

MARKETS TODAY

Under pressure



Good morning

It's been a night of more UK political uncertainty with still no government formed (and with the Queen's speech to Parliament tonight that is going to be voted on), a dovish Mark Carney (hot on the heels of last week's surprise three votes on the MPC to hike), overlaid with further pressure on the oil price that's now down 20% so far this year. WTI now has a 43 handle having tested below 43 overnight. With oil lower (as have base metals; iron ore rose 0.3%), the AUD and the CAD have been on the back foot as has sterling, the Aussie off 0.30% and the CAD off 0.15%, sterling down 0.30%. The Kiwi has also lost a little ground, notwithstanding that the overnight Global Dairy Auction saw world dairy prices almost unchanged, down 0.8%.

In the upshot, almost out of default, the USD is higher in a night of virtually no key data, but not getting any clear support from a mixed set of Fed speak, Charles Evans (voter) sounding dovish and Kaplan too. Evans said that while he still expected to see inflationary pressures, he acknowledged that he was getting very nervous in the light of a multi-month run of low inflation readings. Even aside from the deflationary impact of oil prices, he said that big corporate deals (Amazon/Whole Foods) could exert downward pressure on inflation. Toward the other end of the policy spectrum, Eric Rosengren (non-voter) spoke of his financial stability/search for yield dangers of low rates. Robert Kaplan (voter), spoke again this week, saying that he wants more evidence that recently low inflation are temporary before pushing on with more monetary tightening.

These more mixed comments from Evans and Kaplan who voted for a hike last week come after an almost hawkish sounding Fed Chair at her press conference last week and similar comments from the NY's Bill Dudley earlier this week. Stanley Fischer, Deputy Chair at the Fed, and who is extremely influential, spoke overnight but shied away from any comments on the US economy or monetary policy. Instead he spoke on the role of housing and related policy in financial crises at a macro-prudential policy event at the Dutch central bank.

The decline in oil and continuing uncertainty on Fed policy has seen bond yields lower across the board and along the curve. The US OIS market is pricing in barely a 50% chance of a hike by Christmas and not even one is fully priced by the middle of next year.

BoE Governor Carney gave a speech at the Mansion House and laid his cards on the table as far as his worrisome outlook for the economy is concerned. While there were three MPC voters at last week's BoE meeting, he signalled he is in no hurry to raise rates, highlighting the weaknesses in the economy as Brexit negotiations get underway, also worrying also about the sustainability of the UK's current account deficits. UK interest rate markets quickly unwound a lot of the more post-BoE

aggressive near term rate expectations, the market now pricing in a 47% chance of a hike by the end of the year, down from a 77% chance before he spoke. Added into the mix, S&P Chief Ratings Office Moritz Kraemer said that they would not have to wait till Brexit negotiations are concluded should they wish to revise the UK's rating (currently AA).

US Treasury Secretary Steve Mnuchin did an interview on CNBC, spoke of their continuing work to progress with the tax reform agenda to free capital and lift growth from 2 to their aspirational 3%, that they are working on it every week, and that they hope to get it done this year.

Coming Up

The event calendar is rather Japan-centric today. It starts with the BoJ Minutes from their April 26-27 meeting at 9.50 this morning, followed this afternoon with a speech from Governor Kuroda at just after 4.30 AEDT. Japan also releases its All Industry Activity Index and Machine Tool Orders reports today.

Realistically, Japan's monetary policy settings are very unlikely to be changed for quite some time yet. Even so, the market is taking note of the Bank's evolving and somewhat improving view on the domestic economy and how an improving global economy may be helping to support Japanese trade. On the policy front, Kuroda did acknowledge in a press conference last week that scaling back ETF purchases could be "possible in theory" as a tweak to policy before they meet their 2% target objective. But he did though remind the market that reaching and then maintaining their inflation objective is paramount. He said that it remains "generally unthinkable" that they would keep most parts of their easing program but quit another, all arms of policy needing to be devoted to meeting their 2% inflation target.

It's very much second tier today as far as local AU data is concerned with the Leading Index and Skilled Vacancies out at 10.30/11 AEDT.

