

Markets Today

A daily outlook for Australia, key global economies and markets

13 July 2015

Take it or leave it

According to the Guardian's European correspondent, 'extensive mental waterboarding' is one official described the rough ride being given to Greek PM Alex Tsipras by EU President Donald Tusk, German chancellor Merkel and French President Françoise Hollande. He says Tsipras was told Greece will either become an effective "ward" of the Eurozone, by agreeing to immediately implement swift reforms this week in order to qualify for additional aid, or leave the euro areas and watch its banks collapse.

This follows the leaking on Saturday of a German Finance Ministry position paper, in which Germany was to demand that Greece immediately transfer €50bn worth of assets to a trust fund, the sales of which would be used to pay down debt, or Greece should take a minimum five year 'time out from the euro. Under his Grexit plan, Greece would remain in the EU and receive humanitarian aid (the so called 'velvet divorce').

There is currently a four page document being circulated but which does not appear to represent a common position among Greece's European creditor, and with which Greece is said to have 'problems'. So expect discussions between Finance ministers and heads of state – which a French official has described as 'extremely violent' (and requiring German FinMin Schaeuble to be reigned in by Merkel) to continue well into the night. Veteran BBC presenter Andrew Neil, who has followed Greece in huge detail, tweets that he has 'no idea what is happening'.

What we can see is that the optimism with which markets were travelling into the weekend looks misplaced. This was after the institutions formerly known as the troika gave tentative thumbs up to the latest Greek proposal (authored with French assistance, apparently) tabled on Thursday. At the same time, it looks to be a case of 'twice bitten, three times shy' in terms of willingness to sell risk and the euro, after the previous two Mondays (first following the Greece referendum announcement, and then the resounding 'no') result, failed to produce meaningful sell offs.

Greece aside, a speech by Fed chair Yellen was Friday's main draw. There were no overtones that could be described as in any way 'hawkish'. Yellen again went to great lengths to argue the case for the current unemployment rate not being fully representative of a labour market now close to full employment.

Yellen continues to think that the participation rate may yet turn higher as the quality and quantity of jobs on offer improve, bemoans the percentage of those in work as wanting to work longer hours as still quite high relative to pre-GFC norms, and a 'quit rate that is still below those consistent with a fully employed economy. She did though

admit to seeing some signs of higher wage inflation. The role of the stronger dollar in depressing (manufacturing) activity earlier in the year, and suppressing inflation, was played up, while in stressing uncertainty surrounding the US economic outlooks he noted that "the situation in Greece remains unresolved".

Yet the fact Yellen confirmed both that her own outlook (for the economy and inflation) was broadly consistent with the central tendency of latest FOMC projections, and that based on her outlook 'it will be appropriate at some point this year to take the first step to raise the federal funds rate', elicited a sell off across the US rates curve. 2s ended the NY session +5.2bps on the day to 0.6370% and 10s +7.6bps to 2.3972%. Earlier 10yr Bunds had added 17bps to 0.898% on Greece deal optimism

Note The FT has an interview with Cleveland Fed President Loretta Mester just published, in which she says the economy is strong enough to sustain a rise in US rates, notwithstanding recent turbulence oversea.,

Buoyed by optimism toward EU leaders agreeing a new deal for Greece at least in principle at the weekend, EUR/USD gains overpowered the uptick in US yields to see the DXY - 0.6%. It has slipped this morning, but remains closer to 1.11.

It was also a strong night for equities following the 4.5% rally in Shanghai, with the Eurostoxx 50 adding a cool 3.39% and the DAX 2.9%. The S&P500 added 1.23% to 2076.6. The VIX dropped 3.14 points to 16.83.

Coming Up

Ongoing Greek machinations aside, the coming week's skyline is also dominated by twin appearances from Fed chair Janet Yellen (Wednesday and Thursday) and China Q2 GDP and the usual monthly (June) economic indicators, due on Wednesday.

