



Markets Today

A daily outlook for Australia, key global economies and markets

14 July 2015

Greece lives to fight another day with even more debt

After a truly marathon effort, the EU leaders and Greece reached a deal in the early hours of Monday morning Europe time. Another bailout, but with no debt haircut. In return for a three year bailout of €86bn, with bridging finance to help cover loan repayments of €7bn by 20 July and an additional €5bn by mid-August, Greece will agree to spending cuts, pensions and tax reforms which go beyond those which were rejected by 61% of the voters in a referendum last Sunday. Moreover, to help rebuild the broken trust with its creditors, the country will earmark €50bn of projects for privatisation and put these into a separate ring-fenced entity to be based in Athens, the proceeds used to recapitalise the banking system and repay creditors in the event of non-compliance with their demands. All of this must be voted through the Greek Parliament no later than Wednesday this week. Read the full statement [here](#).

Once the Greek parliament has voted for the programme (the presumption is that Opposition MPs will cast their vote in favour of the bailout, thereby outnumbering the 17 Syriza MPs who either voted 'no', abstained or were absent on Saturday) and the proposals are put into law by July 15, then the ESM bail-out parliamentary approval processes can commence across the Eurozone requiring national parliaments in Finland, Germany, Austria, Netherlands, Slovakia and Estonia to approve starting ESM talks. Then, bridging finance will be made available to allow Greece to repay its debt to the ECB which falls due on July 20th. It's all a very tight ambitious timetable with lots of execution risk but, as my London-based colleague Nick Parsons has emphasised in his overnight fuller report, having come so far over the weekend, EU leaders are not about to throw away the opportunity to give the Greek can – and its people – an almighty kick.

German Chancellor Angela Merkel stressed there will be no debt haircut: "The Euro Summit stresses that nominal haircuts on the debt cannot be undertaken." European politicians must say one thing to each other, another to financial markets and yet another to domestic audiences. Adding another €86bn gross of debt – albeit some will be used to pay off existing loans – takes Greece's debt/GDP ratio over 200%. The chances of this ever being repaid in part or in full are close to zero. This inconvenient truth will only be hidden for the time being.

In essence, the response of the FX markets to the announcement tells the story for the single currency. After an initial short-lived bounce, it's been downhill since, the EUR/USD heading south, also damping the AUD in the process back toward 0.74. For the USD, it's unlocked one potential market stumbling block to Fed rate lift-off before year end, making meetings after July 30 "live". The Bloomberg spot US dollar index rose 0.64%. Euro bond yields eased, Treasury yields rose and copper was flat.

Coming up today/tonight

Greece aside for now allows some more attention on national data. For local markets, there is the June NAB Business Survey

at 11.30 and before then the weekly ANZ-Roy Morgan Consumer Confidence index that fell 4.6% last week.

As for the NAB Survey, a reminder that in May there was a rise both in Business Confidence (from 3 to 7) and in Business Conditions (from 4 to 7) with Mining continuing to run against the grain of improvement and pulling back further.

Tonight there's the UK CPI and the ZEW Survey for EC and Germany for July, then the primary focus will be on the June US retail sales report, the market looking for a further rise in headline and underlying sales. The NFIB Small Business Optimism survey is also now increasingly watched by the market, including what it has to say about small business current and planned employee compensation. The trend in both has been broadly steady recently after some earlier rises.

