

MARKETS TODAY

Slip slidin' away



Good morning

The UK Budget was handed down overnight and UK growth estimates have been marked down from low productivity. Growth for 2017 was cut down from 2.0% to 1.5%, 1.4% growth expected for 2018, then to 1.3% for 2019 and 2020. As my London colleague Gavin Friend reminded us overnight, that's a far cry from the 2½-3% growth not only in the US but now in Europe. There'll be a reminder of this tonight with the second estimates of UK and German Q3 growth, the UK's initially pegged at 1.5% y/y and Germany's at 2.8% y/y.

A cut to official UK growth forecasts into the lower "1s" and deficits as far as the eye can see picked up a large measure of understandable UK press coverage and saw some initial selling of Sterling. (Consensus forecasts for the UK are around 1½% this year and the next two years, so somewhat less dour.) Trading though was choppy and Sterling was supported by an emerging softer USD after Yellen's comments in her "fireside chat" yesterday with ex-BoE chief King with wider audience Q&A in NY.

Yellen said yesterday in a warning that tightening too quickly risked stranding inflation below the Fed's 2% target. She also called out the continuing heightened level of uncertainty over the inflation outlook, even though she said that most FOMC members were using a working assumption that the downside mystery on inflation this year (including from idiosyncratic factors) would not re-appear next year. Such a low conviction view didn't impress the USD market, the USD falling back, as have US Treasury yields overnight. The AUD/USD has popped its head back above 0.76 this morning.

The Fed has just released the 2 Nov Minutes suggested that a December hike (baked into pricing) is still on ("many Fed policy makers saw 'near term' rate hike as warranted"), a "few" opposing it on the grounds of weak inflation. The quote that "many officials observed that low inflation 'might reflect not only transitory factors, but also the influence of developments that could prove more persistent'" suggests that FOMC members might be on the verge of wavering on their dot point forecasts for 2018. They may well hang tough in December; the outlook for the Fed funds will be determined by the data runs. In the end, the Minutes noted that "nearly all participants" reaffirmed the view that gradual rate hikes would be warranted.

US Durable goods orders for October was a little softer than expected for both headline and core orders, though the trend remains positive. Jobless claims in the week of 18 Nov fell back from 252K to 239K, consistent with a still strong job market.

Coming up

With the US now largely out for the rest of the week for the Thanksgiving Day holiday and Black Friday sales, there's very little data and scheduled market sensitive

events scheduled there. What attention there is in the US will likely be on the success or otherwise of the Black Friday sales, pcp comparisons and so on.

NZ has its Q3 retail sales volumes this morning at 8.45 AEDT. BNZ expects it to drop 1.0%, payback after the boost to the June quarter (+2% q/q) was lit by the big sports events NZ hosted in April through June. Q3 will also probably suffer a correction in auto sales, after their big outturn in Q2. Market consensus is for +0.1%; any positive outcome should be viewed very positively.

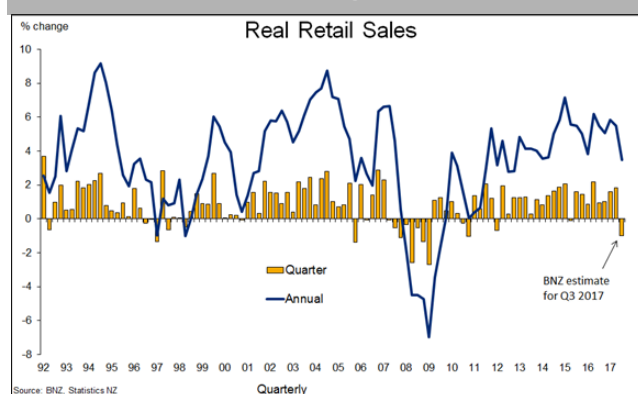
There is quite a bit of European focus first with another vintage of Germany's Q3 GDP (L: 0.8%/2.8%) along with the UK's (L: 0.4%/1.5%). Then it's the German/Eurozone preliminary PMIs for November, the consensus looking for another month of solid readings. As far as Germany is concerned, market observers are paying closer attention to whether Angela Merkel can actually cobble together a working coalition and avoid another elections, such hopes re-flickering again overnight.

