

Psycho Killer

“You’re talking a lot, but you’re not saying anything.
When I have nothing to say, my lips are sealed
Say something once, why say it again? Psycho Killer, Qu’est-ce que c’est.”

So sang Talking Head in 1974. If Janet Yellen has been in the recording studio at the time, David Byrne might well have been directing his lyrics in her direction. To be fair, the Fed chair was fronting up to the House Financial Services Committee in Washington so had no choice but to wax forth. But on policy, she did nothing but reiterate that a majority of the FOMC anticipated raising rates before the end of year, a line lifted straight out of last week’s post-meeting missives. Yellen did say that changing the (2%) inflation target is “not something the Fed is actively considering, not at this time” plus we had the usual platitudes about there being no fixed timetable for rate increases. Markets didn’t move.

The bigger – and market moving – news overnight was that OPEC ministers meeting informally in Algiers have reportedly come to some sort of agreement, expected to be cemented in November, for overall OPEC production to be capped at 32.25 million barrels per day. That compares with current production estimates of between 32.5 and 33 million barrels. If Iran is to proceed to ramp up its production to near 4 million barrels from around 3.4 million currently, that would presumably imply outright cuts elsewhere. Seeing is believing on these things of course, but the oil market has lost no time lifting the price of crude by over 5% (Brent +\$2.65 to \$48.64 and WTI by \$2.33 to \$47).

The S&P500 has just closed +0.53% led by 4%+ gains for the energy sector. U.S. bond yield are fractionally higher. In currencies, the oil news has unsurprisingly seen the CAD and NOK leap to the top of the FX leader board, NOK up 1% and CAD 0.8%. NZD in contrast is at the bottom, continuing to weaken on no new news other than strengthened conviction in November RBNZ easing.

Data of any interest last night was confine to US durable goods orders. The 0.0% headline was better than the -1.5% consensus but July was revised down to 3.6% from 4.4%. Overall the data is seen imparting slight downside risk to Q3 GDP estimates (the Atlanta Fed has shaved its GDPNow estimate down to 2.8% from 2.9%). In core terms though (stripping out the extreme volatility in the aircraft and defence sectors) core capex orders rose by 0.6% well above the -0.1% consensus, though again Jul was revised down. This offers some hope business investment is picking up.

Coming Up

There’s plenty of stuff on the economic and events calendar today, but nothing that inspires in terms of potential to cause significant market volatility.

There’s lots of Fed speakers, but nothing we’ve heard from anyone since the 21 September FOMC decision has had any discernible market impact (not even Fed Vice-Chair Stanley Fischer’s comment on Tuesday night that he wants to see wages growth up at 3% (from 2.5%) to be consistent with the Fed’s inflation objective. Janet Yellen is speaking again, but it’s via video link to a minority banking conference so unlikely to touch on short term Fed policy matters. Philadelphia Fed President Patrick Harker, Atlanta Fed President Dennis Lockhart and Governor Jerome Powell (who voted with the ‘no change’ majority this month) are all scheduled to speak.

Bank of Japan Governor Kuroda speaks around 16:30 AEST, but everything he’s said since last week’s BoJ meeting has gone largely ignored by the FX market with USD/JPY for the most part trapped in a narrow ¥100-¥101 range. August retail sales data is due but won’t move the currency.

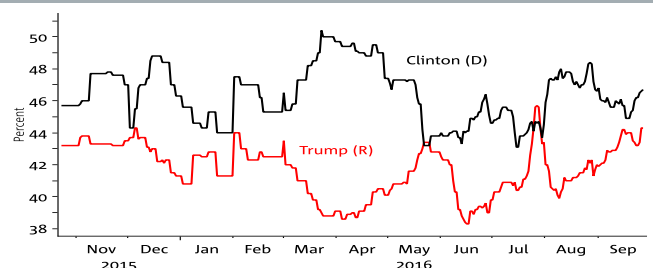
We get the first indications of Eurozone inflation in September with Germany’s preliminary estimate (expected to rise to 0.6% from 0.4% - or from 0.3% to 0.5% in EU harmonized terms). The ECB next meets on 20 October.

