

Turbulence

Turbulence, a little known track by American pop punk band Bowling for Soup appears to be an appropriate title for today's note. The song was written by Jaret Reddick after he asked a pilot whether he found turbulence frightening. Well, price action overnight is probably best described as choppy or turbulent. US equities have fluctuated between gains and losses amid mixed earnings results while in Europe equities have ended the day in negative territory with uncertainty surrounding the ECB bond buying programme a lingering concern. Meanwhile after steady gains since the beginning of the month, the USD has lost a bit of ground despite the fact that US yields are higher and US data releases beat expectations.

US equities were down at the open after Apple reported its first annual revenue decline in 15 years. Tech Stocks and the NASDAQ index traded heavy in response, but news that Boeing had raised its full year guidance boosted industrial stocks with the Dow Jones currently the only US equity index trading in positive territory.

Core global yields are higher with European yields leading the way. 10y Bunds closed up by 5.5bps and 10y UK Gilts +6.3bps. The move higher in Bunds appears to have been triggered by a Reuters report suggesting the "ECB is almost certain to keep buying bonds beyond March". The article, however, failed to provide more colour on whether or not bond purchases will be "tapered" after March. ECB tapering uncertainty remains a sensitive factor for both bonds and equities in Europe. Yesterday's remarks by Governor Carney re limits to the BoE's tolerance for higher inflation also appear to have been a contributing factor for Gilts underperformance. US Treasury yields have also steadily risen overnight with the move led by the back end of the curve amid better than expected data releases. US September trade data showed a reduction in the trade deficit from \$59bn to \$56bn prompting many economists to upgrade their Q3 GDP number.

In currencies, GBP sits at the top of the G10 leader board seemingly supported by the ramp up in UK yields following a pullback in expectations of further easing by the BoE. The AUD has erased all yesterday's post CPI gains and is currently trading at 0.7643, essentially unchanged over the past 24 hrs. Our economists noted that the strong headline inflation (at 0.7%q/q vs 0.5% exp.) should be helpful in reducing RBA concern of low inflationary expectations and may mark the broad low point for y/y headline inflation. Ahead of the CPI print the market was pricing a 15% chance of a rate cut by the RBA next week and 12bps of cuts over

the coming 12 months. Now the probability of a rate cut next week sits at 5% and there are 9bps for the year ahead.

JPY has lost a bit more ground against the USD and continues to trade in the higher ¥104s. NZD is a little lower at 0.715 and the CAD has followed the move in oil, temporarily gaining some ground amid a surprise drop in US stock oil piles, but as oil resumed its downward trend, the CAD also lost ground against the USD.

Coming Up

This morning New Zealand releases its trade figures for September and our BNZ colleagues expect the value of both exports (-7%/y) and imports (-2%/y) to be lower than a year earlier, as the lagged effects of a strengthening NZD and soft commodity prices work their way through the economy. Also this morning, in Australia, economists and currency gigs like yours truly will be looking at the Q3 release of merchandise export and import prices in order to get a guide to what appears to be a likely lift to the terms of trade in Q3 (due out next month). The market expects a 3% lift in this merchandise measure of the terms of trade, export prices up 2% and import prices down 0.8%.

Later in the day China releases industrial profits figures for September and New Zealand gets new residential lending figures, also for September. None of these data releases are expected to be market moving.

In Europe, the September M3 money supply report should garner some attention, particularly given the weakening in the credit impulse in August. That said the data highlight for the day should be the UK Q3 GDP advanced figures. This will be the first GDP reading post the EU referendum, market expectations are for a 0.3% print, down from the 0.7% seen in the previous quarter, but probably not as bad as initially feared. Details in the report are also going to be important with many expecting an expansion in the services sector.

Durable goods orders for September are the notable US data release for the day. Weak foreign and domestic demand has been the theme in recent months so it will be interesting to see if there are any signs of a trend reversal in September. Weekly jobless claims are also out today along with pending home sales and the Kansas City Fed. Manufacturing activity index.

Overnight

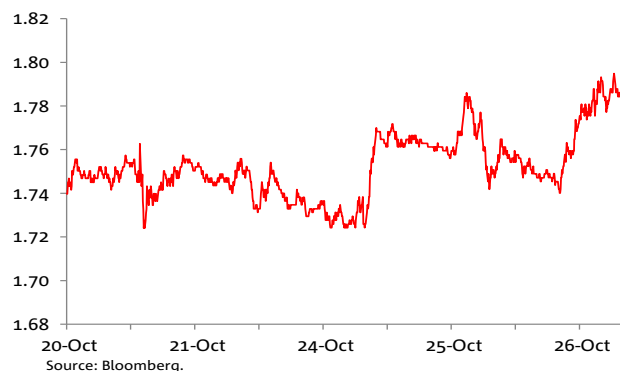
On global stock markets, the S&P 500 was +0.17%. Bond markets saw US 10-years +3.54bp to 1.79%. In commodities, Brent crude oil -1.87% to \$49.84, gold-0.6% to \$1,265, iron ore +1.8% to \$63.07. AUD is at 0.7643 and the range since yesterday 5pm Sydney time is 0.7669 to 0.7704.

