

Playing it cool

David Bowie's Scary Monsters (And Super Creeps) would have been a perfect title for a Halloween night with Metallica's Creeping Death a pretty morbid alternative too! In the end there was no scary ending to the month of October with markets in general playing it cool ahead of a busy week of data releases, central bank meetings and what is turning out to be a fairly dramatic US presidential election.

The only scary move from the overnight session was the sharp drop in oil prices with WTI down 3.9% and Brent-4.1%. There is a growing sense of scepticism that OPEC will be able to achieve a pullback in production with talks over the weekend failing to provide a concrete agreement to cut production.

Friday's risk off mood from the Clinton's email saga failed to gain momentum overnight with equity markets seemingly airing on the side of caution as we wait for more news. European equities fell at the open, reflecting Friday's drop in US equities, but proceeded to trade sideways with energy stock underperforming as oil prices took a dive. Meanwhile US equities have swang in and out of positive territory and look set to end the day practically unchanged.

The cautious mood was also evident in currencies with all G10 pairs barring GBP recording modest moves against the USD. News that BoE Governor Carney will extend his time in office, following conflicting reports over the past couple of days lifted Cable back above the 1.22 mark. In a letter to Chancellor of the Exchequer, Carney said that he will extend his time in office by a year to 2019 to guide the economy through Britain's split from the European Union. After briefly trading down to 0.7583, the AUD is currently trading at 0.7611 and is the second best performing G10 currency, up 0.13% over the past 24 hr. NZD is little bit softer, down 0.17% and after fleetingly trading with a 105 handle, USD/JPY is little change at ¥104.80.

As for data releases, both European advance CPI and GDP printed in line with expectations (core CPI 0.8% yoy and GBP 1.6% yoy) while US data releases were mixed. Chicago PMI disappointed dropping to 50.6 from 54.2, personal income rose 0.3% in September in line with expectations while spending rose top 0.5%, a tenth above consensus. Finally, the core deflator was in line with forecats, rising 0.1% and leaving the yoy rate unchanged at 1.7%

Coming Up

We have an action packed day today with China's official October manufacturing and non-manufacturing PMIs out at

midday followed by the Caixin manufacturing PMI forty five minutes later. The BoJ policy announcement could come any time after midday and then at 2:30 pm we have the RBA Board Meeting where most including ourselves expect the Bank to stand pat. Tonight, Europe has a quiet day and the US gets the October ISM manufacturing survey.

China's official manufacturing PMI is expected to drift towards 50.3 from 50.4. If so, it would suggest activity remains steady and marginally in expansionary mode. That said, early in the month, the MNI China PMI survey posted a big drop in October pointing to downside risks to today's number. As for China's non-manufacturing survey, it would not be surprising to see another print above 53 given the survey has been printing above the 53 mark for seven months in a row,

Although the RBA is widely expected to remain on hold this afternoon with the market pricing a 5% probability of a rate cut and most economists including NAB's tipping a no change, the post meeting statement will be closely scrutinised for any signs of an easing bias, particularly given the low core inflation print in Q3 and the disappointing September labour force report which showed a trend slowdown in the rate of employment growth. So the risk is the RBA steps up its dovish rhetoric, the market is pricing just 12bps of rate cuts over the coming year and a month ago pricing was at 22bps, suggesting there is scope for repricing. Similarly the AUD could come under some pressure, however a break below the 0.745-0.775 range held since July this year looks unlikely to be tested.

As for the BoJ a no change to the bank's policy setting is unanimously expected, however the market will be looking to see if the inflation target gets pushed further out in time.

Moving on to the US, consensus forecast suggest the ISM manufacturing should print at 51.7 just marginally above the 51.5 seen in September. The message from regional surveys has been rather mixed, but the marked rebound in the new orders component (55.1 from 49.1) in last month's survey suggests there is potential for an upside surprise.

Overnight

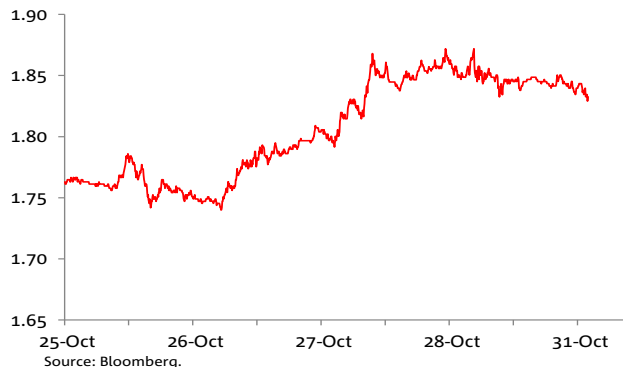
On global stock markets, the S&P 500 was -0.10%. Bond markets saw US 10-years -0.18bp to 1.83%. In commodities, Brent crude oil -4.36% to \$48.47, gold+0.1% to \$1,279, iron ore +0.7% to \$64.38. AUD is at 0.761 and the range since yesterday 5pm Sydney time is 0.7599 to 0.7614.

