

Poor wages

An early song from English progressive rock band Barclay James Harvest. No, it's not on my playlist either.

US non-farm payrolls printed in line with expectations on Friday at 178k with revisions summing to a net -2k. The 0.1% fall in average hourly earnings (2.5% Y/Y down from 2.8%) trumped the drop in the unemployment rate to a new post-GFC low of 4.6% (from 4.9%) to leave yields lower, the dollar lower and US stocks little changed on the day. A quarter point Fed rate hike on Dec 14th remains 100% priced, though markets did shave 4bp off their previous end-2017 pricing (now at 63.7bps).

The S&P gained just 0.04% Friday and is 1% lower on the week. The Dow was -0.11% but 0.1% up on the week. The S&P energy sub-index closed +11.9% on the week following Wednesday's OPEC deal. NASDAQ +0.09% and 2.7% down on the week while the VIX finished in NY Friday virtually unchanged at 14.12 and 1.78 higher on the week. European stocks ended lower in front of Sunday's Italian and Austrian voting, the Eurostoxx 50 -0.52% and German Dax -0.2% but Italy's MIB up 0.07%. No fear of 'no' there.

US bond markets saw yields jag lower on the US employment report prints, immediately recover to above pre-payrolls level, then leak lower as the session progressed. 2s finished 5.1bps lower to be 2.2bps lower on the week at 1.098%; 10s -6.5bp and 2bps up on the week; the 30yr ended 4.7bps lower to .062% and 5.6bps up on the week. 10yr Bunds fell by 8.8bps to 0.281% but are 4.1bps up on the week and gilts -11.7bps to 1.38% and -3.7bps on the week.

In FX, the dollar mirrored the bond market, falling immediately then rallying back above pre-data levels before falling away. The DXY finished NY 0.27% lower on the day and down 0.7% on the week.

GBP continues its post-Brexit shock recovery to be the next performing G10 currency Friday. News Friday of a London by-election victory for the anti-Brexit Liberal Democrats was one supportive factor. GBP/USD was up 1.1% to 1.2729. NZD/USD fared next best, +0.75% to 0.7141 and followed by AUD, +0.57% to 0.7457. USD/JPY lost 0.52% to Y113.51% and is now 1.2% back from its intra-week post-Trump victory high of Y114.83. The rand was the best performing EM currency Friday, +2.16% to 13.80 and after S&P affirmed its BBB- foreign currency rating on South Africa while maintaining a negative outlook.

In commodities oil gained further, WTI by \$0.60 to \$51.68 to be +\$5.62 on the week and Brent by \$0.50 to \$54.46 and \$7.22 up on the week. Gold gained \$8.20 to \$1175.10. The

LMEX index lost 0.57% and iron ore lost 60 cents to \$77.79 and is \$1.82 down on the week. Coal wasn't much changed.

Coming Up

The Austrian presidential election has already been declared for the Green party candidate, so some relief here at the start of the week. Polls in Italy don't close until 9:00pm AEDT and we await exit polls thereafter. Markets have been travelling into these event risk without any great fear that they will produce market ructions, even if Italy says 'no' to the proposed constitutional reforms. Part of the reasoning is that even if PM Matteo Renzi resigns, as he has threatened to do if he loses, he might still be asked to form a new government if the turnout is low.

The other big event risk this week concerns the ECB and what signals they choose to send regarding the fate of the current €80bn per month QE bond buying programme. Source reports late last week were suggesting that the ECB will extend its bond buying beyond March, but that the Governing Council is still wrestling with the question of how to structure that extension. One option we like the sound of is to say that after March, the ECB will continue to purchase 'up to' €80bn worth of bonds in the following 6 months or so. Any strong hint of tapering after March will likely have the initial effect of sending yields and the euro higher.

Locally, Q3 GDP is on Wednesday with NAB forecasting -0.2%. We'll have remaining partials on Monday (inventories, corporate profits) and Tuesday (net exports). Trade figures are Thursday and housing finance on Friday. The RBA can confidently be expected to keep rates at 1.5% on Tuesday.

Post US non-farm payrolls week is typically quiet for US releases with non-manufacturing ISM on Monday the highlight. They'll be plenty of Fed speakers, including Messrs Dudley, Evans and Bullard all on Monday, before the Fed goes into pre-FOMC purdah ahead of the 13-14th Dec meet.

UK services PMI (Monday) and labour market and industrial production (both Tuesday) and trade figures (Friday) are all due. Japan has revised GDP and balance of payments on Thursday. The Bank of Canada meets Thursday and despite saying it came close to cutting rates in October, should stand pat.

Overnight

On global stock markets, the S&P 500 was +0.04%. Bond markets saw US 10-years -6.50bp to 2.38%. In commodities, Brent crude oil +0.96% to \$54.46, gold+0.7% to \$1,175, iron ore -0.7% to \$77.79. AUD is at 0.7455 and the range since Friday 5pm Sydney time is 0.7403 to 0.7464.

