



Markets Today

A daily outlook for Australia, key global economies and markets

28 July 2015

From Greece to China

Very much a risk-off night for markets with equities and some commodities taking the brunt after Chinese stocks lurched lower in afternoon trade to finish down an eye-glazing 8½% on the day. A year ago, the Shanghai composite was 2,177; yesterday it closed at 3,752. In between of course, it rose to over 3,200 last December and by June had peaked at 5,166. Margin calls, and for some stocks trading halts only damage already brittle sentiment at a time when Chinese growth sentiment is under a cloud. Growth sentiment has not been helped by more “earthy” Chinese indicators such as last Friday’s Caixin Manufacturing PMI that printed much lower at 48.2 and yesterday’s industrial profits data down 0.3% y/y to June, continuing stalling industrial earnings since last August-September.

The selling in Asian equities carried over into Europe, with the Eurostoxx 600 index down 2.2%, and not even a better than expected German Ifo Survey for July – Germany’s premier business activity barometer – could save the day for European bourses. Not only did German business expectations surprisingly improve (the lower Euro is one explanation this writer can think of; there may well be others), but German business’ “current assessment” also improved suggesting that business activity has consolidated through the middle of the year after some gains from the latter part of 2014.

The selling in US markets was much less severe, but continued, the S&P 500 closing down 0.73% as the Fed prepares to start their meeting tonight. US durable goods orders were somewhat better than expected in June, but there were some nasty downward revisions to May orders that were even larger, a dampener over the recent pace of business equipment investment. The Atlanta Fed’s *GDPNow* for Q2 remained at 2.4%, GDP being released Thursday along with the BEA’s annual revisions.

In this risk-off mood, metals and oil were sold lower, LME copper by 1.43% and Brent by 3.09% to \$52.93/bbl, oil prices weighed down also by more than ample supply. Spot Qingdao 62% fines iron ore rose \$0.93/t to \$52.93. US Treasury yields declined while European yields were mixed.

For currencies, there seem to have been several cross threads but for the AUD, it’s only been a “sell” signal, the Aussie remaining very much on the defensive, this morning on its overnight lows, selling coming from negative Chinese growth and risk-off sentiment. But neither has it been a wholesale rush back to the USD. The yen has garnered some “safe haven” support, while the Euro also managed to make some gains, supported by the Ifo Survey. The spot Bloomberg US\$ index shed 0.41%.

Coming up today/tonight

Not that the market would have taken too much of a clue from local reports, even perhaps if they were top tier, but it’s a very quiet day today with only the weekly ANZ-Roy Morgan Consumer Confidence reading for last week (w/e 26 July), coming after last week’s 4.5% bounce-back as headline Greek news faded from local headlines.

Tonight the initial focus will be on the first cut of the UK’s growth rate for Q2, a pick up from 0.4% in Q1 to 0.7% for Q2 tipped, annual growth of 2.9%.

In the US there’s Case-Shiller house prices and the Richmond Fed manufacturing index are due, but the market will be more interested in Conference Board’s measure of Consumer Confidence, including the measure’s “Jobs hard to get” index, very much a labour market view from the street where improving perceptions of the job market have stalled recently. As for headline consumer confidence, a pull back to 100.0 from 101.4 is tipped.

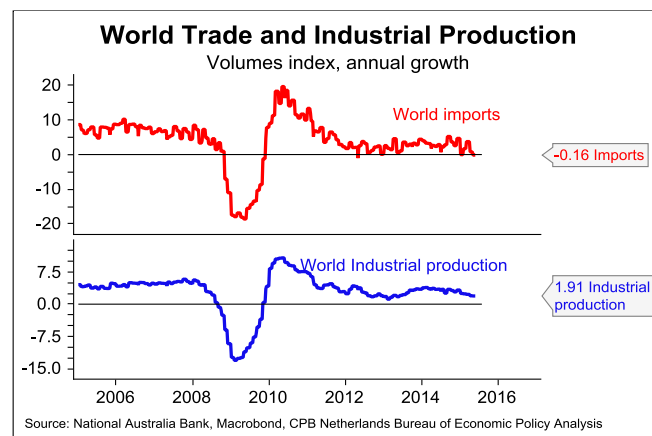
Overnight

- Copper and oil down further: Eurostoxx 600 -2.2%, Dax -2.6%, CAC -2.6%, FTSE -1.1%. Dow -128 points to 17,441, -0.7%, S&P 500 -0.7%, Nasdaq -0.6%, VIX 15.60 +13.5%. Mumbai -8.5%, Nikkei 225 -1.0% and ASX 200 +0.4%; ASX SPI futures this morning -0.7%. US bond yields: 2s at 0.65% (-3), 10s at 2.22% (-4). WTI oil at \$46.98 (-2.4%), Brent at \$53.12 (-2.7%), Malaysian Tapis (yesterday) \$56.05 (-1.4%). Gold at \$1093.80/oz (+0.7%). Base metals: LME copper -1.4%, nickel -2.4%, aluminium -0.2%. Iron ore \$52.4/t +1.8% Chinese steel rebar futures -0.8%. Soft commodities spot futures: wheat -1.5%, sugar +0.0%, cotton -1.3%, coffee -1.5%. Euro Dec 14 CO2 emissions at €8.03/t (0.1%). The AUD/USD’s range overnight 0.7266-0.7325; indicative range today 0.7235-0.7290; the AUD/USD is 0.7272 now**
- German Ifo Survey Business Climate (Jul) 108 (L: 107.4; E: 107.2); EC M3 Money Supply (Jun) 5.0% (L: 5.0%; E: 5.1%); UK CBI Trends Total Orders (Jul) -10 (L: -7; E: -6)**
- US Durable goods orders (Jun) 3.4%, but May revised down to -2.1 (L: -1.8%; E: 3.2%); Dallas Fed Manufacturing (Jul) -4.6 (L: -7; E: -3)**

Good luck.

