

Inception

While we often use song for the title and theme of our morning note, reading the overnight news and checking the market reaction, the title of one of my favourite movies of all time seemed more appropriate. Inception is a science fiction thriller starring Leonardo di Caprio and is based on the idea that if one can implant a thought on another person's mind then you can influence their behaviour. Last night the ECB released its accounts of its September policy meeting and as expected there was no mention of tapering, the Bank reiterated its willingness and ability to ease further, if needed, while concerns over the lack of an uplift in core inflation was also evident. Reaction to the minutes was fairly muted, but better than expected US Jobless claims supported the recent theme of higher core global yields and stronger USD. Then, headlines from an MNI interview with Vice President Constancio that the governing council "has not discussed anything about the timetable of QE", triggered a small rally in bond yields and helped equities pair back early losses.

In the end, however, reaction to Constancio's comments proved to be short lived. Core yields continued their ascendancy and after trading in and out of positive territory European and US equities have ended the day slightly lower to unchanged. Just like in the inception movie, the idea of QE tapering has already been planted in investor's minds and a denial by the ECB is unlikely to reverse this thinking. ECB president Draghi speaks in Washington on Sunday and it will be interesting to see what he has to say.

As for currencies, GBP remains the whipping boy against backdrop of broad USD strength. Indeed over the past 24hrs all G10 currencies have underperformed the USD. GBP is now trading with a 26 handle for the first time since mid-1985 with ongoing concern and headline news on the consequence from a hard Brexit the main catalyst. JPY weakness is another ongoing theme with USD/JPY back above ¥104 for the first time since early September. Higher US yields and short covering the major drivers for Yen weakness. The AUD lost 0.46% against the USD and is back trading below 76c. Meanwhile NZD is now comfortably trading sub 72c, with both currency seemingly at the mercy of USD moves.

As noted above, UST yields have continued to drift higher and in addition to solid US data, the ongoing ascendancy in oil prices has also been a contributing factor. WTI is now trading above \$50 for the first time since late June and the move appears to be supported by news that hurricane Matthew continues to strengthen as it approaches the US.

Coming Up

US Non-farm payrolls tonight is the only game in town suggesting we are in for a quiet session today, ahead of potentially some fireworks tonight.

This morning in Australia we get the AIG Construction index and Japan prints its labour cash earnings numbers for August (0.4% exp. vs 1.2% prev). While typically this data is not market moving, the numbers are an important source of information for the Bank of Japan in terms of wage inflation. The strong Yen over the past 12 months and its impact on corporate profits suggest a slowdown in pay rises could be in the offing.

Moving on to Europe, it's all about industrial production with Germany, France, Spain and the UK releasing figures for October. For choice the UK data is probably the most important of the lot, recent UK data has been on the strong side and a solid Industrial Production print would be another argument for the BoE to stand pat in November.

As for tonight, Bloomberg is currently showing consensus for payrolls is at 172k, up from the 151k print in August. While both ISM surveys this week have been better than expected with the ISM non-manufacturing employment index in particular showing a solid jump to 57.2 from 50.7, the ISM relationships with non-farm payrolls tend to be reflected with some lags. Some commentators have also noted a bias for September numbers to be underreported initially and then revised up later. Bearing these caveats in mind and considering the rump up in UST yields and Fed expectations over the past week (Dec Fed hike is currently priced at 75% compared to high 50s last week), we are probably more likely to get a bigger reaction from a soft print while a solid number would help vindicate the recent spike in Fed hiking expectations.

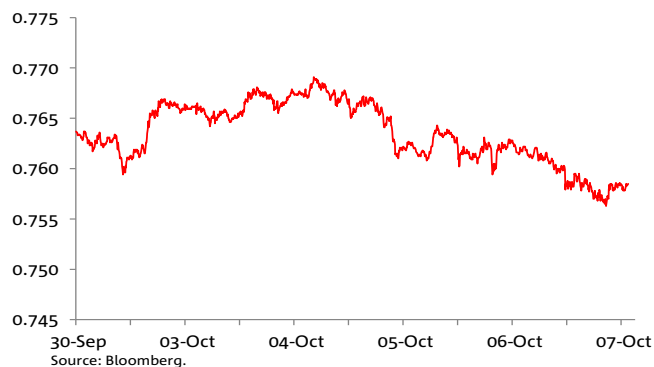
Tonight we also have no less than four Fed speakers. Mester and George, the known dissenters, are scheduled to speak along with Vice Chair Fisher and Fed Governor Brainerd. Lastly, although China's market has been closed for a week long holiday, some statisticians got the short end of the straw. The Caixin Services and Composite PMI are due out tomorrow along with FX reserves for September.

