

## 2 Become 1

Anna Leadsom has stood down as a candidate for leadership of the UK Conservative Party, paving the way for Home Secretary Theresa May to be the next Prime Minister, expected to be formally installed Wednesday after PM Cameron's resignation. Speaking to reporters outside Westminster, May said that "Brexit means Brexit and we are going to make a success of it". She also said that there needs to be a breather before formal negotiation start with the EU.

Sterling has had a relatively positive night in the wake of the announcement in a night of higher stocks and bond yields in the absence of major economic news. Noted Fed hawk and FOMC voter Esther George has been speaking saying that the Fed should resume rate hikes after payrolls.

The Eurostoxx 600 index rose 1.64%, the FTSE by 1.40% and the Dow has just closed up 0.44% at the start of the US reporting season. US 10y bond yields rose 7bps to 1.429% with German bund yields up 2.1 (to -0.168%) and UK yields up 2.3 bps to 0.758%. Commodities have been mixed, the biggest mover being oil with WTI down \$0.91/bbl to \$44.50 (-1.98%) and Brent off 1.48% amid signs of rising Canadian production and, over recent weeks, signs of increased rig counts in the US.

Perhaps the biggest mover over the past 24 hours has been the increase in USD/JPY, to be trading at 102.79 this morning after Sunday's Upper House elections that PM Abe won comfortably, Abe-san saying that he planned to use fiscal stimulus to support the economy, to the tune of ¥10tr in stimulus (around 2% of GDP), supporting risk sentiment that's usually yen-negative. 10y JGBs closed yesterday at -0.267% (+1.5bps).

While risk sentiment has been positive, the commodity currencies have not made new headway on the topside. The AUD/USD trades this morning at 0.7533 and the NZD at 0.7221, both consolidating. LME base metals are higher and despite signs of still rising Australian iron ore production – Port Hedland June shipments rose to a new record in June, to 41.8mt, up 9.0% y/y – Chinese iron ore prices are holding, up \$0.51/t yesterday to \$55.68/t, a sign of resilient demand ahead of key Chinese activity data on Friday.

## Coming up

After the weekly AU ANZ Roy Morgan Consumer Confidence survey for the week to July 10, the focus shifts to the NAB Business Survey for June, followed by a speech from Fed

President Mester's in Sydney at 1.30. (She's a FOMC voter and has been hawkish at times.) No comment on the Survey other than that the May survey still played to the ongoing improvement in the non-mining economy, the NAB Business Conditions Index at an elevated +10.

Fed President Loretta Mester is speaking at 11.30, the first of her two addresses this week downunder, this one to a banking and financial stability conference "Financial Stability Considerations for Monetary Policy", followed at 1.30 by Luci Ellis, the RBA's Head of Financial Stability Department, speaking to "Financial Stability and the Banking System". The market will be interested in any comments she might have on housing and how much prices remains a worry for the RBA. Stevens' July post-Board statement noted more widespread signs of house price rises.

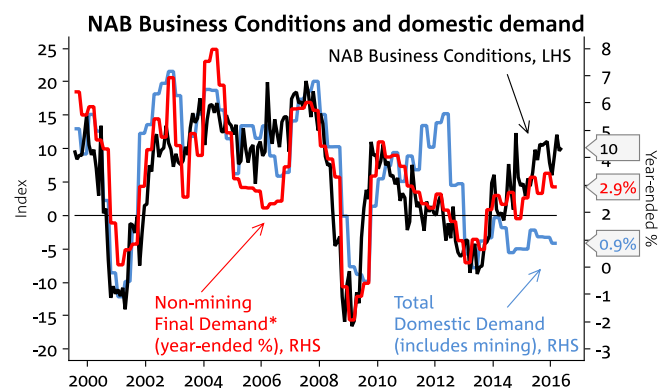
After the final vintage of June German CPI, there'll be some focus on the second day of the Eurogroup Finance Ministers meeting. In the US tonight, Fed Governor Tarullo, and President Bullard (voter; now a newly-rebirthed no more rate hikes as his baseline forecast), then US wholesale inventories for May, and JOLTs Job Openings reports. Neel Kashkari non-voter), President of the Minneapolis Fed is speaking after the close of the US session, at 7.30am AEST tomorrow morning.

