

Take it easy

Released overnight, the US ISM Manufacturing release for July was barely a miss, coming in at 52.6 against consensus of 53.0. The report revealed little change in the employment component that remained soggy at 49.4, after June's 50.2, the market now to pay close attention to Employment in Wednesday's Non-manufacturing ISM.

The release had a minimal impact on the USD in the overnight session, the Bloomberg spot USD index up 0.34% this morning. US Treasury yields rose, 2s up 2.4bps and 10s up 6.9bps to 1.51%. Also released overnight was Construction spending for June, down 0.6% (consensus was +0.5%), offset somewhat by an upward revision.

While the US ISM Manufacturing release was a small miss, the final July Eurozone counterpart was revised up slightly, to 52.0 (up from 51.9), Germany's up a tenth. However, in the lead up to the BoE meeting on Thursday, the preliminary UK Manufacturing PMI was revised down to 48.2 from the preliminary 49.1, only boosting expectations further the Bank will ease monetary policy further, through an expected lowering of the Bank rate if not further asset purchases (QE). Sterling was already pulling back into the release, and the weaker print was the spur for a further decline towards levels at the end of last week, Cable trading this morning at around 1.3180.

After hugging 0.76 for most of yesterday, and in the lead up to what most pundits think is a close call today from the RBA, the AUD has pulled back into the mid-to-lower 0.75s overnight. Base metals have been mixed with copper down but nickel up, WTI trading on \$40/bbl, and gold little changed. The daily Chinese import price of iron ore though rose \$62.27/t, up \$2.90, +4.88% with Dalian iron ore futures up 2.86% and Chinese steel rebar futures rising 1.50%, some late mail for the RBA to ponder on at this morning's Board meeting. Incidentally, at 0.7535, the AUD/USD is almost bang on when the Bank finalised its May forecasts.

Coming up

Ahead of the RBA board announcement at 2:30 PM, we get the June reports for International Trade and Building Approvals. Of the two, port and industry data points to an uplift in June in bulk commodity export shipments, specifically iron ore and LNG. Gold exports might also get a lift, if only because the past two months have been a lot weaker than normal. NABs estimate for the trade balance is a lower than consensus \$A1.65m that would normally be supportive of the Aussie ahead of the RBA.

We have no strong presumption about building approvals and industry information suggests that the trend in the development pipeline is weakening, that suggests to us an outcome flat for the month after the 5.2% fall in May. Also out this morning is the weekly ANZ Roy Morgan consumer confidence index, NZ house prices and the NZ two-year inflation expectations report.

That brings us to the RBA outcome at 230 with the market priced toward an easing (64% priced), with an on hold (NAB included) view likely to support the front end of the AU yield curve and the Australian dollar. It's going to be a very interesting decision in what will be Governor Stevens' second last in the chair, stepping down September 17. As we said now on several occasions, last week's CPI was right in line with RBA expectations.

The other big event today, for the yen markets is Japanese Government's ¥28tr fiscal stimulus statement and its details. No timing as yet, the package likely to be announced once Cabinet signs it off, then revealing how much is new money.

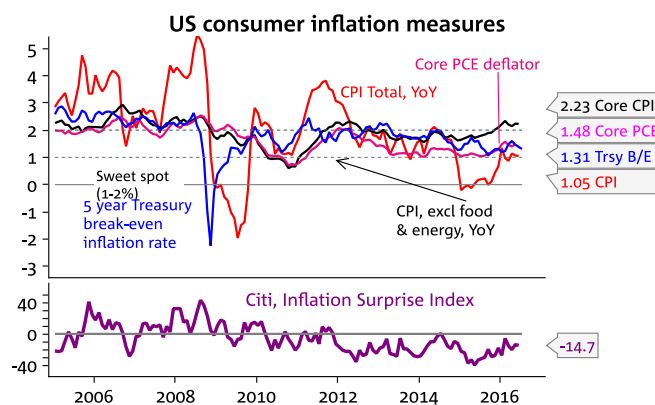
Early in the European session there is a speech being given by the Fed's Robert Kaplan in Beijing, with the main market focus on the PCE deflators within the US personal income and spending report for June. For NZD watchers, there is also a weekly dairy option tonight.

Overnight

On global stock markets, the S&P 500 was -0.13%. Bond markets saw US 10-years +5.29bp to 1.51%. In commodities, Brent crude oil -2.89% to \$42.27, gold+0.3% to \$1,361, iron ore +4.9% to \$62.27. AUD is at 0.7536 and the range since yesterday 5pm Sydney time is 0.753 to 0.7595.

Good luck.

