

Markets Today

A daily outlook for Australia, key global economies and markets

22 January 2016

Doing the talk... but not the walk yet

ECB talk of further easing in the future boosted risk assets overnight. Equities posted solid gains in Europe and in the US they look set to end the day in positive territory. Safe haven currencies have underperformed while commodity G10 currencies have gained some ground against the USD.

Comments from ECB Draghi president at its post council meeting press conference was the catalyst for the rally in risk assets. That said, equities did wobble an hour or so later, but the steady rise in the oil price from \$28 to just under \$30, provided a second uplift to risk assets.

The ECB made no changes to its expansionary policy however President Draghi opened the door for further easing at their next meeting in March, when new staff macroeconomic projections will become available. True to form, Draghi was once again flamboyant on his choice of words, noting that “we have the power, determination and willingness to act... there are no limits to our action – within our mandate of course.” ...and then adding the caveat “if things don’t improve or deteriorate from here”. Draghi also noted that given the changed circumstances for oil, the (4% higher) trade-weighted EUR, inflation expectations and geopolitics, the ECB was “committed” to reaching its price stability mandate and is “not surrendering” here... Andiamo Mario!!

So as we have seen before, the talking from President Draghi has uplifted risk sentiment, however time will tell whether it has a lasting effect. In a similar act of reassurance, last night in Davos, China’s Vice president Li aimed to boost investors’ confidence by noting that China would address the recent slowdown in its economy. He also said that China wants a healthy stock market that benefits most people and that China has “no intention to devalue the Yuan”.

Looking at markets in numbers, equities in Europe ended the day up around 2% on average and after briefly trading above \$30, oil has come off a bit in the past hour, currently trading at \$29.35. In a similar move, US equities have lost a bit of ground and are currently up between 0.2% and 1%.

In currencies, we have seen a text book risk on reaction with the CAD, AUD and NZD sitting at the top of the G10 leader board while safe haven currencies are at the bottom. The CHF is the biggest loser followed by the JPY and the EUR.

Core global bond yields had a mixed night. The risk on sentiment pushed 10y UK Gilts 4.8bps higher to 1.67% while prospects of further easing dragged 10y Bunds 3.1bps lower to 0.451%. In the US, the treasury curve is steeper led by the move higher in longer dated yields. 10y UST are at 2.01% (+1.2bps) and 30y UST are at 2.79% (+1.9bps).

In commodities, Iron ore has lost a bit of ground, down 0.7% at \$41.29 and gold is basically unchanged at \$1101.

Finally, in terms of data releases, the January US Philly Fed index rose to -3.5 from -10.2, beating market expectations (-5.9) and it suggests a possible upside to the ISM due for release early in February. Jobless claims rose to a six-month high of 293k vs the 278k expected with seasonal adjustments blamed for the disappointing number.

Coming Up

Today we have an empty economic calendar in Australia, but there is a fair bit going on in offshore markets with PMI data releases the dominant feature.

Starting with Japan, at 1pm AEDT we get the January preliminary reading for the Nikkei manufacturing PMI. Consensus is currently at 52.8 and the previous month’s reading was 52.6.

In Europe, we get services and manufacturing PMIs for the euro area, Germany and France. Despite concerns over migration, ramifications from the VW scandal and exposure to China, so far the German economy has remained resilient. In contrast, the Paris terrorist attacks have not helped the French economy and the question now is whether the slowdown is only a short term drag.

The UK will release retail sales and public borrowing figures for December. A boost to retail figures is expected following the UK’s introduction to Cyber Monday, however this boost could be offset by the expected decline in winter clothing purchases due to the warmer weather in December.

In the US the general consensus is for a rebound in existing home sales to 5.2m in December, following the sharp drop in the previous month. The drop in sales in November appears to have been caused by the change in lending disclosures rules on October 1st, triggering a rush in transactions and leaving a void in November. The index of leading indicators (Dec) is also out and Bloomberg is showing the market is looking for a -0.2% print, the first time since August. The fall in equity markets, rise in jobless claims and weakness in the manufacturing sector are seen as the major drags. The Chicago Fed National activity index (-0.15 exp) and Markit US PMI (51 exp) are the other two notable data releases.

