Australia > Economics

Markets Today

A daily outlook for Australia, key global economies and markets

National Australia Bank

18 August 2015

US Data Nonchalance

News wise, it has actually been quite an eventful night – tragically so in Thailand where a bomb blast in the centre of Bangkok during Monday's evening rush hour is reported to have killed least 19 people and injured more than 120. The Thai Baht is the second worse performing currency overnight (after the Turkish Lire). Our Asia strategist Christy Tan say she expects further pressure on Thailand's currency, equities and bonds when local markets re-open today, bearing in mind that 20% of Thailand's debt is foreign owned.

We'd note too that in this now quite prolonged sell-off in global Emerging Markets – to which the AUD has been historically highly correlated with respect to Asia FX - it is has been the currencies of countries that are not just big commodity exporters but which also have domestic political problems that have been hardest hit (unstable government or unfolding corruption scandals - read Brazil, Malaysia, Turkey - and now in the Thailand what looks like geopolitical strife).

Partly due to ongoing pressure on Emerging Market currencies - but also a slightly softer EUR/USD exchange rate - the US dollar is modestly stronger in index terms so far this week. This is despite a shocking miss in the NY Fed's manufacturing index. The Empire manufacturing survey plunged to its worst level since April 2009. Details were not particularly promising, and will raise fresh concerns about a US manufacturing sector suffering from a high USD and falling oil-industry capex. That said, such extreme weakness is inconsistent with the messages from other regional surveys. This week's Philly Fed and national Markit manufacturing surveys (Thursday and Friday respectively) will be now bear particularly closer watching.

Market fallout from the Empire survey was restrained in part by the fact that the latest US housing market reading, courtesy of the NAHB (Homebuilders) survey, rose to 61 from 60 in line with expectations and the highest reading since 2005 (i.e. before the US house price correction got fully underway in 2006 and which was the precursor to the GFC).

The data has left US Treasury yields slightly lower and Fed Funds now pricing a 46% chance of September tightening.

For those that may have missed it, yesterday NAB revised down its forecast for the AUD. We now expect AUD/USD to spend time below 70 cents, with a cyclical low of 0.68 forecast for the first half of 2015 before a modest recovery later in the year. Anticipation of (modest) additional US dollar strength assuming the start of Fed policy normalisation is not delayed beyond 2015, ongoing negative terms of trade pressures and the aforementioned drag from rising USD/Asia FX in general – plus some allowance for overshoot – drives the current forecasts.

Coming Up

It's very much a day of second tier economic news today, though New Zealand markets will be on tenterhooks tonight ahead of the latest Global Dairy Trade Auction and which has been one of the biggest drivers of volatility (downwards!) in all things NZD of late. A further reduction in supply being offered into the auction by Fonterra has been associated with a rise in milk futures prices of about 8% since the last auction (and when average prices fell by 9.3%).

Locally, the RBA minutes are the highlight, but since we have already had the latest SoMP since the August meeting, and we know how the RBA is now choosing to characterise the currency (i.e., "is adjusting to the significant fall in key commodity prices") it's doubtful we will find much if anything to move markets.

Data wise we get the weekly ANZ Roy Morgan Consumer Confidence Index, but more interesting (unusually) will be new car sales for July, bearing in mind the Budget measure to allow SMEs to write off capital purchases under $20,000 a year.

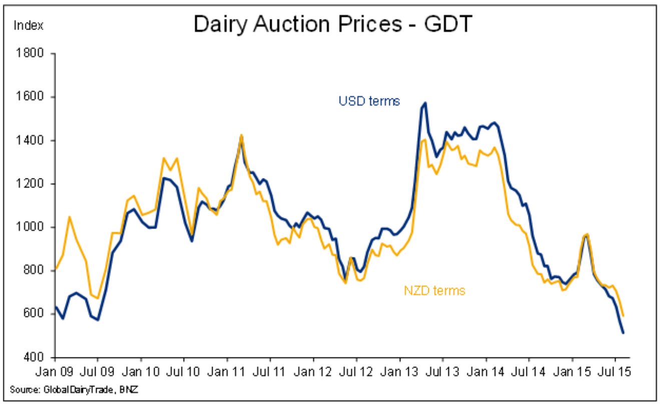
Also of interest in our time zone (11:30 AEST) we'll get the latest (July) China property price data and where average prices nationwide have edged slightly higher in the previous two months, albeit only really in top tier cities.

Tonight, it's UK CPI and PPI and US housing starts.

