

MARKETS TODAY



While my risk position gently weeps

Good morning

There are plenty of news stories about the muted reaction from markets to the latest escalation on the Korean peninsula. The AUD dipped ever so briefly at the open yesterday but even that modest move was short-lived and rather slight in magnitude. How indeed to price catastrophe? It's certainly not as if the risk has gone away. As Phil Dobbie, our host on The Morning Call podcast mentioned this morning, the potential consequences are abhorrent. It just doesn't bear thinking about. (If you don't get link to listen to *The Morning Call* and would like to, [email me](#).)

The war of strong words over events in North Korea continues. There are calls for the UN Security Council to invoke yet more sanctions, a process that has been going on since 2006 when North Korea detonated its first nuclear device. The US Administration is floating the idea of the US not dealing with any country that deals with North Korea. German Chancellor Merkel and President Trump in a call overnight condemned the test noting it was a "new and unacceptable escalation by the North Korean regime". US UN Ambassador Haley told the UN Security Council "enough is enough" and that North Korea is "begging for war". US Defence Secretary Mattis spoke of a "massive military response" if needed. South Korea is warning that the North is preparing to launch more missiles. China has warned North Korea against launching another missile but regards the Trump Administration threat of tougher trade sanctions as "unacceptable". The Chinese UN Ambassador is calling for a peaceful resolution. As they say, the situation remains fluid.

And yet "risk off" sentiment has hardly become evident. Moves back to "safe haven/risk off" currencies, the Japanese yen and the Swiss Franc, have been very much at the margin, the AUD suffering very little to no collateral damage. Dr Copper, one of the best barometers of actual and prospective momentum in the global economy, is higher again overnight, by 1.20%, continuing on its run higher with other base metals, though Ally gave back some ground overnight. The Korean KOSPI opened 2% lower yesterday, closing down 1.2%. For those that like history, the Dow fell less than 1% in the week the Cuban missile crisis was at its most tense but then rallied after.

US energy markets look to be moving toward normality. Seven Gulf refineries (accounting for 8% of US capacity) are beginning to reboot and come back on line. Gasoline futures are now beginning to steady and WTI is somewhat higher.

There's been little to no data of note overnight, with only the EC Sentix Investor Confidence survey for September and the UK PMI Construction index for August. The Investor Survey rose while the UK index dipped, but at 51.1 is the lowest for a year, if still in

growth territory. With US markets closed for the Labor Day holiday, European equities were lower, following yesterday's APAC lead. Bond yields inched lower, Germany's 10y by 1.3bps and the French yield by 0.5bps.

Coming up

First up this morning there's a smattering of indicators: NZ Q2 Building Work Done, a quarterly pre-GDP partial, the AU AiG PSI Services index, weekly AU Consumer Confidence, the Nikkei PMI Services/ Composite indexes for Japan and NZ's ANZ Commodity Price Index. But there'll likely be greater interest in the 11.30 AU Balance of Payments and Government spending estimates that'll play into another re-think of likely GDP out tomorrow. NAB's pick is net exports as a zero net contributor to growth, but government spending growing 0.5%, providing some support to growth.

Then the market will be in RBA mode with the post-Board statement at 2.30 (no change is priced), with the market interested in any material changes in the Bank's reading of the economy and outlook. Specifically, their latest thinking on Q2 growth after recent partials (any update of Q2 1.34% year ended growth from the August SoMP?; probably not), an improving labour market, improving business conditions, the consumer and housing risks. They dialled up their anxiety a touch last month over household leverage, noting that housing credit continued growing faster than incomes.

The AUD/USD is virtually unchanged from when the RBA last met, 0.80 their technical assumption in their August SoMP forecast.

This week's US trading gets underway tonight. The US Congress resumes with the after effects of Harvey, the debt ceiling, tax policy and the Budget all to address, some more urgently than others, and North Korea. There are two Fed speakers tonight, Fed Governor Lael Brainard, a very thoughtful observer of the economy. When she last spoke on economy and monetary policy she noted that the Fed's long-run miss of its inflation goal undermines the rate hike case. One could imagine that recent data has only solidified that view. Minneapolis Fed President Neel Kashkari is also speaking. He's a voter on the FOMC this year and generally batting back against calls for haste on hiking rates further.

