

# Markets Today

A daily outlook for Australia, key global economies and markets

30 July 2015

## So-So

Two words, both beginning with 'so' - solid and some - marked the FOMC statement out as very subtly more hawkish than its recent predecessors. It leaves the US dollar slightly higher; US bond yields little changed after an initial dip down; and equities modestly higher (S&P500 +0.73%).

Those going into the FOMC statement with a view that September was the most likely date for lift-off (the majority of Wall Street economists) will not have been dissuaded from their views out of the Fed. Those believing a move is not coming until December/Q4 - the majority of US money market participants - will overall not have been persuaded to change their view either.

So, we are left with even more than the usual elevated importance being attached to upcoming US employment reports, of which there are two this side of the September 16/17 FOMC, in gauging the likely date for 'lift-off' and whether we might yet still get two tightenings this year (the official NAB view).

The FOMC statement was in most respects a carbon copy of its June predecessor. The last four paragraphs of a five paragraph statement contained only one word change. This was the addition of the word 'some' in from of 'further' in the sentence that now reads "The Committee anticipates that it will be appropriate to raise the target range for the federal funds rate when it has seen some further improvement in the labor market and is reasonably confident that inflation will move back to its 2 percent objective over the medium term".

The inclusion of 'some' is being interpreted as meaning that only slightly improvements are required from this point before the Fed regards the labour market conditions for lifting rates to have been met. We'd agree.

In the first paragraph, it was the inclusion of 'solid' that was most telling, as in "The labor market continued to improve, with solid job gains and declining unemployment. Previously the Fed had noted only that 'the pace of job gains picked up' and that the 'unemployment rate remained steady'".

What marked the statement out as only subtly more hawkish was the absence of any encouragement for the view that the FOMC sees inflation pressures as picking up - the other half of the Fed's dual mandate of achieving maximum employment with price stability. The Statement deleted reference to energy prices having stabilised - a necessary sop to the recent renewed downturn in oil prices. It again notes that "Inflation continued to run below the Committee's longer-run objective" and that "market-based measures of inflation compensation remain low".

So while upcoming labor market indicators in line with recent trends can lead the Fed to conclude that labour market slack is no longer a constraint to tightening, they will still want to be

more confident than they are currently that inflation is, or is likely to, pick up before acting.

The only other piece of market relevant macro-economic news overnight was US pending home sales and which unexpectedly dropped (-1.8% against an +0.9% expected)

In FX, the US dollar is firmer out for the FOMC against all G10 currencies bar the Norwegian Krone (and where oil prices are up on the night, despite a comment from US House speaker Boehner that he support a lifting of the ban on US oil exports). EUR/USD (-0.64% to back below just 1.10) has fallen more than AUD/USD (-0.56% to 0.7293) and NZD/USD (-0.27% to 0.669). Note a decent jump in iron ore prices o/n (\$2.44 for the China 62% fines benchmark, to \$55.89). Other industrial metals prices are also modestly higher.

## Coming Up

Out of the FOMC, US Advance Q2 GDP is the main draw today, which we look to print closer to the 2.5% consensus, with consumption and housing the main sources of growth and less of a drag from external trade than in Q1. Potential revisions to Q1, and the PCE deflator numbers, will also attract attention.

Domestically, June building approvals are due at 11:30 AEST and where NAB is looking for a 1.5% rise (consensus -1%) supported, we expect, by continuing growth in the apartment development pipeline with detached home activity flatter.

Export and import prices for merchandise trade are also due, expected to show a 5.0% export price hit from weak commodity prices, while import prices look likely to rise modestly resulting in a 4.5% decline in the terms of trade (vs. market consensus for about -5.5%).

Before the data RBA Governor Glenn Stevens is due to speak at an Asia Financial Cooperation Conference (10:30AEST) but after last week's hard core macroeconomic address to the Anika Foundation lunch, this is unlikely to dwell on issue relevant to monetary policy.

