8 November 2016

Markets Today

National Australia Bank

The Final Countdown

The final countdown is Europe's biggest hit, it reached number one in 26 countries and is probably one of the cheesiest songs of the 1980s. The song's lyrics are both apocalyptic and optimistic describing a trip into space and in a similar way today feels a bit like a trip into the unknown with the US election entering its final stage as Americans head to the polls tonight. Well back on earth, price action overnight has been a tale of two halves; European and US equities open sharply higher mimicking yesterday's upbeat tone in Asia following news that the FBI had cleared Hilary Clinton of any wrongdoing. The positive tone continued in the early part of the session, but in the past few hours markets have traded sideways reflecting a wait and see mode ahead of the election.

The Euro Stoxx 600 index jumped 1.5% after 11 consecutive days of losses with mining stocks leading the way meanwhile US equities are up between 2% and 2.4% and have effectively erased all their November losses.

After six days of consecutive declines the US Dollar (BBDXY) is up around 0.4% with JPY, the preeminent safe haven currency, the biggest G10 loser, down 1.36%. GBP has also come under pressure (-1%) on the back of speculation that the UK government is preparing a first draft of a new bill to trigger article 50. The AUD has benefited from the boost in risk appetite as the VIX index dropped from 22.5 on Friday to 18.67 currently and commodities have also posted decent gains (see more below). The AUD has steadily risen through the overnight session, it is the best G10 performer against the USD (up 0.42%) and it is currently trading at 0.7716. Oil prices have also recovered a bit of loss ground, up between 1.2% and 1.7% with the move boosting the CAD (+0.2%), the only other G10 currency that has outperformed the USD.

As for bonds, yesterday in the Asia session, 10y UST jumped about 5bps to 1.827% on the back of the FBI news and have pretty much traded sideways overnight. Meanwhile 10y Bund and 10y UK Gilts ticked a few bps higher at the open , up 2bps and 7bpsrespectively and have remained in a holding pattern since.

Looking at other commodities, iron ore has continued its ascendency, up 3.7% to $67.4, steam coal also gained another 3% to $112 and Methalurgical coal jumped 7% to $275. In contrast gold is down 1.8% to $1281.

In other news, China's FX reserves for October were published last night at $3.12tn from 3.17tn in September and slightly lower than 3.13tn expected. Given negative valuation effects of around $20/25bn, this does not suggest significant outflows unless the today's trade balance for Oct turns out to be very large.

Coming Up

We have a busy day of data releases ending with one of the most important events for the year. Americans will head to the polls tonight to cast their Presidential and Congressional votes, however we are unlikely to know the outcome until tomorrow afternoon Sydney time. As a guide the last two US presidential elections were called in about 3 pm.

This morning NAB releases its Business Survey for October and like most people at NAB your scriber has no access to the survey before it is made public. As a reminder to readers the September Survey pointed to confidence of firms remaining at reasonable levels despite uncertainties lingering in the background (+6 index points, consistent with its long-term average). Meanwhile Business Conditions rose to +8 from +7 and above the long term average of +5. The strength in Business Conditions, however, was heavily skewed towards major service industries, so it will be interesting to see if this tilt was still evident in October.

China's trade figures for October are out at midday Sydney time. Focus is likely to be on the export numbers (-0.8%yoy exp.) after both the official and CAIXIN PMIs hinted at a softening in external demand. Notably as well, the trade balance is an important piece to China's capital flow story. The market is expecting a trade surplus of $51.7bn and if correct it would confirm capital outflows from China have continued at decent pace against a weaker RMB backdrop.

Moving onto Europe, Germany and the UK publish industrial production figures for September and the big question here would be to what extent the UK manufacturing sector has been able to benefit from a weaker pound.

Is a busy day of US data releases with the NFIB small business survey, Housing starts and JOLTS job openings being the major highlights, but of course, none are expected to have any market impact with the US election set to steal all of the headlines.

