

## Cause, I, I, I got stamina

Financial markets remained resilient overnight despite recent geopolitical events. That resiliency is inspiration for today's song title, "[The Greatest](#)" by Australian artist Sia. The 2016 hit song was widely interpreted as a tribute to the victims of the shooting in Orlando earlier this year, and is also a fitting acknowledgement to the victims of attacks in recent days; Berlin (12 killed; 48 injured), Zurich (12 killed) and Ankara (Russian ambassador killed).

Putting those tragic events aside, for markets they are still singing to the tune of greater infrastructure spending by an incoming Trump Administration. President-elect Trump added to those expectations yesterday stating he is creating an infrastructure "task force". Against that background, global equities continued their moves higher. The Dow was up 0.3%, near its record high and within a hairsbreadth of the psychological 20,000 level (currently sitting at 19,945) – can it crack 20,000 by Christmas? The S&P was up 0.2% while European stock indices were also higher with the DAX up 0.3% and the FITSE up 0.4%.

The Bank of Japan (BoJ) met yesterday and as expected kept policy unchanged. Although there was a slightly more positive assessment of the economic outlook, inflation expectations were noted to be weakening and the BoJ remains committed to keep expanding the money base until inflation exceeds 2%. The yield curve control measures were also unchanged (the BoJ is committed to purchasing JGBs so that 10-year yields remain around 0%). With US yields having moved higher and Japanese rates holding at low levels, the rate differential is growing and is putting downward pressure on the Yen. Despite this Governor Kuroda was not expecting excessive Yen weakness ahead and noted the Yen was at the same levels it was at in February 2016 despite having had fallen 12% since the election of Trump.

The rates market was very quiet, with US Treasuries up 2.6 basis points to 2.56% and German Bunds up 2.2 basis points to 0.27%. There was also little movement in the FX space apart from the Yen which fell 0.6% on the back of the BoJ Meeting. The US dollar was slightly higher (up 0.1%) with most currency moves in line with that. The Euro and Kiwi were down 0.1%, while the Aussie was up 0.1%. The British pound underperformed, down 0.3%, with no clear reason and runs counter to the generally positive comments UK PM Made in regards to Brexit.

UK PM May reiterated that she planned on triggering the formal Brexit mechanism by the end of March 2017 – from then the UK has two years to negotiate. PM May also said

she was in favour of a transitional deal after the UK had left the EU so possibly lowering soothing fears of a hard Brexit. As we go to press she also said MPs would not be given a vote on the final Brexit deal negotiated by the government and did not support Scottish plans that would allow Scotland to stay in the single market if the UK left.

The RBA Minutes were released overnight and while not garnering much market attention was unusually delphic – for those with a classics background the oracle was famous for giving two handed statements. At the meeting the Board discussed the benefits of recent cash rate cuts against "risks to household balance sheets" and that crucially they would "need to keep this under review". There are two possible interpretations of this, first there is a higher bar to further easing, or second the RBA is thinking about the possibility of needing to ease rates further should the labour market data continue to soften – on this the Board states there is "considerable uncertainty about the momentum in the labour markets". Markets however have concluded the former with the OIS market actually pricing in a 56% chance the RBA hikes rates by the end of 2017.

Finally, commodities were mixed overnight. The oil price was up between 0.2-0.7% depending on the measure with WTI at US\$52.23. Iron ore fell 2% to US\$79.6 a tonne while coal prices were broadly unchanged. Some of the negative sentiment in regards to iron ore may be due to fears of imminent factory shutdowns following dangerously high smog levels in China – your scribe read it is equivalent in size to two times the state of Victoria! 24 cities have been given red alerts with residents urged to stay indoors amid the worst smog spell of 2016.

## Coming up

Coming up it is a very sparse data calendar with no significant releases; we have to wait until Thursday for the more important pieces of data to be unwrapped (Thursday sees NZ Q3 GDP figures and US PCE Deflators). Of the minor pieces of data today, we get the NZ Trade Balance, Japan's All Industry Activity Index, Euro Area Consumer Confidence and US Existing Home Sales.

## Overnight

On global stock markets, the S&P 500 was +0.22%. Bond markets saw US 10-years +2.04bp to 2.56%. In commodities, Brent crude oil +0.67% to \$55.29, gold -0.8% to \$1,132, iron ore -2.0% to \$79.62, St. Coal -0.3% to \$86.20, Met. Coal +0.0% to \$270.00. AUD is at 0.7253 and the range since yesterday 5pm Sydney time is 0.7223 to 0.7262.

