

MARKETS TODAY

Talking Heads



Good morning

Caution remains the main theme in markets with equities softer on both sides of the Atlantic weighed down by the energy and materials sectors amid softer oil and metal prices. Ahead of US CPI tonight the USD and longer dated UST yields are lower while solid EU GDP data has helped European currencies outperform. Meanwhile a Central Bank Heads panel discussion on forward guidance left us none the wiser on the outlook for monetary policy.

Oil prices fell just under 2% overnight after the International Energy Agency said that recent price gains were unlikely to be sustained amid warning that the supply surge from US shale fields will be bigger than anything the oil and natural gas industry has ever seen. Metal prices were also softer with copper off 1.8%, aluminium -0.9% and zinc -2.3%. Iron ore was one exception up 1.6% to \$63.2. Yesterday's softer than expected activity readings from China seemingly weighed on commodities overnight.

EUR is the strongest currency over the past 24hrs, jumping from 1.1670 to just over the 1.18 mark, before settling just under the figure. Solid EU GDP data releases were the main trigger for the jump in the euro. German Q3 GDP powered on to +0.8% q/q or 2.8% y/y in revised data. Q1 was revised up to +0.7% from +0.9%. The Economics Ministry said investments and exports led the gains, despite the stronger EUR at the time. Italian GDP was also a little higher at +0.5% q/q and 1.8% y/y from 1.5% y/y. Same time German inflation remain fairly benign at 1.5% y/y.

GBP also managed to outperform the big dollar despite underwhelming UK CPI data. UK CPI for October came in at 3% y/y versus a 3.1% consensus, with core inflation also unchanged at 2.7%. Cable dropped to an overnight low of 1.3076 following the data release, but euro strength and broad base USD softness now sees the pair at 1.3161.

AUD and NZD did not benefit as much from the weakness in the USD with softness in commodity prices one hindering factor for the antipodean currencies. After a very strong NAB business survey, the softness in China's activity readings capped the AUD gains. The pair traded to an overnight high of 0.7650 before heading south again following the move lower in oil prices. AUD traded to an overnight low of 0.7613 and although it now trades at 0.7633, it still looks vulnerable to the downside. Meanwhile, despite the lack of new news, NZD has been the G10 underperformer over the past 24r, down -0.28%. The pair traded to an overnight low of 0.6845, but in the last few hours with the big dollar heading south the kiwi has recovered some ground and now trades at 0.6883.

EU data effectively overwhelmed US data releases overnight. NFIB small business optimism did rise in October, but not as much as expected and ultimately a

disappointing bounce post the hurricane impact. US PPI inflation did print higher than expected even after excluding food and energy components, but only met expectations after excluding other volatile components.

The ECB-organised central bank conference of communications did not provide much new news for markets, despite two hours or so of Draghi, Carney, Yellen and Kuroda in panel discussions. There seemed to be some back-patting in terms of recent policy pronouncements (Yellen on balance sheet) though also some acknowledgment that so many voices can be confusing to the public. Meanwhile Draghi said that forward guidance had become a full policy instrument (as opposed to protective rather than proactive when it was first used).

Lastly the White house is said to be considering the nomination of Mohamed El-Erian for Federal Reserve Vice Chairman. There is a range of candidates under consideration and this time apparently the selection focus will be on monetary policy experience for the post.

Coming up

We have a packed calendar today with US October CPI and retail sales data the main focus for markets. Australia's monthly consumer confidence reading is the first cab off the rank ahead of the Q3 Wage Price index. Also this morning Japan releases its preliminary Q3 GDP reading ahead of Industrial production and capacity utilisation data this afternoon. US retail sales and Business inventories are also out tonight along with UK labour market data. Central bank speakers are also on the menu starting with RBA Ellis early this evening followed by Fed Evans, ECB Hansson and Praet as well as BoE Haldane.

Australia's wage price index reading for Q3 is out at 11:30 this morning (AEST) and the market along with the RBA will be checking if subdued wages growth has bottomed in Australia. The market expects wages to increase 0.7% q/q and 2.2% y/y, boosted by the increase in the minimum wage which was hiked 3.3% on July 1. Our economists have pencilled in an outcome somewhere in between 0.6% and 0.7%, slightly below the market consensus. Their analysis of prior minimum wage increases suggests this last increase could add an extra 0.1% to wages growth, slightly softer than the market and the RBA's estimate of a 0.2% boost. The cut in the penalty rate is also a dampening factor in their analysis.

