



Markets Today

A daily outlook for Australia, key global economies and markets

5 August 2015

Why Not, rather than Why

Much of yesterday and the overnight sessions were characterised by relatively quiet moves, with bursts of activity. Events have caused localised sharp moves in markets, but the broader drift has been consistent with a move towards pricing for a Fed hike: slightly lower equities, higher yields, a modest pick-up in commodity prices and a stronger USD. The AUD outperformed.

The abysmal NZ dairy auction recorded the 10th consecutive decline in dairy prices, (-9.3%) leaving them down 47% since March. That doesn't bode well for the farmer's payouts from Fonterra and leaves sentiment in the NZD poor. It isn't new news though, just adds to the disappointment.

Given this, it wasn't until some Fed speak that the NZ currency (and everything else) reacted. The Fed's Lockhart, generally known to be a centrist voter, was fairly specific in saying to the *WSJ* that he needs to see a 'significant deterioration' in the data in order NOT to vote to raise rates in September. That forms a change from the market believing that the Fed needs to see better data to support a hike this year. So it appears at least one voter is on track to hike at the next meeting and needs to see reasons why not, instead of why in order to do so.

It also comes on the back of the Fed's Bullard on Friday who was supportive of raising rates. With the market not fully priced for September, these comments generated a step up in the USD modestly across the board and a rise in yields.

The RBA's change in language on the currency was one of the most interesting parts of the statement yesterday, with the Bank foregoing the "further (AUD) depreciation is likely and necessary," in favour of the currency is "adjusting to the significant decline in key commodity prices." This reflects the July sell-off in the currency; but given the extended short positioning in the market, it was not a huge surprise to see AUD sharply higher post the statement.

The stronger than expected retail sales also helped provide a more positive spin to local markets through the day.

Coming Up

It's global trade data day. Ok, Australia released its numbers yesterday and maintained its very large deficit (China is Saturday). But global trade data has somewhat reflected the soft global demand, the decline in commodity prices and the changing currency trends over recent years. If the US and Canada show weaker than expected exports, or imports as well in the case of the US, there is likely to remain a slightly dour mood in relation to global demand.

But, markets are likely to pay more attention to the US's ADP payrolls release. Given the US payrolls (Friday) is such a volatile series, the partial indicators attempting to shed some

light on the 'official' outcome gather more attention. We know that the ADP isn't a great precursor to the payrolls number, but with the FOMC so very focussed on the next key official employment results, there might be an over-reaction to any miss in the results tonight. Note that our analysis of market reactions to data show that the US payrolls typically generate a top five (annual average) AUD reaction to data releases. With these releases being so important to the FOMC, and a hike partially priced for September, expect an outsized reaction.

The services PMIs are released in the US, Europe, UK and China and may also get some attention, but the manufacturing ones continue to remain the more important for markets; despite services performing mostly better.

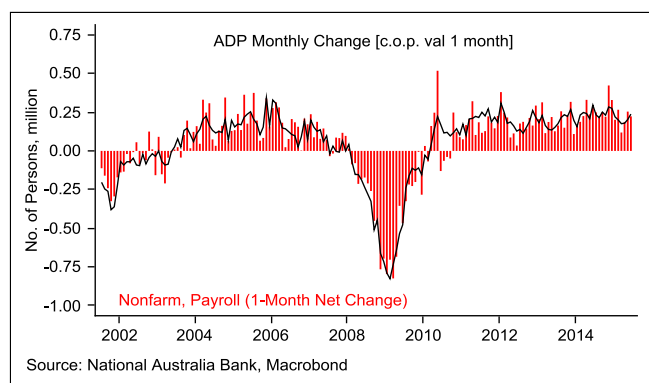
This morning we get NZ employment data. With the poor dairy numbers and the NZD under pressure, it is likely that the risk for markets is a better than expected outcome.

Overnight

On global stock markets, the S&P 500 was -0.20%. Bond markets saw US 10-years +7.51bp to 2.22%. On commodity markets, Brent crude oil +1.25% to \$50.14, gold-0.2% to \$1,087, iron ore -0.6% to \$55.29. AUD is at 0.738 and the range was 0.7264 to 0.7429.

