

MARKETS TODAY

Get it on



Good morning

Judged by equity, bond, and commodity markets, it's been well and truly a risk-on night, but it's been more mixed as far as the currency market has been concerned. The AUD did test 0.7970 but was unable to hold that level and now sits back at 0.7940. In a similar vein, USD/CAD and USD/NOK did test lower levels, but have retraced despite a sizeable move up in oil prices, now by \$2.20/bbl, +4½-5% for WTI and Brent, Brent pushing through \$50/bbl.

In the past hour, RBNZ Assistant Governor and Chief Economist John McDermott has been speaking and has not been heavy-handed at all in talking down the NZD. Instead he spoke of the neutral interest rate now being 3.5%, that it's falling, that core inflation is running at 1.4%, symptomatic of moderate inflation pressures. The NZD has tried to push a little lower, but the initial market reaction was marginal at most and since more than fully unwound.

The USD has had a choppy night, initially seeing some selling (Euro support after yet another stellar German Ifo Survey) but recovering after better consumer confidence and in the past two hours a US procedural Senate vote (51-50) to advance the health care debate. The press is reporting that a vote on the Senate health bill could come later this week. Timing, whether there will be a vote, and what might be voted on are all still to play for, even talk of a "skinny repeal" bill.

Oil prices pushed higher overnight, Saudi Oil Minister Kalid Al-Falih pledging to cut export shipments in August to 6mbpd, down 1mbpd from last August, and that the Saudis won't act alone. Energy and material stocks in the US have had a good night, up 1.26% and 1.16% respectively, with Dr Copper performing nearly as strongly as oil, up 3.29% on the LME, other base metals also performing strongly, as did iron ore and steel prices yesterday in China. Caterpillar's results also shot the lights out, its shares up 5.8%.

Global bond yields are higher across the board (Germany 10y bunds by 5.8 bps and US 10s by 7.3), not hurt by strong readings from the German Ifo Survey and the Conference Board's measure of Consumer Confidence, both beating street expectations. It's been like a broken record reporting on accelerating German business conditions consistently for a year now and at record highs (at least since German unification).

Meanwhile the IMF urged the ECB to maintain its very stimulatory policy, seemingly having some impact in holding back the Euro during the session. Not to be outdone, US Consumers were not only more chipper in July but reported a further improvement in the job market, the net jobs plentiful index now at its highest level since 2001, some more comfort on perceptions of the jobs market from the street level for the Fed.

David de Garis, Director, Economics

Coming up

After NZ trade figures at 8.45 AEDT (little market impact expected), two market sensitive events loom, first the June quarter CPI and just after 1pm RBA Governor Lowe is speaking on "The Labour Market and Monetary Policy". Could there be a more market-relevant topic? The Bank's view of only gradual increases in underlying inflation over the next year or two is well known. Today's CPI figures we expect will likely reveal almost unchanged headline and core inflation rates, and bang on the RBA's May SoMP forecasts of 2% for headline and 1¾% for underlying inflation. We wrote in our preview note yesterday that given Lowe's speech comes just 90 mins after the CPI, it'll likely take an "out of the box" print to shake up the market, the market likely more sensitive to a higher print.

