

MARKETS TODAY

She is leaving home



Good morning

The overnight session saw an improvement in risk sentiment with European equities closing in positive territory while US equities are also having a good day so far. The USD is stronger against most currencies and US Treasury yields are also higher with the move led by the front end of the curve. The Euro has been up and down amid political turmoil in Germany and I wouldn't blame you if you thought the above song title (a 1967 Beatles hit from the album Sgt. Pepper's Lonely Hearts Club Band) had something to do with the German Chancellor. Instead, the title refers to news that Fed Chair Yellen will resign as a member of the Fed's board of governors once her successor as Fed leader has been sworn in. The move was widely expected.

Health care and IT were the leading equity sectors in Europe overnight while Telcos are the outstanding performers so far in the US. Meanwhile US energy share are struggling reflecting softness in oil prices amid doubts over the outcome from next week's OPEC meeting with other oil producers including Russia.

GBP is the only G10 currency that has outperformed the USD over the past 24hrs helped along by an increase in confidence that the UK government will manage to agree a divorce bill with Europe. Cable currently trades at 1.3235 (+0.12%), after trading down to 1.3187 late yesterday.

While higher US Treasury yields boosted the USD, the greenback also benefited from EUR weakness amid political disarray in Germany. Yesterday EUR dropped 70 pips to 1.1722 after Merkel declared the Jamaican coalition discussions had failed. The pro-market Free Democratic Party walked out of the talks, saying that differences with the environmentalist Green party were too great to bridge. The move lower was then reversed during the European session overnight, but later in the day comments from Merkel drove the EUR back down to 1.1732. The German Chancellor said she'd rather face new elections than govern without a majority, but also said that she is open to a grand coalition.

Meanwhile, comments from ECB President Draghi to the EU Parliament did the EUR no favours stating 'despite a firm economic recovery, inflation dynamics have yet to show convincing signs of a self-sustained upward trend'.

AUD has traded in a 20 pips range overnight with softness in oil and precious metals more than countering the improvement in risk appetite. AUD now trades at 0.7549, 10 pips lower relative to yesterday's Sydney closing levels.

NZD/USD did push up toward 0.6840 after the local close yesterday, but drifted back with USD strength overnight. NZD/USD currently sits around 0.6810, not far from this time yesterday.

US 10-year Treasury yields initially dipped under 2.33% yesterday, on a mild risk off move associated with the German political developments. But any thoughts of testing the 200dma average around 2.305% evaporated as risk sentiment improved and equity markets pushed upwards. Yields rose overnight to currently sit just over 2.36%, up around 2bps on the day. The strong leading index reading helped push US 2-year Treasury yields up to a new cycle high of 1.75%, nearly 3bps higher and maintaining flattening pressure on the US curve.

In other news, U.S. President Donald Trump said he will designate North Korea a state sponsor of terrorism, subjecting the regime to additional sanctions and reinforcing that nation's status as an international pariah.

Coming Up

With 2-year swap rate differentials between Australia and the United States still sitting precariously just above zero the next move here could come from either the Australian or US side given that the heads of both countries' central banks are speaking in the next 24 hours or so.

The minutes of the November RBA meeting should be a non-event given we've already had the ensuing Statement on Monetary Policy in which the Bank downgraded its inflation forecasts over the entire forecast horizon. Of much greater interest is Governor Lowe's address to the Australian Business Economists annual dinner at 8:05pm, around the same time Lorde will be playing on the steps of the Sydney Opera House. I'm going to hear Dr. Lowe while my boss Ray Attrill is going to the latter – bet on it raining.

Bearing in mind that local money markets still have a first RBA tightening priced for Q4 2018 with about an 80% probability, any suggestion from Dr Lowe that he sees a 2018 first move as unlikely – not that we think he will – could move that AU-US spread into negative territory.

