

How deep is your growth?

Weaker than expected US economic growth for the June quarter after an underwhelming outcome from the Bank of Japan on Friday set the tone for markets on Friday and at the open today. The currency markets start this week with the Japanese yen stronger, the USD weaker and the AUD/USD opening in early trade almost right on 0.76, right up to its highs of Friday night after the US growth disappointment. US Treasury yields eased and the Fed funds futures curve is pricing in a 40% chance of the Fed lifting the rates again by the end of the year and one hike not fully priced until the first half of 2018. In commodity markets, iron eased after a strong week, oil prices were mixed after falling last week. Local weekend auction results showed strong auction results, Sydney's at 80.4% (the strongest this year), Melbourne's at 75.6%, up from 71.6%.

It's far from done and dusted for the USD and the Fed as it's a very big week for US data with the ISM reports, tonight for manufacturing and the non-manufacturing report on Wednesday, with payrolls on Friday all important growth signposts into the September quarter

Released Friday, Eurozone GDP for the June quarter was right in line with expectations at 0.3% q/q, matching the growth performance of the US economy in the second quarter that for the advance estimate came in at 1.2% (seasonally adjusted annualised rate), even weaker than Thursday's 1.8% *GDPNow* estimate from the Atlanta Fed. On a year to basis, growth in the Eurozone over the year was a little ahead of the US at 1.6%, compared to US growth of 1.2%. The detail of the US growth was a little more comforting with strong personal consumer spending up 4.2%, but soft investment. Growth was held back by a draw from inventories that detracted an additional 0.75% points above the previous quarter's drag.

The Fed's John Williams and Robert Kaplan (both non-voters this year) were speaking after GDP, Williams saying that the Fed will be raising rates over the next couple of years, that strong data could still support two 2016 hikes, noting the inventory weakness in the GDP report, but also that it was important to make progress on both goals to hike. He said he'd be "perfectly comfortable" with some inflation overshoot. Kaplan said that the GDP report "makes you want to see more information" and that the Fed can raise rates gradually and patiently.

Coming up

In NZ this morning, Fonterra has maintained its milk price forecast steady at \$4.25 with its earnings guidance 2016-17 marginally better, the NZD already bid from weak US GDP.

It's a heavy event week kicking off today with the official Chinese PMIs at 11 AM, then the Caixin manufacturing PMI 45 minutes later. Final July manufacturing PMI reads for the UK and the Eurozone are scheduled, then the US ISM Manufacturing report tonight.

There are some local data points today, and while each adds a little to their own sub-story of the economy, none is market sensitive. There's the AiG PMI Manufacturing index that's been above 50 semi-comfortably for some time now. There's also the Melbourne Institute's CPI gauge for July, HIA new home sales report for June and the full July month CoreLogic RP Data house prices report.

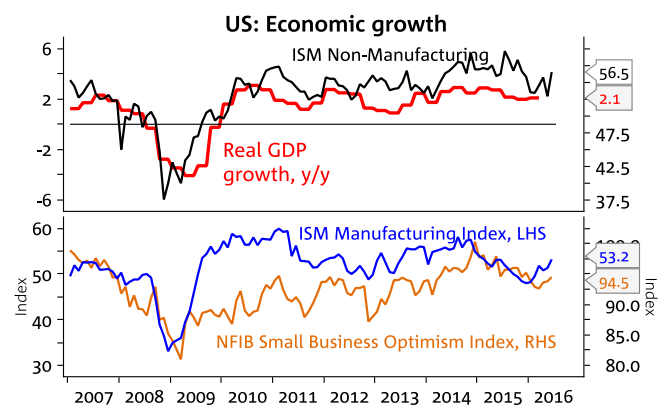
Other big events include tomorrow's RBA meeting and the Japanese Government's fiscal stimulus package, its size and content and, on Thursday, the Bank of England's expected easing in monetary policy and the RBA's quarterly Statement on Monetary Policy on Friday. NAB look for the RBA to hold rates steady tomorrow.

Overnight

On global stock markets, the S&P 500 was +0.32%. Bond markets saw US 10-years -5.13bp to 1.45%. In commodities, Brent crude oil -0.87% to \$43.53, gold+1.7% to \$1,358, iron ore -2.1% to \$59.37. AUD is at 0.7596 and the range since Friday 5pm Sydney time is 0.7494 to 0.7607.

Good luck.

