

Uneasy

Yesterday Brainard's comments appeased fears of an imminent hike in September, but concerns of a rising belief within the Fed that the benefit of keeping monetary policy accommodative is waning appears have left markets uneasy. Other themes also seem to be evolving, core longer dated yields have not retraced their moves higher seen post the ECB decision to leave its asset buying programme unchanged last week, reflecting a growing concern that policy makers no longer think the benefits from flatter curves are outweighing the costs. In addition, now that the northern hemisphere summer is over and most investors are back from holidays, there is also a sense that equity valuations are looking lofty, particularly if further stimulatory policies are not forthcoming. Lastly, concerns of oversupply in the oil market continue to emerge on a regular basis.

So the overarching theme is one of uneasiness with both equity and core bond yields under pressure. US and European equities are down between 0.4% and 1.5% with energy stocks leading the way following a sharp fall in oil prices. WTI and Brent are down just over 2% on the wake of a report from the IEA predicting global oil oversupply will extend into 2017. Meanwhile the VIX index is up to 17.85 and it has effectively reverse the 2 point decline post Brainard's speech yesterday.

The risk off move has helped the USD performed across the board with the Bloomberg USD index up 0.7%. The EUR is at the top of the G10 leader board, down just 0.2% while the AUD and NZD are at the bottom of the pile, down 1.47% and 1.37% respectively. Unsurprisingly the spike in risk off sentiment has weighed more on antipodean currencies. Overnight the AUD traded down to a low of 0.7442 and now it trades at 0.7465. Meanwhile the NZD is at 0.7249 and it has effectively erased all the gains seen so far in September.

GBP is down 1.09% and somewhat unusually, the Yen failed to make gains under the risk off environment overnight. The currency was under a bit of pressure following a Nikkei report that noted the BoJ is likely to conclude that the benefits of a negative deposit rate outweighs the costs and the Board will also discuss a policy of trimming long bond purchases in favour of short-term bonds. The report is consistent with our expectations for the BoJ to cut the deposit rate to -0.2% from -0.1% and take a flexible approach to its bond buying programme at its policy meeting next week.

Looking at core bond yields, concerns of another taper tantrum look to be emerging with 10y UST climbing 6.4bps to 1.727%, their highest levels since 23 June. Meanwhile in

Europe, 10y Bunds climbed 3.3bps to 0.068% and 10y Gilts closed +4.6bps at 0.9191%.

Looking at data releases, UK inflation data showed little sign from GBP depreciation. Consensus was looking for August CPI to climb from 0.6%yoy to 0.7%. We still expect that UK inflation to head higher in the wake of the Brexit vote as higher import costs are passed on to the consumer.

The German Zew survey was weaker than expected, falling to 55.1 vs 56 exp and 57.6 prev. That said the index is still a couple of points higher than the average monthly reading thus far in 2016.

Coming Up

This morning Australia gets its monthly consumer confidence reading and the June quarter residential vacancy and rental report from the Real Estate Institute is also due for release. The latter is not expected to be market moving, however it will be interesting to see if there are any changes to the trends of well-above average vacancies in WA and NT and below average vacancies in NSW and Victoria.

RBA Debelle speaks in London tonight and although there are no details on the RBA website, given that his recent speeches have been focused on FX regulation the chances are that we get more of the same.

Looking at offshore markets, Japan releases industrial production (final) and capacity utilisation figures for July. Later in the day, the Euro area also gets its industrial production numbers for July and given the declines in German and French IP, a contraction in output for the whole European area is expected (-1%).

Across the English Channel, the UK unemployment is seen to have remained unchanged at 4.9% in July, however jobless claims and vacancy figures will also be important. Vacancies have been on a downward trend since the start of the year and it will be interesting to see if that trend has intensified given the increase in uncertainty post the UK decision to leave the EU.

Lastly import prices are out in the US and Bank of Canada's Wilkins gives speaks in London.

Overnight

On global stock markets, the S&P 500 was -1.48%. Bond markets saw US 10-years +6.42bp to 1.73%. In commodities, Brent crude oil -1.99% to \$47.19, gold -0.7% to \$1,318, iron ore -2.9% to \$56.09. AUD is at 0.7465 and the range since yesterday 5pm Sydney time is 0.7447 to 0.7539.

