

Won't get fooled again

It was an overnight session marked by two Fed speakers banging the drum (not as strongly as Keith Moon used to) warning that even the September 22 FOMC is not off the radar for a Fed rate increase. Markets only took a little of that to heart, also soaking in a none too worrying outlook for the extent of US rate hikes from NY Fed President Bill Dudley, speaking on the Fox Business Network overnight.

The USD remains soggy, down for the session but getting some later support in the US session with US 2 year bond yields up 4-5 bps intraday on the back of Dudley's comments, 2s ending the session a net two basis points higher. Dudley's said the market was too complacent on Fed pricing, sentiments supported by Dennis Lockhart, Atlanta Fed President, who said that if the FOMC was meeting today, the economic data stream would justify a serious discussion of a rate increase. (Lockhart is a non-voter on the FOMC this year, while Dudley, as NY Fed chief, always gets a vote.)

After his "markets too complacent" remarks, Dudley was asked if the Fed could hike in September and said "I think it's possible". He was careful not to hide his cautious side too much, including describing rate increases as "snugging up rates a little bit" and that "we probably don't have a lot of monetary policy tightenings to do over time". Markets lifted the odds of a September move to a still modest 24%; a hike taking place in December was lifted to over a 50% chance. (NAB's forecast is that the data will justify a hike by the December 15 meeting.)

US data came and went with little market fallout, housing starts in July stronger than expected but permits somewhat softer. Industrial production was little different from consensus; July m/m CPI missed expectations by a tenth, headline CPI at 0.8% y/y (from 1.0% in June) and core at 2.2% (2.3%).

In a mixed night for the USD, Sterling is back with a 1.30 handle this morning, the BoE managing to buy more gilts in its second tranche of its new Asset Purchase program (after last week's falter). UK CPI for July was pretty much in line with expectations; PPI was stronger than expected.

The overnight NZ Global Dairy Auction saw prices zip 12.7% higher in a gold medal performance, suggesting upside risk to Fonterra's present milk price forecasts. This result pulled the NZD up by its bootstraps, earlier struggling in the 0.7230 region, now trading around 0.7280, up against the USD that has received some belated support through the course of the session. The AUD is trading back toward 0.77 this

morning, traded commodities generally firmer, including oil, iron ore, copper and even gold a little.

Coming up

First up this morning is the June quarter NZ labour market report, markets expecting 0.6% growth in employment (BNZ forecasting 0.7%) that would see the unemployment rate ease back from 5.7% to 5.3%. It has to be said however that this is a reconfigured survey and so the potential for surprise looms larger, particularly so given Statistics NZ has taken another fortnight to double check the results that were initially slated for release on 3 August. That's at 8.45 AEST. Also being released then is NZ's Business Price indexes.

Australia's Wage Price Index for Q2 (11.30) should reveal still very low annual growth at 2.0%. This is a highly synthesised measure of underlying wages so barely moves by more than 0.1% in a quarter; we look 0.5% q/q.

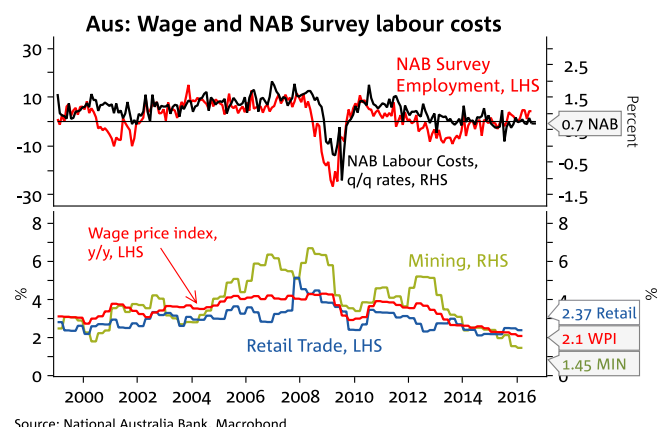
Tonight the focus will initially be on the UK again with their monthly jobless claims/labour market report for June/July ahead of the Fed's now uber-dove James Bullard speaking an hour before the release of the July 27 FOMC Minutes and whether this will fuel up US yields any more.

