

MARKETS TODAY

Hung Up



Good morning

Hung parliaments on current voting tallies in general elections in New Zealand on Saturday and Germany on Sunday have taken bites out of the NZD and EUR at Monday's market re-open. The NZ result isn't much of a surprise and slippage may merely reflect the flip side of strength we saw on Friday plus something of a 'risk-off' start to the week after weekend N. Korea-related shenanigans (USD/JPY has also started the week weaker). Uncertainty over whether the new parliament will be a Nationals/NZ First affair could linger for weeks however, so 'relief' that the market's least preferred option of a Labour-Green collation has been avoided isn't likely to carry the NZD far for the time being.

The German result is more troubling for markets. Angela Merkel will still be chancellor and for a fourth term, but the BBC's Berlin correspondent is describing the result as disastrous for Mrs Merkel, who has been punished for opening Germany's door to almost 900,000 undocumented refugees and migrants. The far-right AfD looks set to capture about 13% of the national vote and might end up as the strongest party in the state of Saxony.

In the scheme of things the German result has none of the connotations of the Brexit vote last year, or had Marine le Pen won this year's French Presidential election. That said, the likelihood of a so-called 'Jamaica coalition' of CDU/CSU, Free Democrats and Greens (of which the latter two are ideologies apart), together with the representation for the AfD in parliament for the first time, brings the prospect of instability in German politics for the first time in a many years. We still nevertheless doubt its impact on the Euro and euro assets will be large relative to other (economic and monetary policy) influences.

Markets went out with more whimper than bang on Friday, US yields and the dollar a touch softer and US stocks ending flat. There was no US economic data and central bank speak from Williams, Kaplan and George failed to move the dial much on December and 2018 Fed rate hike odds. Sterling fell away late in the day after Moody's followed S&P and Fitch's post-Brexit vote actions in lowering the sovereign rating another notch to AA2. All are now two notches below AAA. PM May's earlier Florence speech on Brexit was long on (friendly) rhetoric and short on (financial) specifics.

DXY finished -0.1% and BBDXY -0.2% but these indices are still 0.3% and 0.5% higher on the week and so extending the previous week's gains. EUR/USD ended +0.1% at 1.1951 (some earlier support came from strong EZ PMI data). AUD ended +0.4% to 0.7962 and is 0.7950 now. NZD was +0.31% to 0.733 and is 0.7300 now. CAD underperformed AUD and NZD after CPI and retail sales (ex-autos) both came out on the soft side of market consensus estimates.

Ray Attrill, Head of FX strategy

In rates US Treasuries traced out narrow ranges, 10s - 2.6bps at 2.251%. US stocks finished virtually unchanged while the VIX finished at 9.59 down from 9.67 and 10.17 the previous Friday, its lowest close since July 25th. In commodities iron ore lost another \$2.56 to \$63.56.

Coming Up

Central bankers (and/or politicians) look more likely to be moving markets this week than anything on the global economic calendar. On the latter, we'd probably highlight Eurozone September preliminary CPI and August US PCE deflator data, both on Friday and both relevant for gauging progress and otherwise towards the ECB and Fed achieving their respective inflation objectives. In Australia, the only data point to note will be Friday's August RBA credit data. More important will be Friday's Caixin China manufacturing PMI, commodity prices and risk sentiment. Residual political uncertainty in Germany and New Zealand might have some influence, while US politics is important with the administration expected to unveil tax proposals this week (the suggestion is Wednesday) that may or not have the endorsement of all of the so-called 'big-six'

In contrast to a sparse economic calendar, the week is replete with central bank speak. This includes Janet Yellen speaking on monetary policy on Tuesday, though hot on the heels of last week's FOMC meeting and Yellen press conference, it's doubtful we'll learn much new. More interesting might be the subtleties of the positions of individual FOMC members towards a pre-year end rates rise (bearing in mind that 11 of the 16 current FOMC members placed their latest 2017 dot in the 'once more this year' bucket). The list of FOMC speakers this week is too long to repeat here.

