

# MARKETS TODAY

## *Pound the alarm*



### Good morning

After taking a breather, the USD has regained its mojo partly driven by concerns over other currencies along with a supportive domestic backdrop. GBP has been the big G10 underperformer overnight (hence Nicki Minaj's song title for today) amid rising political concerns, a theme which has also weighed on EUR and soft data has been the driver for AUD and CAD underperformance. Meanwhile US equities have continued to climb higher (eighth consecutive day of gains), US data releases again yielded positive surprises and Fed speakers reinforced the message that further rate hikes should be expected.

So the USD is dollar is stronger across the board with DXY and BBDXY up 0.54% and 0.57% respectively. GBP is the biggest loser, down 1.01% with the declines over the past two weeks effectively reversing all the gains from mid-September triggered after the BoE signalled its bias to lift rates before year end. Cable has come under pressure amid dwindling support for PM May with the prospect of a new leadership contest further delaying Brexit negotiations. The bad news for the UK economy don't stop there with the FT running a story of "a bloodbath" in public finances ahead of the Budget next month and the Royal Mail union has announced its intentions to strike later this month amid pension, pay and job disputes. Further GBP weakness looks like a safe bet at the moment.

After yesterday's softer than expected retail sales the AUD fell from 0.7863 to 0.7830 and traded around that level in the early part of the overnight session. Then as the USD regained its mojo, the AUD fell below the figure and now trades at 0.7791. Yesterday's retail sales report revealed broad weakness across store sectors and states, though food was a standout (cafes, restaurants and takeaways -1.3% m/m. But our economists think there is little reason to believe this should continue given the rising population and job creation. The data may have also been affected by the sample, so in this regard some payback should be expected next month.

Ahead of payrolls tonight, the AUD is likely to trade in a tight range with initial support seen at 0.7780 and then at 0.7740. That said the resurgence in the USD means that the big level for the AUD is the support around 0.7690. A break through that level would open the door for the AUD to trade towards 0.75c.

CAD was also an underperformer overnight (-0.76%), currently trading at 1.2571 after Canada's trade deficit unexpectedly widened in August. EUR has not been immune to the strength of the USD with Catalonia's intentions of independence still dominating the EU headlines. EUR is down 0.50% overnight and currently trades at 1.1702. An earlier report suggested that some sort of brokered deal might be done between Catalan and Spain's leaders that avoids the economic calamity of some illegally declared secession of the region. But

Catalan separatists have again reiterated their plan for a debate in Parliament on Monday, defying orders from Spain's government.

The USD was also aided by a rise in UST yields amid hawkish comments from Fed speakers and better than expected trade and jobless claims data. Fed Williams (non-voter) said that he is optimistic on inflation rising to 2% and is confident that "rates will need to rise to their new normal levels". Echoing Yellen's view Williams also added that he doesn't need to see an actual move up in inflation to justify another rate increase. Meanwhile Fed Harker (voter) said that he had "pencilled in" a move in December and three hikes next year, in line with the median FOMC dots.

Fed Powell, a contender for the Fed Chair, was also speaking last night and he yet again reinforce his deregulation bias noting that "There is certainly a role for regulation, but regulation should always take into account the impact that it has on markets -- a balance that must be constantly weighed. More regulation is not the best answer to every problem. There is also a role for a body such as the TMPG to address market problems". On paper Powell appears to tick most of Trump's boxes, continuity, dovish and pro deregulation and the fact that he doesn't have a Phd is offset by his Fed experience and good track record as a governor.

### Coming up

We have a light calendar in our APAC region as well as in Europe with market focus undoubtedly on the US employment report tonight. For the record, this morning Australia gets the September AiG Performance of Construction Index, later in Europe Factory orders are out in Germany and the Halifax House prices are published in the UK.

Looking at the Bloomberg distribution of economist estimates for non-farm payrolls tonight, the uncertainty surrounding the impact from recent hurricanes is pretty evident by distribution of forecasts. The median estimate is at 80k, but the lowest estimate is at -40k while the highest is at 260k. Ignoring the tails, the +/-1 standard deviation has a range of 36k to 126k. So still a fairly wide range.

All that said, ISM readings this week as well as the ADP report point to modest activity impact from hurricanes. This would suggest that the risk for tonight is that we get a stronger print than the 80k expected by the median estimate (non-farm payrolls readings have averaged 178k so far this year).

