

MARKETS TODAY

Summer holiday



Good morning

It's been a very quiet start to the week, generally a night of consolidation for markets ahead of a calendar that sees the US earnings season unfold amid an array of central bankers meeting and speaking together with some data over the next 24-48 hours. There seems to have been much more interest in Wimbledon, while for those Tour tragics out there like me, it was a rest day.

There has been some buying interest in the Norwegian Kroner on the heels of a higher than expected CPI print for June released later in the APAC/early in the European session, headline inflation at 1.9% and underlying inflation at 1.6%. Inflation in Norway has been on a downward trajectory for over a year now, and remains well shy of the Norges 2.5% medium term target. Nevertheless, it did see a flurry of interest that's up by 0.32% overnight. The Norges Bank deposit rate sits at a very low 0.5%. It was as much interest that followed the manner of buying of the Canadian dollar over the past fortnight as a sign that Norway's central bank could be another to lift rates from emergency levels. Judged from this long distance away, there wouldn't seem to be a rush for Norway at this point, underlying inflation still well shy of the Norges Bank target and oil doing anything other than shooting the lights out at this point.

Into Wednesday's BoC meeting, buying interest in the CAD has continued even though the Canadian OIS rate market has dialled back expectations for Wednesday from 95% to 91%. Oil prices are marginally higher overnight, WTI trading with a low 44 handle amid some chatter about the extent of production cuts with a World Petroleum Conference in Turkey over the next few days. Kuwait and Russia have been saying overnight that Nigeria and Libya – that have been exempt from the OPEC cuts and increasing production in recent months - may attend the OPEC/non-OPEC meeting on July 24.

The latest weekly Oil Price Dynamics report from the NY Fed showed that weakening demand was behind lower prices in the past week, after expanding supply reduced oil prices in Q2. (They dissect price changes into demand and supply; you can read their report [here](#).) Interestingly over the past 2½ years, it's been a combination of lower demand and looser supply as both contributing to the declines in oil prices.

The researchers at the NY Fed have been busy as they also released their June 2017 Survey of Consumer Expectations (see it [here](#)) showing some improvement in the outlook for US consumer spending and earnings. There was a sharp rise in spending growth expectations, from 2.6% in May to 3.3%, even with no lift in expected household income growth, buoyed perhaps by the lowest gas price growth expectations since the start of last year. There was though a bounce-back in expected earnings growth from 2.2% to 2.5%, driven by those on

\$50k-\$100K, 2.5% being the top end of the range for the past 2½ years.

Price action in the AUD was muted overnight, but be aware iron ore and met coal had decent upside moves.

Coming up

On the data front during the APAC time zone today is NZ Card spending, the NAB Business Survey and the Statistician's Housing Finance approvals. No hints as usual with the NAB Survey other than to remind you that it's been relatively upbeat of late.

Then it's back to a mini-fest of CB talk today and overnight. The Fed's John Williams kicks things off with his speech to the Australian Business Economists in Sydney today. While this is a repeat of his talk the week before last in Sydney on the US economy and monetary policy, there could be some further reflections in the aftermath of Friday's payrolls report. If so, we'd expect that to be neutral to supportive for the USD, pointing as it did to another month of job gains, eating further into a shrinking pool of available labour even if it's been so far without a material kick up in earnings growth.

Tonight first up is BoE Chief Economist Andy Haldane (recent comments: future rate rises would be "limited and gradual"; interest rates policy should be set to prevent entrenched inflation; weak pay growth has repeatedly surprised the BOE). Then BoE Deputy Governor, Monetary Policy Ben Broadbent is speaking. The market continues to sift through the varying (turning?) economic reports and accompanying BoE thinking after the split decision in June and until relatively recent times, the outperformance of economic indicators. Friday's data add a little more to the emerging turning down trend. Tomorrow night's labour market/ earnings report could yet be more telling, pointing as it has of late to slower earnings growth.

The ECB's Coeure is giving some opening remarks at a FX conference, perhaps with little of market interest. More likely though, Fed Governor Lael Brainard's speech on Monetary Policy in New York will draw more interest ahead of Yellen's testimony tomorrow night. She's definitely on the cautious/less strident camp as far as monetary policy is concerned: may reassess the path of policy; soft inflation may warrant rate rethink if it persists; Fed is not far from neutral interest rate. It's hard to see her views as having been modified too much from that end of the policy spectrum.