Chart of the day: US ISMs under focus this week

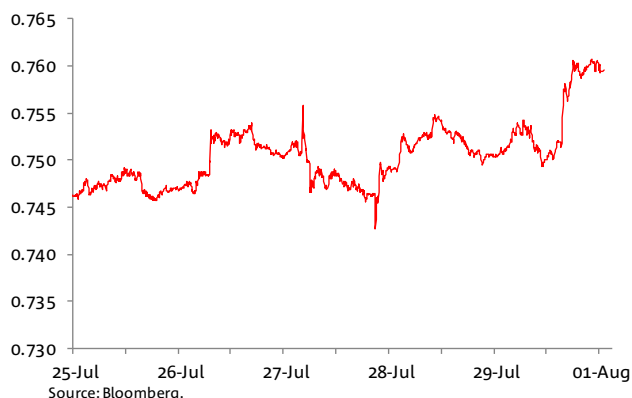


Source: National Australia Bank, Macrobond

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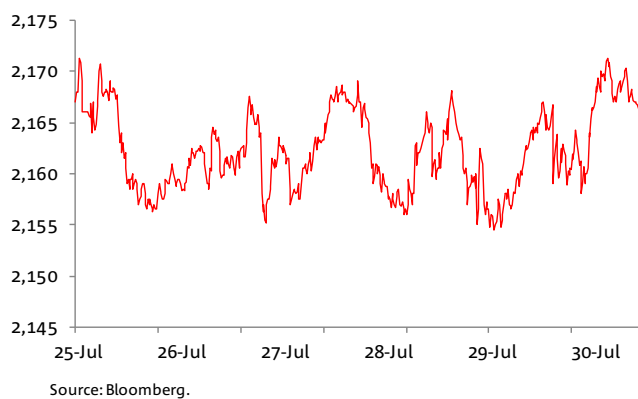
AUD/USD - past week



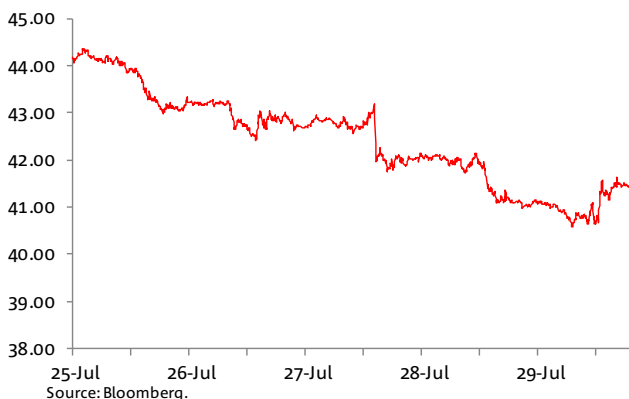
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7596	1.2	0.7493	0.7610	HKD	7.7588 0.0
NZD	0.7201	2.4	0.7062	0.7209	CNY	6.6402 -0.4
EUR	1.1174	1.6	1.0899	1.1181	SGD	1.3400 -1.3
GBP	1.3237	1.0	1.3117	1.3247	IDR	13,054 -0.7
JPY	102.19	-3.2	101.18	105.77	THB	34.79 -0.6
CAD	1.3034	-1.2	1.3027	1.3193	KRW	1,112 -2.1
AUD/EUR	0.6797	0.0	0.6750	0.6808	TWD	31.83 -0.7
AUD/JPY	77.63	-1.5	77.02	79.57	PHP	47.18 0.0
AUD/GBP	0.5741	0.7	0.5680	0.5745	CHF	0.97 -2.5
AUD/NZD	1.0547	-0.7	1.0524	1.0636	SEK	8.55 -1.4
AUD/CNH	4.9926	0.2	4.9905	5.0244		

Equities

Major Indices			
	Last	% day	% y/y
Dow	18,432	-0.2	4.2
S&P 500	2,174	0.3	3.3
Nasdaq	5,162	0.4	0.7
VIX	12	-7.5	-2.1
FTSE	6,724	-0.4	0.4
DAX	10,338	0.2	-8.6
CAC 40	4,440	-0.2	-12.6
Nikkei	16,569	-0.6	-19.5
Shanghai	2,979	-0.4	-18.7
Hang Seng	21,891	-1.5	-11.1
ASX 200	5,562	0.4	-2.4

Commodities*

	Last	% day
Oil (Brent)	43.53	-0.9
Oil (WTI)	41.60	-0.8
Oil (Tapis)	41.06	-5.3
Gold	1357.50	1.7
CRB	181.01	0.8
GS Metals	278.3	2.4
Aluminium	1636.8	3.5
Copper	4917.3	1.6
Nickel	10598.3	2.7
Zinc	2242.8	3.2
Ch. steel	2445.0	1.7
Iron ore	59.4	-2.1
Coal	68.0	-0.1
Wheat Chic.	435.8	-1.3
Sugar	19.1	-0.3
Cotton	74.0	0.7
Coffee	146.2	3.5

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	0.50	0.76	0.93	1.42	USD 10	1.45	-4.45
AUD	1.75	1.86	1.72	2.06	AUD 10	1.87	-7.90 0.42
NZD	N/A	N/A	2.29	2.47	NZD 10	2.21	-6.10 0.75
EUR	0.00	-0.30	-0.21	0.31	CAD 10	1.03	-4.90 -0.43
GBP	0.50	0.49	0.48	0.81	EUR 10	-0.12	-4.00 -1.57
JPY	-0.03	-0.01	-0.08	0.00	GBP 10	0.69	-5.30 -0.77
CAD	0.50	0.90	0.94	1.32	JPY 10	-0.19	9.70 -1.64

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.18	3.00
3 Yr bond	97.8	1.00
10 Yr bond	98.17	13.00
3/10 sprd	-0.37	-12.00
SPI	5536.0	-36.0

