

MARKETS TODAY

American Dream



Good morning

The performer among major currencies has been the Canadian dollar where recent strong hints from Senior Deputy BoC Governor Carolyn Wilkins that the Bank of Canada is shifting to a 'tightening bias' given signs of an improving economy continues to resonate with markets.

The Canadian dollar is up 0.16%, the Loonie also getting some boost during a session from oil prices that were bid higher, continuing the modicum of support seen through the APAC session yesterday. USD/CAD is trading at around 1.323 in early trade. That's nearly two big figures lower than last week. The C\$ OIS market is now 32% priced for a hike at the upcoming 21 July meeting, with that expectation rising to well over 50% by the 25 October meeting and fully priced by the last meeting of the year on December 6.

Meanwhile, a little money has drifted away from the USD in the lead up to tomorrow morning's FOMC announcement, though US Treasury yields are little changed. The Bloomberg spot dollar index is down 0.20% and despite another strong NFIB Small Business Optimism Index for May. It also comes amid testimony to the Senate Intelligence Committee from US Attorney General Jeff Sessions, Sessions saying the notion he colluded with Russia a "detestable lie", also saying he had some concerns over Comey.

On the economy front, the NFIB Optimism Index for May was at a still strong 104.5, exactly as expected and as it was last month. Small business activity and optimism looked to be lagging the US growth story but that has not been the case since last year's US Presidential election. Before the election, the Index was 94.5 and jumped shortly thereafter. How much of this reflects the tenor of underlying US small business activity levels and how much hopes for Trump policy reflation remains unclear, though the latter is still evident.

NFIB President and Chief Executive Juanita Duggan thinks the Trump policy factor and hopes for high growth is still alive and well among NFIB members: "The remarkable surge in optimism that began last year right after the election shows no signs of slowing down. Small business owners are highly encouraged by the President's regulatory reform agenda, and they remain optimistic there will be tax reform and health-care reform. This is a policy-driven phenomenon."

We would also note that the survey is reporting stronger levels of compensation, up 2% points to 28, while "plans to increase compensation" was steady at 18, though that is up from last year's (15) as actual compensation is. That won't be lost on the Fed, suggesting that the mini-slowdown in payroll average hourly earnings may yet be temporary.

Along with the CAD, the Pound has had a better night for once, up 0.19%. The UK CPI was up to 2.9% y/y from

2.7%, and this remains a worry for the UK wage earner with nominal wages barely growing above 2%, an update out tonight in the monthly labour market report. The Conservatives are yet to come to a formal agreement with the DUP to form government.

The AUD has been steady to a fraction lower overnight though not breaking out of its recent range. It's tested lower overnight toward 0.7525, having hit its high yesterday just above 0.7560 in the immediate aftermath of yesterday's still upbeat NAB Business Survey for May. While oil had a better night it was mixed to lower among other key \$A-related commodities. Iron ore took another hit yesterday, down \$1.51/t, off 2.75% to \$53.36, the lowest daily set in this down move. LME Copper was also down 0.95%, gold steady, ditto for met coal while the daily Newcastle steaming coal benchmark price is up 1.76% to \$80.85.

Coming Up

Aside from this morning's Westpac Consumer Sentiment Survey (10.30) and lunchtime's China activity data for May (12.00), the market is setting its sights on tomorrow morning's FOMC announcement. The divide between the upbeat business sector and a rather disheartened household sector was a thematic from yesterday's NAB Survey and we will be looking at today's Consumer Sentiment Survey also from that perspective. (REINZ housing is being released as we go to print.)

US interest rate markets are fully priced for a hike tomorrow (taking Fed funds up to 1.00-1.25%), but only half priced for one more by the end of this year just shy of the March Fed's own median forecast of another by year end. But thereafter the Fed's dot points and market pricing clearly diverge, the Fed's median for the end of 2018 requiring three more to 2.00-2.25% against market pricing of just over 1.5%. Other watch points tomorrow morning will be statements on running down the Fed's balance sheet and the extent of views on recent softer inflation and wages. US CPI and Retail Sales for May are out first thing in the US session and will be late mail for the Fed to consider during their morning deliberations.

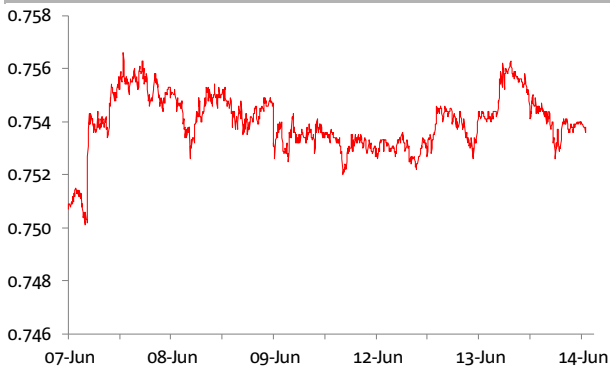
Today's China activity reports are expected to reveal little change in annual growth of Industrial Production, Retail Sales and Fixed Assets Investment. (Chinese lending data for May are still awaited, due any day now.) The May PMIs was little changed in May.

