



# Markets Today

A daily outlook for Australia, key global economies and markets

23 June 2015

## Waiting for Godot

Except he never came. We wait, there is a vast amount of commentary and expectation, and even a fair degree of optimism. And nothing might happen for a few days at least. But in this case, there will be an endpoint. Markets were mostly pleased, with equity markets in Europe up strongly (Germany almost 4%). Yields also rose in the US and Germany, with periphery yields lower. Currency markets were far more muted, with the USD rallying, the NZD and AUD underperforming. The EUR was slightly lower, after rising to 1.14 earlier in the day. Commodities were also restrained and iron ore continues its run lower.

There is a huge amount of attention on the negotiations between Greece and its creditors and I am afraid that it is going to continue. The next focal point will be Thursday, but that won't stop the stream of headlines, and the subsequent market twists and turns as it tries to make sense of it all.

The news from overnight was mostly positive, if somewhat cloudy. It appears that Greece has put forward a proposal (after first sending the wrong draft – you couldn't make this up) that is promising for the Troika (the creditors – IMF, ECB, Eurogroup). They are proposing an increase in tax (VAT) and some cuts to low income pensions, with increases in pension contributions. There is only a broad outline, as that is all released, but it seems that negotiations at least have started in earnest. It is a significant fiscal tightening for Greece, suggested to be around E7.9bn, and as such, creditors wish for the proposal to first be passed by the Greek government before it goes to the other European states to be voted on. No point agreeing, if the Greek government then renege. And it is likely that Greece will want some debt relief in return.

That means, that while the news was greeted positively by equity and debt markets overnight, we aren't quite there yet. Closer, definitely, but not there. The next big meeting of the EU Leaders Summit is on Thursday. And many more headlines between now and then. Remember, the deadline to pay the IMF is on the 30<sup>th</sup>.

Market reaction has been interesting, suggesting that equity and bond markets were positioned for higher Greek event risk, but the currency markets are not as fussed. The USD rally may be due to the stronger housing data (existing home sales) but that shouldn't overwhelm the more global events. Positioning, with investors already long EUR, might be a bigger driver.

The AUD underperforming may show the eye on China that investors tend to have. Iron ore prices are lower, and after chatter about a possible PBoC rate cut last weekend never

eventuating, and indeed yields moving a little higher, that can dampen the mood in Australia (and NZ).

## Coming Up

There is more of the same today. There is little data of note, and what there is may well be overshadowed by the events in Europe. Domestically, we get the barely watched weekly consumer confidence data and Q1 (aka lagging) ABS house price series. Neither have tended to be market moving data.

During the local time zone, the China Markit PMI is released. It has been known to drive the local markets, although less of late. After picking up last month, more improvement is expected but it is expected to remain below the break-even 50 level between economic expansion and contraction. There will be more attention on Chinese yields and equity market today, after the long weekend, and Friday's weak market.

Markit PMIs are also released for Japan, Germany and Europe. These gain slightly less attention and are expected to be modestly up in the case of Germany, and slightly lower in the case of Japan. Global growth, indicated by the PMIs remains modest, and centred close to the break-even level.

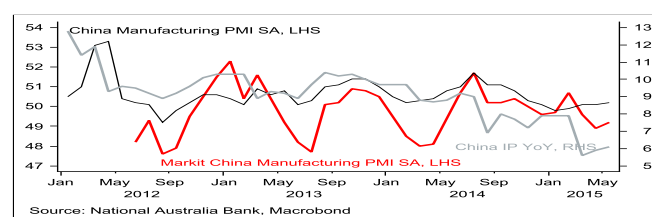
In the US, the durable goods orders have been of interest lately. This is despite their very volatile nature and multiple series with various importance. The headline is expected to remain soft, but the core should improve. With the FOMC very data dependent and sensitive to economic volatility, these releases make a difference to their willingness to raise US interest rates for the first time this cycle.

