

# MARKETS TODAY

*When you say nothing at all*



## Good morning

Well I never thought I was going to use Ronan Keating for a morning note tittle, but he just said it the best. Jackson Hole came and went and we were left none the wiser in terms of near term Fed or ECB Policy. The USD ended the week weaker and Draghi's silence on the Euro boosted the single currency, although some of the gains were pared in the Q&A session after he noted that "a significant degree of monetary accommodation" is still warranted. The VIX closed Friday at 11.28, down 3 points on the week, US Treasuries were also lower with the move led by the back end of the curve and US equities closed mixed on Friday, but up on the week.

Instead of discussing financial stability within the context of the current state of play, and thus providing some clues on how the current ease of financial conditions may affect the Fed's policy decision process, Fed Chair Yellen took a trip down memory lane looking at the Global Financial Crisis and defended the introduction of new regulations. She argued that such reforms have boosted the resilience of the financial system without "unduly limiting credit availability or economic growth". Yellen concluded that only modest adjustments to the current regulatory setting are needed.

Her staunch defence of the current regulatory setting effectively distanced herself from President Trump's anti-regulatory rhetoric, it didn't really enhance her reappointment chances and to many it was seen as her valediction speech as Fed Chair. As Yellen was delivering her speech the USD came under pressure with President Draghi later in the day, fuelling further misery to the big dollar.

As expected ECB President Draghi speech didn't give fresh information on the outlook for monetary policy and instead it warned that a turn towards protectionism would pose a serious risk for continued productivity growth and potential growth in the global economy. The Euro got a lift thanks to Draghi's silence on the single currency, reaching an overnight high of 1.1940 (highest since Jan15). The currency pair then settled 15pips lower following the ECB President's Q&A session where he reiterated that "a significant degree of monetary accommodation" is still warranted.

So central bank actions on Friday weighted on the USD, in index terms, BBDXY and DXY fell 0.65% and 0.58% on the day with both indices now very close to key support levels. Unsurprisingly European currencies were the big outperformers, all up over 1% against the USD with CHF the one exception, up 0.89%. AUD and NZD also benefited from the USD weakness, but to a lesser degree, gaining 0.34% and 0.37% respectively. AUD closed the week at 0.7934, essentially unchanged on the week and NZD at 0.7242, 72pips lower on the week.

In the context of other currencies, moves in USD/JPY were modest with the pair only down 0.2%. BoJ

David de Garis, Director, Economics

Governor Kuroda gave an interview on the side-lines of Jackson Hole and said his yield-curve control program has been working "quite well" and that he doesn't see a need to adjust it at present. He noted that since JGBs remaining in the market were declining, each JGB purchase had a greater impact on interest rates, "...so that in coming months there will be less and less need to purchase JGBs in order to maintain the yield curve".

The lack of any policy commentary from Yellen triggered a rally in longer dated UST yields flattening the curve. 10y UST closed the week at 2.167%, 2.8bps lower on the day and 30y UST yields ended at 2.747%, 2.3bps lower. Meanwhile the 2y rate ended Friday basically unchanged at 1.335%.

In equities the S&P 500 closed Friday 0.17%, DJ was 0.14% and NASDAQ was -0.09%. All three indices managed to record modest gains for the week, partly reversing the losses recorded in the previous two weeks. In contrast main European equity indices ended Friday with small losses ( Eurostoxx 50 -0.18%, DAX -0.11%, CAC40 -0.17% and FTSE100 -0.08%) while weekly returns were mixed.

As for commodities, Brent and WT scrapped gains of just under 1%. On Saturday the US Department of the Interior's Bureau of Safety and Environmental Enforcement (BSEE) said about 25 % of US Gulf of Mexico oil production went offline due to Tropical Storm Harvey. This equates to roughly 428,568 barrels of oil per day out of the roughly 1.75 million bpd pumped from the Gulf. Oil prices may come under upward pressure today as the market assesses the extent of Harvey's impact on supply. The iron ore composite index shows the bulk commodity went up 1.6% on Friday, but price action in the Dalian Jan-18 contract shows the bulk metal coming under pressure late on Friday with the contract closing at CNY551, almost 2% down on the day. Gold closed up 0.5% at \$1292.5 and coal prices were little changed.

Friday's data releases were largely ignored by the market, Germany's IFO business expectations index came in stronger than expected, while US durable goods orders data were broadly in line, excluding the volatile transportation component.