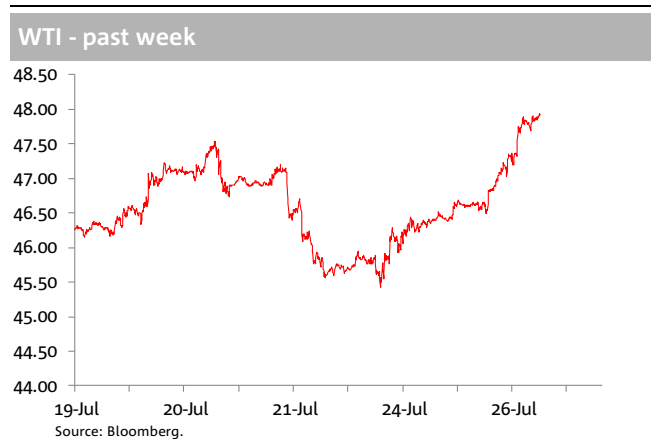
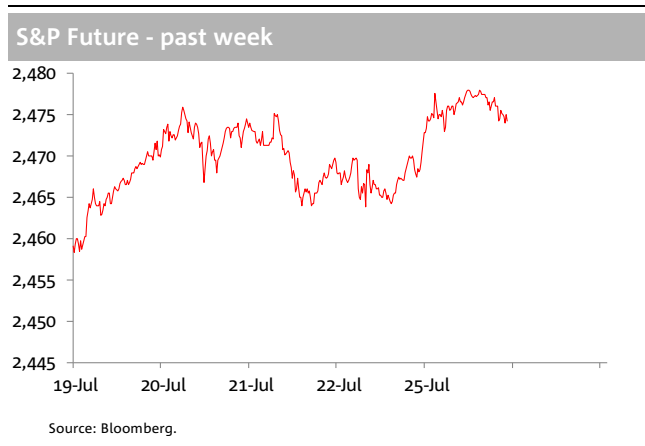
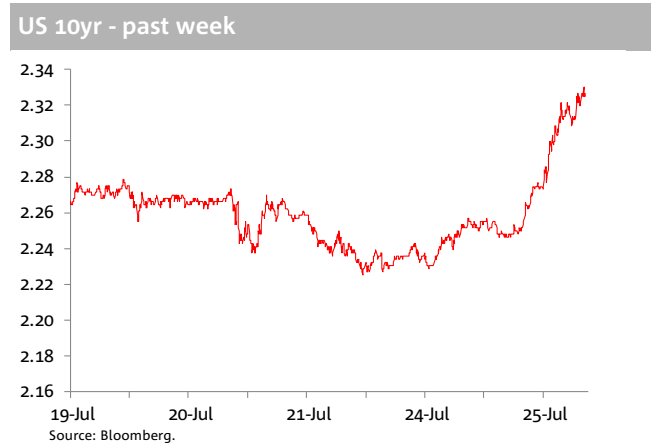
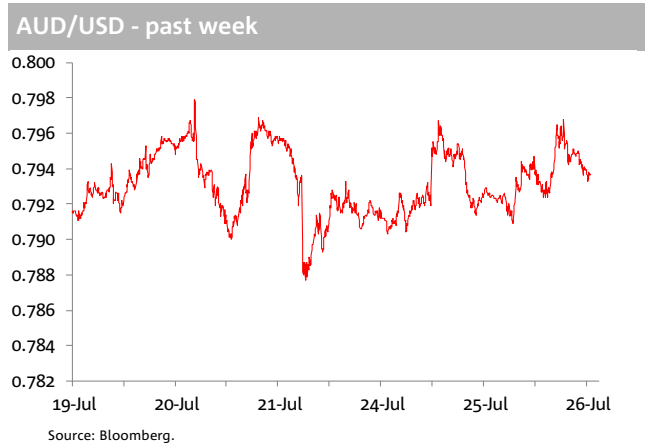
Intrinsic to the inflation outlook, the Aussie and bonds is the outlook for the labour market and how this plays out for wages growth. The structural adjustment after the mining investment boom now seems to have substantially run its course, a point that perhaps Lowe might well expand on today. Employment is already beginning to trend higher in Qld and WA with improving mining confidence and activity. Against that, we've also heard how a straightforward use of the unemployment rate to assess spare capacity and thus prospective wages growth is insufficient given high underemployment. That might also come under the microscope giving some balance and push back on rate pricing currently in the short end of the curve and indeed for the Aussie. We wouldn't be surprised to see the global context of low inflation and wages growth get more exposure too. Notwithstanding the RBA's patience to not indicate any haste in moving to a tightening bias, let alone hike, the economy's momentum has only been adding to the RBA's confidence in its "gradual return of inflation" forecasts. There is also a speech from BoJ Deputy Governor Nakaso at 11.30 and a press conference 2½ hours later.

Tonight, it'll be the focus on the first cut of UK GDP and midway through the US session the FOMC statement. Will the FOMC's statement change their formal expectation to start normalising the balance sheet from "this year" to Yellen's press conference "relatively soon" elucidation? If so, that would indicate continuing confidence in the economy. And second, whether their words on inflation indicate any prevarication over getting back to 2% "over the medium term".

