

MARKETS TODAY

Jive Talkin'



Good morning

Jive Talking: “To speak in an exaggerated, teasing, or misleading way”. I can’t believe we haven’t used this Bee Gees classic once in the year that has almost passed since the result of a certain election.

Yesterday, President Trump again promised that tax cuts will be the ‘biggest ever’. Today (tonight) the House of Reps. tax writing committee chaired by Kevin Brady is due to release the text of its tax bill, 24 hours later than panned and it could be delayed further amid reports of lack of agreement amongst the committee. Plus overnight, Treasury secretary Mnuchin has said he’s not happy with suggestions that cutting the corporate tax rate to 20% could be phased in over several years. US bond yields were lower on this, before recovering slightly after the (non-eventful) FOMC statement - see below.

Next week, the Senate promises to unveil its tax bill. It will be different from the House and neither will likely amount to the ‘biggest ever’ tax cut (an honour that will likely remain with Ronald Reagan). There will then be weeks – quite possibly months – of attempted reconciliation to fashion a unified bill that will need to be approved by both the House and Senate before it can reach the White House.

The main reason we think some sort of tax reform will eventually get done – but which Congress will ensure will not be allowed to add more than \$1.5trn to budget deficits over the next decade – is because all 435 seats in the House of Reps. and a third of the 100 Senate seats will be contested next November. If nothing is done on tax by then, a lot of Republican lawmakers will be fearful of keeping their jobs and the current Republican clean sweep of House, Senate and Executive, may well disappear.

Sentiment towards tax reform promises to remain a key swing factor for US and hence global fixed income, equities and the dollar in the weeks ahead. Note that small cap stocks, who will be a major beneficiary of lower corporation tax rates, are currently underperforming, a sign that expectations for early passage of tax reform is running low.

In the meantime, President Trump promises to reveal his pick to be the next chair of the Fed before Thursday is out. Overnight he said that “Yellen is excellent”, but when asked if he’d reappoint her he replied “I didn’t say that”. Almost all the money is on Fed Governor Jay Powell getting the nod, news of which should now be met with limited market fanfare. The big surprise would be if either John Taylor is the anointed one, or Janet Yellen is offered a second term.

Janet Yellen has just presided over what may well have been her last but two FOMC meetings, the outcome of which was fairly unremarkable. Growth was described as

‘solid’ from ‘moderate – a slight upgrade – but core inflation is acknowledged as having ‘remained soft’ (an implicit downgrade). The key takeaway is that the statement has done nothing to dislodge high expectations for a December rate hike, now above 90%, hence a slightly former US dollar and Treasury yields out of the Fed.

Data wise, the US manufacturing ISM slipped to a still very strong 58.7 from 60.8 (59.5 expected) while the ADP print of 235k (200k expected) has some analysts upgrading their forecast from Friday’s payrolls number to nearer 350k from 300k (hurricane-recovery affected, remembering that payrolls printed -33k in September while ADP was +135k, now revised to 110k). UK manufacturing PMI was strong (56.3 from 55.9) helping cement expectations for a BoE rate rise tonight.

Coming Up

Wednesday night is still young in America, so plenty could hit the screens during our morning to drive markets. Locally, we have data interest in the form of both latest (September) trade numbers and building approvals.

For the Trade Balance, NAB’s forecast is that the surplus rose to \$A1.6bn, up from \$A1.0bn in August. As far as the bulk commodities are concerned, using port shipments and price data and mapping these to ABS estimates points to a flattish read for iron ore exports, higher volumes offset by the pull-back in iron ore prices. Coal in contrast is expected to rise a large 12.9% (+\$0.6bn). Reporting also suggests that the ramp up in production from the new Gladstone LNG plants continued in September.

Building Approvals is a notoriously volatile monthly series and we have no strong predisposition for September’s reading. Solid underlying population demand points to activity remaining high; we look for a 1.1% gain in September, some modest growth also hinted at by the AiG PCI Construction Index.

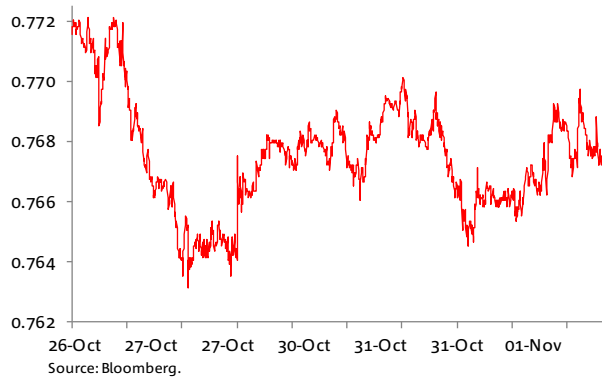
Offshore, the House tax plan and Trump’s Fed chair decision aside, there is keen interest in the Bank of England’s policy decision, where a 0.25% rate rise is about 90% priced. Assuming it’s delivered, market interest will be in the BoE’s signalling with respect to prospects for more where that just came from.

