

From zero to hero

During the US dollar's recent revival associated with deteriorating global risk sentiment and steepening yield curves, the commodity currencies – in particular the AUD and NZD – have been the hardest hit. Thus it's no surprise to see the antipodean currencies topping the G10 FX leader board overnight in association with a bounce in US stocks and modest weakening in the US dollar. AUD/USD trades back above 0.75 and the NZD above 0.73, for gains of 0.6% and 0.5% respectively over the past 24 hours.

The revival in stocks owes something to a resurgence in Apple's share price, in turn linked to positive reports of early sales of the iPhone7 (or is it Samsung's current travails with exploding Galaxy batteries, the U.S. Consumer Product Safety Commission last night issuing a formal product recall?).

As relevant to the rise in stocks, the fall in the VIX and the softer US dollar, has been a raft of generally disappointing US data and which have further boosted confidence that the Fed will not be moving on rates next week. Retail sales fell by 0.3% in headline term and by 0.1% ex-autos and also the core 'control' measure. To be fair, retail sale represents less than 50% of overall US consumer spending (it doesn't capture the bulk of service sector activity). So we may still get overall personal consumption expenditure growing at a near-3% clip in Q3, but the hard evidence for that is currently lacking.

As well, industrial production fell by 0.4% (-0.2% expected after the strong 0.7% July rise, though even that was revised down, to 0.6%). Producer prices meanwhile were flat on the month and in core terms rose by just 0.1% on the month and +1% on a year ago. On the plus side, the Philly Fed and Empire manufacturing surveys showed bigger than expected bounce, but the details beneath the headlines weren't that flash. Weekly jobless claims remain low, indicating ongoing labour market strength.

Despite the soft data and slightly lower short term US rates, longer dated bond yields are little changed. So the curve steepening theme of late is uninterrupted.

The Bank of England left policy as it was yesterday, through the minutes made clear that the majority still expect to vote to take rates lower (from the current 0.25%) before the end of the year. Sterling was an underperformer in currency land as a result.

As for yesterday's employment data, our economists describe it 'a mixed report with a soft edge'. Overall employment falling by 3.9k was offset by the good news of a

drop in the unemployment rate to its lowest since July 2013 (5.6%). The latter however was aided by the fall in the labour participation rate by 2/10%. Furthermore, the rise in the underemployment rate (those in work but working fewer hours than they'd like) rose by 0.3% to 8.7% - the highest since records began in 1978.

Overall, our sense is that the improvement in the labour market evident earlier this year has at a minimum slowed. The RBA won't be panicking, with this year's two rate cuts still to work their way through the economy. But it plays to our view that further cuts may be needed next year to prevent the unemployment rate trending back higher, in the context of headwinds to growth from an expected slowdown in housing construction and a slowdown in the growth rate of LNG production.

Coming Up

The domestic data and events calendar is pretty bare today, save for New Zealand aficionados who might show a bit of interest in ANZ's August job advertisement and September consumer confidence.

The main draw offshore this evening is US August CPI, one of the last – in fact the last - top draw release before the Fed sits down next Wednesday and Thursday. Core CPI (ex-food and energy) has been trending sideways in recent months after the acceleration up though the Fed's 2% target zone in the second half of 2015 and the start of this year. The Fed evidently continues to pay much more attention to the broader Personal Consumption Expenditure (PCE) deflator, which in core terms has continued to languish below 2% with no signs of acceleration.

Headline CPI is expected to lift to 1% from 0.8% (with past energy price weakness still having a depressing influence) and with the core measure remaining at July's 2.2%.

Also up tonight is the preliminary US September University of Michigan consumer sentiment index. Last month, this disappointed while the Conference Board's version excelled (and had a significant market impact). A rise to 90.6 from 89.8 is the consensus. The inflation expectations series (last at 2.5% for both 1-year and 5-10 years) should also attract attention – it does at the Fed.

Overnight

On global stock markets, the S&P 500 was +1.01%. Bond markets saw US 10-years -0.69bp to 1.69%. In commodities, Brent crude oil +1.09% to \$46.35, gold -0.6% to \$1,314, iron ore +0.0% to \$55.97. AUD is at 0.7515 and the range since yesterday 5pm Sydney time is 0.745 to 0.752.

