



Markets Today

A daily outlook for Australia, key global economies and markets

20 July 2015

Relative calm restored

Friday was pretty quiet, in FX especially, after US CPI data failed to surprise, following a slow Asia session where activity was constrained by end-of-Ramadan holidays in Singapore, Malaysia and Indonesia. Gold was one of the biggest movers on the night, -\$11.25 to a new 5-year low of \$1134.14. This followed an announcement by China that its gold reserves had risen by 60% since 2009 to 1,658 tonnes (53.31m fine troy ounces), a number that underwhelmed relative to the prior beliefs of many gold analysts. The increase means that gold now accounts for just 1.6% of China's \$3tn reserves stockpile, well down on global averages thought to be closer to 10%.

Earlier Friday the Shanghai Composite added 3.5% and which means the index is now 13% up from its (July 8) recent lows. There may be more strength to come from news Friday that the China Securities Finance Corp (CSFC), the main provider of loans to brokerage firms and for margin lending, now has access to \$483bn of borrowed funds from a combination of the 5 biggest state owned banks and the central bank (Bloomberg reports). This is massive compared to the mere \$19bn stock-support fund established by the country's 21 largest brokerage firms and CSFC two weeks ago.

The other big equity news Friday was a new all-time high for the NASDAQ (+0.91% to 5,210) led by a 16% jump in Google (to above \$700 for the first time) after its Q2 earnings report showed profits and revenue exceeding analysts' expectations and costs rising at their slowest pace since 2013. The Dow in contrast fell 0.19% led by the oil sector, and the S&P500 finished +0.22 at 2127. VIX was -0.16 to 11.95 – its lowest close since 5 Dec 2014. Lower volatility as we come into the peak northern hemisphere summer holiday season augers well for the return of some stability in the AUD in particular.

News that Germany had become the final country to ratify last Monday's agreement as precursor to commencing talks on the 3rd bail-out package for Greece, came before European markets closed but to no market fanfare. Greece is now expected to receive bridging finance on Monday in time to redeem the bonds held by the ECB as well as the amounts overdue to the IMF. EU officials were said to be targeting mid-August for agreement on the EUR86bn new rescue plan. Greek banks will re-open Monday with still-heavy restrictions on withdrawals and transfers.

In FX EUR/USD lost a further 0.4% to 1.0830, leading the DXY 0.25% higher to 97.86. AUD was (just) the biggest G10 loser, -0.46% to 0.7372. The NZD in contrast managed a minor short covering rally, +0.22% to 0.6527.

The US data saw US June headline CPI +0.3% led by a 3.4% rebound in gasoline prices, with the core (ex food and energy) measure +0.2% m/m - both in line with consensus

forecasts. The rise in core CPI, led by a 0.4% in owners' equivalent rent, pushes annual core CPI back up to 1.8% from 1.7%. Key now will be if we soon see the Fed's preferred core PCE deflator inflation measure pick up (from 1.3%). It should.

US June housing starts surged 9.8% on the month, with permits +9.4%. The data was flattered by a surge in permit applications and starts ahead of the June 15 expiry of a tax break for multi-family developments in the New York area. But even excluding the east coast numbers, the data still looked strong.

The University of Michigan's July preliminary consumer sentiment index disappointed, 93.3 from 96.12 (96.0E). Weaker equities – which have since rebounded – and higher gasoline prices are seen largely to blame.

China's June home price data was released Saturday, showing declines on the month in 33 of 70 cities, with 27 showing increases (up from 20 in May). On Reuters' calculations, nationwide house prices rose by 0.4% in the month, after a 0.2% May gain. This reduced annual house price deflation to 4.9% from 5.7%, Reuters says. This is a positive omen for an (eventual) pick up in Chinese steel – and so iron-ore - demand.

Coming Up

Greece should now be out of the headlines for a few weeks at least, as too the Chinese stock market with prices now so far off their early July lows.

