



Markets Today

A daily outlook for Australia, key global economies and markets

20 May 2015

Remember Us? Still Doing QE

The ECB reminded markets that they were still there, and still implementing QE. That allowed for a rally in European stocks and led to underperformance by the EUR. In contrast, better US data (finally!) saw US stocks relatively flat, but yields ended the day higher. Iron ore took a tumble yesterday, which is possibly weighing on the AUD. The USD outperformed pretty much across the board.

The EUR woes started with the ECB's Couere pointing out that while the ECB wanted markets to determine the price of assets and that there was an adjustment needed in yields and the EUR, but perhaps the volatility or speed of adjustment in past weeks was a little fast. Then, in pointing out the seasonality of a slow Northern Hemisphere summer, that the ECB would complete its QE by front loading their bond purchases before the summer and back ended after the summer if necessary.

This brought the market's attention back to the fact that the ECB were implementing QE; remember that's EUR negative? This kicked off the move, but it was helped along by a weak German business sentiment survey (ZEW) showing expectations falling rapidly. Merkel and Hollande were talking about the need for negotiations with Greece to move faster, and they would like an agreement by the end of May. So nothing better or worse there.

The US markets behaved in typical fashion post the release of housing starts and permits, which bounced from their bad weather induced slump earlier in the year. It's been some time coming, but there is now at least some signs that the weakness was weather. This was encouraging, and as the FOMC is now very data dependent, every bit counts.

The UK markets didn't react as much as you'd expect after posting the first negative headline CPI print since 1960; the core was soft too at 0.8%yoy (1.0%E, P). Inflation numbers can be interesting: after you strip away the effect of oil, a stronger GBP etc etc everything's fine, isn't it?

Yesterday, the RBA's minutes were released and spent some time explaining their lack of bias in statements in which policy was changed. The minutes then went on to note that there was still scope to ease policy. The RBA's Lowe is back on the tapes today, speaking on a panel in Sydney. Iron ore fell yesterday; there isn't a strong daily relationship between it and the AUD, but it is likely to weigh on sentiment.

Coming Up

The relatively quiet period of data continues at least through the Southern Hemisphere day, with little released in Asia.

The key focus is likely to be Japanese GDP, which is expected to be steady at 0.4%qoq.

Australia sees the consumer confidence reading for May, which post budget makes it a little more interesting. The expectation is for an improvement in sentiment and for that to flow through to spending.

The focus tonight is likely to be on the FOMC minutes, where the discussion regarding the slowing data is to be balanced against the desire to begin raising interest rates later this year.

With the back-up in bond yields, even if it has not been related to data so far but position unwinding, an emphasis on normalising policy, rather than the weakness of the data, is likely to have a greater effect on yields and FX in the present market. To balance against this, the dove Fed speaker Evans speaks on the economy and monetary policy.

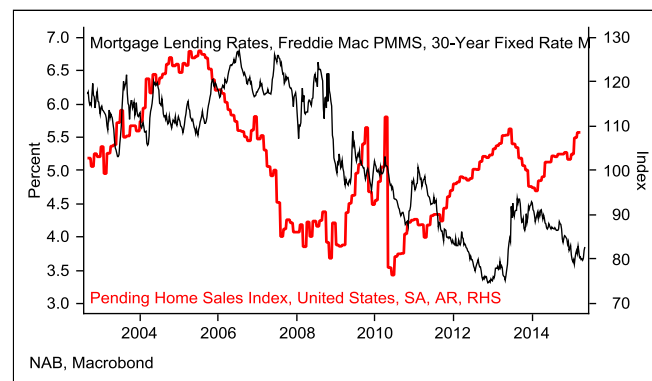
The Bank of England releases its minutes but post the quarterly inflation report, this has less new information than is usual, watch for any dissenters.

