

# MARKETS TODAY

*Love plus one*



## Good morning

In German chancellor Angela Merkel's words, the G20 accord issued on Saturday night didn't even attempt to paper over the differences between the United States and the other 19 G20 members. It explicitly notes the decision of The United States to withdraw from the Paris Climate Treaty while the remaining 19 members reaffirmed their commitment to it.

On trade and investment, there are the usual platitudes about commitment to open markets, to fight protectionism including unfair trade practises, etc., but also that G20 'recognise the role of legitimate trade defence instruments'. This latter phrase looks to have been at US insistence. EC President Jean Claude Juncker made clear at G20 that the EU would react 'within a few days' with counter measures should the U.S. shortly announce tariffs on steel imports. This is one potential 'risk off' factor in coming days or weeks and which wouldn't do the AUD any favours were it to occur.

Friday's US payrolls data left markets a bit flat-footed, caught between an upside surprise on headline payrolls of 222k (plus 47k worth of upwards revision to April and May) but a downside surprise on average hourly earnings (+0.2% and 2.5% y/y and with a 0.1% downward revision to May to 2.4%). The unemployment rate edged up 1/10% to 4.4% but this was aided by a rise in the participation rate to 62.8% from 62.7%.

Good for stocks (S&P500 +0.64%) but as Friday wore on, reflection on the earnings side of the report seemed to weigh more on yields and the dollar, both ending down on pre-employment report levels though both finishing NY trade slightly up on Thursday's close. The VIX lost 1.35 to 11.19, to be unchanged on the week.

Elsewhere the Canadian dollar was the FX winner following a strong employment report (+45.3k albeit dominated by part-time) and Ivey PMI (61.6 from 53.8). These served to push the probability of the Bank of Canada lifting rates by ¼% on Wednesday to 95%.

Sterling in contrast was the biggest loser, after weak industrial production, construction output and poor trade figures served to knock back recently built expectations of early Bank of England tightening. The JPY also maintained its Asia-session weakness that came from the BoJ's strong signal of commitment to its current Yield Curve Control policy. AUD/USD closed Friday hugging the 0.76 cent mark and has opened this morning little changed.

Weekly FX positioning data published by the IMM on Friday – for the week through last Monday – was notable in so far as speculative long NZD positioning has pushed out to a new record high (previous high was in April 2013). overall USD speculative long vs. G10 currencies have been virtually eliminated, down to just 3.3k contracts from 51.0k the previous week. This was led by

a renewed build in EUR longs, to 77.5k from 58.7k (not quite enough to yet be considered extreme). Extension of AUD longs also contributed meaningfully to the overall decline in USD longs, +12.7k to 32.4k

In rates the global sovereign yield back-up continued but only marginally so, the exception being gilts which fell back 1.1bps to 1.305% at 10 years after the weak set of UK data. US Treasuries saw 2s +0.5bp to 1.401% (+1.7bps w/w) and 10s +1.9bps to 2.386% to be 8.1bps higher on the week. The 10yr Bund added another 1.1bps to 0.573% and so 10.7bps up on the week.

In commodities, oil extended Thursday's drop with WTI and Brent crude off \$1.30 and \$1.40 respectively to \$44.23 and \$46.71. On the week, WTI is off \$1.81 and Brent -\$1.21. Friday's Baker Hughes rig count showed the number of active U.S. rigs up by 7 to 763, after dropping by 2 last week. Gold lost a hefty \$13.60 to \$1,209.7 to be \$32.60 lower on the week. Iron ore gained 80 cents to \$62.80 but is still \$2.15 lower on the week.

So all up commodities are adding a little bit of weight to the AUD alongside last week's refusal by the RBA to join the more hawkish or less dovish central bank chorus. Definitely something to watch this week.

The Fed on Friday, prior to the market close, pre-released its semi-annual Monetary Policy report that will be presented by Fed chair Yellen to House and Senate committees this week. It doesn't contain anything market moving, though reaffirms the intention to commence Fed balance sheet reduction this week and pushed back once more against a strictly rules-based approach to monetary policy. It also enhanced interest in financial stability concerns – citing stretched valuations in bond, equity, and commercial real estate prices. The message here is that pushing on with policy normalisation is not wholly contingent on the incoming economic data calendar.

## Coming Up

Janet Yellen testifies on both Wednesday and Thursday. The Bank of Canada should lift rates by ¼% to 0.75% on Wednesday. China trade is Thursday and PPI/CPI today. US data highlights are CPI and retail sales both on Friday. Locally, NAB's latest business survey is tomorrow and consumer confidence on Wednesday.

