



Markets Today

A daily outlook for Australia, key global economies and markets

13 August 2015

Renminbi Me

It's getting interesting. And it is likely to remain that way for a little while yet. China's move to a more market orientated currency is causing volatility and uncertainty and it might take a while until there is clarity. There are two sides to the story and until markets decide which path is the one we are taking then the direction of assets will (and has) bounce around.

Yesterday, China set the USD/CNY fix at 6.3306, around 1.6% higher than the previous day. That was higher than some expected, although some depreciation was expected. Recall that this currency is usually very stable. The Chinese currency continued to sell off sharply through the day, taking Asian currencies with it. That weighted on the AUD and regional risk assets.

Markets are concerned because it implies weakness in the Chinese economy, and depreciation of a normally stable currency could lead to corporate losses, foreign investor losses on local asset holdings and general volatility in asset prices leads to uncertainty.

This drove the decline in equity markets through the London session and lower yields, as markets worry about the Fed delaying its rate hike.

For now, as the Fed's Dudley put it, the concerns are over the volatility in emerging markets and the weakness in economic growth that this movement is implying.

The other side to the story is that this depreciation is a loosening of monetary conditions for China and that it should boost demand, over time. That might take time to flow through and rapid depreciations can provide negative for an economy.

And that is likely behind the China currency intervention, reported in the FT and Bloomberg, to slow the depreciation of the CNY yesterday- after it had fallen around 2% in the day. The move to slow the depreciation, starting in London, still places today's fix higher than yesterday, but slows the move.

It isn't specifically clear if the subsequent rally in US equities, and higher yields was a result of the calming of concerns about China's depreciation but it does perhaps assist.

The USD is now lower against the G10, with the commodity currencies of NOK, NZD and AUD outperforming. This highlights the fickle nature of this event and the ongoing uncertainty of just how this plays out. So keep watching.

The EUR was also higher and hit 1.12 against the USD at one point. This was despite Germany noting that it was not comfortable with the Greek agreement and conditions and it plans to withhold funds. But, they are ok with a bridging loan to ensure creditors are paid next week.

On the domestic front, last night RBA Assistant Governor Lowe made a speech on the property market. In this there

was a highlighting of the concerns regarding house prices, the risks of rising prices and generational and distributional issues that arise. That supports the view that the RBA are likely on hold.

Coming Up

The intense focus on the Chinese currency market continues today. As Christy Tan notes, after yesterday's poor industrial production data there remains pressure for more depreciation. Combine that with the drop before the close in USD/CNY, and that may limit the upside to below yesterday's percentage move higher in the fix.

If that is the case, it may further ease the volatility in the G10 currency markets and other markets. But, if not, or if the move is at the higher end, then another bout of regional depreciation and volatility is possibly in store.

There is no local data today, so we are left obsessively monitoring China and Asian FX markets.

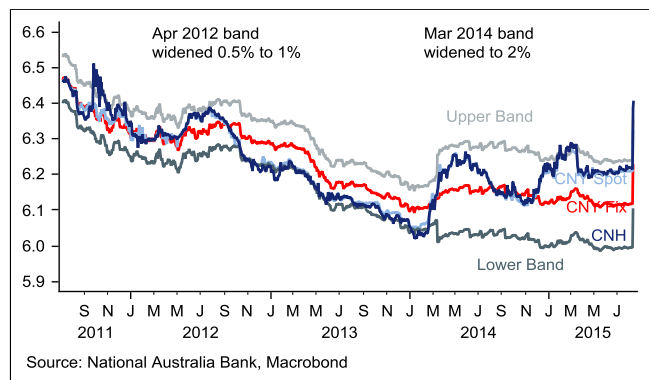
The Fed's Dudley was pretty relaxed in regards to the hiking cycle – saying they are likely to achieve their goal (ie hike). Today's retail sales adds to the information for the Fed and is expected to improve. It should be another support for the hike.

Overnight

On global stock markets, the S&P 500 was +0.10%. Bond markets saw US 10-years +0.71bp to 2.15%. On commodity markets, Brent crude oil +1.16% to \$49.75, gold+1.4% to \$1,123, iron ore +0.2% to \$56.31. AUD is at 0.738 and the range was 0.7374 to 0.7384.

