



Markets Today

A daily outlook for Australia, key global economies and markets

2 July 2015

I Won't Back Down

Tom Petty's 1989 classic is appropriately recast as an "Ode to Alex" (Tsipras) after the Greek Prime Minister says he won't back down on his referendum decision and that both he and Finance Minister Yanis Varoufakis confirmed they are campaigning for a 'No' vote in Sunday's poll. Both seemingly remain utterly convinced such an outcome will result in Greece's creditors immediately offering the debt relief the two have so far proved incapable of getting the institutions formerly known as the Troika to put into writing.

While markets for the most part continue to treat the latest outpourings of headlines on Greece as White Noise (The Living End, 2008, if you remember), the same cannot be said for the unfolding US economic calendar. The US dollar is stronger against every other G10 currency overnight and US bond yield are higher across the curve, more so at the longer end (bearish steepening) after all three US economic releases beat consensus expectations. Encouragingly, US equities look to have taken the Fed policy connotations of the data in their stride, though this may be in part because the week's key economic news that will - Greece aside - have most bearing on upcoming Fed deliberations, still lies ahead.

Markets reacted quite strongly to the ADP employment print (237k vs. 218k expected) even though in truth this tells us nothing other than that last month's official payrolls print was strong. More significant - though as it turned out less market sensitive, was the Manufacturing ISM (53.5 up from 52.8 and 53.2 expected, and with the employment sub-component particularly strong - see Chart of the Day). We also saw construction spending rise by 0.8%, double the expectation, and led by business, not housing, activity.

The positive ISM news was not replicated in the UK where its own manufacturing PMI slumped to 51.4 from 51.9, the weakest since April 2013. The news saw Sterling lose almost a cent, though over the past 24 hours the loss is smaller and GBP actually sits nearer the top than the bottom of the G10 scoreboard.

More surprisingly, the NZD is the 'least worst' performing G10 currency despite another weak Global Dairy Trade auction. Prices fell a further 5.9% to be down 40% on the year, in what our BNZ dairy expert describes as "The perfect storm - supply expansion, soft demand, and trade embargoes. It's a toxic mix". Thanks Doug.

Other things to note overnight include the ECB's decision not to raise the haircuts applied to the collateral offered by Greek banks in return for their Emergency Liquidity Assistance (ELA) support, though they also refuse to countenance any increase in the limit of ELA support. Greek citizens are said to be currently emptying ATMs at the rate of €40-50mn a day.

Coming Up

While traders can be forgiven for refusing to blink at the ongoing barrage of Greek related headlines pulverising their screens, the same cannot be said for tonight's US payrolls report. Upon this, expectations for Fed 'lift-of' as early as September will likely turn quite sharply one way or the other. Unless, of course, Greece-related market turmoil erupts next week, to take Fed tightening off limits. Yesterday, St. Louis Fed President James Bullard even suggested July was a live option, but for a supposedly strictly data dependent Fed, he would have to say that wouldn't he?

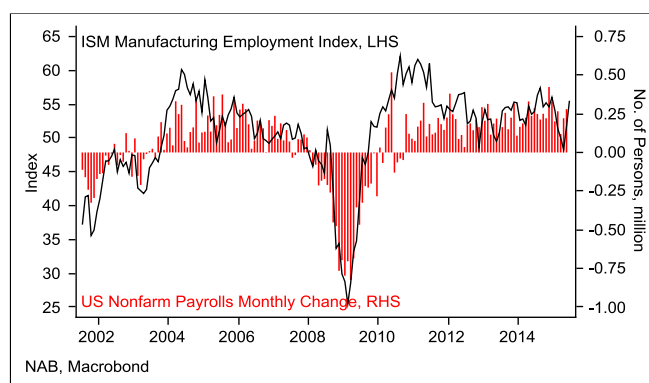
Market consensus for the data (bought forward by a day, remember, because of Friday's Independence Day holiday) is for headline non-farm payroll growth of 225k (estimates range from 145k to 255k). The unemployment rate is expected to tick down to 5.4% to 5.5% (recall the consensus FOMC view of the natural rate of unemployment, or NAIRU, is currently 5.0-5.2%). There will also be keen interest in the earnings data - running at 2.3% Y/Y in May and expected to have held there in June.

