

Spinning Around

If anyone harboured thoughts that global markets weren't completely in the thrall of the 'could they, would they?' debate about the Fed's 2016 intentions, they were disabused of the notion from the US get-go on Friday. Boston Fed President Eric Rosengren sent risk markets into a tail-spin at a breakfast presentation in Massachusetts, saying he backed gradual interest rate hikes and that waiting too long meant risks some asset markets like commercial real estate "become too ebullient."

"My personal view, based on data that we have received to date, is that a reasonable case can be made for continuing to pursue a gradual normalization of monetary policy," Rosengren said. "If we want to ensure that we remain at full employment, gradual tightening is likely to be appropriate," he said. "A failure to continue on the path of gradual removal of accommodation could shorten, rather than lengthen, the duration of this recovery."

Rosengren's comments were nothing new compared to remarks he'd made last month, but the fact they were repeated after the intervening US data run (two weak ISM surveys and a so-so August employment report) marked them out as significant. We can now count Rosengren as a likely dissenter, alongside Esther George and Loretta Mester, should the FOMC decide to stand pat on 21 September.

Market reaction to Rosengren's comments was significant, but markets were later 'thrown into a loop', as CNBC put it, over news that the central bank's most dovish official, Governor Lael Brainard, will be delivering a previously unannounced speech Monday at The Chicago Council on Global Affairs. Brainard's planned speech was in fact already known on Thursday. But markets being markets were quick to make two and two equal twenty two and determine that Brainard was set to depart from her previously uber-dovish script and give a hint that a September rate hike was 'on'.

In contrast to Rosengren, Fed Governor Daniel Tarullo described himself as being a member of the "show me" camp at the Fed, wanting to see "more tangible evidence of inflation" before raising rates. His message was ignored.

As for markets, US stocks crunched, the S&P500 -2.45% to 2127.8, the Dow -2.1% and the NASDAQ -2.5%. The VIX jumped by 5 points to 17.5. In rates, if you looked at the front end of the US curve, you'd be forgiven for wondering what all the fuss was about (though in truth, the feedback loop from sharply falling stocks to short duration government bonds is alive and kicking). OIS pricing for the probability of a 21 Sep Fed hike moved from 27% to just 29%

and December from 70% to 72%. The 2-year note yield ended up just 1.2bps to 0.784%, 10s by 7.6bps to 1.676%.

In FX, the US dollar rallied hard, most notably against commodity/'risk' currencies. AUD/USD was the biggest loser, -1.33% to 0.7541 (having ended the APAC session near 0.7650) followed by NZD (-1.01% to 0.7324). USD/JPY rose the least amongst G10 pairs, +0.2% to Y102.69. In index terms, the narrow DXY gained 0.38% to 95.35, the broader BBDXY by 0.5% while the ADXY finished NY -0.5%.

Commodities fell across the board in conjunction with a stronger dollar. For details see the table on p2 of the pdf.

Coming Up

We're entering pre-FOMC week (21 Sep) with Fed officials going into pre-meeting purdah after today. Fed Governor Lael Brainard speaks tonight/early Tuesday morning our time and is the last scheduled speaker before the lock-down starts. Brainard has marked herself out as a dove with particular sensitivity towards the level of the dollar as a constraint of the need to lift interest rates. This should be a very market sensitive speech, in particular if she displays any sign of support for a September rate rise. Atlanta Fed President Dennis Lockhart speaks tonight, as does Minneapolis Fed president Neel Kashkari.

The key US numbers due this week are for retail sales (Thursday), CPI (Friday) as well as the University of Michigan's preliminary September consumer sentiment index (also Friday).

Elsewhere offshore, the keys things to note will likely be the usual batch of China activity data - for August - covering retail sales, industrial production and fixed asset investment, all on Tuesday. On Thursday we get New Zealand's Q2 GDP estimate, where our BNZ colleagues' look for a very strong 1.2% Q/Q print (consensus 1.1%).

Locally, the two main points of interest should be Tuesday's NAB business survey and on Thursday, the August Labour Force survey where NAB forecasts a 22k rise in employment and unchanged 5.7% unemployment rate. RBA assistant Governor Chris Kent speaks on Tuesday at a Bloomberg breakfast event, and assistant governor (soon to be deputy Governor) Guy Debelle at an FX conference on Wednesday.

