

## Selling England by the pound

Genesis' 1973 album laments the loss of English folk culture and increasing American influence. 43 years on, England can now have back as much of the former as it cares for, but has to hope it can look forward to even more of the latter. The Pound meanwhile continues to be sold, and while 'cable' is 125 points off yesterday's intraday lows, it is still mired below \$1.30 and looks well on its way to meeting NAB's FX Strategy team's target of \$1.20 by the middle of next year (or should that read the middle of next week?). News yesterday of another three UK property funds suspending redemptions (bringing the total so far to six) is the latest addition to negative influences on Sterling.

The Pound again sits at the foot of the G10 FX scoreboard in the past 24 hours, -0.74% against the dollar, while the Australian dollar has just pipped the Japanese Yen to top spot, so fully recovering from the dip seen earlier Wednesday yesterday on some combination of a 'risk-off' market tone and to some, minds, the re-insertion of an explicit easing bias into Tuesday's post-meeting RBA statement. Risk sentiment is a little improved into the New York close, with the VIX back down below 15 (14.96) and US equity indices showing gain of 0.5-0.75% into their New York close, shrugging of the sea of red seen in Europe earlier Wednesday (Eurostoxx 50 -1.83% with the FTSE100 -1.25%).

Sovereign yield at 10 years are little changed in either Europe or the U.S., which does imply a pullback higher from intraday lows, and led by the front end of the US curve after the US non-manufacturing ISM printed a stronger than expected 56.6 up from 52.9 in May and 53.3 expected. The rise was led by new orders (+4.7 points) and business activity (+4.4 point). While the employment sub-index was also higher (52.7 from 49.7) this is more consistent with a pickup in employment in August/September than necessarily suggesting a much stronger rise in non-farm payrolls to be reported this Friday. Also in this respect, the separately reported Help Wanted on-line job ads series showed a further fall in June. As for the June FOMC minutes published a few hours ago, perhaps the most that should be said about them is the 'uncertainty' word count reached a new high of 13. They were completely non market-moving.

Just as markets can't seem to hold AUD down, so the Euro continued to show no signs of Brexit contagion, back above 1.11 against the USD. This might not last as we head into some key political event risk in September/October (specifically the re-run of the Austrian presidential elections and the Italian referendum on constitutional reform to the Senate. The latter is viewed as a no-confidence vote in PM

Renzi's ruling Democratic party (PD) but where the Five Star Movement, led by sardonic comedian Beppe Grillo and who is demanding a referendum on ditching the euro, has just overtaken the PD in four separate opinion polls.

## Coming Up

Nothing to see of note in Australia today - just the AiG Construction PMI. China's June FX reserves are due but aren't likely to be released before 6pm AEST. A decline of around \$35bn is the consensus expectation, though if near correct we'd judge that a large part of this would be from the negative mark-to-market on China's GBP reserve holdings. BoJ Governor Kuroda speaks at 10:30 AEST.

Offshore tonight, we'll get UK industrial production data but which are for May so the best part of a month before the EU referendum. A sizeable fall is expected though (-1%) perhaps reflective of economic inertia setting in ahead of the plebiscite.

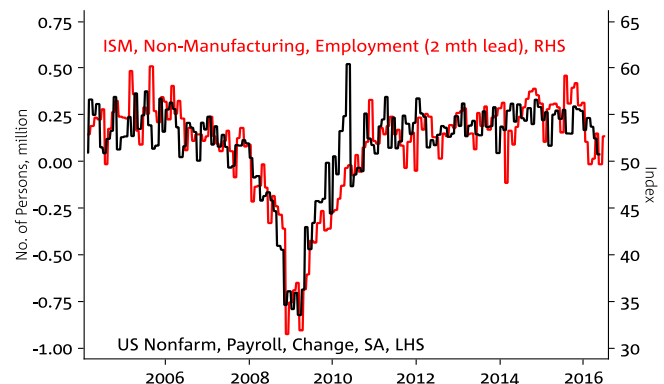
The ECB published minutes of its 2 June meeting, but which will be largely irrelevant given the ECB has since the meeting downgraded its view of Eurozone growth in the wake of the UK referendum outcome.

After last night's non-manufacturing ISM and ahead of tomorrow's non-farm payrolls report, we'll get the ADP employment estimate and weekly jobless claims.