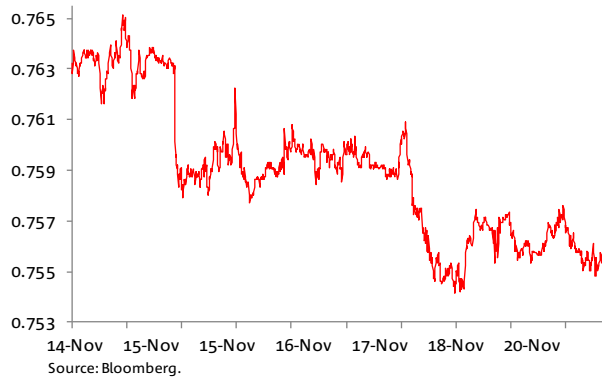
From the US side, Janet Yellen is speaking Tuesday night at the Stern Business School 'in conversation with Mervyn King'. But is not until 6pm NY time, meaning 10:00 AEDT Wednesday. US data interest tonight is Existing Home Sales. We also have the latest dairy auction, where the 3.5% drop at the last one two weeks ago was responsible for about a 25-point drop in NZD/USD.

Overnight

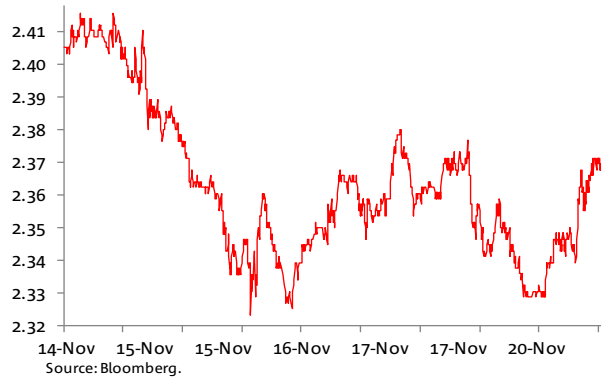
On global stock markets, the S&P 500 was +0.19%. Bond markets saw US 10-years +1.95bp to 2.36%. In commodities, Brent crude oil -1.15% to \$62, gold -1.6% to \$1,276, iron ore +1.4% to \$63.47, steam coal -0.2% to \$96.55, met. coal +0.0% to \$186.00. AUD is at 0.7551 and the range since yesterday 5pm Sydney time is 0.7544 to 0.7574.

Markets

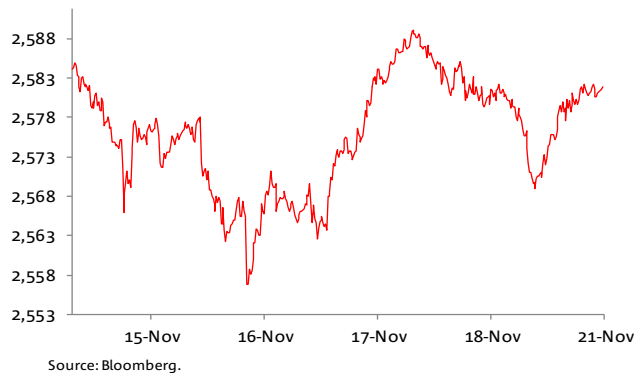
AUD/USD - past week



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	0.7551	-0.2	0.7544	0.7574	HKD	7.8118	0.0
NZD	0.6810	0.0	0.6794	0.6840	CNY	6.6372	0.2
EUR	1.1747	-0.4	1.1722	1.1812	SGD	1.3572	0.1
GBP	1.3230	0.1	1.3186	1.3279	IDR	13,529	0.0
JPY	112.58	0.4	111.89	112.60	THB	32.82	-0.1
CAD	1.2791	0.2	1.2750	1.2808	KRW	1,101	0.3
AUD/EUR	0.6428	0.2	0.6401	0.6449	TWD	30.06	-0.1
AUD/JPY	85.01	0.2	84.50	85.02	PHP	50.74	-0.4
AUD/GBP	0.5707	-0.3	0.5695	0.5732	CHF	0.99	0.3
AUD/NZD	1.1087	-0.2	1.1058	1.1122	SEK	8.47	0.5
AUD/CNH	5.0099	0.2	5.0131	5.0411			

