

MARKETS TODAY

A momentary lapse of ...



Good morning

Tight ranges were seen ahead of the FOMC Minutes release and there has been a fairly muted reaction post. The USD remains on the back foot, UST yields are still in a tight range and US equities continue to eke out small gains.

Pink Floyd's first album without Roger Waters "A Momentary Lapse of Reason (Inflation?)" probably captures the key take-away from the Sep 20 FOMC Meeting Minutes. The Fed remains data dependent and while many participants are concerned over whether the softness in inflation is transitory or not, for now many participants see a rate hike later in 2017 as warranted if the economy evolves as expected. US CPI on Friday looms large.

Ahead of the Minutes, 10y UST yields were trading at 2.346% and now they trade half a bps lower at 2.339%, meanwhile the odds of another Fed hike in December have remained steady around 75%. In contrast the soft USD theme remains in place and is now entering its fifth day.

The euro has continued to lead the gains against the USD, up another 0.47% over the past 24 hours and top of the G10 leader board. The market appears to have welcomed the decision by Spanish PM Mariano Rajoy to give Carles Puigdemont, the president of the Government of Catalonia, five days to clarify whether he has declared independence from Spain or not. Spanish equities have outperformed overnight (IBEX 32 +1.34%, BBG Europe 500 +0.07%) and Spanish bond have rallied while other EU bonds have sold off. Interestingly, the EUR outperformance has occurred despite dovish talk from ECB members. The ECB's Smets argued for a gradual and cautious tapering of asset purchases and Visco also called for a gradual normalisation. Bloomberg has run a story that ECB officials agree on keeping a pledge to not raise interest rates until "well past" the end of bond buying. EUR now trades at 1.1867, its highest level in two weeks.

AUD and NZD have also outperformed the USD, but in smaller magnitudes relative to the euro, +0.20% and +0.27% respectively. Political uncertainty is still weighing on the Kiwi, but as our BNZ strategist notes, NZD outperformance overnight is actually a big deal, following an 8-day consecutive fall in the TWI as the country awaits the outcome of coalition government talks. NZD currently trades at 0.7090. Meanwhile the AUD has remained range bound with question marks over the state of the consumer weighing on RBA rate hike expectations while uncertainty over the commodity outlook has also been a factor limiting AUD outperformance under a soft USD environment. The pair now trades at 0.7794 and sits on the upper half of its 0.7733-0.7811 range held over the past 5 trading days.

Rodrigo Catril, FX Strategist

In Fed-speak, known dove Evans was hosing down rate hike talk, telling reporters that it's too soon to decide on a December rate hike. In an earlier speech he argued that the Fed's decision to allow its balance sheet to begin slowly shrinking this month would deliver some degree of policy tightening. Given that backdrop, he said "there's room for a very honest discussion later this year as to whether or not it's the right time to raise rates." Meanwhile, known hawk George said the Fed should continue to gradually raise interest rates and shouldn't place too much emphasis on meeting its specific 2% inflation target.

Also this morning, the WSJ reports that based on a survey of business and academic economists Kevin Warsh is seen as Trump's most likely pick to lead the Fed. The survey suggested a 28% probability for Warsh getting the nod, a 22% probability for Yellen winning a second term and a 21% probability of Fed governor Jerome Powell being nominated....as we are about to press the send button, headlines show that Trump is going to meet Fed candidate John Taylor later this week.

Coming up

We have a fair bit of data releases on the calendar today, but most are second tier and unlikely to move markets. Tonight in Washington Fed Governor Lael Brainard and ECB President Mario Draghi will speak on monetary policy at a panel which includes former Fed Chairman Ben Bernanke. Fed Governor Powell is also speaking tonight, but given his topic is on prospects for emerging market economies, he is unlikely to make any reference to US monetary policy.

In our time zone New Zealand gets REINZ housing market data, Food Prices (Sep) and the October ANZ Roy Morgan consumer confidence report. House prices should remain soft and we wouldn't be surprised to see a dent in consumer confidence amid the post-election political uncertainty.

Australia gets housing finances and inflation expectations and Japan releases PPI figures for September. Higher oil prices and a mildly softer yen probably contributed to an increase in producer prices in Japan.

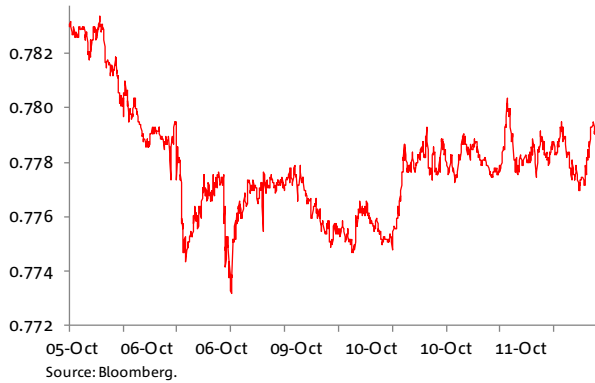
The EU gets industrial production figures for August and the US releases weekly jobless claims and PPI (Sep). Similar to Japan, higher gasoline prices suggest US PPI likely rose last month.

