

## Pay 2 Play

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Pay 2 play is an entertaining documentary about a dad driven to make the world a better place for his baby girl. John Ennis delves into the cycle of pay-to-play that dominates American politics. But when insiders control the game, how can an outsider have any influence?...OK then, so where am I going with this? Well GBP has been one of the top G10 performers overnight following comments from David Davis (UK Brexit minister) that the UK may pay the EU for market access. Reactions to the comments saw the GBP jump almost two big figures from 1.2511 to 1.2696 and although about half of the move has been reversed in the past few hours, Sterling is still up 0.6% relative to yesterday's levels (currently at 1.2590).

The positive GBP reaction to David Davis comments is somewhat surprising given that we know Europe has no interest in letting the UK get off lightly. For one Davis did not mention how much the UK will need to pay in order to play while recent comments from French and German officials suggest the UK will need to pay a heavy price for voting to leave the EU. Short covering has probably also been a factor for the GBP rise overnight, but when looking at the fact we would still be inclined to fade the move.

Looking at other markets reaction overnight, oil prices have continued to rise following yesterday's OPEC production cut agreement with the move having a mixed impact across markets. The inflationary pressures from higher oil prices has seen an upsurge in bond yields across the board while equity markets are mostly weaker with the rise in energy stock countered by declines in Technology share amid concerns over Trump's trade policy.

Looking at currencies in more detail, the USD is weaker against most currency with the DXY index down 0.55%. In G10, oil linked currencies have outperformed with NOK up 0.98% and CAD -0.88%. As mentioned above GBP has also gained some ground and the Euro is also another outperformer (+0.41). Gains in the EUR came off the back of a Reuters' article that noted the ECB will extend its bond buying programme beyond March, but it will also consider sending a formal signal that the programme will eventually end.

This is a mixed message, an extension to the programme should be EU bond positive and EUR negative, but any signs of tapering should have the opposite effect. Reaction to the news suggest the market had already priced an extension to the programme with the suggestion of a potential tapering given a boost to the Euro and seen as catalyst for Bunds' underperformance to US Treasuries overnight.

Relative to Sydney's closing levels, 10y UST have climbed another 5bps to 2.45% while 10y Bunds ended the day 8bps higher at 0.634%.

As for data releases, the US ISM Manufacturing index rose to 53.2 marginally beating expectations of 52.5 and Europe's unemployment rate dropped to 9.8% beating expectations of 10% read.

## Coming Up

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We have a couple of tier one releases on the roster today starting with Australian retail sales figures followed by US employment data this evening. Then of course we have the Italian referendum and Austrian presidential election over the weekend.

This morning in Australia the ABS releases retail sales figures for October and the market is looking for a 0.3% rise down from the 0.6% print in the previous month. NAB expects moderate but still positive growth of 0.4%. Retail business conditions in recent months have shown signs of softening that we expect to be reflected in some trend slowing in the Statistician's measure of sales, 0.4% growth coming after 0.6% in September.

Yesterday's stronger than expected ADP measure of private payroll (216k gains) increases the probability of a solid non-farm payrolls print tonight. Bloomberg is currently showing consensus expectations at 180k, but the whisper number appears to be somewhere in the region of 210-220k. The falling trend in jobless claims in recent months is one supporting factor for a strong print while "a payback" from hurricane Matthew is another. The unemployment rate is seen unchanged at 4.9% and hourly earnings are expected to remain unchanged at 2.8% on a yearly basis, but down on a monthly basis to 0.2% from 0.45 previously.

The New York ISM is also due for release and we have a series of Fed speakers tonight and over the weekend. Starting with Fed Mester and Kaplan this evening, followed by Brainard and Tarullo early on Saturday, culminating with Dudley on Sunday.

