



Liquidity in Australia: 0.3bp per billion. Liquidity in Europe: Priceless.

- The concerns over European Sovereign credit have intensified despite the EU bailout.
- US markets have been quiet over the Thanksgiving period. Payrolls will be a major factor this week.
- We have modeled the value of liquidity in the ACGB market. Issuance of an extra A\$1bn lowers yields by 0.3bp.

The ongoing concern over sovereign risk in Europe and Ireland continues to be the main focal point. However, geopolitical tension on the Korean peninsula did nothing to encourage optimism either. In the US, data painted a mixed picture of the economy before this week's important Payrolls data (due Friday).

Ireland remains a focus of European sovereign concerns despite the bailout package. After much conjecture, the Irish government conceded early last week it requires direct assistance from the EU and IMF. The measures are broadly supportive of market risk sentiment. However, concerns remain about other sovereigns, such as Portugal, Belgium or Spain.

In the US, the Fed minutes revealed further detail about the QE decision. The minutes revealed that some saw the move as unnecessary or overly risky though most supported the move. While the second estimate of Q3 GDP was slightly upgraded (2.0% to 2.5%pa q/q), other economic data was less flattering (eg October Durable Goods Orders -3.3%, new home sales -8.1%). In a week shortened by Thanksgiving, US Treasuries were volatile but lacked a consistent trend. The 2 year yield rose 6bp to 0.52%, the 10y yield rose 8bp to 2.88% and the 30y yield rose 1bp to 4.21%.

The Australian market spent most of last week trading in response to global risk sentiment. However, on Friday, Governor Stevens' testimony to a parliament committee was slightly dovish and suggestive of a pause in the tightening cycle. In response, the short end of the curve rallied aggressively and the curve steepened. Since last Monday the 3Y bond has rallied 19bp and the 10Y has rallied 8.5bp stopping us out of curve flattening and paid swap trades. Supra spreads have also widened in the AUD market. The outperformance of the Aussie long end relative to US Treasuries, has led to a 5bp contraction in the Aus-US 10y spread, which is now at 265bp.

This week Philip Brown examines the effect of issuance on the yield of ACGBs. He finds an extra A\$1bn of issuance lowers yields by 0.3bp.

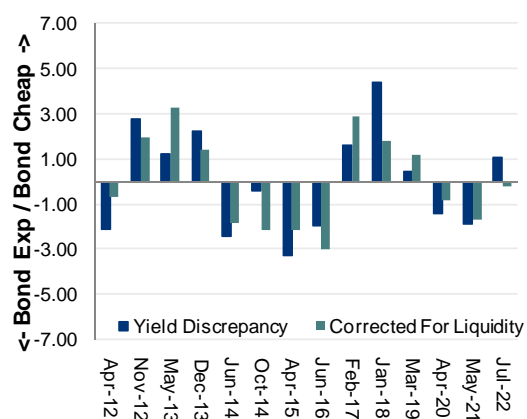
It's a relatively busy data week ahead in Australia. We expect tomorrow's Q3 GDP to show a 0.5% increase. On Thursday, October retail sales and trade balance data will round off the week. We're expecting sales to rise 0.5% and the trade surplus widening from A\$1.76 to A\$2.5b.

In the US, the first important piece of information is the ADP private payrolls (market expectations 65k) which begin the countdown to the BLS data on Friday. Market expectations are currently centred on payrolls growth of 145k (private +155k, public -10k) and a steady unemployment rate of 9.6%. The substantial post-QE sell-off in US Treasuries leaves the market vulnerable to an aggressive rally if the payrolls figures disappoint.

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Revised cheap/dear to capture liquidity effect





Key Positions

The week hasn't been kind to our recommended positions. The combination of testimony by Stevens reducing front end yields and the continued high rates in the US has seen further steepening and is in opposition to our core expectations.

We have been stopped out of a number of trades and have also chosen to take profit on the ACGB bond butterfly.

We still believe further flattening is likely, but with no obvious catalyst we are choosing not to replace the trades at this time.

