

The life of a Thanksgiving Turkey

In his 2007 best seller “The Black Swan” Nassim Taleb uses the life of a thanksgiving turkey as an analogy for explaining a black swan occurrence i.e. a tail event that is so remote that is completely unforeseen. When a thanksgiving Turkey is born it is fed and taken care of by a seemingly nice human being. The daily occurrence convinces the turkey that the human has essentially been put on earth to look after all its needs. That expectation comes true every day until Wednesday before Thanksgiving, on that day the turkey experiences a 'revision of belief'. As such the big take away from the analogy is that we shouldn't be turkeys and expect good times will last forever and at the same time forecasting the future based on previous experience is a dangerous game (see chart below).

Well thankfully expectations of a quiet thanksgiving session became true once again. European equities have managed to eke out small gains, the USD is little changed and with the US market shut for Thanksgiving, European bond have traded in a narrow range.

Looking at currencies in more detail, the USD has lost a little bit of ground against all majors barring the yen. At the same time, however, the USD has continued to make some inroads against EM currencies with the Turkish Lira the big underperformer last night, down 1.45%. In an effort to protect the Lira, overnight Turkey's central bank unexpectedly raised its benchmark rate to 8% from 7.50%. The Turkish Lira jumped on the news, but the move was quickly reversed with the market sending a clear message that more will need to be done by policy makers if they wish to contain the slide in the currency.

There is a growing concern on EM economies ability to withstand a stronger USD and a rise in US rates. Many of these EM countries have USD-denominated debt, so the stronger USD increases their country's debt burden and this developing theme needs to be watched carefully for any contagion effect onto other markets.

The AUD is back trading above 74c after trading to a low of 0.7365 overnight. Support for the currency appears to have been driven by another solid night for commodities. Iron ore gained 1.4% to \$76.9, steaming coal was up 2.6% and copper, a bellwether for the global economy, rose 2.2%. Meanwhile oil prices are little changed and gold is down 0.5% at \$1183.6

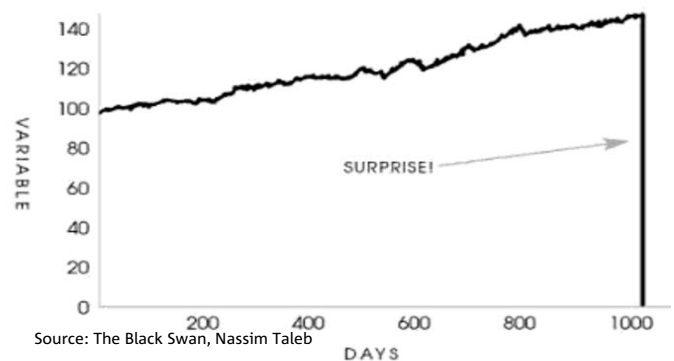
In other news Bloomberg reported that the ECB is considering postponing its decision on the future of its bond buying programme until early next year. Rising bond yields

have eased scarcity concerns and there is no longer a sense of urgency to begin “QE tapering”. Market sensitivity to tapering is very high with the US experience a good example of the challenge the ECB faces as and when it decides to end its QE programme.

Last night the ECB also published its six-monthly Financial Stability report and it was a sobering read. The report noted that there is an increasing risk of an abrupt global market correction intensified by an increase in political uncertainty. The report also concludes that more market volatility was likely and “vulnerabilities remain significant for euro-area banks”.

As for data releases, Germany's IFO survey printed in line with expectations and it suggests Germany's economy should accelerate in Q4.

1000 and 1 days in the life of a Thanksgiving Turkey



Coming Up

Today we have a clear calendar in Australia and this morning New Zealand releases its trade figures for October. The trade deficit is expected to have declined to NZ\$ -971m from NZ\$ -1,436m aided by an uptick in exports (NZ\$ 3.76bn from NZ\$ 3.47) and a pullback in imports (NZ\$4.66bn from NZ\$4.9bn).

The highlight during our session should come from Japan with CPI figures due out at 10:30am Sydney time. The market is looking for a pick-up in the year on year Core number (ex-fresh food and energy) from 0.0% to 0.1%. The decline in oil prices over a year ago are essentially dropping out of the equation and the Tokyo CPI (ex-fresh food and energy) for October, which was released a month ago and tends to be a leading indicator, also supports the view for a small uptick. That said, in our view the Yen is the biggest inflation driver in Japan, USD/JPY has depreciated over 10% in the past two months however the CPI relationship works with a lag and as such we will still need to wait a few more

months before we see a meaningful rise in inflation in Japan (see chart of the day below).