Overnight

On global stock markets, the S&P 500 was -0.20%. Bond markets saw US 10-years +5.31bp to 2.29%. On commodity markets, Brent crude oil -3.12% to \$64.2, gold-1.6% to \$1,208, iron ore -3.5% to \$58.53. AUD is at 0.7915 and the range was 0.7907 to 0.801. (For more market prices, please see p.2 of the pdf).

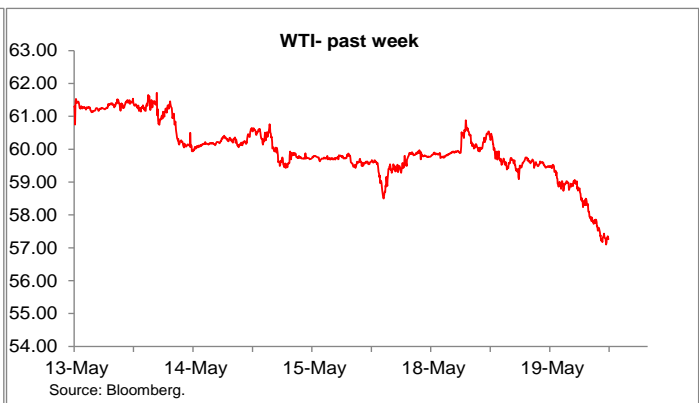
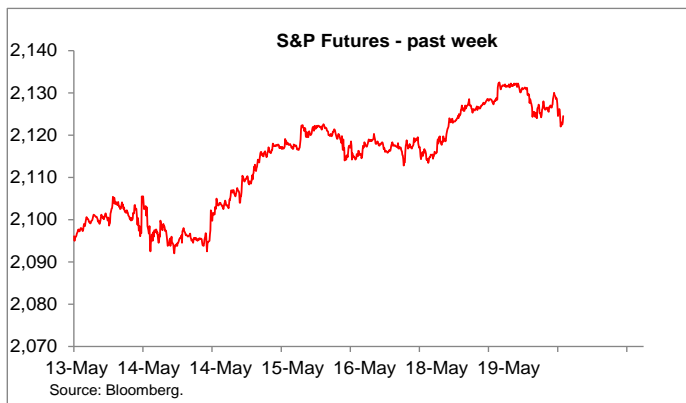
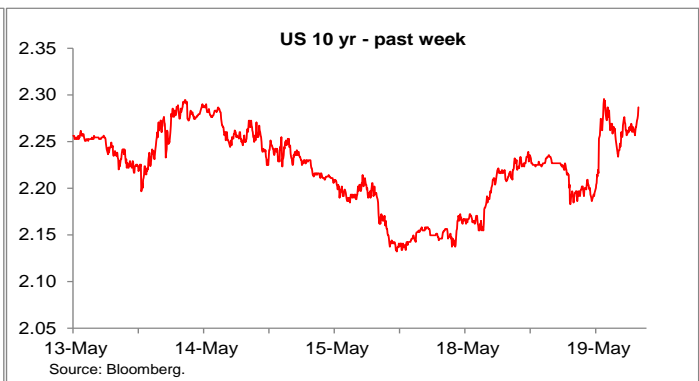
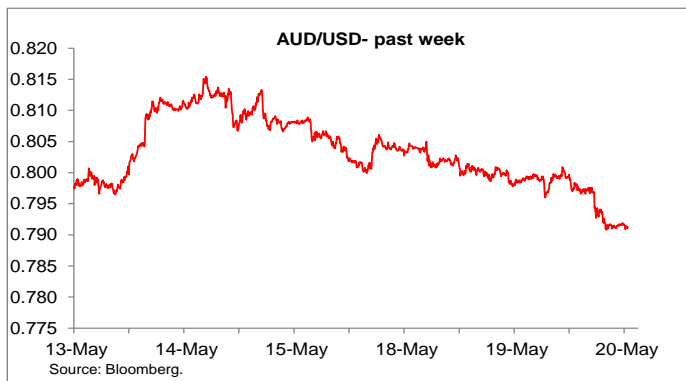
- German ZEW 41.9A, 49E, 53.3P
- UK HICP -0.1%yA, 0E, P
- US Housing starts 1135A, 1015E, 944P
- US Housing permits 1143A, 1064E, 1038P

