



# Markets Today

A daily outlook for Australia, key global economies and markets

17 June 2015

## Waiting With Nervous Anticipation

There is a nervous tinge to the commentary overnight, but market moves have been relatively light, and the same is expected for today. Equities are modestly higher in the US and Europe, yields are lower generally, while the USD outperformed. Commodity prices are mixed, but iron ore in particular was 2% lower. The AUD is marginally softer.

The ongoing events in Greece were the major source of overnight news. There hasn't been anything particularly new, and that remains the problem. Ongoing declarations from both sides that they need concessions from the other, further suggests that no resolution is forthcoming this week. As we go into the end of the month (when the debt is due) there is likely to be a rise in tension. Although, the degree of complacency in either a) a deal will come at the last minute or b) the EU is better off without Greece, is suggestive of little market movement ahead of these events.

GBP outperformed overnight, with the release of the inflation numbers. That showed that the move into deflation was very short lived. EUR underperformed, maybe on Greece but that worry is also affecting the numbers. The German ZEW business survey dropped more than expected. In the US, the housing numbers remain volatile, but the higher than expected forward indicator, housing permits, were up strongly, while housing starts disappointed. Overall, the outlook for housing is expected to be positive.

The RBA minutes yesterday didn't add to the market's outlook for the RBA; remaining of the view that if the situation deteriorates then there will be further easing, but that isn't necessary at present.

## Coming Up

It is most likely to be a quiet day, as markets hunker down ahead of the Fed meeting. There is little of interest on the domestic calendar. That should leave our markets looking ahead, given the event risk, rather than behind.

The NZ current account data may have a local impact, but as it has been superseded by the April trade numbers, the moves should not be large. Similarly, for Japan, as there has been an improvement in the deficit, the market is paying far less attention to this trade data.

The BoE minutes are released, but nothing new is expected and the big Greek meetings are tomorrow; leaving markets free to wait for the Fed.

The FOMC are not expected to change policy at this meeting, but with the US data having improved substantially of late, speculation is increasing that the move to raise rates might

be September, rather than December. Markets are not fully priced for September, but pricing around a 50% chance of a 25bp move in September and are fully priced for December. Indications for September would be USD positive, a delay, negative. But it isn't likely to be as simple as that.

Every nuance is likely to be parsed in minute detail. This meeting also sees the press conference from Yellen, new dot points of Fed member forecasts for the fed funds rate, and updated forecasts. The dot points should get a lot of attention, as the 2015 ones at the last release (March) showed two hikes this year; that might be lower, it would be a surprise if it were not.

There will be a lot to chew over, but it is possible that we will still be left to watch the data.

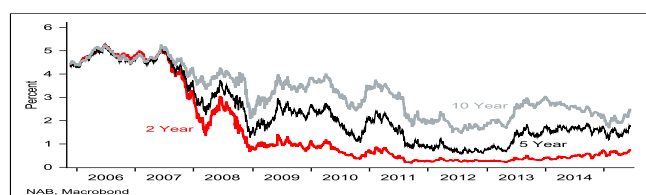
The decision to raise interest rates, after they have been on hold for a prolonged period, is likely a tough one. The labour market and inflation criteria must be right, and that intangible "sentiment," particularly now, also needs to be right. With a globally integrated world, a rise in US rates (or prospect of the same) has been known to be a cause for concern – the advent of the 2012 'taper tantrum' was an example of that. So, it is softly, softly. The lift-off is important, in that it is a signalling device, but the Fed no doubt wants us to remember that yields (at least at the front end) are still very, very low. But if there is concern that the Fed is behind the curve, or fuelling inflation, longer dated yields rise. It's a delicate balance and one they need to convey in a short statement, forecasts and some dots. It's perhaps not surprising that these meetings create FX volatility.

## Overnight

On global stock markets, the S&P 500 was +0.60%. Bond markets saw US 10-years -4.30bp to 2.31%. On commodity markets, Brent crude oil -0.31% to \$63.75, gold-0.4% to \$1,181, iron ore -2.1% to \$62.91. AUD is at 0.7745 and the range was 0.7722 to 0.7781. (For more market prices, please see p.2 of the pdf).