## Overnight

On global stock markets, the S&P 500 was +0.34%. Bond markets saw US 10-years +7.24bp to 1.43%. In commodities, Brent crude oil -1.48% to \$46.07, gold-0.2% to \$1,356, iron ore +0.9% to \$55.68. AUD is at 0.7534 and the range since yesterday 5pm Sydney time is 0.7524 to 0.7566.

Good luck.

## Chart of the day: The non-mining economy's progress

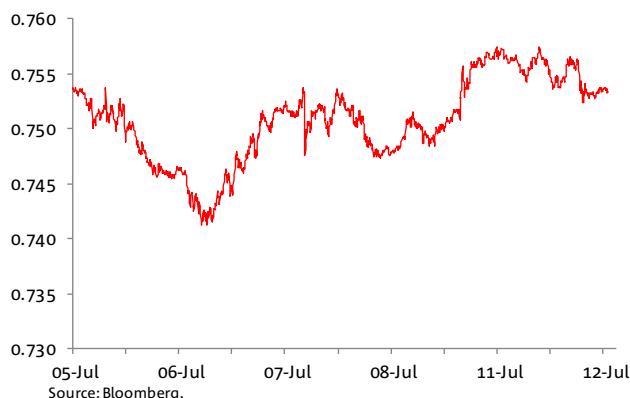


\* Includes exports  
Source: National Australia Bank, ABS

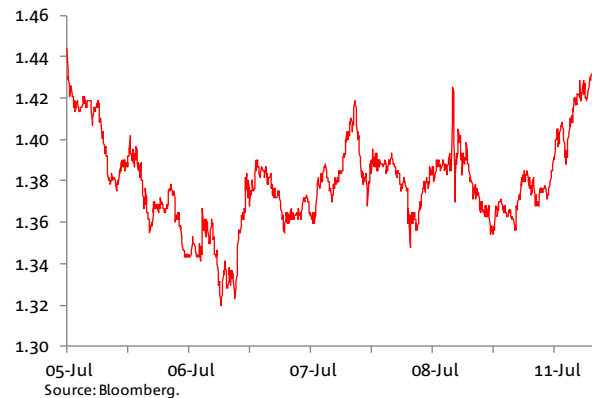
## Author:

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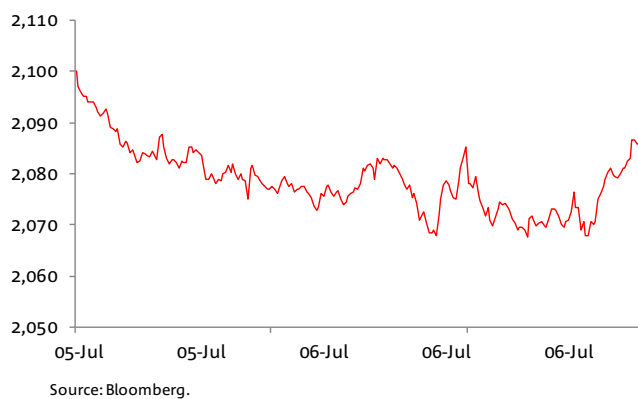
AUD/USD - past week



US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7534	-0.5	0.7531	0.7538	HKD	7.7580 0.0
NZD	0.7222	-0.7	0.7200	0.7259	CNY	6.6960 0.2
EUR	1.1058	-0.1	1.1035	1.1081	SGD	1.3514 0.3
GBP	1.2998	0.1	1.2920	1.3020	IDR	13,131 -0.5
JPY	102.81	2.3	102.28	103.12	THB	35.17 -0.2
CAD	1.3117	0.9	1.3051	1.3141	KRW	1,151 -0.5
AUD/EUR	0.6813	0.4	0.6804	0.6849	TWD	32.24 -0.1
AUD/JPY	77.45	2.6	77.13	77.61	PHP	47.35 0.4
AUD/GBP	0.5797	0.2	0.5787	0.5846	CHF	0.98 0.3
AUD/NZD	1.0433	1.0	1.0409	1.0442	SEK	8.58 0.2
AUD/CNH	5.0454	0.5	5.0429	5.0770		

