

Good morning

Yesterday's USD resurgence accompanied by an improvement in risk appetite and hopes of progress on US tax reform came to an abrupt end courtesy of President Trump threat of a government shutdown, if funding isn't included for the border wall promised in his campaign. The souring in sentiment has seen US and European equities end the session lower while US Treasuries rallied. The Euro is stronger boosted by solid PMI releases and oil prices are also higher on news that US crude inventories went down for the eighth week in a row. Meanwhile if Fed Chair Yellen is a fan of Johnny Cash she is probably singing "We've been talkin' 'bout Jackson, ever since the fire went out, I'm goin' to Jackson, I'm gonna mess around, Yeah, I'm goin' to Jackson, look out Jackson town".

True to form, President Trump's address in Phoenix unwound all the positive feeling that had been built around the prospect of a swift debt ceiling resolution and US tax reform. The US president threatened to take the US government to the brink of a shutdown, if needed, to pressure Congress into funding the border wall that was a centerpiece of his 2016 campaign. He also said that he may end the North American Free-Trade Agreement.

The USD was the first to react with USD/JPY heading south as the news broke. Then, in the overnight session the souring mood spread to the equity market with main European and US equity indices ending the day down between -0.30 and 0.50%. US bond yields traded sideways in Asia and at the start of the European session, but then as the US opened a rally ensued with 10y UST falling from an overnight high of 2.22% to 2.166% where they currently sit.

The USD is softer against most currencies with JPY (and European currencies top of the leader board (+/-0.50%). NZD has been the underperformer, down 0.67% and the rise in oil prices has helped CAD perform (+0.12%), despite initial losses following Trump's threat to end NAFTA.

The Euro is back trading above the 1.18 mark, boosted by a positive round of European PMIs. The German manufacturing PMI printed at an impressive 59.4 and against expectations of a small fall. Meanwhile, the Eurozone manufacturing PMI came in at 55.8 this month from 55.7 in July. The data also helped the EUR/GBP cross make a break above the 0.92 mark, barring a brief stint in July, the last time the cross traded above 0.92 was back in April 2009. Positive economic news in Europe as well as the prospect of ECB tapering has boosted the euro, while sluggish economic readings and Brexit as well as political uncertainty are weighing on the pound. This picture is unlikely to change any time soon.

At a first glance NZD underperformance could be linked to the government Pre-election Economic and Fiscal

Update which showed surpluses slightly lower in the outer years. While it is true the move lower in NZD started around the time the report was released, fiscal reports rarely elicit a market reaction. Instead our sense is that NZD weakness is probably linked to the unwinding of extremely net long speculative positions.

Meanwhile the AUD is little changed at 0.7904 after trading in a 30 pips range overnight. Risk aversion weighed on the AUD, but solid commodity performance was an offsetting force.

Oil prices got a boost from an EIA report that showed last week crude stockpiles fell for an eighth week (-3.3m barrels) and motor fuel inventories dropped by 1.22m barrels. Both WTI and Brent closed the session over 1% stronger. Meanwhile the iron ore price is down 2.3%, largely reflecting yesterday's decline in the active futures contract. Looking at the contract today, after initially trading lower, it stabilised later in the session to end the day up 0.52%.

Speaking in Midland, Fed Kaplan reiterated his preference to be patient on Fed funds rate, noting that technological breakthroughs are preventing the tight labour market from triggering inflation.

Coming Up

Technically the Jackson Hole Policy Symposium starts today 6 pm mountain time. But given that we are 16 hours ahead, the Symposium only really gets going tomorrow morning at 10 am Sydney time. Still, undoubtedly today's headlines will become more and more focused on the Symposium as the day goes by.

Meanwhile there are no major data releases on the calendar today. This morning New Zealand publishes its trade data for July, the UK gets its second Q2 GDP estimate and the US releases its weekly jobless claims along with Existing Home Sales (Jul) and the Kansas City Fed Manf. Activity (Aug).

The Jackson Hole Symposium topic for this year is on "Fostering a Dynamic Global Economy." The program will only become available at 6pm mountain time, but we already know that Fed Chair Yellen will be speaking Friday morning (8am mountain time/midnight Sydney) and ECB President Draghi will speak in the evening at 5 pm (Saturday 9 am Sydney).

