

For what is worth

Leonard Cohen passed away last week and on my way in I was listening to a mix of folk tunes with the hope of finding one of his songs as a title for today's note. The Partisan could have been an option if Donald Trump had appointed another senior Republican to his government or Hallelujah would have been ideal if there was any sign of an end to the bond selloff. In the end, Buffalo Springfield "For what is worth" started playing and I just couldn't get passed it.

"There is something happening here. What it is ain't exactly clear"...The US Treasury led bonds sell off has continued overnight buoyed by investors' expectations of higher US growth and higher inflation under a Donald Trump US presidency. For now expectations of higher growth appear to be outweighing any concerns of equity valuation effects from higher yields, the key question now however is how much further can this bond sell off go before we start to see some destabilising effects across markets. In December last year the Fed lifted the Funds rate by 25bps and the rise in US Treasury yields that followed coupled with a stronger USD triggered a China equity led sell off in January. Hence is probably worth watching how EM markets cope with the rise in UST yields this time around.

The selloff in US treasury yields look set to extend for a sixth consecutive day. On November 4, 10y UST were trading at 1.77%, now they are 45bps higher at 2.22%. Volatility has also remained elevated, 10y UST trading in a 12bps. 10y Bunds and Gilts have followed the move in UST yields, closing the day at 1.5 and 4bps higher.

The move higher in US yields has also seen a repricing of Fed rate hike expectations with the market now assigning a 95% probability to a December hike, up from 83% yesterday. Another hike is now more than fully priced next year.

The USD has benefited from the rise in Fed hike expectations with the DXY index back above the 100 mark for the first time this year. The BoJ's yield curve control policy has helped the depreciation of the Yen amid the rise in core global yield (JPY -1.30% overnight) and the Euro has broken below the 1.08 mark as concerns over Europe's political stability intensify with the Italian referendum and Austrian election due in just under three weeks.

Meanwhile commodity linked currencies have coped relatively well. NZD is down 0.36% and trading just below the 72c mark with initial impressions suggesting yesterday's earthquake is unlikely to be as damaging as the 2011 Canterbury earthquakes. The CAD is -0.10% supported by a mini rally in oil prices over the past few hours and the AUD is the start performer, little changed at 0.7546.

Other commodities have taken a breather with iron ore down 2.6%, steam coal -4.1% and gold -0.4%.

ECB Constancio cautioned on Monday that a Trump presidency could mean higher US growth, but Europe and emerging countries could actually suffer from protectionism in the US.

Coming Up

We have quite a few events and data releases that should keep us busy today, in addition of course to any policy or appointment news from Donald Trump. In Australia, the November RBA minutes are released this morning, however given they pre date the Statement of Monetary Policy the Minutes are unlikely to add anything new. Of more interest, tonight RBA Governor Lowe gives a speech titled "Buffers and Options" and our economists suggest the title could imply some coverage of how low rates go and an assessment of their effectiveness.

Looking at other markets, Germany gets the November Zew survey and its first Q3 GDP reading. The market is looking for a GDP print of 0.3% just below the 0.4% recorded in Q2. The UK releases CPI figures for October and the core CPI reading is expected to print at 1.4%, marginally below the 1.5% print in September. Components to the CPI number are likely to garner some attention, particularly for signs of inflationary pressures from the weaker Pound. BoE Governor Carney is also due to face the Parliament's Treasury Committee for an in-depth chat on the latest inflation numbers.

Later in the day, the US gets the November Empire manufacturing survey, business inventory (Sep) and advance retail sales (Oct). The market is looking for a US consumer rebound with retail sales ex auto and gas expected to print at 0.3% while the control group is seen at 0.4% vs 0.1% previously.

Finally Fed speakers are out in force today with Lacker speaking in Washington this morning (9am Sydney time), followed by Williams at 10:30am and then tonight, Fed Rosengren, Tarullo, Fischer and Kaplan are also due to speak.

