

MARKETS TODAY

Fly!



Good morning

Another day on and the Pound has again been the star performer in the currency markets. Following on from Carney's warning that the BoE might have to adjust policy in coming months, MPC member Gertjan Vlieghe - regarded as dovish till now - said along the same lines that "the evolution of the data is increasingly suggesting that we are approaching the moment when the bank rate may need to rise," in a speech at the Society of Business Economists in London. If the economy continues apace, "the appropriate time for a rise in the bank rate might be as early as in the coming months."

The Pound soared, up another 1.46%, trading at one stage over 1.36, before settling back into the 1.35s. AUD/GBP is this morning trading back under 0.59, having traded in the 0.605-0.61 range before last week's MPC. UK rate markets also reacted, UK 10 year gilts up a net 8 bps for the session to 1.309%, up 32 bps last week. UK OIS markets lifted the priced-in probability of a move at the 2 November meeting (the next meeting) to a 64% chance, fully priced by Feb '18 with another priced by September 18, six months out from Brexit.

US data was on the disappointing side of expectations, but with the rider that Hurricane Harvey had at least significantly affected Industrial production, Retail Sales likely less so. Retail sales for August disappointed, down 0.2% in headline terms, coming also with downward revisions. Both the "ex autos and gas" (-0.1%; +0.3%E) and the Control Group (-0.2%; +0.2%E) underlying measures also disappointed. These also came with adverse revisions and the Atlanta Fed revised down its estimate of *GDPNow* from 3.0% to 2.2%.

At least part of that cut in growth expectation came from the downside surprise in Industrial production for August that slumped 0.9%, the Fed attributing ¾ point of this fall to the effects of Harvey (e.g. oil production taken off line.) US Consumer Sentiment retained a strong reading for the preliminary September survey, printing at 95.3 against expectations of 95.0, coming also with a slight uptick in the 5-10 year inflation expectations to 2.6% from 2.5%. The Empire State Manufacturing Survey for September was similarly strong at 24.4 (18.0E).

The other out-performer Friday was the Euro on the back of hawkish comments from ECB member Lautenschlaeger who said that now is the time to start scaling back QE. She said that the conditions for inflation to pick up are "all in place". As a counter - with the Euro opening somewhat lower this morning - was ECB Chief Economist Peter Praet. He said in press interview that it is "not yet" the time for the ECB to reduce monetary accommodation measures, though he reiterated that the decision on next year's policy will be taken "this fall" (October 26 is the next ECB meeting. Draghi is speaking on Thursday in Frankfurt.)

The DXY finished 0.27% lower and BBDXY -0.25%. So after lifting from a low of 91.0 last Friday week to a high on Thursday of 92.7, DXY's 91.8 close means it gave back half of its Monday-Thursday rally.

While the AUD/USD was side-lined again, still hugging 0.80. The NZD outperformed Friday on no news, though risk sentiment was re-engaged less than 24 hours on from another NK missile. The NZD/USD rose 1.07% and opens this morning at 0.7282, AUD/NZD back down just below 1.10 this morning.

Coming up

Aside from elevated North Korean geopolitics understandably drawing continuing interest (if muted market reaction so far), central banks will be the focus. Just on the North Korean situation, the market will be alert to what President Trump has to say when he addresses the UN tomorrow night.

Locally, with little data to speak of, it's a week of RBA focus. First up is the RBA Board Minutes tomorrow, but most interest is likely in what the Governor says in a speech in Perth on Thursday, speaking on "The Next Chapter". RBA Assistant Governor (Economic) Luci Ellis also speaks at a business economists' function on Wednesday.

Across the Tasman, Thursday's NZ GDP report (and before then Wednesday's balance of payments net exports) will have more eyes than usual, two days ahead of next Saturday's General Election. There's also another global dairy auction early Wednesday morning; our BNZ colleagues have no strong view on price guidance.

Thursday morning, the Fed is expected to formally announce the imminent commencement of reducing its \$4½tn balance sheet, though the market interest will be more on whether we see any shift (down) in the latest iteration of the Fed's dots. US data this week centres on housing and any building activity disappointments could well flow from Harvey.

The BoJ is odds on to stick with current policy when it meets on Friday. Next weekend sees elections in NZ and Germany. OPEC's production monitoring committees also meet.

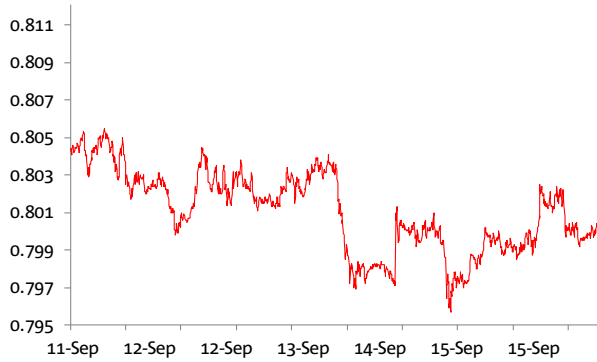
It's a quiet start to the week - as far as we know! - with UK and Chinese property prices today ahead of final August Eurozone CPI tonight. Mark Carney speaks at the IMF tonight.