Overnight

On global stock markets, the S&P 500 was +0.40%. Bond markets saw US 10-years -2.82bp to 2.17%. On commodity markets, Brent crude oil -1.06% to $48.67, gold+0.5% to $1,119, iron ore -0.1% to $56.66. AUD is at 0.7376 and the range was 0.7344 to 0.7389.

Chart of the Day – Dairy Auction Prices (GDT)



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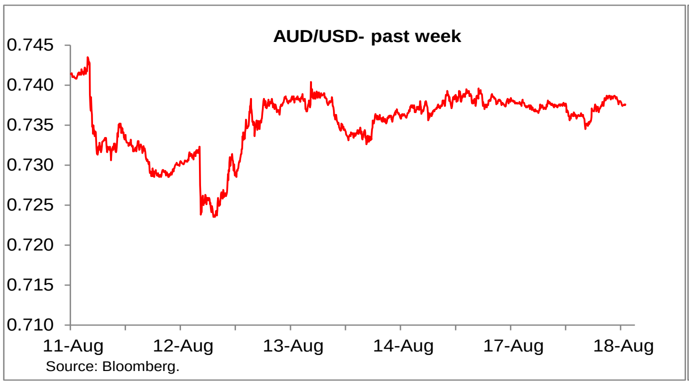
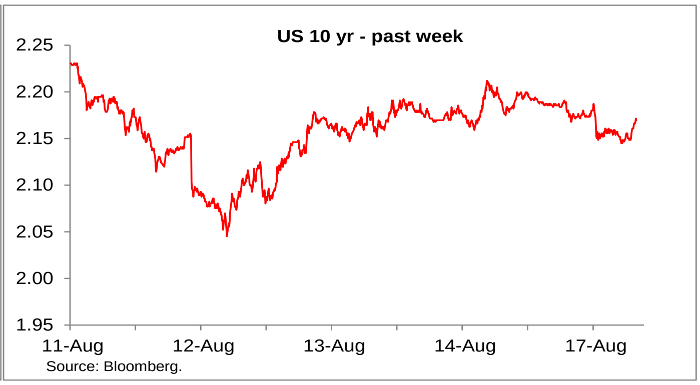


Source: Bloomberg.



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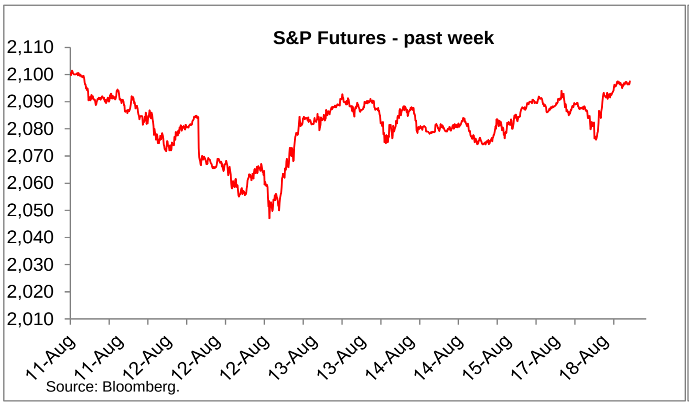

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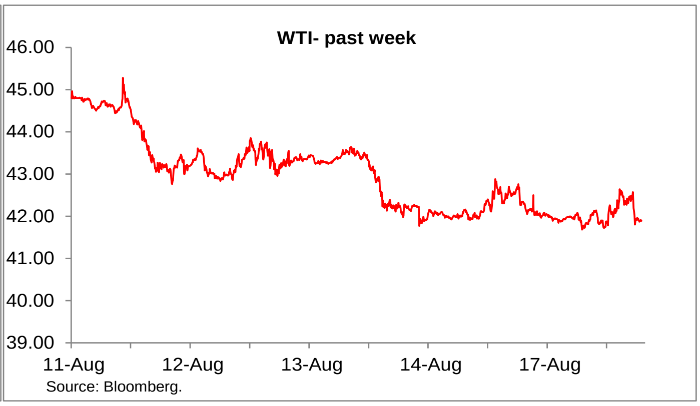

Source: Bloomberg.

