

## Crash and Burn

Take your pick whether Savage Garden's 1999 hit references the ignominious performance on Friday by the British Pound or that of Donald Trump as revealed in 2005 tape recordings and which might just have sounded the death knell for his 8 November presidential election chances.

Friday night's US payrolls report underwhelmed for the second month running, showing a 151k employment gain, small net negative revision for the prior two months and the unemployment ticking up to 5.0% from 4.9% thanks to a 0.1% rise in the labour participation rate. Average hourly earnings were up only 0.2% against 0.3% expected, though the year-on-year rate did tick up to 2.6%, albeit still beneath the cycle high of 2.7% recorded in July.

The data was deemed strong enough to keep December Fed tightening expectations fairly firmly intact. Swaps market pricing saw implied odds for the December meeting slip to 76.4% from 78.0%. The bigger move was in pricing for the November Fed meeting date, down to 26.4% from 33.2%. Fed vice chair Stanley Fischer and noted FOMC hawk Esther George both paid compliments to the data, though Fischer laments the continued poor GDP growth performance. Fischer said "Since monetary policy is only modestly accommodative, there appears little risk of falling behind the curve in the near future, and gradual increases in the federal funds rate will likely be sufficient to get monetary policy to a neutral stance over the next few years".

US stocks jumped at the open but soon gave ground in a choppy session to end lower, as did bond yields and the dollar. Focus quickly shifted to Sunday night's second Trump-Clinton TV debate. The S&P500 ended 0.33% at 2153.74. Materials and industrials lead the losses – in contrast healthcare and financials ended with small gains.

In US rates we saw a fairly uniform shift down in the curve, 2s -2.0bps to 0.832% (still +6.8bps on the week) and 10s -1.9bps to 1.719% (+12.4bps on the week). 10yr Bunds added +3.8bps to close the week in positive terrain (0.02%) and gilts +9.8bps to 0.969, clearly not impressed by the whiff of a Sterling crisis in the GBP shenanigans earlier in the day.

Over the weekend ECB President Mario Draghi speaking in Washington where the IMF meetings are taking place, suggested inflation is about to rise and that growth has stabilised, while Governing Council member Nowotny says that the market needs a signal on the ECB's intent re its QE programme and should have it before the end of the year.

In FX, the US dollar finished slightly lower in index terms, DXY -0.14% at 96.63 (but still 1.2% up on the week) and the

broader BBDXY -0.15% or a 1% gain on the week. USD/JPY was the biggest causality of the weaker than expected headline NFP prints, -0.93% to Y102.98. GBP/USD ended NY at 1.2434 after the earlier APAC session flash crash, a fall of 1.82 cents or 1.44% on the day. CAD underperformed AUD, NZD and NOK despite a blockbuster Canadian September employment gain (+67.2k). AUD/USD ended fairly flat on the day, -0.04% to 0.7582 having made a pre-payrolls high of 0.7624. EUR/USD +0.45% to 1.1201 ahead of Draghi's weekend speech. AUD has started the week a touch firmer.

In commodities, oil slipped a little, WTI and Brent both down 60 cents to \$49.81 and \$51.93 respectively but still up \$1.57 and \$2.87 on the week. Gold lost 90 cents to \$1248.9. The LME index gained 0.17% while the China import iron ore market was closed for the Chinese holiday.

## Coming Up

The second Trump/Clinton debate takes place from 11:00 AEDT this morning and the polling impact of both that and Trump's latest misogynistic audio revelations provide the early week focus. Watch the Mexican peso for snap market judgement – both before and after the debate. The peso rallied quite hard out for the first debate, since when respected political forecaster Nate Silver's [www.fivethirtyeight.com](http://www.fivethirtyeight.com) had as of Saturday pushed the probability of Clinton winning up to 81.3% against 18.7% for Trump. If there's no reversal of Hillary's lead – or indeed an extension of it after Monday, then by the end of the week it's reasonable to think that a Clinton victory will be fairly fully priced into markets. In the first instance, this will merely underpin confidence in a December Fed tightening.

US politics aside, we get the FOMC minutes on Wednesday and a speech from Fed chair Yellen in Boston on Friday along with retail sales - the key US release of the week. There's plenty of other Fed (and ECB) speak due during the week. China's trade figures on Thursday will rate a mention.

US corporate earnings season starts this week, with Alcoa tomorrow and the JP Morgan, Citigroup and Wells Fargo all on Friday. Locally, NAB's latest business survey is tomorrow.

