

MARKETS TODAY

Summertime



Good morning

Summer has begun in Australia today, it's Friday and we have had a risk positive night. Better yet and as Kool and the Gang would sing, in a few hours it will be "Time to sit back and unwind" (fwiw DJ Jazzy Jeff & the Fresh Prince is my preferred version of this song). US Tech shares rebounded after yesterday's worst selloff in a year and news that Senator McCain will support the Senate tax bill provided an additional boost to US equities. The latter was also the catalyst for 10y UST yields to break above 2.40% after the PCE deflators came in line with expectations. In spite of underwhelming EU inflation data, month end flows and improved prospects of an Irish border agreement have helped the Euro and GBP outperform. Lastly oil prices are steady after OPEC agreed to extend the production cut agreement through the end of 2018.

Main European equity indices closed Thursday in negative territory with month end flows seemingly a factor at play. US Equities opened in positive territory and continued to march higher over the course of the session with news that Senator McCain would support the Senate Tax bill providing an additional boost to the move in the past few hours. The DJ past the 24000 mark for the first time ever and all three main equity indices (DJ, S&P500 and NASDAQ) look set to end the day firmly in positive territory.

US Treasury yields have also been the big movers with the curve bear steeping for a second day in a row. Core global yields found some support early in the overnight session with Bunds leading the way on the back of underwhelming EU inflation data. After misses from Italy and Spain, the EU headline inflation number came in at 1.5%, just under the 1.6% expected by the market. Meanwhile the core inflation also disappointed unchanged at 0.9% vs 1% exp. US data prints (core PCE as expected at +1.4% YoY, personal income stronger at +0.4% MoM, Chicago PMI stronger at 63.9 vs 63.0) had a small upward impact on yields, but the big catalyst came from news that senator McCain would support the Senate tax bill. UST yields jumped along the curve and the 10y note traded to an overnight high of 2.4311% before settling around 2.41%.

In currencies the USD is little changed. It initially traded lower, but then the jump in UST yields helped reverse the initial move. GBP and EUR are the G10 outperformers, the pound is up 0.87%, the pair traded to an overnight high of 1.3548 after news reports suggesting Dublin and London were close to reaching an agreement on the Irish border issue. News then followed suggesting an agreement was not as close as expected with cable now trading at 1.3521.

The disappointing EU inflation data saw the euro trade to an overnight low of 1.1809, but then month end flows appears to have been a factor for the rebound in the

common currency. Another supporting factor came from unusual activity in the EU money market with the EONIA fix jumping higher towards the end of session closing at -0.241 from 0.301% in the previous session.

After yesterday's better than expected CAPEX report and China official PMIs, the AUD continued to march higher in the early part of the overnight session reaching a high of 0.7594 around 3 am this morning. But then the big rise in UST yields which lifted the USD was too much for the Aussie. The currency fell 0.5% in two hours and has now settled at 0.7563. In the end and relative to yesterday's opening level, AUD is sharply unchanged.

The kiwi is about 0.65% weaker than it was this time yesterday, with the fall confined to the aftermath of the recorded slump in business confidence. Overnight the currency has been tightly range-bound and sits this morning at 0.6835. Our BNZ strategist note that it is normal for confidence to shift down to an enduring lower plane under a Labour government, but PMIs are a better read on activity (released earlier this month) and they showed business-as-usual.

OPEC members agreed in principle to keep output cuts through the end of 2018, providing assurance for an oil industry still struggling through a fragile recovery. The world's biggest oil-producing countries believe that a global oversupply of oil is still weighing down oil prices noting that oil in storage—a proxy for the global glut—remains well above historical averages. As a compromise to Russia's concern for some flexibility Saudi Energy Minister Khalid al-Falih told reporters that he preferred an agreement that lasted all the way through 2018 but said any deal would be reviewed in June, when the cartel meets again.

Coming Up

Today is basically all about manufacturing activity indicators across the globe. This morning New Zealand gets its Q3 terms of trade data and Australia gets manufacturing activity indices along with Core Logic House prices. Is a busy day in Japan with labour market data, PMI and inflation figures all due for release. The Caixin manufacturing PMI is out in China and then the EU and UK get their PMI manufacturing readings (finals for Europe and new ones for the UK). The ISM manufacturing is release in the US and Fed Kaplan, Bullard and Harker are on speech duties.

Japan jobless rate is expected to stay unchanged at 2.8% in October. Similarly no change is expected in the jobs to application ratio despite of an increase in anecdotal evidence that the labour market has continued to tighten. Meanwhile headline inflation is tipped to decline in October (0.2%yoy vs 0.7% prev.) driven by fresh food base effects, but encouragingly for the BoJ, core CPI - which excludes fresh food - probably picked up to 0.9% yoy from 0.7% in September. A weaker yen and higher oil prices the likely culprits.

