

Fed stepping up the rhetoric on inflation and Linkers are taking notice

- The Fed wants higher inflation expectations, but also lower yields. So far, it seems to be working.
- Australian BEI tends to track US BEI, leading us to believe there is scope for Australian BEI to widen further.
- Australian CPI is released on October 27 and may give the RBA the ammunition to raise rates in November.

Bond markets have sold-off and steepened as the Fed's rhetoric about further Quantitative Easing moves into an explicit discussion of inflation expectations. Unfortunately, it has also moved into somewhat of a contradiction: QE, as a policy, seeks lower yields and increased inflation expectations. The latter does not sit comfortably with the former. Bond markets are starting to show signs of this anomaly.

Although still very low by historical standards, the US 10Y treasury has sold-off with the talk of inflation expectations in the FOMC minutes and again in Bernanke's speech on Friday. The US move has taken the Australian 10Y with it. The 10Y futures have sold-off 15bp over the week, while the 3Y has sold-off 4bp. The 3Y/10Y futures curve has steepened to 23bp. The majority of the move in the 10Y has been over the weekend, while the 3Y initially rallied, before selling-off. The sell-off on Friday night coincided both with Bernanke's speech, but also strong September retail sales figures (+0.6% with strong revisions too).

Philip Brown looks at the inflation expectations inherent in the US and Australian curves in the light of the Fed's QE and inflation comments in his article on page 3. The BEIs in Australia and the US are highly correlated. The sharp move in the US has helped our BEIs to widen.

We had previously recommended an Australian BEI widening trade and today alter the Target and Stop. Originally, we had targeted 2.80%, but we now look for 3.00%.

New Zealand bonds have sold-off a couple of basis points today after a higher than consensus CPI print. However, they have not kept pace with the Australian sell-off and we have reached our target on the ACGB to NZGB spread trade. We remove this trade at a spread of -10bp (NZ below Australia).

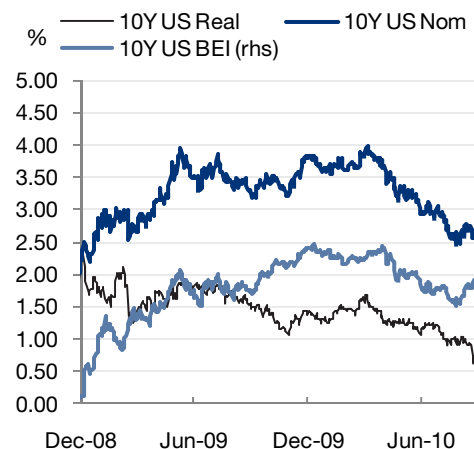
We also are removing our bank bill futures spread trade. We had recommended selling the Mar-12 IR futures against the Mar-11. We still feel that the market is somewhat underpricing the likelihood of a sustained rise in the cash rate over 2011, but the current spread of 34bp is closer to being realistic. Moreover, with the current market pricing only a circa 40% chance of a rate rise in November, the trade is exposed to a high CPI figure. We exit the trade at the current level of 34bp for a 17bp profit.

The coming week will see the RBA minutes released on Tuesday, before the run into the 27 October Q3 CPI release begins on Friday with the import and export price indices. In the US, the data highlights will be housing starts (Tuesday night), the Beige Book (Thursday morning) and the Philly Fed (Friday morning).

Contents:

Key Trades	2
Breakevens Breaking Out.....	3
Key Views.....	7
CBA Forecasts:.....	8
Calendar – October 2010.....	9

US nominals rallying as Fed also increases inflation expectations.



Source: CBA, Bloomberg



Key Trades

Trade	Entry	Curent	Profit	Target	Stop	Comment
Buy the NSWTC Jun-20 (Government Guaranteed) as an ASW	-12bp (3-Feb-10)	-21bp	+9bp	-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)	-7bp	+4bp	3bp	-20bp	Hold: Taking longer than we thought – but with Dec-13 included in March 2011 Basket should work eventually.
Pay 3yr AUD EFP	35bp (9 August)	34.75bp	-0.25bp	45bp	30bp	Hold: Increased mortgage fixing may force this wider as curve flattens.
Sell the May-13 ACGB vs the Apr-20	62bp (5 July)	27bp	35bp	15bp	33bp	Hold: Given back some profit as US long end sells-off. With little priced from RBA this year, can easily re-flatten as the November RBA meeting draws closer.
10yr ACGB BEI widening	255 bp (18 August)	280bp	25bp	300bp	260bp	New Target and Stop: Spread has widened in the sell-off, inflation expectations growing.
OTM Conditional Steeener. 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)	5.28 and 5.68	-0.4bp (premium)			Hold: An insurance trade for a global double dip.
Buy the NSWTC Apr-19 vs the EIB Aug-19	63bp (8 Sep)	55bp	-8bp	75bp	55bp	Stopped Out.
Buy the Suncorp Metway Govt Guaranteed Apr-11 Floater.	TM of 29.5bp	26.5bp	+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.
Sell the Mar-12 IR future against the Mar-11	17bp (21 Sep)	34bp	+17bp	50bp	0bp	Take Profit: Although we still think the market is pricing too dovish an RBA over 2011, the current pricing exposes trade to a high CPI.
Buy NZGB May-21 vs ACGB May-21	29bp (5 July)	-10bp	+39bp	-10bp	14bp	Take Profit: Combination of US sell-off and NZ CPI pushed it over the line.
Pay 6M*2Y vs Buying the May-21	111bp (30 August)	103bp	-8bp	50bp	135bp	Hold: Not performing well, but longer-term outlook is still good.



