



# Markets Today

A daily outlook for Australia, key global economies and markets

28 April 2015

## Stevens Speaks – Nothing to See Here?

In an otherwise quiet Monday session, Eurozone markets have been cheered by reports that Greek Finance Minister Yanis Varoufakis has been removed from the debt-deal negotiation table by his prime minister. Varoufakis' hard-ball tactics have been a source of huge frustration for the Brussels group of international creditors. The appointment of a more conventional negotiator, more familiar with the European bureaucracy, has stoked optimism that a deal will be reached before large payments are due in May. The news helped EUR/USD break above 1.09 early this morning (high of 1.0927) to its highest level in three weeks. Headlines quoting Greek PM Tsipras are hitting the wires as we write, Tsipras reported saying that German chancellor Merkel is willing to find solution for Greece and that a Greek default would represent a failure for Europe.

Gains for EUR/USD are very mild in relation to some other currencies however, where it the commodity sensitive currencies that have fared best (CAD, NOK, NZD and AUD in that order). CAD and NOK's G10 leadership positions have come despite renewed slippage in oil prices, with Brent and WTI grades both off around \$0.50 on the day. Hard commodities in contrast are continuing their recovery, the China iron ore import price for the 62% fines grade up another \$1.28, to \$59.0. Exchange traded metals are also up about 1% (LMEX index).

The Japanese Yen, in contrast, is very marginally weaker on the night, following a ratings downgrade from Fitch (to A from A+) and which puts it below both Moody's and S&P's current rating. That said, there are very few, if any, recorded instances where ratings downgrades to Japan have had durable negative impact on the currency.

The main news out of the United States Monday has been Apple's Q2 results – just reported – showing EPS of \$2.33 against the \$2.16 street estimate and 33% up on the same period of last year. In January Apple had warned that dollar appreciation was likely to take about \$2bn off its top-line revenue, so there is some relief the hit does not appear to be larger. Together with an announced expansion of its capital return programmer by \$70bn to \$200bn, Apple's shares price has risen by over 1% in the 30 minutes since reporting.

Economic news overnight has been sparse, the only things to note being the Markit US Services PMI, which slipped to 57.8 from 59.2, beneath the 58.8 expected, and the Dallas Fed Manufacturing Activity survey, which improved marginally to -16 from -17.4 but beneath the expected -12. The run up in the AUD/USD rate overnight, from around 0.7820 to above 0.7860, came directly on the back of the Services PMI release, albeit assisted by favourable EUR/USD tailwinds.

## Coming Up

RBA Governor Stevens speaks this morning at 08:40 local time in Sydney at the AFR's Banking and Wealth Summit. There is no title for his speech as yet, and after an expansive discourse on the economy and considerations for monetary policy just a week ago in New York, and given the proximity to next week's policy meeting, the Governor might well be taking the opportunity to steer away to a less macro/market-sensitive topic.

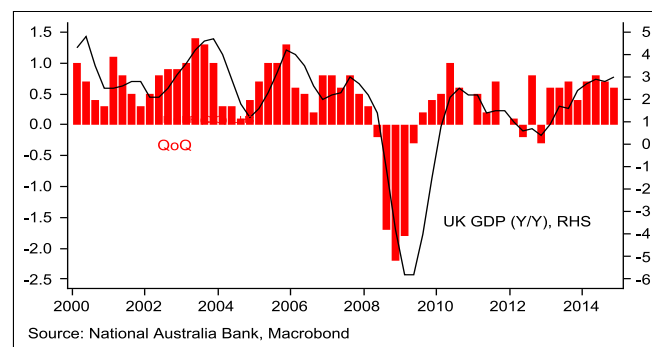
In case Mr Stevens does offer some monetary policy pointers, market pricing for a 25 point rate cut next Tuesday currently sits at almost exactly 50:50. Last week, recall, Mr Stevens said that given output is below potential, aggregate demand still seems soft, unemployment sits above the natural rate, and inflation is forecast to remain within target, then "interest rates should be quite accommodative and the question of whether they should be reduced further has to be on the table". But the Governor then said that the policy equation is more complicated since these are not the only pertinent facts. He went on to list, among other things, the strength of the housing sector and which suggest past policy is already proving effective; the high level of household leverage, 'exuberant' Sydney house prices; and the fact credit conditions are very easy (his emphasis).

