



# Markets Today

A daily outlook for Australia, key global economies and markets

30 April 2015

## US Fed keeping options open with deliberately vague guidance

The FOMC statement issued earlier this morning has made it clear that there is no pre-determined timeline for Fed rate lift-off. The Fed is totally data dependent in considering when next to change policy, that data then playing into the Fed's assessment of progress in their dual mandate of "fostering maximum employment and price stability".

Our assessment is that September remains the next most likely time for the Fed to move. There are two meetings (June 18 and July 30) before the September 18 meeting and it will take time for the Fed to be comfortable that the US economy has not been dislodged from its underlying growth track. How much of the recent softer growth is transitory is yet to play out.

Hours before the FOMC statement, first quarter US GDP was released and it disappointed growth expectations. Growth was a paltry 0.2% (consensus 1.0%) with real final sales (domestic demand) down 0.5%. Business investment contracted and consumer spending slowed. Net exports again detracted from growth. A soft report all around.

Memories of a soft first quarter last year though from the exceptionally cold weather still resonate and have played into the Fed's consideration, but only "in part", the FOMC statement saying that "economic growth slowed during the winter months, in part reflecting transitory factors". The rest of the "in part" would include the slowdown in US oil and gas activity and the impact of the high \$US. The bottom line is that the Fed is very much keeping their options open.

The short end of the US Treasury market has changed little, Fed funds futures having already priced for only a small/modest probability of a June or July move. The US\$ softened in the aftermath of the soft GDP report and since the FOMC it has only managed to regain some of that lost composure. The AUD/USD was on the other side of that trade, rallying to above 0.8070 after US GDP but then pulling back to 0.8023 initially in early trade this morning before some follow-on modest selling after the RBNZ announcement. Chinese iron ore spot and futures prices did an about face yesterday, spot down \$2.75 to \$57.13 (-4.59%) and Dalian futures off 1.78%.

Just announced, the RBNZ has left the Official Cash Rate unchanged at 3.50% and the Kiwi dollar has jagged lower by 60 bps (AUD/NZD up toward 1.05) in knee jerk response, the RBNZ continuing to say that the NZ\$ is overvalued and that they'd need more evidence before they could ease. Even so, the easing bias is still there (as it was in RBNZ's McDermott's recent speech) and has been latched on by the flightless bird that's softened.

## Coming up today/ tonight

Lots on the data slate over the next 24 hours. First up today we have Japan's preliminary March industrial production, the market braced for another decline, by 2.3% m/m. Then we have three Australian release, first RBA credit for March where the focus will be in investor housing (L: 0.7%/10.1%) with the market looking for overall credit to grow by 0.5%, though we expect it could be a tenth higher at 0.6%. We also have merchandise export and

import prices for Q1, a good look in to the Q1 goods and services terms of trade to be revealed in the Q1 balance of payments and national accounts in a month. We also have the NAB SME Business Survey for Q1, the small-medium business counterpart to the main survey. Not market sensitive but an important component of Australia's growth journey. Also today is the BoJ meeting, its policy statement and Kuroda press conference, also coming with an important forecast update in the Bank's Semi-Annual Economic Outlook.

Spanish Q1 GDP tonight along with EC CPI preliminary and tin the US the March month personal spending and income report, including the important PCE deflators. There's also the Chicago PMI ahead of the national ISM tomorrow night.

