



Markets Today

A daily outlook for Australia, key global economies and markets

14 May 2015

Crying in their Cornflakes

An Asia-Pacific market coming in to work to read that US retail sales disappointed expectations, printing flat in headline terms in April and just 0.1% ex-auto (+0.2% and 0.5% expected, albeit there were some upward revisions to March) would be justified thinking the US dollar would be lower, bond yields lower and equities probably weaker for choice. If, so, they'd have scored two out of three, the surprise being that US Treasury yields are higher at 10-years at least (+4.5bps), though to be fair 2-year note yields are lower (-2bps). US equities were narrowly mixed, the S&P and Dow closing with tiny losses and the NASDAQ a very small gain.

Currencies are really where it's at this morning, with the US dollar smartly lower across the board and with losses led by the Aussie and Kiwi dollars, up 1.73% and 1.63% respectively on Tuesday's NY closing levels. Glenn Stevens and Graham Wheeler must be crying into their cornflakes this morning. We still think FX intervention prospects – from the RBA in particular – are very low, but that unless and until the US dollar perks up alongside better data, there is little prospect of a meaningful near term reversal in AUD or NZD.

Though still up on the night versus the beleaguered US dollar and where the narrow DXY dollar index is off almost 1% to 93.68, GBP is the underperformer in G10 currencies. This after the Bank of England downgraded its full year economic growth forecasts through 2017 in its latest Quarterly Inflation Report, citing higher (market) interest rates, a stronger Sterling, less home building and weaker productivity growth versus February. The Bank also sees downside risks to inflation over the first half of the 3-year forecast period. The Euro meanwhile came to no harm after Q1 GDP printed at 0.4%, in line with expectations (with overs and unders from France and Germany) but rallied back to its recent (7 May) highs just beneath 1.14 straight after the retail sales data.

As for those numbers, there is still plenty of commentary suggesting that the full effect of the harsh US winter weather has not yet played out, and that the dividend from lower gasoline prices may not show up until well into Q2. That may be so, but as things stand the Atlanta Fed's latest 'GDPNow' estimate for Q2 GDP sits at just 0.7% post-retail sales. With Q1 GDP like to be revised down, there's currently a decent chance the US economy will record no growth in H1 2015.

Also worth noting this morning, Saudi Arabia tells the FT that its strategy of squeezing high-cost rivals such as US shale producers is succeeding, as the world's largest crude exporter seeks to reassert itself as the dominant force in the global oil market. "There is no doubt about it, the price fall of the last several months has deterred investors away from

expensive oil including US shale, deep offshore and heavy oils," a Saudi official told the Financial Times in Riyadh.

Coming Up

The only known event on the Australian calendar today is NAB's quarterly commercial property survey (and of interest insofar as this a sector identified by the RBA as exhibiting some bubble-like tendencies). For the currency, there may be stronger interest in the data from across the Tasman, such is the interest in the AUD/NZD cross at present and the feedback from volatility here to the AUD more broadly. Incoming NZ data will also get intense scrutiny in the run-in to the 11 June RBNZ OCR decision and MPS and where money markets currently ascribe almost a 50% chance to a 25bp cut in the OCR.

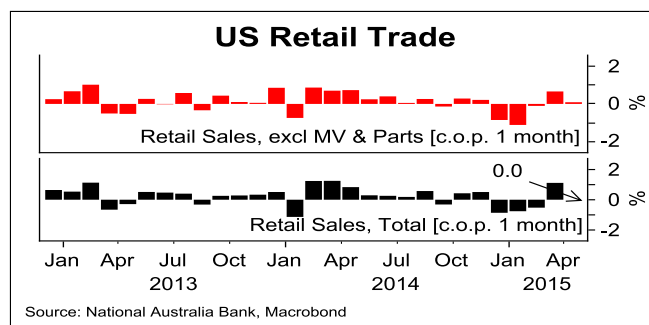
Today we'll get the Business NZ manufacturing PMI (8:30 AEST) followed 15 minutes later by Q1 real retail sales. For retail, our BNZ colleagues look for a 1.3% increase in volume terms (similar to market). If so, it would be the ninth quarter out of the last ten that quarterly growth has been at least 1.0%. It would make for an annual expansion in real retail spending of 5.8% for Q1 of 2015.

Offshore tonight, we get US weekly jobless claims, and which of late have been running at level consistent with monthly payrolls gains in excess of 250k, and producer prices where the 'Final Demand' headline rate is seen holding steady at -0.8% Y/Y but with the core (ex food and energy rate expected to rise to 1.1% from 0.9%.