There's quite a bit of ECB/policy focus with the release of the ECB's October 26 Governing Council Minutes at which the decision to continue with QE without specifying an end date was not unanimous, let alone the issue of reversing negative rates. There are several opportunities for the French to voice their concerns with the BdF Governor Villeroy scheduled to speak twice along with a speech from the ECB's Benoit Coeure. Canada has its September Retail Sales report too, sales expected to bounce by 0.9% in the month after a 0.3% decline in August.

Overnight

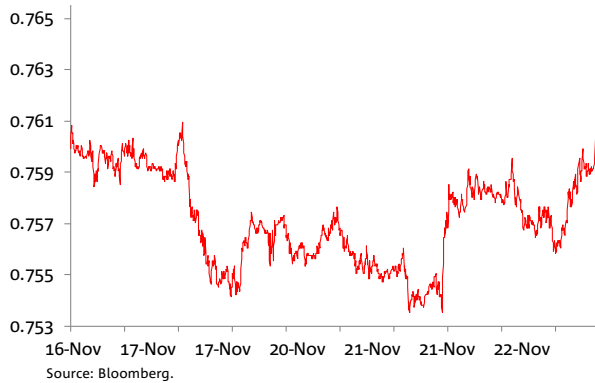
On global stock markets, the S&P 500 was -0.06%. Bond markets saw US 10-years -3.54bp to 2.32%. In commodities, Brent crude oil +1.10% to \$63.26, gold +0.9% to \$1,293, iron ore +4.3% to \$65.17, steam coal +0.3% to \$96.20, met. coal +1.5% to \$190.25. AUD is at 0.7613 and the range since yesterday 5pm Sydney time is 0.7558 to 0.7618.

