

# MARKETS TODAY

*That don't impress me much*



## Good morning

In the last hour, President Trump has announced that Jerome Powell will be the next Chair of the Fed, as has been widely flagged in recent days. So no surprises there. He is seen as very much the continuity candidate, he hasn't dissented in his time as a FRB Governor, his thinking seen as very much allied to the status quo data-driven style at the Fed. The US dollar has been "sharply unchanged" as they say with a similar non-reaction in Treasuries which have had a bid tone despite House Republicans releasing their tax plan.

The plan contains a compression of scales and cuts to personal income tax rates but not to the top over \$1m rate from 39.6%, a point that will irk some Republicans seeking across-the-board cuts. The plan sees the company tax rate cut from 35% to 20% while businesses can immediately expense the cost of new investments. There is a limit on mortgage interest deductions from \$1m to 500K that has US realtors up in arms.

For the USD, there seems to be a bitter pill from the changes to offshore profits/repatriation taxation. Multinational companies' accumulated offshore earnings would be taxed at up to 12%, a rate that's still shy of the proposed 20% corporate tax rate, and one that's spread over 8 years. Not enough you'd expect for dollar bulls to get excited and see these measures as a strong enough incentive to spark a flight of such capital back to the US into USDs for those profits still in other currencies.

Reaction to all this news: again, virtually zero also. The USD has been languid after fading yesterday on further leaks yesterday that Powell was going to get the nod and ahead of the expected House tax plan. The S&P 500 is flat for the session, though financials outperformed.

What partial residual resilience there has been in the dollar indexes overnight has only been because Sterling has been slammed after the BoE hiked rates by 25 bps, the first hike for decade. It was very much another in the manner of the dovish taper from the ECB and the BoC stepping back after two hikes. Sterling is off a tidy 1.77% from levels yesterday afternoon, losing the best part of 2½ big figures in the process. The FTSE rallied, up 0.9% amid soggy European markets as did gilts. The 2 year gilt dropped 7.6 bps while the 10 year was down 8.3 bps. AUD/GBP is trading over 0.59 this morning, up over a big figure.

The takeaway line from the BoE was that "any further hikes (are) to be at a gradual pace and limited extent". The BoE anticipates another two hikes, but over the next three years to keep inflation in check. Adding another sour taste for the market were observations from Carney lamenting low UK productivity and that despite declining real wages, unit labour costs are on the rise.

David de Garis, Director, Economics

## Coming up

Today is a day when local events might again have a larger bearing on the AUD. Movements in recent weeks have been dominated by Trump/tax/Fed Chair news, the ECB taper, Canadian rate hikes, and the BoE to name some of these.

Today's Retail Sales is the one to watch. It's was down 0.6% m/m in August. The NAB Cashless Retail Sales Index points to a rebound this month and that's driven our +0.5% forecast. If it does bounce-back then this might see a relief rally but then fade if viewed as just payback rather than presenting a fundamentally different complexion on the shape of retailing. In that way, retail volumes for the quarter that are expected to reveal virtually no growth for the quarter, so no growth from retail to real consumer spending and GDP, reminder that consumer spending is not at the front of the line from a growth perspective.

The China Caixin Services (and Composite) PMI is out at 12.45. There's no forecast; in September the Services component was 50.6 and the Composite component was 51.4.

Tonight, first it's the UK Services PMI (L: 53.6; F: 53.3) and then the US ISM Non-manufacturing release (L: 59.8; F: 58.5), but the release the market is hanging on is Non-farm payrolls. Of course there's interest in headline payrolls, the market expecting an over 300K bounce after the Hurricane-affected -33k September decline, confirming again the solid US economic activity story if there was any doubt. The potential sweetener for the USD would be if there's another good print on average hourly earnings after last month's chunky 0.5%/2.9% rise. The market is looking for 0.2%/2.7%, back to a less inflation-threatening level. There's a pretty wide range of estimates from -0.1% to a high of 0.3%, the distribution thus skewed somewhat to the lower side. So there might well be more price risk from a higher print. The US releases Factory Orders tonight too, a 1.2% gain expected for September.

