

MARKETS TODAY

Gone Daddy Gone



Good morning

Nothing like a good old classic from the Violent Femmes to start the week... News that President Trump had fired his controversial Chief Strategist, Steve Bannon, only provided a short-lived rally to US equities. After recording sharp losses on Thursday, major US equities ended Friday marginally down and recorded their second week of negative returns. While gold was unchanged and the VIX sneaked back down to a 14 handle, JPY still benefited from a safe haven bid and after trading in a weekly range of 2.16%-2.28%, 10y UST ended the week at 2.1939%, close to the bottom of the range. USD indices were marginally lower on Friday, but ended little changed on the week. The softer USD on Friday and stronger commodity prices helped AUD move back above 79c and NZD edge back above 73c.

The lack of key data releases and major corporate earnings news contributed to Friday's quiet trading session with major US equity indices trading in and out of positive territory. News that President Trump had fired his divisive Chief Strategist, Steve Bannon, provided a short-lived equity rally with US equities heading south once again in the last hour of trading.

In theory the departure of Steve Bannon elicited an initial positive reaction in risk assets as the news was interpreted as a step towards imposing some order within the White House. From a market perspective, however, Bannon's departure doesn't change Trump's strong views on immigration, border security and trade protection. Hence, the latter observation probably explains the short-lived market reaction in the end.

The Dow Jones closed Friday -0.4% to 21674.51, recording a weekly decline of -0.8%. The S&P500 was -0.18% on the day and -0.65% on the week while the NASDAQ closed Friday at -0.09%, -0.64% on the week.

USD indices ended marginally lower on Friday (DXY -0.2%, BBDX -0.34%), but both managed to end the week slightly higher (DXY +0.39% and BBDX +0.11%). In G10, barring CHF, the USD was softer across the board with commodity linked currencies the big winners. CAD and NOK led the way, up 0.81% and 0.77% respectively, boosted by decent gains in oil prices (more below). After Sydney's close, AUD moved back above 79c (0.56% on the day) and NZD climbed above 73c (0.43%).

EUR closed the week at 1.1761 and USD/JPY ended at ¥109.18, its lowest level since late April. Looking at the overnight chart, USD/JPY traded to an intraday low ¥108.60, taking out the previous intraday low of ¥108.74. The April low of ¥108.13 is now a key support level with a break below this level opening the potential for a move all the way down to ¥106.5.

On Friday night, 10y UST yields traded in 2.1608% to 2.2097% range and ended the week at 2.1939%. The lows were reached when London and Europe were still

trading and then news of Steve Bannon departure and better than expected Consumer sentiment data (see below) lifted US yields later in the NY session.

Oil prices surged on Friday following a Reuter's report of an Exxon Mobil refinery shut down in Baytown, Texas. (The 560k barrel-a-day plant is the second-largest refinery in the US). WTI closed Friday at \$48.51, up 3% while Brent closed the week at \$52.72, up 3.3%.

As for other commodities, gold was little changed at \$1284.43 after failing to sustain a move above \$1300. Copper was flat and iron ore had a good day, up 3.4% and closing the week at \$77.94.

CFTC data showed net short positioning against the USD vs G10 declined last week from -125k to -104k. The overall move was dominated by a 14k reduction in EUR longs to 70k, 8.6k reduction in NZD longs to 25k and 11k reduction in CAD longs to 51k. AUD longs were extended by 1.6k to 59.6k. Ignoring the 60.7k high two weeks ago, AUD longs are now the highest since Apr 2013.

As for economic data releases, US August preliminary Michigan Consumer Index jumped to 97.6 from 93.4, above the 94 expected by consensus. This was the index's highest reading since January. Meanwhile 5-10 year expectations slid to 2.5%, essentially reversing the 2.6% rise in July.

Canada July CPI prints at +1.1% y/y vs +1.2% expected. But the average of the Bank of Canada's three core inflation measures was 1.5%, rising from a 1.4% in June.

CoreLogic's Weekend Market Summary from preliminary figures show the combined capital city clearance rate at 71.7% up from last week's final clearance of 67.5%. Melbourne's preliminary clearance rate was 77.7%, increasing from last week final clearance rate of 69.8%, and also higher than the 75.4% recorded a year ago. Meanwhile, Sydney's preliminary clearance rate of 70.8% also printed above last week final clearance rate of 67.6%. A year ago the clearance rate was 84.3%.

