

MARKETS TODAY

Long way down



Good morning

For an avowed AUD bear, Friday was about as depressing a day as it has been all year, AUD/USD coming within a pip of its 2016 high of 0.7835 and closing at its highest level since May 21st 2015. We'll put something out later Monday on where we stand with our forecast for AUD down to 0.70 – it looks a long way down from here.

Downside surprises on US headline and core CPI (the fourth in succession) retail sales and consumer sentiment, made it a miserable day for the US dollar. Combined with the VIX falling further below 10 and re-testing the 9.36 year-to-date low, this tells you just about everything you need to know about the AUD's 0.7832 NY closing level.

Core CPI printed 0.1% against 0.2% expected to hold at 1.7% year-on-year; retail sales fell 0.1% against +0.2% expected with core measures also weak, while the University of Michigan's preliminary July consumer sentiment index dropped by 2 points against an expected unchanged reading. Is post-election Trump-related optimism finally wearing thin? The only saving grace was industrial production that printed a little stronger than expected thanks to an ongoing revival in mining investment (i.e., further lifts to shale oil production). The Baker Hughes weekly rig count on Friday showed another 2 US rigs coming on line, to a total of 765.

In stocks, JP Morgan, Citi Group and Wells Fargo all reported better than expected earnings but their stocks all finished lower – seemingly on the interest rate message from the US data (the 'higher yields means stronger earnings' narrative suffering a setback). The S&P nevertheless finished 0.47% higher at 2,459.27 to be 1.4% on the week. The VIX lost another 0.39 to 9.51, 1.68 points lower on the week (the 9 June low was 9.36, so closing in on that).

In FX, across-the-board USD weakness saw the DXY -0.6% to 95.153 and to its lowest level since mid-September 2016 and the BBDXY -0.68%. AUD posted the strongest gains in G10, +1.31% to 0.7832. In rates the erstwhile global sovereign yield back-up suffered a further small set back Friday thanks to the US data calendar. 10s were -1.2bps to 2.333% (and so reversing most of the immediate post CPI/retail sales drop, to be -5.3bps w/w).

In commodities, dollar weakness continues to provide across-the-board support, with oil adding another 50 cents (WTI to \$46.54 and up \$2.31 on the week. Gold added \$17.8 to \$1,227.5 and is \$10.20 higher on the week. Iron ore lost 20 cents Friday but is \$2.94 up on the week to \$65.74.

Coming Up

We'll be looking to developments in Washington this week as a major market swing factor, specifically the progress of otherwise of the Senate version of a Health Care Reform bill. Abandonment of the bill - if more than

two Republicans commit to vote against - would deepened the sense Trump's whole policy agenda is dead in the water; progress could help remove some of the current Trump discount factor weakening the dollar.

It's a week ahead where both hard data and central bank speak should both be influential, though in the wake of Friday's CPI heavyweight US numbers, their calendar is pretty sparse (some state PMIs on Monday (NY) and Friday (Philadelphia) the highlights. Canada CPI and retail sales – both Friday – may be more significant in the context of a market that confidently predicts a quite early follow-up to last week's Bank of Canada rate rise.

The highlight of the week should be the ECB on Thursday, where according to a Reuters poll published Friday, the economics profession looks quite evenly split on whether the current QE-easing bias will be dropped (i.e. the expressed willingness to extend size and/or duration of the current €60bn per month bond buying). If it is dropped (as NAB thinks likely) this could well be the cue for a fresh bout of Euro buying. We also have the BoJ on Thursday, but they won't be changing their message – in fact a downgrade to their inflation forecast is the risk.

Locally, it's a heavyweight central bank/data combo with the June Labour force survey on Thursday (NAB +15k and unchanged 5.5% on unemployment), RBA minutes on Tuesday and a speech from RBA deputy Governor Guy Debelle on Friday titled "Global influences on Domestic Monetary Policy". As well as being interesting in its own right, Mr Debelle much surely be relishing the prospect of not having to deliver yet another speech on the new global FX code of conduct.