China June trade numbers are due today, and forecast to show annual export growth improving to 1.0% from -2.5% in May, and import growth up to -015.54% from -17.6%.

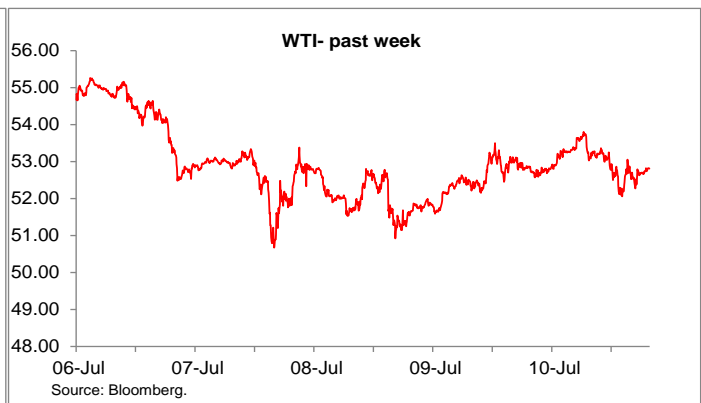
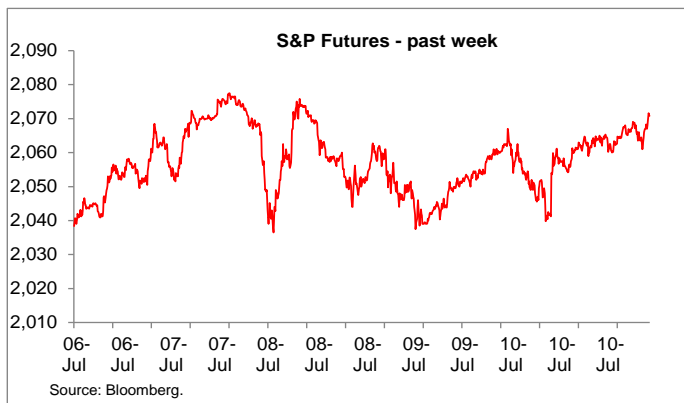
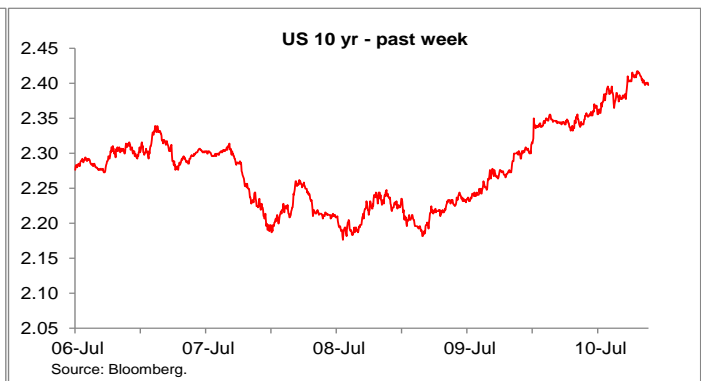
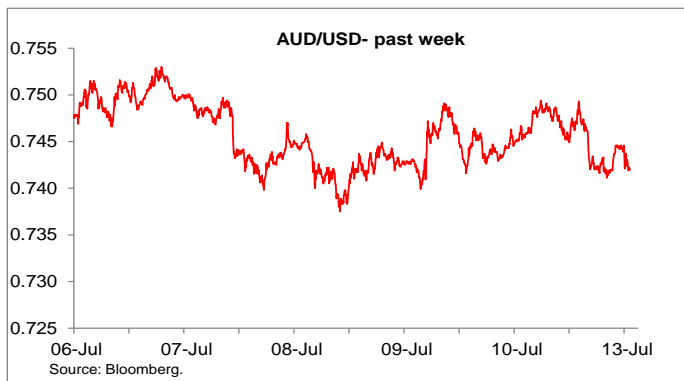
US data includes Retail Sales, NFIB Small Business Optimism, industrial production, PPI and CPI NAHB Housing, Housing starts and UoM Consumer Sentiment.

