

Markets Today

A daily outlook for Australia, key global economies and markets

10 August 2015

AUD starts defying latest China and US economic news

On Friday the US dollar failed to sustain the gains seen in the immediate aftermath of a US employment report best described as solid but not spectacular. This meant that the AUD finished the week up at 0.7420 having been as low as 0.7260 earlier in the week. US interest rate markets also failed to sustain their post-data sell-off (with the exception of the very front end of the curve). The latest slide in oil prices was seen partly to blame. US equities recouped a good chunk of their early US day losses.

Saturday's China trade data, showing unexpectedly weak export numbers and a slightly deeper than expected contraction in imports, has put the AUD back on the defensive Monday morning, though AUD/USD still sits comfortably back on a 0.74 handle as we write.

DXY ended the NY session -0.28%, the broader BBDXY -0.27% and ADXY -0.05% (so no love for Asia EM currencies despite the generally weaker USD). EUR/USD finished +0.38% at 1.0967, USD/JPY -0.4% at 124.24 and GBP/USD -0.14% at 1.5491. NZD resumed the uptrend in place ahead of payrolls, after a two hour post-payrolls interlude, ending up the best performing major on the night, +1.05% at 0.6622. CAD still lost ground, -0.16% to 1.3131, oil again unhelpful to its cause. Canada's own employment report on Friday was much of a muchness, headline employment +6.6k and the unemployment rate steady at 6.8%.

In rates, US 2s ended the NY session +1.6bps at 0.7169% (having traded as high as 0.7409% from a pre-payrolls low of 0.6929%). 10s ended -5.9bps to 2.1623%.

In stocks, the S&P500 finished -0.29%, the Dow -0.27% and NASDAQ -0.26%. Indices all rallied in afternoon NY trade having been lower post-payrolls. Earlier Friday the Shanghai Composite added 2.26% to be 2.2% up on the week.

In commodities, with the exception of gold (+\$4.60 to \$1,094) it was another sea of red. The LME index finished -0.23% and iron ore lost \$0.38 to \$56.40 (but \$3 up on the week and now +\$5 in the last fortnight). WTI crude lost another \$0.79 to \$43.87 (-\$3.25 on the week) and Brent -\$0.91 to \$48.61 (-\$3.50) on the week).

As for the details of the US and China data, Saturday's China July trade figures disappointed mostly on weaker than expected export numbers, annual growth (in USD terms) contracting by 8.3% after being +2.8% in June and expected to drop to just -1.5%. Imports were slightly weaker than expected at -8.1% y/y from -8.0% and the -6.1% expected. This put the overall trade surplus at \$43.0bn down from \$54.7bn and \$46.5bn expected.

Sunday saw China July CPI lifting to 1.6% from 1.4% (1.5% expected) but PPI deflation deepening, -5.4% from -4.8% (-

5.0% E). No inflation constraints here to further PBoC policy easing – and potentially a somewhat weaker currency.

US July non-farm payrolls at 215k were 10k under consensus but June was revised up by 8k to 231k and May by 4k, so net of revisions, bang on expectations. The unemployment rate held steady at 5.3% as expected, through the broader U-6 unemployment measure that includes part-timers seeking longer hours, dropped to 10.4% from 10.5%. The labour participation rate was unchanged at 62.6% as expected.

Average Hourly Earnings rose 0.2% on the month as expected and after flat-lining in June, to push year-on-year growth up to 2.1% from 2.0% (though this was depressed vs. the 2.3% consensus by other back revisions).

Encouragingly, the average weekly work week increased to 34.6 hours from 34.5 (34.5 E).

CoreLogic RP Data's weekend auction clearance report shows the preliminary 7-capital city average clearance rate at 77.0% up from a final 74.6% last weekend, the rise led by Adelaide, Canberra and Tasmania.

Sydney's clearance rate slipped to 77.8% from 78.8% and Melbourne's was little changed, 78.5% vs. 78.6%.

