

(Any) Heartache tonight (?)

It was an eventful news day for the AUD yesterday, even if the currency was little changed, and is not breaking new ground this morning, S&P yesterday changing the outlook on Australia's AAA rating from stable to negative. They cited fiscal outlook concerns, that fiscal consolidation could be further postponed. The agency also cited downside risks to the revenue forecasts in the Budget from their own forecasts of a lower iron ore price and the risk of persistent low price and wage inflation.

The AUD/USD dipped from what at the time was a mini rally in place up to 0.7535/40, quickly reversing by over ½ a cent, that was just as quickly snuffed out by renewed buying up through 0.75 again. Of course, the announcement did not come out of the blue, the market waiting for a statement from S&P after the election. (Earlier NAB research also indicated that for G10 currencies, there isn't any significant or sustained negative FX impact from negative ratings actions.)

The AUD has settled back not far below 0.75 this morning amid overnight weakness in oil prices (WTI and Brent off 4¾%), weighing on US energy stocks despite EIA measures of inventories falling in line with expectations but much less than the API expected that bolstered expectations for a larger drawdown. Swimming against a softer commodity-induced tide is the NZD benefiting from concerns raised yesterday by RBNZ Deputy Governor Spencer on house prices, suggesting less risk of lower rates. The AUD/NZD sits in the mid 1.03s this morning the lowest level since April 2015. The yen and the USD remain bid.

Sterling is trading near its lows of recent days; the Conservative Party narrowing its leadership candidates to two, Theresa May and Andrea Leadsom. It's been a similar soft story for the Euro, Germany reporting weaker than expected May industrial production and the EU Commission threatening fines for Spain and Portugal for excessive deficits, to be discussed at next week's EU FinMin meeting. For what it's worth, the private sector US ADP employment report for June ahead of payrolls tonight was a little stronger than expected and weekly jobless claims into the first week of July remained low at 254K.

Coming up

It's a very light event schedule today. Japanese balance of payments and labour earnings for May are followed in the European session by German current account and UK trade (both also May).

Then it's full attention on payrolls, with the employment component of Wednesday night's ISM Non-manufacturing report for June suggesting the number will be a little higher in underlying terms than in April/May when payrolls rose by a monthly average of 81K, but not significantly so. (The low 38K May result would have been around 35K higher but for the Verizon strike, the unwinding of which should be present in tonight's report.) The Non-manufacturing ISM read on employment was only marginally higher, and the US Help-Wanted index fell further, pointing to some uncertainty on the rate of job hiring in coming months, including in June. The market is expecting a rise in headline payrolls of 180K and an unemployment rate of 4.8% after May's 4.7% reading; that consensus payrolls growth is looking a tad ambitious. The market will also be keenly interested in earnings that are expected to have risen another 0.2% m/m, lifting annual growth from 2.5% to 2.7%. It's going to require a clearly strong report tonight (and for the next month or two) to convince the market that a near term rate hike looks realistic.

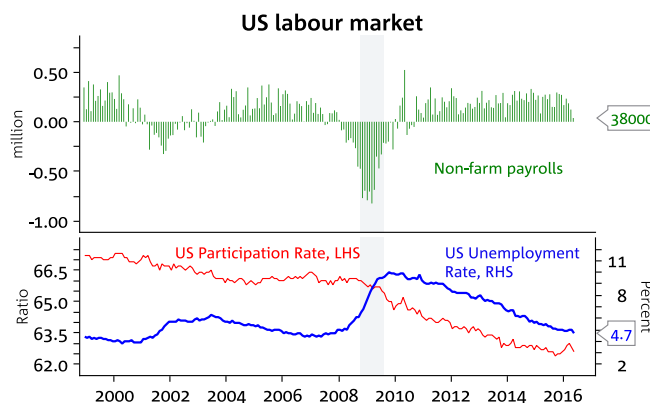
Canada also publishes its June employment report tonight, with a flattish report the consensus. Employment growth of just 5K is tipped with the unemployment rate up from 6.9% in May to 7.0% in June.

Overnight

On global stock markets, the S&P 500 was -0.09%. Bond markets saw US 10-years +1.84bp to 1.39%. In commodities, Brent crude oil -4.67% to \$46.52, gold -0.3% to \$1,363, iron ore -1.5% to \$55.07. AUD is at 0.7475 and the range since yesterday 5pm Sydney time is 0.7473 to 0.7536.

Good luck.

