

# Australian Markets Weekly

A weekly outlook for Australia, key global economies and markets

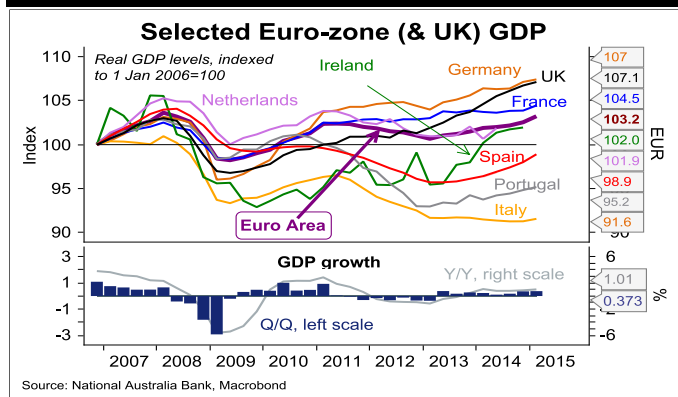
22 June 2015

## Last chance for Greece, again

Here we are again, still writing about Greece. Will a deal be put together that is acceptable to Greece and its creditors? Greece is asking for debt relief, Europe asking for further economic reforms to pensions and taxation. The 11<sup>th</sup> hour for Greece is approaching, yet again.

With the exception of debt capital markets, markets have been remarkably calm with no noticeable rise in risk aversion or volatility. In the case of the debt capital markets, primary issuance has been very patchy in Europe and not just because of the typical summer break slow down. Understandable jitters over Greece, including various meeting dates that have come (and gone) have seen some debt issues being pulled. But other markets – equities, currencies and bond markets – have not been affected to any material degree.

### Some European economic progress evident



The markets will first be paying attention to three key meetings scheduled tonight on Greece. The first is a meeting of Greece's creditors (EU, ECB, IMF), the second a EuroGroup Finance Ministers meeting, followed by a Euro Summit meeting this evening (Euro area leaders).

The President of the EU Donald Tusk (formerly the Prime Minister of Poland) has said that the later Euro Summit will not be negotiating or conducting the technical negotiations with Greece; that is the job of the earlier EuroGroup Finance Ministers meeting to approve.

### Key markets over the past week

	Last	% chg week		Last	bp / % chg week
AUD	0.7784	0.2	RBA cash	2.00	0
AUD/CNY	4.82	0.4	3y sw ap	2.23	-10
AUD/JPY	95.5	-0.1	ASX 200	5,582	0.8
AUD/EUR	0.684	-0.8	Iron ore	61.4	-5.8
AUD/NZD	1.126	1.6	WTI oil	59.5	-0.1

Source: Bloomberg

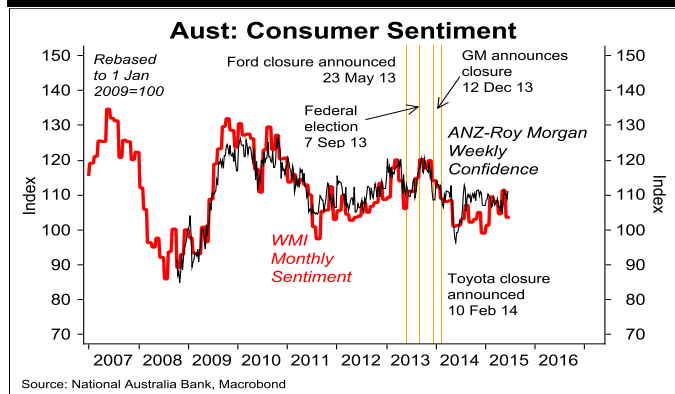
Reports suggest that Greece has put a proposal to German Chancellor Merkel and French President Hollande over the weekend, with no reports of whether this is acceptable or not to its creditors. According to anonymous European Commission sources, Greece will be presented with two options: (1) either accept the reforms proposed by Greece's creditors, potentially with some amendments and with the possibility of a commitment to discuss debt relief later, or (2) accept default.