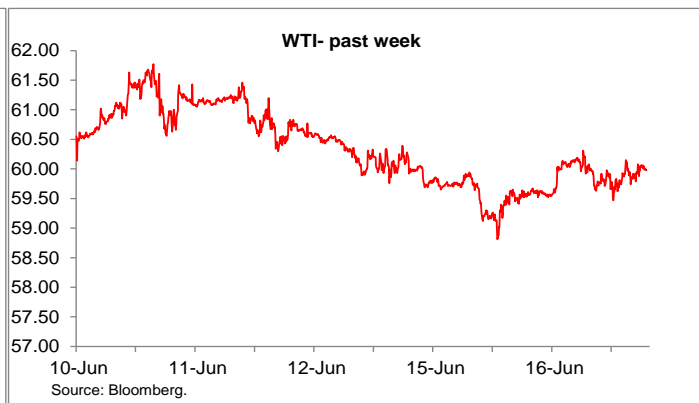
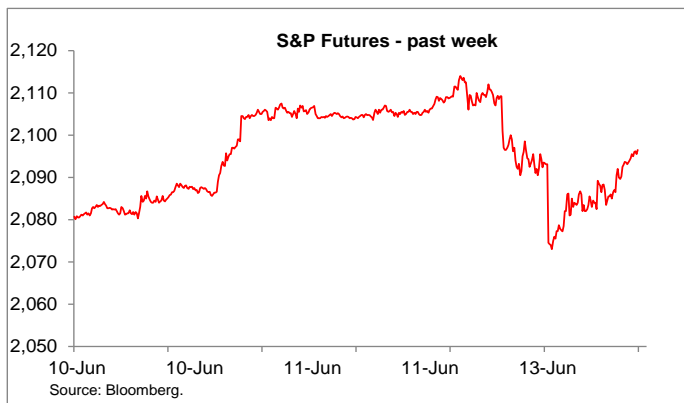
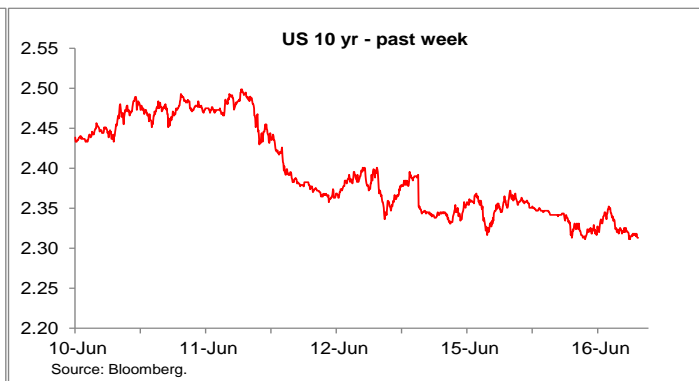
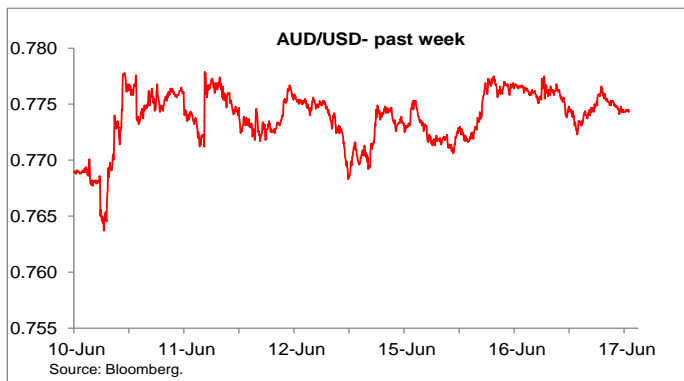
- UK CPI 0.1%yoyA, E, -0.1P
- German ZEW 62.9A, 63E, 65.7P
- US Housing Permits +11.8%mA, -3.5E, +9.8P
- US Housing Starts -11.1%A, -4E, +22P

