

## It's not so bad, it's not so bad

Dido's chorus to Eminem's brilliant 'Stan' sums up last night's US data and which was just about the only talking point in offshore markets last night.

ADP's estimate of private sector payroll growth in July came in at 179k, a shade above the 170k consensus, with the prior month surprisingly revised down by 4k to 172k despite the outsized gain reported by the BLS for June non-farm payrolls. More importantly, the July non-manufacturing ISM survey reported a small drop in the headline index, to 55.5 from a (very strong) 56.5 in June and just beneath the 55.9 consensus, but under the hood the details were generally better than the headline. In particular, the new orders sub-series rose to 60.3 - the highest since October last year - whilst net export orders rose 2 ½ points to 55.5. Employment slipped 1.3 to 51.4 but four of the last five months have now been above the 50 threshold. On every one of these sub-indices, the July reading is higher than the average of the last 6 months although prices paid fell to a four month low of 51.9.

Fed speak was confined to Chicago Fed President Charles Evans, who told reporters that "I do think that perhaps one rate increase could be appropriate this year....I get there in the following way: I think the real economy is doing quite well in the U.S. especially given all the headwinds we're facing and the uncertainty from abroad." This from one of the traditionally most dovish FOMC members (currently a non-voter but who rotates back on to the voting roster next year).

As for markets, US equities have ground out small gains (S&P 500 closing +0.3%) led by energy stocks linked to a rebound in crude oil (WTI and Brent are both up over \$1.50 despite a build in crude inventories reported by the EIA, though gasoline inventories dropped). This follows a fairly flat day in Europe in contrast to Tuesday's sharp falls, despite more pressure on European bank shares and where the likes of Italy's Unicredit were halted limit down for the third consecutive day.

US treasury yields were initially higher in the wake of the US data, but prices have since retreated to leave 10 year yields 1.4bps lower on the day and 2s down 1.2bps.

In currencies, the NZD is by far the biggest loser in the last 24 hours, extending the drop that began soon after yesterday's labour market data, with assistance from a general stronger dollar. CAD is the only G10 currency up against the dollar thanks to oil, while the AUD is pretty much where we left it last night.

## Coming Up

Today sees the release of retail sales for June, which we expect was boosted by winter sales of clothing following the (late) arrival of colder weather (NAB +0.5%, market +0.3%). There has been little to no growth in the Department Stores category for the past two months and the Specialty Clothing, Footwear, and Personal Accessory store category was down a sizeable 1.2% in May, flat sales attributable in part to the late onset of winter. This month's release comes with volumes for the June quarter, that we expect rose 0.6%, versus 0.5% in Q1 (market +0.5%).

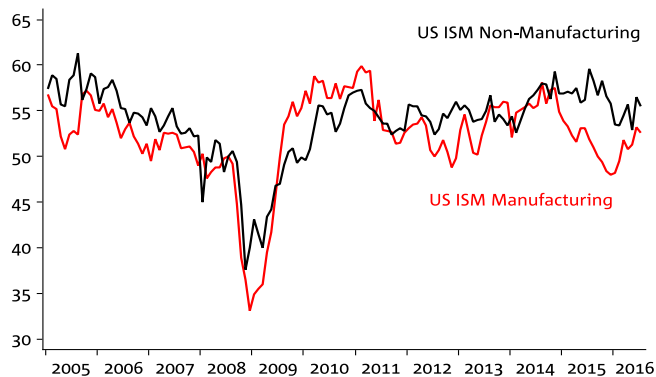
Offshore this evening the main draw is the Bank of England, whose chief economist Andy Haldane spoke last month of the need for 'muscular' easing out of the August meeting. Two external MPC members had publicly proposed a more 'wait and see' (the hard data) approach before acting, but one of these, Martin Weale has already back-flipped following the very poor July purchasing managers data to say he now favours immediate action. A 25bps cut to the current 0.5% Bank Rate is about 90% discounted and is what NAB expects to be delivered. Alongside, we see a fair chance of an addition to the current £375bn QE purchases of gilts, a total last increased back in July 2012. 20 of 44 analysts polled by Bloomberg expect an increase.

Other than the BoE, weekly U.S jobless claims and factory goods orders are the only things to note on the calendar.

## Overnight

On global stock markets, the S&P 500 was +0.31%. Bond markets saw US 10-years -1.21bp to 1.54%. In commodities, Brent crude oil +3.88% to \$43.42, gold -0.6% to \$1,356, iron ore -0.4% to \$61.67. AUD is at 0.7588 and the range since yesterday 5pm Sydney time is 0.7574 to 0.7598.

