



Markets Today

A daily outlook for Australia, key global economies and markets

15 June 2015

Heading for the Last Chance saloon

After markets last week ended with a whimper rather than a bang, things have already heated up this morning with news on Sunday evening from Brussels that the latest talks aimed at bridging the differences between Greece and her creditors have collapsed. Further pension reforms, and higher VAT on electricity, appear to remain the key sticking points, while Greece's pleas for a commitment to debt relief (and which offers the best (only?) chance of the Greek government saving some face with its own electorate if it chooses to cave on pensions and VAT, continues to be rebuffed.

The Euro has opened over half a cent lower at the Wellington market open, seemingly to the benefit of other non-USD currencies (weakness in EUR/AUD seemingly offering some support to the AUD/USD rate). If market volatility picks up as markets get into their stride, that won't last.

On Friday, with no fresh news on Greece to digest, the US dollar finished the day flat overall while bond yields in the U.S. and Germany showed only minor 24-hour moves (Treasuries marginally higher, Bunds fractionally lower). Equities fell again in both Europe and on Wall Street, though Shanghai earlier posted a new record high, +0.87% on the day and now 60% up year to date. This was despite news (Bloomberg citing EPFR data) that Emerging Market equity funds saw record outflows of \$9.2bn in the seven days through Wednesday (Wednesday was when we learned China would not be included in the MSCI world index before 2017).

Neither US PPI (core +0.1% as expected but the broader core measures that also excludes erratic trade services prices as well as food and energy -0.1%) nor the UoM Consumer Sentiment Index (a market beating 94.6 up from 90.7) troubled the scorers much, even though they were the sources of much of the intra-day volatility in bond markets.

In FX, EUR/USD fully recovered from a sharp drop (to 1.1157) after German Chancellor Angela Merkel was reported saying that "a too strong Euro makes reforms harder for Ireland and Spain". AUD finished Friday -0.31% to 0.7731 and NZD -0.41% to 0.6984%. In commodities iron ore fell - \$0.48 to \$65.13 (up from \$64.45 a week ago).

CoreLogic RP Data's preliminary weekend housing market auction/price stats shows Sydney's auction clearance rate fell back to a still very high 86.5% from last week's record 90.1%. Sydney prices -0.3% on the week (a 4th successive weekly fall) and reducing the YTD rise to 5.3% from 5.6%. Melbourne's clearance rate was little changed at 78.0% from 78.4% with prices -0.4% on the week and so now only +1.0% YTD gain down from 1.4%.

Coming Up

Following Sunday evening's breakdown of talk in Brussels between Greece and her creditors, this Thursday's Eurogroup Finance Ministers meeting, and the furious activity that will doubtless precede it, now loom large in this week's calendar and threatens to usurp the FOMC meeting in term of market significance. This really is the last Chance Saloon for political level agreement that avoids an otherwise inevitable default to the IMF on June 30, and the ECB later in July. Today, watch for a possible announcement that the ECB is raising the 'haircut' on Greek collateral currently accepted by the ECB in return for its funding of Greek banks under the Emergency Liquidity assistance (ELA) programme.

On the FOMC, we'll get to read their post-16/17 June meeting statement and view the latest FOMC member 'dot point' forecasts, at 04:00 AEST on Thursday. We won't be getting a rate rise, but markets may well be put further on (or off) the scent of 'lift-off' in Q3, notwithstanding the new 'data not date' dependence of future Fed actions.

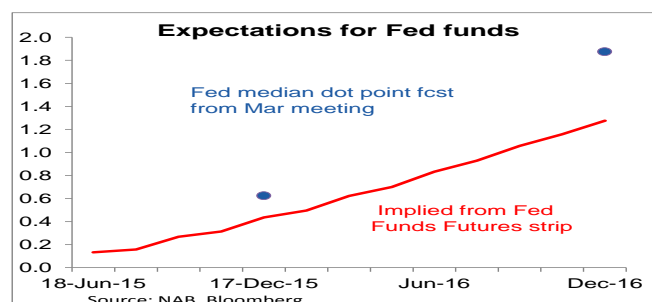
Post the meeting, the only scheduled Fed speaker this week, as FOMC members come out of their pre-meeting purdah, is Cleveland Fed President Loretta Mester, considered quite centrist though a current FOMC non-voter. That will be at 5pm London time/midday NY time on Friday.

