

## Too Much [Brexit] Heaven?

The Bee Gees 1979 classic "[Too Much Heaven](#)" pretty much sums up overnight news, with UK GDP printing much better than expected at 0.5% q/q against expectations of a 0.3% print. The better than expected UK GDP figures, along with a very strong Retail Trade Survey and Nissan committing to build two new car models at its UK factory, helped put the kybosh on any thoughts of further Bank of England easing, with UK Gilt yields up 10 basis points to 1.25%. At first glance it seems the UK has shrugged off the Brexit cloud, but as our European colleagues note, the devil is in the detail with the GDP figures showing an unbalanced economy with declines in Industrial Production and Construction – both likely to be further affected by the initialisation of a formal Brexit.

The rise in Gilt yields bled through to other markets, and combined with the underlying theme of central banks being less enamoured with ultra-low rates in the background, saw German Bunds up 8.5 bps to 0.17%. US Treasuries also ended the day up by 5.2 bps to 1.84% with a higher oil price also helping.

The oil price rose by around 1% overnight with the WTI measure at \$US49.66 a barrel with reports that OPEC and Saudi Arabia are willing to cut 4% from their recent peak production levels. The next formal OPEC meeting is on November 30 where it is expected OPEC members will formally agree to a production freeze. The recent moves in the oil price have helped lift market measures of inflation expectations and in turn have also helped drive nominal bond yields. As for other commodities, Australia's two key exports – coal and iron ore – both continue to move higher with Thermal Coal up 0.6% to US\$94.1 a tonne, Coking Coal up 0.2% to US\$237 a tonne and while Iron Ore was unchanged overnight it is currently sitting at US\$63 a tonne. That should see Australia's terms of trade continuing to pip higher in the following quarters.

As for other data overnight, US Jobless Claims remain at low levels (printing at 258k) and is suggestive of a solid labour market and an OK payrolls print next week. US Durable Goods orders were mixed, with the headline around expectations, but the core non-defence ex-aircraft capital equipment orders falling 1.2%.

In the FX space, despite the UK's more positive data the Pound fell 0.6%. Some of that fall reflects the broad US dollar rally, with Bloomberg's US dollar index up 0.3%. Amongst the currencies, the Norwegian Krone was the outperformer, up 0.1% - likely helped by the higher oil price. Amongst the bottom of the G10 currency board were the

Aussie and the Swedish Krona. For the Aussie, there does not seem to be a firm catalyst with Aussie falling consistently since reaching its 0.77 resistance level following Wednesday's CPI; overnight it was down 0.8% to US\$0.7582.

The Swedish Krone fell by a hefty 1.8% following a dovish Central Bank Statement where the Riksbank said its policy rate needs to "be held at -0.5% for six months longer than was forecast in September. The probability that the rate will be cut further has increased" and goes against the recent themes of central banks having less appetite for ultra-low rates.

## Coming Up

The two biggest events this morning will be Japan's Monthly CPI and US Q3 GDP. In terms of Aussie data it's all second-tier, with only HIA New Home Sales and the PPI.

As for Japanese CPI, the market is looking for a core print of 0.1% y/y, a rate that would show inflation remaining well below the Bank of Japan's target. Japan also releases September labour market data with the Jobless Rate expected to be unchanged at 3.1%.

Tonight the US releases advanced Q3 GDP figures. The consensus for this data is very spread (from 1.3 to 3.6%) and thus has the potential to surprise markets. The Atlanta Fed's GDP Now series pegs Q3 GDP at 2.1% in saar terms, which is considerably weaker than the Bloomberg consensus of 2.6% and well below the overnight "whisper" that the number could print closer to 3%. The Atlanta Fed notes that while net exports will make a strong contribution, that contribution will be largely offset by a decline in the forecast contribution of inventory investment. We wait for the data.

Other international data out today includes German October CPI – which could be of interest, while the US releases its Employment Cost Index.

## Overnight

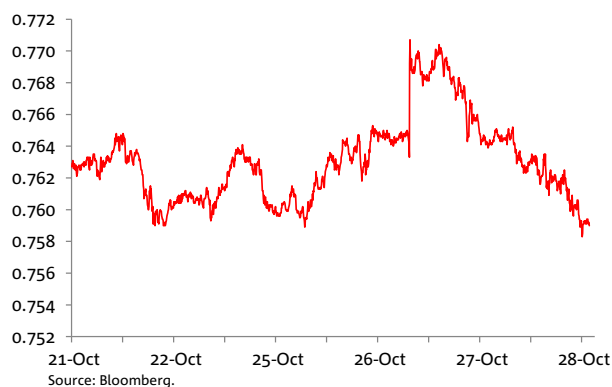
On global stock markets, the S&P 500 was -0.15%. Bond markets saw US 10-years +5.16bp to 1.84%. In commodities, Brent crude oil +0.76% to \$50.36, gold+0.2% to \$1,268, iron ore -0.0% to \$63.04. AUD is at 0.7587 and the range since yesterday 5pm Sydney time is 0.7583 to 0.7635.

