

# MARKETS TODAY

## *Should I laugh or cry*



### Good morning

With the US market closed for the Independence Day holiday, the focus has been elsewhere and for the markets in both Asia and Europe. It has not been a big night as far as price action was concerned, the Eurostoxx 600 index off 0.29%, European bond markets with a modest bid tone, yields off fractionally. The German 10 year bond was almost unchanged lower on net by less than one basis point. Gold was little changed, up \$3.80/oz.

The largest currency move has been the Aussie over the past 24 hours, the yen and KRW little changed after the Korean missile test. It was the AUD's swift reaction to yesterday's only-incremental change in the RBA's post-Board statement, a materially larger reaction than for the Won after the launch of an Intercontinental Ballistic Missile from North Korea, a launch that's also drawn the ire of a statement from the Chinese and the Russians.

While no one expected a change in the cash rate, the market was clearly priming itself for more, something that could be inferred as at least having a partly hawkish tilt. An expectation of a half move away from the RBA's neutral monetary policy bias and/or a more upbeat statement on the economy's progress and outlook was sought after recent comments from the Bank of Canada and others over the past fortnight (and the BoC again overnight – see below). Instead, the RBA was not drawn in to the prospect of even half hinting removing some monetary accommodation and adding fuel to local and global yields and the AUD. The Bank played a very straight blocking bat indeed.

The AUD was sold quickly after 2.30, down from 0.7680, dropping the best part of three quarters of a cent. It subsequently tested 0.76 later in the APAC session and again overnight, currently trading at just over the figure. The Won, by contrast, was little moved after news on the missile test filtered through, USD/KRW trading at 1152, actually strengthening marginally to 1150/51 and also a little against the Japanese yen. The KOSPI was down by 0.58% in otherwise also soft Asia markets. It'll be interesting to see whether the broader market in the US reacts at all to this latest North Korean episode to deflect any of its attention at all from Friday's payrolls. Unlikely if post-missile launch market price action is any guide.

In Europe, the Swedish Riksbank met and only partly joined the central bank party hinting at policy removal, staying on the periphery with the RBA. They left their repo rate unchanged at -0.5%. They did point to less chance of further easing being required, noting that the risk of setbacks were thought to have decreased. But they also cited the importance that the SEK not appreciate too rapidly and did not rule out the possibility that the repo rate could still be cut, if unlikely now.

Elsewhere in Europe, ECB Chief Economist Peter Praet and Governing Council member Nowotny (Austria) were

both speaking. There were no great surprises from either, Praet saying that their inflation forecast scenarios are "crucially contingent" on very easy financing conditions. Nowotny referred to the long lags of monetary policy and that policy should be normalised as soon as the economy allows, more hawkish but not overly so.

NZ's overnight dairy auction saw only marginally lower dairy prices, off 0.4%; iron ore, by contrast, was also lower, down \$1.06/t after last week's big gains.

While the AUD was punished, USD/CAD has risen by 0.4%, aided by more positive commentary from BoC Governor Poloz, hinting further in the rate hike direction. Canadian rate markets are now pricing in a 87% chance of a hike next week, up from 84%. Poloz said in a German newspaper interview that inflation should be well into an uptrend in 1H 2018 as the output gap closes.

### Coming up

Looking ahead for the rest of this week, the next really big data event is Friday's payrolls. Ahead of that release is tomorrow night's ADP Employment report but more importantly the ISM Non-manufacturing index for June out tomorrow night. Locally the data run is now more scant, with Thursday's trade report for May the main interest; there'll be more about that tomorrow.

Today and tonight, it's all pretty much second tier releases. It kicks off with NZ's ANZ Job Ads this morning, and for Australia is the AiG Services PSI Index (L: 51.5), another piece of evidence on the so-far upbeat state of business activity, continued on Monday with the solid 55.0 reading from the AiG PMI Manufacturing index. NZ also has its ANZ Commodity price Index for June too.

There will be some Aussie dollar interest in the Caixin Services and Composite Index for June after the official readings and the Caixin indicators printed on the strong side.

