

OPEC on “The Edge of Glory”

The rally in US equities continued overnight with the S&P500 hitting a new record high of 2196, and ending 0.6% higher on the day. The move in equities was dominated by energy stocks (up 2.0%) with the oil price up by around 4.5%. It was not only US equities that were buoyed by the higher oil price, but so too were European equities. The DAX was up 0.2% and Eurostoxx was up 0.4%. Otherwise it was a fairly quiet night in markets, with little data flow.

The higher oil price followed comments by a number of OPEC officials indicating a formal agreement on an oil production cap was likely at the upcoming November 30 meeting (there is tentative agreement to a cap output at between 32.5-33 mb/d with production currently at 33.8mb/d). Iran also revealed that through a production cap, OPEC is hoping the oil would move into US\$55-60 a barrel range. Russia also chimed in with President Putin stating “We will do everything that our partners from OPEC are expecting. To freeze crude production is not an issue for us”. Of course OPEC has been on the verge of an agreement many times (inspiration for today’s title on “The Edge of Glory” by Lady Gaga) and the current agreement provides exemptions for Iran, Libya and Nigeria with Iraq also making soundings to some sort of exemption.

In FX space, it was a story of slight US dollar weakness with the US dollar index down 0.2% across the board. Amongst the currencies, the British Pound was the outperformer, surging 1% following comments by Prime Minister May that implied she was looking for a soft Brexit. PM May said there were issues that “need to be looked at” and that she did not want “a cliff edge” Brexit; indications of infrastructure spending in the upcoming UK budget may also have helped. Oil-linked currencies also outperformed with the CAD and NOK up 0.5% and 0.3%. The Aussie moved pretty much in line with US dollar weakness, up 0.2%.

Bond yields were slightly lower, with US Treasury yields down 2.3 bps to 2.33%. Bund yields were broadly unchanged at 0.27%. Australian CGS also fell yesterday, down 3.2 bps to 2.69%. Comments by the US Fed’s Vice-Chair Fischer had minimal impact on markets and largely reinforced comments from Dudley and Yellen last week. For your scribe there were two key takeaway points: Fischer downplayed the recent move in yields stating “forty basis points is a lot, but it’s not unusual”; and provided tacit support to expected fiscal spending stating “certain fiscal policies, particularly those that increase productivity, can increase the potential of the economy and help confront some of our longer-term economic challenges”, BUT importantly implicitly supported

market assertions that policies could be inflationary, noting the US was “very close to full employment”.

ECB President Draghi also hit wires, though again there was little market reaction. Draghi said the ECB had not yet seen consistent strength in underlying price dynamics and that he was committed to substantial monetary accommodation. His colleague Couere was also on the wires stating “we will scale back monetary stimulus, but not yet”.

In commodities, iron ore has come of its shine down 3.4% to US\$70.3, while coal prices were unchanged with Coking at US\$299.5 and thermal at US\$105.1.

Finally, an update to the French Presidential Elections that will be held in April-May 2017. The parties at the moment are choosing their candidates with the Republican centre right holding its first primary with Sarkozy knocked out. That leaves Juppe and Fillon in a run-off next Sunday. Most polls put a Republican candidate as likely to win the French Presidency against the Eurosceptic National Front’s Le Pen, though markets will be paying close attention given they have been wrong-footed by Brexit and the US Election (recent polls put Le Pen’s support consistently in the 25-30% range).

Coming Up

A potentially interesting day for Australia with two RBA speeches scheduled. The first from Chris Aylmer speaking at an Australian Securitisation Forum in Sydney. The second and perhaps more interesting will be Dr Chris Kent speaking at 6.45 AEDT on “Australia’s Economic Transition – State by State” at the Australian Business Economists Conference Dinner. Datawise there is only the second tier Weekly Consumer Confidence Index Tuesday morning – where confidence bounced last week indicating little impact (or even a positive reaction) to Trump’s victory in the US.

As for the international calendar, it is a very quiet day ahead and indeed for the week. In the US today we get Existing Home Sales and the Richmond Fed Manufacturing Report, while Canada has Retail Sales. Europe has its Consumer Confidence measure, but is also unlikely to garner much interest.

Overnight

On global stock markets, the S&P 500 was +0.62%. Bond markets saw US 10-years -1.96bp to 2.34%. In commodities, Brent crude oil +4.23% to \$48.84, gold+0.2% to \$1,211, iron ore -3.4% to \$70.34. AUD is at 0.7353 and the range since yesterday 5pm Sydney time is 0.7322 to 0.7381.

