



Markets Today

A daily outlook for Australia, key global economies and markets

15 July 2015

The Sound of Central Banks Talking

Back to our day jobs, with a reprieve on being political or equity analysts, we can return to the global economy. Markets also chose to ignore the after-party cleaning up in Greece, to focus on central bank speak – both actual and what is to come. That left equity markets modestly higher overnight, bond yields lower, oil prices higher and a modestly lower USD. GBP outperformed and AUD was higher.

The US data was surprisingly soft overnight, with retail sales dropping unexpectedly, as did the NFIB small business optimism survey. Excuses given are the drop in equities and the rise in gasoline prices, but more evidence is needed for a trend. It did depress yields though. More focus on Yellen tonight.

The UK information was more interesting, in that BoE Governor Carney, yet again, chose to remind markets that interest rate hikes are closer than they think. GBP focussed on that part of the speech, rather than the bit which said that the hiking cycle would be limited, gradual and that the peak would be far lower than historical levels. The lower than expected CPI print was also taken in its stride. Core inflation now sits at 0.8%yoyA, from 0.9%yoy.

The news from Europe was, unsurprisingly, negative: the weight of all the negative news and uncertainty did not help the ZEW sentiment survey. It fell to 42.7A from 53.7. The German's were not quite as concerned, with the German ZEW actually rising: 63.9A (60E, 62.9P). European industrial production was quite soft. Just note that there are still events unfolding in Greece and across the Euro area, as the agreement has to be voted on by Greece (today) and the various governments. That may generate some news flow.

Australia's NAB business survey was released yesterday and proved to be a support for the AUD. Business conditions rose to +11, from 7 and confidence also rose.

Coming Up

We re-enter the world of data watching and have a little rest from the event risks of the last few weeks. It's a nice change. Data is a little more predictable and clear.

Domestically, we get consumer confidence, but the attention is going to be very much on the China data instead. Although, with the bigger events ahead, even the China data may not have any outsized reaction to data surprises.

China releases its Q2 GDP data (efficient aren't they). That is expected to show a better quarterly result, but the annual GDP drops to 6.9% from 7%. A miss here would be the greatest market mover and the surprise would be from any

better than expected outcome. But misses are very rare, it is an astonishingly accurate bunch of forecasters for this one. Industrial production and retail sales round off the releases.

It is a busy data for the central banks. In the local time zone it is the BoJ's turn. There is some suggestion that they may improve their economic outlook, and to be fair, the Tankan survey was pretty positive, but we aren't expecting an improvement on the characterisation of the economic recovery as 'moderate.' The Bank of Canada also meet, and there is more uncertainty here. Just more than half participants in the Bloomberg survey are looking for an easing to 50bp.

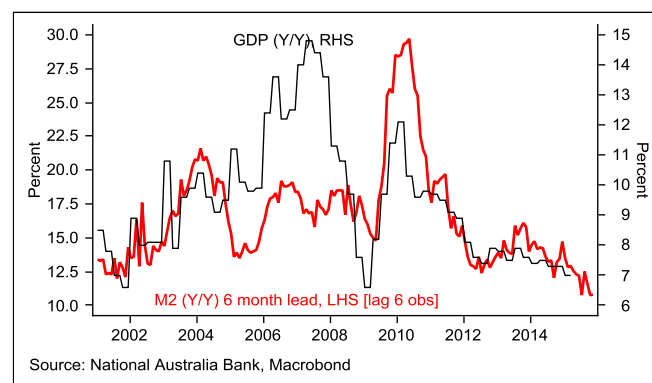
The key event is Fed Chair Yellen's semi-annual testimony to the US legislature (formerly known as the Humphrey Hawkins). Given she spoke last Friday and noted that the Fed were looking to raise interest rates this year (which could be delayed or accelerated depending on the data), despite the fact that parts of the labour market were not improving as hoped and that they had yet to achieve their inflation goals. A change from this theme is not expected, but any deviation would move the USD. A more positive outlook would be the greater market mover (and a lower probability) The Fed's Williams and George also speak and the Empire survey and industrial production data is released.

Overnight

On global stock markets, the S&P 500 was +0.40%. Bond markets saw US 10-years -5.83bp to 2.40%. On commodity markets, Brent crude oil +0.95% to \$58.4, gold -0.1% to \$1,154, iron ore -0.5% to \$50.06. AUD is at 0.7451 and the range was 0.7388 to 0.7479.

