

Under (high) pressure

Friday's US retail sales data failed to have a significant impact on markets on Friday. In contrast Janet Yellen's speech in Boston did - primarily in the form of higher Treasury yields at the longer end of the curve and with that late-day support for U.S. dollar. NY Fed President Bill Dudley said he expects a rate rise this year on current forecasts.

Though The Fed chair offered no fresh clues on near term policy decisions, Yellen posed a lot of questions deemed worthy of further research, the one markets jumped on being the suggestion that running a 'high pressure' economy could boost labour market participation and ultimately lift the supply side potential of the U.S. economy.

Headline and ex-autos retail sales came in as expected (0.6% and 0.5% respectively) but the Control Group measure that feeds directly into GDP estimates disappointed (up just 0.1%). The Atlanta Fed's latest 'GDPNow' forecast was shaved to 1.9% from 2.1% after the sales data.

In stocks, the S&P500 ended virtually unchanged, +0.02% to 2132.98 while the Dow gained 0.22%. Some support came from Citigroup and JP Morgan, who both beat their earnings and revenue estimates. The VIX fell by 0.67 points or 3.42% to 16.12 to be 2.64 points or 20% higher on the week.

In US rates the bear steepening theme of recent weeks continued, US 2s +0.1bp to 0.837% (+0.5bp on the week), 10s +5.7bps (+8bps) and the 30-year 8.2bps to 2.559% (+10.8bps). Most of the moves up in the 10-30 year segment of the curve occurred after Yellen's 'high pressure economy' comments. U.K. gilts continued their sell-off driven by expectations of significantly higher inflation arising from GBP's fall, 10s +7.3bps to 1.097% (+12.8bps on the week).

In FX, the US dollar was stronger again, with late NY day support coming off the back of the rise in longer dated Treasury yields post-Yellen's speech. Leading the dollar higher was the fall in EUR/USD to below 1.10 (-0.76% on the day to 1.0972). AUD/USD was the world's strongest currency Friday, +0.65% to 0.7618 and has pushed a little further ahead in early week trade.

In commodities, oil was down just 10 cents for both WTI and Brent, to \$50.35 and \$51.95 respectively. Gold lost \$2 to \$1,253, while iron ore was up 60 cents to \$57.28 (China 62% fines import price) for a gain of \$1.42 or 2.5% on the week.

CoreLogic's weekend market summary shows another set of punchy auction clearance numbers, 77.9% nationally with Sydney clearing 83.3% up from a final 79.8% last week and Melbourne 78.5%, similar to last week's 78.4%.

Coming Up

There's plenty on offer to occupy markets this week both domestically and offshore.

The US earnings season gets fully into its stride with the likes of Bank of America. Morgan Stanley, Goldman Sachs, Netflix, GE, Johnson and Johnson and Macdonald's among the household names reporting.

Data-wise, it's a big week internationally for inflation with latest CPI readings due from the U.S. tonight and both NZ and the U.K. tomorrow. Recall that the uptick in core U.S. CPI last month, to 2.3%, pushed U.S. yields and the USD higher. 2.3% is the consensus for September. US. Industrial production is also due tonight, expected to rise by 0.2%.

The final Trump/Clinton presidential election debate takes place on Wednesday. <http://projects.fivethirtyeight.com/> is currently ascribing Clinton an 86.2% change of winning versus 13.8% for Trump. RealClear politics poll-of poll average is currently 47.2/42.2 in Clinton's favour

New Zealand CPI for Q3 is expected to be flat on the quarter and meaning annual CPI growth will be pared to just 0.1% from 0.4%. Enough, we presume, to seal the deal for an RBNZ rate cut next month and also perhaps offering a clue as to what next week's Australian CPI report may hold, at least in terms of headline inflation. As for the U.K. numbers may or may not show the initial impact of Sterling's 20% plunge since the 23 June Brexit vote, amid reports that some at least one major supermarket chains had refused to accept higher prices from a major supplier attempting to pass on higher import costs. The longer end of the U.K. gilts market is already starting to take fright at the prospect of higher inflation unchecked by the Bank of England.

Domestically, Phil Lowe speaks early tomorrow (08:10 AEDST) tomorrow on 'Inflation and Monetary Policy'. Money markets seem bound to move on that. RBA minutes are later in the morning and Thursday brings the monthly labour market lottery. NAB sees risk to the +15k consensus forecast to the upside and for the unemployment rate to hold at 5.6% not rise back to 5.7% which is the consensus.