Amid a light US (and European) calendar, the key events in our part of the world should be Australia's CPI release on Wednesday and the RBNZ decision on Thursday (and where money markets are flirting with the notion of a 50-point cut to the OCR, with a cut of at least 25bps seen 'nailed on'). We also have Glenn Stevens' annual speech to the Anika Foundation lunch on Wednesday.

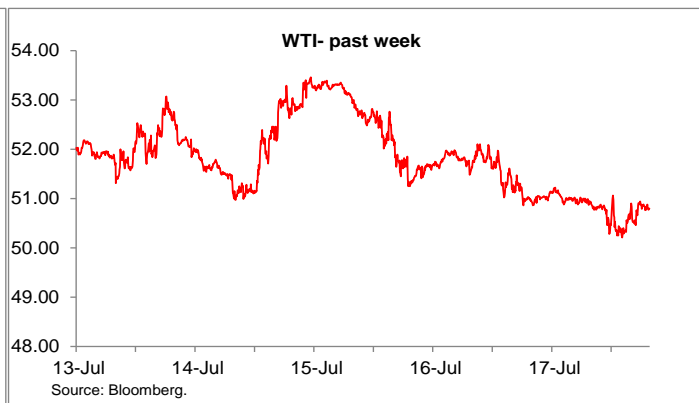
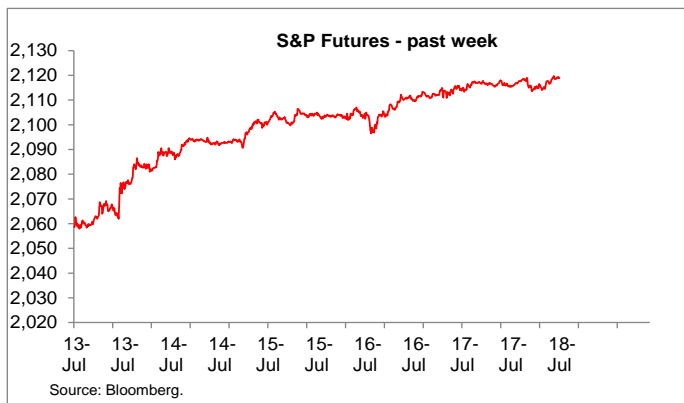
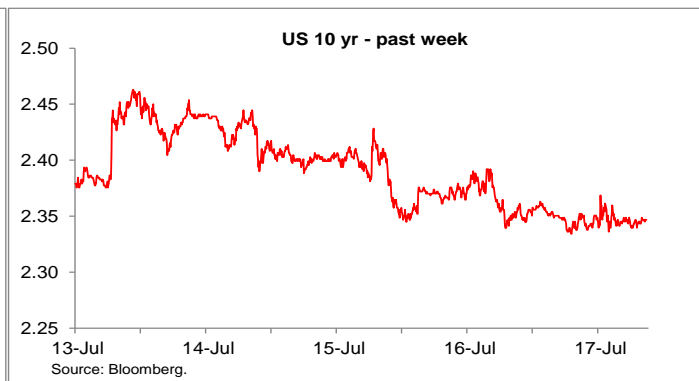
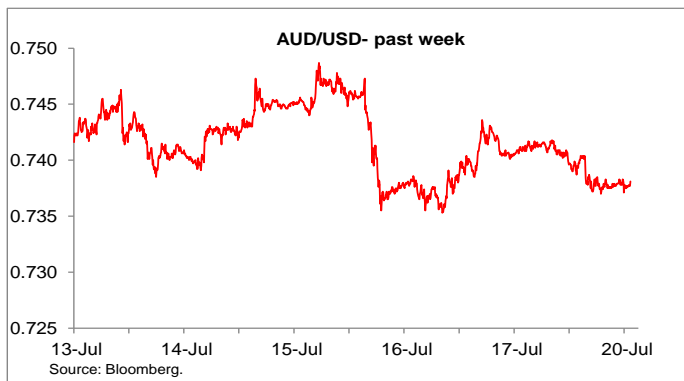
We'll also get the preliminary Caixin (formerly HSBC) preliminary manufacturing PMI at 11:45 AEST on Friday. Given the jaundiced view many have taken regarding the veracity of last week's GDP and monthly China activity data, the latter will be of particularly keen interest. There's nothing of particular note on today's calendar.

