



Markets Today

A daily outlook for Australia, key global economies and markets

10 June 2015

All About the Yields

You'd think it was a quiet night overnight: US equities were flat, European stocks a little down and currencies traded in a very tight range. US yields continued to rise, as did their European counterparts. But digging a little deeper shows that the bond sell-off is broadening through emerging markets and down the credit spectrum.

Measures of bond risk are rising too. They are catching up to the fact that the move in US and German yields might be here to stay; the Fed might just pull the trigger and we enter an environment that hasn't been seen for quite some time. It isn't often that it is the bond market that is exhibiting the most concern about risk. This has to do with the long period (post financial crisis) of excess market liquidity, driving down yields and raising issuance in EM. In a world of very low interest rates, there was a search for yield in these markets. They might not have had the high yields of old, but they were better than in the developed markets. In the period of adjustment, back to reflecting more of the actual risks, that could provide some periods of uncertainty ahead. Baby steps for now, just something to keep an eye on.

It was added to overnight, when the ratings agency S&P downgraded Deutsche Bank, RBS and Barclays banks. They did this as they note that the government support, in the event of market crisis, may no longer be there. Governments may no longer be willing to bail them out. That implicit guarantee has been around for awhile now, and (we hope it is not needed) but it would have to be tested to get an idea of how seriously Governments would stick to their guns on this one. But that implicit guarantee, not only on banks but also on other strategically important institutions, States and others has also helped lower risk pricing. Interesting, if markets come to believe it is no longer there.

The data overnight was focuses in the US and very positive, but doesn't always get much attention. The US JOLTS job opening series was the best since December 2000, and the NFIB small business survey was better than expected. Both series showed better job prospects, but there is also a sign that employers are being "fussy" as to whom they employ (not choosing long term unemployed, for example). That might have the effect of pushing up wages over time. This pushed up yields, but other markets, particularly the FX market was pretty uninterested.

Yesterday, in Australia, the NAB business survey experienced a post budget bounce, with both conditions and confidence rising to +7. Home loans were also better than expected. But the soft Chinese CPI outcome held the AUD back.

Coming Up

Domestically, the key event will be the RBA's Steven's speech to the Economic Society of Australia (no topic shown). Domestic consumer confidence is also released; how they have developed after the post-Budget bounce should be monitored.

There is nothing out in the US of interest to markets; in the UK the monthly industrial production release is unusually market moving.

Most interesting might well be the monthly China monetary data. Chinese data has been soft of late and that may weigh on the AUD. At present, we are monitoring the Chinese equity market through the day for the ensuing sentiment effects on domestic markets. The buoying effect of poor China data, thus more PBoC easing, doesn't seem to be working these days. That might be because the growth follow through of prior easing isn't coming through. So soft data, is now just that – soft. Aggregate financing is expected to pick up, as is M2 growth and new yuan loans. These are coming from relatively low levels, so the risks are if they slip again.

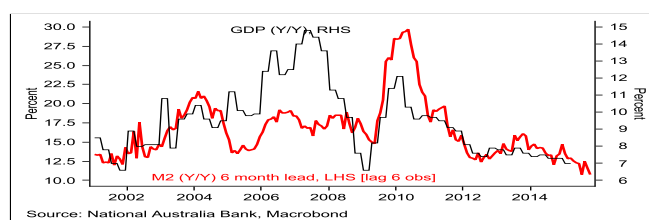
Your morning note might be a little later than usual tomorrow, as the much awaited RBNZ meeting outcome is released at 7am AEST Thursday morning. Economists are relatively split in the outcome, with 10 in the Bloomberg survey looking for no change and six for an easing. The speculative market remains very short the NZD and rates markets are evenly spread. NAB/BNZ's economics team is looking for rates to remain unchanged at this meeting, but the forward guidance may show a lower rate profile over time.

Overnight

On global stock markets, the S&P 500 was +0.00%. Bond markets saw US 10-years +4.88bp to 2.43%. On commodity markets, Brent crude oil +3.14% to \$64.66, gold+0.2% to \$1,176, iron ore -0.1% to \$64.27. AUD is at 0.7685 and the range was 0.7646 to 0.7723. (For more market prices, please see p.2 of the pdf).