Overnight

On global stock markets, the S&P 500 was +0.29%. Bond markets saw US 10-years +7.12bp to 2.33%. In commodities, Brent crude oil +3.33% to \$50.22, gold-0.3% to \$1,250, iron ore +2.4% to \$69.48, steam coal +0.5% to \$86.80, met. coal +1.2% to \$166.00. AUD is at 0.7937 and the range since yesterday 5pm Sydney time is 0.7901 to 0.797.

Markets



Foreign Exchange							
Indicative 24hr ranges (**)			Other FX				
	Last	% chge	Low	High	Last	% chge	
AUD	0.7937	0.2	0.7901	0.7970	HKD	7.8087	0.0
NZD	0.7413	-0.4	0.7401	0.7457	CNY	6.7501	0.0
EUR	1.1647	0.0	1.1625	1.1713	SGD	1.3618	0.1
GBP	1.3028	-0.1	1.3008	1.3086	IDR	13,329	0.1
JPY	111.88	1.0	110.72	111.95	THB	33.48	0.2
CAD	1.2509	-0.2	1.2481	1.2542	KRW	1,120	0.5
AUD/EUR	0.6813	-0.2	0.6790	0.6834	TWD	30.36	0.2
AUD/JPY	88.80	0.9	87.92	88.86	PHP	50.70	0.1
AUD/GBP	0.6093	-0.1	0.6068	0.6109	CHF	0.95	0.6
AUD/NZD	1.0707	0.2	1.0646	1.0715	SEK	8.21	-0.2
AUD/CNH	5.3575	-0.2	5.3359	5.3690			

Interest Rates							
Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.31	1.63	2.29	USD 10	2.33	7.12
AUD	1.50	1.69	1.98	2.93	AUD 10	2.69	1.20
NZD	1.75	1.94	2.24	3.28	NZD 10	2.94	1.90
EUR	0.00	-0.33	-0.15	0.94	CAD 10	2.02	9.60
GBP	0.25	0.29	0.61	1.31	EUR 10	0.57	5.80
JPY	-0.06	-0.01	0.04	0.26	GBP 10	1.26	7.00
CAD	0.75	1.26	1.62	2.30	JPY 10	0.08	0.40

Equities				
Major Indices				
	Last	% day	% y/y	
Dow	21,613	0.47	16.9	
S&P 500	2,477	0.29	14.2	
Nasdaq	6,412	0.02	25.8	
VIX	9.45	0.21	-26.6	
FTSE	7,435	0.8	10.8	
DAX	12,264	0.5	20.3	
CAC 40	5,161	0.7	17.6	
Nikkei	19,955	-0.1	21.8	
Shanghai	3,244	-0.2	6.3	
Hang Seng	26,852	0.0	21.3	
ASX 200	5,727	0.7	3.4	

Overnight Futures		
	Last	Chge*
Australia		
3 mth bill	98.28	1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.25	-6.50
3/10 sprd	0.55	9.50
SPI	5700.0	-75.0

*Change in bps

Commodities*		
	Last	% day
Oil (Brent)	50.22	3.3
Oil (WTI)	47.92	3.4
Oil (Tapis)	48.64	2.0
Gold	1250.00	-0.3
CRB	177.67	0.8
GS Metals	337.1	2.2
Aluminium	1914.3	0.9
Copper	6208.0	3.4
Nickel	9970.0	2.3
Zinc	2830.3	1.8
Ch. steel	3620.0	3.2
Iron ore	69.5	2.4
St. Coal	86.8	0.5
Met.coal	166.0	1.2
Wheat Chic.	499.0	-2.8
Sugar	13.9	-3.5
Cotton	69.6	0.8
Coffee	130.6	-1.5