ECB speakers are also fairly thick on the ground. We'll also hear from BoC Governor Stephen Poloz on Tuesday and RBA deputy Governor Guy Debelle on Thursday. Today alone we'll hear from the Fed's Dudley, Evans and Kashkari and the ECB's Draghi (before parliament) Mersch and Constancio. On Friday Constancio played down the influence of the euro in suppressing Eurozone inflation.

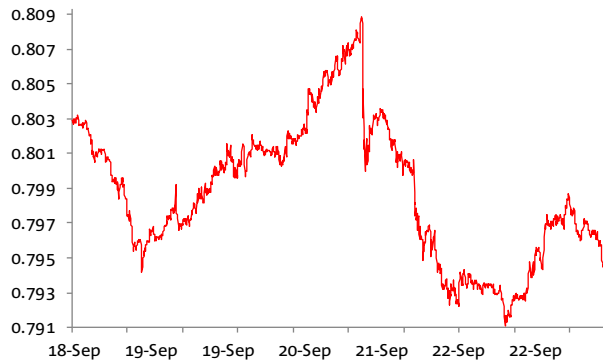
In Japan, we might get an October general election announcement today from Prime Minister Abe upon his return from the United States. If so, and assuming he will be victorious, this is seen underscoring current policy commitments and at the margin playing yen negative. BoJ's Kuroda addresses regional branch managers today.

Overnight

On global stock markets, the S&P 500 was +0.06%. Bond markets saw US 10-years -2.66bp to 2.25%. In commodities, Brent crude oil +0.76% to \$56.86, gold +0.2% to \$1,293, iron ore -3.8% to \$63.56, steam coal -0.1% to \$97.20, met. coal -0.1% to \$204.50. AUD is at 0.795 and the range since Friday 5pm Sydney time is 0.7908 to 0.7986.

Markets

AUD/USD - past week



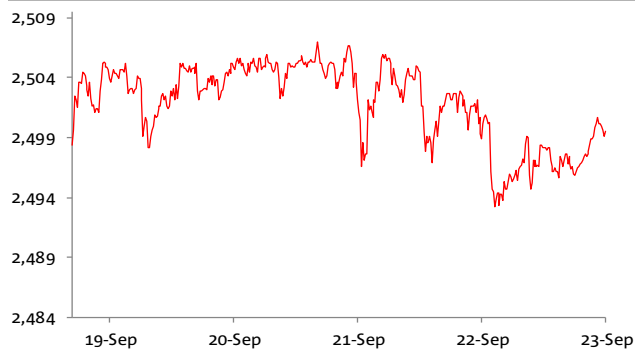
Source: Bloomberg.

US 10yr - past week



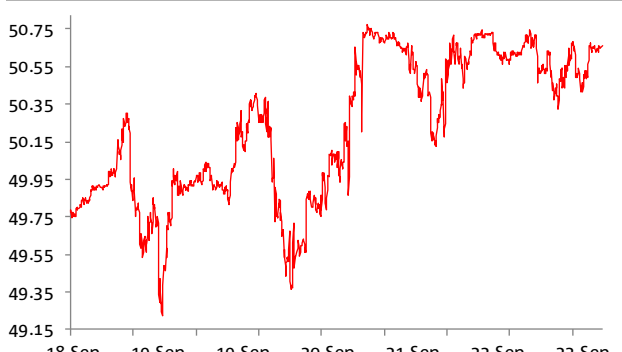
Source: Bloomberg.

