



Markets Today

A daily outlook for Australia, key global economies and markets

22 June 2015

Four legs good, two legs bad

Not much happened Friday amid an absence of US data and with no significant developments - at least not in public view - ahead of Monday's all-important EU Summit. The Greek cabinet met Sunday and according to the FT, in a series of phone calls between Greek PM Tsipras, German chancellor Merkel and French President Hollande last night, Tsipras was told not to expect high level negotiations tonight over the substance of a reform plan. But, the FT says, he was told that if Athens were able to strike a deal in advance of the summit (based, presumably, on a new offer from Athens that Eurozone Finance Ministers - meeting ahead of the summit - can agree to) then leaders would be willing to discuss including debt relief as part of a new third bailout.

The ECB provided a further EUR1.75bn of ELA assistance to Greek banks on Friday in the face of a reported further EUR1.5bn deposit outflow (and bringing the week-to-date outflow to 5bn) but this was only half the 3.5bn reportedly requested by the National Bank of Greece. The big test of ECB resolve to continue keeping the banking system afloat will come in the immediate wake of the Summit outcome.

The US dollar was little changed Friday (DXY +0.05%, the broader BBDXY +0.15%) with EUR/USD ending the NY session -0.06% at 1.1352 - it has opened this morning slight higher. AUD/USD ended at 0.7772 (-0.36%), USD/JPY 0.2% lower at Y122.71, NZD -0.25% at 0.6910, and GBP/USD virtually unchanged at 1.5883. The CAD suffered on some weaker than expected retail sales data but losses were limited by a slight upside surprise on CPI.

In bonds, the 10 year Bund was -5.6bps to 0.752%, suggesting safe-haven flow in front of Monday's Summit. 10yr Treasuries finished -7.7bps at 2.2577%, also likely reflecting safe-haven buying and given relatively hawkish Fed member comments (see below) and an absence of new economic data.

In stocks, after Shanghai finished down 6.4% (and 13.3% on the week, the biggest weekly drop in over 7 years) the Eurostoxx 50 actually eked out a 0.15% gain despite the German Dax dropping 0.54%. Spain (+0.7%) and France (+0.25%) benchmark country indices both rose. The S&P500 ended -0.53% (and the VIX +0.77 to 13.96). The Dow closed -0.55% and the NASDAQ -0.31%

CFTC FX data for the week ended Tuesday 16 June shows a sharp contraction in the overall USD speculative long vs. G10 currencies, to 215.6k from 312k, its smallest since the week ended 19 May (194.9k). This was EUR, JPY and AUD led with short positions in all three currencies pared significantly.

San Francisco Fed President John Williams said Friday that he expects the Fed to raise rates twice this year (so revealing

his 'dot point' to be at the median of FOMC members). While saying he continues to be in 'wait and see' mode 'until I have more confidence that inflation will be moving back to 2%', he added 'we are getting closer and closer' to raising rates'. 'My own forecast would be having us raise rates two times this year...but that would depend on the data'. (Bloomberg reporting).

Cleveland Fed President Loretta Mester meanwhile said 'I think the economy can support a 25-point increase in interest rates. However, I also understand the argument that getting a little more confirming data' before taking action 'is reasonable as well'. She says 'I'm probably a little more optimistic about economic developments' relative to some, and if events play out as expected 'we are going to start to move rates up this year, while adding it's 'hard to determine at this point how many rates increases' will happen in 2015. (WSJ reporting)

Coming Up

There's really only one game in town this week, tonight's Emergency EU summit called last Thursday night by EU President Donald Tusk. Someone has to climb down for a deal to get done (in short, the EU/Germany on debt relief, if not now than down the track, Greek PM Tsipras on deeper pensions reforms). In the cold light of day any deal that gets done may be denounced as unsatisfactory and no more than the all-too familiar kicking of the proverbial can down the road.

Yet market volatility in the latter part of last week - in FX in particular - has taught us that markets this week will, in the short term, react initially in Orwellian fashion, mimicking the initial behaviour of the pigs who overthrew the humans after they took over and renamed the Manor 'Animal Farm': "Four legs (deal) good, two legs (Summit failure) bad". For the AUD, a deal could see EUR/USD lead AUD/USD up to near 0.80, failure could see EUR/USD drag AUD down to below 0.76.

