

# MARKETS TODAY

## *Twelfth of never*



### Good morning

The pick-up in market price action has continued overnight in FX markets, with the EUR to star performer, not only against what proved to further weakness in the USD, but on the crosses. The AUD meanwhile has been cutting through all of the price action and is continuing to do more work perched comfortably in the mid 79s, ahead of Guy Debelle's speech at lunchtime today. (More on that below.) The AUD tested higher levels after yesterday's solid local employment report (containing as-expected top line employment growth and faster full-time employment growth), but didn't breach the 80 cent mark even with a softer USD. Global bond markets marked time overnight with very little net change in the US and very slight rise in European yields.

The interest started yesterday with the Bank of Japan making no change to its Yield Curve Control/QE policy settings, entirely as expected. But again – for the sixth time under BoJ Governor Kuroda's stewardship – the Bank pushed out the time when they expect to reach their 2% inflation goal, adding a bid tone to the USD/JPY. The Bank was expecting to meet their target around FY18 (begins 1 April 18). They revised down their CPI forecast for FY18 to 1.5% from 1.7%, now expecting that 2% inflation would be reached around FY19. Kuroda said that risks are tilted to the downside for the economy and prices, noting that the economy was expanding moderately.

But that USD/JPY price action reversed overnight as the USD came under renewed pressure after it was revealed that the Mueller investigation into Russian involvement in the US election is to be widened to a broad range of financial transactions involving Trump's businesses. This pushed the USD lower by up to around 0.65%.

The seeds for a weaker USD were partly set earlier overnight, especially after ECB President Draghi press conference following the central bank's meeting. The formal released statement (pre-press conference) from the Governing Council re-affirmed that "if the outlook becomes less favourable, or if financial conditions become inconsistent with further progress towards a sustained adjustment in the path of inflation, the Governing Council stands ready to increase the programme in terms of size and/or duration".

The EUR (and yields) drifted a little lower, but the price action heated up – the Euro soaring - once Draghi's press conference got underway. He said that policy measures have continued to secure the very favourable conditions necessary to help the 'process towards' a sustained convergence. Last month the words 'process towards' were not there. Perhaps a point of semantics, but that did set the bar a bit lower.

He was firm in saying that it was unanimous in setting no precise date for when to discuss QE changes, but he did add that discussions should take place in the fall or the

autumn or the fall. Bingo! The market was looking for any reasonable indication that the upcoming September 7 meeting would/could be the meeting when the ECB would announce a firm program to begin winding down QE. And that was enough for the market to run on. It's at that meeting when there will be a full forecast review.

The ECB President also appeared not to push back too hard on the appreciation of the EUR. Instead, in response to a question on the exchange rate, he said that overall financial conditions include bank lending surveys, rates, corporate bond spreads, equities and household wealth had been broadly supportive. So not overly pushing back too hard on the Euro. That preceded the announcement of the expansion of the Mueller investigation that further took the edge off the USD.

The Pound had a mixed night, underperforming especially against the Euro, weighed down by Brexit and despite somewhat better than expected UK retail sales for June. Cable did make up some lost ground against the USD after the Mueller expansion announcement. One other big mover on the currency front overnight was a higher NZD, seemingly playing catch-up to the AUD.

