

# Markets Today

A daily outlook for Australia, key global economies and markets

24 August 2015

## Lightning Bolts

Despite the best efforts of policy makers of late to downplay the significance of the first Fed rate rise relative to what happens after that, global markets remain in the midst of rate rise ructions. The difference from the 2013 'taper tantrum' is that that equity markets and emerging market currencies not US Treasuries are bearing the brunt, and that current market machinations are as much about China as they are Fed policy-centric. At least one thing hasn't changed: Usain Bolt is still the fastest human being on the planet.

US stocks swooned for the second day running on Friday, the 3.1% fall in the Dow bringing the cumulative decline since the May 19 peak to just over 10%. The S&P500 lost 3.2% and the NASDAQ -3.5%. European stock indices were also +/- 3%. As was the case Thursday, the underlying source for the correction was market developments/news outside America (read the weaker than expected China PMI and 4.3% drop in the Shanghai Composite). The 8.9 point jump in the VIX to 28.03 – the biggest one-day rise in four years – brings the rise on the week to 118% and to the highest level since the peak of the first (2011) Euro zone crisis.

There are many in the market, who like us, have long felt that September was a more likely date than December for Fed 'lift-off' given the amount of credibility Fed chair Yellen has vested in acting this year and so as to avoid the risk of becoming a hostage to fortune by waiting until December. The Fed has just become exactly that – a hostage to (domestic equity market) fortunes. Two weeks ago, San Francisco Fed President John Williams re-framed the Fed policy debate into a question 'Why not?' (move soon) rather than 'Why?', suggesting that bad things would have to happen between now and September to stop the Fed moving. The fact risk markets are swooning at a time when money markets are only attaching about a one in three chance of September lift-off likely means that equity markets will almost certainly need to come roaring back in the coming few weeks to get the Fed onto the starting line, alongside some undeniably robust US economic data. Friday's one US data print, the Markit manufacturing PMI, underwhelmed at 52.9 down from 53.8 in July.

Friday's FX price action again demonstrated the divergence been how FX markets have been travelling for months with respect to confidence in the Fed lifting rates no later than September, and interest rate markets. On almost any other occasion in recent years – and especially since the GFC, you would have safely bet on the dollar being higher not lower if confronted with this sort of equity price action and the strength of the safe haven bid under Treasuries. Outstanding positioning speaks volumes, with long EUR/USD and long USD/JPY positioning almost certainly more extreme than suggested by recent IMM data and which have the JPY and EUR net speculative shorts well back from early year

extremes albeit still both of significant size. And/or, perhaps it is just that the dollar longs are proving more vulnerable to peak northern hemisphere summer liquidity constraints).

AUD did remarkably well Friday, down just 0.3% to 0.7316 so well off its post-China PMI lows. Again, the extent of prevailing short positioning looks to have been key here. NZD fared much better than AUD (AUD/NZD -1.1% to 1.0940) with NZD/USD +0.8% to 0.6686. Elsewhere in currencies it was again a day of underperformance for oil-linked currencies with the active WTI futures dropping below \$40 for the first time since 2009.

In rates markets, US 2yr. Treasuries ended the NY session - 3.7bps at 0.6168 (down 10.5bps on the week) and 10s - 3.1bps at 2.0365 (-16bps on a week ago).

## Coming Up

It's not a big week ahead as far as the known data and events calendar is concerned, but that is no deterrent to another week of potentially dramatic price action across asset classes and which in turn can further fuel the 'will they won't they?' debate regarding September Fed rates lift (or crawl) off. China fixes (amid fresh upward pressure on USD/CNH), Shanghai and US stock market performances and the actions – or lack thereof – of Chinese policy makers, promise to keep markets rapt.

Locally, the known highlights are the Q2 capex reading together with updated projections for the 2015/16 fiscal year. Glenn Stevens speaks on Wednesday at a National Reform Summit being organised by the AFR.

Internationally, Fed speak will be important with now less than a month until the Sep 17/18 FOMC meeting. Lockhart speaks Monday, Dudley gives a press conference on Wednesday and the annual Kansas Fed/Jackson Hole symposium begins Thursday and runs through the weekend. Like last year, is again not slated to attend.

