

# Markets Today

A daily outlook for Australia, key global economies and markets

10 November 2015

## Fado fading?

A night of consolidation for markets with inconsequential data not pushing markets one way or the other. The OECD joined other forecasters revising down its global growth forecasts for the second time in three months, while Fed President Rosengren was also singing to the same December lift-off tune. The AUD has been range bound against a marginally softer USD, while the Euro is touch weaker as Portuguese politics sees their bonds trade higher in yield, and more so relative to most other Eurozone counterparts (Spanish yields ticked slightly higher.)

In its half yearly Economic Outlook released overnight, the OECD forecasts the world economy to grow 2.9% this year and 3.3% next, revised down from 3.0/3.6% in September on emerging market weakness, Russia and Brazil in recession and China soft. For Australia, the OECD predicts 2.2% growth this year, picking up 2.6% in 2016 and 3% in 2015.

"All future committee meetings – including December's – could be an appropriate time for raising rates, as long as the economy continues to improve as expected". So said Boston Fed President Eric Rosengren overnight, sticking with the pack in signalling that a December rate hike is "live". While Rosengren has been one of the more dovish FOMC members, he's been signalling a preference for a hike by year-end for some time. Overnight he cited the better-than-expected October US employment report and retail spending as offsets to export market weakness. He repeated his preference for gradual rises.

Portugal is threatening to flare up as a EUR issue. A month ago in the General Election, the main Socialist Opposition Party won the most seats but under the Constitution was controversially denied the opportunity to form a Government by the President. Today, the four main Socialist parties agreed to form a coalition to unite against austerity. 10 year bonds have risen 15bp to a four month high of 2.83%. The Euro is a touch weaker against a somewhat softer USD.

## Coming up

After NZ card spending data for October at 845 AEDT and weekly ANZ-Roy Morgan consumer confidence at 9.30, the market will be focusing on the NAB Business Survey for October at 1130. (There is also ABS Housing finance approvals at 11.30 and Japan's current account figures at 1050 AEDT.) Recall that in September, for the NAB business survey, there was a partial recovery in business confidence in the wake of the government's leadership uncertainties being resolved and a step down in global financial market/emerging market volatility. Business confidence rose 4 points to +5, more than unwinding the August decline. Business conditions was steady at an above-average +9 index points in September, employment then finally improving, turning positive to the highest level since mid-2001; trading conditions and profitability eased back.

For housing finance, the market will most interested in the investment lending figures and whether they continue to show further moderation. Headline owner occupied lending approval

volumes are expected to be steady to a little higher (NAB +0.8%).

The Australian data is followed at 1230 by China's CPI/PPI October numbers, though these aren't expected to be especially market moving with inflation subdued and not presenting any impediment to further Chinese economic policy easing.

There is second tier industrial production numbers out of Europe tonight, with the ECB's Nouy and Couere both speaking. In the US, some interest in the NFIB small business optimism index that's expected to tick a little higher from 96.1 to 96.5 in October, continuing its recovery from its June lows. The Bank of Canada's Wilkins is making some introductory remarks at an event in Toronto (so not a big set piece speech), while the Bank of England's Deputy Governor John Cunliffe speaking.

