

## Yellen Stayin' Alive and on track for December

The boost to equities and to the US dollar continued overnight driven by comments from US Fed Chair Yellen and supported by strong US economic data. Chair Yellen indicated that a December rate hike was a base case, noting "such an increase could well become appropriate relatively soon". The OIS market agrees and currently prices in a 96% chance of the Fed hiking in December. For those who thought there was a chance Yellen may depart the Fed early, those notions were cast aside with Yellen indicating she was very much Stayin' Alive and was intending on serving out her full four year term.

As for future policy, Yellen was wary about being drawn into discussions about the outlook under a Trump Presidency. In an oblique reference to how the Fed is likely to see it, she noted that markets saw inflationary consequences from an expected US fiscal expansion under a Trump Administration (note breakeven inflation rates in the US are now at 1.9% up from the 1.7% level prior to the election – but still only 20bps higher). And in response to a question about the economic outlook, Yellen said that "perhaps [there would be a need to] adjust our outlook". Nevertheless, Yellen continued to temper expectations for Fed policy into next year (likely in case markets were getting ahead of themselves) stating risks "were roughly balanced" and the economy only warrants "gradual increases".

As Yellen's comments hit the wires, the US dollar rose across the board by around 0.5%. It's also worth noting here that Yellen made no comment on whether the recent rise in the dollar was leading to tighter US financial conditions (it's up 3.2% since just before the US election) so perhaps a green light for the US dollar to rise further – at least that's how the market is likely to interpret it. The Aussie was the underperformer overnight, down 1.0%. Much of the weakness in the Aussie came after Yellen's testimony so does not appear to reflect the soft labour market figures released yesterday. The UK Pound was the outperformer, down only 0.2% after a stellar retail sales number which saw sales up 1.9% in the month and an incredible 7.4% in the year – the fastest annual pace since 2002! The Stats office suggests colder weather and Halloween were the drivers, but it's also possible UK residents are spending more at home given the lower pound since Brexit.

US economic data was very positive overnight with US Jobless Claims coming in better than expected and now at a 42-year low at 235k. While election hiring may have helped, it also suggests the labour market is close to its full employment levels. The US CPI for October was broadly in

line with consensus, with the Headline at 0.4% m/m and 1.6% y/y, and the Core Measure at 0.149% and 2.1% y/y. US Housing starts were also strong, up an incredible 25.5%.

With positive data and Yellen, US equities rose with the S&P500 up 0.4% and within a hairsbreadth of its all-time high. Again financial stocks seem to be the main drivers with the financials sub-index up 1.1% with prospects of less financial regulation under a Trump administration continuing to buoy financials. European equities were also higher with the Dax up 0.2% and the FTSE up 0.7%.

US Treasury yields resumed their upward moves, up 5.0 basis points overnight to 2.27%. Global yields elsewhere mainly took their lead from moves in Treasuries the previous day with German Bund yields down 1.8 bps to 1.41%. Australian CGS yields also fell, down 7.3 bps to 2.57%. Part of that fall reflects markets starting to price back a chance of the RBA cutting rates in the next year on the back of the softer labour force data – now a 16% likelihood whereas the day before there was nothing priced in.

As for commodities, oil was down with the WTI measure down 0.7% to \$45.24 a barrel. Markets remain sceptical about an impending OPEC agreement to cap production – formal meeting to be held on Nov 30 – despite continued optimistic remarks from Saudi Ministers. As for Australia's key export prices, iron ore was up 1.6% to US\$73.6, while coal was mixed with coking up 0.5% to US\$298.8 and thermal down 1.5% to US\$104.9.

Finally Mexico hiked its key policy rate as expected by 50 bps to 5.25% - its highest level since 2009. The moves are centred on countering the inflationary impact of the sharp fall in the Peso following the US election.

## Coming up

The most significant event today is likely to be an upcoming speech by ECB President Draghi at a European Banking Congress in Frankfurt at 7.15pm AEDT. Otherwise it is a very quiet day ahead.

