

## Is that all you've got, Graeme?

'Is that all you've got, George?', was what Muhammad Ali famously quipped to George Foreman just prior to knocking him out, after Forman was battering him on ropes in the 1974 'Rumble in the Jungle' fight in Zaire that many consider the greatest boxing match of all time. Fast forward 42 years, and Graeme Wheeler's latest attempt to knock out the NZ dollar has just been met with a similar response from his opponent: the mighty global foreign exchange market.

In delivering only 25bps cut to the OCR and which was more than 100% discounted ahead of time and the RBNZ's latest 90-day bill track only implying one more cut, the NZD has predictably bounced sharply. It up just over 1% as we go to press, but bear in mind that the Australian dollar currently sits some 2% above its pre-2 August RBA rate cut level.

The common denominator to ongoing across-the-board US dollar weakness (led overnight by the NOK after an unexpected surge in inflation and prompting Norges Bank to take any thoughts of a September rate cut off the table) continues to be Tuesday's reported fall in Q2 labour productivity and what – if accurate – this implies for trend growth and hence the Fed. 2-year Treasury yields are off another 3bps so over 5bp lower than their post-July payroll high, while 10s are down 4bps after the latest 10-year note auction met solid demand (the auction was rated 4/5 by US primary dealers).

The main thing dragging stocks (slightly) down is energy, with oil prices as much as \$1.30 lower after the EIA reported crude inventories up by one million barrels last week against an expected draw of 1.5mn.

The only piece of data of note overnight was the US June JOLTS report (job opening) which bounced back to 5.624mn from 5.514mn in May, a touch below expectations but still representing a very high level of openings.

RBA Governor Glenn Stevens yesterday delivered his last speech as Governor, ahead of stepping down from his post next month. It was as one would expect a wide ranging speech, that included a now familiar cry that governments should be prepared to borrow more for the right investment assets, but not generally to meet recurrent spending.

On the inflation target, the Governor argued that Australia's average 2-3% over the cycle inflation target is flexible enough to cope with today's persistently low inflation environment. He noted that:

*"If it were the case that undershooting the target for a period while achieving reasonable growth was the 'least*

*bad' option available, the inflation targeting framework has the requisite degree of flexibility to allow such a course".*

This suggests that both the growth outlook and importantly the trend in unemployment - rather than just CPI outcomes - will be important in driving the Bank's monetary policy considerations going forward. In NAB's revised forecast for two interest rate cuts in 2017, it is the continuation of low inflation, together with an expected slight upward trend in unemployment in 2018 as growth slows due to lower residential housing construction and a reduce contribution from LNG export growth, that drives this expectation.

There was no mention in the speech or the Q&A on the exchange rate. Read from that what you will: the Bank is certainly not making public any anxiety over the current level of the exchange rate. For now, the Bank's mantra remains confined to noting that an appreciating exchange rate would complicate the economy's transition.

Little wonder that the AUD ended the day firmer than when Mr Stevens stood up to speak. It currently sits more than two cents above our short term fair value model estimate, but which is inside the (roughly) +/- 3 cents fair value range.

## Coming Up

With the RBNZ now come and gone (though we'll doubtless be hearing plenty from Governor Wheeler through the day) there isn't much to look forward to today, in front of tomorrow's slug of China activity data for July and then some pretty important US numbers tomorrow night covering retail sales and consumer confidence.

We'll get the Melbourne Institute's August consumer inflation expectations data in Australia, (11:00AEDT) but these wouldn't normally rate a mention for markets. They were last at a (wishful thinking?) 3.7%. NZ Food prices are due at 08:45.

