

MARKETS TODAY

I'm waiting for the Man



Good morning

It has been a quiet start to the week in the Northern Hemisphere, but of note the USD is slightly stronger across the board and commodities also had a good night. Higher UST yields have contributed to the USD outperformance and US equities managed to eke out another day of positive returns boosted by financial and energy shares. Meanwhile, whether Winston Peters is a fan of the Velvet Underground we will probably never know (my guess is that he is not), but New Zealand is still waiting for the man.

USD indices have now completely reversed Friday's CPI decline with DXY comfortably trading back above the 93 mark (DXY +0.25% and BBDXY +0.33%). The USD has been supported by a combination of factors: concerns over NAFTA negotiations have weighed on CAD (-0.38%) and MXN (-0.77%), reports of a breakdown in UK-EU Brexit negotiations has ended GBP's five day winning streak (-0.38%) and after failing to clarify Catalonia's position, Catalonia's president, Carles Puigdemont, now has until Thursday to back down, alternatively the Spanish government will move ahead with the process of suspending self-rule. The latest development has weighed on the euro (-0.23%) and Spanish equities (IBEX 35, -0.75%).

Somewhat puzzling, the AUD is the worst G10 performing currency over the past 24hrs, down 0.46% and currently trading at 0.7846. AUD underperformance has occurred despite the fact that risk sentiment has remained buoyant (VIX Index is below the 10 mark) and commodities had a decent night. One factor that could explain some of the AUD underperformance could be linked to the AU-US spread differentials. The 10y spread widened on Friday immediately after the soft US CPI print, but since then it has been on a steady narrowing trend, currently trading around 50.5bps, about 3bps tighter relative to Friday's peak.

Oil and copper are the stand out performers in the commodity space. The rise in WTI (0.8%) and Brent (+1.2%) has been associated with supply concerns amid rising tensions between Iraqi forces and Kurds. Meanwhile Copper rose above the \$7000m/t mark and jumped 3.8% on the back of stronger than expected PPI figures from China. Nickel (+1.7%) and iron ore (0.7%) also had a good night, but soft commodities underperformed with wheat, sugar, cotton and coffee all down on the day.

10y US Treasury yields are currently trading just under the 2.30% mark after briefly trading above the figure overnight. Relative to Friday's close 10y UST yields are up 2bps to 2.995% and the US 2-year rate closed up by 3bps to 1.525%. Price action in US Treasuries has been a little bit choppy amid speculative reports over the prospects for different Fed Chair candidates. Reports that John Taylor made a favourable impression on Trump saw UST

yields trade higher, but then news that Trump will meet current Fed Chair Janet Yellen later this week weighed on 10y UST yields later in the day. Another factor playing into the higher UST yields theme overnight could be linked to Fed Chair Yellen's comments on Sunday that implied the weak inflation result hadn't changed her expectation of inflation picking up or policy outlook.

Coming up

We have a pretty full calendar today with important data releases and events during our time zone as well as in Europe and the US. New Zealand's Q3 Inflation report is the first cab off the rank followed by the RBA Minutes from the October meeting. Also this morning, RBA Ellis speaks in a panel at an investment conference and Australia gets motor vehicles sales and weekly consumer confidence reading.

Inflation data are also due out in the UK (Sep) and Europe (Sep, second reading) and around the same time Governor Carney testifies before UK lawmakers and ECB Constancio speaks in Lisbon. The ZEW survey is out in Germany and later this evening the US gets industrial production (Sep), NAHB Housing Index and Fed Harker speaks on equitable transit.

Our BNZ colleagues expect the inflation report should print a quarterly gain of 0.4% marginally below the 0.5% expected by consensus. Either way the yoy reading should climb to 1.9% or 1.8%, higher than the RBNZ's estimate of 1.6%. Inflation is running stronger than the Bank projected in August and this is probably largely due to higher oil and food prices. That said, we need to see core inflation measures move a lot higher to get the RBNZ's attention, which will likely take more time.

As for the RBA Minutes we think the text is likely to reflect a positive assessment of both global and domestic economies, but also note that low domestic wages and price inflation are still prevalent.