Author:

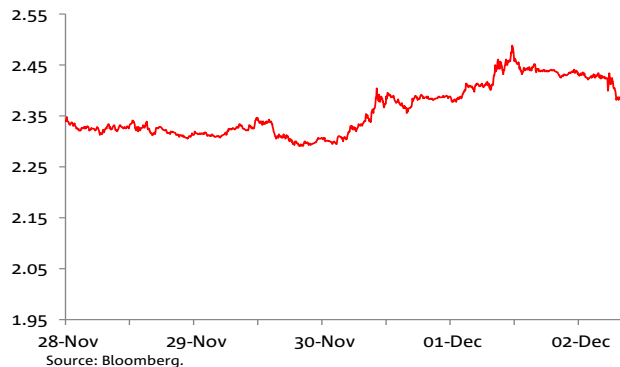
Ray Attrill – Co-head of FX Strategy

Markets

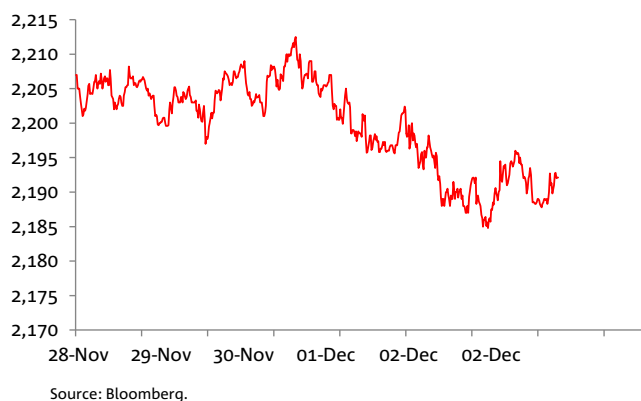
AUD/USD - past week



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	0.7455	0.5	0.7401	0.7469	HKD	7.7555 0.0
NZD	0.7131	0.6	0.7086	0.7149	CNY	6.8800 -0.1
EUR	1.0658	0.0	1.0626	1.0690	SGD	1.4205 -0.4
GBP	1.2712	1.0	1.2570	1.2738	IDR	13,512 -0.4
JPY	113.45	-0.6	113.33	114.21	THB	35.63 -0.1
CAD	1.3293	-0.2	1.3256	1.3319	KRW	1,173 0.4
AUD/EUR	0.6992	0.5	0.6927	0.7007	TWD	31.89 0.0
AUD/JPY	84.58	0.0	84.33	84.82	PHP	49.60 -0.2
AUD/GBP	0.5866	-0.4	0.5852	0.5910	CHF	1.01 0.0
AUD/NZD	1.0453	-0.1	1.0416	1.0475	SEK	9.21 -0.2
AUD/CNH	5.1299	0.8	5.0959	5.1341		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.95	1.31	2.23	USD 10	2.38	-6.50
AUD	1.50	1.77	1.90	2.93	AUD 10	2.86	8.00 0.48
NZD	1.75	2.04	2.29	3.40	NZD 10	3.26	5.80 0.88
EUR	0.00	-0.31	-0.16	0.68	CAD 10	1.62	-5.70 -0.76
GBP	0.25	0.38	0.64	1.32	EUR 10	0.28	-8.80 -2.10
JPY	-0.05	-0.06	0.03	0.20	GBP 10	1.38	-11.70 -1.00
CAD	0.50	0.90	1.05	1.86	JPY 10	0.04	0.90 -2.34

Equities

Major Indices	Last	% day	% y/y
	Dow	19,170	-0.11
S&P 500	2,192	0.04	4.8
Nasdaq	5,256	0.09	2.2
VIX	14	0.36	-4.7
FTSE	6,731	-0.3	7.9
DAX	10,513	-0.2	-2.2
CAC 40	4,529	-0.7	-3.9
Nikkei	18,426	-0.5	-5.5
Shanghai	3,244	-0.9	-8.0
Hang Seng	22,565	-1.4	1.5
ASX 200	5,444	-1.0	5.7

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.21	0.00
3 Yr bond	97.8	0.00
10 Yr bond	97.22	-3.50
3/10 sprd	0.58	3.50
SPI	5465.0	37.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	54.46	1.0
Oil (WTI)	51.68	1.2
Oil (Tapis)	54.55	3.3
Gold	1175.10	0.7
CRB	191.69	0.2
GS Metals	314.1	-0.7
Aluminium	1716.5	-0.3
Copper	5756.0	-0.5
Nickel	11414.8	2.2
Zinc	2654.0	-2.3
Ch. steel	3109.0	0.7
Iron ore	77.8	-0.7
St. Coal	87.4	-0.3
Met.coal	288.0	0.2
Wheat Chic.	404.3	2.2
Sugar	19.1	-1.2
Cotton	72.0	0.3
Coffee	145.8	0.6

