



Markets Today

A daily outlook for Australia, key global economies and markets

6 May 2015

Yields still king for the Aussie

It's been a very eventful past two sessions for the AUD that sits atop the major FX leader board, trading at 0.7935 in early trade this morning. The reaction of the AUD immediately after the RBA statement said it all. The AUD only briefly jagged lower, only to just as quickly rebound and more, trading up from 0.7850 before the RBA announcement to 0.79 before consolidating in the local session in the higher 0.78s. By the close, the local market was pricing in a year-ahead cash rate of 1.89%, up from 1.83% when the market opened.

It was the removal of the easing bias altogether and acknowledgement that the cut reinforced "encouraging trends in household demand" that saw AUD buying return. And while the RBA's wording on the AUD was changed, it was really more tweaking than substance. Instead of "a lower exchange rate is likely to be needed", it was "further depreciation seems to be likely and necessary", a little stronger in tone but the same meaning.

When the US printed a much higher trade deficit in March (which might also see Q1 GDP revised to negative - though that's history), the USD lost ground. Along with other majors, the AUD/USD surged again, the A\$ the same-to-better on the crosses. The trade report saw the Atlanta Fed's *Nowcast* of Q2 GDP steady at 0.8%, well below the Blue Chip Consensus of 3.2%. It's early days in the quarter and the fact that the record 7.7% import rise in March reflected the unlocking of import flows after the West Coast port shutdown should see imports settle back and the trade deficit be more growth supportive.

The US ISM Non-manufacturing though printed higher, the April index higher than expected and including higher new orders. Even so, the US\$ was unable to make up lost ground (but Treasury yields did). Somewhat unsettled investor sentiment was not helped by more Greek news, this time on reports the IMF may be cutting a funding line unless more debt write-downs are agreed to by the Europeans, according to a FT report.

Coming up today/tonight

First up this morning at 8.45am is NZ's Q1 labour force report and its wages data. Our BNZ colleagues are looking for quarterly employment growth of 0.9% – slower than Q4's bumper +1.2%, but hefty enough to keep annual growth at a staggering 3.5%.

The NZ unemployment rate is expected to fall back to 5.4% from the 5.7% it nudged up to in Q4 in counter-trend fashion. The market is looking for 5.5%. As for the Q1 Labour Cost Indexes the RBNZ staff go straight to the LCI when talking about wage inflation. We expect the private LCI's annual inflation to edge up to 1.9% in Q1, from 1.8% (based on q/q of 0.3%, compared to the market's expectation of 0.4%, 2.0% y/y).

At 10.00 our time, arch-dove Fed President Kocherlakota is speaking. He's not a voter on the FOMC this year.

Locally, we have HIA new home sales for March (11.00) ahead of retail sales at 11.30. Our pick for retail sales is a point higher than the market, a rise of 0.5% tipped (market 0.4%) while we

expect Q1 retail sales volumes rose for the second quarter by 1.5%. The market is looking for 0.8%.

Also out in our time zone today are the HSBC service and composite PMIs for April, for China and India.

The final EX service/composite PMIs are out tonight along with the services and composite PMIs for the UK. EZ retail sales for March are expected to have fallen another 0.7%. Then in the US, the focus will be on the ADP Employment report – goodness knows why, it's been an ordinary lead into payrolls. Fed Chair Yellen and the IMF's Lagarde are speaking on a panel in Washington. The Canadian IVEU PMI is also out and Fed Presidents George (hawk, non-voter) and Lockhart (dove, voter) are speaking, George on credit markets and Lockhart on monetary policy.

Greece is scheduled to make an interest payment to the IMF of about €201mn.

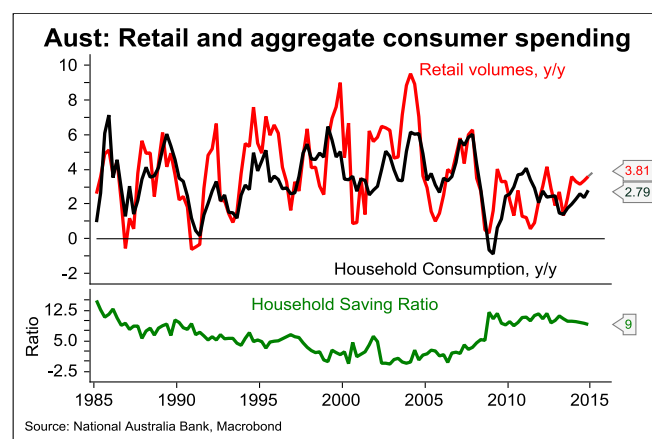
Overnight

- AUD over 0.79: Eurostoxx 600 -1.5%, Dax -2.5%, CAC -2.1%, FTSE -0.8%. Dow -142 points to 17,928, -0.8%, S&P 500 -0.8%, Nasdaq -1.2%, VIX 14.31 +11.4%. Mumbai -4.1%, Nikkei 225 -1.5% and ASX 200 -0.2%; ASX SPI futures this morning -0.9%. US bond yields: 2s at 0.62% (2), 10s at 2.19% (+4). WTI oil at \$60.75 (+3.1%), Brent at \$67.64 (+1.8%), Malaysian Tapis (yesterday) \$68.10 (-0.4%). Gold at \$1192.60/oz (+0.5%). Base metals: LME copper +1.3%, nickel +4.0%, aluminium +3.6%. Iron ore \$58.7/t +2.0% Chinese steel rebar futures +0.4%. Soft commodities spot futures: wheat -1.4%, sugar +1.9%, cotton +0.1%, coffee 0.6%. Euro Dec 14 CO2 emissions at €7.59/t (-0.4%). The AUD/USD's range overnight 0.7864-0.7956; indicative range today 0.7900-0.7975 ahead of the RBA; the AUD/USD is 0.7943 now**
- US trade balance (Mar) \$-51.4b (L: \$-35.4b; E: \$-41.7b); ISM Non-manufacturing (Apr) 57.8 (L: 56.5; E: 56.2)**

Good luck.