Markets

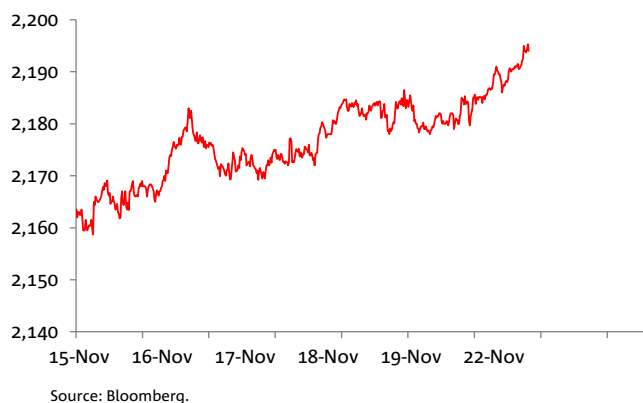
AUD/USD - past week



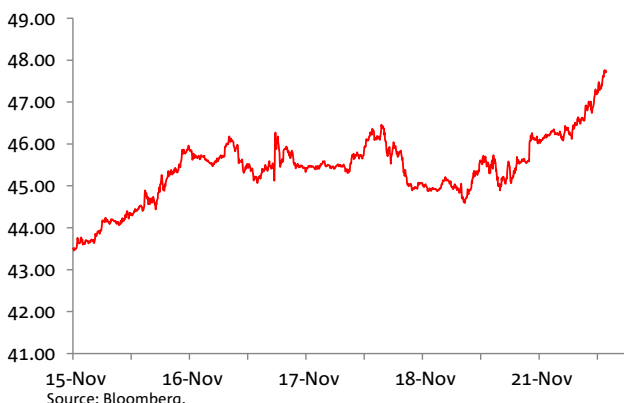
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7353	0.2	0.7311	0.7382	HKD	7.7560 0.0
NZD	0.7044	0.5	0.6985	0.7077	CNY	6.8928 0.1
EUR	1.0607	0.2	1.0579	1.0649	SGD	1.4264 0.0
GBP	1.2477	1.1	1.2313	1.2511	IDR	13,406 -0.2
JPY	111.13	0.2	110.47	111.36	THB	35.56 0.0
CAD	1.3430	-0.6	1.3387	1.3514	KRW	1,187 0.3
AUD/EUR	0.6932	0.2	0.6898	0.6943	TWD	31.98 -0.3
AUD/JPY	81.71	0.4	81.14	81.82	PHP	49.82 0.2
AUD/GBP	0.5894	-0.8	0.5890	0.5975	CHF	1.01 0.0
AUD/NZD	1.0439	-0.2	1.0417	1.0490	SEK	9.23 -0.7
AUD/CNH	5.0825	0.2	5.0539	5.1244		

Equities

Major Indices	Last	% day	% y/y
	Dow	18,943	0.40
S&P 500	2,195	0.62	5.1
Nasdaq	5,363	0.78	5.1
VIX	12	-3.19	-19.6
FTSE	6,778	0.0	7.0
DAX	10,685	0.2	-3.9
CAC 40	4,530	0.6	-7.8
Nikkei	18,106	0.8	-8.9
Shanghai	3,218	0.8	-11.4
Hang Seng	22,358	0.1	-1.7
ASX 200	5,351	-0.2	1.8

Commodities*

	Last	% day
Oil (Brent)	48.84	4.2
Oil (WTI)	47.49	3.9
Oil (Tapis)	48.01	2.4
Gold	1210.60	0.2
CRB	187.31	2.3
GS Metals	301.1	0.0
Aluminium	1724.3	1.6
Copper	5552.0	2.5
Nickel	11367.5	5.1
Zinc	2572.0	1.6
Ch. steel	2742.0	-1.5
Iron ore	70.3	-3.4
St. Coal	105.1	0.0
Met.coal	299.5	0.0
Wheat Chic.	427.0	0.4
Sugar	20.4	1.0
Cotton	73.6	0.3
Coffee	163.3	0.7

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.22	0.00
3 Yr bond	97.8	0.00
10 Yr bond	97.36	-4.50
3/10 sprd	0.44	4.50
SPI	5387.0	-25.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Dec-2016	5.54	-0.9
Jun-2017	5.55	-1.1

* 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

Contact Details

Authors

David de Garis
Senior Economist
+61 3 8641 3045
david.degaris@nab.com.au

Ray Attrill
Global Co-Head of FX Strategy
+61 2 9237 1848
ray.attrill@nab.com.au

Rodrigo Catril
Currency Strategist
+61 2 9293 7109
rodrigo.h.catril@nab.com.au

Tapas Strickland
Economist
+61 2 9237 1980
tapas.strickland@nab.com.au

Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406
peter.jolly@nab.com.au

Group Economics

Alan Oster
Chief Economist
+61 3 8634 2927
alan_oster@national.com.au

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