

Britain's Got Talent

In offshore markets depleted by the absence of the United States off for Labor Day, latest UK economic data and gyrations in the oil price captured most of the overnight headlines. That said much of the initial sharp spike higher in oil (on latest mumblings about a Saudi Arabia- Russia pact to freeze oil production) and the Pound (on the biggest ever monthly gain in its service sector PMI) were later given back. Thus Brent crude jumped by \$2 to \$46.50 only to fall back to \$45.0 on digestion of the full comments from officials and which appeared much more equivocal about prospects for a production freeze as early as this month when OPEC officials meet in Algeria. GBP/USD is ending New York just 0.1% higher, having earlier jumped about three-quarters of cent.

As for the UK data, the services PMI print of 52.9 up from 47.4 in July shows the sector rebounding from the late June Brexit shock with even more alacrity than the manufacturing sector. Just glancing at some UK trade statistic on the way in, we see that Britain runs a surplus with the rest of the work in services in the order of £50bn a year or close to A\$100bn. While we instinctively think of Premier League football TV rights and global syndication of Britain's Got Talent, the fact is some 70% of the UK services surplus is in financial services. This is the sector most at risk from any failure of the UK government to negotiate a 'soft' Brexit that preserves the ability of financial services firms based in the UK to 'passport' in to the rest of Europe (and in which respect Japan issued a fairly stern warning to the UK in front of the G20 meetings).

Yesterday's Australian Business Indicators (a GDP partial) suggested that inventories could add 0.2% points to Q2 GDP. NAB had expected no contribution so this presents upside risks to our forecast of a GDP print of 0.3% q/q.

The big FX movers during our time zone were the NZD and JPY. The kiwi underwent something of a stealth rally through the APAC session on no real news (save that risk sentiment ended last Friday in fine fettle). The yen gained ground steadily following a speech by BoJ Governor Kuroda at a Kyodo news event. Kuroda defended the use of negative interest rates if the broader economic benefits to society were seen to outweigh the costs (in terms of damage to the profitability of the financial sector). He also repeated what he said at Jackson Hole, namely that the BoJ has ample scope to ease further in 'all three dimensions'. Yet the speech is being interpreted as meaning that the BoJ has become increasingly uneasy over the use of negative rates and probably won't do much or indeed anything when it convenes later this month (21 September).

Coming Up

There's a lot on the economic and events calendar today and where the most market sensitive release should be the US non-manufacturing ISM. Following the unexpected fall to 49.4 from 52.6, the service sector version is also expected to have fallen but by a much smaller amount and from much better levels (55.0 from 55.5). Also due tonight is the Fed's Labor Market Conditions Index (derived from 19 separate labour market indicators) and reported as just a monthly change (up meaning tighter, down meaning easier). It was up by 1% in July. There is no survey median for this.

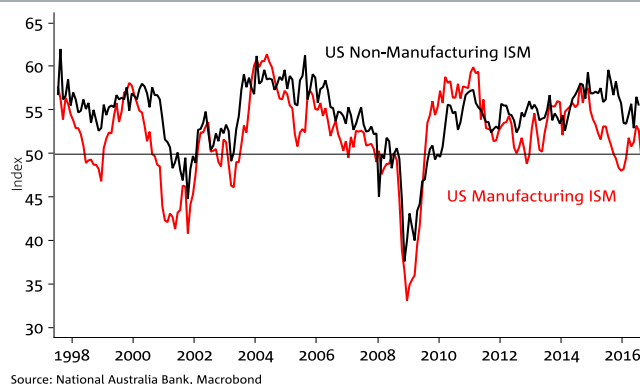
Locally it's RBA day of course, but with money markets ascribing just a 3% chance to another rate cut - the RBA having cut just last month - and it being Glenn Stevens' last meeting, interest is running pretty low. Whether or not the post-meeting statement reveals any sort of 'easing bias' will probably be the main point of market interest. If it doesn't, the AUD will probably trade firmer out of the 2:30pm AEST announcement.

Data wise, it's the Q2 Balance of Payments and the estimated contribution to GDP from net exports. This is expected by NAB and the market consensus to be flat, after the out-sized 1.1% positive contribution to Q1 growth. As for the bank of payments itself, this is expected to record a deficit in the order of A\$20bn.

Overnight

On global stock markets, the S&P 500 was +0.00%. Bond markets saw US 10-years +0.00bp to 1.60%. In commodities, Brent crude oil +1.71% to \$47.63, gold +0.3% to \$1,327, iron ore -0.3% to \$59.24. AUD is at 0.7585 and the range since yesterday 5pm Sydney time is 0.7576 to 0.7604.

