



Markets Today

A daily outlook for Australia, key global economies and markets

5 May 2015

Stand and deliver

A night of recent ranges as far as the major currencies was the order of the overnight session, the AUD/USD marking time ahead of the RBA decision today at 2.30pm. As background to the \$A, iron ore spot prices pulled back again yesterday by \$0.95 to \$56.18, gold rose 1.13% and LME copper by 1.0%. The VIX volatility index was little changed at 12.85, well within recent ranges. Equity markets were higher as were government bond yields, German 10y bunds up 8 bps to 0.45% and US 10y Treasuries up 3 to 2.14%. The final EZ Manufacturing PMI (April) was revised fractionally (higher). There was continuing commentary on Greece and almost a blaze acceptance that Grexit, should it arrive, might cause little market disruption.

We also had a speech from FOMC voter Chicago Fed President Charles Evans (monetary policy dove) who continued to offer his view that the Fed should delay raising rates until 2016. He sees the Q1 growth as likely mostly transitory but wants evidence that is the case. The Fed need not hurry to raise rates. John Williams, San Francisco Fed President (more neutral, also a voter this year) said it was good news that the economy was making "amazing progress", speaking to an audience on small business developments.

The Fed's quarterly Senior Loan Officers' Survey reported little net change in loan demand from business. A special survey question on lending to the oil and gas sector reported some deterioration in loan quality, though for more than 80% of banks with such exposure, such lending is less than 10% of such loans.

Coming up today/ tonight

First up this morning, there's a 7.30 speech from RBA Chief Information Officer Sarv Girm at a CEDA Digital Bytes Breakfast in Sydney. Clearly not market sensitive. Then, ahead of the March International Trade report and of course the RBA this afternoon is the weekly ANZ-Roy Morgan Consumer Confidence that rose 3.5% in the week to 26 April. There's also the AiG PMI Services Index for April (L: 50.2). As for the 11.30am trade report for March, we look for the trade deficit to shrink to \$A-1.0bn from \$A-1.256bn, benefiting from a 4% fall in already published merchandise imports, a counter to the fall in commodity price receipts. Bear in mind that NAB will be releasing its March NAB Online Retail Sales index too at 11.30 ahead of ABS Retail Trade for March tomorrow.

We also have the Victorian Government's Budget today.

As for the RBA we've written and spoken on our view of the economy in recent months, how it has held up, and our view that this argues for the RBA to leave rates on hold in May. The transition to the domestic economy has shown more signs of gaining traction, evident also in yesterday's building approvals and ANZ Job Ads reports. So, as recent press reports suggest, there will be a recommendation to the Board to ease but will the Board accede to this recommendation and cut? We are the first to recognise the risk of a further move, but we would contend that the Bank should again hold fire, given emerging more favourable economic trends.

The market closed yesterday 75% priced for an easing today so the price risk would be more on the upside of yields and the \$A in the event the RBA holds fire. In April, the market was 75% also priced for a cut, the RBA did not move and the AUD bounced ½ US cent from 0.762 to 0.767. And that was with a still evident strong easing bias, the Board judging then "that it was appropriate to hold interest rates steady for the time being. Further easing of policy may be appropriate over the period ahead.....(our emphasis)" In the event the RBA cuts, we would expect the RBA to adopt a downplayed easing bias, suggesting another cut might be out there, but not likely anytime soon.

Tonight sees the EC's latest economic forecasts ahead of the US ISM Non-manufacturing that's expected to tick down to 56.0 from 56.5.

