

# MARKETS TODAY

## *Senses Working Overtime*



### Good morning

GBP and CAD pull back on latest BoC and BoE utterances, helping USD move ahead again aided too by modestly higher US Treasury yields (10s +2bps to 2.23%). This pulls AUD comfortably back below 0.80. It has already traded -intra-day - through last week's 0.7956 low.

Having been away from the screens for a good chunk of the past month, what has struck most on being back in the saddle is just how sensitive currency markets are proving to every nuance in central bank speak. An eight-big figure rally in GBP/USD after Sterling money markets moved the dial on pricing for a single quarter point November rate hike from 10% to 60% almost beggars belief. So too does a similar eight big figure move on USD/CAD between the time Bank of Canada deputy Governor Carolyn Wilkins suggested in mid-June that the BoC was thinking about lifting rates, and then pulling the trigger some three weeks later.

In trying to infer what this might mean for currencies of countries where central banks have not yet signalled a readiness to contemplate higher rates, a key differentiator is positioning. Ahead of the aforementioned Wilkins remarks, speculative future market positioning in the CAD was running at record shorts; GBP markets were also running large – albeit not extreme – shorts into last week's BoE narratives. In contrast, AUD speculative positions are already not far off record long extremes.

AUD/USD is not going to be going from 0.80 to 0.88 if the RBA surprises us anytime soon my signalling a shift to a tightening bias. In fact, the bigger risk for the Aussie would be to the downside if the RBA were to hose down current market expectations for a first rate rise that is now fully priced for next August – not that we expect them too. The immediate point of focus here will be this morning's September RBA Board minutes, but which we doubt will be frightening any horses (see Coming Up).

The BoC and BoE commentary that has hit the CAD and GBP overnight came from BoC deputy Governor Lane and BoE Governor Carney who spoke at the IMF. Lane said that policy makers will be “paying close attention” to how the economy responds to higher borrowing costs and a stronger CAD, following rate increases in July and earlier this month. The comments served to push pricing for another quarter point rate rise by December down to 88% from 99% and USD/CAD down -0.8% to 1.2292. Mark Carney meanwhile didn't downplay early rate rise risks, but did say they would be ‘limited and gradual’. He doesn't shy away from suggesting UK incomes will be hit by Brexit, but suggest all the Bank can do about this is ensure that the hit to real income is limited by getting inflation down. That's fine, unless of course raising rates puts the economy into recession. GBP/USD down 0.7% on Carney.

Ray Attrill, Head of FX strategy

### Coming Up

The main 'known known' event this week – the FOMC meeting – gets underway today but that is a non-event until the early hours of Thursday morning.

Here, we'll have to content ourselves with the minutes of the RBA's September meeting and on the data front, official Q2 House prices, the latter expected to show a quarterly rise of 1.3%, implying a moderation in annual house price growth to 9.2% from 10.2% in Q1. The RBA has been playing up what it says are signs of housing market moderation in Sydney in particular, but this may be less evident in these quite historical price figures than the more recent CoreLogic data where auction clearance rates have been on a moderating trend since early this year.

As for the minutes, there is a suggestion is some quarters that these might show some heightened concerns about AUD strength, after the August minutes noted only that “There had been a broadly based depreciation of the US dollar. Consistent with that, a number of currencies were close to their highs of the previous few years against the US dollar, including the euro and the Canadian dollar. The Australian dollar also had risen to levels last seen in 2015”.

Since the AUD in trade weighted terms was actually a little weaker at the time of the September meeting relative to August and AUD/USD virtually unchanged, we'd doubt the September language will be too much different from last month.

Offshore this evening, we'll have the German ZEW indicator (a survey of financial analysts), US August housing starts (small rise expected after the 4.8% July fall) and building permits. Canada has July manufacturing sales data. This wouldn't normally rate a mention, but with markets fairly priced for another BoC rate rise in in Q4 and the AUD/CAD cross trading at its best levels since the start of the year, any scraps of Canadian data can have ramifications down under. Yesterday, NAB's FX Strategy team lowered its forecast for the AUD/CAD to a low of 0.94 in Q1 next year from 0.98 previously.

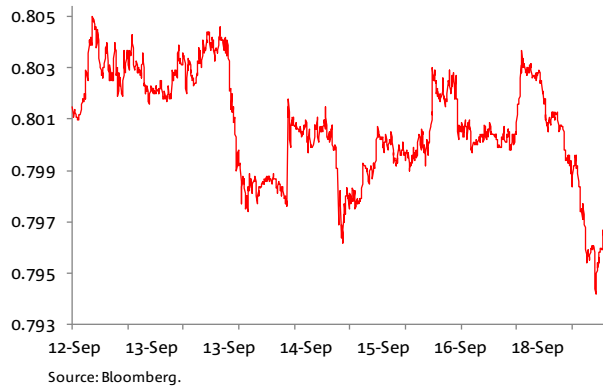
Donald Trump gives his inaugural address to the UN in New York tonight.