## Overnight

On global stock markets, the S&P 500 was +0.64%. Bond markets saw US 10-years +1.97bp to 2.39%. In commodities, Brent crude oil -2.91% to \$46.71, gold -1.1% to \$1,210, iron ore +1.4% to \$62.80, steam coal -0.8% to \$82.55, met. coal +0.0% to \$158.50. AUD is at 0.7602 and the range since Friday 5pm Sydney time is 0.7572 to 0.7623.

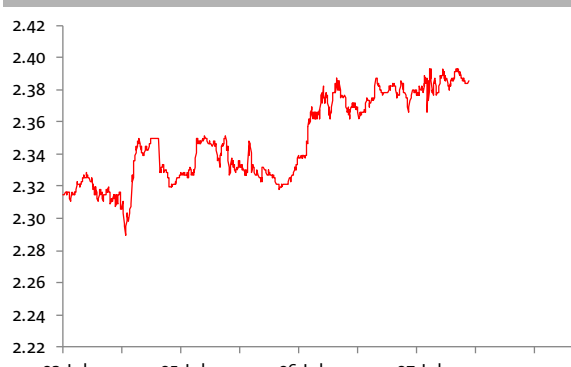
# Markets

AUD/USD - past week



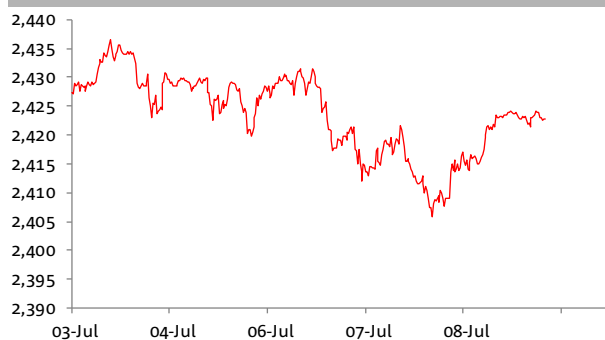
Source: Bloomberg.

US 10yr - past week



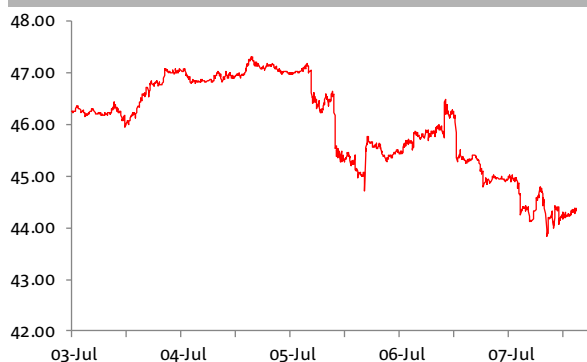
Source: Bloomberg.

S&P Future - past week



Source: Bloomberg.

WTI - past week



Source: Bloomberg.

## Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7602	0.2	0.7572	0.7623	HKD	7.8117 0.0
NZD	0.7279	0.1	0.7261	0.7310	CNY	6.8057 0.1
EUR	1.1399	-0.2	1.1380	1.1440	SGD	1.3823 0.0
GBP	1.2883	-0.7	1.2867	1.2975	IDR	13,399 0.1
JPY	113.89	0.6	113.11	114.18	THB	34.11 0.1
CAD	1.2885	-0.7	1.2860	1.2994	KRW	1,154 -0.3
AUD/EUR	0.6674	0.5	0.6634	0.6683	TWD	30.59 0.0
AUD/JPY	86.58	0.8	85.73	86.77	PHP	50.63 -0.2
AUD/GBP	0.5888	0.7	0.5840	0.5911	CHF	0.96 0.4
AUD/NZD	1.0443	0.2	1.0397	1.0463	SEK	8.44 0.0
AUD/CNH	5.1699	0.2	5.1503	5.1822		

## Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	1.25	1.31	1.65	2.35	USD 10	2.39	1.97
AUD	1.50	1.71	1.95	2.94	AUD 10	2.73	9.00 0.34
NZD	1.75	1.98	2.33	3.41	NZD 10	3.02	8.30 0.63
EUR	0.00	-0.33	-0.12	0.99	CAD 10	1.88	4.60 -0.51
GBP	0.25	0.30	0.67	1.37	EUR 10	0.57	1.10 -1.81
JPY	-0.05	0.00	0.06	0.29	GBP 10	1.31	-1.10 -1.08
CAD	0.50	1.16	1.49	2.19	JPY 10	0.09	-1.70 -2.30

## Equities

Major Indices			
	Last	% day	% y/y
Dow	21,414	0.44	18.0
S&P 500	2,425	0.64	13.9
Nasdaq	6,153	1.04	24.1
VIX	11.19	-10.77	-15.2
FTSE	7,351	0.2	11.5
DAX	12,389	0.1	28.7
CAC 40	5,145	-0.1	22.8
Nikkei	19,929	-0.3	31.9
Shanghai	3,218	0.2	7.7
Hang Seng	25,341	-0.5	23.2
ASX 200	5,704	-1.0	9.0

## Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.25	-1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.26	-11.50
3/10 sprd	0.54	11.50
SPI	5661.0	38.0

\*Change in bps

## Commodities\*

	Last	% day
Oil (Brent)	46.71	-2.9
Oil (WTI)	44.23	-2.8
Oil (Tapis)	47.29	-2.7
Gold	1209.70	-1.1
CRB	172.56	-1.1
GS Metals	325.0	-0.4
Aluminium	1921.0	-0.7
Copper	5806.5	-0.4
Nickel	8879.8	-1.7
Zinc	2793.0	0.3
Ch. steel	3421.0	0.9
Iron ore	62.8	1.4
St. Coal	82.6	-0.8
Met.coal	158.5	0.0
Wheat Chic.	535.0	-0.7
Sugar	14.2	1.7
Cotton	75.3	0.4
Coffee	128.9	-0.2
<b>Prob. of 25bps hike/cut at next meeting</b>		
	bps	%
RBA	-1.0	-4.0%
FED	-0	-0.4%

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>Monday, 10 July 2017</b>								
CH	Foreign Direct Investment YoY CNY	Jun				-3.7		
JN	Machine Orders MoM/YoY	May		1.4		-3.1	0.50	9.50
JN	BoP Current Account Adjusted	May		1597.5		1807.4	0.50	9.50
JN	Trade Balance BoP Basis	May		-45		553.6	0.50	9.50
JN	BOJ Kuroda speaks at Branch Managers' meeting						1.30	10.30
CH	CPI/PPI YoY	Jun		1.6		1.5	2.30	11.30
JN	Eco Watchers Survey Current SA	Jun		49		48.6	6.00	15.00
JN	Eco Watchers Survey Outlook SA	Jun				49.6	6.00	15.00
GE	Current Account Balance	May				15.1	7.00	16.00
EC	Sentix Investor Confidence	Jul		28.2		28.4	9.30	18.30
CH	New Yuan Loans/Aggregate Financing CNY	Jun		1300		1110	10-15 July release	
EC	ECB's Draghi, Coeure, and Nouy participate in a Eurogroup meeting in Brussels. Timing to be determined							
TU	World Petroleum Congress in Istanbul, though July 13							
CA	Bloomberg Nanos Confidence	Jul 7				58.4	15.00	0.00
US	Labor Market Conditions Index Change	Jun				2.3		
US	Consumer Credit	May		13		8.2	20.00	5.00
<b>Tuesday, 11 July 2017</b>								
NZ	Card Spending Total MoM	Jun	0.4			-0.2	23.45	8.45
UK	BRC Sales Like-For-Like YoY	Jun				-0.4	0.10	9.10
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jul 9				114.5	0.30	9.30
AU	NAB Business Conditions/Confidence	Jun				12.0	2.30	11.30
AU	Home Loans/Investment Lending MoM	May	1.2	1.3		-1.9	2.30	11.30
US	Fed's Williams Speaks in Sydney; reprises Jun 26 speech	"Speed Limits and Stall Speeds: Fostering Sustainable Growth in the United States"					4.05	13.05
JN	Machine Tool Orders YoY	Jun P				24.5	7.00	16.00
EC/IMF	IMF's Lagarde and Euro finance ministers and CB Governors at conference in Dubrovnik, Croatia							
US	NFIB Small Business Optimism	Jun				104.5	11.00	20.00
EC	ECB's Coeure gives opening remarks at FX Contact Group meeting						13.00	22.00
CA	Housing Starts	Jun				194.7	13.15	22.15
US	JOLTS Job Openings	May				6044.0	15.00	0.00
US	Wholesale Trade Sales/Inventories MoM	May		/0.3		-0.4/0.3	15.00	0.00
US	Fed's Brainard Speaks on Monetary Policy in New York: "Normalizing Central Banks' Balance Sheets"						17.00	2.00
<b>Wednesday, 12 July 2017</b>								
NZ	ANZ Truckometer Heavy MoM	Jun				4.1	23.00	8.00
JN	PPI MoM/YoY	Jun		0/2		0.0/2.1	0.50	9.50
AU	Westpac Consumer Conf Index/MoM	Jul		/		96.2/-1.8	1.30	10.30
JN	Tertiary Industry Index MoM	May		-0.4		1.2	5.30	14.30
UK	Jobless Claims Change	Jun				7.3	9.30	18.30
UK	Average Weekly Earnings/Ex Bonus 3M/YoY	May		1.8/1.9		2.1/1.7	9.30	18.30
UK	Employment Change/LO Unemployment Rate 3M/3M	May		134/4.6		109.0/4.6	9.30	18.30
EC	Industrial Production SA MoM/YoY	May		0.3/2.7		0.5/1.4	10.00	19.00
