

## Hate that I love you

Prospects of greater US fiscal spending (infrastructure and tax cuts) under a Trump Presidency continue to buoy equity markets, while US bond markets are sold on the prospects that such policies are inflationary. Markets are paying very close attention to what Trump rhetoric becomes possible, and then probable. Today his transition team said they will be working to dismantle the Dodd-Frank Act (a major piece of financial regulation post GFC) and replace it with “new policies to encourage economic growth and job growth”. We also found out that Trump was not seeking Fed chair Yellen’s resignation, but were also not nominating her for a second term. In summary it seems markets are buying the positives of an upcoming Trump administration – which is the song of today’s daily – Rihanna’s “Hate that I love you”.

US equities continue to surge, with the Dow hitting a record high overnight up 1.3%, and the S&P500 up 0.4%. Helping to drive that were financial stocks which were up an astounding 3.9% following indications that Trump was going to dismantle the Dodd-Frank act. Asian equities followed the US lead over the previous day, while European equities were unchanged to mostly lower with the DAX down 0.1% and the FTSE down 1.2%.

The Fed’s Bullard (voter) was out overnight emphasising that the election does not change the chance of a December rate hike, noting “we are basically on track the same way we were before the election”. That sees the OIS markets pricing an 84% chance of a December hike. As a hint to the Fed in 2017, Bullard also said the election “certainly breaks gridlock in Washington, which has been a key complaint of how the economy has operated”. To your scribe that suggests the possibility of a more hawkish Fed in 2017 than what we saw in 2016 (also note Trump will need to fill two vacant governor positions on the board with most of his economic advisors on a hawkish tilt).

Bond yields continue to be on the march. US Treasuries were up 3.7 basis points to be 2.09%. It’s worth noting that much of the rise in US bond yields is coming from higher inflation expectations. While nominal bond yields are up around 23bps since Trump’s victory, around 17bps is coming from a rise in 10-year breakeven inflation rates which are now hovering around 1.90%. US investors are pricing in the prospects of higher inflation. Other major sovereign bond markets followed the lead in Treasuries the previous day which saw Australia CGS up 27.7bps to 2.5%. European bond yields rose less, with Bunds up 7.1bps to 0.27% and UK Gilts up 8.5bps to 1.34%.

In the FX space it was again a story of US dollar strength up 0.2% overnight, with the US dollar now up 3% since its low point following Trump’s election victory. Most currencies were lower against the dollar except the British Pound which was up 1.2%. There hopes that greater US-UK trade may eventuate. At the bottom of the board is the Kiwi (-0.9%) and the Yen (-1.1%). The RBNZ cut rates yesterday and while most saw the cut as a “hawkish cut”, the usual concern around the currency was repeated: “A decline in the exchange rate is needed”.

In commodities, Iron ore rose 4.4% to be \$US74.1 a tonne – its highest level since late 2014. Yesterday, iron ore futures in China surged by their 9% limit, with some attributing the increase to traders moving onto iron ore following the higher fees imposed on coking coal futures by the Dalian Commodity Exchange. For Australia’s other main commodities, coking coal was up 3.9% to be \$US295 a tonne and thermal coal was down 0.6% to be \$US111.4 a tonne. Positive sentiment globally also helped lift most other metals higher with copper up 3.5% and zinc up 1.4%.

Oil was the underperformer down 1% with WTI at \$US44.8 a barrel. The International Energy Agency noted that for the oil market to rebalance in 2017 OPEC will need to move ahead with its mooted production cap (of between 32.5-33.0 mb/d). OPEC meets on 30 November and if no agreement is reached than the oil market will remain in surplus with the risk that oil prices will fall back.

## Coming Up

A quiet day ahead datawise with the only major piece of data being the US Uni Michigan Consumer Sentiment Index for November. Given it was surveyed in the week prior to the presidential election, it will not incorporate any aftermath from the election and markets will have to wait a little bit longer to see what impact Trump’s victory will have on consumer and business confidence.

As for other data out today, in Australia there is only a speech by the RBA’s Debelle which is unlikely to be market sensitive given he is at a regulators’ forum. Across the ditch, we get the NZ PMI and Food Prices – both of which is likely to be overshadowed by global events. Elsewhere, Japan has the Tertiary Industry Index and the UK has Construction Output.