Chart: NZ post sport retail hangover

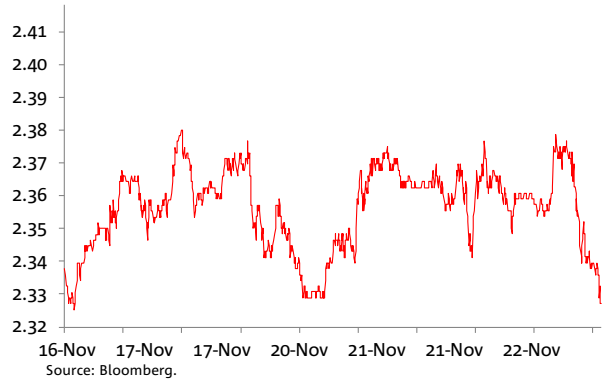


Markets

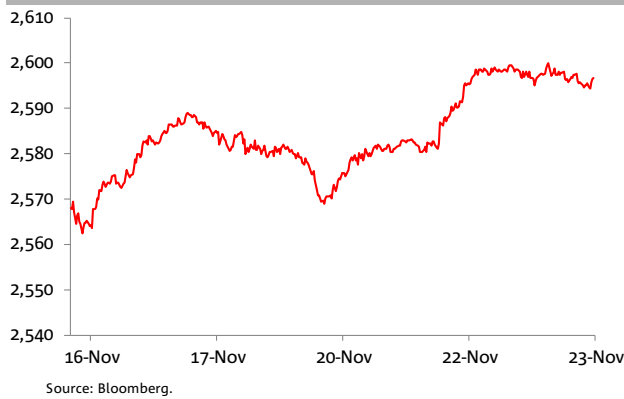
AUD/USD - past week



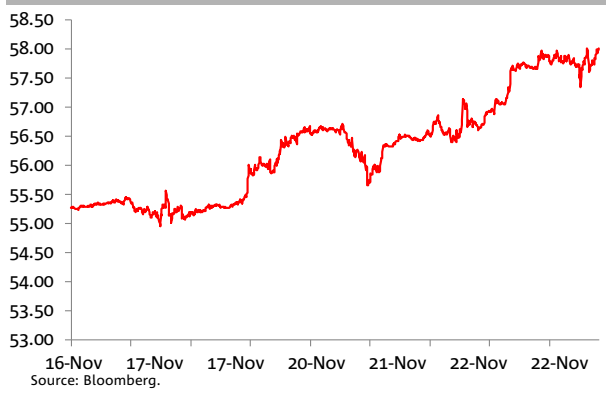
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7613	0.5	0.7558	0.7618	HKD	7.8113 0.0
NZD	0.6883	0.9	0.6821	0.6887	CNY	6.6103 -0.3
EUR	1.1821	0.7	1.1736	1.1827	SGD	1.3469 -0.6
GBP	1.3316	0.7	1.3214	1.3324	IDR	13,523 0.0
JPY	111.19	-1.2	111.14	112.18	THB	32.67 -0.3
CAD	1.2699	-0.7	1.2697	1.2763	KRW	1,089 -0.6
AUD/EUR	0.6441	-0.2	0.6430	0.6455	TWD	29.94 -0.3
AUD/JPY	84.65	-0.7	84.60	84.96	PHP	50.61 -0.2
AUD/GBP	0.5717	-0.2	0.5704	0.5734	CHF	0.98 -1.1
AUD/NZD	1.1062	-0.4	1.1054	1.1086	SEK	8.34 -1.9
AUD/CNH	5.0175	-0.2	4.9989	5.0327		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.45	1.90	2.32	USD 10	2.32	-3.54
AUD	1.50	1.73	1.88	2.71	AUD 10	2.52	-2.80 0.20
NZD	1.75	1.92	2.15	3.09	NZD 10	2.77	-7.00 0.44
EUR	0.00	-0.33	-0.19	0.81	CAD 10	1.90	-1.80 -0.42
GBP	0.50	0.52	0.82	1.34	EUR 10	0.35	-0.20 -1.97
JPY	-0.05	-0.04	0.04	0.25	GBP 10	1.28	0.10 -1.05
CAD	1.00	1.40	1.77	2.22	JPY 10	0.03	-0.80 -2.30

Equities

Major Indices			
	Last	% day	% y/y
Dow	23,530	-0.26	23.7
S&P 500	2,597	-0.06	17.9
Nasdaq	6,867	0.06	27.5
VIX	9.82	0.92	-20.9
FTSE	7,419	0.1	8.8
DAX	13,015	-1.2	21.5
CAC 40	5,353	-0.2	17.7
Nikkei	22,523	0.5	24.0
Shanghai	3,430	0.6	5.8
Hang Seng	30,003	0.6	32.3
ASX 200	5,986	0.4	9.2

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.27	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.49	8.50
3/10 sprd	0.31	-5.50
SPI	6007.0	-28.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	63.26	1.1
Oil (WTI)	57.98	2.0
Oil (Tapis)	64.77	0.4
Gold	1293.40	0.9
CRB	191.60	0.9
GS Metals	371.8	0.0
Aluminium	2095.3	1.2
Copper	6933.5	0.7
Nickel	11793.0	-0.2
Zinc	3249.3	1.2
Ch. steel	3825.0	2.5
Iron ore	65.2	4.3
St. Coal	96.2	0.3
Met.coal	190.3	1.5
Wheat Chic.	453.5	0.1
Sugar	15.3	2.7
Cotton	70.7	-0.2
Coffee	127.0	0.3

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	-0.2	-1.0%
FED	23	91.6%

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
Thursday, 23 November 2017								
US	<i>Thanksgiving Day holiday (followed by Black Friday shopping)</i>							
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
UK	GDP QoQ/YoY	Q3 P				0.4/1.5	9.30	20.30
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 CI	Sep F				106.6	5.00	16.00
GE	IFO Business Climate/Current assessment	Nov		116.7/125		116.7/124.8	9.00	20.00
UK	UK Finance Loans for Housing	Oct		40650		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 24				59.5	15.00	2.00
US	New Home Sales #/MoM	Oct		622		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 26				116.4	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		-65.25		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		0.5		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		0.3		0.5	14.00	1.00
US	Conf. Board Consumer Confidence	Nov		123.75		125.9	15.00	2.00
US	Senate Banking Cmte Holds Hearing on Fed Chair Nominee Powell						15.00	2.00
US	Richmond Fed Manufact. 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		3.2		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		1.2		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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