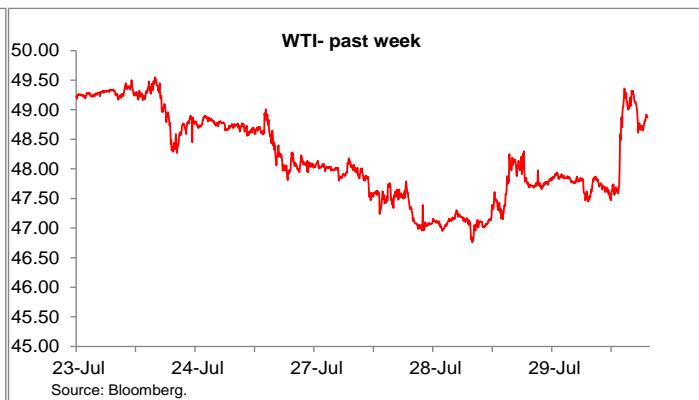
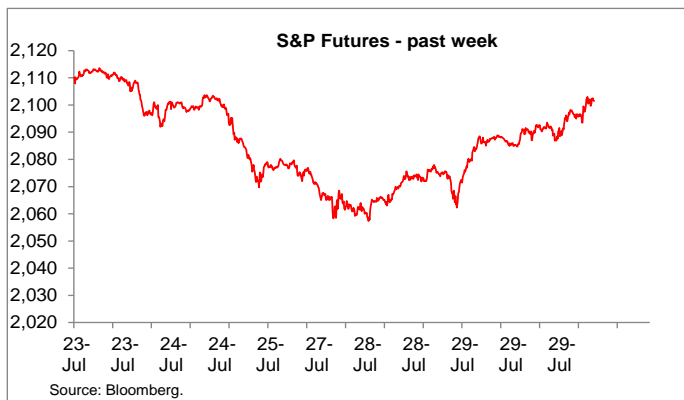
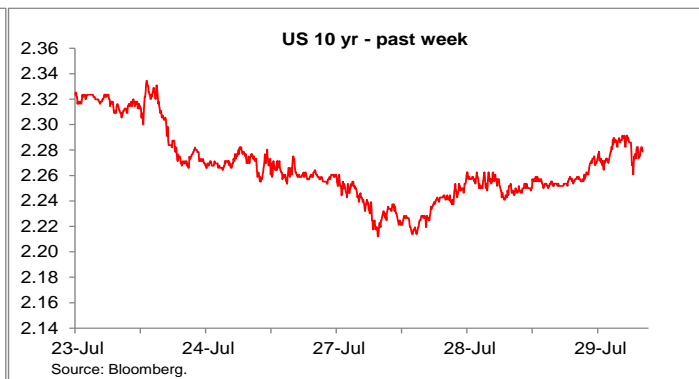
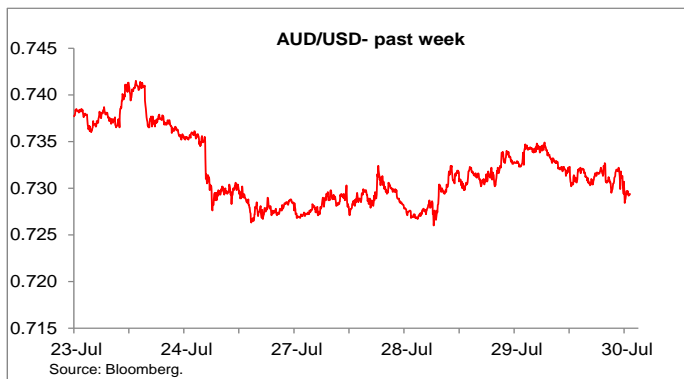
Elsewhere Offshore, Japan industrial production will rate a passing mention in our time zone. In Europe, we get German unemployment and CPI, and the EC July Eurozone business climate and various confidence indicators.

## Overnight

On global stock markets, the S&P 500 was +0.70%. Bond markets saw US 10-years +2.88bp to 2.28%. On commodity markets, Brent crude oil +0.64% to \$53.64, gold 0.0% to \$1,096, iron ore +4.6% to \$55.89. AUD is at 0.7294 and the range was 0.7282 to 0.7351.

