

# MARKETS TODAY

## Fed Up



### Good morning

DJ Khaled didn't have the folks in Washington's Eccles Building in mind when he composed 'Fed Up' in 2009, but December 2017 Fed rate hike pricing pushed up from around 40% to 50% on Friday. You get the drift. Friday's US payrolls report was strong in all respects, lifting the dollar and US yields across the board while allowing for small-scale gains in US stocks and risk sentiment.

Non-farm payrolls rose by 209k against 180k expected with trivial 2-month net revisions, the unemployment rate fell by 0.1% to 4.3% as expected and while average earnings only rise by the 0.3% expected, rounding meant the year-on-year growth rate held at 2.5% rather than the expected drop to 2.4%.

Trump's chief economic policy adviser Gary Cohn was banging the (autumn) tax reform gong loudly on Friday (including making clear that incentives for US firms to repatriate profits held overseas was an integral part of the administration tax plans). Fed dove Neel Kashkari meanwhile tweeted said the payrolls report didn't change anything (implying he still wants to see evident of higher inflation before being persuaded to vote for higher rates).

In stocks, the S&P finished 0.19% higher at 2,476.83, the Dow +0.3% at 22,092.81 and the NASDAQ +0.18%. The weaker EUR helped the Eurostoxx 50 gain 1.2%. The VIX lost 0.41 to 10.03 (-0.26 on the week).

In FX, it was a case of 'the bigger they are the harder they fall' with EUR/USD the biggest casualty of the post-US payrolls jump in all things USD, -0.82% to 1.1773. The narrow DXY index gained 0.71% to 93.49 and the broader BBDXY 0.55% to 116.71. GBP/USD fared next worse, -0.75% to \$1.3040 then JPY, USD/JPY +0.58% to Y110.69. Amongst commodity currencies, there was not too much to choose with USD/CAD +0.47% to 1.2645 (despite another stellar Canadian employment report) and AUD and NZD both -0.35%, AUD/USD to 0.7922 and NZD to 0.7409. We've started the week little changed.

In rates US yield drifted off in afternoon trade following the immediate post payrolls surge. 2s ended the day +1.2bps at 1.353% (+0.4bp w/w) and 10s +4.1bps to 2.263% (-2.7bps w/w). The 10yr Bund gained 1.5bps to 0.468% (-7.4bps w/w).

In commodities oil edged up, WTI by 50 cents to \$49.52 (-\$0.19 on the week) and Brent by 40 cents to \$52.36 (-\$0.16 on the week) with marginal assist from news that Friday's Baker Hughes US active oil rig count dropped by one to 765. Gold lost \$9.3 to 41,258.5 on the back of the post-payrolls USD bounce and is \$9.9 lower on the week. Iron ore gained \$1.20 to \$74.12 is \$5.39 up on the week.

CoreLogic's Weekend Market Summary shows a preliminary auction clearance rate of 71.5%, up from last weekend's final 68.7% (down from the preliminary 70.7%). Melbourne is holding up the national average,

with a preliminary clearance rate of 75.7% (final 75.6% last weekend) with Sydney up to 71.5% from last week's final 65.4%, the latter the lowest Sydney clearance rate this year.

The UN Security Council on Saturday agreed to impose new sanctions on North Korea that would ban exports of coal, iron, lead and seafood in response to Pyongyang's testing of two intercontinental ballistic missiles last month that could target the U.S. The new penalties agreed to on Saturday by all the 15 council members aim to cut North Korean exports by about \$1 billion a year. We seriously doubt these are going to scare Kim Jong-un into submission on his nuclear weapons programme.

### Coming Up

NSW banking holiday today will make for a quieter than usual start to the week for Australian markets.

The post-US payrolls week is typically quiet on the US data front. But we do get the July CPI report on Friday, one obvious highlight. Fed speakers this week include Bullard and Kashkari tonight, both of whom were adamantly opposed to any further moves prior to Friday's US labour market data (and Kashkari seemingly afterwards as well). NY Fed President Bill Dudley talks about the labour market on Thursday. One to watch out for, for sure.

