

Markets Today

A daily outlook for Australia, key global economies and markets

27 July 2015

EM FX and AUD under the pump

Price wise, there was not a lot to note in Friday's offshore markets, much of the day's price action having occurred during the Asia-Pacific session (in FX at least). News-wise, the biggest excitement came around midday NY time when the Fed revealed that confidential data including Fed staff forecasts for the Fed Funds rate had been inadvertently posted to the Fed's website alongside other material back on June 29 (so obviously not spotted at the time).

These showed point projections of 0.35% for the end-2015 Fed Funds rate, 1.26% for end 2016 and 2.12% for end 2017. The forecasts, prepared in front of the June FOMC meeting, were unchanged from March, and sit below the median June FOMC 'dot point' projections of 0.625%, 1.625% and 2.875% for end '15, '16 and '17 respectively. The 2yr note yield dipped from just above 0.70% to a low of 0.66% on the news before closing at 0.68%. In our view the revelation is no big deal, though does tend to re-enforce prevailing money market sentiment that sees the Fed lifting rates no more than once this year. US Yields were in any event under mild downward pressure from a big downside miss in the New Home Sales data, and weak US stocks where the main indices lost around 1% +/-.

In FX, EUR/USD finished flat at 1.0984 and USD/JPY was 0.1% lower at 123.81. So the 0.13% rise in the DXY was largely on the back of latest commodity currency weakness. AUD/USD just made another new low offshore (0.7260) before ending in NY at 0.7281, -1.01% on the day (and the first time below 0.73 since 3 May 2009). Friday's lows are being re-tested in early Asia-pacific trade Monday. USD/NZD was 0.44% lower to 0.6578. It has re-started the new week little changed so above Friday's 0.6555 low.

In EM, the Brazilian Real and South African Rand were the biggest losers, USD/ZAR +1.72% to a new record high of 12.67, USD/BRL +2.01% to its highest since 2003. The rouble was also very weak, -1.20%.

In rates, US 2yr yields ended the NY session -1.6bps at 0.6781 (so about 2bps up on the week) and the 10yr -0.5bp to 2.2624 (-8.5bps on the week). In stocks, the S&P500 lost 1.07%, the Dow 0.92% and the NASDAQ -1.12%. Eurostoxx 50 was -0.88% and the Dax -1.43%. VIX rose 1.1 to 13.74.

In commodities, gold staged a rebound, +\$8.41 to \$1,099. CFTC data showed hedge funds (a separately recorded subset of overall 'non-commercial' operators) holding net shorts for the first time since the data started being recorded in 2006 (-11,345 contracts). Overall speculative positioning fell but remained positive at 28.3k and above the record low of 16.6k recorded in July 2013.

The LMEX index finished -0.08% and iron ore lost \$0.30 to \$51.42. WTI crude lost further ground, -\$0.31 to \$48.14)

while Brent lost \$0.65 to 54.62. News that the Baker-Hughes count of operating US oil rigs rose last week (+21 to 659) didn't help sentiment.

US June New Home sales fell sharply and unexpectedly, -6.8% to an annual rate of 482k (+0.3% or 548k E) with the weakness compounded by a big downward revision to May (-1.1% instead of the +2.2% first reported). There was a tendency to dismiss the data as prone to extreme month to month volatility, and to note that new home sales are small relative to the (strong) existing home sales numbers reported earlier in the week. That said they did have some impact. The Markit US manufacturing PMI rose to 53.8 (53.6E, 53.6P)

Earlier Friday, the Eurozone 'flash' composite PMI fell to 53.7 from 54.2 (54.0E) with small falls recorded for both manufacturing and services in both Germany and France. This despite the fact the survey period reportedly commenced just after news of the deal to keep Greece in the euro was announced.

CoreLogic RP Data's weekend auction clearance report shows the 7-capital city average clearance rate up to 77.7% from 77.0%, and running just above the YTD average of 76.9%. Strength was led by Sydney where the auction clearance rate jumped to 82.7% from 79.7%. Melbourne rose to 76.5% from 76.0%.