Overnight

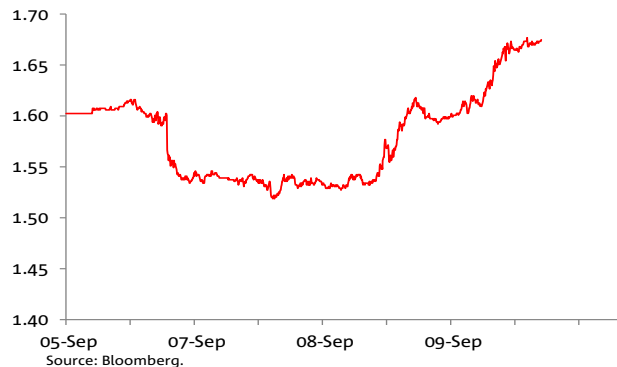
On global stock markets, the S&P 500 was -2.67%. Bond markets saw US 10-years +7.59bp to 1.67%. In commodities, Brent crude oil -1.38% to \$47.88, gold-1.3% to \$1,327, iron ore -1.2% to \$57.78. AUD is at 0.7539 and the range since Friday 5pm Sydney time is 0.7539 to 0.7641.

Markets

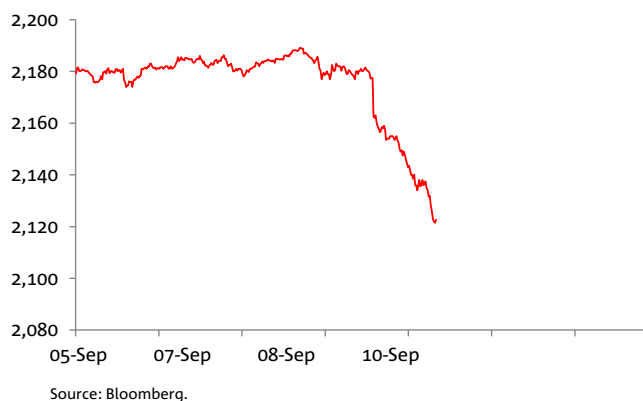
AUD/USD - past week



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	0.7539	-1.4	0.7537	0.7657	HKD	7.7567 0.0
NZD	0.7323	-1.0	0.7315	0.7413	CNY	6.6850 0.3
EUR	1.1237	-0.2	1.1199	1.1285	SGD	1.3602 0.6
GBP	1.3267	-0.2	1.3240	1.3336	IDR	13,108 0.2
JPY	102.56	0.1	101.97	103.06	THB	34.86 0.2
CAD	1.3055	0.9	1.2911	1.3061	KRW	1,098 0.8
AUD/EUR	0.6713	-1.7	0.6696	0.6792	TWD	31.53 0.9
AUD/JPY	77.44	-0.8	77.28	78.34	PHP	47.21 1.1
AUD/GBP	0.5684	-1.2	0.5677	0.5753	CHF	0.98 0.3
AUD/NZD	1.0297	0.0	1.0272	1.0349	SEK	8.49 0.6
AUD/CNH	5.0573	-1.1	5.0473	5.1197		

Equities

Major Indices	Last	% day	% y/y
Dow	18,085	-2.4	10.1
S&P 500	2,128	-2.7	8.5
Nasdaq	5,126	-3.0	6.3
VIX	18	46.6	-24.6
FTSE	6,777	-1.0	10.8
DAX	10,573	-1.7	4.4
CAC 40	4,491	-1.5	-1.3
Nikkei	16,966	-0.3	-7.1
Shanghai	3,079	-0.4	-3.8
Hang Seng	24,100	1.5	12.1
ASX 200	5,339	-1.6	5.3

Commodities*

	Last	% day
Oil (Brent)	47.88	-1.4
Oil (WTI)	45.71	-0.9
Oil (Tapis)	49.27	3.0
Gold	1327.30	-1.3
CRB	182.54	0.0
GS Metals	268.7	-0.5
Aluminium	1560.0	-1.1
Copper	4622.5	-0.2
Nickel	10325.8	5.8
Zinc	2282.5	-1.7
Ch. steel	2355.0	0.9
Iron ore	57.8	-1.2
Coal	69.7	0.1
Wheat Chic.	402.5	0.0
Sugar	20.0	-1.1
Cotton	68.9	-0.2
Coffee	151.5	-2.3