Locally, there's no data of significance this week, but we'll hear from RBA Assistant Governor's Chris Kent in Canberra today (17:30 AEST) and Guy Debelle tomorrow (07:55 AEST). Tuesday also brings the June RBA Board minutes.

Overnight

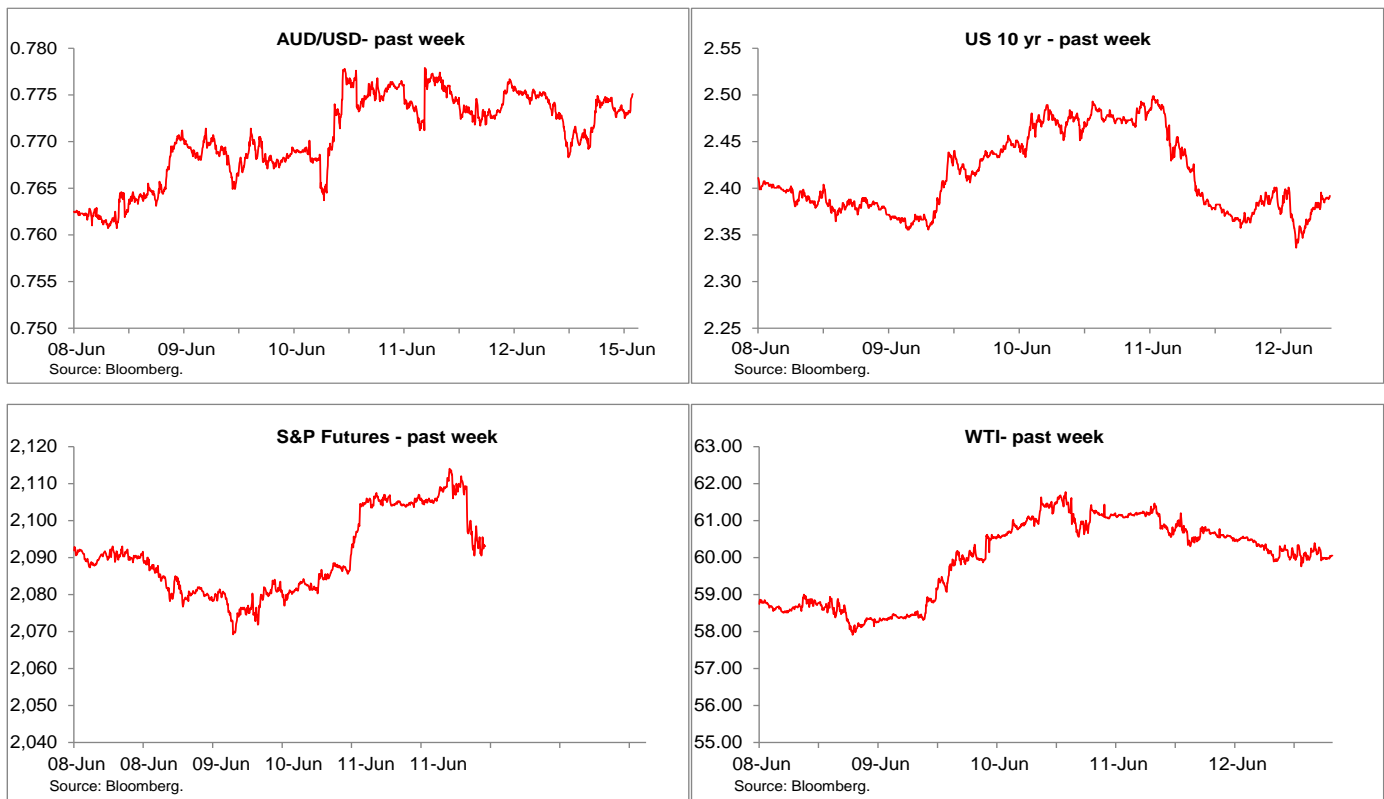
On global stock markets, the S&P 500 was -0.70%. Bond markets saw US 10-years +1.46bp to 2.39%. On commodity markets, Brent crude oil -1.90% to \$63.87, gold-0.1% to \$1,179, iron ore -0.7% to \$65.13. AUD is at 0.7752 and the range since Friday's local close was 0.7678 to 0.7755. Indicative range today 0.7725 - 0.7775. For more market prices, please see p.2 of the pdf).