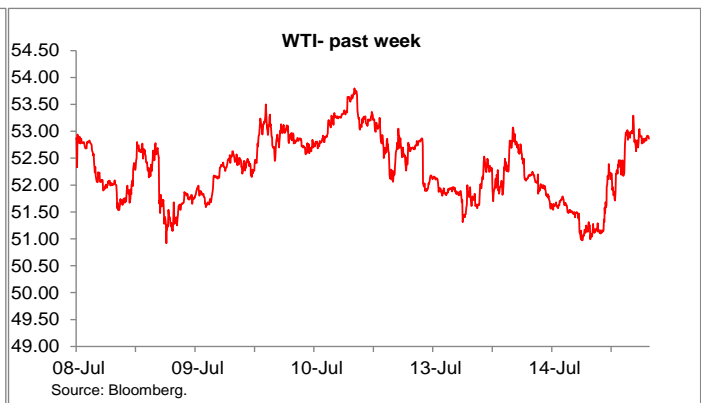
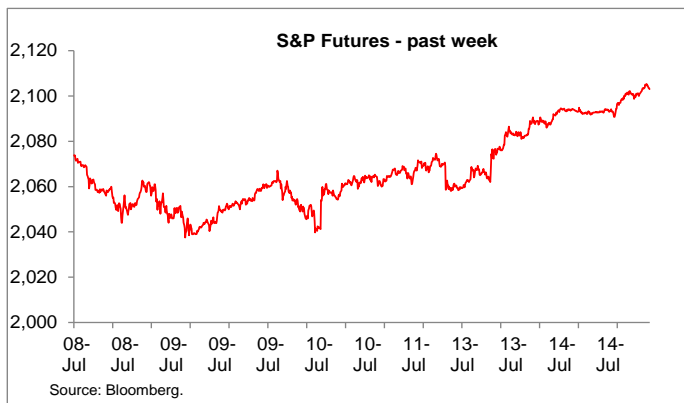
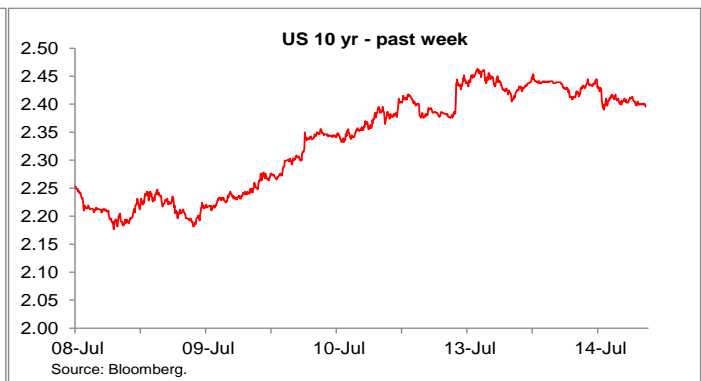
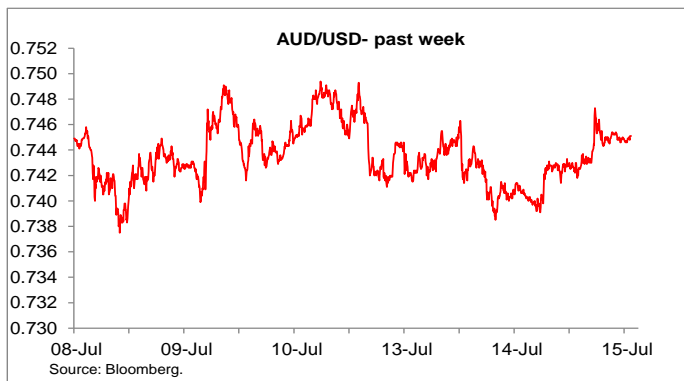
- US retail sales control -0.1%A, 0.3E, 0.7P
- US NFIB 94.1A, 98.5E, 98.3P
- UK CPI core 0.8%A, 0.9%P, E
- EU IP -0.4%A, 0.2E, 0P
- EU ZEW 42.7A, 53.7P