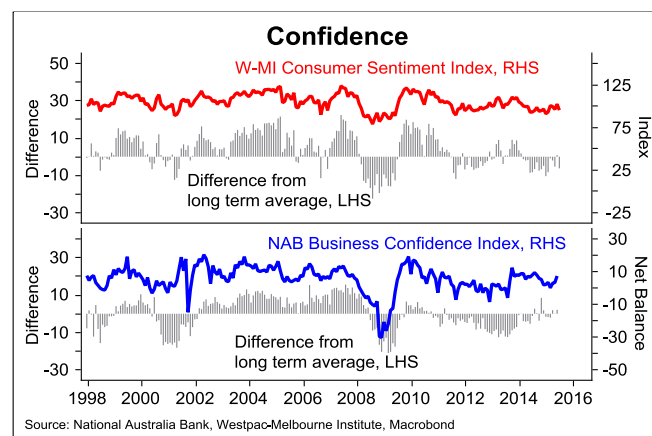
Overnight

- Euro falls after Greek bailout agreed: Eurostoxx 600 +2.0%, Dax +1.5%, CAC +1.9%, FTSE +1.0%. Dow +217 points to 17,978, +1.2%, S&P 500 +1.2%, Nasdaq +1.1%, VIX 13.90 -17.4%. Mumbai +2.4%, Nikkei 225 +1.5% and ASX 200 -0.3%; ASX SPI futures this morning +1.7%. US bond yields: 2s at 0.68% (4), 10s at 2.45% (+5). WTI oil at \$52.05 (-1.3%), Brent at \$57.89 (-1.4%), Malaysian Tapis (yesterday) \$58.83 (+0.0%). Gold at \$1156.90/oz (-0.1%). Base metals: LME copper +0.0%, nickel +4.4%, aluminium +0.8%. Iron ore \$50.3/t +0.4% Chinese steel rebar futures +0.5%. Soft commodities spot futures: wheat -0.3%, sugar +1.2%, cotton +0.0%, coffee 2.0%. Euro Dec 14 CO2 emissions at €7.80/t (2.4%). The AUD/USD's range overnight 0.7383-0.7466; indicative range today 0.7360-0.7435; the AUD/USD is 0.7406 now**
- China's trade balance (Jun) \$46.54B (L: \$59.49B; E: \$46.7B); Exports +2.8% y/y (L: -2.5%; E: +1.0%); Imports -6.1% (L: -17.6%; E: -15.5%); US Monthly Budget (Jun) \$51.8B (L: 70.5B; E: 50.0B)**

Good luck.

David.deGaris@nab.com.au

Chart of the day: Business confidence better than for consumers



Markets

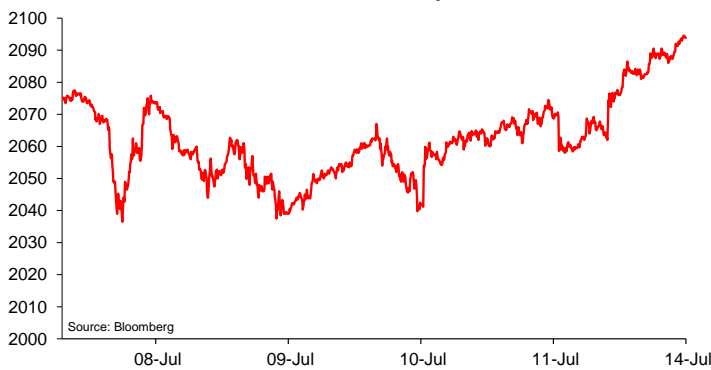
AUD/USD- past week



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 | 0.7406 | -0.5 | 0.7383 | 0.7469 | HKD | 7.7520 0.0 |
| NZD | 0.6694 | -0.1 | 0.6680 | 0.6711 | CNY | 6.2073 0.0 |
| EUR | 1.1005 | -0.6 | 1.0995 | 1.1081 | SGD | 1.3568 0.2 |
| GBP | 1.5487 | -0.5 | 1.5481 | 1.5563 | IDR | 13,262 -0.3 |
| JPY | 123.41 | 0.0 | 123.31 | 123.54 | THB | 34.03 0.1 |
| CAD | 1.2740 | 0.2 | 1.2699 | 1.2791 | KRW | 1,136 0.4 |
| AUD/EUR | 0.6730 | 0.3 | | | TWD | 31.06 0.1 |
| AUD/JPY | 91.40 | -0.3 | | | PHP | 45.19 0.1 |
| AUD/GBP | 0.4781 | 0.2 | | | CHF | 0.95 0.3 |
| AUD/NZD | 1.1063 | -0.2 | | | SEK | 8.49 0.1 |

