

MARKETS TODAY

Strong



Good morning

We wrote yesterday how the USD had been sold lower on the back of the cautious Yellen comments. That selling continued in the immediate aftermath of yesterday's FOMC Minutes. The USD has fallen a further 0.3% since this time yesterday, most just after the Minutes that were also tinged with the uncertain inflation outlook.

The AUD has been supported above 0.76, in a range of from just above the figure into the 7630s. Commodity prices have been supportive overnight, especially iron ore that rose another sizeable \$2.52/t, up 8.1% this week and 15.9% so far this month. Quite surprising given the cuts announced to steel and heavy industry in China to address pollution into the winter. Base metals were also a little higher, Dr. Copper up 0.13%, WTI oil +0.93%, but gold down 0.12% to \$1295/oz.

With the USD on the defensive (it's also the US Thanksgiving Day holiday), the Euro has found support from another very strong set of numbers. There's also an emerging likelihood Merkel may be able to put together an alternative grand coalition with the Social Democrats and forestall the need for another election.

The Euro's supported came overnight from even stronger Eurozone PMIs for November. The Euro is up 0.3% since this time yesterday, having continued to win further incremental support through the overnight session.

While Germany's Q3 GDP was not revised from its flash 0.8%/2.8% reading, the November PMIs again rose from already elevated levels. Germany's Manufacturing PMI came in at 62.5 in November, up from 60.6, the Services sector at 54.9 from 54.7, suggesting that German export/industrial growth is leading the economy and continuing on through the last quarter of the year. The market would not be surprised should tonight's German Ifo Survey (that has already been shooting the lights out this year (see enclosed chart) stepped up again in November.

It was a not dissimilar picture for France with a manufacturing PMI of 57.5 in November and a Services PMI of 60.2. The Eurozone economy is well and truly up and running at a solid clip.

The ECB's Villeroy and Coeure have been speaking overnight. They have been talking about the strong self-sustaining growth upturn in the Eurozone, but not publically pushing back hard against the ECB's very accommodative monetary policy stance.

Banque de France Governor Villeroy was speaking in London, saying that all preparations need to be made to avoid a cliff-edge Brexit. He commented that the PMI surveys are "good news" for the Eurozone, but that the ECB must maintain an ample degree of monetary stimulus, which could be interpreted many ways depending on what ample means. Coeure said that Euro

area recovery is robust and homogenous, that the internal demand driven upturn is "satisfying", but his view is that the ECB deposit rate of -0.4% will stay at that rate for a long time.

The USD was losing some ground against Sterling too, though with no specific Sterling-side spur. There was with no revision to the UK's second estimate of Q3 GDP (0.4%/1.5%) coming with a strong CBI Retailing Survey in November, though it's been put to one side having been hugely volatile month-to-month.

Price action in the Canadian dollar has been choppy. After making up some ground against the USD, a weaker than expected print on Sep Canadian retail sales (+0.1% cf +1.0% expected) scuppered that support.

Coming up

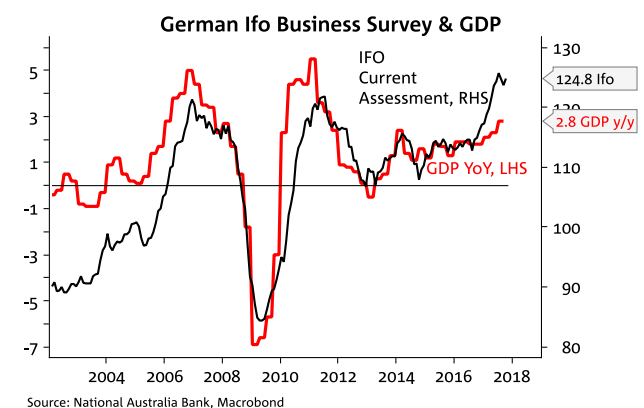
First up is NZ trade for October; there's barely been any reaction to this number for quite some time. In what's expected to be a relatively quiet session, Japan has its preliminary Manufacturing PMI for November (L: 52.8).

There are more ECB speakers tonight (Nuoy, Constancio, and Coeure again) and that's about it for the week, with the US shoppers still taking advantage of Black Friday sales. Congress is taking a break before the Senate endeavours to craft and pass its tax reform legislation next week. In an almost vacant calendar for US data releases tonight there is the Markit versions of the US PMIs, the official ISMs out next week with payrolls.

Overnight

On global stock markets, the S&P 500 was +0.00%. Bond markets saw US 10-years -3.72bp to 2.32%. In commodities, Brent crude oil +0.36% to \$63.55, gold-0.1% to \$1,291, iron ore +3.9% to \$67.69, steam coal -0.1% to \$96.10, met. coal +0.0% to \$190.25. AUD is at 0.7624 and the range since yesterday 5pm Sydney time is 0.7621 to 0.7639.

