

MARKETS TODAY

Barcelona



Good morning

Two factors drove much of Friday's offshore market activity. One was a Bloomberg source report suggesting that President Trump was inclined to nominate Jerome ('Jay') Powell to be the new Fed chair. This sent the US dollar down across the board. The other was the unilateral declaration of independence by the Catalan parliament, swiftly followed by a vote in the Senate to enable the federal government in Madrid to dismiss the regional government, which Spanish PM Rajoy duly did with the declared intention of holding new elections in December. This sent the Euro down across the board, supporting the DXY dollar index in the process. Hence it was a toss-up for this morning's title between the late Freddie Mercury's Barcelona and Blue Jay Way, the late George Harrison's contribution to the Beatles' Magical Mystery Tour. Freddie won.

Over the weekend, Trump in an Instagram video (really?) promised a Fed decision this week, while Steve Mnuchin, talking to reporters on a plane to Abu Dhabi, said that Trump was focussed on appointing the next Fed chair, not at this stage a new Vice-Chair as well.

No matter that in our view, the course of Fed policy next year will be driven largely by the data, not the personalities round the Eccles Building board room table. Markets are evidently still intent on having some fun with speculating on whether the next Fed chair, assuming it is not Janet Yellen, will be trying to pull the FOMC in a more hawkish direction (i.e. under Taylor) or whether continuity will be the name of the game (under a Powell-led Fed). Hence the DXY dollar index lost about a third of a percent, and 2-year Treasury yields 3bps or so, immediately following the report.

A 40 point rally in EUR/USD on the Powell report was reversed, and then some, on the news from Spain. It's still Sunday evening in Barcelona, where we're witnessing a mass rally in favour of Catalonia's continued existence as part of Spain. For markets, while the issue is having a mildly unsettling impact on the Euro and eliciting some bond flight from Spain into Germany, markets are likely to travel for the most part on the presumption that come the elections, the independence question will fade from view.

Slightly earlier in the offshore session Friday, the dollar and US yields drew only minor support from data showing US Q3 GDP grew faster than expected, 3% against the 2.6% consensus. Growth was somewhat flattered by a 0.7 percentage point contribution from inventories, though personal consumption expenditure grew at 2.4% annualised pace in Q3, a little stronger than the 2.1% expected. The headline PCE deflator at 2.2% beat the 1.7% consensus though the core PCE price index came in at 1.3% as expected (up from 0.9% in Q2). We'll get the September monthly read tonight but which should merely confirm the 1.3% annual rate.

Ray Attrill, Head of FX strategy

Also to note on the US data front was the final University of Michigan consumer sentiment index, which fell to 100.7 vs. the 101.1 preliminary read (as expected) but more comforting for the Fed, the 5-10 year inflation expectations reading came back to 2.5%, having dropped from 2.5% to 2.4% in the preliminary read.

In FX, the reversal of the USD's fortunes meant that Friday's winners were mostly the earlier week losers; hence NZD and AUD occupied two of the top three spots on the day and two of the bottom three slots on the week. AUD close in NY at 0.7677, after earlier in the day trading as low as 0.7625, the lowest since July 11th.

In US rates, the Monday-Thursday bear steepening theme gave way to bullish flattening on Friday, with 2s -2.7bps to 1.59% and 10s -5.5bps to 2.41%. On the week though, bear steepening remains evident, with 2s +1.2bps and 10s +2.2bps.

In stock, new record highs for the S&P and NASDAQ included Jeff Bezos adding a cool \$10.8bn to his net worth (now \$93.8bn) usurping Bill Gates to become the world's richest man, after Amazon popped 13% higher.

In commodities, the softer dollar provided some support for gold and oil though gold's \$2.20 rally still leaves it \$7 down on the week. Brent and WTI gained \$1.10 and \$1.30 respectively, to \$60.44 and \$53.90. This is the first close above \$60 for Brent since June 2015. Saudi Arabia continues to make optimistic noises about extending OPEC production cuts beyond their current March 2018 expiry. In contrast, iron ore fell back \$1.40 to \$60.08, to now be less than 50 cents away from its 11th October 4-month low of \$59.65.

