

The heat is on

And it's on two fronts this morning. The first is of course the election outcome as America votes to elect its 45th President. The second story relates to news breaking out of China yesterday that the authorities are stepping in to take the heat out of coal and steel-related prices. More on that below.

FX markets overnight initially saw the USD on the bid with the closely-watched RealClear Politics poll of polls having Clinton 3.2 points ahead, 46.8/43.6, adding to risk-on sentiment. But as the session has worn on, the US has been more choppy. The Mexican Peso has though strengthened, the USD losing 1.04% against the MXN. AUD and NZD have been strong performers, the AUD/USD touching on 0.7756 as this report goes to print. Clearly, the market this week is pricing back toward a Clinton win, in which case it could be the calm before the calm, and if Trump wins, then risk-off will likely very quickly ensure in knee-jerk fashion.

US equity markets have rallied and US Treasury yields have pushed higher by 4½-5 bps along the curve. Non-FOMC voter this year but voter in 2017, Charles Evans has been on the wires saying he'd prefer to be patient before hiking, wanting core PCE inflation at 1.9% before hiking, but thinks the inflation outlook will justify three rate hikes between now and the end of 2017.

So the timeline for the election outcome runs something like this. Generally, there'll be a wait until 04.00 GMT (3pm AEDT) before the West Coast polls close and when in the last two elections the result overall was known within 15 minutes. Before then, East coast polls close at 11am AEDT and some pundits are saying that that Virginia might be a litmus test – or as one correspondent described to me this morning, the Sunderland of this election – Virginia having gone to Obama in the past two elections, but before then Republican. 11.30 comes the key swing states of North Carolina and Ohio, Ohio having gone to the winning Presidential candidate in every election bar one since the second world war. But then again, it could be a different rule book this time.

The other big news out overnight comes from China and relates to market-focussed policy efforts to take the heat out of coal and iron ore space. News service MNI reported yesterday that Chinese authorities have taken steps to crack down on "illegal coal trading", obviously concerned about the stratospheric rise in coal prices this year, that's apparently been turbocharged by additional local investor buying interest. Spot hard coking coal prices (most sales

would still likely be under the quarterly contracts) had risen more than 3½ fold this year, with Newcastle thermal coal futures more than doubling. Three Chinese futures exchanges that trade in such commodities yesterday increased margin requirements and transaction fees on coking, thermal, and steel-related futures prices. January thermal coal futures on the Zhengzhou Commodity Exchange fell 5% Tuesday to close at CNY670.60 a ton. On the Dalian exchange, coking coal futures lost 6%. Ex-China Platts coking coal and Newcastle futures look to have risen further yesterday. Iron ore was up further too.

Clearly this will very likely take more heat out of the very pointiest end of the market but it's been the admitted success of reforming the Chinese coal industry that's led to market shortfalls. Selected more efficient and less polluting Chinese producers have recently been given the green light to increase output. Australian and other global producers are also no doubt lifting their production sights. That will take some more time.

Coming up

So finally the day of reckoning has arrived as US voters cast their ballots to elect a new President, Vice President and their Congressional leaders.

On market reaction, trading over recent days has given a pretty clear pointer to how markets might initially react. Clinton wins and it's risk-on, equities rally, bonds are heavy and the USD comes back as a preferred asset. Risk-off currencies such the yen and the CHF would be sold as the first port of call. Aussie and Kiwi would benefit, other things being equal. Should Trump win, then the initial reaction is likely to be risk-off, a reverse, at least initially as markets begin to focus more intensively and price toward what a Trump Administration might mean at such an early stage of the process.

As the vote unfolds, it's going to be all about the swing states evolve and that magic 270 Electoral College votes needed to win.

