

MARKETS TODAY

Motor's Too Fast



Good morning

The RBNZ this morning has left rates on hold at 1.75% but the language has spurred some Kiwi buying. Despite policy remaining “accommodative for a considerable period”, the RBNZ has brought forward the first expected tightening, increased its inflation forecasts, and incorporated some stimulatory impacts from the new Government’s policies. It’s a clear tightening bias. They seem to have gotten rid of the notion of rate cuts in what looks to be a first step toward beginning the normalisation of rates. The NZD initially spiked to 0.6960 from 0.6920, now at 50, the AUD/NZD at 1.1057.

Elsewhere, it’s been another quiet night for markets. The AUD/USD tilted back up yesterday toward the higher end of its recent trading range, possibly getting a tailwind from still solid Chinese trade growth and commodity demand. Iron ore imports are up 6.3% ytd to October, Australia enjoying a bilateral merchandise trade surplus at over 4% of GDP for the same period.

In the US, there’s been more wire chatter about Republicans debating their tax bill, and the news arising from discussions doesn’t look hopeful for an early resolution. Yesterday the Washington Post reported that Senate Republican leaders are considering a one-year delay in the implementation of a major corporate tax cut, saving \$100bn. Another report suggests that Senate Republicans are considering fully repealing individual federal tax deductions for state and local taxes – including property taxes – and preserving the estate tax, both proposals likely to get political pushback from within the party.

Meanwhile, in two state Governor elections, the Democrats beat the Republicans, an unsettling heads up for Republicans ahead of the mid-term elections next year, a reminder they need to go to the mid terms with political achievements including promises of tax reform in a voter-friendly approach. The USD has been largely unmoved overnight with again very tight 1-2bps ranges for Treasuries. Equities have been hovering in an

Expectations of the tax reform bill being passed in its current form are so low, that bad news for a deal has barely stirred the market. The USD is down slightly, in the order of 0.1%, and has tracked sideways in a very tight range for more than a week now.

Coming up

With the RBNZ now out of the way, it’s a quiet calendar for events in Asia with AU Housing Finance and China’s CPI/PPI for October.

Housing finance approvals for September are released this morning, this release somewhat sidelined by the earlier release of RBA Credit for the same month showing steady overall growth (rounded to one tenth) in Housing Credit including a slight downshift in monthly growth of Owner-occupier and Investor Housing credit,

both still within recent ranges of monthly growth. NAB looks for the headline growth in the number of Owner-occupier loan approvals to have risen 3.4%, interest also in Investor finance that’s been showing a measure of growth stability of late, rising 4.3% in August.

President Trump continues his trip through Asia with more meetings and discussions in China today. So far, it’s been a largely uneventful trip as far as market geopolitical risk is concerned.

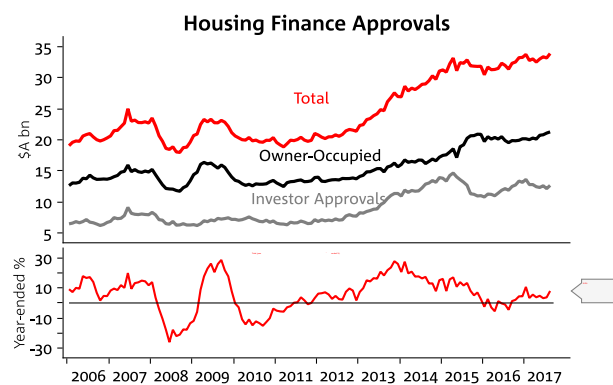
There are several European events to keep one eye on tonight including the ECB’s Nuoy testifying to the European Parliament, the EC updating their economic forecasts and the ECB’s Coeure speaking. (Reportedly, he was pushing back on the open-ended QE last month.) There’s a flurry of other ECB speakers too including Mersch, Constancio, Villeroy de Galhau, and Lautenschlaeger, the last two also pushing back.

For Sterling watchers, the BoE’s Executive Director for Markets Chris Salmon is speaking in Singapore later this afternoon (19.15 AEDT). Note that the UK-EU Brexit negotiations are due to kick off tonight with a sense of urgency to speed up negotiations evident from both sides. Just in the last hour, there’s been news that UK International Development Secretary Pritti Patel has had to resign from the UK Cabinet after revelations she had undisclosed meetings with Israelis. There’s no Sterling impact evident from that. It’s very light for data with Germany’s trade/current account balance for September and US weekly Jobless claims.