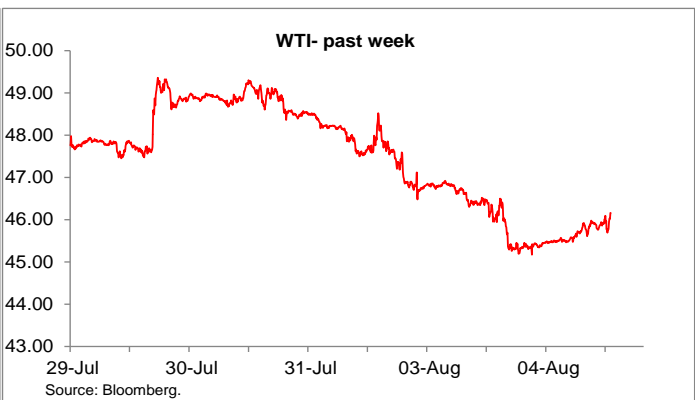
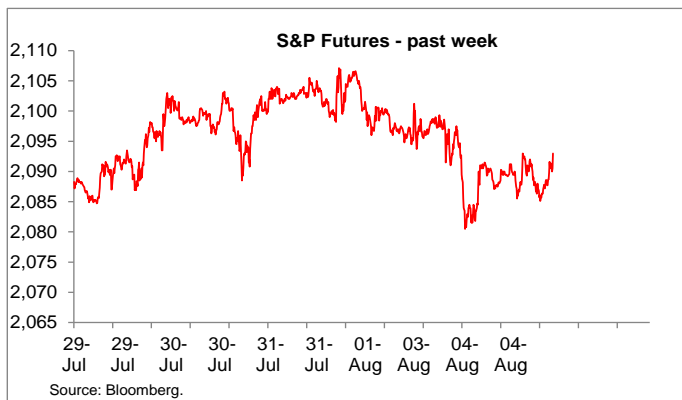
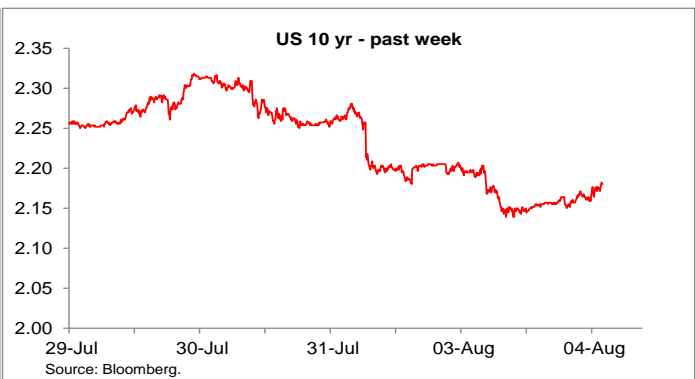
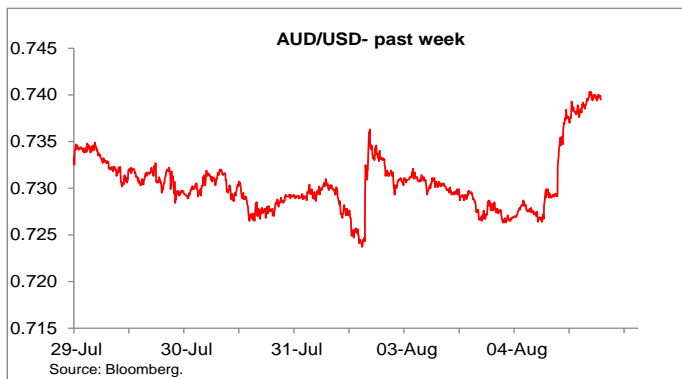
- Fed's Lockhart notes that he is looking to raise interest rates in September.
- NZ dairy price auction -9.3%