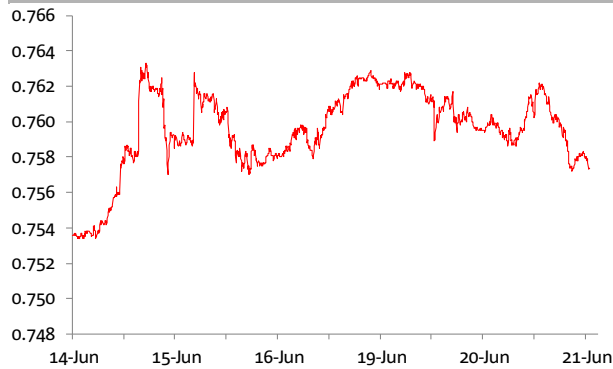
Tonight, there will be continued focus tonight on sterling with the Queen's speech to Parliament still scheduled and to be voted on, Labour indicating it will oppose it. There are no big releases tonight with only the UK monthly public finances report and US Existing Home Sales for May ahead of New Home Sales on Friday.

Overnight

On global stock markets, the S&P 500 was -0.67%. Bond markets saw US 10-years -3.14bp to 2.16%. In commodities, Brent crude oil -2.34% to \$45.81, gold -0.3% to \$1,241, iron ore +0.3% to \$56.45, steam coal -0.6% to \$80.75, met. coal +0.0% to \$145.00. AUD is at 0.758 and the range since yesterday 5pm Sydney time is 0.7571 to 0.7624.

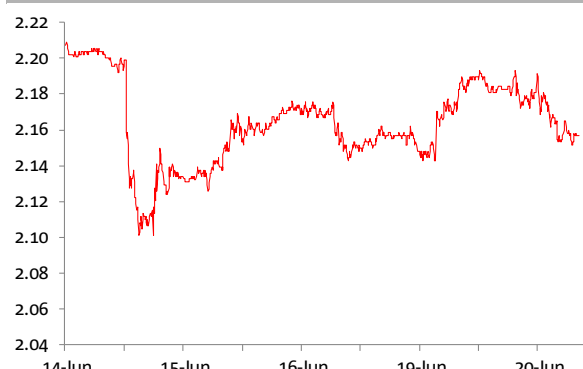
Markets

AUD/USD - past week



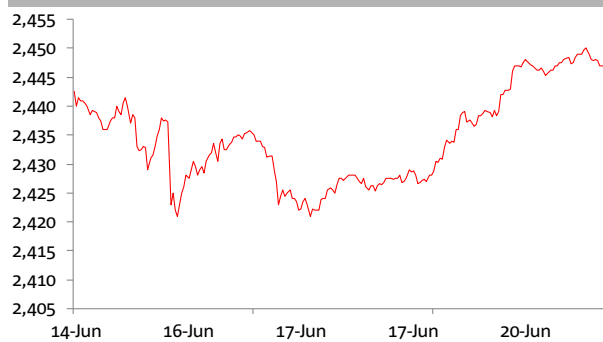
Source: Bloomberg.

US 10yr - past week



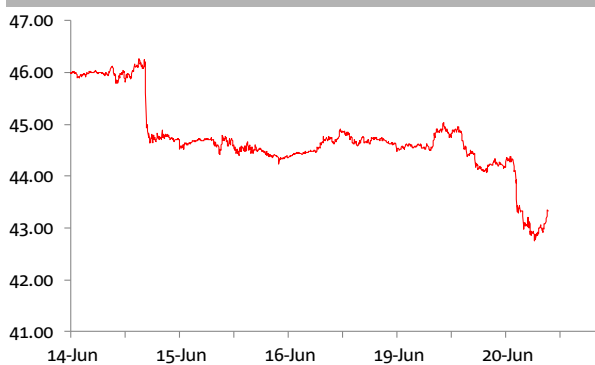
Source: Bloomberg.

