

MARKETS TODAY

Down under



Good morning

We come in this morning and it's been something of a sideways/choppy night. The dollar DXY index is little changed overall amid nothing too new on the data front, no Fed speak now with the media lock down ahead of next week's FOMC, and US stocks little changed on net for the session. For what it is worth, the NY Empire State manufacturing index for July printed at 9.8 after 19.8 (f/c 15) though this is very much second tier.

The Aussie opened somewhat softer after closing in NY Friday at its highs. It eased off during the APAC session, getting some negative spill-over from across the ditch after RBNZ Deputy Governor Bascand's somewhat-hidden reference buried in a speech text that a "lower NZ dollar would help rebalance growth". The fact that such language was deliberately omitted from the press release suggested that the Bank wasn't trying to draw attention to the NZD. Indeed, a careful reading of the speech in fact gave a positive NZD story, with a chart showing the NZD not keeping up with NZ's record terms of trade and Bascand pointing to the improvement in NZ's net foreign liabilities to GDP ratio as suggesting the exchange rate may be more "sustainable".

Clearly better-than-expected Chinese GDP for the June quarter, buttressed by better growth reports for Industrial Production, Retail Sales and Fixed Asset Investment, was also AUD-supportive. After languishing below the figure for most of the APAC session, it did test higher in the London session overnight, again to at around the 0.7835 level, but has since pulled back to the figure again.

It would not have been surprising if the AUD had seen another leg up from real money flows on the back of the positive Chinese economy reports together with a move higher yesterday in the iron ore price complex. The spot benchmark Qingdao price is this morning at \$66.81/t (+\$1.07), Dalian futures prices for iron ore also getting support along the curve, the longer-dated May 18 contract up 2.37% against an increase in the spot price of 1.63% and the spot futures Dalian iron ore price of a tidy 4.79%. The spot Chinese steel rebar futures price inched higher by 0.17%, longer-dated futures more mixed-to a little higher, mostly, along the curve. Coal prices were also somewhat higher overnight, as were base metals, LME Copper up 1.18%.

It is of course conceivable that after the market ran on that reference to the NZD yesterday, there might be a degree of market trepidation ahead of the RBA Minutes. Would the RBA indicate more concern? Unlikely. The post-July Board Media Release contained absolutely no such new concern, again exactly repeating the reference that "An appreciating exchange rate would complicate this adjustment" (afforded by the depreciation of the exchange rate since 2013).

Note also that while the exchange rate was appreciating into the July meeting (it was then just over 0.76), that was after having eased the previous month, the TWI on 4 July higher than June but no higher than its May meeting level. It has since appreciated another 2.0%.

Coming up

First up for local markets is the NZ CPI for Q2. The consensus is looking for a quarterly increase of 0.2% and annual inflation slowing to 1.9% y/y, down from 2.2%. NAB looks for an even softer 0.1% q/q, expectations would back largely on account of the fall in petrol prices in June. The RBNZ's May MPS forecast was 0.3%, then based on previously higher oil prices. Any "disappointment" will have to be weighed up against what the core inflation measures say. Kiwi watchers will also be alert to any material move in tonight's Global Dairy Auction, my BNZ colleague Doug Steel, looking for a broadly neutral price outcome.

Then there are two more local and one Chinese release to watch out for at 11.30 this morning, the first being the RBA Minutes from this month's Board meeting and the second, the new NAB Cashless Retail Sales Index, this one for June and covering cashless retail purchases whether in store or not. The other is Chinese Property Prices for June.

The Minutes will be parsed for any enhancement of the summary reference to the exchange rate. Later in the week, on Friday, the market will also be on the lookout for any comments on this front from RBA Deputy Governor Guy Debelle, and of course from the RBA's Heath's (Wednesday) and Bullock's (Friday) speeches.) RBA Governor Lowe's post-Board Media Release reflected positive references to the improving labour market and business conditions, the latter having improved further since.