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.42	-2.4
Jun-2017	4.44	-2.4
Dec-2017	4.46	-1.3

*Change in bps

* 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
Monday, 1 August 2016								
UK	Nationwide House PX MoM/YoY	Aug				0.5/5.2	28 Jul-4 Aug	release
NZ	Fonterra Milk Price and Earnings Guidance (2016/17), previous: \$4.25 (milk price)							
AU	AiG Perf of Mfg Index	Jul				51.8	23.30	9.30
AU	CoreLogic House Px MoM	Jul	0.7			0.5	0.00	10.00
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/		50.0/53.7	1.00	11.00
CH	Caixin China PMI Mfg	Jul		48.8		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		53.7	7.55	17.55
EC	Markit Eurozone Manufacturing PMI	Jul F		51.9		51.9	8.00	18.00
UK	Markit UK PMI Manufacturing SA	Jul F		49.1		49.1	8.30	18.30
US	Markit US Manufacturing PMI	Jul F		52.9		52.9	13.45	23.45
US	Construction Spending MoM	Jun		0.5		-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
NZ	QV House Prices YoY	Jul				13.5	0.00	10.00
AU	Trade Balance	Jun	-1650	-2000		-2218.0	1.30	11.30
AU	Building Approvals MoM/YoY	Jun	0.0/-2.4	0.5/-2.4		-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		42.3		46.0	8.30	18.30
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
NZ	GDT Dairy Auction					flat	early AM NZT	
Wednesday, 3 August 2016								
NZ	Pvt Wages Ex/Incl. Overtime QoQ	2Q	0.5/0.4	0.5/0.4		0.4/0.4	22.45	8.45
NZ	Pvt Wages Inc Overtime/Everage Hourly Earnings QoQ	2Q		0.4/0.9		0.4/0.3	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	-0.2			3.7	1.00	11.00
AU	NAB Online Retail Sales Index MoM/YoY	Jun				2.0/13.2	1.30	11.30
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		54.6/55.3	7.55	17.55
EC	Markit Services/Composite PMI	Jul F		52.7/52.9		52.7/52.9	8.00	18.00
UK	Markit/CIPS Services/Composite PMI	Jul F		47.4		47.4	8.30	18.30
EC	Retail Sales MoM/YoY	Jun		0.1/		0.4/1.6	9.00	19.00
US	ADP Employment Change	Jul		170		172.0	12.15	22.15
US	Markit Services/Composite PMI	Jul F		51/		50.9/51.5	13.45	23.45
US	ISM Non-Manf. Composite	Jul		56		56.5	14.00	0.00
Thursday, 4 August 2016								
AU	Retail Sales \$ MoM/real QoQ	Jun	0.5/0.6	0.3/0.5		0.2/0.5	1.30	11.30
CH	BoP Current Account Balance	2Q P				39.3	7.30	17.30
UK	New Car Registrations YoY	Jul				-0.8	8.00	18.00
EC	ECB Publishes Economic Bulletin						8.00	18.00
CH/US	Fed's Kaplan Speaks in Shanghai						10.15	20.15
UK	Bank of England Bank Rate	Aug 4		0.25		0.5	11.00	21.00
UK	BOE Asset Purchase Target	Aug		375		375.0	11.00	21.00
UK	Bank of England Inflation Report						11.00	21.00
US	Challenger Job Cuts YoY	Jul				-14.1	11.30	21.30
US	Initial Jobless Claims	Jul 30				266.0	12.30	22.30
US	Factory Orders	Jun		-1.9		-1.0	14.00	0.00
Friday, 5 August 2016								
AU	AiG Perf of Construction Index	Jul				53.2	23.30	9.30
JN	Labor Cash/Real Earnings YoY	Jun		0.4		-0.2	0.00	10.00
AU	RBA Statement on Monetary Policy						1.30	11.30
JN	Leading Index CI	Jun P		99.7		99.7	5.00	15.00
GE	Factory Orders MoM/YoY	Jun		0.5		0.0	6.00	16.00
UK	Halifax House Prices MoM/3M YoY	Jul				1.3/8.4	7.30	17.30
US	Change in Nonfarm Payrolls/Unemployment rate	Jul		180/4.8		287/4.9	12.30	22.30
US	Average Hourly Earnings MoM/YoY	Jul		0.2/2.6		0.1/2.6	12.30	22.30
US	Trade Balance	Jun		-42.05		-41.1	12.30	22.30
CA	Net Change in Employment/Unemployment rate	Jul		10/6.9		-0.7/6.8	12.30	22.30
CA	Int'l Merchandise Trade	Jun		-2.6		-3.3	12.30	22.30
CA	Ivey Purchasing Managers Index SA	Jul				51.7	14.00	0.00
US	Consumer Credit	Jun		15.5		18.6	19.00	5.00
EC	EU Commission Publishes Economic Forecasts							
Sunday, 7 August 2016								
CH	Foreign Reserves	Jul				3205	8.15	18.15
Upcoming Central Bank Interest Rate Announcements								
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%		
Japan, BoJ		21-Sep				-0.1% to +0.1%		
US Federal Reserve		22-Sep				0.25-0.50%		

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

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