

MARKETS TODAY

How Big How Blue How Beautiful



This will be the final full edition of Markets Today until early in the New Year. We will though be sending an abbreviated note and pricing sheet between Christmas and New Year and during the first week of January.

From all on the NAB Markets Today research team, we thank you for your support in 2017 and wish you all the best for the festive season and 2018.

Do look out this time tomorrow morning for our end of year edition of 'The Morning Call' Podcast. This will resume on January 22nd. Let us know if you not receiving this but would like to (or you can subscribe via Soundcloud or iTunes).

Good morning

Before I went to bed last night, the working title for today's edition was Queen's 'Another one Bites The Dust'. This following news that Sweden's Riksbank was the latest central bank to announce the cessation of its QE bond buying programme, at the end of the year (albeit it has said it will front load its reinvestment program for maturing bonds such that its balance sheet will continue to expand in 2018). The Riksbank reiterated it expects to start lifting rates from the current minus 0.5% - the second lowest in the world after Switzerland's -0.75% - from mid-2018.

Then Donald Trump came along trumpeting his 'big and beautiful' tax plan, earlier endorsed in both the Senate and the House of Representatives by the blue party that are the Republicans, meaning I couldn't resist ending the year with a bit of Florence and the Machine.

A big issue for next year is whether America at large also thinks the tax plan is beautiful. 55% of voters in a CNN poll published yesterday don't think so. This will have big implications for next November's mid-term US elections and whether the GOP can maintain control of both – or either – Congressional chambers.

In overnight markets, bonds rather than equities or currencies continue to hog the limelight. German 10 year Bund yields are up another 2.5bps (now to above 40bps from below 30bps at the start of last week) while 10 year Treasuries are nudging 2.50%, also up 2.5ps on the day, having been below 2.35% this time last week. 2.60% continues to represent the really significant range top here (only briefly exceeded once this year, back in early March). 10 year gilt yields are already more than 10bps up on where they started the week.

Appreciation that central banks are going to be buying fewer bonds next year at a time when many governments will be selling more of them, plus profit taking on the curve-flattening theme that has been a winning trade for large parts of 2017, all seem to be playing a part, with rapidly thinning liquidity into year-end likely compounding moves.

Heading into the New York close US equities have succumbed to a mild bout of 'sell the news' profit taking following the earlier gains in anticipation of the tax bill becoming law. The US dollar is overall a touch weaker as well (DXY -0.14%). Gains in the EUR and CAD (together making up 67% of DXY) are largely responsible. AUD and NZD aren't much changed on this time yesterday. Commodities are mostly higher with crude oil within a few cents of its mid-December YTD highs.

Coming Up

A few things of interest today:

New Zealand GDP at 8: 45 AEDT where BNZ economists forecast 0.7%, above the 0.6% consensus.

The Bank of Japan is sometime early this afternoon, where it's possible the BoJ will signal the death of a formal 'QQE' policy but if so, alongside an unswerving commitment to the 'YCC' (Yield Curve Control) element of its current policy stance. If so, this should not be judged as a 'Yen positive' event.

In Europe, Catalonia holds its elections following the forced dissolution of the Catalanian parliament after the failed unilateral declaration of independence and subsequent sacking of the government by Madrid back in October.

According to Reuters, the election will fail to conclusively resolve a political crisis over an independence drive in the region, judging from the final surveys before the Dec. 21 vote showed on Friday. The ballot will likely result in a hung parliament, a Metroscopia poll showed, with parties favouring unity with Spain tipped to gain a maximum of 62 seats and pro-secession factions 63, both short of a majority in the region's 135-seat legislature. If so, weeks of haggling to try form a working government will follow.

Such a result could have at least a mildly unsettling impact on all things EUR into year-end.

In America today, we'll have a triumphant President Trump on the white House lawn using more hyperbole about the just-passed tax bill than some observers might have the stomach for.

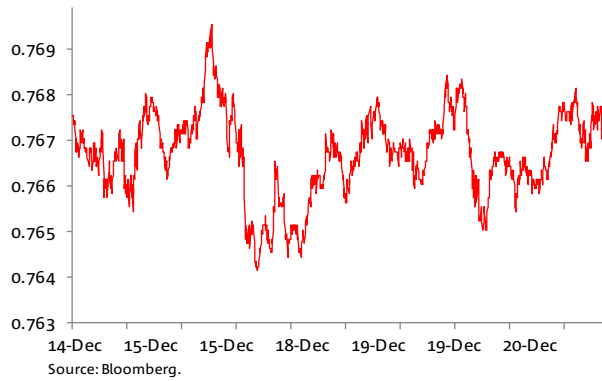
There's data interest in North America courtesy of the final Q3 GDP estimate, seen unchanged at 3.3%, US existing home sales and in Canada, CPI and retail sales.

