28 November 2016

Markets Today

National Australia Bank

Higher Ground

US stocks finished at new record highs on Friday in thin post-Thanksgiving holiday trade, led by utilities but with energy stocks a drag. US bond yields were narrowly mixed and the dollar gave back a little of its recent strength. AUD and NZD were the best FX performers, AUD aided by stronger metals prices and coking coal hitting $300 a tonne for the first time. CAD didn't fare as well with oil prices off almost $2 after Saudi Arabia cancelled a meeting with non-OPEC producers due to the lack so far of any agreement on output cuts among OPEC nations themselves.

The S&P gained 0.39% to 2213.35. The index also closed bang on the highs of the day. The Dow was +0.36% and the NASDAQ +0.34%. The VIX lost 0.09 to 12.34 and so -0.51 on the week. The Eurostoxx 50 closed 0.26% higher and the German Dax +0.09%

US bond markets saw 2s -0.5bp to 1.12% (+5bps on the week); 5s +0.3bp to 1.836% (+3.8bps on the week) and 10s +0.7bps to 2.358% so retracing all of the APAC session rise and up just 0.2bp on the week. Both 10yr Bunds and gilts lost 1.9bps to 0.24% and 1.417% respectively. The ECB's Stournaras said it was far too early to discuss QE tapering.

In FX, the US dollar rally stalled, DXY -0.21% to 101.49 and is just 0.3% higher on the week and the broader BBDXY -0.23% to also be +0.3% on the week. ADXY was +0.29% and -0.2% on the week. NZD/USD was the biggest gainer Friday, +0.59% to 0.7043 followed by AUD/USD +0.47% to 0.7443. In contrast USD/CAD was +0.2% to 135.19 on lower oil. USD/JPY lost 0.1% to 113.22 and after the intra-day high of 113.90 in Asia. EUR/USD added 0.33% to 1.0589. GBP/USD gained 0.21% to 1.2477. ZAR was stronger on the day (+0.28%) despite Fitch revising its outlook on South Africa to negative (it reaffirmed the BBB rating).

In commodities, oil slumped on the Saudi news, Brent -$1.80 to $47.24 and WTI -$1.90 to $46.06. Oil is still just up on the week (+$0.38/39). Lead and Zinc led the 0.53% rise in the LMEX index, iron ore added $2.7 as is back within touching distance of $80 where it was a week ago ($79.61). Coking coal ended at exactly $300, a new cycle high and up from $297.50 when last traded on Wednesday. Steaming coal out of Newcastle in contrast lost $2.20 to $103.75. Gold was down, another $11 to $1178.40.

CoreLogic's weekend housing market summary reports a preliminary nationwide auction clearance rate of 76.0% up from a final 74.4% on higher volumes (3,367 vs. 2,987). Sydney cleared a preliminary 81.9% up from 79.6% and Melbourne 76.9% down from 79.4%.

Coming Up

It's US non-farm payrolls Friday but this is not where the focus is this week (the numbers will have to be chronically weak to dissuade the Fed from lifting rates on December 14th). Rather, OPEC on Wednesday in Vienna and the Italian referendum and Austrian presidential elections both on Sunday are likely to be the big global market drivers over the next week or two.

Why do we care about OPEC? Because whether oil is going to end 2016 at prices significantly higher in year-on-year terms will have enormous bearing on inflation and inflation expectations in 2017. Oil is currently between 7% and 14% higher than a year ago so is already no longer a down force on inflation. A deal that pushes up oil back above $50 (so 10-20% up on a year ago) would be very significant in supporting higher inflation (globally). In doing so it would add upside risk to the Fed's policy track next year

Why do we care about Italy? Because if the government loses the referendum and PM Renzi resigns, we enter a new period of Italian political instability, potentially early elections and potentially the rise to power of the anti-establishment (and anti-euro) 5-Star movement.

Why do we care about Austria? Because if right wing (and anti-euro) Freedom Party candidate Norbert Hofer becomes President, for all that the role is ceremonial the President does has the power to dissolve parliament at a time when the current government is unstable and where polls suggest the Freedom party would be victorious (polls are not currently scheduled until 2018).

EUR/USD parity is a significant near term risk depending on the referendum/election outcomes.

These events aside, other points of interest this week internationally include China PMI data on Thursday as well as the US manufacturing ISM, payrolls on Friday and PCE/deflator data on Wednesday.

