

Markets Today

A daily outlook for Australia, key global economies and markets

29 June 2015

The Real Thing

Well, we didn't see that coming, neither did the Institutions (nee Troika), nor the markets. Greece has pulled the negotiations plug at the last minute and put the deal to a national referendum (5 July) AFTER the deadline for payment (1 July). The Eurogroup has said there will be no bailout extension, the ECB has frozen the ELA and the Greek banks are to be closed for the week. That leaves a high degree of uncertainty with regards to payments, Greek bank solvency and indeed the future of the EUR; not just a Greek exit from the Euro. This will not be solved easily or soon.

FX markets opened sharply lower in EUR, higher in JPY but are relatively steady for now. We believe that a stronger risk off theme may develop through the day. Watch for official measures to ease risk concerns and the Fed has reminded markets of their FX swap arrangement with the ECB. This is to eased demand for USD in periods of stress; expect similar statements from other central banks.

Where does that leave us? Monday is likely to be an uncertain one for financial markets, trying to make head or tail of a situation that is unprecedented. There will be a mass of headlines and speculation. When that happens, there is usually a run to safety. Until now most had assumed there would be a last minute deal; that is no longer possible.

The problem is that there is uncertainty about the solvency of the Greek banks. There were withdrawals of about E1bn on Saturday, and ATMs are being rapidly re-filled. The ECB had provided Emergency Liquidity Assistance (ELA) and there was around 1.5-2bn left on Friday. The question is- if there is no extension nor agreement with the Institutions, then will the ECB continue to provide ELA? The ECB and the Eurogroup has noted that they will ensure the stability of the Euro area (not Greece per se).

It is expected that the ECB will provide assistance, but that may come with additional haircuts and be reduced from the levels there had been seen. As of Monday morning (Sydney) the ECB appears to have frozen the ELA assistance at June 26 levels; that has required a closure of the banks and equity market for week. ATMs are to re-open Tuesday with a daily limit of E60 per day. Capital controls are to be announced later today.

Note that there are additional payments due in the coming weeks, with a large E3.5bn to the ECB on July 20th, and there have already been delays of payments to Greek pensioners. This might broaden and there is likely to be stress within Greece, not just to external creditors.

Risk aversion. This is not like before. We have had a slow bank jog in Greece and most thought that there would be an agreement eventually, at the last minute. That is no longer true. We've been using the term 'crisis' loosely for some time now but really, it wasn't. Now is crunch time. And Tspiras has inflicted the first blow, assuming all sides would cave in: they no longer can. That likely means that the inverse relationship between European equities and EUR breaks down. This is bad for both in the short term. The speculative market, and likely others, had reduced their EUR shorts from the extreme in April to around half that. There is scope for a broad section of the market to short the EUR through this, than just those exposed to the equity market (and their hedges).

For the Southern Hemisphere, and the China proxy currencies of AUD and NZD, the moves to ease policy from the PBoC may also have a negative connotation. The PBoC cut interest rates 25bp and eased the RRR for a section of banks on Saturday. This was expected, but likely came in response to the ongoing, and relentless, decline in the equity market. The Shanghai market closed down 7.4% on Friday. The declines appear to be coming from the tightening of margin requirements after ramping up aggressively over the year. For a sense of scale, there were over 1 million NEW investors entering the market each week – that eased to less than 1 million last week. In addition, yields had been rising, some suggestions that this is associated with funds tied up in IPOs occurring before the end of the month. So the easing of rates is not likely to be taken as a positive step, but more of a negative this time around. It is a retroactive looking easing, perhaps rather than a pro-active easing. That tends to put negative pressure on the AUD and NZD.

