

# Markets Today

A daily outlook for Australia, key global economies and markets

14 September 2015

## More Waiting

It's been relatively quiet from Friday and likely to stay that way for a few more days yet. The news flow has been limited and what there has been, has been clouded by one-offs. So we keep waiting for the Fed. More of the same is likely today.

In the interest of completeness: European equities were down a little, the US up. Yields, commodities and the USD were all down a little. The AUD is a little higher.

China's industrial production data was slightly less than expected, but with the port explosion and the factory shut-downs for the WWII parade, this could be explained. The retail sales outcome was a little better than expected and fixed asset investment was softer. Not a lot to drive direction there.

In the US, consumer sentiment was weaker than expected, but with the volatility in equity markets it can be explained and unless it becomes a trend, is not too concerning.

And so we come to the law of unintended consequences, and why it is worth keeping an eye on what is happening in emerging markets, not just China but broadly. In a far more connected world, a move in Mexican bonds for example, can have a big consequence in the US. And why the entrenched norms are not necessarily the right ones at present.

The US drove interest rates to their lowest level ever, the USD declined. Corporates, and States, elsewhere increased their borrowing, in USD but also local currency, as yields dropped. As we get to the point that the US is about to raise interest rates, and the USD is rising (in a broad sense), that borrowing by EM is worth less to holders of the debt. And, as investors were seeking yield, globally, that affects investors in the US, Australia and other markets.

This is why we are seeing outflows from major funds as these funds suffer losses. Unusually, this is in bond funds, at the same time that equities are under pressure. That positive correlation between bond performance and equity performance is an unusual one, and one born from the post financial crisis environment. How those changing correlations are managed is an important question for investors, particularly in the superannuation and cross-asset space. The lift of from the Fed, whenever it occurs, is just the tiny first step to normalisation, not just of US rates but many other assets as well. And that is why markets are so nervous.

Speaking of nervous, it seems speculative investors remain very negative on the AUD and maintained relatively extreme short positions into last week; according to IMM data. This is suggestive of increased chances of an unwind (AUD higher) if there is better risk appetite around.

## Coming Up

It is a super quiet week on the domestic calendar this week, with only minor data releases. The focus is likely to be on the RBA, with DeBelle speaking mid-week, and Governor Stevens fronts up to Parliament on Friday. On Tuesday, we get the RBA minutes as well. In all this, we would not expect much change from the recent commentary, that the easy conditions that are in place remain adequately supportive for current conditions. Anything different would be of interest to markets.

That absence of domestic attention allows our time-zone to exclusively focus on the FOMC meeting; we get the outcome early Friday morning our time. The continued guessing game of "will they, won't they" is likely to play out in the week, but we believe that it won't end this week. Interesting to see a number of central bank speakers from emerging markets ask the Fed to just get on with it, and hike. The waiting may be worse than the hike. The US reports on its industrial production, inflation, retail sales, balance of payments and housing data too. Less market moving, but becoming far more interesting to markets will be the TIC data on foreign purchases of US assets. This is the July release – August will be more enlightening, in light of the focus on central bank activity in Treasuries in particular.

The UK also releases its retail sales and CPI data. Inflation is due for the EU but it is the final data.

Japan might be more interesting, as the BoJ have started to talk about the slight possibility of easing. They meet on Tuesday but it might be too early for any easing. But with JPY shorts having been unwound, according to IMM data, the risk of a sell-off is higher if the BoJ hint at more QE more strongly.