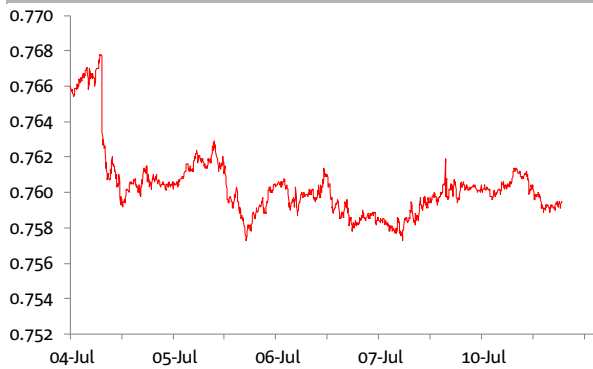
Overnight

On global stock markets, the S&P 500 was +0.09%. Bond markets saw US 10-years -1.26bp to 2.37%. In commodities, Brent crude oil +0.77% to \$47.07, gold+0.3% to \$1,214, iron ore +2.0% to \$64.05, steam coal -0.2% to \$82.35, met. coal +6.0% to \$168.00. AUD is at 0.7605 and the range since yesterday 5pm Sydney time is 0.7587 to 0.7615.

David de Garis, Director, Economics

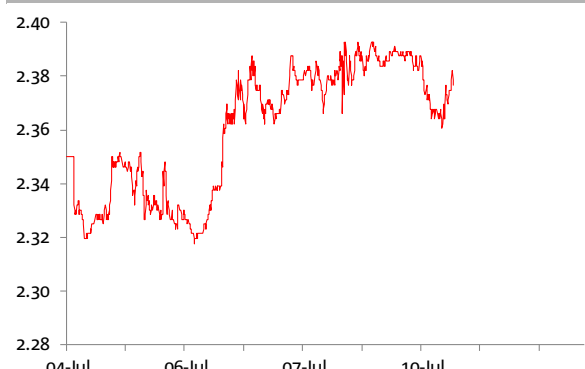
Markets

AUD/USD - past week



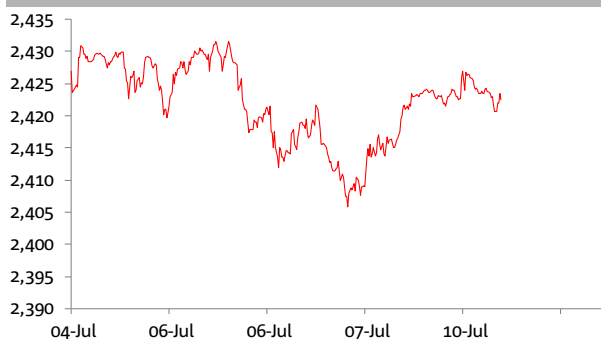
Source: Bloomberg.

US 10yr - past week



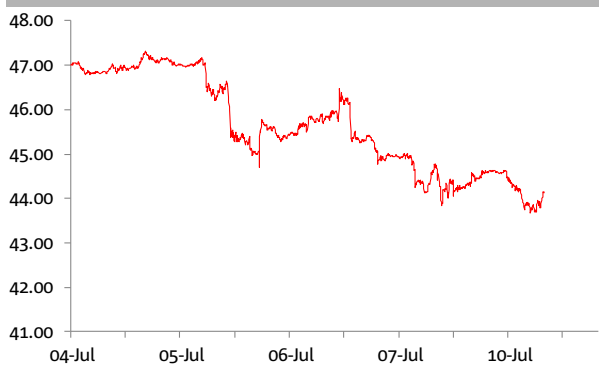
Source: Bloomberg.

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	0.7605	0.1	0.7587	0.7615	HKD	7.8127	0.0
NZD	0.7276	0.0	0.7251	0.7289	CNY	6.8017	0.0
EUR	1.1399	-0.1	1.1322	1.1422	SGD	1.3848	0.3
GBP	1.2881	-0.1	1.2845	1.2911	IDR	13,397	-0.1
JPY	114.04	0.3	113.58	114.31	THB	34.13	0.1
CAD	1.2890	-0.7	1.2866	1.2933	KRW	1,149	-0.4
AUD/EUR	0.6672	0.2	0.6654	0.6677	TWD	30.57	0.0
AUD/JPY	86.73	0.4	86.39	86.93	PHP	50.88	0.4
AUD/GBP	0.5907	0.3	0.5882	0.5918	CHF	0.97	0.3
AUD/NZD	1.0452	0.1	1.0413	1.0487	SEK	8.43	-0.1
AUD/CNH	5.1730	0.2	5.1644	5.1787			