Overnight

On global stock markets, the S&P 500 was +1.96%. Bond markets saw US 10-years +4.81bp to 1.82%. In commodities, Brent crude oil +1.45% to $46.24, gold-1.8% to $1,281, iron ore +3.7% to $67.43. AUD is at 0.7714 and the range since yesterday 5pm Sydney time is 0.7672 to 0.7719.

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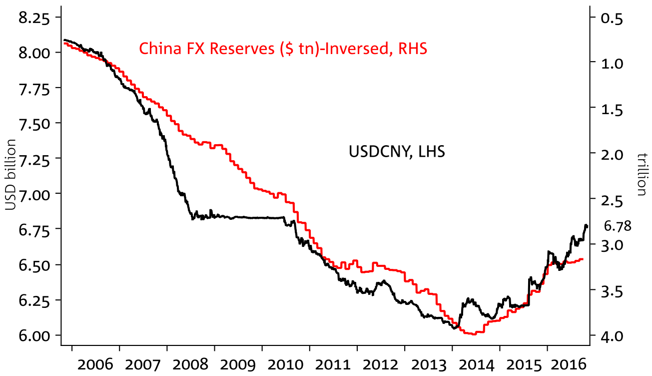
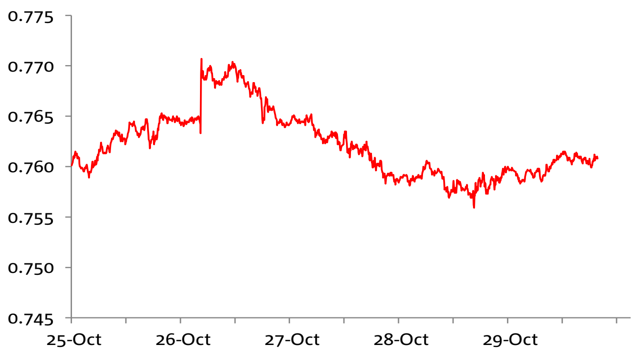
Chart of the day: China's FX reserves



Source: National Australia Bank, Macrobond, Bloomberg

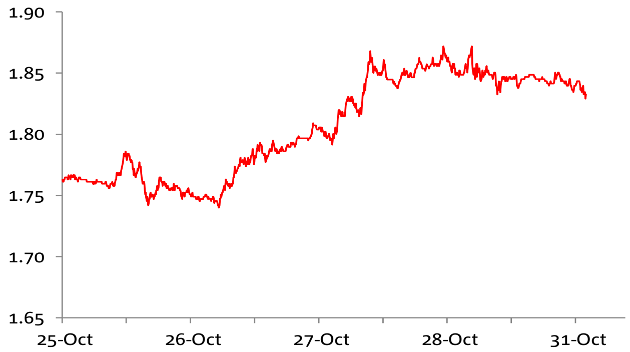
Markets

AUD/USD - past week



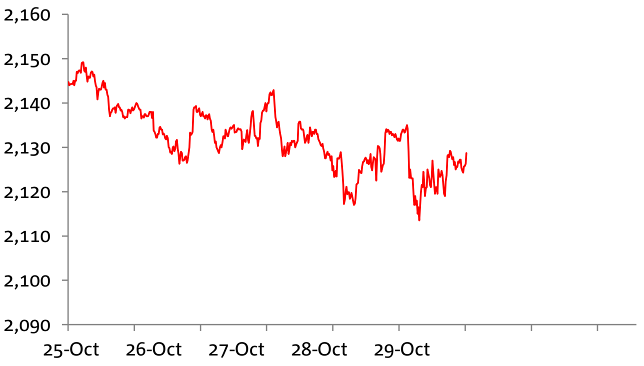
Source: Bloomberg.

