

MARKETS TODAY



Fast car – no signs of hurricane damage here

Good morning

Despite a stellar US Non-manufacturing ISM, there were only modest market moves overnight. The US dollar fell (DXY -0.1%), Equities were mixed (S&P500 +0.1%; EuroStoxx -0.3%), while yields were flat (US 10yrs +0.4bps). It seems markets are treading water ahead of Payrolls on Friday given more than usual uncertainty over the numbers due to possible hurricane effects.

Last night's US Non-manufacturing ISM shot the lights out, printing at 59.8 and well above the consensus of 55.5 (55.3 previously). The index is now at its highest since August 2005 and is a sign that the US economy is recovering quickly from hurricane-related disruptions. Strength in the ISM is consistent with GDP growth in excess of 4%, inspiration for today's title **Fast Car** by Tracy Chapman. For your scribe the most interesting bit of the report was the Prices Paid Sub-index which rose 8.4 points to 66.3 with prices for materials and services rising. Will this lead to a pick-up in US inflation – time will tell, but it is evident there has been a global upswing in prices paid according to recent surveys (see Chart).

ADP Payrolls was in line with expectations, up 135k in September. That overall is also suggestive of only a modest impact from hurricane damage (some reports estimate ADP would have been 175k without hurricane damage). Of course ADP is far from infallible and the market consensus for the more important Payrolls on Friday is 80k.

Moves in FX were fairly tight. There was very slight US dollar weakness with the DXY -0.1% overnight. The Euro rose (0.2%), along with the Yen (+0.1%) and Kiwi (+0.1%).

Outperforming slightly was the Aussie with the AUD/USD up 0.3% to 0.7860. The key for the Aussie today will be Retail Sales at 11.30 AEDT and whether this prints at or below consensus (see Coming UP for more details).

Moves in bonds were fairly muted. US Treasury yields rose 0.4 bps to 2.33% while German Bund yields fell 1.0bps to 0.45%. Market pricing for a US Fed rate hike in December remains at around +70% while 2 rate hikes are priced by the end of 2018 compared to the Fed dot points of four. On the next Fed Chair, it is now seen as a two-horse race between Warsh (seen as more hawkish) and Powell (seen as slightly dovish and willing to accommodate a relaxation in financial regulation).

There was more action in the European periphery where Spanish 10-year yields have risen 17.8bps since the Catalan Referendum. A pro-independence lawmaker tweeted Catalonia would declare independence following a parliamentary session on Monday, confirmed later by the Catalan president. It is unclear how this will unfold. Spain's central government has said the Spanish state is indissoluble while the constitutional court has declared the referendum invalid. For euro watchers, the key here is that even if Catalonia secedes, it still wants to

stay in the EU and that's probably why there has been little reaction in the Euro or German Bunds to date.

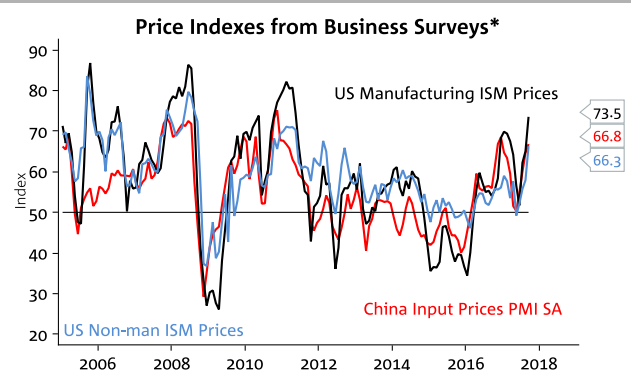
Coming Up

Domestically we have Retail Sales and the Trade Balance (11.30am AEDT). Retail Sales is the one to watch with the market expecting a bounce back to +0.3% m/m after last month's flat outcome. NAB's own Cashless Indicator based on electronic transactions is suggestive of downside risks and we note Myer reported "below expectations" sales for the first six weeks of FY2018 (from end July so most of August). NAB is consequently forecasting a well below consensus print of -0.3% m/m. The Trade Balance is also released at the same time with the market consensus sitting at \$850m – NAB is similar and is expecting an \$800m surplus.