In Australia, the data calendar starts to thicken up again, with building approvals on Wednesday, Q3 Capex and the updated Capex survey on Thursday and October retail sales on Friday.

Overnight

On global stock markets, the S&P 500 was +0.39%. Bond markets saw US 10-years +0.74bp to 2.36%. In commodities, Brent crude oil -3.59% to $47.24, gold-0.9% to $1,178, iron ore +3.5% to $79.61. AUD is at 0.7447 and the range since Friday 5pm Sydney time is 0.7423 to 0.7464.

Author:
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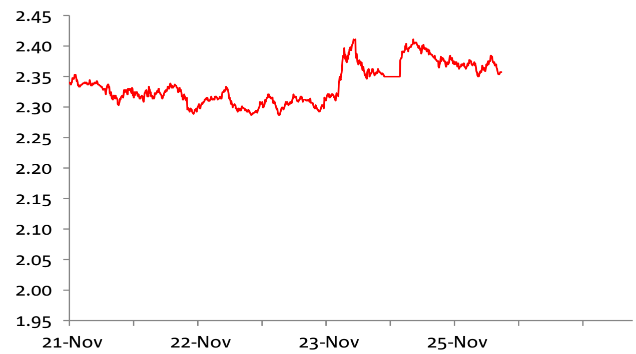
Markets

AUD/USD - past week

Source: Bloomberg.

US 10 yr - past week

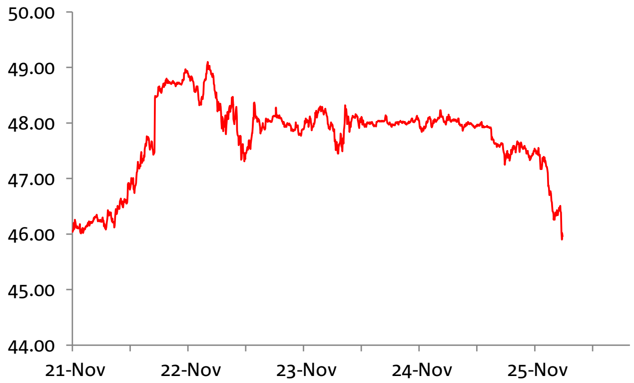


Source: Bloomberg.

S&P Futures - past week

Source: Bloomberg.

WTI - past week



Source: Bloomberg.

Foreign Exchange

			Indicative 24hr ranges (**)	
	Last	% chge	Low	High
AUD	0.7446	0.5	0.7401	0.7468
NZD	0.7039	0.5	0.6984	0.7062
EUR	1.0602	0.5	1.0539	1.0627
GBP	1.2480	0.2	1.2416	1.2491
JPY	113.01	-0.3	112.56	113.90
CAD	1.3515	0.2	1.3454	1.3534
AUD/EUR	0.7023	0.1	0.7002	0.7057
AUD/JPY	84.16	0.2	83.75	84.62
AUD/GBP	0.5966	0.3	0.5946	0.6000
AUD/NZD	1.0560	-0.2	1.0538	1.0612
AUD/CNH	5.1407	0.2	5.1441	5.1815

Other FX	Last	% chge
HKD	7.7561	0.0
CNY	6.9188	0.0
SGD	1.4274	-0.3
IDR	13,525	-0.2
THB	35.63	-0.1
KRW	1,177	-0.3
TWD	31.91	-0.1
PHP	49.80	-0.3
CHF	1.01	-0.2
SEK	9.24	-0.1

Equities

Major Indices	Last	% day	% y/y
Dow	19,152	0.36	7.6
S&P 500	2,213	0.39	5.9
Nasdaq	5,399	0.34	5.3
VIX	12	-0.72	-18.4
FTSE	6,841	0.2	7.3
DAX	10,699	0.1	-5.3
CAC 40	4,550	0.2	-7.7
Nikkei	18,381	0.3	-7.6
Shanghai	3,262	0.6	-5.1
Hang Seng	22,723	0.5	3.0
ASX 200	5,508	0.4	5.9