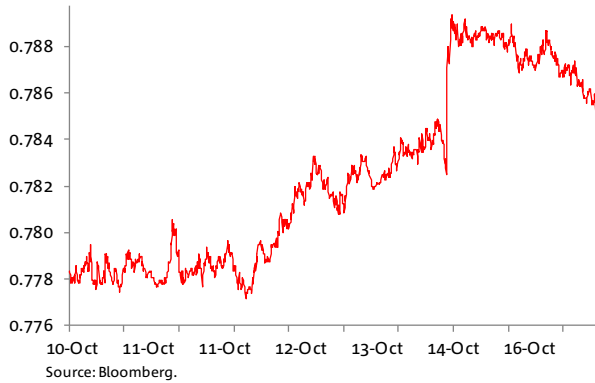
Lastly with the US earnings reporting season well underway Morgan Stanley, Goldman Sachs and IBM are on the roster today.

Overnight

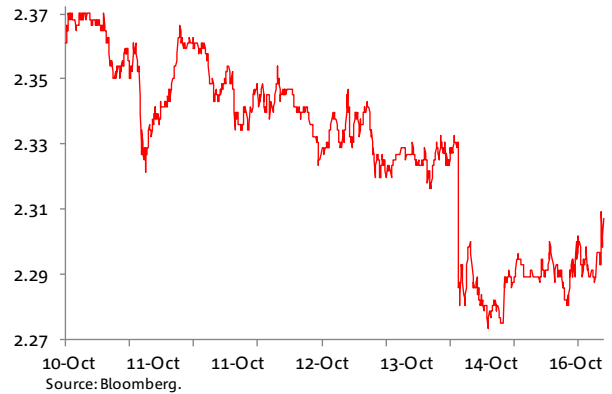
On global stock markets, the S&P 500 was +0.10%. Bond markets saw US 10-years +3.04bp to 2.30%. In commodities, Brent crude oil +1.17% to \$57.84, gold-0.3% to \$1,298, iron ore +0.7% to \$62.94, steam coal +0.4% to \$96.15, met. coal +0.0% to \$181.50. AUD is at 0.7851 and the range since yesterday 5pm Sydney time is 0.7849 to 0.789.

Markets

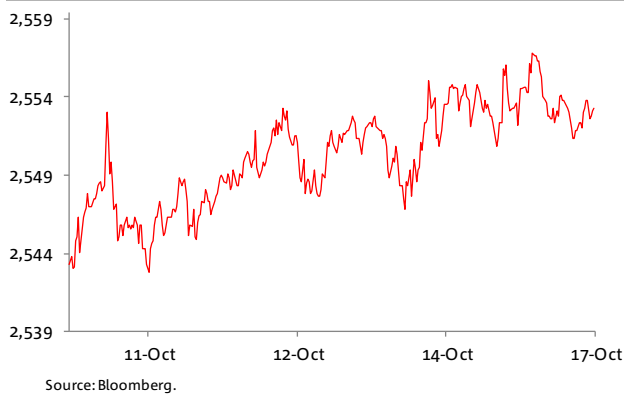
AUD/USD - past week



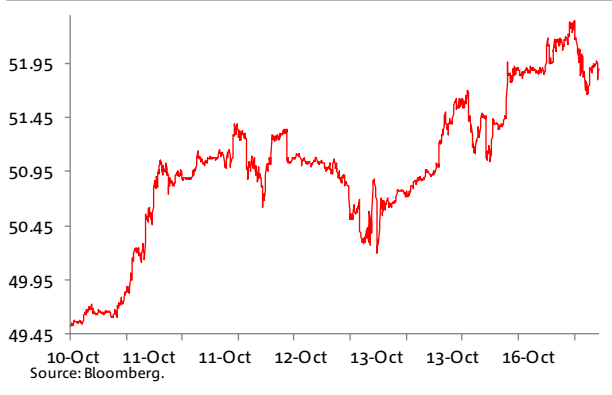
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)			Other FX			
	Last	% chge	Low	High	Last	% chge	
AUD	0.7851	-0.5	0.7849	0.7890	HKD	7.8074	0.0
NZD	0.7169	-0.2	0.7163	0.7196	CNY	6.5898	0.2
EUR	1.1793	-0.2	1.1781	1.1829	SGD	1.3522	0.2
GBP	1.3234	-0.4	1.3225	1.3312	IDR	13,476	-0.2
JPY	112.13	0.3	111.65	112.20	THB	33.06	0.0
CAD	1.2515	0.4	1.2470	1.2558	KRW	1,128	-0.1
AUD/EUR	0.6657	-0.2	0.6595	0.6688	TWD	30.14	0.0
AUD/JPY	88.04	-0.2	87.78	88.29	PHP	51.25	-0.3
AUD/GBP	0.5933	-0.1	0.5885	0.5941	CHF	0.98	0.2
AUD/NZD	1.0953	-0.4	1.0935	1.1015	SEK	8.11	0.0
AUD/CNH	5.1825	-0.1	5.1684	5.1888			

