

Close but no cigar

On my way home last night I was trying to think if there was any song that I could use to talk about the DJ finally breaking through the 20k mark. Jules Verne's "Twenty thousand leagues under the seas" was also an option, but in the end there was no need as the DJ opened higher reaching 19986.56 in the first hour of trading, only to drift a bit lower soon after to then trade sideways for the rest of the night. So close, but no cigar! (Incidentally the phrase apparently comes from the practice of giving cigars as prizes in US fairground stores in the 19th century).

So it is certainly feeling a lot like Christmas with equity volatility continuing to fall (the VIX made a new ytd low last night, touching 10.93 and now is back above 11), however while equity markets and most currencies are little changed, there are still a couple themes worth highlighting.

Last night the private sector deal to rescue Italy's Monte dei Paschi di Siena failed to materialise and after Europe's close Italy's Parliament approved a €20bn bank support package. This in theory is good news, but under the new EU rules a government rescue means that equity and junior bond holders are now likely to suffer losses. Politically, allowing losses for retail investors is not desirable and while the government is expected to find ways to compensate them, uncertainty remains on whether under these circumstances a government aid is permitted by European laws. Another uncertainty is whether the €20bn rescue package will be enough with many analysts suggesting a minimum of €40bn is needed. No doubt investors will be watching how Italian bank shares open tomorrow.

The other interesting overnight theme was the split decision by Sweden's Central Bank to extend its QE programme. As expected the Riksbank left its policy rate unchanged and it extended its QE programme by another six months, however this outcome was only possible thanks to the intervention of Governor Ingves casting vote. News of the split decision saw the SEK gained 1.5% against the USD with the market treating the news as a signal of another Bank approaching the end of its QE programme. The jump in the SEK also helped other EU currencies perform with the NOK and EUR 0.37% stronger against the USD.

Moves in other currencies were fairly muted but generally softer against the USD. Just after midnight the AUD climbed to 0.7280, however the move swiftly run out of steam and now the currency trades at 0.7246, 10 pips lower than yesterday's Sydney's close. NZD spent a few second below the 69 mark and now trades at 0.6907 while the CAD is the

biggest G10 loser, down 0.36% following the softer trading tone in oil over the past few hours.

Coming Up

New Zealand's Q3 GDP is the main event in the Asian session today followed by key US data releases tonight, starting with PCE and durable goods orders for November along with the third Q3 GDP reading, the Chicago Fed activity index and weekly jobless claims.

Our BNZ colleagues are looking for a quarterly expansion of 0.9%, taking the annual growth to 3.7%. This is in line with market expectations, and those of the RBNZ (November MPS). That said, our BNZ colleagues also note that the balance of risk is tilted to the upside with the potential for Q3 GDP to reach 1% or even more driven by a bigger than expected contribution from manufacturing.

Also this morning the UK releases its GfK Consumer Confidence reading for December and later today the ECB publishes its economic bulletin.

As for the US data, some analysts have suggested that the warmer weather in November means that spending in the month was a bit softer than usual as less money was spent on utilities. The market is looking for an unchanged 0.1% print on real spending, income growth is also expected to remain unchanged at 0.3% and the core PCE deflator is seen climbing 0.1% on the month, keeping the year on year rate at 1.7%. If the latter is correct, then the Fed should remain fairly relaxed on the still subdued upward pressure on prices.