Breakevens Breaking Out

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- The Fed is (successfully so far) trying to achieve the combination of lower yields and higher inflation expectations.
- The Australian Breakeven Inflation has been following the US BEI higher.
- The RBA will be watching the Q3 CPI release on October 27.

Bernanke's comments on Friday put significant emphasis on inflation expectations. Unlike the normal market reaction, the Fed is trying to achieve low yields and higher inflation expectations simultaneously. So far, at least, the Fed is succeeding.

Although the secondary effects of US policy are being felt in Australia, the RBA faces a more standard policy decision following the Australian CPI release next week (27 October). The RBA has consistently described the current settings of policy as "about average". Most economists and market commentators believe the one factor missing before the RBA moves to truly restrictive interest rate settings is an imminent inflation concern.

We have already advocated a Breakeven Inflation (BEI) widener in Australia and continue to do so. This reflected unusually low BEI rates in Australia, both relative to the inflation outlook but also to offshore comparisons.

CPI and CPI expectations in the curve

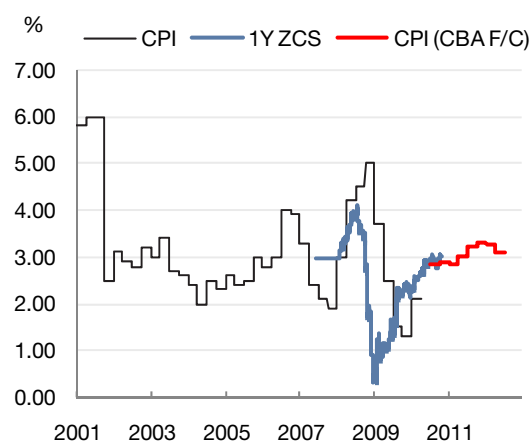
Australian CPI remains contained.

While all the ingredients for high inflation are present, the CPI data has not yet given the proverbial "smoking gun". Nor is CPI likely to in the near future. Our economists are expecting the headline CPI to remain relatively well contained at +0.8% q/q and +2.9% y/y. The market consensus figures for CPI are not yet available, but our traders report the market for the individual CPI print was 0.75/0.8, which is entirely consistent with our forecasts. We look for the underlying rate to rise 0.7% in Q3.

CPI results like these are just inside the target range, but don't leave a great deal of room for unexpected increases – hence the upward trajectory of our RBA forecasts. Our forecasts for CPI do include a trend upwards in coming months. (See Figure 1.)

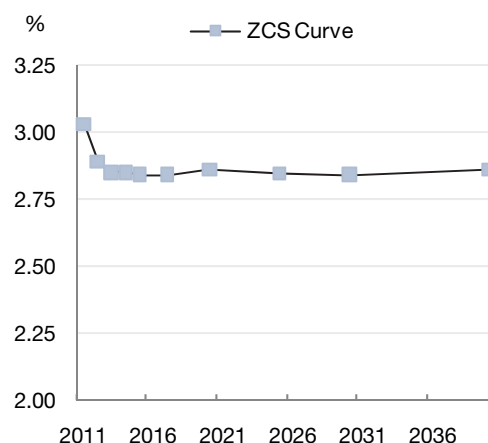
The current 1Y ZCS (with no offset) is slightly lower than our forecasts. The front of the ZCS curve continues to underestimate inflation compared to our forecasts. However, the ZCS curve is inverted. All maturities longer than 1Y are essentially flat at 2.85%, give or take. (See

Figure 1: CBA CPI forecasts and ZCS (all y/y)



Source: CBA, Bloomberg, ABS

Figure 2: Australian ZCS shows a fall in inflation from 2011 to 2012



Source: CBA, Bloomberg



Figure 2.)

