

# MARKETS TODAY

## Ramblin' Gamblin' Man



### Good morning

US equities retained the negative tone seen during the European session and have been unable to trade in positive territory amid concerns over the prospects for US tax reform. Stronger US retail sales only provided a temporary boost to the USD and UST yields while the Euro came under pressure after the ECB forecasts for inflation underwhelmed. The AUD has retained its post-employment gains, but CAD is the big G10 mover following hawkish comments from BoC governor Poloz. Poloz also weighed in on the Crypto-currencies debate, noting that buying Bitcoin is more gambling than investing.

US Tech stock were initially boosted by the U.S. Federal Communications Commission's decision to sweep aside internet neutrality rule, a move that is likely to empower cable and wireless providers. But later in the day equities came under renewed pressure after a spokeswoman for Republican Senator Rubio told Senate leaders that he will vote against the GOP Tax unless child-tax is expanded for working-poor families. Meanwhile Senator McCain is back in hospital and US Republicans can only afford to lose two votes if they want to pass the US tax legislation. A vote is still expected early next week.

Overnight, US retail sales surprised on the upside (ex. auto 0.8% vs 0.4% exp. with strength in part to iPhone X sales), including the important 'Retail Control Group' that is an input to GDP. The data helped US front end yields bounced back (y2 up 4bps to 1.81%) flattening the curve as longer dated yields were unable to retain their initial move higher. After trading to an overnight high of 2.39%, 10y UST now trade at 2.345%.

A similar price action has been seen USD indices with gains from retail sales pared back as the US Tax debate heats up. The Euro came under pressure during the European session after the ECB upgraded its growth forecast, but downgraded its core inflation numbers for next year (1.3% to 1.1%). HICP is now seen at 1.4% in 2018 up from 1.2% previously (unchanged at 1/5% in 2019 and 1.7% in 2020). At the press conference Draghi sounded upbeat on the strength, broadness and self-sustaining element of the recovery and expressed confidence inflation will pick up. Still, the fact that inflation numbers remain below the just under 2% target disappointed Euro bulls. The pair initially traded to an overnight high of 1.1863, but then quickly dropped to an overnight low of 1.1718 and now it has settled just under the figure at 1.1793.

The CAD has been the big mover this morning boosted by hawkish comments from BoC Governor Poloz. USD/CAD dropped over one big figure to 1.2750 from 1.2860 as Poloz uttered confidence the economy needs less stimulus going forward. He also noted that use of the word "cautious" when talking about rates means being careful and avoiding mistakes, not being on hold.

AUD has retained its gains from yesterday's strong jobs number and currently trades at 0.7674, little changed relative to yesterday's Sydney's closing levels. From a technical perspective the Aussie has room to move higher and a weekly close above 0.7611 would support the view for further gains near term. That said with a light domestic calendar, US tax reform and its impact on the USD is likely to be the determining factor of AUD fortunes over the coming week.

Meanwhile, NZD has traded in a reasonably narrow range over the past 24 hours and currently sits just under the 0.70 mark. GBP is also little changed after no surprises from the BoE. The Bank stuck with its forecast for some "further modest increases" in the cash rate over the next few years and sounded optimistic on the UK's prospect for a transitional deal with the EU, which would likely boost confidence.

Last but not least, commodities had a decent night with copper, oil and even gold recording modest gains. Iron ore was the exception, down 0.5%.

### Coming Up

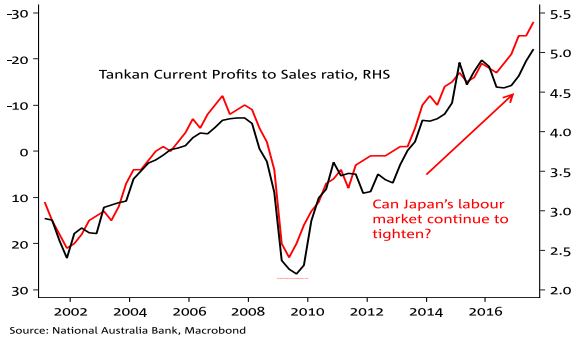
After what has been a pretty busy couple of days in terms of important events and data releases, we have a relatively quiet end to the week with the Tankan survey and NZ Manufacturing PMI the highlights in our APAC session. In Europe, ECB Nowotny presents Austria's GDP Outlook, so unlikely to trouble the scorers and then the US gets the Empire State survey and US industrial production.

