

Ding Dong Merrily on High

Sorry, but 'tis the season and the S&P did make another record high on Friday. Doubtless some of my more youthful colleagues will be back with Lady Gaga or Rihanna later in the week.

News to be absorbed in Asia this morning is that OPEC and some non-OPEC producer hammered out a deal on Saturday culminating in Saudi Arabia signalling its intent to cut oil production by more than agreed on Nov.30th and possibly to below 10mn bpd from 10.64mn of late. The news is set to lift crude prices in Asia and which in turn should further support inflation break-evens and nominal bond yields and, if so, the US dollar.

On Friday, the FX market's symbiotic relationship with US Treasury yields remained very much in evidence, the dollar pulling ahead once more on a day when yields pushed back up toward the recent highs. However the tick charts shows that the dollar moved ahead of Treasuries, most of the day's gains occurring prior to the release of a better than expected University of Michigan consumer sentiment index (to 98.0 from 93.5) and most of the run up in US yields only coming after.

The S&P gained 0.59% to 2259.53 and a new record high, to be 3.1% higher on the week. The VIX finished 0.89 lower at 11.75, 2.37 points or 16.8% down on the week. European stock indices ended higher as well, despite shares in Italy's Monte di Paschi Sienna (MPS) being suspended limit-down after a report that the ECB had rejected an extension beyond year-end for a planned EUR5bn recapitalization. The market's collective and considered take on Thursday's ECB announcements was that it was 'dovish' – reflected in higher stocks, a weaker euro and Bund yields falling slightly against a backdrop of higher Treasury yields. Over the weekend, Italian foreign minister Gentiloni (a Renzi loyalist) has been mandated by President Mattarella to form new government which could now be placed early this week – a positive for euro sentiment.

US bond markets meandered fairly aimlessly until after the consumer sentiment release, pushed higher in the two hours afterwards and then trading sideways near the day's highs in afternoon trade. 2yr treasuries added 2.3bps to 1.135% and +3.7bps on the week; 10s +6.0bps to 2.468% and 8.4bps on the week but still (just) beneath the 2.4919% 1st December post-US election high.

In FX, the dollar was higher against all G10 currencies bar the CAD (+0.1%) and in EM against all bar RUB (+1.35%) and the Chilean Peso (+0.77%). USD/JPY was the best performing

G10 pair, trading back above Y115 for the first time since February 10th this year. It ended Friday +1.12% at 115.32 and at +1.6% is also the biggest G10 mover on the week. The DXY added 0.48 to 101.59 (the high on November 24th was 102.05). The broader BBDXY added 0.46%. AUD/USD ended 0.19% down at 0.7449.

In commodities, WTI crude gained 70 cents to \$51.50 but ended the week 18 cents down. Brent added 40 cents to \$54.33 to be 13 cents down on the week. This is of course before the weekend production accord news. Gold lost \$110.40 to \$1159.40 as is \$15.70 down on the week. The LMEX index added 1.07% and is 1.3% up on the week. Iron ore -12 cents to \$84.35 (+\$3.87 on the week). Coking coal didn't trade Friday so ends the week at \$280 down from its recent high of \$300. Steaming coal was down \$3.05 on the week at \$84.35 (+\$0.35 on the day).

CoreLogic's weekend housing market summary reports a preliminary nationwide auction clearance rate of 74.6% up from a final 72.3% previously. No sign of a year-end lull here. Sydney cleared a preliminary 77.4% similar to last week. Melbourne cleared 80.2% up from a final 77.3%.

Coming Up

Oil prices are set to provide the early week focus after the weekend news. The Fed meets with the outcome, forecasts and press conference incoming from 4:00 AEDT Thursday. A rate rise taking the Fed Funds target to 0.5-0.75% is nailed on, so market interest is in the new 'dot plot' (probably unchanged) and the tone of Janet Yellen's press conference. Retail sales and CPI are the top tier US releases.

