

MARKETS TODAY

Rocket Man



Good morning

US President Trump's 40 minute address to the UN, in which he described N. Korea leader Kim Jong UN as "Rocket man on a suicide mission for himself and his regime" has given us a (predictable) song title but frankly not much else. FX market response to Trump's threat to wipe out N. Korea is to see the AUD and NZD at the top of the FX file and both the JPY and CHF – the two traditional safe havens – at or close to the bottom.

Treasury yields are fractionally higher, 10yr yields now at the highest level in just over a month at 2.24%, despite which the USD is softer in index terms (e.g. the narrow DXY -0.25%). As has been the case of late, this is more a function of idiosyncratic gains for some other currencies than a market judgement on the dollar itself.

Neither the AUD nor NZD figure in the DXY, but GBP/USD has pushed further ahead as markets continue to lift the odds on a November Bank of England tightening (now 63%). Meanwhile EUR/USD has more than recovered from an intra-day drop after another Reuters ECB source story. This one cites divisions within the Governing Council over how definitive the ECB should be about putting an end-date on QE purchases, whether following the October 26th meeting or mid-December.

Concerns over the strength of the Euro around \$1.20 is evidently still troubling some members - who seem to view strength as largely a product of USD weakness rather than Eurozone economic strength - to the point where they contend the ECB should keep its commitment to ongoing bond buying open-ended, albeit presumably at lower levels than now. As for NZD gains, again no reason other than buoyant risk sentiment (US stocks are up again, VIX still hugging the 10 level). Ditto AUD, which has climbed back onto an 0.80 handle once more (high of 0.8020).

Yesterday's September RBA Board minutes didn't really resonate, though the upbeat message on the labour market and absence of any dialling up of concerns about the strengthening of the AUD this year, were 'non-negatives'. The RBA did though note in its 'special subject' discussion on China that it doesn't see the steel sector providing much if any additional support for iron ore demand as excess capacity is further reduced. Whether related or not, iron ore is off \$2.91 overnight to \$68.85 for the 62% fines China import benchmark – the first time below \$70 since late July. Other metals prices are narrowly mixed (nickel down but copper and aluminium up, while gold is \$3 higher at \$1,311).

Data didn't have much impact overnight. US housing starts fell 0.8% against an expected 1.7% rise but an upwards revision to July meant the level was actually better than expected. The German ZEW indicator was much stronger than expected, up to 17 from 10 and initially EUR-supportive.

Ray Attrill, Head of FX strategy

Coming Up

The Fed is due to pronounce on its latest policy deliberation at 4:00 AEST (2pm ET) and there is nothing much by way of known economic events to deflect attention or while away the time before this. Fed chair Janet Yellen will give her quarterly post-FOMC press conference 30 minutes later, by which time markets will have already moved.

Academic as they are, the keenest point of focus is on what if anything the Fed does with its 'dot plot' summary of individual FOMC members forecasts for the appropriate Feds Funds rate at end 2017, 2018 and 2019, 2020 (latter for the first time) and the 'long term'.

We don't expect to see any change to the median dot for 2017 (one further rise this year) but which Fed chair Yellen would then doubtless stress in her press conference is dependent on evidence of inflation pressures picking up between now and the December FOMC meeting. We don't see the 2018 median dot changing either (currently showing 3 further rate rise next year), in which respect we'd note that for both 2017 and 2018, it will require four FOMC members to lower their individual dots to produce a fall in the median. A few will likely lower theirs, but not enough to lower the median. Further out (2019 and beyond) we could see a lowering, given the hurdle for shift down is lower (e.g. just two members needed to get a lower 2019 dot).

If some members do shift down but not enough to lower the median 2017 and 2018 dots, we'd expect yields to rise and the USD to rally, but with gains tempered by claims that this a 'dovish' no change.

We should get a firm date for the commencement of Fed balance sheet unwind (likely to be within a few weeks at most) and where the FOMC's guidance in June is for a cap in the run-off pace of \$6bn per month in US Treasuries and \$4bn in MBS, stepped up in \$4-6bn increments every 3 months, until monthly caps reach \$30bn per month in Treasuries and \$20bn per month in MBS. So anything different from this will be a surprise.