Overnight

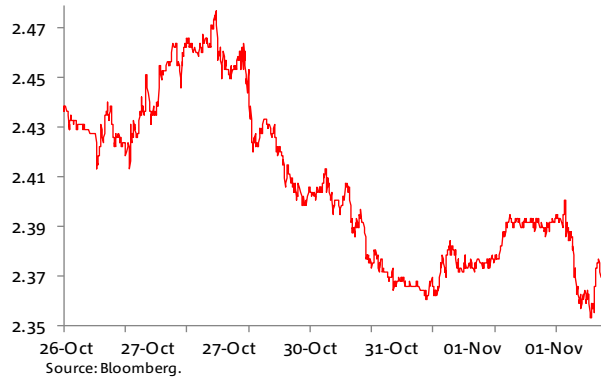
On global stock markets, the S&P 500 was +0.22%. Bond markets saw US 10-years -1.26bp to 2.37%. In commodities, Brent crude oil -0.85% to \$60.42, gold+0.4% to \$1,276, iron ore +1.4% to \$59.35, steam coal +0.1% to \$100.00, met. coal +0.4% to \$174.25. AUD is at 0.7673 and the range since yesterday 5pm Sydney time is 0.7648 to 0.7696.

Markets

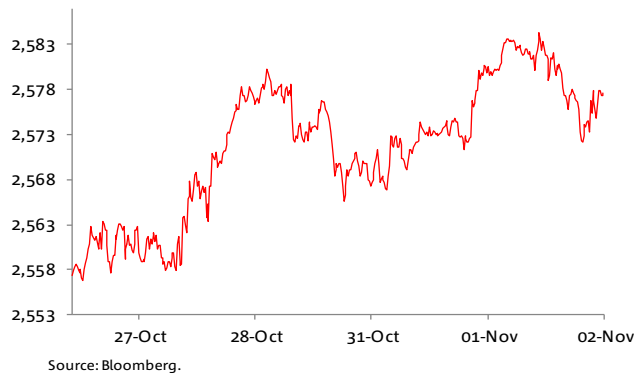
AUD/USD - past week



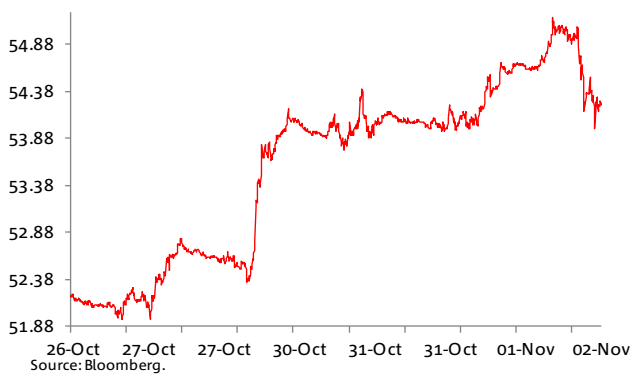
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

Indicative 24hr ranges (**)					Other FX		
	Last	% chge	Low	High		Last	% chge
AUD	0.7673	0.2	0.7648	0.7696	HKD	7.8001	0.0
NZD	0.6887	0.6	0.6838	0.6931	CNY	6.6020	-0.5
EUR	1.1628	-0.2	1.1606	1.1657	SGD	1.3609	-0.1
GBP	1.3255	-0.2	1.3246	1.3321	IDR	13,580	0.1
JPY	114.11	0.4	113.61	114.28	THB	33.14	-0.3
CAD	1.2870	-0.1	1.2867	1.2910	KRW	1,114	-0.5
AUD/EUR	0.6599	0.4	0.6568	0.6613	TWD	30.15	0.0
AUD/JPY	87.56	0.6	86.95	87.73	PHP	51.61	0.1
AUD/GBP	0.5789	0.4	0.5758	0.5806	CHF	1.00	0.5
AUD/NZD	1.1141	-0.4	1.1077	1.1197	SEK	8.39	0.2
AUD/CNH	5.0706	-0.2	5.0667	5.1083			

