

Markets Today

A daily outlook for Australia, key global economies and markets

11 May 2015

Welcome to the palindromic week

The April US employment report proved to be a 'Goldilocks' affair for markets, not strong enough to detract from the view a first Fed tightening probably won't happen at least before September, and not weak enough to undermine optimism toward a better economy in Q2 than Q1 and positive risk sentiment.

Headline non-farm payrolls came in just about as expected at 223k but there was a big downward revision (-39k) to March and hourly earnings only rose by 0.1%. The unemployment rate fell, to 5.4%, despite a higher labour participation rate, and could on other occasions have carried the day and led this to be seen as a stronger than expected report. But anaemic earnings growth, lack of upside surprise on headline NFP together with downward revisions - at the end of a week where the US bond market has been busily establishing short (futures) positions in front of the release - carried the day.

The 5-year segment of the US Treasury curve rallied the most post-payrolls; -7.4bps to 1.49% the 2-year lost 6bps to 0.57% and 10s -3bps to 2.15%. Earlier Friday the hyper-volatile 10yr German Bund lost 4bps in yield to 0.55% (last Thursday's intra-day high, recall, was 0.77%, but Friday's closing level is still above the levels prevailing both on the day of the ECB's QE announcement (Jan 22) and its early March commencement. Global markets will continue to pay close attention to this rate this week, especially tomorrow when Greece is due to repay the IMF €750mn.

An understandably wild day Friday for all things UK, where 10yr gilts lost 4.5bps to 1.875%, so recovering (in yield terms) about a third of the knee-jerk rally (-12bps) witnessed as soon as UK exit polls indicated the likelihood of a Conservative general election victory (this on the assumption of greater fiscal contraction/reduced bond supply, and a 'lower for longer' view of Bank of England policy as a result of that). Sterling was the standout winner in FX on Friday, but with the GBP/USD rate ending about a cent down from its intra-day high of \$1.5521 and which followed two bursts of intraday strength – the first on exit polls indicating the Conservatives would win the most amount of seats, and then on news they would likely secure an outright majority, as indeed has proved the case. GBP/USD finished +1.38% at 1.5455.

The next biggest G10 gainer was the NZD, +0.54% to 0.7489. AUD was +0.32% to 0.7932. AUD and NZD both received a fillip at this morning's FX market re-open on the news Sunday evening that China was cutting its main lending (and deposit) rates by 25bps, to 5.1% and 2.25% respectively. Knee jerk gains in AUD to above 0.7950, and in

NZD to around 0.7525, have since been quickly retraced however, both currencies now sitting back below Friday's New York closing levels. In contrast to USD dollar slippage elsewhere on Friday, EUR/USD fell by 0.6% to 1.1199 while USD/JPY finished flat at ¥119.76, allowing the DXY to add 0.17% to 94.79. So really Friday was a story of broad USD slippage post payrolls, EUR/USD the exception.

Feeding off strong European equity gains, US equities liked the payrolls report, S&P500 +1.35% to 2116.1. US stock also fed positively off a strong rally in European share markets on news of the likely Conservative election victory.

In commodities, iron ore rallied to its best level since the beginning of March, +\$1.04 to \$61.40. Other metals were mostly lower, the LME index -0.17%. Oil was mixed, Brent - \$0.15 to \$65.39 and WTI +\$0.45 to \$59.39. Gold added \$3.88 to \$1189.

CoreLogic RP Data's weekend housing market auction/price data shows no signs of let-up in terms of auction clearance rates, the 7-city average clearance rate of 78.2% down only slightly from 78.6% last Saturday. Sydney's clearance rate was 88.7% up from 87.3% though prices were unchanged on the week. Melbourne cleared 77.5% of auctions down from 81.3%, but prices were +0.4% on the week

Coming Up

It's not a big week internationally though Greece will probably be centre stage with Finance officials locked in meetings today ahead of tomorrow's deadline for a €750mn payment due to the IMF. In China we'll all get the monthly batch of production, sales and investment data (all on Wednesday)

Locally, the NAB business survey is due this morning – a day earlier than usual due to tomorrow night's Budget (7:30pm AEST). We'll also get the Wage price Index for Q1, on Wednesday. See our 'What to watch' publication for a full previews of these events.

