



Markets Today

A daily outlook for Australia, key global economies and markets

27 May 2015

Many lighbulbs

Seemingly there were many “light bulb” moments overnight, when competing ideas, that have been around awhile, suddenly gain traction and markets run with them. It has produced some inconsistent moves but in isolation they have been explained away.

The most consistent and largest move is the stronger USD and that has been an overriding force. Market volatility has shot higher, with equities lower; based on Greece concerns and stronger US data. Bond yields are lower, based on Greece. Commodities aren't sure how to take the prospect of rate hikes and are lower. And JPY is an underperformer, seemingly on the (already known) prospect of a weak CPI later this week and possibly more BoJ QE.

There wasn't much new news on the Greece concerns, some were also positive- Greece could combine all their June payments together if the IMF agrees, which gets them another two weeks for agreement with the IMF. But periphery bond yields are higher, and Bund yields are lower – a sign of bunkering down and risk aversion.

The USD is stronger, also a good sign of risk aversion, but also of the stronger US data. Finally! They weren't extraordinary but good enough for a return to considering higher US interest rates this year. Durable goods orders, house prices, consumer confidence were all better than expected and there were some decent upward revisions to prior data. That might explain the stronger USD, and perhaps the fright taken by equities, but not the big drop in yields.

The JPY was the underperformer, with USD/JPY rising above 123 for the first time since 2007. That would be consistent with stronger US growth but not with the risk aversion or yield compression also about last night. The IMF noted (over a day ago) that growth needed to pick up and the BoJ might have to do more QE. We also suspect CPI to underwhelm but that is not until Friday and the Tokyo measure has already been out for April and it wasn't encouraging.

This information combines to suggest that there was some positioning adjustment going on. JPY should be weaker, equities are going to adjust if US growth is strong enough for a hike but not too strong to support even better earnings. While there have been big moves higher in yields over the last month; so nervousness about Greece is a good trigger for adjustment. With the competing forces, it could be a little trickier for a consistent theme in markets until one of the factors is definitive enough to override the rest. Let's hope it is a stronger US economy, rather than a Greece default.

Coming Up

It is yet another quiet data day, with attention moved to Greece, for want of anything else to watch. Markets abhor a vacuum and with the attention span of gnats, the next big thing (even if it's been around for awhile) grabs the headlines. That leaves the USD bid and markets thinking about positioning for the low probability outcome.

Domestically, Australia gets the first of the GDP inputs, with construction work done. That is expected to be soft, so pushing down on Q1 GDP but the forward indicators are a little more positive for construction. The RBA's Lowe is speaking but as interesting as regulation is, it doesn't tend to move markets.

Offshore it is quiet as well; Germany's retail sales have disappointed but European markets are otherwise occupied. China's industrial profits might scrape together some interest, but it isn't usually a focus at present.

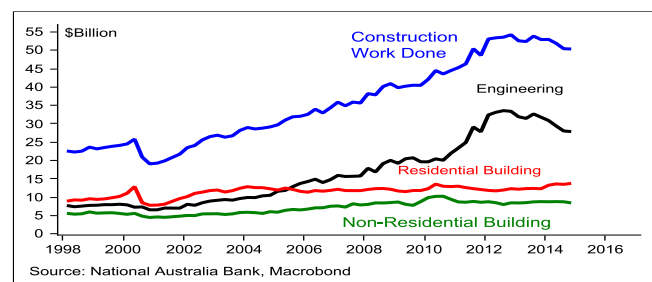
The Bank of Canada rate decision is not expected to result in a change in rates. Their commentary might be interesting, in the context of the sell-off in CAD and pick-up in oil prices. The RBA would like to be so lucky.

Overnight

On global stock markets, the S&P 500 was -1.10%. Bond markets saw US 10-years -7.72bp to 2.13%. On commodity markets, Brent crude oil -2.59% to \$63.82, gold-1.3% to \$1,188, iron ore +2.6% to \$62.78. AUD is at 0.7737 and the range was 0.7727 to 0.784. (For more market prices, please see p.2 of the pdf).