### Overnight

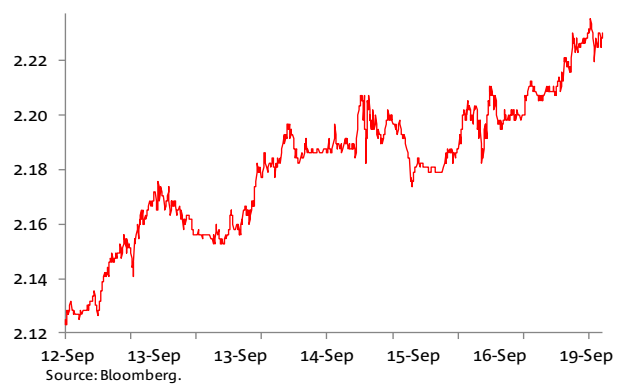
On global stock markets, the S&P 500 was +0.13%. Bond markets saw US 10-years +2.82bp to 2.23%. In commodities, Brent crude oil -0.31% to \$55.45, gold -1.0% to \$1,308, iron ore -0.5% to \$71.76, steam coal -1.0% to \$98.25, met. coal +0.2% to \$206.50. AUD is at 0.7963 and the range since yesterday 5pm Sydney time is 0.794 to 0.8035.

# Markets

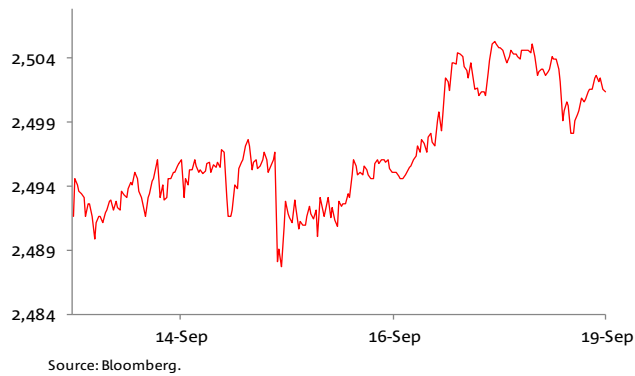
AUD/USD - past week



US 10yr - past week



S&P Future - past week



WTI - past week



## Foreign Exchange

	Indicative 24hr ranges (**)				Other FX		
	Last	% chge	Low	High	Last	% chge	
AUD	0.7963	-0.5	0.7940	0.8035	HKD	7.8166	0.0
NZD	0.7262	-0.5	0.7248	0.7344	CNY	6.5752	0.3
EUR	1.1952	0.1	1.1915	1.1969	SGD	1.3481	0.2
GBP	1.3495	-0.7	1.3465	1.3619	IDR	13,255	0.1
JPY	111.50	0.6	110.83	111.66	THB	33.10	0.0
CAD	1.2299	0.8	1.2172	1.2338	KRW	1,127	-0.4
AUD/EUR	0.6662	-0.5	0.6652	0.6723	TWD	30.09	0.1
AUD/JPY	88.79	0.1	88.56	89.34	PHP	51.10	-0.3
AUD/GBP	0.5901	0.3	0.5881	0.5920	CHF	0.96	0.2
AUD/NZD	1.0964	0.0	1.0939	1.1003	SEK	7.97	0.0
AUD/CNH	5.2428	0.0	5.2220	5.2602			

## Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.32	1.66	2.20	USD 10	2.23	2.82
AUD	1.50	1.72	2.06	2.99	AUD 10	2.80	5.70
NZD	1.75	1.94	2.23	3.24	NZD 10	3.00	5.90
EUR	0.00	-0.33	-0.17	0.89	CAD 10	2.08	-0.80
GBP	0.25	0.33	0.78	1.36	EUR 10	0.46	2.20
JPY	-0.06	-0.03	0.02	0.22	GBP 10	1.30	-0.70
CAD	1.00	1.45	1.92	2.35	JPY 10	0.03	0.00

## Equities

Major Indices			
	Last	% day	% y/y
Dow	22,331	0.28	23.2
S&P 500	2,503	0.13	17.0
Nasdaq	6,455	0.10	23.1
VIX	10.17	0.00	-33.8
FTSE	7,253	0.5	8.1
DAX	12,559	0.3	22.2
CAC 40	5,229	0.3	20.7
Nikkei	19,910	0.0	20.5
Shanghai	3,363	0.3	11.1
Hang Seng	28,160	1.3	19.6
ASX 200	5,721	0.4	8.0

## Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.21	0.00
3 Yr bond	97.8	0.00
10 Yr bond	97.16	-5.70
3/10 sprd	0.64	5.70
SPI	5725.0	-33.0

## Commodities\*

	Last	% day
Oil (Brent)	55.45	-0.3
Oil (WTI)	49.89	0.0
Oil (Tapis)	56.04	-0.4
Gold	1307.60	-1.0
CRB	183.73	-0.2
GS Metals	359.6	0.6
Aluminium	2060.3	0.2
Copper	6474.8	0.2
Nickel	11164.0	1.4
Zinc	3127.5	2.8
Ch. steel	3799.0	-0.5
Iron ore	71.8	-0.5
St. Coal	98.3	-1.0
Met. coal	206.5	0.2
Wheat Chic.	463.8	-0.9
Sugar	14.3	-1.6
Cotton	70.4	0.4
Coffee	140.4	-0.7

