Markets Today

A daily outlook for Australia, key global economies and markets

National Australia Bank

2 October 2015

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At the start of a new quarter, markets are struggling for a clear frame of reference, not yet sure whether bad economic news is good news for risk if it keeps the Fed at bay for longer, or is bad news because it serves to amplify concerns about the overall health of the global economy. Or indeed, whether the Fed getting on with the job of getting rates off the zero lower bound is good or bad news for risk.

After yesterday's very mild upside surprises in China manufacturing PMIs (albeit stuck at depressed levels) proved to be somewhat cathartic (for risk, emerging market and the AUD) last night's US manufacturing ISM initially had a depressing impact on US equities, which had been rallying into the data. At 50.2 down from 51.1 and 50.6 expected, the data confirmed what we pretty much knew from the various regional Fed manufacturing surveys – which is that the manufacturing sector has stalled. Equities subsequently recovered with the S&P closing with a small (0.2%) gain while 10 year Treasuries pulled up from their immediate post-ISM intra-day lows of 2.01 to close at 2.04%.

The glass half full view of the economy (well 85% full actually) is that the non-manufacturing economy is going gangbusters and this is what is driving the ongoing tightening in labour market conditions. In this respect the little noticed NFIB (small business) hiring plan index published on Wednesday night held strong at 12.0 (just above its year-to-date average). Initial jobless claims meanwhile, though up to 277k from 267k last night, remain fully consistent with ongoing strong jobs growth/falling unemployment. Let's see what tonight brings.

Fed official meanwhile have done their best top keep the 2015 tightening door wide open. Richmond Fed President Lacker (who dissented in favour of an immediate rate rise last month) said that an October rate rise is possible and that he's concerned the Fed could move too slowly. San Francisco Fed President Williams meanwhile also says October is live but adds that the global slowdown poses risks to the US economy. He says it won't take much to tip the balance, but adds that the Fed could cut rates after raising them, if conditions worsen. Bring on the next easing cycle

Other economic news saw the UK manufacturing PMI steady at 51.5 and the Eurozone equivalent unchanged at 52.0 from the 'flash' estimate. The next set of EZ figures will be keenly awaited for evidence of the initial impact of the VW diesel emissions revelations.

In currencies, it's been a night without much to say for itself, other than that USD/JPY once again lost its grip on the ¥120 handle following Bloomberg news headlines that the 'BOJ is said to see little immediate ned for adding stimulus'. With many in the leveraged FX community apparently geared up for something new from the BoJ this month (they meet twice in October, including next week) the risk of disappointment appears to be quite high. The AUD meanwhile, failed to build on yesterday's APAC session gains to just above 0.7080, giving back half a cent in the NY afternoon and taking the AUD/NZD cross back below 1.10.

Coming Up

US payrolls day has come round again, but amid a still lingering sense that it is global market/economic conditions staying the Fed's hand at present, tonight's September numbers might not be completely crucial for upcoming FOMC deliberations. Much stronger or weaker than expected data could of course instantly challenge that view. Consensus looks for a near-200k gain in payrolls, steady unemployment rate at 5.1% and an uptick in annual average earnings growth to 2.4% from 2.2%. We also need to be on guard for potential revision to last month's data first reported at 173k). August numbers have been prone to significant upward revision in recent years.

Fed Vice-Chair Stanley Fischer and St. Louis Fed President Bullard are both due to speak post-payrolls, so we can hopefully look forward to some almost real-time judgement on the numbers and which Janet Yellen continues to claim are singularly the most important input to the Fed's decision making process.

Ahead of US payrolls and what promises to be a very warm three day weekend for those of us in New South Wales at least (sorry) we get to hear from ECB President Draghi who is due to deliver a speech in New York at 11:30 AEST.

Domestically, we have August retail sales data. Retail sales values continue to grow in trend terms and we expect this to be also evident in the August report, looking for a return to monthly growth after last month's 0.1% dip that broke a long sequence of monthly gains. Business conditions in the retail industry have not only continued to make some gains but stepped up another notch in August. While this may not map one-to-one with the ABS series, it's a reminder that retailers are reporting somewhat better trading conditions overall, notwithstanding what the monthly data point to.

