

MARKETS TODAY

Friday on my mind



Good morning

US markets right have been caught between 1) the ongoing negotiations over tax between the White House and Republicans, 2) who will be the next Fed Chair (the market seems to be positioning for a Taylor-Powell duo but there's still no news), and 3) the course of the broader economy. While there has been no announcement yet on the next Fed Chair, there have been some developments on the others.

Just out this morning, it's been announced that US Republican Senator Jeff Flake will retire at the next election. It's a prospect that has some thinking of less chances of getting tax reform done if Flake were to be more outspoken against the President with no re-election worries. There's been another war of none too flattering words between the President and Senator Corker overnight, Corker speaking of the President "debasement of our nation" and the President saying that Corker "couldn't get re-elected dog catcher in Tennessee (and) is now fighting tax cuts".

The dollar briefly reacted negatively to the Flake news, but the US 10 year is holding firmly above the 2.40% level this morning. The Dow is up 168 points (it was over 200 points higher), helped by strong results from 3M (boosting its earnings outlook) and Caterpillar (the CFO speaking of the mining recovery in its "early innings"). Adding more into the global growth story have been further strong manufacturing PMIs out of the Eurozone and the US (the latter the Markit versions). Eurozone Manufacturing PMI was a very solid 58.6 up from 58.1, with the Services PMI at 54.9, down from 55.8; still solid. The US Markit PMIs were both stronger.

While the USD has been steady to somewhat higher for the session, the losers have been Sterling and the Kiwi. UK Chancellor has apparently stepped back from the push for a two year post-Brexit "business-as-usual" transition, Europeans demanding a cleaner deal. Sterling is down a big figure from yesterday's APAC session. The Kiwi has moved lower still from the announcement of the incoming Government renegotiating the RBNZ agreement, lower migration targets and uncertainty also over other policies, even though policy specifics are scant. The AUD has been trading below 0.78. Chinese steady political leadership news came and went with little market impact while commodities overnight are very supportive, except gold that's marginally lower.

Coming up

It's all pretty much about the AU CPI today with market reaction centred both on headline and core CPI. The surge in utility prices (sorry, couldn't resist it!) is expected to lift Headline CPI by 0.8% q/q and 2.0% y/y (also consensus). Acting as some offset is a fall in petrol prices and a decline in vegetable prices – a mild winter/early spring leading to bumper crops. Core inflation in is expected to remain stable, with the Trimmed Mean at

0.5% q/q, 2.0% y/y. NAB sees the Weighted Median as marginally softer at 0.4% q/q, 1.9% y/y. We see steady core inflation 0.4-0.5% this quarter in the context as the third quarter of such ½% growth, tracking at the bottom of the RBA's 2-3% target range, suggesting it's bottomed.

As for market reaction, the great bulk of forecasts are hugging the consensus, suggesting potential two-way price risk for currencies and bonds. All but two of the 25 economists surveyed by Bloomberg expect headline inflation of 0.7%-0.9%, the remaining two seeing higher inflation (one at 1.0%, the other at 1.2%). It's a very similar picture for the Trimmed Mean (often seen as the preferred of the various underlying measures) with a spread of all but two seeing it in the 0.4-0.6% range, the other two split between one "high" and one "low". The Weighted Median forecasts are skewed a little to the lower side (as ours is). Before then is the weekly ANZ-Roy Morgan Consumer Confidence measure (L: 113.3; average 114.9) and September Skilled Vacancies (L: +0.3%).

Also in the Australian context, yesterday it was announced that the High Court will make its ruling Friday regarding whether sitting "dual national" MPs can remain in Parliament. Key among these for the Government is Lower House member Deputy PM Barnaby Joyce who could face re-election. While there could be some "knee jerk" AUD negative AUD reaction if so, elections tend to be less a key factor for the Aussie that is driven more by rates, commodities and global markets. It's also conceivable that independents in the Lower House might give the Government support if needed until a by-election is held rather than face the uncertainty of a general election. An "all clear" should be AUD supportive.

