

Disturbia

Today's tittle was a toss-up between Rhianna's hits Disturbia or Pounding by Doves. Core global yields and the Euro have been disturbed by a Bloomberg report claiming ECB officials were considering QE tapering while early in the session the Pound was under renewed pressure trading to a new post Brexit low.

Headlines suggesting the ECB is near consensus on the need to taper its QE programme triggered a selloff in core bond yields and a mini rally in the Euro. 10y Bunds ended the day 4bps higher at -0.058%, 10y UK Gilts climbed 4.6bps to 0.777% and 10y UST are currently trading at 1.686% after trading at 1.637% prior to the headlines hitting the screens. The Euro jumped from 1.1138 to 1.1239 on the news and now it has settled just under 1.12. Reading through the article it seems the market has overreacted to the headlines, discussion on how to go about ending the programme doesn't necessarily mean it is about to happen. The story also notes officials did not exclude the asset purchase program could still be extended. We would also note that the ECB extended its buying programme from EUR60bn to EUR80bn in April and given the anaemic growth in the Eurozone and subdued inflation, tapering the programme at this stage wouldn't make any sense.

GBP came under pressure at the London open making a new post Brexit low with better than expected data doing little to stem the fall. UK September construction PMI rebounded to 52.3 from 49.2, a six month high. So although the economy appears to be travelling at a better than expected pace, concern over a hard "Brexit" as PM May purses a policy driven by immigration and at the possible expense of access to Europe's Single Market is weighing on the currency. Cable is currently trading at 1.2734, after trading to an overnight low of 1.2720.

All that said when looking at the G10 leader board, JPY sit at the bottom of the pack, down 1.16%. After trading through its 50DMA of ¥101.74, USDJPY appears to have some technical room to trade higher, boosted as well by broad USD strength on the back of better than expected data of late. NZD is another big underperformer, down 0.93% following a soft dairy auction overnight (first fall in GDT prices since July). The AUD is also a bit softer (-0.74%), currently trading at 0.7625 and after trading to an overnight low 0.7608. Yesterday, the RBA stood pat as expected and overall the statement left us comfortable with our view that the RBA is on hold for the remainder of 2016 although a low Q3 CPI print (due for release on 26 October) could still bring a November cut back into play.

European equities managed to end the day in positive territory with the ECB article published after the close while US indices have struggled to perform amid an increase in expectations of a Fed hike in December. Gold share have also come under pressure with the shiny metal breaking through key support level at \$1304.

Fed Lacker (non-voter, hawk) was on the wires noting that the Fed should head off a likely pickup in inflation with pre-emptive rate rises. Reckons Fed funds should be about 1.5%.

Coming Up

We have quite a busy day of data releases with the US ISM non-manufacturing print for September the highlight in offshore markets while domestically retail sales figures for August should also be important.

In July, Australian retail sales were unchanged against expectations of a 0.3% m/m increase and this subdued reading was largely driven by a sharp decline (-6.2%) in the department store category. Our economists note that when department store sales fall sharply, they tend to rebound strongly and this relationship underpins our above consensus pick-up in retail sales to 0.4% m/m in August, a rate that is double the market consensus of 0.2%.

Japan's Nikkei PMI Services and composite readings for September are also out this morning and Fed Evans speaks at the CFA society in Auckland.

Europe (final) and the UK also get their September services and composite PMI readings and on the other side of the Atlantic the ADP employment change for September is due for release. The market is looking for ADP to print 165k, but the Philly Fed's ADS index of economic activity suggest that there could be upside risk to this number.

As for the ISM non-manufacturing survey, similar to the manufacturing survey a rebound in September is also expected (53 vs 51.4 prev), but many commentators have noted that the potential for an even stronger print on the back of recent solid core retail sales growth.

Lastly Fed Lacker is scheduled to speak just after midnight (Sydney time) and Fed Kashkari speaks early tomorrow morning.

