

Markets Today

A daily outlook for Australia, key global economies and markets

9 June 2015

What strong payrolls report?

The first port of call for some Australian market participants this morning, returning to work after a three day weekend and having just caught up on Friday's all-important US employment report, might be to their IT department to complain the prices on their screens are all wrong.

It's certainly an eye-opener, in the world of foreign exchange at least, to see the US dollar generally weaker overnight than where it was trading against most currencies in front of Friday's US data. The narrow DXY dollar index, having gained about 0.9% on Friday with all of the gains coming straight after the payrolls report, is down 1.1% in Monday's. The AUD/USD rate, that dropped from 77 to 76 cents Friday, is now just back onto a 77 handle.

By way of refresh, headline May US payrolls +280k vs. the 226k estimate, with April revised down by 2k to 221k and March +34k to 119k. The unemployment rate rose to 5.5% from 5.4% expected and 5.4% previously but on a 0.1% rise in the participation rate to 62.9%. Average hourly earnings rose 0.3%, lifting the annual rate to 2.3% from 2.2% and to its strongest since August 2009.

The strength of the US data was only surpassed by equivalent data from Canada that saw employment jump by 58.9k. Ironically, having outperformed even the US dollar on Friday, the Canadian dollar is the weakest G10 currency overnight.

Much of the blame for the abrupt reversal in the dollar's post-payrolls performance is being laid at the feet of reported comments from US President Obama, attending the G7 Summit in southern Germany at the weekend, that the strong US dollar is a problem. The comment was sourced to a French G7 official, looked odd at the time, and has since been denied by the White House. No matter, after a brief retracement on the denial, the US dollar has continued to trend lower, led by EUR/USD and which has just move back above 1.13 having fallen to below 1.11 on Friday.

It stems the damage to positioning, from the initially reported remarks, was already done. The EUR-recovery has also been aided by a fresh, albeit modest, back up in bond yields, 10 year Bunds +4.5bps to 0.876%. In contrast, US Treasury yields have given back some of their pre and post-payrolls rise, 10 back down 2.5bps to 2.382% and post-payrolls high of 2.43%. Equities, that didn't appreciate the message from the payrolls report – that a Q3 2015 Fed 'lift-off' is still on the cards – are weaker across the board Monday, in the US by 0.5-1.0% and after most European indices lost more than 1%. The German Dax has now given back over 10% of its Jan-April rally.

The Euro move higher is without benefit of any hard evidence of progress on discussions between Greece and her creditors, even though Greek PM Tsipras looks to be in the process of trying to mend fences with the EU after some of the rhetoric he unleashed in front of his own parliament on Friday and where he said that its lenders should "not humiliate Greece over debt" and called the (EC) proposal "absurd" and "irrational". He went on to say "I would like to believe that this proposal was an unfortunate moment for Europe, or at least a bad negotiating trick, and will very soon be withdrawn by the same people who thought it up". EC President Juncker subsequently spurned an invitation from Tsipras to meet at the weekends according to press reports, a high ranking G7 official quoted saying that Juncker believed Tsipras' speech left little to discuss.

Overnight we have also had a change in tone from the US, with President Obama saying that Greece must pursue reforms to satisfy creditors. Previously US rhetoric, from Treasury Secretary Jack Lew, et al, has been to the effect that EU leaders should go to any lengths to avoid a so-called 'Graccident'. One potentially positive development is wire comment that Greece and her creditors are discussing extending the current Eurozone bailout – currently due to expire on June 30 – until March 2016, though without it seems, much if any change in the conditionality Europe wants attached to any such extension.

Coming Up

Looking ahead to the week, the key local events are today's NAB Business Survey, a speech from RBA Governor Stevens Wed, and Thursday's Labour Force survey. Today's we'll also get April home loans data (expected +2/0%).

Internationally, after yesterday's China trade data which showed export weakness moderating but the annual decline in import growth accelerating – the latter the more worrying development for Australian – we'll get CPI data today and then the slug of monthly activity readings on Thursday.

