

# MARKETS TODAY

*Come talk to me*



## Good morning

It was a session of two halves on Friday night. First for the market came a lower than expected US PCE core deflator for August, weighing on the US dollar and bond yields. The core PCE deflator for August came in at 0.1%/1.3% after 0.1%/1.4% in July, the August print missing expectations by a tenth for both the monthly and annual readings. But then came a solid Chicago PMI for September (ahead of the ISM Manufacturing report tonight) increasing from 58.9 to 65.2 and a WSJ article reporting that several candidates had been interviewed by the President for the top Fed job. Former Fed Governor Kevin Warsh, current Governor Powell, Dr. Yellen and the President's Head of the National Council of Economic Advisors Gary Cohn were all interviewed, apparently. Some regard Warsh as more hawkish.

That data and the reporting of interviews gave support to the dollar and bond yields, yields ending the session a net 3 basis points higher. The President said that a decision on the next Fed Chair can be expected in two to three weeks. By the end of the session, the market had lifted the probability of the Fed hiking again in December from 76% to 80%, though another in 2018 continues not to be 50% priced until June and fully priced by the December 2018 meeting.

The US 10-year Treasury yield initially fell 1.5bps to a low of around 2.295% but added nearly 4bps after the WSJ article/Chicago PMI data to end the day just over the 2.33% mark, its highest close in five weeks. The Fed will have three more CPI figures (and two more PCE deflators) released before it has to make its decision, providing plenty of opportunity to support its view that recent weak inflation has been driven by temporary forces.

There have been more press reports of how the Trump tax package is progressing. Already some GOP Congressional members from States with higher State taxes are complaining about the proposed non-deductibility of State taxes. The key Senate and House Committees have to work through to develop a lot of the detail, detail that will be all important.

As US inflation underwhelmed expectations, so did the headline and core Eurozone CPI for September, coming after Germany's CPI out Thursday was "in line". The headline CPI came in at a steady 1.5% against expectations of 1.6% and core CPI at 1.1% y/y against expectations of 1.2% growth. Over the weekend, Catalonia had its referendum to vote on whether to secede. The national government had already declared this vote illegal and there were ugly scenes of what seems to be heavy-handed police intervention, including at polling booths, which presumably runs the risk of further galvanising local support, but no doubt entrench the opposition of the national government as well which of course remains pro-European.

David de Garis, Director, Economics

With news that some parts of heavier-polluting Chinese industry will be curtailed from this month, and met coal prices have already pulled back. But the official Manufacturing PMI (and the Non-manufacturing PMI for that matter) released over the weekend revealed no such net impact.

Admittedly, it was for September and the cutbacks are yet to play out, but the Manufacturing PMI rose from 51.6 to 52.4, the strongest reading since April 2012. Even new orders pushed up from 53.1 to 54.8 and the Steel PMI remained above 50 at 53.7, though down from 57.2. There was certainly no sign from this report of some slowing in the core Chinese economy, the Non-manufacturing PMI up from 53.4 to 55.4. The following Caixin Manufacturing PMI though did ease from 51.6 to 51.0 ahead of the release of the Caixin Non-manufacturing and composite PMIs today.

## Coming up

The data flow heats up further this week with the RBA meeting tomorrow, AU Retail Sales, Building Approvals, and Trade the main watch points. The data though is not till later in the week. Today sees the monthly AiG (and now CBA) Manufacturing PMIs, the CoreLogic Home Values report, something close to flat in the offing for house prices with the first three weeks of sales values already in. The monthly MI CPI gauge for September is also out today, though none of these reports are likely to have much market impact at all.

Of more interest for the market though will be the BoJ Tankan business survey for Q3, the headline Large Manufacturers' Index expected to tick up to 18 from 17.

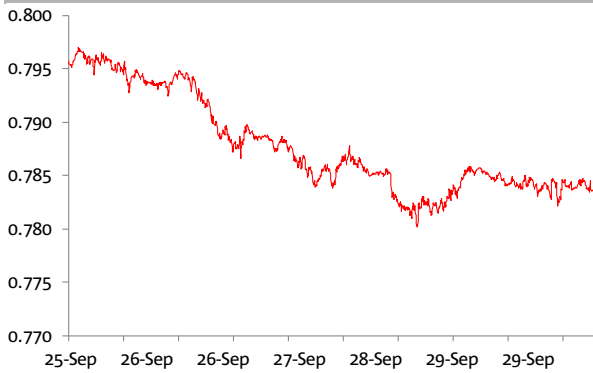
The Manufacturing focus continues tonight with the first of the big three US releases, the ISM Manufacturing report for September out. US activity data might well be distorted in headline, production, orders, employment, and even perhaps prices by Hurricanes Harvey and Irma. Dallas Fed Kaplan (FOMC voter this year) is speaking tonight. The Non-farm payrolls report comes at the end of the week and the market is already expecting only a 85K gain in payrolls as a result of the hurricanes. For the market, the more important will be whether average hourly earnings increased by 0.3% or more after a meagre 0.1% gain in August.

