

I love the way you lie [GDP]?

Lies: lies, damned lies, and statistics so said Mark Twain and that other great modern-day philosopher Eminem (in collaboration with Rihanna) “[I love the way you lie](#)”. That’s certainly how markets have interpreted Australia’s GDP figures yesterday. Despite GDP growth coming in at -0.5% q/q (well below expectations of -0.1%) and being the lowest quarterly figure since the 2008 financial crisis, market reaction was muted. Declines in the Aussie reversed and actually ended the day up 0.2% while the OIS market has only marginally extended pricing of RBA rate cuts by July/August next year to 30% (from 20% just prior to the release). While the headline decline was affected by one-offs such as weather affected construction, NAB does see some broad-based weakness which will prompt the RBA to reassess their forecasts for growth and inflation in 2017.

Internationally, there was broad-based optimism in anticipation of the ECB extending its asset purchase program tonight (more on that later). European equities surged, with the EuroStoxx up 1.3% and the FTSE up 1.8%. US equities performed similarly and reached a new record high of 2233, up 1.1% in a broad based rally. The exception to that being Health Care stocks which actually fell 0.9% following comments by US President-elect Trump that he is “going to bring down drug prices...I don’t like what’s happened with drug prices”. Co-incidentally, Time magazine named him its Man of the Year.

In the FX space, there was slight US dollar weakness down 0.25% across the board. The British Pound was the clear underperformer, down 0.5% following a very weak UK industrial production number. Industrial Production declined by 1.3% m/m, the weakest read in four years. Although a lot of the decline was due to a temporary shutdown of the Buzzard Oil Field in the North Sea, the read does serve as a reminder of likely weakness ahead once the formal Brexit mechanisms are activated – still likely to be in March 2017 according to Prime Minister May. In other political news, Italian PM Renzi has said he will step down on Wednesday and the Italian Senate approved the 2017 Budget.

For Australia, while a weak GDP figure might have been expected to have a long-lasting effect on the Aussie, this was not to be the case. The Aussie clawed back its losses following the release (initially down 0.6%) to end the day up 0.2%. Other currency moves broadly followed the movements in the US dollar with the Euro up 0.3% and the Kiwi a little better at +0.5%.

In a possible redux to the start of the year, China’s foreign reserves showed their largest monthly decline since January

– down \$69.1bn. Some of that relates to USD movements but the takeaway is that Chinese authorities have been selling down reserves in order to maintain a stabilising force on the Yuan from large capital outflows; note reserves currently stand at \$3.1 trillion. NAB’s view is that recent capital control measures should be enough to avoid the panic of January when capital outflows surged and the CNY came under pressure. This will be crucial to monitor for the Aussie in the months ahead – if you recall the AUD/USD went sub \$0.70 in the event.

As for rates, there was little data to react to. US Treasury yields fell 4 bps in a quiet session to 2.35%. Australia CGS fell 2.5 bps to 2.80%, with similar moves in Bunds which were down 2.6 bps to 0.35%. UK Gilts rallied a bit more, down 5.9 bps, likely helped by that weak industrial production read, and are at 1.36%.

In commodities, oil declined 2.2% to \$49.81 a barrel (WTI measure). The oil market appears to be getting a reality check following the optimism of the OPEC production ceiling. Although OPEC hopes to get oil into a \$55-60 a barrel range, non-OPEC producers are not part of the deal and OPEC has invited 14 non-OPEC countries to meet on 10 December. The most significant swing producer, US Shale Oil producers are not at the meeting, and given they have a breakeven production cost of \$40-50 a barrel, the oil price is likely to remain in the \$40-50 a range for some time.

Finally in central bank news. The Canada left rates on hold as expected. The Statement was neutral, but reinforced they are unlikely to follow the US in lifting rates any time soon. As we go to print the RBNZ Governor hit the wires in what our NZ colleagues characterise as a fairly upbeat speech and reinforcing the view that rates are on hold until mid-2018.

Coming Up

The big event coming up is the ECB meeting. Market focus will be on whether the current asset purchase program is extended beyond March and assuming an extension of the timeline any potential tapering of asset purchases in 2017. NAB’s view is an extension is guaranteed with the question on whether the extension is done at the same rate or a tapering of purchases occurs. There a number of issues here involved, including the scarcity of bonds which will need to be addressed.

Beyond the ECB meeting most focus will be on the trade figures being released by Japan, Australia and China. The pick will be the Australian and Chinese numbers, the former for how much impact the recent rise in commodity prices

has, and the later for how momentum is going in the Chinese economy.

For the Australia's trade figures, the market is expecting a deficit of \$0.6bn (also where NAB is), well down from the \$1.2bn deficit in October. For your scribe, the recent lift in commodity prices, in particular coal, presents upside risks with the prospect of Australia's first trade surplus since March 2014 a very real possibility.

