

Blurred Lines

Though it's tempting to look at market price action since the start of the week and suggest that 'Trumphoria' is waning, we are much more inclined to view the USD/JPY-led decline in the US dollar, modest dip in bond yields and softer stocks as more reflective of short term market positioning than any fundamental reassessment of the what Trumpenomics might look like in practise next year.

Mexican Peso aside, the Japanese Yen has been the biggest loser since news of Trump's victory, and the British Pound the only major currencies to have strengthened against the US dollar. So seeing JPY at the top and GBP at the bottom of the G10 leader-board suggest these moves two sides of the same (positioning) coin and reflect perhaps the oldest adage in financial markets, that 'nothing goes in a straight line'.

Oil remains a keen focus with prices back up around \$1 a barrel, seemingly on comments from Iraq's oil minister Monday that he is optimistic a deal will be reached at the OPEC summit in Vienna on Wednesday. This news hasn't helped energy stocks however which are down around 0.6% and underperforming the broader market (the S&P 500 is currently -0.4%). Incidentally, Bloomberg ran a good chart on Monday showing that the market capitalisation of global energy stocks has risen by \$490bn this year, on the back of the rally in crude prices (we were close to \$30 at the start of the year). This is perhaps a warning of how much damage might be wreaked if OPEC (and Russia) fails to come to any supply agreement this week.

Low oil prices might be good for consumers, but they are going to be very negative for energy stocks and, we'd suggest, the broader market. The S&P energy sector is up 18.8% YTD against 8.0% for the overall S&P. There really is a huge amount to play for this week. See Chart of the Day.

Also coming on to the centre of the market's radar is Italy, where the stock market was off almost 2% Monday and led by the banks. The FT lead story on Monday notes that if PM Renzi loses Sunday's referendum, market turbulence is likely to deter investors from recapitalising up to eight of Italy's troubled banks. It notes that the banks overall have €360bn of problem loans versus €225bn of equity of their books.

ECB President Draghi was in parliament yesterday warning that the greatest risk to the euro-area came from weak growth and warned that a long period of low rates is a fertile ground for instability. Still no signal on tapering prospects for next year, and unlike the many currencies that have reversed some of the recent post-Trump election moves, the weaker euro is not one of them.

Coming Up

The weekly ANZ/Roy Morgan weekly consumer confidence index is the only thing of note on the local calendar today. Last week, confidence dropped by 2.7 points to 115.4. New Zealand has its Q3 terms of trade.

Japan has the October unemployment data, retail sales and household spending, none of which are likely to have major bearing on the JPY, at least intra-day.

Tonight, the U.S. Conference Board's version of November consumer confidence is due. Last week's final University of Michigan version, recall, showed an improvement to 93.5 from 91.8 with the resurvey occurring after news of Trump's victory. A similar showing by the Conference Board's version would reinforce the view that consumer spending should be reasonably buoyant into Christmas

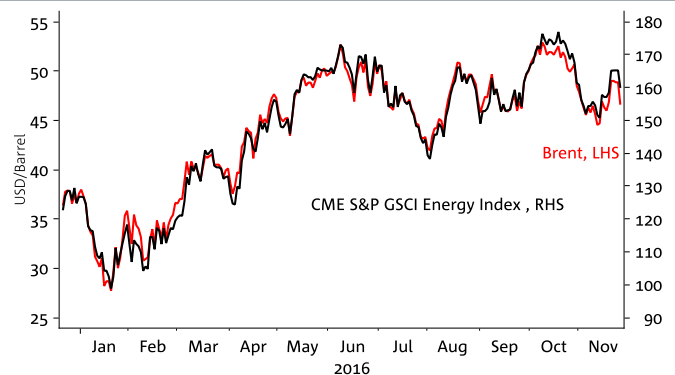
We also get the second estimate of U.S. Q3 GDP, seen lifting to 3.0% from the 2.9% Advance estimate. The Atlanta Fed's latest GDPNow estimate stands at 3.6%, but hasn't been updated since 25th November

The first hint at November Eurozone CPI will be coming today with German data due. It was last at 0.7% in EU-harmonised (HICP) terms and is expected at 0.8%. Before that we'll get the various EZ survey readings covering economic, business, industrial, services and consumer confidence.