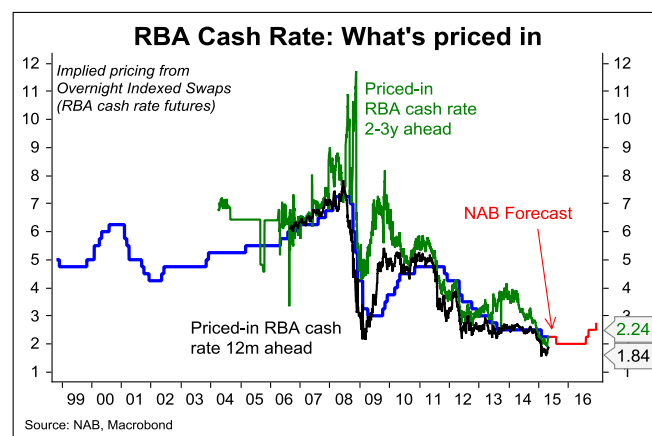
Overnight

- US Treasury yields continued climbing: Eurostoxx 600 +0.5%, Dax +1.4%, CAC +0.7%, FTSE +0.4%. Dow +46 points to 18,070, +0.3%, S&P 500 +0.3%, Nasdaq +0.3%, VIX 12.85 +1.2%. Mumbai +0.9%, Nikkei 225 +0.2% and ASX 200 +1.8%; ASX SPI futures this morning +0.5%. US bond yields: 2s at 0.60% (0), 10s at 2.14% (+3). WTI oil at \$59.03 (-0.2%), Brent at \$66.48 (+0.0%), Malaysian Tapis (yesterday) \$68.35 (+2.7%). Gold at \$1187.50/oz (+1.1%). Base metals: LME copper +1.0%, nickel -1.4%, aluminium -0.8%. Iron ore \$56.2/t -1.7% Chinese steel rebar futures +0.6%. Soft commodities spot futures: wheat -0.3%, sugar -3.1%, cotton +0.1%, coffee -1.0%. Euro Dec 14 CO2 emissions at €7.62/t (1.3%). The AUD/USD's range overnight 0.7818-0.7852; indicative range today 0.7800-0.7850 ahead of the RBA; the AUD/USD is 0.7839 now**
- Euro-zone Mfg final PMI (Apr) revised up trivially to 52.0 from the prelim 51.9; EC Sentix Investor Confidence (May) 19.6 (L: 20.0; E: 19.1); US ISM New York (Apr) 58.1 (L: 50.0); Factory orders (Mar) +2.1% (L: 0.2%; E: 2.0%)**

Good luck.

