



# Markets Today

A daily outlook for Australia, key global economies and markets

14 August 2015

## The Middle Kingdom keeps the market guessing

Further weakness in oil prices, a more settled Chinese renminbi and a solid US July retail sales report caught the market's attention overnight. News of disruption to the major Chinese port of Tianjin after the explosion Wednesday has not so far affected the outlook for iron ore prices too much. BHP reported that its discharge berths were unharmed by the explosion; Rio saying they are re-directing six fully-laden vessels. Wire reports suggest that alternative supply ports can be used. Dalian iron ore futures prices closed virtually flat (+0.13%) after opening stronger earlier in the day. The spot price of Qingdao cif 62% fines iron ore price rose \$0.71 to \$57.02/t.

US retail sales in July rose 0.6%, right in line with expectations, though upward revisions to July sweetened the in-line headline growth, the report confirming that consumer spending has made a solid start to this quarter and delivering an upward revision to Q2 growth. Even so, the Atlanta Fed's *GDPNow* real time estimate of Q3 US GDP was revised down to 0.7% from 0.9% a week ago. They upped their estimate of consumption for the quarter to 3.1% from 2.9% after retail sales but this was more than offset by a larger growth drag from inventory adjustment now estimated at -2.2% points for Q3, from their previous -1.8% estimate. On the price side, falling July import prices was a reminder of the deflationary impact from the dollar and oil.

Oil-linked currencies were lower, the oil market fretting over excess supply. The AUD eased somewhat on net, remaining settled, opening this morning toward the higher end of its overnight range. After the previous 24 hours of gyrations in the CNY from PBoC intervention to arrest its expected decline and keep the market guessing day to day, the CNY has been steady overnight ahead of this morning's fix.

## Coming up today/tonight

First up today is NZ Q2 retail trade volumes due at 8.45 AEST. Our BNZ colleagues look for retail sales volumes to have eked out a small 0.2% gain. It might not sound like much, but following the sky-scraping 2.7% Q1 expansion, any growth at all in Q2, even a small negative, would be very commendable.

Then it will be China watch again with the CNY fix from 11.15am.

At 12.10 AEST we have the RBA's Chris Kent, Assistant Governor (Economics), speaking on *Recent Labour Market Developments*, a very topical subject and point of interest for the market and local analysts including any observations from Martin Place on the state of the labour market, the extent of labour slack and any implied fallout for monetary policy. Expect to hear inevitable official caution about putting too much weight on recent ABS labour force reports and the need to monitor a wide array of information. We'll be on the look-out for any summation of labour market conditions and what it says about the state of the economy.

The main interest tonight data-wise in Europe is the June quarter GDP reports, the market expecting growth for the single currency zone to continue at a 0.4% rate, lifting annual growth from 1.0% to 1.3%. German, French, Italian, and Dutch GDP reports are all

due. Despite the anxiety over Greece, the Eurozone economy has been making consistent progress for 9-12 months now, aided by the weaker Euro, lower energy prices and for some peripheral economies such as Ireland and Spain, seeing post-bail out growth return at a so-far faster than expected rate. Greece actually reported positive 1.5% y/y growth in Q2 ahead of the bail-out anxiety and its new reform program implementation.

In the US tonight is PPI, Industrial Production and the preliminary UoM Consumer Sentiment report for August. The market is expecting IP to have grown 0.3% and Sentiment to have been broadly steady in August. Given the US stock market's push lower into August, some dip in Sentiment would not surprise.