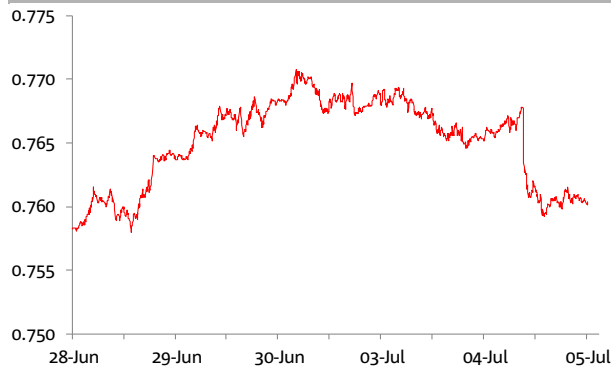
In the European session tonight there is the second estimates of June's Euro Services and Composite Indexes, EC Retail Sales for May, and US Factory Orders. There's always the possibility that the Fed Minutes might throw something new out, but having had the Fed's new forecasts, Yellen presser and a full exposition of the proposed QE wind-down process, can there be too much more that would really surprise the market?

### Overnight

US markets were closed. In commodities, Brent crude oil -0.14% to \$49.61, gold+0.3% to \$1,223, iron ore -1.6% to \$63.23, steam coal +2.1% to \$81.15, met. coal +0.0% to \$155.00. AUD is at 0.7604 and the range since yesterday 5pm Sydney time is 0.7591 to 0.7683.

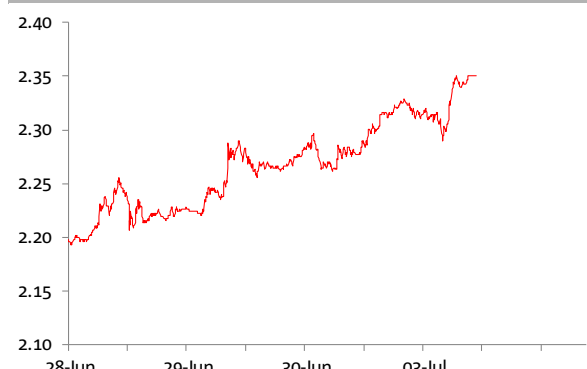
# Markets

AUD/USD - past week



Source: Bloomberg.

US 10yr - past week



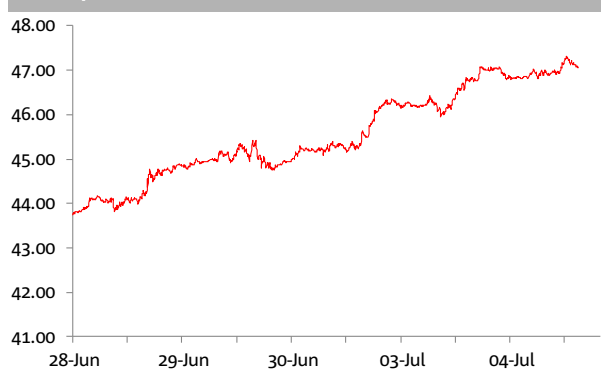
Source: Bloomberg.

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	0.7604	-0.7	0.7591	0.7683	HKD	7.8072 0.0
NZD	0.7288	0.0	0.7263	0.7306	CNY	6.8008 0.1
EUR	1.1348	-0.2	1.1336	1.1385	SGD	1.3830 0.1
GBP	1.2923	-0.3	1.2901	1.2981	IDR	13,362 -0.3
JPY	113.28	0.2	112.74	113.48	THB	34.00 0.0
CAD	1.2933	-0.4	1.2912	1.3022	KRW	1,151 0.1
AUD/EUR	0.6701	-0.4	0.6688	0.6756	TWD	30.51 0.1
AUD/JPY	86.15	-0.4	85.86	87.00	PHP	50.54 -0.2
AUD/GBP	0.5884	-0.4	0.5870	0.5934	CHF	0.97 0.3
AUD/NZD	1.0435	-0.6	1.0417	1.0553	SEK	8.53 0.6
AUD/CNH	5.1716	-0.5	5.1660	5.2225		

## Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.30	1.65	2.30	USD 10	2.35	4.62
AUD	1.50	1.71	1.89	2.86	AUD 10	2.62	-4.60 0.27
NZD	1.75	1.98	2.32	3.35	NZD 10	2.97	-7.00 0.62
EUR	0.00	-0.33	-0.14	0.91	CAD 10	1.84	7.60 -0.51
GBP	0.25	0.30	0.67	1.31	EUR 10	0.48	-0.10 -1.87
JPY	-0.04	0.00	0.05	0.27	GBP 10	1.25	-1.70 -1.10
CAD	0.50	1.10	1.47	2.16	JPY 10	0.08	-0.50 -2.27

## Equities

Major Indices			
	Last	% day	% y/y
Dow	21,479	0.00	19.7
S&P 500	2,429	0.00	15.5
Nasdaq	6,110	0.00	25.7
VIX	11.22	0.00	-24.0
FTSE	7,357	-0.3	12.8
DAX	12,437	-0.3	28.1
CAC 40	5,175	-0.4	22.2
Nikkei	20,032	-0.1	27.8
Shanghai	3,183	-0.4	5.9
Hang Seng	25,389	-1.5	22.4
ASX 200	5,784	1.7	10.6

## Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.26	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.36	5.00
3/10 sprd	0.44	-2.00
SPI	5738.0	-103.0