Also up today is the weekly Roy Morgan/ANZ consumer confidence number and offshore tonight, UK G1 GDP (expected to be relatively strong) and US Consumer Confidence and Richmond Fed surveys.

## Overnight

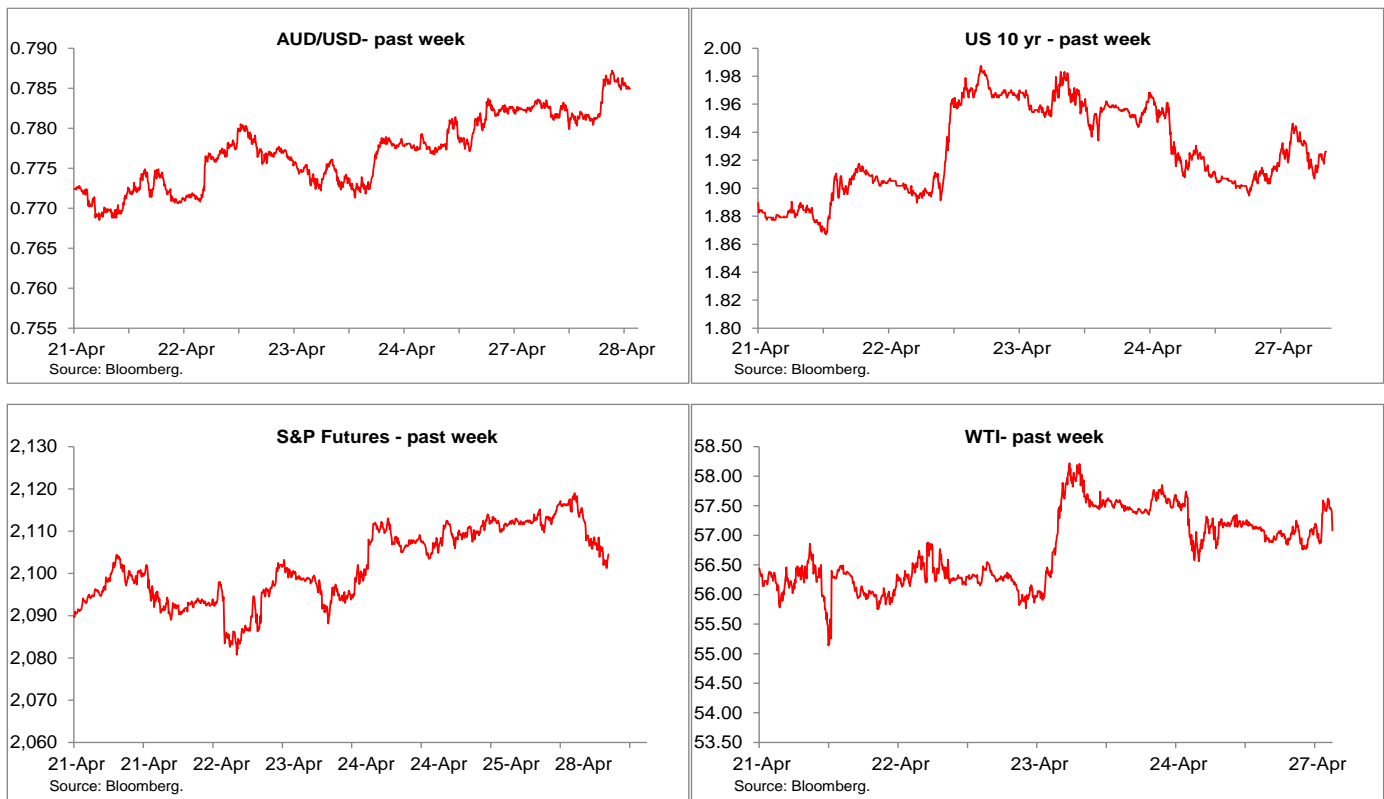
On global stock markets, the S&P 500 was -0.40%. Bond markets saw US 10-years +1.75bp to 1.93%. On commodity markets, Brent crude oil -0.89% to \$64.7, gold+2.4% to \$1,203, iron ore +2.2% to \$59.09. AUD is at 0.785 and the range was 0.7792 to 0.7872. Indicative range today 0.7815 - 0.7890. (For more market prices, please see p.2 of the pdf).

