

MARKETS TODAY

Waiting on the world to change



Good morning

Markets were quiet overnight given the Columbus Day Holiday in the US. Equities were flat (S&P500 -0.2%), the US dollar was marginally lower (DXY -0.2%), while the US bond market was closed (note futures were open but with little movement). Markets it seems are playing a waiting game ahead of risk events later in the week – inspiration for today's title [Waiting On The World to Change](#) by John Mayer. Focus instead shifted to Europe where a diplomatic spat between Turkey and the US has seen a sharp fall in the Turkish Lira (-3.0%). To date there has been little in the way of contagion to other emerging markets.

The biggest move overnight was in the Turkish Lira. The Lira at one point dropped more than 6% against the US dollar in Asia, but managed to pare back losses to be down 3%. The sharp fall occurred after the US suspended visa services to Turkey following the arrest of a Turkish citizen who was employed at the US consulate; note subsequent reports cited a Turkish official in expecting a reversal on the visa ban. While the initial catalyst is clear, the sharp fall really reflects a re-rating of Turkey's risk – the relationship between Turkey and the US has been deteriorating over the past year with Erdogan consolidating power following an unsuccessful coup in 2016 and ongoing US support for Kurdish forces in the fight against ISIS.

The other major move in FX was the UK Pound. GBP/USD rose 0.6%, mostly in reaction to an upward revision to unit labour costs for Q2. The statistics office reported unit labour costs were actually 2.4% in Q2, up from the 1.6% initially reported. This is significantly higher than 1¼% the Bank of England had forecast in August and suggests non-tradable inflation could pick up more than expected. That plays into the view of the Bank of England needing to hike soon and Bloomberg WIRP has a November rate hike priced at a 77% chance with another hike fully priced by September 2018. Also related to the UK, Brexit chatter continues with no real update to note – the fifth round of negotiations is underway in Brussels.

As for the big dollar, DXY fell slightly (-0.2%) with the Euro higher (+0.2% to 1.1748). The Aussie was marginally lower (-0.1% to 0.7756).

There was little reaction in the Euro to better than expected German Industrial Production – this rose 2.6% m/m in August and was well above the 0.9% consensus expectation. While market reaction was muted, it is another sign that “hard data” is reflecting the very positive “soft data” that we have seen recently coming out of Europe and reinforces our view of the ECB announcing a tapering of their asset purchase program in October.

Yields were contained with no trading in the US Bond Market. European yields were mostly lower with tensions

easing slightly around prospects for Catalonian independence following a pro-unity rally and warnings by companies that they would move offices out of Catalonia in the event of independence. Spanish yields fell 3.2bps to 1.68% and are down some 13bps from their peak. Bund yields were also lower – perhaps driven by some reaction to North Korean fears over a possible ICBM test – down 1.5bps to 0.44% alongside UK Gilts (-0.6 bps to 1.36%).

In commodities, oil prices steadied with WTI up 0.5% to \$49.54 following comments by OPEC that the oil market is balancing out but further steps may be needed to sustain the recovery.

Coming Up

Domestic focus will be on the NAB Business Survey (11.30am AEDT) with no hints as usual from your scribe. The market will be interested in the ongoing divergence between Business Confidence and Consumer Confidence and how this eventually closes over time. Last month's survey didn't really help resolve the issue with Business Conditions lifting to their highest levels since early 2008 to +15, whereas Business Confidence fell 7 points to +5, while the separate W-MI Consumer Report rose 2 points.

Also out is the usually second-tier ANZ-Roy Morgan Weekly Consumer Confidence (9.30am AEDT) while the RBA's DeBelle speaks on the Foreign Exchange Global Code of Conduct (2.20pm AEDT).

International focus is likely to be on the IMF's latest forecasts for the economy, released as part of the World Economic Outlook – a forecast upgrade is likely. As part of the meetings there will be a number of central bankers talking on panels in the coming days with the Bank of Canada's Wilkins first up (5.00 am AEDT).

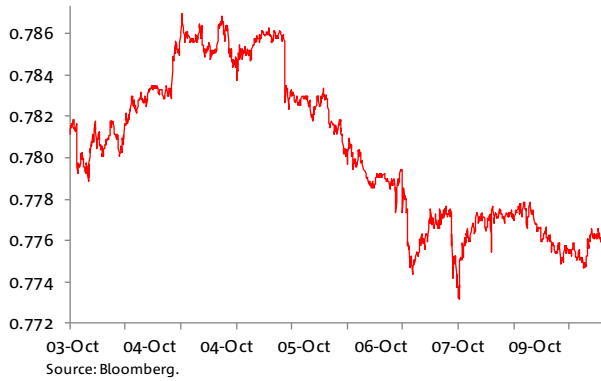
Outside of this it is quiet. Across the ditch, NZ has Card Spending, Japan has the Current Account and Eco Watchers Survey. The UK has Industrial Production and the Trade Balance. Fed talk also continues with Kashkari (voter, dove) and Kaplan (voter) speaking.