Coming Up

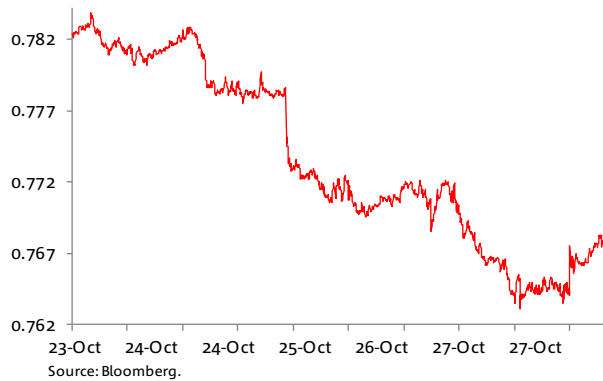
Friday's weekly close for AUD/USD beneath both important trend-line support around 0.7700 and the 200 day average at 0.7694 is ominous technically. A Powell-led Fed is surely now close to being priced into the dollar, but any loss of – albeit already modest - optimism towards US tax reform is not. This is set to remain a key swing factor for the USD, and with that the AUD, in coming days and weeks. Neither Fed rhetoric out of the FOMC this week, nor the ISM and payrolls reports, should dislodge expectations for a December Fed rate hike. China PMIs (Tue and Wed) are a local swing factor for AUD, as too will be Friday's retail sales data which NAB thinks will show a bounce back from the August drop. The BoE will likely raise rates on Thursday.

Overnight

On global stock markets, the S&P 500 was +0.81%. Bond markets saw US 10-years -5.45bp to 2.41%. In commodities, Brent crude oil +1.92% to \$60.44, gold+0.2% to \$1,269, iron ore -2.3% to \$60.08, steam coal +0.5% to \$97.45, met. coal +0.1% to \$181.75. AUD is at 0.7676 and the range since Friday 5pm Sydney time is 0.7625 to 0.7678.

Markets

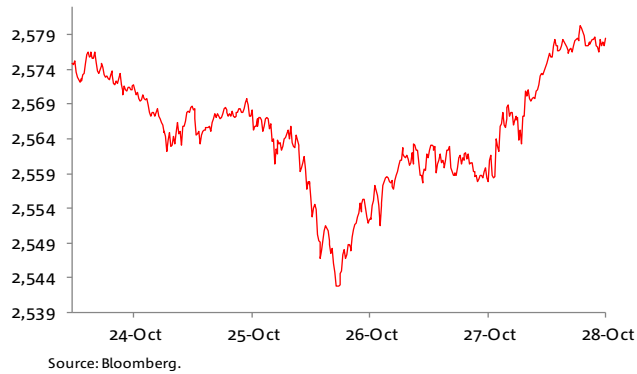
AUD/USD - past week



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	0.7676	0.2	0.7625	0.7678	HKD	7.8036	0.0
NZD	0.6868	0.4	0.6818	0.6880	CNY	6.6505	0.1
EUR	1.1616	-0.3	1.1575	1.1657	SGD	1.3648	-0.2
GBP	1.3128	-0.3	1.3070	1.3162	IDR	13,609	0.2
JPY	113.66	-0.3	113.65	114.45	THB	33.24	0.0
CAD	1.2815	-0.2	1.2808	1.2917	KRW	1,130	0.5
AUD/EUR	0.6609	0.5	0.6555	0.6620	TWD	30.27	0.1
AUD/JPY	87.23	-0.1	87.04	87.46	PHP	51.76	-0.1
AUD/GBP	0.5847	0.5	0.5809	0.5858	CHF	1.00	0.0
AUD/NZD	1.1162	-0.3	1.1141	1.1209	SEK	8.37	0.3
AUD/CNH	5.0958	-0.1	5.0746	5.1055			