Key Trades

Trade	Entry	Curent	Profit	Target	Stop	Comment
Buy the NSWTC Jun-20 (Government Guaranteed) as an ASW	-12bp (3-Feb-10)	-12bp	0bp	-35bp	0bp	Hold: A long term buy and hold trade. The NSWTC budget suggests borrowing will reduce. QTC has started to consolidate GG bonds.
Sell the May-13 ACGB against the Nov-12 and Dec-13	-11bp (25 May)	-5bp	+6bp	3bp	-20bp	Take Profit: Taken profit after analysis of liquidity features.
Pay 3yr AUD EFP	35bp (9 August)	34bp	-1bp	45bp	30bp	Hold: Increased mortgage fixing may force this wider as curve flattens.
10yr ACGB BEI widening	255 bp (18 August)	278bp	23bp	300bp	260bp	Hold: Spread has widened in the sell-off, inflation expectations growing.
OTM Conditional Steepener. 6M*2Y vs 6M*10Y. Buy 100m 6M*2Y 3.75% receiver. Sell 24.1M 6M*10Y 4.28% receiver.	3.75% and 4.28% 0.4bp premium (25 August)	5.47 and 5.92	-0.4bp (premium)			Hold: An insurance trade for a global double dip. Very unlikely to be used now, but 0.4bp well spent.
Buy the Suncorp Metway Govt Guaranteed Apr-11 Floater.	TM of 29.5bp	26bp	+3bp	0bp	40bp	Hold: This bond is Government Guaranteed. It should be much tighter. Can hold to maturity in 6 months. Investec have announced a repurchase of their Feb-12 line and Citi have repurchased A\$1.2b of the Jun-12.
Buy the Jan-15 ADB against the Apr-15 ACGB	58bp (1 Nov)		-12bp	40bp	70bp	Stopped Out: All supras are widening on Irish concerns
Pay 6M*1Y AUD swap	5.29% (3 Nov)		-14bp	5.65%	5.15%	Stopped Out: The front of the curve is expecting too little from the RBA.
Sell ACGB Jun-14 vs ACGB Jul-22	23bp (4 Nov)		-12bp	-10bp	35bp	Stopped Out:
Pay the 20Y AUD swap vs 10Y and 30Y in a butterfly	23.5bp (8 Nov)	24bp	0.5bp	27bp	20bp	Hold: The 20Y has rallied too far on what appears to be a short-term flow.
Sell 3M, 20bp OTM bond option on Apr-20 ACGB, strike is 5.61%	5.61 / 10bp (15 Nov)	Current yield is 5.41	n/a	n/a	5.71bp	Hold: Bond options are better to sell for investors than swaps. We think the top of the range isn't far away.
Pay the AUD 10Y swap vs NZ 10Y swap	58bp	51bp	-7bp	90bp	45bp	Hold: The recent rally in AUD seems overdone vs. NZ. Carry is also very attractive at circa 5bp per month.



How much is the liquidity of A\$1b of ACGBs worth? About 0.3bp.

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- The new Jan-18 raised the issue of liquidity premium on the ACGB curve.
- Using two different measures of liquidity we find that A\$1bn of extra issuance lowers ACGB yields by about 0.3bp.
- We use this revised analysis to re-examine our ACGB butterfly trade and now take profit.

The tender of the new Jan-18 ACGB bond last week again raised the issue of pricing liquidity.

It is well known that, within reason, extra Government issuance in a particular bond line increases liquidity in that bond line. A more liquid bond is easier to dispose of and so more valuable. A bond which has the same credit, but greater liquidity, should have a lower yield than the lines around it. More common in Australia is the reverse case: a bond with noticeably less on issue will have a higher yield. In current circumstances, the bonds likely to have a small amount on issue are the newly created bonds – like the Jan-18.

While the theory is comparatively easy to sketch out, putting a strong number to the theory is more complicated. After some reasonably involved statistics we have come up with a figure of -0.3bp per billion. For each extra billion dollars on issue, all else equal, we would expect the yield on an ACGB to fall by 0.3bp.

