

Party in the USA

It's been a night in which the US bond market has staged a mediocre rally – not quite a party – for most of the session, tilted to the belly of the curve and the long end. It looks to have been some profit taking after the surge in yields since the US election. Released overnight, the US retail sales report for October was very solid indeed and this has been bookended by two late-session strong comments from two Fed Presidents. (Oil was higher too.) Rosengren (a voter, and dissenter till Nov) and Kaplan (a voter in 2017) pointed the market even further to the likelihood of a December 15 rate hike. The US OIS market currently has a 91% chance of a hike priced, supporting the front end of the curve.

Rosengren said that the November FOMC statement signalled a rate hike (that's what likely convinced him not to dissent then) while Kaplan said that he would have backed a hike at the September or November meetings. US retail sales jumped 0.8% (0.6% was expected) and that came with the sweetener of a four tenths upward revision to September. The Atlanta Fed upped its estimate for Q4 *GDPNow* from 3.1% to 3.3% as a result, adding 0.3% to its Q4 estimate of consumption to 2.9%.

In the political sphere, running across wires in the past hour is confirmation that Paul Ryan will again be nominated as Speaker of the US House. The USD is little changed in net terms from yesterday's levels.

Governor Lowe's CEDA address last night had little to no impact, speaking on policy/structural "buffers" as providing "options" should a shock arrive. His closing comments on the outlook suggested the Bank is reasonably comfortable on hold but still very alert to inflation data. This scribe detected an undercurrent of implicit concern in Lowe's response to a question on the inflation outlook. He rightly emphasised flexibility, but noted that inflation is "a bit lower than where they'd like it to be" and that "we should not get worried it's going to get stuck at these levels". Not exactly a clean bill of unremitting confidence about the outlook for inflation. He did note that in response to Trump's policies to lift growth that rising inflation would be "a good thing". Lowe noted that targeted infrastructure spending had a role to play in the growth outlook. Yesterday's IMF Article IV annual report on Australia said that the economy is not immune from the "new mediocre", that policy should remain accommodative given it might take longer than expected to get inflation back to target.

The AUD/USD is trading this morning in the mid 0.75s. US equities are stronger and the VIX is lower again. Iron ore

dropped back to a still high \$72.78 (-\$5.09/t), met coal was steady, but thermal coal rose \$1.10/t to \$106.45. Across the ditch, the Kiwi dollar has lost some net ground in the past 24 hours, though has clawed back some lost ground in the second half of the session in the wake of the latest Global Dairy auction, prices rising 4.5%.

There was a bit more intra-session volatility with the Pound overnight though it sits back where it was yesterday. A leaked memo to *The Times* said a report commissioned by the UK Government found there was no strategic plan for Brexit, not that this would really surprise too many people. UK CPI for October had also underwhelmed (0.1%/0.9%, 0.2% less than f/c) though core PPI was 0.3% higher than expected, indicative of some upstream lower Sterling pressure, even if that pressure has dissipated to some extent recently.

Coming up

The main fundamental data interest locally today is the Statistician's Wage Price Index for the September quarter, what it says about the momentum of wages growth that's been slowing until recent quarters, though very recently with signs of levelling out. NAB and the market look for unchanged q/q growth of 0.5%, that, owing to base effects, would take annual growth back to 2.0% from 2.1% in Q2. The report will be analysed to assess whether the deflationary momentum in Mining is still slowing the average and what is happening on the wages growth front in the non-mining economy. New motor vehicle sales data for October is also due at 11.30.

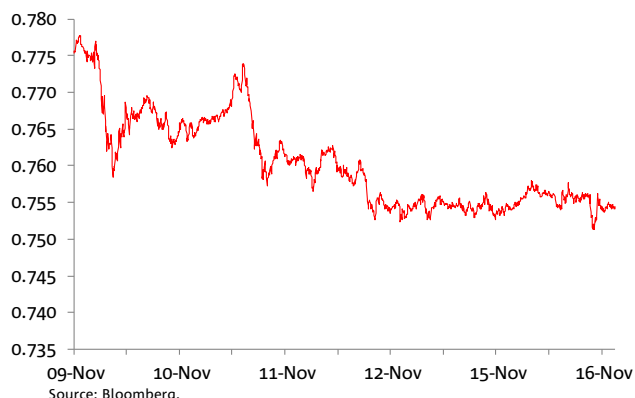
Tonight, Fed President Bullard is speaking on "Monetary Policy after QE" at 19.00 AEDT to open proceedings along with the possibility of more wire stories from ECB and other attendees at Euro Finance Week. The UK has its monthly labour market report and in the US, Fed President Kashkari (one of the most dovish on the FOMC) is speaking, with the US releasing its PPI, Industrial Production and the NAHB Housing Market Index, all worth a look if not absolute top tier market-sensitive data.

Overnight

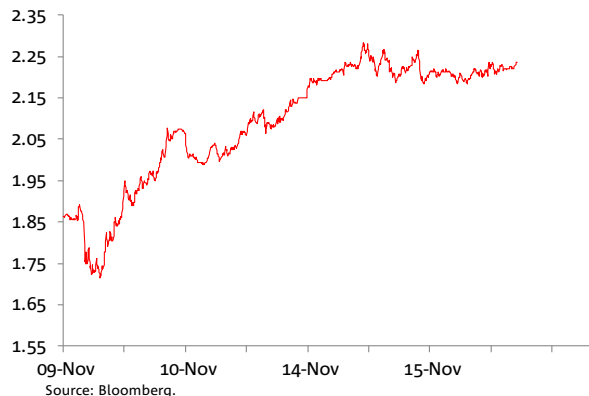
On global stock markets, the S&P 500 is +0.65%. Bond markets saw US 10-years -2.30bp to 2.24%. In commodities, Brent crude oil +5.81% to \$47.01, gold+0.2% to \$1,224, iron ore -6.5% to \$72.68. AUD is at 0.7549 and the range since yesterday 5pm Sydney time is 0.7513 to 0.7577.

