

MARKETS TODAY

Get back Up



Good morning

A rather uninspired song title (from a band whose name might not make it through the filters) from your somewhat sleep-deprived scribe (Lorde concert at the Opera House on a school-night, and at my age). It's nevertheless appropriate on several levels: risk sentiment, together with US equities, is up (the VIX is back below 10 for the first time in two weeks, S&P up 0.7%). And RBA Governor Phil Lowe last night re-iterated the view that the next move in rates will likely be up. Because of both of these, the Aussie dollar is back up, by almost 0.5% to a high of 0.7590.

AUD has though been outbid by the Scandinavian currencies, SEK benefiting from a central bank talking its currency up not down (a very rare sight) and the NOK from modestly higher oil prices. The CAD and Mexican peso are also both stronger, less to do with oil, more on the 'no news (yet) is good news' with regards to preservation of NAFTA in its current guise, though that of course could yet all change in coming months.

Amongst the so-called commodity currencies, even the NZD has pushed higher, seemingly on the coattails of AUD strength, despite another poor GDT dairy auction where average prices fell 3.4% (this following a 3.5% drop two weeks ago). This reinforces downward pressure on Fonterra's current \$6.75 milk price forecast (BNZ already forecasts this coming down to \$6.30). On another day the NZD could have suffered quite badly (as indeed it did following the previous auction). Testament perhaps to our view that the flightless bird had become rather oversold in the aftermath of the election.

As for the Lowe speech last night, the Governor presented a positive picture of growth with the mining investment cycle seen to be well and truly behind us, while dwelling at length on the possible causes of low wages and which he equates to low inflation, low interest rates and high asset prices.

Competitive pressures figured prominently here (with employees concerned about job security from either overseas labour markets or technology) and employers under pressure to keep a 'laser-like' focus on costs (in retailing especially, including food) of which of course wages are the biggest component for most firms.

Yet in reiterating that the next move in rates should be up, and that the current highly accommodative policy stance was appropriate for the 'near term', he didn't give any succour to the view that the RBA was likely to be on hold indefinitely (e.g. for at least a year, as the IMF suggested after releasing its latest 'Article IV consultation on the Australian economy earlier this week). Dr Lowe also made no reference to the currency, whereas there has been some thought he could have taken the opportunity to try give the AUD a nudge in the direction it has recently been travelling. Not so.

Ray Attrill, Head of FX strategy

In other markets, the US Treasury yields curve continues to flatten, the 2-10s spread by another 3bps overnight driven from both sides – slightly lower 10-year yields but another 2bp rise in the 2-year note, weighing on the USD in the process. This has served to push the spread between Australian and United States' 2-year swap rate decisively into negative territory, amid largely unchanged yields at the front end of the Australian curve.

Coming Up

There hasn't been a huge amount for markets to get their teeth into so far this week. Being the day before Thanksgiving, this may well remain the case today. That said, there's a fair bit of calendar interest, commencing at 10:00 AEDT with outgoing Fed chair Janet Yellen in conversation with ex-Bank of England Governor Mervyn King. Hopefully it will be moderated, or else it risks descending into a mutual admiration society affair.

Local data interest comes courtesy of Q3 construction work done. NAB has a high conviction of upside risk due to some large LNG facilities being imported in the quarter. The market consensus is -2.3% q/q while NAB is going for a +14% print (NAB isn't alone in expecting a high print with another of the big local banks picking +25%). If a jump of this magnitude does materialize, it should be seen for what it is – an aberration.

Offshore, the UK Chancellor Philip Hammond deliver his Budget speech to parliament at 12:30 local time (23:30 AEDT), which comes on the heels of reports Monday night that Prime Minister Theresa May won support from members of her Cabinet to double Britain's exit payment offer to the European Union to 40 billion pounds (~€45bn), though reportedly for some of the pro-Brexit ministers, a sum which could be withdrawn if the EU does not offer an acceptable Brexit deal). Let's see if this number appears in the Budget arithmetic, or at least rates a mention in the speech.