Chart of the day: US ISM surveys

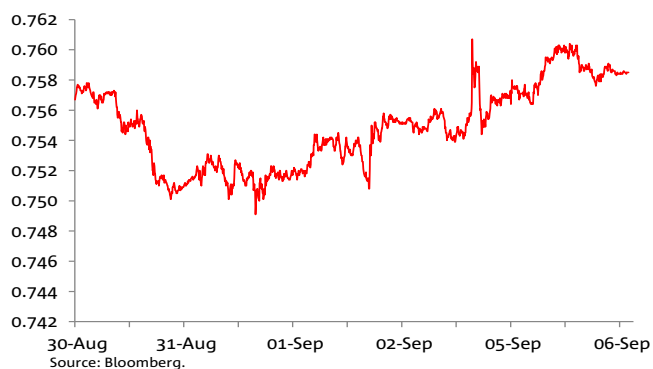


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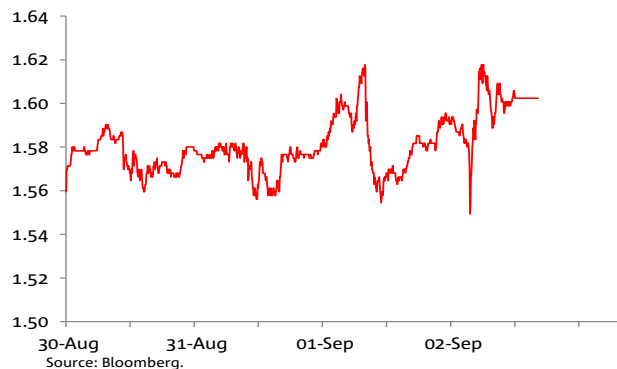
Ray Attrill – Co-head of FX Strategy

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	0.7585	0.2	0.7563	0.7606	HKD	7.7553 0.0
NZD	0.7306	0.3	0.7277	0.7344	CNY	6.6771 -0.1
EUR	1.1149	-0.1	1.1139	1.1182	SGD	1.3572 -0.2
GBP	1.3305	0.1	1.3282	1.3376	IDR	13,156 -0.7
JPY	103.44	-0.5	103.15	104.15	THB	34.71 0.2
CAD	1.2928	-0.5	1.2907	1.3001	KRW	1,105 -1.1
AUD/EUR	0.6803	0.2	0.6778	0.6810	TWD	31.37 -0.9
AUD/JPY	78.45	-0.3	78.28	78.90	PHP	46.50 -0.4
AUD/GBP	0.5701	0.1	0.5681	0.5718	CHF	0.98 -0.1
AUD/NZD	1.0382	0.0	1.0356	1.0407	SEK	8.56 -0.3
AUD/CNH	5.0632	0.4	5.0644	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	3.43
AUD	1.50	1.72	1.61	2.08	AUD 10	1.89	3.90 0.29
NZD	2.00	2.24	2.01	2.45	NZD 10	2.31	5.60 0.71
EUR	0.00	-0.30	-0.22	0.29	CAD 10	1.06	0.00 -0.54
GBP	0.25	0.38	0.45	0.77	EUR 10	-0.05	-0.50 -1.65
JPY	-0.04	-0.03	-0.09	0.12	GBP 10	0.72	-0.90 -0.88
CAD	0.50	0.90	0.94	1.30	JPY 10	-0.03	0.00 -1.64

Equities

Major Indices

	Last	% day	% y/y
Dow	18,492	0.0	14.8
S&P 500	2,180	0.0	13.5
Nasdaq	5,250	0.0	12.1
VIX	12	0.0	-56.9
FTSE	6,879	-0.2	13.8
DAX	10,672	-0.1	6.3
CAC 40	4,541	0.0	0.4
Nikkei	17,038	0.7	-4.2
Shanghai	3,072	0.2	-2.8
Hang Seng	23,650	1.6	13.5
ASX 200	5,430	1.1	7.7

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.24	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	98.10	-5.00
3/10 sprd	-0.30	8.00
SPI	5399.0	-51.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	47.63	1.7
Oil (WTI)	45.17	1.6
Oil (Tapis)	49.19	7.3
Gold	1327.30	0.3
CRB	179.99	0.0
GS Metals	270.4	0.0
Aluminium	1565.3	-0.9
Copper	4614.3	-0.1
Nickel	10023.0	0.1
Zinc	2355.5	-0.2
Ch. steel	2448.0	0.9
Iron ore	59.2	-0.3
Coal	69.9	1.0
Wheat Chic.	399.3	0.0
Sugar	20.2	0.0
Cotton	67.5	0.0
Coffee	151.4	0.0

CO₂ Emissions - Euros

	Last	% day
Dec-2016	3.94	-3.4
Jun-2017	3.96	-3.4
Dec-2017	3.95	-3.9

* cld = 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, 6 September 2016								
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							
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
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	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		3190		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							
Thursday, 8 September 2016								
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		1573.7		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		-4/-5		-4.4/-12.5	3.00	13.00
CH	Trade Balance CNY	Aug		372.35		342.8	3.00	13.00
CH	Exports/Imports YoY	Aug		2.55/0.7		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
Friday, 9 September 2016								
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/-0.9		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		928.7		487.9		
CH	New Yuan Loans CNY	Aug		753		463.6		
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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