Domestically, we get the international trade release, where NAB looks for a smaller deficit after it plunged to a record \$3.888bn in April. There should be a noticeable improvement this month from the combination of lower merchandise imports (down 5%) and still high, if not higher, iron ore shipments. We expect a deficit of \$3bn but would not be surprised to see an even smaller deficit.

Overnight

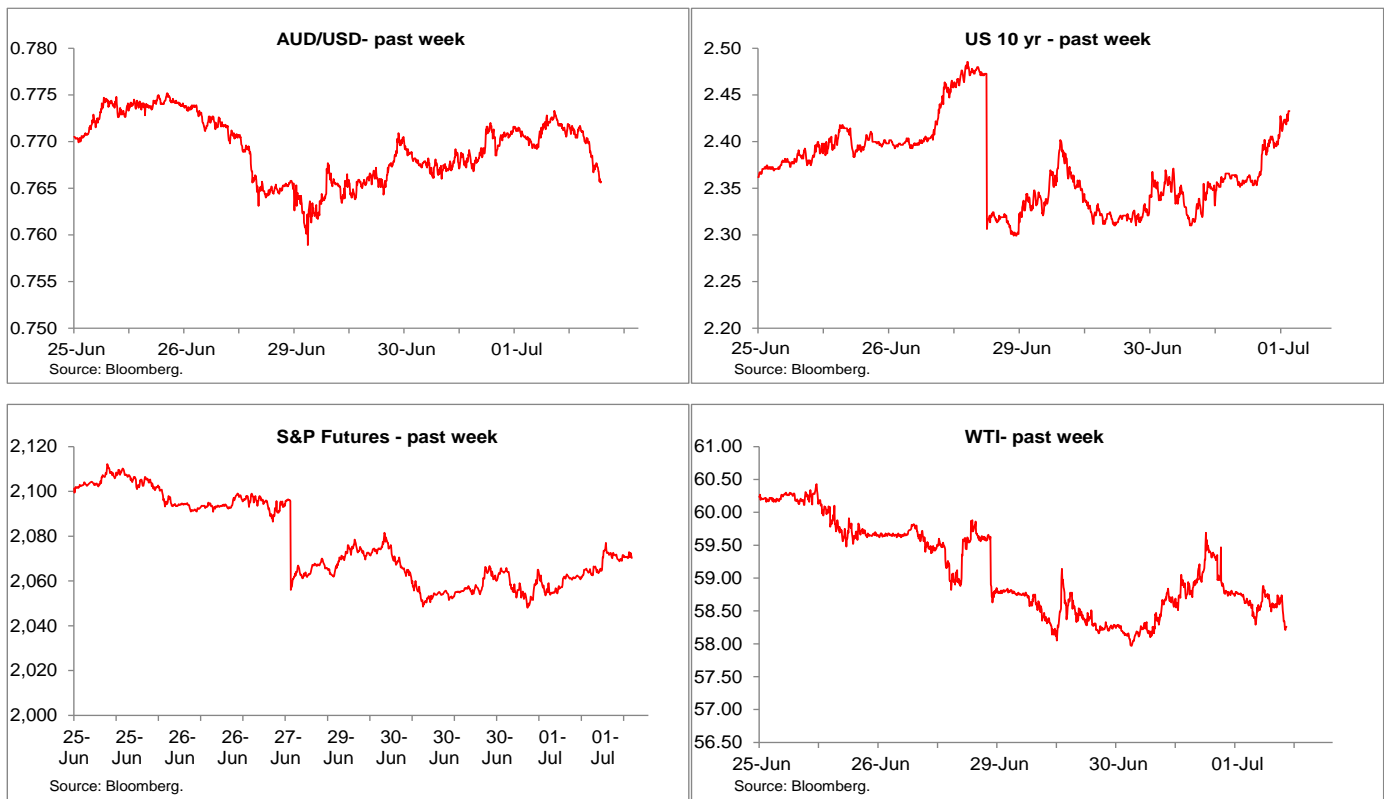
On global stock markets, the S&P 500 was +0.70%. Bond markets saw US 10-years +6.88bp to 2.42%. On commodity markets, Brent crude oil -2.31% to \$62.12, gold-0.4% to \$1,168, iron ore -0.3% to \$59.20. AUD is at 0.7649 and the range was 0.7639 to 0.7739. (For more market prices, please see p.2 of the pdf).

