

## The Fear

Lily Allen described her 2008 hit as a sarcastic indictment of celebrity culture. There are few bigger celebrities than Donald Trump and markets on Friday demonstrated that they fear him as President far more than they fear the Fed. In the hour after it was announced that Hillary Clinton's e-mails were the subject of a new FBI probe, USD/JPY dropped from Y105.50 to Y104.50, the S&P dropped 20 points or 1% with the VIX spiking by 19% and 10-year Treasuries dropped 2bps from 1.85% to 1.83%.

Earlier Friday, Q3 US GDP exceeded expectations at 2.9% (consensus was 2.6%) but on inspection the underlying growth rate looks to have been a fair bit less than that. Inventory accumulation accounted for 0.6% or about 20% of the growth rate and, according to our friends at Pantheon Macroeconomics, soybean exports a full 0.9% or just under another third of the total. Private consumption ran at a rate of just 2.1%, less than half Q 2s 4.3% run rate. The dollar and Treasury yields jumped but only momentarily as algorithmic traders did what they do on above consensus headline numbers.

In stocks, the small pull back into the close after the early afternoon Hillary FBI news left the S&P500 down 0.31% at 2133 with the VIX finishing the day 0.83 or 5.4% higher and on the week up 21.4% or 2.85 points.

In US rates the ongoing bear steepening theme that resumed earlier in the week reverted to bull steepening on Friday (the Fed won't be raising rates in December if Donald is elected President in November). Fed pricing for December slipped to 74.4% from 79.6% Thursday. 2-year Treasuries ended Friday 3.2bps lower at 0.855% (still +3bps on the week) and 10s -0.7bps to 1.848% (+11.2bps on the week). UK 10 year gilts meanwhile have continued to lead the global yield back-up, 17.3bps higher on the week at 10 years.

In FX, the US dollar was softer across the board in G10 FX land with the exception of the CAD (USD/CAD +0.09% to 1.3398). The dollar was on the back foot soon after the initial knee-jerk positive reaction to the GDP data and zigzagged down throughout the NY session. It fell initially on the Hillary news, so illustrating an ambiguity as to the whether safe haven flows would necessarily be a dominant - dollar positive - influence if Trump were to emerge victorious on 9 November.

The DXY lost 0.55% to 98.348 thanks to EUR/USD leading the dollar downturn, +0.81% to 1.0985. The broader BBDXY lost 0.32% and the ADXY gained 0.13%. USD/MXN was, inevitably, the biggest EM mover, +0.77% to 18.9844.

USD/JPY lost 0.52% to Y104.75 having made an earlier high at Y105.53. This and the 0.55% drop in USD/CHF tell us that the Yen and Swissie retain their pre-eminent safe-haven characteristics in times of market stress.

AUD/USD crept briefly back on to a 0.76 handle before finishing NY trade 0.13% higher at 0.7599 but has started the news week back nearer 0.7580 after the weekend brought nothing to calm Friday's nerves. An ABC/Washington Post poll released Sunday scores decided voters 46/45 for Clinton while the fivethirtyeight.com website puts the probability of Trump win at just over 20% from under 14% a week ago.

## Coming Up

The US elections are now just 8 days away, before which there is more than enough on this week's calendar to hold market interest. Locally, it's the RBA on Tuesday but where after last week's CPI data markets are ascribing a mere 3% chance to a rate cut. The Statement on Monetary Policy comes on Friday, before which we'll get building approvals on Wednesday, trade data on Thursday and, at the same time as the SoMP, retail sales for both September (nominal) and Q3 (real). Today sees the Melbourne Institute's October inflation gauge and RBA September credit data.

Internationally, it's the Fed on Tuesday and Wednesday (statement at 05:00 AEDST Thursday) but where a no change is assured (several Fed officials as told us as much given the proximity to the election and the fact it's not a post-meeting Yellen press conference affair). The Fed won't need to put markets further on to the scent of a December tightening than they are already. More important in this regard will be Friday's October employment report. Before the latter we'll get the manufacturing ISM survey on Tuesday and the non-manufacturing version on Thursday.

