

## A hard rain's gonna fall

Selling of Sterling re-emerged in the Asia session yesterday and into London as the prospect of a “hard” exit from the EU loomed large. A date for triggering Article 50 announced over the weekend and repealing the jurisdiction in the UK of the European Court of Justice played into the mix with the political primacy of the immigration issue even ahead of preferred EU market access. GBP/USD was sold down through 1.29 to test 1.2820 and within sight of the post-Brexit poll low of 1.2798 of 6 July. Adding to the sombre mood, mentioning “turbulence” and “rollercoaster” prospects ahead, UK Chancellor Phillip Hammond warned that the UK would not get back to surplus until 2020.

Pound selling has eased (now at 1.2855; AUD/GBP at 0.597), UK PMI Manufacturing for September coming in at a healthy two year plus high of 55.4 (up from 53.4) and also beating 52.1 forecast, giving hope that Sterling’s decline will temper lack of preferred EU trade access.

Elsewhere, there have been pluses and minuses across major FX markets, equity markets were choppy in Europe (the FTSE rose 1.22%!) but opened weaker in the US, then steadied after the release of a somewhat better than expected ISM Manufacturing report at 51.5, up from 49.4 and beating the 50.4 consensus. Employment was less negative at 49.7 (cf 48.3) with production and new orders both higher. US Treasury yields pushed higher towards a Dec Fed hike, 2s by 3 bps and 10s by 2.4 bps.

US construction spending in August fell 0.7%, which, along with downward revisions, saw the Atlanta Fed’s *GDPNow* for Q3 reduced further to 2.2% from 2.4% on lower business and government construction spending.

In commodity news, LME base metals were soft (Cu -0.95%; Ni -2.13%), WTI rose 0.91%, Brent +1.28%), gold gave up 0.17%. (Iron ore and Chinese steel markets are offline during China’s Golden Week.) Coal prices have risen further: coking coal prices by \$6.50/t to \$206.50 and steaming coal prices rose 3.58% to \$78.20/t, up \$2.70.

## Coming up

Most interest today will be at the 2.30pm release of the RBA Governor Lowe’s post-Board Media release with no change odds on with interest homing in on the Bank’s description of the economy and the Aussie. Since the last Board meeting, Q2 GDP revealed annual GDP growth of 3¼% (as forecast in the August SoMP but recently described by Lowe as a “bit better than expected”), a steady NAB Business Survey and

again mixed labour market report with lower employment and unemployment rate.

Noteworthy of late has been the rapid uplift in coal prices (coal) that Governor Lowe mentioned in his 22 September Parliamentary testimony noting that while “It is difficult to predict the future, but if these recent increases were to be sustained then we could look forward to the drag on our national income from falling commodity prices coming to an end fairly soon”. On housing he mentioned that “the construction cycle appears to have a bit more momentum than we earlier expected” while on prices he seemed to recognise price gains as being a little stronger: “The rate at which established housing prices are increasing has also moderated a bit, although there do remain some pockets where prices are increasing quite briskly”. Commodity and housing developments have been positive. Against those, while recognising the limits of being able to deliver a lower exchange rate, the RBA’s Dr. Kent said at the same hearing that “it would be good if it were a bit lower”.

Ahead of the RBA announcement this afternoon there is the (9.30am) weekly ANZ-Roy Morgan consumer confidence report this morning (it’s been up to three year highs in recent weeks), then QVNZ house prices report at 10.00, then at 11.30 comes ANZ Job Ads and Building Approvals that rose a bumper 11.3% in July with at least partial payback tipped for August (NAB -5.5%; market -6.0%).

Later this afternoon comes the RBA Commodity Price Index for September. It’s not one that gathers any market attention, but is one that’s a high-frequency tracker of Australia’s terms of trade, crystallising recent commodity prices into an index that mimics export “prices received”.

Tonight, for Kiwi watchers, there is another Global Dairy Auction. There are three European central bankers speaking and a Fed speech with the Bank of Spain’s Linde, ECB Chief Economist Praet and the ECB’s Knot speaking, followed by the hawkish Fed President Jeffrey Lacker (a non-voter this year) along with BoE MPC member Michael Saunders (ex Citi and Schroders’ Chief Economist). US vehicle sales for September are also being released.

