

Back to reality

Following the severe earthquake this morning in South Island NZ, the Wellington CBD is out of action including the BNZ Harbour Quays building. BNZ Markets will be operating from Auckland / Christchurch and DR sites.

The NZD fell by about half a cent at the open, but bear in mind that sharp falls in the currency in the days following the February 2011 earthquake (5-6%) were reversed in subsequent weeks and months as anticipation of insurance payouts from overseas and the positive economic impact of the rebuilding of Christchurch were factored in.

Friday's Veterans Day holiday, the closure of US bond markets and a bit of fatigue following the dramatic market moves of Wednesday and Thursday made for a quiet Friday. US stocks closed mixed (S&P down smalls but Dow and NASDAQ higher) while the US dollar continued to push ahead on the view that higher growth and higher inflation are headed America's way in 2017 and on the view that a December Fed tightening is still highly likely.

The S&P lost 0.14% to 2164.45 but is still 3.8% up on the previous Friday's close. Financials (on hope for the repeal of Dodd-Frank) and industrials (on hopes for major infrastructure spending) have driven the past week's gains. The Dow was 0.21% higher Friday and the NASDAQ +0.54%. The VIX lost another 0.57 to 14.17 having been 22.51 the previous Friday. The Eurostoxx 50 ended Friday's session down 0.54% (+2.6% on the week) and the German Dax 0.36% (led by a 4.6% gain for Deutsche Bank, its stock 20% up on the week).

US bond markets were closed Friday but in Europe the sell-off continued, Bunds +3.4bps to 0.308% and gilts +2.2bps to 1.364%. As a reminder, 10 year Treasuries ended Thursday night 37bps higher on the week at 2.15%.

In FX, the US dollar rally continued, gains now being dominated by falls for commodity currencies. NZD/USD -1.15% to 0.713, AUD/USD -0.88% to 0.7546 and USD/CAD +0.54% to 1.3542. Asia EM didn't fare too badly, ADXY down just 0.02% (and -0.56% on the week). The narrow DXY gained 0.28% led by the further fall in EUR/USD (-0.35% to 1.0855). USD/JPY gave back a tiny portion of its Wed/Thu rally, -0.17% to Y106.65 while Sterling continues to bask in the view a US/UK free trade could be readily achieved and that the factors that drove first Brexit then the election of Trump could soon befall one or more continental European countries. This, the argument goes, would play in favour of a softer than otherwise UK exit from the UK as Europe is forced to bend the UK (and US) way for its own

salvation. GBP/USD was +0.33% to \$1.2596. Bloomberg's broader BBDXY gained 0.2% for a rise of 2.6% on the week.

In commodities, in contrast to falls for gold (-\$42 to \$1,224) oil (WTI -\$1.30 to 42.41 and Brent -\$1.1 to \$44.75) and exchange traded metals (LMEX -1.32%) iron ore added an eye-popping \$5.7 to \$79.81. A week ago it was \$65. Steaming coal out of Newcastle lost \$1.55 but coking coal added another 50 cents to yet another fresh cycle high.

The US November University of Michigan preliminary consumer sentiment index at 91.6 was well up on the 87.2 final October read and 87.9 expected. As - perhaps more - important, 5-10 year inflation expectations lifted to 2.7% from 2.4% (as did 1-year expectations).

CoreLogic's weekend auction data shows the national clearance rate up again, to 77.5% from 73.6% on higher auction volumes. Sydney again drove the move higher, clearing a preliminary 84.2% up from 78.8% last week but Melbourne was also up, to 77.2% from 76.1%.

Coming Up

The market will remain alert to any news on President-elect Trump's policies and possible appointments. In this regard we may be due for something of a reality check; for example, according to the Wall Street Journal on Saturday the president-elect's infrastructure plan largely boils down to a tax break in the hopes of luring capital to projects. He wants investors to put money into projects in exchange for tax credits totalling 82% of the equity amount and which industry experts say is likely to fall far short of adequately funding improvements to roads, bridges and airports.

China releases key October data today (13:00 AEDST) while the US highlight will be Fed Chair Yellen's testimony to Congress on Thursday (10 other Fed speakers are also scheduled). Data-wise the main emphasis will be on US Retail Sales Tuesday and US CPI Thursday and in the UK CPI, Retail Sales and Labour Market data.

In Australia there are three big watch points, the first RBA Governor Lowe's speech to CEDA on Tuesday evening (and the RBA Minutes earlier Tuesday), second, the Wage Price Index for Q3 on Wednesday, followed by the October Labour Force release on Thursday.

Overnight

On global stock markets, the S&P 500 was -0.14%. US bond markets were closed. In commodities, Brent crude oil -2.38% to \$44.75, gold -3.3% to \$1,224, iron ore +7.7% to \$79.81. AUD is at 0.7534 and the range since Friday 5pm Sydney time is 0.7519 to 0.7628.