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.29	-3.8
Jun-2017	4.31	-3.6

* clsd = market holiday

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
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	0.6%	0.3		0.3	1.30	11.30
AU	Company Operating Profit QoQ	3Q	2.5%	3		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		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		54.1/54.1	10.00	20.00
UK	Markit/CIPS UK Services PMI	Nov		54.3		54.5/54.8	10.30	20.30
EC	Sentix Investor Confidence	Dec		14.5		13.1	10.30	20.30
EC	Retail Sales MoM	Oct		0.8		-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		54.9		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		55.2		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								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Dec 4				115.4	23.30	9.30
NZ	QV House Prices YoY					12.4		
JN	Labor Cash/Real Earnings YoY	Oct		0.2		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	-0.3%	0		-0.2	1.30	11.30
AU	RBA Cash Rate Target	Dec 6	1.5%	1.5		1.5	4.30	14.30
GE	Factory Orders MoM/YoY	Oct		0.6		-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		0.3/1.6	11.00	21.00
US	Trade Balance	Oct		-41.6		-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		-2.1		-4.1	14.30	0.30
CA	Ivey Purchasing Managers Index SA	Nov				59.7	16.00	2.00
US	Factory Orders	Oct		2.5		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
Wednesday, 7 December 2016								
NZ	Mfg Activity Volume QoQ	3Q				2.8	22.45	8.45
AU	AiG Perf of Construction Index	Nov				45.9	23.30	9.30
UK	BRC Shop Price Index YoY	Nov				-1.7	1.10	11.10
AU	GDP QoQ	3Q	-0.2%	0.2		0.5/3.3	1.30	11.30
AU	GDP YoY	3Q	2.1%	2.5		3.3	1.30	11.30
JN	Leading Index CI	Oct P		101.5		100.3	6.00	16.00
GE	Industrial Production SA MoM/YoY	Oct		0.8		-1.8/1.2	8.00	18.00
GE	Industrial Production WDA YoY	Oct		1.6		1.2	8.00	18.00
UK	Halifax House Prices MoM/YoY	Nov				1.4/5.2	9.30	19.30
UK	Industrial Production MoM/YoY	Oct		0.2		-0.4/0.3	10.30	20.30
UK	Industrial Production YoY	Oct		0.4		0.3	10.30	20.30
UK	Manufacturing Production MoM	Oct		0.2		0.6	10.30	20.30
UK	Manufacturing Production YoY	Oct		0.8		0.2	10.30	20.30
US	MBA Mortgage Applications	Dec 2				-9.4	13.00	23.00
CH	Foreign Reserves	Nov		3075		3120.7		
UK	CBI Trends Total Orders/Selling Prices	Dec				-3.0/19.0		
UK	CBI Trends Selling Prices	Dec				19.0		
CA	Bank of Canada Rate Decision	Dec 7		0.5		0.5	16.00	2.00
UK	NIESR GDP Estimate	Nov				0.4	16.00	2.00
US	JOLTS Job Openings	Oct				5486.0	16.00	2.00
US	Consumer Credit	Oct		17.5		19.3	21.00	7.00
Thursday, 8 December 2016								
JN	BoP Current Account Adjusted	Oct		1630.4		1477.3	0.50	10.50
JN	Trade Balance BoP Basis	Oct		606		642.4	0.50	10.50
JN	GDP SA QoQ/Annualised QoQ	3Q F		0.6/2.3		0.5/2.2	0.50	10.50
JN	GDP Annualized SA QoQ	3Q F		2.3		2.2	0.50	10.50
UK	RICS House Price Balance	Nov		28		23.0	1.10	11.10
AU	Trade Balance	Oct	-850	-700		-1227.0	1.30	11.30
EC	ECB Main Refinancing/Deposit Facility Rate	Dec 8		0/-0.4		0.0/-0.4	13.45	23.45
EC	ECB Deposit Facility Rate	Dec 8		-0.4		-0.4	13.45	23.45
EC	ECB Marginal Lending Facility	Dec 8		0.25		0.3	13.45	23.45
EC	ECB Asset Purchase Target	Dec		80		80.0	13.45	23.45
CH	Trade Balance	Nov		46.8		49.1		
CH	Exports/Imports YoY	Nov		-5/-1.9		-7.3/-1.4		
CH	Imports YoY	Nov		-1.9		-1.4		
CH	Trade Balance CNY	Nov		303.53		325.3		
CH	Exports YoY CNY	Nov		-1.48		-3.2		
CH	Imports YoY CNY	Nov		4.2		3.2		
JN	Eco Watchers Survey Current	Nov		45.5		46.2		
JN	Eco Watchers Survey Outlook	Nov				49.0		
CH	Foreign Direct Investment YoY CNY	Nov		2		1.2		
CA	Housing Starts	Nov		191		192.9	14.15	0.15
CA	Capacity Utilization Rate	3Q				80.0	14.30	0.30
CA	New Housing Price Index MoM/YoY	Oct				0.2/2.8	14.30	0.30
CA	New Housing Price Index YoY	Oct				2.8	14.30	0.30
CA	Building Permits MoM	Oct				-7.0	14.30	0.30
US	Initial Jobless Claims	Nov 26		253		268.0	14.30	0.30
US	Bloomberg Consumer Comfort	Nov 27				44.8	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%		0.50%		
Europe ECB		8-Dec		0.00%		0.00%		
US Federal Reserve		15-Dec	0.5-0.75%	0.5-0.75%		0.25-0.50%		
UK BOE		15-Dec		0.25%		0.25%		
Japan, BoJ		20-Dec		-0.1% to +0.1%		-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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