Coming Up

In what is not a massive week ahead data and events wise (as is usually the case in the week following the US payrolls report) there will be keen interest in the Fed speaker calendar for judgements on the latest data as we head towards the Sep 16/17 FOMC meeting. Today, this includes a Bloomberg TV interview with Fed Vice-chairman Stanley Fischer (21:15 AEST tonight) and a bit later in the evening/overnight, two appearances from Atlanta Fed president Lockhart (who last week, recall, shifted the debate from 'why?' to 'why not?' (move rates in September). US data wise, retail sales on Thursday should be the highlight.

The usual slug of China activity data (covering retail sales, industrial production and fixed asset investment) is due on Wednesday.

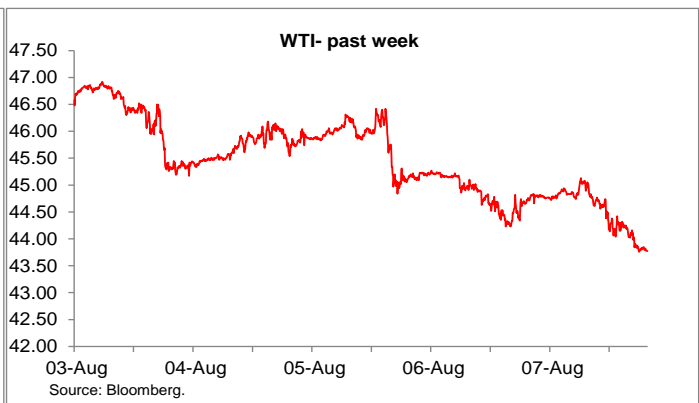
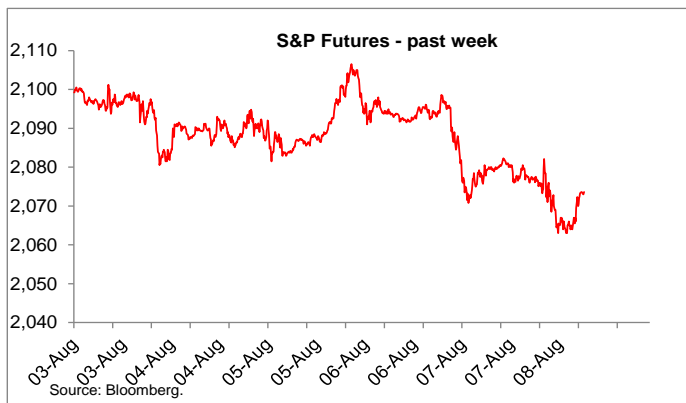
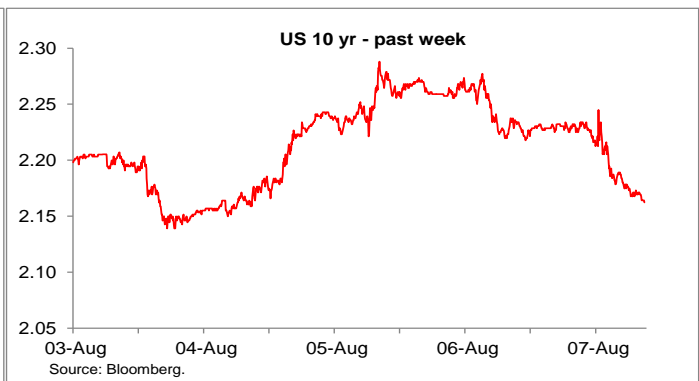
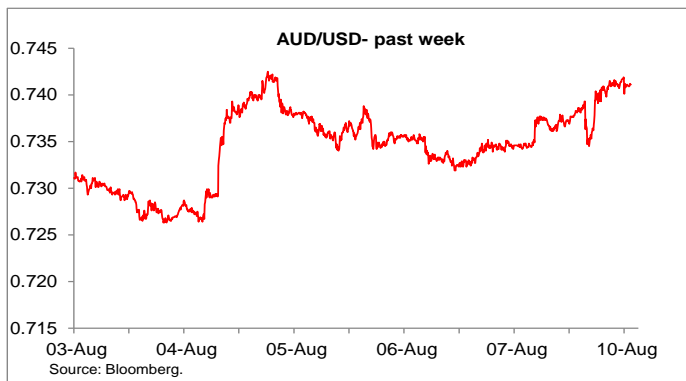
Locally we have two key RBA speeches, Deputy Governor Lowe (Wednesday) and Kent (Friday). NAB's July Business Survey is on Tuesday, W-MI Consumer Sentiment and ABS Wages Wednesday.