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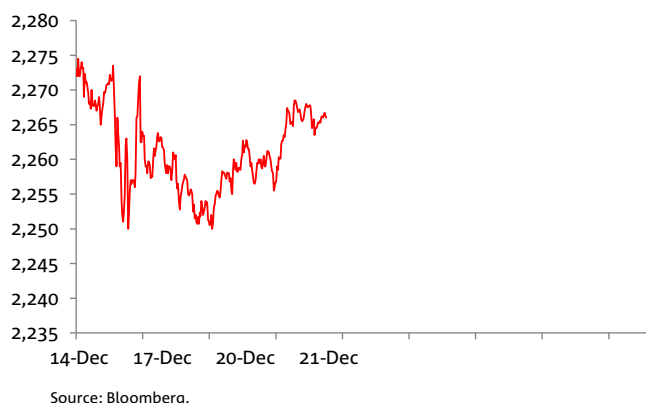
AUD/USD - past week



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	0.7253	0.1	0.7223	0.7263	HKD	7.7661 0.0
NZD	0.6919	-0.1	0.6883	0.6934	CNY	6.9527 -0.1
EUR	1.0388	-0.1	1.0352	1.0418	SGD	1.4454 -0.3
GBP	1.2364	-0.3	1.2313	1.2409	IDR	13,438 0.4
JPY	117.81	0.6	116.99	118.24	THB	36.05 0.5
CAD	1.3375	-0.2	1.3360	1.3434	KRW	1,193 0.5
AUD/EUR	0.6982	0.2	0.6958	0.6991	TWD	32.04 0.3
AUD/JPY	85.45	0.7	84.81	85.72	PHP	50.03 0.0
AUD/GBP	0.5866	0.4	0.5839	0.5876	CHF	1.03 0.1
AUD/NZD	1.0482	0.2	1.0448	1.0502	SEK	9.36 -0.3
AUD/CNH	5.0306	-0.4	5.0173	5.0853		

Equities

Major Indices	Last	% day	% y/y
	Dow	19,942	0.30
S&P 500	2,268	0.22	13.1
Nasdaq	5,474	0.30	11.2
VIX	12	-0.94	-44.0
FTSE	7,044	0.4	16.4
DAX	11,465	0.3	8.1
CAC 40	4,850	0.6	4.9
Nikkei	19,495	0.5	3.1
Shanghai	3,103	-0.5	-14.8
Hang Seng	21,729	-0.5	-0.3
ASX 200	5,591	0.5	9.4

Commodities\*

	Last	% day
Oil (Brent)	55.29	0.7
Oil (WTI)	52.23	0.2
Oil (Tapis)	56.19	-0.4
Gold	1131.80	-0.8
CRB	190.57	-0.3
GS Metals	305.0	0.0
Aluminium	1720.3	0.0
Copper	5493.5	0.1
Nickel	10888.0	0.6
Zinc	2628.0	1.5
Ch. steel	3176.0	-2.3
Iron ore	79.6	-2.0
St. Coal	86.2	-0.3
Met.coal	270.0	0.0
Wheat Chic.	416.0	-0.4
Sugar	18.3	0.1
Cotton	69.3	-0.3
Coffee	143.9	-0.3

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	0.75	0.99	1.50	2.47	USD 10	2.56	2.60
AUD	1.50	1.79	2.00	3.06	AUD 10	2.85	-1.50 0.28
NZD	1.75	2.02	2.42	3.59	NZD 10	3.42	-2.10 0.86
EUR	0.00	-0.31	-0.16	0.71	CAD 10	1.81	3.10 -0.75
GBP	0.25	0.37	0.65	1.37	EUR 10	0.27	2.20 -2.30
JPY	-0.04	-0.01	0.05	0.25	GBP 10	1.41	0.80 -1.16
CAD	0.50	0.93	1.17	2.04	JPY 10	0.07	-1.70 -2.49

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.18	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.13	5.00
3/10 sprd	0.67	-2.00
SPI	5559.0	-31.0

