



Markets Today

A daily outlook for Australia, key global economies and markets

12 May 2015

GBP/NZD still on fire

Lacking fresh data or major events, it's been a relatively subdued offshore trading session where with a couple of currency exceptions (see below) markets have partially – or more than fully - retraced some of the moves we saw in the aftermath of last Friday's US employment report. Thus equities are mostly lower (major US indices off around 0.5% and following similar weakness in Europe) and bond yields are smartly higher - 10 year US Treasuries +13bps to 2.278% and 10yr German Bunds +6bp.

The latter is despite a fresh rise in Greek yields (+20bps) amid reports of no substantive progress in the talks currently in train between Greece and her EU creditors. Reuters reported at around 3.30pm London time that Greece had executed an order for the €750mn payment due to the IMF today, though this looks to be coming out of cash otherwise designated to pay pensions and wages later this month.

The only two currencies worth mentioning in terms of overnight price action – aside from the ever volatile Norwegian Krone – are GBP and NZD. The post-election rally in all things Sterling continued – with no reaction to the widely expected no-change (and so no statement) decision from the Bank of England. NZD bears meanwhile continued to gorge on the now seemingly consensus expectation that the RBNZ will be cutting rates, starting as early as next month (not a view our BNZ colleagues are on side with).

NZD/USD, that was under pressure within minutes of yesterday's Wellington open (and following an opening spike higher on Sunday's China rate cut news), and continued to leak lower offshore, for a 24 hour loss only just shy of 2%. Anyone fortunate enough to have been on the long side of GBP/NZD ahead of the first UK election 'exit poll' is currently some 4% to the good. If they were on it in front of RBNZ Assistant Governor McDermott's 24 April speech, they are up 10%. New Zealanders had best gird their loins in preparation for an invasion of British holidaymakers next summer.

Coming Up

The Australian budget is due to be delivered at 7:30pm AEST, with markets and presumably ratings agencies, looking for the "quality trajectory" back towards surplus that the Federal Treasurer spoke of when returning from meetings in the US with the IMF and ratings agencies last month. Overnight, an editorial comment from Fitch in The AFR suggests that there is no threat to the AAA rating in the next couple of years at least.

Businesses will also be hoping for a significantly less negative reaction from consumers than last year, when the

budget had a significant effect on consumer confidence and the economy (and of course, much of it never passed).

While many of the details of the Budget have, as is now customary, been leaked to the media, the headline Budget deficit projections – for the current and future years – have not (though David Uren in The Australian is suggesting that the current year projection will be less than \$40bn). Market consensus expectations as of last Friday were for a forecast budget deficit in 2015-16 of similar magnitude to 2014-15 (both in the A\$40-45bn range - around 2.5-2.75% of GDP).

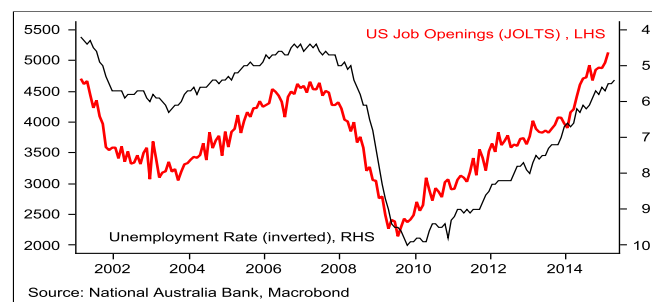
On the ratings risk, NAB assesses it as unlikely that Australia would be downgraded in the next two years, but we give a greater possibility of a negative outlook being attached to the rating. Looking at recent years it is worth noting that S&P normally issues its first view of Australia's credit rating and the budget on budget night. So should either a negative outlook or credit review be initiated, this is likely to be signalled to markets tomorrow evening. The results of this action would likely be announced in July, once S&P has conducted its normal annual review of the rating.

Offshore, we'll get the 'JOLTS' job openings series (a favourite of Dr Yellen – see Chart of the Day) and hear from SF Fed President John Williams. His view on how last Friday's employment report sits with his last stated Fed view – that July or perhaps still June was a possible start date for tightening – will be of particular interest. Also due and of interest, is the US NFIB's Small Business Optimism Survey, a key forward looking indicator and which dipped from just above 100 to just above 95 in the first three months of 2015.