Overnight

On global stock markets, the S&P 500 was -0.30%. Bond markets saw US 10-years -5.91bp to 2.16%. On commodity markets, Brent crude oil -1.84% to \$48.61, gold+0.4% to \$1,094, iron ore -0.7% to \$56.40. AUD is at 0.7411 and the range since Friday's local close has been 0.7337 to 0.7420.

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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="2">Other FX</th> </tr> <tr> <th>Last</th> <th>% chge</th> <th>Low</th> <th>High</th> <th>Last</th> <th>% chge</th> </tr> </thead> <tr> <td>AUD</td> <td>0.7411</td> <td>-0.1</td> <td>0.7397</td> <td>0.7415</td> <td>HKD</td> <td>7.7520</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.6616</td> <td>-0.1</td> <td>0.6590</td> <td>0.6633</td> <td>CNY</td> <td>6.2097</td> <td>0.0</td> </tr> <tr> <td>EUR</td> <td>1.0972</td> <td>0.0</td> <td>1.0967</td> <td>1.0972</td> <td>SGD</td> <td>1.3841</td> <td>-0.1</td> </tr> <tr> <td>GBP</td> <td>1.5497</td> <td>0.0</td> <td>1.5458</td> <td>1.5502</td> <td>IDR</td> <td>13,541</td> <td>0.1</td> </tr> <tr> <td>JPY</td> <td>124.17</td> <td>-0.1</td> <td>124.12</td> <td>124.24</td> <td>THB</td> <td>35.16</td> <td>0.1</td> </tr> <tr> <td>CAD</td> <td>1.3121</td> <td>-0.1</td> <td>1.3120</td> <td>1.3133</td> <td>KRW</td> <td>1,167</td> <td>0.1</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6755</td> <td>-0.1</td> <td></td> <td></td> <td>TWD</td> <td>31.65</td> <td>-0.1</td> </tr> <tr> <td>AUD/JPY</td> <td>92.00</td> <td>-0.2</td> <td></td> <td></td> <td>PHP</td> <td>45.74</td> <td>-0.1</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4783</td> <td>-0.1</td> <td></td> <td></td> <td>CHF</td> <td>0.98</td> <td>-0.1</td> </tr> <tr> <td>AUD/NZD</td> <td>1.1204</td> <td>0.0</td> <td></td> <td></td> <td>SEK</td> <td>8.75</td> <td>-0.2</td> </tr> </table>								Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.7411	-0.1	0.7397	0.7415	HKD	7.7520	0.0	NZD	0.6616	-0.1	0.6590	0.6633	CNY	6.2097	0.0	EUR	1.0972	0.0	1.0967	1.0972	SGD	1.3841	-0.1	GBP	1.5497	0.0	1.5458	1.5502	IDR	13,541	0.1	JPY	124.17	-0.1	124.12	124.24	THB	35.16	0.1	CAD	1.3121	-0.1	1.3120	1.3133	KRW	1,167	0.1	AUD/EUR	0.6755	-0.1			TWD	31.65	-0.1	AUD/JPY	92.00	-0.2			PHP	45.74	-0.1	AUD/GBP	0.4783	-0.1			CHF	0.98	-0.1	AUD/NZD	1.1204	0.0			SEK	8.75	-0.2