Other offshore events to note include the RBNZ on Thursday, where the Monetary Policy Statement shouldn't offer much support for the NZD. The underlying message will be that the RBNZ is in no hurry to join some other major central banks in looking to remove policy accommodation. In fact, we expect inflation forecasts to be reduced a little, reflecting the strength of the NZD more than offsetting any possible inflationary impulse from stronger terms of trade.

China's trade data is on Tuesday. The OPEC/Non-OPEC committee dealing with non-compliance to production cuts meets in Abu Dhabi from today.

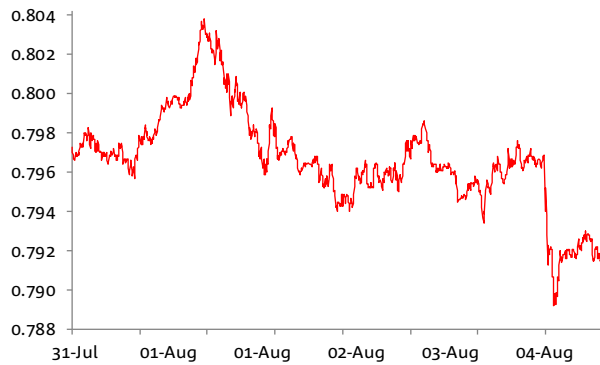
Locally, it's the NAB business survey on Tuesday, RBA Assistant Governor (financial markets) at a Bloomberg breakfast function on Wednesday and then RBA Governor Lowe testifying before the Lower House Economics Committee in Melbourne on Friday.

### Overnight

On global stock markets, the S&P 500 was +0.19%. Bond markets saw US 10-years +4.08bp to 2.26%. In commodities, Brent crude oil +0.38% to \$52.42, gold -0.7% to \$1,258, iron ore +1.6% to \$74.12, steam coal +0.8% to \$95.35, met. coal +1.1% to \$188.00. AUD is at 0.792 and the range since Friday 5pm Sydney time is 0.7891 to 0.7980.

# Markets

AUD/USD - past week



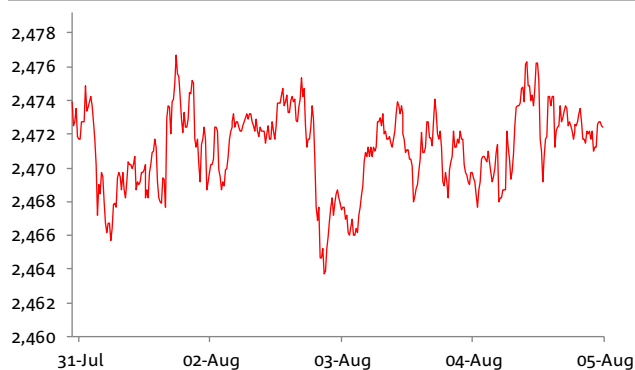
Source: Bloomberg.

US 10yr - past week



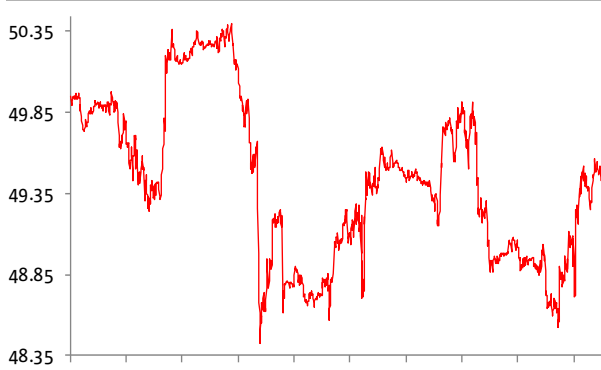
Source: Bloomberg.

S&P Future - past week



Source: Bloomberg.