Overnight

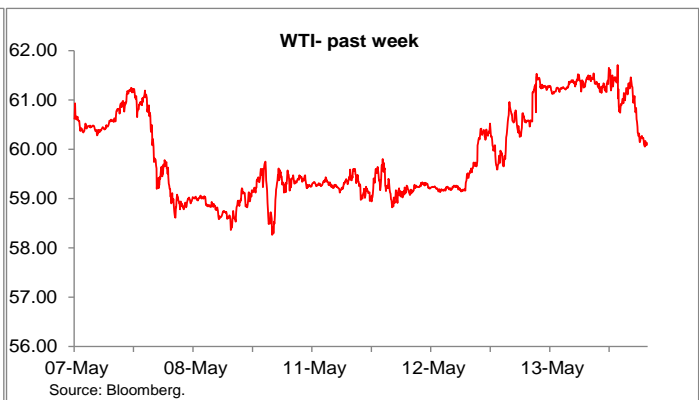
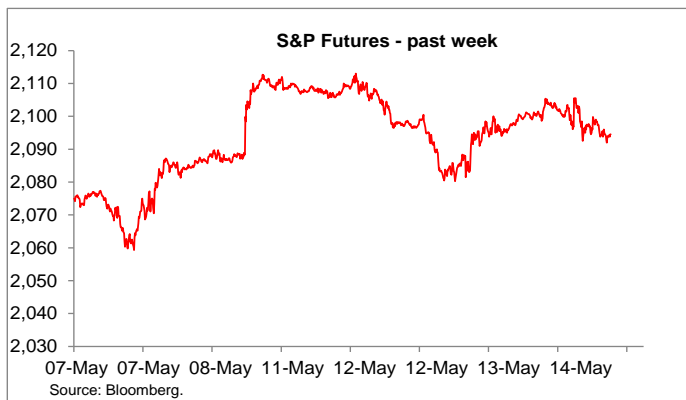
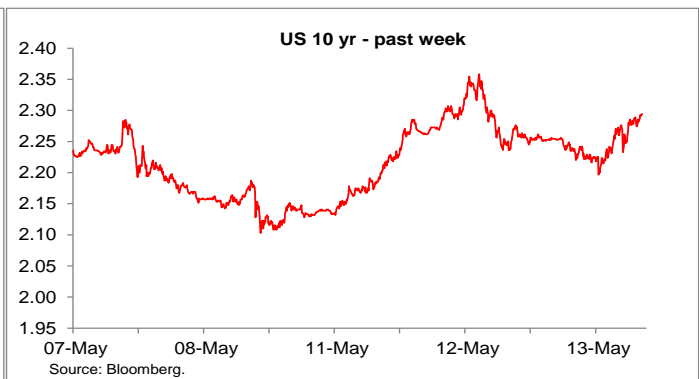
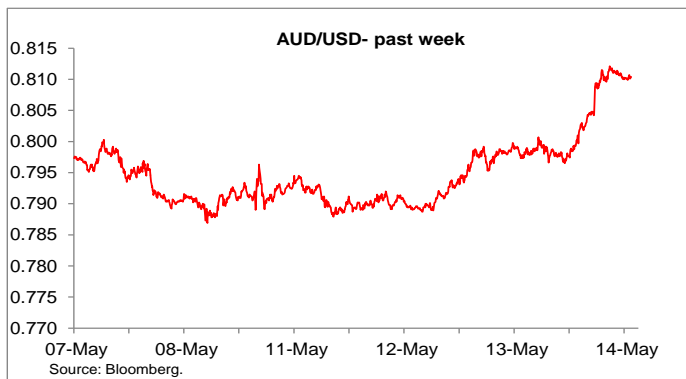
On global stock markets, the S&P 500 was +0.00%. Bond markets saw US 10-years +4.56bp to 2.29%. On commodity markets, Brent crude oil -0.58% to \$66.47, gold+1.9% to \$1,216, iron ore -0.5% to \$62.58. AUD is at 0.8108 and the range was 0.7952 to 0.8124. Indicative range today 0.8060 - 0.8135 (For more market prices, please see p.2 of the pdf).