Datawise, China releases its Property Price Index, Germany the PPI, and the Eurozone the Current Account. There may be some interest in Canada's October CPI, while the US has the Kansas City Fed Manufacturing Activity Index which may garner some interest with the chance it contains some reaction to the election of Trump.

Fed jive talkin also continues today with voters Bullard and George scheduled to speak. Given the multitude of Fed speakers so far this week, in particular Yellen last night,

these speeches are unlikely to offer any new insights into the Fed.

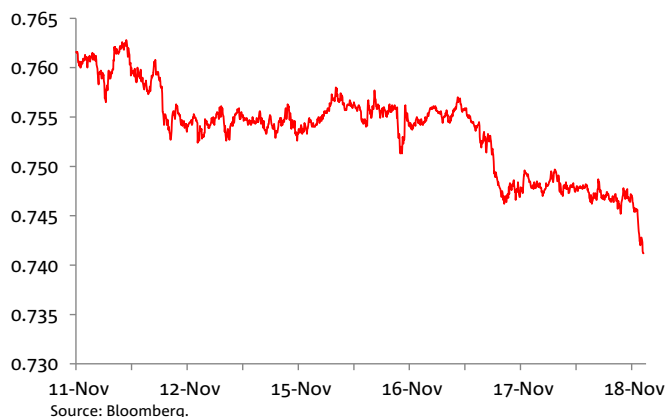
Finally, on the weekend APEC leaders meet Saturday and Sunday which may garner some headlines.

## **Overnight**

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On global stock markets, the S&P 500 was +0.35%. Bond markets saw US 10-years +5.16bp to 2.27%. In commodities, Brent crude oil -0.60% to \$46.35, gold-0.8% to \$1,215, iron ore +1.6% to \$73.55. AUD is at 0.741 and the range since yesterday 5pm Sydney time is 0.7412 to 0.7487.

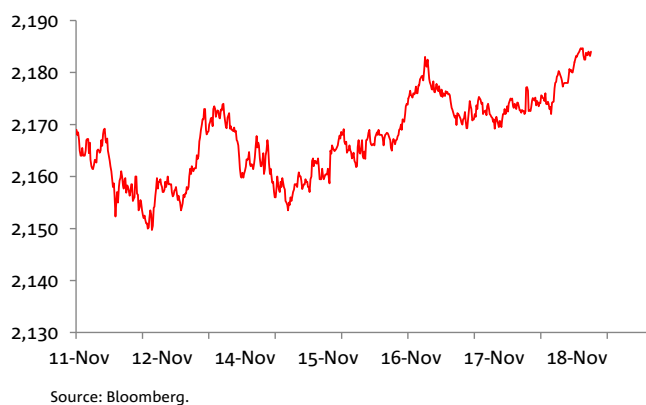
AUD/USD - past week



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	0.7410	-0.9	0.7397	0.7501	HKD	7.7572 0.0
NZD	0.7029	-0.6	0.7013	0.7110	CNY	6.8781 0.0
EUR	1.0628	-0.6	1.0624	1.0746	SGD	1.4204 0.4
GBP	1.2419	-0.2	1.2412	1.2505	IDR	13,373 0.2
JPY	109.93	0.8	108.56	109.98	THB	35.46 -0.1
CAD	1.3495	0.4	1.3400	1.3503	KRW	1,176 0.6
AUD/EUR	0.6971	-0.4	0.6951	0.7009	TWD	31.83 -0.1
AUD/JPY	81.46	-0.2	81.12	81.85	PHP	49.50 0.3
AUD/GBP	0.5966	-0.8	0.5955	0.6032	CHF	1.01 0.5
AUD/NZD	1.0542	-0.3	1.0520	1.0582	SEK	9.24 0.5
AUD/CNH	5.1373	-0.1	5.1000	5.2084		

Equities

	Last	% day	% y/y
<b>Major Indices</b>			
Dow	18,872	0.02	7.9
S&P 500	2,185	0.35	6.5
Nasdaq	5,323	0.54	6.8
VIX	13	-2.04	-28.7
FTSE	6,795	0.7	8.4
DAX	10,686	0.2	-2.6
CAC 40	4,528	0.6	-8.3
Nikkei	17,863	0.0	-9.1
Shanghai	3,208	0.1	-10.1
Hang Seng	22,263	-0.1	0.3
ASX 200	5,339	0.2	4.0

