



# Markets Today

A daily outlook for Australia, key global economies and markets

24 July 2015

## Dr Copper not a happy camper

It's been a night again where the market has not had to be besotted with global geo-politics such as Greece and has been able to focus on the flow of data and more reports out of the US earnings season. None too compelling data, US earnings reports that have failed to inspire the market, and weakness in hard commodities is what's transpired.

It's not been a huge night for economic reports. UK retail sales missed its estimates in June, though there's still good annual growth evident at 4.2%. With the market having been bulled up on the positive Sterling story really since the clear outcome from the election, this miss was the trigger for some to take profits on long sterling positions. Even the AUD/GBP made up some lost ground after the release of the number.

It should have been the opposite for the loonie with Canadian retail sales more than rebounding more than expected in May after a soft April, but continued weakness in the traded commodity complex (oil down further and copper taking more heat) kept the commodity currencies including the loonie on the defensive during the session, USD/CAD trading higher back up through 1.30.

US mostly second tier data reports were generally positive, jobless claims printing much lower than expected in the July payrolls survey week, though they can be volatile at this time of the year owing to car plant shutdowns and re-tooling timetables. Even discounting this to some extent, the Chicago Fed National Activity Index and the Leading Index reports for June were encouraging and the Kansas City Fed manufacturing somewhat less negative.

These proved only a slight foil to further overall disappointments with the US reporting season, with particular focus on the commodity space, as copper prices took another turn for the worse, down 1.65% on the LME and 2.1% in New York and now off 18% from its recent May high and to the lowest since 2009. A disappointing report from Caterpillar that cut its full year sales forecasts warning of end user industries remaining weak turned the gloom dial up a little more. The Materials sector of the S&P 500 fell 1.46%, outpacing the 0.57% decline in the S&P 500.

In FX, the US\$ was neither stronger nor weaker as currency pairs were whipped around by the particular news on the night. After an some early session decline (since reversed) in the USD and thus short-lived \$A rally, the Aussie has been rather listless, trading if anything lower, not helped by the weakness in hard commodity prices. The AUD/USD sits in the mid 0.7350s this morning ahead of little data due in the Asia session. In days ahead, the market will be endeavouring to position into the FOMC next week, the language they use and what that might mean for the odds of a September lift-off. Market pricing remains split on the prospect of lift-off starting then and thus still prone to the coming data flow. US GDP is due next week.

## Coming up today/tonight

The June NZ trade report is first up this morning with a smaller deficit predicted with the market looking for what the report might

say about the local economy as well as any potential sticker shock from the balance itself. Our BNZ colleagues look for little change in the balance so neutral for the Kiwi.

The preliminary German, French and Euro-zone PMIs are due tonight with no essential change predicted for the key manufacturing components, the EZ index tipped to be steady at 52.5. The June New Home Sales report is being released with virtually steady sales tipped, despite a stronger NAHB Housing index in June and July. US housing has been a continued US growth bright spot.