Greece still has its €1.5bn payment to the IMF due 30 June (with IMF Managing Director saying 'there is no grace period' for this payment) and its finances beyond then far from secure. At the end of last week, the ECB increased by €1.75bn its Emergency Liquidity Assistance to the National Bank of Greece amid reports of further deposit outflows from Greek banks, with reports suggesting those outflows were another €1.5bn last week.

### Locally this week

It's another light week for local releases, none of which is likely to impact market pricing or sentiment too much. The data week starts tomorrow with the weekly ANZ-Roy Morgan Consumer Confidence measure that, to date, has held on to its post-Budget rise, in contrast to the Westpac-Melbourne Institute measure that fell an unexpected 6.9% in June on deteriorating expectations.

### ANZ-Roy Morgan Consumer Confidence holding up better

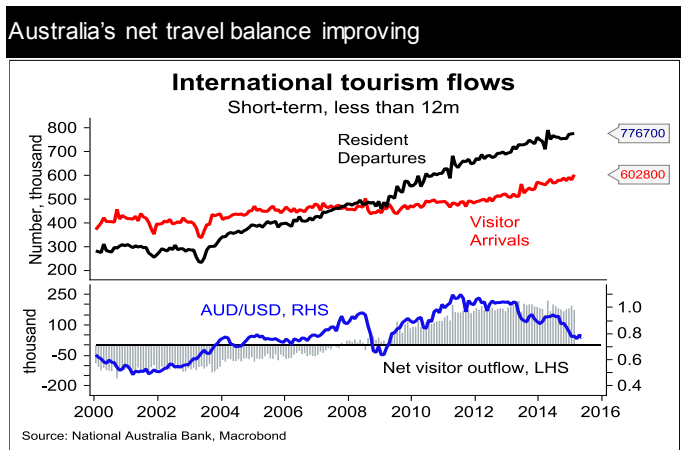


Tuesday's local market focus then turns, at least briefly, to the ABS Residential Property Price series, now largely of historical interest only given the market already has most of the June quarter with the monthly CoreLogic RP Data dwelling prices to May (and weekly auction reports since then.) The "hedonic" (quality adjusted) CoreLogic RP Data eight capital city dwelling price series in average quarter terms rose by 2½% in Q1 and we look for a 2.2% gain in the ABS series, taking annual growth to 7.6%.

Also on Tuesday, Australia's largest State NSW will be releasing its state Budget, which will be buoyed by stamp duty receipts from a booming housing market, with a surplus of \$2.1bn expected,

Then Wednesday and Thursday sees the release of the Federal Government's skilled vacancy index for May (Wednesday) as well as the ABS' Job Vacancies report for the May quarter (out Thursday). So far this year, job vacancies have not only been rising but at a faster rate than labour force growth, consistent with the more resilient jobs market that's been seen so far this year.

While not sensitive from a market perspective, two releases on Tuesday and Thursday provide updates on Australia's population growth and immigration flows, important in the short and medium term for the economy.



Tuesday sees the release of ABS arrivals and departures, including for the short term as well as long term/permanent arrivals and resident departures, that latter component the net overseas immigration component of population growth. As for the short-term migration flows, there are early signs that the depreciation in the Australian dollar is improving Australia's net international travel balance, travel exports up 13.4% y/y to April 2015, while travel imports were down 4.4% from a marked slow down in resident departures and slower income growth.

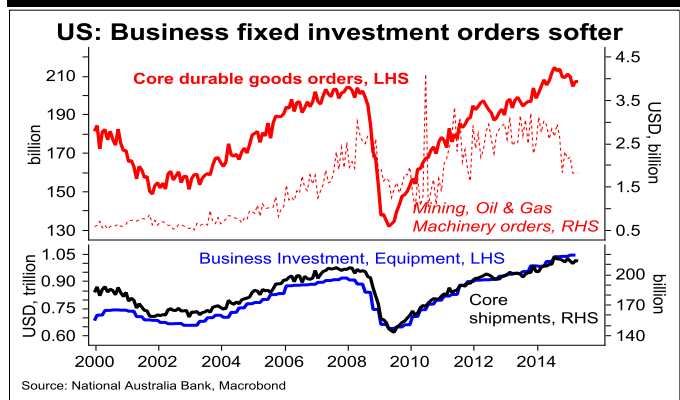
Thursday sees the Statistician's December quarter estimates of Australia's population. To the September quarter, population growth was 1.53%, the slowest rate for three years. A slowing in Australia's population growth has played some part in aiding to cap Australia's unemployment rate though over the medium to longer term, a slower rate of population growth would limit the economy's growth potential.

