

## Blowin' in the wind

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Well like some of you, perhaps, my university years were marked by learning about economics and acquainting myself with Bob Dylan and other great artists like Bowie. Overnight Bob Dylan was announced as the new Nobel Prize winner of literature 'for having created new poetic expressions within the great American song tradition.' and as such today's MT title is a humble tribute to the big fellow.

Now bearing in mind that I have to think about a title before a 6 am and coffee, I am sure many of you will be able to come up with a much better reference to Bob Dylan than me. That said, there is potentially a bit of change 'blowin in the win' with the market over the past 24hrs unwinding some of the move we have seen over the past fortnight. With no real new news, European and U.S markets took the lead from Asia where the softer than expected Chinese data was the main contributing factor for the negative tone in the region. Yesterday China's exports fell 10% yoy (in USD terms) while imports were down 1.9% yoy and the market has interpreted the numbers as a sign of weak global demand triggering a bit for safe haven assets and a selloff in risk assets.

Time will tell whether the softer tone over the past 24hr is just a small correction or a sign that a bigger change is coming. In that regard we would note that history tells us that the recent positive correlation between the USD, equities, bonds and commodities typically doesn't last long, so this is something we should keep an eye on.

Looking at currencies in more detail, the USD is softer across the board on the back of a pullback in expectations of a Fed hike in December with the OIS market current showing a probability 76% compared to 81% two days ago. JPY is one of the top performers, showing its preeminent safe haven attributes, but NOK and CAD have also performed supported by the steadiness in oil prices. Meanwhile, the AUD has been the G10 underperformer gaining just 0.2% against the USD reflecting its close ties with China's economy.

10y US Treasury yields have not recovered since their decline post the FOMC minutes and are currently trading at 1.74%, practically unchanged from Sydney's closing levels. and 2y UST are a little bit lower, consistent with the moves seen in the OIS market.

On a more positive note, jobless claims were unchanged at 246K, below the 253k expected and the lowest reading since November 1973 (adjusted for population growth). The numbers imply that further improvements in labour market conditions should be in the offing; however caution is also

warranted given that jobless figures can be volatile over short periods of time.

## Coming Up

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The RBA Financial Stability Review is out this morning and given its acknowledged importance in the newly minted agreement between the Governor and the Treasurer, the report might garner a bit more attention than what it has done in the past. Our economists will be looking for any commentary around the housing market and specifically the apartment sector as a potential threat to stability.

Also this morning Japan releases its PPI figures for September (-0.1% vs -0.3% prev.) and then at 11:30am China follows with its own PPI and CPI numbers. The market is looking for China's CPI to print at 1.6%yoy, up from 1.3% in August with many commentators suggesting the uptick in prices may reflect food inflation as the main driver.

Moving on to Europe, Italy and Spain publish their final September CPI readings and the UK gets the BoE credit conditions survey along with construction output for August. Given the BoE measures post the referendum the survey is likely to show credit conditions remain accommodative while construction figures (0.0% exp vs 0.0% prev.) should also be of some interest as the sector accounts for 5.9% of GDP output.

Later in the US, Fed Rosenberg gives the opening remarks at the Boston Conference and followed by potentially the big event of the day with Fed Chair Yellen speaking at the same conference.

As for US data releases, the advanced September US retail sales figures should give us a good gauge as to how the US consumer was traveling at the end of Q3 ( sales ex auto mom +0.5% vs -0.1% prev.). September PPI figures (0.2% exp. vs 0.0% prev.) are also out along with business inventory numbers for August (0.1%exp. vs 0.0% prev.) and the University of Consumer confidence survey. The preliminary survey reading for October is expected to be practically unchanged from the previous month (91.9 exp. vs 91.2 prev.), however if last week's labour market figures are any guide, then the risk is that we get an improvement in consumer confidence too.