## Overnight

On global stock markets, the S&P 500 was +0.54%. Bond markets saw US 10-years -0.01bp to 1.37%. In commodities, Brent crude oil +1.65% to \$48.75, gold+0.5% to \$1,366, iron ore +0.0% to \$55.93. AUD is at 0.7516 and the range since yesterday 5pm Sydney time is 0.7438 to 0.7519.

## Chart of the Day: US ISM non-manuf. employment vs. NFP

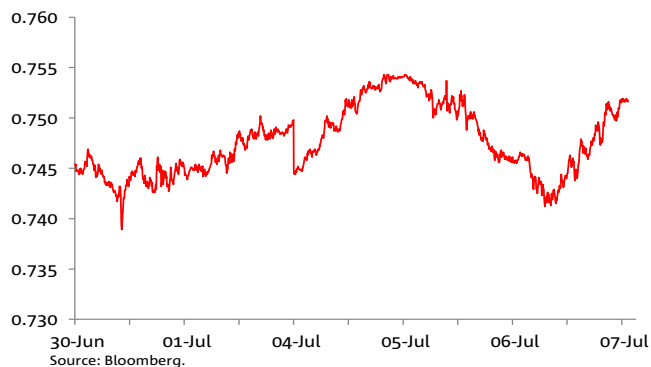


Source: National Australia Bank, Macrobond

## Author:

Ray Attrill – Global Co-Head of FX Strategy

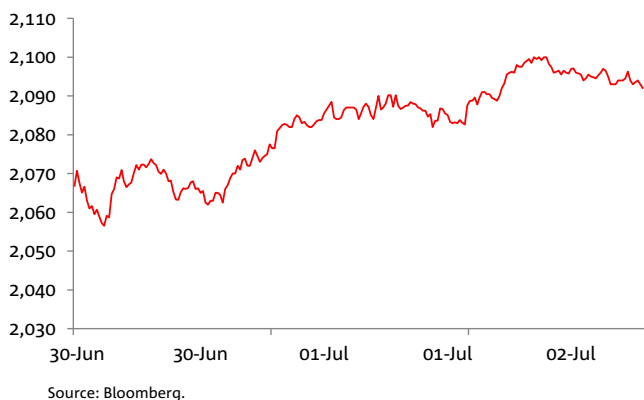
AUD/USD - past week



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	0.7516	0.7	0.7408	0.7520	HKD	7.7580 0.0
NZD	0.7130	-0.3	0.7080	0.7157	CNY	6.6886 0.0
EUR	1.1099	0.2	1.1029	1.1112	SGD	1.3505 0.0
GBP	1.2924	-0.8	1.2798	1.3028	IDR	13,209 0.0
JPY	101.32	-0.4	100.20	101.77	THB	35.22 0.1
CAD	1.2964	-0.1	1.2952	1.3056	KRW	1,166 0.9
AUD/EUR	0.6772	0.5	0.6710	0.6784	TWD	32.39 0.4
AUD/JPY	76.16	0.3	74.55	76.27	PHP	47.08 0.0
AUD/GBP	0.5816	1.5	0.5725	0.5820	CHF	0.98 -0.2
AUD/NZD	1.0541	1.0	1.0425	1.0548	SEK	8.53 0.0
AUD/CNH	5.0193	0.5	4.9670	5.0407		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.66	0.75	1.28	USD 10	1.37	-0.01
AUD	1.75	1.97	1.76	2.07	AUD 10	1.86	-7.90 0.49
NZD	2.25	2.43	2.16	2.49	NZD 10	2.25	-4.70 0.87
EUR	0.00	-0.29	-0.24	0.28	CAD 10	0.98	-1.90 -0.40
GBP	0.50	0.51	0.49	0.86	EUR 10	-0.18	0.90 -1.55
JPY	-0.05	-0.02	-0.16	-0.10	GBP 10	0.77	-0.60 -0.61
CAD	0.50	0.88	0.83	1.22	JPY 10	-0.27	-1.80 -1.64

Equities

Major Indices	Last	% day	% y/y
	Dow	17,919	0.4
S&P 500	2,100	0.5	1.5
Nasdaq	4,859	0.8	-2.7
VIX	15	-2.9	-11.1
FTSE	6,464	-1.2	-1.1
DAX	9,373	-1.7	-13.9
CAC 40	4,085	-1.9	-13.3
Nikkei	15,379	-1.9	-24.5
Shanghai	3,017	0.4	-19.0
Hang Seng	20,495	-1.2	-17.9
ASX 200	5,198	-0.6	-6.9

