

## Counting the beat

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It was a pretty measured night for markets, the Pound showing more stability (for now anyway), up around 0.5% from late yesterday afternoon levels in the wake of a story on legal advice to the UK Government that the UK Parliament will vote on the terms of exit (wasn't that always likely to happen?) if not triggering Article 50. (There still seems to be some ambiguity over whether triggering will/should require such approval.) Also, the UK September CPI stronger than expected CPI, but not from a weaker Sterling according to the UK Statistical Office!

Kiwi also caught a bid tone after a 1.4% price rise from the overnight Global Dairy auction and yesterday's somewhat higher than expected CPI. The USD has been listless, with bond markets catching a bid tone from a somewhat underwhelming US core CPI and choppy oil markets that were also softer for a time.

Ahead of today's welter of Chinese GDP and activity data, the AUD is trading this morning almost bang on where it was yesterday afternoon, at 0.7665. Governor Lowe's speech yesterday attracted a lot of wire coverage as you'd expect, but with only a half hint at best that next week's CPI might put the November meeting in play for a potential easing. He centred on several current aspects to the evolving economy story, one being the recent commodity price resilience and signs the terms of trade might be bottoming, previously a big headwind. Elsewhere, he described the labour market as "mixed", pointing out the still evident labour market slack and the much more common element of low wage rises that received a big airplay in his address. Housing is not as contained as the Bank might have hoped, it seems.

Writing in the Fairfax press, seasoned RBA watcher Peter Martin has said that the Governor has "held out hope of further interest rate cuts to guard against further falls in inflationary expectations".

The local press this morning seems to have focussed more on what he said in his Q&A on the effects that a Trump Presidency might have on global markets, the Governor saying that it would be more of a shock to financial markets than had been the case with Brexit.

We note in the AU commodity context that now steaming coal prices are accelerating, Newcastle December futures for example up another \$4.50/t yesterday to \$98. That's now more than doubled the low from earlier this year. Met coal (at \$227.75 and iron ore at \$58.41/t were both virtually steady. Base metals have been mixed overnight and the VIX

index eased 1.15 to 15.06 with the equities higher, if off their intra-day peaks.

US headline CPI was right in line with expectations at 0.3%/1.5% (up from 0.2%/1.1%) but core CPI missed by a tenth, the annual rate easing to 2.2% from 2.3%. The US NAHB Housing index for October was high at 63, exactly as expected, easing from 65. US bond yields have eased, 2s down to 0.80 (-1.2bps) and 10s down 2bps to 1.75%. The probability of a Dec Fed hike eased to just under 70%.

## Coming up

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The focus shifts to China today with the release of its September quarter GDP and September month activity partials. The market is looking for steady 6.7% annual GDP growth. As for the September month partials, all are expected to be a tenth higher, industrial production expected to print at 6.4%, up from 6.3%, retail sales at 10.7% (from 10.6%), and fixed assets investment in year-to-date terms at 8.2% from 8.1%.

There is only second tier local data with the Westpac Leading Index and Skilled Vacancies, both for September. For completeness, Japan also releases its All Industry Activity Index.

As far as scheduled data and policy events are concerned, there's more than enough to keep the market engaged, with focus in the UK, US, and Canada.

The UK has its monthly labour market report with Chancellor Hammond testifying to the Treasury Committee. The monthly US housing starts/permits is on the slate, along with a speech from San Francisco Fed President John Williams, and then the Fed's Beige Book, to be filtered for regional views on business conditions with particular focus on wages and prices.

The Bank of Canada has its rate meeting tonight and the release of its Monetary Policy Report. All economists surveyed in the Bloomberg survey expect the BoC overnight lending rate to be unchanged at 0.5%.

## Overnight

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On global stock markets, the S&P 500 was +0.42%. Bond markets saw US 10-years -2.28bp to 1.74%. In commodities, Brent crude oil +0.49% to \$51.77, gold+0.5% to \$1,263, iron ore +0.1% to \$58.41. AUD is at 0.7663 and the range since yesterday 5pm Sydney time is 0.7659 to 0.7688.