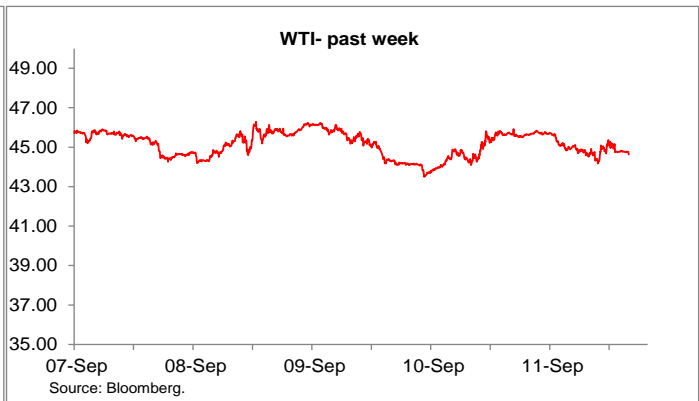
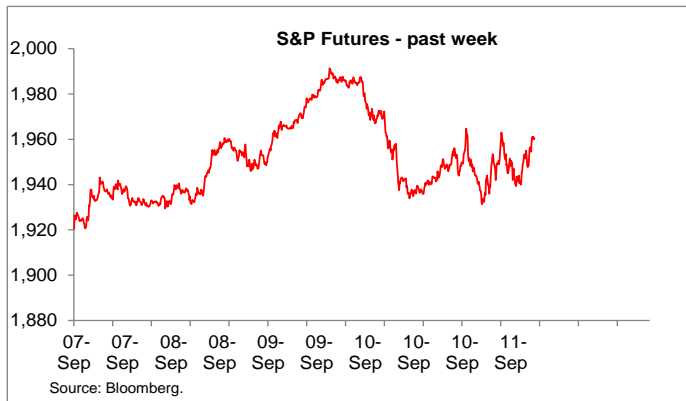
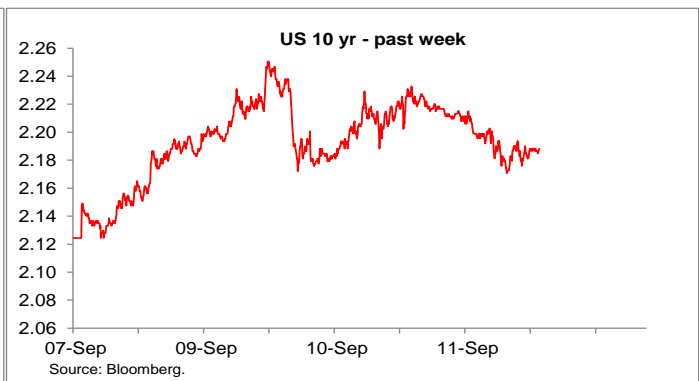
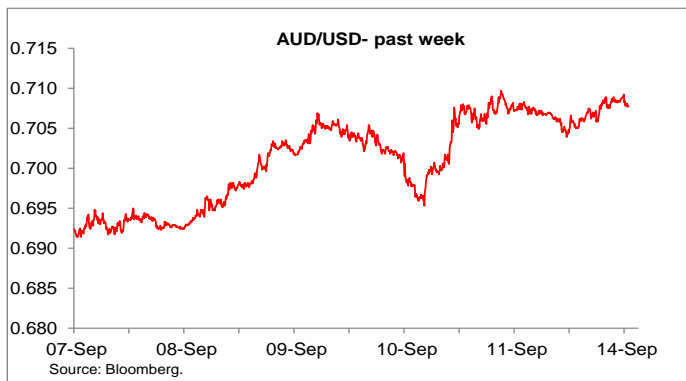
## Overnight

On global stock markets, the S&P 500 was +0.40%. Bond markets saw US 10-years -3.37bp to 2.19%. On commodity markets, Brent crude oil -1.53% to \$48.14, gold-0.5% to \$1,103, iron ore +1.4% to \$59.01. AUD is at 0.708 and the range was 0.7092 to 0.7036.

- China IP Aug 6.1%yoyA. 6.5E, 6P
- China Retail sales Aug 10.8%yoyA, 10.6E, 10.5P
- US Uni of Michigan consumer sentiment 85.7A, 91.1E, 91.9