David.deGaris@nab.com.au

Chart of the day: Markets priced for a 1.80% terminal cash rate

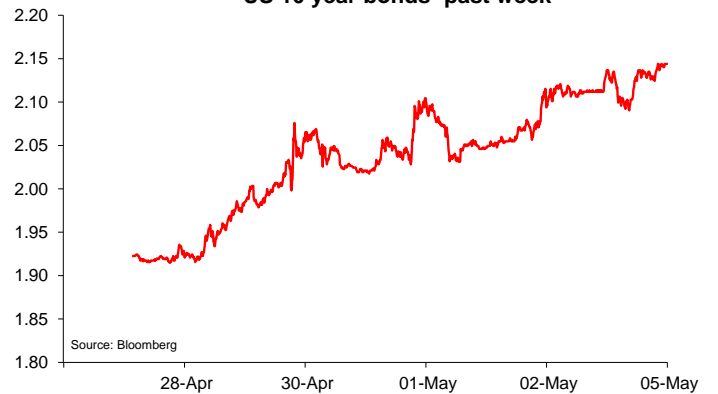


Markets

AUD/USD- past week



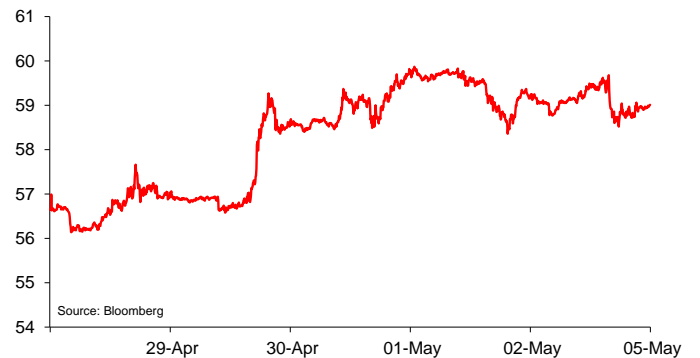
US 10 year bonds- past week



S&P 500 futures- past week



WTI futures- past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7839	0.0	0.7838	0.7839	HKD	7.7529 0.0
NZD	0.7536	0.1	0.7521	0.7558	CNY	6.2100 0.0
EUR	1.1146	0.1	1.1128	1.1191	SGD	1.3319 -0.1
GBP	1.5122	0.1	1.5090	1.5151	IDR	12,958 -0.3
JPY	120.12	-0.1	120.05	120.29	THB	33.34 0.1
CAD	1.2096	-0.2	1.2087	1.2135	KRW	1,082 -0.1
AUD/EUR	0.7032	0.0			TWD	30.72 0.0
AUD/JPY	94.16	0.1			PHP	44.64 -0.1
AUD/GBP	0.5185	0.0			CHF	0.93 -0.2
AUD/NZD	1.0401	0.0			SEK	8.37 -0.1

Equities

Major Indices			
	Last	% day	% year
Dow	18,070	0.3	9.4
S&P 500	2,114	0.3	12.4
Nasdaq	5,017	0.2	21.7
VIX Index	12.85	1.2	-0.5
FTSE	6,986	0.4	2.4
DAX	11,620	1.4	21.0
CAC 40	5,082	0.7	13.3
Nikkei	19,532	0.1	35.1
Shanghai	4,480	0.9	121.0
Hang Seng	28,124	0.0	28.0
ASX 200	5,828	0.2	6.7

Commodities*

	Last	% day
Oil (Brent)	66.48	0.0
Oil (WTI)	59.03	-0.2
Oil (Tapis)	68.35	2.7
Gold	1187.50	1.1
CRB	227.84	-0.1
GS Metals	338.0	0.0
Aluminium	1910	-0.8
Copper	6400	1.0
Nickel	13750	-1.4
Zinc	2344	0.0
Ch. steel	2415	0.6
Iron ore	56.2	-1.7
St. coal	61.8	n.a.
Wheat Chic.	481.3	-0.3
Sugar	12.51	-3.1
Cotton	66.67	0.1
Coffee	132.9	-1.0

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.25	0.28	0.86	2.23	USD 10	2.14	0.03
AUD	2.25	2.17	2.13	3.03	AUD 10	2.69	0.00 0.55
NZD	3.50	3.63	3.50	3.89	NZD 10	3.50	0.01 1.35
EUR	0.05	0.06	0.10	0.77	CAD 10	1.71	0.05 -0.43
GBP	0.50	0.57	1.00	1.89	EUR 10	0.45	0.08 -1.69
JPY	0.06	0.10	0.15	0.57	GBP 10	1.84	0.01 -0.30
CAD	0.75	1.17	1.10	2.16	JPY 10	0.36	0.00 -1.78

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.89	-0.01
3 Yr bond	98.08	-0.01
10 Yr bond	97.32	0.01
3/10 sprd	0.77	-0.02
SPI	30.0	0.5