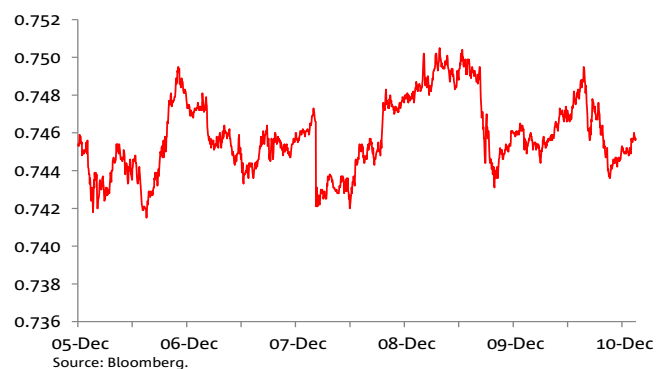
There's a fair bit else of interest besides the Fed and which prevents markets going into complete year-end shut down mode. Locally the last NAB business survey of the year (Tuesday) comes on the heels of last week's negative Q3 GDP print, a sharp fall in building approvals in October and recent less-than-stellar labour market readings. We'll get latest labour data on Thursday. A small rise in employment and steady unemployment rate is the consensus. This week also brings the November China activity readings covering industrial production, retail sales and investment. Japan's quarterly Tankan is Wednesday.

Overnight

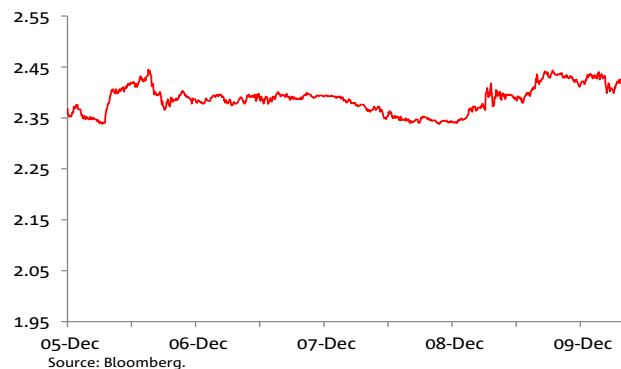
On global stock markets, the S&P 500 was +0.59%. Bond markets saw US 10-years +6.04bp to 2.47%. In commodities, Brent crude oil +0.82% to \$54.33, gold -0.9% to \$1,159, iron ore -0.1% to \$81.66, St. coal +0.4% to \$84.35, Met. coal didn't trade (last \$280.00). AUD is at 0.7456 and the range since Friday 5pm Sydney time is 0.7436 to 0.7495.