Commodities*

	Last	% day
Oil (Brent)	47.24	-3.6
Oil (WTI)	46.06	-4.0
Oil (Tapis)	49.46	-1.7
Gold	1178.40	-0.9
CRB	185.73	-1.0
GS Metals	323.2	1.9
Aluminium	1758.8	-0.8
Copper	5868.0	0.2
Nickel	11524.5	-0.2
Zinc	2811.0	3.5
Ch. steel	3131.0	6.2
Iron ore	79.6	3.5
St. Coal	103.8	-0.5
Met.coal	300.0	0.8
Wheat Chic.	419.5	-1.0
Sugar	19.8	1.3
Cotton	72.7	-0.6
Coffee	155.4	-1.5

CO_2 Emissions - Euros

	Last	% day
Dec-2016	4.99	-6.4
Jun-2017	5.01	-6.4

* clsd = market holiday

Interest Rates

Indicative Swap Rates	Cash	3mth	2Yr	10Yr
USD	0.50	0.94	1.33	2.18
AUD	1.50	1.76	1.90	2.86
NZD	1.75	2.03	2.27	3.32
EUR	0.00	-0.31	-0.15	0.64
GBP	0.25	0.39	0.66	1.37
JPY	-0.05	-0.07	0.03	0.21
CAD	0.50	0.89	1.00	1.81

Benchmark 10 Year Bonds	Last	chge	Sprd
USD 10	2.36	0.74	
AUD 10	2.76	0.90	0.40
NZD 10	3.19	-0.90	0.83
CAD 10	1.56	-2.90	-0.80
EUR 10	0.24	-1.90	-2.12
GBP 10	1.42	-1.90	-0.94
JPY 10	0.04	1.00	-2.32

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.21	0.00
3 Yr bond	97.8	0.00
10 Yr bond	97.29	-1.50
3/10 sprd	0.52	1.50
SPI	5514.0	-17.0