Commodities\*

	Last	% day
Oil (Brent)	46.35	-0.6
Oil (WTI)	45.24	-0.7
Oil (Tapis)	47.81	0.7
Gold	1214.70	-0.8
CRB	182.40	0.0
GS Metals	302.3	0.0
Aluminium	1686.5	-0.5
Copper	5489.3	1.1
Nickel	11215.0	-0.8
Zinc	2525.0	0.4
Ch. steel	2786.0	-0.1
Iron ore	73.6	1.6
St. Coal	104.9	-1.5
Met.coal	298.8	0.5
Wheat Chic.	420.5	1.5
Sugar	20.2	-0.7
Cotton	73.5	1.9
Coffee	163.0	-0.9

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.91	1.27	2.12	USD 10	2.27	4.98
AUD	1.50	1.76	1.86	2.76	AUD 10	2.57	-7.30 0.30
NZD	1.75	2.06	2.22	3.17	NZD 10	2.99	-9.10 0.71
EUR	0.00	-0.31	-0.14	0.68	CAD 10	1.55	4.50 -0.72
GBP	0.25	0.40	0.67	1.36	EUR 10	0.28	-1.80 -1.99
JPY	-0.05	-0.05	0.02	0.16	GBP 10	1.41	2.70 -0.86
CAD	0.50	0.90	1.01	1.81	JPY 10	0.01	-1.60 -2.26

Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.22	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.42	5.50
3/10 sprd	0.38	-2.50
SPI	5351.0	-31.0

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

	Last	% day
Dec-2016	5.90	6.3
Jun-2017	5.92	6.3

\*Change in bps

\* 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, 17 November 2016</b>								
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
<b>Friday, 18 November 2016</b>								
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
<b>Monday, 21 November 2016</b>								
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
<b>Tuesday, 22 November 2016</b>								
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
US	Existing Home Sales MoM	Oct		-0.37		3.2	16.00	2.00
<b>Wednesday, 23 November 2016</b>								
AU	Skilled Vacancies MoM	Oct				-1.2	1.00	11.00
AU	Construction Work Done	3Q				-3.7	1.30	11.30
CH	MNI Business Indicator	Nov					2.45	12.45
GE	Markit/BME Germany Manufacturing/Services PMI	Nov P		/		55.0/54.2	9.30	19.30
GE	Markit Germany Services PMI	Nov P				54.2	9.30	19.30
GE	Markit/BME Germany Composite PMI	Nov P				55.1	9.30	19.30
EC	Markit Eurozone Manufacturing/Services PMI	Nov P		/		53.5/52.8	10.00	20.00
EC	Markit Eurozone Services PMI	Nov P				52.8	10.00	20.00
EC	Markit Eurozone Composite PMI	Nov P				53.3	10.00	20.00
US	Durable Goods Orders	Oct P		1/0.4		-0.3/-1.3	14.30	0.30
US	Cap Goods Orders Nondef Ex Air	Oct P		0.4		-1.3	14.30	0.30
US	Initial Jobless Claims	Nov 12		257		254.0	14.30	0.30
US	House Price Purchase Index QoQ	3Q				1.2	15.00	1.00
US	FHFA House Price Index MoM	Sep		0.5		0.7	15.00	1.00
US	Bloomberg Consumer Comfort	Nov 13				45.1	15.45	1.45
US	Markit US Manufacturing PMI	Nov P				53.4	15.45	1.45
US	New Home Sales/MoM	Oct		587.5/-0.9		593.0/3.1	16.00	2.00
US	New Home Sales MoM	Oct		-0.9		3.1	16.00	2.00
US	U. of Mich. Sentiment/5-10 Yr Inflation Expectations	Nov F		/		91.6/2.7	16.00	2.00
US	U. of Mich. 5-10 Yr Inflation	Nov F				2.7	16.00	2.00
US	U.S. Fed Releases Minutes from November 1-2 FOMC Meeting						20.00	6.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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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