The unemployment rate is expected to remain unchanged at 4.4% and average hourly earnings are expected to rise 0.3% mom up from 0.1% previously while the yoy reading is seen unchanged at 2.5%.

A positive employment report tonight should provide a boost to the USD and lift UST yields, but the constraint

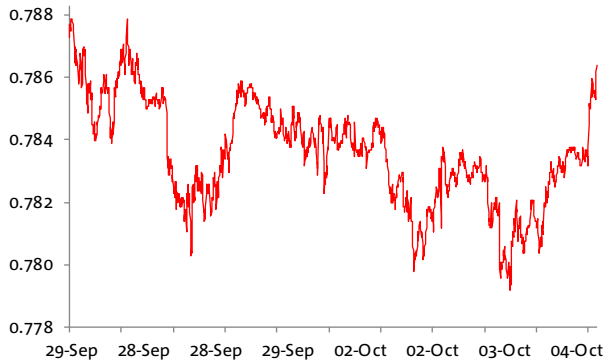
reaction to the positive data prints this week suggests that gains tonight might be tempered by overhanging concerns over Trump's imminent Fed Chair announcement as well as developments over Tax reform.

### **Overnight**

On global stock markets, the S&P 500 was +0.56%. Bond markets saw US 10-years +2.15bp to 2.34%. In commodities, Brent crude oil +1.50% to \$56.96, gold-0.3% to \$1,270, iron ore -0.9% to \$61.48, steam coal -0.4% to \$98.65, met. coal +0.6% to \$180.00. AUD is at 0.7793 and the range since yesterday 5pm Sydney time is 0.7787 to 0.7865.

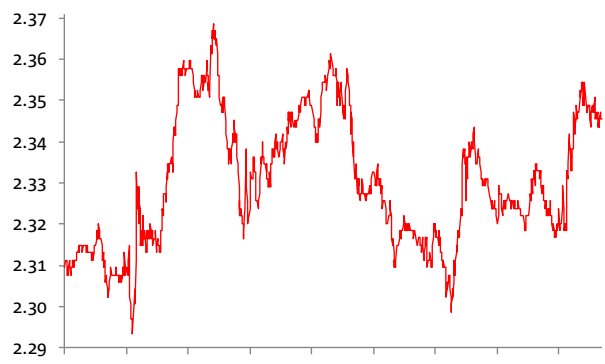
# Markets

AUD/USD - past week



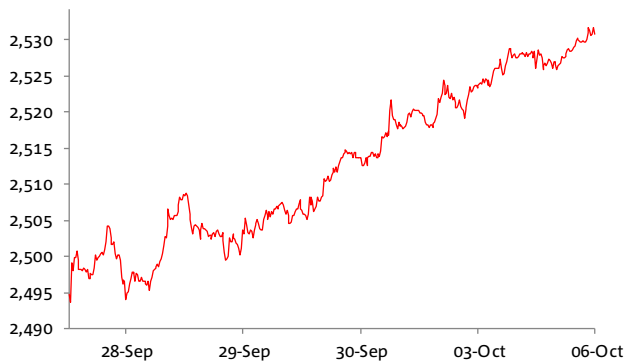
Source: Bloomberg.

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	0.7793	-0.9	0.7787	0.7865	HKD	7.8094 0.0
NZD	0.7115	-0.7	0.7112	0.7168	CNY	6.6528 0.0
EUR	1.1705	-0.5	1.1699	1.1779	SGD	1.3644 0.2
GBP	1.3112	-1.0	1.3108	1.3250	IDR	13,464 -0.1
JPY	112.84	0.1	112.41	112.92	THB	33.39 0.1
CAD	1.2571	0.8	1.2462	1.2585	KRW	1,142 0.0
AUD/EUR	0.6658	-0.4	0.6645	0.6688	TWD	30.35 -0.1
AUD/JPY	87.94	-0.8	87.78	88.74	PHP	50.99 -0.1
AUD/GBP	0.5944	0.1	0.5909	0.5947	CHF	0.98 0.3
AUD/NZD	1.0953	-0.2	1.0923	1.0994	SEK	8.14 0.6
AUD/CNH	5.1892	-0.7	5.1800	5.2364		

### Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.35	1.76	2.30	USD 10	2.34	2.15
AUD	1.50	1.71	2.01	2.98	AUD 10	2.78	-2.50 0.44
NZD	1.75	1.95	2.21	3.25	NZD 10	2.95	-2.80 0.60
EUR	0.00	-0.33	-0.17	0.90	CAD 10	2.10	-1.70 -0.24
GBP	0.25	0.34	0.80	1.42	EUR 10	0.46	0.30 -1.89
JPY	-0.04	-0.05	0.03	0.26	GBP 10	1.39	0.90 -0.96
CAD	1.00	1.41	1.88	2.37	JPY 10	0.05	-0.90 -2.30

### Equities

Major Indices			
	Last	% day	% y/y
Dow	22,775	0.50	24.6
S&P 500	2,552	0.56	18.2
Nasdaq	6,585	0.78	23.9
VIX	9.19	-4.57	-29.3
FTSE	7,508	0.5	6.7
DAX	12,968	0.5	22.5
CAC 40	5,379	0.5	19.8
Nikkei	20,629	0.0	22.1
Shanghai	Requesting	#####	11.5
Hang Seng	28,379	3.0	19.3
ASX 200	5,652	0.0	3.1

### Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.24	2.00
3 Yr bond	97.8	3.00
10 Yr bond	97.16	2.00
3/10 sprd	0.64	1.00
SPI	5670.0	-42.0

\*Change in bps

### Commodities\*

	Last	% day
Oil (Brent)	56.96	1.5
Oil (WTI)	50.72	1.5
Oil (Tapis)	57.76	0.8
Gold	1269.90	-0.3
CRB	182.94	0.9
GS Metals	371.9	1.2
Aluminium	2151.5	0.2
Copper	6667.8	2.8
Nickel	10459.0	-0.8
Zinc	3331.5	2.3
Ch. steel	3603.0	0.0
Iron ore	61.5	-0.9
St. Coal	98.7	-0.4
Met.coal	180.0	0.6
Wheat Chic.	459.5	-0.2
Sugar	14.4	1.0
Cotton	68.9	-0.8
Coffee	127.2	1.6

### 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
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 Cl	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
Wednesday, 11 October 2017								
NZ	ANZ Truckometer Heavy MoM	Sep				6.2	22.00	8.00
AU	Westpac Consumer Conf Index	Oct				97.9	0.30	10.30
AU	Westpac Consumer Conf SA MoM	Oct				2.5	0.30	10.30
JN	Core Machine Orders MoM	Aug				8.0	0.50	10.50
JN	Core Machine Orders YoY	Aug				-7.5	0.50	10.50
US	MBA Mortgage Applications	Sep 29				-0.5	12.00	22.00
JN	Machine Tool Orders YoY	Sep P				36.2	7.00	17.00
US	JOLTS Job Openings	Aug				6170.0	15.00	1.00
US	FOMC Meeting Minutes						19.00	5.00
EC	ECB's Praet Speaks in New York						19.50	5.50
Thursday, 12 October 2017								
NZ	Food Prices MoM	Sep				0.6	22.45	8.45
UK	RICS House Price Balance	Sep				6.0	0.10	10.10
JN	PPI YoY	Sep				2.9	0.50	10.50
NZ	ANZ Consumer Confidence Index	Oct				129.9	1.00	11.00
AU	Consumer Inflation Expectation	Oct				3.8	1.00	11.00
AU	Home Loans MoM	Aug				2.9	1.30	11.30
AU	Investment Lending	Aug				-3.9	1.30	11.30
JN	Tertiary Industry Index MoM	Aug				0.1	5.30	15.30
UK	Bank of England Credit Conditions & Bank Liabilities Surveys						9.30	19.30
EC	Industrial Production SA MoM	Aug				0.1	10.00	20.00
CA	New Housing Price Index MoM	Aug				0.4	13.30	23.30
CA	Teranet/National Bank HPI MoM	Sep				0.6	13.30	23.30
US	PPI Final Demand MoM	Sep		0.4		0.2	13.30	23.30
US	Initial Jobless Claims	Sep 30		265		272.0	13.30	23.30
US	Bloomberg Consumer Comfort	Oct 1				51.6	14.45	0.45
EC/US	ECB's Draghi, Fed's Brainard Speak on Monetary Policy Panel						15.15	1.15
US	Fed's Powell Speaks at IIF Conference in Washington						15.30	1.30
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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