Equities

Major Indices	Last	% day	% y/y
	Dow	18,227	0.4
S&P 500	2,137	0.3	2.9
Nasdaq	4,989	0.6	-0.2
VIX	14	2.6	-19.5
FTSE	6,683	1.4	0.1
DAX	9,833	2.1	-13.1
CAC 40	4,265	1.8	-13.0
Nikkei	15,709	4.0	-20.6
Shanghai	2,995	0.2	-22.8
Hang Seng	20,881	1.5	-16.1
ASX 200	5,337	2.0	-2.8

Commodities\*

	Last	% day
Oil (Brent)	46.07	-1.5
Oil (WTI)	44.55	-1.9
Oil (Tapis)	45.34	-0.8
Gold	1356.10	-0.2
CRB	186.71	-0.2
GS Metals	272.0	0.2
Aluminium	1641.5	-0.8
Copper	4732.0	0.7
Nickel	10006.5	1.7
Zinc	2134.5	-0.1
Ch. steel	2439.0	1.5
Iron ore	55.7	0.9
Coal	60.8	0.4
Wheat Chic.	453.0	-0.8
Sugar	20.3	3.6
Cotton	67.8	3.0
Coffee	149.3	3.6

Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.12	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	98.06	-4.00
3/10 sprd	-0.26	7.00
SPI	5327.0	-138.0

