

Deal or no deal

If it wasn't for the OPEC meeting later today the overnight trifecta of solid US data releases should have provided a boost to risk assets, sent US Treasury yields higher and boosted the US Dollar. Instead while equity markets had a decent night, posting modest gains on either side of the Atlantic, the big dollar and US Treasuries yields are a little bit lower with the boost from the positive data releases proving to be short-lived.

The US second quarter GDP growth was revised up to 3.2% from 2.9% (above the consensus of 3.0%) with almost all the revision coming from the consumption component. So the US consumer was happy in Q3 and appears to have remained in a positive mood so far in Q4. In November, the Conference Board's consumer confidence index jumped to 107.1 from 100.8, well above consensus at 102.0. The survey partly captured the immediate impact of the election and it is now at its highest level since 2007, suggesting real consumer spending should rise to 3.5% yoy. Not quite a sustainable pace given real income growth is travelling at 2-2.5%, but still very buoyant indeed. Last but not least the Case-Shiller home price index recorded a 5.5% annual gain in September climbing above the housing boom high in July 2006 and if recent existing home sales figures are any guide, further gains should be expected over the coming months.

So while equities managed to make modest gains overnight, painting a picture of a healthy risk appetite backdrop. The softness in the USD and modest decline US Treasury yields suggest a more cautious underlying tone is at play amid fading hopes of an OPEC deal later today. Oil prices have continued to slide with Brent down 3.6% and WTI down 3.7% following comments late yesterday from Saudi Arabia that output curves aren't essential.

Looking at currencies in more detail, the USD has only managed to outperform the Yen (-0.36%), it is little changed against the CAD, NOK and AUD and softer against EUR (0.27%), GBP (0.66%) and NZD (0.80%). The NZD has been the outperformer overnight, it is currently trading at 0.7127 and our BNZ strategist notes that the 200-day moving average at 0.7040 should provide some support to the currency while near term resistance is likely to be encountered on any moves above 0.72. Meanwhile after trading to an overnight low of 0.7433 immediately after the US data releases, the AUD has recovered some ground and it is currently trading at 0.7485. Last week we noted that the AUD was starting to look cheap given the buoyancy in risk appetite and resilience of commodity prices. Our model is currently suggesting the AUD still has the potential to trade

a little bit higher, however lingering concerns over the stability in EM markets as well as imminent risk events (OPEC and Italian referendum and Austrian election) suggest meaningful upside looks limited for now.

Softness in commodity prices has also not helped the AUD. Iron ore lost 4.4% overnight (yesterday the Dalian exchange raised its margin requirement on iron ore futures from 8% to 10%), steaming coal was -4.1% and copper was down 3.0%.

Coming Up

We have a fairly busy calendar today with a stack of domestic and offshore data releases. However the key event will come from Vienna where ministers from OPEC are scheduled to meet and hopefully finalise the first cut in oil production in eight years. In April and June this year OPEC failed to agree an output cap after months of consultation with Iran on both occasions proving the major sticking point. If recent headlines are any guide, it seems that not much has changed with objections to output cuts from Iran and Iraq seemingly the two major stumbling blocks to current negotiations. We see the OPEC meeting as a binary event, failure to reach an agreement could be very negative for energy stocks and broader risk markets and vice-versa on a (credible) deal that lifts oil prices significantly.

Back to the calendar as we go to print RBNZ has released its six-monthly Financial Stability Report noting that vulnerabilities in the housing market have grown; bank exposure to offshore funding markets is increasing; the dairy sector remains vulnerable to low commodity prices. Governor Wheeler speaks before parliament this morning and deputy Prime Minister Bill English testifies on Crown accounts.

Meanwhile in Australia this morning we get building approvals and private sector credit, both for October. Our economists expect a modest rise in building approvals (1%), but the key question will be whether we see a rebound in private apartment approvals after the 16.3% drop in September. As for the credit data another moderate print is expected with growth in housing credit climbing just 0.5% and further subdued growth in business credit.

Also this morning, Japan releases industrial production data for October and although company forecasts suggest production should have increased by 1.1%, the market is looking for a flat outcome.

Moving on to Europe, inflation data for the Euro Area is expected to show headline CPI rose to 0.6% in November from 0.5% previously while core is seen to have risen from

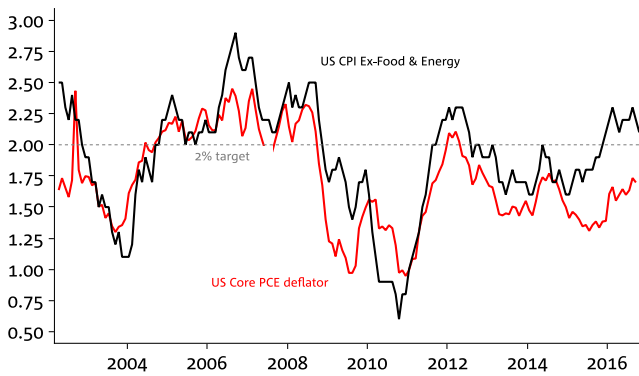
0.8% to 0.9%. Across the Channel, the BoE releases its financial stability report and President Draghi speaks later in the day.