With the current positive carry it might be worth entering into a paid 2Y ZCS at current levels. We will not add this trade to our recommended list, as we already have this risk covered with a BEI-widening trade. But for those who don't already have a trade implemented to capture the risk, the ZCS is a neat way to do so.

Australian Breakeven Inflation

The 10Y breakeven inflation (BEI) has been trending wider since we implemented our trade in August. (See Figure 3.)

At first, the BEI moved wider as the bonds sold-off. This is common, the beta between the nominal yield and the real yield is generally less than one, indicating that the BEI tends to widen as bonds sell-off. However, the peak in the 10Y nominal was in September. Between September 15 and October 15 the 10Y nominal has been rallying. However, the 10Y real has been rallying even more, widening the breakeven. (Over the weekend the nominal sold off – also widening the breakeven. However, the overall trend still holds.)

This is slightly unusual behaviour, though not entirely unreasonable. As figure 4 shows the BEI is highly correlated with the level of 10Y nominal rates. (This is the mathematical consequence of the beta, as we discussed above.)

The current set of circumstances (a rising BEI with a falling 10Y bond) is an unusual, though rational response to the current outlook. The key to achieving this outcome is that inflation expectations should have been rising even as some external force lowered the yield on 10Y bonds. Normally, of course, the rising inflation coincides with selling of bonds. However, not when the Fed is openly discussing buying bonds.

The US Treasury market has been rallying strongly on the back of the expectation of QE (see last week's Strategy Weekly, released 11 October). This has, in turn lowered the yield on Australian 10Y bonds and flattened the Australian yield curve. The US QE dynamic has been keeping yields low while ZCS (representing inflation expectations) has been trending upwards. (See Figures 5 and 7.)

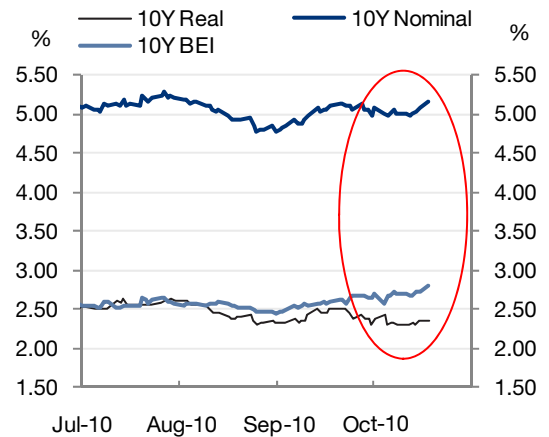
While it is unusual for the BEI to be increasing in a rally, there are identifiable reasons for it in this instance. Moreover, we see little reason for this dynamic to change. As we have highlighted, in a sell-off the BEI tends to widen. We would expect the current dynamic to continue if any further rallies are because of the US QE. The only situation that could see a tightening in the

Australian BEI is widening

Australian BEI is responding to the US QE situation

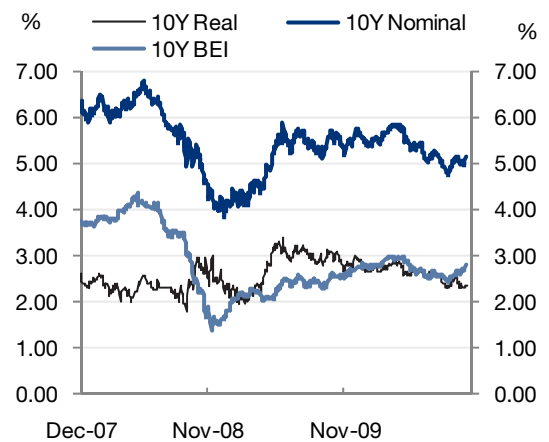
US BEI has widened in a rally as the Fed seeks to lower yields and raise CPI expectations

Figure 3: Australian BEI and Nominal rates



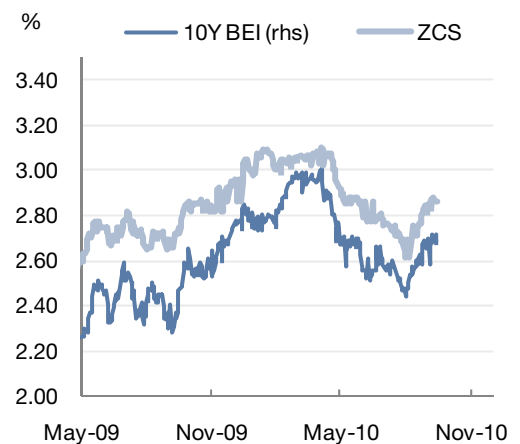
Source: CBA, Bloomberg

Figure 4: Australian BEI and Nominal rates



Source: CBA, Bloomberg

Figure 5: Australian BEI and ZCS



Source: CBA, Bloomberg



Australian BEI, in our view, would be a rally in Australian bonds based on a weakening Australian economic outlook. This would, at the moment, be quite a surprising result. For these reasons we expect the Australian 10Y BEI to continue to widen and change our target for the BEI trade to 300bp accordingly.

