

Working Man

There wasn't much not to like about Friday's July US payrolls report, the 255k rise in headline payrolls enhanced by 18k worth of upward revision to May and June and meaning that well over half a million more Americans are in work compared to just two months ago. The unemployment rate only held steady at 4.9% because of a surge in the labour force and 0.1% rise in the participation rate, while average hourly earnings rose by 0.3% but held steady at 2.6% in annual terms.

Unlike the perverse reaction to many recent global economic events, we had a predictable response across asset classes to the report, albeit in FX the US dollar witnessed a rather spluttering reaction (knee jerk gains across the board but quickly given back, before a renewed advance later into the New York session). DXY ended 0.46% higher, the broader BBDXY +0.34% and the ADXY -0.15%.

In individual currencies, USD/CAD was the standout, +1.2% to 1.3073, so CAD giving back its mid-week oil-related outperformance, thanks to another poor Canadian labour force report (employment -31.2k with full time -71.4k) as well as an unexpectedly large trade deficit. AUD/CAD closed above parity for the first time since early March. AUD/USD ended NY down just 0.1% on the day at 0.7619 so still above pre-RBA rate cut levels. NZD fell more, -0.4% to 0.7144. EUR/USD -0.4% to 1.1086, USD/JPY +0.6% to Y101.82 and GBP -0.3% to 1.3073.

In stocks the S&P jumped at the open then proceeded to grind out small additional gains with no setbacks along the NY day, ending +0.9% at a new record high of 2182.9. Earlier the Eurostoxx 50 ended 1.4% higher with Spain the biggest gainer in Europe (+2.4%) and the UK FTSE the smallest (+0.8%).

In bonds, Treasury yields jumped out of the gate and didn't look back, the biggest rise evident in the 5yr, +10.8bps to 1.1363%. 2s +7.9bps to 0.7221% and 10s +8.8bps to 1.5885. OIS pricing sees odds on a September 25-point Fed rate rise lift to 22% from 18%, and for December to 46% from 37%. 10yr Bunds added 2.0bps to -0.07% and the 10yr gilt +0.28bps to 0.669%.

Commodities saw gold lose \$25 to \$1336 while oil was little changed, WTI +\$0.13 to \$41.80 and Brent +\$0.02 to \$44.27. The LME index ended 0.11% higher while iron ore jumped \$1.24 to \$60.74 – off its recent high of \$62.27 (last Tuesday) but still 10.1% up on a month ago.

Other data of note since we went home Friday was latest China's FX reserves, published Sunday. These fell by \$4.1bn

in July to \$3,201bn. We estimate valuation effects as likely to have boosted the dollar value of reserves by around \$12bn last month, and assuming that July's trade balance is similar to June's \$48bn, then this suggests capital outflows in July were in the order of \$64bn+/- . This is down on nearer \$100bn per month for some months last year but still relatively chunky and implying ongoing CNY depreciation pressures being resisted by the PBoC.

CoreLogic RP Data's weekend auction summary shows the combined capital cities clearance rate recording its highest level of the year, 74.9% up from last weekend's previous YTD high of 72.0%. Sydney cleared 80.4% up from 78.0% last weekend and Melbourne 76.1% up from 75.3%. Brisbane also recorded its highest clearance rate of the year at 59.1% (from 48.5% previously).

On Friday night, Donald Trump publicly endorsed House speaker Paul Ryan as well as Senators John McCain and Kelly Ayotte, after a week that has seen his poll standing slip further behind Hillary Clinton. The RealClear Politics website has the latest poll average at 47.3/40.4 in favour of Clinton, while on Sunday, a CBS News poll showed Clinton with a 12-point lead over Mr Trump in Virginia, a key swing state. Trump is reported as seeking to reorient his campaign this week with a new economic plan which includes claims he can double US economic growth by imposing fresh tariffs on China and renegotiating global trade rules.

Coming Up

It's a pretty big week ahead with something of note every day. China has July trade numbers today (time not specified but typically around midday AEST) and then retail sales, industrial production and fixed asset investment numbers on Friday. Friday also brings US retail sales and the preliminary University of Michigan consumer sentiment survey.

