



Markets Today

A daily outlook for Australia, key global economies and markets

23 September 2015

Pick and Mix Excuses

It's a bit of pick and mix for explanations regarding market moves in the last 24 hours. There has been no top tier economic data, no new speeches, or surprises. But, equities tumbled, commodities are soft, yields are lower and the USD has regained its strength. Market measures of risk aversion and volatility are higher and there is a general sense of unease pervading the moves.

A Reuters poll shows that 41 of 80 economists believe that the Fed should have hiked last week (to be fair, consistent with the pre-FOMC polls). This is along the same theme as a number of reports in the press, that the ensuing uncertainty is creating this market unease, and particularly the sell-off in emerging market currencies. A majority believe that the Fed will hike this year, but we are just now left unable to move on from the "when" debate and "what" will happen to markets when they do.

There is also pressure on commodities and thus commodity producers (Brazil's *real* is the worst performing currency and commodity producer equities are under pressure) given the uncertainty about global growth and what is happening in China. That comes with no new information from China yet this week and which indeed has been relative stable. The AUD has been a little softer overnight, but if this theme catches on, it could be expected to underperform.

Another factor given for the equity market weakness is the revelations from VW that their emissions systems provided a misleading reading. This has sparked investigations in many jurisdictions as it is said to affect 11 million vehicles globally. It is being touted as having the potential to weigh on German GDP as sales dry up. But to apply that to broader markets is such a long bow that it gives us a sense that markets are generally spooked.

In the UK, public sector net borrowing was higher than expected, due to lower income tax receipts, and lead to the highest August borrowing for three years (thanks to my UK colleague Gavin Friend for details). Combine this news with the UK's CBI industrial trend orders which were particularly weak, and GBP was the underperforming G10 currency for the day.

Coming Up

Another quiet day in Australia today, with only second tier data and little guide from offshore. If the last two days are any guide, it is likely to be quiet.

Japan remains on holiday, China's Xi is visiting the US and its markets are generally stable, and there is no market moving data in the US. We may need to wait until later in the week for anything concrete to work with.

There is the potential for some market movement when China releases its early PMI, in the form of the Caixin PMI. This is expected to incrementally improve, but remain below the 50 breakeven level between growth and contraction.

The early PMIs for the US and Germany are also released today, with the Markit series. These have been growing in importance and thus may become market moving if it is away from expectations. The US series have been disappointing of late, so a better outcome would be relatively more interesting for markets.

The German series is less interesting in that it comes after the ZEW and just before the IFO- both well established series. A pullback is nonetheless expected.

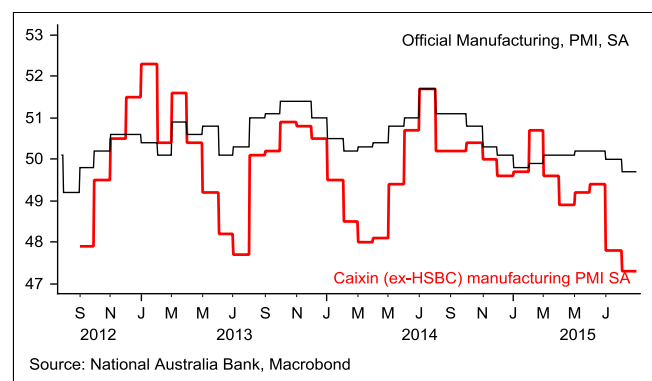
The Fed speak fest continues, but after the deluge post the FOMC meeting, some fatigue can be expected. This is particularly true given it is Lockhart again, twice! This morning and tonight. We will wait for Yellen to perhaps provide something else on Friday; although if she counters all the hawkish talk this week, there will be even more confusion than there has already been this week.

Overnight

On global stock markets, the S&P 500 was -1.30%. Bond markets saw US 10-years -6.40bp to 2.14%. On commodity markets, Brent crude oil +0.14% to \$48.99, gold-0.7% to \$1,125, iron ore -1.9% to \$56.21. AUD is at 0.7085 and the range was 0.7057 to 0.7159.

