

Markets Today

A daily outlook for Australia, key global economies and markets

18 November 2015

No Copper Bottom

It is a bit odd coming in to see hard commodity prices under the pump (including a \$2 drop in iron ore prices, new cycle lows for copper and oil off another buck) but the AUD at the top of the G10 FX leader board. We can I suppose point to a further recovery in global equity prices off the knee jerk moves lower on Monday morning, and a related fall-back in market volatility levels (the VIX is back from 20 to 18). That doesn't really cut it though (and markets have gone 'risk-off' in the last hour – see below - to no ill effect on the AUD). Yet it was also notable to see the AUD bouncing on yesterday's RBA minutes, that contained absolutely nothing new relative to the post-meeting RBA statement or subsequent Statement on Monetary policy. The price action does speak to a market that is very short AUD and has a lot of bad news baked into the current price. Caveat Vendor.

The overnight moves have encompassed a push back above 1.10 on the AUD/NZD cross for the first time since 2 October. NAB's FX strategy team believes this move can extend up to at least 1.13 in coming weeks. On the NZD side, another hat tip is due to our BNZ colleague Doug Steel (the 'milk whisperer') who once again nailed the latest Global Dairy Trade auction outcome and which produced a 7.9% fall in the GDT index and including an 11% fall in whole milk powder. In truth, there was little evidence of direct selling of NZD on the results, most of the night's underperformance having occurred well before the auction.

News of a couple of geopolitical scares have crossed the screen in the in the last hour. One, the abandonment of a Germany-Netherlands soccer match after a bomb scare at the German stadium (where Germany Chancellor Merkel was due to attend and where police have now reportedly discovered a truck bomb disguised as a rescue vehicle). And second, news of an incident on a British Airways plane, but which thankfully looks to be a case of someone having one too many G&Ts before take-off, not a terrorist threat. The headlines produced a small safe haven-bid under US treasuries and the news from Germany does look to have led US equities lower into the close.

Little market inspiration has been drawn from the various US economic releases. CPI came in on the screws in both headline and core terms (0.2% m/m, with core remaining at 1.9% y/y). Industrial production was weaker than expected at -0.2% but only because of a big fall in utilities output (on ongoing oil and gas production cuts as well as the depressing impact on demand from warmer than usual weather). Manufacturing output rose by a better than expected 0.4%. The NAHB housing index slipped to 62 from 64 and 64 expected, correcting a little of its recent outperformance versus other housing market indicators.

Earlier, UK CPI printed in line with expectations at +0.1% on the month but -0.1% y/y – the second successive negative annual print for the first time since the 1960s. Markets responded more on the rise in the core rate to 12.1% from 1.0%. (GBP up smalls).

The German ZEW survey of financial analysts saw current conditions slip to 54.4 from 55.2 but expectations up to 10.4 from 1.9, doubtless buoyed by the stronger stock market in recent weeks. The Euro meanwhile continues to bleed lower, the 1.0631 low the lowest since mid-April and amid rising expectations for a sizeable cut to the ECB's deposit rate on 2 December. If this transpires, it can only enhance the Euro's status as the pre-eminent funding currency.

Coming Up

Today's Q3 wage price index is the week's only local data point likely to draw some attention, though whether it can move markets much is questionable. While the overall below-potential growth rate of the economy and the winding back in costs after the heady days of the resources investment boom has seen wages growth fall back to 2¼%, recent anecdotes and reports don't point to a further material step down in overall wages growth. In all likelihood, quarterly growth in the ABS wage price index – a synthesised measure of underlying unit wage costs that therefore tends to be smooth – will remain at 0.6% with annual growth at an unchanged 2.3%. This is also the market consensus.

Also due today is NAB's Q3 Commercial Property Survey and our Westpac's leading Index. .

Internationally, the minutes of the October FOMC meeting (06:00AEDT Thursday) should be the highlight, even if they conform to their usual 'something for everyone' pedigree. China property prices will rate a mention (12:30 AEDT) and which in October saw nationwide average property price deflation easing to -0.9% on Reuters' calculations.