*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
Monday, 28 November 2016								
JN	Small Business Confidence	Nov				48.3	25-30 Nov release	
EC	M3 Money Supply YoY	Oct				5.0	10.00	20.00
EC	OECD Economic Outlook						11.00	21.00
UK	Nationwide House PX MoM/YoY	Nov		0.2/4.8		0.0/4.6	28 Nov - 4 Dec release	
CA	Bloomberg Nanos Confidence	Nov 25				55.6	16.00	2.00
US	Dallas Fed Manf. Activity	Nov		1.5		-1.5	16.30	2.30
Tuesday, 29 November 2016								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Nov 27				115.5	23.30	9.30
JN	Jobless Rate/Job-to-applicant ratio	Oct		3		3.0/1.4	0.30	10.30
JN	Overall Household Spending YoY	Oct		-1		-2.1	0.30	10.30
JN	Retail Sales MoM/YoY	Oct		1.1		0.0/-1.9	0.50	10.50
UK	Mortgage Approvals	Oct		65		62.9	10.30	20.30
EC	Business Climate Indicator	Nov				0.6	11.00	21.00
GE	CPI MoM/YoY	Nov P		/		0.2/0.8	14.00	0.00
CA	Current Account Balance	3Q		-16.5		-19.9	14.30	0.30
US	GDP Annualized QoQ	3Q S		3		2.9	14.30	0.30
US	S&P CoreLogic CS 20-City MoM/YoY	Sep		0.28/5.2		0.2/5.1	15.00	1.00
US	Fed's Dudley Speaks on Puerto Rico Economy						15.15	1.15
US	Consumer Confidence Index	Nov		101.2		98.6	16.00	2.00
Wednesday, 30 November 2016								
NZ	Building Permits MoM	Oct				0.2	#VALUE!	#VALUE!
JN	Industrial Production MoM/YoY	Oct P		0.1/-1.4		0.6/1.5	0.50	10.50
AU	HIA New Home Sales MoM	Oct				2.7	1.00	11.00
NZ	ANZ Activity Outlook/Business Confidence	Nov		/		38.4/24.5	1.00	11.00
UK	GfK Consumer Confidence	Nov		-3		-3.0	1.10	11.10
UK	Lloyds Business Barometer	Nov				37.0	1.10	11.10
AU	Building Approvals MoM/YoY	Oct		2/-6.2		-8.7/-6.4	1.30	11.30
AU	Private Sector Credit MoM/YoY	Oct		0.4/5.2		0.4/5.4	1.30	11.30
CH	Westpac-MNI Consumer Sentiment	Nov				117.1	2.45	12.45
NZ	Money Supply M3 YoY	Oct				4.8	3.00	13.00
GE	Unemployment Claims Rate SA	Nov				6.0	9.55	19.55
GE	Unemployment Change (000's)	Nov				-13.0	9.55	19.55
EC	CPI Estimate/Core YoY	Nov		/		0.5/0.8	11.00	21.00
US	ADP Employment Change	Nov		160		147.0	14.15	0.15
US	Personal Income/Spending	Oct		0.4/0.5		0.3/0.5	14.30	0.30
US	Real Personal Spending	Oct		0.3		0.3	14.30	0.30
US	PCE Deflator MoM/YoY	Oct		0.3/1.5		0.2/1.2	14.30	0.30
US	PCE Core MoM/YoY	Oct		0.1/1.7		0.1/1.7	14.30	0.30
CA	GDP MoM/YoY	Sep		0.1/1.8		0.2/1.3	14.30	0.30
CA	Quarterly GDP Annualized	3Q		3.45		-1.6	14.30	0.30
CA	Industrial Product Price MoM	Oct		0.7		0.4	14.30	0.30
CA	Raw Materials Price Index MoM	Oct		3		-0.1	14.30	0.30
US	Chicago Purchasing Manager	Nov		52		50.6	15.45	1.45
US	Pending Home Sales MoM/YoY	Oct		0.2/		1.5/2.0	16.00	2.00
US	U.S. Federal Reserve Releases Beige Book						20.00	6.00
Thursday, 1 December 2016								
NZ	Terms of Trade Index QoQ	3Q		0		-2.1	22.45	8.45
AU	AiG Perf of Mfg Index	Nov				50.9	23.30	9.30
AU	CoreLogic House Px MoM	Nov				0.5	0.00	10.00
JN	Company Profits/Sales	3Q		/		-10.0/-3.5	0.50	10.50
JN	Capital Spending Ex Software	3Q		-0.7		3.1	0.50	10.50
JN	Nikkei Japan PMI Mfg	Nov F				51.1	1.30	11.30
AU	Private Capital Expenditure	3Q		-3		-5.4	1.30	11.30
CH	Manufacturing PMI	Nov		51		51.2	2.00	12.00
CH	Non-manufacturing PMI	Nov				54.0	2.00	12.00
CH	Caixin China PMI Mfg	Nov		50.8		51.2	2.45	12.45
AU	Commodity Index AUD/SDR YoY	Nov				100.2/16.0	6.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Nov F				54.4	9.55	19.55
EC	Markit Eurozone Manufacturing PMI	Nov F				53.7	10.00	20.00
UK	Markit UK PMI Manufacturing SA	Nov		54.6		54.3	10.30	20.30
EC	Unemployment Rate	Oct				10.0	11.00	21.00
US	Challenger Job Cuts YoY	Nov				-39.1	13.30	23.30
US	Initial Jobless Claims	Nov 26				251.0	14.30	0.30
CA	RBC Canadian Manufacturing PMI	Nov				51.1	15.30	1.30
US	Bloomberg Consumer Comfort	Nov 27				44.8	15.45	1.45
US	Markit US Manufacturing PMI	Nov F				53.9	15.45	1.45
US	Construction Spending MoM	Oct		0.6		-0.4	16.00	2.00
US	ISM Manufacturing	Nov		52.1		51.9	16.00	2.00
Friday, 2 December 2016								
NZ	Value of All Buildings SA QoQ	3Q		2.2		5.5	22.45	8.45
JN	Monetary Base YoY	Nov				22.1	0.50	10.50
AU	Retail Sales MoM	Oct		0.3		0.6	1.30	11.30
UK	Markit/CIPS UK Construction PMI	Nov		52.2		52.6	10.30	20.30
EC	PPI MoM	Oct		/		0.1/-1.5	11.00	21.00
US	Wards Total Vehicle Sales	Nov		17.7		17.9		
US	Change in Nonfarm Payrolls/Unemployment rate	Nov		180/4.9		161.0/4.9	14.30	0.30
US	Average Hourly Earnings MoM/YoY	Nov		0.2/2.8		0.4/2.8	14.30	0.30
CA	Net Change in Employment/Unemployment rate	Nov		0/7		43.9/7.0	14.30	0.30
CA	Labor Productivity QoQ	3Q		1.05		-0.3	14.30	0.30
US	ISM New York	Nov				49.2	15.45	1.45

Upcoming Central Bank Interest Rate Announcements				
Australia, RBA	6-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%
New Zealand, RBNZ	9-Feb	1.75%	1.75%	1.75%

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

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