

# MARKETS TODAY

*Good day sunshine*



## Good morning

The news on the state of the US and European economies has been good overnight, adding more sunshine to the global growth acceleration story. It's also been a night of contained currency moves, the USD still waiting for substantial news on tax reform and who the next Fed Chair will be, both supposedly arriving Thursday US time. There's also the key data ahead with the ISM Manufacturing report tonight and Payrolls Friday. The USD is little changed, US equities are up modestly, bond yields are little changed, while commodity prices are mixed, the exception being oil with WTI and Brent both making further gains.

The economic news out of Europe was the first to hit the screens with the first release of Eurozone GDP for Q3 up 0.6% for annual growth of 2.5%, both a tenth more than expected. The result also came with a one tenth upward revision to Q2. This outcome came with lower than formally-expected CPI for October at 1.4% (down from 1.5% that was also expected in the month). It was however anticipated after a one tenth lower print from Germany's CPI the night before. The Euro was bought back after this data set, back to around where it was this time yesterday, trading at 1.165.

Ahead of the BoE meeting tomorrow night, the Pound has been getting some support overnight, up by a net 0.52%. Market pricing for a BoE rate hike tomorrow night edged a little higher from just under a 87% chance to a near 88% chance as UK short end yields pushed marginally higher. Brexit news also did the Pound no harm, the UK and the EC agreeing that talks need to be accelerated with the UK's Davis to meet with his counterpart Barnier on Friday week. It's been reported that the UK Cabinet discussed a range of scenarios on negotiated Brexit outcomes. There was also a paper outlining impacts on industries, though this hasn't been released.

The economic news out of the US was also hot. It was a combination of stronger than expected prints from the October readings on the Chicago PMI and the Conference Board's measure of Consumer Confidence coming with a (forecast) pick up in the Employment Cost Index (ECI) in Q3. Consumer Confidence came in at a very high 125.9, the best since 2000 with the Net Jobs Plentiful component at 18.8, the strongest since 2001. The ECI rose 0.7% after 0.5% in Q2. This year's readings have been the highest since the GFC/pre-GFC, playing to the view that a pick-up in inflation remains in play, added to further by rises in oil prices.

The AUD lost traded lower during the afternoon session yesterday after a softer than expected official China Manufacturing PMI (and lower RBA Credit growth). It's trading at 0.7650/60 this morning.

## Coming up

The most sensitive of the local data points today is the Q3 NZ labour market/ wages reports (8.45), important for the Kiwi, while the Caixin Manufacturing PMI out at 12.45 will be watched to see whether it was steady at 51.0 as forecast or weakened like yesterday's as the Government slows heavier-polluting industries.

Running into a very tight-looking election, NZ businesses were reporting robust hiring. But how this (ever) translates into the quarterly employment estimates is a lottery. The Q2 HLF5 registered a 0.2% fall in employment, but a lower jobless rate at 4.8% from a lower participation rate. For Q3 our BNZ colleagues expect a 0.7% employment rebound and a 0.1 fall in unemployment, to 4.7%. The market also expects a 0.7% gain in jobs, but a steady unemployment rate. In its August MPS, the RBNZ expected 4.7%.

As for wages and salaries, the Q3 Labour Cost Index is tipped to rise 0.7%, lifting the annual rate to 1.9% from 1.6%. This print brings in a care-workers' pay-equity settlement with the government bringing some hefty pay increases (and with wider proposed minimum wage increases coming). It's not clear if the market has made allowance for the pay-equity settlement, as it expects the Q3 LCI to increase a steady 0.5% in the quarter.

In Australia, it's quiet for key market-sensitive data with the AiG PMI Manufacturing index (L: 54.2), the newer CBA version (L: 53.8) and CoreLogic's Oct house prices report to reveal close to no growth in prices.

There's the UK BRC Shop Price Index for October too (L: -0.1%), while there's also BoJ Deputy Governor Nakaso speaking at a FinTech forum later at 16.00, though whether he'll say add more on the inflation outlook after yesterday's policy meeting remains to be seen. The RBA release their October Commodity Prices report this afternoon: it's of virtually no immediate market interest but tracks movements in the terms of trade closely.

Tonight, there's UK Nationwide house prices, BoE Deputy Governor (Financial Stability) Jon Cunliffe is speaking at the House of Lords. Then there's the expected "no change" statement from the FOMC and the US ISM Manufacturing report that's expected to be still solid at 59.4 after 60.8 in September. More overshoot coming?