## Chart of the Day – UK GDP



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Markets



Foreign Exchange						Equities				Commodities*																																																																														
<table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="4">Indicative 24hr ranges (**)</th> <th colspan="2">Other FX</th> </tr> <tr> <th>Last</th> <th>% chge</th> <th>Low</th> <th>High</th> <th>Last</th> <th>% chge</th> </tr> </thead> <tr> <td>AUD</td> <td>0.7854</td> <td>0.4</td> <td>0.7792</td> <td>0.7872</td> <td>HKD</td> <td>7.7501 0.0</td> </tr> <tr> <td>NZD</td> <td>0.7643</td> <td>0.5</td> <td>0.7580</td> <td>0.7665</td> <td>CNY</td> <td>6.2200 0.4</td> </tr> <tr> <td>EUR</td> <td>1.0888</td> <td>0.1</td> <td>1.0820</td> <td>1.0927</td> <td>SGD</td> <td>1.3281 -0.3</td> </tr> <tr> <td>GBP</td> <td>1.5238</td> <td>0.3</td> <td>1.5107</td> <td>1.5262</td> <td>IDR</td> <td>12,983 0.5</td> </tr> <tr> <td>JPY</td> <td>119.04</td> <td>0.0</td> <td>118.78</td> <td>119.43</td> <td>THB</td> <td>32.60 0.1</td> </tr> <tr> <td>CAD</td> <td>1.2091</td> <td>-0.7</td> <td>1.2081</td> <td>1.2195</td> <td>KRW</td> <td>1,073 -0.6</td> </tr> <tr> <td>AUD/EUR</td> <td>0.7213</td> <td>0.3</td> <td></td> <td></td> <td>TWD</td> <td>30.60 -0.7</td> </tr> <tr> <td>AUD/JPY</td> <td>93.50</td> <td>0.4</td> <td></td> <td></td> <td>PHP</td> <td>44.31 0.1</td> </tr> <tr> <td>AUD/GBP</td> <td>0.5156</td> <td>0.1</td> <td></td> <td></td> <td>CHF</td> <td>0.96 0.1</td> </tr> <tr> <td>AUD/NZD</td> <td>1.0278</td> <td>-0.1</td> <td></td> <td></td> <td>SEK</td> <td>8.60 -0.3</td> </tr> </table>							Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.7854	0.4	0.7792	0.7872	HKD	7.7501 0.0	NZD	0.7643	0.5	0.7580	0.7665	CNY	6.2200 0.4	EUR	1.0888	0.1	1.0820	1.0927	SGD	1.3281 -0.3	GBP	1.5238	0.3	1.5107	1.5262	IDR	12,983 0.5	JPY	119.04	0.0	118.78	119.43	THB	32.60 0.1	CAD	1.2091	-0.7	1.2081	1.2195	KRW	1,073 -0.6	AUD/EUR	0.7213	0.3			TWD	30.60 -0.7	AUD/JPY	93.50	0.4			PHP	44.31 0.1	AUD/GBP	0.5156	0.1			CHF	0.96 0.1	AUD/NZD	1.0278	-0.1			SEK	8.60 -0.3
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 | Major Indices |        |       |       | |---------------|--------|-------|-------| |               | Last   | % day | % y/y | | Dow           | 18,038 | -0.2  | 10.2  | | S&P 500       | 2,109  | -0.4  | 13.2  | | Nasdaq        | 5,060  | -0.6  | 24.2  | | FTSE          | 7,104  | +0.5  | 6.3   | | DAX           | 12,039 | +1.9  | 28.1  | | CAC 40        | 5,269  | +0.2  | 18.6  | | Nikkei        | 19,983 | -0.2  | 39.9  | | Shanghai      | 4,527  | +3    | 126.0 | | Hang Seng     | 28,434 | +1.3  | 28.5  | | ASX 200       | 5,983  | +0.8  | 8.1   | | | | | |             | Last    | % day | |-------------|---------|-------| | Oil (Brent) | 64.70   | -0.9  | | Oil (WTI)   | 56.75   | -0.7  | | Oil (Tapis) | 65.24   | -1.4  | | Gold        | 1203.30 | 2.4   | | CRB         | 223.97  | 0.0   | | GS Metals   | 324.8   | 1.1   | | Aluminium   | 1828    | 0.8   | | Copper      | 6066    | 0.7   | | Nickel      | 13520   | 2.7   | | Zinc        | 2302    | 2.5   | | Ch. steel   | 2427    | 1.6   | | Iron ore    | 59.1    | 2.2   | | St. coal    | 61.8    | n.a.  | | Wheat Chic. | 473.3   | -3.1  | | Sugar       | 13.31   | 0.6   | | Cotton      | 66.39   | -0.2  | | Coffee      | 137.1   | -3.6  | | | || | Interest Rates        |      |      |      | Benchmark 10 Year Bonds |        |      | Overnight Futures |            |             | |-----------------------|------|------|------|-------------------------|--------|------|-------------------|------------|-------------| | Indicative Swap Rates |      |      |      | Last                    | chge   | Sprd | Last Chge         |            |             | | Cash                  | 3mth | 2Yr  | 10Yr |                         |        |      | Australia         |            |             | | USD                   | 0.25 | 0.28 | 0.78 | 2.01                    | USD 10 | 1.93 | 0.02              | 3 mth bill | 97.85 0.00  | | AUD                   | 2.25 | 2.25 | 2.16 | 2.88                    | AUD 10 | 2.50 | -0.03             | 3 Yr bond  | 98.1 -0.04  | | NZD                   | 3.50 | 3.63 | 3.53 | 3.80                    | NZD 10 | 3.38 | 0.00              | 10 Yr bonc | 97.46 -0.05 | | EUR                   | 0.05 | 0.06 | 0.07 | 0.51                    | CAD 10 | 1.46 | 0.02              | 3/10 sprd  | 0.64 0.01   | | GBP                   | 0.50 | 0.57 | 0.97 | 1.78                    | EUR 10 | 0.16 | 0.01              | SPI        | 5.0 0.1     | | JPY                   | 0.09 | 0.09 | 0.14 | 0.52                    | GBP 10 | 1.69 | 0.04              |            |             | | CAD                   | 0.75 | 1.17 | 1.02 | 1.92                    | JPY 10 | 0.31 | 0.02              |            |             | | | | | | | | CO <sub>2</sub> Emissions - Euros |                    | |-----------------------------------|--------------------| | Last                              | % day              | | Mar-2015                          | did Not Appear N/A | | Dec-2015                          | 7.19 -1.8          | | Dec-2016                          | 7.27 -1.8          | | | |

