

MARKETS TODAY

La Vie en Rose



Good morning

It's a nod to Bastille Day today and with the US President visiting France, declaring in a tweet his "unbreakable" relationship with the French President.

Markets overnight see the AUD at the top of the FX leader board, pushing up through the APAC session and overnight and this morning at 0.7730/35, having already tested 0.7740 in the London session. The NZD has not had the same intra-day further support, but remains north of 0.73 where it reached later yesterday. The loonie also continues to garner some support, not hurt by oil prices increasing somewhat higher overnight. Following in the patten of Norway's, Sweden's CPI overnight was higher than expectations, adding to the notion of a turning global rate cycle. NZ's CPI next week (expected to be soft at 0.1%) and Australia's the week after (expected at ~0.5%) will be important barometers.

Global bond yields rose. One comment from Yellen's reprise to the Senate Banking Panel that caught the market's attention was to the effect that it is premature to say the underlying trend in US inflation is below 2%. She did though hedge that by recognising the two sided risks on inflation. Her comments on the labour market didn't play so much to a dovish tilt, Yellen again noting that the labour market is quite tight and that there may be pressure on wages. She was also asked on the reduction in the balance sheet reduction and noted that she has no intention of returning it to "that small", a reference to ~1tr levels prior to the GFC. Unfortunately when answering this question she was interrupted without possibly going on to specify of what reduction she had in mind. Bond traders might have been taking their cue from her comment that she expected some rise in yields during the run-off of the Fed's balance sheet, even though that's no revelation.

The seeds for the modest net sell off in bonds came earlier, from bunds, German/European yields higher on news that Draghi will be speaking at the Fed's annual Jackson Hole, speaking on August 24. He last spoke there in 2014, then outlining QE and who doesn't like a good conspiracy theory? Also, it's close to what the market (including ourselves) is thinking in terms of timing when QE tapering might in any case be announced, at the September 7 ECB meeting.

Adding support to the overnight rise in bond yields, we'd also note that oil prices nudged higher. The IEA increased its 2017 global demand forecast and the US EIA reveal a larger-than-expected 7.561m weekly run down in inventories. The market chose to ignore comments from Qatar's ex oil minister in Istanbul that deeper OPEC cuts would be self-defeating and only play into the hands of the US shale producers.

The US Congressional Budget Office's (CBO) analysis of Trump Budget was mixed news for the Administration. As expected, there was no forecast nod to the

Administration's 3% aspirational growth, but they did see the deficit around one third lower than their own baseline projections, debt lower as a result. (You can see the CBO report [here](#).) In her testimony, Yellen supported the 3% growth aspiration ("it's something that would be wonderful if you can accomplish it -- I'd love to see it"), but also that "it would be quite challenging", drawing out the task of lifting productivity from ~1% over the decade to 2% to get there. She said boosting productivity a few tenths would be "a good payoff". US Budget Director Mick Mulvaney had written an op-ed piece in the WSJ highlighting the 3% goal for sustained growth. You'll hear more about the coined term "MAGAnomics" (Make America Great Again), something this scribe hadn't heard previously.

Coming up

The big release tonight for bond and other asset markets is the June US CPI report, coming with June Retail Sales. The past three CPIs have disappointed expectations and there was a sense in Yellen's formal statement to Congress that this wasn't all "one offs". Will this one add to that lingering low inflation story or gild those out there looking for more resilience in inflation readings? There's also the June Retail Sales report and what it says about the state of consumer spending and growth in Q2.

Fed's Kaplan is speaking and there is the UoM Consumer Sentiment preliminary release for July (including medium to long term inflationary expectations). For oil watchers, there's another week of US rig counts and oil production.

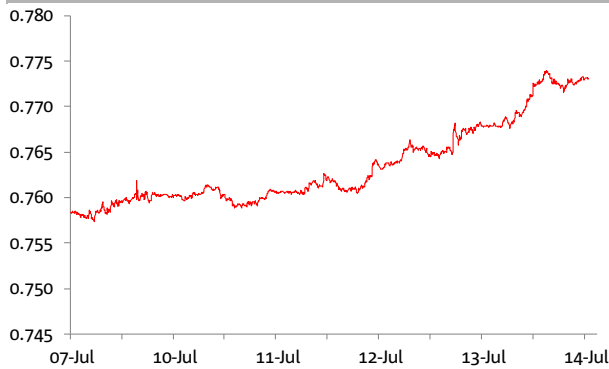
Markets next week will first centre on Chinese growth for Q2 and the accompanying June month activity reports (IP, retail sales, fixed investment.) There's been more than ample strong suggestions growth will have eased only marginally from 6.9% in Q1 to 6.8% in Q2. There's still some medium term doubts about growth, but for now at least, and especially so in the lead up to the Peoples' Congress later this year, growth continues at a healthy clip. The IMF also releases their latest world growth forecast update on Monday, at lunchtime AEDT. (The live press conference webcast is from KL this time.) Their April forecasts saw world growth as "Gaining Momentum" and expected to rise from 3.1% in 2016 to 3.5% this year and 3.6% in 2018. Not a game changer we'd think, but might add to any risk-on market momentum, if apparent then.

