

Markets Today

A daily outlook for Australia, key global economies and markets

23 April 2015

Iron ore sees some support return

AUD/NZD parity party celebrations will just have to be put back into the cupboard for now, courtesy of yesterday's higher than expected AU CPI, headline and underlying inflation higher by up to a tenth.

To our eyes, the data continue to provide scope for a further interest rate cut, but do not of themselves pressure the RBA to cut rates further. The Bank is likely to continue to forecast inflation as consistent with its 2-3% inflation target, especially given low wage growth. However, the broad suite of core and analytical CPI series suggests inflation running closer to the middle of the RBA's target range than at the lower end, which the Bank would likely read as a sign that the economy is not weakening substantially at the present time.

The data gave a boost to the AUD which followed through for a while into the London session, regaining a USD 78 cents handle for only the third time this month, but unable to hold that level. It has now traded above its 50dma (0.7727) for 5 consecutive days and against a background of substantial short positions, we'd suggest there is more scope for the squeeze to continue, especially if Monday's 0.7843 high can be taken out. The AUD/USD traded to a high overnight of just above 0.78 but could not sustain a further move higher, consolidating this morning just above the mid 0.77s.

In connection with the AUD, there was some moderately encouraging resource commodity news out of Chinese late yesterday with iron ore spot prices finding some support for once, the Qingdao 62% fines price up \$3/t to \$54.04/t, a rise of 5.88%. Dalian iron ore futures rose 3.69% as did Chinese steel rebar futures, by 0.82%. Mind you, it's had largish rise during this down cycle only to later retreat.

Elsewhere, markets were relatively orderly. The pound climbed in the aftermath of the release of the Minutes from the BoE April meeting. While the vote to hold rates steady was unanimous, the Minutes revealed that keeping interest rates at a record low was a "finely balanced" decision for a minority of officials. UK Gilt yields rose as did sterling, also giving a bid tone to yields into the open of the US market, US treasury yields also getting some support from better than expected US Existing Home Sales and House prices reports.

Coming up today/ tonight

Some Kiwi dollar focus first up this morning. RBNZ Assistant Governor John McDermott is speaking today (10.00 AEST) ahead of next week's OCR Review. My BNZ colleague Craig Ebert has written this morning: We don't expect RBNZ Assistant Governor John McDermott to be hawkish in his inflation speech today. But he'll likely be balanced enough to appear a little hawkish, in the eyes of the rate-cut inclined markets. There is also every chance he will talk about the too-high exchange rate.

Locally, we have the March quarter NAB Business Survey. It's based on a larger sample and polls business also on the 12 month outlook for capital expenditure as well as the factors that business see as constraints on output and profitability. It was

surveyed at the same time as the February monthly survey. Also in the Asia time zone today is the release of Japan's Manufacturing PMI for April as well as April's flash HSBC Manufacturing PMI for China at 11.45 that's expected to be steady at 49.6. It's much more volatile than the official PMI but nevertheless it will impact on sentiment toward China's growth momentum, or lack thereof.

Tonight sees the release of the preliminary Euro Manufacturing and Service PMIs, the Eurozone Manufacturing PMI expected to be up to 52.5 from 52.2. (The US Manufacturing ISM does not come until next week though the Markit measure of US's Manufacturing PMI is out tonight.) In the US, it's the release of weekly jobless claims, news home sales as well as the Kansas City Fed regional manufacturing report.