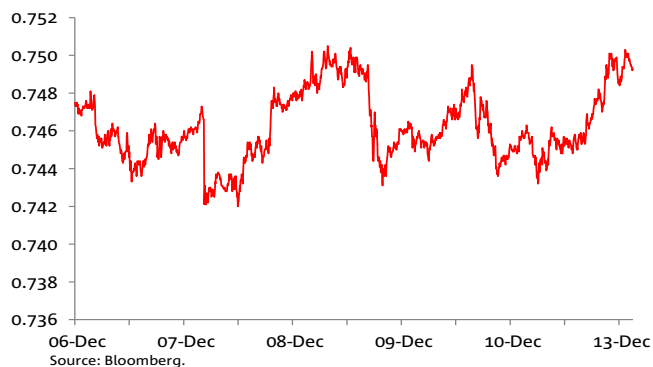
A big pull back in US durable goods orders is expected in November given the large jump seen in October which was boosted by a big Boeing Aircraft order (-4.8% exp. vs 4.6% prev). Consensus expectations are for the third Q3 GDP print to show an uptick to 3.3% from 3.2% boosted by stronger retail sales. That said, the Q3 acceleration in GDP growth is not expected to be sustained with consensus suggesting growth should ease to 2.2% while the Atlanta Fed GDP Now's latest forecast is 2.6% (16 Dec).

Overnight

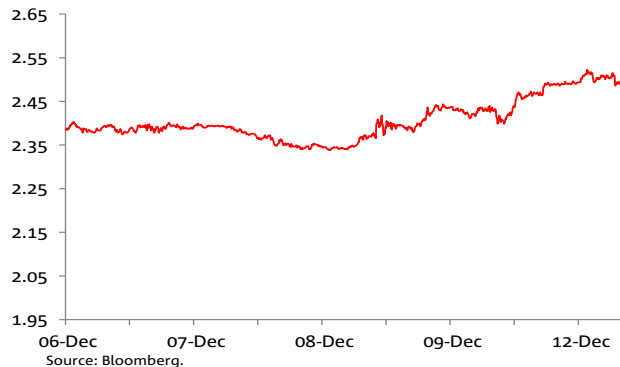
On global stock markets, the S&P 500 was -0.13%. Bond markets saw US 10-years -2.20bp to 2.54%. In commodities, Brent crude oil -1.50% to \$54.52, gold -0.0% to \$1,131, iron ore -0.5% to \$79.19, St. Coal -0.1% to \$86.90, Met. Coal +0.0% to \$270.00. AUD is at 0.7249 and the range since yesterday 5pm Sydney time is 0.7241 to 0.7269.

Markets

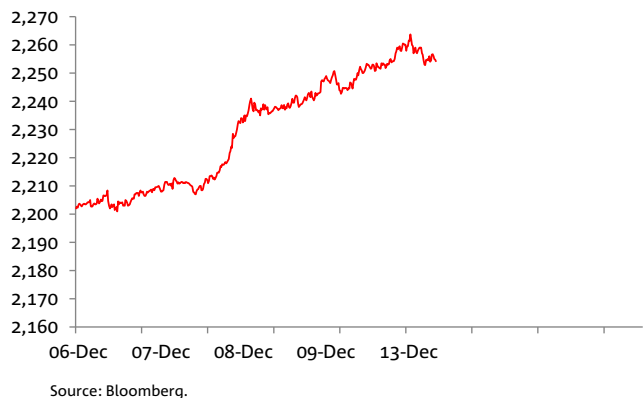
AUD/USD - past week



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	0.7491	0.6	0.7431	0.7504	HKD	7.7579 0.0
NZD	0.7186	0.7	0.7116	0.7208	CNY	6.9069 0.0
EUR	1.0634	0.7	1.0520	1.0652	SGD	1.4248 -0.4
GBP	1.2676	0.8	1.2546	1.2700	IDR	13,331 0.1
JPY	115.01	-0.3	114.85	116.12	THB	35.59 -0.2
CAD	1.3143	-0.3	1.3109	1.3181	KRW	1,168 0.2
AUD/EUR	0.7044	-0.1	0.7039	0.7083	TWD	31.86 0.1
AUD/JPY	86.16	0.3	85.74	86.62	PHP	49.88 0.2
AUD/GBP	0.5910	-0.2	0.5901	0.5947	CHF	1.01 -0.3
AUD/NZD	1.0424	-0.1	1.0406	1.0463	SEK	9.17 -0.2
AUD/CNH	5.1747	0.4	5.1487	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	0.74
AUD	1.50	1.77	1.86	2.97	AUD 10	2.86	4.00 0.38
NZD	1.75	2.04	2.32	3.46	NZD 10	3.31	3.80 0.83
EUR	0.00	-0.32	-0.16	0.81	CAD 10	1.75	1.90 -0.73
GBP	0.25	0.38	0.65	1.44	EUR 10	0.40	3.40 -2.08
JPY	-0.05	-0.05	0.03	0.27	GBP 10	1.47	1.40 -1.01
CAD	0.50	0.90	1.07	1.98	JPY 10	0.09	2.70 -2.39