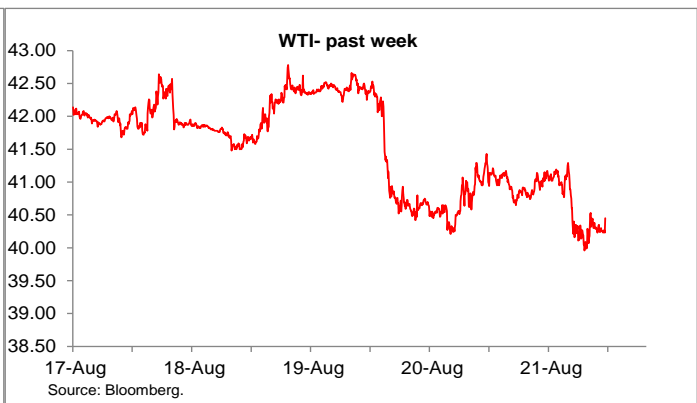
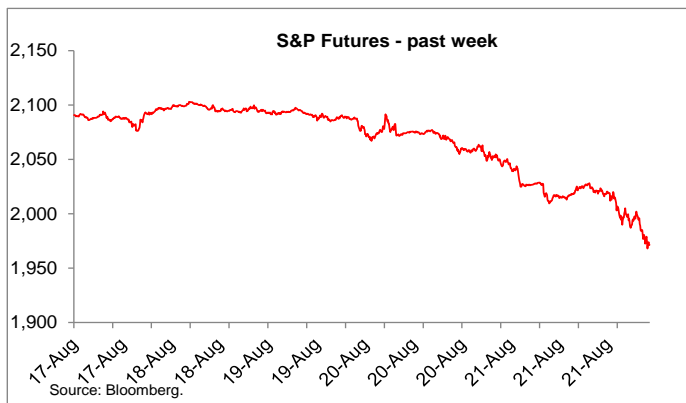
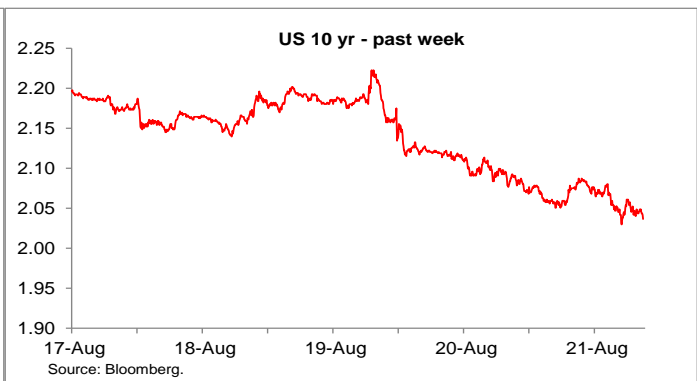
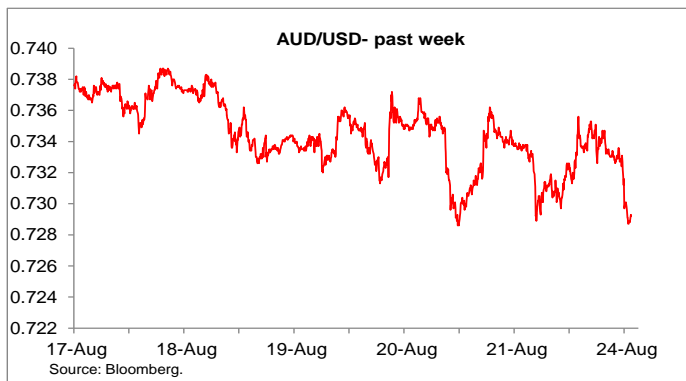
U.S data wise, durable goods orders (Wednesday), New Home sales (Tuesday) and the July monthly personal income spending and (more importantly) PCE deflator readings look like being the highlights. Elsewhere the German IFO survey Tuesday and Japan CPI (Friday) will both be of interest. There's no major data out of China.

## Overnight

On global stock markets, the S&P 500 was -3.20%. Bond markets saw US 10-years -3.14bp to 2.04%. On commodity markets, Brent crude oil -2.49% to \$45.46, gold+0.6% to \$1,160, iron ore +0.5% to \$56.10. AUD is at 0.7292 and the range since Friday's local close has been 0.7285 to 0.7360.

