

# MARKETS TODAY

*I love it*



## Good morning

Donald Trump Junior's Russian email saga provided a bit of volatility to the overnight session and Sneaky Sound System was the inspiration for today's title. Trump's eldest son released an email chain in which he said he would welcome ("love it") the possibility of Russia helping his father's campaign via compromising information about Hillary Clinton. The S&P500 index sold off on the news, falling more than 0.5%, but it recovered almost all of its losses in the second half of the overnight session. The email news triggered a rally in US treasuries and the dollar was weaker against most currencies. In other news, Fed Governor Brainard reiterated her views for a cautious approach on future rate hikes and noted that she would "soon" be ready to support the Fed's plan to reduce its balance sheet. How soon remains one of the key questions for markets.

After the initial risk off move, courtesy of Trump Junior's email trail, US equities ended the day little changed with technology shares the highlight helping the NASDAQ closed the day +0.29%. On the other side of the Atlantic, Europe was unable to follow the positive lead from Asia with all major European equity indices down between -0.20% and 0.78% on the day.

On first impressions reaction to Trump Junior's email appears to have had a more lasting effect on US Treasury yields and the USD. Prior to the email chain release, 10y UST yields were trading at 2.39% with the intraday chart showing a steady decline towards 2.36% over the course of the night. Flows, a strong 3 year auction and Brainard's cautious take on future rate hikes also contributed to the move lower in yields.

The intraday chart for the USD index (DXY) also shows a steady decline throughout the overnight session (-0.55%), largely reflecting the outperformance of US rates relative to Europe (10y Bunds ended the day 1bps higher at 0.546%) and also a recovery in commodity link currencies aided by gains in oil (+2%/3%), iron ore (+2.2%) and copper 0.9%.

Looking at the G10 leader board, EUR is leading the pack, up 0.58% on the day and currently trading at 1.1465. A weekly close above 1.1450 would open the door for another leg higher for the cross. We expect EUR to trade up towards 1.17 in Q3, thus breaking the rough 1.05-1.15 two and a half-year range amid a structural re-rating.

After trading to an overnight low of 0.7605, the AUD has staged a decent recovery reaching an overnight high of 0.7643 and settling around 0.7640 currently. As noted above, in addition to a softer USD, commodities have had a decent night with iron ore up for a third consecutive day (\$65.40).

After coming under pressure yesterday, NZD has also managed to reverse some of its losses thanks to a softer dollar and uplift in commodities. The kiwi traded lower

yesterday amid softer card transactions data for June, followed by a soft reading for the ANZ monthly inflation gauge. This monthly data releases don't often elicit a reaction by the currency, but with speculative positions at a 4 year high, the softer data provided good cover to reduce those positions. NZD now trades at 0.7225.

Lastly as we are about to press the send button, Politico reports that Cohn is said to be top candidate to replace Fed Chair Yellen. Cohn would be the first Fed chair in four decades who isn't an economist. Cohn does not have a track record on monetary policy. But he is viewed as closer to Yellen's preference for gradual rate hikes.

## Coming Up

This morning Australia gets its Monthly Consumer Confidence reading and it will be interesting to see if the divergence between business and consumer confidence, which has been in place since 2014, shows any signs of narrowing.

UK labour market statistics are today's data highlight in Europe. The market is looking for the unemployment rate to remain unchanged at 4.6%, but perhaps more importantly the average weekly earnings reading is expected to decline to 1.8% 3M/YoY from 2.1% previously. CPI in the UK is running at 2.9% yoy so today's data releases are likely to confirm UK wages declined both in real and nominal terms in May. If so, the data will also provide some ammunition to the hawks within the BoE.

Also out today, the Eurozone releases its industrial production figures for May and following positive releases from France, Germany and Spain, the market is looking for a solid 1% monthly print, up from 0.5% in April.

Tonight Bank of Canada is likely to be the first major central bank to follow the Fed in lifting its policy rate (midnight Sydney time). A month ago the OIS market was pricing a 90% chance for a 25bps hike in March 2018, since then however signalling from deputy Governor Wilkins and Governor Poloz alongside better than expected data releases have cemented expectations for the BoC to normalise its policy rate. Now the market is not only fully priced for a hike this week (93%), another hike in December is also essentially fully priced. USD/CAD is four big figures lower in the past month, so a lot is already in the price suggesting there is a risk the BoC does a dovish hike and USD/CAD moves higher.