Overnight

On global stock markets, the S&P 500 was +0.13%. Bond markets saw US 10-years +1.26bp to 2.33%. In commodities, Brent crude oil -0.42% to \$63.42, gold+0.5% to \$1,283, iron ore -0.6% to \$62.26, steam coal -0.5% to \$98.00, met. coal +2.2% to \$186.75. AUD is at 0.7679 and the range since yesterday 5pm Sydney time is 0.7667 to 0.7685.

Chart: Owner-occupier housing picking up

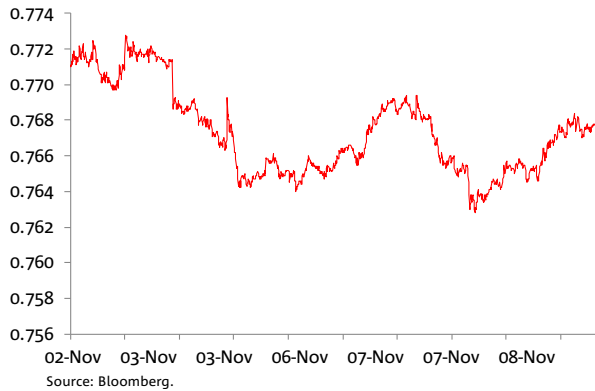


Source: National Australia Bank, ABS

David de Garis, Director, Economics

Markets

AUD/USD - past week



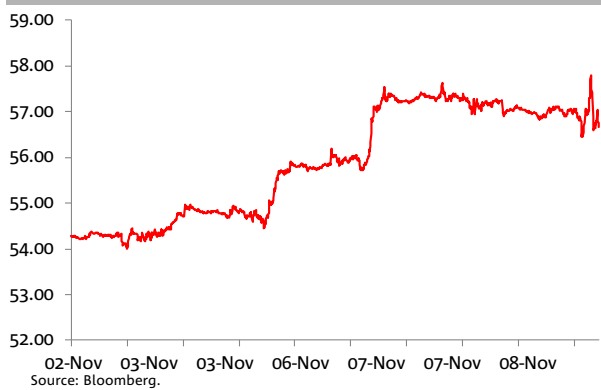
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

Indicative 24hr ranges (**)					Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7679	0.2	0.7667	0.7685	HKD	7.7984 -0.1
NZD	0.6945	0.3	0.6915	0.6963	CNY	6.6280 -0.2
EUR	1.1597	0.3	1.1579	1.1607	SGD	1.3616 -0.2
GBP	1.3116	-0.3	1.3087	1.3134	IDR	13,514 0.0
JPY	113.84	-0.3	113.40	113.85	THB	33.11 -0.1
CAD	1.2721	-0.3	1.2716	1.2749	KRW	1,115 0.3
AUD/EUR	0.6621	0.0	0.6612	0.6628	TWD	30.18 0.0
AUD/JPY	87.41	0.0	87.07	87.42	PHP	51.33 -0.2
AUD/GBP	0.5854	0.5	0.5843	0.5869	CHF	1.00 0.0
AUD/NZD	1.1057	-0.1	1.1034	1.1097	SEK	8.38 -0.6
AUD/CNH	5.0874	0.4	5.0851	5.0951		

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.40	1.84	2.30	USD 10	2.33	1.26
AUD	1.50	1.70	1.92	2.79	AUD 10	2.57	-0.90 0.25
NZD	1.75	1.94	2.20	3.13	NZD 10	2.85	4.10 0.52
EUR	0.00	-0.33	-0.20	0.81	CAD 10	1.91	1.80 -0.42
GBP	0.50	0.52	0.80	1.30	EUR 10	0.33	-0.10 -2.00
JPY	-0.05	-0.05	0.03	0.23	GBP 10	1.23	-0.60 -1.10
CAD	1.00	1.41	1.76	2.24	JPY 10	0.03	-0.60 -2.30

Equities

Major Indices			
	Last	% day	% y/y
Dow	23,562	0.02	28.5
S&P 500	2,594	0.13	21.2
Nasdaq	6,790	0.33	30.7
VIX	9.52	-3.74	-49.2
FTSE	7,530	0.2	10.0
DAX	13,382	0.0	27.7
CAC 40	5,471	-0.2	22.2
Nikkei	22,914	-0.1	41.0
Shanghai	3,415	0.1	9.2
Hang Seng	28,908	-0.3	29.0
ASX 200	6,016	0.0	16.7

