

I can shop clearly now (the rain has gone)

Short sterling positions were dealt another blow overnight by a blockbuster rise in UK retail sales in July where the weather and the low currency has seen a very good month for the High Street. There was a large bounceback in UK retail sales in July, ex-autos sales up 1.5% (against +0.3% for consensus), sales even stronger including autos, up 1.4%. The UK Statistician said weather boosted sales just as the wet weather in June had kept shoppers at home. The lower GBP also helped, overseas shoppers taking the opportunity to take advantage of a higher degree of purchasing power. The ONS also reported that prices were continuing to fall in annual terms, the implied deflator for total sales down 2.0% y/y, as shoppers swooned at the prospect of yet more bargains.

Sterling had been getting a modicum of support during the Asia session, trading around 1.3050, but spiked higher by a full cent on the back of retail sales to over 1.3150, trading at around 1.3170. With a relatively steady to somewhat lower AUD - that couldn't make further headway above 0.77 overnight - AUD/GBP is now back below 0.59 to 0.584.

The USD has been drifting further lower overall and despite USD-supportive comments from Fed President John Williams (and Janet Yellen confidant) taking heart from a return to strong jobs growth. "In the context of a strong domestic economy with good momentum, it makes sense to get back to a pace of gradual rate increases, preferably sooner rather than later (and) allow a smoother, more gradual process of normalization." Inflation is on course to meet our 2 percent goal we're not quite at our target, but the strength of the labor market should help us along. Under these conditions, it makes sense for the Fed to gradually move interest rates toward more normal levels".

Bill Dudley has also been speaking again and he said that it's the jobs number that drives rate hike timing decisions; he also favours more reliance on jobs rather than GDP. He did say a return to strong (GDP) growth in Q3 would make him more inclined to tighten, "but not necessarily". Always caveats and caution it seems.

Despite stocks having a better session and oil higher again (energy stocks rose 1.78%), US Treasury yields drifted somewhat lower in response, the US\$ going along for the ride. Jobless claims remained low, but the employment and new orders components of the Philly Fed survey for August (that overall improved to +2 from -2.9, as expected) provided more excuses to sell dollars.

Coming up

It's a very light schedule as far as data and events are concerned at the end of the week. The market is now thinking ahead to whether Fed Chair Yellen will enliven market pricing at all when she speaks at the annual Kansas City Fed/ central bankers economic symposium in Jackson Hole at the end of next week to discuss "Designing resilient monetary policy frameworks for the future", an event The Economist described as Davos for central bankers. The Symposium has been running since 1978 and takes place August 25-27, with invited global central bankers, academics and press attending. The program including the time and topic of Chair Yellen's speech will be made available August 25.

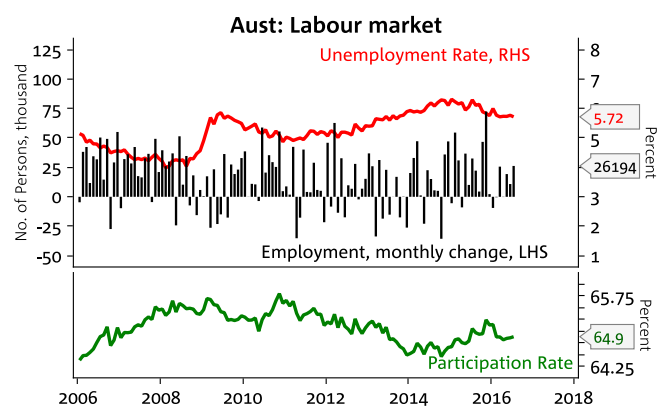
There are two second tier New Zealand releases this morning, net migration at 845 AEST and credit card spending at 1300 AEST. Japan has its All Industry Activity Index and tonight, the UK releases its July monthly public finance report ahead of some focus potentially on the Canadian dollar with the release of their key retail sales and CPI reports, retail sales for June and CPI for July. Retail sales are expected to have grown by 0.5% in June while the core CPI annual rate is expected to be unchanged at 2.1%.

Overnight

On global stock markets, the S&P 500 was +0.22%. Bond markets saw US 10-years -1.35bp to 1.54%. In commodities, Brent crude oil +2.15% to \$50.92, gold+0.7% to \$1,358, iron ore -0.3% to \$60.71. AUD is at 0.7686 and the range since yesterday 5pm Sydney time is 0.7665 to 0.7719.

