

# MARKETS TODAY

## Same Love



### Good morning

It has been a pretty busy night with Fed Chair in waiting Powell appearance before a Senate committee, mixed US data releases, confirmation of UK-EU Brexit bill (after some confusion), North Korea launching a ballistic missile and lastly the US Senate Budget Committee has just announced a tax bill has been sent to the Senate for voting. Reaction to the missile news has been pretty muted with US equities set to close the day in positive territory seemingly supported by Fed Powell's preference to ease some regulation. The USD has edged a bit higher, but reaction in UST yields has been pretty muted and like Maklemore would sing the key take away from the Fed Chair in waiting is that "Same Love" should be expected from a Powell led Fed.

Powell's prepared statement released yesterday depicted a message of continuity and his appearance before the Senate committee left us with the same impression. The prepared statement had a few words that could have been interpreted as hawkish and others that could have been read as dovish, but overall it was a pretty neutral statement. At the hearing overnight, the Fed Chair in waiting noted that the case for a December rate hike is "coming together" and then added that "we can afford to go more slowly" with interest rate hikes if inflation stays low, suggesting that monetary policy next year will be guided by the data. So as the Fed under Yellen, Powell's Fed will also be data dependent. Mr Powell also said he expects the central bank's portfolio of holdings to shrink to a range between \$2.5tr and \$3 tr over the next few years. Finally in terms of regulation, Powell said that he believes some rules should be re-evaluated to make sure they are efficient and tailored to the risks of individual firms.

US equities are up between 0.4% and 1.07% with financial shares leading the way. Powell's comments that bank rules are "tough enough" and his backing for a rewrite of the Volcker Rule that would give banks more freedom to trade on a proprietary basis has probably been a factor helping financial's outperformed. News that the Senate Budget Committee has voted to present a draft Tax Bill before the Senate has also been a late positive news. Now a vote could take place as early as Thursday.

US data releases overnight were a mixed bag. The Conference Board's index of consumer confidence beat expectations and rose to a new 17 year high in November (129.5 vs 126.2 prev.), but the trade data disappointed with the October advance trade deficit jumping to a record \$68.3bn, from \$64.1bn in September. Overall, exports fell by 1% mom, while imports rose 1.5%, going against expectations of a solid export read as depicted by strong ISM export orders index. One swallow doesn't make a summer, but is not a good start to the Q4 GDP hard data.

The USD has had a good night in index terms with DXY +0.26% and BBDX +0.22%. Looking at the G10 leader board, barring GBP the USD is stronger across the board. NOK is the big underperformer, down 1.04% despite the fact that oil prices were flat to higher (WTI -0.3% and Brent 1.2%). After BoJ Kuroda's yesterday confirmed that he sees no problem in Japan's banking system, quashing any thoughts of an imminent tinkering with the Bank's yield curve control policy, USD/JPY has been on a steady rise overnight with news of a North Korean missile launch having little impact. USD/JPY currently trades at ¥111.51, up 0.40%. USD strength has also been felt against the euro with the common currency down 0.45%. After trading above the 1.19 mark for most of the day yesterday, the pair has been on a steady decline and currently trades at 1.1845.

AUD and NZD have been bystanders overnight with both currencies little changed. AUD has traded in a 32pips range, initially trading to a low of 0.7588 then reaching a high of 0.7620 and now it has settled just under the figure at 0.7598. The 0.7640/50 area remains a key resistance level for the AUD and given the light domestic calendar today, we think this level unlikely to be tested today.

As we are about to press the send button, our BNZ colleagues note the RBNZ will ease the LVR restriction on Jan-18. No more than 15% (currently 10 %) of each bank's new mortgage lending to owner occupiers can be at LVRs of more than 80%. No more than 5% of each bank's new mortgage lending to residential property investors can be at LVRs of more than 65% (currently 60%). NZD reaction so far has been pretty muted with the pair currently trading at 0.6916, essentially unchanged over the past 24HRS.

After a roller-coaster ride, GBP is the outperformer, up 0.34% and currently trading at 1.3368. News of a UK-EU Brexit bill agreement has boosted the pound, after an initial confusion over the veracity of the news. The FT has confirmed that Britain has agreed to fully honour its financial commitments, assuming liabilities worth up to €100bn, although net payments, discharged over many decades, could fall to less than half that amount. So a positive step, but the T's won't be crossed or i's dotted until the 14-15 Dec EU summit and this depends on EU workers' rights and the Irish border situation.

