

# MARKETS TODAY

## *Put down that weapon*



### Good morning

The “risk off” sentiment that overshadowed markets after the launch of yet another missile from North Korea didn’t even last 24 hours. Local stocks were in the red, mirroring Asia, risk currencies such as the Aussie and NZD were somewhat lower (the AUD/USD did not breach 0.79 though), with a bid tone added to bonds; yields lower as a result. The Japanese Yen, the Swiss Franc and gold were bid, volatility pushed up again. European stocks closed lower, as did European bond yields. Earlier in the US session, the US 10 year treasury yield traded below 2.09%. Running however against the grain, LME base metals closed higher, the LME index +1.62%, copper +1.88%, nickel +1.96% and ally +1.21%. AU-related bulk commodities were mixed.

Risk-off sentiment persisted through the London session and into early NY trade, but then sentiment reversed. Ostensibly, it was the release of a stronger than expected Consumer Confidence from the Conference Board that might have done the trick.

Consumer confidence in August (polled to August 16 so before Cyclone Harvey) rose from an already high 120.1 to 122.9, the second highest since 2000, that high in March this year. The net jobs plentiful index rose from 14.5 to 18.1, again at “highs”, this one since 2001, boding well ahead of Friday’s payrolls report. Also released overnight, the S&P/CoreLogic 20 cities house price index rose 0.11%/5.65% in June.

Speaking of Harvey, the rain continues to fall in Houston and checking weather reports this morning, another two inches of rain are expected in the next 24 hours. There’s been over 40-50 inches of rain around the Houston area, the greatest amount in the Lower 48 states from a single storm and the largest flood in Houston-Galveston history, the US weather service reports. Near term WTI oil futures continued to ease further (though longer-dated contracts are up), while near term US gasoline futures jumped another 5.4%. Some US analysts are beginning to estimate that Harvey might dent US Q3 growth.

News overnight on President Trump is that after his visit to Texas he is going to Springfield, Missouri to deliver a major speech on tax reform Wednesday. US political website Politico is reporting President Donald Trump will launch a major push for a sweeping tax overhaul, selling the idea he has a fresh vision for “unrigging” the American economy. Politico is mentioning it will be long on rhetoric and short on detail, rates, deductions, loopholes in the tax system still to be worked through and clarified. Apparently there will be scene-setting statements around personal and corporate taxes.

Across the Atlantic, as the third round of formal Brexit talks gets underway this week, the Brits came in for a severe dressing down. EU President Juncker said that the UK discussion papers were “unsatisfactory”, they need to speed up and get serious, that the position papers were

not good enough. Chief EU Brexit negotiator Barnier said at a press conference with the UK’s Davis that he wanted the UK to come clean and say how much it is prepared to pay to leave the EU, still a major precondition from a European standpoint before any trade deal can be discussed, let alone settled. EUR/GBP continues its path at its highs, up a net 0.27% since yesterday’s Tokyo close.

### Coming up

There are two key local data points today with the release of the Q2 Construction Work Done and July Building Approvals. These come after NZ Building Consents for July first up (8.45 AEDT), followed by Japanese retail sales (L: +2.1% y/y) and Department Store/Supermarket Sales (L: +0.2% y/y), both for July, out at 9.50 AEDT.

Our pick for Construction Work Done is a net rise of 1.0%, representing as it does the differing forces of the residential, commercial building, and engineering/ infrastructure activity, including construction work done by the private and public sectors. As we noted on Monday in our Weekly, SEEK Job Ads in Construction continued rising through July, suggesting higher activity levels. Weather effects from Cyclone Debbie likely curtailed activity in Q1 and there could be some payback/ catch-up in Q2, aside from the underlying trend.

Building approvals for July surprised on the high side last month from some likely temporary respite to the downtrend in apartment approvals. We look for that trend to re-emerge, consistent with yesterday’s HIA New Home Sales report showing yet another double digit decline in Unit Sales. It’s the more traditional detached home market that we also have under scrutiny where sales were flat in July, down in most States except Victoria, perhaps supported more by the first home buyer stamp duty concessions from 1 July.

As well as the monthly UK consumer/mortgage finance report for July, German inflation will be under scrutiny ahead of EC inflation tomorrow night. The US is expected to see a marginal upward revision to Q2 GDP from 2.6% to 2.7%. Trump’s tax reform speech should create lots of press coverage, but will the market take it to heart?

