

Suspicious minds

After seven years without a hit, Elvis Presley reclaimed his title of “The King” following the release of *Suspicious Minds*. The original version of the song was a flop, written and sang by Mark James, a Memphis singer. However, Elvis, heard the song, fell in love with it and turned it into a hit.

Markets have shifted from a wait and see stand to a slightly more suspicious mode ahead of the Fed and BoJ meeting this week. US equities retreated from new record highs pulled down by energy shares as oil prices fell. Oil prices have remained under pressure on concerns of oversupply and lack of the demand and a Barclays report overnight showed that demand for the third quarter of 2016 has grown at less than one-third the rate it did in the same period of last year. Meanwhile European indices managed to end the day in the positive territory, helped along by a better than expected German IFO report. The business climate index fell less than expected in July (from 108.7 to 108.3 vs 107.5 forecast) suggesting the German economy has not yet been materially affected by the UK decision to leave the EU.

In contrast, the UK CBI business optimism index fell to a dire -47 versus -15 forecast and -5 previously. This was the latest in a series of surveys to suggest the Brexit vote is dampening business confidence in the UK. The FTSE100 index closed 0.3% and GBPUSD was little changed at 1.3134.

Looking at other currencies, most G10 currencies have traded within fairly contained ranges. The Yen has edged a little bit higher against the USD, climbing 0.31% over the past 24hrs and probably reflecting a little bit of uncertainty on the magnitude of the expected fiscal and monetary stimulus due to be announced on Friday. The CAD and NOK are the two major underperformers down 0.66% and 0.33% respectively weighed down by the fall in oil prices (WTI and Brent oil are both down by around 2%). The USD/CAD has now broken above the upper band of its 1.246 to 1.318 range held since early April and at 1.3211, the next resistant level is seen at its 100 day moving average of 1.3315.

Yesterday’s steady rise in the AUD was partly reversed overnight as risk sentiment soured a little and oil prices declined. Overnight the AUD/USD traded down to 0.7455, but in has since recovered some ground and is currently trading at 0.7470.

Relatively Sydney closing levels, 10y USTs are basically unchanged at 1.57% while in Europe 10y Bunds closed 1.2bps lower at -0.04%.

Coming Up

New Zealand’s June trade balance kick off today’s data releases and our BNZ economists believe exports are due for some payback following two months of outperformance. Relative to a year ago, exports are seen to decline by 8% while imports are expected to fall by 5% resulting in a June deficit of \$297m (vs +\$150 by consensus)

Australia’s weekly consumer confidence reading is due for release at 10:30am this morning (AEST) and then this afternoon we get New Zealand’s new residential lending figures for June.

The UK releases BBA Loans data for June and the numbers should provide a good indicator of home loan activity over the coming months. The market will be watching to what degree mortgage approvals were affected in the month of the UK EU referendum.

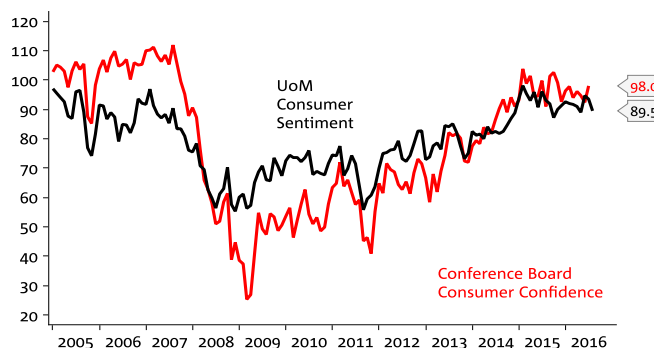
The US has a fair bit of second tier data releases on the roster today. S&P/Case-Shiller 20 City Home Price Index is the first cab off the rank followed by preliminary services and composite PMI readings for July. Then we get consumer confidence (Jul), Richmond Manufacturing Index (Jul) and new home sales (June).

For choice, we think the US consumer confidence reading should get a look. In June the reading rose to an 8 month high and it will be interesting to see what impact if any Brexit has had on the index, particularly given the decline seen the U of Michigan reading in July.

Overnight

On global stock markets, the S&P 500 was -0.30%. Bond markets saw US 10-years +0.68bp to 1.57%. In commodities, Brent crude oil -2.25% to \$44.71, gold-0.5% to \$1,315, iron ore +1.8% to \$56.86. AUD is at 0.7469 and the range since yesterday 5pm Sydney time is 0.7457 to 0.7492.

Chart of the day: Dented US Consumer confidence?



