

Cautious Man

Bruce Springsteen cautious man tells the story of a man that has doubts about his marriage and in a similar way markets have started the week in a tentative mood reflecting some concerns on the outlook. Equities are little bit lower with energy stocks leading the decline, weighted down by the pull back in oil prices as scepticism appears to be rising on OPEC ability to limit supply. The softer tone in equities attracted some demand for US Treasury while the USD is softer across the board with mixed US data releases seemingly also a contributing factor.

WTI and Brent oil are both down by 1% following news that Libyan output expanded last week (560k barrels a day from 540k previously), Iran repeated its intension to boost production and Nigeria's oil minister said that the African nation was aiming to increase its output by 400k barrels a day to 2.2m. OPEC's task to restricting oil output appears to be getting harder every day. Adding salt to the wound, a US report showed rigs targeting crude in the US rose for a seventh week to the highest level since February.

Speaking in New York, Fed Vice Chair Stanley Fischer said that government policies could help partly counter the impact of lower productivity and an aging population which is weighing on the U.S. economy and keeping interest rates low. Fischer argued that a combination of "more encouragement for private investment, improved public infrastructure, better education, and more effective regulation is likely to promote faster growth of productivity and living standards,"

US Industrial Production rose 0.1% in September matching consensus. The IP data has been volatile recently, but the trend suggests manufacturing productivity is now just above flat and the drop in mining appears to have ended. On the disappointing side, the October Empire State index fell to -6.8 from -2.0 against expectations of a rebound to +1.

Looking at currencies, the USD is softer against most currencies. The NZD is at the top the G10 leader board, up 0.65% followed by the NOK (+0.45%) and JPY (0.31%). Meanwhile GBP and AUD are little changed currently trading at 1.2196 and 0.7623 respectively. BoE deputy Governor Broadbent said the currency's slump since the U.K. vote to quit the European Union will help the economy overcome shocks from the decision.

Looking at other commodities, Iron ore climbed another 1.9% and ended the day at \$58.4. Gold was up 0.3% to \$1255, thermal coal eased back a little by 0.4% to \$228 and copper is practically unchanged at \$4671.

Coming Up

We have a busy calendar today with CPI the main theme domestically and in offshore markets. RBA Governor Lowe kicks off the day events when he speaks at the Citi's Annual Australian & New Zealand Investment Conference (8:10am Sydney time). The topic of the speech is "inflation and monetary policy" and no doubt the market will be looking for any hints on how patient the RBA may be in terms of returning inflation to the target band.

The Governor could well be half way through his speech when New Zealand releases its Q3 CPI report (8:45am Sydney time). Our BNZ colleagues expect CPI to print flat for the quarter (in line with market expectations) meaning the annual CPI should come at 0.1%, down from 0.4% previously. An outcome close to market expectations should seal the deal for an RBNZ rate cut next month and it could also provide some clues to what Australia's Q3 CPI may look like the following week. Later this morning we also get the RBA October Board Minutes along with new vehicle sales figures for September.

Moving on to Europe, the ECB releases its Q3 bank lending survey and the UK releases its house price index for August and its September CPI figures (0.1% mom exp. vs 0.3% prev.). The market will be looking for any signs of an increase in import prices following the sharp GBP decline post the June EU referendum. Importantly, as well, if inflation surprises on the upside, then the big question will be to what extent the BoE will be happy to run the economy hot.

Tonight the US also releases its CPI figures. In August both the headline and core numbers exceeded expectations, the year on year headline number moved to 1.1% and the core reading climbed to 2.3%, its highest level post the GFC. For September the market is looking for a 0.3% rise in headline and 0.2% in Core. If the latter number is right, then core CPI will retain its 2.3% yoy reading. The report will also be analysed to see if inflationary pressures are becoming broad based. In terms of Q3 reporting season Goldman Sachs, Johnson & Johnson and Intel are the notable companies reporting today.

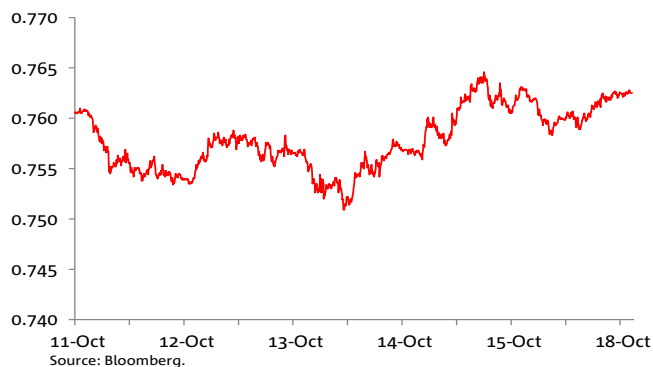
Early on Wednesday morning we have another GDT dairy auction and our BNZ colleagues expect little change in price.