Equities

Major Indices

	Last	% day	% y/y
Dow	19,780	0.12	14.6
S&P 500	2,255	-0.21	12.0
Nasdaq	5,405	-0.72	9.6
VIX	13	8.60	-47.7
FTSE	6,890	-0.9	15.8
DAX	11,190	-0.1	8.2
CAC 40	4,761	-0.1	4.6
Nikkei	19,155	0.8	-0.4
Shanghai	3,153	-2.5	-8.2
Hang Seng	22,433	-1.4	4.5
ASX 200	5,563	0.0	10.6

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.23	-1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.19	-4.80
3/10 sprd	0.61	4.80
SPI	5553.0	6.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	55.37	1.9
Oil (WTI)	52.47	1.9
Oil (Tapis)	57.71	5.1
Gold	1163.50	0.4
CRB	193.35	0.7
GS Metals	319.0	0.0
Aluminium	1736.8	-1.1
Copper	5754.5	-1.1
Nickel	11253.3	-1.5
Zinc	2715.8	0.7
Ch. steel	3464.0	4.2
Iron ore	83.6	2.4
St. Coal	85.7	1.6
Met.coal	277.5	-0.9
Wheat Chic.	417.3	0.2
Sugar	19.3	0.1
Cotton	71.7	1.3
Coffee	142.0	1.9