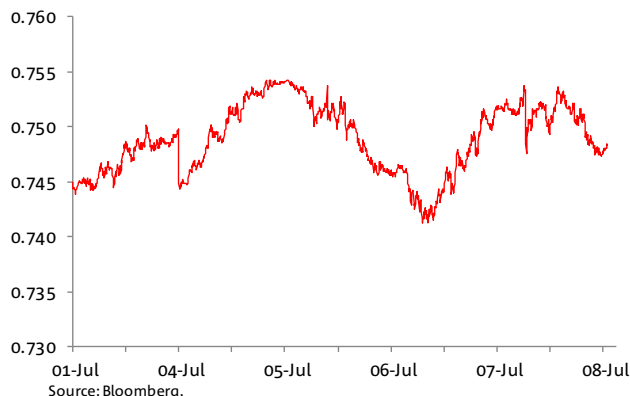
Chart of the day: Payrolls tonight



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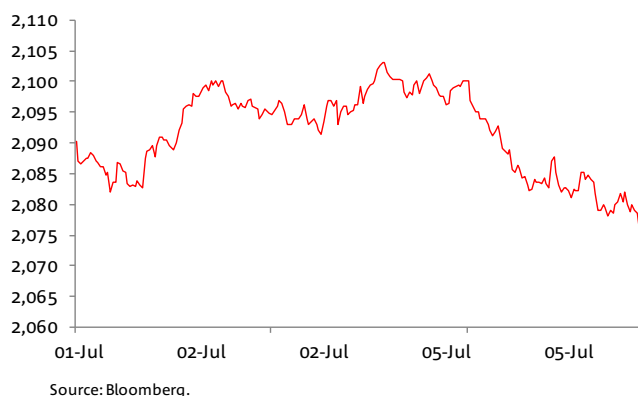
AUD/USD - past week



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	0.7475	-0.6	0.7467	0.7539	HKD	7.7584 0.0
NZD	0.7224	1.5	0.7206	0.7237	CNY	6.6817 -0.1
EUR	1.1065	0.0	1.1052	1.1101	SGD	1.3493 -0.3
GBP	1.2911	-0.5	1.2878	1.3049	IDR	13,224 0.2
JPY	100.73	0.4	100.60	101.23	THB	35.23 0.1
CAD	1.2994	-0.1	1.2876	1.3022	KRW	1,158 -0.4
AUD/EUR	0.6756	0.2	0.6754	0.6788	TWD	32.34 -0.2
AUD/JPY	75.29	0.6	75.19	76.05	PHP	47.16 0.2
AUD/GBP	0.5789	0.7	0.5758	0.5807	CHF	0.98 0.1
AUD/NZD	1.0346	-1.4	1.0342	1.0419	SEK	8.57 0.2
AUD/CNH	4.9943	0.0	5.0068	5.0493		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	0.50	0.66	0.76	1.29	USD 10	1.39	1.84
AUD	1.75	1.97	1.75	2.08	AUD 10	1.87	0.30 0.48
NZD	2.25	2.42	2.22	2.53	NZD 10	2.25	1.80 0.86
EUR	0.00	-0.29	-0.24	0.28	CAD 10	0.98	0.70 -0.41
GBP	0.50	0.52	0.50	0.89	EUR 10	-0.17	0.60 -1.56
JPY	-0.04	-0.03	-0.17	-0.10	GBP 10	0.78	1.60 -0.61
CAD	0.50	0.88	0.82	1.22	JPY 10	-0.27	-0.90 -1.66

Equities

Major Indices	Last	% day	% y/y
	Dow	17,896	-0.1
S&P 500	2,098	-0.1	0.8
Nasdaq	4,877	0.4	-2.4
VIX	15	-1.3	-8.3
FTSE	6,534	1.1	1.6
DAX	9,419	0.5	-11.8
CAC 40	4,118	0.8	-10.6
Nikkei	15,276	-0.7	-22.6
Shanghai	3,017	0.0	-14.0
Hang Seng	20,707	1.0	-11.9
ASX 200	5,228	0.6	-4.4

Commodities*

	Last	% day
Oil (Brent)	46.52	-4.7
Oil (WTI)	45.22	-4.7
Oil (Tapis)	48.34	0.2
Gold	1363.20	-0.3
CRB	185.70	-2.2
GS Metals	268.5	-1.1
Aluminium	1629.8	-0.9
Copper	4673.5	-1.3
Nickel	9711.8	-2.4
Zinc	2092.3	-0.4
Ch. steel	2401.0	1.3
Iron ore	55.1	-1.5
Coal	59.9	1.0
Wheat Chic.	446.3	-0.4
Sugar	19.7	-4.1
Cotton	65.2	-0.2
Coffee	141.8	-1.0

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.13	1.00
3 Yr bond	97.8	3.00
10 Yr bond	98.10	0.00
3/10 sprd	-0.30	3.00
SPI	5171.0	-17.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.61	0.4
Jun-2017	4.63	0.4
Dec-2017	4.60	-0.2