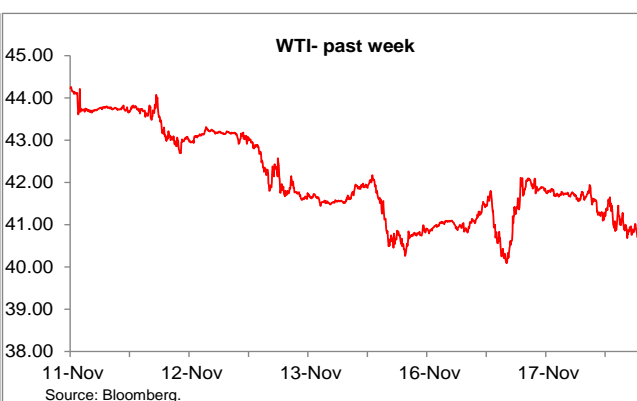
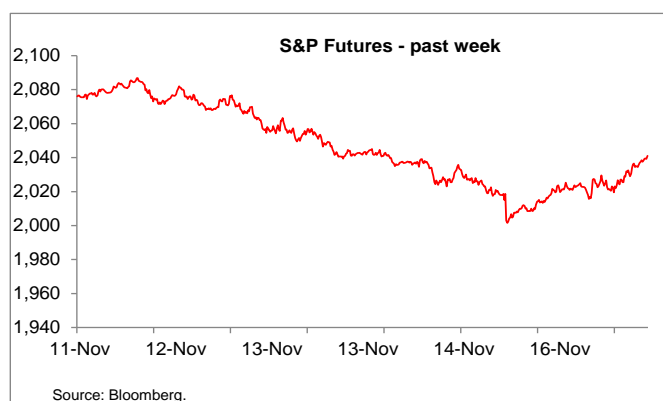
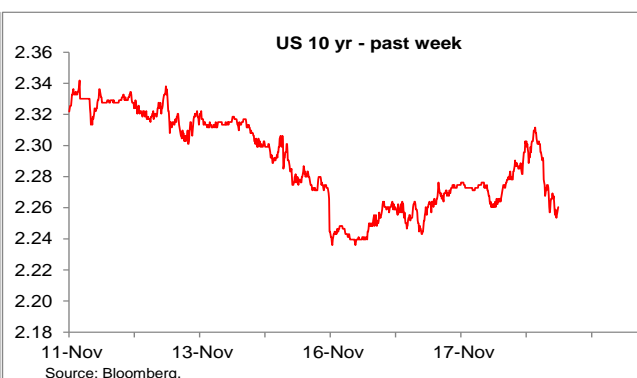
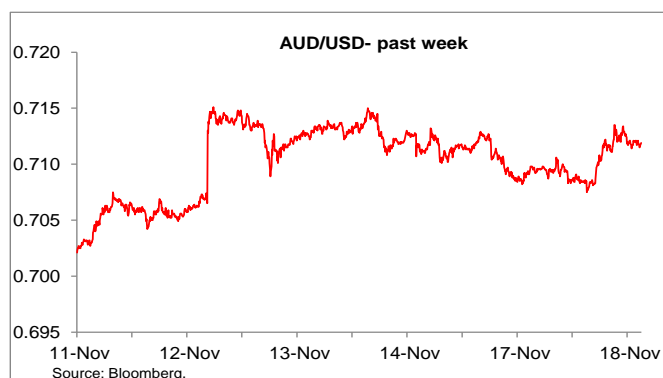
There's a raft of central bank speakers on the calendar. From the Fed the most interesting should be a speech by newly appointed (8 Sep) Dallas Fed president Robert Kaplan, who discusses economic conditions. Lockhart, Mester and Dudley are all due to speak as well, but at a payments conference. For the ECB, we get Yves Mersch and Sabine Lautenschlaeger and from the BoE, Ben Broadbent.

Overnight

On global stock markets, the S&P 500 was -0.15%. Bond markets saw US 10-years -1.06bp to 2.26%. On commodity markets, Brent crude oil -2.06% to \$43.64, gold-1.1% to \$1,072, iron ore -4.5% to \$45.58. AUD is at 0.7118 and the range was 0.7072 to 0.7140.

