

O Canada!

Resorting to national anthems this morning which is admittedly pretty lame, though a glance at the intra-day (night) chart of the Canadian dollar offers some justification. In fact most of this volatility in the currency related not to the oil price – where WTI crude has punched up to its highest level since July 2015 (see below) - but the revelation by Bank of Canada Governor Stephen Poloz following an as-expected unchanged monetary policy decision that the Bank ‘had actively discussed the possibility’ of further monetary policy easing at Wednesday’s meeting. This was despite earlier describing the risks to the inflation outlook as ‘roughly balanced’. That headline immediately reversed the earlier drop in USD/CAD from above 1.31 to within kissing distance of 1.30 and which had been the knee-jerk response to the BoC ‘no change’ decision.

Sandwiched within this highly volatile two hour period was the news that US crude oil inventories fell by 5.25mn barrels last week according to the EIA, sharply at odds with an expected build of about 2mn barrels. This news came a couple of hours after Saudi Arabia’s Minister of Energy and Industry Khalid Al-Falih said ‘many’ nations are willing to join OPEC in cutting production to secure a continued improvement in oil prices. He said negotiations will continue until the scheduled 30 November OPEC meeting. The net result of all this is that WTI crude has added more than 2% to its recent rally (to \$51.44) and Brent crude 1.7% up to \$52.56 as we write.

US energy stocks are loving the oil price news, and together with a boost to financial stocks after Morgan Stanley became the latest US bank to comfortably beat its own earnings and revenue guidance, means that the S&P 500 is closing with gains of about 0.25%. Post close, Amex has just reported and comfortably beat its earnings estimate (\$1.24 vs. \$0.96 expected). US bonds yields have also edged higher on oil though the yield rally has been pared to less than one basis point at 10 years in afternoon NY trade.

Closer to home, the other thing to note is of course that the AUD/USD rate now trades back clean above 77 cents, recording a high of 0.7729 soon after the London close. Given the oil price news, you’d think that CAD and NOK would have easily outpaced AUD (and NZD) but not so in part given the BoC news. Also to note is the FT saying that a government appointed committee has recommended that Norway’s state oil fund should now invest 70% of its assets in equities, up from 60% currently.

The small pull-back in the AUD is early APAC trade appears to owe something to the front page report in The Australian

newspaper by David Uren saying that the government fears the mid-year budget update could be the catalyst for Australian losing its AAA rating.

Coming Up

The third and final Trump/Clinton TV debate, in Las Vegas, takes place from 12:00 AEDST this morning. With some bookies already paying out on a Clinton victory on 8 November, interest today may be more for its entertainment value than a genuine interest in Trump’s last chance to pull back from the electoral abyss. As of yesterday, Nate Silver’s www.fivethirtyeight.com website was giving Clinton an 87.4% chance of victory (now about the same as you could get on the UK voting to stay in the EU on 23 June!)

Probably much more relevant for Australian markets today is the monthly (September) labour market lottery. In preparing a “forecast” for the headline employment change (a term we use advisedly) we assume the underlying trend employment gain is likely to be the order of around 15K, but to that we would add the likelihood of a higher print owing to sample rotation effects. NAB’s forecast for employment is a rise of 30 K, with the possibility that an even higher print could be in the offing owing to monthly sample variability.

The unemployment rate in September is forecast to be steady at 5.6%, unchanged from August. Higher employment usually brings you a monthly lift in the participation rate that we expect will have risen from 64.7% to 64.9%, enough with much stronger employment should still keep the unemployment rate steady at 5.6%.

Offshore tonight, the main interest is likely to be in the ECB Governing Council meeting where following what will almost inevitably be a no-change policy decision, there’ll be keen interest in what President Draghi says – or doesn’t - about potential QE tapering when the current €80bn per month buying programme completes next March. ‘Not a lot’ is our guess – i.e. he will firmly push on the suggestion that any decision has yet come close to having been made.

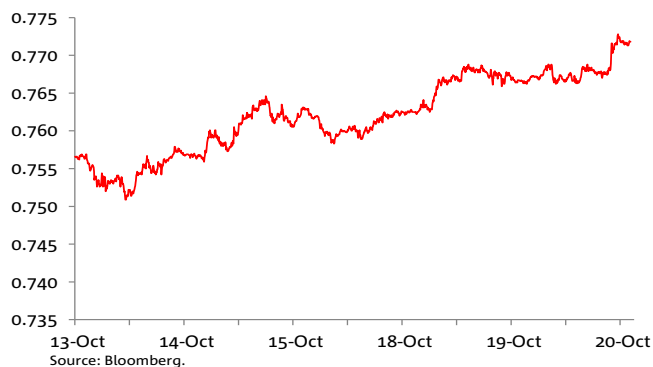
Also tonight we’ll get UK retail sales, and in the U.S. the Philly Fed survey, weekly jobless claims and Existing Home Sales.

Overnight

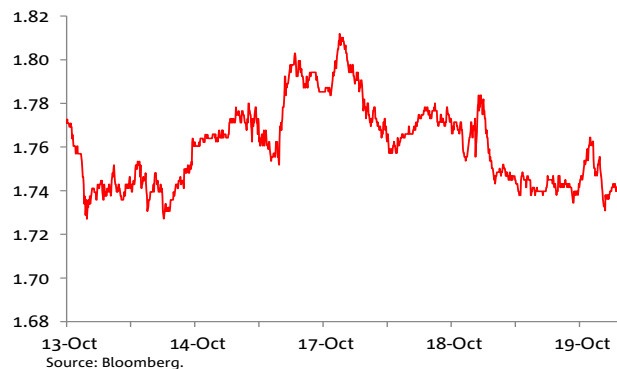
On global stock markets, the S&P 500 was +0.22%. Bond markets saw US 10-years +0.18bp to 1.74%. In commodities, Brent crude oil +1.66% to \$52.54, gold+0.6% to \$1,268, iron ore -0.1% to \$58.37. AUD is at 0.7717 and the range since yesterday 5pm Sydney time is 0.7663 to 0.7729.