As a rule of thumb this would indicate that the new Jan-18, with around \$10bn less on issue than the fully liquid bonds, should price about 3bp cheap to the curve – which is exactly what happened (see Figure 1).

Methodology

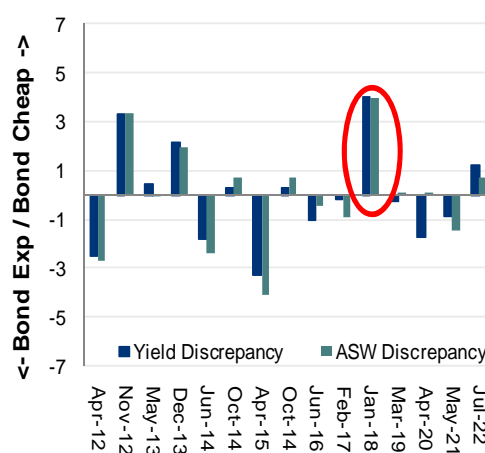
We have used weekly data from the ACGB curve starting in March 2001 until the present. On each day we fitted a Nelson-Siegel curve to the ACGB bonds and read the cheap/dear, in basis points, from the curve. (Bonds with less than one year to maturity were excluded.)

To measure liquidity we used the total amount of bonds on issue. However, given the fitting approach used for the cheap/dear is relative we needed to use a relative measure of issuance too. If all the bonds on the curve are equally liquid then the Nelson-Siegel approach will not find any liquidity premium. Moreover, if the total issuance in all the lines was to rise equally and so liquidity to rise equally, then all yields would fall equally and the Nelson-Siegel fit would fall in a parallel fashion – but register no change to the cheap/dear result. What we are really looking for is a bond which is less liquid than the bonds around it. This bond will then attract a yield premium (price discount) to account for liquidity and price away from the curve. The difference in yield compared to the bonds around it will be captured in our cheap/dear measure.

We used two different approaches to capture the concept of “less liquid than the bonds around it” and got pleasingly similar results. First, we defined liquidity as the difference between the total amount on issue of the relevant bond and the average amount on issue of all bonds then issued. Second, we defined liquidity as the total amount of issuance in the relevant bond compared to the average of the next longest and next shortest dated bond. (i.e. a type of MA3 on the issuance data.)

Please note that the second approach can’t be used on all bonds, since the shortest and longest bonds have no comparators. We refer to this

Figure 1: Comparative pricing of the Jan-18 on the day it was issued



Source: CBA, Bloomberg, Reuters

Figure 2: Results using the average measure of issuance

Regression Statistics				
Multiple R				0.20
R Square				0.04
Adjusted R Square				0.04
Standard Error				2.19
Observations				4,698

	Coefficients	Std Error	t Stat	P-value
Intercept	-0.10	0.06	-1.69	0.09
Issuance (Ave)	-0.29	0.02	-13.67	0.00
Futures Basket	0.03	0.07	0.46	0.64

Source: CBA, Bloomberg



approach as the Left/Right comparison.

Using the first approach we got an estimate of A\$1bn lowering the yield by 0.295bp. Using the second approach (and on less data because of the lesser number of comparators) we got an estimate of A\$1bn lowering the yield by 0.306bp. Very close indeed. (See Figures 2 and 3.)

Futures Baskets

A second theory we decided to test while we were here was whether or not a bond being in a futures basket had an influence on the yield. Using a fairly simplistic binary variable we found that the result was not significant. However, we think this might be because the mid-curve bonds which are not in the futures baskets (by definition) are also accurately priced by the Nelson-Siegel procedure. A more nuanced approach might produce a test with more power and a significant result. (We would suggest using a dummy variable that specified a bond that was not in the futures basket, but was around the same maturity as bonds which were in the basket – again, a relative measure.)

Revised Cheap/Dear suggests removing butterfly trade

Armed with our rule of thumb of 0.3bp per billion, we can now refine our standard cheap dear results to take into account liquidity also.

The results of this are shown in Figure 4. The Jan-18 is very cheap when presented without a liquidity correction. However, once liquidity is corrected for, the bond is only slightly cheap, but not particularly so – and no more so than the Feb-17 (marginally less actually).

