

(Janet's) goin' to Jackson

Only on line one and I already feel like I'm making this up, such is the state of market torpor in front of the Fed's Jackson Hole symposium and as Southern England basks in 30 degree summer sunshine – and uncharacteristically not for the first time this year.

The US dollar is overall slightly higher (about 0.2% in the last 24 hours and 0.1% from where we left off yesterday), Treasury yields are largely unchanged (and following a well-received 5-year note auction that saw record indirect bidding, synonymous with foreign central bank demand) while stocks are struggling, the S&P 500 closing just over 0.5% lower.

Partly because of the dollar but also perhaps the confluence of several unrelated Emerging Market incidents, commodity prices are in a sea of red, including oil (down over a \$1) traded metals and agriculture, the exception being iron ore which continued to display resilience above \$60 (the China 62% fines import price closing virtually flat at \$61.70).

The EM stress points centre on South Africa, Turkey and Korea. The Won came under pressure at the open yesterday and later extended losses after news of another North Korea ballistic missile test. The Turkish stock market (but not as yet the currency) has been hurt by news of fresh military offences by the Turkish army against Syrian strongholds near the Turkish border. And in South Africa the Rand remain under strong downward pressure as Finance Minister Gordhan refuses to acquiesce to 'requests' to be interviewed over alleged misdemeanours. The backdrop of course is President Zuma's demand that the Finance Ministry 're-prioritises' its spending plans and as the ANC continues to lose support.

In the more mundane G10 world, Sterling continues to bask in the summer sunshine, with doubtless some covering of record extreme speculative short positioning in front of Jackson Hole one of the drivers. Into the New York close, it has just been pipped by the NZD into second place on the leaderboard after Fonterra lifted its guidance on the 2016/17 dairy pay-out by 50 cents to \$4.75 per kg.

The traditionally oil-sensitive CAD and NOK haven't moved much on the latest oil price dip, while the AUD sits within 10 pips of where Sydney left it last night.

Yesterday, Australian construction work done in Q2 surprised to the downside (-3.7%) driven by lumpiness in the unwind of mining investment. Although a weaker than expected outcome, it does not look like it will present a significant risk to our preliminary Q2 GDP expectation of

0.3% q/q with part of the engineering component feeding from next week's capex release. US Data overnight was confined to July existing home sales and which fell by a bigger than expected 3.2%.

Coming Up

The great and the good in central banking and academic economics circles will be assembling in Jackson Hole tonight to kick off their 3-day annual Kansas Fed symposium. Struggle as we do to believe that this will result in a much stronger steer from Fed officials about what's the Fed near term (2016) intentions are, Janet Yellen's appearance at the (AEST) midnight hour on Friday is the only big talking point in markets and in the meantime leaves FX, stocks and bonds lacking direction.

If there were to be shock from Yelled (it hasn't happened yet) it would be that she plays up risk of a rate rise at the 20/21 September FOMC meeting – an event currently ascribed only a 27% probability by the US rates market. The most we might reasonably expect in this respect is that Yellen will now say that every meeting is now 'live'. This might provide at least a modest boost for the big dollar.

Whatever Yellen says Friday, we should remember that Jackson Hole is not designed to be about a talk-fest about near term policy matters. The bigger discussion in the context of 'Designing resilient monetary policy frameworks for the future' should be about what already highly stretched monetary policy can do in the event of a new downturn, and of course the debate already opened up by the likes of New York Fed President Dudley and San Francisco Fed President Williams about what the long term neutral real interest rate might now be in a low growth/low productivity world. If the view that this is not far from zero receives further succour, the dollar will struggle to go better out of Jackson Hole beyond whatever knee-jerk reaction Yellen might elicit.

All this is of course more than 24 hours in the future. There are a few snippets of interest before then, including the German IFO survey, US durable goods orders and weekly jobless claims and, following the blockbuster July UK retail sales report, the CBI's August distributive (retail) sale report.