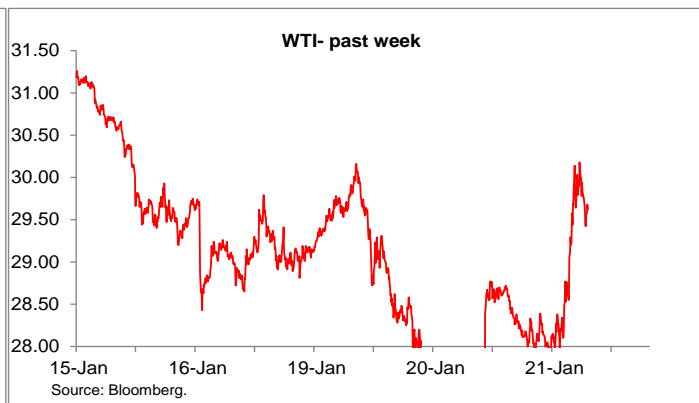
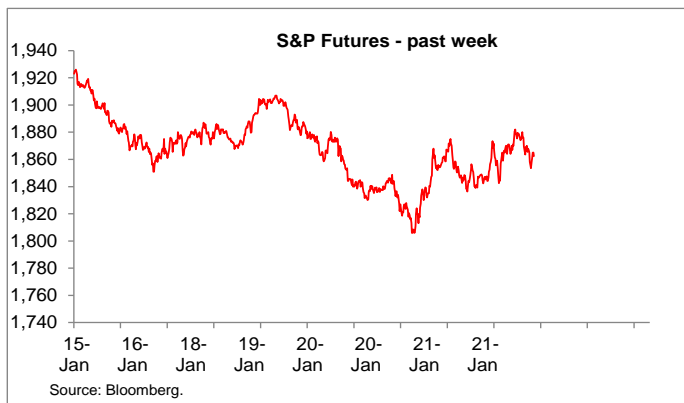
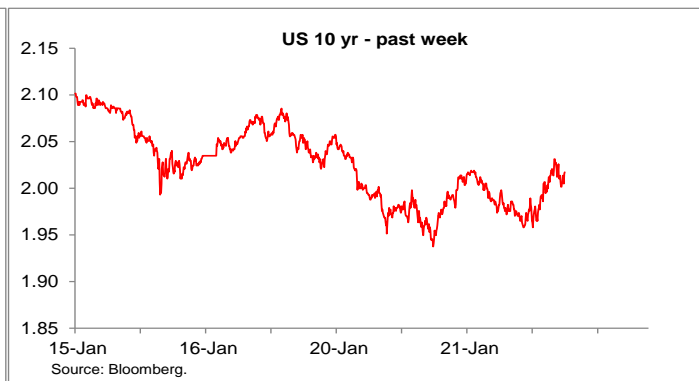
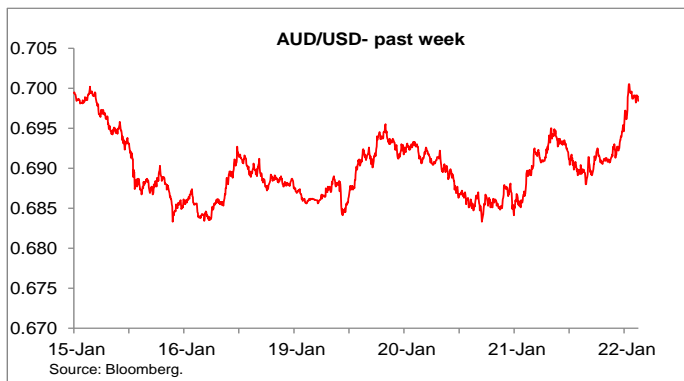
Canada issues retail figures for November and CPI figures for December and in terms of the US earnings season, GE is the highlight tonight.

Overnight

On global stock markets, the S&P 500 was +0.40%. Bond markets saw US 10-years +3.30bp to 2.02%. On commodity markets, Brent crude oil +6.03% to \$29.56, gold -0.5% to \$1,101, iron ore -0.8% to \$41.29. AUD is at 0.6985 and the range was 0.6876 to 0.7013.

