

MARKETS TODAY



The long and winding road (to Brexit)

Good morning

It's been an overnight session marked by generally limited moves in currencies – the Pound the exception – bond yields have been steady-to lower on net, equities down smalls with commodities mixed. Oil has given up some of the gains from earlier this week, iron ore and Chinese steel prices rose yesterday, as did base metals overnight, pretty much across the board in a solid session. After testing into the 0.78s yesterday, two way trade saw Aussie maintain a 78 handle overnight and this morning remains in yesterday afternoon's range, the USD also hovering ahead of the CPI.

There has also an earthquake/tremors in North Korea, an earthquake registering 2.9 on the Richter scale (the quake was 6.3 when the H-bomb was detonated last month) suggesting perhaps natural forces. The USGS could not say whether it was caused by natural forces or man made.

US Treasury yields were somewhat higher in the wake of a higher than expected print on core Producer prices for September (0.4% vs 0.2% expected) ahead of CPI tonight, but then bonds rallied again. That upstream domestically-produced goods inflation measure also came with a lower than expected reading on US jobless claims at 243K, back into its pre-Hurricane range.

Speaking overnight have been Fed Governors Powell and Brainard separately, Brainard on a panel with Draghi and Bernanke at the Peterson Institute in Washington. She noted that temporary factors have been at work holding back inflation of late, but they were last year pushing inflation up. She was downplaying the importance of the Phillips curve (wage vs unemployment). Draghi likewise spoke of some improvement in the European labour market and wages, but it's not been enough. He reiterated the ECB's guidance on QE and interest rates. This had me wondering whether the market might be expecting too much in the way of tapering at the upcoming October 26 ECB meeting. Bernanke was suggesting that with low rates and trouble missing inflation targets, CBs target the price level not inflation, essentially keeping rates lower for longer to account for inflation misses.

Powell has been speaking, but on emerging markets and not saying much at all directly on US monetary policy. He of course is one of the candidates to replace Yellen. Speaking to reporters today, White House Chief of Staff Kelly said that those interviewed were first round choices but that "we still have more to come", decision timing "some time away". Mnuchin said in a CNBC interview that it should happen within a month. Trump interviewed John Taylor Wednesday.

Back to the Pound. As the London market opened, Sterling was under some pressure as the currency focused back on the Brexit divorce bill/trade deal impasse, Barnier reporting. But it did a swift about turn

on a report in German newspaper *Handesblatt* that Barnier may offer the UK a two year transition period to remain in the EU. Sterling has had a 1-1½ big figure range and is up a net 0.67% from yesterday's APAC levels.

Coming up

Ahead of tonight's US CPI comes this morning's RBA Financial Stability Review and Chinese trade data for September ahead of their main monthly activity and GDP reports next Thursday, coming then hot on the heels of the 19th Party Congress.

There'll be some housing focus today from two sources, from the RBA's six-monthly *Financial Stability Review* (FSR) and NAB's Q3 Residential Property Survey, both out at 11.30. The FSR is a report card on general market stability and on household and business balance sheets. The RBA harbours concerns that mortgage debt is still rising ahead of income growth. The RBA might be taking a degree of comfort from some signs of cooling Sydney and Melbourne housing markets but mortgage credit growth has not eased (to August), confirmed yesterday by hints of revival in mortgage finance approvals.

Today's NAB Residential Property Survey for Q3 will also likely draw interest, containing as it does surveyed estimates of foreign buyer home sale shares in state capitals. In the new market, in Q2 in Sydney it was 12% and Melb at 21%. This week's Credit Suisse reported found it was 25% in Sydney and 17% in Melbourne with Chinese interest not falling away since China tightened capital controls.

China's own trade numbers are far from the most sensitive prints for the A\$ but can add a measure of support or a mild headwind if there's a material out-performance or miss. They are watched for what they imply about growth, the higher the numbers generally positive for the Aussie.

Markets tonight will be fixated on the US core CPI (the new payrolls in the importance stakes). Headline CPI is expected to have risen 0.6% from gasoline prices. Core is expected to rise 0.2% for the second month after a run of lower growth. What will the CPI say about the extent of recent "transitory" influences? And are there other hurricane effects beyond gasoline. Along with US Retail sales, there's another slug of central bank speakers tonight, 13 by my reckoning and including central bank heads Yellen, Kuroda, Zhou, and Patel on panels.

