

Comin' back soon

The Fed has, as expected, left the Fed funds rate unchanged and without any overt reference to December as “on”. Not that a specific time reference was expected, data dependency and market developments still the ultimate drivers, including the aftermath of the Presidential election. We are still inclined to the view that the Fed will lift rates in December, subject of course to the data flow and market developments. Markets overnight have continued to tilt toward risk-off, equities lower, bonds getting support and the USD losing some traction, especially against the yen. Gold is higher too. Oil is weaker, WTI testing \$45, (currently \$45.49) and with Brent current off 2%-plus for the session on news of higher inventories, also weighing on sentiment. The AUD continues to trade in the mid 76s, recovering after losing some traction in the wake of yesterday’s underwhelming September building approvals report.

This Fed meeting came with no press conference and updated forecasts for this meeting; that next comes at the December 15 meeting. So all the concentration is on the Statement that again noted that the case for a rate rise has continued to strengthen but the FOMC decided to wait for some further evidence of continued progress. The words “continued to” were added in this time before “strengthen” while “some” was also inserted before “further evidence” this time. Now waiting for “some further evidence” rather than just “further evidence” could be interpreted as a little more time specific, a hint of December perhaps.

The Statement also recognised that market-based measures of inflation compensation “have moved up” rather than remain low. Against those, the Statement though did dial back its description of household spending from “growing strongly” to “rising moderately” but against that recognised that. There was one less dissenter this time, only two, George and Mester, Rosengren going with the flow this time.

US Treasuries have been bid given the risk-off mood, 2y yields off 1.4 bps to 0.817% and 10s at 1.795%, down 3.2 bps. Neither benchmark yields have changed much since the FOMC announcement. And the market continues to price in an over 70% chance of the Fed hiking in December, at 72.8%, unchanged since the FOMC. Gold is over \$1300/oz.

Coming up

Australia’s trade report for September will give the market pause for thought and reflection given how rapidly bulk

commodity prices have been accelerating and China’s relative economic growth stability. The market is looking for an improvement to \$1.7bn from the \$2bn August figure. NAB is slightly weaker than the consensus in expecting an unchanged figure. On this we note that the recent surge in coking coal prices is unlikely to be picked up by the data until the October figures. The RBA’s Commodity Price Index in September did rise 2.5% in \$A terms, imparting an upward bias to export receipts, but Port Hedland iron ore loadings declined 2.4%, while coal port loadings seemed to rise somewhat.

There is also the AiG PSI Services report first thing this morning, along with the ANZ Commodity Price Index for NZ (11.00 AEST) and the private sector Caixin China Services/Composite PMIs for October at 12.45pm AEST. The UK also publishes its Services PMI tonight ahead of the US ISM Non-Manufacturing report that’s expected to only ease slightly to a still healthy 56.0 from 57.1. Q3 US preliminary productivity/unit labor costs data is due, as is weekly jobless claims, and factory orders.

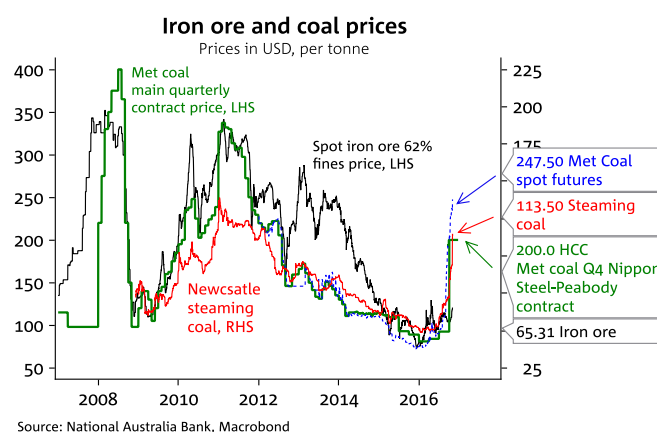
With UK activity holding up, the Bank of England is expected to keep their powder dry with rates and QE on hold. There’ll be as much interest in the Bank’s views on the economy and rates in their Quarterly Inflation Report.

Overnight

On global stock markets, the S&P 500 was -0.43%. Bond markets saw US 10-years -3.02bp to 1.80%. In commodities, Brent crude oil -2.14% to \$47.11, gold+0.9% to \$1,299, iron ore -0.0% to \$65.31. AUD is at 0.7656 and the range since yesterday 5pm Sydney time is 0.7626 to 0.7677.

Good luck.