Lastly the US releases its income and spending figures along with the PCE deflator (all for October). The YoY deflator is expected to remain unchanged at 1.7% and other data releases include ADP employment (160k exp), Chicago PMI and Fed Beige book.

Overnight

On global stock markets, the S&P 500 was +0.14%. Bond markets saw US 10-years -1.61bp to 2.30%. In commodities, Brent crude oil -3.67% to \$46.47, gold-0.2% to \$1,188, iron ore -4.4% to \$77.30. AUD is at 0.7486 and the range since yesterday 5pm Sydney time is 0.7435 to 0.749.

Chart of the Day – US PCE deflator still on the rise?



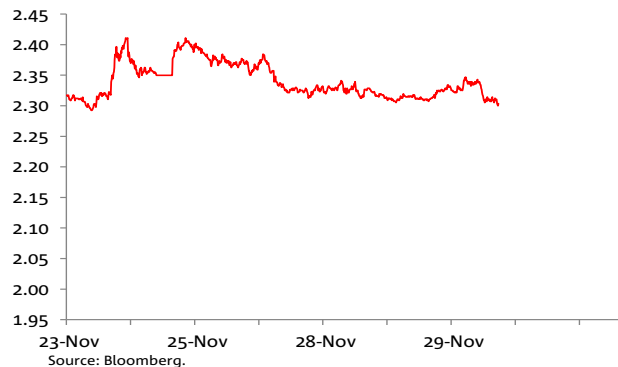
Source: National Australia Bank, Macrobond

Markets

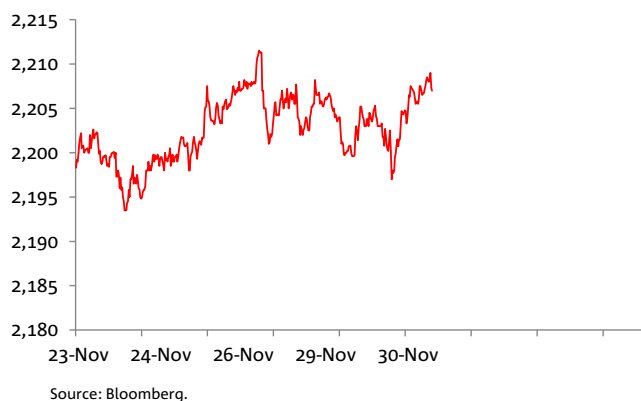
AUD/USD - past week



US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7486	0.1	0.7433	0.7497	HKD	7.7564 0.0
NZD	0.7129	0.8	0.7066	0.7132	CNY	6.9047 -0.2
EUR	1.0645	0.3	1.0565	1.0650	SGD	1.4246 0.0
GBP	1.2496	0.6	1.2389	1.2526	IDR	13,560 0.2
JPY	112.36	0.4	111.63	113.34	THB	35.66 0.3
CAD	1.3427	0.1	1.3400	1.3481	KRW	1,169 -0.1
AUD/EUR	0.7032	-0.2	0.7024	0.7065	TWD	31.82 0.3
AUD/JPY	84.11	0.4	83.61	84.38	PHP	49.79 0.0
AUD/GBP	0.5990	-0.6	0.5958	0.6043	CHF	1.01 -0.1
AUD/NZD	1.0499	-0.7	1.0480	1.0587	SEK	9.17 -0.3
AUD/CNH	5.1542	-0.4	5.1471	5.1954		

Equities

Major Indices	Last	% day	% y/y
	Dow	19,117	0.10
S&P 500	2,205	0.14	5.5
Nasdaq	5,382	0.24	5.0
VIX	13	-1.37	-14.2
FTSE	6,772	-0.4	6.2
DAX	10,620	0.4	-6.0
CAC 40	4,551	0.9	-7.7
Nikkei	18,307	-0.3	-7.3
Shanghai	3,283	0.2	-4.7
Hang Seng	22,737	-0.4	3.4
ASX 200	5,457	-0.1	5.6

Commodities*

	Last	% day
Oil (Brent)	46.47	-3.7
Oil (WTI)	45.35	-3.7
Oil (Tapis)	48.99	2.1
Gold	1187.90	-0.2
CRB	183.98	-2.0
GS Metals	325.4	0.0
Aluminium	1722.3	-1.5
Copper	5692.0	-3.0
Nickel	11040.8	-4.8
Zinc	2689.5	-7.0
Ch. steel	3018.0	-8.0
Iron ore	77.3	-4.4
St. Coal	88.5	-4.1
Met.coal	300.0	0.0
Wheat Chic.	408.8	-1.9
Sugar	19.7	-1.4
Cotton	72.4	-1.2
Coffee	153.1	-2.3