Coming Up

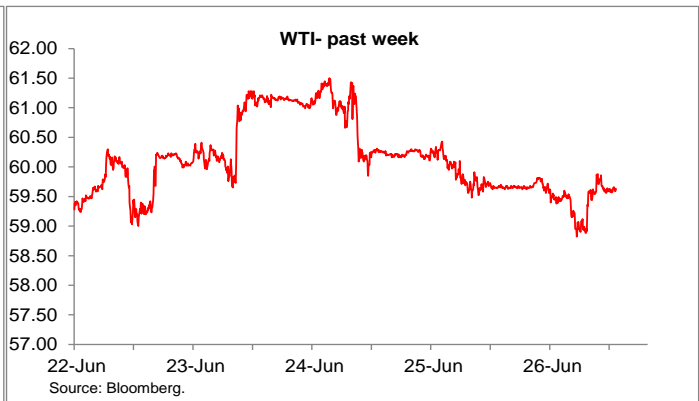
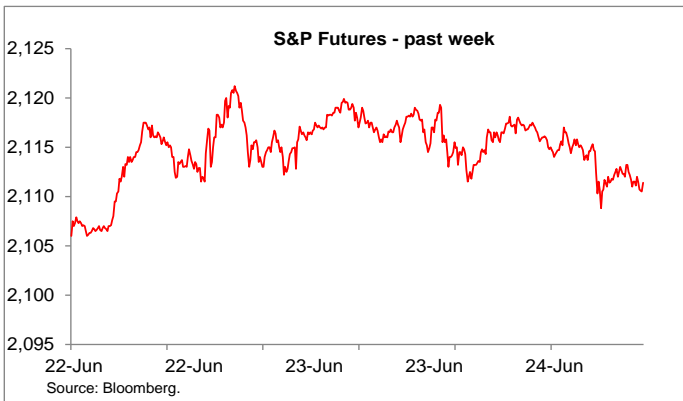
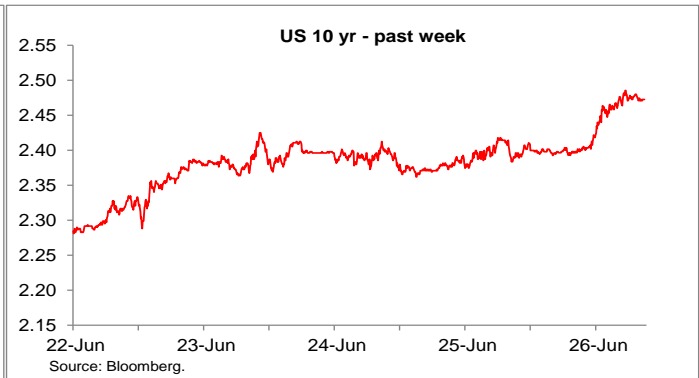
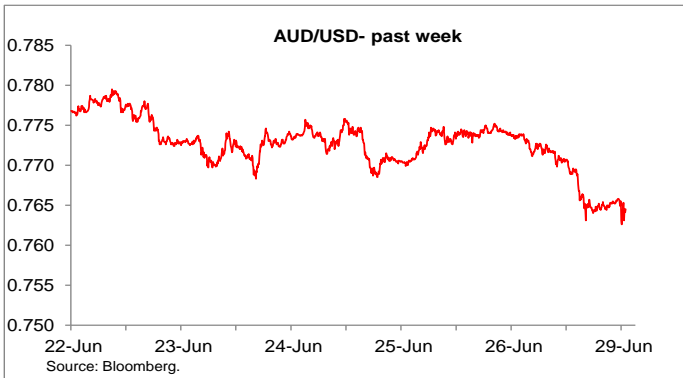
We'll be watching the Greek headlines today, there is no local data. In the US we get house prices and Case Schiller house prices. Watch the Chinese equity markets as well, with many expecting a rebound. If this is not forthcoming there is likely to be more downward pressure on AUD.

Overnight

On global stock markets, the S&P 500 was +0.00%. Bond markets saw US 10-years +6.38bp to 2.47%. On commodity markets, Brent crude oil +0.09% to \$63.26, gold+0.1% to \$1,173, iron ore -0.3% to \$62.01. AUD is at 0.7638 and the range was 0.7622 to 0.7662.

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Markets



Foreign Exchange							
Indicative 24hr ranges (**)				Other FX			
	Last	% chge	Low	High		Last	% chge
AUD	0.7639	-0.2	0.7622	0.7662	HKD	7.7523	0.0
NZD	0.6817	-0.6	0.6790	0.6846	CNY	6.2094	0.0
EUR	1.1009	-1.4	1.0997	1.1044	SGD	1.3531	0.3
GBP	1.5697	-0.3	1.5664	1.5717	IDR	13,308	-0.2
JPY	122.61	-1.0	122.53	122.82	THB	33.83	0.2
CAD	1.2339	0.1	1.2329	1.2349	KRW	1,116	0.6
AUD/EUR	0.6944	1.3			TWD	30.93	0.0
AUD/JPY	93.75	-1.2			PHP	45.08	0.0
AUD/GBP	0.4871	0.1			CHF	0.94	0.5
AUD/NZD	1.1212	0.2			SEK	8.36	0.7