Overnight

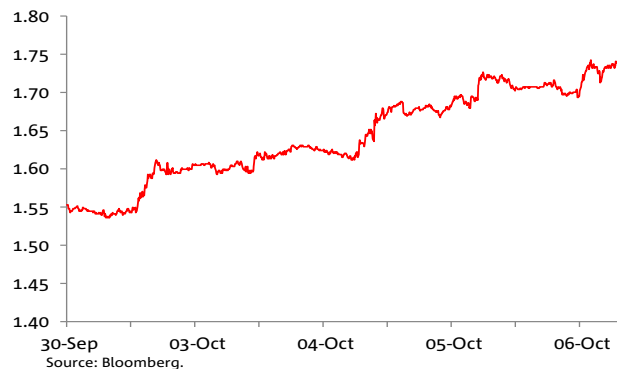
On global stock markets, the S&P 500 was -0.07%. Bond markets saw US 10-years +3.51bp to 1.74%. In commodities, Brent crude oil +1.98% to \$52.63, gold -1.1% to \$1,254, iron ore +0.0% to \$55.86. AUD is at 0.7587 and the range since yesterday 5pm Sydney time is 0.7563 to 0.7602.

Markets

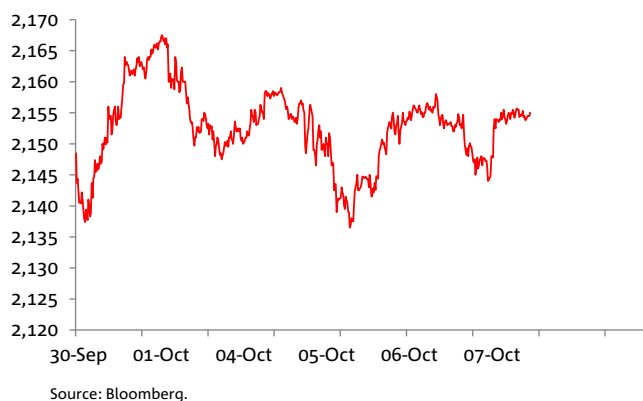
AUD/USD - past week



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	-0.5	0.7562	0.7624	HKD	7.7577 0.0
NZD	0.7164	-0.1	0.7136	0.7182	CNY	6.6718 0.0
EUR	1.1150	-0.5	1.1140	1.1213	SGD	1.3724 0.2
GBP	1.2606	-1.1	1.2602	1.2760	IDR	12,987 -0.1
JPY	104.00	0.5	103.35	104.16	THB	34.85 0.1
CAD	1.3221	0.3	1.3176	1.3249	KRW	1,112 -0.1
AUD/EUR	0.6804	0.0	0.6766	0.6806	TWD	31.41 0.1
AUD/JPY	78.90	0.0	78.47	79.00	PHP	48.28 0.0
AUD/GBP	0.6018	0.7	0.5955	0.6018	CHF	0.98 0.7
AUD/NZD	1.0590	-0.3	1.0576	1.0636	SEK	8.62 0.4
AUD/CNH	5.0522	-0.6	5.0742	5.1163		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	0.50	0.87	1.09	1.58	USD 10	1.74	3.51
AUD	1.50	1.74	1.72	2.27	AUD 10	2.17	4.00 0.43
NZD	2.00	2.21	2.09	2.63	NZD 10	2.52	5.50 0.78
EUR	0.00	-0.30	-0.21	0.37	CAD 10	1.14	5.00 -0.60
GBP	0.25	0.38	0.48	0.88	EUR 10	-0.02	-1.30 -1.76
JPY	-0.03	-0.02	-0.08	0.07	GBP 10	0.87	5.60 -0.87
CAD	0.50	0.90	0.92	1.36	JPY 10	-0.06	-0.10 -1.80

Equities

Major Indices

	Last	% day	% y/y
Dow	18,269	-0.1	8.8
S&P 500	2,161	-0.1	9.1
Nasdaq	5,307	-0.2	11.8
VIX	13	-1.2	-33.8
FTSE	7,000	-0.5	10.7
DAX	10,569	-0.2	6.7
CAC 40	4,480	-0.2	-3.9
Nikkei	16,899	0.5	-7.8
Shanghai	3,005	0.0	-1.6
Hang Seng	23,953	0.7	6.4
ASX 200	5,483	0.6	5.5

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.25	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.85	-7.00
3/10 sprd	-0.05	10.00
SPI	5481.0	-48.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	52.63	2.0
Oil (WTI)	50.56	1.7
Oil (Tapis)	51.84	0.3
Gold	1253.90	-1.1
CRB	188.54	-0.1
GS Metals	279.2	-0.3
Aluminium	1666.0	0.1
Copper	4745.5	-0.8
Nickel	10207.5	2.4
Zinc	2307.5	-1.3
Ch. steel	2253.0	0.0
Iron ore	55.9	0.0
St. Coal	84.8	1.4
Met.coal	203.0	0.0
Wheat Chic.	417.3	-2.1
Sugar	23.2	-1.9
Cotton	68.1	0.1
Coffee	146.1	-1.6