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
<b>Tuesday, 28 April 2015</b>								
AU	RBA's Stevens Speaks at AFR Banking & Wealth Summit, Sydney						22.40	8.40
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Apr-26				108.8	23.30	9.30
AU	Conf. Board Leading Index MoM	Feb				0.4%	0.00	10.00
UK	BBA Loans for House Purchase	Mar					8.30	18.30
UK	GDP QoQ/YoY	1Q A		0.6%/2.7%		0.6%/3.0%	8.30	18.30
US	S&P/CS 20 City MoM/YoY	Feb		0.7%/4.7%		0.87%/4.6%	13.00	23.00
EC	European Commission Economic Forecasts						14.00	0.00
UK	Nationwide House PX MoM	Apr		0.3%		0.1%	14.00	0.00
US	Consumer Confidence Index	Apr		102.5		101.3	14.00	0.00
US	Richmond Fed Manuf. Index	Apr		-2		-8	14.00	0.00
<b>Wednesday, 29 April 2015</b>								
NZ	Trade Balance	Mar	424M	360M		50M	22.45	8.45
NZ	ANZ Activity Outlook/Business Confidence	Apr				42.2/35.8	1.00	11.00
CH	Westpac-MNI Consumer Sentiment	Apr				114.7	1.45	11.45
GE	GfK Consumer Confidence	May					6.00	16.00
EC	Business Climate Indicator	Apr		0.27		0.23	9.00	19.00
GE	CPI MoM/YoY	Apr P		-0.1%/0.4%		0.5%/0.3%	12.00	22.00
US	GDP Annualized QoQ	1Q A		1.0%		2.2%	12.30	22.30
US	Pending Home Sales MoM	Mar		1.0%		3.1%	14.00	0.00
CA	Former BOC Governor Dodge speaks in Ottawa						16.00	2.00
US	FOMC Rate Decision	Apr-29					18.00	4.00
<b>Thursday, 30 April 2015</b>								
NZ	RBNZ Official Cash Rate	Apr-30	3.50%	3.50%		3.50%	21.00	7.00
NZ	Building Permits MoM	Mar				-6.3%	22.45	8.45
UK	GfK Consumer Confidence	Apr		4		4	23.05	9.05
AU	Import/export price index QoQ	1Q		1.0%/0.0%		0.9%/0.0%	1.30	11.30
AU	Private Sector Credit MoM/YoY	Mar	0.6%/6.3%	0.5%/6.3%		0.5%/6.2%	1.30	11.30
AU	NAB Quarterly SME Business Survey, Confidence/Conditions	1Q				1/2	1.30	11.30
NZ	Money Supply M3 YoY	Mar					3.00	13.00
JN	Bank of Japan Policy Statement/Kuroda Press Conference						3.00	13.00
JN	BOJ Semi Annual Outlook Report						6.00	16.00
GE	Unemployment Rate	Apr		6.4%		6.4%	7.55	17.55
EC	ECB Publishes Economic Bulletin						8.00	18.00
EC	Unemployment Rate	Mar		11.20%		11.3%	9.00	19.00
EC	CPI Estimate YoY	Apr		0.0%			9.00	19.00
EC	CPI Core YoY	Apr A		0.6%		0.6%	9.00	19.00
US	Employment Cost Index	1Q		0.6%		0.6%	12.30	22.30
CA	GDP MoM/YoY	Feb		-0.2%/--		-0.1%/2.4%	12.30	22.30
CA	Average Weekly Earnings YoY	Feb					12.30	22.30