Overnight Futures

Australia	Last	Chge*
3 mth bill	98.28	-2.00
3 Yr bond	97.8	1.00
10 Yr bond	97.94	-19.50
3/10 sprd	-0.14	20.50
SPI	5246.0	169.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.09	2.3
Jun-2017	4.10	Clsd
Dec-2017	4.10	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
Monday, 12 September 2016								
CH	Foreign Direct Investment YoY CNY	Aug		4.5		-1.6	due by 12 Sep	
CH	Aggregate Financing CNY	Aug		900		487.9	due before 15 Sep	
CH	New Yuan Loans CNY	Aug		725		463.6	due before 15 Sep	
NZ	REINZ Housing Report (pending)	Aug						
JN	Machine Orders MoM/YoY	Jul		-2.9		8.3/-0.9	23.50	9.50
JN	Machine Tool Orders YoY	Aug P				-19.7	6.00	16.00
US	Fed's Lockhart Speaks to Business Economists in Atlanta						12.05	22.05
US	Fed's Kashkari Speaks on Economy and TBTF						17.00	3.00
US	Fed's Brainard speaks about Economic Outlook in Chicago						17.15	3.15
Tuesday, 13 September 2016								
AU	RBA's Kent Speech at Bloomberg Sydney, speaking on the evolving transition of the post-mining boom economy						22.30	8.30
NZ	Food Prices MoM	Aug	-0.1%			-0.2	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Sep 11				114.3	23.30	9.30
JN	BSI Large All Industry/Large Manufacturing QoQ	3Q				-7.9/-11.1	23.50	9.50
AU	NAB Business Conditions/Confidence	Aug				8/4	1.30	11.30
CH	Industrial Production YoY/YTD YoY	Aug		6.2/6		6.0/6.0	2.00	12.00
CH	Retail Sales YoY/YTD YoY	Aug		10.2/10.3		10.2/10.3	2.00	12.00
CH	Fixed Assets Ex Rural YTD YoY	Aug		7.9		8.1	2.00	12.00
GE	CPI EU Harmonized MoM/YoY	Aug F		-0.1/0.3		-0.1/0.3	6.00	16.00
UK	CPI MoM/YoY	Aug		0.4/0.7		-0.1/0.6	8.30	18.30
UK	PPI Input NSA MoM/YoY	Aug		0.5		3.3/4.3	8.30	18.30
UK	House Price Index YoY	Jul				8.7	8.30	18.30
EC	ECB's Draghi receives "Alcide De Gasperi" award in Trento						9.00	19.00
EC	Employment QoQ/YoY	2Q				0.3/1.4	9.00	19.00
GE	ZEW Survey Current Situation/Expectations	Sep		56		57.6/0.5	9.00	19.00
EC	ZEW Survey Expectations	Sep				4.6	9.00	19.00
US	NFIB Small Business Optimism	Aug		94.8		94.6	10.00	20.00
US	Monthly Budget Statement	Aug		-98		-112.8	18.00	4.00
Wednesday, 14 September 2016								
NZ	Current Account GDP Ratio Annual	2Q	-2.7	-2.6		-3.0	22.45	8.45
AU	REIA Residential Vacancy Rates and Rents Data							
AU	Westpac Consumer Conf Index/MoM	Sep				101.0/2.0	0.30	10.30
JN	Industrial Production MoM/YoY	Jul F				0.0/-3.8	4.30	14.30
AU	RBA's Richards Speaks at Credit Law Conference on Gold Coast						6.45	16.45
UK	Jobless Claims Change/Avg weekly Earnings 3M/YoY	Aug		0		-8.6/2.4	8.30	18.30
UK	ILO Unemployment Rate 3Mths	Jul		4.9		4.9	8.30	18.30
UK	Employment Change 3M/3M	Jul		180		172.0	8.30	18.30
EC	Industrial Production SA MoM/YoY	Jul		-0.8		0.6/0.4	9.00	19.00
AU	RBA's Debelle Speaks at TradeTech FX Europe conference in London						9.50	19.50
CA	Bank of Canada's Wilkins Lecture in London UK						10.15	20.15
