8 September 2016

Markets Today

National Australia Bank

Big up yourself

It has been a relatively quiet night for markets with the moves in GBP probably the major highlight. BoE Governor Carney faced the Treasury Select Committee in parliament and was quick to give himself a nice pat on the back for the bounce in business and consumer surveys in August, noting that part of the recovery in sentiment was "because the bank took timely, comprehensive and concrete action and that action has had an impact". Although the Governor acknowledged that risks of recession had somewhat diminished, he noted that the UK economy still faced a significant slowdown due to the EU referendum, adding that the monetary policy members were ready to cut the cash rate further if necessary. Carney's appearance in parliament weighed on the Pound, but the currency was already under pressure following softer than expected manufacturing data. In July manufacturing output fell -0.9% vs 0.3% exp. and although industrial production beat expectations (0.1% vs 0.2%), the market focus was on the softer data print. The net effect is that the Pound is the worst G10 performer, down 0.74% against the USD.

The USD is a little bit stronger with the DXY index up 0.11%. That said the NZD and JPY have outperformed with yesterday's theme still an influence in the overnight session. NZD has benefited from stop losses triggered on long AUD/NZD positions and the JPY strength over the past 24hrs has been driven by a report publish yesterday, noting that the BoJ is struggling to reach policy consensus ahead of its policy meeting on 21 September.

The AUD is little changed at 0.7673, however it did trade to an overnight high of 0.7691, suggesting a move above 77c still looks likely near term. The CAD lost a bit of ground against the USD after the BoC left the cash rate unchanged but noted downside risks to the economy's outlook.

Looking at other markets, US stocks have ended the day slightly softer dragged lower by declines in grocery chains after Sprout Farms market cut earnings expectations. Meanwhile European equities played a bit of catch up from yesterday's moves and closed the day marginally higher and core global yields are practically changed.

Out late yesterday, China's FX reserves fell to $16bn to $3.19trn close to expectation. That said, if today's trade surplus comes in line with consensus ($58.85bn), it would confirm capital outflows is still an ongoing theme in China.

Overnight the US Jolts report provided some food for thought. The number of job openings in July jumped 4% to a new cycle high of 5,871K (5,630K exp). The report was a pleasant surprise and is consistent with the NFIB jobs-hard-to-fill measure which hit a new cycle high in August. That said, these figures are for July and at best they only partially offset the weaker August numbers seen in ISM reports.

The Fed Beige book was also out last night and it showed the US economy grew at a modest pace in July and August, but there was no evidence of major upward pressure on wages and prices. So on this account, there is no need for the Fed to hike in September.

Coming Up

In Australia this morning (8:55am AEST) RBA Governor elect Phil Lowe gives a Welcome and Introductory remarks at an international conference organised by the Asian Development Bank in Sydney. Looking in the RBA website it appears that there won't be a Q&A session and our assumption is that the Governor elect's observations are unlikely to be policy relevant. Australia's July's trade balance is also out this morning and the market is looking for a deficit of AUD 2,700m slightly lower than the AUD3,195m deficit printed in June.

Looking at offshore markets this morning we get UK RICS house prices for August and Japan releases its current account balance for July along with its final Q2 GDP numbers. The market is looking for an unchanged Q2 GDP print (0.2%), but there are upside risks to the number driven by potentially better than expected investment figures.

All that said the focus in our APAC session is likely to be on China's trade data which is scheduled for release at 1pm AEST. The August trade balance in USD terms is expected to come at $58.85bn, $6.5bn higher than July. Exports in Yuan term are expected to be unchanged at 2.9%yoy while imports are seen at 0.7%yoy up from -5.7% recorded in the previous month.

Moving onto the overnight session, the ECB policy meeting is the major highlight. While no change is expected the Bank will release a new set of economic forecasts. We think there is a good chance we get a downgrade to the growth and inflation outlook and as a result the risk is that Draghi may hint at an extension of the asset purchase programme which is due to end in March next year. At the margin such an announcement will be Euro negative. Lastly in the US we get weekly jobless claims along with July consumer credit figures and there are no Fed speakers on the roster.

Overnight

On global stock markets, the S&P 500 was -0.01%. Bond markets saw US 10-years +0.51bp to 1.54%. In commodities, Brent crude oil +2.49% to $48.54, gold-0.4% to $1,345, iron ore -1.2% to $58.46. AUD is at 0.7673 and the range since yesterday 5pm Sydney time is 0.7654 to 0.7693.