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.31	1.64	2.34	USD 10	2.37	-1.26
AUD	1.50	1.70	1.95	2.93	AUD 10	2.74	0.90
NZD	1.75	1.98	2.31	3.40	NZD 10	3.03	0.60
EUR	0.00	-0.33	-0.12	0.96	CAD 10	1.89	1.00
GBP	0.25	0.30	0.66	1.35	EUR 10	0.54	-3.30
JPY	-0.06	0.00	0.06	0.30	GBP 10	1.27	-3.70
CAD	0.50	1.18	1.50	2.20	JPY 10	0.09	0.70

Equities

Major Indices			
	Last	% day	% y/y
Dow	21,409	-0.03	18.0
S&P 500	2,427	0.09	14.0
Nasdaq	6,176	0.38	24.6
VIX	11.11	-0.71	-15.8
FTSE	7,370	0.3	11.8
DAX	12,446	0.5	29.2
CAC 40	5,166	0.4	23.3
Nikkei	20,081	0.8	27.8
Shanghai	3,213	-0.2	7.3
Hang Seng	25,500	0.6	22.1
ASX 200	5,724	0.4	7.3

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.25	0.00
3 Yr bond	97.8	0.00
10 Yr bond	97.27	-5.00
3/10 sprd	0.53	5.00
SPI	5676.0	-25.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	47.07	0.8
Oil (WTI)	44.55	0.7
Oil (Tapis)	46.60	-1.5
Gold	1213.70	0.3
CRB	172.74	0.1
GS Metals	323.2	-0.6
Aluminium	1886.0	-1.8
Copper	5799.0	-0.1
Nickel	8957.5	0.9
Zinc	2779.3	-0.5
Ch. steel	3463.0	2.2
Iron ore	64.1	2.0
St. Coal	82.4	-0.2
Met.coal	168.0	6.0
Wheat Chic.	574.0	2.9
Sugar	13.6	-4.2
Cotton	67.7	-10.1
Coffee	128.6	-0.2
Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-0.2	-1.0%
FED	0	0.0%

