

Rumours

The revelation that the underlying CPI was not another repeat of the first quarter when growth was an anaemic 0.2% but pushed up this quarter to 0.5% had the market rethinking and repricing whether the RBA was indeed more likely than not to cut rates again next week. The 30 day RBA futures curve this morning is pricing near 50-50 split with some economists changing their call to no change in August. NAB's assessment is that the CPI was right in line with RBA May SoMP forecasts and likely sufficient to see them remain on hold next week. Peter Martin in the SMH though says the RBA is on standby to cut rates on Tuesday. An article in the AFR overnight from former RBA Board member Warwick McKibbin has warned against following "market hysteria" for a rate cut, arguing that in a low nominal growth world it's better to use fiscal policy.

It was not quite the up session for the AUD yesterday that might have been expected after an OK underlying inflation read. It did briefly spiked up toward the 7560 level only to recede back to the figure and below, held back in the afternoon by some strengthening in the yen (lower USD/JPY), wire stories suggesting the Japanese government was considering issuing 50 year JGBs. Stories emerged the Japanese government was going to announce the stimulus plan yesterday afternoon but that was further delayed until an expected announcement now next Tuesday. There is talk the stimulus could be a sizeable ¥27tr though no details are as yet forthcoming and how much of this sizeable package is new money remains to be seen. The USD/JPY remains at the lower end of its range from the past 24 hours this morning, the market awaiting the detail next week.

The FOMC announced no change in the fed funds rate as expected and with no overt smoking gun that a September rise is in the offing. This saw some selling in the US dollar with compensating rises in the majors and extended a rally in US Treasuries that was already underway, the market this morning still pricing in barely a 50% chance that the Fed will hike rates before the end of this year. There has been a modest rally at the front end of the fed funds curve.

While there was no smoking gun as far as a hike in September is concerned, the statement is essentially a "holding" one, and keeps the door ajar to a September hike should the data between now and then strongly suggest that's the right course of action. The Fed in the end will be data dependent; the statement noted that near-term risks to the economic outlook "have diminished" while also tweaking the statement to recognise the strong pick up in jobs in, strong household spending, but also that business

investment has been soft. We also note here that durable goods orders for June published overnight was another soft one, shy of expectations, with the Atlanta Fed's *GDPNow* estimate for Q2 shaved as a result from 2.4% 2.3%.

Coming up

After the CPI yesterday, it's very quiet on the data front today with only export and import merchandise trade prices for the September quarter, an early reading to the terms of trade for the September quarter. Markets are expecting a small rise in this measure of the terms of trade; NAB looks for small pullback. Either way, it's unlikely to have much if any market fallout. UK nationwide house prices are also due today, this afternoon at 4 PM these for July market looking for flat house prices in the month.

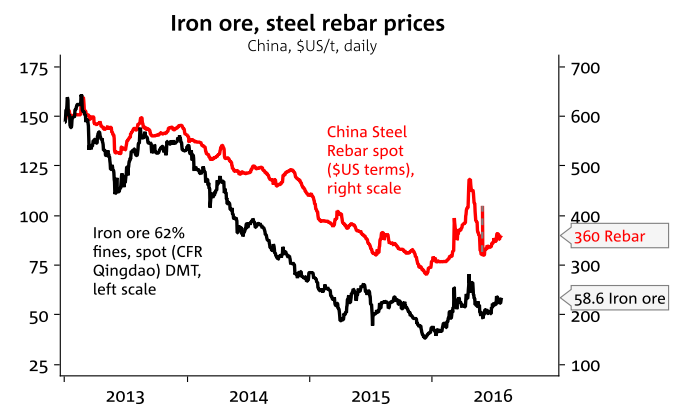
For tonight's data set, there is the July German unemployment report expected to reveal an unchanged unemployment rate at 6.1%, then the July German CPI along with the July confidence indicators for the Eurozone. The key business climate indicator is expected to pull back slightly from 0.22 to 0.17. In the US there is the advance goods trade balance for June that will allow some further tweaking of likely Q2 GDP out tomorrow night. Is also the weekly jobless claims.

Overnight

On global stock markets, the S&P 500 was -0.12%. Bond markets saw US 10-years -6.35bp to 1.50%. In commodities, Brent crude oil -3.16% to \$43.45, gold+1.5% to \$1,348, iron ore +0.9% to \$58.63. AUD is at 0.7493 and the range since yesterday 5pm Sydney time is 0.7427 to 0.7498.

Good luck.