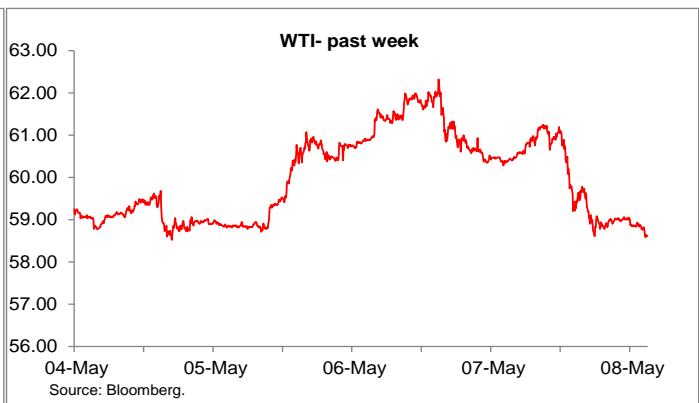
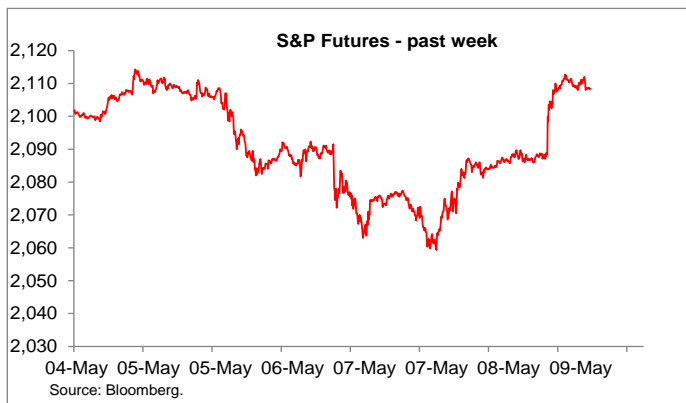
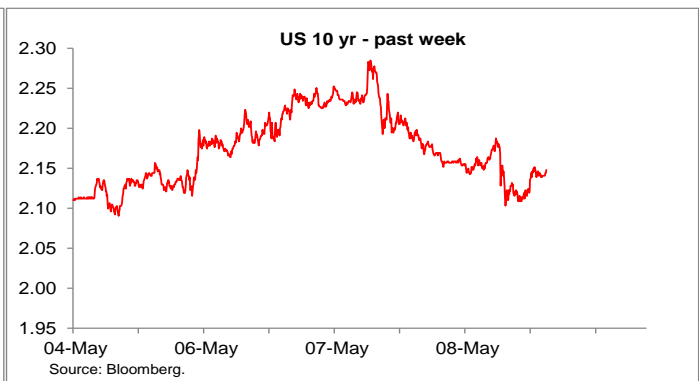
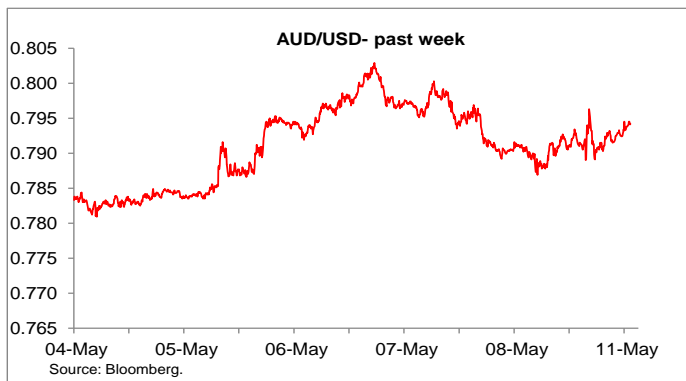
Oh and as for today's title, every date this week is a palindromic number: 5/11/15, 5/12/15, 5/13/15, etc.

Overnight

On global stock markets, the S&P 500 was +1.30%. Bond markets saw US 10-years -3.22bp to 2.15%. On commodity markets, Brent crude oil -0.23% to \$65.39, gold+0.6% to \$1,189, iron ore +1.7% to \$61.40. AUD is at 0.7943 and the range since 5pm AEST Friday has been 0.7876 – 0.7968. Indicative range today 0.7885 - 0.7960. (For more market prices, please see p.2 of the pdf).