Overnight

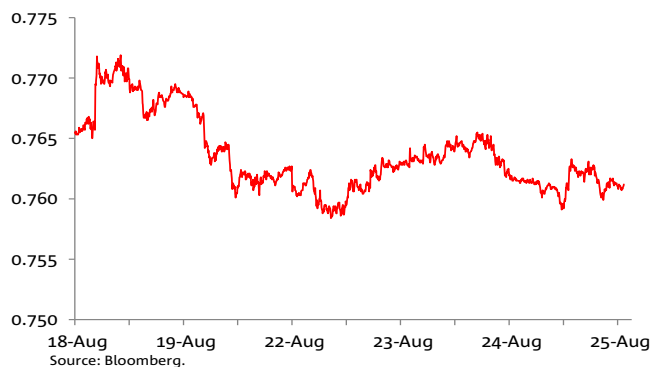
On global stock markets, the S&P 500 was -0.52%. Bond markets saw US 10-years +1.36bp to 1.56%. In commodities, Brent crude oil -1.96% to \$48.98, gold-1.2% to \$1,324, iron ore -0.1% to \$61.70. AUD is at 0.7614 and the range since yesterday 5pm Sydney time is 0.7592 to 0.7633.

Author:

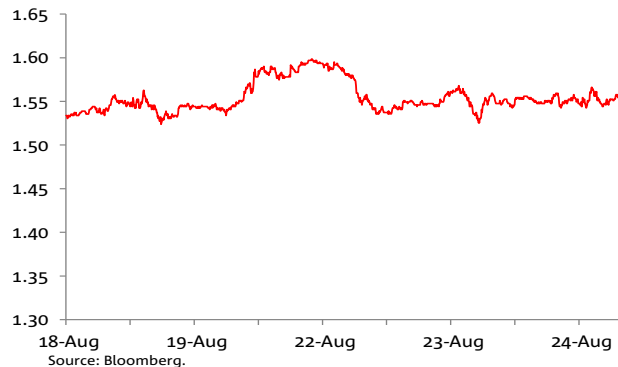
Ray Attrill – Co-head of FX Strategy

Markets

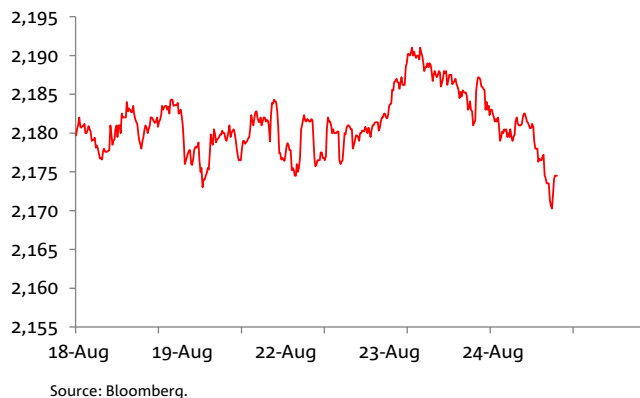
AUD/USD - past week



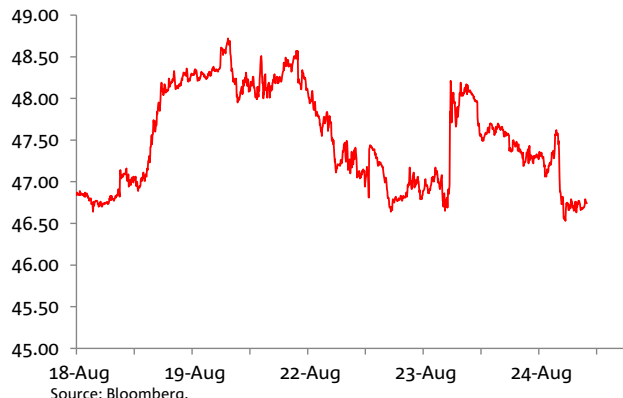
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7611	-0.1	0.7589	0.7634	HKD	7.7538 0.0
NZD	0.7307	0.2	0.7270	0.7335	CNY	6.6590 0.3
EUR	1.1264	-0.4	1.1245	1.1312	SGD	1.3545 0.2
GBP	1.3231	0.3	1.3162	1.3273	IDR	13,252 0.2
JPY	100.47	0.2	100.10	100.61	THB	34.63 0.0
CAD	1.2924	0.1	1.2902	1.2958	KRW	1,122 0.6
AUD/EUR	0.6757	0.3	0.6721	0.6774	TWD	31.77 0.1
AUD/JPY	76.47	0.2	76.11	76.63	PHP	46.51 0.0
AUD/GBP	0.5753	-0.3	0.5741	0.5778	CHF	0.97 0.4
AUD/NZD	1.0415	-0.3	1.0403	1.0469	SEK	8.40 0.2
AUD/CNH	5.0626	-0.3	5.0587	5.0939		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.83	0.99	1.41	USD 10	1.56	1.36
AUD	1.50	1.73	1.61	2.06	AUD 10	1.84	-0.60 0.28
NZD	2.00	2.24	1.98	2.42	NZD 10	2.26	0.20 0.70
EUR	0.00	-0.30	-0.20	0.28	CAD 10	1.03	1.10 -0.53
GBP	0.25	0.39	0.44	0.71	EUR 10	-0.09	0.60 -1.65
JPY	-0.05	-0.03	-0.07	0.07	GBP 10	0.55	0.90 -1.01
CAD	0.50	0.90	0.91	1.24	JPY 10	-0.07	1.20 -1.63