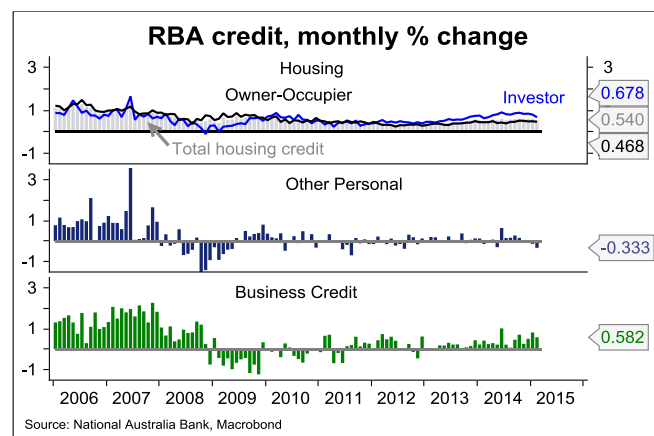
## Overnight

- Fed keeping its options open: Eurostoxx 600 -2.2%, Dax -3.2%, CAC -2.6%, FTSE -1.2%. Dow -75 points to 18,036, -0.4%, S&P 500 -0.4%, Nasdaq -0.4%, VIX 13.39 +7.9%. Mumbai +0.0%, Nikkei 225 -0.6% and ASX 200 -0.6%; ASX SPI futures this morning -0.7%. US bond yields: 2s at 0.56% (0), 10s at 2.04% (+4). WTI oil at \$58.64 (+2.8%), Brent at \$65.63 (+1.5%), Malaysian Tapis (yesterday) \$64.90 (-0.3%). Gold at \$1204.40/oz (-0.8%). Base metals: LME copper +0.4%, nickel -0.2%, aluminium +0.5%. Iron ore \$57.1/t -4.6% Chinese steel rebar futures -0.4%. Soft commodities spot futures: wheat +1.5%, sugar -0.5%, cotton +1.1%, coffee 0.3%. Euro Dec 14 CO2 emissions at €7.50/t (1.5%). The AUD/USD's range overnight 0.7977-0.8076; indicative range today 0.7955-0.8030; the AUD/USD is 0.7999 now**
- US GDP (Q1) 0.1 (L: 2.2; E: 1.0%); Pending Home Sales (Mar) +1.1%/13.4% (L: 3.6%/12.5%; E: 1.0%/5.1%)**
- German CPI (Apr, prelim) -0.1%/0.4% (L: 0.5%/0.3%; E: -0.1%/0.4%); EC Business Climate Indicator (Apr) 0.32 (L: 0.23; E: 0.20)**

Good luck.

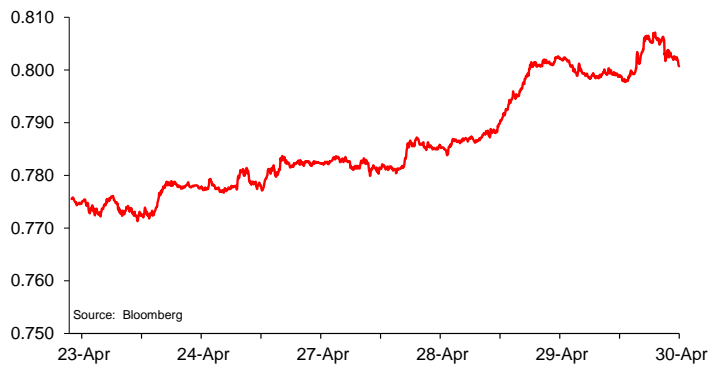
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## Chart of the day: Focus on investor housing and business credit



Markets

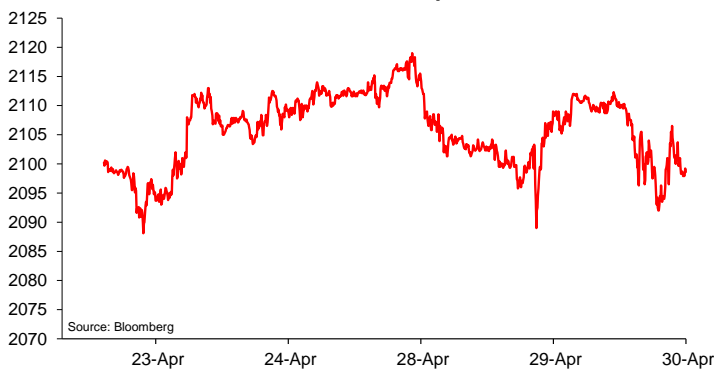
AUD/USD- past week



US 10 year bonds- past week



S&P 500 futures- past week



WTI futures- past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.8012	0.0	0.8005	0.8012	HKD	7.7506 0.0
NZD	0.7646	-0.5	0.7620	0.7745	CNY	6.1967 -0.1
EUR	1.1127	1.2	1.0985	1.1189	SGD	1.3204 -0.2
GBP	1.5436	0.4	1.5350	1.5499	IDR	12,923 -0.2
JPY	119.04	-0.2	118.61	119.36	THB	32.83 -0.1
CAD	1.2016	-0.4	1.1945	1.2068	KRW	1,070 -0.2
AUD/EUR	0.7198	-0.9			TWD	30.41 -0.3
AUD/JPY	95.30	0.1			PHP	44.30 -0.1
AUD/GBP	0.5186	-0.1			CHF	0.94 -1.6
AUD/NZD	1.0474	0.9			SEK	8.33 -0.9