US CPI and 10/30 slope

Almost the exact same dynamic has been at play in the US. Despite the general rally in yields the BEI has been moving wider. Unlike Australia, where a slowly rising CPI and a generally strong economy have been driving inflation expectations higher, in the US the fear is of deflation.

The deflation fear is for short-term, market measures of longer term inflation are not particularly low

However, the deflation fears are for short term deflation. In the recent FOMC minutes there was serious discussion about how to raise medium-term inflation expectations. The reason given in the minutes was that raising inflation expectations is tantamount to lowering real interest rates. Given that short term nominal rates cannot really be lowered any further, the Fed has to settle for lowering the real rate. Arguably, lowering the real rate is the more effective of the two, but it is also harder to measure and control.

Intentionally or not, the Fed has succeeded in doing exactly that already. Figure 6 shows that the real rate has been falling even as the BEI rises. Exactly what the Fed prescribed. Figure 7 shows that the BEI and the ZCS have been moving in the same direction.

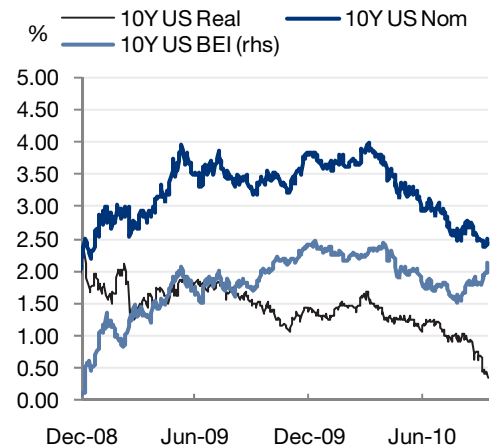
However, in the US case it is also having another unintended effect: steepening the 10Y/30Y curve. While the 10Y has been constrained by the anticipated QE, the 30Y has been less affected. However, without the perceived bid from the Fed, the 30Y Treasury has been incorporating a greater risk of medium term inflation and selling-off, which is steepening the curve.

The 30Y treasury will likely continue to respond to inflation expectations

We think the 30Y bond will continue to respond to inflation expectations. The US ZCS shows that, despite the recent rise, the level of inflation expectations remains fairly low compared to a longer term trend. To our mind, this creates plenty of space for inflation expectations to continue to rise before the Fed would seek to harden its policy. (The Fed is much more likely to ease the policy in the near term.)

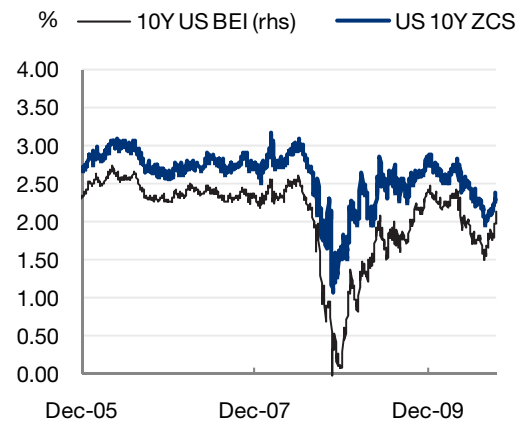
Although the spread is already at historical highs, we believe the actuality of Quant Easing combined with the recovery which should (eventually) follow will see the 10Y/30Y curve steepen more.