Overnight

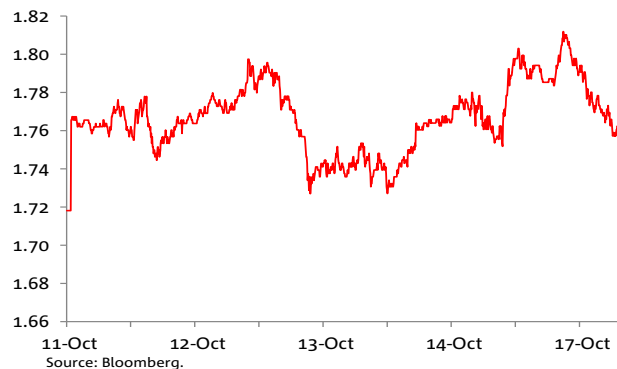
On global stock markets, the S&P 500 was -0.29%. Bond markets saw US 10-years -3.35bp to 1.77%. In commodities, Brent crude oil -0.88% to \$51.54, gold +0.3% to \$1,255, iron ore +1.9% to \$58.38. AUD is at 0.7625 and the range since yesterday 5pm Sydney time is 0.7589 to 0.7628.

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	0.7625	0.1	0.7581	0.7633	HKD	7.7591 0.0
NZD	0.7134	0.7	0.7078	0.7141	CNY	6.7375 0.1
EUR	1.0999	0.2	1.0964	1.1008	SGD	1.3893 -0.1
GBP	1.2181	-0.1	1.2127	1.2205	IDR	13,069 0.3
JPY	103.89	-0.3	103.79	104.40	THB	35.24 -0.3
CAD	1.3131	-0.1	1.3106	1.3183	KRW	1,138 0.5
AUD/EUR	0.6933	-0.2	0.6908	0.6961	TWD	31.80 0.4
AUD/JPY	79.22	-0.1	78.82	79.63	PHP	48.58 0.4
AUD/GBP	0.6260	0.1	0.6226	0.6294	CHF	0.99 -0.1
AUD/NZD	1.0688	-0.6	1.0661	1.0757	SEK	8.81 -0.3
AUD/CNH	5.1371	0.3	5.1113	5.1483		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.88	1.04	1.60	USD 10	1.77	-3.17
AUD	1.50	1.75	1.76	2.37	AUD 10	2.31	4.50 0.54
NZD	2.00	2.15	2.08	2.67	NZD 10	2.53	3.80 0.77
EUR	0.00	-0.31	-0.19	0.42	CAD 10	1.22	-3.00 -0.55
GBP	0.25	0.40	0.58	1.08	EUR 10	0.06	-0.30 -1.71
JPY	-0.03	-0.01	-0.06	0.08	GBP 10	1.12	2.60 -0.64
CAD	0.50	0.90	0.96	1.45	JPY 10	-0.05	0.20 -1.82

Equities

Major Indices

	Last	% day	% y/y
Dow	18,086	-0.3	5.1
S&P 500	2,127	-0.3	4.6
Nasdaq	5,200	-0.3	6.4
VIX	16	0.6	7.7
FTSE	6,948	-0.9	8.9
DAX	10,504	-0.7	4.0
CAC 40	4,450	-0.5	-5.4
Nikkei	16,900	0.3	-7.6
Shanghai	3,041	-0.7	-10.3
Hang Seng	23,038	-0.8	-0.1
ASX 200	5,389	-0.8	2.3

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.23	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.74	-6.50
3/10 sprd	0.06	9.50
SPI	5372.0	42.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	51.54	-0.9
Oil (WTI)	49.92	-0.8
Oil (Tapis)	51.66	-1.0
Gold	1255.00	0.3
CRB	189.39	0.0
GS Metals	275.2	-0.4
Aluminium	1645.0	-1.6
Copper	4671.0	0.3
Nickel	10400.0	-0.4
Zinc	2261.0	0.3
Ch. steel	2418.0	0.8
Iron ore	58.4	1.9
St. Coal	91.0	1.7
Met.coal	228.0	-0.4
Wheat Chic.	441.0	0.6
Sugar	23.2	1.0
Cotton	71.2	0.8
Coffee	157.2	1.3

CO₂ Emissions - Euros

	Last	% day
Dec-2016	5.86	0.9
Jun-2017	5.88	0.9

* 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
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		0.1/0.9		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		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	1.15
CA	Bank of Canada Rate Decision/Monetary Policy Report			0.5		0.5	15.00	0.00
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
Monday, 24 October 2016								
JN	Trade Balance Adjusted	Sep				408.4	0.50	10.50
JN	Exports/Imports YoY	Sep		/		-9.6/-17.3	0.50	10.50
JN	Nikkei Japan PMI Mfg	Oct P				50.4	1.30	11.30
JN	Leading Index CI	Aug F				101.2	6.00	16.00
GE	Markit/BME Germany Manufacturing PMI	Oct P				54.3	8.30	18.30
GE	Markit Germany Services/Composite PMI	Oct P		/		50.9/52.8	8.30	18.30
EC	Markit Eurozone Manufacturing PMI	Oct P				52.6	9.00	19.00
EC	Markit Eurozone Services/Composite PMI	Oct P		/		52.2/52.6	9.00	19.00
UK	CBI Trends Total Orders	Oct				-5.0	11.00	21.00
US	Chicago Fed Nat Activity Index	Sep				-0.6	13.30	23.30
CA	Wholesale Trade Sales MoM	Aug				0.3	13.30	23.30
JN	Small Business Confidence	Oct				47.7		24-28 Oct release
CH	Conference Board Leading Economic Index	Sep					14.00	0.00
US	Fed's Bullard Speaks on Economy, Monetary Policy in Arkansas						14.05	0.05
US	Markit US Manufacturing PMI	Oct P				51.5	14.45	0.45
CA	Bloomberg Nanos Confidence	Oct 14				57.1	15.00	1.00
US	Fed's Evans Speaks in Chicago						18.30	4.30
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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