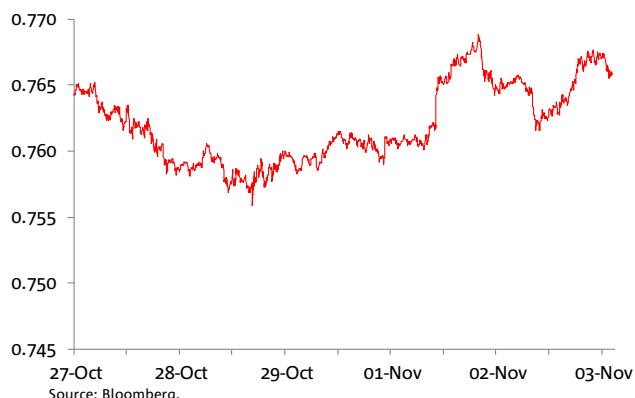
Chart: Bulk commodity export prices



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AUD/USD - past week



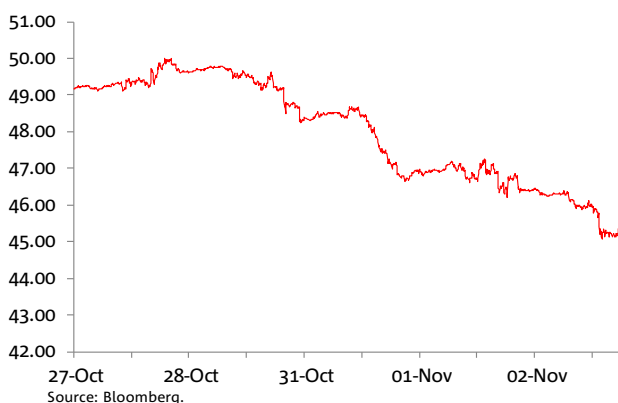
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7656	0.1	0.7613	0.7678	HKD	7.7553 0.0
NZD	0.7286	1.6	0.7260	0.7313	CNY	6.7516 -0.3
EUR	1.1094	0.9	1.1078	1.1125	SGD	1.3846 -0.3
GBP	1.2292	0.4	1.2274	1.2356	IDR	13,049 0.0
JPY	103.44	-1.5	103.01	103.49	THB	34.96 -0.2
CAD	1.3398	0.1	1.3355	1.3425	KRW	1,145 0.4
AUD/EUR	0.6901	-1.1	0.6894	0.6920	TWD	31.52 -0.1
AUD/JPY	79.18	-1.7	79.02	79.36	PHP	48.31 0.0
AUD/GBP	0.6229	-0.6	0.6210	0.6243	CHF	0.97 -1.2
AUD/NZD	1.0508	-1.7	1.0491	1.0541	SEK	8.92 -0.4
AUD/CNH	5.1689	-0.5	5.1783	5.2105		

Equities

Major Indices			
	Last	% day	% y/y
Dow	17,960	-0.4	0.7
S&P 500	2,098	-0.4	-0.3
Nasdaq	5,106	-0.9	-0.4
VIX	19	4.1	36.5
FTSE	6,845	-1.0	7.6
DAX	10,371	-1.5	-5.3
CAC 40	4,415	-1.2	-10.2
Nikkei	17,135	-1.8	-8.3
Shanghai	3,103	-0.6	-6.5
Hang Seng	22,811	-1.5	1.1
ASX 200	5,229	-1.2	-0.2

Commodities*

	Last	% day
Oil (Brent)	47.11	-2.1
Oil (WTI)	45.48	-2.5
Oil (Tapis)	49.10	-2.3
Gold	1299.20	0.9
CRB	184.29	-0.8
GS Metals	287.7	-0.5
Aluminium	1724.0	-0.6
Copper	4911.3	0.0
Nickel	10279.0	-0.8
Zinc	2415.0	-1.7
Ch. steel	2614.0	0.3
Iron ore	65.3	0.0
St. Coal	112.4	-2.1
Met.coal	250.0	0.0
Wheat Chic.	434.5	0.7
Sugar	21.7	2.4
Cotton	68.6	0.6
Coffee	162.9	0.9

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Spred
USD	0.50	0.88	1.05	1.66	USD 10	1.80	-3.02
AUD	1.50	1.76	1.76	2.43	AUD 10	2.34	-3.90 0.55
NZD	2.00	2.13	2.18	2.86	NZD 10	2.75	3.00 0.95
EUR	0.00	-0.31	-0.16	0.50	CAD 10	1.18	-2.40 -0.61
GBP	0.25	0.40	0.59	1.13	EUR 10	0.13	-4.80 -1.67
JPY	-0.04	-0.01	-0.03	0.07	GBP 10	1.17	-11.10 -0.63
CAD	0.50	0.90	0.89	1.44	JPY 10	-0.06	-1.70 -1.86

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.23	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.72	2.50
3/10 sprd	0.08	0.50
SPI	5168.0	94.0