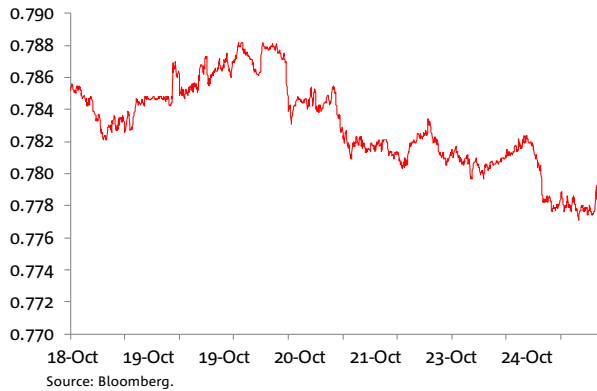
First cab off the rank tonight is the German Ifo Survey, while in the UK there's Q3 GDP that's expected to be steady at 0.3% for annual growth of 1.5%. The US has Durable goods orders and New Home Sales reports. The BoC is expected to leave rates on hold at 1.00%, the market having priced out most of the 40% chance priced in just after the BoC hiked in September, having also lifted rates in July. Only 4 bps is priced in. The tone of Governor Poloz's press conference will be key, coming just over an hour after the rate decision and the central bank's Monetary Policy Report.

Overnight

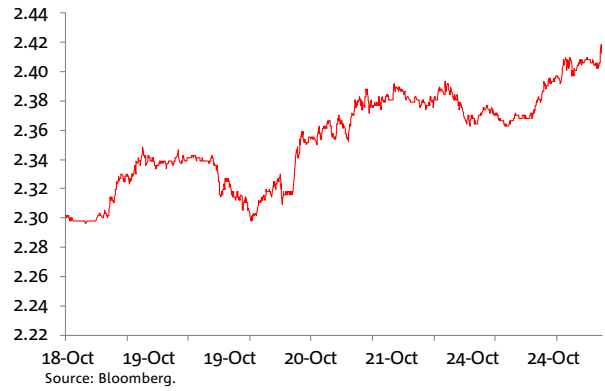
On global stock markets, the S&P 500 was +0.16%. Bond markets saw US 10-years +5.62bp to 2.42%. In commodities, Brent crude oil +1.71% to \$58.35, gold-0.2% to \$1,275, iron ore +0.7% to \$62.42, steam coal +0.7% to \$97.20, met. coal +0.0% to \$181.50. AUD is at 0.7779 and the range since yesterday 5pm Sydney time is 0.7771 to 0.7796.

