30 August 2016

Markets Today

National Australia Bank

Mixed emotions

Apparently this 1989 hit by the Rolling Stones was written by Mick Jagger as a response to Keith Richards solo effort "You don't move me". Richards referred to the track as "Mick's emotions" believing it was about a feud with Jagger, while Jagger denied any feud claiming the song was about a girl.

Well we have also seen a bit of mixed emotions in the overnight session. US equities started the week on a positive note, but their European counter parts opened the week in negative territory. In a quite night for currencies, the USD also had a mixed performance gaining a bit of ground against the EUR, JPY and GBP while AUD and NZD have outperformed. Meanwhile, and perhaps more interestingly, US treasury yields have rallied overnight reversing most of the selloff seen post Yellen's speech and Vice Chair Fischer remarks on Friday.

Comments from Yellen that the case for raising interest rates "has strengthened in recent months" along with Fischer observation that the Fed Chair's (Yellen) remarks implied the Fed could raise rate twice this year triggered a repricing in Fed hike expectations with the probability of a September hike jumping from 33% to 42% on Friday and December's probability climbing to 76% from 68%. Now, in the overnight session, we have seen a reversal in expectation with September's probability down to 35% and December to 72%. So, while a September hike and another in December remain a strong possibility, ultimately it will all come down to the data with Friday's non-farm payroll looming large.

US income and spending figures for July (0.4% and 0.3% respectively) were also released last night and although the data was in line with expectations, it confirmed that the strong consumption seen in Q2 has carried over into Q3 and it also suggests a solid Q3 GDP number should be expected. Meanwhile, the PCE deflator for the month was unchanged with the core figure up 0.1%.The core deflator has now been unchanged at 1.6%yoy for five months, however the consensus is still for a small pick up towards 1.9% by the end of the year. This would be one argument for a hike in December and no hike in September.

Looking at currencies in more detail, it is interesting to note the USD resilience despite the fact that we have seen partial reversal on Friday's the jump in US Treasury yields. Meanwhile the improvement in risk appetite appears to have benefited the NZD and AUD. Both currencies have steadily risen overnight, gaining about 0.25% and 0.15% respectively. The NZD is currently trading at 0.7254 and the AUD is at 0.7569.

Coming Up

In Australia, this morning we get the weekly consumer confidence reading, which has been testing new highs in recent weeks. Additionally, out this morning are building approvals for July. The pullback in approvals is expected to have continued in July and our economists expect a decline of 2% in the month, below consensus forecast of a 1.1% rise.

As a prelude to the retail sale figures on Thursday, the NAB online retail sales report is also due out today and it may provide an indication of what to expect on Thursday.

Looking at offshore markets, Japan is likely to be the focus today with unemployment, household spending and retail sales data all due for release. The consensus forecast is for the unemployment rate to remain unchanged at 3.1% and unless we see a big drop in the number, inflationary pressures from wage growth are unlikely to trouble the BoJ or the JPY for that matter. More of a concern for the Bank should be the household spending numbers. In June the yoy measure fell by 2.2% and the consensus for July is for another soft print of -1.5%. That said, anecdotal evidence as well as hot weather and holidays suggest an upward surprise in spending could be on the cards.

The UK releases its building approvals for July, which should be interesting given that it will be the first data point of this sort since the UK referendum. Europe issues its final August reading of its Business climate indicator and Germany releases its preliminary CPI print also for August. The consensus number is for a 0.5% yoy outcome, up from 0.4% in the previous month.

Moving onto the US, it's a pretty light day in terms of data releases with C-S Home prices and Consumer Confidence Index the two highlights. Another soft home prices outcome is expected in June (-0.1%) while consumer confidence is seen to have remained practically unchanged in August (97 vs 97.3 prev). Although if the Michigan reading is any guide, a softer print should be expected.

Overnight

On global stock markets, the S&P 500 was +0.52%. Bond markets saw US 10-years -7.01bp to 1.56%. In commodities, Brent crude oil -0.61% to $49.27, gold+0.1% to $1,323, iron ore +0.0% to $59.14. AUD is at 0.7571 and the range since yesterday 5pm Sydney time is 0.7542 to 0.7581.

