

MARKETS TODAY

Goldfinger



Good morning

In an otherwise relatively quiet night with only the mildest of risk-on tones, gold was something of a standout. The price action came at 9am London time when gold immediately plunged by \$13/oz after a huge spike in the volume of orders. It had all the makings of another “fat finger” episode, whether it was selling incorrect volumes, a junior episode or whatever.

The interesting thing is that gold did not immediately revert to its pre fat finger level and is still off \$11.90 overnight. Mild risk on is consistent with gold lower. European equities closed 0.37% higher (Eurostoxx 600), while US stocks have closed almost flat. The VIX has eased further back into single digit territory. On the currency front, both AUD and NZD have inched higher overnight, the AUD trading this morning at 0.7585, also well within its recent ranges. US Treasury yields were marginally lower, including at the shorter end of the curve, notwithstanding comments from Fed President John Williams in Sydney yesterday that he still sees interest rates rising gradually with inflation getting to the 2% target next year. Like Yellen, he spoke of the transitory factors pulling US inflation down. Oil prices were up, WTI by 1.12% to \$43.49, Brent too by 0.86%.

Former Fed Chairman Bernanke and ECB President Draghi have both been speaking, at different venues but on a similar theme. Bernanke’s was the opening address at the ECB Forum in Sintra, Draghi’s at the Lisbon School of Economics and Management. (He’s speaking at the ECB Forum tonight.) Bernanke spoke of how the US election showed growth was not enough, voters questioning whether government has improved their lives. Draghi was defending QE, saying that youth unemployment is still too high, noting that millennials that found a job on the back of ECB policy are not complaining. He welcomed interest in the policy issue of inequality. And he even batted back on the hit to savers from negative rates saying that “recessions are not good for anybody, savers or non-savers. If there is no growth, there is no saving”. Saver will see a return on their savings “in due time”. The ECB is still not on the cusp of winding back QE, it seems.

All this came after of yet another very strong German Ifo survey, June’s again beating market expectations, the German economy still accelerating through mid-year. US durable goods orders report for May underwhelmed, both headline and core orders down and softer than expected. The Atlanta Fed did not change its *GDPNow* estimate for Q2 GDP from 2.9%, which if averaged with 1.2% keeps the US on that moderate 2% growth track.

Coming up

This morning there’s NZ’s trade for May and Chinese Industrial Profits for May, both this morning, trade at 8.45 AEDT and profits at 11.30. Then NZ releases its May Residential Lending report at 1.00PM and late this

afternoon, at 6.05pm Sydney time, SanFran Fed President is delivering the second of his two Sydney speeches, this time at Macquarie Uni on “The Global Growth Slump: Causes and consequences”. Also keep an eye out for any wire service coverage from the World Economic Forum’s annual “New Champions” event in Dalian China, including attendance by Chinese Premier Li Keqiang and Russian Economy Minister Oreshkin.

While not at all market sensitive, we will be also taking a look at the latest quarterly population estimates from the Statistician, State estimates so important to housing demand and growth over time. The Statistician is also scheduled to release the first statistical glimpse from last year’s population Census.

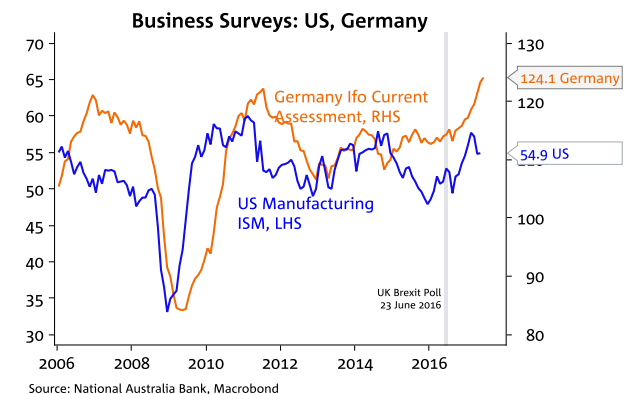
The key event the market will centre on tonight will be Fed Chair Yellen’s speech in London tonight, among an array of central bank speakers. She is though slated to speak on global issues and I think the market knows what comments she would make on the US, inflation and rates. ECB president Draghi is giving a speech at the ECB Forum Sintra event. Also at the same session are senior ECB members Coeure and Praet. Fed President’s Harker and Kashkari are both speaking, Harker in London (focussing on international issues) while Kashkari is keeping it real at a town hall event in Michigan.

There is also the UK CBI Distributive Trades Survey, US Consumer Confidence and house prices. The market still waits for US PCE deflators and China’s official PMIs, both on Friday.