Prob. of 25bps hike/cut at next meeting		
	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
Wednesday, 26 July 2017								
NZ	RBNZ's John McDermott speaks on economic trends						21.15	6.15
NZ	Trade Balance NZD	Jun		150		103	23.45	8.45
JN	PPI Services YoY	Jun		0.8		0.7	0.50	9.50
AU	Skilled Vacancies MoM	Jun				1.2	2.00	11.00
AU	CPI QoQ/YoY	2Q	0.4/2.1	0.4/2.2		0.5/2.1	2.30	11.30
AU	CPI Trimmed Mean QoQ/YoY	2Q	0.5/1.7	0.5/1.8		0.5/1.9	2.30	11.30
AU	CPI Weighted Median QoQ/YoY	2Q	0.4/1.6	0.5/1.7		0.4/1.7	2.30	11.30
JN	BOJ Nakaso speaks in Hiroshima						2.30	11.30
AU	RBA's Lowe Speech in Sydney: "The Labour Market and Monetary Policy"						4.05	13.05
JN	Small Business Confidence	Jul		49.8		49.2	6.00	15.00
UK	BBA Loans for House Purchase	Jun		40000		40347.0	9.30	18.30
UK	GDP QoQ/YoY	2Q A		0.3/1.7		0.2/2.0	9.30	18.30
UK	Index of Services MoM/ 3M/3M	May		0.1/0.4		0.2/0.2	9.30	18.30
US	Donald Trump Jr and Trump campaign advisor Paul Manafort appear before Senate Judiciary Committee							
US	New Home Sales, #/Mom	Jun		615/0.8		610/2.9	15.00	0.00
US	FOMC Rate Decision (Lower/Upper Bound)	Jul 26	1.00/1.25	1/1.25		1.00/1.25	19.00	4.00
Thursday, 27 July 2017								
NZ	Household Living Cost Index	2Q						
CH	Swift Global Payments CNY	Jun				1.6	2.00	11.00
AU	Export/Import Price Index QoQ	2Q		-5.5/0.7		9.4/1.2	2.30	11.30
CH	Industrial Profits YoY	Jun				16.7	2.30	11.30
GE	GfK Consumer Confidence	Aug		10.6		10.6	7.00	16.00
UK	CBI Retailing/Total Dist. Reported Sales	Jul		10/15		12/17	11.00	20.00
US	Durable Goods Orders	Jun P		3.5/0.3		-0.8/0.2	13.30	22.30
US	Initial Jobless Claims	Jul 22		240		233.0	13.30	22.30
US	Advance Goods Trade Balance	Jun		-65.5		-65.9	13.30	22.30
US	Wholesale/Retail Inventories MoM	Jun P		0.3/		0.4/0.6	13.30	22.30
US	Chicago Fed Nat Activity Index	Jun		0.35		-0.3	13.30	22.30
US	Bloomberg Consumer Comfort	Jul 23				47.6	14.45	23.45
US	Fed nominee Quarles confirmation hearing at Senate Banking						15.00	0.00
CA	CFIB Business Barometer	Jul				60.9		
US	Kansas City Fed Manf. Activity	Jul		11		11.0	16.00	1.00
Friday, 28 July 2017								
UK	GfK Consumer Confidence	Jul		-11		-10.0	0.10	9.10
JN	Jobless Rate/Jobs-To-Applicants Ratio	Jun		3/1.5		3.1/1.5	0.30	9.30
JN	Overall Household Spending YoY	Jun		0.5		-0.1	0.30	9.30
JN	Natl CPI YoY	Jun		0.4		0.4	0.30	9.30
JN	Natl CPI Ex Fresh Food/Ex Fresh Food, Energy YoY	Jun		0.4/-0.1		0.4/0.0	0.30	9.30
JN	Tokyo CPI YoY	Jul		0.1		0.0	0.30	9.30
JN	Tokyo CPI Ex-Fresh Food/Ex Fresh Food YoY	Jul		0.1/-0.1		0.0/-0.2	0.30	9.30
JN	BOJ Summary of Opinions at July 19-20 Meeting						0.50	9.50
JN	Retail Sales MoM/YoY	Jun		0.4/2.4		-1.6/2.0	0.50	9.50
AU	PPI QoQ/YoY	2Q		/		0.5/1.3	2.30	11.30
EC	Business Climate Indicator	Jul		1.13		1.2	10.00	19.00