CA	Teranet/National Bank HPI MoM/YoY	Aug				2.0/10.9	12.30	22.30
Thursday, 15 September 2016								
NZ	BusinessNZ Manufacturing PMI	Aug				55.8	22.30	8.30
NZ	GDP SA QoQ/YoY	2Q	0.8/3.7	1.1/3.6		0.7/2.8	22.45	8.45
AU	Consumer Inflation Expectation	Sep				3.5	1.00	11.00
AU	Employment Change/Unemployment rate	Aug	22/5.7	15/5.7		26.2/5.7	1.30	11.30
AU	New Motor Vehicle Sales MoM/YoY	Aug				-1.3/1.6	1.30	11.30
AU	RBA FX Transactions Market	Aug				444.0	1.30	11.30
AU	RBA Bulletin, September 2016						1.30	11.30
UK	Retail Sales Ex Auto Fuel MoM/YoY	Aug		-0.4/5.1		1.5/5.4	8.30	18.30
EC	Trade Balance SA	Jul				23.4	9.00	19.00
EC	CPI MoM/YoY	Aug		0.1		-0.6/0.2	9.00	19.00
UK	Bank of England Bank Rate	Sep 15		0.25		0.3	11.00	21.00
UK	BOE Asset Purchase Target	Sep		435		435.0	11.00	21.00
US	Current Account Balance	2Q		-119.8		-124.7	12.30	22.30
US	Retail Sales Advance/Ex Autos and Gas MoM	Aug		-0.1/0.3		0.0/-0.1	12.30	22.30
US	Initial Jobless Claims	Sep 10				259.0	12.30	22.30
US	Philadelphia Fed Business Outlook	Sep		1		2.0	12.30	22.30
US	PPI Final Demand MoM	Aug		0.1		-0.4	12.30	22.30
US	Empire Manufacturing	Sep		-1		-4.2	12.30	22.30
CA	Existing Home Sales MoM	Aug				-1.3	13.00	23.00
US	Industrial Production MoM/Capacity utilisation	Aug		-0.2/75.7		0.7/75.9	13.15	23.15
US	Business Inventories	Jul		0.1		0.2	14.00	0.00
Friday, 16 September 2016								
NZ	ANZ Job Advertisements MoM	Aug				1.4	22.00	8.00
NZ	ANZ Consumer Confidence Index/MoM	Sep				117.7/-0.4	1.00	11.00
NZ	Non Resident Bond Holdings	Aug				67.2	3.00	13.00
EC	Labour Costs YoY	2Q				1.7	9.00	19.00
CA	Int'l Securities Transactions	Jul				9.0	12.30	22.30
CA	Manufacturing Sales MoM	Jul		0.6		0.8	12.30	22.30
US	CPI MoM/YoY	Aug		0.1/1		0.0/0.8	12.30	22.30
US	CPI Ex Food and Energy MoM/YoY	Aug		0.2/2.3		0.1/2.2	12.30	22.30
US	U. of Mich. Sentiment/5-10 Yr Inflation Expectations	Sep P		91		89.8/107.0	14.00	0.00
US	Household Change in Net Worth	2Q				837.4	16.00	2.00
US	Total Net TIC Flows/Long term TIC Flows	Jul				-202.8/-3.6	20.00	6.00
Upcoming Central Bank Interest Rate Announcements								
UK BOE		15-Sep				0.25%		
Canada, BoC		20-Oct				0.50%		
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%		
Australia, RBA		4-Oct	1.50%	1.50%		1.50%		
Europe ECB		20-Oct				0.00%		

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

Contact Details

Authors

David de Garis
Senior Economist
+61 3 8641 3045
david.degaris@nab.com.au

Ray Attrill
Global Co-Head of FX Strategy
+61 2 9237 1848
ray.attrill@nab.com.au

Rodrigo Catril
Currency Strategist
+61 2 9293 7109
rodrigo.h.catril@nab.com.au

Tapas Strickland
Economist
+61 2 9237 1980
tapas.strickland@nab.com.au

Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406
peter.jolly@nab.com.au

Group Economics

Alan Oster
Chief Economist
+61 3 8634 2927
alan_oster@national.com.au

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