Equities

Major Indices

	Last	% day	% y/y
Dow	18,481	-0.4	16.4
S&P 500	2,175	-0.5	14.9
Nasdaq	5,218	-0.8	15.3
VIX	13	8.9	-66.9
FTSE	6,836	-0.5	15.9
DAX	10,623	0.3	10.1
CAC 40	4,435	0.3	1.2
Nikkei	16,597	0.6	-6.8
Shanghai	3,086	-0.1	4.1
Hang Seng	22,821	-0.8	6.6
ASX 200	5,562	0.1	8.3

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.25	1.00
3 Yr bond	97.8	3.00
10 Yr bond	98.15	1.50
3/10 sprd	-0.34	1.50
SPI	5535.0	-20.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	48.98	-2.0
Oil (WTI)	46.75	-2.8
Oil (Tapis)	49.03	1.7
Gold	1324.40	-1.2
CRB	185.75	-1.4
GS Metals	271.3	-1.5
Aluminium	1637.5	-1.4
Copper	4621.0	-1.6
Nickel	9959.5	-2.7
Zinc	2272.8	-1.2
Ch. steel	2594.0	0.3
Iron ore	61.7	-0.1
Coal	67.0	-0.1
Wheat Chic.	426.3	-0.3
Sugar	20.2	-2.5
Cotton	67.4	-1.0
Coffee	143.1	-2.8

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.61	-1.1
Jun-2017	4.63	-1.1
Dec-2017	4.64	-2.1

* 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
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		3.4/0.2		-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		90.8		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		0.4/0.3		0.2/0.4	12.30	22.30
US	Real Personal Spending	Jul		0.2		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		0.1/1.5		0.1/1.6	12.30	22.30
CA	Bloomberg Nanos Confidence	Aug 26				59.9	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 28				121.8	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
Wednesday, 31 August 2016								
UK	Lloyds Business Barometer	Aug				29.0	23.10	9.10
UK	GfK Consumer Confidence	Aug				-12.0	23.50	9.50
JN	Industrial Production MoM	Jul P				2.3	23.50	9.50
NZ	ANZ Activity Outlook	Aug				31.4	1.00	11.00
NZ	ANZ Business Confidence	Aug				16.0	1.00	11.00
AU	RBA's Debelle Gives Speech						1.00	11.00
CH	Westpac-MNI Consumer Sentiment	Aug				114.0	1.45	11.45
NZ	Money Supply M3 YoY	Jul				5.9	3.00	13.00
JN	Small Business Confidence	Aug				47.8	5.00	15.00
GE	Unemployment Change (000's)	Aug				-7.0	7.55	17.55
EC	Unemployment Rate	Jul				10.1	9.00	19.00
EC	CPI Estimate YoY	Aug				0.2	9.00	19.00
US	Fed's Kashkari Speaks on Fed Structure in St. Paul						12.00	22.00
US	ADP Employment Change	Aug		160		179.0	12.15	22.15
CA	GDP MoM	Jun				-0.6	12.30	22.30
CA	Quarterly GDP Annualized	2Q				2.4	12.30	22.30
US	Chicago Purchasing Manager	Aug		54.3		55.8	13.45	23.45
US	Pending Home Sales MoM	Jul		0.75		0.2	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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