The market is looking for the US headline CPI to rise 0.1% in October (2% yoy exp. vs. 2.2% prev.) weighed down by a dip in gas prices. Meanwhile the more important core measure is expected to rise 0.2% in the month, keeping the yoy reading unchanged at 1.7%. Given how well priced a Fed December hike is at the moment (90%), we suspect that we probably will need to see a number sub 1.6%yoy in order for the USD to get hurt. Conversely an upward surprise could well be the

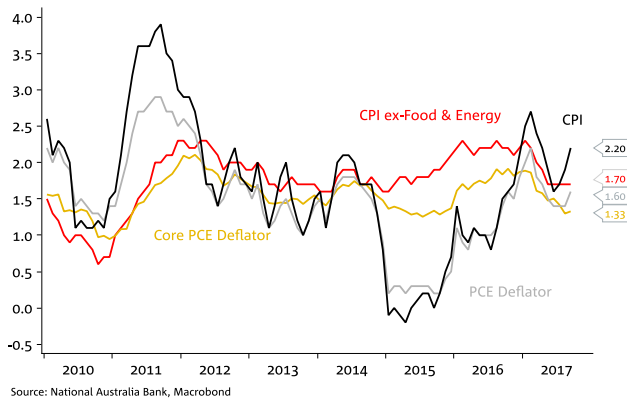
trigger that helps DXY make a decisive move above 95 and push 10y UST yields above their technical level of 2.42%. The latter scenario would also see the AUD finally break through the 76c barrier.

Lastly anaemic domestic demand should drag Japan’s Q3 GDP to a still decent 0.4% print from 0.6% in Q2 and in the UK, the market is looking for unchanged unemployment reading of 4.3% in September while wages growth are expected to slide to 2.1% from 2.2% previously.

Overnight

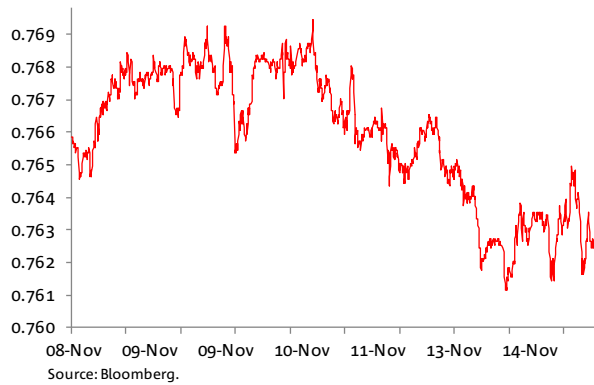
On global stock markets, the S&P 500 was -0.39%. Bond markets saw US 10-years -2.84bp to 2.38%. In commodities, Brent crude oil -1.58% to \$62.16, gold+0.4% to \$1,284, iron ore +1.6% to \$63.17, steam coal +0.2% to \$97.80, met. coal +0.0% to \$187.50. AUD is at 0.7633 and the range since yesterday 5pm Sydney time is 0.761 to 0.765.