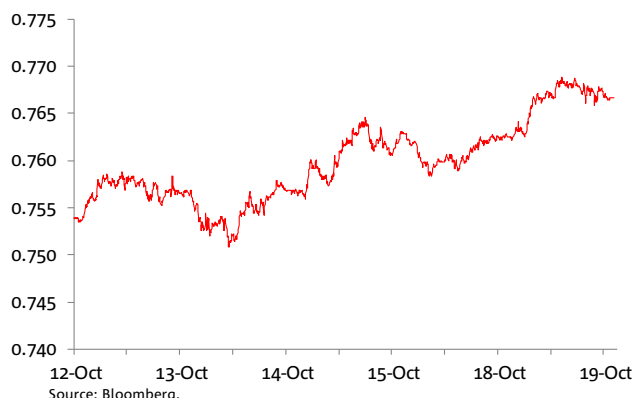
Good luck.

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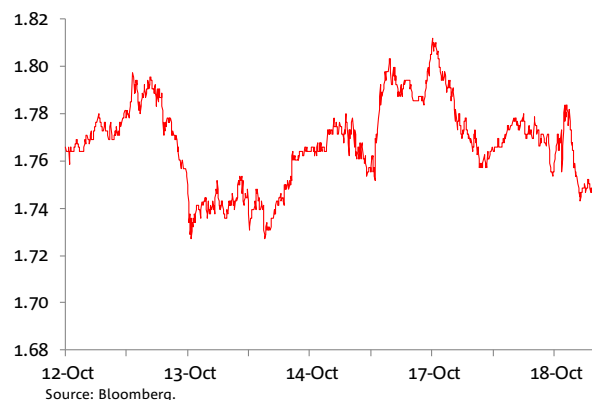
### Author:

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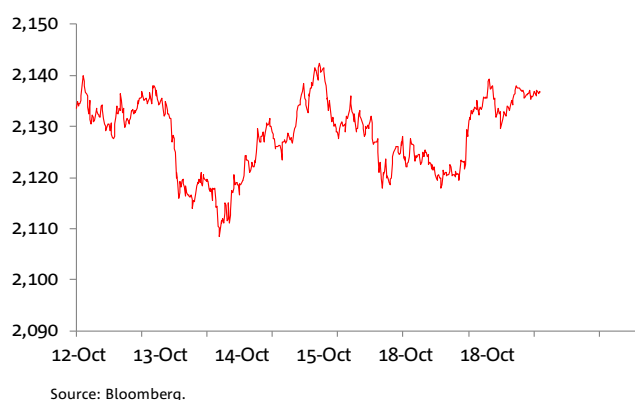
AUD/USD - past week



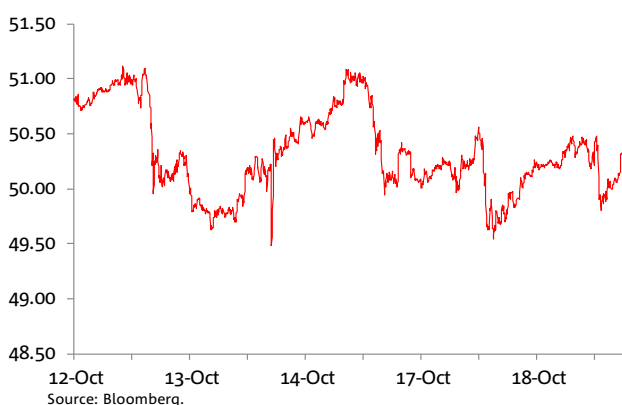
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7663	0.4	0.7625	0.7690	HKD	7.7595 0.0
NZD	0.7192	1.0	0.7182	0.7224	CNY	6.7309 -0.1
EUR	1.0978	-0.1	1.0970	1.1014	SGD	1.3861 -0.3
GBP	1.2289	1.0	1.2256	1.2326	IDR	13,016 -0.4
JPY	103.84	-0.2	103.74	104.21	THB	35.04 -0.7
CAD	1.3126	-0.2	1.3026	1.3166	KRW	1,126 -1.2
AUD/EUR	0.698	0.8	0.6967	0.6995	TWD	31.54 -0.8
AUD/JPY	79.57	0.5	79.54	79.98	PHP	48.10 -0.9
AUD/GBP	0.6235	-0.3	0.6220	0.6264	CHF	0.99 0.1
AUD/NZD	1.0654	-0.3	1.0628	1.0683	SEK	8.83 0.1
AUD/CNH	5.1576	0.6	5.1645	5.1867		