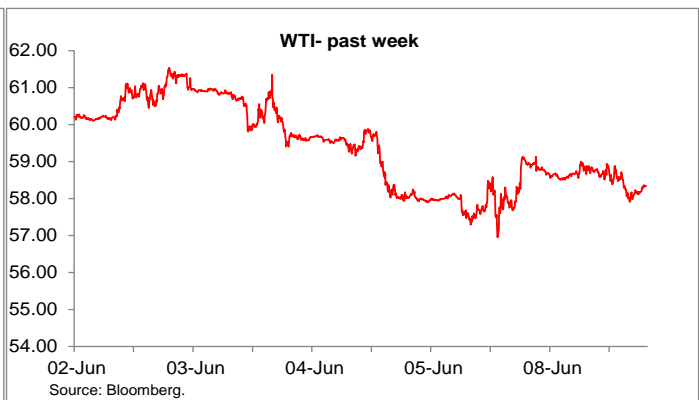
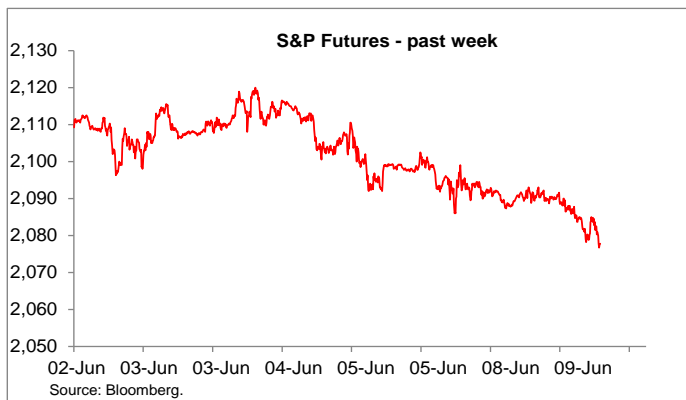
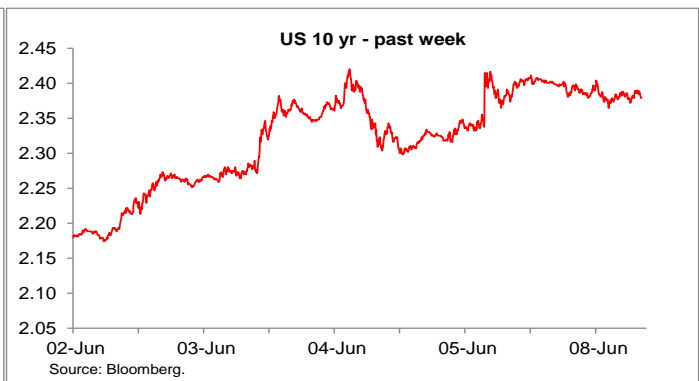
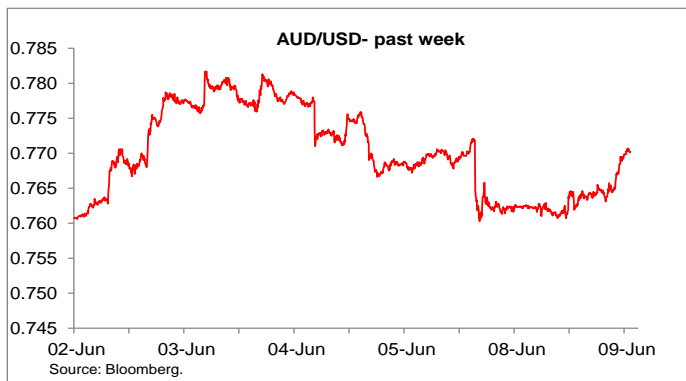
The RBNZ's OCR decision Thursday is very keenly anticipated, while in the US retail sales on Thursday is the most important release.

Overnight

On global stock markets, the S&P 500 was -0.60%. Bond markets saw US 10-years -2.88bp to 2.38%. On commodity markets, Brent crude oil -0.79% to \$62.81, gold+0.4% to \$1,173, iron ore -0.2% to \$64.34. AUD is at 0.7702 and the range was 0.7603 to 0.7712. Indicative range today 0.7670 – 0.7730. For more market prices, please see p.2 of the pdf).