Italy goes to the polls this Sunday 4th December in a referendum on the Constitution. Why should we care? A no vote is seen as a destabilising force for the Euro and the EU on the basis that it provides further impetus to the rising nationalistic and anti-immigration movement in Europe. In addition a "No" vote is also seen as a source of instability for the Italian economy with many concerned over the impact on bond yields and a banking system in desperate need for recapitalisation. Meanwhile the second round of the Austrian presidential election is also taking place on Sunday

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### Author:

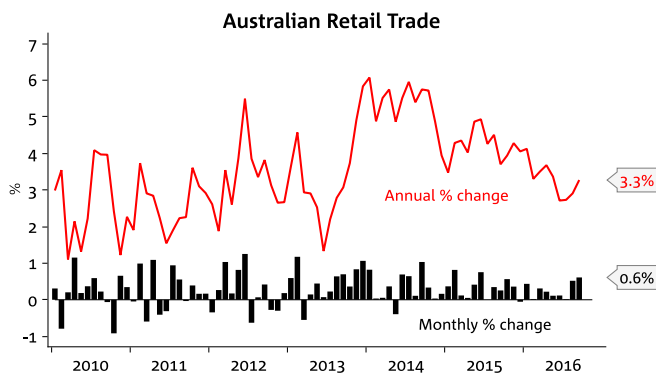
Rodrigo Catril – FX Strategist

and although it will surely be overshadowed by the Italian referendum, a win by the far-right Freedom Party led by Norbert Hofer will no doubt increase concerns about the survival of the European Union and the Euro. Moreover it will also likely set the tone on expectations for the general elections in Holland, France and Germany next year. We think political instability will play a significant role on the direction of the Euro over the coming months with the above mentioned elections coupled with Brexit negotiations seen as potential sources of heightened volatility. As for the AUD, given its risk sensitivity, a big risk off move triggered by a Euro sell off would most likely put the currency under pressure.

## Overnight

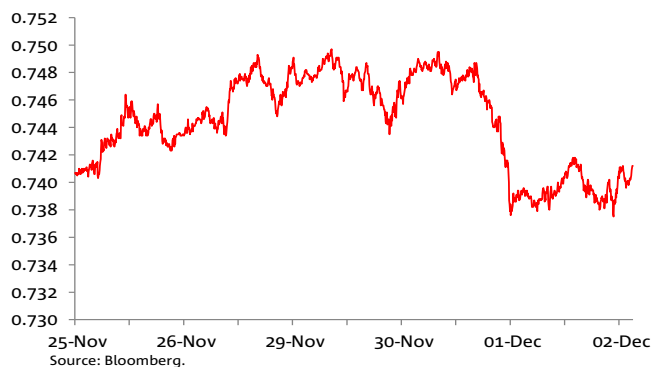
On global stock markets, the S&P 500 was -0.48%. Bond markets saw US 10-years +6.18bp to 2.44%. In commodities, Brent crude oil +3.55% to \$53.68, gold-0.3% to \$1,167, iron ore +8.7% to \$78.36. AUD is at 0.7415 and the range since yesterday 5pm Sydney time is 0.738 to 0.7418.

