

80

The track by American punk rockers Green Day is almost certainly referencing front-man Billie Jo Armstrong's wife Adie (rhymes with 80, geddit?) rather than the fact auction clearance rates in Australia this weekend hit 80% - not just in Sydney and Melbourne but nationally and for the first time since early 2015. Sydney's 85.6% preliminary clearance rate is a new YTD high. Melbourne cleared 81.8%.

Friday witnessed a fairly quiet end to what was a quite volatile week with both US and European stock indices closing virtually unchanged, the US dollar extending gains before giving back a little into the NY close and Treasury yields drooping to be lower on the week across the yield spectrum.

In stocks, competing influences from new highs for Microsoft but earnings related hits for GE and Daimler, while the two big M&A stories (AT&T's bid for Time Warner and BAT for Reynolds) saw the target company stocks up but the predators down. The net result was the S&P500 closing -0.01% on the day (for a 0.4% gain on the week), the Dow -0.09% (flat on the week) and the NASDAQ +0.3% (+0.8%). The VIX finished the week at 13.34, down 0.4 on the day and down from 16.14 a week ago, a fall of 17%. Earlier European stock indices closed fairly flat.

In US rates the bear-steepening theme of recent weeks has been modestly reversed over the course of last week. On Friday US 2-year notes ended 0.4bp higher but are 1.2bps lower on the week and 10s -2.1bps to be -6.3bps on the week. 10-year German Bunds were 0.3bp higher for -5.2bps on the week and gilts +1.0bp to be -1.0bp on the week.

In FX, the US dollar was stronger across the board in G10 currency land with the exception of USD/JPY, -0.14% to Y103.80. DXY +0.39% to 98.695 for a gain of 0.7% on the week and its highest close since 2 Feb. BBDXY was +0.29% for a 0.1% gain on the week and its strongest close since 7 March.

CAD and NOK were Friday's worse performers despite stronger oil, CAD's fortunes not helped by weaker than expected retail sales and CPI data and which followed Wednesday's admission by Bank of Canada governor Stephen Poloz that the Bank came close to cutting rates at its latest meeting. EUR/USD held the break below 1.09 to closer -0.41% at 1.0884 with GBP/USD also lower but less so, -0.16% to 1.2234 after an intra-day move back below 1.22.

AUD/USD spent some time sub-0.76 before closing -0.25% at 0.7608 (it's re-opened a touch firmer. The NZD/USD fell by 0.46% to 0.7161.

In commodities, oil recouped a little of Thursday's slippage, WTI +\$0.40 to \$50.85 and a gain of 50 cents on the week. Brent added \$0.50 to \$51.92 but is 3 cents down on the week. Gold added 30 cents to \$1266. The LME index lost 0.24% while iron ore was 10 cents lower at 58.72.

The bigger Australian commodity news was coal, with both steaming and coking coal benchmarks making new cycle highs. Coking coal +\$3 to \$232 a tonne and steaming coal shipped from Newcastle +\$1.50 to \$92.80. The improvement in Australia's term of trade and driven by the black stuff, thus continues.

Coming Up

In terms of offshore risk events, at the start of the week Bullard and Evans are the Fed speakers then the Fed enters lock-down in front of next week's FOMC meeting. Q3 GDP is the US data highlight. In Europe, Eurozone 'flash' PMIs are today and the German Ifo survey are tomorrow, with the first cut of UK Q3 GDP on Thursday.

Here, the major focus will be on Wednesday's CPI and whether it will be on the RBA's forecast track. We expect it will be, coming with a likely kick in headline inflation, thanks to fuel and some food. NAB's forecast is that headline CPI will be 0.8%, taking the annual CPI from 1.0% to 1.4%. This would be right on the RBA's August inflation forecast track and something of a relief to the central bank.

As for the underlying measure of the CPI (the average of the trimmed mean and the weighted median), NAB's forecast calls for an increase of 0.4% in the September quarter that would see the annual rate lift to 1.6% from 1.5%. Once again, such an outcome is entirely consistent with the official forecast track from the Reserve Bank and would be no spur to change the RBA's inflation forecast from base effects as was the case after the release of the March quarter low print.

Such an outcome should quieten any thoughts the RBA could be minded to cut rates again as early as next Tuesday.

Otherwise quiet with Q3 merchandise trade prices due Thursday, guiding terms of trade expectations. The HIA New Home sales report is due Friday. NZ is out for a public holiday today.

