

Vienna

OPEC has by all accounts struck a production deal to limit its overall output to 32.5 million barrels (a drop of 1.2million barrels) and Russia will reportedly join in with a 600,000 barrel a day cut. Iran and Saudi Arabia are said to have agreed that Iran's output can rise to 3.8mn barrels (an increase of 90,000 barrels) and Iraq has apparently agreed to curb production. All up, a supply agreement along these lined if honoured would reduce global oil supply by just under 2%. Full details are still awaited at time of writing (the meeting is still in progress). But for oil producing nations at least, the hope must be that the Ultravox's line that "This means nothing to me, oh Vienna" doesn't prove prophetic. Oil is currently up over \$4 or more than 9%.

Global market impact of the OPEC news has been electric (there's a Gary Numan song in there as well if you want it) and is most evident in US bond yields and global energy stocks. The S&P energy sector sub-index is up just over 5% but the majority of others sector are down led by a 2.7% fall for utilities (higher heating and air conditioning bills on the way) and consumer discretionary (higher petrol price coming to a gas station near you). This leaves the overall S&P500 pretty flat into the close.

US 10 year Treasury yields are up about 8bps from where Sydney left on yesterday at 2.363% having been briefly back above 2.40%. Most of the move is attributed to higher inflation expectations/break-evens. Fed funds pricing for 2017 has lifted only very slightly, with 64bp of fund rate increases prices between now and the end of next year. This is still below the Fed's most recent median 'dot plot'. That may well have to change and is a key factor beyond our expectation for further US dollar strength next year if not before. The BBDXY dollar index is some 0.4% on Tuesday's close.

US data has been helpful to the cause of higher yields and a higher US dollar alongside oil. In particular the 216k rise reported by ADP for private employment in November removes much of the risk of a dramatically weaker than expected print for official payrolls tomorrow night. We also had a big jump in the Chicago PMI (57.2 from 50.6) but this will have been inflated by Boeing orders. The Fed's preferred core PCE deflator measure of inflation meanwhile stuck at 1.7% as expected.

Oil aside, commodity prices are mostly weaker including another \$14 drop in the gold price and \$5.22 in iron ore, now back to \$72 from above \$80 earlier in the week. This has left the AUD as the second weakest G10 FX performer overnight, -1.27% to back below 0.74 (0.7390). The currency

was already on the back foot yesterday after the weak building approvals data spared us a push back above 0.75.

USD/JPY is the biggest mover overnight, fully consistent with the move in US-Japan yields spreads, making a new post-Trump election high of ¥114.54. CAD and NOK are, unsurprisingly, the only two currencies have gained against a generally stronger dollar

Coming Up

Key events during our time zone are first the Q3 Australian capex data and shortly thereafter the China Official PMI data covering both manufacturing and services (and shortly after that, the Caixin manufacturing version).

On capex, NAB's Australian GDP model has been calling for GDP to have grown by a modest 0.1% in the September quarter, a forecast that embodies a 0.5% decline in underlying private business investment. Q3 Construction points to downside risk for both of these estimates. A 12.9% decline in non-residential building construction in all likelihood will be followed by today's survey revealing weak business "Buildings and Structures" spending, pointing to an aggregate decline of 2% for Q3 Capex.

As well as actual spending, the outlook for business investment for the current 2016-17 financial year will also be under focus. This is the 4th estimate, this one polled in October-November when there were signs emerging that the edge was being taken off domestic business conditions but mining confidence was re-emerging. While the large step-up in coal prices would have been a relief for local coal businesses, we still expect capital spending expectations among resource companies to remain largely under wraps.

For the China PMI data, the official manufacturing version (12:00AEDT) is seen dipping to 51.0 from 51.2, and likewise for the Caixin version. (12:45). Services were last at 54.0 (no survey for this).

Tonight the main data attraction is the US manufacturing ISM expected at 52.3 up from 51.9). We also get the UK manufacturing PMI (seen rising to 54.4 from 54.3), the final Eurozone PMIs (where the 'flash' composite estimate was 54.1 up from 53.3)

Overnight

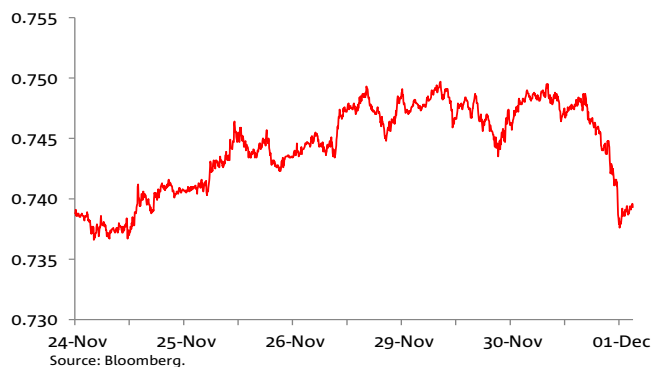
On global stock markets, the S&P 500 was -0.03%. Bond markets saw US 10-years +7.55bp to 2.37%. In commodities, Brent crude oil +10.02% to \$52.06, gold-1.2% to \$1,174, iron ore -6.8% to \$72.08. AUD is at 0.7393 and the range since yesterday 5pm Sydney time is 0.7376 to 0.7487.