Markets

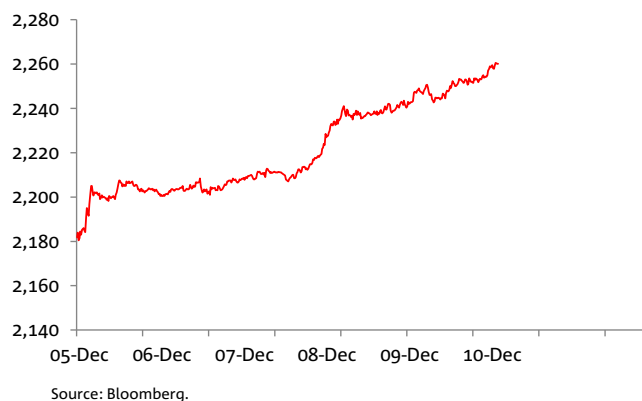
AUD/USD - past week



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	0.7456	-0.1	0.7435	0.7496	HKD	7.7590 0.0
NZD	0.7132	-0.6	0.7126	0.7189	CNY	6.9080 0.2
EUR	1.0548	-0.6	1.0520	1.0630	SGD	1.4309 0.5
GBP	1.2573	-0.1	1.2546	1.2621	IDR	13,319 0.2
JPY	115.30	1.1	114.02	115.37	THB	35.67 0.1
CAD	1.3135	-0.4	1.3125	1.3213	KRW	1,166 0.6
AUD/EUR	0.7068	0.5	0.7017	0.7082	TWD	31.82 0.4
AUD/JPY	85.98	1.0	84.94	86.10	PHP	49.76 0.1
AUD/GBP	0.5932	0.0	0.5909	0.5948	CHF	1.02 0.1
AUD/NZD	1.0450	0.5	1.0383	1.0460	SEK	9.21 0.9
AUD/CNH	5.1528	0.6	5.1491	5.1955		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.96	1.37	2.34	USD 10	2.47	6.04
AUD	1.50	1.77	1.89	3.01	AUD 10	2.82	8.30 0.35
NZD	1.75	2.03	2.30	3.40	NZD 10	3.27	9.80 0.80
EUR	0.00	-0.32	-0.16	0.78	CAD 10	1.73	6.70 -0.74
GBP	0.25	0.38	0.65	1.42	EUR 10	0.37	-1.70 -2.10
JPY	-0.05	-0.05	0.03	0.24	GBP 10	1.45	7.10 -1.01
CAD	0.50	0.90	1.07	1.96	JPY 10	0.06	1.20 -2.41

Equities

Major Indices

	Last	% day	% y/y
Dow	19,757	0.72	14.4
S&P 500	2,260	0.59	12.3
Nasdaq	5,444	0.50	10.4
VIX	12	-7.04	-51.8
FTSE	6,954	0.3	16.8
DAX	11,204	0.2	8.4
CAC 40	4,764	0.6	4.7
Nikkei	18,996	1.2	-1.2
Shanghai	3,233	0.5	-5.9
Hang Seng	22,761	-0.4	6.0
ASX 200	5,561	0.3	10.6

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.24	0.00
3 Yr bond	97.8	0.00
10 Yr bond	97.15	-14.80
3/10 sprd	0.65	14.80
SPI	5582.0	-41.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	54.33	0.8
Oil (WTI)	51.50	1.3
Oil (Tapis)	54.91	1.9
Gold	1159.40	-0.9
CRB	191.98	0.3
GS Metals	319.0	1.2
Aluminium	1755.5	1.4
Copper	5821.0	0.7
Nickel	11425.5	3.3
Zinc	2696.8	0.9
Ch. steel	3354.0	-0.3
Iron ore	81.7	-0.1
St. Coal	84.4	0.4
Met.coal	280.0	0.0
Wheat Chic.	416.3	2.0
Sugar	19.2	-1.1
Cotton	70.8	-0.9
Coffee	139.4	-1.4