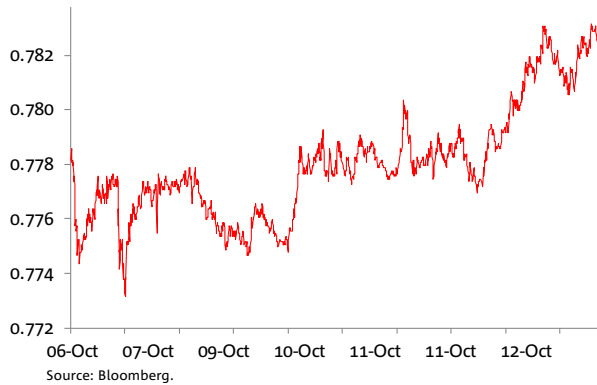
Overnight

On global stock markets, the S&P 500 was -0.17%. Bond markets saw US 10-years -2.86bp to 2.32%. In commodities, Brent crude oil -1.00% to \$56.37, gold+0.6% to \$1,293, iron ore +0.7% to \$60.09, steam coal -0.9% to \$95.15, met. coal -0.5% to \$181.00. AUD is at 0.7819 and the range since yesterday 5pm Sydney time is 0.7807 to 0.7834.

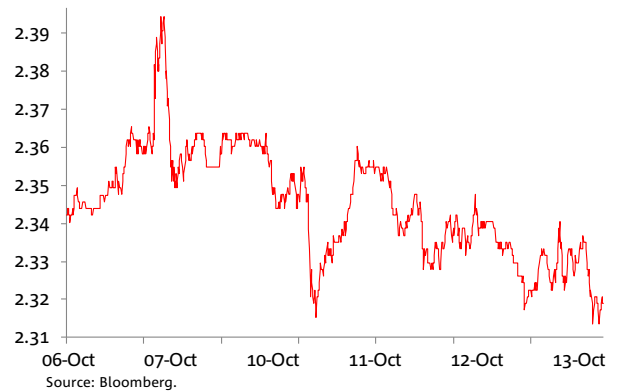
David de Garis, Director, Economics

Markets

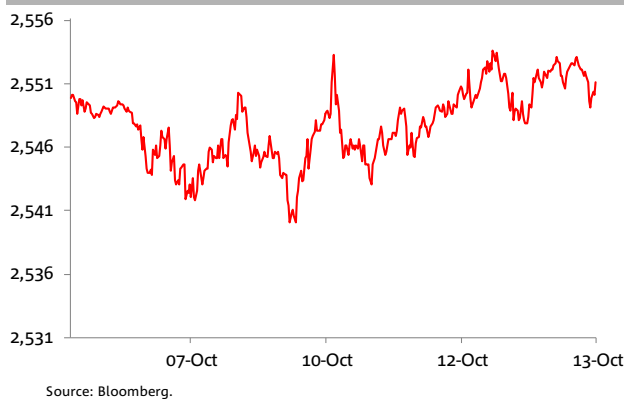
AUD/USD - past week



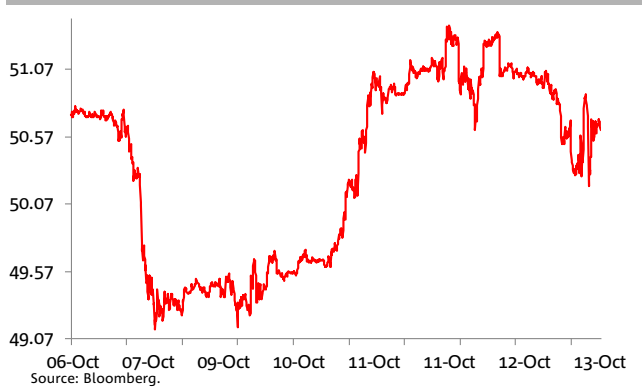
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

Indicative 24hr ranges (**)				Other FX		
	Last	% chge	Low	High	Last	% chge
AUD	0.7819	0.4	0.7807	0.7834	HKD	7.8084 0.0
NZD	0.7129	0.9	0.7103	0.7146	CNY	6.5875 0.0
EUR	1.1831	0.1	1.1827	1.1862	SGD	1.3525 -0.3
GBP	1.3266	0.5	1.3122	1.3291	IDR	13,504 -0.2
JPY	112.28	0.0	112.13	112.45	THB	33.12 -0.2
CAD	1.2475	-0.3	1.2453	1.2491	KRW	1,133 -0.2
AUD/EUR	0.6609	0.3	0.6589	0.6616	TWD	30.21 -0.2
AUD/JPY	87.79	0.4	87.69	88.00	PHP	51.40 -0.1
AUD/GBP	0.5894	-0.2	0.5894	0.5954	CHF	0.98 0.2
AUD/NZD	1.0968	-0.5	1.0959	1.0999	SEK	8.13 0.8
AUD/CNH	5.1541	0.6	5.1372	5.1560		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.36	1.77	2.28	USD 10	2.32	-2.86
AUD	1.50	1.71	2.00	2.94	AUD 10	2.80	-1.50 0.48
NZD	1.75	1.93	2.20	3.23	NZD 10	2.97	-2.70 0.65
EUR	0.00	-0.33	-0.17	0.89	CAD 10	2.08	-2.70 -0.24
GBP	0.25	0.37	0.83	1.41	EUR 10	0.45	-1.80 -1.87
JPY	-0.03	-0.04	0.03	0.26	GBP 10	1.38	0.10 -0.94
CAD	1.00	1.42	1.90	2.36	JPY 10	0.07	0.10 -2.25

