

Markets Today

A daily outlook for Australia, key global economies and markets

1 June 2015

Four more sleeps

Stocks fell as did benchmark bond yields on the last business day of the month and amid some mixed US economic signals. The US dollar was overall little changed despite a further 0.34% rise in EUR/USD to 1.0986 and a particularly sharp fall in the NZD, to below 71 cents at one point and Friday night's clear under-performer.

US revised Q1 GDP came in at -0.7% so not quite as weak as the -0.9% expected (and note any upward revision from a review of seasonal adjustment methodology will not arrive until the Q2 estimate is first released in late July).

The Chicago PMI unexpectedly slumped, 46.2 from 52.3 and 53.0 expected but is not usually a reliable guide to the national ISM (due tonight). The better news was the final University of Michigan consumer sentiment index, revised up to 90.7 from the 88.6 preliminary estimate and 89.5 expected.

Canada's March GDP print of -0.2%, with February revised to -0.1% from flat, meant that overall Q1 GDP is put at -0.6% (annualised rate) not the +0.3% expected. The data is showing the savage bite being taken out of the economy by the slump in oil prices and hence mining activity. This will keep the Bank of Canada in play for possible further easing this year despite last week's inaction.

With the exception of NOK (but not CAD) and which keyed off a near \$3 surge in Brent crude, commodity currencies are still suffering, led by NZD which finished at 0.7107 but has restarted the week trading below Friday's 0.7088 low. Hard commodity prices remained under the pump (ex-gold, +\$2.18 to \$1190.6) with the LME index off 1.55% and the 62% fines China iron ore import price off \$0.48 to \$61.85.

AUD strongly outperformed NZD, the cross up 0.9% with AUD/USD off just 0.05% to 0.7645 and bringing the overall May decline to just over 4.5%. It has started the new week holding just above Friday's 0.7629 low.

USD/JPY finished higher again, +0.16% to Y124.15 albeit back from Thursday's Y124.37 high, with the overall May gain 4.13%. GBP also lost 0.16% to \$1.5291 and so has given back more than 5 cents of its post-election rally.

In bonds, US Treasury yields were lower across the curve, with favourable tailwind from Bunds where the 10 year lost 4.3bps to 0.487%. US 2 year notes were -2.4bps to 0.6053% and 10s -1.4bps to 2.1214%.

In stocks, the Shanghai composite slightly extended Thursday's rout, -0.18% and so 7.4% off its mid-week highs. European stocks were very weak, the Eurostoxx 50 -2.19% led by a 2.26% drop in the German Dax. The S&P500 finished -0.63% at 2107.4 but is still +1.1% in May.

Coming Up

There are now just four more sleeps until Friday, whereupon Greece will meet or miss its deadline for a €300mn payment to the IMF (though this may in reality be a soft deadline if Greece is able, and chooses, to roll all its June obligations to the IMF into one lump sum payments toward the end of the month – but which of course it won't make either in the absence of a new deal between now and then).

Watch for headline out of Europe this morning, following a phone conference reportedly taking place about now between Greek PM Alex Tsipras, German chancellor Angela Merkel and French President Francois Hollande, the preface to which is commentary from Tsipras in the French Le Monde newspaper Sunday accusing bailout monitors of making 'absurd' demands of Greece.

Friday will also bring us the latest US payrolls report and where a strong report is essential if thoughts of a Q3 Fed 'lift-off' are to stay alive. Also important here will be tonight's national US manufacturing ISM and where we suspect the 'whisper' number after Friday's soft Chicago PMI will be a little lower than the 52.0 survey median (up from 51.5). The April US Personal Income, Spending, and PCE deflator readings will also be of interest.

In Europe, German CPI and UK manufacturing PMI top the bill, while in our time zone the official China PMIs for both manufacturing and services are both due at 11:00 AEST (with manufacturing expected to lift to 50.3 from 50.1, after the HSBC 'flash' estimate rose to 49.2 from 49.1).

It's a busy start to the week in Australia (but not New Zealand, closed for the Queen's birthday holiday). Manufacturing PMI, TD Securities' inflation gauge, building approvals, Company profits, Mineral and Petroleum Exploration and Business Inventories (latter two both GDP partials) will be keeping the economics fraternity very busy this morning.