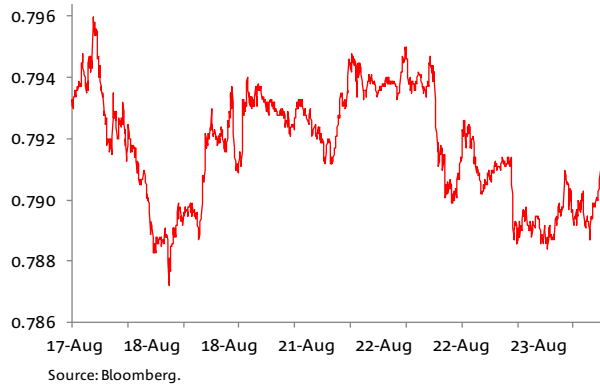
Fed Yellen's Jackson Hole speech is on financial stability. US financial conditions are currently very easy, despite the fact that we have had two Fed rate hikes this year, hence there is a risk that she notes that it is not just evidence of higher inflation that is going to be driving decisions on further Fed tightening. Any comments along this line could push the USD and front end UST yields higher. Meanwhile, Draghi is not expected to make any policy remarks, but there is always a risk that he says something.

Overnight

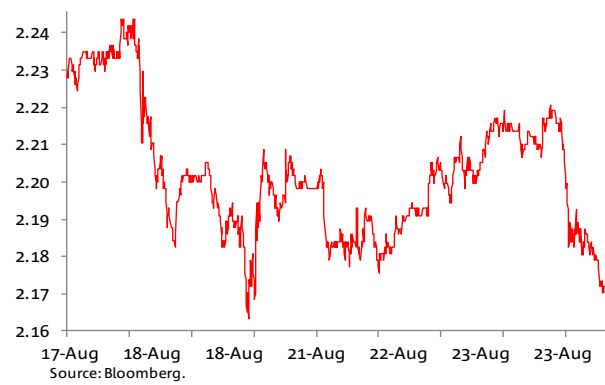
On global stock markets, the S&P 500 was -0.35%. Bond markets saw US 10-years -4.71bp to 2.17%. In commodities, Brent crude oil +1.20% to \$52.49, gold+0.3% to \$1,289, iron ore -2.3% to \$77.82, steam coal -0.1% to \$98.35, met. coal -0.1% to \$195.00. AUD is at 0.7905 and the range since yesterday 5pm Sydney time is 0.7882 to 0.7918.

Markets

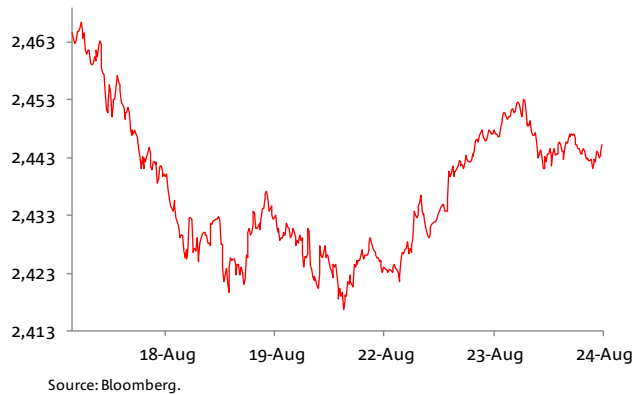
AUD/USD - past week



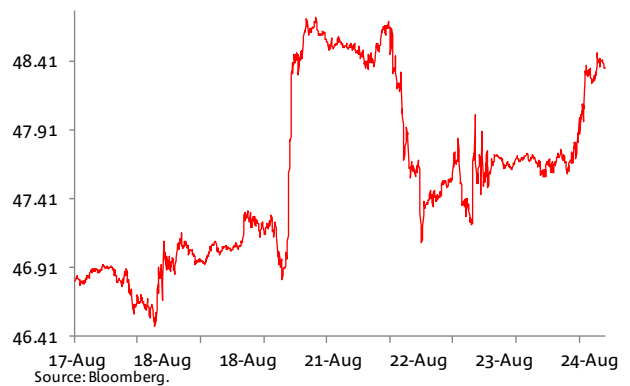
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7905	-0.1	0.7882	0.7918	HKD	7.8254 0.0
NZD	0.7224	-0.8	0.7198	0.7283	CNY	6.6590 -0.1
EUR	1.1809	0.4	1.1740	1.1823	SGD	1.3605 -0.1
GBP	1.2800	-0.2	1.2780	1.2834	IDR	13,359 0.1
JPY	109.00	-0.5	108.92	109.83	THB	33.35 0.3
CAD	1.2554	-0.1	1.2541	1.2598	KRW	1,132 -0.2
AUD/EUR	0.6694	-0.5	0.6681	0.6728	TWD	30.28 0.0
AUD/JPY	86.16	-0.6	86.08	86.87	PHP	51.21 0.0
AUD/GBP	0.6175	0.1	0.6148	0.6180	CHF	0.97 -0.2
AUD/NZD	1.0944	0.7	1.0862	1.0959	SEK	8.06 -0.4
AUD/CNH	5.2630	-0.3	5.2548	5.2801		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.32	1.55	2.10	USD 10	2.17	-4.71
AUD	1.50	1.71	1.92	2.81	AUD 10	2.67	2.80 0.51
NZD	1.75	1.95	2.18	3.16	NZD 10	2.90	2.70 0.74
EUR	0.00	-0.33	-0.18	0.79	CAD 10	1.88	-3.90 -0.29
GBP	0.25	0.28	0.56	1.14	EUR 10	0.38	-2.30 -1.79
JPY	-0.05	-0.03	0.02	0.22	GBP 10	1.06	-2.80 -1.11
CAD	0.75	1.30	1.57	2.14	JPY 10	0.04	-0.50 -2.13