Overnight

On global stock markets, the S&P 500 was +0.45%. Bond markets saw US 10-years -0.36bp to 2.21%. In commodities, Brent crude oil -0.23% to \$48.18, gold -0.0% to \$1,266, iron ore -2.8% to \$53.36, steam coal +1.8% to \$80.85, met. coal -0.3% to \$143.50. AUD is at 0.7537 and the range since yesterday 5pm Sydney time is 0.7524 to 0.7565.

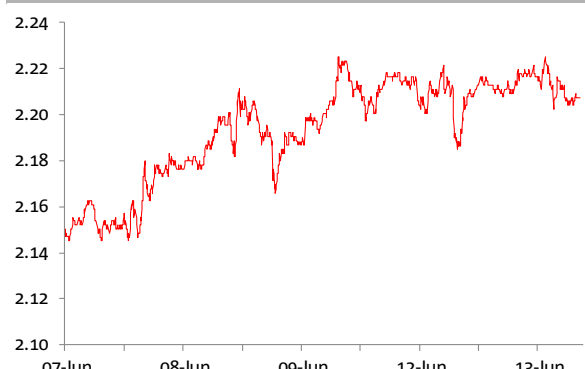
Markets

AUD/USD - past week



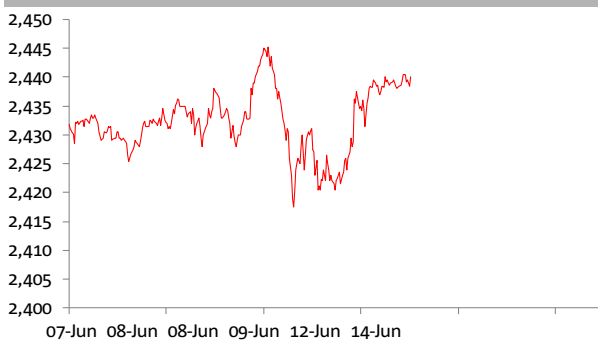
Source: Bloomberg.

US 10yr - past week



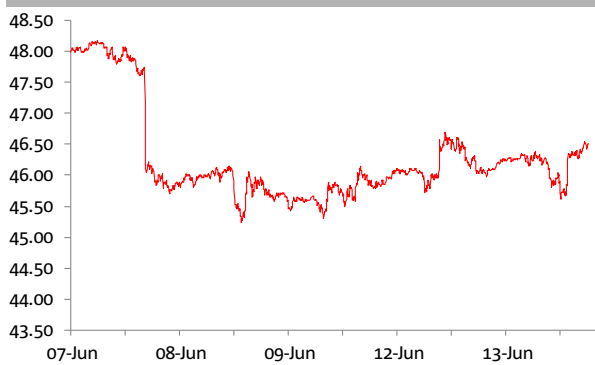
Source: Bloomberg.

S&P Future - past week



Source: Bloomberg.

WTI - past week



Source: Bloomberg.

Foreign Exchange

Indicative 24hr ranges (**)

	Last	% chge	Low	High
AUD	0.7537	-0.1	0.7524	0.7565
NZD	0.7219	0.3	0.7191	0.7229
EUR	1.1211	-0.1	1.1185	1.1234
GBP	1.2754	0.5	1.2638	1.2759
JPY	110.04	0.1	109.62	110.28
CAD	1.3242	-1.5	1.3212	1.3471
AUD/EUR	0.6723	0.0	0.6712	0.6757
AUD/JPY	82.94	0.0	82.59	83.23
AUD/GBP	0.5909	-0.6	0.5904	0.5978
AUD/NZD	1.0440	-0.4	1.0429	1.0487
AUD/CNH	5.1239	-0.1	5.1092	5.1386

Other FX

	Last	% chge
HKD	7.7975	0.0
CNY	6.7991	0.0
SGD	1.3815	-0.2
IDR	13,291	-0.2
THB	33.92	-0.5
KRW	1,127	-0.4
TWD	30.23	0.0
PHP	49.54	-0.1
CHF	0.97	0.1
SEK	8.69	-0.3

