

MARKETS TODAY

Fixing a hole



Good morning

It's been an overnight session marked by a mild bounce in the US dollar into the end of the month, amid encouraging signs that tonight's US GDP might yet be a mild overshoot, but against the ever-present continuing saga that is Washington and the Congress. Some backtracking from yesterday's over-reaction has played out too.

After testing well above the figure yesterday, the AUD lost momentum into the London session as the USD recovered some of its mojo, the AUD/USD trading back down below the figure, currently around its session lows at 0.7965/70. Commodities have been mixed overnight, there's been little change in base metals (nickel has been the exception, up another 0.9%), iron ore is off marginally, gold up by \$8.70/oz to \$1264.40, while oil has made some further gains. The Euro and Sterling are also weaker on net this morning, the latter even after a stronger than expected UK CBI Retailers Survey reported a notable pick-up in sales.

WTI is up another \$0.42, Brent a little more, WTI now with a 49 handle, now perhaps with a tad more optimism that OPEC's job cutting supply could yet have a little more teeth. Kuwait joining Saudi Arabia in pledging cuts with the UAE supported sentiment. The decline in US inventories to the lowest level since January reported this week has also done the oil price no harm. Structurally, longer term, there is a lot more to play out on the global supply and demand side, but for now it's getting some support.

Taking some profits toward month end seemed to have played some part in stabilising USD sentiment, and the data reads overnight also added a modicum of support, kicking the dollar higher. There is also the recognition that given the Fed has decided to push on with normalising its balance sheet and the ever so slight change to characterising inflation in yesterday's Statement, it was a surprisingly large/overdone fall in the big dollar. The Fed would not be signalling that it's their intention to proceed with normalising the balance sheet if they were concerned about the outlook.

On the data front overnight, it was the combination of a somewhat better than expected durable goods orders report for June (upward revisions helped), a lower than expected advance US goods trade report, and higher than expected wholesale inventories adding to recent growth sentiment. The Atlanta Fed increased its estimate of *GDPNow* for Q2 growth (out tonight) from 2.5% to 2.8%. Better than expected inventories seems to have done the trick, whatever higher inventories might signal about sales. US bond yields have ticked a little higher at the long end, almost steady for shorter term tenors.

If the dollar had taken its lead from developments in Washington, it would have been unhelpful, again. The

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debate in the Senate over Obamacare continues with no clear end point in sight. Full repeal is off the agenda and what form agreed legislation might take with now a myriad of as yet to be determined amendments is also unknown. The market is also aware that repeal of Obamacare was intended to save money for the US Treasury, a revenue hole that doesn't look likely to be filled anytime soon.

Adding to that hole, a statement overnight from the so-called "Big six" (House Speaker Ryan, Senate majority leader Mitch McConnell, White House Economic adviser Gary Cohn, Treasury Secretary Steve Mnuchin, Republican Ways and Means Committee Chairman Kevin Brady and Senate Finance Committee Chairman Orrin Hatch) have buried the border tax, a tax that was intended to raise \$1tr in revenue over a decade to help finance tax cuts.

Coming up

That's it pretty much for local data for this week. (The Statistician's producer prices report draws almost no market or analyst attention these days.) Not that the market is expecting any fireworks out of this morning's Japanese CPI report for June (and Tokyo's for July), given the big moves in currencies in the latter stretch of this week, they are definitely worth a look. The consensus expects either unchanged or marginally higher (by a tenth) annual headline and core inflation. Japan also releases its monthly labour market and retail sales for June. The main European release to watch tonight is the preliminary July CPI report for Germany.