NAB looks for growth of 0.3% in August; we are also mindful that fruit and vegetable prices dipped 0.5% in August, crimping the value of food retailing sales, but still likely resulted in strong volumes growth.

Overnight

- On global stock markets, the S&P 500 was +0.20%. Bond markets saw US 10-years +0.70bp to 2.04%. On commodity markets, Brent crude oil -0.89% to $47.94, gold-0.1% to $1,114, iron ore -0.5% to $56.04. AUD is at 0.7028 and the range was 0.6998 to 0.7085.

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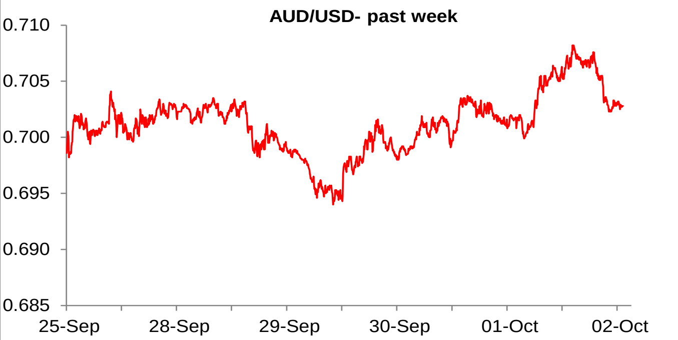
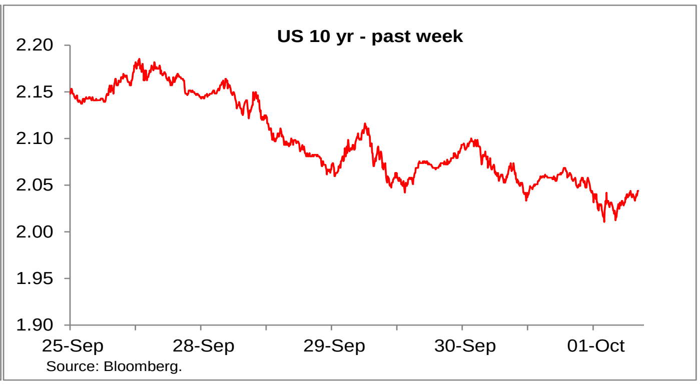
Markets



Source: Bloomberg.



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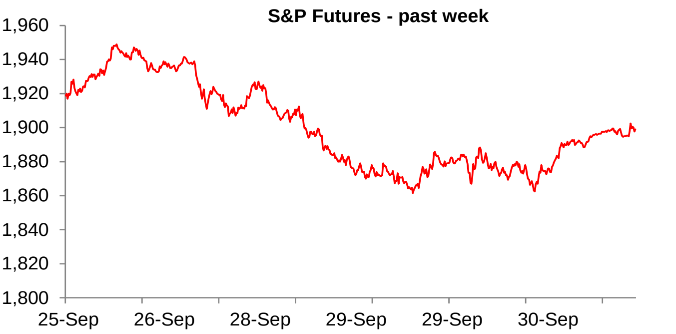

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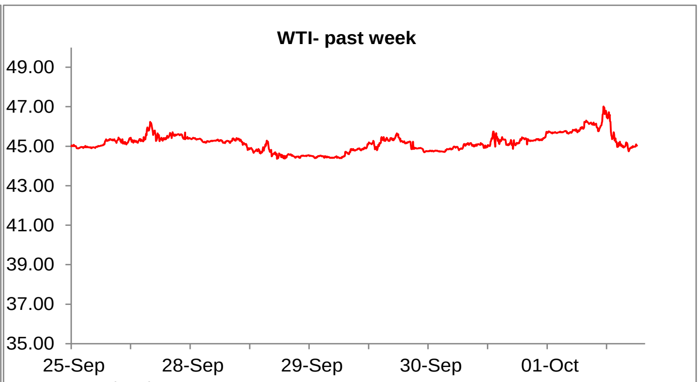

Source: Bloomberg.

