

## John, I'm only dancing

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Friday looks to have shown FX traders to be the smartest guys in the room. Traditionally referred to as the 'last market to clear' (and so giving FX analysts such as this scribe a career) the dollar had put on a strong showing during the APAC session. The late NY day comments from San Francisco Fed President John Williams, claiming a September Fed hike should definitely be in play and that the view the Fed is on hold for the next year is not consistent with the economic outlook, were ostensibly the catalyst. Yet the US rates market hardly moved during the Asia session.

Fast forward to the New York day, and US yields climbed steadily higher through the session, to end as much as 5.5bps higher. The dollar meanwhile gave back a little of its earlier gains in NY pm trade. There was no new news of note during offshore trading hours, the northern hemisphere summer and re-runs of Usain Bolt's latest Rio victories and celebrations providing more than enough distraction from market matters.

This morning, we come in to a particularly upbeat speech delivered yesterday by Fed vice-chairman Stanley Fischer, saying core inflation was within 'hailing distance' of the 2% target while employment had increased 'impressively' since its nadir in 2010. This should resonate in APAC markets.

US stocks closed Friday modestly lower alongside higher rates, the S&P500 -0.14% to 2183.9. Dow -0.24% and the NASDAQ -0.03%. Despite which, the VIX ended slightly lower, 11.34 from 11.43.

In rates, 2-year Treasuries closed +4.5bps at 0.748% and 10s +4.3bps at. Earlier Bunds added 5bps to -0.032%.

In FX, the narrow DXY index ended NY 0.38% higher at 94.5 and the broader BBDXY +0.44%. The big dollar was higher against every G10 currency and pretty much the entire EM spectrum (e.g. ADXY -0.52%). The NOK was the biggest loser (having been the biggest winner in the previous week or so), -0.83% and followed by the AUD. The latter flirted briefly with a 0.75 handle in Europe (low of 0.7599) before recovering to close in NY -0.77% at 0.7627. It's back to 0.76 at Monday's re-open.

USD/CAD was among the biggest gainers Friday, +0.7% to 1.2871 with some impetus from very weak June retail sales data (-0.8% ex-autos against +0.3% expected) and which could mean a negative Q2 GDP outcome.

Commodities saw gold lose \$11 to \$1340 while oil was mixed, WTI +\$0.2 to \$48.57 and Brent -\$0.1 to \$50.79 (+3.82 on the week). Iron ore firmed by \$.20 to \$60.95.

## Coming Up

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The annual Jackson Hole Fed/central bankers' economic symposium – starting Thursday night and running over next weekend – dominates the week-ahead calendar. The theme for papers and speeches this year is "Designing resilient monetary policy frameworks for the future". Fed Chair Yellen is speaking on Friday.

San Francisco Fed President John Williams may have already set the scene for this year's symposium with his essay published last week on 'Monetary Policy in a Low R-star (neutral rate) World'.

Late last week, we saw Williams, as well as others such as NY Fed President Bill Dudley, at pains to stress that while the question of the new long term equilibrium interest rate is a key topic of debate within central banking circles, this has few if any implications for the near term (2016/2017) course of Fed policy.

Others may beg to differ, and the US rates market continues to tell the Fed to 'Show me the money', still ascribing less than a 50% probability to even one Fed rate rise this year.

Australia has Q2 Construction Work Done on Wednesday, the first investment partial ahead of GDP a fortnight later.

NZ has the latest trade report on Wednesday which comes with new residential lending. The market will also be on the lookout for any change to Fonterra's 2016/17 milk price forecast.

Jackson Hole aside, it's a light US data week. They'll be some housing market focus with new and existing home sales and house price reports followed later in the week by durable goods orders.

In Japan BOJ Governor Kuroda speaks on Tuesday at a BoJ event. This could well be the most influential factor for all things JPY this week. We also get July CPI data on Friday.

Eurozone Manufacturing PMIs and Consumer Confidence readings are both due on Tuesday. The UK has the CBI trends survey on Tuesday and the CBI Retail survey on Wednesday.