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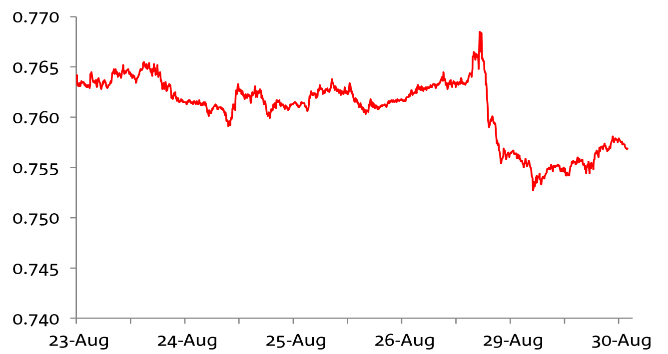
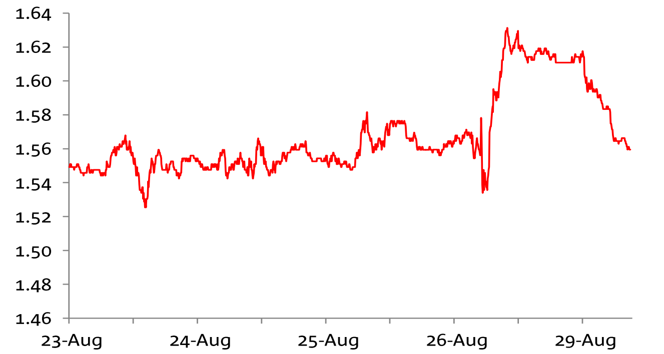
Markets

AUD/USD - past week



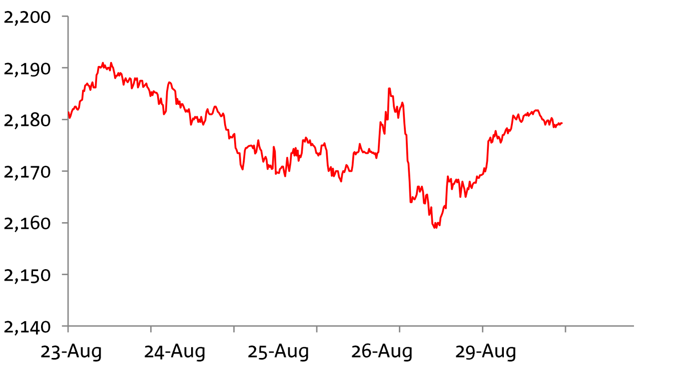
Source: Bloomberg.

US 10 yr - past week



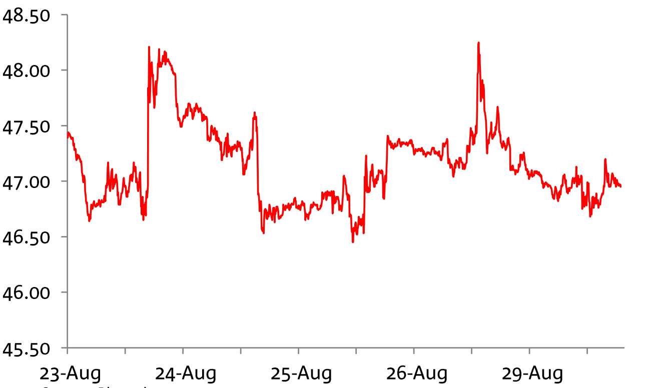
Source: Bloomberg.

S&P Futures - past week



Source: Bloomberg.

WTI - past week



Source: Bloomberg.

Foreign Exchange

			Indicative 24hr ranges (**)	
	Last	% chge	Low	High
AUD	0.7571	0.1	0.7567	0.7574
NZD	0.7254	0.2	0.7251	0.7256
EUR	1.1189	-0.1	1.1184	1.1190
GBP	1.3105	-0.2	1.3101	1.3108
JPY	101.93	0.1	101.91	101.93
CAD	1.3019	0.1	1.3010	1.3022
AUD/EUR	0.6767	0.2	0.6763	0.6770
AUD/JPY	77.17	0.2	77.13	77.19
AUD/GBP	0.5777	0.3	0.5774	0.5779
AUD/NZD	1.0436	-0.1	1.0430	1.0444
AUD/CNH	5.0594	-0.8	5.0615	5.0727

Other FX	Last	% chge
HKD	7.7559	0.0
CNY	6.6830	0.2
SGD	1.3603	0.1
IDR	13,267	0.4
THB	34.56	-0.3
KRW	1,125	1.0
TWD	31.75	0.2
PHP	46.45	0.2
CHF	0.98	0.0
SEK	8.47	-0.2

Equities

Major Indices	Last	% day	% y/y
Dow	18,503	0.6	11.2
S&P 500	2,180	0.5	9.6
Nasdaq	5,232	0.3	8.4
VIX	13	-5.2	-50.3
FTSE	6,838	0.0	9.4
DAX	10,544	-0.4	2.4
CAC 40	4,424	-0.4	-5.4
Nikkei	16,737	2.3	-12.5
Shanghai	3,070	0.0	-5.0
Hang Seng	22,821	-0.4	5.6
ASX 200	5,469	-0.8	3.9