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 | Major Indices | | | | |---------------|--------|-------|-------| | | Last | % day | % y/y | | Dow | 17,373 | -0.3 | 5.0 | | S&P 500 | 2,078 | -0.3 | 7.6 | | Nasdaq | 5,044 | -0.3 | 15.4 | | FTSE | 6,718 | -0.4 | 2.3 | | DAX | 11,491 | -0.8 | 27.5 | | CAC 40 | 5,155 | -0.9 | 24.3 | | Nikkei | 20,725 | +0.3 | 40.2 | | Shanghai | 3,744 | +2.3 | 70.6 | | Hang Seng | 24,552 | +0.7 | 0.9 | | ASX 200 | 5,475 | -2.4 | 0.7 | | | | | | | Last | % day | |-------------|---------|-------| | Oil (Brent) | 48.61 | -1.8 | | Oil (WTI) | 43.87 | -1.8 | | Oil (Tapis) | 51.54 | -0.5 | | Gold | 1094.10 | 0.4 | | CRB | 198.32 | -0.1 | | GS Metals | 274.0 | 0.0 | | Aluminium | 1561 | -0.2 | | Copper | 5166 | -0.2 | | Nickel | 10761 | -0.5 | | Zinc | 1852 | -0.3 | | Ch. steel | 2060 | 0.0 | | Iron ore | 56.4 | -0.7 | | Coal | 60.1 | -0.5 | | Wheat Chic. | 515.8 | 0.9 | | Sugar | 10.66 | -0.4 | | Cotton | 62.77 | -1.1 | | Coffee | 127.8 | 2.9 | | | || | Interest Rates | | | | Benchmark 10 Year Bonds | | | | |-----------------------|------|------|------|-------------------------|--------|------|-------| | Indicative Swap Rates | | | | Last | chge | Sprd | | | | Cash | 3mth | 2Yr | 10Yr | | | | | USD | 0.25 | 0.31 | 0.97 | 2.25 | USD 10 | 2.16 | -0.06 | | AUD | 2.00 | 2.15 | 2.10 | 3.10 | AUD 10 | 2.84 | 0.02 | | NZD | 3.00 | 3.02 | 2.90 | 3.69 | NZD 10 | 3.37 | 0.00 | | EUR | 0.05 | 0.06 | 0.09 | 1.00 | CAD 10 | 1.42 | -0.03 | | GBP | 0.50 | 0.59 | 1.13 | 1.99 | EUR 10 | 0.66 | -0.05 | | JPY | 0.09 | 0.10 | 0.14 | 0.59 | GBP 10 | 1.85 | -0.08 | | CAD | 0.50 | 1.17 | 0.76 | 1.94 | JPY 10 | 0.42 | -0.01 | | | | | | | | | Overnight Futures | | | |-------------------|-------|-------| | | Last | Chge | | Australia | | | | 3 mth bill | 97.88 | 0.00 | | 3 Yr bond | 98.04 | 0.03 | | 10 Yr bonc | 97.22 | 0.05 | | 3/10 sprd | 0.83 | -0.02 | | SPI | -2.0 | 0.0 | | | | | | CO ₂ Emissions - Euros | | | |-----------------------------------|------|-------| | | Last | % day | | Jun-2015 | 7.81 | -0.9 | | Dec-2015 | 7.79 | -0.8 | | Dec-2016 | 7.87 | -0.8 | | | |