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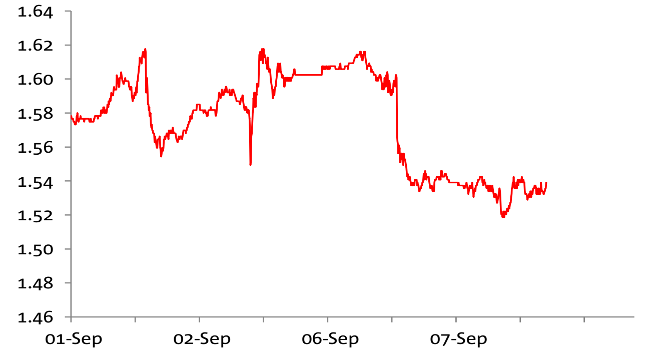
Markets

AUD/USD - past week

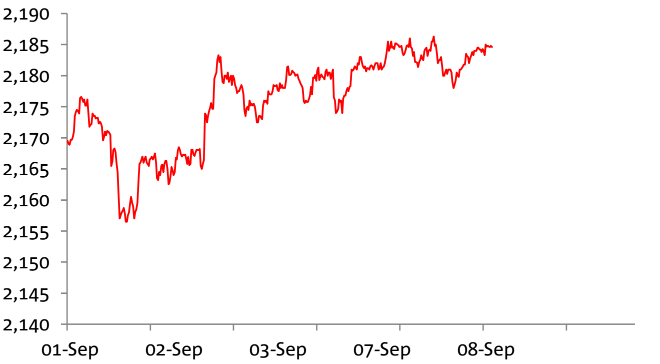
Source: Bloomberg.

US 10 yr - past week



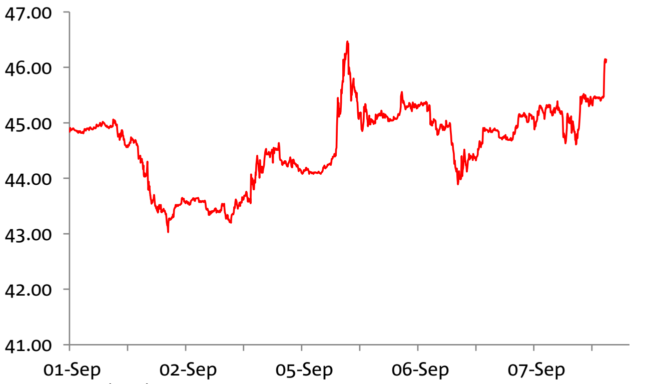
Source: Bloomberg.

S&P Futures - past week



Source: Bloomberg.

WTI - past week



Source: Bloomberg.

Foreign Exchange

			Indicative 24hr ranges (**)	
	Last	% chge	Low	High
AUD	0.7673	-0.2	0.7672	0.7675
NZD	0.7452	0.5	0.7450	0.7453
EUR	1.1239	-0.1	1.1238	1.1241
GBP	1.3336	-0.8	1.3336	1.3343
JPY	101.71	-0.3	101.71	101.74
CAD	1.2885	0.3	1.2880	1.2893
AUD/EUR	0.6827	0.0	0.6825	0.6831
AUD/JPY	78.04	-0.5	78.04	78.08
AUD/GBP	0.5754	0.6	0.5749	0.5756
AUD/NZD	1.0297	-0.6	1.0295	1.0302
AUD/CNH	5.1128	0.0	5.1182	5.1318

Other FX		
	Last	% chge
HKD	7.7559	0.0
CNY	6.6625	-0.1
SGD	1.3475	0.1
IDR	13,085	-0.3
THB	34.63	0.1
KRW	1,090	-1.4
TWD	31.25	-0.5
PHP	46.68	0.2
CHF	0.97	0.0
SEK	8.44	-0.3

Equities

Major Indices			
	Last	% day	% y/y
Dow	18,526	-0.1	15.1
S&P 500	2,186	0.0	13.8
Nasdaq	5,284	0.2	12.8
VIX	12	-0.7	-57.1
FTSE	6,847	0.3	12.7
DAX	10,753	0.6	6.4
CAC 40	4,558	0.6	0.2
Nikkei	17,012	-0.4	-2.4
Shanghai	3,092	0.0	-2.5
Hang Seng	23,742	-0.2	11.7
ASX 200	5,424	0.2	6.0

Commodities*

	Last	% day
Oil (Brent)	48.54	2.5
Oil (WTI)	46.14	2.8
Oil (Tapis)	47.83	1.1
Gold	1345.40	-0.4
CRB	182.47	0.9
GS Metals	270.2	0.3
Aluminium	1577.5	0.0
Copper	4631.5	0.5
Nickel	10164.5	1.0
Zinc	2321.5	0.3
Ch. steel	2325.0	-4.2
Iron ore	58.5	-1.2
Coal	69.8	-1.3
Wheat Chic.	402.5	1.1
Sugar	20.2	0.0
Cotton	69.1	0.5
Coffee	155.1	1.0

CO_2 Emissions - Euros

	Last	% day
Dec-2016	4.00	-3.1
Jun-2017	4.01	-3.1
Dec-2017	4.03	-2.9

* clsd = market holiday

Interest Rates

Indicative Swap Rates				
	Cash	3mth	2Yr	10Yr
USD	0.50	0.84	0.99	1.39
AUD	1.50	1.73	1.63	2.05
NZD	2.00	2.24	1.99	2.41
EUR	0.00	-0.30	-0.24	0.25
GBP	0.25	0.38	0.43	0.73
JPY	-0.04	-0.03	-0.09	0.08
CAD	0.50	0.90	0.91	1.24

