

Quiet start to a big week

US equities indices edged a little bit higher on Friday despite mixed corporate earnings while European equities ended the day practically unchanged despite the fact that European Flash PMIs for July were better than expected. The USD was stronger across the board with GBP the biggest loser on the back of soft PMI data, core global yields were little changed and in commodities, base metals and oil were softer.

Under a light-trading environment, the S&P500 gained 0.5% on Friday climbing to 2175.03, a new record. The Dow Jones ended 0.3% and the NASDAQ was 0.5%. Honeywell International posted Q2 revenue and profit gains, however it downgraded its revenue outlook for the year. GE shares ended the day under pressure, falling 1.6%, the company reported better than expected earnings, but it noted a gloomier outlook given the current volatile and slow growth environment.

Softer than expected July UK services (47.7 from 52.3) and manufacturing (from 52.1 to 48.7) flash Markit PMIs saw the UK centric FTSE 250 index drop 0.4% while the FTSE100 index climbed 0.5%, supported by the performance of export orientated companies as the GBP weakened.

Indeed, on Friday GBP was the G10 underperformer, falling 0.94% against the USD. Markit noted that the decline in UK activity was consistent with GDP shrinking at a quarterly rate of 0.4%. NZD/USD was the best performer ending the day basically unchanged. The AUD/USD ended the week at 0.7462, 0.44% lower after trading to an intraday high of 0.7485. The EUR/USD also lost 0.44% with some of the losses recorded following the news of Munich shooting. Canada's retail sales and CPI numbers were better than expected, helping USD/CAD move from 1.3109 to 1.3057, however as oil prices soften later in the session, the currency pair recovered, ending the day 0.3%. The Yen lost a little bit of ground against the USD (-0.29%) and NOK was also under pressure (0.69%) on the back of softer oil prices.

Core global yields had a quiet and mixed night. 10y Bunds ended the week 1.2bps lower at -0.03% and 10y USTs rose 1bps to 1.57% after reaching an intra night high of 1.590%. 10y UST are now just over 20bps from the lows reached early in July, but they are well below their pre Brexit level (1.747%) reflecting a still high level of uncertainty on the global economic outlook.

As for commodities, oil prices ended the week a little bit softer with WTI down 0.3% to \$44.26 and Brent down 0.4% to \$45.74. Renewed over supply concerns, this time from Asia, dragged prices lower. Iron Ore dropped 2.27% on

Friday, effectively reversing all the previous days gains. Base metals in general were also softer with the LME index falling 0.79% on Friday to be down 0.70% for the week.

Corelogic RP weekend auction update shows the auction market remains firm with combined capitals clearance rates above 70% for a third week in a row. Sydney preliminary clearance rate was 75.3% rising from 74.9% prev. while Melbourne had a clearance rate of 72.4% compared to last week's 76.1%.

Policymakers from the G20 economies said on Sunday that

- They recognise excess capacity in steel and other industries is a global issue that has had a negative impact on trade and workers and which requires a collective response
- They would resist all forms of protectionism while also reiterating that excess volatility and disorderly movements in exchange rates could have adverse implications on stability
- They are well positioned to proactively address potential economic and financial consequences of Britain's decision to leave the EU.

Coming Up

Monday is likely to see a quiet start to what could potentially be a big week for markets. As for today's events Japan's trade balance (June) and the German Ifo survey (July) tonight are the two data highlights (there is also a non-public speech from RBNZ's Wheeler tonight).

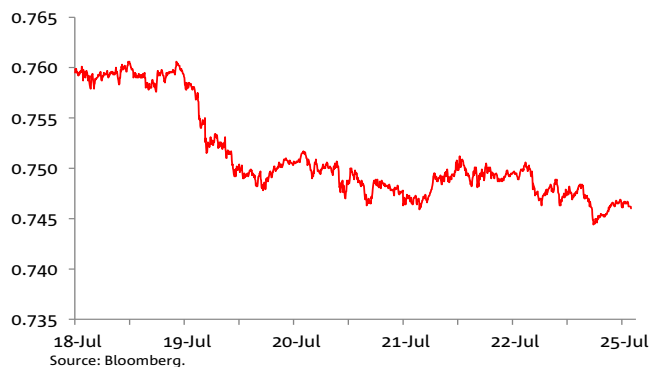
Ahead of next week's RBA meeting, Australia's Q2 CPI report on Wednesday will be crucial for RBA rate cut expectations and the AUD. Market consensus has the Q2 CPI at 0.4% q/q for both headline and underlying inflation. In contrast, NAB sees headline inflation at 0.7% q/q while underlying inflation at a low 0.5% qoq. An outcome that we assess would be sufficient for the RBA to be on hold.

