

Markets Today

A daily outlook for Australia, key global economies and markets

9 July 2015

Netflix vs NBC

While being glued to the long running soap opera of the Greek debt situation, there is another, more mini-series like, show going on in the East. And like Netflix versus NBC (who shows Days of our Lives) it has crept up and has captured everyone's attention.

Overnight, the NYSE was closed for three hours due to a 'technical' hitch, but managed to fall; European equities were higher. Commodity prices fell, yields were a little lower and the USD was lower against the G3 but stronger elsewhere. Measures of market volatility were mostly higher.

China's equity markets continue to fall yesterday, the real extent to which we can't say: given many stocks are suspended and others are limited in the amount they decline. While the comparisons to 2007/08 are being made, this is not the financial crisis mark II, but a different situation. But negative nonetheless. It is early days, there are possible traditional monetary policies to be put in place for example, but the level of concern it is creating, and volatility, and impact on commodity prices have the potential to leech into broader markets. Australia included. So for today, we are in Netflix mode, rather than the soap opera.

To follow the linkages, monitor this trail: The decline in Chinese equities has slowed demand for cars (they were negative for the first time in two years in June), which lowers the demand for steel, which lowers the price of Australian iron ore, which weighs (further) on housing prices in the Pilbara (as well as the AUD). Iron ore dropped 10% yesterday and is now below \$50, the lower it goes the more it drops below break-even for many of the new mining entrants. That is why mining companies are seeing lower prices outside of China.

There was little new information from Greece overnight, it does appear that they must have a credible proposal to take to the Institutions by midnight Thursday, otherwise they are out. That is the hardline stance, but we have seen that soften before. A positive was the holding steady of the ECB's ELA, which while keeping the capital controls, does allow the banks to remain solvent. EUR was supported on this.

In the US, the FOMC minutes take a backseat given we know that events have overtaken them. Members were balanced but saw some risks from Greece and China. There was a note of rising wages, but mostly the news was modestly dovish. The Fed's Williams spoke and noted that they could still hike in 2015 and that Chinese stocks were not an important concern for the US.

Coming Up

It is a busier day today, on the data front, but they will provide only a small diversion from the twin distractions of China and Greece. Because, no matter what happens in the data, if these two risk events worsen (or dramatically improve in short order) then that is likely to trump a really good Australian payrolls or hawkish Fed tone. Weak data would just add to the mood.

In fact, NAB expects a softer than market headline employment outcome (-17K) after the super strong outcome last month. The market expectation is for a flat outcome. The markets are likely to react in the short term, but take their overall directional guide from the global events.

The Bank of England meet today. No change is expected and in this case there is no statement: we have to wait for the minutes to provide details of the hawkish dissenters. And, in the current circumstances, most central banks are likely in wait and see mode.

There are a raft of Fed speakers: Kocherlakota (non voter, dove), Governor Brainard (voter, dove) and Fed member George (non voter, hawk) are all speaking on the economy and policy. A diverse spectrum of starting points here, so we aren't expecting a whole lot of clarity. Governor Brainard's guide is likely the one the market will take to heart.

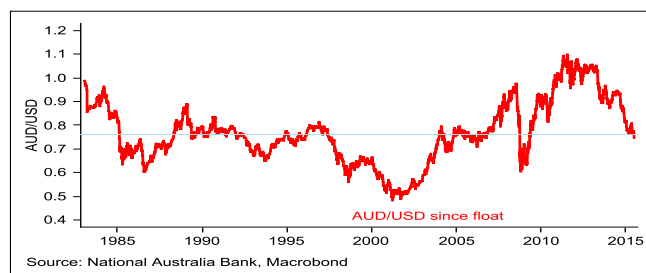
China is set to release CPI data today, usually a big market move but perhaps not so much today. A modest increase in the annual rate is expected; an unexpected drop would cause the most reaction as bets for more easing would rise.

Overnight

On global stock markets, the S&P 500 was -1.50%. Bond markets saw US 10-years -5.35bp to 2.20%. On commodity markets, Brent crude oil +0.79% to \$57.3, gold+0.5% to \$1,158, iron ore -10.1% to \$44.59. AUD is at 0.7423 and the range was 0.7372 to 0.7459.