Chart: US ADP



Emma.lawson@nab.com.au

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>0.7378</td> <td>1.3</td> <td>0.7264</td> <td>0.7429</td> <td>HKD</td> <td>7.7538</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.6541</td> <td>-0.3</td> <td>0.6525</td> <td>0.6617</td> <td>CNY</td> <td>6.2101</td> <td>0.0</td> </tr> <tr> <td>EUR</td> <td>1.0883</td> <td>-0.6</td> <td>1.0883</td> <td>1.0988</td> <td>SGD</td> <td>1.3808</td> <td>0.2</td> </tr> <tr> <td>GBP</td> <td>1.5566</td> <td>-0.1</td> <td>1.5558</td> <td>1.5634</td> <td>IDR</td> <td>13,472</td> <td>-0.3</td> </tr> <tr> <td>JPY</td> <td>124.34</td> <td>0.2</td> <td>123.80</td> <td>124.40</td> <td>THB</td> <td>35.10</td> <td>0.1</td> </tr> <tr> <td>CAD</td> <td>1.3187</td> <td>0.2</td> <td>1.3106</td> <td>1.3202</td> <td>KRW</td> <td>1,165</td> <td>0.0</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6780</td> <td>1.9</td> <td></td> <td></td> <td>TWD</td> <td>31.57</td> <td>-0.3</td> </tr> <tr> <td>AUD/JPY</td> <td>91.78</td> <td>1.5</td> <td></td> <td></td> <td>PHP</td> <td>45.61</td> <td>-0.2</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4742</td> <td>1.4</td> <td></td> <td></td> <td>CHF</td> <td>0.98</td> <td>1.0</td> </tr> <tr> <td>AUD/NZD</td> <td>1.1294</td> <td>1.6</td> <td></td> <td></td> <td>SEK</td> <td>8.70</td> <td>0.7</td> </tr> </table>									Indicative 24hr ranges (**)				Other FX			Last	% chge	Low	High	Last	% chge		AUD	0.7378	1.3	0.7264	0.7429	HKD	7.7538	0.0	NZD	0.6541	-0.3	0.6525	0.6617	CNY	6.2101	0.0	EUR	1.0883	-0.6	1.0883	1.0988	SGD	1.3808	0.2	GBP	1.5566	-0.1	1.5558	1.5634	IDR	13,472	-0.3	JPY	124.34	0.2	123.80	124.40	THB	35.10	0.1	CAD	1.3187	0.2	1.3106	1.3202	KRW	1,165	0.0	AUD/EUR	0.6780	1.9			TWD	31.57	-0.3	AUD/JPY	91.78	1.5			PHP	45.61	-0.2	AUD/GBP	0.4742	1.4			CHF	0.98	1.0	AUD/NZD	1.1294	1.6			SEK	8.70	0.7
	Indicative 24hr ranges (**)				Other FX																																																																																																	
	Last	% chge	Low	High	Last	% chge																																																																																																
AUD	0.7378	1.3	0.7264	0.7429	HKD	7.7538	0.0																																																																																															
NZD	0.6541	-0.3	0.6525	0.6617	CNY	6.2101	0.0																																																																																															
EUR	1.0883	-0.6	1.0883	1.0988	SGD	1.3808	0.2																																																																																															
GBP	1.5566	-0.1	1.5558	1.5634	IDR	13,472	-0.3																																																																																															
JPY	124.34	0.2	123.80	124.40	THB	35.10	0.1																																																																																															
CAD	1.3187	0.2	1.3106	1.3202	KRW	1,165	0.0																																																																																															
AUD/EUR	0.6780	1.9			TWD	31.57	-0.3																																																																																															
AUD/JPY	91.78	1.5			PHP	45.61	-0.2																																																																																															
AUD/GBP	0.4742	1.4			CHF	0.98	1.0																																																																																															
AUD/NZD	1.1294	1.6			SEK	8.70	0.7																																																																																															

 | Major Indices | | | | |---------------|--------|-------|-------| | | Last | % day | % y/y | | Dow | 17,551 | -0.3 | 5.9 | | S&P 500 | 2,093 | -0.2 | 8.0 | | Nasdaq | 5,106 | -0.2 | 16.5 | | FTSE | 6,687 | 0.0 | 0.1 | | DAX | 11,456 | +0.1 | 25.1 | | CAC 40 | 5,112 | -0.2 | 21.2 | | Nikkei | 20,520 | -0.1 | 33.9 | | Shanghai | 3,757 | +3.7 | 69.2 | | Hang Seng | 24,406 | 0.0 | -1.0 | | ASX 200 | 5,698 | +0.3 | 3.2 | | | | | | | Last | % day | |-------------|---------|-------| | Oil (Brent) | 50.14 | 1.3 | | Oil (WTI) | 45.83 | 1.5 | | Oil (Tapis) | 51.87 | -1.7 | | Gold | 1086.80 | -0.2 | | CRB | 200.87 | 0.8 | | GS Metals | 277.8 | 0.5 | | Aluminium | 1589 | 0.3 | | Copper | 5230 | 0.4 | | Nickel | 10789 | 0.8 | | Zinc | 1911 | 0.7 | | Ch. steel | 2096 | 0.5 | | Iron ore | 55.3 | -0.6 | | Coal | 59.2 | 0.9 | | Wheat Chic. | 500.3 | -0.9 | | Sugar | 11.01 | 1.1 | | Cotton | 64.91 | -0.7 | | Coffee | 124.9 | 0.8 | | | || | Interest Rates | | | | Benchmark 10 Year Bonds | | | Overnight Futures | | | | |----------------|-----------------------|------|------|-------------------------|--------|------|-------------------|-------|--|------| | | Indicative Swap Rates | | | | Last | chge | Sprd | Last | | Chge | | | Cash | 3mth | 2Yr | 10Yr | | | | | | | | USD | 0.25 | 0.30 | 0.97 | 2.31 | USD 10 | 2.22 | 0.08 | | | | | AUD | 2.00 | 2.13 | 2.14 | 3.15 | AUD 10 | 2.73 | -0.02 | 0.51 | | | | NZD | 3.00 | 3.04 | 2.86 | 3.60 | NZD 10 | 3.28 | -0.05 | 1.05 | | | | EUR | 0.05 | 0.06 | 0.10 | 1.01 | CAD 10 | 1.43 | -0.01 | -0.80 | | | | GBP | 0.50 | 0.58 | 1.12 | 2.01 | EUR 10 | 0.64 | 0.01 | -1.59 | | | | JPY | 0.09 | 0.10 | 0.13 | 0.57 | GBP 10 | 1.87 | 0.01 | -0.35 | | | | CAD | 0.50 | 1.17 | 0.73 | 1.93 | JPY 10 | 0.39 | -0.03 | -1.83 | | | | | | | | | | | | | Last | Chge | |------------------|-------|-------| | Australia | | | | 3 mth bill | 97.88 | -0.01 | | 3 Yr bond | 98.03 | -0.04 | | 10 Yr bonc | 97.18 | -0.10 | | 3/10 sprd | 0.86 | 0.06 | | SPI | -14.0 | -0.2 | | | |
| | | | | | | | | | CO ₂ Emissions - Euros | | | |-----------------------------------|------|-------| | | Last | % day | | Jun-2015 | 7.94 | -0.6 | | Dec-2015 | 7.91 | -0.6 | | Dec-2016 | 8.00 | -0.6 | | | |