Chart of the Day: market pricing for Fed Funds rate



Ray.atrill@nab.com.au

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>0.7752</td> <td>0.3</td> <td>0.7711</td> <td>0.7751</td> <td>HKD</td> <td>7.7530</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.6990</td> <td>0.1</td> <td>0.6955</td> <td>0.7020</td> <td>CNY</td> <td>6.2084</td> <td>0.0</td> </tr> <tr> <td>EUR</td> <td>1.1213</td> <td>-0.5</td> <td>1.1211</td> <td>1.1239</td> <td>SGD</td> <td>1.3441</td> <td>0.0</td> </tr> <tr> <td>GBP</td> <td>1.5552</td> <td>-0.1</td> <td>1.5545</td> <td>1.5565</td> <td>IDR</td> <td>13,335</td> <td>0.1</td> </tr> <tr> <td>JPY</td> <td>123.17</td> <td>-0.2</td> <td>123.14</td> <td>123.43</td> <td>THB</td> <td>33.75</td> <td>0.3</td> </tr> <tr> <td>CAD</td> <td>1.2315</td> <td>-0.1</td> <td>1.2308</td> <td>1.2326</td> <td>KRW</td> <td>1,115</td> <td>0.5</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6913</td> <td>0.8</td> <td></td> <td></td> <td>TWD</td> <td>31.08</td> <td>0.5</td> </tr> <tr> <td>AUD/JPY</td> <td>95.45</td> <td>0.1</td> <td></td> <td></td> <td>PHP</td> <td>45.41</td> <td>0.4</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4984</td> <td>0.3</td> <td></td> <td></td> <td>CHF</td> <td>0.93</td> <td>0.2</td> </tr> <tr> <td>AUD/NZD</td> <td>1.1088</td> <td>0.2</td> <td></td> <td></td> <td>SEK</td> <td>8.21</td> <td>0.4</td> </tr> </table>							Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.7752	0.3	0.7711	0.7751	HKD	7.7530	0.0	NZD	0.6990	0.1	0.6955	0.7020	CNY	6.2084	0.0	EUR	1.1213	-0.5	1.1211	1.1239	SGD	1.3441	0.0	GBP	1.5552	-0.1	1.5545	1.5565	IDR	13,335	0.1	JPY	123.17	-0.2	123.14	123.43	THB	33.75	0.3	CAD	1.2315	-0.1	1.2308	1.2326	KRW	1,115	0.5	AUD/EUR	0.6913	0.8			TWD	31.08	0.5	AUD/JPY	95.45	0.1			PHP	45.41	0.4	AUD/GBP	0.4984	0.3			CHF	0.93	0.2	AUD/NZD	1.1088	0.2			SEK	8.21	0.4
	Indicative 24hr ranges (**)				Other FX																																																																																													
	Last	% chge	Low	High	Last	% chge																																																																																												
AUD	0.7752	0.3	0.7711	0.7751	HKD	7.7530	0.0																																																																																											
NZD	0.6990	0.1	0.6955	0.7020	CNY	6.2084	0.0																																																																																											
EUR	1.1213	-0.5	1.1211	1.1239	SGD	1.3441	0.0																																																																																											
GBP	1.5552	-0.1	1.5545	1.5565	IDR	13,335	0.1																																																																																											
JPY	123.17	-0.2	123.14	123.43	THB	33.75	0.3																																																																																											
CAD	1.2315	-0.1	1.2308	1.2326	KRW	1,115	0.5																																																																																											
AUD/EUR	0.6913	0.8			TWD	31.08	0.5																																																																																											
AUD/JPY	95.45	0.1			PHP	45.41	0.4																																																																																											
AUD/GBP	0.4984	0.3			CHF	0.93	0.2																																																																																											
AUD/NZD	1.1088	0.2			SEK	8.21	0.4																																																																																											