Chart of the Day – US Home Sales Picking Up



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Markets



Foreign Exchange								Equities				Commodities*																																																																																										
<table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="4">Indicative 24hr ranges (**)</th> <th colspan="3">Other FX</th> </tr> <tr> <th>Last</th> <th>% chge</th> <th>Low</th> <th>High</th> <th>Last</th> <th>% chge</th> <th></th> </tr> </thead> <tr> <td>AUD</td> <td>0.7916</td> <td>-0.9</td> <td>0.7907</td> <td>0.8010</td> <td>HKD</td> <td>7.7523</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.7341</td> <td>-0.6</td> <td>0.7338</td> <td>0.7444</td> <td>CNY</td> <td>6.2069</td> <td>0.0</td> </tr> <tr> <td>EUR</td> <td>1.1147</td> <td>-1.5</td> <td>1.1119</td> <td>1.1326</td> <td>SGD</td> <td>1.3356</td> <td>0.5</td> </tr> <tr> <td>GBP</td> <td>1.5508</td> <td>-0.9</td> <td>1.5447</td> <td>1.5670</td> <td>IDR</td> <td>13,098</td> <td>-0.3</td> </tr> <tr> <td>JPY</td> <td>120.69</td> <td>0.6</td> <td>119.83</td> <td>120.73</td> <td>THB</td> <td>33.52</td> <td>0.3</td> </tr> <tr> <td>CAD</td> <td>1.2227</td> <td>0.6</td> <td>1.2130</td> <td>1.2250</td> <td>KRW</td> <td>1,088</td> <td>0.2</td> </tr> <tr> <td>AUD/EUR</td> <td>0.7097</td> <td>0.6</td> <td></td> <td></td> <td>TWD</td> <td>30.47</td> <td>-0.2</td> </tr> <tr> <td>AUD/JPY</td> <td>95.53</td> <td>-0.3</td> <td></td> <td></td> <td>PHP</td> <td>44.52</td> <td>0.1</td> </tr> <tr> <td>AUD/GBP</td> <td>0.5105</td> <td>0.0</td> <td></td> <td></td> <td>CHF</td> <td>0.94</td> <td>1.2</td> </tr> <tr> <td>AUD/NZD</td> <td>1.0779</td> <td>-0.3</td> <td></td> <td></td> <td>SEK</td> <td>8.34</td> <td>1.3</td> </tr> </table>									Indicative 24hr ranges (**)				Other FX			Last	% chge	Low	High	Last	% chge		AUD	0.7916	-0.9	0.7907	0.8010	HKD	7.7523	0.0	NZD	0.7341	-0.6	0.7338	0.7444	CNY	6.2069	0.0	EUR	1.1147	-1.5	1.1119	1.1326	SGD	1.3356	0.5	GBP	1.5508	-0.9	1.5447	1.5670	IDR	13,098	-0.3	JPY	120.69	0.6	119.83	120.73	THB	33.52	0.3	CAD	1.2227	0.6	1.2130	1.2250	KRW	1,088	0.2	AUD/EUR	0.7097	0.6			TWD	30.47	-0.2	AUD/JPY	95.53	-0.3			PHP	44.52	0.1	AUD/GBP	0.5105	0.0			CHF	0.94	1.2	AUD/NZD	1.0779	-0.3			SEK	8.34	1.3