Coming Up

A quiet start to the week in terms of data releases suggests last week's equities soft ending along with potential geopolitical tensions could be the initial focus for investors this week. Monday's US-South Korea military drilling may instigate a reaction from North Korea, if so these negative vibes are likely to weigh on the AUD and NZD at the start of the week. Extreme long positioning in AUD and a bit less for NZD, suggest both currencies are susceptible to bad news.

Later today the UK government plans to release two papers on its Brexit plan, Europe's reaction will be import for the pound.

Later in the week, Yellen's speech at Jackson Hole is going to be important for the near term fate of the USD and UST yields. On Friday the Fed Chair will speak on

financial stability and we suspect that despite the current low inflation environment she may highlight the ease of financial condition as an important consideration supporting the need for further rate hikes. Any comments along this line are likely to help push UST yields and the USD higher.

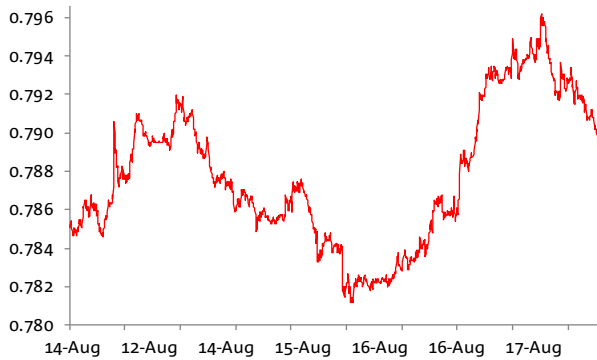
See our What to Watch publication for more details.

Overnight

On global stock markets, the S&P 500 was -0.18%. Bond markets saw US 10-years +0.86bp to 2.19%. In commodities, Brent crude oil +3.31% to \$52.72, gold-0.1% to \$1,286, iron ore +3.4% to \$77.94, steam coal +0.3% to \$98.30, met. coal -0.4% to \$193.25. AUD is at 0.7932 and the range since Friday 5pm Sydney time is 0.787 to 0.7944.

Markets

AUD/USD - past week



Source: Bloomberg.

US 10yr - past week



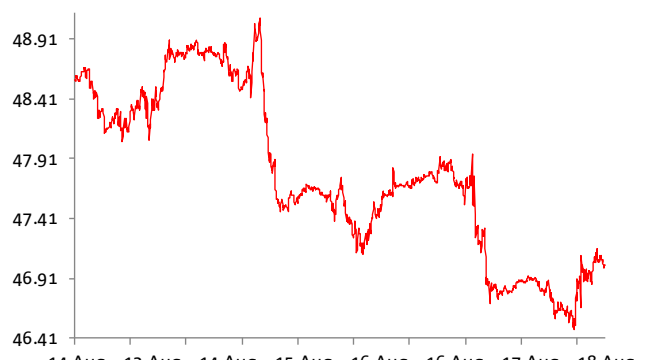
Source: Bloomberg.

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	0.7932	0.6	0.7870	0.7944	HKD	7.8237 0.0
NZD	0.7314	0.4	0.7276	0.7335	CNY	6.6704 -0.1
EUR	1.1763	0.3	1.1709	1.1774	SGD	1.3640 -0.2
GBP	1.2868	0.0	1.2832	1.2917	IDR	13,362 0.0
JPY	109.30	-0.2	108.60	109.60	THB	33.21 -0.1
CAD	1.2572	-0.9	1.2557	1.2691	KRW	1,141 0.3
AUD/EUR	0.6744	0.3	0.6720	0.6759	TWD	30.35 0.1
AUD/JPY	86.70	0.4	86.00	87.05	PHP	51.45 0.3
AUD/GBP	0.6164	0.6	0.6117	0.6178	CHF	0.97 0.2
AUD/NZD	1.0845	0.1	1.0803	1.0849	SEK	8.10 -0.5
AUD/CNH	5.2758	-0.2	5.2625	5.3079		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.31	1.57	2.14	USD 10	2.19	0.86
AUD	1.50	1.69	1.90	2.79	AUD 10	2.62	-2.40 0.43
NZD	1.75	1.95	2.18	3.13	NZD 10	2.83	-2.20 0.64
EUR	0.00	-0.33	-0.17	0.83	CAD 10	1.87	2.30 -0.32
GBP	0.25	0.28	0.55	1.17	EUR 10	0.41	-1.20 -1.78
JPY	-0.05	-0.04	0.02	0.21	GBP 10	1.09	0.30 -1.10
CAD	0.75	1.30	1.57	2.14	JPY 10	0.03	-2.10 -2.16

