



Markets Today

A daily outlook for Australia, key global economies and markets

17 July 2015

ECB opens up the liquidity spigot for Greece

Not big moves on the currency front overnight, though the USD was somewhat stronger as the ECB announced that it had turned on the liquidity spigot for Greece again and what data there was for the US was added a little more incremental evidence the economy is making further progress. The Euro remained on the defensive with ECB President Draghi hammering home his unwavering commitment to ultra-easy monetary policy with a fresh vow to use every tool available to respond to any "unwarranted tightening" in monetary conditions. (In other words, avoiding EUR appreciation, praying no doubt for Fed rate lift-off, as the RBA will be too.)

The Bloomberg spot dollar index is up by 0.37%, making gains against most of its major currency counterparts, excepting the Aussie, that's tested back above 0.74. Along with the AUD, Sterling retained its recent support, Mark Carney doing nothing to stem that, saying that a decision on rates will be "in sharper relief" by year end. In the second (Senate) leg of her Congressional testimony, Fed Chair Yellen said she favours tightening in a "prudent and gradual manner" in her careful/cautious but deliberate style. Markets will be paying close attention to tonight's US CPI, housing starts and consumer sentiment. Canada's CPI is also due on the heels of recent C\$ weakness.

As far other currencies, the NZD once again weakened as the market ramped up odds of a follow up cash rate cut at next week's RBNZ meeting to over 100%, the market is tinkering with the outside possibility of a 50bps cut rather than 25 bps. (Our BNZ colleagues regard a 50 bps cut as more likely than no cut.) It was the follow up of a softer Kiwi CPI yesterday in the wake of that mid-week further plunge in world dairy auction prices that kept the flightless bird on the back foot. The NZD/USD has been easing toward 0.65, with the AUD/NZD up to the mid 1.13s after pushing through the figure yesterday afternoon. Chinese spot iron ore prices have been relatively steady in recent days, the Qingdao 62% fines price adding \$0.11 yesterday to \$50.66.

The WSJ did an interview with RBA Board member John Edwards yesterday, Edwards acknowledging that Australia's unemployment rate had been lower than expected and that the global outlook had improved a bit, Greece concluding its bailout negotiations and that the decline in China's economy may have slowed on the most recent numbers. He welcomed the move lower in the \$A toward its post float average, acknowledging the lower currency was beginning to produce some benefits for the economy.

Coming up today/tonight

Quiet for data releases this morning, with NZ Job Ads the first local release at 8am then NZ's consumer confidence (11am).

There are some meaty data points tonight. The main focus is the US CPI for June, the market looking for any credible sign of accelerating inflation, expecting a slight increase in core CPI from 0.1% to 0.2%. US Housing starts and permits for June are also due along with the preliminary UoM Consumer Sentiment

survey for July, the market looking for a flat result. With the Bank of Canada having cut rates on Wednesday, the market is very sensitive to any weakness in Canada's economy and tonight's CPI will surely be on the watch list. The core CPI for June rose a sturdy 0.4% in May and partial pull-back of a 0.1% decline is tipped for June. Then over the weekend, China releases its June report on property prices, scrutinised for signs of stabilisation of prices, recent reports suggesting prices may be beginning to stabilise in the larger cities.