Figure 6: US Nominal, real yields and BEI



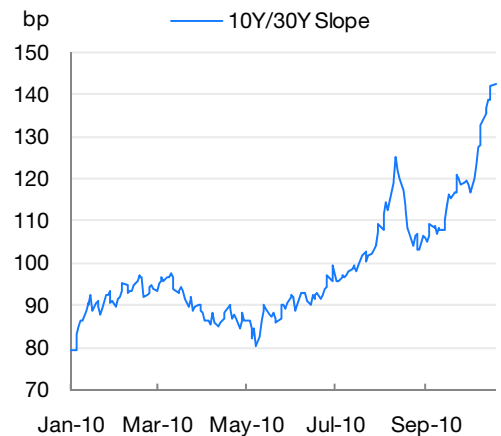
Source: CBA, Bloomberg

Figure 7: US BEI and ZCS



Source: CBA, Bloomberg

Figure 8: US 10Y/30Y slope



Source: CBA, Bloomberg



Australian BEI mimics US BEI

Contrasting the Australian and US outlook

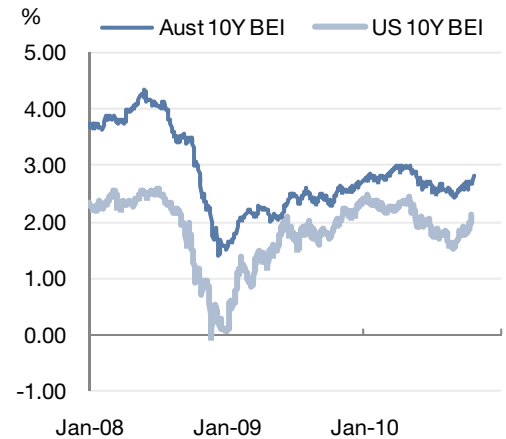
Figure 9 shows the 10Y Breakeven Inflation for both Australia and the US. Aside from the very obvious correlation, the next most interesting feature is how similar the BEIs look at first glance. However, in part, this is a feature of how high the Australian BEI was in early 2008 and how low the US BEI was in late 2008. The extreme values elongate the scale and make all “normal” values look the same.

The 10Y BEI is currently 2.8% in Australia and 2.1% in the US. When you put that in the context of, perhaps, the RBA’s 2-3% inflation band, you can easily see why the RBA is tightening rates while the Fed is considering increasing QE.

However, Figure 9 also shows why we have shifted our target for the Australian BEI trade. The Australian BEI has been as high as 3% already this year and if the US BEI continues trending upwards then we expect the Australian BEI to trend higher too. With the Fed deliberately attempting to raise CPI expectations this seems the most likely outcome.

Although we expect the BEI to rise, we doubt that the heights of 4.2% can be reached again. The supply of linkers has increased since then and the scarcity value has dissipated.

Figure 9: Australian and US BEI



Source: CBA, Bloomberg



Key Views

United States		Tactical (<1 mth)	Strategic (>3 mths)
<p>The continued mediocrity of the US economy has brought the possibility of further QE into sharp focus. Over the last week the FOMC minutes and a speech by Governor Bernanke have covered similar ground, reinforcing that the Fed will seek to increase QE if the recovery does not improve. Not all data has been poor, though. On Friday retail sales rose 0.6% in September and August was revised up to 0.7%. CPI remained weak, though, with the headline rising +0.1% and the key ex-food-and-energy measure flat.</p> <p>The US bond market is already pricing a significant amount of Quantitative easing. Even if the Fed does increase QE (which is not certain) the market may struggle to rally too much more from here.</p> <p>The political sphere is starting to interact with the financial sphere in currency markets too. After the intervention by the BoJ, the Yuan peg has come under increased speculation. The House of Representatives has approved a bill allowing the US to increase duties on countries whose currencies are undervalued as a result of an intervention (read China).</p> <p>With currency volatility at the lower end of recent experience and the US economic data generally soft, we see the USD easing further. There is a high risk the Fed implements additional QE at its November meeting. Further stimulus will likely push the US lower. The EUR has been the main beneficiary of the softer USD, particularly as further BoJ intervention to sell yen is possible.</p>	Policy rate	0.1%	0.1%
	10yr bond	2.35%	2.25%
	2/10 curve	195bp	190bp
	USD/JPY	82	84
	EUR/USD	1.41	1.32
Australia		Tactical (<1 mth)	Strategic (>3 mths)
<p>The Australian economy continues to perform well. The most recent employment figures were strong and over 50K new full time jobs were created. We expect the Q3 CPI on October 27 to make or break the case for tightening at the November RBA meeting, with a hike more likely than not at this stage.</p> <p>Ultimately, more tightening is likely through 2011 as policy-makers make room for the resources boom and inherent inflation risks. The strength of the AUD (touching parity on Friday night) is assisting the RBA.</p> <p>The Aust-US spread will be dominated by the US QE question, with the spread contracting slightly over the past week as the US10Y sold-off. The contrast between the US and the Australian outlook points to a flatter Australian curve.</p> <p>The combination of a softening USD, declining vol., and Australia's relative economic health are providing upside risks to the AUD. Stronger than expected economic outcomes in China and Asia compared with the economic outcomes in the US and Europe will feed into AUD strength, particularly if vol. remains low.</p>	Policy rate	4.75%	4.75%
	10yr bond	5.10%	5.20%
	3/10 curve	10bp	0bp
	10yr EFP	57bp	65bp
	10yr v US	280	290
	AUD/USD	0.98	1.00
New Zealand		Tactical (<1 mth)	Strategic (>3 mths)
<p>The earthquake in Christchurch has left a significant re-building task. In economic terms the result is that near-term growth is reduced, but medium term GDP is given a boost by the rebuilding effort.</p> <p>After a much weaker than expected Q2 GDP reading our economists look for the RBNZ to be on hold through to the March meeting in 2011, before again raising rates. Recent data has been mixed. There was weak retail sales report (flat in August) but also a higher than expected +1.1% q/q CPI result in Q3 (with the implementation of the Emissions Trading Scheme raising energy prices). The annual rate rose only +1.5%, after Q3 of 2009 rolled out of the annual calculation.</p> <p>The growing contrast between the Australian and New Zealand economies is likely to push AUD/NZD higher. The moderately soft US and New Zealand economies suggest NZD/USD will range-trade. In the future, a weaker USD and firmer dairy prices may work in the NZD's favour.</p>	Policy rate	3.0%	3.0%
	10yr bond	5.0%	5.1%
	2/10 swap curve	110bp	100bp
	10yr v US	280	290
	10yr v AUS	0	-10
	NZD/USD	0.74	0.75
	AUD/NZD	1.3100	1.3200