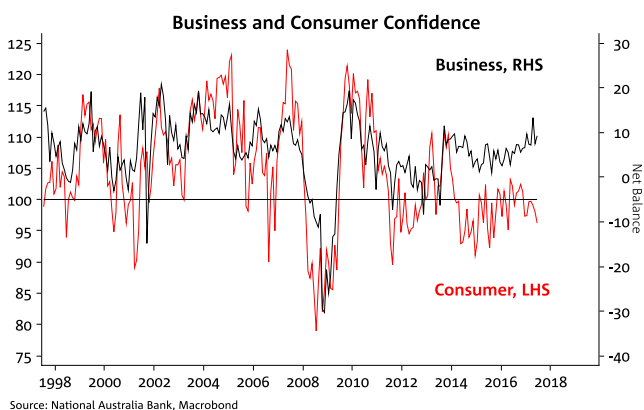
Moving on to the US, the Fed will publish Chair Yellen's testimony to Congress (22:30 Sydney time) and then she testifies before the House Financial Services Committee at midnight. We expect the key message to remain unchanged, Fed to hike again later in H2-17 and B/S shrinkage to begin sometime over the coming months. The Beige book is released early tomorrow morning and the market will be looking for any anecdotal evidence of

upward pressure on wages particularly in regions with low unemployment levels. Also tomorrow morning Fed George speaks in Denver on the economic outlook and the Fed's balance sheet.

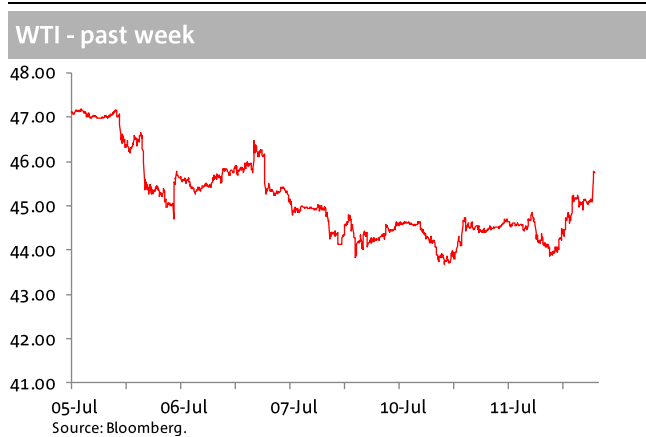
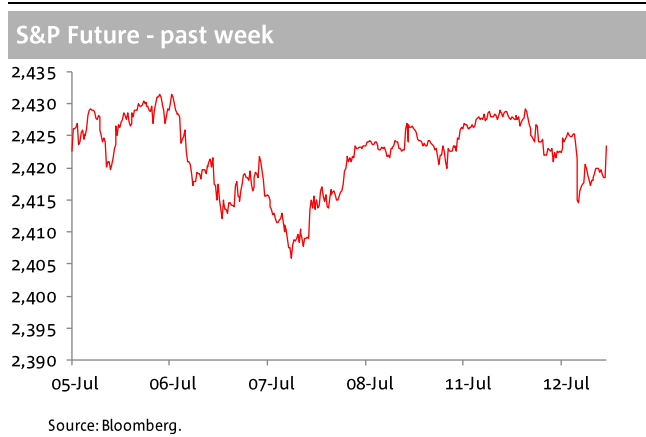
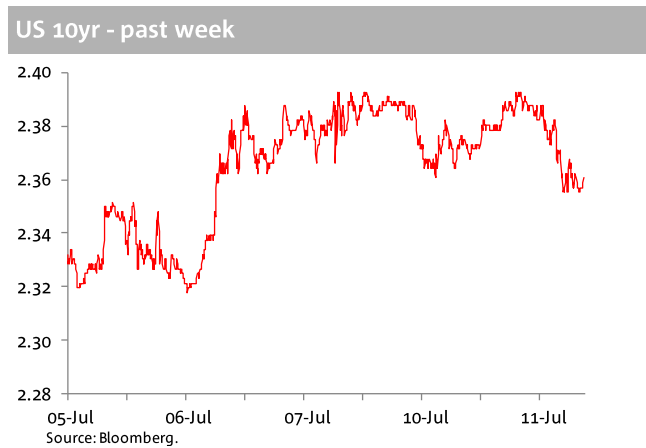
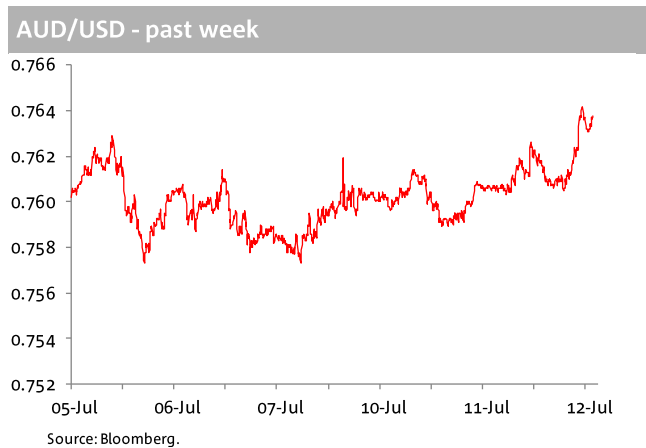
### Overnight

