

Markets Today

A daily outlook for Australia, key global economies and markets

1 July 2015

Default – Does It Matter?

Greece has officially missed its payment to the IMF, but markets are seemingly unconcerned. We have passed that mattering for now. There is so much uncertainty, speculation, truth and partial truth that many markets are in stasis; waiting to see which way this goes. We may have an answer Monday morning, we may not. Expect more of the same.

In the US equities rose, while they remained under pressure in the EU. Yields were lower, including in the European periphery, while gold and iron ore were lower. The USD was supported, with AUD the outperformer and the NZD the underperformer (no news); EUR was lower. But overall, moves were generally somewhat modest.

We get more noise tonight, with the ECB meeting to discuss its liquidity assistance (ELA) program for Greece. Most analysis suggests they will not do anything to worsen the situation, but it is likely to remain frozen; watch for haircuts to collateral. And there is also a 9:30am GMT meeting of the Eurogroup to discuss the situation.

Overnight, Greece's Tspiras put forward a new proposal to the Institutions to get a two year funding deal, but with no reforms. That was rejected. Germany's Merkel said that there would be no negotiations before the referendum. That is a strong line, and we know that all sides are talking (not always to each other). But overall, we are no further ahead. There was a massive rally in Athens in support for the Yes vote; that is likely to gain support into the weekend but the outcome remains uncertain as of now.

There was actually some data released, but not much attention is being paid to it. European CPI was as expected at 0.8%A, E, 0.9P. In the US the data was mostly positive, with consumer confidence up sharply and house prices rose. The Chicago PMI was not up as much as expected but still rising.

Chinese equities ranged from -5% to +5% over the course of yesterday. The massive swings continue and this brings about uncertainty. There were also further reverse repos to lower yields and ease financial conditions yesterday. These moves have been rapid, but most believe that there is a PBoC 'put' which will win out and support the economy. So no reaction elsewhere either.

The new age of central banks/governments to the rescue is creating an interesting phenomenon of muted or only positive reactions to adverse events.

Coming Up

Just to add to the fun, it's the first day of the new month, the quarter and the new financial year in Australia.

There are limited domestic releases today, building approvals being the key one, but June house prices and commodity prices are also released.

Key for markets will be the China manufacturing index. These have been very stable of late, and less market moving, but they are still important. The official series is expected to marginally improve.

Japan's Tankan survey is one of the only reliable JPY market moving series. That is out today and expected to show an improvement in the manufacturing outlook. The current series is expected to be flat. JPY has rallied strongly since the announcement of the Greek referendum – one of the only G10 currencies to have a sustained reaction to the events. A better than expected outcome here would add to that strength as it lowers the probability of further BoJ easing.

The European PMIs are likely to be irrelevant in the context of uncertainty surrounding Greece, but the UK series is keenly watched by markets. That is expected to improve; and with a change in the BoE's bias, better data here may support GBP.

Finally, the US ISM is released and is also expected to improve. This series has been less market moving of late, perhaps due to the multitude of similar series, but it remains a valid gauge of the likely path of growth ahead. A very strong outcome might be the surprise and be enough to re-establish the USD's support.

The ADP series has lost most of its shine; payrolls are released Thursday this week but today's ADP is largely a guide to last months' payrolls and should be treated as such.

The Fed's Bullard (non-voting hawk) is speaking on the US economy; markets are looking with uncertainty regarding the Fed's ability to hike if there is volatility in the euro area.