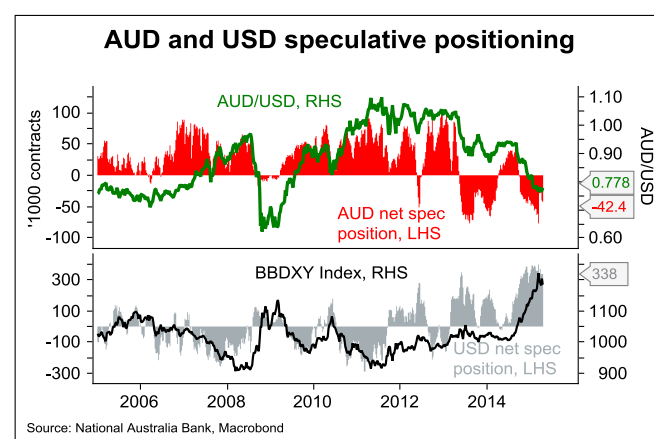
Overnight

- AUD tested above 0.78 for a time: Eurostoxx 600 -0.0%, Dax -0.6%, CAC +0.4%, FTSE -0.5%. Dow +89 points to 18,038, +0.5%, S&P 500 +0.5%, Nasdaq +0.5%, VIX 12.71 -4.1%. Mumbai +2.4%, Nikkei 225 +0.4% and ASX 200 +0.8%; ASX SPI futures this morning +0.2%. US bond yields: 2s at 0.54% (3), 10s at 1.98% (+7). WTI oil at \$56.19 (-0.7%), Brent at \$62.69 (+1.0%), Malaysian Tapis (yesterday) \$62.04 (-1.5%). Gold at \$1186.20/oz (-1.4%). Base metals: LME copper -0.6%, nickel +0.0%, aluminium -0.6%. Iron ore \$54.0/t +5.9% Chinese steel rebar futures +0.8%. Soft commodities spot futures: wheat -0.2%, sugar +1.7%, cotton -0.1%, coffee 0.7%. Euro Dec 14 CO2 emissions at €7.12/t (0.0%). The AUD/USD's range overnight 0.7747-0.7807; indicative range today 0.7715-0.7790; the AUD/USD is 0.7755 now**
- US FHFA House prices (Feb) 0.7% (L: 0.3%; E: 0.6%); Existing Home Sales (Mar) 5.19M/+6.1% (L: 4.88M/+1.2%; E: 5.01M/+2.7%); EC Consumer Confidence (Apr) -4.6 (L: -3.7; E: -2)**

Good luck.

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Chart of the day: Spec market "short" AUD, long USD



Markets

AUD/USD- past week



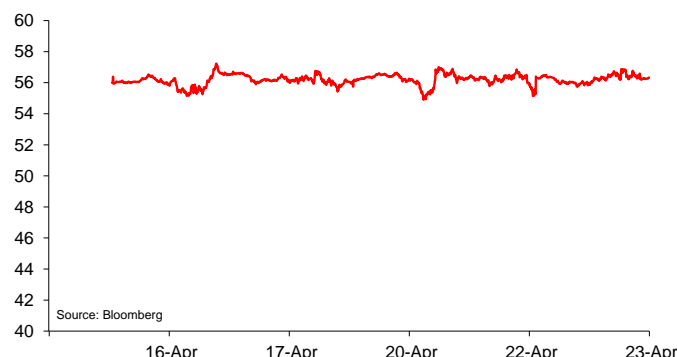
US 10 year bonds- past week



S&P 500 futures- past week



WTI futures- past week



Foreign Exchange

Indicative 24hr ranges (**)					Other FX		
	Last	% chge	Low	High		Last	% chge
AUD	0.7755	0.6	0.7706	0.7807	HKD	7.7502	0.0
NZD	0.7665	-0.7	0.7657	0.7726	CNY	6.1937	0.0
EUR	1.0725	-0.4	1.0708	1.0778	SGD	1.3479	0.3
GBP	1.5037	0.0	1.5011	1.5080	IDR	12,930	0.2
JPY	119.91	0.4	119.42	119.97	THB	32.38	0.1
CAD	1.2239	0.0	1.2224	1.2271	KRW	1,084	0.7
AUD/EUR	0.7230	-0.1			TWD	31.09	0.2
AUD/JPY	92.99	-0.1			PHP	44.22	0.1
AUD/GBP	0.5158	-0.5			CHF	0.97	1.8
AUD/NZD	1.0114	0.2			SEK	8.73	1.1

Equities

Major Indices

	Last	% day	% year
Dow	18,038	0.5	9.2
S&P 500	2,108	0.5	12.2
Nasdaq	5,035	0.4	21.0
VIX Index	12.71	-4.1	-3.6
FTSE	7,028	-0.5	5.2
DAX	11,867	-0.6	23.6
CAC 40	5,211	0.4	16.2
Nikkei	20,134	1.1	38.4
Shanghai	4,398	2.4	112.8
Hang Seng	27,934	0.3	24.1
ASX 200	5,837	-0.6	5.8

Commodities*

	Last	% day
Oil (Brent)	62.69	1.0
Oil (WTI)	56.19	-0.7
Oil (Tapis)	62.04	-1.5
Gold	1186.20	-1.4
CRB	220.78	-0.1
GS Metals	316.3	-0.3
Aluminium	1806	-0.6
Copper	5911	-0.6
Nickel	12675	0.0
Zinc	2235	1.3
Ch. steel	2327	0.8
Iron ore	54.0	5.9
St. coal	61.8	n.a.
Wheat Chic.	507.8	-0.2
Sugar	12.59	1.7
Cotton	62.92	-0.1
Coffee	143.7	0.7

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprr
USD	0.25	0.28	0.82	2.06	USD 10	1.98	0.07	
AUD	2.25	2.25	2.17	2.87	AUD 10	2.44	0.05	0.46
NZD	3.50	3.61	3.59	3.79	NZD 10	3.34	0.02	1.36
EUR	0.05	0.06	0.08	0.52	CAD 10	1.50	0.06	-0.48
GBP	0.50	0.57	0.99	1.83	EUR 10	0.17	0.06	-1.81
JPY	0.09	0.09	0.14	0.52	GBP 10	1.71	0.15	-0.26
CAD	0.75	1.17	1.04	1.95	JPY 10	0.31	-0.01	-1.67

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.83	-0.01
3 Yr bond	98.11	-0.04
10 Yr bond	97.49	-0.10
3/10 sprd	0.62	0.06
SPI	11.0	0.2

