

# MARKETS TODAY



*You're the voice, try and understand it*

## Good morning

*You're The Voice* is Australia's quintessential song at any watering hole for late night revellers. The lyrics also seem an apt description of the seemingly co-ordinated action by central banks to remove expectations of further policy easing and get the market thinking about the possibility of central banks following the Fed in removing accommodation in the future. So it was again overnight with Norway's central bank (more on that below).

In terms of market moves it was a quiet night with only minor changes in currencies (USD flat), equities (S&P500 -0.1%) and bond yields (USTs -1.8bps). The biggest moves occurred in the Canadian dollar, (+0.7%) Norwegian Krone (+0.5%) and Kiwi (+0.5%) – mostly on the back of central bank commentary and a move higher in oil prices.

Norway's central bank removed its explicit easing bias at its meeting overnight, stating "the balance of risks suggest that the key policy rate will remain at today's level in the period ahead". It also revised its path for the key policy rate higher in 2017 and 2018 and importantly the path is gradually rising from 2019. Echoing comments from the Bank of Canada and from our own RBA Governor, the statement said there were "signs of impending reversal in the decline in petroleum investment" with the prospect of a modest rise in the near term.

It is clear that there has been a shift in central bank policy amongst the advanced commodity countries, who are seeing the drag from the mining/oil downturn bottoming and possibly becoming a tailwind in the near future. The missing ingredient of course remains inflation and the Norges Bank forecasts inflation will hold below its target of 2.5% through at least 2020 (note core inflation is currently 1.6%).

The RBNZ too has seemingly joined the party with a mostly unchanged post meeting statement against a whisper expectation that the statement would be more dovish given the rise in the Kiwi and a disappointing Q1 GDP figure. This was not the case with no reference of the Kiwi being overvalued and currency markets took this as a green light with the Kiwi finishing up 0.5% overnight. Our NZ colleagues suggest it is unlikely the RBNZ will lift rates until 2018 and there was little reaction in the rates market.

In the US, politics continues to play in the background, but with little impact on markets overall. Senate Republicans unveiled their Healthcare Bill to repeal Obamacare in draft form and a formal bill is likely to be brought to the floor next week or the week after. For the bill to pass, Republicans need 50 votes, meaning they can only afford to have two Republicans oppose it. While headlines suggest five Republican Senators are likely to oppose it, they have expressed a willingness to

negotiate. US equity markets are hopeful with Health Care stocks up 1.1% overnight. However, a fall in other sectors saw US equities finish unchanged on the day.

The WTI oil price rose 0.6% overnight to \$42.77, while moves in Brent were stronger (+1.0% to \$45.25). There is not much to report on in terms of new developments, though the support for oil likely came on news of Cyclone Cindy hitting the Gulf of Mexico and Saudi Arabia continuing to target a price of \$65 a barrel.

The rise in oil did support the CAD, which rose 0.7%. Also supporting the CAD was much stronger than expected retail sales. Headline retail sales rose 0.8% m/m, more than double the market consensus, along with the core measure which rose 1.5% m/m. That overall bodes well for Q2 GDP in Canada and plays into the vein of growth picking up in the Canadian economy and the likelihood of the Bank of Canada removing policy accommodation.

As we go to print, UK PM Theresa May has further indicated the likelihood of a soft Brexit by making concessions to EU citizens already living in the UK. PM say said those who were already in the UK would be given an opportunity to build up five years' worth of residence which would then confer on them "settled status" and give them the same rights as British citizens to work, pensions and other public services.

## Coming Up

It's a quiet day ahead domestically with nothing of note scheduled for release.

Internationally focus will be on the slew of PMIs being released. Japan's Nikkei Manufacturing PMI is out at 10.30am (AEST), followed by Eurozone PMIs at 6.00pm (AEST), and wrapping up with the US. The pick of the data is likely to be the Eurozone PMIs.