Equities

| Major Indices | | | |
|---------------|--------|-------|--------|
| | Last | % day | % year |
| Dow | 17,978 | 1.2 | 6.1 |
| S&P 500 | 2,100 | 1.1 | 6.7 |
| Nasdaq | 5,072 | 1.5 | 14.9 |
| VIX Index | 13.90 | -17.4 | 15.1 |
| FTSE | 6,738 | 1.0 | 0.7 |
| DAX | 11,484 | 1.5 | 18.8 |
| CAC 40 | 4,998 | 1.9 | 15.8 |
| Nikkei | 20,090 | 1.6 | 31.3 |
| Shanghai | 3,970 | 2.4 | 92.1 |
| Hang Seng | 25,224 | 1.3 | 8.0 |
| ASX 200 | 5,473 | -0.3 | -0.7 |

Commodities*

| | Last | % day |
|-------------|---------|-------|
| Oil (Brent) | 57.89 | -1.4 |
| Oil (WTI) | 52.05 | -1.3 |
| Oil (Tapis) | 58.83 | 0.0 |
| Gold | 1156.90 | -0.1 |
| CRB | 218.51 | 0.1 |
| GS Metals | 296.3 | 1.0 |
| Aluminium | 1713 | 0.8 |
| Copper | 5591 | 0.0 |
| Nickel | 11750 | 4.4 |
| Zinc | 2053 | 2.1 |
| Ch. steel | 2024 | 0.5 |
| Iron ore | 50.3 | 0.4 |
| St. coal | 61.8 | n.a. |
| Wheat Chic. | 582.0 | -0.3 |
| Sugar | 12.56 | 1.2 |
| Cotton | 65.52 | 0.0 |
| Coffee | 128.8 | 2.0 |

Interest Rates

| Indicative Swap Rates | | | | Benchmark 10 Year Bonds | | | |
|-----------------------|------|------|------|-------------------------|--------|------|-------------|
| | Cash | 3mth | 2Yr | 10Yr | Last | chge | Sprd |
| USD | 0.25 | 0.29 | 0.93 | 2.54 | USD 10 | 2.45 | 0.05 |
| AUD | 2.00 | 2.15 | 2.17 | 3.38 | AUD 10 | 2.99 | 0.06 0.54 |
| NZD | 3.25 | 3.19 | 2.99 | 3.89 | NZD 10 | 3.55 | 0.02 1.09 |
| EUR | 0.05 | 0.06 | 0.12 | 1.23 | CAD 10 | 1.69 | 0.01 -0.76 |
| GBP | 0.50 | 0.58 | 1.11 | 2.22 | EUR 10 | 0.86 | -0.04 -1.60 |
| JPY | 0.10 | 0.10 | 0.15 | 0.63 | GBP 10 | 2.12 | 0.04 -0.33 |
| CAD | 0.75 | 1.17 | 0.87 | 2.19 | JPY 10 | 0.46 | 0.01 -2.00 |

Overnight Futures

| | Last | Chge |
|------------------|-------|-------|
| Australia | | |
| 3 mth bill | 97.88 | -0.01 |
| 3 Yr bond | 97.95 | -0.04 |
| 10 Yr bond | 96.92 | -0.03 |
| 3/10 sprd | 1.04 | -0.01 |
| SPI | 91.0 | 1.7 |

CO₂ Emissions - Euros

| | Last | % day |
|----------|------|-------|
| Dec-2015 | 7.80 | 2.4 |
| Dec-2016 | 7.89 | 2.5 |
| Dec-2017 | 8.00 | 2.4 |