The Q4 Tankan survey is likely to suggest the ongoing robust economic growth in Japan still has some legs. The large manufacturers' index is expected to rise to 24 from 22 and the outlook index is also seen rising to 22 from 19, suggesting a large proportion of large manufacturers are in rude health. The non-manufacturing index is expected to climb 1 point to 24 with the outlook index ticking up to 21 from 19. Again suggesting all is good in the non-manufacturing sector. In addition to the above, the BoJ will also be keen to see if there are further signs of a tightening labour market (see chart of the day below).

### Overnight

On global stock markets, the S&P 500 was -0.35%. Bond markets saw US 10-years +0.71bp to 2.35%. In commodities, Brent crude oil +1.43% to \$63.33, gold +0.7% to \$1,254, iron ore -0.5% to \$68.99, steam coal +0.1% to \$99.70, met. coal +0.0% to \$231.50. AUD is at 0.7674 and the range since yesterday 5pm Sydney time is 0.7628 to 0.768.

### Chart of the day: Tankan VS Japan's labour market



# Markets

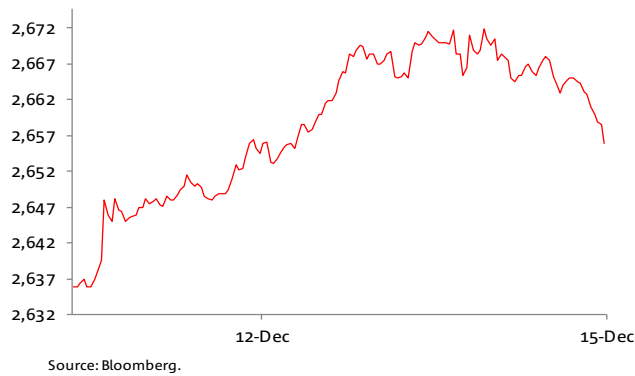
AUD/USD - past week



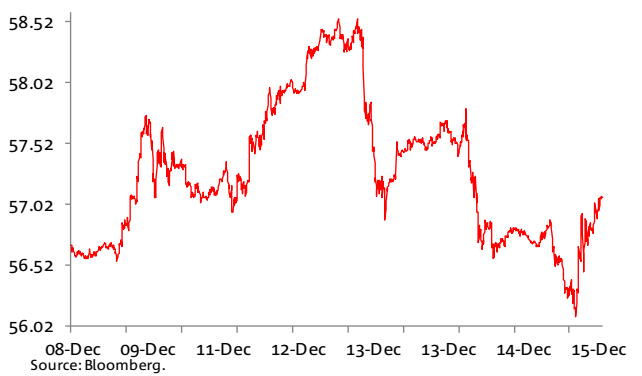
US 10yr - past week



S&P Future - past week



WTI - past week



## Foreign Exchange

|         | Indicative 24hr ranges (**) |        |        |        | Other FX |             |
|---------|-----------------------------|--------|--------|--------|----------|-------------|
|         | Last                        | % chge | Low    | High   | Last     | % chge      |
| AUD     | 0.7674                      | 0.5    | 0.7628 | 0.7680 | HKD      | 7.8080 0.0  |
| NZD     | 0.6992                      | -0.5   | 0.6978 | 0.7025 | CNY      | 6.6093 -0.2 |
| EUR     | 1.1789                      | -0.3   | 1.1771 | 1.1863 | SGD      | 1.3450 -0.1 |
| GBP     | 1.3435                      | 0.1    | 1.3385 | 1.3466 | IDR      | 13,576 -0.1 |
| JPY     | 112.19                      | -0.3   | 112.07 | 112.88 | THB      | 32.48 -0.2  |
| CAD     | 1.2755                      | -0.5   | 1.2714 | 1.2866 | KRW      | 1,089 -0.2  |
| AUD/EUR | 0.6509                      | 0.8    | 0.6443 | 0.6515 | TWD      | 30.01 -0.1  |
| AUD/JPY | 86.09                       | 0.2    | 85.93  | 86.50  | PHP      | 50.48 0.1   |
| AUD/GBP | 0.5712                      | 0.4    | 0.5687 | 0.5718 | CHF      | 0.99 0.2    |
| AUD/NZD | 1.0974                      | 0.9    | 1.0866 | 1.0980 | SEK      | 8.44 0.3    |
| AUD/CNH | 5.0605                      | 0.5    | 5.0394 | 5.0520 |          |             |