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.28	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.39	-1.00
3/10 sprd	0.41	4.00
SPI	6010.0	-9.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	63.42	-0.4
Oil (WTI)	56.75	-0.8
Oil (Tapis)	65.19	-0.3
Gold	1282.70	0.5
CRB	191.89	0.0
GS Metals	373.9	0.0
Aluminium	2093.3	-1.1
Copper	6829.0	0.5
Nickel	12652.5	0.4
Zinc	3227.5	0.9
Ch. steel	3813.0	1.5
Iron ore	62.3	-0.6
St. Coal	98.0	-0.5
Met.coal	186.8	2.2
Wheat Chic.	443.8	-0.2
Sugar	14.8	0.8
Cotton	68.6	0.8
Coffee	125.8	0.8

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	-0.2	-1.0%
FED	22	88.4%

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, 9 November 2017								
NZ	RBNZ Official Cash Rate	Nov 9	1.75	1.75		1.75	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		-2/2		3.4/4.4	23.50	10.50
JN	BoP Current Account Adjusted	Sep		2053.3		2266.9	23.50	10.50
UK	RICS House Price Balance	Oct		4		6.0	0.10	11.10
AU	Home Loans, Owner-occupier # MoM/Investor \$ MoM	Sep	3.4/..	2/		1.0/4.3	0.30	11.30
CH	CPI/PPI YoY	Oct		1.8/6.6		1.6/6.9	1.30	12.30
GE	Current Account Balance	Sep		23.5		17.8	7.00	18.00
EC	ECB Publishes Economic Bulletin						9.00	20.00
UK	Industrial Production MoM/YoY	Sep		0.3/1.9		0.2/1.6	9.30	20.30
UK	Construction Output SA MoM/YoY	Sep		-0.9/1.7		0.6/3.5	9.30	20.30
UK	Trade Balance	Sep		-4300		-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		0.2/3.8		0.1/3.8	13.30	0.30
US	Initial Jobless Claims	Nov 4		231.5		229.0	13.30	0.30
EC	ECB's Villeroy de Galhau speaks in Brussels						15.00	2.00
US	Wholesale Inventories/Trade Sales MoM	Sep F		0.3/0.9		0.3/1.7	15.00	2.00
Friday, 10 November 2017								
NZ	Card Spending Total/Retail MoM	Oct	0.4	/0.5		-0.1/0.1	21.45	8.45
AU	RBA Statement on Monetary Policy						0.30	11.30
JN	Tertiary Industry Index MoM	Sep		-0.1		-0.2	4.30	15.30
CH	New Yuan Loans/Aggregate financing CNY	Oct		770/1100		1270.0/1820.0	10-15 Nov release	
US	U. of Mich. Sentiment/5-10 Yr Inflation expectations	Nov P		100.9/		100.7/2.5	15.00	2.00
US	Baker Hughes U.S. Rig Count/Oil Rfing Count	Nov 10		/		898.0/729.0	18.00	5.00
US	Monthly Budget Statement	Oct		-50		8.0	19.00	6.00
Monday, 13 November 2017								
CH	Foreign Direct Investment YoY CNY	Oct				17.3		
CH	New Yuan Loans/Aggregate financing CNY	Oct		770/1100		1270.0/1820.0	10-15 Nov release	
NZ	REINZ House Sales YoY	Oct				-26.2		
NZ	Food Prices MoM	Oct				-0.2	21.45	8.45
AU	RBA's Debelle Gives Speech in Sydney						22.15	9.15
JN	PPI MoM/YoY	Oct				0.2	23.50	10.50
JN	Machine Tool Orders YoY	Oct P				45.0	6.00	17.00
CA	Bloomberg Nanos Confidence	Nov 10				58.0	15.00	2.00
JN	BOJ Governor Kuroda scheduled to speak in Zurich						17.45	4.45
Tuesday, 14 November 2017								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Nov 12				112.6	22.30	9.30
AU	NAB Business Conditions/Confidence	Oct		/		14.0/7.0	0.30	11.30
