



Markets Today

A daily outlook for Australia, key global economies and markets

2 June 2015

'Tis the Season(al)

Incoming US economic data continues to rule the roost, last night's batch encompassing the manufacturing ISM (strong), construction spending (very strong) personal income (strong), spending (weak) and the personal consumption deflators (weak). These collectively conspired to further support the nascent US dollar recovery, push US bond yields higher and give a (mild) lift to US stocks.

Meanwhile reports, courtesy of Market News International, that all the big guns involved in determining the conditions under which Greece will receive more aid – Merkel, Hollande, Juncker, Draghi and Lagarde – commenced talks about two hours ago to discuss a staff level agreement on Greece and crafted by the European Commission, is serving to keep the Euro ahead of most other major currencies bar the US dollar. The ever-volatile Norwegian Crown – that on Friday was the world's best performing currency after oil prices surged by almost \$3, fell victim to a chronically weak purchasing managers' survey last night and is off an alarming 2.35%. No other currency has lost more than 0.7% in the past 24 hours. Sterling sagged a bit, after its manufacturing PMI undershot expectations at 52.0 from 51.8 and 52.5 expected.

As for the data, it is the rise in the headline manufacturing ISM, to 52.8 from 51.5 and better than the 52.0 expected, that carried the night. This is despite suspicions that, just as Q1 GDP is now regarded as having been depressed not just by the weather but excessively tough seasonal adjustment factors, so the ISM has typically been flattered in the northern Spring months by favourable seasonal factors. The current penchant for 'seasonally adjust – rinse – repeat' until volatility in the business cycle is expunged (once thought to be in the exclusive purview of central bankers) is alive and kicking. The test now is whether hard activity (production) numbers will match up to positive signals from survey based data.

Apparently less susceptible to seasonal quirks, a 2.2% surge in US April construction spending (and big upward revision to March) has many analysts leaping to upgrade their Q2 tracking estimates. These currently look to centre on the mid-two percents (The Atlanta Fed's Q2 estimate is just 0.8%, but is not deemed reliable this early in the quarter).

The antidote to thoughts that the unfolding US economic calendar could yet bring the Fed into play as early as July, if not June, came in the form of the so called 'core PCE deflator'. This is the Fed's preferred measure of inflation and dipped to just 1.2% Y/Y in April down from 1.3% and an expected 1.4%. The disparity between this measure and core CPI - the latter dominated by rising implied housing rental cost – has rarely been wider. Until or unless this gap starts to close from below, the Fed is going nowhere.

Coming Up

Today sees the remaining Australian quarterly partials – covering the balance of payments and government spending releases - ahead of tomorrow's Q1 GDP report and this afternoon's RBA decision. The balance of payments provides the net exports contribution to GDP as well as the terms of trade, a key ingredient into nominal dollar GDP growth. We look for net exports to have contributed to Q2 growth in the order of 0.3%. We also look for a terms of trade decline of 3.2% in Q1, from the further decline in export commodity prices. For the government spending estimates for Q1, we look for another small positive, up another 0.2% and almost a mirror image of Q4's 0.3% rise.

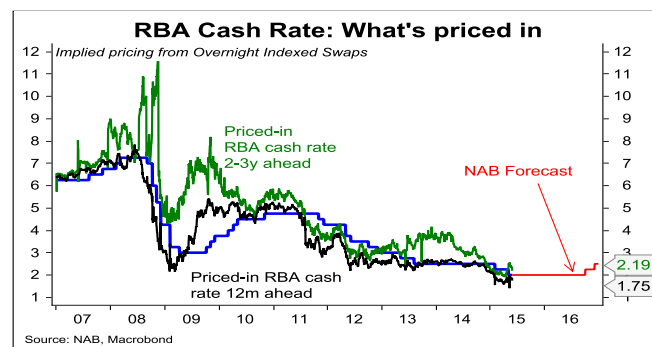
As for the RBA Board meeting, it's almost odds on that the Board will leave the cash rate steady in June irrespective of the weaker Q1 Capex read. But that, together with a desire to do nothing to encourage a retracement of the recent sharp – and doubtless highly welcome - drop in the AUD, means we look for some reference to the scope for further adjustments to interest rates, but likely in a way that will not encourage thoughts that the Board expects to do anything other than sit on its hands at least for the next few months. We should also expect a repeat of the May commentary that "further depreciation (in the AUD) remains both likely and necessary".

Offshore tonight, the latest Eurozone CPI estimate is due, and in the US factory goods orders, neither of which are likely to be particularly market moving in the context of the much more significant risk events still due this week.