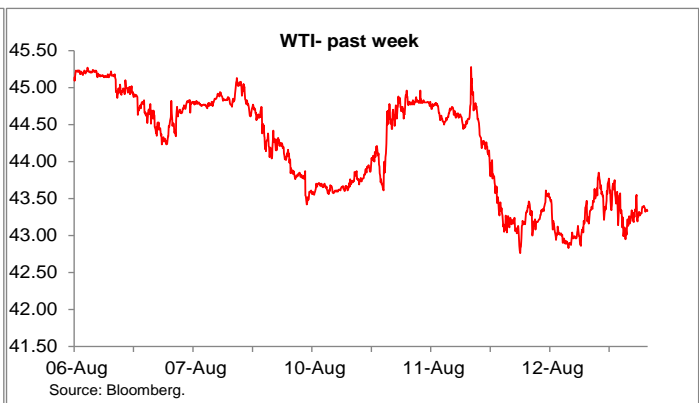
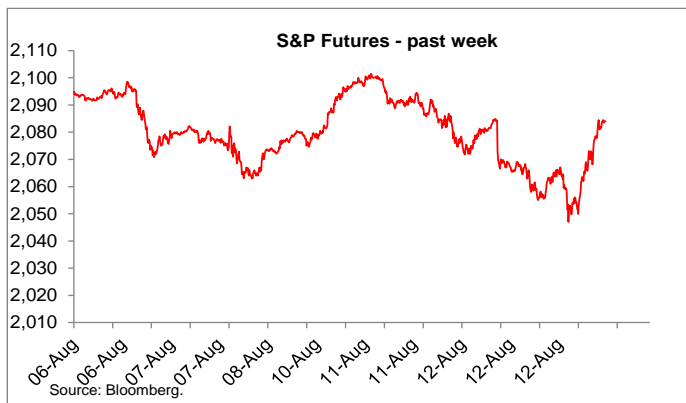
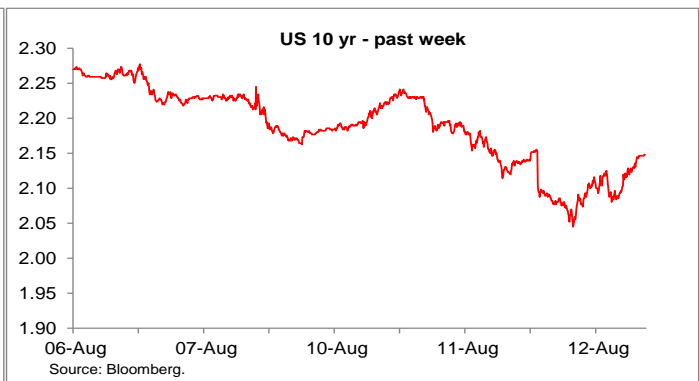
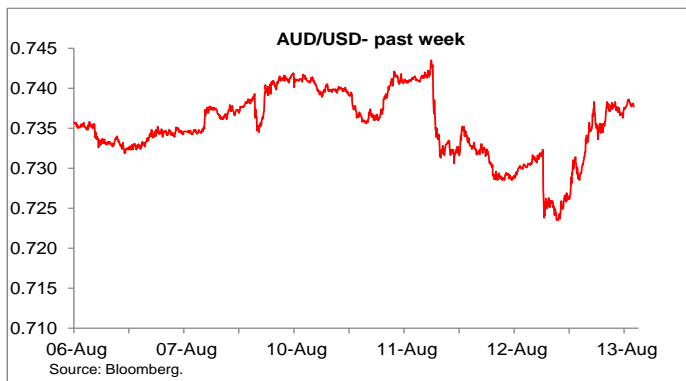
- US JOLTS job openings 5249A, 5350E, 5350P
- Dudley monitoring the China moves, comfortable with the US but will not pre-commit to hikes