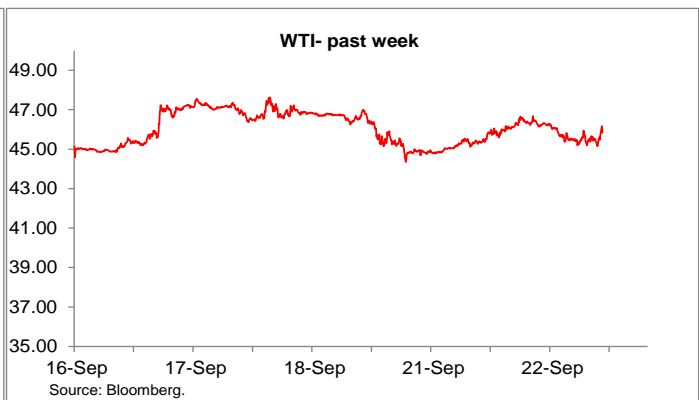
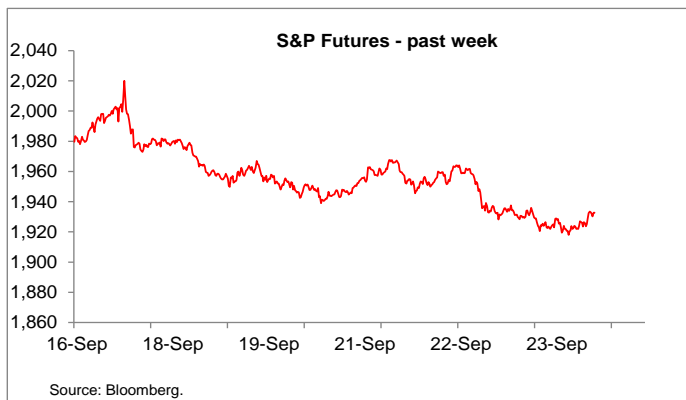
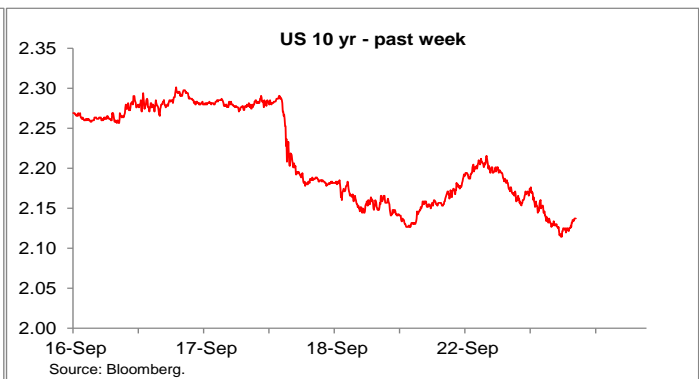
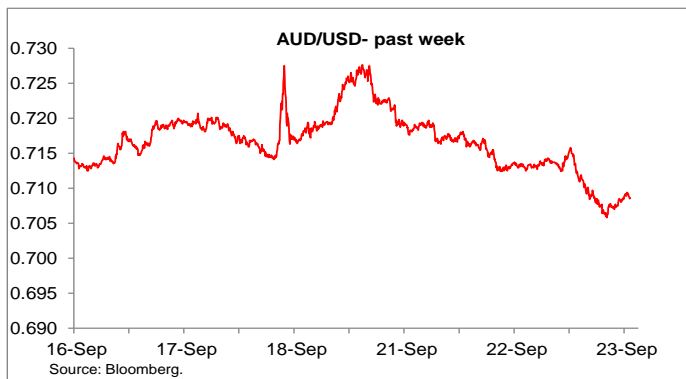
- UK net borrowing 11.3bnA, 8.8E, -0.1P
- UK CBI trends orders -7A, 0E, -1P

