

MARKETS TODAY

The beat goes on



Good morning

If it wasn't for Friday's US labour market data, Lionel Richie's "All night long" would have been a great option for a title today, highlighting PM May's sleepless effort to strike a deal about a deal with the EU. The November US jobs report was good for risk assets depicting a strong labour market, but with no signs of an acceleration in wage growth, so as Sonny and Cher would sing, the beat goes on (and Eminem da da dum da dum da da). This goldilocks scenario helped US equities close the week in a positive note, the UST curve ended marginally steeper and after initially falling on the earnings headlines, the big dollar closed the week stronger while GBP gave back much of its previous day's gains. Oil prices led the move higher in commodities with gold the notable loser.

The US wage conundrum remains alive and kicking with the November labour market data dump revealing a record 86th consecutive month of job gains. Non-farm payrolls beat expectations (228k vs. 195k exp.), the job gains kept the unemployment rate at a 17 year low (4.1%), but average hourly earnings disappointed at 0.2% mom vs. expectations for 0.3% rise. So despite all the job creation, the year on year wage growth declined to 2.5%yoy from 2.7% in the previous month. The data suggests there is still slack in the US labour market, but expectations of more job creation over the coming year also point to further declines in the unemployment rate and eventual acceleration in wage pressures. The debate within the Fed remains unresolved, does the FOMC wait for evidence of higher wage growth or does the outlook warrant a slow reactive approach to further hikes next year? The latter remains our Fed bias for 2018.

So after an initial wobble on the headlines, the USD managed to end Friday stronger with both DXY and BBDXY recording a fifth consecutive day of gains. A closer look at G10 performance however shows that much of the USD strength on Friday emanated from JPY and GBP weakness. The latter reflecting a classic case of buy the rumour sell the fact while the former declined amid an improvement in risk appetite and a small rise in 10y UST yields.

The pound enjoyed a steady rise during our APAC session amid speculation followed by a formal announcement that a "deal to make a deal" had been agreed between the UK and the EU (the most contentious issue – how to avoid a hard border between EU member Ireland and Northern Ireland – was left largely unresolved). Subject to EU leaders approval this week, negotiations can now move to phase two – a transition deal and then a future trade agreement. On the positive side, the news removes some uncertainty and likely means PM May's position is shored up for some months. Nevertheless there is still a fair bit of uncertainty and the conditionality to the Irish agreement serves as a reminder that the pillars of negotiations remain precarious.

AUD ended Friday almost unchanged, but looking at the chart the currency remains vulnerable to the downside. In our session on Friday, the pair initially traded to a low of 0.7502, but then China's better than expected trade figures provided a small uplift. US labour data headlines briefly took the currency to an overnight high of 0.7534, but then a resurge in the USD dragged the AUD back down to 0.7502, before closing the week at 0.7509. NZD experienced a similar trading pattern, opening soft on Friday, jumping to an overnight high of 0.6870 post payrolls and ending the week at 0.6837, comfortably inside its well-trodden approximate range of 0.68-0.70 held since late October.

As for US Treasuries, the aftermaths of the US labour data deluge saw the 2y rate end the day 0.7bps lower at 1.794% while 10y UST yields ended the day 0.7bps higher at 2.376%. So a mild steepening of the curve, partly reversing the flattening trend over the week.

Oil prices led the gains in commodities supported by china's trade data revealing a decent rise in oil imports during November. The risk on theme for the day was also helped commodities perform, after a volatile couple of days, copper was up 0.5% and iron ore gained 1.6%. Meanwhile, amid its safe haven attributes, gold struggled and closed Friday down 0.4%.

On Saturday China's November CPI rose to 1.7% (1.8% exp.) and PPI came in line with expectations at 5.8% yoy, but down from the 6.9% printed in October.

Coming Up

We have a quiet start to a busy week which includes the NAB Business Survey, AU employment, FOMC, ECB, BoE, down-under fiscal updates, EU summit and a new Star Wars movie.

The soft weekly (-1.4%) close has left the AUD vulnerable to the downside with key support level at 0.7490 now well within sight (uptrend line from the Jan-16 low). Tuesday's NAB survey and Thursday's Labour force report are the key domestic data releases. We think the latter is likely to show jobs growth at +15k with the unemployment rate unchanged at 5.4%, however the sample rotation lottery points to the risk of a somewhat higher 5.5% print.

A Fed hike this week is essentially priced, but the dot plot is the big uncertainty. We think the rude health of the US economy and buoyant prospects for its labour market will result in a Fed leaving its median dot plot unchanged in 2018. If so the USD has the potential to make further inroads. US tax reform negotiations are a potential source of volatility and although the ECB is expected to stand pat this week, its growth and inflation forecast could have an impact on longer dated core global yields and the euro.