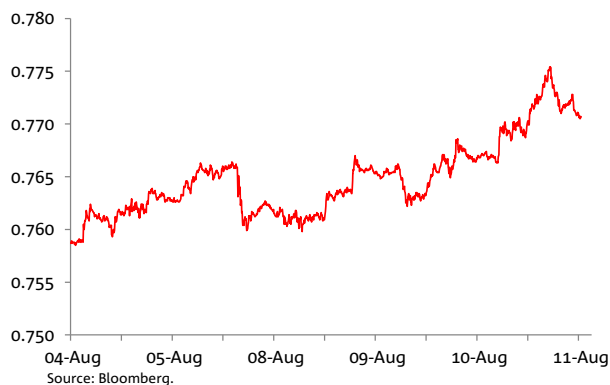
Offshore the highlights such as they are should be the UK RICS house price data – one of the better forward indicators of UK housing trends – and weekly US jobless claims.

## Overnight

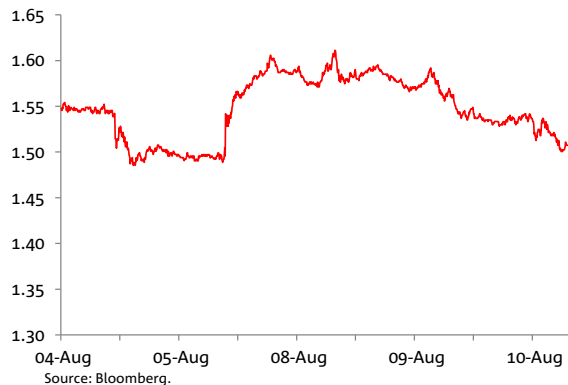
On global stock markets, the S&P 500 was -0.29%. Bond markets saw US 10-years -3.96bp to 1.51%. In commodities, Brent crude oil -2.56% to \$43.83, gold +0.4% to \$1,344, iron ore -1.6% to \$60.58. AUD is at 0.7716 and the range since yesterday 5pm Sydney time is 0.7687 to 0.7754.