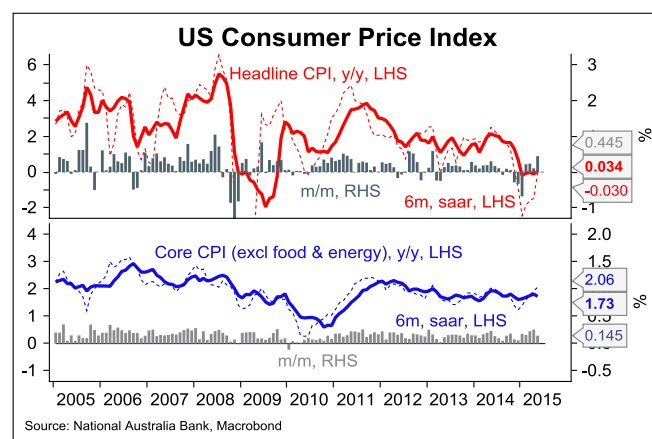
Overnight

- The AUD held its ground against a stronger \$US:** Eurostoxx 600 +1.3%, Dax +1.5%, CAC +1.5%, FTSE +0.6%. Dow +70 points to 18,120, +0.4%, S&P 500 +0.4%, Nasdaq +0.8%, VIX 12.11 -8.5%. Mumbai +0.5%, Nikkei 225 +1.3% and ASX 200 +0.6%; ASX SPI futures this morning +0.2%. US bond yields: 2s at 0.66% (3), 10s at 2.35% (-). WTI oil at \$51.02 (-0.8%), Brent at \$57.51 (+0.8%), Malaysian Tapis (yesterday) \$59.88 (+0.0%). Gold at \$1143.50/oz (-0.3%). Base metals: LME copper +0.5%, nickel +1.4%, aluminium -0.1%. Iron ore \$50.7/t +0.2% Chinese steel rebar futures +0.5%. Soft commodities spot futures: wheat -0.6%, sugar -1.5%, cotton +0.6%, coffee -0.7%. Euro Dec 14 CO2 emissions at €7.67/t (-1.3%). The AUD/USD's range overnight 0.7367-0.7438; indicative range today 0.7380-0.7430; the AUD/USD is 0.7406 now
- EC CPI (Jun F)** 0.0%/0.2%; core 0.8% (Prelim: 0.0%/0.2%; Core 0.8%); ECB left rates unchanged, its main refinancing rate at 0.05%; it increased its ELA liquidity facility to Greece by €0.9bn
- US Jobless claims (w/e Jul 11)** 281K K (L: 297K; E: 285K); **Philly Fed Survey (Jul)** 5.7 (L: 15.2; E: 12); **NAHB Housing market index (Jul)** 60, unchanged from an upwardly revised 60 (L: 59; E: 59)

Good luck.

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Chart of the day: US inflation under the spotlight

