

Down in Mexico

Politics has once again triumphed over economics judging from overnight market price action. US Equities are off, the VIX is up, the US dollar is lower, US Treasury yields are lower and the Mexican Peso/Japanese Yen cross (-2.5%) is still proving to be the FX market's weapon of choice when it comes to reflecting sentiment regarding the prospect of Donald Trump becoming the next leader of the free world.

A slightly better than expected US manufacturing ISM print (51.9 from 51.5 and 51.7 expected) would ordinarily have bolstered market confidence that the unfolding economic calendar is not going to derail expectations for the Fed moving on rates next month. The detail weren't quite so good, in particular the fall in new orders, but overall the data was enough to bolster confidence that a recovery of sorts in manufacturing is under way. Construction spending was weak in headline terms (-0.4% against +0.5% expected) but upward revisions to July and August totalling 1.1% offset this and if anything support an upwards revision to Q3 GDP.

Overriding the data was, it appears, a Washington Post/ABC poll published in front of the US trading day showing Trump with one point lead over Clinton (46/45). This after a poll by the same people on Sunday night had scored it 46/45 in favour of Clinton (the first evidence that the previous news of a fresh FBI probe into Clinton's emails had hurt her poll standings). This set off the aforementioned chain reactions in market, and which look to have been compounded in the last couple of hours by the news that the FBI has, seemingly out of the blue, just released documents related to the 2001 FBI investigation into the pardon of Marc Rich by President Clinton. Some folks are openly wondering whether this is some sort of payback for Hillary Clinton's blasting of the new FBI investigation last week.

From an early US day high near 1.88%, 10 year US treasuries slumped to 1.81% at one point before pulling up to 1.83% as we write, while pricing for a December Fed rate hike has come in to around 70% from 77% this time yesterday. The VIX is up to 18.9 from 17.1, having been briefly above 20 and to its highest since early September. This has checked the upward progress above 0.7650 seen in the AUD/USD following yesterday's China PMI data and then studiously neutral post-meeting RBA statement. The latter has left us confident that barring a major shock in the coming weeks the RBA has sent a signal that market's should once again 'chill out' at least until February next year.

In commodities oil is down again but not by much but iron ore has added another \$1 to a new post May 2016 high and steaming coal another \$5 to yet another new cycle high.

Coming Up

There's both local and international data interest today, ahead of the FOMC meeting outcome and accompanying statement that will be released at 5:00AEDST tomorrow morning. The latter should be a fairly benign affair, with various Fed officials having said in recent weeks that there is reason for the Fed to pass on November and await the next 'set piece' meeting in December and after the US election has passed – the latter now an even more pressing constraint. With markets still pricing risk of a December rate hike at 70%, the Fed has no need to put markets any further on the scent.

New Zealand has its Q3 labour market data at 08:45 AEDST. The unemployment rate is seen stable at 5.1% with employment expected up 0.5% on the quarter and 5.4% one year ago.

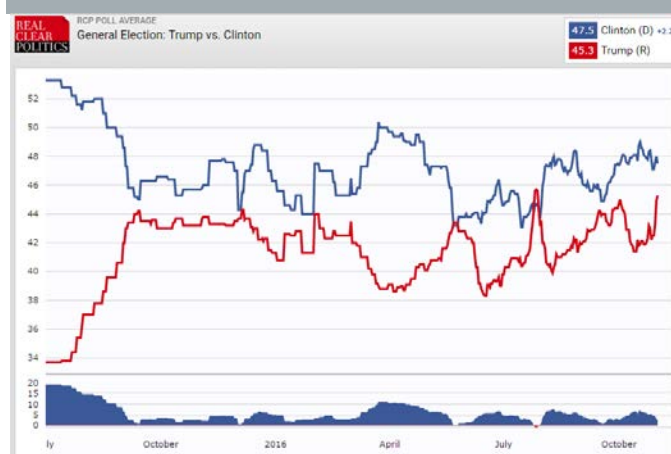
In Australia, September building approvals are expected to have moderated slightly (consensus -3%, NAB also -3%). This would still leave approvals 2.1% higher on a year ago, though this would be down from 10.1% in the year to August.

Offshore tonight, there are no trop-drawer releases, though they'll be passing interest in the US ADP employment reading as a sanity check on current expectations for a rise in non-farm payrolls in the order of 175k to be released on Friday.

Overnight

On global stock markets, the S&P 500 was -0.58%. Bond markets saw US 10-years +0.36bp to 1.83%. In commodities, Brent crude oil -0.43% to \$48.4, gold+1.2% to \$1,289, iron ore +1.5% to \$65.33. AUD is at 0.7651 and the range since yesterday 5pm Sydney time is 0.7642 to 0.7688.