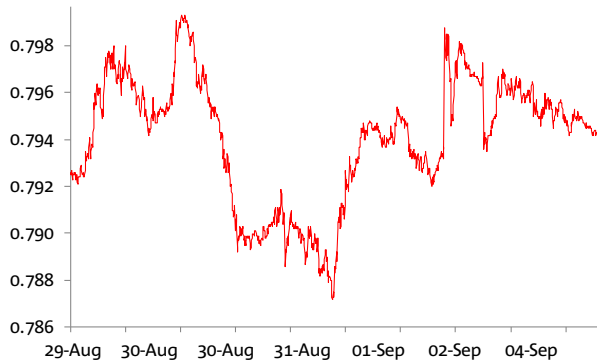
There's another GDT dairy auction again tonight, our BNZ colleagues expecting a small fall in world currency terms.

Overnight

US markets were closed for Labor Day; European equities eased. In commodities, Brent crude oil -0.78% to \$52.34, gold+0.7% to \$1,336, iron ore -1.3% to \$77.86, steam coal +1.1% to \$96.90, met. coal +0.0% to \$207.00. AUD is at 0.7945 and the range since yesterday 5pm Sydney time is 0.7935 to 0.7973.

Markets

AUD/USD - past week



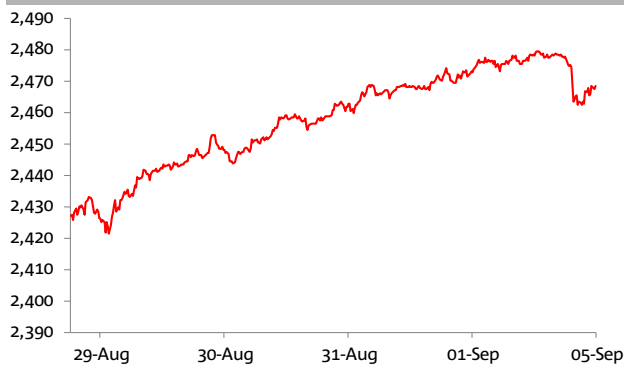
Source: Bloomberg.

US 10yr - past week



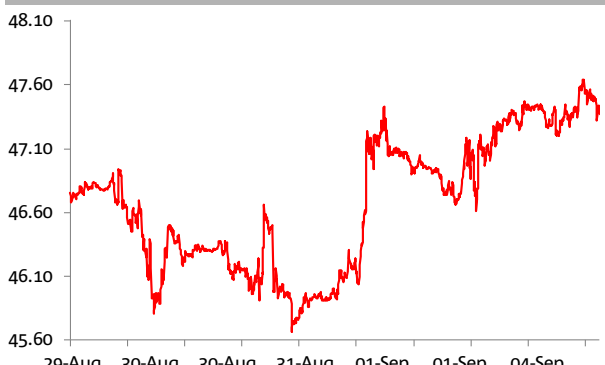
Source: Bloomberg.

S&P Future - past week



Source: Bloomberg.

WTI - past week



Source: Bloomberg.

Foreign Exchange

Indicative 24hr ranges (**)

	Last	% chge	Low	High
AUD	0.7945	-0.4	0.7935	0.7973
NZD	0.7162	0.1	0.7140	0.7183
EUR	1.1896	0.3	1.1852	1.1922
GBP	1.2923	-0.2	1.2913	1.2966
JPY	109.71	-0.5	109.23	109.93
CAD	1.2415	0.2	1.2376	1.2429
AUD/EUR	0.6678	-0.7	0.6670	0.6711
AUD/JPY	87.16	-0.8	86.78	87.58
AUD/GBP	0.6144	-0.1	0.6124	0.6157
AUD/NZD	1.1092	-0.4	1.1076	1.1132
AUD/CNH	5.1931	-0.7	5.1854	5.2329

Other FX

	Last	% chge
HKD	7.8250	0.0
CNY	6.5309	-0.4
SGD	1.3574	0.0
IDR	13,339	0.2
THB	33.16	0.0
KRW	1,133	0.9
TWD	30.05	0.0
PHP	51.19	0.1
CHF	0.96	-0.7
SEK	7.96	-0.4

Interest Rates

Indicative Swap Rates

	Cash	3mth	2Yr	10Yr
USD	1.25	1.32	1.54	2.08
AUD	1.50	1.74	1.96	2.80
NZD	1.75	1.96	2.16	3.10
EUR	0.00	-0.33	-0.20	0.79
GBP	0.25	0.28	0.55	1.15
JPY	-0.06	-0.03	0.01	0.20
CAD	0.75	1.34	1.69	2.21

Benchmark 10 Year Bonds

	Last	chge	Sprd
USD 10	2.17	4.87	
AUD 10	2.62	-3.60	0.46
NZD 10	2.83	-3.80	0.66
CAD 10	1.91	0.00	-0.25
EUR 10	0.37	-1.30	-1.80
GBP 10	1.06	0.00	-1.11
JPY 10	-0.01	-0.80	-2.17

