

# MARKETS TODAY

## Tax(plan)



### Good morning

It's been news filtering out over the past 24 hours of the Trump/Republican tax plan that understandably gathered the attention of markets and gotten USD bulls re-energised. The USD has been stronger, up another 0.48% since the Tokyo close yesterday, US stocks higher, as are bond yields. It's not only been the plan but it's that it has the support of the "Big 6" that optically suggests this has more political momentum with the prospect of it getting passed into law.

The release overnight of the tax reform plan document (a nine page document) that has widespread backing from his fellow Republicans, a step-up from the 2-pager he released several months ago. Details of the plan were leaked out yesterday, and this supported the USD yesterday, carrying through to more support overnight. The plan includes a cut to corporate tax from 35% to 20% and cuts to individual tax rates, but leaving to Congress the decision of whether to create a higher tax bracket for top earners. A one-off tax reduction for companies to repatriate offshore profits was included as well as removal of some deductions and general tax simplification measures. The Committee for a Responsible Budget is estimating the cost of this plan at \$2.2tr over 10 years, an estimate north of the \$1.5tr estimate being bandied around recently, an estimate that was expected to add 0.5-0.75% annually to growth.

Adding some more support to the tax proposals, US durable goods orders for August were on the stronger side of expectations, headline and core orders both rising, core orders up 0.9% after an upwardly revised 1.1% July gain, pointing to further growth in business equipment investment spending ahead. It'll be interesting to see how this tracks in the months and quarters ahead in the wake of the tax cuts.

While the USD has been on the ascendancy, the loonie has been at the bottom of the FX ladder, succumbing to a very cautious speech from BoC Governor Poloz. The speech was laced with "caution" and "uncertainty" ahead phrasing, Poloz saying that the Bank will proceed cautiously as it assesses the performance of the economy. According to Governor Poloz, there's a heightened level of uncertainty "about how the economy is performing". This all in his first speech after the second rate rise this year. The CAD is 0.75% lower against the US\$ than yesterday's Asia close with the C\$ OIS market paring back expectations for another rate rise by the December 6 meeting from a near certainty to a still high 80% chance.

Closer to home, the RBNZ has left its policy rate unchanged at 1.75%, as expected this morning. There's been little overall reaction from the Kiwi, having tested a little higher through the night but back around 0.72 where it pivoted around yesterday. AUD/NZD is trading

at around 1.09, the AUD giving back some ground through yesterday's session.

The UK released its CBI Distributives Trades/Retailing report for September and looking at it on face value, you could only describe it as a blockbuster. The Retailing Sales net balance jumped from -10 to +42, the highest since September 2015, since well before last year's Brexit poll vote. This report gave some support to Sterling, though it gave that brief rally back from USD strength. Expected sales for October jumped too. Whether this is a sign of underlying resilience in consumer spending, more consumer-friendly High St pricing remains to be seen.

The IMF released one of its analytical chapters that will accompany next month's World Economic Outlook forecast update. This might seem somewhat obscure, but this one is very relevant to wages and inflation targeting. The chapter was "Recent Wage Dynamics in Advanced Economics: Drivers and Implications". This topic is of germane to the currently low wages across advanced economies and efforts to lift wages and get inflation back to target. In a well written piece (you can read it [here](#)), the IMF draws attention to structural factors, to low productivity and involuntary part-time employment as holding back wages. They counsel against the use of super-accommodative monetary policy to target this structural weakness.

### Coming up

First up is a speech from non-FOMC voter Boston Fed President Rosengren, then it's quiet calendar-wise until Germany's "flash" September CPI tonight, coming out ahead of the EC's tomorrow night. There are some other data/speaking events in the London session, and of those ECB Chief Economist Peter Praet speaking at a Congress in Berlin might be the pick and of course we're alert to the possibility that Guy Debelle – speaking at a BoE "20 years on" independence from government conference – though it seems his speech is tilted more generally to the CB independence issue than current market issues. But you never know. His speech is titled "Central Bank Independence In Retrospect".

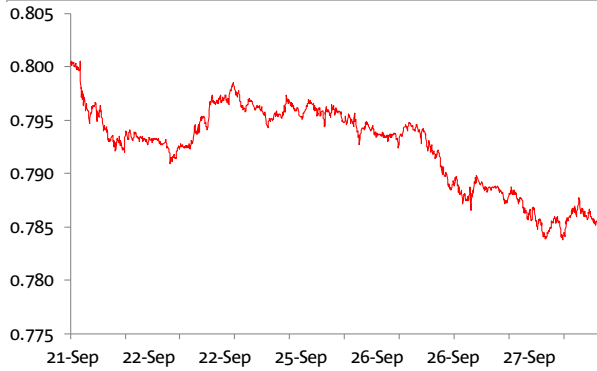
There is more Fed speak tonight with George and Bostic, with Stanley Fischer and BoE Governor Mark Carney also speaking at the BoE conference. The US has a possible revision to Q2 GDP, its goods trade balance for August, wholesale inventories, and jobless claims.