Markets

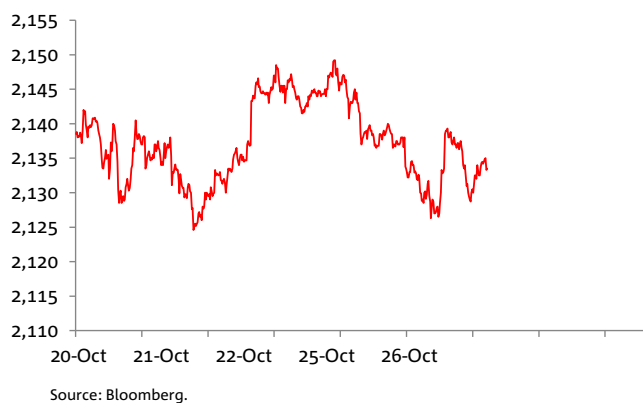
AUD/USD - past week



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	0.7643	0.0	0.7631	0.7709	HKD	7.7574 0.0
NZD	0.7151	-0.2	0.7147	0.7184	CNY	6.7712 -0.1
EUR	1.0905	0.1	1.0875	1.0946	SGD	1.3911 0.1
GBP	1.2238	0.4	1.2157	1.2245	IDR	13,004 0.0
JPY	104.51	0.3	104.02	104.62	THB	35.02 0.3
CAD	1.3378	0.2	1.3315	1.3385	KRW	1,134 0.1
AUD/EUR	0.7009	-0.2	0.6997	0.7078	TWD	31.56 -0.2
AUD/JPY	79.88	0.2	79.43	80.32	PHP	48.35 0.2
AUD/GBP	0.6246	-0.4	0.6242	0.6333	CHF	0.99 -0.1
AUD/NZD	1.0687	0.1	1.0648	1.0757	SEK	8.91 -0.2
AUD/CNH	5.1831	0.0	5.1705	5.1895		

Equities

Major Indices	Last	% day	% y/y
Dow	18,199	0.2	3.3
S&P 500	2,139	0.2	3.3
Nasdaq	5,250	-0.6	4.3
VIX	14	6.2	-6.5
FTSE	6,958	-0.8	8.4
DAX	10,710	-0.4	-0.8
CAC 40	4,535	-0.1	-7.4
Nikkei	17,392	0.2	-7.4
Shanghai	3,116	-0.5	-9.3
Hang Seng	23,325	-1.0	0.8
ASX 200	5,360	-1.5	0.3

Commodities*

	Last	% day
Oil (Brent)	49.84	-1.9
Oil (WTI)	49.13	-1.7
Oil (Tapis)	49.53	-3.1
Gold	1264.80	-0.6
CRB	188.72	-0.3
GS Metals	279.4	0.1
Aluminium	1673.8	0.6
Copper	4733.8	0.2
Nickel	10226.0	0.3
Zinc	2331.0	-1.2
Ch. steel	2557.0	0.4
Iron ore	63.1	1.8
St. Coal	93.6	0.4
Met.coal	237.0	0.2
Wheat Chic.	432.0	1.2
Sugar	22.7	-1.1
Cotton	69.3	1.1
Coffee	163.7	-0.5

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.89	1.09	1.64	USD 10	1.79	3.54
AUD	1.50	1.74	1.80	2.42	AUD 10	2.27	-1.10 0.47
NZD	2.00	2.14	2.14	2.76	NZD 10	2.63	3.80 0.83
EUR	0.00	-0.31	-0.18	0.45	CAD 10	1.16	1.40 -0.64
GBP	0.25	0.40	0.62	1.11	EUR 10	0.09	5.50 -1.71
JPY	-0.04	-0.01	-0.03	0.09	GBP 10	1.15	6.30 -0.64
CAD	0.50	0.90	0.91	1.37	JPY 10	-0.06	0.10 -1.86

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.22	-3.00
3 Yr bond	97.8	3.00
10 Yr bond	97.71	-4.50
3/10 sprd	0.09	7.50
SPI	5340.0	83.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Dec-2016	5.94	2.6
Jun-2017	5.96	2.6

