



Markets Today

A daily outlook for Australia, key global economies and markets

1 May 2015

MayDay

Hello. I'm back on your morning note rotation; lots has happened in markets in the last six months, hope it's been kind to you. Regards Emma

Today is a holiday in much of Asia and Europe (Happy May Day) but that doesn't stop the dataflow. Yields are broadly rising, which is having a downward effect on US equities and rate differentials are driving the currency markets: the USD is lower against the EUR on the move higher in German rates and a narrowing of the gap to US rates.

This isn't necessarily equating to the forecast path of economies of course, with the US expected to outperform Europe after its weather induced Q1 slump. The Chicago PMI was a key example of that last night – rising sharply in April (52.3A, 46.3E, 50P). US jobless claims were also very good, dropping to their lowest level since April 2000! That bodes well for the employment numbers released next Friday.

But positive news on Greece (despite the late pension payments today due to 'technical reasons) and core inflation holding steady, meant that Core European yields are higher again. This equated to modest gains in European equity markets and outperformance in the Euro. Eurozone core CPI held at 0.6%yoy as expected and allayed concerns of further softness. Meanwhile, amid concerns that Greece cannot meet its cashflow obligations, the ECB's Coeure said that perhaps Greece might be able to issue more T Bills if they were close to agreement with the Troika – more carrot and stick, but markets liked it. Greek yields have fallen sharply in recent days.

Interestingly, given that there is a waft of positive news last night, the indicator of market risk- the VIX – is higher. That is a partial factor in the AUD underperforming. Add to that lower iron ore prices and newspaper reports of the RBA easing next week – which is seeing that event being priced back into markets - means that there is likely to remain pressure on the AUD.

Coming Up

We get more colour on the outlook for economies today, with the usual first day of the month PMI reports. First up is China. This series has been subdued but did pick-up a little on the official measure last month. The HSBC flash PMI was very soft (Chart of the day) this month and industrial production has been running well below the official guide. The market reaction will be telling. A very soft outcome, below the 50 cut off between expansion and contraction, may generate

optimism of more PBoC easing, but a soft outcome but not too bad could see risk markets sell off. A rise would be a surprise: again it will be a question of degrees.

The US ISM has slowed from its peaks but is expected to improve slightly. A pick up in this reading would likely drive US yields higher but the net effect on the USD depends on bunds. We care because these are the big drivers of what is happening in global (including Australia's) equity, bond and currency markets at present. As central banks are currently more active than they have been in years and forward guidance is becoming less and less specific, the data becomes more important and markets more volatile.

For clues as to the BoJ (who held policy unchanged yesterday), today sees the Tokyo CPI data a year after the sales tax increase. That means it is going to look a lot less robust and place pressure on the BoJ to eventually consider what other easing policy options were going to be required.

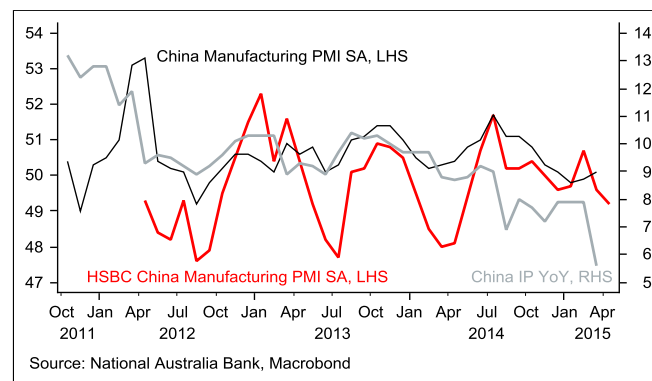
Locally we get the PPI which doesn't tend to be market moving, the US also releases the final Uni of Michigan reading, while Fed speakers Williams and Mester speak.

Overnight

On global stock markets, the S&P 500 was -1.20%. Bond markets saw US 10-years -0.18bp to 2.04%. On commodity markets, Brent crude oil +1.14% to \$66.59, gold-2.3% to \$1,182, iron ore -1.7% to \$56.18. AUD is at 0.7912 and the range was 0.7863 to 0.8023. (For more market prices, please see p.2 of the pdf).