Markets

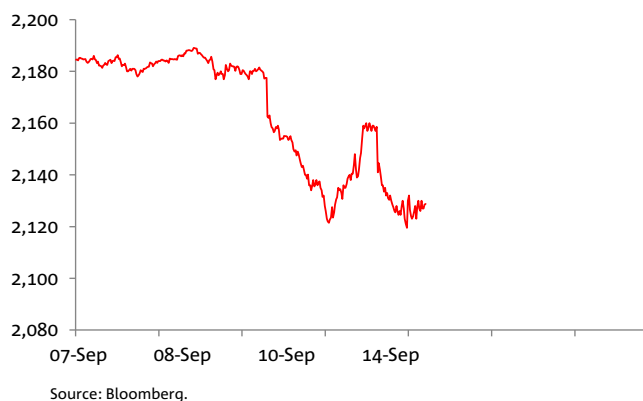
AUD/USD - past week



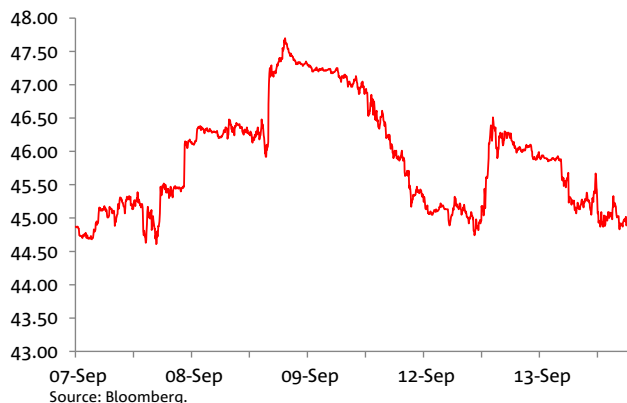
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7465	-1.3	0.7442	0.7568	HKD	7.7585 0.0
NZD	0.7252	-1.4	0.7235	0.7364	CNY	6.6795 0.0
EUR	1.1219	-0.1	1.1204	1.1260	SGD	1.3665 0.8
GBP	1.3194	-1.1	1.3168	1.3341	IDR	13,168 -0.5
JPY	102.58	0.7	101.42	102.75	THB	34.94 0.2
CAD	1.3172	1.0	1.3030	1.3190	KRW	1,119 0.5
AUD/EUR	0.6654	-1.2	0.6626	0.6735	TWD	31.70 -0.1
AUD/JPY	76.58	-0.6	76.12	77.14	PHP	47.63 0.1
AUD/GBP	0.5658	-0.3	0.5641	0.5698	CHF	0.98 0.5
AUD/NZD	1.0293	0.0	1.0256	1.0311	SEK	8.53 0.6
AUD/CNH	4.9967	-0.6	4.9769	5.0629		

Equities

Major Indices

	Last	% day	% y/y
Dow	18,067	-1.4	9.9
S&P 500	2,127	-1.5	8.5
Nasdaq	5,155	-1.1	6.9
VIX	18	17.7	-23.1
FTSE	6,666	-0.5	9.0
DAX	10,387	-0.4	2.6
CAC 40	4,387	-1.2	-3.6
Nikkei	16,729	0.3	-6.9
Shanghai	3,024	0.1	-2.9
Hang Seng	23,216	-0.3	7.7
ASX 200	5,208	-0.2	2.2

Commodities*

	Last	% day
Oil (Brent)	47.19	-2.0
Oil (WTI)	45.05	-2.2
Oil (Tapis)	46.96	-4.7
Gold	1317.70	-0.7
CRB	180.56	-1.3
GS Metals	266.6	-0.3
Aluminium	1545.5	-0.4
Copper	4625.0	-0.1
Nickel	9811.3	-2.2
Zinc	2226.0	-1.5
Ch. steel	2260.0	-0.7
Iron ore	56.1	-2.9
Coal	70.2	0.2
Wheat Chic.	400.5	-2.2
Sugar	20.4	0.7
Cotton	67.1	0.4
Coffee	148.8	-1.3

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.26	-2.00
3 Yr bond	97.8	3.00
10 Yr bond	97.84	-9.80
3/10 sprd	-0.04	12.80
SPI	5167.0	16.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.01	-0.2
Jun-2017	4.03	Clsd
Dec-2017	4.05	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
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			8.30	18.30
UK	Employment Change 3M/3M	Jul		171		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		264.7		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		1		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 16				57.7	14.00	0.00
US	NAHB Housing Market Index	Sep		60		60.0	14.00	0.00
Tuesday, 20 September 2016								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Sep 11				114.3	23.30	9.30
AU	RBA Sept. Meeting Minutes						1.30	11.30
AU	House Price Index QoQ/YoY	2Q		/		-0.2/6.8	1.30	11.30
US	Housing Starts, #/MoM	Aug		1190/-1.7		1211/2.1	12.30	22.30
US	Building Permits, #/MoM	Aug		1173/2.5		1152/-0.1	12.30	22.30
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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