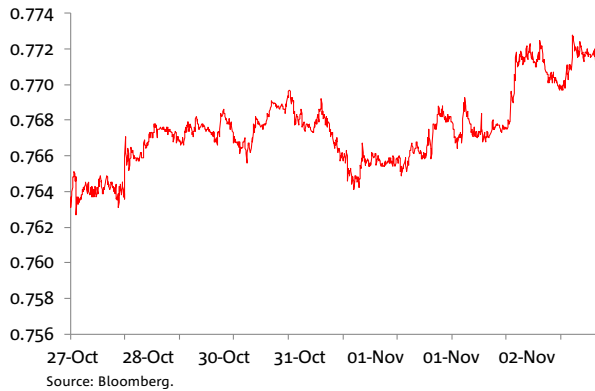
CAD watchers also need to be alert to Canada's October labour market report, another solid, if spectacular report expected with employment up 10K (L:+15K) and steady unemployment at 6.2%. The CAD has a triad of influences from its own labour market report, payrolls, and oil prices that are testing the top of the range evident for the past 18 months, up further overnight.

## Overnight

On global stock markets, the S&P 500 was +0.02%. Bond markets saw US 10-years -2.71bp to 2.35%. In commodities, Brent crude oil +0.53% to \$60.81, gold-0.0% to \$1,277, iron ore +0.7% to \$59.79, steam coal +0.2% to \$100.20, met coal +1.6% to \$177.00. AUD is at 0.7718 and the range since yesterday 5pm Sydney time is 0.7695 to 0.773.

# Markets

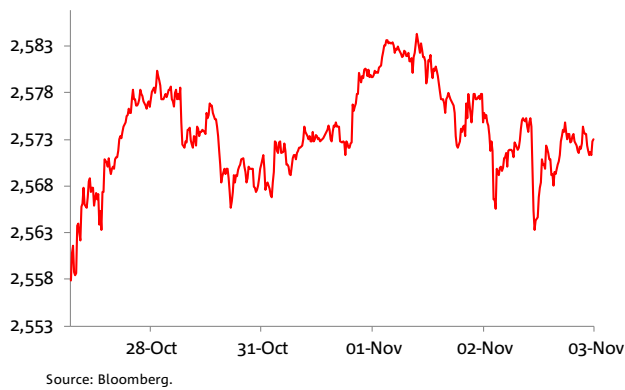
AUD/USD - past week



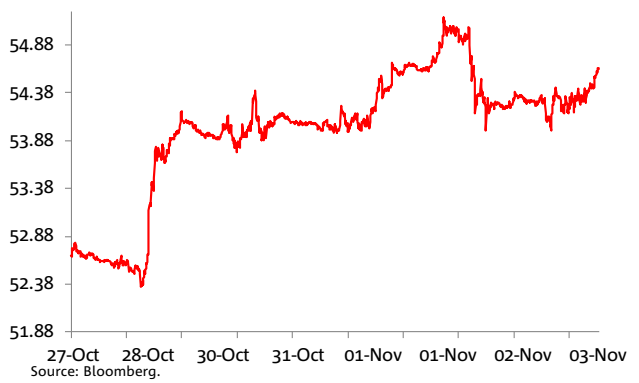
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7718	0.5	0.7695	0.7730	HKD	7.8018 0.0
NZD	0.6913	0.0	0.6890	0.6937	CNY	6.6093 0.1
EUR	1.1659	0.1	1.1635	1.1687	SGD	1.3590 -0.1
GBP	1.3062	-1.8	1.3043	1.3273	IDR	13,552 -0.2
JPY	114.08	0.1	113.54	114.22	THB	33.09 -0.2
CAD	1.2809	-0.5	1.2799	1.2862	KRW	1,114 0.0
AUD/EUR	0.662	0.3	0.6599	0.6626	TWD	30.20 0.2
AUD/JPY	88.05	0.5	87.76	88.10	PHP	51.41 -0.4
AUD/GBP	0.5909	2.4	0.5804	0.5917	CHF	1.00 -0.1
AUD/NZD	1.1165	0.4	1.1142	1.1171	SEK	8.39 0.2
AUD/CNH	5.1017	0.6	5.0862	5.0998		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.38	1.82	2.33	USD 10	2.35	-2.71
AUD	1.50	1.70	1.90	2.82	AUD 10	2.65	-5.00 0.31
NZD	1.75	1.95	2.17	3.15	NZD 10	2.90	-3.80 0.55
EUR	0.00	-0.33	-0.20	0.84	CAD 10	1.96	-1.60 -0.39
GBP	0.50	0.45	0.80	1.32	EUR 10	0.37	-0.10 -1.97
JPY	-0.04	-0.04	0.03	0.25	GBP 10	1.26	-8.30 -1.09
CAD	1.00	1.41	1.77	2.28	JPY 10	0.06	-0.60 -2.29

