

Boom Boom

The ECB meeting came and went with absolutely no change in policy, as expected. But also with a whippy Euro, flicked around as ECB President Mario Draghi responded to questions at the press conference on whether the Council discussed extending QE beyond next March and, did they discuss tapering. A firm “NO” on both was the response from the President.

As my colleague Gavin Friend reported overnight, it was because of recent media stories that reported the ECB Governing Council had reached a consensus on tapering QE after the current program ends in March 2017, markets/journalists (unrealistically) wanted specifics today. That made for a messy and sometimes confusing ECB press conference.

Predictably one of the first questions was about QE extension and Draghi gave a straight “No” (period) to whether the Governing Council had discussed extending it. In subsequent and persistent questioning on the subject an increasingly irritated Draghi pushed back further, saying there was no discussion on tapering and even, “we haven’t really discussed the agenda for the December meeting.” He then said our decisions in December will tell you what we are going to do in coming months, but added, “an abrupt ending to bond purchases is unlikely.”

Draghi’s initial pushback on QE extension discussions and a quip that QE could not last forever were taken as hawkish. EUR/USD popped from 1.0980 to 1.1040, while yields followed before dropping back and then to lower levels as headlines such as the governing council did ‘briefly’ touch on negative rates appeared. Dropping to 1.0916 – level with June and March lows, with the Bund yield slumping to zero from a session high of +0.07%. Markets took the combination of the comments of ‘no abrupt end to QE’ and a ‘brief’ discussion of negative rates as an indication the ECB will be extending QE come next March at the same unchanged (EUR80bn) per month levels. EUR/USD is trading at 1.0928 this morning, the German bund yield is 0.003%.

UK retail sales in September unveiled another month of flat sales on the High Street. The market was looking for growth of 0.2-0.3% and sales flat-lined again, this month from a 2.8% decline in clothing sales and prices up 5.2%. So Sterling has pushed up prices after all, it’s now apparent.

While sterling gave back some of its recent gains overnight, at 1.2249 this morning, it’s the AUD that’s now a cent lower than before yesterday’s employment release, buying enthusiasm reversed for now anyway. Next week’s CPI will

be another important signpost. The VIX was down 0.6 points to 13.81 overnight, base metals were mostly lower, while the Australian bulk resource export prices are little changed, iron ore up 0.8%, met coal steady and steaming coal -0.1%. Also, oil was lower overnight, WTI and Brent by over 3%, more than \$1/bbl.

US data was unlikely to trouble the scorers too much and that’s how it’s panned out. Existing Home Sales were stronger in September (+3.2% after softness the previous two months), while jobless claims were higher at 260K (up from 247K), though likely affected by Hurricane Matthew claims.

US Treasury yields were little changed (2s up 2.4 bps and 10s up 0.5) with the market pricing in a 73% chance of the Fed hiking in December, but there’s only 36 bps priced in total by the end of next year, including the upcoming December meeting, so not even one more for the whole of next year. The market has more than embraced the dovish tilt of US policy and factored in still low inflationary expectations.

Coming up

Chinese property prices have recently shown signs of re-acceleration and today’s September report will show some further light on that. In August, prices overall were estimated to have risen 1.2%/7.3% after 0.7%/6.4% with 64 of the 70 covered cities reporting that prices had increased in August, up from 51 in July. Further acceleration – should it occur – will only stoke fears that the Chinese authorities will take further steps to cool markets.

First up, there are two NZ releases, net migration at 8.45 AEST and then early this afternoon, NZ credit card spending at 13.00. As far as scheduled data and speeches are concerned, there are two Fed speakers tonight with Fed Governor Powell and San Francisco Fed President John Williams (Yellen’s former head of research when she was SF President and like-minded to Yellen’s dovish monetary policy leanings) both speaking. It’s another potentially important night for the CAD with the key retail sales and CPI monthly reports due.

