

Dollar, Yields Gain on Tax Cuts as Stocks Mixed: Markets Wrap

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- Dollar climbs, S&P 500 futures rise after losses on Friday
 - Senate narrowly approved tax reform in early hours Saturday
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The dollar, yields and U.S. equity-index futures rallied after Senate passage of tax-cut legislation drew focus away from events in the continuing investigation into connections between Donald Trump's aides and Russia. Asian stocks outside of Japan climbed.

The greenback recovered some of Friday's losses, and Treasuries paced gains in yields in Asia on Monday. Equity benchmarks in Japan fluctuated, while shares across the region rose as futures on the S&P 500 Index surged. Yields on 10-year Treasuries jumped in Asian trading. Oil continued to trade around \$58 a barrel.

The dollar "is looking fairly constructive at least in the near term," Elias Haddad, senior currency strategist at Commonwealth Bank of Australia, said on Bloomberg TV. Haddad said there was "limited upside potential" for the U.S. dollar in 2018.

Global equities are heading into year-end near all-time highs as investors focus on earnings and economic growth. Washington's influence blew a chill through Wall Street Friday on news about former national security adviser Michael Flynn's guilty plea for lying to federal agents. President Donald Trump dismissed the relevance of the latest step in the investigation, and called on investors to [sue](https://www.bloomberg.com/news/articles/2017-12-03/trump-says-investors-should-sue-abc-for-market-tanking-report) [ABC News](https://www.bloomberg.com/news/articles/2017-12-03/trump-says-investors-should-sue-abc-for-market-tanking-report) after it misreported the timeline related to Flynn's case. While the S&P 500 fell as much as 1.6 percent, it ended the day down just 0.2 percent.

"The tax cuts provide support for the U.S. market, which is a lot more expensive and needs to maintain these valuation and not fall quickly, for Asia to do well," Joshua Crabb, head of Asian equities at Old Mutual Global Investors, said.

Investors' attention will turn this week to central bank decisions in Australia and India among others. Also in focus will be Brexit talks as they progress toward a crucial deadline. U.K. Prime Minister Theresa May heads to Brussels on Monday where she will lunch with European Commission President Jean-Claude Juncker. The U.K. is aiming to win the approval of the other 27 EU states at the leaders' summit on Dec. 14 for talks to move on from the separation to the future relationship.

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Here's a look at what's ahead for markets in the coming days:

- On Monday, euro-area finance ministers discuss the future of the region, vote for a new president, and debate Greece's bailout review in Brussels.
- The European Commission College of Commissioners discusses Brexit on Wednesday and will likely make its recommendation on whether sufficient progress has been made to move negotiations onto the future relationship.
- The U.S. faces a partial government shutdown after money runs out on Dec. 8 if Congress can't agree on a spending bill by then.

- U.S. employers probably hired at a robust pace in November as the unemployment rate held at an almost 17-year low. The Labor Department's jobs report next Friday may also show a bump up in average hourly earnings.
- Countries setting monetary policy this week include Australia, Brazil, Canada, India and Poland.

These are the main moves in markets:

Stocks

- Japan's Topix and Nikkei 225 Stock Average both finished the session 0.5 percent down.
- Australia's S&P/ASX 200 Index was flat.
- South Korea's Kospi index rose 0.7 percent.
- Hong Kong's Hang Seng Index advanced 0.5 percent as Chinese shares traded in the city jumped. The Shanghai Composite Index added 0.1 percent.
- Futures on the S&P 500 rose 0.5 percent. The underlying gauge fell 0.2 percent on Friday.
- The MSCI Asia Pacific Index was up 0.1 percent.

Currencies

- The dollar rose against all major peers on Monday in Asia, with the Bloomberg Dollar Spot Index up 0.3 percent.
- The euro lost 0.2 percent to \$1.1869.
- The yen slid 0.6 percent to 112.81 per dollar.
- The Australian dollar fell 0.2 percent to 75.97 U.S. cents.

Bonds

- The yield on 10-year Treasuries rose four basis points to 2.40 percent, reversing a decline on Friday.
- Australia's 10-year yield rose one basis point to 2.55 percent.

Commodities

- West Texas Intermediate crude slid 0.7 percent to \$57.98 a barrel.
- Gold fell 0.5 percent to \$1,274.69 an ounce.

— *With assistance by Abhishek Vishnoi*