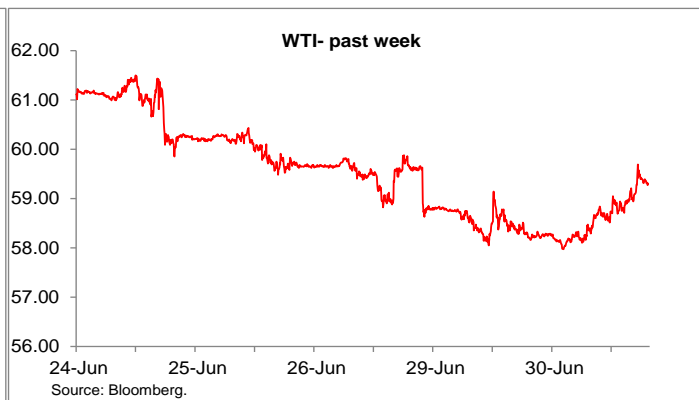
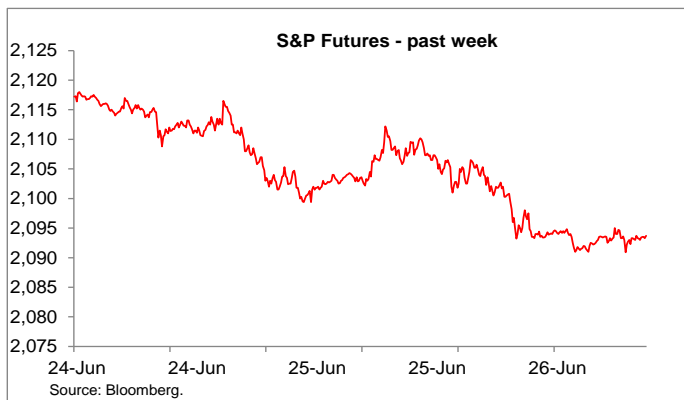
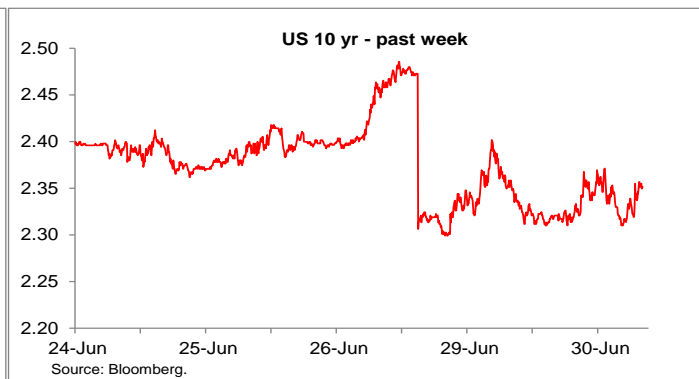
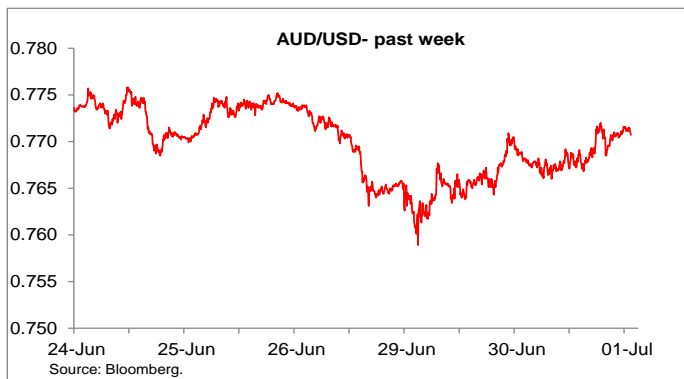
The risk lie in any reminder from the Fed that the economy is strong enough – or indeed the data itself is strong enough - to remind markets that the Fed are ready to act.

Overnight

On global stock markets, the S&P 500 was +0.30%. Bond markets saw US 10-years +2.71bp to 2.35%. On commodity markets, Brent crude oil +2.31% to \$63.44, gold-0.6% to \$1,171, iron ore -3.2% to \$59.35. AUD is at 0.7707 and the range was 0.766 to 0.7724.