Foreign Exchange

Indicative 24hr ranges (**)

	Last	% chge	Low	High
AUD	0.7376	0.0	0.7344	0.7389
NZD	0.6571	0.4	0.6528	0.6584
EUR	1.1084	-0.2	1.1059	1.1125
GBP	1.5587	-0.4	1.5579	1.5688
JPY	124.39	0.1	124.21	124.57
CAD	1.3084	0.0	1.3060	1.3152
AUD/EUR	0.6654	0.2		
AUD/JPY	91.75	0.0		
AUD/GBP	0.4732	0.3		
AUD/NZD	1.1225	-0.5		

Other FX

	Last	% chge
HKD	7.7549	0.0
CNY	6.3949	0.1
SGD	1.4075	0.0
IDR	13,822	0.3
THB	35.53	0.9
KRW	1,183	0.2
TWD	32.43	0.9
PHP	46.30	0.3
CHF	0.98	0.1
SEK	8.53	0.3

Equities

Major Indices	Last	% day	% y/y
Dow	17,548	+0.4	5.3
S&P 500	2,101	+0.4	7.5
Nasdaq	5,092	+0.9	14.0
FTSE	6,550	0.0	-2.1
DAX	10,940	-0.4	20.3
CAC 40	4,985	-0.1	19.4
Nikkei	20,620	+0.5	34.6
Shanghai	3,994	+0.7	78.3
Hang Seng	23,815	-0.7	-4.6
ASX 200	5,368	+0.2	-3.9

Commodities*

	Last	% day
Oil (Brent)	48.67	-1.1
Oil (WTI)	41.89	-1.4
Oil (Tapis)	50.43	-0.2
Gold	1118.60	0.5
CRB	196.53	-0.7
GS Metals	271.2	-0.9
Aluminium	1538	-0.9
Copper	5107	-1.0
Nickel	10593	0.3
Zinc	1809	-1.0
Ch. steel	2064	-0.5
Iron ore	56.7	-0.1
Coal	59.2	-0.3
Wheat Chic.	504.5	-1.4
Sugar	10.63	-0.5
Cotton	67.98	1.2
Coffee	138.6	-1.8

CO_2 Emissions - Euros

	Last	% day
Jun-2015	8.28	-1.0
Dec-2015	8.25	-1.0
Dec-2016	8.33	-1.0

Interest Rates

Indicative Swap Rates

	Cash	3mth	2Yr	10Yr
USD	0.25	0.32	0.95	2.24
AUD	2.00	2.14	2.10	3.10
NZD	3.00	2.91	2.87	3.63
EUR	0.05	0.06	0.09	0.99
GBP	0.50	0.58	1.08	2.00
JPY	0.10	0.09	0.14	0.57
CAD	0.50	1.17	0.73	1.89

Benchmark 10 Year Bonds

	Last	chge	Sprd
USD 10	2.17	-0.03	
AUD 10	2.78	0.00	0.61
NZD 10	3.32	-0.01	1.15
CAD 10	1.38	-0.02	-0.79
EUR 10	0.63	-0.03	-1.54
GBP 10	1.82	-0.06	-0.35
JPY 10	0.40	0.02	-1.77