### Coming Up

This morning acting RBNZ Governor Spencer along with his senior team speak before Parliament. Late this afternoon BoJ Nakaso speaks in Tokyo and then in Europe, the Bundesbank releases its 2017 stability Report and the EU Business Climate Indicator is published along with Spain and Germany's preliminary CPI reading for November. The US gets its second Q3 GDP reading and the Fed publishes its Beige Book. Yellen appears before

the Joint Economic Committee of Congress and Fed Dudley and Williams are also on the speaking roster.

In terms of the RBNZ Financial Stability Report, our BNZ colleagues note that commentary on the Housing sector is likely to be of most interest for the market and although there has been some chatter about the Bank signalling a relaxation in the LVR policy, they still believe it's far too early for it to be doing so.

Spain CPI is expected to rise to 1.9% in November from 1.7% in October while the German inflation is seen at 1.7%, up 0.2% in the month. These CPI readings will be important for the shaping of expectations on the EU CPI reading out tomorrow.

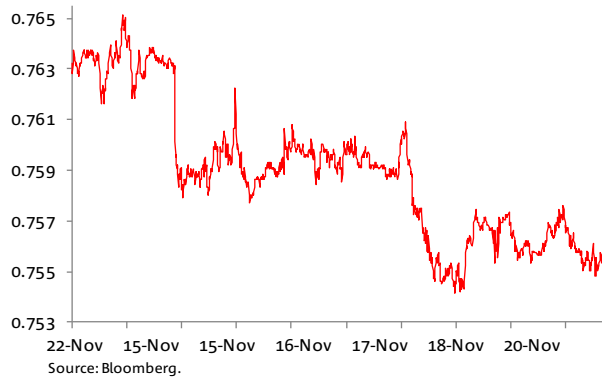
Q3 GDP is expected to be revised up to 3.2% from 3.0% driven by upward revisions to consumer spending and inventory build-up. Notably too, the second reading will also include information on corporate profits.

### **Overnight**

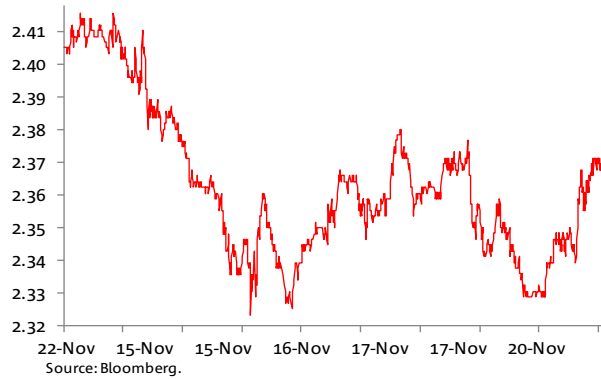
On global stock markets, the S&P 500 was +1.84%. Bond markets saw US 10-years -0.70bp to 2.34%. In commodities, Brent crude oil +1.23% to \$63.49, gold-0.2% to \$1,292, iron ore +0.7% to \$67.76, steam coal +1.4% to \$96.40, met. coal +0.5% to \$191.00. AUD is at 0.7597 and the range since yesterday 5pm Sydney time is 0.7588 to 0.762.