Markets

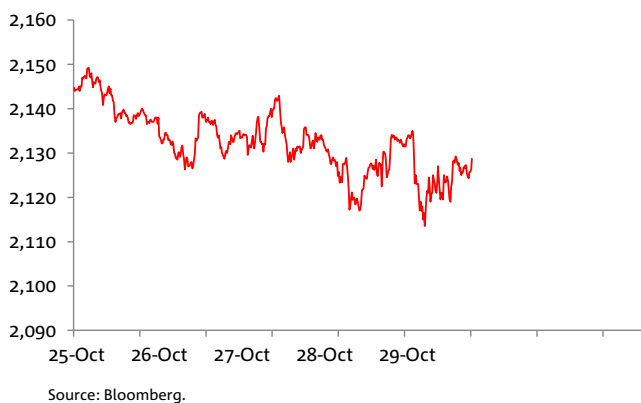
AUD/USD - past week



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	0.7610	0.1	0.7582	0.7619	HKD	7.7556 0.0
NZD	0.7151	-0.2	0.7138	0.7167	CNY	6.7758 0.0
EUR	1.0982	0.0	1.0936	1.0995	SGD	1.3912 -0.1
GBP	1.2244	0.5	1.2141	1.2247	IDR	13,048 0.0
JPY	104.80	0.1	104.27	105.23	THB	35.03 0.0
CAD	1.3418	0.1	1.3349	1.3430	KRW	1,144 -0.1
AUD/EUR	0.693	0.1	0.6897	0.6953	TWD	31.56 -0.3
AUD/JPY	79.75	0.2	79.09	79.99	PHP	48.45 -0.1
AUD/GBP	0.6215	-0.2	0.6208	0.6260	CHF	0.99 0.1
AUD/NZD	1.0641	0.2	1.0571	1.0650	SEK	9.03 0.2
AUD/CNH	5.1474	0.2	5.1464	5.1649		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.89	1.08	1.68	USD 10	1.83	-2.13
AUD	1.50	1.75	1.75	2.45	AUD 10	2.35	-3.10 0.52
NZD	2.00	2.14	2.13	2.82	NZD 10	2.70	-1.80 0.88
EUR	0.00	-0.31	-0.15	0.50	CAD 10	1.20	-3.00 -0.63
GBP	0.25	0.40	0.62	1.19	EUR 10	0.16	-0.40 -1.66
JPY	-0.04	-0.02	-0.02	0.09	GBP 10	1.25	-1.50 -0.58
CAD	0.50	0.90	0.90	1.45	JPY 10	-0.05	-0.60 -1.87

Equities

Major Indices

	Last	% day	% y/y
Dow	18,142	-0.1	2.7
S&P 500	2,126	-0.1	2.3
Nasdaq	5,189	0.0	2.7
VIX	17	5.4	13.2
FTSE	6,954	-0.6	9.3
DAX	10,665	-0.3	-1.7
CAC 40	4,509	-0.9	-7.9
Nikkei	17,425	-0.1	-8.7
Shanghai	3,100	-0.1	-8.3
Hang Seng	22,935	-0.1	1.3
ASX 200	5,318	0.6	1.5

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.24	2.00
3 Yr bond	97.8	3.00
10 Yr bond	97.69	3.50
3/10 sprd	0.11	-0.50
SPI	5278.0	-25.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	48.47	-4.4
Oil (WTI)	46.67	-4.2
Oil (Tapis)	49.21	-1.5
Gold	1278.70	0.1
CRB	186.28	-1.5
GS Metals	287.5	0.7
Aluminium	1734.0	0.9
Copper	4844.3	0.2
Nickel	10438.0	0.4
Zinc	2453.0	2.6
Ch. steel	2594.0	1.9
Iron ore	64.4	0.7
St. Coal	108.6	4.4
Met.coal	242.0	0.0
Wheat Chic.	433.8	1.3
Sugar	21.6	-2.7
Cotton	68.9	-2.8
Coffee	164.2	-0.8

CO₂ Emissions - Euros

	Last	% day
Dec-2016	5.91	0.3
Jun-2017	5.93	0.5

* 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
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		50.3		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	Oct				92.1	6.30	16.30
UK	Markit UK PMI Manufacturing SA	Oct		54.5		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		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
CA	Canada Government Budget Update							TBA
CA	BoC's Poloz speaks in Vancouver						16.45	2.45
Wednesday, 2 November 2016								
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		42.6		43.0	6.00	16.00
GE	Unemployment Change (000's)	Oct		-0.5		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		51.8		52.3	10.30	20.30
CA	MLI Leading Indicator MoM	Sep				0.1	12.00	22.00
US	ADP Employment Change	Oct		165		154.0	13.15	23.15
US	Wards Total Vehicle Sales	Oct		17.5		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
Thursday, 3 November 2016								
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		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		2		-0.6	13.30	23.30
US	Initial Jobless Claims	Oct 29		255		258.0	13.30	23.30
US	Markit US Services PMI	Oct F		54.8		54.8	14.45	0.45
US	Markit US Composite PMI	Oct F				54.9	14.45	0.45
US	Bloomberg Consumer Comfort	Oct 30				43.9	14.45	0.45
US	ISM Non-Manf. Composite	Oct		56		57.1	15.00	1.00
US	Factory Orders	Sep		0.2		0.2	15.00	1.00
UK	BoE's Deputy Cunliffe speaks in London						21.55	7.55
Friday, 4 November 2016								
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		-0.2	11.00	21.00
US	Trade Balance	Sep		-38.5		-40.7	13.30	23.30
US	Change in Nonfarm Payrolls/Unemployment Rate	Oct		175		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		-15		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
UK	BoE Forbes speaks in US						15.45	1.45
US	Fed's Fischer speaks at an IMF Research Event						21.00	7.00
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

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

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.