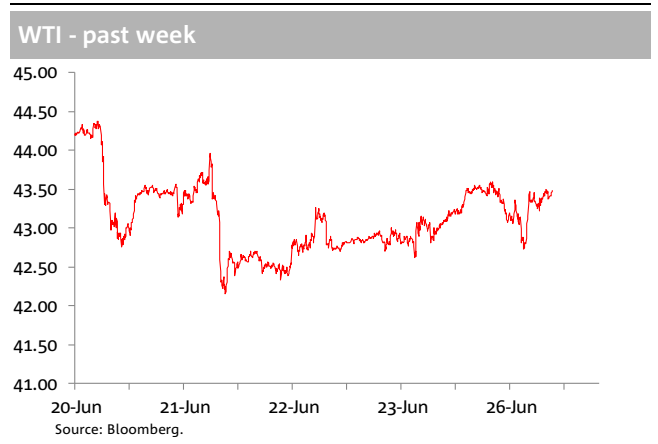
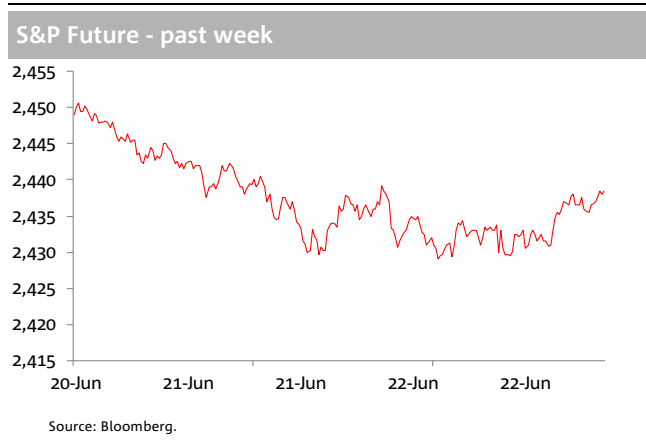
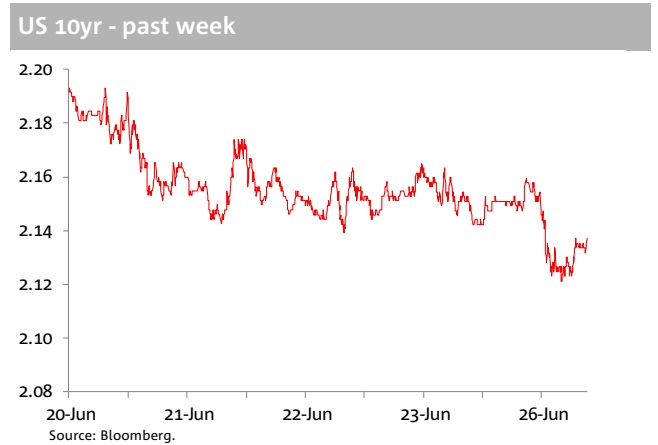
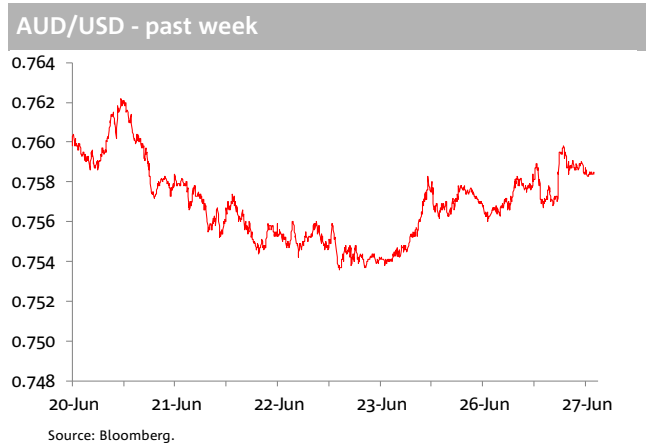
Overnight

On global stock markets, the S&P 500 was +0.03%. Bond markets saw US 10-years -0.53bp to 2.14%. In commodities, Brent crude oil +0.92% to \$45.96, gold-0.8% to \$1,246, iron ore +0.0% to \$56.75, steam coal -0.1% to \$80.55, met. coal +0.4% to \$145.90. AUD is at 0.7584 and the range since yesterday 5pm Sydney time is 0.7559 to 0.7599.