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Chart of the day: World trade and industry slowing in Q2

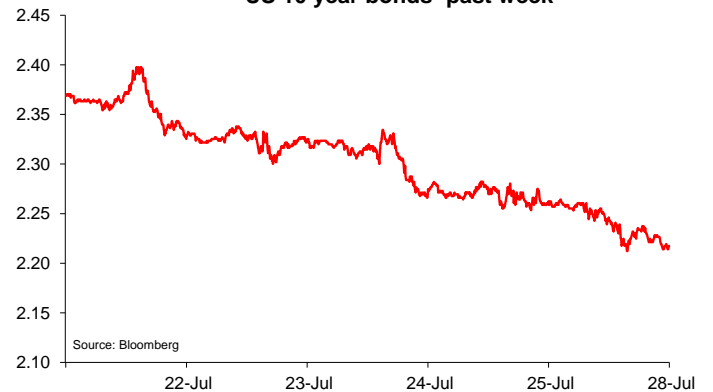


Markets

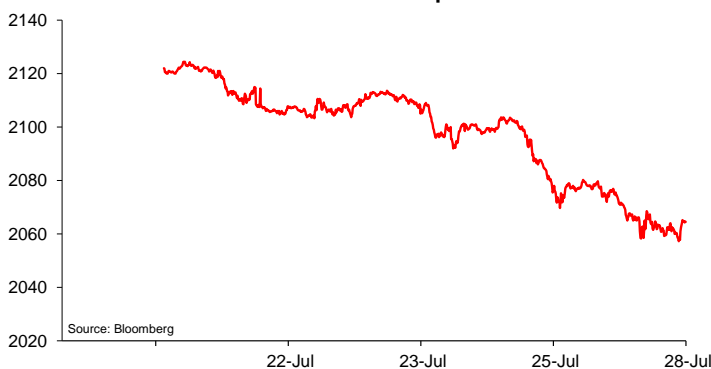
AUD/USD- past week



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	0.7272	0.0	0.7267	0.7273	HKD	7.7511 0.0
NZD	0.6603	-0.1	0.6602	0.6641	CNY	6.2101 0.0
EUR	1.1094	0.2	1.1050	1.1130	SGD	1.3693 0.0
GBP	1.5558	0.3	1.5503	1.5596	IDR	13,475 -0.1
JPY	123.28	0.0	123.00	123.32	THB	34.87 0.0
CAD	1.3034	0.2	1.2993	1.3051	KRW	1,168 -0.1
AUD/EUR	0.6556	-0.5			TWD	31.56 -0.3
AUD/JPY	89.64	-0.3			PHP	45.57 0.1
AUD/GBP	0.4675	-0.6			CHF	0.96 0.6
AUD/NZD	1.1013	-0.2			SEK	8.52 -0.3

Equities

Major Indices			
	Last	% day	% year
Dow	17,441	-0.7	2.8
S&P 500	2,068	-0.6	4.5
Nasdaq	5,040	-1.0	13.3
VIX Index	15.60	13.5	22.9
FTSE	6,505	-1.1	-4.2
DAX	11,056	-2.6	14.6
CAC 40	4,928	-2.6	13.8
Nikkei	20,350	-0.9	31.0
Shanghai	3,726	-8.5	71.1
Hang Seng	24,352	-3.1	-0.3
ASX200	5,590	0.4	0.2

Commodities*

	Last	% day
Oil (Brent)	53.12	-2.7
Oil (WTI)	46.98	-2.4
Oil (Tapis)	56.05	-1.4
Gold	1093.80	0.7
CRB	202.69	-1.1
GS Metals	278.0	-1.1
Aluminium	1639	-0.2
Copper	5188	-1.4
Nickel	11030	-2.4
Zinc	1933	-1.0
Ch. steel	2059	-0.8
Iron ore	52.4	1.8
St. coal	61.8	n.a.
Wheat Chic.	511.8	-1.5
Sugar	11.24	0.0
Cotton	63.80	-1.3
Coffee	120.4	-1.5

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.25	0.29	0.90	2.30	USD 10	2.22	-0.04
AUD	2.00	2.13	2.04	3.06	AUD 10	2.75	-0.06 0.53
NZD	3.00	3.07	2.86	3.58	NZD 10	3.24	-0.04 1.02
EUR	0.05	0.06	0.10	1.00	CAD 10	1.46	-0.03 -0.76
GBP	0.50	0.58	1.13	2.07	EUR 10	0.69	0.00 -1.53
JPY	0.10	0.10	0.15	0.58	GBP 10	1.94	0.00 -0.28
CAD	0.50	1.17	0.76	1.97	JPY 10	0.41	0.00 -1.81

Overnight Futures

Australia		
	Last	Chge
3 mth bill	97.92	0.00
3 Yr bond	98.16	0.02
10 Yr bond	97.28	0.11
3/10 sprd	0.88	-0.09
SPI	-41.0	-0.7

CO₂ Emissions - Euros

	Last	% day
Dec-2015	8.03	0.1
Dec-2016	8.12	0.1
Dec-2017	8.23	0.0

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
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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