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
Monday, 10 July 2017								
GE	Current Account Balance	May		15.4		15.1	7.00	16.00
EC	Sentix Investor Confidence	Jul		28.05		28.4	9.30	18.30
CH	New Yuan Loans/Aggregate Financing CNY	Jun		1300		1110	10-15 July release	
EC	ECB's Draghi, Coeure, and Nouy participate in a Eurogroup meeting in Brussels. Timing to be determined							
TU	World Petroleum Congress In Istanbul, though July 13							
CA	Bloomberg Nanos Confidence	Jul 7				58.4	15.00	0.00
US	Labor Market Conditions Index Change	Jun				2.3		
US	Consumer Credit	May		13.5		8.2	20.00	5.00
Tuesday, 11 July 2017								
NZ	Card Spending Total MoM	Jun	0.4			-0.2	23.45	8.45
UK	BRC Sales Like-For-Like YoY	Jun		0.5		-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	1.2	1.5		-1.9	2.30	11.30
US	Fed's Williams Speaks in Sydney; reprises Jun 26 speech "Speed Limits and Stall Speeds: Fostering Sustainable Growth in the United States"						4.05	13.05
JN	Machine Tool Orders YoY	Jun P				24.5	7.00	16.00
EC/IMF	IMF's Lagarde and Euro finance ministers and CB Governors at conference in Dubrovnik, Croatia							
US	NFIB Small Business Optimism	Jun		104.4		104.5	11.00	20.00
EC	ECB's Coeure gives opening remarks at FX Contact Group meeting						13.00	22.00
CA	Housing Starts	Jun		200		194.7	13.15	22.15
US	JOLTS Job Openings	May				6044.0	15.00	0.00
US	Wholesale Trade Sales/Inventories MoM	May		/0.3		-0.4/0.3	15.00	0.00
US	Fed's Brainard Speaks on Monetary Policy in New York: "Normalizing Central Banks' Balance Sheets"						17.00	2.00
Wednesday, 12 July 2017								
NZ	ANZ Truckometer Heavy MoM	Jun				4.1	23.00	8.00
JN	PPI MoM/YoY	Jun		0/2		0.0/2.1	0.50	9.50
AU	Westpac Consumer Conf Index/MoM	Jul		/		96.2/-1.8	1.30	10.30
JN	Tertiary Industry Index MoM	May		-0.5		1.2	5.30	14.30
UK	Jobless Claims Change	Jun				7.3	9.30	18.30
UK	Average Weekly Earnings/Ex Bonus 3M/YoY	May		1.8/1.9		2.1/1.7	9.30	18.30
UK	Employment Change/LO Unemployment Rate 3M/3M	May		120/4.6		109.0/4.6	9.30	18.30
EC	Industrial Production SA MoM/YoY	May		1/3.5		0.5/1.4	10.00	19.00
US	Fed Releases Chair Yellen's testimony to Congress						13.30	22.30
CA	Teranet/National Bank HPI MoM/YoY	Jun		/		2.2/13.9	13.30	22.30
CA	Teranet/National Bank HP Index	Jun				210.9	13.30	22.30
US	Yellen testifies before U.S. House						15.00	0.00
CA	Bank of Canada Rate Decision/Monetary Policy Report	Jul 12		0.75		0.50	15.00	0.00
CA	BOC's Poloz and Wilkins Hold Press Conference in Ottawa						16.15	1.15
US	U.S. Federal Reserve Releases Beige Book						19.00	4.00
US	Fed's George Speaks in Denver on the Economic Outlook						19.15	4.15
Thursday, 13 July 2017								
NZ	Food Prices MoM	Jun	0.3			2.4	23.45	8.45
UK	RICS House Price Balance	Jun		15		17.0	0.10	9.10
NZ	ANZ Consumer Confidence Index/MoM	Jul		/		127.8/3.1	2.00	11.00
AU	Consumer Inflation Expectation	Jul				3.6	2.00	11.00
JN	Tokyo Avg Office Vacancies	Jun				3.4	3.00	12.00
CH	Trade Balance CNY	Jun		275.1		281.6	4.30	13.30
CH	Exports/Imports YoY CNY	Jun		14.6/22.3		15.5/22.1	4.30	13.30
CH	Trade Balance	Jun		43		40.8	4.33	13.33
CH	Exports/Imports YoY	Jun		9/14.4		8.7/14.8	4.33	13.33
UK	Bank of England Credit Conditions & Bank Liabilities Surveys						9.30	18.30
GE	CPI MoM/YoY	Jun F		0.2/1.6		0.2/1.6	7.00	16.00
GE	CPI EU Harmonized MoM/YoY	Jun F		0.2/1.5		0.2/1.5	7.00	16.00
CA	New Housing Price Index MoM/YoY	May		0.4/3.5		0.8/3.9	13.30	22.30
US	PPI Final Demand MoM/YoY	Jun		0/1.9		0.0/2.4	13.30	22.30
US	PPI Ex Food and Energy MoM/YoY	Jun		0.2/2		0.3/2.1	13.30	22.30
US	PPI Ex Food, Energy, Trade MoM/YoY	Jun		0.2/		-0.1/2.1	13.30	22.30
US	Initial Jobless Claims	Jul 8		245		248.0	13.30	22.30
US	Bloomberg Consumer Comfort	Jul 9				48.5	14.45	23.45
US	Fed Chair Yellen Testifies Before Senate Banking Panel						15.00	0.00
US	CBO release its analysis of President Trump's fiscal year 2018 Budget						16.00	1.00
US	Fed's Evans Speaks on current economic and monetary policy at Rocky Mountain Summit in Victor, Idaho						16.30	1.30
US	Fed's Brainard Speaks in Cambridge, Mass.							3.00
US	Monthly Budget Statement	Jun		-20		-88.4	19.00	4.00
Friday, 14 July 2017								
NZ	BusinessNZ Manufacturing PMI	Jun				58.5	23.30	8.30
JN	Industrial Production MoM/YoY	May F		/		-3.3/6.8	5.30	14.30
EC	Trade Balance SA	May		20.2		19.6	10.00	19.00
US	CPI MoM/YoY	Jun		0.1/1.7		-0.1/1.9	13.30	22.30
US	CPI Ex Food and Energy MoM/YoY	Jun		0.2/1.7		0.1/1.7	13.30	22.30
US	Retail Sales Advance MoM	Jun		0.1		-0.3	13.30	22.30
US	Retail Sales Ex Auto and Gas/Control Group	Jun		0.4/0.3		0.0/0.0	13.30	22.30
US	Industrial/Manufacturing Production MoM	Jun		0.3/0.2		0.0/-0.4	14.15	23.15
US	Fed's Kaplan Speaks in Mexico City						14.30	23.30
US	U. of Mich. Sentiment/5-10 Yr Inflation	Jul P		95/		95.1/2.5	15.00	0.00
US	Business Inventories	May		0.3		-0.2	15.00	0.00
US	Baker Hughes US Rig Count/Oil Rigs	Jul 14		/		952/763	18.00	3.00
Upcoming Central Bank Interest Rate Announcements								
Canada, BoC		13-Jul	0.75%	0.75%		0.50%		
Japan, Bol		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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