

## None the wiser

So sang Irish pop rock band The Script in 2008 and which adequately sums up the state of play regarding 2016 Fed intentions. The August US employment report turned out to be something of a Goldilocks affair – not hot enough to further elevate the risk of a September Fed move but not cold enough to instil serious doubts that the economy might be a slowing more broadly after the jolt from last Thursday's weak manufacturing ISM survey.

Payrolls rose by 151k against a consensus of 180k, with largely offsetting revisions to July and June. Unemployment stayed at 4.9% rather than fall to 4.8% as had been expected with participation unchanged at 62.8%. Average hourly earnings rose by just 0.1% but the 0.2% expected to pull annual growth down to 2.4% from 2.6%, though statistical quirks probably depressed the August outcome.

Stocks liked the inference from the report – that the economy is still travelling okay but the Fed *probably* won't move at least before December - with all three major US stocks indices gaining 0.4% and the VIX dropping back below 12.0 (-1.5pt to 11.98). The dollar ended little changed after a bungee jump (down then back up) after the figures.

Bill Gross was out again ascribing a near 100% probability to a September Fed move, but the US money market voted otherwise, knocking down September Fed tightening odds to 29% from 33% while keeping December about where it was on Thursday (69% vs. 68%). Bond yields rose a bit over the 24 hours through Friday's New York close (e.g. 2s +0.4bp to 0.788) though were unchanged relative to pre-NFP levels having initially fallen by some 5bps. 100s ended the day +3.4bps to 1.603%.

In FX, the narrow DXY dollar index finished 0.2% higher while the broader BBDXY index finished virtually unchanged. This disguises a fair amount of post-payrolls volatility, with the dollar initially dropping sharply as the algorithmic trading outfits dutifully responded to weaker than expected headlines for payrolls, unemployment and earnings. Losses were subsequent fully retraced and in the case of USD/JPY, extended to a high of Y104.32 before finishing at Y103.92.

The AUD initially rose to 0.7616 from 0.7560 pre-payrolls before finishing at 75.73, a gain of 0.3%. GBP/USD made a new one month high of \$1.3352 before easing back to 1.3294 at the NY close. CAD was the outperformer Friday, USD/CAD -0.85% to 1.2993 and aided by a smaller than expected July Canadian trade deficit and firmer oil prices.

Commodities were stronger for the most part, gold +\$11 to 41,325 and oil +\$1.28 to \$44.44 (WTI) The LMEX index of

traded industrial metals finished flat while iron ore added \$0.53 to \$59.39 for the 62% fines China import benchmark.

The only Fed official to speak after the payrolls numbers was Richmond Fed President Lacker (a noted hawk but not a current FOMC voter). He said the weaker pace of hiring in August still left the job market on a strengthening path and the case for higher rates would only grow stronger unless job growth slowed "significantly in the months ahead."

At the weekend, latest Australian auctions produced the new year-to-date high clearance rates in both Sydney and Melbourne (Sydney 83.9% up from 78.5% the prior week and Melbourne clearing 79.3% up from 77.4%).

## Coming Up

The G20 are still meeting in Hangzhou with an official communique still due but most unlikely to be market moving. On the sidelines we have already had Barack Obama warning the UK that a separate trade deal between the U.S. and UK would not be a priority and the Japanese ministry of foreign affairs issuing what the FT describes as a 'daunting challenge' to UK PM Theresa May, to negotiate a very 'soft' British exit from the UK or risk seeing Japanese banks and other companies leave for the continent.

Also to note on the geopolitical front this morning is news that the right wing populist, anti-immigrant Alternative for Germany (AfD) party took 21 per cent of the vote in weekend elections in the north-eastern state of Mecklenburg-Vorpommern, against 19 per cent for the CDU, according to an Ard exit poll. The result means AfD will now have seats in nine of Germany's 16 state legislatures.

US is out today for Labor Day. Tomorrow sees the last RBA meeting under the Governorship of Glenn Stevens (no change highly probable) and then tomorrow night US non-manufacturing ISM and the Fed's Labour Cost index are the calendar highlights for the week. Locally, GDP is due Wednesday with inventory and net export 'partials' today and tomorrow.

In Europe the UK services PMI is this evening while the ECB meets Thursday amid speculation they may announce an extension of the QE bond buying programme beyond the currently scheduled March 2017 end date.

## Overnight

On global stock markets, the S&P 500 was +0.42%. Bond markets saw US 10-years +3.43bp to 1.60%. In commodities, Brent crude oil -0.13% to \$46.83, gold+1.2% to \$1,323, iron ore +0.7% to \$59.39. AUD is at 0.7575 and the range since Friday 5pm Sydney time is 0.7539 to 0.7607.

