



Markets Today

A daily outlook for Australia, key global economies and markets

19 June 2015

Progress (no, silly, not on Greece)

A fairly big slug of US economic data last night – admittedly not all of its top drawer – collectively added up to progress, on the real economy at least, towards the commencement of Fed tightening in coming months. The weekly jobless claims number – and their current trend – fell to a level fully consistent with 250k+ monthly payrolls gains. The leading economic indicator rose by a stronger than expected 0.7%. And the Philadelphia Fed Business Outlook came in at 15.2, well up on May's 6.7 and the 8.0 exposed.

The counterpoint was the May CPI release, which shows the core annual rate slipping back to 1.7% from the 1.8% seen in both March and April. However, after the 'low 0.3%' monthly print last month and which cause a lot of market volatility (higher bond yields and a stronger US dollar) last night's was a 'high 0.1%' monthly print (0.145%). Annualised, core inflation is continuing to run close to 2.5% so far this year. This, together with the aforementioned better activity readings, meant that the data failed to correct the rising trend in US Treasury yields underway ahead of the data.

Okay, so that was your Greece-free paragraph for the day. Much of the volatility in market elsewhere (and also in part in US Treasuries) stemmed from the latest outpourings of red headlines on Greece. Before this scribe retired for the night, the 'word' was that Germany was close to folding and that a deal offering Greece debt relief was being drafted. Another was that the current Greek aid package was going to be extended until year-end. EUR/USD made a new 1-month high on these headlines, jumping to 1.1436.

Fast forward six hours, and we learn that the meetings of Euro group Finance Ministers underway at the time had ended without any progress, and that EU President Donald Tusk had called a meeting of EU Leaders (prime ministers - not just Finance Ministers) for Monday evening (7pm Brussels time). This is now looking like the forum in which either an outline deal on Greece will be struck that will allow the ECB to keep the banking system afloat while detail are thrashed out, or a political decision is taken at the highest level to effectively boot Greece out of the club. In the meantime, we've just learned that the ECB is holding an unscheduled call on Friday to discuss the Greek ELA situation. The meeting look to have been convened following news that deposit outflow from the Greek banking system have been well over €1bn in the past few days.

This latter news has served to partially reverse some of the earlier back up in US Treasury yields and strength in the EUR. The latter, incidentally, has earlier pulled the AUD/USD rate up on to a 0.78 handle for the first time since 3 June (high has been 0.7849).

The other strong performer overnight in currencies has been Sterling, drawing fresh support from an upside surprise on UK retail sales (+0.2% vs. -0.2% expected) and some hawkish comments from BoE MPC member Kristin Forbes.

Coming Up

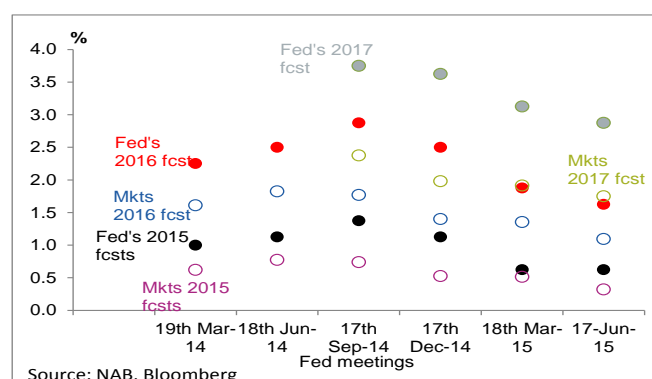
With US markets have settled on the view that this week's FOMC outcomes have reduced the chances of more than one rate hike from the Fed before year end, we might hope to get a bit of the flavour of this week's meeting when we hear from San Francisco Fed President John Williams and Cleveland Fed President Loretta Mester both towards the end of the London trading day Friday. We won't be holding our breath however, since the one thing we'll be hearing for sure is that Fed 'lift-off' is highly data dependent. That said, it wouldn't surprise if one or both them, if asked, rebuff the suggestion that the inner circle of the FOMC has tilted towards a December 'lift-off'.

In our time zone, one point of interest will be the Bank of Japan's latest policy pronouncement (boy they come around fast). We won't be getting any policy change, but the ensuing press conference from governor Kuroda might hold some interest. But having backtracked on his prior remarks about the yen not weakening further (and which evidently irked the government) we probably won't hear much other than that policy is working and that the BoJ 'won't hesitate' to adjust policy if necessary.