## Overnight

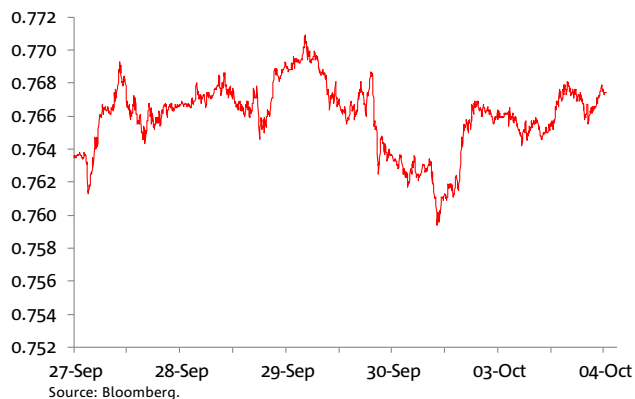
On global stock markets, the S&P 500 was -0.33%. Bond markets saw US 10-years +2.77bp to 1.62%. In commodities, Brent crude oil +1.22% to \$50.8, gold-0.2% to \$1,315, iron ore +0.0% to \$55.86. AUD is at 0.7674 and the range since yesterday 5pm Sydney time is 0.7651 to 0.7681.

Good luck.

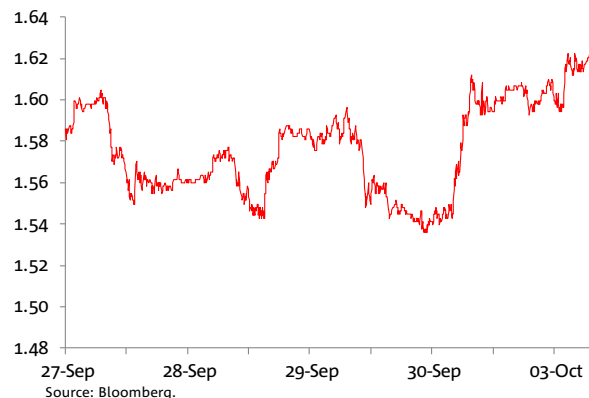
## Author:

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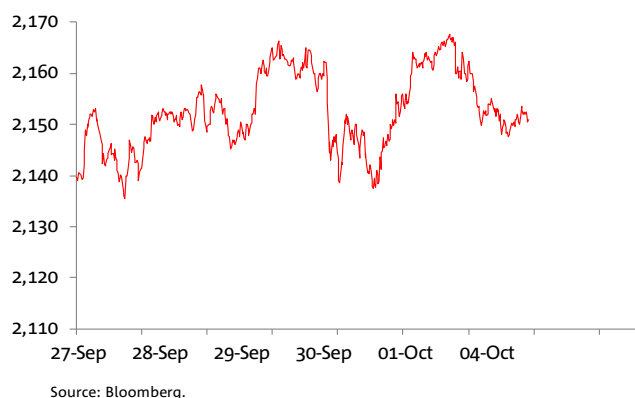
AUD/USD - past week



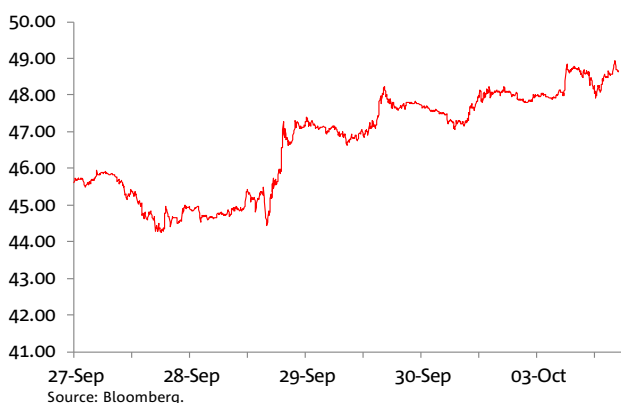
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7674	0.1	0.7641	0.7681	HKD	7.7552 0.0
NZD	0.7274	0.2	0.7253	0.7284	CNY	6.6700 0.0
EUR	1.1215	0.4	1.1205	1.1242	SGD	1.3647 0.0
GBP	1.2853	-0.8	1.2817	1.2886	IDR	12,971 -0.5
JPY	101.57	0.4	101.30	101.66	THB	34.65 -0.1
CAD	1.3109	-0.4	1.3075	1.3145	KRW	1,104 0.2
AUD/EUR	0.6843	0.4	0.6824	0.6847	TWD	31.35 0.0
AUD/JPY	77.95	1.3	77.70	78.02	PHP	48.19 -0.5
AUD/GBP	0.5971	1.7	0.5957	0.5977	CHF	0.97 -0.1
AUD/NZD	1.0549	0.6	1.0539	1.0570	SEK	8.56 -0.7
AUD/CNH	5.1189	0.8	5.1122	5.1290		

