



Markets Today

A daily outlook for Australia, key global economies and markets

15 September 2015

Where Is Everybody?

There is a flurry of opinions, newsflow, chatter and speculation about the Fed this week, but at the end of the day, there isn't much that is new to report for markets. Still waiting for the FOMC.

The AUD has been an outperformer, continuing the unwinding of the extended short positioning. This may continue into the Fed meeting, in the absence of an external shock. We still see the AUD lower over time, but likely from a higher starting point. That tends to be the way when everyone gets so very negative, as it was last week.

Equity markets were soft in general, and China saw the late afternoon pattern of: decline, support in the majors, then ending the day a little weak, but off the lows. This may weigh on regional sentiment this morning. Commodity prices were weaker and yields a little lower.

Two related stories caught my eye today, in a quiet news session. One, a Bloomberg story on the drying up in liquidity in the FX market during periods of market volatility. The other, from the Bank of International Settlements (BIS) regarding the drying up of bond market liquidity in a period of higher volatility. Both discuss the widening of bid – ask spreads (the difference in price between buying and selling) as well as the lack of available assets to transact. This is an increasing theme in markets and one which has changed. The reports put it down to (in part) a decline in proprietary trading, lower risk taking in general by intermediaries which decreases the willingness of banks to act as intermediaries. And perhaps central bank buying (QE) which lowers the available stock (in bonds). Time will tell if this persists, but in periods of higher volatility, market moves can be exacerbated even further by this phenomena; something to keep in mind.

Australia changed its Prime Minister yesterday, with Malcolm Turnbull taking over from Tony Abbott. This has no implications for markets.

Coming Up

Things are getting a little more interesting today, but with the FOMC hanging over markets, it might be difficult to establish a trend. Today's RBA minutes are not expected to produce any new information, particularly after the RBA speeches last week.

The BoJ are meeting today, it might be a little early for an increase in asset purchases at this stage, but there is an opportunity for the BoJ more formally to signal their wish to push for more economic support. We will be monitoring for any mention of slippage in the economy or meeting their inflation target. The JPY has a little more scope for depreciation particularly now that short positioning has been unwound and there is less of a 'risk-off' tone to markets.

The fact that, in the G3, there is scope for easing from two (ECB, BoJ) should balance against the tightening of the major (FOMC). True, not all central banks are now equal, with the FOMC having a broader reach but as these central banks become active again, in opposite directions, there is the potential for greater market movement. And not all of it negative. This month is possibly too early for all three, and their decisions are no longer independent of each other, but they do have implications for markets. Thus, today's BoJ meeting may be more interesting than in the recent past.

In the UK, the CPI inflation data is not expected to show signs of imminent BoE action. The August data may indicate a rebound from the July weakness, but the annual numbers are likely, similar to elsewhere, to show a particularly benign inflation environment.

European trade should show continued strong surpluses, although a little lower than the prior month. But it is likely the German ZEW survey which drives market sentiment. That is expected to come off a little this month. There was a surprise up-tick last month, so some payback is expected.

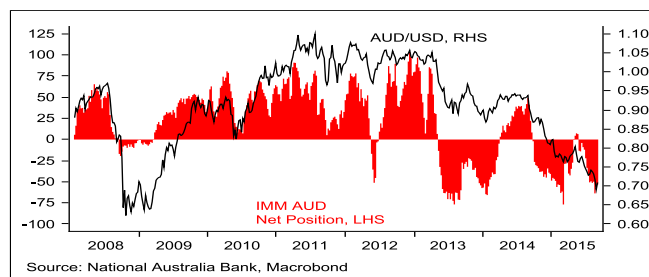
In the US, the retail sales are the key event. This is expected to show continued improvement. The surprise drop in the Empire survey last month is also expected to reverse. It would be shock if it does not, but it is a volatile series. So while improvement is expected to be the theme, it may be difficult for the USD to stage a strong rally, ahead of the FOMC meeting.

It was R U OK day last week. Our colleague, and Australian Head of FX sales, Derek Borg, is cycling to Noosa to raise funds for MindSpace, a youth mental health charity. NAB readers can find details on the NAB intranet or everyone can check it out at www.cycle4life.com.au.