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 | Major Indices | | | | |---------------|--------|-------|-------| | | Last | % day | % y/y | | Dow | 18,300 | +0 | 10.8 | | S&P 500 | 2,126 | -0.2 | 12.8 | | Nasdaq | 5,066 | -0.2 | 22.8 | | FTSE | 6,995 | +0.4 | 2.2 | | DAX | 11,853 | +2.2 | 22.7 | | CAC 40 | 5,117 | +0.4 | 14.5 | | Nikkei | 20,026 | +0.7 | 42.3 | | Shanghai | 4,418 | +3.1 | 120.0 | | Hang Seng | 27,694 | +0.4 | 21.3 | | ASX 200 | 5,615 | -0.8 | 3.6 | | | | | | | Last | % day | |-------------|---------|-------| | Oil (Brent) | 64.20 | -3.1 | | Oil (WTI) | 57.26 | -3.7 | | Oil (Tapis) | 66.73 | -3.1 | | Gold | 1207.80 | -1.6 | | CRB | 226.22 | -1.9 | | GS Metals | 321.2 | -2.4 | | Aluminium | 1798 | -1.9 | | Copper | 6377 | -0.6 | | Nickel | 13722 | -1.6 | | Zinc | 2280 | -0.4 | | Ch. steel | 2321 | -1.1 | | Iron ore | 58.5 | -3.5 | | St. coal | 61.8 | n.a. | | Wheat Chic. | 518.5 | -2.0 | | Sugar | 12.86 | 0.6 | | Cotton | 64.35 | -0.9 | | Coffee | 139.9 | -2.3 | | | || | Interest Rates | | | | Benchmark 10 Year Bonds | | | | |-----------------------|------|------|------|-------------------------|--------|------|-------------| | Indicative Swap Rates | | | | | | | | | | Cash | 3mth | 2Yr | 10Yr | Last | chge | Spnd | | USD | 0.25 | 0.28 | 0.87 | 2.33 | USD 10 | 2.29 | 0.05 | | AUD | 2.00 | 2.14 | 2.20 | 3.27 | AUD 10 | 2.95 | 0.08 0.66 | | NZD | 3.50 | 3.51 | 3.37 | 3.98 | NZD 10 | 3.71 | 0.05 1.42 | | EUR | 0.05 | 0.06 | 0.11 | 0.90 | CAD 10 | 1.83 | 0.12 -0.46 | | GBP | 0.50 | 0.57 | 1.00 | 2.03 | EUR 10 | 0.60 | -0.05 -1.69 | | JPY | 0.09 | 0.10 | 0.15 | 0.58 | GBP 10 | 1.95 | 0.00 -0.34 | | CAD | 0.75 | 1.17 | 1.09 | 2.24 | JPY 10 | 0.38 | -0.01 -1.91 | | | | | | | | | | Overnight Futures | | | |-------------------|-------|-------| | | Last | Chge | | Australia | | | | 3 mth bill | 97.85 | -0.01 | | 3 Yr bond | 97.87 | -0.02 | | 10 Yr bonc | 97.02 | -0.02 | | 3/10 sprd | 0.85 | 0.00 | | SPI | 0.0 | 0.0 | | | | | | CO ₂ Emissions - Euros | | | |-----------------------------------|------|-------| | | Last | % day | | Mar-2015 | 7.40 | -3.0 | | Dec-2015 | 7.40 | -3.0 | | Dec-2016 | 7.48 | -3.0 | | | |