Markets

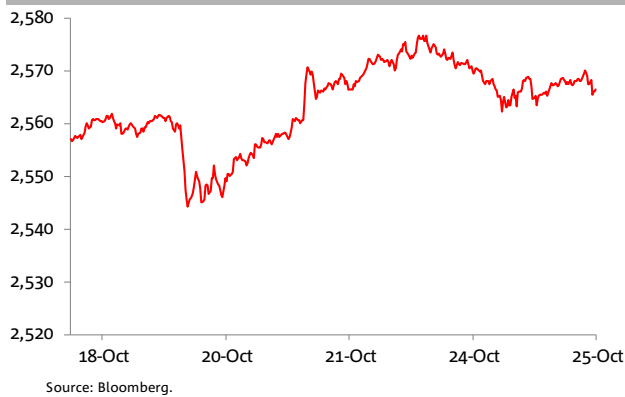
AUD/USD - past week



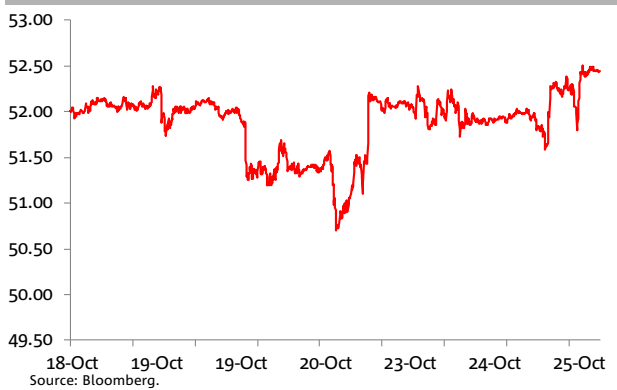
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7779	-0.4	0.7771	0.7796	HKD	7.8033 0.0
NZD	0.6902	-0.9	0.6886	0.6932	CNY	6.6358 -0.1
EUR	1.1763	0.2	1.1752	1.1793	SGD	1.3625 0.0
GBP	1.3132	-0.3	1.3113	1.3191	IDR	13,533 -0.1
JPY	113.91	0.0	113.54	114.02	THB	33.20 0.0
CAD	1.2676	0.3	1.2639	1.2693	KRW	1,128 -0.2
AUD/EUR	0.6613	-0.6	0.6606	0.6621	TWD	30.26 0.0
AUD/JPY	88.61	-0.4	88.43	88.70	PHP	51.66 0.3
AUD/GBP	0.5924	-0.1	0.5904	0.5933	CHF	0.99 0.3
AUD/NZD	1.1270	0.5	1.1232	1.1291	SEK	8.22 0.2
AUD/CNH	5.1609	-0.3	5.1598	5.1924		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.37	1.82	2.40	USD 10	2.42	5.62
AUD	1.50	1.70	2.01	2.97	AUD 10	2.77	-2.40 0.35
NZD	1.75	1.94	2.18	3.22	NZD 10	3.01	6.00 0.59
EUR	0.00	-0.33	-0.18	0.91	CAD 10	2.07	4.20 -0.36
GBP	0.25	0.40	0.82	1.38	EUR 10	0.48	4.40 -1.95
JPY	-0.04	-0.04	0.04	0.26	GBP 10	1.36	4.50 -1.07
CAD	1.00	1.43	1.84	2.38	JPY 10	0.07	0.00 -2.35

Equities

Major Indices			
	Last	% day	% y/y
Dow	23,442	0.72	28.6
S&P 500	2,569	0.16	19.4
Nasdaq	6,598	0.18	24.3
VIX	11.16	0.81	-14.3
FTSE	7,527	0.0	7.7
DAX	13,013	0.1	20.9
CAC 40	5,395	0.1	18.5
Nikkei	21,805	0.5	25.6
Shanghai	3,388	0.2	8.2
Hang Seng	28,155	-0.5	19.5
ASX 200	5,898	0.1	8.4

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.26	1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.16	0.50
3/10 sprd	0.64	2.50
SPI	5898.0	-23.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	58.35	1.7
Oil (WTI)	52.47	1.1
Oil (Tapis)	58.82	-0.5
Gold	1275.00	-0.2
CRB	185.82	0.6
GS Metals	379.1	0.6
Aluminium	2144.5	0.9
Copper	7015.8	0.5
Nickel	11948.0	1.2
Zinc	3215.5	1.8
Ch. steel	3732.0	1.0
Iron ore	62.4	0.7
St. Coal	97.2	0.7
Met.coal	181.5	0.0
Wheat Chic.	456.0	0.2
Sugar	14.3	2.9
Cotton	69.5	-0.3
Coffee	123.2	-0.9