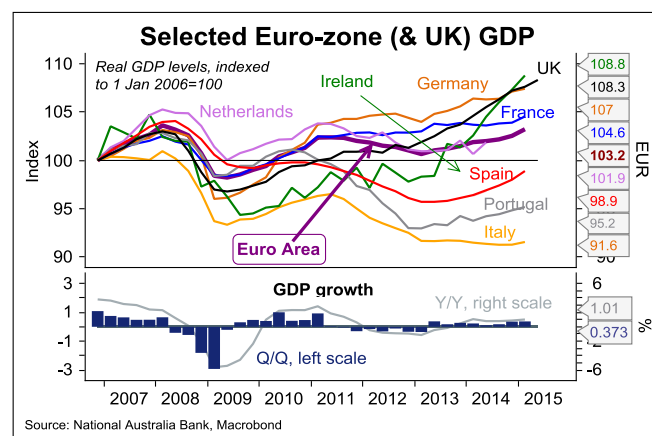
## Overnight

- Oil prices down again; WTI making a new low: Eurostoxx 600 +1.0%, Dax +0.8%, CAC +1.2%, FTSE -0.0%. Dow +6 points to 17,408, +0.0%, S&P 500 +0.0%, Nasdaq -0.1%, VIX 13.49 -0.9%. Mumbai +1.8%, Nikkei 225 -0.2% and ASX 200 +0.1%; ASX SPI futures this morning -0.1%. US bond yields: 2s at 0.71% (4), 10s at 2.19% (+4). WTI oil at \$42.24 (-2.4%), Brent at \$49.23 (-0.9%), Malaysian Tapis (yesterday) \$52.02 (+0.8%). Gold at \$1114.10/oz (-0.8%). Base metals: LME copper -0.1%, nickel -1.4%, aluminium -0.9%. Iron ore \$57.0/t +1.3% Chinese steel rebar futures -0.2%. Soft commodities spot futures: wheat +2.2%, sugar -0.5%, cotton +1.7%, coffee 4.0%. Euro Dec 14 CO2 emissions at €8.20/t (0.0%). The AUD/USD's range overnight 0.7323-0.7370; indicative range today 0.7320-0.7380; the AUD/USD is 0.7358 now**
- US Retail Sales (Jul) 0.6%** (L: -0.3%, revised up to flat; E: +0.5%); **Initial Jobless Claims (w/e) 274K** (L: 270K; E: 270K); **Business Inventories (Jun) 0.8%** (L: 0.3%; E: 0.3%); **Import prices (Jul) -0.9%/-10.4%** (L: 0.0%/-9.9%; E: -1.2%/-10.7%); **Canadian New House price index (Jun) 0.3%/1.3%** (L: 0.2%; E: 0.1%)

Good luck.

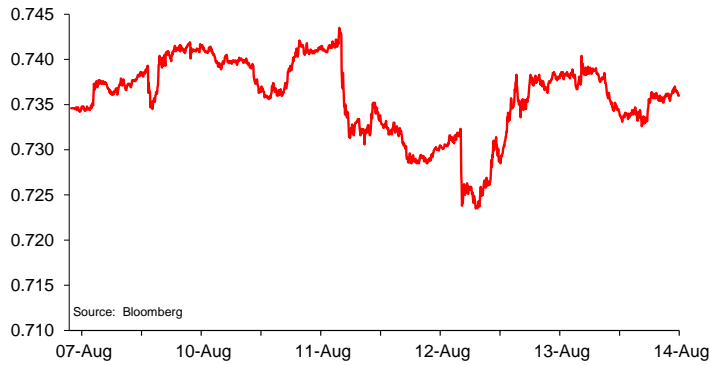
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## Chart of the day: The somewhat hidden European recovery



Markets

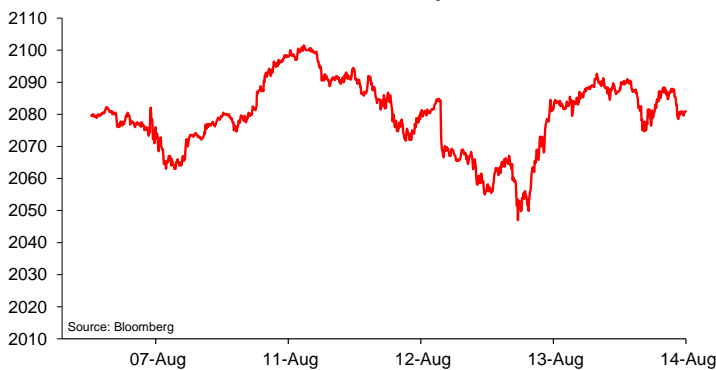
AUD/USD- past week



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	0.7358	0.0	0.7358	0.7363	HKD	7.7558 0.0
NZD	0.6571	-0.1	0.6551	0.6585	CNY	6.3997 0.0
EUR	1.1150	0.3	1.1080	1.1167	SGD	1.3968 -0.2
GBP	1.5609	-0.1	1.5572	1.5644	IDR	13,780 -0.5
JPY	124.42	-0.1	124.16	124.65	THB	35.17 -0.3
CAD	1.3062	0.5	1.2998	1.3092	KRW	1,179 -0.1
AUD/EUR	0.6601	0.0			TWD	32.13 -0.3
AUD/JPY	91.58	0.2			PHP	46.16 -0.1
AUD/GBP	0.4715	0.5			CHF	0.98 -0.3
AUD/NZD	1.1196	0.3			SEK	8.48 -0.3

Equities

Major Indices			
	Last	% day	% year
Dow	17,408	0.0	4.5
S&P 500	2,083	-0.1	7.0
Nasdaq	5,034	-0.2	13.5
VIX Index	13.49	-0.9	4.6
FTSE	6,568	0.0	-1.3
DAX	11,015	0.8	19.7
CAC 40	4,987	1.2	18.9
Nikkei	20,596	1.0	34.5
Shanghai	3,955	1.8	79.2
Hang Seng	24,019	0.4	-3.2
ASX200	5,388	0.1	-2.9

Commodities\*

	Last	% day
Oil (Brent)	49.23	-0.9
Oil (WTI)	42.24	-2.4
Oil (Tapis)	52.02	0.8
Gold	1114.10	-0.8
CRB	197.83	-0.5
GS Metals	273.3	-0.3
Aluminium	1574	-0.9
Copper	5185	-0.1
Nickel	10455	-1.4
Zinc	1830	0.1
Ch. steel	2084	-0.2
Iron ore	57.0	1.3
St. coal	61.8	n.a.
Wheat Chic.	514.8	2.2
Sugar	10.49	-0.5
Cotton	65.79	1.7
Coffee	140.6	4.0