Equities

Major Indices	Last	% day	% y/y
	Dow	21,812	-0.40
S&P 500	2,444	-0.35	11.8
Nasdaq	6,278	-0.30	19.4
VIX	12.25	7.93	-1.1
FTSE	7,383	0.0	7.5
DAX	12,174	-0.5	14.9
CAC 40	5,115	-0.3	15.7
Nikkei	19,435	0.3	17.1
Shanghai	3,288	-0.1	6.5
Hang Seng	27,402	0.0	19.1
ASX 200	5,737	-0.2	3.2

Commodities*

	Last	% day
Oil (Brent)	52.49	1.2
Oil (WTI)	48.37	1.1
Oil (Tapis)	51.62	-0.3
Gold	1288.90	0.3
CRB	177.58	0.5
GS Metals	361.8	0.2
Aluminium	2084.3	1.1
Copper	6544.8	-0.2
Nickel	11618.5	2.1
Zinc	3094.5	-0.7
Ch. steel	3814.0	-3.1
Iron ore	77.8	-2.3
St. Coal	98.4	-0.1
Met.coal	195.0	-0.1
Wheat Chic.	430.0	0.2
Sugar	13.7	1.2
Cotton	69.6	1.0
Coffee	128.7	-0.3

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.27	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.36	-2.50
3/10 sprd	0.44	5.50
SPI	5704.0	9.0

