

# MARKETS TODAY

## Shot Down in Flames (and R.I.P)



### Good morning

Two song titles in deference to the untimely death of AC/DC founding member Malcom Young at the weekend at just 64. While something of an exaggeration, they also characterise the travails of the AUD and NZD of late, which on Friday hit their lowest levels since June 2017 and June 2016 respectively.

What is particularly noteworthy about the losses seen on Thursday and Friday is that they came in the face a US dollar that was falling not rising and also in the midst of a rally in Emerging Market currencies. The JPM EM FX index of global EM FX has been falling since early September, coinciding with the fall in AUD/USD in particular from its Sep 8<sup>th</sup> peak, yet rallied quite hard toward the end of last week.

As for the break with the US dollar trend, here we'd note that yields at the 2-year part of the respective yield curves continue to rise in the US and fall in Australia. Again, since early September 2-year US yields have risen by almost 50bps and 2-year Australian yield fallen by about 20bps – a big shift in the spread that has now taken it with a single basis point of cross-over (see Chart of the Day below). It's already consistent with lower levels for the AUD.

As for markets elsewhere, Thursday's US equity rally proved fleeting, stock indices all lower on Friday (S&P500 -0.26%) despite which the VIX gave back more of its mid-week gains, down to 11.5 from 11.75. the US dollar was lower along with intermediate and longer term Treasury yields (10s -3.2bps to 2.344%) though as noted above, 2s continue to push higher, up another 1.3bps to a new cycle high of 1.723%. Dollar slippage was led by a 0.85% fall in USD/JPY to Y112.1 but assisted too by EUR and GBP gains (+0.17% and +0.15% respectively).

On the week the DXY dollar index is -0.8% and broader BBDXY -0.7%. EUR/USD is the best performing major, +1.1%, and AUD and NZD the worse, -1.3% and -1.8% respectively. US curve flattening is exemplified by the 6.7bps rise in 2 year USTs and 5.5bps fall in 10s. 10 year Bund and Gilt yields were both -5bps on the week.

The weaker USD helped commodities, up across the board with gold +\$18.30 to \$1,296.5, oil adding back \$1.40 for both WTI and Brent to \$56.55 and \$62.72 respectively but down \$0.19 and \$0.80 on the week. Iron ore gained \$1 to \$62.61 but is unchanged on the week. Gold is up \$22.

US data initially supported higher US yields but the impact proved fleeting. October housing starts jumped by +13.7%, well above the +5.9% expected. Strength was led by the hurricane-impacted southern states, but was strong even beyond this, albeit flattered by the volatile multi-starts sub-category.

Canada's October CPI conformed to expectations, dropping to 1.4% from 1.6% while all three core

measures averaged 1.6%, the same as in September. This should ensure the Bank of Canada stays on hold at its final meeting of the year on December 6<sup>th</sup>.

On Saturday, China October property prices were reported 0.3% m/m, up from 0.2% in Sep though the annual rates of price growth slipped to 5.4% from 6.3%. As for Australia's housing, Sunday's CoreLogic weekend housing market summary shows Sydney cleared a preliminary 61.5% but is likely to finalise at below 60%. Melbourne cleared a preliminary 69.6% versus last weekend's final 69.2%. So Sydney now looks to be trending below 60% and Melbourne sub-70%.

### Coming Up

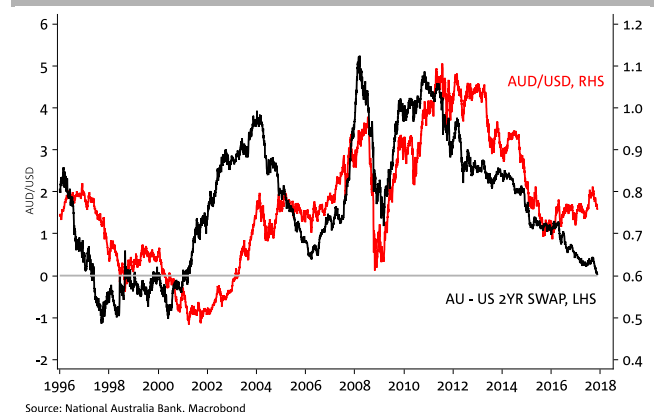
It's not a big week ahead data or events wise. The local market will be on RBA watch again with RBA Governor Lowe speaking to the annual ABE economists' forecasting dinner on Tuesday. Tuesday's Board Minutes will likely be largely superfluous given the quarterly Statement. Wednesday's local Construction Work Done estimate for Q3 is set to be flattered by the arrival in the quarter of the Prelude FLNG and Ichthys LNG FPSO facilities. Underlying domestic construction activity is however likely to have been buoyant.