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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>0.7294</td> <td>-0.6</td> <td>0.7282</td> <td>0.7351</td> <td>HKD</td> <td>7.7517</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.6672</td> <td>-0.2</td> <td>0.6661</td> <td>0.6739</td> <td>CNY</td> <td>6.2090</td> <td>0.0</td> </tr> <tr> <td>EUR</td> <td>1.0983</td> <td>-0.7</td> <td>1.0967</td> <td>1.1084</td> <td>SGD</td> <td>1.3689</td> <td>0.4</td> </tr> <tr> <td>GBP</td> <td>1.5602</td> <td>-0.1</td> <td>1.5588</td> <td>1.5690</td> <td>IDR</td> <td>13,456</td> <td>-0.1</td> </tr> <tr> <td>JPY</td> <td>123.94</td> <td>0.3</td> <td>123.33</td> <td>124.02</td> <td>THB</td> <td>34.99</td> <td>0.4</td> </tr> <tr> <td>CAD</td> <td>1.2951</td> <td>0.2</td> <td>1.2862</td> <td>1.2967</td> <td>KRW</td> <td>1,159</td> <td>-0.5</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6644</td> <td>0.1</td> <td></td> <td></td> <td>TWD</td> <td>31.47</td> <td>-0.2</td> </tr> <tr> <td>AUD/JPY</td> <td>90.41</td> <td>-0.3</td> <td></td> <td></td> <td>PHP</td> <td>45.50</td> <td>0.0</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4676</td> <td>-0.5</td> <td></td> <td></td> <td>CHF</td> <td>0.97</td> <td>0.6</td> </tr> <tr> <td>AUD/NZD</td> <td>1.0926</td> <td>-0.3</td> <td></td> <td></td> <td>SEK</td> <td>8.64</td> <td>0.9</td> </tr> </table>							Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.7294	-0.6	0.7282	0.7351	HKD	7.7517	0.0	NZD	0.6672	-0.2	0.6661	0.6739	CNY	6.2090	0.0	EUR	1.0983	-0.7	1.0967	1.1084	SGD	1.3689	0.4	GBP	1.5602	-0.1	1.5588	1.5690	IDR	13,456	-0.1	JPY	123.94	0.3	123.33	124.02	THB	34.99	0.4	CAD	1.2951	0.2	1.2862	1.2967	KRW	1,159	-0.5	AUD/EUR	0.6644	0.1			TWD	31.47	-0.2	AUD/JPY	90.41	-0.3			PHP	45.50	0.0	AUD/GBP	0.4676	-0.5			CHF	0.97	0.6	AUD/NZD	1.0926	-0.3			SEK	8.64	0.9
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 | Major Indices |        |       |       | |---------------|--------|-------|-------| |               | Last   | % day | % y/y | | Dow           | 17,751 | +0.7  | 5.0   | | S&P 500       | 2,109  | +0.7  | 7.0   | | Nasdaq        | 5,112  | +0.4  | 15.1  | | FTSE          | 6,631  | +1.2  | -2.6  | | DAX           | 11,212 | +0.3  | 16.1  | | CAC 40        | 5,017  | +0.3  | 14.9  | | Nikkei        | 20,303 | -0.1  | 29.8  | | Shanghai      | 3,789  | +3.4  | 73.7  | | Hang Seng     | 24,619 | +0.5  | -0.5  | | ASX 200       | 5,624  | +0.7  | 0.0   | | | | | |             | Last    | % day | |-------------|---------|-------| | Oil (Brent) | 53.64   | 0.6   | | Oil (WTI)   | 48.87   | 1.9   | | Oil (Tapis) | 54.97   | 0.1   | | Gold        | 1095.80 | 0.0   | | CRB         | 205.49  | 0.5   | | GS Metals   | 283.8   | 0.3   | | Aluminium   | 1635    | 0.5   | | Copper      | 5319    | 0.6   | | Nickel      | 11216   | -0.7  | | Zinc        | 1963    | -0.5  | | Ch. steel   | 2102    | 0.2   | | Iron ore    | 55.9    | 4.6   | | Coal        | 60.3    | 0.0   | | Wheat Chic. | 505.3   | -2.9  | | Sugar       | 11.46   | 2.6   | | Cotton      | 63.89   | -0.8  | | Coffee      | 122.2   | 1.6   | | | || | Interest Rates        |      |      |      | Benchmark 10 Year Bonds |        |      | Overnight Futures |       |       | |-----------------------|------|------|------|-------------------------|--------|------|-------------------|-------|-------| | Indicative Swap Rates |      |      |      | Last                    | chge   | Sprd | Last              |       | Chge  | | Cash                  | 3mth | 2Yr  | 10Yr |                         |        |      | Last              | Chge  |       | | USD                   | 0.25 | 0.30 | 0.93 | 2.36                    | USD 10 | 2.28 | 0.03              |       |       | | AUD                   | 2.00 | 2.13 | 2.10 | 3.16                    | AUD 10 | 2.79 | 0.03              | 97.91 | -0.01 | | NZD                   | 3.00 | 3.09 | 2.94 | 3.70                    | NZD 10 | 3.33 | 0.04              | 98.08 | -0.02 | | EUR                   | 0.05 | 0.06 | 0.10 | 1.05                    | CAD 10 | 1.52 | 0.01              | 97.17 | 0.00  | | GBP                   | 0.50 | 0.58 | 1.14 | 2.12                    | EUR 10 | 0.72 | 0.03              | 0.91  | -0.02 | | JPY                   | 0.09 | 0.10 | 0.14 | 0.58                    | GBP 10 | 1.98 | 0.04              | 37.0  | 0.7   | | CAD                   | 0.50 | 1.17 | 0.79 | 2.03                    | JPY 10 | 0.41 | 0.00              |       |       | | | | | | | | CO <sub>2</sub> Emissions - Euros |      |       | |-----------------------------------|------|-------| |                                   | Last | % day | | Jun-2015                          | 8.10 | 0.5   | | Dec-2015                          | 8.07 | 0.5   | | Dec-2016                          | 8.16 | 0.5   | | | |