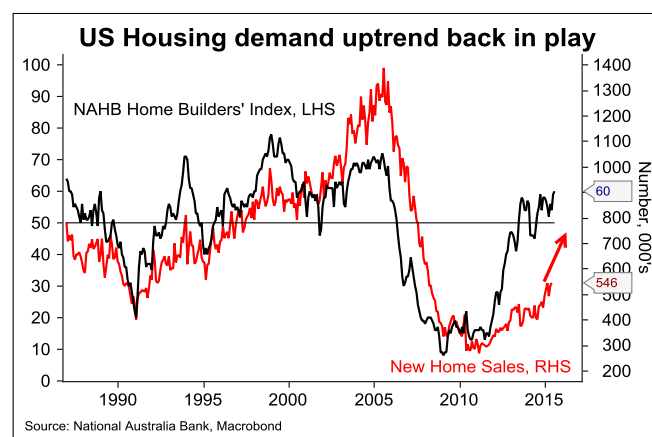
## Overnight

- Copper takes more heat: Eurostoxx 600 -0.5%, Dax -0.1%, CAC +0.1%, FTSE -0.2%. Dow -119 points to 17,732, -0.7%, S&P 500 -0.7%, Nasdaq -0.6%, VIX 12.64 +4.3%. Mumbai +2.4%, Nikkei 225 -0.5% and ASX 200 -0.4%; ASX SPI futures this morning -0.4%. US bond yields: 2s at 0.69% (-1), 10s at 2.27% (-6). WTI oil at \$48.85 (-0.7%), Brent at \$55.51 (-1.1%), Malaysian Tapis (yesterday) \$57.98 (-1.1%). Gold at \$1089.10/oz (-0.2%). Base metals: LME copper -1.7%, nickel -0.3%, aluminium -1.4%. Iron ore \$51.7/t -0.1% Chinese steel rebar futures +0.5%. Soft commodities spot futures: wheat +0.8%, sugar +1.1%, cotton +0.3%, coffee -2.8%. Euro Dec 14 CO2 emissions at €8.09/t (1.5%). The AUD/USD's range overnight 0.7352-0.7418; indicative range today 0.7315-0.7380; the AUD/USD is 0.7353 now**
- UK Retail Sales (Jun) -0.2% (L: 0.2% ; E: 0.4%); EC Consumer Confidence (Jul) -7.1 (L: -5.6; E: -5.8)**
- US Chicago Fed National Activity Index (Jun) 0.08 (L: -0.17; E: -0.05); Jobless claims (w/e Jul 18) 255K (L: 281K; E: 280K); Leading Index (Jun) 0.6% (L: +0.7%; E: +0.2%); Kansas City Fed manufacturing (Jul) -7 (L: -9; E: -5)**
- Canadian retail sales (May) 1.0% (L: -0.1%; E: +0.6%)**

Good luck.

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## Chart of the day: US major home builders chipper



