

MARKETS TODAY

Taylor



Good morning

The USD has continued to eke out small gains amid ongoing speculation over Fed Chair nomination, US equities are flat (DJ briefly traded above 23k for the first time) and commodities are mixed. Taylor, Jack Johnson's hit from 2003, is about a girl, but the market focus has been about another Taylor (John) who apparently made a good impression on President Trump. The Stanford economist is considered to be on the hawkish side of the spectrum and therefore the speculation has supported the USD and bumped US rates higher.

So the USD is again a little bit stronger across the board (DXY +0.198%, BBDXY +0.4%), but in addition to the Fed story (more below), the USD to some extent is also winning the least ugly person contest at the barn dance. GBP (-0.48%) has been one of the big underperformers overnight, despite the fact that headline inflation reached 3%, its highest reading in 5 years. Core inflation was unchanged at 2.7% and the retail price index was a tenth lower at 3.9% (4.0%e, 3.9%e). This suggests the market was looking for higher numbers to cement expectations of a November BoE hike. Speaking to lawmakers, BoE Carney reiterated that the Bank is ready to raise interest rates, although he avoided committing to a hike next month. Carney's comments weighted on the pound and triggered a rally in UK rates.

The Spanish-Catalonia stand-off is still weighing on the Euro (-0.22%) and the hard US line on NAFTA negotiations remains a negative for the CAD (-0.18%). That said, oil prices have had a volatile night and could be an additional factor weighing on the CAD and NOK (-0.54%).

Meanwhile antipodean currencies are little changed (NZD -0.03% and AUD -0.06%). Yesterday NZD jumped about 30pips as the Q3 CPI data came in slightly higher than market expectations, but then the pair lost ground after the RBNZ released its favoured core inflation series, which showed annual inflation static at 1.4%, going against the grain of the official core measures that nudged higher. The overnight low of 0.7148 came soon after the latest GDT dairy auction showed an average 1% drop in prices. NZD now trades at 0.7169.

The AUD on the other hand has traded in a 0.7818-0.7861 range over the past 24hrs and currently trades at 0.7844. Yesterday the RBA minutes didn't reveal much new on the monetary policy front, but there was a slight de-emphasis on the AUD. The minutes noted that "The appreciation of the Australian dollar since mid-2017, partly reflecting a lower US dollar, was expected to contribute to ongoing subdued price pressures. A material further appreciation of the exchange rate would be expected to result in a slower pick-up in economic activity and inflation than currently forecast". The word 'material' has been added to the above sentence on the

currency, suggesting less concern about slight/modest AUD appreciation from current levels.

Looking at the betting odds on the next Fed Chair it is interesting to note that the emergence of John Taylor (19c, +11c) has come largely at the expense of Warsh (18c, -7c), Yellen prospects have also risen (21c, +6c), Cohn remains in the running (14c, +8c), but Powel is still the man to beat (36c, -3c).

In other news, Reuters reports that Senate Rep. are gaining support to pass a budget resolution, if so that would be a positive for the prospect on tax reform.

Coming up

This morning NAB releases two reports, the relatively new NAB Cashless Retail Sales index for September and the Q3 NAB Commercial Property Survey. Last month the NAB's Cashless Retail sales Index flagged the weakness in the retail sales number in August, so it will be interesting to see what the index reveals for September.

The big event of the day comes around midday when China's President Xi Jinping gives the opening speech at the 19th Communist Party Congress which should set out his agenda for the next five years. The market will be watching closely for signals on financial market reforms, anti-corruption drive and deleveraging related reforms.

BoJ Sakurai speaks early this afternoon, then this evening ECB Draghi, Praet and Coeure speak in Frankfurt. Ahead of the ECB meeting on October 26, it will be interesting to see if any of them offer any comments on the potential quantity and length of QE tapering.

The UK gets its labour market figures for August and a solid report should help reinforce the view that a BoE rate hike in November is more likely than not, although politics remains a potential hindering factor.

Moving on to the US, Fed's Dudley and Kaplan discuss economic development in a panel and in terms of data releases the US gets Housing starts and home building permits (both for September) and the Fed publishes the latest edition of its Beige Book.