Chart: German economy still accelerating



Markets



Foreign Exchange				
Indicative 24hr ranges (**)				
	Last	% chge	Low	High
AUD	0.7584	0.2	0.7559	0.7599
NZD	0.7286	0.1	0.7237	0.7311
EUR	1.1183	0.1	1.1172	1.1227
GBP	1.2721	-0.1	1.2706	1.2761
JPY	111.85	0.6	111.06	111.95
CAD	1.3245	0.1	1.3212	1.3292
AUD/EUR	0.6782	0.1	0.6749	0.6788
AUD/JPY	84.83	0.8	83.88	84.92
AUD/GBP	0.5963	0.4	0.5928	0.5969
AUD/NZD	1.0410	0.2	1.0374	1.0426
AUD/CNH	5.1788	0.1	5.1714	5.1985

Other FX				
	Last	% chge		
HKD	7.7988	0.0		
CNY	6.8276	-0.2		
SGD	1.3881	0.1		
IDR	13,299	-0.1		
THB	33.98	0.1		
KRW	1,134	-0.3		
TWD	30.31	-0.1		
PHP	50.15	-0.2		
CHF	0.97	0.1		
SEK	8.72	-0.4		

Interest Rates				
	Indicative Swap Rates			
	Cash	3mth	2Yr	10Yr
USD	1.25	1.29	1.55	2.12
AUD	1.50	1.72	1.82	2.63
NZD	1.75	1.96	2.21	3.13
EUR	0.00	-0.33	-0.18	0.72
GBP	0.25	0.30	0.59	1.13
JPY	-0.05	0.00	0.04	0.24
CAD	0.50	0.96	1.24	1.80

Benchmark 10 Year Bonds				
	Last	chge	Sprd	
USD 10	2.14	-0.53		
AUD 10	2.37	0.30	0.24	
NZD 10	2.73	-0.40	0.59	
CAD 10	1.46	-1.20	-0.67	
EUR 10	0.25	-1.00	-1.89	
GBP 10	1.01	-2.00	-1.13	
JPY 10	0.05	-0.30	-2.08	

Equities				
Major Indices				
	Last	% day	% y/y	
Dow	21,410	0.07	23.0	
S&P 500	2,439	0.03	19.7	
Nasdaq	6,247	-0.29	32.7	
VIX	9.90	-1.20	-61.6	
FTSE	7,447	0.3	21.3	
DAX	12,771	0.3	33.6	
CAC 40	5,296	0.6	29.0	
Nikkei	20,153	0.1	31.6	
Shanghai	3,185	0.9	10.0	
Hang Seng	25,872	0.8	27.9	
ASX 200	5,720	0.1	11.3	

Overnight Futures		
	Last	Chge*
Australia		
3 mth bill	98.28	0.00
3 Yr bond	97.8	0.00
10 Yr bond	97.61	2.00
3/10 sprd	0.19	-2.00
SPI	5668.0	-9.0

*Change in bps

Commodities*		
	Last	% day
Oil (Brent)	45.96	0.9
Oil (WTI)	43.49	1.1
Oil (Tapis)	45.53	0.0
Gold	1246.30	-0.8
CRB	168.57	0.5
GS Metals	319.3	0.0
Aluminium	1853.5	-0.2
Copper	5777.8	-0.1
Nickel	8986.5	-0.6
Zinc	2719.0	0.5
Ch. steel	3147.0	2.8
Iron ore	56.8	0.0
St. Coal	80.6	-0.1
Met.coal	145.9	0.4
Wheat Chic.	488.0	-1.5
Sugar	12.6	-2.8
Cotton	73.7	1.4
Coffee	124.5	1.2

