

# MARKETS TODAY

## Summer Time



### Good morning

The big news in equity markets has been the Dow Jones move up to 22000 for the first time ever boosted by Apple's better than expected sales report. Amid a soft USD environment the Euro briefly traded above 1.19 and UST yields are little changed. Meanwhile commodities have had a mixed night, although oil staged a small recovery on better than expected US inventory and demand data. All that said, reports from both our FI and FX northern hemispheres teams have described the overnight session as a typical holiday thinned market day.

Apple shares rose 4.7% to 157.14 after posting a 7% increase in revenue in the most recent quarter and forecast a better than expected performance in the three months to September. The rise in Apple shares represented a jump of 50 points in the Dow, helping the index close above 2200 for the first time ever. Mixed performance on other tech shares weighed on the NASDAQ (0.0%) and after trading for the most part in negative territory, the S&P closed at 0.05%.

Yesterday's small USD recovery in index terms was more than reversed overnight with DXY now back below the 93 mark and getting ever so close to its big support level of 92. Most of the USD weakness came from the euro and other European currencies, including GBP. The Euro traded to an overnight high of 1.1910, the first time it has traded above the figure since early May 2015. The move was short lived, however, and now the pair trades at 1.1855. Meanwhile GBP spent a second day above the 1.32 mark, up 0.20% over the past 24hrs and currently trading at 1.3224.

USD weakness cannot be attributed to a single factor. The July ADP numbers disappointed (178k pvt payrolls vs 190k), but the healthy revision to June (191k from 158k) made up for that and a little bit more. Relative to Sydney's level UST 10y yields are little changed (+0.5bps to 2.271%) while 10y Bunds closed -0.6bps at 0.48%. So moves in rates differentials were not the cause for a softer USD. Instead, it seems that the market wants to take the Euro higher, after breaking through key resistance levels (1.1750 -1.1850), the next key resistance level is at 1.2167 (61.8% retracement).

Commodity link currencies, barring the AUD which is essentially unchanged at 0.7968, were the underperformers overnight. Yesterday oil prices were under pressure, but a report from the US Energy Information noting a decline in crude inventories and an increase in gasoline demand helped oil prices recover during the US session. WTI now trades at \$49.62 and Brent is at \$52.37. The NZD sits around 0.7430 this morning, after trading in a 0.7410-0.7460 (rounded) range overnight, still down from the 0.7470 pre-labour market data level. Yesterday the NZ employment surprised with 0.2% decline q/q. Our BNZ colleagues

suggested the number should be treated with caution as it is likely to be more noise than anything else following strong gains.

In US politics, President Trump has reluctantly signed the Russian sanction bills. The president also announced plans to cut immigration in half (little market reaction) and yesterday's reports that the administration is preparing a broad move against China over trade has also had a muted market reaction so far.

Finally we have also had a few Fed speakers. Fed Mester noted that she has lowered her estimate of the lowest sustainable level of unemployment to 4.75 % from 5% and said that conditions remain in place for inflation to gradually return to Fed's symmetric 2 % goal. Mester remains of the view the Fed should continue gradually raising rates. Fed Rosengren said increasingly tight labour markets should keep the US central bank on its path to gradually raise rates. Meanwhile, Fed Bullard said more hikes would inhibit return to 2% Inflation.

### Coming Up

Australia's trade balance for July is the domestic data highlight for today. Also this morning, monthly job ads are out in New Zealand and services PMI's are released in Australia and Japan while the Caixin services and composite PMIs are out in China.

Later in the day Europe (final), Germany (final) and the UK also get their services and composite PMI's and the Bank of England (BoE) makes its policy announcement. Then weekly Jobless claims and factory orders (Jun) are out in the US along with the ISM non-manufacturing for July. The ISM is expected to print at 56.9, down from 57.4 previously and if so it will remain at a fairly elevated level. There are no Fed speakers on the roster today.

Australia's trade report for June is expected to reveal a somewhat leaner surplus of \$1500m, down from the \$2471m surplus in May. There is however a wild card to consider. As noted last month, the Ichthys LNG Central Processing facility, worth \$2.7bn could be recorded as an import, similarly the massive Prelude floating LNG platform left Korea in late June and it has now arrived in Australia. So there is a risk that today we get a huge deficit, which could trigger an initial market reaction, only to be reversed on closer inspection. Such imports would also bolster measured business investment for the June quarter with no impact on GDP until production and export of LNG commences.