## Chart of the Day – AU retail sales slow down ahead?

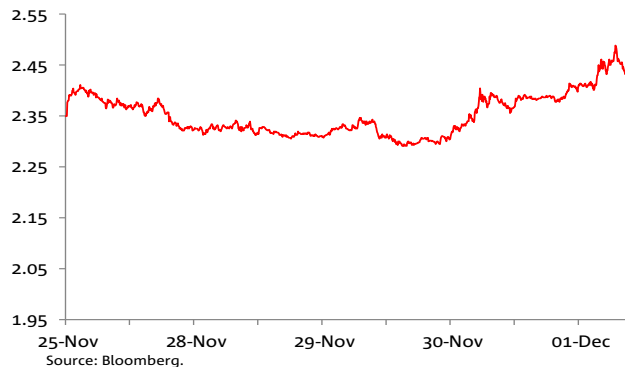


## Markets

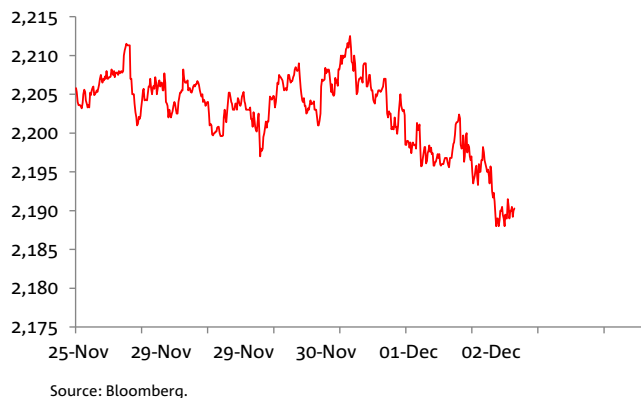
### AUD/USD - past week



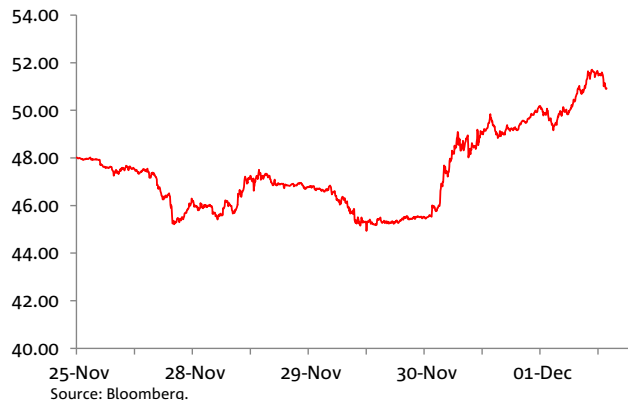
### US 10 yr - past week



### S&P Futures - past week



### WTI - past week



### Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7415	0.4	0.7371	0.7420	HKD	7.7562 0.0
NZD	0.7080	0.0	0.7044	0.7105	CNY	6.8856 -0.1
EUR	1.0650	0.6	1.0585	1.0660	SGD	1.4262 -0.5
GBP	1.2578	0.6	1.2505	1.2696	IDR	13,565 0.1
JPY	114.03	-0.4	113.84	114.83	THB	35.69 -0.1
CAD	1.3326	-0.8	1.3301	1.3438	KRW	1,168 -0.1
AUD/EUR	0.6962	-0.2	0.6945	0.6990	TWD	31.90 0.1
AUD/JPY	84.55	0.0	84.36	84.86	PHP	49.70 0.0
AUD/GBP	0.5895	-0.2	0.5829	0.5922	CHF	1.01 -0.6
AUD/NZD	1.0473	0.5	1.0418	1.0491	SEK	9.23 0.0
AUD/CNH	5.0897	-0.3	5.0789	5.1811		

### Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.93	1.35	2.28	USD 10	2.44	6.18
AUD	1.50	1.77	1.95	2.99	AUD 10	2.78	6.00 0.34
NZD	1.75	2.04	2.30	3.41	NZD 10	3.20	7.40 0.76
EUR	0.00	-0.31	-0.14	0.76	CAD 10	1.67	8.00 -0.78
GBP	0.25	0.38	0.67	1.44	EUR 10	0.37	9.40 -2.07
JPY	-0.04	-0.07	0.03	0.21	GBP 10	1.50	7.90 -0.95
CAD	0.50	0.90	1.06	1.89	JPY 10	0.03	0.60 -2.41

### Equities

Major Indices	Last	% day	% y/y
	Dow	19,174	0.26
S&P 500	2,188	-0.48	4.1
Nasdaq	5,242	-1.54	1.7
VIX	14	8.18	-1.7
FTSE	6,753	-0.5	5.6
DAX	10,534	-1.0	-6.5
CAC 40	4,561	-0.4	-7.2
Nikkei	18,513	1.1	-7.1
Shanghai	3,273	0.7	-7.5
Hang Seng	22,878	0.4	1.8
ASX 200	5,500	1.1	4.6

### Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.21	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.16	-18.00
3/10 sprd	0.64	21.00
SPI	5488.0	-46.0