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	1.25	1.38	1.83	2.35	USD 10	2.37	-1.26	
AUD	1.50	1.70	1.92	2.86	AUD 10	2.70	3.50	0.34
NZD	1.75	1.94	2.17	3.18	NZD 10	2.93	1.90	0.57
EUR	0.00	-0.33	-0.20	0.85	CAD 10	1.97	2.30	-0.39
GBP	0.25	0.44	0.88	1.39	EUR 10	0.37	1.00	-1.99
JPY	-0.04	-0.04	0.04	0.26	GBP 10	1.34	1.10	-1.02
CAD	1.00	1.42	1.78	2.30	JPY 10	0.06	-1.00	-2.31

Equities

Major Indices			
	Last	% day	% y/y
Dow	23,438	0.26	29.9
S&P 500	2,581	0.22	22.2
Nasdaq	6,713	-0.22	30.3
VIX	9.99	-1.87	-46.2
FTSE	7,488	-0.1	8.3
DAX	13,466	1.8	26.3
CAC 40	5,514	0.2	23.4
Nikkei	22,420	1.9	30.8
Shanghai	3,396	0.1	9.4
Hang Seng	28,594	1.2	25.4
ASX 200	5,938	0.5	13.6

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.28	1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.29	0.00
3/10 sprd	0.52	3.00
SPI	5937.0	-49.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	60.42	-0.9
Oil (WTI)	54.24	-0.3
Oil (Tapis)	62.94	1.5
Gold	1275.60	0.4
CRB	187.94	0.2
GS Metals	376.1	0.0
Aluminium	2172.5	1.2
Copper	6905.8	1.2
Nickel	12757.0	4.0
Zinc	3317.5	0.3
Ch. steel	3685.0	1.7
Iron ore	59.4	1.4
St. Coal	100.0	0.1
Met. coal	174.3	0.4
Wheat Chic.	436.0	0.0
Sugar	14.6	-0.9
Cotton	68.2	-0.3
Coffee	123.0	-1.7