On global stock markets, the S&P 500 was -0.08%. Bond markets saw US 10-years -1.25bp to 2.36%. In commodities, Brent crude oil +2.62% to \$48.11, gold+0.3% to \$1,217, iron ore +2.1% to \$65.40, steam coal +1.2% to \$83.35, met. coal -0.9% to \$166.50. AUD is at 0.7637 and the range since yesterday 5pm Sydney time is 0.7603 to 0.7643.

### Chart of the day: Confidence divergence



# Markets



Foreign Exchange				
Indicative 24hr ranges (**)				
	Last	% chge	Low	High
AUD	0.7637	0.4	0.7603	0.7643
NZD	0.7226	-0.7	0.7202	0.7279
EUR	1.1465	0.6	1.1383	1.1480
GBP	1.2850	-0.2	1.2831	1.2927
JPY	113.94	-0.1	113.72	114.49
CAD	1.2921	0.2	1.2885	1.2944
AUD/EUR	0.6662	-0.2	0.6651	0.6697
AUD/JPY	87.03	0.3	86.73	87.27
AUD/GBP	0.5944	0.6	0.5889	0.5948
AUD/NZD	1.0569	1.1	1.0449	1.0576
AUD/CNH	5.1770	0.1	5.1744	5.1964

Other FX				
	Last	% chge		
HKD	7.8125	0.0		
CNY	6.8025	0.0		
SGD	1.3820	-0.2		
IDR	13,390	-0.1		
THB	34.09	-0.1		
KRW	1,151	0.2		
TWD	30.57	0.0		
PHP	50.75	-0.1		
CHF	0.96	-0.2		
SEK	8.40	-0.3		

Interest Rates							
	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.30	1.63	2.31	USD 10	2.36	-1.25
AUD	1.50	1.70	1.96	2.93	AUD 10	2.75	1.00 0.39
NZD	1.75	1.97	2.31	3.41	NZD 10	3.03	-0.40 0.67
EUR	0.00	-0.33	-0.12	0.96	CAD 10	1.86	-3.30 -0.50
GBP	0.25	0.30	0.65	1.34	EUR 10	0.55	1.00 -1.81
JPY	-0.05	-0.01	0.06	0.31	GBP 10	1.28	0.70 -1.09
CAD	0.50	1.19	1.46	2.18	JPY 10	0.10	0.20 -2.26

Equities				
Major Indices				
	Last	% day	% y/y	
Dow	21,409	0.00	17.5	
S&P 500	2,426	-0.08	13.5	
Nasdaq	6,193	0.27	24.1	
VIX	10.89	-1.98	-19.6	
FTSE	7,330	-0.5	9.7	
DAX	12,437	-0.1	26.5	
CAC 40	5,141	-0.5	20.5	
Nikkei	20,195	0.6	25.5	
Shanghai	3,203	-0.3	5.0	
Hang Seng	25,878	1.5	21.9	
ASX 200	5,729	0.1	7.0	

