



Markets Today

A daily outlook for Australia, key global economies and markets

4 August 2015

Where you go, I follow

Oil took centre stage last night with West Texas Intermediate down 3.8% to \$45.33/bbl and Brent crude down a cool 5.0% to \$49.60, WTI the lowest since March 19 and Brent below \$50/bbl for the first time since January when oil selling was at its most intense. Continued over-supply and fears of slowing demand seemed to weigh on sentiment. Iran announced they would/could immediately lift exports by 0.5mbpd if sanctions while renewed softness in Chinese manufacturing stoked demand side concerns.

Commodity currencies came in for some treatment as a result with the Rouble (-1.6%) hit hard, along with the NOK (-0.41%), AUD (-0.38%), and NZD (-0.33%) all lower. The CAD for once held up. Other traded hard commodities also eased, LME metals prices declining, copper down 0.19% and nickel by 2.67%. Gold also eased, by 0.86% to \$1085.90/oz. Iron ore prices bucked the trend, up \$2.22/t yesterday in China. US energy stocks closed down by 2.01%; other industry groups in the S&P 500 were mixed, the index

Equity markets were mixed; they were higher in Europe by 0.77% for the Eurostoxx 600 index (Athens re-opened, closing down 16.2%), but were heavy in the US, despite US Treasury yields declining further on a softer than expected US ISM Manufacturing report and still quiescent core consumer inflation. The ISM Manufacturing index missed expectations somewhat, coming in at 52.7, down from 53.5 that was also expected. Core PCE deflator rose 0.1% as expected, though the annual rate was a rounded one point higher than expected at 1.3%. US Treasuries rallied and Fed funds futures trimmed expectations for Fed rate rises by ½-2½ bps along the curve.

Coming up today/tonight

So onward to the RBA Board decision at 2.30. Before then there is retail trade and international trade for June, also carrying information for the June quarter Q2 national accounts due Wednesday 2 September. For international trade, commodity prices in \$A terms were more friendly to export receipts in June and should see a 2% rise in exports, aside from any unforeseen volume effects. However, already published merchandise imports points to a 3% imports rise, the trade deficit expected to rise again to \$A3.1bn from \$A2.75bn in May.

For retail sales, we look for a pick-up to 0.5%, a quickened pace, helped further by the improved labour market and a positive fallout for household goods suppliers from rising residential construction. Retail volumes make up 31.8% of household consumption and 17.4% of GDP and we look for real growth of 0.3% based, the market at 0.4%.

Based on encouraging domestic news, we look for the RBA to remain on hold at 2.00%. The unemployment rate has been steady, business activity shown some overall improvement while housing activity (in the Eastern States anyway) has been upbeat. We'll be particularly interested in what they have to say about any forecast changes and spare capacity (some shaving of medium term growth and thus less spare capacity?) and the

dollar (recognition of its fall and that beneficial effects are coming through), that should provide some positive tilt for the AUD. The July RBA commodity price index is then due later this afternoon (4.30pm); not all market sensitive but provides a very good track for the terms of trade.

Tonight it's light on for European and US releases; in the US, the ISM New York index for July is due along with the June factory orders report. The main interest will be for Kiwi watchers with the first Global Dairy Auction for this month, and following a large 10.7% in the previous auction.

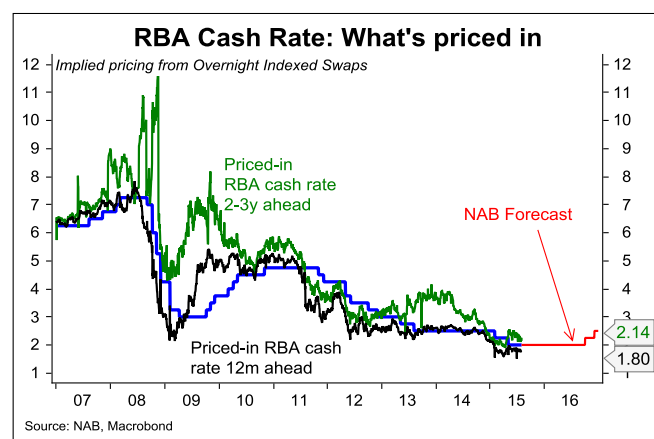
Overnight

- Commodity prices and currencies lower: Eurostoxx 600 +0.8%, Dax +1.2%, CAC +0.7%, FTSE -0.1%. Dow -92 points to 17,598, -0.5%, S&P 500 -0.5%, Nasdaq -0.3%, VIX 12.56 +3.6%. Mumbai -1.1%, Nikkei 225 -0.3% and ASX 200 -0.3%; ASX SPI futures this morning -0.0%. US bond yields: 2s at 0.66% (0), 10s at 2.15% (-3). WTI oil at \$45.36 (-3.7%), Brent at \$49.67 (-4.9%), Malaysian Tapis (yesterday) \$52.79 (-2.3%). Gold at \$1085.80/oz (-0.8%). Base metals: LME copper -0.2%, nickel -2.7%, aluminium -0.4%. Iron ore \$55.6/t +4.2% Chinese steel rebar futures -0.6%. Soft commodities spot futures: wheat +0.0%, sugar -2.2%, cotton -0.3%, coffee -1.0%. Euro Dec 14 CO2 emissions at €7.96/t (1.0%). The AUD/USD's range overnight 0.7260-0.7299; indicative range today 0.7240-0.7315 ahead of retail sales and the RBA; the AUD/USD is 0.7287 now**
- EC final Manufacturing PMI (Jul) 52.4 (Prelim: 52.2)**
- UK Manufacturing PMI (Jul) 51.9 (L: 51.4; E: 51.6)**
- US ISM Manufacturing (Jul) 52.7 (L: 53.5; E: 53.5); PCE core deflator (Jun) 0.1%/1.3% (L: 0.1%/1.2%; E: 0.1%/1.2%); Market Core PCE deflator 0.1%/1.0% (L: 0.1%/1.1%)**

Good luck.

