

Pullback

The rise in the USD and short dated UST yields on the back of Fed vice-chair Fisher's comments over the weekend have been partly unwound in the overnight session amid lack of new news and thin holiday trading. Meanwhile the fall in oil prices has weighed on equities with energy shares the underperformers.

Fed Fischer's comments over the weekend that the central bank was close to meeting its targets on inflation and employment helped reinforce the hawkish message delivered by regional central bank chiefs last week. Taken as whole, reaction by the market appears to have been the desired one. A week ago the market was pricing around a 20% chance of a September hike and 45% in December, today the OIS curve is suggesting a 27% chance of tightening in September and 62% by December.

Interestingly, however, yesterday during the day pricing of a December hike reached a probability of 69% and 2 year US Treasury yields climbed to 0.7785%, their highest level since 23 June, a day before the UK voted to leave the EU. The small unwound in Fed hike expectations overnight along with the pullback in US Treasury yields (2y UST are back at 0.7378%) appears to be reflecting the view that as much as Fed commentary has been on the hawkish side, Fed speakers have refrained from expressing specific timing on the next hike. So although Fed speakers appear to be upbeat on the outlook for the US economy, the vague timeframe for the next hike also reflects a degree of uncertainty. Ultimately, it will all be about the data.

Moving on to currencies, the CAD has followed the move lower in oil prices and it's the biggest underperformer against the USD, down 0.6%. News that Iraq will boost its crude exports dragged oil prices lower overnight with Brent and WTI down almost 3%. GBP/USD has been the outperformer gaining 0.46%, the Pound seemingly is still benefiting from last week's better than expected retail data with record speculative short positions also limiting the downside. The AUD/USD is little changed over the past 24 hours, but after reaching a low of 0.7584 yesterday afternoon the currency pair has been on a steady rise and is currently trading at 0.7627.

Coming Up

As we are about to press the send button, the RBNZ has released a speech from Governor Wheeler which is currently being delivered at a private event in Dunedin. Our BNZ colleagues note the speech emphasises the message contained in the recently released August Monetary Policy

Statement, noting that the "expected 35 basis points of further interest rate cuts, balances a number of risks weighing on the economy, while generating an increase in CPI inflation back towards the mid-point of the 1 to 3 percent target range ". So nothing new in the speech, but some disappointment for those expecting a more dovish tone, the Kiwi has moved about 30 pips higher to 0.7309 following the release.

It's a quiet day locally with the weekly consumer confidence reading the only data release on the roster. Japan is likely to be the focus within our time zone with the August preliminary Manufacturing PMI due out at midday (AEST) and Governor Kuroda speech at 2pm.

After reaching a low of 47.7, Japan's Manufacturing PMI index has been showing encouraging signs rising over the past two months and printing just under 50 in July (49.3 to be precise). All that said, Kuroda's speech could be the big event within our time zone. On Saturday, the Governor gave a newspaper interview and noted that there is "sufficient chance" the Bank will add to its unprecedented easing at next month's policy meeting. Kuroda ruled out the use of "helicopter money", but said that there is "technically" room for deeper negative rates. The Governor's comments were seen as one of the reasons for the move higher in USD/JPY at the start of the week and so the market will be looking to see if the Governor today adds any more fuel to the "easing fires".

Europe gets its advance August Consumer Confidence reading along with Preliminary Manufacturing PMIs and no doubt the market will be looking to what extent the UK decision to leave the EU has affected the consumer and economic activity in the old continent. The CBI industrial trend is also out in the UK and the market will be looking to see if there has been further deterioration in manufacturing confidence.

The US prints the Richmond Fed Manufacturing index reading for August along with New home sales (jul) and the preliminary August Markit PMI.

Overnight

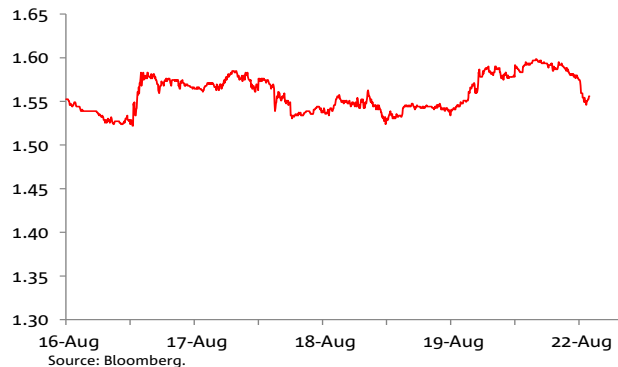
On global stock markets, the S&P 500 was -0.06%. Bond markets saw US 10-years +1.54bp to 1.54%. In commodities, Brent crude oil -3.21% to \$49.16, gold-0.2% to \$1,338, iron ore +0.5% to \$61.23. AUD is at 0.7634 and the range since yesterday 5pm Sydney time is 0.7595 to 0.7628.