Looking a little further ahead, it's a big local data week next week with most of the key monthly partials due including RBA credit, house prices for June, building approvals and retail sales, and international trade.

**Key international data this week**

Relatively quiet in NZ this week after last week's GDP report. It's also a quiet week for China, with the most important data release being the preliminary Markit Manufacturing PMI for June (expectations 49.4, prior 49.2), that's out tomorrow.

**US durable goods orders more volatile this year**



There are key data due in the US with the picks likely to include Tuesday's durable goods orders, watched for the pace of business equipment investment. There is also the May personal income and spending report for May out Thursday that will help the form a more solid assessment of overall consumer spending in the June quarter and also contains the Fed's targeted measures of consumer inflation, the PCE deflators. Japan has key inflation data for May out Friday while Euro-zone preliminary PMIs are due Tuesday night.

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**Calendar of Economic Releases**

Country	Economic Indicator	Time Period	NAB		Actual	Previous	GMT	AEST
			Forecast	Consensus				
<b>Monday, 22 June 2015</b>								
NZ	WMM Consumer Confidence	Q2				117.4	22.00	8.00
NZ	Net Migration SA	May				4740	22.45	8.45
NZ	Credit Card Billings	May				-0.60%	3.00	13.00
JN	BoJ Monthly Economic Report	Jun					5.00	15.00
JN	Supermarket Sales YoY	May				6.40%	5.00	15.00
EC	ECB's Coeure speaks						6.30	16.30
JN	Convenience Store Sales YoY	May				4.00%	7.00	17.00
EC	Former ECB President Trichet speaks in Vienna						9.00	19.00
US	Chicago Fed Nat Activity Index	May				-0.15	12.30	22.30
CA	Bloomberg Nanos Confidence	Jun-19					14.00	0.00
EC	Consumer Confidence	Jun A		-5.7		-5.5	14.00	0.00
US	Existing Home Sales/MoM	May		5.28M/4.7%		5.04M/-3.3%	14.00	0.00
EU	<b>EuroGroup Finance Ministers and Euro (leaders) Summit meetings on Greece</b>							
<b>Tuesday, 23 June 2015</b>								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jun-21				114.5/+2.1%	23.30	9.30
AU	NSW State Budget	15-16					0.00	10.00
AU	Conf. Board Leading Index MoM	Apr				-0.10%	0.00	10.00
AU	ABS Residential Property Price Index QoQ/YoY	1Q	2.2%/7.6%	2.1%/7.4%		1.9%/6.8%	1.30	11.30
AU	Overseas arrivals and departures	Mar					1.30	11.30
JN	Markit Manufacturing PMI	Jun P		50.5		50.9	1.35	11.35
CH	Markit Manufacturing PMI	Jun P		49.4		49.2	1.45	11.45
FR	Markit France Manufacturing/Services PMI	Jun P				49.4/52.8	7.00	17.00
GE	Markit/BME Germany Manufacturing/Services PMI	Jun P		51.5/53		51.1/53.0	7.30	17.30
EC	Markit Eurozone Manufacturing/Services PMI	Jun P		52/53.7		52.2/53.8	8.00	18.00
UK	CBI Trends Total Orders	Jun		3		-5	10.00	20.00
US	Fed Governor Powell speaks on monetary policy and economic outlook in Washington						12.00	22.00