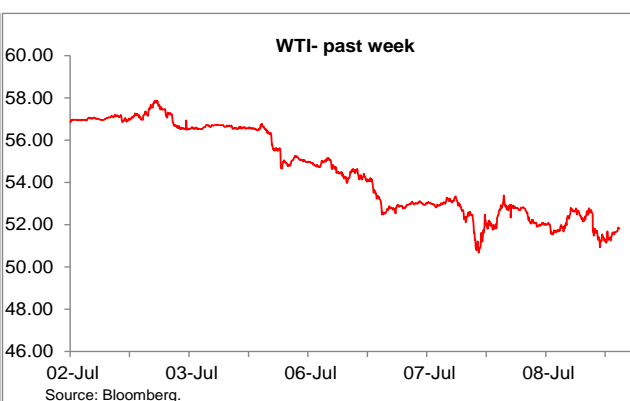
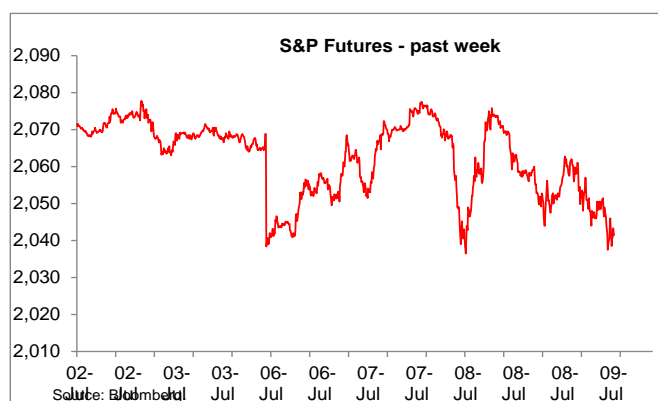
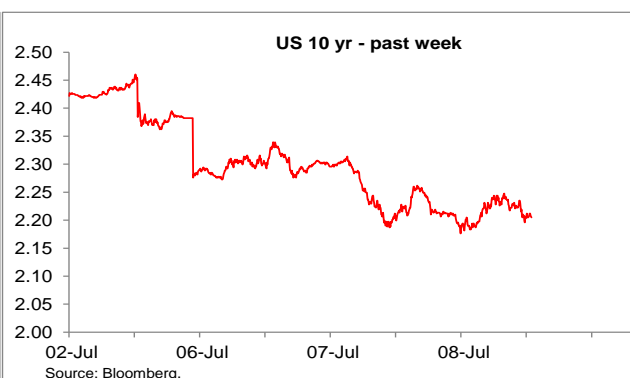
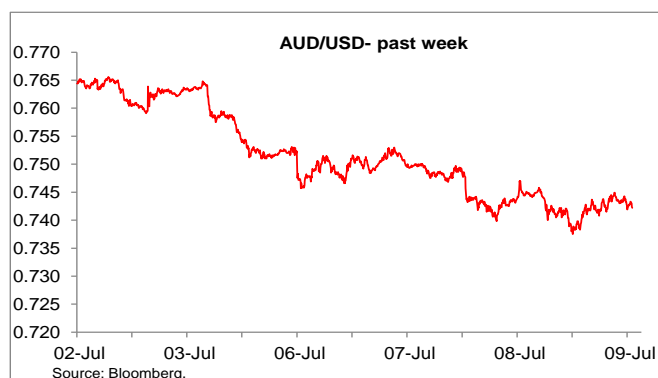
- FOMC minutes slightly dovish
- Fed's Williams still see a hike in 2015

