

MARKETS TODAY

Vote-A-Rama



Good morning

US equities have started the week on a solid footing boosted by the prospect of US tax reform becoming law later in the week. The USD is softer across the board and the US Treasury yield curve is steeper with the move led by the back end of the curve.

Politics and voting has been the overnight theme with the House now expected to vote on the Tax bill tonight while there is still some speculation as to whether the Senate has enough votes. Senator McCain will not be able to vote on the bill due to ill health, but Corker, Rubio and Collins are reportedly on side. Meanwhile Republicans and Democrats are still haggling the terms of a temporary spending bill that needs to be passed before Friday if a government shutdown is to be avoided. The later may be a factor weighing on the USD which was unable to perform overnight despite a rise in US equities and US Treasury yields. The USD has also struggled against EM currencies with the South African Rand (+2.53%) and Chilean peso (2.39%) leading the way. Politics and voting again the big driver with conservative and business friendly Piñera elected president in Chile while Ramaphosa was elected ANC leader, putting him on track to become South Africa's next president.

Materials and Telcos drove the gains in the S&P but just like Friday, small companies are again outperforming with the Russell 200 index up 1.07% while the S&P500 is +0.61%. Gains in small companies probably reflect their domestic focused nature and the fact that they are likely to benefit the most from US tax reform.

While holiday mode is a factor, USD softness is also reflective of positive factors driving other currencies. SEK is the outperformer overnight, up over 1% amid expectations that the Riksbank will announce an end to its QE programme on Wednesday. Following two days of declines the euro has staged a small recovery briefly trading above 1.18 overnight with the 3m Eurobasis retreating to -87bps after blowing out over -100bps on Friday. GBP has also managed to perform, up 0.47% following remarks from PM May that a senior EU negotiator made it clear that the UK can have a bespoke trading arrangement with the EU.

AUD is up smalls (+0.27%) and remains comfortably trading in the 0.76/0.77 range. Yesterday's Commonwealth budget update helped the AUD perform with the new numbers showing an improvement in this year's projected budget deficit thanks to stronger company and superannuation taxes. NZD on the other hand is little changed sitting just under the 0.70 mark. Both antipodean currencies are in the middle of recent ranges, but if US equities continue to perform and UST yields continue to rise boosted by the prospect of US Tax reform becoming law later in the week, then we wouldn't be surprised to see the AUD and NZD ending the week softer amid a stronger USD.

As for commodities, oil prices are a little bit softer (WTI -0.73%, Brent -0.33%), Copper is a little bit stronger (+0.33%) and iron ore is the big winner, up 2%.

In other news, ECB's Liikanen said its forecasts for growth and prices were backed by the assumption that strongly accommodative policy continues throughout the forecast horizon. He added that asset purchases can continue after September 'if inflation doesn't appear to be accelerating to the target without monetary policy support.' NAB's view is the ECB will alter its message to end QE in September as 2018 progresses. Today final HICP came in as expected and in line with the flash estimate of 1.5% (headline) and +0.9% (core).

Fed President Kashkari (non-voter) mentioned the flat US yield curve was one of the reasons he dissented against a rate hike last week. Meanwhile Fed Williams ('18 voter) said, 'something like three rate increases next year and two to three increases in 2019 – that seems like a reasonable view'.

Coming Up

This morning New Zealand gets its quarterly consumer survey followed by its monthly business survey. In Australia the RBA releases Minutes from its December Meeting and this evening the German Ifo survey for December is out in Europe. Housing starts data are released in the US and tonight the House is expected to vote on the Tax Bill with the Senate potentially also voting tonight otherwise Wednesday. The GOP can afford to lose two Senate votes with VP Pence postponing a Middle-East trip in case he is needed to break a tie vote.

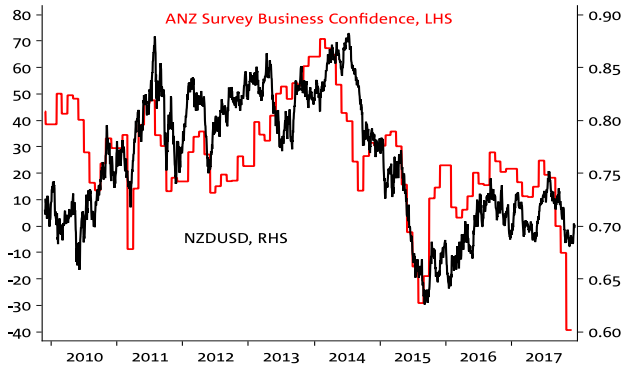
Our BNZ colleagues note that the ANZ business survey fell sharply in November and it will be interesting to see if businesses have toned down their negativity toward the new government (see chart of the day below).

As for the RBA minutes, our sense is that they are likely to reiterate the Bank's positive outlook on the local and global economy, but signs of a cooling housing market and subdued inflation are likely to keep the RBA on hold over the coming months. NAB expects the RBA to raise interest rates twice in the second half of 2018 as the unemployment rate falls sufficiently to convince the Bank ultra-low rates are no longer needed.

Overnight

On global stock markets, the S&P 500 was +1.48%. Bond markets saw US 10-years +3.58bp to 2.39%. In commodities, Brent crude oil +0.03% to \$63.33, gold +0.6% to \$1,261, iron ore +2.1% to \$70.47, steam coal +0.3% to \$100.15, met. coal +0.0% to \$231.50. AUD is at 0.7664 and the range since yesterday 5pm Sydney time is 0.7641 to 0.7663.

Chart of the day: NZ Business Dec rebound?



