

Markets Today

A daily outlook for Australia, key global economies and markets

16 September 2015

Do It Already

Do It Already is the headline of a Bloomberg article today, but mirrors the sentiment in articles across the press and the discussions on our own floor. Markets are like rabbits in spotlights, uncertain as to which way to shift, just in case there is a move by the Fed. Even worse, they don't go and we are having the same discussions a month or more from now. That represents the odd price action in markets overnight, with a lot of position unwinding occurring, but retracements, just in case. We are likely to see that continue through to Friday morning (AEST).

Chinese equities were lower yet again yesterday, but Europe and the US managed gains. Yields were higher, despite mixed data and a general view that the Fed won't move this week. Commodities were weak, especially iron ore. The USD was supported, with the NZD outperforming, and GBP underperforming.

There was a lot of data released overnight, but not a lot that really convinced us either way. The US retail sales were the most important, and showed that apart from weak gasoline sales (due to falling prices) the underlying state of the US consumer is ok. Not overwhelming, but ok. Unfortunately the industrial production and Empire surveys were not so great. These were brushed off somewhat.

In Europe, the ZEW survey was relatively good, although expectations were soft. This too was dismissed as it tends to track the equity markets. The UK's CPI was showing little signs of take-off but the core at least was steady around 1%yoy. Not enough to have the BoE trigger happy, but unlikely to get them to back down on the promise to move at some point.

The RBA released its meeting minutes from their September meeting. There was little new information in the release and it had negligible impact on the currency.

Overnight, the NZ dairy price auction showed a strong rebound +16.5%, which seems to have supported the NZD a little. The rebound has been faster than our NZ colleagues expected, and the RBNZ, and while it is somewhat due to lower volumes presented at auction, the forward expectations are not suggestive of excess supply.

Coming Up

First up today is the RBA's Debelle speaking on "bond market liquidity, long term rates and China" – that should give us a lot to think about if all of that is included. If it is anything but longer term thinking then it has the potential to move markets.

The theme of the day is inflation. Europe releases August CPI, as does the US. In a world flush with liquidity, after

years of QE, we find that there is very little pricing pressure. This has recently been exacerbated by the decline in oil prices and strength in the EUR and USD, respectively. The Fed has recently noted that they are now watching inflation more closely, as they are more confident in their employment criteria. Given this, any significant miss here could weigh on the USD. For EUR, any disappointment would add to the growing thought that the ECB may want to extend its QE program. Although, with inflation, a desired result can often be found if you exclude A, B or C....

Another release tonight may get less immediate attention but will be of great import at least next month. The US TIC data shows the demand for US assets by foreigners. We know that this data has lots and lots of peculiarities; the greatest is that it is recorded by the transacting centre and not the ultimate owner (seller or buyer) of the asset. As such, there is an extraordinarily large amount traded through Belgium for example. That said, there is a lot of guessing about the owners of the assets. This data is one place to hint at if the reserve managers, who have been running down their reserves, are starting to offload their US assets. On the upside, it also shows if other investors, those who perhaps have been crowded out by the reserve managers in the first place, and the Fed in the second, are returning to the market.

This is old data (July), and the big drawdown in FX reserves by China, at least, was in August, so we might have to wait for the barrage of new adherents to this data to get on board. But, a decline in foreign holdings of US treasuries will be enough to raise the chatter about all things reserve rebalancing. We are less concerned on this front for the US, as there are a number of factors at play; but as rebalancing broadens there may be concerns for the smaller reserve currencies such as AUD and CAD.

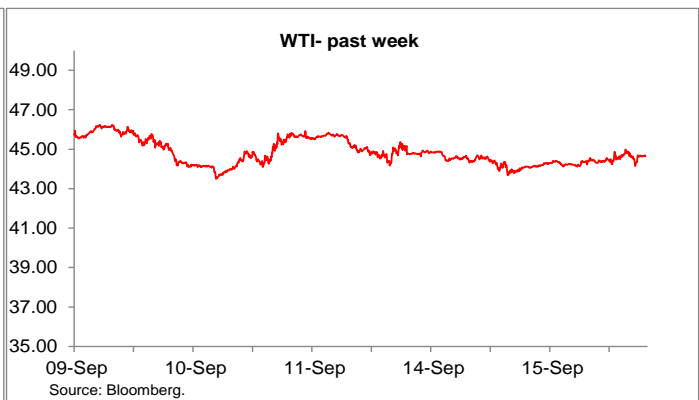
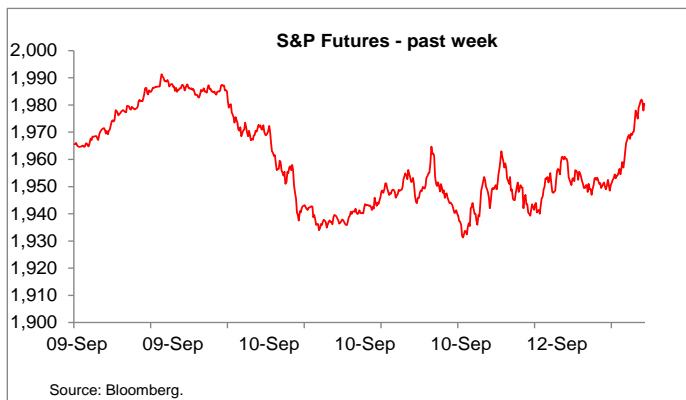
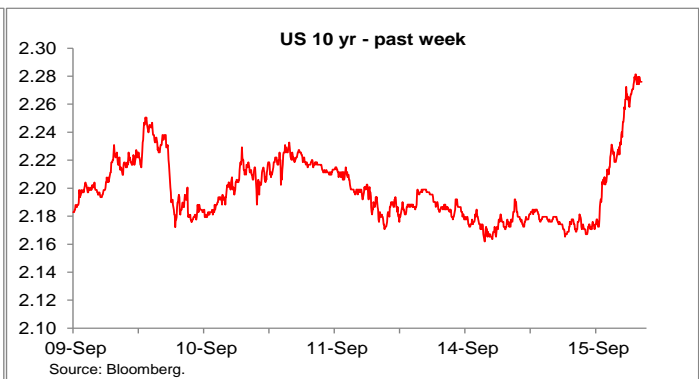
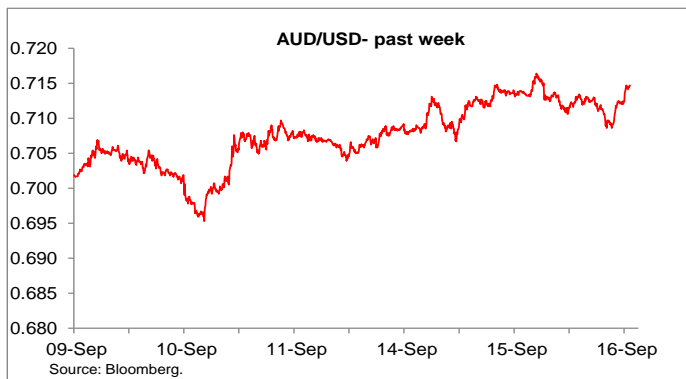
Overnight

