

MARKETS TODAY

Bits and pieces



Good morning

A somewhat bitty, non-descript market offshore on Friday with asset markets not all marching to the same tune. The approach of Monday's US Vets. Day holiday looks to have contributed to the malaise. The main feature was US Treasury yields pushing higher, back testing 2.40%. Tailwinds from higher European yields helped and (maybe) hedging of corporate bond issuance.

This didn't help the US dollar much, where GBP and EUR strength – the former aided by strong industrial production data and some suggestions the 'hard Brexiteers' were amenable to raising the UK divorce bill offer, and the latter on higher Bund yields – held down the DXY (-0.06%, for a 0.6% fall on the week).

Of note, and as was the case on Thursday, the mildly more risk averse tone is proving to be a US dollar negative. The VIX is back above 11 (11.29). As low as this still is historically, it is up from 9.14 a week ago. This also did the AUD no favours Friday, with the 0.25% drop to 0.7661 meaning it was the worst performing G10 currency, even though it had earlier more than fully recovered from the immediate dip that followed the RBA's lowered inflation forecasts in Friday's SoMP.

Limited market reaction to the latter reflected the fact the RBA was at pains to point out that the adjustment largely reflected the recently announced CPI re-weighting and did not change the Bank's assessment of how inflationary pressures were likely to evolve (the CPI re-weighting was estimated to take 0.4% off headline inflation and 0.3% off underlying inflation this year).

On the week, Sterling is the best performer. True or not, reports Friday were that some of the hitherto Brexit hardliners in the UK cabinet were amenable to improving Britain's divorce settlement offer, amid indications from the EU that in the absence of tangible progress in the next two weeks, it would be March next year before negotiations resume in earnest. But since Friday, we have reports of 40 Conservative MPs now supportive of a no-confidence motion in PM May (48 are required for a vote to go ahead) and the EU's chief Brexit negotiator Barnier has been out saying that the EU is preparing technically for the risk of 'no-deal'. This is not a good look for all things GBP at the start of a new week.

CAD was next best performer last week, with obvious assist from the 2%+ rally in oil prices. USD/JPY was pulled up a little Friday by the recovery in Treasury yields, but held down by the less risk-positive global market tone from mid-week. NZD's 0.43% gain owes much to the less dovish RBNZ MPS on Thursday and a little to the softer USD. Overall, it was a nothing week for the AUD, back firmly ensconced in the 0.7625-0.77 range.

The S&P500 lost 0.1% Friday and is 0.2% lower on the week (first weekly decline for 6 weeks). The Dow was off 0.2% Friday while the NASDAQ was flat.

Ray Attrill, Head of FX strategy

In US rates, Friday's yield back-up (5.7bps at 10 years) contributed most of the entire week's gains and which amount to a modest bear-steepening. 10 year spreads to Bunds widened by 2bps on the week, despite which EUR/USD is 0.5% higher on the week, testament to there being not a lot of rhyme nor reason to Friday's market, but perhaps too evidence that the EUR is a currency that does well when risk appetite sags, if to a lesser extent than JPY and CHF.

In commodities, gold took a 1% dive in the space of 10 minutes when someone sold 40,000 contracts (equivalent to 4 million ounces) at mid-morning NY time. Gold lost \$12 on the day but is still \$6 on the week.

In oil, WTI and Brent were off 20 and 30 cents respectively, but still up \$1.26 and \$\$1.62 on the week. The latest Baker Hughes US oil rig count, showing an increase of 9 operating rigs last week, looks to have helped take the top off the rally. Last week's total of 738 rigs is 286 up on a year ago, though we'd note that while US crude production is some 800,000 barrels more than a year-ago, this is still less than the 1.2million barrels OPEC has taken off the market.

Coming Up

It's a big week locally and internationally. On the latter US CPI on Wednesday is the key data event; anything less than the expected (unchanged) 1.7% year-on-year reading on the core measure will prompt some renewed doubts on a December Fed rate rise and hurt the US dollar, supporting AUD in the process.