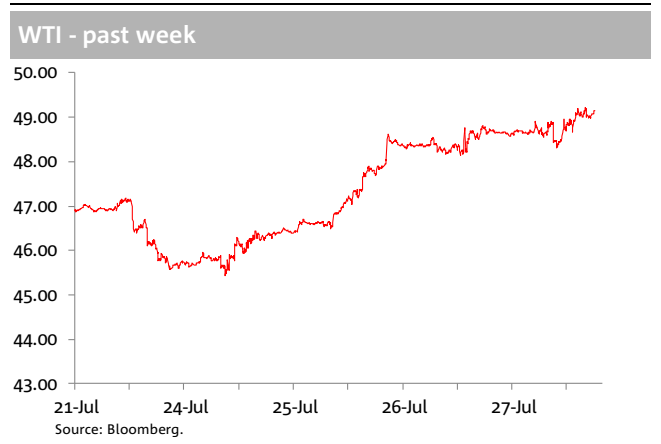
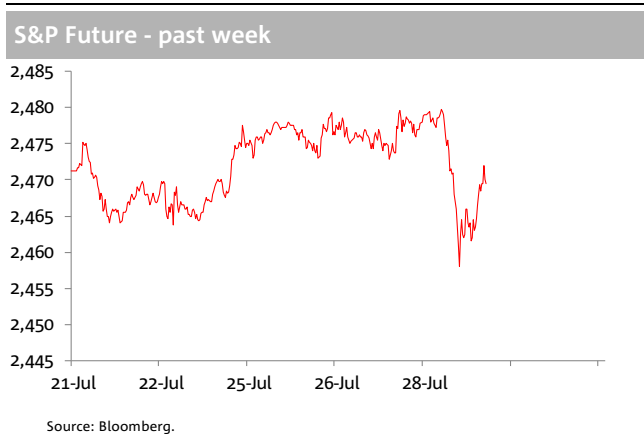
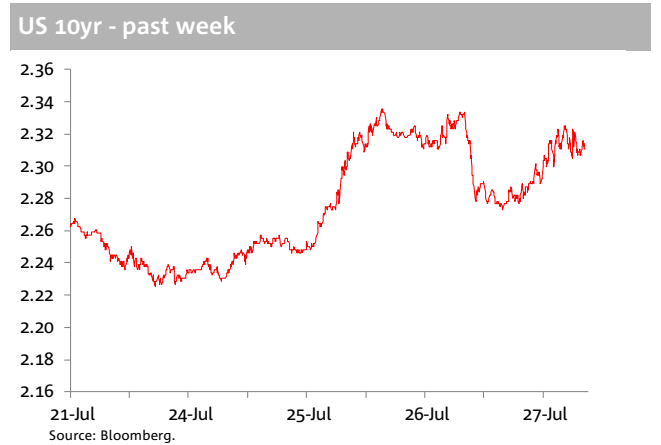
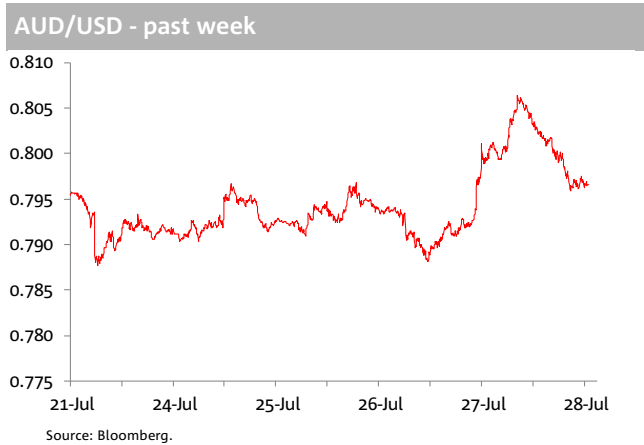
In the US, it's a nice cross section of releases covering growth, employee cost inflation and the state of the consumer. First up is the first cut of Q2 GDP, coming with benchmark revisions that could change the profile of growth in recent years. Consensus growth was tipped at 2.5%, up from 1.4% in Q1, an expectation from last week that now looks to have upside risk.

The June quarter Employment Cost Index report will also be under the spotlight, growth expected to have downshifted from 0.8%, down to 0.6% where it was right through last year. Despite the continued strong growth in payrolls there is only one analyst picking a repeat of 0.8%. Then comes the UoM Consumer Sentiment late month update of its July survey. Fed President Neel Kashkari is speaking. He's very much at the dovish end.

Overnight

On global stock markets, the S&P 500 was -0.10%. Bond markets saw US 10-years +2.31bp to 2.31%. In commodities, Brent crude oil +1.24% to \$51.6, gold+0.7% to \$1,259, iron ore -0.3% to \$70.20, steam coal +0.1% to \$87.30, met. coal +0.0% to \$165.00. AUD is at 0.7967 and the range since yesterday 5pm Sydney time is 0.7957 to 0.8066.

Markets



Foreign Exchange						
Indicative 24hr ranges (**)				Other FX		
	Last	% chge	Low	High	Last	% chge
AUD	0.7967	-0.5	0.7957	0.8066	HKD	7.8090 0.0
NZD	0.7488	0.8	0.7424	0.7559	CNY	6.7366 -0.2
EUR	1.1678	0.3	1.1620	1.1778	SGD	1.3589 -0.2
GBP	1.3068	0.1	1.3028	1.3160	IDR	13,308 0.0
JPY	111.28	-0.5	110.78	112.23	THB	33.33 -0.4
CAD	1.2557	0.4	1.2412	1.2582	KRW	1,117 -0.2
AUD/EUR	0.6822	0.3	0.6791	0.6865	TWD	30.24 -0.3
AUD/JPY	88.67	0.2	88.34	89.43	PHP	50.56 0.0
AUD/GBP	0.6098	0.5	0.6058	0.6135	CHF	0.96 0.6
AUD/NZD	1.0640	-0.2	1.0623	1.0682	SEK	8.22 -0.1
AUD/CNH	5.3672	0.4	5.3412	5.4253		

Interest Rates							
Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	1.25	1.31	1.60	2.27	USD 10	2.31	2.31
AUD	1.50	1.69	1.92	2.90	AUD 10	2.69	-4.10 0.38
NZD	1.75	1.94	2.22	3.29	NZD 10	2.97	-0.60 0.66
EUR	0.00	-0.33	-0.16	0.92	CAD 10	2.00	2.70 -0.31
GBP	0.25	0.29	0.59	1.27	EUR 10	0.54	-2.50 -1.77
JPY	-0.05	-0.01	0.04	0.26	GBP 10	1.20	-3.00 -1.11
CAD	0.75	1.27	1.61	2.26	JPY 10	0.07	-0.60 -2.24