Overnight

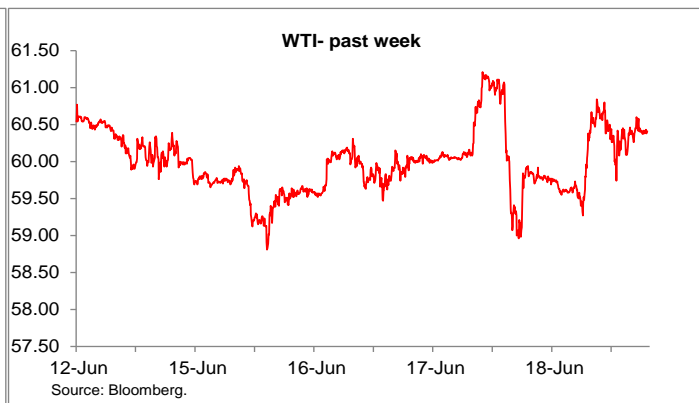
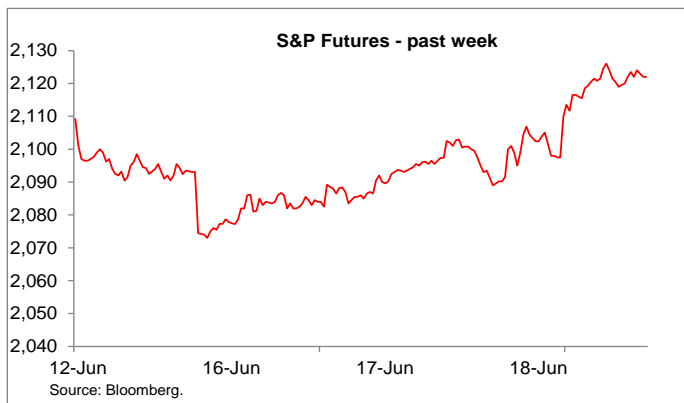
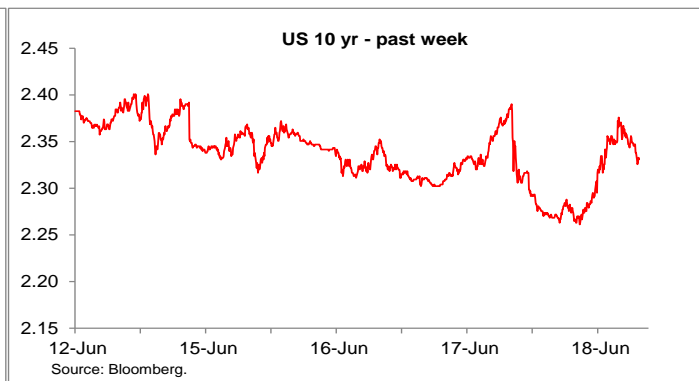
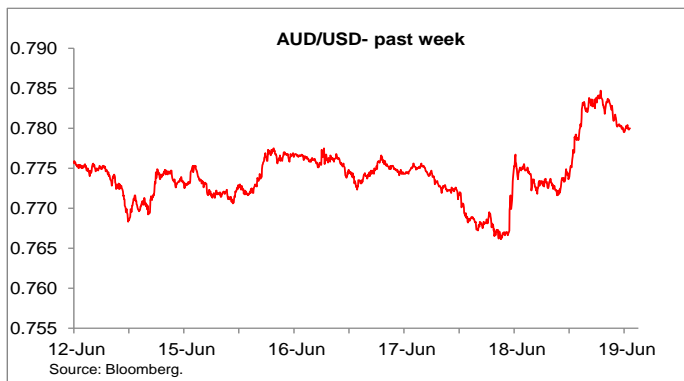
On global stock markets, the S&P 500 was +1.00%. Bond markets saw US 10-years +1.44bp to 2.33%. On commodity markets, Brent crude oil +0.44% to \$64.15, gold+2.1% to \$1,202, iron ore +0.4% to \$61.77. AUD is at 0.78 and the range was 0.7711 to 0.7849. (For more market prices, please see p.2 of the pdf).