Overnight

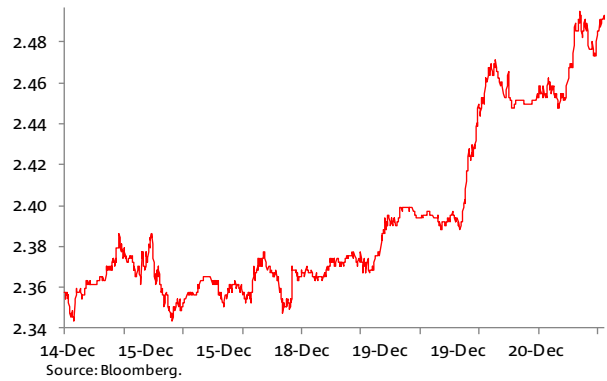
On global stock markets, the S&P 500 was +0.04%. Bond markets saw US 10-years +2.54bp to 2.49%. In commodities, Brent crude oil +0.97% to \$64.42, gold +0.5% to \$1,266, iron ore +0.1% to \$70.45, steam coal -0.0% to \$100.25, met. coal +0.0% to \$236.50. AUD is at 0.7665 and the range since yesterday 5pm Sydney time is 0.7651 to 0.7680.

Markets

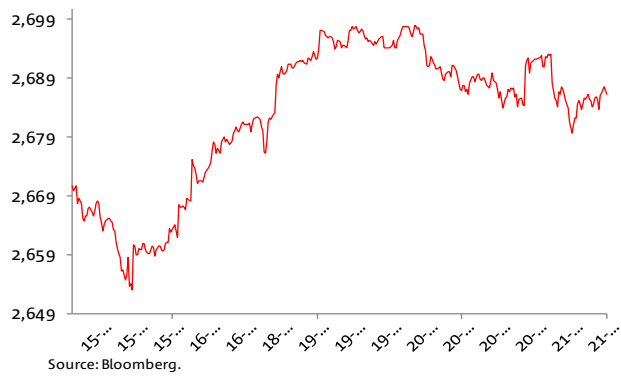
AUD/USD - past week



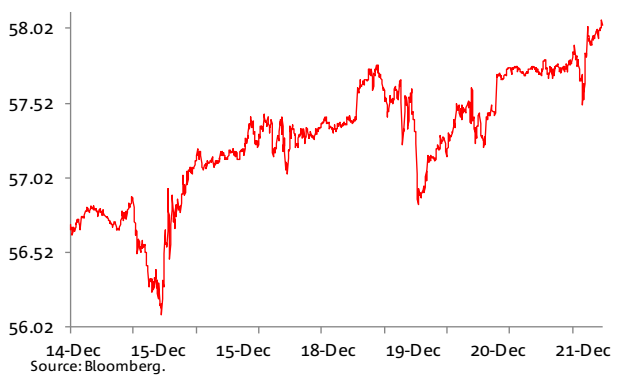
US 10yr - past week



S&P Future - past week



WTI - past week



Foreign Exchange

Indicative 24hr ranges (**)					Other FX		
	Last	% chge	Low	High		Last	% chge
AUD	0.7665	0.0	0.7651	0.7680	HKD	7.8227	0.1
NZD	0.6981	0.1	0.6954	0.6988	CNY	6.5785	-0.4
EUR	1.1877	0.3	1.1829	1.1902	SGD	1.3444	-0.2
GBP	1.3396	0.1	1.3378	1.3420	IDR	13,579	0.0
JPY	113.38	0.4	112.84	113.39	THB	32.71	0.0
CAD	1.2840	-0.3	1.2819	1.2881	KRW	1,081	-0.4
AUD/EUR	0.6453	-0.3	0.6440	0.6485	TWD	29.94	-0.1
AUD/JPY	86.90	0.5	86.43	86.98	PHP	50.25	-0.2
AUD/GBP	0.5721	-0.1	0.5711	0.5732	CHF	0.99	0.2
AUD/NZD	1.0980	-0.1	1.0971	1.1013	SEK	8.38	-0.3
AUD/CNH	5.0412	-0.3	5.0306	5.0739			

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	1.50	1.64	2.07	2.47	USD 10	2.49	2.54	
AUD	1.50	1.80	2.01	2.84	AUD 10	2.63	5.80	0.14
NZD	1.75	1.87	2.18	3.12	NZD 10	2.72	1.20	0.23
EUR	0.00	-0.33	-0.17	0.87	CAD 10	1.98	4.60	-0.51
GBP	0.50	0.51	0.80	1.32	EUR 10	0.41	2.60	-2.08
JPY	-0.05	-0.02	0.04	0.27	GBP 10	1.25	4.50	-1.24
CAD	1.00	1.47	1.99	2.34	JPY 10	0.06	1.80	-2.43