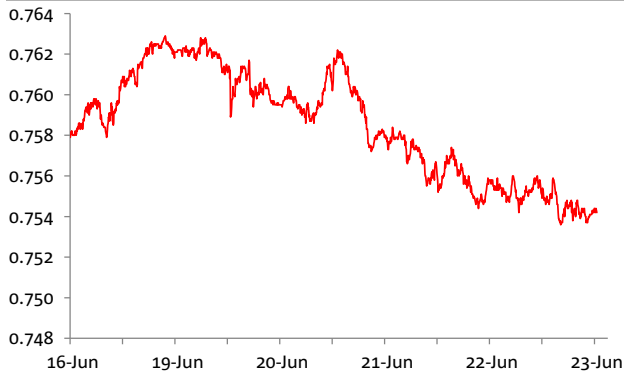
Fed speak also continues with Bullard, Mester and Powell all due to speak.

## Overnight

On global stock markets, the S&P 500 was -0.05%. Bond markets saw US 10-years -1.57bp to 2.15%. In commodities, Brent crude oil +0.96% to \$45.25, gold+0.3% to \$1,248, iron ore -0.5% to \$56.53, steam coal -0.1% to \$80.60, met. coal +0.0% to \$145.00. AUD is at 0.7541 and the range since yesterday 5pm Sydney time is 0.7535 to 0.7576.

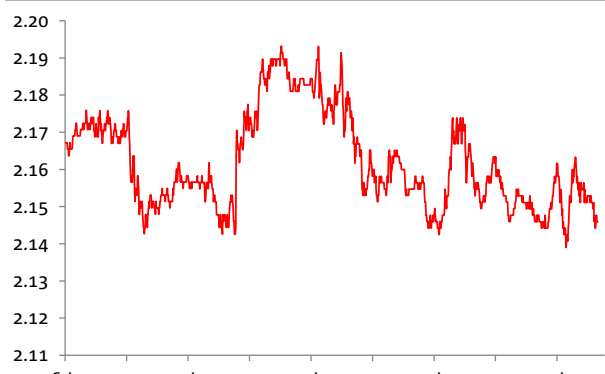
# Markets

AUD/USD - past week



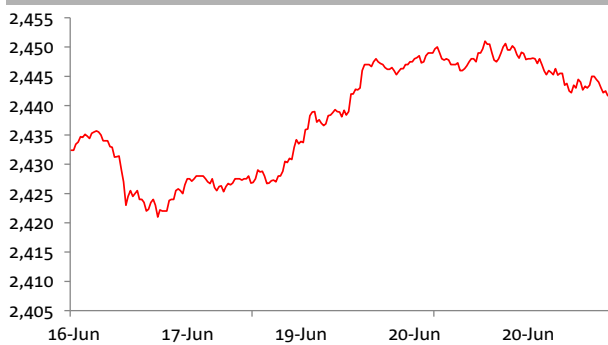
Source: Bloomberg.

US 10yr - past week



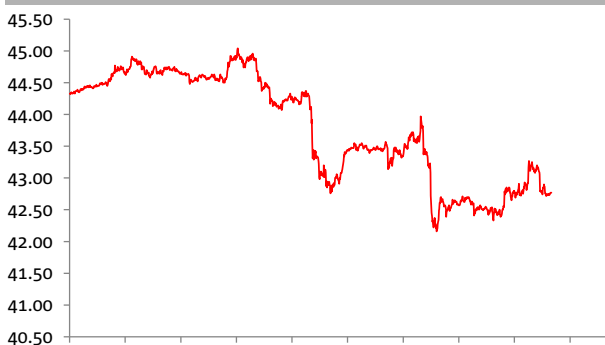
Source: Bloomberg.