### Overnight

On global stock markets, the S&P 500 was +0.41%. Bond markets saw US 10-years +7.46bp to 2.31%. In commodities, Brent crude oil -1.40% to \$57.62, gold-1.3% to \$1,281, iron ore -1.2% to \$64.15, steam coal +0.3% to \$97.25, met. coal -0.2% to \$204.50. AUD is at 0.7851 and the range since yesterday 5pm Sydney time is 0.7836 to 0.7902.

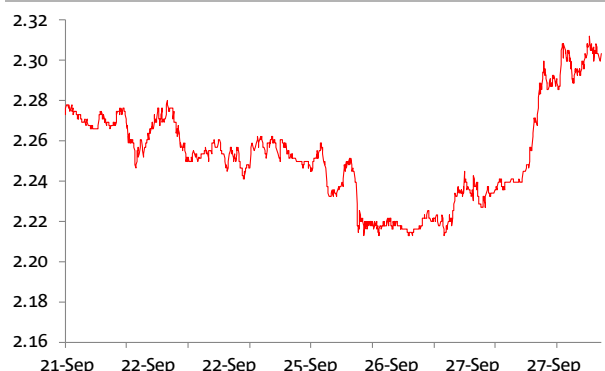
Markets

AUD/USD - past week



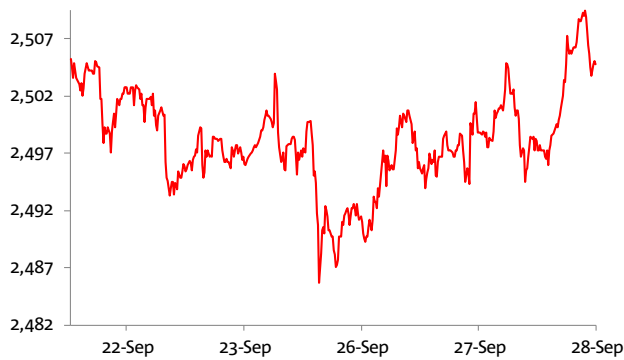
Source: Bloomberg.

US 10yr - past week



Source: Bloomberg.

S&P Future - past week



Source: Bloomberg.

WTI - past week



Source: Bloomberg.

Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7851	-0.6	0.7836	0.7902	HKD	7.8106 0.0
NZD	0.7202	-0.1	0.7168	0.7239	CNY	6.6425 0.0
EUR	1.1745	-0.4	1.1717	1.1810	SGD	1.3600 0.4
GBP	1.3394	-0.3	1.3364	1.3464	IDR	13,445 0.5
JPY	112.81	0.9	111.75	113.26	THB	33.31 0.3
CAD	1.2477	0.7	1.2331	1.2483	KRW	1,141 0.3
AUD/EUR	0.6683	-0.2	0.6671	0.6707	TWD	30.32 0.2
AUD/JPY	88.55	0.3	88.25	88.90	PHP	51.02 0.2
AUD/GBP	0.5860	-0.3	0.5846	0.5886	CHF	0.97 0.1
AUD/NZD	1.0901	-0.5	1.0868	1.0969	SEK	8.15 0.7
AUD/CNH	5.2279	-0.1	5.2003	5.2384		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.33	equesting	2.27	USD 10	2.31	7.46
AUD	1.50	1.71	2.04	2.98	AUD 10	2.79	1.70 0.48
NZD	1.75	1.95	2.21	3.24	NZD 10	2.97	2.90 0.66
EUR	0.00	-0.33	-0.17	0.90	CAD 10	2.13	2.00 -0.18
GBP	0.25	0.33	0.81	1.42	EUR 10	0.47	6.00 -1.84
JPY	-0.05	-0.03	0.03	0.26	GBP 10	1.38	5.30 -0.93
CAD	1.00	1.43	1.93	2.40	JPY 10	0.06	2.50 -2.25

Equities

Major Indices			
	Last	% day	% y/y
Dow	22,341	0.25	22.6
S&P 500	2,507	0.41	16.1
Nasdaq	6,453	1.15	21.6
VIX	9.87	-2.95	-24.7
FTSE	7,314	0.4	7.4
DAX	12,657	0.4	22.2
CAC 40	5,282	0.3	20.1
Nikkei	20,267	-0.3	23.1
Shanghai	3,345	0.1	12.0
Hang Seng	27,642	0.5	17.0
ASX 200	5,664	-0.1	4.7