Commodities\*

	Last	% day
Oil (Brent)	48.75	1.6
Oil (WTI)	47.38	1.7
Oil (Tapis)	48.25	0.0
Gold	1365.80	0.5
CRB	189.96	0.2
GS Metals	271.6	-0.4
Aluminium	1644.0	-0.2
Copper	4736.0	-1.4
Nickel	9946.0	2.9
Zinc	2100.3	-0.3
Ch. steel	2370.0	-0.6
Iron ore	55.9	0.0
Coal	58.4	-0.3
Wheat Chic.	428.5	-1.2
Sugar	20.6	-1.4
Cotton	63.8	0.0
Coffee	143.3	-1.5

Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.12	2.00
3 Yr bond	97.8	3.00
10 Yr bond	98.12	10.00
3/10 sprd	-0.32	-7.00
SPI	5189.0	-3.0

\*Change in bps

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

	Last	% day
Dec-2016	4.59	-2.1
Jun-2017	4.61	-2.1
Dec-2017	4.61	-2.5

\* 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>Monday, 27 June 2016</b>								
NZ	Trade Balance	May	164	182		292.0	22.45	8.45
CH	Industrial Profits YoY	May				4.2	1.30	11.30
NZ	New Residential Lending YoY	May				15.0	3.00	13.00
EC	M3 Money Supply YoY	May		4.8		4.6	8.00	18.00
US	Advance Goods Trade Balance	May		-59.5		-57.5	12.30	22.30
US	Markit US Services/Composite PMI	Jun P		51.9		51.3/50.9	13.45	23.45
CA	Bloomberg Nanos Confidence	Jun 24				58.4	14.00	0.00
US	Dallas Fed Manf. Activity	Jun		-14.5		-20.8	14.30	0.30
EC/CH	PBOC Governor Zhou Speaks at ECB Forum in Sintra, Portugal						17.30	3.30
<b>Tuesday, 28 June 2016</b>								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jun 26				118.8	23.30	9.30
EC	EU Leaders hold Summit in Brussels, 28-29 June							
UK	CBI Retailing Reported Sales	Jun				7.0	10.00	20.00
UK	CBI Total Dist. Reported Sales	Jun				19.0	10.00	20.00
US	GDP Annualized QoQ	1Q T		1		0.8	12.30	22.30
US	S&P/CS 20 City MoM/YoY SA	Apr		0.5		0.9/5.4	13.00	23.00
CH	Leading Index	Apr				99.1	28-30 June release	
US	Consumer Confidence Index	Jun		93.05		92.6	14.00	0.00
US	Richmond Fed Manufact. Index	Jun		2		-1.0	14.00	0.00
<b>Wednesday, 29 June 2016</b>								
NZ	Household Labour Force Survey Revisions						22.45	8.45
US	Fed's Powell speaks in Chicago						23.00	9.00
JN	Retail Sales MoM/YoY	May		0.1		0.0/-0.8	23.50	9.50
JN	Dept. Store, Supermarket Sales	May		-1.5		-0.7	23.50	9.50
AU	HIA New Home Sales MoM	May				-1.8	1.00	11.00
CH	Westpac-MNI Consumer Sentiment	Jun				114.2	1.45	11.45
EC	EU Leaders hold Summit in Brussels, 28-29 June							
GE	Gfk Consumer Confidence	Jul		9.9		9.8	6.00	16.00
UK	Mortgage Approvals	May				66.3	8.30	18.30
EC	Business Climate Indicator	Jun				0.3	9.00	19.00
GE	CPI MoM/YoY	Jun P		0.2		0.3/0.1	12.00	22.00
GE	CPI EU Harmonized MoM/YoY	Jun P		0.1		0.4/0.0	12.00	22.00
US	Personal Income/Spending	May		0.3/0.3		0.4/1.0	12.30	22.30
US	Real Personal Spending	May				0.6	12.30	22.30
US	PCE Deflator MoM/YoY	May		0.2/1		0.3/1.1	12.30	22.30
US	PCE Core MoM/YoY	May		0.15/1.65		0.2/1.6	12.30	22.30
US/EC	Fed Chair Yellen participates in panel at ECB Conference						13.30	23.30
US	Pending Home Sales MoM/YoY	May		-1/4.8		5.1/2.9	14.00	0.00
<b>Thursday, 30 June 2016</b>								