Markets

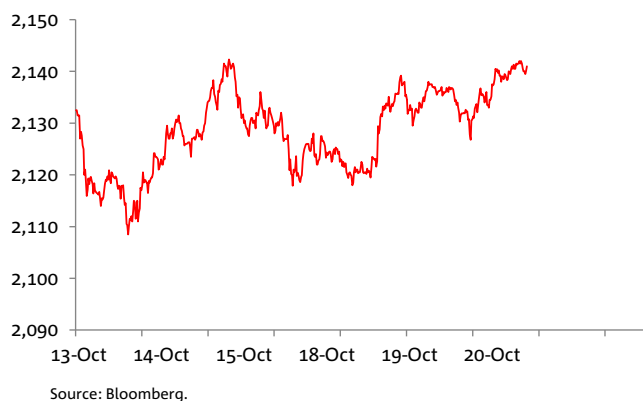
AUD/USD - past week



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	0.7718	0.7	0.7659	0.7729	HKD	7.7574 0.0
NZD	0.7228	0.5	0.7190	0.7249	CNY	6.7378 0.0
EUR	1.0965	-0.1	1.0955	1.1005	SGD	1.3869 0.1
GBP	1.2276	-0.2	1.2254	1.2332	IDR	13,008 -0.1
JPY	103.47	-0.4	103.17	103.95	THB	34.87 -0.4
CAD	1.3125	0.1	1.3006	1.3142	KRW	1,123 -0.6
AUD/EUR	0.7039	0.8	0.6970	0.7048	TWD	31.55 -0.1
AUD/JPY	79.86	0.3	79.15	79.86	PHP	47.99 -0.4
AUD/GBP	0.6288	0.9	0.6230	0.6297	CHF	0.99 0.0
AUD/NZD	1.0677	0.2	1.0626	1.0687	SEK	8.85 0.3
AUD/CNH	5.1911	0.5	5.1653	5.1870		

Equities

Major Indices	Last	% day	% y/y
Dow	18,232	0.4	5.8
S&P 500	2,147	0.4	5.6
Nasdaq	5,252	0.2	7.1
VIX	14	-6.3	-4.4
FTSE	7,022	0.3	10.5
DAX	10,646	0.1	4.7
CAC 40	4,520	0.3	-3.9
Nikkei	16,999	0.2	-6.6
Shanghai	3,085	0.0	-9.9
Hang Seng	23,305	-0.4	1.4
ASX 200	5,435	0.5	3.8

Commodities*

	Last	% day
Oil (Brent)	52.49	1.6
Oil (WTI)	51.40	2.2
Oil (Tapis)	52.17	1.2
Gold	1267.90	0.6
CRB	190.77	0.5
GS Metals	274.5	0.0
Aluminium	1625.0	-0.5
Copper	4660.0	-0.2
Nickel	10275.0	-1.0
Zinc	2299.0	1.0
Ch. steel	2478.0	2.4
Iron ore	58.4	-0.1
St. Coal	91.4	-1.4
Met.coal	229.0	0.5
Wheat Chic.	440.8	0.2
Sugar	23.0	-0.3
Cotton	71.1	-0.1
Coffee	157.9	-0.6

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.88	1.03	1.58	USD 10	1.75	1.41
AUD	1.50	1.75	1.80	2.41	AUD 10	2.30	-3.60 0.55
NZD	2.00	2.13	2.12	2.74	NZD 10	2.62	0.70 0.87
EUR	0.00	-0.31	-0.20	0.41	CAD 10	1.20	0.50 -0.55
GBP	0.25	0.40	0.57	1.05	EUR 10	0.03	-0.50 -1.72
JPY	-0.05	-0.01	-0.05	0.08	GBP 10	1.08	0.20 -0.67
CAD	0.50	0.91	0.93	1.44	JPY 10	-0.06	-0.70 -1.81

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.23	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.72	-2.00
3/10 sprd	0.08	5.00
SPI	5419.0	-28.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Dec-2016	5.67	-4.7
Jun-2017	5.68	-4.9

* 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
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		0.3/4.7		-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		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 21				56.8	15.00	1.00
US	Fed's Evans Speaks in Chicago						18.30	4.30
Tuesday, 25 October 2016								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct 23				117.8	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 Manufact. Index	Oct		-3		-8.0	15.00	1.00
US	IBD/TIPP Economic Optimism	Oct		47.5		0.0	15.00	1.00
Wednesday, 26 October 2016								
AU	RBA CIO Girn Gives Speech						1.15	11.15
AU	CPI Trimmed Mean QoQ/YoY	3Q		/		0.5/1.7	1.30	11.30
AU	CPI Weighted Median QoQ/YoY	3Q		/		0.4/1.3	1.30	11.30
CH	Westpac-MNI Consumer Sentiment	Oct				115.2	2.45	12.45
GE	GfK Consumer Confidence	Nov				10.0	7.00	17.00
UK	BBA Loans for House Purchase	Sep				36997.0	9.30	19.30
US	Advance Goods Trade Balance	Sep		-60.6		-58.4	13.30	23.30
US	Wholesale Inventories MoM	Sep P				-0.2	13.30	23.30
US	Markit US Services/Composite PMI	Oct P		/		52.3/52.3	14.45	0.45
US	New Home Sales, #/MoM	Sep		604/-0.8		609.0/-7.6	15.00	1.00
Upcoming Central Bank Interest Rate Announcements								
Europe ECB		20-Oct				0.00%		
Canada, BoC		7-Dec				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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