Overnight

On global stock markets, the S&P 500 was +0.19%. Bond markets saw US 10-years +2.67bp to 2.34%. In commodities, Brent crude oil +1.28% to \$48.35, gold-0.2% to \$1,217, iron ore +2.9% to \$65.91, steam coal +0.7% to \$83.80, met. coal -4.1% to \$164.00. AUD is at 0.773 and the range since yesterday 5pm Sydney time is 0.7675 to 0.774.

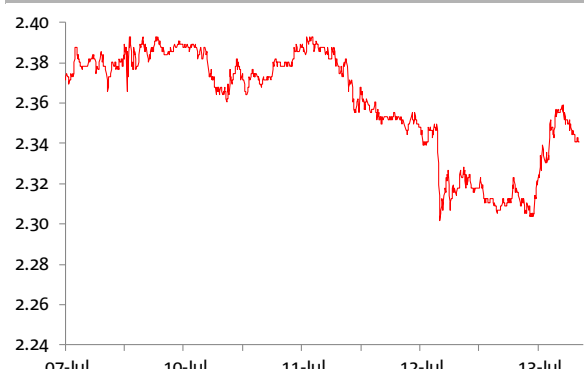
Markets

AUD/USD - past week



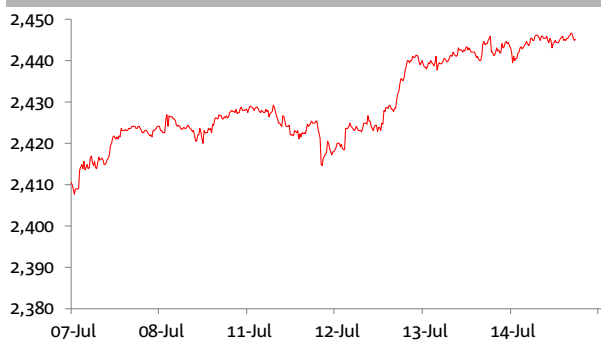
Source: Bloomberg.

US 10yr - past week



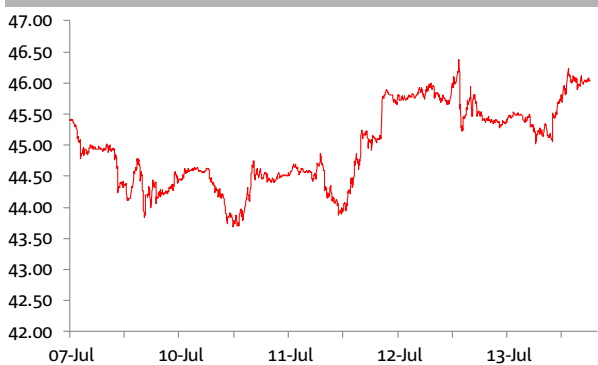
Source: Bloomberg.

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	0.7730	0.7	0.7675	0.7740	HKD	7.8086 0.0
NZD	0.7320	1.1	0.7226	0.7369	CNY	6.7835 -0.1
EUR	1.1399	-0.5	1.1370	1.1481	SGD	1.3743 -0.5
GBP	1.2942	0.6	1.2854	1.2957	IDR	13,334 -0.3
JPY	113.32	-0.2	112.86	113.76	THB	33.93 -0.3
CAD	1.2727	-1.5	1.2675	1.2941	KRW	1,138 -0.7
AUD/EUR	0.6782	1.5	0.6676	0.6800	TWD	30.38 -0.3
AUD/JPY	87.60	0.9	86.64	87.66	PHP	50.60 0.0
AUD/GBP	0.5973	0.4	0.5937	0.5992	CHF	0.97 0.5
AUD/NZD	1.0561	-0.1	1.0495	1.0597	SEK	8.36 -0.7
AUD/CNH	5.2440	1.0	5.1947	5.2490		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spnd
USD	1.25	1.30	1.61	2.30	USD 10	2.34	2.67
AUD	1.50	1.70	1.93	2.90	AUD 10	2.69	-3.30 0.34
NZD	1.75	1.97	2.28	3.36	NZD 10	2.97	-2.10 0.63
EUR	0.00	-0.33	-0.13	0.94	CAD 10	1.91	3.50 -0.43
GBP	0.25	0.29	0.66	1.34	EUR 10	0.60	2.40 -1.74
JPY	-0.05	-0.01	0.05	0.29	GBP 10	1.30	4.10 -1.04
CAD	0.75	1.21	1.53	2.22	JPY 10	0.08	-0.50 -2.26