### Coming up

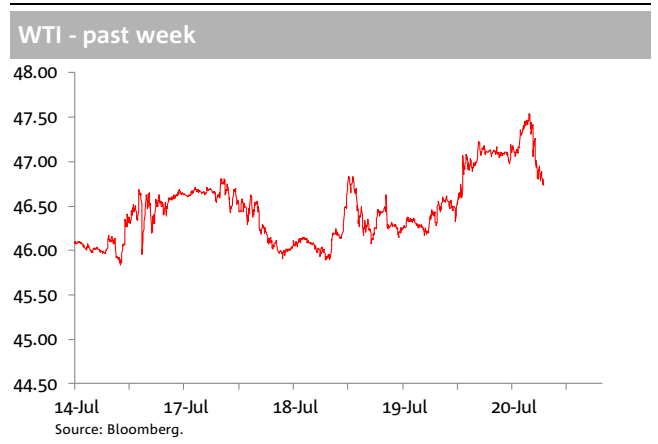
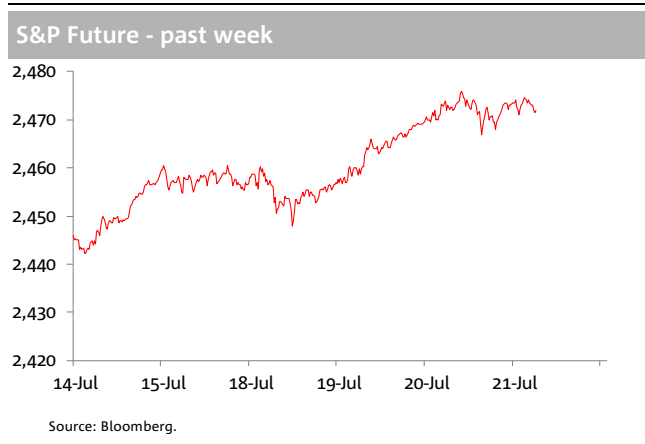
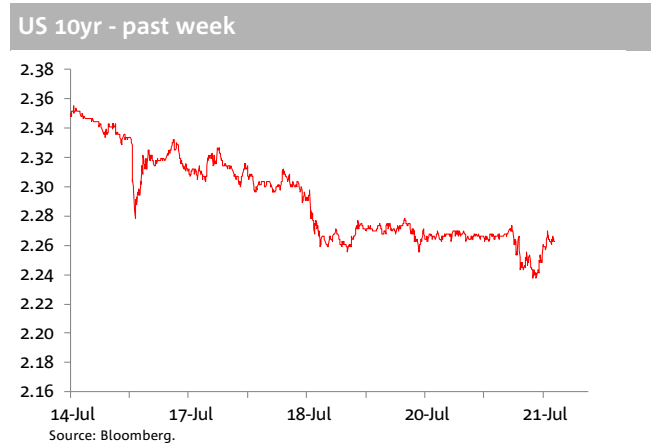
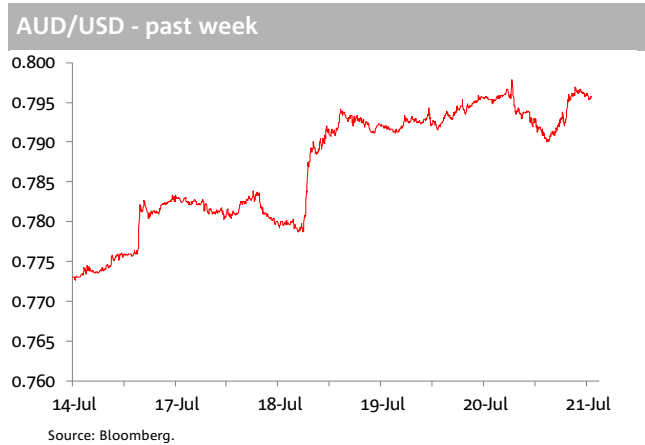
For the AUD, it's now pretty much all about the Guy Debelle speech today, speaking on "Global Influences on Domestic Monetary Policy", at the CEDA/University of Adelaide function at 12.10 Adelaide time, 12.40 Eastern time. The market will be especially attentive to any comments/perspectives that Debelle has on the dollar and the 3.5% neutral policy rate referred to in Tuesday's Minutes. Is the rise in the Australian dollar becoming a potential policy issue, it is already or in danger of being overvalued and any policy take outs or hints from the neutral rate discussion? A piece in today's AFR suggests the neutral rate discussion was not a hard policy signal, but one cannot help but think the RBA might not be totally disappointed with the rate market reaction. There is another RBA speaker today, Michele Bullock Assistant Governor (Financial System) speaking at 2.15 AEDT.

There are NZ net migration figures this morning while tonight, Canada's CPI and retail sales reports will get some market attention.

### Overnight

On global stock markets, the S&P 500 was -0.02%. Bond markets saw US 10-years -1.07bp to 2.26%. In commodities, Brent crude oil -0.93% to \$49.24, gold+0.2% to \$1,244, iron ore -3.1% to \$68.05, steam coal +1.0% to \$86.70, met. coal +0.6% to \$164.00. AUD is at 0.7956 and the range since yesterday 5pm Sydney time is 0.7898 to 0.7989.