It's also a big week for central bank speak – most of those who sit round the FOMC table are speaking at some point this week, including Janet Yellen. Patrick Harker speaks in Tokyo today. Last week he made clear one reason for continuing to raise rates is to give the Fed more scope to cut them again when the next downturn hits (as it inevitably will). China October activity readings are tomorrow.

Locally, Guy Debelle speaks in Sydney at 9:00 AEDT this morning on business investment. Data wise, it's the NAB business survey Tuesday, consumer confidence Wednesday, but probably more market sensitive than either, the Q3 Wage Price Index on Wednesday and monthly labour market lottery on Thursday.

Overnight

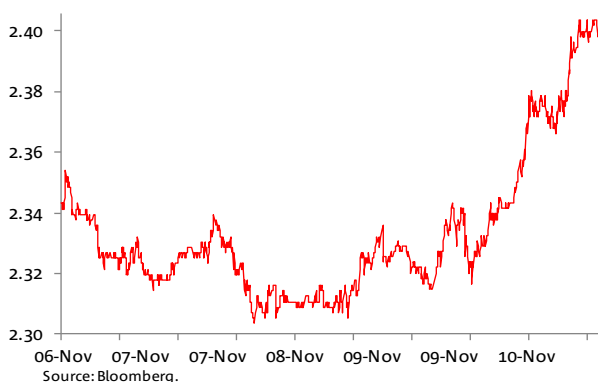
On global stock markets, the S&P 500 was -0.09%. Bond markets saw US 10-years +5.68bp to 2.40%. In commodities, Brent crude oil -0.64% to \$63.52, gold -1.0% to \$1,274, iron ore +0.4% to \$62.60, steam coal -0.1% to \$97.65, met. coal -0.3% to \$185.75. AUD is at 0.7661 and the range since Friday 5pm Sydney time is 0.7654 to 0.7695.

Markets

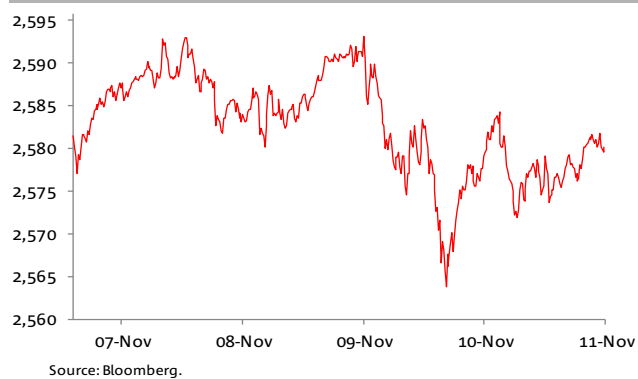
AUD/USD - past week



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 | 0.7661 | -0.2 | 0.7654 | 0.7695 | HKD | 7.8021 0.0 |
| NZD | 0.6934 | -0.2 | 0.6921 | 0.6958 | CNY | 6.6409 0.0 |
| EUR | 1.1667 | 0.2 | 1.1623 | 1.1678 | SGD | 1.3602 0.1 |
| GBP | 1.3193 | 0.4 | 1.3113 | 1.3230 | IDR | 13,543 0.2 |
| JPY | 113.47 | 0.0 | 113.22 | 113.64 | THB | 33.12 0.0 |
| CAD | 1.2684 | 0.0 | 1.2666 | 1.2696 | KRW | 1,117 0.1 |
| AUD/EUR | 0.656 | -0.6 | 0.6539 | 0.6606 | TWD | 30.17 0.0 |
| AUD/JPY | 86.84 | -0.4 | 86.84 | 87.26 | PHP | 51.25 0.0 |
| AUD/GBP | 0.5807 | -0.6 | 0.5783 | 0.5860 | CHF | 1.00 0.2 |
| AUD/NZD | 1.1048 | -0.1 | 1.1035 | 1.1095 | SEK | 8.35 -0.3 |
| AUD/CNH | 5.1000 | 0.2 | 5.0953 | 5.1114 | | |