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
Friday, 31 July 2015								
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
Saturday, 1 August 2015								
CH	Manufacturing PMI	Jul				50.2	1.00	11.00
CH	Non-manufacturing PMI	Jul				53.8	1.00	11.00
Monday, 3 August 2015								
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
Tuesday, 4 August 2015								
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%		
Upcoming Central Bank Interest Rate Announcements								
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

Global Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406

Australia

Economics

Ivan Colhoun
Chief Economist, Markets
+61 2 9237 1836

David de Garis
Senior Economist
+61 3 8641 3045

Tapas Strickland
Economist
+61 2 9237 1980

FX Strategy

Ray Attrill
Global Co-Head of FX Strategy
+61 2 9237 1848

Emma Lawson
Senior Currency Strategist
+61 2 9237 8154

Interest Rate Strategy

Skye Masters
Head of Interest Rate Strategy
+61 2 9295 1196

Rodrigo Catril
Interest Rate Strategist
+61 2 9293 7109

Credit Research

Michael Bush
Head of Credit Research
+61 3 8641 0575

Simon Fletcher
Senior Credit Analyst – FI
+61 2 9237 1076

Distribution

Barbara Leong
Research Production Manager
+61 2 9237 8151

Group Economics

Alan Oster
Group Chief Economist
+61 3 8634 2927

New Zealand

Stephen Toplis
Head of Research, NZ
+64 4 474 6905

Craig Ebert
Senior Economist
+64 4 474 6799

Doug Steel
Senior Economist
+64 4 474 6923

Kymerly Martin
Senior Market Strategist
+64 4 924 7654

Raiko Shareef
Currency Strategist
+64 4 924 7652

Yvonne Liew
Publications & Web Administrator
+64 4 474 9771

Asia

Christy Tan
Head of Markets Strategy/Research, Asia
+852 2822 5350

UK/Europe

Nick Parsons
Head of Research, UK/Europe,
and Global Co-Head of FX Strategy
+44 207 710 2993

Gavin Friend
Senior Markets Strategist
+44 207 710 1588

Derek Allassani
Research Production Manager
+44 207 710 1532

James Glenn
Senior Economist – Australia
+61 3 9208 8129

Vyanne Lai
Economist – Australia
+61 3 8634 0198

Phin Ziebell
Economist – Agribusiness
+61 475 940 662

Amy Li
Economist – Australia
+61 3 8634 1563

Dean Pearson
Head of Industry Analysis
+61 3 8634 2331

Robert De lure
Senior Economist – Industry Analysis
+61 3 8634 4611

Brien McDonald
Senior Economist – Industry Analysis
+61 3 8634 3837

Karla Bulauan
Economist – Industry Analysis
+61 3 8641 4028

Tom Taylor
Head of Economics, International
+61 3 8634 1883

Tony Kelly
Senior Economist – International
+61 3 9208 5049

Gerard Burg
Senior Economist – Asia
+61 3 8634 2788

John Sharma
Economist – Sovereign Risk
+61 3 8634 4514

Jacqui Brand
Personal Assistant
+61 3 8634 2181

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.