CoreLogic's Australian house auction weekend summary from preliminary figures show volumes rose across the combined capital cities and returned a clearance rate of 71.1% from 2239 auctions ( last week 2,064 auctions 69.8% cleared). In Melbourne this week preliminary auction clearance rate came at 73.8% from 1,116 auctions. (last week final clearance rate was 75.6% across 1,001 auctions,). Meanwhile, Sydney's recorded a preliminary clearance rate of 71.6% from 644 auctions above last week final clearance rate of 67.8% (814 auctions).

## Coming up

Although AUD and NZD ended Friday stronger reflecting the broad USD weakness, both currencies may come under pressure when Asia opens later today following news over the weekend that North Korea fired several short-range missiles into the Sea of Japan. While all three launched missiles failed, the provocative actions from Kim Jong-Un challenges recent efforts to find a peaceful resolution to the Korean Peninsula tensions and could weigh on risk sentiment at the start of the week.

In terms of data releases, it's a quiet start to a busy week with US advance goods trade balance (July -64.5 exp.vs -63.9 prev) the only notable data release today. Friday's ISM Manufacturing/Payrolls double header along with Thursday's PCE are this week's offshore data highlights while locally economy watchers will be taking close interest in Construction and Capex reports for what they say about Q2 growth and the outlook. Elsewhere, Chinese growth will also be under the spotlight with PMIs out later in the week, as well as Eurozone inflation, and UK-EU Brexit talks resume.

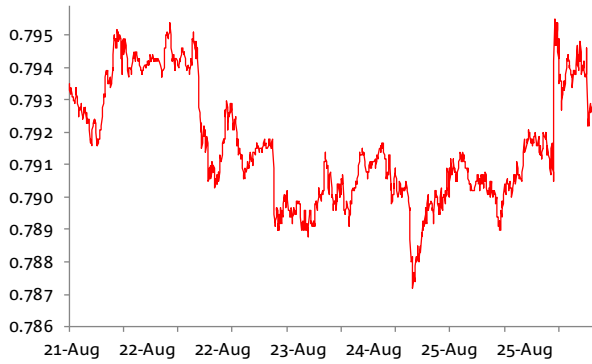
See our What to Watch publication for more details.

## Overnight

On global stock markets, the S&P 500 was +0.17%. Bond markets saw US 10-years -2.80bp to 2.17%. In commodities, Brent crude oil +0.71% to \$52.41, gold+0.5% to \$1,293, iron ore +1.6% to \$78.38, steam coal -0.5% to \$98.60, met. coal +0.0% to \$196.00. AUD is at 0.7926 and the range since Friday 5pm Sydney time is 0.7885 to 0.7954.

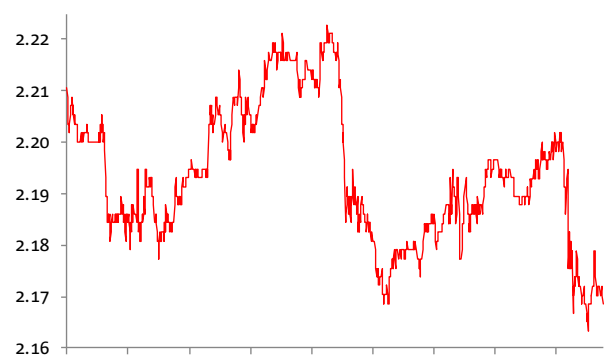
Markets

AUD/USD - past week



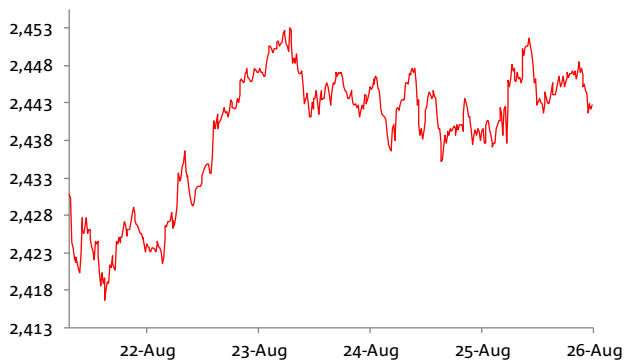
Source: Bloomberg.