 | Major Indices | | | | |---------------|--------|-------|-------| | | Last | % day | % y/y | | Dow | 17,899 | -0.8 | 6.7 | | S&P 500 | 2,094 | -0.7 | 8.2 | | Nasdaq | 5,051 | -0.6 | 17.2 | | FTSE | 6,785 | -0.9 | 0.1 | | DAX | 11,196 | -1.2 | 12.9 | | CAC 40 | 4,901 | -0.9 | 7.9 | | Nikkei | 20,407 | +0.1 | 35.2 | | Shanghai | 5,166 | +0.9 | 149.5 | | Hang Seng | 27,281 | +1.4 | 17.0 | | ASX 200 | 5,545 | -0.2 | 2.6 | | | | | | | Last | % day | |-------------|---------|-------| | Oil (Brent) | 63.87 | -1.9 | | Oil (WTI) | 59.96 | -1.3 | | Oil (Tapis) | 65.77 | -1.6 | | Gold | 1178.80 | -0.1 | | CRB | 223.53 | -0.8 | | GS Metals | 309.2 | -0.1 | | Aluminium | 1702 | -0.7 | | Copper | 5893 | 0.5 | | Nickel | 13094 | -1.3 | | Zinc | 2113 | 0.2 | | Ch. steel | 2313 | -0.3 | | Iron ore | 65.1 | -0.7 | | Coal | 60.0 | -0.7 | | Wheat Chic. | 510.5 | -0.2 | | Sugar | 11.72 | 0.7 | | Cotton | 64.07 | 0.8 | | Coffee | 134.4 | 0.0 | | | || | Interest Rates | | | | Benchmark 10 Year Bonds | | | | |-----------------------|------|------|------|-------------------------|--------|------|-------| | Indicative Swap Rates | | | | Last | chge | Sprd | | | Cash | 3mth | 2Yr | 10Yr | | | | | | USD | 0.25 | 0.29 | 0.99 | 2.47 | USD 10 | 2.39 | 0.01 | | AUD | 2.00 | 2.16 | 2.22 | 3.41 | AUD 10 | 3.02 | -0.13 | | NZD | 3.25 | 3.30 | 3.19 | 4.06 | NZD 10 | 3.85 | 0.00 | | EUR | 0.05 | 0.06 | 0.16 | 1.19 | CAD 10 | 1.81 | -0.01 | | GBP | 0.50 | 0.57 | 1.03 | 2.09 | EUR 10 | 0.83 | -0.05 | | JPY | 0.09 | 0.10 | 0.15 | 0.69 | GBP 10 | 1.99 | -0.06 | | CAD | 0.75 | 1.17 | 1.05 | 2.26 | JPY 10 | 0.52 | -0.02 | | | | | | | | Overnight Futures | | | |-------------------|-------|-------| | | Last | Chge | | Australia | | | | 3 mth bill | 97.87 | -0.01 | | 3 Yr bond | 97.91 | -0.01 | | 10 Yr bonc | 96.97 | 0.02 | | 3/10 sprd | 0.94 | -0.03 | | SPI | -6.0 | -0.1 | | | |

