

# Markets Today

A daily outlook for Australia, key global economies and markets

3 August 2015

## ECI Friday

Most of Friday's market price action emanated from the US Q2 Employment Cost Index, which at just +0.2% Q/Q (not annualised) was the lowest quarterly change since records began in 1996. The market was looking for +0.6% after +0.7% in Q1. The number pushed the annual ECI rise down to 2.0% from 2.6% in Q1, and back to where it was a year ago. US economic commentators noted that the unexpected weakness resulted mostly from a slump in sales commissions or incentives. Wages ex-sales incentives were +2.0% Y/Y after 2.1% in Q1 and 1.8% a year ago, so broadly consistent with the average hourly earnings reading in the last employment report. So the latter, for July, in this coming Friday's report will obviously be a keen market focus.

In FX, much of the sharp slide in the dollar in the immediate aftermath of the ECI data was subsequently reversed thanks in part to an upside surprise in the Chicago PMI but also comments from St. Louis Fed president James Bullard. On Friday became the first Fed official to have given an interview or speech since Wednesday's FOMC meeting conclusion. He told the WSJ that 'we're in good shape' to lift rates at the Sep 16-17 FOMC gathering and suggested that at last week's meeting, the Fed wanted to see how the subsequently released Q2 GDP data shaped up before clearing the way to act. Bullard shrugged off Friday's report showing surprisingly tepid wage gains, saying he isn't worried about that situation right now

The same could not be said for Treasuries, where yields actually extended their declines in late trade to close on the lows for most tenors. Equities quite liked the ECI message but drifted lower during the NY afternoon with indices mostly lower. So once again, FX looks to be well ahead of the US rates market in anticipating the first (and perhaps subsequent) Fed moves.

DXY ended -0.23% at 97.34, having been as low as 96.35 (-1.3%) post ECI. EUR/USD finished NY +0.48% to 1.0984 having been as high as 1.1114. USD/JPY suffered with Treasury yields, -0.2% to Y123.89. AUD recovered the 0.73 handle to be +0.21% to 0.7308 despite fresh across the board commodity price weakness (ex-gold). US dollar weakness couldn't prevent NZD losing ground, -0.15% to 0.6592 and CAD more so than any other G10 currency, USD/CAD +0.7% to 1.3091. Lower oil and weaker GDP (May -0.2%) were to blame. Canadian PM Stephen Harper has just called the general election for 19 October and where latest opinion polls put the centre-left opposition narrowly ahead of the incumbent Conservatives.

In rates, US 2-year notes ended the NY session -6.7bps at 0.66%, and 10s -7.9bps to 2.18%. The fall in 10s is from an intra-month (13 July) high of 2.46% and to the lowest (closing) level since 1 June.

In stocks, the S&P500 finished -0.32% and implying a 1.3% gain in July overall; the Dow -0.32% for -0.23% in July overall, and NASDAQ -0.1% for +2.38% on the month.

In commodities, gold rallied \$7.04 to \$1,095.8 (still -\$3 on the week), but elsewhere it was a sorry story with the LME index finished -0.8% and iron ore losing \$2.23 to \$53.41 (though it was still +\$2 up on the week). WTI crude lost another \$1.40 to \$47.12 (-\$1 on the week) and Brent -\$1.10 to 52.21 (-\$2.40 on the week).

Probably to the surprise of nobody, the official China manufacturing PMI published Saturday failed to validate the sharp decline in the earlier Caixin (formerly HSBC) Markit version that recall fell to 48.2 from 49.4. It slipped to 50.0 from 50.2 and the 50.1 expected. The services reading rose to 53.9 from 53.8.

Other than the aforementioned US ECI, the later-released Chicago PMI jumped 54.7 from 49.4 (50.8E). The final University of Michigan CSI slipped to 93.1 from the 93.3 preliminary and 94.0 expected.

## Coming Up

It's a very big week ahead on both sides of the Tasman and globally. In Australia, there is the RBA's policy decision (Tue), attendant Statement on Monetary Policy (Fri), and the labour market report (Thu). The BoE's Inflation Report (Thu) will be interesting. There's plenty on the US calendar through the week, but the keen focus is on the employment report (Fri). Today brings the national manufacturing ISM for July, expected to be unchanged on June at 53.5 as well construction spending and June personal income spending and deflator data.