## Author:

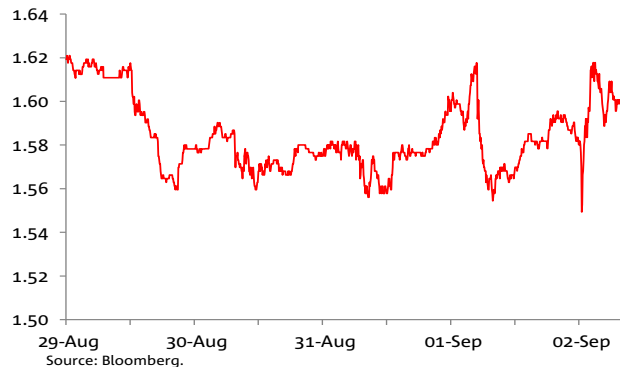
Ray Attrill – Co-head of FX Strategy

## 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	0.7575	0.3	0.7536	0.7616	HKD	7.7559 0.0
NZD	0.7287	0.1	0.7269	0.7360	CNY	6.6805 0.0
EUR	1.1153	-0.4	1.1145	1.1252	SGD	1.3602 -0.2
GBP	1.3296	0.2	1.3253	1.3352	IDR	13,247 -0.2
JPY	104.05	0.8	102.80	104.32	THB	34.63 0.1
CAD	1.2992	-0.8	1.2979	1.3115	KRW	1,117 0.2
AUD/EUR	0.6789	0.8	0.6735	0.6802	TWD	31.67 -0.3
AUD/JPY	78.68	1.2	77.87	78.85	PHP	46.69 0.3
AUD/GBP	0.5696	-0.5	0.5666	0.5717	CHF	0.98 0.0
AUD/NZD	1.0387	0.2	1.0340	1.0404	SEK	8.59 0.4
AUD/CNH	5.0426	0.5	5.0421	5.0918		

### Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.84	1.04	1.46	USD 10	1.60	2.24
AUD	1.50	1.73	1.63	2.09	AUD 10	1.85	2.90 0.25
NZD	2.00	2.23	2.00	2.41	NZD 10	2.26	1.70 0.65
EUR	0.00	-0.30	-0.21	0.31	CAD 10	1.06	3.90 -0.54
GBP	0.25	0.38	0.45	0.79	EUR 10	-0.04	2.20 -1.65
JPY	-0.03	-0.03	-0.08	0.12	GBP 10	0.73	8.50 -0.88
CAD	0.50	0.90	0.95	1.29	JPY 10	-0.03	3.00 -1.64

### Equities

#### Major Indices

	Last	% day	% y/y
Dow	18,492	0.5	14.8
S&P 500	2,180	0.4	13.5
Nasdaq	5,250	0.7	12.1
VIX	12	-10.7	-56.9
FTSE	6,895	1.7	14.1
DAX	10,684	0.9	6.4
CAC 40	4,542	2.3	0.4
Nikkei	16,926	0.2	-4.9
Shanghai	3,067	-0.6	-2.9
Hang Seng	23,267	1.3	11.6
ASX 200	5,373	-1.1	6.6

### Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.25	-1.00
3 Yr bond	97.8	1.00
10 Yr bond	98.11	-5.00
3/10 sprd	-0.31	6.00
SPI	5383.0	27.0

\*Change in bps

### Commodities\*

	Last	% day
Oil (Brent)	46.83	-0.1
Oil (WTI)	44.44	-0.6
Oil (Tapis)	45.86	-3.8
Gold	1323.20	1.2
CRB	179.99	-0.1
GS Metals	270.4	0.3
Aluminium	1579.3	-1.3
Copper	4617.3	0.2
Nickel	10013.5	3.0
Zinc	2359.5	2.2
Ch. steel	2428.0	0.2
Iron ore	59.4	0.7
Coal	69.2	0.1
Wheat Chic.	399.3	2.8
Sugar	20.2	0.6
Cotton	67.5	3.4
Coffee	151.4	3.0

