

## Lies, damn lies and statistics

August U.S. CPI data turned out to be the driver of much of Friday night's market price action. The 0.3% rise in the core CPI series pushed annual growth up to 2.3% from 2.2% - matching its post-recession cycle high and versus the 2.2% expected. It's worth splitting hairs here, since the 0.3% rise was an unrounded 0.2523%, so a very 'low' 0.3% - 2.4 thousandths of a percent lower and core CPI would have printed 0.2% and much of Friday's price moves might not have occurred. Who says statistics are boring?

Also out Friday was the preliminary University of Michigan consumer sentiment index which disappointed expectations coming in unchanged at 89.8 but which failed to resonate.

The upside CPI surprise was largely the result of a whopping 1% jump in healthcare costs, which represent 11% of core CPI and 19% of the Fed's preferred core PCE deflator measure of inflation (August figures due on 30 September).

The other big news event was in the UK. Bloomberg 'source' reports suggesting that UK Chancellor Hammond was ready to accept that Britain might have to give up membership of the EU single market in order to satisfy immigration restrictions that lay at the heart of the 'Brexit' vote, sent Sterling into a fresh tailspin - down by over 2 cents against the US dollar. Hints from EU President Donald Tusk that UK PM Theresa May will invoke Article 50 to commence EU exit procedures in January or no later than February next year, also contributed to Sterling's travails.

The US CPI report saw US equities drop at the open, though in the face of headwinds from Europe following the near 10% drop in Deutsche Bank's share price after Thursday night's call from the US Department of Justice for the bank to pay \$14bn to settle claims for miss-selling of mortgage backed securities. The S&P500 ended Friday night just 0.38% lower at 2139.16. The VIX actually ended lower on the day, -0.93 to 15.37 and down 12.2% on the week. The Eurostoxx 50 (of which Deutsche Bank is a component) lost 1.3%.

The US dollar was stronger across the board (+0.8% on average) and bond yields higher (the 2-year note yield rose by 3.6bps to 0.764% and 10s by just 0.1bp to 1.693%).

Alongside, we saw a small lift in the implied odds on the Fed lifting rates next week (20% from 19%) or in December (64% from 59%). This might just mean we get a bigger relief rally in the face of the 'no change' that we and most of the market expects next Wednesday night. A rise in rate would be a major market shock. The last time the Fed sprung a hawkish surprise was back in 1994, 22 years ago and which precipitated the 'great bond market massacre'.

The Mexican Peso remains the whipping boy in EM FX, largely on the narrowing poll gap between Trump and Clinton, USD/MXN +1.37% to 19.61. But GBP/USD was by far Friday's biggest loser, -1.79% to 1.3002. AUD/USD fell by 0.32% to 0.7491 and is 0.07478 thus far Monday morning.

## Coming Up

There's really only two big games in town this week and both on Wednesday when first the Bank of Japan and then the Fed hand down their policy decisions and accompanying narratives. In the case of the Fed this will include a new set of economic and 'dot point' interest rate projections and a Janet Yellen press conference. This and the immediate post-FOMC statement will be what drive markets - assuming no change in the Fed Funds rate target (our view). Assuming no change, one immediate point of interest will be the number of dissenters - Esther George for sure, Loretta Mester almost certainly and - possibly - Eric Rosengren, all of whom have made the case for moving ahead with gradual rate rises in recent weeks. In short, some attempt at a 'hawkish no change' may be the order of the day.

In the case of the BoJ, the uncertainty over what if anything they will do means that the decision itself should be what carries the day (and alongside the release of the 'comprehensive review' of the efficacy of its policy measures to date, to which the BoJ committed at the July meeting).

Our best guess - and it is frankly little more than that - is that the BoJ will elect to take measures that underpin the recent steepening of the yield curve. This could be achieved by finessing its QE bond buying programme (more flexible adherence to the ¥80tn annual target and a skew in purchases towards shorter dated bonds) and quite possibly taking its policy rate deeper into negative territory. If they succeed in this without sending equities into a spin, it can help the cause of a (modestly) weaker yen.

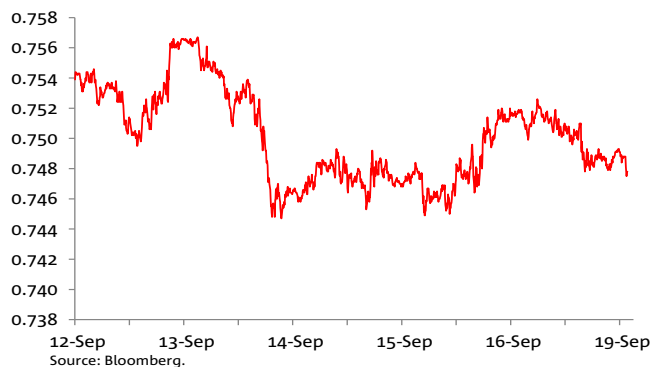
Fed and BoJ aside, there'll be keen local interest in new RBA Governor Phil Lowe's appearance at a parliamentary committee in Sydney on Thursday, and what the RBNZ has to say, also on Thursday following what should be a no-change rates decision. We also get September RBA meeting minutes Tuesday morning and the latest NZ GDT auction on Tuesday night - expected to post further price gains.