Chart: China Allowing CNY Depreciation



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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="3">Other FX</th> </tr> <tr> <th>Last</th> <th>% chge</th> <th>Low</th> <th>High</th> <th>Last</th> <th>% chge</th> <th></th> </tr> </thead> <tr> <td>AUD</td> <td>0.7380</td> <td>0.0</td> <td>0.7374</td> <td>0.7384</td> <td>HKD</td> <td>7.7568</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.6621</td> <td>0.0</td> <td>0.6618</td> <td>0.6621</td> <td>CNY</td> <td>6.3858</td> <td>1.0</td> </tr> <tr> <td>EUR</td> <td>1.1162</td> <td>0.0</td> <td>1.1157</td> <td>1.1163</td> <td>SGD</td> <td>1.3991</td> <td>0.0</td> </tr> <tr> <td>GBP</td> <td>1.5614</td> <td>0.0</td> <td>1.5612</td> <td>1.5614</td> <td>IDR</td> <td>13,800</td> <td>1.4</td> </tr> <tr> <td>JPY</td> <td>124.26</td> <td>0.0</td> <td>124.21</td> <td>124.26</td> <td>THB</td> <td>35.28</td> <td>0.0</td> </tr> <tr> <td>CAD</td> <td>1.2980</td> <td>0.0</td> <td>1.2977</td> <td>1.2981</td> <td>KRW</td> <td>1,190</td> <td>1.0</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6613</td> <td>0.0</td> <td></td> <td></td> <td>TWD</td> <td>32.34</td> <td>0.9</td> </tr> <tr> <td>AUD/JPY</td> <td>91.72</td> <td>0.1</td> <td></td> <td></td> <td>PHP</td> <td>46.20</td> <td>0.5</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4728</td> <td>0.0</td> <td></td> <td></td> <td>CHF</td> <td>0.98</td> <td>0.0</td> </tr> <tr> <td>AUD/NZD</td> <td>1.1151</td> <td>0.1</td> <td></td> <td></td> <td>SEK</td> <td>8.59</td> <td>0.0</td> </tr> </table>									Indicative 24hr ranges (**)				Other FX			Last	% chge	Low	High	Last	% chge		AUD	0.7380	0.0	0.7374	0.7384	HKD	7.7568	0.0	NZD	0.6621	0.0	0.6618	0.6621	CNY	6.3858	1.0	EUR	1.1162	0.0	1.1157	1.1163	SGD	1.3991	0.0	GBP	1.5614	0.0	1.5612	1.5614	IDR	13,800	1.4	JPY	124.26	0.0	124.21	124.26	THB	35.28	0.0	CAD	1.2980	0.0	1.2977	1.2981	KRW	1,190	1.0	AUD/EUR	0.6613	0.0			TWD	32.34	0.9	AUD/JPY	91.72	0.1			PHP	46.20	0.5	AUD/GBP	0.4728	0.0			CHF	0.98	0.0	AUD/NZD	1.1151	0.1			SEK	8.59	0.0