# Markets

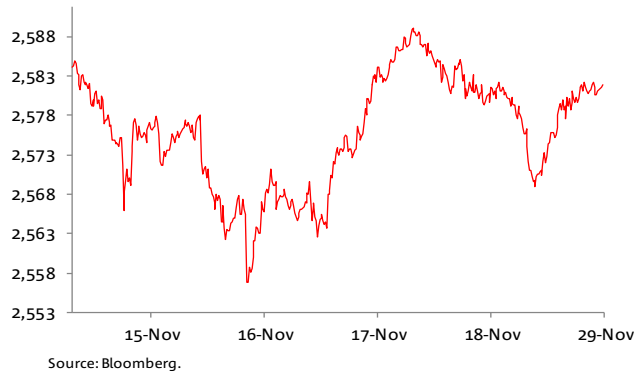
AUD/USD - past week



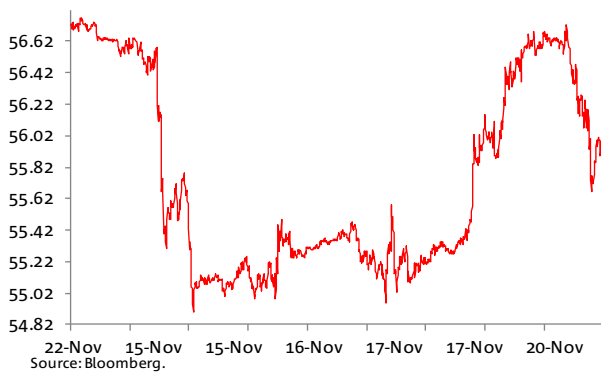
US 10yr - past week



S&P Future - past week



WTI - past week



## Foreign Exchange

Indicative 24hr ranges (**)					Other FX		
	Last	% chge	Low	High		Last	% chge
AUD	0.7597	-0.1	0.7588	0.7620	HKD	7.8032	-0.1
NZD	0.6917	1.6	0.6904	0.6945	CNY	6.6078	-0.3
EUR	1.1841	-0.5	1.1827	1.1920	SGD	1.3461	0.0
GBP	1.3362	1.1	1.3221	1.3387	IDR	13,510	-0.2
JPY	111.53	-0.5	110.93	111.64	THB	32.59	-0.8
CAD	1.2816	0.4	1.2755	1.2825	KRW	1,084	-1.2
AUD/EUR	0.6416	0.4	0.6374	0.6423	TWD	30.00	-0.3
AUD/JPY	84.73	-0.1	84.39	84.82	PHP	50.33	0.0
AUD/GBP	0.5686	-0.4	0.5678	0.5759	CHF	0.98	0.3
AUD/NZD	1.0983	-1.1	1.0962	1.1003	SEK	8.35	0.6
AUD/CNH	5.0244	0.5	5.0072	5.0443			

## Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	1.25	1.48	1.93	2.33	USD 10	2.34	-0.70	
AUD	1.50	1.73	1.87	2.71	AUD 10	2.49	-3.00	0.16
NZD	1.75	1.92	2.16	3.12	NZD 10	2.77	-8.40	0.43
EUR	0.00	-0.33	-0.19	0.81	CAD 10	1.86	-8.10	-0.48
GBP	0.50	0.52	0.86	1.37	EUR 10	0.34	-2.20	-2.00
JPY	questin	-0.03	0.04	0.25	GBP 10	1.25	0.00	-1.08
CAD	1.00	1.40	1.76	2.19	JPY 10	0.04	-0.30	-2.30

## Equities

Major Indices			
	Last	% day	% y/y
Dow	23,822	1.02	24.7
S&P 500	2,626	1.84	19.3
Nasdaq	6,908	0.43	28.7
VIX	10.04	1.72	-23.6
FTSE	7,461	1.0	9.7
DAX	13,060	0.5	23.4
CAC 40	5,390	0.6	19.5
Nikkei	22,486	0.4	22.8
Shanghai	3,334	0.3	1.5
Hang Seng	29,681	0.0	30.5
ASX 200	5,984	0.5	9.7

## Overnight Futures

	Last	Chge*
<b>Australia</b>		
3 mth bill	98.27	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.48	9.50
3/10 sprd	0.32	-6.50
SPI	6033.0	-42.0

\*Change in bps

## Commodities\*

	Last	% day
Oil (Brent)	63.49	1.2
Oil (WTI)	57.92	-0.3
Oil (Tapis)	65.14	2.2
Gold	1292.40	-0.2
CRB	191.21	-0.2
GS Metals	374.8	0.0
Aluminium	2089.5	-0.1
Copper	6782.8	0.4
Nickel	11297.5	-1.9
Zinc	3170.5	-1.0
Ch. steel	3862.0	0.4
Iron ore	67.8	0.7
St. Coal	96.4	1.4
Met.coal	191.0	0.5
Wheat Chic.	429.3	0.2
Sugar	15.0	-2.3
Cotton	74.1	6.1
Coffee	129.9	1.3