Markets

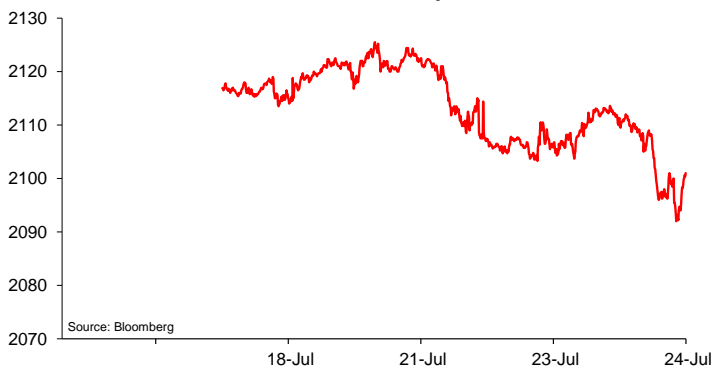
AUD/USD- past week



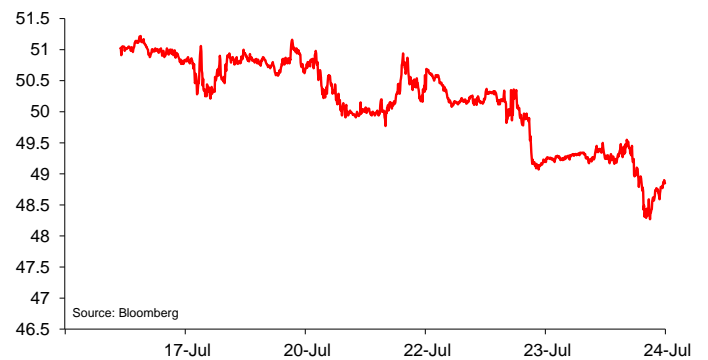
US 10 year bonds- past week



S&P 500 futures- past week



WTI futures- past week



Foreign Exchange

|         | Indicative 24hr ranges (**) |        |        |        | Other FX |            |
|---------|-----------------------------|--------|--------|--------|----------|------------|
|         | Last                        | % chge | Low    | High   | Last     | % chge     |
| AUD     | 0.7353                      | 0.0    | 0.7352 | 0.7357 | HKD      | 7.7515 0.0 |
| NZD     | 0.6609                      | -1.1   | 0.6604 | 0.6686 | CNY      | 6.2137 0.1 |
| EUR     | 1.0986                      | -0.1   | 1.0951 | 1.1021 | SGD      | 1.3687 0.2 |
| GBP     | 1.5516                      | -0.5   | 1.5483 | 1.5622 | IDR      | 13,442 0.2 |
| JPY     | 123.88                      | 0.1    | 123.72 | 124.19 | THB      | 34.80 0.2  |
| CAD     | 1.3038                      | 0.5    | 1.2945 | 1.3047 | KRW      | 1,163 0.1  |
| AUD/EUR | 0.6694                      | -0.7   |        |        | TWD      | 31.28 0.1  |
| AUD/JPY | 91.06                       | -0.7   |        |        | PHP      | 45.36 -0.1 |
| AUD/GBP | 0.4739                      | -0.2   |        |        | CHF      | 0.96 0.5   |
| AUD/NZD | 1.1126                      | 0.3    |        |        | SEK      | 8.57 -0.1  |

Equities

| Major Indices |        |       |        |
|---------------|--------|-------|--------|
|               | Last   | % day | % year |
| Dow           | 17,732 | -0.7  | 3.8    |
| S&P 500       | 2,102  | -0.6  | 5.8    |
| Nasdaq        | 5,146  | -0.5  | 15.0   |
| VIX Index     | 12.64  | 4.3   | 9.7    |
| FTSE          | 6,655  | -0.2  | -2.1   |
| DAX           | 11,512 | -0.1  | 18.0   |
| CAC 40        | 5,087  | 0.1   | 16.2   |
| Nikkei        | 20,684 | 0.4   | 35.3   |
| Shanghai      | 4,124  | 2.4   | 95.9   |
| Hang Seng     | 25,399 | 0.5   | 5.2    |
| ASX200        | 5,590  | -0.4  | 0.0    |

Commodities\*

|             | Last    | % day |
|-------------|---------|-------|
| Oil (Brent) | 55.51   | -1.1  |
| Oil (WTI)   | 48.85   | -0.7  |
| Oil (Tapis) | 57.98   | -1.1  |
| Gold        | 1089.10 | -0.2  |
| CRB         | 206.97  | -1.1  |
| GS Metals   | 281.5   | -1.5  |
| Aluminium   | 1636    | -1.4  |
| Copper      | 5273    | -1.7  |
| Nickel      | 11430   | -0.3  |
| Zinc        | 1981    | -1.0  |
| Ch. steel   | 2049    | 0.5   |
| Iron ore    | 51.7    | -0.1  |
| St. coal    | 61.8    | n.a.  |
| Wheat Chic. | 528.8   | 0.8   |
| Sugar       | 11.51   | 1.1   |
| Cotton      | 64.74   | 0.3   |
| Coffee      | 121.6   | -2.8  |

Interest Rates

| Indicative Swap Rates |      |      |      | Benchmark 10 Year Bonds |        |      |             |
|-----------------------|------|------|------|-------------------------|--------|------|-------------|
|                       | Cash | 3mth | 2Yr  | 10Yr                    | Last   | chge | Sprd        |
| USD                   | 0.25 | 0.29 | 0.94 | 2.35                    | USD 10 | 2.27 | -0.06       |
| AUD                   | 2.00 | 2.14 | 2.07 | 3.15                    | AUD 10 | 2.85 | -0.04 0.59  |
| NZD                   | 3.00 | 3.07 | 2.88 | 3.67                    | NZD 10 | 3.38 | -0.02 1.12  |
| EUR                   | 0.05 | 0.06 | 0.10 | 1.06                    | CAD 10 | 1.50 | -0.04 -0.77 |
| GBP                   | 0.50 | 0.58 | 1.16 | 2.12                    | EUR 10 | 0.74 | -0.01 -1.53 |
| JPY                   | 0.10 | 0.10 | 0.15 | 0.59                    | GBP 10 | 2.01 | -0.02 -0.26 |
| CAD                   | 0.50 | 1.17 | 0.77 | 2.01                    | JPY 10 | 0.42 | -0.01 -1.85 |