## Overnight

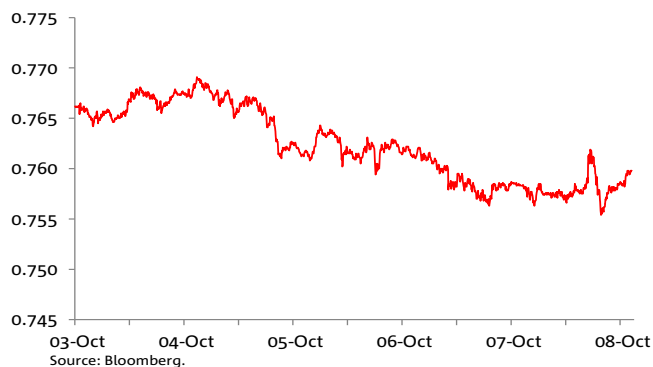
On global stock markets, the S&P 500 was -0.33%. Bond markets saw US 10-years -1.91bp to 1.72%. In commodities, Brent crude oil +0.13% to \$51.93, gold -1.3% to \$1,249, iron ore \$55.86 (China closed Friday). AUD is at 0.7598 and the range since Friday 5pm Sydney time has been 0.7554 to 0.7624.

## Author:

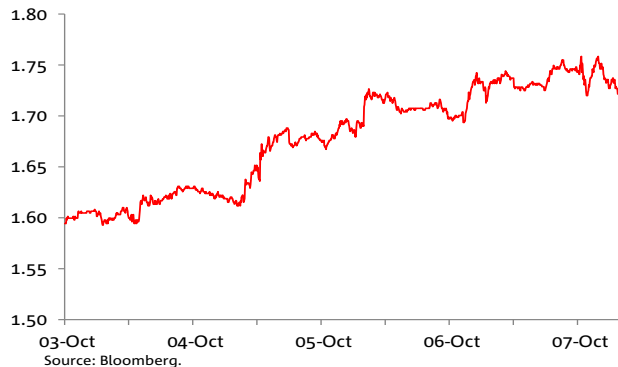
Ray Attrill – Co-head of FX Strategy

## Markets

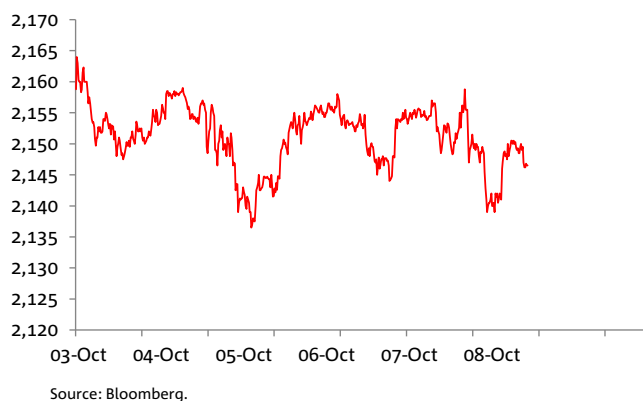
### AUD/USD - past week



### 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	0.7598	0.2	0.7553	0.7624	HKD	7.7582 0.0
NZD	0.7180	0.2	0.7110	0.7200	CNY	6.6718 0.0
EUR	1.1177	0.2	1.1070	1.1259	SGD	1.3731 0.0
GBP	1.2406	-1.7	1.1841	1.2623	IDR	12,989 -0.1
JPY	103.15	-0.8	102.86	104.03	THB	34.89 0.1
CAD	1.3234	0.1	1.3186	1.3313	KRW	1,116 0.2
AUD/EUR	0.6763	-0.6	0.6745	0.6829	TWD	31.46 0.2
AUD/JPY	78.08	-1.0	77.99	78.90	PHP	48.25 -0.1
AUD/GBP	0.6100	2.0	0.6007	0.6284	CHF	0.98 -0.2
AUD/NZD	1.0592	-0.3	1.0483	1.0644	SEK	8.65 0.2
AUD/CNH	5.0556	-0.6	5.0694	5.1103		

### Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	0.50	0.88	1.07	1.56	USD 10	1.72	1.60
AUD	1.50	1.73	1.71	2.26	AUD 10	2.17	4.70 0.45
NZD	2.00	2.18	2.09	2.62	NZD 10	2.50	3.20 0.78
EUR	0.00	-0.30	-0.20	0.39	CAD 10	1.17	8.10 -0.55
GBP	0.25	0.39	0.52	0.96	EUR 10	0.02	2.50 -1.70
JPY	-0.04	-0.02	-0.08	0.07	GBP 10	0.97	15.40 -0.75
CAD	0.50	0.90	0.92	1.38	JPY 10	-0.06	-0.20 -1.78

### Equities

#### Major Indices

	Last	% day	% y/y
Dow	18,240	-0.2	6.8
S&P 500	2,154	-0.2	6.9
Nasdaq	5,292	-0.4	9.6
VIX	13	3.8	-21.1
FTSE	7,044	0.2	9.8
DAX	10,491	-0.9	3.9
CAC 40	4,450	-0.9	-5.3
Nikkei	16,860	0.2	-8.6
Shanghai	3,005	0.0	-1.6
Hang Seng	23,852	0.3	6.2
ASX 200	5,467	0.3	3.6

### Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.24	-2.00
3 Yr bond	97.8	1.00
10 Yr bond	97.87	-5.00
3/10 sprd	-0.06	6.00
SPI	5458.0	-25.0

\*Change in bps

### Commodities\*

	Last	% day
Oil (Brent)	51.93	0.1
Oil (WTI)	49.81	0.0
Oil (Tapis)	52.11	0.8
Gold	1248.90	-1.3
CRB	188.32	-0.2
GS Metals	279.8	0.0
Aluminium	1667.3	0.0
Copper	4760.8	-0.5
Nickel	10152.8	1.2
Zinc	2314.0	-0.9
Ch. steel	2264.0	0.0
Iron ore	55.9	0.0
St. Coal	84.5	-0.4
Met.coal	205.0	0.0
Wheat Chic.	414.8	-2.6
Sugar	23.4	-1.6
Cotton	67.2	-1.2
Coffee	148.0	-0.1

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

	Last	% day
Dec-2016	5.69	4.0
Jun-2017	5.71	4.0

\* 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	AEDST
<b>Saturday, 8 October 2016</b>								
CH	Caixin China PMI Services/Composite	Sep				52.1/51.8	2.45	12.45
CH	Foreign Direct Investment YoY CNY	Sep		3.2		5.7	8-18 Oct release	
<b>Monday, 10 October 2016</b>								
GE	Current Account Balance	Aug				18.6	7.00	17.00
EC	Sentix Investor Confidence	Oct		5		5.6	9.30	19.30
NZ	REINZ House Sales YoY	Sep				-3.1	Release pending	
CH	New Yuan Loans CNY	Sep		1000		948.7	10-15 Oct release	
CH	Aggregate Financing CNY	Sep		1400		1470.0	10-15 Oct release	
<b>Tuesday, 11 October 2016</b>								
NZ	Card Spending Retail MoM/YoY	Sep	0.5	0.8		-0.4/-0.8	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct 9				117.9	23.30	9.30
UK	BRC Sales Like-For-Like YoY	Sep				-0.9	0.10	10.10
JN	BoP Current Account Adjusted	Aug		1570.3		1447.8	0.50	10.50
AU	NAB Business Conditions/Confidence	Sep				7.0/6.0	1.30	11.30
AU	Home Loans headline MoM #/Investment MoM \$	Aug	-3.6/	-1.5/		-4.2/0.5	1.30	11.30
AU/US	Fed's Evans Speaks on Economy and Policy in Sydney						2.30	12.30
JN	Eco Watchers Survey Current/Outlook	Sep		45.8		45.6/47.4	6.00	16.00
GE	ZEW Survey Current Situation/Expectations	Oct		55		55.1/0.5	10.00	20.00
EC	ZEW Survey Expectations	Oct				5.4	10.00	20.00
US	NFIB Small Business Optimism	Sep		95		94.4	11.00	21.00
CA	Housing Starts	Sep		191.3		182.7	13.15	23.15
AU	HIA House Affordability Index	3Q				78.7		
CA	Bloomberg Nanos Confidence	Oct 7				56.5	15.00	1.00
US	Labor Market Conditions Index Change	Sep				-0.7	15.00	1.00
<b>Wednesday, 12 October 2016</b>								
AU	Westpac Consumer Conf Index/MoM	Oct				101.4/0.3	0.30	10.30
JN	Machine Orders MoM/YoY	Aug		-4.6		4.9/5.2	0.50	10.50
JN	Machine Tool Orders YoY	Sep P				-8.4	7.00	17.00
EC	Industrial Production SA MoM/YoY	Aug		0.7		-1.1/-0.5	10.00	20.00
US	Monthly Budget Statement	Sep		29.3		-107.1	12-15 Oct release	
US	JOLTS Job Openings	Aug		5825		5871.0	15.00	1.00
US	U.S. Fed Releases Minutes from Sept. 20-21 FOMC Meeting						19.00	5.00
<b>Thursday, 13 October 2016</b>								
NZ	ANZ Job Advertisements MoM	Sep				3.1	22.00	8.00
NZ	BusinessNZ Manufacturing PMI	Sep				55.1	22.30	8.30
NZ	Food Prices MoM	Sep	0.6			1.3	22.45	8.45
UK	RICS House Price Balance	Sep		13		12.0	0.10	10.10
AU	Consumer Inflation Expectation	Oct				3.3	1.00	11.00
NZ	Crown Financial Statements	FY 2016					1.00	11.00
NZ	ANZ Consumer Confidence Index/MoM	Oct				121.0/2.8	1.00	11.00
CH	Trade Balance	Sep		53		52.1	2.30	12.30
CH	Exports/Imports YoY	Sep		-3.1/0.8		-2.8/1.5	2.30	12.30