US 10yr - past week



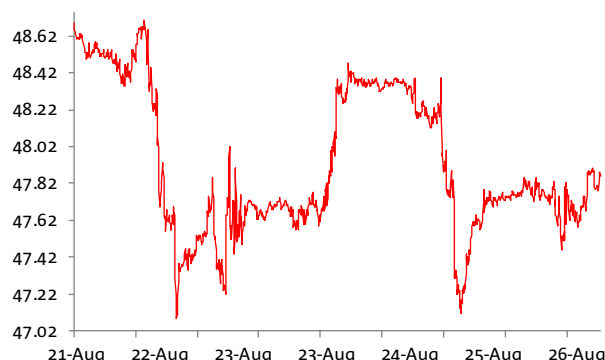
Source: Bloomberg.

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	0.7926	0.3	0.7885	0.7954	HKD	7.8203	0.0
NZD	0.7242	0.4	0.7198	0.7259	CNY	6.6465	-0.2
EUR	1.1945	1.2	1.1774	1.1965	SGD	1.3561	-0.4
GBP	1.2927	1.0	1.2794	1.2949	IDR	13,344	0.0
JPY	109.19	-0.3	109.12	109.84	THB	33.25	-0.2
CAD	1.2479	-0.3	1.2466	1.2540	KRW	1,128	0.0
AUD/EUR	0.6635	-0.9	0.6610	0.6718	TWD	30.21	-0.1
AUD/JPY	86.54	-0.1	86.44	86.98	PHP	51.07	0.1
AUD/GBP	0.6125	-0.8	0.6105	0.6187	CHF	0.95	-1.1
AUD/NZD	1.0944	-0.2	1.0931	1.0977	SEK	7.95	-1.4
AUD/CNH	5.2715	0.1	5.2522	5.2870			

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.32	1.56	2.11	USD 10	2.17	-2.80
AUD	1.50	1.71	1.93	2.80	AUD 10	2.65	1.10
NZD	1.75	1.95	2.18	3.13	NZD 10	2.89	-2.20
EUR	0.00	-0.33	-0.18	0.82	CAD 10	1.87	-1.20
GBP	0.25	0.28	0.56	1.14	EUR 10	0.38	0.40
JPY	-0.05	-0.03	0.01	0.21	GBP 10	1.05	0.00
CAD	0.75	1.31	1.59	2.15	JPY 10	0.02	-0.80

Equities

Major Indices			
	Last	% day	% y/y
Dow	21,814	0.14	18.6
S&P 500	2,443	0.17	12.6
Nasdaq	6,266	-0.09	20.1
VIX	11.28	-7.77	-17.4
FTSE	7,401	-0.1	8.2
DAX	12,168	-0.1	14.9
CAC 40	5,104	-0.2	14.9
Nikkei	19,453	0.5	18.9
Shanghai	3,332	1.8	8.5
Hang Seng	27,848	1.2	21.6
ASX 200	5,744	0.0	4.1

Commodities\*

	Last	% day
Oil (Brent)	52.41	0.7
Oil (WTI)	47.87	0.9
Oil (Tapis)	52.27	0.1
Gold	1292.50	0.5
CRB	177.83	0.0
GS Metals	361.1	-1.2
Aluminium	2057.3	-1.7
Copper	6647.5	-0.3
Nickel	11441.0	-2.2
Zinc	3059.5	-1.8
Ch. steel	3898.0	1.9
Iron ore	78.4	1.6
St. Coal	98.6	-0.5
Met.coal	196.0	0.0
Wheat Chic.	435.3	0.2
Sugar	14.0	0.1
Cotton	68.6	-2.2
Coffee	131.4	2.7

Overnight Futures

Australia		
	Last	Chge*
3 mth bill	98.27	0.00
3 Yr bond	97.8	0.00
10 Yr bond	97.36	0.00
3/10 sprd	0.44	0.00
SPI	5716.0	-4.0