Chart of the day: US CPI

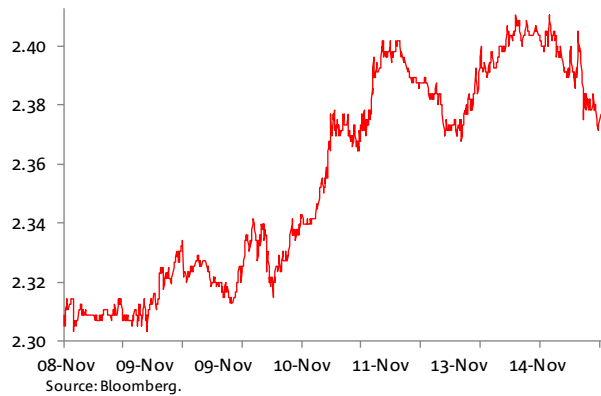


Markets

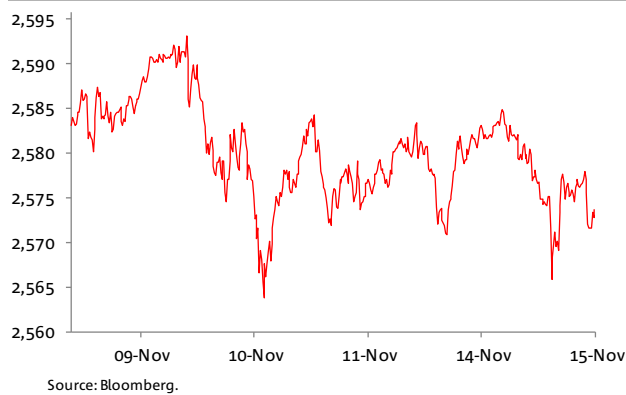
AUD/USD - past week



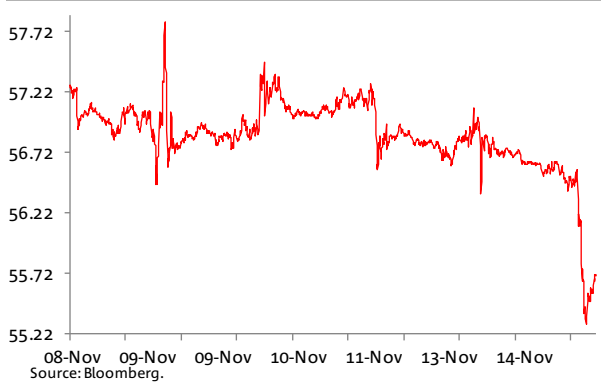
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)			Other FX			
	Last	% chge	Low	High	Last	% chge	
AUD	0.7633	0.1	0.7610	0.7650	HKD	7.8026	0.0
NZD	0.6884	-0.3	0.6845	0.6903	CNY	6.6361	-0.1
EUR	1.1799	1.1	1.1662	1.1805	SGD	1.3587	-0.2
GBP	1.3173	0.4	1.3075	1.3187	IDR	13,551	0.0
JPY	113.35	-0.2	113.31	113.91	THB	33.05	-0.1
CAD	1.2730	0.0	1.2701	1.2773	KRW	1,118	-0.2
AUD/EUR	0.6469	-1.0	0.6463	0.6545	TWD	30.18	0.0
AUD/JPY	86.52	-0.1	86.31	86.84	PHP	51.24	0.1
AUD/GBP	0.5795	-0.3	0.5782	0.5837	CHF	0.99	-0.7
AUD/NZD	1.1087	0.4	1.1036	1.1140	SEK	8.39	0.1
AUD/CNH	5.0564	-0.4	5.0550	5.1006			

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.42	1.88	2.36	USD 10	2.38	-2.84
AUD	1.50	1.71	1.93	2.83	AUD 10	2.66	3.40
NZD	1.75	1.92	2.19	3.22	NZD 10	2.94	0.80
EUR	0.00	-0.33	-0.20	0.86	CAD 10	1.95	-1.60
GBP	0.50	0.53	0.82	1.36	EUR 10	0.40	-2.00
JPY	-0.05	-0.04	0.03	0.24	GBP 10	1.32	-0.70
CAD	1.00	1.40	1.80	2.29	JPY 10	0.05	0.00

Equities

Major Indices			
	Last	% day	% y/y
Dow	23,376	-0.27	23.9
S&P 500	2,575	-0.39	19.0
Nasdaq	6,719	-0.57	28.8
VIX	11.92	3.65	-17.7
FTSE	7,414	0.0	9.8
DAX	13,033	-0.3	21.9
CAC 40	5,316	-0.5	17.9
Nikkei	22,380	0.0	26.7
Shanghai	3,430	-0.5	6.9
Hang Seng	29,152	-0.1	30.6
ASX 200	5,969	-0.9	12.1

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.27	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.35	2.00
3/10 sprd	0.45	1.00
SPI	5946.0	88.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	62.16	-1.6
Oil (WTI)	55.71	-1.8
Oil (Tapis)	64.84	-0.7
Gold	1283.50	0.4
CRB	189.06	-1.2
GS Metals	375.2	0.0
Aluminium	2070.0	-0.9
Copper	6736.5	-1.8
Nickel	11737.0	-5.6
Zinc	3167.0	-2.3
Ch. steel	3706.0	-2.0
Iron ore	63.2	1.6
St. Coal	97.8	0.2
Met.coal	187.5	0.0
Wheat Chic.	444.3	0.2
Sugar	15.1	-0.2
Cotton	68.8	-0.2
Coffee	130.5	-0.2
Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-1.0	-4.0%
FED	22	87.6%

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
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
Sunday, 19 November 2017								
Monday, 20 November 2017								
NZ	Performance Services Index	Oct				56.0	21.30	8.30
JN	Trade Balance Adjusted	Oct				240.3	23.50	10.50
UK	Rightmove House Prices MoM/YoY	Nov		/		1.1/1.4	0.10	11.10
AU	RBA's Kearns Gives Speech in Sydney							12.30
AU	RBA's Kohler Gives Speech in Sydney							14.45
JN	Convenience Store Sales YoY	Oct				0.0	7.00	18.00
EC	ECB's Nowotny Speaks at C.Bank Conference in Vienna						11.45	22.45
EC	Governors of Central European C.Banks on Panel in Vienna						12.30	23.30
UK	CBI Trends Total Orders/Selling prices	Nov		/		-2.0/18.0	20-26 Nov release	
CA	Bloomberg Nanos Confidence	Nov 10				58.0	15.00	2.00
US	Leading Index	Oct				-0.2	15.00	2.00
Tuesday, 21 November 2017								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Nov 12				112.6	22.30	9.30
AU	RBA Nov. Rate Meeting Minutes						0.30	11.30
NZ	Credit Card Spending MoM/YoY	Oct		/		0.7/4.9	2.00	13.00
JN	All Industry Activity Index MoM	Sep				0.1	4.30	15.30
UK	Public Finances (PSNCR)	Oct				11.2	9.30	20.30
AU	RBA Governor Lowe Gives Speech at annual ABE dinner in Sydney							
CA	Wholesale Trade Sales MoM	Sep				0.5	13.30	0.30
US	Chicago Fed Nat Activity Index	Oct				0.2	13.30	0.30
US	Existing Home Sales #/MoM	Oct		5.42/0.47		5.4/0.7	15.00	2.00
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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