Offshore, Yellen is speaking on Tuesday while Wednesday's FOMC Minutes will be parsed for policy leanings and economy insights. UK Chancellor Hammond announces his Budget on Wednesday as Brexit preparations and negotiations continue. Over the weekend, Hammond suggested the government might be about to improve its offer on the Brexit divorce bill.

### Overnight

On global stock markets, the S&P 500 was -0.26%. Bond markets saw US 10-years -3.18bp to 2.34%. In commodities, Brent crude oil +2.22% to \$62.72, gold +1.4% to \$1,297, iron ore +1.7% to \$62.61, steam coal -0.2% to \$96.55, met. coal -0.5% to \$186.00. AUD is at 0.7566 and the range since Friday 5pm Sydney time is 0.7536 to 0.7608.

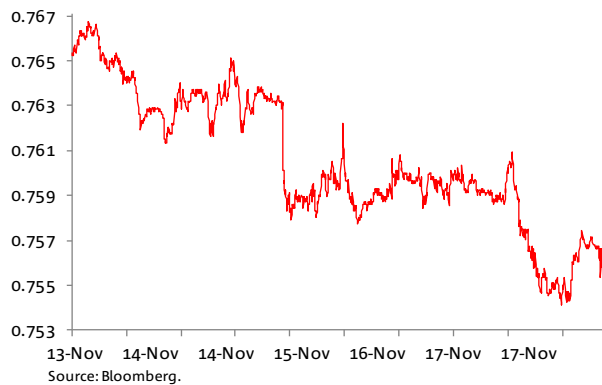
Chart of the Day – AUD/USD vs. 2-year AU-US Swap



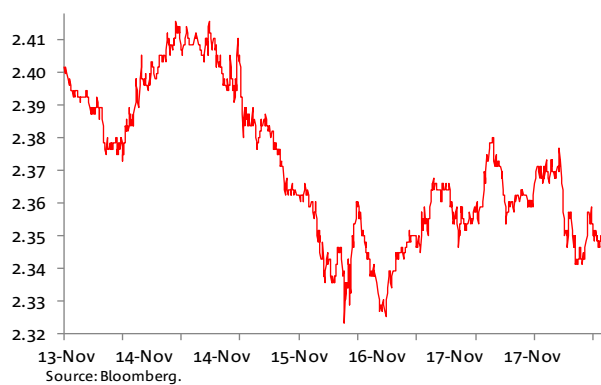
Source: National Australia Bank, Macrobond

