

Born this Way

Back in March 2011 Lady Gaga's hit "Born this way" was leading the music chart in Australia and Pink was number one on the Billboard chart. I could give you Pink's number one hit, but since I still want to have a job tomorrow you are going to have to google that one to satisfy your curiosity. March 2011 was also the last time Australia printed a negative quarterly GDP, but that could change today if we and the market are correct on the expectations for a negative Q3-16 GDP print (see more below).

It has been a quiet but good night for risk assets with equity indices up on either side of the Atlantic. The move higher has been led by European stocks with the Euro Stoxx 50 closing 1.57% higher while US equities look set to end the day in positive territory with financial and telcos the outperformers. Benchmark yields are little changed after a volatile start to the week, the USD is stronger across the board and oil prices have leaked lower for the first time since last week's output cut announcement by OPEC.

In G10 currencies the Euro has been the underperformer over the past 24hrs. After reaching a high of 1.0785 in the early part of the overnight session, the currency pair dropped to a low of 1.0698 and over the past few hours it has settled just above the 1.07 mark. The move lower in the Euro as well as the move higher in EU equity markets suggests investors may be positioning for an extension of the ECB QE programme at the current pace of €80bn p/m. That said, light trading volumes also appear to be at play while comments by Angela Merkel that the region could not afford a "second Euro crisis" and that Euro members must abide by stability pact rules seemingly also weighted down on the currency. Incidentally and as expected, Merkel was re-elected by her CDU party as leader to stand for election a fourth time.

Yesterday's softer than expected AU GDP partials prompted the market to move towards NAB's expectations of a negative Q3 GDP print (market -0.1%, -0.2% NAB. See coming up section for more details). This reassessment by the market appears to have been the main cause for the AUD's underperformance over the past 24 hours. The currency continued its decline in the early part of the overnight session reaching a low of 0.7431, it then recovered a bit of ground and over the past few hours it has settled around 0.7460. Yesterday the RBA left cash rate unchanged, the statement was neutral and it suggested the Bank will look through a soft Q3 GDP outcome given its expected transitory nature.

After yesterday's mini flash crash, the NZD recovered all the lost ground, but it has given almost everything back in the overnight session. The latest GDT auction, early this morning, provided no significant surprise. Average prices rose 3.5% from the previous event and our BNZ colleagues note that fundamentals suggest the risks are tilted toward near term price gains, but potential for some consolidation during 2017. The NZD/USD currently trades at 0.7107.

On other news, although Italian political fears have subsided, the potential of an early election is still a concern and ahead of china's FX reserves data release today, the FT is running a story noting how EU companies are struggling to make dividend payments abroad given China's new exchange controls.

Coming Up

Yesterday's softer than expected Q3 GDP partials (government spending -0.7%q/q and net exports -0.2%) have increased the likelihood of a negative Q3 GDP print today. Reaction to the data saw the market revised down its expectations for Q3 GDP from 0.2% to -0.1% q/q. Our economists still expect GDP to print a bit weaker at -0.2% q/q with risks now more balanced around this forecast given ABARE's latest crop report suggesting the farm sector could now add around 0.15 % points to GDP.

Our GDP expectation of -0.2% q/q is significantly weaker than the RBA's implied quarterly forecast of +0.5% q/q contained in the November Statement on Monetary Policy. If we are right, this would result in the fourth individual negative quarterly print in the past 25 years and it could instigate the RBA to revise their growth outlook in the New Year. Incidentally, as our chart of the day illustrates, in the previous three occasions the quarterly GDP number printed in negative territory, a year later the cash rate was lower in all three occasions. Of course this time could be different as the previous three negative prints were marked by distinct events (dot com crash/GST, GFC and Qlds floods), that said NAB remains concerned that weakness in housing will see the improvement in the economy stall and force the RBA to cut in 2017.

Looking at other events on the roster, this morning RBNZ Governor Wheeler speaks to Parliament Select Committee to discuss the Bank's Annual Report. Later in Europe, the UK and Germany release their industrial production figures for October with both expected to show output data started the 4th quarter in expansionary mode.

