

Beautiful Lies

Struggling a bit for a song this morning, which is the title track from UK songstress Birdy's third album. Last night's US non-manufacturing ISM report was certainly something to behold, with not only the headline read of 57.1 more than reversing the August drip – and the best since October 2015 – but driven by a leap in the new orders sub-series to 60.1 from 51.4 and with the employment index up to 57.2 from 50.7, its strongest read this year.

At the same time, glancing at the Atlanta Fed's latest 'GDPNow' estimate for third quarter GDP growth, we see it is stuck at 2.2%, unchanged from Monday. In short, their estimates for private sector consumption and business investment have both been lifted slightly post the ISM survey, but the Atlanta Fed now see a drag from net exports of 0.13% of GDP in Q3 after the August trade figures, whereas on Monday they had a 0.13% positive contribution. We also a somewhat mediocre ADP employment estimate of 154k (down from 165k and compared to 175k expected) but this won't have anyone reaching to downgrade their expectations for Friday's non-farm payroll estimates (currently 172k). If anything the ISM employment sub-series may warrant some upward revisions.

While it's tempting to attribute the decent showing by U.S. stocks to the ISM report, the truth is the energy sector led the gains in the broader indices (+/-0.5%) thanks to another lift in oil prices. Crude prices are up either side of \$1 with Brent now at \$51.78 - its best level since the end of June. While hopes of OPEC formally agreeing production cuts next month is the background driver, concerns that hurricane activity in North America could disrupt both production and shipping look to be the immediate driver of the latest gains.

Stocks market gains have seen the VIX back on a 12 handle for the first time in a week, through this is providing no benefit to either the AUD or NZD – the latter in particular and which is the second worse performer in the last 24 hours (-0.6% to 0.7168). AUD/USD briefly dipped below 0.76 last night (low of 0.7593 or thereabouts) but is off only 0.05% since this time yesterday and currently sits at 0.7616.

More relevant to these currencies just at the moment may be the rising global yield environment, led yesterday by the report the ECB is thinking about tapering its QE bond buying programme after the currently scheduled March 2017 end date and now augmented by the strong ISM data. 10 year Bunds are up another 5bps overnight and treasuries 2-3bps.

Falling bond prices is not the ideal environment to be continuing the search for yield just at the moment.

Coming Up

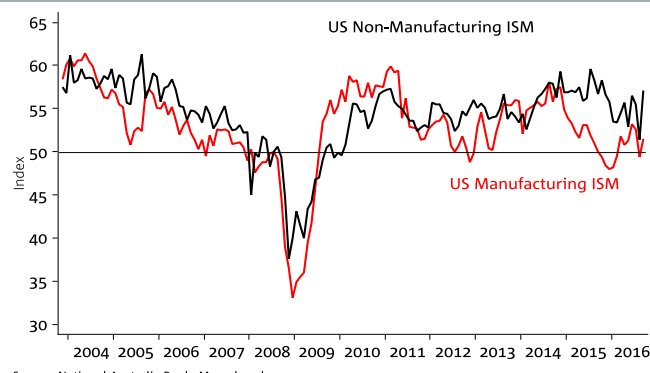
The Thursday before a Friday night U.S. payrolls ritual is usually a pretty dead one for markets. Looking at today's economic calendar, it's hard to argue that today will run counter to form. Australia August trade data, the ECB's account of its 8 September meeting and weekly U.S. jobless claims are really all that's on offer. That said the AUD proved sensitive to yesterday's better than expected 0.4% rise in retail sales, so might show some response for the trade figures. NAB is slightly more positive than the market consensus of -\$2.3bn in expecting a deficit of \$2.1bn. We note iron ore export loadings at Port Hedland reached a record in August. It will take something much different to \$2-2.5bn to have material market impact.

Interest in the ECB' account of its September meeting is greater than usual after Tuesday's Bloomberg 'source' story suggesting a consensus was emerging regarding tapering of the ECB's €80bn per month QE bond buying programme (whether from as early as next March, which is as far as the current commitment extends, or later). It's doubtful though that the minutes will shed any light on this, given an ECB spokesman – in response to the Bloomberg story – said that the matter 'had' not been discussed by the Governing Council. In the meantime, talk of a 'taper tantrum' a la 2013 after the Fed first hinted at tapering its own QE programme is not going to quickly disappear from the radar.

