

House of fun

The focus for markets overnight was well and truly back on the UK with Sterling the stand-out performer overnight, trading this morning with a solid 1.24 handle, a full three big figures above where it opened the week. (AUD/GBP sits back at 0.617; the AUD/USD is trading at a solid 0.7682.)

The rally reflects a combination of 1) the overnight UK High Court ruling that only Parliament can trigger Article 50 of the EU treaty, potentially at least delaying the process (in some minds derailing it); and 2) a more hawkish Bank of England evident in its latest quarterly Inflation Report.

As would be expected, the UK Government has said that it is appealing the decision with an initial hearing likely between December 5-8 and a judgment then expected in late January. There is also the thought that in the event of a vote in Parliament – should it come to that - the House of Commons would be likely to give the trigger a green light but the Lords is another kettle of fish altogether. We watch and wait.

Adding to sterling's attraction on yield grounds, the Bank of England not only left policy on hold as expected given better data but dispensed with their easing bias. The BoE also indicated a limited tolerance to above-target inflation that is now forecast through most of next year. Inflation forecasts have been upped through 2017 by up to ¾% for Q4 to 2.72% (Inflation is forecast to be above the 2% target from Q2 '17.)

These higher inflation forecasts stem from the weaker Pound but also an upward revision to growth from a better-than-expected base and Sterling, the Oct UK PMI Services index was 54.5 after 52.6 and better than 52.5 expected, continuing the run of positive data surprises. This is all very different from before and could yet challenge the BoE next year given the big challenges ahead for the City and the broader economy after Article 50 is triggered and beyond.

Elsewhere in markets, risk-off sentiment was the general theme still with European equities soggy, a mood that's carried over into the US. (The FTSE closed down 0.8%.) The US VIX has pushed higher to 22.21 and the US main boards are currently down by up to 0.95% (Nasdaq). US data has been mostly softer than expected (if still solid), the ISM Non-Manufacturing Oct index below expectations at 54.8 (on a par with the UK index) below the 56.0 consensus and last month's 57.1. Ahead of payrolls, the employment component eased to 53.1 from 57.2. Jobless claims in the last week of October pushed a little higher to 265K from 258K but Q3 productivity was up by 3.1% from -0.2%.

There have been more developments on the commodity space with oil softer again, WTI and Brent down 1%-plus, WTI trading at \$44.71 and US natural gas prices off 0.86%. As something to watch, the pullback in US natural gas prices might be beginning to weigh on Asian thermal coal prices (through expectations of increased US supply from more competitive gas-fired electricity generation). The Newcastle futures price down \$5.85/t to \$106.50. Met coal prices though continued to move higher, up another \$3.50/t to \$253.50 with iron ore up 0.23% to \$65.46/t. We also note that Chinese steel prices were higher yesterday. LME prices were higher overnight too, copper +0.8%, nickel +1.55% and ally by 0.26%. Gold actually pulled back by \$3.70/oz to \$1304.50.

Coming up

September retail sales and the RBA's quarterly Statement on Monetary Policy (SoMP) will both hit the wires at 11.30. The market consensus expects retail Sales to have risen 0.4% m/m, the same pace of growth as the prior month while for the quarterly volume series which feeds into GDP, an increase of just 0.2% q/q is tipped, well below last quarter's 0.4% increase. NAB expects somewhat softer monthly growth of 0.3% but a stronger 0.4% quarterly "real" print.

As for the SoMP, we will be interested in the Bank's somewhat less worrisome outlook for inflation, the resilient aspects of housing and views on the labour market. We do not expect to see any material change to GDP and inflation forecasts but we'll be very interested in their outlook for commodity prices and the terms of trade as a support for the economy.

Then the focus shifts to payrolls and whether that would shift the pricing towards a Fed rate hike in December, on economy grounds. Most aspects of the payrolls report will be factored into market thinking and then the focus re-sets on the Presidential election into the last few days of the campaign. Stanley Fischer speaks tonight too.

Overnight

On global stock markets, the S&P 500 was -0.16%. Bond markets saw US 10-years +0.72bp to 1.81%. In commodities, Brent crude oil -1.11% to \$46.34, gold -0.3% to \$1,304, iron ore +0.2% to \$65.46. AUD is at 0.7682 and the range since yesterday 5pm Sydney time is 0.7657 to 0.7686.

Good luck.