Overnight

On global stock markets, the S&P 500 was +0.13%. Bond markets saw US 10-years +7.76bp to 2.23%. In commodities, Brent crude oil -0.49% to \$44.53, gold -0.4% to \$1,219, iron ore -2.6% to \$77.77. AUD is at 0.7548 and the range since yesterday 5pm Sydney time is 0.7526 to 0.7563.

Markets

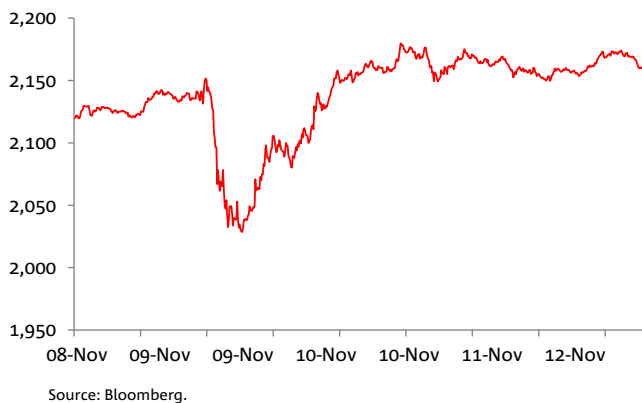
AUD/USD - past week



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	0.7548	0.0	0.7520	0.7566	HKD	7.7587 0.0
NZD	0.7098	-0.4	0.7069	0.7143	CNY	6.8600 0.7
EUR	1.0737	-1.1	1.0709	1.0853	SGD	1.4150 0.2
GBP	1.2492	-0.8	1.2444	1.2618	IDR	13,375 -0.1
JPY	108.43	1.7	106.51	108.54	THB	35.49 0.3
CAD	1.3557	0.1	1.3495	1.3589	KRW	1,172 0.6
AUD/EUR	0.703	0.9	0.6907	0.7045	TWD	31.99 0.4
AUD/JPY	81.84	1.6	80.32	81.89	PHP	49.27 0.5
AUD/GBP	0.6043	0.3	0.5911	0.6066	CHF	1.00 1.0
AUD/NZD	1.0633	0.1	1.0559	1.0659	SEK	9.16 0.7
AUD/CNH	5.1726	0.6	5.1380	5.2101		

Equities

Major Indices	Last	% day	% y/y
	Dow	18,884	0.19
S&P 500	2,167	0.13	7.1
Nasdaq	5,228	-0.18	6.1
VIX	14	1.55	-5.9
FTSE	6,753	0.3	10.4
DAX	10,694	0.2	-0.1
CAC 40	4,509	0.4	-6.2
Nikkei	17,673	1.7	-9.8
Shanghai	3,210	0.4	-10.3
Hang Seng	22,222	-1.4	-0.8
ASX 200	5,346	-0.5	5.8

Commodities*

	Last	% day
Oil (Brent)	44.53	-0.5
Oil (WTI)	43.51	0.2
Oil (Tapis)	45.63	-2.1
Gold	1219.40	-0.4
CRB	180.26	-0.3
GS Metals	306.1	0.0
Aluminium	1745.0	0.1
Copper	5552.5	0.2
Nickel	11215.0	0.4
Zinc	2593.3	5.5
Ch. steel	2929.0	-3.7
Iron ore	77.8	-2.6
St. Coal	105.4	-4.1
Met.coal	297.3	0.2
Wheat Chic.	412.5	-2.1
Sugar	21.6	-0.3
Cotton	68.9	0.7
Coffee	165.5	1.4

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.91	1.23	2.10	USD 10	2.23	7.76
AUD	1.50	1.76	1.88	2.84	AUD 10	2.66	9.10 0.43
NZD	1.75	2.09	2.29	3.34	NZD 10	3.13	8.30 0.90
EUR	0.00	-0.31	-0.13	0.70	CAD 10	1.54	11.40 -0.68
GBP	0.25	0.40	0.68	1.36	EUR 10	0.32	1.10 -1.91
JPY	-0.04	-0.07	0.00	0.13	GBP 10	1.41	4.40 -0.82
CAD	0.50	0.90	1.00	1.79	JPY 10	-0.01	1.30 -2.24