Overnight

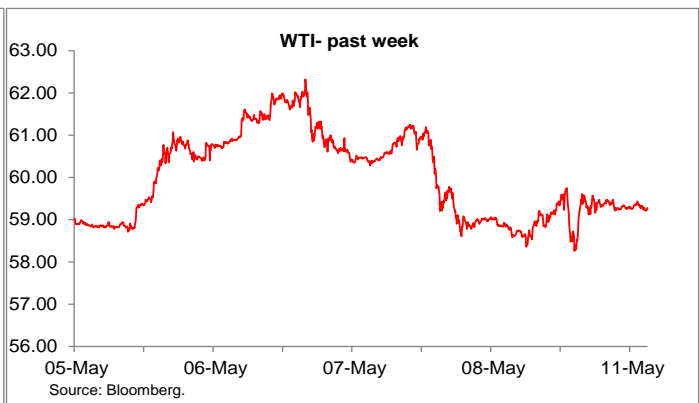
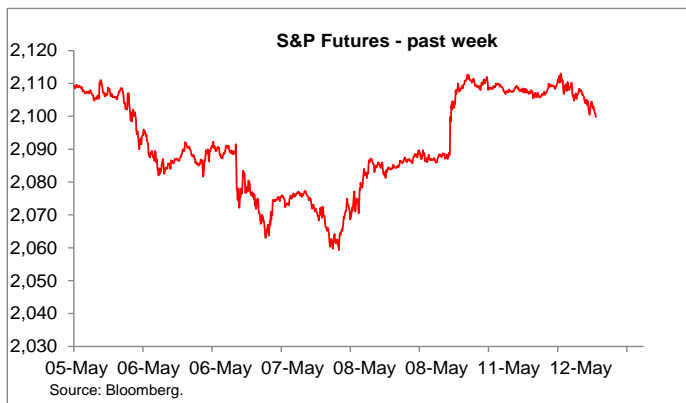
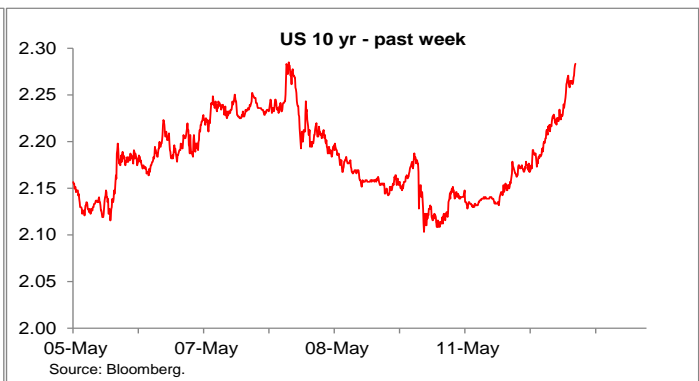
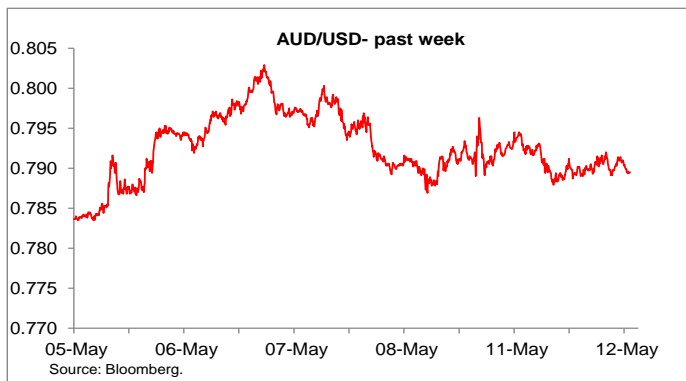
On global stock markets, the S&P 500 was -0.50%. Bond markets saw US 10-years +13.56bp to 2.28%. On commodity markets, Brent crude oil -0.84% to \$64.84, gold-0.5% to \$1,183, iron ore +2.6% to \$63.02. AUD is at 0.789 and the range was 0.7876 to 0.7952. Indicative range today 0.7865 - 0.7920. (For more market prices, please see p.2 of the pdf).