## Markets

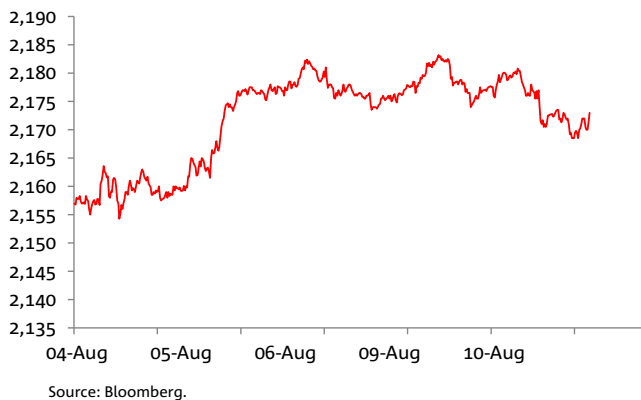
### AUD/USD - past week



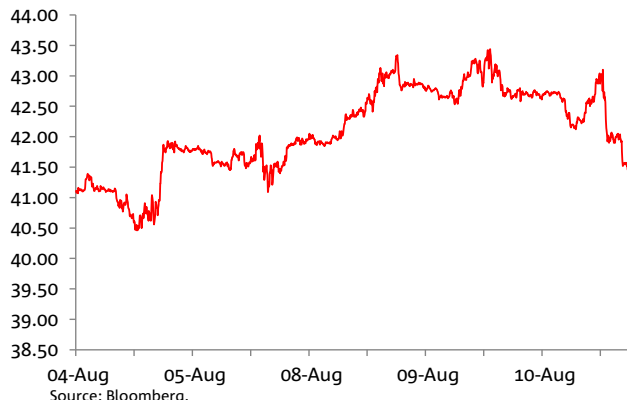
### US 10 yr - past week



### S&P Futures - past week



### WTI - past week



### Foreign Exchange

|         | Indicative 24hr ranges (**) |        |        |        | Other FX |             |
|---------|-----------------------------|--------|--------|--------|----------|-------------|
|         | Last                        | % chge | Low    | High   | Last     | % chge      |
| AUD     | 0.7716                      | 0.6    | 0.7702 | 0.7750 | HKD      | 7.7565 0.0  |
| NZD     | 0.7296                      | 1.8    | 0.7203 | 0.7341 | CNY      | 6.6360 -0.3 |
| EUR     | 1.1180                      | 0.6    | 1.1176 | 1.1185 | SGD      | 1.3416 -0.2 |
| GBP     | 1.3017                      | 0.1    | 1.3010 | 1.3019 | IDR      | 13,113 -0.1 |
| JPY     | 101.14                      | -0.7   | 101.05 | 101.29 | THB      | 34.77 -0.3  |
| CAD     | 1.3047                      | -0.5   | 1.3038 | 1.3059 | KRW      | 1,095 -1.0  |
| AUD/EUR | 0.6903                      | 0.0    | 0.6889 | 0.6939 | TWD      | 31.14 -1.0  |
| AUD/JPY | 78.05                       | -0.2   | 77.90  | 78.50  | PHP      | 46.73 -0.3  |
| AUD/GBP | 0.5929                      | 0.5    | 0.5918 | 0.5961 | CHF      | 0.97 -0.7   |
| AUD/NZD | 1.0575                      | -1.2   | 1.0551 | 1.0696 | SEK      | 8.46 -0.9   |
| AUD/CNH | 5.1170                      | 0.2    | 5.1176 | 5.1459 |          |             |

### Equities

| Major Indices |        |       |       |
|---------------|--------|-------|-------|
|               | Last   | % day | % y/y |
| Dow           | 18,496 | -0.2  | 5.0   |
| S&P 500       | 2,175  | -0.3  | 3.4   |
| Nasdaq        | 5,205  | -0.4  | 2.0   |
| VIX           | 12     | 3.3   | -1.5  |
| FTSE          | 6,866  | 0.2   | 1.9   |
| DAX           | 10,651 | -0.4  | -8.2  |
| CAC 40        | 4,452  | -0.4  | -14.3 |
| Nikkei        | 16,735 | -0.2  | -19.2 |
| Shanghai      | 3,019  | -0.2  | -23.1 |
| Hang Seng     | 22,492 | 0.1   | -8.2  |
| ASX 200       | 5,544  | -0.2  | 1.3   |

### Commodities\*

|             | Last    | % day |
|-------------|---------|-------|
| Oil (Brent) | 43.83   | -2.6  |
| Oil (WTI)   | 41.50   | -3.0  |
| Oil (Tapis) | 43.78   | -0.7  |
| Gold        | 1344.30 | 0.4   |
| CRB         | 179.55  | -1.0  |
| GS Metals   | 277.0   | 0.7   |
| Aluminium   | 1635.5  | 0.3   |
| Copper      | 4816.3  | 1.0   |
| Nickel      | 10819.0 | 0.7   |
| Zinc        | 2282.3  | 0.5   |
| Ch. steel   | 2578.0  | -0.5  |
| Iron ore    | 60.6    | -1.6  |
| Coal        | 66.3    | -1.0  |
| Wheat Chic. | 441.5   | 1.1   |
| Sugar       | 19.6    | -3.7  |
| Cotton      | 71.2    | -2.6  |
| Coffee      | 142.4   | -1.7  |