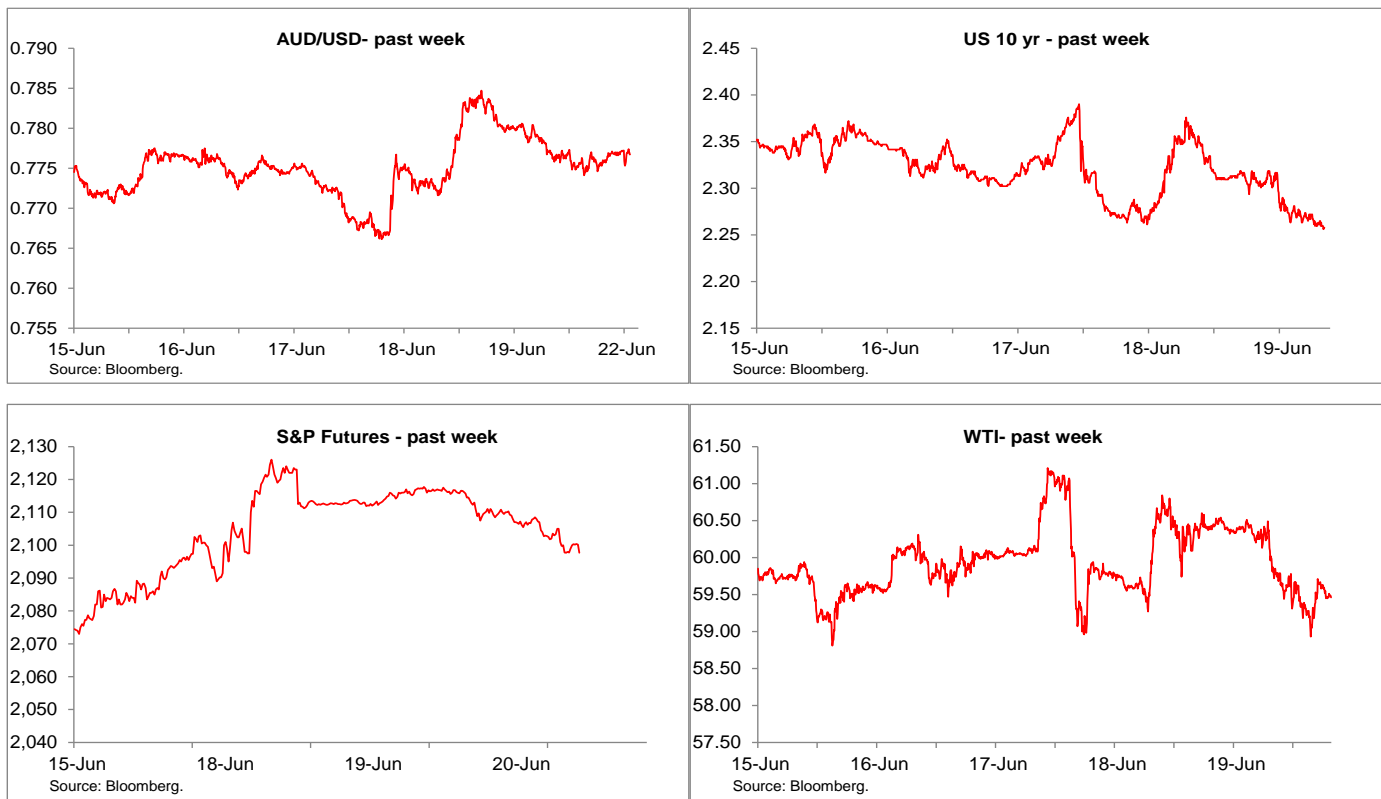
Australia has little of note on its calendar (save the NSW budget on Tuesday). China has the Markit 'flash' Manufacturing PMI on Tuesday, and we'll get the US and Eurozone versions, also on Tuesday. Housing data, durable goods orders and the personal income, spending and deflator data will also all rate mentions.

Overnight

On global stock markets, the S&P 500 was -0.50%. Bond markets saw US 10-years -7.68bp to 2.26%. On commodity markets, Brent crude oil -1.93% to \$63.02, gold+0.0% to \$1,202, iron ore -0.7% to \$61.36. AUD is at 0.7766 and the range since Friday's local close was 0.7737 to 0.7778. (For more market prices, please see p.2 of the pdf).

