

# MARKETS TODAY

## Levels



### Good morning

It has been a quiet start to the week in the northern hemisphere with no major market moves overnight. US equities ended the day mixed with the Dow and S&P marginally lower while the NASDAQ closed marginally higher. A better than expected PMI print has helped the USD stabilise while on the other side of the Atlantic the Euro has lost a bit of ground amid softer than expected activity indicators. Oil prices are a little bit stronger after Saudi Arabia and Russia threatened to escalate the dispute with countries that have not complied with production cuts and early this morning President Trump called on all Republican senators to end “the Obamacare nightmare” ahead of a procedural vote to start debate on the health care bill.

We like Nick Jonas 2015 hit “Levels”, for currency markets it is all about levels at the moment. After falling to a 15 month low, the USD is approaching some critical levels (specifically 92.0 on the narrow DXY index and 1150 for the broader BBDXY). We do have the FOMC meeting early on Thursday morning, but US politics could be a big test ahead of that. Opening the debate on repealing and replacing the Obamacare bill could be a positive for the USD as it would improve the prospect for the Trump administration to get its infrastructure spending and tax reform agenda back on track. On the other hand, failure to open the debate is likely to be a significant test for those key levels to hold. We doubt either will break convincingly with ease (at least not at first time of asking) but if we do break through, the potential for accelerated US dollar losses is fairly obvious.

Meanwhile after three up days, the EUR traded with a softer tone overnight. Yesterday morning the pair traded to an intraday high of 1.1680, but since then it has drifted lower and is currently trading at 1.1642. Mixed German and French PMIs in July saw the EU manufacturing PMI slipped to 56.8 vs 57.2 exp. and while the services PMI printed in line with expectations at 55.4. For now we think a Euro pull backs should find support at 1.1475 while strong resistance is seen at 1.1750.

Similar to the Euro, yesterday the AUD reached an intraday high of 0.7968, but it has traded with a softer tone during the overnight session and the pair opens this morning at 0.7924. We don't have a lot in the domestic calendar today, thus if the 80c level is to be tested over the next 24hrs, the catalyst is likely to come from the USD side and as noted above US politics could be the likely culprit. AU CPI data and Governor Lowe speech tomorrow are the two domestic events likely to trouble the AUD this week and our guess is that both are unlikely to be an upward force for the currency.

Oil prices are just over 1% stronger following comments from Saudi Arabia in St. Petersburg. At a joint

OPEC/Non-OPEC conference Saudi Arabia's energy minister Khalid al Falih said that “We are going to forcefully demand participation “ from all producers. He then also added that Saudi Arabia would lead by example and cap its exports in August at 6.6m b/d, down from 6.9m b/d in May and 1m b/d lower than last year's monthly.

In other news Former Federal Reserve Governor Daniel Tarullo said weak inflation could weigh on the Fed's discussions about whether to raise interest rates again, with only little risk that prices will surge out of control. Tarullo said the risks of runaway inflation “seem pretty modest at this juncture.”

### Coming Up

Today is probably the quietest day of the week with very little on the calendar to trouble the scorers. This morning Australia gets its weekly consumer confidence reading and in Japan the BoJ releases the Minutes from its 14-16 June meeting. The latter unlikely to be market moving given last week's BoJ Meeting.

Later in the day the IFO survey is out in Germany and after the lower than expected ZEW survey earlier in July (although still at elevated levels), the market will be looking to see if the more representative IFO survey also shows any signs of cooling in economic activity. While historically the IFO index has been a good GDP growth predictor, the current elevated index level appears to be exaggerating the potential growth over the coming quarters.