China PMI data is also due, official and Caixin manufacturing on Tuesday together with the official services version and then Caixin services on Thursday. The Bank of England is now expected to leave policy unchanged on Tuesday and, if latest UK press reports are to be believed (FT) this won't be Governor Mark Carney's last. The BoJ meets tomorrow and again no change is widely expected.

## Overnight

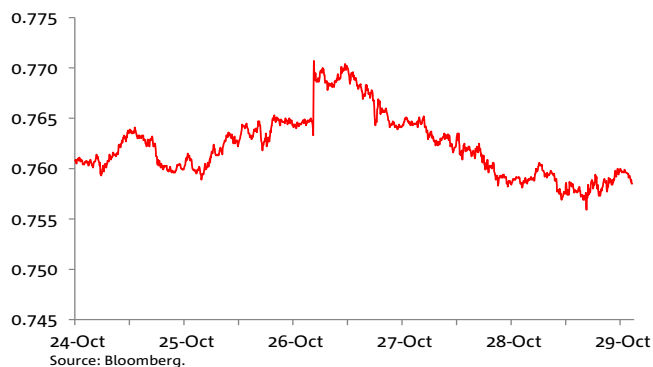
On global stock markets, the S&P 500 was -0.21%. Bond markets saw US 10-years -0.68bp to 1.85%. In commodities, Brent crude oil -0.54% to \$49.71, gold+0.9% to \$1,277, iron ore +1.4% to \$63.96. AUD is at 0.7585 and the range since Friday 5pm Sydney time is 0.7559 to 0.7604.

## Author:

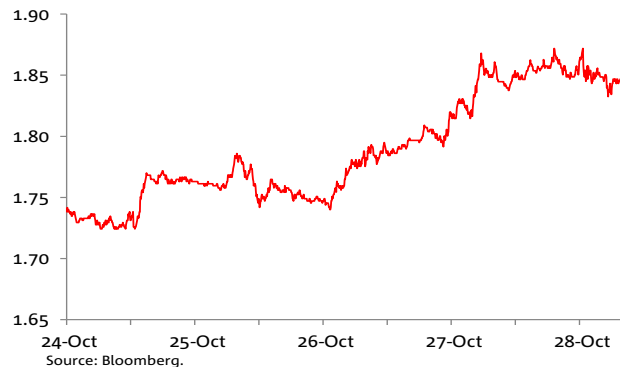
Ray Attrill – Co-head of FX Strategy

## Markets

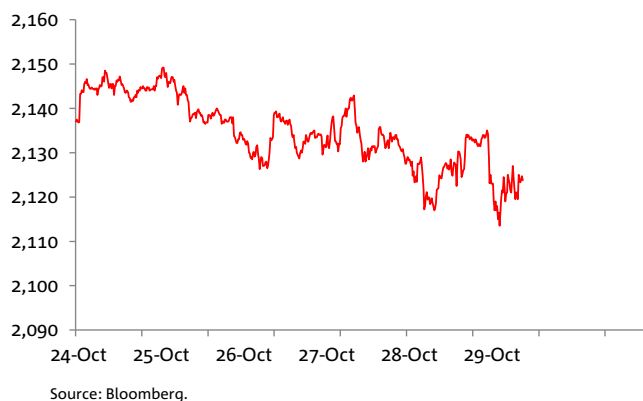
### AUD/USD - past week



### 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	0.7585	-0.1	0.7558	0.7608	HKD	7.7548 0.0
NZD	0.7152	0.4	0.7114	0.7168	CNY	6.7789 0.1
EUR	1.0991	0.9	1.0893	1.0995	SGD	1.3920 -0.2
GBP	1.2158	0.0	1.2114	1.2212	IDR	13,051 0.4
JPY	104.46	-0.8	104.37	105.53	THB	35.04 -0.3
CAD	1.3424	0.3	1.3349	1.3433	KRW	1,145 0.9
AUD/EUR	0.6921	-1.3	0.6901	0.6974	TWD	31.64 0.3
AUD/JPY	79.61	-0.4	79.24	80.02	PHP	48.50 0.3
AUD/GBP	0.6226	-0.3	0.6211	0.6255	CHF	0.99 -0.7
AUD/NZD	1.0617	-0.7	1.0322	1.0664	SEK	9.00 -0.9
AUD/CNH	5.1353	-0.9	5.1353	5.1649		

### Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.89	1.09	1.71	USD 10	1.85	5.37
AUD	1.50	1.75	1.76	2.46	AUD 10	2.38	11.20 0.53
NZD	2.00	2.12	2.14	2.85	NZD 10	2.72	10.50 0.87
EUR	0.00	-0.31	-0.17	0.51	CAD 10	1.23	6.90 -0.62
GBP	0.25	0.40	0.63	1.20	EUR 10	0.17	8.20 -1.68
JPY	-0.04	-0.02	-0.02	0.10	GBP 10	1.26	10.80 -0.59
CAD	0.50	0.90	0.91	1.47	JPY 10	-0.04	2.20 -1.89

### Equities

#### Major Indices

	Last	% day	% y/y
Dow	18,161	-0.2	2.8
S&P 500	2,126	-0.2	2.3
Nasdaq	5,190	-1.1	2.7
VIX	16	13.7	7.4
FTSE	6,996	0.5	10.0
DAX	10,696	-0.1	-1.4
CAC 40	4,549	0.3	-7.1
Nikkei	17,446	0.3	-8.6
Shanghai	3,104	-0.4	-8.2
Hang Seng	22,955	-1.6	1.4
ASX 200	5,284	-1.4	0.8

### Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.24	0.00
3 Yr bond	97.8	1.00
10 Yr bond	97.67	-7.00
3/10 sprd	0.13	8.00
SPI	5250.0	82.0

\*Change in bps

### Commodities\*

	Last	% day
Oil (Brent)	49.71	-0.5
Oil (WTI)	48.70	-1.0
Oil (Tapis)	49.94	0.8
Gold	1276.80	0.9
CRB	189.21	0.3
GS Metals	285.5	2.2
Aluminium	1718.8	2.7
Copper	4835.0	2.1
Nickel	10395.3	1.7
Zinc	2391.3	2.6
Ch. steel	2578.0	1.3
Iron ore	64.0	1.4
St. Coal	94.0	0.2
Met.coal	236.0	-0.4
Wheat Chic.	428.3	-0.9
Sugar	22.2	-2.2
Cotton	70.8	2.3
Coffee	165.5	1.1