The results somewhat suggest that the 2Y/5Y/8Y butterfly might too dear (i.e. the Apr-15 is too dear compared to, say, the May-13 and Feb-17. However, the total discrepancy is only about 5bp, which is probably too small to recommend the trade.

However, there is also more information revealed about our Nov-12/May-13/Dec-12 butterfly. We had originally suggested the May-13 was too dear compared to the other two bonds. Without a liquidity correction, that still appears to be the case. However, with the correction the reverse is actually true – the May-13 looks lightly too cheap.

Given this more detailed analysis we are tempted to take profit on the bond at current levels of around +5bp. This is a profit of 6bp on the trade.

A note on the R-Squared

A very wise colleague (correctly) observed that the R-Squared results from these regressions were not particularly strong. This is true - both measures have R-Squares in the vicinity of 0.04. The technique we have used for this study is a form of Fixed Effect regression on Panel Data. Panel Data approaches have the statistical consequence of decreasing the R-square.

However, the R-Squared is still lower than perhaps might otherwise be the case in a perfect model. We think this is because the dependent variable, the Y variable, can and does vary daily (and so also varies weekly since our measurements are weekly). However, the independent variable (the X-variable) is the debt outstanding. Although theoretically that debt could vary daily or weekly, it is, in fact, much more likely to vary only once every six weeks or so, or even less often during the period before the GFC when debt issuance was low.

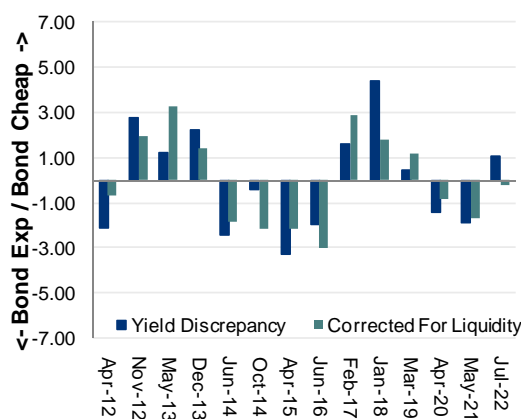
Figure 3: Results using the average measure of issuance

Regression Statistics				
Multiple R				0.19
R Square				0.04
Adjusted R Square				0.04
Standard Error				2.17
Observations				4,149

	Coefficients	Std Error	t Stat	P-value
Intercept	-0.30	0.06	-5.09	0.00
Issuance (L/R)	-0.31	0.02	-12.45	0.00
Futures Basket	0.12	0.07	1.57	0.12

Source: CBA, Bloomberg

Figure 4: Revised cheap/dear to capture liquidity effect



Source: CBA, Bloomberg



What this means is that there will be many observations where the debt level doesn't change, but the measured yield cheap/dear does. In practical terms this means that the R-Squared will be reduced as the "no-change" in the X variable cannot "explain" the change in the Y variable. However, we still believe that the fundamentals of the model are correct. Shortly after a bond is issued the total volume of issuance will change on a weekly basis and it is important to capture those weeks.

The Fixed Effects Panel Data model we have used is appropriate for data where the X variable changes. And, while the X-variable we have chosen does not always change as frequently as the Y-Variable, it does alter and so we believe the model is fundamentally valid.

Considerations and further refinements

We will continue to work with these ideas. First, the liquidity premium as we have modelled it is linear. This is not true – otherwise Ireland would have super-liquid bonds. Obviously, at a certain point there is too much supply and so a curved liquidity pricing method is possibly more appropriate. However, in ACGBs this is a moot point. There are not sufficient ACGBs on issue to get anywhere near that excess liquidity.

In principle, this analysis should be able to be applied to Semis as well. The technique can definitely be used and even the result should be approximately correct. However, some further work should be undertaken to confirm this.