Chart of the Day: China PMI



Emma.lawson@nab.com.au

Markets



Foreign Exchange								Equities				Commodities*				
Indicative 24hr ranges (**)				Other FX				Major Indices								
	Last	% chge	Low	High		Last	% chge		Last	% day	% y/y		Last	% day		
AUD	0.7085	-0.7	0.7057	0.7159	HKD	7.7501	0.0	Dow	16,330	-1.1	-4.9	Oil (Brent)	48.99	0.1		
NZD	0.6287	-0.5	0.6272	0.6332	CNY	6.3761	0.1	S&P 500	1,942	-1.3	-2.6	Oil (WTI)	45.83	-1.8		
EUR	1.1127	-0.6	1.1114	1.1208	SGD	1.4171	0.5	Nasdaq	4,757	-1.5	5.1	Oil (Tapis)	47.52	-0.8		
GBP	1.5372	-0.9	1.5341	1.5529	IDR	14,552	0.5	FTSE	5,936	-2.8	-12.4	Gold	1124.80	-0.7		
JPY	120.11	-0.4	119.70	120.61	THB	36.06	0.7	DAX	9,571	-3.8	-1.8	CRB	194.82	-1.0		
CAD	1.3263	0.1	1.3219	1.3298	KRW	1,179	0.4	CAC 40	4,429	-1.5	-0.3	GS Metals	266.3	-2.6		
AUD/EUR	0.6368	-0.1			TWD	32.82	0.8	Nikkei	18,070	-2.0	10.7	Aluminium	1591	-1.9		
AUD/JPY	85.08	-1.0			PHP	46.65	0.3	Shanghai	3,186	+0.9	37.9	Copper	5093	-3.6		
AUD/GBP	0.4610	0.2			CHF	0.98	0.3	Hang Seng	21,797	+0.2	-8.6	Nickel	9666	-1.8		
AUD/NZD	1.1269	-0.2			SEK	8.40	0.5	ASX 200	5,104	+0.7	-5.8	Zinc	1622	-1.8		
												Ch. steel			1883	-0.6
												Iron ore			56.2	-1.9
												Coal			57.7	-0.1
												Wheat Chic.			502.8	-0.2
												Sugar			10.88	-0.5
												Cotton			58.73	-1.7
												Coffee			115.5	-1.5
												CO₂ Emissions - Euros				
															Last	% day
												Jun-2015			8.06	0.5
												Dec-2015			8.03	0.5
												Dec-2016			8.11	0.5

Interest Rates					Benchmark 10 Year Bonds				Overnight Futures		
Indicative Swap Rates					Benchmark 10 Year Bonds						
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd		Last	Chge
USD	0.25	0.33	0.79	2.14	USD 10	2.14	-0.06		Australia		
AUD	2.00	2.18	2.01	2.99	AUD 10	2.75	0.03	0.61	3 mth bill	97.92	0.00
NZD	2.75	2.85	2.72	3.60	NZD 10	3.32	0.04	1.19	3 Yr bond	98.13	0.04
EUR	0.05	0.06	0.05	0.97	CAD 10	1.48	-0.06	-0.66	10 Yr bonc	97.28	0.08
GBP	0.50	0.59	0.96	1.85	EUR 10	0.59	-0.09	-1.55	3/10 sprd	0.85	-0.04
JPY	0.10	0.08	0.10	0.49	GBP 10	1.78	-0.10	-0.35	SPI	-63.0	-1.2
CAD	0.50	1.17	0.76	1.90	JPY 10	0.31	0.00	-1.82			