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Markets



Foreign Exchange								Equities				Commodities*				
Indicative 24hr ranges (**)				Other FX				Major Indices								
	Last	% chge	Low	High		Last	% chge		Last	% day	% y/y		Last	% day		
AUD	0.7707	0.4	0.7660	0.7724	HKD	7.7514	0.0	Dow	17,620	+0.1	4.7	Oil (Brent)	63.44	2.3		
NZD	0.6766	-1.2	0.6748	0.6855	CNY	6.2010	-0.1	S&P 500	2,063	+0.3	5.2	Oil (WTI)	59.30	1.7		
EUR	1.1133	-0.9	1.1112	1.1244	SGD	1.3473	0.1	Nasdaq	4,987	+0.6	13.1	Oil (Tapis)	63.32	0.9		
GBP	1.5704	-0.2	1.5693	1.5776	IDR	13,339	0.0	FTSE	6,521	-1.5	-3.3	Gold	1171.40	-0.6		
JPY	122.45	-0.1	121.94	122.73	THB	33.81	0.1	DAX	10,945	-1.2	11.3	CRB	227.17	1.6		
CAD	1.2499	0.8	1.2363	1.2500	KRW	1,115	-0.9	CAC 40	4,790	+0.1	8.3	GS Metals	297.5	-0.5		
AUD/EUR	0.6922	1.3			TWD	30.87	-0.6	Nikkei	20,236	+0.6	32.0	Aluminium	1659	-0.6		
AUD/JPY	94.37	0.3			PHP	45.11	-0.1	Shanghai	4,277	+5.5	108.6	Copper	5757	-0.5		
AUD/GBP	0.4908	0.6			CHF	0.94	1.1	Hang Seng	26,250	+1.1	13.2	Nickel	11940	1.2		
AUD/NZD	1.1390	1.6			SEK	8.30	0.9	ASX 200	5,459	+0.7	1.5	Zinc	1992	-1.0		
												Ch. steel			2128	-0.1
												Iron ore			59.4	-3.2
												Coal			60.8	0.6
												Wheat Chic.			615.8	5.5
												Sugar			12.28	3.9
												Cotton			67.51	1.1
												Coffee			132.4	0.0
												CO₂ Emissions - Euros				
															Last	% day
												Jun-2015			7.49	1.1
												Dec-2015			7.46	1.2
												Dec-2016			7.54	1.2

Interest Rates					Benchmark 10 Year Bonds				Overnight Futures		
Indicative Swap Rates					Benchmark 10 Year Bonds						
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd		Last	Chge
USD	0.25	0.28	0.90	2.46	USD 10	2.35	0.03		Australia		
AUD	2.00	2.15	2.19	3.36	AUD 10	3.01	0.06	0.66	3 mth bill	97.88	-0.01
NZD	3.25	3.26	3.10	3.90	NZD 10	3.63	0.02	1.27	3 Yr bond	97.91	-0.01
EUR	0.05	0.06	0.13	1.15	CAD 10	1.68	-0.06	-0.67	10 Yr bonc	96.93	-0.08
GBP	0.50	0.58	1.10	2.15	EUR 10	0.76	-0.03	-1.59	3/10 sprd	0.98	0.06
JPY	0.06	0.10	0.15	0.63	GBP 10	2.02	-0.05	-0.33	SPI	-32.0	-0.6
CAD	0.75	1.17	0.90	2.17	JPY 10	0.47	0.01	-1.89			

