



Markets Today

A daily outlook for Australia, key global economies and markets

17 August 2015

So Last Week

An uneventful end to the week but one where mild upside surprises in US industrial production and PPI helped deliver slightly higher US treasury yields out to 10 years and a marginally firmer dollar.

In FX, DXY ended the NY session +0.08%, the broader BBDXY also +0.08% (AUD/USD just failed to revisit 0.74, closing in NY +0.26% at 0.7379. EM currencies were mostly +/- less than 0.5%, though BRL added 1%. The latter move may not survive long after tens of thousands of Brazilians hit the streets (and beaches) yesterday to demand the impeachment of President Rousseff in relation to the Petrobras ("Car Wash") corruption scandal.

USD/CNY ended Friday's onshore China session at 6.3912, falling from 6.40 in the last half hour of trade and suggesting PBoC directed buying of CNY. USD/CNH also dipped right at the end of the NY session, to 6.4493 from 6.4555. We'd suggest this means PBoC will be hoping to set Monday's fix no higher than Friday's 6.4010, though if it's no more than very slightly higher (or lower) than this, spill-over to AUD and Asia EM FX should be negligible.

There's no strong signal from Friday's RMB moves for AUD (or NZD) today, the overall message from Friday being that the guts of the CNY devaluation orchestrated by the PBoC's starting last Tuesday is probably behind us. Fixation with the daily CNY fix threatens to quickly become 'so last week'. We should now quickly return to fretting about the Fed.

In rates, US 2s ended the NY session +1.5bps at 0.7218% with the market-implied probability of a September rate rise lifting to 46%. 10 year Treasuries added 1.2bps to 2.1977%. US stocks finished modestly firmer, the S&P500 +0.39% at 2091.5.

As for the data, US July industrial production beat expectations at +0.6% (0.3% E) though June was revised down to 0.1% from 0.3%. Manufacturing rose by 0.8% (0.4% expected) with June revised to -0.3% from 0.0%.

US July PPI rose by 0.2% for the headline (Final Demand) index (+0.1%E, +0.4% P) to be -0.8% Y/Y from -0.7% and -0.9% expected. Core (ex food and energy) PPI was stronger than expected at +0.3% (0.1%E, 0.3%P) to be +0.6% Y/Y (0.5% E, 0.8%P).

The University of Michigan's August preliminary consumer sentiment index fell to 92.9 from 93.1, against expectations for rise to 93.5, though the current conditions reading at 107.1 from 107.2 was better than the 106.5 expected. Their 5-10 year inflation expectations reading slipped to 2.7% from 2.8%, while the one year measure held steady at 2.8%.

Earlier Friday, the first estimate of Eurozone Q2 GDP fell shy of expectations at +0.3% (0.4%E, 0.4%P) after France

reported flat GDP on the quarter (+0.2%E) and Germany +0.4% (0.5%E). Final July EZ CPI was unrevised at 0.2%, as was the core measure at 1.0%.

CoreLogic RP Data's weekend auction clearance report shows the preliminary 7-capital city average clearance rate at 76.3% down slightly from a final 76.9% last weekend but still well up on the 70.8% clearance rate in the same week last year. Auction volumes were down on a year ago, 2512 vs. 2512.

Sydney's clearance rate rose back above 80% (80.3) for the first time in 5 weeks from a final 78.3% last week and Melbourne's slipped to 76.5% from 78.5%

Coming Up

It's a very quiet week ahead both locally, while the main (known global) event risks probably reside with Wednesday's FOMC minutes and July US CPI.

For Australia, on the data front there are only a few second tier reports with the likes of the weekly ANZ-Roy Morgan Consumer Sentiment index on Tuesday, along with July motor vehicle sales, followed by the Westpac Leading Index and Skilled Vacancies for July. Tuesday's RBA minutes would normally be keenly anticipated, though to an extent have already been pre-empted by the August SoMP. Potential nuggets will be few and far between.