Locally it's the latest NAB survey tomorrow and then on Wednesday outgoing RBA governor Glenn Stevens speaks (will he make clear the RBA retains an easing bias?). The RBNZ decision is on Thursday and where something more 'muscular' than a 25 point OCR cut looks to be required if the kiwi is to fall out of the announcement.

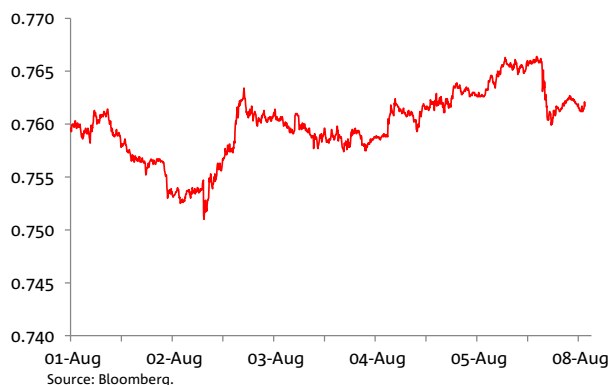
Overnight

On global stock markets, the S&P 500 was +0.88%. Bond markets saw US 10-years +8.77bp to 1.59%. In commodities, Brent crude oil +2.71% to \$44.27, gold -1.5% to \$1,336, iron ore -1.5% to \$60.74. AUD is at 0.7617 and the range since Friday 5pm Sydney time is 0.7599 to 0.7664.

Author:

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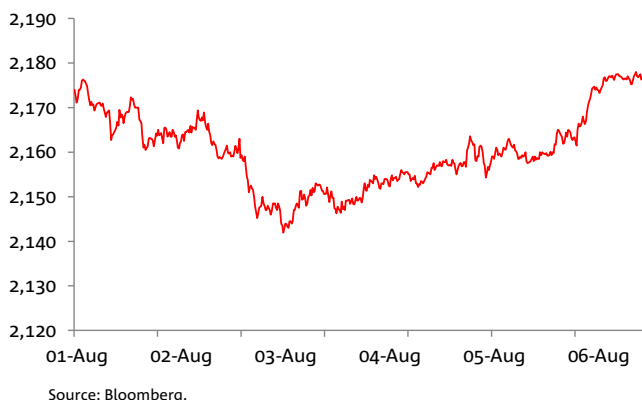
AUD/USD - past week



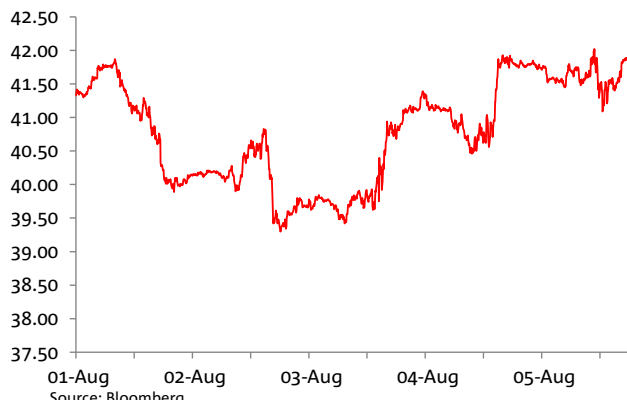
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7617	-0.1	0.7598	0.7664	HKD	7.7555 0.0
NZD	0.7138	-0.5	0.7122	0.7219	CNY	6.6603 0.4
EUR	1.1081	-0.4	1.1046	1.1161	SGD	1.3465 0.3
GBP	1.3080	-0.2	1.3022	1.3175	IDR	13,117 0.0
JPY	102.02	0.8	100.87	102.19	THB	35.07 0.4
CAD	1.3181	1.2	1.3009	1.3200	KRW	1,111 -0.6
AUD/EUR	0.6873	1.0	0.6850	0.6899	TWD	31.49 -0.7
AUD/JPY	77.58	1.0	77.14	77.82	PHP	46.91 -0.3
AUD/GBP	0.5836	2.5	0.5808	0.5858	CHF	0.98 0.7
AUD/NZD	1.0665	0.6	1.0605	1.0684	SEK	8.57 0.6
AUD/CNH	5.0684	0.6	5.0659	5.1002		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spread
USD	0.50	0.79	0.99	1.48	USD 10	1.59	4.65
AUD	1.50	1.79	1.68	2.16	AUD 10	1.87	-5.90 0.28
NZD	2.25	2.25	2.00	2.42	NZD 10	2.17	-2.50 0.58
EUR	0.00	-0.30	-0.21	0.31	CAD 10	1.07	-2.80 -0.52
GBP	0.25	0.41	0.41	0.79	EUR 10	-0.07	-2.90 -1.66
JPY	-0.02	-0.02	-0.07	0.05	GBP 10	0.67	-13.00 -0.92
CAD	0.50	0.90	0.88	1.31	JPY 10	-0.09	-1.00 -1.68