Overnight

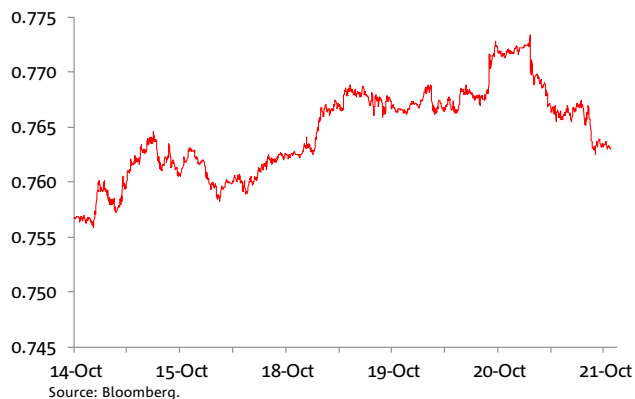
On global stock markets, the S&P 500 was -0.22%. Bond markets saw US 10-years +0.89bp to 1.75%. In commodities, Brent crude oil -2.49% to \$51.36, gold-0.2% to \$1,266, iron ore +0.8% to \$58.85. AUD is at 0.7629 and the range since yesterday 5pm Sydney time is 0.7625 to 0.7674.

Good luck.

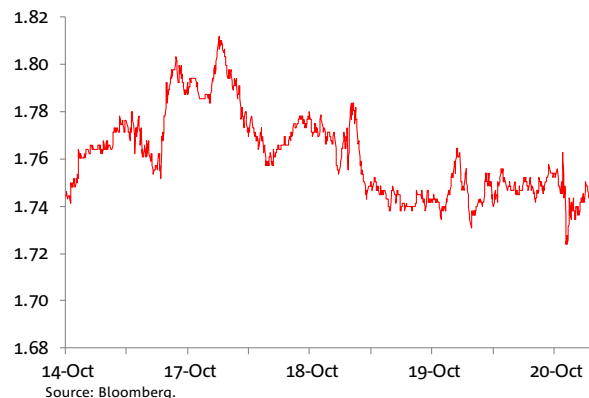
Author:

David de Garis, Senior Economist

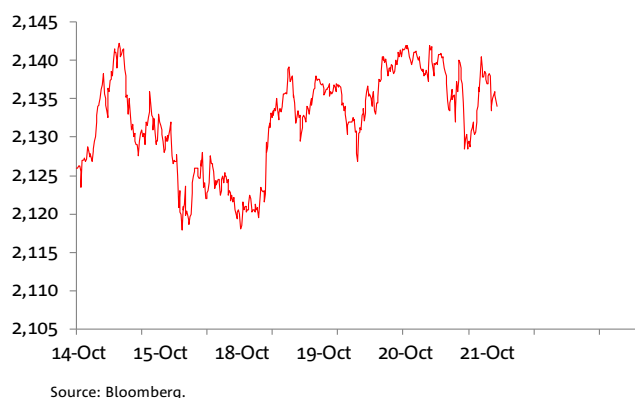
AUD/USD - past week



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	0.7629	-1.2	0.7621	0.7734	HKD	7.7587 0.0
NZD	0.7194	-0.1	0.7182	0.7258	CNY	6.7405 0.1
EUR	1.0926	-0.5	1.0916	1.1040	SGD	1.3922 0.4
GBP	1.2255	-0.4	1.2210	1.2275	IDR	13,031 0.3
JPY	103.94	0.5	103.55	104.11	THB	35.02 0.4
CAD	1.3225	1.1	1.3142	1.3229	KRW	1,131 0.7
AUD/EUR	0.6983	-0.1	0.6931	0.7008	TWD	31.64 0.5
AUD/JPY	79.30	-0.1	79.23	79.59	PHP	48.17 0.3
AUD/GBP	0.6224	-0.3	0.6217	0.6275	CHF	0.99 0.4
AUD/NZD	1.0605	-0.5	1.0591	1.0626	SEK	8.87 0.6
AUD/CNH	5.1426	-0.6	5.1438	5.2139		

Equities

Major Indices			
	Last	% day	% y/y
Dow	18,162	-0.2	5.5
S&P 500	2,141	-0.2	5.4
Nasdaq	5,242	-0.1	7.4
VIX	14	-4.6	-12.7
FTSE	7,027	0.1	10.7
DAX	10,701	0.5	5.5
CAC 40	4,540	0.4	-2.9
Nikkei	17,236	1.4	-7.1
Shanghai	3,084	0.0	-7.1
Hang Seng	23,374	0.3	1.7
ASX 200	5,442	0.1	3.7