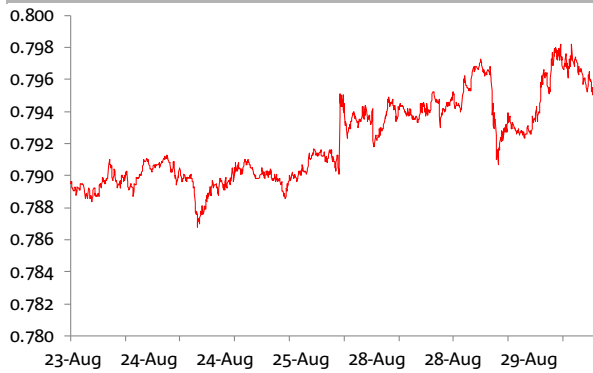
### Overnight

On global stock markets, the S&P 500 was +0.08%. Bond markets saw US 10-years -2.79bp to 2.13%. In commodities, Brent crude oil +0.17% to \$51.98, gold+0.3% to \$1,313, iron ore -1.0% to \$76.36, steam coal -0.7% to \$97.05, met. coal +0.5% to \$197.00. AUD is at 0.7953 and the range since yesterday 5pm Sydney time is 0.7906 to 0.7983.

David de Garis, Director, Economics

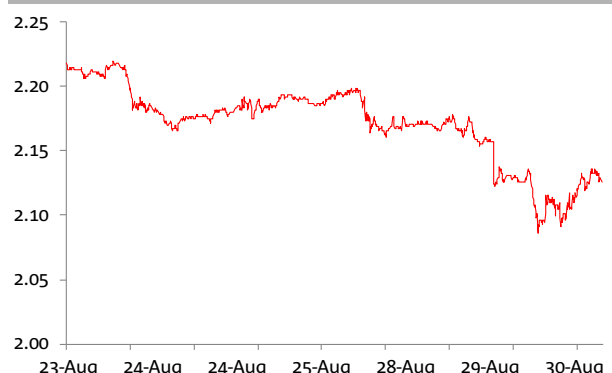
Markets

AUD/USD - past week



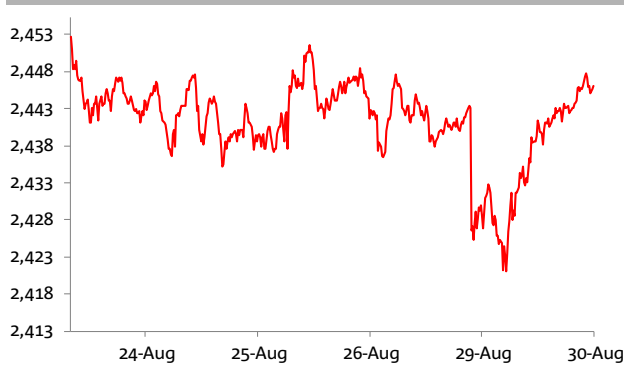
Source: Bloomberg.

US 10yr - past week



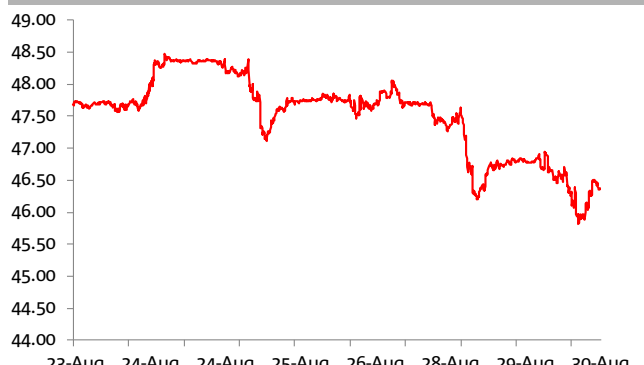
Source: Bloomberg.

S&P Future - past week



Source: Bloomberg.

WTI - past week



Source: Bloomberg.

Foreign Exchange

Indicative 24hr ranges (\*\*)

	Last	% chge	Low	High
AUD	0.7953	0.2	0.7906	0.7983
NZD	0.7254	0.2	0.7218	0.7299
EUR	1.1972	0.3	1.1922	1.2070
GBP	1.2923	0.2	1.2898	1.2979
JPY	109.66	0.4	108.27	109.90
CAD	1.2518	0.4	1.2442	1.2550
AUD/EUR	0.6643	-0.1	0.6589	0.6666
AUD/JPY	87.22	0.6	85.71	87.39
AUD/GBP	0.6155	0.0	0.6115	0.6171
AUD/NZD	1.0964	0.0	1.0928	1.0985
AUD/CNH	5.2560	-0.2	5.2352	5.2774

Other FX

	Last	% chge
HKD	7.8248	0.0
CNY	6.5963	-0.3
SGD	1.3550	0.0
IDR	13,340	0.0
THB	33.19	0.0
KRW	1,126	0.5
TWD	30.15	0.1
PHP	51.00	-0.1
CHF	0.96	0.2
SEK	7.94	-0.4