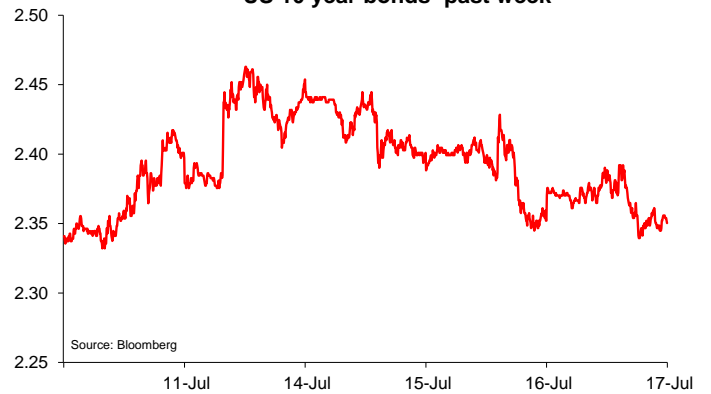


Markets

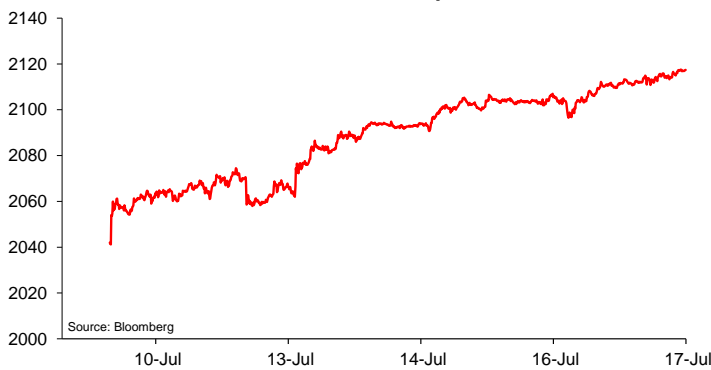
AUD/USD- past week



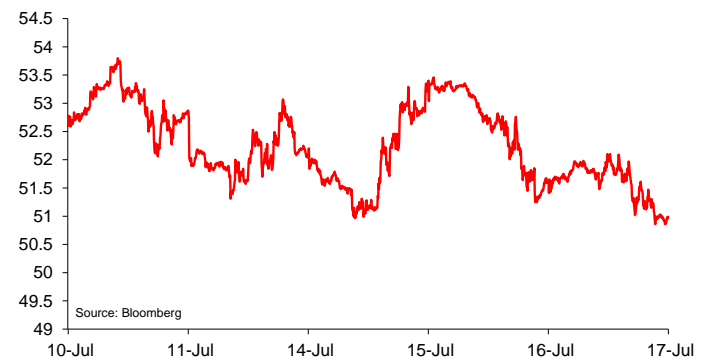
US 10 year bonds- past week



S&P 500 futures- past week



WTI futures- past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7406	0.0	0.7404	0.7407	HKD	7.7513 0.0
NZD	0.6515	-0.1	0.6505	0.6551	CNY	6.2117 0.0
EUR	1.0878	-0.1	1.0855	1.0928	SGD	1.3668 -0.1
GBP	1.5611	0.0	1.5560	1.5632	IDR	13,365 0.1
JPY	124.14	0.1	123.85	124.19	THB	34.20 0.0
CAD	1.2963	0.1	1.2905	1.2974	KRW	1,147 -0.2
AUD/EUR	0.6808	0.2			TWD	31.06 -0.2
AUD/JPY	91.92	0.2			PHP	45.26 0.0
AUD/GBP	0.4745	0.1			CHF	0.96 0.1
AUD/NZD	1.1369	0.2			SEK	8.54 0.0

Equities

Major Indices			
	Last	% day	% year
Dow	18,120	0.4	5.7
S&P 500	2,124	0.8	7.2
Nasdaq	5,163	1.3	16.7
VIX Index	12.11	-8.5	10.1
FTSE	6,796	0.6	0.2
DAX	11,717	1.5	18.8
CAC 40	5,122	1.5	17.2
Nikkei	20,600	0.7	34.0
Shanghai	3,823	0.5	86.0
Hang Seng	25,163	0.4	7.0
ASX200	5,670	0.6	2.7

Commodities*

	Last	% day
Oil (Brent)	57.51	0.8
Oil (WTI)	51.02	-0.8
Oil (Tapis)	59.88	0.0
Gold	1143.50	-0.3
CRB	215.55	-0.5
GS Metals	295.8	0.1
Aluminium	1716	-0.1
Copper	5560	0.5
Nickel	11630	1.4
Zinc	2072	-0.3
Ch. steel	2045	0.5
Iron ore	50.7	0.2
St. coal	61.8	n.a.
Wheat Chic.	571.0	-0.6
Sugar	12.27	-1.5
Cotton	65.24	0.6
Coffee	128.9	-0.7

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.25	0.29	0.92	2.43	USD 10	2.35	0.00
AUD	2.00	2.14	2.14	3.31	AUD 10	2.97	-0.06 0.62
NZD	3.25	3.13	2.89	3.78	NZD 10	3.46	0.00 1.11
EUR	0.05	0.06	0.11	1.15	CAD 10	1.58	-0.01 -0.77
GBP	0.50	0.58	1.15	2.20	EUR 10	0.83	0.01 -1.52
JPY	0.09	0.10	0.15	0.62	GBP 10	2.08	-0.04 -0.27
CAD	0.50	1.17	0.78	2.07	JPY 10	0.45	-0.01 -1.90

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.89	-0.01
3 Yr bond	97.98	-0.01
10 Yr bond	96.99	-0.02
3/10 sprd	1.00	0.01
SPI	9.0	0.2