Overnight

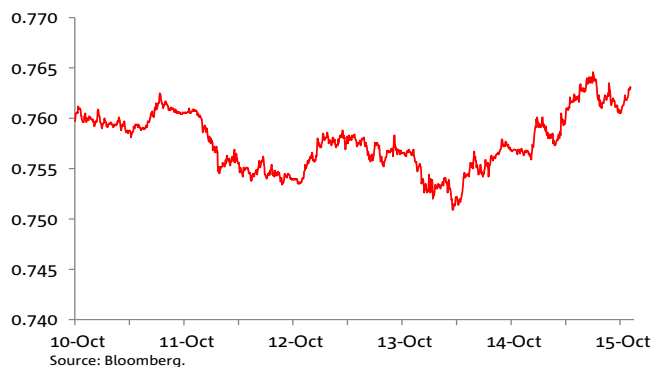
On global stock markets, the S&P 500 was -0.03%. Bond markets saw US 10-years +5.66bp to 1.80%. In commodities, Brent crude oil +0.27% to \$51.95, gold+0.2% to \$1,253, iron ore +0.2% to \$57.28. AUD is at 0.7631 and the range since Friday 5pm Sydney time is 0.7578 to 0.7646.

Author:

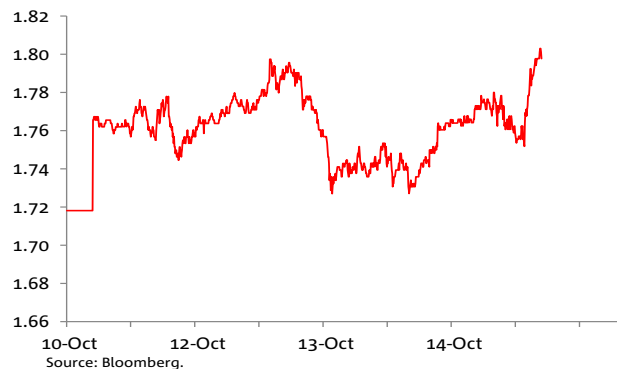
Ray Attrill – Co-head of FX Strategy

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	0.7631	0.8	0.7556	0.7648	HKD	7.7588 0.0
NZD	0.7112	0.2	0.7077	0.7133	CNY	6.7283 0.1
EUR	1.0971	-0.8	1.0969	1.1058	SGD	1.3905 0.7
GBP	1.2150	-0.8	1.2127	1.2262	IDR	13,033 0.1
JPY	104.27	0.5	103.61	104.48	THB	35.38 -0.1
CAD	1.3131	-0.5	1.3103	1.3220	KRW	1,132 0.8
AUD/EUR	0.6945	1.1	0.6840	0.6958	TWD	31.67 0.1
AUD/JPY	79.33	0.7	78.38	79.73	PHP	48.39 -0.5
AUD/GBP	0.6252	0.9	0.6172	0.6284	CHF	0.99 0.4
AUD/NZD	1.0749	0.4	1.0656	1.0765	SEK	8.84 0.6
AUD/CNH	5.1219	0.8	5.0898	5.1483		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	0.50	0.88	1.06	1.63	USD 10	1.80	2.85
AUD	1.50	1.75	1.80	2.39	AUD 10	2.26	-4.00 0.47
NZD	2.00	2.15	2.07	2.63	NZD 10	2.49	-2.70 0.70
EUR	0.00	-0.31	-0.20	0.45	CAD 10	1.25	5.40 -0.55
GBP	0.25	0.40	0.58	1.08	EUR 10	0.06	-0.90 -1.74
JPY	-0.03	-0.01	-0.07	0.07	GBP 10	1.10	5.40 -0.70
CAD	0.50	0.90	0.98	1.49	JPY 10	-0.05	0.20 -1.85

Equities

Major Indices

	Last	% day	% y/y
Dow	18,138	0.0	5.4
S&P 500	2,133	0.0	4.9
Nasdaq	5,214	-0.5	6.7
VIX	16	1.3	7.1
FTSE	7,014	-0.1	10.0
DAX	10,580	0.5	4.7
CAC 40	4,471	0.4	-4.9
Nikkei	16,856	0.1	-7.8
Shanghai	3,064	0.2	-9.7
Hang Seng	23,233	-0.7	0.7
ASX 200	5,434	-0.7	3.1

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.21	-2.00
3 Yr bond	97.8	1.00
10 Yr bond	97.72	-5.50
3/10 sprd	0.08	6.50
SPI	5406.0	49.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	51.95	0.3
Oil (WTI)	50.35	0.3
Oil (Tapis)	52.20	-0.8
Gold	1253.10	0.2
CRB	189.47	0.7
GS Metals	276.3	-1.5
Aluminium	1671.0	-0.4
Copper	4655.8	-2.9
Nickel	10447.0	-0.7
Zinc	2245.8	-0.2
Ch. steel	2431.0	4.1
Iron ore	57.3	0.2
St. Coal	89.5	1.6
Met.coal	229.0	0.0
Wheat Chic.	439.3	5.5
Sugar	22.9	-1.0
Cotton	70.6	2.3
Coffee	155.4	2.2