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.21	-1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.34	-12.50
3/10 sprd	0.46	12.50
SPI	5341.0	16.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Dec-2016	5.42	-4.6
Jun-2017	5.44	-4.4

* 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, 15 November 2016								
NZ	Retail Sales Ex Inflation QoQ	3Q	0.8	0.9		2.3		
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
NZ	RBNZ Household Inflation Expectations						3.00	13.00
JN	Machine Tool Orders YoY	Oct F				-8.9	7.00	17.00
GE	GDP SA QoQ/YoY	3Q P		0.3/1.8		0.4/1.8	8.00	18.00
AU	RBA's Lowe Speech at CEDA Event in Melbourne						9.15	19.15
EC	ECB's Lautenschlaeger Speaks at Euro Finance Week in Frankfurt						9.30	19.30
UK	CPI MoM/YoY	Oct		0.3/1.1		0.2/1.0	10.30	20.30
UK	PPI Input NSA MoM/YoY	Oct		2/9.3		0.0/7.2	10.30	20.30
UK	House Price Index YoY	Sep		8.1		8.4	10.30	20.30
EC	Trade Balance SA	Sep		22.05		23.3	11.00	21.00
UK	BoE's Carney, Shafik, and Saunders at Treasury Select Committee						11.00	21.00
GE	ZEW Survey Current Situation/Expectations	Nov		61.6/8.1		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		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		0.4		0.1	14.30	0.30
US	Empire Manufacturing	Nov		-2/0.6		-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
NZ	GDT Dairy auction					11.4		<i>early am NZ time</i>
CA	Existing Home Sales MoM	Oct				0.8	15.00	1.00
US	Fed's Tarullo (Fed Governor and voter) speaks on Finance and the Economy at WSJ CEO Council						15.05	1.05
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
US	Fed's Kaplan speaks						19.30	5.30
Wednesday, 16 November 2016								
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	0.5/2.0	0.5/2		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		2		0.7	10.30	20.30
UK	Average Weekly Earnings/AWE ex bonus 3M/YoY	Sep		2.4/2.4		2.3/2.3	10.30	20.30
UK	ILO Unemployment Rate 3Mths/Employment Change 3M/ Sep			4.9/91		4.9/106.0	10.30	20.30
EC	Bundesbank's Thiele Speaks at Euro Finance Week in Frankfurt						11.00	21.00
US	Fed's Kashkari speaks on Too Big to Fail in New York						13.45	23.45
CA	Manufacturing Sales MoM	Sep		0.1		0.9	14.30	0.30
US	PPI Final Demand MoM/YoY	Oct		0.3/1.2		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 Housing Market Index	Nov		63		63.0	16.00	2.00
Thursday, 17 November 2016								
US	Total/Net Long term Net TIC Flows	Sep		/		73.8/48.3	22.00	8.00
NZ	ANZ Job Advertisements MoM	Oct				0.3	22.00	8.00
NZ	PPI Output YoY	3Q	-0.7			0.5	22.45	8.45
US	Fed's Harker Speaks in Philadelphia on Purpose of Federal Reserve						23.30	9.30
NZ	ANZ Consumer Confidence Index/MoM	Nov				122.9/1.6	1.00	11.00
AU	Employment Change/Unemployment rate	Oct	20/5.6	15/5.7		-9.8/5.6	1.30	11.30
AU	Participation Rate	Oct	64.6	64.6		64.5	1.30	11.30
AU	RBA FX Transactions Market	Oct				673.0	1.30	11.30
EC	ECB's Mersch Speaks at Euro Finance Week in Frankfurt						9.10	19.10
UK	Retail Sales Ex Auto Fuel MoM/YoY	Oct		0.4/5.4		0.0/4.0	10.30	20.30