CO₂ Emissions - Euros

	Last	% day
Dec-2015	7.67	-1.3
Dec-2016	7.75	-1.3
Dec-2017	7.87	-1.3

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
Friday, 17 July 2015								
NZ	ANZ Job Advertisements MoM	Jun				0.1%	22.00	8.00
AU	Conf. Board Leading Index MoM	May				-0.3%	0.00	10.00
NZ	ANZ Consumer Confidence Index/MoM	Jul				119.9/-3.2%	1.00	11.00
EC	ECB Survey of Professional Forecasters						8.00	18.00
EC	Construction Output MoM/YoY	May				0.3%/0.0%	9.00	19.00
US	CPI MoM/YoY	Jun		0.3%/0.2%		0.4%/0.0%	12.30	22.30
US	CPI Ex Food and Energy MoM/YoY	Jun		0.2%/1.8%		0.1%/1.7%	12.30	22.30
US	Housing Starts / MoM	Jun		1100K/6.2%		1036K-11.1%	12.30	22.30
US	Building Permits / MoM	Jun		1110K/-11.2%		1275K/11.8%	12.30	22.30
CA	CPI MoM/YoY	Jun		0.2%/1.0%		0.6%/0.9%	12.30	22.30
US	U. of Mich. Sentiment	Jul P		96.5		96.1	14.00	0.00
Saturday, 18 July 2015								
CH	Property Prices	Jun					1.30	11.30
Monday, 20 July 2015								
NZ	Performance Services Index	Jun				58	22.30	8.30
UK	Rightmove House Prices MoM/YoY	Jul				3.0%/4.5%	23.01	9.01
GE	PPI MoM/YoY	Jun				0.0%/-1.3%	6.00	16.00
EC	Current Account SA	May				22.3B	8.00	18.00
CA	Wholesale Trade Sales MoM	May				1.90%	12.30	22.30
UK	CBI Trends Total Orders	Jul				-7	14.00	0.00
UK	CBI Business Optimism	Jul				3	14.00	0.00
JN	Supermarket Sales YoY	Jun				5.7%	14.00	0.00
Tuesday, 21 July 2015								
NZ	Net Migration SA	Jun				5140	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jul-19				107.0/-3.6%	23.30	9.30
AU	RBA July Meeting Minutes						1.30	11.30
NZ	Credit Card Spending MoM/YoY	Jun				1.9%/7.1%	3.00	13.00
JN	Leading Index CI	May F					5.00	15.00
JN	Convenience Store Sales YoY	Jun				1.6%	7.00	17.00
UK	Public Finances (PSNCR)	Jun				12.4B	8.30	18.30
Wednesday, 22 July 2015								
AU	Westpac Leading Index MoM	Jun				-0.1%	0.30	10.30
AU	Skilled Vacancies MoM	Jun					1.00	11.00
AU	CPI QoQ/YoY	2Q				0.2%/1.3%	1.30	11.30
CH	MNI Business Indicator	Jul					1.45	11.45
CH	Conference Board China June Leading Economic Index						2.00	12.00
JN	All Industry Activity Index MoM	May				0.1%	4.30	14.30
UK	Bank of England Minutes						8.30	18.30
EC	Euro Area First Quarter Government Debt/Deficit						9.00	19.00
US	MBA Mortgage Applications	Jul-17					11.00	21.00
US	FHFA House Price Index MoM	May				0.3%	13.00	23.00
US	Existing Home Sales / MoM	Jun				5.35M/5.1%	14.00	0.00
Thursday, 23 July 2015								
NZ	RBNZ Official Cash Rate	Jul-23		3.00%		3.25%	21.00	7.00
JN	Trade Balance Adjusted	Jun				¥182.5B	23.50	9.50
UK	Retail Sales Ex Auto Fuel MoM	Jun				0.2%	8.30	18.30
US	Chicago Fed Nat Activity Index	Jun				-0.17	12.30	22.30
US	Initial Jobless Claims	Jul-18					12.30	22.30
CA	Retail Sales MoM	May				-0.1%	12.30	22.30
UK	CBI Reported Sales	Jul					14.00	0.00
UK	BBA Loans for House Purchase	Jun					14.00	0.00
EC	Consumer Confidence	Jul A					14.00	0.00
US	Leading Index	Jun				0.7%	14.00	0.00
US	Kansas City Fed Manf. Activity	Jul					15.00	1.00
Friday, 24 July 2015								
NZ	Trade Balance	Jun					22.45	8.45
JN	Markit/JMMA Japan Manufacturing PMI	Jul P					1.35	11.35
CH	HSBC China Manufacturing PMI	Jul P					1.45	11.45
GE	Markit/BME Germany Manufacturing PMI	Jul P					7.30	17.30
EC	Markit Eurozone Manufacturing PMI	Jul P					8.00	18.00
US	Markit US Manufacturing PMI	Jul P					13.45	23.45
US	New Home Sales/MoM	Jun				546K/2.2%	14.00	0.00
Upcoming Central Bank Interest Rate Announcements								
New Zealand, RBNZ		23-Jul	3.00%	3.00%		3.25%		
US Federal Reserve		30-Jul						
Australia, RBA		4-Aug	2.00%	2.00%		2.00%		
UK BOE		6-Aug				0.50%		
Japan, BoJ		7-Aug	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
Europe ECB		3-Sep				0.05%		
Canada, BoC		10-Sep				0.50%		

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

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