

## Jump (for my love)

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[Jump \(for my love\)](#) was a classic 1980s hit by the Pointer Sisters and one suspects would be particularly high in the Spotify lists of several Fed officials after last night's weaker than expected Manufacturing ISM. The weak result raises the bar for tonight's Payrolls to prompt Fed action in September and all eyes will be on Payrolls tonight.

Overnight, the weaker than expected US Manufacturing ISM saw a slight paring back of US Fed Rate hike expectations, broad US dollar weakness and lower bond yields; equities were little changed. The ISM fell to 49.4 (from 52.6) and was below expectations of a 52.0 print. The details do reveal some anomalies that could cast some suspicion on the extent of weakness with the outcome driven by steep declines in new orders (down 7.8 points) and production (down 5.8 points). For those looking for a case not to hike rates in the near term, it very much raises the bar for tonight's Payrolls to prompt Fed action.

It's also worth remembering 'one swallow does not a summer make' with other less high profile US data positive. US Jobless Claims remained low and stable at 263k (slightly below the 265k consensus forecast), while Unit Labour Costs (a key input to forecasts of inflation) were revised higher to 4.3% (from 2.0%) alongside higher hourly compensation costs (revised to 3.7% from 1.5%). That may go some way into justifying Cleveland Fed President Mester's (FOMC voter) remarks who spoke after the ISM release: "If you have a forecast and inflation is moving up to your target and you're at full employment, then it seems like a gradual increase from very low interest rate is pretty compelling...Pre-emptiveness is important". The market is currently pricing 37.5% chance of a hike in September and 75% by December.

In terms of specific market moves it was one of broad US dollar weakness (down 0.4% across the board). The British Pound was the outperformer amongst G10 currencies up 1% to 1.3270 following a much better than expected UK PMI (53.3 v expectation of 49.0). Next up was the Aussie and the Kiwi up 0.5% and 0.4% respectively, with much of that strength in the Asian session driven by stronger Australian non-mining investment intentions, China's manufacturing PMI, and stronger NZ export figures. The Euro also finished the day 0.4% higher.

While US Bond Yields were only down 1.2 basis points on the day, that disguises some hefty intraday moves, with yields initially trading higher to 1.62% (helped along by higher Unit Labour Costs and the better UK PMI), before the weak US Manufacturing ISM which saw yields fall to 1.55%.

Amongst the other majors, German Bund yields were little changed at -0.07% while Gilt yields rose 2.6% to 0.67.

Major stock indexes were little changed with the Euro Stoxx down 0.2%, and the S&P500 unchanged. Oil continues to come under sustained weakness, with WTI down 3.2% for the day to \$43.28. That comes after rising inventories and remarks by Russia that indicated there was no need for an output freeze.

## Coming Up

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There is nothing on the domestic calendar and the main game internationally will be US Non-farm Payrolls tonight along with other components of the employment report. In the US we also have a Fed speaker – Lacker the first Fed speaker after the Payrolls number.

For Payrolls tonight, the Atlanta Fed's Job Calculator suggests around 118k payrolls are required to keep the unemployment rate unchanged. That suggests a payrolls print north of 120k would be enough for the Fed to hike rates. The market is currently expecting 180k jobs and for the unemployment rate to decline to 4.8% from 4.9%. It is also worth noting that a key input to most economist forecasts of Payrolls – the Non-manufacturing ISM Employment Index – is not at hand this month. Of the available data, the NFIB Small Business Jobs Report for August was mixed with an increase in job openings, but a reduction in plans to increase employment.

Finally the US also has the Trade Balance where consensus is for a slight improvement to -\$41.5bn in July from -\$44.5bn. Given interest in all things Brexit related, the UK Construction PMI might also be worth looking at given the outperformance of the British manufacturing sector last night.