Overnight

On global stock markets, the S&P 500 was +0.10%. Bond markets saw US 10-years -0.34bp to 2.35%. On commodity markets, Brent crude oil +0.32% to \$57.1, gold -1.0% to \$1,132, iron ore +0.2% to \$50.66. AUD is at 0.7383 and the range since Friday's local close was 0.7368 to 0.7410. Indicative range today 0.7355 – 0.7405.

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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>0.7383</td> <td>0.2</td> <td>0.7374</td> <td>0.7381</td> <td>HKD</td> <td>7.7505</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.6523</td> <td>-0.1</td> <td>0.6517</td> <td>0.6525</td> <td>CNY</td> <td>6.2095</td> <td>0.0</td> </tr> <tr> <td>EUR</td> <td>1.0837</td> <td>0.1</td> <td>1.0832</td> <td>1.0841</td> <td>SGD</td> <td>1.3678</td> <td>0.0</td> </tr> <tr> <td>GBP</td> <td>1.5605</td> <td>0.0</td> <td>1.5595</td> <td>1.5613</td> <td>IDR</td> <td>13,353</td> <td>0.0</td> </tr> <tr> <td>JPY</td> <td>124.02</td> <td>-0.1</td> <td>123.99</td> <td>124.08</td> <td>THB</td> <td>34.22</td> <td>0.0</td> </tr> <tr> <td>CAD</td> <td>1.2977</td> <td>0.0</td> <td>1.2973</td> <td>1.2985</td> <td>KRW</td> <td>1,147</td> <td>-0.2</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6811</td> <td>0.0</td> <td></td> <td></td> <td>TWD</td> <td>31.08</td> <td>-0.2</td> </tr> <tr> <td>AUD/JPY</td> <td>91.54</td> <td>0.1</td> <td></td> <td></td> <td>PHP</td> <td>45.24</td> <td>0.0</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4730</td> <td>0.1</td> <td></td> <td></td> <td>CHF</td> <td>0.96</td> <td>0.0</td> </tr> <tr> <td>AUD/NZD</td> <td>1.1316</td> <td>0.1</td> <td></td> <td></td> <td>SEK</td> <td>8.64</td> <td>-0.2</td> </tr> </table>							Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.7383	0.2	0.7374	0.7381	HKD	7.7505	0.0	NZD	0.6523	-0.1	0.6517	0.6525	CNY	6.2095	0.0	EUR	1.0837	0.1	1.0832	1.0841	SGD	1.3678	0.0	GBP	1.5605	0.0	1.5595	1.5613	IDR	13,353	0.0	JPY	124.02	-0.1	123.99	124.08	THB	34.22	0.0	CAD	1.2977	0.0	1.2973	1.2985	KRW	1,147	-0.2	AUD/EUR	0.6811	0.0			TWD	31.08	-0.2	AUD/JPY	91.54	0.1			PHP	45.24	0.0	AUD/GBP	0.4730	0.1			CHF	0.96	0.0	AUD/NZD	1.1316	0.1			SEK	8.64	-0.2