Chart of the Day: US ISM Employment vs. NFP



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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="2">Other FX</th> </tr> <tr> <th>Last</th> <th>% chge</th> <th>Low</th> <th>High</th> <th>Last</th> <th>% chge</th> </tr> </thead> <tr> <td>AUD</td> <td>0.7649</td> <td>-0.8</td> <td>0.7639</td> <td>0.7739</td> <td>HKD</td> <td>7.7525</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.6745</td> <td>-0.3</td> <td>0.6730</td> <td>0.6811</td> <td>CNY</td> <td>6.2016</td> <td>0.0</td> </tr> <tr> <td>EUR</td> <td>1.1057</td> <td>-0.8</td> <td>1.1043</td> <td>1.1171</td> <td>SGD</td> <td>1.3532</td> <td>0.4</td> </tr> <tr> <td>GBP</td> <td>1.5617</td> <td>-0.6</td> <td>1.5589</td> <td>1.5733</td> <td>IDR</td> <td>13,325</td> <td>-0.1</td> </tr> <tr> <td>JPY</td> <td>123.15</td> <td>0.5</td> <td>122.37</td> <td>123.24</td> <td>THB</td> <td>33.82</td> <td>0.1</td> </tr> <tr> <td>CAD</td> <td>1.2590</td> <td>0.8</td> <td>1.2476</td> <td>1.2598</td> <td>KRW</td> <td>1,118</td> <td>0.2</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6918</td> <td>0.0</td> <td></td> <td></td> <td>TWD</td> <td>30.91</td> <td>0.1</td> </tr> <tr> <td>AUD/JPY</td> <td>94.20</td> <td>-0.2</td> <td></td> <td></td> <td>PHP</td> <td>45.08</td> <td>0.0</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4898</td> <td>-0.1</td> <td></td> <td></td> <td>CHF</td> <td>0.95</td> <td>1.3</td> </tr> <tr> <td>AUD/NZD</td> <td>1.1340</td> <td>-0.5</td> <td></td> <td></td> <td>SEK</td> <td>8.37</td> <td>1.1</td> </tr> </table>								Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.7649	-0.8	0.7639	0.7739	HKD	7.7525	0.0	NZD	0.6745	-0.3	0.6730	0.6811	CNY	6.2016	0.0	EUR	1.1057	-0.8	1.1043	1.1171	SGD	1.3532	0.4	GBP	1.5617	-0.6	1.5589	1.5733	IDR	13,325	-0.1	JPY	123.15	0.5	122.37	123.24	THB	33.82	0.1	CAD	1.2590	0.8	1.2476	1.2598	KRW	1,118	0.2	AUD/EUR	0.6918	0.0			TWD	30.91	0.1	AUD/JPY	94.20	-0.2			PHP	45.08	0.0	AUD/GBP	0.4898	-0.1			CHF	0.95	1.3	AUD/NZD	1.1340	-0.5			SEK	8.37	1.1
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 | Major Indices | | | | |---------------|--------|-------|-------| | | Last | % day | % y/y | | Dow | 17,758 | +0.8 | 4.7 | | S&P 500 | 2,078 | +0.7 | 5.3 | | Nasdaq | 5,013 | +0.5 | 12.4 | | FTSE | 6,609 | +1.3 | -2.9 | | DAX | 11,181 | +2.2 | 12.9 | | CAC 40 | 4,883 | +1.6 | 9.5 | | Nikkei | 20,329 | +0.5 | 32.3 | | Shanghai | 4,054 | -5.2 | 96.8 | | Hang Seng | 26,250 | +1.1 | 13.2 | | ASX 200 | 5,516 | +1 | 1.1 | | | | | | | Last | % day | |-------------|---------|-------| | Oil (Brent) | 62.12 | -2.3 | | Oil (WTI) | 56.96 | -4.2 | | Oil (Tapis) | 64.74 | 2.2 | | Gold | 1167.50 | -0.4 | | CRB | 224.06 | -1.4 | | GS Metals | 300.9 | 1.1 | | Aluminium | 1696 | 2.2 | | Copper | 5767 | 0.2 | | Nickel | 11989 | 0.4 | | Zinc | 2038 | 2.3 | | Ch. steel | 2115 | -0.7 | | Iron ore | 59.2 | -0.3 | | Coal | 60.6 | -0.4 | | Wheat Chic. | 588.5 | -4.4 | | Sugar | 12.44 | -0.2 | | Cotton | 66.09 | -2.1 | | Coffee | 127.0 | -4.1 | | | || | Interest Rates | | | | Benchmark 10 Year Bonds | | | | |-----------------------|------|------|------|-------------------------|--------|------|------| | Indicative Swap Rates | | | | Last | chge | Spnd | | | | Cash | 3mth | 2Yr | 10Yr | | | | | USD | 0.25 | 0.28 | 0.94 | 2.52 | USD 10 | 2.42 | 0.07 | | AUD | 2.00 | 2.14 | 2.20 | 3.45 | AUD 10 | 3.01 | 0.00 | | NZD | 3.25 | 3.25 | 3.10 | 3.95 | NZD 10 | 3.64 | 0.02 | | EUR | 0.05 | 0.06 | 0.12 | 1.20 | CAD 10 | 1.69 | 0.00 | | GBP | 0.50 | 0.58 | 1.14 | 2.22 | EUR 10 | 0.81 | 0.05 | | JPY | 0.09 | 0.10 | 0.16 | 0.67 | GBP 10 | 2.11 | 0.08 | | CAD | 0.75 | 1.17 | 0.90 | 2.16 | JPY 10 | 0.48 | 0.02 | | | | | | | | | Overnight Futures | | | |-------------------|-------|-------| | | Last | Chge | | Australia | | | | 3 mth bill | 97.87 | -0.02 | | 3 Yr bond | 97.89 | -0.05 | | 10 Yr bonc | 96.86 | -0.07 | | 3/10 sprd | 1.03 | 0.02 | | SPI | -5.0 | -0.1 | | | | | | CO ₂ Emissions - Euros | | | |-----------------------------------|------|-------| | | Last | % day | | Jun-2015 | 7.53 | 0.5 | | Dec-2015 | 7.50 | 0.5 | | Dec-2016 | 7.58 | 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, 2 July 2015								
JN	Monetary Base YoY	Jun				35.6%	23.50	9.50
NZ	QV House Prices YoY	Jun				9.0%	0.00	10.00
NZ	ANZ Commodity Price, NZ\$ terms	Jun	1.50%			-2.7%	1.00	11.00
AU	Trade Balance	May	-3000M	-2250M		-3888M	1.30	11.30
AU	NAB Online Retail Sales index, MoM/YoY	May				1.5%/9.6%	1.30	11.30
AU	NAB Well Being Index	Q2					1.30	11.30
AU	Overseas arrivals and departures	Apr					1.30	11.30
EC	ECB account of the monetary policy meeting						11.30	21.30
US	Nonfarm Payrolls/Unemployment rate	Jun		223K/5.4%		280K/5.5%	12.30	22.30
US	Initial Jobless Claims	Jun-27					12.30	22.30
CA	RBC Canadian Manufacturing PMI	Jun				49.8	13.30	23.30
US	ISM New York	Jun				54.0	13.45	23.45
US	Factory Orders	May		0.0%		-0.4%	14.00	0.00
Friday, 3 July 2015								
US	Independence Day holiday							
AU	AiG Perf of Services Index	Jun				49.6	23.30	9.30
AU	Retail Sales MoM	May	0.6%	0.5%		0.0%	1.30	11.30
CH	HSBC China Services/Composite PMI	Jun				53.5/51.2	1.45	11.45
GE	Markit Germany Services/Composite PMI	Jun F				54.2/54.0	7.55	17.55
EC	Markit Eurozone Services/Composite PMI	Jun F				54.4/54.1	8.00	18.00
UK	Markit/CIPS UK Services/Composite PMI	Jun				56.5/55.8	8.30	18.30
Monday, 6 July 2015								
AU	TD Securities Inflation MoM/YoY	Jun				0.3%/1.4%	0.30	10.30
AU	ANZ Job Advertisements MoM	Jun				0.0%	1.30	11.30
