



Markets Today

A daily outlook for Australia, key global economies and markets

4 June 2015

Got To Expect It

Well if Mr Draghi says it is so, we'd better get used to it. Bond yields, particularly in Germany, continued their rise yesterday; despite the ECB's Draghi telling us that they are committed to their QE program. Seemingly unconcerned about higher yields (and yes, they are implementing QE to lower yields...) he noted that if interest rates are so low, asset prices are going to be more volatile. So there.

With more positive news about Greece inching towards a deal with its creditors, risk sentiment was modestly positive, allowing equities to move higher and rate differentials to "carry" the day in FX – the EUR outperformed. In FX, it is all about the EUR at present, with the moves in bund yields and the increasing focus on Greece. This left the USD being dictated by what was happening on the other side of the ditch, rather than its own information.

Commodity prices didn't follow the script, and were lower mostly across the board. That helped CAD and the NZD to be the underperformers in the G10 FX world; but AUD managed to scrape a small positive against the USD- helped by yesterday's strong GDP outcome.

It's a fine balance; better global growth is positive for the earnings outlook and allows yields to rise; but too much and too fast runs the risk of quashing the burgeoning move to something more akin to normal. While Mr Draghi might be complacent; many investors are not. He is right though, this breeds volatility.

EUR, and yields, were supported by the ECB's press conference as (apart from the volatility comments) there was a slight upgrade to 2015 CPI forecasts, and they noted that inflation "bottomed" at the beginning of 2015. And the fact that growth was not better was blamed on trade i.e. a stronger EUR. Given this, the market was not convinced at all by his reassurances that they will implement their full QE program. Maybe the ECB should talk to their Fed counterparts about the role forward guidance and expectations play in a "successful" QE implementation.

Services PMI's were released and somewhat surprising in both the US and the UK – they were weak. Yesterday's China data was also a little softer. That added to the USD's underperformance but didn't get much attention.

Also in the US, the trade data was much better than expected. Some of this was due to the port strikes but overall, it adds another positive to the Q2 GDP outlook. Exports were up 1% and imports down 3.3% leaving the best trade deficit. Markets ignored it, but that's not unusual.

The Fed's Beige Book was somewhat positive, with seven of 12 districts reporting modest to moderate growth. The Fed's Evan's wasn't so upbeat, but he is a known dove.

AU GDP was stronger than expected yesterday at 0.9%qoqA (0.7E, 0.5P); that proved supportive for the AUD. After that outcome, NAB's economics team noted that there is likely a very high hurdle for any further near-term easing by the RBA.

Coming Up

We get a little lull in the data today, with a whole lot less to absorb before the flurry of US payrolls hits tomorrow.

Domestically, we get the more up-to-date (than GDP inputs) partial inputs of retail sales and trade data. Consumer confidence has improved but that was after the April data. The risks for markets, after the moves in recent days and yesterday's strong GDP are for a weak outcome (NAB forecasts 0.1%, market 0.3%). The trade balance is expected to deteriorate, which wouldn't help.

Offshore, the Bank of England should keep everything unchanged, which provides no new information. Meanwhile, all eyes remain on the Greek negotiations.

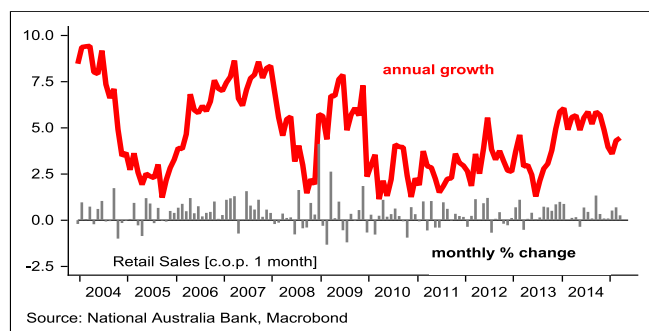
It is all quiet in the US. The vacuum may get markets consolidating – reversing the big moves of recent days.