## Overnight

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On global stock markets, the S&P 500 was +0.08%. Bond markets saw US 10-years +4.25bp to 1.58%. In commodities, Brent crude oil +2.07% to \$50.88, gold -0.2% to \$1,340, iron ore +0.1% to \$60.95. AUD is at 0.7604 and the range since Friday 5pm Sydney time is 0.7601 to 0.7644.

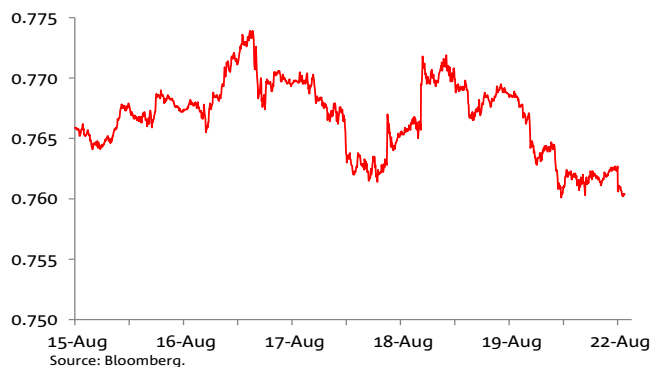
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### Author:

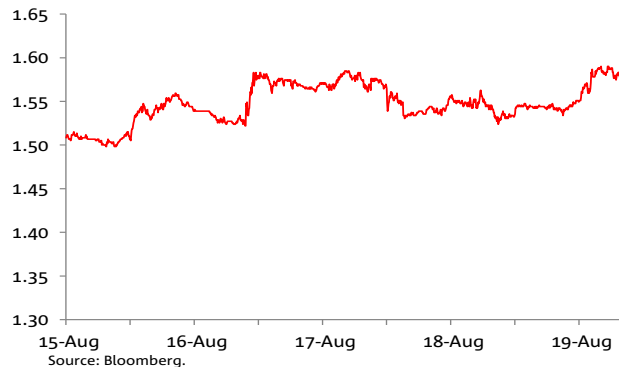
Ray Attrill – Co-head of FX Strategy

## Markets

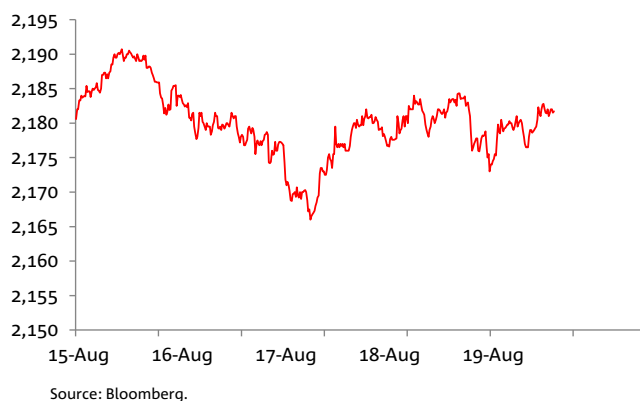
### AUD/USD - past week



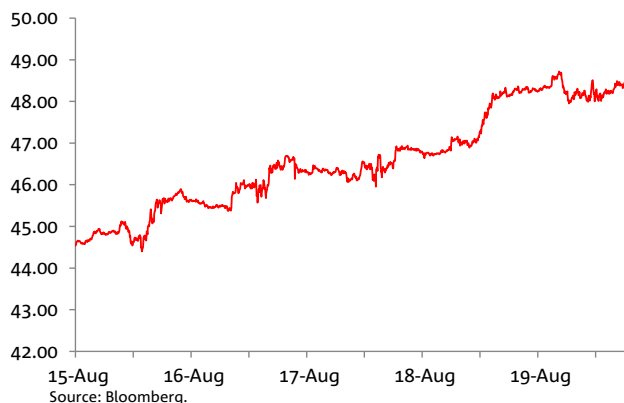
### US 10 yr - past week



### S&P Futures - past week



### WTI - past week



### Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7604	-1.1	0.7599	0.7691	HKD	7.7536 0.0
NZD	0.7249	-0.6	0.7242	0.7294	CNY	6.6532 0.3
EUR	1.1309	-0.4	1.1303	1.1360	SGD	1.3476 0.6
GBP	1.3052	-0.9	1.3024	1.3185	IDR	13,163 0.1
JPY	100.80	0.9	99.88	100.91	THB	34.66 0.3
CAD	1.2906	1.0	1.2774	1.2908	KRW	1,118 0.8
AUD/EUR	0.6735	-0.7	0.6714	0.6772	TWD	31.67 0.9
AUD/JPY	76.44	-0.4	76.07	76.97	PHP	46.42 0.0
AUD/GBP	0.5828	-0.7	0.5793	0.5846	CHF	0.96 0.6
AUD/NZD	1.0483	-0.7	1.0472	1.0553	SEK	8.39 0.6