Good luck.

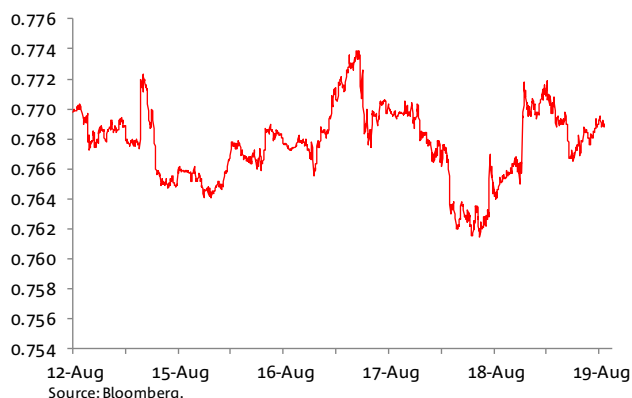
Chart: Australian labour market still solid



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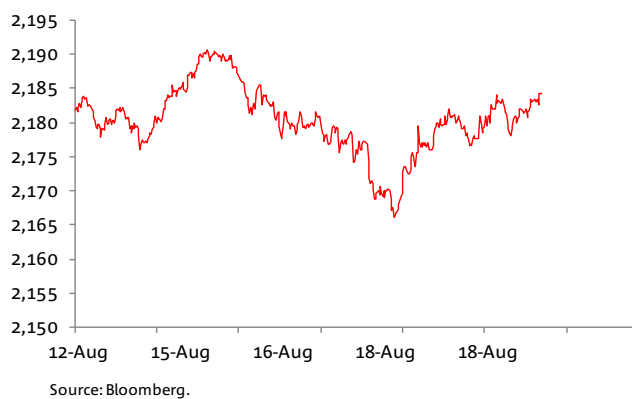
AUD/USD - past week



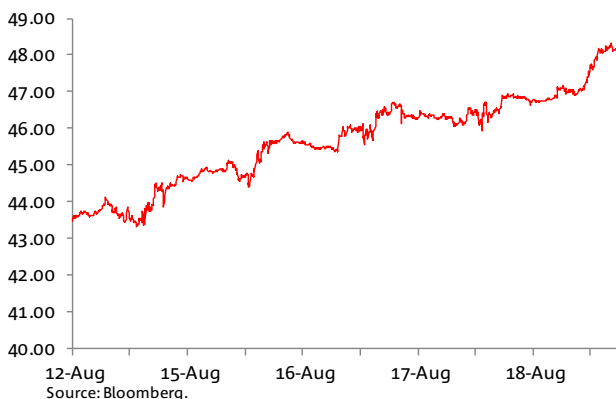
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7686	0.4	0.7684	0.7688	HKD	7.7539 0.0
NZD	0.7292	0.8	0.7264	0.7300	CNY	6.6313 -0.1
EUR	1.1352	0.7	1.1305	1.1368	SGD	1.3395 -0.4
GBP	1.3164	1.2	1.3126	1.3175	IDR	13,119 -0.3
JPY	99.89	-0.8	99.85	100.50	THB	34.55 -0.4
CAD	1.2778	-0.9	1.2764	1.2854	KRW	1,108 -0.4
AUD/EUR	0.677	0.1	0.6766	0.6799	TWD	31.41 -0.2
AUD/JPY	76.77	0.0	76.68	77.21	PHP	46.31 -0.3
AUD/GBP	0.5839	-0.4	0.5825	0.5854	CHF	0.95 -0.9
AUD/NZD	1.0541	0.0	1.0534	1.0567	SEK	8.35 -0.9
AUD/CNH	5.0974	0.7	5.0868	5.1222		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	0.50	0.81	0.96	1.41	USD 10	1.54	-1.35
AUD	1.50	1.75	1.62	2.08	AUD 10	1.87	-3.70 0.33
NZD	2.00	2.23	1.94	2.39	NZD 10	2.15	-3.50 0.61
EUR	0.00	-0.30	-0.21	0.29	CAD 10	1.04	-1.40 -0.50
GBP	0.25	0.38	0.42	0.72	EUR 10	-0.08	-3.20 -1.62
JPY	-0.04	-0.02	-0.06	0.08	GBP 10	0.55	-1.30 -0.99
CAD	0.50	0.90	0.91	1.26	JPY 10	-0.08	-1.20 -1.62