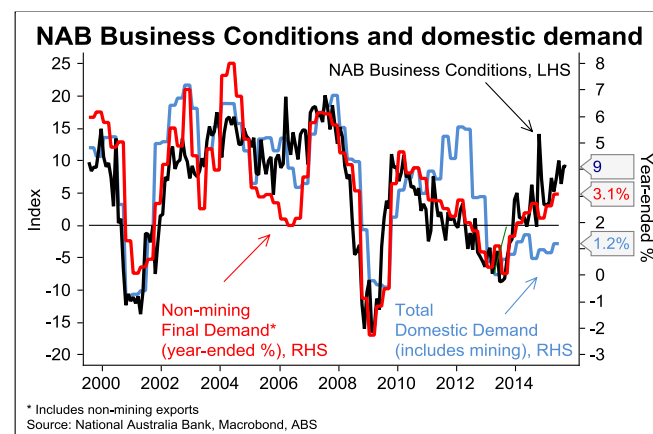
## Overnight

- Equities lose some grip: Eurostoxx 600 -1.1%, Dax -1.6%, CAC -1.5%, FTSE -0.9%. Dow -205 points to 17,706, -1.1%, S&P 500 -1.1%, Nasdaq -1.2%, VIX 16.81 +17.3%. Shanghai +1.6%, Mumbai +1.6%, Nikkei 225 -1.2% and ASX 200 -1.8%; ASX SPI futures this morning -1.2%. US bond yields: 2s at 0.88% (0), 10s at 2.35% (+2). WTI oil at \$43.95 (-0.8%), Brent at \$47.21 (-0.4%), Malaysian Tapis (yesterday) \$47.07 (-1.0%). Gold at \$1089.80/oz (+0.2%). Base metals: LME copper -0.5%, nickel -0.5%, aluminium -0.7%. Iron ore \$48.2/t +0.1% Chinese steel rebar futures +0.1%. Soft commodities spot futures: wheat -3.8%, sugar -3.3%, cotton +0.4%, coffee 0.0%. Euro CO<sup>2</sup> emissions price (Dec 15) -1.1%. The AUD/USD's range overnight 0.7040-0.7070; indicative range today 0.7015-0.7080; the AUD/USD is 0.7050 now**
- EC Sentix Investor Confidence Survey (Nov) 15.1 (L: 11.7; E: 13.1); Canadian housing starts (Oct) 198.1K (L: 230.7K; E: 200K); US Fed's Labour Market Conditions Index Change (Oct) 1.6 (L: 0.0; E: 0.9)**

Good luck.

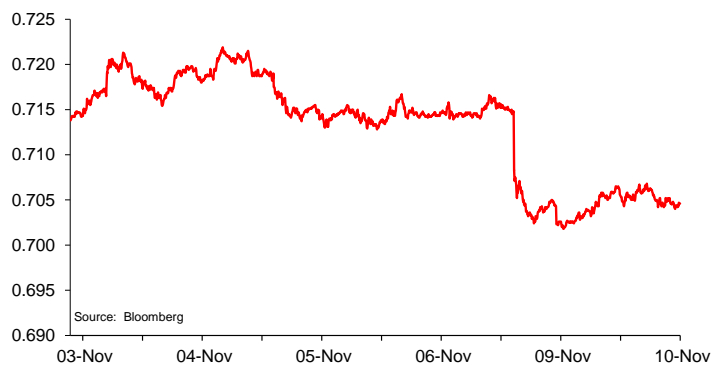
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## Chart of the day: NAB Survey - improved non-mining conditions

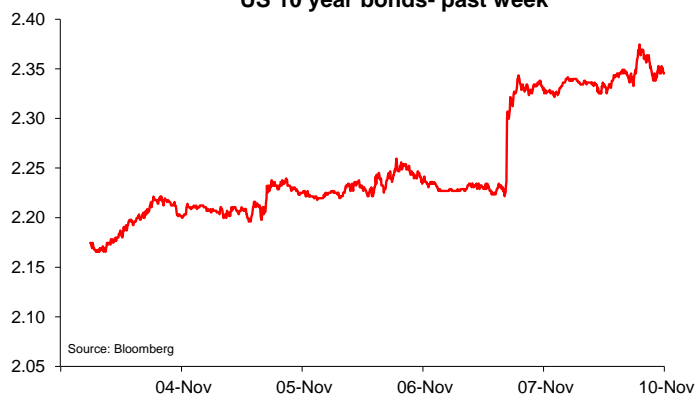


## Markets

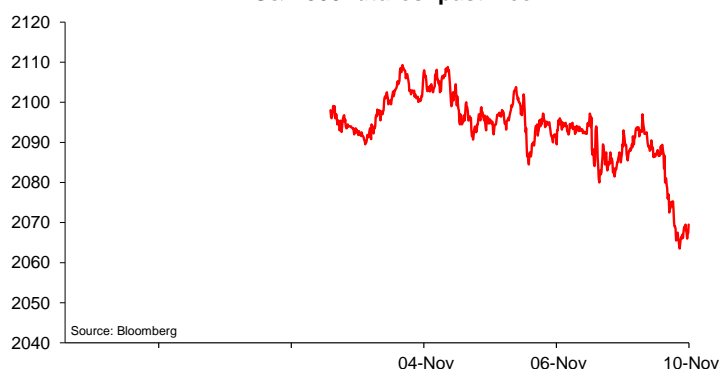
AUD/USD- past week



US 10 year bonds- past week



S&amp;P 500 futures- past week



WTI futures- past week



## Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7050	0.1	0.7017	0.7070	HKD	7.7518 0.0
NZD	0.6543	0.0	0.6521	0.6567	CNY	6.3630 0.0
EUR	1.0756	-0.2	1.0727	1.0789	SGD	1.4222 -0.1
GBP	1.5113	0.2	1.5077	1.5129	IDR	13,673 0.3
JPY	123.11	-0.3	122.98	123.57	THB	35.90 -0.1
CAD	1.3279	0.0	1.3246	1.3300	KRW	1,160 0.0
AUD/EUR	0.6553	0.1			TWD	32.79 0.0
AUD/JPY	86.77	-0.4			PHP	47.23 0.1
AUD/GBP	0.4664	-0.3			CHF	1.00 0.0
AUD/NZD	1.0775	-0.1			SEK	8.68 -0.1