## Overnight

On global stock markets, the S&P 500 was +0.42%. Bond markets saw US 10-years +3.69bp to 2.09%. In commodities,

Brent crude oil -0.99% to \$45.9, gold-0.6% to \$1,266, iron ore +4.4% to \$74.12. AUD is at 0.7623 and the range since yesterday 5pm Sydney time is 0.7572 to 0.7739.

# Markets

## AUD/USD - past week



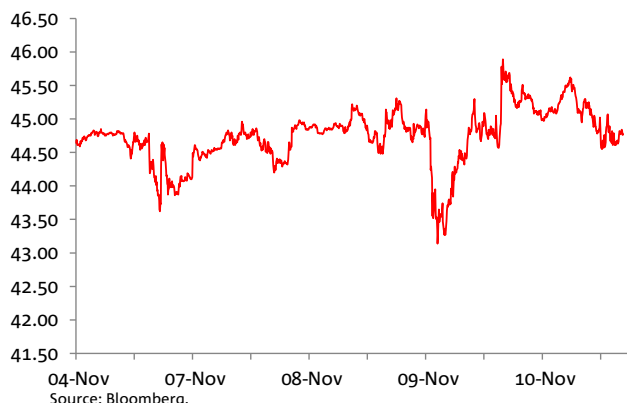
## US 10 yr - past week



## S&P Futures - past week



## WTI - past week



## Foreign Exchange

Indicative 24hr ranges (**)					Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7623	-0.2	0.7568	0.7742	HKD	7.7560 0.0
NZD	0.7219	-0.8	0.7177	0.7307	CNY	6.8059 0.2
EUR	1.0896	-0.1	1.0865	1.0954	SGD	1.4086 0.7
GBP	1.2544	1.1	1.2378	1.2549	IDR	13,138 0.1
JPY	106.56	0.8	104.97	106.95	THB	35.26 0.6
CAD	1.3444	0.1	1.3387	1.3509	KRW	1,150 0.1
AUD/EUR	0.6997	0.0	0.6952	0.7105	TWD	31.60 0.5
AUD/JPY	81.23	0.7	80.40	82.46	PHP	48.73 0.0
AUD/GBP	0.6077	-1.3	0.6053	0.6251	CHF	0.99 0.3
AUD/NZD	1.0560	0.7	1.0480	1.0648	SEK	9.05 -0.1
AUD/CNH	5.1767	-0.5	5.1678	5.2851		

## Equities

Major Indices			
	Last	% day	% y/y
Dow	18,831	1.30	6.0
S&P 500	2,172	0.42	4.4
Nasdaq	5,224	-0.51	2.8
VIX	15	0.83	-5.2
FTSE	6,828	-1.2	8.8
DAX	10,630	-0.1	-1.9
CAC 40	4,531	-0.3	-7.8
Nikkei	17,344	6.7	-11.9
Shanghai	3,171	1.4	-13.1
Hang Seng	22,839	1.9	2.2
ASX 200	5,329	3.3	4.0

## Commodities\*

	Last	% day
Oil (Brent)	45.90	-1.0
Oil (WTI)	44.77	-1.1
Oil (Tapis)	46.71	0.5
Gold	1266.10	-0.6
CRB	183.20	-0.4
GS Metals	304.7	0.0
Aluminium	1769.0	1.0
Copper	5588.5	3.5
Nickel	11495.0	-0.3
Zinc	2511.3	1.4
Ch. steel	2977.0	1.2
Iron ore	74.1	4.4
St. Coal	111.4	-0.6
Met.coal	295.0	3.9
Wheat Chic.	422.3	-0.5
Sugar	21.7	-2.1
Cotton	69.2	1.3
Coffee	165.7	-4.7

## Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.89	1.15	1.97	USD 10	2.09	3.69
AUD	1.50	1.76	1.81	2.64	AUD 10	2.50	27.70 0.41
NZD	1.75	2.09	2.24	3.14	NZD 10	2.95	21.90 0.85
EUR	0.00	-0.31	-0.14	0.65	CAD 10	1.43	6.40 -0.66
GBP	0.25	0.40	0.65	1.31	EUR 10	0.27	7.10 -1.82
JPY	-0.04	-0.05	-0.02	0.09	GBP 10	1.34	8.50 -0.75
CAD	0.50	0.89	0.97	1.68	JPY 10	-0.04	3.00 -2.13

## Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.22	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.50	-14.00
3/10 sprd	0.30	17.00
SPI	5330.0	-178.0

\*Change in bps

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

	Last	% day
Dec-2016	5.91	-3.7
Jun-2017	5.93	-3.6

\* 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
<b>Thursday, 10 November 2016</b>								
NZ	RBNZ Official Cash Rate	Nov 10	1.75	1.75		2.0	21.00	7.00
JN	Machine Orders MoM/YoY	Sep		-1.5/4.1		-2.2/11.6	0.50	10.50
AU	Consumer Inflation Expectation	Nov				3.7	1.00	11.00
UK	RICS House Price Balance	Oct		18		17.0	1.10	11.10
AU	Home Loans/Investment Loans MoM	Sep	-0.6	-1.6		-3.0/0.1	1.30	11.30
US	Fed's Williams Speaks on Economic Outlook in San Francisco						3.00	13.00
NZ	REINZ House Sales YoY	Oct				-9.5		
CH	New Yuan Loans CNY	Oct		676		1220.0	10-15 Nov release	
CH	Aggregate Financing CNY	Oct		1000		1720.0	10-15 Nov release	
CA	New Housing Price Index MoM/YoY	Sep		0.2		0.2/2.7	14.30	0.30
US	Initial Jobless Claims	Nov 5		260		265.0	14.30	0.30
US	Fed's Bullard Speaks on U.S. Economic Outlook in St. Louis						15.15	1.15
US	Bloomberg Consumer Comfort	Nov 6				44.6	15.45	1.45
EC	Schaeuble, Weidmann Attend VOeB Public Bank Lobby Event						18.00	4.00
US	Monthly Budget Statement	Oct		-75		33.4	20.00	6.00
<b>Friday, 11 November 2016</b>								
NZ	BusinessNZ Manufacturing PMI	Oct				57.7	22.30	8.30
NZ	Food Prices MoM	Oct	-0.9			-0.9	22.45	8.45
JN	PPI MoM/YoY	Oct		0/-2.6		0.0/-3.2	0.50	10.50
AU	RBA's Debelle Panel Participation at FINSIA Regulators Panel in Melbourne						2.00	12.00
JN	Tertiary Industry Index MoM	Sep		-0.2		0.0	5.30	15.30
GE	CPI MoM/YoY	Oct F		0.2/0.8		0.2/0.8	8.00	18.00
GE	CPI EU Harmonized MoM/YoY	Oct F		0.2/0.7		0.2/0.7	8.00	18.00
UK	Construction Output SA MoM/YoY	Sep		0/-0.4		-1.5/0.2	10.30	20.30
JN	Machine Tool Orders YoY	Oct P				-6.3		11-14 Nov release
US	U. of Mich. Sentiment/5-10 Yr Inflation	Nov P		88/		87.2/2.4	16.00	2.00
<b>Monday, 14 November 2016</b>								
NZ	Performance Services Index	Oct				54.1	22.30	8.30
JN	GDP SA QoQ	3Q P		0.2		0.2	0.50	10.50
CH	Industrial Production YoY/YTD	Oct		6.2/6.1		6.1/6.0	3.00	13.00
CH	Retail Sales YoY/YTD	Oct		10.7/10.4		10.7/10.4	3.00	13.00
CH	Fixed Assets Ex Rural YTD YoY	Oct		8.2/		8.2/0.0	3.00	13.00
JN	Industrial Production MoM/YoY	Sep F		/		0.0/0.9	5.30	15.30
EC	ECB's Constancio Speaks at Euro Finance Week in Frankfurt						9.30	19.30
EC	Industrial Production SA MoM/YoY	Sep		/		1.6/1.8	11.00	21.00
CA	Bloomberg Nanos Confidence	Nov 11				55.8	16.00	2.00
<b>Tuesday, 15 November 2016</b>								
NZ	Retail Sales Ex Inflation QoQ	3Q				2.3	22.45	8.45
US	Fed's Lacker Speaks at Washington College in Chestertown, MD						23.00	9.00
