

MARKETS TODAY

Its Oh So Quiet



Good morning

It's been a slow start to the week, not just because of yesterday's NSW bank holiday (it's not exactly the centre of the universe is it, much as some of us might like to believe otherwise?) More likely it's a case of one swallow doesn't make a summer, markets not yet prepared to extrapolate last Friday's strong US employment report into a major view change about the Fed and the US dollar. Resident Fed doves James Bullard and Neel Kashkari were both out overnight reiterating they see no need for further rates rises anytime soon.

US Treasuries are now about 2.5bps back from their post-payrolls highs, but this may be more to do with lower Bund (and gilt) yields overnight and which responded to yesterday's weaker than expected German industrial production numbers (-1.1% m/m against an expected 0.2% rise).

This also looks to have been responsible for underperformance by German and broader European stocks relative to an ongoing rise in US indices (S&P up another 0.16%). The bigger picture story here though remains the strength of the Euro and weakness of the US dollar this year and what that is doing in terms of translating offshore earnings back into local currency. Year to date, the S&P is up 11% and the DAX less than 7%. EUR/USD is up 12%. Enough said.

Far and away the biggest FX move since the start of the week has been the NZD, off 0.67% and now almost two cents back from its late July highs above 0.7550. While yesterday's drop in 2-year inflation expectations, to 2.09% from 2.17%, looked to have had some negative impact this was hardly surprising after the reported drop in CPI in Q2 (from 2.2% to 1.7%). Rather, record long speculative positioning, judging from MM futures data, is the bigger story, with NZD then one of the bigger causalities as soon as USD sentiment became less bearish as was the case even before Friday's US data. As noted in yesterday *Global FX Strategist* we see scope for further NZD underperformance out of Thursday's RBNZ meeting.

The other big currency mover is the Rand, +1.67% on news of a secret no-confidence vote in President Zuma to take place Tuesday. If he loses, ZAR looks set to soar.

Commodity currencies in general have been softer overnight, AUD/USD spending a brief amount of time sub-0.79 (low of 0.7899) and USD/CAD +0.28%. Lower oil prices are part of the story here. OPEC and non-OPEC countries are meeting in Abu Dhabi to discuss non-compliance with previously agreed production cuts. Latest slippage is said to be due to Libya's Sahara oil field coming back on tap after being halted on Sunday by armed protestors, while energy consultants Baker Hughes reported overnight that worldwide drilling reached its highest level in two years in July.

Coming Up

Following Monday's Sydney bank holiday, initial local focus for the week gets underway with the NAB Business Survey. Not only have Business Conditions been pushing higher to June, but Business Confidence has also risen to above average levels, in contrast to the more cautious spirits of the consumer, the Westpac-Melbourne Institute measure of Consumer Sentiment (out Wednesday) is running somewhat below its long term average.

The NAB Business Survey has also been reporting a broader-based uplift in business activity, with trend increases in trading, profitability, and employment. The latter has been pointing to continued rises in prospective employment (the July ABS Labour Force report is due next week).

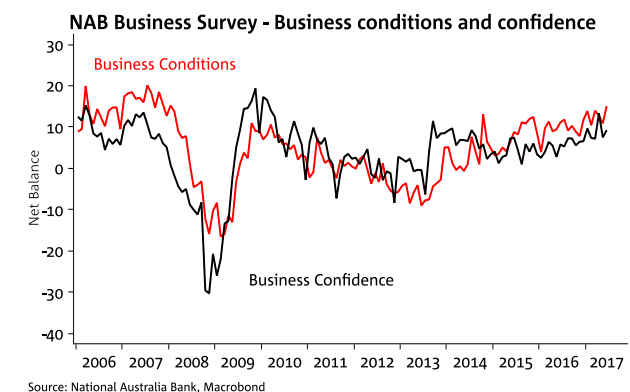
China trade data is also out this morning (probably 12:00 AEST or soon thereafter). Expectations are for exports to have risen by 11.0% in Y/Y dollar terms from 11.8% in June and imports to be up 18% versus 17.2% last time. The overall trade balance is seen at \$45.2bn up from \$42.8bn in June. That would do AUD no harm.