Rodrigo Catril, Senior FX strategist

The market is looking for China's Caixin manufacturing PMI in November to print almost unchanged relative to the previous month (50.9 vs 51 prev.). Yesterday the official PMI printed above expectations (51.8 vs 51.4), but the two PMIs don't always move in the same direction.

As for the UK Manufacturing PMI, the market is looking for a slight improvement in November to 56.5 from 56.3. Meanwhile the US ISM is seen printing at 58.3, slightly below the October reading of 58.7. That being said, softness in regional surveys suggest the risks are tilted towards an ISM printing below the 58 mark. ISM Prices

paid and employment sub-indices are also going to be of interest to the market.

Overnight

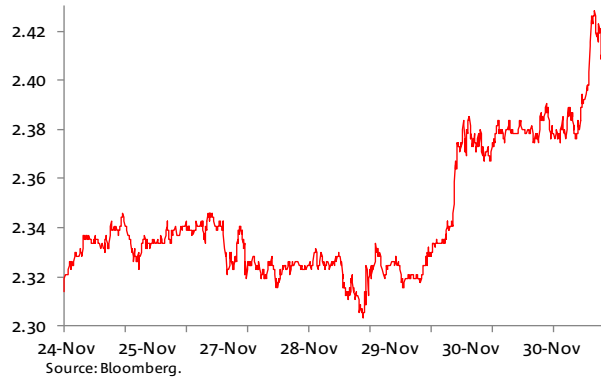
On global stock markets, the S&P 500 was +0.69%. Bond markets saw US 10-years +2.86bp to 2.42%. In commodities, Brent crude oil +0.13% to \$62.61, gold-0.7% to \$1,273, iron ore +0.3% to \$68.13, steam coal +0.0% to \$96.80, met. coal +0.4% to \$191.98. AUD is at 0.7564 and the range since yesterday 5pm Sydney time is 0.7557 to 0.7595.

Markets

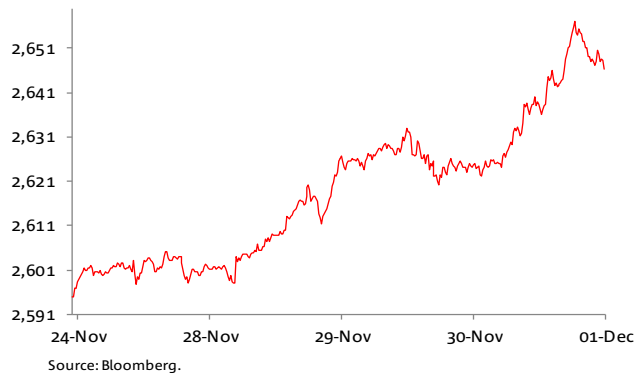
AUD/USD - past week



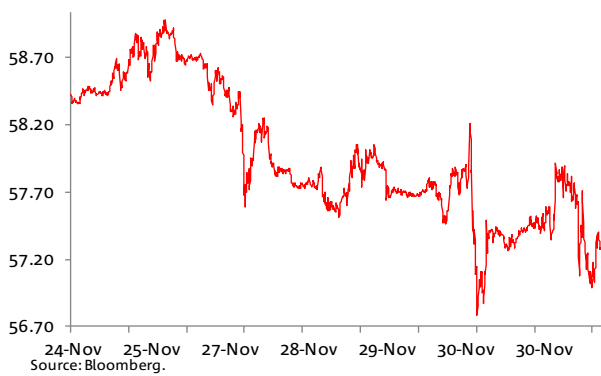
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX		
	Last	% chge	Low	High	Last	% chge	
AUD	0.7564	-0.1	0.7557	0.7595	HKD	7.8102	0.0
NZD	0.6836	-0.7	0.6831	0.6889	CNY	6.6091	-0.1
EUR	1.1898	0.4	1.1809	1.1932	SGD	1.3489	0.1
GBP	1.3520	0.8	1.3408	1.3549	IDR	13,526	0.2
JPY	112.54	0.5	111.74	112.64	THB	32.65	0.2
CAD	1.2904	0.3	1.2851	1.2909	KRW	1,088	1.0
AUD/EUR	0.6358	-0.5	0.6349	0.6404	TWD	30.01	0.1
AUD/JPY	85.13	0.4	84.65	85.18	PHP	50.37	0.3
AUD/GBP	0.5595	-0.9	0.5590	0.5653	CHF	0.98	0.0
AUD/NZD	1.1066	0.6	1.0988	1.1094	SEK	8.38	0.1
AUD/CNH	5.0153	0.1	4.9989	5.0273			