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.86	9.0
Jun-2017	4.88	8.9

* cld = 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, 22 December 2016								
NZ	GDP SA QoQ/YoY	3Q	0.9/3.7	0.8/3.6		0.9/3.6	22.45	8.45
NZ	BoP Current Account Balance, NZD/% of GDP	3Q		-4.894/-3		-0.9/-2.9	22.45	8.45
UK	GfK Consumer Confidence	Dec		-8		-8.0	1.10	11.10
NZ	Money Supply M3 YoY	Nov				7.1	3.00	13.00
EC	ECB Publishes Economic Bulletin							
US	Chicago Fed Nat Activity Index	Nov		-0.1		-0.1	14.30	0.30
US	GDP Annualized QoQ	3Q T		3.3		3.2	14.30	0.30
US	Durable Goods Orders/Core orders	Nov P		-4.9/0.4		4.6/0.2	14.30	0.30
US	Initial Jobless Claims	Dec 17		257		254.0	14.30	0.30
CA	Statistics Canada to Report New Measure of Core CPI						14.30	0.30
CA	Retail Sales/Ex autos MoM	Oct		0.3/0.7		0.6/0.0	14.30	0.30
CA	CPI NSA MoM/YoY	Nov		-0.2/1.4		0.2/1.5	14.30	0.30
US	FHFA House Price Index MoM	Oct		0.5		0.6	15.00	1.00
US	Personal Income/Spending	Nov		0.3/0.3		0.6/0.3	16.00	2.00
US	PCE deflator MoM/YoY	Nov		0.2/1.5		0.2/1.4	16.00	2.00
US	PCE Core MoM/YoY	Nov		0.1/1.7		0.1/1.7	16.00	2.00
US	Leading Index	Nov		0.1		0.1	16.00	2.00
US	Kansas City Fed Manf. Activity	Dec		4		1.0	17.00	3.00
Friday, 23 December 2016								
CH	MNI December Business Indicator							
GE	GfK Consumer Confidence	Jan		9.9		9.8	8.00	18.00
UK	GDP QoQ/YoY	3Q F		0.5/2.3		0.5/2.3	10.30	20.30
UK	Current Account Balance	3Q		-28.2		-28.7	10.30	20.30
UK	Index of Services MoM/3M/3M	Oct		0.2/0.8		0.2/0.8	10.30	20.30
UK	Total Business Investment QoQ/YoY	3Q F		0.9/-1.6		0.9/-1.6	10.30	20.30
CA	GDP MoM/YoY	Oct		0/1.8		0.3/1.9	14.30	0.30
US	New Home Sales/MoM	Nov		575/2.1		563.0/-1.9	16.00	2.00
US	U. of Mich. Sentiment/5-10 Yr Inflation expectations	Dec F		98		98.0/2.5	16.00	2.00
Saturday, 24 December 2016								
Sunday, 25 December 2016								
Monday, 26 December 2016								
UK	BBA Loans for House Purchase	Nov		41500		40851	10.30	20.30
UK	CBI Total Dist. Reported Sales	Jan				42.0		
JN	PPI Services YoY	Nov				0.5	0.50	10.50
JN	Leading Index CI	Oct F				101.0	6.00	16.00
JN	Jobless Rate/Job-applicant ratio	Nov		3/		3.0/1.4	0.30	10.30
JN	Overall Household Spending YoY	Nov				-0.4	0.30	10.30
JN	Natl CPI YoY	Nov		0.5		0.1	0.30	10.30
JN	Tokyo CPI YoY	Dec				0.5	0.30	10.30
JN	Tokyo CPI Ex-Fresh Food YoY	Dec				-0.4	0.30	10.30
JN	Tokyo CPI Ex Food, Energy YoY	Dec				0.0	0.30	10.30
CH	Industrial Profits YoY	Nov				9.8	2.30	12.30
JN	Natl CPI Ex Fresh Food, Energy YoY	Nov				0.3	6.00	16.00
JN	Small Business Confidence	Dec				48.3	6.00	16.00
US	S&P CoreLogic CS 20-City MoM/YoY	Oct		0.5/5		0.4/5.1	15.00	1.00
US	Consumer Confidence Index	Dec		108.25		107.1	16.00	2.00
US	Richmond Fed Manufact. Index	Dec		5		4.0	16.00	2.00
US	Dallas Fed Manf. Activity	Dec		10.2		10.2	16.30	2.30
Tuesday, 27 December 2016								
JN	Industrial Production MoM/YoY	Nov P		1/		0.0/-1.4	0.50	10.50
JN	Retail Sales MoM/YoY	Nov		/		2.5/-0.1	0.50	10.50
US	MBA Mortgage Applications	Dec 16				-4.0	13.00	23.00
UK	Nationwide House PX MoM/YoY	Dec		0.3		0.1	28 Dec - 4 Jan	
CA	Bloomberg Nanos Confidence	Dec 23				56.6	16.00	2.00
US	Pending Home Sales MoM/YoY	Nov		0.5/		0.1/0.2	16.00	2.00
Wednesday, 28 December 2016								
CH	Swift Global Payments CNY	#N/A	Field Not Applicable			2.0		
EC	M3 Money Supply YoY	Nov		4.4		4.4	10.00	20.00
US	Advance Goods Trade Balance	Nov		-61.5		-999998.0	14.30	0.30
US	Wholesale Inventories MoM	Nov P		0.1		-0.4	14.30	0.30
US	Retail Inventories MoM	Nov				-0.4	14.30	0.30
US	Initial Jobless Claims	Dec 17		257		254.0	14.30	0.30
US	Bloomberg Consumer Comfort	Dec 18				45.5	15.45	1.45
Upcoming Central Bank Interest Rate Announcements								
Europe ECB		19-Jan		0.00%		0.00%		
Canada, BoC		19-Jan				0.50%		
US Federal Reserve		28-Jan				0.5-0.75%		
Japan, BoJ		31-Jan		-0.1% to +0.1%		-0.1% to +0.1%		
UK BOE		2-Feb				0.25%		
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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