

The (bond) Song Remains the Same

Last week, the relentless rise in US yields was continuing to drive the US dollar upward, is starting to put downward pressure on most commodity prices and is also now unsettling the post-Trump victory global equity rally.

The S&P lost 0.24% to 2,189.9 but this still leaves it 0.8% on the week and 4.6% higher since Trump's victory. The Dow was -0.19% and just 0.1% up on the week with the NASDAQ -0.23% but +1.6% on the week. Despite the S&P's dip, the VIX closed lower at 12.88 (-0.47) and is 1.29 lower on the week (but evidently not much help to the Aussie dollar as US rate considerations overwhelm).

US Treasury bond markets saw 2s +1.4bps to 1.062% (+14.5bps on the week) 5s +4.6bps to 1.783% (+22.5bps on the week). 10s +3.4bps to 2.338% and +18.7bps on the week. Bunds were -0.7bps to 0.272% after ECB President Draghi in a speech on Friday failed to offer any hint of post-March QE tapering. 10yr gilts added 4.5bps to 1.455% (+9.1bps on the week).

In FX, the US dollar rally continues, DXY +0.43% to 101.32 and the broader BBDXY +0.47% - both new cycle highs. AUD/USD was Friday's biggest G10 loser, -0.92% to 0.7338 followed by USD/JPY, +0.70% to Y110.89. EUR/USD was down 0.33% to 1.0591; GBP/USD -0.51% to 1.2354 and the NZD -0.2% to 0.7011.

In commodities, gold was down a further \$8.70 to \$1,208, the LME index -0.82% and iron ore off \$0.80 to \$72.79 (and \$7.02 lower on the week). Steaming coal shipped out of Newcastle lost \$1.15 to \$105.10 (and the recent high of \$114.75) but coking coal managed to add another 40.75 to \$299.50 and so yet another cycle high. Oil also a touch firmer, Brent +30 cents to \$46.77 and \$2 up on the week while WTI added 110 cents to \$45.55 for a gain of \$2.14 on the week.

There was no data of note offshore on Friday save for slightly softer than expected Canadian CPI. Here, CoreLogic's weekend housing market summary reports a preliminary nationwide auction clearance rate of 75.6% little changed from last week's final 75.8%. 2,950 auctions were held, up from last weekend's 2,897 last weekend. Sydney cleared a preliminary 81.2% versus 81.4% and Melbourne 79.4% up from 76.8%.

Friday's Fed-speak was all on song with regards to the likelihood of a mid-December quarter-point Fed rate hike.

St. Louis Federal Reserve President James Bullard said the debate is now shifting toward the Fed's rate path in 2017

and how Trump's policies on taxes, infrastructure, spending and regulation will affect growth, productivity and ultimately Fed policy. "Markets are currently putting a high probability on a December move by the FOMC. I'm leaning towards supporting that", Bullard said.

NY Fed President Bill Dudley said Friday the post-U.S. election market reaction is not concerning in terms of planned interest rate rises, because the bond sell-off and dollar rise appears motivated by expectations of new policies out of Washington.

Kansas City Fed President Esther George (of late a dissenter in favour of immediate Fed tightening) said the U.S. economy would benefit from the Federal Reserve raising rates sooner rather than later.

Coming Up

A key question this week, for the AUD at least, is whether local exporters will continue to stand aside expectant of still better levels to initiate longer dated hedges and/or whether local real money will now look to lift hedge ratios. If the answers to both are 'no', still lower levels in AUD/USD look likely as the week unfolds.

With the Fed now seen to be a done deal for December and Thanksgiving upon us, oil may be more of a headline grabber than Trump this week ahead of OPEC's formal meetings in Algiers next week. Deal or no deal has major implications for the 2017 inflation outlook. OPEC ministers are meeting today.

We are also heading towards the December 4th Italian referendum and Austrian Presidential elections. Opinion polls will be important this week, as unreliable a guide as they may be to polling outcomes.

Australia has Construction Work Done on Wednesday and which is a partial indicator of Q3 GDP (due on December 7th). RBA Assistant Governor (Economic) Chris Kent speaks on "Australia's Economic Transition – State by State" on Tuesday evening.

There's a smattering of second tier US releases and FOMC minutes on Wednesday. Japan CPI is on Friday.

Overnight

On global stock markets, the S&P 500 was -0.24%. Bond markets saw US 10-years +5.22bp to 2.35%. In commodities, Brent crude oil +0.80% to \$46.86, gold -0.7% to \$1,209, iron ore -1.0% to \$72.79. AUD is at 0.7324 and the range since Friday 5pm Sydney time is 0.7321 to 0.7400.

