

MARKETS TODAY

Just Can't Get Enough



Good morning

To borrow from Depeche Mode, it seems markets [Just Can't Get Enough](#) with a dovish ECB taper and increasing confidence in US tax reform seeing a rally in risk assets. European equities soared (Eurostoxx +1.3%), the Euro fell sharply (-1.2%), while US dollar strength continued alongside a grind higher in US yields (10yr +2.7bps).

First to the ECB meeting. The announced tapering of the Asset Purchase Program (APP) was largely as expected: asset purchases have been cut to €30bn a month from €60bn a month starting January 2018, with the purchases to continue until the end of September 2018, or beyond, if necessary. The ECB also said it would keep rates “at their present levels for an extended period of time, and well past the horizon of the net asset purchases”. Finally on reinvestment, the ECB said it would reinvest principal payments from maturing securities for an extended period of time after the end of the APP.

In response the Euro initially fell 0.6%, and then continued to fall against US dollar strength to end the day down 1.2% to 1.1652. Bund yields also fell sharply with yields down 6.7bps on the day to 0.42%. Why the dovish response by markets even though the announcement was as expected? The continued open-endedness of the APP likely contributed, as well as ongoing uncertainty the ECB has over inflation. Draghi noted “annual rates of headline inflation are likely to temporarily decline towards the turn of the year, mainly reflecting base effects in energy prices”. And that measures of underlying inflation “have yet to show more convincing signs of a sustained upward trend”.

On the other side of the Atlantic, US dollar strength continued with the DXY up 1.1% and now at 94.644 – the highest it has been since mid-July. While in part due to Euro weakness, the US dollar was supported following the passing of the 2018 Federal Budget by Congress (already having been approved by the Senate).

That importantly paves the way for tax reform being passed by a simple majority in the Senate. Republicans were quick to capitalise on the opportunity and stated that a more detailed tax plan is set to be unveiled to the House on Wednesday with drafting for the bill scheduled the week of November 6. Nevertheless, tax reform will be hard fought amongst Republicans with the Budget only passing with a narrow vote despite Republicans holding a sizeable majority in the House (it passed 216 to 212; Republicans hold 239 seats).

US yields also ground higher on the news with 10-year Treasuries up 2.7bps to 2.46%. Also supportive was a Politico article that said Taylor or Powell would be the next US Fed chair – they are both seen as more hawkish than Yellen, while Taylor is seen as more hawkish than Powell. US data was mostly second-tier with Jobless Claims still low, while inventories present slight downside risks to US GDP tonight.

The Aussie was hit overnight following a speech by Deputy Governor Debelle. He noted CPI was historically overstated by an average of 0.25% a year due to substitution bias – this bias will likely end with yearly reweighting, and that “there still remains a sizable degree of spare capacity in the labour market”. Importantly though, Dr Debelle still assesses the NAIURU at 5% – unemployment is currently 5.5%. The AUD initially dipped 0.3% and then fell further alongside USD strength to end down 0.6% to 0.7660. Watch for further downside if Australia’s High Court rules Barnaby Joyce is ineligible to sit in Parliament (see coming up for details).

Coming up

The High Court will be under focus today for its ruling on the dual-citizenship crisis (2.15pm AEDT). The main decision to watch out for is Barnaby Joyce (lower house MP and Deputy PM) as the government currently only holds a one seat majority in Parliament. There are also six others, but these are senators who do not affect the ability of the government to govern.

If Mr Joyce is found ineligible, the government will likely need support from the lower house cross bench in between the ruling and the by-election that would result for Mr Joyce’s seat of New England (Mr Joyce is expected to re-contest his seat at any by-election). That support would likely come in exchange for some concessions to conservative independents – either Katter or McGowan. An alternative is for the opposition to voluntarily pair Mr Joyce’s no longer valid vote.

The last Federal by-election was for North Sydney in 2015 where a by-election was held within 7 weeks of a member resigning. That suggests any potential uncertainty could be resolved within 7 weeks of today’s ruling and Newspapers report the government is prepared for a December 2 by-election in the event. It is also worth noting that the lower house is not sitting today and is not scheduled to sit again until 27 November. Support by independents would then only be needed for two weeks, with Parliament then set to rise on 7 December for the Christmas break. [\(for more information please see a like to our AMW from August\)](#)

Internationally, focus will be on the Japanese CPI (10.30am AEDT) and US GDP (11.30 pm AEDT). Also out today is Chinese Industrial Profits and a final measure of the US Uni Michigan Consumer Sentiment survey.