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

	Last	% day
Dec-2016	4.08	-8.7
Jun-2017	4.10	-8.5
Dec-2017	4.11	-6.8

\* 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, 5 September 2016</b>								
AU	AIG Perf of Services Index	Aug				53.9	23.30	9.30
JN	Labor Cash Earnings/Real Cash Earnings YoY	Jul		0.4		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	4.0%			2.0	1.00	11.00
AU	ANZ Job Advertisements MoM	Aug				-0.8	1.30	11.30
AU	Inventories SA QoQ	2Q	0 ppts	0.3		0.4	1.30	11.30
AU	Company Operating Profit QoQ	2Q	3.2%	2		-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		53.3/54.4	7.55	17.55
EC	Markit Eurozone Services/Composite PMI	Aug F		53.1		53.1/53.3	8.00	18.00
UK	Markit/CIPS UK Services/Composite PMI	Aug		50		47.4/47.5	8.30	18.30
EC	Sentix Investor Confidence	Sep		5		4.2	8.30	18.30
EC	Retail Sales MoM/YoY	Jul		0.5		0.0/1.6	9.00	19.00
<b>Tuesday, 6 September 2016</b>								
UK	BRC Sales Like-For-Like YoY	Aug		1.4		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		0		1.1	1.30	11.30
AU	BoP Current Account Balance	2Q		-20		-21.0	1.30	11.30
AU	RBA Cash Rate Target	Sep 6	1.5%	1.5		1.5	4.30	14.30
GE	Factory Orders MoM/YoY	Jul		0.5		-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		0.3/1.6	9.00	19.00
UK	BOE Indexed Long-Term Repo Operation Results	Sep P						
US	Markit US Services/Composite PMI	Sep P		/		51.0/51.5	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		55.5	14.00	0.00
US	IBD/TIPP Economic Optimism	Sep		48.1		0.0	14.00	0.00
<b>Wednesday, 7 September 2016</b>								
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	0.3/3.1%	0.4/3.2		1.1/3.1	1.30	11.30
JN	Leading Index CI	Jul P		98.6		99.2	5.00	15.00
GE	Industrial Production SA MoM/YoY	Jul		0.1		0.8/0.5	6.00	16.00
UK	Halifax House Prices MoM/YoY	Aug		-0.1		-1.0/8.4	7.30	17.30
UK	Industrial Production MoM/YoY	Jul		-0.2		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		3191		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		57.5		57.0	14.00	0.00
US	JOLTS Job Openings	Jul		5635		5624.0	14.00	0.00
US	U.S. Federal Reserve Releases Beige Book							
<b>Thursday, 8 September 2016</b>								
AU	RBA's Lowe Introductory Remarks at Sydney Conference							
UK	RICS House Price Balance	Aug		2		5.0	23.10	9.10
JN	BoP Current Account Adjusted	Jul		1590.3		1648.4	23.50	9.50
JN	GDP SA QoQ	2Q F		0		0.0	23.50	9.50
AU	Trade Balance	Jul	-2900	-2700		-3195	1.30	11.30
CH	Trade Balance	Aug		58.35		52.3	3.00	13.00
CH	Exports/Imports YoY	Aug		-3.9/-5		-4.4/-12.5	3.00	13.00
CH	Trade Balance CNY	Aug		371.7		342.8	3.00	13.00
CH	Exports/Imports YoY	Aug		2.7/1		2.9/-5.7	3.00	13.00
GE	Labor Costs SA QoQ/YoY	2Q				1.7	6.00	16.00
EC	ECB Main Refinancing Rate	Sep 8		0		0.0	11.45	21.45
EC	ECB Deposit Facility Rate	Sep 8		-0.4		-0.4	11.45	21.45
EC	ECB Marginal Lending Facility	Sep 8		0.25		0.3	11.45	21.45
EC	ECB Asset Purchase Target	Sep		80		80.0	11.45	21.45
CA	New Housing Price Index MoM	Jul		0.1		0.1	12.30	22.30
US	Initial Jobless Claims	Sep 3		264.5		263.0	12.30	22.30
CA	Capacity Utilization Rate	2Q		79.6		81.4	12.30	22.30
CA	New Housing Price Index YoY	Jul		2.5		2.5	12.30	22.30
CA	Building Permits MoM	Jul		2.5		-5.5	12.30	22.30
CH	Foreign Direct Investment YoY CNY	Aug		5		-1.6		
US	Consumer Credit	Jul		16		12.3	19.00	5.00
<b>Friday, 9 September 2016</b>								
NZ	Card Spending Retail MoM/YoY	Aug	-0.2%	0.3		0.3/0.4	22.45	8.45
CH	CPI/PPI YoY	Aug		1.7/-1		1.8/-1.7	1.30	11.30
AU	Home Loans MoM	Jul	-2.4%	-1.5		1.2	1.30	11.30
AU	Investment Lending	Jul				3.2	1.30	11.30
JN	Tertiary Industry Index MoM	Jul		0.4		0.8	4.30	14.30
GE	Current Account Balance	Jul		24.5		26.3	6.00	16.00
UK	Trade Balance	Jul		-4200		-5084	8.30	18.30
UK	Construction Output SA MoM/YoY	Jul		-0.5		-0.9/-2.2	8.30	18.30
UK	BoE/TNS Inflation Next 12 Mths	Aug				2.0	8.30	18.30
US	Fed's Rosengren to Deliver Economic Forecast						11.45	21.45
CA	Housing Starts	Aug		190		198.4	12.15	22.15
CA	Net Change in Employment/Unemployment rate	Aug				-31.2/6.9	12.30	22.30
NZ	REINZ House Sales YoY	Aug				-10.1		
US	Wholesale Inventories/Sales MoM	Jul F		0.1/0.2		0.0/1.9	14.00	0.00
EC	EU Finance Chiefs, Central Bankers in Bratislava Sept. 10-11							
CH	Aggregate Financing CNY	Aug		900		487.9		
CH	New Yuan Loans CNY	Aug		750		463.6		
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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

## 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.