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

	Last	% day
Dec-2016	5.89	-0.8
Jun-2017	5.90	-1.0

\* 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>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		0.9/1.9		1.3/4.5	0.50	10.50
JN	Retail Sales MoM/YoY	Sep		0.1/-1.8		-1.1/-2.1	0.50	10.50
JN	Dept. Store, Supermarket Sales	Sep		-2.7		-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		-3		-1.0	0.10	10.10
UK	Lloyds Business Barometer	Oct				24.0	1.10	11.10
AU	Private Sector Credit MoM/YoY	Sep		0.4/5.5		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		1.5		1.6	10.30	20.30
UK	Mortgage Approvals	Sep		61.5		60.1	10.30	20.30
EC	CPI Estimate/Core YoY	Oct		0.5/0.8		0.4/0.8	11.00	21.00
EC	GDP SA QoQ/YoY	3Q A		0.3/1.6		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		2		-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		50.3		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		-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		54.4		55.4	10.30	20.30
CA	GDP MoM/YoY	Aug		0.2		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		51.5		51.5	15.00	1.00
<b>Wednesday, 2 November 2016</b>								
NZ	Employment Change QoQ/YoY	3Q		0.5		2.4	22.45	8.45
NZ	Unemployment Rate	3Q		5.1		5.1	22.45	8.45
NZ	Pvt Wages Ex/Inc Overtime QoQ	3Q		0.4		0.4	22.45	8.45
NZ	Average Hourly Earnings QoQ	3Q		1		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		-3		-1.8	1.30	11.30
NZ	2Yr Inflation Expectation	4Q				1.7	3.00	13.00
JN	Consumer Confidence Index	Oct		42.7		43.0	6.00	16.00
GE	Unemployment Change (000's)	Oct		0		1.0	9.55	19.55
GE	Markit/BME Germany Manufacturing PMI	Oct F		55.1		55.1	9.55	19.55
EC	Markit Eurozone Manufacturing PMI	Oct F		53.3		53.3	10.00	20.00
UK	Markit/CIPS UK Construction PMI	Oct		51.9		52.3	10.30	20.30
CA	MLI Leading Indicator MoM	Sep				0.1	12.00	22.00
US	ADP Employment Change	Oct		160		154.0	13.15	23.15
US	Wards Total Vehicle Sales	Oct		17.4		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>Thursday, 3 November 2016</b>								
AU	AiG Perf of Services Index	Oct				48.9	23.30	9.30
NZ	ANZ Commodity Price	Oct				5.1	1.00	11.00
AU	Trade Balance	Sep		-1700		-2010.0	1.30	11.30
CH	Caixin China PMI Services	Oct				52.1	2.45	12.45
CH	Caixin China PMI Composite	Oct				51.8	2.45	12.45
UK	New Car Registrations YoY	Oct				1.6	10.00	20.00
EC	ECB Publishes Economic Bulletin						10.00	20.00
UK	Markit/CIPS UK Services/Composite PMI	Oct		52.5		52.6	10.30	20.30
EC	Unemployment Rate	Sep		10.1		10.1	11.00	21.00
US	Challenger Job Cuts YoY	Oct				-24.7	12.30	22.30
UK	Bank of England Bank Rate/Asset Purchase Target	Nov 3		0.25		0.3	13.00	23.00
UK	Bank of England Inflation Report						13.00	23.00
US	Nonfarm Productivity/Unit Labour costs	3Q P		1.5		-0.6	13.30	23.30
US	Initial Jobless Claims	Oct 22		256		258.0	13.30	23.30
US	Markit US Services PMI	Oct F				54.8	14.45	0.45
US	Markit US Composite PMI	Oct F				54.9	14.45	0.45
US	Bloomberg Consumer Comfort	Oct 23				41.3	14.45	0.45
US	ISM Non-Manf. Composite	Oct		56		57.1	15.00	1.00
US	Factory Orders	Sep		0.4		0.2	15.00	1.00
<b>Friday, 4 November 2016</b>								
AU	RBA Statement on Monetary Policy						1.30	11.30
JN	Nikkei Japan PMI Services/Composite	Oct				48.2	1.30	11.30
AU	Retail Sales MoM/Real QoQ	Sep		0.4		0.4	1.30	11.30
GE	Markit Germany Services/Composite PMI	Oct F		54.1		54.1	9.55	19.55
CH	BoP Current Account Balance	3Q P				64.1	8.50	18.50
EC	Markit Eurozone Services/Composite PMI	Oct F		53.5		53.5	10.00	20.00
EC	PPI MoM/YoY	Sep		0.2		-0.2	11.00	21.00
US	Trade Balance	Sep		-41		-40.7	13.30	23.30
US	Change in Nonfarm Payrolls/Unemployment Rate	Oct		173		156.0	13.30	23.30
US	Average Hourly Earnings MoM/YoY	Oct		0.3		0.2	13.30	23.30
CA	Net Change in Employment/Unemployment rate	Oct		3		67.2	13.30	23.30
CA	Int'l Merchandise Trade	Sep		-1.7		-1.9	13.30	23.30
CA	Ivey Purchasing Managers Index SA	Oct				58.4	15.00	1.00
<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

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