We'll also hear from Alex Heath, the RBA's Head of Economics Analysis, at the Women in Economics panel at the Australian Conference of Economists in Sydney on Tuesday, and Michele Bullock (Assistant Governor - financial system) at a conference in Melbourne on Thursday.

New Zealand's Q2 CPI data is on Tuesday, of interest in its own right but also since it can sometimes inform us about risks to forecasts for Australian CPI due next week.

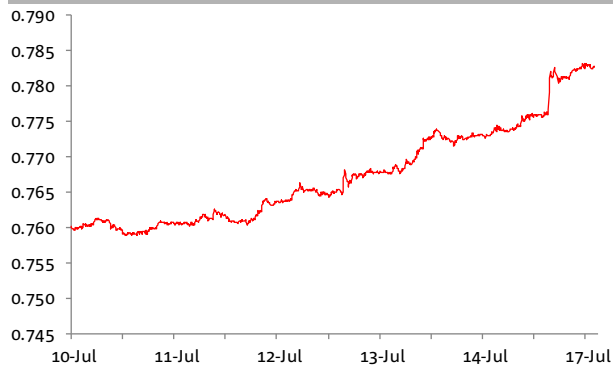
China has Q2 GDP this morning (12:00 AEST) alongside its slug of activity readings for June today, covering industrial production, retail sales and investment. GDP is expected to print at 6.8% y/y versus 6.9% in Q1. Retail sales and investment annual growth rates are seen down 0.1% and industrial production unchanged on May.

Overnight

On global stock markets, the S&P 500 was +0.47%. Bond markets saw US 10-years -1.25bp to 2.33%. In commodities, Brent crude oil +1.01% to \$48.91, gold+0.8% to \$1,228, iron ore -0.3% to \$65.74, steam coal +0.2% to \$83.95, met. coal -0.6% to \$163.00. AUD is at 0.783 and the range since Friday 5pm Sydney time is 0.7727 to 0.7836.

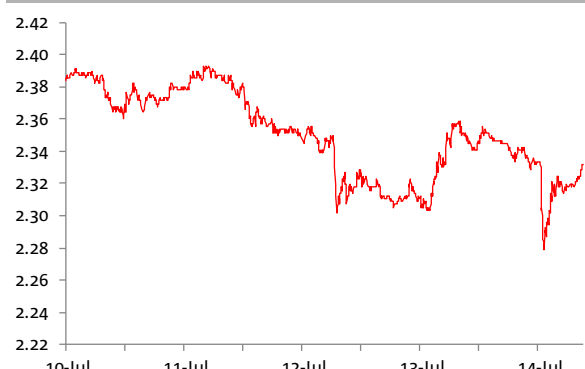
Markets

AUD/USD - past week



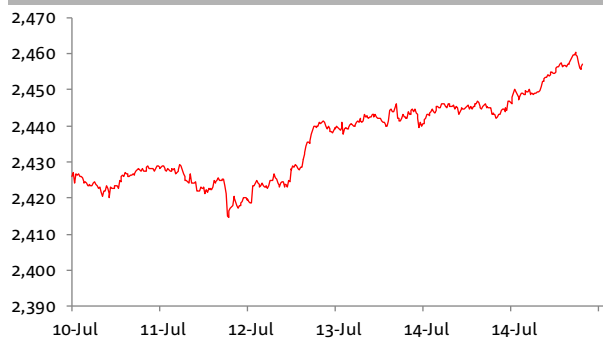
Source: Bloomberg.

US 10yr - past week



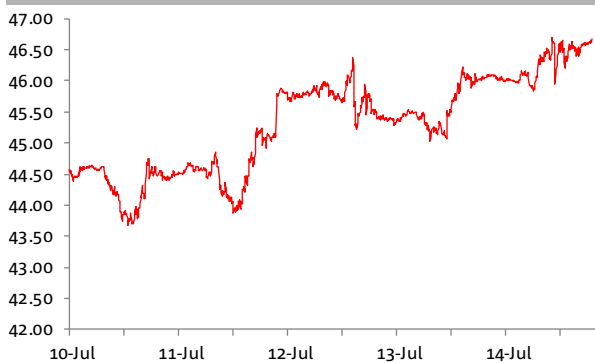
Source: Bloomberg.