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.21	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.34	5.00
3/10 sprd	0.47	-2.00
SPI	5468.0	4.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.56	-4.0
Jun-2017	4.58	-3.8

* clsd = market holiday

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.94	1.29	2.13	USD 10	2.30	-1.61
AUD	1.50	1.76	1.90	2.81	AUD 10	2.70	0.70 0.41
NZD	1.75	2.04	2.26	3.24	NZD 10	3.10	-0.40 0.80
EUR	0.00	-0.31	-0.17	0.60	CAD 10	1.52	-0.50 -0.78
GBP	0.25	0.39	0.64	1.31	EUR 10	0.22	1.60 -2.08
JPY	-0.03	-0.08	0.02	0.18	GBP 10	1.37	-1.00 -0.93
CAD	0.50	0.89	1.00	1.74	JPY 10	0.02	-0.20 -2.28

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
Wednesday, 30 November 2016								
NZ	RBNZ Financial Stability Report					21.00	7.00	
NZ	Building Permits MoM	Oct				22.45	8.45	
JN	Industrial Production MoM/YoY	Oct P		0/-1.3		0.6/1.5	10.50	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
NZ	RBNZ Governor Wheeler Testifies to Parliament's FEC on latest FSR						1.10	11.10
UK	GfK Consumer Confidence	Nov		-4		-3.0	1.10	11.10
UK	Lloyds Business Barometer	Nov				37.0	1.10	11.10
AU	Building Approvals MoM/YoY	Oct	1/-7.1	2/-6.2		-8.7/-6.4	1.30	11.30
AU	Private Sector Credit MoM/YoY	Oct	0.4/5.1	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	Credit aggregates, Household YoY	Oct				8.8	3.00	13.00
JN	Small Business Confidence	Nov				48.3	6.00	16.00
UK	BoE Financial Stability Report						8.00	18.00
GE	Unemployment Claims Rate/Change ('000)	Nov		6		6.0/-13.0	9.55	19.55
EC	CPI Estimate/Core YoY	Nov		0.6/0.8			11.00	21.00
Vienna OPEC meeting to discuss production cuts								
EC	ECB's Draghi speaks in Madrid						13.30	23.30
US	Fed President Kaplan speaks in New York						14.00	0.00
US	ADP Employment Change	Nov		169		147.0	14.15	0.15
US	Personal Income/Spending	Oct	0.4/0.5			0.3/0.5	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		3.4		-1.6	14.30	0.30
CA	Industrial Product/Raw Material Prices MoM	Oct		0.64		0.4/-0.1	14.30	0.30
US	Chicago Purchasing Manager	Nov		52.5		50.6	15.45	1.45
US	Pending Home Sales MoM/YoY	Oct		0/		1.5/2.0	16.00	2.00
US	Fed Governor Powell speaks in Washington						17.45	3.45
US	Fed President Mester speaks on Economic Outlook and Monetary Policy						18.40	4.40
US	U.S. Federal Reserve Releases Beige Book						20.00	6.00
Thursday, 1 December 2016								
NZ	Terms of Trade Index QoQ	3Q	1.5	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		-0.6			0.50	10.50
JN	Nikkei Japan PMI Mfg	Nov F				51.1	1.30	11.30
AU	Private Capital Expenditure	3Q	-2	-3		-5.4	1.30	11.30
AU	Capex Expectations, 2016-17 (Estimate 4, Oct-Nov)		111.8	110.0		105.2 (Est 3)		
AU	NAB Online Retail Sales Index	Oct				1.3/14.2	1.30	11.30
CH	Manufacturing/Non-manufacturing PMI	Nov		51/		51.2/54.0	2.00	12.00
CH	Caixin China PMI Mfg	Nov		51		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		54.4	9.55	19.55
EC	Markit Eurozone Manufacturing PMI	Nov F		53.7		53.7	10.00	20.00
UK	Markit UK PMI Manufacturing SA	Nov		54.4		54.3	10.30	20.30
EC	Unemployment Rate	Oct		10		10.0	11.00	21.00
US	Challenger Job Cuts YoY	Nov				-39.1	13.30	23.30
US	Fed President Kaplan speaks in San Antonio						14.00	0.00
US	Fed President Mester gives opening remarks at Financial Stability Conference						14.30	0.30
US	Initial Jobless Claims	Nov 26		253		251.0	14.30	0.30
CA	RBC Canadian Manufacturing PMI	Nov				51.1	15.30	1.30
US	Markit US Manufacturing PMI	Nov F		53.9		53.9	15.45	1.45