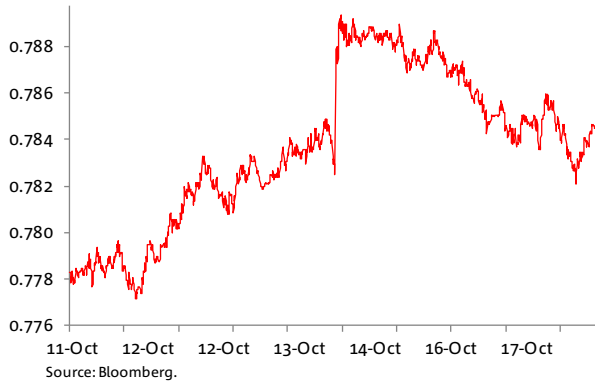
Lastly there is a chance the US Treasury may release its Semi-annual Report on International Economic and Exchange Rate Policies. Back in April the US Treasury concluded that at the time no major trading partner of the US met the conditions for currency manipulation in H2-16. We expect a similar outcome this time around.

Overnight

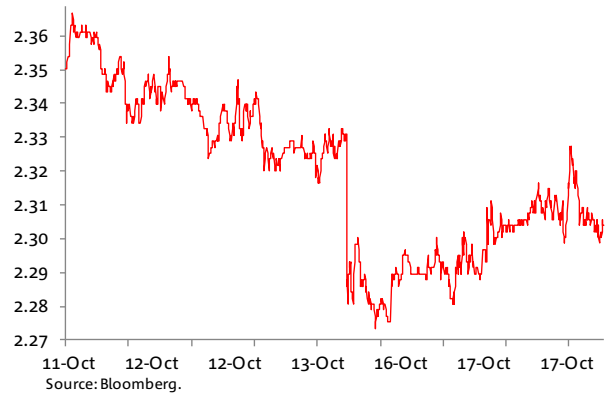
On global stock markets, the S&P 500 was -0.01%. Bond markets saw US 10-years -0.18bp to 2.30%. In commodities, Brent crude oil +0.61% to \$58.17, gold-1.3% to \$1,283, iron ore -0.3% to \$62.72, steam coal +0.0% to \$96.15, met. coal -0.1% to \$181.75. AUD is at 0.7848 and the range since yesterday 5pm Sydney time is 0.7818 to 0.7861.