Equities

Major Indices	Last	% day	% y/y
Dow	21,675	-0.35	16.8
S&P 500	2,426	-0.18	11.1
Nasdaq	6,217	-0.09	18.7
VIX	14.26	-8.30	25.7
FTSE	7,324	-0.9	6.8
DAX	12,165	-0.3	15.4
CAC 40	5,114	-0.6	16.2
Nikkei	19,470	-1.2	17.7
Shanghai	3,269	0.0	5.2
Hang Seng	27,048	-1.1	17.9
ASX 200	5,747	-0.6	4.0

Commodities*

	Last	% day
Oil (Brent)	52.72	3.3
Oil (WTI)	48.51	3.0
Oil (Tapis)	51.11	1.9
Gold	1285.70	-0.1
CRB	177.50	0.9
GS Metals	357.1	0.0
Aluminium	2051.5	-0.7
Copper	6466.8	-0.1
Nickel	10943.0	2.4
Zinc	3126.5	2.1
Ch. steel	3866.0	1.9
Iron ore	77.9	3.4
St. Coal	98.3	0.3
Met.coal	193.3	-0.4
Wheat Chic.	442.5	0.4
Sugar	13.4	0.9
Cotton	67.8	0.5
Coffee	131.7	-0.3

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.27	-1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.41	4.00
3/10 sprd	0.39	-4.00
SPI	5703.0	43.0

