



Markets Today

A daily outlook for Australia, key global economies and markets

11 August 2015

T-38 and counting

With just over a month to go until the Sep 18 FOMC meeting announcement, Fed speakers remain right under the spotlight. Last night we heard from two, Denis Lockhart, Atlanta Fed President and voter and Stanley Fischer, no 2 at the Fed each with their own perspective. No surprise that Lockhart followed up last week's pro-September lift-off comments with more of the same. While he said there is no "foreordained date for lift-off" and that it would be dictated by incoming data, he said the point of rate lift-off is "close" and that he's "very disposed" to September.

Meanwhile, interviewed on Bloomberg TV, Stanley Fischer, Vice-Chair of the Fed was more circumspect. He recognised that the economy has nearly reached full employment (the labour market is nearing its sweet spot), but that temporary factors are holding down inflation – low energy and commodity prices together with the strong dollar – and still a concern. They are near to full employment, but with very low inflation. The problem is not with the employment part in the (Fed's) mandate, that's doing fine, it's with the inflation part, Fischer said.

And so stand the two comments next to each other and that's pretty much how the market is pricing the odds of Sep lift-off, 50/50. For the Treasury market overnight, there was a modest front end rally after Fischer's comments, only to give back some of those gains as Lockhart's comments hit the wires.

The USD lost some traction through the course of the night, irrespective of the Fischer/Lockhart views, with oil currencies making up some ground as oil bounced at the start of the week, Brent crude up \$1.63/bbl to \$50.24, benefiting the likes of the CAD (+1.18%), the NOK (+0.77%) and the RUB (+2.27%). Euro (+0.80%) and sterling (+0.75%) also recovered some ground, with the AUD regaining a 74 handle after testing through the night down toward 0.7350.

Spot iron ore prices were down 0.67% yesterday to \$56.40/t for cif Qingdao 62% fines, but Dalian futures rose 1.22% and Chinese steel rebar futures also rose, +0.88%. Base metals rose strongly, copper up 2.63% and nickel by 3.24%, adding some underlying support for the Aussie ahead of the NAB Survey today.

Overnight data was inconsequential: the US composite Labour Market Conditions Index showing further incremental improvement in July and the EC Sentix Investor Confidence Survey steady in August. Nothing to see there.

Coming up today/tonight

After NZ card spending first up this morning (8.45 am), for Australia there's the weekly Consumer Confidence Survey (9.30), worth half a glance, then the NAB Business Survey for July at 11.30. Recall that for June, both Business Confidence and Conditions were higher, confidence to 10 from 8 and Conditions to 11 from 6. These were handy rises, putting both key metrics above their long term averages.

As well as the market's understandable focus on Business Confidence, Conditions is a good real-time guide to the growth

tempo of the economy, just as the measures of prices and costs and capacity utilisation give additional colour to the state of the business sector. Japanese machine tool orders for July are also due today.

Some renewed meatier data flow tonight with interest in the German/EC ZEW Investor Survey for August (it follows market sentiment closely as an investor survey), while in the US there is the NFIB Small Business Optimism index containing not only how small business is travelling but also the latest on small business compensation plans. As the enclosed graphic shows, US small business compensation plans for the next three months have been losing some momentum in recent months. Q2 productivity and related units costs data are due along with Canadian housing starts for July.

