



# Markets Today

A daily outlook for Australia, key global economies and markets

21 September 2015

## Scaring the Horses

Not sure this was the reaction the Fed were looking for when they decided to pause and give a shout out to the struggling EM economies and global economic risks. Markets decided on Friday, in the European and US sessions (Asia, not so much) that there was truly something to fear from the Fed's concerns. Accordingly, equities were very soft (S&P -1.6%, DAX -3%, Shanghai +0.4%). Yields were lower (US 10yr 2.13%, Bund 10yr 0.662%). The irony is that the USD was higher (DXY 95.15) and the EUR was lower. Oil prices were lower (QWTI 44.68), Gold 1132, just marginally up and iron ore \$57.69.

What the Fed has done, and we can see why they are concerned about the stronger USD and lower oil price effects, is to lay their indecision at the feet of policy makers in other countries. But these policy makers face the same conditions. And not everyone can have a weak currency at the same time. Cue the increased probability of easier monetary policy in other markets to compensate for the Fed's freeze. That pushes the USD higher, so the Fed baulks, and so we go. Currency wars through unconventional policy. And this time equities don't like the thought of more QE because the underlying economies are tipping to worsen, not improve, given the incremental benefit of QE from these levels is questionable. We had a lot of this talk in the last 36 hours and it is only going to continue:

**The ECB:** Praet and Coeure both highlighted the fact that the ECB is ready to do more to support the economy if necessary. "Won't hesitate if inflation is at risk" says Praet, "can adapt QE asset purchases if there is a downward risk to inflation" says Coeure. He also noted that they could extend QE beyond 2016. The ECB are not going to be content with EUR rising in this environment so expect more commentary as and when it does. This raises the changes of a policy move in October.

**The BoE:** The BoE's Haldene also raised concerns about the level of GBP, noting that they "needed to take the effect of a strong pound seriously" and that the case for a hike is not pressing. This brought GBP off its highs.

**The Fed:** The Fed speakers post the decision helped the USD and didn't calm equity markets as it was the day of the Hawks. Bullard (hawk, voter 2016) said he would have been a dissenter and that they are ready for liftoff in 2015. He acknowledges market volatility, but still feels they are getting behind the curve. The sheer circularity of this global environment is shown by Bullard blaming the ECB and their QE for the Fed's strong USD problem. Lacker was the hawkish dissenter and spoke accordingly.

And Williams (voter, neutral to hawkish) did acknowledge the uncertainties but worries they may get behind the curve. The one thing he did note that was a little different was the Fed

was not out of "ammunition" (ie more easing) but didn't feel they would need it. (But you know, if the other central banks go down this path and the USD strengthens, just saying).

There are many central bank speakers this week, and little data, we should expect more of the same.

In Australia, CoreLogic RP data are reporting lower auction clearance rates for this weekend, with the overall at 70.7% - (the SMH suggested it was the lowest spring rate for three years). This is partially a function of the large volumes coming onto the market, as well as softer demand

## Coming Up

Domestically, we get house prices from Q2, but with the latest numbers suggesting a little softening, the official ones are probably not going to move markets. New Zealand is equally quiet, with net migration and trade data

China release the Caixin PMI (Tues), which in the current environment of uncertainty regarding the Chinese economy, will get a lot of attention. A small improvement is expected.

The US is far less about the data this week and more the central bank clarification, or otherwise. We get house sales but housing has been okay of late. The durable goods and PMIs (Markit, Richmond, Chicago) are all volatile and particularly so of late. The Uni of Michigan survey is the final release and less market moving.

However, there is a plethora of Fed speakers. The key will be Yellen on Friday and perhaps she can explain the rising risks and lower inflation bent in the statement and projections against the speech's bias to still move ahead with a hike at some point. We also get Lockhart (voter, neutral) three days in a row – clearly wanting to get some message across. Bullard (non-voter, hawk) and George (non-voter, hawk) round out the week.

With the calls for more easing from the BoJ, the Japan CPI release on Friday will be interesting, if not market moving.