UK	Retail Sales Inc Auto Fuel MoM/YoY	Oct		0.5/5.3		0.0/4.1	10.30	20.30
EC	Construction Output MoM/YoY	Sep		/		-0.9/0.9	11.00	21.00
EC	CPI MoM/YoY	Oct		0.3/0.5		0.4/0.4	11.00	21.00
EC	CPI Core YoY	Oct F		0.8		0.8	11.00	21.00
US	Initial Jobless Claims	Nov 12		256.5		254.0	14.30	0.30
CA	Int'l Securities Transactions	Sep				12.7	14.30	0.30
US	Housing Starts/MoM	Oct		1155/10.3		1047.0/-9.0	14.30	0.30
US	Building Permits/MoM	Oct		1190/-2.9		1225.0/6.3	14.30	0.30
US	CPI MoM/YoY	Oct		0.4/1.6		0.3/1.5	14.30	0.30
US	CPI Ex Food and Energy MoM/YoY	Oct		0.2/2.2		0.1/2.2	14.30	0.30
US	Philadelphia Fed Business Outlook	Nov		7.8		9.7	14.30	0.30
US	Fed's Dudley (NY Fed and voter) welcome remarks to conference on International Macroeconomics						14.50	0.50
US	Fed Chair Yellen testifies to Joint Economic Committee on "The Economic Outlook"						16.00	2.00
US	Fed's Brainard (Fed Governor and voter) speaks on Evolution of Work and the Increase in Alternative Work Arrangements						18.30	4.30
MX	Banco de Mexico official overnight rate announcement					4.75%	20.00	6.00
Friday, 18 November 2016								
EC/US	ECB's Praet speaks in New York						22.45	8.45
NZ	National Accounts, year to	Mar					22.45	8.45
CH	Property Prices, # cities rising/falling new apt prices, y/y	Oct				64/6	2.30	12.30
GE	PPI MoM	Oct		0.2		-0.2	8.00	18.00
GE	PPI YoY	Oct		-0.9		-1.4	8.00	18.00
EC	ECB's Draghi Speaks at Euro Finance Week in Frankfurt						9.00	19.00
EC	ECB Current Account SA	Sep				29.7	10.00	20.00
EC	Current Account NSA	Sep				23.6	10.00	20.00
EC	Bundesbank's Weidmann Speaks at Euro Finance Week in Frankfurt						11.30	21.30
US/EC	Fed's Bullard, SNB's Maechler Speak on Panel in Frankfurt						11.30	21.30
CA	CPI NSA MoM/YoY	Oct		0.3/1.5		0.1/1.3	14.30	0.30
CA	CPI Core MoM/YoY	Oct		0.3/1.8		0.2/1.8	14.30	0.30
US	Leading Index	Oct		0.1		0.2	16.00	2.00
US	Kansas City Fed Manf. Activity	Nov				6.0	17.00	3.00
Monday, 21 November 2016								
JN	Machine Tool Orders YoY	Oct F				-8.9		<i>11-21 Nov release</i>
JN	Trade Balance Adjusted	Oct				349.0	0.50	10.50
JN	Exports/Imports YoY	Oct		/		-6.9/-16.3	0.50	10.50
UK	Rightmove House Prices MoM/YoY	Nov		/		0.9/4.2	1.10	11.10
NZ	Credit Card Spending MoM/YoY	Oct		/		2.6/8.2	3.00	13.00
JN	All Industry Activity Index MoM	Sep				0.2	5.30	15.30
JN	Convenience Store Sales YoY	Oct				0.0	8.00	18.00
AU	RBA's Aylmer Speech in Sydney						#N/A	#N/A
UK	CBI Trends Total Orders/Selling Prices	Nov		/		-17.0/8.0		<i>11-27 Nov release</i>
US	Chicago Fed Nat Activity Index	Oct				-0.1	14.30	0.30
CA	Wholesale Trade Sales MoM	Sep				0.8	14.30	0.30
CH	Conference Board Leading Economic Index	Oct					15.00	1.00
CA	Bloomberg Nanos Confidence	Nov 11				55.8	16.00	2.00
Upcoming Central Bank Interest Rate Announcements								
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%		
New Zealand, RBNZ		9-Feb	1.75%	1.75%		1.75%		

GMT: Greenwich Mean Time; AEDT: Australian Daylight Savings Time

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