## Author:

Tapas Strickland, Economist

## Markets

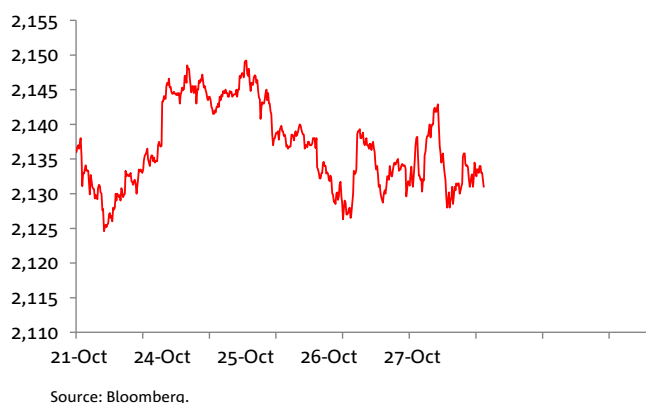
### AUD/USD - past week



### 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	0.7587	-0.8	0.7582	0.7652	HKD	7.7544 0.0
NZD	0.7121	-0.5	0.7108	0.7167	CNY	6.7835 0.2
EUR	1.0898	-0.1	1.0883	1.0942	SGD	1.3954 0.3
GBP	1.2171	-0.6	1.2149	1.2272	IDR	13,033 0.2
JPY	105.25	0.7	104.30	105.35	THB	35.12 0.2
CAD	1.3386	0.0	1.3353	1.3407	KRW	1,143 0.8
AUD/EUR	0.6962	-0.7	0.6948	0.7016	TWD	31.66 0.3
AUD/JPY	79.85	-0.1	79.56	80.04	PHP	48.50 0.3
AUD/GBP	0.6233	-0.2	0.6206	0.6261	CHF	0.99 0.0
AUD/NZD	1.0654	-0.4	1.0650	1.0700	SEK	9.07 1.8
AUD/CNH	5.1584	-0.5	5.1517	5.2248		

### Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.89	1.10	1.69	USD 10	1.84	4.63
AUD	1.50	1.76	1.82	2.48	AUD 10	2.33	6.60 0.49
NZD	2.00	2.14	2.16	2.82	NZD 10	2.66	4.60 0.82
EUR	0.00	-0.31	-0.17	0.51	CAD 10	1.23	7.00 -0.61
GBP	0.25	0.40	0.62	1.19	EUR 10	0.17	8.50 -1.67
JPY	-0.04	-0.02	-0.03	0.09	GBP 10	1.25	10.10 -0.59
CAD	0.50	0.90	0.93	1.47	JPY 10	-0.05	1.20 -1.89

### Equities

#### Major Indices

	Last	% day	% y/y
Dow	18,172	-0.2	3.4
S&P 500	2,135	-0.2	3.3
Nasdaq	5,214	-0.7	3.6
VIX	15	4.9	-3.2
FTSE	6,987	0.4	9.8
DAX	10,717	0.1	0.2
CAC 40	4,534	0.0	-6.5
Nikkei	17,336	-0.3	-8.3
Shanghai	3,112	-0.1	-7.8
Hang Seng	23,132	-0.8	0.8
ASX 200	5,296	-1.2	-0.7

### Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.22	-2.00
3 Yr bond	97.8	3.00
10 Yr bond	97.66	-8.50
3/10 sprd	0.14	11.50
SPI	5282.0	50.0

\*Change in bps

### Commodities\*

	Last	% day
Oil (Brent)	50.36	0.8
Oil (WTI)	49.66	1.0
Oil (Tapis)	49.87	0.7
Gold	1267.90	0.2
CRB	190.05	0.7
GS Metals	282.3	1.0
Aluminium	1697.5	1.4
Copper	4783.3	1.0
Nickel	10327.0	1.0
Zinc	2356.5	1.1
Ch. steel	2524.0	-0.9
Iron ore	63.0	0.0
St. Coal	94.1	0.6
Met.coal	237.0	0.0
Wheat Chic.	433.5	0.3
Sugar	22.6	-0.4
Cotton	69.8	0.7
Coffee	164.8	0.7

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

	Last	% day
Dec-2016	5.82	-2.0
Jun-2017	5.84	-2.0

\* 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
<b>Thursday, 27 October 2016</b>								
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
<b>Friday, 28 October 2016</b>								
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
<b>Monday, 31 October 2016</b>								
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
<b>Tuesday, 1 November 2016</b>								
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
<b>Wednesday, 2 November 2016</b>								
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
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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

## 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

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