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	0.7541	-0.2	0.7535	0.7576	HKD	7.7990 0.0
NZD	0.7265	0.5	0.7205	0.7277	CNY	6.8348 0.1
EUR	1.1152	-0.1	1.1139	1.1178	SGD	1.3901 0.1
GBP	1.2684	0.1	1.2654	1.2691	IDR	13,324 0.0
JPY	111.31	-0.1	110.95	111.45	THB	33.97 -0.1
CAD	1.3234	-0.7	1.3208	1.3338	KRW	1,141 -0.3
AUD/EUR	0.6761	0.0	0.6750	0.6780	TWD	30.44 -0.1
AUD/JPY	83.93	-0.2	83.73	84.37	PHP	50.37 0.0
AUD/GBP	0.5945	-0.3	0.5942	0.5977	CHF	0.97 -0.1
AUD/NZD	1.0379	-0.7	1.0372	1.0481	SEK	8.75 0.0
AUD/CNH	5.1573	0.0	5.1507	5.1760		

## Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	1.25	1.29	1.53	2.10	USD 10	2.15	-1.75
AUD	1.50	1.72	1.83	2.65	AUD 10	2.38	-1.60 0.23
NZD	1.75	1.96	2.21	3.14	NZD 10	2.76	-1.00 0.61
EUR	0.00	-0.33	-0.19	0.71	CAD 10	1.50	0.70 -0.65
GBP	0.25	0.29	0.58	1.11	EUR 10	0.25	-1.30 -1.89
JPY	-0.05	0.00	0.05	0.24	GBP 10	1.02	-1.70 -1.13
CAD	0.50	0.95	1.27	1.84	JPY 10	0.06	-0.40 -2.09

## Equities

Major Indices			
	Last	% day	% y/y
Dow	21,397	-0.06	20.3
S&P 500	2,435	-0.05	16.7
Nasdaq	6,237	0.04	29.0
VIX	10.48	-2.51	-50.5
FTSE	7,439	-0.1	18.8
DAX	12,794	0.2	27.0
CAC 40	5,282	0.1	20.6
Nikkei	20,111	-0.1	23.8
Shanghai	3,147	-0.3	8.8
Hang Seng	25,675	-0.1	23.0
ASX 200	5,706	0.7	8.1

## Overnight Futures

Australia		
	Last	Chge*
3 mth bill	98.28	2.00
3 Yr bond	97.8	3.00
10 Yr bond	97.59	3.50
3/10 sprd	0.22	-0.50
SPI	5650.0	-46.0

\*Change in bps

## Commodities\*

	Last	% day
Oil (Brent)	45.25	1.0
Oil (WTI)	42.77	0.6
Oil (Tapis)	45.38	-1.1
Gold	1247.60	0.3
CRB	166.50	-0.6
GS Metals	317.7	0.4
Aluminium	1861.5	0.2
Copper	5727.5	0.1
Nickel	8982.0	0.2
Zinc	2700.3	2.4
Ch. steel	3071.0	0.4
Iron ore	56.5	-0.5
St. Coal	80.6	-0.1
Met.coal	145.0	0.0
Wheat Chic.	475.3	-0.9
Sugar	12.8	-1.7
Cotton	71.1	0.4
Coffee	116.5	-4.5

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
<b>Thursday, 22 June 2017</b>								
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		8.0	16.00	1.00
US	Fed releases Part I of its annual bank stress tests						21.15	6.15
<b>Friday, 23 June 2017</b>								
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
<b>Monday, 26 June 2017</b>								
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		-0.9/0.3		-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
<b>Tuesday, 27 June 2017</b>								
NZ	Trade Balance NZD/12m YTD	May		/		578.0/-3481.0	23.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jun 25				112.4	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
<b>Wednesday, 28 June 2017</b>								
EC	M3 Money Supply YoY	May				4.9	9.00	18.00
US	Advance Goods Trade Balance	May		-65.5		-67.1	13.30	22.30
US	Wholesale Inventories MoM	May P				-0.5	13.30	22.30
CA	Bank of Canada's Poloz at ECB Panel						14.30	23.30
UK	Nationwide House PX MoM/YoY	Jun		/		-0.2/2.1	28 June - 4 Jul release	
US	Pending Home Sales MoM/YoY	May		/		-1.3/-5.4	15.00	0.00
CA	Bank of Canada Deputy Governor Lynn Patterson Speaks						19.15	4.15
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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

## 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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