Chart of the Day – US JOLTS vs. unemployment rate



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Markets



Foreign Exchange							
Indicative 24hr ranges (**)				Other FX			
	Last	% chge	Low	High		Last	% chge
AUD	0.7892	0.0	0.7876	0.7952	HKD	7.7523	0.0
NZD	0.7339	0.1	0.7336	0.7525	CNY	6.2095	0.0
EUR	1.1157	0.0	1.1131	1.1207	SGD	1.3372	0.0
GBP	1.5586	0.0	1.5393	1.5613	IDR	13,155	0.3
JPY	120.10	0.0	119.46	120.15	THB	33.74	0.0
CAD	1.2096	-0.1	1.2065	1.2144	KRW	1,091	0.3
AUD/EUR	0.7079	0.0			TWD	30.74	0.1
AUD/JPY	94.85	0.0			PHP	44.67	0.0
AUD/GBP	0.5066	0.0			CHF	0.93	0.0
AUD/NZD	1.0748	0.0			SEK	8.30	0.0

Equities			
Major Indices			
	Last	% day	% y/y
Dow	18,105	-0.5	9.2
S&P 500	2,105	-0.5	12.1
Nasdaq	4,994	-0.2	22.6
FTSE	7,030	-0.2	3.2
DAX	11,673	-0.3	21.8
CAC 40	5,028	+0.3	12.3
Nikkei	19,621	+1.2	38.7
Shanghai	4,334	+3	111.1
Hang Seng	27,718	+0.5	24.5
ASX 200	5,625	-0.2	3.2

Commodities*		
	Last	% day
Oil (Brent)	64.84	-0.8
Oil (WTI)	59.20	-0.3
Oil (Tapis)	66.69	0.1
Gold	1182.80	-0.5
CRB	228.27	-0.4
GS Metals	334.0	-0.6
Aluminium	1849	-0.7
Copper	6367	-0.3
Nickel	14241	-0.1
Zinc	2304	-2.2
Ch. steel	2403	-0.7
Iron ore	63.0	2.6
St. coal	61.8	n.a.
Wheat Chic.	481.0	-0.1
Sugar	13.48	0.4
Cotton	65.39	-1.2
Coffee	134.4	-0.2

CO ₂ Emissions - Euros		
	Last	% day
Mar-2015	did Not Appear	N/A
Dec-2015	7.66	1.2
Dec-2016	7.74	1.2

Interest Rates								
Indicative Swap Rates				Benchmark 10 Year Bonds				
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	0.25	0.28	0.89	2.35	USD 10	2.28	0.14	
AUD	2.00	2.14	2.28	3.30	AUD 10	2.85	0.01	0.57
NZD	3.50	3.54	3.39	3.90	NZD 10	3.53	-0.07	1.25
EUR	0.05	0.06	0.11	0.92	CAD 10	1.82	0.12	-0.46
GBP	0.50	0.57	1.04	2.04	EUR 10	0.61	0.06	-1.67
JPY	0.09	0.10	0.15	0.61	GBP 10	1.95	0.07	-0.33
CAD	0.75	1.17	1.10	2.26	JPY 10	0.40	-0.03	-1.89

Overnight Futures		
	Last	Chge
Australia		
3 mth bill	97.84	-0.02
3 Yr bond	97.82	-0.08
10 Yr bonc	96.99	-0.18
3/10 sprd	0.83	0.10
SPI	-5.0	-0.1

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
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
Tuesday, 19 May 2015								
NZ	PPI Input/Output QoQ	1Q				-0.4%/-0.1%	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	May-17					23.30	9.30
AU	RBA May Meeting Minutes						1.30	11.30
NZ	2Yr Inflation Expectation	2Q				1.8%	3.00	13.00
UK	CPI MoM/YoY	Apr				0.2%/0.0%	8.30	18.30
EC	Trade Balance SA	Mar				22.0B	9.00	19.00
GE	ZEW Survey Current Situation/Expectations	May				70.2/53.3	9.00	19.00
EC	ZEW Survey Expectations	May				64.8	9.00	19.00
EC	CPI MoM/YoY	Apr/F				1.1%/	9.00	19.00
EC	CPI Core YoY	Apr F					9.00	19.00
US	Housing Starts / MoM	Apr				926K/2.0%	12.30	22.30
US	Building Permits / MoM	Apr				1039K/-5.7%	12.30	22.30
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

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