Chart of the Day: RealClear politics: Trump vs. Clinton

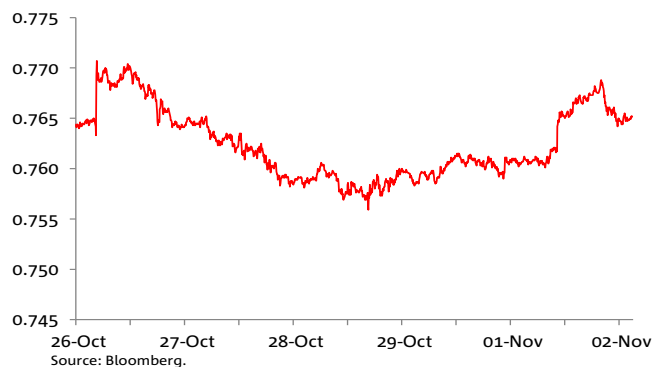


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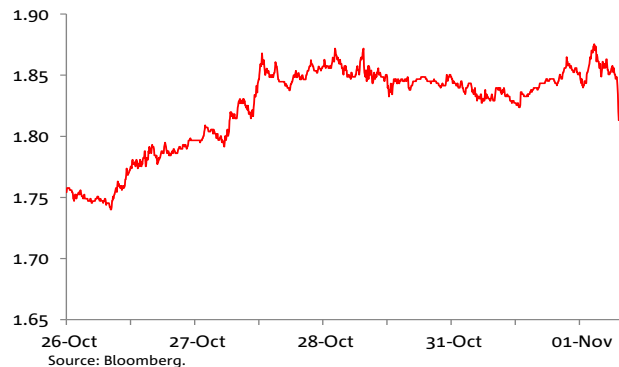
Ray Attrill – Co-head of FX Strategy

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	0.7651	0.6	0.7598	0.7689	HKD	7.7549 0.0
NZD	0.7181	0.4	0.7148	0.7191	CNY	6.7657 -0.1
EUR	1.1054	0.7	1.0960	1.1069	SGD	1.3886 -0.2
GBP	1.2234	-0.1	1.2206	1.2280	IDR	13,047 0.0
JPY	104.10	-0.7	103.80	105.12	THB	35.03 0.0
CAD	1.3386	-0.2	1.3354	1.3426	KRW	1,140 -0.4
AUD/EUR	0.6922	-0.1	0.6911	0.6993	TWD	31.55 0.0
AUD/JPY	79.65	-0.2	79.47	80.64	PHP	48.36 -0.2
AUD/GBP	0.6254	0.6	0.6209	0.6290	CHF	0.98 -1.3
AUD/NZD	1.0654	0.1	1.0601	1.0705	SEK	8.96 -0.8
AUD/CNH	5.1788	0.6	5.1515	5.1652		

Equities

Major Indices	Last	% day	% y/y
	Dow	18,037	-0.6
S&P 500	2,111	-0.6	1.5
Nasdaq	5,154	-0.7	2.0
VIX	19	9.4	23.6
FTSE	6,917	-0.5	8.7
DAX	10,526	-1.3	-3.0
CAC 40	4,470	-0.9	-8.7
Nikkei	17,442	0.1	-6.6
Shanghai	3,122	0.7	-6.1
Hang Seng	23,147	0.9	3.5
ASX 200	5,290	-0.5	2.4

Commodities*

	Last	% day
Oil (Brent)	48.40	-0.4
Oil (WTI)	46.84	0.0
Oil (Tapis)	50.25	2.1
Gold	1289.00	1.2
CRB	185.81	-0.2
GS Metals	289.1	0.5
Aluminium	1734.3	0.0
Copper	4911.3	1.4
Nickel	10367.0	-0.7
Zinc	2456.3	0.1
Ch. steel	2648.0	2.6
Iron ore	65.3	1.5
St. Coal	114.8	5.7
Met.coal	247.5	2.3
Wheat Chic.	431.5	-0.5
Sugar	21.2	-1.8
Cotton	68.2	-1.0
Coffee	161.5	-1.6

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	0.50	0.88	1.07	1.69	USD 10	1.83	0.36
AUD	1.50	1.75	1.77	2.47	AUD 10	2.38	3.70 0.55
NZD	2.00	2.13	2.14	2.87	NZD 10	2.72	1.20 0.89
EUR	0.00	-0.31	-0.15	0.51	CAD 10	1.21	1.60 -0.62
GBP	0.25	0.40	0.62	1.22	EUR 10	0.18	1.60 -1.65
JPY	-0.04	-0.03	-0.02	0.09	GBP 10	1.28	3.60 -0.55
CAD	0.50	0.90	0.90	1.46	JPY 10	-0.05	0.20 -1.88

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.22	-2.00
3 Yr bond	97.8	3.00
10 Yr bond	97.67	-0.50
3/10 sprd	0.13	3.50
SPI	5226.0	64.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Dec-2016	6.04	2.2
Jun-2017	6.06	2.2