Good luck.

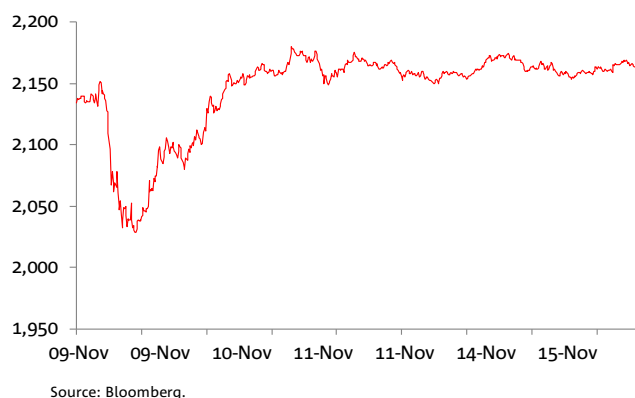
AUD/USD - past week



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	0.7549	-0.1	0.7512	0.7581	HKD	7.7577 0.0
NZD	0.7092	0.0	0.7070	0.7126	CNY	6.8625 0.3
EUR	1.0716	-0.4	1.0714	1.0783	SGD	1.4150 0.0
GBP	1.2452	-0.6	1.2380	1.2518	IDR	13,311 -1.0
JPY	109.33	1.3	108.16	109.34	THB	35.47 0.0
CAD	1.3475	-0.8	1.3450	1.3546	KRW	1,171 -0.3
AUD/EUR	0.7045	0.5	0.7001	0.7047	TWD	31.81 -0.6
AUD/JPY	82.54	1.4	81.74	82.55	PHP	49.16 0.0
AUD/GBP	0.6061	0.7	0.6033	0.6097	CHF	1.00 0.6
AUD/NZD	1.0645	0.1	1.0615	1.0656	SEK	9.19 0.8
AUD/CNH	5.1809	0.4	5.1648	5.1971		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.91	1.24	2.10	USD 10	2.24	-2.30
AUD	1.50	1.76	1.88	2.82	AUD 10	2.66	0.10 0.42
NZD	1.75	2.08	2.27	3.28	NZD 10	3.10	-3.60 0.86
EUR	0.00	-0.31	-0.13	0.69	CAD 10	1.55	-0.20 -0.69
GBP	0.25	0.40	0.67	1.33	EUR 10	0.31	-1.10 -1.93
JPY	-0.05	-0.07	0.01	0.15	GBP 10	1.38	-2.90 -0.86
CAD	0.50	0.90	1.01	1.81	JPY 10	0.01	1.80 -2.23

Equities

Major Indices	Last	% day	% y/y
	Dow	18,898	0.15
S&P 500	2,178	0.65	7.7
Nasdaq	5,280	1.18	7.1
VIX	13	-7.67	-33.4
FTSE	6,793	0.6	11.0
DAX	10,735	0.4	0.2
CAC 40	4,537	0.6	-5.6
Nikkei	17,668	0.0	-8.9
Shanghai	3,207	-0.1	-11.1
Hang Seng	22,324	0.5	1.4
ASX 200	5,326	-0.4	6.4

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.22	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.37	-2.00
3/10 sprd	0.43	5.00
SPI	5346.0	5.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	47.01	5.8
Oil (WTI)	45.80	5.7
Oil (Tapis)	45.96	0.7
Gold	1223.90	0.2
CRB	183.08	1.6
GS Metals	308.8	0.0
Aluminium	1732.0	-0.7
Copper	5521.0	-0.6
Nickel	11265.5	0.5
Zinc	2605.5	0.5
Ch. steel	2825.0	-7.1
Iron ore	72.7	-6.5
St. Coal	106.5	1.0
Met.coal	297.3	0.0
Wheat Chic.	432.3	1.4
Sugar	21.2	-2.2
Cotton	70.7	2.6
Coffee	165.3	-0.1

CO₂ Emissions - Euros

	Last	% day
Dec-2016	5.73	5.7
Jun-2017	5.74	5.5

* cisd = 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
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				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		0.05		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		257		254.0	14.30	0.30
CA	Int'l Securities Transactions	Sep				12.7	14.30	0.30
US	Housing Starts/MoM	Oct		1160/10.8		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		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	11-21 Nov release	
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	Dec		/		-1.1/4.5	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
UK	CBI Trends Total Orders/Selling Prices	Nov		/		-17.0/8.0	11-27 Nov release	
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 18				55.6	16.00	2.00
Tuesday, 22 November 2016								
NZ	Net Migration SA	Oct				6340.0	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Nov 13				117.8	23.30	9.30
AU	RBA's Aylmer Speech in Sydney						0.25	10.25
AU	RBA's Kent, Assistant Governor (Economic) speaks at ABE Event in Sydney						8.45	18.45
UK	Public Finances (PSNCR)/Public Sector Net Borrowing	Oct		/		13.3/10.1	10.30	20.30
UK	PSNB ex Banking Groups	Oct				10.6	10.30	20.30
CA	Retail Sales/Ex autos MoM	Sep		/		-0.1/0.0	14.30	0.30
US	Richmond Fed Manufact. Index	Nov		0		-4.0	16.00	2.00
EC	Consumer Confidence	Nov A				-8.0	16.00	2.00
US	Existing Home Sales/MoM	Oct		5.45/-0.37		5.5/3.2	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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