As for Japanese CPI, the market looks for a similar pace of price growth in September for Headline (0.7% y/y) and Core (0.2% y/y). The Tokyo measure for October will also garner some attention where a softish print is expected at 0.1% y/y for Headline.

US GDP Growth is expected to be 2.6%, down from the 3.1% pace last quarter due to hurricane impacts. The Atlanta Fed’s GDPNow is similar and is expecting a 2.5% outcome. While an important release, hurricane damage will probably see analysts and more importantly the US Fed downplay any potential miss (similar to non-farm

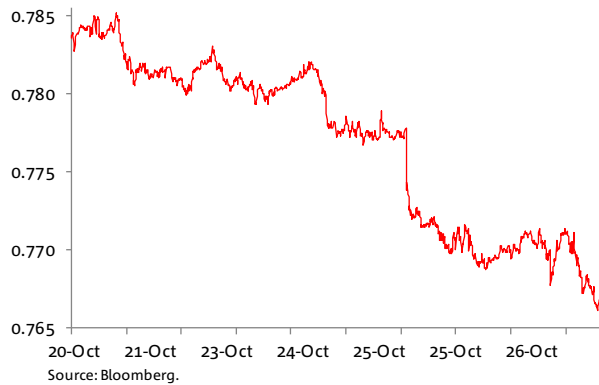
payrolls). Company reporting season also continues with UBS, Volkswagen and Exxon due.

Overnight

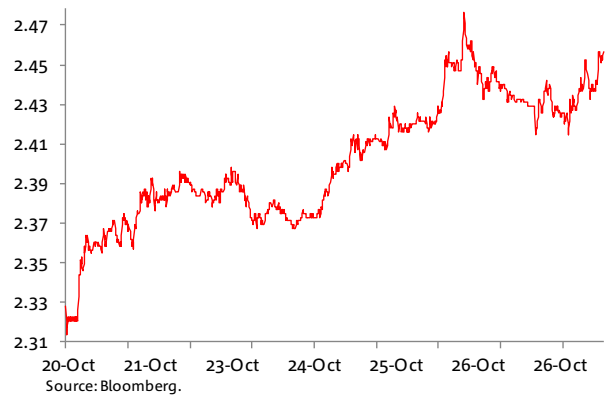
On global stock markets, the S&P 500 was +0.13%. Bond markets saw US 10-years +2.73bp to 2.46%. In commodities, Brent crude oil +1.64% to \$59.4, gold-0.7% to \$1,266, iron ore -1.2% to \$61.47, steam coal -0.1% to \$97.10, met. coal +0.0% to \$181.50. AUD is at 0.766 and the range since yesterday 5pm Sydney time is 0.7656 to 0.7719.