Chart of the Day: Shifts in FOMC median 'dot points'



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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>0.7799</td> <td>0.6</td> <td>0.7711</td> <td>0.7849</td> <td>HKD</td> <td>7.7524</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.6936</td> <td>-0.7</td> <td>0.6881</td> <td>0.6993</td> <td>CNY</td> <td>6.2081</td> <td>0.0</td> </tr> <tr> <td>EUR</td> <td>1.1371</td> <td>0.3</td> <td>1.1331</td> <td>1.1436</td> <td>SGD</td> <td>1.3342</td> <td>-0.1</td> </tr> <tr> <td>GBP</td> <td>1.5885</td> <td>0.3</td> <td>1.5806</td> <td>1.5930</td> <td>IDR</td> <td>13,307</td> <td>-0.3</td> </tr> <tr> <td>JPY</td> <td>122.94</td> <td>-0.4</td> <td>122.48</td> <td>123.61</td> <td>THB</td> <td>33.65</td> <td>0.1</td> </tr> <tr> <td>CAD</td> <td>1.2231</td> <td>0.0</td> <td>1.2128</td> <td>1.2250</td> <td>KRW</td> <td>1,107</td> <td>-0.9</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6860</td> <td>0.4</td> <td></td> <td></td> <td>TWD</td> <td>30.74</td> <td>-0.5</td> </tr> <tr> <td>AUD/JPY</td> <td>95.89</td> <td>0.3</td> <td></td> <td></td> <td>PHP</td> <td>44.92</td> <td>-0.4</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4910</td> <td>0.3</td> <td></td> <td></td> <td>CHF</td> <td>0.92</td> <td>-0.1</td> </tr> <tr> <td>AUD/NZD</td> <td>1.1244</td> <td>1.4</td> <td></td> <td></td> <td>SEK</td> <td>8.12</td> <td>0.1</td> </tr> </table>							Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.7799	0.6	0.7711	0.7849	HKD	7.7524	0.0	NZD	0.6936	-0.7	0.6881	0.6993	CNY	6.2081	0.0	EUR	1.1371	0.3	1.1331	1.1436	SGD	1.3342	-0.1	GBP	1.5885	0.3	1.5806	1.5930	IDR	13,307	-0.3	JPY	122.94	-0.4	122.48	123.61	THB	33.65	0.1	CAD	1.2231	0.0	1.2128	1.2250	KRW	1,107	-0.9	AUD/EUR	0.6860	0.4			TWD	30.74	-0.5	AUD/JPY	95.89	0.3			PHP	44.92	-0.4	AUD/GBP	0.4910	0.3			CHF	0.92	-0.1	AUD/NZD	1.1244	1.4			SEK	8.12	0.1
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 | Major Indices | | | | |---------------|--------|-------|-------| | | Last | % day | % y/y | | Dow | 18,116 | +1 | 7.2 | | S&P 500 | 2,121 | +1 | 8.4 | | Nasdaq | 5,133 | +1.3 | 17.7 | | FTSE | 6,708 | +0.4 | -1.0 | | DAX | 11,100 | +1.1 | 11.8 | | CAC 40 | 4,803 | -0.4 | 6.0 | | Nikkei | 19,991 | -1.1 | 30.1 | | Shanghai | 4,785 | -3.7 | 136.5 | | Hang Seng | 26,695 | -0.2 | 15.2 | | ASX 200 | 5,525 | -1.3 | 1.0 | | | | | | | Last | % day | |-------------|---------|-------| | Oil (Brent) | 64.15 | 0.4 | | Oil (WTI) | 60.41 | 0.8 | | Oil (Tapis) | 65.81 | 1.1 | | Gold | 1201.50 | 2.1 | | CRB | 224.12 | 0.3 | | GS Metals | 301.2 | 0.0 | | Aluminium | 1676 | -0.2 | | Copper | 5747 | 0.2 | | Nickel | 12689 | -0.3 | | Zinc | 2058 | -0.5 | | Ch. steel | 2256 | 0.8 | | Iron ore | 61.8 | 0.4 | | Coal | 60.2 | -0.4 | | Wheat Chic. | 493.3 | -0.8 | | Sugar | 11.25 | -0.9 | | Cotton | 64.08 | 0.3 | | Coffee | 132.0 | 2.0 | | | || | Interest Rates | | | | Benchmark 10 Year Bonds | | | | |-----------------------|------|------|------|-------------------------|--------|------|-------| | Indicative Swap Rates | | | | Last | chge | Sprd | | | Cash | 3mth | 2Yr | 10Yr | | | | | | USD | 0.25 | 0.29 | 0.90 | 2.41 | USD 10 | 2.33 | 0.01 | | AUD | 2.00 | 2.15 | 2.13 | 3.32 | AUD 10 | 2.85 | -0.14 | | NZD | 3.25 | 3.25 | 3.08 | 3.87 | NZD 10 | 3.69 | -0.10 | | EUR | 0.05 | 0.06 | 0.15 | 1.19 | CAD 10 | 1.79 | 0.04 | | GBP | 0.50 | 0.57 | 1.07 | 2.15 | EUR 10 | 0.81 | 0.00 | | JPY | 0.10 | 0.10 | 0.15 | 0.63 | GBP 10 | 2.04 | -0.02 | | CAD | 0.75 | 1.17 | 1.04 | 2.24 | JPY 10 | 0.45 | -0.03 | | | | | | | | Overnight Futures | | | |-------------------|-------|-------| | | Last | Chge | | Australia | | | | 3 mth bill | 97.89 | -0.01 | | 3 Yr bond | 98.03 | -0.04 | | 10 Yr bonc | 97.03 | 0.03 | | 3/10 sprd | 1.00 | -0.07 | | SPI | 43.0 | 0.8 | | | | | CO ₂ Emissions - Euros | | | |-----------------------------------|------|-------| | | Last | % day | | Jun-2015 | 7.51 | -0.3 | | Dec-2015 | 7.48 | -0.3 | | Dec-2016 | 7.56 | -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
Thursday, 18 June 2015								
EU	EuroGroup meeting							
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
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
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
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/MoM	May				5.04M/-3.3%	14.00	0.00
Tuesday, 23 June 2015								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jun-21					23.30	9.30
AU	Conf. Board Leading Index MoM	Apr				-0.10%	0.00	10.00
AU	ABS House Price Index QoQ/YoY	1Q				1.9%/6.8%	1.30	11.30
JN	Markit/JMMA Japan Manufacturing PMI	Jun P					1.35	11.35
CH	HSBC China Manufacturing PMI	Jun P					1.45	11.45
FR	Markit France Manufacturing PMI	Jun P					7.00	17.00
FR	Markit France Services PMI	Jun P					7.00	17.00
GE	Markit/BME Germany Manufacturing PMI	Jun P					7.30	17.30
GE	Markit Germany Services PMI	Jun P					7.30	17.30
EC	Markit Eurozone Manufacturing PMI	Jun P					8.00	18.00
EC	Markit Eurozone Services PMI	Jun P					8.00	18.00
EC	Markit Eurozone Composite PMI	Jun P					8.00	18.00
US	Durable Goods Orders	May					12.30	22.30
US	FHFA House Price Index MoM	Apr					13.00	23.00
US	Markit US Manufacturing PMI	Jun P					13.45	23.45
UK	CBI Reported Sales	Jun					14.00	0.00
US	New Home Sales	May					14.00	0.00
US	Richmond Fed Manufact. Index	Jun					14.00	0.00
Wednesday, 24 June 2015								
JN	Bank of Japan May 21-22 meeting minutes						23.50	9.50
AU	Skilled Vacancies MoM	May				0.00%	1.00	11.00
CH	Westpac-MNI Consumer Sentiment	Jun					1.45	11.45
CH	Conference Board Leading Economic Index	May					2.00	12.00
FR	GDP QoQ/YoY	1Q F				0.6%/0.7%	6.45	16.45
GE	IFO Business Climate	Jun					8.00	18.00
US	GDP Annualized QoQ	1Q T					12.30	22.30
Thursday, 25 June 2015								
AU	Job vacancies	May				0.80%	1.30	11.30
GE	GfK Consumer Confidence	Jul					6.00	16.00
US	Personal Income	May					12.30	22.30
US	Personal Spending	May					12.30	22.30
US	Inflation Adjusted Personal Spending	May					12.30	22.30
US	PCE Deflator MoM	May					12.30	22.30
US	PCE Deflator YoY	May					12.30	22.30
US	PCE Core MoM	May					12.30	22.30
US	Initial Jobless Claims	Jun-20					12.30	22.30
US	PCE Core YoY	May					12.30	22.30
US	Continuing Claims	Jun-13					12.30	22.30
US	Markit US Composite PMI	Jun P					13.45	23.45
US	Markit US Services PMI	Jun P					13.45	23.45
US	Bloomberg Consumer Comfort	Jun-21					13.45	23.45
US	Kansas City Fed Manf. Activity	Jun				-13	15.00	1.00
Upcoming Central Bank Interest Rate Announcements								
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%		
US Federal Reserve		30-Jul						

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

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