# Markets

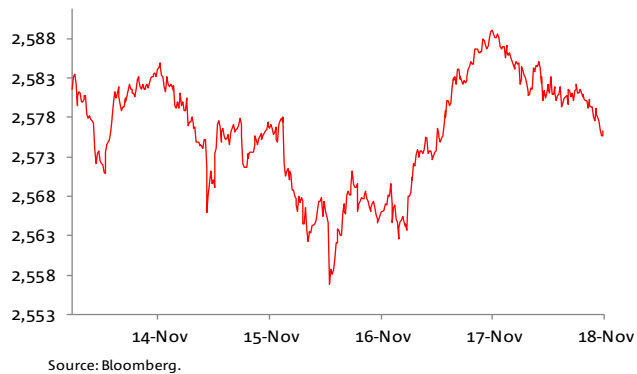
AUD/USD - past week



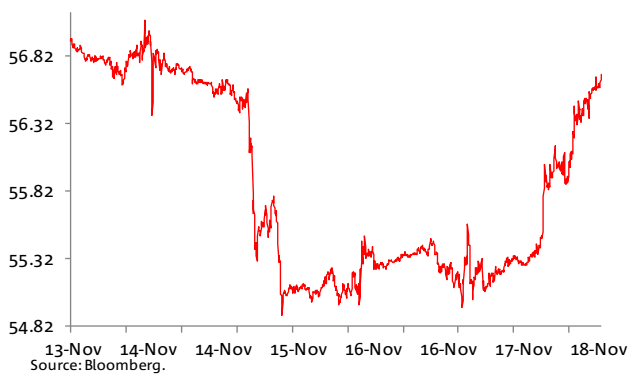
US 10yr - past week



S&P Future - past week



WTI - past week



## Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7566	-0.3	0.7536	0.7608	HKD	7.8117 0.0
NZD	0.6805	-0.7	0.6781	0.6883	CNY	6.6268 -0.1
EUR	1.1782	0.1	1.1765	1.1822	SGD	1.3561 0.0
GBP	1.3211	0.1	1.3170	1.3260	IDR	13,531 -0.1
JPY	112.09	-0.9	111.95	113.14	THB	32.85 -0.2
CAD	1.2768	0.1	1.2714	1.2824	KRW	1,098 -0.4
AUD/EUR	0.6421	-0.4	0.6387	0.6450	TWD	30.08 -0.1
AUD/JPY	84.73	-1.2	84.61	85.85	PHP	50.95 0.4
AUD/GBP	0.5727	-0.4	0.5692	0.5753	CHF	0.99 -0.6
AUD/NZD	1.1099	0.2	1.1044	1.1131	SEK	8.43 0.4
AUD/CNH	4.9993	-0.7	5.0042	5.0411		

## Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.44	1.89	2.34	USD 10	2.34	-3.18
AUD	1.50	1.72	1.90	2.75	AUD 10	2.57	-0.90 0.23
NZD	1.75	1.91	2.16	3.14	NZD 10	2.86	1.10 0.51
EUR	0.00	-0.33	-0.20	0.83	CAD 10	1.94	-3.60 -0.41
GBP	0.50	0.53	0.82	1.35	EUR 10	0.36	-1.50 -1.98
JPY	-0.05	-0.03	0.04	0.24	GBP 10	1.29	-1.50 -1.05
CAD	1.00	1.40	1.77	2.26	JPY 10	0.04	-1.60 -2.31

## Equities

Major Indices			
	Last	% day	% y/y
Dow	23,358	-0.43	23.8
S&P 500	2,579	-0.26	18.2
Nasdaq	6,783	-0.15	27.5
VIX	11.43	-2.81	-11.1
FTSE	7,381	-0.1	8.9
DAX	12,994	-0.4	21.8
CAC 40	5,319	-0.3	18.1
Nikkei	22,397	0.2	24.7
Shanghai	3,383	-0.5	6.0
Hang Seng	29,199	0.6	30.7
ASX 200	5,957	0.2	11.2

## Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.27	0.00
3 Yr bond	97.8	0.00
10 Yr bond	97.43	0.00
3/10 sprd	0.38	0.00
SPI	5959.0	-8.0

\*Change in bps

## Commodities\*

	Last	% day
Oil (Brent)	62.72	2.2
Oil (WTI)	56.55	2.6
Oil (Tapis)	63.71	0.5
Gold	1296.50	1.4
CRB	190.39	1.1
GS Metals	368.9	0.6
Aluminium	2092.5	0.1
Copper	6756.5	0.6
Nickel	11531.5	2.0
Zinc	3200.5	1.1
Ch. steel	3651.0	-1.2
Iron ore	62.6	1.7
St. Coal	96.6	-0.2
Met. coal	186.0	-0.5
Wheat Chic.	443.5	1.3
Sugar	15.4	0.7
Cotton	69.8	0.8
Coffee	127.3	-2.2

## Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	-0.2	-1.0%
FED	23	90.8%

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
Friday, 17 November 2017								
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		1190/5.6		1127.0/-4.7	13.30	0.30
CA	CPI NSA MoM/YoY	Oct		0.1/1.4		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		20.5		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
Monday, 20 November 2017								
NZ	Performance Services Index	Oct				56.0	21.30	8.30
NZ	Food Prices MoM	Oct	1.0			-0.2	21.45	8.45
JN	Trade Balance Adjusted	Oct		206.7		240.3	23.50	10.50
UK	Rightmove House Prices MoM/YoY	Dec		/		-0.8/1.8	0.10	11.10
AU	RBA's Kearns (AG, Financial Stability) speaks at Aus-China Property Developers Conference						1.30	12.30
AU	RBA's Kohler (AG, Financial Markets) speaks at Aust Securitisation Forum, Sydney						3.45	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	ECB's Lautenschlaeger Speaks at IIF Forum in Frankfurt						12.15	23.15
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	
EC	Draghi speaks in Brussels in his capacity as ESRB Chair						16.00	3.00
CA	Bloomberg Nanos Confidence	Nov 17				58.8	15.00	2.00
US	Leading Index	Oct		0.6		-0.2	15.00	2.00
Tuesday, 21 November 2017								
AU	Panel participation by RBA's Bullock (AG, Financial System) at the Women in Payments Symposium, Sydney						22.30	9.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Nov 19				114.8	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		-0.4		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
EC	ECB's Coeure Chairs Panel in Frankfurt						15.00	2.00
US	Existing Home Sales #/MoM	Oct		5.4/0.19		5.4/0.7	15.00	2.00
NZ	Dairy auction, early am NZT					-3.5		
Wednesday, 22 November 2017								
NZ	Net Migration SA	Oct				5190	21.45	8.45
US	Fed's Yellen Speaks at Stern Business School: "In Conversation with Mervyn King"						23.00	10.00
AU	Westpac Leading Index MoM	Oct				0.1	23.30	10.30
AU	Skilled Vacancies MoM	Oct				0.0	0.00	11.00
AU	Construction Work Done	3Q	14	-2.3		9.3	0.30	11.30
EC	ECB's Villeroy opens ACPR Conference in Paris						8.00	19.00
EC	ECB's Villeroy Speaks at EIOPA Conference in Frankfurt						12.30	23.30
UK	U.K. Chancellor Hammond Makes Autumn Statement to Parliament (new economic and budget forecasts)						12.30	23.30
US	Initial Jobless Claims	Nov 18				249.0	13.30	0.30
US	Durable Goods Orders/Core Orders	Oct P		0.3/0.5		2.0/1.7	13.30	0.30
US	Bloomberg Consumer Comfort	Nov 19				52.1	14.45	1.45
EC	Consumer Confidence	Nov A		-1		-1.0	15.00	2.00
US	U. of Mich. Sentiment/5-10 Yr Inflation expectations	Nov F		98.2/		97.8/2.5	15.00	2.00
US	FOMC Meeting Minutes	Nov 1					19.00	6.00
Thursday, 23 November 2017								
US	Thanksgiving Day holiday (followed by Black Friday shopping)							
NZ	Retail Sales Ex Inflation QoQ	3Q	-1.0	0.1		2.0	21.45	8.45
GE	GDP SA QoQ/YoY	3Q F		0.8/2.8		0.8/2.8	7.00	18.00
GE	Markit/BME Germany Manufacturing PMI	Nov P		60.3		60.6	8.30	19.30
GE	Markit Germany Services/Composite PMI	Nov P		55/56.8		54.7/56.6	8.30	19.30
EC	Markit Eurozone Manufacturing PMI	Nov P		58.2		58.5	9.00	20.00
EC	Markit Eurozone Services/Composite PMI	Nov P		55.2/55.8		55.0/56.0	9.00	20.00
EC	ECB's Villeroy Speaks at French Chamber of Commerce in London						12.00	23.00
EC	ECB account of the monetary policy meeting						12.30	23.30
CA	Retail Sales/Ex autos MoM	Sep		/		-0.3/-0.7	13.30	0.30
EC	ECB's Coeure Speaks at Conference in Paris						18.15	5.15
EC	ECB's Villeroy Speaks at London Business School						18.30	5.30
Friday, 24 November 2017								
NZ	Trade Balance NZD	Oct		-760		-1143.0	21.45	8.45
NZ	Annual national accounts. Yr to March 17							
JN	Nikkei Japan PMI Mfg	Nov P				52.8	0.30	11.30
NZ	New Residential Lending YoY	Oct				-21.7	2.00	13.00
JN	Leading Index Cl	Sep F				106.6	5.00	16.00
GE	IFO Business Climate/Current assessment	Nov		116.5/124.7		116.7/124.8	9.00	20.00
UK	UK Finance Loans for Housing	Oct				41584.0	9.30	20.30
EC	ECB's Nouy Speaks at Conference in Frankfurt						10.30	21.30
UK	CBI Retailing/Total Distributives Reported Sales	Nov		/		-36.0/1.0	24-29 Nov release	
US	Markit US Manufacturing/Services PMI	Nov P		55		54.6	14.45	1.45
US	Baker Hughes U.S. Riq Count	Nov 17		/		907.0/738.0	18.00	5.00
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

## CONTACT DETAILS

### Authors

David de Garis  
Director, Economics  
+61 3 8641 3045  
david.degaris@nab.com.au

Ray Attrill  
Head of FX Strategy  
+61 2 9237 1848  
ray.attrill@nab.com.au

Rodrigo Catril  
Currency Strategist  
+61 2 9293 7109  
rodrigo.h.catril@nab.com.au

Tapas Strickland  
Economist  
+61 2 9237 1980  
tapas.strickland@nab.com.au

### Markets Research

Peter Jolly  
Global Head of Research  
+61 2 9237 1406  
peter.jolly@nab.com.au

### Group Economics

Alan Oster  
Chief Economist  
+61 3 8634 2927  
alan\_oster@national.com.au

### Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.