Foreign Exchange

			Indicative 24hr ranges (**)		Other FX		
	Last	% chge	Low	High		Last	% chge
AUD	0.7029	0.2	0.6998	0.7085	HKD	7.7501	0.0
NZD	0.6400	0.0	0.6386	0.6450	CNY	6.3571	0.0
EUR	1.1183	0.1	1.1135	1.1209	SGD	1.4307	0.6
GBP	1.5132	0.0	1.5108	1.5180	IDR	14,691	0.3
JPY	119.93	0.0	119.50	120.28	THB	36.51	0.4
CAD	1.3259	-0.4	1.3219	1.3332	KRW	1,176	-0.8
AUD/EUR	0.6285	0.1			TWD	32.89	-0.3
AUD/JPY	84.29	0.2			PHP	46.75	0.0
AUD/GBP	0.4645	0.1			CHF	0.98	0.4
AUD/NZD	1.0985	0.2			SEK	8.38	0.1

Equities

Major Indices	Last	% day	% y/y
Dow	16,272	-0.1	-3.2
S&P 500	1,924	+0.2	-1.1
Nasdaq	4,627	+0.1	4.6
FTSE	6,072	+0.2	-7.4
DAX	9,509	-1.6	1.4
CAC 40	4,427	+0.2	1.4
Nikkei	17,722	+1.9	13.2
Shanghai	3,053	+0.5	29.1
Hang Seng	20,846	+1.4	-9.1
ASX 200	5,112	+1.8	-3.5

Commodities*

	Last	% day
Oil (Brent)	47.94	-0.9
Oil (WTI)	45.03	-0.1
Oil (Tapis)	49.31	2.4
Gold	1114.20	-0.1
CRB	192.51	-0.6
GS Metals	266.0	-1.2
Aluminium	1564	-0.9
Copper	5112	-1.3
Nickel	10023	-3.4
Zinc	1678	-0.2
Ch. steel	1826	-0.7
Iron ore	56.0	-0.5
Coal	53.5	-0.7
Wheat Chic.	524.3	0.9
Sugar	13.26	3.0
Cotton	59.65	0.3
Coffee	120.8	-0.5

CO_2 Emissions - Euros

	Last	% day
Jun-2015	8.20	0.2
Dec-2015	8.17	0.2
Dec-2016	8.25	0.2

Interest Rates

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	0.25	0.33	0.78	2.03	USD 10	2.04	0.01	
AUD	2.00	2.17	1.97	2.89	AUD 10	2.62	0.01	0.58
NZD	2.75	2.84	2.70	3.51	NZD 10	3.30	0.01	1.26
EUR	0.05	0.06	0.04	0.93	CAD 10	1.43	0.00	-0.61
GBP	0.50	0.58	0.95	1.81	EUR 10	0.54	-0.05	-1.51
JPY	0.10	0.08	0.10	0.50	GBP 10	1.74	-0.02	-0.30
CAD	0.50	1.17	0.82	1.88	JPY 10	0.33	-0.03	-1.72

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.96	0.00
3 Yr bond	98.21	0.01
10 Yr bond	97.37	0.00
3/10 sprd	0.84	0.01
SPI	-18.0	-0.4