Overnight

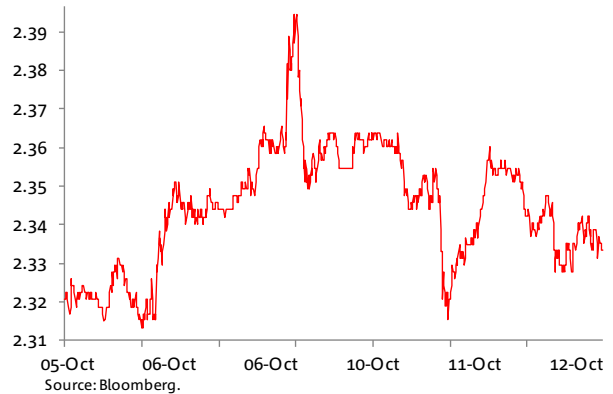
On global stock markets, the S&P 500 was +0.18%. Bond markets saw US 10-years -1.44bp to 2.35%. In commodities, Brent crude oil +0.46% to \$56.87, gold +0.1% to \$1,292, iron ore -2.2% to \$59.65, steam coal +0.7% to \$96.05, met. coal +1.4% to \$182.00. AUD is at 0.7791 and the range since yesterday 5pm Sydney time is 0.7771 to 0.7809.

Markets

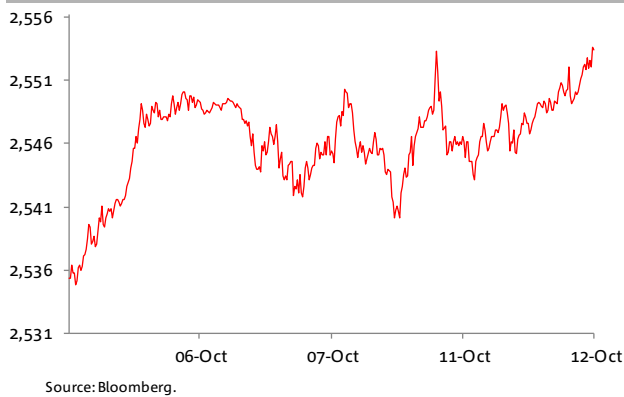
AUD/USD - past week



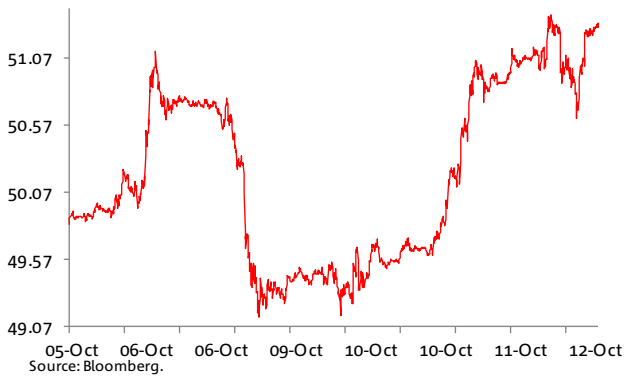
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7791	0.2	0.7771	0.7809	HKD	7.8076 0.0
NZD	0.7089	0.3	0.7063	0.7099	CNY	6.5903 0.2
EUR	1.1867	0.5	1.1795	1.1869	SGD	1.3538 -0.2
GBP	1.3232	0.2	1.3176	1.3234	IDR	13,530 0.1
JPY	112.49	0.0	112.08	112.59	THB	33.18 -0.2
CAD	1.2463	-0.4	1.2453	1.2531	KRW	1,135 0.0
AUD/EUR	0.6565	-0.3	0.6562	0.6602	TWD	30.26 -0.3
AUD/JPY	87.64	0.2	87.28	87.65	PHP	51.46 0.0
AUD/GBP	0.5888	0.0	0.5880	0.5911	CHF	0.97 -0.2
AUD/NZD	1.0990	-0.1	1.0983	1.1024	SEK	8.04 -0.4
AUD/CNH	5.1258	0.1	5.1050	5.1393		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.36	1.77	2.30	USD 10	2.35	-1.44
AUD	1.50	1.71	2.01	2.97	AUD 10	2.82	-1.40 0.47
NZD	1.75	1.94	2.20	3.25	NZD 10	2.98	-3.60 0.63
EUR	0.00	-0.33	-0.17	0.91	CAD 10	2.11	-1.60 -0.24
GBP	0.25	0.36	0.82	1.41	EUR 10	0.46	2.10 -1.88
JPY	-0.03	-0.04	0.04	0.26	GBP 10	1.38	1.70 -0.97
CAD	1.00	1.42	1.91	2.38	JPY 10	0.07	1.10 -2.28