Markets

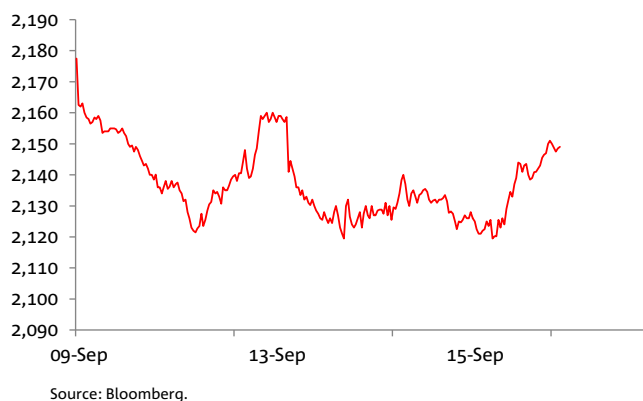
AUD/USD - past week



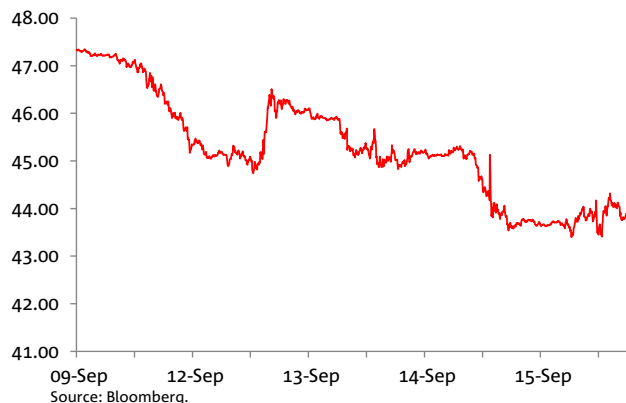
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7510	0.5	0.7467	0.7475	HKD	7.7585 0.0
NZD	0.7313	0.4	0.7283	0.7296	CNY	6.6747 0.0
EUR	1.1242	-0.1	1.1244	1.1251	SGD	1.3630 0.0
GBP	1.3243	0.1	1.3234	1.3246	IDR	13,175 -0.2
JPY	102.15	-0.3	102.33	102.43	THB	34.90 0.1
CAD	1.3158	-0.3	1.3193	1.3199	KRW	1,127 0.1
AUD/EUR	0.668	0.6	0.6639	0.6646	TWD	31.81 0.3
AUD/JPY	76.71	0.3	76.46	76.54	PHP	47.74 0.6
AUD/GBP	0.5671	0.5	0.5641	0.5646	CHF	0.97 -0.1
AUD/NZD	1.0269	0.1	1.0243	1.0258	SEK	8.48 0.0
AUD/CNH	5.0058	0.2	4.9782	5.0056		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.85	0.99	1.54	USD 10	1.70	0.70
AUD	1.50	1.74	1.68	2.29	AUD 10	2.11	1.40 0.40
NZD	2.00	2.25	2.08	2.61	NZD 10	2.53	-1.50 0.82
EUR	0.00	-0.30	-0.22	0.39	CAD 10	1.20	1.70 -0.50
GBP	0.25	0.38	0.45	0.89	EUR 10	0.03	1.10 -1.67
JPY	-0.06	-0.04	-0.11	0.09	GBP 10	0.89	1.70 -0.81
CAD	0.50	0.90	0.92	1.40	JPY 10	-0.04	-1.70 -1.74

Equities

Major Indices

	Last	% day	% y/y
Dow	18,213	1.0	10.2
S&P 500	2,150	1.1	8.8
Nasdaq	5,250	1.5	7.7
VIX	16	-12.5	-25.2
FTSE	6,730	0.9	9.7
DAX	10,431	0.5	2.4
CAC 40	4,373	0.1	-3.3
Nikkei	16,405	-1.3	-7.8
Shanghai	3,003	0.0	-0.1
Hang Seng	23,336	0.6	8.1
ASX 200	5,240	0.2	4.2