Equities

Major Indices			
	Last	% day	% y/y
Dow	21,553	0.10	17.3
S&P 500	2,448	0.19	13.7
Nasdaq	6,274	0.21	25.3
VIX	9.90	-3.88	-24.1
FTSE	7,413	0.0	11.1
DAX	12,641	0.1	27.3
CAC 40	5,235	0.3	20.8
Nikkei	20,100	0.0	22.7
Shanghai	3,218	0.6	5.4
Hang Seng	26,346	1.2	22.2
ASX 200	5,737	1.1	6.0

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.26	1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.28	2.00
3/10 sprd	0.52	1.00
SPI	5684.0	-59.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	48.35	1.3
Oil (WTI)	46.10	1.3
Oil (Tapis)	47.44	-1.7
Gold	1216.70	-0.2
CRB	174.35	0.3
GS Metals	326.6	0.2
Aluminium	1907.3	1.7
Copper	5854.0	-0.5
Nickel	9165.5	0.0
Zinc	2802.8	-1.0
Ch. steel	3590.0	0.2
Iron ore	65.9	2.9
St. Coal	83.8	0.7
Met.coal	164.0	-4.1
Wheat Chic.	535.0	-4.5
Sugar	14.1	4.8
Cotton	66.5	-2.3
Coffee	131.2	2.8