Chart: China GDP moving lower



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Markets



Foreign Exchange								Equities				Commodities*			
Indicative 24hr ranges (**)				Other FX				Major Indices				Last % day			
	Last	% chge	Low	High		Last	% chge		Last	% day	% y/y		Last	% day	
AUD	0.7451	0.6	0.7388	0.7479	HKD	7.7516	0.0	Dow	18,054	+0.4	5.9	Oil (Brent)	58.40	1.0	
NZD	0.6708	0.2	0.6668	0.6743	CNY	6.2090	0.0	S&P 500	2,109	+0.4	6.7	Oil (WTI)	52.86	1.3	
EUR	1.1007	0.0	1.0966	1.1083	SGD	1.3614	0.3	Nasdaq	5,105	+0.7	15.0	Oil (Tapis)	58.56	-0.5	
GBP	1.5634	0.9	1.5451	1.5639	IDR	13,339	0.3	FTSE	6,754	+0.2	0.1	Gold	1154.30	-0.1	
JPY	123.37	0.0	122.92	123.73	THB	34.04	0.0	DAX	11,517	+0.3	17.7	CRB	219.38	0.4	
CAD	1.2737	0.0	1.2718	1.2805	KRW	1,142	1.0	CAC 40	5,032	+0.5	15.7	GS Metals	295.2	-0.4	
AUD/EUR	0.6769	0.6			TWD	31.07	0.2	Nikkei	20,385	+1.5	32.4	Aluminium	1682	-0.6	
AUD/JPY	91.92	0.6			PHP	45.21	0.1	Shanghai	3,924	-1.2	89.6	Copper	5556	-0.5	
AUD/GBP	0.4766	-0.3			CHF	0.95	-0.5	Hang Seng	25,121	-0.4	7.1	Nickel	11593	-1.1	
AUD/NZD	1.1106	0.4			SEK	8.50	0.1	ASX 200	5,577	+1.9	1.2	Zinc	2048	0.0	
Interest Rates								Overnight Futures				CO ₂ Emissions - Euros			
Indicative Swap Rates				Benchmark 10 Year Bonds				Last Chge				Last % day			
	Cash	3mth	2Yr	10Yr		Last	chge	Spnd		Last	Chge		Last	% day	
USD	0.25	0.29	0.89	2.48	USD 10	2.40	-0.06		Australia				Jun-2015	7.77	-0.9
AUD	2.00	2.15	2.14	3.35	AUD 10	3.02	0.03	0.62	3 mth bill	97.87	-0.01		Dec-2015	7.74	-0.8
NZD	3.25	3.20	3.00	3.91	NZD 10	3.59	0.00	1.19	3 Yr bond	97.97	0.02		Dec-2016	7.82	-0.9
EUR	0.05	0.06	0.11	1.21	CAD 10	1.65	-0.04	-0.75	10 Yr bonc	96.96	0.04				
GBP	0.50	0.58	1.15	2.25	EUR 10	0.84	-0.02	-1.56	3/10 sprd	1.01	-0.02				
JPY	0.10	0.10	0.15	0.64	GBP 10	2.12	0.00	-0.27	SPI	15.0	0.3				
CAD	0.75	1.17	0.84	2.15	JPY 10	0.46	0.01	-1.93							