## Interest Rates

|     | Indicative Swap Rates |       |       |      | Benchmark 10 Year Bonds |      |             |
|-----|-----------------------|-------|-------|------|-------------------------|------|-------------|
|     | Cash                  | 3mth  | 2Yr   | 10Yr | Last                    | chge | Sprd        |
| USD | 1.50                  | 1.59  | 2.01  | 2.34 | USD 10                  | 2.35 | 0.71        |
| AUD | 1.50                  | 1.77  | 1.95  | 2.70 | AUD 10                  | 2.56 | 3.20 0.21   |
| NZD | 1.75                  | 1.86  | 2.18  | 3.08 | NZD 10                  | 2.74 | -7.60 0.39  |
| EUR | 0.00                  | -0.33 | -0.19 | 0.79 | CAD 10                  | 1.86 | 1.70 -0.49  |
| GBP | 0.50                  | 0.52  | 0.79  | 1.26 | EUR 10                  | 0.32 | 0.20 -2.03  |
| JPY | -0.03                 | -0.02 | 0.04  | 0.25 | GBP 10                  | 1.17 | -4.20 -1.18 |
| CAD | 1.00                  | 1.45  | 1.91  | 2.22 | JPY 10                  | 0.05 | 0.00 -2.30  |

## Equities

| Major Indices | Last   | % day  | % y/y |
|---------------|--------|--------|-------|
|               | Dow    | 24,524 | -0.25 |
| S&P 500       | 2,654  | -0.35  | 17.8  |
| Nasdaq        | 6,856  | -0.28  | 26.1  |
| VIX           | 10.28  | 0.98   | -22.1 |
| FTSE          | 7,448  | -0.6   | 7.2   |
| DAX           | 13,068 | -0.4   | 16.2  |
| CAC 40        | 5,357  | -0.8   | 12.3  |
| Nikkei        | 22,694 | -0.3   | 17.7  |
| Shanghai      | 3,292  | -0.3   | 5.6   |
| Hang Seng     | 29,166 | -0.2   | 32.2  |
| ASX 200       | 6,011  | -0.2   | 8.5   |

## Overnight Futures

|                  | Last   | Chge* |
|------------------|--------|-------|
| <b>Australia</b> |        |       |
| 3 mth bill       | 98.23  | -1.00 |
| 3 Yr bond        | 97.8   | 3.00  |
| 10 Yr bond       | 97.46  | 1.70  |
| 3/10 sprd        | 0.34   | 1.30  |
| SPI              | 6009.0 | 18.0  |

\*Change in bps

## Commodities\*

|             | Last    | % day |
|-------------|---------|-------|
| Oil (Brent) | 63.33   | 1.4   |
| Oil (WTI)   | 57.06   | 0.8   |
| Oil (Tapis) | 65.18   | -2.7  |
| Gold        | 1253.80 | 0.7   |
| CRB         | 184.22  | 0.5   |
| GS Metals   | 362.3   | 0.0   |
| Aluminium   | 2033.8  | 2.2   |
| Copper      | 6762.0  | 1.0   |
| Nickel      | 11098.5 | 0.6   |
| Zinc        | 3186.0  | 1.1   |
| Ch. steel   | 3788.0  | -1.6  |
| Iron ore    | 69.0    | -0.5  |
| St. Coal    | 99.7    | 0.1   |
| Met.coal    | 231.5   | 0.0   |
| Wheat Chic. | 418.3   | 0.4   |
| Sugar       | 13.8    | -0.6  |
| Cotton      | 75.3    | 1.6   |
| Coffee      | 120.3   | 0.2   |

| Prob. of 25bps hike/cut at next meeting |      |         |
|---|------|---------|
|   | bps  | %       |
| RBA                                     | -0.2 | -1.0%   |
| FED                                     | -141 | -564.0% |