CBA Forecasts:

Cash rate	18-Oct	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	6.00	6.00	6.00	6.00
New Zealand	3.00	3.00	3.25	3.75	4.25	4.50	4.50	4.50	4.50	4.50
Canada	0.50	1.00	1.00	1.25	1.50	1.75	2.00			
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	18-Oct	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
US	0.35	0.30	0.35	0.65	1.50	1.75	2.00	2.30	2.60	2.75
Australia	4.84	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	0.67	0.50	0.75	2.00	2.70	2.95	3.25	3.45	3.55	3.65
Eurozone	0.81	0.80	1.00	1.20	1.40	1.70	2.00	2.30	2.50	2.50
Japan	0.13	0.15	0.15	0.20	0.30	0.60	0.70	0.70	0.80	0.80
10-yr bond yield	18-Oct	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
US	2.54	2.25	2.25	2.40	2.80	3.00	3.20	3.30	3.40	3.50
Australia	5.15	5.10	5.20	5.30	5.40	5.50	5.50	5.50	5.50	5.40
New Zealand	5.09	5.10	5.20	5.30	5.50	5.70	5.50	5.50	5.40	5.40
United Kingdom	2.95	2.75	2.80	3.00	3.90	4.00	4.20	4.40	4.50	4.60
Eurozone	2.37	2.30	2.40	2.60	2.80	3.00	3.10	3.20	3.30	3.40
Japan	0.89	0.80	0.90	1.20	1.40	1.50	1.60	1.70	1.80	1.80
AUD Swap Rates	18-Oct	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
2-year	5.20	5.55	5.80	6.00	6.15	6.20	6.10	6.10	6.10	6.00
3-year	5.28	5.55	5.75	5.95	6.05	6.15	6.00	5.95	5.95	5.95
5-year	5.52	5.70	5.80	5.95	6.00	6.10	6.00	6.00	6.00	5.95
7-year	5.63	5.70	5.82	5.95	6.02	6.12	6.04	6.04	6.04	5.97
10-year	5.69	5.70	5.85	5.95	6.05	6.15	6.10	6.10	6.10	6.00
NZD Swap Rates	18-Oct	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
2-year	3.76	3.95	4.20	4.55	5.00	5.10	5.10	5.10	5.10	5.10
3-year	4.00	4.15	4.40	4.75	5.15	5.25	5.20	5.20	5.15	5.15
5-year	4.36	4.35	4.60	4.95	5.35	5.45	5.40	5.40	5.35	5.35
7-year	4.66	4.65	4.85	5.13	5.53	5.68	5.58	5.58	5.53	5.53
10-year	4.97	4.95	5.10	5.30	5.70	5.90	5.75	5.75	5.70	5.70