Equities

Major Indices			
	Last	% day	% y/y
Dow	22,873	0.18	26.2
S&P 500	2,555	0.18	19.6
Nasdaq	6,604	0.25	25.9
VIX	9.85	-2.28	-35.9
FTSE	7,534	-0.1	6.5
DAX	12,971	0.2	22.6
CAC 40	5,362	0.0	19.9
Nikkei	20,881	0.3	24.0
Shanghai	3,388	0.2	10.8
Hang Seng	28,390	-0.4	21.3
ASX 200	5,772	0.6	5.4

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.25	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.17	1.00
3/10 sprd	0.63	2.00
SPI	5743.0	-25.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	56.87	0.5
Oil (WTI)	51.33	0.8
Oil (Tapis)	58.30	1.4
Gold	1292.00	0.1
CRB	183.50	0.2
GS Metals	372.3	-0.4
Aluminium	2107.3	-1.6
Copper	6760.0	0.7
Nickel	11065.0	0.7
Zinc	3282.0	-1.6
Ch. steel	3559.0	-1.2
Iron ore	59.7	-2.2
St. Coal	96.1	0.7
Met.coal	182.0	1.4
Wheat Chic.	452.3	-0.7
Sugar	14.3	0.9
Cotton	68.7	-0.3
Coffee	126.8	-3.2

Prob. of 25bps hike/cut at next meeting	
bps	%
RBA	0.2 1.0%
FED	-0 -0.4%

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, 12 October 2017								
NZ	Food Prices MoM	Sep	-0.4			0.6	22.45	8.45
UK	RICS House Price Balance	Sep		4		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	0.5/		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		0.6		0.1	10:00	20:00
CA	New Housing Price Index MoM	Aug		0.2		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		250		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		10		-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		0.6		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 13		/		936.0/748.0	18.00	4.00
US	Fed's Powell Speaks at Boston Fed Economic Conference						18.00	4.00
Sunday, 15 October 2017								
US	Fed's Yellen Speaks on Economy and Monetary Policy						14.00	0.00
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		10		-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
Tuesday, 17 October 2017								
NZ	CPI QoQ/YoY	3Q		/		0.0/1.7	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct 8				113.4	23.30	9.30
AU	RBA Oct. Rate Meeting Minutes						1.30	11.30
AU	New Motor Vehicle Sales MoM	Sep				0.0	1.30	11.30
AU	New Motor Vehicle Sales YoY	Sep				1.7	1.30	11.30
AU	RBA's Ellis Participates in a Panel						1.30	11.30
NZ	Non Resident Bond Holdings	Sep				61.2	3.00	13.00
ED	ECB's Constancio Speaks at Conference in Lisbon						9.00	19.00
UK	BOE's Carney, Ramsden and Tenreyro Testify to Lawmakers						9.15	19.15
UK	CPI MoM/YoY	Sep		/		0.6/2.9	9.30	19.30
UK	CPI Core YoY	Sep				2.7	9.30	19.30
UK	PPI Input NSA MoM/YoY	Sep		/		1.6/7.6	9.30	19.30
UK	House Price Index YoY	Aug				5.1	9.30	19.30
EC	CPI MoM/YoY	Sep		/		0.3/1.5	10.00	20.00
GE	ZEW Survey Current Situation/Expectations	Oct		/		87.9/17.0	10.00	20.00
EC	ZEW Survey Expectations	Oct				31.7	10.00	20.00
EC	CPI Core YoY	Sep F				1.1	10.00	20.00
US	Import Price Index MoM	Sep		0.4		0.6	13.30	23.30
US	Industrial Production MoM	Sep		0		-0.9	14.15	0.15
US	NAHB Housing Market Index	Oct		64		64.0	15.00	1.00
US	Total Net TIC Flows/Long term flows	Aug		/		-7.3/1.3	21.00	7.00
Wednesday, 18 October 2017								
AU	Westpac Leading Index MoM	Sep				-0.1	0.30	10.30
UK	Jobless Claims Change	Sep				-2.8	9.30	19.30
UK	Average Weekly Earnings 3M/YoY/ex bonus	Aug		/		2.1/2.1	9.30	19.30
UK	Employment Change/Unemployment rate 3M/3M	Aug		/		181.0/4.3	9.30	19.30
EC	Construction Output MoM/YoY	Aug		/		0.2/3.4	10.00	20.00
US	Fed's Dudley and Kaplan Discuss Economic Development						13.00	23.00
CA	Manufacturing Sales MoM	Aug				-2.6	13.30	23.30
US	Housing Starts #/MoM	Sep		1170/-0.8		1180.0/-0.8	13.30	23.30
US	Building Permits #/MoM	Sep		1230/-3.3		1300.0/5.7	13.30	23.30
EC	ECB Survey of Professional Forecasters						18-22 Oct release	
US	U.S. Federal Reserve Releases Beige Book						19.00	5.00
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; AEDT: Australian Eastern Daylight Savings Time

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