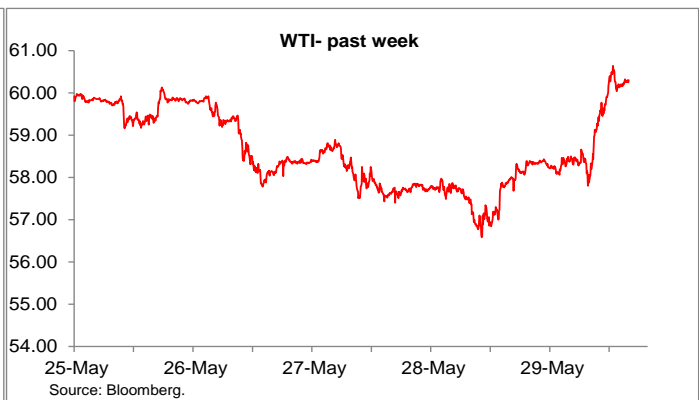
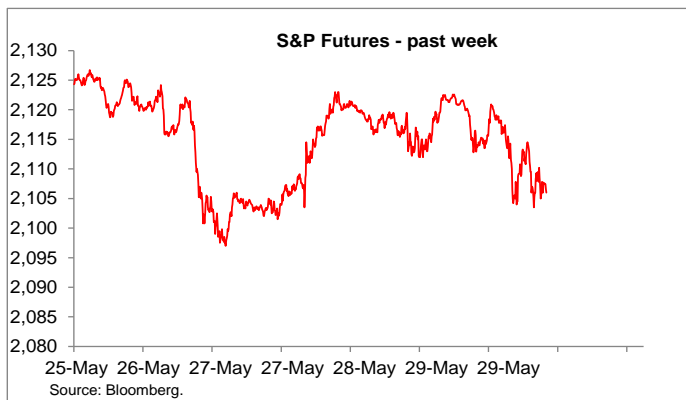
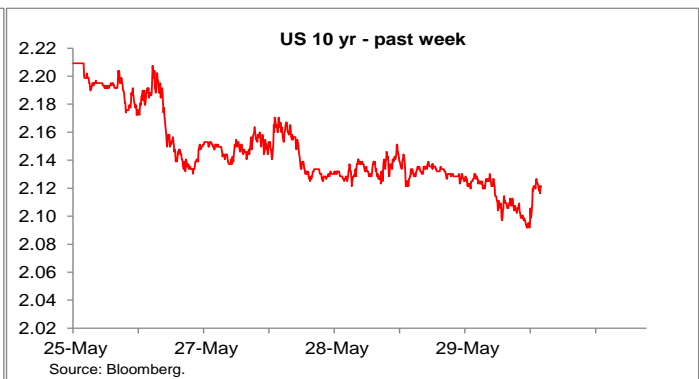
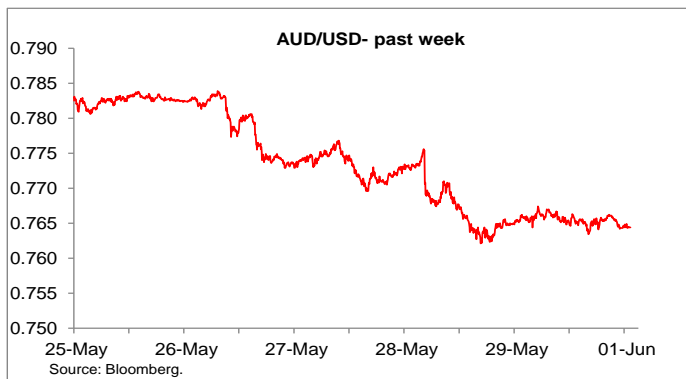
See our *What to Watch* publication for a full run down of what is an action packed week ahead.

Overnight

On global stock markets, the S&P 500 was -0.60%. Bond markets saw US 10-years -1.41bp to 2.12%. On commodity markets, Brent crude oil +4.76% to \$65.56, gold+0.1% to \$1,189, iron ore -0.8% to \$61.85. AUD is at 0.7644 and the range since Friday's local close has been 0.7629 to 0.7665. Indicative range today 0.7595 - 0.7670 (For more market prices, please see p.2 of the pdf).