Overnight

On global stock markets, the S&P 500 was +1.20%. Bond markets saw US 10-years +7.61bp to 2.40%. On commodity markets, Brent crude oil +0.20% to \$58.73, gold-0.1% to \$1,158, iron ore +2.3% to \$50.10. AUD is at 0.7416 and the range since Friday's local close was 0.7410 to 0.74978.

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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>0.7422</td> <td>-0.3</td> <td>0.7416</td> <td>0.7458</td> <td>HKD</td> <td>7.7513</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.6711</td> <td>-0.2</td> <td>0.6696</td> <td>0.6738</td> <td>CNY</td> <td>6.2094</td> <td>0.0</td> </tr> <tr> <td>EUR</td> <td>1.1107</td> <td>-0.5</td> <td>1.1096</td> <td>1.1124</td> <td>SGD</td> <td>1.3518</td> <td>0.1</td> </tr> <tr> <td>GBP</td> <td>1.5517</td> <td>0.0</td> <td>1.5473</td> <td>1.5526</td> <td>IDR</td> <td>13,314</td> <td>-0.1</td> </tr> <tr> <td>JPY</td> <td>122.33</td> <td>-0.4</td> <td>121.93</td> <td>122.34</td> <td>THB</td> <td>34.02</td> <td>0.3</td> </tr> <tr> <td>CAD</td> <td>1.2689</td> <td>0.2</td> <td>1.2661</td> <td>1.2691</td> <td>KRW</td> <td>1,130</td> <td>-0.4</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6681</td> <td>0.1</td> <td></td> <td></td> <td>TWD</td> <td>31.00</td> <td>-0.2</td> </tr> <tr> <td>AUD/JPY</td> <td>90.78</td> <td>-0.6</td> <td></td> <td></td> <td>PHP</td> <td>45.09</td> <td>-0.2</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4783</td> <td>-0.4</td> <td></td> <td></td> <td>CHF</td> <td>0.94</td> <td>0.2</td> </tr> <tr> <td>AUD/NZD</td> <td>1.1056</td> <td>-0.2</td> <td></td> <td></td> <td>SEK</td> <td>8.46</td> <td>0.4</td> </tr> </table>							Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.7422	-0.3	0.7416	0.7458	HKD	7.7513	0.0	NZD	0.6711	-0.2	0.6696	0.6738	CNY	6.2094	0.0	EUR	1.1107	-0.5	1.1096	1.1124	SGD	1.3518	0.1	GBP	1.5517	0.0	1.5473	1.5526	IDR	13,314	-0.1	JPY	122.33	-0.4	121.93	122.34	THB	34.02	0.3	CAD	1.2689	0.2	1.2661	1.2691	KRW	1,130	-0.4	AUD/EUR	0.6681	0.1			TWD	31.00	-0.2	AUD/JPY	90.78	-0.6			PHP	45.09	-0.2	AUD/GBP	0.4783	-0.4			CHF	0.94	0.2	AUD/NZD	1.1056	-0.2			SEK	8.46	0.4
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 | Major Indices | | | | |---------------|--------|-------|-------| | | Last | % day | % y/y | | Dow | 17,760 | +1.2 | 4.8 | | S&P 500 | 2,077 | +1.2 | 5.5 | | Nasdaq | 4,998 | +1.5 | 13.2 | | FTSE | 6,673 | +1.4 | -0.3 | | DAX | 11,316 | +2.9 | 17.1 | | CAC 40 | 4,903 | +1.5 | 13.6 | | Nikkei | 19,780 | -0.4 | 30.4 | | Shanghai | 3,878 | +4.5 | 89.4 | | Hang Seng | 24,901 | +2.1 | 7.2 | | ASX 200 | 5,492 | +0.4 | 0.1 | | | | | | | Last | % day | |-------------|---------|-------| | Oil (Brent) | 58.73 | 0.2 | | Oil (WTI) | 52.74 | -0.1 | | Oil (Tapis) | 58.83 | 0.0 | | Gold | 1157.90 | -0.1 | | CRB | 218.25 | 0.3 | | GS Metals | 293.3 | -0.5 | | Aluminium | 1658 | -0.2 | | Copper | 5578 | -0.7 | | Nickel | 11219 | -2.1 | | Zinc | 2003 | 0.0 | | Ch. steel | 2019 | -0.7 | | Iron ore | 50.1 | 2.3 | | Coal | 60.3 | 0.4 | | Wheat Chic. | 576.0 | -0.3 | | Sugar | 12.41 | 4.3 | | Cotton | 65.51 | -0.3 | | Coffee | 126.3 | 0.8 | | | || | Interest Rates | | | | Benchmark 10 Year Bonds | | | | |-----------------------|------|------|------|-------------------------|--------|------|------| | Indicative Swap Rates | | | | Last | chge | Sprd | | | | Cash | 3mth | 2Yr | 10Yr | | | | | USD | 0.25 | 0.29 | 0.89 | 2.49 | USD 10 | 2.40 | 0.08 | | AUD | 2.00 | 2.14 | 2.17 | 3.37 | AUD 10 | 2.94 | 0.13 | | NZD | 3.25 | 3.17 | 2.98 | 3.85 | NZD 10 | 3.49 | 0.09 | | EUR | 0.05 | 0.06 | 0.14 | 1.26 | CAD 10 | 1.69 | 0.09 | | GBP | 0.50 | 0.58 | 1.09 | 2.21 | EUR 10 | 0.90 | 0.18 | | JPY | 0.10 | 0.10 | 0.15 | 0.62 | GBP 10 | 2.08 | 0.13 | | CAD | 0.75 | 1.17 | 0.89 | 2.19 | JPY 10 | 0.45 | 0.00 | | | | | | | | Overnight Futures | | | |-------------------|-------|-------| | | Last | Chge | | Australia | | | | 3 mth bill | 97.89 | -0.01 | | 3 Yr bond | 97.98 | -0.04 | | 10 Yr bonc | 96.95 | -0.12 | | 3/10 sprd | 1.04 | 0.08 | | SPI | 35.0 | 0.6 | | | |
| | CO ₂ Emissions - Euros | | | |-----------------------------------|------|-------| | | Last | % day | | Jun-2015 | 7.65 | 1.6 | | Dec-2015 | 7.62 | 1.7 | | Dec-2016 | 7.70 | 1.7 | | | | | | |

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
Monday, 13 July 2015								
NZ	Food Prices MoM	Jun	1.20%			0.4%	22.45	8.45
NZ	REINZ House Sales/Prices	Jun						
AU	Credit Card Purchases/Balances	May				\$A22.9B/\$A51.1B	1.30	11.30
AU	Lending finance approvals (incl. Commercial, Lease)	May					1.30	11.30
CH	New Yuan Loans (July 10-15 release)	Jun		1050B		900.8B		
CH	Aggregate Financing (July 10-15 release)	Jun		1400B		1220B		
JN	Industrial Production MoM, CapU	May F				-2.2%/-0.4%	4.30	14.30
JN	Tertiary Industry Index MoM	May		-0.30%		-0.2%	4.30	14.30
UK	Bank of England Credit Conditions & Bank Liabilities Surveys						8.30	18.30
CH	Trade Balance	Jun		\$57.05B		\$59.49B	14.00	0.00
CH	Exports/Imports, USD YoY	Jun		1.0%/-15.9%		-2.5%/-17.6%	14.00	0.00
US	Monthly Budget Statement	Jun		\$41.0B			18.00	4.00
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/Jun 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
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%		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%		

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