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.46	-2.8
Jun-2017	4.48	-2.8

* 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
Monday, 12 December 2016								
CH	New Yuan Loans/Aggregate Financing CNY	Nov		720/1098.17		651.3/896.3	10-15 Dec release	
CH	Aggregate Financing CNY	Nov		1098.17		896.3	10-15 Dec release	
CH	Foreign Direct Investment YoY CNY	Nov		1.95		1.2		
NZ	REINZ House Sales YoY	Nov				-14.2		
JN	Machine Orders MoM/YoY	Oct		1.2/-4.7		-3.3/4.3	0.50	10.50
JN	PPI MoM/YoY	Nov		0.3/-2.3		-0.1/-2.7	0.50	10.50
JN	Tertiary Industry Index MoM	Oct		0.3			5.30	15.30
JN	Machine Tool Orders YoY	Nov P				-8.9	7.00	17.00
CA	Bloomberg Nanos Confidence	Dec 9				55.6	16.00	2.00
Tuesday, 13 December 2016								
NZ	Mfg Activity Volume/Activity QoQ	3Q				2.8	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Dec 11				118.6	23.30	9.30
AU	NAB Business Conditions/Confidence	Nov				6.0	1.30	11.30
AU	House Price Index QoQ/YoY	3Q		2.5/4.8		2.0/4.1	1.30	11.30
CH	Industrial Production YoY/YTD YoY	Nov		6.1/6		6.1/6.0	3.00	13.00
CH	Retail Sales YoY/YTD YoY	Nov		10.2/10.3		10.0/10.3	3.00	13.00
CH	Fixed Assets Ex Rural YTD YoY	Nov		8.3		8.3	3.00	13.00
GE	CPI EU Harmonized MoM/YoY	Nov F		0/0.7		0.0/0.7	8.00	18.00
UK	CPI MoM/YoY	Nov		0.2/1.1		0.1/0.9	10.30	20.30
UK	CPI Core YoY	Nov		1.3		1.2	10.30	20.30
UK	PPI Input NSA MoM/YoY	Nov		-0.5/13.5		4.6/12.2	10.30	20.30
UK	PPI Output Core NSA MoM/YoY	Nov		0.1/2.2		0.4/1.9	10.30	20.30
UK	House Price Index YoY	Oct		7.2		7.7	10.30	20.30
EC	Employment QoQ/YoY	3Q		/		0.4/1.4	11.00	21.00
GE	ZEW Survey Current Situation/Expectations	Dec		58.8/13.5		58.8/13.8	11.00	21.00
EC	ZEW Survey Expectations	Dec				15.8	11.00	21.00
US	NFIB Small Business Optimism	Nov		96.5		94.9	12.00	22.00
US	Import Price Index MoM/YoY	Nov		-0.3/0.1		0.5/-0.2	14.30	0.30
Wednesday, 14 December 2016								
AU	Westpac Consumer Conf Index/MoM	Dec		/		101.3/-1.1	0.30	10.30
JN	Tankan Large Mfg Index/Outlook	4Q		10/18		6.0/16.0	0.50	10.50
JN	Tankan Large All Industry Capex	4Q		6.1		6.3	0.50	10.50
AU	New Motor Vehicle Sales MoM/YoY	Nov		/		-2.4/1.2	1.30	11.30
JN	Industrial Production MoM/YoY	Oct F		/		0.1/-1.3	5.30	15.30
JN	Capacity Utilization MoM	Oct		-2.0			5.30	15.30
UK	Jobless Claims Change	Nov		6.75		9.8	10.30	20.30
UK	Average Weekly Earnings/ex bonus 3M/YoY	Oct		2.3/2.6		2.3/2.4	10.30	20.30
UK	Employment Change/Unemployment rate 3M/3M	Oct		50/4.8		49.0/4.8	10.30	20.30
EC	Industrial Production SA MoM/YoY	Oct		0.2/1		-0.8/1.2	11.00	21.00
US	MBA Mortgage Applications	Dec 9				-0.7	13.00	23.00
US	Retail Sales Advance/ex autos and gas MoM	Nov		0.3/0.5		0.8/0.6	14.30	0.30
US	Retail Sales Control Group	Nov		0.45		0.8	14.30	0.30
US	PPI Final Demand MoM/YoY	Nov		0.1		0.0	14.30	0.30
CA	Teranet/National Bank HPI MoM/YoY	Nov				0.3	14.30	0.30
US	Capacity Utilization	Nov		75.1		75.3	15.15	1.15
US	Industrial Production MoM	Nov		-0.2		0.0	15.15	1.15
