



# Markets Today

A daily outlook for Australia, key global economies and markets

17 September 2015

## Drum Roll Please...

Another relatively calm and comfortable session heading into the FOMC meeting. I'd like to think the same could be said this time tomorrow, but am far less convinced about that. With markets and economists split on the outcome, something will move if the Fed does, or it doesn't. So enjoy the quiet day today, ahead of tomorrow.

Market moves were not all that consistent. Equities are higher across the board, even Shanghai has a strong day. Suggestive of no change in the Fed. But yields were higher; albeit less convincingly so. Commodities were up and the USD was lower. So overall, most markets heading into the Fed possibly thinking there will be no change, this and given the pricing, the bigger surprise will be a hike.

The data wasn't strongly suggestive of one way or the other. US NAHB housing was better than expected. But the more important CPI was slightly on the soft side. Services prices were up, but goods were down, dragged lower by gasoline.

The US TIC data for long term assets showed net buying of US assets, but on Treasuries, there was selling for the first time since January. This isn't unheard of, but markets will be waiting to see if it is persistent. And yes, there was selling from Belgium, but also from China itself. That is likely to get some attention. But it is definitely worth noting that foreigners were still buying other US assets, even if the reserve managers were potentially selling. All is not lost.

Final European CPI was a little lower than expected at just 0.1%yoy (0.2E, P). things were a little stronger in the UK, with their employment and earnings data showing some strength. Amid all the anticipation tonight, the UK releases its retail sales, so we shall see if GBP can hold its gains.

JPY underperformed overnight after S&P cut Japan's sovereign rating to A+ from AA- as it seems they are as unconvinced about the present policy accommodation as the growing economics consensus. Ratings don't often move a currency, so the risk-on move might have had something to do with it too.

## Coming Up

Here we are, FOMC day (well at 4am AEST). The market is pricing only a 28% chance of a 25bp hike today, but the behaviour in a multitude of markets expresses a little more nervousness about the potential for a move today. In the Bloomberg survey, 51 of 113 economists look for a hike. So it is a close call. On balance we see December as a more likely outcome, but again, acknowledge that it is close.

While if we follow the cues from the Fed, there won't be a move today: the employment market meets the criteria but there are some structural issues, while more needs to be seen on inflation. They suggest we are almost there, but not

quite. However, the rhetoric has persistently been that the move is near. And markets hate to operate in a vacuum, and they aren't terribly patient. We have been waiting years now, since Bernanke raised the possibility that, at some time, policy might begin the slooooooow move toward normalisation. And so the nervousness isn't necessarily around 25bp today (or in the next few months) but about the cycle and how the rest of the world copes with a US cycle. If we are worried about 25bp only by the Fed, then there are far bigger worries in the global financial system and ones that monetary policy alone just cannot fix (or dare I say are the cause of...).

If there is no hike today, the information from the Fed becomes critical. The 'dot points' of where they see Fed Funds at the end of each year and the forecasts. There should be much assurance that the rate profile will be low and relatively flat over the forecast horizon. The forecasts may be lowered, which should ease some concerns about a strong hiking cycle.

Given market moves in recent days, no change would likely see yields lower and the USD off against the majors, but also perhaps a short risk rally in equities as well. This is most likely AUD positive in the short term. But then we come back to the fact that the Fed will hike at some point, and the underlying dynamics aren't changing with a few months' delay.

If there is a hike, we could equally see a higher USD, higher yields and possibly some equity market concerns. That could again be short lived as markets look ahead and are hopefully reassured by the promise of a very slow cycle. That reassurance is going to have to be in the dot points, forecasts and from Yellen's speech, or risk markets will fret.

If there is no move, then we settle in for more of the same for another, interminable, month or two. If it's a hike, then the US may get, somewhat unfairly, blamed for any volatility in EM in this interconnected world.