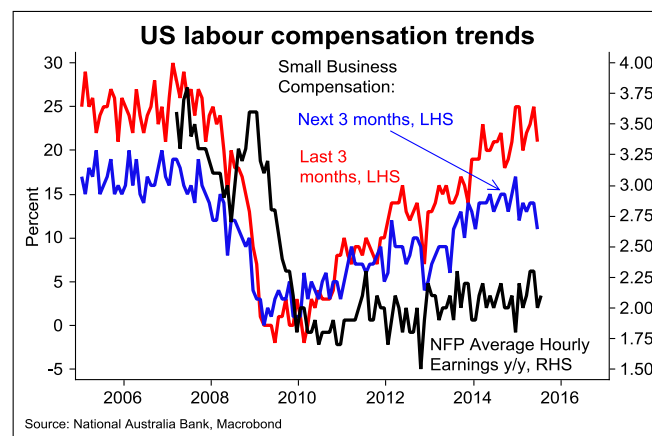
Overnight

- **Oil and commodities higher: Eurostoxx 600 +0.7%, Dax +1.0%, CAC +0.8%, FTSE +0.3%. Dow +242 points to 17,615, +1.4%, S&P 500 +1.4%, Nasdaq +1.3%, VIX 12.23 - 8.7%. Mumbai +4.9%, Nikkei 225 +1.2% and ASX 200 +0.6%; **MSX SPI futures this morning +0.6%. US bond yields: 2s at 0.72% (0), 10s at 2.23% (+6). WTI oil at \$44.79 (+2.1%), Brent at \$50.21 (+3.3%), Malaysian Tapis (yesterday) \$51.54 (-0.5%). Gold at \$1103.80/oz (+0.9%). Base metals: LME copper +2.6%, nickel +3.2%, aluminium +1.9%. Iron ore \$56.4/t -0.7% Chinese steel rebar futures +0.9%. Soft commodities spot futures: wheat +2.7%, sugar -0.8%, cotton +0.3%, coffee 4.5%. Euro Dec 14 CO2 emissions at €7.93/t (1.8%). The AUD/USD's range overnight 0.7353-0.7423; indicative range today 0.7385-0.7445; the AUD/USD is 0.7414 now****
- **EC Sentix Investor Confidence (Jun) 18.4 (L: 18.5; E: 20); US Labour Market Conditions Index change (Jul) +1.1 (L: +0.8, revised to +1.4)**

Good luck.

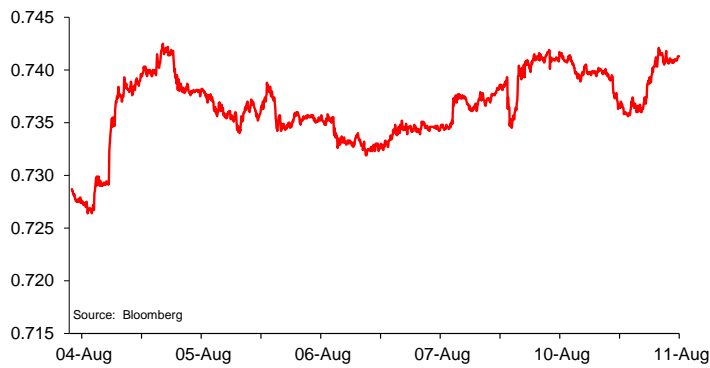
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Chart of the day: US small business compensation