US	Business Inventories	Oct		-0.1		0.1	16.00	2.00
US	FOMC Rate Decision (Lower/Upper Bound)	Dec 14		0.5/0.75		0.25/0.50	20.00	6.00
Thursday, 15 December 2016								
NZ	BusinessNZ Manufacturing PMI	Nov				55.2	22.30	8.30
NZ	Value of All Buildings SA QoQ	3Q		2.1		5.5	22.45	8.45
AU	Consumer Inflation Expectation	Dec				3.2	1.00	11.00
AU	Employment Change/Unemployment rate	Nov		17.5/5.6		9.8/5.6	1.30	11.30
AU	Participation Rate	Nov		64.5		64.4	1.30	11.30
AU	RBA FX Transactions Market	Nov				439.0	1.30	11.30
JN	Machine Tool Orders YoY	Nov P				-8.9	7.00	17.00
GE	Markit/BME Germany Manufacturing/Services PMI	Dec P		54.5/54.8		54.3/55.1	9.30	19.30
GE	Markit/BME Germany Composite PMI	Dec P		54.8		55.0	9.30	19.30
EC	Markit Eurozone Manufacturing/Services PMI	Dec P		53.6/53.7		53.7/53.8	10.00	20.00
EC	Markit Eurozone Composite PMI	Dec P		53.8		53.9	10.00	20.00
UK	Retail Sales Ex Auto Fuel MoM/YoY	Nov		0/6.1		2.0/7.6	10.30	20.30
UK	Bank of England Bank Rate	Dec 15		0.25		0.3	13.00	23.00
UK	BOE Asset Purchase/Corporate Bond Target	Dec		435/10		435.0/10.0	13.00	23.00
CA	Manufacturing Sales MoM	Oct		0.7		0.3	14.30	0.30
US	Current Account Balance	3Q		-111		-119.9	14.30	0.30
US	Empire Manufacturing	Dec		2.6		1.5	14.30	0.30
US	CPI MoM/YoY	Nov		0.2/1.7		0.4/1.6	14.30	0.30
US	CPI Ex Food and Energy MoM/YoY	Nov		0.2/2.2		0.1/2.1	14.30	0.30
US	Initial Jobless Claims	Dec 10				258.0	14.30	0.30
US	Philadelphia Fed Business Outlook	Dec		9		7.6	14.30	0.30
CA	Existing Home Sales MoM	Nov				2.4	15.00	1.00
US	Bloomberg Consumer Comfort	Dec 11				45.1	15.45	1.45
US	Markit US Manufacturing PMI	Dec P				54.1	15.45	1.45
US	NAHB Housing Market Index	Dec		63		63.0	16.00	2.00
Friday, 16 December 2016								
US	Total/Long term Net TIC Flows	Oct		/		-152.9/-26.2	22.00	8.00
NZ	ANZ Consumer Confidence Index/MoM	Dec		/		127.2/3.5	1.00	11.00
NZ	Non Resident Bond Holdings	Nov				63.9	3.00	13.00
EC	Trade Balance SA	Oct				24.9	11.00	21.00
EC	Labour Costs YoY	3Q				1.0	11.00	21.00
EC	CPI MoM/YoY	Nov		-0.1/0.6		0.2/0.5	11.00	21.00
EC	CPI Core YoY	Nov F		0.8		0.8	11.00	21.00
UK	CBI Trends Total Orders/Selling Prices	Dec		-5/		-3.0/19.0	12.00	22.00
CA	Int'l Securities Transactions	Oct				11.8	14.30	0.30
US	Housing Starts/MoM	Nov		1230/-7		1323/25.5	14.30	0.30
US	Building Permits/MoM	Nov		1243/-1.4		1229/0.3	14.30	0.30
US	Fed's Lacker, Bank of America's Moynihan to Speak in Charlotte						18.30	4.30
Upcoming Central Bank Interest Rate Announcements								
US	Federal Reserve	15-Dec	0.5-0.75%	0.5-0.75%		0.25-0.50%		
UK	BOE	15-Dec		0.25%		0.25%		
Japan	BoJ	20-Dec		-0.1% to +0.1%		-0.1% to +0.1%		
Europe	ECB	19-Jan		0.00%		0.00%		
Canada	BoC	19-Jan				0.50%		
Australia	RBA	7-Feb	1.50%	1.50%		1.50%		
New Zealand	RBNZ	9-Feb	1.75%	1.75%		1.75%		

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

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