Commodities*		
	Last	% day
Oil (Brent)	48.11	2.6
Oil (WTI)	45.76	3.1
Oil (Tapis)	46.68	0.2
Gold	1217.00	0.3
CRB	173.92	0.7
GS Metals	325.2	0.6
Aluminium	1886.8	0.0
Copper	5849.5	0.9
Nickel	9087.0	1.4
Zinc	2820.5	1.5
Ch. steel	3594.0	4.5
Iron ore	65.4	2.1
St. Coal	83.4	1.2
Met.coal	166.5	-0.9
Wheat Chic.	553.0	0.5
Sugar	13.4	-0.9
Cotton	68.2	0.6
Coffee	126.9	-1.3

Overnight Futures		
	Last	Chge*
Australia		
3 mth bill	98.25	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.26	0.00
3/10 sprd	0.54	3.00
SPI	5670.0	7.0

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-1.0	-4.0%
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, 12 July 2017</b>								
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
<b>Thursday, 13 July 2017</b>								
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
<b>Friday, 14 July 2017</b>								
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
<b>Monday, 17 July 2017</b>								
CH	Foreign Direct Investment YoY CNY	Jun				-4	Jun 8-18 release	
NZ	Performance Services Index	Jun				59	23.30	8.30
UK	Rightmove House Prices MoM/YoY	Jul		/		0/2	0.10	9.10
CH	Retail Sales YoY/YTD YoY	Jun		10.6/10.3		11/10	3.00	12.00
CH	Industrial Production YoY/YTD YoY	Jun		6.5/6.6		7/7	3.00	12.00
CH	Fixed Assets Ex Rural YTD YoY	Jun		8.5		9	3.00	12.00
CH	GDP SA QoQ/YoY	2Q		1.7/6.8		1/7	3.00	12.00
CH	GDP YTD YoY	2Q		6.8		7	3.00	12.00
CA	Int'l Securities Transactions	May				11	13.30	22.30
US	Empire Manufacturing	Jul		15		20	13.30	22.30
CA	Existing Home Sales MoM	Jun				-6	14.00	23.00
CA	Bloomberg Nanos Confidence	Jul 7				58	15.00	0.00
<b>Tuesday, 18 July 2017</b>								
NZ	CPI QoQ/YoY	2Q				1	23.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jul 9				115	0.30	9.30
AU	New Motor Vehicle Sales MoM/YoY	Jun		/		3/5	2.30	11.30
CH	Property Prices	Jun					2.30	11.30
AU	RBA July Rate Meeting Minutes						2.30	11.30
NZ	Non Resident Bond Holdings	Jun				61	4.00	13.00
EC	ECB Bank Lending Survey						9.00	18.00
EC	ECB Survey of Professional Forecasters						9.00	18.00
UK	CPI MoM/YoY	Jun		/		0/3	9.30	18.30
UK	CPIH YoY/Core YoY	Jun		/		3/3	9.30	18.30
UK	PPI Input NSA MoM/YoY	Jun		/		-1/12	9.30	18.30
UK	PPI Output NSA MoM/YoY	Jun		/		0/4	9.30	18.30
UK	PPI Output Core NSA MoM/YoY	Jun		/		0/3	9.30	18.30
UK	House Price Index YoY	May				6	9.30	18.30
EC	CPI MoM/YoY	Jun		/		0/1	10.00	19.00
EC	CPI Core YoY	Jun F		/		1	10.00	19.00
GE	ZEW Survey Current Situation/Expectations	Jul		/		88/19	10.00	19.00
EC	ZEW Survey Expectations	Jul		/		38	10.00	19.00
US	Import Price Index MoM/YoY	Jun		-0.1/		0/2	13.30	22.30
US	Import Price Index ex Petroleum MoM	Jun				0	13.30	22.30
US	Export Price Index MoM/YoY	Jun		0.1/		-1/1	13.30	22.30
US	NAHB Housing Market Index	Jul		68		67	15.00	0.00
US	Net Long-term/Total TIC Flows	May		/		2/66	21.00	6.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
Canada, BoC		13-Jul	0.75%	0.75%		0.50%		
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%				
UK BOE		3-Aug				0.25%		
New Zealand, RBNZ		10-Aug	1.75%	1.75%				

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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