Equities

Major Indices			
	Last	% day	% y/y
Dow	18,248	-0.3	10.8
S&P 500	2,160	-0.3	10.7
Nasdaq	5,299	-0.2	12.5
VIX	14	2.9	-34.7
FTSE	6,984	1.2	13.9
DAX	10,511	0.0	10.0
CAC 40	4,454	0.1	-0.1
Nikkei	16,599	0.9	-6.4
Shanghai	3,005	0.0	-1.6
Hang Seng	23,584	1.2	9.7
ASX 200	5,479	0.8	8.4

Commodities\*

	Last	% day
Oil (Brent)	50.80	1.2
Oil (WTI)	48.64	0.8
Oil (Tapis)	50.16	4.7
Gold	1315.10	-0.2
CRB	187.03	0.4
GS Metals	283.8	0.0
Aluminium	1668.5	0.2
Copper	4804.8	-1.0
Nickel	10306.0	-2.2
Zinc	2399.0	1.2
Ch. steel	2264.0	0.0
Iron ore	55.9	0.0
St. Coal	78.2	3.6
Met.coal	206.5	0.0
Wheat Chic.	417.3	-1.8
Sugar	22.7	-1.4
Cotton	68.5	0.6
Coffee	147.6	-2.6

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	0.50	0.85	1.03	1.48	USD 10	1.62	2.77
AUD	1.50	1.74	1.70	2.20	AUD 10	1.91	-6.30 0.29
NZD	2.00	2.21	2.02	2.50	NZD 10	2.31	4.00 0.68
EUR	0.00	-0.30	-0.22	0.29	CAD 10	1.01	1.40 -0.61
GBP	0.25	0.38	0.44	0.77	EUR 10	-0.09	2.60 -1.72
JPY	-0.04	-0.03	-0.09	0.06	GBP 10	0.73	-1.30 -0.89
CAD	0.50	0.90	0.89	1.26	JPY 10	-0.07	2.10 -1.69

Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.25	-2.00
3 Yr bond	97.8	3.00
10 Yr bond	97.98	-6.50
3/10 sprd	-0.18	9.50
SPI	5449.0	-33.0