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-0.2	-1.0%
FED	-0	-1.2%

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, 27 June 2017								
NZ	RBNZ's Mike Hannah speaks on "Engaging with our stakeholders to promote understanding, accountability and dialogue"						23:30	8:30
NZ	Trade Balance NZD/12m YTD	May	721	418.5		578	23:45	8:45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jun 25				112.4	0:30	9:30
AU	Demographic Statistics	Q4					2:30	11:30
AU	Census 2016, initial data sets						2:30	11:30
CH	Industrial Profits YoY	May				14.0	2:30	11:30
NZ	New Residential Lending YoY	May				-29.9	4:00	13:00
AU/US	Fed's Williams speaks at Macquarie University in Sydney on "The Global Growth Slump: Causes and Consequences"						8:30	17:30
CH	Annual meeting of World Economic Forum's "New Champions". Chinese Premier Li Keqiang & Russian Economy Minister Oreshkin attend. In Dalian, China, through June 29							
UK	BoE releases Financial Stability Report with Governor Mark Carney press conference (time tbc)						9:00	18:00
UK	CBI Retailing/Distributive Reported Sales	Jun		2/15		2.0/18.0	11:00	20:00
US	S&P CoreLogic CS 20-City MoM SA/YoY	Apr		0.5/5.9		0.9/5.9	14:00	23:00
US	Conf. Board Consumer Confidence	Jun		116		117.9	15:00	0:00
US	Richmond Fed Manufact. Index	Jun		7		1.0	15:00	0:00
UK/US	Fed's Harker Speaks on thn economic outlook and international trade at a conference in London						16:00	1:00
US	Fed's Yellen Speaks on Global Economic Issues in London						18:00	3:00
US	Fed's Kashkari Speaks at Townhall Event in Houghton, Michigan						22:30	7:30
Wednesday, 28 June 2017								
AU/US	Fed's Williams Speaks at ANU in Canberra; reprise of June 27 speech						8:30	17:30
EC	ECB's Lautenschlaeger speaks in Bonn						9:45	18:45
US	Advance Goods Trade Balance	May		-66		-67.1	13:30	22:30
US	Wholesale Inventories MoM	May P		0.2		-0.5	13:30	22:30
CA	Bank of Canada's Poloz at ECB Panel						14:30	23:30
US	Pending Home Sales MoM/YoY	May		0.8/		-1.3/-5.4	15:00	0:00
CA	Bank of Canada Deputy Governor Lynn Patterson Speaks in Calgary						19:15	4:15
US	Fed releases Part II of its annual bank stress tests: Comprehensive Capital Analysis and Review (CCAR)						21:30	6:30
Thursday, 29 June 2017								
JN	Retail Sales MoM/YoY	May		-1/2.6		1.4/3.2	0:50	9:50
NZ	ANZ Activity Outlook/Business Confidence	Jun		/		38.3/14.9	2:00	11:00
AU	HIA New Home Sales MoM	May				0.8	2:00	11:00
AU	Job vacancies	May				1.8	2:30	11:30
GE	GfK Consumer Confidence	Jul		10.4		10.4	7:00	16:00
CH	BoP Current Account Balance	1Q F				19.0	7:15	16:15
JN	BOJ Harada speaks in Tokyo						7:30	16:30
UK	Mortgage Approvals	May		64		64.6	9:30	18:30
AU	RBA's Debelle Gives Speech on Global FX Code						9:30	18:30
EC	Business Climate Indicator	Jun		0.93		0.9	10:00	19:00
EC	ECB's Lautenschlaeger speaks in Berlin						10:30	19:30
GE	CPI EU Harmonized MoM/YoY	Jun P		0/1.3		-0.2/1.4	13:00	22:00
US	GDP Annualized QoQ	1Q T		1.2		1.2	13:30	22:30
US	Initial Jobless Claims	Jun 24		240		241.0	13:30	22:30
EC	ECB's Coeure speaks in Brussels						14:00	23:00
US	Fed's Bullard Speaks on the US Economy and Monetary Policy in London						18:00	3:00
Friday, 30 June 2017								
NZ	Building Permits MoM	May				-7.6	23:45	8:45
UK	GfK Consumer Confidence	Jun		-7		-5.0	0:10	9:10
UK	Lloyds Business Barometer	Jun				27.0	0:10	9:10
JN	Jobless Rate/Jobs-to-Applicants Ratio	May		2.8/1.48		2.8/1.5	0:30	9:30
JN	Overall Household Spending YoY	May		-0.7		-1.4	0:30	9:30
JN	Natl CPI YoY	May		0.5		0.4	0:30	9:30
JN	Industrial Production MoM/YoY	May P		-3/6.9		4.0/5.7	0:50	9:50
CH	Manufacturing/Non-manufacturing PMI	Jun		51/		51.2/54.5	2:00	11:00
AU	Private Sector Credit MoM/YoY	May	0.4/4.9	0.4/5		0.4/4.9	2:30	11:30
GE	Unemployment Change (000's)/Rate	Jun		-10/5.7		-9.0/5.7	8:55	17:55
UK	GDP QoQ/YoY	1Q F		0.2/2		0.2/2.0	9:30	18:30
UK	Total Business Investment QoQ/YoY	1Q F		/		0.6/0.8	9:30	18:30
UK	Current Account Balance	1Q		-16.7		-12.1	9:30	18:30
EC	CPI Estimate/Core YoY	Jun		1.2/1		1.4/0.9	10:00	19:00
US	Personal Income/Spending	May		0.3/0.1		0.4/0.4	13:30	22:30
US	PCE Deflator MoM/YoY	May		-0.1/1.5		0.2/1.7	13:30	22:30
US	PCE Core MoM/YoY	May		0.1/1.4		0.2/1.5	13:30	22:30
CA	GDP MoM/YoY	Apr		0.2/3.3		0.5/3.2	13:30	22:30
CA	Industrial Product/Raw Materials Price MoM	May		0.3/-0.5		0.6/1.6	13:30	22:30
US	Chicago Purchasing Manager	Jun		58		59.4	14:45	23:45
CA	BoC Senior Loan Officer Survey	2Q				-1.9	15:30	0:30
EC	ECB Executive Board Member Mersch speaks in Germany						16:30	1:30
US	Baker Hughes US Rig Count/Oil Rigs	Jun 30				941	18:00	3:00
Upcoming Central Bank Interest Rate Announcements								
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%		
New Zealand, RBNZ		10-Aug	1.75%	1.75%		1.75%		

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

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