

Midnight Oil

Well it wasn't exactly midnight, but close enough. In a night that was expected to be relatively quiet given the US was celebrating Columbus Day, oil prices provided some fireworks after President Putin announced his support to a production freeze or even cut in oil output. Earlier in the session Brent and WTI were already trending higher on the back of optimistic comments from Saudi Arabia's energy minister saying that a production freeze deal could be reached. However around 11:30pm, news that Putin supported the deal helped propel oil prices to a new 1 year high.

Brent reached an overnight high of \$53.71 and WTI jumped to \$51.58. Oil prices have peeled off a little bit in the past few hours however they are still up between 2.6% (Brent) and 3.5% (WTI) on the day. Equity markets have ended the day in positive territory with energy stocks leading the way and in what has been a broadly stronger night for the USD, the CAD and AUD have outperformed.

Both currencies have benefited from the move higher in oil. The CAD has gained just under 1% against the USD dragging USD/CAD down to an overnight low of 1.3140 and the AUD/USD is back above 76c after reaching an overnight high of 0.7628. Somewhat surprising, given its links with oil, the NOK has underperformed (-0.45%) and the NZD/USD is also down -0.28%, currently trading at 0.7138.

So barring the two G10 exceptions above, the USD has performed against most other currencies. The USD is stronger following the second US Presidential debate and although Donald Trump's performance in the second debate was an improvement from the first, the damage from the lewd video over the weekend looks almost irreversible. Paul Ryan, the speaker of the House of Representatives has distanced himself from Trump announcing that he will spend the next month focusing entirely on protecting the Republican's congressional majorities. Ryan has not withdrawn his support for Trump, however the announcement suggests the Republican leadership is now moving towards a damage limitation strategy and potentially given up on winning the presidency following the decline in Donald Trump's popularity. The USD appears to be benefiting from the perception that a Clinton win will open the way for a December hike. Notably too, over the past 24 hours, MXN, the currency markets bellwether of the US election, has also gained over 2%.

In bonds, UK Gilts have led the move higher in Europe and while the US Treasury market was closed, US bond futures have also drifted lower as oil prices moved higher through the night.

Coming Up

This morning in Australia we get the NAB Business survey for September and Chicago's Fed President Charles Evans speaks on the US economy and policy in Sydney, firstly at a breakfast and then at an ABE lunch. Also this morning, Japan releases its current account balance for August, where a narrowing in the surplus is expected (mainly due to summer holiday effects). Then this afternoon RBNZ Assistant Governor McDermott speaks on the topic "Understanding low inflation in New Zealand". Potentially this could be an important speech, given expectations are that the RBNZ will ease further due to low inflation, despite the fact that the economy is running above trend.

Moving onto Europe, the October ZEW survey is out in Germany and later this evening the NFIB small business optimism index is released in the US along with the Fed's labour market conditions index, both for September. Fed Kashkari speaks in Minneapolis and Alcoa unofficially kicks off the Q3 earnings reporting season before the open.

As for the NAB survey, like you I have no idea what the September numbers look like. However, all will be revealed at 11:30am. In August, the business confidence reading rose slightly to +6 while business conditions eased two points to a still above-average print of +7. So although in August we saw some moderation in business conditions overall the survey still painted a reasonable upbeat picture.

That said, looking at the business condition components in August (trading, profitability and employment conditions), conditions in trading and profitability continued to ease from previously very high levels and it will be interesting to see if this trend is still evident in September. Meanwhile the employment component has managed to hold on to recent gains providing a positive signal for near term employment growth. Hopefully this trend remains present in September.

Overnight

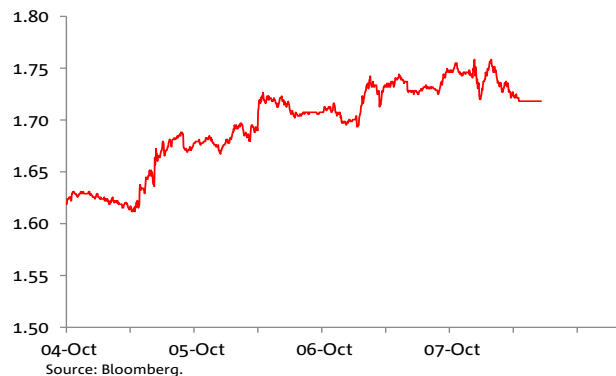
On global stock markets, the S&P 500 was +0.49%. Bond markets saw US 10-years +0.00bp to 1.72%. In commodities, Brent crude oil +2.46% to \$52.96, gold +0.3% to \$1,257, iron ore +1.4% to \$56.65. AUD is at 0.7605 and the range since yesterday 5pm Sydney time is 0.7581 to 0.7605.