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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="3">Other FX</th> </tr> <tr> <th>Last</th> <th>% chge</th> <th>Low</th> <th>High</th> <th>Last</th> <th>% chge</th> <th></th> </tr> </thead> <tr> <td>AUD</td> <td>0.7077</td> <td>-0.2</td> <td>0.7071</td> <td>0.7088</td> <td>HKD</td> <td>7.7502</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.6314</td> <td>-0.1</td> <td>0.6303</td> <td>0.6359</td> <td>CNY</td> <td>6.3749</td> <td>0.0</td> </tr> <tr> <td>EUR</td> <td>1.1335</td> <td>0.0</td> <td>1.1331</td> <td>1.1343</td> <td>SGD</td> <td>1.4131</td> <td>0.2</td> </tr> <tr> <td>GBP</td> <td>1.5430</td> <td>0.0</td> <td>1.5406</td> <td>1.5447</td> <td>IDR</td> <td>14,322</td> <td>-0.1</td> </tr> <tr> <td>JPY</td> <td>120.51</td> <td>-0.1</td> <td>120.45</td> <td>120.65</td> <td>THB</td> <td>36.02</td> <td>0.0</td> </tr> <tr> <td>CAD</td> <td>1.3256</td> <td>-0.1</td> <td>1.3249</td> <td>1.3266</td> <td>KRW</td> <td>1,184</td> <td>-0.8</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6246</td> <td>-0.1</td> <td></td> <td></td> <td>TWD</td> <td>32.62</td> <td>0.4</td> </tr> <tr> <td>AUD/JPY</td> <td>85.31</td> <td>-0.2</td> <td></td> <td></td> <td>PHP</td> <td>46.90</td> <td>0.0</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4586</td> <td>-0.2</td> <td></td> <td></td> <td>CHF</td> <td>0.97</td> <td>0.0</td> </tr> <tr> <td>AUD/NZD</td> <td>1.1209</td> <td>-0.1</td> <td></td> <td></td> <td>SEK</td> <td>8.25</td> <td>0.1</td> </tr> </table>									Indicative 24hr ranges (**)				Other FX			Last	% chge	Low	High	Last	% chge		AUD	0.7077	-0.2	0.7071	0.7088	HKD	7.7502	0.0	NZD	0.6314	-0.1	0.6303	0.6359	CNY	6.3749	0.0	EUR	1.1335	0.0	1.1331	1.1343	SGD	1.4131	0.2	GBP	1.5430	0.0	1.5406	1.5447	IDR	14,322	-0.1	JPY	120.51	-0.1	120.45	120.65	THB	36.02	0.0	CAD	1.3256	-0.1	1.3249	1.3266	KRW	1,184	-0.8	AUD/EUR	0.6246	-0.1			TWD	32.62	0.4	AUD/JPY	85.31	-0.2			PHP	46.90	0.0	AUD/GBP	0.4586	-0.2			CHF	0.97	0.0	AUD/NZD	1.1209	-0.1			SEK	8.25	0.1
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 | Major Indices |        |       |       | |---------------|--------|-------|-------| |               | Last   | % day | % y/y | | Dow           | 16,433 | +0.6  | -3.3  | | S&P 500       | 1,961  | +0.4  | -1.2  | | Nasdaq        | 4,822  | +0.5  | 5.6   | | FTSE          | 6,118  | -0.6  | -10.1 | | DAX           | 10,124 | -0.9  | 4.9   | | CAC 40        | 4,549  | -0.6  | 2.4   | | Nikkei        | 18,264 | -0.2  | 14.5  | | Shanghai      | 3,200  | +0.1  | 37.2  | | Hang Seng     | 21,504 | -0.3  | -12.6 | | ASX 200       | 5,071  | -0.5  | -8.3  | | | | | |             | Last    | % day | |-------------|---------|-------| | Oil (Brent) | 48.14   | -1.5  | | Oil (WTI)   | 44.63   | -2.8  | | Oil (Tapis) | 48.66   | -2.6  | | Gold        | 1103.30 | -0.5  | | CRB         | 196.72  | -0.6  | | GS Metals   | 280.1   | -0.4  | | Aluminium   | 1621    | 0.2   | | Copper      | 5391    | -0.5  | | Nickel      | 10271   | -1.4  | | Zinc        | 1805    | -0.1  | | Ch. steel   | 1936    | -1.0  | | Iron ore    | 59.0    | 1.4   | | Coal        | 57.7    | -0.2  | | Wheat Chic. | 485.0   | 1.5   | | Sugar       | 11.66   | 2.9   | | Cotton      | 64.09   | 1.0   | | Coffee      | 116.6   | 0.1   | | | || | Interest Rates        |      |      |      | Benchmark 10 Year Bonds |        |      | Overnight Futures |       |      | |-----------------------|------|------|------|-------------------------|--------|------|-------------------|-------|------| | Indicative Swap Rates |      |      |      | Last                    |        |      | Last              |       |      | |                       | Cash | 3mth | 2Yr  | 10Yr                    |        | chge | Sprd              |       | Chge | | USD                   | 0.25 | 0.34 | 0.85 | 2.21                    | USD 10 | 2.19 | -0.03             |       |      | | AUD                   | 2.00 | 2.18 | 2.05 | 3.04                    | AUD 10 | 2.74 | 0.03              | 0.55  |      | | NZD                   | 2.75 | 2.85 | 2.73 | 3.61                    | NZD 10 | 3.28 | 0.00              | 1.09  |      | | EUR                   | 0.05 | 0.06 | 0.08 | 0.99                    | CAD 10 | 1.47 | -0.02             | -0.71 |      | | GBP                   | 0.50 | 0.59 | 1.02 | 1.90                    | EUR 10 | 0.65 | -0.04             | -1.54 |      | | JPY                   | 0.08 | 0.09 | 0.10 | 0.53                    | GBP 10 | 1.83 | -0.04             | -0.36 |      | | CAD                   | 0.50 | 1.17 | 0.74 | 1.89                    | JPY 10 | 0.35 | -0.01             | -1.84 |      | | | | | | | | | |                  | Last  | Chge  | |------------------|-------|-------| | <b>Australia</b> |       |       | | 3 mth bill       | 97.96 | 0.00  | | 3 Yr bond        | 98.1  | 0.00  | | 10 Yr bonc       | 97.25 | 0.03  | | 3/10 sprd        | 0.85  | -0.03 | | SPI              | 25.0  | 0.5   | | | |
|  | | | | | | | | | CO <sub>2</sub> Emissions - Euros |      |       | |-----------------------------------|------|-------| |                                   | Last | % day | | Jun-2015                          | 8.30 | -0.2  | | Dec-2015                          | 8.27 | -0.2  | | Dec-2016                          | 8.35 | -0.2  | | | |