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.44	1.92	2.36	USD 10	2.36	1.95
AUD	1.50	1.72	1.92	2.77	AUD 10	2.54	-3.00
NZD	1.75	1.92	2.16	3.12	NZD 10	2.80	-5.20
EUR	0.00	-0.33	-0.19	0.84	CAD 10	1.97	3.10
GBP	0.50	0.53	0.84	1.34	EUR 10	0.36	0.20
JPY	-0.05	-0.03	0.04	0.24	GBP 10	1.29	-0.20
CAD	1.00	1.40	1.80	2.29	JPY 10	0.04	0.20

Equities

Major Indices			
	Last	% day	% y/y
Dow	23,449	0.39	24.3
S&P 500	2,584	0.19	18.4
Nasdaq	6,790	0.11	27.6
VIX	10.57	-7.52	-17.8
FTSE	7,389	0.1	9.1
DAX	13,059	0.5	22.4
CAC 40	5,340	0.4	18.6
Nikkei	22,262	-0.6	23.0
Shanghai	3,392	0.3	5.4
Hang Seng	29,260	0.2	30.9
ASX 200	5,946	-0.2	11.1

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.26	-1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.42	3.00
3/10 sprd	0.38	-3.00
SPI	5985.0	-22.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	62.00	-1.1
Oil (WTI)	55.99	-1.0
Oil (Tapis)	63.97	0.4
Gold	1275.70	-1.6
CRB	188.78	-0.8
GS Metals	368.9	0.0
Aluminium	2074.5	-0.9
Copper	6808.5	0.8
Nickel	11614.0	0.7
Zinc	3182.0	-0.6
Ch. steel	3705.0	1.3
Iron ore	63.5	1.4
St. Coal	96.6	-0.2
Met.coal	186.0	0.0
Wheat Chic.	439.0	-1.0
Sugar	15.0	-2.5
Cotton	71.0	1.7
Coffee	125.0	-1.8

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-1.0	-4.0%
FED	22	89.6%

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
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 CI	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. Rig Count	Nov 17		/		907.0/738.0	18.00	5.00
Monday, 27 November 2017								
JN	PPI Services YoY	Oct				0.9	23.50	10.50
CH	Industrial Profits YoY	Oct				27.7	1.30	12.30
GE	Retail Sales MoM/YoY	Oct				0.5	27 Nov-4 Dec release	
CA	Bloomberg Nanos Confidence	Nov 17				58.8	15.00	2.00
US	New Home Sales #/MoM	Oct		615		667.0	15.00	2.00
US	Dallas Fed Manf. Activity	Nov				27.6	15.30	2.30
Tuesday, 28 November 2017								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Nov 19				114.8	22.30	9.30
EC	M3 Money Supply YoY	Oct				5.1	9.00	20.00
EC	OECD Economic Outlook						10.00	21.00
GE	GfK Consumer Confidence	Dec				10.7	12.00	23.00
UK	Nationwide House PX MoM/YoY	Nov		/		0.2/2.5	29 Nov-4 Dec release	
US	Advance Goods Trade Balance	Oct		-65.5		64.1	13.30	0.30
US	Wholesale/Retail Inventories MoM	Oct P				0.3	13.30	0.30
CA	Industrial Product/Raw Materials Price MoM	Oct				-0.3	13.30	0.30
US	FHFA House Price Index MoM	Sep				0.7	14.00	1.00
US	House Price Purchase Index QoQ	3Q				1.6	14.00	1.00
US	S&P CoreLogic CS 20-City MoM SA/YoY	Sep				0.5	14.00	1.00
US	Conf. Board Consumer Confidence	Nov		123		125.9	15.00	2.00
US	Senate Banking Cmte Holds Hearing on Fed Chair Nominee Powell						15.00	2.00
US	Richmond Fed Manuf. Index	Nov				12.0	15.00	2.00
CA	Bank of Canada Gov. Poloz, Sr. Dep. Gov Wilkins Press Conf.						16.15	3.15
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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