US 10 yr - past week



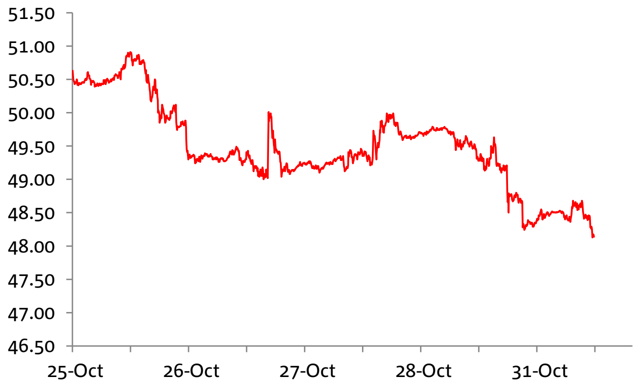
Source: Bloomberg.

S&P Futures - past week



Source: Bloomberg.

WTI - past week



Source: Bloomberg.

Foreign Exchange

			Indicative 24hr ranges (**)	
	Last	% chge	Low	High
AUD	0.7610	0.1	0.7582	0.7619
NZD	0.7151	-0.2	0.7138	0.7167
EUR	1.0982	0.0	1.0936	1.0995
GBP	1.2244	0.5	1.2141	1.2247
JPY	104.80	0.1	104.27	105.23
CAD	1.3418	0.1	1.3349	1.3430
AUD/EUR	0.693	0.1	0.6897	0.6953
AUD/JPY	79.75	0.2	79.09	79.99
AUD/GBP	0.6215	-0.2	0.6208	0.6260
AUD/NZD	1.0641	0.2	1.0571	1.0650
AUD/CNH	5.1474	0.2	5.1464	5.1649

Other FX	Last	% chge
HKD	7.7556	0.0
CNY	6.7758	0.0
SGD	1.3912	-0.1
IDR	13,048	0.0
THB	35.03	0.0
KRW	1,144	-0.1
TWD	31.56	-0.3
PHP	48.45	-0.1
CHF	0.99	0.1
SEK	9.03	0.2

Equities

Major Indices	Last	% day	% y/y
Dow	18,142	-0.1	2.7
S&P 500	2,126	-0.1	2.3
Nasdaq	5,189	0.0	2.7
VIX	17	5.4	13.2
FTSE	6,954	-0.6	9.3
DAX	10,665	-0.3	-1.7
CAC 40	4,509	-0.9	-7.9
Nikkei	17,425	-0.1	-8.7
Shanghai	3,100	-0.1	-8.3
Hang Seng	22,935	-0.1	1.3
ASX 200	5,318	0.6	1.5

Commodities*

	Last	% day
Oil (Brent)	48.47	-4.4
Oil (WTI)	46.67	-4.2
Oil (Tapis)	49.21	-1.5
Gold	1278.70	0.1
CRB	186.28	-1.5
GS Metals	287.5	0.7
Aluminium	1734.0	0.9
Copper	4844.3	0.2
Nickel	10438.0	0.4
Zinc	2453.0	2.6
Ch. steel	2594.0	1.9
Iron ore	64.4	0.7
St. Coal	108.6	4.4
Met.coal	242.0	0.0
Wheat Chic.	433.8	1.3
Sugar	21.6	-2.7
Cotton	68.9	-2.8
Coffee	164.2	-0.8

CO_2 Emissions - Euros

	Last	% day
Dec-2016	5.91	0.3
Jun-2017	5.93	0.5

* clsd = market holiday

Interest Rates

Indicative Swap Rates	Cash	3mth	2Yr	10Yr
USD	0.50	0.89	1.08	1.68
AUD	1.50	1.75	1.75	2.45
NZD	2.00	2.14	2.13	2.82
EUR	0.00	-0.31	-0.15	0.50
GBP	0.25	0.40	0.62	1.19
JPY	-0.04	-0.02	-0.02	0.09
CAD	0.50	0.90	0.90	1.45