Overnight

On global stock markets, the S&P 500 was +0.20%. Bond markets saw US 10-years +10.36bp to 2.37%. On commodity markets, Brent crude oil -2.53% to \$63.83, gold-0.8% to \$1,185, iron ore +0.5% to \$63.33. AUD is at 0.7788 and the range was 0.7752 to 0.7819. (For more market prices, please see p.2 of the pdf).

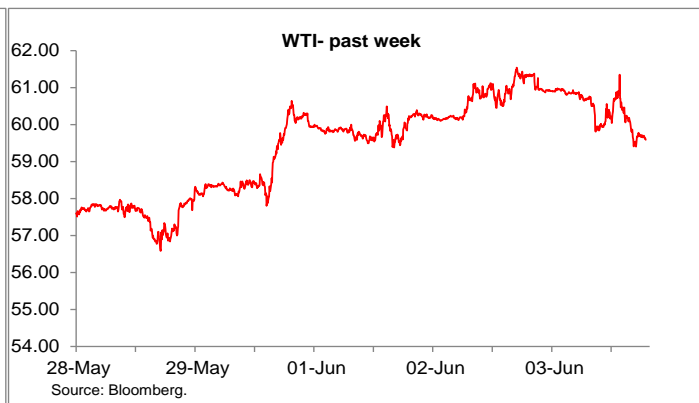
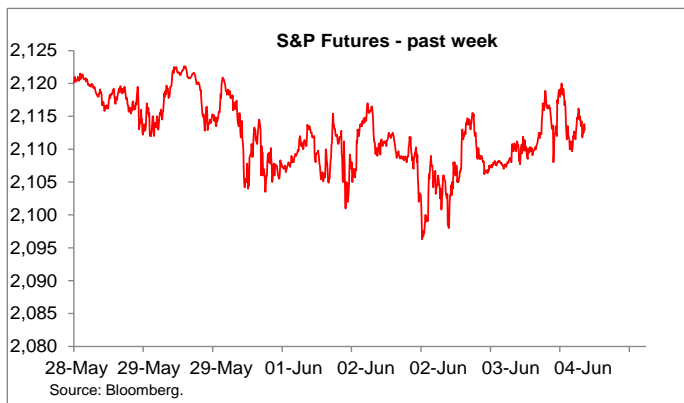
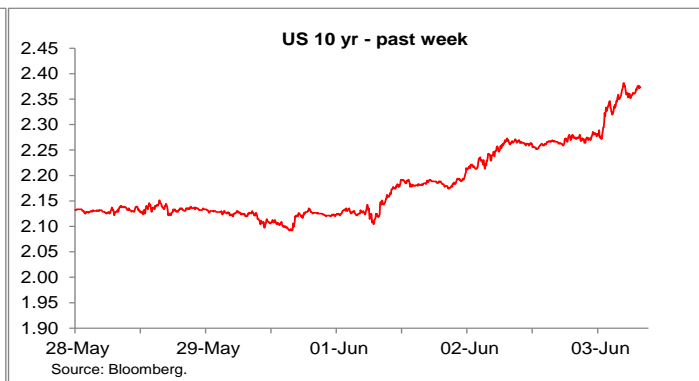
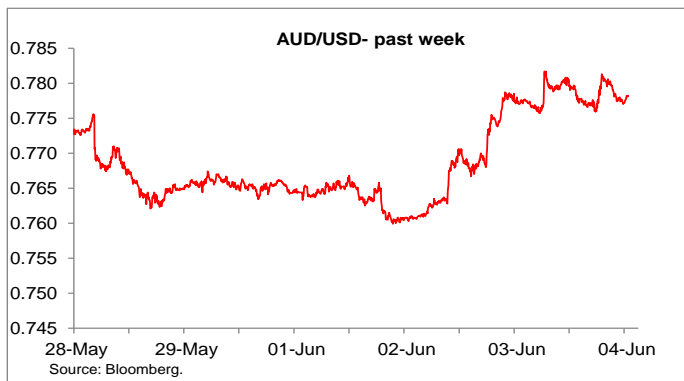
- US trade -40.9A, -44E, -50.6P
- US ISM non-manuf 55.7A, 57E, 57.8P
- US ADP 201kA, 200kE, 165kP
- UK Markit services PMI 56.5A, 59.2E, 59.5P

