

MARKETS TODAY

Riders on the storm



Good morning

There have certainly been some unsettling events over the past 24-48 hours for markets to ponder. First was the unsettling scenes of the forced intervention in the Catalan independence vote and in the past 24 hours another mass shooting in the US, this one in Las Vegas, unfortunately with many lives lost.

The Catalan vote has certainly weighed on Spanish and Euro-periphery markets overnight and dented the Euro. One does not like to pontificate on whether the shooting has affected US markets, though it would not have been surprising if US yields had pushed on more after what's been a very strong reading from the ISM Manufacturing survey overnight.

Events in Spain are continuing to unfold in real time. Reports suggest that the provincial government seems to be pushing on to actually declare independence. Markets are alert to all sorts of speculation on what the next steps might be from the national government and indeed whether there are any questions about its own longevity in this more fast-moving dynamic political environment.

Spanish bond and equity markets have underperformed overnight, the Spanish 10-year yield up 9.1 bps (Portuguese yields rose 4.0 and Italy's by 4.5) against German yields that were actually a net 1.3 bps lower. German yields eased, notwithstanding their release of the "final" September Manufacturing PMI that was confirmed at 60.6, the equivalent for the Eurozone also unrevised, at an also strong 58.1. (Spain's was 54.3, up from 52.4 in August.) The Madrid stock market closed 1.21% lower while the Eurostoxx 600 rose 0.51%.

The Euro has also been underperforming since the start of trading yesterday and that's again continued overnight. It's down 0.6% against a dollar that's had some support from tax cut package tailwinds and a turbocharged reading overnight on the ISM Manufacturing report for September. The ISM came in at a higher-than-expected 60.8 up from 58.8, the fastest pace of US manufacturing growth for 13 years. Not only was the headline number strong, but the details were even better with new orders of 64.6 (after 60.3), production at 62.2 (61.0) and priced paid at 71.5 (62.0).

The strong US reading on manufacturing momentum follows adds to the picture of a synchronised manufacturing/IP upturn with Chinese manufacturing the strongest for 5 years and even yesterday's BoJ Tankan survey the best for a decade. It would not surprise at all if the IMF upgraded their global forecasts in their forthcoming World Economic Outlook next week. It's also a point that won't be lost on the RBA Board in today's discussions on the global and domestic economy today.

In the wake of the US manufacturing reading and US Construction spending rising 0.5% in August, the Atlanta Fed raised its estimate of *GDPNow* for Q3 from 2.3%, back up to 2.7%. Note that the Atlanta Fed is working on the development of monthly US GDP estimate.

Along with the Euro, the other currency that's been under-performing has been Sterling. It's down nearly 1% to 1.3275 this morning and trading close to its overnight lows into the Conservative Party conference in the first half of this week with PM May speaking Wednesday. There have been calls for PM May to sack foreign secretary Boris Johnson, who has been outspoken about her Brexit strategy and undermined her authority. GBP has continued to fall before and since the UK's Manufacturing PMI reading that was 55.9, down from 56.9, still strong if marginally shy of expectations.

Coming up

Most of the focus today will be on the RBA post-Board Media Release at 2.30pm and what the statement says about the economy, including any amendment to their language on the dollar other than to recognise the recent mini-rally in the USD. This part of the statement will require some re-jigging, if only to refresh it for the recent pull back in the Aussie. We'd expect the RBA to continue acknowledging the evolving improvement in the domestic economy, giving the RBA more confidence that growth is building.

Before the RBA this afternoon comes AU building approvals today for August, NAB looking for any material sign on how the residential construction cycle is unfolding. Are we past the peak of apartment cycle? What about detached housing approvals? State trends. NAB is looking for a modest 1% rise, not even countering the 1.7% fall last month, but beware these numbers often swing +/-5% m/m if not more.