In NZ, our BNZ colleagues look for NZD-negative outcomes from the dairy auction (early Wed am) and the Fonterra payout update (Fri). The local Q2 employment report is also due (Wed).

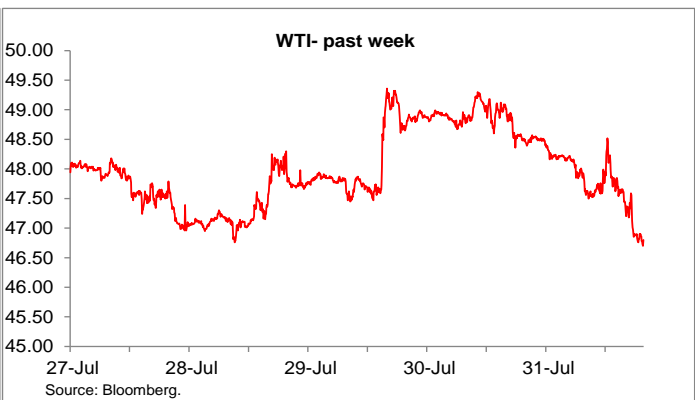
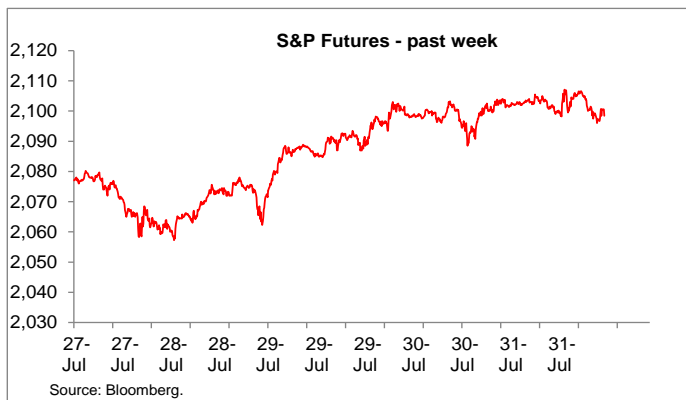
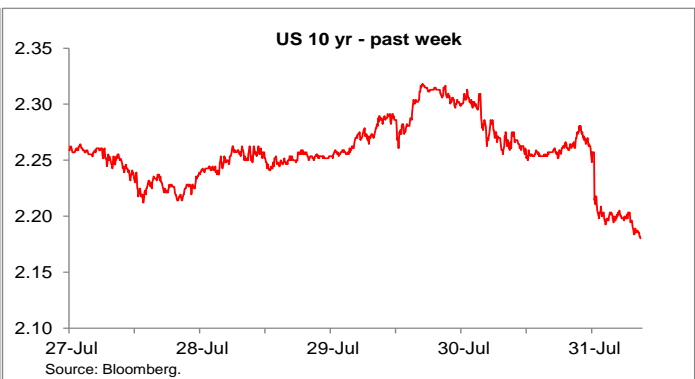
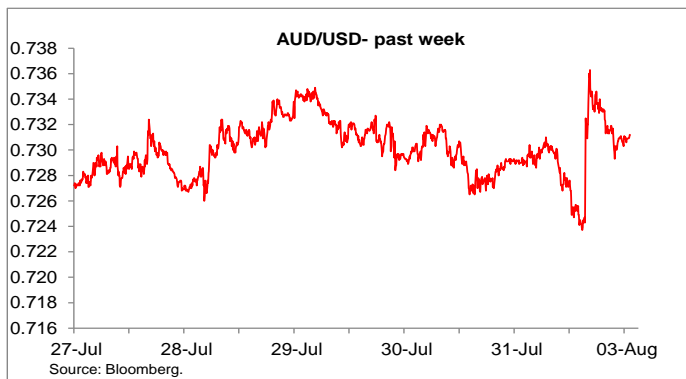
It's a NSW banking holiday today but we'll get the AiG manufacturing PMI, CoreLogic RP data July house prices, TD Securities monthly inflation gauge, HIA new home sales and ANZ July job ads. The final Caixin Final China manufacturing PMI is due at 11.45 AEST.