### Interest Rates

|     | Indicative Swap Rates |       |       |      | Benchmark 10 Year Bonds |       |             |
|-----|-----------------------|-------|-------|------|-------------------------|-------|-------------|
|     | Cash                  | 3mth  | 2Yr   | 10Yr | Last                    | chge  | Sprd        |
| USD | 0.50                  | 0.82  | 0.96  | 1.40 | USD 10                  | 1.51  | -3.96       |
| AUD | 1.50                  | 1.77  | 1.63  | 2.06 | AUD 10                  | 1.87  | -6.90 0.36  |
| NZD | 2.00                  | 2.23  | 2.01  | 2.46 | NZD 10                  | 2.15  | -4.60 0.64  |
| EUR | 0.00                  | -0.30 | -0.23 | 0.25 | CAD 10                  | 0.99  | -2.30 -0.52 |
| GBP | 0.25                  | 0.39  | 0.38  | 0.67 | EUR 10                  | -0.11 | -3.30 -1.62 |
| JPY | -0.04                 | -0.02 | -0.05 | 0.06 | GBP 10                  | 0.53  | -5.50 -0.98 |
| CAD | 0.50                  | 0.90  | 0.86  | 1.24 | JPY 10                  | -0.10 | -1.80 -1.60 |

### Overnight Futures

|                  | Last   | Chge* |
|------------------|--------|-------|
| <b>Australia</b> |        |       |
| 3 mth bill       | 98.23  | 1.00  |
| 3 Yr bond        | 97.8   | 3.00  |
| 10 Yr bond       | 98.14  | 10.50 |
| 3/10 sprd        | -0.34  | -7.50 |
| SPI              | 5482.0 | 8.0   |

\*Change in bps

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

|          | Last | % day |
|----------|------|-------|
| Dec-2016 | 4.79 | -1.8  |
| Jun-2017 | 4.81 | -1.8  |
| Dec-2017 | 4.80 | -2.2  |