Chart of the Day: AU Retail Sales



Emma.lawson@nab.com.au

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	0.7788	0.2	0.7752	0.7819	HKD	7.7537	0.0	Dow	18,076	+0.4	8.1	Oil (Brent)	63.83	-2.5		
NZD	0.7156	-0.4	0.7117	0.7193	CNY	6.1974	0.0	S&P 500	2,114	+0.2	9.9	Oil (WTI)	59.67	-2.6		
EUR	1.1273	1.1	1.1080	1.1285	SGD	1.3428	-0.5	Nasdaq	5,099	+0.4	20.4	Oil (Tapis)	65.86	-1.6		
GBP	1.5337	0.0	1.5251	1.5375	IDR	13,230	0.1	FTSE	6,950	+0.3	1.7	Gold	1185.10	-0.8		
JPY	124.25	0.1	123.79	124.68	THB	33.64	-0.2	DAX	11,420	+0.8	15.1	CRB	223.58	-1.0		
CAD	1.2450	0.4	1.2385	1.2509	KRW	1,105	-0.7	CAC 40	5,034	+0.2	11.8	GS Metals	312.6	-0.2		
AUD/EUR	0.6906	-0.9			TWD	30.81	-0.2	Nikkei	20,474	-0.3	35.9	Aluminium	1708	-1.2		
AUD/JPY	96.73	0.3			PHP	44.80	0.2	Shanghai	4,910	0.0	142.5	Copper	6036	0.2		
AUD/GBP	0.5077	0.2			CHF	0.93	0.1	Hang Seng	27,657	+0.7	19.5	Nickel	13019	0.5		
AUD/NZD	1.0889	0.6			SEK	8.30	-1.6	ASX 200	5,584	-0.9	2.5	Zinc	2151	0.1		
												Ch. steel			2341	-0.9
												Iron ore			63.3	0.5
												St. coal			61.8	n.a.
												Wheat Chic.			515.0	-0.4
												Sugar			12.05	-2.2
												Cotton			65.24	2.6
												Coffee			134.3	1.2
												CO₂ Emissions - Euros			Last % day	
												Jun-2015			7.55	0.7
												Dec-2015			7.52	0.5
												Dec-2016			7.60	0.5