Author:

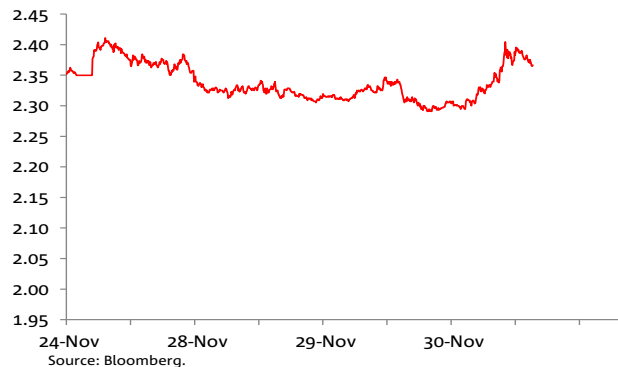
Ray Attrill – Co-head of FX Strategy

Markets

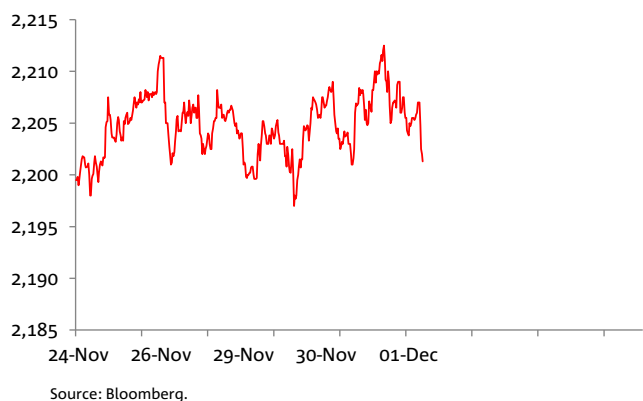
AUD/USD - past week



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	0.7393	-1.2	0.7374	0.7497	HKD	7.7563 0.0
NZD	0.7085	-0.6	0.7070	0.7170	CNY	6.8894 -0.2
EUR	1.0595	-0.5	1.0553	1.0667	SGD	1.4326 0.5
GBP	1.2496	0.0	1.2420	1.2515	IDR	13,555 0.0
JPY	114.13	1.6	112.06	114.54	THB	35.70 0.1
CAD	1.3422	-0.1	1.3357	1.3463	KRW	1,169 0.0
AUD/EUR	0.6978	-0.7	0.6957	0.7043	TWD	31.87 0.2
AUD/JPY	84.38	0.3	83.97	84.51	PHP	49.68 -0.2
AUD/GBP	0.5917	-1.2	0.5900	0.6006	CHF	1.02 0.5
AUD/NZD	1.0434	-0.7	1.0413	1.0506	SEK	9.23 0.6
AUD/CNH	5.1074	-0.9	5.0981	5.1924		

Equities

Major Indices	Last	% day	% y/y
Dow	19,158	0.19	8.1
S&P 500	2,204	-0.03	5.9
Nasdaq	5,331	-0.90	4.4
VIX	13	2.48	-18.0
FTSE	6,784	0.2	6.7
DAX	10,640	0.2	-6.5
CAC 40	4,578	0.6	-7.7
Nikkei	18,308	0.0	-8.5
Shanghai	3,250	-1.0	-6.0
Hang Seng	22,790	0.2	1.8
ASX 200	5,440	-0.3	3.3

Commodities*

	Last	% day
Oil (Brent)	52.06	10.0
Oil (WTI)	49.63	9.7
Oil (Tapis)	50.11	2.3
Gold	1173.60	-1.2
CRB	189.82	3.2
GS Metals	314.0	0.0
Aluminium	1733.3	0.6
Copper	5814.3	2.1
Nickel	11210.3	1.5
Zinc	2691.0	0.1
Ch. steel	3020.0	-6.4
Iron ore	72.1	-6.8
St. Coal	88.5	-4.1
Met.coal	300.0	0.0
Wheat Chic.	403.5	-1.3
Sugar	19.8	0.8
Cotton	72.3	-0.2
Coffee	150.6	-1.6