Key Views

United States		Tactical (<1 mth)	Strategic (>3 mths)
<p>The US sell-off has stalled slightly as the European debt concerns have dominated discussion. Recent data has generally been reasonable but there will be a lot more data released this week, including the all-important payrolls result.</p> <p>There is a long way to go yet in reducing the unemployment rate or increasing the underlying rate of inflation. The most recent CPI (1.2% y/y) reminded the market that it is hard to trigger inflation in an environment of excess supply (like the US).</p> <p>Ultimately, we expect QE2 will keep real bond yields low. We think the recent back-up in inflation expectations (as the Fed 'targets' higher inflation) will be reversed as weak growth and persisting disinflation pressure are revealed in the data. We expect the curve to flatten as 10Y yields rally, though uncertainty remains very high.</p> <p>We expect the USD to correct higher in the near term as short USD positions are further unwound. With volatility low, upside to USD/JPY in particular is considerable. We expect the USD to garner support this week as Europe's Government debt problems keep the USD well bid.</p>	Policy rate	0.1%	0.1%
	10yr bond	2.50%	2.25%
	2/10 curve	210bp	190bp
	USD/JPY	86	90
	EUR/USD	1.29	1.30
Australia		Tactical (<1 mth)	Strategic (>3 mths)
<p>Governor Stevens has indicated that a near term pause from the RBA is likely (borderline certain). However, the RBA continues to focus on the medium-term growth of the economy. Australia's economic growth remains strong and is supported by the high terms of trade.</p> <p>The RBA believes it is ahead of the curve on interest rates, which gives the RBA the ability to pause for a month or three and remain at an appropriate setting. This makes picking the exact timing of moves very difficult. However, the RBA is likely to continue raising rates in the medium term. We forecast 5.75% by end 2011.</p> <p>With minimal RBA hikes priced in (5.10% by end 2011), we look for the former curve flattening and AUS-US spread widening trends to resume. We will look to re-enter paid positions and curve flatteners as market conditions settle.</p> <p>With the USD likely to consolidate, the AUD/USD is going to be on the back foot in the near term. Further interest rate hikes or lifts in China's Reserve Requirement Ratio (RRR) will also apply some short-term downward pressure on the AUD. The USD bid tone as a result of the European sovereign debt problems will see the USD remain firm and the AUD under some mild downward pressure.</p>	Policy rate	4.75%	5.00%
	10yr bond	5.30%	5.20%
	3/10 curve	20bp	0bp
	10yr EFP	57bp	65bp
	10yr v US	280	290
	AUD/USD	0.95	0.98
New Zealand		Tactical (<1 mth)	Strategic (>3 mths)
<p>The RBNZ remains on hold, but the income boost coming through from solid growth in Asia points to extension of the cycle and further RBNZ tightening thereafter. The employment result is already showing some improvement in Q3 (+1% employment change, unemployment falling to 6.4%) and the Retail Sales results were stronger than anticipated (+1.6% m/m). The trade balance was slightly better than expected at -\$319M in October.</p> <p>The RBNZ is comfortable that inflation expectations will remain in check as further tax increases push inflation above 5%, but this remains a key source of risk to the outlook. We look for the RBNZ to resume rate hikes early in 2011.</p> <p>In line with some expected short-term strength in the USD, the NZD is likely to head lower in the short-term. Our forecasts have AUD/NZD heading higher over the next six months.</p>	Policy rate	3.00%	3.00%
	10yr bond	5.20%	5.10%
	2/10 swap curve	110bp	100bp
	10yr v US	270	280
	10yr v AUS	-10	-20
	NZD/USD	0.73	0.77
AUD/NZD	1.2950	1.32	



CBA Forecasts:

Cash rate	30-Nov	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
US	0.25	0.25	0.25	0.25	0.50	1.00	1.50	1.75	2.00	2.25
Australia	4.50	4.75	5.00	5.25	5.50	5.75	5.75	5.75	5.75	5.75
New Zealand	3.00	3.00	3.25	3.75	4.25	4.50	4.50	4.50	4.50	4.50
United Kingdom	0.50	0.50	0.50	0.50	0.75	1.00	1.25	1.50	1.75	2.00
Eurozone	1.00	1.00	1.00	1.00	1.00	1.25	1.50	1.75	2.00	2.00
Japan	0.05	0.05	0.05	0.05	0.05	0.05	0.30	0.30	0.30	0.30
2-yr bond yield	30-Nov	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
US	0.50	0.30	0.35	0.65	1.50	1.75	2.00	2.30	2.60	2.75
Australia	4.83	5.10	5.30	5.45	5.60	5.70	5.60	5.60	5.60	5.60
New Zealand	3.80	4.00	4.20	4.60	4.90	5.00	4.80	4.80	4.70	4.70
United Kingdom	1.00	0.50	0.75	2.00	2.70	2.95	3.25	3.45	3.55	3.65
Eurozone	0.91	0.80	1.00	1.20	1.40	1.70	2.00	2.30	2.50	2.50
Japan	0.21	0.15	0.15	0.20	0.30	0.60	0.70	0.70	0.80	0.80
10-yr bond yield	30-Nov	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
US	2.81	2.25	2.25	2.40	2.80	3.00	3.20	3.30	3.40	3.50
Australia	5.41	5.10	5.20	5.30	5.40	5.50	5.50	5.50	5.50	5.40
New Zealand	5.66	5.10	5.20	5.30	5.50	5.70	5.50	5.50	5.40	5.40
United Kingdom	3.34	2.75	2.80	3.00	3.90	4.00	4.20	4.40	4.50	4.60
Eurozone	2.76	2.30	2.40	2.60	2.80	3.00	3.10	3.20	3.30	3.40
Japan	1.20	0.80	0.90	1.20	1.40	1.50	1.60	1.70	1.80	1.80
AUD Swap Rates	30-Nov	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
2-year	5.24	5.55	5.80	6.00	6.15	6.20	6.10	6.10	6.10	6.00
3-year	5.38	5.55	5.75	5.95	6.05	6.15	6.00	5.95	5.95	5.95
5-year	5.73	5.70	5.80	5.95	6.00	6.10	6.00	6.00	6.00	5.95
10-year	5.96	5.70	5.85	5.95	6.05	6.15	6.10	6.10	6.10	6.00
NZD Swap Rates	30-Nov	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
2-year	3.86	3.95	4.20	4.55	5.00	5.10	5.10	5.10	5.10	5.10
3-year	4.22	4.15	4.40	4.75	5.15	5.25	5.20	5.20	5.15	5.15
5-year	4.73	4.35	4.60	4.95	5.35	5.45	5.40	5.40	5.35	5.35
10-year	5.45	4.95	5.10	5.30	5.70	5.90	5.75	5.75	5.70	5.70