Overnight

On global stock markets, the S&P 500 was +0.18%. Bond markets saw US 10-years +1.76bp to 2.20%. In commodities, Brent crude oil +0.27% to \$55.62, gold -0.3% to \$1,321, iron ore -2.5% to \$72.13, steam coal -0.8% to \$99.20, met. coal -0.5% to \$206.00. AUD is at 0.8002 and the range since Friday 5pm Sydney time is 0.7956 to 0.8035.

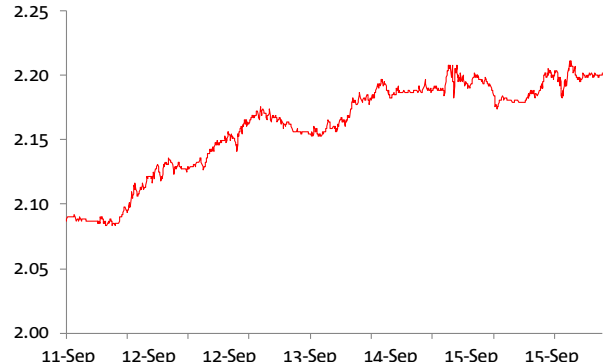
Markets

AUD/USD - past week



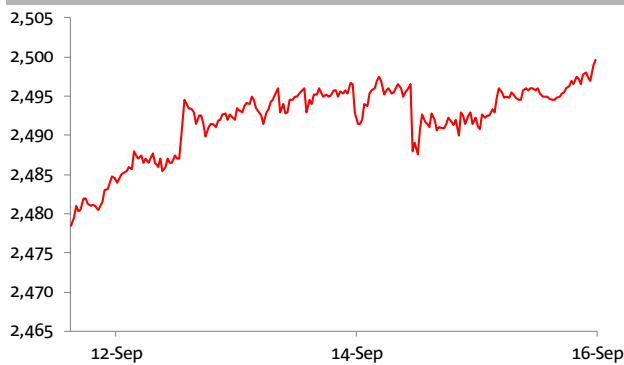
Source: Bloomberg.

US 10yr - past week



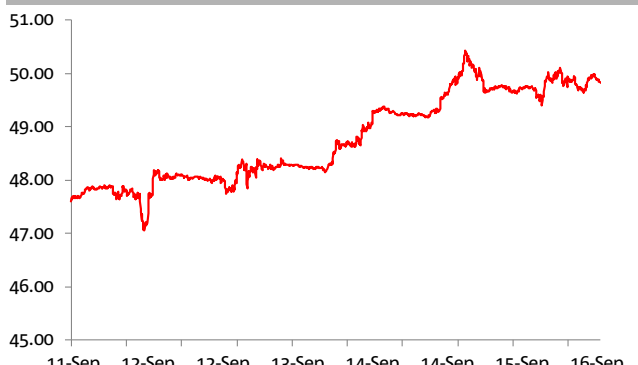
Source: Bloomberg.

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	0.7997	-0.1	0.7956	0.8035	HKD	7.8185 0.1
NZD	0.7281	0.7	0.7184	0.7311	CNY	6.5526 -0.1
EUR	1.1934	0.3	1.1838	1.1987	SGD	1.3450 -0.4
GBP	1.3574	2.8	1.3155	1.3616	IDR	13,240 -0.1
JPY	111.06	0.6	109.56	111.33	THB	33.10 0.0
CAD	1.2193	0.2	1.2122	1.2239	KRW	1,132 -0.1
AUD/EUR	0.67	-0.4	0.6681	0.6732	TWD	30.05 -0.2
AUD/JPY	88.80	0.5	87.68	89.27	PHP	51.25 0.2
AUD/GBP	0.5893	-2.8	0.5882	0.6080	CHF	0.96 -0.6
AUD/NZD	1.0983	-0.8	1.0953	1.1093	SEK	7.97 -0.5
AUD/CNH	5.2425	0.2	5.2248	5.2602		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.32	1.63	2.17	USD 10	2.20	1.76
AUD	1.50	1.72	2.07	2.95	AUD 10	2.74	1.70 0.54
NZD	1.75	1.94	2.21	3.20	NZD 10	2.96	5.30 0.76
EUR	0.00	-0.33	-0.17	0.87	CAD 10	2.09	3.30 -0.11
GBP	0.25	0.33	0.78	1.37	EUR 10	0.43	2.00 -1.77
JPY	-0.06	-0.03	0.02	0.22	GBP 10	1.31	7.90 -0.89
CAD	1.00	1.46	1.96	2.36	JPY 10	0.03	-2.10 -2.17