Equities

Major Indices

	Last	% day	% y/y
Dow	21,988	0.00	18.9
S&P 500	2,477	0.00	13.6
Nasdaq	6,435	0.00	22.6
VIX	10.13	0.00	-15.4
FTSE	7,411	-0.4	7.5
DAX	12,102	-0.3	13.3
CAC 40	5,104	-0.4	12.4
Nikkei	19,508	-0.9	14.5
Shanghai	3,380	0.4	10.0
Hang Seng	27,740	-0.8	17.3
ASX 200	5,702	-0.4	5.0

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.24	1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.37	3.50
3/10 sprd	0.43	-3.50
SPI	5690.0	11.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	52.34	-0.8
Oil (WTI)	47.37	0.2
Oil (Tapis)	52.65	3.4
Gold	1335.60	0.7
CRB	180.95	0.0
GS Metals	372.1	0.0
Aluminium	2104.0	-0.8
Copper	6891.3	1.2
Nickel	12201.5	1.8
Zinc	3206.5	0.6
Ch. steel	4081.0	2.2
Iron ore	77.9	-1.3
St. Coal	96.9	1.1
Met.coal	207.0	0.0
Wheat Chic.	460.0	0.0
Sugar	13.8	0.0
Cotton	72.6	0.0
Coffee	129.1	0.0