Calendar – December 2010

Monday	Tuesday	Wednesday	Thursday	Friday
Early January AU Building approvals, Nov (6 Jan) AU Retail trade, Nov (10 Jan) AU Trade in Goods & Services, Nov (11 Jan) AU Housing finance, Nov (12 Jan) AU Labour force, Dec (13 Jan)	Central Bank Meetings AU RBA (7 Dec) NZ RBNZ (9 Dec) UK BOE (9 Dec) EZ ECB (2 Dec) CA Bank of Canada (7 Dec) JP BoJ (21 Dec) US FOMC (15 Dec)	AU AI-Group PMI, Nov, Index, (49.4) AU GDP, QIII, q/y%ch, 0.7/3.7 (12/3.3) CH PMI Manufacturing, Nov, Index, (54.7) JP Vehicle sales, Nov, y%ch, (-26.7) EU/GE/UK PMI manufacturing, Nov, Index, (55.5/58.9/54.9) US ISM manufacturing, Nov, Index, (56.9) US Construction spending, Oct, m%ch, (0.5) US Federal Reserve Beige Book US Total vehicle sales, Nov, mn, (12.25)	AU Trade balance Oct, \$bn, 2.5, (1.76) AU Retail trade, Oct, m%ch, 0.5, (0.3) EU GDP, QIII, q/y%ch, (0.4/1.9) EU PPI, Oct, m/y%ch, (0.3/4.2) EU ECB announces int. rate, %, 100, (100) UK PMI construction, Nov, Index, (51.6) US Pending home sales, Oct, m/y%ch, (-1.8/-24.9)	AU CBA/Ai-Group PSI, Nov, Index, (50.7) CH Non-Manuf PMI Nov, Index, (60.5) EU PMI services/composite, Nov, Index, (55.2/55.4) EU Retail sales, Oct, m/y%ch, (-0.2/1.3) GE/UK PMI services, Nov, Index, (58.6/53.2) US Avg hrly earnings, Nov, m/y%ch, (0.2/1.7) US Non-farm payrolls, Nov, '000, (15.1) US Unemployment rate, Nov, %, (9.6) US ISM non-manufacturing, Nov, Index, (54.3) US Factory orders, Oct, m%ch, (2.1) CA Net change in employment, Nov, '000, (3.0) CA Unemployment rate, Nov, %, (7.9)
AU AI-Group PCI, Nov, Index, (44) AU TD inflat gauge Nov, m/y%ch, (0.3/3.8) AU ANZ Job ads, Nov, m%ch, (0.6) UK New car registrations, Nov, y%ch, (-22.2) CA Building permits, Oct, m%ch, (15.3) CA Ivey purchasing manager index, Nov, (56.7)	AU RBA cash rate, %, 4.75, (4.75) JP Leading / Coincident index CI, Oct, (98.6/102.1) GE Factory orders, Oct, m/y%ch, (-4.0/14.0) UK Industrial production, Oct, m/y%ch, (0.4/3.8) UK NIESR GDP estimate, Nov, m%ch, (0.5) US Consumer credit, Oct, \$bn, (2.1) CA Bank of Canada, q, 125, (100)	AU Housing Finance, Oct Value of all loans, m%ch, -2.0 (0.6) No. of own-occupiers, m%ch, 0.0 (1.3) AU RBA Ass. Gov. Lowe speaks in Sydney NZ Manufacturing activity QIII, q%ch, (3.1) JP Curr a/c total/adjusted, Oct, \$bn, (1959.8/1661.3) JP Trade balance - BOP basis, Oct, \$bn, (926.9) JP Machine tool orders, Oct, m/y%ch, (-10.3/4.2) GE Trade bal, Oct, \$bn, (16.8) GE Industrial production, Oct, m/y%ch, (-0.8/7.9) CA Housing starts, Nov, '000, (167.9)	AU Labour Force, Oct employment, '000, 25 (29.7) unemployment rate, %, 5.1, (5.4) participation rate, %, 65.8, (65.9) NZ RBNZ official cash rate, %, 3.00, (3.00) NZ Card spending, Nov, m%ch, (0.8) JP GDP, QIII, q%ch, (0.9) JP Machine tool orders, Nov, y%ch, (71.0) EU ECB Monthly report UK Total trade balance, Oct, \$bn, (-4.6) UK BoE announces rates, %, 0.50, (0.50) US Wholesale inventories, Oct, m%ch, (1.5)	NZ Terms of Trade Index, QIII, q%ch, (2.1) CH Trade balance Nov, US\$bn, (27.15) JP Domestic CGI, Nov, m/y%ch, (0.2/0.9) JP Consumer confidence, Nov, Index, (41.1) UK PPI Input/Output/core, Nov, y%ch, (8.0/4.0/3.3) US Trade balance, Oct, \$bn, (-44.0) US Import price index, Nov, m/y%ch, (0.9/3.6) US Uni. Of Michigan confidence, Dec, Index CA Trade balance Oct, C\$, (-2.5)