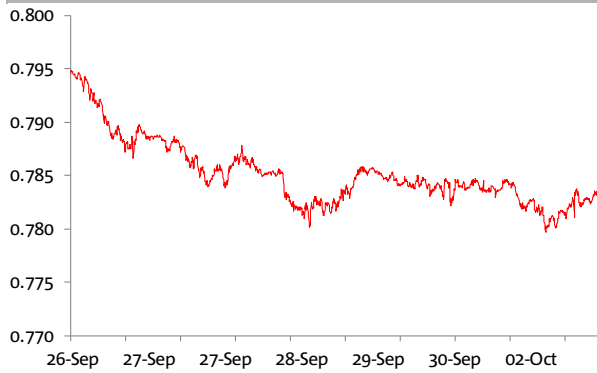
The overnight session does not have too much in the way of top tier releases. In fact it's almost deathly quiet. There's the Eurozone final September Non-manufacturing PMIs, with more attention on the US ISM Non-manufacturing for September out tomorrow night, followed Wednesday night with a speech from Fed Chair Yellen who has had a lot to say in the past two weeks, but holding her powder dry on that reported "interview" at 1600 Pennsylvania Avenue.

Overnight

On global stock markets, the S&P 500 was +0.39%. Bond markets saw US 10-years +0.36bp to 2.34%. In commodities, Brent crude oil -1.27% to \$56.07, gold -0.7% to \$1,273, iron ore no reading with Chinese holidays, steam coal +1.1% to \$95.90, met. coal +0.8% to \$179.00. AUD is at 0.7826 and the range since yesterday 5pm Sydney time is 0.7808 to 0.784.

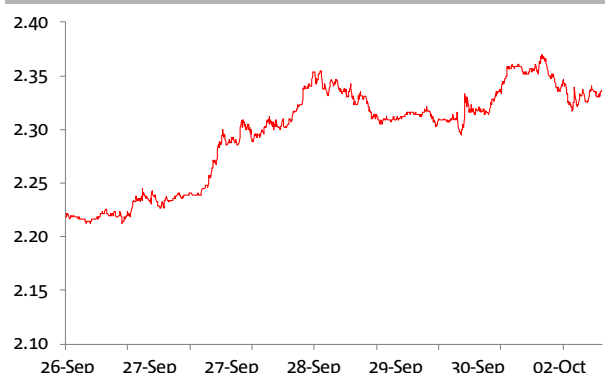
Markets

AUD/USD - past week



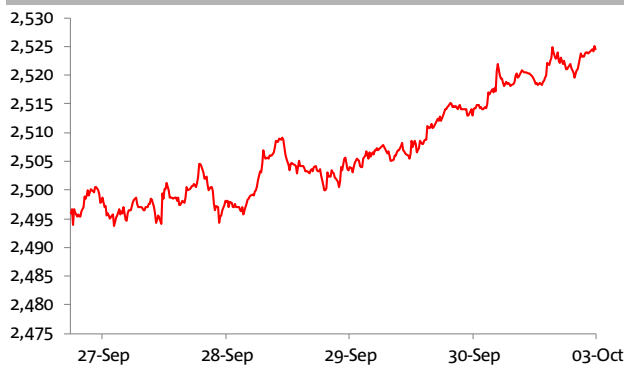
Source: Bloomberg.

US 10yr - past week



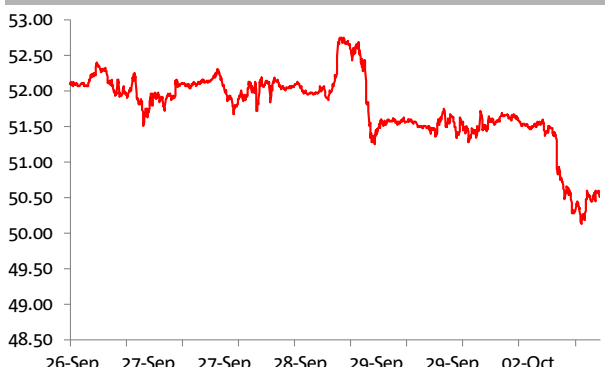
Source: Bloomberg.