## Overnight

On global stock markets, the S&P 500 was +0.70%. Bond markets saw US 10-years +2.88bp to 2.28%. On commodity markets, Brent crude oil +0.64% to \$53.64, gold 0.0% to \$1,096, iron ore +4.6% to \$55.89. AUD is at 0.7312 and the range since Friday's local close has been 0.7235 to 0.7367.

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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>0.7312</td> <td>0.1</td> <td>0.7306</td> <td>0.7316</td> <td>HKD</td> <td>7.7522</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.6593</td> <td>0.0</td> <td>0.6588</td> <td>0.6595</td> <td>CNY</td> <td>6.2097</td> <td>0.0</td> </tr> <tr> <td>EUR</td> <td>1.0982</td> <td>0.0</td> <td>1.0968</td> <td>1.0991</td> <td>SGD</td> <td>1.3713</td> <td>-0.1</td> </tr> <tr> <td>GBP</td> <td>1.5640</td> <td>0.1</td> <td>1.5617</td> <td>1.5644</td> <td>IDR</td> <td>13,539</td> <td>0.6</td> </tr> <tr> <td>JPY</td> <td>123.96</td> <td>0.1</td> <td>123.91</td> <td>124.03</td> <td>THB</td> <td>35.02</td> <td>0.1</td> </tr> <tr> <td>CAD</td> <td>1.3098</td> <td>0.1</td> <td>1.3094</td> <td>1.3104</td> <td>KRW</td> <td>1,170</td> <td>0.2</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6658</td> <td>0.1</td> <td></td> <td></td> <td>TWD</td> <td>31.68</td> <td>0.4</td> </tr> <tr> <td>AUD/JPY</td> <td>90.63</td> <td>0.1</td> <td></td> <td></td> <td>PHP</td> <td>45.74</td> <td>0.2</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4675</td> <td>-0.1</td> <td></td> <td></td> <td>CHF</td> <td>0.97</td> <td>0.0</td> </tr> <tr> <td>AUD/NZD</td> <td>1.1090</td> <td>0.0</td> <td></td> <td></td> <td>SEK</td> <td>8.62</td> <td>0.0</td> </tr> </table>								Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.7312	0.1	0.7306	0.7316	HKD	7.7522	0.0	NZD	0.6593	0.0	0.6588	0.6595	CNY	6.2097	0.0	EUR	1.0982	0.0	1.0968	1.0991	SGD	1.3713	-0.1	GBP	1.5640	0.1	1.5617	1.5644	IDR	13,539	0.6	JPY	123.96	0.1	123.91	124.03	THB	35.02	0.1	CAD	1.3098	0.1	1.3094	1.3104	KRW	1,170	0.2	AUD/EUR	0.6658	0.1			TWD	31.68	0.4	AUD/JPY	90.63	0.1			PHP	45.74	0.2	AUD/GBP	0.4675	-0.1			CHF	0.97	0.0	AUD/NZD	1.1090	0.0			SEK	8.62	0.0
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 | Major Indices |        |       |       | |---------------|--------|-------|-------| |               | Last   | % day | % y/y | | Dow           | 17,690 | -0.3  | 7.3   | | S&P 500       | 2,104  | -0.2  | 9.3   | | Nasdaq        | 5,128  | 0.0   | 17.8  | | FTSE          | 6,696  | +0.4  | 0.3   | | DAX           | 11,309 | +0.5  | 22.8  | | CAC 40        | 5,083  | +0.2  | 20.9  | | Nikkei        | 20,585 | +0.3  | 32.6  | | Shanghai      | 3,664  | -1.1  | 67.7  | | Hang Seng     | 24,636 | +0.6  | 0.4   | | ASX 200       | 5,699  | +0.5  | 2.6   | | | | | |             | Last    | % day | |-------------|---------|-------| | Oil (Brent) | 52.21   | -2.1  | | Oil (WTI)   | 47.12   | -2.9  | | Oil (Tapis) | 54.05   | -2.7  | | Gold        | 1094.90 | 0.6   | | CRB         | 202.57  | -1.0  | | GS Metals   | 277.6   | -1.0  | | Aluminium   | 1590    | -1.6  | | Copper      | 5221    | -0.6  | | Nickel      | 11005   | 0.1   | | Zinc        | 1911    | -1.9  | | Ch. steel   | 2092    | 0.0   | | Iron ore    | 53.4    | -4.0  | | Coal        | 58.9    | -0.2  | | Wheat Chic. | 504.8   | 0.1   | | Sugar       | 11.14   | -1.2  | | Cotton      | 64.01   | 0.5   | | Coffee      | 125.3   | 0.3   | | | || | Interest Rates        |      |      |      | Benchmark 10 Year Bonds |        |      |       | |-----------------------|------|------|------|-------------------------|--------|------|-------| | Indicative Swap Rates |      |      |      | Last                    | chge   | Spnd |       | |                       | Cash | 3mth | 2Yr  | 10Yr                    |        |      |       | | USD                   | 0.25 | 0.31 | 0.90 | 2.27                    | USD 10 | 2.18 | -0.08 | | AUD                   | 2.00 | 2.15 | 2.05 | 3.07                    | AUD 10 | 2.76 | -0.08 | | NZD                   | 3.00 | 3.10 | 2.89 | 3.66                    | NZD 10 | 3.35 | -0.07 | | EUR                   | 0.05 | 0.06 | 0.09 | 0.98                    | CAD 10 | 1.44 | -0.05 | | GBP                   | 0.50 | 0.58 | 1.10 | 2.03                    | EUR 10 | 0.64 | -0.01 | | JPY                   | 0.09 | 0.10 | 0.14 | 0.57                    | GBP 10 | 1.88 | -0.08 | | CAD                   | 0.50 | 1.17 | 0.73 | 1.94                    | JPY 10 | 0.42 | 0.00  | | | | | | | | | Overnight Futures |       |       | |-------------------|-------|-------| |                   | Last  | Chge  | | <b>Australia</b>  |       |       | | 3 mth bill        | 97.92 | 0.01  | | 3 Yr bond         | 98.13 | 0.04  | | 10 Yr bonc        | 97.26 | 0.07  | | 3/10 sprd         | 0.88  | -0.03 | | SPI               | -12.0 | -0.2  | | | | | | CO <sub>2</sub> Emissions - Euros |      |       | |-----------------------------------|------|-------| |                                   | Last | % day | | Jun-2015                          | 7.91 | -0.1  | | Dec-2015                          | 7.88 | -0.1  | | Dec-2016                          | 7.96 | -0.1  | | | |