Overnight

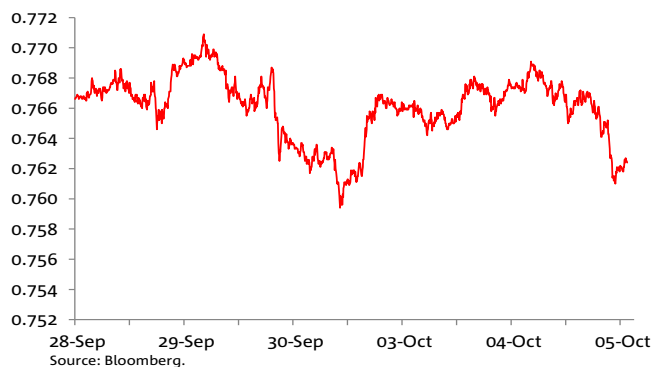
On global stock markets, the S&P 500 was -0.47%. Bond markets saw US 10-years +6.26bp to 1.68%. In commodities, Brent crude oil +0.06% to \$50.83, gold-3.3% to \$1,267, iron ore +0.0% to \$55.86. AUD is at 0.7623 and the range since yesterday 5pm Sydney time is 0.761 to 0.7672.

Author:

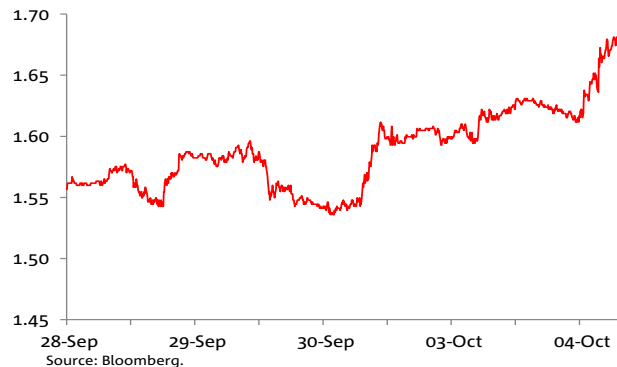
Rodrigo Catril – FX Strategist

Markets

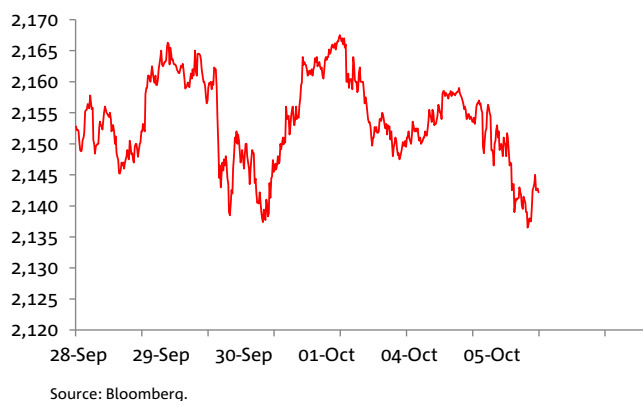
AUD/USD - past week



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	0.7623	-0.7	0.7608	0.7691	HKD	7.7564 0.0
NZD	0.7207	-0.9	0.7198	0.7311	CNY	6.6718 0.0
EUR	1.1204	-0.1	1.1138	1.1239	SGD	1.3705 0.4
GBP	1.2729	-0.9	1.2720	1.2861	IDR	12,978 0.0
JPY	102.86	1.2	101.58	102.97	THB	34.78 0.4
CAD	1.3189	0.5	1.3111	1.3216	KRW	1,108 0.4
AUD/EUR	0.6804	-0.6	0.6791	0.6879	TWD	31.34 0.1
AUD/JPY	78.41	0.5	77.91	78.72	PHP	48.26 0.2
AUD/GBP	0.5989	0.2	0.5968	0.6022	CHF	0.98 0.6
AUD/NZD	1.0578	0.3	1.0510	1.0579	SEK	8.60 0.4
AUD/CNH	5.1017	-0.2	5.0898	5.1292		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.86	1.05	1.54	USD 10	1.68	6.26
AUD	1.50	1.73	1.71	2.22	AUD 10	2.07	16.10 0.38
NZD	2.00	2.21	2.05	2.56	NZD 10	2.39	8.50 0.71
EUR	0.00	-0.30	-0.21	0.34	CAD 10	1.07	5.10 -0.62
GBP	0.25	0.38	0.45	0.80	EUR 10	-0.05	3.90 -1.74
JPY	-0.04	-0.02	-0.09	0.06	GBP 10	0.78	4.60 -0.91
CAD	0.50	0.90	0.90	1.32	JPY 10	-0.07	-0.40 -1.76