Markets

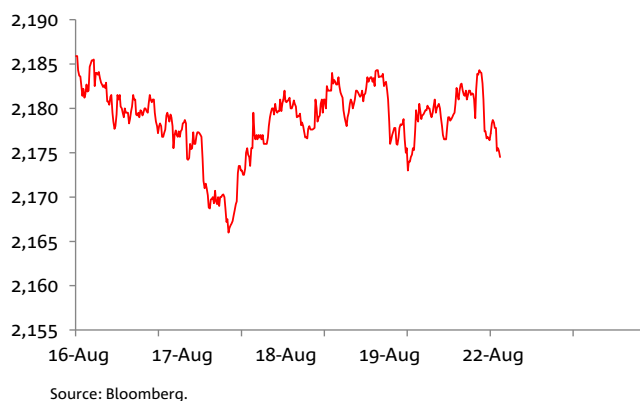
AUD/USD - past week



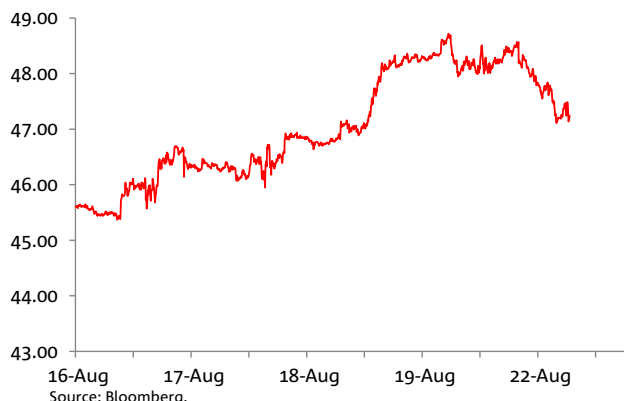
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7634	0.1	0.7620	0.7644	HKD	7.7532 0.0
NZD	0.7308	0.5	0.7269	0.7325	CNY	6.6507 0.0
EUR	1.1323	0.0	1.1319	1.1323	SGD	1.3505 0.3
GBP	1.3140	0.5	1.3136	1.3141	IDR	13,226 0.5
JPY	100.29	0.1	100.29	100.33	THB	34.65 0.0
CAD	1.2939	0.5	1.2938	1.2946	KRW	1,126 0.8
AUD/EUR	0.6742	0.1	0.6734	0.6754	TWD	31.80 0.4
AUD/JPY	76.57	0.2	76.47	76.69	PHP	46.59 0.4
AUD/GBP	0.5810	-0.3	0.5801	0.5820	CHF	0.96 0.2
AUD/NZD	1.0447	-0.3	1.0433	1.0492	SEK	8.37 -0.2
AUD/CNH	5.0721	0.1	5.0767	5.0884		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.82	0.99	1.40	USD 10	1.54	-3.57
AUD	1.50	1.73	1.62	2.08	AUD 10	1.91	4.50 0.36
NZD	2.00	2.23	1.99	2.44	NZD 10	2.26	4.60 0.71
EUR	0.00	-0.30	-0.21	0.28	CAD 10	1.02	-5.20 -0.52
GBP	0.25	0.39	0.42	0.72	EUR 10	-0.09	-5.80 -1.63
JPY	-0.05	-0.02	-0.06	0.09	GBP 10	0.56	-5.90 -0.98
CAD	0.50	0.90	0.89	1.23	JPY 10	-0.06	1.80 -1.60

Equities

Major Indices

	Last	% day	% y/y
Dow	18,529	-0.1	12.6
S&P 500	2,183	-0.1	10.7
Nasdaq	5,245	0.1	11.4
VIX	12	8.2	-56.2
FTSE	6,829	-0.4	10.4
DAX	10,494	-0.5	3.7
CAC 40	4,390	-0.2	-5.2
Nikkei	16,598	0.3	-14.6
Shanghai	3,085	-0.7	-12.1
Hang Seng	22,998	0.3	2.6
ASX 200	5,515	-0.2	5.8