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	Period	Forecast	Consensus	Actual	Previous	GMT	AEST
Friday, 2 October 2015								
US	Fed's Williams (nv) Speaks						18.30	4.30
JN	Jobless Rate	Aug		3.3		3.3	23.30	9.30
NZ	ANZ Commodity Price	Sep				-5.2	0.00	10.00
AU	Retail Sales MoM	Aug	0.3	0.4		-0.1	1.30	11.30
UK	Markit/CIPS UK Construction PMI	Sep		57.5		57.3	8.30	18.30
US	Change in Nonfarm Payrolls	Sep		200		173	12.30	22.30
US	Unemployment Rate	Sep		5.1		5.1	12.30	22.30
US	Average Hourly Earnings MoM/YoY	Sep		0.2		0.3/2.2	12.30	22.30
US	Factory Orders/ex transport	Aug		-1.2		0.4/-0.6	14.00	0.00
US	Fed's Fischer (v) addresses Boston Fed Conference on Monetary Policy						17.00	3.00
Monday, 5 October 2015								
AU	AiG PSI Services	Sep				55.6	22.30	9.30
AU	TD-MI CPI gauge MoM/YoY	Sep				0.1/1.7	23.30	10.30
AU	ANZ Job Advertisements MoM	Sep				1	0.30	11.30
JN	Nikkei Services/Composite PMIs	Sep				53.7/52.9	1.35	12.35
FR	Markit Services/Composite PMIs	Sep F				51.2/51.4	7.50	18.50
GE	Markit Services/Composite PMIs	Sep F				54.3/54.3	7.55	18.55
EZ	Markit Services/Composite PMIs	Sep F				54/53.9	8.00	19.00
EZ	Sentix Economic Indices Euro A	Oct				13.6	8.30	19.30
UK	Markit/CIPS Services/Composite PMIs	Sep				55.6/55.1	8.30	19.30
EZ	Retail sales MoM/YoY	Aug				0.4/2.7	9.00	20.00
US	Markit Services/Composite PMIs	Sep F				55.6/55.3	13.45	0.45
US	ISM Non-Manufacturing	Sep		58		59	14.00	1.00
US	Labour Market Conditions Index change	Sep				2.1	14.00	1.00
Tuesday, 6 October 2015								
NZ	NZIER Business Opinion Survey	3Q				5	21.00	8.00
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct 4				110.6	22.30	9.30
AU	Trade balance	Aug		-2475		-2460	0.30	11.30
AU	RBA cash rate target	Oct 6	2	2		2	3.30	14.30
GE	Manufacturing orders MoM/YoY	Aug				-1.4/-0.6	6.00	17.00
CA	Merchandise trade	Aug				-0.59	12.30	23.30
US	Trade balance	Aug		-42		-41.86	12.30	23.30
CA	Ivey Purchasing Managers Index	Sep				58	14.00	1.00
EC	ECB's Draghi Speaks in Frankfurt						0.00	4.00
US	Fed's Williams Gives Outlook Speech in San Francisco						0.00	8.30
Wednesday, 7 October 2015								
AU	AiG PCI Construction	Sep				53.8	22.30	9.30
AU	Australia Housing Industry Ass	Aug				-1.8	0.00	11.00
JN	Leading Index	Aug P				105	5.00	16.00
GE	Industrial production MoM/YoY	Aug				0.7/0.5	6.00	17.00
UK	Industrial production MoM/YoY	Aug				-0.4/0.8	8.30	19.30
Thursday, 8 October 2015								
NZ	Anz Truckometer Heavy Traffic	Sep				-0.6	21.00	8.00
UK	Rics England & Wales Housing M	Sep				53	23.10	10.10
JN	Machinery orders MoM/YoY	Aug				-3.6/2.8	23.50	10.50
JN	Japan Balance Of Payments Curr	Aug				1808.6	23.50	10.50
JN	Balance of Payments Curernt account, sa ¥bn	Aug				1321.8	23.50	10.50
AU	RBA's Simon Gives Speech in Sydney						3.05	14.05
JN	Japan Bankruptcies Cases With	Sep				-13.06	4.30	15.30
AU	Australia Official Reserve Ass	Sep				71.2	5.30	16.30
UK	Bank Of England Asset Purchase	Oct				375	11.00	22.00
UK	BoE Bank rate	Oct 8				0.5	11.00	22.00
EC	ECB's Praet Speaks in Mannheim, Germany						13.00	0.00
EC	ECB account of the monetary policy meeting						13.00	0.00
CA	Canada Mortgage And Housing Co	Sep				216.924	12.15	23.15
US	Us Initial Jobless Claims Sa	Sep 25				267	11.30	22.30
CA	New Housing prices MoM/YoY	Aug				0.1/1.3	12.30	23.30
US	Fed's Bullard to Give Welcome at Symposium on Savings						13.30	0.30
US	Fed's Kocherlakota Gives Welcoming Remarks in Mankato, MN						17.00	4.00
US	U.S. Fed Releases Minutes from Sept. 16-17 FOMC Meeting						18.00	5.00
US	Fed's Williams Gives Outlook Speech in Spokane						19.30	6.30

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

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