## Overnight

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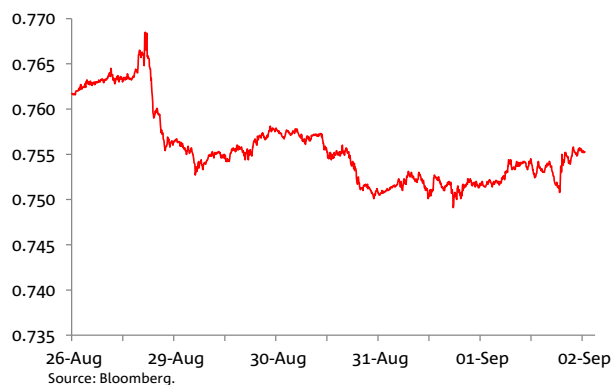
On global stock markets, the S&P 500 was -0.18%. Bond markets saw US 10-years -1.19bp to 1.57%. In commodities, Brent crude oil -2.82% to \$45.57, gold+0.4% to \$1,314, iron ore -0.2% to \$58.86. AUD is at 0.7553 and the range since yesterday 5pm Sydney time is 0.7508 to 0.7558.

### Author:

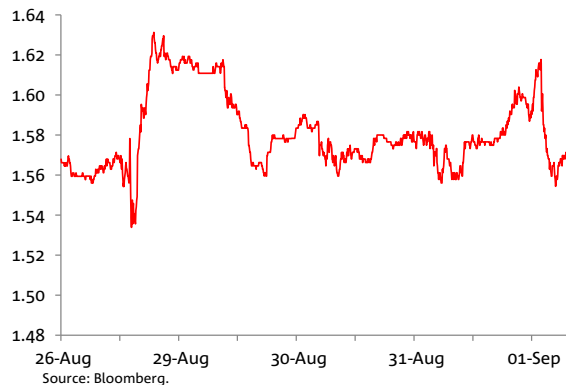
Tapas Strickland, Market Economist

## Markets

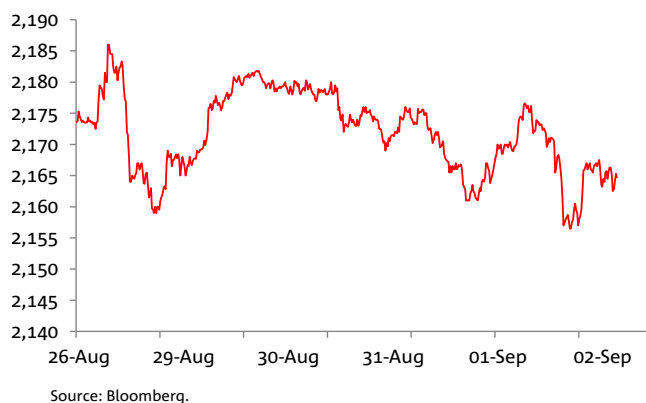
### AUD/USD - past week



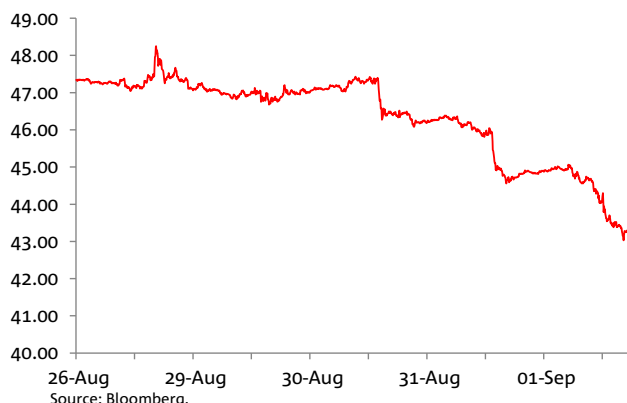
### US 10 yr - past week



### S&P Futures - past week



### WTI - past week



### Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7553	0.5	0.7505	0.7559	HKD	7.7578 0.0
NZD	0.7280	0.4	0.7227	0.7295	CNY	6.6750 -0.1
EUR	1.1198	0.4	1.1128	1.1205	SGD	1.3597 -0.2
GBP	1.3267	1.0	1.3129	1.3318	IDR	13,269 0.0
JPY	103.27	-0.2	103.06	104.00	THB	34.60 -0.1
CAD	1.3091	-0.1	1.3083	1.3148	KRW	1,122 0.7
AUD/EUR	0.6745	0.1	0.6734	0.6771	TWD	31.73 -0.1
AUD/JPY	78.01	0.3	77.50	78.20	PHP	46.75 0.4
AUD/GBP	0.5693	-0.5	0.5659	0.5743	CHF	0.98 -0.4
AUD/NZD	1.0376	0.1	1.0347	1.0401	SEK	8.56 0.0
AUD/CNH	5.0386	0.4	5.0234	5.0392		