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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>0.7702</td> <td>1.0</td> <td>0.7603</td> <td>0.7712</td> <td>HKD</td> <td>7.7520</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.7147</td> <td>1.4</td> <td>0.7028</td> <td>0.7157</td> <td>CNY</td> <td>6.2060</td> <td>0.1</td> </tr> <tr> <td>EUR</td> <td>1.1287</td> <td>1.6</td> <td>1.1082</td> <td>1.1295</td> <td>SGD</td> <td>1.3528</td> <td>-0.4</td> </tr> <tr> <td>GBP</td> <td>1.5347</td> <td>0.5</td> <td>1.5222</td> <td>1.5354</td> <td>IDR</td> <td>13,385</td> <td>0.7</td> </tr> <tr> <td>JPY</td> <td>124.45</td> <td>-0.9</td> <td>124.30</td> <td>125.68</td> <td>THB</td> <td>33.75</td> <td>-0.5</td> </tr> <tr> <td>CAD</td> <td>1.2400</td> <td>-0.4</td> <td>1.2394</td> <td>1.2473</td> <td>KRW</td> <td>1,123</td> <td>1.1</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6823</td> <td>-0.5</td> <td></td> <td></td> <td>TWD</td> <td>31.18</td> <td>0.8</td> </tr> <tr> <td>AUD/JPY</td> <td>95.85</td> <td>0.1</td> <td></td> <td></td> <td>PHP</td> <td>45.22</td> <td>0.8</td> </tr> <tr> <td>AUD/GBP</td> <td>0.5018</td> <td>0.5</td> <td></td> <td></td> <td>CHF</td> <td>0.93</td> <td>-1.2</td> </tr> <tr> <td>AUD/NZD</td> <td>1.0776</td> <td>-0.4</td> <td></td> <td></td> <td>SEK</td> <td>8.30</td> <td>-1.0</td> </tr> </table>								Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.7702	1.0	0.7603	0.7712	HKD	7.7520	0.0	NZD	0.7147	1.4	0.7028	0.7157	CNY	6.2060	0.1	EUR	1.1287	1.6	1.1082	1.1295	SGD	1.3528	-0.4	GBP	1.5347	0.5	1.5222	1.5354	IDR	13,385	0.7	JPY	124.45	-0.9	124.30	125.68	THB	33.75	-0.5	CAD	1.2400	-0.4	1.2394	1.2473	KRW	1,123	1.1	AUD/EUR	0.6823	-0.5			TWD	31.18	0.8	AUD/JPY	95.85	0.1			PHP	45.22	0.8	AUD/GBP	0.5018	0.5			CHF	0.93	-1.2	AUD/NZD	1.0776	-0.4			SEK	8.30	-1.0
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 | Major Indices | | | | |---------------|--------|-------|-------| | | Last | % day | % y/y | | Dow | 17,767 | -0.5 | 5.0 | | S&P 500 | 2,079 | -0.6 | 6.7 | | Nasdaq | 5,022 | -0.9 | 16.2 | | FTSE | 6,790 | -0.2 | -1.0 | | DAX | 11,065 | -1.2 | 10.8 | | CAC 40 | 4,858 | -0.4 | 6.0 | | Nikkei | 20,457 | 0.0 | 35.3 | | Shanghai | 5,132 | +2.2 | 152.7 | | Hang Seng | 27,316 | +0.2 | 18.2 | | ASX 200 | 5,498 | -0.1 | 0.6 | | | | | | | Last | % day | |-------------|---------|-------| | Oil (Brent) | 62.81 | -0.8 | | Oil (WTI) | 58.33 | -1.4 | | Oil (Tapis) | 64.56 | 1.7 | | Gold | 1172.90 | 0.4 | | CRB | 223.03 | 0.2 | | GS Metals | 311.4 | 0.3 | | Aluminium | 1714 | -0.2 | | Copper | 5942 | 0.2 | | Nickel | 13407 | 2.0 | | Zinc | 2129 | 0.4 | | Ch. steel | 2347 | 0.6 | | Iron ore | 64.3 | -0.2 | | Coal | 58.1 | 0.0 | | Wheat Chic. | 534.0 | 2.4 | | Sugar | 12.16 | 0.9 | | Cotton | 64.80 | 1.2 | | Coffee | 136.6 | 1.1 | | | || | Interest Rates | | | | Benchmark 10 Year Bonds | | | | |-----------------------|------|------|------|-------------------------|--------|------|-------| | Indicative Swap Rates | | | | Last | chge | Spnd | | | | Cash | 3mth | 2Yr | 10Yr | | | | | USD | 0.25 | 0.28 | 0.94 | 2.46 | USD 10 | 2.38 | -0.03 | | AUD | 2.00 | 2.15 | 2.18 | 3.33 | AUD 10 | 3.07 | 0.03 | | NZD | 3.50 | 3.47 | 3.38 | 4.12 | NZD 10 | 3.90 | 0.04 | | EUR | 0.05 | 0.06 | 0.15 | 1.19 | CAD 10 | 1.81 | -0.02 | | GBP | 0.50 | 0.57 | 1.01 | 2.11 | EUR 10 | 0.88 | 0.04 | | JPY | 0.09 | 0.10 | 0.15 | 0.67 | GBP 10 | 2.05 | -0.03 | | CAD | 0.75 | 1.17 | 1.04 | 2.27 | JPY 10 | 0.50 | 0.01 | | | | | | | | | Overnight Futures | | | |-------------------|--------|-------| | | Last | Chge | | Australia | | | | 3 mth bill | 97.84 | -0.02 | | 3 Yr bond | 97.885 | 0.02 | | 10 Yr bonc | 96.96 | 0.03 | | 3/10 sprd | 0.93 | -0.02 | | SPI | -30.0 | -0.5 | | | | | | CO ₂ Emissions - Euros | | | |-----------------------------------|------|-------| | | Last | % day | | Jun-2015 | 7.51 | 0.7 | | Dec-2015 | 7.48 | 0.5 | | Dec-2016 | 7.56 | 0.5 | | | |