## Overnight

On global stock markets, the S&P 500 was +0.37%. Bond markets saw US 10-years +2.51bp to 2.33%. In commodities, Brent crude oil -0.65% to \$56.79, gold -0.3% to \$1,282, iron ore -1.3% to \$62.05, steam coal -0.4% to \$97.25, met. coal +0.0% to \$177.50. AUD is at 0.7835 and the range since Friday 5pm Sydney time is 0.7812 to 0.786.

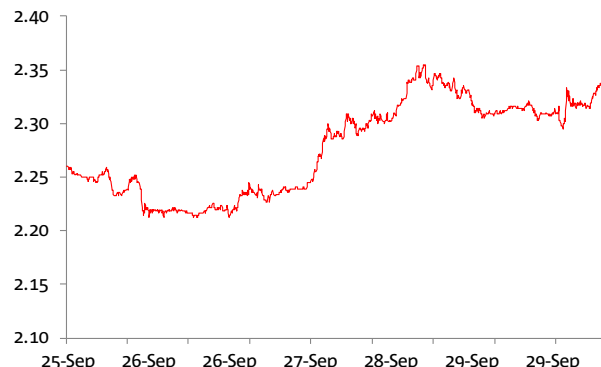
# Markets

AUD/USD - past week



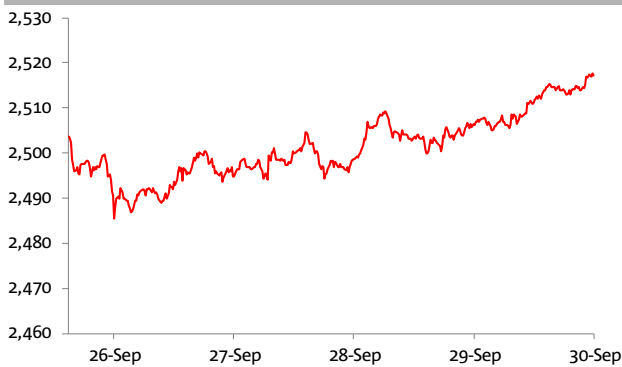
Source: Bloomberg.

US 10yr - past week



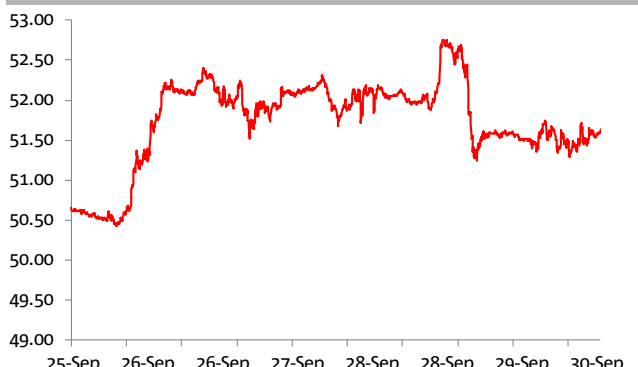
Source: Bloomberg.

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	0.7835	0.2	0.7812	0.7860	HKD	7.8106 0.0
NZD	0.7220	0.3	0.7185	0.7244	CNY	6.6528 -0.1
EUR	1.1780	0.0	1.1767	1.1833	SGD	1.3576 -0.2
GBP	1.3377	-0.3	1.3350	1.3455	IDR	13,472 -0.3
JPY	112.63	0.0	112.22	112.76	THB	33.36 -0.1
CAD	1.2483	0.0	1.2417	1.2532	KRW	1,145 -0.3
AUD/EUR	0.6652	0.2	0.6622	0.6668	TWD	30.32 -0.2
AUD/JPY	88.25	0.1	88.02	88.45	PHP	50.87 -0.1
AUD/GBP	0.5858	0.5	0.5820	0.5870	CHF	0.97 -0.3
AUD/NZD	1.0854	-0.1	1.0831	1.0881	SEK	8.17 0.4
AUD/CNH	5.2198	0.0	5.1989	5.2374		

### Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.33	1.71	2.27	USD 10	2.33	2.51
AUD	1.50	1.71	2.02	2.98	AUD 10	2.84	-2.20 0.51
NZD	1.75	1.96	2.22	3.27	NZD 10	2.97	-1.80 0.63
EUR	0.00	-0.33	-0.17	0.90	CAD 10	2.10	-3.00 -0.23
GBP	0.25	0.34	0.81	1.40	EUR 10	0.46	-1.50 -1.87
JPY	-0.05	-0.05	0.03	0.26	GBP 10	1.37	-1.00 -0.97
CAD	1.00	1.42	1.88	2.36	JPY 10	0.07	-0.60 -2.27

### Equities

Major Indices			
	Last	% day	% y/y
Dow	22,405	0.11	22.4
S&P 500	2,519	0.37	16.2
Nasdaq	6,496	0.66	22.3
VIX	9.51	-0.42	-28.4
FTSE	7,373	0.7	6.9
DAX	12,829	1.0	22.1
CAC 40	5,330	0.7	19.8
Nikkei	20,356	0.0	23.7
Shanghai	3,349	0.3	11.5
Hang Seng	27,554	0.5	18.3
ASX 200	5,682	0.2	4.5

### Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.22	0.00
3 Yr bond	97.8	0.00
10 Yr bond	97.13	-1.50
3/10 sprd	0.67	1.50
SPI	5682.0	-36.0

\*Change in bps

### Commodities\*

	Last	% day
Oil (Brent)	56.79	-0.6
Oil (WTI)	51.67	0.2
Oil (Tapis)	58.10	-1.5
Gold	1281.50	-0.3
CRB	183.09	0.1
GS Metals	359.8	-0.6
Aluminium	2081.0	-1.4
Copper	6447.3	-0.6
Nickel	10430.5	0.6
Zinc	3185.3	0.5
Ch. steel	3603.0	-1.0
Iron ore	62.1	-1.3
St. Coal	97.3	-0.4
Met.coal	177.5	0.0
Wheat Chic.	466.5	-1.6
Sugar	13.5	2.3
Cotton	69.1	-0.7
Coffee	128.1	-0.4

### Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	-1.0	-4.0%
FED	-0	-0.4%

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
<b>Monday, 2 October 2017</b>								
AU	<b>Public holiday in most Australian States (not Vic or WA)</b>							
CH	<b>China Golden Week Holidays</b>							
AU	CBA Australia PMI Mfg	Sep				53.5	0.00	9.00
AU	AiG Perf of Mfg Index	Sep				59.8	0.30	9.30
AU	CoreLogic House Px MoM	Sep				0.1	1.00	10.00
JN	Tankan Large Mfg Index	3Q		18		17	1.50	10.50
AU	Melbourne Institute Inflation MoM	Sep				0.1	2.00	11.00
JN	Nikkei Japan PMI Mfg	Sep F				52.6	2.30	11.30
GE	Markit/BME Germany Manufacturing PMI	Sep F		60.6		60.6	9.55	18.55
EC	Markit Eurozone Manufacturing PMI	Sep F		58.2		58.2	10.00	19.00
UK	Markit UK PMI Manufacturing SA	Sep		56.2		56.9	10.30	19.30
EC	Unemployment Rate	Aug		9		9.1	11.00	20.00
CA	MLI Leading Indicator MoM	Aug				0.2	13.00	22.00
CA	Markit Canada Manufacturing PMI	Sep				54.6	15.30	0.30
US	Markit US Manufacturing PMI	Sep F				53.0	15.45	0.45
US	ISM Manufacturing	Sep		57.5		58.8	16.00	1.00
US	Construction Spending MoM	Aug		0.4		-0.6	16.00	1.00
US	Fed's Kaplan Speaks in El Paso						20.00	5.00
<b>Tuesday, 3 October 2017</b>								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct 1				114.1	0.30	9.30
AU	HIA New Home Sales MoM	Aug				-3.7	2.00	11.00
AU	ANZ Job Advertisements MoM	Sep				2.0	2.30	11.30
AU	Building Approvals MoM/YoY	Aug		1/16.2		-1.7/-13.9	2.30	11.30
AU	RBA Cash Rate Target	Oct 3	1.50	1.50		1.50	5.30	14.30
JN	Consumer Confidence Index	Sep		43.5		43.3	7.00	16.00
AU	Commodity Index AUD/SDR YoY	Sep		/		120.2/20.1	7.30	16.30
UK	Markit/CIPS UK Construction PMI	Sep		50.8		51.1	10.30	19.30
EC	PPI MoM/YoY	Aug		0.1/2.3		0.0/2.0	11.00	20.00
NZ	QV House Prices YoY	Sep				4.8	18.00	3.00
<b>Wednesday, 4 October 2017</b>								
NZ	ANZ Job Advertisements MoM	Sep				1.0	23.00	8.00
AU	CBA Australia PMI Services/Composite	Sep		/		54.2/54.1	0.00	9.00
AU	AiG Perf of Services Index	Sep				53.0	0.30	9.30
UK	BRC Shop Price Index YoY	Sep				-0.3	1.10	10.10
NZ	ANZ Commodity Price	Sep				-0.8	2.00	11.00
JN	Nikkei Japan PMI Services/Composite	Sep		/		51.6/51.9	2.30	11.30
GE	Markit Germany Services/Composite PMI	Sep F		55.6/57.8		55.6/57.8	9.55	18.55
EC	Markit Eurozone Services/Composite PMI	Sep F		55.6/56.7		55.6/56.7	10.00	19.00
UK	Markit/CIPS UK Services/Composite PMI	Sep		53.1/		53.2/54.0	10.30	19.30
EC	Retail Sales MoM/YoY	Aug		0.3/2.6		-0.3/2.6	11.00	20.00
US	ADP Employment Change	Sep		137.5		237.0	14.15	23.15
US	Wards Total Vehicle Sales	Sep		16.6		16.0		
US	Markit US Services/Composite PMI	Sep F		/		55.1/54.6	15.45	0.45
US	ISM Non-Manf. Composite	Sep		55.1		55.3	16.00	1.00
US	Fed's Yellen to Speak on Community Banking in St. Louis						21.15	6.15
<b>Thursday, 5 October 2017</b>								
AU	Trade Balance	Aug	800	870		460.0	2.30	11.30
AU	Retail Sales MoM	Aug	-0.3	0.3		0.0	2.30	11.30
US	Challenger Job Cuts YoY	Sep				5.1	13.30	22.30
EC	ECB account of the monetary policy meeting						13.30	22.30
CA	Int'l Merchandise Trade	Aug				-3.0	14.30	23.30
US	Initial Jobless Claims	Sep 23		270		272.0	13.30	22.30
US	Continuing Claims	Sep 23		1992.5		1934.0	13.30	22.30
US	Trade Balance	Aug		-43.35		-43.7	14.30	23.30
US	Fed's Williams Speaks at Community Banking Conference						15.15	0.15
US	Bloomberg Consumer Comfort	Sep 24				50.6	14.45	23.45
US	Fed's Harker Speaks at Workforce Conference						16.00	1.00
US	Factory Orders	Aug		0.9		-3.3	16.00	1.00
<b>Friday, 6 October 2017</b>								
US	Fed's George Speaks at Workforce Conference						22.30	7.30
AU	AiG Perf of Construction Index	Sep				55.3	0.30	9.30
JN	Labor Cash/Real Cash Earnings YoY	Aug		0.5/0.1		-0.3/-0.8	2.00	11.00
JN	Leading Index CI	Aug P		107.2		105.2	7.00	16.00
GE	Factory Orders MoM/YoY	Aug		0.7/4.7		-0.7/5.0	8.00	17.00
UK	Halifax House Prices MoM/YoY	Sep		/		1.1/2.6	9.30	18.30
UK	Unit Labor Costs YoY	2Q				2.1	10.30	19.30
US	Change in Nonfarm Payrolls/Unemployment rate	Sep		75/4.4		156.0/4.4	14.30	23.30
US	Average Hourly Earnings MoM/YoY	Sep		0.3/2.6		0.1/2.5	14.30	23.30
US	Underemployment Rate	Sep				8.6	14.30	23.30
CA	Net Change in Employment/Unemployment rate	Sep		/		22.2/6.2	14.30	23.30
US	Fed's Bostic Speaks at Workforce Conference						15.15	0.15
EC	ECB's de Galhau, Nowotny Speak in Vienna						15.30	0.30
CA	Ivey Purchasing Managers Index SA	Sep				56.3	16.00	1.00
US	Wholesale Inventories MoM	Aug P				1.0	13.30	22.30
US	Fed's Dudley speaks on Monetary Policy							3.15
US	Fed's Kaplan Speaks at Workforce Conference						18.45	3.45
US	Baker Hughes U.S. Rig Count/Oil Rigs only	Sep 29		/		935/744	18.00	3.00
US	Consumer Credit	Aug		16		18.5	21.00	6.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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%		
New Zealand, RBNZ		9-Nov				1.75%		

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

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