WTI - past week



Source: Bloomberg

Aug Aug Aug Aug Aug Aug

## Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7920	-0.4	0.7891	0.7980	HKD	7.8192 0.0
NZD	0.7403	-0.4	0.7393	0.7455	CNY	6.7289 0.2
EUR	1.1774	-0.8	1.1728	1.1889	SGD	1.3605 0.1
GBP	1.3039	-0.8	1.3024	1.3164	IDR	13,316 -0.1
JPY	110.71	0.6	109.85	111.05	THB	33.30 0.1
CAD	1.2657	0.6	1.2556	1.2668	KRW	1,125 -0.3
AUD/EUR	0.6727	0.5	0.6682	0.6746	TWD	30.16 -0.2
AUD/JPY	87.69	0.2	87.35	87.97	PHP	50.24 -0.1
AUD/GBP	0.6075	0.4	0.6041	0.6084	CHF	0.97 0.5
AUD/NZD	1.0699	0.1	1.0669	1.0729	SEK	8.14 0.5
AUD/CNH	5.3306	-0.1	5.3157	5.3653		

## Equities

	Last	% day	% y/y
Dow	22,093	0.30	19.1
S&P 500	2,477	0.19	13.5
Nasdaq	6,352	0.18	21.7
VIX	10.03	-3.93	-11.9
FTSE	7,512	0.5	10.6
DAX	12,298	1.2	18.6
CAC 40	5,203	1.4	18.0
Nikkei	19,952	-0.4	22.7
Shanghai	3,262	-0.3	9.6
Hang Seng	27,563	0.1	24.5
ASX 200	5,721	-0.3	4.1

## Commodities\*

	Last	% day
Oil (Brent)	52.42	0.8
Oil (WTI)	49.58	1.1
Oil (Tapis)	51.26	-1.7
Gold	1258.30	-0.7
CRB	180.68	0.0
GS Metals	339.5	0.0
Aluminium	1892.0	-0.3
Copper	6352.3	0.3
Nickel	10209.5	-1.2
Zinc	2802.0	0.8
Ch. steel	3821.0	4.2
Iron ore	74.1	1.6
St. Coal	95.4	0.8
Met.coal	188.0	1.1
Wheat Chic.	482.5	-0.5
Sugar	14.1	-1.2
Cotton	71.0	-0.8
Coffee	140.2	0.0

## Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.31	1.61	2.23	USD 10	2.26	4.08
AUD	1.50	1.69	1.90	2.84	AUD 10	2.62	-4.50 0.36
NZD	1.75	1.95	2.18	3.19	NZD 10	2.90	-4.90 0.64
EUR	0.00	-0.33	-0.16	0.88	CAD 10	1.92	2.90 -0.34
GBP	0.25	0.28	0.59	1.24	EUR 10	0.47	1.50 -1.79
JPY	-0.05	-0.02	0.04	0.26	GBP 10	1.18	2.70 -1.09
CAD	0.75	1.29	1.59	2.21	JPY 10	0.07	-0.40 -2.20

## Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.29	0.00
3 Yr bond	97.8	0.00
10 Yr bond	97.35	5.00
3/10 sprd	0.45	-5.00
SPI	5684.0	-19.0