Meanwhile the US FOMC meeting on Wednesday and Q2 advance print on Friday will be critical for the stronger USD story that has been evolving over the past two weeks. The market will also be watching headlines in Japan for any news on the government stimulus plan. The BoJ meets on Friday and while expectations are that the bank will eventually ease policy together with the government, if we don't have a fiscal announcement before Friday, then there will be an increasing chance of a BoJ disappointment.

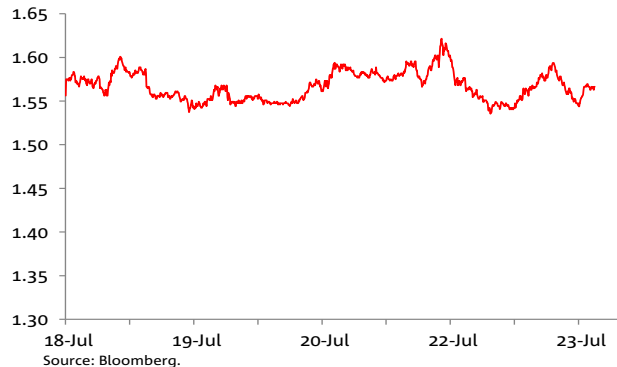
Overnight

On global stock markets, the S&P 500 was +0.46%. Bond markets saw US 10-years +1.03bp to 1.57%. In commodities, Brent crude oil -0.97% to \$45.74, gold -0.7% to \$1,322, iron ore -2.3% to \$55.87. AUD is at 0.7462 and the range since Friday 5pm Sydney time is 0.7444 to 0.7484.

AUD/USD - past week



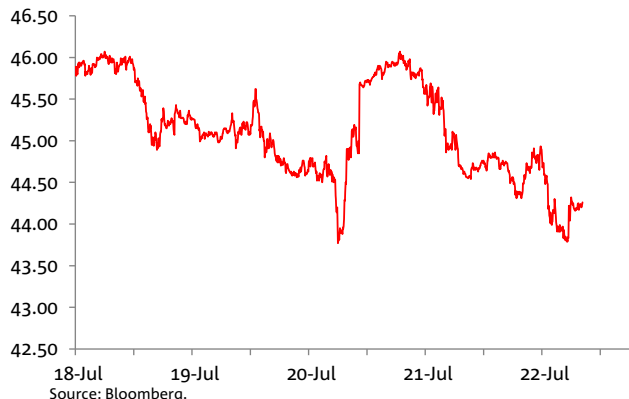
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX		
	Last	% chge	Low	High	Last	% chge	
AUD	0.7462	-0.4	0.7443	0.7508	HKD	7.7579	0.0
NZD	0.6993	-0.1	0.6975	0.7017	CNY	6.6795	0.1
EUR	1.0972	-0.5	1.0956	1.1041	SGD	1.3589	0.3
GBP	1.3134	-0.7	1.3079	1.3291	IDR	13,095	0.0
JPY	106.12	0.3	105.57	106.40	THB	34.96	0.0
CAD	1.3135	0.4	1.3057	1.3185	KRW	1,134	-0.1
AUD/EUR	0.6802	0.1	0.6761	0.6811	TWD	32.02	0.0
AUD/JPY	79.19	-0.2	78.91	79.64	PHP	47.10	-0.1
AUD/GBP	0.5682	0.3	0.5622	0.5717	CHF	0.99	0.2
AUD/NZD	1.0670	-0.4	1.0644	1.0728	SEK	8.66	0.8
AUD/CNH	4.9753	-0.6	4.9716	5.0126			

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.72	0.97	1.48	USD 10	1.57	1.03
AUD	1.75	1.90	1.70	2.12	AUD 10	1.91	-1.90 0.34
NZD	N/A N/A	2.32	2.05	2.46	NZD 10	2.21	-3.90 0.64
EUR	0.00	-0.30	-0.22	0.36	CAD 10	1.10	-0.30 -0.47
GBP	0.50	0.52	0.51	0.89	EUR 10	-0.03	-1.30 -1.60
JPY	-0.04	-0.03	-0.15	-0.04	GBP 10	0.80	-3.60 -0.77
CAD	0.50	0.89	0.92	1.35	JPY 10	-0.22	-0.40 -1.79