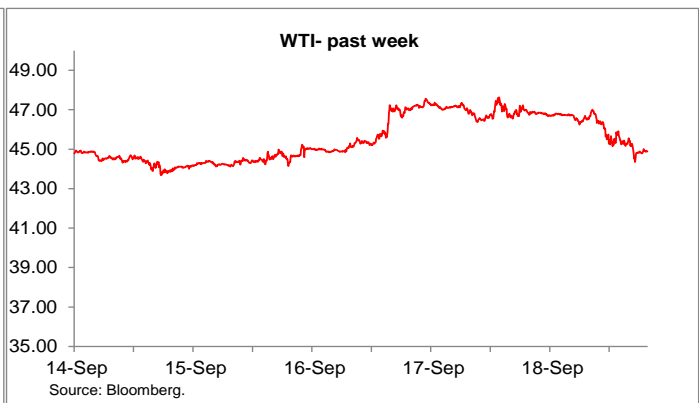
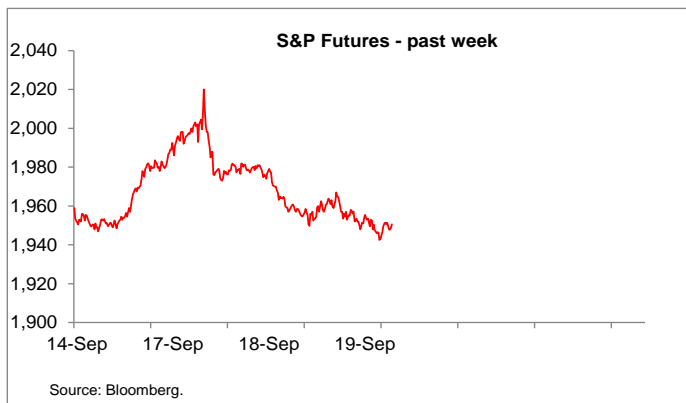
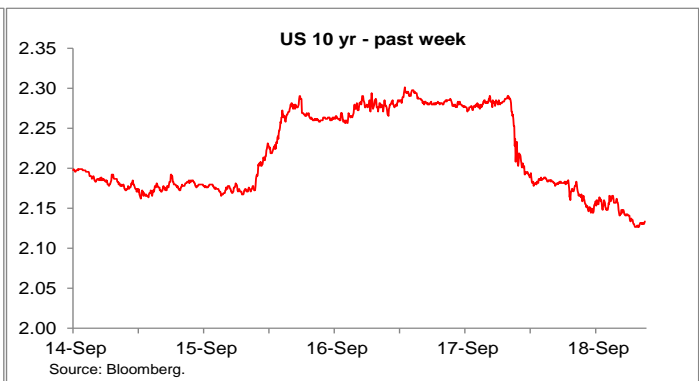
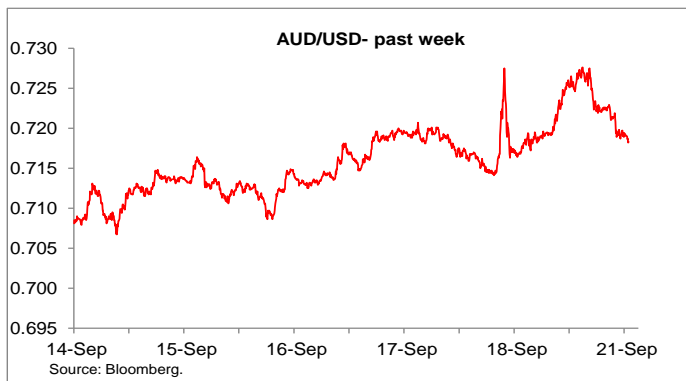
In Europe, we get the Markit PMIs and the German IFO, which should be ok. But there is also a range of ECB speakers. Draghi is the key, but Praet generally has something interesting to say; Couere, Nowotny also speak. If they want to reinforce the idea that they will do "whatever it takes" and expand or extend QE, then it may temper EUR from its recent highs.