Markets

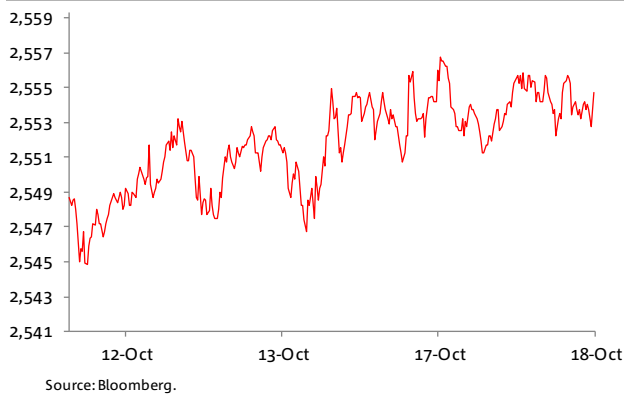
AUD/USD - past week



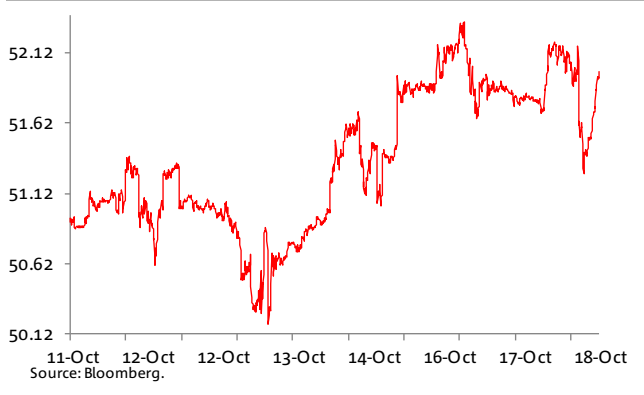
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7848	0.0	0.7818	0.7861	HKD	7.8083 0.0
NZD	0.7169	0.0	0.7147	0.7203	CNY	6.6236 0.5
EUR	1.1770	-0.2	1.1736	1.1800	SGD	1.3555 0.3
GBP	1.3184	-0.5	1.3155	1.3287	IDR	13,507 0.2
JPY	112.19	0.0	112.04	112.48	THB	33.11 0.2
CAD	1.2524	0.0	1.2513	1.2591	KRW	1,133 0.4
AUD/EUR	0.6668	0.2	0.6649	0.6682	TWD	30.19 0.2
AUD/JPY	88.05	0.0	87.79	88.17	PHP	51.31 0.1
AUD/GBP	0.5953	0.5	0.5911	0.5954	CHF	0.98 0.3
AUD/NZD	1.0947	0.0	1.0900	1.0959	SEK	8.15 0.6
AUD/CNH	5.1878	0.1	5.1626	5.1892		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.35	1.81	2.28	USD 10	2.30	-0.18
AUD	1.50	1.70	1.98	2.91	AUD 10	2.76	1.50 0.46
NZD	1.75	1.93	2.20	3.20	NZD 10	2.94	1.60 0.63
EUR	0.00	-0.33	-0.19	0.83	CAD 10	2.02	-1.30 -0.29
GBP	0.25	0.38	0.81	1.31	EUR 10	0.37	-0.70 -1.94
JPY	-0.04	-0.03	0.04	0.25	GBP 10	1.28	-6.00 -1.03
CAD	1.00	1.42	1.87	2.32	JPY 10	0.07	0.60 -2.23

Equities

Major Indices			
	Last	% day	% y/y
Dow	22,984	0.12	27.1
S&P 500	2,557	-0.01	20.3
Nasdaq	6,619	-0.08	27.3
VIX	10.31	4.04	-36.5
FTSE	7,516	-0.1	8.2
DAX	12,995	-0.1	23.7
CAC 40	5,361	0.0	20.5
Nikkei	21,336	0.4	25.8
Shanghai	3,372	-0.2	9.3
Hang Seng	28,697	0.0	22.7
ASX 200	5,890	0.7	8.9

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.26	1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.22	1.50
3/10 sprd	0.58	1.50
SPI	5862.0	-34.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	58.17	0.6
Oil (WTI)	51.99	0.2
Oil (Tapis)	59.58	1.1
Gold	1283.00	-1.3
CRB	184.24	-0.2
GS Metals	380.9	0.0
Aluminium	2123.8	0.7
Copper	7001.0	-1.7
Nickel	11721.5	-0.7
Zinc	3094.8	-4.1
Ch. steel	3732.0	-2.1
Iron ore	62.7	-0.3
St. Coal	96.2	0.0
Met.coal	181.8	-0.1
Wheat Chic.	453.8	-0.3
Sugar	14.0	-1.1
Cotton	67.8	0.4
Coffee	124.2	0.3