CH	Trade Balance CNY	Sep		364.5		346.0	2.30	12.30
CH	Exports/Imports YoY	Sep		2.5/5.5		5.9/10.8	2.30	12.30
JN	Tertiary Industry Index MoM	Aug		-0.2		0.3	5.30	15.30
GE	CPI MoM/YoY	Sep F		0.1		0.1/0.7	7.00	17.00
GE	CPI EU Harmonized MoM/YoY	Sep F		0		0.0/0.5	7.00	17.00
US	Import Price Index MoM/YoY	Sep		0.1/		-0.2/-2.2	13.30	23.30
CA	New Housing Price Index MoM/oY	Aug				0.4/2.8	13.30	23.30
CA	Teranet/National Bank HPI MoM/YoY	Sep				1.5/11.4	13.30	23.30
US	Initial Jobless Claims	Oct 8				249.0	13.30	23.30
US	Bloomberg Consumer Comfort	Oct 9				41.4	14.45	0.45
US	Fed's Harker Speaks on Economic Outlook in Philadelphia						17.15	3.15
<b>Friday, 14 October 2016</b>								
JN	PPI MoM/YoY	Sep		-0.1		-0.3/-3.6	0.50	10.50
AU	RBA Financial Stability Review						1.00	11.00
CH	CPI/PPI YoY	Sep		1.6		1.3/-0.8	1.30	11.30
UK	BoE Credit Conditions and Bank Liabilities Surveys						9.30	19.30
UK	Construction Output SA MoM/YoY	Aug		0		0.0/-1.5	9.30	19.30
EC	Trade Balance SA	Aug		20.4		20.0	10.00	20.00
US	Fed's Rosengren Gives Opening Remarks at Boston Fed Conference						13.30	23.30
US	Retail Sales Advance/ex autos and gas MoM	Sep		0.6/0.4		-0.3/-0.1	13.30	23.30
US	PPI Final Demand MoM/YoY	Sep		0.2/0.6		0.0/0.0	13.30	23.30
US	Business Inventories	Aug		0.1		0.0	15.00	1.00
US	U. of Mich. Sentiment/5-10Yr Inflation expectations	Oct P		92		91.2/2.6	15.00	1.00
US	Fed Chair Yellen Speaks at Boston Fed Conference						17.00	3.00
EC	ECB Survey of Professional Forecasters						25-26 Oct release	
<b>Monday, 17 October 2016</b>								
EC	ECB Survey of Professional Forecasters						15-26 Oct release	
NZ	Performance Services Index	Sep				57.9	22.30	8.30
UK	Rightmove House Prices MoM/YoY	Oct				0.7/4.0	0.10	10.10
JN	Industrial Production MoM/YoY	Aug F				1.5/4.6	5.30	15.30
EC	CPI MoM/YoY	Sep				0.1/0.2	10.00	20.00
EC	CPI Core YoY	Sep F				0.8	10.00	20.00
CA	Int'l Securities Transactions	Aug				5.2	13.30	23.30
US	Empire Manufacturing	Oct		1		-2.0	13.30	23.30
CA	Existing Home Sales MoM	Sep				-3.1	14.00	0.00
US	Industrial Production MoM	Sep		0.1		-0.4	14.15	0.15
US	Bloomberg Economic Expectations	Oct				41.5	14.45	0.45
CA	Bloomberg Nanos Confidence	Oct 7				56.5	15.00	1.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
Europe	ECB	20-Oct				0.00%		
Canada	BoC	20-Oct				0.50%		
Australia	RBA	1-Nov	1.50%	1.50%		1.50%		
Japan	BoJ	1-Nov				-0.1% to +0.1%		
US	Federal Reserve	3-Nov				0.25-0.50%		
UK	BOE	3-Nov				0.25%		
New Zealand	RBNZ	10-Nov	1.75%	1.75%		2.00%		

GMT: Greenwich Mean Time; AEST: Australian Eastern Standard Time

## Contact Details

### Authors

David de Garis  
Senior Economist  
+61 3 8641 3045  
david.degaris@nab.com.au

Ray Attrill  
Global Co-Head of FX Strategy  
+61 2 9237 1848  
ray.attrill@nab.com.au

Rodrigo Catril  
Currency Strategist  
+61 2 9293 7109  
rodrigo.h.catril@nab.com.au

Tapas Strickland  
Economist  
+61 2 9237 1980  
tapas.strickland@nab.com.au

### Markets Research

Peter Jolly  
Global Head of Research  
+61 2 9237 1406  
peter.jolly@nab.com.au

### Group Economics

Alan Oster  
Chief Economist  
+61 3 8634 2927  
alan\_oster@national.com.au

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