

MARKETS TODAY

Too low for zero



Good morning

It was another quiet session overnight with an ever so slight risk-off tone (Yen, Gold, Vix higher and Treasury yields lower) ahead of Thursday's key risk events – ECB, UK Election and testimony by former FBI chief Comey. As for Comey's testimony, this may not be as controversial as first thought with US media noting Comey will not say President Trump interfered with the Flynn probe ([see link](#)). With little on the radar internationally until then, domestic focus over the past couple of days has been on the likelihood that Q1 GDP could print a flat to a slightly negative outcome today ([see Coming Up](#) for details).

US Treasury yields fell 3.8bps overnight (although most of that decline occurred in the Asian timezone yesterday) to 2.14%, around the levels seen in mid-November and the lowest YTD. UK Gilts lead the outperformance with yields down 5.7bps to 0.98% ahead of Thursday's UK election. While the polls indicate the Tories are likely to be re-elected, after being wrong-footed by Brexit and Trump markets are still being cautious and assuming some defensive positions.

The moves in Treasuries were also likely supported by a Bloomberg article noting that China was prepared to increase holdings of US Treasuries. Indeed, according to the latest TIC data this is already happening with China increasing its holdings of US bonds in March by \$27.9bn to \$1.09 trillion, the largest increase since March 2015. The TIC data also noted Japanese investors had increased their holdings by \$2.4bn. Together, this plays into the view that as the Fed unwinds its balance sheet, there will be willing buyers to take up the slack.

Of the data released overnight, most was ignored by the market. The only significant piece was US JOLTS where job openings rose 259k to 6.0m in April, the highest in the history of the series which dates back to 2000. Job hiring's however decreased 253k to 5.1. While the gap between openings and hirings is suggestive of a skills mismatch, importantly for the Fed it is also likely to support future wages growth as firms compete for skilled labour and train existing staff.

The US dollar (DXY) fell 0.2% overnight. The Yen was the clear outperformer, up 0.9% with JPY ¥109.40 and at its lowest levels since late April. The Kiwi was also strong, up 0.6% to \$0.7183, having earlier breached the 72 mark. My colleague Jason Wong noted the moves possibly reflected traders closing out short positions with the dairy auction broadly in line with expectations (average winning price up 0.6%, the sixth consecutive positive result).

The Australian dollar hit a wall of confusion overnight. It initially fell 0.4% on the weak net exports and government spending figures yesterday, which also gave fuel to the notion of a weak GDP number today, but then fully reversed the moves on a more neutral than expected RBA Statement. The RBA indicated it would

ignore the likely weakness in Q1 GDP and will continue to hold faith in growth picking up to a 3% pace. The Aussie currently trades at \$0.7508 and the GDP data will hold the key to whether it can be sustained at these levels.

In commodities the Brent oil price rose 0.7% to \$49.83, while WTI was up by a slightly stronger 1.0% to \$47.88. Supporting oil prices overnight were soundings from Qatar that it would stick to the OPEC oil production ceiling despite sanctions from neighbouring countries. Also providing support was the prospect of strike action with Norwegian oil worker holding wage talks Friday.

Coming Up

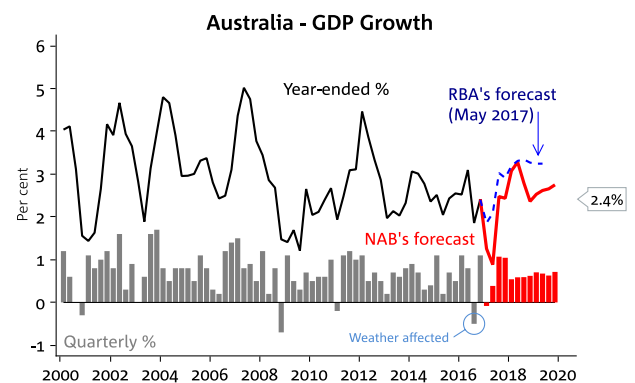
All domestic focus will be on the Q1 GDP figures (out 11.30am AEST). NAB thinks a negative print is still odds on and forecasts a -0.1% q/q outcome. In contrast, the market consensus still sits in the positive territory at +0.3% q/q with a very wide range (-0.5 to +0.7!). This is despite partial indicators suggesting a strong likelihood of a flat to a small negative outcome – your scribe attributes this to the old adage followed by market economists of not changing original forecasts on the back of partial data due to the fear of your original forecasts coming true, and so a weaker number still has the potential to move markets.