Equities

Major Indices	Last	% day	% y/y
	Dow	18,571	0.3
S&P 500	2,175	0.5	4.6
Nasdaq	5,100	0.5	0.2
VIX	12	-5.7	-12.5
FTSE	6,730	0.5	2.3
DAX	10,147	-0.1	-10.6
CAC 40	4,381	0.1	-13.4
Nikkei	16,627	-1.1	-19.1
Shanghai	3,013	-0.9	-26.0
Hang Seng	21,964	-0.2	-12.6
ASX 200	5,498	-0.3	-1.2

Commodities*

	Last	% day
Oil (Brent)	45.74	-1.0
Oil (WTI)	44.26	-0.6
Oil (Tapis)	45.28	-2.2
Gold	1322.10	-0.7
CRB	182.90	-0.4
GS Metals	276.1	-0.6
Aluminium	1601.0	0.7
Copper	4918.5	-1.1
Nickel	10381.5	0.8
Zinc	2245.0	-0.3
Ch. steel	2311.0	-3.5
Iron ore	55.9	-2.3
Coal	60.9	-0.2
Wheat Chic.	450.8	2.0
Sugar	19.6	0.3
Cotton	72.5	-0.4
Coffee	142.7	-3.2

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.17	2.00
3 Yr bond	97.8	3.00
10 Yr bond	98.09	4.50
3/10 sprd	-0.28	-1.50
SPI	5471.0	12.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.57	-1.9
Jun-2017	4.58	-2.1
Dec-2017	4.59	-1.9

