

Wrapped around your finger

It was pretty much all about the Bank of England overnight ahead of payrolls tonight. As my colleague from London Nick Parsons reminded us, there was the real potential for the BoE to over-promise and under-deliver, net GBP shorts according to IMM data at the greatest level of this series. But for once, the Old Lady over-delivered.

The Bank cut the Bank rate by 25 basis points to 0.25% (the lowest in its 322 year history) expected by all analysts in a MPC 9-0 vote, extending QE from £375bn £435bn, the £60bn increase in bond buying including £10bn of corporate bond buying. Also announced was a Term Funding Scheme to reinforce the pass-through of the cut in Bank Rate.

While the moves were not totally unexpected, the concerted dual move from the BoE – as close as we could have expected to an “all guns blazing” or in the words of BoE Chief Economist Andy Haldane a “muscular” approach - saw GBP/USD immediately jag lower from 1.33/1.35 before the announcement to 1.3150 and below, testing 1.31 and not far above that level as we go to print, currently trading just above the figure. AUD/GBP likewise jumped from 0.572 to above 0.58 where it sits this morning.

The UK rates market moved in tandem, two year UK gilt yields falling by 8 basis points to 0.117%, the market pricing in more easing. The BoE’s Quarterly Inflation Report noted that “if incoming data proves to be broadly consistent with the QIR, a majority of members expect to support a further cut in the Bank rate to its effective lower bound at one of the Monetary Policy Committee’s (MPC’s) meeting during the course of the year. The MPC judges this bound to be close to, but a little above, zero.

The easing and BoE Governor’s scheduled press conference was strengthened by a media blitz to sell the message of support for the economy from the BoE. Carney also did several TV interviews while his two Deputy Governors have been doing interviews on the economy and BoE strategy. Deputy Governor Michael Broadbent noted that recent PMIs suggest the economy is shrinking, with risks manifesting in a variety of indicators. The QIR took the axe to its 2.3% growth forecast for this year, cutting it to 0.8%, including a flat second half; NAB’s expectation is that this half will see two quarters of contraction, a technical recession. “Comprehensive, coherent and timely” is how the policy strategy was couched.

We have also enclosed with this morning’s note a fuller note from our London colleagues.

The AUD/USD has remained bid, trading this morning at 0.7628 amid mixed commodities and softer US bond yields.

Coming up

There are two big events coming up in the next 24 hours, the first of which is the RBA’s Statement on Monetary Policy at 1130 and of course then the US Non-farm payrolls report tonight.

As far as the Statement on Monetary Policy is concerned, we have two main interests. First, to focus on their discussion about the economy and any further clarification about any new reasons for further cutting the cash rate this week. Was it the second easing given the generally low inflation outlook or was there something more specific that was the catalyst for Tuesday’s move? We suspect the latter. The second major point of interest will be their forecasts for growth and inflation in the economy generally and specifically their GDP and inflation and forecast tracks and whether they will be any different from the forecasts published in May. We suspect not, but that’s not to day they won’t ease if inflation continues to lay low. At least one more rate cut is likely to be embedded in their market pricing assumption behind their forecasts.

As far as payrolls is concerned, continuing low levels of jobless claims and relatively steady employment components in this week’s ISM releases suggest that payrolls growth likely continued at a relatively solid pace through July. Markets are centred on growth in payrolls of 180K and an unemployment rate of 4.8%. There’ll be as much interest in earnings growth, the market consensus looking for monthly growth in earnings of 0.2% and annual growth of 2.6%, a continuing moderate uptrend.

Also out this morning is the AIG Construction index, Japanese labour cash earnings, and their Leading Index, then German factory orders and UK Halifax house prices tonight. As well as payrolls, the CAD will also be under focus with their July labour market report, the market expecting employment grew 10k with an unemployment rate up one tenth to 6.9%. The full June US trade report is out.

Overnight

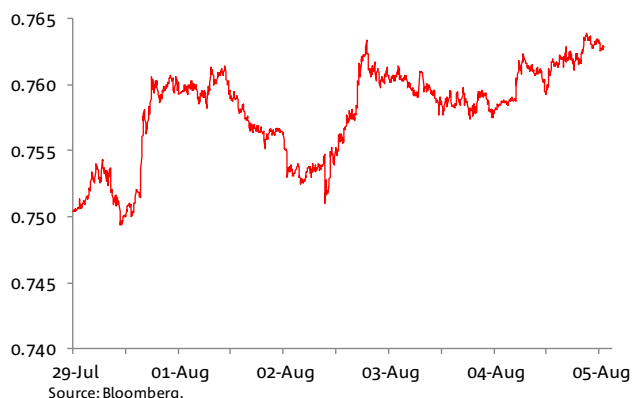
On global stock markets, the S&P 500 was +0.02%. Bond markets saw US 10-years -4.12bp to 1.50%. In commodities, Brent crude oil +2.60% to \$44.22, gold+0.2% to \$1,367, iron ore -3.5% to \$59.50. AUD is at 0.7627 and the range since yesterday 5pm Sydney time is 0.7597 to 0.7639.