CO₂ Emissions - Euros

	Last	% day
Dec-2016	5.85	6.9
Jun-2017	5.86	6.7

* 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
Thursday, 6 October 2016								
NZ	ANZ Truckometer Heavy MoM	Sep				-1.4	22.00	8.00
AU	Trade Balance	Aug	-2100	-2300		-2410.0	1.30	11.30
GE	Factory Orders MoM/YoY	Aug		0.3		0.2	7.00	17.00
GE	Markit Germany Construction PMI	Sep				51.6	8.30	18.30
UK	New Car Registrations YoY	Oct				1.6	10.00	20.00
UK	Unit Labor Costs YoY	2Q				1.9	9.30	19.30
US	Challenger Job Cuts YoY	Sep				-21.8	12.30	22.30
EC	ECB account of the monetary policy meeting						12.30	22.30
CA	Building Permits MoM	Aug		1		0.8	13.30	23.30
US	Initial Jobless Claims	Oct 1		256		254.0	13.30	23.30
US	Bloomberg Consumer Comfort	Oct 2				41.6	14.45	0.45
Friday, 7 October 2016								
AU	AiG Perf of Construction Index	Sep				46.6	23.30	9.30
JN	Labor Cash/Real Earnings YoY	Aug		0.4		1.4/2.0	1.00	11.00
JN	Leading Index CI	Aug P		101.6		100.0	6.00	16.00
GE	Industrial Production SA MoM/YoY	Aug		1/0.4		-1.5/-1.2	7.00	17.00
CH	Foreign Reserves	Sep		3180		3185	8.00	18.00
UK	Halifax House Prices MoM/YoY	Sep		0		-0.2/6.9	8.30	18.30
UK	Industrial Production MoM/YoY	Aug		0.1/1.3		0.1/2.1	9.30	19.30
UK	Trade Balance	Aug		-4000		-4502.0	9.30	19.30
US	Change in Nonfarm Payrolls/Unemployment rate	Sep		172/4.9		151/4.9	13.30	23.30
US	Average Hourly Earnings MoM/YoY	Sep		0.3/2.6		0.1/2.4	13.30	23.30
CA	Net Change in Employment/Unemployment rate	Sep		7.5/7		26.2/7.0	13.30	23.30
UK	NIESR GDP Estimate	Sep				0.3	15.00	1.00
CA	Ivey Purchasing Managers Index SA	Sep		53.1		52.3	15.00	1.00
US	Wholesale Inventories MoM	Aug F		-0.1		-0.1	15.00	1.00
US	Wholesale Trade Sales MoM	Aug		0.1		-0.4	15.00	1.00
CA	Business Outlook Future Sales	3Q				5.0	15.30	1.30
CA	BoC Senior Loan Officer Survey	3Q				23.9	15.30	1.30
US	Fed's Fischer Speaks in Washington						15.30	1.30
US	Fed's Mester Speaks in New York						17.45	3.45
US	Consumer Credit	Aug		16.45		17.7	20.00	6.00
US	Fed's George speaks in Washington						20.00	6.00
US	Fed's Brainard speaks in Washington						21.00	7.00
CA	BoC's Wilkins Speaks on Panel in Washington						21.00	7.00
Saturday, 8 October 2016								
CH	Caixin China PMI Services/Composite	Sep				52.1/51.8	2.45	12.45
CH	Foreign Direct Investment YoY CNY	Sep		3.2		5.7	8-18 Oct release	
Monday, 10 October 2016								
GE	Current Account Balance	Aug				18.6	7.00	17.00
EC	Sentix Investor Confidence	Oct				5.6	9.30	19.30
NZ	REINZ House Sales YoY	Sep				-3.1	10-14 Oct release	
CH	New Yuan Loans CNY	Sep		1000		948.7	10-15 Oct release	
CH	Aggregate Financing CNY	Sep		1380		1470.0	10-15 Oct release	
Tuesday, 11 October 2016								
NZ	Card Spending Retail MoM/YoY	Sep				-0.4/-0.8	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct 9				117.9	23.30	9.30
UK	BRC Sales Like-For-Like YoY	Sep				-0.9	0.10	10.10
JN	BoP Current Account Adjusted	Aug		1550		1447.8	0.50	10.50
AU	NAB Business Conditions/Confidence	Sep				7.0/6.0	1.30	11.30
AU	NAB Business Confidence	Sep				6.0	1.30	11.30
AU	Home Loans headline MoM #/Investment MoM \$	Aug		-2.8/		-4.2/0.5	1.30	11.30