*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	
Thursday, 24 August 2017									
NZ	Trade Balance NZD	Jul		-200		242.0	23.45	8.45	
JN	Leading Index CI	Jun F				106.3	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/ 3M/3M	Jun		0.2/0.5		0.2/0.4	9.30	18.30	
US	Initial Jobless Claims	Aug 19		238		232.0	13.30	22.30	
UK	CBI Retailing/Distributives Reported Sales	Aug		14		22.0	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 #/MoM	Jul		5.55/0.54		5.5/-1.8	15.00	0.00	
US	Kansas City Fed Manf. Activity	Aug		11		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		115.5		116.0	9.00	18.00	
GE	IFO Current Assessment/Expectations	Aug		125/106.8		125.4/107.3	9.00	18.00	
US	Durable Goods Orders/Core Orders	Jul P		-6		6.4	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 25				946.0	18.00	3.00	
EC	ECB's Draghi Speaks at Jackson Hole								
Saturday, 26 August 2017									
CH	Industrial Profits YoY	Jul				19.1	2.30	11.30	
Monday, 28 August 2017									
JN	Cabinet Office Monthly Economic Report for August								
EC	M3 Money Supply YoY	Jul				5.0	9.00	18.00	
US	Wholesale Inventories MoM	Jul P				0.7	13.30	22.30	
US	Advance Goods Trade Balance	Jul		-64.6		-64	13.30	22.30	
CA	Bloomberg Nanos Confidence	Aug 25				61.0	15.00	0.00	
US	Dallas Fed Manf. Activity	Aug				16.8	15.30	0.30	
Tuesday, 29 August 2017									
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Aug 27				109.2	0.30	9.30	
JN	Jobless Rate/Jobs to applicants ratio	Jul		/		2.8/1.5	0.30	9.30	
JN	Overall Household Spending YoY	Jul				2.3	0.30	9.30	
UK	Nationwide House PX MoM/YoY	Aug		/		0.3/2.9	7.00	16.00	
GE	GfK Consumer Confidence	Sep				10.8	7.00	16.00	
CA	Industrial Product/Raw Materials Prices MoM	Jul		/		-1.0/-3.7	13.30	22.30	
US	S&P CoreLogic CS 20-City MoM SA/YoY	Jun		/		0.1/5.7	14.00	23.00	
US	Conf. Board Consumer Confidence	Aug		119		121.1	15.00	0.00	
Wednesday, 30 August 2017									
NZ	Building Permits MoM	Jul				-1.0	23.45	8.45	
UK	BRC Shop Price Index YoY	Aug				-0.4	0.10	9.10	
JN	Retail Sales MoM/YoY	Jul		/		0.2/2.1	0.50	9.50	
JN	Dept. Store, Supermarket Sales	Jul				0.2	0.50	9.50	
AU	Construction Work Done	2Q				-0.7	2.30	11.30	
AU	Building Approvals MoM/YoY	Jul		/		10.9/-2.3	2.30	11.30	
JN	Small Business Confidence	Aug				50.0	6.00	15.00	
UK	Net Consumer Credit/Net lending secured on dwellings	Jul		/		1.5/4.1	9.30	18.30	
UK	Mortgage Approvals	Jul				64.7	9.30	18.30	
EC	Business Climate Indicator	Aug				1.1	10.00	19.00	
GE	CPI MoM/YoY	Aug P		/		0.4/1.7	13.00	22.00	
GE	CPI EU Harmonized MoM/YoY	Aug P		/		0.4/1.5	13.00	22.00	
US	ADP Employment Change	Aug		175		178.0	13.15	22.15	
US	GDP Annualized QoQ	2Q S		2.7		2.6	13.30	22.30	
CA	Current Account Balance	2Q				-14.1	13.30	22.30	
Thursday, 31 August 2017									
UK	GfK Consumer Confidence	Aug				-12.0	0.10	9.10	
UK	Lloyds Business Barometer	Aug				30.0	0.10	9.10	
JN	Industrial Production MoM/YoY	Jul P		/		2.2/5.5	0.50	9.50	
NZ	ANZ Business Confidence/Activity Outlook	Aug		/		19.4/40.3	2.00	11.00	
AU	HIA New Home Sales MoM	Jul				-6.9	2.00	11.00	
CH	Manufacturing/Non-manufacturing PMI	Aug		51.2/		51.4/54.5	2.00	11.00	
CH	Swift Global Payments CNY	Jul				2.0	2.00	11.00	
AU	Private Sector Credit MoM/YoY	Jul		/		0.6/5.4	2.30	11.30	
AU	Private Capital Expenditure	2Q				0.3	2.30	11.30	
JN	BOJ Masai speaks in Matsuyama						2.30	11.30	
AU	RBA's Harris Panel Participation at Conference						4.00	13.00	
JN	Vehicle Production YoY	Jul				6.9	5.00	14.00	
JN	Housing Starts YoY	Jul				1.7	6.00	15.00	
JN	Construction Orders YoY	Jul				2.3	6.00	15.00	
GE	Unemployment Claims Rate SA/Change ('000)	Aug		/		5.7/-9.0	8.55	17.55	
EC	Unemployment Rate	Jul				9.1	10.00	19.00	
EC	CPI Estimate/Core YoY	Aug		/		1.3/1.2	10.00	19.00	
US	Challenger Job Cuts YoY	Aug				-37.6	12.30	21.30	
GE	Bundesbank's Dombret and Austria's Schelling in Alpbach						13.20	22.20	
US	Personal Income/Spending	Jul		0.3/0.4		0.0/0.1	13.30	22.30	
US	Real Personal Spending	Jul				0.0	13.30	22.30	
US	PCE Deflator MoM/YoY	Jul		/		0.0/1.4	13.30	22.30	
US	PCE Core MoM/YoY	Jul		0.1/		0.1/1.5	13.30	22.30	
US	Initial Jobless Claims	Aug 19		238		232.0	13.30	22.30	
CA	Quarterly GDP Annualized	2Q				3.7	13.30	22.30	
CA	GDP MoM/YoY	Jun		/		0.6/4.6	13.30	22.30	
US	Chicago Purchasing Manager	Aug		58		58.9	14.45	23.45	
US	Bloomberg Consumer Comfort	Aug 20				52.1	14.45	23.45	
CA	CFIB Business Barometer	Aug				60.7			
US	Pending Home Sales MoM/YoY	Jul		0.5/		1.5/0.7	15.00	0.00	
NZ	QV House Prices YoY	Aug				6.4	18.00	3.00	
Upcoming Central Bank Interest Rate Announcements									
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%			
New Zealand, RBNZ		28-Sep	1.75%	1.75%		1.75%			

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

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