Overnight

On global stock markets, the S&P 500 was -0.36%. Bond markets saw US 10-years -3.76bp to 2.32%. In commodities, Brent crude oil +1.63% to \$48.01, gold+1.2% to \$1,192, iron ore +1.5% to \$80.83. AUD is at 0.7477 and the range since yesterday 5pm Sydney time is 0.7448 to 0.7493.

Chart of the Day – S&P energy index vs. brent crude



Source: National Australia Bank, Macrobond

Author:

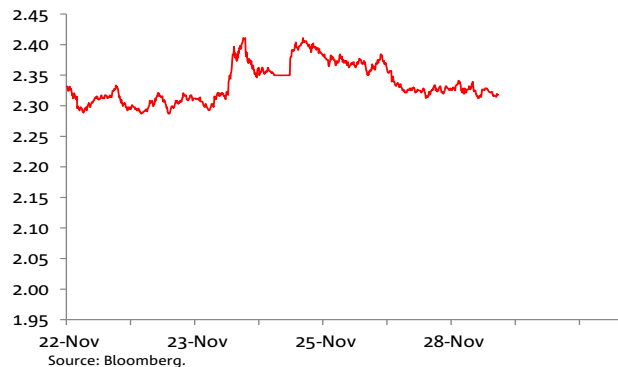
Ray Attrill – Co-head of FX Strategy

Markets

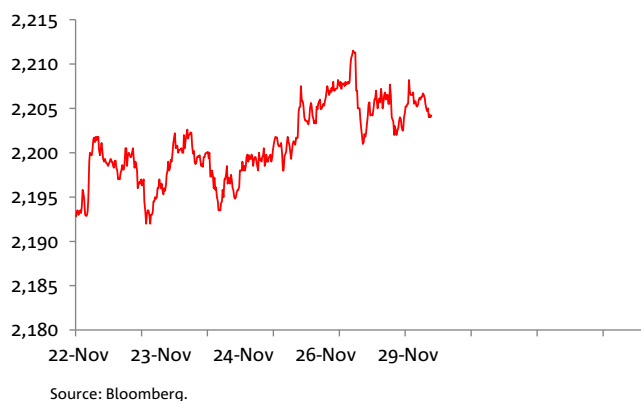
AUD/USD - past week



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	0.7477	0.5	0.7433	0.7494	HKD	7.7566 0.0
NZD	0.7071	0.4	0.7033	0.7102	CNY	6.9153 -0.1
EUR	1.0595	0.1	1.0564	1.0686	SGD	1.4254 -0.1
GBP	1.2413	-0.5	1.2386	1.2532	IDR	13,532 0.1
JPY	112.29	-0.8	111.36	113.14	THB	35.57 -0.2
CAD	1.3421	-0.7	1.3397	1.3537	KRW	1,170 -0.6
AUD/EUR	0.7057	0.5	0.6989	0.7073	TWD	31.74 -0.5
AUD/JPY	83.96	-0.4	83.17	84.27	PHP	49.77 -0.1
AUD/GBP	0.6024	1.2	0.5955	0.6039	CHF	1.01 0.0
AUD/NZD	1.0575	0.2	1.0535	1.0595	SEK	9.22 -0.3
AUD/CNH	5.1752	0.7	5.1530	5.1815		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.94	1.31	2.16	USD 10	2.32	-3.76
AUD	1.50	1.76	1.88	2.80	AUD 10	2.70	-6.40 0.38
NZD	1.75	2.04	2.24	3.24	NZD 10	3.10	-8.80 0.78
EUR	0.00	-0.31	-0.16	0.62	CAD 10	1.53	-3.00 -0.79
GBP	0.25	0.39	0.65	1.35	EUR 10	0.21	-3.50 -2.11
JPY	-0.03	-0.07	0.02	0.18	GBP 10	1.38	-3.70 -0.94
CAD	0.50	0.89	0.99	1.78	JPY 10	0.02	-2.00 -2.30