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.24	1.00
3 Yr bond	97.8	3.00
10 Yr bond	98.13	0.50
3/10 sprd	-0.33	2.50
SPI	5494.0	2.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	49.16	-3.2
Oil (WTI)	47.39	-3.5
Oil (Tapis)	49.50	-1.8
Gold	1337.70	-0.2
CRB	187.08	-0.9
GS Metals	275.8	-0.6
Aluminium	1652.5	-0.5
Copper	4746.0	-1.0
Nickel	10231.5	-0.9
Zinc	2282.5	0.0
Ch. steel	2583.0	0.6
Iron ore	61.2	0.5
Coal	68.2	0.9
Wheat Chic.	435.3	-2.1
Sugar	20.4	3.4
Cotton	68.0	0.9
Coffee	146.1	3.1

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.90	2.7
Jun-2017	4.92	2.7
Dec-2017	4.93	2.7

* 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
Tuesday, 23 August 2016								
NZ	RBNZ Governor speaks at private event on "Monetary Policy Challenges in Turbulent Time" (speech being released at 9am NZT)						21.00	7.00
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		52.8/53.1		52.9/53.2	8.00	18.00
UK	CBI Trends Total Orders/Selling Prices	Aug		-10/		-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		52.7		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		580/-2		592.0/3.5	14.00	0.00
Wednesday, 24 August 2016								
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		53.6		53.8	7.30	17.30
GE	Markit Germany Services/Composite PMI	Aug P		54.3/55.1		54.4/55.3	7.30	17.30
UK	BBA Loans for House Purchase	Jul		38500		40103	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		5.51/-1.08		5.6/1.1	14.00	0.00
Thursday, 25 August 2016								
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		114.9/102.4		114.7/102.2	8.00	18.00
UK	CBI Retailing Reported Sales	Aug		0		-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		265		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		51.8		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
Friday, 26 August 2016								
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		-0.1	8.30	18.30
UK	Total Business Investment QoQ/YoY	2Q P		-0.9/		-0.6/-0.8	8.30	18.30
US	Advance Goods Trade Balance	Jul		-63		-64.5r	12.30	22.30
US	GDP Annualized QoQ	2Q S		1.1		1.2	12.30	22.30
US	Fed Chair Yellen Speaks at Jackson Hole Policy Symposium: "The Federal Reserve's Monetary Policy Toolkit"						14.00	0.00
US	U. of Mich. Sentiment/5-10yr inflationary expectations	Aug F		90.7		90.4	14.00	0.00
Monday, 29 August 2016								
UK	Nationwide House PX MoM/YoY	Aug				0.5/5.2	28-29 Aug	
AU	HIA New Home Sales MoM	Jul				-1.8	1.00	11.00
US	Personal Income/Spending	Jul		0.5/0.3		0.2/0.4	12.30	22.30
US	Real Personal Spending	Jul				0.3	12.30	22.30
US	PCE Deflator MoM/YoY	Jul		0/		0.1/0.9	12.30	22.30
US	PCE Core MoM	Jul		0.1/		0.1/1.6	12.30	22.30
CA	Bloomberg Nanos Confidence	Aug 19				59.3	14.00	0.00
US	Dallas Fed Manf. Activity	Aug		-3		-1.3	14.30	0.30
Tuesday, 30 August 2016								
NZ	Building Permits MoM	Jul				16.3	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Aug 21				117.6	23.30	9.30
JN	Jobless Rate/jobs-to-applicants ratio	Jul				3.1/1.4	23.30	9.30
JN	Overall Household Spending YoY	Jul				-2.2	23.30	9.30
JN	Retail Sales MoM/YoY	Jul				0.2/-1.4	23.50	9.50
JN	Dept. Store, Supermarket Sales	Jul				-1.5	23.50	9.50
AU	Building Approvals MoM	Jul		/		-2.9/-5.9	1.30	11.30
UK	Net Consumer Credit	Jul				1.8	8.30	18.30
UK	Net Lending Sec. on Dwellings	Jul				3.3	8.30	18.30
UK	Mortgage Approvals	Jul				64.8	8.30	18.30
EC	Business Climate Indicator	Aug				0.4	9.00	19.00
GE	CPI EU Harmonized MoM	Aug P				0.4	12.00	22.00
CA	Current Account Balance	2Q				-16.8	12.30	22.30
CA	Industrial Product Price MoM	Jul				0.6	12.30	22.30
US	S&P CoreLogic CS 20-City MoM SA	Jun				-0.1	13.00	23.00
US	S&P CoreLogic CS US HPI MoM SA	Jun				0.2	13.00	23.00
US	Consumer Confidence Index	Aug		96.65		97.3	14.00	0.00
Upcoming Central Bank Interest Rate Announcements								
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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