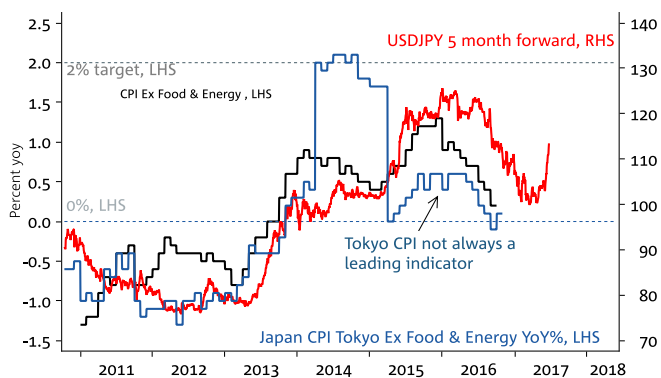
Moving on to Europe, there are no major data releases in the continent, but UK data prints could be of some interest. October home loan approval figures should show that the housing market remains subdued rather than subsiding and the second Q3 GDP estimate should provide a first look into the GDP components with the consensus view that private consumption was the main growth engine in Q3 while fixed capital formation was a drag.

Lastly tonight the US releases advanced October figures for its goods trade balance and the soybean number will be closely watched given the upsurge seen in the previous month. Markit Preliminary November readings for Services and Composite PMI are also due for release.

Overnight

On global stock markets, the S&P 500 was +0.00%. Bond markets saw US 10-years +0.00bp to 2.35%. In commodities, Brent crude oil +0.10% to \$49, gold-0.5% to \$1,184, iron ore +1.4% to \$76.93. AUD is at 0.7406 and the range since yesterday 5pm Sydney time is 0.7367 to 0.7416.

Chart of the day: Japan's CPI and USD/JPY



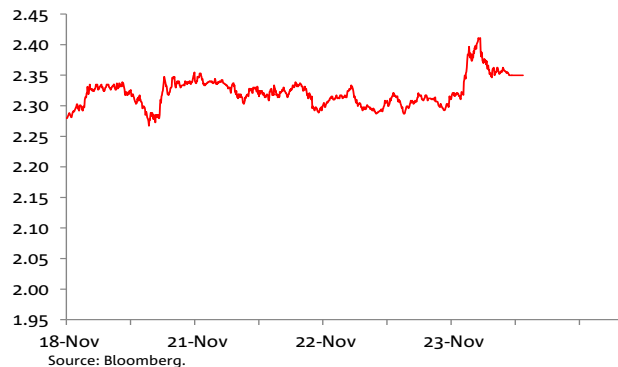
Source: National Australia Bank, Macrobond