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.22	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.14	-5.50
3/10 sprd	0.66	8.50
SPI	5661.0	-2.0

\*Change in bps

Commodities\*

	Last	% day
Oil (Brent)	57.62	-1.4
Oil (WTI)	52.03	0.3
Oil (Tapis)	58.38	-1.3
Gold	1281.00	-1.3
CRB	183.86	0.3
GS Metals	358.8	0.0
Aluminium	2110.0	0.2
Copper	6405.0	0.5
Nickel	10174.5	-2.3
Zinc	3119.5	-0.3
Ch. steel	3661.0	1.2
Iron ore	64.2	-1.2
St. Coal	97.3	0.3
Met.coal	204.5	-0.2
Wheat Chic.	480.8	1.5
Sugar	13.1	-1.0
Cotton	69.3	-0.1
Coffee	129.4	-2.2

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	-1.0	-4.0%
FED	0	0.4%

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	AEST
<b>Thursday, 28 September 2017</b>								
US	Fed's Rosengren to Speak to Money Marketeers in New York						0.00	9.00
CH	Swift Global Payments CNY	Aug				2.0	2.00	11.00
AU	Job vacancies	Aug				1.5	2.30	11.30
GE	GfK Consumer Confidence	Oct		11		10.9	7.00	16.00
EC	ECB's Praet speaks in Berlin						9.00	18.00
UK	Carney Speaks at BOE Independence Conference, London						9.15	18.15
AU	RBA's Debelle Speaks on "Central Bank Independence in Retrospect" at BoE Conference, London						10.00	19.00
EC	Business Climate Indicator	Sep		1.12		1.1	10.00	19.00
CH	BoP Current Account Balance	2Q F				52.9	10.15	19.15
EC	ECB's Lautenschlaeger speaks in Vienna						12.10	21.10
GE	CPI EU Harmonized MoM/YoY	Sep P		0.1/1.9		0.2/1.8	13.00	22.00
US	GDP Annualized QoQ	2Q T		3		3.0	13.30	22.30
US	Initial Jobless Claims	Sep 23		270		259.0	13.30	22.30
US	Advance Goods Trade Balance	Aug		-65.1		-63.9	13.30	22.30
US	Wholesale Inventories MoM	Aug P		0.4		0.6	13.30	22.30
US	Fed's Fischer Speaks at BOE Independence Conference, London						15.00	0.00
US	Fed's George Speaks on Economy and Monetary Policy						14.45	23.45
US	Kansas City Fed Manf. Activity	Sep		14		16.0	16.00	1.00
US	Fed's Bostic to Speak about Careers in Economics						18.30	3.30
<b>Friday, 29 September 2017</b>								
NZ	Building Permits MoM	Aug				-0.7	22.45	7.45
UK	GfK Consumer Confidence/Lloyds Business Barometer	Sep		-11		-10.0/17.0	0.10	9.10
JN	Jobless Rate/Job-to-Applciant Ratio	Aug		2.8/1.53		2.8/1.5	0.30	9.30
JN	Overall Household Spending YoY	Aug		0.9		-0.2	0.30	9.30
JN	Natl CPI YoY	Aug		0.6		0.4	0.30	9.30
JN	BOJ Summary of Opinions at Sept.20-21 Meeting						0.50	9.50
JN	Retail Sales MoM/YoY	Aug		-0.5/2.5		1.1/1.9	0.50	9.50
JN	Industrial Production MoM/YoY	Aug P		1.8/5.2		-0.8/4.7	0.50	9.50
AU	Private Sector Credit MoM/YoY	Aug	0.4/5.4			0.5/5.3	2.30	11.30
CH	Caixin China PMI Mfg	Sep		51.5		51.6	2.45	11.45
NZ	Credit Aggregates, Household YoY	Aug				7.1	3.00	12.00
GE	Unemployment Change (000's)/Claims Rate (%)	Sep		-5/5.7		-5.0/5.7	8.55	17.55
UK	Current Account Balance	2Q		-15.9		-16.9	9.30	18.30
UK	Net Lending Sec. on Dwellings/Mortgage Approvals	Aug		3.6/67.25		3.6/68.7	9.30	18.30
UK	GDP QoQ/YoY	2Q F		0.3/1.7		0.3/1.7	9.30	18.30
UK	Index of Services MoM/3mYoY	Jul		0.05/0.7		0.4/0.5	9.30	18.30
EC	CPI Estimate/Core YoY	Sep		1.6/1.2		1.5/1.2	10.00	19.00