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 | Major Indices | | | | |---------------|--------|-------|-------| | | Last | % day | % y/y | | Dow | 17,403 | 0.0 | 5.1 | | S&P 500 | 2,086 | +0.1 | 7.9 | | Nasdaq | 5,044 | +0.2 | 14.9 | | FTSE | 6,571 | -1.4 | -0.9 | | DAX | 10,925 | -3.3 | 20.5 | | CAC 40 | 4,925 | -1.8 | 18.3 | | Nikkei | 20,393 | -1.6 | 34.0 | | Shanghai | 3,886 | -1.1 | 74.8 | | Hang Seng | 23,916 | -2.4 | -3.9 | | ASX 200 | 5,382 | -1.7 | -2.4 | | | | | | | Last | % day | |-------------|---------|-------| | Oil (Brent) | 49.75 | 1.2 | | Oil (WTI) | 43.36 | 0.6 | | Oil (Tapis) | 51.63 | -0.7 | | Gold | 1123.20 | 1.4 | | CRB | 198.90 | -0.2 | | GS Metals | 274.2 | 0.8 | | Aluminium | 1560 | 0.1 | | Copper | 5178 | 1.3 | | Nickel | 10561 | -1.4 | | Zinc | 1823 | 1.5 | | Ch. steel | 2088 | 1.3 | | Iron ore | 56.3 | 0.2 | | Coal | 59.4 | -0.8 | | Wheat Chic. | 497.3 | -2.9 | | Sugar | 10.54 | -0.8 | | Cotton | 65.71 | 4.8 | | Coffee | 135.3 | -3.6 | | | || | Interest Rates | | | | | | | | |----------------|-----------------------|------|------|------|-------------------------|------|-------------| | | Indicative Swap Rates | | | | Benchmark 10 Year Bonds | | | | | Cash | 3mth | 2Yr | 10Yr | Last | chge | Spnd | | USD | 0.25 | 0.31 | 0.92 | 2.23 | USD 10 | 2.15 | 0.01 | | AUD | 2.00 | 2.15 | 2.12 | 3.09 | AUD 10 | 2.66 | -0.11 0.51 | | NZD | 3.00 | 2.97 | 2.88 | 3.63 | NZD 10 | 3.31 | 0.03 1.16 | | EUR | 0.05 | 0.06 | 0.08 | 0.95 | CAD 10 | 1.40 | 0.00 -0.75 | | GBP | 0.50 | 0.59 | 1.09 | 1.95 | EUR 10 | 0.61 | -0.03 -1.54 | | JPY | 0.10 | 0.09 | 0.14 | 0.55 | GBP 10 | 1.79 | -0.02 -0.35 | | CAD | 0.50 | 1.17 | 0.75 | 1.93 | JPY 10 | 0.36 | -0.04 -1.79 | | | | | | | | | | Overnight Futures | | | |-------------------|-------|-------| | | Last | Chge | | Australia | | | | 3 mth bill | 97.89 | -0.01 | | 3 Yr bond | 98.07 | -0.05 | | 10 Yr bonc | 97.24 | 0.00 | | 3/10 sprd | 0.83 | -0.05 | | SPI | 22.0 | 0.4 | | | | | | CO ₂ Emissions - Euros | | | |-----------------------------------|------|-------| | | Last | % day | | Jun-2015 | 8.22 | 1.2 | | Dec-2015 | 8.20 | 1.2 | | Dec-2016 | 8.28 | 1.2 | | | |