### Equities

Major Indices			
	Last	% day	% y/y
Dow	18,393	0.0	14.5
S&P 500	2,167	-0.2	13.2
Nasdaq	5,220	0.1	12.6
VIX	14	2.9	-56.0
FTSE	6,746	-0.5	11.3
DAX	10,534	-0.6	5.2
CAC 40	4,440	0.0	-2.2
Nikkei	16,927	0.2	-6.5
Shanghai	3,063	-0.7	-3.1
Hang Seng	23,162	0.8	10.6
ASX 200	5,416	-0.3	6.2

### Commodities\*

	Last	% day
Oil (Brent)	45.57	-2.8
Oil (WTI)	43.28	-3.2
Oil (Tapis)	46.59	-2.2
Gold	1313.60	0.4
CRB	178.21	-1.1
GS Metals	269.6	0.0
Aluminium	1600.5	0.0
Copper	4620.0	0.3
Nickel	9865.0	1.5
Zinc	2334.5	1.2
Ch. steel	2398.0	-1.0
Iron ore	58.9	-0.2
Coal	69.1	0.4
Wheat Chic.	394.8	1.7
Sugar	19.6	-2.3
Cotton	68.0	4.1
Coffee	151.4	3.0

### Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	0.50	0.84	1.03	1.44	USD 10	1.57	-1.19
AUD	1.50	1.73	1.62	2.05	AUD 10	1.84	1.90 0.27
NZD	2.00	2.25	2.00	2.40	NZD 10	2.25	0.70 0.68
EUR	0.00	-0.30	-0.21	0.29	CAD 10	1.01	-1.60 -0.56
GBP	0.25	0.39	0.44	0.72	EUR 10	-0.07	-0.10 -1.63
JPY	-0.05	-0.03	-0.08	0.10	GBP 10	0.67	2.60 -0.90
CAD	0.50	0.90	0.92	1.24	JPY 10	-0.05	1.50 -1.62

### Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.25	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	98.15	-1.00
3/10 sprd	-0.34	4.00
SPI	5386.0	24.0