Equities

Major Indices	Last	% day	% y/y
	Dow	18,544	1.0
S&P 500	2,183	0.9	5.1
Nasdaq	5,221	1.2	3.5
VIX	11	-11.4	-14.9
FTSE	6,793	2.4	1.1
DAX	10,367	1.9	-9.8
CAC 40	4,411	2.1	-14.4
Nikkei	16,254	1.1	-21.6
Shanghai	2,977	-0.1	-20.5
Hang Seng	22,146	1.9	-9.8
ASX 200	5,497	0.6	0.4

Commodities*

	Last	% day
Oil (Brent)	44.27	2.7
Oil (WTI)	41.80	2.4
Oil (Tapis)	43.11	4.7
Gold	1336.40	-1.5
CRB	181.80	1.1
GS Metals	275.0	-0.8
Aluminium	1633.0	0.1
Copper	4779.3	-1.7
Nickel	10678.5	-0.2
Zinc	2264.8	-0.3
Ch. steel	2532.0	1.5
Iron ore	60.7	-1.5
Coal	65.0	0.0
Wheat Chic.	438.0	0.4
Sugar	20.4	6.9
Cotton	76.6	3.8
Coffee	142.5	1.5

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.22	-1.00
3 Yr bond	97.8	1.00
10 Yr bond	98.04	-5.00
3/10 sprd	-0.24	6.00
SPI	5489.0	-70.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.75	2.8
Jun-2017	4.77	3.0
Dec-2017	4.75	0.4