Chart of the day: Iron ore on another mild run up



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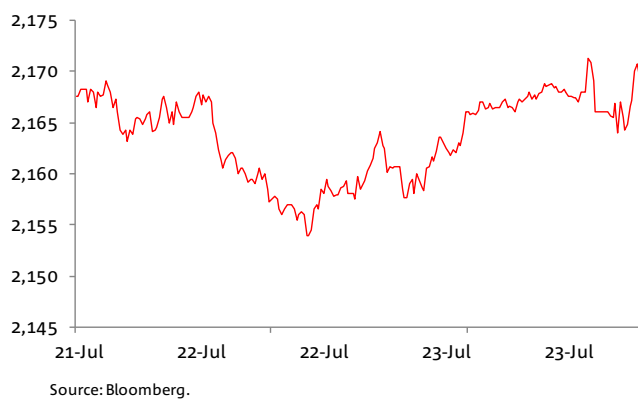
AUD/USD - past week



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	0.7493	-0.1	0.7490	0.7494	HKD	7.7567 0.0
NZD	0.7075	0.1	0.7011	0.7086	CNY	6.6795 0.1
EUR	1.1066	0.6	1.0961	1.1077	SGD	1.3524 -0.4
GBP	1.3222	0.8	1.3081	1.3238	IDR	13,112 -0.5
JPY	105.37	0.9	105.15	106.06	THB	34.96 -0.1
CAD	1.3187	-0.3	1.3157	1.3256	KRW	1,132 -0.5
AUD/EUR	0.6771	-1.0	0.6764	0.6803	TWD	32.01 -0.2
AUD/JPY	78.94	0.4	78.58	79.14	PHP	47.17 0.0
AUD/GBP	0.5663	-1.3	0.5652	0.5712	CHF	0.99 -0.3
AUD/NZD	1.0589	-0.5	1.0574	1.0628	SEK	8.62 -0.2
AUD/CNH	5.0040	-0.3	4.9586	5.0469		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.74	0.95	1.40	USD 10	1.50	-6.35
AUD	1.75	1.88	1.71	2.13	AUD 10	1.95	3.20 0.46
NZD	N/A	N/A	2.30	2.48	NZD 10	2.24	1.90 0.74
EUR	0.00	-0.30	-0.22	0.30	CAD 10	1.08	-4.60 -0.42
GBP	0.50	0.51	0.48	0.83	EUR 10	-0.08	-5.20 -1.58
JPY	-0.03	-0.04	-0.17	-0.07	GBP 10	0.74	-8.40 -0.76
CAD	0.50	0.90	0.94	1.30	JPY 10	-0.29	-4.20 -1.78

Equities

Major Indices	Last	% day	% y/y
	Dow	18,472	0.0
S&P 500	2,167	-0.1	4.8
Nasdaq	5,140	0.6	2.0
VIX	13	-1.7	-17.8
FTSE	6,750	0.4	3.8
DAX	10,320	0.7	-6.7
CAC 40	4,447	1.2	-9.8
Nikkei	16,665	1.7	-18.0
Shanghai	2,992	-1.9	-18.3
Hang Seng	22,219	0.4	-9.3
ASX 200	5,540	0.0	-0.8

Commodities*

	Last	% day
Oil (Brent)	43.45	-3.2
Oil (WTI)	41.91	-2.4
Oil (Tapis)	43.38	-0.8
Gold	1347.70	1.5
CRB	179.62	-0.9
GS Metals	271.7	-1.1
Aluminium	1581.5	0.0
Copper	4841.5	-1.6
Nickel	10322.0	0.0
Zinc	2172.5	-2.5
Ch. steel	2426.0	3.7
Iron ore	58.6	0.9
Coal	66.4	1.8
Wheat Chic.	441.5	-0.1
Sugar	19.1	-2.2
Cotton	73.6	-0.5
Coffee	141.2	-0.3