Equities			
Major Indices			
	Last	% day	% y/y
Dow	21,797	0.39	18.0
S&P 500	2,475	-0.10	14.3
Nasdaq	6,382	-0.63	24.2
VIX	10.11	5.31	-21.2
FTSE	7,443	-0.1	10.3
DAX	12,212	-0.8	18.3
CAC 40	5,187	-0.1	16.6
Nikkei	20,080	0.1	21.9
Shanghai	3,250	0.1	8.5
Hang Seng	27,131	0.7	22.4
ASX 200	5,785	0.1	4.1

Overnight Futures		
	Last	Chge*
Australia		
3 mth bill	98.28	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.29	5.50
3/10 sprd	0.51	-2.50
SPI	5718.0	-1.0

*Change in bps

Commodities*		
	Last	% day
Oil (Brent)	51.60	1.2
Oil (WTI)	49.15	0.8
Oil (Tapis)	50.43	0.7
Gold	1258.70	0.7
CRB	181.14	0.9
GS Metals	339.4	-0.1
Aluminium	1921.3	-0.3
Copper	6307.3	0.0
Nickel	10096.5	0.9
Zinc	2794.3	-0.3
Ch. steel	3592.0	0.0
Iron ore	70.2	-0.3
St. Coal	87.3	0.1
Met.coal	165.0	0.0
Wheat Chic.	504.8	0.4
Sugar	14.4	1.4
Cotton	70.5	2.1
Coffee	136.0	0.9

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-1.0	-4.0%
FED	1	2.0%

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
Friday, 28 July 2017								
UK	GfK Consumer Confidence	Jul		-11		-10.0	0.10	9.10
JN	Jobless Rate/Job-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		1.14		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	Jun				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 30				115.1	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		50.4		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
Wednesday, 2 August 2017								
NZ	Employment Change QoQ/YoY	2Q		/		1.2/5.7	23.45	8.45
NZ	Unemployment/Participation Rate	2Q		/		4.9/70.6	23.45	8.45
NZ	Pvt Wages Ex/Incl Overtime QoQ	2Q		/		0.4/0.4	23.45	8.45
NZ	Average Hourly Earnings QoQ	2Q				0.3	23.45	8.45
UK	BRC Shop Price Index YoY	Jul				-0.3	0.10	9.10
AU	Building Approvals MoM/YoY	Jun		/		-5.6/-19.7	2.30	11.30
JN	BOJ Funo speaks in Sapporo						2.30	11.30
JN	Consumer Confidence Index	Jul				43.3	6.00	15.00
UK	Markit/CIPS UK Construction PMI	Jul				54.8	9.30	18.30
EC	PPI MoM/YoY	Jun		/		-0.4/3.3	10.00	19.00
US	MBA Mortgage Applications	Jul 21				0.4	12.00	21.00
US	Fed's Mester Speaks to Community Banking Conference						17.00	2.00
US	Fed's Williams Speaks in Las Vegas on Monetary Policy						20.30	5.30
Thursday, 3 August 2017								
NZ	ANZ Job Advertisements MoM	Jul				1.3	23.00	8.00
AU	AiG Perf of Services Index	Jul				54.8	0.30	9.30
JN	Nikkei Japan PMI Services/Composite	Jul		/		53.3/52.9	1.30	10.30
NZ	ANZ Commodity Price	Jul				2.1	2.00	11.00
AU	Trade Balance	Jun				2471	2.30	11.30
CH	Caixin China PMI Services/Composite	Jul				51.6	2.45	11.45
GE	Markit Germany Services/Composite PMI	Jul F		/		53.5/55.1	8.55	17.55
EC	ECB Publishes Economic Bulletin						9.00	18.00
EC	Markit Eurozone Services/Composite PMI	Jul F		/		55.4/55.8	9.00	18.00
UK	Markit/CIPS UK Services/Composite PMI	Jul		/		53.4/53.8	9.30	18.30
EC	Retail Sales MoM/YoY	Jun		/		0.4/2.6	10.00	19.00
UK	Bank of England Bank Rate/Asset Purchase Target	Aug 3		0.25		0.3	12.00	21.00
UK	BOE Asset Purchase Target	Aug		435		435	12.00	21.00
UK	Bank of England Inflation Report						12.00	21.00
US	Challenger Job Cuts YoY	Jul				-19.3	12.30	21.30
US	Initial Jobless Claims	Jul 22		240		233.0	13.30	22.30
US	Bloomberg Consumer Comfort	Jul 23				47.6	14.45	23.45
US	Markit US Services/Composite PMI	Jul F		/		54.2/54.2	14.45	23.45
US	ISM Non-Manf. Composite	Jul		56.8		57.4	15.00	0.00
US	Factory Orders/Core Orders	Jun		1.1		-0.8	15.00	0.00
Upcoming Central Bank Interest Rate Announcements								
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%		
US Federal Reserve		21-Sep	1.00-1.25%	1.00-1.25%		1.00-1.25%		
Japan, BoJ		21-Sep	-0.1%	-0.1%		-0.1%		

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

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