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
Thursday, 13 August 2015								
NZ	BusinessNZ Manufacturing PMI	Jul				55.2	22.30	8.30
NZ	Food Prices MoM	Jul	0.2%			0.5%	22.45	8.45
UK	RICS House Price Balance	Jul		42%		40%	23.01	9.01
JN	Machine Orders MoM/YoY	Jun		-4.8%/17.4%		0.6%/19.3%	23.50	9.50
AU	Consumer Inflation Expectation	Aug				3.40%	1.00	11.00
AU	ASX300 NAB Business Survey	Q3					1.30	11.30
GE	CPI MoM/YoY	Jul F		0.2%/0.2%		0.2%/0.2%	6.00	16.00
GE	CPI EU Harmonized MoM/YoY	Jul F		0.3%/0.1%		0.3%/0.1%	6.00	16.00
EC	ECB account of the monetary policy meeting						11.30	21.30
US	Retail Sales Advance MoM	Jul		0.5%		-0.3%	12.30	22.30
US	Retail Sales Ex Auto and Gas	Jul		0.50%		-0.20%	12.30	22.30
US	Retail Sales Control Group	Jul		0.50%		-0.10%	12.30	22.30
US	Import Price Index MoM	Jul		-1.1%		-0.1%	12.30	22.30
US	Initial Jobless Claims	Aug-08				270K	12.30	22.30
CA	New Housing Price Index MoM/YoY	Jun				0.2%/1.2%	12.30	22.30
US	Business Inventories	Jun		0.3%		0.3%	14.00	0.00
Friday, 14 August 2015								
NZ	Retail Sales Ex Inflation QoQ	2Q	0.2%	0.5%		2.7%	22.45	8.45
AU	RBA Assistant Governor Chris Kent speaks: Recent Labour Market Developments						2.15	12.15
NZ	Non Resident Bond Holdings	Jul				69.70%	3.00	13.00
FR	GDP YoY	2Q P				0.80%	14.00	
FR	GDP QoQ	2Q P		0.30%		0.60%	14.00	
GE	GDP SA QoQ/YoY	2Q P		0.5%/1.5%		0.3%/1.0%	6.00	16.00
NE	GDP QoQ	2Q P				0.60%	14.00	
NE	GDP Constant Price NSA YoY	2Q P				2.50%	14.00	
IT	GDP WDA QoQ	2Q P		0.30%		0.30%	14.00	
IT	GDP WDA YoY	2Q P		0.60%		0.10%	14.00	
UK	Construction Output SA MoM	Jun		2.3%		-1.3%	8.30	18.30
EC	GDP SA QoQ/YoY	2Q A		0.4%/1.0%		0.4%/1.0%	9.00	19.00
EC	CPI MoM/YoY	Jul		-0.6%/0.2%		0.0%/0.2%	9.00	19.00
EC	CPI Core YoY	Jul F		1.0%		1.0%	9.00	19.00
CA	Manufacturing Sales MoM	Jun				0.1%	12.30	22.30
US	PPI Final Demand MoM	Jul		0.1%		0.4%	12.30	22.30
US	Industrial Production MoM	Jul		0.3%		0.3%	13.15	23.15
CH	Foreign Direct Investment YoY CNY	Jul		5.00%		0.70%		14-18 Aug
US	U. of Mich. Sentiment	Aug P		93.5		93.1	14.00	0.00
Monday, 17 August 2015								
NZ	Performance Services Index	Jul				58.2	22.30	8.30
UK	Rightmove House Prices MoM/YoY	Aug				0.1%/5.1%	23.01	9.01
JN	GDP SA QoQ	2Q P		-0.5%		1.0%	23.50	9.50
JN	GDP Annualized SA QoQ	2Q P		-1.8%		3.9%	23.50	9.50
JN	GDP Nominal SA QoQ	2Q P		0.1%		2.3%	23.50	9.50
JN	GDP Deflator YoY	2Q P		2.1%		3.4%	23.50	9.50
JN	GDP Private Consumption QoQ	2Q P		-0.4%		0.4%	23.50	9.50
JN	GDP Business Spending QoQ	2Q P		0.2%		2.7%	23.50	9.50
EC	Trade Balance SA	Jun				21.2B	9.00	19.00
EC	Trade Balance NSA	Jun				18.8B	9.00	19.00
US	Empire Manufacturing	Aug				3.86	12.30	22.30
CA	Int'l Securities Transactions	Jun				-5.45B	12.30	22.30
CA	Existing Home Sales MoM	Jul				-0.8%	13.00	23.00
CA	Bloomberg Nanos Confidence	Aug-14					14.00	0.00
US	NAHB Housing Market Index	Aug				60	14.00	0.00
US	Net Long-term TIC Flows	Jun				\$93.0B	20.00	6.00
US	Total Net TIC Flows	Jun				\$115.0B	20.00	6.00
Tuesday, 18 August 2015								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Aug-16					23.30	9.30
CH	China July Property Prices						1.30	11.30
AU	RBA Aug. Meeting Minutes						1.30	11.30
AU	New Motor Vehicle Sales MoM/YoY	Jul				3.8%/4.0%	1.30	11.30
JN	Tokyo Condominium Sales YoY	Jul				0.0%	4.00	14.00
UK	Bloomberg Aug. United Kingdom Economic Survey						7.30	17.30
UK	CPI MoM/YoY	Jul				0.0%/0.0%	8.30	18.30
UK	CPI Core YoY	Jul				0.8%	8.30	18.30
UK	PPI Input NSA MoM	Jul				-1.3%	8.30	18.30
UK	PPI Input NSA YoY	Jul				-12.6%	8.30	18.30
UK	PPI Output NSA MoM	Jul				0.0%	8.30	18.30
UK	PPI Output NSA YoY	Jul				-1.5%	8.30	18.30
UK	PPI Output Core NSA MoM	Jul				0.0%	8.30	18.30
UK	PPI Output Core NSA YoY	Jul				0.1%	8.30	18.30
UK	ONS House Price YoY	Jun				5.7%	8.30	18.30
US	Housing Starts / MoM	Jul				1174K / 9.8%	12.30	22.30
US	Building Permits / MoM	Jul				1343K / 7.4%	12.30	22.30
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		1-Sep	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%	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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