Commodities*

	Last	% day
Oil (Brent)	49.27	-0.6
Oil (WTI)	46.95	-0.7
Oil (Tapis)	49.08	0.1
Gold	1323.00	0.1
CRB	184.43	-0.9
GS Metals	271.2	0.0
Aluminium	1632.5	0.0
Copper	4607.0	0.0
Nickel	9788.5	0.0
Zinc	2310.0	0.0
Ch. steel	2477.0	-1.0
Iron ore	59.1	0.0
Coal	67.0	0.0
Wheat Chic.	396.5	-2.4
Sugar	20.6	0.2
Cotton	67.0	-1.5
Coffee	144.9	-0.3

Interest Rates

Indicative Swap Rates	Cash	3mth	2Yr	10Yr
USD	0.50	0.83	1.03	1.41
AUD	1.50	1.73	1.61	2.04
NZD	2.00	2.27	1.96	2.37
EUR	0.00	-0.30	-0.20	0.28
GBP	0.25	0.39	0.45	0.69
JPY	-0.04	-0.02	-0.07	0.08
CAD	0.50	0.89	0.92	1.23

Benchmark 10 Year Bonds	Last	chge	Sprd
USD 10	1.56	-7.01	
AUD 10	1.88	2.50	0.32
NZD 10	2.23	-3.10	0.67
CAD 10	1.03	-6.50	-0.53
EUR 10	-0.08	-1.10	-1.64
GBP 10	0.56	0.00	-1.00
JPY 10	-0.06	0.70	-1.62

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.25	0.00
3 Yr bond	97.8	3.00
10 Yr bond	98.17	5.50
3/10 sprd	-0.37	-2.50
SPI	5469.0	16.0

