



Markets Today

A daily outlook for Australia, key global economies and markets

5 June 2015

Another step down the road we go

As has been touted in recent days, the IMF confirmed that Greece has asked the IMF to bundle its four June payments into one, delaying therefore the €301mn payment due to the Fund tonight. IMF spokesman Gerry Rice said that under a Fund Executive Board decision of the late 1970s, member countries can ask the Fund to bundle multiple principal payments due in a calendar month into one.

Greek PM Tsipras is due to speak to the Greek Parliament tonight and apparently to respond to its European creditors on Monday on a reform plan given to Greece. Europeans are pressing for agreement by June 14. German Chancellor Merkel is quoted overnight saying that "we are from reaching a conclusion", that combined with the payment bundling points to a further episode of "kicking the can down the road" and still with no evident structural resolution to Greece's debt issues.

Against that background and continuing wire chatter overnight, the Euro rallied for a time to over 1.135 (on what looked to be some USD softness for a time), but has since given up those gains to be trading just below 1.1250 in the lead up to payrolls tonight.

Adding some spice into the mix for the US\$, the IMF has weighed into the rate lift-off debate overnight in its US Article IV annual report on the economy saying that rate lift off should be delayed until 2016. The night before's US trade report for April reported an encouraging start for trade into Q2 pointing to the absence of what was a large net export drag in Q1.

The big loser currency wise over the past 24 hours has been the AUD in what has been a very whippy week for the Aussie battler. It started the week soft after weak Capex, surging after the RBA Board and GDP, but falling back again yesterday after softer retail sales and the trade blowout. The AUD overnight is somewhat weaker again in net terms overnight and trading just below 0.77 this morning. Iron ore spot prices were up a strong \$1.44 yesterday to \$64.77, the highest levels since early this year.

Coming up today/tonight

Very light on for data this morning with the AU AiG PCI Construction index for May and the Japanese leading index. Ahead of payrolls tonight comes German factory orders and a later vintage of Euro Q1 GDP.

But the market is really fixated now on tonight's US non-farm payrolls for May. The consensus expectation is for headline payrolls growth of 225K, virtually the same as April's, with the unemployment rate steady at 5.4%. Similarly, average hourly earnings are expected to have grown by 0.2%/2.2% after April's 0.1%/2.2%. With such sharply unchanged expectations, there's the definite potential for price action should the outcome be too much different from expectations. Last night's jobless claims data continues to reflect a labour market that is still holding a degree of vigour.

Canada also has its May labour market report tonight, released at the same time as the payrolls. Canada's unemployment rate

is expected to be steady at 5.8%. Last night's IVEY PMI for May included a strong headline result (62.3) and an encouraging rise in the employment component from 50.3 to 51.8, having been below 50 in February and March.

With Monday a public holiday, just a reminder of scheduled Asia data at the start of next week. In Japan, there's a later vintage of Q1 GDP and expected to be revised up marginally, along with its April current account report, May bank lending and Economy Watchers' Survey.

On Tuesday, the NAB Business Survey for May is being released along with May housing finance approvals.