Ray.atrill@nab.com.au

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>0.7941</td> <td>0.1</td> <td>0.7930</td> <td>0.7952</td> <td>HKD</td> <td>7.7536</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.7487</td> <td>0.0</td> <td>0.7487</td> <td>0.7525</td> <td>CNY</td> <td>6.2093</td> <td>0.0</td> </tr> <tr> <td>EUR</td> <td>1.1198</td> <td>0.0</td> <td>1.1196</td> <td>1.1207</td> <td>SGD</td> <td>1.3285</td> <td>-0.1</td> </tr> <tr> <td>GBP</td> <td>1.5455</td> <td>0.0</td> <td>1.5440</td> <td>1.5461</td> <td>IDR</td> <td>13,121</td> <td>-0.2</td> </tr> <tr> <td>JPY</td> <td>119.65</td> <td>-0.1</td> <td>119.46</td> <td>119.75</td> <td>THB</td> <td>33.57</td> <td>0.1</td> </tr> <tr> <td>CAD</td> <td>1.2081</td> <td>0.1</td> <td>1.2075</td> <td>1.2087</td> <td>KRW</td> <td>1,088</td> <td>-0.1</td> </tr> <tr> <td>AUD/EUR</td> <td>0.7092</td> <td>0.2</td> <td></td> <td></td> <td>TWD</td> <td>30.70</td> <td>-0.1</td> </tr> <tr> <td>AUD/JPY</td> <td>95.02</td> <td>0.0</td> <td></td> <td></td> <td>PHP</td> <td>44.65</td> <td>-0.1</td> </tr> <tr> <td>AUD/GBP</td> <td>0.5139</td> <td>0.0</td> <td></td> <td></td> <td>CHF</td> <td>0.93</td> <td>0.2</td> </tr> <tr> <td>AUD/NZD</td> <td>1.0608</td> <td>0.2</td> <td></td> <td></td> <td>SEK</td> <td>8.26</td> <td>0.0</td> </tr> </table>						Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.7941	0.1	0.7930	0.7952	HKD	7.7536	0.0	NZD	0.7487	0.0	0.7487	0.7525	CNY	6.2093	0.0	EUR	1.1198	0.0	1.1196	1.1207	SGD	1.3285	-0.1	GBP	1.5455	0.0	1.5440	1.5461	IDR	13,121	-0.2	JPY	119.65	-0.1	119.46	119.75	THB	33.57	0.1	CAD	1.2081	0.1	1.2075	1.2087	KRW	1,088	-0.1	AUD/EUR	0.7092	0.2			TWD	30.70	-0.1	AUD/JPY	95.02	0.0			PHP	44.65	-0.1	AUD/GBP	0.5139	0.0			CHF	0.93	0.2	AUD/NZD	1.0608	0.2			SEK	8.26	0.0
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 | Major Indices | | | | |---------------|--------|-------|-------| | | Last | % day | % y/y | | Dow | 18,191 | +1.5 | 9.7 | | S&P 500 | 2,116 | +1.3 | 12.6 | | Nasdaq | 5,004 | +1.2 | 22.9 | | FTSE | 7,047 | +2.3 | 3.4 | | DAX | 11,710 | +2.6 | 22.2 | | CAC 40 | 5,090 | +0.8 | 13.7 | | Nikkei | 19,379 | +0.5 | 36.5 | | Shanghai | 4,206 | +2.3 | 109.1 | | Hang Seng | 27,577 | +1.1 | 26.1 | | ASX 200 | 5,635 | -0.2 | 3.2 | | | | | | Last | % day | |-------------|---------|-------| | Oil (Brent) | 65.39 | -0.2 | | Oil (WTI) | 59.39 | 0.8 | | Oil (Tapis) | 66.60 | -3.8 | | Gold | 1188.90 | 0.6 | | CRB | 229.16 | 1.0 | | GS Metals | 336.1 | -0.1 | | Aluminium | 1863 | 0.2 | | Copper | 6389 | -0.2 | | Nickel | 14262 | 1.1 | | Zinc | 2357 | -0.9 | | Ch. steel | 2418 | 0.6 | | Iron ore | 61.4 | 1.7 | | St. coal | 61.8 | n.a. | | Wheat Chic. | 481.5 | 1.9 | | Sugar | 13.42 | 3.5 | | Cotton | 66.16 | 1.0 | | Coffee | 134.7 | 2.2 | | || | Interest Rates | | | | Benchmark 10 Year Bonds | | | | |-----------------------|------|------|------|-------------------------|--------|------|-------| | Indicative Swap Rates | | | | Last | chge | Spnd | | | | Cash | 3mth | 2Yr | 10Yr | | | | | USD | 0.25 | 0.28 | 0.84 | 2.22 | USD 10 | 2.15 | -0.03 | | AUD | 2.00 | 2.16 | 2.17 | 3.14 | AUD 10 | 2.84 | -0.15 | | NZD | 3.50 | 3.57 | 3.44 | 3.96 | NZD 10 | 3.59 | -0.07 | | EUR | 0.05 | 0.06 | 0.10 | 0.84 | CAD 10 | 1.70 | -0.05 | | GBP | 0.50 | 0.57 | 0.99 | 1.96 | EUR 10 | 0.55 | -0.04 | | JPY | 0.07 | 0.10 | 0.16 | 0.63 | GBP 10 | 1.88 | -0.05 | | CAD | 0.75 | 1.17 | 1.05 | 2.13 | JPY 10 | 0.42 | -0.01 | | | | | | | Overnight Futures | | | |-------------------|-------|-------| | | Last | Chge | | Australia | | | | 3 mth bill | 97.87 | 0.00 | | 3 Yr bond | 97.95 | 0.03 | | 10 Yr bonc | 97.18 | 0.08 | | 3/10 sprd | 0.77 | -0.05 | | SPI | 43.0 | 0.8 | | |
| | CO ₂ Emissions - Euros | | | |-----------------------------------|----------------|-------| | | Last | % day | | Mar-2015 | Did Not Appear | N/A | | Dec-2015 | 7.57 | 1.3 | | Dec-2016 | 7.65 | 1.3 | | | | | |