\* 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, 11 August 2016</b>                          |   |        |          |           |        |                |       |       |
| NZ   | Food Prices MoM   | Jul    | 0.7      |           |        | 0.4            | 22.45 | 8.45  |
| UK   | RICS House Price Balance                                | Jul    |          | 6         |        | 16.0           | 23.10 | 9.10  |
| AU   | Consumer Inflation Expectation                          | Aug    |          |           |        | 3.7            | 1.00  | 11.00 |
| US   | Import Price Index MoM                                  | Jul    |          | -0.4/-4.3 |        | 0.2/-4.8       | 12.30 | 22.30 |
| US   | Initial Jobless Claims                                  | Aug 6  |          | 265       |        | 269            | 12.30 | 22.30 |
| CA   | New Housing Price Index MoM                             | Jun    |          | 0.3       |        | 0.7/2.7        | 12.30 | 22.30 |
| US   | Bloomberg Consumer Comfort                              | Aug 7  |          |           |        | 43.0           | 13.45 | 23.45 |
| <b>Friday, 12 August 2016</b>                            |   |        |          |           |        |                |       |       |
| 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   |          | 0.2/1.4   |        | 0.7/1.6        | 6.00  | 16.00 |
| UK   | Construction Output SA MoM/YoY                          | Jun    |          | -1        |        | -2.1/-1.9      | 8.30  | 18.30 |
| EC   | Industrial Production SA MoM/YoY                        | Jun    |          | 0.5       |        | -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  |
| <b>Monday, 15 August 2016</b>                            |   |        |          |           |        |                |       |       |
| 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    |          | 1         |        | 0.6            | 12.30 | 22.30 |
| CA   | Existing Home Sales MoM                                 | Jul    |          |           |        | -0.9           | 13.00 | 23.00 |
| CA   | Bloomberg Nanos Confidence                              | Aug 12 |          |           |        | 59.9           | 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  |
| <b>Tuesday, 16 August 2016</b>                           |   |        |          |           |        |                |       |       |
| NZ   | RBNZ Governor Wheeler Speaks in Tauranga (Not Public)   |        |          |           |        |                |       |       |
| AU   | ANZ Roy Morgan Weekly Consumer Confidence Index         | Aug 14 |          |           |        | 114.7          | 23.30 | 9.30  |
| AU   | RBA Aug. Meeting Minutes                                |        |          |           |        |                | 1.30  | 11.30 |
| AU   | New Motor Vehicle Sales MoM/YoY                         | Jul    |          |           |        | 3.1/2.1        | 1.30  | 11.30 |
| NZ   | Non Resident Bond Holdings                              | Jul    |          |           |        | 67.4           | 3.00  | 13.00 |
| UK   | CPI MoM/YoY   | Jul    |          | /         |        | 0.2/0.5        | 8.30  | 18.30 |
| UK   | CPI Core YoY  | Jul    |          | /         |        | 1.4            | 8.30  | 18.30 |
| UK   | PPI Input NSA MoM/YoY                                   | Jul    |          | /         |        | 1.8/-0.5       | 8.30  | 18.30 |
| UK   | PPI Output Core NSA MoM/YoY                             | Jul    |          | /         |        | 0.1/0.7        | 8.30  | 18.30 |
| UK   | House Price Index YoY                                   | Jun    |          |           |        | 8.1            | 8.30  | 18.30 |
| EC   | Trade Balance SA  | Jun    |          |           |        | 24.5           | 9.00  | 19.00 |
| GE   | ZEW Survey Current Situation/Expectations               | Aug    |          | /         |        | 49.8/-6.8      | 9.00  | 19.00 |
| EC   | ZEW Survey Expectations                                 | Aug    |          |           |        | -14.7          | 9.00  | 19.00 |
| CA   | Manufacturing Sales MoM                                 | Jun    |          |           |        | -1.0           | 12.30 | 22.30 |
| US   | Housing Starts, #/MoM                                   | Jul    |          | 1175/-1.2 |        | 1189/4.8       | 12.30 | 22.30 |
| US   | Building Permits, #/MoM                                 | Jul    |          | 1160/0.6  |        | 1153/1.5       | 12.30 | 22.30 |
| US   | CPI MoM/YoY   | Jul    |          | 0/0.9     |        | 0.2/1.0        | 12.30 | 22.30 |
| US   | CPI Ex Food and Energy MoM                              | Jul    |          | 0.2/2.2   |        | 0.2/2.3        | 12.30 | 22.30 |
| US   | Real Avg Weekly Earnings YoY                            | Jul    |          |           |        | 1.2            | 12.30 | 22.30 |
| US   | Industrial Production MoM/Capacity use                  | Jul    |          | 0.2/75.6  |        | 0.6/75.4       | 13.15 | 23.15 |
| US   | Manufacturing (SIC) Production                          | Jul    |          | 0.3       |        | 0.4            | 13.15 | 23.15 |
| US   | Fed's Lockhart Speaks to Rotary Club of Knoxville       |        |          |           |        |                | 16.30 | 2.30  |
| <b>Wednesday, 17 August 2016</b>                         |   |        |          |           |        |                |       |       |