Overnight

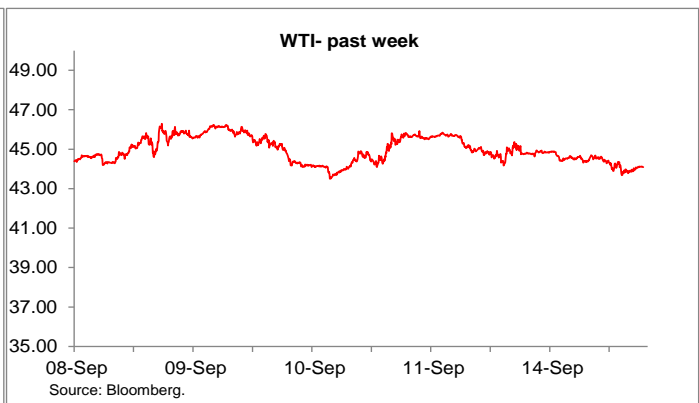
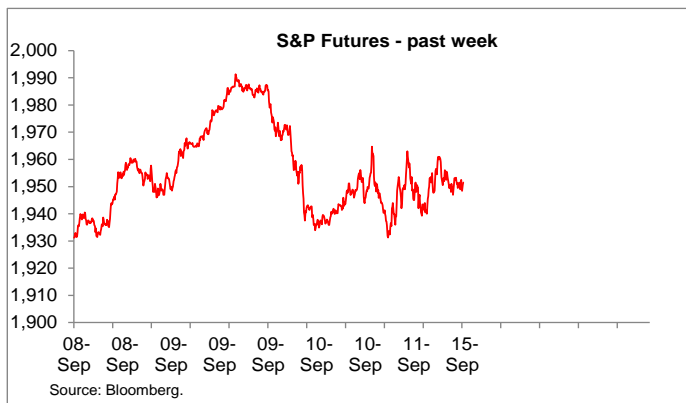
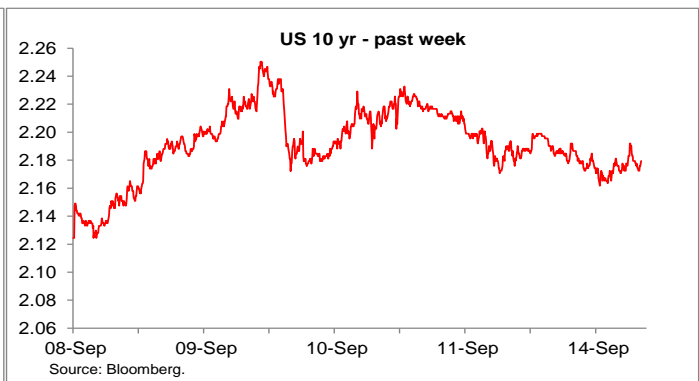
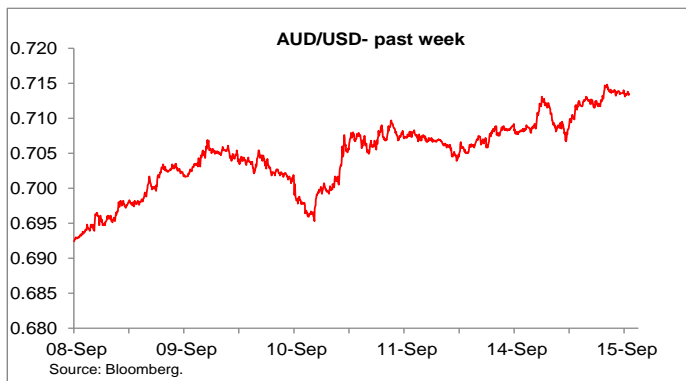
On global stock markets, the S&P 500 was -0.50%. Bond markets saw US 10-years -0.88bp to 2.18%. On commodity markets, Brent crude oil -3.41% to \$46.5, gold+0.4% to \$1,108, iron ore -1.5% to \$58.10. AUD is at 0.7137 and the range was 0.7063 to 0.7152.