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, 15 June 2015								
NZ	Performance Services Index	May				56.5	22.30	8.30
IN	Wholesale Prices YoY	May				-2.65%	6.30	16.30
AS	ECB's Nowotny Speaks at Austrian Central Bank Conference						7.00	17.00
AU	RBA's Chris Kent, Assistant Governor (Economic) speaks						7.30	17.30
JN	Cabinet Office Monthly Economic Report							
EC	Trade Balance SA	Apr				19.7B	9.00	19.00
AS	ECB's Praet speaks at Austrian Central Bank Conference						9.45	19.45
CA	Manufacturing Sales MoM	Apr				2.90%	12.30	22.30
US	Empire Manufacturing	Jun		5.0		3.09	12.30	22.30
CA	Existing Home Sales MoM	May				2.30%	13.00	23.00
US	Industrial Production MoM	May		0.20%		-0.30%	13.15	23.15
CA	Bloomberg Nanos Confidence	Jun-12					14.00	0.00
US	NAHB Housing Market Index	Jun		56		54	14.00	0.00
US	Net Long-term TIC Flows	Apr				\$17.6B	20.00	6.00
US	Total Net TIC Flows	Apr				-\$100.9B	20.00	6.00
Tuesday, 16 June 2015								
AU	RBA's DeBelle Gives Speech in Sydney at Financial Services Forum						21.55	7.55
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jun-14				112.1	23.30	9.30
AU	RBA June Meeting Minutes						7.30	11.30
AU	New Motor Vehicle Sales MoM	May				-1.50%	1.30	11.30
GE	CPI MoM/YoY	May F		0.1%/0.7%		0.1%/0.7%	6.00	16.00
UK	CPI MoM	May		0.20%		0.20%	8.30	18.30
UK	PPI Output Core NSA MoM	May		0.00%		0.00%	8.30	18.30
UK	ONS House Price YoY	Apr				9.60%	8.30	18.30
EC	Employment QoQ	1Q				0.10%	9.00	19.00
GE	ZEW Survey Current Situation	Jun		64		65.7	9.00	19.00
EC	ZEW Survey Expectations	Jun				61.2	9.00	19.00
US	Housing Starts	May		1100K/-3.1%		1135K/20.2%	12.30	22.30
CA	Int'l Securities Transactions	Apr				22.50B	12.30	22.30
NZ	Dairy auction (early AM)					-4.30%		
Wednesday, 17 June 2015								
NZ	BoP Current Account Balance	1Q				-3.194B	22.45	8.45
NZ	Current Account GDP Ratio YTD	1Q	-3.70%			-3.30%	22.45	8.45
JN	Trade Balance Adjusted	May		¥204.8B		¥208.7B	23.50	9.50
AU	Westpac Leading Index MoM	May				0.10%	0.30	10.30
SI	Electronic Exports YoY	May				-3.80%	0.30	10.30
JN	Machine Tool Orders YoY	May F				15.00%	6.00	16.00
UK	Jobless Claims Change	May		-13.8K		-6.5K	8.30	18.30
UK	Average Weekly Earnings 3M/YoY	Apr		2.40%		1.90%	8.30	18.30
UK	ILO Unemployment Rate 3Mths	Apr		5.50%		5.50%	8.30	18.30
UK	Bank of England Minutes						8.30	18.30
EC	Construction Output MoM	Apr				0.80%	9.00	19.00
EC	CPI MoM/YoY	May F		0.2%/0.3%		0.2%/0.3%	9.00	19.00
US	MBA Mortgage Applications	Jun-12				8.40%	11.00	21.00
CA	Wholesale Trade Sales MoM	Apr				0.80%	12.30	22.30
US	FOMC Rate Decision	Jun-17		0.00%-0.25%		0.00%-0.25%	18.00	4.00
Thursday, 18 June 2015								
NZ	GDP SA QoQ/YoY	1Q	0.60%	0.60%		0.8%/3.5%	22.45	8.45
CH	Property Prices	May					1.30	11.30
AU	RBA Bulletin						1.30	11.30
AU	RBA FX Transactions Government	May				-419M	1.30	11.30
AU	RBA FX Transactions Market	May				274M	1.30	11.30
AU	RBA FX Transactions Other	May				72M	1.30	11.30
EC	ECB Publishes Economic Bulletin						8.00	18.00
UK	Retail Sales Ex Auto Fuel MoM	May		-0.20%		1.20%	8.30	18.30
EC	Labour Costs YoY	1Q				1.10%	9.00	19.00
US	Current Account Balance	1Q		-\$116.4B		-\$113.5B	12.30	22.30
US	CPI MoM/YoY	May		0.5%/0.0%		0.1%/-0.2%	12.30	22.30
US	Initial Jobless Claims	Jun-13				279K	12.30	22.30
US	Philadelphia Fed Business Outlook	Jun		8.0		6.7	14.00	0.00
EU	EuroGroup meeting							
US	Leading Index	May		0.4%		0.7%	14.00	0.00
Friday, 19 June 2015								
NZ	ANZ Job Advertisements MoM	May				-0.20%	22.00	8.00
NZ	ANZ Consumer Confidence Index	Jun				123.9	1.00	11.00
NZ	ANZ Consumer Confidence MoM	Jun				-3.80%	1.00	11.00
CH	MNI Business Indicator	Jun				49.7	1.45	11.45
JN	Bank of Japan Policy Statement/Kuroda Press Conference						3.00	13.00
JN	All Industry Activity Index MoM	Apr		0.30%		-1.30%	4.30	14.30
JN	Leading Index CI	Apr F					5.00	15.00
EC	ECB Current Account SA	Apr				18.6B	8.00	18.00
UK	Public Finances (PSNCR)	May				-4.0B	8.30	18.30
CA	CPI Core MoM/YoY	May				0.1%/2.3%	12.30	22.30
CA	Retail Sales MoM	Apr				0.70%	12.30	22.30
CA	Retail Sales Ex Auto MoM	Apr					12.30	22.30
JN	BOJ Annual Rise in Monetary Base	Jun-19				¥80T	14.00	0.00
UK	CBI Trends Total Orders	Jun				-5	14.00	0.00
US	Fed's Mester (alt) Speaks at Fed Policy Summit in Pittsburgh						16.00	2.00
Upcoming Central Bank Interest Rate Announcements								
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%		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%		
New Zealand, RBNZ		23-Jul	3.00%	3.00%/3.25%		3.25%		