UK/IMF	IMF's Lagarde Speaks at BOE Conference, London						11.30	20.30
UK	BOE's Broadbent Speaks at Conference in London						13.30	22.30
US	Personal Income/Spending	Aug		0.2/0.1		0.4/0.3	13.30	22.30
US	PCE Deflator MoM/YoY	Aug		0.3/1.5		0.1/1.4	13.30	22.30
US	PCE Core MoM/YoY	Aug		0.2/1.4		0.1/1.4	13.30	22.30
CA	GDP MoM/YoY	Jul		0.1/3.9		0.3/4.3	13.30	22.30
CA	Industrial Product Price/Raw Materials Price Index MoM	Aug		0.5		-1.5/-0.6	13.30	22.30
US	Chicago Purchasing Manager	Sep		58.7		58.9	14.45	23.45
US	U. of Mich. Sentiment/5-10y Inflation expectations	Sep F		95.3/		95.3/2.6	15.00	0.00
EC/UK	ECB's Draghi, BOE's Carney in dialog in London						15.15	0.15
US	Fed's Harker Speaks at Fintech Event on Consumers and Banking						16.00	1.00
US	Baker Hughes U.S. Rig Count/Oil Rig Count	Sep 29		/		935.0/744.0	18.00	3.00
<b>Saturday, 30 September 2017</b>								
CH	Manufacturing PMI	Sep		51.5/		51.7/53.4	2.00	11.00
<b>Monday, 2 October 2017</b>								
AU	<i>Public holiday in most Australian States (not Vic)</i>							
AU	CBA Australia PMI Mfg	Sep				53.5	0.00	9.00
AU	AtG Perf of Mfg Index	Sep				59.8	0.30	9.30
AU	CoreLogic House Px MoM	Sep				0.1	1.00	10.00
JN	Tankan Large Mfg Index	3Q		18		17	1.50	10.50
AU	Melbourne Institute Inflation MoM	Sep				0.1	2.00	11.00
JN	Nikkei Japan PMI Mfg	Sep F				52.6	2.30	11.30
GE	Markit/BME Germany Manufacturing PMI	Sep F				60.6	9.55	18.55
EC	Markit Eurozone Manufacturing PMI	Sep F				58.2	10.00	19.00
UK	Markit UK PMI Manufacturing SA	Sep				56.9	10.30	19.30
EC	Unemployment Rate	Aug				9.1	11.00	20.00
CA	MLI Leading Indicator MoM	Aug				0.2	13.00	22.00
CA	Markit Canada Manufacturing PMI	Sep				54.6	15.30	0.30
US	Markit US Manufacturing PMI	Sep F				53.0	15.45	0.45
US	ISM Manufacturing	Sep		57.5		58.8	16.00	1.00
US	Construction Spending MoM	Aug		0.4		-0.6	16.00	1.00
US	Fed's Kaplan Speaks in El Paso						20.00	5.00
<b>Tuesday, 3 October 2017</b>								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct 1				114.1	0.30	9.30
AU	HIA New Home Sales MoM	Aug				-3.7	2.00	11.00
AU	ANZ Job Advertisements MoM	Sep				2.0	2.30	11.30
AU	Building Approvals MoM/YoY	Aug		/		-1.7/-13.9	2.30	11.30
AU	RBA Cash Rate Target	Oct 3	1.50	1.50		1.50	5.30	14.30
JN	Consumer Confidence Index	Sep				43.3	7.00	16.00
AU	Commodity Index AUD/SDR YoY	Sep		/		120.2/20.1	7.30	16.30
UK	Markit/CIPS UK Construction PMI	Sep				51.1	10.30	19.30
EC	PPI MoM/YoY	Aug		/		0.0/2.0	11.00	20.00
NZ	QV House Prices YoY	Sep				4.8	18.00	3.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
Australia, RBA		3-Oct	1.50%	1.50%		1.50%		
Europe ECB		26-Oct	-0.4%	-0.4%		-0.4%		
Canada, BoC		26-Oct				1.00%		
Japan, BoJ		31-Oct	-0.1%	-0.1%		-0.1%		
US Federal Reserve		2-Nov	1.00-1.25%	1.00-1.25%		1.00-1.25%		
UK BOE		2-Nov				0.25%		
New Zealand, RBNZ		9-Nov				1.75%		

GMT: Greenwich Mean Time; AEST: Australian Eastern Standard 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

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