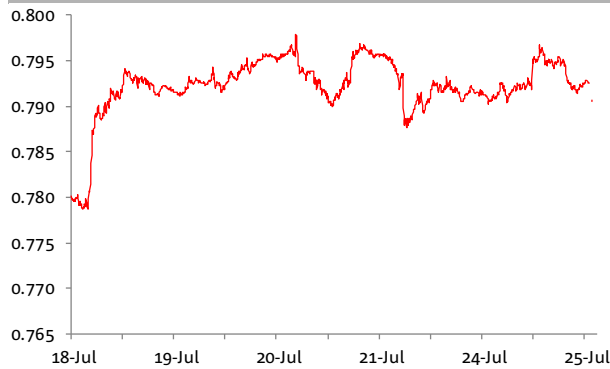
Moving onto the US, FHFA House price Index and Case-Shiller Home prices are the first two cabs off the rank, followed by Conf. Board Consumer Confidence and Richmond Fed Manufacturing Index. The confidence index has been slipping in recent months and although the June reading did show a small rebound, the market is looking for the index to drop again in July (116 exp. vs. 118.9 prev.). Fed speakers are in a hiatus ahead of the FOMC meeting Thursday morning and as we learned this morning the US Senate may vote on the healthcare bill tonight/tomorrow morning.

### Overnight

On global stock markets, the S&P 500 was -0.11%. Bond markets saw US 10-years +1.77bp to 2.26%. In commodities, Brent crude oil +1.33% to \$48.7, gold+0.0% to \$1,255, iron ore +1.1% to \$67.86, steam coal -0.1% to \$86.35, met. coal +0.0% to \$164.00. AUD is at 0.7924 and the range since yesterday 5pm Sydney time is 0.7901 to 0.7968.

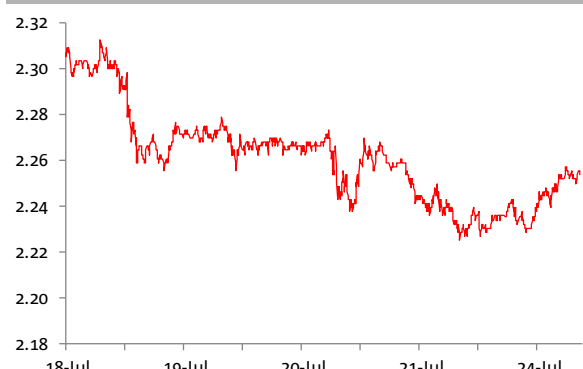
# Markets

AUD/USD - past week



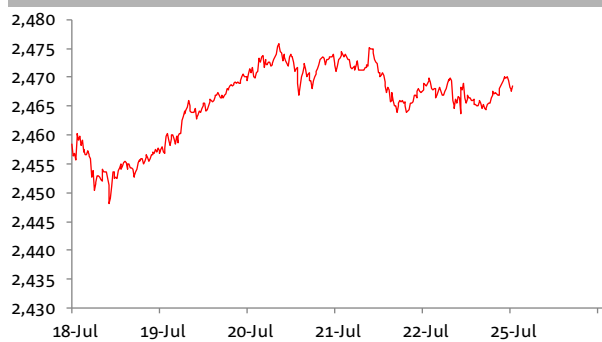
Source: Bloomberg.

US 10yr - past week



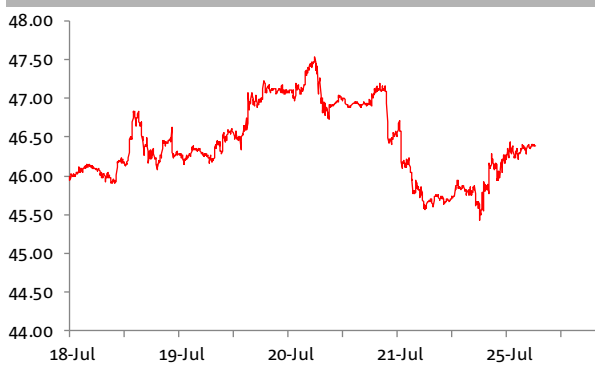
Source: Bloomberg.