Overnight Futures

|                  | Last  | Chge  |
|------------------|-------|-------|
| <b>Australia</b> |       |       |
| 3 mth bill       | 97.90 | 0.00  |
| 3 Yr bond        | 98.06 | 0.03  |
| 10 Yr bond       | 97.15 | 0.06  |
| 3/10 sprd        | 0.92  | -0.03 |
| SPI              | -20.0 | -0.4  |

CO<sub>2</sub> Emissions - Euros

|          | Last | % day |
|----------|------|-------|
| Dec-2015 | 8.09 | 1.5   |
| Dec-2016 | 8.18 | 1.5   |
| Dec-2017 | 8.30 | 1.5   |

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  |
|--|--|-------------|--------------|------------|--------|-------------|-------|-------|
| <b>Thursday, 23 July 2015</b>                            |  |             |              |            |        |             |       |       |
| 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         |              | -0.05      |        | -0.17       | 12.30 | 22.30 |
| US   | Initial Jobless Claims                               | Jul-18      |              | 280K       |        | 281K        | 12.30 | 22.30 |
| CA   | Retail Sales MoM                                     | May         |              | 0.60%      |        | -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         |              | 0.20%      |        | 0.7%        | 14.00 | 0.00  |
| US   | Kansas City Fed Manf. Activity                       | Jul         |              | -5         |        | -9          | 15.00 | 1.00  |
| <b>Friday, 24 July 2015</b>                              |  |             |              |            |        |             |       |       |
| NZ   | Trade Balance  | Jun         | +\$353M      | +\$100M    |        |             | 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       |              | 53.6       |        | 53.6        | 13.45 | 23.45 |
| US   | New Home Sales/MoM                                   | Jun         |              | 546K/-0.1% |        | 546K/2.2%   | 14.00 | 0.00  |
| <b>Monday, 27 July 2015</b>                              |  |             |              |            |        |             |       |       |
| 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 |
| US   | Durable Goods Orders                                 | Jun         |              | 2.70%      |        | -1.8%       | 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         |              | -4         |        |             | 14.30 | 0.30  |
| <b>Tuesday, 28 July 2015</b>                             |  |             |              |            |        |             |       |       |
| AU   | ANZ Roy Morgan Weekly Consumer Confidence Index      | Jul-26      |              |            |        |             | 23.30 | 9.30  |
| UK   | GDP QoQ/YoY  | 2Q A        |              |            |        |             | 8.30  | 18.30 |
| UK   | Index of Services MoM                                | May         |              |            |        |             | 8.30  | 18.30 |
| CA   | Industrial Product Price MoM                         | Jun         |              |            |        |             | 12.30 | 22.30 |
| CA   | Raw Materials Price Index MoM                        | Jun         |              |            |        |             | 12.30 | 22.30 |
| US   | S&P/CS 20 City MoM SA                                | May         |              |            |        |             | 13.00 | 23.00 |
| US   | Markit US Services/Composite PMI                     | Jul P       |              |            |        |             | 13.45 | 23.45 |
| US   | Consumer Confidence Index                            | Jul         |              |            |        |             | 14.00 | 0.00  |
| US   | Richmond Fed Manufact. Index                         | Jul         |              |            |        | 6           | 14.00 | 0.00  |
| <b>Wednesday, 29 July 2015</b>                           |  |             |              |            |        |             |       |       |
| JN   | Retail Sales MoM                                     | Jun         |              |            |        |             | 23.50 | 9.50  |
| CH   | Westpac-MNI Consumer Sentiment                       | Jul         |              |            |        |             | 1.45  | 11.45 |
| GE   | GfK Consumer Confidence                              | Aug         |              |            |        |             | 6.00  | 16.00 |
| UK   | Mortgage Approvals                                   | Jun         |              |            |        |             | 8.30  | 18.30 |
| US   | Pending Home Sales MoM                               | Jun         |              |            |        |             | 14.00 | 0.00  |