## Chart of the Day: US Interest Rates



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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="3">Other FX</th> </tr> <tr> <th>Last</th> <th>% chge</th> <th>Low</th> <th>High</th> <th>Last</th> <th>% chge</th> <th></th> </tr> </thead> <tr> <td>AUD</td> <td>0.7745</td> <td>-0.3</td> <td>0.7722</td> <td>0.7781</td> <td>HKD</td> <td>7.7522</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.6990</td> <td>-0.1</td> <td>0.6972</td> <td>0.7009</td> <td>CNY</td> <td>6.2085</td> <td>0.0</td> </tr> <tr> <td>EUR</td> <td>1.1243</td> <td>-0.4</td> <td>1.1205</td> <td>1.1330</td> <td>SGD</td> <td>1.3424</td> <td>-0.3</td> </tr> <tr> <td>GBP</td> <td>1.5647</td> <td>0.3</td> <td>1.5542</td> <td>1.5654</td> <td>IDR</td> <td>13,348</td> <td>0.2</td> </tr> <tr> <td>JPY</td> <td>123.40</td> <td>0.0</td> <td>123.29</td> <td>123.80</td> <td>THB</td> <td>33.69</td> <td>0.0</td> </tr> <tr> <td>CAD</td> <td>1.2312</td> <td>-0.1</td> <td>1.2306</td> <td>1.2346</td> <td>KRW</td> <td>1,118</td> <td>0.1</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6888</td> <td>0.1</td> <td></td> <td></td> <td>TWD</td> <td>31.09</td> <td>0.4</td> </tr> <tr> <td>AUD/JPY</td> <td>95.57</td> <td>-0.3</td> <td></td> <td></td> <td>PHP</td> <td>45.19</td> <td>0.0</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4950</td> <td>-0.6</td> <td></td> <td></td> <td>CHF</td> <td>0.93</td> <td>0.3</td> </tr> <tr> <td>AUD/NZD</td> <td>1.1080</td> <td>-0.1</td> <td></td> <td></td> <td>SEK</td> <td>8.18</td> <td>0.3</td> </tr> </table>									Indicative 24hr ranges (**)				Other FX			Last	% chge	Low	High	Last	% chge		AUD	0.7745	-0.3	0.7722	0.7781	HKD	7.7522	0.0	NZD	0.6990	-0.1	0.6972	0.7009	CNY	6.2085	0.0	EUR	1.1243	-0.4	1.1205	1.1330	SGD	1.3424	-0.3	GBP	1.5647	0.3	1.5542	1.5654	IDR	13,348	0.2	JPY	123.40	0.0	123.29	123.80	THB	33.69	0.0	CAD	1.2312	-0.1	1.2306	1.2346	KRW	1,118	0.1	AUD/EUR	0.6888	0.1			TWD	31.09	0.4	AUD/JPY	95.57	-0.3			PHP	45.19	0.0	AUD/GBP	0.4950	-0.6			CHF	0.93	0.3	AUD/NZD	1.1080	-0.1			SEK	8.18	0.3
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 | Major Indices |        |       |       | |---------------|--------|-------|-------| |               | Last   | % day | % y/y | | Dow           | 17,904 | +0.6  | 6.7   | | S&P 500       | 2,097  | +0.6  | 8.2   | | Nasdaq        | 5,056  | +0.5  | 17.0  | | FTSE          | 6,710  | 0.0   | -0.7  | | DAX           | 11,044 | +0.5  | 11.7  | | CAC 40        | 4,840  | +0    | 7.3   | | Nikkei        | 20,258 | -0.6  | 35.3  | | Shanghai      | 4,887  | -3.5  | 136.5 | | Hang Seng     | 26,567 | -1.1  | 14.5  | | ASX 200       | 5,536  | -0.1  | 2.5   | | | | | |             | Last    | % day | |-------------|---------|-------| | Oil (Brent) | 63.75   | -0.3  | | Oil (WTI)   | 59.98   | 0.8   | | Oil (Tapis) | 64.64   | -0.5  | | Gold        | 1180.50 | -0.4  | | CRB         | 223.77  | 0.6   | | GS Metals   | 301.5   | -1.0  | | Aluminium   | 1681    | -0.7  | | Copper      | 5738    | -1.0  | | Nickel      | 12695   | -1.8  | | Zinc        | 2083    | -0.6  | | Ch. steel   | 2227    | -1.7  | | Iron ore    | 62.9    | -2.1  | | Coal        | 60.4    | 0.2   | | Wheat Chic. | 494.5   | -0.2  | | Sugar       | 11.31   | -1.3  | | Cotton      | 64.43   | 1.9   | | Coffee      | 132.0   | 1.3   | | | || | Interest Rates |                       |      |      |      |                         |      |       | |----------------|-----------------------|------|------|------|-------------------------|------|-------| |                | Indicative Swap Rates |      |      |      | Benchmark 10 Year Bonds |      |       | |                | Cash                  | 3mth | 2Yr  | 10Yr | Last                    | chge | Spnd  | | USD            | 0.25                  | 0.28 | 0.95 | 2.40 | USD 10                  | 2.31 | -0.04 | | AUD            | 2.00                  | 2.15 | 2.15 | 3.34 | AUD 10                  | 3.01 | 0.00  | | NZD            | 3.25                  | 3.30 | 3.16 | 4.01 | NZD 10                  | 3.81 | 0.00  | | EUR            | 0.05                  | 0.06 | 0.16 | 1.16 | CAD 10                  | 1.74 | -0.03 | | GBP            | 0.50                  | 0.57 | 1.02 | 2.10 | EUR 10                  | 0.80 | -0.03 | | JPY            | 0.10                  | 0.10 | 0.15 | 0.68 | GBP 10                  | 1.99 | -0.04 | | CAD            | 0.75                  | 1.17 | 1.03 | 2.21 | JPY 10                  | 0.50 | -0.01 | | | | | | | | | | Overnight Futures |       |       | |-------------------|-------|-------| |                   | Last  | Chge  | | <b>Australia</b>  |       |       | | 3 mth bill        | 97.89 | 0.00  | | 3 Yr bond         | 97.95 | 0.01  | | 10 Yr bonc        | 96.98 | 0.04  | | 3/10 sprd         | 0.97  | -0.03 | | SPI               | 50.0  | 0.9   | | | | | | CO <sub>2</sub> Emissions - Euros |      |       | |-----------------------------------|------|-------| |                                   | Last | % day | | Jun-2015                          | 7.48 | -1.3  | | Dec-2015                          | 7.45 | -1.3  | | Dec-2016                          | 7.53 | -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		Actual	Previous	GMT	AEST
			Forecast	Consensus				
<b>Wednesday, 17 June 2015</b>								
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
<b>Thursday, 18 June 2015</b>								
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
<b>Friday, 19 June 2015</b>								
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
<b>Monday, 22 June 2015</b>								
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
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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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