Coming Up

It's a relatively light data week for Australia with the main focus on the housing sector with the release of building approvals on Thursday and RBA Credit on Friday. Export and import merchandise trade prices are also due. RBA Governor Stevens is speaking again, on Thursday when the NAB SME Business Survey for Q2 is being released.

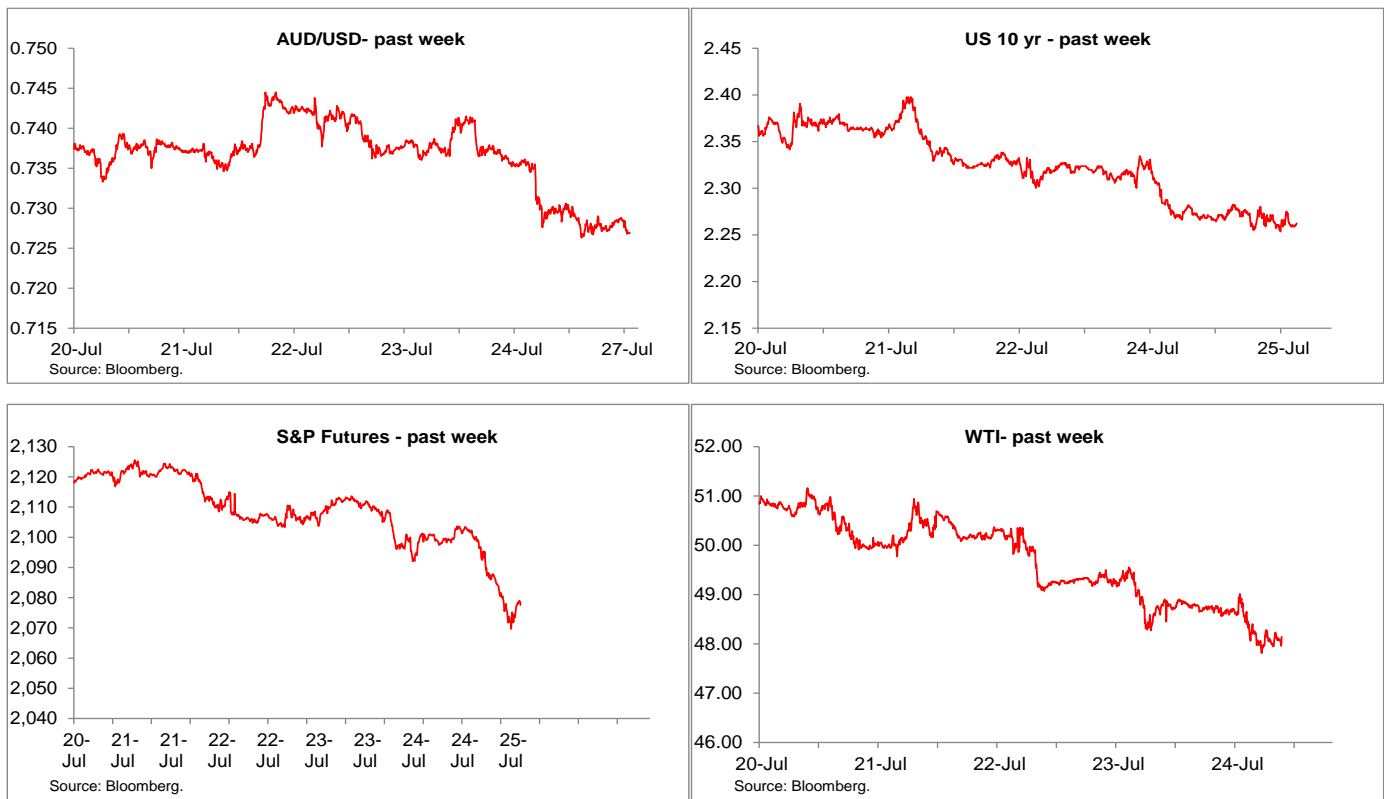
Internationally, US Q2 GDP and the FOMC meeting will dominate. The FOMC meets on Wednesday and while there is almost no chance of a rate rise, the post meeting statement will be parsed for any indications on the timing of an expected Fed rate lift-off. On Thursday attention will shift to the first reading of Q2 GDP (as well as the 'core GDP price deflator' – the Fed's preferred inflation measure). The release will also include the BEA's review of seasonal adjustment and will likely result in revisions to history – particularly under focus will be whether the weak Q1 reading is revised higher.

