

MARKETS TODAY

Oranges and Lemons



Good morning

The ancient English nursery rhyme was used allegorically in George Orwell's 1984 to foreshadow the death of true knowledge (and so the advent of fake news, some 50 years before the Simpsons in 2001 foretold of Donald Trump's ascendancy to the US Presidency). This isn't the reason for today's title. Rather, it's due to the potential destruction of much of this year's Florida citrus crop as Storm Irma threatens to make landfall in southern Florida this weekend. Orange juice futures are limit up in Chicago and one investment analyst is suggesting a damage bill from Irma that could top \$130bn. Insurance stocks has been hit particularly hard, contributing to a fall of +/- 1% in the main US indices.

The immediate relevance of this for markets is that the US Federal Emergency Management Agency (FEMA) has said it will run out of money by Friday and so be unable to dole out cash related to Irma or the emergency aid required in Texas and other states as a result of Hurricane Harvey. Senate Republicans are to bring a bill to the Senate on Wednesday to fund FEMA and say it will attach a debt limit bill to the proposed legislation. If it succeeds - though it will have to then pass in the House - it could then go some way to reversing one current source of downward pressure on the US dollar via ever-falling US bond yields which at 10 years have now dropped to their lowest level since November 11th last year. This is why AUD/USD has poked its nose back above 80 cents overnight (high of 0.8028, 0.7996 as I write). The NZD has for the first time in a while outperformed the AUD, helped in part by a positive result for the latest Global Dairy Trade auction (+0.3%). The kiwi has even pipped the yen to the top of the G10 leader board, though gold continues to be the more obvious beneficiary of safe haven concerns related to North Korea than fiat currencies.

That said, there are so many moving parts to the US yields story at the moment there is no guarantee that other influences, including further scaling back of Fed tightening expectations, won't continue to keep the US dollar pressured in coming days and weeks. Overnight, we've had Minneapolis Fed President Neel Kashkari saying that Fed rate hikes to date may have done real harm to the economy and Fed Board member Lael Brainard remarking that not only should the Fed be cautious about tightening policy further until the Fed is confident inflation is back on track, but also that the Fed would be comfortable with inflation moving modestly above target for a time. Brainard acknowledged the easing in financial conditions, but then said that Fed policy should not be the first line of defence against the build-up of financial imbalances.

The doves are in the ascendancy as the moment and it's futile to fight them, albeit we think the picture could look quite different by the time the FOMC convenes for its last meeting of the year in December.

Ray Attrill, Head of FX strategy

RBA Governor Phil Lowe spoke last night and elaborated on the post-Board meeting statement. He expressed optimism that there will ultimately be a cyclical rise in wages as the labour market improves, but stressed it will be a while before we are closer to full employment and inflation close to the mid-point of the 2-3% target. The next move in rates should be up, but not for a while. Lowe re-iterated that an appreciating AUD is unhelpful.

Coming Up

A busy day ahead both locally and internationally. Here, Q2 GDP is due at 11:30 AEST followed an hour later by a speech from the RBA's head of economic analysis Alex Heath (in Tasmania). NAB and market estimates for GDP were lifted after yesterday's stronger than expected ABS estimate for the net export contribution to GDP (+0.3 percentage points) as well as stronger than expected figures for government investment and consumption (latter together seen contributing as much as 0.5% to quarterly growth).

Both NAB and the market consensus is now at 0.9% (latter up from 0.8% pre-partials, NAB from 0.6%). Prior to the partials, the range of market estimates was 0.5-1.0%; now it is 0.6-1.3%, suggesting that a print to the upside of the consensus would be less surprising than a downside outcome. NAB economists agree. If GDP can print at 1% or higher, Australia will be joining the likes of Canada, Japan, Sweden and Norway among the G10 economies to have produced 4%+ annualised growth in Q2 - tangible evidence of both an acceleration and broadening in global growth. For markets, a 1% or stronger print would likely see the currency and local yields higher on the day.