CO₂ Emissions - Euros

	Last	% day
Dec-2015	7.62	1.3
Dec-2016	7.70	1.3
Dec-2017	7.82	1.3

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
Tuesday, 5 May 2015								
JN	National Holiday - Golden Week Holiday Period							
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	May-03					23.30	9.30
AU	AiG Perf of Services Index	Apr				50.2	23.30	9.30
NZ	QV House Prices YoY	Apr				7.7%	0.00	10.00
AU	Trade Balance	Mar	-1000M	-1000M		-1256M	1.30	11.30
AU	NAB Online Retail Sales Index	Mar					1.30	11.30
AU	RBA Cash Rate Target	May-05	2.25%	2.00%		2.25%	4.30	14.30
CA	Bank of Canada's Wilkins speaks in Montreal						16.30	2.30
UK	Markit/CIPS UK Construction PMI	Apr				57.8	8.30	18.30
EC	European Commission Economic Forecasts						9.00	19.00
CA	Int'l Merchandise Trade	Mar				-0.98B	12.30	22.30
US	Trade Balance	Mar		-\$39.8B		-\$35.4B	12.30	22.30
US	Markit US Services PMI	Apr F		57.8		57.8	13.45	23.45
UK	Halifax House Prices MoM / 3mths/year	Apr		0.3%/7.8%		0.4%/8.1%	14.00	0.00
US	ISM Non-Manf. Composite	Apr		56.2		56.5	14.00	0.00
US	Fed's Williams Speaks at Pacific Community Ventures on Jobs						19.10	5.10
Wednesday, 6 May 2015								
JN	National Holiday - Golden Week Holiday Period							
NZ	Dairy Auction	May				-3.6%		
NZ	Average Hourly Earnings QoQ	1Q		0.9%		0.4%	22.45	8.45
NZ	Unemployment Rate	1Q	5.4%	5.5%		5.7%	22.45	8.45
NZ	Employment Change QoQ/YoY	1Q	0.9%	0.7%/1.2%		1.2%/3.5%	22.45	8.45
NZ	Participation Rate	1Q	69.4%	69.4%		69.7%	22.45	8.45
NZ	Pvt Wages Exc Overtime QoQ	1Q	0.3%	0.4%		0.5%	22.45	8.45
US	Fed's Kocherlakota Holds Open Forum in Marshall, Minnesota (NV)						0.00	10.00
AU	HIA New Home Sales MoM	Mar				1.1%	1.00	11.00
AU	Retail Sales MoM	Mar	0.5%	0.4%		0.7%	1.30	11.30
AU	Retail Sales Ex Inflation QoQ	1Q	1.5%	0.9%		1.5%	1.30	11.30
CH	HSBC China Composite/Services PMI	Apr				51.8/52.3	1.45	11.45
EC	Markit Eurozone Services PMI	Apr F		53.7			8.00	18.00
UK	Markit/CIPS UK Services PMI	Apr		58.6		58.9	8.30	18.30
EC	Retail Sales MoM	Mar		-0.2%		-0.2%	9.00	19.00
US	ADP Employment Change	Apr		185K		189K	12.15	22.15
US	Nonfarm Productivity	1Q P		-1.8%		-2.2%	12.30	22.30
US	Unit Labour Costs	1Q P		4.0%		4.1%	12.30	22.30
US	Fed's Yellen Speaks on Panel in Washington						13.15	23.15
CA	Ivey Purchasing Managers Index SA	Apr				47.9	14.00	0.00
US	Fed's George Speaks on Credit Markets Panel in Washington						17.15	3.15
US	Fed's Lockhart Speaks on Monetary Policy in Louisiana						17.30	3.30
Thursday, 7 May 2015								
UK	General Election							
AU	AiG Perf of Construction Index	Apr				50.1	23.30	9.30
AU	Employment Change	Apr	flat	5.0K		37.7K	1.30	11.30
AU	Unemployment Rate	Apr	6.2%	6.2%		6.1%	1.30	11.30
AU	Participation Rate	Apr	64.8%	64.8%		64.8%	1.30	11.30
AU	NAB Quarterly ASX 300 Survey	1Q					1.30	11.30
JN	Markit Japan Services PMI	Apr				48.4	1.35	11.35
CA	Building Permits MoM	Mar				-0.9%	12.30	22.30
US	Initial Jobless Claims	Mar					12.30	22.30
US	Consumer Credit	Mar				\$15.516B	19.00	5.00
Friday, 8 May 2015								
JN	Bank of Japan April 7-8 meeting minutes						23.50	9.50
AU	RBA Statement on Monetary Policy						1.30	11.30
GE	Industrial Production SA MoM	Mar		0.4%		0.2%	6.00	16.00
GE	Trade Balance	Mar		+20.0B		19.2B	6.00	16.00
UK	Trade Balance	Mar		-£2300		-£2859	8.30	18.30
CA	Housing Starts	Apr				189.7K	12.15	22.15
US	Change in Nonfarm Payrolls	Apr		230K		126K	12.30	22.30
CA	Unemployment Rate	Apr				6.8%	12.30	22.30
CA	Net Change in Employment	Apr				28.7K	12.30	22.30
US	Unemployment Rate	Apr	5.4%			5.5%	12.30	22.30
US	Average Hourly Earnings MoM/YoY	Apr		0.2%/2.3%		0.3%/2.1%	12.30	22.30
CH	Trade Balance	Apr		\$34.25B		\$3.08B	14.00	0.00
CH	Imports/Exports YoY	Apr		-9.8%/2.9%		-12.7%/-15.0%	14.00	0.00
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		5-May	2.25%	2.00%		2.25%		
UK BOE		11-May	0.50%	0.50%		0.50%		
Japan, BoJ		22-May	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
Canada, BoC		27-May				0.75%		
Europe ECB		3-Jun	0.05%	0.05%		0.05%		
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