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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	0.7120	0.3	0.7072	0.7140	HKD	7.7505	0.0	Dow	17,457	-0.1	-1.1	Oil (Brent)	43.65	-2.0
NZD	0.6473	-0.3	0.6453	0.6496	CNY	6.3782	0.1	S&P 500	2,050	-0.2	0.4	Oil (WTI)	40.72	-2.4
EUR	1.0652	-0.3	1.0631	1.0691	SGD	1.4231	0.0	Nasdaq	4,978	-0.1	6.6	Oil (Tapis)	42.98	-0.1
GBP	1.5212	0.1	1.5155	1.5239	IDR	13,746	0.0	FTSE	6,269	+2	-6.0	Gold	1070.20	-1.2
JPY	123.34	0.1	123.18	123.49	THB	36.02	0.2	DAX	10,971	+2.4	17.9	CRB	183.71	-0.9
CAD	1.3315	-0.1	1.3298	1.3344	KRW	1,170	-0.3	CAC 40	4,937	+0.7	16.8	GS Metals	248.8	-2.2
AUD/EUR	0.6683	0.6			TWD	32.84	-0.2	Nikkei	19,631	+1.2	13.2	Aluminium	1471	0.4
AUD/JPY	87.80	0.5			PHP	47.19	0.1	Shanghai	3,605	-0.1	46.8	Copper	4697	0.0
AUD/GBP	0.4680	0.3			CHF	1.01	0.4	Hang Seng	22,264	+1.2	-5.4	Nickel	9078	-2.2
AUD/NZD	1.0998	0.6			SEK	8.75	0.3	ASX 200	5,118	+2.3	-5.2	Zinc	1536	-2.5

Interest Rates							Overnight Futures				
Indicative Swap Rates					Benchmark 10 Year Bonds						
	Cash	3mth	2Yr	10Yr		Last	chge	Spd		Last	Chge
USD	0.25	0.36	0.94	2.12	USD 10	2.25	-0.02		Australia		
AUD	2.00	2.23	2.12	3.03	AUD 10	2.91	0.02	0.66	3 mth bill	97.80	0.00
NZD	2.75	2.88	2.74	3.60	NZD 10	3.56	0.01	1.31	3 Yr bond	97.88	0.01
EUR	0.05	0.06	-0.09	0.87	CAD 10	1.65	0.00	-0.60	10 Yr bonc	97.06	0.00
GBP	0.50	0.57	0.99	1.93	EUR 10	0.52	-0.01	-1.73	3/10 sprd	0.82	0.00
JPY	0.10	0.07	0.10	0.46	GBP 10	1.98	0.04	-0.28	SPI	-25.0	-0.5
CAD	0.50	1.17	0.89	1.98	JPY 10	0.30	0.00	-1.95			