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 |
|--|--|-------------|--------------|--------------|--------|-------------|-------|-------|
| Tuesday, 14 July 2015 | | | | | | | | |
| UK | BRC Sales Like-For-Like YoY | Jun | | | | 0.0% | 23.01 | 9.01 |
| AU | ANZ Roy Morgan Weekly Consumer Confidence Index | Jul-12 | | | | 111/-4.6% | 23.30 | 9.30 |
| AU | NAB Business Confidence/Conditions | Jun | | | | 7/7 | 1.30 | 11.30 |
| NZ | Non Resident Bond Holdings | Jun | | | | 69.0% | 3.00 | 13.00 |
| GE | CPI MoM/YoY | Jun F | | -0.1%/0.3% | | -0.1%/0.3% | 6.00 | 16.00 |
| UK | CPI MoM/YoY | Jun | | 0.1%/0.1% | | 0.2%/0.1% | 8.30 | 18.30 |
| UK | PPI Output Core NSA YoY | Jun | | 0.0%/0.1% | | 0.0%/0.1% | 8.30 | 18.30 |
| UK | ONS House Price YoY | May | | | | 5.5% | 8.30 | 18.30 |
| EC | Industrial Production MoM/YoY | May | | 0.2%/1.9% | | 0.1%/0.8% | 9.00 | 19.00 |
| GE | ZEW Survey Current Situation/Expectations | Jul | | 60.5/30.5 | | 62.9/31.5 | 9.00 | 19.00 |
| EC | ZEW Survey Expectations | Jul | | | | 53.7 | 9.00 | 19.00 |
| US | Retail Sales Advance MoM | Jun | | 0.3% | | 1.2% | 12.30 | 22.30 |
| CA | Teranet/National Bank HP Index MoM/YoY | Jun | | | | 0.9%/4.6% | 12.30 | 22.30 |
| US | Import Price Index YoY | Jun | | | | -9.6% | 12.30 | 22.30 |
| US | NFIB Small Business Optimism | Jun | | 98.5 | | 98.3 | 13.00 | 23.00 |
| US | Business Inventories | May | | | | 0.4% | 14.00 | 0.00 |
| Wednesday, 15 July 2015 | | | | | | | | |
| US | Fed's George speaks on the economy | | | | | | 0.15 | 10.15 |
| AU | Westpac Consumer Confidence Index/MoM | Jul | | | | 95.3/-6.9% | 0.30 | 10.30 |
| AU | New Motor Vehicle Sales MoM/YoY | Jun | | | | -1.3%/0.8% | 1.30 | 11.30 |
| AU | Building Activity | Q1 | | | | | 1.30 | 11.30 |
| AU | Construction Activity | Q1 | | | | | 1.30 | 11.30 |
| CH | Retail Sales YoY | Jun | | 10.20% | | 10.1% | 2.00 | 12.00 |
| CH | Industrial Production YoY | Jun | | 6.00% | | 6.10% | 2.00 | 12.00 |
| CH | Fixed Assets Ex Rural YTD YoY | Jun | | 11.20% | | 11.4% | 2.00 | 12.00 |
| CH | GDP QoQ/YoY | 2Q | | 1.5%/6.8% | | 1.3%/7.0% | 2.00 | 12.00 |
| CH | Bloomberg GDP Monthly Estimate YoY | Jun | | | | 6.55% | 2.30 | 12.30 |
| JN | BoJ Monetary Policy Statement/Kuroda Press Conference | | | | | | 3.00 | 13.00 |
| UK | Jobless Claims Change | Jun | | -8K | | -6.5K | 8.30 | 18.30 |
| UK | Average Weekly Earnings 3M/YoY | May | | 3.30% | | 2.7% | 8.30 | 18.30 |
| UK | ILO Unemployment Rate 3Mths | May | | 5.5% | | 5.5% | 8.30 | 18.30 |
| US | MBA Mortgage Applications | Jul-10 | | | | | 11.00 | 21.00 |
| US | Empire Manufacturing | Jul | | 3.25 | | -1.98 | 12.30 | 22.30 |
| US | PPI MoM/YoY | Jun | | 0.2%/-0.9% | | 0.5%/-1.1% | 12.30 | 22.30 |
| CA | Manufacturing Sales MoM | May | | 0.30% | | -2.1% | 12.30 | 22.30 |
| CA | Existing Home Sales MoM | Jun | | | | 3.1% | 13.00 | 23.00 |
| US | Industrial Production MoM/Cap U | Jun | | 0.2%/78.1% | | -0.2%/78.1% | 13.15 | 23.15 |
| US | Fed's Yellen delivers Semi-Annual Testimony to House Financial Panel | | | | | | 14.00 | 0.00 |