JN	Leading Index CI	May P				106.4	5.00	15.00
GE	Factory Orders MoM/YoY	May				1.4%/0.4%	6.00	16.00
EC	Sentix Investor Confidence	Jul				17.1	8.30	18.30
US	Markit US Services PMI	Jun F					13.45	23.45
CA	Bloomberg Nanos Confidence	Jul-03					14.00	0.00
CA	Ivey Purchasing Managers Index SA	Jun				62.3	14.00	0.00
US	ISM Non-Manf. Composite	Jun				55.7	14.00	0.00
US	Labor Market Conditions Index Change	Jun				1.3	14.00	0.00
CA	Business Outlook Future Sales	2Q				4	14.30	0.30
CA	BoC Senior Loan Officer Survey	2Q				6.7	14.30	0.30
Tuesday, 7 July 2015								
NZ	NZIER Business Opinion Survey	2Q				23	22.00	8.00
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jul-05					23.30	9.30
AU	AiG Perf of Construction Index	Jun				47.8	23.30	9.30
AU	RBA Cash Rate Target	Jul-07		2.00%		2.00%	4.30	14.30
GE	Industrial Production SA MoM/YoY	May				0.9%/1.4%	6.00	16.00
UK	Industrial Production MoM/YoY	May				0.4%/1.2%	8.30	18.30
CA	Int'l Merchandise Trade	May				-2.97B	12.30	22.30
US	Trade Balance	May				-\$40.90B	12.30	22.30
US	JOLTS Job Openings	May				5376	14.00	0.00
US	Consumer Credit	May				\$20.541B	19.00	5.00
Wednesday, 8 July 2015								
UK	BRC Shop Price Index YoY	Jun				-1.9%	23.01	9.01
JN	BoP Current Account Adjusted	May				¥1274.2B	23.50	9.50
JN	Trade Balance BoP Basis	May				-¥146.2B	23.50	9.50
US	MBA Mortgage Applications	Jul-03					11.00	21.00
CA	Building Permits MoM	May				11.6%	12.30	22.30
JN	Eco Watchers Survey Current/Outlook	Jun				53.3/54.5	14.00	0.00
US	U.S. Fed Releases Minutes from June 16-17 FOMC Meeting						18.00	4.00
US	Fed's Williams (v) Speaks on Outlook in Los Angeles						18.00	4.00
Thursday, 9 July 2015								
NZ	ANZ Truckometer Heavy MoM	Jun				-1.1%	22.00	8.00
NZ	Card Spending Retail/Total MoM	Jun				1.2%/1.4%	22.45	8.45
UK	RICS House Price Balance	Jun				34%	23.01	9.01
JN	Machine Orders MoM/YoY	May				3.8%/3.0%	23.50	9.50
AU	Employment Change	Jun				42.0K	1.30	11.30
AU	Unemployment Rate	Jun				6.0%	1.30	11.30
AU	Full/Part Time Employment Change	Jun				14.7K/27.3K	1.30	11.30
AU	Participation Rate	Jun				64.7%	1.30	11.30
CH	CPI/PPI YoY	Jun				1.2%/-4.6%	1.30	11.30
GE	Current Account Balance	May				19.6B	6.00	16.00
US	Fed's Kocherlakota (nv) Speaks on Central Banks in Frankfurt						9.45	19.45
UK	Bank of England Bank Rate	Jul-09		0.50%		0.50%	11.00	21.00
CA	Housing Starts	Jun				201.7K	12.15	22.15
CA	New Housing Price Index MoM	May				0.1%	12.30	22.30
US	Initial Jobless Claims	Jul-04					12.30	22.30
US	Bloomberg Consumer Comfort	Jul-05					13.45	23.45
US	Fed's George (alt) Speaks on Economy in Stillwater, Oklahoma						17.00	3.00
Upcoming Central Bank Interest Rate Announcements								
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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