Interest Rates

| | Indicative Swap Rates | | | | Benchmark 10 Year Bonds | | |
|-----|-----------------------|-------|-------|------|-------------------------|------|------------|
| | Cash | 3mth | 2Yr | 10Yr | Last | chge | Sprd |
| USD | 1.25 | 1.41 | 1.86 | 2.38 | USD 10 | 2.40 | 5.68 |
| AUD | 1.50 | 1.71 | 1.92 | 2.85 | AUD 10 | 2.61 | 1.50 0.21 |
| NZD | 1.75 | 1.94 | 2.21 | 3.21 | NZD 10 | 2.93 | 0.90 0.53 |
| EUR | 0.00 | -0.33 | -0.20 | 0.88 | CAD 10 | 1.97 | 3.50 -0.43 |
| GBP | 0.50 | 0.53 | 0.83 | 1.39 | EUR 10 | 0.41 | 3.50 -1.99 |
| JPY | -0.04 | -0.04 | 0.03 | 0.24 | GBP 10 | 1.34 | 7.70 -1.06 |
| CAD | 1.00 | 1.40 | 1.79 | 2.29 | JPY 10 | 0.04 | 1.30 -2.36 |

Equities

| Major Indices | | | |
|---------------|--------|-------|-------|
| | Last | % day | % y/y |
| Dow | 23,422 | -0.17 | 24.3 |
| S&P 500 | 2,582 | -0.09 | 19.3 |
| Nasdaq | 6,751 | 0.01 | 28.9 |
| VIX | 11.29 | 7.52 | -23.4 |
| FTSE | 7,433 | -0.7 | 10.4 |
| DAX | 13,127 | -0.4 | 23.1 |
| CAC 40 | 5,381 | -0.5 | 19.9 |
| Nikkei | 22,681 | -0.8 | 30.5 |
| Shanghai | 3,433 | 0.1 | 7.4 |
| Hang Seng | 29,121 | -0.1 | 29.2 |
| ASX 200 | 6,029 | -0.3 | 12.3 |

Overnight Futures

| | Last | Chge* |
|------------------|--------|-------|
| Australia | | |
| 3 mth bill | 98.27 | -1.00 |
| 3 Yr bond | 97.8 | 0.00 |
| 10 Yr bond | 97.33 | -5.50 |
| 3/10 sprd | 0.47 | 5.50 |
| SPI | 6031.0 | 12.0 |

*Change in bps

Commodities*

| | Last | % day |
|-------------|---------|-------|
| Oil (Brent) | 63.52 | -0.6 |
| Oil (WTI) | 56.74 | -0.8 |
| Oil (Tapis) | 65.84 | 1.5 |
| Gold | 1274.20 | -1.0 |
| CRB | 191.65 | -0.1 |
| GS Metals | 371.6 | 0.1 |
| Aluminium | 2085.0 | 0.4 |
| Copper | 6754.0 | -0.4 |
| Nickel | 12056.0 | -1.6 |
| Zinc | 3261.3 | 1.4 |
| Ch. steel | 3774.0 | -0.3 |
| Iron ore | 62.6 | 0.4 |
| St. Coal | 97.7 | -0.1 |
| Met.coal | 185.8 | -0.3 |
| Wheat Chic. | 449.0 | 0.9 |
| Sugar | 15.0 | 0.5 |
| Cotton | 69.1 | 1.1 |
| Coffee | 130.9 | 0.8 |

| Prob. of 25bps hike/cut at next meeting | | |
|---|------|-------|
| | bps | % |
| RBA | -0.2 | -1.0% |
| FED | 22 | 87.2% |