Overnight

On global stock markets, the S&P 500 was +0.62%. Bond markets saw US 10-years +2.27bp to 1.71%. In commodities, Brent crude oil +1.81% to \$51.79, gold-0.1% to \$1,265, iron ore +0.0% to \$55.86. AUD is at 0.7614 and the range since yesterday 5pm Sydney time is 0.7594 to 0.7631.

Chart of the Day: US ISM surveys – back on the up

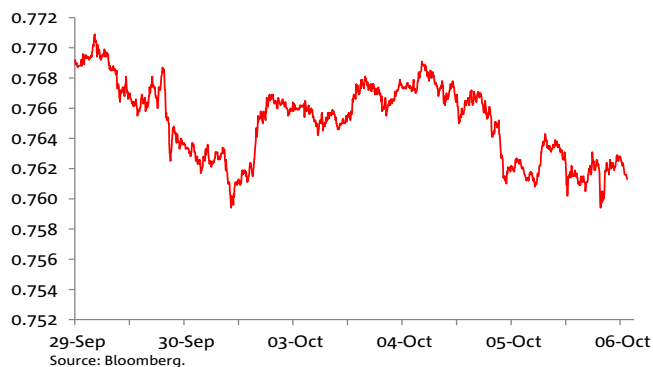


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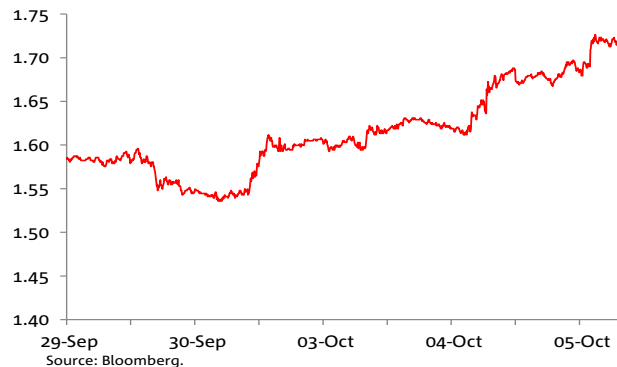
Ray Attrill – Co-head of FX Strategy

Markets

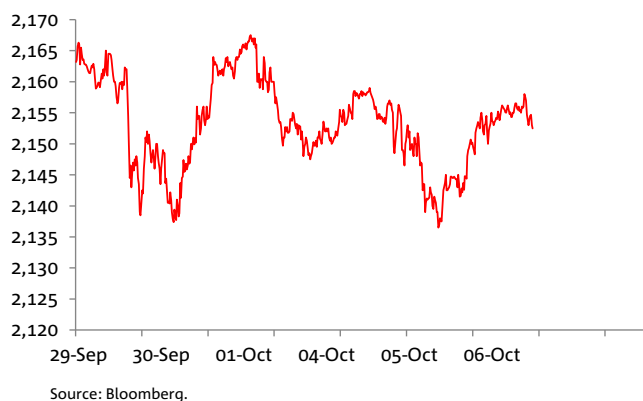
AUD/USD - past week



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	0.7614	-0.1	0.7593	0.7645	HKD	7.7572 0.0
NZD	0.7168	-0.6	0.7149	0.7210	CNY	6.6718 0.0
EUR	1.1206	0.0	1.1190	1.1233	SGD	1.3697 -0.1
GBP	1.2748	0.2	1.2686	1.2771	IDR	12,998 0.2
JPY	103.57	0.7	102.67	103.67	THB	34.84 0.1
CAD	1.3182	-0.1	1.3161	1.3232	KRW	1,113 0.5
AUD/EUR	0.6794	-0.1	0.6776	0.6816	TWD	31.40 0.2
AUD/JPY	78.85	0.6	78.16	79.02	PHP	48.28 0.0
AUD/GBP	0.5973	-0.2	0.5963	0.6005	CHF	0.97 -0.5
AUD/NZD	1.0621	0.5	1.0565	1.0635	SEK	8.59 -0.1
AUD/CNH	5.0845	-0.3	5.0835	5.1361		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.86	1.07	1.56	USD 10	1.71	2.27
AUD	1.50	1.74	1.71	2.25	AUD 10	2.13	5.60 0.42
NZD	2.00	2.21	2.07	2.60	NZD 10	2.47	7.40 0.76
EUR	0.00	-0.30	-0.22	0.36	CAD 10	1.10	2.90 -0.61
GBP	0.25	0.38	0.45	0.84	EUR 10	-0.01	4.90 -1.71
JPY	-0.04	-0.02	-0.07	0.07	GBP 10	0.82	3.60 -0.89
CAD	0.50	0.90	0.92	1.33	JPY 10	-0.06	1.50 -1.77