US	Construction Spending MoM	Oct		0.6		-0.4	16.00	2.00
US	ISM Manufacturing	Nov		52.3		51.9	16.00	2.00
Friday, 2 December 2016								
NZ	Value of All Buildings SA QoQ	3Q	1.5	2.2		5.5		
JN	Monetary Base YoY	Nov				22.1	0.50	10.50
AU	Retail Sales MoM	Oct	0.4	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		0.4/-1		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		-15/7		43.9/7.0	14.30	0.30
CA	Labor Productivity QoQ	3Q		1		-0.3	14.30	0.30
US	Fed Governor Brainard speaks in Washington						14.45	0.45
US	ISM New York	Nov				49.2	15.45	1.45
US	Fed Governor Tarullo speaks at Financial Stability Conference						19.00	5.00
Saturday, 3 December 2016								
Sunday, 4 December 2016								
IT/EC	Italy votes on Constitutional Referendum (Dec 4-5)							
Austria	Austria holds nullified Presidential Election (Dec 4-5)							
Monday, 5 December 2016								
NZ	Building Permits MoM	Oct				0.2		
AU	AIG Perf of Services Index	Nov				50.5	23.30	9.30
JN	Loans & Discounts Corp YoY	Oct				2.1	0.50	10.50
AU	Melbourne Institute Inflation MoM/YoY	Nov				0.2/1.5	1.00	11.00
NZ	ANZ Commodity Price	Nov				0.7	1.00	11.00
AU	ANZ Job Advertisements MoM	Nov				1.0	1.30	11.30
JN	Nikkei Japan PMI Services/Composite	Nov				50.5/51.3	1.30	11.30
AU	Inventories SA QoQ	3Q				0.3	1.30	11.30
AU	Company Operating Profit QoQ	3Q				6.9	1.30	11.30
CH	Caixin China PMI Services/Composite	Nov		/		52.4/52.9	2.45	12.45
JN	Consumer Confidence Index	Nov				42.3	6.00	16.00
GE	Markit Germany Services/Composite PMI	Nov F		/		55.0/54.9	9.55	19.55
UK	New Car Registrations YoY	Nov				1.4	10.00	20.00
EC	Markit Eurozone Services/Composite PMI	Nov F		/		54.1/54.1	10.00	20.00
UK	Markit/CIPS UK Services PMI	Nov				54.5/54.8	10.30	20.30
EC	Sentix Investor Confidence	Dec				13.1	10.30	20.30
EC	Retail Sales MoM	Oct				-0.2/1.1	11.00	21.00
US	Fed's Dudley Speaks on Economy and Policy in New York						14.30	0.30
US	Fed's Evans Speaks on Economy and Policy in Chicago						15.25	1.25
US	Markit US Services PMI	Nov F				54.7/54.9	15.45	1.45
CA	Bloomberg Nanos Confidence	Dec 2				55.6	16.00	2.00
US	Labor Market Conditions Index Change	Nov				0.7	16.00	2.00
US	ISM Non-Manf. Composite	Nov		55.1		54.8	16.00	2.00
US	Fed's Bullard to Speak on U.S. Economic Outlook In Arizona						20.05	6.05
Tuesday, 6 December 2016								
NZ	ANZ Truckometer Heavy MoM	Nov				-0.2	22.00	8.00
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Nov 27				115.5	23.30	9.30
NZ	QV House Prices YoY	Nov				12.7	0.00	10.00
JN	Labor Cash/Real Earnings YoY	Oct				0.2/0.9	1.00	11.00
UK	BRC Sales Like-For-Like YoY	Nov				1.7	1.10	11.10
AU	Net Exports contrib/Current account, % of GDP, \$Abn	3Q				-0.2	1.30	11.30
AU	RBA Cash Rate Target	Dec 6		1.5		1.5	4.30	14.30
GE	Factory Orders MoM/YoY	Oct				-0.6/2.6	8.00	18.00
GE	Markit Germany Construction PMI	Nov				52.9	9.30	19.30
EC	GDP SA QoQ/YoY	3Q F		/		0.3/1.6	11.00	21.00
US	Trade Balance	Oct		-40		-36.4	14.30	0.30
US	Nonfarm Productivity	3Q F		3.2		3.1	14.30	0.30
US	Unit Labor Costs	3Q F		0.3		0.3	14.30	0.30
CA	Int'l Merchandise Trade	Oct				-4.1	14.30	0.30
CA	Ivey Purchasing Managers Index SA	Nov				59.7	16.00	2.00
US	Factory Orders	Oct		2.4		0.3	16.00	2.00
US	Cap Goods Ship Nondef Ex Air	Oct F				0.2	16.00	2.00
US	IBD/TIPP Economic Optimism	Dec				51.4	16.00	2.00
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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