Equities

Major Indices			
	Last	% day	% year
Dow	18,036	-0.4	9.1
S&P 500	2,107	-0.4	12.2
Nasdaq	5,024	-0.6	22.4
VIX Index	13.39	7.9	-2.3
FTSE	6,946	-1.2	2.6
DAX	11,433	-3.2	19.3
CAC 40	5,039	-2.6	12.0
Nikkei	20,059	0.4	40.4
Shanghai	4,477	0.0	120.9
Hang Seng	28,400	-0.1	28.3
ASX200	5,839	-1.8	6.4

Commodities\*

	Last	% day
Oil (Brent)	65.63	1.5
Oil (WTI)	58.64	2.8
Oil (Tapis)	64.90	-0.3
Gold	1204.40	-0.8
CRB	227.29	1.2
GS Metals	329.0	0.4
Aluminium	1883	0.5
Copper	6145	0.4
Nickel	13420	-0.2
Zinc	2299	0.2
Ch. steel	2364	-0.4
Iron ore	57.1	-4.6
St. coal	61.8	n.a.
Wheat Chic.	493.3	1.5
Sugar	13.15	-0.5
Cotton	67.09	1.1
Coffee	139.0	0.3

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.25	0.28	0.80	2.12	USD 10	2.04	0.04
AUD	2.25	2.26	2.19	3.02	AUD 10	2.59	0.04 0.55
NZD	3.50	3.64	3.53	3.86	NZD 10	3.45	0.06 1.41
EUR	0.05	0.06	0.08	0.61	CAD 10	1.59	0.03 -0.45
GBP	0.50	0.57	0.99	1.90	EUR 10	0.29	0.12 -1.75
JPY	0.09	0.09	0.14	0.52	GBP 10	1.83	0.14 -0.21
CAD	0.75	1.17	1.05	2.03	JPY 10	0.30	0.00 -1.74

Overnight Futures

	Last	Chge
<b>Australia</b>		
3 mth bill	97.85	-0.01
3 Yr bond	98.03	-0.04
10 Yr bond	97.31	-0.08
3/10 sprd	0.72	0.04
SPI	-43.0	-0.7

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

	Last	% day
Dec-2015	7.50	1.5
Dec-2016	7.58	1.5
Dec-2017	7.71	1.4

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	Time Period	NAB		Actual	Previous	GMT	AEST
			Forecast	Consensus				
<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	PCE Core MoM / YoY	Mar		0.1%/1.4%		0.1%/1.4%	12.30	22.30
US	Initial Jobless Claims	Apr-25					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>Tuesday, 5 May 2015</b>								
AU	RBA CIO Gim Gives Speech in Sydney						21.30	7.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	May-03					23.30	9.30
AU	AiG Perf of Services Index	Apr				50.2	23.30	9.30
NZ	QV House Prices YoY	Apr				7.7%	0.00	10.00
AU	Trade Balance	Mar				-1256M	1.30	11.30
AU	RBA Cash Rate Target	May-05		2.00%		2.25%	4.30	14.30
UK	Markit/CIPS UK Construction PMI	Apr				57.8	8.30	18.30
CA	Int'l Merchandise Trade	Mar				-0.98B	12.30	22.30
US	Trade Balance	Mar				-\$35.4B	12.30	22.30
US	Markit US Services PMI	Apr F					13.45	23.45
UK	Halifax House Prices MoM / 3mths/year	Apr				0.4%/8.1%	14.00	0.00
US	ISM Non-Manf. Composite	Apr				56.5	14.00	0.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
Australia, RBA		5-May	2.00%	2.00%		2.25%		
UK BOE		11-May	0.50%	0.50%		0.50%		
Japan, BoJ		22-May	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
Canada, BoC		27-May				0.75%		
Europe ECB		3-Jun	0.05%	0.05%		0.05%		
New Zealand, RBNZ		11-Jun	3.50%			3.50%		
US Federal Reserve		18-Jun				0%-0.25%		

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

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