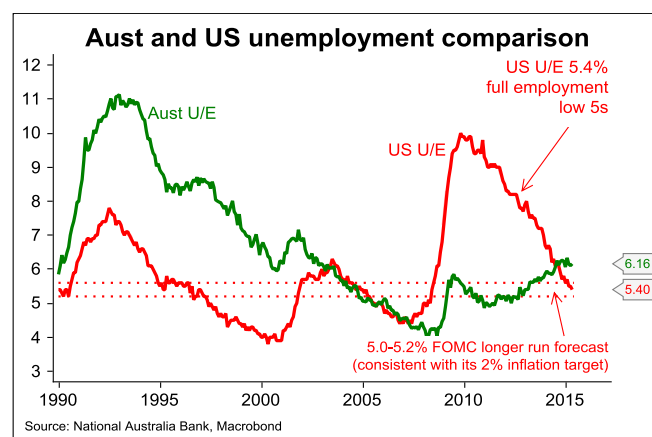
Overnight

- Equities weaker ahead of payrolls, and US Treasury yields lower too: Eurostoxx 600 -0.8%, Dax -0.7%, CAC -0.9%, FTSE -1.3%. Dow -171 points to 17,906, -0.9%, S&P 500 -0.9%, Nasdaq -0.9%, VIX 14.71 +7.7%. Mumbai +0.8%, Nikkei 225 -0.8% and ASX 200 -0.1%; ASX SPI futures this morning -0.3%. US bond yields: 2s at 0.66% (-1), 10s at 2.31% (-6). WTI oil at \$57.98 (-2.8%), Brent at \$62.08 (-2.7%), Malaysian Tapis (yesterday) \$65.14 (-1.1%). Gold at \$1176.60/oz (-0.7%). Base metals: LME copper -1.6%, nickel -0.4%, aluminium -0.5%. Iron ore \$64.8/t +2.3% Chinese steel rebar futures +0.1%. Soft commodities spot futures: wheat +2.8%, sugar +0.6%, cotton +0.0%, coffee 1.0%. Euro Dec 14 CO2 emissions at €7.43/t (-1.2%). The AUD/USD's range overnight 0.7664-0.7763; indicative range today 0.7655-0.7730; the AUD/USD is 0.7688 now**
- The Bank of England** left policy unchanged, as entirely expected
- US weekly Jobless Claims (w/e 30 May)** 276K (L: 282K; E: 278K); **US Unit labour costs (Q1, revised)** 6.7% (L: 5.0%; E: 6.1%)

Good luck.

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Chart of the day: US Labour market nearing full employment



Markets

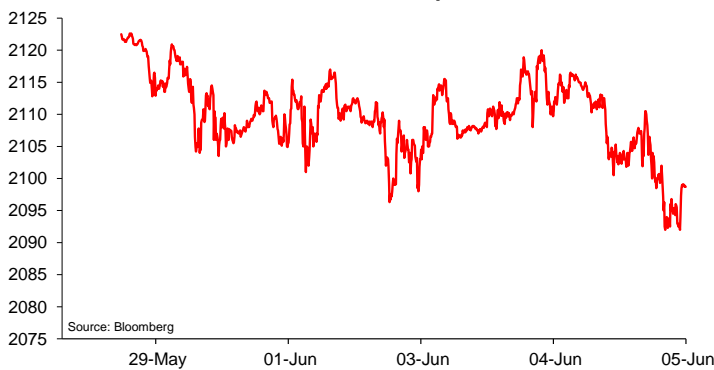
AUD/USD- past week



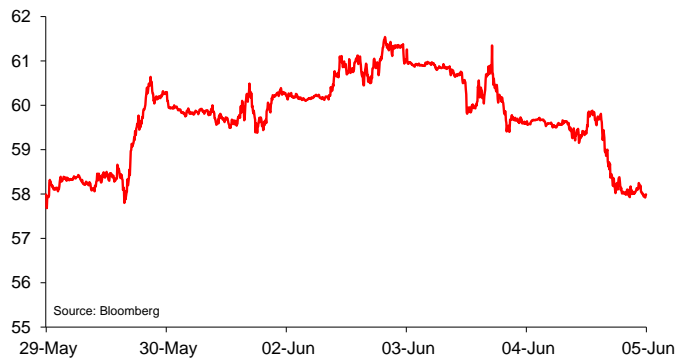
US 10 year bonds- past week



S&P 500 futures- past week



WTI futures- past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7688	0.0	0.7686	0.7690	HKD	7.7521 0.0
NZD	0.7130	-0.3	0.7103	0.7158	CNY	6.2013 0.0
EUR	1.1233	-1.1	1.1222	1.1366	SGD	1.3473 0.2
GBP	1.5359	-0.5	1.5342	1.5444	IDR	13,314 0.1
JPY	124.39	0.3	123.99	124.69	THB	33.73 0.0
CAD	1.2503	0.5	1.2437	1.2507	KRW	1,113 0.2
AUD/EUR	0.6843	0.2			TWD	31.06 0.6
AUD/JPY	95.63	-0.6			PHP	44.93 0.1
AUD/GBP	0.5006	-0.4			CHF	0.93 0.4
AUD/NZD	1.0783	-0.6			SEK	8.28 0.4

Equities

Major Indices			
	Last	% day	% year
Dow	17,906	-0.9	7.0
S&P 500	2,096	-0.9	8.7
Nasdaq	5,059	-0.8	19.0
VIX Index	14.71	7.7	21.8
FTSE	6,859	-1.3	0.6
DAX	11,341	-0.7	14.2
CAC 40	4,987	-0.9	10.8
Nikkei	20,488	0.1	35.9
Shanghai	4,947	0.8	142.4
Hang Seng	27,552	-0.4	19.2
ASX200	5,504	-1.4	1.2