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         |
|--|--|---------------|------------|------------|--------|-----------------|-------------|--------------|
| <b>Friday, 15 December 2017</b>                          |  |               |            |            |        |                 |             |              |
| NZ   | BusinessNZ Manufacturing PMI                       | Nov           |            |            |        | 57.2            | 21.30       | 8.30         |
| JN   | Tankan Large Mfg Index                             | 4Q            |            | 24         |        | 22.0            | 23.50       | 10.50        |
| EC   | ECB's Nowotny Presents Austrian GDP Outlook        |               |            |            |        |                 | 9.00        | 20.00        |
| CA   | Manufacturing Sales MoM                            | Oct           |            | 0.9        |        | 0.5             | 13.30       | 0.30         |
| US   | Empire Manufacturing                               | Dec           |            | 18.8       |        | 19.4            | 13.30       | 0.30         |
| CA   | Existing Home Sales MoM                            | Nov           |            |            |        | 0.9             | 14.00       | 1.00         |
| US   | Industrial Production MoM                          | Nov           |            | 0.3        |        | 0.9             | 14.15       | 1.15         |
| US   | Baker Hughes U.S. Rig Count/Oil Rig Count          | Dec 15        |            | /          |        | 931.0/751.0     | 18.00       | 5.00         |
| US   | Total Net TIC/Net long term Flows                  | Oct           |            | /          |        | -51.3/80.9      | 21.00       | 8.00         |
| <b>Monday, 18 December 2017</b>                          |  |               |            |            |        |                 |             |              |
| CH   | Foreign Direct Investment YoY CNY                  | Nov           |            |            |        | 5.0             |             |              |
| NZ   | Performance Services Index                         | Nov           |            |            |        | 55.6            | 21.30       | 8.30         |
| JN   | Trade Balance Adjusted                             | Nov           |            |            |        | 322.9           | 23.50       | 10.50        |
| JN   | Exports/Imports YoY                                | Nov           |            | /          |        | 14.0/18.9       | 23.50       | 10.50        |
| NZ   | ANZ Consumer Confidence Index/MoM                  | Dec           |            | /          |        | 123.7/-2.1      | 0.00        | 11.00        |
| UK   | Rightmove House Prices MoM/YoY                     | Jan           |            | /          |        | -2.6/1.2        | 0.10        | 11.10        |
| AU   | New Motor Vehicle Sales MoM/YoY                    | Nov           |            | /          |        | 0.0/1.0         | 0.30        | 11.30        |
| CH   | China November Property Prices                     |               |            |            |        |                 | 1.30        | 12.30        |
| NZ   | Non Resident Bond Holdings                         | Nov           |            |            |        | 60.9            | 2.00        | 13.00        |
| EC   | CPI MoM/YoY  | Nov           |            | /          |        | 0.1/1.4         | 10.00       | 21.00        |
| EC   | CPI Core YoY                                       | Nov F         |            | /          |        | 0.9             | 10.00       | 21.00        |
| UK   | CBI Trends Total Orders/Selling Prices             | Dec           |            | /          |        | 17.0/17.0       | 11.00       | 22.00        |
| CH   | FX Net Settlement - Clients CNY                    | Nov           |            |            |        | 50.1            |             |              |
| CA   | Int'l Securities Transactions                      | Oct           |            |            |        | 16.8            | 13.30       | 0.30         |
| CA   | Bloomberg Nanos Confidence                         | Dec 15        |            |            |        | 59.0            | 15.00       | 2.00         |
| US   | NAHB Housing Market Index                          | Dec           |            | 70         |        | 70.0            | 15.00       | 2.00         |
| <b>Tuesday, 19 December 2017</b>                         |  |               |            |            |        |                 |             |              |
| NZ   | Westpac Consumer Confidence                        | 4Q            |            |            |        | 112.4           | 21.00       | 8.00         |
