

# MARKETS TODAY

## Bohemian Rhapsody



### Good morning

The pattern of a weaker USD has continued to play out overnight, the Bloomberg Spot Dollar index off another 0.29% and the DXY down a larger 0.48%. The Euro has been the largest beneficiary, EUR/USD up and over 1.18, levels not seen since January 2015. It's been a combination of continued momentum appetite for the Euro, aided by somewhat better-than-expected data out of Europe, mixed data from the US, and over recent hours, more revolving doors at the White House.

Anthony Scaramucci has been shown the door after that recent venting tirade. Newly-appointed Chief Of Staff John Kelly has apparently been given carte blanche to make changes. And he did. Whether justified or not, it's only added to the market's perception that the wider tax reform, budget reform, and growth agenda is even further on the backburner. Adding to the market's gloom over Washington, Fed Vice Chairman Fischer warned in a Brazil speech how political uncertainty can hurt economic growth. His speech was pondering why interest rates globally have remained so low for so long, including from weaker investment and demographics, evident even before the GFC.

The Euro is trading this morning at 1.1844, the best performing of the majors overnight, up 0.96%. In some contrast, the AUD has under-performed, now just testing 0.80, up 0.17% ahead of the RBA Board statement this afternoon. (More on that below.) Eurozone unemployment and core inflation were both better than expected. Unemployment in June was down to 9.1% from 9.2%, also helped by a downward revision. Headline CPI in July was right in line with expectations at 1.3% y/y (unchanged), core CPI a tenth higher than in June and expectations at 1.2%. Admittedly there's little in all that, but supportive of the momentum.

The Chicago PMI printed at a still high 58.9 (down from 65.7; 60.0 was expected), the Dallas Fed Manufacturing survey was stronger, while Pending Home Sales rose 1.5%, out-shading the 1.0% consensus. Separately, the Fed's latest Senior Loan Officer's Survey reported that credit conditions remain fluid with virtually no tightening evident, but also reporting that large and medium firms had the lowest net percentage of loan demand since the December quarter of 2011.

While the AUD has been a slight under-performer, it's certainly been in the spotlight. China's July official PMI printed at a tenth below expectations at 51.4, it seems the market was braced for a lower print – rather than its six month average - that might have played more to the slowing growth story in the second half. Also, the accompanying China Steel PMI was up to 54.9 from 54.1, including from a bounce in orders to 63.1. Chinese iron ore and steel futures had a very strong session yesterday (futures curves lifting across tenors), also evident in the spot price of iron ore that's up an eye-glazing 7.2%

overnight. Met and steaming coal futures prices also had good gains; LME base metals rose 0.57%, largely mirroring the weaker USD.

### Coming up

It's another pretty full agenda for the calendar over the next 24 hours. This morning sees the local AiG Manufacturing PMI for July, weekly ANZ-Roy Morgan Consumer Sentiment, the full month CoreLogic AU House price report for July, then the Nikkei Japan Manufacturing PMI and the Caixin China Manufacturing PMI, the latter perhaps to draw some market interest.

Then the focus turns to the RBA statement at 2.30. Two keys the market will be interested in are 1) whether they change the language around the exchange rate other than to again note that a low rate would/could be helpful, and 2) their description of the economy and summary of forecasts that will be unveiled in full on Friday. Will the RBA say any more on the exchange rate other than to note that it's been rising and in large part from a lower USD? The market understands that the Bank wants to see a weaker currency, but what can be said without inflating property? The improving economy – its transition - would be giving the RBA a degree of comfort and ability to be patient to let the market sort itself out, to sit and wait for now, to be measured. Commodity prices will be pause for thought for the RBA too. The bank will summarise the forecasts, again noting they are "little changed", still expecting growth to recover to 3%. They might well warn about the impact of higher power prices holding up headline inflation for a time.

It's then a potentially big night if the data is at all different in substance from expectations. Final Eurozone PMIs are unlikely to be revised much if history is any guide, there's the UK Market Manufacturing PMI (the CBI Trends survey was still positive, if a tad softer in July; the UK Manufacturing PMI could overshoot expectations). That's followed by the first cut of Eurozone June quarter GDP. French June quarter GDP was in line with expectations.

Then it's all eyes on the US, first with personal spending and PCE deflators, the latter likely to show a still soft core deflator of 0.1%/1.4% based on the CPI. That's followed by the US ISM Manufacturing Survey for July and the Global Dairy Auction that our BNZ colleagues expect to be broadly neutral.

### Overnight

On global stock markets, the S&P 500 was -0.07%. Bond markets saw US 10-years +0.53bp to 2.29%. In commodities, Brent crude oil +0.88% to \$52.68, gold +0.0% to \$1,269, iron ore +7.2% to \$73.70, steam coal +8.4% to \$93.20, met. coal +2.3% to \$176.00. AUD is at 0.8003 and the range since yesterday 5pm Sydney time is 0.7956 to 0.8004.