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

Global Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406

Australia

Economics

Ivan Colhoun
Chief Economist, Markets
+61 2 9237 1836

David de Garis
Senior Economist
+61 3 8641 3045

Tapas Strickland
Economist
+61 2 9237 1980

FX Strategy

Ray Attrill
Global Co-Head of FX Strategy
+61 2 9237 1848

Emma Lawson
Senior Currency Strategist
+61 2 9237 8154

Interest Rate Strategy

Skye Masters
Head of Interest Rate Strategy
+61 2 9295 1196

Rodrigo Catril
Interest Rate Strategist
+61 2 9293 7109

Credit Research

Michael Bush
Head of Credit Research
+61 3 8641 0575

Simon Fletcher
Senior Credit Analyst – FI
+61 2 9237 1076

Distribution

Barbara Leong
Research Production Manager
+61 2 9237 8151

Group Economics

Alan Oster
Group Chief Economist
+61 3 8634 2927

New Zealand

Stephen Toplis
Head of Research, NZ
+64 4 474 6905

Craig Ebert
Senior Economist
+64 4 474 6799

Doug Steel
Senior Economist
+64 4 474 6923

Kymerly Martin
Senior Market Strategist
+64 4 924 7654

Raiko Shareef
Currency Strategist
+64 4 924 7652

Yvonne Liew
Publications & Web Administrator
+64 4 474 9771

Asia

Christy Tan
Head of Markets Strategy/Research, Asia
+852 2822 5350

UK/Europe

Nick Parsons
Head of Research, UK/Europe,
and Global Co-Head of FX Strategy
+44 207 710 2993

Gavin Friend
Senior Markets Strategist
+44 207 710 1588

Derek Allassani
Research Production Manager
+44 207 710 1532

James Glenn
Senior Economist – Australia
+61 3 9208 8129

Vyanne Lai
Economist – Australia
+61 3 8634 0198

Phin Ziebell
Economist – Agribusiness
+61 475 940 662

Amy Li
Economist – Australia
+61 3 8634 1563

Dean Pearson
Head of Industry Analysis
+61 3 8634 2331

Robert De lure
Senior Economist – Industry Analysis
+61 3 8634 4611

Brien McDonald
Senior Economist – Industry Analysis
+61 3 8634 3837

Karla Bulauan
Economist – Industry Analysis
+61 3 8641 4028

Tom Taylor
Head of Economics, International
+61 3 8634 1883

Tony Kelly
Senior Economist – International
+61 3 9208 5049

Gerard Burg
Senior Economist – Asia
+61 3 8634 2788

John Sharma
Economist – Sovereign Risk
+61 3 8634 4514

Jacqui Brand
Personal Assistant
+61 3 8634 2181

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.