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.15	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	98.11	6.00
3/10 sprd	-0.31	-3.00
SPI	5511.0	-20.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.53	0.4
Jun-2017	4.55	0.7
Dec-2017	4.57	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
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
UK	Nationwide House PX MoM/YoY	Jul		0/4.5		0.2/5.1	6.00	16.00
GE	Unemployment Change (000's)	Jul		-4		-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		261		253.0	12.30	22.30
US	Bloomberg Consumer Comfort	Jul 24				42.9	13.45	23.45
US	Kansas City Fed Manf. Activity	Jul		4		2.0	15.00	1.00
EC	ECB's Coeure speaks on financial crisis management							
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		-0.4		-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/-2.9		-2.6/-0.4	23.50	9.50
JN	Retail Sales MoM/YoY	Jun		0.3/-1.2		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		65.5		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		0.1		1.1/6.7	12.30	22.30
US	Fed's Williams Discusses at event "What's Left in the Fed's Toolkit?"						13.30	23.30
CA	GDP MoM/YoY	May		-0.5/1.2		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/5-10yr Inflationary Expectations	Jul F		90.2/		89.5/2.6	14.00	0.00
Monday, 1 August 2016								
UK	Nationwide House PX MoM/YoY	Jul		0		0.2/5.1	28 Jul-4 Aug release	
AU	AiG Perf of Mfg Index	Jul				51.8	23.30	9.30
AU	Melbourne Institute Inflation MoM/YoY	Jul				0.6/1.5	1.00	11.00
AU	HIA New Home Sales MoM	Jun				-1.8	1.00	11.00
CH	Manufacturing/Non-manufacturing PMI	Jul		50.1/		50.0/53.7	1.00	11.00
CH	Caixin China PMI Mfg	Jul		49		48.6	1.45	11.45
JN	Nikkei Japan PMI Mfg	Jul F				49.0	2.00	12.00
GE	Markit/BME Germany Manufacturing PMI	Jul F				53.7	7.55	17.55
EC	Markit Eurozone Manufacturing PMI	Jul F				51.9	8.00	18.00
UK	Markit UK PMI Manufacturing SA	Jul F				49.1	8.30	18.30
US	Markit US Manufacturing PMI	Jul F				52.9	13.45	23.45
US	Construction Spending MoM	Jun		0.7		-0.8	14.00	0.00
US	ISM Manufacturing	Jul		53		53.2	14.00	0.00
Tuesday, 2 August 2016								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jul 31				115.5	23.30	9.30
AU	CoreLogic House Px MoM	Jul				0.5	0.00	10.00
NZ	QV House Prices YoY	Jul				13.5	0.00	10.00
AU	Trade Balance	Jun				-2218.0	1.30	11.30
AU	Building Approvals MoM/YoY	Jun		/		-5.2/-9.1	1.30	11.30
NZ	2Yr Inflation Expectation	3Q				1.6	3.00	13.00
AU	RBA Cash Rate Target	Aug 2	1.75	1.5		1.75	4.30	14.30
JN	Government to announce fiscal stimulus plan							
JN	Consumer Confidence Index	Jul				41.8	5.00	15.00
AU	Commodity Index AUD/YoY	Jul				89.7/-9.9	6.30	16.30
UK	Markit/CIPS UK Construction PMI	Jul				46.0	8.30	18.30
EC	PPI MoM/YoY	Jun				0.6/-3.9	9.00	19.00
CH/US	Fed's Kaplan Speaks in Lecture in Beijing						10.15	20.15
US	Personal Income/Spending	Jun		0.3/0.3		0.2/0.4	12.30	22.30
US	PCE Deflator MoM/YoY	Jun		0.2		0.2	12.30	22.30
US	PCE Core MoM/YoY	Jun		0.1		0.2	12.30	22.30
CA	RBC Canadian Manufacturing PMI	Jul				51.8	13.30	23.30
US	ISM New York	Jul				45.4	13.45	23.45
CA	Bloomberg Nanos Confidence	Jul 29				57.5	14.00	0.00
Wednesday, 3 August 2016								
NZ	Unemployment Rate	2Q				5.7	22.45	8.45
NZ	Employment Change QoQ/YoY	2Q		/		1.2/2.0	22.45	8.45
NZ	Pvt Wages Ex/Incl. Overtime QoQ	2Q		/		0.4/0.4	22.45	8.45
NZ	Average Hourly Earnings QoQ	2Q				0.3	22.45	8.45
UK	BRC Shop Price Index YoY	Jul				-2.0	23.10	9.10
AU	AiG Perf of Services Index	Jul				51.3	23.30	9.30
NZ	ANZ Commodity Price	Jul				3.7	1.00	11.00
CH	Caixin PMI Services/Composite	Jul				52.7/50.3	1.45	11.45
JN	Nikkei PMI Services/Composite	Jul				49.4/49.0	2.00	12.00
GE	Markit Services/Composite PMI	Jul F		/		54.6/55.3	7.55	17.55
EC	Markit Services/Composite PMI	Jul F		/		52.7/52.9	8.00	18.00
UK	Official Reserves Changes	Jul				1619.0	8.30	18.30
UK	Markit/CIPS Services/Composite PMI	Jul F				47.4	8.30	18.30
EC	Retail Sales MoM/YoY	Jun		/		0.4/1.6	9.00	19.00
US	MBA Mortgage Applications	Jul 22				-1.3	11.00	21.00
US	ADP Employment Change	Jul		165		172.0	12.15	22.15
US	Markit Services/Composite PMI	Jul F		/		50.9/51.5	13.45	23.45
US	ISM Non-Manf. Composite	Jul		56.5		56.5	14.00	0.00
Upcoming Central Bank Interest Rate Announcements								
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%		
US Federal Reserve		22-Sep				0.25-0.50%		

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

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