As for the BoE while a no change in the official bank rate is almost unanimously expected, today's meeting also comes with a new set of forecasts and the outlook on inflation should be an important guide on what to expect in terms of future policy settings. Kristin Forbes is no longer a Monetary Policy Committee member, however, Ian McCafferty and Michael Saunders are still expected to vote for a 25-bp increase in interest rates. If

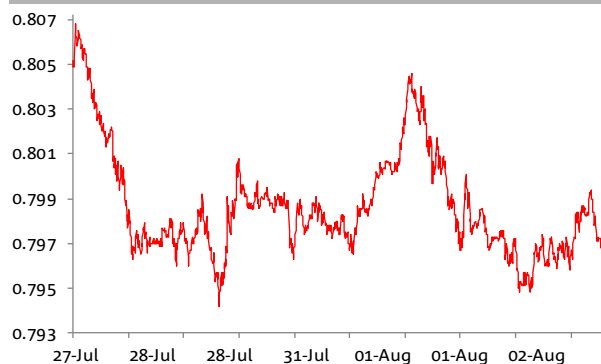
we get any more dissenters, then the pound is likely to get a boost.

## Overnight

On global stock markets, the S&P 500 was +0.01%. Bond markets saw US 10-years +1.07bp to 2.26%. In commodities, Brent crude oil +0.89% to \$52.24, gold-0.5% to \$1,266, iron ore -1.7% to \$72.30, steam coal +0.4% to \$95.05, met. coal +0.3% to \$180.00. AUD is at 0.7965 and the range since yesterday 5pm Sydney time is 0.7942 to 0.8043.

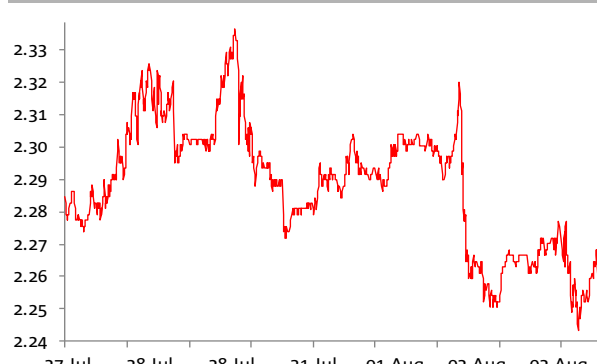
# Markets

AUD/USD - past week



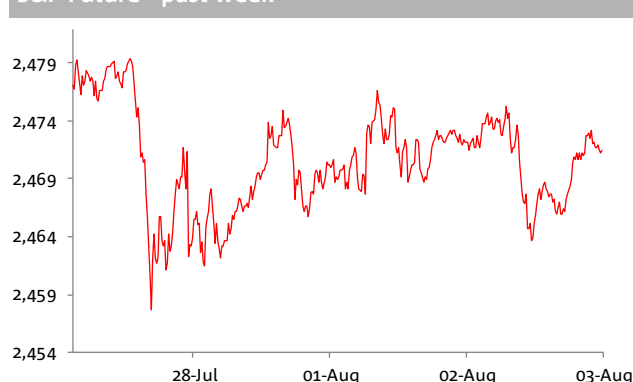
Source: Bloomberg.

US 10yr - past week



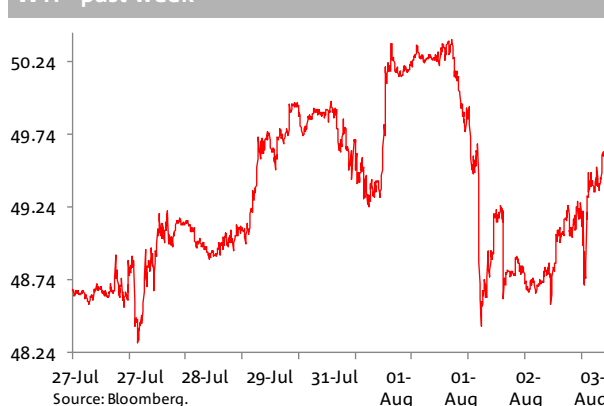
Source: Bloomberg.