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	-0.2	-1.0%
FED	-1	-3.2%

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, 28 August 2017</b>								
JN	Cabinet Office Monthly Economic Report for August							
EC	M3 Money Supply YoY	Jul		4.9		5.0	9.00	18.00
UK/EC	UK-EC Brexit talks to resume (may be delayed till Aug 29)							
US	Wholesale Inventories MoM	Jul P		0.3		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
<b>Tuesday, 29 August 2017</b>								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Aug 27				109.2	0.30	9.30
JN	Jobless Rate/Jobs to applicants ratio	Jul		2.8/1.52		2.8/1.5	0.30	9.30
JN	Overall Household Spending YoY	Jul		0.7		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		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		120		121.1	15.00	0.00
<b>Wednesday, 30 August 2017</b>								
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		0.2/1		0.2/2.1	0.50	9.50
AU	Construction Work Done	2Q	1.0	1		-0.7	2.30	11.30
AU	Building Approvals MoM/YoY	Jul	-4.0	-5/-16.6		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
EC	Business Climate Indicator	Aug		1.07		1.1	10.00	19.00
GE	CPI EU Harmonized MoM/YoY	Aug P		0.1/1.7		0.4/1.5	13.00	22.00
US	ADP Employment Change	Aug		185		178.0	13.15	22.15
US	GDP Annualized QoQ	2Q 5		2.7		2.6	13.30	22.30
CA	Current Account Balance	2Q				-14.1	13.30	22.30
US	Fed's Powell Speaks at Large-Bank Directors' Conference						14.15	23.15
<b>Thursday, 31 August 2017</b>								
UK	GfK Consumer Confidence	Aug		-13		-12.0	0.10	9.10
UK	Lloyds Business Barometer	Aug				30.0	0.10	9.10
JN	Industrial Production MoM/YoY	Jul P		-0.3/5.1		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		51.3/		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	0.5	0.5/5.4		0.6/5.4	2.30	11.30
AU	Private Capital Expenditure	2Q	-1.0	0.2		0.3	2.30	11.30
AU	Capex expectations, 17-18, \$Abn		95	95.9		85.4	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
NZ	Credit Aggregates, Household YoY	Jul				7.7	4.00	13.00
GE	Unemployment Claims Rate SA/Change ('000)	Aug		5.7/-5		5.7/-9.0	8.55	17.55
EC	Unemployment Rate	Jul		9.1		9.1	10.00	19.00
EC	CPI Estimate/Core YoY	Aug		1.4/1.2		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	PCE Deflator MoM/YoY	Jul		0.1/1.4		0.0/1.4	13.30	22.30
US	PCE Core MoM/YoY	Jul		0.1/1.45		0.1/1.5	13.30	22.30
US	Initial Jobless Claims	Aug 26				234.0	13.30	22.30
CA	Quarterly GDP Annualized	2Q		3.05		3.7	13.30	22.30
CA	GDP MoM/YoY	Jun		0.1/		0.6/4.6	13.30	22.30
US	Chicago Purchasing Manager	Aug		58.3		58.9	14.45	23.45
US	Pending Home Sales MoM/YoY	Jul		0.6/		1.5/0.7	15.00	0.00
NZ	QV House Prices YoY	Aug				6.4	18.00	3.00
<b>Friday, 1 September 2017</b>								
NZ	Terms of Trade Index QoQ	2Q	2.4	3		5.1	23.45	8.45
AU	Commonwealth Bank Australia PMI Mfg	Aug				54.4	0.00	9.00
AU	AiG Perf of Mfg Index	Aug				56.0	0.30	9.30
JN	Capital Spending/ex software YoY	2Q		8.3/8.4		4.5/5.2	0.50	9.50
JN	Company Profits/Sales	2Q		/		26.6/5.6	0.50	9.50
AU	CoreLogic House Px MoM	Aug				1.5	1.00	10.00
JN	Nikkei Japan PMI Mfg	Aug F				52.8	1.30	10.30
CH	Caixin China PMI Mfg	Aug				51.1	2.45	11.45
JN	Consumer Confidence Index	Aug		43.6		43.8	6.00	15.00
AU	Commodity Index AUD/SDR YoY	Aug		/		114.4/17.1	7.30	16.30
EC	ECB's Nowotny in Panel Discussion in Alpbach, Austria						7.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Aug F		59.4		59.4	8.55	17.55
EC	Markit Eurozone Manufacturing PMI	Aug F		57.4		57.4	9.00	18.00
UK	Markit UK PMI Manufacturing SA	Aug		55		55.1	9.30	18.30
CA	MLI Leading Indicator MoM	Jul				0.2	12.00	21.00
US	Change in Nonfarm Payrolls/Unemployment rate	Aug		180/4.3		209.0/4.3	13.30	22.30
US	Average Hourly Earnings MoM/YoY	Aug		0.2/2.6		0.3/2.5	13.30	22.30
CA	Markit Canada Manufacturing PMI	Aug				55.5	14.30	23.30
US	Markit US Manufacturing PMI	Aug F				52.5	14.45	23.45
US	Wards Total Vehicle Sales	Aug		16.65		16.7		
US	ISM Manufacturing	Aug		56.4		56.3	15.00	0.00
US	U. of Mich. Sentiment/5-10 Yr Inflationary Expectations	Aug F		97.3		97.6	15.00	0.00
US	Construction Spending MoM	Jul		0.6		-1.3	15.00	0.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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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