China's foreign reserves (Nov) are also due out and if last month's release is any guide, the numbers should be hitting

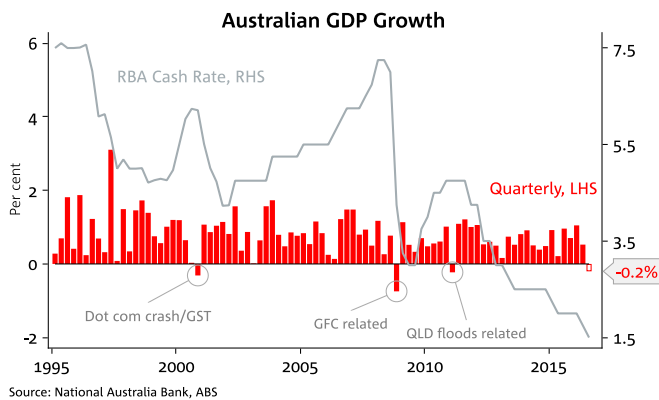
the screens just after 8pm Sydney time. In October China's FX reserves fell by more than \$45bn, the largest outflow since January and for November the market is looking for an even bigger drop of \$57bn which would take FX reserves down to \$3063bn, a level not seen since early 2011.

Lastly the US gets JOLTS job openings along with consumer credit (both for October) and the Bank of Canada gives its last policy rate announcement for this year. The Bank is broadly expected to leave the cash unchanged at 0.5% although expectations are for an easing bias to remain in place.

Overnight

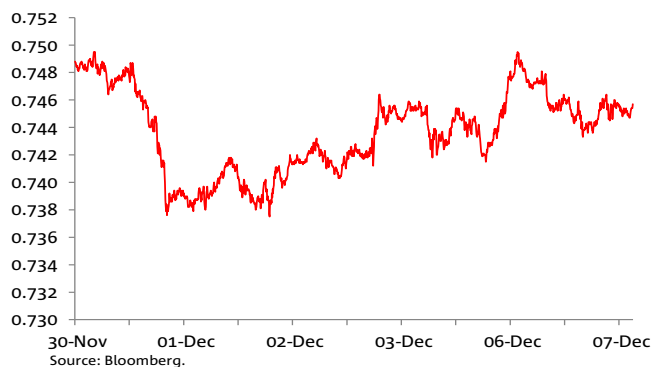
On global stock markets, the S&P 500 was +0.17%. Bond markets saw US 10-years -0.54bp to 2.39%. In commodities, Brent crude oil -2.24% to \$53.71, gold -0.6% to \$1,167, iron ore +1.4% to \$79.73, St. Coal -3.2% to \$84.00, Met. Coal +0.0% to \$285.00. AUD is at 0.7456 and the range since yesterday 5pm Sydney time is 0.7433 to 0.7464.

Chart of the Day – Is this time different?

