

Because I'm Happy

The main focus by markets ahead of Tuesday was no doubt the US Presidential Debate, billed as the showdown of the century. But as our title alludes to, that's not what caught the market's attention (and your scribe's) which was better than expected US Consumer Confidence, now at its highest level since 2007. In short, consumers are [Happy](#). Those figures helped propel the S&P500 0.6% higher and countered the negative lead from Europe (DAX -0.3%) which is being driven by speculation that Deutsche Bank will have to raise fresh capital in order to pay a rumoured \$14bn fine to the US Department of Justice – that compares to its current market cap of €14.6bn.

First up the US Presidential debate. The market voted that Clinton won the debate with the FX weapon of choice for a likely Trump Victory – the Mexican Peso – recovering by 2.4%. A CNN poll of voters also has Clinton winning 62% against 27% for Trump. But as my colleague Nick Parsons points out, debate victories are not necessarily reflective of winners. In the 2012 Presidential race, only 20% of voters polled by Gallup believed President Obama had won his first debate with Romney who got 72% – as for the subsequent victor – Mit who....? No doubt markets will be sensitive to the next batch of polls.

In the FX space, the Euro fell 0.3% following the negative sentiment from German banks. Most major currency pairs were either flat or modestly higher with the Aussie, Kiwi, and Pound up 0.3-0.4%. Despite a fall in the oil price, the Canadian dollar was also marginally higher. WTI Oil fell 2.8% with any notion of an OPEC supply agreement being crushed by Iran. Iran stated it was unwilling to freeze output and wants to raise production to 4m barrels a day. The International Energy Agency also reiterated that supply and demand in the oil market won't balance until 2017.

In terms of economic data, there was not a lot. US Consumer Confidence figures rose to 104.1 – the highest level since mid-2007. It's the second straight surprise from the measure and perhaps signals that the US consumer is not being affected by the US Presidential Elections. Importantly for the jobs market, the proportion of people believing jobs are "plentiful" also rose to a nine year high and runs counter to the softness coming from the ISM surveys. Still the ISMs are unlikely to bounce much next week if the Richmond Fed Manufacturing Index is a guide – it was weaker than expected at -8, against expectations of -2.

US Treasury yields fell 2.4 basis points to 1.56% with strong US Consumer Confidence figures not having much of an impact on the bond market. German Bund yields were also

lower, down 2.3 basis points to -0.14%. Comments overnight by Fed Vice-Chair Fischer may have also restrained the bond market. Fischer it appears remains undecided on raising rates, stating "I don't want to raise the interest rate too much"..."I don't know when that should happen". Confused? Me too. Fischer clarified stating that "we're beginning to see the fruits of a higher-pressure labor market [wages growth]" and keeping interest rates low has helped caused that. While wages growth has picked up to 2.5% a year, Fischer has nominated a 3% as a figure as "consistent with a reasonable rate of inflation". For rates it appears the Fed Governors want to see evidence of inflation picking up before lifting rates again. Markets current ascribe a 54% chance of the Fed lifting rates at the December meeting.

Coming Up

US Fed Chair Yellen testifies before a House Panel on supervision and regulation. Her views after the split FOMC we be closely noted to see how close the Fed is to raising rates in December. If Fischer is to be believed, the Fed needs to see inflation picking up before it's willing to raise rates.

FOMC voters Mester (hawk, dissenter), George (uber-hawk, dissenter), and Bullard also talk later tonight. Mester and George both dissented and as such there is likely to be a few hawkish headlines. Given 3 out of 4 rotating regional fed presidents dissented and that was still not enough to get their colleagues over the line to hike, it's probably better off watching the Fed Governors (particularly Yellen, Fischer and Brainard) for policy direction. Evans also speaks tonight, but is a non-voter.

Datawise there is not a lot of market sensitive releases apart from US Durable Goods Orders. We note that the Capital Orders Component has been very closely related to the oil and gas rig count in the US. The rig count has been creeping higher since June, broadly in line with the oil price. That's also a reason why an agreement between OPEC is unlikely, as any upward movement in the oil price would likely see more US production being brought back online.

Other notable but not likely market sensitive data points include an RBA Speech by retiring Assistant Governor Edey, German GfK Consumer Confidence, and Draghi speaking to the European Parliament in a closed session.