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, 14 September 2015</b>								
NZ	Performance Services Index	Aug				56.5	22.30	8.30
AU	Credit Card Purchases/Balances	Jul				\$A25.5B/\$51.5B	1.30	11.30
JN	Tertiary Industry Index MoM	Jul				0.30%	4.30	14.30
JN	Industrial Production	Jul F				-0.6%/0.2%	4.30	14.30
EC	Industrial Production SA MoM/WDA YoY	Jul		0.2%/0.5%		-0.4%/1.2%	9.00	19.00
CA	Teranet/National Bank HPI MoM	Aug				1.20%	12.30	22.30
<b>Tuesday, 15 September 2015</b>								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Sep-13					23.30	9.30
AU	<b>RBA Sept. Meeting Minutes</b>						<b>1.30</b>	<b>11.30</b>
AU	New Motor Vehicle Sales MoM/YoY	Aug				-1.3%/3.7%	1.30	11.30
JN	Bank of Japan Policy Statement						3.00	13.00
JN	BoJ Policy statement/Kuroda press conference						5.00	15.00
EC	EU27 New Car Registrations	Aug				14.6%	6.00	16.00
UK	CPI MoM/YoY	Aug		0.2%/-0.1%		-0.2%/0.1%	8.30	18.30
UK	PPI Output Core NSA MoM/YoY	Aug				0.1%/0.3%	8.30	18.30
UK	ONS House Price YoY	Jul				5.7%	8.30	18.30
EC	Trade Balance SA	Jul				21.9B	9.00	19.00
EC	Employment QoQ/YoY	2Q				0.1%/0.8%	9.00	19.00
GE	ZEW Survey Current Situation/Expectations	Sep		64.5/19		65.7/25	9.00	19.00
US	Retail Sales Advance MoM	Aug		0.3%		0.6%	12.30	22.30
US	Empire Manufacturing	Sep		0.5		-14.92	12.30	22.30
CA	Existing Home Sales MoM	Aug				-0.4%	13.00	23.00
US	Industrial Production MoM	Aug		-0.20%		0.6%	13.15	23.15
US	Business Inventories	Jul		0.20%		0.8%	14.00	0.00
NZ	Dairy Auction (GDT price index)		+5-10%			-10.9%	early AM, NZT	
<b>Wednesday, 16 September 2015</b>								
NZ	Current Account GDP Ratio YTD	2Q	-3.70%			-3.6%	22.45	8.45
NZ	BoP Current Account Balance	2Q				0.662B	22.45	8.45
AU	<b>RBA's Guy Debelle gives a speech in Sydney on "Some Current Issues in Financial Markets"</b>						<b>23.30</b>	<b>9.30</b>
AU	Westpac Leading Index MoM	Aug				0.0%	0.30	10.30
AU	Merchandise imports	Aug				0.2%	1.30	11.30
JN	Bank of Japan's Monthly Economic Report for September						5.00	15.00
JN	Machine Tool Orders YoY	Aug F				-16.50%	6.00	16.00
UK	Jobless Claims Change	Aug		-5.0K		-4.9K	8.30	18.30
UK	Average Weekly Earnings 3M/YoY	Jul		2.5%		2.4%	8.30	18.30
UK	ILO Unemployment Rate 3Mths	Jul				5.6%	8.30	18.30
EC	CPI MoM/YoY	Aug		0.0%/0.2%		-0.6%/0.2%	9.00	19.00
US	CPI MoM/YoY	Aug		-0.1%/0.2%		0.1%/0.2%	12.30	22.30
CA	<b>Manufacturing Sales MoM</b>	Jul				<b>1.2%</b>	<b>12.30</b>	<b>22.30</b>
US	NAHB Housing Market Index	Sep		61		61	14.00	0.00
US	Net Long-term TIC Flows	Jul				\$103.1B	20.00	6.00
<b>Thursday, 17 September 2015</b>								
NZ	GDP SA QoQ/YoY	2Q	0.8%	0.5%/ RBNZ +0.6%		0.2%/2.6%	22.45	8.45
JN	Trade Balance Adjusted	Aug				¥368.8B	23.50	9.50
AU	RBA Bulletin						1.30	11.30
AU	RBA FX Transactions Market	Aug				674M	1.30	11.30
JN	BoJ Governor Kuroda speaks						6.35	16.35
EC	ECB Publishes Economic Bulletin						8.00	18.00
UK	Retail Sales Ex Auto Fuel MoM	Aug		-0.2%		0.4%	8.30	18.30
EC	Construction Output MoM/YoY	Jul				-1.9%/-2.3%	9.00	19.00
US	Current Account Balance	2Q		-\$113.5B		-\$113.3B	12.30	22.30
US	Housing Starts	Aug		1160K/-3.8%		1206K/+0.2%	12.30	22.30
US	Initial Jobless Claims	Sep-12				275K	12.30	22.30
US	Philadelphia Fed Business Outlook	Sep		6		8.3	14.00	0.00
CA	BoC Deputy Cote speaks						17.05	3.05
US	<b>FOMC Rate Decision</b>	Sep-17	0-0.25%	0.25-0.38%		0-0.25%	<b>18.00</b>	<b>4.00</b>
<b>Friday, 18 September 2015</b>								
NZ	ANZ Job Advertisements MoM	Aug				0.1%	22.00	8.00
AU	<b>RBA Governor meets with House Economics Committee, Review of RBA Annual Report</b>						<b>23.30</b>	<b>9.30</b>
JN	BoJ Minutes for Aug 6-7 meeting						23.50	9.50
NZ	ANZ Consumer Confidence Index	Sep				109.8/-3.6%	1.00	11.00
CH	Property Prices	Aug					1.30	11.30
EC	ECB Current Account SA	Jul				25.4B	8.00	18.00
CA	CPI MoM/YoY	Aug				0.1%/1.3%	12.30	22.30
US	Leading Index	Aug		0.20%		-0.2%	14.00	0.00
US	Household Change in Net Worth	2Q				\$1629B	16.00	2.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
Japan, BoJ		15-Sep	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
US Federal Reserve		18-Sep				0-0.25%		
Canada, BoC		22-Sep				0.50%		
Australia, RBA		6-Oct	2.00%	2.00%		2.00%		
UK BOE		8-Oct				0.50%		
Europe ECB		22-Oct				0.05%		
New Zealand, RBNZ		29-Oct	2.50%	2.50%		2.75%		

GMT: Greenwich Mean Time; AEST: Australian Eastern Standard Time

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