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 | Major Indices | | | | |---------------|--------|-------|-------| | | Last | % day | % y/y | | Dow | 18,086 | -0.2 | 5.8 | | S&P 500 | 2,127 | +0.1 | 7.5 | | Nasdaq | 5,210 | +0.9 | 17.6 | | FTSE | 6,775 | -0.3 | 0.4 | | DAX | 11,673 | -0.4 | 20.1 | | CAC 40 | 5,124 | +0.2 | 18.2 | | Nikkei | 20,651 | +0.2 | 35.7 | | Shanghai | 3,957 | +3.5 | 92.2 | | Hang Seng | 25,415 | +1 | 8.4 | | ASX 200 | 5,670 | +0 | 2.5 | | | | | | | Last | % day | |-------------|---------|-------| | Oil (Brent) | 57.10 | 0.3 | | Oil (WTI) | 50.89 | 0.0 | | Oil (Tapis) | 59.88 | 0.0 | | Gold | 1131.90 | -1.0 | | CRB | 214.54 | -0.5 | | GS Metals | 292.6 | -1.1 | | Aluminium | 1671 | -1.1 | | Copper | 5470 | -1.4 | | Nickel | 11472 | -1.1 | | Zinc | 2060 | -0.3 | | Ch. steel | 2054 | 0.5 | | Iron ore | 50.7 | 0.2 | | Coal | 60.3 | -0.2 | | Wheat Chic. | 563.5 | -1.3 | | Sugar | 11.96 | -2.5 | | Cotton | 65.87 | 0.9 | | Coffee | 128.4 | -0.3 | | | || | Interest Rates | | | | Benchmark 10 Year Bonds | | | | |-----------------------|------|------|------|-------------------------|--------|------|-------| | Indicative Swap Rates | | | | Last | chge | Spnd | | | | Cash | 3mth | 2Yr | 10Yr | | | | | USD | 0.25 | 0.29 | 0.93 | 2.44 | USD 10 | 2.35 | 0.00 | | AUD | 2.00 | 2.15 | 2.15 | 3.26 | AUD 10 | 2.95 | -0.02 | | NZD | 3.25 | 3.06 | 2.87 | 3.78 | NZD 10 | 3.47 | 0.01 | | EUR | 0.05 | 0.06 | 0.10 | 1.11 | CAD 10 | 1.57 | -0.01 | | GBP | 0.50 | 0.58 | 1.16 | 2.20 | EUR 10 | 0.79 | -0.05 | | JPY | 0.10 | 0.10 | 0.15 | 0.61 | GBP 10 | 2.08 | 0.00 | | CAD | 0.50 | 1.17 | 0.78 | 2.07 | JPY 10 | 0.43 | -0.02 | | | | | | | | Overnight Futures | | | |-------------------|-------|-------| | | Last | Chge | | Australia | | | | 3 mth bill | 97.88 | -0.01 | | 3 Yr bond | 97.97 | -0.01 | | 10 Yr bonc | 97.04 | 0.05 | | 3/10 sprd | 0.94 | -0.06 | | SPI | -1.0 | 0.0 | | | | | CO ₂ Emissions - Euros | | | |-----------------------------------|------|-------| | | Last | % day | | Jun-2015 | 7.78 | 1.0 | | Dec-2015 | 7.75 | 1.0 | | Dec-2016 | 7.83 | 1.0 | | | |