# Markets



Foreign Exchange				
Indicative 24hr ranges (**)				
	Last	% chge	Low	High
AUD	0.7956	0.1	0.7898	0.7989
NZD	0.7402	0.5	0.7333	0.7436
EUR	1.1633	0.9	1.1479	1.1661
GBP	1.2975	-0.6	1.2933	1.3054
JPY	111.85	-0.2	111.48	112.42
CAD	1.2590	-0.3	1.2536	1.2641
AUD/EUR	0.6841	-0.6	0.6828	0.6934
AUD/JPY	88.99	0.1	88.63	89.38
AUD/GBP	0.6132	0.9	0.6076	0.6147
AUD/NZD	1.0749	-0.2	1.0735	1.0846
AUD/CNH	5.3691	0.2	5.3477	5.3986

Other FX		
	Last	% chge
HKD	7.8103	0.0
CNY	6.7479	-0.1
SGD	1.3664	-0.1
IDR	13,312	0.0
THB	33.58	-0.1
KRW	1,121	-0.2
TWD	30.38	0.0
PHP	50.66	-0.4
CHF	0.95	-0.3
SEK	8.22	-0.8

Interest Rates							
Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.31	1.59	2.23	USD 10	2.26	-1.07
AUD	1.50	1.70	2.00	2.93	AUD 10	2.74	1.40 0.48
NZD	1.75	1.94	2.23	3.29	NZD 10	2.95	1.50 0.69
EUR	0.00	-0.33	-0.15	0.91	CAD 10	1.88	-1.60 -0.38
GBP	0.25	0.29	0.61	1.26	EUR 10	0.53	-1.20 -1.73
JPY	-0.06	-0.01	0.04	0.26	GBP 10	1.21	1.30 -1.05
CAD	0.75	1.24	1.54	2.18	JPY 10	0.08	0.30 -2.18

Equities			
Major Indices			
	Last	% day	% y/y
Dow	21,612	-0.13	16.2
S&P 500	2,473	-0.02	13.8
Nasdaq	6,390	0.08	25.5
VIX	9.58	-2.15	-18.6
FTSE	7,488	0.8	11.3
DAX	12,447	0.0	22.7
CAC 40	5,199	-0.3	18.7
Nikkei	20,145	0.6	19.8
Shanghai	3,245	0.4	6.8
Hang Seng	26,740	0.3	21.5
ASX 200	5,761	0.5	4.5

Overnight Futures		
	Last	Chge*
Australia		
3 mth bill	98.26	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.26	-3.00
3/10 sprd	0.55	6.00
SPI	5688.0	-23.0

\*Change in bps

Commodities*		
	Last	% day
Oil (Brent)	49.24	-0.9
Oil (WTI)	46.93	-0.4
Oil (Tapis)	49.14	1.4
Gold	1243.90	0.2
CRB	178.40	-0.1
GS Metals	326.5	-0.3
Aluminium	1901.3	-0.2
Copper	5937.8	-0.1
Nickel	9459.0	-1.6
Zinc	2720.0	-0.7
Ch. steel	3492.0	-4.2
Iron ore	68.1	-3.1
St. Coal	86.7	1.0
Met.coal	164.0	0.6
Wheat Chic.	529.3	0.5
Sugar	14.4	-0.6
Cotton	69.6	1.1
Coffee	135.0	-0.6