*Change in bps

CO_2 Emissions - Euros

	Last	% day
Dec-2016	4.69	-0.4
Jun-2017	4.71	Clsd
Dec-2017	4.73	Clsd

* 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, 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		3.1/1.38		3.1/1.4	23.30	9.30
JN	Overall Household Spending YoY	Jul		-1.5		-2.2	23.30	9.30
JN	Retail Sales MoM/YoY	Jul		0.8		0.2/-1.4	23.50	9.50
AU	Building Approvals MoM	Jul	-2.0/-11.0	1.1/-8.3		-2.9/-5.9	1.30	11.30
AU	NAB Online Retail Sales Index MoM/YoY	Jul				0.8/13.5	1.30	11.30
UK	Mortgage Approvals	Jul		61.9		64.8	8.30	18.30
EC	Business Climate Indicator	Aug		0.36		0.4	9.00	19.00
GE	CPI EU Harmonized MoM	Aug P		0.1		0.4	12.00	22.00
CA	Current Account Balance	2Q		-20.2		-16.8	12.30	22.30
CA	Industrial Product Price MoM	Jul		-0.3		0.6	12.30	22.30
US	S&P CoreLogic CS 20-City MoM/YoY	Jun		-0.1/5.12		-0.1/5.2	13.00	23.00
US	Consumer Confidence Index	Aug		97		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		-8		-12.0	23.50	9.50
JN	Industrial Production MoM	Jul P		0.8		2.3	23.50	9.50
NZ	ANZ Activity Outlook/Business Confidence	Aug				31.4/16.0	1.00	11.00
AU	RBA's Debelle Gives Speech at FX Week Asia, Singapore						1.00	11.00
AU	Private Sector Credit MoM	Jul	0.4/6.1	0.4/6.1		0.2/6.2	1.30	11.30
CH	Westpac-MNI Consumer Sentiment	Aug				114.0	1.45	11.45
NZ	Credit aggregates, household YoY	Jul				8.3	3.00	13.00
JN	Small Business Confidence	Aug				47.8	5.00	15.00
US	Fed's Rosengren speaking in Beijing						7.15	17.15
GE	Unemployment Change (000's)	Aug		-4		-7.0	7.55	17.55
EC	Unemployment Rate	Jul		10		10.1	9.00	19.00
EC	CPI Estimate YoY/Core YoY	Aug		0.3/0.9		0.2/0.9	9.00	19.00
US	Fed's Kashkari Speaks on Fed Structure in St. Paul						12.00	22.00
US	ADP Employment Change	Aug		175		179.0	12.15	22.15
CA	GDP MoM/YoY	Jun		0.5/1		-0.6/1.0	12.30	22.30
CA	Quarterly GDP Annualized	2Q		-1.5		2.4	12.30	22.30
EC	ECB's Vileroy speaks in Frankfurt						12.45	22.45
US	Chicago Purchasing Manager	Aug		54		55.8	13.45	23.45
US	Pending Home Sales MoM/YoY	Jul		0.7/2.15		0.2/0.3	14.00	0.00
Thursday, 1 September 2016								
NZ	Terms of Trade Index QoQ	2Q	0.8	-1.5		4.4	22.45	8.45
AU	AiG Perf of Mfg Index	Aug				56.4	23.30	9.30
JN	Capital Spending Ex Software	2Q		5.5		4.3	23.50	9.50
JN	Company Profits/Sales	2Q				-9.3/-3.3	23.50	9.50
AU	CoreLogic House Px MoM	Aug	0.6			0.5	0.00	10.00
CH	Manufacturing/Non-manufacturing PMI	Aug		49.8/		49.9/53.9	1.00	11.00
AU	Private Capital Expenditure	2Q	-8.0	-4		-5.2	1.30	11.30
AU	Private Capex, 3rd estimate 2016-17, $Abn		97.6	97.0		89.2	1.30	11.30
AU	Retail Sales MoM	Jul	0.0	0.3		0.1	1.30	11.30
CH	Caixin China PMI Mfg	Aug		50.1		50.6	1.45	11.45
JN	Nikkei Japan PMI Mfg	Aug F				49.6	0.30	10.30
AU	Commodity Index AUD/YoY	Aug				90.5/-2.0	6.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Aug F		53.6		53.6	7.55	17.55
EC	Markit Eurozone Manufacturing PMI	Aug F		51.8		51.8	8.00	18.00
UK	Markit UK PMI Manufacturing SA	Aug		49		48.2	8.30	18.30
US	Challenger Job Cuts YoY	Aug				-57.1	11.30	21.30
US	Nonfarm Productivity/Unit labour costs	2Q F		-0.6/2.1		-0.5/2.0	12.30	22.30
US	Initial Jobless Claims	Aug 27		265		261	12.30	22.30
CA	RBC Canadian Manufacturing PMI	Aug				51.9	13.30	23.30
US	Markit US Manufacturing PMI	Aug F		52.1		52.1	13.45	23.45
US	Wards Total Vehicle Sales	Aug		17.2		17.8		
US	Construction Spending MoM	Jul		0.5		-0.6	14.00	0.00
US	ISM Manufacturing	Aug		52		52.6	14.00	0.00
EC	ECB's Nowotny speaks in Austria						16.00	2.00
US	Fed's Mester speaks to Kentucky Philanthropy Initiative						16.25	2.25
Friday, 2 September 2016								
NZ	Value of All Buildings SA QoQ	2Q	1.0	2		5.3	22.45	8.45
JN	Consumer Confidence Index	Aug		41.8		41.3	5.00	15.00
UK	Markit/CIPS UK Construction PMI	Aug		46.5		45.9	8.30	18.30
US	Trade Balance	Jul		-41.7		-44.5	12.30	22.30
CA	Labor Productivity QoQ	2Q		-0.4		0.4	12.30	22.30
CA	Int'l Merchandise Trade	Jul		-3.275		-3.6	12.30	22.30
US	Change in Nonfarm Payrolls/Unemployment rate	Aug		180/4.8		255.0/4.9	12.30	22.30
US	Average Hourly Earnings MoM/YoY	Aug		0.2/2.5		0.3/2.6	12.30	22.30
US	ISM New York	Aug				60.7	13.45	23.45
US	Factory Orders	Jul		2		-1.5	14.00	0.00
US	Cap Goods Orders Nondef Ex Air (revised)	Jul F				1.6	14.00	0.00
US	Fed's Lacker speaks on Interest Rate Benchmarks in Richmond						17.00	3.00
Monday, 5 September 2016								
AU	AiG Perf of Services Index	Aug				53.9	23.30	9.30
JN	Labor Cash Earnings/Real Cash Earnings YoY	Jul				1.3/1.8	0.00	10.00
AU	Melbourne Institute Inflation MoM/YoY	Aug				-0.3/1.0	1.00	11.00
NZ	ANZ Commodity Price	Aug				2.0	1.00	11.00
AU	ANZ Job Advertisements MoM	Aug				-0.8	1.30	11.30
AU	Inventories SA QoQ	2Q				0.4	1.30	11.30
AU	Company Operating Profit QoQ	2Q				-4.7	1.30	11.30
CH	Caixin China PMI Services/Composite	Aug				51.7/51.9	1.45	11.45
JN	Nikkei Japan PMI Services/Composite	Aug				50.4/50.1	0.30	10.30
GE	Markit Germany Services/Composite PMI	Aug F				53.3/54.4	7.55	17.55
EC	Markit Eurozone Services/Composite PMI	Aug F				53.1/53.3	8.00	18.00
UK	Markit/CIPS UK Services/Composite PMI	Aug				47.4/47.5	8.30	18.30
EC	Sentix Investor Confidence	Sep				4.2	8.30	18.30
EC	Retail Sales MoM/YoY	Jul				0.0/1.6	9.00	19.00
UK	Bank of England Bond-Buying Operation Results							
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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