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	1.25	1.38	1.82	2.38	USD 10	2.41	-5.45	
AUD	1.50	1.69	1.93	2.91	AUD 10	2.77	2.10	0.37
NZD	1.75	1.95	2.17	3.25	NZD 10	3.03	1.50	0.62
EUR	0.00	-0.33	-0.20	0.86	CAD 10	1.99	-4.50	-0.42
GBP	0.25	0.43	0.83	1.40	EUR 10	0.38	-3.20	-2.02
JPY	0.00	-0.03	0.04	0.26	GBP 10	1.35	-3.60	-1.06
CAD	1.00	1.41	1.78	2.32	JPY 10	0.07	0.30	-2.33

Equities

Major Indices			
	Last	% day	% y/y
Dow	23,434	0.14	29.0
S&P 500	2,581	0.81	21.4
Nasdaq	6,701	2.20	29.1
VIX	9.80	-13.27	-39.5
FTSE	7,505	0.2	7.3
DAX	13,218	0.6	23.6
CAC 40	5,494	0.7	20.8
Nikkei	22,008	1.2	26.1
Shanghai	3,417	0.3	10.1
Hang Seng	28,439	0.8	23.9
ASX 200	5,903	-0.2	11.7

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.29	1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.24	5.00
3/10 sprd	0.56	-5.00
SPI	5921.0	-23.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	60.44	1.9
Oil (WTI)	53.90	2.4
Oil (Tapis)	60.36	1.1
Gold	1268.50	0.2
CRB	186.89	0.5
GS Metals	373.8	-1.8
Aluminium	2156.3	-1.1
Copper	6808.5	-2.3
Nickel	11546.0	-1.5
Zinc	3215.0	-1.5
Ch. steel	3600.0	-1.8
Iron ore	60.1	-2.3
St. Coal	97.5	0.5
Met. coal	181.8	0.1
Wheat Chic.	445.3	-1.1
Sugar	14.6	3.7
Cotton	68.2	0.0
Coffee	126.6	1.6