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	0.2	1.0%
FED	-0	-1.2%

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
Thursday, 19 October 2017								
JN	Trade Balance Adjusted	Sep		309.15		367.3	0.50	10.50
AU	NAB Business Confidence	3Q				7	1.30	11.30
AU	Employment Change/Unemployment rate	Sep	25/5.6	15/5.6		54.2/5.6	1.30	11.30
AU	RBA FX Transactions Market	Sep				571.0	1.30	11.30
AU	RBA's Bullock Gives Speech in Sydney							
CH	GDP SA QoQ/YoY	3Q		1.7/6.8		1.7/6.9	3.00	13.00
CH	Industrial Production YoY/YTD YoY	Sep		6.5/6.7		6.0/6.7	3.00	13.00
CH	Retail Sales YoY/YTD YoY	Sep		10.2/10.3		10.1/10.4	3.00	13.00
CH	Fixed Assets Ex Rural YTD YoY	Sep		7.7		7.8	3.00	13.00
AU	HIA House Affordability Index	3Q				69.4		
JN	All Industry Activity Index MoM	Aug		0.2		-0.1	5.30	15.30
CH	FX Net Settlement - Clients CNY	Sep				-27.6		
JN	Machine Tool Orders YoY	Sep F				45.3	7.00	17.00
UK	Retail Sales Ex Auto Fuel MoM/YoY	Sep		-0.2/2.2		1.0/2.8	9.30	19.30
US	Initial Jobless Claims	Oct 14		240		243.0	13.30	23.30
US	Philadelphia Fed Business Outlook	Oct		22		23.8	13.30	23.30
US	Bloomberg Consumer Comfort	Oct 15				49.5	14.45	0.45
US	Leading Index	Sep		0.1		0.4	15.00	1.00
Friday, 20 October 2017								
NZ	Net Migration SA	Sep				5490.0	22.45	8.45
NZ	Credit Card Spending MoM/YoY	Sep		/		-0.7/6.4	3.00	13.00
GE	PPI MoM/YoY	Sep		0.1/2.9		0.2/2.6	7.00	17.00
JN	BOJ Kuroda speaks in Tokyo						7.35	17.35
EC	ECB Current Account SA	Aug				25.1	9.00	19.00
UK	Public Finances (PSNCR)/Central Government NCR	Sep		/		0.0/1.0	9.30	19.30
CA	CPI NSA MoM/YoY	Sep		0.3/1.6		0.1/1.4	13.30	23.30
CA	CPI Core- Common/Trim YoY%	Sep		/		1.5/1.4	13.30	23.30
CA	CPI Core- Median YoY%	Sep		/		1.7	13.30	23.30
CA	Retail Sales MoM/ex autos	Aug		0.5/0.3		0.4/0.2	13.30	23.30
US	Existing Home Sales #/MoM	Sep		5.3/-0.93		5.4/-1.7	15.00	1.00
US	Baker Hughes U.S. Rig Count/Oil Rigs	Oct 20		/		928.0/743.0	18.00	4.00
US	Fed's Mester Speaks on Global Regulatory Structure						19.00	5.00
US	Yellen Speaks to National Economists Club in Washington						0.15	10.15
Monday, 23 October 2017								
CH	Property Prices	Sep					2.30	12.30
JN	Leading Index CI	Aug F				106.8	6.00	16.00
EC	Govt Debt/GDP Ratio	2016				#N/A N/A	10.00	20.00
UK	CBI Business Optimism	Oct				5.0	11.00	21.00
UK	CBI Trends Total Orders/Selling Prices	Oct		/		7.0/18.0	11.00	21.00
CA	Wholesale Trade Sales MoM	Aug				1.5	13.30	23.30
US	Chicago Fed Nat Activity Index	Sep				-0.3	13.30	23.30
CA	Bloomberg Nanos Confidence	Oct 13				58.4	15.00	1.00
EC	Consumer Confidence	Oct A				-1.2	15.00	1.00
Tuesday, 24 October 2017								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct 15				113.8	23.30	9.30
JN	Nikkei Japan PMI Mfg	Oct P				52.9	1.30	11.30
GE	Markit/BME Germany Manufacturing/Services PMI	Oct P		/		60.6/55.6	8.30	18.30
GE	Markit/BME Germany Composite PMI	Oct P				57.7	8.30	18.30
EC	ECB Bank Lending Survey						9.00	19.00
EC	Markit Eurozone Manufacturing PMI	Oct P				58.1	9.00	19.00
EC	Markit Eurozone Services PMI	Oct P				55.8	9.00	19.00
EC	Markit Eurozone Composite PMI	Oct P				56.7	9.00	19.00
EC	Euro Area Second Quarter Government Deficit	Q2					10.00	20.00
EC	Euro Area Second Quarter Government Debt	Q2					10.00	20.00
US	Markit US Manufacturing/Services PMI	Oct P		/		53.1/55.3	14.45	0.45
US	Markit US Composite PMI	Oct P				54.8	14.45	0.45
US	Richmond Fed Manufact. Index	Oct		16		19.0	15.00	1.00
Upcoming Central Bank Interest Rate Announcements								
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%		
Australia, RBA		7-Nov	1.50%	1.50%		1.50%		
New Zealand, RBNZ		9-Nov				1.75%		

GMT: Greenwich Mean Time; AEDT: Australian Eastern Daylight Savings Time

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