## Equities

## Major Indices

	Last	% day	% year
Dow	17,706	-1.1	0.7
S&P 500	2,075	-1.2	2.1
Nasdaq	5,084	-1.2	9.7
VIX Index	16.81	17.3	28.1
FTSE	6,295	-0.9	-4.1
DAX	10,815	-1.6	16.4
CAC 40	4,911	-1.5	17.2
Nikkei	19,643	2.0	17.1
Shanghai	3,647	1.6	47.4
Hang Seng	22,727	-0.6	-4.3
ASX 200	5,119	-1.8	-7.3

## Commodities\*

	Last	% day
Oil (Brent)	47.21	-0.4
Oil (WTI)	43.95	-0.8
Oil (Tapis)	47.07	-1.0
Gold	1089.80	0.2
CRB	189.22	-0.9
GS Metals	260.6	0.0
Aluminium	1512	-0.7
Copper	4964	-0.5
Nickel	9580	-0.5
Zinc	1644	-1.0
Ch. steel	1800	0.1
Iron ore	48.2	0.1
St. coal	61.8	n.a.
Wheat Chic.	505.5	-3.8
Sugar	13.99	-3.3
Cotton	61.90	0.4
Coffee	117.8	0.0

## Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge
USD	0.25	0.34	0.98	2.24	USD 10	2.35 0.02
AUD	2.00	2.20	2.06	3.02	AUD 10	2.90 0.12
NZD	2.75	2.91	2.81	3.63	NZD 10	3.48 0.00
EUR	0.05	0.06	-0.05	0.97	CAD 10	1.73 0.01
GBP	0.50	0.58	1.04	2.03	EUR 10	0.66 -0.03
JPY	0.10	0.08	0.10	0.48	GBP 10	2.04 0.00
CAD	0.50	1.17	0.94	2.06	JPY 10	0.34 0.01

## Overnight Futures

	Last	Chge
<b>Australia</b>		
3 mth bill	97.86	0.00
3 Yr bond	97.96	0.02
10 Yr bond	97.08	-0.02
3/10 sprd	0.88	0.04
SPI	-59.0	-1.2