Internationally, there are several key monthly releases due. On housing these come courtesy of the NAHB Housing Market Index on Monday, Housing starts/permits Tuesday, and Existing Home Sales on Thursday. A key focus will be Wednesday's July CPI followed by the August Philly Fed and July Leading Index Thursday.

Two Fed speeches are scheduled, with arch dove, Minneapolis Fed President Kocherlakota (non-voter) and centrist San Francisco Fed president Williams (voter) both speaking on Thursday. This will be the day after the FOMC minutes, (04:00 AEST Thursday) where, recall, the post-meeting statement showed the Fed to be inching towards a first rate hike in over 9 years.

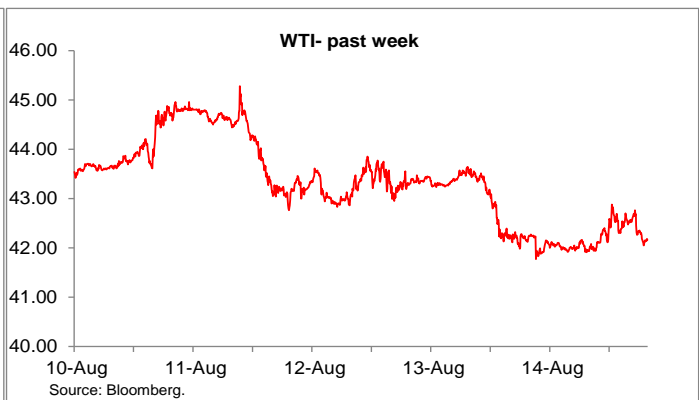
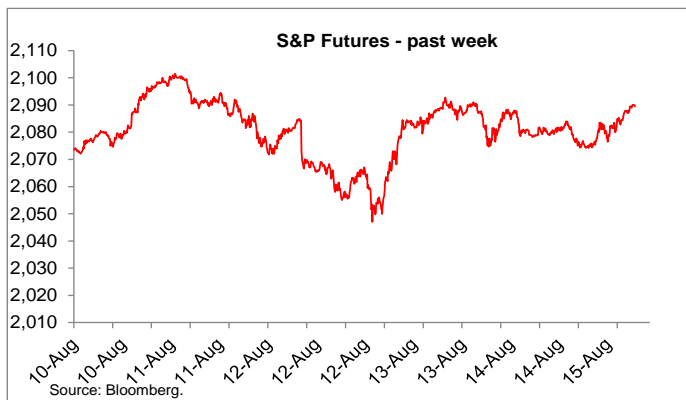
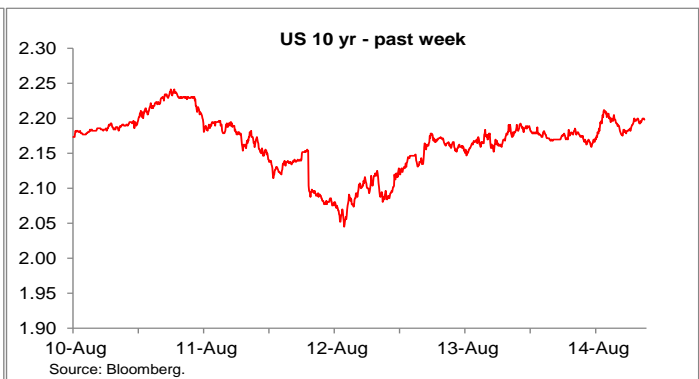
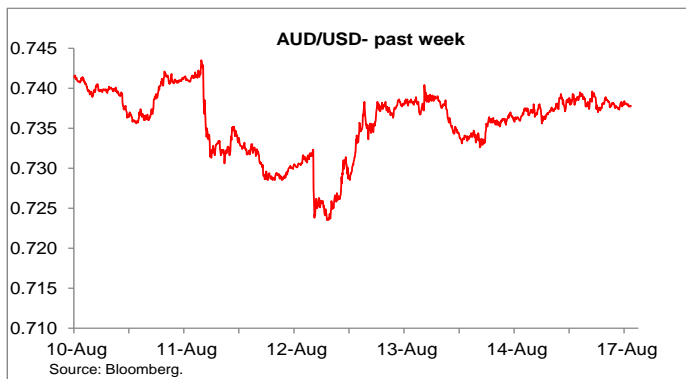
Elsewhere China property prices (Tuesday) and Japan GDP (this morning – expected -0.5% QoQ) will both draw interest