Equities

Major Indices			
	Last	% day	% y/y
Dow	22,841	-0.14	25.9
S&P 500	2,551	-0.17	19.2
Nasdaq	6,592	-0.18	25.8
VIX	9.91	0.61	-37.7
FTSE	7,556	0.3	7.6
DAX	12,983	0.1	23.4
CAC 40	5,361	0.0	20.4
Nikkei	20,955	0.4	24.9
Shanghai	3,386	-0.1	10.6
Hang Seng	28,459	0.2	23.6
ASX 200	5,794	0.4	6.6

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.25	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.20	5.00
3/10 sprd	0.61	-2.00
SPI	5766.0	-21.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	56.37	-1.0
Oil (WTI)	50.68	-1.2
Oil (Tapis)	58.12	-0.3
Gold	1293.30	0.6
CRB	183.28	-0.1
GS Metals	376.3	1.1
Aluminium	2122.8	0.7
Copper	6862.5	1.5
Nickel	11336.0	2.4
Zinc	3332.0	1.5
Ch. steel	3690.0	3.4
Iron ore	60.1	0.7
St. Coal	95.2	-0.9
Met.coal	181.0	-0.5
Wheat Chic.	449.5	-0.6
Sugar	14.3	-0.1
Cotton	67.8	-1.3
Coffee	126.4	-0.4

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	0.2	1.0%
FED	-0	-1.2%

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
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		266.05		286.5	3.00	13.00
CH	Exports/Imports YoY CNY	Sep		10.9/16.45		6.9/14.4	3.00	13.00
CH	Trade Balance	Sep		38		42.0	3.10	13.10
CH	Exports/Imports YoY	Sep		10/14.7		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		1.7		-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	U. of Mich. Sentiment/5-10Y Inflation expectations	Oct P		95/		95.1/2.5	15.00	1.00
US	Business Inventories	Aug		0.7		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		1200		1090.0	10-18 Oct release	
CH	Foreign Direct Investment YoY CNY	Sep				9.1	10-18 Oct release	
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		1.6/6.3		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		20.4		24.4	13.30	23.30
CA	Existing Home Sales MoM	Sep				1.3	14.00	0.00
CA	Bloomberg Nanos Confidence	Oct 13				58.4	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
US	Monthly Budget Statement	Sep		6		-107.7	10-21 October release	
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 15				113.8	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 Teneyro 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		0.5		0.6	13.30	23.30
US	Industrial Production MoM	Sep		0.3		-0.9	14.15	0.15
US	NAHB Housing Market Index	Oct		63		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		1180/0		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
Thursday, 19 October 2017								
JN	Trade Balance Adjusted	Sep				367.3	0.50	10.50
AU	NAB Business Confidence	3Q				7.0	1.30	11.30
AU	Employment Change/Unemployment rate	Sep		/		54.2/5.6	1.30	11.30
AU	RBA FX Transactions Market	Sep				571.0	1.30	11.30
CH	GDP SA QoQ/YoY	3Q		1.7/6.8		1.7/6.9	3.00	13.00
CH	Industrial Production YoY/YTD YoY	Sep		6.4/6.7		6.0/6.7	3.00	13.00
CH	Retail Sales YoY/YTD YoY	Sep		10.1/10.3		10.1/10.4	3.00	13.00
CH	Fixed Assets Ex Rural YTD YoY	Sep		7.7		7.8	3.00	13.00
JN	All Industry Activity Index MoM	Aug				-0.1	5.30	15.30
JN	Machine Tool Orders YoY	Sep F				45.3	7.00	17.00
UK	Retail Sales Ex Auto Fuel MoM/YoY	Sep		/		1.0/2.8	9.30	19.30
UK	Retail Sales Inc Auto Fuel MoM/YoY	Sep		/		1.0/2.4	9.30	19.30
US	Initial Jobless Claims	Oct 7		250		260.0	13.30	23.30
US	Philadelphia Fed Business Outlook	Oct		20.25		23.8	13.30	23.30
AU	HIA House Affordability Index	3Q				69.4		
CH	FX Net Settlement - Clients CNY	Sep				-27.6		
AU	RBA's Bullock Gives Speech in Sydney							
US	Bloomberg Consumer Comfort	Oct 8				49.9	14.45	0.45
US	Bloomberg Economic Expectations	Oct				51.5	14.45	0.45
US	Leading Index	Sep		0.1		0.4	15.00	1.00
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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