CO<sub>2</sub> Emissions - Euros

	Last	% day
Dec-2015	8.32	-1.1
Dec-2016	8.39	-1.1
Dec-2017	8.50	-1.0

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	AEDT
<b>Tuesday, 10 November 2015</b>								
NZ	REINZ Housing report (pending)	Oct						
NZ	ANZ Truckometer Heavy MoM	Oct				1.7	21.00	8.00
NZ	Card Spending Retail MoM/YoY	Oct	flat (total)	0.3% (retail)		0.7% (total)	21.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Nov-08				115.2	22.30	9.30
JN	BoP Current Account Adjusted	Sep		1500		1590.1	23.50	10.50
UK	BRC Sales Like-For-Like YoY	Oct		0.75		2.6	0.10	11.10
AU	NAB Business Confidence/Conditions	Oct				5/9	0.30	11.30
AU	Home Loans MoM	Sep	0.8	0		2.9	0.30	11.30
AU	Investment Lending	Sep				-0.4	0.30	11.30
CH	CPI/PPI YoY	Oct		1.5/-5.9		1.6/-5.9	1.30	12.30
EC	ECB's Noyu Speaks in Frankfurt						8.15	19.15
US	NFIB Small Business Optimism	Oct		96.5		96.1	11.00	22.00
EC	ECB's Coeure Speaks in Berlin						11.15	22.15
EC	ECB's Constancio Participates in Ecofin Meeting in Brussels							
US	Import Price Index MoM/YoY	Oct		-0.1/-9.4		-0.1/-10.7	13.30	0.30
US	Wholesale Inventories MoM	Sep		0		0.1	15.00	2.00
CA	Bank of Canada's Wilkins Makes Introductory Remarks in Toronto						17.00	4.00
<b>Wednesday, 11 November 2015</b>								
NZ	RBNZ Financial Stability Report						20.00	7.00
NZ	RBNZ Governor Wheeler News Conference on FSR						20.05	7.05
AU	Westpac Consumer Conf Index/MoM	Nov				97.8/4.2	23.30	10.30
JN	BOJ Harada makes a speech in Utsunomiya						1.30	12.30
CH	Retail Sales YoY/YTD	Oct		10.9/10.6		10.9/10.5	5.30	16.30
CH	Industrial Production YoY/YTD	Oct		5.8/6.2		5.7/6.2	5.30	16.30
CH	Fixed Assets Ex Rural YTD YoY	Oct		10.2		10.3	5.30	16.30
CH	Bloomberg GDP Monthly Estimate YoY	Oct				6.55	6.00	17.00
JN	Machine Tool Orders YoY	Oct P				-19.1	6.00	17.00
UK	Jobless Claims Change	Oct		1.35		4.6	9.30	20.30
UK	BoE's Carney Speak at BoE conference on market reform						9.00	20.00
EC	ECB's Constancio Speaks in Madrid							
EC	ECB President Mario Draghi Speaks at BOE event in London						13.15	0.15
<b>Thursday, 12 November 2015</b>								
NZ	BusinessNZ Manufacturing PMI	Oct				55.4	21.30	8.30
NZ	Food Prices MoM	Oct	0.2			-0.5	21.45	8.45
JN	Machine Orders MoM/YoY	Sep		3.1/-4.6		-5.7/-3.5	23.50	10.50
NZ	ANZ Consumer Confidence Index/MoM	Nov				114.9/3.7	0.00	11.00
UK	RICS House Price Balance	Oct		45		44	0.10	11.10
AU	Employment change/Unemployment rate	Oct	25/6.1	15/6.2		-5.1/6.2	0.30	11.30
GE	CPI MoM/YoY	Oct F		0/0.3		0/0.3	7.00	18.00
EC	Industrial Production SA MoM/YoY	Sep		-0.1/1.3		-0.5/0.9	10.00	21.00
US	Initial Jobless Claims	Nov-07		270		276	13.30	0.30
CA	New Housing Price Index MoM/YoY	Sep		0.2/1.3		0.3/1.3	13.30	0.30
US	Fed's Bullard Speaks on Monetary Policy in Washington						14.15	1.15
US	Fed's Yellen welcome remarks at Fed Policy Conference						14.30	1.30
US	Fed's Lacker Participates in Monetary Policy Panel						14.45	1.45
US	JOLTS Job Openings	Sep		5385		5370	15.00	2.00
US	Fed's Evans Speaks on Economy and Policy in Chicago						15.15	2.15
UK	BoE's Haldane Speaks in London						17.00	4.00
US	Fed's Dudley Speaks on Economy and Policy in New York						17.15	4.15
US	Monthly Budget Statement	Oct		-130		91.1	19.00	6.00
<b>Friday, 13 November 2015</b>								
NZ	Non Resident Bond Holdings	Oct				68.7	2.00	13.00
JN	Industrial Production MoM/YoY	Sep F		/		1/-0.9	4.30	15.30
JN	Tertiary Industry Index MoM	Sep		0.1		0.1	4.30	15.30
GE	GDP SA QoQ/YoY	3Q P		0.3/1.8		0.4/1.6	7.00	18.00
EC	Trade Balance SA	Sep		19.3		19.8	10.00	21.00
EC	GDP SA QoQ/YoY	3Q A		0.4/1.7		0.4/1.5	10.00	21.00
CA	Bank of Canada's Wilkins Speaks in Toronto						13.00	0.00
US	Retail Sales Advance MoM	Oct		0.3		0.1	13.30	0.30
CA	Teranet/National Bank HPI MoM/YoY	Oct		/		0.6/5.6	13.30	0.30
CA	Teranet/National Bank HP Index	Oct				177.09	13.30	0.30
US	PPI Final Demand MoM/YoY	Oct		0.2/-1.2		-0.5/-1.1	13.30	0.30
US	Business Inventories	Sep		0		0	15.00	2.00
US	U. of Mich. Sentiment	Nov P		91.5		90	15.00	2.00
US	Fed's Mester Speaks on Economic Outlook and Monetary			0		0	17.30	4.30
<b>Upcoming Central Bank Interest Rate Announcements</b>								
Japan, BoJ		19-Nov	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
Australia, RBA		1-Dec	2.00%	2.00%		2.00%		
Europe ECB		3-Dec				0.05%		
Canada, BoC		3-Dec				0.50%		
New Zealand, RBNZ		10-Dec	2.50%	2.50%		2.75%		
UK BOE		10-Dec				0.50%		
US Federal Reserve		17-Dec				0-0.25%		

GMT: Greenwich Mean Time; AEDT: Australian Eastern Daylight Saving Time

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