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.48	1.97	2.41	USD 10	2.42	2.86
AUD	1.50	1.74	1.91	2.73	AUD 10	2.50	2.90
NZD	1.75	1.91	2.15	3.09	NZD 10	2.74	1.20
EUR	0.00	-0.33	-0.16	0.83	CAD 10	1.89	0.70
GBP	0.50	0.52	0.86	1.40	EUR 10	0.37	-1.80
JPY	-0.05	-0.01	0.04	0.27	GBP 10	1.33	-0.80
CAD	1.00	1.41	1.77	2.23	JPY 10	0.04	0.90

Equities

Major Indices	Last	% day	% y/y
	Dow	24,226	1.19
S&P 500	2,644	0.69	20.3
Nasdaq	6,862	0.56	28.9
VIX	11.14	4.11	-16.4
FTSE	7,327	-0.9	8.0
DAX	13,024	-0.3	22.4
CAC 40	5,373	-0.5	17.4
Nikkei	22,725	0.6	22.8
Shanghai	3,317	-0.6	1.3
Hang Seng	29,177	-1.5	27.5
ASX 200	5,970	-0.7	8.5

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.24	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.46	-3.00
3/10 sprd	0.34	6.00
SPI	5998.0	21.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	62.61	0.1
Oil (WTI)	57.28	0.0
Oil (Tapis)	64.74	-0.4
Gold	1273.20	-0.7
CRB	189.17	-0.9
GS Metals	365.9	0.0
Aluminium	2033.0	-1.0
Copper	6739.5	0.0
Nickel	11057.0	-3.6
Zinc	3167.3	-0.1
Ch. steel	3995.0	2.5
Iron ore	68.1	0.3
St. Coal	96.8	0.0
Met. coal	192.0	0.4
Wheat Chic.	433.0	-0.4
Sugar	15.1	0.1
Cotton	75.0	-0.6
Coffee	128.5	-2.8