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	AEST
Monday, 11 May 2015								
NZ	Card Spending Total MoM	Apr	0.6%	0.5%		1.3%	22.45	8.45
NZ	REINZ Housing Report	Apr						
AU	NAB Business Conditions/Confidence	Apr				6/3	1.30	11.30
UK	BOE Asset Purchase Target	May		375B		375B	11.00	21.00
UK	Bank of England Bank Rate	May-11		0.50%		0.50%	11.00	21.00
US	Fed's Labour Market Conditions Index, change					-0.3	14.00	0.00
Tuesday, 12 May 2015								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	May-10				108.7	23.30	9.30
AU	Home Loans MoM	Mar	1.40%	1.00%		1.2%	1.30	11.30
AU	Investment Lending	Mar				-3.4%	1.30	11.30
UK	Industrial Production MoM	Mar		0.0%		0.1%	8.30	18.30
AU	Fed Budget, Underlying cash balance, \$Abn, % of GDP, 15/16 2015-16		-\$35B, -2.1%	-\$40B, -2.4%		-\$31.2B, -1.9%	09:30	19:30
US	NFIB Small Business Optimism	Apr		96		95.2	13.00	23.00
US	JOLTs Job Openings	Mar				5133	14.00	0.00
US	Fed's Williams Speaks at New York Association for Business Eco (V)						16.45	2.45
US	Monthly Budget Statement	Apr		\$138B		\$106.9B	18.00	4.00
Wednesday, 13 May 2015								
NZ	Food Prices MoM	Apr	-0.1%			0.1%	22.45	8.45
NZ	Financial Stability Report	half year						
JN	BoP Current Account Adjusted	Mar		¥1358.0B		¥603.5B	23.50	9.50
JN	Trade Balance BoP Basis	Mar		¥527.5B		¥143.1B	23.50	9.50
AU	Wage Price Index QoQ/YoY	1Q	0.6%/2.4%	0.6%/2.4%		0.6%/2.5%	1.30	11.30
JN	BOJ's Sato speaks at FIA Japan Financial Market Meeting						2.40	12.40
CH	Retail Sales YoY	Apr		10.4%		10.2%	5.30	15.30
CH	Industrial Production YoY	Apr		6.0%		5.6%	5.30	15.30
CH	Fixed Assets Ex Rural YTD YoY	Apr		13.5%		13.5%	5.30	15.30
CH	Bloomberg GDP Monthly Estimate YoY	Apr				6.4%	6.00	16.00
GE	CPI MoM/YoY	Apr F		-0.1%/0.4%		0.1%/0.4%	6.00	16.00
GE	GDP SA QoQ	1Q P		0.6%/0.7%		0.7%/1.4%	6.00	16.00
UK	ILO Unemployment Rate 3Mths	Mar		5.5%		5.6%	8.30	18.30
UK	Employment Change	Mar		+242K		+248K	8.30	18.30
EC	Industrial Production SA MoM	Mar		0.1%		1.1%	9.00	19.00
EC	GDP SA QoQ/YoY	1Q A		0.5%/1.1%		0.3%/0.9%	9.00	19.00
UK	Bank of England Inflation Report						9.30	19.30
EC	ECB account of the monetary policy meeting						11.30	21.30
US	Retail Sales Advance MoM	Apr		0.2%		0.9%	12.30	22.30
CA	Teranet/National Bank HPI MoM	Apr				0.3%	12.30	22.30
Thursday, 14 May 2015								
NZ	BusinessNZ Manufacturing PMI	Apr				54.5	22.30	8.30
NZ	Retail Sales Ex Inflation QoQ	1Q	1.3%	1.4%		1.7%	22.45	8.45