Chart: AUD at long term average



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Markets



Foreign Exchange							Equities				Commodities*		
Indicative 24hr ranges (**)					Other FX		Major Indices				Last	% day	
	Last	% chge	Low	High		Last % chge		Last	% day	% y/y			
AUD	0.7423	-0.4	0.7372	0.7459	HKD	7.7532 0.0	Dow	17,515	-1.5	3.6	Oil (Brent)	57.30	0.8
NZD	0.6732	1.2	0.6622	0.6750	CNY	6.2091 0.0	S&P 500	2,050	-1.5	4.4	Oil (WTI)	51.82	-1.0
EUR	1.1070	0.5	1.0974	1.1093	SGD	1.3500 -0.3	Nasdaq	4,910	-1.8	11.8	Oil (Tapis)	58.83	-0.3
GBP	1.5359	-0.7	1.5330	1.5467	IDR	13,356 0.2	FTSE	6,491	+0.9	-3.7	Gold	1158.40	0.5
JPY	120.67	-1.5	120.41	122.57	THB	33.94 -0.1	DAX	10,747	+0.7	10.0	CRB	215.26	-0.1
CAD	1.2739	0.3	1.2689	1.2768	KRW	1,137 0.6	CAC 40	4,639	+0.2	6.8	GS Metals	282.3	-3.7
AUD/EUR	0.6705	-0.9			TWD	31.07 0.3	Nikkei	19,738	-3.1	29.0	Aluminium	1633	0.4
AUD/JPY	89.56	-1.9			PHP	45.25 0.0	Shanghai	3,507	-5.9	72.0	Copper	5514	3.4
AUD/GBP	0.4832	0.3			CHF	0.95 -0.1	Hang Seng	23,517	-5.8	1.5	Nickel	10918	2.9
AUD/NZD	1.1025	-1.6			SEK	8.47 -0.5	ASX 200	5,470	-2.0	0.3	Zinc	1974	2.9
											Ch. steel	1969	1.5
											Iron ore	44.6	-10.1
											Coal	59.8	0.5
											Wheat Chic.	577.5	-1.3
											Sugar	12.31	-0.2
											Cotton	64.59	-1.4
											Coffee	125.0	0.2
											CO ₂ Emissions - Euros		
											Last	% day	
											Jun-2015	7.50	0.0
											Dec-2015	7.46	-0.1
											Dec-2016	7.54	-0.1