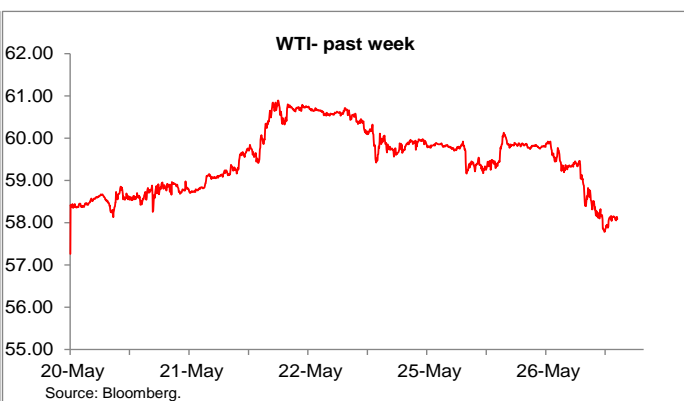
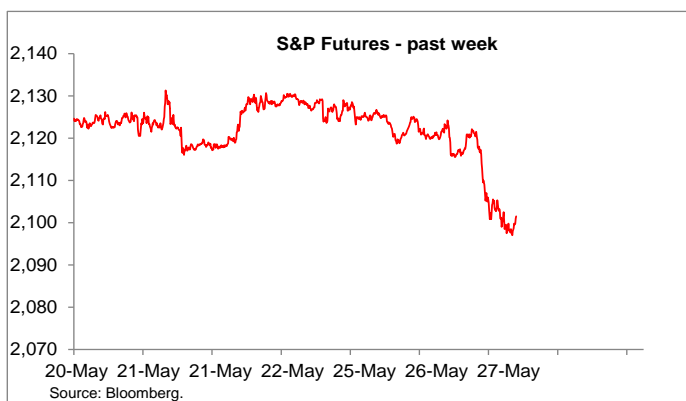
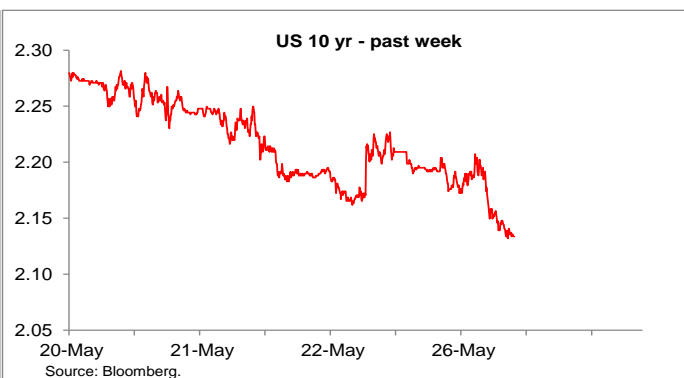
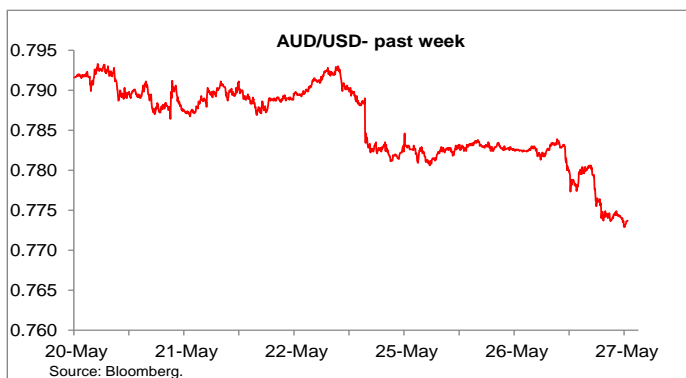
- US Durable goods nondefence ex aircraft +1%A, +0.3E, 0.6P revised up from -0.5
- C/S house prices 0.95%y, 0.9E, 1.21P rev from 0.93
- US consumer confidence 95.4A, 95E, 94.3P from 95.2
- US new home sales 6.8%A, 5.6E, -10P from -11.4

Chart of the Day – AU Construction Work Done



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Markets



Foreign Exchange								Equities				Commodities*				
Indicative 24hr ranges (**)				Other FX				Major Indices								
	Last	% chge	Low	High		Last	% chge		Last	% day	% y/y		Last	% day		
AUD	0.7737	-1.1	0.7727	0.7840	HKD	7.7525	0.0	Dow	18,056	-1.0	8.7	Oil (Brent)	63.82	-2.6		
NZD	0.7228	-1.1	0.7223	0.7322	CNY	6.2037	0.0	S&P 500	2,103	-1.1	10.7	Oil (WTI)	58.08	-2.7		
EUR	1.0876	-0.9	1.0863	1.0982	SGD	1.3498	0.6	Nasdaq	5,036	-1.0	20.3	Oil (Tapis)	66.13	-1.1		
GBP	1.5385	-0.5	1.5354	1.5475	IDR	13,220	0.3	FTSE	6,949	-1.2	2.0	Gold	1187.80	-1.3		
JPY	123.02	1.2	121.52	123.32	THB	33.72	0.4	DAX	11,625	-1.6	19.0	CRB	221.72	-1.7		
CAD	1.2423	0.9	1.2305	1.2448	KRW	1,101	0.2	CAC 40	5,084	-0.5	12.3	GS Metals	317.3	-1.1		
AUD/EUR	0.7114	-0.2			TWD	30.66	0.4	Nikkei	20,437	+0.1	39.6	Aluminium	1742	-0.3		
AUD/JPY	95.19	0.1			PHP	44.72	0.3	Shanghai	4,911	+2	141.4	Copper	6162	-1.5		
AUD/GBP	0.5029	-0.6			CHF	0.95	0.8	Hang Seng	28,250	+0.9	23.1	Nickel	12679	-2.2		
AUD/NZD	1.0702	0.0			SEK	8.47	0.6	ASX 200	5,773	+0.9	4.7	Zinc	2173	-0.6		
												Ch. steel			2356	-0.3
												Iron ore			62.8	2.6
												St. coal			61.8	n.a.
												Wheat Chic.			501.0	-4.2
												Sugar			12.08	-1.9
												Cotton			63.31	0.0
												Coffee			124.1	-2.3
												CO₂ Emissions - Euros				
															Last	% day
												Mar-2015			did Not Appear	N/A
												Dec-2015			7.26	-1.8
												Dec-2016			7.34	-1.7