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	0.7830	1.3	0.7727	0.7836	HKD	7.8065 0.0
NZD	0.7346	0.4	0.7300	0.7366	CNY	6.7753 -0.1
EUR	1.1471	0.6	1.1392	1.1475	SGD	1.3709 -0.2
GBP	1.3103	1.3	1.2936	1.3117	IDR	13,339 -0.1
JPY	112.50	-0.7	112.27	113.58	THB	33.77 -0.5
CAD	1.2654	-0.5	1.2644	1.2747	KRW	1,133 -0.3
AUD/EUR	0.6826	0.6	0.6778	0.6837	TWD	30.41 0.2
AUD/JPY	88.09	0.6	87.53	88.20	PHP	50.59 0.1
AUD/GBP	0.5976	0.0	0.5966	0.6017	CHF	0.96 -0.4
AUD/NZD	1.0659	0.9	1.0554	1.0671	SEK	8.31 -0.5
AUD/CNH	5.2928	1.0	5.2401	5.3013		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spnd
USD	1.25	1.30	1.59	2.28	USD 10	2.33	-1.25
AUD	1.50	1.70	1.93	2.90	AUD 10	2.72	3.10 0.39
NZD	1.75	1.97	2.27	3.34	NZD 10	2.95	0.40 0.62
EUR	0.00	-0.33	-0.12	0.96	CAD 10	1.90	-1.40 -0.44
GBP	0.25	0.29	0.66	1.35	EUR 10	0.60	-0.60 -1.73
JPY	-0.05	-0.01	0.05	0.27	GBP 10	1.31	0.80 -1.02
CAD	0.75	1.21	1.51	2.20	JPY 10	0.08	-0.10 -2.25

Equities

Major Indices			
	Last	% day	% y/y
Dow	21,638	0.39	16.9
S&P 500	2,459	0.47	13.8
Nasdaq	6,312	0.61	25.5
VIX	9.51	-3.94	-24.9
FTSE	7,378	-0.5	10.6
DAX	12,632	-0.1	25.5
CAC 40	5,235	0.0	19.7
Nikkei	20,119	0.1	21.9
Shanghai	3,222	0.1	5.5
Hang Seng	26,389	0.2	21.8
ASX 200	5,765	0.5	6.2

Commodities*

	Last	%
Oil (Brent)	48.91	
Oil (WTI)	46.54	
Oil (Tapis)	48.23	
Gold	1227.50	
CRB	176.28	
GS Metals	328.8	
Aluminium	1908.8	
Copper	5905.3	
Nickel	9530.0	
Zinc	2785.3	
Ch. steel	3575.0	
Iron ore	65.7	
St. Coal	84.0	
Met. coal	163.0	
Wheat Chic.	510.8	
Sugar	14.3	
Cotton	67.2	
Coffee	133.7	

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.27	2.00
3 Yr bond	97.8	0.00
10 Yr bond	97.28	-2.00
3/10 sprd	0.52	2.00
SPI	5704.0	-11.0

