



# Markets Today

A daily outlook for Australia, key global economies and markets

21 May 2015

Just a minute of your time please

It's the week of central bank meeting minutes. After Tuesday's RBA Minutes (and Lowe's speech Monday) reminded the market the absence of a bias in no way restricts their policy options, overnight we've had the Minutes from this month's BoE MPC meeting and the April 28-29 FOMC meeting. There were not big currency movements, but the Minutes and events since have the market re-thinking.

The BoE Minutes of their election day meeting had a hawkish tinge, supporting sterling in the session, curious given what lies ahead for the economy and the BoE. The Minutes also preceded the BoE's Inflation Report with its lower growth forecasts and post-election boost to sterling, as well as a prospective sizeable post-election fiscal tightening amounting to £70bn (4% of GDP). The BoE will now be re-calibrating the BoE's growth and inflation path lower, Governor Carney recently emphasise the deflationary impact of sterling's rise and still to factor in the fiscal tightening once details are known.

The FOMC Minutes continued to see narrowly balanced risks to the outlook and wondering aloud about the expected temporary nature of the Q1 slowdown. As of April, they considered June unlikely for lift-off and that's what procured a lot of headline wire coverage. There were plenty of reasons discussed as to why Q1 weakness would/might be temporary, including the weather and the West Coast labour dispute. (We'd add the dollar's strength and the shale oil industry slowdown too, though these are less temporary.)

As something of a counter, against the overnight main headlines of June being "unlikely", "a few" did and officials didn't rule out June. The Minutes highlight that every meeting is "live". The prospective data flow will tell the story and this week's housing starts/permits was one the first more positive signs of re-growth of the US economy for some time.

The Fed's Evans (voter, a noted dove) was speaking and said a trigger for an earlier Fed rate rise (than his 2016 preference) would be a rise in core inflation substantially above 1.5 (core PCE currently 1.3%) or a jobless rate sustainably at 5% (currently 5.4% and falling). He hasn't closed his mind to a rise this year.

## Coming up today/tonight

Two NZ releases ANZ Job Ads 8.00, net migration 8.45), then RBA's Malcolm Edey speaking at a Cards and Payments conference and second tier AU data (Consumer inflationary expectations for May at 11.00; RBA FX transactions for April at 11.30) all coming ahead of the HSBC China Manufacturing flash PMI estimate for May that the AUD is more sensitive to.

The market consensus for the flash PMI is a rise from 48.9 to 49.3. After falling below 50 last December and January, it jumped in February, but that is the odd one out, the PMI since receding to the lowest reading in April for a year.

While we do not have a forecast, we'd be surprised if the trend in Chinese manufacturing had improved in May, so we alert to a

disappointment; another decline would be initially negative for the Aussie, a further decline playing into the China still softening story. There's also a MNI China Business Indicator for May (L: 48.8, the first sub-50 reading this year) due at 11.45.

At midday is the NZ Budget, followed at 13.00 by credit card spending data. We expect the Government announce some delay in its path back to surplus, to 2015/16 from 2014/15. We also doubt that the Treasury growth forecasts will infer OCR cuts.

Tonight, the preliminary May Euro-zone (Germany and France) PMIs, along with UK retail sales and the ECB Minutes. The US data flow kicks up with the Chicago Fed's National Activity index for April (not market sensitive but a useful composite growth indicator), then weekly jobless claims, the Philly Fed survey for May and the April Existing Home Sales report. There's also more Fed speak with FRB Governor Stanley Fischer speaking at a ECB Conference in Portugal.

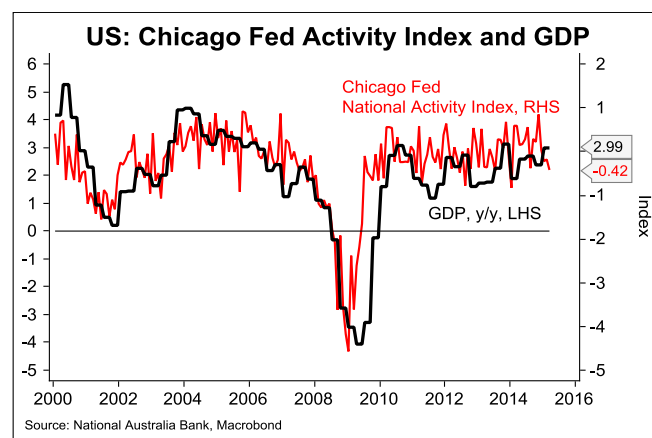
## Overnight

- Major currencies relatively steady overall: Eurostoxx 600 +0.4%, Dax -0.0%, CAC +0.3%, FTSE +0.2%. Dow -27 points to 18,285, -0.1%, S&P 500 -0.1%, Nasdaq -0.1%, VIX 12.88 +0.2%. Mumbai +0.7%, Nikkei 225 +0.0% and ASX 200 +0.7%; ASX SPI futures this morning +0.3%. US bond yields: 2s at 0.59% (-3), 10s at 2.25% (-4). WTI oil at \$58.76 (+1.3%), Brent at \$64.83 (+1.3%), Malaysian Tapis (yesterday) \$65.96 (-1.2%). Gold at \$1209.20/oz (+0.2%). Base metals: LME copper +0.0%, nickel +0.2%, aluminium -0.3%. Iron ore \$57.1/t -2.4% Chinese steel rebar futures +0.1%. Soft commodities spot futures: wheat +0.3%, sugar -2.1%, cotton -0.3%, coffee -2.8%. Euro Dec 14 CO2 emissions at €7.38/t (-0.3%). The AUD/USD's range overnight 0.7861-0.7915; indicative range today 0.7850-0.7900; the AUD/USD is 0.7874 now**

Good luck.