Internationally it is very quiet and we have to wait to Thursday to get any top-tier data. Across the Ditch today we have ANZ Job ads and Manufacturing Activity Volumes. In Europe we get the final version of Q1 GDP with GDP expected to remain 0.5% q/q and 1.7% y/y.

Overnight

On global stock markets, the S&P 500 was -0.28%. Bond markets saw US 10-years -4.35bp to 2.14%. In commodities, Brent crude oil +0.73% to \$49.83, gold +1.2% to \$1,294, iron ore +0.2% to \$56.03, steam coal +1.4% to \$76.95, met. coal -5.0% to \$143.00. AUD is at 0.7507 and the range since yesterday 5pm Sydney time is 0.7474 to 0.7522.

Chart 1: Aussie GDP likely weak in Q1



Source: National Australia Bank, ABS, RBA

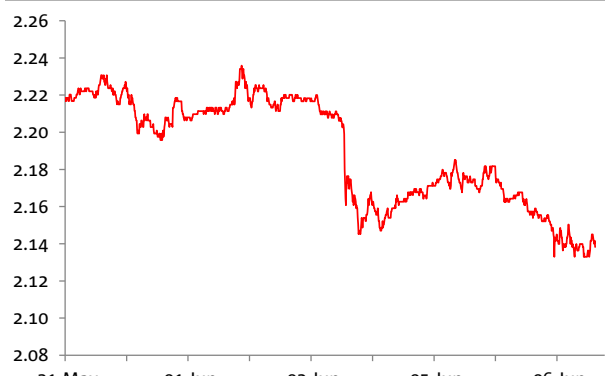
Markets

AUD/USD - past week



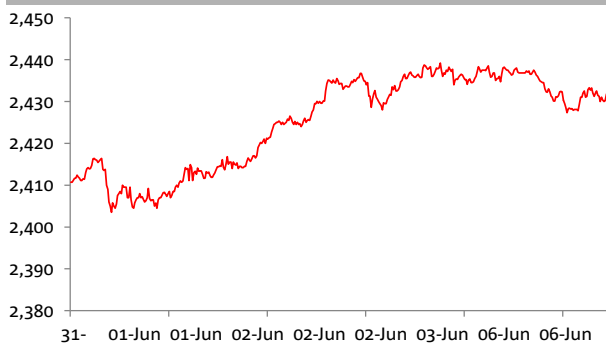
Source: Bloomberg.

US 10yr - past week



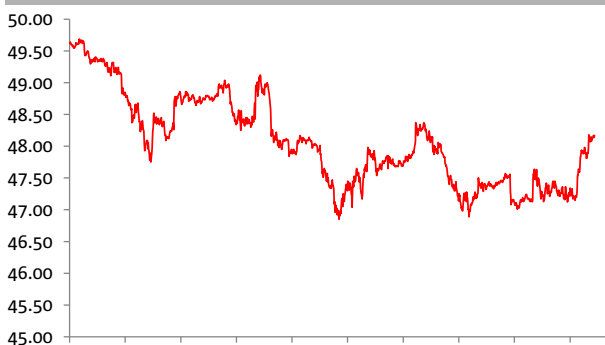
Source: Bloomberg.

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	0.7507	0.3	0.7457	0.7522	HKD	7.7938	0.0
NZD	0.7184	0.6	0.7127	0.7205	CNY	6.7952	-0.1
EUR	1.1277	0.2	1.1240	1.1284	SGD	1.3795	-0.2
GBP	1.2911	0.1	1.2872	1.2950	IDR	13,297	0.1
JPY	109.43	-0.9	109.23	110.53	THB	33.96	-0.1
CAD	1.3456	-0.1	1.3437	1.3487	KRW	1,117	-0.1
AUD/EUR	0.6657	0.1	0.6618	0.6677	TWD	30.10	0.1
AUD/JPY	82.15	-0.7	81.78	82.73	PHP	49.52	0.2
AUD/GBP	0.5814	0.2	0.5771	0.5835	CHF	0.96	-0.3
AUD/NZD	1.0450	-0.4	1.0419	1.0506	SEK	8.66	0.2
AUD/CNH	5.1080	0.4	5.0517	5.0854			