## Overnight

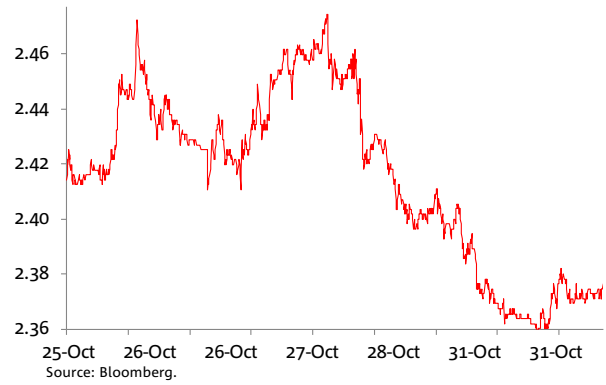
On global stock markets, the S&P 500 was +0.09%. Bond markets saw US 10-years +0.73bp to 2.38%. In commodities, Brent crude oil +0.83% to \$61.09, gold-0.5% to \$1,272, iron ore -0.4% to \$58.52, steam coal +0.5% to \$99.90, met. coal -4.6% to \$173.50. AUD is at 0.7655 and the range since yesterday 5pm Sydney time is 0.764 to 0.767.

Markets

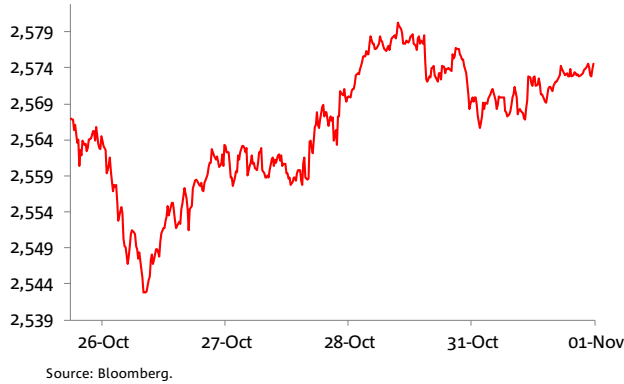
AUD/USD - past week



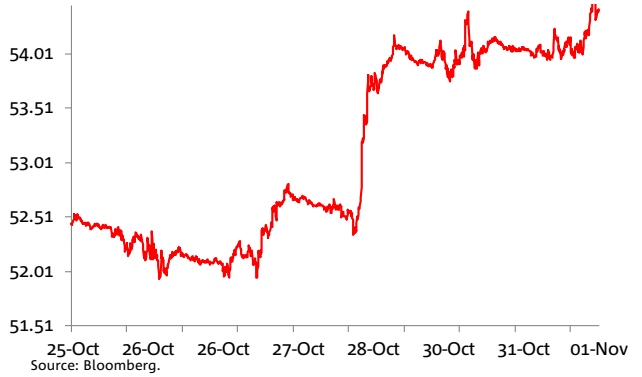
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7658	-0.3	0.7640	0.7670	HKD	7.8011 0.0
NZD	0.6841	-0.3	0.6831	0.6852	CNY	6.6350 -0.2
EUR	1.1652	0.1	1.1627	1.1661	SGD	1.3622 -0.1
GBP	1.3284	0.9	1.3202	1.3289	IDR	13,563 -0.1
JPY	113.71	0.1	113.28	113.73	THB	33.22 -0.1
CAD	1.2893	0.5	1.2841	1.2915	KRW	1,120 -0.4
AUD/EUR	0.6572	-0.4	0.6564	0.6587	TWD	30.16 -0.1
AUD/JPY	87.08	-0.2	86.69	87.16	PHP	51.55 -0.1
AUD/GBP	0.5764	-1.2	0.5763	0.5801	CHF	1.00 0.0
AUD/NZD	1.1193	0.0	1.1173	1.1205	SEK	8.37 0.3
AUD/CNH	5.0788	-0.3	5.0691	5.1083		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.38	1.82	2.35	USD 10	2.38	0.73
AUD	1.50	1.69	1.92	2.85	AUD 10	2.67	-6.10 0.29
NZD	1.75	1.94	2.11	3.15	NZD 10	2.92	-6.50 0.54
EUR	0.00	-0.33	-0.20	0.84	CAD 10	1.96	0.60 -0.41
GBP	0.25	0.43	0.84	1.38	EUR 10	0.36	-0.40 -2.01
JPY	-0.04	-0.04	0.04	0.26	GBP 10	1.33	-0.30 -1.04
CAD	1.00	1.41	1.76	2.30	JPY 10	0.07	0.10 -2.30

Equities

Major Indices			
	Last	% day	% y/y
Dow	23,403	0.23	29.0
S&P 500	2,578	0.20	21.3
Nasdaq	6,734	0.52	29.8
VIX	10.13	-3.52	-40.6
FTSE	7,493	0.1	7.7
DAX	13,230	0.0	24.0
CAC 40	5,503	0.2	22.0
Nikkei	22,012	0.0	26.2
Shanghai	3,393	0.1	8.7
Hang Seng	28,246	-0.3	22.0
ASX 200	5,909	-0.2	11.7

Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.29	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.30	6.00
3/10 sprd	0.50	-3.00
SPI	5915.0	-15.0