Overnight

On global stock markets, the S&P 500 was +0.40%. Bond markets saw US 10-years +1.23bp to 2.20%. On commodity markets, Brent crude oil -0.89% to \$49.19, gold -0.3% to \$1,113, iron ore -0.5% to \$56.74. AUD is at 0.7377 and the range since Friday's local close has been 0.7366 to 0.7395.

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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>0.7377</td> <td>0.0</td> <td>0.7374</td> <td>0.7384</td> <td>HKD</td> <td>7.7558</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.6542</td> <td>-0.1</td> <td>0.6537</td> <td>0.6546</td> <td>CNY</td> <td>6.3912</td> <td>-0.1</td> </tr> <tr> <td>EUR</td> <td>1.1117</td> <td>0.1</td> <td>1.1102</td> <td>1.1118</td> <td>SGD</td> <td>1.4060</td> <td>-0.1</td> </tr> <tr> <td>GBP</td> <td>1.5657</td> <td>0.1</td> <td>1.5597</td> <td>1.5667</td> <td>IDR</td> <td>13,787</td> <td>0.1</td> </tr> <tr> <td>JPY</td> <td>124.28</td> <td>0.0</td> <td>124.22</td> <td>124.33</td> <td>THB</td> <td>35.26</td> <td>0.1</td> </tr> <tr> <td>CAD</td> <td>1.3089</td> <td>0.0</td> <td>1.3087</td> <td>1.3091</td> <td>KRW</td> <td>1,181</td> <td>0.6</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6637</td> <td>-0.1</td> <td></td> <td></td> <td>TWD</td> <td>32.15</td> <td>-0.2</td> </tr> <tr> <td>AUD/JPY</td> <td>91.69</td> <td>0.0</td> <td></td> <td></td> <td>PHP</td> <td>46.18</td> <td>0.1</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4712</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>1.1279</td> <td>0.0</td> <td></td> <td></td> <td>SEK</td> <td>8.51</td> <td>0.0</td> </tr> </table>							Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.7377	0.0	0.7374	0.7384	HKD	7.7558	0.0	NZD	0.6542	-0.1	0.6537	0.6546	CNY	6.3912	-0.1	EUR	1.1117	0.1	1.1102	1.1118	SGD	1.4060	-0.1	GBP	1.5657	0.1	1.5597	1.5667	IDR	13,787	0.1	JPY	124.28	0.0	124.22	124.33	THB	35.26	0.1	CAD	1.3089	0.0	1.3087	1.3091	KRW	1,181	0.6	AUD/EUR	0.6637	-0.1			TWD	32.15	-0.2	AUD/JPY	91.69	0.0			PHP	46.18	0.1	AUD/GBP	0.4712	-0.1			CHF	0.98	0.1	AUD/NZD	1.1279	0.0			SEK	8.51	0.0