Chart of the Day: US ISM surveys

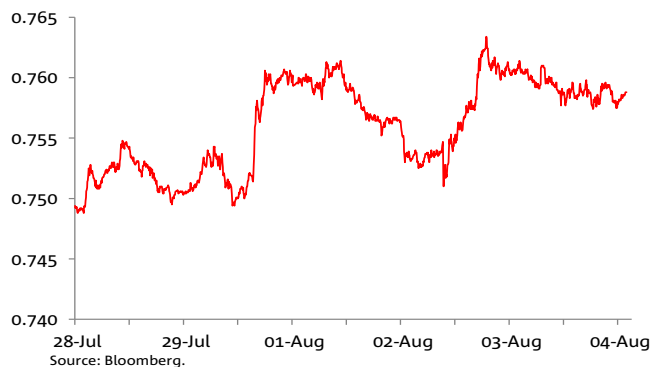


Source: National Australia Bank, Macrobond

## 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	0.7588	-0.3	0.7568	0.7616	HKD	7.7588 0.0
NZD	0.7159	-1.2	0.7141	0.7247	CNY	6.6342 0.1
EUR	1.1151	-0.7	1.1141	1.1227	SGD	1.3412 0.1
GBP	1.3325	-0.2	1.3281	1.3372	IDR	13,121 0.2
JPY	101.25	0.4	100.75	101.57	THB	35.01 0.7
CAD	1.3070	-0.3	1.3063	1.3148	KRW	1,118 0.7
AUD/EUR	0.6804	0.3	0.6759	0.6806	TWD	31.71 0.2
AUD/JPY	76.82	0.1	76.51	77.09	PHP	47.05 0.1
AUD/GBP	0.5694	-0.1	0.5676	0.5712	CHF	0.97 0.9
AUD/NZD	1.0598	0.9	1.0500	1.0620	SEK	8.55 0.4
AUD/CNH	5.0378	-0.1	5.0253	5.0679		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.77	0.93	1.44	USD 10	1.54	-1.21
AUD	1.50	1.80	1.67	2.13	AUD 10	1.93	11.00 0.39
NZD	2.25	2.27	2.02	2.46	NZD 10	2.18	3.00 0.64
EUR	0.00	-0.30	-0.20	0.32	CAD 10	1.10	1.80 -0.45
GBP	0.50	0.49	0.49	0.87	EUR 10	-0.04	-0.20 -1.58
JPY	-0.04	-0.01	-0.05	0.07	GBP 10	0.80	-0.60 -0.74
CAD	0.50	0.90	0.93	1.34	JPY 10	-0.08	-0.80 -1.63

Equities

Major Indices	Last	% day	% y/y
	Dow	18,355	0.2
S&P 500	2,164	0.3	3.1
Nasdaq	5,160	0.4	0.9
VIX	13	-3.8	2.4
FTSE	6,634	-0.2	-0.8
DAX	10,170	0.3	-11.1
CAC 40	4,321	-0.2	-15.6
Nikkei	16,083	-1.9	-21.6
Shanghai	2,978	0.2	-20.7
Hang Seng	21,739	-1.8	-10.9
ASX 200	5,466	-1.4	-4.1

Commodities\*

	Last	% day
Oil (Brent)	43.42	3.9
Oil (WTI)	41.14	4.1
Oil (Tapis)	41.18	-1.1
Gold	1356.10	-0.6
CRB	179.79	1.4
GS Metals	277.2	0.1
Aluminium	1631.0	0.9
Copper	4862.5	-0.4
Nickel	10699.0	0.1
Zinc	2271.8	-0.1
Ch. steel	2487.0	-0.5
Iron ore	61.7	-0.4
Coal	67.3	-0.4
Wheat Chic.	436.3	1.9
Sugar	19.0	-0.1
Cotton	73.8	0.2
Coffee	140.4	-0.6

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.23	6.00
3 Yr bond	97.8	3.00
10 Yr bond	98.07	-5.00
3/10 sprd	-0.27	8.00
SPI	5446.0	54.0

\*Change in bps

CO<sub>2</sub> Emissions - Euros

	Last	% day
Dec-2016	4.62	4.5
Jun-2017	4.63	4.3
Dec-2017	4.67	5.2

\* 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
<b>Thursday, 4 August 2016</b>								
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
<b>Friday, 5 August 2016</b>								
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							
<b>Sunday, 7 August 2016</b>								
CH	Foreign Reserves	Jul		3200		3205	8.15	18.15
<b>Monday, 8 August 2016</b>								
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
<b>Tuesday, 9 August 2016</b>								
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		0.6		-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		0.1/		0.1/0.5	14.00	0.00
US	IBD/TIPP Economic Optimism	Aug				0.0	14.00	0.00
<b>Wednesday, 10 August 2016</b>								
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		870/1012		1380.0/1630.0	10-15 Aug release	
US	MBA Mortgage Applications	Jul 29				-11.2	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		-116		6.3	18.00	4.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
Australia, RBA		6-Sep	1.50%	1.50%		1.50%		
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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