The US has August trade numbers, the final estimate of Q2 GDP (expected to be revised from 1.1% to 1.3%) and weekly jobless claims. There’ll doubtless be more interest in any fresh Presidential election opinion polls.

Overnight

On global stock markets, the S&P 500 was +0.61%. Bond markets saw US 10-years +1.55bp to 1.57%. In commodities, Brent crude oil +5.92% to \$48.69, gold-0.4% to \$1,321, iron ore -0.3% to \$56.48. AUD is at 0.7689 and the range since 5pm yesterday is 0.7646 to 0.7693.

Chart of the Day: US Trump-Clinton poll trends



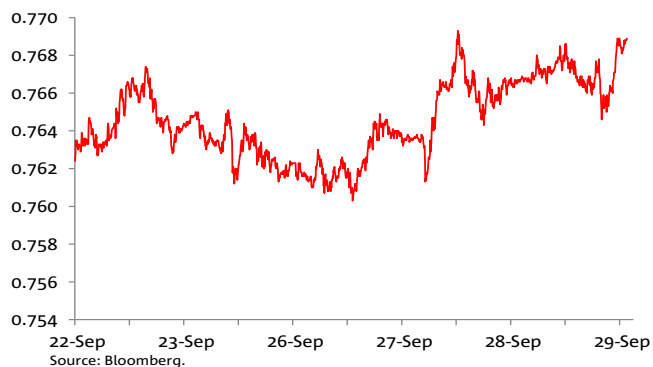
Source: National Australia Bank, Macrobond, RealClear Politics

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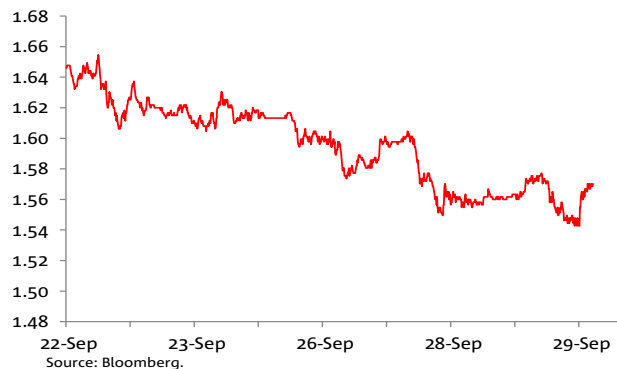
Ray Attrill – Co-head of FX Strategy