Rodrigo.h.catril@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	0.6984	1.1	0.6876	0.7013	HKD	7.8147	0.0	Dow	15,872	+0.7	-9.6	Oil (Brent)	29.56	6.0		
NZD	0.6496	1.0	0.6411	0.6538	CNY	6.5800	0.0	S&P 500	1,868	+0.4	-8.1	Oil (WTI)	29.78	5.0		
EUR	1.0880	-0.1	1.0778	1.0921	SGD	1.4344	-0.2	Nasdaq	4,473	+0	-4.2	Oil (Tapis)	27.70	-1.6		
GBP	1.4211	0.1	1.4080	1.4229	IDR	13,907	-0.4	FTSE	5,774	+1.8	-14.2	Gold	1101.00	-0.5		
JPY	117.46	0.4	116.47	117.78	THB	36.21	-0.1	DAX	9,574	+1.9	-7.0	CRB	159.14	1.8		
CAD	1.4288	-1.5	1.4228	1.4541	KRW	1,214	0.0	CAC 40	4,206	+0.2	-6.2	GS Metals	238.3	-1.0		
AUD/EUR	0.6419	1.2			TWD	33.79	0.3	Nikkei	16,017	-2.4	-7.6	Aluminium	1469	-0.9		
AUD/JPY	82.03	1.6			PHP	47.90	-0.1	Shanghai	2,880	-3.2	-13.8	Copper	4361	-1.1		
AUD/GBP	0.4914	1.0			CHF	1.01	0.3	Hang Seng	18,542	-1.8	-24.4	Nickel	8533	-0.5		
AUD/NZD	1.0751	0.1			SEK	8.57	-0.3	ASX 200	4,864	+0.5	-10.3	Zinc	1478	-1.6		
												Ch. steel			1837	1.3
												Iron ore			41.3	-0.8
												Coal			49.0	0.0
												Wheat Chic.			479.8	0.8
												Sugar			14.45	1.9
												Cotton			62.09	0.2
												Coffee			114.4	2.5
												CO₂ Emissions - Euros				
															Last	% day
												Jun-2016			6.19	-2.2
												Dec-2016			6.21	-2.4
												Jun-2017			6.25	-2.3