Overnight

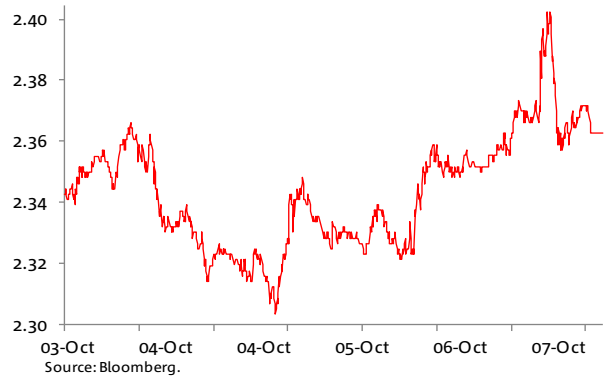
On global stock markets, the S&P 500 was -0.18%. Bond markets saw US 10-years +1.09bp to 2.36%. In commodities, Brent crude oil +0.05% to \$55.65, gold+0.8% to \$1,282, iron ore +0.7% to \$62.67, steam coal -0.7% to \$96.65, met. coal -0.6% to \$179.00. AUD is at 0.7756 and the range since yesterday 5pm Sydney time is 0.7748 to 0.7782.

Markets

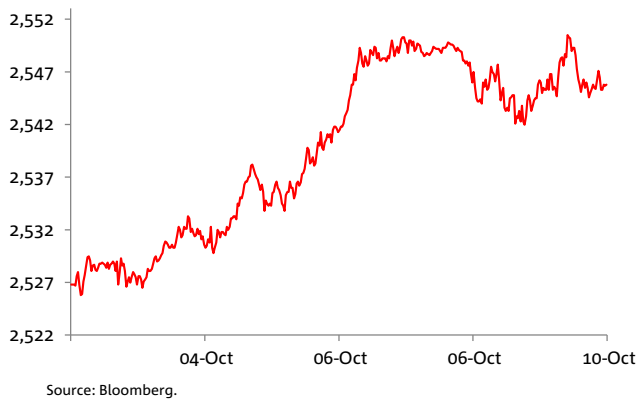
AUD/USD - past week



US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7756	-0.1	0.7748	0.7782	HKD	7.8058 0.0
NZD	0.7066	-0.4	0.7051	0.7086	CNY	6.6251 -0.4
EUR	1.1746	0.1	1.1718	1.1756	SGD	1.3634 -0.1
GBP	1.3146	0.6	1.3053	1.3184	IDR	13,518 0.0
JPY	112.63	0.0	112.33	112.79	THB	33.38 -0.2
CAD	1.2546	0.1	1.2526	1.2559	KRW	1,142 0.0
AUD/EUR	0.6603	-0.3	0.6601	0.6697	TWD	30.40 0.0
AUD/JPY	87.36	-0.2	87.29	87.72	PHP	51.26 0.2
AUD/GBP	0.5900	-0.7	0.5885	0.6014	CHF	0.98 -0.1
AUD/NZD	1.0976	0.2	1.0947	1.1025	SEK	8.12 0.0
AUD/CNH	5.1426	-0.4	5.1296	5.1885		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.35	1.78	2.32	USD 10	2.36	1.09
AUD	1.50	1.70	1.99	2.98	AUD 10	2.82	0.60 0.46
NZD	1.75	1.93	2.21	3.26	NZD 10	3.00	4.20 0.64
EUR	0.00	-0.33	-0.17	0.89	CAD 10	2.13	0.00 -0.23
GBP	0.25	0.34	0.80	1.39	EUR 10	0.44	-1.50 -1.91
JPY	-0.03	-0.05	0.03	0.27	GBP 10	1.36	-0.60 -1.00
CAD	1.00	1.41	1.91	2.40	JPY 10	0.06	0.00 -2.30

Equities

Major Indices			
	Last	% day	% y/y
Dow	22,761	-0.06	24.8
S&P 500	2,545	-0.18	18.2
Nasdaq	6,580	-0.16	24.3
VIX	10.32	6.94	-23.4
FTSE	7,508	-0.2	6.6
DAX	12,976	0.2	23.7
CAC 40	5,366	0.1	20.6
Nikkei	20,691	0.0	22.7
Shanghai	3,374	0.8	10.7
Hang Seng	28,327	-0.5	18.8
ASX 200	5,739	0.5	4.8