NZ	Building Permits MoM	May				6.6	22.45	8.45
UK	Lloyds Business Barometer	Jun				32.0	23.10	9.10
UK	Gfk Consumer Confidence	Jun				-1.0	23.50	9.50
JN	Industrial Production MoM/YoY	May P		-0.2/1.9		0.5/-3.3	23.50	9.50
CH	Swift Global Payments CNY	May				1.8	1.00	11.00
NZ	ANZ Activity Outlook/Business Confidence	Jun				30.4/11.3	1.00	11.00
AU	Job vacancies	May				2.7	1.30	11.30
AU	Private Sector Credit MoM/YoY	May	0.5/6.7	0.5/6.7		0.5/6.7	1.30	11.30
NZ	Credit aggregates, household YoY	May				7.9	3.00	13.00
GE	Unemployment Change (000's)/Rate	Jun		-5/6.1		-11.0/6.1	7.55	17.55
UK	GDP QoQ/YoY	1Q F		/		0.4/2.0	8.30	18.30
UK	Current Account Balance	1Q				-32.7	8.30	18.30
UK	Index of Services MoM	Apr				-0.1	8.30	18.30
UK	Total Business Investment QoQ/YoY	1Q F				-0.5/-0.4	8.30	18.30
CH	BoP Current Account Balance	1Q F				48.1	9.00	19.00
EC	CPI Estimate/Core YoY	Jun		0/0.8		-0.1/0.8	9.00	19.00
EC	ECB account of the monetary policy meeting						11.30	21.30
US	Initial Jobless Claims	Jun 25				259.0	12.30	22.30
CA	Raw Materials Price Index MoM	May				0.7	12.30	22.30
CA	Industrial Product Price MoM	May				-0.5	12.30	22.30
CA	GDP MoM/YoY	Apr		0.1/		-0.2/1.1	12.30	22.30
US	Chicago Purchasing Manager	Jun		50.5		49.3	13.45	23.45
US	Bloomberg Consumer Comfort	Jun 26				44.2	13.45	23.45
US	Fed's Bullard Speaks in London						17.30	3.30
<b>Friday, 1 July 2016</b>								
AU	AiG Perf of Mfg Index	Jun				51.0	23.30	9.30
JN	Jobless Rate/job-to-applicant ratio	May		3.2		3.2/1.3	23.30	9.30
JN	Overall Household Spending YoY	May		-1		-0.4	23.30	9.30
JN	Natl CPI/Ex fresh food YoY	May		-0.5/-0.4		-0.3/-0.3	23.30	9.30
JN	Natl CPI Ex Food, Energy YoY	May		0.6		0.7	23.30	9.30
JN	Tankan Large Mfg Index/Outlook	2Q		4/3		6.0/3.0	23.50	9.50
JN	Tankan Large All Industry Capex	2Q		5.6		-0.9	23.50	9.50
AU	CoreLogic House Px MoM	Jun	0.3			1.6	0.00	10.00
CH	Manufacturing/Non-manufacturing PMI	Jun		50/		50.1/53.1	1.00	11.00
CH	Caixin China PMI Mfg	Jun		49.2		49.2	1.45	11.45
JN	Nikkei Japan PMI Mfg	Jun F				47.8	2.00	12.00
JN	Natl CPI Ex Fresh Food, Energy YoY	May		0.8		0.9	5.00	15.00
JN	Consumer Confidence Index	Jun		41		40.9	5.00	15.00
AU	Commodity Index AUD	Jun				90.3	6.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Jun F		54.4		54.4	7.55	17.55
EC	Markit Eurozone Manufacturing PMI	Jun F		52.6		52.6	8.00	18.00
UK	Markit UK PMI Manufacturing SA	Jun				50.1	8.30	18.30
UK	Unit Labor Costs YoY	1Q				1.3	8.30	18.30
EC	Unemployment Rate	May		10.1		10.2	9.00	19.00
US	Markit US Manufacturing PMI	Jun F				51.4	13.45	23.45
US	ISM Manufacturing	Jun		51.5		51.3	14.00	0.00
US	Construction Spending MoM	May		0.6		-1.8	14.00	0.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
Australia, RBA		5-Jul	1.75%	1.75%		1.75%		
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%		
New Zealand, RBNZ		11-Aug	2.00%	2.00%		2.25%		

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.