Equities

Major Indices	Last	% day	% y/y
	Dow	18,598	0.1
S&P 500	2,187	0.2	4.3
Nasdaq	5,240	0.2	3.6
VIX	11	-6.2	-17.1
FTSE	6,869	0.1	5.3
DAX	10,603	0.6	-2.9
CAC 40	4,437	0.4	-10.7
Nikkei	16,486	-1.6	-18.5
Shanghai	3,104	-0.2	-18.2
Hang Seng	23,023	1.0	-0.6
ASX 200	5,508	-0.5	2.4

Commodities*

	Last	% day
Oil (Brent)	50.92	2.1
Oil (WTI)	48.34	3.3
Oil (Tapis)	49.46	2.0
Gold	1357.60	0.7
CRB	189.34	1.3
GS Metals	278.9	0.3
Aluminium	1675.5	-0.7
Copper	4799.0	0.7
Nickel	10318.5	1.3
Zinc	2291.5	1.0
Ch. steel	2541.0	-1.2
Iron ore	60.7	-0.3
Coal	66.9	-2.4
Wheat Chic.	462.5	0.3
Sugar	20.0	1.3
Cotton	69.0	0.3
Coffee	141.5	2.4

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.23	0.00
3 Yr bond	97.8	3.00
10 Yr bond	98.13	5.00
3/10 sprd	-0.33	-2.00
SPI	5491.0	20.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.69	4.7
Jun-2017	4.71	4.7
Dec-2017	4.72	4.4

* 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, 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 21				117.6	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
US	Existing Home Sales, #/MoM	Jul		5.55/-0.36		5.6/1.1	14.00	0.00
Thursday, 25 August 2016								
JN	PPI Services YoY	Jul				0.2	23.50	9.50
CH	Swift Global Payments CNY	Jul				1.7	1.00	11.00
AU	Private Capital Expenditure	2Q				-5.2	1.30	11.30
GE	IFO Business Climate	Aug				108.3	8.00	18.00
GE	IFO Current Assessment/Expectations	Aug		/		114.7/102.2	8.00	18.00
UK	CBI Retailing Reported Sales	Aug				-14.0	10.00	20.00
UK	CBI Total Dist. Reported Sales	Aug				-11.0	10.00	20.00
US	Initial Jobless Claims	Aug 13		265		266.0	12.30	22.30
US	Durable Goods Orders/Core Orders	Jul P		3.5/0		-3.9/0.4	12.30	22.30
US	Markit US Services PMI	Aug P				51.4	13.45	23.45
US	Markit US Composite PMI	Aug P				51.8	13.45	23.45
US	Bloomberg Consumer Comfort	Aug 14				41.8	13.45	23.45
US	Kansas City Fed Manf. Activity	Aug				-6.0	15.00	1.00
Friday, 26 August 2016								
JN	Natl CPI YoY	Jul				-0.4	23.30	9.30
JN	Natl CPI Ex Fresh Food YoY	Jul				-0.5	23.30	9.30
GE	GfK Consumer Confidence	Sep				10.0	6.00	16.00
EC	M3 Money Supply YoY	Jul				5.0	8.00	18.00
UK	GDP QoQ/YoY	2Q P		/		0.6/2.2	8.30	18.30
UK	Index of Services MoM/YoY	Jun				#REF!	8.30	18.30
UK	Total Business Investment QoQ/YoY	2Q P		/		-0.6/-0.8	8.30	18.30
US	Advance Goods Trade Balance	Jul		-62.25		-999998.0	12.30	22.30
US	GDP Annualized QoQ	2Q S		1.1		1.2	12.30	22.30
US	Fed Chair Yellen to Speak at Jackson Hole Policy Symposium						26-27 Aug	
US	U. of Mich. Sentiment/5-10yr inflationary expectations	Aug F		90.8		90.4	14.00	0.00
CH	Industrial Profits YoY	Jul				5.1	1.30	11.30
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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