Overnight

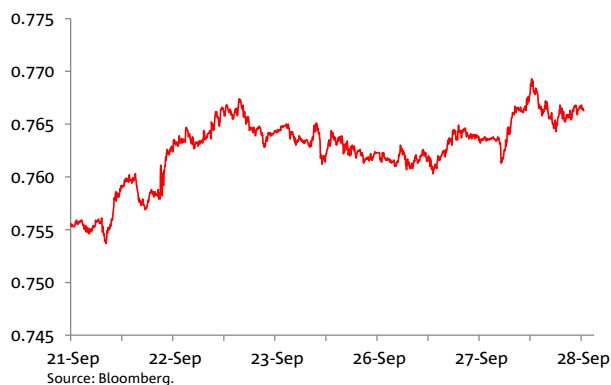
On global stock markets, the S&P 500 was +0.64%. Bond markets saw US 10-years -2.40bp to 1.56%. In commodities, Brent crude oil -2.98% to \$45.94, gold -1.0% to \$1,327, iron ore -0.2% to \$56.63. AUD is at 0.7663 and the range since yesterday 5pm Sydney time is 0.7643 to 0.7693.

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Markets

AUD/USD - past week



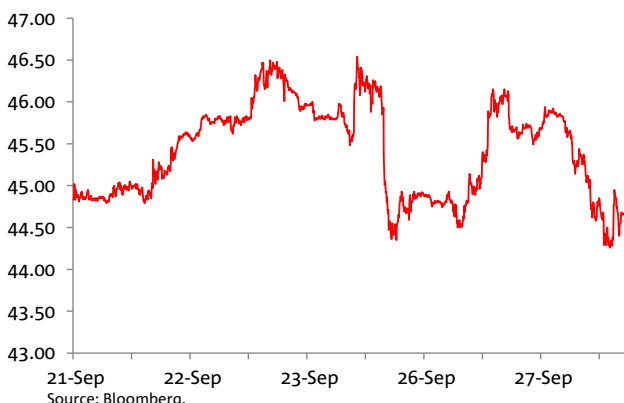
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7663	0.4	0.7612	0.7696	HKD	7.7549 0.0
NZD	0.7300	0.4	0.7260	0.7331	CNY	6.6701 0.0
EUR	1.1219	-0.3	1.1191	1.1259	SGD	1.3598 0.0
GBP	1.3015	0.3	1.2937	1.3026	IDR	12.955 -0.7
JPY	100.36	0.0	100.09	100.99	THB	34.61 0.1
CAD	1.3220	-0.1	1.3164	1.3281	KRW	1,097 -1.0
AUD/EUR	0.683	0.7	0.6770	0.6847	TWD	31.34 -0.6
AUD/JPY	76.91	0.4	76.19	77.50	PHP	48.32 0.1
AUD/GBP	0.5888	0.1	0.5875	0.5927	CHF	0.97 0.2
AUD/NZD	1.0496	0.0	1.0479	1.0523	SEK	8.59 0.7
AUD/CNH	5.1054	0.1	5.0884	5.1103		

Equities

Major Indices			
	Last	% day	% y/y
Dow	18,210	0.6	11.6
S&P 500	2,157	0.6	11.7
Nasdaq	5,299	0.8	13.1
VIX	13	-8.6	-43.9
FTSE	6,808	-0.2	11.4
DAX	10,361	-0.3	6.9
CAC 40	4,399	-0.2	-1.8
Nikkei	16,684	0.8	-5.4
Shanghai	2,998	0.6	-3.3
Hang Seng	23,572	1.1	11.3
ASX 200	5,406	-0.5	5.7

Commodities*

	Last	% day
Oil (Brent)	45.94	-3.0
Oil (WTI)	44.63	-2.8
Oil (Tapis)	45.76	0.0
Gold	1326.80	-1.0
CRB	183.11	-1.0
GS Metals	279.1	0.0
Aluminium	1641.5	-0.6
Copper	4776.8	-1.1
Nickel	10594.0	1.0
Zinc	2315.5	1.5
Ch. steel	2266.0	-2.5
Iron ore	56.6	-0.2
St. Coal	71.9	0.1
Met.coal	195.0	0.0
Wheat Chic.	426.0	1.5
Sugar	23.0	2.1
Cotton	69.4	0.3
Coffee	153.7	0.1