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Markets



Foreign Exchange							
Indicative 24hr ranges (**)				Other FX			
	Last	% chge	Low	High	Last	% chge	
AUD	0.7644	0.0	0.7637	0.7649	HKD	7.7530	0.0
NZD	0.7100	-0.1	0.7094	0.7112	CNY	6.1976	-0.1
EUR	1.0983	0.0	1.0980	1.0989	SGD	1.3478	0.0
GBP	1.5298	0.0	1.5267	1.5299	IDR	13,224	0.0
JPY	124.09	0.0	124.06	124.12	THB	33.69	0.0
CAD	1.2440	-0.1	1.2432	1.2442	KRW	1,108	0.2
AUD/EUR	0.6960	0.0			TWD	30.70	0.3
AUD/JPY	94.86	-0.1			PHP	44.59	0.0
AUD/GBP	0.4997	-0.1			CHF	0.94	0.1
AUD/NZD	1.0766	0.1			SEK	8.52	0.1

Equities			
Major Indices			
	Last	% day	% y/y
Dow	18,011	-0.6	7.7
S&P 500	2,107	-0.6	9.6
Nasdaq	5,070	-0.5	19.5
FTSE	6,984	-0.8	2.0
DAX	11,414	-2.3	14.8
CAC 40	5,008	-0.5	10.8
Nikkei	20,563	+0.1	40.5
Shanghai	4,612	-0.2	126.2
Hang Seng	27,424	-0.1	18.8
ASX 200	5,777	+1.1	5.2

Commodities*		
	Last	% day
Oil (Brent)	65.56	4.8
Oil (WTI)	60.30	4.5
Oil (Tapis)	64.20	1.2
Gold	1189.40	0.1
CRB	223.18	1.0
GS Metals	311.9	-1.7
Aluminium	1708	-2.3
Copper	6010	-1.4
Nickel	12583	-1.5
Zinc	2183	-2.0
Ch. steel	2359	0.4
Iron ore	61.9	-0.8
St. coal	61.8	n.a.
Wheat Chic.	482.3	-2.5
Sugar	11.98	0.3
Cotton	64.35	0.0
Coffee	126.2	0.8
CO ₂ Emissions - Euros		
	Last	% day
Jun-2015	7.39	1.9
Dec-2015	7.36	1.9
Dec-2016	7.44	1.9

Interest Rates							
Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Spnd
USD	0.25	0.28	0.85	2.21	USD 10	2.12	-0.01
AUD	2.00	2.15	2.06	3.03	AUD 10	2.73	-0.05
NZD	3.50	3.46	3.35	3.89	NZD 10	3.63	-0.08
EUR	0.05	0.06	0.10	0.85	CAD 10	1.62	-0.05
GBP	0.50	0.57	0.97	1.90	EUR 10	0.49	-0.04
JPY	0.09	0.10	0.14	0.58	GBP 10	1.81	-0.01
CAD	0.75	1.17	0.98	2.06	JPY 10	0.39	-0.01

Overnight Futures		
	Last	Chge
Australia		
3 mth bill	97.86	-0.01
3 Yr bond	98.09	-0.01
10 Yr bonc	97.29	0.05
3/10 sprd	0.81	-0.06
SPI	-17.0	-0.3