NZ Food prices, Nov, m%ch, (2.2) CH PPI/CPI, Nov, y%ch, (5.0/4.4) CH Retail sales, Nov, y%ch, (18.6) CH Industrial production, Nov, y%ch, (13.1) CH Fxd Ass Investment, Nov, y%ch, (24.4)	AU NAB Bus conf/cond, Nov, Index, (8/2) AU Dwelling commence, QIII, q%ch, -5, (0.8) NZ Retail sales, Oct, m%ch, (1.6) JP Industrial production, Oct, m/y%ch, (-1.6/11.5) EU Industrial production Oct, m/y%ch, (-0.9/5.2) EU/GE ZEW survey (econ. sentiment), Dec, Index, (13.8/18) UK CPI, Nov, m/y%ch, (0.3/3.2); core, y%ch, (2.7) US Producer price index Nov, m/y%ch, (0.4/4.3) US Retail sales, Nov, m%ch, (1.2) US Business inventories, Oct, m%ch, (0.9) US FOMC rate decision, %, 0-¼ (0-¼)	AU MI/WBC Consumer Sent, Dec, Index, (110.7) AU DEWR skilled vacancies, Dec, m%ch, (-1.0) AU New motor veh. sales, Nov, m/y%ch, (-0.6/3.3) AU RBA Ass. Gov. Debelle speaks in Sydney JP Tankan Index, QIV, Index, (8) EU New car registrations Nov, y%ch, (-16.6) UK ILO unemployment rate (3mths), Oct, %, (7.7) US CPI, Nov, m/y%ch, (0.2/1.2); core, m/y%ch, (0.0/0.6) US Industrial production, Nov, m%ch, (0) US Capacity utilisation, Nov, %, (74.8) US NAHB housing market index, Dec, (16)	AU MI Consumer Inflation Expectat, Dec, %, (0.03) AU MI Unemp. Expt., Dec, Index, (110.0) AU RBA Bulletin - QIV 2010 AU Financial accounts, QIII NZ Business PMI, Nov, Index, (49.7) NZ NBNZ Business confidence, Dec, Index EU CPI, Nov, m/y%ch, (0.4/1.1); core, y%ch, (1.1) UK Retail sales, Nov, m/y%ch, (0.5/-0.1) US Current account balance, QIII, US\$bn, (-123.3) US Housing starts/Building permits, Nov, '000, (519/550) US Philadelphia Fed, Dec, Index, (22.5)	EU Construction output, Oct, m/y%ch, (-2.1/-8.1) EU Trade balance Oct, \$bn, (2.4) GE IFO - Business climate, Dec, Index US Leading indicators, Nov, m%ch, (0.5)
JP Leading / Coincident index CI, Oct, EU Current account, Oct, \$bn, (-13.1) GE Producer prices, Nov, m/y%ch, (0.4/4.3) CA Wholesale sales, Oct, m%ch, (0.4)	AU RBA Board Minutes AU Population growth, QII, q/y%ch, (0.5/1.8) NZ Credit card spending, Nov, m/y%ch, (0.6/4.6) JP BoJ target rate, %, 0-0.10, (0-0.10) CA CPI, Nov, m/y%ch, (0.4/2.4) CA Retail sales, Oct, m%ch, (0.6)	NZ Current account, QIII, % of GDP, (-3.0) JP Trade balance, Nov NZ Current account spending, Nov, m/y%ch, (0.6/4.6) UK GDP, QIII, q/y%ch, (0.8/2.8) UK Current account balance QIII, \$bn, (-7.4) US GDP, QIII, q%ch, (2.5) US Existing home sales, Nov, mn/m%ch, (4.4/-2.2)	NZ GDP, QIII, q/y%ch, (0.2/1.9) US Personal income/spending, PCE deflator, Nov US Durable goods orders, Nov US Uni. Of Michigan confidence, Dec, Index US New home sales, Nov	
Christmas Day Holiday, Aus JP Vehicle production, Nov JP Housing starts, construction orders, Nov US Dallas Fed, Dec, Index	Boxing Day Holiday, Aus JP CPI, industrial production, retail sales, Nov US S&P/Case-Shiller home price ind., Oct, US Richmond Fed, Dec, Index	GE CPI, Dec UK BoE Housing equity withdrawal, QIII, \$bn CA Teranet House Prices, Oct		AU RP Data house price index, Nov, AU Private sector credit, Nov AU RP Data house price index, Nov, UK GfK consumer confidence survey, Dec, Index

Note: Figures in brackets represent previous result (if available). All information is preliminary and subject to revision. Chief Economist: Michael Blythe ph: 9118-1101 Economist: James McIntyre: 9118-1100



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