## Overnight

On global stock markets, the S&P 500 was +0.63%. Bond markets saw US 10-years +0.19bp to 1.69%. In commodities, Brent crude oil -0.17% to \$45.77, gold -1.2% to \$1,306, iron ore +0.0% to \$55.97. AUD is at 0.7478 and the range since Friday 5pm Sydney time is 0.7475 to 0.7513.

## Markets

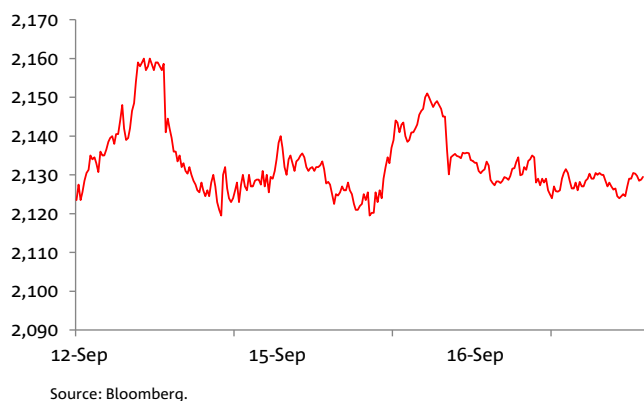
### AUD/USD - past week



### 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	0.7478	-0.5	0.7474	0.7527	HKD	7.7589 0.0
NZD	0.7260	-0.8	0.7245	0.7331	CNY	6.6747 0.0
EUR	1.1152	-0.8	1.1149	1.1250	SGD	1.3684 0.4
GBP	1.2999	-1.8	1.2996	1.3248	IDR	13,155 -0.4
JPY	102.15	0.0	101.74	102.46	THB	34.91 0.1
CAD	1.3222	0.5	1.3142	1.3248	KRW	1,122 -0.3
AUD/EUR	0.6711	1.1	0.6670	0.6718	TWD	31.63 -0.2
AUD/JPY	76.60	0.1	76.32	76.84	PHP	47.85 0.8
AUD/GBP	0.5770	2.2	0.5667	0.5770	CHF	0.98 0.9
AUD/NZD	1.0306	0.5	1.0254	1.0318	SEK	8.57 1.1
AUD/CNH	4.9946	0.0	4.9719	5.0058		

### Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.86	1.02	1.52	USD 10	1.69	-0.50
AUD	1.50	1.74	1.67	2.27	AUD 10	2.11	1.40 0.41
NZD	2.00	2.24	2.07	2.63	NZD 10	2.56	2.30 0.87
EUR	0.00	-0.30	-0.23	0.37	CAD 10	1.19	0.60 -0.50
GBP	0.25	0.38	0.45	0.87	EUR 10	0.01	-1.40 -1.69
JPY	-0.05	-0.04	-0.10	0.09	GBP 10	0.87	-0.10 -0.82
CAD	0.50	0.90	0.92	1.39	JPY 10	-0.04	-1.80 -1.73

### Equities

#### Major Indices

	Last	% day	% y/y
Dow	18,124	0.5	10.6
S&P 500	2,139	0.6	9.3
Nasdaq	5,245	1.4	8.6
VIX	15	-15.3	-31.0
FTSE	6,710	0.6	9.9
DAX	10,276	-1.0	3.6
CAC 40	4,332	-0.9	-4.5
Nikkei	16,519	-0.6	-8.6
Shanghai	3,003	0.0	-0.1
Hang Seng	23,336	0.6	6.2
ASX 200	5,297	1.3	2.4

### Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.28	2.00
3 Yr bond	97.8	1.00
10 Yr bond	97.89	1.30
3/10 sprd	-0.09	-0.30
SPI	5275.0	-57.0

\*Change in bps

### Commodities\*

	Last	% day
Oil (Brent)	45.77	-0.2
Oil (WTI)	43.03	-1.3
Oil (Tapis)	45.58	-2.4
Gold	1306.20	-1.2
CRB	180.78	0.7
GS Metals	270.4	-0.6
Aluminium	1561.5	-0.4
Copper	4772.0	0.3
Nickel	9674.5	-1.2
Zinc	2200.8	-2.7
Ch. steel	2260.0	0.0
Iron ore	56.0	0.0
St. Coal	71.2	0.3
Wheat Chic.	425.0	5.5
Sugar	21.8	8.2
Cotton	67.7	-0.5
Coffee	148.4	-0.3