UK	RICS House Price Balance	Apr		18%		21%	23.01	9.01
CA	BoC's Patterson Speaks in Vancouver						17.30	3.30
AU	NAB Quarterly Australian Commercial Property Survey	Mar					1.30	11.30
CA	New Housing Price Index MoM	Mar				0.2%	12.30	22.30
CA	New Housing Price Index YoY	Mar				1.4%	12.30	22.30
US	PPI Final Demand MoM	Apr		0.1%		0.2%	12.30	22.30
US	Initial Jobless Claims	May-09				265K	12.30	22.30
US	PPI Final Demand YoY	Apr				-0.8%	12.30	22.30
Friday, 15 May 2015								
JP	PPI	Mar		0.1%/-2.1%		0.3%/0.7%	23.50	9.50
JP	BOJ's Kuroda speaks in Tokyo						0.40	10.40
CA	Manufacturing Sales MoM	Mar				-1.7%	12.30	22.30
US	Empire Manufacturing	May		5.0		-1.19	12.30	22.30
CA	Int'l Securities Transactions	Mar				9.27B	12.30	22.30
CA	Existing Home Sales MoM	Apr				4.1%	13.00	23.00
US	Industrial Production MoM	Apr		0.0%		-0.6%	13.15	23.15
US	U. of Mich. Sentiment	May P		96.5		95.9	14.00	0.00
US	Net Long-term TIC Flows	Mar				\$9.8B	20.00	6.00
US	Total Net TIC Flows	Mar				\$4.1B	20.00	6.00
Monday, 18 May 2015								
NZ	Performance Services Index	Apr				57.6	22.30	8.30
UK	Rightmove House Prices MoM/YoY	May				1.6%/4.7%	23.01	9.01
AU	RBA's Lowe Gives Speech in Sydney						23.30	9.30
JN	Machine Orders MoM/YoY	Mar				-0.4%/5.9%	23.50	9.50
CH	China April Property Prices						1.30	11.30
AU	New Motor Vehicle Sales MoM	Apr				0.5%	1.30	11.30
JN	Industrial Production MoM	Mar F					4.30	14.30
US	NAHB Housing Market Index	May				56	14.00	0.00
Upcoming Central Bank Interest Rate Announcements								
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%		
Australia, RBA		2-Jun	2.00%	2.00%		2.00%		
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

Global 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

Emma Lawson
Senior Currency Strategist
+61 2 9237 8154

Interest Rate Strategy

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

Rodrigo Catril
Interest Rate Strategist
+61 2 9293 7109

Credit Research

Michael Bush
Head of Credit Research
+61 3 8641 0575

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

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

Raiko Shareef
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

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

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 Bulauan
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

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