Source: National Australia Bank, Macrobond

Markets

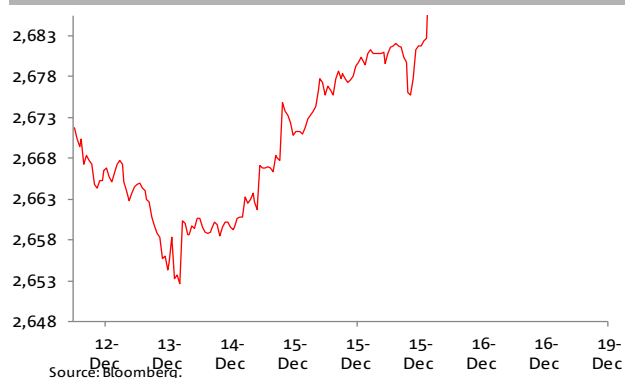
AUD/USD - past week



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	0.7664	0.2	0.7641	0.7663	HKD	7.8171 0.1
NZD	0.6995	0.0	0.6991	0.7014	CNY	6.6164 0.1
EUR	1.1781	0.3	1.1737	1.1765	SGD	1.3479 -0.1
GBP	1.3383	0.5	1.3310	1.3342	IDR	13,581 0.1
JPY	112.57	0.0	112.49	112.83	THB	32.65 0.4
CAD	1.2870	0.0	1.2853	1.2881	KRW	1,089 -0.1
AUD/EUR	0.6506	0.0	0.6489	0.6531	TWD	29.99 0.0
AUD/JPY	86.28	0.1	86.01	86.37	PHP	50.46 0.0
AUD/GBP	0.5727	-0.2	0.5715	0.5758	CHF	0.99 -0.3
AUD/NZD	1.0958	0.3	1.0913	1.0949	SEK	8.42 -1.0
AUD/CNH	5.0731	0.2	5.0496	5.0848		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.50	1.61	2.03	2.38	USD 10	2.39	3.58
AUD	1.50	1.78	1.99	2.74	AUD 10	2.53	0.80 0.14
NZD	1.75	1.87	2.19	3.10	NZD 10	2.71	-1.00 0.32
EUR	0.00	-0.33	-0.19	0.79	CAD 10	1.86	2.60 -0.53
GBP	0.50	0.52	0.77	1.24	EUR 10	0.31	0.80 -2.08
JPY	-0.04	-0.02	0.04	0.24	GBP 10	1.15	-0.20 -1.24
CAD	1.00	1.45	1.92	2.23	JPY 10	0.04	-0.40 -2.35

Equities

Major Indices			
	Last	% day	% y/y
Dow	24,802	0.61	24.2
S&P 500	2,691	1.48	18.5
Nasdaq	6,995	0.84	27.6
VIX	9.44	0.21	-22.8
FTSE	7,537	0.6	6.8
DAX	13,312	1.9	14.9
CAC 40	5,421	1.3	10.7
Nikkei	22,902	1.5	17.7
Shanghai	3,268	0.1	4.5
Hang Seng	29,050	0.7	31.6
ASX 200	6,039	0.7	9.1

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.21	-2.00
3 Yr bond	97.8	0.00
10 Yr bond	97.43	-2.00
3/10 sprd	0.38	2.00
SPI	6065.0	-57.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	63.33	0.0
Oil (WTI)	57.15	-0.3
Oil (Tapis)	66.01	0.0
Gold	1260.80	0.6
CRB	185.42	0.5
GS Metals	372.4	0.4
Aluminium	2056.5	1.1
Copper	6874.3	0.3
Nickel	11778.0	2.2
Zinc	3190.0	-0.4
Ch. steel	3843.0	1.0
Iron ore	70.5	2.1
St. Coal	100.2	0.3
Met. coal	231.5	0.0
Wheat Chic.	433.5	0.6
Sugar	13.8	0.7
Cotton	75.2	-0.9
Coffee	121.9	1.0

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	0.0	0.0%
FED	-0	-0.8%

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
Tuesday, 19 December 2017								
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	RBA Dec. Rate Meeting Minutes						0.30	11.30
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		1275/-3.1		1297.0/5.9	13.30	0.30
US	Current Account Balance	3Q		-116.5		-123.1	13.30	0.30
NZ	Global Dairy Auction, early AM NZT		mixed			+0.4		
Wednesday, 20 December 2017								
NZ	Trade Balance NZD/12m YTD	Nov	-355	-550/-2700		-871.0/-2986.0	21.45	8.45
NZ	BoP Current Account Balance NZD/% of GDP	3Q	-4.5/-2.6	-4.2/-2.5		-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
AU	NAB Cashless Retail Sales Index	Nov					0.30	11.30
NZ	Credit Card Spending MoM/YoY	Nov		/		0.8/2.9	2.00	13.00
JN	All Industry Activity Index MoM	Oct		0.3		-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		5.53/0.91		5.5/2.0	15.00	2.00
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		8.6/8.7		7.5/8.0	9.30	20.30
JN	BOJ Policy Balance Rate/10-Yr Yield Target	Dec 21		/		-0.1/0.0		
US	GDP Annualized QoQ	3Q T		3.3		3.3	13.30	0.30
US	Initial Jobless Claims	Dec 16				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				0.7	13.30	0.30
US	Philadelphia Fed Business Outlook	Dec		21		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
Friday, 22 December 2017								
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		-21.25		-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		0.2/0.3		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	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		1.8		-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				16.0	16.00	3.00
US	Baker Hughes U.S. Riq Count/Oil Riqs	Dec 15		/		931.0/751.0	18.00	5.00
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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