## Overnight

On global stock markets, the S&P 500 was -1.60%. Bond markets saw US 10-years -5.67bp to 2.13%. On commodity markets, Brent crude oil -3.28% to \$47.47, gold+1.9% to \$1,138, iron ore +0.6% to \$57.69. AUD is at 0.7183 and the range was 0.7164 to 0.7280.

[Emma.lawson@nab.com.au](mailto:Emma.lawson@nab.com.au)

Markets



Foreign Exchange								Equities				Commodities*				
<b>Indicative 24hr ranges (**)</b>				<b>Other FX</b>				<b>Major Indices</b>								
	Last	% chge	Low	High		Last	% chge		Last	% day	% y/y		Last	% day		
AUD	0.7181	-0.1	0.7182	0.7196	HKD	7.7502	0.0	Dow	16,385	-1.7	-5.2	Oil (Brent)	47.47	-3.3		
NZD	0.6381	-0.3	0.6372	0.6456	CNY	6.3643	0.0	S&P 500	1,958	-1.6	-2.6	Oil (WTI)	44.68	-4.7		
EUR	1.1274	-0.2	1.1272	1.1305	SGD	1.4020	0.3	Nasdaq	4,827	-1.4	5.4	Oil (Tapis)	49.41	1.5		
GBP	1.5526	-0.1	1.5518	1.5541	IDR	14,374	-0.6	FTSE	6,104	-1.3	-10.7	Gold	1138.10	1.9		
JPY	120.21	0.2	119.75	120.20	THB	35.69	0.1	DAX	9,916	-3.1	1.2	CRB	194.18	-2.0		
CAD	1.3220	0.0	1.3181	1.3221	KRW	1,163	-0.3	CAC 40	4,536	-0.3	1.7	GS Metals	273.6	-1.7		
AUD/EUR	0.6371	-0.1			TWD	32.42	-0.2	Nikkei	18,070	-2.0	10.7	Aluminium	1631	-0.4		
AUD/JPY	86.33	0.0			PHP	46.27	-0.5	Shanghai	3,098	+0.4	33.0	Copper	5271	-2.5		
AUD/GBP	0.4623	-0.1			CHF	0.97	0.1	Hang Seng	21,921	+0.3	-9.8	Nickel	9654	-3.2		
AUD/NZD	1.1221	0.2			SEK	8.28	0.4	ASX 200	5,171	+0.5	-4.8	Zinc	1684	-2.1		
												Ch. steel			1920	-0.3
												Iron ore			57.7	0.6
												Coal			57.8	-0.1
												Wheat Chic.			493.5	1.0
												Sugar			10.96	-4.2
												Cotton			59.85	-3.2
												Coffee			118.4	-0.2
												<b>CO<sub>2</sub> Emissions - Euros</b>				
															Last	% day
												Jun-2015			8.15	-1.5
												Dec-2015			8.12	-1.5
												Dec-2016			8.20	-1.3

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, 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>Wednesday, 23 September 2015</b>								
AU	Conf. Board Leading Index MoM	Jul				-0.2%	0.00	10.00
AU	Skilled Vacancies MoM	Aug				0.1%	1.00	11.00
CH	Caixin China PMI Mfg	Sep P					1.45	11.45
GE	Markit/BME Germany Manufacturing PMI	Sep P					7.30	17.30
GE	Markit Germany Services PMI	Sep P					7.30	17.30
GE	Markit/BME Germany Composite PMI	Sep P					7.30	17.30
EC	Markit Eurozone Manufacturing PMI	Sep P					8.00	18.00
EC	Markit Eurozone Services PMI	Sep P					8.00	18.00
EC	Markit Eurozone Composite PMI	Sep P					8.00	18.00
UK	BBA Loans for House Purchase	Aug					8.30	18.30
US	MBA Mortgage Applications	Sep-18					11.00	21.00
CA	Retail Sales MoM	Jul				0.6%	12.30	22.30
CA	Retail Sales Ex Auto MoM	Jul				0.8%	12.30	22.30
US	Markit US Manufacturing PMI	Sep P					13.45	23.45
UK	CBI Reported Sales	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

## 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.