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	0.7950	0.3	0.7908	0.7986	HKD	7.8099 0.1
NZD	0.7311	0.1	0.7280	0.7344	CNY	6.5901 0.0
EUR	1.1904	-0.3	1.1902	1.2004	SGD	1.3470 -0.2
GBP	1.3478	-0.8	1.3451	1.3596	IDR	13,312 -0.2
JPY	112.25	-0.2	111.65	112.56	THB	33.09 -0.1
CAD	1.2337	0.1	1.2256	1.2351	KRW	1,137 0.3
AUD/EUR	0.6675	0.5	0.6619	0.6684	TWD	30.17 -0.2
AUD/JPY	89.24	0.0	88.47	89.38	PHP	50.67 -0.8
AUD/GBP	0.5895	1.0	0.5825	0.5916	CHF	0.97 0.0
AUD/NZD	1.0877	0.2	1.0833	1.0897	SEK	8.01 0.4
AUD/CNH	5.2546	0.5	5.1946	5.2472		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.33	1.70	2.22	USD 10	2.25	-2.66
AUD	1.50	1.72	2.05	2.97	AUD 10	2.79	-3.80 0.54
NZD	1.75	1.96	2.23	3.24	NZD 10	3.00	-6.00 0.75
EUR	0.00	-0.33	-0.17	0.89	CAD 10	2.11	-0.90 -0.14
GBP	0.25	0.33	0.80	1.40	EUR 10	0.45	-0.80 -1.80
JPY	-0.05	-0.03	0.03	0.23	GBP 10	1.36	-1.20 -0.89
CAD	1.00	1.44	1.96	2.38	JPY 10	0.03	-0.60 -2.22

Equities

Major Indices			
	Last	% day	% y/y
Dow	22,350	-0.04	22.4
S&P 500	2,502	0.06	15.6
Nasdaq	6,427	0.07	21.1
VIX	9.59	-0.83	-22.0
FTSE	7,311	0.6	5.8
DAX	12,592	-0.1	18.5
CAC 40	5,281	0.3	17.7
Nikkei	20,296	-0.3	21.1
Shanghai	3,353	-0.2	10.5
Hang Seng	27,881	-0.8	17.7
ASX 200	5,682	0.5	4.6

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.21	3.00
3 Yr bond	97.8	0.00
10 Yr bond	97.18	8.50
3/10 sprd	0.62	-8.50
SPI	5679.0	-37.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	56.86	0.8
Oil (WTI)	50.66	0.2
Oil (Tapis)	56.68	0.4
Gold	1293.30	0.2
CRB	183.57	0.1
GS Metals	360.7	-1.0
Aluminium	2141.5	-0.5
Copper	6430.3	-0.4
Nickel	10361.0	-5.4
Zinc	3044.0	-2.0
Ch. steel	3578.0	-3.9
Iron ore	63.6	-3.8
St. Coal	97.2	-0.1
Met. coal	204.5	-0.1
Wheat Chic.	469.5	-0.5
Sugar	14.0	-0.5
Cotton	69.1	0.1
Coffee	134.5	-0.4