Markets

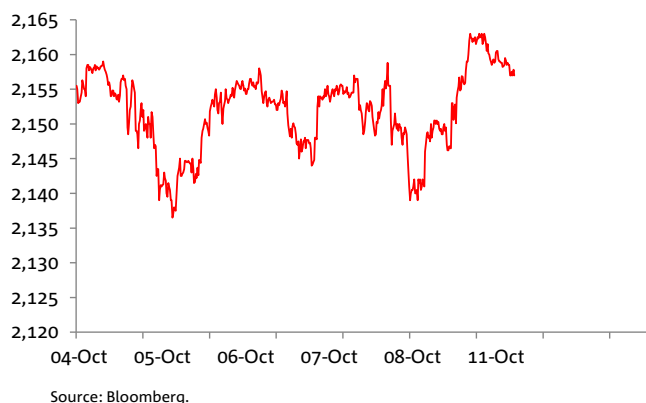
AUD/USD - past week



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 | 0.7605 | 0.3 | 0.7573 | 0.7628 | HKD | 7.7586 0.0 |
| NZD | 0.7137 | -0.3 | 0.7122 | 0.7186 | CNY | 6.7075 0.5 |
| EUR | 1.1138 | -0.6 | 1.1132 | 1.1210 | SGD | 1.3751 0.1 |
| GBP | 1.2362 | -0.6 | 1.2345 | 1.2472 | IDR | 12,977 -0.1 |
| JPY | 103.62 | 0.6 | 102.81 | 103.79 | THB | 35.15 0.7 |
| CAD | 1.3171 | -0.9 | 1.3140 | 1.3292 | KRW | 1,109 -0.6 |
| AUD/EUR | 0.6828 | 1.0 | 0.6764 | 0.6833 | TWD | 31.44 -0.1 |
| AUD/JPY | 78.80 | 0.9 | 78.09 | 78.98 | PHP | 48.33 0.2 |
| AUD/GBP | 0.6152 | 0.9 | 0.6079 | 0.6166 | CHF | 0.98 0.5 |
| AUD/NZD | 1.0655 | 0.6 | 1.0567 | 1.0679 | SEK | 8.65 0.3 |
| AUD/CNH | 5.1051 | 1.0 | 5.0856 | 5.1103 | | |

Equities

| Major Indices | | | |
|---------------|--------|-------|-------|
| | Last | % day | % y/y |
| Dow | 18,329 | 0.5 | 7.3 |
| S&P 500 | 2,164 | 0.5 | 7.4 |
| Nasdaq | 5,329 | 0.7 | 10.3 |
| VIX | 13 | -0.7 | -21.7 |
| FTSE | 7,098 | 0.8 | 10.6 |
| DAX | 10,624 | 1.3 | 5.2 |
| CAC 40 | 4,497 | 1.1 | -4.3 |
| Nikkei | 16,860 | 0.0 | -8.6 |
| Shanghai | 3,048 | 1.4 | -4.2 |
| Hang Seng | 23,852 | 0.0 | 6.2 |
| ASX 200 | 5,475 | 0.1 | 3.7 |

Commodities*

| | Last | % day |
|-------------|---------|-------|
| Oil (Brent) | 52.96 | 2.5 |
| Oil (WTI) | 51.19 | 3.3 |
| Oil (Tapis) | 51.78 | -0.6 |
| Gold | 1257.00 | 0.3 |
| CRB | 190.28 | 1.0 |
| GS Metals | 283.2 | 1.2 |
| Aluminium | 1683.0 | 0.6 |
| Copper | 4823.5 | 1.2 |
| Nickel | 10474.5 | 3.2 |
| Zinc | 2317.5 | 0.3 |
| Ch. steel | 2310.0 | 2.5 |
| Iron ore | 56.7 | 1.4 |
| St. Coal | 84.1 | -0.5 |
| Met.coal | 215.0 | 0.0 |
| Wheat Chic. | 424.5 | 2.5 |
| Sugar | 23.1 | -1.2 |
| Cotton | 67.4 | -1.1 |
| Coffee | 152.6 | 3.4 |

Overnight Futures

| | Last | Chge* |
|------------------|--------|-------|
| Australia | | |
| 3 mth bill | 98.24 | -1.00 |
| 3 Yr bond | 97.8 | 3.00 |
| 10 Yr bond | 97.79 | -5.50 |
| 3/10 sprd | 0.01 | 8.50 |
| SPI | 5481.0 | -31.0 |

*Change in bps

CO₂ Emissions - Euros

| | Last | % day |
|----------|------|-------|
| Dec-2016 | 5.67 | -0.4 |
| Jun-2017 | 5.69 | -0.4 |

* cld = 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 |
|--|--|---------|----------|-----------|--------|----------------|-------------------|-------|
| Tuesday, 11 October 2016 | | | | | | | | |
| 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 | | -0.3 | | -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 | | 55.5 | | 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 | | 190 | | 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 |
| Wednesday, 12 October 2016 | | | | | | | | |
| 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 | | 1.5 | | -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 | | 5800 | | 5871.0 | 15.00 | 1.00 |
| US | U.S. Fed Releases Minutes from Sept. 20-21 FOMC Meeting | | | | | | 19.00 | 5.00 |
| Thursday, 13 October 2016 | | | | | | | | |
| 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 | | 14 | | 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 | | -3.3/0.7 | | -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/-1.1 | | -0.2/-2.2 | 13.30 | 23.30 |
| CA | New Housing Price Index MoM/oY | Aug | | 0.2 | | 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 | | 253 | | 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 |
| Friday, 14 October 2016 | | | | | | | | |
| 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 | | 0.6/0.3 | | -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 |
| Monday, 17 October 2016 | | | | | | | | |
| 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 | | 0.15 | | -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 |
| Upcoming Central Bank Interest Rate Announcements | | | | | | | | |
| 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

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