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

	Last	% day
Dec-2016	5.31	6.6
Jun-2017	5.33	6.8

\*Change in bps

\* 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>Tuesday, 4 October 2016</b>								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct 2				120.6	23.30	9.30
NZ	QV House Prices YoY	Sep				14.6	0.00	10.00
JN	Monetary Base YoY/End of Period	Sep				24.2/404.5	0.50	10.50
AU	ANZ Job Advertisements MoM	Sep				1.8	1.30	11.30
AU	Building Approvals MoM	Aug	5.5	-6/5.1		11.3/3.1	1.30	11.30
NZ	RBNZ Governor Wheeler Speaks in Whangarei (Not Public)						2.30	12.30
AU	RBA Cash Rate Target	Oct 4	1.5	1.5		1.5	4.30	14.30
JN	Consumer Confidence Index	Sep		41.8		42.0	6.00	16.00
AU	Commodity Index AUD/YoY	Sep				90.5/0.8	6.30	16.30
UK	Markit/CIPS UK Construction PMI	Sep		49		49.2	9.30	19.30
US	Wards Total Vehicle Sales	Sep		17.45		16.9		
US	ISM New York	Sep				47.5	14.45	0.45
US	IBD/TIPP Economic Optimism	Oct		47.5		0.0	15.00	1.00
<b>Wednesday, 5 October 2016</b>								
AU	AiG Perf of Services Index	Sep				45.0	23.30	9.30
UK	BRC Shop Price Index YoY	Sep				-2.0	0.10	10.10
NZ	ANZ Commodity Price	Sep				3.2	1.00	11.00
JN	Nikkei Japan PMI Services/Composite	Sep		/		49.6/49.8	1.30	11.30
AU	Retail Sales MoM	Aug	0.4%	0.2		0.0	1.30	11.30
US/NZ	Fed's Evans Speaks on Economy and Policy in Auckland, NZ						1.40	11.40
GE	Markit Germany Services/Composite PMI	Sep F		50.6/52.7		50.6/52.7	8.55	18.55
EC	Markit Eurozone Services/Composite PMI	Sep F		52.1/52.6		52.1/52.6	9.00	19.00
UK	Markit/CIPS UK Services/Composite PMI	Sep		52/52.3		52.9/53.6	9.30	19.30
EC	Retail Sales MoM/YoY	Aug		-0.3/1.5		1.1/2.9	10.00	20.00
US	MBA Mortgage Applications	Sep 30				-0.7	12.00	22.00
US	ADP Employment Change	Sep		162.5		177.0	13.15	23.15
US	Trade Balance	Aug		-39.2		-39.5	13.30	23.30
CA	Int'l Merchandise Trade	Aug		-2.45		-2.5	13.30	23.30
US	Markit US Services/Composite PMI	Sep F		52/		51.9/52.0	14.45	0.45
US	ISM Non-Manf. Composite	Sep		53		51.4	15.00	1.00
US	Factory Orders	Aug		-0.2		1.9	15.00	1.00
<b>Thursday, 6 October 2016</b>								
NZ	ANZ Truckometer Heavy MoM	Sep				6.7	22.00	8.00
AU	Trade Balance	Aug	-2100	-2300		-2410.0	1.30	11.30
GE	Factory Orders MoM/YoY	Aug		0.3		0.2	7.00	17.00
GE	Markit Germany Construction PMI	Sep				51.6	8.30	18.30
UK	New Car Registrations YoY	Sep				0.1	9.00	19.00
UK	Unit Labor Costs YoY	2Q				1.9	9.30	19.30
US	Challenger Job Cuts YoY	Sep				-21.8	12.30	22.30
EC	ECB account of the monetary policy meeting						12.30	22.30
CA	Building Permits MoM	Aug		1		0.8	13.30	23.30
US	Initial Jobless Claims	Oct 1		255		254.0	13.30	23.30
US	Bloomberg Consumer Comfort	Oct 2				41.6	14.45	0.45
<b>Friday, 7 October 2016</b>								
AU	AiG Perf of Construction Index	Sep				46.6	23.30	9.30
JN	Labor Cash/Real Earnings YoY	Aug		0.4		1.4/2.0	1.00	11.00
JN	Leading Index CI	Aug P		101.6		100.0	6.00	16.00
GE	Industrial Production SA MoM/YoY	Aug		1/0.4		-1.5/-1.2	7.00	17.00
CH	Foreign Reserves	Sep		3182.5		3185	8.00	18.00
UK	Halifax House Prices MoM/YoY	Sep		0		-0.2/6.9	8.30	18.30
UK	Industrial Production MoM/YoY	Aug		0.2/1.3		0.1/2.1	9.30	19.30
UK	Trade Balance	Aug		-4000		-4502.0	9.30	19.30
US	Change in Nonfarm Payrolls/Unemployment rate	Sep		170/4.9		151/4.9	13.30	23.30
US	Average Hourly Earnings MoM/YoY	Sep		0.3/2.6		0.1/2.4	13.30	23.30
CA	Net Change in Employment/Unemployment rate	Sep		7.5/7		26.2/7.0	13.30	23.30
UK	NIESR GDP Estimate	Sep		0.3		0.3	15.00	1.00
CA	Ivey Purchasing Managers Index SA	Sep		53.5		52.3	15.00	1.00
US	Wholesale Inventories MoM	Aug F		-0.1		-0.1	15.00	1.00
US	Wholesale Trade Sales MoM	Aug		0		-0.4	15.00	1.00
CA	Business Outlook Future Sales	3Q				5.0	15.30	1.30
CA	BoC Senior Loan Officer Survey	3Q				23.9	15.30	1.30
US	Fed's Fischer Speaks in Washington						15.30	1.30
US	Fed's Mester Speaks in New York						17.45	3.45
US	Consumer Credit	Aug		16.5		17.7	20.00	6.00
US	Fed's George speaks in Washington						20.00	6.00
US	Fed's Brainard speaks in Washington						21.00	7.00
CA	BoC's Wilkins Speaks on Panel in Washington						21.00	7.00
<b>Saturday, 8 October 2016</b>								
CH	Caixin China PMI Services/Composite	Sep				52.1/51.8	2.45	12.45
CH	Foreign Direct Investment YoY CNY	Sep		4.1		5.7		
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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%		
New Zealand, RBNZ		10-Nov				2.00%		

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

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