Other important data release today is the Eco Watchers survey in Japan.

Overnight

On global stock markets, the S&P 500 was +0.95%. Bond markets saw US 10-years -4.14bp to 2.35%. In commodities, Brent crude oil -1.72% to \$53, gold+0.6% to \$1,175, iron ore +3.2% to \$82.25, St. Coal -1.2% to \$83.00, Met. Coal +0.0% to \$285.00. AUD is at 0.7478 and the range since yesterday 5pm Sydney time is 0.742 to 0.7483.

Markets

AUD/USD - past week



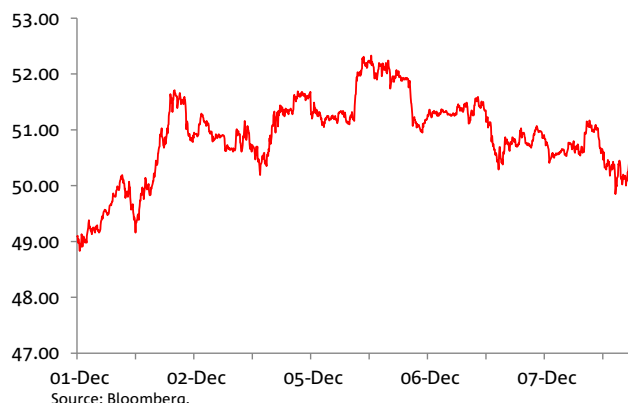
US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7476	0.2	0.7417	0.7483	HKD	7.7560 0.0
NZD	0.7148	0.4	0.7103	0.7167	CNY	6.8767 -0.1
EUR	1.0760	0.4	1.0710	1.0768	SGD	1.4187 -0.1
GBP	1.2623	-0.4	1.2570	1.2683	IDR	13,333 -0.3
JPY	113.86	-0.1	113.42	114.40	THB	35.61 0.0
CAD	1.3241	-0.3	1.3233	1.3297	KRW	1,168 -0.3
AUD/EUR	0.6949	-0.2	0.6921	0.6973	TWD	31.89 -0.1
AUD/JPY	85.12	0.1	84.67	85.32	PHP	49.67 0.1
AUD/GBP	0.5923	0.6	0.5859	0.5940	CHF	1.01 -0.3
AUD/NZD	1.0457	-0.2	1.0420	1.0497	SEK	9.08 -0.5
AUD/CNH	5.1395	0.1	5.1100	5.1396		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.95	1.33	2.20	USD 10	2.35	-4.32
AUD	1.50	1.77	1.84	2.88	AUD 10	2.80	-2.50 0.45
NZD	1.75	2.05	2.26	3.34	NZD 10	3.19	-5.10 0.85
EUR	0.00	-0.32	-0.15	0.74	CAD 10	1.61	-2.80 -0.74
GBP	0.25	0.38	0.64	1.31	EUR 10	0.35	-2.60 -2.00
JPY	-0.05	-0.06	0.03	0.21	GBP 10	1.36	-5.90 -0.99
CAD	0.50	0.90	1.04	1.84	JPY 10	0.03	-1.80 -2.31

Equities

Major Indices

	Last	% day	% y/y
Dow	19,518	1.38	10.1
S&P 500	2,233	0.95	7.5
Nasdaq	5,387	1.01	5.6
VIX	12	-1.10	-26.3
FTSE	6,902	1.8	10.9
DAX	10,987	2.0	0.9
CAC 40	4,695	1.4	-1.3
Nikkei	18,497	0.7	-5.1
Shanghai	3,222	0.7	-7.1
Hang Seng	22,801	0.6	4.1
ASX 200	5,478	0.9	7.2

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.23	2.00
3 Yr bond	97.8	3.00
10 Yr bond	97.30	10.00
3/10 sprd	0.50	-7.00
SPI	5524.0	-96.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	53.00	-1.7
Oil (WTI)	49.78	-2.3
Oil (Tapis)	54.53	-1.5
Gold	1175.00	0.6
CRB	190.85	-0.9
GS Metals	319.5	0.0
Aluminium	1712.3	0.0
Copper	5778.8	-1.7
Nickel	11366.5	-1.7
Zinc	2724.3	-2.2
Ch. steel	3355.0	4.3
Iron ore	82.3	3.2
St. Coal	83.0	-1.2
Met.coal	285.0	0.0
Wheat Chic.	401.0	-1.4
Sugar	19.6	0.6
Cotton	72.1	-0.4
Coffee	141.7	-0.2

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.29	-4.9
Jun-2017	4.30	-4.9

* 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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