Benchmark 10 Year Bonds	Last	chge	Sprd
USD 10	1.83	-2.13	
AUD 10	2.35	-3.10	0.52
NZD 10	2.70	-1.80	0.88
CAD 10	1.20	-3.00	-0.63
EUR 10	0.16	-0.40	-1.66
GBP 10	1.25	-1.50	-0.58
JPY 10	-0.05	-0.60	-1.87

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.24	2.00
3 Yr bond	97.8	3.00
10 Yr bond	97.69	3.50
3/10 sprd	0.11	-0.50
SPI	5278.0	-25.0

*Change in bps

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*	AEDT
Tuesday, 8 November 2016								
NZ	ANZ Truckometer Heavy MoM	Oct				-1.4	22.00	8.00
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Nov 6				114.1	23.30	9.30
UK	BRC Sales Like-For-Like YoY	Oct		0.6		0.4	1.10	11.10
AU	NAB Business Conditions/Confidence	Oct				8/6	1.30	11.30
CH	Trade Balance	Oct		51.7		42.0	2.00	12.00
CH	Exports/Imports YoY	Oct		-5.9/-1		-10.0/-1.9	2.00	12.00
JN	Leading Index CI	Sep P		100.5		100.9	6.00	16.00
AU	RBA's Chris Ryan, Head of International Department speaks at Asian Regulatory Summit in Hong Kong						7.15	17.15
GE	Industrial Production SA MoM/YoY	Sep		-0.5/2		2.5/1.9	8.00	18.00
GE	Current Account Balance	Sep		24.5		17.9	8.00	18.00
UK	Industrial Production MoM/YoY	Sep		0/0.8		-0.4/0.7	10.30	20.30
UK	Manufacturing Production MoM/YoY	Sep		0.4/-0.1		0.2/0.5	10.30	20.30
CH	Foreign Direct Investment YoY CNY	Oct		2.5		1.2	10.25	20.25
US	NFIB Small Business Optimism	Oct		94.1		94.1	12.00	22.00
US	Fed's Evans Speaks on Economy and Policy in New York						13.45	23.45
CA	Housing Starts/Building Permits MoM	Oct		195/-4.3		220.6/10.4	14.15	0.15
UK	NIESR GDP Estimate	Oct				0.4	16.00	2.00
US	JOLTS Job Openings	Sep		5469		5443	16.00	2.00
US	Fed's Evans Speaks on Economy and Policy in New York						18.20	4.20
US	Presidential and Congressional elections (result expected through Wednesday Asia time)							
Wednesday, 9 November 2016								
NZ	Card Spending Total MoM	Oct	flat	0.4		2.0	22.45	8.45
AU	Westpac Consumer Conf Index/MoM	Nov				102.4/1.1	0.30	10.30
JN	BoP Current Account Adjusted	Sep		1630		1975.7	0.50	10.50
AU	NAB Commerical Property Survey	Q3					1.30	11.30
CH	CPI/PPI YoY	Oct		2.1/1		1.9/0.1	2.30	12.30
JN	Bankruptcies YoY	Oct				-3.4	5.30	15.30
JN	Eco Watchers Survey Current/Outlook	Oct		44.4		44.8/48.5	6.00	16.00
UK	Trade Balance	Sep		-3950		-4733.0	10.30	20.30
EC	European Commission Economic Forecasts						11.00	21.00
JN	Machine Tool Orders YoY	Oct P				-6.3	0-14 Nov release	
US	Wholesale Inventories/Sales MoM	Sep F		0.2/0.5		0.2/0.7	16.00	2.00
US	Fed's Kashkari Speaks in Eau Claire, Wisconsin						19.30	5.30
Thursday, 10 November 2016								
NZ	RBNZ Official Cash Rate	Nov 10	1.75	1.75		2.0	21.00	7.00