Chart of the Day: AUD Speculative Positions



Emma.lawson@nab.com.au

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>0.7139</td> <td>0.7</td> <td>0.7063</td> <td>0.7152</td> <td>HKD</td> <td>7.7501 0.0</td> </tr> <tr> <td>NZD</td> <td>0.6331</td> <td>0.2</td> <td>0.6299</td> <td>0.6359</td> <td>CNY</td> <td>6.3679 -0.1</td> </tr> <tr> <td>EUR</td> <td>1.1321</td> <td>-0.1</td> <td>1.1284</td> <td>1.1373</td> <td>SGD</td> <td>1.4067 -0.3</td> </tr> <tr> <td>GBP</td> <td>1.5426</td> <td>0.0</td> <td>1.5373</td> <td>1.5471</td> <td>IDR</td> <td>14,333 0.1</td> </tr> <tr> <td>JPY</td> <td>120.18</td> <td>-0.3</td> <td>119.85</td> <td>120.84</td> <td>THB</td> <td>36.02 0.0</td> </tr> <tr> <td>CAD</td> <td>1.3255</td> <td>-0.1</td> <td>1.3225</td> <td>1.3280</td> <td>KRW</td> <td>1,183 -0.1</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6302</td> <td>0.8</td> <td></td> <td></td> <td>TWD</td> <td>32.61 0.0</td> </tr> <tr> <td>AUD/JPY</td> <td>85.78</td> <td>0.3</td> <td></td> <td></td> <td>PHP</td> <td>46.74 -0.3</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4626</td> <td>0.7</td> <td></td> <td></td> <td>CHF</td> <td>0.97 -0.1</td> </tr> <tr> <td>AUD/NZD</td> <td>1.1276</td> <td>0.4</td> <td></td> <td></td> <td>SEK</td> <td>8.25 0.1</td> </tr> </table>								Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.7139	0.7	0.7063	0.7152	HKD	7.7501 0.0	NZD	0.6331	0.2	0.6299	0.6359	CNY	6.3679 -0.1	EUR	1.1321	-0.1	1.1284	1.1373	SGD	1.4067 -0.3	GBP	1.5426	0.0	1.5373	1.5471	IDR	14,333 0.1	JPY	120.18	-0.3	119.85	120.84	THB	36.02 0.0	CAD	1.3255	-0.1	1.3225	1.3280	KRW	1,183 -0.1	AUD/EUR	0.6302	0.8			TWD	32.61 0.0	AUD/JPY	85.78	0.3			PHP	46.74 -0.3	AUD/GBP	0.4626	0.7			CHF	0.97 -0.1	AUD/NZD	1.1276	0.4			SEK	8.25 0.1
	Indicative 24hr ranges (**)				Other FX																																																																																				
	Last	% chge	Low	High	Last	% chge																																																																																			
AUD	0.7139	0.7	0.7063	0.7152	HKD	7.7501 0.0																																																																																			
NZD	0.6331	0.2	0.6299	0.6359	CNY	6.3679 -0.1																																																																																			
EUR	1.1321	-0.1	1.1284	1.1373	SGD	1.4067 -0.3																																																																																			
GBP	1.5426	0.0	1.5373	1.5471	IDR	14,333 0.1																																																																																			
JPY	120.18	-0.3	119.85	120.84	THB	36.02 0.0																																																																																			
CAD	1.3255	-0.1	1.3225	1.3280	KRW	1,183 -0.1																																																																																			
AUD/EUR	0.6302	0.8			TWD	32.61 0.0																																																																																			
AUD/JPY	85.78	0.3			PHP	46.74 -0.3																																																																																			
AUD/GBP	0.4626	0.7			CHF	0.97 -0.1																																																																																			
AUD/NZD	1.1276	0.4			SEK	8.25 0.1																																																																																			

