

MARKETS TODAY



There's Nothing Holdin' Me Back

Good morning

It was another FX dominated session with the standout performer being the Canadian Dollar, up 1.1% after stellar Q2 GDP figures. For Canada it seems 'There's Nothing Holdin' Me Back' (title courtesy of Shawn Mendes) and markets have now fully priced another rate hike by the Bank of Canada by the end of the year with a 41% chance this occurs at the September meeting (up from 27% yesterday). The FX market also thinks this has implications for Australia (and Norway) with the Aussie and Krone higher on the news. Movements in bond yields were again contained (USTs -1.4bps), while equities were higher (S&P500 +0.6%; Eurostoxx +0.5%).

If you're a currency strategist there was a lot to digest overnight. The US dollar (DXY) initially continued yesterday's rise helped along by a weaker Euro following comments by an anonymous ECB official (see below), but it fully reversed starting at 22.30pm AEST to finish the session 0.3% lower.

What happened at 22.30? A plethora of data was released including the US PCE Deflators and Jobless Claims. The PCE Deflators were subdued as expected at 0.1% m/m and 1.4% y/y for both Headline and Core. Personal Income was a tenth better at 0.4%, while Personal Spending was a tenth weaker at 0.3%. However, it seems the driver of the move was Canada's stellar GDP figures which were released around the same time. Also potentially weighing on the DXY were comments from US Treasury Secretary Mnuchin who Secretary Mnuchin: "Obviously, the short-term issues of the dollar have both positive and negative impacts for different parts of the economy," and that "obviously, as it relates to trade, having a weaker dollar is somewhat better for us."

Canadian Q2 GDP rose an astounding 4.5% annualised, beating expectations of a 3.7% outcome. GDP growth is now the strongest since Q3 2011 and has boosted expectations of a rate hike by the end of the year. Markets now ascribe a 90% chance of a rate hike by October, with a chance this could happen as early as September (41% priced). In response the Canadian dollar leapt and finished the session up 1.1%.

Moves in Canada also spilled over to other commodity currencies with the Aussie up 0.6% overnight to 0.7947 (Norwegian Krone was also +0.5%). Yesterday's Capex data also supported the Aussie yesterday with 2017-18 investment expectations 6% higher than the consensus at \$101.8bn and importantly showing a 4.8% lift in non-mining investment intentions. There was little reaction to the Chinese PMIs with the better manufacturing print offset by a weaker non-manufacturing number.

The Euro also had an eventual session but overall the Euro ended up 0.2% to 1.1913. Anonymous ECB officials stated that a "strong euro is worrying a growing number of ECB policymakers" and that "euro concerns increase

chance of delay in QE decision, or a more gradual exit from asset purchases". A previous source last week noted that the ECB was likely to use next week's September meeting to formally discuss a taper of the Asset Purchase Program, but a decision would not be made or announced until the October meeting.

Also in Europe, headline inflation was stronger than expected (as indicated by the German figures yesterday) with inflation at 1.5% y/y (1.4% expected) but the core rate was as expected at a more subdued 1.2% y/y. The Unemployment rate was unchanged at 9.1%.

Oil continues to be volatile with WTI up 2.5% to \$47.09, while Brent was stronger up 4.0% to \$52.77. Gasoline in the US has now climbed to two year highs and reports suggest Hurricane Harvey has closed 23% of US refining capacity. In response the US government has authorised a release of oil from its strategic petroleum reserves to a refinery (1m barrels in total).

Coming up

It's a US dominated session with all eyes on tonight's Non-farm Payrolls (22.30pm AEST) and the ISM Manufacturing (00.00am AEST). Other piece of data out worth keeping an eye out for is the Caixin China PMI (11.45am) and whether this too ticks higher after yesterday's stronger than expected official figures.

US Non-farm Payrolls are expected to increase 180k. While Wednesday's ADP Payrolls and record low levels of Jobless Claims would be suggestive of upside risks, August has tended to be a weak month for Payrolls. Nevertheless, with the level of payrolls needed to keep the unemployment rate unchanged being only 114k a month – anything north of this would continue to put downward pressure on the unemployment rate through time; the market expects the unemployment rate to be unchanged at 4.3%.

For today's report all eyes will be focused on wages given the failure of wages growth to lift significantly despite a tightening labour market. Fed officials are currently split on the near term trajectory for inflation and wages and in the July meeting the Fed stated "...they would carefully monitor actual and expected inflation developments relative to the Committee's symmetric inflation goal". For August, wages are expected to tick along at 0.2% m/m which would lead to a higher y/y figure at 2.6% from 2.5%. There is a risk though that with August tending to be a weak month, this could also bleed through to a softer wages print.

As for the Manufacturing ISM, it is expected to be higher at 56.5 compared last month's 56.3. Regional activity indexes have been stronger which suggests upside risks to the market consensus.

There are also a host of mostly second tier, including: Australia's AiG PMI (9.00am AEST); New Zealand Terms of Trade (8.45am AEST); final versions of the PMI for Japan,

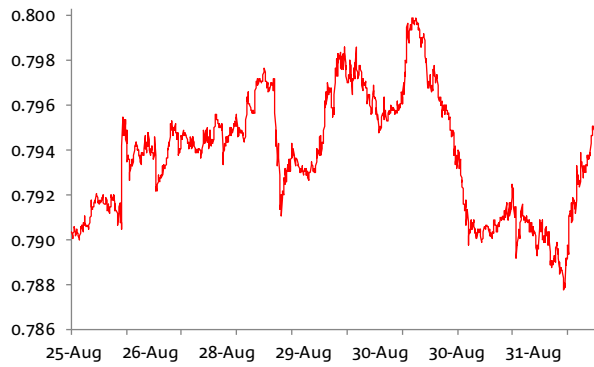
the Eurozone, as well as the first versions for the United Kingdom and Canada.