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.85	1.00	1.41	USD 10	1.56	-2.40
AUD	1.50	1.75	1.68	2.12	AUD 10	1.97	0.00 0.41
NZD	2.00	2.21	2.00	2.47	NZD 10	2.34	-1.90 0.78
EUR	0.00	-0.30	-0.23	0.25	CAD 10	0.96	-3.00 -0.60
GBP	0.25	0.38	0.42	0.71	EUR 10	-0.14	-2.30 -1.70
JPY	-0.05	-0.02	-0.08	0.03	GBP 10	0.67	-2.50 -0.89
CAD	0.50	0.89	0.83	1.20	JPY 10	-0.07	-1.00 -1.63

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.27	2.00
3 Yr bond	97.8	3.00
10 Yr bond	98.05	6.00
3/10 sprd	-0.25	-3.00
SPI	5392.0	25.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.46	-3.0
Jun-2017	4.47	-3.2

* 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, 27 September 2016								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Sep 25				115.5	23.30	9.30
JN	PPI Services YoY	Aug		0.3		0.4	23.50	9.50
CH	Industrial Profits YoY	Aug				5.1	1.30	11.30
EC	M3 Money Supply YoY	Aug		4.9		4.8	8.00	18.00
UK	CBI Retailing Reported Sales	Sep		5		9.0	10.00	20.00
US	S&P CoreLogic CS 20-City MoM/YoY	Jul		0/5.1		-0.1/5.1	13.00	23.00
US	Markit US Services/Composite PMI	Sep P		51.2/		51.0/51.5	13.45	23.45
US	Consumer Confidence Index	Sep		98.8		101.1	14.00	0.00
US	Richmond Fed Manufact. Index	Sep		-2		-11.0	14.00	0.00
US	Fed's Fischer discusses why Study Economics?						15.15	1.15
Wednesday, 28 September 2016								
AU	RBA's Edey (Assistant Governor, Financial System) speaks at AFR Retail Summit in Melbourne						0.20	10.20
CH	Westpac-MNI Consumer Sentiment	Sep				111.5	1.45	11.45
JN	Small Business Confidence	Sep		46.9		46.3	5.00	15.00
GE	GfK Consumer Confidence	Oct		10.2		10.2	6.00	16.00
US	MBA Mortgage Applications	Sep 23				-7.3	11.00	21.00
US	Durable Goods Orders/Core Orders	Aug P		-1.5/-0.1		4.4/1.5	12.30	22.30
EC	Draghi Attends Meeting of German Parliament's EU Committee						13.30	23.30
UK	Nationwide House PX MoM/YoY	Sep		0.3		0.6/5.6	28 Sep-4 Oct release	
US	Fed's Yellen Testifies before House Panel on Bank Supervisors						14.00	0.00
US	Fed's Bullard Makes Introductory Remarks on Community Banking						14.10	0.10
US	Fed's Evans Speaks on Community Banking in St. Louis						17.30	3.30
US	Fed's Mester Speaks on Economic Outlook and Policy						20.35	6.35
US	Fed's George Speaks to Minority Bankers in Kansas City						23.15	9.15
Thursday, 29 September 2016								
JN	Retail Sales MoM/YoY	Aug		-0.6		1.4/-0.2	23.50	9.50
CH	Swift Global Payments CNY	Aug				1.9	1.00	11.00
AU	Job vacancies	Aug				-1.9	1.30	11.30
GE	Unemployment Change (000's)/Rate	Sep		-5		-7.0/6.1	7.55	17.55
JN	BoJ's Kuroda speaks at Security Association Conference						6.35	16.35
UK	Net Consumer Credit	Aug		1.4		1.2	8.30	18.30
UK	Net Lending Sec. on Dwellings	Aug		2.55		2.7	8.30	18.30
UK	Mortgage Approvals	Aug		60.2		60.9	8.30	18.30
EC	Business Climate Indicator	Sep		0.05		0.0	9.00	19.00
US	Fed's Harker Speaks in Dublin, Ireland						9.00	19.00