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	-0.2	-1.0%
FED	-1	-2.8%

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
Tuesday, 5 September 2017								
NZ	Volume of All Buildings SA QoQ	2Q		1.6		-3.5	23.45	8.45
AU	Commonwealth Bank Australia PMI Services/Composite	Aug		/		57.0/56.7	0.00	9.00
UK	BRC Sales Like-For-Like YoY	Aug				0.9	0.10	9.10
AU	AiG Perf of Services Index	Aug				56.4	0.30	9.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Sep 3				113.5	0.30	9.30
JN	Nikkei Japan PMI Services/Composite	Aug		/		52.0/51.8	1.30	10.30
NZ	ANZ Commodity Price	Aug				-0.8	2.00	11.00
AU	BoP Current Account Balance/Net exports growth contrib	2Q	-8.0/0.0	-8/0		-3.0/-0.7	2.30	11.30
AU	Government Spending QoQ	2Q	0.5			-1.0	2.30	11.30
CH	Caixin China PMI Services/Composite	Aug		/		51.5/51.9	2.45	11.45
AU	RBA Cash Rate Target	Sep 5	1.5	1.5		1.5	5.30	14.30
GE	Markit Germany Services/Composite PMI	Aug F		53.4/55.7		53.4/55.7	8.55	17.55
EC	Markit Eurozone Services/Composite PMI	Aug F		54.9/55.8		54.9/55.8	9.00	18.00
UK	Markit/CIPS UK Services/Composite PMI	Aug		53.5/54		53.8/54.1	9.30	18.30
EC	Retail Sales MoM/YoY	Jul		-0.3/2.5		0.5/3.1	10.00	19.00
EC	GDP SA QoQ/YoY	2Q F		0.6/2.2		0.6/2.2	10.00	19.00
AU	RBA Governor Lowe's Remarks at Board Dinner						10.10	19.10
US	Fed's Brainard Speaks to The Economic Club of New York						13.00	22.00
AU	RBA Governor Lowe's Remarks at Board Dinner							
US	Factory Orders/Core Capital GoodsOrders	Jul		-3.3/		3.0/0.4	15.00	0.00
US	Fed's Kashkari Holds Townhall Event in Minneapolis						18.10	3.10
NZ	World Dairy Auction, GDT weighted price index						-0.4	Early am NZT
Wednesday, 6 September 2017								
NZ	ANZ Job Advertisements MoM	Aug				-1.0	23.00	8.00
US	Fed's Kaplan Speaks in Dallas						0.00	9.00
JN	Labor Cash/Real Earnings YoY	Jul		0.5/0		-0.4/-0.8	1.00	10.00
AU	GDP SA QoQ/YoY	2Q	0.6/1.6	0.8/1.8		0.3/1.7	2.30	11.30
AU	RBA's Heath Gives Speech in Tasmania						3.30	12.30
GE	Factory Orders MoM/YoY	Jul		0.2/5.8		1.0/5.1	7.00	16.00
CA	Labor Productivity QoQ	2Q				1.4	13.30	22.30
CA	Int'l Merchandise Trade	Jul		-3.3		-3.6	13.30	22.30
US	Trade Balance	Jul		-44.6		-43.6	13.30	22.30
US	Markit US Services PMI	Aug F		56.9		56.9	14.45	23.45
CA	Bank of Canada Rate Decision	Sep 6		0.75		0.8	15.00	0.00
US	ISM Non-Manf. Composite	Aug		55.5		53.9	15.00	0.00
US	U.S. Federal Reserve Releases Beige Book						19.00	4.00
Thursday, 7 September 2017								
AU	AiG Perf of Construction Index	Aug				60.5	0.30	9.30
AU	Retail Sales MoM	Jul	0.1	0.2		0.3	2.30	11.30
AU	Trade Balance	Jul	1500	1000		856.0	2.30	11.30
JN	Tokyo Avg Office Vacancies	Aug				3.2	3.00	12.00
JN	Leading Index Cl	Jul P		105.1		105.9	6.00	15.00
GE	Industrial Production SA MoM/YoY	Jul		0.6/4.6		-1.1/2.4	7.00	16.00
UK	Halifax House Prices MoM/3m YoY	Aug		0.2/2.1		0.4/2.1	8.30	17.30
CH	Foreign Reserves	Aug				3080.7	9.25	18.25
EC	ECB Main Refinancing/Deposit Facility Rate	Sep 7		0/-0.4		0.0/-0.4	12.45	21.45
EC	ECB Marginal Lending Facility/Asset Purchase Target	Sep 7		0.25/60		0.3/60.0	12.45	21.45
CA	Building Permits MoM	Jul		-1		2.5	13.30	22.30
US	Initial Jobless Claims	Sep 2		242		236.0	13.30	22.30
US	Nonfarm Productivity/Unit Labour costs	2Q F		1.2/0.35		0.9/0.6	13.30	22.30
US	Bloomberg Consumer Comfort	Sep 3				53.3	14.45	23.45
CA	Ivey Purchasing Managers Index SA	Aug				60.0	15.00	0.00
US	Fed's Mester Speaks on Economic Outlook and Monetary Policy						17.15	2.15
Friday, 8 September 2017								
NZ	Mfg Activity Volume QoQ	2Q				-0.3	23.45	8.45
US	Fed's Dudley Speaks on U.S. Economic Outlook, Monetary Policy						0.00	9.00
US	Fed's George Speaks on the Economic Outlook						1.15	10.15
JN	GDP SA QoQ/Annualised QoQ	2Q F		0.7/3		1.0/4.0	0.50	9.50
AU	Home Loans/Investment Lending MoM	Jul	1.8	1/		0.5/1.6	2.30	11.30
CH	Trade Balance CNY	Aug				321.2	3.00	12.00
CH	Exports/Imports YoY CNY	Aug		/		11.2/14.7	3.00	12.00
CH	Trade Balance	Aug		48.6		46.7	3.45	12.45
CH	Exports/Imports YoY	Aug		5.1/10		7.2/11.0	3.45	12.45
AU	RBA's Debelle Participates in Panel in Sydney						4.00	13.00
JN	Machine Tool Orders YoY	Aug P				28.0	7.00	16.00
GE	Current Account Balance	Jul		20.5		23.6	7.00	16.00
GE	Labor Costs SA QoQ/YoY	2Q		/		0.5/2.5	7.00	16.00
UK	Industrial Production MoM/YoY	Jul		0.2/0.3		0.5/0.3	9.30	18.30
UK	Trade Balance	Jul		-3250		-4564.0	9.30	18.30
UK	BoE/TNS Inflation Next 12 Mths	Aug				2.8	9.30	18.30
AU	RBA Governor Lowe Gives Speech in Sydney						10.30	19.30
UK	NIESR GDP Estimate	Aug				0.2	13.00	22.00
CA	Net Change in Employment/Unemployment Rate	Aug		15/6.3		10.9/6.3	13.30	22.30
US	Fed's Harker Speaks on Consumer Finance in Philadelphia						13.45	22.45
CH	Foreign Direct Investment YoY CNY	Aug				2.3	8-18 Sep release	
US	Wholesale Inventories/Trade Sales MoM	Jul F		0.4/		0.4/0.7	15.00	0.00
US	Baker Hughes U.S. Rig Count	Sep 8				943.0	18.00	3.00
US	Consumer Credit	Jul		15		12.4	20.00	5.00
Saturday, 9 September 2017								
CH	CPI YoY	Aug		1.6/5.4		1.4/5.5	2.30	11.30
Sunday, 10 September 2017								
CH	New Yuan Loans/Aggregate Financing CNY	Aug		950/		825.5/1220.0	10-15 Sep release	
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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