CO₂ Emissions - Euros

	Last	% day
Dec-2016	6.26	3.6
Jun-2017	6.28	3.6

*Change in bps

* 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, 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		0.4/0.2		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		175/4.9		156.0/5.0	13.30	23.30
US	Average Hourly Earnings MoM/YoY	Oct		0.3/2.6		0.2/2.6	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 Kaplan speaks in Mexico City						18.00	4.00
EU/US	ECB's Constancio speaks in Chicago						18.00	4.00
US	Fed's Fischer speaks at an IMF Research Event						21.00	7.00
EU/US	ECB's Angeloni speaks at banking conference in Chicago						21.45	7.45
Monday, 7 November 2016								
AU	AIG Perf of Construction Index	Oct				51.4	23.30	9.30
JN	Labor Cash/Real Earnings YoY	Sep				-0.1/0.5	1.00	11.00
AU	ANZ Job Advertisements MoM	Oct				-0.3	1.30	11.30
CH	Foreign Reserves	Oct		3148.64		3166.4	1.30	11.30
GE	Factory Orders MoM/YoY	Sep				1.0/2.1	8.00	18.00
UK	Halifax House Prices MoM/3m YoY	Oct				0.1/5.8	9.30	19.30
FALSE	ECB's Constancio on Panel at EU Macro-Prudential Hearing						10.15	20.15
EC	Sentix Investor Confidence	Nov				8.5	10.30	20.30
EC	Retail Sales MoM/YoY	Sep				-0.1/0.6	11.00	21.00
CA	Bloomberg Nanos Confidence	Nov 4				56.2	16.00	2.00
US	Labor Market Conditions Index Change	Oct				-2.2	16.00	2.00
US	Consumer Credit	Sep		17.5		25.9	21.00	7.00
Tuesday, 8 November 2016								
NZ	ANZ Truckometer Heavy MoM	Oct				-1.4	22.00	8.00
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Nov 6				114.1	23.30	9.30
UK	BRC Sales Like-For-Like YoY	Oct				0.4	1.10	11.10
AU	NAB Business Conditions/Confidence	Oct				8/6	1.30	11.30
CH	Trade Balance	Oct		51.7		42.0	2.00	12.00
CH	Exports/Imports YoY	Oct		-6/-2.5		-10.0/-1.9	2.00	12.00
CH	Trade Balance CNY	Oct		381.5		278.4	2.00	12.00
CH	Exports/Imports YoY	Oct		-0.25/1.85		-5.6/2.2	2.00	12.00
JN	Leading Index Cl	Sep P				100.9	6.00	16.00
AU	RBA's Chris Ryan Speech in Hong Kong						7.15	17.15
GE	Industrial Production SA MoM/YoY	Sep		/		2.5/1.9	8.00	18.00
GE	Current Account Balance	Sep				17.9	8.00	18.00
UK	Industrial Production MoM/YoY	Sep		/		-0.4/0.7	10.30	20.30
UK	Manufacturing Production MoM/YoY	Sep		/		0.2/0.5	10.30	20.30
CH	Foreign Direct Investment YoY CNY	Oct				1.2	10.25	20.25
US	NFIB Small Business Optimism	Oct				94.1	12.00	22.00
US	Fed's Evans Speaks on Economy and Policy in New York						13.45	23.45
CA	Housing Starts/Building Permits MoM	Oct		/		220.6/10.4	14.15	0.15
UK	NIESR GDP Estimate	Oct				0.4	16.00	2.00
US	JOLTS Job Openings	Sep				5443	16.00	2.00
US	Fed's Evans Speaks on Economy and Policy in New York						18.20	4.20
Wednesday, 9 November 2016								
NZ	Card Spending Total MoM	Oct				2.0	22.45	8.45
AU	Westpac Consumer Conf Index/MoM	Nov				102.4/1.1	0.30	10.30
JN	BoP Current Account Adjusted	Sep				1975.7	0.50	10.50
CH	CPI YoY	Oct		2.1/0.9		1.9/0.1	2.30	12.30
JN	Bankruptcies YoY	Oct				-3.4	5.30	15.30
JN	Eco Watchers Survey Current/Outlook	Oct				44.8/48.5	6.00	16.00
UK	Trade Balance	Sep				-4733.0	10.30	20.30
EC	European Commission Economic Forecasts						11.00	21.00
JN	Machine Tool Orders YoY	Oct P				-6.3	0-14 Nov release	
US	Wholesale Inventories/Sales MoM	Sep F		0.2/		0.2/0.7	16.00	2.00
US	Fed's Kashkari Speaks in Eau Claire, Wisconsin						19.30	5.30
Upcoming Central Bank Interest Rate Announcements								
UK BOE		3-Nov				0.25%		
New Zealand, RBNZ		10-Nov	1.75%	1.75%		2.00%		
Australia, RBA		1-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%		
Japan, BoJ		20-Dec				-0.1% to +0.1%		

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

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