Overnight

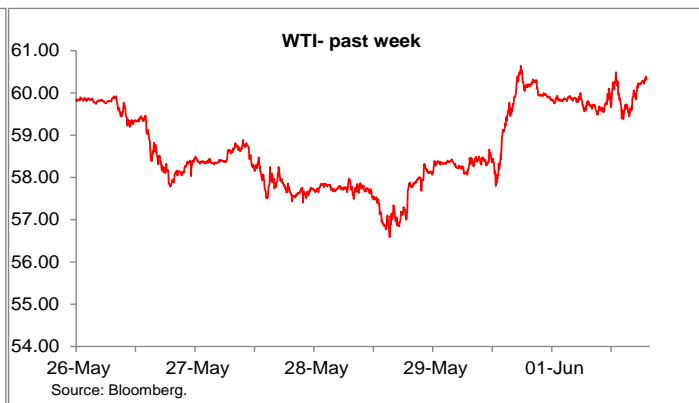
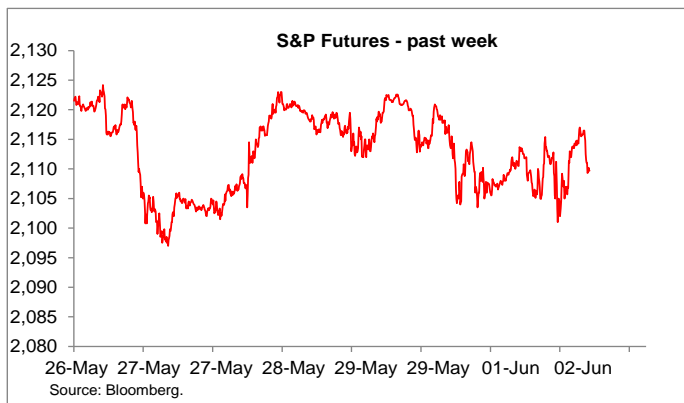
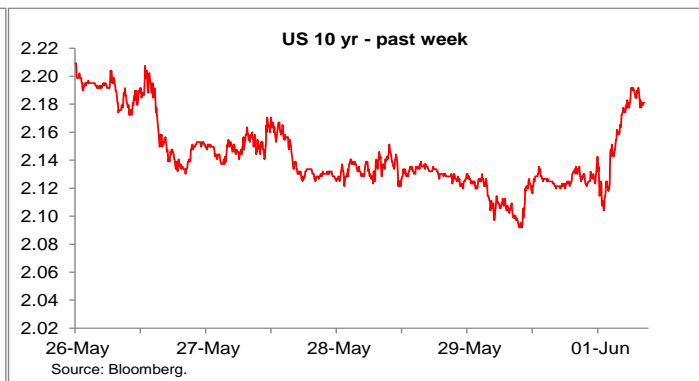
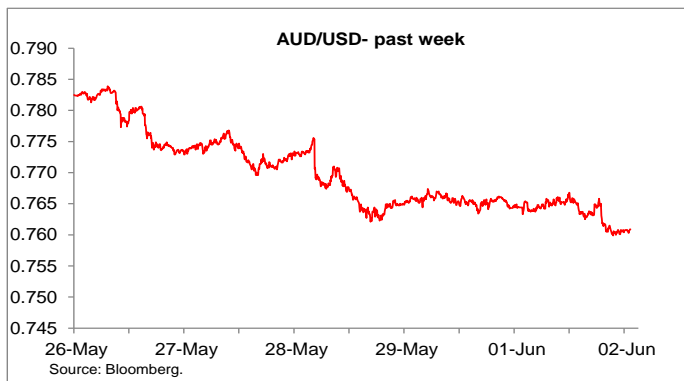
On global stock markets, the S&P 500 was +0.20%. Bond markets saw US 10-years +5.97bp to 2.18%. On commodity markets, Brent crude oil -0.82% to \$65.02, gold-0.1% to \$1,188, iron ore -0.8% to \$61.85. AUD is at 0.7609 and the range was 0.7598 to 0.7668. Indicative range today 0.7575 – 0.7650 (For more market prices, please see p.2 of the pdf).

