

What a difference a day makes

Well there's one conspiracy theory that has come to nought. That Fed Governor Brainard – a monetary policy dove to now – had become more policy hawkish and indicate that next week's September 20-32 FOMC would be "live". Speaking on the economic outlook in Chicago, Brainard counselled continued prudence in the withdrawal of monetary policy.

"The case to tighten policy pre-emptively is less compelling" in an environment where declining unemployment has been slow to spur faster inflation, she remarked. Asymmetry in risk management in today's new normal argues for caution, in her view, saying that it's much easier for the Fed to react to faster-than-expected demand than to a negative surprise that upsets the economy. "I believe this approach has served us well in recent months". She did note that the Fed has made progress on its employment and inflation mandates, but that inflation has not advanced as much as the Fed had hoped.

It was a market-moving address but the impact was the reverse of what the market had feared at the end of last week. It was something of a reversal for the USD, the Bloomberg spot effective USD index down 0.26%, and most of the majors making up some ground. After testing below 0.75 earlier in the session, the AUD/USD has recovered to now be trading at 0.7565 in early trade. Likewise the NZD has recovered from below 0.73 to 0.7352, the AUD/NZD still below 1.03 at 1.0289. Bonds rallied after opening heavier in the lead up to address, with US equities also clawing back ground after her address, the Dow closing up 1.32% and the S&P 500 +1.47%. US 2y bonds eased a basis point net for the session, with 10s also lower, by half a point. The VIX eased 2.34 points to 15.16. Gold clawed back most of the session's earlier losses.

Also speaking overnight were Fed Presidents Lockhart and Kashkari who are not voters on the FOMC this year, Lockhart arguing for a "serious discussion" on raising rates but refraining from calling for an actual hike now. Kashkari said there was "no urgency to act".

The Fed is now in media lock down mode into next week's meeting, so that's it on the potential volatility front from that source at least ahead of the meeting. The market is pricing in a 22% chance of a hike next week and 70% by the December meeting.

Coming up

There is plenty of event risk coming up in the APAC session today. First up at 830 we have a speech from the RBA's Chris Kent who, while there is no specific title as yet on the RBA's web site, we understand is apparently speaking on the evolving transition of the post-mining boom economy. New Zealand food prices for August are also being released this morning, at 8:45 AEST.

Then at 1130 comes the NAB Business Survey for August. Absolutely no comment on the today's Survey's key metrics, other than a reminder Business Conditions was at +8 in July while Business Confidence was at +4, the latter just below its long term average and Conditions a little above its long term average.

Then at midday comes the key monthly activity data for China, industrial production, retail sales, and fixed assets investment for August. Last week's trade data would suggest today's release should not disappoint. They might even surprise a little on the high side. China's monthly money supply, new yuan lending and aggregate financing data for August are also due any day now.

Tonight sees the release of several UK releases including August CPI, PPI, and house prices for July. Also in the European session, ECB President Draghi is receiving a public award in Italy, though it's doubtful he would say anything to market moving at such then, especially given the ECB meeting in his press conference is only last week. The German and EC ZEW surveys for September are also being released; not usually a market mover of any significance.

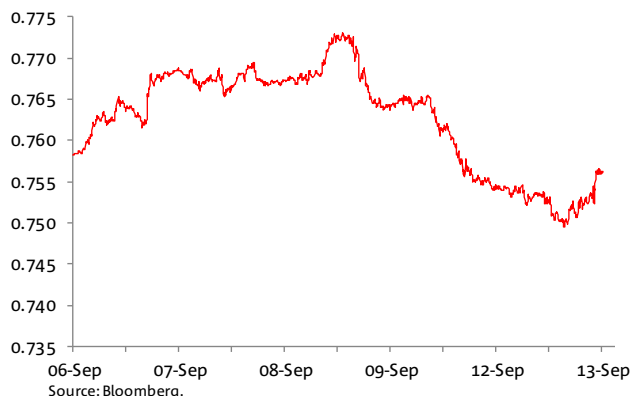
In the US, with the Fed in media lockdown, more focus on the data flow – the Fed is data dependent after all – with the NFIB Small Business Optimism index for August out tonight. There'll be some focus points in this release on actual and planned compensation for employees, one of the watch points for wages and inflation observers.

Overnight

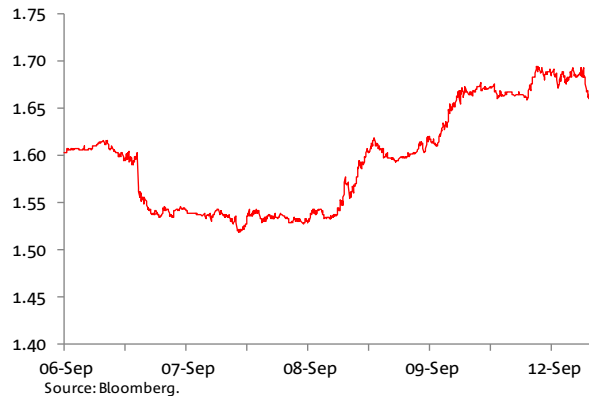
On global stock markets, the S&P 500 was +1.47%. Bond markets saw US 10-years -1.20bp to 1.66%. In commodities, Brent crude oil +0.27% to \$48.14, gold -0.3% to \$1,331, iron ore +0.0% to \$57.78. AUD is at 0.7565 and the range since yesterday 5pm Sydney time is 0.7495 to 0.7566.

Good luck.