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	0.7965	-0.1	0.7942	0.8043	HKD	7.8172	0.0
NZD	0.7430	-0.5	0.7411	0.7524	CNY	6.7217	0.1
EUR	1.1851	0.4	1.1785	1.1910	SGD	1.3594	0.1
GBP	1.3223	0.2	1.3191	1.3251	IDR	13,324	0.0
JPY	110.68	0.3	109.93	110.98	THB	33.26	0.0
CAD	1.2573	0.3	1.2451	1.2593	KRW	1,124	0.2
AUD/EUR	0.6721	-0.5	0.6713	0.6799	TWD	30.23	0.1
AUD/JPY	88.16	0.2	87.80	88.70	PHP	50.37	-0.1
AUD/GBP	0.6024	-0.2	0.6008	0.6088	CHF	0.97	0.6
AUD/NZD	1.0719	0.4	1.0649	1.0734	SEK	8.11	0.0
AUD/CNH	5.3661	0.2	5.3471	5.4048			

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	1.25	1.31	1.60	2.23	USD 10	2.26	1.07
AUD	1.50	1.69	1.90	2.87	AUD 10	2.70	-1.00 0.44
NZD	1.75	1.97	2.21	3.29	NZD 10	3.00	-3.50 0.74
EUR	0.00	-0.33	-0.16	0.89	CAD 10	1.94	-2.20 -0.33
GBP	0.25	0.29	0.62	1.29	EUR 10	0.49	-0.50 -1.78
JPY	-0.05	-0.01	0.04	0.26	GBP 10	1.24	2.30 -1.03
CAD	0.75	1.29	1.60	2.22	JPY 10	0.08	0.00 -2.19

Equities

Major Indices			
	Last	% day	% y/y
Dow	22,004	0.18	20.1
S&P 500	2,476	0.01	14.8
Nasdaq	6,364	0.01	23.9
VIX	10.22	1.29	-23.5
FTSE	7,411	-0.2	11.5
DAX	12,181	-0.6	20.1
CAC 40	5,107	-0.4	18.0
Nikkei	20,080	0.5	24.9
Shanghai	3,285	-0.2	10.3
Hang Seng	27,607	0.2	27.0
ASX 200	5,744	-0.5	5.1

Commodities\*

	Last	% day
Oil (Brent)	52.24	0.9
Oil (WTI)	49.48	0.7
Oil (Tapis)	51.36	-2.0
Gold	1266.00	-0.5
CRB	181.98	0.7
GS Metals	339.9	0.5
Aluminium	1907.0	1.0
Copper	6330.3	0.2
Nickel	10307.5	0.6
Zinc	2789.5	0.7
Ch. steel	3715.0	0.0
Iron ore	72.3	-1.7
St. Coal	95.1	0.4
Met.coal	180.0	0.3
Wheat Chic.	487.8	0.0
Sugar	14.8	-0.6
Cotton	71.8	0.8
Coffee	140.4	1.8

Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.29	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.31	1.00
3/10 sprd	0.49	2.00
SPI	5692.0	22.0