Equities

Major Indices			
	Last	% day	% y/y
Dow	24,755	0.00	23.9
S&P 500	2,682	0.04	18.1
Nasdaq	6,967	0.05	27.0
VIX	9.51	-5.18	-16.9
FTSE	7,525	-0.3	6.8
DAX	13,069	-1.1	14.0
CAC 40	5,353	-0.6	10.4
Nikkei	22,892	0.1	17.7
Shanghai	3,288	-0.3	4.8
Hang Seng	29,234	-0.1	34.0
ASX 200	6,076	0.1	8.2

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.22	1.00
3 Yr bond	97.8	3.00
10 Yr bond	97.32	-11.00
3/10 sprd	0.48	14.00
SPI	6017.0	14.0

Commodities*

	Last	% day
Oil (Brent)	64.42	1.0
Oil (WTI)	58.05	0.9
Oil (Tapis)	65.77	0.4
Gold	1266.40	0.5
CRB	187.12	0.6
GS Metals	374.4	0.0
Aluminium	2110.3	1.1
Copper	7016.8	1.4
Nickel	11996.5	2.4
Zinc	3217.8	0.5
Ch. steel	3867.0	1.2
Iron ore	70.5	0.1
St. Coal	100.3	0.0
Met.coal	236.5	0.0
Wheat Chic.	435.5	0.6
Sugar	14.6	1.1
Cotton	75.8	1.0
Coffee	123.2	1.1