| CA | BoC rate decision and Monetary Policy Report | | | | | | 14.00 | 0.00 |
| NNZ | Dairy Auction, early am NZT (GDT - weighted price index) | | | | | -5.90% | | |
| US | Fed's Mester (nv) speaks on economic outlook | | | | | | 16.25 | 2.25 |
| US | U.S. Federal Reserve Releases Beige Book | | | | | | 18.00 | 4.00 |
| US | Fed's Williams (v) Speaks on Outlook and panel participation | | | | | | 19.00 | 5.00 |
| Thursday, 16 July 2015 | | | | | | | | |
| NZ | BusinessNZ Manufacturing PMI | Jun | | | | 51.5 | 22.30 | 8.30 |
| NZ | CPI QoQ/YoY | 2Q | 0.7%/0.5% | 0.5%/0.3% | | -0.3%/0.1% | 22.45 | 8.45 |
| AU | Consumer Inflation Expectation | Jul | | | | 3.0% | 1.00 | 11.00 |
| AU | Merchandise imports, goods debits, sa MoM | Jun | | | | -5.0% | 1.30 | 11.30 |
| AU | RBA FX Transactions Market | Jun | | | | 487M | 1.30 | 11.30 |
| EC | Trade Balance SA | May | | | | 24.3B | 9.00 | 19.00 |
| EC | CPI MoM/YoY | Jun/Jul F | | 0.0%/0.2% | | 0.2%/0.2% | 9.00 | 19.00 |
| EC | ECB Main Refinancing Rate/Deposit Facility Rate | Jul-16 | | 0.05%/-0.2% | | 0.05%/-0.2% | 11.45 | 21.45 |
| US | Initial Jobless Claims | Jul-11 | | | | 297K | 12.30 | 22.30 |
| CA | Int'l Securities Transactions | May | | | | 12.94B | 12.30 | 22.30 |
| US | NAHB Housing Market Index | Jul | | 59 | | 59 | 14.00 | 0.00 |
| US | Philadelphia Fed Business Outlook | Jul | | 12 | | 15.2 | 14.00 | 0.00 |
| US | Fed's Yellen delivers Semi-Annual Testimony to Senate Banking Panel | | | | | | 18.30 | 4.30 |
| US | Net Long-term TIC Flows | May | | | | \$53.9B | 20.00 | 6.00 |
| Friday, 17 July 2015 | | | | | | | | |
| NZ | ANZ Job Advertisements MoM | Jun | | | | 0.1% | 22.00 | 8.00 |
| AU | Conf. Board Leading Index MoM | May | | | | -0.3% | 0.00 | 10.00 |
| NZ | ANZ Consumer Confidence Index/MoM | Jul | | | | 119.9/-3.2% | 1.00 | 11.00 |
| EC | ECB Survey of Professional Forecasters | | | | | | 8.00 | 18.00 |
| EC | Construction Output MoM/YoY | May | | | | 0.3%/0.0% | 9.00 | 19.00 |
| US | CPI MoM/YoY | Jun | | 0.3%/0.2% | | 0.4%/0.0% | 12.30 | 22.30 |
| US | CPI Ex Food and Energy MoM/YoY | Jun | | 0.2%/1.8% | | 0.1%/1.7% | 12.30 | 22.30 |
| US | Housing Starts / MoM | Jun | | 1100K/6.2% | | 1036K-11.1% | 12.30 | 22.30 |
| US | Building Permits / MoM | Jun | | 1110K/-11.2% | | 1275K/11.8% | 12.30 | 22.30 |
| CA | CPI MoM/YoY | Jun | | 0.2%/1.0% | | 0.6%/0.9% | 12.30 | 22.30 |
| US | U. of Mich. Sentiment | Jul P | | 96.5 | | 96.1 | 14.00 | 0.00 |
| Saturday, 18 July 2015 | | | | | | | | |
| CH | Property Prices | Jun | | | | | 1.30 | 11.30 |
| Upcoming Central Bank Interest Rate Announcements | | | | | | | | |
| 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% | | 0.75% | | |
| New Zealand, RBNZ | | 23-Jul | 3.00% | 3.00% | | 3.25% | | |
| US Federal Reserve | | 30-Jul | | | | | | |
| Australia, RBA | | 4-Aug | 2.00% | 2.00% | | 2.00% | | |
| UK BOE | | 6-Aug | | | | 0.50% | | |

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

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

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

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.