

MARKETS TODAY

Waiting



Good morning

The challenge meted out by some of my colleagues yesterday (many of whom are probably still in bed) was to incorporate as many songs from the now late great Tom Petty into this daily missive. As it happens, **Free Fallin'** is perhaps the most overused Markets Today title in the two years or so we've been doing this malarkey, and limited overnight price action across bonds, equities and currencies doesn't lend itself to repeat usage today. Closed Chinese market this week also means that we can't use it to reference further falls in the already 20%+ drop in iron prices in the last four weeks or so.

President Trump is in Puerto Rico and has been making some fairly tasteless remarks about this unincorporated United States territory putting the US budget 'out of whack'. Someone should perhaps have reminded him that Puerto Ricans ostensibly have the right to emigrate to the United States; probably not a **refugee** problem Trump would welcome at this point. Estimates of the repair bill for the Caribbean island currently look to run into the tens of billions of dollars, on a par with the clean-up and reconstruction costs in Texas and Florida.

On the subject of US budgets, Senator Bob Corker (who sits on the banking and budget committee) has been out lamenting suggestions that the elimination for deductions designed to at least partially fund income tax cuts could be scaled back to appease Congressional officials in certain states. The battle between those in Congress opposed to any tax reform that lifts deficits, and the US administration claims that so called 'dynamic scoring' (or the growth dividend) will pay for them in perpetuity, will run for a good while yet.

For now, we can be sure Trump will be telling Congress '**I won't back down**' on his tax ambitions (sentiments that equally apply to Catalonians intent on independence from Spain and to both Trump and N. Korean President Kim Jong-Un, albeit there are reports of back-channel communication between the two nations). For markets, N. Korea fatigue set in a while back, evident in the VIX now comfortably back on a '9' handle.

Pricing for a December Fed rate hike hasn't moved much since the end of last week from the +/-70% area. The **American Girl** – Janet Yellen – speaks tonight and is unlikely to move the dial. More importantly, within a few weeks she might be getting a memo from the Oval Office that reads '**Don't come around here no more**' (see Coming Up).

The New Zealand dollar is the weakest G10 currency in the last 24 hours, an unexpectedly weak Global Dairy Trade auction (prices down 2.4%) compounding Tuesday's locals session weakness. Hardly a **breakdown**, but even so.

Sterling is second weakest currency, after a poor Construction PMI (48.1 down from an unchanged 51.1 that was expected).

The ongoing Conservative party Conference also doesn't seem to be helping, UK foreign secretary Boris Johnson's claim to agree with 'every syllable' of PM May's Florence speech last week ringing hollow and May, in a Sky news interview, saying nothing to repaid the apparent **fault lines** between her government and the rest of the EU.

As for yesterday's RBA statement, the Board appeared to be more optimistic about growth in yesterday's post Board Statement where they predictably left the cash rate unchanged at 1.5%. A few weeks ago Governor Lower gave the clearest sign yet that the next move in rates is likely to be higher yet yesterday's Statement gave no hint of any imminent move. We expect the RBA are **waiting** for evidence of a tighter labour market through a lower unemployment rate and clearer evidence of upside wage pressure.

Coming Up

Normally we'd be getting excited about a scheduled Janet Yellen speech, but tonight (or rather 06:15 AEST tomorrow morning) it's just welcoming remarks at a community banking event. Move on. More interesting tomorrow might be further comments from Fed Governor Jerome Powell in so far as he is reportedly one of the candidates to have been interviewed by Donald Trump to potentially be the next Fed chair (a question he neatly side-stepped overnight). The *predictit.org* betting site currently has Powell as second favourite after Kevin Warsh, with Janet Yellen running a distant third.

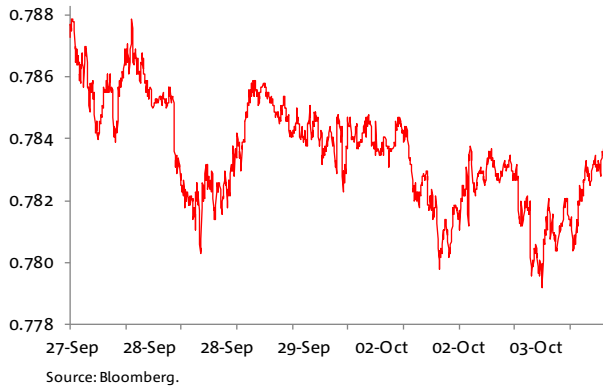
Data wise, the main interest tonight is the US non-manufacturing ISM, after Monday's manufacturing version failed to show any ill effects from last month's hurricanes. Consensus is for a small rise to 55.5 from 55.5, but after the manufacturing release, the whisper number is probably a bit stronger. The ADP employment report before that will give a hint of the effect of the hurricanes on Friday's official payroll data and where the current consensus is for a rise of just 80,000.