RBA pricing shifted toward easing again after Capex



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Markets



Foreign Exchange						Equities				Commodities*																																																																																								
<table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="4">Indicative 24hr ranges (**)</th> <th colspan="2">Other FX</th> </tr> <tr> <th>Last</th> <th>% chge</th> <th>Low</th> <th>High</th> <th>Last</th> <th>% chge</th> </tr> </thead> <tr> <td>AUD</td> <td>0.7609</td> <td>-0.5</td> <td>0.7598</td> <td>0.7668</td> <td>HKD</td> <td>7.7560</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.7090</td> <td>-0.2</td> <td>0.7072</td> <td>0.7150</td> <td>CNY</td> <td>6.1993</td> <td>0.0</td> </tr> <tr> <td>EUR</td> <td>1.0931</td> <td>-0.5</td> <td>1.0887</td> <td>1.0991</td> <td>SGD</td> <td>1.3561</td> <td>0.6</td> </tr> <tr> <td>GBP</td> <td>1.5204</td> <td>-0.6</td> <td>1.5171</td> <td>1.5305</td> <td>IDR</td> <td>13,214</td> <td>-0.1</td> </tr> <tr> <td>JPY</td> <td>124.80</td> <td>0.5</td> <td>123.86</td> <td>124.92</td> <td>THB</td> <td>33.72</td> <td>0.1</td> </tr> <tr> <td>CAD</td> <td>1.2530</td> <td>0.6</td> <td>1.2432</td> <td>1.2563</td> <td>KRW</td> <td>1,110</td> <td>0.2</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6961</td> <td>0.0</td> <td></td> <td></td> <td>TWD</td> <td>30.80</td> <td>0.3</td> </tr> <tr> <td>AUD/JPY</td> <td>94.97</td> <td>0.1</td> <td></td> <td></td> <td>PHP</td> <td>44.55</td> <td>-0.1</td> </tr> <tr> <td>AUD/GBP</td> <td>0.5005</td> <td>0.1</td> <td></td> <td></td> <td>CHF</td> <td>0.95</td> <td>0.6</td> </tr> <tr> <td>AUD/NZD</td> <td>1.0733</td> <td>-0.2</td> <td></td> <td></td> <td>SEK</td> <td>8.58</td> <td>0.7</td> </tr> </table>							Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.7609	-0.5	0.7598	0.7668	HKD	7.7560	0.0	NZD	0.7090	-0.2	0.7072	0.7150	CNY	6.1993	0.0	EUR	1.0931	-0.5	1.0887	1.0991	SGD	1.3561	0.6	GBP	1.5204	-0.6	1.5171	1.5305	IDR	13,214	-0.1	JPY	124.80	0.5	123.86	124.92	THB	33.72	0.1	CAD	1.2530	0.6	1.2432	1.2563	KRW	1,110	0.2	AUD/EUR	0.6961	0.0			TWD	30.80	0.3	AUD/JPY	94.97	0.1			PHP	44.55	-0.1	AUD/GBP	0.5005	0.1			CHF	0.95	0.6	AUD/NZD	1.0733	-0.2			SEK	8.58	0.7
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 | Major Indices | | | | |---------------|--------|-------|-------| | | Last | % day | % y/y | | Dow | 18,040 | +0.2 | 7.9 | | S&P 500 | 2,112 | +0.2 | 9.8 | | Nasdaq | 5,083 | +0.3 | 19.8 | | FTSE | 6,954 | -0.4 | 1.6 | | DAX | 11,436 | +0.2 | 15.0 | | CAC 40 | 5,025 | -0.1 | 11.2 | | Nikkei | 20,570 | +0 | 37.7 | | Shanghai | 4,829 | +4.7 | 136.8 | | Hang Seng | 27,597 | +0.6 | 19.6 | | ASX 200 | 5,735 | -0.7 | 3.9 | | | | | | | Last | % day | |-------------|---------|-------| | Oil (Brent) | 65.02 | -0.8 | | Oil (WTI) | 60.33 | 0.0 | | Oil (Tapis) | 64.20 | 1.2 | | Gold | 1188.30 | -0.1 | | CRB | 223.48 | 0.1 | | GS Metals | 313.3 | 0.4 | | Aluminium | 1730 | 1.3 | | Copper | 6022 | 0.2 | | Nickel | 12953 | 2.9 | | Zinc | 2149 | -1.6 | | Ch. steel | 2373 | 0.3 | | Iron ore | 61.9 | -0.8 | | St. coal | 61.8 | n.a. | | Wheat Chic. | 498.8 | 3.4 | | Sugar | 12.25 | 2.3 | | Cotton | 63.75 | -0.9 | | Coffee | 129.8 | 2.9 | | | || | Interest Rates | | | | Benchmark 10 Year Bonds | | | Overnight Futures | | | |-----------------------|------|------|------|-------------------------|--------|------|-------------------|------------|-------| | Indicative Swap Rates | | | | Last | chge | Sprd | Last | | Chge | | Cash | 3mth | 2Yr | 10Yr | | | | | | | | USD | 0.25 | 0.28 | 0.89 | 2.26 | USD 10 | 2.18 | 0.06 | Australia | | | AUD | 2.00 | 2.13 | 2.08 | 3.08 | AUD 10 | 2.71 | -0.02 | 3 mth bill | 97.87 | | NZD | 3.50 | 3.48 | 3.34 | 3.89 | NZD 10 | 3.64 | 0.01 | 3 Yr bond | 98.1 | | EUR | 0.05 | 0.06 | 0.11 | 0.91 | CAD 10 | 1.64 | 0.01 | 10 Yr bonc | 97.25 | | GBP | 0.50 | 0.57 | 0.99 | 1.93 | EUR 10 | 0.54 | 0.05 | 3/10 sprd | 0.85 | | JPY | 0.09 | 0.10 | 0.14 | 0.61 | GBP 10 | 1.85 | 0.04 | SPI | 16.0 | | CAD | 0.75 | 1.17 | 0.98 | 2.07 | JPY 10 | 0.41 | 0.02 | | | | | | | | | | | Last | % day | |-----------------------------------|------|-------| | CO ₂ Emissions - Euros | | | | Jun-2015 | 7.30 | -1.2 | | Dec-2015 | 7.28 | -1.1 | | Dec-2016 | 7.35 | -1.2 | | | |