US	Fed Releases Chair Yellen's testimony to Congress						13.30	22.30
CA	Teranet/National Bank HPI MoM/YoY	Jun		/		2.2/13.9	13.30	22.30
CA	Teranet/National Bank HP Index	Jun				210.9	13.30	22.30
US	Yellen testifies before U.S. House						15.00	0.00
CA	Bank of Canada Rate Decision/Monetary Policy Report	Jul 12		0.75		0.50	15.00	0.00
CA	BOC's Poloz and Wilkins Hold Press Conference in Ottawa						16.15	1.15
US	U.S. Federal Reserve Releases Beige Book						19.00	4.00
US	Fed's George Speaks in Denver on the Economic Outlook						19.15	4.15
<b>Thursday, 13 July 2017</b>								
NZ	Food Prices MoM	Jun	0.3			2.4	23.45	8.45
UK	RICS House Price Balance	Jun		15		17.0	0.10	9.10
NZ	ANZ Consumer Confidence Index/MoM	Jul		/		127.8/3.1	2.00	11.00
AU	Consumer Inflation Expectation	Jul				3.6	2.00	11.00
JN	Tokyo Avg Office Vacancies	Jun				3.4	3.00	12.00
CH	Trade Balance CNY	Jun		268.58		281.6	4.30	13.30
CH	Exports/Imports YoY CNY	Jun		14.6/21.89		15.5/22.1	4.30	13.30
CH	Trade Balance	Jun		43		40.8	4.33	13.33
CH	Exports/Imports YoY	Jun		9/14		8.7/14.8	4.33	13.33
UK	Bank of England Credit Conditions & Bank Liabilities Surveys						9.30	18.30
GE	CPI MoM/YoY	Jun F		0.2/1.6		0.2/1.6	7.00	16.00
GE	CPI EU Harmonized MoM/YoY	Jun F		0.2/1.5		0.2/1.5	7.00	16.00
CA	New Housing Price Index MoM/YoY	May		/		0.8/3.9	13.30	22.30
US	PPI Final Demand MoM/YoY	Jun		0/1.8		0.0/2.4	13.30	22.30
US	PPI Ex Food and Energy MoM/YoY	Jun		0.2/2		0.3/2.1	13.30	22.30
US	PPI Ex Food, Energy, Trade MoM/YoY	Jun		/		-0.1/2.1	13.30	22.30
US	Initial Jobless Claims	Jul 1		243		248.0	13.30	22.30
US	Bloomberg Consumer Comfort	Jul 2				48.6	14.45	23.45
US	Fed Chair Yellen Testifies Before Senate Banking Panel						15.00	0.00
US	CBO release its analysis of President Trump's fiscal year 2018 Budget						16.00	1.00
US	Fed's Evans Speaks on current economic and monetary policy at Rocky Mountain Summit in Victor, Idaho						16.30	1.30
US	Fed's Brainard Speaks in Cambridge, Mass.						3.00	3.00
US	Monthly Budget Statement	Jun		-23		-88.4	19.00	4.00
<b>Friday, 14 July 2017</b>								
NZ	BusinessNZ Manufacturing PMI	Jun				58.5	23.30	8.30
JN	Industrial Production MoM/YoY	May F		/		-3.3/6.8	5.30	14.30
EC	Trade Balance SA	May				19.6	10.00	19.00
US	CPI MoM/YoY	Jun		0.1/1.7		-0.1/1.9	13.30	22.30
US	CPI Ex Food and Energy MoM/YoY	Jun		0.2/1.7		0.1/1.7	13.30	22.30
US	Retail Sales Advance MoM	Jun		0.1		-0.3	13.30	22.30
US	Retail Sales Ex Auto and Gas/Control Group	Jun		0.3/0.3		0.0/0.0	13.30	22.30
US	Industrial/Manufacturing Production MoM	Jun		0.3/		0.0/-0.4	14.15	23.15
US	Fed's Kaplan Speaks in Mexico City						14.30	23.30
US	U. of Mich. Sentiment/5-10 Yr Inflation	Jul P		95/		95.1/2.5	15.00	0.00
US	Business Inventories	May		0.3		-0.2	15.00	0.00
US	Baker Hughes US Rig Count/Oil Rigs	Jul 7		/		940/756	18.00	3.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
Canada, BoC		13-Jul	0.75%	0.75%		0.50%		
Japan, BoJ		20-Jul	-0.1%	-0.1%		-0.1%		
Europe ECB		20-Jul	-0.4%	-0.4%		-0.4%		
US Federal Reserve		27-Jul				1.00-1.25%		
Australia, RBA		1-Aug	1.50%	1.50%		1.50%		
UK BOE		3-Aug				0.25%		
New Zealand, RBNZ		10-Aug	1.75%	1.75%		1.75%		

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

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