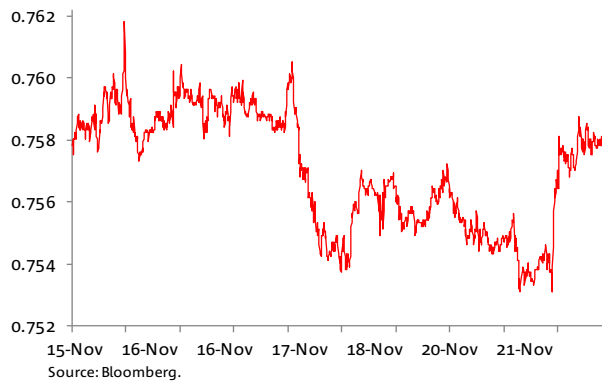
Ahead of the Thanksgiving holiday, the US releases data on durable goods orders (+0.4% seen for headline), weekly jobless claims and the final University of Michigan consumer sentiment survey. The preliminary reading unexpectedly fell to 97.8 from 100.7 and is expected to print a final 98.1.

Overnight

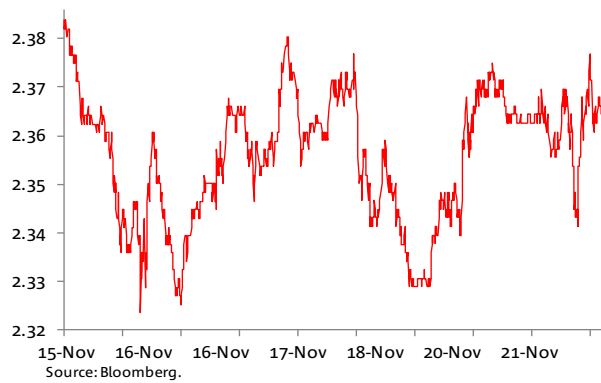
On global stock markets, the S&P 500 was +0.67%. Bond markets saw US 10-years -0.53bp to 2.36%. In commodities, Brent crude oil +0.58% to \$62.58, gold+0.4% to \$1,281, iron ore -1.5% to \$62.50, steam coal -0.4% to \$95.90, met. coal +0.0% to \$186.00. AUD is at 0.7579 and the range since yesterday 5pm Sydney time is 0.7532 to 0.759.