Internationally the major item will be the ECB Minutes (10.30pm AEDT). The Minutes may garner some attention this month for details on the "very preliminary" discussions held on tapering last meeting. NAB thinks a taper is likely to be announced at the October meeting.

The US is fairly quiet with only the usual Jobless Claims (11.30pm AEDT) and the Trade Balance (11.30pm AEDT). We will have to await until Friday for the more exciting Payrolls. There are also five Fed speakers with Powell, Williams, Harker and George. Powell and Williams are the ones to watch – Williams as he is seen to be close to the centre of gravity in the FOMC, and Powell for any potential views given he is a front runner to lead the Fed following the end of Yellen's term.

Chart: ISM Prices Paid at high levels – price pressures?



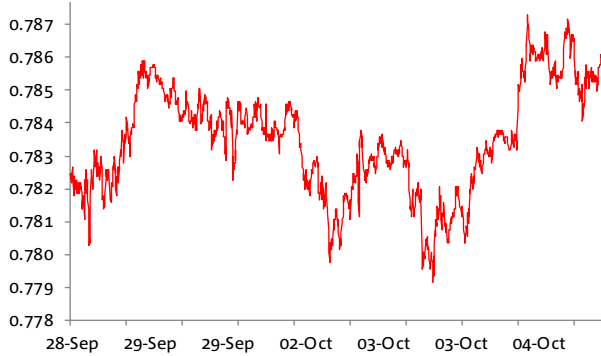
* Seasonally Adjusted by NAB
Source: National Australia Bank, Macrobond

Overnight

On global stock markets, the S&P 500 was +0.08%. Bond markets saw US 10-years +0.36bp to 2.33%. In commodities, Brent crude oil -0.50% to \$55.72, gold+0.2% to \$1,274, iron ore +0.0% to \$62.05, steam coal +2.1% to \$99.00, met. coal +0.0% to \$179.00. AUD is at 0.7862 and the range since yesterday 5pm Sydney time is 0.783 to 0.7875.

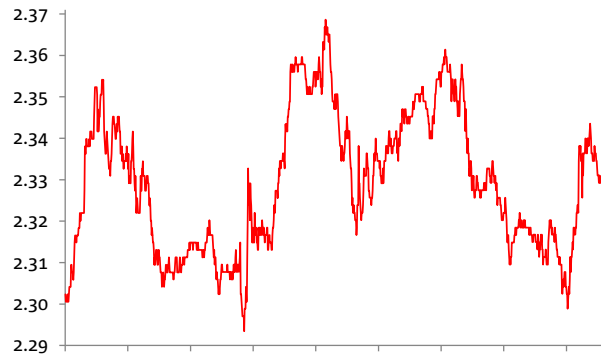
Markets

AUD/USD - past week



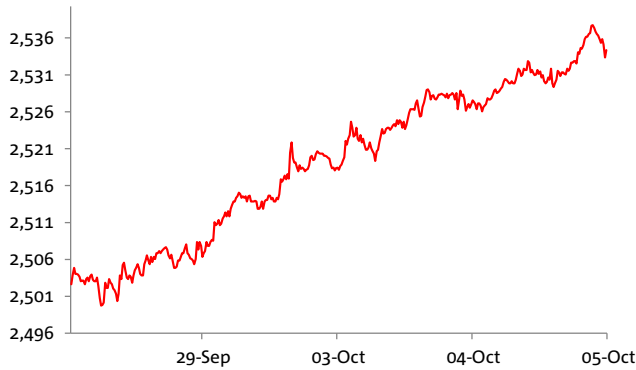
Source: Bloomberg.