Markets

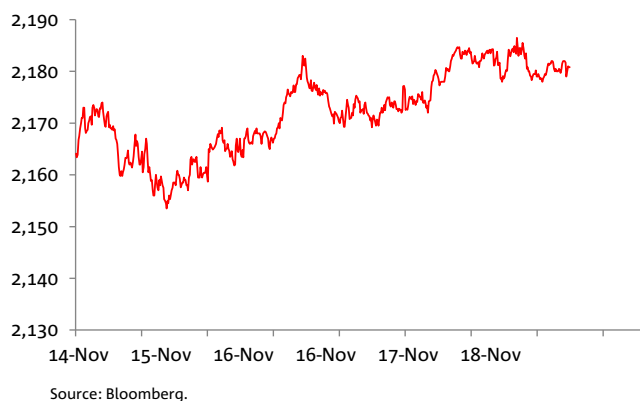
AUD/USD - past week



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	0.7324	-1.1	0.7318	0.7418	HKD	7.7574 0.0
NZD	0.7005	-0.3	0.7000	0.7061	CNY	6.8865 0.1
EUR	1.0604	-0.2	1.0569	1.0643	SGD	1.4263 0.4
GBP	1.2337	-0.6	1.2302	1.2436	IDR	13,428 0.4
JPY	110.92	0.7	109.80	110.95	THB	35.55 0.2
CAD	1.3493	-0.2	1.3490	1.3565	KRW	1,183 0.6
AUD/EUR	0.6907	-0.9	0.6898	0.6986	TWD	32.06 0.7
AUD/JPY	81.21	-0.4	81.11	81.91	PHP	49.74 0.5
AUD/GBP	0.5937	-0.5	0.5924	0.6007	CHF	1.01 0.3
AUD/NZD	1.0459	-0.8	1.0445	1.0556	SEK	9.25 0.0
AUD/CNH	5.0708	-1.3	5.0569	5.1244		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.92	1.30	2.20	USD 10	2.35	5.22
AUD	1.50	1.76	1.87	2.84	AUD 10	2.72	15.10 0.36
NZD	1.75	2.05	2.27	3.28	NZD 10	3.10	10.90 0.74
EUR	0.00	-0.31	-0.14	0.67	CAD 10	1.58	1.50 -0.78
GBP	0.25	0.40	0.67	1.41	EUR 10	0.27	-0.70 -2.08
JPY	-0.04	-0.05	0.03	0.20	GBP 10	1.46	4.50 -0.90
CAD	0.50	0.90	1.01	1.83	JPY 10	0.04	2.90 -2.31

Equities

Major Indices

	Last	% day	% y/y
Dow	18,868	-0.19	5.9
S&P 500	2,182	-0.24	4.4
Nasdaq	5,322	-0.23	4.2
VIX	13	-3.75	-16.9
FTSE	6,776	-0.3	7.0
DAX	10,665	-0.2	-4.1
CAC 40	4,504	-0.5	-8.3
Nikkei	17,967	0.6	-9.6
Shanghai	3,193	-0.5	-12.1
Hang Seng	22,344	0.4	-1.8
ASX 200	5,359	0.4	2.0

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.22	1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.34	-8.00
3/10 sprd	0.47	8.00
SPI	5369.0	-31.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	46.86	0.8
Oil (WTI)	45.69	0.6
Oil (Tapis)	46.87	-2.0
Gold	1208.70	-0.7
CRB	183.14	0.4
GS Metals	301.1	-0.7
Aluminium	1697.8	0.7
Copper	5417.5	-1.3
Nickel	10814.8	-3.6
Zinc	2531.5	0.3
Ch. steel	2697.0	-3.2
Iron ore	72.8	-1.0
St. Coal	105.1	-1.1
Met.coal	299.5	0.3
Wheat Chic.	425.3	1.3
Sugar	20.2	-0.3
Cotton	73.4	0.0
Coffee	162.1	-0.5