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, 4 June 2015								
NZ	Value of All Buildings SA QoQ	1Q		1.0%		0.3%	22.45	8.45
JN	BOJ Kuroda speaks at BOJ's international conference						0.00	10.00
JN	Interview BOJ board member Yutaka Harada						1.00	11.00
AU	Trade Balance	Apr	-2300M	-2100M		-1322M	1.30	11.30
AU	Retail Sales MoM	Apr	0.1%	0.3%		0.3%	1.30	11.30
NZ	Weekly Mortgage Approvals, 13w apc	29-May				1.2%	3.00	13.00
UK	Bank of England Bank Rate	Jun-04	0.50%	0.50%		0.50%	11.00	21.00
US	Challenger Job Cuts YoY	May				52.8%	11.30	21.30
US	Nonfarm Productivity	1Q F		-3.0%		-1.9%	12.30	22.30
US	Initial Jobless Claims	May-30		278K		282K	12.30	22.30
CA	Ivey Purchasing Managers Index SA	May		55.0		58.2	14.00	0.00
US	Fed's Tarullo Speaks at Financial Conference in New York						16.00	2.00
Friday, 5 June 2015								
AU	AiG Perf of Construction Index	May				47	23.30	9.30
JN	Leading Index CI	Apr P		107.2		106	5.00	15.00
GE	Factory Orders MoM/YoY	Apr		0.5%/-0.6%		0.9%/1.9%	6.00	16.00
UK	BoE/GfK Inflation Next 12 Mths	May				1.9%	8.30	18.30
UK	Halifax House Prices MoM/3m	May		0.2%/8.5%		1.6%/8.5%	not given	not given
EC	GDP SA QoQ/YoY	1Q P		0.4%/1.0%		0.4%/1.4%	9.00	19.00
US	Change in Nonfarm Payrolls	May		227K		223K	12.30	22.30
US	Change in Private Payrolls	May		220K		213K	12.30	22.30
US	Change in Manufact. Payrolls	May		5K		1K	12.30	22.30
US	Unemployment Rate	May		5.40%		5.40%	12.30	22.30
US	Average Hourly Earnings MoM/YoY	May		0.2%/2.2%		0.1%/2.2%	12.30	22.30
US	Labor Force Participation Rate	May		65.8		62.8%	12.30	22.30
CA	Unemployment Rate	May		6.8%		6.8%	12.30	22.30
CA	Net Change in Employment	May		10.0K		-19.7K	12.30	22.30
US	Fed's Dudley (v) Speaks on Economy and Policy in Minneapolis						16.30	2.30
US	Consumer Credit	Apr		\$16.45B		\$20.523B	19.00	5.00
Monday, 8 June 2015								
JN	BoP Current Account Balance/Adjusted	Apr				¥2795.3B/¥2066.3B	23.50	9.50
JN	Trade Balance BoP Basis	Apr				¥671.4B	23.50	9.50
JN	GDP SA QoQ	1Q F		0.7%		0.60%	23.50	9.50
JN	GDP Annualized SA QoQ	1Q F		2.7%		2.40%	23.50	9.50
JN	Eco Watchers Survey Current	May				53.6	5.00	15.00
JN	Eco Watchers Survey Outlook	May				54.2	5.00	15.00
GE	Industrial Production SA MoM/YoY	Apr		-0.50%		-0.50%	6.00	16.00
GE	Trade Balance	Apr				23.0B	6.00	16.00
GE	Current Account Balance	Apr				27.9B	6.00	16.00
CA	Housing Starts	May				181.8K	12.15	22.15
CA	Building Permits MoM	Apr				11.60%	12.30	22.30
CH	Trade Balance	May		\$43.0B		\$34.13B	14.00	0.00
CH	Exports YoY	May		-4.0%		-6.40%	14.00	0.00
CH	Imports YoY	May		-10.0%		-16.20%	14.00	0.00
CA	Bloomberg Nanos Confidence	Jun-05					14.00	0.00
US	Labor Market Conditions Index Change	May				-1.9	14.00	0.00
CA	Bank of Canada's Wilkins Speaks on Panel in Montreal						20.15	6.15
Tuesday, 9 June 2015								
NZ	ANZ Truckometer Heavy MoM	May				-0.60%	22.00	8.00
NZ	Mfg Activity SA QoQ	1Q				-0.70%	22.45	8.45
NZ	Mfg Activity Volume QoQ	1Q				0.90%	22.45	8.45
UK	BRC Sales Like-For-Like YoY	May				-2.40%	23.01	9.01
JN	Money Stock M2 YoY	May				3.60%	23.50	9.50
JN	Money Stock M3 YoY	May				3.00%	23.50	9.50
AU	NAB Business Conditions	May				4	1.30	11.30
AU	NAB Business Confidence	May				3	1.30	11.30
CH	CPI YoY	May		1.30%		1.50%	1.30	11.30
CH	PPI YoY	May		-4.50%		-4.60%	1.30	11.30
AU	Home Loans MoM	Apr				1.60%	1.30	11.30
AU	Investment Lending	Apr				6.40%	1.30	11.30
AU	Owner-Occupier Loan Value MoM	Apr				1.60%	1.30	11.30
AU	ANZ Job Advertisements MoM	May				2.30%	1.30	11.30
JN	Consumer Confidence Index	May				41.5	5.00	15.00
JN	Machine Tool Orders YoY	May P				10.50%	6.00	16.00
UK	Visible Trade Balance GBP/Mn	Apr				£10122	8.30	18.30
UK	Trade Balance Non EU GBP/Mn	Apr				£3163	8.30	18.30
UK	Trade Balance	Apr				£2817	8.30	18.30
US	NFIB Small Business Optimism	May				96.9	13.00	23.00
US	Wholesale Inventories MoM	Apr		0.10%		0.10%	14.00	0.00
US	Wholesale Trade Sales MoM	Apr				-0.20%	14.00	0.00
US	JOLTS Job Openings	Apr				4994	14.00	0.00
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		7-Jul	2.00%	2.00%		2.00%		
Europe ECB		3-Jun	0.05%	0.05%		0.05%		
UK BOE		4-Jun	0.50%	0.50%		0.50%		
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%		
Canada, BoC		16-Jul				0.75%		