Equities

Major Indices			
	Last	% day	% y/y
Dow	23,516	0.35	30.9
S&P 500	2,580	0.02	23.0
Nasdaq	6,715	-0.02	31.5
VIX	9.93	-2.65	-48.6
FTSE	7,555	0.9	10.4
DAX	13,441	-0.2	29.6
CAC 40	5,511	-0.1	24.8
Nikkei	22,539	0.5	31.5
Shanghai	3,383	-0.4	8.1
Hang Seng	28,519	-0.3	25.7
ASX 200	5,932	-0.1	13.5

Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.28	-1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.35	6.00
3/10 sprd	0.45	-3.00
SPI	5939.0	-10.0

\*Change in bps

Commodities\*

	Last	% day
Oil (Brent)	60.81	0.5
Oil (WTI)	54.76	0.8
Oil (Tapis)	61.80	-1.8
Gold	1276.80	0.0
CRB	188.13	0.1
GS Metals	379.4	-0.5
Aluminium	2159.1	-0.6
Copper	6904.0	0.0
Nickel	12567.0	-1.5
Zinc	3291.0	-0.8
Ch. steel	3706.0	1.6
Iron ore	59.8	0.7
St. Coal	100.2	0.2
Met.coal	177.0	1.6
Wheat Chic.	444.5	1.9
Sugar	14.2	-2.6
Cotton	69.1	1.3
Coffee	126.4	2.8

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	-1.0	-4.0%
FED	21	82.4%

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
<b>Friday, 3 November 2017</b>								
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		312/4.2		-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		15/6.2		10.0/6.2	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
<b>Monday, 6 November 2017</b>								
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
<b>Tuesday, 7 November 2017</b>								
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		0.5/		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		3118		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
<b>Wednesday, 8 November 2017</b>								
NZ	ANZ Truckometer Heavy MoM	Oct				-1.5	21.00	8.00
JN	BOJ Furo makes a speech in Miyazaki						1.30	12.30
JN	Leading Index CI	Sep P		106.8		107.2	5.00	16.00
CH	Foreign Direct Investment YoY CNY	Oct				17.3	1.00	12.00
CH	Trade Balance CNY	Oct		274.4		193.0	2.00	13.00
CH	Exports/Imports YoY CNY	Oct		6.8/16		9.0/19.5	2.00	13.00
CH	Trade Balance	Oct		38.85		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
<b>Thursday, 9 November 2017</b>								
NZ	RBNZ Official Cash Rate	Nov 9				1.8	20.00	7.00
JN	BOJ Summary of Opinions at Oct. 30-31 Meeting						23.50	10.50
JN	Core Machine Orders MoM/YoY	Sep		-1.7/2.6		3.4/4.4	23.50	10.50
JN	BoP Current Account Adjusted	Sep		1995.1		2266.9	23.50	10.50
UK	RICS House Price Balance	Oct				6.0	0.10	11.10
AU	Home Loans, Owner-occupier # MoM/Investor \$ MoM	Sep		/		1.0/4.3	0.30	11.30
CH	CPI/PPI YoY	Oct		1.7/6.6		1.6/6.9	1.30	12.30
JN	Tokyo Avg Office Vacancies	Oct				3.2	2.00	13.00
JN	Bankruptcies YoY	Oct				4.6	4.30	15.30
GE	Current Account Balance	Sep				17.8	7.00	18.00
EC	ECB Publishes Economic Bulletin						9.00	20.00
UK	Industrial Production MoM/YoY	Sep		/		0.2/1.6	9.30	20.30
UK	Construction Output SA MoM/YoY	Sep		/		0.6/3.5	9.30	20.30
UK	Trade Balance	Sep				-5626.0	9.30	20.30
EC	European Commission Economic Forecasts						10.00	21.00
UK	NIESR GDP Estimate	Oct				0.4	13.00	0.00
CA	New Housing Price Index MoM/YoY	Sep		/		0.1/3.8	13.30	0.30
US	Initial Jobless Claims	Oct 28		235		233.0	12.30	23.30
EC	ECB's Villeroy de Galhau speaks in Brussels						15.00	2.00
US	Wholesale Inventories/Trade Sales MoM	Sep F		/		0.3/1.7	15.00	2.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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%		
US Federal Reserve		14 Dec	1.25-1.50%	1.25-1.50%		1.00-1.25%		
UK BOE		14-Dec				0.50%		
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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