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Chart of the day: Market still with an easing bias for year ahead

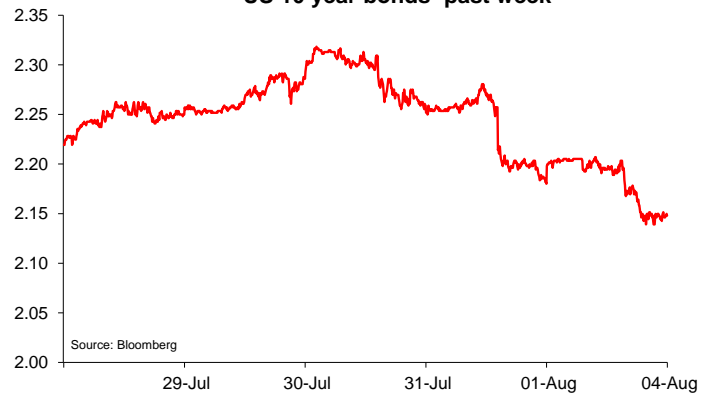


Markets

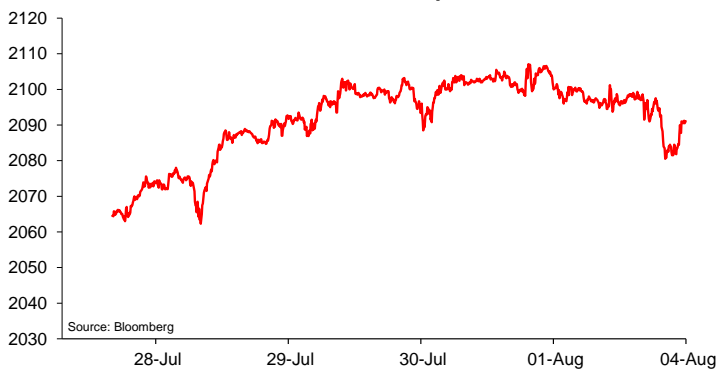
AUD/USD- past week



US 10 year bonds- past week



S&P 500 futures- past week



WTI futures- past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7287	0.0	0.7286	0.7290	HKD	7.7533 0.0
NZD	0.6565	-0.4	0.6558	0.6618	CNY	6.2117 0.0
EUR	1.0951	-0.1	1.0941	1.0990	SGD	1.3783 0.1
GBP	1.5587	-0.1	1.5565	1.5625	IDR	13,480 -0.1
JPY	124.03	-0.2	123.85	124.29	THB	35.08 0.0
CAD	1.3156	-0.1	1.3113	1.3172	KRW	1,171 0.2
AUD/EUR	0.6653	0.2			TWD	31.72 0.1
AUD/JPY	90.37	0.0			PHP	45.77 0.1
AUD/GBP	0.4675	0.2			CHF	0.97 0.2
AUD/NZD	1.1098	0.6			SEK	8.65 0.1

Equities

Major Indices			
	Last	% day	% year
Dow	17,598	-0.5	6.7
S&P 500	2,098	-0.3	9.0
Nasdaq	5,115	-0.3	17.5
VIX Index	12.56	3.6	-26.2
FTSE	6,689	-0.1	0.1
DAX	11,444	1.2	24.3
CAC 40	5,121	0.7	21.8
Nikkei	20,548	-0.2	32.8
Shanghai	3,623	-1.1	62.9
Hang Seng	24,411	-0.9	-0.8
ASX200	5,679	-0.3	2.5

Commodities*

	Last	% day
Oil (Brent)	49.67	-4.9
Oil (WTI)	45.36	-3.7
Oil (Tapis)	52.79	-2.3
Gold	1085.80	-0.8
CRB	199.30	-1.6
GS Metals	276.3	-0.5
Aluminium	1612	-0.4
Copper	5220	-0.2
Nickel	10745	-2.7
Zinc	1905	-0.6
Ch. steel	2087	-0.6
Iron ore	55.6	4.2
St. coal	61.8	n.a.
Wheat Chic.	505.0	0.0
Sugar	10.89	-2.2
Cotton	64.00	-0.3
Coffee	124.0	-1.0

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.25	0.31	0.90	2.23	USD 10	2.15	-0.03
AUD	2.00	2.15	2.04	3.05	AUD 10	2.75	-0.01 0.60
NZD	3.00	3.07	2.86	3.60	NZD 10	3.31	-0.01 1.16
EUR	0.05	0.06	0.09	0.97	CAD 10	1.43	-0.01 -0.71
GBP	0.50	0.58	1.11	2.00	EUR 10	0.63	-0.02 -1.52
JPY	0.09	0.10	0.14	0.59	GBP 10	1.87	-0.02 -0.28
CAD	0.50	1.17	0.73	1.94	JPY 10	0.42	0.00 -1.73

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.92	0.01
3 Yr bond	98.15	0.04
10 Yr bond	97.29	0.03
3/10 sprd	0.87	0.01
SPI	-1.0	0.0

CO₂ Emissions - Euros

	Last	% day
Dec-2015	7.96	1.0
Dec-2016	8.05	1.1
Dec-2017	8.17	1.1

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
Tuesday, 4 August 2015								
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
Wednesday, 5 August 2015								
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
Thursday, 6 August 2015								
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
Friday, 7 August 2015								
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%		223K5.3%	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
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

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