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
Monday, 30 October 2017								
UK	Nationwide House PX MoM/YoY	Oct		0.2/2.2		0.2/2.0	28 Oct-4 Nov release	
JN	Retail Sales MoM/YoY	Sep		0.8/2.3		-1.7/1.7	23.50	10.50
JN	Dept. Store, Supermarket Sales	Sep		1.5		0.6	23.50	10.50
UK	Net Consumer Credit/Mortgage approvals	Sep		/66		1.6/66.6	9.30	20.30
EC	Business Climate Indicator	Oct				1.3	10.00	21.00
US	Personal Income/Spending	Sep		0.4/0.8		0.2/0.1	12.30	23.30
US	Real Personal Spending	Sep		0.4		-0.1	12.30	23.30
US	PCE Deflator MoM/YoY	Sep		0.4/1.7		0.2/1.4	12.30	23.30
US	PCE Core MoM/YoY	Sep		0.1/1.3		0.1/1.3	12.30	23.30
GE	CPI EU Harmonized MoM/YoY	Oct P		/		0.0/1.8	13.00	0.00
CA	Bloomberg Nanos Confidence	Oct 27				57.7	14.00	1.00
US	Dallas Fed Manf. Activity	Oct		21		21.3	14.30	1.30
Tuesday, 31 October 2017								
NZ	Building Permits MoM	Sep				10.2	21.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct 29				113.3	22.30	9.30
JN	Jobless Rate/Job-to-Applicant Ratio	Sep		2.8/1.53		2.8/1.5	23.30	10.30
JN	Overall Household Spending YoY	Sep		0.7		0.6	23.30	10.30
JN	Industrial Production MoM/YoY	Sep P		-1.6/2		2.0/5.3	23.50	10.50
NZ	ANZ Activity Outlook/Business Confidence	Oct		/		29.6/0.0	0.00	11.00
AU	HIA New Home Sales MoM	Sep				9.1	0.00	11.00
UK	GfK Consumer Confidence	Oct		-10		-9.0	0.10	11.10
UK	Lloyds Business Barometer	Oct				23.0	0.10	11.10
AU	Private Sector Credit MoM/YoY	Sep	0.5/5.7	0.5/5.6		0.5/5.5	0.30	11.30
CH	Manufacturing/Non-manufacturing PMI	Oct		52.2/		52.4/55.4	1.00	12.00
NZ	Credit Aggregates, Household YoY	Sep				6.7	2.00	13.00
JN	BOJ Outlook Report							
JN	BOJ Policy Balance Rate	Oct 31		-0.1		-0.1		
JN	BOJ 10-Yr Yield Target	Oct 31		0		0.0		
JN	Vehicle Production YoY	Sep				5.6	4.00	15.00
JN	Small Business Confidence	Oct		49.5		49.4	5.00	16.00
JN	BOJ Kuroda speaks at press conference after MPM						6.30	17.30
EC	ECB's Visco, Finance Minister Padoa-Schioppa at World Saving Day Event						9.15	20.15
EC	GDP SA QoQ/YoY	3Q A		/		0.6/2.3	10.00	21.00
EC	CPI Estimate YoY/Core CPI	Oct		/		1.5/1.1	10.00	21.00
EC	Unemployment Rate	Sep				9.1	10.00	21.00
CA	GDP MoM/YoY	Aug		0.1/		0.0/3.8	12.30	23.30
CA	Industrial Product Price/Raw Materials Price MoM	Sep				0.3/1.0	12.30	23.30
US	Employment Cost Index	3Q		0.7		0.5	12.30	23.30
US	S&P CoreLogic CS 20-City MoM SA/YoY	Aug		/		0.4/5.8	13.00	0.00
US	S&P CoreLogic CS US HPI YoY NSA	Aug				5.9	13.00	0.00
US	Chicago Purchasing Manager	Oct		60		65.2	13.45	0.45
US	Conf. Board Consumer Confidence	Oct		121		119.8	14.00	1.00
Wednesday, 1 November 2017								
NZ	Employment Change QoQ/YoY	3Q	0.7	0.8/2.5		-0.2/3.1	21.45	8.45
NZ	Unemployment Rate	3Q	4.7	4.7		4.8	21.45	8.45
NZ	Participation Rate	3Q		70.2		70.0	21.45	8.45
NZ	Pvt Wages Ex/Incl Overtime QoQ	3Q	0.7	0.7/0.6		0.4/0.4	21.45	8.45
NZ	Average Hourly Earnings QoQ	3Q		1.1		0.8	21.45	8.45
AU	CBA Australia PMI Mfg	Oct				53.8	22.00	9.00
AU	AIG Perf of Mfg Index	Oct				54.2	22.30	9.30
AU	CoreLogic House Px MoM	Oct				0.3	23.00	10.00
UK	BRC Shop Price Index YoY	Oct				-0.1	0.10	11.10
JN	Nikkei Japan PMI Mfg	Oct F				52.5	0.30	11.30
CH	Caixin China PMI Mfg	Oct		51		51.6	1.45	12.45
JN	Vehicle Sales YoY	Oct				0.4	5.00	16.00
JN	BOJ Nakaso speaks at FinTech Forum						5.00	16.00