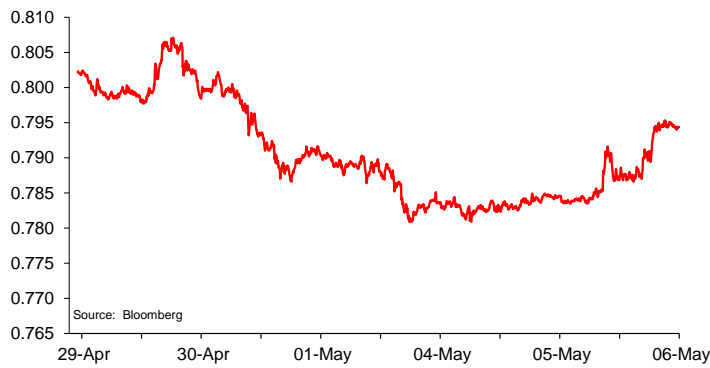
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Chart of the day: Retail sales growing for a year, uninterrupted



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	0.7943	0.0	0.7939	0.7943	HKD	7.7513 0.0
NZD	0.7558	0.7	0.7490	0.7578	CNY	6.2079 0.1
EUR	1.1186	0.5	1.1109	1.1224	SGD	1.3317 -0.3
GBP	1.5181	0.3	1.5113	1.5219	IDR	13,026 -0.3
JPY	119.85	-0.5	119.72	120.51	THB	33.33 -0.3
CAD	1.2067	-0.2	1.2002	1.2120	KRW	1,081 -0.2
AUD/EUR	0.7101	0.4			TWD	30.65 -0.2
AUD/JPY	95.20	0.5			PHP	44.58 -0.1
AUD/GBP	0.5232	0.6			CHF	0.93 -0.8
AUD/NZD	1.0509	0.2			SEK	8.36 -0.3

Equities

Major Indices			
	Last	% day	% year
Dow	17,928	-0.8	8.5
S&P 500	2,089	-1.2	10.9
Nasdaq	4,939	-1.5	19.4
VIX Index	14.31	11.4	7.7
FTSE	6,928	-0.8	1.5
DAX	11,328	-2.5	18.9
CAC 40	4,974	-2.1	11.5
Nikkei	19,532	0.1	35.1
Shanghai	4,299	-4.1	112.0
Hang Seng	27,756	-1.3	26.3
ASX200	5,827	0.0	6.3

Commodities*

	Last	% day
Oil (Brent)	67.64	1.8
Oil (WTI)	60.75	3.1
Oil (Tapis)	68.10	-0.4
Gold	1192.60	0.5
CRB	230.84	1.3
GS Metals	345.6	2.3
Aluminium	1978	3.6
Copper	6480	1.3
Nickel	14300	4.0
Zinc	2401	2.4
Ch. steel	2430	0.4
Iron ore	58.7	2.0
St. coal	61.8	n.a.
Wheat Chic.	474.8	-1.4
Sugar	12.75	1.9
Cotton	66.75	0.1
Coffee	133.7	0.6

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.25	0.28	0.88	2.27	USD 10	2.19	0.04
AUD	2.25	2.18	2.22	3.19	AUD 10	2.79	0.10 0.61
NZD	3.50	3.62	3.56	3.98	NZD 10	3.53	0.04 1.35
EUR	0.05	0.06	0.10	0.83	CAD 10	1.74	0.03 -0.45
GBP	0.50	0.57	1.04	2.03	EUR 10	0.52	0.06 -1.67
JPY	0.06	0.10	0.15	0.60	GBP 10	1.97	0.13 -0.22
CAD	0.75	1.17	1.07	2.17	JPY 10	0.36	0.00 -1.82

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.88	0.00
3 Yr bond	97.92	-0.06
10 Yr bond	97.14	-0.18
3/10 sprd	0.78	0.12
SPI	-50.0	-0.9

CO₂ Emissions - Euros

	Last	% day
Dec-2015	7.59	-0.4
Dec-2016	7.68	-0.3
Dec-2017	7.79	-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
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
Saturday, 9 May 2015								
CH	CPI YoY	Apr		1.6%		1.4%	1.30	11.30
CH	PPI YoY	Apr		-4.6%		-4.6%	1.30	11.30
PO	ECB's Costa, Monti Speak at Conference on Growth and Reform						7.30	17.30
Monday, 11 May 2015								
NZ	Card Spending Total MoM	Apr				1.3%	22.45	8.45
AU	NAB Business Conditions/Confidence	Apr				6/3	1.30	11.30
UK	BOE Asset Purchase Target	May				375B	11.00	21.00
UK	Bank of England Bank Rate	May-11		0.50%		0.50%	11.00	21.00
Upcoming Central Bank Interest Rate Announcements								
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%		
Australia, RBA		2-Jun	2.00%			2.00%		
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

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