On global stock markets, the S&P 500 was +1.30%. Bond markets saw US 10-years +9.29bp to 2.28%. On commodity markets, Brent crude oil +0.56% to \$47.88, gold -0.3% to \$1,105, iron ore -1.4% to \$57.28. AUD is at 0.7147 and the range was 0.7086 to 0.7166.

- German ZEW 67.5A, 64E, 65.7P
- UK CPI core 1%yoyA, E, 1.2P
- US retail sales 0.2A, 0.3E, 0.7P rev from 0.6
- US Retail control 0.4%mA, 0.3E, 0.6P rev from 0.3
- US Empire Survey -14.67A, -0.5E, -14.92P
- US IP -0.4%mA, 0.2E, +0.9P rev from 0.8
- NZ Dairy px auction +16.5%A,

Emma.lawson@nab.com.au

Markets



Foreign Exchange								Equities				Commodities*		
Indicative 24hr ranges (**)				Other FX				Major Indices						
	Last	% chge	Low	High		Last	% chge		Last	% day	% y/y		Last	% day
AUD	0.7147	0.1	0.7086	0.7166	HKD	7.7501	0.0	Dow	16,600	+1.4	-2.5	Oil (Brent)	47.88	0.6
NZD	0.6356	0.4	0.6294	0.6369	CNY	6.3699	0.0	S&P 500	1,978	+1.3	-0.3	Oil (WTI)	44.64	1.5
EUR	1.1272	-0.4	1.1259	1.1329	SGD	1.4024	-0.3	Nasdaq	4,861	+1.1	7.6	Oil (Tapis)	47.13	-2.2
GBP	1.5343	-0.5	1.5330	1.5457	IDR	14,408	0.5	FTSE	6,138	+0.9	-9.8	Gold	1104.60	-0.3
JPY	120.41	0.1	119.40	120.65	THB	35.92	-0.3	DAX	10,188	+0.6	5.5	CRB	196.02	0.1
CAD	1.3242	-0.2	1.3227	1.3272	KRW	1,186	0.3	CAC 40	4,569	+0.2	3.2	GS Metals	276.1	0.2
AUD/EUR	0.6340	0.5			TWD	32.53	-0.3	Nikkei	18,026	+0.3	13.3	Aluminium	1614	-0.5
AUD/JPY	86.06	0.3			PHP	46.72	0.0	Shanghai	3,005	-3.5	30.9	Copper	5357	0.7
AUD/GBP	0.4659	0.7			CHF	0.97	0.6	Hang Seng	21,455	-0.5	-11.1	Nickel	10076	1.8
AUD/NZD	1.1245	-0.3			SEK	8.31	0.6	ASX 200	5,018	-1.5	-7.8	Zinc	1730	-0.9
												Ch. steel		
												Iron ore		
												Coal		
												Wheat Chic.		
												Sugar		
												Cotton		
												Coffee		
												CO₂ Emissions - Euros		
												Last		
												Jun-2015		
												Dec-2015		
												Dec-2016		

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
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
Tuesday, 22 September 2015								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Sep-20					23.30	9.30
AU	House Price Index QoQ	2Q				1.6%	1.30	11.30
AU	House Price Index YoY	2Q				6.9%	1.30	11.30
CH	Conference Board China August Leading Economic Index						2.00	12.00
UK	Public Finances (PSNCR)	Aug				-3.0B	8.30	18.30
UK	Central Government NCR	Aug				-0.2B	8.30	18.30
UK	Public Sector Net Borrowing	Aug				-2.1B	8.30	18.30
UK	PSNB ex Banking Groups	Aug				-1.3B	8.30	18.30
US	FHFA House Price Index MoM	Jul					13.00	23.00
EC	Consumer Confidence	Sep A					14.00	0.00
US	Richmond Fed Manufact. Index	Sep					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

Kymberly 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.