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 | Major Indices | | | | |---------------|--------|-------|-------| | | Last | % day | % y/y | | Dow | 17,477 | +0.4 | 4.9 | | S&P 500 | 2,092 | +0.4 | 7.0 | | Nasdaq | 5,048 | +0.3 | 13.1 | | FTSE | 6,551 | -0.3 | -2.1 | | DAX | 10,985 | -0.3 | 20.8 | | CAC 40 | 4,956 | +0.2 | 18.7 | | Nikkei | 20,519 | -0.4 | 34.0 | | Shanghai | 3,965 | +0.3 | 78.1 | | Hang Seng | 23,991 | -0.1 | -3.9 | | ASX 200 | 5,357 | -0.6 | -3.8 | | | | | | | Last | % day | |-------------|---------|-------| | Oil (Brent) | 49.19 | -0.9 | | Oil (WTI) | 42.50 | 0.6 | | Oil (Tapis) | 50.55 | -2.8 | | Gold | 1112.90 | -0.3 | | CRB | 197.97 | 0.1 | | GS Metals | 273.6 | 0.1 | | Aluminium | 1551 | 0.4 | | Copper | 5158 | -0.4 | | Nickel | 10566 | 1.4 | | Zinc | 1828 | -0.2 | | Ch. steel | 2079 | -0.3 | | Iron ore | 56.7 | -0.5 | | Coal | 59.4 | 0.2 | | Wheat Chic. | 511.8 | 0.5 | | Sugar | 10.68 | 1.8 | | Cotton | 67.16 | 0.0 | | Coffee | 141.2 | 0.4 | | | || | Interest Rates | | | | Benchmark 10 Year Bonds | | | | |-----------------------|------|------|------|-------------------------|--------|------|-------| | Indicative Swap Rates | | | | Last | chge | Spnd | | | | Cash | 3mth | 2Yr | 10Yr | | | | | USD | 0.25 | 0.32 | 0.97 | 2.27 | USD 10 | 2.20 | 0.01 | | AUD | 2.00 | 2.15 | 2.12 | 3.14 | AUD 10 | 2.78 | 0.04 | | NZD | 3.00 | 2.94 | 2.87 | 3.64 | NZD 10 | 3.32 | 0.01 | | EUR | 0.05 | 0.06 | 0.09 | 1.01 | CAD 10 | 1.39 | -0.01 | | GBP | 0.50 | 0.58 | 1.11 | 2.04 | EUR 10 | 0.66 | 0.03 | | JPY | 0.09 | 0.09 | 0.14 | 0.56 | GBP 10 | 1.88 | 0.04 | | CAD | 0.50 | 1.17 | 0.73 | 1.92 | JPY 10 | 0.38 | 0.00 | | | | | | | | Overnight Futures | | | |-------------------|-------|-------| | | Last | Chge | | Australia | | | | 3 mth bill | 97.88 | -0.01 | | 3 Yr bond | 98.01 | -0.02 | | 10 Yr bonc | 97.18 | -0.01 | | 3/10 sprd | 0.83 | -0.01 | | SPI | 9.0 | 0.2 | | | | | CO ₂ Emissions - Euros | | | |-----------------------------------|------|-------| | | Last | % day | | Jun-2015 | 8.36 | 1.6 | | Dec-2015 | 8.33 | 1.6 | | Dec-2016 | 8.41 | 1.6 | | | |