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-0.2	-1.0%
FED	23	92.4%

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, 1 December 2017								
NZ	Terms of Trade Index QoQ	3Q	1.3	1.3		1.5	21.45	8.45
AU	CBA Australia PMI Mfg	Nov				55.5	22.00	9.00
AU	AiG Perf of Mfg Index	Nov				51.1	22.30	9.30
AU	CoreLogic House Px MoM	Nov				0.0	23.00	10.00
JN	Jobless Rate/Job-to-applicant ratio	Oct		2.8/1.52		2.8/1.5	23.30	10.30
JN	Overall Household Spending YoY	Oct		-0.3		-0.3	23.30	10.30
JN	Natl CPI/Ex fresh food YoY	Oct		0.2/0.8		0.7/0.7	23.30	10.30
JN	Nikkei Japan PMI Mfg	Nov F				53.8	0.30	11.30
CH	Caixin China PMI Mfg	Nov		50.9		51.0	1.45	12.45
AU	Commodity Index AUD/SDR YoY	Nov		/		120.9/9.1	5.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Nov F		62.5		62.5	8.55	19.55
EC	Markit Eurozone Manufacturing PMI	Nov F		60		60.0	9.00	20.00
UK	Markit UK PMI Manufacturing SA	Nov		56.5		56.3	9.30	20.30
CA	MLI Leading Indicator MoM	Oct				0.1	12.00	23.00
CA	CFIB Business Barometer	Nov				57.2		
CA	Quarterly GDP Annualized	3Q		1.6		4.5	13.30	0.30
CA	Net Change in Employment/Unemployment rate	Nov		10/6.2		35.3/6.3	13.30	0.30
US	Fed's Bullard Speaks in Little Rock, Arkansas						14.05	1.05
US	Fed's Kaplan Speaks in McAllen, Texas						14.30	1.30
CA	Markit Canada Manufacturing PMI	Nov				54.3	14.30	1.30
US	Markit US Manufacturing PMI	Nov F		54		53.8	14.45	1.45
US	ISM Manufacturing	Nov		58.3		58.7	15.00	2.00
US	Construction Spending MoM	Oct		0.5		0.3	15.00	2.00
US	Fed's Harker Speaks on Inclusive Economic Growth						15.15	2.15
US	Baker Hughes U.S. Rig Count/Oil rigs only	Dec 1		/		923.0/747.0	18.00	5.00
Monday, 4 December 2017								
AU	Melbourne Institute Inflation MoM/YoY	Nov		/		0.3/2.6	0.00	11.00
AU	ANZ Job Advertisements MoM	Nov				1.4	0.30	11.30
AU	Inventories SA QoQ	3Q				-0.4	0.30	11.30
AU	Company Operating Profit QoQ	3Q				-4.5	0.30	11.30
JN	Consumer Confidence Index	Nov				44.5	5.00	16.00
UK	Markit/CIPS UK Construction PMI	Nov				50.8	9.30	20.30
EC	Sentix Investor Confidence	Dec				34.0	9.30	20.30
EC	PPI MoM/YoY	Oct		/		0.6/2.9	10.00	21.00
CA	Bloomberg Nanos Confidence	Nov 24				58.7	15.00	2.00
US	Factory Orders/Ex Trans	Oct		0.3/		1.4/0.7	15.00	2.00
Tuesday, 5 December 2017								
NZ	Volume of All Buildings SA QoQ	3Q				-0.5	21.45	8.45
AU	CBA Australia PMI Services/Composite	Nov		/		53.0/53.1	22.00	9.00
AU	AiG Perf of Services Index	Nov				51.4	22.30	9.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Nov 26				116.4	22.30	9.30
NZ	ANZ Commodity Price	Nov				-0.3	0.00	11.00
UK	BRC Sales Like-For-Like YoY	Nov				-1.0	0.10	11.10
JN	Nikkei Japan PMI Services/Composite	Nov		/		53.4/53.4	0.30	11.30
AU	Net Exports of GDP/Current account	3Q		/		0.3/-10.0	0.30	11.30
AU	Government spending	3Q					0.30	11.30
AU	Retail Sales MoM	Oct				0.0	0.30	11.30
CH	Caixin China PMI Services	Nov		/		51.2/51.0	1.45	12.45
AU	RBA Cash Rate Target	Dec 5		1.5		1.5	3.30	14.30
GE	Markit Germany Services/Composite PMI	Nov F		/		54.9/57.6	8.55	19.55
UK	New Car Registrations YoY	Nov				-12.2	9.00	20.00
EC	Markit Eurozone Services/Composite PMI	Nov F		/		56.2/57.5	9.00	20.00
UK	Markit/CIPS UK Services/Composite PMI	Nov		/		55.6/55.8	9.30	20.30
UK	Official Reserves Changes	Nov				30.0	9.30	20.30
EC	Retail Sales MoM/YoY	Oct		/		0.7/3.7	10.00	21.00
EC	GDP SA QoQ/YoY	3Q F		/		0.6/2.5	10.00	21.00
CA	Int'l Merchandise Trade	Oct				-3.2	13.30	0.30
US	Trade Balance	Oct		-44.8		-43.5	13.30	0.30
US	Markit US Services/Composite PMI	Nov F		55.3/		54.7/54.6	14.45	1.45
US	ISM Non-Manf. Composite	Nov		59		60.1	15.00	2.00
Wednesday, 6 December 2017								
NZ	ANZ Job Advertisements MoM	Nov				0.9	21.00	8.00
AU	GDP SA QoQ/YoY	3Q		/		0.8/1.8	0.30	11.30
GE	Factory Orders MoM/YoY	Oct		/		1.0/9.5	7.00	18.00
GE	Markit Germany Construction PMI	Nov				53.3	8.30	19.30
GE	Markit Germany Retail PMI	Nov				51.2	9.10	20.10
EC	Markit Eurozone Retail PMI	Nov				51.1	9.10	20.10
US	ADP Employment Change	Nov		175		235.0	13.15	0.15
CA	Labor Productivity QoQ	3Q				-0.1	13.30	0.30
US	Nonfarm Productivity/Unit Labour Costs	3Q F		3.2/0.3		3.0/0.5	13.30	0.30
CA	Bank of Canada Rate Decision	Dec 6		1		1.0	15.00	2.00
Thursday, 7 December 2017								
AU	AiG Perf of Construction Index	Nov				53.2	22.30	9.30
AU	Trade Balance	Oct				1745.0	0.30	11.30
JN	Leading Index CI	Oct P				106.4	5.00	16.00
AU	Foreign Reserves	Nov				78.1	5.30	16.30
GE	Industrial Production SA MoM/YoY	Oct		/		-1.6/3.6	7.00	18.00
UK	Halifax House Prices MoM/YoY	Nov		/		0.3/4.5	8.30	19.30
US	Challenger Job Cuts YoY	Nov				-3.0	12.30	23.30
CH	Foreign Reserves	Nov				3109.2		
UK	CBI Trends Total Orders/Selling prices	Dec		/		17.0/17.0		
CA	Building Permits MoM	Oct				3.8	13.30	0.30
US	Initial Jobless Claims	Nov 25		240		239.0	13.30	0.30
US	Bloomberg Consumer Comfort	Nov 26				51.7	14.45	1.45
CA	Ivey Purchasing Managers Index SA	Nov				63.8	15.00	2.00
US	Household Change in Net Worth	3Q				1698.0	17.00	4.00
US	Consumer Credit	Oct		17		20.8	20.00	7.00
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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