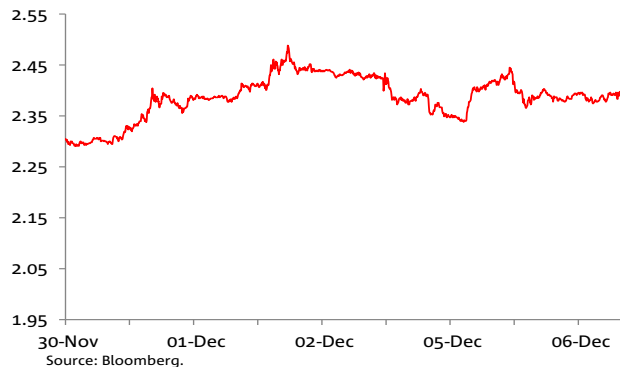


Markets

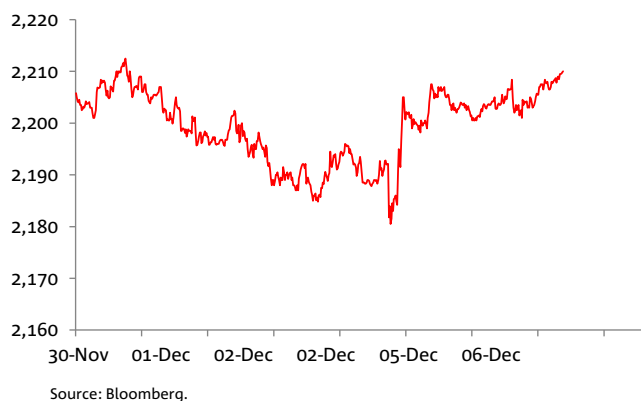
AUD/USD - past week



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	-0.2	0.7431	0.7483	HKD	7.7557 0.0
NZD	0.7107	-0.5	0.7095	0.7161	CNY	6.8818 0.0
EUR	1.0719	-0.4	1.0698	1.0785	SGD	1.4206 0.1
GBP	1.2669	-0.5	1.2657	1.2775	IDR	13,370 -0.5
JPY	114.05	0.2	113.50	114.19	THB	35.61 -0.1
CAD	1.3294	0.2	1.3252	1.3311	KRW	1,171 -0.3
AUD/EUR	0.6956	0.2	0.6895	0.6964	TWD	31.94 -0.3
AUD/JPY	85.03	0.0	84.57	85.18	PHP	49.65 0.0
AUD/GBP	0.5885	0.3	0.5823	0.5888	CHF	1.01 0.4
AUD/NZD	1.0490	0.2	1.0417	1.0492	SEK	9.12 0.0
AUD/CNH	5.1349	0.2	5.1107	5.1451		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.95	1.35	2.24	USD 10	2.39	-0.54
AUD	1.50	1.77	1.90	2.94	AUD 10	2.82	2.90 0.43
NZD	1.75	2.05	2.27	3.37	NZD 10	3.23	2.50 0.85
EUR	0.00	-0.32	-0.14	0.77	CAD 10	1.63	0.60 -0.75
GBP	0.25	0.38	0.65	1.36	EUR 10	0.37	4.00 -2.02
JPY	-0.05	-0.06	0.03	0.22	GBP 10	1.42	1.50 -0.97
CAD	0.50	0.90	1.05	1.87	JPY 10	0.05	0.90 -2.34

Equities

Major Indices	Last	% day	% y/y
	Dow	19,223	0.03
S&P 500	2,209	0.17	5.6
Nasdaq	5,324	0.28	3.5
VIX	12	-1.65	-19.4
FTSE	6,780	0.5	8.7
DAX	10,775	0.8	0.2
CAC 40	4,632	1.3	-1.8
Nikkei	18,361	0.5	-6.8
Shanghai	3,200	-0.2	-9.5
Hang Seng	22,675	0.8	2.1
ASX 200	5,429	0.5	5.3

Commodities*

	Last	% day
Oil (Brent)	53.71	-2.2
Oil (WTI)	50.75	-2.0
Oil (Tapis)	55.84	0.0
Gold	1167.30	-0.6
CRB	192.53	-0.5
GS Metals	321.9	0.0
Aluminium	1712.5	-1.4
Copper	5876.3	-1.2
Nickel	11568.0	-0.3
Zinc	2785.0	1.2
Ch. steel	3313.0	5.3
Iron ore	79.7	1.4
St. Coal	84.0	-3.2
Met.coal	285.0	0.0
Wheat Chic.	406.8	-0.4
Sugar	19.5	3.0
Cotton	72.4	0.1
Coffee	142.0	-1.7

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.21	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.24	1.50
3/10 sprd	0.56	1.50
SPI	5456.0	-59.0