*Change in bps

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	-0.2	-1.0%
FED	-0	-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
Monday, 21 August 2017								
NZ	Net Migration SA	Jul				6350.0	23.45	8.45
UK	Rightmove House Prices MoM	Aug				0.1	0.10	9.10
UK	Rightmove House Prices YoY	Aug				2.8	0.10	9.10
NZ	Credit Card Spending MoM	Jul				0.2	4.00	13.00
NZ	Credit Card Spending YoY	Jul				8.3	4.00	13.00
JN	All Industry Activity Index MoM	Jun		0.4		-0.9	5.30	14.30
JN	Convenience Store Sales YoY	Jul				-0.1	8.00	17.00
UK	Public Finances (PSNCR)	Jul				18.3	9.30	18.30
UK	Central Government NCR	Jul				18.0	9.30	18.30
UK	Public Sector Net Borrowing	Jul		0.35		6.3	9.30	18.30
UK	PSNB ex Banking Groups	Jul		1		6.9	9.30	18.30
CA	Wholesale Trade Sales MoM	Jun				0.9	13.30	22.30
US	Chicago Fed Nat Activity Index	Jul				0.1	13.30	22.30
CA	Bloomberg Nanos Confidence	Aug 18				61.2	15.00	0.00
Tuesday, 22 August 2017								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Aug 20				111.7	0.30	9.30
GE	ZEW Survey Current Situation	Aug		85		86.4	10.00	19.00
EC	ZEW Survey Expectations	Aug				35.6	10.00	19.00
GE	ZEW Survey Expectations	Aug		15.5		17.5	10.00	19.00
EC	ECB's Constancio Speaks at Economists' Congress in Lisbon						13.00	22.00
CA	Retail Sales MoM	Jun		0.3		0.6	13.30	22.30
CA	Retail Sales Ex Auto MoM	Jun		0.3		-0.1	13.30	22.30
US	FHFA House Price Index MoM	Jun				0.4	14.00	23.00
US	House Price Purchase Index QoQ	2Q				1.4	14.00	23.00
CH	Conference Board Leading Economic Index	Jul					14.00	23.00
US	Richmond Fed Manufact. Index	Aug		10		14.0	15.00	0.00
Wednesday, 23 August 2017								
NZ	Pre-election Economic and Fiscal Update						1.00	10.00
AU	Skilled Vacancies MoM	Jul				-0.9	2.00	11.00
JN	Machine Tool Orders YoY	Jul F				26.3	7.00	16.00
EU	ECB's Draghi Speaks in Lindau, Germany						8.00	17.00
GE	Markit/BME Germany Manufacturing PMI	Aug P		57.5		58.1	8.30	17.30
EC	Markit Eurozone Manufacturing PMI	Aug P		56.3		56.6	9.00	18.00
EC	Markit Eurozone Services PMI	Aug P		55.5		55.4	9.00	18.00
EC	Markit Eurozone Composite PMI	Aug P		55.5		55.7	9.00	18.00
US	MBA Mortgage Applications	Aug 18				0.1	12.00	21.00
US	Fed's Kaplan (voter) speak to Oil Group in Texas						14.05	23.05
US	Markit US Manufacturing PMI	Aug P		53.4		53.3	14.45	23.45
US	New Home Sales	Jul		610		610.0	15.00	0.00
US	New Home Sales MoM	Jul		0		0.8	15.00	0.00
EC	Consumer Confidence	Aug A		-1.9		-1.7	15.00	0.00
Thursday, 24 August 2017								
NZ	Trade Balance NZD	Jul		-200		242.0	23.45	8.45
JN	Nikkei Japan PMI Mfg	Aug P				52.1	1.30	10.30
JN	Leading Index CI	Jun F				106.3	6.00	15.00
JN	Coincident Index	Jun F				117.2	6.00	15.00
UK	UK Finance Loans for Housing	Jul				40200.0	9.30	18.30
UK	GDP QoQ	2Q P		0.3		0.3	9.30	18.30
UK	Index of Services MoM	Jun		0.2		0.2	9.30	18.30
UK	Index of Services 3M/3M	Jun		0.5		0.4	9.30	18.30
US	Initial Jobless Claims	Aug 19				232.0	13.30	22.30
US	Continuing Claims	Aug 12				1953.0	13.30	22.30
UK	CBI Retailing Reported Sales	Aug				22.0	11.00	20.00
UK	CBI Total Dist. Reported Sales	Aug				21.0	11.00	20.00
US/EC	Kansas City Fed hosts annual Jackson Hole Policy Symposium - Yellen and Draghi Speak at the event						24-27 Aug	
US	Existing Home Sales	Jul		5.56		5.5	15.00	0.00
US	Existing Home Sales MoM	Jul		0.63		-1.8	15.00	0.00
US	Kansas City Fed Manf. Activity	Aug				10.0	16.00	1.00
Friday, 25 August 2017								
JN	Natl CPI YoY	Jul		0.4		0.4	0.30	9.30
JN	Natl CPI Ex Fresh Food YoY	Jul		0.5		0.4	0.30	9.30
JN	Natl CPI Ex Fresh Food, Energy YoY	Jul		0.1		0.0	0.30	9.30
JN	Tokyo CPI YoY	Aug		0.3		0.1	0.30	9.30
JN	Tokyo CPI Ex-Fresh Food YoY	Aug		0.3		0.2	0.30	9.30
JN	Tokyo CPI Ex-Fresh Food, Energy YoY	Aug		-0.1		-0.1	0.30	9.30
JN	PPI Services YoY	Jul		0.8		0.8	0.50	9.50
GE	IFO Business Climate	Aug		115.4		116.0	9.00	18.00
GE	IFO Current Assessment	Aug		124.8		125.4	9.00	18.00
GE	IFO Expectations	Aug		106.8		107.3	9.00	18.00
US	Durable Goods Orders	Jul P		-5.8		6.4	13.30	22.30
US	Cap Goods Orders Nondef Ex Air	Jul P		0.3		0.0	13.30	22.30
US	Fed Chair Yellen at Jackson Hole on "Financial Stability"						15.00	0.00
US	Baker Hughes U.S. Rig Count	Aug 18				949.0	18.00	3.00
Saturday, 26 August 2017								
CH	Industrial Profits YoY	Jul				19.1	2.30	11.30
Upcoming Central Bank Interest Rate Announcements								
New Zealand, RBNZ		28-Sep	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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