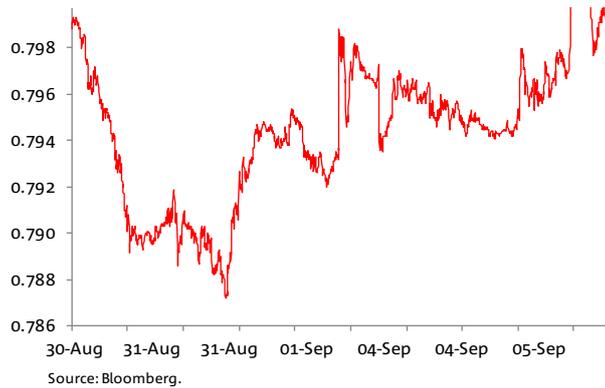
Internationally, the US non-manufacturing ISM release is the data highlight, with market consensus for 55.5 from 53.9 and which follows the upside surprise in the manufacturing version last Friday. We also get the Beige Book ahead of the Sep 19/20 FOMC meeting - what sign of rising wage pressures? North of the 49th parallel, there's keen interest in the Bank of Canada's latest policy decision, with markets attaching a slightly greater than 50% chance of a quarter point rise (from 0.75% to 1.0%). A rise is fully discounted for the October 25th meeting, which we think is the more likely date for a next move. But we wouldn't be terribly surprised by a move tonight, in which case the recent downtrend in AUD/CAD would take another leg lower.

Overnight

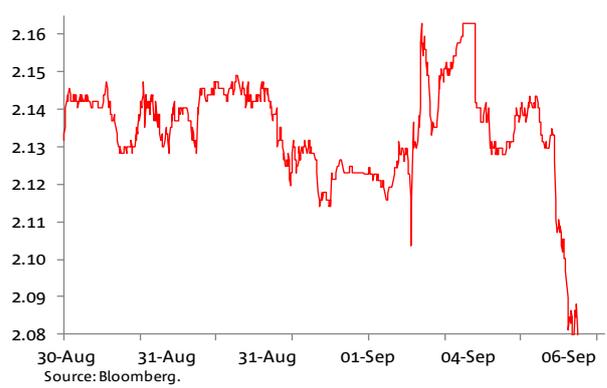
On global stock markets, the S&P 500 was -0.76%. Bond markets saw US 10-years -9.92bp to 2.07%. In commodities, Brent crude oil +1.62% to \$53.19, gold+1.1% to \$1,341, iron ore +0.7% to \$78.39, steam coal +0.9% to \$97.80, met. coal -2.4% to \$202.00. AUD is at 0.7996 and the range since yesterday 5pm Sydney time is 0.7942 to 0.8028.

Markets

AUD/USD - past week



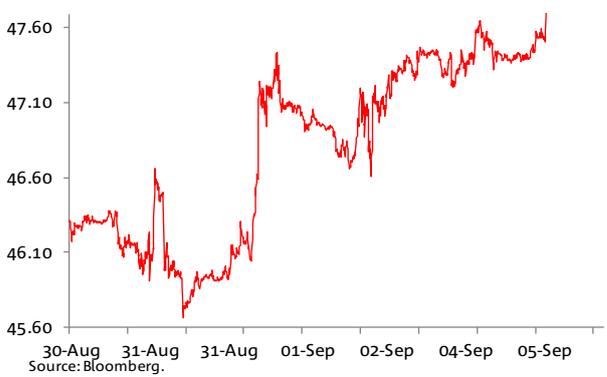
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7993	0.6	0.7942	0.8028	HKD	7.8259 0.0
NZD	0.7236	1.0	0.7158	0.7264	CNY	6.5388 0.1
EUR	1.1913	0.1	1.1868	1.1941	SGD	1.3531 -0.3
GBP	1.3029	0.8	1.2909	1.3042	IDR	13,338 0.0
JPY	108.84	-0.8	108.63	109.83	THB	33.16 0.0
CAD	1.2387	-0.2	1.2336	1.2418	KRW	1,131 -0.2
AUD/EUR	0.671	0.5	0.6676	0.6740	TWD	30.07 0.1
AUD/JPY	86.99	-0.2	86.73	87.62	PHP	51.12 -0.1
AUD/GBP	0.6135	-0.1	0.6128	0.6179	CHF	0.96 -0.3
AUD/NZD	1.1045	-0.4	1.1028	1.1131	SEK	7.97 0.1
AUD/CNH	5.2409	0.9	5.1820	5.2329		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.32	1.51	2.02	USD 10	2.07	-9.92
AUD	1.50	1.73	1.94	2.79	AUD 10	2.68	5.10 0.61
NZD	1.75	1.95	2.16	3.12	NZD 10	2.85	1.30 0.78
EUR	0.00	-0.33	-0.21	0.75	CAD 10	1.86	-5.40 -0.21
GBP	0.25	0.28	0.52	1.09	EUR 10	0.34	-2.80 -1.73
JPY	-0.06	-0.03	0.01	0.19	GBP 10	1.03	-3.10 -1.04
CAD	0.75	1.37	1.70	2.16	JPY 10	0.01	1.50 -2.06