Markets

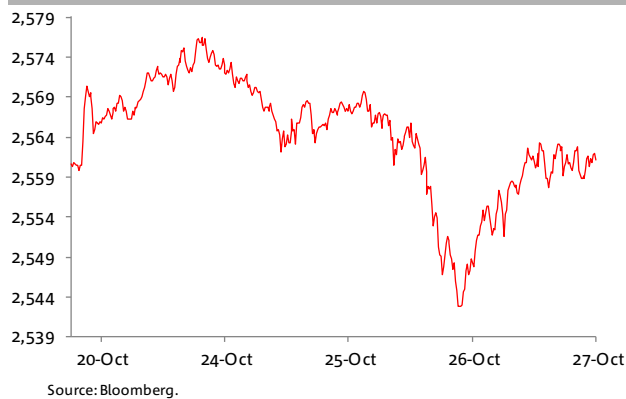
AUD/USD - past week



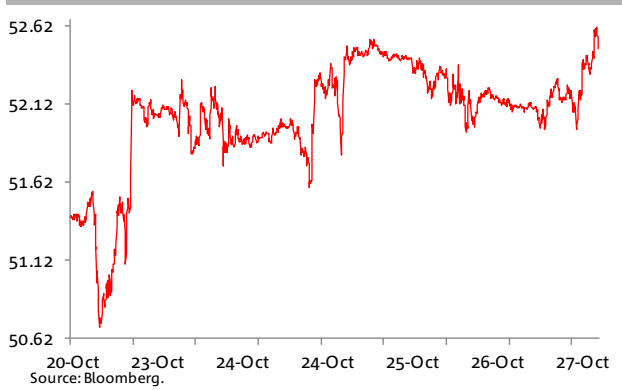
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7660	-0.6	0.7656	0.7719	HKD	7.8021 0.0
NZD	0.6839	-0.7	0.6834	0.6904	CNY	6.6426 0.1
EUR	1.1652	-1.4	1.1641	1.1837	SGD	1.3674 0.5
GBP	1.3156	-0.8	1.3147	1.3279	IDR	13,587 0.1
JPY	114.07	0.3	113.34	114.08	THB	33.25 0.2
CAD	1.2851	0.4	1.2782	1.2858	KRW	1,125 -0.3
AUD/EUR	0.6574	0.8	0.6497	0.6580	TWD	30.24 -0.1
AUD/JPY	87.38	-0.3	87.25	87.79	PHP	51.80 0.0
AUD/GBP	0.5823	0.2	0.5800	0.5849	CHF	1.00 0.8
AUD/NZD	1.1200	0.1	1.1170	1.1239	SEK	8.36 1.7
AUD/CNH	5.1016	-0.2	5.0948	5.1691		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.37	1.85	2.43	USD 10	2.46	2.73
AUD	1.50	1.69	1.94	2.96	AUD 10	2.75	-0.60 0.29
NZD	1.75	1.95	2.17	3.26	NZD 10	3.02	1.40 0.57
EUR	0.00	-0.33	-0.19	0.87	CAD 10	2.04	-1.00 -0.42
GBP	0.25	0.42	0.84	1.42	EUR 10	0.42	-6.70 -2.04
JPY	-0.04	-0.04	0.03	0.26	GBP 10	1.38	-2.00 -1.08
CAD	1.00	1.41	1.82	2.36	JPY 10	0.07	0.00 -2.39

Equities

Major Indices			
	Last	% day	% y/y
Dow	23,401	0.31	28.6
S&P 500	2,560	0.13	19.7
Nasdaq	6,557	-0.11	24.9
VIX	11.53	2.67	-19.0
FTSE	7,487	0.5	7.6
DAX	13,133	1.4	22.6
CAC 40	5,455	1.5	20.3
Nikkei	21,740	0.1	25.4
Shanghai	3,408	0.3	9.5
Hang Seng	28,202	-0.4	21.9
ASX 200	5,916	0.2	11.7

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.28	2.00
3 Yr bond	97.8	3.00
10 Yr bond	97.18	1.50
3/10 sprd	0.63	1.50
SPI	5908.0	-19.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	59.40	1.6
Oil (WTI)	52.69	1.0
Oil (Tapis)	59.69	0.6
Gold	1266.30	-0.7
CRB	185.94	0.3
GS Metals	380.5	0.0
Aluminium	2180.5	0.2
Copper	6967.0	-0.3
Nickel	11716.0	-0.9
Zinc	3264.0	0.7
Ch. steel	3647.0	-2.5
Iron ore	61.5	-1.2
St. Coal	97.1	-0.1
Met.coal	181.5	0.0
Wheat Chic.	450.3	-0.8
Sugar	14.1	-0.5
Cotton	68.2	-1.6
Coffee	124.6	0.4