Overnight

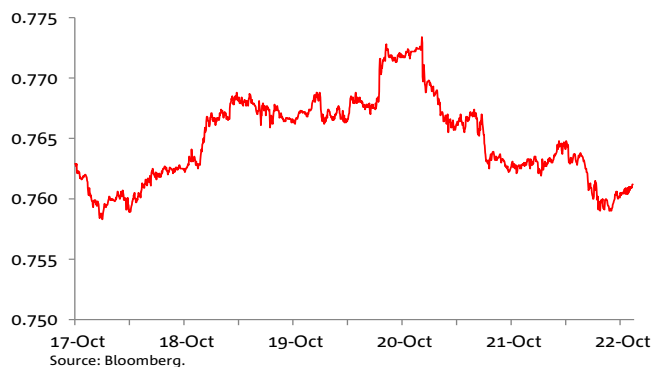
On global stock markets, the S&P 500 was -0.31%. Bond markets saw US 10-years -2.09bp to 1.73%. In commodities, Brent crude oil -1.69% to \$51.78, gold -0.2% to \$1,266, iron ore +0.6% to \$58.72. AUD is at 0.7612 and the range since Friday 5pm Sydney time is 0.759 to 0.7648.

Author:

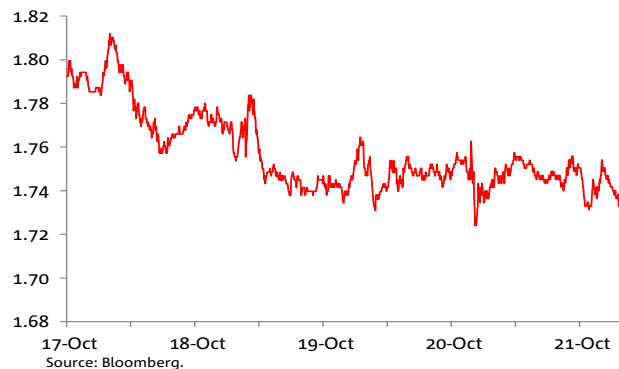
Ray Attrill – Co-head of FX Strategy

Markets

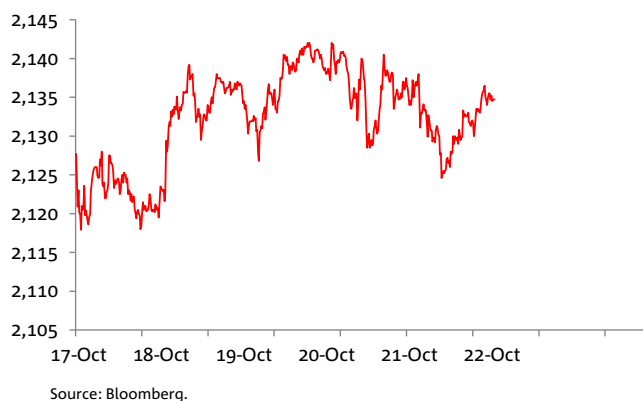
AUD/USD - past week



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	0.7612	-0.2	0.7588	0.7651	HKD	7.7579 0.0
NZD	0.7157	-0.5	0.7144	0.7195	CNY	6.7670 0.4
EUR	1.0883	-0.4	1.0859	1.0930	SGD	1.3944 0.2
GBP	1.2234	-0.2	1.2172	1.2260	IDR	13,042 0.3
JPY	103.88	-0.1	103.52	104.20	THB	35.14 0.8
CAD	1.3329	0.7	1.3226	1.3379	KRW	1,135 1.0
AUD/EUR	0.699	-0.7	0.6972	0.7028	TWD	31.67 0.4
AUD/JPY	78.96	-1.1	78.72	79.51	PHP	48.30 0.7
AUD/GBP	0.6220	-1.1	0.6208	0.6266	CHF	1.00 0.2
AUD/NZD	1.0626	-0.5	1.0578	1.0677	SEK	8.92 0.6
AUD/CNH	5.1365	-1.1	5.1384	5.1767		

Equities

Major Indices	Last	% day	% y/y
Dow	18,146	-0.3	2.8
S&P 500	2,141	-0.3	3.2
Nasdaq	5,257	0.2	4.5
VIX	13	-7.4	-7.7
FTSE	7,020	0.0	8.9
DAX	10,711	0.6	-0.8
CAC 40	4,536	0.3	-7.9
Nikkei	17,185	1.1	-8.7
Shanghai	3,091	0.2	-9.4
Hang Seng	23,374	0.3	1.7
ASX 200	5,430	-0.1	1.5

Commodities*

	Last	% day
Oil (Brent)	51.78	-1.7
Oil (WTI)	50.85	-1.9
Oil (Tapis)	51.06	-2.1
Gold	1265.90	-0.2
CRB	189.40	-0.7
GS Metals	271.6	-0.9
Aluminium	1619.8	-0.3
Copper	4623.5	-0.8
Nickel	9925.0	-3.4
Zinc	2251.8	-2.1
Ch. steel	2463.0	-0.4
Iron ore	58.7	0.6
St. Coal	92.8	1.6
Met.coal	232.0	1.3
Wheat Chic.	435.0	-1.3
Sugar	22.7	-1.0
Cotton	69.1	-2.9
Coffee	156.1	-1.1