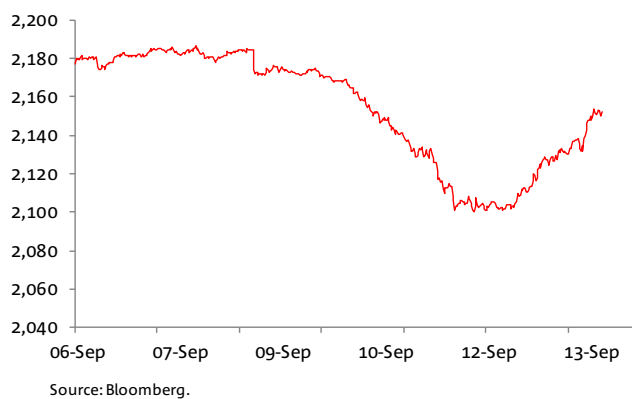
AUD/USD - past week



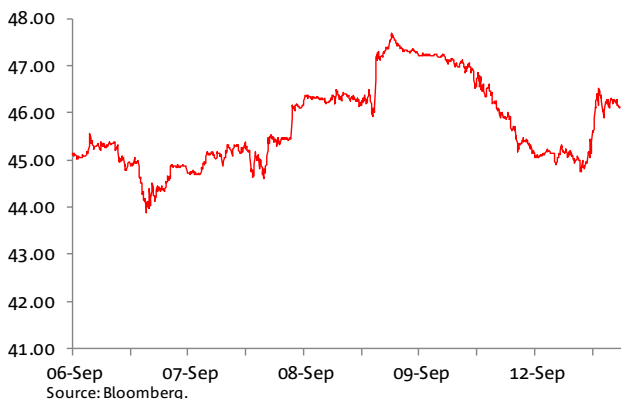
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7565	0.3	0.7494	0.7567	HKD	7.7577 0.0
NZD	0.7352	-0.1	0.7293	0.7357	CNY	6.6769 -0.1
EUR	1.1234	-0.2	1.1213	1.1269	SGD	1.3571 0.1
GBP	1.3335	0.1	1.3260	1.3348	IDR	13,169 0.5
JPY	101.85	-0.8	101.56	102.09	THB	34.86 0.2
CAD	1.3041	0.6	1.3034	1.3125	KRW	1,108 0.5
AUD/EUR	0.6734	-0.2	0.6680	0.6737	TWD	31.65 0.0
AUD/JPY	77.06	-1.3	76.42	77.08	PHP	47.45 0.4
AUD/GBP	0.5673	-0.6	0.5646	0.5676	CHF	0.97 -0.2
AUD/NZD	1.0289	-0.4	1.0276	1.0304	SEK	8.49 0.5
AUD/CNH	5.0514	-0.6	5.0175	5.0553		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.85	1.03	1.51	USD 10	1.66	-1.20
AUD	1.50	1.73	1.66	2.21	AUD 10	2.05	8.40 0.39
NZD	2.00	2.24	2.05	2.57	NZD 10	2.44	10.80 0.78
EUR	0.00	-0.30	-0.21	0.38	CAD 10	1.16	0.40 -0.51
GBP	0.25	0.38	0.46	0.89	EUR 10	0.04	2.70 -1.62
JPY	-0.05	-0.03	-0.10	0.12	GBP 10	0.87	0.70 -0.80
CAD	0.50	0.90	0.93	1.35	JPY 10	0.00	1.30 -1.66

Equities

Major Indices	Last	% day	% y/y
	Dow	18,325	1.3
S&P 500	2,159	1.5	10.1
Nasdaq	5,212	1.7	8.1
VIX	15	-13.4	-34.7
FTSE	6,701	-1.1	9.5
DAX	10,432	-1.3	3.0
CAC 40	4,440	-1.1	-2.4
Nikkei	16,673	-1.7	-8.7
Shanghai	3,022	-1.8	-5.6
Hang Seng	23,291	-3.4	8.3
ASX 200	5,220	-2.2	2.9

Commodities*

	Last	% day
Oil (Brent)	48.14	0.3
Oil (WTI)	46.06	0.4
Oil (Tapis)	49.27	0.0
Gold	1330.90	-0.3
CRB	182.94	0.2
GS Metals	267.3	-0.5
Aluminium	1549.8	-0.7
Copper	4632.5	0.3
Nickel	10033.3	-2.8
Zinc	2252.5	-1.3
Ch. steel	2280.0	-1.9
Iron ore	57.8	0.0
Coal	70.0	0.4
Wheat Chic.	430.0	1.2
Sugar	20.9	0.8
Cotton	66.7	-3.5
Coffee	150.9	-0.2

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.28	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.94	-10.80
3/10 sprd	-0.14	13.80
SPI	5282.0	43.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.02	-1.7
Jun-2017	4.04	-1.5
Dec-2017	4.05	-1.2

* 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, 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		0.6		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		-105.5		-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		1.8		-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		172		172.0	8.30	18.30
EC	Industrial Production SA MoM/YoY	Jul		-1		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		-0.7/4.8		1.5/5.4	8.30	18.30
EC	Trade Balance SA	Jul		22		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		-120.75		-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		265		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				0.8	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		0.2/2.2		0.1/2.2	12.30	22.30
US	U. of Mich. Sentiment/5-10 Yr Inflation Expectations	Sep P		90.6		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
Monday, 19 September 2016								
NZ	Westpac Consumer Confidence	3Q				106.0		Due by 23 Sep
NZ	Performance Services Index	Aug				54.2	22.30	8.30
UK	Rightmove House Prices MoM/YoY	Sep				-1.2/4.1	23.10	9.10
CH	Property Prices	Aug					1.30	11.30
EC	ECB Current Account SA	Jul				28.2	8.00	18.00
EC	Construction Output MoM/YoY	Jul				0.0/0.6	9.00	19.00
CA	Bloomberg Nanos Confidence	Sep 9				58.4	14.00	0.00
US	NAHB Housing Market Index	Sep		60		60.0	14.00	0.00
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

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