Final EZ PMI's are also due today, while the main Australian data interest this week doesn't come until tomorrow with retail sales (that NAB sees weak) and trade figures.

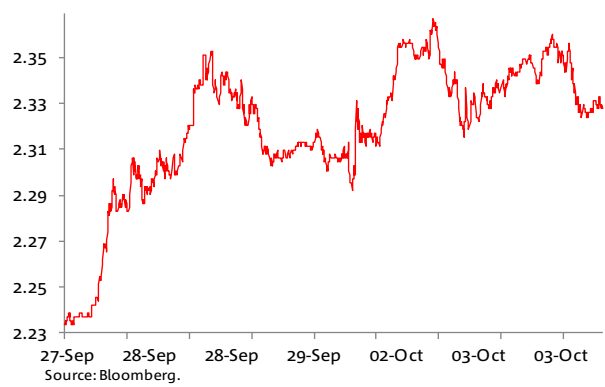
Overnight

On global stock markets, the S&P 500 was +0.19%. Bond markets saw US 10-years -1.61bp to 2.32%. In commodities, Brent crude oil -0.36% to \$55.92, gold -0.1% to \$1,272, iron ore +0.0% to \$62.05, steam coal +1.1% to \$97.00, met. coal +0.0% to \$179.00. AUD is at 0.7837 and the range since yesterday 5pm Sydney time is 0.7786 to 0.7839.

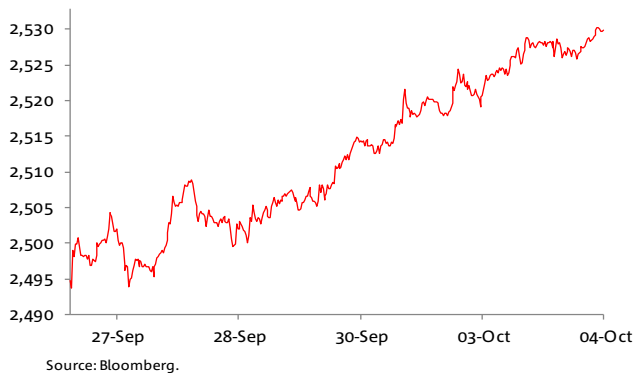
AUD/USD - past week



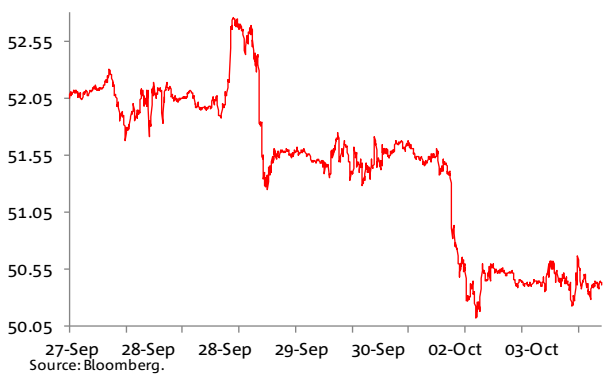
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

Indicative 24hr ranges (**)					Other FX		
	Last	% chge	Low	High		Last	% chge
AUD	0.7837	0.1	0.7786	0.7839	HKD	7.8104	0.0
NZD	0.7158	-0.5	0.7148	0.7198	CNY	6.6528	0.0
EUR	1.1750	0.1	1.1696	1.1773	SGD	1.3620	0.0
GBP	1.3242	-0.3	1.3222	1.3288	IDR	13,542	0.0
JPY	112.85	0.1	112.66	113.20	THB	33.36	-0.2
CAD	1.2485	-0.2	1.2482	1.2539	KRW	1,147	0.0
AUD/EUR	0.667	0.0	0.6642	0.6679	TWD	30.43	0.0
AUD/JPY	88.44	0.2	88.11	88.48	PHP	51.11	0.0
AUD/GBP	0.5918	0.4	0.5878	0.5920	CHF	0.97	-0.1
AUD/NZD	1.0948	0.7	1.0877	1.0950	SEK	8.13	-0.4
AUD/CNH	5.2103	0.1	5.2005	5.2269			

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	1.25	1.34	1.74	2.28	USD 10	2.32	-1.61	
AUD	1.50	1.71	2.03	2.99	AUD 10	2.84	0.20	0.52
NZD	1.75	1.94	2.20	3.27	NZD 10	2.98	-1.10	0.65
EUR	0.00	-0.33	-0.17	0.91	CAD 10	2.12	-1.30	-0.21
GBP	0.25	0.34	0.81	1.40	EUR 10	0.46	1.20	-1.86
JPY	-0.05	-0.05	0.04	0.27	GBP 10	1.35	2.50	-0.97
CAD	1.00	1.41	1.89	2.38	JPY 10	0.07	-0.10	-2.25