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.89	0.00
3 Yr bond	98.05	0.02
10 Yr bond	97.22	0.04
3/10 sprd	0.83	-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
Tuesday, 18 August 2015								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Aug-16				112.5/-0.4%	*23.30*	9.30
CH	China Property Prices	Jul					*1.30*	11.30
AU	RBA Aug. Meeting Minutes						*1.30*	11.30
AU	New Motor Vehicle Sales MoM/YoY	Jul				3.8%4.0%	*1.30*	11.30
JN	Tokyo Condominium Sales YoY	Jul				0.0%	*4.00*	14.00
UK	Bloomberg Aug. United Kingdom Economic Survey						*7.30*	17.30
UK	CPI MoM/YoY	Jul		-0.3%/0%		0.0%/0.0%	*8.30*	18.30
UK	CPI Core YoY	Jul		0.8%		0.8%	*8.30*	18.30
UK	PPI Output Core NSA YoY	Jul				0.1%	*8.30*	18.30
UK	ONS House Price YoY	Jun				5.7%	*8.30*	18.30
US	Housing Starts / MoM	Jul		1200K/2.2%		1174K / 9.8%	*12.30*	22.30
US	Building Permits / MoM	Jul		1210K/-9.5%		1343K / 7.4%	*12.30*	22.30
NZ	Dairy Auction, GDT-weighted price, early AM NZ time					-9.30%		
Wednesday, 19 August 2015								
NZ	PPI Outputs YoY	2Q	-2.4%			-2.5%	*22.45*	8.45
NZ	Capital Goods Price Index, YoY	Q2				2.80%	*22.45*	8.45
JN	Trade Balance Adjusted	Jul				-Â¥251.7B	*23.50*	9.50
JN	Imports/Exports YoY	Jul				-2.9/9.5	*23.50*	9.50
AU	Westpac Leading Index MoM	Jul				0.0%	*0.30*	10.30
AU	Skilled Vacancies MoM	Jul				-0.9%	*1.00*	11.00
AU	Merchandise imports, BoP basis, sa	Jul				4.0%	*1.30*	11.30
JN	All Industry Activity Index MoM	Jun		0.40%		-0.5%	*4.30*	14.30
JN	Leading Index CI	Jun F				107.2	*5.00*	15.00
JN	Machine Tool Orders YoY	Jul F					*6.00*	16.00
EC	ECB Current Account SA	Jun				18.0B	*8.00*	18.00
EC	Construction Output MoM	Jun				0.3%	*9.00*	19.00
US	MBA Mortgage Applications	Aug-14					*11.00*	21.00
US	CPI MoM/YoY	Jul		0.2%/0.2%		0.3%/0.1%	*12.30*	22.30
US	CPI Ex Food and Energy MoM/YoY	Jul		0.2%/1.8%		0.2%/1.8%	*12.30*	22.30
US	U.S. Fed Releases Minutes from July 28-29 FOMC Meeting						*18.00*	4.00
Thursday, 20 August 2015								
NZ	ANZ Job Advertisements MoM	Jul				-0.6%	*22.00*	8.00
US	Fed's Kocherlakota (nv) Speaks at Bank of Korea Event						*0.20*	10.20
NZ	ANZ Consumer Confidence Index / MoM	Aug				113.9/-5.0%	*1.00*	11.00
AU	RBA FX Transactions Market	Jul				2922M	*1.30*	11.30
CH	MNI Business Indicator	Aug				48.8/-4.7	*1.45*	11.45
AU	Panel participation by RBA's Mark Manning, Deputy Head of Payments Policy at Risk Conference						*4.10*	14.10
US	Fed's Williams (v) speaks in Indonesia						*6.45*	16.45
JN	Convenience Store Sales YoY	Jul				0.6%	*7.00*	17.00
UK	Retail Sales Ex Auto Fuel MoM	Jul		0.2%		-0.2%	*8.30*	18.30
UK	CBI Trends Total Orders	Aug				-10	*10.00*	20.00
EC	ECB's Nowotny speaks in Panel on "Europe's Crisis"						*11.30*	21.30
CA	Wholesale Trade Sales MoM	Jun				-1.0%	*12.30*	22.30
US	Initial Jobless Claims	**Aug-15**		**270K**		**274K**	***12.30***	**22.30**
US	Existing Home Sales	Jul				5.49M	*14.00*	0.00
US	Philadelphia Fed Business Outlook	Aug		7.0		5.7	*14.00*	0.00
US	Existing Home Sales MoM	Jul		5.42M/-1.3%		5.49M/3.2%	*14.00*	0.00
US	Leading Index	Jul		0.20%		0.6%	*14.00*	0.00
Friday, 21 August 2015								
NZ	Net Migration SA	Jul				4800	*22.45*	8.45
NZ	Credit Card Spending MoM/YoY	Jul				0.3%/6.5%	*3.00*	13.00
JN	Supermarket Sales YoY	Jul				0.3%	*5.00*	15.00
GE	GfK Consumer Confidence	Sep		10.1		10.1	*6.00*	16.00
UK	Public Finances (PSNCR)	Jul				13.9B	*8.30*	18.30
CA	CPI NSA MoM/YoY	Jul				0.2%/1.0%	*12.30*	22.30
CA	CPI Core MoM/YoY	Jul				0.0%/2.3%	*12.30*	22.30
CA	Retail Sales MoM	Jun				1.0%	*12.30*	22.30
US	Markit Manufacturing	Aug P				53.8%	*13.45*	23.45
EC	Consumer Confidence	Aug A				-7.1	*14.00*	0.00
Monday, 24 August 2015								
JN	Nikkei Japan PMI Mfg	Aug P						11.35
CH	Caixin China PMI Mfg	Aug P						11.45
GE	Markit/BME Germany Manufacturing PMI	Aug P						17.30
GE	Markit Germany Services PMI	Aug P						17.30
GE	Markit/BME Germany Composite PMI	Aug P						17.30
EC	Markit Eurozone Manufacturing PMI	Aug P						18.00
EC	Markit Eurozone Services PMI	Aug P						18.00
EC	Markit Eurozone Composite PMI	Aug P						18.00
US	Chicago Fed Nat Activity Index	Jul				0.1		22.30
US	Markit US Manufacturing PMI	Aug P						23.45
GE	Import Price Index MoM	Jul				-0.5%		0.00
GE	Import Price Index YoY	Jul				-1.4%		0.00
CA	Bloomberg Nanos Confidence	Aug-21						0.00
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		1-Sep	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%		
New Zealand, RBNZ		10-Sep	2.75%	2.75%		3.00%		
Canada, BoC		10-Sep				0.50%		
US Federal Reserve		18-Sep				0-0.25%		

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

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