Markets

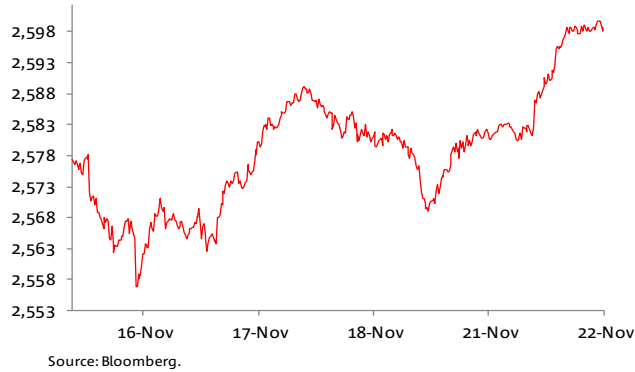
AUD/USD - past week



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	0.7579	0.4	0.7532	0.7590	HKD	7.8120 0.0
NZD	0.6834	0.4	0.6789	0.6841	CNY	6.6290 -0.1
EUR	1.1740	0.1	1.1713	1.1758	SGD	1.3540 -0.2
GBP	1.3235	0.0	1.3210	1.3267	IDR	13,529 0.0
JPY	112.45	-0.2	112.18	112.70	THB	32.76 -0.2
CAD	1.2779	-0.3	1.2749	1.2837	KRW	1,096 -0.4
AUD/EUR	0.6455	0.3	0.6413	0.6468	TWD	30.05 0.0
AUD/JPY	85.22	0.2	84.75	85.32	PHP	50.72 0.0
AUD/GBP	0.5726	0.4	0.5682	0.5735	CHF	0.99 -0.2
AUD/NZD	1.1089	0.0	1.1066	1.1116	SEK	8.44 -0.5
AUD/CNH	5.0253	0.3	5.0011	5.0283		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.45	1.94	2.36	USD 10	2.36	-0.53
AUD	1.50	1.72	1.91	2.75	AUD 10	2.55	0.50 0.19
NZD	1.75	1.92	2.16	3.12	NZD 10	2.82	1.60 0.46
EUR	0.00	-0.33	-0.19	0.81	CAD 10	1.93	-2.90 -0.44
GBP	0.50	0.53	0.83	1.33	EUR 10	0.35	-1.20 -2.01
JPY	-0.05	-0.03	0.03	0.24	GBP 10	1.27	-1.80 -1.09
CAD	1.00	1.40	1.79	2.24	JPY 10	0.03	-0.50 -2.33

Equities

Major Indices			
	Last	% day	% y/y
Dow	23,581	0.64	24.4
S&P 500	2,599	0.67	18.2
Nasdaq	6,855	0.95	27.7
VIX	9.89	-7.14	-20.4
FTSE	7,411	0.3	9.3
DAX	13,168	0.8	23.2
CAC 40	5,366	0.5	18.5
Nikkei	22,416	0.7	23.4
Shanghai	3,410	0.5	5.0
Hang Seng	29,818	1.9	31.5
ASX 200	5,964	0.3	10.2

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.26	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.43	0.50
3/10 sprd	0.37	2.50
SPI	6000.0	-39.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	62.58	0.6
Oil (WTI)	56.93	0.9
Oil (Tapis)	64.49	0.8
Gold	1280.50	0.4
CRB	189.83	0.3
GS Metals	369.2	0.0
Aluminium	2070.5	-0.2
Copper	6888.5	1.2
Nickel	11822.5	1.8
Zinc	3210.0	0.9
Ch. steel	3807.0	3.9
Iron ore	62.5	-1.5
St. Coal	95.9	-0.4
Met.coal	186.0	0.0
Wheat Chic.	441.3	0.6
Sugar	14.9	-0.7
Cotton	70.9	-0.7
Coffee	126.7	0.7

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

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		240	249.0	13.30	0.30
US	Durable Goods Orders/Core Orders	Oct P		0.4/0.6	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		-0.9	-1.0	15.00	2.00
US	U. of Mich. Sentiment/5-10 Yr Inflation expectations	Nov F		98/	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		60.4	60.6	8.30	19.30
GE	Markit Germany Services/Composite PMI	Nov P		55/56.7	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		55.2/56	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		0.9/1	-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		116.6/125	116.7/124.8	9.00	20.00
UK	UK Finance Loans for Housing	Oct		40850	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		3/	-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 24		/	915.0/738.0	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		617.5	667.0	15.00	2.00
US	Dallas Fed Manf. Activity	Nov		24	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		124	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		14	12.0	15.00	2.00
CA	Bank of Canada Gov. Poloz, Sr. Dep. Gov Wilkins Press Conf.					16.15	3.15
Wednesday, 29 November 2017							
JN	Retail Sales MoM/YoY	Oct			0.8	23.50	10.50
UK	BRC Shop Price Index YoY	Nov			-0.1	0.10	11.10
UK	Mortgage Approvals	Oct			66.2	9.30	20.30
EC	Business Climate Indicator	Nov			1.4	10.00	21.00
US	MBA Mortgage Applications	Nov 17			3.1	12.00	23.00
GE	CPI EU Harmonized MoM/YoY	Nov P			-0.1	13.00	0.00
US	GDP Annualized QoQ	3Q S		3.3	3.0	13.30	0.30
US	Yellen Appears before Joint Economic Committee of Congress					15.00	2.00
US	Pending Home Sales MoM/YoY	Oct		1	0.0	15.00	2.00
US	U.S. Federal Reserve Releases Beige Book					19.00	6.00
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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