Overnight

On global stock markets, the S&P 500 was -0.55%. Bond markets saw US 10-years +1.70bp to 1.57%. In commodities, Brent crude oil +1.32% to \$48.99, gold+0.7% to \$1,357, iron ore +3.0% to \$62.03. AUD is at 0.7695 and the range since yesterday 5pm Sydney time is 0.7674 to 0.7739.

Good luck.

Chart: Demand for labour less delatatory for wages



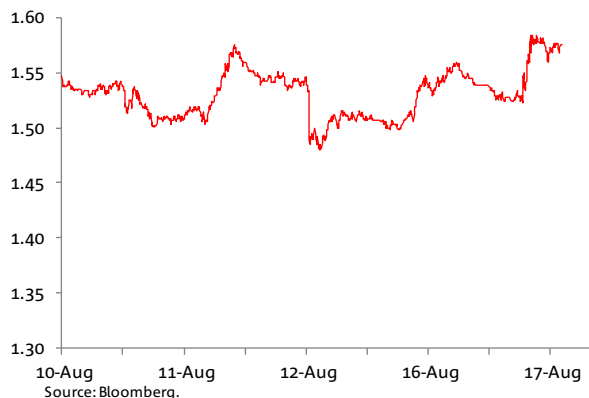
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AUD/USD - past week



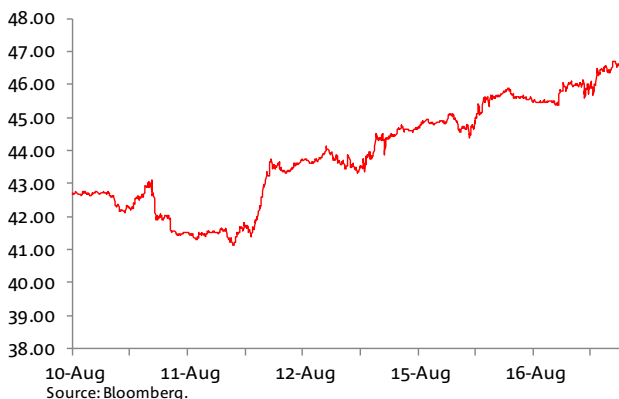
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7695	0.3	0.7694	0.7698	HKD	7.7539 0.0
NZD	0.7282	1.1	0.7229	0.7305	CNY	6.6274 -0.2
EUR	1.1279	1.0	1.1246	1.1324	SGD	1.3400 -0.3
GBP	1.3045	1.0	1.2940	1.3052	IDR	13,095 0.0
JPY	100.28	-0.8	99.54	100.54	THB	34.62 0.0
CAD	1.2858	-0.5	1.2799	1.2897	KRW	1,096 -0.3
AUD/EUR	0.6823	-0.6	0.6809	0.6855	TWD	31.29 -0.2
AUD/JPY	77.18	-0.4	77.03	77.35	PHP	46.23 -0.4
AUD/GBP	0.5899	-0.6	0.5896	0.5969	CHF	0.96 -1.3
AUD/NZD	1.0567	-0.7	1.0562	1.0639	SEK	8.40 -0.7
AUD/CNH	5.1001	0.2	5.0901	5.1291		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	0.50	0.80	0.97	1.44	USD 10	1.57	1.70
AUD	1.50	1.76	1.64	2.12	AUD 10	1.88	0.40 0.30
NZD	2.00	2.22	1.95	2.40	NZD 10	2.17	3.80 0.59
EUR	0.00	-0.30	-0.21	0.33	CAD 10	1.07	2.00 -0.51
GBP	questin	0.39	0.41	0.73	EUR 10	-0.03	4.40 -1.60
JPY	-0.04	-0.02	-0.04	0.07	GBP 10	0.59	5.40 -0.99
CAD	0.50	0.90	0.92	1.29	JPY 10	-0.09	0.00 -1.66