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
<b>Friday, 21 July 2017</b>								
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	-0.1/1.1			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		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
<b>Monday, 24 July 2017</b>								
JN	Nikkei Japan PMI Mfg	Jul P				52	1.30	10.30
IMF	IMF releases World Economic Outlook forecasts for IMF Spring meetings held in Kuala Lumpur, Malaysia						4.00	13.00
JN	Leading Index CI	May F				105	6.00	15.00
JN	Coincident Index	May F				116	6.00	15.00
GE	Markit/BME Germany Manufacturing PMI	Jul P				60	8.30	17.30
GE	Markit Germany Services/Composite PMI	Jul P	/			54/56	8.30	17.30
EC	Markit Eurozone Manufacturing PMI	Jul P				57	9.00	18.00
EC	Markit Eurozone Services/Composite PMI	Jul P	/			55/56	9.00	18.00
CA	Wholesale Trade Sales MoM	May				1	13.30	22.30
CH	Conference Board Leading Economic Index	Jun					14.00	23.00
US	Markit US Manufacturing PMI	Jul P		52.3		52	14.45	23.45
US	Markit US Services/Composite PMI	Jul P		/		54/53	14.45	23.45
AU	HIA House Affordability Index	2Q				81		
CA	Bloomberg Nanos Confidence	Jul 21				58	15.00	0.00
US	Existing Home Sales, #/MoM	Jun		5.55/-1.25		6/1	15.00	0.00
<b>Tuesday, 25 July 2017</b>								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jul 23				113	0.30	9.30
JN	BOJ Minutes of June 15-16 Meeting						0.50	9.50
GE	IFO Business Climate	Jul				115	9.00	18.00
GE	IFO Current Assessment/Expectations	Jul	/			124/107	9.00	18.00
UK	CBI Business Optimism	Jul				1	11.00	20.00
UK	CBI Trends Total Orders/Selling Prices	Jul		12/		16/23	11.00	20.00
US	FHFA House Price Index MoM	May		0.5		1	14.00	23.00
US	S&P CoreLogic CS 20-City MoM SA/YoY	May		0.2/5.7		0/6	14.00	23.00
US	Conf. Board Consumer Confidence	Jul		116		119	15.00	0.00
US	Richmond Fed Manufact. Index	Jul		7		7	15.00	0.00
<b>Wednesday, 26 July 2017</b>								
NZ	Trade Balance NZD	Jun		300		103	23.45	8.45
JN	PPI Services YoY	Jun		0.7		1	0.50	9.50
AU	Skilled Vacancies MoM	Jun				1	2.00	11.00
AU	CPI QoQ/YoY	2Q		0.5/2.3		1/2	2.30	11.30
AU	CPI Trimmed Mean QoQ/YoY	2Q		0.6/1.9		1/2	2.30	11.30
AU	CPI Weighted Median QoQ/YoY	2Q		0.5/1.7		0/2	2.30	11.30
JN	BOJ Nakaso speaks in Hiroshima						2.30	11.30
AU	RBA's Lowe Speech in Sydney						4.05	13.05
JN	Small Business Confidence	Jul				49	6.00	15.00
UK	BBA Loans for House Purchase	Jun				40347	9.30	18.30
UK	GDP QoQ/YoY	2Q A		0.3/1.7		0/2	9.30	18.30
UK	Index of Services MoM/ 3M/3M	May		0.1/0.4		0/0	9.30	18.30
US	New Home Sales, #/Mom	Jun		615/0.8		610/3	15.00	0.00
US	FOMC Rate Decision (Lower/Upper Bound)	Jul 26		1/1.25		1/1	19.00	4.00
<b>Thursday, 27 July 2017</b>								
CH	Swift Global Payments CNY	Jun				2	2.00	11.00
AU	Export/Import Price Index QoQ	2Q		-4/0.8		9/1	2.30	11.30
CH	Industrial Profits YoY	Jun				17	2.30	11.30
GE	GfK Consumer Confidence	Aug				11	7.00	16.00
UK	CBI Retailing/Total Dist. Reported Sales	Jul		/		12/17	11.00	20.00
US	Durable Goods Orders	Jun P		2.9		-1	13.30	22.30
US	Cap Goods Orders Nondef Ex Air	Jun P		0.4		0	13.30	22.30
US	Initial Jobless Claims	Jul 15		245		247	13.30	22.30
US	Advance Goods Trade Balance	Jun		-65		-65.9	13.30	22.30
US	Wholesale/Retail Inventories MoM	Jun P		/		0/1	13.30	22.30
US	Chicago Fed Nat Activity Index	Jun				0	13.30	22.30
US	Bloomberg Consumer Comfort	Jul 16				47	14.45	23.45
CA	CFIB Business Barometer	Jul				61		
US	Kansas City Fed Manf. Activity	Jul				11	16.00	1.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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%		
New Zealand	RBNZ	10-Aug	1.75%	1.75%		1.75%		
Canada	BoC	6-Sep				0.75%		
Europe	ECB	7-Sep	-0.4%	-0.4%		-0.4%		
Japan	BoJ	21-Sep	-0.1%	-0.1%		-0.1%		

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

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