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.27	1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.86	-1.70
3/10 sprd	-0.06	4.70
SPI	5266.0	-48.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	46.50	1.4
Oil (WTI)	43.87	0.7
Oil (Tapis)	45.69	-2.1
Gold	1313.80	-0.6
CRB	180.68	0.7
GS Metals	270.4	-0.6
Aluminium	1556.0	-0.7
Copper	4765.5	0.2
Nickel	9663.5	-1.3
Zinc	2217.3	-2.0
Ch. steel	2260.0	0.0
Iron ore	56.0	0.0
St. Coal	71.0	0.0
Wheat Chic.	422.3	4.8
Sugar	20.5	1.7
Cotton	68.4	0.4
Coffee	148.9	0.0

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.15	4.0
Jun-2017	4.16	4.0
Dec-2017	4.16	-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
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 18				118.1	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		1192/-1.6		1211/2.1	12.30	22.30
US	Building Permits, #/MoM	Aug		1170/2.3		1152/-0.1	12.30	22.30
Wednesday, 21 September 2016								
NZ	Net Migration SA	Aug				5600.0	22.45	8.45
JN	Trade Balance Adjusted	Aug		491		317.6	23.50	9.50
JN	Exports/Imports YoY	Aug		-3.9/-16.5		-14.0/-24.7	23.50	9.50
JN	Imports YoY	Aug		-16.5		-24.7	23.50	9.50
AU	Westpac Leading Index MoM	Aug				0.1	0.30	10.30
AU	Skilled Vacancies MoM	Aug				-0.6	1.00	11.00
JN	BOJ Policy Rate	Sep 21		-0.1		-0.1	3.00	13.00
NZ	Credit Card Spending MoM/YoY	Aug				2.3/5.6	3.00	13.00
JN	Machine Tool Orders YoY	Aug F				-8.4	6.00	16.00
UK	PSNB ex Banking Groups	Aug				-1.0	8.30	18.30
CA	Wholesale Trade Sales MoM	Jul				0.7	12.30	22.30
CH	Conference Board Leading Economic Index	Aug					13.00	23.00
US	FOMC Rate Decision (Lower/Upper Bound)	Sep 21		0.25/0.5		0.25/0.50	18.00	4.00
US	Fed Summary of Economic Projections						18.00	4.00
Thursday, 22 September 2016								
NZ	RBNZ Official Cash Rate	Sep 22		2		2.0	21.00	7.00
EC	ECB Publishes Economic Bulletin						8.00	18.00
UK	CBI Trends Total Orders	Sep				-5.0	10.00	20.00
UK	CBI Trends Selling Prices	Sep				8.0	10.00	20.00
US	Chicago Fed Nat Activity Index	Aug				0.3	12.30	22.30
US	Initial Jobless Claims	Sep 10		265		259.0	12.30	22.30
US	FHFA House Price Index MoM	Jul		0.3		0.2	13.00	23.00
US	Bloomberg Economic Expectations	Sep				44.5	13.45	23.45
US	Bloomberg Consumer Comfort	Sep 11				44.0	13.45	23.45
EC	Consumer Confidence	Sep A				-8.5	14.00	0.00
US	Existing Home Sales, #/MoM	Aug		5.45/1.11		5.4/-3.2	14.00	0.00
US	Leading Index	Aug		0		0.4	14.00	0.00
US	Kansas City Fed Manf. Activity	Sep				-4.0	15.00	1.00
Friday, 23 September 2016								
JN	Nikkei Japan PMI Mfg	Sep P				49.5	0.30	10.30
CH	MNI September Business Indicator						1.45	11.45
JN	All Industry Activity Index MoM	Jul				1.0	4.30	14.30
GE	Markit/BME Manufacturing PMI	Sep P				53.6	7.30	17.30
GE	Markit Services/Composite PMI	Sep P		/		51.7/53.3	7.30	17.30
EC	Markit Manufacturing PMI	Sep P				51.7	8.00	18.00
EC	Markit Eurozone Services/Composite PMI	Sep P		/		52.8/52.9	8.00	18.00
CA	Retail Sales MoM	Jul		0.2		-0.1	12.30	22.30
CA	CPI NSA MoM/YoY	Aug		0.1/1.3		-0.2/1.3	12.30	22.30
CA	CPI Core MoM/YoY	Aug		0.2/2		0.0/2.1	12.30	22.30
US	Markit US Manufacturing PMI	Sep P		52		52.0	13.45	23.45
US	Fed's Harker, Mester, Lockhart on Panel at Philly Fed Conf						16.00	2.00
Upcoming Central Bank Interest Rate Announcements								
UK	BOE	13-Oct				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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