* 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	AEDT
Thursday, 27 October 2016								
NZ	Trade Balance	Sep		-1145		-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		5.1		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		0.05		0.4/0.6	9.30	19.30
UK	CBI Retailing Reported Sales	Oct		-2		-8.0	11.00	21.00
US	Durable Goods Orders/Core Orders	Sep P		0/-0.1		0.1/0.9	13.30	23.30
US	Initial Jobless Claims	Oct 22		255		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		1.1/4.02		-2.4/4.0	15.00	1.00
US	Kansas City Fed Manf. Activity	Oct		3		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		0.46		0.5	10.00	20.00
GE	CPI EU Harmonized MoM/YoY	Oct P		0.1/0.7		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		88.2		87.9	15.00	1.00
Monday, 31 October 2016								
UK	Nationwide House PX MoM/YoY	Oct		0.2/4.9		0.3/5.3	29 Oct-4 Nov release	
NZ	Building Permits MoM	Sep				-1.0	22.45	8.45
JN	Industrial Production MoM/YoY	Sep P		/		1.3/4.5	0.50	10.50
JN	Retail Sales MoM/YoY	Sep		/		-1.1/-2.1	0.50	10.50
JN	Dept. Store, Supermarket Sales	Sep				-3.6	0.50	10.50
AU	Melbourne Institute Inflation MoM/YoY	Oct		/		0.4/1.3	1.00	11.00
NZ	ANZ Activity Outlook/Business Confidence	Oct		/		42.4/27.9	1.00	11.00
UK	Gfk Consumer Confidence	Oct				-1.0	1.10	11.10
UK	Lloyds Business Barometer	Oct				24.0	1.10	11.10
AU	Private Sector Credit MoM/YoY	Sep		/		0.4/5.8	1.30	11.30
NZ	Money Supply M3 YoY	Sep				5.3	3.00	13.00
UK	Net Consumer Credit	Sep				1.6	10.30	20.30
UK	Mortgage Approvals	Sep				60.1	10.30	20.30
EC	CPI Estimate/Core YoY	Oct		/		0.4/0.8	11.00	21.00
EC	GDP SA QoQ/YoY	3Q A		/		0.3/1.6	11.00	21.00
US	Personal Income/Spending	Sep		0.4/0.4		0.2/0.0	13.30	23.30
US	PCE Deflator MoM/YoY	Sep		0.2/1.2		0.1/1.0	13.30	23.30
US	PCE Core MoM/YoY	Sep		0.1/1.7		0.2/1.7	13.30	23.30
CA	Industrial Product Price MoM	Sep				-0.5	13.30	23.30
CA	Raw Materials Price Index MoM	Sep				-0.7	13.30	23.30
US	Chicago Purchasing Manager	Oct		54		54.2	14.45	0.45
CA	Bloomberg Nanos Confidence	Oct 28				56.4	15.00	1.00
US	Dallas Fed Manf. Activity	Oct		1.8		-3.7	15.30	1.30
Tuesday, 1 November 2016								
AU	AIG Perf of Mfg Index	Oct				49.8	23.30	9.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct 30				113.6	23.30	9.30
AU	CoreLogic House Px MoM	Oct				1.1	0.00	10.00
NZ	QV House Prices YoY	Oct				14.3	0.00	10.00
JN	Nikkei Japan PMI Mfg	Oct F				51.7	1.30	11.30
CH	Manufacturing/Non-manufacturing PMI	Oct		50.4		50.4	2.00	12.00
CH	Caixin China PMI Mfg	Oct		50.1		50.1	2.45	12.45
JN	BOJ Monetary Policy Statement						4.00	14.00
JN	BOJ Policy Rate	Nov 1				-0.1	4.00	14.00
AU	RBA Cash Rate Target	Nov 1		1.5		1.5	4.30	14.30
AU	Commodity Index AUD/YoY	Jul				92.1	6.30	16.30
UK	Markit UK PMI Manufacturing SA	Oct				55.4	10.30	20.30
CA	GDP MoM/YoY	Aug				0.5	13.30	23.30
CA	RBC Canadian Manufacturing PMI	Oct				50.3	14.30	0.30
US	Markit US Manufacturing PMI	Oct F				53.2	14.45	0.45
US	Construction Spending MoM	Sep		0.5		-0.7	15.00	1.00
US	ISM Manufacturing	Oct		51.7		51.5	15.00	1.00
Wednesday, 2 November 2016								
NZ	Employment Change QoQ/YoY	3Q				2.4	22.45	8.45
NZ	Unemployment Rate	3Q				5.1	22.45	8.45
NZ	Pvt Wages Ex/Inc Overtime QoQ	3Q				0.4	22.45	8.45
NZ	Average Hourly Earnings QoQ	3Q				0.8	22.45	8.45
UK	BRC Shop Price Index YoY	Oct				-1.8	1.10	11.10
AU	Building Approvals MoM/YoY	Sep				-1.8	1.30	11.30
NZ	2Yr Inflation Expectation	4Q				1.7	3.00	13.00
JN	Consumer Confidence Index	Oct				43.0	6.00	16.00
GE	Unemployment Change (000's)	Oct				1.0	9.55	19.55
GE	Markit/BME Germany Manufacturing PMI	Oct F				55.1	9.55	19.55
EC	Markit Eurozone Manufacturing PMI	Oct F				53.3	10.00	20.00
UK	Markit/CIPS UK Construction PMI	Oct				52.3	10.30	20.30
CA	MLI Leading Indicator MoM	Sep				0.1	12.00	22.00
US	ADP Employment Change	Oct		157.5		154.0	13.15	23.15
US	Wards Total Vehicle Sales	Oct		17.3		17.7		
EC	European Commission Economic Forecasts						10-11 Nov release	
US	ISM New York	Oct				49.6	14.45	0.45
US	FOMC Rate Decision (Lower/Upper Bounds)	Nov 2		0.25/0.5		0.25/0.5	19.00	5.00
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; AEDT: Australian Daylight Savings Time

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