Equities

Major Indices			
	Last	% day	% y/y
Dow	22,268	0.29	22.9
S&P 500	2,500	0.18	16.9
Nasdaq	6,448	0.30	23.0
VIX	10.17	-2.59	-33.8
FTSE	7,215	-1.1	7.5
DAX	12,519	-0.2	21.8
CAC 40	5,214	-0.2	20.3
Nikkei	19,910	0.5	20.5
Shanghai	3,354	-0.5	11.7
Hang Seng	27,808	0.1	19.2
ASX 200	5,695	-0.8	7.5

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.20	-3.00
3 Yr bond	97.8	0.00
10 Yr bond	97.19	-9.50
3/10 sprd	0.61	9.50
SPI	5708.0	27.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	55.62	0.3
Oil (WTI)	49.89	0.0
Oil (Tapis)	56.28	0.6
Gold	1321.30	-0.3
CRB	184.05	0.4
GS Metals	357.4	0.1
Aluminium	2056.3	-0.6
Copper	6462.5	0.1
Nickel	11010.0	-1.0
Zinc	3043.0	1.1
Ch. steel	3750.0	-3.4
Iron ore	72.1	-2.5
St. Coal	99.2	-0.8
Met.coal	206.0	-0.5
Wheat Chic.	468.0	1.2
Sugar	14.6	2.0
Cotton	70.1	0.5
Coffee	141.4	2.7