CH	Retail Sales YoY/YTD YoY	Oct		10.4/10.4		10.3/10.4	2.00	13.00
CH	Fixed Assets Ex Rural YTD YoY	Oct		7.3		7.5	2.00	13.00
CH	Industrial Production YoY/YTD YoY	Oct		6.3/6.7		6.6/6.7	2.00	13.00
GE	GDP SA QoQ/YoY	3Q P		/		0.6/2.1	7.00	18.00
GE	CPI EU Harmonized MoM/YoY	Oct F		/		-0.1/1.5	7.00	18.00
US	Fed's Evans Speaks at ECB Conference						8.05	19.05
UK	CPI MoM/YoY	Oct		/		0.3/3.0	9.30	20.30
UK	CPI Core YoY	Oct		/		2.7	9.30	20.30
UK	PPI Input NSA MoM/YoY	Oct		/		0.4/8.4	9.30	20.30
UK	PPI Output NSA MoM/YoY	Oct		/		0.2/3.3	9.30	20.30
UK	PPI Output Core NSA MoM/YoY	Oct		/		0.0/2.5	9.30	20.30
UK	House Price Index YoY	Sep				5.0	9.30	20.30
EC	Industrial Production SA MoM/YoY	Sep		/		1.4/3.8	10.00	21.00
GE	ZEW Survey Current Situation/Expectations	Nov		/		87.0/17.6	10.00	21.00
EC	ZEW Survey Expectations	Nov				26.7	10.00	21.00
US	Yellen Speaks on ECB Panel with Draghi, Kuroda, and Carney						10.00	21.00
EC	GDP SA QoQ/YoY	3Q P		/		0.6/2.5	10.00	21.00
EC	GDP SA YoY	3Q P				2.5	10.00	21.00
US	NFIB Small Business Optimism	Oct		104.5		103.0	11.00	22.00
US	Fed's Bullard Speaks on U.S. Economy in Louisville						13.15	0.15
EC	ECB's Benoit Coeure Speaks in Brussels						13.30	0.30
US	PPI Final Demand MoM/YoY	Oct		0.1/		0.4/2.6	13.30	0.30
US	Fed's Bostic Speaks on Economic Outlook and Monetary Policy						18.05	5.05
Wednesday, 15 November 2017								
AU	Westpac Consumer Conf Index/MoM	Nov		/		101.4/3.6	23.30	10.30
JN	GDP SA QoQ/YoY	3Q P		0.3/1.4		0.6/2.5	23.50	10.50
UK	Average Weekly Earnings 3M/YoY	Sep				2.2	9.30	20.30
AU	Wage Price Index QoQ/YoY	3Q				0.5	0.30	11.30
AU	New Motor Vehicle Sales MoM/YoY	Oct		/		-0.5/-0.8	0.30	11.30
JN	Industrial Production MoM/YoY	Sep F		/		-1.1/2.5	4.30	15.30
JN	Capacity Utilization MoM	Sep				3.3	4.30	15.30
AU	RBA's Ellis Gives Speech in Melbourne						7.00	18.00
US	Fed's Evans Speaks at European Conference in London						8.00	19.00
UK	Jobless Claims Change/Earnings ex bonus 3M YoY	Oct		/		1.7/2.1	9.30	20.30
UK	Employment Change 3M/3M/Unemployment rate	Sep		/		94.0/4.3	9.30	20.30
EC	Trade Balance SA	Sep				21.6	10.00	21.00
CA	Teranet/National Bank HPI MoM/YoY	Oct		/		-0.8/11.4	13.30	0.30
US	CPI MoM/YoY	Oct		0.1/2		0.5/2.2	13.30	0.30
US	CPI Ex Food and Energy MoM/YoY	Oct		0.2/1.7		0.1/1.7	13.30	0.30
US	Empire Manufacturing	Nov		26.2		30.2	13.30	0.30
US	Retail Sales Advance/Ex autos and gas MoM	Oct		0.1/		1.6/0.5	13.30	0.30
CA	Existing Home Sales MoM	Oct				2.1	14.00	1.00
US	Business Inventories	Sep		0		0.7	15.00	2.00
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		5-Dec	1.50%	1.50%		1.50%		
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	0.5%			0.50%		
Europe ECB		14-Dec	-0.4%	-0.4%		-0.4%		
Japan, BoJ		21-Dec	-0.1%	-0.1%		-0.1%		
New Zealand, RBNZ		8-Feb				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

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.