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-0.2	-1.0%
FED	0	1.2%

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, 25 September 2017								
NZ	Daylight saving started in NZ	24 Sept						
NZ	Fonterra announces Full Year Financial Results							
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						6:30	15:30
EC	ECB Vice President Constancio speaks in Frankfurt						8:00	17:00
EC	ECB's Mersch Speaks at Lisbon Conference on Risk Management						8:15	17:15
GE	IFO Business Climate	Sep		115.9		115.9	9:00	18:00
GE	IFO Current Assessment/Expectations	Sep		124.6/107.7		124.6/107.9	9:00	18:00
US	Fed's Dudley Speaks on Workforce Development						13:30	22:30
US	Chicago Fed Nat Activity Index	Aug				0.0	13:30	22:30
EC	ECB President Draghi speaks in Brussels						14:00	23:00
CH	Conference Board Leading Economic Index	Aug					14:00	23:00
US	Dallas Fed Manf. Activity	Sep		13		17.0	15:30	0:30
EC	ECB's Coeure is chairing a panel in Frankfurt						15:45	0:45
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	-1170	-825		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 24				114.8	0:30	9:30
JN	BOJ Minutes of July 19-20 Meeting						0:50	9:50
NZ	ANZ Activity Outlook/Business Confidence	Sep		/		38.2/18.3	1:00	10:00
AU	NAB Consumer Spending	Q2					2:30	11:30
NZ	New Residential Lending YoY	Aug				-23.8	3:00	12:00
EC	ECB's Praet chairs speech in Frankfurt						13:00	22:00
US	S&P CoreLogic CS 20-City MoM SA/YoY	Jul		0.29/		0.1/5.7	14:00	23:00
US	Fed's Mester Moderates Session NABE						14:30	23:30
US	New Home Sales, #/MoM	Aug		590/3.3		571.0/-9.4	15:00	0:00
US	Conf. Board Consumer Confidence	Sep		119.5		122.9	15:00	0:00
US	Richmond Fed Manufact. Index	Sep		13		14.0	15:00	0:00
US	Fed's Brainard Speaks on Labor Market Disparities						15:30	0:30
US	Fed's Bostic Speaks to the Atlanta Press Club						17:30	2:30
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
Wednesday, 27 September 2017								
CH	Industrial Profits YoY	Aug				16.5	2:30	11:30
AU	NAB Consumer Anxiety	Q2					2:30	11:30
JN	Small Business Confidence	Sep		49.4		49.0	6:00	15:00
JN	Machine Tool Orders YoY	Aug F				36.3	7:00	16:00
UK	CBI Retailing/Total Dist Reported Sales	Sep		/		-10.0/2.0	11:00	20:00
US	Durable Goods Orders/Core Orders	Aug P		0.9/0.3		-6.8/1.0	13:30	22:30
US	Pending Home Sales MoM/YoY	Aug		-0.25/		-0.8/-0.5	15:00	0:00
CA	BoC Governor Stephen Poloz speaks						16:45	1:45
CA	BoC Governor Poloz press conference						17:55	2:55
US	Fed's Bullard Speaks on Economy and Monetary Policy						18:30	3:30
US	Fed's Brainard Speaks at Minority Banker Forum						19:00	4:00
Thursday, 28 September 2017								
NZ	RBNZ Official Cash Rate	Sep 28	1.75	1.75		1.8	21:00	6:00
US	Fed's Rosengren to Speak to Money Marketeers in New York						0:00	9:00
CH	Swift Global Payments CNY	Aug				2.0	2:00	11:00
AU	Job vacancies	Aug				1.5	2:30	11:30
GE	GfK Consumer Confidence	Oct		11		10.9	7:00	16:00
EC	ECB's Praet speaks in Berlin						9:00	18:00
UK	Carney Speaks at BOE Independence Conference, London						9:15	18:15
AU	RBA's Debelle Speaks on "Central Bank Independence in Retrospect" at BOE Conference, London						10:00	19:00
EC	Business Climate Indicator	Sep		1.11		1.1	10:00	19:00
CH	BoP Current Account Balance	2Q F				52.9	10:15	19:15
EC	ECB's Lautenschlaeger speaks in Vienna						12:10	21:10
GE	CPI EU Harmonized MoM/YoY	Sep P		0.1/1.9		0.2/1.8	13:00	22:00
US	GDP Annualized QoQ	2Q T		3.1		3.0	13:30	22:30
US	Initial Jobless Claims	Sep 23				259.0	13:30	22:30
US	Advance Goods Trade Balance	Aug		-65.1		-63.9	13:30	22:30
US	Wholesale Inventories MoM	Aug P				0.6	13:30	22:30
US	Fed's Fischer Speaks at BOE Independence Conference, London						15:00	0:00
US	Fed's George Speaks on Economy and Monetary Policy						14:45	23:45
US	Kansas City Fed Manf. Activity	Sep				16.0	16:00	1:00
US	Fed's Bostic to Speak about Careers in Economics						18:30	3:30
Upcoming Central Bank Interest Rate Announcements								
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%		
Japan, BoJ		31-Oct	-0.1%	-0.1%		-0.1%		
US Federal Reserve		2-Nov	1.00-1.25%	1.00-1.25%		1.00-1.25%		
UK, BOE		2-Nov				0.25%		

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

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