 | Major Indices | | | | |---------------|--------|-------|-------| | | Last | % day | % y/y | | Dow | 16,371 | -0.4 | -3.6 | | S&P 500 | 1,951 | -0.5 | -1.7 | | Nasdaq | 4,806 | -0.3 | 5.2 | | FTSE | 6,085 | -0.5 | -10.6 | | DAX | 10,132 | +0.1 | 5.0 | | CAC 40 | 4,518 | -0.5 | 1.7 | | Nikkei | 17,966 | -1.6 | 12.6 | | Shanghai | 3,115 | -2.7 | 33.2 | | Hang Seng | 21,562 | +0.3 | -11.5 | | ASX 200 | 5,096 | +0.5 | -6.9 | | | | | | | Last | % day | |-------------|---------|-------| | Oil (Brent) | 46.50 | -3.4 | | Oil (WTI) | 44.09 | -1.2 | | Oil (Tapis) | 48.18 | -1.0 | | Gold | 1107.50 | 0.4 | | CRB | 195.80 | -0.5 | | GS Metals | 275.5 | -1.6 | | Aluminium | 1603 | -1.1 | | Copper | 5331 | -1.1 | | Nickel | 9888 | -3.7 | | Zinc | 1738 | -3.7 | | Ch. steel | 1928 | -0.4 | | Iron ore | 58.1 | -1.5 | | Coal | 57.7 | -0.1 | | Wheat Chic. | 501.3 | 3.4 | | Sugar | 11.50 | -1.4 | | Cotton | 63.51 | -0.9 | | Coffee | 120.2 | 3.1 | | | || | Interest Rates | | | | Benchmark 10 Year Bonds | | | | |-----------------------|------|------|------|-------------------------|--------|------|-------------| | Indicative Swap Rates | | | | | | | | | | Cash | 3mth | 2Yr | 10Yr | Last | chge | Spnd | | USD | 0.25 | 0.34 | 0.86 | 2.21 | USD 10 | 2.18 | -0.01 | | AUD | 2.00 | 2.18 | 2.04 | 3.03 | AUD 10 | 2.69 | -0.04 0.51 | | NZD | 2.75 | 2.84 | 2.71 | 3.60 | NZD 10 | 3.25 | -0.03 1.07 | | EUR | 0.05 | 0.06 | 0.07 | 0.99 | CAD 10 | 1.46 | -0.02 -0.72 | | GBP | 0.50 | 0.59 | 1.02 | 1.91 | EUR 10 | 0.66 | 0.00 -1.52 | | JPY | 0.08 | 0.09 | 0.10 | 0.54 | GBP 10 | 1.85 | 0.02 -0.33 | | CAD | 0.50 | 1.17 | 0.74 | 1.89 | JPY 10 | 0.36 | 0.02 -1.82 | | | | | | | | | Overnight Futures | | | |-------------------|--------|-------| | | Last | Chge | | Australia | | | | 3 mth bill | 97.96 | -0.01 | | 3 Yr bond | 98.095 | -0.02 | | 10 Yr bonc | 97.27 | 0.02 | | 3/10 sprd | 0.82 | -0.04 | | SPI | -17.0 | -0.3 | | | | | | CO ₂ Emissions - Euros | | | |-----------------------------------|------|-------| | | Last | % day | | Jun-2015 | 8.27 | -0.4 | | Dec-2015 | 8.24 | -0.4 | | Dec-2016 | 8.32 | -0.4 | | | |

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, 15 September 2015								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Sep-13					23.30	9.30
AU	RBA Sept. Meeting Minutes						1.30	11.30
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%/0.0%		-0.2%/0.1%	8.30	18.30
UK	PPI Output Core NSA MoM/YoY	Aug		0.0%/0.2%		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		21.4B		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		64.0/18.3		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		-0.15		-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		0.10%		0.8%	14.00	0.00
NZ	Dairy Auction (GDT price index)		+5-10%			-10.9%	early AM, NZT	
Wednesday, 16 September 2015								
NZ	Current Account GDP Ratio YTD	2Q	-3.70%			-3.6%	22.45	8.45
NZ	BoP Current Account Balance	2Q		-1.5B		0.662B	22.45	8.45
AU	RBA's Guy Debelle Speech on "Bond Market Liquidity, Long Term Rates and China" in Sydney						23.30	9.30
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%		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	Manufacturing Sales MoM	Jul				1.2%	12.30	22.30
US	NAHB Housing Market Index	Sep		61		61	14.00	0.00
CA	Bank of Canada's Cote Speaks in Winnipeg						17.05	3.05
US	Net Long-term TIC Flows	Jul				\$103.1B	20.00	6.00
Thursday, 17 September 2015								
NZ	GDP SA QoQ/YoY	2Q	0.8%	0.6%/ RBNZ +0.6%		0.2%/2.6%	22.45	8.45
JN	Trade Balance Adjusted	Aug		-¥377.3B		-¥368.8B	23.50	9.50
AU	RBA Research 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		0.1%		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		-\$112.1B		-\$113.3B	12.30	22.30
US	Housing Starts	Aug		1170K/-3.0%		1206K/+0.2%	12.30	22.30
US	Initial Jobless Claims	Sep-12		277K		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	FOMC Rate Decision	Sep-17	0-0.25%	0.25-0.38%		0-0.25%	18.00	4.00
Friday, 18 September 2015								
NZ	ANZ Job Advertisements MoM	Aug				0.1%	22.00	8.00
AU	RBA Governor meets with House Economics Committee, Review of RBA Annual Report						23.30	9.30
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
UK	BoE's Haldane Speaks in Northern Ireland						11.05	21.05
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
Monday, 21 September 2015								
NZ	Net Migration SA	Aug				5740	22.45	8.45
UK	Rightmove House Prices MoM	Sep				-0.8%	23.01	9.01
UK	Rightmove House Prices YoY	Sep				6.4%	23.01	9.01
CH	MNI September Business Indicator						1.45	11.45
NZ	Credit Card Spending MoM	Aug				1.7%	3.00	13.00
NZ	Credit Card Spending YoY	Aug				9.7%	3.00	13.00
GE	PPI MoM	Aug				0.0%	6.00	16.00
GE	PPI YoY	Aug				-1.3%	6.00	16.00
JN	Convenience Store Sales YoY	Aug				1.2%	7.00	17.00
CA	Wholesale Trade Sales MoM	Jul				1.3%	14.00	0.00
NZ	Westpac Consumer Confidence	3Q				113	14.00	0.00
CA	Bloomberg Nanos Confidence	Sep-18					14.00	0.00
US	Existing Home Sales	Aug				5.59M	14.00	0.00
US	Existing Home Sales MoM	Aug				2.0%	14.00	0.00
UK	CBI Trends Total Orders	Sep				-1	14.00	0.00
UK	CBI Trends Selling Prices	Sep				-6	14.00	0.00
JN	Supermarket Sales YoY	Aug				1.9%	14.00	0.00
Upcoming Central Bank Interest Rate Announcements								
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