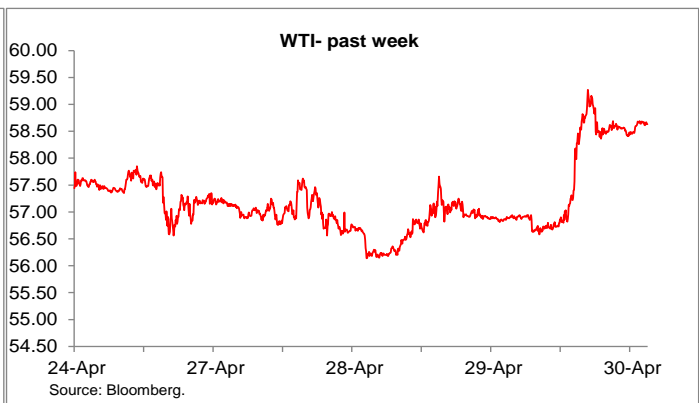
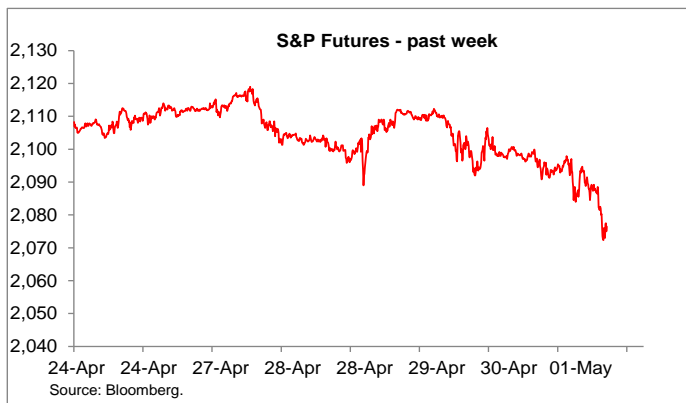
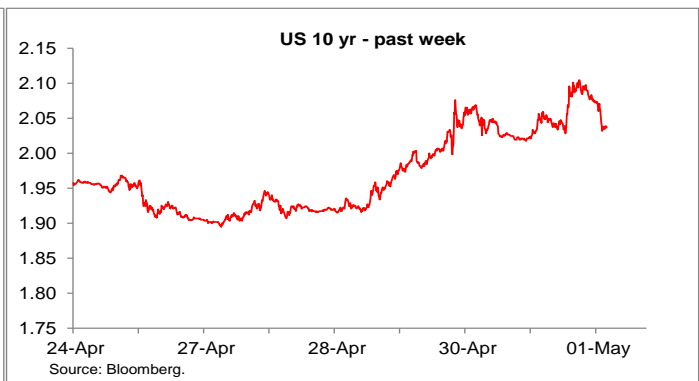
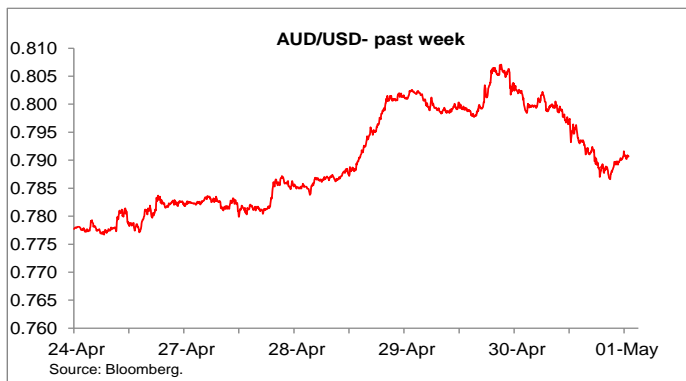
- US Chicago PMI 52.3A, 46.3E, 50P
- US ECI 0.7%A, 0.6E, 0.5P revised from 0.6
- US Personal spending Mar 0.4%A, 0.5E, 0.2P
- US Core PCE Mar 0.2%A, E, P
- EZ Core CPI 0.6%A, E, P

Chart of the Day – China IP and PMI



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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	0.7910	-1.2	0.7863	0.8023	HKD	7.7505	0.0	Dow	17,829	-1.1	7.5	Oil (Brent)	66.59	1.1		
NZD	0.7625	-0.7	0.7575	0.7684	CNY	6.2032	0.1	S&P 500	2,082	-1.2	10.5	Oil (WTI)	59.51	1.6		
EUR	1.1220	0.8	1.1072	1.1266	SGD	1.3238	0.3	Nasdaq	4,938	-1.7	20.0	Oil (Tapis)	66.56	2.6		
GBP	1.5357	-0.5	1.5304	1.5492	IDR	12,963	0.2	FTSE	6,961	+0.2	2.7	Gold	1182.30	-2.3		
JPY	119.41	0.3	118.50	119.90	THB	33.02	0.6	DAX	11,454	+0.2	19.3	CRB	229.49	1.0		
CAD	1.2061	0.3	1.1997	1.2132	KRW	1,072	0.4	CAC 40	5,046	-0.3	12.5	GS Metals	329.0	0.4		
AUD/EUR	0.7045	-2.0			TWD	30.62	0.5	Nikkei	19,520	-2.7	34.8	Aluminium	1871	0.4		
AUD/JPY	94.41	-0.9			PHP	44.59	0.6	Shanghai	4,442	-0.8	119.2	Copper	6153	0.5		
AUD/GBP	0.5152	-0.7			CHF	0.93	-0.7	Hang Seng	28,133	-0.9	27.1	Nickel	13393	-0.2		
AUD/NZD	1.0364	-0.5			SEK	8.34	0.1	ASX 200	5,790	-0.8	6.3	Zinc	2306	0.3		
												Ch. steel			2360	-0.5
												Iron ore			56.2	-1.7
												St. coal			61.8	n.a.
												Wheat Chic.			474.0	-2.0
												Sugar			12.98	-0.8
												Cotton			68.12	1.2
												Coffee			137.5	-1.1
												CO₂ Emissions - Euros				
															Last	% day
												Mar-2015			did Not Ap	N/A N/A
												Dec-2015			7.43	-0.9
												Dec-2016			7.51	-0.9