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
Wednesday, 23 September 2015								
US	Fed's Lockhart speaks on economy (V)						22.30	8.30
AU	Conf. Board Leading Index MoM	Jul				-0.2%	0.00	10.00
AU	Skilled Vacancies MoM	Aug				0.1%	1.00	11.00
CH	Caixin China PMI Mfg	Sep P		47.8		47.3	1.45	11.45
GE	Markit/BME Manufacturing/Services PMI	Sep P		52.8/54.5		53.3/54.9	7.30	17.30
EC	Markit Manufacturing/Services PMI	Sep P		52.2/54.2		52.3/54.4	8.00	18.00
UK	BBA Loans for House Purchase	Aug					8.30	18.30
US	MBA Mortgage Applications	Sep-18					11.00	21.00
CA	Retail Sales/Ex Autos MoM	Jul				0.6%/0.8%	12.30	22.30
EC	ECB's Draghi quarterly hearing in Brussels						13.00	23.00
US	Markit US Manufacturing PMI	Sep P		53.2		53	13.45	23.45
EC	ECB's Weidmann speaks						16.00	2.00
US	Fed's Lockhart speaks on economy (V)						16.30	2.30
Thursday, 24 September 2015								
NZ	Fonterra Announces 2014/15 Results, Prev. \$4.40/20-30 cents/\$3.85 (milk price 2014/15, dividend 2014/15, milk price 2015/16), 8-9am NZT							
NZ	Trade Balance	Aug	-\$780M	-\$875M		-\$649M	22.45	8.45
JN	Nikkei Japan PMI Mfg	Sep P		51.2		51.7	1.35	11.35
NZ	New residential lending	Aug				27.9%	3.00	13.00
US	RBA's Alex Heath speaks at Urban Development Institute, Perth						4.00	14.00
JN	All Industry Activity Index MoM	Jul		0.0%		0.3%	4.30	14.30
GE	GfK Consumer Confidence	Oct		9.8		9.9	6.00	16.00
GE	IFO Business Climate	Sep		107.9		108.3	8.00	18.00
GE	IFO Current Assessment/Expectations	Sep		114.8/101.6		114.8/102.2	8.00	18.00
UK	BBA Loans for House Purchase	Aug				46033	8.30	18.30
US	Chicago Fed Nat Activity Index	Aug				0.34	12.30	22.30
US	Initial Jobless Claims	Sep-19				264K	12.30	22.30
US	Durable Goods Orders/core orders	Aug		-2%/-0.1%		2%/2.2%	12.30	22.30
US	Bloomberg Consumer Comfort	Sep-20					13.45	23.45
US	New Home Sales	Aug		515K/1.6%		507K/5.4%	14.00	0.00
US	Kansas City Fed Manf. Activity	Sep				-9	15.00	1.00
Friday, 25 September 2015								
US	Fed Chair Yellen delivers lecture						21.00	7.00
JN	Natl CPI/Ex Fresh Food & Energy YoY	Aug		0.1%/0.7%		0.2%/0.6%	23.30	9.30
JN	Tokyo CPI/Ex Fresh Food & Energy YoY	Sep		-0.1%/0.5%		0.1%/0.4%	23.30	9.30
JN	PPI Services YoY	Aug		0.5%		0.6%	23.50	9.50
EC	ECB's Weidmann takes part in Florence conference						7.00	17.00
EC	M3 Money Supply YoY	Aug		5.4%		5.3%	8.00	18.00
US	GDP Annualized QoQ (later vintage)	2Q T		3.70%		3.70%	12.30	22.30
US	Fed's Bullard speaks on Monetary Policy (NV)						13.15	23.15
US	Markit US Services/Composite PMI	Sep P		55.7/ ..		56.1/55.7	13.45	23.45
US	U. of Mich. Sentiment	Sep F		87.0		85.7	14.00	0.00
Monday, 28 September 2015								
CH	Industrial Profits YoY	Aug					1.30	11.30
JN	Leading Index CI	Jul F					5.00	15.00
JN	Coincident Index	Jul F					5.00	15.00
US	Personal Income	Aug					12.30	22.30
US	Personal Spending	Aug					12.30	22.30
US	Real Personal Spending	Aug					12.30	22.30
US	PCE Deflator MoM	Aug					12.30	22.30
US	PCE Deflator YoY	Aug					12.30	22.30
US	PCE Core MoM	Aug					12.30	22.30
US	PCE Core YoY	Aug					12.30	22.30
UK	Nationwide House PX MoM	Sep					14.00	0.00
UK	Nationwide House Px NSA YoY	Sep					14.00	0.00
CH	Leading Index	Aug					14.00	0.00
GE	Retail Sales MoM	Aug					14.00	0.00
GE	Retail Sales YoY	Aug					14.00	0.00
CA	Bloomberg Nanos Confidence	Sep-25					14.00	0.00
US	Pending Home Sales MoM	Aug					14.00	0.00
US	Pending Home Sales NSA YoY	Aug					14.00	0.00
US	Dallas Fed Manf. Activity	Sep					14.30	0.30
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		6-Oct	2.00%	2.00%		2.00%		
Japan, BoJ		7-Oct	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
UK BOE		8-Oct				0.50%		
Europe ECB		22-Oct				0.05%		
Canada, BoC		22-Oct				0.50%		
US Federal Reserve		29-Oct				0-0.25%		
New Zealand, RBNZ		29-Oct	2.50%	2.50%		2.75%		