AUD/CNH	5.0694	0.2	5.0612	5.1018		

### Equities

Major Indices	Last	% day	% y/y
Dow	18,553	-0.1	12.7
S&P 500	2,184	0.1	10.8
Nasdaq	5,238	0.2	11.3
VIX	11	-7.0	-59.5
FTSE	6,859	0.0	10.8
DAX	10,544	0.1	4.1
CAC 40	4,401	-0.4	-5.0
Nikkei	16,546	-1.2	-14.9
Shanghai	3,108	0.0	-11.4
Hang Seng	22,937	0.6	2.4
ASX 200	5,527	-0.2	6.0

### Commodities\*

	Last	% day
Oil (Brent)	50.88	2.1
Oil (WTI)	48.52	3.7
Oil (Tapis)	50.41	3.9
Gold	1340.40	-0.2
CRB	188.78	1.0
GS Metals	277.5	-0.2
Aluminium	1659.3	-1.7
Copper	4789.3	0.5
Nickel	10324.5	1.3
Zinc	2282.3	0.6
Ch. steel	2575.0	0.2
Iron ore	61.0	0.1
Coal	67.6	0.7
Wheat Chic.	444.8	0.4
Sugar	19.8	0.3
Cotton	67.6	-1.2
Coffee	141.6	2.5

### Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.82	1.00	1.44	USD 10	1.58	2.90
AUD	1.50	1.74	1.63	2.11	AUD 10	1.86	-4.70 0.28
NZD	2.00	2.23	1.97	2.43	NZD 10	2.21	2.70 0.63
EUR	0.00	-0.30	-0.20	0.32	CAD 10	1.08	2.20 -0.50
GBP	0.25	0.39	0.42	0.76	EUR 10	-0.03	1.80 -1.61
JPY	-0.04	-0.02	-0.06	0.08	GBP 10	0.62	5.60 -0.96
CAD	0.50	0.90	0.91	1.29	JPY 10	-0.08	-0.80 -1.66

### Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.23	0.00
3 Yr bond	97.8	1.00
10 Yr bond	98.10	2.00
3/10 sprd	-0.30	-1.00
SPI	5490.0	21.0