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, 30 July 2015</b>								
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		0.3%		-2.1%	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
<b>Friday, 31 July 2015</b>								
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		1.8%		4.8%	23.30	9.30
JN	Natl CPI YoY	Jun		0.3%		0.5%	23.30	9.30
JN	Tokyo CPI YoY	Jul		0.3%		0.3%	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		11.1%		11.1%	9.00	19.00
EC	CPI Estimate YoY	Jul		0.2%		0.2%	9.00	19.00
US	Employment Cost Index	2Q		0.6%		0.7%	12.30	22.30
CA	GDP MoM/YoY	May		0.0%		-0.1%	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
<b>Saturday, 1 August 2015</b>								
CH	Manufacturing PMI	Jul				50.2	1.00	11.00
CH	Non-manufacturing PMI	Jul				53.8	1.00	11.00
<b>Monday, 3 August 2015</b>								
AU	AiG Perf of Mfg Index	Jul				44.2	23.30	9.30
AU	CoreLogic RP Data House Px MoM	Jul				2.1%	0.00	10.00
AU	TD Securities Inflation MoM/YoY	Jul				0.1%/1.5%	0.30	10.30
AU	HIA New Home Sales MoM	Jun				-2.3%	1.00	11.00
AU	ANZ Job Advertisements MoM	Jul				1.3%	1.30	11.30
AU	NAB Online Retail Sales Index MoM/YoY	Jun				-0.1%/9%	1.30	11.30
JN	Nikkei Japan PMI Mfg	Jul F				51.4	1.35	11.35
CH	Caixin China PMI Mfg	Jul F		48.4		48.2	1.45	11.45
EC	Markit Eurozone Manufacturing PMI	Jul F				52.2	8.00	18.00
UK	Markit UK PMI Manufacturing SA	Jul				51.4	8.30	18.30
US	Personal Income/Spending	Jun		0.4%/0.2%		0.5%/0.9%	12.30	22.30
US	PCE Core MoM/YoY	Jun		0.2%/1.2%		0.1%/1.2%	12.30	22.30
US	Fed's Powell (V) to Take Part in Brookings Panel on Market Structure						13.00	23.00
US	Markit US Manufacturing PMI	Jul F				53.8	13.45	23.45
US	Wards Total Vehicle Sales	Jul		17.15M		17.11M	14.00	0.00
US	Construction Spending MoM	Jun		0.7%		0.8%	14.00	0.00
US	ISM Manufacturing	Jul		53.5		53.5	14.00	0.00
<b>Tuesday, 4 August 2015</b>								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Aug-02					23.30	9.30
NZ	QV House Prices YoY	Jul				9.3%	0.00	10.00
NZ	ANZ Commodity Price	Jul				-3.1%	1.00	11.00
AU	Trade Balance	Jun				-2751M	1.30	11.30
AU	Retail Sales MoM	Jun				0.3%	1.30	11.30
AU	Retail Sales Ex Inflation QoQ	2Q				0.7%	1.30	11.30
JN	Labor Cash Earnings YoY	Jun				0.6%	1.30	11.30
AU	RBA Cash Rate Target	Aug-04		2.00%		2.00%	4.30	14.30
UK	Nationwide House PX MoM	Jul		0.4%		-0.2%	6.00	16.00
AU	Commodity Index AUD/YoY	Jul				80.2/-17.9%	6.30	16.30
CA	RBC Canadian Manufacturing PMI	Jul				51.3	13.30	23.30
US	ISM New York	Jul				63.1	13.45	23.45
US	Factory Orders	Jun		1.6%		-1.0%	14.00	0.00
NZ	Global Dairy Auction (early AM NZ time)					-10.7%		
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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%		
US Federal Reserve		18-Sep				0-0.25%		

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

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