Equities

Major Indices			
	Last	% day	% y/y
Dow	18,162	0.4	5.5
S&P 500	2,140	0.4	5.2
Nasdaq	5,244	0.8	7.3
VIX	15	-6.0	1.3
FTSE	7,000	0.8	9.8
DAX	10,632	1.2	5.2
CAC 40	4,509	1.3	-4.1
Nikkei	16,964	0.4	-6.4
Shanghai	3,084	1.4	-8.9
Hang Seng	23,394	1.5	1.4
ASX 200	5,411	0.4	2.7

Commodities\*

	Last	% day
Oil (Brent)	51.77	0.5
Oil (WTI)	50.37	0.9
Oil (Tapis)	51.54	-0.2
Gold	1263.20	0.5
CRB	189.78	0.2
GS Metals	274.5	-0.3
Aluminium	1633.8	-1.3
Copper	4669.3	0.3
Nickel	10375.8	1.2
Zinc	2275.8	0.6
Ch. steel	2493.0	2.7
Iron ore	58.4	0.1
St. Coal	98.0	4.8
Met.coal	227.8	-0.1
Wheat Chic.	440.0	-0.5
Sugar	23.0	-0.6
Cotton	71.2	-0.1
Coffee	158.8	1.1

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	0.50	0.88	1.03	1.58	USD 10	1.74	-2.28
AUD	1.50	1.75	1.76	2.37	AUD 10	2.33	2.50 0.59
NZD	2.00	2.13	2.12	2.73	NZD 10	2.60	6.20 0.86
EUR	0.00	-0.31	-0.20	0.40	CAD 10	1.20	-2.20 -0.54
GBP	0.25	0.40	0.57	1.04	EUR 10	0.04	-2.00 -1.71
JPY	-0.05	-0.01	-0.05	0.08	GBP 10	1.08	-4.30 -0.66
CAD	0.50	0.91	0.95	1.43	JPY 10	-0.05	0.20 -1.79

Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.22	1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.72	-0.50
3/10 sprd	0.08	3.50
SPI	5403.0	-34.0

\*Change in bps

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

	Last	% day
Dec-2016	5.95	1.5
Jun-2017	5.97	1.5

\* 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>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		0.2		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
<b>Thursday, 20 October 2016</b>								
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		0.3/4.7		-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		5.25		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
<b>Friday, 21 October 2016</b>								
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
<b>Monday, 24 October 2016</b>								
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				56.8	15.00	1.00
US	Fed's Evans Speaks in Chicago						18.30	4.30
<b>Tuesday, 25 October 2016</b>								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct 16				117.5	23.30	9.30
GE	IFO Business Climate	Oct				109.5	9.00	19.00
GE	IFO Current Assessment/Expectations	Oct		/		114.7/104.5	9.00	19.00
EC	European Commission Economic Forecasts							
US	FHFA House Price Index MoM	Aug				0.5	14.00	0.00
US	S&P CoreLogic CS 20-City MoM/YoY SA	Aug		/		0.0/5.0	14.00	0.00
US	Consumer Confidence Index	Oct		100.5		104.1	15.00	1.00
US	Richmond Fed Manuf. Index	Oct		-3		-8.0	15.00	1.00
US	IBD/TIPP Economic Optimism	Oct		47.5		0.0	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

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