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
Friday, 1 May 2015								
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
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
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
Monday, 4 May 2015								
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
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
Tuesday, 5 May 2015								
AU	RBA CIO Girm 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
CA	Int'l Merchandise Trade	Mar				-0.98B	12.30	22.30
US	Trade Balance	Mar				-\$35.4B	12.30	22.30
US	ISM Non-Manf. Composite	Apr				56.5	14.00	0.00
Wednesday, 6 May 2015								
NZ	Average Hourly Earnings QoQ	1Q				0.4%	22.45	8.45
NZ	Unemployment Rate	1Q				5.7%	22.45	8.45
NZ	Employment Change QoQ/YoY	1Q				1.2%/3.5%	22.45	8.45
NZ	Participation Rate	1Q				69.7%	22.45	8.45
US	Fed's Kocherlakota Holds Open Forum in Marshall, Minnesota (NV)						0.00	10.00
AU	HIA New Home Sales MoM	Mar				1.1%	1.00	11.00
AU	Retail Sales MoM	Mar				0.7%	1.30	11.30
AU	Retail Sales Ex Inflation QoQ	1Q				1.5%	1.30	11.30
CH	HSBC China Composite/Services PMI	Apr				51.8/52.3	1.45	11.45
EC	Markit Eurozone Services PMI	Apr F					8.00	18.00
EC	Retail Sales MoM	Mar				-0.2%	9.00	19.00
US	ADP Employment Change	Apr				189K	12.15	22.15
US	Nonfarm Productivity	1Q P				-2.2%	12.30	22.30
CA	Ivey Purchasing Managers Index SA	Apr				47.9	14.00	0.00
US	Fed's Lockhart Speaks on Monetary Policy in Louisiana (V)						17.30	3.30
Thursday, 7 May 2015								
AU	AiG Perf of Construction Index	Apr				50.1	23.30	9.30
AU	Employment Change	Apr				37.7K	1.30	11.30
AU	Unemployment Rate	Apr				6.1%	1.30	11.30
AU	Participation Rate	Apr				64.8%	1.30	11.30
GE	Factory Orders MoM	Mar				-0.9%	6.00	16.00
CA	Building Permits MoM	Mar				-0.9%	12.30	22.30
US	Initial Jobless Claims	May-02					12.30	22.30
US	Consumer Credit	Mar				\$15.516B	19.00	5.00
Friday, 8 May 2015								
JN	Bank of Japan April 7-8 meeting minutes						23.50	9.50
AU	RBA Statement on Monetary Policy						1.30	11.30
GE	Industrial Production SA MoM	Mar				0.2%	6.00	16.00
GE	Trade Balance	Mar				19.2B	6.00	16.00
UK	Trade Balance	Mar				-£2859	8.30	18.30
CA	Housing Starts	Apr				189.7K	12.15	22.15
US	Change in Nonfarm Payrolls	Apr				126K	12.30	22.30
CA	Unemployment Rate	Apr				6.8%	12.30	22.30
US	Unemployment Rate	Apr				5.5%	12.30	22.30
US	Average Hourly Earnings MoM/YoY	Apr				0.3%/2.1%	12.30	22.30
CH	Trade Balance	Apr				\$3.08B	14.00	0.00
CH	Imports/Exports YoY	Apr				-12.7%/-15.0%	14.00	0.00
Saturday, 9 May 2015								
CH	CPI YoY	Apr				1.4%	1.30	11.30
PO	ECB's Costa, Monti Speak at Conference on Growth and Reform						7.30	17.30
Upcoming Central Bank Interest Rate Announcements								
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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