Calendar – October 2010

Monday	Tuesday	Wednesday	Thursday	Friday
Early November AU House price index, QIII (1 Nov) AU RBA cash target, Nov (2 Nov) AU Building approval, Sep (3 Nov) AU Retail trade, Sep, QIII (4 Nov) AU Trade balance, Sep (4 Nov) AU RBA SMP (5 Nov) AU Housing finance, Sep (10 Nov) AU Labour force, Oct (11 Nov)	Central Banking Meetings AU RBA (5 Oct) EZ ECB (7 Oct) UK BOE (7 Oct) JP BoJ (4/5 Oct, 28 Oct) CA Bank of Canada (19 Oct) NZ RBNZ (28 Oct) US FOMC (2-3 Nov)			1 AU AI-Group PMI, Sep, Index, (51.7) CH PMI Manufacturing, Sep, Index, (51.7) JP CPI, Aug, y%ch, (-0.9), Vehicle sales, Sep, y%ch, (46.7) EU/GE/UK PMI manufacturing, Sep, Index, (53.6/55.3/54.3) US Personal income/spending, Aug, m%ch, (0.2/0.4) US PCE deflator/core, Aug, y%ch, (15/14) US Uni. Of Michigan confidence, Sep, Index, (66.6) US ISM manufacturing, Sep, Index, (56.3) US Construction spending, Aug, m%ch, (-1.0) US Total vehicle sales, Sep, mn, (1146)
4 AU Labour Day (NSW, ACT, SA) AU TD inflat gauge Sep, m/y%ch, , (0.2/3.0) EU PPI, Aug, m/y%ch, (0.2/4.0) UK PMI construction, Sep, Index, (52.1) US Factory orders, Aug, m%ch, (0.1) US Pending home sales, Aug, m/y%ch, (5.2/-20.1)	5 AU CBA/Ai-Group Perf of Serv Index, Sep, (47.5) AU ANZ Job ads, Sep, m%ch, (2.6) AU Retail trade, Aug, m%ch, 0.3, (0.7) AU NAB Bus conf/cond, Sep, Index, (11/5) AU RBA cash rate, %, 4.75, (4.50) NZ NZIER Business opinion survey QIII, index, (18) JP BoJ target rate, % 0.10, (0.10) EU PMI services/composite, Sep, Index, (53.6/53.8) EU Retail sales, Aug, m/y%ch, (0.1/1.1) GE/UK PMI services, Sep, Index, (54.6/51.3) US ISM non-manufacturing, Sep, Index, (51.5)	6 AU Ai-Group PCI, Sep, Index, (43.2) AU RBA Fin. Stab. Head Luci Ellis speaks in Brisbane EU GDP, QIII, q/y%ch, (10/19) GE Factory orders, Aug, m/y%ch, (-2.2/17.7) UK New car registrations, Sep, y%ch, (-17.5) IMF World Economic Outlook released CA Ivey purchasing manager index, Sep, (65.9)	7 AU Labour force, Sep employment, '000, 20, (30.9) unemployment rate, %, 5.1, (5.1) participation rate, %, 65.4, (65.4) JP Leading / Coincident index CI, Aug, JP Machine tool orders, Sep EU ECB announces int. rate, % 1.00, (1.00) GE/UK Industrial production, Aug, y%ch, (10.9/19) UK BoE announces rates, % 0.50, (0.50) US Consumer credit, Aug, \$bn, (-3.6) CA Building permits, Aug, m%ch, (-3.3)	8 AU RBA Dep Gov Battellino speaks in Brisbane JP Current account/Trade balance, Aug GE Trade bal, Aug, €n, (13.5) UK PPI Input/Output/core, Sep, y%ch, (8.1/4.7/4.6) US Avg hrly earnings, Sep, m/y%ch, (0.3/1.7) US Non-farm payrolls, Sep, '000, (-54) US Unemployment rate, Sep, % (9.6) US Wholesale inventories, Aug, m%ch, (1.3) CA Net change in employment, Sep, '000, (35.8) CA Unemployment rate, Sep, % (8.1) CA Housing starts, Sep, '000, (183.3)
11 AU Housing finance, Aug, m%ch No. of own-occupiers, % 2.0 (1.7) Value of all loans, % 1.0, (2.3) NZ Card spending, Sep, m%ch, (-0.2)	12 JP Consumer confidence, Sep, Index, (42.5) GE CPI, Sep, m/y%ch, (-0.2/1.3) UK RICS house price balance, Sep, % (-0.32) UK CPI, Sep, m/y%ch, (0.5/3.1); core, y%ch, (2.8) UK Total trade balance, Aug, £bn, (-4.9) US FOMC Minutes	13 AU MI/WBC Consumer Sent, Oct, Index, (113.2) NZ Food prices, Sep, m%ch, (-0.1) CH Trade balance Sep, US\$bn, (20.0) JP Machine orders, Aug, m/y%ch, (8.8/15.9) EU Industrial production Aug, m/y%ch, (0.0/7.1) UK ILO unemployment rate (3mths), Aug, % (7.8) US