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.25	1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.16	-0.50
3/10 sprd	0.64	0.50
SPI	5704.0	-7.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	55.65	0.1
Oil (WTI)	49.53	0.5
Oil (Tapis)	56.81	-2.8
Gold	1281.80	0.8
CRB	180.96	0.0
GS Metals	370.6	0.5
Aluminium	2153.0	0.9
Copper	6623.0	0.0
Nickel	10937.5	3.9
Zinc	3281.0	0.2
Ch. steel	3603.0	0.0
Iron ore	62.7	0.7
St. Coal	96.7	-0.7
Met.coal	179.0	-0.6
Wheat Chic.	456.0	-1.5
Sugar	14.0	0.1
Cotton	69.6	0.2
Coffee	131.0	0.7

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-1.0	-4.0%
FED	#N/A	#N/A

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

Monday, 9 October 2017						
CH	Caixin China PMI Services/Composite	Sep	/	52.7/52.4	2.45	12.45
AU	Foreign Reserves	Sep		76.3	6.30	16.30
GE	Industrial Production SA MoM	Aug	0.8	0.0	7.00	17.00
EC	Bank of Portugal Governor Costa Speaks at Conference in Lisbon				9.00	19.00
EC	Sentix Investor Confidence	Oct	28	28.2	9.30	19.30
CA	Bloomberg Nanos Confidence	Oct 6		58.3	15.00	1.00
Tuesday, 10 October 2017						
NZ	REINZ House Sales YoY	Sep		-20.0		10-14 Oct release
NZ	Card Spending Retail MoM	Sep	0.4	0.7	-0.2	22.45 8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct 8		113.4	23.30	9.30
UK	BRC Sales Like-For-Like YoY	Sep		1.3	0.10	10.10
JN	BoP Current Account Adjusted	Aug	2030	2032.9	0.50	10.50
AU	NAB Business Conditions/Confidence	Sep	/	15/5	1.30	11.30
AU	RBA's Debelle Gives Speech in HK Via Video Link					15.20
GE	Current Account Balance	Aug		19.4	7.00	17.00
CH	New Yuan Loans/Aggregate Financing CNY	Sep	1230/1572.7	1090/1480		10-18 Oct release
UK	Industrial Production MoM	Aug	0.2	0.2	9.30	19.30
UK	Construction Output SA MoM	Aug	-0.4	-0.9	9.30	19.30
UK	Trade Balance	Aug	-2800	-2872.0	9.30	19.30
US	NFIB Small Business Optimism	Sep	104.8	105.3	11.00	21.00
UK	NIESR GDP Estimate	Sep		0.4	13.00	23.00
CA	Housing Starts	Sep		223.2	13.15	23.15
JN	Eco Watchers Survey Current SA	Sep	49.5	49.7		
JN	Machine Tool Orders YoY	Sep P		36.2	7.00	17.00
US	Fed's Kashkari Speaks at Regional Economic Conference				15.00	1.00
CA	Bank of Canada's Wilkins speaks at IMF panel				19.00	5.00
Wednesday, 11 October 2017						
NZ	ANZ Truckometer Heavy MoM	Sep		6.2	22.00	8.00
AU	Westpac Consumer Conf SA MoM/Index	Oct	/	2.5/97.9	0.30	10.30
JN	Core Machine Orders MoM/YoY	Aug	0.7/0.3	8.0/-7.5	0.50	10.50
US	Fed's Kaplan Speaks at Stanford Institute				1.00	11.00
US	Fed's Evans Speaks on Economy and Monetary Policy				12.15	22.15
JN	Machine Tool Orders YoY	Sep P		36.2	7.00	17.00
US	JOLTS Job Openings	Aug		6170.0	15.00	1.00
US	FOMC Meeting Minutes				19.00	5.00
US	Fed's Williams Gives Community Leaders Speech				19.40	5.40
EC	ECB's Praet Speaks in New York				19.50	5.50
Thursday, 12 October 2017						
NZ	Food Prices MoM	Sep	-0.4	0.6	22.45	8.45
UK	RICS House Price Balance	Sep		6.0	0.10	10.10
JN	PPI YoY	Sep	3	2.9	0.50	10.50
NZ	ANZ Consumer Confidence Index	Oct		129.9	1.00	11.00
AU	Consumer Inflation Expectation	Oct		3.8	1.00	11.00
AU	Home Loans/Investment Lending MoM	Aug	0.0	2.9/-3.9	1.30	11.30
JN	Tertiary Industry Index MoM	Aug	0.1	0.1	5.30	15.30
UK	Bank of England Credit Conditions & Bank Liabilities Surveys				9.30	19.30
EC	Industrial Production SA MoM	Aug	0.5	0.1	10.00	20.00
CA	New Housing Price Index MoM	Aug		0.4	13.30	23.30