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

Global Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406

Australia

Economics

Ivan Colhoun
Chief Economist, Markets
+61 2 9237 1836

David de Garis
Senior Economist
+61 3 8641 3045

Tapas Strickland
Economist
+61 2 9237 1980

FX Strategy

Ray Attrill
Global Co-Head of FX Strategy
+61 2 9237 1848

Emma Lawson
Senior Currency Strategist
+61 2 9237 8154

Interest Rate Strategy

Skye Masters
Head of Interest Rate Strategy
+61 2 9295 1196

Rodrigo Catril
Interest Rate Strategist
+61 2 9293 7109

Credit Research

Michael Bush
Head of Credit Research
+61 3 8641 0575

Simon Fletcher
Senior Credit Analyst – FI
+61 2 9237 1076

Distribution

Barbara Leong
Research Production Manager
+61 2 9237 8151

Group Economics

Alan Oster
Group Chief Economist
+61 3 8634 2927

New Zealand

Stephen Toplis
Head of Research, NZ
+64 4 474 6905

Craig Ebert
Senior Economist
+64 4 474 6799

Doug Steel
Senior Economist
+64 4 474 6923

Kymerly Martin
Senior Market Strategist
+64 4 924 7654

Raiko Shareef
Currency Strategist
+64 4 924 7652

Yvonne Liew
Publications & Web Administrator
+64 4 474 9771

Asia

Christy Tan
Head of Markets Strategy/Research, Asia
+852 2822 5350

UK/Europe

Nick Parsons
Head of Research, UK/Europe,
and Global Co-Head of FX Strategy
+44 207 710 2993

Gavin Friend
Senior Markets Strategist
+44 207 710 1588

Derek Allassani
Research Production Manager
+44 207 710 1532

James Glenn
Senior Economist – Australia
+61 3 9208 8129

Vyanne Lai
Economist – Australia
+61 3 8634 0198

Phin Ziebell
Economist – Agribusiness
+61 475 940 662

Amy Li
Economist – Australia
+61 3 8634 1563

Dean Pearson
Head of Industry Analysis
+61 3 8634 2331

Robert De lure
Senior Economist – Industry Analysis
+61 3 8634 4611

Brien McDonald
Senior Economist – Industry Analysis
+61 3 8634 3837

Karla Bulauan
Economist – Industry Analysis
+61 3 8641 4028

Tom Taylor
Head of Economics, International
+61 3 8634 1883

Tony Kelly
Senior Economist – International
+61 3 9208 5049

Gerard Burg
Senior Economist – Asia
+61 3 8634 2788

John Sharma
Economist – Sovereign Risk
+61 3 8634 4514

Jacqui Brand
Personal Assistant
+61 3 8634 2181

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.