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, 9 July 2015								
NZ	ANZ Truckometer Heavy MoM	Jun				-1.1%	22.00	8.00
NZ	Card Spending Total MoM	Jun	0.50%	0.50%		1.40%	22.45	8.45
UK	RICS House Price Balance	Jun		37%		34%	23.01	9.01
JN	Machine Orders MoM/YoY	May		-3.7%/20.3%		3.8%/3.0%	23.50	9.50
AU	SEEK Job Ads (likely Thursday am)	Jun				-3.1%	0.30	10.30
AU	Employment Change/Unemployment rate	Jun	-17K/6.1%	flat/6.1%		42.0K/6.0%	1.30	11.30
AU	Full/Part Time Employment Change	Jun				14.7K/27.3K	1.30	11.30
AU	Participation Rate	Jun	64.6%	64.7%		64.7%	1.30	11.30
CH	CPI/PPI YoY	Jun		1.3%/-4.6%		1.2%/-4.6%	1.30	11.30
JN	Machine Tool Orders YoY	Jun P				15.0%	6.00	16.00
GE	Current Account Balance	May		15.0B		19.6B	6.00	16.00
US	Fed's Kocherlakota (nv) Speaks on Central Banks in Frankfurt						9.45	19.45
UK	Bank of England Bank Rate	Jul-09		0.50%		0.50%	11.00	21.00
CA	Housing Starts	Jun		190K		201.7K	12.15	22.15
CA	New Housing Price Index MoM	May				0.1%	12.30	22.30
US	Initial Jobless Claims	Jul-04		277K		281K	12.30	22.30
US	Bloomberg Consumer Comfort	Jul-05					13.45	23.45
US	Fed Governor Lael Brainard speaks						14.15	0.15
US	Fed's George (alt) Speaks on Economy in Stillwater, Oklahoma						17.00	3.00
CH	New Yuan Loans	Jun		For release				
CH	Aggregate Financing	Jun		between 10 July & 15-July				
CH	Money supply	Jun		15-Jun				
Friday, 10 July 2015								
JN	PPI MoM/YoY	Jun		-0.1%/-2.2%		0.3%/-2.1%	23.50	9.50
AU	Home Loans MoM, Owner-occupied loan # MoM	May				1.0%	1.30	11.30
AU	Investment Lending, value MoM	May				2.6%	1.30	11.30
AU	Owner-Occupier value MoM	May				3.1%	1.30	11.30
JN	Consumer Confidence Index	Jun				41.4	5.00	15.00
UK	Trade Balance	May		-£2300		-£1202	8.30	18.30
CA	Net Change in Employment/Unemployment rate	Jun		-4.4K/6.9%		58.9K/6.8%	12.30	22.30
NZ	REINZ House Sales YoY	Jun				21.6%	14.00	0.00
US	Wholesale Inventories/Sales MoM	May		0.3%/0.9%		0.4%/1.6%	14.00	0.00
US	Fed's Rosengren (alt) to Speak at 7th Annual Rocky Mountain Economic						15.35	1.35
US	Fed Chair Yellen Speaks on the US economic outlook in Cleveland						16.30	2.30
Monday, 13 July 2015								
NZ	Food Prices MoM	Jun				0.4%	22.45	8.45
AU	Credit Card Purchases/Balances	May				\$A22.9B/\$A51.1B	1.30	11.30
JN	Industrial Production MoM/YoY	May F					4.30	14.30
JN	Capacity Utilization MoM	May				-0.4%	4.30	14.30
JN	Tertiary Industry Index MoM	May				-0.2%	4.30	14.30
UK	Bank of England Credit Conditions & Bank Liabilities Surveys						8.30	18.30
CH	Trade Balance	Jun				\$59.49B	14.00	0.00
CH	Imports/Exports YoY	Jun				-17.6%/-2.5%	14.00	0.00
CH	Exports YoY CNY	Jun				-2.8%	14.00	0.00
CH	Imports YoY CNY	Jun				-18.1%	14.00	0.00
CH	Trade Balance CNY	Jun				366.80B	14.00	0.00
GE	Wholesale Price Index MoM/YoY	Jun				0.5%/-0.4%	14.00	0.00
JN	Machine Tool Orders YoY	Jun F					14.00	0.00
CA	Bloomberg Nanos Confidence	Jul-10					14.00	0.00
US	Monthly Budget Statement	Jun					18.00	4.00
Tuesday, 14 July 2015								
UK	BRC Sales Like-For-Like YoY	Jun				0.0%	23.01	9.01
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jul-12					23.30	9.30
AU	NAB Business Confidence/Conditions	Jun				7/7	1.30	11.30
NZ	Non Resident Bond Holdings	Jun				69.0%	3.00	13.00
JN	Tokyo Condominium Sales YoY	Jun				-18.7%	4.00	14.00
GE	CPI MoM/YoY	Jun F					6.00	16.00
UK	CPI MoM/YoY	Jun				0.2%/0.1%	8.30	18.30
UK	CPI Core YoY	Jun				0.9%	8.30	18.30
UK	Retail Price Index	Jun				258.5	8.30	18.30
UK	RPI Ex Mort Int.Payments (YoY)	Jun				1.1%	8.30	18.30
UK	PPI Output NSA YoY	Jun				-1.6%	8.30	18.30
UK	PPI Output Core NSA YoY	Jun				0.1%	8.30	18.30
UK	ONS House Price YoY	May				5.5%	8.30	18.30
EC	Industrial Production WDA YoY	May				0.8%	9.00	19.00
GE	ZEW Survey Current Situation	Jul				62.9	9.00	19.00
GE	ZEW Survey Expectations	Jul				31.5	9.00	19.00
EC	ZEW Survey Expectations	Jul				53.7	9.00	19.00
US	Retail Sales Advance MoM	Jun				1.2%	12.30	22.30
US	Retail Sales Ex Auto MoM	Jun				1.0%	12.30	22.30
CA	Teranet/National Bank HP Index	Jun				169.97	12.30	22.30
US	Retail Sales Ex Auto and Gas	Jun				0.7%	12.30	22.30
US	Retail Sales Control Group	Jun				0.7%	12.30	22.30
US	Import Price Index YoY	Jun				-9.6%	12.30	22.30
US	NFIB Small Business Optimism	Jun				98.3	13.00	23.00
CH	Foreign Direct Investment YoY CNY	Jun				7.8%	14.00	0.00
US	Business Inventories	May				0.4%	14.00	0.00
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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