Markets

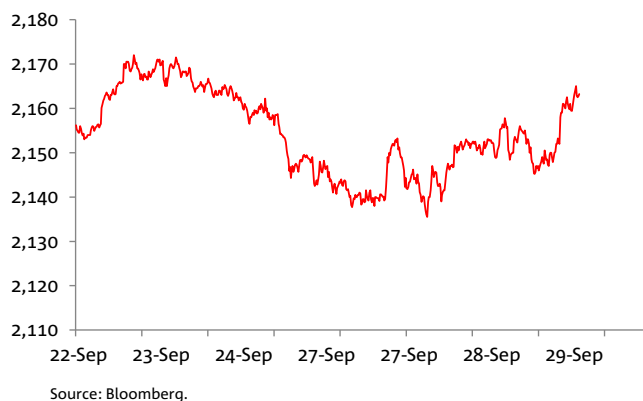
AUD/USD - past week



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	0.7689	0.3	0.7612	0.7696	HKD	7.7537 0.0
NZD	0.7282	-0.3	0.7233	0.7331	CNY	6.6751 0.1
EUR	1.1216	0.0	1.1182	1.1259	SGD	1.3594 0.0
GBP	1.3019	0.0	1.2937	1.3032	IDR	12,957 0.0
JPY	100.72	0.3	100.09	100.99	THB	34.58 0.0
CAD	1.3086	-0.8	1.3084	1.3281	KRW	1,097 0.0
AUD/EUR	0.6856	0.3	0.6770	0.6868	TWD	31.35 0.0
AUD/JPY	77.44	0.6	76.19	77.52	PHP	48.26 -0.1
AUD/GBP	0.5906	0.3	0.5875	0.5927	CHF	0.97 0.1
AUD/NZD	1.0559	0.5	1.0479	1.0586	SEK	8.57 -0.3
AUD/CNH	5.1114	0.1	5.0884	5.1396		

Equities

Major Indices	Last	% day	% y/y
Dow	18,339	0.6	14.6
S&P 500	2,171	0.6	15.4
Nasdaq	5,319	0.2	17.0
VIX	12	-5.4	-55.2
FTSE	6,849	0.6	14.9
DAX	10,438	0.7	10.1
CAC 40	4,432	0.8	1.7
Nikkei	16,465	-1.3	-2.7
Shanghai	2,988	-0.3	-1.7
Hang Seng	23,620	0.2	14.9
ASX 200	5,412	0.1	10.0

Commodities*

	Last	% day
Oil (Brent)	48.44	5.4
Oil (WTI)	46.81	4.8
Oil (Tapis)	45.67	-0.1
Gold	1322.10	-0.3
CRB	185.90	1.5
GS Metals	280.4	0.8
Aluminium	1655.5	0.9
Copper	4808.0	0.7
Nickel	10659.0	0.6
Zinc	2328.0	0.5
Ch. steel	2309.0	1.2
Iron ore	56.5	-0.3
St. Coal	72.6	1.0
Met.coal	194.5	0.0
Wheat Chic.	426.0	0.0
Sugar	23.3	1.1
Cotton	68.1	-1.8
Coffee	153.1	-0.4

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.26	1.00
3 Yr bond	97.8	3.00
10 Yr bond	98.05	2.00
3/10 sprd	-0.25	1.00
SPI	5440.0	-33.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.96	11.2
Jun-2017	4.97	11.2

* 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
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	Sep				1.9	2.00	12.00
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		-62.15		-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		0/2.6		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		-0.05		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
Monday, 3 October 2016								
UK	Nationwide House PX MoM/YoY	Sep		0.3		0.6/5.6	29 Sep-4 Oct release	
AU	AiG Perf of Mfg Index	Sep				46.9	23.30	9.30
AU	CoreLogic House Px MoM	Sep				1.1	0.00	10.00
JN	Loans & Discounts Corp YoY	Aug				2.3	0.50	10.50
JN	Tankan Large Mfg Index/Outlook	3Q		6/7		6.0/6.0	0.50	10.50
JN	Tankan Large All Industry Capex	3Q		6.5		6.2/19.0	0.50	10.50
AU	Melbourne Institute Inflation MoM/YoY	Sep				0.2/1.2	1.00	11.00
JN	Nikkei Japan PMI Mfg	Sep F				50.3	1.30	11.30
GE	Markit/BME Germany Manufacturing PMI	Sep F				54.3	8.55	18.55
EC	Markit Eurozone Manufacturing PMI	Sep F				52.6	9.00	19.00
UK	Markit UK PMI Manufacturing SA	Sep				53.3	9.30	19.30
CA	MLI Leading Indicator MoM	Aug				0.6	12.00	22.00
CA	RBC Canadian Manufacturing PMI	Sep				51.1	14.30	0.30
US	Bloomberg Consumer Comfort	Sep 25				41.3	13.45	23.45
US	Markit US Manufacturing PMI	Sep F				51.4	14.45	0.45
CA	Bloomberg Nanos Confidence	Sep 30				56.5	15.00	1.00
US	Construction Spending MoM	Aug		0.4		0.0	15.00	1.00
US	ISM Manufacturing	Sep		50.2		49.4	15.00	1.00
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

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

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