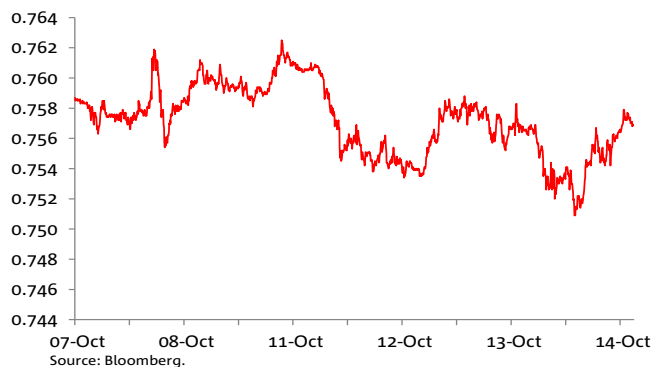
## Overnight

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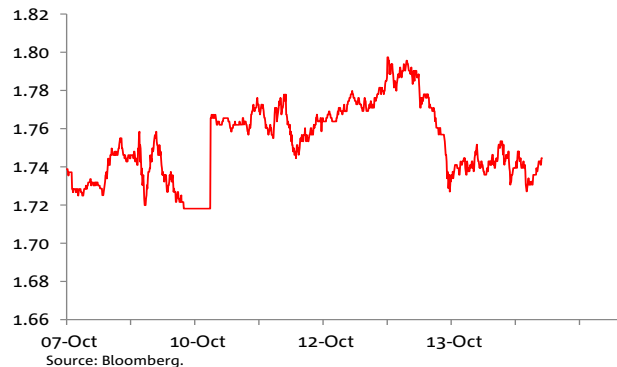
On global stock markets, the S&P 500 was -0.25%. Bond markets saw US 10-years -2.63bp to 1.74%. In commodities, Brent crude oil +0.72% to \$52.03, gold+0.3% to \$1,257, iron ore -0.9% to \$56.67. AUD is at 0.7568 and the range since yesterday 5pm Sydney time is 0.7509 to 0.7567.

## Markets

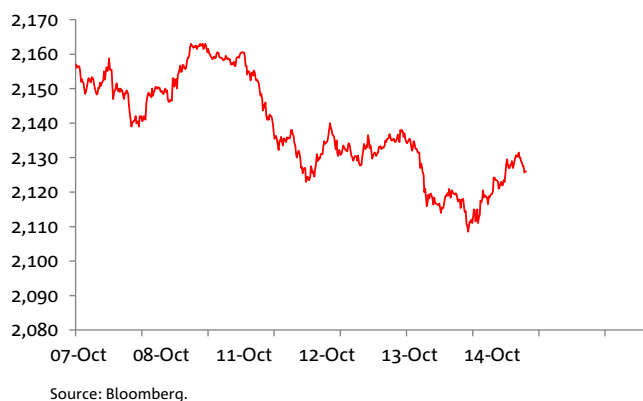
### AUD/USD - past week



### 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	0.7568	0.1	0.7507	0.7582	HKD	7.7566 0.0
NZD	0.7093	0.4	0.7035	0.7102	CNY	6.7274 0.1
EUR	1.1053	0.4	1.0985	1.1056	SGD	1.3815 -0.2
GBP	1.2247	0.4	1.2133	1.2272	IDR	13,073 0.4
JPY	103.63	-0.6	103.33	104.64	THB	35.40 -0.8
CAD	1.3204	-0.5	1.3186	1.3307	KRW	1,136 1.1
AUD/EUR	0.6847	-0.3	0.6818	0.6877	TWD	31.78 0.5
AUD/JPY	78.43	-0.5	77.90	78.96	PHP	48.44 -0.4
AUD/GBP	0.6179	-0.3	0.6165	0.6208	CHF	0.99 -0.5
AUD/NZD	1.0670	-0.4	1.0663	1.0742	SEK	8.79 -0.6
AUD/CNH	5.0829	0.0	5.0582	5.1047		

### Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	0.50	0.88	1.07	1.58	USD 10	1.74	-2.63
AUD	1.50	1.75	1.75	2.31	AUD 10	2.25	-5.80 0.50
NZD	2.00	2.15	2.05	2.61	NZD 10	2.47	-4.70 0.73
EUR	0.00	-0.31	-0.20	0.41	CAD 10	1.18	-1.40 -0.56
GBP	0.25	0.40	0.57	1.00	EUR 10	0.04	-2.90 -1.70
JPY	-0.03	-0.01	-0.06	0.07	GBP 10	1.02	-1.90 -0.72
CAD	0.50	0.90	0.96	1.41	JPY 10	-0.06	0.00 -1.80

### Equities

#### Major Indices

	Last	% day	% y/y
Dow	18,099	-0.2	6.0
S&P 500	2,133	-0.2	6.4
Nasdaq	5,213	-0.5	8.7
VIX	17	4.9	-5.5
FTSE	6,978	-0.7	10.0
DAX	10,414	-1.0	3.8
CAC 40	4,405	-1.1	-5.1
Nikkei	16,774	-0.4	-6.2
Shanghai	3,061	0.1	-6.2
Hang Seng	23,031	-1.6	2.6
ASX 200	5,436	-0.7	4.6

### Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.24	1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.80	2.50
3/10 sprd	0.00	0.50
SPI	5426.0	28.0

\*Change in bps

### Commodities\*

	Last	% day
Oil (Brent)	52.03	0.7
Oil (WTI)	50.44	0.9
Oil (Tapis)	51.56	-2.0
Gold	1257.40	0.3
CRB	189.14	0.6
GS Metals	277.8	-1.0
Aluminium	1688.5	0.7
Copper	4693.5	-2.2
Nickel	10387.8	-1.3
Zinc	2223.0	-1.2
Ch. steel	2354.0	-0.2
Iron ore	56.7	-0.9
St. Coal	88.0	2.3
Met.coal	225.3	0.0
Wheat Chic.	435.0	4.6
Sugar	22.9	-1.1
Cotton	69.3	0.6
Coffee	152.6	0.2