Overnight

On global stock markets, the S&P 500 was -1.10%. Bond markets saw US 10-years -0.53bp to 2.26%. On commodity markets, Brent crude oil -1.18% to \$54.62, gold-0.8% to \$1,086, iron ore -0.6% to \$51.42. AUD is at 0.7269 and the range was 0.7260 to 0.7307.

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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>0.7269</td> <td>-0.2</td> <td>0.7267</td> <td>0.7284</td> <td>HKD</td> <td>7.7516</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.6572</td> <td>-0.1</td> <td>0.6568</td> <td>0.6581</td> <td>CNY</td> <td>6.2095</td> <td>0.0</td> </tr> <tr> <td>EUR</td> <td>1.0986</td> <td>0.0</td> <td>1.0969</td> <td>1.0990</td> <td>SGD</td> <td>1.3726</td> <td>0.1</td> </tr> <tr> <td>GBP</td> <td>1.5513</td> <td>0.0</td> <td>1.5495</td> <td>1.5516</td> <td>IDR</td> <td>13,447</td> <td>0.2</td> </tr> <tr> <td>JPY</td> <td>123.67</td> <td>-0.1</td> <td>123.62</td> <td>123.79</td> <td>THB</td> <td>34.90</td> <td>0.0</td> </tr> <tr> <td>CAD</td> <td>1.3040</td> <td>-0.1</td> <td>1.3036</td> <td>1.3048</td> <td>KRW</td> <td>1,168</td> <td>0.3</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6616</td> <td>-0.3</td> <td></td> <td></td> <td>TWD</td> <td>31.43</td> <td>0.6</td> </tr> <tr> <td>AUD/JPY</td> <td>89.88</td> <td>-0.3</td> <td></td> <td></td> <td>PHP</td> <td>45.52</td> <td>0.3</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4686</td> <td>-0.2</td> <td></td> <td></td> <td>CHF</td> <td>0.96</td> <td>-0.1</td> </tr> <tr> <td>AUD/NZD</td> <td>1.1058</td> <td>-0.1</td> <td></td> <td></td> <td>SEK</td> <td>8.59</td> <td>0.0</td> </tr> </table>							Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.7269	-0.2	0.7267	0.7284	HKD	7.7516	0.0	NZD	0.6572	-0.1	0.6568	0.6581	CNY	6.2095	0.0	EUR	1.0986	0.0	1.0969	1.0990	SGD	1.3726	0.1	GBP	1.5513	0.0	1.5495	1.5516	IDR	13,447	0.2	JPY	123.67	-0.1	123.62	123.79	THB	34.90	0.0	CAD	1.3040	-0.1	1.3036	1.3048	KRW	1,168	0.3	AUD/EUR	0.6616	-0.3			TWD	31.43	0.6	AUD/JPY	89.88	-0.3			PHP	45.52	0.3	AUD/GBP	0.4686	-0.2			CHF	0.96	-0.1	AUD/NZD	1.1058	-0.1			SEK	8.59	0.0
