



# Markets Today

A daily outlook for Australia, key global economies and markets

31 July 2015

## If you don't like it, change it

It appears markets have run out of oomph. We have gone back to typical summer markets, where there is a drifting of trends but not a lot to get your teeth into. Equities were generally up to flat; but China was lower. Yields drifted a little lower, as did commodities; iron ore being the exception. The USD was higher, but off its peaks around the data. In general, emerging market currencies underperformed.

We had a smidgen of ok US data, China equities were lower again, but not drastically so, and there are news reports of things not being entirely right with the Greek rescue. But the pull of the Northern Summer beach appears to be over-riding, and we are likely to see more of the same in the next 24 hours. Happy Friday and long weekend for the financial sector, locally.

The US reported its Q2 GDP outcome, and it was better than the Q1, but not as much as expected. Q2 GDP was 2.3% saar, with expectations at 2.5%, but the Q1 result was revised up to +0.6%saar from the initial -0.2%. Overall, ok but not stellar. That pretty much sums up the day.

The FT is running a story that is getting plenty of airtime, but we'd already heard the news from Germany's Schaeuble before. The IMF will not be involved in the Greek bailout (ie provide funds) unless there is more explicit agreement on conditions and debt relief. Remember the EU won't discuss debt relief for some time yet. And it may be difficult for Germany to get approval without IMF involvement. We are likely to hear more before the money is paid and things are settled. On the positive side, Europe's economic confidence indicator rose, unexpectedly, to a new cycle high. So it seems not everything is too bad.

## Coming Up

Attention moves away from the US for the first time this week, with a re-focussing on Japan and then China.

Domestically there is private sector credit for June; which doesn't often worry markets too much.

But Japan releases its CPI. The BoJ is having a little trouble with that inflation data, in that it isn't doing what they would like. It is stubbornly staying low; and today's National CPI (yoy) is expected to drop to 0.3%yoy from 0.5%; ex fresh food and energy (core) is expected to be steady at 0.4%yoy. The BoJ would like to show that their stimulus program is working and that inflation is normalising to their preferred target- of 2%. But it isn't (as yet). What to do: change the target? No so fast, it took a long time to get the target. There is a proposal that the BoJ change the inflation measure used for the target inflation rate of 2%.

The core measure, without food and energy has been promoted, and one BoJ board member yesterday was focussed on ex energy (of which the rate is higher).

This makes it a little more difficult for markets to interpret the BoJ's path, but it does suggest that the core measures are likely to become more attention grabbing. Today's outcome is unlikely to be anywhere close to what the BoJ are looking for.

Inflation levels have been relatively low in general globally. Yes, part of that in the last while has been the decline in oil prices. But, inflation has been relatively subdued in the post financial crisis environment. The EU also releases its flash CPI today, with the headline result expected at a paltry 0.2%yoy, and the core steady at +0.8%yoy. And that is why the ECB are looking to continue with their asset purchasing program for some time yet.

On Saturday, China, as always on the first of the month, will be releasing their official PMI. This has been remarkably more stable than the unofficial one, but it will come as a surprise if it is weaker than expected.

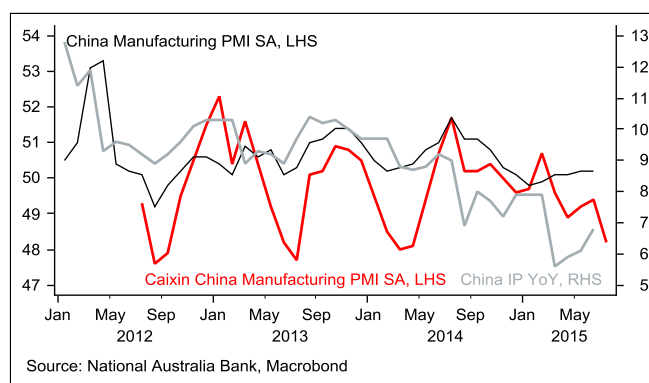
The US releases the Chicago PMI, which should improve a little in July, but next week's ISM is likely to be more instructive.

## Overnight

On global stock markets, the S&P 500 was flat. Bond markets saw US 10-years -2.34bp to 2.26%. On commodity markets, Brent crude oil -0.11% to \$53.32, gold-0.5% to \$1,087, iron ore -0.5% to \$55.64. AUD is at 0.7292 and the range was 0.7255 to 0.7323.