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, 15 July 2015								
US	Fed's George speaks on the economy						0.15	10.15
AU	Westpac Consumer Confidence Index/MoM	Jul				95.3/-6.9%	0.30	10.30
AU	New Motor Vehicle Sales MoM/YoY	Jun				-1.3%/0.8%	1.30	11.30
CH	Retail Sales YoY	Jun		10.20%		10.1%	2.00	12.00
CH	Industrial Production YoY	Jun		6.00%		6.10%	2.00	12.00
CH	Fixed Assets Ex Rural YTD YoY	Jun		11.20%		11.4%	2.00	12.00
CH	GDP QoQ/YoY	2Q		1.5%/6.8%		1.3%/7.0%	2.00	12.00
CH	Bloomberg GDP Monthly Estimate YoY	Jun				6.55%	2.30	12.30
JN	BoJ Monetary Policy Statement/Kuroda Press Conference						3.00	13.00
UK	Jobless Claims Change	Jun		-8K		-6.5K	8.30	18.30
UK	Average Weekly Earnings 3M/YoY	May		3.30%		2.7%	8.30	18.30
UK	ILO Unemployment Rate 3Mths	May		5.5%		5.5%	8.30	18.30
US	MBA Mortgage Applications	Jul-10					11.00	21.00
US	Empire Manufacturing	Jul		3.25		-1.98	12.30	22.30
US	PPI MoM/YoY	Jun		0.2%/-0.9%		0.5%/-1.1%	12.30	22.30
CA	Manufacturing Sales MoM	May		0.30%		-2.1%	12.30	22.30
CA	Existing Home Sales MoM	Jun				3.1%	13.00	23.00
US	Industrial Production MoM/Cap U	Jun		0.2%/78.1%		-0.2%/78.1%	13.15	23.15
US	Fed's Yellen delivers Semi-Annual Testimony to House Financial Panel						14.00	0.00
CA	BoC rate decision and Monetary Policy Report						14.00	0.00
NNZ	Dairy Auction, early am NZT (GDT - weighted price index)					-5.90%		
US	Fed's Mester (nv) speaks on economic outlook						16.25	2.25
US	U.S. Federal Reserve Releases Beige Book						18.00	4.00
US	Fed's Williams (v) Speaks on Outlook and panel participation						19.00	5.00
Thursday, 16 July 2015								
NZ	BusinessNZ Manufacturing PMI	Jun				51.5	22.30	8.30
NZ	CPI QoQ/YoY	2Q	0.7%/0.5%	0.5%/0.3%		-0.3%/0.1%	22.45	8.45
AU	Consumer Inflation Expectation	Jul				3.0%	1.00	11.00
AU	Merchandise imports, goods debits, sa MoM	Jun				-5.0%	1.30	11.30
AU	RBA FX Transactions Market	Jun				487M	1.30	11.30
EC	Trade Balance SA	May				24.3B	9.00	19.00
EC	CPI MoM/YoY	Jun/Jul F		0.0%/0.2%		0.2%/0.2%	9.00	19.00
EC	ECB Main Refinancing Rate/Deposit Facility Rate	Jul-16		0.05%/-0.2%		0.05%/-0.2%	11.45	21.45
US	Initial Jobless Claims	Jul-11				297K	12.30	22.30
CA	Int'l Securities Transactions	May				12.94B	12.30	22.30
US	NAHB Housing Market Index	Jul		59		59	14.00	0.00
US	Philadelphia Fed Business Outlook	Jul		12		15.2	14.00	0.00
US	Fed's Yellen delivers Semi-Annual Testimony to Senate Banking Panel						18.30	4.30
US	Net Long-term TIC Flows	May				\$53.9B	20.00	6.00
Friday, 17 July 2015								
NZ	ANZ Job Advertisements MoM	Jun				0.1%	22.00	8.00
AU	Conf. Board Leading Index MoM	May				-0.3%	0.00	10.00
NZ	ANZ Consumer Confidence Index/MoM	Jul				119.9/-3.2%	1.00	11.00
EC	ECB Survey of Professional Forecasters						8.00	18.00
EC	Construction Output MoM/YoY	May				0.3%/0.0%	9.00	19.00
US	CPI MoM/YoY	Jun		0.3%/0.2%		0.4%/0.0%	12.30	22.30
US	CPI Ex Food and Energy MoM/YoY	Jun		0.2%/1.8%		0.1%/1.7%	12.30	22.30
US	Housing Starts / MoM	Jun		1100K/6.2%		1036K-11.1%	12.30	22.30
US	Building Permits / MoM	Jun		1110K/-11.2%		1275K/11.8%	12.30	22.30
CA	CPI MoM/YoY	Jun		0.2%/1.0%		0.6%/0.9%	12.30	22.30
US	U. of Mich. Sentiment	Jul P		96.5		96.1	14.00	0.00
Saturday, 18 July 2015								
CH	Property Prices	Jun					1.30	11.30
Monday, 20 July 2015								
NZ	Performance Services Index	Jun				58	22.30	8.30
UK	Rightmove House Prices MoM/YoY	Jul				3.0%/4.5%	23.01	9.01
GE	PPI MoM/YoY	Jun				0.0%/-1.3%	6.00	16.00
EC	ECB Current Account SA	May				22.3B	8.00	18.00
EC	Current Account NSA	May				20.4B	8.00	18.00
CA	Wholesale Trade Sales MoM	May				1.90%	12.30	22.30
UK	CBI Trends Total Orders	Jul				-7	14.00	0.00
UK	CBI Trends Selling Prices	Jul				-7	14.00	0.00
UK	CBI Business Optimism	Jul				3	14.00	0.00
JN	Supermarket Sales YoY	Jun				5.7%	14.00	0.00
CA	Bloomberg Nanos Confidence	Jul-17					14.00	0.00
Upcoming Central Bank Interest Rate Announcements								
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%		0.75%		
New Zealand, RBNZ		23-Jul	3.00%	3.00%		3.25%		
US Federal Reserve		30-Jul						
Australia, RBA		4-Aug	2.00%	2.00%		2.00%		
UK BOE		6-Aug				0.50%		

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

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