[Ray.atrill@nab.com.au](mailto:Ray.atrill@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="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>0.7293</td> <td>-0.3</td> <td>0.7285</td> <td>0.7318</td> <td>HKD</td> <td>7.7523</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.6662</td> <td>-0.4</td> <td>0.6654</td> <td>0.6692</td> <td>CNY</td> <td>6.3889</td> <td>0.0</td> </tr> <tr> <td>EUR</td> <td>1.1379</td> <td>-0.1</td> <td>1.1365</td> <td>1.1383</td> <td>SGD</td> <td>1.4085</td> <td>0.0</td> </tr> <tr> <td>GBP</td> <td>1.5678</td> <td>-0.1</td> <td>1.5670</td> <td>1.5731</td> <td>IDR</td> <td>13,941</td> <td>0.4</td> </tr> <tr> <td>JPY</td> <td>121.89</td> <td>-0.1</td> <td>121.66</td> <td>122.13</td> <td>THB</td> <td>35.65</td> <td>-0.2</td> </tr> <tr> <td>CAD</td> <td>1.3186</td> <td>0.0</td> <td>1.3181</td> <td>1.3191</td> <td>KRW</td> <td>1,195</td> <td>0.8</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6407</td> <td>-0.3</td> <td></td> <td></td> <td>TWD</td> <td>32.66</td> <td>0.3</td> </tr> <tr> <td>AUD/JPY</td> <td>88.85</td> <td>-0.4</td> <td></td> <td></td> <td>PHP</td> <td>46.67</td> <td>0.2</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4651</td> <td>-0.2</td> <td></td> <td></td> <td>CHF</td> <td>0.95</td> <td>0.0</td> </tr> <tr> <td>AUD/NZD</td> <td>1.0949</td> <td>0.1</td> <td></td> <td></td> <td>SEK</td> <td>8.37</td> <td>0.2</td> </tr> </table>								Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.7293	-0.3	0.7285	0.7318	HKD	7.7523	0.0	NZD	0.6662	-0.4	0.6654	0.6692	CNY	6.3889	0.0	EUR	1.1379	-0.1	1.1365	1.1383	SGD	1.4085	0.0	GBP	1.5678	-0.1	1.5670	1.5731	IDR	13,941	0.4	JPY	121.89	-0.1	121.66	122.13	THB	35.65	-0.2	CAD	1.3186	0.0	1.3181	1.3191	KRW	1,195	0.8	AUD/EUR	0.6407	-0.3			TWD	32.66	0.3	AUD/JPY	88.85	-0.4			PHP	46.67	0.2	AUD/GBP	0.4651	-0.2			CHF	0.95	0.0	AUD/NZD	1.0949	0.1			SEK	8.37	0.2
	Indicative 24hr ranges (**)				Other FX																																																																																														
	Last	% chge	Low	High	Last	% chge																																																																																													
AUD	0.7293	-0.3	0.7285	0.7318	HKD	7.7523	0.0																																																																																												
NZD	0.6662	-0.4	0.6654	0.6692	CNY	6.3889	0.0																																																																																												
EUR	1.1379	-0.1	1.1365	1.1383	SGD	1.4085	0.0																																																																																												
GBP	1.5678	-0.1	1.5670	1.5731	IDR	13,941	0.4																																																																																												
JPY	121.89	-0.1	121.66	122.13	THB	35.65	-0.2																																																																																												
CAD	1.3186	0.0	1.3181	1.3191	KRW	1,195	0.8																																																																																												
AUD/EUR	0.6407	-0.3			TWD	32.66	0.3																																																																																												
AUD/JPY	88.85	-0.4			PHP	46.67	0.2																																																																																												
AUD/GBP	0.4651	-0.2			CHF	0.95	0.0																																																																																												
AUD/NZD	1.0949	0.1			SEK	8.37	0.2																																																																																												