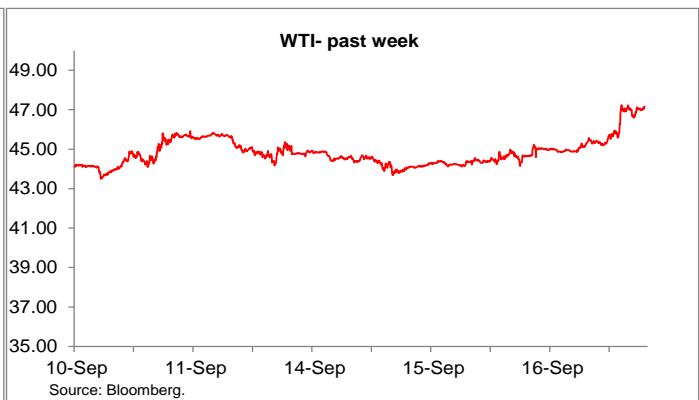
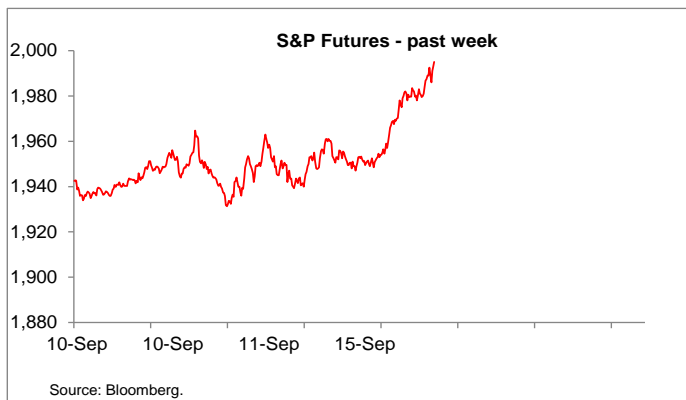
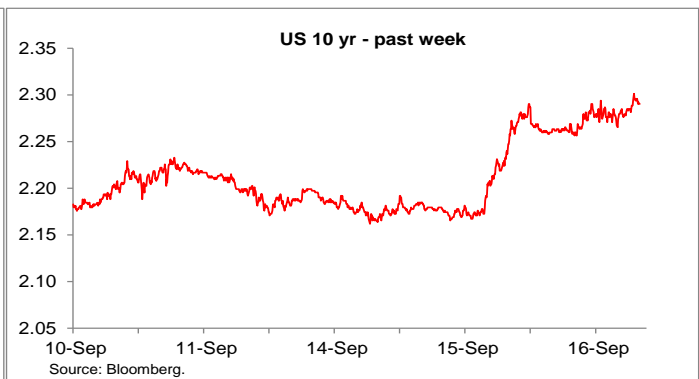
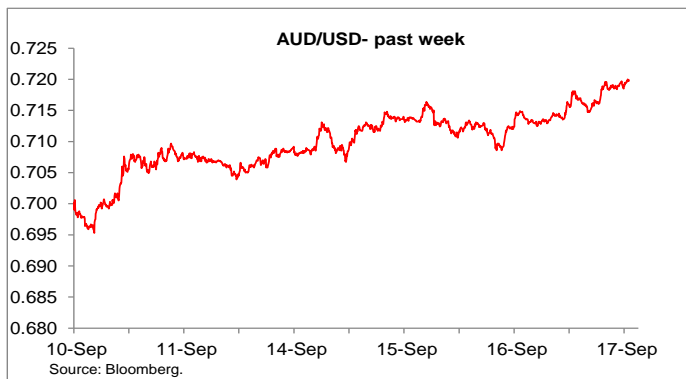
## Overnight

On global stock markets, the S&P 500 was +0.80%. Bond markets saw US 10-years +0.37bp to 2.29%. On commodity markets, Brent crude oil +4.38% to \$49.84, gold+1.5% to \$1,119, iron ore -0.1% to \$57.21. AUD is at 0.7198 and the range was 0.7123 to 0.72.

- UK av. Earnings +2.9%yA, 2.5E, 2.6P
- US CPI -0.1%mA, E, 0.1P
- US ex FE 0.1A, E, P
- US ex FE yoy 1.8%yA, 1.9E, P
- US NAHB housing 62A, 61E, P
- US Long Term TIC flow +141.9bnA, -129.7P rev from -110.3