GE	CPI EU Harmonized MoM/YoY	Jul P		0.3/1.4		0.2/1.5	13.00	22.00
US	Employment Cost Index	2Q		0.6		0.8	13.30	22.30
US	GDP revised from 2014-16; reference yr remains 2009						13.30	22.30
US	GDP Annualized QoQ	2Q A		2.5		1.4	13.30	22.30
CA	GDP MoM/YoY	May		0.2/4.2		0.2/3.3	13.30	22.30
US	U. of Mich. Sentiment/5-10 Yr Inflation Expectations	Jul F		93.1/		93.1/2.6	15.00	0.00
US	Fed's Kashkari Speaks at Townhall Event						18.20	3.20
Monday, 31 July 2017								
NZ	Building Permits MoM	Jun				7.0	23.45	8.45
UK	Lloyds Business Barometer	Jul				30.0	0.10	9.10
JN	Industrial Production MoM/YoY	Jun P		/		-3.6/6.5	0.50	9.50
AU	Melbourne Institute Inflation MoM/YoY	Jul		/		0.1/2.3	2.00	11.00
NZ	ANZ Activity Outlook/Business Confidence	Jul		/		42.8/24.8	2.00	11.00
AU	HIA New Home Sales MoM	Jul				1.1	2.00	11.00
CH	Manufacturing/Non-manufacturing PMIs	Jul		51.5/		51.7/54.9	2.00	11.00
AU	Private Sector Credit MoM/YoY	Jun		/		0.4/5.0	2.30	11.30
UK	Mortgage Approvals	Jun				65.2	9.30	18.30
EC	Unemployment Rate	Jun				9.3	10.00	19.00
EC	CPI Estimate/Core YoY	Jul		/		1.3/1.1	10.00	19.00
CA	Industrial Product/Raw Material Price MoM	Jun		/		-0.2/-1.8	13.30	22.30
US	Chicago Purchasing Manager	Jul		59		65.7	14.45	23.45
CA	Bloomberg Nanos Confidence	Jul 28				58.8	15.00	0.00
US	Pending Home Sales MoM/YoY	Jun		1/		-0.8/0.5	15.00	0.00
US	Dallas Fed Manf. Activity	Jul		14		15.0	15.30	0.30
Tuesday, 1 August 2017								
AU	AIG Perf of Mfg Index	Jul				55.0	0.30	9.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jul 23				112.5	0.30	9.30
AU	CoreLogic House Px MoM	Jul				-1.1	1.00	10.00
JN	Nikkei Japan PMI Mfg	Jul F				52.2	1.30	10.30
CH	Caixin China PMI Mfg	Jul		50.3		50.4	2.45	11.45
AU	RBA Cash Rate Target	Aug 1		1.5		1.5	5.30	14.30
JN	Vehicle Sales YoY	Jul				9.7	6.00	15.00
AU	Commodity Index AUD/SDR YoY	Jul		/		119.5/25.0	7.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Jul F				58.3	8.55	17.55
GE	Unemployment Change (000's)/Claims Rate	Jul		/		7.0/5.7	8.55	17.55
EC	Markit Eurozone Manufacturing PMI	Jul F				56.8	9.00	18.00
UK	Markit UK PMI Manufacturing SA	Jul				54.3	9.30	18.30
EC	GDP SA QoQ/YoY	2Q A		/		0.6/1.9	10.00	19.00
CA	MLI Leading Indicator MoM	Jun				0.1	12.00	21.00
US	Personal Income/Spending	Jun		0.4/0.2		0.4/0.1	13.30	22.30
US	PCE Deflator MoM/YoY	Jun		0/		-0.1/1.4	13.30	22.30
US	PCE Core MoM/YoY	Jun		0.1/		0.1/1.4	13.30	22.30
CA	Markit Canada Manufacturing PMI	Jul				54.7	14.30	23.30
US	Markit US Manufacturing PMI	Jul F				53.2	14.45	23.45
US	Wards Total Vehicle Sales	Jul		16.95		16.4		
US	ISM Manufacturing	Jul		55.8		57.8	15.00	0.00
US	Construction Spending MoM	Jun		0.5		0.0	15.00	0.00
Upcoming Central Bank Interest Rate Announcements								
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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