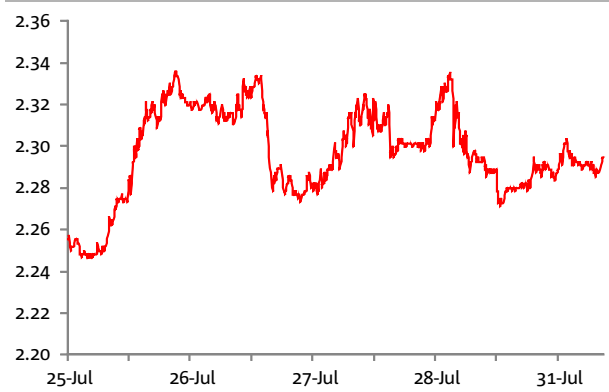
# Markets

AUD/USD - past week



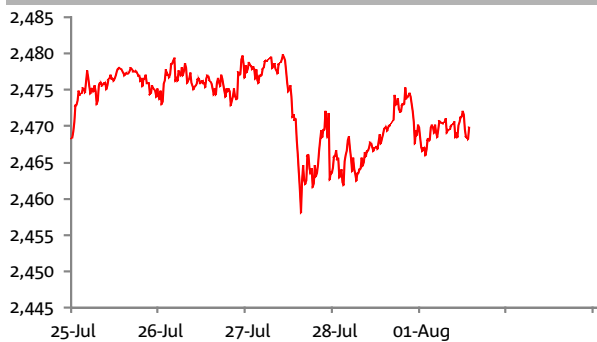
Source: Bloomberg.

US 10yr - past week



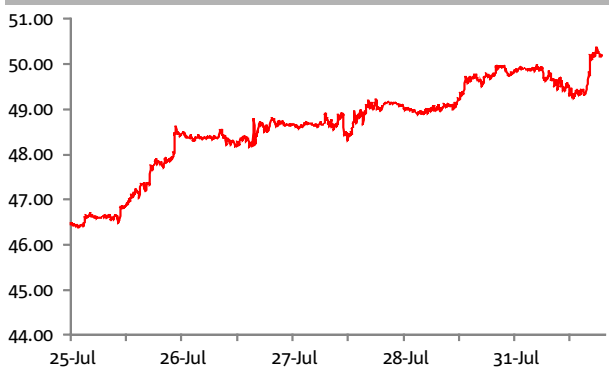
Source: Bloomberg.

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	0.8003	0.2	0.7956	0.8004	HKD	7.8101 0.0
NZD	0.7513	0.6	0.7468	0.7527	CNY	6.7210 -0.3
EUR	1.1841	1.1	1.1723	1.1847	SGD	1.3557 -0.4
GBP	1.3212	1.0	1.3009	1.3229	IDR	13,317 -0.1
JPY	110.25	-0.9	110.21	111.75	THB	33.30 -0.2
CAD	1.2488	-0.4	1.2401	1.2530	KRW	1,119 -0.4
AUD/EUR	0.6758	-0.4	0.6751	0.6809	TWD	30.20 -0.3
AUD/JPY	88.23	-0.2	87.87	88.49	PHP	50.45 -0.2
AUD/GBP	0.6057	-0.3	0.6046	0.6096	CHF	0.97 -0.3
AUD/NZD	1.0651	0.1	1.0591	1.0663	SEK	8.06 -1.0
AUD/CNH	5.3785	0.4	5.3611	5.3845		

## Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.31	1.60	2.25	USD 10	2.29	0.53
AUD	1.50	1.69	1.90	2.88	AUD 10	2.68	-0.60 0.38
NZD	1.75	1.96	2.22	3.29	NZD 10	3.00	2.30 0.70
EUR	0.00	-0.33	-0.15	0.95	CAD 10	2.06	2.90 -0.24
GBP	0.25	0.29	0.61	1.29	EUR 10	0.54	0.10 -1.75
JPY	-0.05	-0.01	0.04	0.26	GBP 10	1.23	1.20 -1.06
CAD	0.75	1.28	1.63	2.31	JPY 10	0.08	0.70 -2.21

## Equities

Major Indices			
	Last	% day	% y/y
Dow	21,891	0.28	18.8
S&P 500	2,470	-0.07	13.7
Nasdaq	6,348	-0.42	23.0
VIX	10.26	-0.29	-13.6
FTSE	7,372	0.0	9.6
DAX	12,118	-0.4	17.2
CAC 40	5,094	-0.7	14.7
Nikkei	19,925	-0.2	19.8
Shanghai	3,273	0.6	10.8
Hang Seng	27,324	1.3	23.5
ASX 200	5,721	0.3	2.4

## Commodities\*

	Last	% day
Oil (Brent)	52.68	0.9
Oil (WTI)	50.17	0.9
Oil (Tapis)	51.97	1.8
Gold	1268.60	0.0
CRB	182.64	0.3
GS Metals	339.3	0.6
Aluminium	1899.8	0.6
Copper	6343.3	0.6
Nickel	10175.5	0.1
Zinc	2786.0	0.7
Ch. steel	3745.0	5.0
Iron ore	73.7	7.2
St. Coal	93.2	8.4
Met.coal	176.0	2.3
Wheat Chic.	499.8	-1.2
Sugar	14.9	3.8
Cotton	70.5	0.4
Coffee	139.3	1.0