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	Period	Forecast	Consensus	Actual	Previous	GMT	AEST
Tuesday, 2 June 2015								
NZ	Terms of Trade Index QoQ	1Q	1.7%	1.9%		-1.9%	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	0.3%	0.0%		0.7	1.30	11.30
AU	Government spending	1Q	0.2%			0.3%	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		6.4%		6.40%	7.55	17.55
EC	CPI Estimate YoY	May		0.2%		0.0%	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				8.3%	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		11.2%		11.3%	9.00	19.00
EC	Retail Sales MoM/YoY	Apr		0.6%/2.0%		-0.8%/1.6%	9.00	19.00
EC	ECB Main Refinancing Rate	Jun-03		0.05%		0.05%	11.45	21.45
US	ADP Employment Change	May		200K		169K	12.15	22.15
US	Trade Balance	Apr		-\$44.0B		-\$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		56.4		56.4	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				0.3%	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%		0.3%	1.30	11.30
NZ	Weekly Mortgage Approvals, 13w apc	29-May				1.2%	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				52.8%	11.30	21.30
US	Nonfarm Productivity	1Q F		-2.9%		-1.9%	12.30	22.30
US	Initial Jobless Claims	May-30		278K		282K	12.30	22.30
CA	Ivey Purchasing Managers Index SA	May		55.0		58.2	14.00	0.00
Friday, 5 June 2015								
AU	AiG Perf of Construction Index	May				47	23.30	9.30
JN	Leading Index CI	Apr P				106	5.00	15.00
GE	Factory Orders MoM/YoY	Apr		0.5%/-0.6%		0.9%/1.9%	6.00	16.00
UK	BoE/GfK Inflation Next 12 Mths	May				1.9%	8.30	18.30
EC	GDP SA QoQ/YoY	1Q P		0.4%/1.4%		0.4%/1.4%	9.00	19.00
US	Change in Nonfarm Payrolls	May		225K		223K	12.30	22.30
US	Two-Month Payroll Net Revision	May					12.30	22.30
US	Change in Private Payrolls	May		220K		213K	12.30	22.30
US	Change in Manufact. Payrolls	May		5K		1K	12.30	22.30
US	Unemployment Rate	May		5.40%		5.40%	12.30	22.30
US	Average Hourly Earnings MoM/YoY	May		0.2%/2.2%		0.1%/2.2%	12.30	22.30
US	Underemployment Rate	May				10.8%	12.30	22.30
US	Change in Household Employment	May				192	12.30	22.30
US	Labor Force Participation Rate	May				62.8%	12.30	22.30
CA	Unemployment Rate	May		6.8%		6.8%	12.30	22.30
CA	Net Change in Employment	May		10.0K		-19.7K	12.30	22.30
US	Fed's Dudley (v) Speaks on Economy and Policy in Minneapolis						16.30	2.30
US	Consumer Credit	Apr		\$16.45B		\$20.523B	19.00	5.00
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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