US	Personal Income/Spending	Mar		0.2%/0.5%		0.4%/0.1%	12.30	22.30
US	Initial Jobless Claims	Apr-25					12.30	22.30
US	PCE Core MoM / YoY	Mar		0.1%/1.4%		0.1%/1.4%	12.30	22.30
US	Fed's Tarullo speaks to Community Bankers in Washington (V)						12.30	22.30
US	Chicago Purchasing Manager	Apr		49.5		46.3	13.45	23.45
EC	OECD Economic Outlook						14.00	0.00
<b>Friday, 1 May 2015</b>								
AU	AiG Perf of Mfg Index	Apr				46.3	23.30	9.30
JN	Jobless Rate	Mar		3.5%		3.5%	23.30	9.30
JN	Natl CPI YoY	Mar		2.2%		2.2%	23.30	9.30
AU	CoreLogic RP Data House Px MoM	Apr				1.4%	0.00	10.00
CH	Manufacturing/Non-manufacturing PMI	Apr		50/--		50.1/53.7	1.00	11.00
JN	Markit/JMMA Japan Manufacturing PMI	Apr F				49.7	1.35	11.35
AU	Commodity Index YoY	Apr				-19.7%	6.30	16.30
US	Fed's Mester Speaks at FRB Philadelphia Conference (Alt)						12.30	22.30
CA	RBC Canadian Manufacturing PMI	Apr				48.9	13.30	23.30
US	Markit US Manufacturing PMI	Apr F				54.2	13.45	23.45
US	Construction Spending MoM	Mar		0.5%		-0.1%	14.00	0.00
US	ISM Manufacturing	Apr		52		51.5	14.00	0.00
US	U. of Mich. Sentiment	Apr F		96		95.9	14.00	0.00
US	Fed's Williams Speaks at Chapman University Conference (V)						19.45	5.45
<b>Monday, 4 May 2015</b>								
AU	TD Securities Inflation MoM/YoY	Apr				0.4%/1.5%	0.30	10.30
NZ	ANZ Commodity Price	Apr				4.6%	1.00	11.00
AU	ANZ Job Advertisements MoM	Apr				-1.4%	1.30	11.30
AU	Building Approvals MoM	Mar				-3.2%	1.30	11.30
CH	HSBC China Manufacturing PMI	Apr F				49.2	1.45	11.45
GE	Markit/BME Germany Manufacturing PMI	Apr F					7.55	17.55
EC	Markit Eurozone Manufacturing PMI	Apr F					8.00	18.00
US	Factory Orders	Mar				0.20%	14.00	0.00
US	Fed's Evans Speaks on Economy and Monetary Policy in Indiana (V)						16.25	2.25
<b>Upcoming Central Bank Interest Rate Announcements</b>								
US	Federal Reserve	29-Apr	0%-0.25%	0%-0.25%		0%-0.25%		
New Zealand	RBNZ	30-Apr	3.50%	3.50%		3.50%		
Japan	BoJ	30-Apr	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
Australia	RBA	5-May	2.00%	2.00%		2.25%		
UK	BOE	11-May	0.50%	0.50%		0.50%		
Canada	BoC	27-May				0.75%		
Europe	ECB	3-Jun	0.05%	0.05%		0.05%		

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

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