US	Durable Goods Orders	May		-0.50%		-0.50%	12.30	22.30
US	FHFA House Price Index MoM	Apr		0.50%		0.30%	13.00	23.00
US	Markit Manufacturing PMI	Jun P		54.1		54	13.45	23.45
US	New Home Sales	May		520K/0.6%		517K/6.8%	14.00	0.00
US	Richmond Fed Manufact. Index	Jun		1		1	14.00	0.00
<b>Wednesday, 24 June 2015</b>								
JN	PPI Services YoY	May		0.40%		0.70%	23.50	9.50
JN	Bank of Japan May 21-22 meeting minutes						23.50	9.50
AU	Skilled Vacancies MoM	May				0.00%	1.00	11.00
CH	Westpac-MNI Consumer Sentiment	Jun				111.1	1.45	11.45
CH	Conference Board Leading Economic Index	May				322.2/+1.1	2.00	12.00
JN	Small Business Confidence	Jun		48.3		48.1	5.00	15.00
FR	GDP QoQ/YoY	1Q F				0.6%/0.7%	6.45	16.45
GE	IFO Business Climate	Jun		108		108.5	8.00	18.00
US	GDP Annualized QoQ saar	1Q T		-0.20%		-0.70%	12.30	22.30
EC	ECB's Constancio on panel in Frankfurt						14.00	0.00
<b>Thursday, 25 June 2015</b>								
AU	Job vacancies	May				0.80%	1.30	11.30
AU	NAB Consumer Anxiety Survey	Q2					1.30	11.30
NZ	High LVR ratio new residential loans, proportion above 80%	May					3.00	13.00
GE	GIK Consumer Confidence	Jul		10.1		10.2	6.00	16.00
EC	ECB speaks at 2015 IIF Europe Summit in Frankfurt						6.15	16.15
EC	ECB's Nuoy speaks at European Parliament						7.00	17.00
EC	ECB's Costa and Brazil's Tombini at meeting of central banks						8.00	18.00
UK	CBI Reported Sales	Jun				51	10.00	20.00
US	Personal Income/Spending	May		0.5%/0.7%		0.4%/0.0%	12.30	22.30
US	PCE Deflator MoM/YoY	May		0.4%/ ..		0.0%/0.1%	12.30	22.30
US	PCE Core MoM/YoY	May		0.1%/1.2%		0.1%/1.2%	12.30	22.30
US	Initial Jobless Claims	Jun-20				267K	12.30	22.30
US	Markit Composite PMI	Jun P				56	13.45	23.45
US	Markit Services PMI	Jun P		56.5		56.2	13.45	23.45
US	Bloomberg Consumer Comfort	Jun-21					13.45	23.45
US	Kansas City Fed Manf. Activity	Jun				-13	15.00	1.00
CA	BoC's Deputy Governor Schembri speaks					1.55	15.55	1.55
<b>Friday, 26 June 2015</b>								
NZ	Trade Balance	May	-\$114M	-\$50M		\$123M	22.45	8.45
JN	Jobless Rate	May		3.30%		3.30%	23.30	9.30
JN	Job-To-Applciant Ratio	May		1.17		1.17	23.30	9.30
JN	Overall Household Spending YoY	May		3.60%		-1.30%	23.30	9.30
JN	Natl CPI YoY	May		0.40%		0.60%	23.30	9.30
JN	Tokyo CPI YoY	Jun		0.50%		0.50%	23.30	9.30
EC	M3 Money Supply YoY	May		5.40%		5.30%	8.00	18.00
US	U. of Mich. Sentiment	Jun F		94.6		94.6	14.00	0.00
US	Fed's George (alt) Speaks on the Payments System in Kansas City						16.45	2.45
<b>Sunday, 28 June 2015</b>								
CH	Industrial Profits YoY	May				2.60%	1.30	11.30
CH	Leading Index	May				98.31	14.00	0.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
Australia, RBA		7-Jul	2.00%	2.00%		2.00%		
UK BOE		9-Jul	0.50%	0.50%		0.50%		
Japan, BoJ		15-Jul	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
Europe ECB		16-Jul	0.05%	0.05%		0.05%		
Canada, BoC		16-Jul				0.75%		
New Zealand, RBNZ		23-Jul	3.00%	3.00%		3.25%		
US Federal Reserve		30-Jul						