| AU   | ANZ Roy Morgan Weekly Consumer Confidence Index    | Dec 17        |            |            |        | 115.1           | 22.30       | 9.30         |
| NZ   | ANZ Activity Outlook/Business Confidence           | Dec           |            | /          |        | 6.5/-39.3       | 0.00        | 11.00        |
| AU   | <b>RBA Dec. Rate Meeting Minutes</b>               |               |            |            |        |                 | <b>0.30</b> | <b>11.30</b> |
| JN   | Machine Tool Orders YoY                            | Nov F         |            |            |        | 46.9            | 6.00        | 17.00        |
| GE   | Ifo Business Climate                               | Dec           |            |            |        | 117.5           | 9.00        | 20.00        |
| GE   | Ifo Current Assessment/Expectations                | Dec           |            | /          |        | 124.4/111.0     | 9.00        | 20.00        |
| EC   | Construction Output MoM/YoY                        | Oct           |            | /          |        | 0.1/3.1         | 10.00       | 21.00        |
| EC   | Labour Costs YoY                                   | 3Q            |            |            |        | 1.8             | 10.00       | 21.00        |
| US   | Housing Starts/MoM                                 | Nov           |            | 1250/-3.1  |        | 1290.0/13.7     | 13.30       | 0.30         |
| US   | Building Permits/MoM                               | Nov           |            | 1273/-3.3  |        | 1297.0/5.9      | 13.30       | 0.30         |
| US   | Current Account Balance                            | 3Q            |            |            |        | -123.1          | 13.30       | 0.30         |
| <b>Wednesday, 20 December 2017</b>                       |  |               |            |            |        |                 |             |              |
| NZ   | Trade Balance NZD/12m YTD                          | Nov           |            | /          |        | -871.0/-2986.0  | 21.45       | 8.45         |
| NZ   | BoP Current Account Balance NZD/% of GDP           | 3Q            |            | /          |        | -0.6/-2.8       | 21.45       | 8.45         |
| AU   | Westpac Leading Index MoM                          | Nov           |            |            |        | 0.1             | 23.30       | 10.30        |
| AU   | Skilled Vacancies MoM                              | Nov           |            |            |        | 0.5             | 0.00        | 11.00        |
| NZ   | Credit Card Spending MoM/YoY                       | Nov           |            | /          |        | 0.8/2.9         | 2.00        | 13.00        |
| JN   | All Industry Activity Index MoM                    | Oct           |            |            |        | -0.5            | 4.30        | 15.30        |
| JN   | Convenience Store Sales YoY                        | Nov           |            |            |        | -1.8            | 7.00        | 18.00        |
| GE   | PPI MoM/YoY  | Nov           |            | /          |        | 0.3/2.7         | 7.00        | 18.00        |
| EC   | ECB Current Account SA                             | Oct           |            |            |        | 37.8            | 9.00        | 20.00        |
| UK   | CBI Total Dist. Reported Sales/Retailing           | Dec           |            | /          |        | 30.0/26.0       | 11.00       | 22.00        |
| CA   | Wholesale Trade Sales MoM                          | Oct           |            |            |        | -1.2            | 13.30       | 0.30         |
| US   | Existing Home Sales/MoM                            | Nov           |            | 5.52/0.73  |        | 5.5/2.0         | 15.00       | 2.00         |
| <b>Thursday, 21 December 2017</b>                        |  |               |            |            |        |                 |             |              |
| NZ   | GDP SA QoQ/YoY                                     | 3Q            |            | /          |        | 0.8/2.5         | 21.45       | 8.45         |
| NZ   | Net Migration SA                                   | Nov           |            |            |        | 5580.0          | 21.45       | 8.45         |
| UK   | GfK Consumer Confidence                            | Dec           |            |            |        | -12.0           | 0.10        | 11.10        |
| AU   | RBA FX Transactions Market                         | Nov           |            |            |        | 609.0           | 0.30        | 11.30        |
| 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           |            | /          |        | 7.5/8.0         | 9.30        | 20.30        |