AU	Commodity Index AUD/SDR YoY	Oct		/		120.8/18.3	5.30	16.30
UK	Markit UK PMI Manufacturing SA	Oct		55.9		55.9	9.30	20.30
US	MBA Mortgage Applications	Oct 27				-4.6	11.00	22.00
CA	MLI Leading Indicator MoM	Sep				0.2	11.00	22.00
US	ADP Employment Change	Oct		190		135.0	12.15	23.15
JN	Official Reserve Assets	Oct				1266.3		
CA	Markit Canada Manufacturing PMI	Oct				55.0	13.30	0.30
US	Markit US Manufacturing PMI	Oct F		54.5		54.5	13.45	0.45
US	ISM Manufacturing/Prices Paid	Oct		59.1/67.5		60.8/71.5	14.00	1.00
US	ISM New Orders/Employment	Oct		/		64.6/60.3	14.00	1.00
US	Construction Spending MoM	Sep		-0.3		0.5	14.00	1.00
NZ	QV House Prices YoY	Oct				4.3	16.00	3.00
US	FOMC Rate Decision (Lower/Upper Bound)	Nov 1		1/1.25		1.00/1.25	18.00	5.00
Thursday, 2 November 2017								
NZ	ANZ Job Advertisements MoM	Oct				0.4	21.00	8.00
AU	Trade Balance	Sep	1600	1200		989.0	0.30	11.30
AU	Building Approvals MoM/YoY	Sep	1.1	-1/-2.4		0.4/-15.5	0.30	11.30
JN	Consumer Confidence Index	Oct		43.6		43.9	5.00	16.00
GE	Unemployment Change (000's/Rate)	Oct		/		-23.0/5.6	8.55	19.55
GE	Markit/BME Germany Manufacturing PMI	Oct F				60.5	8.55	19.55
EC	Markit Eurozone Manufacturing PMI	Oct F				58.6	9.00	20.00
UK	Markit/CIPS UK Construction PMI	Oct		47.8		48.1	9.30	20.30
US	Challenger Job Cuts YoY	Oct				-27.0	11.30	22.30
UK	Bank of England Bank Rate	Nov 2		0.5		0.3	12.00	23.00
UK	BOE Asset Purchase/Corporate Bond Target	Nov		435/10		435.0/10.0	12.00	23.00
EC	Bank of England Inflation Report						12.00	23.00
US	Initial Jobless Claims	Oct 28				233.0	12.30	23.30
US	Nonfarm Productivity/Unit Labour Costs	3Q P		1.9/0.5		1.5/0.2	12.30	23.30
US	Wards Total Vehicle Sales	Oct		17.3		18.5		
US	Bloomberg Consumer Comfort	Oct 29				51.0	13.45	0.45
Friday, 3 November 2017								
AU	CBA Australia PMI Services/Composite	Oct		/		53.2/53.1	22.00	9.00
US	Fed's Bostic Speaks in Chicago about Government Statistics						22.15	9.15
AU	AIG Perf of Services Index	Oct				52.1	22.30	9.30
AU	Retail Sales MoM/ex inflation QoQ	Sep	0.5/0.1	0.4/0		-0.6/1.5	0.30	11.30
CH	Caixin China PMI Services/Composite	Oct		/		50.6/51.4	1.45	12.45
UK	Markit/CIPS UK Services/Composite PMI	Oct		53.4/		53.6/54.1	9.30	20.30
UK	Official Reserves Changes	Oct				554.0	9.30	20.30
US	Change in Nonfarm Payrolls/Unemployment Rate	Oct		310/4.2		-33.0/4.2	12.30	23.30
US	Average Hourly Earnings MoM/YoY	Oct		0.2/2.7		0.5/2.9	12.30	23.30
US	Labor Force Participation Rate/Underemployment Rate	Oct		/		63.1/8.3	12.30	23.30
US	Trade Balance	Sep		-43.5		-42.4	12.30	23.30
US	ISM Non-Manf. Composite	Oct		58		59.8	14.00	1.00
US	Factory Orders/Ex Trans	Sep		1/		1.2/0.4	14.00	1.00
CA	Net Change in Employment/Unemployment Rate	Oct		15.55		10.0	12.30	23.30
CA	Participation Rate	Oct				65.6	12.30	23.30
CA	Int'l Merchandise Trade	Sep				-3.4	12.30	23.30
US	Markit US Services/Composite PMI	Oct F		/		55.9/55.7	14.45	1.45
US	Fed's Kashkari Speaks on Housing and Finance						16.15	3.15
EC	ECB's Coeure Speaks in Washington						21.15	8.15
Upcoming Central Bank Interest Rate Announcements								
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%	1.75%		1.75%		
Canada, BoC		7-Dec				1.00%		
Europe ECB		14-Dec	-0.4%	-0.4%		-0.4%		

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