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

Forecasts

Economic Forecasts

	Annual % change				Quarterly % change											
	2013	2014	2015	2016	2013		2014				2015					
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Australia Forecasts</b>																
Household Consumption	1.7	2.5	2.5	2.7	0.3	0.4	0.8	0.6	0.5	0.7	0.5	0.8	0.5	0.5	0.5	0.7
Underlying Business Investment	-4.5	-6.4	-10.2	-10.2	-4.9	-1.5	0.8	-3.5	-2.4	-0.9	-1.0	-1.5	-4.6	-2.1	-4.1	-2.0
Residential Construction	0.5	7.9	11.7	6.5	-2.7	3.0	0.3	1.3	4.3	1.7	-1.2	3.9	4.7	2.8	2.3	2.5
Underlying Public Spending	0.4	0.8	0.0	1.1	2.7	-0.2	-0.5	1.3	0.3	0.5	-1.4	0.1	0.2	0.2	0.2	0.2
Exports	6.3	6.8	10.6	8.6	0.9	3.7	-0.6	1.7	4.1	-1.6	3.1	1.6	5.0	2.0	1.9	2.1
Imports	-1.8	-1.6	2.4	1.2	-3.3	2.8	-1.4	-0.5	-2.5	3.1	-1.2	-1.6	3.1	0.4	-0.2	0.6
Net Exports (a)	1.6	1.7	1.8	1.7	0.9	0.1	0.2	0.4	1.4	-0.9	0.9	0.7	0.5	0.4	0.5	0.3
Inventories (a)	-0.3	0.0	0.1	0.0	-0.2	0.3	-0.3	-0.2	-0.3	0.9	0.1	-0.7	0.5	-0.2	-0.1	0.1
Domestic Demand - qtr%					-0.1	0.2	0.5	0.2	0.3	0.6	-0.4	0.5	0.0	0.3	0.0	0.4
Dom Demand - ann %	0.5	1.1	0.8	1.0	0.5	0.0	0.6	0.7	1.1	1.5	0.7	1.0	0.8	0.5	0.9	0.8
Real GDP - qtr %					0.3	0.7	0.4	0.8	1.0	0.6	0.3	0.5	0.9	0.6	0.4	0.8
Real GDP - ann %	2.1	2.7	2.5	2.7	2.0	2.1	1.9	2.2	2.9	2.8	2.7	2.4	2.3	2.3	2.4	2.8
CPI headline - qtr %					0.4	0.4	1.2	0.8	0.6	0.5	0.5	0.2	0.2	0.5	0.8	0.9
CPI headline - ann %	2.4	2.5	1.7	3.1	2.5	2.4	2.2	2.7	2.9	3.0	2.3	1.7	1.3	1.4	1.7	2.5
CPI underlying - qtr %					0.5	0.6	0.6	0.9	0.6	0.7	0.4	0.6	0.6	0.5	0.6	0.7
CPI underlying - ann %	2.4	2.6	2.3	2.6	2.3	2.4	2.3	2.6	2.7	2.8	2.5	2.3	2.4	2.2	2.4	2.4
Wages (Pvte WPI -ann %)	2.9	2.5	2.2	2.2	3.1	3.0	2.8	2.5	2.6	2.4	2.4	2.5	2.2	2.2	2.2	2.2
Unemployment Rate (%)	5.7	6.0	6.3	6.3	5.6	5.7	5.7	5.9	5.8	6.0	6.2	6.1	6.2	6.3	6.3	6.4
Terms of trade	-3.8	-7.4	-10.6	-2.1	1.0	-0.3	-1.3	0.4	-1.9	-4.6	-2.9	-1.5	-2.9	-5.9	-0.4	1.2
G&S trade balance, \$Abn	-10.4	-9.2	-21.8	-4.7	-3.0	-2.8	-3.3	-1.3	2.7	-5.1	-4.0	-2.7	-3.7	-7.6	-6.3	-4.2
% of GDP	-0.7	-0.6	-1.3	-0.3	-0.8	-0.7	-0.9	-0.3	0.7	-1.3	-1.0	-0.7	-0.9	-1.9	-1.5	-1.0
Current Account (% GDP)	-3.3	-2.8	-3.1	-2.0	-3.3	-3.4	-3.6	-3.1	-1.9	-3.6	-3.1	-2.5	-2.7	-3.6	-3.3	-2.7