## Overnight

On global stock markets, the S&P 500 was +0.60%. Bond markets saw US 10-years +11.66bp to 2.37%. On commodity markets, Brent crude oil +0.33% to \$63.23, gold -1.5% to \$1,184, iron ore -2.2% to \$60.02. AUD is at 0.7727 and the range was 0.7721 to 0.7797. (For more market prices, please see p.2 of the pdf).

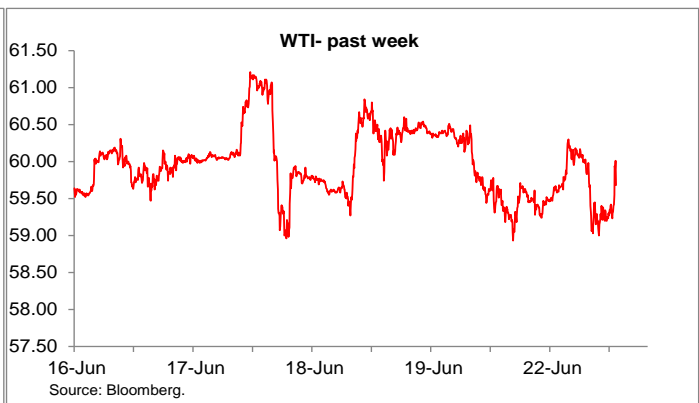
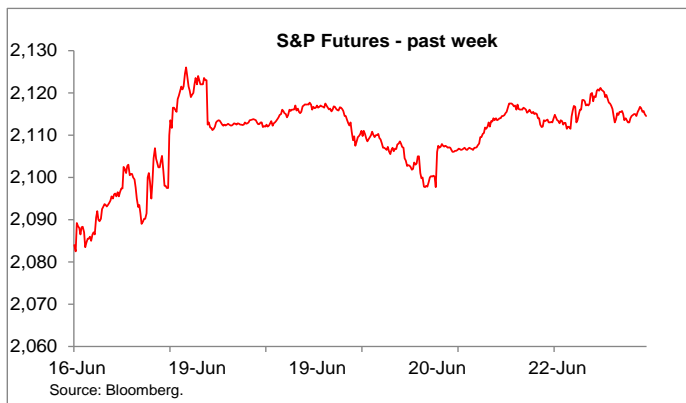
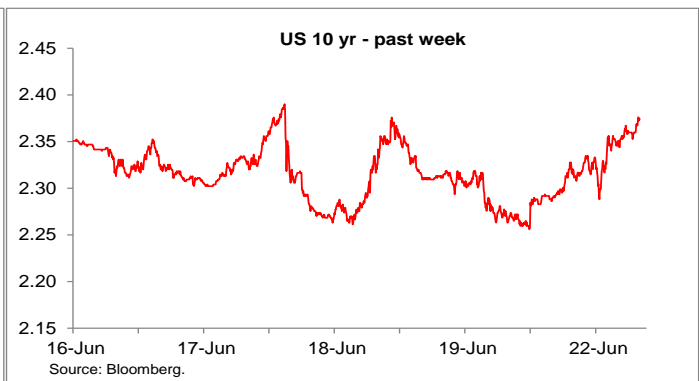
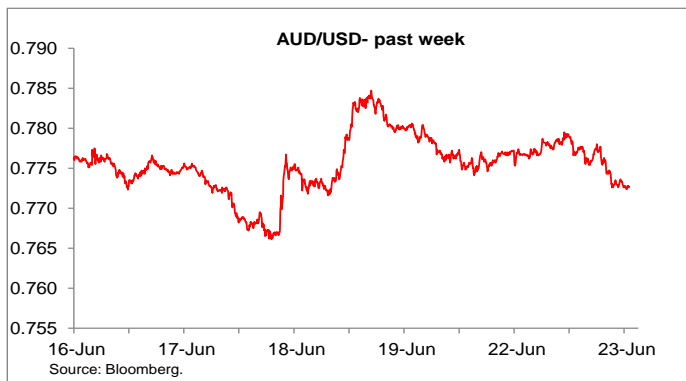
- US existing home sales +5.1%A, +4.4E, -2.3P rev higher
- The ECB provided E1.3bn in assistance to Greek banks