Global Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406

Australia

Economics

Ivan Colhoun
Chief Economist, Markets
+61 2 9237 1836

David de Garis
Senior Economist
+61 3 8641 3045

Tapas Strickland
Economist
+61 2 9237 1980

FX Strategy

Ray Attrill
Global Co-Head of FX Strategy
+61 2 9237 1848

Emma Lawson
Senior Currency Strategist
+61 2 9237 8154

Interest Rate Strategy

Skye Masters
Head of Interest Rate Strategy
+61 2 9295 1196

Rodrigo Catril
Interest Rate Strategist
+61 2 9293 7109

Credit Research

Michael Bush
Head of Credit Research
+61 3 8641 0575

Simon Fletcher
Senior Credit Analyst – FI
+61 2 9237 1076

Distribution

Barbara Leong
Research Production Manager
+61 2 9237 8151

Group Economics

Alan Oster
Group Chief Economist
+61 3 8634 2927

New Zealand

Stephen Toplis
Head of Research, NZ
+64 4 474 6905

Craig Ebert
Senior Economist
+64 4 474 6799

Doug Steel
Senior Economist
+64 4 474 6923

Kymerly Martin
Senior Market Strategist
+64 4 924 7654

Raiko Shareef
Currency Strategist
+64 4 924 7652

Yvonne Liew
Publications & Web Administrator
+64 4 474 9771

Asia

Christy Tan
Head of Markets Strategy/Research, Asia
+852 2822 5350

UK/Europe

Nick Parsons
Head of Research, UK/Europe,
and Global Co-Head of FX Strategy
+44 207 710 2993

Gavin Friend
Senior Markets Strategist
+44 207 710 1588

Derek Allassani
Research Production Manager
+44 207 710 1532

James Glenn
Senior Economist – Australia
+61 3 9208 8129

Vyanne Lai
Economist – Australia
+61 3 8634 0198

Phin Ziebell
Economist – Agribusiness
+61 475 940 662

Amy Li
Economist – Australia
+61 3 8634 1563

Dean Pearson
Head of Industry Analysis
+61 3 8634 2331

Robert De lure
Senior Economist – Industry Analysis
+61 3 8634 4611

Brien McDonald
Senior Economist – Industry Analysis
+61 3 8634 3837

Karla Bulauan
Economist – Industry Analysis
+61 3 8641 4028

Tom Taylor
Head of Economics, International
+61 3 8634 1883

Tony Kelly
Senior Economist – International
+61 3 9208 5049

Gerard Burg
Senior Economist – Asia
+61 3 8634 2788

John Sharma
Economist – Sovereign Risk
+61 3 8634 4514

Jacqui Brand
Personal Assistant
+61 3 8634 2181

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.