Equities

Major Indices	Last	% day	% y/y
	Dow	21,753	-1.07
S&P 500	2,458	-0.76	12.7
Nasdaq	6,376	-0.93	21.4
VIX	12.44	22.80	3.9
FTSE	7,373	-0.5	7.2
DAX	12,124	0.2	13.6
CAC 40	5,087	-0.3	12.0
Nikkei	19,386	-0.6	13.5
Shanghai	3,384	0.1	9.5
Hang Seng	27,741	0.0	16.6
ASX 200	5,706	0.1	5.4

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.24	3.00
3 Yr bond	97.8	3.00
10 Yr bond	97.38	5.50
3/10 sprd	0.42	-2.50
SPI	5667.0	13.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	53.19	1.6
Oil (WTI)	48.57	2.7
Oil (Tapis)	52.59	-0.1
Gold	1341.30	1.1
CRB	182.34	0.8
GS Metals	369.8	-0.6
Aluminium	2079.5	-1.2
Copper	6873.0	-0.3
Nickel	12030.0	-1.4
Zinc	3141.0	-2.0
Ch. steel	4064.0	-0.8
Iron ore	78.4	0.7
St. Coal	97.8	0.9
Met.coal	202.0	-2.4
Wheat Chic.	443.0	1.0
Sugar	14.0	2.0
Cotton	75.3	3.7
Coffee	127.9	-0.9