JN	Machine Orders MoM/YoY	Sep		-1.5/4.1		-2.2/11.6	0.50	10.50
AU	Consumer Inflation Expectation	Nov				3.7	1.00	11.00
UK	RICS House Price Balance	Oct		18		17.0	1.10	11.10
AU	Home Loans/Investment Loans MoM	Sep	-0.6	-1.6		-3.0/0.1	1.30	11.30
US	Fed's Williams Speaks on Economic Outlook in San Francisco						3.00	13.00
NZ	REINZ House Sales YoY	Oct				-9.5		
CH	New Yuan Loans CNY	Oct		680		1220.0	10-15 Nov release	
CH	Aggregate Financing CNY	Oct		987		1720.0	10-15 Nov release	
CA	New Housing Price Index MoM/YoY	Sep		0.2		0.2/2.7	14.30	0.30
US	Initial Jobless Claims	Nov 5		260		265.0	14.30	0.30
US	Fed's Bullard Speaks on U.S. Economic Outlook in St. Louis						15.15	1.15
US	Bloomberg Consumer Comfort	Nov 6				44.6	15.45	1.45
EC	Schaeuble, Weidmann Attend VOeB Public Bank Lobby Event						18.00	4.00
US	Monthly Budget Statement	Oct		-78.45		33.4	20.00	6.00
Friday, 11 November 2016								
NZ	BusinessNZ Manufacturing PMI	Oct				57.7	22.30	8.30
NZ	Food Prices MoM	Oct	-0.9			-0.9	22.45	8.45
JN	PPI MoM/YoY	Oct		0/-2.6		0.0/-3.2	0.50	10.50
AU	RBA's Debelle Panel Participation at FINSIA Regulators Panel in Melbourne						2.00	12.00
JN	Tertiary Industry Index MoM	Sep		-0.2		0.0	5.30	15.30
GE	CPI MoM/YoY	Oct F		0.2/0.8		0.2/0.8	8.00	18.00
GE	CPI EU Harmonized MoM/YoY	Oct F		0.2/0.7		0.2/0.7	8.00	18.00
UK	Construction Output SA MoM/YoY	Sep		0/-0.4		-1.5/0.2	10.30	20.30
JN	*Machine Tool Orders YoY*	*Oct P*				*-6.3*	*11-14 Nov release*	
US	U. of Mich. Sentiment/5-10 Yr Inflation	Nov P		87.9/		87.2/2.4	16.00	2.00
Monday, 14 November 2016								
NZ	Performance Services Index	Oct				54.1	22.30	8.30
JN	GDP SA QoQ	3Q P		0.2		0.2	0.50	10.50
CH	Industrial Production YoY/YTD	Oct		6.2/6.1		6.1/6.0	3.00	13.00
CH	Retail Sales YoY/YTD	Oct		10.7/10.4		10.7/10.4	3.00	13.00
CH	Fixed Assets Ex Rural YTD YoY	Oct		8.2/		8.2/0.0	3.00	13.00
JN	Industrial Production MoM/YoY	Sep F		/		0.0/0.9	5.30	15.30
EC	ECB's Constancio Speaks at Euro Finance Week in Frankfurt						9.30	19.30
EC	Industrial Production SA MoM/YoY	Sep		/		1.6/1.8	11.00	21.00
CA	Bloomberg Nanos Confidence	Nov 4				56.2	16.00	2.00
Upcoming Central Bank Interest Rate Announcements								
New Zealand, RBNZ		10-Nov	1.75%	1.75%		2.00%		
Australia, RBA		1-Dec	1.50%	1.50%		1.50%		
Canada, BoC		7-Dec				0.50%		
Europe ECB		8-Dec				0.00%		
US Federal Reserve		15-Dec	0.25-0.50%	0.25-0.50%		0.25-0.50%		
UK BOE		15-Dec				0.25%		
Japan, BoJ		20-Dec				-0.1% to +0.1%		

GMT: Greenwich Mean Time; AEDT: Australian Daylight Savings Time

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