Overnight

On global stock markets, the S&P 500 was +0.57%. Bond markets saw US 10-years -1.39bp to 2.12%. In commodities, Brent crude oil +4.02% to \$52.77, gold+1.0% to \$1,323, iron ore +3.7% to \$78.91, steam coal -2.2% to \$95.30, met. coal +0.5% to \$207.00. AUD is at 0.7948 and the range since yesterday 5pm Sydney time is 0.7871 to 0.7951.

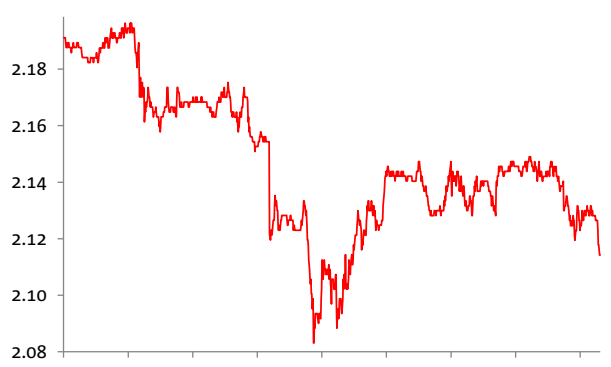
Markets

AUD/USD - past week



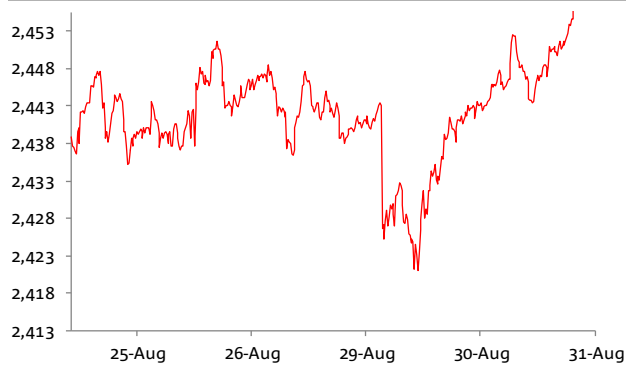
Source: Bloomberg.

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	0.7948	0.5	0.7871	0.7951	HKD	7.8259	0.0
NZD	0.7180	-0.3	0.7132	0.7210	CNY	6.5901	-0.1
EUR	1.1911	0.2	1.1823	1.1913	SGD	1.3561	-0.2
GBP	1.2928	0.0	1.2853	1.2935	IDR	13,342	0.0
JPY	109.97	-0.2	109.88	110.67	THB	33.18	-0.1
CAD	1.2484	-1.1	1.2477	1.2663	KRW	1,128	0.3
AUD/EUR	0.6673	0.3	0.6628	0.6679	TWD	30.17	0.1
AUD/JPY	87.40	0.3	87.05	87.49	PHP	51.20	0.1
AUD/GBP	0.6149	0.5	0.6105	0.6161	CHF	0.96	-0.5
AUD/NZD	1.1070	0.9	1.0968	1.1080	SEK	7.94	-0.5
AUD/CNH	5.2215	0.3	5.2017	5.2431			

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.32	1.54	2.07	USD 10	2.12	-1.39
AUD	1.50	1.72	1.95	2.81	AUD 10	2.71	3.50 0.60
NZD	1.75	1.96	2.18	3.13	NZD 10	2.89	0.50 0.77
EUR	0.00	-0.33	-0.19	0.78	CAD 10	1.85	1.40 -0.27
GBP	0.25	0.28	0.54	1.13	EUR 10	0.36	0.20 -1.76
JPY	-0.06	-0.03	0.02	0.20	GBP 10	1.03	0.40 -1.08
CAD	0.75	1.32	1.61	2.14	JPY 10	0.01	-0.20 -2.11

Equities

Major Indices			
	Last	% day	% y/y
Dow	21,948	0.25	19.3
S&P 500	2,472	0.57	13.9
Nasdaq	6,429	0.95	23.3
VIX	10.59	-5.61	-21.1
FTSE	7,431	0.9	9.6
DAX	12,056	0.4	13.8
CAC 40	5,086	0.6	14.6
Nikkei	19,646	0.7	16.1
Shanghai	3,361	-0.1	9.7
Hang Seng	27,970	-0.4	20.8
ASX 200	5,715	0.8	5.5

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.23	-3.00
3 Yr bond	97.8	3.00
10 Yr bond	97.34	-3.00
3/10 sprd	0.47	6.00
SPI	5693.0	-43.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	52.77	4.0
Oil (WTI)	47.09	2.5
Oil (Tapis)	50.94	-0.9
Gold	1322.90	1.0
CRB	180.86	2.3
GS Metals	369.0	1.0
Aluminium	2103.3	1.4
Copper	6763.5	0.3
Nickel	11751.5	1.9
Zinc	3142.8	1.7
Ch. steel	3921.0	1.7
Iron ore	78.9	3.7
St. Coal	95.3	-2.2
Met.coal	207.0	0.5
Wheat Chic.	434.5	1.1
Sugar	14.4	3.5
Cotton	71.5	0.0
Coffee	129.4	0.9

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	-0.2	-1.0%
FED	#N/A	#N/A

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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