CA	Teranet/National Bank HPI MoM	Sep		0.6	13.30	23.30
US	PPI Final Demand MoM	Sep	0.4	0.2	13.30	23.30
US	Initial Jobless Claims	Oct 7		260.0	13.30	23.30
US	Bloomberg Consumer Comfort	Oct 8		49.9	14.45	0.45
EC/US	ECB's Draghi, Fed's Brainard Speak on Monetary Policy Panel				15.15	1.15
US	Fed's Powell Speaks at IIF Conference in Washington				15.30	1.30
CA	BOC's Wilkins speaks at IIF Panel				20.15	6.15
Friday, 13 October 2017						
NZ	BusinessNZ Manufacturing PMI	Sep		57.9	22.30	8.30
AU	RBA Financial Stability Review				1.30	11.30
CH	Trade Balance CNY	Sep	266	286.5	3.00	13.00
CH	Exports/Imports YoY CNY	Sep	11.5/16.7	6.9/14.4	3.00	13.00
CH	Trade Balance	Sep	38.05	42.0	3.10	13.10
CH	Exports/Imports YoY	Sep	9.8/15.2	5.5/13.3	3.10	13.10
GE	CPI EU Harmonized MoM/YoY	Sep F	0/1.8	0.0/1.8	7.00	17.00
US	CPI MoM/YoY	Sep	0.6/2.3	0.4/1.9	13.30	23.30
US	CPI Ex Food and Energy MoM/YoY	Sep	0.2/1.8	0.2/1.7	13.30	23.30
US	Retail Sales Advance MoM	Sep	1.6	-0.2	13.30	23.30
US	Retail Sales Ex Auto and Gas/Control Group	Sep	0.4/0.4	-0.1/-0.2	13.30	23.30
US	Monthly Budget Statement	Sep	0	-107.7	14.00	
US	U. of Mich. Sentiment/5-10Y Inflation expectations	Oct P	95/	95.1/2.5	15.00	1.00
US	Business Inventories	Aug	0.5	0.2	15.00	1.00
US	Fed's Evans Speaks on Economy and Monetary Policy				15.25	1.25
US	Fed's Kaplan Speaks in Boston				16.30	2.30
US	Baker Hughes U.S. Rig Count/Oil Rigs	Oct 6	/	940.0/750.0	18.00	4.00
US	Fed's Powell Speaks at Boston Fed Economic Conference				18.00	4.00
Monday, 16 October 2017						
CH	New Yuan Loans/Aggregate Financing CNY	Sep	1230	1090.0		-18 Oct release
CH	Foreign Direct Investment YoY CNY	Sep		9.1		-18 Oct release
NZ	REINZ House Sales YoY	Sep		-20.0		-16 Oct release
US	Monthly Budget Statement	Sep	0	-107.7		#VALUE! #VALUE!
NZ	Performance Services Index	Sep		57.3	22.30	8.30
UK	Rightmove House Prices MoM/YoY	Oct	/	-1.2/1.1	0.10	10.10
CH	CPI/PPI YoY	Sep	1.6/6.5	1.8/6.3	2.30	12.30
JN	Industrial Production MoM/YoY	Aug F	/	2.1/5.4	5.30	15.30
EC	Trade Balance SA	Aug		18.6	10.00	20.00
CA	Int'l Securities Transactions	Aug		24.0	13.30	23.30
US	Empire Manufacturing	Oct	20	24.4	13.30	23.30
CA	Existing Home Sales MoM	Sep		1.3	14.00	0.00
CA	Bloomberg Nanos Confidence	Oct 6		58.3	15.00	1.00
CA	Business Outlook Future Sales	3Q		31.0	15.30	1.30
CA	BoC Senior Loan Officer Survey	3Q		2.1	15.30	1.30
Upcoming Central Bank Interest Rate Announcements						
Europe ECB		26-Oct	-0.4%	-0.4%		-0.4%
Canada, BoC		26-Oct				1.00%
Japan, BoJ		31-Oct	-0.1%	-0.1%		-0.1%
US Federal Reserve		2-Nov	1.00-1.25%	1.00-1.25%		1.00-1.25%
UK BOE		2-Nov				0.25%
Australia, RBA		7-Nov	1.50%	1.50%		1.50%
New Zealand, RBNZ		9-Nov				1.75%

GMT: Greenwich Mean Time; AEST: Australian Eastern Standard Time

CONTACT DETAILS

Authors

David de Garis
Director, Economics
+61 3 8641 3045
david.degaris@nab.com.au

Ray Attrill
Head of FX Strategy
+61 2 9237 1848
ray.attrill@nab.com.au

Rodrigo Catril
Currency Strategist
+61 2 9293 7109
rodrigo.h.catril@nab.com.au

Tapas Strickland
Economist
+61 2 9237 1980
tapas.strickland@nab.com.au

Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406
peter.jolly@nab.com.au

Group Economics

Alan Oster
Chief Economist
+61 3 8634 2927
alan_oster@national.com.au

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