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spnd
USD	1.00	1.22	1.51	2.10	USD 10	2.14	-3.83
AUD	1.50	1.73	1.73	2.61	AUD 10	2.37	-1.90 0.23
NZD	1.75	1.95	2.19	3.15	NZD 10	2.69	-7.90 0.54
EUR	0.00	-0.33	-0.16	0.77	CAD 10	1.39	-2.00 -0.75
GBP	0.25	0.29	0.50	1.09	EUR 10	0.25	-3.50 -1.89
JPY	-0.05	-0.01	0.04	0.24	GBP 10	0.98	-5.70 -1.16
CAD	0.50	0.89	1.03	1.69	JPY 10	0.04	-0.80 -2.10

Equities

Major Indices			
	Last	% day	% y/y
Dow	21,136	-0.23	17.9
S&P 500	2,429	-0.28	15.2
Nasdaq	6,275	-0.33	26.3
VIX	10.45	3.77	-23.4
FTSE	7,525	0.0	20.0
DAX	12,690	-1.0	25.6
CAC 40	5,269	-0.7	19.1
Nikkei	19,980	-0.9	19.8
Shanghai	3,102	0.3	5.7
Hang Seng	25,997	0.5	21.9
ASX 200	5,667	-1.5	5.5

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.24	-2.00
3 Yr bond	97.8	3.00
10 Yr bond	97.62	2.00
3/10 sprd	0.18	1.00
SPI	5681.0	83.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	49.83	0.7
Oil (WTI)	47.88	1.0
Oil (Tapis)	49.25	-1.7
Gold	1294.40	1.2
CRB	178.08	0.4
GS Metals	310.8	-0.4
Aluminium	1894.0	-0.1
Copper	5594.3	-0.2
Nickel	8823.0	-0.5
Zinc	2444.5	-1.1
Ch. steel	2957.0	-1.1
Iron ore	56.0	0.2
St. Coal	77.0	1.4
Met.coal	143.0	-5.0
Wheat Chic.	450.3	1.5
Sugar	14.0	0.6
Cotton	76.0	-0.4
Coffee	125.6	-2.3