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-0.2	-1.0%
FED	-1	-2.8%

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
Wednesday, 6 September 2017								
NZ	ANZ Job Advertisements MoM	Aug				-1.0	23.00	8.00
US	Fed's Kaplan Speaks in Dallas						0.00	9.00
JN	Labor Cash/Real Earnings YoY	Jul		0.5/0		-0.4/-0.8	1.00	10.00
AU	GDP SA QoQ/YoY	2Q	0.6/1.6	0.8/1.8		0.3/1.7	2.30	11.30
AU	RBA's Heath Gives Speech in Tasmania						3.30	12.30
GE	Factory Orders MoM/YoY	Jul		0.2/5.8		1.0/5.1	7.00	16.00
CA	Labor Productivity QoQ	2Q				1.4	13.30	22.30
CA	Int'l Merchandise Trade	Jul		-3.3		-3.6	13.30	22.30
US	Trade Balance	Jul		-44.6		-43.6	13.30	22.30
US	Markit US Services PMI	Aug F		56.9		56.9	14.45	23.45
CA	Bank of Canada Rate Decision	Sep 6		0.75		0.8	15.00	0.00
US	ISM Non-Manf. Composite	Aug		55.5		53.9	15.00	0.00
US	U.S. Federal Reserve Releases Beige Book						19.00	4.00
Thursday, 7 September 2017								
AU	AIG Perf of Construction Index	Aug				60.5	0.30	9.30
AU	Retail Sales MoM	Jul		0.2		0.3	2.30	11.30
AU	Trade Balance	Jul	1500	1000		856.0	2.30	11.30
JN	Tokyo Avg Office Vacancies	Aug				3.2	3.00	12.00
JN	Leading Index Cl	Jul P		105.1		105.9	6.00	15.00
GE	Industrial Production SA MoM/YoY	Jul		0.6/4.6		-1.1/2.4	7.00	16.00
UK	Halifax House Prices MoM/3m YoY	Aug		0.2/2.1		0.4/2.1	8.30	17.30
CH	Foreign Reserves	Aug				3080.7	9.25	18.25
EC	ECB Main Refinancing/Deposit Facility Rate	Sep 7		0/-0.4		0.0/-0.4	12.45	21.45
EC	ECB Marginal Lending Facility/Asset Purchase Target	Sep 7		0.25/60		0.3/60.0	12.45	21.45
CA	Building Permits MoM	Jul		-1		2.5	13.30	22.30
US	Initial Jobless Claims	Sep 2		242		236.0	13.30	22.30
US	Nonfarm Productivity/Unit Labour costs	2Q F		1.2/0.35		0.9/0.6	13.30	22.30
US	Bloomberg Consumer Comfort	Sep 3				53.3	14.45	23.45
CA	Ivey Purchasing Managers Index SA	Aug				60.0	15.00	0.00
US	Fed's Mester Speaks on Economic Outlook and Monetary Policy						17.15	2.15
Friday, 8 September 2017								
NZ	Mfg Activity Volume QoQ	2Q				-0.3	23.45	8.45
US	Fed's Dudley Speaks on U.S. Economic Outlook, Monetary Policy						0.00	9.00
US	Fed's George Speaks on the Economic Outlook						1.15	10.15
JN	GDP SA QoQ/Annualised QoQ	2Q F		0.7/3		1.0/4.0	0.50	9.50
AU	Home Loans/Investment Lending MoM	Jul	1.8	1/		0.5/1.6	2.30	11.30
CH	Trade Balance CNY	Aug				321.2	3.00	12.00
CH	Exports/Imports YoY CNY	Aug		/		11.2/14.7	3.00	12.00
CH	Trade Balance	Aug		48.6		46.7	3.45	12.45
CH	Exports/Imports YoY	Aug		5.1/10		7.2/11.0	3.45	12.45
AU	RBA's Debelle Participates in Panel in Sydney						4.00	13.00
JN	Machine Tool Orders YoY	Aug P				28.0	7.00	16.00
GE	Current Account Balance	Jul		20.5		23.6	7.00	16.00
GE	Labor Costs SA QoQ/YoY	2Q		/		0.5/2.5	7.00	16.00
UK	Industrial Production MoM/YoY	Jul		0.2/0.3		0.5/0.3	9.30	18.30
UK	Trade Balance	Jul		-3250		-4564.0	9.30	18.30
UK	BoE/TNS Inflation Next 12 Mths	Aug				2.8	9.30	18.30
AU	RBA Governor Lowe Gives Speech in Sydney						10.30	19.30
UK	NIESR GDP Estimate	Aug				0.2	13.00	22.00
CA	Net Change in Employment/Unemployment Rate	Aug		15/6.3		10.9/6.3	13.30	22.30
US	Fed's Harker Speaks on Consumer Finance in Philadelphia						13.45	22.45
CH	Foreign Direct Investment YoY CNY	Aug				2.3	8-18 Sep release	
US	Wholesale Inventories/Trade Sales MoM	Jul F		0.4/		0.4/0.7	15.00	0.00
US	Baker Hughes U.S. Rig Count	Sep 8				943.0	18.00	3.00
US	Consumer Credit	Jul		15		12.4	20.00	5.00
Saturday, 9 September 2017								
CH	CPI YoY	Aug		1.6/5.4		1.4/5.5	2.30	11.30
Sunday, 10 September 2017								
CH	New Yuan Loans/Aggregate Financing CNY	Aug		950/		825.5/1220.0	10-15 Sep release	
Monday, 11 September 2017								
NZ	REINZ House Sales YoY	Aug				-24.5		
NZ	Card Spending Retail MoM/YoY	Aug				-0.5	23.45	8.45
JN	Machine Orders MoM/YoY	Jul				-1.9	0.50	9.50
JN	Tertiary Industry Index MoM	Jul				0.0	5.30	14.30
JN	Machine Tool Orders YoY	Aug P				28.0	7.00	16.00
CA	Housing Starts	Aug				222.3	13.15	22.15
CA	Bloomberg Nanos Confidence	Sep 1				59.7	15.00	0.00
Tuesday, 12 September 2017								
NZ	ANZ Truckometer Heavy MoM	Aug				-5.5	23.00	8.00
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Sep 3				113.5	0.30	9.30
JN	PPI MoM	Aug				0.3	0.50	9.50
AU	NAB Business Conditions/Confidence	Aug				15.0	2.30	11.30
UK	CPI MoM/YoY	Aug				-0.1	9.30	18.30
UK	CPI Core YoY	Aug				2.4	9.30	18.30
UK	PPI Input NSA MoM/YoY	Aug				0.0	9.30	18.30
UK	PPI Output Core NSA MoM/YoY	Aug				0.1	9.30	18.30
UK	House Price Index YoY	Jul				4.9	9.30	18.30
US	NFIB Small Business Optimism	Aug				105.2	11.00	20.00
US	JOLTS Job Openings	Jul				6163.0	15.00	0.00
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		5-Sep	1.50%	1.50%		1.50%		
Canada, BoC		6-Sep				0.75%		
Europe ECB		7-Sep	-0.4%	-0.4%		-0.4%		
UK BOE		14-Sep				0.25%		
US Federal Reserve		21-Sep	1.00-1.25%	1.00-1.25%		1.00-1.25%		
Japan, BoJ		21-Sep	-0.1%	-0.1%		-0.1%		
New Zealand, RBNZ		28-Sep	1.75%	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
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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