



Markets Today

A daily outlook for Australia, key global economies and markets

16 June 2015

Greek nonchalance

Given the news that greeted the incoming Asia-Pacific market on Monday morning – that talks between Greece and her creditors in Brussels on Sunday had collapsed after just 45 minutes - we are probably not alone in thinking that the single European currency would have been lower than Friday night's close when we walked in this morning. Not so. EUR/USD sits slightly up on the day (+0.13%) albeit eclipsed by the AUD (+0.45% to 0.7765) and GBP (+0.26%).

Whether complacency/belief an 11th (or 13th?) hour political deal will be struck on Greece (isn't it always?) or that Greek default and potential Grexit will be a good thing for the rest of the Eurozone, is hard to say. What we can say is that other markets are not behaving with quite the same nonchalance; European equities had another bad day (Eurostoxx 50 - 1.85%), US Treasury yields are lower vs. Friday night's close, Bund yields are slightly lower and peripheral Eurozone bond yields have blown out (Greece by 37bps at 10 years, other Eurozone peripheral bonds by between 14 and 21bps). And EUR FX volatility, which very often gets driven by spot market moves, not vice versa, has risen to its highest levels since mid-Jan, at 3-months now 50% higher than its Feb. lows.

Helpful to the cause of relative EUR stability overnight has been confirmation from the ECB that it is not currently minded to curtail Greek banks' access to the Emergency Liquidity Facility – implying this will ultimately be a political decision – and Standard & Poor's saying that neither missed payments to the IMF at month end nor to the ECB next month, would constitute so called 'Selective Default' (this because the debt in question pre-dates the 2012 debt restructuring agreement – the 'PSI'). The discouraging news is that Greece remains adamant it will not budge on pension cuts, and the IMF that it must, while conciliatory gestures from the IMF on debt relief for Greece remains taboo (publicly at least) in German circles. Conceding on pensions may bring down the Greek government, while conceding on debt relief will greatly damage Angela Merkel's credibility among her own electorate. Neither side look set to blink, and the chances of a political breakthrough at Thursday's Euro Group Finance Ministers meeting currently looks slim. We still see a big risk of higher volatility levels ahead, and remind readers that at the peaks of the Greek Eurozone crises in 2010 and 2011 both the AUD and NZD actually fell against a falling Euro.

Elsewhere overnight US data has been mixed, with industrial production disappointing (-0.2% vs. +0.2% expected) as too the Empire manufacturing survey (-1.98 from +3.09 and +6.0 expected). Market reactions were partly offset by stronger than expected housing data. The NAHB Housing Market

Index jumped to 59 from 54 and above the 56 expected. This left the US dollar slightly softer overall and helps explain the AUD's stronger showing. On that, there was nothing much for markets in last night's speech or Q&A from RBA assistant governor Chris Kent, which focussed on the transmission channels and effectiveness of monetary policy. Some are working well, some less so, while the currency is not doing as much work to help economic rebalancing as hoped. His comments are consistent with an ongoing 'easing bias' but a fairly high hurdle to acting (again) upon it.

Coming Up

07:55 AEST sees a speech and panel participation by Guy Debelle, Assistant Governor (Financial Markets), at the "Launch of Financial Integration in the Asia Pacific: Future of Australian Financial Services" (Sydney).

The RBA Minutes of this month's Board meeting are also being released today (11:30AEST. While the market always pays attention the main headlines, Stevens' speech this week (and now Kent's) has provided a good dollop of policy guidance, confirming that an easing bias of sorts still exists.

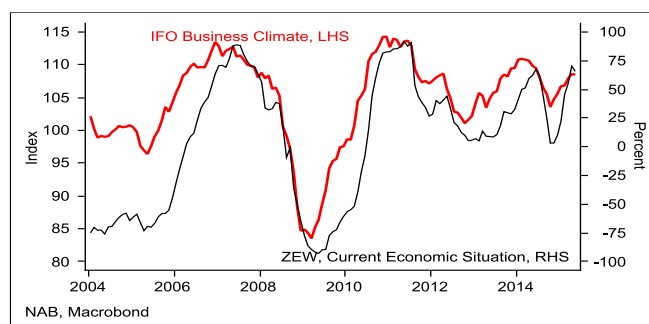
Data-wise, there is the weekly ANZ-Roy Morgan consumer confidence and motor vehicle sales (which may be interesting following the May budget's \$20,000 investment tax allowance-note this is yet to be legislated).