Equities

Major Indices	Last	% day	% y/y
	Dow	19,115	-0.20
S&P 500	2,205	-0.36	5.5
Nasdaq	5,379	-0.37	4.9
VIX	13	4.62	-14.6
FTSE	6,799	-0.6	6.7
DAX	10,583	-1.1	-6.3
CAC 40	4,510	-0.9	-8.5
Nikkei	18,357	-0.1	-7.7
Shanghai	3,277	0.5	-4.6
Hang Seng	22,831	0.5	3.5
ASX 200	5,464	-0.8	5.0

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.22	1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.35	8.00
3/10 sprd	0.45	-8.00
SPI	5476.0	38.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	48.01	1.6
Oil (WTI)	46.85	1.7
Oil (Tapis)	47.97	-3.0
Gold	1192.40	1.2
CRB	187.76	1.1
GS Metals	323.2	0.0
Aluminium	1747.8	-0.6
Copper	5868.3	0.0
Nickel	11593.5	0.6
Zinc	2891.3	2.9
Ch. steel	3344.0	6.5
Iron ore	80.8	1.5
St. Coal	92.3	-0.3
Met.coal	300.0	0.0
Wheat Chic.	416.5	-0.7
Sugar	19.9	0.5
Cotton	73.3	0.9
Coffee	156.7	0.8