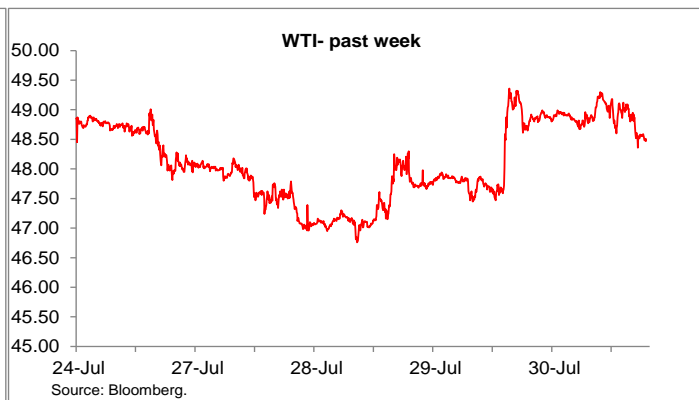
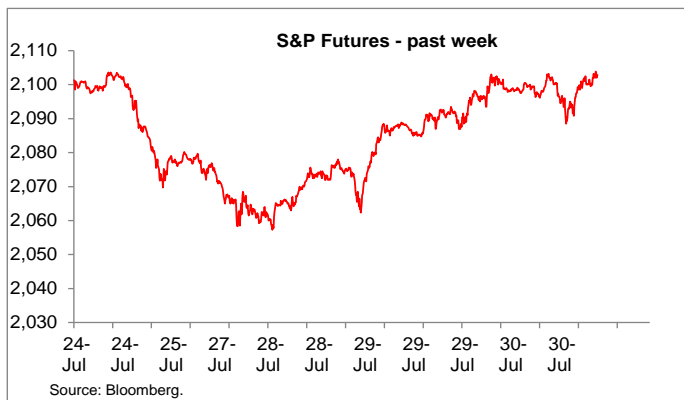
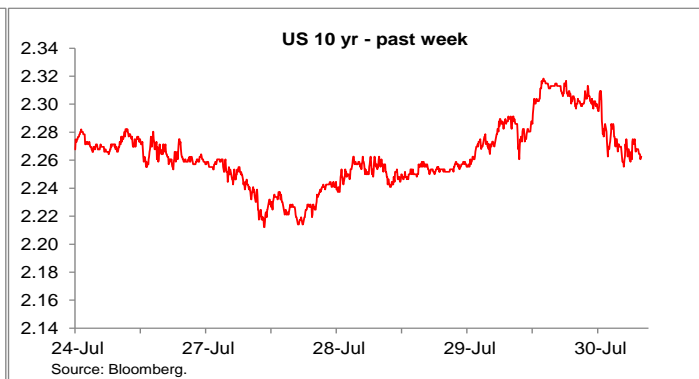
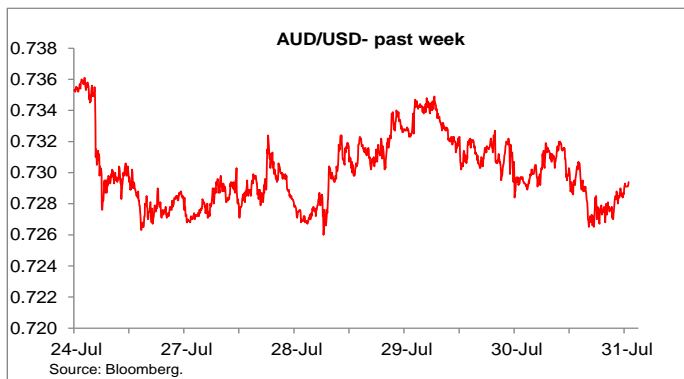
- US GDP 2.3%saarA, 2.5E, +0.6P rev from -0.2
- EU Economic confidence 104A, 103.2E, 103.5P
- German flash CPI 0.2%A, E, -0.1P

Chart: China PMI



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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	0.7293	0.0	0.7255	0.7323	HKD	7.7533	0.0	Dow	17,755	+0	5.2	Oil (Brent)	53.32	-0.1		
NZD	0.6604	-0.9	0.6567	0.6671	CNY	6.2097	0.0	S&P 500	2,109	+0	7.1	Oil (WTI)	48.48	-0.6		
EUR	1.0934	-0.5	1.0893	1.0989	SGD	1.3755	0.5	Nasdaq	5,132	+0.4	15.0	Oil (Tapis)	55.55	1.1		
GBP	1.5608	0.0	1.5563	1.5643	IDR	13,458	0.0	FTSE	6,669	+0.6	-1.5	Gold	1087.00	-0.5		
JPY	124.13	0.2	123.88	124.58	THB	35.13	0.6	DAX	11,257	+0.4	17.3	CRB	204.72	-0.4		
CAD	1.3008	0.5	1.2943	1.3044	KRW	1,168	0.8	CAC 40	5,046	+0.2	17.0	GS Metals	280.4	-1.2		
AUD/EUR	0.6671	0.4			TWD	31.56	0.3	Nikkei	20,523	+1.1	31.4	Aluminium	1615	-1.2		
AUD/JPY	90.54	0.1			PHP	45.64	0.3	Shanghai	3,706	-2.2	68.3	Copper	5254	-1.2		
AUD/GBP	0.4673	-0.1			CHF	0.97	0.1	Hang Seng	24,498	-0.5	-1.0	Nickel	10990	-2.0		
AUD/NZD	1.1045	0.9			SEK	8.63	-0.2	ASX 200	5,670	+0.8	0.6	Zinc	1947	-0.8		
												Ch. steel			2098	0.0
												Iron ore			55.6	-0.5
												Coal			60.3	0.0
												Wheat Chic.			504.3	-0.2
												Sugar			11.27	-1.7
												Cotton			63.66	-0.4
												Coffee			124.9	2.3
												<b>CO<sub>2</sub> Emissions - Euros</b>				
												Last % day				
												Jun-2015			7.92	-2.2
												Dec-2015			7.89	-2.2
												Dec-2016			7.97	-2.3

Interest Rates					Benchmark 10 Year Bonds				Overnight Futures		
Indicative Swap Rates					Last chge Sprd				Last Chge		
	Cash	3mth	2Yr	10Yr					Australia		
USD	0.25	0.30	0.96	2.35	USD 10	2.26	-0.02		3 mth bill	97.90	-0.01
AUD	2.00	2.14	2.08	3.14	AUD 10	2.84	0.05	0.58	3 Yr bond	98.09	0.04
NZD	3.00	3.09	2.93	3.74	NZD 10	3.42	0.09	1.16	10 Yr bonc	97.19	0.03
EUR	0.05	0.06	0.10	1.00	CAD 10	1.49	-0.03	-0.77	3/10 sprd	0.91	0.01
GBP	0.50	0.58	1.15	2.12	EUR 10	0.65	-0.07	-1.61	SPI	10.0	0.2
JPY	0.10	0.10	0.14	0.59	GBP 10	1.97	-0.01	-0.30			
CAD	0.50	1.17	0.78	2.00	JPY 10	0.41	0.00	-1.85			

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>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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