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
Monday, 25 January 2016								
JN	Trade Balance Adjusted	Dec		62.4		-3.304	23.50	10.50
AU	NAB Business Conditions/Confidence	Dec				10/5	0.30	11.30
JN	Leading Index CI	Nov F				103.9	5.00	16.00
GE	IFO Business Climate	Jan				108.7	9.00	20.00
GE	IFO Current Assessment/Expectations	Jan		/		112.8/104.7	9.00	20.00
UK	CBI Trends Total Orders	Jan				-7	11.00	22.00
UK	CBI Business Optimism	Jan				-12	11.00	22.00
US	Dallas Fed Manf. Activity	Jan		-12.5		-20.1	14.30	1.30
CA	Bloomberg Nanos Confidence	Jan 22				53	15.00	2.00
Tuesday, 26 January 2016								
NZ	Performance Services Index	Dec				59.8	21.30	8.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jan 24				113.2	22.30	9.30
NZ	Credit Card Spending MoM/YoY	Dec				0.7/8.5	2.00	13.00
US	FHFA House Price Index MoM	Nov		0.4		0.5	14.00	1.00
US	S&P/CS 20 City MoM SA/YoY	Nov		0.7/		0.84/5.54	14.00	1.00
US	Markit US Services/Composite PMI	Jan P				54.3/54	14.45	1.45
US	Consumer Confidence Index	Jan		96.75		96.5	15.00	2.00
US	Richmond Fed Manufact. Index	Jan		2		6	15.00	2.00
Wednesday, 27 January 2016								
AU	Westpac Leading Index MoM	Dec				-0.2	23.30	10.30
AU	Skilled Vacancies MoM	Dec				1.2	0.00	11.00
AU	CPI QoQ/YoY	4Q		0.3/1.6		0.5/1.5	0.30	11.30
AU	CPI Trimmed Mean QoQ/YoY	4Q		0.6/2.1		0.3/2.1	0.30	11.30
AU	CPI Weighted Median QoQ/YoY	4Q		0.6/2.1		0.3/2.2	0.30	11.30
CH	Industrial Profits YoY	Dec				-1.4	1.30	12.30
CH	Westpac-MNI Consumer Sentiment	Jan				113.7	1.45	12.45
JN	Small Business Confidence	Jan				48.3	5.00	16.00
GE	GfK Consumer Confidence	Feb				9.4	7.00	18.00
US	MBA Mortgage Applications	Jan 22				9	12.00	23.00
US	New Home Sales/MoM	Dec		500/2		490/4.3	15.00	2.00
US	FOMC Rate Decision (Lower/Upper Bound)	Jan 27		0.25/0.5		0.25/0.5	19.00	6.00
Thursday, 28 January 2016								
NZ	RBNZ Official Cash Rate	Jan 28		2.5		2.5	20.00	7.00
NZ	Trade Balance	Dec				-779	21.45	8.45
JN	Retail Sales MoM	Dec		0.9		-2.5	23.50	10.50
JN	Dept. Store, Supermarket Sales	Dec				-1.5	23.50	10.50
AU	Export/Import price index QoQ	4Q		-3.5/-0.7		0/1.4	0.30	11.30
UK	GDP QoQ/YoY	4Q A		/		0.4/2.1	9.30	20.30
UK	Index of Services MoM	Nov				0.1	9.30	20.30
EC	Business Climate Indicator	Jan				0.41	10.00	21.00
UK	CBI Reported Sales	Jan				19	11.00	22.00
GE	CPI MoM	Jan P				-0.1	13.00	0.00
GE	CPI EU Harmonized MoM	Jan P				0	13.00	0.00
US	Initial Jobless Claims	Jan 16		278		284	13.30	0.30
US	Durable Goods Orders	Dec P		-1		0	13.30	0.30
US	Cap Goods Orders Nondef Ex Air	Dec P		-0.2/		-0.3/-0.6	13.30	0.30
US	Pending Home Sales MoM/YoY	Dec		1.15/		-0.9/5.1	15.00	2.00
US	Kansas City Fed Manf. Activity	Jan				-9	16.00	3.00
Friday, 29 January 2016								
NZ	Building Permits MoM	Dec				1.8	21.45	8.45
JN	Jobless Rate	Dec		3.2		3.3	23.30	10.30
JN	Overall Household Spending YoY	Dec		-2.4		-2.9	23.30	10.30
JN	Natl CPI YoY	Dec		0.2		0.3	23.30	10.30
JN	Industrial Production MoM	Dec P		-0.3		-0.9	23.50	10.50
UK	GfK Consumer Confidence	Jan				2	0.50	11.50
AU	PPI QoQ/YoY	4Q		/		0.9/1.7	0.30	11.30
AU	RBA credit MoM/YoY	Dec		0.6/6.8		0.4/6.6	0.30	11.30
NZ	Money Supply M3 YoY	Dec				8.4	2.00	13.00
JN	Bank of Japan Monetary Policy Statement						3.00	14.00
JN	BOJ Annual Rise in Monetary Base	Jan 29				80	3.50	14.50
EC	M3 Money Supply YoY	Dec				5.1	9.00	20.00
EC	CPI Estimate YoY	Jan				0.2	10.00	21.00
EC	CPI Core YoY	Jan A				0.9	10.00	21.00
US	Employment Cost Index	4Q		0.6		0.6	13.30	0.30
US	Advance Goods Trade Balance	Dec		-59.5		-60.5	13.30	0.30
US	GDP Annualized QoQ	4Q A		0.9		2	13.30	0.30
CA	Industrial Product Price MoM	Dec				-0.2	13.30	0.30
CA	Raw Materials Price Index MoM	Dec				-4	13.30	0.30
CA	GDP MoM/YoY	Nov		/		0/-0.2	13.30	0.30
US	ISM Milwaukee	Jan				48.53	14.00	1.00
US	Chicago Purchasing Manager	Jan		46		42.9	14.45	1.45
US	U. of Mich. Sentiment	Jan F		93		93.3	15.00	2.00
US	U. of Mich. 5-10 Yr Inflation	Jan F				2.7	15.00	2.00
US	Fed's Williams gives forecast speech in San Francisco						20.30	7.30
Upcoming Central Bank Interest Rate Announcements								
Canada, BoC		9-Mar				0.50%		
Europe ECB		10-Mar				0.05%		
US Federal Reserve		27-Jan	0.25-0.50%			0.25-0.50%		
New Zealand, RBNZ		28-Jan	2.50%	2.50%		2.50%		
Japan, BoJ		29-Jan	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
Australia, RBA		2-Feb	2.00%	2.00%		2.00%		
UK BOE		4-Feb				0.50%		

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

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

Rodrigo Catril
Currency Strategist
+61 2 9293 7109

Interest Rate Strategy

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

Credit Research

Michael Bush
Head of Credit Research
+61 3 8641 0575

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

Andrew Jones
Credit Analyst
+61 3 8641 0978

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

Jason Wong
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

Julian Wee
Senior Markets Strategist, Asia
+65 6632 8055

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

Riki Polygenis
Head of Economics, Australia
+61 3 8697 9534

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 Bulawan
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

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.