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

	Last	% day
Dec-2016	5.64	2.2
Jun-2017	5.65	2.0

\* 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>Thursday, 13 October 2016</b>								
NZ	ANZ Job Advertisements MoM	Sep				0.3	22.00	8.00
NZ	BusinessNZ Manufacturing PMI	Sep				57.7	22.30	8.30
NZ	Food Prices MoM	Sep	0.6			-0.9	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		-3.3/0.6		-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		0.2/-1		-0.2/-2.2	13.30	23.30
CA	New Housing Price Index MoM/oY	Aug		0.25		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
<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		0.6/0.3		-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		91.9		91.2/2.6	15.00	1.00
US	Fed Chair Yellen Speaks at Boston Fed Conference						17.00	3.00
<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		0.2		-0.4	14.15	0.15
US	Bloomberg Economic Expectations	Oct				41.5	14.45	0.45
CA	Bloomberg Nanos Confidence	Oct 14				57.1	15.00	1.00
<b>Tuesday, 18 October 2016</b>								
AU	RBA Governor Lowe Speech in Sydney						22.10	8.10
NZ	CPI QoQ/YoY	3Q		0/0.1		0.4/0.4	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct 16				117.5	23.30	9.30
AU	RBA Oct. Meeting Minutes						1.30	11.30
AU	New Motor Vehicle Sales MoM/YoY	Sep				0.1/2.9	1.30	11.30
NZ	Non Resident Bond Holdings	Sep				66.7	3.00	13.00
EC	ECB Bank Lending Survey						9.00	19.00
UK	CPI MoM/YoY	Sep		/		0.3/0.6	9.30	19.30
UK	CPI Core YoY	Sep		/		1.3	9.30	19.30
UK	PPI Input NSA MoM/YoY	Sep		/		0.2/7.6	9.30	19.30
UK	PPI Output Core NSA MoM/YoY	Sep		/		0.2/1.3	9.30	19.30
UK	House Price Index YoY	Aug				8.3	9.30	19.30
CA	Manufacturing Sales MoM	Aug				0.1	13.30	23.30
US	CPI MoM/YoY	Sep		0.3/1.5		0.2/1.1	13.30	23.30
US	CPI Ex Food and Energy MoM/YoY	Sep		0.2/2.3		0.3/2.3	13.30	23.30
US	NAHB Housing Market Index	Oct		63		65.0	15.00	1.00
US	Total Net TIC Flows	Aug				140.6	21.00	7.00
US	Net Long-term TIC Flows	Aug				103.9	21.00	7.00
<b>Wednesday, 19 October 2016</b>								
AU	Westpac Leading Index MoM	Sep				0.0	0.30	10.30
AU	Skilled Vacancies MoM	Sep				-0.4	1.00	11.00
CH	Industrial Production YoY/YTD YoY	Sep		6.4/6.1		6.3/6.0	3.00	13.00
CH	Retail Sales YoY/YTD YoY	Sep		10.7/10.3		10.6/10.3	3.00	13.00
CH	Fixed Assets Ex Rural YTD YoY	Sep		8.2		8.1	3.00	13.00
CH	GDP SA QoQ/YoY	3Q		1.8/6.7		1.8/6.7	3.00	13.00
CH	GDP YTD YoY	3Q		6.7		6.7	3.00	13.00
JN	All Industry Activity Index MoM	Aug				0.3	5.30	15.30
UK	Jobless Claims Change	Sep				2.4	9.30	19.30
UK	Average Weekly Earnings/ex Bonus 3M/YoY	Aug				2.3	9.30	19.30
UK	ILO Unemployment Rate/Employment change 3Mths	Aug				4.9	9.30	19.30
EC	Construction Output MoM/YoY	Aug				1.8	10.00	20.00
US	MBA Mortgage Applications	Oct 14				-6.0	12.00	22.00
US	Housing Starts #/MoM	Sep		1170/2.5		1142.0/-5.8	13.30	23.30
US	Building Permits #/MoM	Sep		1163/0.9		1139.0/-0.4	13.30	23.30
US	Fed's Williams Speaks in New Jersey						13.45	23.45
CA	Bank of Canada Rate Decision/Monetary Policy Report			0.5		0.5	15.00	1.00
US	U.S. Federal Reserve Releases Beige Book						19.00	5.00
<b>Thursday, 20 October 2016</b>								
AU	NAB Business Confidence	3Q				2.5	1.30	11.30
AU	Employment Change/Unemployment Rate	Sep		17.5/5.7		-3.9/5.6	1.30	11.30
AU	Participation Rate	Sep		64.8		64.7	1.30	11.30
AU	RBA FX Transactions Market	Sep				607.0	1.30	11.30
AU	RBA FX Transactions Government	Sep				-657.0	1.30	11.30
AU	RBA FX Transactions Other	Sep				67.0	1.30	11.30
JN	Machine Tool Orders YoY	Sep F				-6.3	7.00	17.00
EC	ECB Current Account SA	Aug				21.0	9.00	19.00
UK	Retail Sales Ex Auto Fuel MoM/YoY	Sep		/		-0.3/5.9	9.30	19.30
UK	Retail Sales Inc Auto Fuel MoM/YoY	Sep		/		-0.2/6.2	9.30	19.30
EC	ECB Main Refinancing/Deposit Facility Rate	Oct 20		/		0.0/-0.4	12.45	22.45
EC	ECB Marginal Lending Facility/Asset Purchase Target	Oct 20		/		0.3/80.0	12.45	22.45
US	Initial Jobless Claims	Oct 8		253		249.0	13.30	23.30
US	Philadelphia Fed Business Outlook	Oct		6		12.8	13.30	23.30
US	Bloomberg Consumer Comfort	Oct 9				41.4	14.45	0.45
US	Existing Home Sales #/MoM	Sep		5.34/0.19		5.3/-0.9	15.00	1.00
US	Leading Index	Sep		0.2		-0.2	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%				
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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