CO₂ Emissions - Euros

	Last	% day
Dec-2016	5.81	5.3
Jun-2017	5.83	5.2

* 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
Monday, 17 October 2016								
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		0.4		0.1/0.2	10.00	20.00
EC	CPI Core YoY	Sep F		0.8		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	Oct				0.8	15.00	1.00
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
Tuesday, 18 October 2016								
AU	RBA Governor Lowe Speech at Aust & NZ Investment Conference in Sydney						22.10	8.10
NZ	CPI QoQ/YoY	3Q	0/0.1	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		0.2/0.9		0.3/0.6	9.30	19.30
UK	CPI Core YoY	Sep		1.4		1.3	9.30	19.30
UK	PPI Input NSA MoM/YoY	Sep		0.4/7.4		0.2/7.6	9.30	19.30
UK	PPI Output Core NSA MoM/YoY	Sep		0.2/1.4		0.2/1.3	9.30	19.30
UK	House Price Index YoY	Aug		7.8		8.3	9.30	19.30
CA	Manufacturing Sales MoM	Aug		0.2		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
NZ	Global Dairy Auction, early am NZT (GDT-weighted index)					-3.0%		
Wednesday, 19 October 2016								
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		0.2		0.3	5.30	15.30
UK	Jobless Claims Change	Sep		3.15		2.4	9.30	19.30
UK	Average Weekly Earnings/ex Bonus 3M/YoY	Aug		2.3		2.3	9.30	19.30
UK	ILO Unemployment Rate/Employment change 3Mths	Aug		4.9		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		1175/2.9		1142.0/-5.8	13.30	23.30
US	Building Permits #/MoM	Sep		1165/1.1		1139.0/-0.4	13.30	23.30
US	Fed's Williams Speaks in New Jersey						13.45	23.45
UK	Chancellor Hammond testifies to Treasury Committee						14.15	0.15
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
Thursday, 20 October 2016								
US	NY Fed President Dudley speaks on NYC economic history in NYC						0.45	10.45
AU	NAB Business Confidence	3Q				2.5	1.30	11.30
AU	Employment Change/Unemployment Rate	Sep	30/5.6	15/5.7		-3.9/5.6	1.30	11.30
AU	Participation Rate	Sep	64.9	64.8		64.7	1.30	11.30
AU	RBA FX Transactions Market	Sep				607.0	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		0.2/4.4		-0.3/5.9	9.30	19.30
UK	Retail Sales Inc Auto Fuel MoM/YoY	Sep		0.3/4.8		-0.2/6.2	9.30	19.30
EC	ECB Main Refinancing/Deposit Facility Rate	Oct 20		0/-0.4		0.0/-0.4	12.45	22.45
EC	ECB Marginal Lending Facility/Asset Purchase Target	Oct 20		0.25/80		0.3/80.0	12.45	22.45
US	Initial Jobless Claims	Oct 15		250		246.0	13.30	23.30
US	Philadelphia Fed Business Outlook	Oct		6		12.8	13.30	23.30
US	Bloomberg Consumer Comfort	Oct 16				42.1	14.45	0.45
US	Existing Home Sales #/MoM	Sep		5.35/0.38		5.3/-0.9	15.00	1.00
US	Leading Index	Sep		0.2		-0.2	15.00	1.00
Friday, 21 October 2016								
NZ	Net Migration SA	Sep				5600	22.45	8.45
CH	Property Prices	Sep					2.30	12.30
CH	MNI Business Indicator	Oct					2.45	12.45
NZ	Credit Card Spending MoM/YoY	Sep				-1.4/1.9	3.00	13.00
UK	Public Finances (PSNCR)/PSNB ex Banking Groups	Sep				0.7/10.5	9.30	19.30
EC	ECB Survey of Professional Forecasters						9.00	19.00
EC	Govt Debt/GDP Ratio	2015				90.7%	10.00	20.00
CA	Retail Sales MoM	Aug		0.3		-0.1	13.30	23.30
CA	CPI NSA MoM/YoY	Sep		0.2/1.4		-0.2/1.1	13.30	23.30
EC	Consumer Confidence	Oct A		-8		-8.2	15.00	1.00
US	Fed Governor Tarullo speaks in New York						15.15	1.15
US	San Francisco Fed President Williams speaks in San Francisco						19.30	5.30
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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