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AUD/USD - past week



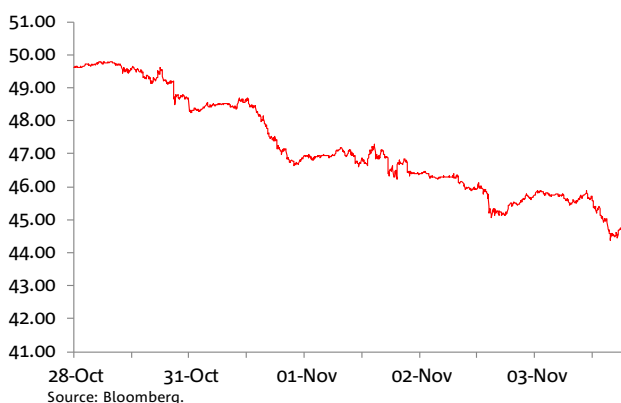
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7682	0.3	0.7637	0.7688	HKD	7.7550 0.0
NZD	0.7333	1.0	0.7299	0.7339	CNY	6.7549 -0.1
EUR	1.1108	0.2	1.1060	1.1122	SGD	1.3839 -0.2
GBP	1.2462	1.5	1.2394	1.2495	IDR	13,082 0.2
JPY	102.90	-0.5	102.87	103.45	THB	34.97 -0.1
CAD	1.3386	0.0	1.3373	1.3406	KRW	1,144 0.0
AUD/EUR	0.6916	0.2	0.6905	0.6937	TWD	31.49 0.0
AUD/JPY	79.06	-0.1	79.02	79.32	PHP	48.37 -0.1
AUD/GBP	0.6164	-1.1	0.6139	0.6187	CHF	0.97 0.2
AUD/NZD	1.0476	-0.6	1.0473	1.0508	SEK	8.97 0.5
AUD/CNH	5.1891	0.3	5.1891	5.2007		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.88	1.05	1.67	USD 10	1.81	0.72
AUD	1.50	1.76	1.78	2.45	AUD 10	2.30	-4.40 0.49
NZD	2.00	2.13	2.19	2.87	NZD 10	2.75	-0.50 0.94
EUR	0.00	-0.31	-0.15	0.53	CAD 10	1.20	2.00 -0.61
GBP	0.25	0.40	0.62	1.16	EUR 10	0.16	2.70 -1.65
JPY	-0.04	-0.05	-0.03	0.07	GBP 10	1.20	3.10 -0.61
CAD	0.50	0.90	0.90	1.45	JPY 10	-0.06	0.00 -1.87

Equities

Major Indices			
	Last	% day	% y/y
Dow	17,931	-0.2	0.1
S&P 500	2,089	-0.2	-1.0
Nasdaq	5,058	-0.9	-1.7
VIX	22	14.7	52.5
FTSE	6,791	-0.8	6.4
DAX	10,326	-0.4	-5.7
CAC 40	4,412	-0.1	-10.6
Nikkei	17,135	0.0	-8.3
Shanghai	3,129	0.8	-9.6
Hang Seng	22,684	-0.6	-1.6
ASX 200	5,226	-0.1	-0.3

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.23	1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.71	4.00
3/10 sprd	0.09	-1.00
SPI	5165.0	19.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	46.34	-1.1
Oil (WTI)	44.64	-1.5
Oil (Tapis)	48.55	-1.1
Gold	1304.10	-0.3
CRB	183.38	-0.5
GS Metals	290.5	1.0
Aluminium	1729.0	0.3
Copper	4951.0	0.8
Nickel	10440.5	1.6
Zinc	2476.3	2.5
Ch. steel	2738.0	4.1
Iron ore	65.5	0.2
St. Coal	106.5	-5.2
Met.coal	253.5	1.4
Wheat Chic.	429.8	-1.1
Sugar	21.5	-1.0
Cotton	68.1	-0.8
Coffee	165.7	1.7

CO₂ Emissions - Euros

	Last	% day
Dec-2016	6.50	3.8
Jun-2017	6.52	3.8

* 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
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		3147.28		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		18		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		52.2		42.0	2.00	12.00
CH	Exports/Imports YoY	Oct		-6/-2		-10.0/-1.9	2.00	12.00
JN	Leading Index CI	Sep P		100.2		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		3		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		1586.3		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
Thursday, 10 November 2016								
NZ	RBNZ Official Cash Rate	Nov 10		1.75		2.0	21.00	7.00
JN	Machine Orders MoM/YoY	Sep		-2/3.9		-2.2/11.6	0.50	10.50
AU	Consumer Inflation Expectation	Nov				3.7	1.00	11.00
UK	RICS House Price Balance	Oct				17.0	1.10	11.10
AU	Home Loans/Investment Loans MoM	Sep		-1/		-3.0/0.1	1.30	11.30
US	Fed's Williams Speaks on Economic Outlook in San Francisco						3.00	13.00
NZ	REINZ House Sales YoY	Oct				-9.5		
CH	New Yuan Loans CNY	Oct		655		1220.0	10-15 Nov release	
CH	Aggregate Financing CNY	Oct		950		1720.0	10-15 Nov release	
CA	New Housing Price Index MoM/YoY	Sep				0.2/2.7	14.30	0.30
US	Initial Jobless Claims	Oct 29		256		258.0	13.30	23.30
US	Fed's Bullard Speaks on U.S. Economic Outlook in St. Louis						15.15	1.15
US	Bloomberg Consumer Comfort	Oct 30				43.9	14.45	0.45
EC	Schaeuble, Weidmann Attend VOeB Public Bank Lobby Event						18.00	4.00
US	Monthly Budget Statement	Oct		-88.7		33.4	20.00	6.00
Friday, 11 November 2016								
NZ	BusinessNZ Manufacturing PMI	Oct				57.7	22.30	8.30
NZ	Food Prices MoM	Oct				-0.9	22.45	8.45
JN	PPI MoM/YoY	Oct		0/-2.6		0.0/-3.2	0.50	10.50
AU	RBA's Debelle Panel Participation in Melbourne						2.00	12.00
JN	Tertiary Industry Index MoM	Sep		-0.2		0.0	5.30	15.30
GE	CPI MoM/YoY	Oct F		/		0.2/0.8	8.00	18.00
GE	CPI EU Harmonized MoM/YoY	Oct F		/		0.2/0.7	8.00	18.00
UK	Construction Output SA MoM/YoY	Sep		/		-1.5/0.2	10.30	20.30
JN	Machine Tool Orders YoY	Oct P				-6.3	11-14 Nov release	
US	U. of Mich. Sentiment/5-10 Yr Inflation	Nov P		87/		87.2/2.4	16.00	2.00
Upcoming Central Bank Interest Rate Announcements								
New Zealand, RBNZ		10-Nov	1.75%	1.75%		2.00%		
Australia, RBA		1-Dec	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%		

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

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