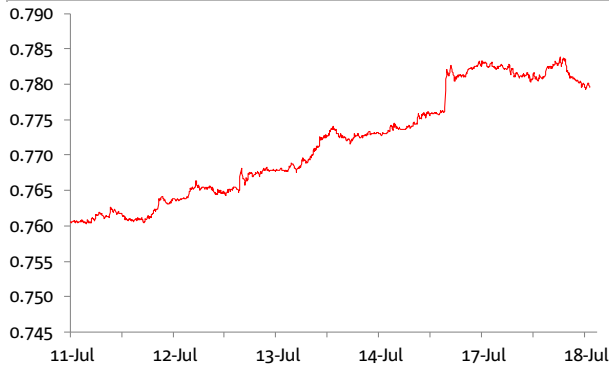
Offshore, there may be some sterling volatility around the June CPI tonight if it surprises on the high side. There are no big releases in the US with Import Prices and the NAHB Housing Index out along with the Treasury portfolio capital flows data. The market will still be looking for any signs of progress with the US health care bill in the Senate.

Overnight

On global stock markets, the S&P 500 was -0.01%. Bond markets saw US 10-years -1.78bp to 2.31%. In commodities, Brent crude oil -1.06% to \$48.39, gold+0.5% to \$1,233, iron ore +1.6% to \$66.81, steam coal +0.4% to \$84.30, met. coal +0.3% to \$163.50. AUD is at 0.78 and the range since yesterday 5pm Sydney time is 0.7792 to 0.7838.

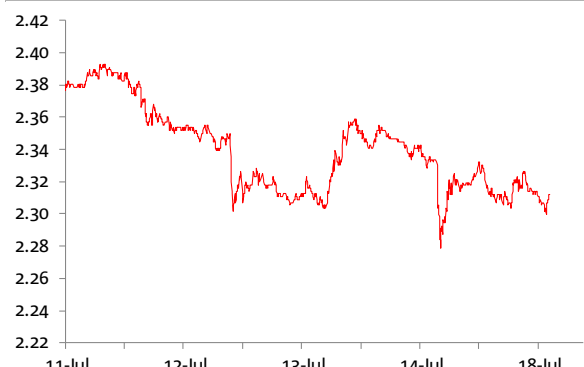
Markets

AUD/USD - past week



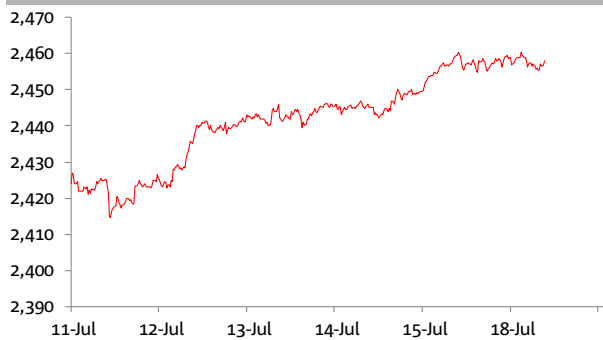
Source: Bloomberg.

US 10yr - past week



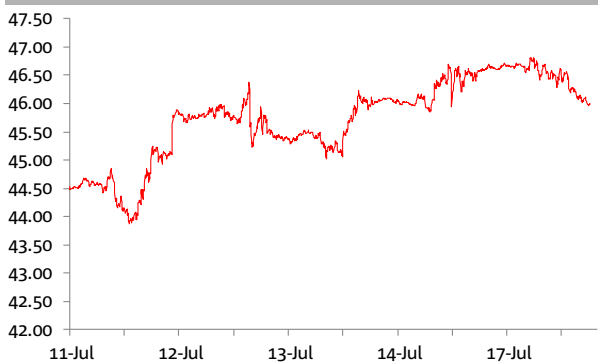
Source: Bloomberg.

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	0.7800	-0.4	0.7792	0.7838	HKD	7.8044 0.0
NZD	0.7320	0.3	0.7291	0.7370	CNY	6.7624 -0.3
EUR	1.1478	0.6	1.1382	1.1489	SGD	1.3686 -0.5
GBP	1.3055	0.7	1.3042	1.3191	IDR	13,292 -0.3
JPY	112.62	-0.5	111.74	112.87	THB	33.61 -0.8
CAD	1.2692	-0.3	1.2605	1.2704	KRW	1,128 -0.5
AUD/EUR	0.6795	0.0	0.6789	0.6839	TWD	30.40 0.1
AUD/JPY	87.85	0.0	87.50	88.39	PHP	50.69 0.1
AUD/GBP	0.5975	-0.1	0.5957	0.6001	CHF	0.96 -0.7
AUD/NZD	1.0657	0.3	1.0631	1.0705	SEK	8.30 -0.6
AUD/CNH	5.2698	0.2	5.2721	5.2996		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.30	1.59	2.26	USD 10	2.31	-1.78
AUD	1.50	1.70	1.93	2.91	AUD 10	2.73	1.30 0.42
NZD	1.75	1.96	2.25	3.35	NZD 10	2.97	0.10 0.65
EUR	0.00	-0.33	-0.13	0.95	CAD 10	1.90	-0.10 -0.42
GBP	0.25	0.29	0.65	1.32	EUR 10	0.58	-1.60 -1.73
JPY	-0.05	-0.01	0.05	0.28	GBP 10	1.27	-4.00 -1.04
CAD	0.75	1.21	1.52	2.20	JPY 10	0.08	0.00 -2.23