Equities			
Major Indices			
	Last	% day	% y/y
Dow	17,947	+0.3	6.5
S&P 500	2,101	0.0	7.2
Nasdaq	5,081	-0.6	15.5
FTSE	6,754	-0.8	-0.1
DAX	11,492	+0.2	17.1
CAC 40	5,059	+0.2	14.0
Nikkei	20,706	-0.3	37.2
Shanghai	4,193	-7.4	105.9
Hang Seng	26,664	-1.8	14.8
ASX 200	5,546	-1.5	1.9

Commodities*		
	Last	% day
Oil (Brent)	63.26	0.1
Oil (WTI)	59.63	-0.1
Oil (Tapis)	63.81	-1.8
Gold	1173.20	0.1
CRB	224.88	0.2
GS Metals	299.7	-0.7
Aluminium	1674	-1.2
Copper	5748	-0.2
Nickel	12411	-2.0
Zinc	2022	-0.2
Ch. steel	2215	-0.3
Iron ore	62.0	-0.3
Coal	60.6	-0.5
Wheat Chic.	568.0	5.6
Sugar	11.67	1.3
Cotton	67.16	3.5
Coffee	133.5	-1.2
CO ₂ Emissions - Euros		
	Last	% day
Jun-2015	7.58	-0.9
Dec-2015	7.55	-0.8
Dec-2016	7.64	-0.8

Interest Rates								
Indicative Swap Rates				Benchmark 10 Year Bonds				
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	0.25	0.28	0.94	2.56	USD 10	2.47	0.06	
AUD	2.00	2.15	2.23	3.47	AUD 10	3.06	0.00	0.58
NZD	3.25	3.23	3.10	3.95	NZD 10	3.68	-0.01	1.21
EUR	0.05	0.06	0.14	1.27	CAD 10	1.87	0.06	-0.60
GBP	0.50	0.58	1.17	2.28	EUR 10	0.92	0.06	-1.55
JPY	0.10	0.09	0.15	0.66	GBP 10	2.19	0.04	-0.29
CAD	0.75	1.17	1.05	2.34	JPY 10	0.47	-0.01	-2.00

Overnight Futures		
	Last	Chge
Australia		
3 mth bill	97.86	-0.02
3 Yr bond	97.82	-0.05
10 Yr bonc	96.82	-0.08
3/10 sprd	1.01	0.02
SPI	10.0	0.2