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 | Major Indices | | | | |---------------|--------|-------|-------| | | Last | % day | % y/y | | Dow | 17,569 | -0.9 | 3.6 | | S&P 500 | 2,080 | -1.1 | 5.1 | | Nasdaq | 5,089 | -1.1 | 14.4 | | FTSE | 6,580 | -1.1 | -3.1 | | DAX | 11,347 | -1.4 | 17.7 | | CAC 40 | 5,057 | +0.2 | 16.8 | | Nikkei | 20,545 | -0.7 | 32.9 | | Shanghai | 4,071 | -1.3 | 91.4 | | Hang Seng | 25,129 | -1.1 | 3.8 | | ASX 200 | 5,566 | -0.4 | -0.3 | | | | | | | Last | % day | |-------------|---------|-------| | Oil (Brent) | 54.62 | -1.2 | | Oil (WTI) | 48.14 | -0.6 | | Oil (Tapis) | 56.85 | -2.0 | | Gold | 1085.50 | -0.8 | | CRB | 205.04 | -0.9 | | GS Metals | 281.0 | -0.2 | | Aluminium | 1614 | 0.5 | | Copper | 5253 | -0.2 | | Nickel | 11269 | -1.2 | | Zinc | 1945 | -1.5 | | Ch. steel | 2091 | 2.1 | | Iron ore | 51.4 | -0.6 | | Coal | 60.4 | 0.1 | | Wheat Chic. | 519.8 | -1.7 | | Sugar | 11.24 | -2.3 | | Cotton | 65.84 | -0.1 | | Coffee | 122.3 | 0.6 | | | || | Interest Rates | | | | Benchmark 10 Year Bonds | | | | |-----------------------|------|------|------|-------------------------|--------|------|-------| | Indicative Swap Rates | | | | Last | chge | Spnd | | | | Cash | 3mth | 2Yr | 10Yr | | | | | USD | 0.25 | 0.29 | 0.93 | 2.35 | USD 10 | 2.26 | -0.01 | | AUD | 2.00 | 2.14 | 2.06 | 3.15 | AUD 10 | 2.82 | -0.04 | | NZD | 3.00 | 3.05 | 2.88 | 3.66 | NZD 10 | 3.33 | -0.08 | | EUR | 0.05 | 0.06 | 0.10 | 1.01 | CAD 10 | 1.49 | -0.01 | | GBP | 0.50 | 0.58 | 1.13 | 2.07 | EUR 10 | 0.69 | -0.05 | | JPY | 0.10 | 0.10 | 0.15 | 0.58 | GBP 10 | 1.93 | -0.08 | | CAD | 0.50 | 1.17 | 0.77 | 2.00 | JPY 10 | 0.41 | -0.01 | | | | | | | | Overnight Futures | | | |-------------------|-------|-------| | | Last | Chge | | Australia | | | | 3 mth bill | 97.92 | 0.00 | | 3 Yr bond | 98.11 | 0.01 | | 10 Yr bonc | 97.17 | 0.03 | | 3/10 sprd | 0.94 | -0.02 | | SPI | -49.0 | -0.9 | | | |