Interest Rates

Indicative Swap Rates

	Cash	3mth	2Yr	10Yr
USD	1.00	1.24	1.56	2.18
AUD	1.50	1.72	1.79	2.65
NZD	1.75	1.94	2.20	3.16
EUR	0.00	-0.33	-0.18	0.75
GBP	0.25	0.29	0.49	1.11
JPY	-0.05	-0.01	0.05	0.25
CAD	0.50	0.90	1.24	1.89

Benchmark 10 Year Bonds

	Last	chge	Sprd
USD 10	2.21	-0.36	
AUD 10	2.40	-0.30	0.19
NZD 10	2.78	0.90	0.57
CAD 10	1.56	7.60	-0.65
EUR 10	0.27	1.70	-1.94
GBP 10	1.03	6.60	-1.18
JPY 10	0.06	0.60	-2.15

Equities

Major Indices

	Last	% day	% y/y
Dow	21,328	0.44	20.3
S&P 500	2,440	0.45	17.4
Nasdaq	6,220	0.73	28.3
VIX	10.42	-9.08	-50.3
FTSE	7,500	-0.2	24.1
DAX	12,765	0.6	32.2
CAC 40	5,262	0.4	24.5
Nikkei	19,899	0.0	25.5
Shanghai	3,154	0.4	11.0
Hang Seng	25,852	0.6	26.8
ASX 200	5,773	1.7	10.9

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.28	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.58	1.50
3/10 sprd	0.22	1.50
SPI	5789.0	-99.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	48.18	-0.2
Oil (WTI)	45.95	-0.3
Oil (Tapis)	48.49	0.4
Gold	1265.80	0.0
CRB	175.83	-0.1
GS Metals	312.7	-0.5
Aluminium	1876.0	0.0
Copper	5690.0	-1.0
Nickel	8743.0	0.0
Zinc	2455.5	-0.9
Ch. steel	2968.0	-2.0
Iron ore	53.4	-2.8
St. Coal	80.9	1.8
Met.coal	143.5	-0.3
Wheat Chic.	459.3	2.4
Sugar	13.8	-1.6
Cotton	74.5	-0.9
Coffee	128.7	-0.9
Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-0.5	-2.0%
FED	23	90.4%