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	0.7826	-0.1	0.7808	0.7840	HKD	7.8125 0.0
NZD	0.7196	-0.2	0.7187	0.7218	CNY	6.6528 0.0
EUR	1.1736	-0.7	1.1731	1.1763	SGD	1.3615 0.3
GBP	1.3277	-0.9	1.3257	1.3312	IDR	13,540 0.5
JPY	112.72	0.2	112.53	112.94	THB	33.42 0.3
CAD	1.2511	0.3	1.2484	1.2523	KRW	1,147 0.1
AUD/EUR	0.6669	0.6	0.6647	0.6673	TWD	30.43 0.4
AUD/JPY	88.22	0.1	88.07	88.31	PHP	51.09 0.4
AUD/GBP	0.5895	0.8	0.5871	0.5904	CHF	0.97 0.7
AUD/NZD	1.0876	0.2	1.0854	1.0880	SEK	8.17 0.2
AUD/CNH	5.2052	-0.3	5.2041	5.2187		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.33	1.74	2.30	USD 10	2.34	0.36
AUD	1.50	1.71	2.05	3.01	AUD 10	2.84	-2.20 0.50
NZD	1.75	1.95	2.21	3.29	NZD 10	2.98	1.50 0.64
EUR	0.00	-0.33	-0.17	0.91	CAD 10	2.13	2.90 -0.21
GBP	0.25	0.34	0.81	1.39	EUR 10	0.45	-1.30 -1.89
JPY	-0.06	-0.05	0.04	0.27	GBP 10	1.33	-3.70 -1.01
CAD	1.00	1.41	1.90	2.40	JPY 10	0.08	0.70 -2.26

Equities

Major Indices			
	Last	% day	% y/y
Dow	22,558	0.68	23.2
S&P 500	2,529	0.39	16.6
Nasdaq	6,517	0.32	22.7
VIX	9.45	-0.63	-28.9
FTSE	7,439	0.9	7.8
DAX	12,903	0.6	22.8
CAC 40	5,350	0.4	20.3
Nikkei	20,401	0.2	22.9
Shanghai	3,349	0.0	11.5
Hang Seng	27,554	0.0	18.3
ASX 200	5,729	0.8	4.6

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.21	-1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.12	-2.00
3/10 sprd	0.69	2.00
SPI	5731.0	-63.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	56.07	-1.3
Oil (WTI)	50.54	-2.2
Oil (Tapis)	57.30	-1.4
Gold	1272.70	-0.7
CRB	180.91	-1.2
GS Metals	361.2	0.4
Aluminium	2085.8	0.2
Copper	6460.8	0.2
Nickel	10319.5	-1.1
Zinc	3257.0	2.3
Ch. steel	3603.0	0.0
Iron ore	62.1	0.0
St. Coal	95.9	1.1
Met.coal	179.0	0.8
Wheat Chic.	463.3	-0.7
Sugar	14.3	5.7
Cotton	68.2	-1.3
Coffee	127.2	-0.7