Offshore, we get the latest survey of financial analysts' views on Germany courtesy of the ZEW survey and in the US, May housing starts and where a modest correction from April's 20% surge is expected (median forecast -3.3%).

Overnight

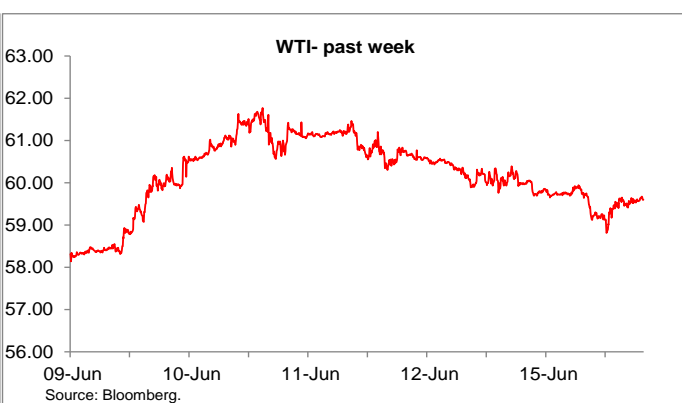
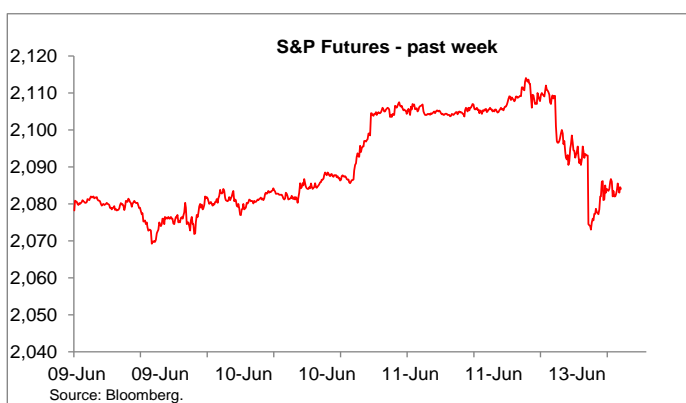
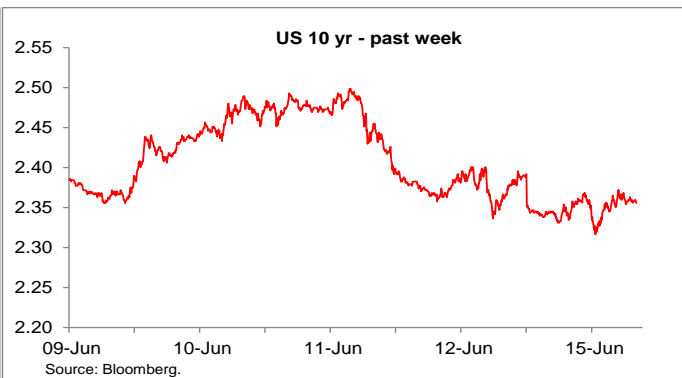
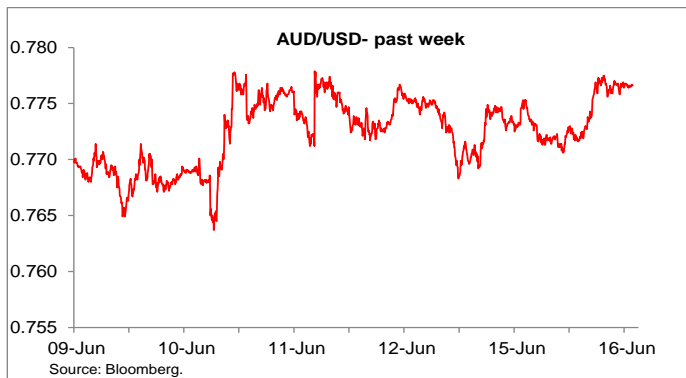
On global stock markets, the S&P 500 was -0.50%. Bond markets saw US 10-years -3.59bp to 2.36%. On commodity markets, Brent crude oil -1.97% to \$63.88, gold+0.6% to \$1,185, iron ore -1.4% to \$64.25. AUD is at 0.7766 and the range was 0.7704 to 0.7777. For more market prices, please see p.2 of the pdf).