Source: National Australia Bank, Macrobond

Author:

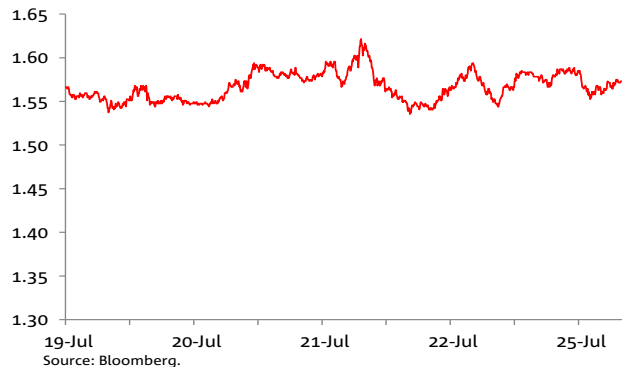
Rodrigo Catril – Currency Strategist

Markets

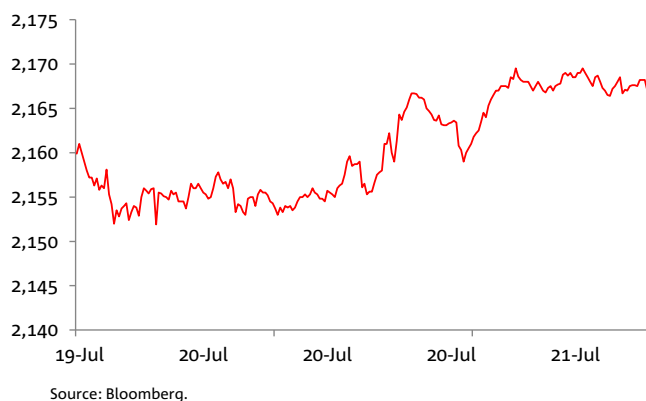
AUD/USD - past week



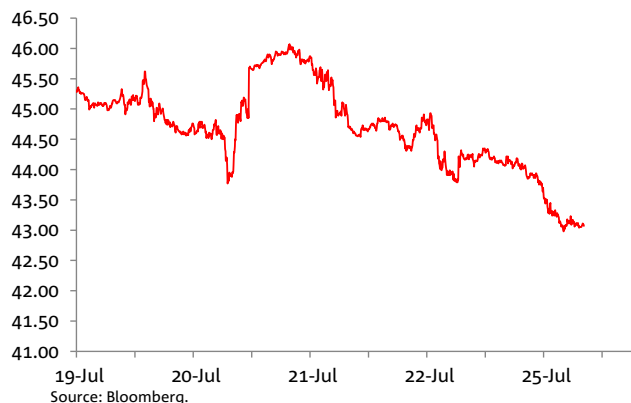
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7469	0.1	0.7468	0.7470	HKD	7.7569 0.0
NZD	0.6995	0.0	0.6995	0.6997	CNY	6.6799 0.0
EUR	1.0993	0.1	1.0992	1.0995	SGD	1.3627 0.3
GBP	1.3139	0.2	1.3138	1.3142	IDR	13,142 0.4
JPY	105.82	-0.3	105.80	105.82	THB	35.03 0.1
CAD	1.3217	0.7	1.3215	1.3218	KRW	1,137 0.2
AUD/EUR	0.6794	0.0	0.6793	0.6795	TWD	32.16 0.4
AUD/JPY	79.03	-0.2	79.03	79.04	PHP	47.16 0.1
AUD/GBP	0.5684	-0.1	0.5684	0.5686	CHF	0.99 -0.1
AUD/NZD	1.0678	0.0	1.0674	1.0678	SEK	8.64 -0.1
AUD/CNH	4.9815	0.1	4.9946	5.0115		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.72	0.99	1.49	USD 10	1.57	0.68
AUD	1.75	1.88	1.74	2.16	AUD 10	1.91	0.70 0.34
NZD	N/A	N/A	2.31	2.08	NZD 10	2.23	2.90 0.66
EUR	0.00	-0.30	-0.21	0.34	CAD 10	1.11	0.70 -0.47
GBP	0.50	0.52	0.52	0.88	EUR 10	-0.04	-1.10 -1.61
JPY	-0.03	-0.03	-0.15	-0.05	GBP 10	0.81	1.20 -0.76
CAD	0.50	0.89	0.93	1.35	JPY 10	-0.24	-2.00 -1.81

Equities

Major Indices

	Last	% day	% y/y
Dow	18,493	-0.4	5.3
S&P 500	2,168	-0.3	4.3
Nasdaq	5,098	0.0	0.2
VIX	13	7.1	-6.3
FTSE	6,710	-0.3	2.0
DAX	10,198	0.5	-10.1
CAC 40	4,388	0.2	-13.2
Nikkei	16,620	0.0	-19.1
Shanghai	3,016	0.1	-25.9
Hang Seng	21,993	0.1	-12.5
ASX 200	5,534	0.6	-0.6

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.16	0.00
3 Yr bond	97.8	3.00
10 Yr bond	98.05	-2.00
3/10 sprd	-0.25	5.00
SPI	5484.0	-18.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	44.71	-2.3
Oil (WTI)	43.06	-2.7
Oil (Tapis)	44.45	-1.8
Gold	1315.30	-0.5
CRB	181.31	-0.9
GS Metals	275.5	-0.2
Aluminium	1596.5	-0.3
Copper	4889.5	-0.6
Nickel	10444.5	0.6
Zinc	2250.5	0.2
Ch. steel	2329.0	0.8
Iron ore	56.9	1.8
Coal	61.3	0.7
Wheat Chic.	455.3	1.0
Sugar	19.9	1.6
Cotton	71.9	-0.8
Coffee	141.4	-0.9

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.59	0.4
Jun-2017	4.61	0.7
Dec-2017	4.62	0.7

* 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%				
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

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