See our What to Watch publication for more details.

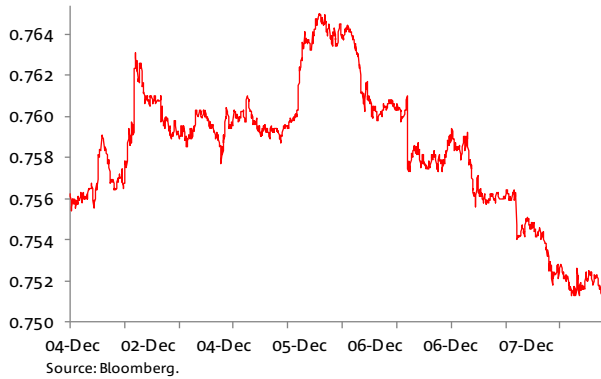
Rodrigo Catril, Senior FX strategist

Overnight

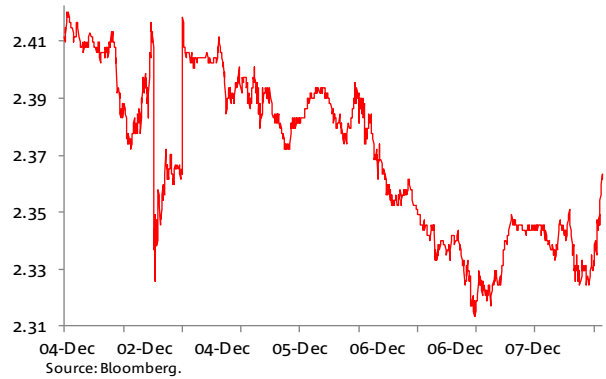
On global stock markets, the S&P 500 was +0.55%. Bond markets saw US 10-years +1.26bp to 2.38%. In commodities, Brent crude oil +1.93% to \$63.4, gold-0.4% to \$1,245, iron ore +1.6% to \$68.47, steam coal +0.3% to \$97.55, met. coal +1.1% to \$228.50. AUD is at 0.7509 and the range since Friday 5pm Sydney time is 0.7502 to 0.7534.

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	0.7509	0.0	0.7502	0.7534	HKD	7.8067	0.0
NZD	0.6843	0.2	0.6823	0.6870	CNY	6.6209	0.0
EUR	1.1765	-0.9	1.1730	1.1778	SGD	1.3526	0.1
GBP	1.3385	-0.7	1.3352	1.3520	IDR	13,550	0.0
JPY	113.47	0.3	113.08	113.59	THB	32.61	0.0
CAD	1.2854	0.0	1.2806	1.2880	KRW	1,093	-0.1
AUD/EUR	0.6382	0.0	0.6376	0.6409	TWD	30.01	-0.1
AUD/JPY	85.21	0.3	84.92	85.38	PHP	50.56	-0.2
AUD/GBP	0.5610	0.6	0.5556	0.5619	CHF	0.99	-0.1
AUD/NZD	1.0972	-0.2	1.0952	1.1005	SEK	8.47	-0.2
AUD/CNH	4.9737	-0.1	4.9664	4.9900			

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	1.25	1.55	2.00	2.39	USD 10	2.38	1.26	
AUD	1.50	1.76	1.90	2.70	AUD 10	2.53	1.60	0.15
NZD	1.75	1.89	2.15	3.08	NZD 10	2.79	2.20	0.42
EUR	0.00	-0.33	-0.18	0.81	CAD 10	1.86	0.60	-0.52
GBP	0.50	0.52	0.83	1.35	EUR 10	0.31	1.40	-2.07
JPY	-0.04	-0.02	0.04	0.25	GBP 10	1.28	2.60	-1.10
CAD	1.00	1.43	1.85	2.24	JPY 10	0.05	-0.40	-2.32

Equities

Major Indices			
	Last	% day	% y/y
Dow	24,329	0.49	23.1
S&P 500	2,652	0.55	17.3
Nasdaq	6,840	0.40	25.6
VIX	9.58	-5.71	-18.5
FTSE	7,394	1.0	6.3
DAX	13,154	0.8	17.4
CAC 40	5,399	0.3	13.3
Nikkei	22,811	1.4	20.1
Shanghai	3,290	0.5	1.8
Hang Seng	28,640	1.2	25.8
ASX 200	5,994	0.3	7.8

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.25	-1.00
3 Yr bond	97.8	0.00
10 Yr bond	97.45	-2.50
3/10 sprd	0.35	2.50
SPI	6024.0	-43.0