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Markets

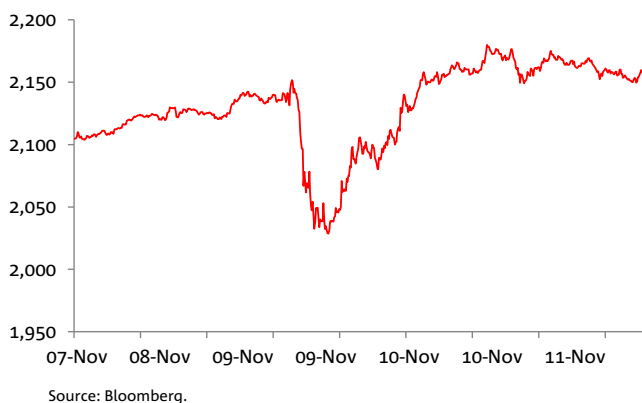
AUD/USD - past week



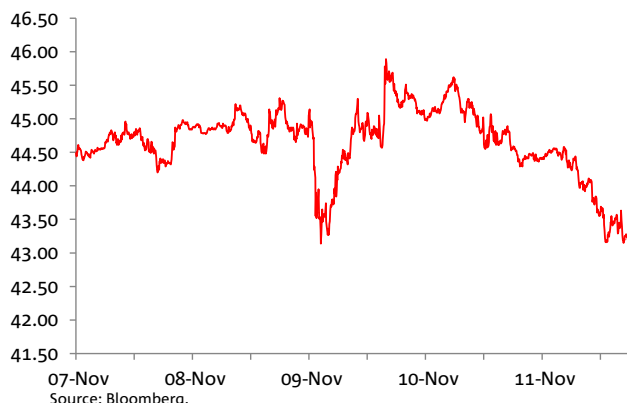
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7530	-1.1	0.6841	0.7952	HKD	7.7584 0.0
NZD	0.7090	-1.7	0.7069	0.7229	CNY	6.8120 0.1
EUR	1.0832	-0.6	1.0798	1.0923	SGD	1.4123 0.0
GBP	1.2595	0.3	1.2207	1.2882	IDR	13,383 1.9
JPY	106.70	-0.1	106.04	106.93	THB	35.40 0.3
CAD	1.3521	0.4	1.3457	1.3633	KRW	1,165 1.3
AUD/EUR	0.695	-0.6	0.6836	0.7011	TWD	31.86 0.8
AUD/JPY	80.35	-1.2	80.26	81.43	PHP	49.04 0.6
AUD/GBP	0.5977	-1.4	0.5839	0.6073	CHF	0.99 0.1
AUD/NZD	1.0619	0.6	1.0507	1.0760	SEK	9.09 0.5
AUD/CNH	5.1422	-0.7	5.1321	5.2101		

Equities

	Major Indices		
	Last	% day	% y/y
Dow	18,848	0.21	9.3
S&P 500	2,164	-0.14	7.0
Nasdaq	5,237	0.54	6.3
VIX	14	-3.87	-7.3
FTSE	6,730	-1.4	10.0
DAX	10,668	0.4	-0.4
CAC 40	4,489	-0.9	-6.6
Nikkei	17,375	0.2	-11.3
Shanghai	3,196	0.8	-10.7
Hang Seng	22,531	-1.3	0.6
ASX 200	5,371	0.8	6.3

Commodities*

	Last	% day
Oil (Brent)	44.75	-2.4
Oil (WTI)	43.41	-2.8
Oil (Tapis)	46.62	-0.2
Gold	1224.30	-3.3
CRB	180.74	-1.4
GS Metals	306.1	-1.4
Aluminium	1743.5	-1.4
Copper	5541.3	-0.8
Nickel	11165.0	-2.9
Zinc	2458.3	-2.1
Ch. steel	2993.0	-0.9
Iron ore	79.8	7.7
St. Coal	109.9	-1.4
Met.coal	296.8	0.2
Wheat Chic.	421.5	-0.3
Sugar	21.7	0.2
Cotton	68.4	-1.1
Coffee	163.1	-1.5

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.22	1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.39	-11.00
3/10 sprd	0.41	11.00
SPI	5342.0	-2.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Dec-2016	5.68	-3.9
Jun-2017	5.69	-4.0

* 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
Monday, 14 November 2016								
NZ	REINZ Residential Report	Oct					21.30	7.30
NZ	Performance Services Index	Oct				54.1	22.30	8.30
NZ	National Population Estimates	Sep					22.45	8.45
JN	GDP SA QoQ	3Q P		0.2		0.2	0.50	10.50
JN	BoJ's Kuroda speaks in Nagoya						2.00	12.00
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		-1/0.9		1.6/1.8	11.00	21.00
CA	Bloomberg Nanos Confidence	Nov 11				55.8	16.00	2.00
US	Fed's Kaplan speaks						19.20	5.20
Tuesday, 15 November 2016								
NZ	Retail Sales Ex Inflation QoQ	3Q	0.8	0.8		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
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		0.3/1.2		0.2/1.0	10.30	20.30
UK	PPI Input NSA MoM/YoY	Oct		1.5/8.8		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
UK	BoE's Carney, Shafik, and Saunders at Treasury Select Committee						11.00	21.00
GE	ZEW Survey Current Situation/Expectations	Nov		62.3/7.9		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		-2.5/0.6		-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
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		2.4/2.3		2.3/2.3	10.30	20.30
UK	ILO Unemployment Rate 3Mths/Employment Change 3M/Sep	Sep		4.9/98		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		-0.15		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	20/5.7		-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		0.4/5.2		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				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		1195/-2.5		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		8		9.7	14.30	0.30
US	Fed Chair Yellen testifies to Joint Economic Committee on "The Economic Outlook"						16.00	2.00
MX	Banco de Mexico official overnight rate announcement					4.75%	20.00	6.00
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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