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	-1.0	-4.0%
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>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		242		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		3		-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	9.10	18.10
EC	Markit Eurozone Retail PMI	Jul				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		-44.5		-46.5	13.30	22.30
CA	Net Change in Employment/Unemployment Rate	Jul		10/6.5		45.3/6.5	13.30	22.30
CA	Int'l Merchandise Trade	Jun		-1.25		-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>Monday, 7 August 2017</b>								
AU	AiG Perf of Construction Index	Jul				56.0	0.30	9.30
AU	ANZ Job Advertisements MoM	Jul				2.7	2.30	11.30
NZ	2Yr Inflation Expectation	3Q				2.2	4.00	13.00
JN	Leading Index CI	Jun P				104.6	6.00	15.00
GE	Industrial Production SA MoM/YoY	Jun				1.2	7.00	16.00
CH	BoP Current Account Balance	2Q P				18.4	8.00	17.00
UK	Halifax House Prices MoM	Jul				-1.0	8.30	17.30
UK	Halifax House Price 3Mths/Year	Jul				2.6	8.30	17.30
CH	Foreign Reserves	Jul		3075		3056.8	9.00	18.00
EC	Sentix Investor Confidence	Aug				28.3	9.30	18.30
CA	Bloomberg Nanos Confidence	Aug 4				59.5	15.00	0.00
US	Labor Market Conditions Index Change	Jul				1.5	15.00	0.00
US	Fed's Bullard Speaks on U.S. Economy in Nashville, TN						16.45	1.45
US	Fed's Kashkari Speaks in Bloomington, MN						18.25	3.25
US	Consumer Credit	Jun		16		18.4	20.00	5.00
<b>Tuesday, 8 August 2017</b>								
UK	BRC Sales Like-For-Like YoY	Jul				1.2	0.10	9.10
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Aug 6				118.4	0.30	9.30
JN	BoP Current Account Adjusted	Jun				1400.9	0.50	9.50
AU	NAB Business Conditions/Confidence	Jul				15/9	2.30	11.30
CH	Foreign Direct Investment YoY CNY	Jul				2.3	3.00	12.00
GE	Current Account Balance	Jun				17.3	7.00	16.00
GE	Exports SA MoM	Jun				1.4	7.00	16.00
GE	Imports SA MoM	Jun				1.2	7.00	16.00
US	NFIB Small Business Optimism	Jul				103.6	11.00	20.00
CA	Housing Starts	Jul				212.7	13.15	22.15
CH	Trade Balance CNY	Jul	273.65			294.3	4.20	13.20
CH	Exports/Imports YoY CNY	Jul	15.2			17.3	4.20	13.20
CH	Trade Balance	Jul	45.35			42.8	4.40	13.40
CH	Exports/Imports YoY	Jul	11			11.3	4.40	13.40
JN	Eco Watchers Survey Current SA	Jul				50.0	6.00	15.00
JN	Eco Watchers Survey Outlook SA	Jul				50.5	6.00	15.00
US	JOLTS Job Openings	Jun				5666.0	15.00	0.00
<b>Wednesday, 9 August 2017</b>								
NZ	ANZ Truckometer Heavy MoM	Jul				0.0	23.00	8.00
AU	RBA's Kent Gives Bloomberg Address in Sydney						23.00	8.00
AU	Westpac Consumer Conf Index/MoM	Aug				96.6	1.30	10.30
CH	CPI/PPI YoY	Jul		1.5		1.5	2.30	11.30
AU	Home Loans MoM	Jun				1.0	2.30	11.30
AU	Investment Lending	Jun				-1.4	2.30	11.30
JN	Machine Tool Orders YoY	Jul P				31.1	7.00	16.00
CA	Building Permits MoM	Jun				8.9	13.30	22.30
US	Nonfarm Productivity/Unit Labour costs	2Q P		0.6		0.0	13.30	22.30
US	Wholesale Trade Sales/Inventories MoM	Jun				-0.5	15.00	0.00
<b>Thursday, 10 August 2017</b>								
NZ	RBNZ Official Cash Rate	Aug 10		1.75		1.8	22.00	7.00
NZ	RBNZ's Wheeler news conference on policy statement						23.00	8.00
NZ	Card Spending Total/Retail MoM	Jul				0.1	23.45	8.45
UK	RICS House Price Balance	Jul				7.0	0.10	9.10
JN	Machine Orders MoM/YoY	Jun				-3.6	0.50	9.50
JN	PPI MoM/YoY	Jun				0.0	0.50	9.50
AU	Consumer Inflation Expectation	Aug				4.4	2.00	11.00
CH	New Yuan Loans/Aggregate Financing CNY	Jul		800		1540.0	10-15 Aug release	
JN	Tertiary Industry Index MoM	Jun				-0.1	5.30	14.30
UK	Industrial Production MoM/YoY	Jun				-0.1	9.30	18.30
UK	Manufacturing Production MoM/YoY	Jun				-0.2	9.30	18.30
UK	Construction Output SA MoM/YoY	Jun				-1.2	9.30	18.30
UK	Trade Balance	Jun				-3073.0	9.30	18.30
UK	NIESR GDP Estimate	Jul				0.3	13.00	22.00
CA	New Housing Price Index MoM/YoY	Jun				0.7	13.30	22.30
US	Initial Jobless Claims	Jul 29		242		244.0	13.30	22.30
US	PPI Final Demand MoM/YoY	Jul		0.1		0.1	13.30	22.30
US	Bloomberg Consumer Comfort	Jul 30				48.6	14.45	23.45
NZ	REINZ House Sales YoY	Jul				-24.7		
US	Monthly Budget Statement	Jul				-90.2	19.00	4.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
UK	BOE	3-Aug				0.25%		
New Zealand	RBNZ	10-Aug	1.75%	1.75%		1.75%		
Australia	RBA	5-Sep	1.50%	1.50%		1.50%		
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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