\*Change in bps

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

	Last	% day
Dec-2016	4.77	6.5
Jun-2017	4.79	6.4
Dec-2017	4.80	1.7

\* 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>Monday, 22 August 2016</b>								
JN	Supermarket/Convenience store Sales YoY	Jul				-0.5/0.8	5.00	15.00
US	Chicago Fed Nat Activity Index	Jul				0.2	12.30	22.30
CA	Wholesale Trade Sales MoM	Jun				1.8	12.30	22.30
CA	Bloomberg Nanos Confidence	Aug 19				59.3	14.00	0.00
<b>Tuesday, 23 August 2016</b>								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Aug 21				117.6	23.30	9.30
CH	MNI Business Indicator	Aug					1.45	11.45
JN	Nikkei Japan PMI Mfg	Aug P				49.3	2.00	12.00
JN	BoJ's Kuroda speaks at BoJ's Fintech Conference						4.00	14.00
EC	Markit Eurozone Manufacturing PMI	Aug P		52		52.0	8.00	18.00
EC	Markit Eurozone Services/Composite PMI	Aug P		53/53.3		52.9/53.2	8.00	18.00
UK	CBI Trends Total Orders/Selling Prices	Aug		/		-4.0/5.0	10.00	20.00
CH	Conference Board Leading Economic Index	Jul					13.00	23.00
US	Markit US Manufacturing PMI	Aug P		53		52.9	13.45	23.45
US	Richmond Fed Manufact. Index	Aug		6		10.0	14.00	0.00
EC	Consumer Confidence	Aug A		-7.7		-7.9	14.00	0.00
US	New Home Sales, #/MoM	Jul		575/-2.9		592.0/3.5	14.00	0.00
<b>Wednesday, 24 August 2016</b>								
NZ	Trade Balance	Jul	-611	-325		127	22.45	8.45
AU	Skilled Vacancies MoM	Jul				0.8	1.00	11.00
AU	Construction Work Done	2Q	-2	-2		-2.6	1.30	11.30
NZ	New Residential Lending, YoY	Jul				.18.2	3.00	13.00
JN	Leading Index CI	Jun F				98.4	5.00	15.00
GE	GDP SA QoQ/YoY	2Q F		0.4/1.8		0.4/1.8	6.00	16.00
GE	Markit/BME Germany Manufacturing PMI	Aug P		53.7		53.8	7.30	17.30
GE	Markit Germany Services/Composite PMI	Aug P		54.3/55.3		54.4/55.3	7.30	17.30
UK	BBA Loans for House Purchase	Jul				40103.0	8.30	18.30
US	House Price Purchase Index QoQ	2Q				1.3	13.00	23.00
US	FHFA House Price Index MoM	Jun		0.3		0.2	13.00	23.00
US	Existing Home Sales, #/MoM	Jul		5.55/-0.36		5.6/1.1	14.00	0.00
<b>Thursday, 25 August 2016</b>								
JN	PPI Services YoY	Jul		0.1		0.2	23.50	9.50
CH	Swift Global Payments CNY	Jul				1.7	1.00	11.00
GE	IFO Business Climate	Aug		108.5		108.3	8.00	18.00
GE	IFO Current Assessment/Expectations	Aug		115/102.5		114.7/102.2	8.00	18.00
UK	CBI Retailing Reported Sales	Aug				-14.0	10.00	20.00
UK	CBI Total Dist. Reported Sales	Aug				-11.0	10.00	20.00
US	Initial Jobless Claims	Aug 20				262.0	12.30	22.30
US	Durable Goods Orders/Core Orders	Jul P		3.5/0.1		-3.9/0.4	12.30	22.30
US	Markit US Services PMI	Aug P		52.1		51.4	13.45	23.45
US	Markit US Composite PMI	Aug P				51.8	13.45	23.45
US	Bloomberg Consumer Comfort	Aug 21				43.6	13.45	23.45
US	Kansas City Fed Manf. Activity	Aug		-2		-6.0	15.00	1.00
<b>Friday, 26 August 2016</b>								
JN	Natl CPI YoY	Jul		-0.4		-0.4	23.30	9.30
JN	Natl CPI Ex Fresh Food YoY	Jul		-0.4		-0.5	23.30	9.30
GE	GfK Consumer Confidence	Sep		10		10.0	6.00	16.00
EC	M3 Money Supply YoY	Jul		5		5.0	8.00	18.00
UK	GDP QoQ/YoY	2Q P		0.6/2.2		0.6/2.2	8.30	18.30
UK	Index of Services MoM	Jun				-0.1	8.30	18.30
UK	Total Business Investment QoQ/YoY	2Q P		/		-0.6/-0.8	8.30	18.30
US	Advance Goods Trade Balance	Jul		-62.25		-999998	12.30	22.30
US	GDP Annualized QoQ	2Q S		1.1		1.2	12.30	22.30
US	Fed Chair Yellen to Speak at Jackson Hole Policy Symposium						26-27 Aug	
US	U. of Mich. Sentiment/5-10yr inflationary expectations	Aug F		90.6		90.4	14.00	0.00
CH	Industrial Profits YoY	Jul				5.1	1.30	11.30
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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%		
New Zealand, RBNZ		22-Sep	2.00%	2.00%		2.00%		

GMT: Greenwich Mean Time; AEST: Australian Eastern Standard Time

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