Chart of the day: Measures of US consumer inflation



Source: National Australia Bank, Macrobond

Author:

David de Garis, Senior Economist

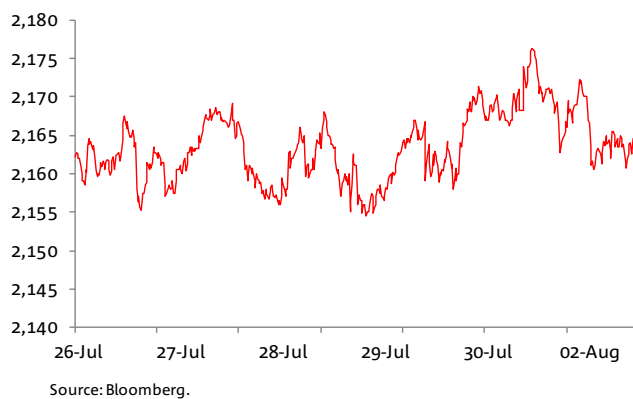
AUD/USD - past week



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	0.7536	-0.8	0.7529	0.7615	HKD	7.7614 0.0
NZD	0.7172	0.8	0.7168	0.7197	CNY	6.6439 -0.1
EUR	1.1164	0.5	1.1155	1.1181	SGD	1.3421 -0.6
GBP	1.3178	0.0	1.3168	1.3220	IDR	13,033 -0.6
JPY	102.40	-0.9	102.12	102.51	THB	34.77 -0.2
CAD	1.3120	-0.3	1.3062	1.3122	KRW	1,109 -1.2
AUD/EUR	0.6749	-0.1	0.6743	0.6786	TWD	31.55 -1.2
AUD/JPY	77.16	-0.5	77.06	77.56	PHP	47.10 -0.2
AUD/GBP	0.5718	0.3	0.5712	0.5748	CHF	0.97 -0.7
AUD/NZD	1.0507	-0.5	1.0502	1.0546	SEK	8.60 -0.1
AUD/CNH	5.0065	0.3	5.0053	5.0549		

Equities

Major Indices	Last	% day	% y/y
	Dow	18,405	-0.2
S&P 500	2,171	-0.1	3.2
Nasdaq	5,184	0.4	1.1
VIX	12	4.8	2.6
FTSE	6,694	-0.5	0.0
DAX	10,331	-0.1	-8.7
CAC 40	4,409	-0.7	-13.2
Nikkei	16,636	0.4	-19.2
Shanghai	2,953	-0.9	-19.4
Hang Seng	22,129	1.1	-10.2
ASX 200	5,587	0.5	-2.0

Commodities*

	Last	% day
Oil (Brent)	42.27	-2.9
Oil (WTI)	40.08	-3.7
Oil (Tapis)	41.98	2.2
Gold	1361.20	0.3
CRB	178.21	-1.5
GS Metals	277.2	-0.4
Aluminium	1626.0	-0.7
Copper	4871.0	-0.9
Nickel	10701.0	1.0
Zinc	2266.0	1.0
Ch. steel	2503.0	2.4
Iron ore	62.3	4.9
Coal	68.2	0.6
Wheat Chic.	433.0	-0.6
Sugar	18.8	-1.3
Cotton	74.4	0.5
Coffee	143.5	-1.9

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.76	0.90	1.40	USD 10	1.51	5.29
AUD	1.75	1.86	1.70	2.09	AUD 10	1.87	0.80 0.37
NZD	N/A	N/A	2.26	2.43	NZD 10	2.18	-2.50 0.67
EUR	0.00	-0.30	-0.22	0.28	CAD 10	1.03	0.00 -0.48
GBP	0.50	0.49	0.48	0.84	EUR 10	-0.10	2.10 -1.60
JPY	-0.03	-0.01	-0.06	0.04	GBP 10	0.73	4.50 -0.78
CAD	0.50	0.90	0.91	1.26	JPY 10	-0.14	5.50 -1.64

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.17	0.00
3 Yr bond	97.8	3.00
10 Yr bond	98.14	0.50
3/10 sprd	-0.34	2.50
SPI	5524.0	-5.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.38	-0.9
Jun-2017	4.40	-0.9
Dec-2017	4.41	-1.1

* 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
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	0.8/-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		42		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		44		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		0/1.8		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		265		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		-0.2		1.3/8.4	7.30	17.30
US	Change in Nonfarm Payrolls/Unemployment rate	Jul		175/4.8		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		-43		-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		-2.82		-3.3	12.30	22.30
CA	Ivey Purchasing Managers Index SA	Jul				51.7	14.00	0.00
US	Consumer Credit	Jun		16		18.6	19.00	5.00
EC	EU Commission Publishes Economic Forecasts							
Sunday, 7 August 2016								
CH	Foreign Reserves	Jul		3200		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

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

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