

## Dollar lower on tax reform concerns

### United States

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#### US tax plan under the spotlight

Last week in the United States, with no major economic indicators released, and with the Fed chair already decided, the US tax plan has been brought into the spotlight. The details of the largest overhaul of US tax law since the 1980's are yet to be decided upon, as the Republicans in the Senate proposed a corporate tax rate cut to 20% and a delay to 2019. This differs from the House proposal, and the bill will need to undergo a process of reconciliation in order to be implemented. Therefore, markets are skeptic about whether the tax reform plan will be finalized before the end of the year.

Despite the dollar's movement away from the 2½-year lows witnessed in September, the greenback did not manage to have a positive performance last week. The Senate's plan to delay the corporate tax cuts by one year disappointed markets which proceeded to trade the dollar lower. According to analysts, any potential delay in the implementation of tax cuts, or the possibility of proposed reforms being watered down, would tend to work against the dollar. The dollar index, which measures the dollar against a basket of major currencies, closed the week lower at 94.391.

In the United Kingdom, worries regarding Brexit continued to haunt businesses, which have been calling on Prime Minister Theresa May to provide clarity on how Brexit will work. On her part, May gave little in terms of new information as talks on how goods and services will flow between Britain and the European Union after Brexit in March 2019 have made slow progress, fueling fears of a mass departure of multinational firms. Firms in Britain have already started to feel the heat as one survey showed that most European businesses plan to cut back orders from British suppliers because of the slow progress of Brexit talks.

As far as the cable goes, the pair underwent a quiet week. The pair reached a low of 1.3084 before closing at 1.3188 in a fairly uneventful week. Against a soft Euro, the Sterling did manage to gain some ground closing the week at 0.8842.

Alternatively, the Euro experienced a mellow week as recent trends continued to dominate. A dovish ECB in October put an end to a 9-month rally that took the single currency from a level of 1.0339 in January to a high of 1.2092 in September. The European Central Bank's decision to stick with an ultra-loose policy stance by choosing to prolong its bond purchases program continued to hinder the European currency. The Euro closed the week at a level of 1.1663.

Last week, the Japanese yen managed to appreciate to a November high against a soft US dollar. This was triggered mainly by uncertainty of US tax reforms, which took center stage during a relatively quiet week. After opening the week at 113.98, the USDJPY pair closed at 113.53.

On the commodities front, oil prices soared to 2½-year highs following an anti-corruption campaign that has taken place in Saudi Arabia during the week, fueling geopolitical risk. In addition, prices were also supported by reports that OPEC members' compliance reached a level of 104% in October. Accordingly, Brent Crude futures surged to a high of \$64.65 last week, as optimism grew for an extension to the output-cut agreement beyond March.

### Europe

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#### UK manufacturing production

In the United Kingdom, industrial output increased in September at the fastest pace this year. Additionally, the goods trade deficit also improved. Despite also showing a sharp downturn in construction, the figures as a whole are likely to reassure Bank of England policymakers who last week voted to raise interest rates for the first time in more than 10 years. The rise in output was mainly attributed to a rise of 0.7% in manufacturing, compared to a prior gain of 0.4% seen in August.

## Asia

### Reserve Bank of Australia

The Reserve Bank of Australia kept interest rates unchanged for the fifteenth straight month. The cash rate target was held at 1.5% during the RBA's November meeting, as expected by analysts. Additionally, RBA governor Philip Lowe commented that "the central forecast is for GDP growth to pick up and to average around 3% over the next few years". The Australian dollar managed to rise 0.3% following the release of the statement before depreciating back to the same level it was trading at initially.

### China trade balance

In China, trade balance figures indicated that exports rose at a slower pace in October, but import growth beat forecasts in a sign domestic demand remained robust despite Beijing's crackdown on pollution that analysts say will reduce factory output and crimp overall economic growth. Exports rose 6.9% y/y, somewhat lower than analysts' forecasts of a 7.2% y/y increase. Meanwhile, imports grew at 17% y/y, coming in higher than a 16% expectation. Looking more closely at the data, trade with the US, China's largest export market, experienced a surplus of \$26.6 billion in October, down from \$28.1 billion in September.

### China inflation

Inflation figures in China came in above expectations last week, as the consumer price index climbed 1.9% y/y, exceeding analysts' forecast of a 1.8% rise. More significantly however, is the producer price index which signaled that factory prices kept surging in October as authorities curb production in smokestack industries to combat pollution. During China's communist party congress last month, policy makers indicated a shift away from the growth-at-all-costs model as they shined a greater light on limiting pollution and taming financial risk. China has stepped up restrictions on steel mills and aluminum factories before winter, when pollution levels are often at their worst in the northern part of the country.

## Kuwait

### Kuwaiti Dinar

The USDKWD opened at 0.30250 on Sunday morning.

### Rates – 12<sup>th</sup> November, 2017

Currencies	Previous Week Levels				This Week's Expected Range		3-Month
	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1608	1.1552	1.1678	1.1663	1.1455	1.1750	1.1734
GBP	1.3083	1.3056	1.3229	1.3188	1.2985	1.3290	1.3231
JPY	113.98	113.08	114.72	113.53	112.50	115.55	113.00
CHF	0.9995	0.9919	1.0029	0.9956	0.9855	1.0170	0.9893