Markets

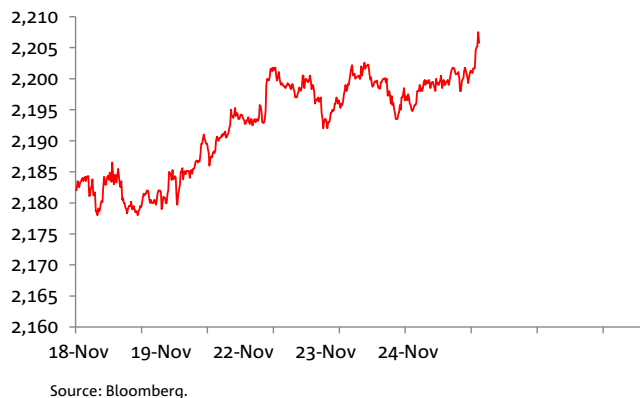
AUD/USD - past week



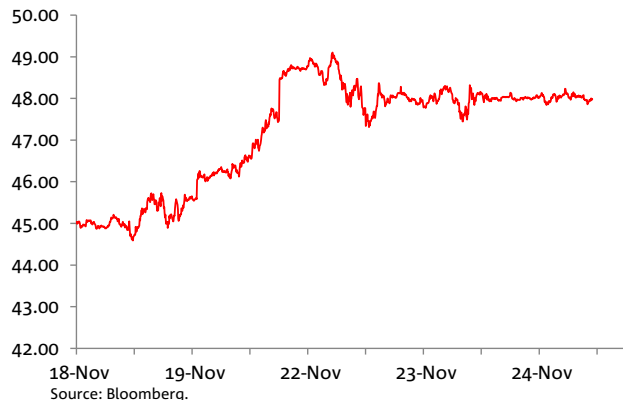
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7406	0.3	0.7365	0.7418	HKD	7.7567 0.0
NZD	0.7000	-0.1	0.6972	0.7012	CNY	6.9219 0.0
EUR	1.0556	0.0	1.0518	1.0585	SGD	1.4323 0.0
GBP	1.2454	0.1	1.2402	1.2495	IDR	13,558 0.5
JPY	113.41	0.8	112.38	113.53	THB	35.66 -0.1
CAD	1.3494	0.0	1.3477	1.3536	KRW	1,180 0.3
AUD/EUR	0.7017	0.3	0.6984	0.7022	TWD	31.93 0.2
AUD/JPY	84.00	1.1	82.93	84.04	PHP	49.94 0.2
AUD/GBP	0.5947	0.2	0.5925	0.5957	CHF	1.02 0.0
AUD/NZD	1.0580	0.4	1.0530	1.0597	SEK	9.25 -0.3
AUD/CNH	5.1296	0.3	5.1193	5.1543		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.93	1.34	2.18	USD 10	2.35	3.79
AUD	1.50	1.76	1.92	2.89	AUD 10	2.75	4.70 0.40
NZD	1.75	2.03	2.28	3.32	NZD 10	3.20	7.40 0.85
EUR	0.00	-0.31	-0.16	0.65	CAD 10	1.59	5.00 -0.76
GBP	0.25	0.40	0.67	1.38	EUR 10	0.26	-0.30 -2.09
JPY	-0.04	-0.06	0.03	0.20	GBP 10	1.44	-1.30 -0.91
CAD	0.50	0.89	1.02	1.84	JPY 10	0.03	-0.10 -2.32

Equities

Major Indices

	Last	% day	% y/y
Dow	19,083	0.00	7.1
S&P 500	2,205	0.00	5.5
Nasdaq	5,381	0.00	5.4
VIX	12	0.00	-22.0
FTSE	6,829	0.2	8.8
DAX	10,689	0.3	-2.2
CAC 40	4,543	0.3	-5.8
Nikkei	18,333	0.9	-7.6
Shanghai	3,242	0.0	-11.1
Hang Seng	22,608	-0.3	0.5
ASX 200	5,485	0.0	5.6

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.21	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.26	-10.50
3/10 sprd	0.54	13.50
SPI	5516.0	-20.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	49.00	0.1
Oil (WTI)	47.98	0.0
Oil (Tapis)	50.33	0.4
Gold	1183.60	-0.5
CRB	187.69	0.0
GS Metals	317.2	0.0
Aluminium	1772.5	-0.3
Copper	5858.5	2.2
Nickel	11545.0	-0.2
Zinc	2715.3	2.0
Ch. steel	2979.0	2.2
Iron ore	76.9	1.4
St. Coal	106.0	2.6
Met.coal	297.5	-0.5
Wheat Chic.	423.8	0.0
Sugar	19.6	0.0
Cotton	73.1	0.0
Coffee	157.7	0.0