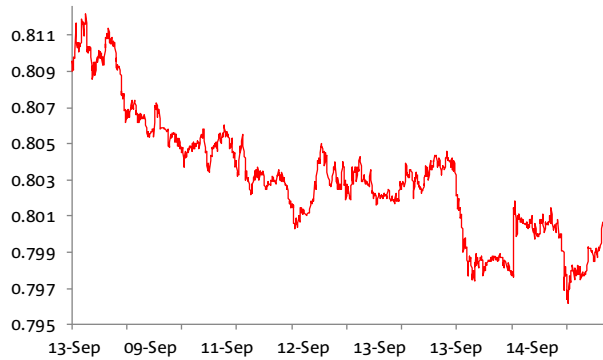
Other events to note ahead of the Fed are a speech from the RBA's Luci Ellis at 13:05 AEST, NZ current account and Japan trade data, UK retail sales (important for GBP) and US Existing Home Sales.

Overnight

On global stock markets, the S&P 500 was +0.11%. Bond markets saw US 10-years +5.63bp to 2.24%. In commodities, Brent crude oil -0.20% to \$55.37, gold -1.1% to \$1,310, iron ore -4.1% to \$68.85, steam coal -0.1% to \$98.20, met. coal -0.2% to \$206.00. AUD is at 0.801 and the range since yesterday 5pm Sydney time is 0.7957 to 0.8020.

Markets

AUD/USD - past week



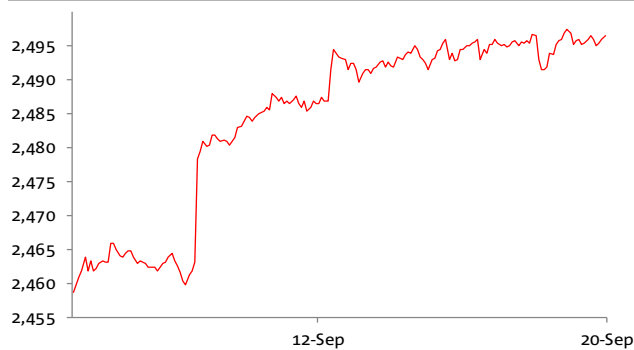
Source: Bloomberg.

US 10yr - past week



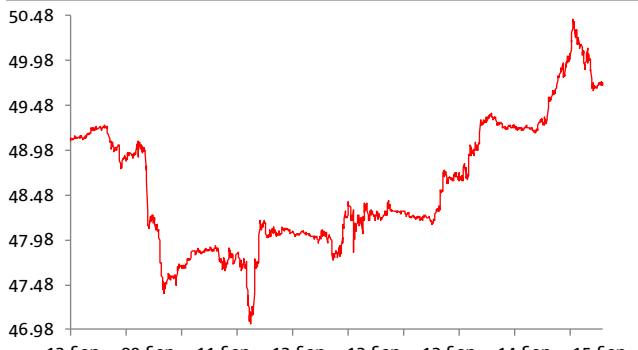
Source: Bloomberg.

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	0.8010	0.7	0.7957	0.8020	HKD	7.8045 -0.2
NZD	0.7316	0.7	0.7256	0.7327	CNY	6.5835 0.1
EUR	1.1994	0.3	1.1950	1.2007	SGD	1.3473 0.0
GBP	1.3498	0.0	1.3469	1.3552	IDR	13,279 0.2
JPY	111.58	0.0	111.20	111.88	THB	33.08 0.0
CAD	1.2291	0.0	1.2255	1.2309	KRW	1,131 0.4
AUD/EUR	0.6678	0.3	0.6652	0.6691	TWD	30.14 0.1
AUD/JPY	89.37	1.0	88.73	89.50	PHP	51.00 -0.2
AUD/GBP	0.5934	0.6	0.5887	0.5936	CHF	0.96 0.4
AUD/NZD	1.0947	-0.1	1.0934	1.0991	SEK	7.95 -0.1
AUD/CNH	5.2679	0.5	5.2314	5.2823		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.33	1.66	2.21	USD 10	2.24	5.63
AUD	1.50	1.72	2.06	2.99	AUD 10	2.81	14.40 0.57
NZD	1.75	1.94	2.25	3.28	NZD 10	3.02	17.80 0.78
EUR	0.00	-0.33	-0.17	0.89	CAD 10	2.09	1.30 -0.15
GBP	0.25	0.33	0.79	1.40	EUR 10	0.45	-0.30 -1.79
JPY	-0.06	-0.03	0.03	0.23	GBP 10	1.33	2.70 -0.92
CAD	1.00	1.44	1.91	2.36	JPY 10	0.04	1.00 -2.21