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
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
EC	Trade Balance SA	Jun				21.2B	9.00	19.00
US	Empire Manufacturing	Aug		5		3.86	12.30	22.30
CA	Int'l Securities Transactions	Jun				-5.45B	12.30	22.30
US	NAHB Housing Market Index	Aug		61		60	14.00	0.00
US	Net Long-term TIC Flows	Jun				\$93.0B	20.00	6.00
Tuesday, 18 August 2015								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Aug-16				112.5/-0.4%	23.30	9.30
CH	China Property Prices	Jul					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		-0.3%/0%		0.0%/0.0%	8.30	18.30
UK	CPI Core YoY	Jul		0.8%		0.8%	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		1200K/2.2%		1174K / 9.8%	12.30	22.30
US	Building Permits / MoM	Jul		1210K/-9.5%		1343K / 7.4%	12.30	22.30
NZ	Dairy Auction, GDT-weighted price, early AM NZ time					-9.30%		
Wednesday, 19 August 2015								
NZ	PPI Outputs YoY	2Q	-2.4%			-2.5%	22.45	8.45
NZ	Capital Goods Price Index, YoY	Q2				2.80%	22.45	8.45
JN	Trade Balance Adjusted	Jul				-¥251.7B	23.50	9.50
JN	Imports/Exports YoY	Jul				-2.9/9.5	23.50	9.50
AU	Westpac Leading Index MoM	Jul				0.0%	0.30	10.30
AU	Skilled Vacancies MoM	Jul				-0.9%	1.00	11.00
AU	Merchandise imports, BoP basis, sa	Jul				4.0%	1.30	11.30
JN	All Industry Activity Index MoM	Jun		0.40%		-0.5%	4.30	14.30
JN	Leading Index CI	Jun F				107.2	5.00	15.00
JN	Machine Tool Orders YoY	Jul F					6.00	16.00
EC	ECB Current Account SA	Jun				18.0B	8.00	18.00
EC	Construction Output MoM	Jun				0.3%	9.00	19.00
US	MBA Mortgage Applications	Aug-14					11.00	21.00
US	CPI MoM/YoY	Jul		0.2%/0.2%		0.3%/0.1%	12.30	22.30
US	CPI Ex Food and Energy MoM/YoY	Jul		0.2%/1.8%		0.2%/1.8%	12.30	22.30
US	U.S. Fed Releases Minutes from July 28-29 FOMC Meeting						18.00	4.00
Thursday, 20 August 2015								
NZ	ANZ Job Advertisements MoM	Jul				-0.6%	22.00	8.00
US	Fed's Kocherlakota (nv) Speaks at Bank of Korea Event						0.20	10.20
NZ	ANZ Consumer Confidence Index / MoM	Aug				113.9/-5.0%	1.00	11.00
AU	RBA FX Transactions Market	Jul				2922M	1.30	11.30
CH	MNI Business Indicator	Aug				48.8/-4.7	1.45	11.45
AU	Panel participation by RBA's Mark Manning, Deputy Head of Payments Policy at Risk Conference						4.10	14.10
US	Fed's Williams (v) speaks in Indonesia						6.45	16.45
JN	Convenience Store Sales YoY	Jul				0.6%	7.00	17.00
UK	Retail Sales Ex Auto Fuel MoM	Jul		0.2%		-0.2%	8.30	18.30
UK	CBI Trends Total Orders	Aug				-10	10.00	20.00
EC	ECB's Nowotny speaks in Panel on "Europe's Crisis"						11.30	21.30
CA	Wholesale Trade Sales MoM	Jun				-1.0%	12.30	22.30
US	Initial Jobless Claims	Aug-15		270K		274K	12.30	22.30
US	Existing Home Sales	Jul				5.49M	14.00	0.00
US	Philadelphia Fed Business Outlook	Aug		7.0		5.7	14.00	0.00
US	Existing Home Sales MoM	Jul		5.42M/-1.3%		5.49M/3.2%	14.00	0.00
US	Leading Index	Jul		0.20%		0.6%	14.00	0.00
Friday, 21 August 2015								
NZ	Net Migration SA	Jul				4800	22.45	8.45
NZ	Credit Card Spending MoM/YoY	Jul				0.3%/6.5%	3.00	13.00
JN	Supermarket Sales YoY	Jul				0.3%	5.00	15.00
GE	GfK Consumer Confidence	Sep		10.1		10.1	6.00	16.00
UK	Public Finances (PSNCR)	Jul				13.9B	8.30	18.30
CA	CPI NSA MoM/YoY	Jul				0.2%/1.0%	12.30	22.30
CA	CPI Core MoM/YoY	Jul				0.0%/2.3%	12.30	22.30
CA	Retail Sales MoM	Jun				1.0%	12.30	22.30
US	Markit Manufacturing	Aug P				53.8%	13.45	23.45
EC	Consumer Confidence	Aug A				-7.1	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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