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
Monday, 29 June 2015								
JN	Industrial Production MoM/YoY	May P				1.2%/0.1%	23.50	9.50
JN	Retail Sales MoM	May				0.4%	23.50	9.50
UK	Mortgage Approvals	May				68.1K	8.30	18.30
EC	Business Climate Indicator	Jun				0.28	9.00	19.00
GE	CPI MoM / YoY	Jun P					12.00	22.00
CA	Industrial Product Price MoM	May				-0.9%	12.30	22.30
US	Pending Home Sales MoM / YoY	May		1.0%/..		3.4%/13.4%	14.00	0.00
US	Dallas Fed Manf. Activity	Jun		-16		-20.8	14.30	0.30
Tuesday, 30 June 2015								
NZ	Building Permits MoM	May				-1.7%	22.45	8.45
UK	GfK Consumer Confidence	Jun				1	23.05	9.05
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jun-28				114	23.30	9.30
AU	HIA New Home Sales MoM	May				0.6%	1.00	11.00
NZ	ANZ Business Confidence	Jun				15.7	1.00	11.00
JN	Labor Cash Earnings YoY	May				0.9%	1.30	11.30
AU	RBA Credit Aggregates MoM/YoY	May	0.4%/6.0%	0.5%/6.1%		0.3%/6.1%	1.30	11.30
NZ	Credit Aggregates, Household YoY	May				5.80%	3.00	13.00
GE	Unemployment Rate	Jun		6.40%		6.40%	7.55	17.55
UK	Current Account Balance	1Q				-25.3B	8.30	18.30
UK	GDP QoQ/YoY	1Q F				0.3%/2.4%	8.30	18.30
AU	RBA's Stevens Gives Speech at OMFIF Function in London on "The Changing Landscape of Central Banking"						8.40	18.40
EC	Unemployment Rate	May					9.00	19.00
EC	CPI Estimate YoY	Jun		0.20%			9.00	19.00
EC	CPI Core YoY	Jun A		0.80%		0.90%	9.00	19.00
CA	GDP MoM / YoY	Apr				-0.2%/1.5%	12.30	22.30
US	ISM Milwaukee	Jun				47.7	13.00	23.00
US	S&P/CS 20 City MoM/YoY SA	Apr		1%/4.95%		0.98%/5.0%	13.00	23.00
US	Chicago Purchasing Manager	Jun		50.0		46.2	13.45	23.45
US	Consumer Confidence Index	Jun		96.7		95.4	14.00	0.00
Wednesday, 1 July 2015								
AU	AiG Perf of Mfg Index	Jun				52.3	23.30	9.30
JN	Tankan Large Mfg Index/All Industry Capex	2Q		12/5.3%		12/-1.2%	23.50	9.50
AU	CoreLogic RP Data House Px MoM	Jun				-0.90%	0.00	10.00
CH	Manufacturing/Non-Manufacturing PMI	Jun				50.2/53.2	1.00	11.00
CH	Non-manufacturing PMI	Jun				53.2	1.00	11.00
AU	Building Approvals MoM/YoY	May	2%/15.2%	1.3%/14.5%		-4.4%/16.3%	1.30	11.30
AU	Engineering Construction	Q1					1.30	11.30
JN	Markit/JMMA Japan Manufacturing PMI	Jun F				49.9	1.35	11.35
CH	HSBC China Manufacturing PMI	Jun F				49.6	1.45	11.45
AU	RBA Commodity Price Index SDR, MoM/YoY	Jun				-1.5%/-19.5%	6.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Jun F				51.9	7.55	17.55
EC	Markit Eurozone Manufacturing PMI	Jun F				52.5	8.00	18.00
UK	Markit UK PMI Manufacturing SA	Jun				52	8.30	18.30
US	MBA Mortgage Applications	Jun-26				1.60%	11.00	21.00
US	Challenger Job Cuts YoY	Jun				-22.50%	11.30	21.30
US	ADP Employment Change	Jun		205K		201K	12.15	22.15
US	Markit US Manufacturing PMI	Jun F				53.4	13.45	23.45
US	Wards Total Vehicle Sales	Jun		17.10M		17.71M	14.00	0.00
US	Construction Spending MoM	May		0.50%		2.20%	14.00	0.00
US	ISM Manufacturing	Jun		53.0		52.8	14.00	0.00
NZ	Dairy Auction, early am NZT					-1.30%		
Thursday, 2 July 2015								
JN	Monetary Base YoY	Jun				35.6%	23.50	9.50
NZ	QV House Prices YoY	Jun				9.0%	0.00	10.00
NZ	ANZ Commodity Price, NZ\$ terms	Jun	1.50%			-2.7%	1.00	11.00
AU	Trade Balance	May	-3000M	-2250M		-3888M	1.30	11.30
AU	NAB Online Retail Sales index, MoM/YoY	May				1.5%/9.6%	1.30	11.30
AU	NAB Well Being Index	Q2					1.30	11.30
AU	Overseas arrivals and departures	Apr					1.30	11.30
EC	ECB account of the monetary policy meeting						11.30	21.30
US	Nonfarm Payrolls/Unemployment rate	Jun		223K/5.4%		280K/5.5%	12.30	22.30
US	Initial Jobless Claims	Jun-27					12.30	22.30
CA	RBC Canadian Manufacturing PMI	Jun				49.8	13.30	23.30
US	ISM New York	Jun				54.0	13.45	23.45
US	Factory Orders	May		0.0%		-0.4%	14.00	0.00
Friday, 3 July 2015								
US	Independence Day holiday							
AU	AiG Perf of Services Index	Jun				49.6	23.30	9.30
AU	Retail Sales MoM	May	0.6%	0.5%		0.0%	1.30	11.30
CH	HSBC China Services/Composite PMI	Jun				53.5/51.2	1.45	11.45
GE	Markit Germany Services/Composite PMI	Jun F				54.2/54.0	7.55	17.55
EC	Markit Eurozone Services/Composite PMI	Jun F				54.4/54.1	8.00	18.00
UK	Markit/CIPS UK Services/Composite PMI	Jun				56.5/55.8	8.30	18.30
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		7-Jul	2.00%	2.00%		2.00%		
UK BOE		9-Jul	0.50%	0.50%		0.50%		
Japan, BoJ		15-Jul	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
Europe ECB		16-Jul	0.05%	0.05%		0.05%		
Canada, BoC		16-Jul				0.75%		
New Zealand, RBNZ		23-Jul	3.00%	3.00%		3.25%		
US Federal Reserve		30-Jul						

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

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