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.35	1.79	2.27	USD 10	2.30	3.04
AUD	1.50	1.70	2.00	2.93	AUD 10	2.75	-4.40
NZD	1.75	1.93	2.19	3.20	NZD 10	2.92	-4.20
EUR	0.00	-0.33	-0.19	0.84	CAD 10	2.03	-1.10
GBP	0.25	0.37	0.84	1.35	EUR 10	0.37	-3.10
JPY	-0.04	-0.04	0.04	0.26	GBP 10	1.34	-3.10
CAD	1.00	1.43	1.88	2.33	JPY 10	0.06	0.00

Equities

Major Indices			
	Last	% day	% y/y
Dow	22,932	0.26	26.4
S&P 500	2,556	0.10	19.8
Nasdaq	6,615	0.14	26.9
VIX	9.87	2.71	-38.8
FTSE	7,527	-0.1	7.3
DAX	13,004	0.1	22.9
CAC 40	5,363	0.2	20.0
Nikkei	21,256	0.5	25.8
Shanghai	3,378	-0.4	11.1
Hang Seng	28,693	0.8	24.5
ASX 200	5,847	0.6	8.5

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.26	1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.20	0.50
3/10 sprd	0.60	-0.50
SPI	5833.0	-39.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	57.84	1.2
Oil (WTI)	51.87	0.8
Oil (Tapis)	58.91	0.6
Gold	1298.20	-0.3
CRB	184.63	-0.1
GS Metals	375.4	0.0
Aluminium	2110.0	0.0
Copper	7122.0	3.8
Nickel	11805.5	1.7
Zinc	3228.0	-1.9
Ch. steel	3741.0	0.6
Iron ore	62.9	0.7
St. Coal	96.2	0.4
Met.coal	181.5	0.0
Wheat Chic.	454.8	-0.7
Sugar	14.2	-1.6
Cotton	67.5	-1.6
Coffee	123.8	-2.1
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
Tuesday, 17 October 2017								
NZ	CPI QoQ/YoY	3Q		0.4/1.8		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	RBA's Ellis Participates in a Panel						1.30	11.30
AU	New Motor Vehicle Sales MoM/YoY	Sep				0.0/1.7	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 Tenreiro Testify to Lawmakers						9.15	19.15
UK	CPI MoM/YoY	Sep		0.3/3		0.6/2.9	9.30	19.30
UK	CPI Core YoY	Sep		2.7		2.7	9.30	19.30
UK	PPI Input NSA MoM/YoY	Sep		1.2/8.2		1.6/7.6	9.30	19.30
UK	House Price Index YoY	Aug		5.4		5.1	9.30	19.30
EC	CPI MoM/YoY	Sep		0.4/1.5		0.3/1.5	10.00	20.00
GE	ZEW Survey Current Situation/Expectations	Oct		88.5/20		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		1.1	10.00	20.00
US	Import Price Index MoM	Sep		0.6		0.6	13.30	23.30
US	Industrial Production MoM	Sep		0.2		-0.9	14.15	0.15
US	NAHB Housing Market Index	Oct		64		64.0	15.00	1.00
US	Fed's Harker Speaks on Equitable Transit						18.00	4.00
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
AU	NAB Cashless Retail Sales Index (new)	Sep					1.30	11.30
AU	NAB Commercial Property Survey	Q3					1.30	11.30
JN	BOJ Sakurai makes a speech						2.30	12.30
EC	ECB President Draghi speaks in Frankfurt						9.10	19.10
UK	Jobless Claims Change	Sep				-2.8	9.30	19.30
UK	Average Weekly Earnings 3M/YoY/ex bonus	Aug		2.1/2		2.1/2.1	9.30	19.30
UK	Employment Change/Unemployment rate 3M/3M	Aug		150/4.3		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
EC	ECB's Praet is chairing a panel in Frankfurt						12.45	22.45