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
Monday, 1 June 2015								
NZ	Public Holiday (Queen's birthday)							
AU	AiG Perf of Mfg Index	May				48	23.30	9.30
JN	Capital Spending YoY	1Q				2.80%	23.50	9.50
AU	CoreLogic RP Data House Px MoM	May	-0.90%			0.80%	0.00	10.00
AU	TD Securities Inflation MoM/YoY	May				0.3%/1.4%	0.30	10.30
CH	Manufacturing PMI	May		50.2		50.1	1.00	11.00
CH	Non-manufacturing PMI	May				53.4	1.00	11.00
AU	Company Operating Profit QoQ	1Q	-2.10%	0.00%		-0.20%	1.30	11.30
AU	Inventories SA QoQ	1Q	-0.70%	0.10%		-0.80%	1.30	11.30
AU	Building Approvals MoM/YoY	Apr	2.0%/25.4%	-1.3%/21.1%		2.8%/23.6%	1.30	11.30
AU	Mineral and Petroleum Exploration	1Q	↓			3.2%	1.30	11.30
JN	Markit/JMMA Japan Manufacturing PMI	May F				50.9	1.35	11.35
CH	HSBC China Manufacturing PMI	May F		49.2		49.1	1.45	11.45
IN	HSBC India Manufacturing PMI	May				51.3	5.00	15.00
AU	Commodity Index SDR, YoY	May				-20.50%	6.30	16.30
FR	Markit France Manufacturing PMI	May F				49.3	7.50	17.50
GE	Markit/BME Germany Manufacturing PMI	May F				51.4	7.55	17.55
EC	Markit Eurozone Manufacturing PMI	May F				52.3	8.00	18.00
UK	Markit UK PMI Manufacturing SA	May				51.9	8.30	18.30
GE	CPI MoM/YoY	May P				0.0%/0.5%	12.00	22.00
US	Personal Income/ Spending	Apr		0.3%/0.2%		0.0%/0.4%	12.30	22.30
US	PCE Deflator MoM/YoY	Apr		0.1%/0.2%		0.2%/0.3%	12.30	22.30
US	PCE Core MoM/YoY	Apr		0.2%/1.4%		0.1%/1.3%	12.30	22.30
US	Fed's Rosengren (alt) Speaks at Employment Event in Hartford, CT						13.05	23.05
CA	RBC Canadian Manufacturing PMI	May				49	13.30	23.30
US	Markit US Manufacturing PMI	May F		54.1		53.8	13.45	23.45
US	Construction Spending MoM	Apr		0.70%		-0.60%	14.00	0.00
US	ISM Manufacturing	May		52.0		51.5	14.00	0.00
Tuesday, 2 June 2015								
NZ	Terms of Trade Index QoQ	1Q	1.70%	1.90%		-1.90%	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	May-31				113.5	23.30	9.30
AU	BoP Current Account Balance	1Q	-11.0B	-10.9B		-9.6B	1.30	11.30
AU	Net Exports, % points growth contribution to GDP	1Q	0.30%	0.00%		0.7	1.30	11.30
AU	Government spending	1Q	0.20%			0.30%	1.30	11.30
AU	RBA Cash Rate Target		2.00%	2.00%		2.00%	4.30	14.30
IN	RBI Reverse Repo Rate			6.25%		6.50%	5.30	15.30
GE	Unemployment Rate	May				6.40%	7.55	17.55
EC	CPI Estimate YoY	May					9.00	19.00
US	ISM New York	May				58.1	13.45	23.45
US	Factory Orders	Apr		-0.10%		2.10%	14.00	0.00
NZ	Dairy auction (early AM)					-2.2%		
Wednesday, 3 June 2015								
AU	AiG Perf of Services Index	May				49.7	23.30	9.30
NZ	QV House Prices YoY	May				8.30%	0.00	10.00
NZ	ANZ Commodity Price, NZ\$	May				-8.9%	1.00	11.00
AU	NAB Online Retail Sales Index SA MoM/YoY	Apr				0.8%/16.8%	1.30	11.30
AU	GDP SA QoQ/YoY	1Q	0.6%/2.0%	0.6%/2.0%		0.5%/2.5%	1.30	11.30
JN	Markit Japan Services PMI	May				51.3	1.35	11.35
CH	HSBC China Services PMI	May				52.9	1.45	11.45
IN	HSBC India Services PMI	May				52.4	5.00	15.00
EC	Markit Eurozone Services PMI	May F				53.3	8.00	18.00
UK	Markit/CIPS UK Services PMI	May				59.5	8.30	18.30
EC	Unemployment Rate	Apr				11.30%	9.00	19.00
EC	Retail Sales MoM/YoY	Apr				-0.8%/1.6%	9.00	19.00
EC	ECB Main Refinancing Rate	Jun-03				0.05%	11.45	21.45
US	ADP Employment Change	May		200K		169K	12.15	22.15
US	Trade Balance	Apr		-\$44.2B		-\$51.4B	12.30	22.30
CA	Int'l Merchandise Trade	Apr				-3.02B	12.30	22.30
US	Markit US Services PMI	May F		56.6			13.45	23.45
US	ISM Non-Manf. Composite	May		57.0		57.8	14.00	0.00
US	U.S. Federal Reserve Releases Beige Book						18.00	4.00
US	Fed's Evans (v) Speaks at Banking Symposium in Chicago						18.15	4.15
Thursday, 4 June 2015								
NZ	Value of All Buildings SA QoQ	1Q				0.30%	22.45	8.45
JN	BOJ Kuroda speaks at BOJ's international conference						0.00	10.00
JN	Interview BOJ board member Yutaka Harada						1.00	11.00
AU	Trade Balance	Apr	-2300M	-2050M		-1322M	1.30	11.30
AU	Retail Sales MoM	Apr	0.1%	0.3%		0.30%	1.30	11.30
NZ	Weekly Mortgage Approvals, 13w apc	29-May				1.20%	3.00	13.00
UK	Bank of England Bank Rate	Jun-04	0.50%	0.50%		0.50%	11.00	21.00
US	Challenger Job Cuts YoY	May				52.80%	11.30	21.30
US	Initial Jobless Claims	May-30				282K	12.30	22.30
CA	Ivey Purchasing Managers Index SA	May				58.2	14.00	0.00
Upcoming Central Bank Interest Rate Announcements								
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%		
Canada, BoC		16-Jul				0.75%		

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

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