*Change in bps

Prob. of 25bps hike/cut at next m

	bps	%
RBA	-0.2	-
FED	0	C

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
Monday, 17 July 2017								
CH	Foreign Direct Investment YoY CNY	Jul				2	Jun 8-18 release	
NZ	Performance Services Index	Jun				59		8.30
UK	Rightmove House Prices MoM/YoY	Jul		/		0/2		9.10
NZ	RBNZ Deputy Governor Bascand Speaks on International Investment Position							11.30
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						4.00	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	0.1/1.8	0.2/1.9		1.0/2.2	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 Board Minutes						2.30	11.30
AU	NAB Cashless Retail Sales Index (new)	Jun					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		0.2/2.9		0/3	9.30	18.30
UK	CPIH YoY/Core YoY	Jun		2.7/2.6		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		0/1.3		0/1	10.00	19.00
EC	CPI Core YoY	Jun F		1.1		1	10.00	19.00
GE	ZEW Survey Current Situation/Expectations	Jul		88/18.3		88/19	10.00	19.00
EC	ZEW Survey Expectations	Jul				38	10.00	19.00
US	Import Price Index MoM/YoY	Jun		-0.2/		0/2	13.30	22.30
US	Import Price Index ex Petroleum MoM	Jun		0.1		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		68		67	15.00	0.00
US	Net Long-term/Total TIC Flows	May		/		2/66	21.00	6.00
NZ	Global Dairy Auction, early AM NZT		broadly neutral			-0.4		
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		1208/3.4		1168/-5	13.30	22.30
CA	Manufacturing Sales MoM	May		0.7		1	13.30	22.30
Thursday, 20 July 2017								
AU	HIA House Affordability Index	2Q				81	15.00	
JN	Trade Balance Adjusted	Jun		129.5		134	0.50	9.50
JN	Exports/Imports YoY	Jun		9.5/14.4		15/18	0.50	9.50
AU	NAB Business Confidence (quarterly NAB Business Survey)	2Q				6	2.30	11.30
AU	Employment Change/Unemployment rate	Jun	15/5.5	15/5.6		42/5.5	2.30	11.30
AU	Participation Rate	Jun	64.9	64.9		65	2.30	11.30
AU	RBA FX Transactions Market	Jun				735	2.30	11.30
JN	All Industry Activity Index MoM	May		-0.8		2	5.30	14.30
JN	BOJ Policy Balance Rate/10-year Yield target	Jul 20		-0.1/0		0/0	3.45	12.45
JN	BOJ Outlook Report						3.45	12.45
GE	PPI MoM/YoY	Jun		-0.1/2.3		-0.2/2.8	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		-0.5/1.3		-2/1	9.30	18.30
UK	Retail Sales Inc Auto Fuel MoM/YoY	Jun		-0.3/1.9		-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		-0.4/0		-0.40/0.00	12.45	21.45
EC	ECB Marginal Lending Facility/Asset Purchase target	Jul 20		0.25/60		0.25/60	12.45	21.45
US	Initial Jobless Claims	Jul 15				247	13.30	22.30
EC	Philadelphia Fed Business Outlook	Jul		21.5		28	13.30	22.30
US	Consumer Confidence	Jul A		-1.1		-1	15.00	0.00
US	Leading Index	Jun		0.4		0	15.00	0.00
Friday, 21 July 2017								
NZ	Net Migration SA	Jun				5900	23.45	8.45
AU	RBA's Debelle (Deputy Governor) speaks: Global Influences on Domestic Monetary Policy – at the CEDA/University of Adelaide luncheon, Adelaide						3.40	12.40
NZ	Credit Card Spending MoM/YoY	Jun		/		0.9/7.6	4.00	13.00
AU	RBA's Michele Bullock, Assistant Governor (Financial System), at Melbourne Institute/The Australian Economic & Social Policy Conference, Melbourne						4.30	13.30
UK	Public Finances (PSNCR)/PSNB ex-Banking Groups	Jun		/5		13/7	9.30	18.30
CA	CPI NSA MoM/YoY	Jun		0/1.1		0.1/1.3	13.30	22.30
CA	CPI Core- Common/Trim YoY%	Jun		/		1.3/1.2	13.30	22.30
CA	CPI Core- Median YoY%	Jun		/		1.5	13.30	22.30
CA	Retail Sales/Ex Autos MoM	May		0.3/0.3		0.8/1.5	13.30	22.30
US	Baker Hughes U.S. Rig Count/Oil Rigs	Jul 14		/		952/763	18.00	3.00
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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