\*Change in bps

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

	Last	% day
Dec-2016	4.38	-2.0
Jun-2017	4.39	-2.0
Dec-2017	4.41	-2.0

\* 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, 31 August 2016								
UK	Lloyds Business Barometer	Aug				29.0	23.10	9.10
UK	GfK Consumer Confidence	Aug		-8		-12.0	23.10	9.10
JN	Industrial Production MoM	Jul P		0.8		2.3	23.50	9.50
NZ	ANZ Activity Outlook/Business Confidence	Aug				31.4/16.0	1.00	11.00
AU	RBA's DeBelle Gives Speech at FX Week Asia, Singapore						1.00	11.00
AU	Private Sector Credit MoM	Jul	0.4/6.1	0.4/6.1		0.2/6.2	1.30	11.30
CH	Westpac-MNI Consumer Sentiment	Aug				114.0	1.45	11.45
NZ	Credit aggregates, household YoY	Jul				8.3	3.00	13.00
JN	Small Business Confidence	Aug				47.8	5.00	15.00
US	Fed's Rosengren speaking in Beijing						7.15	17.15
GE	Unemployment Change (000's)	Aug		-4		-7.0	7.55	17.55
EC	Unemployment Rate	Jul		10		10.1	9.00	19.00
EC	CPI Estimate YoY/Core YoY	Aug		0.3/0.9		0.2/0.9	9.00	19.00
US	Fed's Kashkari Speaks on Fed Structure in St. Paul						12.00	22.00
US	ADP Employment Change	Aug		175		179.0	12.15	22.15
CA	GDP MoM/YoY	Jun		0.4/1		-0.6/1.0	12.30	22.30
CA	Quarterly GDP Annualized	2Q		-1.5		2.4	12.30	22.30
EC	ECB's Vileroy speaks in Frankfurt						12.45	22.45
US	Chicago Purchasing Manager	Aug		54		55.8	13.45	23.45
US	Pending Home Sales MoM/YoY	Jul		0.7/2.15		0.2/0.3	14.00	0.00
Thursday, 1 September 2016								
NZ	Terms of Trade Index QoQ	2Q	0.8	-1.5		4.4	22.45	8.45
AU	AiG Perf of Mfg Index	Aug				56.4	23.30	9.30
JN	Capital Spending Ex Software	2Q		5.5		4.3	23.50	9.50
JN	Company Profits/Sales	2Q				-9.3/-3.3	23.50	9.50
AU	CoreLogic House Px MoM	Aug	0.6			0.5	0.00	10.00
CH	Manufacturing/Non-manufacturing PMI	Aug		49.8		49.9/53.9	1.00	11.00
AU	Private Capital Expenditure	2Q	-8.0	-4		-5.2	1.30	11.30
AU	Private Capex, 3rd estimate 2016-17, \$Abn		97.6	97.0		89.2	1.30	11.30
AU	Retail Sales MoM	Jul		0.3		0.1	1.30	11.30
CH	Caixin China PMI Mfg	Aug		50.1		50.6	1.45	11.45
JN	Nikkei Japan PMI Mfg	Aug F				49.6	0.30	10.30
AU	Commodity Index AUD/YoY	Aug				90.5/-2.0	6.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Aug F		53.6		53.6	7.55	17.55
EC	Markit Eurozone Manufacturing PMI	Aug F		51.8		51.8	8.00	18.00
UK	Markit UK PMI Manufacturing SA	Aug		49		48.2	8.30	18.30
US	Challenger Job Cuts YoY	Aug				-57.1	11.30	21.30
US	Nonfarm Productivity/Unit labour costs	2Q F		-0.6/2.1		-0.5/2.0	12.30	22.30
US	Initial Jobless Claims	Aug 27		265		261	12.30	22.30
CA	RBC Canadian Manufacturing PMI	Aug				51.9	13.30	23.30
US	Markit US Manufacturing PMI	Aug F		52.1		52.1	13.45	23.45
US	Wards Total Vehicle Sales	Aug		17.2		17.8		
US	Construction Spending MoM	Jul		0.5		-0.6	14.00	0.00
US	ISM Manufacturing	Aug		52		52.6	14.00	0.00
EC	ECB's Nowotny speaks in Austria						16.00	2.00
US	Fed's Mester speaks to Kentucky Philanthropy Initiative						16.25	2.25
Friday, 2 September 2016								
NZ	Value of All Buildings SA QoQ	2Q	1.0			5.3	22.45	8.45
JN	Consumer Confidence Index	Aug		41.8		41.3	5.00	15.00
UK	Markit/CIPS UK Construction PMI	Aug		46.3		45.9	8.30	18.30
US	Trade Balance	Jul		-41.5		-44.5	12.30	22.30
CA	Labor Productivity QoQ	2Q		-0.4		0.4	12.30	22.30
CA	Int'l Merchandise Trade	Jul		-3.3		-3.6	12.30	22.30
US	Change in Nonfarm Payrolls/Unemployment rate	Aug		180/4.8		255.0/4.9	12.30	22.30
US	Average Hourly Earnings MoM/YoY	Aug		0.2/2.5		0.3/2.6	12.30	22.30
US	ISM New York	Aug				60.7	13.45	23.45