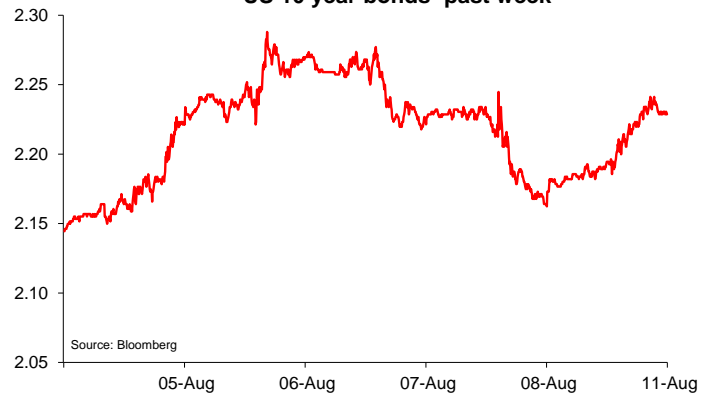


Markets

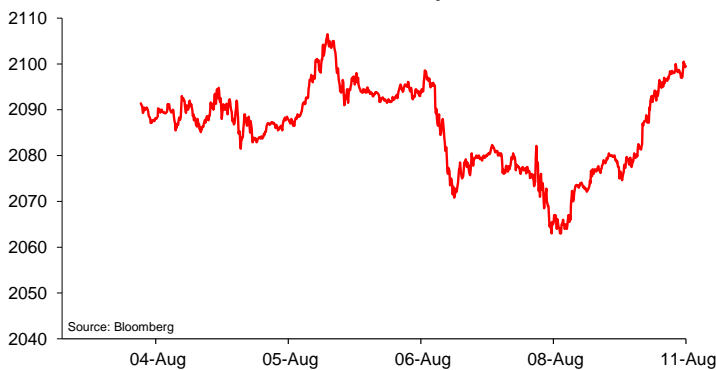
AUD/USD- past week



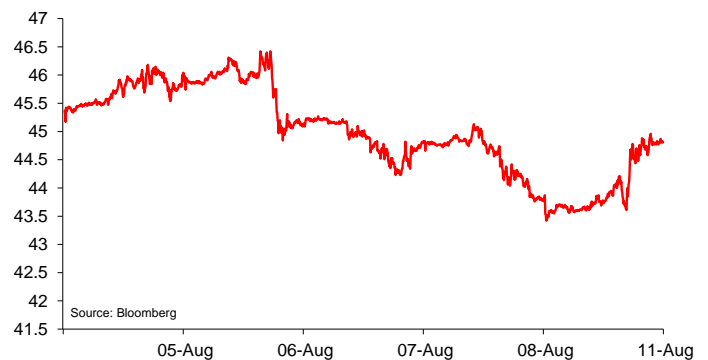
US 10 year bonds- past week



S&P 500 futures- past week



WTI futures- past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7414	0.0	0.7412	0.7414	HKD	7.7528 0.0
NZD	0.6617	0.8	0.6562	0.6625	CNY	6.2107 0.0
EUR	1.1021	0.8	1.0925	1.1042	SGD	1.3822 -0.4
GBP	1.5594	0.8	1.5466	1.5607	IDR	13,495 -0.3
JPY	124.60	-0.1	124.45	124.78	THB	35.09 -0.3
CAD	1.3001	-1.2	1.2991	1.3162	KRW	1,159 -0.5
AUD/EUR	0.6727	-0.1			TWD	31.58 -0.3
AUD/JPY	92.37	0.6			PHP	45.72 -0.3
AUD/GBP	0.4754	0.0			CHF	0.98 -0.2
AUD/NZD	1.1202	-0.1			SEK	8.69 -1.1

Equities

Major Indices			
	Last	% day	% year
Dow	17,615	1.4	6.4
S&P 500	2,104	1.3	8.9
Nasdaq	5,102	1.2	16.7
VIX Index	12.23	-8.7	-22.4
FTSE	6,736	0.3	2.6
DAX	11,605	1.0	28.8
CAC 40	5,195	0.8	25.3
Nikkei	20,809	0.4	37.5
Shanghai	3,928	4.9	76.6
Hang Seng	24,521	-0.1	-0.5
ASX 200	5,509	0.6	1.0

Commodities*

	Last	% day
Oil (Brent)	50.21	3.3
Oil (WTI)	44.79	2.1
Oil (Tapis)	51.54	-0.5
Gold	1103.80	0.9
CRB	202.45	2.1
GS Metals	280.1	2.2
Aluminium	1619	1.9
Copper	5309	2.6
Nickel	11150	3.2
Zinc	1881	1.1
Ch. steel	2068	0.9
Iron ore	56.4	-0.7
St. coal	61.8	n.a.
Wheat Chic.	529.5	2.7
Sugar	10.57	-0.8
Cotton	61.96	0.3
Coffee	133.5	4.5

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.25	0.31	0.98	2.31	USD 10	2.23	0.06
AUD	2.00	2.15	2.17	3.19	AUD 10	2.78	-0.07 0.55
NZD	3.00	3.01	2.91	3.67	NZD 10	3.38	0.02 1.15
EUR	0.05	0.06	0.09	1.05	CAD 10	1.47	0.05 -0.75
GBP	0.50	0.59	1.15	2.07	EUR 10	0.70	0.04 -1.53
JPY	0.09	0.10	0.14	0.59	GBP 10	1.92	0.07 -0.30
CAD	0.50	1.17	0.78	1.99	JPY 10	0.41	-0.01 -1.82

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.88	0.00
3 Yr bond	97.98	-0.04
10 Yr bond	97.14	-0.08
3/10 sprd	0.84	0.04
SPI	34.0	0.6

CO₂ Emissions - Euros

	Last	% day
Dec-2015	7.93	1.8
Dec-2016	8.01	1.8
Dec-2017	8.13	1.8

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
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 Commerical 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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