| US   | FOMC Rate Decision                                   | Jul-29      | 0-0.25%      | 0-0.25%    |        | 0-0.25%     | 18.00 | 4.00  |
| <b>Thursday, 30 July 2015</b>                            |  |             |              |            |        |             |       |       |
| NZ   | Building Permits MoM                                 | Jun         |              |            |        |             | 22.45 | 8.45  |
| JN   | Industrial Production MoM/YoY                        | Jun P       |              |            |        |             | 23.50 | 9.50  |
| AU   | Import/Export price index QoQ                        | 2Q          |              |            |        | -0.2%/-0.8% | 1.30  | 11.30 |
| AU   | Building Approvals MoM/YoY                           | Jun         |              |            |        |             | 1.30  | 11.30 |
| GE   | Unemployment Rate / Change (000s)                    | Jul         |              |            |        |             | 7.55  | 17.55 |
| EC   | ECB Publishes Economic Bulletin                      |             |              |            |        |             | 8.00  | 18.00 |
| EC   | Business Climate Indicator                           | Jul         |              |            |        |             | 9.00  | 19.00 |
| GE   | CPI MoM/YoY  | Jul P       |              |            |        |             | 12.00 | 22.00 |
| US   | GDP Annualized QoQ                                   | 2Q A        |              |            |        |             | 12.30 | 22.30 |
| US   | Initial Jobless Claims                               | Jul-25      |              |            |        |             | 12.30 | 22.30 |
| <b>Friday, 31 July 2015</b>                              |  |             |              |            |        |             |       |       |
| UK   | GfK Consumer Confidence                              | Jul         |              |            |        |             | 23.05 | 9.05  |
| JN   | Jobless Rate   | Jun         |              |            |        |             | 23.30 | 9.30  |
| JN   | Job-To-Applicant Ratio                               | Jun         |              |            |        |             | 23.30 | 9.30  |
| JN   | Overall Household Spending YoY                       | Jun         |              |            |        |             | 23.30 | 9.30  |
| JN   | Natl CPI YoY   | Jun         |              |            |        |             | 23.30 | 9.30  |
| JN   | Tokyo CPI YoY  | Jul         |              |            |        |             | 23.30 | 9.30  |
| NZ   | ANZ Business Confidence                              | Jul         |              |            |        |             | 1.00  | 11.00 |
| AU   | PPI QoQ/YoY  | 2Q          |              |            |        | 0.5%/0.7%   | 1.30  | 11.30 |
| AU   | Private Sector Credit MoM/YoY                        | Jun         |              |            |        |             | 1.30  | 11.30 |
| NZ   | Money Supply M3 YoY                                  | Jun         |              |            |        |             | 3.00  | 13.00 |
| UK   | Lloyds Business Barometer                            | Jul         |              |            |        |             | 8.30  | 18.30 |
| EC   | Unemployment Rate                                    | Jun         |              |            |        |             | 9.00  | 19.00 |
| EC   | CPI Estimate YoY                                     | Jul         |              |            |        |             | 9.00  | 19.00 |
| US   | Employment Cost Index                                | 2Q          |              |            |        | 0.7%        | 12.30 | 22.30 |
| CA   | GDP MoM/YoY  | May         |              |            |        |             | 12.30 | 22.30 |
| US   | ISM Milwaukee  | Jul         |              |            |        |             | 13.00 | 23.00 |
| US   | Chicago Purchasing Manager                           | Jul         |              |            |        |             | 13.45 | 23.45 |
| <b>Upcoming Central Bank Interest Rate Announcements</b> |  |             |              |            |        |             |       |       |
| 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%       |       |       |
| New Zealand  | RBNZ   | 10-Sep      | 2.75%        | 2.75%      |        | 3.00%       |       |       |
| Canada   | BoC  | 10-Sep      |              |            |        | 0.50%       |       |       |

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

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