\*Change in bps

## Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	-0.2	-1.0%
FED	N/A	N/A

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>Monday, 7 August 2017</b>								
AU/CA	Sydney bank holiday; most Canadian provinces on holiday							
AU	AiG Perf of Construction Index	Jul				56.0	0.30	9.30
AU	RBNZ Survey of Inflation Expectations, 2 year ahead rate	Q3				2.17	2.00	11.00
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		106.2		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/YoY	Jul		/		-1.0/2.6	8.30	17.30
CH	Foreign Reserves	Jul		3074.89		3056.8	9.00	18.00
EC	Sentix Investor Confidence	Aug				28.3	9.30	18.30
OPEC	OPEC/Non-OPEC Joint Committee meets in Abu Dhabi to discuss non-compliance with production cuts (through 8 August)							
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		1502.9		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
CH	Trade Balance CNY	Jul		297.35		294.3	4.20	13.20
CH	Exports/Imports YoY CNY	Jul		15.2/22.6		17.3/23.1	4.20	13.20
CH	Trade Balance	Jul		45.2		42.8	4.40	13.40
CH	Exports/Imports YoY	Jul		11/18.2		11.3/17.2	4.40	13.40
JN	Eco Watchers Survey Current/Outlook SA	Jul		49.7/50.9		50.0/50.5	6.00	15.00
GE	Current Account Balance	Jun				17.3	7.00	16.00
US	NFIB Small Business Optimism	Jul		103.8		103.6	11.00	20.00
CA	Housing Starts	Jul		205		212.7	13.15	22.15
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 (no title as yet)							
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 #/Investment Lending \$ MoM	Jun	0.8/..	1.5/		1.0/-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		0.8/1		0.0/2.2	13.30	22.30
US	Wholesale Trade Sales/Inventories MoM	Jun		/0.6		-0.5/0.6	15.00	0.00
<b>Thursday, 10 August 2017</b>								
NZ	RBNZ Official Cash Rate		1.75	1.75		1.75	22.00	7.00
NZ	RBNZ's Wheeler news conference on policy statement							
NZ	Card Spending Total/Retail MoM	Jul	0.3			0.1	23.45	8.45
UK	RICS House Price Balance	Jul				7.0	0.10	9.10
JN	Machine Orders MoM/YoY	Jun		3.7		-3.6	0.50	9.50
JN	PPI MoM/YoY	Jul		0.2		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		800/1000		1540/1780	10-15 Aug release	
JN	Tertiary Industry Index MoM	Jun		0.2		-0.1	5.30	14.30
UK	Industrial Production MoM/YoY	Jun		0		-0.1	9.30	18.30
UK	Manufacturing Production MoM/YoY	Jun		-0.2		-0.2	9.30	18.30
UK	Construction Output SA MoM/YoY	Jun		1.2		-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	Aug 5				240.0	13.30	22.30
US	PPI Final Demand MoM/YoY	Jul		0.1		0.1	13.30	22.30
US	Bloomberg Consumer Comfort	Aug 6				49.6	14.45	23.45
US	Fed's Dudley delivers opening remarks at regional wage inequality/wage economic press briefing							
NZ	REINZ House Sales YoY	Jul				-24.7	15.00	0.00
US	Monthly Budget Statement	Jul				-90.2	19.00	4.00
<b>Friday, 11 August 2017</b>								
NZ	BusinessNZ Manufacturing PMI	Jul				56.2	23.30	8.30
NZ	Food Prices MoM	Jul				0.2	23.45	8.45
AU	RBA's Lowe Before House Economics Committee in Melbourne							
GE	CPI EU Harmonized MoM/YoY	Jul F		/		0.4/1.5	7.00	16.00
US	CPI MoM/YoY	Jul		0.2/1.8		0.0/1.6	13.30	22.30
US	CPI Ex Food and Energy MoM/YoY	Jul		0.2/1.7		0.1/1.7	13.30	22.30
US	Real Avg Weekly/Hourly Earnings YoY	Jul				1.1	13.30	22.30
US	Fed's Kaplan Speaks in Arlington, Texas						14.40	23.40
US	Fed's Kashkari Speaks to Independent Community Bankers of Minn						16.30	1.30
US	Baker Hughes U.S. Riq Count/Oil Riqs	Aug 4		/		958/766	18.00	3.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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%		
UK BOE		14-Sep				0.25%		
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

## CONTACT DETAILS

### Authors

David de Garis  
Director, Economics  
+61 3 8641 3045  
david.degaris@nab.com.au

Ray Attrill  
Head of FX Strategy  
+61 2 9237 1848  
ray.attrill@nab.com.au

Rodrigo Catril  
Currency Strategist  
+61 2 9293 7109  
rodrigo.h.catril@nab.com.au

Tapas Strickland  
Economist  
+61 2 9237 1980  
tapas.strickland@nab.com.au

### Markets Research

Peter Jolly  
Global Head of Research  
+61 2 9237 1406  
peter.jolly@nab.com.au

### Group Economics

Alan Oster  
Chief Economist  
+61 3 8634 2927  
alan\_oster@national.com.au

### Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.