Import price index, Sep, m/y%ch, (0.6/4.1) CA Housing price index, Aug, m%ch, (-0.1)	14 AU MI Consumer Inflation Exp., Oct, %, (3.1) AU MI Unemp. Expt., Oct, Index, (102.0) NZ Retail sales, Aug, m%ch, (-0.4) NZ Business PMI, Sep, Index, (49.3) EU ECB Monthly report US Producer price index Sep, m/y%ch, (0.4) US Trade balance, Aug, \$bn, (-42.8) US Producer price index Sep, m/y%ch, (0.4/3.1) CA Trade balance Aug, C\$bn, (-2.7)	15 JP Industrial production/Capacity Utilisation, Aug EU New car registrations Sep, y%ch, (-12.9) EU CPI, Sep, m/y%ch, (0.2/1.6); core, y%ch, (1.0) EU Trade balance Aug, €n, (-0.2) US CPI, Sep, m/y%ch, (0.3/1.1); core, (0.0/0.9) US Retail sales, Sep, m%ch, (0.4) US Empire manufacturing, Oct, Index, (4.1) US Uni. Of Michigan confidence, Oct, Index US Business inventories, Aug, m%ch, (1.0)
18 AU New motor veh. sales, Sep, m/y%ch, (0.3/1.0) NZ CPI, QIII, q/y%ch, (0.3/1.8) US Industrial production, Sep, m%ch, (0.2) US Capacity utilisation, Sep, % (74.7) US NAHB housing market index, Oct, (13)	19 AU RBA Board Minutes EU Current account, Aug, €n, (-3.8) EU Construction output, Aug, m/y%ch, (-3.1/7.5) EU/GE ZEW survey (econ. sentiment), Oct, Index, (4.4/-4.3) US Housing starts, Sep, '000, (598) US Building permits, Sep, '000, (569) CA Bank of Canada, % 1.00, (1.00)	20 AU DEWR skilled vacancies, Oct, m%ch, (0.1) AU RBA Ass. Gov. Edey speaks in Sydney JP Leading / Coincident index CI, Aug GE Producer prices, Sep, m/y%ch, (0.0/3.2) UK Bank of England minutes US Federal Reserve Beige Book CA Wholesale sales, Aug, m%ch, (-0.1) CA Bank of Canada Monetary Policy Report	21 AU HIA Housing Afford. Index, QIII, (108.3) NZ Credit card spending, Sep, m/y%ch, (0.5/2.0) CH GDP, QIII, y%ch, (10.3) CH PPI/CPI, Sep, y%ch, (4.3/3.5) CH Retail sales/Ind Prodn, Sep, y%ch, (18.4/13.9) CH Fxd Ass Investment, Sep, y%ch, (24.8) UK Retail sales, Sep, m/y%ch, (-0.5/0.4) US Leading indicators, Sep, m%ch, (0.3) US Federal Reserve Beige Book CA Leading indicators, Sep, m%ch, (0.5)	22 AU Int'l trade price indexes, QIII, q%ch export prices, 1.0 (16.1) import prices, 0.0 (1.9) GE IFO - Business climate, Oct, Index CA CPI, Sep, m/y%ch, (-0.1/1.7) CA Retail sales, Aug, m%ch, (-0.1) G20 Finance Ministers' meeting - 22-23 Oct, Korea
25 AU PPI QIII, q/y%ch, 0.3/1.4, (0.3/1.0) RBA Governor Glenn Stevens speaks in Canberra JP Trade balance, Sep EU Industrial new orders, Aug, m/y%ch, (-2.4/11.2) US Existing home sales, Sep, mn/m%ch, (4.13/7.6) US Dallas Fed, Oct, Index	26 UK GDP, QIII US S&P/Case-Shiller home price ind., Aug, US Richmond Fed, Oct, Index	27 AU CPI, QIII, q/y%ch - Headline 0.8/2.9 (0.6/3.1) - Trim mean 0.6/2.5 (0.5/2.7) - Wgtd median 0.7/2.6 (0.5/2.7) NZ NBNZ Business confidence, Oct, Index GE CPI, Oct US Durable goods orders, Sep US New home sales, Sep CA Teranet House Prices, Aug	28 NZ RBNZ official cash rate, % 3.00, (3.00) JP Retail sales, Sep JP BoJ target rate, % 0.10 (0.10)	29 AU Annual National Accounts, 2009-10 AU HIA new home sales Sep AU Private sector credit, Sep NZ Building permits/Trade Balance, Sep JP Industrial production, vehicle production, Sep JP CPI/Housing starts/Construction orders, Sep UK Net consumer credit, Sep US GDP, QIII US Employment cost index, QIII, q%ch, (0.5) US Uni. Of Michigan confidence, Oct, 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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