\*Change in bps

## Commodities\*

	Last	% day
Oil (Brent)	49.61	-0.1
Oil (WTI)	47.08	0.0
Oil (Tapis)	49.77	1.5
Gold	1223.00	0.3
CRB	176.16	0.0
GS Metals	328.8	0.0
Aluminium	1919.3	0.1
Copper	5871.3	-0.6
Nickel	9143.0	-2.2
Zinc	2796.0	-0.4
Ch. steel	3444.0	2.1
Iron ore	63.2	-1.6
St. Coal	81.2	2.1
Met.coal	155.0	0.0
Wheat Chic.	574.0	0.0
Sugar	13.9	0.0
Cotton	73.7	0.0
Coffee	127.7	0.0
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
<b>Wednesday, 5 July 2017</b>								
NZ	ANZ Job Advertisements MoM	Jun				-0.6	23.00	8.00
UK	BRC Shop Price Index YoY	Jun				-0.4	0.10	9.10
AU	AiG Perf of Services Index	Jun				51.5	0.30	9.30
JN	Nikkei Japan PMI Services/Composite	Jun				53.0	1.30	10.30
NZ	ANZ Commodity Price	Jun				3.2	2.00	11.00
CH	Caixin China PMI Services/Composite	Jun				52.8	2.45	11.45
GE	Markit Germany Services/Composite PMI	Jun F		53.7		53.7	8.55	17.55
EC	Markit Eurozone Services/Composite PMI	Jun F		54.7		54.7	9.00	18.00
UK	New Car Registrations YoY	Jun				-8.5	9.00	18.00
UK	Markit/CIPS UK Services/Composite PMI	Jun		53.5		53.8	9.30	18.30
UK	Official Reserves Changes	Jun				1115.0	9.30	18.30
EC	Retail Sales MoM/YoY	May		0.4		0.1	10.00	19.00
US	Factory Orders/Ex Trans	May		-0.5		-0.2	15.00	0.00
US	FOMC Meeting Minutes	Jun 14					19.00	4.00
<b>Thursday, 6 July 2017</b>								
AU	Trade Balance	May	-200	1000		555.0	2.30	11.30
GE	Factory Orders MoM/YoY	May		1.9		-2.1	7.00	16.00
GE	Markit Germany Construction PMI	Jun				55.3	8.30	17.30
US	Challenger Job Cuts YoY	Jun				71.4	12.30	21.30
EC	ECB account of the monetary policy meeting						12.30	21.30
US	ADP Employment Change	Jun		182.5		253.0	13.15	22.15
CA	Building Permits MoM	May		1		-0.2	13.30	22.30
CA	Int'l Merchandise Trade	May		-0.5		-0.4	13.30	22.30
US	Initial Jobless Claims	Jul 1		243		244.0	13.30	22.30
US	Trade Balance	May		-46.3		-47.6	13.30	22.30
US	Markit US Services PMI	Jun F		53		53.0	14.45	23.45
US	Bloomberg Consumer Comfort	Jul 2				48.6	14.45	23.45
US	Markit US Composite PMI	Jun F				53.0	14.45	23.45
US	ISM Non-Manf. Composite	Jun		56.5		56.9	15.00	0.00
US	Fed's Powell Speaks in Washington on Housing Finance Reform						15.00	0.00
EC	ECB's Weidmann, Nowotny Discuss Future of Euro						17.00	2.00
US	Fed's Fischer speaks on Government Policy and Labor Productivity						0.30	9.30
<b>Friday, 7 July 2017</b>								
AU	AiG Perf of Construction Index	Jun				56.7	0.30	9.30
JN	Labor Cash Earnings/Real Earnings YoY	May		0.4		0.5	1.00	10.00
JN	Leading Index CI	May P		104.5		104.2	6.00	15.00
GE	Industrial Production SA MoM/YoY	May		0.2		0.8	7.00	16.00
AU	Foreign Reserves	Jun				88.5	7.30	16.30
CH	Foreign Direct Investment YoY CNY	Jun				-3.7	7.35	16.35
UK	Halifax House Prices MoM/3M YoY	Jun		0.2		0.4	8.30	17.30
CH	Foreign Reserves	Jun		3060		3053.6	9.00	18.00
UK	Industrial Production MoM/YoY	May		0.3		0.2	9.30	18.30
UK	Manufacturing Production MoM/YoY	May		0.5		0.2	9.30	18.30
UK	Construction Output SA MoM/YoY	May		0.7		-1.6	9.30	18.30
UK	Trade Balance	May		-2500		-2050.0	9.30	18.30
UK	NIESR GDP Estimate	Jun				0.2	13.00	22.00
US	Change in Nonfarm Payrolls	Jun		177		138.0	13.30	22.30
US	Unemployment Rate	Jun		4.3		4.3	13.30	22.30
US	Average Hourly Earnings MoM/YoY	Jun		0.3		0.2	13.30	22.30
CA	Net Change in Employment/Unemployment	Jun		10		54.5	13.30	22.30
CA	Ivey Purchasing Managers Index SA	Jun		58		53.8	15.00	0.00
US	Fed publishes its July 2017 Monetary Policy Report to Congress						16.00	1.00
US	Baker Hughes US Rig Count/Oil Rigs	Jul 7				940	18.00	3.00
<b>Monday, 10 July 2017</b>								
CH	Foreign Direct Investment YoY CNY	Jun				-3.7		
JN	Machine Orders MoM/YoY	May				-3.1	0.50	9.50
JN	BoP Current Account Adjusted	May				1807.4	0.50	9.50
JN	Trade Balance BoP Basis	May				553.6	0.50	9.50
CH	CPI/PPI YoY	Jun		1.5		1.5	2.30	11.30
JN	Eco Watchers Survey Current SA	Jun				48.6	6.00	15.00
JN	Eco Watchers Survey Outlook SA	Jun				49.6	6.00	15.00
GE	Current Account Balance	May				15.1	7.00	16.00
EC	Sentix Investor Confidence	Jul				28.4	9.30	18.30
CH	New Yuan Loans/Aggregate Financing CNY	Jun		1300		1110	10-15 July release	
NZ	REINZ House Sales YoY	Jun				-18.4		
CA	Bloomberg Nanos Confidence	Jun 30				57.7	15.00	0.00
US	Labor Market Conditions Index Change	Jun				2.3		
US	Consumer Credit	May		15		8.2	20.00	5.00
<b>Tuesday, 11 July 2017</b>								
NZ	Card Spending Total MoM	Jun				-0.2	23.45	8.45
UK	BRC Sales Like-For-Like YoY	Jun				-0.4	0.10	9.10
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jul 9				114.5	0.30	9.30
AU	NAB Business Conditions/Confidence	Jun				12.0	2.30	11.30
AU	Home Loans/Investment Lending MoM	May				-1.9	2.30	11.30
JN	Machine Tool Orders YoY	Jun P				24.5	7.00	16.00
US	NFIB Small Business Optimism	Jun				104.5	11.00	20.00
CA	Housing Starts	Jun				194.7	13.15	22.15
US	JOLTS Job Openings	May				6044.0	15.00	0.00
US	Wholesale Trade Sales/Inventories MoM	May				-0.4	15.00	0.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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%		
Australia, RBA		1-Aug	1.50%	1.50%		1.50%		
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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