Commodities*

	Last	% day
Oil (Brent)	63.40	1.9
Oil (WTI)	57.36	1.2
Oil (Tapis)	64.92	2.1
Gold	1245.20	-0.4
CRB	185.02	0.3
GS Metals	356.2	0.1
Aluminium	1993.3	0.0
Copper	6542.8	0.1
Nickel	10894.5	-0.8
Zinc	3084.5	-0.3
Ch. steel	3924.0	1.2
Iron ore	68.5	1.6
St. Coal	97.6	0.3
Met.coal	228.5	1.1
Wheat Chic.	419.0	-0.6
Sugar	14.1	-1.8
Cotton	73.7	-0.7
Coffee	122.6	-0.2

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-1.0	-4.0%
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
Monday, 11 December 2017								
NZ	Finance Minister Robertson Speaks at Auckland Chamber of Commerce						19.00	6.00
NZ	Card Spending Total MoM	Nov	0.4			0.4	21.45	8.45
AU	Budget MYEFO Underlying cash balance, 17/18 (due before Christm		-28.9			-29.4	Before Christmas	
JN	BSI Large All Industry/Manufacturing QoQ	4Q		5.8/10		5.1/9.4	23.50	10.50
JN	Machine Tool Orders YoY	Nov P				49.8	6.00	17.00
EC	ECB's Nowotny Presents Austria Financial Stability Report						9.00	20.00
CA	Bloomberg Nanos Confidence	Dec 8				58.7	15.00	2.00
US	JOLTS Job Openings	Oct				6093.0	15.00	2.00
Tuesday, 12 December 2017								
NZ	ANZ Truckometer Heavy MoM	Nov				2.9	21.00	8.00
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Dec 10				115.8	22.30	9.30
AU	NAB Business Conditions/Confidence	Nov		/		21.0/8.0	0.30	11.30
AU	House Price Index QoQ/YoY	3Q		0.5		1.9	0.30	11.30
JN	Tertiary Industry Index MoM	Oct		0.2		-0.2	4.30	15.30
UK	CPI MoM/YoY	Nov		/		0.1/3.0	9.30	20.30
UK	CPI Core YoY	Nov		/		2.7	9.30	20.30
UK	PPI Input NSA MoM/YoY	Nov		/		1.0/4.6	9.30	20.30
UK	House Price Index YoY	Oct		/		5.4	9.30	20.30
GE	ZEW Survey Current Situation/Expectations	Dec		/		88.8/18.7	10.00	21.00
EC	ZEW Survey Expectations	Dec		/		30.9	10.00	21.00
US	NFIB Small Business Optimism	Nov		/		103.8	11.00	22.00
UK	CBI Total Dist./Retail Reported Sales	Dec		/		30.0/26.0	11.00	22.00
US	PPI Final Demand MoM/YoY	Nov		0.4/3		0.4/2.8	13.30	0.30
US	Monthly Budget Statement	Nov		-135		-63.2	19.00	6.00
Wednesday, 13 December 2017								
NZ	Food Prices MoM	Nov	-0.4			-1.1	21.45	8.45
AU	RBA Governor Lowe speaks at Australian Payment Summit in Sydney: "An eAUD?"						22.15	9.15
AU	Westpac Consumer Conf Index/MoM	Dec		/		99.7/-1.7	23.30	10.30
JN	Core Machine Orders MoM/YoY	Oct		2.7/-3.9		-8.1/-3.5	23.50	10.50
AU	RBA's Kent speaks in Sydney at Finance and Banking Conference: "The Availability of Business Finance"						1.15	12.15
AU	RBA's Richard Participates in Panel in Sydney						2.00	13.00
GE	CPI EU Harmonized MoM/YoY	Nov F		/		0.3/1.8	7.00	18.00
EC	EC's Juncker and Tusk discuss approaching Summit/Brexit with European MPs						8.00	19.00
JN	BOJ Kuroda makes a brief speech at Economists' Gathering						9.00	20.00
UK	Jobless Claims Change	Nov		/		1.1	9.30	20.30
UK	Average Weekly Earnings/ex bonus earnings 3M/YoY	Oct		/		2.2/2.2	9.30	20.30
UK	Employment Change/Unemployment rate 3M/3M	Oct		/		-14.0/4.3	9.30	20.30
EC	Industrial Production SA MoM/YoY	Oct		/		-0.6/3.3	10.00	21.00
EC	Employment QoQ/YoY	3Q		/		0.4/1.6	10.00	21.00
US	CPI MoM/YoY	Nov		0.4/2.2		0.1/2.0	13.30	0.30
US	CPI Ex Food and Energy MoM/YoY	Nov		0.2/1.8		0.2/1.8	13.30	0.30