AU/US	Fed's Evans Speaks on Economy and Policy in Sydney						2.30	12.30
JN	Eco Watchers Survey Current/Outlook	Sep				45.6/47.4	6.00	16.00
GE	ZEW Survey Current Situation/Expectations	Oct				55.1/0.5	10.00	20.00
EC	ZEW Survey Expectations	Oct				5.4	10.00	20.00
US	NFIB Small Business Optimism	Sep				94.4	11.00	21.00
CA	Housing Starts	Sep				182.7	13.15	23.15
AU	HIA House Affordability Index	3Q				78.7		
US	Bloomberg Nanos Confidence	Oct 7				56.5	15.00	1.00
US	Labor Market Conditions Index Change	Sep				-0.7	15.00	1.00
Wednesday, 12 October 2016								
AU	Westpac Consumer Conf Index/MoM	Oct				101.4/0.3	0.30	10.30
JN	Machine Orders MoM/YoY	Aug		-5		4.9/5.2	0.50	10.50
JN	Machine Tool Orders YoY	Sep P				-8.4	7.00	17.00
EC	Industrial Production SA MoM/YoY	Aug				-1.1/-0.5	10.00	20.00
US	Monthly Budget Statement	Sep				-107.1	12-15 Oct release	
US	JOLTS Job Openings	Aug				5871.0	15.00	1.00
US	U.S. Fed Releases Minutes from Sept. 20-21 FOMC Meeting						19.00	5.00
Thursday, 13 October 2016								
NZ	ANZ Job Advertisements MoM	Sep				3.1	22.00	8.00
NZ	BusinessNZ Manufacturing PMI	Sep				55.1	22.30	8.30
NZ	Food Prices MoM	Sep				1.3	22.45	8.45
UK	RICS House Price Balance	Sep				12.0	0.10	10.10
AU	Consumer Inflation Expectation	Oct				3.3	1.00	11.00
NZ	ANZ Consumer Confidence Index/MoM	Oct				121.0/2.8	1.00	11.00
CH	Trade Balance	Sep		53		52.1	2.30	12.30
CH	Exports/Imports YoY	Sep		-3.3/0.6		-2.8/1.5	2.30	12.30
CH	Trade Balance CNY	Sep		374		346.0	2.30	12.30
CH	Exports/Imports YoY	Sep		2.7/5.6		5.9/10.8	2.30	12.30
JN	Tertiary Industry Index MoM	Aug		-0.1		0.3	5.30	15.30
GE	CPI MoM/YoY	Sep F				0.1/0.7	7.00	17.00
GE	CPI EU Harmonized MoM/YoY	Sep F				0.0/0.5	7.00	17.00
US	Import Price Index MoM/YoY	Sep		0.1/		-0.2/-2.2	13.30	23.30
CA	New Housing Price Index MoM/oY	Aug				0.4/2.8	13.30	23.30
CA	Teranet/National Bank HPI MoM/YoY	Sep				1.5/11.4	13.30	23.30
US	Initial Jobless Claims	Oct 1		256		254.0	13.30	23.30
US	Bloomberg Consumer Comfort	Oct 2				41.6	14.45	0.45
US	Fed's Harker Speaks on Economic Outlook in Philadelphia						17.15	3.15
Friday, 14 October 2016								
JN	PPI MoM/YoY	Sep		-0.1		-0.3/-3.6	0.50	10.50
AU	RBA Financial Stability Review						1.00	11.00
CH	CPI/PPI YoY	Sep		1.6		1.3/-0.8	1.30	11.30
UK	Construction Output SA MoM/YoY	Aug				0.0/-1.5	9.30	19.30
EC	Trade Balance SA	Aug				20.0	10.00	20.00
US	Fed's Rosengren Gives Opening Remarks at Boston Fed Conference						13.30	23.30
US	Retail Sales Advance/ex autos and gas MoM	Sep		0.5/		-0.3/-0.1	13.30	23.30
US	PPI Final Demand MoM/YoY	Sep		0.2/0.6		0.0/0.0	13.30	23.30
US	Business Inventories	Aug		0.1		0.0	15.00	1.00
US	U. of Mich. Sentiment/5-10Yr Inflation expectations	Oct P		92.1		91.2/2.6	15.00	1.00
US	Fed Chair Yellen Speaks at Boston Fed Conference						17.00	3.00
EC	ECB Survey of Professional Forecasters						25-26 Oct release	
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		4-Oct	1.50%	1.50%		1.50%		
Europe ECB		20-Oct				0.00%		
Canada, BoC		20-Oct				0.50%		
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				2.00%		

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