US	Factory Orders	Jul F		2		-1.5	14.00	0.00
US	Cap Goods Orders Nondef Ex Air (revised)	Jul F				1.6	14.00	0.00
US	Fed's Lacker speaks on Interest Rate Benchmarks in Richmond						17.00	3.00
Monday, 5 September 2016								
AU	AiG Perf of Services Index	Aug				53.9	23.30	9.30
JN	Labor Cash Earnings/Real Cash Earnings YoY	Jul				1.3/1.8	0.00	10.00
AU	Melbourne Institute Inflation MoM/YoY	Aug				-0.3/1.0	1.00	11.00
NZ	ANZ Commodity Price	Aug				2.0	1.00	11.00
AU	ANZ Job Advertisements MoM	Aug				-0.8	1.30	11.30
AU	Inventories SA QoQ	2Q				0.4	1.30	11.30
AU	Company Operating Profit QoQ	2Q				-4.7	1.30	11.30
CH	Caixin China PMI Services/Composite	Aug				51.7/51.9	1.45	11.45
JN	Nikkei Japan PMI Services/Composite	Aug				50.4/50.1	0.30	10.30
GE	Markit Germany Services/Composite PMI	Aug F				53.3/54.4	7.55	17.55
EC	Markit Eurozone Services/Composite PMI	Aug F				53.1/53.3	8.00	18.00
UK	Markit/CIPS UK Services/Composite PMI	Aug				47.4/47.5	8.30	18.30
EC	Sentix Investor Confidence	Sep				4.2	8.30	18.30
EC	Retail Sales MoM/YoY	Jul				0.0/1.6	9.00	19.00
Tuesday, 6 September 2016								
UK	BRC Sales Like-For-Like YoY	Aug				1.1	23.10	9.10
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Sep 4				118.4	23.30	9.30
NZ	QV House Prices YoY	Aug				14.1	0.00	10.00
AU	Net Exports of GDP	2Q				1.1	1.30	11.30
AU	BoP Current Account Balance	2Q				-21.0	1.30	11.30
AU	RBA Cash Rate Target	Sep 6		1.5		1.5	4.30	14.30
GE	Factory Orders MoM/YoY	Jul				-0.4/-3.1	6.00	16.00
GE	Markit Germany Construction PMI	Aug				51.6	7.30	17.30
UK	New Car Registrations YoY	Aug				0.1	8.00	18.00
EC	GDP SA QoQ/YoY	2Q F				0.3/1.6	9.00	19.00
UK	BOE Indexed Long-Term Repo Operation Results							
US	Markit US Services/Composite PMI	Aug F		/		50.9/51.5	13.45	23.45
UK	Bank of England Bond-Buying Operation Results							
CA	Bloomberg Nanos Confidence	Sep 2				59.3	14.00	0.00
US	Labor Market Conditions Index Change	Aug				1.0	14.00	0.00
US	ISM Non-Manf. Composite	Aug		55.5		55.5	14.00	0.00
US	IBD/TIPP Economic Optimism	Sep				0.0	14.00	0.00
Wednesday, 7 September 2016								
NZ	Mfg Activity Volume QoQ	2Q				-1.2	22.45	8.45
UK	BRC Shop Price Index YoY	Aug				-1.6	23.10	9.10
AU	AiG Perf of Construction Index	Aug				51.6	23.30	9.30
US	Fed's Williams Speaks on Outlook in Reno, Nevada							
AU	GDP SA QoQ	2Q		/		1.1/3.1	1.30	11.30
JN	Leading Index CI	Jul P				99.2	5.00	15.00
GE	Industrial Production SA MoM/YoY	Jul				0.8/0.5	6.00	16.00
UK	Halifax House Prices MoM/YoY	Aug				-1.0/8.4	7.30	17.30
UK	Industrial Production MoM/YoY	Jul				0.1/1.6	8.30	18.30
UK	BOE's Cunliffe on Panel at Bruegel Think Tank in Brussels							
UK	BOE's Carney, Cunliffe, Forbes, McCafferty Speak in London							
UK	Bank of England Bond-Buying Operation Results							
CH	Foreign Reserves	Aug				3201.1		
CA	Bank of Canada Rate Decision	Sep 7		0.5		0.5	14.00	0.00
UK	NIESR GDP Estimate	Aug				0.3	14.00	0.00
CA	Ivey Purchasing Managers Index SA	Aug				57.0	14.00	0.00
US	JOLTS Job Openings	Jul				5624.0	14.00	0.00
US	U.S. Federal Reserve Releases Beige Book							
Saturday, 10 September 2016								
Sunday, 11 September 2016								
Upcoming Central Bank Interest Rate Announcements								
Canada, BoC		7-Sep				0.50%		
Australia, RBA		6-Sep	1.50%			1.50%		
Europe ECB		8-Sep				0.00%		
UK BOE		15-Sep				0.25%		
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%		

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

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