Chart of the Day: Germany ZEW and IFO surveys



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Markets



Foreign Exchange					Equities			Commodities*						
Indicative 24hr ranges (**)					Other FX			Major Indices			Last % day			
	Last	% chge	Low	High		Last	% chge		Last	% day		Last	% day	
AUD	0.7766	0.5	0.7704	0.7777	HKD	7.7530	0.0	Dow	17,791	-0.6	6.1	Oil (Brent)	63.88	-2.0
NZD	0.7000	0.2	0.6955	0.7020	CNY	6.2090	0.0	S&P 500	2,084	-0.5	7.7	Oil (WTI)	59.62	-0.6
EUR	1.1284	0.2	1.1189	1.1294	SGD	1.3460	0.2	Nasdaq	5,030	-0.4	16.7	Oil (Tapis)	64.98	-1.2
GBP	1.5602	0.3	1.5488	1.5614	IDR	13,326	-0.1	FTSE	6,711	-1.1	-1.0	Gold	1185.30	0.6
JPY	123.38	0.0	123.13	123.66	THB	33.68	0.1	DAX	10,985	-1.9	10.8	CRB	222.55	-0.4
CAD	1.2313	-0.1	1.2298	1.2360	KRW	1,117	0.2	CAC 40	4,815	-1.2	6.0	GS Metals	304.4	-1.5
AUD/EUR	0.6882	0.3			TWD	30.96	-0.4	Nikkei	20,388	-0.1	36.5	Aluminium	1677	-1.5
AUD/JPY	95.82	0.5			PHP	45.18	-0.5	Shanghai	5,063	-2.0	142.7	Copper	5784	-1.8
AUD/GBP	0.4978	0.2			CHF	0.93	0.0	Hang Seng	26,862	-1.5	15.3	Nickel	12915	-1.4
AUD/NZD	1.1093	0.2			SEK	8.16	-0.3	ASX 200	5,539	-0.1	2.3	Zinc	2092	-1.0
												Ch. steel	2274	-0.8
												Iron ore	64.3	-1.4
												Coal	60.3	0.5
												Wheat Chic.	495.3	-3.0
												Sugar	11.46	-2.2
												Cotton	63.21	-1.3
												Coffee	130.3	-3.1
												CO₂ Emissions - Euros		
													Last	% day
												Jun-2015	7.58	-1.2
												Dec-2015	7.55	-1.2
												Dec-2016	7.63	-1.3

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
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						1.30	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%			8.30	18.30
UK	PPI Output Core NSA MoM	May		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
Monday, 22 June 2015								
NZ	Net Migration SA	May				4740	22.45	8.45
JN	Convenience Store Sales YoY	May				4.00%	7.00	17.00
SW	Sweden's Riksbank Executive Board Meeting						11.00	21.00
US	Chicago Fed Nat Activity Index	May				-0.15	12.30	22.30
JN	Supermarket Sales YoY	May				6.40%	14.00	0.00
GR	Current Account Balance	Apr					14.00	0.00
NZ	Westpac Consumer Confidence	2Q				117.4	14.00	0.00
CA	Bloomberg Nanos Confidence	Jun-19					14.00	0.00
EC	Consumer Confidence	Jun A					14.00	0.00
US	Existing Home Sales	May				5.04M	14.00	0.00
US	Existing Home Sales MoM	May				-3.30%	14.00	0.00
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

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