



Markets Today

A daily outlook for Australia, key global economies and markets

28 May 2015

Expecting the Capex to transition too

Something of a risk-on night for equities and bonds with Greek PM Tsipras saying that a solution was “close” seemingly supporting investor sentiment. Though not headline moving data, and released earlier in the evening, Spanish house mortgage approvals growth (+19.7% y/y to April) and another report of soaring Irish house prices (+15.8% y/y to April) are pointers to some traction in Euro-area activity.

European officials poured cold water on Tsipras’ statement, the EC saying a deal was not imminent and German Finance Minister Schaeuble saying he was surprised to hear reports of an imminent deal. The Euro had a subsequent hiccup but trades this morning at just over 1.09, where it was late in the afternoon session yesterday. European equities though still closed noticeably higher, positive sentiment carrying over into the US session. There was no mainstream Euro or US data.

The Bank of Canada left rates steady at 0.75%, as expected, with no lasting spillover for the Canadian loonie. The BoC has now left rates steady since its cut in January, the outlook improving of late from a pick-up in oil prices – on which the Canadian economy is dependent - the fall in the C\$ and most recently from hopeful signs of US economic progress. Oil prices were lower overnight on signs that Iraq plans to lift its exports by 26% in June, Brent crude down 2.6%.

The NZ dairy giant Fonterra has in the past hour released its first estimate of its milk price payout to NZ farmers for the coming 2015/16 year at \$5.25. My BNZ colleague Raiko Shareef reported that this should be NZD neutral-to-mildly positive, simply by virtue of carrying a \$5 handle. (That’s been the initial reaction.) Farmer incomes are still going to be very constrained if the payout is finalised at that level. BNZ’s own estimate of the eventual 2015/16 payout is \$5.70, based on NZD/USD falling to 0.67 by Sep-16 and dairy prices recovering by ~20% from here to this time next year.

Since the announcement, the NZD has pushed higher by 20 pips to the 0.7260 area, AUD/NZD down equally to around 1.0650. More generally, the AUD/USD has been constrained overnight with no new big moves in the US\$ or the Euro. US equity market volatility has eased, copper declined 0.4% but Chinese spot iron ore rose again yesterday, up another \$0.32 to \$63.10.

Coming up today/tonight

After Japanese retail sales for April at 9.50, it’s all about the AU Q1 CapEx report, interest in what the report centring on what it says not only about Q1 but the outlook for business investment for the 2015-16 financial year. This survey’s second estimate was polled in April-May, before the Budget and mostly before the May rate cut.

We look a decline in Capex spending in the March quarter of 2.5%, the consensus almost bang on that decline too. For the 2015-16 second estimate of expectations, we look for total Capex of \$A115bn, up marginally from \$109bn a quarter ago. That rise stems partly from some increase that almost always occurs with the second estimate as plans are firmed up closer to

the start of the new financial year, and also we think from a better Australian economy data flow over recent months that we anticipate will flow into somewhat better non-mining investment expectations where we look for an upgrade to \$50bn from \$44bn. We expect manufacturing plans to be unchanged at \$6bn and mining industry expectations shaved to \$A58bn from \$A60bn.

After the Capex report, we have Fed President Williams speaking this afternoon at 16.20 AEST, in Singapore, then tonight there is later vintages of Spanish and UK Q1 GDP, the EC Confidence indicators, weekly Jobless Claims in the US, their Apr Pending Home Sales and arch dove Kocherlakota speaking on Monetary Policy speaking toward the end of the US trading session. The Fed has announced overnight that Janet Yellen will not be attending Jackson Hole this year (August), that event usually producing some market-moving statements. It’s also in the lead up to the Sep FOMC, definitely a live date for rate lift-off.