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	-1.0	-4.0%
FED	-1	-3.6%

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
Monday, 18 September 2017								
CH	Foreign Direct Investment YoY CNY	Sep				9.1	9-18 Sep reease	
NZ	Performance Services Index	Aug				56.0	23.30	8.30
UK	Rightmove House Prices MoM/YoY	Sep		/		-0.9/3.1	0.10	9.10
CH	Property Prices	Aug						
AU	New Motor Vehicle Sales MoM/YoY	Aug		/		-2.0/1.8	2.30	11.30
EC	CPI MoM/YoY	Aug		0.3/1.5		-0.5/1.3	10.00	19.00
EC	CPI Core YoY	Aug F		1.2		1.2	10.00	19.00
CH	FX Net Settlement - Clients CNY	Aug				-42.8		
CA	Bloomberg Nanos Confidence	Sep 15				58.4	15.00	0.00
US	NAHB Housing Market Index	Sep		67		68.0	15.00	0.00
UK	BOE Governor Carney Speaks at IMF in Washington, DC						16.00	1.00
CA	Speech by Bank of Canada Deputy Governor Tim Lane						19.15	4.15
US	Total Net TIC Flows/Net Long-term TIC Flows	Jul		/		7.7/34.4	21.00	6.00
Tuesday, 19 September 2017								
NZ	Westpac Consumer Confidence	3Q				113.4	23.00	8.00
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Sep 17				109.8	0.30	9.30
AU	House Price Index QoQ/YoY	2Q	1.0/9.1	1.3/9.2		2.2/10.2	2.30	11.30
AU	RBA Sept. Rate Meeting Minutes						2.30	11.30
EC	ECB Current Account SA	Jul				21.2	9.00	18.00
EC	Construction Output MoM/YoY	Jul		/		-0.5/3.4	10.00	19.00
GE	ZEW Survey Current Situation/Expectations	Sep		86/12		86.7/10.0	10.00	19.00
CA	Manufacturing Sales MoM	Jul		-1.5		-1.8	13.30	22.30
US	Housing Starts #/MoM	Aug		1174/1.7		1155.0/-4.8	13.30	22.30
US	Building Permits #/MoM	Aug		1220/-0.8		1223.0/-4.1	13.30	22.30
US	Current Account Balance	2Q		-115		-116.8	13.30	22.30
US	Import Price Index MoM/YoY	Aug		0.4/2.2		0.1/1.5	13.30	22.30
US	Export Price Index MoM/YoY	Aug		0.2/		0.4/0.8	13.30	22.30
Wednesday, 20 September 2017								
NZ	BoP Current Account Balance NZD/% GDP Yr	2Q		-0.9/-3.1		0.2/-3.1	23.45	8.45
JN	Trade Balance Adjusted	Aug		404.7		337.4	0.50	9.50
AU	Westpac Leading Index MoM	Aug				0.1	1.30	10.30
AU	Skilled Vacancies MoM	Aug				0.8	2.00	11.00
AU	RBA's Luci Ellis Assistant Governor (Economic), at the Australian Business Economists (ABE) Lunchtime Briefing						4.05	13.05
GE	PPI MoM/YoY	Aug		0.1/2.5		0.2/2.3	7.00	16.00
UK	Retail Sales Ex Auto Fuel MoM/YoY	Aug		0/1.4		0.5/1.5	9.30	18.30
EC	EC Brexit negotiator Barnier speaks in Brussels (timing yet to be determined)							
EC	OPEC's Joint Technical Committee (technical representatives) meets in Vienna ahead of Joint Ministerial Monitoring Committee on Friday							
AU	RBA's Ellis Gives Speech in Sydney							
US	Existing Home Sales #/MoM	Aug		5.46/0.37		5.4/-1.3	15.00	0.00
US	FOMC Rate Decision (Lower/Upper Bound)	Sep 20		1/1.25		1.0/1.25	19.00	4.00
US	Fed Chair Yellen FOMC Conference						19.30	4.30
Thursday, 21 September 2017								
NZ	GDP SA QoQ/YoY	2Q		0.8/2.5		0.5/2.5	23.45	8.45
NZ	Net Migration SA	Aug				5800.0	23.45	8.45
AU	RBA FX Transactions Market	Aug				984.0	2.30	11.30
AU	RBA Bulletin						2.30	11.30
NZ	Credit Card Spending MoM/YoY	Aug		/		0.9/7.2	4.00	13.00
JN	BOJ Policy Balance Rate/10 Yr yield target	Sep 21		-0.1/0		-0.1/0.0		
JN	All Industry Activity Index MoM	Jul		-0.1		0.4	5.30	14.30
AU	RBA Governor Lowe speaks: "The Next Chapter" at American Chamber of Commerce in Australia Business Briefing, Perth						6.10	15.10
JN	BOJ Kuroda speaks at press conference after MPM						7.30	16.30
EC	ECB's "Understanding Inflation" conference							
EC	ECB's Frank Smets speaks in Frankfurt						7.55	16.55
EC	ECB Publishes Economic Bulletin						9.00	18.00
UK	UK Finance Loans for Housing	Aug		41700		41587.0	9.30	18.30
UK	Public Sector Net Borrowing/PSNB ex Banking Groups	Aug		6.35		-0.8	9.30	18.30
EC	ECB Executive Board member Praet chairs a panel in Frankfurt						10.30	19.30
CA	Wholesale Trade Sales MoM	Jul		-1		-0.5	13.30	22.30
US	Initial Jobless Claims	Sep 16		300		284	13.30	22.30
US	Philadelphia Fed Business Outlook	Sep		17		18.9	13.30	22.30
US	FHFA House Price Index MoM	Jul		0.4		0.1	14.00	23.00
EC	ECB President Mario Draghi speaks in Frankfurt						14.30	23.30
EC	Consumer Confidence	Sep A		-1.5		-1.5	15.00	0.00
US	Leading Index	Aug		0.2		0.3	15.00	0.00
US	Household Change in Net Worth	2Q				2347.0	17.00	2.00
Friday, 22 September 2017								
GE	Markit/BME Germany Manufacturing PMI	Sep P		59		59.3	8.30	17.30
GE	Markit Germany Services/Composite PMIs	Sep P		53.7/55.7		53.5/55.8	8.30	17.30
EC	Markit Eurozone Manufacturing PMI	Sep P		57.2		57.4	9.00	18.00
EC	Markit Eurozone Services/Composite PMIs	Sep P		54.8/55.5		54.7/55.7	9.00	18.00
EC	OPEC Joint Ministerial Monitoring Committee meets in Vienna to review production cuts							
UK	CBI Trends Total Orders/Selling Prices	Sep		13/		13.0/19.0	11.00	20.00
CA	CPI NSA MoM/YoY	Aug		0.2/1.5		0.0/1.2	13.30	22.30
CA	Retail Sales MoM	Jul		0.1		0.1	13.30	22.30
US	Fed's George Speaks at Conference on Outlook for Oil						14.30	23.30
US	Markit US Manufacturing PMI	Sep P		53		52.8	14.45	23.45
US	Markit US Services/Composite PMIs	Sep P		55.8/		56.0/55.3	14.45	23.45
US	Baker Hughes U.S. Rig/Oil Rig Count	Sep 22		/		936.0/749.0	18.00	3.00
Saturday, 23 September 2017								
NZ	General Election							
Sunday, 24 September 2017								
GE	General Election							
Upcoming Central Bank Interest Rate Announcements								
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%		
Australia, RBA		3-Oct	1.50%	1.50%		1.50%		
Europe ECB		26-Oct	-0.4%	-0.4%		-0.4%		
Canada, BoC		26-Oct				1.00%		
UK BOE		2-Nov				0.25%		

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

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