Equities

Major Indices	Last	% day	% y/y
	Dow	18,552	-0.5
S&P 500	2,178	-0.5	4.1
Nasdaq	5,227	-0.7	3.5
VIX	13	7.0	-1.5
FTSE	6,894	-0.7	5.2
DAX	10,677	-0.6	-2.8
CAC 40	4,460	-0.8	-10.0
Nikkei	16,597	-1.6	-19.5
Shanghai	3,110	-0.5	-22.1
Hang Seng	22,911	-0.1	-3.8
ASX 200	5,532	-0.1	3.1

Commodities*

	Last	% day
Oil (Brent)	48.99	1.3
Oil (WTI)	46.58	1.8
Oil (Tapis)	48.12	3.4
Gold	1356.90	0.7
CRB	186.64	0.8
GS Metals	278.6	0.5
Aluminium	1687.3	1.3
Copper	4803.0	0.9
Nickel	10225.5	-2.3
Zinc	2252.0	-0.4
Ch. steel	2653.0	4.0
Iron ore	62.0	3.0
Coal	67.6	0.0
Wheat Chic.	457.8	0.3
Sugar	20.3	1.4
Cotton	68.6	-0.4
Coffee	140.8	0.1

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.23	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	98.08	-3.00
3/10 sprd	-0.28	6.00
SPI	5482.0	13.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.69	-2.3
Jun-2017	4.71	-2.3
Dec-2017	4.73	-2.3