Equities

Major Indices			
	Last	% day	% y/y
Dow	22,642	0.37	24.0
S&P 500	2,534	0.19	17.3
Nasdaq	6,532	0.23	23.2
VIX	9.57	1.27	-29.5
FTSE	7,468	0.4	6.9
DAX	12,903	0.0	22.8
CAC 40	5,367	0.3	20.5
Nikkei	20,614	1.0	23.2
Shanghai	3,349	0.0	11.5
Hang Seng	28,173	2.2	18.9
ASX 200	5,701	-0.5	4.0

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.22	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.15	2.00
3/10 sprd	0.66	1.00
SPI	5695.0	17.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	55.92	-0.4
Oil (WTI)	50.36	-0.4
Oil (Tapis)	56.78	-0.9
Gold	1271.50	-0.1
CRB	180.90	0.0
GS Metals	365.1	1.1
Aluminium	2116.3	1.5
Copper	6485.3	0.4
Nickel	10549.0	2.2
Zinc	3288.5	1.0
Ch. steel	3603.0	0.0
Iron ore	62.1	0.0
St. Coal	97.0	1.1
Met. coal	179.0	0.0
Wheat Chic.	465.5	0.5
Sugar	14.0	-1.9
Cotton	68.2	-0.1
Coffee	125.5	-1.4

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

Markets

CALENDAR

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEST
Wednesday, 4 October 2017							14.00	
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		137.5		237.0	13.15	23.15
US	Wards Total Vehicle Sales	Sep		17.15		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							14.00	
AU	Trade Balance	Aug	80000.0%	850		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		-2.6		-3.0	13.30	23.30
US	Initial Jobless Claims	Sep 30		265		272.0	13.30	23.30
US	Continuing Claims	Sep 23		1950		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							14.00	
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		107.1		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		80/4.4		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		12/6.2		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		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
Saturday, 7 October 2017								
CH	Foreign Reserves	Sep		3100		3091.5		
Sunday, 8 October 2017								
CH	Foreign Direct Investment YoY CNY	Sep				9.1	8-18 Oct release	
Monday, 9 October 2017								
CH	Caixin China PMI Services	Sep				52.7	2.45	12.45
CH	Caixin China PMI Composite	Sep				52.4	2.45	12.45
AU	Foreign Reserves	Sep				76.3	6.30	16.30
GE	Industrial Production SA MoM	Aug				0.0	7.00	17.00
EC	Sentix Investor Confidence	Oct				28.2	9.30	19.30
CA	Bloomberg Nanos Confidence	Oct 6				58.3	15.00	1.00
Tuesday, 10 October 2017								
NZ	Card Spending Retail MoM	Sep				-0.2	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct 1				114.1	23.30	9.30
UK	BRC Sales Like-For-Like YoY	Sep				1.3	0.10	10.10
JN	BoP Current Account Adjusted	Aug				2032.9	0.50	10.50
AU	NAB Business Conditions	Sep				15.0	1.30	11.30
GE	Current Account Balance	Aug				19.4	7.00	17.00
UK	Industrial Production MoM	Aug				0.2	9.30	19.30
UK	Construction Output SA MoM	Aug				-0.9	9.30	19.30
UK	Trade Balance	Aug				-2872.0	9.30	19.30
US	NFIB Small Business Optimism	Sep				105.3	11.00	21.00
UK	NIESR GDP Estimate	Sep				0.4	13.00	23.00
CA	Housing Starts	Sep				223.2	13.15	23.15
JN	Eco Watchers Survey Current SA	Sep				49.7		
AU	RBA's Debelle Gives Speech in HK Via Video Link							
CH	New Yuan Loans CNY	Sep		1225		1090.0	10-18 Oct release	
NZ	REINZ House Sales YoY	Sep				-20.0	10-14 Oct release	
JN	Machine Tool Orders YoY	Sep P				36.2	7.00	17.00
US	Fed's Kashkari Speaks at Regional Economic Conference						15.00	1.00
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

CONTACT DETAILS

Authors

David de Garis
Director, Economics
+61 3 8641 3045
david.degaris@nab.com.au

Ray Attrill
Head of FX Strategy
+61 2 9237 1848
ray.attrill@nab.com.au

Rodrigo Catril
Currency Strategist
+61 2 9293 7109
rodrigo.h.catril@nab.com.au

Tapas Strickland
Economist
+61 2 9237 1980
tapas.strickland@nab.com.au

Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406
peter.jolly@nab.com.au

Group Economics

Alan Oster
Chief Economist
+61 3 8634 2927
alan_oster@national.com.au

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.