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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	% y/y		Last	% day	
AUD	0.7766	-0.1	0.7752	0.7776	HKD	7.7516	0.0	Dow	18,016	-0.6	6.3	Oil (Brent)	63.02	-1.9	
NZD	0.6903	-0.1	0.6898	0.6914	CNY	6.2094	0.0	S&P 500	2,110	-0.5	7.5	Oil (WTI)	59.61	-1.4	
EUR	1.1378	0.2	1.1363	1.1384	SGD	1.3346	0.1	Nasdaq	5,117	-0.3	17.1	Oil (Tapis)	64.17	-2.5	
GBP	1.5873	-0.1	1.5865	1.5880	IDR	13,332	0.2	FTSE	6,710	+0	-1.7	Gold	1201.50	0.0	
JPY	123.04	0.3	122.69	123.09	THB	33.64	0.0	DAX	11,040	-0.5	10.5	CRB	222.13	-0.9	
CAD	1.2262	0.0	1.2253	1.2272	KRW	1,107	0.0	CAC 40	4,815	+0.2	6.0	GS Metals	297.8	-1.1	
AUD/EUR	0.6826	-0.3			TWD	30.78	0.1	Nikkei	20,174	+0.9	31.4	Aluminium	1665	-0.6	
AUD/JPY	95.54	0.2			PHP	45.09	0.4	Shanghai	4,478	-6.4	121.0	Copper	5652	-1.7	
AUD/GBP	0.4892	0.0			CHF	0.92	-0.1	Hang Seng	26,761	+0.2	15.4	Nickel	12680	-0.1	
AUD/NZD	1.1252	0.0			SEK	8.12	-0.1	ASX 200	5,597	+1.3	3.3	Zinc	2037	-1.0	
Interest Rates								Overnight Futures				CO ₂ Emissions - Euros			
Indicative Swap Rates				Benchmark 10 Year Bonds				Last Chge				Last % day			
	Cash	3mth	2Yr	10Yr		Last	chge	Spnd		Last	Chge		Last	% day	
USD	0.25	0.28	0.87	2.34	USD 10	2.26	-0.08		Australia				Jun-2015	7.47	-0.5
AUD	2.00	2.14	2.06	3.26	AUD 10	2.88	0.03	0.62	3 mth bill	97.90	-0.01		Dec-2015	7.44	-0.5
NZD	3.25	3.22	3.15	3.88	NZD 10	3.66	-0.03	1.40	3 Yr bond	98.11	0.01		Dec-2016	7.52	-0.5
EUR	0.05	0.06	0.15	1.13	CAD 10	1.72	-0.08	-0.54	10 Yr bonc	97.09	0.06				
GBP	0.50	0.57	1.06	2.12	EUR 10	0.75	-0.06	-1.51	3/10 sprd	1.03	-0.05				
JPY	0.09	0.10	0.15	0.61	GBP 10	2.01	-0.04	-0.25	SPI	-3.0	-0.1				
CAD	0.75	1.17	1.01	2.17	JPY 10	0.42	-0.03	-1.83							