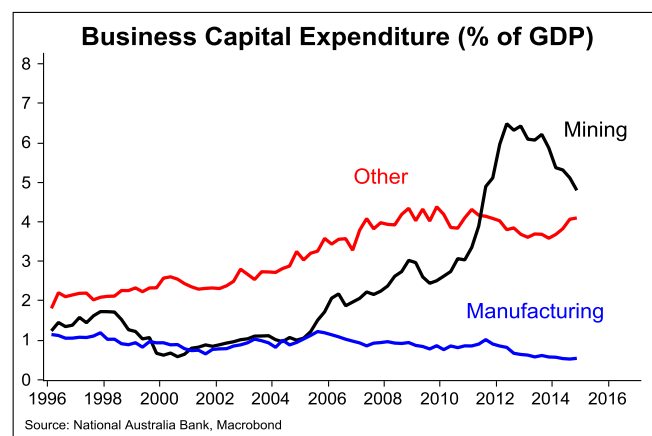
Overnight

- Equities higher in Europe and the US: Eurostoxx 600 +1.3%, Dax +1.3%, CAC +1.9%, FTSE +1.2%. Dow +121 points to 18,163, +0.7%, S&P 500 +0.7%, Nasdaq +0.9%, VIX 13.27 -5.6%. Mumbai +0.6%, Nikkei 225 +1.5% and ASX 200 +0.1%; ASX SPI futures this morning +0.2%. US bond yields: 2s at 0.65% (4), 10s at 2.13% (-1). WTI oil at \$57.62 (-0.7%), Brent at \$62.28 (-2.3%), Malaysian Tapis (yesterday) \$65.68 (-0.7%). Gold at \$1188.10/oz (+0.0%). Base metals: LME copper -0.4%, nickel +1.2%, aluminium -0.8%. Iron ore \$63.1/t +0.5% Chinese steel rebar futures +0.5%. Soft commodities spot futures: wheat -1.6%, sugar -1.7%, cotton -0.4%, coffee 0.4%. Euro Dec 14 CO2 emissions at €7.21/t (-0.7%). The AUD/USD’s range overnight 0.7691-0.7764; indicative range today 0.7700-0.7775; the AUD/USD is 0.7730 now**
- The Bank of Canada left rates steady at 0.75%; Fonterra’s 2015-16 forecast milk price initially set at \$5.25**

Good luck.

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Chart of the day: Capex pluses and minuses



Markets

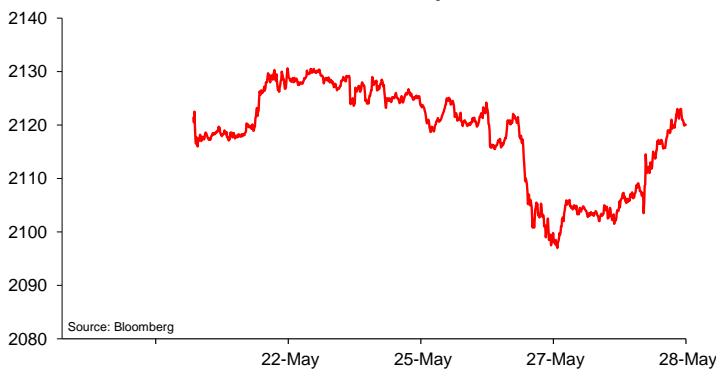
AUD/USD- past week



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	0.7730	0.0	0.7724	0.7734	HKD	7.7584 0.1
NZD	0.7269	0.5	0.7212	0.7272	CNY	6.2017 0.1
EUR	1.0901	0.2	1.0819	1.0911	SGD	1.3501 -0.2
GBP	1.5351	-0.2	1.5300	1.5392	IDR	13,181 -0.3
JPY	123.66	0.1	123.44	124.08	THB	33.74 -0.3
CAD	1.2454	0.0	1.2424	1.2493	KRW	1,110 0.1
AUD/EUR	0.7090	0.0			TWD	30.66 0.0
AUD/JPY	95.59	0.2			PHP	44.69 -0.2
AUD/GBP	0.5038	0.4			CHF	0.95 0.0
AUD/NZD	1.0639	-0.3			SEK	8.51 -0.2

Equities

Major Indices			
	Last	% day	% year
Dow	18,163	0.7	8.9
S&P 500	2,123	0.9	11.1
Nasdaq	5,107	1.5	20.5
VIX Index	13.27	-5.6	15.3
FTSE	7,033	1.2	2.8
DAX	11,771	1.3	18.4
CAC 40	5,183	1.9	14.4
Nikkei	20,473	0.2	39.5
Shanghai	4,942	0.6	141.0
Hang Seng	28,081	-0.6	21.7
ASX 200	5,725	-0.8	3.6

Commodities*

	Last	% day
Oil (Brent)	62.28	-2.3
Oil (WTI)	57.62	-0.7
Oil (Tapis)	65.68	-0.7
Gold	1188.10	0.0
CRB	220.19	-0.7
GS Metals	313.8	-0.3
Aluminium	1738	-0.8
Copper	6081	-0.4
Nickel	12825	1.2
Zinc	2186	0.4
Ch. steel	2367	0.5
Iron ore	63.1	0.5
St. coal	61.8	n.a.
Wheat Chic.	492.8	-1.6
Sugar	11.87	-1.7
Cotton	63.05	-0.4
Coffee	124.5	0.4

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.25	0.29	0.88	2.21	USD 10	2.13	-0.01
AUD	2.00	2.15	2.14	3.14	AUD 10	2.84	-0.08 0.71
NZD	3.50	3.47	3.38	3.99	NZD 10	3.76	0.00 1.63
EUR	0.05	0.06	0.10	0.90	CAD 10	1.67	-0.04 -0.46
GBP	0.50	0.57	1.00	1.98	EUR 10	0.55	0.01 -1.57
JPY	0.09	0.10	0.15	0.58	GBP 10	1.88	0.01 -0.25
CAD	0.75	1.17	1.04	2.10	JPY 10	0.39	-0.03 -1.74

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.85	-0.01
3 Yr bond	97.96	0.00
10 Yr bond	97.18	0.00
3/10 sprd	0.78	0.00
SPI	11.0	0.2

CO₂ Emissions - Euros

	Last	% day
Dec-2015	7.21	-0.7
Dec-2016	7.29	-0.7
Dec-2017	7.40	-0.7

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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