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, 3 August 2015</b>								
AU	NSW Bank holiday							
AU	AiG Perf of Mfg Index	Jul				44.2	23.30	9.30
AU	CoreLogic RP Data House Px MoM	Jul		2.3%		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		48.3		48.2	1.45	11.45
GE	Markit/BME Germany Manufacturing PMI	Jul F		51.5		51.5	7.55	17.55
EC	Markit Eurozone Manufacturing PMI	Jul F		52.2		52.2	8.00	18.00
UK	Markit UK PMI Manufacturing SA	Jul		51.6		51.4	8.30	18.30
US	Personal Income/Spending	Jun		0.3%/0.2%		0.5%/0.9%	12.30	22.30
US	PCE Core MoM/YoY	Jun		0.1%/1.2%		0.1%/1.2%	12.30	22.30
US	Markit US Manufacturing PMI	Jul F		53.8		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
US	Fed's Powell (V) speaks on Bond Market Liquidity						14.50	0.50
<b>Tuesday, 4 August 2015</b>								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Aug-02				112.5/+0.6%	23.30	9.30
NZ	QV House Prices YoY	Jul				9.3%	0.00	10.00
NZ	ANZ Commodity Price (\$NZ terms)	Jul				2.9%	1.00	11.00
AU	Trade Balance	Jun	-3100M	-3000M		-2751M	1.30	11.30
AU	Retail Sales MoM \$/QoQ real	Jun	0.5%/0.3%	0.4%/0.4%		0.3%/0.7%	1.30	11.30
JN	Labor Cash Earnings YoY	Jun		0.9%		0.6%	1.30	11.30
AU	RBA Cash Rate Target	Aug-04	2.00%	2.00%		2.00%	4.30	14.30
AU	RBA 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		1.7%		-1.0%	14.00	0.00
NZ	Global Dairy Auction (early AM NZ time)					-10.7%	14.00	0.00
<b>Wednesday, 5 August 2015</b>								
NZ	Unemployment Rate	2Q	5.90%	5.90%		5.8%	22.45	8.45
NZ	Employment Change QoQ/YoY	2Q	0.60%	0.50%		0.7%/3.2%	22.45	8.45
NZ	Pvt Wages Inc Overtime QoQ	2Q	0.50%	0.50%		0.3%	22.45	8.45
AU	AiG Perf of Services Index	Jul				51.2	23.30	9.30
JN	Nikkei Japan PMI Services	Jul				51.8	1.35	11.35
CH	Caixin China PMI Services/Composite	Jul				51.8/50.6	1.45	11.45
EC	Markit Eurozone Services/Composite PMI	Jul F		53.8/53.7		53.8/53.7	8.00	18.00
UK	Markit/CIPS UK Services PMI	Jul		58		58.5	8.30	18.30
EC	Retail Sales MoM/YoY	Jun		-0.2%/ ..		0.2%/2.4%	9.00	19.00
US	ADP Employment Change	Jul		210K		237K	12.15	22.15
CA	Int'l Merchandise Trade	Jun				-3.34B	12.30	22.30
US	Trade Balance	Jun		-\$42.2B		-\$41.87B	12.30	22.30
US	Markit US Services PMI	Jul F		55.2		55.2	13.45	23.45
US	ISM Non-Manf. Composite	Jul		56.3		56	14.00	0.00
<b>Thursday, 6 August 2015</b>								
AU	Employment Change	Jul	+5K	+10K		7.3K	1.30	11.30
AU	Unemployment Rate	Jul	6.1%	6.1%		6.0%	1.30	11.30
AU	Participation Rate	Jul	64.8%	64.8%		64.8%	1.30	11.30
JN	Leading Index CI	Jun P		106.8		106.2	5.00	15.00
GE	Factory Orders MoM/YoY	Jun		0.1%/4.9%		-0.2%/4.7%	6.00	16.00
UK	Industrial Production MoM/YoY	Jun		0.1%/2.2%		0.4%/2.1%	8.30	18.30
UK	Bank of England Bank Rate	Aug-06		0.5%		0.5%	11.00	21.00
UK	Bank of England Inflation Report						11.00	21.00
US	Challenger Job Cuts YoY	Jul				42.7%	11.30	21.30
US	Initial Jobless Claims	Aug-01				267K	12.30	22.30
UK	NIESR GDP Estimate	Jul				0.7%	14.00	0.00
<b>Friday, 7 August 2015</b>								
NZ	Fonterra Milk Price Forecast Update (2015/16)							
AU	AiG Perf of Construction Index	Jul				46.4	23.30	9.30
AU	RBA Statement on Monetary Policy						1.30	11.30
AU	Home Loans MoM	Jun	5%	5%		-6.1%	1.30	11.30
AU	Investment Lending	Jun				-3.2%	1.30	11.30
JN	BoJ Policy Statement/Kuroda Press Conference						3.00	13.00
GE	Industrial Production SA MoM	Jun		0.3%/2.1%		0%/2.1%	6.00	16.00
GE	Current account balance	Jun		16.0B		11.1B	6.00	16.00
UK	Trade Balance	Jun		-£1650		-£393	8.30	18.30
US	Change in Nonfarm Payrolls/Unemployment	Jul		225K/5.3%		223K/5.3%	12.30	22.30
US	Average Hourly Earnings MoM/YoY	Jul		0.2%/2.3%		0.0%/2.0%	12.30	22.30
CA	Unemployment Rate	Jul				6.8%	12.30	22.30
CA	Building Permits MoM	Jun				-14.5%	12.30	22.30
CA	Ivey Purchasing Managers Index SA	Jul				55.9	14.00	0.00
US	Consumer Credit	Jun		\$17.000B		\$16.086B	19.00	5.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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

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