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	0.2	1.0%
FED	#N/A	#N/A

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, 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		0.3/-4.2		-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
Monday, 30 October 2017								
UK	Nationwide House PX MoM/YoY	Oct		0.2/2.2		0.2/2.0	28 Oct-4 Nov release	
JN	Retail Sales MoM/YoY	Sep		/		-1.7/1.7	23.50	10.50
JN	Dept. Store, Supermarket Sales	Sep				0.6	23.50	10.50
UK	Net Consumer Credit/Mortgage approvals	Sep		/		1.6/66.6	9.30	20.30
EC	Business Climate Indicator	Oct				1.3	10.00	21.00
US	Personal Income/Spending	Sep		0.4/0.8		0.2/0.1	12.30	23.30
US	Real Personal Spending	Sep				-0.1	12.30	23.30
US	PCE Deflator MoM/YoY	Sep		0.4/		0.2/1.4	12.30	23.30
US	PCE Core MoM/YoY	Sep		0.1/		0.1/1.3	12.30	23.30
GE	CPI EU Harmonized MoM/YoY	Oct P		/		0.0/1.8	13.00	0.00
CA	Bloomberg Nanos Confidence	Oct 27				57.7	14.00	1.00
US	Dallas Fed Manf. Activity	Oct		21		21.3	14.30	1.30
Tuesday, 31 October 2017								
NZ	Building Permits MoM	Sep				10.2	21.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct 29				113.3	22.30	9.30
JN	Jobless Rate/Job-ro-Applicant Ratio	Sep		/		2.8/1.5	23.30	10.30
JN	Overall Household Spending YoY	Sep				0.6	23.30	10.30
JN	Industrial Production MoM/YoY	Sep P		/		2.0/5.3	23.50	10.50
NZ	ANZ Activity Outlook/Business Confidence	Oct		/		29.6/0.0	0.00	11.00
AU	HIA New Home Sales MoM	Sep				9.1	0.00	11.00
UK	GfK Consumer Confidence	Oct				-9.0	0.10	11.10
UK	Lloyds Business Barometer	Oct				23.0	0.10	11.10
AU	Private Sector Credit MoM/YoY	Sep		/		0.5/5.5	0.30	11.30
CH	Manufacturing/Non-manufacturing PMI	Oct		52.2/		52.4/55.4	1.00	12.00
JN	BOJ Outlook Report							
JN	BOJ Policy Balance Rate	Oct 31				-0.1		
JN	BOJ 10-Yr Yield Target	Oct 31				0.0		
JN	Vehicle Production YoY	Sep				5.6	4.00	15.00
JN	Small Business Confidence	Oct				49.4	5.00	16.00
JN	BOJ Kuroda speaks at press conference after MPM						6.30	17.30
EC	ECB's Visco, Finance Minister Padoa-Schioppa at World Saving Day Event						9.15	20.15
EC	GDP SA QoQ/YoY	3Q A		/		0.6/2.3	10.00	21.00
EC	CPI Estimate YoY/Core CPI	Oct		/		1.5/1.1	10.00	21.00
EC	Unemployment Rate	Sep				9.1	10.00	21.00
CA	GDP MoM/YoY	Aug		/		0.0/3.8	12.30	23.30
CA	Industrial Product Price/Raw Materials Price MoM	Sep		/		0.3/1.0	12.30	23.30
US	Employment Cost Index	3Q		0.7		0.5	12.30	23.30
US	S&P CoreLogic CS 20-City MoM SA/YoY	Aug		/		0.4/5.8	13.00	0.00
US	S&P CoreLogic CS US HPI YoY NSA	Aug				5.9	13.00	0.00
US	Chicago Purchasing Manager	Oct		60		65.2	13.45	0.45
US	Conf. Board Consumer Confidence	Oct		120.75		119.8	14.00	1.00
Wednesday, 1 November 2017								
NZ	Employment Change QoQ/YoY	3Q		/		-0.2/3.1	21.45	8.45
NZ	Unemployment Rate	3Q				4.8	21.45	8.45
NZ	Participation Rate	3Q				70.0	21.45	8.45
NZ	Pvt Wages Ex/Incl Overtime QoQ	3Q		/		0.4/0.4	21.45	8.45
NZ	Average Hourly Earnings QoQ	3Q				0.8	21.45	8.45
AU	CBA Australia PMI Mfg	Oct				53.8	22.00	9.00
AU	AIG Perf of Mfg Index	Oct				54.2	22.30	9.30
AU	CoreLogic House Px MoM	Oct				0.3	23.00	10.00
UK	BRC Shop Price Index YoY	Oct				-0.1	0.10	11.10
JN	Nikkei Japan PMI Mfg	Oct F				52.5	0.30	11.30
CH	Caixin China PMI Mfg	Oct		51		51.6	1.45	12.45
JN	Vehicle Sales YoY	Oct				0.4	5.00	16.00
JN	BOJ Nakaso speaks at FinTech Forum						5.00	16.00
AU	Commodity Index AUD/SDR YoY	Oct		/		120.8/18.3	5.30	16.30
UK	Markit UK PMI Manufacturing SA	Oct				55.9	9.30	20.30
US	MBA Mortgage Applications	Oct 20				3.6	11.00	22.00
CA	MLI Leading Indicator MoM	Sep				0.2	11.00	22.00
US	ADP Employment Change	Oct		185		135.0	12.15	23.15
JN	Official Reserve Assets	Oct				1266.3		
CA	Markit Canada Manufacturing PMI	Oct				55.0	13.30	0.30
US	Markit US Manufacturing PMI	Oct F				54.5	13.45	0.45
US	ISM Manufacturing/Prices Paid	Oct		59/		60.8/71.5	14.00	1.00
US	ISM New Orders/Employment	Oct		/		64.6/60.3	14.00	1.00
US	Construction Spending MoM	Sep		-0.5		0.5	14.00	1.00
NZ	QV House Prices YoY	Oct				4.3	16.00	3.00
US	FOMC Rate Decision (Lower/Upper Bound)	Nov 1		1/1.25		1.00/1.25	18.00	5.00
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%		

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