Good luck.

Author:

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AUD/USD - past week



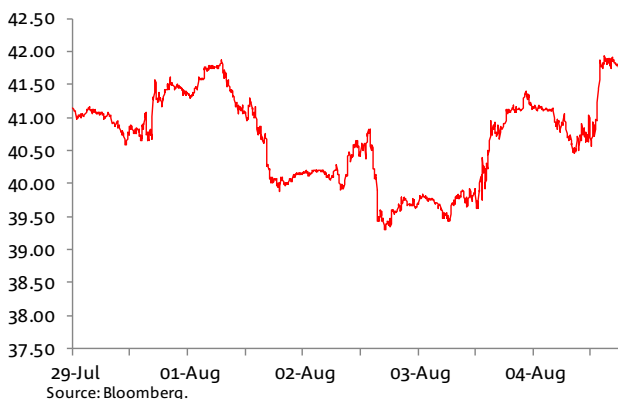
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7627	0.5	0.7626	0.7629	HKD	7.7563 0.0
NZD	0.7174	-0.1	0.7167	0.7205	CNY	6.6417 0.2
EUR	1.1129	-0.6	1.1114	1.1151	SGD	1.3421 0.0
GBP	1.3106	-1.8	1.3081	1.3352	IDR	13,107 -0.4
JPY	101.21	0.0	101.00	101.42	THB	34.91 -0.1
CAD	1.3022	-0.8	1.2996	1.3090	KRW	1,114 -0.3
AUD/EUR	0.6852	1.2	0.6829	0.6862	TWD	31.62 -0.2
AUD/JPY	77.19	0.5	76.93	77.36	PHP	47.01 -0.1
AUD/GBP	0.5818	2.4	0.5720	0.5824	CHF	0.97 0.6
AUD/NZD	1.0632	0.6	1.0589	1.0666	SEK	8.52 0.2
AUD/CNH	5.0659	0.7	5.0595	5.0675		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	0.50	0.78	0.91	1.40	USD 10	1.50	-4.12
AUD	1.50	1.79	1.66	2.11	AUD 10	1.95	1.60 0.44
NZD	2.25	2.26	1.98	2.43	NZD 10	2.23	3.40 0.73
EUR	0.00	-0.30	-0.22	0.28	CAD 10	1.05	-5.00 -0.45
GBP	questin	0.49	0.41	0.76	EUR 10	-0.10	-5.70 -1.60
JPY	-0.04	-0.01	-0.04	0.08	GBP 10	0.64	-15.90 -0.86
CAD	0.50	0.90	0.90	1.27	JPY 10	-0.08	0.50 -1.58

Equities

Major Indices			
	Last	% day	% y/y
Dow	18,352	0.0	4.6
S&P 500	2,164	0.0	3.4
Nasdaq	5,166	0.1	1.2
VIX	12	-3.4	-4.5
FTSE	6,740	1.6	0.8
DAX	10,228	0.6	-10.7
CAC 40	4,346	0.6	-15.0
Nikkei	16,255	1.1	-21.1
Shanghai	2,982	0.1	-19.3
Hang Seng	21,832	0.4	-10.9
ASX 200	5,476	0.2	-3.5

Commodities*

	Last	% day
Oil (Brent)	44.22	2.6
Oil (WTI)	41.93	2.7
Oil (Tapis)	42.17	2.4
Gold	1367.40	0.2
CRB	181.35	0.9
GS Metals	274.4	-1.0
Aluminium	1610.8	-1.2
Copper	4818.0	-0.9
Nickel	10568.8	-1.2
Zinc	2254.0	-0.8
Ch. steel	2492.0	-0.1
Iron ore	59.5	-3.5
Coal	65.0	-3.4
Wheat Chic.	430.5	-1.3
Sugar	19.7	3.5
Cotton	75.8	2.1
Coffee	142.1	1.2

Overnight Futures

Australia		
	Last	Chge*
3 mth bill	98.23	0.00
3 Yr bond	97.8	3.00
10 Yr bond	98.10	0.50
3/10 sprd	-0.30	2.50
SPI	5452.0	-33.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.70	1.7
Jun-2017	4.72	1.9
Dec-2017	4.73	1.3