* 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
Monday, 25 July 2016								
JN	Trade Balance Adjusted	Jun		244.15		269.8	23.50	9.50
JN	Exports/Imports YoY	Jun		-11.3/-20		-11.3/-13.8	23.50	9.50
JN	Leading Index CI	May F				100.0	5.00	15.00
NZ	RBNZ Governor Wheeler Speaks in Auckland (Not Public) on "Keeping our financial system safe in a changing world"						7.30	17.30
GE	Ifo Business Climate	Jul		107.5		108.7	8.00	18.00
GE	Ifo Current Assessment/Expectations	Jul		114/101.6		114.5/103.1	8.00	18.00
UK	CBI Trends Total Orders/Selling Prices	Jul		-6/		-2.0/1.0	10.00	20.00
UK	CBI Business Optimism	Jul		-15		-5.0	10.00	20.00
CA	Bloomberg Nanos Confidence	Jul 22				57.3	14.00	0.00
US	Dallas Fed Manf. Activity	Jul		-10		-18.3	14.30	0.30
Tuesday, 26 July 2016								
NZ	Trade Balance/12m YTD	Jun	-297	127		358/-3633	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jul 24				114.9	23.30	9.30
JN	PPI Services YoY	Jun		0.1		0.2	23.50	9.50
NZ	New Residential Lending YoY	Jun				18.3	3.00	13.00
UK	BBA Loans for House Purchase	Jun		39650		42187	8.30	18.30
US	S&P/CS 20 City MoM/YoY	May		0.2/5.6		0.5/5.4	13.00	23.00
US	Markit US Services/Composite PMI	Jul P		52/		51.4/51.2	13.45	23.45
US	Consumer Confidence Index	Jul		95.5		98.0	14.00	0.00
US	Richmond Fed Manufact. Index	Jul		-5		-7.0	14.00	0.00
US	New Home Sales, #/MoM	Jun		560/1.6		551.0/-6.0	14.00	0.00
Wednesday, 27 July 2016								
CH	Industrial Profits YoY	Jun				3.7	1.30	11.30
AU	CPI QoQ/YoY	2Q	0.7/1.4	0.4/1.1		-0.2/1.3	1.30	11.30
AU	CPI Trimmed Mean QoQ/YoY	2Q	0.5/1.7	0.4/1.5		0.2/1.7	1.30	11.30
AU	CPI Weighted Median QoQ/YoY	2Q	0.4/1.3	0.4/1.3		0.1/1.4	1.30	11.30
CH	Westpac-MNI Consumer Sentiment	Jul				115.9	1.45	11.45
JN	Small Business Confidence	Jul				46.5	5.00	15.00
GE	GfK Consumer Confidence	Aug		9.9		10.1	6.00	16.00
EC	M3 Money Supply YoY	Jun		5		4.9	8.00	18.00
UK	GDP QoQ/YoY	2Q A		0.5/2.1		0.4/2.0	8.30	18.30
UK	Index of Services MoM/3M/3M	May		0.1/0.3		0.6/0.5	8.30	18.30
UK	CBI Retailing Reported Sales/Total Dist. Sales	Jul		1/		4.0/14.0	10.00	20.00
US	Durable Goods Orders	Jun P		-1.1		-2.3	12.30	22.30
US	Cap Goods Core Orders/Shipments	Jun P		0.2/0.5		-0.4/-0.5	12.30	22.30
US	Pending Home Sales MoM/YoY	Jun		1.2/3		-3.7/2.4	14.00	0.00
US	FOMC Rate Decision (Lower/Upper Bound)	Jul 27		0.25		0.3	18.00	4.00
Thursday, 28 July 2016								
AU	Export/Import Price Index QoQ	2Q	1.3/3.2	3/1.5		-4.7/-3.0	1.30	11.30
AU	NAB SME Business Survey	2Q					1.30	11.30
GE	Unemployment Change (000's)	Jul		-3.5		-6.0	7.55	17.55
EC	Business Climate Indicator	Jul		0.17		0.2	9.00	19.00
GE	CPI EU Harmonized MoM/YoY	Jul P		0.3/0.3		0.1/0.2	12.00	22.00
US	Advance Goods Trade Balance	Jun		-61		-60.6	12.30	22.30
US	New U.S. Census Bureau Report on Advance Economic Indicators						12.30	22.30
US	Initial Jobless Claims	Jul 23		263		253.0	12.30	22.30
US	Bloomberg Consumer Comfort	Jul 24				42.9	13.45	23.45
UK	Nationwide House PX MoM/YoY	Jul		0/4.5		0.2/5.1	28 Jul-4 Aug release	
US	Kansas City Fed Manf. Activity	Jul		4		2.0	15.00	1.00
Friday, 29 July 2016								
NZ	Building Permits MoM	Jun				-0.9	22.45	8.45
UK	Lloyds Business Barometer	Jul				6.0	23.10	9.10
UK	GfK Consumer Confidence	Jul		-8		-1.0	23.50	9.50
JN	Jobless Rate/jobs-to-applicants ratio	Jun		3.2/1.37		3.2/1.4	23.30	9.30
JN	Overall Household Spending YoY	Jun		-0.5		-1.1	23.30	9.30
JN	Natl CPI YoY/Ex Fresh Food YoY	Jun		-0.4/0.5		-0.4/0.6	23.30	9.30
JN	Industrial Production MoM/YoY	Jun P		0.5/-3		-2.6/-0.4	23.50	9.50
JN	Retail Sales MoM/YoY	Jun		0.3/-1.3		0.0/-1.9	23.50	9.50
NZ	ANZ Activity Outlook/Business Confidence	Jul				35.1/20.2	1.00	11.00
AU	Private Sector Credit MoM/YoY	Jun	0.5/6.6	0.45/6.5		0.4/6.5	1.30	11.30
JN	BOJ Policy Rate					-0.1	2.45	12.45
NZ	Credit aggregates, household YoY	Jun				8.1	3.00	13.00
JN	Natl CPI Ex Fresh Food, Energy YoY	Jun		0.7		0.8	5.00	15.00
UK	Mortgage Approvals	Jun		65.8		67.0	8.30	18.30
EC	Unemployment Rate	Jun		10.1		10.1	9.00	19.00
EC	CPI Estimate YoY/Core YoY	Jul		0.1/0.8		0.1/0.9	9.00	19.00
EC	GDP SA QoQ/YoY	2Q A		0.3/1.5		0.6/1.7	9.00	19.00
US	Employment Cost Index	2Q		0.6		0.6	12.30	22.30
US	GDP Annualized QoQ	2Q A		2.6		1.1	12.30	22.30
CA	Industrial Product Price/Raw Material Prices MoM	Jun		0.55		1.1/6.7	12.30	22.30
US	Fed's Williams Discusses Policy Toolkit in Boston						13.30	23.30
CA	GDP MoM/YoY	May		-0.5/1.3		0.1/1.5	12.30	22.30
US	Chicago Purchasing Managers' Index	Jul		54		56.8	13.45	23.45
US	U. of Mich. Sentiment/5-10y Inflationary Expectations	Jul F		90/		89.5/2.6	14.00	0.00
Upcoming Central Bank Interest Rate Announcements								
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%		
UK	BOE	4-Aug		0.25%		0.50%		
New Zealand	RBNZ	11-Aug	2.00%	2.00%		2.25%		
Canada	BoC	7-Sep				0.50%		
Europe	ECB	8-Sep				0.00%		

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

Contact Details

Authors

David de Garis
Senior Economist
+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

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.