In Europe tonight German and French trade numbers are both due, while in the US we have the NFIB small business optimism survey where some of the post-Trump victory surge has been slipping away of late – though not hiring intentions which hit a new cycle high in last week's pre-NFP release. Also JOLTs June job openings, seen at 5,700 (1000s) up from 5,660 in May.

Overnight

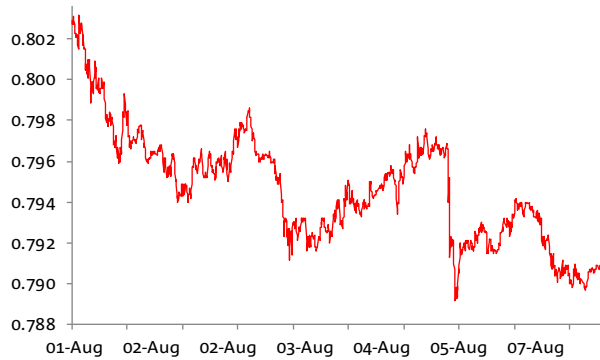
On global stock markets, the S&P 500 was +0.15%. Bond markets saw US 10-years -0.72bp to 2.25%. In commodities, Brent crude oil -0.38% to \$52.22, gold -0.1% to \$1,257, iron ore +2.8% to \$76.17, steam coal -0.4% to \$95.00, met. coal +3.3% to \$194.25. AUD is at 0.791 and the range since yesterday 5pm Sydney time is 0.7899 to 0.7949.

Chart of the day: NAB business survey



Markets

AUD/USD - past week



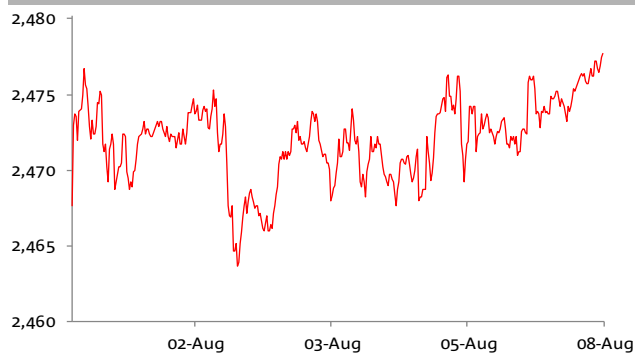
Source: Bloomberg.

US 10yr - past week



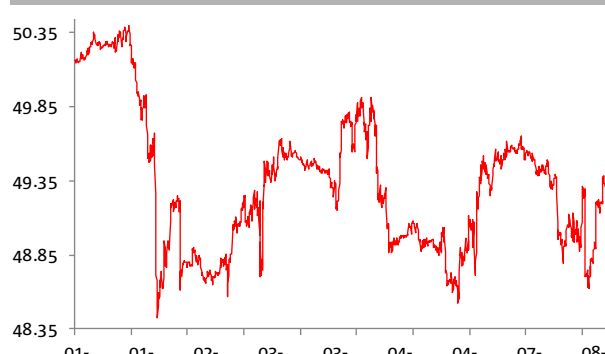
Source: Bloomberg.

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	0.7910	-0.2	0.7899	0.7949	HKD	7.8191 0.0
NZD	0.7358	-0.7	0.7348	0.7422	CNY	6.7215 -0.1
EUR	1.1794	0.2	1.1766	1.1814	SGD	1.3631 0.1
GBP	1.3030	-0.1	1.3014	1.3059	IDR	13,321 0.0
JPY	110.73	0.0	110.65	110.92	THB	33.29 0.0
CAD	1.2680	0.3	1.2630	1.2715	KRW	1,127 0.2
AUD/EUR	0.6707	-0.4	0.6700	0.6741	TWD	30.19 0.1
AUD/JPY	87.60	-0.2	87.52	88.02	PHP	50.45 0.4
AUD/GBP	0.6071	-0.2	0.6056	0.6089	CHF	0.97 0.1
AUD/NZD	1.0750	0.5	1.0671	1.0758	SEK	8.15 0.1
AUD/CNH	5.3142	-0.3	5.3170	5.3653		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.31	1.60	2.22	USD 10	2.25	-0.72
AUD	1.50	1.69	1.90	2.83	AUD 10	2.62	-4.50 0.37
NZD	1.75	1.96	2.18	3.21	NZD 10	2.91	2.70 0.66
EUR	0.00	-0.33	-0.16	0.88	CAD 10	1.92	-0.10 -0.33
GBP	0.25	0.28	0.57	1.20	EUR 10	0.46	-0.90 -1.80
JPY	-0.05	-0.02	0.04	0.26	GBP 10	1.14	-3.70 -1.12
CAD	0.75	1.29	1.59	2.21	JPY 10	0.07	0.70 -2.18