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.93	1.31	2.19	USD 10	2.37	7.55
AUD	1.50	1.77	1.90	2.88	AUD 10	2.72	1.90 0.36
NZD	1.75	2.05	2.28	3.27	NZD 10	3.13	3.60 0.76
EUR	0.00	-0.31	-0.16	0.67	CAD 10	1.57	6.00 -0.80
GBP	0.25	0.39	0.66	1.37	EUR 10	0.28	5.40 -2.09
JPY	-0.05	-0.08	0.03	0.19	GBP 10	1.42	4.80 -0.95
CAD	0.50	0.89	1.02	1.80	JPY 10	0.03	0.50 -2.34

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.21	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.27	-9.00
3/10 sprd	0.53	12.00
SPI	5455.0	7.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.60	0.9
Jun-2017	4.61	0.7

* 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, 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		54.4		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 PresidentMester 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		52.3		51.9	16.00	2.00
Friday, 2 December 2016								
NZ	Value of All Buildings SA QoQ	3Q	1.5	2.2		5.5		
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		180/4.9		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		-15/7		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)							
Monday, 5 December 2016								
NZ	Building Permits MoM	Oct				0.2		
AU	AiG Perf of Services Index	Nov				50.5	23.30	9.30
JN	Loans & Discounts Corp YoY	Oct				2.1	0.50	10.50
AU	Melbourne Institute Inflation MoM/YoY	Nov				0.2/1.5	1.00	11.00
NZ	ANZ Commodity Price	Nov				0.7	1.00	11.00
AU	ANZ Job Advertisements MoM	Nov				1.0	1.30	11.30
JN	Nikkei Japan PMI Services/Composite	Nov				50.5/51.3	1.30	11.30
AU	Inventories SA QoQ	3Q				0.3	1.30	11.30
AU	Company Operating Profit QoQ	3Q				6.9	1.30	11.30
CH	Caixin China PMI Services/Composite	Nov		/		52.4/52.9	2.45	12.45
JN	Consumer Confidence Index	Nov				42.3	6.00	16.00
GE	Markit Germany Services/Composite PMI	Nov F		/		55.0/54.9	9.55	19.55
UK	New Car Registrations YoY	Nov				1.4	10.00	20.00
EC	Markit Eurozone Services/Composite PMI	Nov F		/		54.1/54.1	10.00	20.00
UK	Markit/CIPS UK Services PMI	Nov				54.5/54.8	10.30	20.30
EC	Sentix Investor Confidence	Dec				13.1	10.30	20.30
EC	Retail Sales MoM	Oct				-0.2/1.1	11.00	21.00
US	Fed's Dudley Speaks on Economy and Policy in New York						14.30	0.30
US	Fed's Evans Speaks on Economy and Policy in Chicago						15.25	1.25
US	Markit US Services PMI	Nov F				54.7/54.9	15.45	1.45
CA	Bloomberg Nanos Confidence	Dec 2				55.6	16.00	2.00
US	Labor Market Conditions Index Change	Nov				0.7	16.00	2.00
US	ISM Non-Manf. Composite	Nov		55.1		54.8	16.00	2.00
US	Fed's Bullard to Speak on U.S. Economic Outlook In Arizona						20.05	6.05
Tuesday, 6 December 2016								
NZ	ANZ Truckometer Heavy MoM	Nov				-0.2	22.00	8.00
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Dec 4				115.4	23.30	9.30
NZ	QV House Prices YoY	Nov				12.7	0.00	10.00
JN	Labor Cash/Real Earnings YoY	Oct				0.2/0.9	1.00	11.00
UK	BRC Sales Like-For-Like YoY	Nov				1.7	1.10	11.10
AU	Net Exports contrib/Current account, % of GDP, \$Abn	3Q				-0.2	1.30	11.30
AU	RBA Cash Rate Target	Dec 6		1.5		1.5	4.30	14.30
GE	Factory Orders MoM/YoY	Oct				-0.6/2.6	8.00	18.00
GE	Markit Germany Construction PMI	Nov				52.9	9.30	19.30
EC	GDP SA QoQ/YoY	3Q F		/		0.3/1.6	11.00	21.00
US	Trade Balance	Oct		-40		-36.4	14.30	0.30
US	Nonfarm Productivity	3Q F		3.2		3.1	14.30	0.30
US	Unit Labor Costs	3Q F		0.3		0.3	14.30	0.30
CA	Int'l Merchandise Trade	Oct				-4.1	14.30	0.30
CA	Ivey Purchasing Managers Index SA	Nov				59.7	16.00	2.00
US	Factory Orders	Oct		2.4		0.3	16.00	2.00
US	Cap Goods Ship Nondef Ex Air	Oct F				0.2	16.00	2.00
US	IBD/TIPP Economic Optimism	Dec				51.4	16.00	2.00
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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