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Chart of the day: Chicago activity index softening through Q1

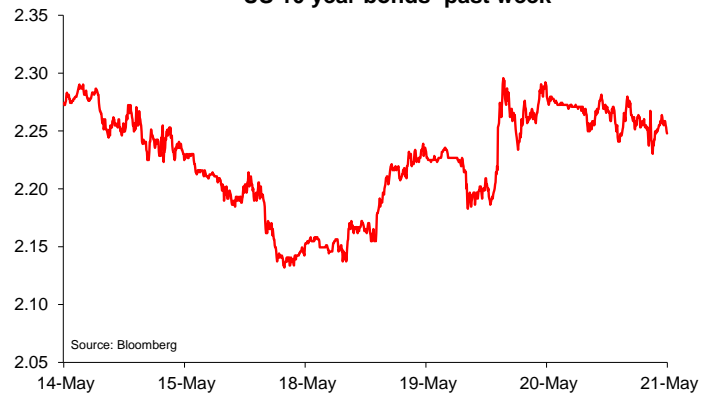


Markets

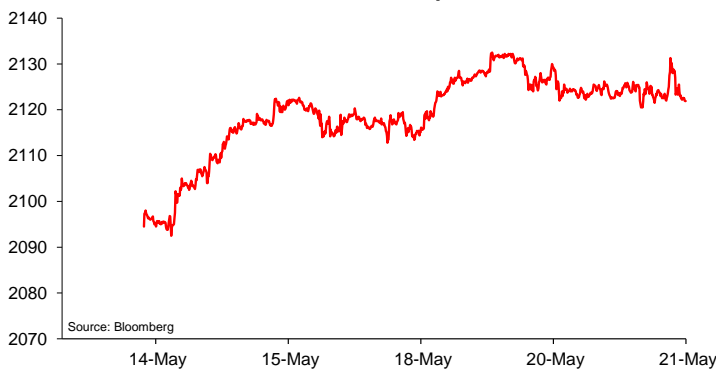
AUD/USD- past week



US 10 year bonds- past week



S&P 500 futures- past week



WTI futures- past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7874	0.0	0.7872	0.7876	HKD	7.7522 0.0
NZD	0.7304	-0.3	0.7282	0.7360	CNY	6.2024 0.0
EUR	1.1094	0.0	1.1070	1.1146	SGD	1.3374 0.0
GBP	1.5533	0.1	1.5492	1.5589	IDR	13,093 -0.4
JPY	121.37	0.3	120.73	121.51	THB	33.60 0.0
CAD	1.2204	-0.3	1.2168	1.2247	KRW	1,096 0.0
AUD/EUR	0.7098	-0.3			TWD	30.47 -0.3
AUD/JPY	95.56	0.1			PHP	44.53 -0.3
AUD/GBP	0.5069	-0.3			CHF	0.94 -0.3
AUD/NZD	1.0779	0.1			SEK	8.35 -0.5

Equities

Major Indices			
	Last	% day	% year
Dow	18,285	-0.1	11.7
S&P 500	2,126	-0.1	13.5
Nasdaq	5,072	0.0	23.8
VIX Index	12.88	0.2	-0.6
FTSE	7,007	0.2	3.0
DAX	11,848	0.0	22.9
CAC 40	5,133	0.3	15.3
Nikkei	20,197	0.8	43.8
Shanghai	4,446	0.7	119.6
Hang Seng	27,585	-0.4	20.8
ASX200	5,610	-0.1	3.4

Commodities\*

	Last	% day
Oil (Brent)	64.83	1.3
Oil (WTI)	58.76	1.3
Oil (Tapis)	65.96	-1.2
Gold	1209.20	0.2
CRB	226.43	0.1
GS Metals	320.5	-0.2
Aluminium	1784	-0.3
Copper	6220	0.0
Nickel	13115	0.2
Zinc	2200	-1.3
Ch. steel	2322	0.1
Iron ore	57.1	-2.4
St. coal	61.8	n.a.
Wheat Chic.	520.0	0.3
Sugar	12.59	-2.1
Cotton	64.15	-0.3
Coffee	136.0	-2.8

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.25	0.28	0.84	2.29	USD 10	2.25	-0.04
AUD	2.00	2.14	2.13	3.21	AUD 10	2.97	0.02 0.72
NZD	3.50	3.50	3.36	3.99	NZD 10	3.74	-0.01 1.49
EUR	0.05	0.06	0.10	0.94	CAD 10	1.80	-0.03 -0.45
GBP	0.50	0.57	1.00	2.05	EUR 10	0.63	0.04 -1.62
JPY	0.09	0.10	0.15	0.60	GBP 10	1.98	0.03 -0.27
CAD	0.75	1.17	1.07	2.21	JPY 10	0.40	0.02 -1.85

Overnight Futures

	Last	Chge
<b>Australia</b>		
3 mth bill	97.85	-0.01
3 Yr bond	97.93	0.04
10 Yr bond	97.09	0.07
3/10 sprd	0.85	-0.03
SPI	17.0	0.3

CO<sub>2</sub> Emissions - Euros

	Last	% day
Dec-2015	7.38	-0.3
Dec-2016	7.46	-0.3
Dec-2017	7.57	-0.4

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
<b>Thursday, 21 May 2015</b>								
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
<b>Friday, 22 May 2015</b>								
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
<b>Monday, 25 May 2015</b>								
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
<b>Tuesday, 26 May 2015</b>								
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
<b>Wednesday, 27 May 2015</b>								
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
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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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