* 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
Friday, 5 August 2016								
AU	AIG Perf of Construction Index	Jul				53.2	23.30	9.30
JN	Labor Cash/Real Earnings YoY	Jun		0.3		-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		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		-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		-2.84		-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
Monday, 8 August 2016								
JN	BoP Current Account Adjusted	Jun				1414.5	23.50	9.50
AU	ANZ Job Advertisements MoM	Jul				0.5	1.30	11.30
JN	Bankruptcies YoY	Jul				-7.4	4.30	14.30
JN	Eco Watchers Survey Current/Outlook	Jul				41.2/41.5	5.00	15.00
GE	Industrial Production SA MoM/YoY	Jun				-1.3/-0.4	6.00	16.00
CH	Trade Balance CNY	Jul		310.25		311.2	7.00	17.00
CH	Exports/Imports YoY CNY	Jul		2.25		1.3/-2.3	7.00	17.00
CH	Trade Balance	Jul		48		48.1	7.30	17.30
CH	Exports/Imports YoY	Jul		-3		-4.8/-8.4	7.30	17.30
EC	Sentix Investor Confidence	Aug				1.7	8.30	18.30
CH	Foreign Direct Investment YoY CNY	Jul		5		9.7	8.45	18.45
CA	Building Permits MoM	Jun				-1.9	12.30	22.30
CA	Bloomberg Nanos Confidence	Aug 5				59.5	14.00	0.00
US	Labor Market Conditions Index Change	Jul				-1.9	14.00	0.00
Tuesday, 9 August 2016								
NZ	ANZ Truckometer Heavy MoM	Jul				4.7	22.00	8.00
NZ	Card Spending Retail MoM/YoY	Jul				1.2/1.0	22.45	8.45
UK	BRC Sales Like-For-Like YoY	Jul				-0.5	23.10	9.10
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Aug 7				118.0	23.30	9.30
AU	NAB Business Conditions/Confidence	Jul				12.0	1.30	11.30
CH	CPI/PPI YoY	Jul		1.8		1.9/-2.6	1.30	11.30
JN	Machine Tool Orders YoY	Jul P				-19.9	6.00	16.00
GE	Current Account Balance	Jun				17.5	6.00	16.00
UK	Industrial Production MoM/YoY	Jun				-0.5/1.4	8.30	18.30
UK	Manufacturing Production MoM/YoY	Jun				-0.5/1.7	8.30	18.30
UK	Trade Balance	Jun				-2263.0	8.30	18.30
US	NFIB Small Business Optimism	Jul		94.5		94.5	10.00	20.00
US	Nonfarm Productivity	2Q P		0.5		-0.6	12.30	22.30
US	Unit Labor Costs	2Q P		1.6		4.5	12.30	22.30
CA	Housing Starts	Jul				218.3	12.15	22.15
UK	NIESR GDP Estimate	Jul				0.6	14.00	0.00
US	Wholesale Inventories/Trade Sales MoM	Jun		0/		0.1/0.5	14.00	0.00
US	IBD/TIPP Economic Optimism	Aug				0.0	14.00	0.00
Wednesday, 10 August 2016								
JN	Housing Loans YoY	2Q				1.9	23.50	9.50
JN	Machine Orders MoM/YoY	Jun				-1.4/-11.7	23.50	9.50
JN	PPI MoM/YoY	Jul				-0.1/-4.2	23.50	9.50
AU	Westpac Consumer Conf Index/MoM	Aug				99.1/-3.0	0.30	10.30
AU	Home Loans/Investment lending MoM	Jun		/		-1.0/3.9	1.30	11.30
AU	RBA Governor Stevens Speech in Sydney						3.05	13.05
JN	Tertiary Industry Index MoM	Jun				-0.7	4.30	14.30
CH	New Yuan Loans/Aggregate financing CNY	Jul		860/1000		1380.0/1630.0	10-15 Aug release	
US	MBA Mortgage Applications	Jul 29				-3.5	11.00	21.00
NZ	REINZ House Sales YoY	Jul				6.0	#VALUE!	#VALUE!
US	JOLTS Job Openings	Jun				5500.0	14.00	0.00
US	Monthly Budget Statement	Jul		-130		6.3	18.00	4.00
Thursday, 11 August 2016								
NZ	RBNZ Official Cash Rate	Aug 11		2		2.3	21.00	7.00
NZ	Food Prices MoM	Jul				0.4	22.45	8.45
UK	RICS House Price Balance	Jul				16.0	23.10	9.10
AU	Consumer Inflation Expectation	Aug				3.7	1.00	11.00
US	Import Price Index MoM	Jul		-0.3/		0.2/-4.8	12.30	22.30
US	Initial Jobless Claims	Jul 30		265		266.0	12.30	22.30
CA	New Housing Price Index MoM	Jun				0.7/2.7	12.30	22.30
US	Bloomberg Consumer Comfort	Jul 31				42.9	13.45	23.45
Upcoming Central Bank Interest Rate Announcements								
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%		
Australia, RBA		6-Sep	1.50%			1.50%		
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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