* 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
Wednesday, 17 August 2016								
NZ	PPI Input/Output QoQ	2Q				-1.0/-0.2	22.45	8.45
NZ	Employment Change QoQ/YoY	2Q	0.7/2.5	0.6/2.3		1.2/2.0	22.45	8.45
NZ	Unemployment/Participation Rate	2Q	5.3/68.8	5.3/68.8		5.7/69.0	22.45	8.45
NZ	Business Price Indexes, outputs/inputs	2Q	flat/-0.1			0.1/-0.9	22.45	8.45
AU	Westpac Leading Index MoM	Jul				-0.2	0.30	10.30
AU	Wage Price Index QoQ/YoY	2Q	0.5/2.0	0.5/2.0		0.4/2.1	1.30	11.30
UK	Jobless Claims Change/Claimant Count Rate	Jul		9/2.2		0.4/2.2	8.30	18.30
UK	Average Weekly Earnings/Earnings ex bonus 3M/YoY	Jun		2.4/2.3		2.3/2.2	8.30	18.30
UK	Employment Change/ILO Unemployment rate 3M/3M	Jun		150/4.9		176.0/4.9	8.30	18.30
US	Fed's Bullard Speaks in St. Louis						17.00	3.00
US	U.S. Fed Releases Minutes from July 26-27 FOMC Meeting						18.00	4.00
Thursday, 18 August 2016								
NZ	ANZ Job Advertisements MoM	Jul				0.5	22.00	8.00
JN	Trade Balance Adjusted	Jul		167.65		335.0	23.50	9.50
JN	Exports/Imports YoY	Jul		-13.7		-7.4/-18.8	23.50	9.50
NZ	ANZ Consumer Confidence Index/MoM	Aug				118.2/-0.6	1.00	11.00
CH	Property Prices	Jul						
AU	Employment Change/Unemployment rate	Jul	12/5.8	10/5.8		7.9/5.8	1.30	11.30
AU	Participation Rate	Jul	64.9	64.9			1.30	11.30
AU	RBA FX Transactions Market	Jul				1720	1.30	11.30
AU	RBA's Hancock in Panel Participation in Sydney							
JN	Machine Tool Orders YoY	Jul F				-19.6	6.00	16.00
EC	ECB Current Account SA	Jun				30.8	8.00	18.00
UK	Retail Sales Ex Auto Fuel MoM/YoY	Jul		0.3/3.9		-0.9/3.9	8.30	18.30
EC	Construction Output MoM/YoY	Jun		/		-0.5/-0.8	9.00	19.00
EC	CPI MoM/YoY	Jul		-0.5/0.2		0.2/0.1	9.00	19.00
EC	CPI Core YoY	Jul F		0.9		0.9	9.00	19.00
EC	ECB account of the monetary policy meeting						11.30	21.30
CA	Int'l Securities Transactions	Jun				14.7	12.30	22.30
US	Initial Jobless Claims	Aug 13		265		266.0	12.30	22.30
US	Philadelphia Fed Business Outlook	Aug		2		-2.9	12.30	22.30
US	Fed's Dudley answers questions at press briefing in New York						14.00	0.00
US	Leading Index	Jul		0.3		0.3	14.00	0.00
US	Fed's Williams Speaks in Anchorage						20.00	6.00
Friday, 19 August 2016								
NZ	Net Migration SA	Jul				5670.0	22.45	8.45
NZ	Credit Card Spending MoM/YoY	Jul				-0.8/4.1	3.00	13.00
JN	All Industry Activity Index MoM	Jun		0.9		-1.0	4.30	14.30
UK	Public Finances (PSNCR)/Central Government NCR	Jul		/		14.9/20.0	8.30	18.30
CA	Retail Sales/Ex autos MoM	Jun		0.5/0.3		0.2/0.9	12.30	22.30
CA	CPI NSA MoM/YoY	Jul		0/1.4		0.2/1.5	12.30	22.30
Monday, 22 August 2016								
JN	Supermarket/Convenience store Sales YoY	Jul				-0.5/0.8	5.00	15.00
US	Chicago Fed Nat Activity Index	Jul				0.2	12.30	22.30
CA	Wholesale Trade Sales MoM	Jun				1.8	12.30	22.30
CA	Bloomberg Nanos Confidence	Aug 19				59.3	14.00	0.00
Tuesday, 23 August 2016								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Aug 14				114.7	23.30	9.30
CH	MNI Business Indicator	Aug					1.45	11.45
JN	Nikkei Japan PMI Mfg	Aug P				49.3	2.00	12.00
EC	Markit Eurozone Manufacturing PMI	Aug P				52.0	8.00	18.00
EC	Markit Eurozone Services/Composite PMI	Aug P		/		52.9/53.2	8.00	18.00
UK	CBI Trends Total Orders/Selling Prices	Aug		/		-4.0/5.0	10.00	20.00
CH	Conference Board Leading Economic Index	Jul					13.00	23.00
US	Markit US Manufacturing PMI	Aug P				52.9	13.45	23.45
US	Richmond Fed Manufact. Index	Aug		5		10.0	14.00	0.00
EC	Consumer Confidence	Aug A				-7.9	14.00	0.00
US	New Home Sales, #/MoM	Jul		579/-2.2		592.0/3.5	14.00	0.00
Wednesday, 24 August 2016								
NZ	Trade Balance	Jul				127.0	22.45	8.45
AU	Skilled Vacancies MoM	Jul				0.8	1.00	11.00
AU	Construction Work Done	2Q				-2.6	1.30	11.30
JN	Leading Index CI	Jun F				98.4	5.00	15.00
GE	GDP SA QoQ/YoY	2Q F		/		0.4/1.8	6.00	16.00
GE	Markit/BME Germany Manufacturing PMI	Aug P				53.8	7.30	17.30
GE	Markit Germany Services/Composite PMI	Aug P		/		54.4/55.3	7.30	17.30
UK	BBA Loans for House Purchase	Jul				40103.0	8.30	18.30
US	House Price Purchase Index QoQ	2Q				1.3	13.00	23.00
US	FHFA House Price Index MoM	Jun		0.3		0.2	13.00	23.00
UK	CBI Total Dist. Reported Sales	Aug				-11.0	24-29 Aug	
JN	Small Business Confidence	Aug				47.8	24-28 Aug	
US	Existing Home Sales, #/MoM	Jul		5.55/-0.36		5.6/1.1	14.00	0.00
Upcoming Central Bank Interest Rate Announcements								
Canada, BoC		7-Sep				0.50%		
Australia, RBA		6-Sep	1.50%			1.50%		
Europe ECB		8-Sep				0.00%		
UK BOE		15-Sep				0.25%		
Japan, BoJ		21-Sep				-0.1% to +0.1%		
US Federal Reserve		22-Sep				0.25-0.50%		
New Zealand, RBNZ		22-Sep	1.75%	2.00%		2.00%		

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

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