| NZ   | PPI Input/Output QoQ                                    | 2Q     |          |           |        | -1.0/-0.2      | 22.45 | 8.45  |
| NZ   | Employment Change QoQ/YoY                               | 2Q     |          | 0.6/2.4   |        | 1.2/2.0        | 22.45 | 8.45  |
| NZ   | Unemployment/Participation Rate                         | 2Q     |          | 5.2/68.8  |        | 5.7/69.0       | 22.45 | 8.45  |
| AU   | Westpac Leading Index MoM                               | Jul    |          |           |        | -0.2           | 0.30  | 10.30 |
| AU   | Wage Price Index QoQ/YoY                                | 2Q     |          | /         |        | 0.4/2.1        | 1.30  | 11.30 |
| UK   | Jobless Claims Change/Claimant Count Rate               | Jul    |          | /         |        | 0.4/2.2        | 8.30  | 18.30 |
| UK   | Average Weekly Earnings/Earnings ex bonus 3M/YoY        | Jun    |          | /         |        | 2.3/2.2        | 8.30  | 18.30 |
| UK   | Employment Change/ILO Unemployment rate 3M/3M           | Jun    |          | /         |        | 176.0/4.9      | 8.30  | 18.30 |
| US   | Fed's Bullard Speaks in St. Louis                       |        |          |           |        |                | 17.00 | 3.00  |
| US   | U.S. Fed Releases Minutes from July 26-27 FOMC Meeting  |        |          |           |        |                | 18.00 | 4.00  |
| <b>Thursday, 18 August 2016</b>                          |   |        |          |           |        |                |       |       |
| NZ   | ANZ Job Advertisements MoM                              | Jul    |          |           |        | 0.5            | 22.00 | 8.00  |
| JN   | Trade Balance Adjusted                                  | Jul    |          |           |        | 335.0          | 23.50 | 9.50  |
| JN   | Exports/Imports YoY                                     | Jul    |          |           |        | -7.4/-18.8     | 23.50 | 9.50  |
| NZ   | ANZ Consumer Confidence Index/MoM                       | Aug    |          |           |        | 118.2/-0.6     | 1.00  | 11.00 |
| CH   | Property Prices   | Jul    |          |           |        |                |       |       |
| AU   | Employment Change/Unemployment rate                     | Jul    |          | /         |        | 7.9/5.8        | 1.30  | 11.30 |
| AU   | Full Time Employment Change                             | Jul    |          | /         |        | 38.4/-30.6     | 1.30  | 11.30 |
| AU   | Participation Rate                                      | Jul    |          |           |        | 64.9           | 1.30  | 11.30 |
| AU   | RBA FX Transactions Market                              | Jul    |          |           |        | 1720.0         | 1.30  | 11.30 |
| AU   | RBA's Hancock in Panel Participation in Sydney          |        |          |           |        |                |       |       |
| JN   | Machine Tool Orders YoY                                 | Jul F  |          |           |        | -19.6          | 6.00  | 16.00 |
| EC   | ECB Current Account SA                                  | Jun    |          |           |        | 30.8           | 8.00  | 18.00 |
| EC   | Current Account NSA                                     | Jun    |          |           |        | 15.4           | 8.00  | 18.00 |
| UK   | Retail Sales Ex Auto Fuel MoM/YoY                       | Jul    |          | /         |        | -0.9/3.9       | 8.30  | 18.30 |
| UK   | Retail Sales Inc Auto Fuel MoM/YoY                      | Jul    |          | /         |        | -0.9/4.3       | 8.30  | 18.30 |
| EC   | Construction Output MoM/YoY                             | Jun    |          | /         |        | -0.5/-0.8      | 9.00  | 19.00 |
| EC   | CPI MoM/YoY   | Jul    |          | /         |        | 0.2/0.1        | 9.00  | 19.00 |
| EC   | CPI Core YoY  | Jul F  |          |           |        | 0.9            | 9.00  | 19.00 |
| EC   | ECB account of the monetary policy meeting              |        |          |           |        |                | 11.30 | 21.30 |
| CA   | Int'l Securities Transactions                           | Jun    |          |           |        | 14.7           | 12.30 | 22.30 |
| US   | Initial Jobless Claims                                  | Aug 6  |          | 265       |        | 269.0          | 12.30 | 22.30 |
| US   | Philadelphia Fed Business Outlook                       | Aug    |          | 2         |        | -2.9           | 12.30 | 22.30 |
| US   | Bloomberg Economic Expectations                         | Aug    |          |           |        | 44.5           | 13.45 | 23.45 |
| US   | Bloomberg Consumer Comfort                              | Aug 7  |          |           |        | 43.0           | 13.45 | 23.45 |
| US   | Leading Index   | Jul    |          | 0.2       |        | 0.3            | 14.00 | 0.00  |
| US   | Fed's Williams Speaks in Anchorage                      |        |          |           |        |                | 20.00 | 6.00  |
| <b>Upcoming Central Bank Interest Rate Announcements</b> |   |        |          |           |        |                |       |       |
| New Zealand, RBNZ  |   | 22-Sep | 1.75%    | n/a       |        | 2.00%          |       |       |
| 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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