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, 20 July 2015								
NZ	Performance Services Index	Jun				58	22.30	8.30
UK	Rightmove House Prices MoM/YoY	Jul				3.0%/4.5%	23.01	9.01
GE	PPI MoM/YoY	Jun				0.0%/-1.3%	6.00	16.00
EC	Current Account SA	May				22.3B	8.00	18.00
CA	Wholesale Trade Sales MoM	May				1.90%	12.30	22.30
UK	CBI Trends Total Orders	Jul				-7	14.00	0.00
UK	CBI Business Optimism	Jul				3	14.00	0.00
JN	Supermarket Sales YoY	Jun				5.7%	14.00	0.00
Tuesday, 21 July 2015								
NZ	Net Migration SA	Jun				5140	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jul-19				107.0/-3.6%	23.30	9.30
JN	BoJ June 18-19 Minutes						23.50	9.50
AU	RBA July Meeting Minutes						1.30	11.30
AU	NAB Residential Property Survey	Q2					1.30	11.30
NZ	Credit Card Spending MoM/YoY	Jun				1.9%/7.1%	3.00	13.00
JN	Leading Index CI	May F				106.2	5.00	15.00
JN	Cabinet Office Economic Report	Jul						
UK	Public Finances (PSNCR)	Jun				12.4B	8.30	18.30
Wednesday, 22 July 2015								
AU	Westpac Leading Index MoM	Jun				-0.1%	0.30	10.30
AU	Skilled Vacancies MoM	Jun				-1.00%	1.00	11.00
AU	CPI QoQ/YoY	2Q	0.8%/1.7%	0.8%/1.7%		0.2%/1.3%	1.30	11.30
AU	CPI Trimmed Mean QoQ/YoY	2Q	0.6%/2.2%	0.6%/2.1%		0.6%/2.3%	1.30	11.30
AU	CPI Weighted Median YoY	2Q	0.6%/2.4%	0.6%/2.3%		0.6%/2.4%	1.30	11.30
CH	MNI Business Indicator	Jul				53.5	1.45	11.45
CH	Conference Board Leading Economic Index	Jun					2.00	12.00
AU	RBA Governor Stevens speaks to Anika Foundation (no speech title as yet)						3.05	13.05
JN	All Industry Activity Index MoM	May		-0.60%		0.1%	4.30	14.30
UK	Bank of England Minutes						8.30	18.30
EC	Euro Area First Quarter Government Debt/Deficit						9.00	19.00
US	MBA Mortgage Applications	Jul-17					11.00	21.00
US	FHFA House Price Index MoM	May		0.50%		0.3%	13.00	23.00
US	Existing Home Sales / MoM	Jun		5.40M/0.9%		5.35M/5.1%	14.00	0.00
Thursday, 23 July 2015								
NZ	RBNZ Official Cash Rate	Jul-23	3.00%	3.00%		3.25%	21.00	7.00
JN	Trade Balance Adjusted	Jun		¥260.0B		¥182.5B	23.50	9.50
UK	Retail Sales Ex Auto Fuel MoM	Jun				0.2%	8.30	18.30
US	Chicago Fed Nat Activity Index	Jun				-0.17	12.30	22.30
US	Initial Jobless Claims	Jul-18				281K	12.30	22.30
CA	Retail Sales MoM	May				-0.1%	12.30	22.30
UK	CBI Reported Sales	Jul					14.00	0.00
UK	BBA Loans for House Purchase	Jun					14.00	0.00
EC	Consumer Confidence	Jul A		-5.8		-5.6	14.00	0.00
US	Leading Index	Jun		0.10%		0.7%	14.00	0.00
US	Kansas City Fed Manf. Activity	Jul				-9	15.00	1.00
Friday, 24 July 2015								
NZ	Trade Balance	Jun	+\$353M				22.45	8.45
JN	Nikkei Japan Manufacturing PMI	Jul P		50.5		50.1	1.35	11.35
CH	Caixin China Manufacturing PMI	Jul P		49.7		49.4	1.45	11.45
NZ	Residential Lending/LVR	Jun						
GE	Markit/BME Germany Manufacturing PMI	Jul P		51.9		51.9	7.30	17.30
EC	Markit Eurozone Manufacturing PMI	Jul P		52.5		52.5	8.00	18.00
US	Markit US Manufacturing PMI	Jul P		53.7		53.6	13.45	23.45
US	New Home Sales/MoM	Jun		540K/-1.1%		546K/2.2%	14.00	0.00
Monday, 27 July 2015								
JN	PPI Services YoY	Jun				0.6%	23.50	9.50
CH	Industrial Profits YoY	Jun					1.30	11.30
GE	IFO Business Climate/Current Assessment/Expectations	Jul					8.00	18.00
EC	M3 Money Supply YoY	Jun					8.00	18.00
EC	M3 3-month average	Jun					8.00	18.00
US	Durable Goods Orders	Jun				-1.8%	12.30	22.30
US	Durables Ex Transportation	Jun				0.5%	12.30	22.30
US	Cap Goods Orders Nondef Ex Air	Jun				0.4%	12.30	22.30
US	Cap Goods Ship Nondef Ex Air	Jun				0.3%	12.30	22.30
GE	Retail Sales MoM/YoY	Jun					14.00	0.00
CA	Bloomberg Nanos Confidence	Jul-24					14.00	0.00
US	Dallas Fed Manf. Activity	Jul					14.30	0.30
Upcoming Central Bank Interest Rate Announcements								
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%		
Japan, BoJ		7-Aug	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
Europe ECB		3-Sep				0.05%		
Canada, BoC		10-Sep				0.50%		

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

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