Benchmark 10 Year Bonds			
	Last	chge	Sprd
USD 10	1.54	0.51	
AUD 10	1.83	-7.30	0.29
NZD 10	2.25	-5.60	0.71
CAD 10	1.01	-2.20	-0.53
EUR 10	-0.12	-0.60	-1.66
GBP 10	0.68	1.80	-0.86
JPY 10	-0.05	-3.00	-1.59

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.26	2.00
3 Yr bond	97.8	3.00
10 Yr bond	98.13	3.50
3/10 sprd	-0.33	-0.50
SPI	5396.0	14.0

*Change in bps

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, 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		58.85		52.3	3.00	13.00
CH	Exports/Imports YoY	Aug		-4/-5.4		-4.4/-12.5	3.00	13.00
CH	Trade Balance CNY	Aug		373		342.8	3.00	13.00
CH	Exports/Imports YoY	Aug		2.85/0.7		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		4.5		-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*		*914.35*		*487.9*		
Monday, 12 September 2016								
JN	Machine Orders MoM	Jul				8.3	23.50	9.50
JN	Machine Orders YoY	Jul				-0.9	23.50	9.50
JN	PPI MoM	Aug				0.0	23.50	9.50
JN	PPI YoY	Aug				-3.9	23.50	9.50
AU	Credit Card Purchases	Jul				25.5	1.30	11.30
AU	Credit Card Balances	Jul				52.2	1.30	11.30
JN	Machine Tool Orders YoY	Aug P				-19.7	6.00	16.00
US	Fed's Lockhart Speaks to Business Economists in Atlanta						12.05	22.05
CA	Bloomberg Nanos Confidence	Sep 2				59.3	14.00	0.00
US	Fed's Kashkari Speaks on Economy and TBTF						17.00	3.00
Tuesday, 13 September 2016								
AU	RBA's Kent Speech at Bloomberg Sydney						22.30	8.30
NZ	Food Prices MoM	Aug				-0.2	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Sep 4				118.4	23.30	9.30
JN	BSI Large All Industry QoQ	3Q				-7.9	23.50	9.50
JN	BSI Large Manufacturing QoQ	3Q				-11.1	23.50	9.50
AU	NAB Business Conditions/Confidence	Aug				8/4	1.30	11.30
CH	Industrial Production YoY/YTD YoY	Aug		6.2/6		6.0/6.0	2.00	12.00
CH	Retail Sales YoY/YTD YoY	Aug		10.2/10.3		10.2/10.3	2.00	12.00
CH	Fixed Assets Ex Rural YTD YoY	Aug		7.9		8.1	2.00	12.00
GE	CPI EU Harmonized MoM/YoY	Aug F		/		-0.1/0.3	6.00	16.00
UK	CPI MoM/YoY	Aug		/		-0.1/0.6	8.30	18.30
UK	CPI Core YoY	Aug				1.3	8.30	18.30
UK	PPI Input NSA MoM/YoY	Aug				3.3/4.3	8.30	18.30
UK	PPI Output Core NSA MoM/YoY	Aug				0.4/1.0	8.30	18.30
UK	House Price Index YoY	Jul				8.7	8.30	18.30
EC	Employment QoQ/YoY	2Q				0.3/1.4	9.00	19.00
GE	ZEW Survey Current Situation/Expectations	Sep				57.6/0.5	9.00	19.00
EC	ZEW Survey Expectations	Sep				4.6	9.00	19.00
US	NFIB Small Business Optimism	Aug		94.8		94.6	10.00	20.00
US	Monthly Budget Statement	Aug		-98		-112.8	18.00	4.00
Wednesday, 14 September 2016								
NZ	BoP Current Account Balance	2Q				1.3	22.45	8.45
NZ	Current Account GDP Ratio YTD	2Q				-3.0	22.45	8.45
AU	Westpac Consumer Conf Index	Sep				101.0	0.30	10.30
AU	Westpac Consumer Conf SA MoM	Sep				2.0	0.30	10.30
JN	Industrial Production MoM	Jul F				0.0	4.30	14.30
JN	Industrial Production YoY	Jul F				-3.8	4.30	14.30
JN	Capacity Utilization MoM	Jul				1.5	4.30	14.30
AU	RBA's Richards Speaks on Gold Coast						6.45	16.45
UK	Jobless Claims Change	Aug				-8.6	8.30	18.30
UK	Average Weekly Earnings 3M/YoY	Jul				2.4	8.30	18.30
UK	Weekly Earnings ex Bonus 3M/YoY	Jul				2.3	8.30	18.30
UK	ILO Unemployment Rate 3Mths	Jul				4.9	8.30	18.30
UK	Employment Change 3M/3M	Jul				172.0	8.30	18.30
EC	Industrial Production SA MoM/YoY	Jul				0.6/0.4	9.00	19.00
AU	RBA's Debelle Speaks in London						9.50	19.50
CA	Bank of Canada's Wilkins Lecture in London UK						10.15	20.15
US	Import Price Index MoM/YoY	Aug		-0.2		0.1/-3.7	12.30	22.30
CA	Teranet/National Bank HPI MoM/YoY	Aug				2.0/10.9	12.30	22.30
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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