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	AEDT
Thursday, 2 November 2017								
NZ	ANZ Job Advertisements MoM	Oct				0.4	21.00	8.00
AU	Trade Balance	Sep	1600	1200		989.0	0.30	11.30
AU	Building Approvals MoM/YoY	Sep	1.1	-1/-2.4		0.4/-15.5	0.30	11.30
AU	NAB Online Retail Sales Index MoM/YoY	Sep				1.7/10.3	0.30	11.30
JN	Consumer Confidence Index	Oct		43.6		43.9	5.00	16.00
GE	Unemployment Change (000's/Rate)	Oct		-10/5.6		-23.0/5.6	8.55	19.55
GE	Markit/BME Germany Manufacturing PMI	Oct F		60.5		60.5	8.55	19.55
EC	Markit Eurozone Manufacturing PMI	Oct F		58.6		58.6	9.00	20.00
UK	Markit/CIPS UK Construction PMI	Oct		48.5		48.1	9.30	20.30
US	Challenger Job Cuts YoY	Oct				-27.0	11.30	22.30
UK	Bank of England Bank Rate	Nov 2		0.5		0.3	12.00	23.00
UK	BOE Asset Purchase/Corporate Bond Target	Nov		435/10		435.0/10.0	12.00	23.00
US	Initial Jobless Claims	Oct 28		235		233.0	12.30	23.30
US	Nonfarm Productivity/Unit Labour Costs	3Q P		2.6/0.4		1.5/0.2	12.30	23.30
US	Wards Total Vehicle Sales	Oct		17.5		18.5		
US	Bloomberg Consumer Comfort	Oct 29				51.0	13.45	0.45
Friday, 3 November 2017								
AU	CBA Australia PMI Services/Composite	Oct		/		53.2/53.1	22.00	9.00
US	Fed's Bostic Speaks in Chicago about Government Statistics						22.15	9.15
AU	AiG Perf of Services Index	Oct				52.1	22.30	9.30
AU	Retail Sales MoM/ex inflation QoQ	Sep	0.5/0.1	0.4/0		-0.6/1.5	0.30	11.30
CH	Caixin China PMI Services/Composite	Oct		/		50.6/51.4	1.45	12.45
UK	Markit/CIPS UK Services/Composite PMI	Oct		53.3/53.8		53.6/54.1	9.30	20.30
US	Change in Nonfarm Payrolls/Unemployment Rate	Oct		310/4.2		-33.0/4.2	12.30	23.30
US	Average Hourly Earnings MoM/YoY	Oct		0.2/2.7		0.5/2.9	12.30	23.30
US	Labor Force Participation Rate/Underemployment Rate	Oct		63.1/		63.1/8.3	12.30	23.30
US	Trade Balance	Sep		-43.25		-42.4	12.30	23.30
US	ISM Non-Manf. Composite	Oct		58.5		59.8	14.00	1.00
US	Factory Orders/Ex Trans	Sep		1.2/		1.2/0.4	14.00	1.00
CA	Net Change in Employment/Unemployment Rate	Oct		15		10.0	12.30	23.30
CA	Participation Rate	Oct				65.6	12.30	23.30
CA	Int'l Merchandise Trade	Sep		-3		-3.4	12.30	23.30
US	Markit US Services/Composite PMI	Oct F		55.9/		55.9/55.7	14.45	1.45
US	Fed's Kashkari Speaks on Housing and Finance						16.15	3.15
EC	ECB's Coeure Speaks in Washington						21.15	8.15
Monday, 6 November 2017								
JN	BOJ Minutes of Sept. 20-21 Meeting						23.50	10.50
AU	Melbourne Institute Inflation MoM/YoY	Oct		/		0.3/2.5	0.00	11.00
NZ	ANZ Commodity Price	Oct				0.8	0.00	11.00
JN	Nikkei Japan PMI Services/Composite	Oct		/		51.0/51.7	0.30	11.30
AU	ANZ Job Advertisements MoM	Oct				0.0	0.30	11.30
JN	BOJ Kuroda makes a speech in Nagoya						1.00	12.00
NZ	2Yr Inflation Expectation	4Q				2.1	2.00	13.00
GE	Factory Orders MoM/YoY	Sep		/		3.6/7.8	7.00	18.00
JN	BOJ chief economist speaks at conference						7.00	18.00
GE	Markit Germany Services/Composite PMI	Oct F		/		55.2/56.9	8.55	19.55
UK	New Car Registrations YoY	Oct				-9.3	9.00	20.00
EC	Markit Eurozone Services/Composite PMI	Oct F		/		54.9/55.9	9.00	20.00
EC	Sentix Investor Confidence	Nov				29.7	9.30	20.30
EC	PPI MoM/YoY	Sep		/		0.3/2.5	10.00	21.00
US	New York Fed's Potter Speaks on Policy and Balance Sheet						10.30	21.30
CH	BoP Current Account Balance	3Q P				50.9		
CA	Bloomberg Nanos Confidence	Nov 3				57.6	15.00	2.00
CA	Ivey Purchasing Managers Index SA	Oct				59.6	15.00	2.00
US	Fed's Dudley Speaks on Lessons from the Financial Crisis						17.10	4.10
Tuesday, 7 November 2017								
AU	AiG Perf of Construction Index	Oct				54.7	22.30	9.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Nov 5				113.4	22.30	9.30
JN	Labor Cash/Real Earnings YoY	Sep		/		0.9/0.1	0.00	11.00
UK	BRC Sales Like-For-Like YoY	Oct				1.9	0.10	11.10
AU	Foreign Reserves	Oct				74.9	5.30	16.30
GE	Industrial Production SA MoM/YoY	Sep		/		2.6/4.7	7.00	18.00
UK	Halifax House Prices MoM	Oct				0.8	8.30	19.30
UK	Halifax House Price 3Mths/Year	Oct				4.0	8.30	19.30
CH	Foreign Reserves	Oct				3108.5	9.00	20.00
EC	Retail Sales MoM/YoY	Sep		/		-0.5/1.2	10.00	21.00
US	JOLTS Job Openings	Sep				6082.0	15.00	2.00
US	Fed's Quarles Speaks at Clearing House Conference						17.35	4.35
CA	Bank of Canada's Stephen Poloz Speech in Montreal						17.45	4.45
CA	Bank of Canada Governor Poloz Press Conference						19.00	6.00
US	Consumer Credit	Sep		17.5		13.1	20.00	7.00
Wednesday, 8 November 2017								
NZ	ANZ Truckometer Heavy MoM	Oct				-1.5	21.00	8.00
JN	BOJ Funo makes a speech in Miyazaki						1.30	12.30
JN	Leading Index CI	Sep P				107.2	5.00	16.00
CH	Foreign Direct Investment YoY CNY	Oct				17.3	1.00	12.00
CH	Trade Balance CNY	Oct				193.0	2.00	13.00
CH	Exports/Imports YoY CNY	Oct		/		9.0/19.5	2.00	13.00
CH	Trade Balance	Oct		38		28.5	2.10	13.10
CA	Housing Starts	Oct				217.1	13.15	0.15
CA	Building Permits MoM	Sep				-5.5	13.30	0.30
Upcoming Central Bank Interest Rate Announcements								
US	Federal Reserve	13 Dec	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%	1.75%		1.75%		
Canada	BoC	7-Dec				1.00%		
Europe	ECB	14-Dec	-0.4%	-0.4%		-0.4%		
Japan	BoJ	21-Dec	-0.1%	-0.1%		-0.1%		

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

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