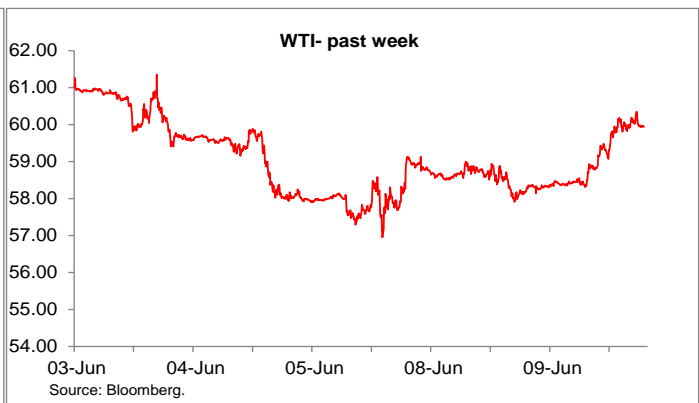
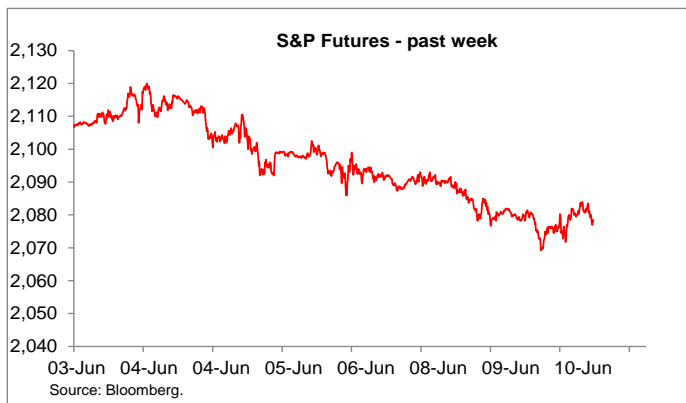
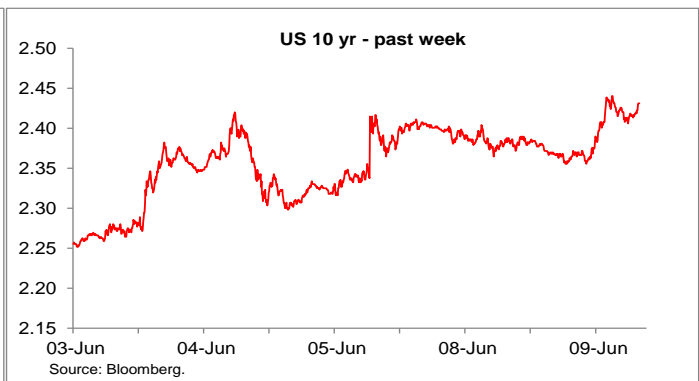
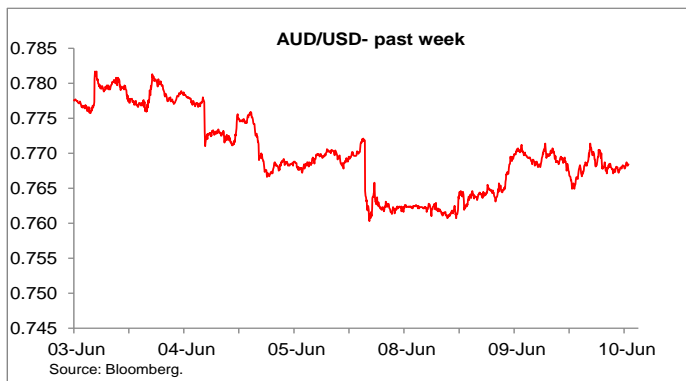
- US NFIB 98.3A, 96.9P. 97.2E
- US JOLTS job opening 5.736mA, 5mE
- Swiss HICP -0.9%A, -0.8P – CHF underperformed

Chart of the Day: China M2 Growth Not Looking Good



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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	0.7685	-0.2	0.7646	0.7723	HKD	7.7527	0.0	Dow	17,771	+0	4.9	Oil (Brent)	64.66	3.1		
NZD	0.7137	-0.1	0.7087	0.7180	CNY	6.2059	0.0	S&P 500	2,079	+0	6.6	Oil (WTI)	59.94	3.1		
EUR	1.1277	-0.1	1.1214	1.1346	SGD	1.3514	-0.1	Nasdaq	5,016	-0.1	15.7	Oil (Tapis)	65.18	1.0		
GBP	1.5383	0.2	1.5258	1.5389	IDR	13,308	-0.6	FTSE	6,754	-0.5	-1.8	Gold	1175.70	0.2		
JPY	124.34	-0.1	123.86	124.74	THB	33.72	-0.1	DAX	11,001	-0.6	9.9	CRB	226.43	1.5		
CAD	1.2345	-0.5	1.2308	1.2442	KRW	1,119	-0.4	CAC 40	4,850	-0.4	5.7	GS Metals	312.8	0.4		
AUD/EUR	0.6815	-0.1			TWD	31.21	0.1	Nikkei	20,096	-1.8	34.0	Aluminium	1715	0.1		
AUD/JPY	95.55	-0.4			PHP	45.05	-0.4	Shanghai	5,114	-0.4	149.1	Copper	5960	0.3		
AUD/GBP	0.4996	-0.4			CHF	0.93	0.4	Hang Seng	26,990	-1.2	15.8	Nickel	13462	0.4		
AUD/NZD	1.0766	-0.1			SEK	8.30	0.0	ASX 200	5,471	-0.5	0.0	Zinc	2151	1.0		
												Ch. steel			2344	0.0
												Iron ore			64.3	-0.1
												Coal			58.4	0.4
												Wheat Chic.			538.8	0.9
												Sugar			12.07	-0.7
												Cotton			64.55	-0.4
												Coffee			137.4	0.6
												CO₂ Emissions - Euros			Last % day	
												Jun-2015			7.63	1.6
												Dec-2015			7.60	1.6
												Dec-2016			7.68	1.6

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
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 Paliament						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
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
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				3.09	12.30	22.30
CA	Existing Home Sales MoM	May				2.30%	13.00	23.00
US	Industrial Production MoM	May				-0.30%	13.15	23.15
CA	Bloomberg Nanos Confidence	Jun-12					14.00	0.00
US	NAHB Housing Market Index	Jun				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						21.55	7.55
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jun-14					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	May F					6.00	16.00
GE	CPI EU Harmonized MoM	May F					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				65.7	9.00	19.00
EC	ZEW Survey Expectations	Jun				61.2	9.00	19.00
US	Housing Starts	May				1135K	12.30	22.30
US	Building Permits	May				1143K	12.30	22.30
CA	Int'l Securities Transactions	Apr				22.50B	12.30	22.30
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%		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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