Equities

Major Indices			
	Last	% day	% y/y
Dow	21,630	-0.04	16.8
S&P 500	2,459	-0.01	13.8
Nasdaq	6,314	0.03	25.5
VIX	9.82	3.26	-22.5
FTSE	7,404	0.3	11.0
DAX	12,587	-0.4	25.0
CAC 40	5,230	-0.1	19.6
Nikkei	20,119	0.0	21.9
Shanghai	3,176	-1.4	4.4
Hang Seng	26,471	0.3	21.4
ASX 200	5,755	-0.2	5.4

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.27	1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.28	-0.50
3/10 sprd	0.52	0.50
SPI	5699.0	-9.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	48.39	-1.1
Oil (WTI)	46.00	-1.2
Oil (Tapis)	48.55	0.7
Gold	1233.20	0.5
CRB	175.88	-0.2
GS Metals	329.9	0.4
Aluminium	1896.3	-0.7
Copper	5971.0	1.1
Nickel	9554.5	0.3
Zinc	2808.3	0.8
Ch. steel	3620.0	1.2
Iron ore	66.8	1.6
St. Coal	84.3	0.4
Met.coal	163.5	0.3
Wheat Chic.	530.3	-0.8
Sugar	14.1	-1.5
Cotton	68.6	2.1
Coffee	133.6	-0.1
Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-0.2	-1.0%
FED	0	0.0%

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
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		0.3/2.9	9.30	18.30
UK	CPI Core YoY	Jun		2.6		2.6	9.30	18.30
UK	PPI Input NSA MoM/YoY	Jun		-0.9/9.3		-1/12	9.30	18.30
UK	PPI Output NSA MoM/YoY	Jun		0.1/3.4		0/4	9.30	18.30
UK	PPI Output Core NSA MoM/YoY	Jun		0.1/2.8		0/3	9.30	18.30
UK	House Price Index YoY	May		3		6	9.30	18.30
EC	CPI MoM/YoY	Jun		0/1.3		-0.1/1.4	10.00	19.00
EC	CPI YoY	Jun F		1.3		1.4	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		88/19	10.00	19.00
EC	ZEW Survey Expectations	Jul				38	10.00	19.00
US	Import Price Index MoM/YoY	Jun		-0.2/1.3		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
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		1201/2.8		1168/-5	13.30	22.30
CA	Manufacturing Sales MoM	May		0.8		1	13.30	22.30
Thursday, 20 July 2017								
AU	HIA House Affordability Index	2Q				81	15.00	
JN	Trade Balance Adjusted	Jun		127.5		134	0.50	9.50
JN	Exports/Imports YoY	Jun		9.5/14.5		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		0.5/2.5		-2/1	9.30	18.30
UK	Retail Sales Inc Auto Fuel MoM/YoY	Jun		0.4/2.6		-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		245		247	13.30	22.30
US	Philadelphia Fed Business Outlook	Jul		22.9		28	13.30	22.30
EC	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, Melb						4.30	13.30
UK	Public Finances (PSNCR)/PSNB ex-Banking Groups	Jun		/4.9		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/		1.3/1.2	13.30	22.30
CA	CPI Core- Median YoY%	Jun				1.5	13.30	22.30
CA	Retail Sales/Ex Autos MoM	May		0.3/0.1		0.8/1.5	13.30	22.30
US	Baker Hughes U.S. Rig Count/Oil Rigs	Jul 21		/		952/765	18.00	3.00
US	Baker Hughes U.S. Rotary Oil Rigs	Jul 21				765	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%				
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

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