US 10yr - past week



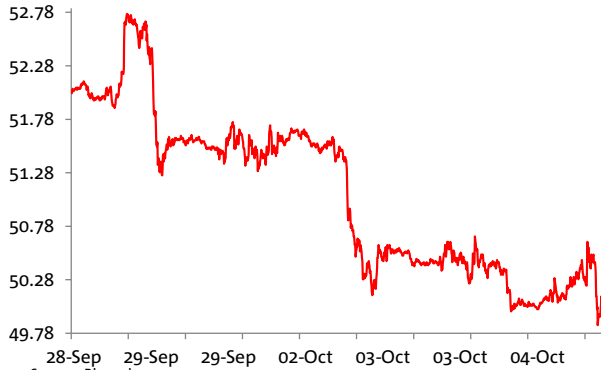
Source: Bloomberg.

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	0.7862	0.3	0.7830	0.7875	HKD	7.8067	-0.1
NZD	0.7168	0.1	0.7147	0.7206	CNY	6.6528	0.0
EUR	1.1766	0.2	1.1736	1.1788	SGD	1.3612	-0.1
GBP	1.3254	0.1	1.3235	1.3292	IDR	13,477	-0.5
JPY	112.74	-0.1	112.32	112.94	THB	33.34	0.0
CAD	1.2476	-0.1	1.2449	1.2498	KRW	1,142	-0.4
AUD/EUR	0.6682	0.1	0.6668	0.6687	TWD	30.37	-0.2
AUD/JPY	88.64	0.2	88.33	88.70	PHP	51.01	-0.2
AUD/GBP	0.5932	0.2	0.5909	0.5934	CHF	0.97	0.1
AUD/NZD	1.0968	0.2	1.0920	1.0975	SEK	8.10	-0.5
AUD/CNH	5.2250	0.3	5.2127	5.2280			

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.34	1.74	2.29	USD 10	2.33	0.36
AUD	1.50	1.70	2.02	2.97	AUD 10	2.81	-3.40 0.48
NZD	1.75	1.94	2.21	3.26	NZD 10	2.97	-0.50 0.65
EUR	0.00	-0.33	-0.17	0.91	CAD 10	2.12	1.20 -0.20
GBP	0.25	0.34	0.81	1.42	EUR 10	0.45	-1.00 -1.87
JPY	-0.04	-0.05	0.03	0.26	GBP 10	1.38	2.50 -0.95
CAD	1.00	1.41	1.89	2.40	JPY 10	0.06	-1.90 -2.27

Equities

Major Indices			
	Last	% day	% y/y
Dow	22,662	0.09	24.7
S&P 500	2,537	0.08	18.0
Nasdaq	6,535	0.04	23.5
VIX	9.77	2.73	-28.3
FTSE	7,468	0.0	5.6
DAX	12,971	0.5	23.4
CAC 40	5,363	-0.1	19.1
Nikkei	20,627	0.1	22.6
Shanghai	3,349	0.0	11.5
Hang Seng	28,379	0.7	19.3
ASX 200	5,652	-0.9	3.7

Commodities*

	Last	% day
Oil (Brent)	55.72	-0.5
Oil (WTI)	49.84	-1.2
Oil (Tapis)	56.44	-0.6
Gold	1273.70	0.2
CRB	181.29	0.2
GS Metals	367.3	0.6
Aluminium	2147.8	1.5
Copper	6486.3	0.0
Nickel	10541.0	-0.1
Zinc	3333.5	1.4
Ch. steel	3603.0	0.0
Iron ore	62.1	0.0
St. Coal	99.0	2.1
Met.coal	179.0	0.0
Wheat Chic.	460.5	-1.1
Sugar	14.3	1.5
Cotton	69.4	1.9
Coffee	125.2	-0.2

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.22	1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.17	5.50
3/10 sprd	0.63	-2.50
SPI	5647.0	32.0

*Change in bps

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	-1.0	-4.0%
FED	#N/A	#N/A

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, 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

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