CO₂ Emissions - Euros

	Last	% day
Dec-2015	7.12	0.0
Dec-2016	7.20	0.0
Dec-2017	7.33	0.0

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	Time Period	NAB Forecast	Consensus	Actual	Previous	GMT	AEST
Thursday, 23 April 2015								
NZ	Net Migration SA	Mar				4820	22.45	8.45
NZ	RBNZ Assistant Governor John McDermott speaks on Inflation						0.30	10.30
NZ	ANZ-RM Consumer Confidence	Apr				124.6	1.00	11.00
AU	NAB Quarterly Business Survey	1Q					1.30	11.30
JN	Markit/JMMA Japan Manufacturing PMI	Apr P		50.7		50.3	1.35	11.35
CH	HSBC China Manufacturing PMI	Apr P		49.4		49.6	1.45	11.45
NZ	Credit Card Spending MoM/YoY	Mar				-0.1%/5.8%	3.00	13.00
GE	Markit/BME Germany Manufacturing PMI	Apr P		53		52.8	7.30	17.30
GE	Markit Germany Services PMI	Apr P		55.5		55.4	7.30	17.30
EC	Markit Eurozone Manufacturing PMI	Apr P		52.5		52.2	8.00	18.00
EC	Markit Eurozone Services PMI	Apr P		54.4		54.2	8.00	18.00
UK	Public Finances (PSNCR)	Mar				0.0B	8.30	18.30
UK	Retail Sales Incl. Auto MoM / YoY	Mar		0.6%/5.6%		0.7%/5.7%	8.30	18.30
EC	Euro Area Fourth Quarter Government Debt						9.00	19.00
US	Initial Jobless Claims	Apr-18				294K	12.30	22.30
US	Markit US Manufacturing PMI	Apr P				55.7	13.45	23.45
US	New Home Sales / MoM	Mar		509K/-5.7%		539K / 7.8%	14.00	0.00
US	Kansas City Fed Manf. Activity	Apr				-4	15.00	1.00
Friday, 24 April 2015								
GE	IFO Business Climate	Apr		108.2		107.9	8.00	18.00
GE	IFO Current Assessment	Apr		112.5		112	8.00	18.00
GE	IFO Expectations	Apr		104.5		103.9	8.00	18.00
US	Durable Goods Orders	Mar		0.60%		-1.40%	12.30	22.30
Monday, 27 April 2015								
NZ	ANZAC Holiday observed							
CH	Industrial Profits YoY	Mar					1.30	11.30
US	Markit US Services PMI	Apr P					13.45	23.45
GE	Retail Sales MoM/YoY	Mar					14.00	0.00
EC	European Commission Economic Forecasts						14.00	0.00
US	Dallas Fed Manf. Activity	Apr					14.30	0.30
Tuesday, 28 April 2015								
AU	RBA's Stevens Speech in Sydney						22.40	8.40
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Apr-26					23.30	9.30
AU	Conf. Board Leading Index MoM	Feb				0.4%	0.00	10.00
UK	BBA Loans for House Purchase	Mar					8.30	18.30
UK	GDP QoQ/YoY	1Q A					8.30	18.30
US	S&P/CS 20 City MoM SA	Feb					13.00	23.00
US	S&P/CS Composite-20 YoY	Feb					13.00	23.00
EC	European Commission Economic Forecasts						14.00	0.00
UK	Nationwide House PX MoM	Apr					14.00	0.00
US	Consumer Confidence Index	Apr					14.00	0.00
US	Richmond Fed Manufact. Index	Apr				-8	14.00	0.00
Wednesday, 29 April 2015								
NZ	Trade Balance	Mar				50M	22.45	8.45
NZ	ANZ Activity Outlook	Apr					1.00	11.00
NZ	ANZ Business Confidence	Apr					1.00	11.00
CH	Westpac-MNI Consumer Sentiment	Apr					1.45	11.45
GE	GfK Consumer Confidence	May					6.00	16.00
EC	Business Climate Indicator	Apr					9.00	19.00
EC	Consumer Confidence	Apr F					9.00	19.00
GE	CPI MoM/YoY	Apr P					12.00	22.00
CA	Industrial Product Price MoM	Mar					12.30	22.30
US	GDP Annualized QoQ	1Q A					12.30	22.30
US	Pending Home Sales MoM	Mar					14.00	0.00
CA	Former BOC Governor Dodge speaks in Ottawa						16.00	2.00
US	FOMC Rate Decision	Apr-29					18.00	4.00
Upcoming Central Bank Interest Rate Announcements								
US Federal Reserve	29-Apr	0%-0.25%	0%-0.25%			0%-0.25%		
New Zealand, RBNZ	30-Apr	3.50%	3.50%			3.50%		
Japan, BoJ	30-Apr	0.0%-0.1%	0.0%-0.1%			0.0%-0.1%		
Australia, RBA	5-May	2.00%	2.00%			2.25%		
UK BOE	11-May	0.50%	0.50%			0.50%		
Canada, BoC	27-May					0.75%		
Europe ECB	3-Jun	0.05%	0.05%			0.05%		

GMT: Greenwich Mean Time; AEST: Australian Eastern Standard Time

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