CO₂ Emissions - Euros

	Last	% day
Dec-2016	5.33	-1.1
Jun-2017	5.35	-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
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		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		115.0/106		115.0/106.1	10.00	20.00
UK	BBA Loans for House Purchase	Oct		38975		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		-971/-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		0.2/0.8	10.30	20.30
UK	Total Business Investment QoQ/YoY	3Q P		-1/-2.5		1.0/-0.8	10.30	20.30
UK	CBI Retailing Reported Sales	Nov		12		21.0	12.00	22.00
UK	CBI Total Dist. Reported Sales	Nov		11		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		0.2		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
Monday, 28 November 2016								
JN	Small Business Confidence	Nov				48.3	25:30 Nov release	
EC	M3 Money Supply YoY	Oct				5.0	10.00	20.00
EC	OECD Economic Outlook						11.00	21.00
UK	Nationwide House PX MoM/YoY	Nov		/		0.0/4.6	28 Nov - 4 Dec release	
CA	Bloomberg Nanos Confidence	Nov 25				55.6	16.00	2.00
US	Dallas Fed Manf. Activity	Nov		1.5		-1.5	16.30	2.30
Tuesday, 29 November 2016								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Nov 27				115.5	23.30	9.30
JN	Jobless Rate/Job-to-applicant ratio	Oct				3.0/1.4	0.30	10.30
JN	Overall Household Spending YoY	Oct				-2.1	0.30	10.30
JN	Retail Sales MoM/YoY	Oct				0.0/-1.9	0.50	10.50
UK	Mortgage Approvals	Oct				62.9	10.30	20.30
EC	Business Climate Indicator	Nov				0.6	11.00	21.00
GE	CPI MoM/YoY	Nov P		/		0.2/0.8	14.00	0.00
CA	Current Account Balance	3Q		-17.1		-19.9	14.30	0.30
US	GDP Annualized QoQ	3Q S		3		2.9	14.30	0.30
US	S&P CoreLogic CS 20-City MoM/YoY	Sep		0.28/5.2		0.2/5.1	15.00	1.00
US	Fed's Dudley Speaks on Puerto Rico Economy						15.15	1.15
US	Consumer Confidence Index	Nov		101.2		98.6	16.00	2.00
Wednesday, 30 November 2016								
NZ	Building Permits MoM	Oct				0.2		
JN	Industrial Production MoM/YoY	Oct P		/		0.6/1.5	0.50	10.50
AU	HIA New Home Sales MoM	Oct				2.7	1.00	11.00
NZ	ANZ Activity Outlook/Business Confidence	Nov		/		38.4/24.5	1.00	11.00
UK	GfK Consumer Confidence	Nov				-3.0	1.10	11.10
UK	Lloyds Business Barometer	Nov				37.0	1.10	11.10
AU	Building Approvals MoM/YoY	Oct		2/		-8.7/-6.4	1.30	11.30
AU	Private Sector Credit MoM/YoY	Oct		0.4/		0.4/5.4	1.30	11.30
CH	Westpac-MNI Consumer Sentiment	Nov				117.1	2.45	12.45
NZ	Money Supply M3 YoY	Oct				4.8	3.00	13.00
GE	Unemployment Claims Rate SA	Nov				6.0	9.55	19.55
GE	Unemployment Change (000's)	Nov				-13.0	9.55	19.55
EC	CPI Estimate/Core YoY	Nov		/		0.5/0.8	11.00	21.00
US	ADP Employment Change	Nov		160		147.0	14.15	0.15
US	Personal Income/Spending	Oct		0.4/0.5		0.3/0.5	14.30	0.30
US	Real Personal Spending	Oct		0.3		0.3	14.30	0.30
US	PCE Deflator MoM/YoY	Oct		0.3/1.5		0.2/1.2	14.30	0.30
US	PCE Core MoM/YoY	Oct		0.1/1.7		0.1/1.7	14.30	0.30
CA	GDP MoM/YoY	Sep		0.1/1.8		0.2/1.3	14.30	0.30
CA	Quarterly GDP Annualized	3Q		3.4		-1.6	14.30	0.30
CA	Industrial Product Price MoM	Oct				0.4	14.30	0.30
CA	Raw Materials Price Index MoM	Oct				-0.1	14.30	0.30
US	Chicago Purchasing Manager	Nov		52		50.6	15.45	1.45
US	Pending Home Sales MoM/YoY	Oct		0.2/		1.5/2.0	16.00	2.00
US	U.S. Federal Reserve Releases Beige Book						20.00	6.00
Thursday, 1 December 2016								
NZ	Terms of Trade Index QoQ	3Q		0		-2.1	22.45	8.45
AU	AiG Perf of Mfg Index	Nov				50.9	23.30	9.30
AU	CoreLogic House Px MoM	Nov				0.5	0.00	10.00
JN	Company Profits/Sales	3Q		/		-10.0/-3.5	0.50	10.50
JN	Capital Spending Ex Software	3Q				3.1	0.50	10.50
JN	Nikkei Japan PMI Mfg	Nov P				51.4	1.30	11.30
AU	Private Capital Expenditure	3Q		-3		-5.4	1.30	11.30
CH	Manufacturing PMI	Nov		51		51.2	2.00	12.00
CH	Non-manufacturing PMI	Nov				54.0	2.00	12.00
CH	Caixin China PMI Mfg	Nov		50.8		51.2	2.45	12.45
AU	Commodity Index AUD/SDR YoY	Nov				100.2/16.0	6.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Nov F				54.4	9.55	19.55
EC	Markit Eurozone Manufacturing PMI	Nov F				53.7	10.00	20.00
UK	Markit UK PMI Manufacturing SA	Nov				54.3	10.30	20.30
EC	Unemployment Rate	Oct				10.0	11.00	21.00
US	Challenger Job Cuts YoY	Nov				-39.1	13.30	23.30
US	Initial Jobless Claims	Nov 26				251.0	14.30	0.30
CA	RBC Canadian Manufacturing PMI	Nov				51.1	15.30	1.30
US	Bloomberg Consumer Comfort	Nov 27				44.8	15.45	1.45
US	Markit US Manufacturing PMI	Nov F				53.9	15.45	1.45
US	Construction Spending MoM	Oct		0.6		-0.4	16.00	2.00
US	ISM Manufacturing	Nov		52.1		51.9	16.00	2.00
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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