GE	CPI MoM/YoY	Sep P		0/0.6		0.0/0.4	12.00	22.00
GE	CPI EU Harmonized MoM/YoY	Sep P		0/0.5		-0.1/0.3	12.00	22.00
US	Advance Goods Trade Balance	Aug		-62.3		-58.8	12.30	22.30
US	Wholesale Inventories MoM	Aug P		0		0.0	12.30	22.30
US	GDP Annualized QoQ	2Q T		1.3		1.1	12.30	22.30
US	Initial Jobless Claims	Sep 24		260		252	12.30	22.30
US	Fed's Lockhart Speaks to the Future of Florida Forum						12.50	22.50
US	Bloomberg Consumer Comfort	Sep 25				41.3	13.45	23.45
US	Fed's Powell Speaks on Community Banking in St. Louis						14.00	0.00
US	Pending Home Sales MoM/YoY	Aug		0/		1.3/-2.2	14.00	0.00
US	Yellen addresses minority banking conference via video link						20.00	6.00
Friday, 30 September 2016								
NZ	Building Permits MoM	Aug				-10.5	21.45	7.45
UK	GfK Consumer Confidence	Sep		-5		-7.0	23.10	9.10
UK	Lloyds Business Barometer	Sep				16.0	23.10	9.10
JN	Jobless Rate/Jobs-to-applicants ratio	Aug		3		3.0/1.4	23.30	9.30
JN	Overall Household Spending YoY	Aug		-2.1		-0.5	23.30	9.30
JN	Natl CPI YoY	Aug		-0.5		-0.4	23.30	9.30
JN	Industrial Production MoM/YoY	Aug P		0.5/3.4		-0.4/-4.2	23.50	9.50
NZ	ANZ Activity Outlook/Business Confidence	Sep				33.7/15.5	0.00	10.00
AU	HIA New Home Sales MoM	Aug				-1.8	1.00	11.00
AU	Private Sector Credit MoM/YoY	Aug		0.45/5.9		0.4/6.0	1.30	11.30
CH	Caixin China PMI Mfg	Sep		50.1		50.0	1.45	11.45
NZ	Money Supply M3 YoY	Aug				6.3	2.00	12.00
UK	GDP QoQ/YoY	2Q F		0.6/2.2		0.6/2.2	8.30	18.30
UK	Current Account Balance	2Q		-30.55		-32.6	8.30	18.30
UK	Index of Services MoM	Jul		0.1		0.2	8.30	18.30
UK	Total Business Investment QoQ/YoY	2Q F		0.5/-0.8		0.5/-0.8	8.30	18.30
EC	Unemployment Rate	Aug		10		10.1	9.00	19.00
EC	CPI Estimate YoY	Sep		0.4		0.2	9.00	19.00
EC	CPI Core YoY	Sep A		0.9		0.8	9.00	19.00
US	Personal Income/Spending	Aug		0.2/0.1		0.4/0.3	12.30	22.30
US	PCE Deflator MoM/YoY	Aug		0.2/0.9		0.0/0.8	12.30	22.30
US	PCE Core MoM/YoY	Aug		0.2/1.7		0.1/1.6	12.30	22.30
CA	GDP MoM/YoY	Jul		0.3/1		0.6/1.1	12.30	22.30
CA	Industrial Product Price MoM	Aug		0		0.2	12.30	22.30
CA	Raw Materials Price Index MoM	Aug		-1		-2.7	12.30	22.30
US	Chicago Purchasing Manager	Sep		52		51.5	13.45	23.45
CH	BoP Current Account Balance	2Q F				59.4		
US	U. of Mich. Sentiment/5-10 Yr Inflationary expectations	Sep F		90/		89.8/2.5	14.00	0.00
Saturday, 1 October 2016								
CH	Manufacturing PMI	Sep		50.4		50.4	1.00	11.00
CH	Non-manufacturing PMI	Sep				53.5	1.00	11.00
Sunday, 2 October 2016								
AUS	Daylight Savings begins, +1hr to +1100GMT							2.00
Upcoming Central Bank Interest Rate Announcements								
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%		
Japan, BoJ		1-Nov				-0.1% to +0.1%		
US Federal Reserve		3-Nov				0.25-0.50%		
UK BOE		3-Nov				0.25%		

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

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