* 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
Wednesday, 2 November 2016								
NZ	Employment Change QoQ/YoY	3Q		0.5		2.4	22.45	8.45
NZ	Unemployment Rate	3Q		5.1		5.1	22.45	8.45
NZ	Pvt Wages Ex/Inc Overtime QoQ	3Q		0.4		0.4	22.45	8.45
NZ	Average Hourly Earnings QoQ	3Q		1		0.8	22.45	8.45
UK	BRC Shop Price Index YoY	Oct				-1.8	1.10	11.10
AU	Building Approvals MoM/YoY	Sep		-3		-1.8	1.30	11.30
NZ	2Yr Inflation Expectation	4Q				1.7	3.00	13.00
JN	Consumer Confidence Index	Oct		42.6		43.0	6.00	16.00
GE	Unemployment Change (000's)	Oct		-0.5		1.0	9.55	19.55
GE	Markit/BME Germany Manufacturing PMI	Oct F		55.1		55.1	9.55	19.55
EC	Markit Eurozone Manufacturing PMI	Oct F		53.3		53.3	10.00	20.00
UK	Markit/CIPS UK Construction PMI	Oct		51.8		52.3	10.30	20.30
CA	MLI Leading Indicator MoM	Sep				0.1	12.00	22.00
US	ADP Employment Change	Oct		165		154.0	13.15	23.15
US	Wards Total Vehicle Sales	Oct		17.6		17.7		
EC	European Commission Economic Forecasts						10-11 Nov release	
US	ISM New York	Oct				49.6	14.45	0.45
US	FOMC Rate Decision (Lower/Upper Bounds)	Nov 2		0.25/0.5		0.25/0.5	19.00	5.00
Thursday, 3 November 2016								
AU	AiG Perf of Services Index	Oct				48.9	23.30	9.30
NZ	ANZ Commodity Price	Oct				5.1	1.00	11.00
AU	Trade Balance	Sep		-1700		-2010.0	1.30	11.30
CH	Caixin China PMI Services	Oct				52.1	2.45	12.45
CH	Caixin China PMI Composite	Oct				51.8	2.45	12.45
UK	New Car Registrations YoY	Oct				1.6	10.00	20.00
EC	ECB Publishes Economic Bulletin						10.00	20.00
UK	Markit/CIPS UK Services/Composite PMI	Oct		52.5		52.6	10.30	20.30
EC	Unemployment Rate	Sep		10		10.1	11.00	21.00
US	Challenger Job Cuts YoY	Oct				-24.7	12.30	22.30
UK	Bank of England Bank Rate/Asset Purchase Target	Nov 3		0.25		0.3	13.00	23.00
UK	Bank of England Inflation Report						13.00	23.00
US	Nonfarm Productivity/Unit Labour costs	3Q P		2.1		-0.6	13.30	23.30
US	Initial Jobless Claims	Oct 29		256		258.0	13.30	23.30
US	Markit US Services PMI	Oct F		54.8		54.8	14.45	0.45
US	Markit US Composite PMI	Oct F				54.9	14.45	0.45
US	Bloomberg Consumer Comfort	Oct 30				43.9	14.45	0.45
US	ISM Non-Manf. Composite	Oct		56		57.1	15.00	1.00
US	Factory Orders	Sep		0.2		0.2	15.00	1.00
UK	BoE's Deputy Cunliffe speaks in London						21.55	7.55
Friday, 4 November 2016								
AU	RBA Statement on Monetary Policy						1.30	11.30
JN	Nikkei Japan PMI Services/Composite	Oct				48.2	1.30	11.30
AU	Retail Sales MoM/Real QoQ	Sep		0.4		0.4	1.30	11.30
GE	Markit Germany Services/Composite PMI	Oct F		54.1		54.1	9.55	19.55
CH	BoP Current Account Balance	3Q P				64.1	8.50	18.50
EC	Markit Eurozone Services/Composite PMI	Oct F		53.5		53.5	10.00	20.00
EC	PPI MoM/YoY	Sep		0		-0.2	11.00	21.00
US	Trade Balance	Sep		-38		-40.7	13.30	23.30
US	Change in Nonfarm Payrolls/Unemployment Rate	Oct		175		156.0	13.30	23.30
US	Average Hourly Earnings MoM/YoY	Oct		0.3		0.2	13.30	23.30
CA	Net Change in Employment/Unemployment rate	Oct		-15		67.2	13.30	23.30
CA	Int'l Merchandise Trade	Sep		-1.7		-1.9	13.30	23.30
CA	Ivey Purchasing Managers Index SA	Oct		56		58.4	15.00	1.00
UK	BoE Forbes speaks in US						15.45	1.45
US	Fed's Fischer speaks at an IMF Research Event						21.00	7.00
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		1-Nov	1.50%	1.50%		1.50%		
Japan, BoJ		1-Nov				-0.1% to +0.1%		
US Federal Reserve		3-Nov				0.25-0.50%		
UK BOE		3-Nov				0.25%		
New Zealand, RBNZ		10-Nov	1.75%	1.75%		2.00%		
Canada, BoC		7-Dec				0.50%		
Europe ECB		8-Dec				0.00%		

GMT: Greenwich Mean Time; AEDT: Australian Daylight Savings Time

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