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

Global Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406

Australia

Economics

Ivan Colhoun
Chief Economist, Markets
+61 2 9237 1836

David de Garis
Senior Economist
+61 3 8641 3045

Tapas Strickland
Economist
+61 2 9237 1980

FX Strategy

Ray Attrill
Global Co-Head of FX Strategy
+61 2 9237 1848

Emma Lawson
Senior Currency Strategist
+61 2 9237 8154

Interest Rate Strategy

Skye Masters
Head of Interest Rate Strategy
+61 2 9295 1196

Rodrigo Catril
Interest Rate Strategist
+61 2 9293 7109

Credit Research

Michael Bush
Head of Credit Research
+61 3 8641 0575

Simon Fletcher
Senior Credit Analyst – FI
+61 2 9237 1076

Distribution

Barbara Leong
Research Production Manager
+61 2 9237 8151

Group Economics

Alan Oster
Group Chief Economist
+61 3 8634 2927

New Zealand

Stephen Toplis
Head of Research, NZ
+64 4 474 6905

Craig Ebert
Senior Economist
+64 4 474 6799

Doug Steel
Senior Economist
+64 4 474 6923

Kymerly Martin
Senior Market Strategist
+64 4 924 7654

Raiko Shareef
Currency Strategist
+64 4 924 7652

Yvonne Liew
Publications & Web Administrator
+64 4 474 9771

Asia

Christy Tan
Head of Markets Strategy/Research, Asia
+852 2822 5350

UK/Europe

Nick Parsons
Head of Research, UK/Europe,
and Global Co-Head of FX Strategy
+44 207 710 2993

Gavin Friend
Senior Markets Strategist
+44 207 710 1588

Derek Allassani
Research Production Manager
+44 207 710 1532

James Glenn
Senior Economist – Australia
+61 3 9208 8129

Vyanne Lai
Economist – Australia
+61 3 8634 0198

Phin Ziebell
Economist – Agribusiness
+61 475 940 662

Amy Li
Economist – Australia
+61 3 8634 1563

Dean Pearson
Head of Industry Analysis
+61 3 8634 2331

Robert De lure
Senior Economist – Industry Analysis
+61 3 8634 4611

Brien McDonald
Senior Economist – Industry Analysis
+61 3 8634 3837

Karla Bulauan
Economist – Industry Analysis
+61 3 8641 4028

Tom Taylor
Head of Economics, International
+61 3 8634 1883

Tony Kelly
Senior Economist – International
+61 3 9208 5049

Gerard Burg
Senior Economist – Asia
+61 3 8634 2788

John Sharma
Economist – Sovereign Risk
+61 3 8634 4514

Jacqui Brand
Personal Assistant
+61 3 8634 2181

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