Global Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406

Australia

Economics

Ivan Colhoun
Chief Economist, Markets
+61 2 9237 1836

David de Garis
Senior Economist
+61 3 8641 3045

Tapas Strickland
Economist
+61 2 9237 1980

FX Strategy

Ray Attrill
Global Co-Head of FX Strategy
+61 2 9237 1848

Emma Lawson
Senior Currency Strategist
+61 2 9237 8154

Interest Rate Strategy

Skye Masters
Head of Interest Rate Strategy
+61 2 9295 1196

Rodrigo Catril
Interest Rate Strategist
+61 2 9293 7109

Credit Research

Michael Bush
Head of Credit Research
+61 3 8641 0575

Simon Fletcher
Senior Credit Analyst – FI
+61 2 9237 1076

Distribution

Barbara Leong
Research Production Manager
+61 2 9237 8151

Group Economics

Alan Oster
Group Chief Economist
+61 3 8634 2927

James Glenn
Senior Economist – Australia
+61 3 9208 8129

Vyanne Lai
Economist – Australia
+61 3 8634 0198

Phin Ziebell
Economist – Agribusiness
+61 475 940 662

Amy Li
Economist – Australia
+61 3 8634 1563

Dean Pearson
Head of Industry Analysis
+61 3 8634 2331

Robert De lure
Senior Economist – Industry Analysis
+61 3 8634 4611

Brien McDonald
Senior Economist – Industry Analysis
+61 3 8634 3837

Karla Bulauan
Economist – Industry Analysis
+61 3 8641 4028

Tom Taylor
Head of Economics, International
+61 3 8634 1883

Tony Kelly
Senior Economist – International
+61 3 9208 5049

Gerard Burg
Senior Economist – Asia
+61 3 8634 2788

John Sharma
Economist – Sovereign Risk
+61 3 8634 4514

Jacqui Brand
Personal Assistant
+61 3 8634 2181

New Zealand

Stephen Toplis
Head of Research, NZ
+64 4 474 6905

Craig Ebert
Senior Economist
+64 4 474 6799

Doug Steel
Senior Economist
+64 4 474 6923

Kymerly Martin
Senior Market Strategist
+64 4 924 7654

Raiko Shareef
Currency Strategist
+64 4 924 7652

Yvonne Liew
Publications & Web Administrator
+64 4 474 9771

Asia

Christy Tan
Head of Markets Strategy/Research, Asia
+852 2822 5350

UK/Europe

Nick Parsons
Head of Research, UK/Europe,
and Global Co-Head of FX Strategy
+44 207 710 2993

Gavin Friend
Senior Markets Strategist
+44 207 710 1588

Derek Allassani
Research Production Manager
+44 207 710 1532

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