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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>0.7198</td> <td>0.8</td> <td>0.7123</td> <td>0.7200</td> <td>HKD</td> <td>7.7503</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.6369</td> <td>0.2</td> <td>0.6334</td> <td>0.6379</td> <td>CNY</td> <td>6.3708</td> <td>0.0</td> </tr> <tr> <td>EUR</td> <td>1.1288</td> <td>0.2</td> <td>1.1214</td> <td>1.1321</td> <td>SGD</td> <td>1.3972</td> <td>-0.3</td> </tr> <tr> <td>GBP</td> <td>1.5493</td> <td>1.0</td> <td>1.5331</td> <td>1.5529</td> <td>IDR</td> <td>14,459</td> <td>0.4</td> </tr> <tr> <td>JPY</td> <td>120.58</td> <td>0.1</td> <td>120.11</td> <td>120.73</td> <td>THB</td> <td>35.85</td> <td>-0.2</td> </tr> <tr> <td>CAD</td> <td>1.3171</td> <td>-0.6</td> <td>1.3161</td> <td>1.3259</td> <td>KRW</td> <td>1,176</td> <td>-0.9</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6378</td> <td>0.6</td> <td></td> <td></td> <td>TWD</td> <td>32.47</td> <td>-0.2</td> </tr> <tr> <td>AUD/JPY</td> <td>86.81</td> <td>0.9</td> <td></td> <td></td> <td>PHP</td> <td>46.64</td> <td>-0.2</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4647</td> <td>-0.2</td> <td></td> <td></td> <td>CHF</td> <td>0.97</td> <td>-0.3</td> </tr> <tr> <td>AUD/NZD</td> <td>1.1300</td> <td>0.6</td> <td></td> <td></td> <td>SEK</td> <td>8.26</td> <td>-0.6</td> </tr> </table>									Indicative 24hr ranges (**)				Other FX			Last	% chge	Low	High	Last	% chge		AUD	0.7198	0.8	0.7123	0.7200	HKD	7.7503	0.0	NZD	0.6369	0.2	0.6334	0.6379	CNY	6.3708	0.0	EUR	1.1288	0.2	1.1214	1.1321	SGD	1.3972	-0.3	GBP	1.5493	1.0	1.5331	1.5529	IDR	14,459	0.4	JPY	120.58	0.1	120.11	120.73	THB	35.85	-0.2	CAD	1.3171	-0.6	1.3161	1.3259	KRW	1,176	-0.9	AUD/EUR	0.6378	0.6			TWD	32.47	-0.2	AUD/JPY	86.81	0.9			PHP	46.64	-0.2	AUD/GBP	0.4647	-0.2			CHF	0.97	-0.3	AUD/NZD	1.1300	0.6			SEK	8.26	-0.6
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 | Major Indices |        |       |       | |---------------|--------|-------|-------| |               | Last   | % day | % y/y | | Dow           | 16,738 | +0.8  | -2.3  | | S&P 500       | 1,995  | +0.8  | -0.2  | | Nasdaq        | 4,889  | +0.6  | 7.4   | | FTSE          | 6,229  | +1.5  | -8.3  | | DAX           | 10,227 | +0.4  | 6.2   | | CAC 40        | 4,646  | +0.4  | 5.4   | | Nikkei        | 18,172 | +0.8  | 14.4  | | Shanghai      | 3,152  | +4.9  | 36.6  | | Hang Seng     | 21,967 | +2.4  | -9.9  | | ASX 200       | 5,099  | +1.6  | -5.7  | | | | | |             | Last    | % day | |-------------|---------|-------| | Oil (Brent) | 49.84   | 4.4   | | Oil (WTI)   | 47.17   | 5.8   | | Oil (Tapis) | 47.87   | 1.6   | | Gold        | 1118.60 | 1.5   | | CRB         | 198.98  | 1.5   | | GS Metals   | 278.4   | 0.8   | | Aluminium   | 1629    | 1.0   | | Copper      | 5389    | 0.6   | | Nickel      | 10109   | 0.3   | | Zinc        | 1743    | 0.7   | | Ch. steel   | 1933    | 0.4   | | Iron ore    | 57.2    | -0.1  | | Coal        | 57.9    | 0.4   | | Wheat Chic. | 495.3   | -1.4  | | Sugar       | 11.47   | 0.6   | | Cotton      | 62.38   | -0.7  | | Coffee      | 118.1   | -0.5  | | | || | Interest Rates        |      |      |      | Overnight Futures       |        |      |           |                        |  | |-----------------------|------|------|------|-------------------------|--------|------|-----------|------------------------|--| | Indicative Swap Rates |      |      |      | Benchmark 10 Year Bonds |        |      | Last Chge |                        |  | |                       | Cash | 3mth | 2Yr  | 10Yr                    | Last   | chge | Spnd      |                        |  | | USD                   | 0.25 | 0.33 | 0.91 | 2.31                    | USD 10 | 2.29 | 0.00      |                        |  | | AUD                   | 2.00 | 2.18 | 2.08 | 3.15                    | AUD 10 | 2.80 | 0.12      | Australia              |  | | NZD                   | 2.75 | 2.83 | 2.72 | 3.63                    | NZD 10 | 3.32 | 0.06      | 3 mth bill 97.93 -0.01 |  | | EUR                   | 0.05 | 0.06 | 0.08 | 1.10                    | CAD 10 | 1.59 | 0.02      | 3 Yr bond 98.06 -0.03  |  | | GBP                   | 0.50 | 0.59 | 1.07 | 2.00                    | EUR 10 | 0.77 | 0.03      | 10 Yr bonc 97.13 -0.01 |  | | JPY                   | 0.08 | 0.08 | 0.11 | 0.54                    | GBP 10 | 1.94 | 0.03      | 3/10 sprd 0.93 -0.02   |  | | CAD                   | 0.50 | 1.17 | 0.81 | 2.02                    | JPY 10 | 0.37 | -0.01     | SPI 41.0 0.8           |  | | | | | | | | | | CO <sub>2</sub> Emissions - Euros |      |       | |-----------------------------------|------|-------| |                                   | Last | % day | | Jun-2015                          | 8.27 | 0.7   | | Dec-2015                          | 8.24 | 0.7   | | Dec-2016                          | 8.32 | 0.7   | | | |

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>Thursday, 17 September 2015</b>								
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			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
<b>Friday, 18 September 2015</b>								
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
<b>Monday, 21 September 2015</b>								
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
<b>Tuesday, 22 September 2015</b>								
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
<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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