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Nov 13				117.8	23.30	9.30
US	Fed's Williams Speaks in San Francisco on Panel						0.30	10.30
AU	RBA Nov. Meeting Minutes						1.30	11.30
GE	GDP SA QoQ/YoY	3Q P		/		0.4/1.8	8.00	18.00
AU	RBA's Lowe Speech at CEDA Event in Melbourne						9.00	19.00
EC	ECB's Lautenschlaeger Speaks at Euro Finance Week in Frankfurt						9.30	19.30
UK	CPI MoM/YoY	Oct		/		0.2/1.0	10.30	20.30
UK	PPI Input NSA MoM/YoY	Oct		/		0.0/7.2	10.30	20.30
UK	House Price Index YoY	Sep				8.4	10.30	20.30
EC	Trade Balance SA	Sep				23.3	11.00	21.00
GE	ZEW Survey Current Situation/Expectations	Nov		/		59.5/6.2	11.00	21.00
EC	ZEW Survey Expectations	Nov				12.3	11.00	21.00
EC	GDP SA QoQ/YoY	3Q P		/		0.3/1.6	11.00	21.00
US	Fed's Rosengren Speaks to Portland, Maine Chamber of Commerce						13.30	23.30
US	Import Price Index MoM	Oct		0.3		0.1	14.30	0.30
US	Empire Manufacturing	Nov		-3/0.6		-6.8/0.6	14.30	0.30
US	Retail Sales Advance/Ex Autos and gas MoM	Oct		0.6		0.6	14.30	0.30
CA	Existing Home Sales MoM	Oct				0.8	15.00	1.00
EC	Bundesbank's Dombret Speaks at Euro Finance Week in Frankfurt						15.15	1.15
US	Business Inventories	Sep		0.2		0.2	16.00	2.00
EC	Ex-ECB's Trichet Speaks at Euro Financ Week in Frankfurt						16.45	2.45
US	Fed's Fischer Speaks at Brookings Instituton Market Liquidity						19.30	5.30
<b>Wednesday, 16 November 2016</b>								
AU	Westpac Leading Index MoM	Oct				0.1	0.30	10.30
JN	Housing Loans YoY	3Q				2.4	0.50	10.50
AU	Wage Price Index QoQ/YoY	3Q		/		0.5/2.1	1.30	11.30
AU	New Motor Vehicle Sales MoM/YoY	Oct		/		2.5/0.8	1.30	11.30
NZ	Non Resident Bond Holdings	Oct				65.0	3.00	13.00
US/UK	Fed's Bullard Speaks in London on `Monetary Policy after QE`						9.00	19.00
EC	Bundesbank's Thiele Speaks at Euro Finance Week in Frankfurt						9.00	19.00
UK	Jobless Claims Change	Oct				0.7	10.30	20.30
UK	Average Weekly Earnings/AWE ex bonus 3M/YoY	Sep		/		2.3/2.3	10.30	20.30
UK	ILO Unemployment Rate 3Mths/Employment Change 3M/Sep	Sep		/		4.9/106.0	10.30	20.30
EC	Bundesbank's Thiele Speaks at Euro Finance Week in Frankfurt						11.00	21.00
CA	Manufacturing Sales MoM	Sep				0.9	14.30	0.30
US	PPI Final Demand MoM/YoY	Oct		0.3/		0.3/0.7	14.30	0.30
US	PPI Ex Food, Energy, Trade MoM/YoY	Oct		0.2/		0.3/1.5	14.30	0.30
US	Industrial Production MoM	Oct		0.2		0.1	15.15	1.15
US	NAHB Housingq Market Index	Nov		63		63.0	16.00	2.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
New Zealand, RBNZ		10-Nov	1.75%	1.75%		2.00%		
Australia, RBA		1-Dec	1.50%	1.50%		1.50%		
Canada, BoC		7-Dec				0.50%		
Europe ECB		8-Dec				0.00%		
US Federal Reserve		15-Dec	0.25-0.50%	0.25-0.50%		0.25-0.50%		
UK BOE		15-Dec				0.25%		
Japan, BoJ		20-Dec				-0.1% to +0.1%		

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.