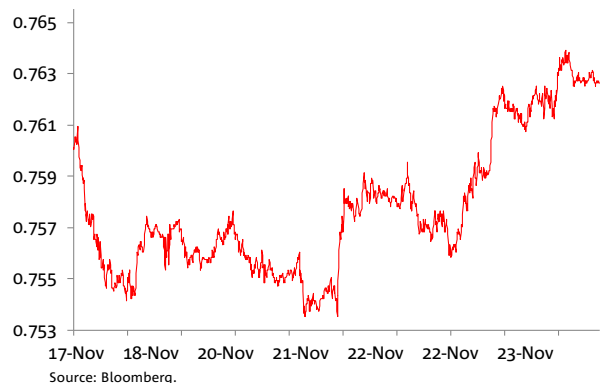
Chart: German economy: onwards and upwards



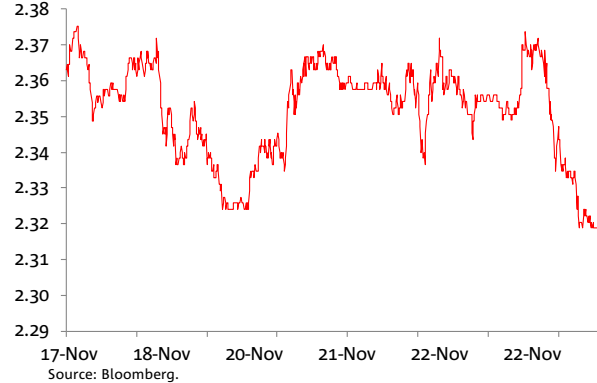
David de Garis, Director, Economics

Markets

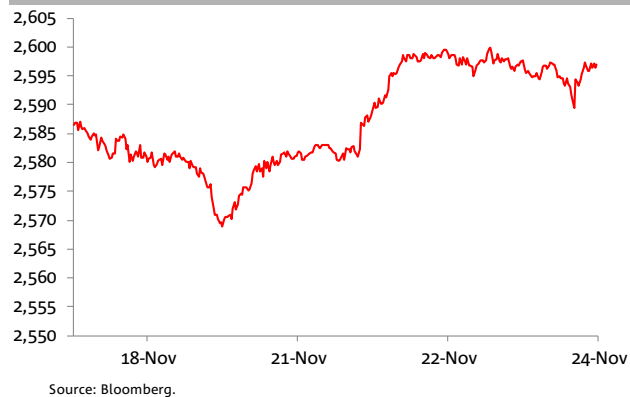
AUD/USD - past week



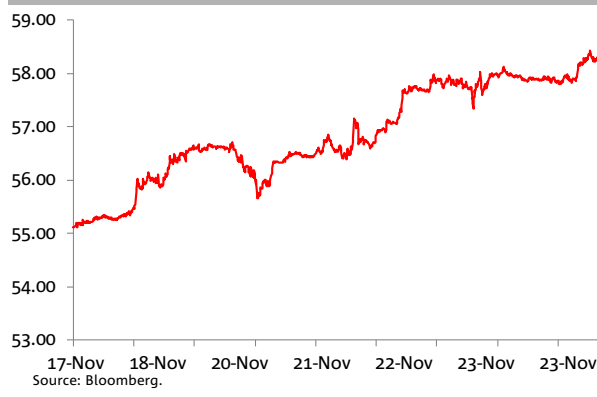
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

Indicative 24hr ranges (**)					Other FX		
	Last	% chge	Low	High	Last	% chge	
AUD	0.7624	0.8	0.7621	0.7639	HKD	7.8113	0.0
NZD	0.6891	1.0	0.6882	0.6905	CNY	6.5835	-0.4
EUR	1.1853	0.9	1.1840	1.1856	SGD	1.3453	-0.5
GBP	1.3308	0.4	1.3293	1.3321	IDR	13,511	-0.1
JPY	111.22	-0.7	111.14	111.32	THB	32.67	-0.2
CAD	1.2718	-0.3	1.2673	1.2725	KRW	1,086	-0.3
AUD/EUR	0.6433	0.0	0.6431	0.6447	TWD	29.97	0.1
AUD/JPY	84.80	0.1	84.75	84.93	PHP	50.62	0.0
AUD/GBP	0.5729	0.4	0.5724	0.5740	CHF	0.98	-0.8
AUD/NZD	1.1065	-0.2	1.1053	1.1078	SEK	8.30	-1.2
AUD/CNH	5.0197	0.0	5.0141	5.0302			

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.46	1.91	2.32	USD 10	2.32	-3.72
AUD	1.50	1.73	1.88	2.71	AUD 10	2.51	-1.60
NZD	1.75	1.91	2.15	3.09	NZD 10	2.78	-1.20
EUR	0.00	-0.33	-0.19	0.81	CAD 10	1.89	-0.90
GBP	0.50	0.52	0.82	1.32	EUR 10	0.35	-0.20
JPY	-0.05	-0.03	0.03	0.25	GBP 10	1.25	-2.60
CAD	1.00	1.40	1.77	2.20	JPY 10	0.03	0.00

Equities

Major Indices			
	Last	% day	% y/y
Dow	23,526	0.00	23.3
S&P 500	2,597	0.00	17.8
Nasdaq	6,867	0.00	27.6
VIX	9.88	0.00	-20.5
FTSE	7,417	0.0	8.8
DAX	13,009	0.0	22.0
CAC 40	5,380	0.5	18.8
Nikkei	22,523	0.0	24.0
Shanghai	3,352	-2.3	3.4
Hang Seng	29,708	-1.0	31.4
ASX 200	5,986	0.0	9.1

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.26	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.48	5.00
3/10 sprd	0.32	-2.00
SPI	5983.0	17.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	63.55	0.4
Oil (WTI)	58.56	0.9
Oil (Tapis)	64.81	0.1
Gold	1290.70	-0.1
CRB	191.60	0.0
GS Metals	374.6	0.0
Aluminium	2101.5	0.3
Copper	6945.5	0.2
Nickel	11883.5	0.8
Zinc	3259.0	0.3
Ch. steel	3811.0	0.4
Iron ore	67.7	3.9
St. Coal	96.1	-0.1
Met.coal	190.3	0.0
Wheat Chic.	453.5	0.0
Sugar	15.3	0.0
Cotton	70.7	0.0
Coffee	127.0	0.0

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								
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								
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								
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

CONTACT DETAILS

Authors

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

Ray Attrill
Global Co-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.