Source: NAB Group Economics; (a) Contributions to GDP growth

Exchange Rate Forecasts

	22-Jun	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
<b>Majors</b>						
AUD/USD	0.7779	0.76	0.74	0.73	0.73	0.75
NZD/USD	0.6911	0.69	0.68	0.67	0.66	0.66
USD/JPY	122.72	124	125	126	126	127
EUR/USD	1.1373	1.05	1.03	1.02	1.03	1.04
GBP/USD	1.5882	1.46	1.45	1.44	1.43	1.44
USD/CNY	6.1973	6.25	6.20	6.20	6.18	6.15
USD/CAD	1.2266	1.24	1.22	1.21	1.20	1.19
<b>Australian Cross Rates</b>						
AUD/JPY	95.5	94	93	92	92	95
AUD/EUR	0.6840	0.72	0.72	0.72	0.71	0.72
AUD/GBP	0.4898	0.52	0.51	0.51	0.51	0.52
AUD/NZD	1.1256	1.10	1.09	1.09	1.11	1.14
AUD/CNY	4.8209	4.75	4.59	4.53	4.51	4.61
AUD/CAD	0.9542	0.94	0.90	0.88	0.88	0.89
AUD/CHF	0.7133	0.75	0.75	0.76	0.75	0.00

Interest Rate Forecasts

	22-Jun	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
<b>Aust rates</b>						
RBA Cash rate	2.00	2.00	2.00	2.00	2.00	2.00
3 month bill rate	2.15	2.15	2.15	2.15	2.20	2.40
3 Year Swap Rate	2.23	2.4	2.6	2.8	2.9	3.2
10 Year Swap Rate	3.29	3.4	3.6	3.7	3.7	4.0
<b>Offshore Policy Rates</b>						
US Fed funds	0.25	0.50	0.75	0.75	1.25	1.50
ECB refi rate	0.05	0.05	0.05	0.05	0.05	0.15
BoE repo rate	0.50	0.50	0.50	0.75	1.00	1.25
BoJ overnight call rate	0.07	0.10	0.10	0.10	0.10	0.10
RBNZ OCR	3.25	3.00	3.00	3.00	3.00	3.00
China 1yr lending rate	5.10	5.10	5.10	5.10	5.10	5.10
China Reserve Ratio	18.5	18.0	17.5	17.0	17.0	17.0
<b>10 Year Benchmark Bond Yields</b>						
Australia	2.90	3.0	3.2	3.2	3.3	3.5
United States	2.29	2.50	2.75	2.8	2.8	3.0
Europe/Germany	0.75	0.4	0.6	0.7	0.8	0.0
UK	2.01	2.0	2.1	2.2	2.4	0.0
New Zealand	3.63	3.9	3.9	4.0	4.1	4.3

Sources: NAB Global Markets Research; Bloomberg; ABS

Global GDP

Dec year	2013	2014	2015	2016	20 Yr Avge
Australia	2.1	2.7	2.5	2.7	3.4
US	2.2	2.4	2.3	2.7	2.6
Eurozone	-0.4	0.9	1.4	1.8	1.5
UK	1.7	2.8	2.2	2.4	2.4
Japan	1.6	-0.1	0.8	1.3	0.8
China	7.7	7.4	7.1	6.9	9.2
India	6.4	7.1	7.8	8.0	6.6
New Zealand	2.3	3.3	2.8	2.0	3.0
World	3.3	3.3	3.2	3.4	3.5

Commodity prices (\$US)

	22-Jun	Sep-15	Dec-15	Jun-16	Dec-16
WTI oil	59.45	55	55	60	63
Gold	1200	1150	1150	1100	1070
Iron ore	61	60	60	61	60
Hard cok. coal	112	98	98	95	94
Thermal coal	62	68	68	68	68
Copper	5652	6080	6080	6260	6230
Japan LNG	11.9	11.0	11.0	11.0	11.0

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