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 | |
|--|--|--------|------------|------------|--------|---------------|-------------------|--------------|--|
| Monday, 13 November 2017 | | | | | | | | | |
| CH | Foreign Direct Investment YoY CNY | Oct | | | | 17.3 | | | |
| CH | New Yuan Loans/Aggregate financing CNY | Oct | | 783/1100 | | 1270.0/1820.0 | 10-15 Nov release | | |
| NZ | REINZ House Sales YoY | Oct | | | | -26.2 | | | |
| NZ | Food Prices MoM | Oct | | | | -0.2 | 21.45 | 8.45 | |
| AU | RBA's Debelle Speech: Business Investment in Australia | | | | | | 22.15 | 9.15 | |
| AU | Fed's Harker Speaks in Tokyo on Balance Sheet Unwind | | | | | | 0.10 | 11.10 | |
| JN | Machine Tool Orders YoY | Oct P | | | | 45.0 | 6.00 | 17.00 | |
| EC | ECB's Constancio Speaks in Frankfurt | | | | | | 9.00 | 20.00 | |
| CA | Bloomberg Nanos Confidence | Nov 10 | | | | 58.0 | 15.00 | 2.00 | |
| JN | BOJ Governor Kuroda scheduled to speak in Zurich | | | | | | 17.45 | 4.45 | |
| Tuesday, 14 November 2017 | | | | | | | | | |
| AU | ANZ Roy Morgan Weekly Consumer Confidence Index | Nov 12 | | | | 112.6 | 22.30 | 9.30 | |
| AU | NAB Business Conditions/Confidence | Oct | | / | | 14.0/7.0 | 0.30 | 11.30 | |
| CH | Retail Sales YoY/YTD YoY | Oct | | 10.5/10.4 | | 10.3/10.4 | 2.00 | 13.00 | |
| CH | Fixed Assets Ex Rural YTD YoY | Oct | | 7.3 | | 7.5 | 2.00 | 13.00 | |
| CH | Industrial Production YoY/YTD YoY | Oct | | 6.2/6.7 | | 6.6/6.7 | 2.00 | 13.00 | |
| GE | GDP SA QoQ/YoY | 3Q P | | 0.6/2.3 | | 0.6/2.1 | 7.00 | 18.00 | |
| GE | CPI EU Harmonized MoM/YoY | Oct F | | -0.1/1.5 | | -0.1/1.5 | 7.00 | 18.00 | |
| US | Fed's Evans Speaks at ECB Conference | | | | | | 8.05 | 19.05 | |
| EC | ECB's Lautenschlaeger Speaks in Frankfurt | | | | | | 9.00 | 20.00 | |
| EC | ECB's Nouy Speaks in Frankfurt | | | | | | 9.00 | 20.00 | |
| UK | CPI MoM/YoY | Oct | | 0.2/3.2 | | 0.3/3.0 | 9.30 | 20.30 | |
| UK | House Price Index YoY | Sep | | | | 5.0 | 9.30 | 20.30 | |
| EC | Industrial Production SA MoM/YoY | Sep | | -0.6/3.3 | | 1.4/3.8 | 10.00 | 21.00 | |
| GE | ZEW Survey Current Situation/Expectations | Nov | | 88/18.1 | | 87.0/17.6 | 10.00 | 21.00 | |
| EC | ZEW Survey Expectations | Nov | | | | 26.7 | 10.00 | 21.00 | |
| US | Yellen Speaks on ECB Panel with Draghi, Kuroda, and Carney | | | | | | 10.00 | 21.00 | |
| EC | GDP SA QoQ/YoY | 3Q P | | 0.6/2.5 | | 0.6/2.5 | 10.00 | 21.00 | |
| US | NFIB Small Business Optimism | Oct | | 104.5 | | 103.0 | 11.00 | 22.00 | |
| EC | ECB's Villeroy de Galhau Speaks in Paris | | | | | | 12.45 | 23.45 | |
| US | Fed's Bullard Speaks on U.S. Economy in Louisville | | | | | | 13.15 | 0.15 | |
| EC | ECB's Benoit Coeure Speaks in Brussels | | | | | | 13.30 | 0.30 | |
| US | PPI Final Demand MoM/YoY | Oct | | 0.1/2.5 | | 0.4/2.6 | 13.30 | 0.30 | |