| JN   | <b>BOJ Policy Balance Rate/10-Yr Yield Target</b>  | <b>Dec 21</b> |            |            |        | <b>-0.1/0.0</b> |             |              |
| US   | GDP Annualized QoQ                                 | 3Q T          |            | 3.3        |        | 3.3             | 13.30       | 0.30         |
| US   | Initial Jobless Claims                             | Dec 9         |            | 236        |        | 236.0           | 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           |            |            |        | 0.7             | 13.30       | 0.30         |
| US   | Philadelphia Fed Business Outlook                  | Dec           |            | 22         |        | 22.7            | 13.30       | 0.30         |
| CA   | Retail Sales/Ex Auto MoM                           | Oct           |            | /          |        | 0.1/0.3         | 13.30       | 0.30         |
| CA   | CPI NSA MoM/YoY                                    | Nov           |            | /          |        | 0.1/1.4         | 13.30       | 0.30         |
| CA   | CPI Core- Common/Trim YoY%                         | Nov           |            | /          |        | 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           |            |            |        | 0.3             | 14.00       | 1.00         |
| EC   | Consumer Confidence                                | Dec A         |            |            |        | 0.1             | 15.00       | 2.00         |
| US   | Leading Index                                      | Nov           |            | 0.4        |        | 1.2             | 15.00       | 2.00         |
| <b>Friday, 22 December 2017</b>                          |  |               |            |            |        |                 |             |              |
| UK   | Lloyds Business Barometer                          | Dec           |            |            |        | 24.0            | 0.10        | 11.10        |
| GE   | GfK Consumer Confidence                            | Jan           |            |            |        | 10.7            | 7.00        | 18.00        |
| UK   | Current Account Balance                            | 3Q            |            |            |        | -23.2           | 9.30        | 20.30        |
| UK   | GDP QoQ/YoY  | 3Q F          |            | /          |        | 0.4/1.5         | 9.30        | 20.30        |
| UK   | Index of Services MoM/3m/3m                        | Oct           |            | /          |        | 0.1/0.4         | 9.30        | 20.30        |
| UK   | Total Business Investment QoQ/YoY                  | 3Q F          |            | /          |        | 0.2/1.3         | 9.30        | 20.30        |
| CA   | GDP MoM/YoY  | Oct           |            | /          |        | 0.2/3.3         | 13.30       | 0.30         |
| US   | Personal Income/Spending                           | Nov           |            | 0.4/0.4    |        | 0.4/0.3         | 13.30       | 0.30         |
| US   | Real Personal Spending                             | Nov           |            |            |        | 0.1             | 13.30       | 0.30         |
| US   | PCE Deflator MoM/YoY                               | Nov           |            | 0.4/       |        | 0.1/1.6         | 13.30       | 0.30         |
| US   | PCE Core MoM/YoY                                   | Nov           |            | 0.1/       |        | 0.2/1.4         | 13.30       | 0.30         |
| US   | Durable Goods Orders/Core Orders                   | Nov P         |            | 1.6        |        | -0.8            | 13.30       | 0.30         |
| US   | New Home Sales/MoM                                 | Nov           |            | 650/-5.1   |        | 685.0/6.2       | 15.00       | 2.00         |
| US   | U. of Mich. Sentiment/5-10 Yr Inflation            | Dec F         |            | 97.3       |        | 96.8            | 15.00       | 2.00         |
| US   | Kansas City Fed Manf. Activity                     | Dec           |            |            |        | 16.0            | 16.00       | 3.00         |
| US   | Baker Hughes U.S. Rig Count/Oil Rigs               | Dec 15        |            | /          |        | 931.0/751.0     | 18.00       | 5.00         |
| <b>Upcoming Central Bank Interest Rate Announcements</b> |  |               |            |            |        |                 |             |              |
| 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%           |             |              |
| Canada, BoC  |  | 18-Jan        |            |            |        | 1.00%           |             |              |
| 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%           |             |              |

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.