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	-1.0	-4.0%
FED	22	89.6%

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>Wednesday, 29 November 2017</b>								
NZ	RBNZ Financial Stability Report						20.00	7.00
NZ	RBNZ Acting Governor at Parliament Select Committee						0.00	11.00
UK	BRC Shop Price Index YoY	Nov				-0.1	0.10	11.10
JN	BOJ Nakaso makes a speech in Tokyo						7.00	18.00
GE	Bundesbank presents 2017 Financial Stability Report						8.00	19.00
UK	Mortgage Approvals	Oct		65		66.2	9.30	20.30
EC	Business Climate Indicator	Nov		1.51		1.4	10.00	21.00
US	MBA Mortgage Applications	Nov 24				0.1	12.00	23.00
GE	CPI EU Harmonized MoM/YoY	Nov P		0.2		-0.1	13.00	0.00
US	GDP Annualized QoQ	3Q 5		3.2		3.0	13.30	0.30
US	Fed's Dudley speaks About U.S. Economy						13.30	0.30
US	Yellen Appears before Joint Economic Committee of Congress						15.00	2.00
US	Pending Home Sales MoM/YoY	Oct		1.2		0.0	15.00	2.00
GE	Bundesbank President Jens Weidmann Speaks in Essen						17.00	4.00
US	Fed's Williams Speaks at Economic Forecast Luncheon in Phoenix						17.45	4.45
US	U.S. Federal Reserve Releases Beige Book						19.00	6.00
<b>Thursday, 30 November 2017</b>								
NZ	Building Permits MoM	Oct				-2.3	21.45	8.45
JN	Industrial Production MoM	Oct P		1.8/7.2		-1.0/2.6	23.50	10.50
NZ	ANZ Activity Outlook/Business Confidence	Nov		/		22.2/-10.1	0.00	11.00
AU	HIA New Home Sales MoM	Oct				6.1	0.00	11.00
JN	BOJ Iwata makes a speech in Tokyo						0.00	11.00
UK	GfK Consumer Confidence/Lloyds Business Barometer	Nov		-11/		-10.0/26.0	0.10	11.10
AU	Private Sector Credit MoM/YoY	Oct	0.4/5.3	0.4/5.3		0.3/5.4	0.30	11.30
AU	Private Capital Expenditure	3Q	1.0	1		0.8	0.30	11.30
AU	Capex expectations, 2017-18, fourth estimate		105			101.8		
AU	Building Approvals MoM/YoY	Oct	1.0/16.4	-1/14.1		1.5/0.2	0.30	11.30
CH	Manufacturing/Non-Manufacturing PMI	Nov		51.5/		51.6/54.3	1.00	12.00
JN	BOJ Harada makes a speech in Fukushima						1.30	12.30
NZ	Credit Aggregates, Household YoY	Oct				6.5	2.00	13.00
EC	OPEC meets in Vienna to discuss extending production cuts							
GE	Unemployment Change (000's)/Claims Rate	Nov		-10/5.6		-11.0/5.6	8.55	19.55
EC	Unemployment Rate	Oct		8.9		8.9	10.00	21.00
EC	CPI Estimate/Core YoY	Nov		1.6/1		1.4/0.9	10.00	21.00
US	Initial Jobless Claims	Nov 25		240		239.0	13.30	0.30
US	Personal Income/Spending	Oct		0.3/0.3		0.4/1.0	13.30	0.30
US	PCE Deflator MoM/YoY	Oct		0.1/1.5		0.4/1.6	13.30	0.30
US	PCE Core MoM/YoY	Oct		0.2/1.4		0.1/1.3	13.30	0.30
US	Chicago Purchasing Manager	Nov		63		66.2	14.45	1.45
NZ	QV House Prices YoY	Nov				3.9	16.00	3.00
US	Fed's Quarles Speaks on Payments Systems in Cleveland						17.30	4.30
US	Fed's Kaplan Speaks in Dallas						18.00	5.00
<b>Friday, 1 December 2017</b>								
NZ	Terms of Trade Index QoQ	3Q	1.3	1.3		1.5	21.45	8.45
AU	CBA Australia PMI Mfg	Nov				55.5	22.00	9.00
AU	AIG Perf of Mfg Index	Nov				51.1	22.30	9.30
AU	CoreLogic House Px MoM	Nov				0.0	23.00	10.00
JN	Jobless Rate/Job-to-applicant ratio	Oct		2.8/1.52		2.8/1.5	23.30	10.30
JN	Overall Household Spending YoY	Oct		-0.3		-0.3	23.30	10.30
JN	Natl CPI/Ex fresh food YoY	Oct		0.2/0.8		0.7/0.7	23.30	10.30