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.88	1.06	1.58	USD 10	1.73	-0.85
AUD	1.50	1.74	1.76	2.36	AUD 10	2.29	-1.00 0.55
NZD	2.00	2.12	2.09	2.73	NZD 10	2.59	-3.10 0.85
EUR	0.00	-0.31	-0.19	0.38	CAD 10	1.13	-6.40 -0.60
GBP	0.25	0.40	0.58	1.04	EUR 10	0.01	-2.40 -1.73
JPY	-0.04	-0.01	-0.03	0.08	GBP 10	1.09	0.50 -0.65
CAD	0.50	0.90	0.88	1.36	JPY 10	-0.05	0.50 -1.79

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.23	1.00
3 Yr bond	97.8	1.00
10 Yr bond	97.75	3.00
3/10 sprd	0.05	-2.00
SPI	5402.0	4.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Dec-2016	5.87	3.5
Jun-2017	5.89	3.7

* 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, 24 October 2016								
JN	Trade Balance Adjusted	Sep		211		408.4	0.50	10.50
JN	Exports/Imports YoY	Sep		-11/-16.8		-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		54.3	8.30	18.30
GE	Markit Germany Services/Composite PMI	Oct P		51.8/53.3		50.9/52.8	8.30	18.30
EC	Markit Eurozone Manufacturing PMI	Oct P		52.6		52.6	9.00	19.00
EC	Markit Eurozone Services/Composite PMI	Oct P		52.4/52.8		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		-0.125		-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		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		109.6		109.5	9.00	19.00
GE	IFO Current Assessment/Expectations	Oct		115/104.7		114.7/104.5	9.00	19.00
EC	<i>European Commission Economic Forecasts</i>							
US	FHFA House Price Index MoM	Aug		0.5		0.5	14.00	0.00
US	S&P CoreLogic CS 20-City MoM/YoY SA	Aug		0.15/5.1		0.0/5.0	14.00	0.00
US	Consumer Confidence Index	Oct		101		104.1	15.00	1.00
US	Richmond Fed Manufact. Index	Oct		-4		-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	0.8/1.4	0.5/1.1		0.4/1.0	1.30	11.30
AU	CPI Trimmed Mean QoQ/YoY	3Q	0.4/1.8	0.4/1.7		0.5/1.7	1.30	11.30
AU	CPI Weighted Median QoQ/YoY	3Q	0.4/1.6	0.4/1.4		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		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		-60.5		-58.4	13.30	23.30
US	Wholesale Inventories MoM	Sep P		0.1		-0.2	13.30	23.30
US	Markit US Services/Composite PMI	Oct P		52.3/		52.3/52.3	14.45	0.45
US	New Home Sales, #/MoM	Sep		601.5/-1.2		609.0/-7.6	15.00	1.00
Thursday, 27 October 2016								
NZ	Trade Balance	Sep		-1122.5		-1265.0	22.45	8.45
AU	Export/Import Price Index QoQ	3Q		2/-0.8		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		5.1	9.00	19.00
UK	GDP QoQ/YoY	3Q A		0.3/2.1		0.7/2.1	9.30	19.30
UK	Index of Services MoM/YoY	Aug		0		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		0.1/0		0.1/0.9	13.30	23.30
US	Initial Jobless Claims	Oct 22				260.0	13.30	23.30
US	Bloomberg Consumer Comfort	Oct 23				41.3	14.45	0.45
US	Pending Home Sales MoM/YoY	Sep		1.2/		-2.4/4.0	15.00	1.00
US	Kansas City Fed Manf. Activity	Oct				6.0	16.00	2.00
Friday, 28 October 2016								
JN	Jobless Rate	Sep		3.1		3.1	0.30	10.30
JN	Job-To-Applicant Ratio	Sep		1.38		1.4	0.30	10.30
JN	Overall Household Spending YoY	Sep		-2.7		-4.6	0.30	10.30
JN	Natl CPI YoY	Sep		-0.5		-0.5	0.30	10.30
JN	Natl CPI Ex Fresh Food/Ex Fresh Food, Energy YoY	Sep		-0.5/0.1		-0.5/0.2	0.30	10.30
AU	HIA New Home Sales MoM	Sep				-1.8	1.00	11.00
AU	PPI QoQ/YoY	3Q		/		0.1/1.0	1.30	11.30
EC	ECB's Coeure Speaks in Frankfurt						8.30	18.30
EC	Business Climate Indicator	Oct		0.49		0.5	10.00	20.00
GE	CPI EU Harmonized MoM/YoY	Oct P		0.1/0.6		0.0/0.5	13.00	23.00
US	Employment Cost Index	3Q		0.6		0.6	13.30	23.30
US	GDP Annualized QoQ	3Q A		2.5		1.4	13.30	23.30
US	U. of Mich. Sentiment	Oct F		88.1		87.9	15.00	1.00
US	U. of Mich. 5-10 Yr Inflation	Oct F				2.4	15.00	1.00
Upcoming Central Bank Interest Rate Announcements								
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%		
Canada, BoC		7-Dec				0.50%		
Europe ECB		8-Dec				0.00%		

GMT: Greenwich Mean Time; AEST: Australian Eastern Standard Time

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