* cisd = 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, 8 August 2016								
NZ	REINZ Housing Report	Jul					release pending	
JN	BoP Current Account Adjusted	Jun		1600		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		42.5		41.2/41.5	5.00	15.00
GE	Industrial Production SA MoM/YoY	Jun		0.9		-1.3/-0.4	6.00	16.00
CH	Trade Balance CNY	Jul		312.5		311.2	7.00	17.00
CH	Exports/Imports YoY CNY	Jul		3.3		1.3/-2.3	7.00	17.00
CH	Trade Balance	Jul		47.6		48.1	7.30	17.30
CH	Exports/Imports YoY	Jul		-3.4		-4.8/-8.4	7.30	17.30
EC	Sentix Investor Confidence	Aug		3.6		1.7	8.30	18.30
CH	Foreign Direct Investment YoY CNY	Jul		5.5		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	Electronic Card Transactions MoM	Jul	0.3	0.1		1.2	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				12/6	1.30	11.30
CH	CPI/PPI YoY	Jul		1.7		1.9/-2.6	1.30	11.30
NZ	RBNZ Household Inflation Expectations. 1y ahead median	Q3				2.0	3.00	13.00
JN	Machine Tool Orders YoY	Jul P				-19.9	6.00	16.00
GE	Current Account Balance	Jun		21		17.5	6.00	16.00
UK	Industrial Production MoM/YoY	Jun		-0.1		-0.5/1.4	8.30	18.30
UK	Manufacturing Production MoM/YoY	Jun		0		-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/Unit Labour Costs	2Q P		0.5/1.8		-0.6/4.5	12.30	22.30
CA	Housing Starts	Jul		195		218.3	12.15	22.15
UK	NIESR GDP Estimate	Jul				0.6	14.00	0.00
US	Wholesale Inventories/Trade Sales MoM	Jun		0/0.4		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		3.3		-1.4/-11.7	23.50	9.50
JN	PPI MoM/YoY	Jul		-0.1		-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	2.1/ ..	2.3/		-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		0.3		-0.7	4.30	14.30
CH	New Yuan Loans/Aggregate financing CNY	Jul		885/1010		1380/1630	10-15 Aug release	
US	MBA Mortgage Applications	Aug 5				-3.5	11.00	21.00
NZ	REINZ House Sales YoY	Jul				6.0		
US	JOLTS Job Openings	Jun				5500.0	14.00	0.00
US	Monthly Budget Statement	Jul		-129.5		6.3	18.00	4.00
Thursday, 11 August 2016								
NZ	RBNZ Official Cash Rate	Aug 11	2.00	2.00		2.25	21.00	7.00
NZ	Food Prices MoM	Jul	0.7			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/-4.3		0.2/-4.8	12.30	22.30
US	Initial Jobless Claims	Aug 6				269	12.30	22.30
CA	New Housing Price Index MoM	Jun				0.7/2.7	12.30	22.30
US	Bloomberg Consumer Comfort	Aug 7				43.0	13.45	23.45
Friday, 12 August 2016								
NZ	BusinessNZ Manufacturing PMI	Jul				57.7	22.30	8.30
NZ	Retail Sales Ex Inflation QoQ	2Q	1.1	1		0.8	22.45	8.45
CH	Industrial Production YoY/YTD YoY	Jul		6.2/6		6.2/6.0	2.00	12.00
CH	Retail Sales YoY/YTD YoY	Jul		10.5/10.3		10.6/10.3	2.00	12.00
CH	Fixed Assets Ex Rural YTD YoY	Jul		8.9		9.0	2.00	12.00
GE	CPI EU Harmonized MoM/YoY	Jul F		0.4/0.4		0.4/0.4	6.00	16.00
GE	GDP SA QoQ/YoY	2Q P		0.3/1.4		0.7/1.6	6.00	16.00
UK	Construction Output SA MoM/YoY	Jun				-2.1/-1.9	8.30	18.30
EC	Industrial Production SA MoM/YoY	Jun		0.6		-1.2/0.5	9.00	19.00
EC	GDP SA QoQ/YoY	2Q P		0.3		0.3/1.6	9.00	19.00
US	Retail Sales Advance/Ex Autos and Gas MoM	Jul		0.4		0.6/0.7	12.30	22.30
US	PPI Final Demand MoM/YoY	Jul		0.1/0.3		0.5/0.3	12.30	22.30
CA	Teranet/National Bank HPI MoM/YoY	Jul				2.3/10.0	12.30	22.30
US	Business Inventories	Jun		0.1		0.2	14.00	0.00
US	U. of Mich. Sentiment/5-10 Yr Inflationary Expectations	Aug P		91.5/		90.0/2.6	14.00	0.00
Monday, 15 August 2016								
NZ	Performance Services Index	Jul				56.7	22.30	8.30
UK	Rightmove House Prices MoM	Aug				-0.9/4.5	23.10	9.10
JN	GDP SA QoQ/QoQ saar	2Q P		0.2/0.7		0.5/1.9	23.50	9.50
JN	Industrial Production MoM/YoY	Jun F		/		1.9/-1.9	4.30	14.30
US	Empire Manufacturing	Aug		2		0.6	12.30	22.30
CA	Existing Home Sales MoM	Jul				-0.9	13.00	23.00
CA	Bloomberg Nanos Confidence	Aug 5				59.5	14.00	0.00
US	NAHB Housing Market Index	Aug		60		59.0	14.00	0.00
US	Net Long-term/Total Net TIC Flows	Jun				41.1/-11.0	20.00	6.00
Upcoming Central Bank Interest Rate Announcements								
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%		
UK BOE		15-Sep				0.25%		
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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