JN	Nikkei Japan PMI Mfg	Nov F				53.8	0.30	11.30
CH	Caixin China PMI Mfg	Nov		50.9		51.0	1.45	12.45
AU	Commodity Index AUD/SDR YoY	Nov		/		120.9/9.1	5.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Nov F		62.5		62.5	8.55	19.55
EC	Markit Eurozone Manufacturing PMI	Nov F		60		60.0	9.00	20.00
UK	Markit UK PMI Manufacturing SA	Nov		56.5		56.3	9.30	20.30
CA	MLI Leading Indicator MoM	Oct				0.1	12.00	23.00
CA	CFIB Business Barometer	Nov				57.2		
CA	Quarterly GDP Annualized	3Q		1.65		4.5	13.30	0.30
CA	Net Change in Employment/Unemployment rate	Nov		11/6.2		35.3/6.3	13.30	0.30
US	Fed's Bullard Speaks in Little Rock, Arkansas						14.05	1.05
US	Fed's Kaplan Speaks in McAllen, Texas						14.30	1.30
CA	Markit Canada Manufacturing PMI	Nov				54.3	14.30	1.30
US	Markit US Manufacturing PMI	Nov F		54		53.8	14.45	1.45
US	ISM Manufacturing	Nov		58.3		58.7	15.00	2.00
US	Construction Spending MoM	Oct		0.5		0.3	15.00	2.00
US	Fed's Harker Speaks on Inclusive Economic Growth						15.15	2.15
US	Baker Hughes U.S. Rig Count/Oil rigs only	Dec 1		/		923.0/747.0	18.00	5.00
<b>Monday, 4 December 2017</b>								
AU	Melbourne Institute Inflation MoM/YoY	Nov		/		0.3/2.6	0.00	11.00
AU	ANZ Job Advertisements MoM	Nov				1.4	0.30	11.30
AU	Inventories SA QoQ	3Q				-0.4	0.30	11.30
AU	Company Operating Profit QoQ	3Q				-4.5	0.30	11.30
JN	Consumer Confidence Index	Nov				44.5	5.00	16.00
UK	Markit/CIPS UK Construction PMI	Nov				50.8	9.30	20.30
EC	Sentix Investor Confidence	Dec				34.0	9.30	20.30
EC	PPI MoM/YoY	Oct		/		0.6/2.9	10.00	21.00
CA	Bloomberg Nanos Confidence	Nov 24				59.5	15.00	2.00
US	Factory Orders/Ex Trans	Oct		0/		1.4/0.7	15.00	2.00
<b>Tuesday, 5 December 2017</b>								
NZ	Volume of All Buildings SA QoQ	3Q				-0.5	21.45	8.45
AU	CBA Australia PMI Services/Composite	Nov		/		53.0/53.1	22.00	9.00
AU	AIG Perf of Services Index	Nov				51.4	22.30	9.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Nov 26				116.4	22.30	9.30
NZ	ANZ Commodity Price	Nov				-0.3	0.00	11.00
UK	BRC Sales Like-For-Like YoY	Nov				-1.0	0.10	11.10
JN	Nikkei Japan PMI Services/Composite	Nov		/		53.4/53.4	0.30	11.30
AU	Net Exports of GDP/Current account	3Q		/		0.3/-10.0	0.30	11.30
AU	Government spending	3Q					0.30	11.30
AU	Retail Sales MoM	Oct				0.0	0.30	11.30
CH	Caixin China PMI Services	Nov		/		51.2/51.0	1.45	12.45
AU	RBA Cash Rate Target	Dec 5		1.5		1.5	3.30	14.30
GE	Markit Germany Services/Composite PMI	Nov F		/		54.9/57.6	8.55	19.55
UK	New Car Registrations YoY	Nov				-12.2	9.00	20.00
EC	Markit Eurozone Services/Composite PMI	Nov F		/		56.2/57.5	9.00	20.00
UK	Markit/CIPS UK Services/Composite PMI	Nov		/		55.6/55.8	9.30	20.30
UK	Official Reserves Changes	Nov				30.0	9.30	20.30
EC	Retail Sales MoM/YoY	Oct		/		0.7/3.7	10.00	21.00
EC	GDP SA QoQ/YoY	3Q F		/		0.6/2.5	10.00	21.00
CA	Int'l Merchandise Trade	Oct				-3.2	13.30	0.30
US	Trade Balance	Oct		-44.8		-43.5	13.30	0.30
US	Markit US Services/Composite PMI	Nov F		55.3/		54.7/54.6	14.45	1.45
US	ISM Non-Manf. Composite	Nov		59		60.1	15.00	2.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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  
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.