Commodities*

	Last	% day
Oil (Brent)	62.08	-2.7
Oil (WTI)	57.98	-2.8
Oil (Tapis)	65.14	-1.1
Gold	1176.60	-0.7
CRB	221.66	-0.9
GS Metals	309.4	-1.1
Aluminium	1743	-0.5
Copper	5915	-1.6
Nickel	12950	-0.4
Zinc	2142	-1.4
Ch. steel	2348	0.1
Iron ore	64.8	2.3
St. coal	61.8	n.a.
Wheat Chic.	529.3	2.8
Sugar	12.12	0.6
Cotton	65.28	0.0
Coffee	135.7	1.0

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.25	0.28	0.90	2.39	USD 10	2.31	-0.06
AUD	2.00	2.15	2.15	3.28	AUD 10	3.04	0.15 0.73
NZD	3.50	3.48	3.35	4.04	NZD 10	3.82	-0.04 1.51
EUR	0.05	0.06	0.12	1.12	CAD 10	1.74	-0.04 -0.57
GBP	0.50	0.57	1.01	2.08	EUR 10	0.84	-0.04 -1.47
JPY	0.09	0.09	0.15	0.67	GBP 10	2.03	-0.04 -0.27
CAD	0.75	1.17	0.98	2.20	JPY 10	0.51	0.04 -1.80

Overnight Futures

Australia	
	Last Chge
3 mth bill	97.85 0.00
3 Yr bond	97.95 0.04
10 Yr bond	97.04 0.08
3/10 sprd	0.92 -0.03
SPI	-19.0 -0.3

CO2 Emissions - Euros

	Last	% day
Dec-2015	7.43	-1.2
Dec-2016	7.51	-1.2
Dec-2017	7.61	-1.2

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
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%	<i>not given</i>	<i>not given</i>
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		62.8%		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								
AU	Public Holiday (Queen's birthday except WA)							
JN	BoP Current Account Balance/Adjusted	Apr		¥1847.8B		¥2795.3B/¥2066.3B	23.50	9.50
JN	Trade Balance BoP Basis	Apr		¥671.4B		¥671.4B	23.50	9.50
JN	GDP SA QoQ/saar	1Q F		0.7%/2.7%		0.6%/2.4%	23.50	9.50
CH	Trade Balance (date/time not yet confirmed)	May		\$43.0B		\$34.13B	3.00	13.00
JN	Eco Watchers Survey Current/Outlook	May				53.6/54.2	5.00	15.00
GE	Industrial Production SA MoM/YoY	Apr		0.6%/0.9%		-0.5%/0.1%	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	Exports/Imports YoY	May		-4%/-10%		-6.4%/-16.2%	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
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	Trade Balance	Apr		£2600		£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	JOLTS Job Openings	Apr				4994	14.00	0.00
Wednesday, 10 June 2015								
NZ	Card Spending Retail MoM	May				-0.70%	22.45	8.45
NZ	Card Spending Total MoM	May				-1.10%	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jun-07					23.30	9.30
JN	Machine Orders MoM/YoY	Apr		-5%/-2.2%		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						2.30	12.30
UK	Industrial Production MoM/YoY	Apr		0.0%/0.5%		0.5%/0.7%	8.30	18.30
UK	Manufacturing Production MoM/YoY	Apr		0.1%/0.4%		0.4%/1.1%	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	May		910.0B		707.9B	14.00	0.00
CH	Aggregate Financing CNY	May		1200.0B		1050.0B	14.00	0.00
US	Monthly Budget Statement	May		-\$100.5B			18.00	4.00
Thursday, 11 June 2015								
NZ	RBNZ Official Cash Rate	Jun-11		3.50%		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%	23.01	9.01
JN	Foreign Buying Japan Bonds	Jun-05					23.50	9.50
AU	Consumer Inflation Expectation	Jun				3.60%	1.00	11.00
AU	Employment Change	May		10.0K		-2.9K	1.30	11.30
AU	Unemployment Rate	May		6.30%		6.20%	1.30	11.30
AU	Participation Rate	May		64.80%		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
CA	Capacity Utilization Rate	1Q				83.60%	12.30	22.30
US	Retail Sales Advance MoM	May				0.00%	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					12.30	22.30
US	Bloomberg Consumer Comfort	Jun-07					13.45	23.45
US	Business Inventories	Apr		0.10%		0.10%	14.00	0.00
Upcoming Central Bank Interest Rate Announcements								
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%		
Australia	RBA	7-Jul		2.00%	2.00%	2.00%		
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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