Commodities*

	Last	% day
Oil (Brent)	51.36	-2.5
Oil (WTI)	50.59	-2.0
Oil (Tapis)	51.68	-0.9
Gold	1265.60	-0.2
CRB	188.78	-1.0
GS Metals	272.2	-0.7
Aluminium	1606.8	-1.1
Copper	4641.0	-0.4
Nickel	10094.5	-1.8
Zinc	2277.3	-0.9
Ch. steel	2464.0	-0.3
Iron ore	58.9	0.8
St. Coal	91.3	-0.1
Met.coal	229.0	0.0
Wheat Chic.	437.5	-0.7
Sugar	22.6	-1.4
Cotton	69.8	-1.8
Coffee	155.9	-1.2

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	0.50	0.88	1.06	1.59	USD 10	1.75	0.89
AUD	1.50	1.75	1.74	2.37	AUD 10	2.29	-1.00 0.53
NZD	2.00	2.14	2.09	2.74	NZD 10	2.59	-3.20 0.83
EUR	0.00	-0.31	-0.20	0.38	CAD 10	1.17	-2.40 -0.58
GBP	0.25	0.41	0.59	1.04	EUR 10	0.00	-2.70 -1.75
JPY	-0.04	-0.01	-0.05	0.07	GBP 10	1.08	-0.50 -0.68
CAD	0.50	0.91	0.91	1.40	JPY 10	-0.07	-0.80 -1.82

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.25	3.00
3 Yr bond	97.8	3.00
10 Yr bond	97.74	2.00
3/10 sprd	0.06	1.00
SPI	5424.0	-18.0

CO₂ Emissions - Euros

	Last	% day
Dec-2016	5.59	-1.4
Jun-2017	5.60	-1.4

*Change in bps

* 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
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	<i>ECB Survey of Professional Forecasters</i>						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	<i>Small Business Confidence</i>	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
Tuesday, 25 October 2016								
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	<i>European Commission Economic Forecasts</i>							
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 QoQ/YoY	3Q		/		0.4/1.0	1.30	11.30
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
Thursday, 27 October 2016								
NZ	Trade Balance	Sep				-1265.0	22.45	8.45
AU	Export/Import Price Index QoQ	3Q		/		1.4/-1.0	1.30	11.30
CH	Swift Global Payments CNY	Sep				1.9	2.00	12.00
CH	Industrial Profits YoY	Sep				19.5	2.30	12.30
EC	M3 Money Supply YoY	Sep				5.1	9.00	19.00
UK	GDP QoQ/YoY	3Q A		/		0.7/2.1	9.30	19.30
UK	Index of Services MoM/YoY	Aug				0.4/0.6	9.30	19.30
UK	CBI Retailing Reported Sales	Oct				-8.0	11.00	21.00
US	Durable Goods Orders/Core Orders	Sep P		0/		0.1/0.9	13.30	23.30
US	Initial Jobless Claims	Oct 15		250		246.0	13.30	23.30
US	Bloomberg Consumer Comfort	Oct 16				42.1	14.45	0.45
US	Pending Home Sales MoM/YoY	Sep		1.4/		-2.4/4.0	15.00	1.00
US	Kansas City Fed Manf. Activity	Oct				6.0	16.00	2.00
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

Contact Details

Authors

David de Garis
Senior Economist
+61 3 8641 3045
david.degaris@nab.com.au

Ray Attrill
Global Co-Head of FX Strategy
+61 2 9237 1848
ray.attrill@nab.com.au

Rodrigo Catril
Currency Strategist
+61 2 9293 7109
rodrigo.h.catril@nab.com.au

Tapas Strickland
Economist
+61 2 9237 1980
tapas.strickland@nab.com.au

Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406
peter.jolly@nab.com.au

Group Economics

Alan Oster
Chief Economist
+61 3 8634 2927
alan_oster@national.com.au

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.