Chart of the Day – US retail sales – headline and ex-autos



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Markets



Foreign Exchange						
Indicative 24hr ranges (**)				Other FX		
	Last	% chge	Low	High	Last	% chge
AUD	0.8107	1.6	0.7952	0.8124	HKD	7.7516 0.0
NZD	0.7480	1.6	0.7320	0.7506	CNY	6.2046 -0.1
EUR	1.1349	1.2	1.1203	1.1383	SGD	1.3250 -0.7
GBP	1.5736	0.4	1.5634	1.5769	IDR	13,122 -0.5
JPY	119.17	-0.6	119.04	120.03	THB	33.49 -0.7
CAD	1.1964	-0.5	1.1929	1.2028	KRW	1,100 0.4
AUD/EUR	0.7142	0.4			TWD	30.71 -0.1
AUD/JPY	96.58	1.0			PHP	44.70 -0.2
AUD/GBP	0.5150	1.2			CHF	0.92 -1.3
AUD/NZD	1.0836	0.0			SEK	8.24 -1.1

Equities			
Major Indices			
	Last	% day	% y/y
Dow	18,060	0.0	8.0
S&P 500	2,098	0.0	10.6
Nasdaq	4,982	+0.1	20.6
FTSE	6,950	+0.2	1.1
DAX	11,351	-1.1	16.4
CAC 40	4,962	+1	10.1
Nikkei	19,765	+0.7	37.2
Shanghai	4,376	-0.6	113.7
Hang Seng	27,249	-0.6	20.7
ASX 200	5,715	+0.7	4.0

Commodities*		
	Last	% day
Oil (Brent)	66.47	-0.6
Oil (WTI)	60.13	-1.0
Oil (Tapis)	68.87	2.0
Gold	1215.60	1.9
CRB	231.14	0.0
GS Metals	335.4	-0.8
Aluminium	1850	-0.8
Copper	6411	-0.6
Nickel	14012	-2.1
Zinc	2340	-0.7
Ch. steel	2369	-0.9
Iron ore	62.6	-0.5
St. coal	61.8	n.a.
Wheat Chic.	481.5	0.2
Sugar	12.96	-4.6
Cotton	65.77	1.2
Coffee	135.4	-0.1
CO ₂ Emissions - Euros		
	Last	% day
Mar-2015	Did Not Appear	N/A N/A
Dec-2015	7.68	0.7
Dec-2016	7.77	0.8

Interest Rates							
Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Spnd
USD	0.25	0.28	0.84	2.35	USD 10	2.29	0.05
AUD	2.00	2.15	2.22	3.33	AUD 10	2.95	-0.09 0.66
NZD	3.50	3.53	3.42	4.00	NZD 10	3.68	0.01 1.38
EUR	0.05	0.06	0.12	1.00	CAD 10	1.83	0.03 -0.46
GBP	0.50	0.57	1.03	2.09	EUR 10	0.72	0.05 -1.57
JPY	0.09	0.10	0.16	0.65	GBP 10	2.02	0.04 -0.27
CAD	0.75	1.17	1.09	2.24	JPY 10	0.46	0.01 -1.84

Overnight Futures		
	Last	Chge
Australia		
3 mth bill	97.85	0.00
3 Yr bond	97.83	-0.01
10 Yr bonc	96.98	-0.01
3/10 sprd	0.86	0.00
SPI	-28.0	-0.5

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			Previous	GMT	AEST
			Forecast	Consensus	Actual			
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
Wednesday, 20 May 2015								
JN	GDP SA QoQ	1Q P				0.4%	23.50	9.50
AU	Westpac Consumer Conf SA MoM	May				-3.2%	0.30	10.30
AU	Skilled Vacancies MoM	Apr				0.4%	1.00	11.00
UK	Bank of England Minutes						8.30	18.30
US	U.S. Fed Releases Minutes from April 28-29 FOMC Meeting						18.00	4.00
Thursday, 21 May 2015								
NZ	ANZ Job Advertisements MoM	Apr				-0.80%	22.00	8.00
NZ	Net Migration SA	Apr				5000	22.45	8.45
AU	Consumer Inflation Expectation	May				3.4%	1.00	11.00
AU	RBA FX Transactions Market	Apr				1355M	1.30	11.30
JN	Markit/JMMA Japan Manufacturing PMI	May P					1.35	11.35
CH	HSBC China Manufacturing PMI	May P					1.45	11.45
CH	MNI May Business Indicator						1.45	11.45
NZ	Credit Card Spending YoY	Apr					3.00	13.00
GE	Markit/BME Germany Manufacturing PMI	May P					7.30	17.30
EC	Markit Eurozone Manufacturing PMI	May P					8.00	18.00
EC	ECB Current Account SA	Mar				26.4B	8.00	18.00
EC	Current Account NSA	Mar				13.8B	8.00	18.00
UK	Retail Sales Incl. Auto MoM/YoY	Apr					8.30	18.30
US	Initial Jobless Claims	May-16					12.30	22.30
US	Philadelphia Fed Business Outlook	May				7.5	14.00	0.00
EC	Consumer Confidence	May A					14.00	0.00
US	Existing Home Sales / MoM	Apr				5.19M/6.1%	14.00	0.00
Upcoming Central Bank Interest Rate Announcements								
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%		
UK BOE		4-Jun	0.50%	0.50%		0.50%		
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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