| US | Fed's Bostic Speaks on Economic Outlook and Monetary Policy | | | | | | 18.05 | 5.05 | |
| Wednesday, 15 November 2017 | | | | | | | | | |
| AU | Westpac Consumer Conf Index/MoM | Nov | | / | | 101.4/3.6 | 23.30 | 10.30 | |
| JN | GDP SA QoQ/YoY | 3Q P | | 0.4/1.5 | | 0.6/2.5 | 23.50 | 10.50 | |
| UK | Average Weekly Earnings 3M/YoY | Sep | | 2.2 | | 2.2 | 9.30 | 20.30 | |
| AU | Wage Price Index QoQ/YoY | 3Q | 0.7/2.2 | 0.7/2.2 | | 0.5/1.9 | 0.30 | 11.30 | |
| AU | New Motor Vehicle Sales MoM/YoY | Oct | | / | | -0.5/-0.8 | 0.30 | 11.30 | |
| JN | Industrial Production MoM/YoY | Sep F | | / | | -1.1/2.5 | 4.30 | 15.30 | |
| JN | Capacity Utilization MoM | Sep | | / | | 3.3 | 4.30 | 15.30 | |
| AU | RBA's Ellis (Assistant Governor, Economic) delivers Stan Kelly lecture in Melbourne | | | | | | 7.00 | 18.00 | |
| US | Fed's Evans Speaks at European Conference in London | | | | | | 8.00 | 19.00 | |
| UK | ECB's Hansson Participates in Panel Discussion in London | | | | | | 8.00 | 19.00 | |
| UK | Jobless Claims Change/Earnings ex bonus 3M YoY | Oct | | /2.2 | | 1.7/2.1 | 9.30 | 20.30 | |
| UK | Employment Change 3M/3M/Unemployment rate | Sep | | 10/4.3 | | 94.0/4.3 | 9.30 | 20.30 | |
| EC | ECB's Praet, BOE's Haldane, Denmark's Rohde Speak in Frankfurt | | | | | | 10.00 | 21.00 | |
| CA | Teranet/National Bank HPI MoM/YoY | Oct | | / | | -0.8/11.4 | 13.30 | 0.30 | |
| US | CPI MoM/YoY | Oct | | 0.1/2 | | 0.5/2.2 | 13.30 | 0.30 | |
| US | CPI Ex Food and Energy MoM/YoY | Oct | | 0.2/1.7 | | 0.1/1.7 | 13.30 | 0.30 | |
| US | Empire Manufacturing | Nov | | 24.9 | | 30.2 | 13.30 | 0.30 | |
| US | Retail Sales Advance/Ex autos and gas MoM | Oct | | 0.1/0.3 | | 1.6/0.5 | 13.30 | 0.30 | |
| CA | Existing Home Sales MoM | Oct | | | | 2.1 | 14.00 | 1.00 | |
| US | Business Inventories | Sep | | 0 | | 0.7 | 15.00 | 2.00 | |
| Thursday, 16 November 2017 | | | | | | | | | |
| US | Total Net/Net Long term TIC Flows | Sep | | | | 125.0/67.2 | 21.00 | 8.00 | |
| NZ | Ready-Mixed Concrete | Q3 | | | | | | 8.45 | |
| CA | Bank of Canada's Wilkins Gives Speech in New York | | | | | | 23.45 | 10.45 | |
| JN | Housing Loans YoY | 3Q | | | | 3.3 | 23.50 | 10.50 | |
| NZ | ANZ Consumer Confidence Index/MoM | Nov | | / | | 126.3/-2.8 | 0.00 | 11.00 | |
| AU | Consumer Inflation Expectation | Nov | | | | 4.3 | 0.00 | 11.00 | |
| UK | Carney, Broadbent, Haldane at BOE Future Forum, Liverpool | | | | | | 0.00 | 11.00 | |
| AU | Employment Change/Unemployment rate | Oct | 12/5.5 | 18.8/5.5 | | 19.8/5.5 | 0.30 | 11.30 | |
| AU | Participation Rate | Oct | 65.2 | 65.2 | | 65.2 | 0.30 | 11.30 | |
| AU | RBA FX Transactions Market | Oct | | | | 731.0 | 0.30 | 11.30 | |
| NZ | Non Resident Bond Holdings | Oct | | | | 60.4 | 2.00 | 13.00 | |
| JN | Machine Tool Orders YoY | Oct P | | | | 45.0 | 6.00 | 17.00 | |