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	0.7580	-0.3	0.7571	0.7624	HKD	7.8008 0.0
NZD	0.7240	-0.4	0.7220	0.7271	CNY	6.8099 -0.1
EUR	1.1134	-0.7	1.1119	1.1214	SGD	1.3892 0.5
GBP	1.2633	-1.3	1.2603	1.2805	IDR	13,318 0.3
JPY	111.44	0.4	110.91	111.79	THB	34.02 0.3
CAD	1.3265	0.3	1.3191	1.3287	KRW	1,142 0.7
AUD/EUR	0.681	0.3	0.6789	0.6837	TWD	30.47 0.4
AUD/JPY	84.48	0.0	84.36	85.09	PHP	50.27 0.8
AUD/GBP	0.6002	0.9	0.5943	0.6021	CHF	0.98 0.4
AUD/NZD	1.0470	0.0	1.0456	1.0522	SEK	8.78 1.0
AUD/CNH	5.1638	-0.5	5.1688	5.2075		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.28	1.55	2.14	USD 10	2.16	-3.14
AUD	1.50	1.72	1.85	2.69	AUD 10	2.42	1.20 0.26
NZD	1.75	1.95	2.22	3.16	NZD 10	2.78	1.20 0.63
EUR	0.00	-0.33	-0.19	0.73	CAD 10	1.50	-4.10 -0.66
GBP	0.25	0.30	0.51	1.08	EUR 10	0.26	-1.90 -1.89
JPY	-0.07	-0.01	0.04	0.24	GBP 10	1.00	-3.50 -1.16
CAD	0.50	0.93	1.25	1.84	JPY 10	0.06	0.20 -2.10

Equities

Major Indices				
	Last	% day	% y/y	
Dow	21,467	-0.29	20.6	
S&P 500	2,437	-0.67	17.0	
Nasdaq	6,188	-0.82	27.9	
VIX	10.86	4.73	-40.9	
FTSE	7,473	-0.7	20.4	
DAX	12,815	-0.6	28.6	
CAC 40	5,294	-0.3	22.0	
Nikkei	20,230	0.8	25.1	
Shanghai	3,140	-0.1	9.1	
Hang Seng	25,843	-0.3	25.0	
ASX 200	5,757	-0.8	9.2	

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.26	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.55	0.00
3/10 sprd	0.25	3.00
SPI	5667.0	76.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	45.81	-2.3
Oil (WTI)	43.36	-1.9
Oil (Tapis)	47.02	-0.9
Gold	1241.00	-0.3
CRB	169.66	-0.9
GS Metals	313.1	-0.6
Aluminium	1877.5	0.2
Copper	5637.5	-1.1
Nickel	8780.5	-1.9
Zinc	2550.5	0.2
Ch. steel	3042.0	-3.0
Iron ore	56.5	0.3
St. Coal	80.8	-0.6
Met.coal	145.0	0.0
Wheat Chic.	509.0	1.0
Sugar	13.6	1.1
Cotton	71.4	-0.1
Coffee	124.6	-1.6
Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-0.2	-1.0%
FED	-0	-0.4%