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	0.7924	0.1	0.7901	0.7968	HKD	7.8066 0.0
NZD	0.7436	-0.2	0.7422	0.7464	CNY	6.7512 -0.2
EUR	1.1641	-0.2	1.1626	1.1684	SGD	1.3622 0.0
GBP	1.3027	0.2	1.2984	1.3058	IDR	13,309 0.0
JPY	111.16	0.0	110.62	111.32	THB	33.41 -0.1
CAD	1.2514	-0.2	1.2484	1.2574	KRW	1,114 -0.4
AUD/EUR	0.6807	0.3	0.6756	0.6840	TWD	30.33 -0.3
AUD/JPY	88.08	0.1	87.65	88.27	PHP	50.67 -0.1
AUD/GBP	0.6082	-0.1	0.6062	0.6121	CHF	0.95 0.1
AUD/NZD	1.0656	0.4	1.0607	1.0704	SEK	8.22 -0.3
AUD/CNH	5.3510	-0.1	5.3401	5.3763		

## Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.31	1.60	2.22	USD 10	2.26	1.77
AUD	1.50	1.69	1.97	2.89	AUD 10	2.68	-2.00 0.42
NZD	1.75	1.93	2.23	3.28	NZD 10	2.94	2.10 0.68
EUR	0.00	-0.33	-0.16	0.89	CAD 10	1.92	3.80 -0.33
GBP	0.25	0.29	0.60	1.24	EUR 10	0.51	0.20 -1.75
JPY	-0.06	-0.01	0.04	0.25	GBP 10	1.19	1.30 -1.07
CAD	0.75	1.25	1.58	equesting Dat.	JPY 10	0.07	0.50 -2.18

## Equities

Major Indices			
	Last	% day	% y/y
Dow	21,513	-0.31	15.8
S&P 500	2,470	-0.11	13.6
Nasdaq	6,411	0.36	25.7
VIX	9.43	0.75	-21.5
FTSE	7,378	-1.0	9.6
DAX	12,209	-0.3	20.3
CAC 40	5,128	0.2	17.0
Nikkei	19,976	-0.6	20.2
Shanghai	3,251	0.4	7.8
Hang Seng	26,847	0.5	22.1
ASX 200	5,688	-0.6	2.8

## Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.27	1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.30	4.00
3/10 sprd	0.50	-4.00
SPI	5638.0	26.0

\*Change in bps

## Commodities\*

	Last	% day
Oil (Brent)	48.70	1.3
Oil (WTI)	46.48	1.6
Oil (Tapis)	47.68	-2.8
Gold	1255.30	0.0
CRB	176.23	-0.2
GS Metals	329.7	0.5
Aluminium	1896.3	-0.2
Copper	6006.8	0.4
Nickel	9742.0	2.7
Zinc	2781.5	1.2
Ch. steel	3515.0	0.3
Iron ore	67.9	1.1
St. Coal	86.4	-0.1
Met.coal	164.0	0.0
Wheat Chic.	513.5	-1.7
Sugar	14.4	0.0
Cotton	69.0	-0.2
Coffee	132.6	-2.9
<b>Prob. of 25bps hike/cut at next meeting</b>		
	bps	%
RBA	0.0	0.0%
FED	-0	-1.6%

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>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		-0.5		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		120/4.6		109.0/4.6	9.30	18.30
EC	Industrial Production SA MoM/YoY	May		1/3.5		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		275.1		281.6	4.30	13.30
CH	Exports/Imports YoY CNY	Jun		14.6/22.3		15.5/22.1	4.30	13.30
CH	Trade Balance	Jun		43		40.8	4.33	13.33
CH	Exports/Imports YoY	Jun		9/14.4		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		0.4/3.5		0.8/3.9	13.30	22.30
US	PPI Final Demand MoM/YoY	Jun		0/1.9		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		0.2/		-0.1/2.1	13.30	22.30
US	Initial Jobless Claims	Jul 8		245		248.0	13.30	22.30
US	Bloomberg Consumer Comfort	Jul 9				48.5	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		-20		-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		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
<b>Monday, 17 July 2017</b>								
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		6.5/6.6		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
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 7				58	15.00	0.00
<b>Tuesday, 18 July 2017</b>								
NZ	CPI QoQ/YoY	2Q				1	23.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jul 9				115	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		/		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	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
<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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