*Change in bps

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.51	3.9
Jun-2017	4.52	3.9

* 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
Wednesday, 7 December 2016								
NZ	ANZ Job Advertisements MoM	Nov				0.60%	22.00	8.00
NZ	RBNZ's Wheeler at Select Committee for Annual Report						23.00	9.00
AU	AiG Perf of Construction Index	Nov				45.9	23.30	9.30
UK	BRC Shop Price Index YoY	#N/A	Field Not Applicable			-1.7	#VALUE!	#VALUE!
AU	GDP QoQ/YoY	3Q	-0.2%/2.1	-0.1/2.2		0.5/3.3	1.30	11.30
JN	Leading Index CI	Oct P		101.4		100.3	6.00	16.00
GE	Industrial Production SA MoM/YoY	Oct		0.8/1.6		-1.8/1.2	8.00	18.00
UK	Halifax House Prices MoM/YoY	Nov		0.2		1.4/5.2	9.30	19.30
UK	Industrial Production MoM/YoY	Oct		0.2/0.5		-0.4/0.3	10.30	20.30
US	MBA Mortgage Applications	Dec 2				-9.4	13.00	23.00
CH	Foreign Reserves	Nov		3063.18		3120.7		
CA	Bank of Canada Rate Decision	Dec 7		0.5		0.5	16.00	2.00
UK	NIESR GDP Estimate	Nov		0.4		0.4	16.00	2.00
US	JOLTS Job Openings	Oct		5500		5486.0	16.00	2.00
US	Consumer Credit	Oct		18.3		19.3	21.00	7.00
Thursday, 8 December 2016								
NZ	RBNZ Governor Wheeler speaks: Some thoughts on New Zealand's Economic Expansion						22.00	8.00
JN	BoP Current Account Adjusted	Oct		1716.5		1477.3	0.50	10.50
JN	GDP SA QoQ/Annualised QoQ	3Q F		0.5/2.3		0.5/2.2	0.50	10.50
UK	RICS House Price Balance	Nov		26		23.0	1.10	11.10
AU	Trade Balance	Oct	-850	-610		-1227.0	1.30	11.30
EC	ECB Main Refinancing/Deposit Facility Rate	Dec 8		0/-0.4		0.0/-0.4	13.45	23.45
EC	ECB Asset Purchase Target	Dec		80		80.0	13.45	23.45
CH	Trade Balance	Nov		46.9		49.1		
CH	Exports/Imports YoY	Nov		-5/-1.8		-7.3/-1.4		
JN	Eco Watchers Survey Current/Outlook	Nov				46.2	6.00	16.00
CH	Foreign Direct Investment YoY CNY	Nov		2		1.2		
CA	Housing Starts	Nov		192		192.9	14.15	0.15
CA	Capacity Utilization Rate	3Q		81.5		80.0	14.30	0.30
CA	New Housing Price Index MoM/YoY	Oct				0.2/2.8	14.30	0.30
CA	Building Permits MoM	Oct		2		-7.0	14.30	0.30
US	Initial Jobless Claims	Dec 3		255		268.0	14.30	0.30
US	Bloomberg Consumer Comfort	Dec 4				44.9	15.45	1.45
Friday, 9 December 2016								
US	Household Change in Net Worth	3Q				1075.0	18.00	4.00
NZ	Card Spending Retail/Total MoM	Nov		0.4		0.6/0.6	22.45	8.45
NZ	REINZ House Sales YoY	Nov				-14.2		
JN	BSI Large All Industry/Manufacturing QoQ	4Q				1.9/2.9	0.50	10.50
AU	Home Loans/Investment MoM	Oct		-1		1.6/4.6	1.30	11.30
CH	CPI/PPI YoY	Nov		2.2/2.3		2.1/1.2	2.30	12.30
JN	Machine Tool Orders YoY	Nov P				-8.9	7.00	17.00
GE	Current Account Balance	Oct		22		24.2	8.00	18.00
GE	Exports SA MoM	Oct		0.9		-0.7	8.00	18.00
EU	ECB's Smets Speaks at Banking Conference in Brussels						9.00	19.00
UK	Trade Balance	Oct		-4300		-5221.0	10.30	20.30
UK	Construction Output SA MoM/YoY	Oct		0.2		0.3/0.2	10.30	20.30
UK	BoE/TNS Inflation Next 12 Mths	Nov				2.2	10.30	20.30
US	Wholesale Inventories/Sales MoM	Oct F		-0.4		-0.4/0.2	16.00	2.00
US	U. of Mich. Sentiment/5-10y Inflationary expectations	Dec P		94.5		93.8/2.6	16.00	2.00
CH	New Yuan Loans/Aggregate Financing CNY	Nov		710.65/1100		651.3/896.3	10-15 Dec release	
Monday, 12 December 2016								
CH	Foreign Direct Investment YoY CNY	Nov		2		1.2		
NZ	REINZ House Sales YoY	Nov				-14.2		
JN	Machine Orders MoM/YoY	Oct		/		-3.3/4.3	0.50	10.50
JN	PPI MoM/YoY	Nov		/		-0.1/-2.7	0.50	10.50
JN	Tertiary Industry Index MoM	Oct				-0.1	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 4				115.4	23.30	9.30
AU	NAB Business Conditions/Confidence	Nov				6.0	1.30	11.30
AU	House Price Index QoQ/YoY	3Q		/		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		/		0.0/0.7	8.00	18.00
UK	CPI MoM/YoY	Nov		/		0.1/0.9	10.30	20.30
UK	CPI Core YoY	Nov				1.2	10.30	20.30
UK	PPI Input NSA MoM/YoY	Nov		/		4.6/12.2	10.30	20.30
UK	PPI Output Core NSA MoM/YoY	Nov		/		0.4/1.9	10.30	20.30
UK	House Price Index YoY	Oct				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		/		58.8/13.8	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/		0.5/-0.2	14.30	0.30
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		6-Dec	1.50%	1.50%		1.50%		
Canada, BoC		7-Dec		0.50%		0.50%		
Europe ECB		8-Dec		0.00%		0.00%		
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%		
New Zealand, RBNZ		9-Feb	1.75%	1.75%		1.75%		

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

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