### CO<sub>2</sub> Emissions - Euros

	Last	% day
Dec-2016	4.37	9.5
Jun-2017	4.38	9.5
Dec-2017	4.38	5.3

\* 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
<b>Monday, 19 September 2016</b>								
NZ	Westpac Consumer Confidence	3Q				106.0	22.00	8.00
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
<b>Tuesday, 20 September 2016</b>								
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	3.0/5.2	3/5.2		-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
NZ	GDT auction, early AM NZT							
<b>Wednesday, 21 September 2016</b>								
NZ	Net Migration SA	Aug				5600	22.45	8.45
JN	Trade Balance Adjusted	Aug		500		317.6	23.50	9.50
JN	Exports/Imports YoY	Aug		-4.5/-17.2		-14.0/-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
AU	RBA's Alexandra Heath, Head of Economic Analysis speaks at CEDA Conference - Future Skills: The Education and Training Pipeline, Brisbane						2.00	12.00
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		10		-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 and Yellen Press Conference						18.00	4.00
<b>Thursday, 22 September 2016</b>								
NZ	Fonterra 2015/16 results announcement (likely before the OCR)							
NZ	RBNZ Official Cash Rate	Sep 22		2		2.0	21.00	7.00
AU	RBA Parliament Testimony - first by new Governor Lowe						0.00	10.00
EC	ECB Publishes Economic Bulletin						8.00	18.00
UK	CBI Trends Total Orders/Selling Prices	Sep				-5.0/8.0	10.00	20.00
US	Chicago Fed Nat Activity Index	Aug				0.3	12.30	22.30
US	Initial Jobless Claims	Sep 17				260.0	12.30	22.30
US	FHFA House Price Index MoM	Jul		0.3		0.2	13.00	23.00
US	Bloomberg Consumer Comfort	Sep 18				42.2	13.45	23.45
EC	Consumer Confidence	Sep A		-8.1		-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
<b>Friday, 23 September 2016</b>								
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		0.2		1.0	4.30	14.30
GE	Markit/BME Manufacturing PMI	Sep P		53.2		53.6	7.30	17.30
GE	Markit Services/Composite PMI	Sep P		52.1/53.6		51.7/53.3	7.30	17.30
EC	Markit Manufacturing PMI	Sep P		51.5		51.7	8.00	18.00
EC	Markit Eurozone Services/Composite PMI	Sep P		52.8/52.8		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		0.1/1.4		-0.2/1.3	12.30	22.30
CA	CPI Core MoM/YoY	Aug		0.2/2.1		0.0/2.1	12.30	22.30
US	Markit US Manufacturing PMI	Sep P		52.3		52.0	13.45	23.45
GE	German, French Finance Chiefs Meet for Regular Talks, Berlin						14.00	0.00
US	Fed's Harker, Mester, Lockhart on Panel at Philly Fed Conf						16.00	2.00
<b>Monday, 26 September 2016</b>								
NZ	Trade Balance	Aug				-433.0	21.45	7.45
NZ	Exports/Imports	Aug				4.0/4.4	21.45	7.45
JN	BOJ Flow of Funds						23.50	9.50
JN	Leading Index CI	Jul F				100.0	5.00	15.00
JN	Coincident Index	Jul F				112.8	5.00	15.00
GE	Ifo Business Climate	Sep				106.2	8.00	18.00
GE	Ifo Current Assessment	Sep				112.8	8.00	18.00
GE	Ifo Expectations	Sep				100.1	8.00	18.00
UK	BBA Loans for House Purchase	Aug				37662.0	8.30	18.30
UK	CBI Total Dist. Reported Sales	Sep				17.0	10.00	20.00
CA	Bloomberg Nanos Confidence	Sep 16				57.7	14.00	0.00
US	New Home Sales	Aug		580		654.0	14.00	0.00
US	New Home Sales MoM	Aug		-11.3		12.4	14.00	0.00
US	Dallas Fed Manf. Activity	Sep				-6.2	14.30	0.30
<b>Tuesday, 27 September 2016</b>								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Sep 18				118.1	23.30	9.30
JN	PPI Services YoY	Aug				0.4	23.50	9.50
CH	Industrial Profits YoY	Aug				5.1	1.30	11.30
EC	M3 Money Supply YoY	Aug				4.8	8.00	18.00
UK	CBI Retailing Reported Sales	Sep				9.0	10.00	20.00
US	S&P CoreLogic CS 20-City MoM/YoY	Jul		/		-0.1/5.1	13.00	23.00
US	Markit US Services/Composite PMI	Sep P		/		51.0/51.5	13.45	23.45
US	Consumer Confidence Index	Sep		98		101.1	14.00	0.00
US	Richmond Fed Manufact. Index	Sep				-11.0	14.00	0.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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%		
Canada, BoC		20-Oct				0.50%		
UK BOE		3-Nov				0.25%		

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

### Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.