Equities

Major Indices	Last	% day	% y/y
	Dow	18,281	0.6
S&P 500	2,159	0.6	8.7
Nasdaq	5,316	0.5	11.2
VIX	13	-4.1	-33.1
FTSE	7,033	-0.6	11.7
DAX	10,586	-0.3	7.9
CAC 40	4,490	-0.3	-2.7
Nikkei	16,819	0.5	-7.5
Shanghai	3,005	0.0	-1.6
Hang Seng	23,788	0.4	9.0
ASX 200	5,453	-0.6	5.5

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.25	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.89	-9.50
3/10 sprd	-0.09	12.50
SPI	5459.0	14.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	51.79	1.8
Oil (WTI)	49.74	2.2
Oil (Tapis)	51.71	2.9
Gold	1265.20	-0.1
CRB	188.78	0.8
GS Metals	279.9	-0.2
Aluminium	1666.8	0.4
Copper	4783.5	-0.1
Nickel	10033.3	0.0
Zinc	2334.0	-1.6
Ch. steel	2264.0	0.0
Iron ore	55.9	0.0
St. Coal	83.6	0.5
Met.coal	204.5	0.0
Wheat Chic.	425.8	2.1
Sugar	23.8	2.4
Cotton	68.0	-2.6
Coffee	148.2	0.5

CO₂ Emissions - Euros

	Last	% day
Dec-2016	5.47	5.0
Jun-2017	5.49	5.0

* 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
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		977		948.7	10-15 Oct release	
CH	Aggregate Financing CNY	Sep		1311.4		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 9				117.9	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
Wednesday, 12 October 2016								
AU	Westpac Consumer Conf Index/MoM	Oct				101.4/0.3	0.30	10.30
JN	Machine Orders MoM/YoY	Aug				4.9/5.2	0.50	10.50
JN	Machine Tool Orders YoY	Sep P				-8.4	7.00	17.00
EC	Industrial Production SA MoM/YoY	Aug				-1.1/-0.5	10.00	20.00
US	Monthly Budget Statement	Sep				-107.1	12-15 Oct release	
US	JOLTS Job Openings	Aug				5871.0	15.00	1.00
US	U.S. Fed Releases Minutes from Sept. 20-21 FOMC Meeting						19.00	5.00
NZ	ANZ Job Advertisements MoM	Sep				3.1	22.00	8.00
NZ	BusinessNZ Manufacturing PMI	Sep				55.1	22.30	8.30
NZ	Food Prices MoM	Sep				1.3	22.45	8.45
UK	RICS House Price Balance	Sep				12.0	0.10	10.10
AU	Consumer Inflation Expectation	Oct				3.3	1.00	11.00
NZ	ANZ Consumer Confidence Index/MoM	Oct				121.0/2.8	1.00	11.00
CH	Trade Balance	Sep		53		52.1	2.30	12.30
CH	Exports/Imports YoY	Sep		-3.3/0.3		-2.8/1.5	2.30	12.30
CH	Trade Balance CNY	Sep		374		346.0	2.30	12.30
CH	Exports/Imports YoY	Sep		2.7/5.6		5.9/10.8	2.30	12.30
JN	Tertiary Industry Index MoM	Aug				0.3	5.30	15.30
GE	CPI MoM/YoY	Sep F				0.1/0.7	7.00	17.00
GE	CPI EU Harmonized MoM/YoY	Sep F				0.0/0.5	7.00	17.00
US	Import Price Index MoM/YoY	Sep		0.1/		-0.2/-2.2	13.30	23.30
CA	New Housing Price Index MoM/oY	Aug				0.4/2.8	13.30	23.30
CA	Teranet/National Bank HPI MoM/YoY	Sep				1.5/11.4	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
US	Fed's Harker Speaks on Economic Outlook in Philadelphia						17.15	3.15
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		1-Nov	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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