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
Tuesday, 3 October 2017								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct 1				114.1	23.30	9.30
AU	HIA New Home Sales MoM	Aug				-3.7	1.00	11.00
AU	ANZ Job Advertisements MoM	Sep				2.0	1.30	11.30
AU	Building Approvals MoM/YoY	Aug	1.7	1/-16.2		-1.7/-13.9	1.30	11.30
AU	RBA Cash Rate Target	Oct 3	1.50	1.50		1.50	4.30	14.30
JN	Consumer Confidence Index	Sep		43.5		43.3	6.00	16.00
AU	Commodity Index AUD/SDR YoY	Sep		/		120.2/20.1	6.30	16.30
UK	Markit/CIPS UK Construction PMI	Sep		51.1		51.1	9.30	19.30
EC	PPI MoM/YoY	Aug		0.1/2.3		0.0/2.0	10.00	20.00
NZ	QV House Prices YoY	Sep				4.8	17.00	3.00
Wednesday, 4 October 2017								
NZ	ANZ Job Advertisements MoM	Sep				1.0	22.00	8.00
AU	CBA Australia PMI Services/Composite	Sep		/		54.2/54.1	23.00	9.00
AU	AiG Perf of Services Index	Sep				53.0	23.30	9.30
UK	BRC Shop Price Index YoY	Sep				-0.3	0.10	10.10
NZ	ANZ Commodity Price	Sep				-0.8	1.00	11.00
JN	Nikkei Japan PMI Services/Composite	Sep		/		51.6/51.9	1.30	11.30
GE	Markit Germany Services/Composite PMI	Sep F		55.6/57.8		55.6/57.8	8.55	18.55
EC	Markit Eurozone Services/Composite PMI	Sep F		55.6/56.7		55.6/56.7	9.00	19.00
UK	Markit/CIPS UK Services/Composite PMI	Sep		53.2/53.8		53.2/54.0	9.30	19.30
EC	Retail Sales MoM/YoY	Aug		0.3/2.6		-0.3/2.6	10.00	20.00
US	ADP Employment Change	Sep		142.5		237.0	13.15	23.15
US	Wards Total Vehicle Sales	Sep		17		16.0	14.00	
US	Markit US Services/Composite PMI	Sep F		55.1/		55.1/54.6	14.45	0.45
US	ISM Non-Manf. Composite	Sep		55.5		55.3	15.00	1.00
US	Fed's Yellen to Speak on Community Banking in St. Louis						20.15	6.15
Thursday, 5 October 2017								
AU	Trade Balance	Aug	80000.0%	870		460.0	1.30	11.30
AU	Retail Sales MoM	Aug	-30.0%	0.3		0.0	1.30	11.30
US	Challenger Job Cuts YoY	Sep				5.1	12.30	22.30
EC	ECB account of the monetary policy meeting						12.30	22.30
CA	Int'l Merchandise Trade	Aug		-2.7		-3.0	13.30	23.30
US	Initial Jobless Claims	Sep 30		265		272.0	13.30	23.30
US	Continuing Claims	Sep 23		1948.5		1934.0	13.30	23.30
US	Trade Balance	Aug		-42.7		-43.7	13.30	23.30
US	Fed's Williams Speaks at Community Banking Conference						14.15	0.15
US	Bloomberg Consumer Comfort	Oct 1				51.6	14.45	0.45
US	Fed's Harker Speaks at Workforce Conference						15.00	1.00
US	Factory Orders	Aug		1		-3.3	15.00	1.00
Friday, 6 October 2017								
US	Fed's George Speaks at Workforce Conference						21.30	7.30
AU	AiG Perf of Construction Index	Sep				55.3	23.30	9.30
JN	Labor Cash/Real Cash Earnings YoY	Aug		0.5/0.1		-0.3/-0.8	1.00	11.00
JN	Leading Index CI	Aug P		107.2		105.2	6.00	16.00
GE	Factory Orders MoM/YoY	Aug		0.7/4.7		-0.7/5.0	7.00	17.00
UK	Halifax House Prices MoM/YoY	Sep		0/3.6		1.1/2.6	8.30	18.30
UK	Unit Labor Costs YoY	2Q				2.1	9.30	19.30
US	Change in Nonfarm Payrolls/Unemployment rate	Sep		85/4.4		156.0/4.4	13.30	23.30
US	Average Hourly Earnings MoM/YoY	Sep		0.3/2.5		0.1/2.5	13.30	23.30
US	Underemployment Rate	Sep				8.6	13.30	23.30
CA	Net Change in Employment/Unemployment rate	Sep		15/6.2		22.2/6.2	13.30	23.30
US	Fed's Bostic Speaks at Workforce Conference						14.15	0.15
EC	ECB's de Galhau, Nowotny Speak in Vienna						14.30	0.30
CA	Ivey Purchasing Managers Index SA	Sep				56.3	15.00	1.00
US	Wholesale Inventories MoM	Aug F		1		1.0	15.00	1.00
US	Fed's Dudley speaks on Monetary Policy						17.15	3.15
US	Fed's Kaplan Speaks at Workforce Conference						17.45	3.45
US	Baker Hughes U.S. Rig Count/Oil Rigs only	Oct 6		/		940/750	18.00	4.00
US	Consumer Credit	Aug		15.54		18.5	20.00	6.00
Upcoming Central Bank Interest Rate Announcements								
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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