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, 27 May 2015								
JN	Bank of Japan April 30 meeting minutes						23.50	9.50
US	Fed's Lacker (v) speaks on Financial Stability						0.10	10.10
AU	Westpac Leading Index MoM	Apr				-0.3%	0.30	10.30
AU	RBA's Lowe speaks at Regulatory Summit						0.45	10.45
AU	Construction Work Done	1Q	-1.0%	-1.2%		-0.2%	1.30	11.30
CH	Industrial Profits YoY	Apr				-0.4%	1.30	11.30
CH	Westpac-MNI Consumer Sentiment	May				111.1	1.45	11.45
GE	GfK Consumer Confidence	Jun		10		10.1	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
Thursday, 28 May 2015								
JN	Retail Sales MoM	Apr		1%/5.5%		-1.9%/9.7%	23.50	9.50
JN	Large Retailers' Sales	Apr					23.50	9.50
AU	Private Capital Expenditure	1Q	-2.5%	-2.4%		-2.2%	1.30	11.30
AU	Capex, 2nd estimate 2015/16	1Q	\$114B	\$115B (R: 100-120)		\$109B	1.30	11.30
US	Fed's Williams (v) speaks on Banking Supervision in Singapore						6.20	16.20
UK	BBA Loans for House Purchase	Apr				38751	8.30	18.30
EC	Business Climate Indicator	May					9.00	19.00
EC	Industrial/Services/Consumer Confidence	May//F					9.00	19.00
CA	Current Account Balance	1Q				-\$13.9B	12.30	22.30
US	Initial Jobless Claims	May-23				274K	12.30	22.30
AU	CBA/HIA House Affordability	1Q				96.2	14.00	0.00
US	Pending Home Sales MoM	Apr		0.7%		1.1%	14.00	0.00
US	Fed's Kocherlakota speaks on Monetary Policy						18.45	4.45
Friday, 29 May 2015								
NZ	Building Permits MoM	Apr				11.00%	22.45	8.45
UK	GfK Consumer Confidence	May		4		4	23.05	9.05
JN	Jobless Rate	Apr		3.4%		3.4%	23.30	9.30
JN	Overall Household Spending YoY	Apr		3.0%		-10.6%	23.30	9.30
JN	Natl CPI YoY	Apr		0.6%		2.3%	23.30	9.30
JN	Tokyo CPI YoY	May		0.5%		0.7%	23.30	9.30
JN	Industrial Production MoM	Apr P		0.8%/-0.1%		-0.8%/-1.7%	23.50	9.50
AU	HIA New Home Sales MoM	Apr				4.40%	1.00	11.00
NZ	ANZ Business Survey, Net Confidence	May				30.2	1.00	11.00
AU	Private Sector Credit MoM/YoY	Apr	0.6%/6.4%	0.5%/6.3%		0.5%/6.2%	1.30	11.30
NZ	Credit Aggregates, Household YoY	Apr				5.0%	3.00	13.00
EC	M3 YoY	Apr		4.9%		4.6%	8.00	18.00
UK	GDP QoQ/YoY	1Q P		0.4%/2.5%		0.3%/2.4%	8.30	18.30
UK	Index of Services	Mar				0.30%	8.30	18.30
CA	Quarterly GDP Annualized	1Q				2.4%	12.30	22.30
CA	GDP MoM/YoY	Mar					12.30	22.30
US	GDP Annualized QoQ, revision	1Q S		-0.9%		0.2%	12.30	22.30
US	Chicago Purchasing Manager	May		53.0		52.3	13.45	23.45
US	U. of Mich. Sentiment	May F		90.0		88.6	14.00	0.00
Upcoming Central Bank Interest Rate Announcements								
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%		
Japan, BoJ		19-Jun	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		

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

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