CO<sub>2</sub> Emissions - Euros

	Last	% day
Dec-2016	5.09	0.0
Jun-2017	5.23	2.5

\* Change in bps

\* 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

## Calendar

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEDT
<b>Tuesday, 20 December 2016</b>								
NZ	Food Prices MoM	Nov				-0.8	22.45	8.45
AU	RBA Dec. Meeting Minutes						1.30	11.30
EC	ECB Current Account SA	Oct				25.3	10.00	20.00
UK	CBI Retailing Reported Sales	Dec		20		26.0	12.00	22.00
JN	BOJ Policy Rate (and Monetary Policy Statement)			-0.1		-0.1	3.30	13.30
CA	Wholesale Trade Sales MoM	Oct		0.6		-1.2	14.30	0.30
<b>Wednesday, 21 December 2016</b>								
CH	Conference Board Leading Economic Index	Nov						
NZ	Net Migration SA	Nov			6240.0		22.45	8.45
NZ	Trade Balance NZD	Nov		-500		-846.0	22.45	8.45
AU	Westpac Leading Index MoM	Nov			0.1		0.30	10.30
AU	Skilled Vacancies MoM	Nov			-0.4		1.00	11.00
NZ	Credit Card Spending MoM/YoY	Nov		/		2.8/10.2	3.00	13.00
JN	All Industry Activity Index MoM	Oct		0.1		0.2	5.30	15.30
UK	Public Sector Net Borrowing/PSNB ex Banking Groups	Nov		11.6/12.15		4.3/4.8	10.30	20.30
EC	Consumer Confidence	Dec A		-6		-6.1	16.00	2.00
US	Existing Home Sales/MoM	Nov		5.5/-1.79		5.6/2.0	16.00	2.00
<b>Thursday, 22 December 2016</b>								
NZ	GDP SA QoQ/YoY	3Q	0.9/3.7	0.8/3.6		0.9/3.6	22.45	8.45
NZ	BoP Current Account Balance, NZD/% of GDP	3Q		-4.894/-3		-0.9/-2.9	22.45	8.45
UK	GfK Consumer Confidence	Dec		-8		-8.0	1.10	11.10
NZ	Money Supply M3 YoY	Nov				7.1	3.00	13.00
EC	ECB Publishes Economic Bulletin							
US	Chicago Fed Nat Activity Index	Nov		-0.15		-0.1	14.30	0.30
US	GDP Annualized QoQ	3Q T		3.3		3.2	14.30	0.30
US	Durable Goods Orders/Core orders	Nov P		-4.5/0.5		4.6/0.2	14.30	0.30
US	Initial Jobless Claims	Dec 17		258.5		254.0	14.30	0.30
CA	Statistics Canada to Report New Measure of Core CPI						14.30	0.30
CA	Retail Sales/Ex autos MoM	Oct		0.3/0.7		0.6/0.0	14.30	0.30
CA	CPI NSA MoM/YoY	Nov		-0.2/1.4		0.2/1.5	14.30	0.30
US	FHFA House Price Index MoM	Oct		0.4		0.6	15.00	1.00
US	Personal Income/Spending	Nov		0.3/0.3		0.6/0.3	16.00	2.00
US	PCE deflator MoM/YoY	Nov		0.2/1.5		0.2/1.4	16.00	2.00
US	PCE Core MoM/YoY	Nov		0.1/1.7		0.1/1.7	16.00	2.00
US	Leading Index	Nov		0.2		0.1	16.00	2.00
US	Kansas City Fed Manf. Activity	Dec		1		1.0	17.00	3.00
<b>Friday, 23 December 2016</b>								
CH	MNI December Business Indicator							
GE	GfK Consumer Confidence	Jan		9.9		9.8	8.00	18.00
UK	GDP QoQ/YoY	3Q F		0.5/2.3		0.5/2.3	10.30	20.30
UK	Current Account Balance	3Q		-28.2		-28.7	10.30	20.30
UK	Index of Services MoM/3M/3M	Oct		0.2/0.8		0.2/0.8	10.30	20.30
UK	Total Business Investment QoQ/YoY	3Q F		0.9/-1.6		0.9/-1.6	10.30	20.30
CA	GDP MoM/YoY	Oct		0/1.8		0.3/1.9	14.30	0.30
US	New Home Sales/MoM	Nov		575/2.1		563.0/-1.9	16.00	2.00
US	U. of Mich. Sentiment/5-10 Yr Inflation expectations	Dec F		98		98.0/2.5	16.00	2.00
<b>Monday, 26 December 2016</b>								
UK	BBA Loans for House Purchase	Nov		41500		40851	10.30	20.30
UK	CBI Total Dist. Reported Sales	Dec				34.0	12.00	22.00
JN	PPI Services YoY	Nov				0.5	0.50	10.50
JN	Leading Index CI	Oct F				101.0	6.00	16.00
JN	Jobless Rate/Job-applicant ratio	Nov		3/		3.0/1.4	0.30	10.30
JN	Overall Household Spending YoY	Nov				-0.4	0.30	10.30
JN	Natl CPI YoY	Nov		0.4		0.1	0.30	10.30
CH	Industrial Profits YoY	Nov				9.8	2.30	12.30
JN	Natl CPI Ex Fresh Food, Energy YoY	Nov				0.3	6.00	16.00
JN	Small Business Confidence	Dec				48.3	6.00	16.00
US	S&P CoreLogic CS 20-City MoM/YoY	Oct		0.5/4.9		0.4/5.1	15.00	1.00
US	Consumer Confidence Index	Dec		108.75		107.1	16.00	2.00
US	Richmond Fed Manufact. Index	Dec		5		4.0	16.00	2.00
US	Dallas Fed Manf. Activity	Dec		10.2		10.2	16.30	2.30
<b>Upcoming Central Bank Interest Rate Announcements</b>								
Japan, BoJ		20-Dec		-0.1% to +0.1%		-0.1% to +0.1%		
Europe ECB		19-Jan		0.00%		0.00%		
Canada, BoC		19-Jan				0.50%		
US Federal Reserve		28-Jan				0.5-0.75%		
UK BOE		2-Feb				0.25%		
Australia, RBA		7-Feb	1.50%	1.50%		1.50%		
New Zealand, RBNZ		9-Feb	1.75%	1.75%		1.75%		

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

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