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	0.2	1.0%
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	AEDT
Wednesday, 25 October 2017								
AU	Skilled Vacancies MoM	Sep				0.3	0.00	11.00
AU	CPI QoQ	3Q	0.8/2.0	0.8/2		0.2/1.9	0.30	11.30
AU	CPI Trimmed Mean QoQ	3Q	0.5/2.0	0.5/2		0.5/1.8	0.30	11.30
AU	CPI Weighted Median QoQ	3Q	0.4/1.9	0.5/2		0.5/1.8	0.30	11.30
GE	Ifo Business Climate	Oct		115.1		115.2	8.00	19.00
GE	Ifo Current Assessment/Expectations	Oct		123.5/107.3		123.6/107.4	8.00	19.00
UK	UK Finance Loans for Housing	Sep		41800		41807	8.30	19.30
UK	GDP QoQ/YoY	3Q A		0.3/1.5		0.3/1.5	8.30	19.30
UK	Index of Services MoM/3m rolling change	Aug		0.3/0.4		-0.2/0.5	8.30	19.30
US	MBA Mortgage Applications	Oct 20				3.6	11.00	22.00
US	Durable Goods Orders	Sep P		1		2.0	12.30	23.30
US	Cap Goods Orders Nondef Ex Air	Sep P		0.3		1.1	12.30	23.30
EC	European Commission Economic Forecasts						25 Oct - 7 Nov release	
US	FHFA House Price Index MoM	Aug		0.4		0.2	13.00	0.00
US	New Home Sales, #/MoM	Sep		554.5/-1		560.0/-3.4	14.00	1.00
CA	Bank of Canada Rate Decision	Oct 25		1		1.0	14.00	1.00
CA	Bank of Canada Releases October Monetary Policy Report						14.00	1.00
CA	BOC's Poloz and Wilkins Hold Press Conference in Ottawa						15.15	2.15
Thursday, 26 October 2017								
NZ	Trade Balance NZD	Sep		-900		-1235.0	21.45	8.45
JN	PPI Services YoY	Sep		0.8		0.8	23.50	10.50
AU	Import/Export Price Index QoQ	3Q		-1.5/-4		-0.1/-5.7	0.30	11.30
CH	Swift Global Payments CNY	Oct				1.9	1.00	12.00
GE	GfK Consumer Confidence	Nov		10.8		10.8	6.00	17.00
AU	RBA's Debelle Gives Speech in Sydney						7.45	18.45
UK	CBI Retailing/Total Distributives Reported Sales	Oct		14		42.0/44.0	10.00	21.00
EC	ECB Main Refinancing Rate/Marginal Lending Facility Rate	Oct 26		0/0.25		0.0/0.3	11.45	22.45
EC	ECB Deposit Facility Rate/Asset Purchase Target	Oct 26		-0.4/		-0.4/60.0	11.45	22.45
US	Wholesale Inventories MoM	Sep P		0.4		0.9	12.30	23.30
US	Initial Jobless Claims	Oct 21		235		222.0	12.30	23.30
US	Advance Goods Trade Balance	Sep		-64		-63.3	12.30	23.30
US	Bloomberg Consumer Comfort	Oct 22				51.1	13.45	0.45
US	Pending Home Sales MoM/YoY	Sep		0.4/		-2.6/-3.1	14.00	1.00
US	Kansas City Fed Manf. Activity	Oct		16.5		17.0	15.00	2.00
Friday, 27 October 2017								
JN	Natl CPI/ex Fresh Food YoY	Sep		0.7/0.7		0.7/0.7	23.30	10.30
JN	Natl CPI Ex Fresh Food, Energy YoY	Sep		0.2		0.2	23.30	10.30
AU	PPI QoQ/YoY	3Q		/		0.5/1.7	0.30	11.30
CH	Industrial Profits YoY	Sep				24.0	1.30	12.30
EC	ECB Survey of Professional Forecasters						8.00	19.00
US	GDP Annualized QoQ	3Q A		2.5		3.1	12.30	23.30
CA	CFIB Business Barometer	Oct				56.9		
US	U. of Mich. Sentiment/5-10Y Inflation expectations	Oct F		100.7/		101.1/2.4	14.00	1.00
US	Baker Hughes U.S. Rig Count/Oil Rigs only	Oct 27		/		913.0/736.0	17.00	4.00
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

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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