Interest Rates

Indicative Swap Rates

	Cash	3mth	2Yr	10Yr
USD	1.25	1.32	1.53	2.07
AUD	1.50	1.71	1.95	2.79
NZD	1.75	1.95	2.16	3.09
EUR	0.00	-0.33	-0.19	0.79
GBP	0.25	0.28	0.54	1.10
JPY	-0.06	-0.03	0.01	0.20
CAD	0.75	1.31	1.58	2.12

Benchmark 10 Year Bonds

	Last	chge	Sprd
USD 10	2.13	-2.79	
AUD 10	2.63	-3.90	0.50
NZD 10	2.85	-3.50	0.72
CAD 10	1.84	-2.90	-0.29
EUR 10	0.34	-3.40	-1.79
GBP 10	1.00	-5.30	-1.13
JPY 10	0.01	-0.20	-2.12

Equities

Major Indices

	Last	% day	% y/y
Dow	21,865	0.26	18.2
S&P 500	2,446	0.08	12.2
Nasdaq	6,302	0.30	20.4
VIX	11.70	3.36	-9.6
FTSE	7,337	-0.9	7.3
DAX	11,946	-1.5	13.3
CAC 40	5,032	-0.9	13.7
Nikkei	19,363	-0.4	15.8
Shanghai	3,365	0.1	9.4
Hang Seng	27,765	-0.4	20.6
ASX 200	5,669	-0.7	3.5

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.26	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.37	1.00
3/10 sprd	0.44	2.00
SPI	5661.0	17.0

\*Change in bps

Commodities\*

	Last	% day
Oil (Brent)	51.98	0.2
Oil (WTI)	46.32	-0.5
Oil (Tapis)	51.28	-1.7
Gold	1313.10	0.3
CRB	177.53	-0.3
GS Metals	367.0	1.6
Aluminium	2081.8	1.2
Copper	6772.0	1.9
Nickel	11663.0	1.9
Zinc	3105.8	1.5
Ch. steel	3851.0	-0.8
Iron ore	76.4	-1.0
St. Coal	97.1	-0.7
Met.coal	197.0	0.5
Wheat Chic.	453.5	0.4
Sugar	13.8	-3.4
Cotton	70.6	0.3
Coffee	128.7	-2.1

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	-1.0	-4.0%
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
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		0.3/1		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
NZ	RBNZ Governor Wheeler speaks: Reflections on the stewardship of the Reserve Bank						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		1.5/3.8		1.5/4.1	9.30	18.30
EC	Business Climate Indicator	Aug		1.05		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		-17.4		-14.1	13.30	22.30
US	Fed's Powell Speaks at Large-Bank Directors' Conference						14.15	23.15
Thursday, 31 August 2017								
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		-0.3/5.2		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	2.70	11.70
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/-6		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		0.1/1.4		0.1/1.5	13.30	22.30
US	Initial Jobless Claims	Aug 26		237.5		234.0	13.30	22.30
CA	Quarterly GDP Annualized	2Q		3.7		3.7	13.30	22.30
CA	GDP MoM/YoY	Jun		0.1/4.1		0.6/4.6	13.30	22.30
US	Chicago Purchasing Manager	Aug		58.5		58.9	14.45	23.45
US	Pending Home Sales MoM/YoY	Jul		0.4/0.5		1.5/0.7	15.00	0.00
NZ	QV House Prices YoY	Aug				6.4	18.00	3.00
Friday, 1 September 2017								
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	AjG Perf of Mfg Index	Aug				56.0	0.30	9.30
JN	Capital Spending/ex software YoY	2Q		7.9/8.2		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		51.1	2.45	11.45
JN	Consumer Confidence Index	Aug		43.5		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		52.5	14.45	23.45
US	Wards Total Vehicle Sales	Aug		16.6		16.7		
US	ISM Manufacturing	Aug		56.5		56.3	15.00	0.00
US	U. of Mich. Sentiment/5-10 Yr Inflationary Expectations	Aug F		97.4		97.6	15.00	0.00
US	Construction Spending MoM	Jul		0.5		-1.3	15.00	0.00
Monday, 4 September 2017								
AU	Melbourne Institute Inflation MoM	Aug				0.1	2.00	11.00
AU	Inventories/Company Operating Profits QoQ	2Q		/		1.2/6.0	2.30	11.30
AU	ANZ Job Advertisements MoM	Aug				1.5	2.30	11.30
UK	Markit/CIPS UK Construction PMI	Aug				51.9	9.30	18.30
EC	Sentix Investor Confidence	Sep				27.7	9.30	18.30
EC	PPI MoM/YoY	Jul		/		-0.1/2.5	10.00	19.00
CA	Bloomberg Nanos Confidence	Sep 1				59.7	15.00	0.00
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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