\*Change in bps

Commodities\*

	Last	% day
Oil (Brent)	60.89	0.5
Oil (WTI)	54.41	0.5
Oil (Tapis)	62.03	0.5
Gold	1271.40	-0.5
CRB	187.56	0.0
GS Metals	374.8	0.0
Aluminium	2146.3	-0.1
Copper	6822.8	-0.3
Nickel	12261.5	5.4
Zinc	3309.0	1.7
Ch. steel	3612.0	0.6
Iron ore	58.5	-0.4
St. Coal	99.9	0.5
Met.coal	182.2	0.2
Wheat Chic.	436.0	-1.6
Sugar	14.7	0.1
Cotton	68.4	-0.4
Coffee	125.1	-0.6

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	0.0	0.0%
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
<b>Wednesday, 1 November 2017</b>								
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	Pvt Wages Ex/Incl Overtime QoQ	3Q	0.7	0.7/0.6		0.4/0.4	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				0.1	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	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
CA	MLI Leading Indicator MoM	Sep				0.2	11.00	22.00
US	ADP Employment Change	Oct		200		135.0	12.15	23.15
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		59.4/67.5		60.8/71.5	14.00	1.00
US	Construction Spending MoM	Sep		-0.1		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
<b>Thursday, 2 November 2017</b>								
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		-10/5.6		-23.0/5.6	8.55	19.55
GE	Markit/BME Germany Manufacturing PMI	Oct F		60.5		60.5	8.55	19.55
EC	Markit Eurozone Manufacturing PMI	Oct F		58.6		58.6	9.00	20.00
UK	Markit/CIPS UK Construction PMI	Oct		48.5		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
US	Initial Jobless Claims	Oct 28		235		233.0	12.30	23.30
US	Nonfarm Productivity/Unit Labour Costs	3Q P		2.6/0.4		1.5/0.2	12.30	23.30
US	Wards Total Vehicle Sales	Oct		17.5		18.5		
US	Bloomberg Consumer Comfort	Oct 29				51.0	13.45	0.45
<b>Friday, 3 November 2017</b>								
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		53.3/53.8		53.6/54.1	9.30	20.30
US	Change in Nonfarm Payrolls/Unemployment Rate	Oct		312/4.2		-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/		63.1/8.3	12.30	23.30
US	Trade Balance	Sep		-43.2		-42.4	12.30	23.30
US	ISM Non-Manf. Composite	Oct		58.5		59.8	14.00	1.00
US	Factory Orders/Ex Trans	Sep		1.2/		1.2/0.4	14.00	1.00
CA	Net Change in Employment/Unemployment Rate	Oct		15		10.0	12.30	23.30
CA	Participation Rate	Oct				65.6	12.30	23.30
CA	Int'l Merchandise Trade	Sep		-3		-3.4	12.30	23.30
US	Markit US Services/Composite PMI	Oct F		55.9/		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
<b>Monday, 6 November 2017</b>								
JN	BOJ Minutes of Sept. 20-21 Meeting						23.50	10.50
AU	Melbourne Institute Inflation MoM/YoY	Oct		/		0.3/2.5	0.00	11.00
NZ	ANZ Commodity Price	Oct				0.8	0.00	11.00
JN	Nikkei Japan PMI Services/Composite	Oct		/		51.0/51.7	0.30	11.30
AU	ANZ Job Advertisements MoM	Oct				0.0	0.30	11.30
JN	BOJ Kuroda makes a speech in Nagoya						1.00	12.00
NZ	2Yr Inflation Expectation	4Q				2.1	2.00	13.00
GE	Factory Orders MoM/YoY	Sep		/		3.6/7.8	7.00	18.00
JN	BOJ chief economist speaks at conference						7.00	18.00
GE	Markit Germany Services/Composite PMI	Oct F		/		55.2/56.9	8.55	19.55
UK	New Car Registrations YoY	Oct				-9.3	9.00	20.00
EC	Markit Eurozone Services/Composite PMI	Oct F		/		54.9/55.9	9.00	20.00
EC	Sentix Investor Confidence	Nov				29.7	9.30	20.30
EC	PPI MoM/YoY	Sep		/		0.3/2.5	10.00	21.00
US	New York Fed's Potter Speaks on Policy and Balance Sheet						10.30	21.30
CH	BoP Current Account Balance	3Q P				50.9		
CA	Bloomberg Nanos Confidence	Oct 27				57.7	14.00	1.00
CA	Ivey Purchasing Managers Index SA	Oct				59.6	15.00	2.00
US	Fed's Dudley Speaks on Lessons from the Financial Crisis						17.10	4.10
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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%		
Japan	BoJ	21-Dec	-0.1%	-0.1%		-0.1%		

GMT: Greenwich Mean Time; AEDT: Australian Eastern Daylight Savings Time

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