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
Wednesday, 1 July 2015								
AU	AiG Perf of Mfg Index	Jun				52.3	23.30	9.30
JN	Tankan Large Mfg Index/All Industry Capex	2Q		12/5.3%		12/-1.2%	23.50	9.50
AU	CoreLogic RP Data House Px MoM	Jun				-0.90%	0.00	10.00
CH	Manufacturing/Non-Manufacturing PMI	Jun				50.2/53.2	1.00	11.00
CH	Non-manufacturing PMI	Jun				53.2	1.00	11.00
AU	Building Approvals MoM/YoY	May	2%/15.2%	1.3%/14.5%		-4.4%/16.3%	1.30	11.30
JN	Markit/JMMA Japan Manufacturing PMI	Jun F				49.9	1.35	11.35
CH	HSBC China Manufacturing PMI	Jun F				49.6	1.45	11.45
AU	RBA Commodity Price Index SDR, MoM/YoY	Jun				-1.5%/-19.5%	6.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Jun F				51.9	7.55	17.55
EC	Markit Eurozone Manufacturing PMI	Jun F				52.5	8.00	18.00
UK	Markit UK PMI Manufacturing SA	Jun				52	8.30	18.30
US	ADP Employment Change	Jun		205K		201K	12.15	22.15
US	Markit US Manufacturing PMI	Jun F				53.4	13.45	23.45
US	Construction Spending MoM	May		0.50%		2.20%	14.00	0.00
US	ISM Manufacturing	Jun		53.0		52.8	14.00	0.00
NZ	Dairy Auction, early am NZT					-1.30%		
Thursday, 2 July 2015								
JN	Monetary Base YoY	Jun				35.6%	23.50	9.50
NZ	QV House Prices YoY	Jun				9.0%	0.00	10.00
NZ	ANZ Commodity Price, NZ\$ terms	Jun	1.50%			-2.7%	1.00	11.00
AU	Trade Balance	May	-3000M	-2250M		-3888M	1.30	11.30
AU	NAB Online Retail Sales index, MoM/YoY	May				1.5%/9.6%	1.30	11.30
AU	NAB Well Being Index	Q2					1.30	11.30
AU	Overseas arrivals and departures	Apr					1.30	11.30
EC	ECB account of the monetary policy meeting						11.30	21.30
US	Nonfarm Payrolls/Unemployment rate	Jun		223K/5.4%		280K/5.5%	12.30	22.30
US	Initial Jobless Claims	Jun-27					12.30	22.30
CA	RBC Canadian Manufacturing PMI	Jun				49.8	13.30	23.30
US	ISM New York	Jun				54.0	13.45	23.45
US	Factory Orders	May		0.0%		-0.4%	14.00	0.00
Friday, 3 July 2015								
US	Independence Day holiday							
AU	AiG Perf of Services Index	Jun				49.6	23.30	9.30
AU	Retail Sales MoM	May	0.6%	0.5%		0.0%	1.30	11.30
CH	HSBC China Services/Composite PMI	Jun				53.5/51.2	1.45	11.45
GE	Markit Germany Services/Composite PMI	Jun F				54.2/54.0	7.55	17.55
EC	Markit Eurozone Services/Composite PMI	Jun F				54.4/54.1	8.00	18.00
UK	Markit/CIPS UK Services/Composite PMI	Jun				56.5/55.8	8.30	18.30
Monday, 6 July 2015								
AU	TD Securities Inflation MoM/YoY	Jun				0.3%/1.4%	0.30	10.30
AU	ANZ Job Advertisements MoM	Jun				0.0%	1.30	11.30
JN	Leading Index CI	May P				106.4	5.00	15.00
GE	Factory Orders MoM/YoY	May				1.4%/0.4%	6.00	16.00
EC	Sentix Investor Confidence	Jul				17.1	8.30	18.30
US	Markit US Services PMI	Jun F					13.45	23.45
CA	Bloomberg Nanos Confidence	Jul-03					14.00	0.00
CA	Ivey Purchasing Managers Index SA	Jun				62.3	14.00	0.00
US	ISM Non-Manf. Composite	Jun				55.7	14.00	0.00
US	Labor Market Conditions Index Change	Jun				1.3	14.00	0.00
CA	Business Outlook Future Sales	2Q				4	14.30	0.30
CA	BoC Senior Loan Officer Survey	2Q				6.7	14.30	0.30
Tuesday, 7 July 2015								
NZ	NZIER Business Opinion Survey	2Q				23	22.00	8.00
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jul-05					23.30	9.30
AU	AiG Perf of Construction Index	Jun				47.8	23.30	9.30
AU	RBA Cash Rate Target	Jul-07		2.00%		2.00%	4.30	14.30
GE	Industrial Production SA MoM/YoY	May				0.9%/1.4%	6.00	16.00
UK	Industrial Production MoM/YoY	May				0.4%/1.2%	8.30	18.30
CA	Int'l Merchandise Trade	May				-2.97B	12.30	22.30
US	Trade Balance	May				-\$40.90B	12.30	22.30
US	JOLTS Job Openings	May				5376	14.00	0.00
US	Consumer Credit	May				\$20.541B	19.00	5.00
Wednesday, 8 July 2015								
UK	BRC Shop Price Index YoY	Jun				-1.9%	23.01	9.01
JN	BoP Current Account Adjusted	May				¥1274.2B	23.50	9.50
JN	Trade Balance BoP Basis	May				-¥146.2B	23.50	9.50
US	MBA Mortgage Applications	Jul-03					11.00	21.00
CA	Building Permits MoM	May				11.6%	12.30	22.30
JN	Eco Watchers Survey Current/Outlook	Jun				53.3/54.5	14.00	0.00
US	U.S. Fed Releases Minutes from June 16-17 FOMC Meeting						18.00	4.00
US	Fed's Williams (v) Speaks on Outlook in Los Angeles						18.00	4.00
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		7-Jul	2.00%	2.00%		2.00%		
UK BOE		9-Jul	0.50%	0.50%		0.50%		
Japan, BoJ		15-Jul	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
Europe ECB		16-Jul	0.05%	0.05%		0.05%		
Canada, BoC		16-Jul				0.75%		
New Zealand, RBNZ		23-Jul	3.00%	3.00%		3.25%		
US Federal Reserve		30-Jul						

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

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