 | Major Indices |        |       |       | |---------------|--------|-------|-------| |               | Last   | % day | % y/y | | Dow           | 16,460 | -3.1  | -3.2  | | S&P 500       | 1,971  | -3.2  | -0.9  | | Nasdaq        | 4,706  | -3.5  | 3.7   | | FTSE          | 6,188  | -2.8  | -8.7  | | DAX           | 10,125 | -2.9  | 8.4   | | CAC 40        | 4,631  | -1.8  | 8.9   | | Nikkei        | 19,436 | -3.0  | 25.1  | | Shanghai      | 3,508  | -4.3  | 56.5  | | Hang Seng     | 22,410 | -1.5  | -10.8 | | ASX 200       | 5,215  | -1.4  | -7.6  | | | | | |             | Last    | % day | |-------------|---------|-------| | Oil (Brent) | 45.46   | -2.5  | | Oil (WTI)   | 40.45   | -2.1  | | Oil (Tapis) | 47.82   | 0.2   | | Gold        | 1159.60 | 0.6   | | CRB         | 191.34  | -1.7  | | GS Metals   | 267.4   | -1.6  | | Aluminium   | 1535    | -1.7  | | Copper      | 5063    | -1.2  | | Nickel      | 10175   | -2.0  | | Zinc        | 1763    | -2.7  | | Ch. steel   | 2022    | -0.5  | | Iron ore    | 56.1    | 0.5   | | Coal        | 58.8    | -0.2  | | Wheat Chic. | 504.0   | -1.4  | | Sugar       | 10.44   | -1.7  | | Cotton      | 67.64   | 0.0   | | Coffee      | 126.5   | -4.5  | | | || | Interest Rates        |      |      |      | Benchmark 10 Year Bonds |        |      |       | |-----------------------|------|------|------|-------------------------|--------|------|-------| | Indicative Swap Rates |      |      |      | Last                    | chge   | Sprd |       | | Cash                  | 3mth | 2Yr  | 10Yr |                         |        |      |       | | USD                   | 0.25 | 0.33 | 0.85 | 2.11                    | USD 10 | 2.04 | -0.03 | | AUD                   | 2.00 | 2.14 | 1.97 | 2.92                    | AUD 10 | 2.59 | -0.08 | | NZD                   | 3.00 | 2.93 | 2.85 | 3.53                    | NZD 10 | 3.21 | -0.06 | | EUR                   | 0.05 | 0.06 | 0.08 | 0.92                    | CAD 10 | 1.27 | -0.02 | | GBP                   | 0.50 | 0.58 | 1.03 | 1.89                    | EUR 10 | 0.56 | -0.02 | | JPY                   | 0.08 | 0.09 | 0.14 | 0.54                    | GBP 10 | 1.69 | -0.07 | | CAD                   | 0.50 | 1.17 | 0.66 | 1.79                    | JPY 10 | 0.37 | 0.00  | | | | | | | | | Overnight Futures |        |       | |-------------------|--------|-------| |                   | Last   | Chge  | | <b>Australia</b>  |        |       | | 3 mth bill        | 97.91  | 0.00  | | 3 Yr bond         | 98.23  | 0.04  | | 10 Yr bonc        | 97.43  | 0.08  | | 3/10 sprd         | 0.81   | -0.03 | | SPI               | -110.0 | -2.1  | | | | | | CO <sub>2</sub> Emissions - Euros |      |       | |-----------------------------------|------|-------| |                                   | Last | % day | | Jun-2015                          | 8.24 | -1.9  | | Dec-2015                          | 8.21 | -1.9  | | Dec-2016                          | 8.29 | -1.9  | | | |