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, 9 June 2015								
NZ	ANZ Truckometer Heavy MoM	May				-0.60%	22.00	8.00
NZ	Crown Financial Statements	Apr					22.00	8.00
NZ	Mfg Activity Volume QoQ	1Q				0.90%	22.45	8.45
NZ	QVNZ Housing report	May				8.30%	0.00	10.00
AU	NAB Business Conditions	May				4	1.30	11.30
AU	NAB Business Confidence	May				3	1.30	11.30
AU	Home Loans MoM	Apr	-1.00%	-2.00%		1.6%	1.30	11.30
AU	Investment Lending	Apr				6.4%	1.30	11.30
AU	ANZ Job Advertisements MoM	May				2.3%	1.30	11.30
CH	CPI, PPI YoY	May		1.3%/-4.5%		1.5%/-4.6%	1.30	11.30
JN	Consumer Confidence Index	May				41.5	5.00	15.00
EC	ECB's Liikanen speaks						5.30	15.30
JN	Machine Tool Orders YoY	May P				10.50%	6.00	16.00
GE	Labour costs QoQ/YoY	1Q				1.0%/2.0%	6.00	16.00
UK	Trade Balance	Apr				£2817	8.30	18.30
EC	GDP, P	1Q		0.4%/1.0%		0.4%/1.0%	9.00	19.00
US	NFIB Small Business Optimism	May				97	13.00	23.00
US	Wholesale Inventories MoM	Apr		0.20%		0.10%	14.00	0.00
US	JOLTS Job Openings	Apr				4994	14.00	0.00
Wednesday, 10 June 2015								
NZ	Card Spending Retail MoM/YoY	May	1.00%			-0.7%/-1.1%	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jun-07				113.5	23.30	9.30
JN	Machine Orders MoM/YoY	Apr		-2%/-0.2%		2.9%/2.6%	23.50	9.50
JN	PPI MoM/YoY	May		0.3%/-2.1%		0.1%/-2.1%	23.50	9.50
AU	Westpac Consumer Conf Index/MoM	Jun				102.4/6.4%	0.30	10.30
AU	RBA's Stevens Gives Speech to Economic Society of Australia						2.50	12.50
EC	ECB's Liikanen speaks at Bank of Finland briefing						8.00	18.00
UK	Industrial Production MoM/YoY	Apr		0.0%/0.5%		0.5%/0.7%	8.30	18.30
NZ	REINZ House Price Index MoM/YoY	May				0.5%/9.3%	14.00	0.00
NZ	REINZ House Sales YoY	May				27.60%	14.00	0.00
CH	New Yuan Loans CNY (10-15 release)	May		910.0B		707.9B	14.00	0.00
CH	Aggregate Financing CNY (10-15 release)	May		1200.0B		1050.0B	14.00	0.00
US	Monthly Budget Statement	May		-\$98.0B			18.00	4.00
Thursday, 11 June 2015								
NZ	RBNZ Official Cash Rate	Jun-11	3.50%	3.25%/3.5%		3.50%	21.00	7.00
NZ	RBNZ Governor Wheeler News Conference on OCR						21.05	7.05
UK	RICS House Price Balance	May		33%		33%	23.01	9.01