Equities

Major Indices			
	Last	% day	% y/y
Dow	22,371	0.18	23.5
S&P 500	2,507	0.11	17.2
Nasdaq	6,461	0.10	23.4
VIX	10.18	0.30	-34.4
FTSE	7,275	0.3	6.8
DAX	12,562	0.0	21.1
CAC 40	5,237	0.2	19.2
Nikkei	20,299	2.0	23.1
Shanghai	3,357	-0.8	11.0
Hang Seng	28,051	0.6	19.2
ASX 200	5,714	-0.1	7.7

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.20	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.16	-3.50
3/10 sprd	0.64	6.50
SPI	5713.0	-5.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	55.37	-0.2
Oil (WTI)	49.87	1.2
Oil (Tapis)	56.10	0.1
Gold	1310.20	-1.1
CRB	182.58	-0.6
GS Metals	362.1	0.7
Aluminium	2103.8	2.1
Copper	6508.8	0.5
Nickel	11089.5	-0.7
Zinc	3109.3	-0.6
Ch. steel	3765.0	-0.6
Iron ore	68.9	-4.1
St. Coal	98.2	-0.1
Met. coal	206.0	-0.2
Wheat Chic.	464.0	0.1
Sugar	13.8	-3.8
Cotton	70.0	-0.6
Coffee	135.4	-3.6

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-0.2	-1.0%
FED	-0	-2.0%

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, 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		0.1/1.4		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								
EC	ECB Publishes Economic Bulletin								
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		-0.7		-0.5	13.30	22.30	
US	Initial Jobless Claims	Sep 16		300		284	13.30	22.30	
US	Philadelphia Fed Business Outlook	Sep		17.2		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		0.3		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		54.8/55.6		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		0.2		0.1	13.30	22.30	
US	Fed's George Speaks at Conference on Outlook for Oil								
US	Markit US Manufacturing PMI	Sep P		53		52.8	14.45	23.45	
US	Markit US Services/Composite PMIs	Sep P		55.7/		56.0/55.3	14.45	23.45	
US	Baker Hughes U.S. Rig/Oil Rig Count	Sep 22		931/747		936.0/749.0	18.00	3.00	
Saturday, 23 September 2017									
NZ	General Election								
Sunday, 24 September 2017									
GE	General Election								
Monday, 25 September 2017									
JN	Nikkei Japan PMI Mfg	Sep P				52.2	1.30	10.30	
JN	Leading Index CI	Jul F				105.0	6.00	15.00	
JN	BOJ Kuroda make a speech in Osaka								
GE	Ifo Business Climate	Sep				115.9	9.00	18.00	
GE	Ifo Current Assessment/Expectations	Sep		/		124.6/107.9	9.00	18.00	
US	Fed's Dudley Speaks on Workforce Development								
US	Chicago Fed Nat Activity Index	Aug				0.0	13.30	22.30	
CH	Conference Board Leading Economic Index	Aug					14.00	23.00	
CA	Bloomberg Nanos Confidence	Sep 15				58.4	15.00	0.00	
US	Dallas Fed Manf. Activity	Sep		13		17.0	15.30	0.30	
US	Fed's Evans Speaks on Economy and Monetary Policy						17.40	2.40	
Tuesday, 26 September 2017									
AU	RBA's Bullock Participates in Panel in Sydney							22.15	7.15
NZ	Trade Balance NZD	Aug				85.0	22.45	7.45	
US	Fed's Kashkari Speaks at Townhall in Grand Forks, North Dakota							23.30	8.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Sep 17				109.8	0.30	9.30	
JN	BOJ Minutes of July 19-20 Meeting								
JN	PPI Services YoY	Aug				0.6	0.50	9.50	
NZ	ANZ Activity Outlook/Business Confidence	Sep		/		38.2/18.3	1.00	10.00	
US	S&P CoreLogic CS 20-City MoM SA/YoY	Jul		/		0.1/5.7	14.00	23.00	
US	Fed's Mester Moderates Session NABE								
US	New Home Sales, #/MoM	Aug		600/5.1		571.0/-9.4	15.00	0.00	
US	Conf. Board Consumer Confidence	Sep		119.25		122.9	15.00	0.00	
US	Richmond Fed Manuf. Index	Sep		13		14.0	15.00	0.00	
US	Fed Chair Janet Yellen Delivers Keynote at NABE Conference						17.00	2.00	
US	Fed's Bostic Speaks to the Atlanta Press Club						17.30	2.30	
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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