* 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
Friday, 8 July 2016								
JN	BoP Current Account Adjusted	May		1515.3		1625.8	23.50	9.50
JN	Labor Cash Earnings/Real Cash Earnings YoY	May		0.5		0.3/0.6	0.00	10.00
GE	Current Account Balance	May		24.6		28.8	6.00	16.00
UK	Trade Balance	May		-3575		-3294.0	8.30	18.30
US	Change in Nonfarm Payrolls/Unemployment rate	Jun		180/4.8		38/4.7	12.30	22.30
US	Average Hourly Earnings MoM/YoY	Jun		0.2/2.7		0.2/2.5	12.30	22.30
US	Participation Rate/Underemployment (U6) Rate	Jun				62.6/9.7	12.30	22.30
CA	Net Change in Employment/Unemployment rate	Jun		5/7		13.8/6.9	12.30	22.30
US	Consumer Credit	May		16		13.4	19.00	5.00
Sunday, 10 July 2016								
CH	CPI/PPI YoY	Jun		1.8/-2.5		2.0/-2.8	1.30	11.30
CH	New Yuan Loans/Aggregate Financing CNY	Jun		1030/1175		986/660	10-15 July release	
Monday, 11 July 2016								
NZ	Card Spending Retail MoM/YoY	Jun				-0.3/-0.6	22.45	8.45
JN	Machine Orders MoM	May				-11.0/-8.2	23.50	9.50
AU	Home Loans # MoM/Investment Lending \$ MoM	May				1.7/-5.0	1.30	11.30
AU	Owner-Occupier Loan Value MoM	May				0.1	1.30	11.30
JN	Machine Tool Orders YoY	Jun P				-24.7	6.00	16.00
CA	Housing Starts	Jun				188.6	12.15	22.15
US	Labor Market Conditions Index Change	Jun				-4.8	14.00	0.00
US	Fed's George speaks						14.00	0.00
Tuesday, 12 July 2016								
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 Gives Speech in Sydney						3.20	13.20
JN	Tertiary Industry Index MoM	May				1.4	4.30	14.30
GE	CPI EU Harmonized MoM/YoY	Jun F				0.1/0.2	6.00	16.00
EC	EU Finance Ministers meet in Brussels						7.00	17.00
US	NFIB Small Business Optimism	Jun		94		93.8	10.00	20.00
US	Fed's Bullard speaks in St. Louis						13.35	23.35
US	Wholesale Inventories/Sales MoM	May		0.1/		0.6/1.0	14.00	0.00
US	JOLTS Job Openings	May				5788.0	14.00	0.00
US	Fed's Kashkari Holds Town Hall Meeting in Marquette, MI						21.30	7.30
Wednesday, 13 July 2016								
NZ	Food Prices MoM	Jun				-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		45.3		50.0	3.00	13.00
CH	Exports/Imports YoY	Jun		-5		-4.1	3.00	13.00
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		/		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	Bank of Canada Rate Decision	Jul 13		0.5		0.5	14.00	0.00
CA	Bank of Canada Releases Monetary Policy Report						14.00	0.00
US	Monthly Budget Statement	Jun		43.5		-52.5	18.00	4.00
US	U.S. Federal Reserve Releases Beige Book						18.00	4.00
US	Fed's Harker Speaks in Philadelphia						22.00	8.00
Thursday, 14 July 2016								
NZ	BusinessNZ Manufacturing PMI	Jun				57.1	22.30	8.30
UK	RICS House Price Balance	Jun				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		/		17.9/5.7	1.30	11.30
AU	Participation Rate	Jun				64.8	1.30	11.30
AU	New Motor Vehicle Sales MoM/YoY	Jun				-1.1/1.7	1.30	11.30
NZ	Non Resident Bond Holdings	Jun				68.5	3.00	13.00
AU	RBA's Ellis in Panel Participation in Sydney						6.15	16.15
UK	Bank of England Bank Rate	Jul 14				0.5	11.00	21.00
UK	BOE Asset Purchase Target	Jul				375.0	11.00	21.00
US	Initial Jobless Claims	Jul 2		268.6		268.0	12.30	22.30
CA	New Housing Price Index MoM/YoY	May				0.3/2.1	12.30	22.30
US	PPI Final Demand MoM/YoY	Jun		0.3/		0.4/-0.1	12.30	22.30
US	PPI Ex Food and Energy MoM/YoY	Jun		0.1/		0.3/1.2	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
Friday, 15 July 2016								
CH	GDP SA QoQ/YoY	2Q		1.5/6.6		1.1/6.7	2.00	12.00
CH	GDP YTD YoY	2Q		6.7		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				2.5/-3.7	8.30	18.30
EC	Trade Balance SA	May				28.0	9.00	19.00
EC	CPI MoM/YoY	Jun		/		0.4/-0.1	9.00	19.00
EC	CPI Core YoY	Jun F				0.9	9.00	19.00
UK	Mark Carney speaks on climate change in Toronto						12.00	22.00
CA	Manufacturing Sales MoM	May				1.0	12.30	22.30
US	Retail Sales Advance/Ex autos and gas MoM	Jun		0.1/		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	CPI Ex Food and Energy MoM/YoY	Jun		0.2/2.2		0.2/2.2	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		0.1/		-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		93.8		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
Upcoming Central Bank Interest Rate Announcements								
UK BOE		14-Jul				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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