Overnight

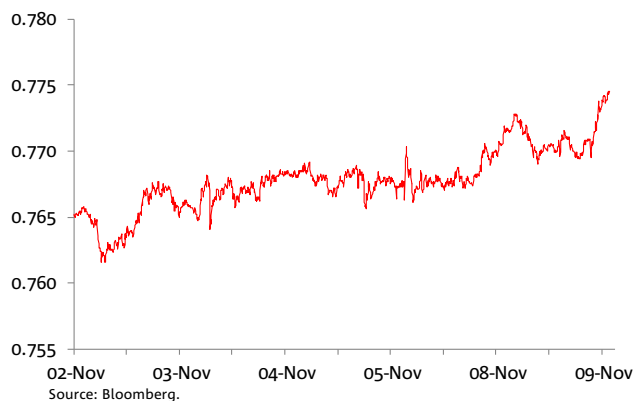
On global stock markets, the S&P 500 was +0.47%. Bond markets saw US 10-years +3.76bp to 1.86%. In commodities, Brent crude oil -0.56% to \$45.89, gold-0.2% to \$1,277, iron ore +1.3% to \$68.30. AUD is at 0.7756 and the range since yesterday 5pm Sydney time is 0.7694 to 0.7755.

Good luck.

Author:

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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	0.7756	0.4	0.7689	0.7756	HKD	7.7555	0.0
NZD	0.7387	1.0	0.7322	0.7388	CNY	6.7816	0.1
EUR	1.1032	-0.3	1.1009	1.1056	SGD	1.3866	-0.2
GBP	1.2402	-0.1	1.2361	1.2420	IDR	13,047	-0.4
JPY	105.04	0.5	104.57	105.20	THB	34.96	-0.2
CAD	1.3318	-0.6	1.3315	1.3383	KRW	1,130	-1.2
AUD/EUR	0.703	1.4	0.6963	0.7035	TWD	31.37	-0.4
AUD/JPY	81.46	1.5	80.53	81.48	PHP	48.50	-0.5
AUD/GBP	0.6254	1.1	0.6197	0.6259	CHF	0.98	0.0
AUD/NZD	1.0497	0.0	1.0474	1.0527	SEK	9.01	0.0
AUD/CNH	5.2594	1.1	5.2288	5.2557			

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.89	1.10	1.73	USD 10	1.86	3.76
AUD	1.50	1.76	1.81	2.52	AUD 10	2.35	0.40
NZD	2.00	2.13	2.25	3.00	NZD 10	2.81	2.10
EUR	0.00	-0.31	-0.14	0.55	CAD 10	1.27	5.10
GBP	0.25	0.40	0.63	1.21	EUR 10	0.19	3.40
JPY	-0.05	-0.05	-0.03	0.08	GBP 10	1.24	3.50
CAD	0.50	0.89	0.92	1.51	JPY 10	-0.06	-1.50

Equities

Major Indices	Last	% day	% y/y
	Dow	18,343	0.46
S&P 500	2,140	0.38	1.9
Nasdaq	5,193	0.52	0.9
VIX	19	-0.11	30.4
FTSE	6,843	0.5	7.7
DAX	10,482	0.2	-4.6
CAC 40	4,477	0.4	-10.2
Nikkei	17,171	0.0	-12.6
Shanghai	3,148	0.5	-13.7
Hang Seng	22,909	0.5	0.8
ASX 200	5,258	0.1	2.7

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.22	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.65	-9.00
3/10 sprd	0.16	12.00
SPI	5265.0	-25.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	45.88	-0.6
Oil (WTI)	44.84	-0.1
Oil (Tapis)	48.01	0.3
Gold	1277.40	-0.2
CRB	183.55	0.0
GS Metals	294.1	0.0
Aluminium	1726.5	0.3
Copper	5222.3	2.7
Nickel	11218.5	1.2
Zinc	2465.3	0.4
Ch. steel	2886.0	3.1
Iron ore	68.3	1.3
St. Coal	112.10	0.1
Met.coal	284.0	3.3
Wheat Chic.	432.0	1.0
Sugar	22.0	-1.3
Cotton	68.8	0.4
Coffee	167.5	-3.9

