednesday, 7 June 2017								
NZ	ANZ Job Advertisements MoM	May				2.8	23.00	8.00
NZ	Mfg Activity Volume/sa QoQ	1Q		0.3/4.5		-0.3/3.9	23.45	8.45
AU	AiG Perf of Construction Index	May				51.9	0.30	9.30
AU	GDP SA QoQ/YoY	1Q		0.3/4.5		-0.3/3.9	2.30	11.30
CH	Foreign Reserves	May				3029.5	3.30	12.30
JN	Leading Index CI	Apr P				105.5	6.00	15.00
GE	Factory Orders MoM/YoY	Apr		0.3/4.5		-0.3/3.9	7.00	16.00
GE	Markit Germany Construction PMI	May				54.6	8.30	17.30
UK	Halifax House Prices MoM	May				-0.1	8.30	17.30
UK	Halifax House Price 3Mths/Year	May				3.8	8.30	17.30
EC	OECD Economic Outlook						10.00	19.00
EC	GDP SA QoQ/YoY	1Q F		0.3/4.5		-0.3/3.9	10.00	19.00
CA	Building Permits MoM	Apr				-5.8	13.30	22.30
US	Consumer Credit	Apr		15		16.4	20.00	5.00
Thursday, 8 June 2017								
NZ	ANZ Truckometer Heavy MoM	May				-1.8	23.00	8.00
UK	RICS House Price Balance	May				22.0	0.10	9.10
JN	GDP SA QoQ/YoY	1Q F		0.3/4.5		-0.3/3.9	0.50	9.50
JN	BoP Current Account Adjusted	Apr				1731.2	0.50	9.50
AU	Trade Balance	Apr				3107.0	2.30	11.30
JN	Tokyo Avg Office Vacancies	May				3.4	3.00	12.00
CH	Trade Balance CNY	May				262.3	4.20	13.20
CH	Exports/Imports YoY CNY	May		0.3/4.5		-0.3/3.9	4.20	13.20
CH	Trade Balance	May				38.1	4.40	13.40
CH	Exports/Imports YoY	May		0.3/4.5		-0.3/3.9	4.40	13.40
JN	Bankruptcies YoY	May				-2.2	5.30	14.30
CH	Foreign Direct Investment YoY CNY	May				-4.3	5.40	14.40
JN	Eco Watchers Survey Current/Outlook SA	May		0.3/4.5		-0.3/3.9	6.00	15.00
GE	Industrial Production SA MoM/YoY	Apr		0.3/4.5		-0.3/3.9	7.00	16.00
EC	ECB Deposit Facility Rate/Asset Purchase Target	Jun 8		0.3/4.5		-0.3/3.9	12.45	21.45
CA	Housing Starts	May				214.1	13.15	22.15
CA	New Housing Price Index MoM/YoY	Apr		0.3/4.5		-0.3/3.9	13.30	22.30
EC	ECB President Mario Draghi Holds Press Conference						13.30	22.30
US	Initial Jobless Claims	May 27		238		234.0	13.30	22.30
US	Bloomberg Consumer Comfort	May 28				50.9	14.45	23.45
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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