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.25	0.31	0.95	2.26	USD 10	2.19	0.04
AUD	2.00	2.15	2.11	3.14	AUD 10	2.74	0.08 0.55
NZD	3.00	2.96	2.87	3.63	NZD 10	3.32	0.00 1.13
EUR	0.05	0.06	0.08	0.98	CAD 10	1.40	0.00 -0.79
GBP	0.50	0.59	1.10	2.02	EUR 10	0.63	0.03 -1.56
JPY	0.10	0.09	0.14	0.56	GBP 10	1.84	0.05 -0.35
CAD	0.50	1.17	0.73	1.93	JPY 10	0.38	0.03 -1.80

Overnight Futures

	Last	Chge
<b>Australia</b>		
3 mth bill	97.89	0.00
3 Yr bond	98.04	-0.02
10 Yr bond	97.20	-0.05
3/10 sprd	0.85	0.03
SPI	-7.0	-0.1

CO<sub>2</sub> Emissions - Euros

	Last	% day
Dec-2015	8.20	0.0
Dec-2016	8.28	0.0
Dec-2017	8.40	0.0

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>Friday, 14 August 2015</b>								
NZ	Retail Sales Ex Inflation QoQ	2Q	0.2%	0.5%		2.7%	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
FR	GDP YoY	2Q P				0.80%	14.00	
FR	GDP QoQ	2Q P		0.30%		0.60%	14.00	
GE	GDP SA QoQ/YoY	2Q P		0.5%/1.5%		0.3%/1.0%	6.00	16.00
NE	GDP QoQ	2Q P				0.60%	14.00	
NE	GDP Constant Price NSA YoY	2Q P				2.50%	14.00	
IT	GDP WDA QoQ	2Q P		0.30%		0.30%	14.00	
IT	GDP WDA YoY	2Q P		0.60%		0.10%	14.00	
UK	Construction Output SA MoM	Jun		2.3%		-1.3%	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		1.0%		1.0%	9.00	19.00
CA	Manufacturing Sales MoM	Jun				0.1%	12.30	22.30
US	PPI Final Demand MoM	Jul		0.1%		0.4%	12.30	22.30
US	Industrial Production MoM	Jul		0.3%		0.3%	13.15	23.15
CH	Foreign Direct Investment YoY CNY	Jul		5.00%		0.70%		14-18 Aug
US	U. of Mich. Sentiment	Aug P		93.5		93.1	14.00	0.00
<b>Monday, 17 August 2015</b>								
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				3.86	12.30	22.30
CA	Int'l Securities Transactions	Jun				-5.45B	12.30	22.30
CA	Existing Home Sales MoM	Jul				-0.8%	13.00	23.00
CA	Bloomberg Nanos Confidence	Aug-14					14.00	0.00
US	NAHB Housing Market Index	Aug				60	14.00	0.00
US	Net Long-term TIC Flows	Jun				\$93.0B	20.00	6.00
<b>Tuesday, 18 August 2015</b>								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Aug-16					23.30	9.30
CH	China July Property Prices						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				0.0%/0.0%	8.30	18.30
UK	CPI Core YoY	Jul				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				1174K / 9.8%	12.30	22.30
US	Building Permits / MoM	Jul				1343K / 7.4%	12.30	22.30
<b>Wednesday, 19 August 2015</b>								
NZ	PPI Input/Output QoQ	2Q				-1.1%/-0.9%	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
JN	All Industry Activity Index MoM	Jun				-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	Current Account NSA	Jun				3.4B	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				0.3%/0.1%	12.30	22.30
US	CPI Ex Food and Energy MoM	Jul				0.2%	12.30	22.30
US	CPI Ex Food and Energy YoY	Jul				1.8%	12.30	22.30
US	U.S. Fed Releases Minutes from July 28-29 FOMC Meeting						18.00	4.00
<b>Thursday, 20 August 2015</b>								
NZ	ANZ Job Advertisements MoM	Jul				-0.6%	22.00	8.00
US	Fed's Kocherlakota 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					1.45	11.45
JN	Convenience Store Sales YoY	Jul				0.6%	7.00	17.00
UK	Retail Sales Ex Auto Fuel MoM	Jul				-0.2%	8.30	18.30
UK	CBI Trends Total Orders	Aug				-10	10.00	20.00
UK	CBI Trends Selling Prices	Aug				1	10.00	20.00
CA	Wholesale Trade Sales MoM	Jun				-1.0%	12.30	22.30
US	Initial Jobless Claims	Aug-15					12.30	22.30
US	Existing Home Sales	Jul				5.49M	14.00	0.00
US	Philadelphia Fed Business Outlook	Aug				5.7	14.00	0.00
US	Existing Home Sales MoM	Jul				3.2%	14.00	0.00
US	Leading Index	Jul				0.6%	14.00	0.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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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