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-0.2	-1.0%
FED	-0	-1.6%

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
<b>Tuesday, 19 September 2017</b>							
NZ	Westpac Consumer Confidence	3Q				113.4	23.00
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Sep 17				109.8	0.30
AU	House Price Index QoQ/YoY	2Q	1.0/9.1	1.3/9.2		2.2/10.2	2.30
AU	RBA Sept. Rate Meeting Minutes						2.30
EC	ECB Current Account SA	Jul				21.2	9.00
EC	Construction Output MoM/YoY	Jul		/		-0.5/3.4	10.00
GE	ZEW Survey Current Situation/Expectations	Sep		86.2/12		86.7/10.0	10.00
CA	Manufacturing Sales MoM	Jul		-1.85		-1.8	13.30
US	Housing Starts #/MoM	Aug		1174/1.7		1155.0/-4.8	13.30
US	Building Permits #/MoM	Aug		1220/-0.8		1223.0/-4.1	13.30
US	Current Account Balance	2Q		-116		-116.8	13.30
US	Import Price Index MoM/YoY	Aug		0.4/2.2		0.1/1.5	13.30
US	Export Price Index MoM/YoY	Aug		0.2/		0.4/0.8	13.30
<b>Wednesday, 20 September 2017</b>							
NZ	BoP Current Account Balance NZD/% GDP Yr	2Q		-0.9/-3.1		0.2/-3.1	23.45
JN	Trade Balance Adjusted	Aug		404.7		337.4	0.50
AU	Westpac Leading Index MoM	Aug				0.1	1.30
AU	Skilled Vacancies MoM	Aug				0.8	2.00
AU	RBA's Luci Ellis Assistant Governor (Economic), at the Australian Business Economists (ABE) Lunchtime Briefing						4.05
GE	PPI MoM/YoY	Aug		0.1/2.5		0.2/2.3	7.00
UK	Retail Sales Ex Auto Fuel MoM/YoY	Aug		0.1/1.4		0.5/1.5	9.30
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
US	FOMC Rate Decision (Lower/Upper Bound)	Sep 20		1/1.25		1.0/1.25	19.00
US	Fed Chair Yellen FOMC Conference						19.30
<b>Thursday, 21 September 2017</b>							
NZ	GDP SA QoQ/YoY	2Q		0.8/2.5		0.5/2.5	23.45
NZ	Net Migration SA	Aug				5800.0	23.45
AU	RBA FX Transactions Market	Aug				984.0	2.30
AU	RBA Bulletin						2.30
NZ	Credit Card Spending MoM/YoY	Aug		/		0.9/7.2	4.00
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
AU	RBA Governor Lowe speaks: "The Next Chapter" at American Chamber of Commerce in Australia Business Briefing, Perth						6.10
JN	BOJ Kuroda speaks at press conference after MPM						7.30
EC	ECB's "Understanding Inflation" conference						
EC	ECB's Frank Smets speaks in Frankfurt						7.55
EC	ECB Publishes Economic Bulletin						9.00
UK	UK Finance Loans for Housing	Aug		41700		41587.0	9.30
UK	Public Sector Net Borrowing/PSNB ex Banking Groups	Aug		6.35		-0.8	9.30
EC	ECB Executive Board member Praet chairs a panel in Frankfurt						10.30
CA	Wholesale Trade Sales MoM	Jul		-0.7		-0.5	13.30
US	Initial Jobless Claims	Sep 16		300		284	13.30
US	Philadelphia Fed Business Outlook	Sep		17.2		18.9	13.30
US	FHFA House Price Index MoM	Jul		0.4		0.1	14.00
EC	ECB President Mario Draghi speaks in Frankfurt						14.30
EC	Consumer Confidence	Sep A		-1.5		-1.5	15.00
US	Leading Index	Aug		0.3		0.3	15.00
US	Household Change in Net Worth	2Q				2347.0	17.00
<b>Friday, 22 September 2017</b>							
GE	Markit/BME Germany Manufacturing PMI	Sep P		59		59.3	8.30
GE	Markit Germany Services/Composite PMIs	Sep P		53.7/55.7		53.5/55.8	8.30
EC	Markit Eurozone Manufacturing PMI	Sep P		57.2		57.4	9.00
EC	Markit Eurozone Services/Composite PMIs	Sep P		54.8/55.6		54.7/55.7	9.00
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
CA	CPI NSA MoM/YoY	Aug		0.2/1.5		0.0/1.2	13.30
CA	Retail Sales MoM	Jul		0.2		0.1	13.30
US	Fed's George Speaks at Conference on Outlook for Oil						14.30
US	Markit US Manufacturing PMI	Sep P		53		52.8	14.45
US	Markit US Services/Composite PMIs	Sep P		55.7/		56.0/55.3	14.45
US	Baker Hughes U.S. Rig/Oil Rig Count	Sep 22		931/747		936.0/749.0	18.00
<b>Saturday, 23 September 2017</b>							
NZ	General Election						
<b>Sunday, 24 September 2017</b>							
GE	General Election						
<b>Upcoming Central Bank Interest Rate Announcements</b>							
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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