CO ₂ Emissions - Euros		
	Last	% day
Jun-2015	8.63	0.9
Dec-2015	8.61	0.9
Dec-2016	8.69	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
Wednesday, 18 November 2015								
US	Net Long-term TIC Flows	Sep				20.4	21.00	8.00
AU	RBA's Debelle Speaks at Bloomberg Summit in Sydney						22.10	9.10
AU	Conf. Board Leading Index MoM	Sep					23.00	10.00
AU	Westpac Leading Index MoM	Oct				0.1	23.30	10.30
AU	Wage Price Index QoQ/YoY	3Q	0.6/2.3	0.6/2.3		0.6/2.3	0.30	11.30
AU	NAB Commercial Property Survey	3Q					0.30	11.30
AU	NAB Online Retail sales (supplementary detail)	Sep					0.30	11.30
CH	Property Prices	Oct					1.30	12.30
EC	ECB's Yves Mersch Speaks at Euro Finance Week						8.00	19.00
UK	BoE's Broadbent speaks on outlook for Britain's recovery						9.00	20.00
US	Fed's Lockhart speaks in New York						13.00	0.00
US	Feds Dudley, Mester and Lockhart on payments system						13.00	0.00
US	Housing Starts, #/MoM	Oct		1160/-3.8		1206/6.5	13.30	0.30
US	Fed's Kaplan discusses economic conditions and policy in Houston						17.00	4.00
EC	ECB Executive Board Member Lautenschlaeger Speaks in Frankfurt						18.30	5.30
US	U.S. Fed Releases Minutes from Oct. 27-28 FOMC Meeting						19.00	6.00
Thursday, 19 November 2015								
NZ	ANZ Job Advertisements MoM	Oct				2.1	21.00	8.00
NZ	PPI Input QoQ	3Q				-0.3	21.45	8.45
JN	Trade Balance Adjusted	Oct		-343.1		-355.662	23.50	10.50
AU	RBA FX Transactions Market	Oct				712	0.30	11.30
CH	MNI Business Indicator	Nov					1.30	12.30
JN	BOJ Annual Rise in Monetary Base/Policy statement	Nov-19		80		80	3.00	14.00
JN	All Industry Activity Index MoM	Sep		0.2		-0.2	4.30	15.30
EC	ECB's Coeure Speaks in Frankfurt						8.00	19.00
EC	ECB's Peter Praet Speaks at Europe Finance Week						8.30	19.30
EC	ECB account of the monetary policy meeting						12.30	23.30
EC	ECB Current Account SA	Sep				17.7	9.00	20.00
UK	Retail Sales Ex Auto Fuel MoM/YoY	Oct		-0.6/3.9		1.7/5.9	9.30	20.30
UK	CBI Trends Total Orders	Nov		-10		-18	11.00	22.00
EC	ECB account of the monetary policy meeting						12.30	23.30
CA	Wholesale Trade Sales MoM	Sep		0.2		-0.1	13.30	0.30
US	Initial Jobless Claims	Nov-14		270		276	13.30	0.30
US	Philadelphia Fed Business Outlook	Nov		-0.25		-4.5	13.30	0.30
US	Leading Index	Oct		0.5		-0.2	15.00	2.00
US	Fed's Lockhart Speaks on U.S. Economy in Atlanta						17.30	4.30
US	Fed's Fischer remarks on Emerging Asia						21.45	8.45
Friday, 20 November 2015								
AU	RBA's Heath speaks at Resource and Energy Workshop in Canberra						22.40	9.40
NZ	Credit Card Spending MoM/YoY	Oct				-1.9/7.3	2.00	13.00
JN	BoJ Governor Kuroda speaks in Tokyo						7.00	18.00
EC	ECB's Mario Draghi Speaks at Euro Finance Week						8.00	19.00
EC	ECB's Coeure Speaks in Frankfurt						8.15	19.15
UK	PSNB ex Banking Groups	Oct		6		9.4	9.30	20.30
EC	ECB's Praet Speaks in Frankfurt						10.00	21.00
GE	Bundesbank's Jens Weidmann Speaks at Euro Finance Week						10.15	21.15
EC	ECB's Constancio Speaks in Frankfurt						13.00	0.00
CA	Retail Sales MoM	Sep		0.1		0.5	13.30	0.30
CA	CPI NSA MoM/YoY	Oct		0.1/1		-0.2/1	13.30	0.30
US	Fe'ds Bullard speaks on Economy in Arkansas						14.00	1.00
US	Kansas City Fed Manf. Activity	Nov		0		-1	16.00	3.00
Monday, 23 November 2015								
NZ	Net Migration SA	Oct				5550	21.45	8.45
GE	Markit/BME Germany Manufacturing PMI	Nov P				52.1	8.30	19.30
GE	Markit Germany Services PMI	Nov P				54.5	8.30	19.30
GE	Markit/BME Germany Composite PMI	Nov P				54.2	8.30	19.30
EC	Markit Eurozone Manufacturing PMI	Nov P				52.3	9.00	20.00
EC	Markit Eurozone Services PMI	Nov P				54.1	9.00	20.00
EC	Markit Eurozone Composite PMI	Nov P				53.9	9.00	20.00
UK	CBI Reported Sales	Nov				19	11.00	22.00
US	Chicago Fed Nat Activity Index	Oct				-0.37	13.30	0.30
US	Markit US Manufacturing PMI	Nov P		54		54.1	14.45	1.45
CA	Bloomberg Nanos Confidence	Nov-20				58.6	15.00	2.00
US	Existing Home Sales	Oct		5.43		5.55	15.00	2.00
US	Existing Home Sales MoM	Oct		-2.25		4.7	15.00	2.00
Upcoming Central Bank Interest Rate Announcements								
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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