\*Change in bps

### Commodities\*

	Last	% day
Oil (Brent)	53.68	3.5
Oil (WTI)	50.85	2.9
Oil (Tapis)	52.79	5.3
Gold	1166.90	-0.3
CRB	191.41	1.1
GS Metals	317.8	0.0
Aluminium	1722.5	-0.6
Copper	5783.0	-0.5
Nickel	11169.5	-0.4
Zinc	2715.8	0.9
Ch. steel	3182.0	4.7
Iron ore	78.4	8.7
St. Coal	87.7	0.3
Met.coal	287.5	-0.9
Wheat Chic.	395.5	-1.8
Sugar	19.4	-2.3
Cotton	71.8	-0.9
Coffee	144.9	-3.8

### CO<sub>2</sub> Emissions - Euros

	Last	% day
Dec-2016	4.46	-3.0
Jun-2017	4.47	-3.0

\* 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
<b>Wednesday, 30 November 2016</b>								
NZ	RBNZ Financial Stability Report					21.00	7.00	
NZ	Building Permits MoM	Oct				22.45	8.45	
JN	Industrial Production MoM/YoY	Oct P		0/-1.3		0.6/1.5	0.50	10.50
AU	HIA New Home Sales MoM	Oct				2.7	1.00	11.00
NZ	ANZ Activity Outlook/Business Confidence	Nov		/		38.4/24.5	1.00	11.00
NZ	RBNZ Governor Wheeler Testifies to Parliament's FEC on latest FSR						1.10	11.10
UK	GfK Consumer Confidence	Nov		-4		-3.0	1.10	11.10
UK	Lloyds Business Barometer	Nov				37.0	1.10	11.10
AU	Building Approvals MoM/YoY	Oct	1/-7.1	2/-6.2		-8.7/-6.4	1.30	11.30
AU	Private Sector Credit MoM/YoY	Oct	0.4/5.1	0.4/5.2		0.4/5.4	1.30	11.30
CH	Westpac-MNI Consumer Sentiment	Nov				117.1	2.45	12.45
NZ	Credit aggregates, Household YoY	Oct				8.8	3.00	13.00
JN	Small Business Confidence	Nov				48.3	6.00	16.00
UK	BoE Financial Stability Report						8.00	18.00
GE	Unemployment Claims Rate/Change ('000)	Nov		6		6.0/-13.0	9.55	19.55
EC	CPI Estimate/Core YoY	Nov		0.6/0.8			11.00	21.00
<b>Vienna OPEC meeting to discuss production cuts</b>								
EC	ECB's Draghi speaks in Madrid						13.30	23.30
US	Fed President Kaplan speaks in New York						14.00	0.00
US	ADP Employment Change	Nov		169		147.0	14.15	0.15
US	Personal Income/Spending	Oct		0.4/0.5		0.3/0.5	14.30	0.30
US	PCE Deflator MoM/YoY	Oct		0.3/1.5		0.2/1.2	14.30	0.30
US	PCE Core MoM/YoY	Oct		0.1/1.7		0.1/1.7	14.30	0.30
CA	GDP MoM/YoY	Sep		0.1/1.8		0.2/1.3	14.30	0.30
CA	Quarterly GDP Annualized	3Q		3.4		-1.6	14.30	0.30
CA	Industrial Product/Raw Material Prices MoM	Oct		0.64		0.4/-0.1	14.30	0.30
US	Chicago Purchasing Manager	Nov		52.5		50.6	15.45	1.45
US	Pending Home Sales MoM/YoY	Oct		0/		1.5/2.0	16.00	2.00
US	Fed Governor Powell speaks in Washington						17.45	3.45
US	Fed President Mester speaks on Economic Outlook and Monetary Policy						18.40	4.40
US	U.S. Federal Reserve Releases Beige Book						20.00	6.00
<b>Thursday, 1 December 2016</b>								
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			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 President Mester 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
<b>Friday, 2 December 2016</b>								
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
<b>Saturday, 3 December 2016</b>								
<b>Sunday, 4 December 2016</b>								
IT/EC	Italy votes on Constitutional Referendum (Dec 4-5)							
Austria	Austria holds nullified Presidential Election (Dec 4-5)							
<b>Monday, 5 December 2016</b>								
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
<b>Tuesday, 6 December 2016</b>								
NZ	ANZ Truckometer Heavy MoM	Nov				-0.2	22.00	8.00
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Nov 27				115.5	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
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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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