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	-0.2	-1.0%
FED	#N/A	#N/A

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, 6 June 2017								
NZ	Crown Financial Accounts	Apr					23.00	8.00
NZ	Value of All Buildings SA QoQ	1Q	0 (downside risk)	0.3		1.9	23.45	8.45
NZ	Wholesale Trade QoQ	1Q	1.7			0.7	23.45	8.45
UK	BRC Sales Like-For-Like YoY	May		-0.15		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/		-0.4/-0.8	1.00	10.00
NZ	ANZ Commodity Price	May	2.9			-0.2	2.00	11.00
AU	BoP Current Account Balance/Net exports % of GDP	1Q		-1/-0.4		-4.0/0.2	2.30	11.30
AU	Government spending	1Q	1.2			1.4	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		55.2/57.3	8.55	17.55
EC	Markit Eurozone Services/Composite PMI	May F		56.2/56.8		56.2/56.8	9.00	18.00
FR	OECD Economic Outlook						9.30	18.30
EC	Sentix Investor Confidence	Jun		27.4		27.4	9.30	18.30
EC	Retail Sales MoM/YoY	Apr		0.1/2.1		0.3/2.3	10.00	19.00
US	JOLTS Job Openings	Apr		5737.5		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		
NZ	Dairy Auction, GDT-weighted price index		broadly steady			3.2	early am NZT	
Wednesday, 7 June 2017								
NZ	ANZ Job Advertisements MoM	May				2.8	23.00	8.00
NZ	Mfg Activity Volume/sa QoQ	1Q		/		-1.8/0.8	23.45	8.45
AU	AiG Perf of Construction Index	May				51.9	0.30	9.30
AU	GDP SA QoQ/YoY	1Q		0.3/1.6		1.1/2.4	2.30	11.30
CH	Foreign Reserves	May		3048		3029.5	3.30	12.30
JN	Leading Index Cl	Apr P		104.3		105.5	6.00	15.00
GE	Factory Orders MoM/YoY	Apr		-0.3/4.7		1.0/2.4	7.00	16.00
GE	Markit Germany Construction PMI	May		54.6		54.6	8.30	17.30
UK	Halifax House Prices MoM	May		-0.2		-0.1	8.30	17.30
UK	Halifax House Price 3Mths/Year	May		3		3.8	8.30	17.30
EC	OECD Economic Outlook						10.00	19.00
EC	GDP SA QoQ/YoY	1Q F		0.5/1.7		0.5/1.7	10.00	19.00
CA	Building Permits MoM	Apr		2.5		-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		20		22.0	0.10	9.10
JN	GDP SA QoQ/YoY	1Q F		0.6/2.4		0.5/2.2	0.50	9.50
JN	BoP Current Account Adjusted	Apr		1624.4		1731.2	0.50	9.50
AU	Trade Balance	Apr	1000	2000		3107	2.30	11.30
CH	Trade Balance CNY	May		324.1		262.3	4.20	13.20
CH	Trade Balance	May		48.2		38.1	4.40	13.40
CH	Foreign Direct Investment YoY CNY	May	To be released 8-18 June			-4.3	5.40	14.40
JN	Eco Watchers Survey Current/Outlook SA	May		48.6/48.5		48.1/48.8	6.00	15.00
GE	Industrial Production SA MoM/YoY	Apr		0.5/2.1		-0.4/1.9	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		201		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	Jun 3		240		248.0	13.30	22.30
US	Ex-FBI Director Comey testifies before Senate Intelligence Committee						15.00	0.00
CA	BoC Financial Stability Review (Poloz/Wilkins press conference 45 mins later)						15.30	0.30
Friday, 9 June 2017								
UK	General election (voting ends 22.00 London time; 7am AEST)							
CH	CPI/PPI YoY	May		1.5/5.6		1.2/6.4	2.30	11.30
AU	Home Loans # MoM/Investment lending \$ MoM	Apr	-0.8	-1/		-0.5/0.8	2.30	11.30
JN	Tertiary Industry Index MoM	Apr		0.5		-0.2	5.30	14.30
GE	Current Account Balance	Apr		24.5		30.2	7.00	16.00
GE	Labor Costs SA QoQ/YoY	1Q		/		1.5/3.0	7.00	16.00
UK	Industrial Production MoM/YoY	Apr		0.7/-0.3		-0.5/1.4	9.30	18.30
UK	Construction Output SA MoM/YoY	Apr		0.4/-0.3		-0.7/2.4	9.30	18.30
UK	Trade Balance	Apr		-3500		-4900	9.30	18.30
UK	BoE/TNS Inflation Next 12 Mths	May				2.9	9.30	18.30
UK	NIESR GDP Estimate	May				0.2	13.00	22.00
CA	Net Change in Employment/Unemployment Rate	May		15/6.6		3.2/6.5	13.30	22.30
CA	Capacity Utilization Rate	1Q		83.5		82.2	13.30	22.30
US	Wholesale Trade Sales/Inventories MoM	Apr		/-0.3		0.0/-0.3	15.00	0.00
Saturday, 10 June 2017								
CH	New Yuan Loans/Aggregate Financing CNY	May	For release 10-15 Jun	1000/1200		1100.0/1390.0	9.00	18.00
Sunday, 11 June 2017								
Monday, 12 June 2017								
NZ	REINZ House Sales YoY	May	10-14 June release			-31.0		
NZ	Card Spending Retail MoM/YoY	May		/		1.1/0.5	23.45	8.45
JN	Machine Orders MoM/YoY	Apr		/		1.4/-0.7	0.50	9.50
JN	PPI MoM/YoY	May		/		0.2/2.1	0.50	9.50
JN	Machine Tool Orders YoY	May P				34.7	7.00	16.00
CA	Bloomberg Nanos Confidence	Jun 2				58.5	15.00	0.00
US	Monthly Budget Statement	May				182.4	19.00	4.00
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

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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