CO₂ Emissions - Euros

	Last	% day
Dec-2016	6.14	-1.3
Jun-2017	6.16	-1.3

* cisd = 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, 8 November 2016								
NZ	ANZ Truckometer Heavy MoM	Nov				-0.2	22.00	8.00
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Nov 13				117.8	23.30	9.30
UK	BRC Sales Like-For-Like YoY	Oct		0.6		0.4	1.10	11.10
AU	NAB Business Conditions/Confidence	Nov				8/6	1.30	11.30
CH	Trade Balance	Nov				42.0	2.00	12.00
CH	Exports/Imports YoY	Nov		/		-10.0/-1.9	2.00	12.00
JN	Leading Index CI	Sep F				100.9	6.00	16.00
AU	RBA's Chris Ryan, Head of International Department speaks at Asian Regulatory Summit in Hong Kong						7.15	17.15
GE	Industrial Production SA MoM/YoY	Sep		-0.5/2		2.5/1.9	8.00	18.00
GE	Current Account Balance	Sep		24.5		17.9	8.00	18.00
UK	Industrial Production MoM/YoY	Sep		0/0.8		-0.4/0.7	10.30	20.30
UK	Manufacturing Production MoM/YoY	Sep		0.4/-0.1		0.2/0.5	10.30	20.30
CH	Foreign Direct Investment YoY CNY	Oct		2.5		1.2	10.25	20.25
US	NFIB Small Business Optimism	Oct		94.1		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		195/-5.8		220.6/10.4	14.15	0.15
UK	NIESR GDP Estimate	Oct				0.4	16.00	2.00
US	JOLTS Job Openings	Sep		5487.5		5443	16.00	2.00
US	Fed's Evans Speaks on Economy and Policy in New York						18.20	4.20
US Presidential and Congressional elections (result expected through Wednesday Asia time)								
Wednesday, 9 November 2016								
NZ	Card Spending Total MoM	Oct	flat	0.4		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		1630		1975.7	0.50	10.50
AU	NAB Commerical Property Survey	Q3					1.30	11.30
CH	CPI/PPI 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		44.4		44.8/48.5	6.00	16.00
UK	Trade Balance	Sep		-3950		-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		0.2/0.5		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	1.75		2.0	21.00	7.00
JN	Machine Orders MoM/YoY	Sep		-1.5/4.1		-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		18		17.0	1.10	11.10
AU	Home Loans/Investment Loans MoM	Sep	-0.6	-1.6		-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		676		1220.0	10-15 Nov release	
CH	Aggregate Financing CNY	Oct		1000		1720.0	10-15 Nov release	
CA	New Housing Price Index MoM/YoY	Sep		0.2		0.2/2.7	14.30	0.30
US	Initial Jobless Claims	Nov 5		260		265.0	14.30	0.30
US	Fed's Bullard Speaks on U.S. Economic Outlook in St. Louis						15.15	1.15
US	Bloomberg Consumer Comfort	Nov 6				44.6	15.45	1.45
EC	Schaeuble, Weidmann Attend VOeB Public Bank Lobby Event						18.00	4.00
US	Monthly Budget Statement	Oct		-75		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			-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 at FINSIA Regulators Panel 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		0.2/0.8	8.00	18.00
GE	CPI EU Harmonized MoM/YoY	Oct F		0.2/0.7		0.2/0.7	8.00	18.00
UK	Construction Output SA MoM/YoY	Sep		0/-0.4		-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		88/		87.2/2.4	16.00	2.00
Monday, 14 November 2016								
NZ	Performance Services Index	Oct				54.1	22.30	8.30
JN	GDP SA QoQ	3Q P		0.2		0.2	0.50	10.50
CH	Industrial Production YoY/YTD	Oct		6.2/6.1		6.1/6.0	3.00	13.00
CH	Retail Sales YoY/YTD	Oct		10.7/10.4		10.7/10.4	3.00	13.00
CH	Fixed Assets Ex Rural YTD YoY	Oct		8.2/		8.2/0.0	3.00	13.00
JN	Industrial Production MoM/YoY	Sep F		/		0.0/0.9	5.30	15.30
EC	ECB's Constancio Speaks at Euro Finance Week in Frankfurt						9.30	19.30
EC	Industrial Production SA MoM/YoY	Sep		/		1.6/1.8	11.00	21.00
CA	Bloomberg Nanos Confidence	Nov 11				55.8	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%		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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