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, 27 July 2015								
JN	PPI Services YoY	Jun		0.70%		0.6%	23.50	9.50
CH	Industrial Profits YoY	Jun				0.60%	1.30	11.30
GE	IFO Business Climate/Current Assessment/Expectations	Jul		107.5/113/102		107.4/113.1/102	8.00	18.00
EC	M3 Money Supply YoY	Jun		5.10%		5.00%	8.00	18.00
UK	CBI Trends Total Orders	Jul		-5		-7		
US	Durable Goods Orders	Jun		3.00%		-1.8%	12.30	22.30
GE	Retail Sales MoM/YoY	Jun					14.00	0.00
US	Dallas Fed Manf. Activity	Jul		-4		-7	14.30	0.30
Tuesday, 28 July 2015								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jul-26				111.8/+4.5%	23.30	9.30
UK	GDP QoQ/YoY	2Q A		0.7%/2.6%		0.4%/2.9%	8.30	18.30
UK	Index of Services MoM	May		0.30%		0.20%	8.30	18.30
CA	Industrial Product Price MoM	Jun				0.50%	12.30	22.30
CA	Raw Materials Price Index MoM	Jun				4.40%	12.30	22.30
US	S&P/CS 20 City MoM SA	May		0.20%		0.30%	13.00	23.00
US	Markit US Services PMI	Jul P		55		54.8	13.45	23.45
US	Consumer Confidence Index	Jul		100		101.4	14.00	0.00
US	Richmond Fed Manufact. Index	Jul		6		6	14.00	0.00
Wednesday, 29 July 2015								
NZ	RBNZ Governor Wheeler speaks at private event; speech on RBNZ web site						21.00	7.00
JN	Retail Sales MoM	Jun		-1.00%		1.70%	23.50	9.50
CH	Westpac-MNI Consumer Sentiment	Jul				112.3	1.45	11.45
JN	Small Business Confidence	Jul				46.9	5.00	15.00
GE	GfK Consumer Confidence	Aug		10.1		10.1	6.00	16.00
UK	Mortgage Approvals	Jun		66.3K		64.4K	8.30	18.30
UK	CBI Reported Sales	Jul		30		29		
US	MBA Mortgage Applications	Jul-24					11.00	21.00
US	Pending Home Sales MoM	Jun		1.1%		0.9%	14.00	0.00
US	FOMC Rate Decision	Jul-29		0-0.25%		0-0.25%	18.00	4.00
Thursday, 30 July 2015								
NZ	Building Permits MoM	Jun				0	22.45	8.45
UK	GfK Consumer Confidence	Jul		5		7	23.05	9.05
JN	Industrial Production MoM/YoY	Jun P		0.30%		-2.10%	23.50	9.50
AU	RBA Governor Stevens speaks to Asia Financial Cooperation Conference, Sydney						1.00	11.00
AU	Export/Import prices QoQ	2Q		-5%/0.5%	-4%/1.5%	-0.8%/-0.2%	1.30	11.30
AU	Building Approvals MoM/YoY	Jun		1.5%/21.8%	-0.9%/19.5%	2.4%/17.6%	1.30	11.30
AU	NAB SME (Small Business) Business Survey	2Q					1.30	11.30
GE	Unemployment Rate / Change (000s)	Jul		6.4%/-5K		6.4%/-1K	7.55	17.55
EC	ECB Publishes Economic Bulletin						8.00	18.00
EC	Business Climate Indicator	Jul				0.14	9.00	19.00
GE	CPI MoM/YoY	Jul P		0.2%/0.3%		-0.1%/0.3	12.00	22.00
US	GDP Annualized QoQ	2Q A		2.5		-0.20%	12.30	22.30
US	Initial Jobless Claims	Jul-25				255K	12.30	22.30
Friday, 31 July 2015								
UK	GfK Consumer Confidence	Jul					23.05	9.05
JN	Jobless Rate/Jobs-Applicants ratio	Jun		3.3%/1.20		3.3%/1.19	23.30	9.30
JN	Overall Household Spending YoY	Jun		1.80%		4.80%	23.30	9.30
JN	Natl CPI YoY	Jun		0.30%		0.50%	23.30	9.30
JN	Tokyo CPI YoY	Jul		0.30%		0.30%	23.30	9.30
NZ	ANZ Business Confidence	Jul				-2.3	1.00	11.00
AU	PPI QoQ/YoY	2Q				0.5%/0.7%	1.30	11.30
AU	Private Sector Credit MoM/YoY	Jun		0.5%/6.0%	0.5%/6.0%	0.5%/6.2%	1.30	11.30
NZ	Credit Aggregates, Household YoY	Jun				5.50%	3.00	13.00
EC	Unemployment Rate	Jun		11.10%		11.10%	9.00	19.00
EC	CPI Estimate YoY	Jul		0.20%		0.20%	9.00	19.00
US	Employment Cost Index	2Q		0.6%		0.7%	12.30	22.30
CA	GDP MoM/YoY	May		0.00%		-0.10%	12.30	22.30
US	ISM Milwaukee	Jul				46.55	13.00	23.00
US	Chicago Purchasing Manager	Jul		50.5		49.4	13.45	23.45
US	UoM Consumer Sentiment	Jul F		94		93.3	14.00	0.00
Saturday, 1 August 2015								
CH	Manufacturing PMI	Jul				50.2	1.00	11.00
CH	Non-manufacturing PMI	Jul				53.8	1.00	11.00
Upcoming Central Bank Interest Rate Announcements								
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%			3.00%		
Canada	BoC	10-Sep				0.50%		

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

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