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.75	-4.8
Jun-2017	4.76	-5.0

* 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
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		3.0/1.4	0.30	10.30
JN	Overall Household Spending YoY	Oct		-1		-2.1	0.30	10.30
JN	Retail Sales MoM/YoY	Oct		1.1		0.0/-1.9	0.50	10.50
UK	Mortgage Approvals	Oct		65		62.9	10.30	20.30
EC	Business Climate Indicator	Nov		0.6		0.6	11.00	21.00
GE	CPI MoM/YoY	Nov P		0.1/0.8		0.2/0.8	14.00	0.00
CA	Current Account Balance	3Q		-16.5		-19.9	14.30	0.30
US	GDP Annualized QoQ	3Q 5		3		2.9	14.30	0.30
US	S&P CoreLogic CS 20-City MoM/YoY	Sep		0.4/5.2		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		101.3		98.6	16.00	2.00
US	Fed Governor Powell speaks						18.40	4.40
Wednesday, 30 November 2016								
NZ	RBNZ Financial Stability Report						21.00	7.00
NZ	Building Permits MoM	Oct				0.2	22.45	8.45
JN	Industrial Production MoM/YoY	Oct P		0/-1.3		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
NZ	RBNZ Governor Wheeler Testifies to Parliament's FEC on latest FSR						1.10	11.10
UK	Gfk Consumer Confidence	Nov		-4		-3.0	1.10	11.10
UK	Lloyds Business Barometer	Nov				37.0	1.10	11.10
AU	Building Approvals MoM/YoY	Oct	1/-7.1	2/-6.2		-8.7/-6.4	1.30	11.30
AU	Private Sector Credit MoM/YoY	Oct	0.4/5.1	0.4/5.2		0.4/5.4	1.30	11.30
CH	Westpac-MNI Consumer Sentiment	Nov				117.1	2.45	12.45
NZ	Credit aggregates, Household YoY	Oct				8.8	3.00	13.00
JN	Small Business Confidence	Nov				48.3	6.00	16.00
UK	BoE Financial Stability Report						8.00	18.00
GE	Unemployment Claims Rate/Change ('000)	Nov		6		6.0/-13.0	9.55	19.55
EC	CPI Estimate/Core YoY	Nov		0.6/0.8		0.5/0.8	11.00	21.00
Vienna	OPEC meeting to discuss production cuts							
EC	ECB's Draghi speaks in Madrid						13.30	23.30
US	Fed President Kaplan speaks in New York						14.00	0.00
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	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/Raw Material Prices MoM	Oct		0.7		0.4/-0.1	14.30	0.30
US	Chicago Purchasing Manager	Nov		52.5		50.6	15.45	1.45
US	Pending Home Sales MoM/YoY	Oct		0.1/		1.5/2.0	16.00	2.00
US	Fed Governor Powell speaks in Washington						17.45	3.45
US	Fed President Mester speaks on Economic Outlook and Monetary Policy						18.40	4.40
US	U.S. Federal Reserve Releases Beige Book						20.00	6.00
Thursday, 1 December 2016								
NZ	Terms of Trade Index QoQ	3Q	1.5	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		-0.6		3.1	0.50	10.50
JN	Nikkei Japan PMI Mfg	Nov F				51.1	1.30	11.30
AU	Private Capital Expenditure	3Q	-2	-3		-5.4	1.30	11.30
AU	Capex Expectations, 2016-17 (Estimate 4, Oct-Nov)		111.8	110.0		105.2 (Est 3)		
AU	NAB Online Retail Sales Index	Oct				1.3/14.2	1.30	11.30
CH	Manufacturing/Non-manufacturing PMI	Nov		51/		51.2/54.0	2.00	12.00
CH	Caixin China PMI Mfg	Nov		51		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		54.4	9.55	19.55
EC	Markit Eurozone Manufacturing PMI	Nov F		53.7		53.7	10.00	20.00
UK	Markit UK PMI Manufacturing SA	Nov		54.3		54.3	10.30	20.30
EC	Unemployment Rate	Oct		10		10.0	11.00	21.00
US	Challenger Job Cuts YoY	Nov				-39.1	13.30	23.30
US	Fed President Kaplan speaks in San Antonio						14.00	0.00
US	Fed President Mester gives opening remarks at Financial Stability Conference						14.30	0.30
US	Initial Jobless Claims	Nov 26		253		251.0	14.30	0.30
CA	RBC Canadian Manufacturing PMI	Nov				51.1	15.30	1.30
US	Markit US Manufacturing PMI	Nov F		53.9		53.9	15.45	1.45
US	Construction Spending MoM	Oct		0.6		-0.4	16.00	2.00
US	ISM Manufacturing	Nov		52.2		51.9	16.00	2.00
Friday, 2 December 2016								
NZ	Value of All Buildings SA QoQ	3Q	1.5	2.2		5.5	#VALUE!	#VALUE!
JN	Monetary Base YoY	Nov				22.1	0.50	10.50
AU	Retail Sales MoM	Oct	0.4	0.3		0.6	1.30	11.30
UK	Markit/CIPS UK Construction PMI	Nov		52.2		52.6	10.30	20.30
EC	PPI MoM	Oct		0.4/-1		0.1/-1.5	11.00	21.00
US	Wards Total Vehicle Sales	Nov		17.7		17.9		
US	Change in Nonfarm Payrolls/Unemployment rate	Nov		175/4.9		161.0/4.9	14.30	0.30
US	Average Hourly Earnings MoM/YoY	Nov		0.2/2.8		0.4/2.8	14.30	0.30
CA	Net Change in Employment/Unemployment rate	Nov		-20/7		43.9/7.0	14.30	0.30
CA	Labor Productivity QoQ	3Q		1		-0.3	14.30	0.30
US	Fed Governor Brainard speaks in Washington						14.45	0.45
US	ISM New York	Nov				49.2	15.45	1.45
US	Fed Governor Tarullo speaks at Financial Stability Conference						19.00	5.00
Saturday, 3 December 2016								
Sunday, 4 December 2016								
IT/EC	Italy votes on Constitutional Referendum (Dec 4-5)							
Austria	Austria holds nullified Presidential Election (Dec 4-5)							
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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