| UK | Retail Sales Ex Auto Fuel MoM/YoY | Oct | | 0.1/-0.3 | | -0.7/1.6 | 9.30 | 20.30 | |
| EC | CPI MoM/YoY | Oct | | 0.1/1.4 | | 0.4/1.5 | 10.00 | 21.00 | |
| EC | CPI Core YoY | Oct F | | 0.9 | | 0.9 | 10.00 | 21.00 | |
| CH | FX Net Settlement - Clients CNY | Oct | | | | 21.8 | | | |
| US | Initial Jobless Claims | Nov 11 | | | | 239.0 | 13.30 | 0.30 | |
| US | Philadelphia Fed Business Outlook | Nov | | 24 | | 27.9 | 13.30 | 0.30 | |
| US | Export/Import Price Index MoM | Oct | | 0.4/0.4 | | 0.8/0.7 | 13.30 | 0.30 | |
| UK | BOE's Carney, Broadbent, Cunliffe, Haldane Speak in Liverpool | | | | | | 14.00 | 1.00 | |
| US | ECB's Villeroy De Galhau Speaks in Amsterdam | | | | | | 14.30 | 1.30 | |
| US | Industrial Production MoM | Oct | | 0.4 | | 0.3 | 14.15 | 1.15 | |
| US | NAHB Housing Market Index | Nov | | 68 | | 68.0 | 15.00 | 2.00 | |
| US | Fed's Kaplan Speaks in Houston | | | | | | 18.10 | 5.10 | |
| EC | ECB's Constancio Speaks in Ottawa | | | | | | 20.00 | 7.00 | |
| Friday, 17 November 2017 | | | | | | | | | |
| US | Fed's Brainard Delivers Keynote at OFR FinTech Conference | | | | | | 20.45 | 7.45 | |
| NZ | BusinessNZ Manufacturing PMI | Oct | | | | 57.5 | 21.30 | 8.30 | |
| NZ | PPI Input/Output QoQ | 3Q | | | | 1.4/1.3 | 21.45 | 8.45 | |
| EC | Fed's Williams Speaks at Asia Economic Policy Conference | | | | | | 21.45 | 8.45 | |
| NZ | RBNZ Household Inflation Expectations (1 year CPI) | Q4 | | | | 2.5 | 2.00 | 13.00 | |
| EC | ECB's Draghi Speaks in Frankfurt | | | | | | 8.30 | 19.30 | |
| EC | ECB Current Account SA | Sep | | | | 33.3 | 9.00 | 20.00 | |
| EC | Construction Output MoM/YoY | Sep | | / | | -0.2/1.6 | 10.00 | 21.00 | |
| EC | Bundesbank's Weidmann Speaks at European Banking Congress | | | | | | 13.00 | 0.00 | |
| US | Housing Starts #/MoM | Oct | | 1188/5.4 | | 1127.0/-4.7 | 13.30 | 0.30 | |
| CA | CPI NSA MoM/YoY | Oct | | / | | 0.2/1.6 | 13.30 | 0.30 | |
| CA | CPI Core- Common/Trim YoY% | Oct | | / | | 1.5/1.5 | 13.30 | 0.30 | |
| US | Kansas City Fed Manf. Activity | Nov | | | | 23.0 | 16.00 | 3.00 | |
| Saturday, 18 November 2017 | | | | | | | | | |
| US | Fed's Williams Speaks with Reporters | | | | | | 22.30 | 9.30 | |
| CH | Property Prices | Oct | | | | | 1.30 | 12.30 | |
| Upcoming Central Bank Interest Rate Announcements | | | | | | | | | |
| Australia, RBA | | 5-Dec | 1.50% | 1.50% | | 1.50% | | | |
| Canada, BoC | | 7-Dec | | | | 1.00% | | | |
| US Federal Reserve | | 14 Dec | 1.25-1.50% | 1.25-1.50% | | 1.00-1.25% | | | |
| UK BOE | | 14-Dec | 0.5% | | | 0.50% | | | |
| Europe ECB | | 14-Dec | -0.4% | -0.4% | | -0.4% | | | |
| Japan, BoJ | | 21-Dec | -0.1% | -0.1% | | -0.1% | | | |
| New Zealand, RBNZ | | 8-Feb | | | | 1.75% | | | |

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

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