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, 21 June 2017								
JN	BOJ Minutes of April 26-27 Meeting						0.50	9.50
AU	Westpac Leading Index MoM	May				-0.1	1.30	10.30
AU	Skilled Vacancies MoM	May				0.1	2.00	11.00
CH	Lujiazui Shanghai financial industry event: key officials discussing China financial reform (Tues-Wed)							
JN	All Industry Activity Index MoM	Apr		1.6		-0.6	5.30	14.30
JN	Machine Tool Orders YoY	May F				24.4	7.00	16.00
JN	BOJ Kuroda speaks in Tokyo						7.36	16.36
UK	Public Sector Net Borrowing	May		7		9.6	9.30	18.30
US	Existing Home Sales, #/MoM	May		5.54/-0.45		5.6/-2.3	15.00	0.00
Thursday, 22 June 2017								
NZ	RBNZ Official Cash Rate	Jun 22	1.75	1.75		1.75	22.00	7.00
NZ	Net Migration SA	May				5780	23.45	8.45
NZ	Credit Card Billings (May)	May						11.00
JN	BOJ Iwata speaks in Aomori						2.30	11.30
NZ	Credit Card Spending MoM/YoY	May		/		0.9/6.4	4.00	13.00
EC	European Union Leaders Hold Summit in Brussels (22-23 June)							
EC	ECB Publishes Economic Bulletin						9.00	18.00
UK	CBI Trends Total Orders/Selling Prices	Jun		7/20		9.0/23.0	11.00	20.00
CA	Retail Sales MoM	Apr		0.3		0.7	13.30	22.30
US	Initial Jobless Claims	Jun 17		240		237.0	13.30	22.30
CA	Retail Sales Ex Auto MoM	Apr		0.7		-0.2	13.30	22.30
US	Fed's Powell Speaks Before Senate Banking Committee						14.00	23.00
US	FHFA House Price Index MoM	Apr		0.5		0.6	14.00	23.00
US	Bloomberg Consumer Comfort	Jun 18				50.0	14.45	23.45
US	Bloomberg Economic Expectations	Jun				49.5	14.45	23.45
EC	Consumer Confidence	Jun A		-3		-3.3	15.00	0.00
US	Leading Index	May		0.3		0.3	15.00	0.00
US	Kansas City Fed Manf. Activity	Jun		9.5		8.0	16.00	1.00
US	Fed releases Part I of its annual bank stress tests						21.15	6.15
Friday, 23 June 2017								
JN	Nikkei Japan PMI Mfg	Jun P				53.1	1.30	10.30
GE	Markit/BME Germany Manufacturing PMI	Jun P		59		59.5	8.30	17.30
GE	Markit Germany Services/Composite PMI	Jun P		55.4/57.2		55.4/57.4	8.30	17.30
EC	Markit Eurozone Manufacturing PMI	Jun P		56.8		57.0	9.00	18.00
EC	Markit Eurozone Services/Composite PMI	Jun P		56.1/56.6		56.3/56.8	9.00	18.00
EC	European Union Leaders Hold Summit in Brussels (22-23 June)							
CA	CPI NSA MoM/YoY	May		0.2/1.5		0.4/1.6	13.30	22.30
CA	CPI Core- Common/Trim YoY%	May		1.4/		1.3/1.3	13.30	22.30
CA	CPI Core- Median YoY%	May				1.6	13.30	22.30
US	Markit US Manufacturing PMI	Jun P		53		52.7	14.45	23.45
US	Markit US Services/Composite PMI	Jun P		53.5/		53.6/53.6	14.45	23.45
US	New Home Sales, #/MoM	May		590/3.7		569.0/-11.4	15.00	0.00
US	Fed's Bullard Speaks about Monetary Policy in Nashville						16.15	1.15
US	Fed's Mester Speaks in Cleveland						17.40	2.40
US	Fed's Powell Speaks in Chicago on Central Clearing						19.15	4.15
Monday, 26 June 2017								
JN	BOJ Summary of Opinions at June 15-16 Meeting						0.50	9.50
JN	PPI Services YoY	May				0.7	0.50	9.50
JN	Leading Index CI	Apr F				104.5	6.00	15.00
JN	Coincident Index	Apr F				117.7	6.00	15.00
GE	IFO Business Climate	Jun				114.6	9.00	18.00
GE	IFO Current Assessment/Expectations	Jun		/		123.2/106.5	9.00	18.00
UK	BBA Loans for House Purchase	May				40750	9.30	18.30
US	Durable Goods Orders/Core Orders	May P		-0.7/0.3		-0.8/0.1	13.30	22.30
US	Chicago Fed Nat Activity Index	May				0.5	13.30	22.30
JN	Small Business Confidence	Jun				48.9	26-30 Jun release	
CA	Bloomberg Nanos Confidence	Jun 23				58.0	15.00	0.00
US	Dallas Fed Manf. Activity	Jun				17.2	15.30	0.30
Tuesday, 27 June 2017								
NZ	Trade Balance NZD/12m YTD	May		/		578.0/-3481.0	23.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jun 18				112.9	0.30	9.30
CH	Industrial Profits YoY	May				14.0	2.30	11.30
UK	CBI Retailing/Distributive Reported Sales	Jun		/		2.0/18.0	11.00	20.00
US	S&P CoreLogic CS 20-City MoM SA/YoY	Apr		/		0.9/5.9	14.00	23.00
US	Conf. Board Present Situation	Jun				140.7	15.00	0.00
US	Richmond Fed Manufact. Index	Jun				1.0	15.00	0.00
US	Fed's Harker Speaks on Economy in London						16.00	1.00
US	Fed's Kashkari Speaks at Townhall Event in Houghton, Michigan						22.30	7.30
Upcoming Central Bank Interest Rate Announcements								
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%		
Japan, BoJ		20-Jul	-0.1%	-0.1%		-0.1%		
Europe ECB		20-Jul	-0.4%	-0.4%		-0.4%		
US Federal Reserve		27-Jul				1.00-1.25%		
UK BOE		3-Aug				0.25%		

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

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