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, 22 June 2015								
NZ	WMM Consumer Confidence	Q2				117.4	22.00	8.00
NZ	Net Migration SA	May				4740	22.45	8.45
NZ	Credit Card Billings	May				-0.60%	3.00	13.00
JN	BoJ Monthly Economic Report	Jun					5.00	15.00
JN	Supermarket Sales YoY	May				6.40%	5.00	15.00
EC	ECB's Coeure speaks						6.30	16.30
JN	Convenience Store Sales YoY	May				4.00%	7.00	17.00
EC	Former ECB President Trichet speaks in Vienna						9.00	19.00
US	Chicago Fed Nat Activity Index	May				-0.15	12.30	22.30
CA	Bloomberg Nanos Confidence	Jun-19					14.00	0.00
EC	Consumer Confidence	Jun A		-5.7		-5.5	14.00	0.00
US	Existing Home Sales/MoM	May		5.28M/4.7%		5.04M/-3.3%	14.00	0.00
EU	EU Summit on Greece							
Tuesday, 23 June 2015								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jun-21				114.5/+2.1%	23.30	9.30
AU	NSW State Budget	15-16					0.00	10.00
AU	Conf. Board Leading Index MoM	Apr				-0.10%	0.00	10.00
AU	ABS Residential Property Price Index QoQ/YoY	1Q	2.2%/7.6%	2.1%/7.4%		1.9%/6.8%	1.30	11.30
AU	Overseas arrivals and departures	Mar					1.30	11.30
JN	Markit Manufacturing PMI	Jun P		50.5		50.9	1.35	11.35
CH	Markit Manufacturing PMI	Jun P		49.4		49.2	1.45	11.45
FR	Markit France Manufacturing/Services PMI	Jun P				49.4/52.8	7.00	17.00
GE	Markit/BME Germany Manufacturing/Services PMI	Jun P		51.5/53		51.1/53.0	7.30	17.30
EC	Markit Eurozone Manufacturing/Services PMI	Jun P		52/53.7		52.2/53.8	8.00	18.00
UK	CBI Trends Total Orders	Jun		3		-5	10.00	20.00
US	Fed Governor Powell speaks on monetary policy and economic outlook in Washington						12.00	22.00
US	Durable Goods Orders	May		-0.50%		-0.50%	12.30	22.30
US	FHFA House Price Index MoM	Apr		0.50%		0.30%	13.00	23.00
US	Markit Manufacturing PMI	Jun P		54.1		54	13.45	23.45
US	New Home Sales	May		520K/0.6%		517K/6.8%	14.00	0.00
US	Richmond Fed Manuf. Index	Jun		1		1	14.00	0.00
Wednesday, 24 June 2015								
JN	PPI Services YoY	May		0.40%		0.70%	23.50	9.50
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				111.1	1.45	11.45
CH	Conference Board Leading Economic Index	May				322.2/+1.1	2.00	12.00
JN	Small Business Confidence	Jun		48.3		48.1	5.00	15.00
FR	GDP QoQ/YoY	1Q F				0.6%/0.7%	6.45	16.45
GE	IFO Business Climate	Jun		108		108.5	8.00	18.00
US	GDP Annualized QoQ saar	1Q T		-0.20%		-0.70%	12.30	22.30
EC	ECB's Constancio on panel in Frankfurt						14.00	0.00
Thursday, 25 June 2015								
AU	Job vacancies	May				0.80%	1.30	11.30
AU	NAB Consumer Anxiety Survey	Q2					1.30	11.30
NZ	High LVR ratio new residential loans, proportion above 80%	May					3.00	13.00
GE	GfK Consumer Confidence	Jul		10.1		10.2	6.00	16.00
EC	ECB speaks at 2015 IIF Europe Summit in Frankfurt						6.15	16.15
EC	ECB's Nuoy speaks at European Parliament						7.00	17.00
EC	ECB's Costa and Brazil's Tombini at meeting of central banks						8.00	18.00
UK	CBI Reported Sales	Jun				51	10.00	20.00
US	Personal Income/Spending	May		0.5%/0.7%		0.4%/0.0%	12.30	22.30
US	PCE Deflator MoM/YoY	May		0.4%/ ..		0.0%/0.1%	12.30	22.30
US	PCE Core MoM/YoY	May		0.1%/1.2%		0.1%/1.2%	12.30	22.30
US	Initial Jobless Claims	Jun-20				267K	12.30	22.30
US	Markit Composite PMI	Jun P				56	13.45	23.45
US	Markit Services PMI	Jun P		56.5		56.2	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
CA	BoC's Deputy Governor Schembri speaks					1.55	15.55	1.55
Friday, 26 June 2015								
NZ	Trade Balance	May	-\$114M	-\$50M		\$123M	22.45	8.45
JN	Jobless Rate	May		3.30%		3.30%	23.30	9.30
JN	Job-To-Applciant Ratio	May		1.17		1.17	23.30	9.30
JN	Overall Household Spending YoY	May		3.60%		-1.30%	23.30	9.30
JN	Natl CPI YoY	May		0.40%		0.60%	23.30	9.30
JN	Tokyo CPI YoY	Jun		0.50%		0.50%	23.30	9.30
EC	M3 Money Supply YoY	May		5.40%		5.30%	8.00	18.00
US	U. of Mich. Sentiment	Jun F		94.6		94.6	14.00	0.00
US	Fed's George (alt) Speaks on the Payments System in Kansas City						16.45	2.45
Sunday, 28 June 2015								
CH	Industrial Profits YoY	May				2.60%	1.30	11.30
CH	Leading Index	May				98.31	14.00	0.00
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		7-Jul	2.00%	2.00%		2.00%		
UK BOE		9-Jul	0.50%	0.50%		0.50%		
Japan, BoJ		15-Jul	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
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%		
US Federal Reserve		30-Jul						

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

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