Equities

Major Indices			
	Last	% day	% y/y
Dow	22,118	0.12	19.3
S&P 500	2,480	0.15	13.6
Nasdaq	6,384	0.51	22.3
VIX	9.90	-1.30	-13.1
FTSE	7,532	0.3	10.9
DAX	12,257	-0.3	18.2
CAC 40	5,208	0.1	18.1
Nikkei	20,056	0.5	20.5
Shanghai	3,279	0.5	9.2
Hang Seng	27,690	0.5	23.1
ASX 200	5,774	0.9	4.3

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.28	-1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.36	-2.00
3/10 sprd	0.44	2.00
SPI	5720.0	-60.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	52.22	-0.4
Oil (WTI)	49.30	-0.6
Oil (Tapis)	51.40	0.3
Gold	1256.60	-0.1
CRB	180.97	0.2
GS Metals	344.5	1.5
Aluminium	1948.3	3.0
Copper	6388.3	0.6
Nickel	10361.5	1.5
Zinc	2848.5	1.7
Ch. steel	3944.0	5.1
Iron ore	76.2	2.8
St. Coal	95.0	-0.4
Met.coal	194.3	3.3
Wheat Chic.	490.8	1.7
Sugar	13.9	-1.9
Cotton	71.2	0.3
Coffee	142.1	1.4

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-1.0	-4.0%
FED	-116	-464.0%

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
Tuesday, 8 August 2017								
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			13.15	22.15
US	JOLTS Job Openings	Jul				5666.0	15.00	0.00
Wednesday, 9 August 2017								
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)						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 #/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
Thursday, 10 August 2017								
NZ	RBNZ Official Cash Rate		1.75	1.75		1.75	22.00	7.00
NZ	RBNZ's Wheeler news conference on policy statement						23.00	8.00
NZ	Card Spending Total/Retail MoM	Jul	0.3			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						15.00	0.00
NZ	REINZ House Sales YoY	Jul				-24.7		
US	Monthly Budget Statement	Jul				-90.2	19.00	4.00
Friday, 11 August 2017								
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						0.30	9.30
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. Rig Count/Oil Rigs	Aug 4		/		958/766	18.00	3.00
Monday, 14 August 2017								
CH	Foreign Direct Investment YoY CNY	Jul				2.3	18 Aug release	
NZ	Performance Services Index	Jul				58.6	23.30	8.30
NZ	Retail Sales Ex Inflation QoQ	2Q				1.5	23.45	8.45
AU	RBA's Kent Gives Speech in Sydney						0.35	9.35
JN	GDP SA QoQ	2Q P		0.6		0.3	0.50	9.50
JN	GDP Annualized SA QoQ	2Q P		2.5		1.0	0.50	9.50
JN	GDP Nominal SA QoQ	2Q P		0.7		-0.3	0.50	9.50
JN	GDP Deflator YoY	2Q P		-0.5		-0.8	0.50	9.50
JN	GDP Private Consumption QoQ	2Q P		0.5		0.3	0.50	9.50
JN	GDP Business Spending QoQ	2Q P		1.2		0.6	0.50	9.50
CH	Industrial Production YoY/YTD YoY	Jul		7.1/6.9		7.6/6.9	3.00	12.00
CH	Retail Sales YoY/YTD YoY	Jul		10.8/10.5		11.0/10.4	3.00	12.00
CH	Fixed Assets Ex Rural YTD YoY	Jul		8.6		8.6	3.00	12.00
EC	Industrial Production SA MoM/YoY	Jun		/		1.3/4.0	10.00	19.00
CA	Teranet/National Bank HPI MoM/YoY	Jul		/		2.6/14.2	13.30	22.30
CA	Teranet/National Bank HP Index	Jul				216.5	13.30	22.30
CA	Bloomberg Nanos Confidence	Aug 4				59.5	15.00	0.00
Upcoming Central Bank Interest Rate Announcements								
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

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