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>Monday, 24 August 2015</b>								
NZ	RBNZ's Deputy Governor Grant Spencer Speaks						1.30	11.30
US	Chicago Fed Nat Activity Index	Jul				0.1	12.30	22.30
GE	Import Price Index MoM/YoY	Jul		-0.2%/-1.2%		-0.5%/-1.4%	14.00	0.00
US	Fed's Lockhart speaks to Public Pension Funding Forum						19.55	5.55
<b>Tuesday, 25 August 2015</b>								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Aug-23				113.2	23.30	9.30
AU	Conf. Board Leading Index MoM	Jun				0.2%	0.00	10.00
CH	Conference Board China July Leading Economic Index						2.00	12.00
NZ	2Yr Inflation Expectation	3Q				1.9%	3.00	13.00
GE	GDP SA QoQ	2Q F		0.4%		0.4%	6.00	16.00
GE	GDP NSA YoY	2Q F		1.6%		1.6%	6.00	16.00
GE	IFO Business Climate	Aug		107.5		108	8.00	18.00
GE	IFO Current Assessment	Aug		113.9		113.9	8.00	18.00
GE	IFO Expectations	Aug		101.9		102.4	8.00	18.00
US	FHFA House Price Index MoM	Jun		0.40%		0.4%	13.00	23.00
US	House Price Purchase Index QoQ	2Q				1.3%	13.00	23.00
US	S&P/CS 20 City MoM/YoY SA	Jun					13.00	23.00
US	Markit US Composite PMI/Services PMI	Aug P		/54.0		55.7/55.7	13.45	23.45
US	New Home Sales / MoM	Jul		511K/6.0%		482K/-6.8%	14.00	0.00
US	Consumer Confidence Index	Aug		93.0			14.00	0.00
US	Richmond Fed Manufact. Index	Aug		9			14.00	0.00
CA	Bank of Canada Deputy Schembri Speaks in Ontario						16.25	2.25
<b>Wednesday, 26 August 2015</b>								
NZ	Imports	Jul				4.29B	22.45	8.45
NZ	Exports	Jul				4.23B	22.45	8.45
NZ	Trade Balance	Jul	-785m	-600m		-60M	22.45	8.45
NZ	Trade Balance 12 Mth YTD	Jul				-2848M	22.45	8.45
JN	PPI Services YoY	Jul		0.4%		0.4%	23.50	9.50
AU	Construction Work Done	2Q	-1.7%			-2.4%	1.30	11.30
AU	Remarks by RBA Governor Glenn Stevens at a National Reform Summit							
CH	Westpac-MNI Consumer Sentiment	Aug				114.5	1.45	11.45
UK	BBA Loans for House Purchase	Jul				44488	8.30	18.30
US	MBA Mortgage Applications	Aug-21					11.00	21.00
US	Durable Goods Orders	Jul		-0.40%		3.4%	12.30	22.30
US	Durables Ex Transportation	Jul		0.20%		0.8%	12.30	22.30
US	Cap Goods Orders Nondef Ex Air	Jul		0.50%		0.9%	12.30	22.30
US	Cap Goods Ship Nondef Ex Air	Jul				-0.1%	12.30	22.30
US	Fed's Dudley speaks at Press Briefing on Local Economy						14.00	0.00
<b>Thursday, 27 August 2015</b>								
JN	Japan Buying Foreign Bonds and Stocks	Aug-21					23.50	9.50
AU	Private Capital Expenditure	2Q	-4.0%			-4.4%	1.30	11.30
EC	M3 Money Supply YoY	Jul				5.0%	8.00	18.00
EC	M3 3-month average	Jul				5.1%	8.00	18.00
US	GDP Annualized QoQ	2Q S		3.2%		2.3%	12.30	22.30
US	Personal Consumption	2Q S		3.1%		2.9%	12.30	22.30
US	GDP Price Index	2Q S		2.0%		2.0%	12.30	22.30
US	Core PCE QoQ	2Q S		1.8%		1.8%	12.30	22.30
US	Initial Jobless Claims	Aug-22					12.30	22.30
US	Continuing Claims	Aug-15					12.30	22.30
US	Bloomberg Consumer Comfort	Aug-23					13.45	23.45
US	Kansas City Fed Hosts Symposium in Jackson Hole, Wyoming							08/30
GE	Retail Sales MoM	Jul		1.5%		-2.3%	42062.00	09/03
GE	Retail Sales YoY	Jul		1.5%		5.1%	42062.00	09/03
US	Pending Home Sales MoM	Jul		1.5%		-1.8%	14.00	0.00
US	Pending Home Sales NSA YoY	Jul		9.0%		11.1%	14.00	0.00
US	Kansas City Fed Manf. Activity	Aug				-7	15.00	1.00
<b>Friday, 28 August 2015</b>								
UK	GfK Consumer Confidence	Aug		4		4	23.05	9.05
JN	Jobless Rate	Jul		3.4%		3.4%	23.30	9.30
JN	Job-To-Applicant Ratio	Jul		1.19		1.19	23.30	9.30
JN	Overall Household Spending YoY	Jul		0.5%		-2.0%	23.30	9.30
JN	Natl CPI YoY	Jul		0.2%		0.4%	23.30	9.30
JN	Natl CPI Ex Fresh Food YoY	Jul		-0.2%		0.10%	23.30	9.30
JN	Natl CPI Ex Food, Energy YoY	Jul		0.6%		0.6%	23.30	9.30
JN	Retail Trade MoM/YoY	Jul		1.10%		0.9%	23.50	9.50
CH	Industrial Profits YoY	Jul				-0.3%	1.30	11.30
UK	Nationwide House Px NSA YoY	Aug		3.10%		3.50%	6.00	16.00
UK	GDP QoQ/YoY	2Q P		0.7%/2.6%		0.7%/2.6%	8.30	18.30
EC	Economic Confidence	Aug					9.00	19.00
GE	CPI MoM/YoY	Aug P		0.0%/0.2%		0.2%/0.2%	12.00	22.00
US	Personal Income	Jul					12.30	22.30
US	Personal Spending	Jul		0.4%		0.2%	12.30	22.30
US	PCE Deflator MoM/YoY	Jul		0.1%/0.3%		0.2%/0.3%	12.30	22.30
US	PCE Core MoM/YoY	Jul		0.1%/1.3%		0.1%/1.3%	12.30	22.30
CH	Leading Index	Jul						08/31
US	U. of Mich. Sentiment	Aug F		93.2		92.9	14.00	0.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
Australia, RBA		1-Sep	2.00%	2.00%		2.00%		
UK BOE		10-Sep				0.50%		
Japan, BoJ		15-Sep	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

## 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.