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
Monday, 10 August 2015								
JN	BoP Current Account Adjusted	Jun		¥1400.9B		¥1636.3B	23.50	9.50
JN	Consumer Confidence Index	Jul		--		41.7	5.00	15.00
JN	Eco Watchers Survey Current/Outlook	Jul		--		51/53.5	6.00	16.00
AU	Foreign Reserves	Jul		--		A\$67.3B	6.30	16.30
EC	Sentix Investor Confidence	Aug		20		18.5	8.30	18.30
US	Fed's Lockhart (v) Gives Opening Remarks at Workforce						13.00	23.00
CH	New Yuan Loans CNY	Jul		725.0B		1279.1B		10-15 Aug
CH	Aggregate Financing CNY	Jul		1006.7B		1860.0B		10-15 Aug
CH	Money Supply M1 YoY	Jul		4.90%		4.30%		10-15 Aug
CH	Money Supply M0 YoY	Jul		3.10%		2.90%		10-15 Aug
CA	Bloomberg Nanos Confidence	Aug-07		--		52.3	14.00	0.00
US	Labor Market Conditions Index Change	Jul		--		0.8	14.00	0.00
US	Fed's Lockhart (v) Speaks to the Atlanta Press Club						16.25	2.25
Tuesday, 11 August 2015								
NZ	ANZ Truckometer Heavy MoM	Jul		--		1.60%	22.00	8.00
NZ	Card Spending Total MoM	Jul	0.2%	--		0.60%	22.45	8.45
UK	BRC Sales Like-For-Like YoY	Jul		--		1.80%	23.01	9.01
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Aug-09		--		112.9	23.30	9.30
AU	NAB Business Confidence, Conditions	Jul		--		10, 11	1.30	11.30
JN	Machine Tool Orders YoY	Jul P		--		6.60%	6.00	16.00
GE	ZEW Survey Current Situation, Expectations	Aug		64, 31		63.9, 29.7	9.00	19.00
EC	ZEW Survey Expectations	Aug		--		42.7	9.00	19.00
US	NFIB Small Business Optimism	Jul		95.3		94.1	10.00	20.00
CA	Housing Starts	Jul		--		202.8K	12.15	22.15
US	Nonfarm Productivity	2Q P		1.50%		-3.10%	12.30	22.30
US	Unit Labor Costs	2Q P		-0.20%		6.70%	12.30	22.30
US	Wholesale Inventories MoM	Jun		0.40%		0.80%	14.00	0.00
Wednesday, 12 August 2015								
JN	PPI MoM/YoY	Jul		-0.1%/-2.9%		-0.2%/-2.4%	23.50	9.50
JN	BoJ July 14-15 Minutes						23.50	9.50
AU	Westpac Consumer Conf Index	Aug		--		92.2, -3.2%	0.30	10.30
AU	Wage Price Index QoQ/YoY	2Q	0.6%/2.3%	0.6%/2.3%		0.5%/2.3%	1.30	11.30
AU	NAB Commercial Property Survey	Q2		--			1.30	11.30
JN	Industrial Production MoM/YoY	Jun F		--		0.8%/2.0%	4.30	14.30
JN	Tertiary Industry Index MoM	Jun		0.10%		-0.70%	4.30	14.30
CH	Retail Sales YoY	Jul		10.60%		10.60%	5.30	15.30
CH	Retail Sales YTD YoY	Jul		10.40%		10.40%	5.30	15.30
CH	Industrial Production YoY	Jul		6.60%		6.80%	5.30	15.30
CH	Industrial Production YTD YoY	Jul		6.40%		6.30%	5.30	15.30
CH	Fixed Assets Ex Rural YTD YoY	Jul		11.50%		11.40%	5.30	15.30
CH	Bloomberg GDP Monthly Estimate YoY	Jul		--		6.91%	6.00	16.00
UK	Jobless Claims Change	Jul		2.5K		7.0K	8.30	18.30
UK	Average Weekly Earnings 3M/YoY	Jun		2.80%		3.20%	8.30	18.30
EC	Industrial Production SA MoM/YoY	Jun		0.2%/1.7%		-0.4%/1.6%	9.00	19.00
AU	RBA Deputy Governor Philip's Lowe speaks in Perth: National Wealth, Land Values and Monetary Policy						10.10	20.10
US	MBA Mortgage Applications	Aug-07		--		4.70%	11.00	21.00
CA	Teranet/National Bank HPI MoM/YoY	Jul		--		1.4%/5.1%	12.30	22.30
US	JOLTS Job Openings	Jun		--		5363	14.00	0.00
US	Monthly Budget Statement	Jul		-\$128.5B		--	18.00	4.00
Thursday, 13 August 2015								
NZ	BusinessNZ Manufacturing PMI	Jul		--		55.2	22.30	8.30
NZ	Food Prices MoM	Jul	0.2%	--		0.50%	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		0.50%		-0.30%	12.30	22.30
US	Import Price Index MoM	Jul		-1.10%		-0.10%	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		0.30%		0.30%	14.00	0.00
Friday, 14 August 2015								
NZ	Retail Sales Ex Inflation QoQ	2Q	0.2%	0.50%		2.70%	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
GE	GDP SA QoQ/YoY	2Q P		0.5%/1.5%		0.3%/1.0%	6.00	16.00
UK	Construction Output SA MoM	Jun		2.30%		-1.30%	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		1.00%		1.00%	9.00	19.00
CA	Manufacturing Sales MoM	Jun		--		0.10%	12.30	22.30
US	PPI Final Demand MoM	Jul		0.10%		0.40%	12.30	22.30
US	Industrial Production MoM	Jul		0.30%		0.30%	13.15	23.15
US	U. of Mich. Sentiment	Aug P		93.5		93.1	14.00	0.00
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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