CO₂ Emissions - Euros

	Last	% day
Dec-2016	5.59	-5.3
Jun-2017	5.61	-5.2

* 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, 21 November 2016								
JN	Trade Balance Adjusted	Oct		404.25		349.0	0.50	10.50
JN	Exports/Imports YoY	Oct		-8.5/-16.1		-6.9/-16.3	0.50	10.50
UK	Rightmove House Prices MoM/YoY	Dec		/		-1.1/4.5	1.10	11.10
JN	BoJ Policy Board member Masai speaks						2.30	12.30
JN	All Industry Activity Index MoM	Sep		0		0.2	5.30	15.30
JN	Convenience Store Sales YoY	Oct				0.0	8.00	18.00
US	Fed Governor Fischer speaks in New York, "Long Term Challenges for the US Economy"						14.00	0.00
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	#VALUE!	#VALUE!
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Nov 20				118.2	23.30	9.30
AU	RBA's Chris Aylmer (Head of Domestic Markets) speaks at the Australian Securitisation Forum in Sydney						0.25	10.25
NZ	Credit Card Spending MoM/YoY	Oct		/		2.6/8.2	3.00	13.00
AU	RBA's Kent, Assistant Governor (Economic) speaks on "Australia's Economic Transition - State by State" 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		6.7		10.6	10.30	20.30
UK	CBI Trends Total Orders/Selling Prices	Nov		/		-17.0/8.0	12.00	22.00
CA	Retail Sales/Ex autos MoM	Sep		0.7/0.6		-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		-7.8		-8.0	16.00	2.00
US	Existing Home Sales/MoM	Oct		5.44/-0.55		5.5/3.2	16.00	2.00
Wednesday, 23 November 2016								
AU	Skilled Vacancies MoM	Oct				-1.2	1.00	11.00
AU	Construction Work Done	3Q	-1.6	-1.6		-3.7	1.30	11.30
CH	MNI Business Indicator	Nov					2.45	12.45
GE	Markit/BME Germany Manufacturing/Services PMI	Nov P		54.7/54		55.0/54.2	9.30	19.30
GE	Markit/BME Germany Composite PMI	Nov P		55.1		55.1	9.30	19.30
EC	Markit Eurozone Manufacturing/Services PMI	Nov P		53.2/52.8		53.5/52.8	10.00	20.00
EC	Markit Eurozone Composite PMI	Nov P		53.2		53.3	10.00	20.00
US	Durable Goods Orders	Oct P		1.1/0.3		-0.3/-1.3	14.30	0.30
US	Cap Goods Orders Nondef Ex Air	Oct P		0.3		-1.3	14.30	0.30
US	Initial Jobless Claims	Nov 19				235.0	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 20				45.4	15.45	1.45
US	Markit US Manufacturing PMI	Nov P		53.5		53.4	15.45	1.45
US	New Home Sales/MoM	Oct		590/0.5		593.0/3.1	16.00	2.00
US	U. of Mich. Sentiment/5-10 Yr Inflation Expectations	Nov F		91.6/		91.6/2.7	16.00	2.00
US	U.S. Fed Releases Minutes from November 1-2 FOMC Meeting						20.00	6.00
Thursday, 24 November 2016								
JN	Nikkei Japan PMI Mfg	Nov P				51.4	1.30	11.30
CH	Swift Global Payments CNY	Oct				2.0	2.00	12.00
JN	Leading Index CI	Sep F				100.5	6.00	16.00
GE	GDP SA QoQ/YoY	3Q F		/		0.2/1.7	8.00	18.00
GE	IFO Business Climate	Nov		110.5		110.5	10.00	20.00
GE	IFO Current Assessment/Expectations	Nov		115/106.1		115.0/106.1	10.00	20.00
UK	BBA Loans for House Purchase	Oct				38252.0	10.30	20.30
GE	GfK Consumer Confidence	Dec		9.7		9.7	13.00	23.00
US	Thanksgiving Day holiday							
Friday, 25 November 2016								
NZ	Trade Balance NZD/12m YTD	Oct		-950/-3393		-1436.0/-3404.0	22.45	8.45
JN	Natl CPI/Ex fresh food YoY	Oct		0/-0.4		-0.5/-0.5	0.30	10.30
JN	Natl CPI Ex Food, Energy YoY	Oct		0.1		0.0	0.30	10.30
JN	PPI Services YoY	Oct		0.3		0.3	0.50	10.50
JN	Natl CPI Ex Fresh Food, Energy YoY	Oct		0.3		0.2	6.00	16.00
UK	GDP QoQ/YoY	3Q P		0.5/2.3		0.5/2.3	10.30	20.30
UK	Index of Services MoM/ 3m/3m	Sep		/		0.2/0.8	10.30	20.30
UK	Total Business Investment QoQ/YoY	3Q P		/		1.0/-0.8	10.30	20.30
UK	CBI Retailing Reported Sales	Nov				21.0	12.00	22.00
UK	CBI Total Dist. Reported Sales	Nov				26.0	12.00	22.00
US	Advance Goods Trade Balance	Oct		-59		-56.5	14.30	0.30
US	Wholesale Inventories MoM	Oct P		0.3		0.1	14.30	0.30
US	Markit US Services/Composite PMI	Nov P		54.8/		54.8/54.9	15.45	1.45
Sunday, 27 November 2016								
CH	Industrial Profits YoY	Oct				7.7	2.30	12.30
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		6-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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