## Chart of the Day: China PMI Picking Up But Soft



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Markets



Foreign Exchange								Equities				Commodities*				
<b>Indicative 24hr ranges (**)</b>				<b>Other FX</b>				<b>Major Indices</b>								
	Last	% chge	Low	High		Last	% chge		Last	% day	% y/y		Last	% day		
AUD	0.7727	-0.6	0.7721	0.7797	HKD	7.7515	0.0	Dow	18,120	+0.6	6.9	Oil (Brent)	63.23	0.3		
NZD	0.6868	-0.6	0.6863	0.6930	CNY	6.2094	0.0	S&P 500	2,123	+0.6	8.2	Oil (WTI)	59.68	0.1		
EUR	1.1338	-0.1	1.1312	1.1410	SGD	1.3362	0.2	Nasdaq	5,154	+0.7	18.0	Oil (Tapis)	64.10	-0.1		
GBP	1.5820	-0.4	1.5806	1.5910	IDR	13,306	-0.2	FTSE	6,826	+1.7	0.0	Gold	1183.70	-1.5		
JPY	123.37	0.5	122.56	123.42	THB	33.69	0.1	DAX	11,461	+3.8	14.8	CRB	223.23	0.5		
CAD	1.2322	0.5	1.2218	1.2329	KRW	1,099	-0.7	CAC 40	4,999	+1.4	10.1	GS Metals	297.5	-0.1		
AUD/EUR	0.6815	-0.4			TWD	30.77	0.0	Nikkei	20,428	+1.3	32.9	Aluminium	1680	0.9		
AUD/JPY	95.34	0.0			PHP	45.04	-0.1	Shanghai	4,478	-6.4	121.0	Copper	5646	-0.1		
AUD/GBP	0.4885	-0.1			CHF	0.92	0.5	Hang Seng	27,081	+1.2	18.8	Nickel	12374	-2.4		
AUD/NZD	1.1252	0.1			SEK	8.15	0.4	ASX 200	5,610	+0.2	2.9	Zinc	2023	-0.7		
												Ch. steel			2251	0.6
												Iron ore			60.0	-2.2
												Coal			60.2	0.0
												Wheat Chic.			506.0	2.7
												Sugar			11.48	3.2
												Cotton			64.03	1.1
												Coffee			132.5	1.8
												<b>CO<sub>2</sub> Emissions - Euros</b>				
															Last	% day
												Jun-2015			7.52	0.7
												Dec-2015			7.50	0.8
												Dec-2016			7.57	0.7

Interest Rates					Benchmark 10 Year Bonds				Overnight Futures		
<b>Indicative Swap Rates</b>											
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd		Last	Chge
USD	0.25	0.28	0.91	2.46	USD 10	2.37	0.12		<b>Australia</b>		
AUD	2.00	2.15	2.17	3.40	AUD 10	2.95	0.07	0.58	3 mth bill	97.88	-0.01
NZD	3.25	3.25	3.06	3.88	NZD 10	3.62	-0.04	1.25	3 Yr bond	97.96	-0.06
EUR	0.05	0.06	0.13	1.24	CAD 10	1.81	0.09	-0.57	10 Yr bonc	96.94	-0.15
GBP	0.50	0.57	1.10	2.21	EUR 10	0.88	0.13	-1.49	3/10 sprd	1.02	0.09
JPY	0.10	0.10	0.15	0.62	GBP 10	2.10	0.09	-0.28	SPI	18.0	0.3
CAD	0.75	1.17	1.03	2.26	JPY 10	0.44	0.01	-1.94			

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
<b>Tuesday, 23 June 2015</b>								
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 Residedential 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
<b>Wednesday, 24 June 2015</b>								
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
<b>Thursday, 25 June 2015</b>								
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
<b>Friday, 26 June 2015</b>								
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
<b>Sunday, 28 June 2015</b>								
CH	Industrial Profits YoY	May				2.60%	1.30	11.30
CH	Leading Index	May				98.31	14.00	0.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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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