Equities

Major Indices

	Last	% day	% y/y
Dow	18,168	-0.5	10.3
S&P 500	2,150	-0.5	10.2
Nasdaq	5,290	-0.2	12.4
VIX	14	0.4	-34.9
FTSE	7,074	1.3	15.4
DAX	10,620	1.0	11.2
CAC 40	4,503	1.1	1.0
Nikkei	16,736	0.8	-7.1
Shanghai	3,005	0.0	-1.6
Hang Seng	23,689	0.4	8.4
ASX 200	5,484	0.1	6.5

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.26	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.92	-11.00
3/10 sprd	-0.12	14.00
SPI	5442.0	21.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	50.83	0.1
Oil (WTI)	48.63	0.0
Oil (Tapis)	50.25	0.2
Gold	1266.60	-3.3
CRB	187.30	0.1
GS Metals	280.6	-0.7
Aluminium	1661.5	-0.3
Copper	4787.0	-0.2
Nickel	10033.5	-2.6
Zinc	2363.0	-1.2
Ch. steel	2253.0	0.0
Iron ore	55.9	0.0
St. Coal	83.2	2.5
Met.coal	205.0	0.0
Wheat Chic.	416.0	-0.3
Sugar	23.3	3.2
Cotton	69.9	1.7
Coffee	147.6	-0.1

CO₂ Emissions - Euros

	Last	% day
Dec-2016	5.21	-1.9
Jun-2017	5.23	-1.9

* 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	AEDST
Wednesday, 5 October 2016								
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		52.2/52.3		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		165		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		51.9/		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
Thursday, 6 October 2016								
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		256		254.0	13.30	23.30
US	Bloomberg Consumer Comfort	Oct 2				41.6	14.45	0.45
Friday, 7 October 2016								
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		3180		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		0.1/1.3		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		174/4.9		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		53.1		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		0.1		-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		16.45		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
Saturday, 8 October 2016								
CH	Caixin China PMI Services/Composite	Sep				52.1/51.8	2.45	12.45
CH	Foreign Direct Investment YoY CNY	Sep		3.2		5.7	8-18 Oct release	
Monday, 10 October 2016								
GE	Current Account Balance	Aug				18.6	7.00	17.00
EC	Sentix Investor Confidence	Oct				5.6	9.30	19.30
NZ	REINZ House Sales YoY	Sep				-3.1	10-14 Oct release	
CH	New Yuan Loans CNY	Sep		1000		948.7	10-15 Oct release	
CH	Aggregate Financing CNY	Sep		1304		1470.0	10-15 Oct release	
Tuesday, 11 October 2016								
NZ	Card Spending Retail MoM/YoY	Sep				-0.4/-0.8	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct 2				120.6	23.30	9.30
UK	BRC Sales Like-For-Like YoY	Sep				-0.9	0.10	10.10
JN	BoP Current Account Adjusted	Aug				1447.8	0.50	10.50
AU	NAB Business Conditions/Confidence	Sep				7.0/6.0	1.30	11.30
AU	NAB Business Confidence	Sep				6.0	1.30	11.30
AU	Home Loans headline MoM #/Investment MoM \$	Aug		/		-4.2/0.5	1.30	11.30
AU/US	Fed's Evans Speaks on Economy and Policy in Sydney						2.30	12.30
JN	Eco Watchers Survey Current/Outlook	Sep				45.6/47.4	6.00	16.00
GE	ZEW Survey Current Situation/Expectations	Oct				55.1/0.5	10.00	20.00
EC	ZEW Survey Expectations	Oct				5.4	10.00	20.00
US	NFIB Small Business Optimism	Sep				94.4	11.00	21.00
CA	Housing Starts	Sep				182.7	13.15	23.15
AU	HIA House Affordability Index	3Q				78.7		
CA	Bloomberg Nanos Confidence	Oct 7				56.5	15.00	1.00
US	Labor Market Conditions Index Change	Sep				-0.7	15.00	1.00
Upcoming Central Bank Interest Rate Announcements								
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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