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CA	Manufacturing Sales MoM	Aug		-0.4		-2.6	13.30	23.30
US	Housing Starts #/MoM	Sep		1175/-0.4		1180.0/-0.8	13.30	23.30
US	Building Permits #/MoM	Sep		1240/-2.5		1300.0/5.7	13.30	23.30
EC	ECB's Coeure is chairing a panel in Frankfurt						15.15	1.15
US	U.S. Federal Reserve Releases Beige Book						19.00	5.00
Thursday, 19 October 2017								
JN	Trade Balance Adjusted	Sep		317.9		367.3	0.50	10.50
AU	NAB Business Confidence	3Q				7	1.30	11.30
AU	Employment Change/Unemployment rate	Sep	25/5.6	15/5.6		54.2/5.6	1.30	11.30
AU	RBA FX Transactions Market	Sep				571.0	1.30	11.30
AU	RBA's Bullock Gives Speech in Sydney							
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		10.2/10.3		10.1/10.4	3.00	13.00
CH	Fixed Assets Ex Rural YTD YoY	Sep		7.7		7.8	3.00	13.00
AU	HIA House Affordability Index	3Q				69.4		
JN	All Industry Activity Index MoM	Aug		0.2		-0.1	5.30	15.30
CH	FX Net Settlement - Clients CNY	Sep				-27.6		
JN	Machine Tool Orders YoY	Sep F				45.3	7.00	17.00
UK	Retail Sales Ex Auto Fuel MoM/YoY	Sep		-0.2/2.2		1.0/2.8	9.30	19.30
US	Initial Jobless Claims	Oct 14		240		243.0	13.30	23.30
US	Philadelphia Fed Business Outlook	Oct		22		23.8	13.30	23.30
US	Bloomberg Consumer Comfort	Oct 15				49.5	14.45	0.45
US	Leading Index	Sep		0.1		0.4	15.00	1.00
Friday, 20 October 2017								
NZ	Net Migration SA	Sep				5490.0	22.45	8.45
NZ	Credit Card Spending MoM/YoY	Sep		/		-0.7/6.4	3.00	13.00
GE	PPI MoM/YoY	Sep		0.1/2.9		0.2/2.6	7.00	17.00
JN	BOJ Kuroda speaks in Tokyo						7.35	17.35
EC	ECB Current Account SA	Aug				25.1	9.00	19.00
UK	Public Finances (PSNCR)/Central Government NCR	Sep		/		0.0/1.0	9.30	19.30
CA	CPI NSA MoM/YoY	Sep		0.3/1.6		0.1/1.4	13.30	23.30
CA	CPI Core- Common/Trim YoY%	Sep		/		1.5/1.4	13.30	23.30
CA	CPI Core- Median YoY%	Sep		/		1.7	13.30	23.30
CA	Retail Sales MoM/ex autos	Aug		0.5/0.3		0.4/0.2	13.30	23.30
US	Existing Home Sales #/MoM	Sep		5.3/-0.93		5.4/-1.7	15.00	1.00
US	Baker Hughes U.S. Rig Count/Oil Rigs	Oct 20		/		928.0/743.0	18.00	4.00
US	Fed's Mester Speaks on Global Regulatory Structure						19.00	5.00
US	Yellen Speaks to National Economists Club in Washington						0.15	10.15
Monday, 23 October 2017								
CH	Property Prices	Sep					2.30	12.30
JN	Leading Index CI	Aug F				106.8	6.00	16.00
EC	Govt Debt/GDP Ratio	2016				#N/A N/A	10.00	20.00
UK	CBI Business Optimism	Oct				5.0	11.00	21.00
UK	CBI Trends Total Orders/Selling Prices	Oct		/		7.0/18.0	11.00	21.00
CA	Wholesale Trade Sales MoM	Aug				1.5	13.30	23.30
US	Chicago Fed Nat Activity Index	Sep				-0.3	13.30	23.30
CA	Bloomberg Nanos Confidence	Oct 13				58.4	15.00	1.00
EC	Consumer Confidence	Oct A				-1.2	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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