\*Change in bps

CO<sub>2</sub> Emissions - Euros

	Last	% day
Dec-2016	4.44	-2.8
Jun-2017	4.45	-2.8
Dec-2017	4.45	-2.6

\* clsd = market holiday

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>Tuesday, 12 July 2016</b>								
UK	BRC Sales Like-For-Like YoY	Jun				0.5	23.10	9.10
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jul 10				115.8	23.30	9.30
AU	NAB Business Conditions/Confidence	Jun				10/3	1.30	11.30
AU/US	Fed's Mester Speaks at Sydney Banking and Financial Stability						1.30	11.30
AU	RBA's Ellis (Head of Financial Stability) speaks at Banking and Financial Stability Conference						3.30	13.30
JN	Tertiary Industry Index MoM	May		-0.7		1.4	4.30	14.30
GE	CPI EU Harmonized MoM/YoY	Jun F		0.1		0.1/0.2	6.00	16.00
EC	EU Finance Ministers two day meeting in Brussels						7.00	17.00
UK	BoE Governor Carney speaks on Financial Stability in Parliament						9.00	19.00
US	NFIB Small Business Optimism	Jun		94		93.8	10.00	20.00
US	Fed's Tarullo speaks in Washington						13.15	23.15
US	Fed's Bullard speaks in St. Louis						13.35	23.35
US	Wholesale Inventories/Sales MoM	May		0.2/0.5		0.6/1.0	14.00	0.00
US	JOLTS Job Openings	May				5788.0	14.00	0.00
<b>Wednesday, 13 July 2016</b>								
US	Fed's Kashkari Holds Town Hall Meeting in Marquette, MI						21.30	7.30
NZ	Food Prices MoM	Jun	1.1			-0.5	22.45	8.45
AU	Westpac Consumer Conf Index/MoM	Jul				102.2/-1.0	0.30	10.30
AU/US	Fed's Mester Speaks at Australian Business Economists' Luncheon						2.30	12.30
CH	Trade Balance	Jun		46		50.0	3.00	13.00
CH	Exports/Imports YoY	Jun		-5/-6.2		-4.1/-0.4	3.00	13.00
NZ	RBNZ Assistant Governor John McDermott speaks on Forecasting/OCR process						4.30	14.30
JN	Industrial Production MoM/YoY	May F		/		-2.3/-0.1	4.30	14.30
UK	Bank of England Credit Conditions & Bank Liabilities Surveys						8.30	18.30
EC	Industrial Production SA MoM/YoY	May		-0.8/1.3		1.1/2.0	9.00	19.00
US	Import Price Index MoM	Jun		0.6		1.4	12.30	22.30
CA	Teranet/National Bank HPI MoM/YoY	Jun				1.8/9.0	12.30	22.30
US	Fed's Kaplan speaks in Houston						13.00	23.00
CA	BoC Rate Decision and Monetary Policy Report	Jul 13		0.5		0.5	14.00	0.00
US	Monthly Budget Statement	Jun		24		-52.5	18.00	4.00
US	U.S. Federal Reserve Releases Beige Book						18.00	4.00
<b>Thursday, 14 July 2016</b>								
US	Fed's Harker Speaks in Philadelphia						22.00	8.00
NZ	ANZ Job Advertisements MoM	Jun				0.2	22.00	8.00
NZ	BusinessNZ Manufacturing PMI	Jun				57.1	22.30	8.30
UK	RICS House Price Balance	Jun		10		19.0	23.10	9.10
AU	Consumer Inflation Expectation	Jul				3.5	1.00	11.00
NZ	ANZ Consumer Confidence Index/MoM	Jul				118.9/2.3	1.00	11.00
AU	Employment Change/Unemployment rate	Jun	-17/5.8	10/5.8		17.9/5.7	1.30	11.30
AU	Participation Rate	Jun	64.8	64.8		64.8	1.30	11.30
AU	New Motor Vehicle Sales MoM/YoY	Jun				-1.1/1.7	1.30	11.30
AU	RBA's Ellis in Panel Participation in Sydney						6.15	16.15
UK	Bank of England Bank Rate	Jul 14		0.25		0.5	11.00	21.00
US	Initial Jobless Claims	Jul 9		265		254.0	12.30	22.30
CA	New Housing Price Index MoM/YoY	May		0.2		0.3/2.1	12.30	22.30
US	PPI Final Demand MoM/YoY	Jun		0.3/-0.1		0.4/-0.1	12.30	22.30
US	Fed's Lockhart Speaks on Economy in Idaho						15.15	1.15
US	Fed's George Speaks on U.S. Economy in Oklahoma City						17.15	3.15
US	Fed's Kaplan speaks in St. Louis						23.00	9.00
<b>Friday, 15 July 2016</b>								
CH	GDP SA QoQ/YoY	2Q		1.5/6.6		1.1/6.7	2.00	12.00
CH	Industrial Production YoY/YTD YoY	Jun		5.9/5.9		6.0/5.9	2.00	12.00
CH	Retail Sales YoY/YTD YoY	Jun		9.9/10.2		10.0/10.2	2.00	12.00
CH	Fixed Assets Ex Rural YTD YoY	Jun		9.4		9.6	2.00	12.00
UK	Construction Output SA MoM/YoY	May		-1.3		2.5/-3.7	8.30	18.30
EC	Trade Balance SA	May		25		28.0	9.00	19.00
EC	CPI MoM/YoY	Jun		0.2/0.1		0.4/-0.1	9.00	19.00
UK	Mark Carney speaks on climate change in Toronto						12.00	22.00
CA	Manufacturing Sales MoM	May		-0.9		1.0	12.30	22.30
US	Retail Sales Advance/Ex autos and gas MoM	Jun		0.1/0.3		0.5/0.3	12.30	22.30
US	CPI MoM/YoY	Jun		0.3/1.1		0.2/1.0	12.30	22.30
US	Empire Manufacturing	Jul		5		6.0	12.30	22.30
CA	Existing Home Sales MoM	Jun				-2.8	13.00	23.00
US	Industrial/Manufacturing Production MoM	Jun		0.2/0.3		-0.4/-0.4	13.15	23.15
US	Business Inventories	May		0.1		0.1	14.00	0.00
US	U. of Mich. Sentiment/5-10 Yr Inflation expectations	Jul P		93		93.5/2.6	14.00	0.00
US	Fed's Kashkari and Bullard Speak at OMFIF Meeting in St. Louis						17.15	3.15
<b>Upcoming Central Bank Interest Rate Announcements</b>								
UK BOE		14-Jul		0.25		0.50%		
Canada, BoC		14-Jul				0.50%		
Europe ECB		21-Jul				0.00%		
US Federal Reserve		27-Jul				0.25-0.50%		
Japan, BoJ		29-Jul				-0.1% to +0.1%		
Australia, RBA		2-Aug	1.75%	1.50%		1.75%		
New Zealand, RBNZ		11-Aug	2.00%	2.00%		2.25%		

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

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