Prob. of 25bps hike/cut at next meeting	
bps	%
RBA	-1.0 -4.0%
FED	0 0.0%

## Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.29	1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.30	1.00
3/10 sprd	0.50	-1.00
SPI	5660.0	-26.0

\*Change in bps

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>Tuesday, 1 August 2017</b>								
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	1.50	1.50		1.50	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		58.3	8.55	17.55
GE	Unemployment Change (000's)/Claims Rate	Jul		-5/5.7		7.0/5.7	8.55	17.55
EC	Markit Eurozone Manufacturing PMI	Jul F		56.8		56.8	9.00	18.00
UK	Markit UK PMI Manufacturing SA	Jul		54.5		54.3	9.30	18.30
EC	GDP SA QoQ/YoY	2Q A		0.6/2.1		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		0.4/0.1		0.4/0.1	13.30	22.30
US	PCE Deflator MoM/YoY	Jun		0/1.3		-0.1/1.4	13.30	22.30
US	PCE Core MoM/YoY	Jun		0.1/1.4		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		53.1		53.2	14.45	23.45
US	Wards Total Vehicle Sales	Jul		16.8		16.4		
US	ISM Manufacturing	Jul		56.4		57.8	15.00	0.00
NZ	Global Dairy Auction, early AM NZT		moderate increase			0.2		
<b>Wednesday, 2 August 2017</b>								
NZ	QVNZ Housing Report, prices 3m YoY	Jul				8.1	18.00	3.00
NZ	Employment Change QoQ/YoY	2Q	0.7/4.1	0.7/4.1		1.2/5.7	23.45	8.45
NZ	Unemployment/Participation Rate	2Q	4.8	4.8/70.6		4.9/70.6	23.45	8.45
NZ	Pvt Wages Ex/Incl Overtime QoQ	2Q	0.4	0.5/0.4		0.4/0.4	23.45	8.45
NZ	Average Hourly Earnings QoQ	2Q		0.9		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	2/-10.5	1/-11		-5.6/-19.7	2.30	11.30
JN	BOJ Funo speaks in Sapporo						2.30	11.30
JN	Consumer Confidence Index	Jul		43.5		43.3	6.00	15.00
UK	Markit/CIPS UK Construction PMI	Jul		54		54.8	9.30	18.30
EC	PPI MoM/YoY	Jun		-0.1/2.4		-0.4/3.3	10.00	19.00
US	MBA Mortgage Applications	Jul 28				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
<b>Thursday, 3 August 2017</b>								
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	1500	1800		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		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		55.4/55.8	9.00	18.00
UK	Markit/CIPS UK Services/Composite PMI	Jul		53.6/53.8		53.4/53.8	9.30	18.30
EC	Retail Sales MoM/YoY	Jun		0/2.5		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 29		240		244.0	13.30	22.30
US	Bloomberg Consumer Comfort	Jul 30				48.6	14.45	23.45
US	Markit US Services/Composite PMI	Jul F		54.2/		54.2/54.2	14.45	23.45
US	ISM Non-Manf. Composite	Jul		56.9		57.4	15.00	0.00
US	Factory Orders/Core Orders	Jun		2.8		-0.8	15.00	0.00
<b>Friday, 4 August 2017</b>								
JN	Labor Cash/Real Cash Earnings YoY	Jun		0.5/0.1		0.7/0.1	1.00	10.00
AU	Retail Sales MoM/Real Sales QoQ	Jun	0.0/1.3	0.2/1.2		0.6/0.1	2.30	11.30
AU	RBA Statement on Monetary Policy						2.30	11.30
GE	Factory Orders MoM/YoY	Jun		0.5/4.4		1.0/3.7	7.00	16.00
GE	Markit Germany Retail PMI	Jul		54.5		54.5	9.10	18.10
EC	Markit Eurozone Retail PMI	Jul		53.2		53.2	9.10	18.10
US	Change in Nonfarm Payrolls/Unemployment Rate	Jul		180/4.3		222/4.4	13.30	22.30
US	Average Hourly Earnings MoM/YoY	Jul		0.3/2.4		0.2/2.5	13.30	22.30
US	Trade Balance	Jun		-44.8		-46.5	13.30	22.30
CA	Net Change in Employment/Unemployment Rate	Jul		15/6.5		45.3/6.5	13.30	22.30
CA	Int'l Merchandise Trade	Jun		-1.3		-1.1	13.30	22.30
CA	Ivey Purchasing Managers Index SA	Jul				61.6	15.00	0.00
US	Baker Hughes U.S. Rig Count	Aug 4				958	18.00	3.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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, Bol		21-Sep	-0.1%	-0.1%		-0.1%		

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

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