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
Wednesday, 20 May 2015								
NZ	Dairy Auction					-3.5%		early AM
AU	RBA's Lowe is a moderator at The Future of International Gov and G20						23.15	9.15
JN	GDP SA QoQ	1Q P		0.4%		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
US	Fed's Evans Speaks on Economy and Monetary Policy in Munich						7.00	17.00
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				-0.8%	22.00	8.00
NZ	Net Migration SA	Apr				4990	22.45	8.45
AU	RBA's Edey speaks at Annual Cards and Payments Conference						22.50	8.50
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	Government Budget					+0.6b	2.00	12.00
NZ	Credit Card Spending YoY	Apr				0.60%	3.00	13.00
GE	Markit/BME Germany Manufacturing PMI	May P		52.0		52.1	7.30	17.30
EC	Markit Eurozone Manufacturing PMI	May P		51.8		52	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		0.4%/3.7%		-0.5%/4.2%	8.30	18.30
EC	ECB minutes						11.30	21.30
US	Initial Jobless Claims	May-16		270K		264K	12.30	22.30
US	Markit US Manufacturing PMI	May P		54.5		54.1	13.45	23.45
US	Philadelphia Fed Business Outlook	May		8.0		7.5	14.00	0.00
EC	Consumer Confidence	May A		-4.8		-4.6	14.00	0.00
US	Existing Home Sales / MoM	Apr		5.24M/1.0%		5.19M/6.1%	14.00	0.00
US	Fed's Vice Chair Fischer Speaks at ECB Conference in Portugal						17.30	3.30
US	Fed's Williams Speaks on Central Bank Governance in Stanford						23.00	9.00
Friday, 22 May 2015								
AU	RBA Payment System Board Meeting							
NZ	ANZ Consumer Confidence MoM	May				3.4%	1.00	11.00
JN	Bank of Japan Policy Statement/Kuroda Press Conference						3.00	13.00
GE	GDP SA QoQ / NSA YoY	1Q F		0.3%/1.1%		0.3%/1.1%	6.00	16.00
GE	IFO Business Climate	May		108.3		108.6	8.00	18.00
GE	IFO Current Assessment	May		113.5		113.9	8.00	18.00
GE	IFO Expectations	May		103		103.5	8.00	18.00
US	CPI MoM/YoY	Apr		0.1%/-0.2%		0.2%/-0.1%	12.30	22.30
CA	CPI NSA MoM / CPI YoY	Apr		0.1%/1.0%		0.7%/1.2%	12.30	22.30
CA	Retail Sales	Mar		0.3%		1.7%	12.30	22.30
US	CPI YoY	Apr		-0.2%		-0.1%	12.30	22.30
US	Markit US Manufacturing PMI	May P		54.5		54.1	13.45	23.45
US	Fed's Yellen Speaks in Providence						17.00	3.00
Monday, 25 May 2015								
JN	Trade Balance Adjusted	Apr				¥3.3B	23.50	9.50
US	Fed's Mester Speaks to Academic Conference in Reyjavik (Alt)						16.00	2.00
Tuesday, 26 May 2015								
NZ	Trade Balance	Apr					22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	May-24					23.30	9.30
US	Durable Goods Orders	Apr					12.30	22.30
US	FHFA House Price Index MoM	Mar				0.7%	13.00	23.00
US	House Price Purchase Index QoQ	1Q				1.4%	13.00	23.00
US	S&P/CS 20 City MoM SA	Mar					13.00	23.00
US	S&P/CS Composite-20 YoY	Mar					13.00	23.00
US	New Home Sales	Apr					14.00	0.00
US	Consumer Confidence Index	May					14.00	0.00
US	Richmond Fed Manufact. Index	May					14.00	0.00
US	Dallas Fed Manf. Activity	May					14.30	0.30
Wednesday, 27 May 2015								
JN	Bank of Japan April 30 meeting minutes						23.50	9.50
AU	Westpac Leading Index MoM	Apr				-0.3%	0.30	10.30
AU	Construction Work Done	1Q				-0.2%	1.30	11.30
CH	Industrial Profits YoY	Apr					1.30	11.30
CH	Westpac-MNI Consumer Sentiment	May					1.45	11.45
GE	GfK Consumer Confidence	Jun					6.00	16.00
US	MBA Mortgage Applications	May-22					11.00	21.00
US	Markit US Services PMI	May P					13.45	23.45
GE	Retail Sales MoM	Apr					14.00	0.00
CA	Bank of Canada Rate Decision	May-27		0.75%		0.75%	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%		3.50%		
US Federal Reserve		18-Jun				0%-0.25%		

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

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