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
Wednesday, 14 June 2017								
NZ	REINZ Dwelling Sales YoY	May				-31.0	22.30	7.30
NZ	Food Prices MoM	May				-0.8	23.45	8.45
NZ	BoP Current Account Balance NZD/% of GDP YTD	1Q		1/-2.7		-2.3/-2.7	23.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jun 11				112.9	0.30	9.30
AU	Westpac Consumer Conf Index/MoM	Jun		/		98.0/-1.1	1.30	10.30
CH	Retail Sales YoY/YTD YoY	May		10.7/10.3		10.7/10.2	3.00	12.00
CH	Industrial Production YoY/YTD YoY	May		6.4/6.6		6.5/6.7	3.00	12.00
CH	Fixed Assets Ex Rural YTD YoY	May		8.8		8.9	3.00	12.00
JN	Industrial Production MoM/YoY	Apr F		/		4.0/5.7	5.30	14.30
GE	CPI EU Harmonized MoM/YoY	May F		-0.2/1.4		-0.2/1.4	7.00	16.00
EC	ECB's Knot speaks						8.30	17.30
EC	ECB's Hansson speaks						9.00	18.00
EC	ECB's Weidmann speaks						9.00	18.00
UK	Jobless Claims Change	May				19.4	9.30	18.30
UK	Average Weekly Earnings/ex bonus 3M/YoY	Apr		2.4/2		2.4/2.1	9.30	18.30
UK	Employment Change/Unemployment rate 3M/3M	Apr		125/4.6		122.0/4.6	9.30	18.30
EC	Industrial Production SA MoM/YoY	Apr		0.5/1.4		-0.1/1.9	10.00	19.00
EC	Employment QoQ/YoY	1Q		/		0.3/1.1	10.00	19.00
CA	Teranet-National Bank Home Prices MoM/YoY	May		/		1.2/13.4	13.30	22.30
US	CPI MoM/YoY	May		0/2		0.2/2.2	13.30	22.30
US	CPI Ex Food and Energy MoM/YoY	May		0.2/1.9		0.1/1.9	13.30	22.30
US	Real Avg Weekly/Hourly Earnings YoY	May		/		0.3/0.4	13.30	22.30
US	Retail Sales Advance MoM	May		0		0.4	13.30	22.30
US	Retail Sales Ex Auto and Gas/Control Group	May		0.3/0.3		0.3/0.2	13.30	22.30
UK	BoE's Cleland speaks in London						15.00	0.00
US	Business Inventories	Apr		-0.2		0.2	15.00	0.00
EC	ECB's Rimsevic speaks in London						18.30	3.30
US	FOMC Rate Decision (Lower/Upper Bound)	Jun 14		1/1.25		0.75/1.00	19.00	4.00
US	Fed Chair Yellen press conference						19.30	4.30
Thursday, 15 June 2017								
NZ	GDP SA QoQ/YoY	1Q	0.5	0.7		0.4	23.45	8.45
AU	Consumer Inflation Expectation	Jun				4.0	2.00	11.00
AU	RBA FX Transactions Market	May				441.0	2.30	11.30
AU	Employment Change/Unemployment rate	May	21.3/5.7	10		37.4	2.30	11.30
AU	Participation Rate	May	64.8	64.8		64.8	2.30	11.30
AU	RBA's Debelle Speech at Thomson Reuters industry event in Sydney						8.40	17.40
UK	Retail Sales Ex Auto Fuel MoM/YoY	May		-1/1.9		2.0/4.5	9.30	18.30
UK	Retail Sales Inc Auto Fuel MoM/YoY	May		-0.8/1.6		2.3/4.0	9.30	18.30
EC	Trade Balance SA	Apr		22		23.1	10.00	19.00
UK	Bank of England Bank Rate	Jun 15		0.25		0.3	12.00	21.00
UK	BOE Asset Purchase/Corporate Bond Target	Jun		435/10		435.0/10.0	12.00	21.00
US	Import Price Index MoM	May		-0.1		0.5	13.30	22.30
US	Empire Manufacturing	Jun		5		-1.0	13.30	22.30
US	Initial Jobless Claims	Jun 10		241		245.0	13.30	22.30
US	Philadelphia Fed Business Outlook	Jun		25		38.8	13.30	22.30
CA	Manufacturing Sales MoM	Apr		1		1.0	13.30	22.30
CA	Existing Home Sales MoM	May		-1.7		-1.7	14.00	23.00
US	Industrial Production MoM	May		0.2		1.0	14.15	23.15
US	Bloomberg Consumer Comfort	Jun 11				49.9	14.45	23.45
US	NAHB Housing Market Index	Jun		70		70.0	15.00	0.00
US	Total Net/Long term TIC Flows	Apr		/		-0.7/59.8	21.00	6.00
Friday, 16 June 2017								
NZ	BusinessNZ Manufacturing PMI	May				56.8	23.30	8.30
NZ	ANZ Consumer Confidence Index/MoM	Jun		/		123.9/1.8	2.00	11.00
NZ	Non Resident Bond Holdings	May				61.5	4.00	13.00
EC	Labour Costs YoY	1Q				1.6	10.00	19.00
EC	CPI MoM/YoY	May		-0.1/1.4		0.4/1.9	10.00	19.00
EC	CPI Core YoY	May F		0.9		0.9	10.00	19.00
CA	Int'l Securities Transactions	Apr				15.1	13.30	22.30
US	Housing Starts/MoM	May		1220/4.1		1172.0/-2.6	13.30	22.30
US	Building Permits/MoM	May		1250/1.8		1229.0/-2.5	13.30	22.30
CH	FX Net Settlement - Clients CNY	May				-88.1		
JN	BOJ Policy Balance Rate	Jun 16		-0.1		-0.1	4.15	13.15
JN	BOJ 10-Yr Yield Target	Jun 16		0		0.0	4.15	13.15
US	U. of Mich. Sentiment/5-10y Inflation expectations	Jun P		97.1		97.1	15.00	0.00
US	Fed's Kaplan (voter) speaks in Dallas						17.45	2.45
Monday, 19 June 2017								
NZ	Performance Services Index	May				52.8	23.30	8.30
UK	Rightmove House Prices MoM/YoY	Jun		/		1.2/3.0	0.10	9.10
AU	RBA's Lowe Participates in Panel at 2017 Crawford Australian Leadership Forum in Canberra						0.30	9.30
JN	Trade Balance Adjusted	May				97.6	0.50	9.50
AU	New Motor Vehicle Sales MoM/YoY	May		/		0.3/0.1	2.30	11.30
CH	Property Prices	May					2.30	11.30
EC	Construction Output MoM/YoY	Apr		/		-1.1/3.6	10.00	19.00
US	Fed's Dudley Holds Business Roundtable in Plattsburgh, NY						13.00	22.00
NZ	Westpac Consumer Confidence	2Q				111.9	19-23 Jun release	
CA	Bloomberg Nanos Confidence	Jun 16				57.8	15.00	0.00
Upcoming Central Bank Interest Rate Announcements								
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%		
Australia, RBA		4-Jul	1.50%	1.50%		1.50%		
Canada, BoC		13-Jul	0.5%	0.5%		0.5%		
Europe ECB		20-Jul	-0.4%	-0.4%		-0.4%		

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

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