Prob. of 25bps hike/cut at next meeting		
	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
Friday, 14 July 2017								
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		20.2		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		0.4/0.3		0.0/0.0	13:30	22:30
US	Industrial/Manufacturing Production MoM	Jun		0.3/0.2		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 14		/		952/763	18:00	3:00
Monday, 17 July 2017								
CH	Foreign Direct Investment YoY CNY	Jun				-4	Jun 8-18 release	
NZ	Performance Services Index	Jun				59	23:30	8:30
UK	Rightmove House Prices MoM/YoY	Jul		/		0/2	0:10	9:10
CH	Retail Sales YoY/YTD YoY	Jun		10.6/10.3		11/10	3:00	12:00
CH	Industrial Production YoY/YTD YoY	Jun		6.5/6.7		7/7	3:00	12:00
CH	Fixed Assets Ex Rural YTD YoY	Jun		8.5		9	3:00	12:00
CH	GDP SA QoQ/YoY	2Q		1.7/6.8		1/7	3:00	12:00
CH	GDP YTD YoY	2Q		6.8		7	3:00	12:00
IMF	IMF releases World Economic Outlook forecasts for IMF Spring meetings held in Kuala Lumpur, Malaysia						13:30	13:00
CA	Int'l Securities Transactions	May				11	13:30	22:30
US	Empire Manufacturing	Jul		15		20	13:30	22:30
CA	Existing Home Sales MoM	Jun				-6	14:00	23:00
CA	Bloomberg Nanos Confidence	Jul 14				58	15:00	0:00
Tuesday, 18 July 2017								
NZ	CPI QoQ/YoY	2Q				1	23:45	8:45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jul 16				113	0:30	9:30
AU	New Motor Vehicle Sales MoM/YoY	Jun		/		3/5	2:30	11:30
CH	Property Prices	Jun					2:30	11:30
AU	RBA July Rate Meeting Minutes						2:30	11:30
NZ	Non Resident Bond Holdings	Jun				61	4:00	13:00
EC	ECB Bank Lending Survey						9:00	18:00
EC	ECB Survey of Professional Forecasters						9:00	18:00
UK	CPI MoM/YoY	Jun		/2.8		0/3	9:30	18:30
UK	CPIH YoY/Core YoY	Jun		/		3/3	9:30	18:30
UK	PPI Input NSA MoM/YoY	Jun		/		-1/12	9:30	18:30
UK	PPI Output NSA MoM/YoY	Jun		/		0/4	9:30	18:30
UK	PPI Output Core NSA MoM/YoY	Jun		/		0/3	9:30	18:30
UK	House Price Index YoY	May				6	9:30	18:30
EC	CPI MoM/YoY	Jun		/		0/1	10:00	19:00
EC	CPI Core YoY	Jun F				1	10:00	19:00
GE	ZEW Survey Current Situation/Expectations	Jul		/		88/19	10:00	19:00
EC	ZEW Survey Expectations	Jul				38	10:00	19:00
US	Import Price Index MoM/YoY	Jun		-0.1/		0/2	13:30	22:30
US	Import Price Index ex Petroleum MoM	Jun		0.2		0	13:30	22:30
US	Export Price Index MoM/YoY	Jun		0.1/		-1/1	13:30	22:30
US	NAHB Housing Market Index	Jul		67		67	15:00	0:00
US	Net Long-term/Total TIC Flows	May		/		2/66	21:00	6:00
Wednesday, 19 July 2017								
AU	Westpac Leading Index MoM	Jun				0	1:30	10:30
AU	RBA's Heath Speech at the Women in Economics panel at the Australian Conference of Economists						6:30	15:30
JN	Machine Tool Orders YoY	Jun F				31	7:00	16:00
EC	Construction Output MoM/YoY	May		/		0/3	10:00	19:00
US	Housing Starts/MoM	Jun		1160/6.2		1092/-6	13:30	22:30
US	Building Permits/MoM	Jun		1210/3.6		1168/-5	13:30	22:30
CA	Manufacturing Sales MoM	May				1	13:30	22:30
Thursday, 20 July 2017								
AU	HIA House Affordability Index	2Q				81	15:00	
JN	Trade Balance Adjusted	Jun				134	0:50	9:50
JN	Exports/Imports YoY	Jun		/		15/18	0:50	9:50
AU	NAB Business Confidence	2Q				6	2:30	11:30
AU	Employment Change/Unemployment rate	Jun		/		42/6	2:30	11:30
AU	Participation Rate	Jun				65	2:30	11:30
AU	RBA FX Transactions Market	Jun				735	2:30	11:30
JN	All Industry Activity Index MoM	May				2	5:30	14:30
JN	BOJ Policy Balance Rate/10-year Yield target	Jul 20		/		0/0	3:45	12:45
JN	BOJ Outlook Report						3:45	12:45
GE	PPI MoM/YoY	Jun		/		0/3	7:00	16:00
JN	BOJ Kuroda speaks at press conference after MPM						7:30	16:30
CH	FX Net Settlement - Clients CNY	Jun				-85	8:00	17:00
EC	ECB Current Account SA	May				22	9:00	18:00
UK	Retail Sales Ex Auto Fuel MoM/YoY	Jun		/		-2/1	9:30	18:30
UK	Retail Sales Inc Auto Fuel MoM/YoY	Jun		/		-1/1	9:30	18:30
EC	Euro Area First Quarter Government Deficit/Debt						10:00	19:00
UK	CBI Business Optimism	Jul				1	11:00	20:00
UK	CBI Trends Total Orders/Prices	Jul		/		16/23	11:00	20:00
EC	ECB Deposit Facility Rate/Main refinancing rate	Jul 20		/		-0.40/0.00	12:45	21:45
EC	ECB Marginal Lending Facility/Asset Purchase target	Jul 20		/		0.25/60	12:45	21:45
US	Initial Jobless Claims	Jul 8		245		248	13:30	22:30
US	Philadelphia Fed Business Outlook	Jul		20		28	13:30	22:30
EC	Consumer Confidence	Jul A				-1	15:00	0:00
US	Leading Index	Jun		0.4		0	15:00	0:00
Upcoming Central Bank Interest Rate Announcements								
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%	1.00-1.25%		1.00-1.25%		
Australia, RBA		1-Aug	1.50%	1.50%		1.50%		
UK BOE		3-Aug				0.25%		
Canada, BoC		6-Sep				0.75%		
New Zealand, RBNZ		10-Aug	1.75%	1.75%		1.75%		

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

CONTACT DETAILS

Authors

David de Garis
Director, Economics
+61 3 8641 3045
david.degaris@nab.com.au

Ray Attrill
Global Co-Head of FX Strategy
+61 2 9237 1848
ray.attrill@nab.com.au

Rodrigo Catril
Currency Strategist
+61 2 9293 7109
rodrigo.h.catril@nab.com.au

Tapas Strickland
Economist
+61 2 9237 1980
tapas.strickland@nab.com.au

Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406
peter.jolly@nab.com.au

Group Economics

Alan Oster
Chief Economist
+61 3 8634 2927
alan_oster@national.com.au

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