Prob. of 25bps hike/cut at next meeting		
	bps	%
RBA	0.0	0.0%
FED	-1	-4.0%

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, 21 December 2017								
NZ	GDP SA QoQ/YoY	3Q	0.7/2.5	0.6/2.4		0.8/2.5	21.45	8.45
NZ	Net Migration SA	Nov				5580.0	21.45	8.45
UK	GfK Consumer Confidence	Dec		-12		-12.0	0.10	11.10
AU	RBA FX Transactions Market	Nov				609.0	0.30	11.30
NZ	Credit Aggregates, Household YoY	Nov				6.4	2.00	13.00
NZ	New Residential Lending YoY	Nov				-14.1	2.00	13.00
JN	BOJ Kuroda speaks at press conference after MPM						6.30	17.30
UK	Public Finances (PSNCR)/Central Government NCR	Nov		/		-3.8/-7.0	9.30	20.30
UK	Public Sector Net Borrowing/PSNB ex Banking Groups	Nov		8.3/9		7.5/8.0	9.30	20.30
JN	BOJ Policy Balance Rate/10-Yr Yield Target	Dec 21		-0.1/0		-0.1/0.0		
US	GDP Annualized QoQ	3Q T		3.3		3.3	13.30	0.30
US	Initial Jobless Claims	Dec 16		233		225.0	13.30	0.30
US	GDP Price Index	3Q T		2.1		2.1	13.30	0.30
US	Chicago Fed Nat Activity Index	Nov		0.5		0.7	13.30	0.30
US	Philadelphia Fed Business Outlook	Dec		21.25		22.7	13.30	0.30
CA	Retail Sales/Ex Auto MoM	Oct		0.3/0.4		0.1/0.3	13.30	0.30
CA	CPI NSA MoM/YoY	Nov		0.2/2		0.1/1.4	13.30	0.30
CA	CPI Core- Common/Trim YoY%	Nov		1.7/		1.6/1.5	13.30	0.30
CA	CPI Core- Median YoY%	Nov				1.7	13.30	0.30
US	FHFA House Price Index MoM	Oct		0.4		0.3	14.00	1.00
EC	Consumer Confidence	Dec A		0.2		0.1	15.00	2.00
US	Leading Index	Nov		0.4		1.2	15.00	2.00
Friday, 22 December 2017								
UK	Lloyds Business Barometer	Dec				24.0	0.10	11.10
GE	GfK Consumer Confidence	Jan		10.7		10.7	7.00	18.00
UK	Current Account Balance	3Q		-21.4		-23.2	9.30	20.30
UK	GDP QoQ/YoY	3Q F		0.4/1.5		0.4/1.5	9.30	20.30
UK	Index of Services MoM/3m/3m	Oct		0.1/0.3		0.1/0.4	9.30	20.30
UK	Total Business Investment QoQ/YoY	3Q F		0.2/1.3		0.2/1.3	9.30	20.30
CA	GDP MoM/YoY	Oct		0.1/3.5		0.2/3.3	13.30	0.30
US	Personal Income/Spending	Nov		0.4/0.5		0.4/0.3	13.30	0.30
US	PCE Deflator MoM/YoY	Nov		0.3/1.8		0.1/1.6	13.30	0.30
US	PCE Core MoM/YoY	Nov		0.1/1.5		0.2/1.4	13.30	0.30
US	Durable Goods Orders/Core Orders	Nov P		2		-0.8	13.30	0.30
US	New Home Sales/MoM	Nov		651/-5		685/0/6.2	15.00	2.00
US	U. of Mich. Sentiment/5-10 Yr Inflation	Dec F		97.2		96.8	15.00	2.00
US	Kansas City Fed Manf. Activity	Dec		15		16.0	16.00	3.00
US	Baker Hughes U.S. Rig Count/Oil Rigs	Dec 22		/		930.0/747.0	18.00	5.00
Monday, 25 December 2017								
JN	Leading Index CI	Oct F				106.1	5.00	16.00
CA	Bloomberg Nanos Confidence	Dec 15				60.1	15.00	2.00
Tuesday, 26 December 2017								
JN	Jobless Rate	Nov				2.8	23.30	10.30
JN	Job-To-Applicant Ratio	Nov				1.6	23.30	10.30
JN	Overall Household Spending YoY	Nov				0.0	23.30	10.30
JN	Natl CPI YoY/Ex FF YoY	Nov		/		0.2/0.8	23.30	10.30
JN	BOJ Minutes of Oct.30-31 Meeting						23.50	10.50
JN	PPI Services YoY	Nov				0.8	23.50	10.50
JN	BOJ Kuroda makes a speech in Keidanren						4.00	15.00
US	S&P CoreLogic CS 20-City MoM SA/YoY	Oct		0.8/6.25		0.5/6.2	14.00	1.00
US	Richmond Fed Manufact. Index	Dec		21		30.0	15.00	2.00
US	Dallas Fed Manf. Activity	Dec		20		19.4	15.30	2.30
Wednesday, 27 December 2017								
CH	Industrial Profits YoY	Nov				25.1	1.30	12.30
JN	Housing Starts YoY	Nov				-4.8	5.00	16.00
JN	Construction Orders YoY	Nov				6.7	5.00	16.00
UK	UK Finance Loans for Housing	Nov				40488	9.30	20.30
US	Conf. Board Consumer Confidence	Dec		128		129.5	15.00	2.00
US	Pending Home Sales MoM/YoY	Nov		-0.75/		3.5/1.2	15.00	2.00
Thursday, 28 December 2017								
JN	BOJ Summary of Opinions at Dec. 20-21 Meeting						23.50	10.50
JN	Retail Sales MoM/YoY	Nov		/		0.0/-0.2	23.50	10.50
CH	Swift Global Payments CNY	Nov				1.5	1.00	12.00
JN	Vehicle Production YoY	Nov				6.4	4.00	15.00
EC	ECB Publishes Economic Bulletin						9.00	20.00
CH	BoP Current Account Balance	3Q F				37.1	9.00	20.00
US	Advance Goods Trade Balance/Wholesale Inventories	Nov		-67.5/		-68.1/-0.5	13.30	0.30
US	Initial Jobless Claims	Dec 16		233		225.0	13.30	0.30
US	Chicago Purchasing Manager	Dec		61.8		63.9	14.45	1.45
US	Bloomberg Consumer Comfort	Dec 17				51.3	14.45	1.45
Friday, 29 December 2017								
AU	Private Sector Credit MoM/YoY	Nov		0.4/5.2		0.4/5.3	0.30	11.30
GE	CPI EU Harmonized MoM/YoY	Dec P		0.6/1.5		0.3/1.8	13.00	0.00
US	Baker Hughes U.S. Rig Count/Oil Rigs only	Dec 22		/		930.0/747.0	18.00	5.00
Saturday, 30 December 2017								
Sunday, 31 December 2017								
CH	Manufacturing/Non-manufacturing PMI	Dec		51.7/		51.8/54.8	1.00	12.00
Upcoming Central Bank Interest Rate Announcements								
Japan, BoJ		21-Dec	-0.1%	-0.1%		-0.1%		
Canada, BoC		18-Jan				1.00%		
Europe ECB		25-Jan	-0.4%	-0.4%		-0.4%		
US Federal Reserve		1-Feb	1.25-1.50%	1.25-1.50%		1.25-1.50%		
Australia, RBA		6-Feb	1.50%	1.50%		1.50%		
New Zealand, RBNZ		8-Feb	1.75%	1.75%		1.75%		
UK BOE		8-Feb	0.5%			0.50%		

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

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