AU	Consumer Inflation Expectation	Jun				3.60%	1.00	11.00
AU	Employment Change	May	15K	13.5K		-2.9K	1.30	11.30
AU	Unemployment Rate	May	6.2%	6.2%		6.20%	1.30	11.30
AU	Participation Rate	May	64.8%	64.8%		64.80%	1.30	11.30
CH	Retail Sales YoY	May		10.20%		10.00%	5.30	15.30
CH	Industrial Production YoY	May		6%			5.30	15.30
CH	Fixed Assets Ex Rural YTD YoY	May		11.90%		12.00%	5.30	15.30
CH	Bloomberg monthly GDP estimate	May				6.40%	6.00	16.00
US	Retail Sales Advance MoM	May		1.1%		0.00%	12.30	22.30
CA	Capacity Utilization Rate	1Q				83.60%	12.30	22.30
CA	New Housing Price Index MoM/YoY	Apr				0%/1.2%	12.30	22.30
US	Import Price Index MoM/YoY	May		0.8%/		-0.3%/-10.7%	12.30	22.30
US	Initial Jobless Claims	Jun-06				276K	12.30	22.30
EC	ECB's Lautenschlaeger and Sijbrand speak in Dutch Parliament						13.30	23.30
US	Bloomberg Consumer Comfort	Jun-07					13.45	23.45
US	Business Inventories	Apr		0.20%		0.10%	14.00	0.00
US	Household change in net wealth	1Q				\$1517B	16.00	2.00
Friday, 12 June 2015								
NZ	BusinessNZ Manufacturing PMI	May				51.8	22.30	8.30
NZ	Food Prices MoM	May	0.10%			-0.30%	22.45	8.45
AU	Credit Card Purchases	Apr				\$A25.6B	1.30	11.30
AU	Credit Card Balances	Apr				\$A51.5B	1.30	11.30
JN	Industrial Production MoM/YoY	Apr F				1.0%/-0.1%	4.30	14.30
JN	Capacity Utilization MoM	Apr				-1.20%	4.30	14.30
JN	Tertiary Industry Index MoM	Apr				-1.00%	4.30	14.30
UK	Construction Output SA MoM/YoY	Apr		-0.4%/0%		3.9%/1.6%	8.30	18.30
EC	Industrial Production SA MoM	Apr		0.4%/1.1%		-0.3%/1.8%	9.00	19.00
CA	Teranet/National Bank HPI MoM/YoY	May				0.2%/4.4%	12.30	22.30
US	PPI Final Demand MoM/YoY	May		0.4%/-1.1%		-0.4%/-1.3%	12.30	22.30
CA	Teranet/National Bank HP Index	May				168.42	12.30	22.30
US	U. of Mich. Sentiment	Jun P		91		90.7	14.00	0.00
Upcoming Central Bank Interest Rate Announcements								
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%		
Australia, RBA		7-Jul	2.00%	2.00%				
UK BOE		9-Jul	0.50%	0.50%		0.50%		
Europe ECB		16-Jul	0.05%	0.05%		0.05%		
Canada, BoC		16-Jul				0.75%		

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

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