CA	Teranet/National Bank HPI MoM/YoY	Nov		/		-1.0/10.0	13.30	0.30
US	FOMC Rate Decision (Lower/Upper Bound)	Dec 13		1.25/1.5		1.0/1.3	19.00	6.00
US	Yellen Holds Press Conference Following FOMC Meeting						19.30	6.30
Thursday, 14 December 2017								
NZ	ANZ Consumer Confidence Index/MoM	Dec		/		123.7/-2.1	0.00	11.00
AU	Consumer Inflation Expectation	Dec		/		3.7	0.00	11.00
NZ	Budget Policy Statement, HYEFU, update on 100 day plan						0.00	11.00
UK	RICS House Price Balance	Nov		/		1.0	0.10	11.10
AU	Employment Change/Unemployment rate	Nov	15/5.4	19/5.4		3.7/5.4	0.30	11.30
AU	Participation Rate	Nov	65.1	65.1		65.1	0.30	11.30
AU	Underutilisation rate (surveyed once a quarter)	Nov	13.8			14.1	0.30	11.30
CH	Retail Sales YoY/YTD YoY	Nov		10.3/10.3		10.0/10.3	2.00	13.00
CH	Industrial Production YoY/YTD YoY	Nov		6.2/6.6		6.2/6.7	2.00	13.00
CH	Fixed Assets Ex Rural YTD YoY	Nov		7.2		7.3	2.00	13.00
JN	Industrial Production MoM/YoY	Oct F		/		0.5/5.9	4.30	15.30
EC Summit in Brussels (Dec 14-16)								
GE	Markit/BME Germany Manufacturing PMI	Dec P		/		62.5	8.30	19.30
GE	Markit Germany Services/Composite PMI	Dec P		/		54.3/57.3	8.30	19.30
SW	Swiss National Bank meeting, Sight Deposit Interest Rate					-0.75	8.30	19.30
EC	Markit Eurozone Manufacturing PMI	Dec P		/		60.1	9.00	20.00
EC	Markit Eurozone Services/Composite PMI	Dec P		/		56.2/57.5	9.00	20.00
UK	Retail Sales Ex Auto Fuel MoM/YoY	Nov		/		0.1/-0.3	9.30	20.30
UK	Bank of England Bank Rate	Dec 14		0.5		0.5	12.00	23.00
UK	BOE Asset Purchase/Corporate Bond Target	Dec		/		435.0/10.0	12.00	23.00
EC	ECB Main Refinancing Rate/Marginal Lending Facility	Dec 14		/		0.0	12.45	23.45
EC	ECB Deposit Facility Rate	Dec 14		/		-0.4	12.45	23.45
ECB President Draghi holds news conference in Frankfurt								
CA	New Housing Price Index MoM	Oct		/		0.2	13.30	0.30
US	Initial Jobless Claims	Dec 9		/		236.0	13.30	0.30
US	Retail Sales Advance/Ex autos and gas MoM	Nov		0.3/0.3		0.2/0.3	13.30	0.30
US	Markit US Manufacturing PMI	Dec P		54		53.9	14.45	1.45
US	Markit US Services/Composite PMI	Dec P		/		54.5/54.5	14.45	1.45
US	Business Inventories	Oct		-0.1		0.0	15.00	2.00
CA	Bank of Canada's Poloz Speech to Canadian Club of Toronto						17.25	4.25
Friday, 15 December 2017								
NZ	BusinessNZ Manufacturing PMI	Nov		/		57.2	21.30	8.30
JN	Tankan Large Mfg Index	4Q		24		22.0	23.50	10.50
EC	ECB's Nowotny Presents Austrian GDP Outlook						9.00	20.00
EC	Trade Balance SA	Oct		/		25.0	10.00	21.00
CA	Manufacturing Sales MoM	Oct		/		0.5	13.30	0.30
US	Empire Manufacturing	Dec		18		19.4	13.30	0.30
CA	Existing Home Sales MoM	Nov		/		0.9	14.00	1.00
US	Industrial Production MoM	Nov		0.2		0.9	14.15	1.15
US	Baker Hughes U.S. Rig Count/Oil Rig Count	Dec 8		/		929.0/749.0	18.00	5.00
US	Total Net TIC/Net long term Flows	Oct		/		-51.3/80.9	21.00	8.00
Upcoming Central Bank Interest Rate Announcements								
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%		
Canada, BoC		18-Jan				1.00%		
Australia, RBA		6-Feb	1.50%	1.50%		1.50%		
New Zealand, RBNZ		8-Feb	1.75%	1.75%		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
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.