



Markets Today

A daily outlook for Australia, key global economies and markets

28 September 2015

A Big Week

Friday's tone was set by Fed Chair Yellen, early in the Sydney session. In this, she backed up the Fed speakers post the FOMC, which have reiterated that the Fed are looking to raise interest rates this year.

The optimism that started in the European session (on little news, maybe content with the new VW boss), and allowed equities there to rise solidly, didn't last through the US session, where equity markets were decidedly mixed.

However, the USD and bond yields took Yellen's discussion of higher rates seriously. The USD gained ground across a range of currencies and returned EM currencies to the back foot, after a short positive spell. Yields were also higher across the board.

US Speaker Boehner announced he would step down at the end of October. This is being seen as making the debt ceiling continuation bill easier to pass this week.

There were a few Fed speakers other than Yellen: Bullard and George (both hawks, 2016 voters) who added to the calls for hikes this year.

Two speakers from the ECB were a little unexpected in that both Praet and Weismann were cautious about the need for more QE from the ECB. The ECB also suspended the purchase of ABS backed by VW loans.

This morning we have news that the Catalan regional elections in Spain have been won by the separatist party; which may have a short term negative effect on EUR.

There was little data of import, but US GDP was revised higher, as was the University of Michigan consumer sentiment.

Coming Up

Domestically, things start to get a little more interesting. Building approvals should be a little softer, after strength last month. Retail sales, in contrast, are expected to pick up. The domestic situation is perhaps on the backburner for markets, as long as it continues to tick along in a "not too hot, not too cold" fashion. In this case, it may be the global data which drives market direction.

In this regard, it is a big week in the US. The market still has to price a 2015 hike more fully, and so the US data becomes important again. First up we get the August Core PCE deflator, which is one of the Fed's favoured inflation gauges. The ISM and Chicago PMIs for September may be a little soft. House prices might come and go with little interest. Then on Friday, non-farm payrolls are expected to be a little better, with the unemployment rate steady at 5.1%. There are (again) a raft of Fed speakers this week (Yellen, Dudley,

Evans, Williams, Bullard, Brainard) but after all we heard last week it will take a particularly dovish view to move markets.

Yellen has told us it would take something surprising to stop them hiking this year: to be honest, there are a growing majority who want the Fed to just get on with in in order to stabilise markets and we can move on to something other than "lift-off." Perhaps the Fed is coming to this realisation as well. Today's Dudley interview with the WSJ's Hilsenrath could be interesting nonetheless.

The US debt ceiling is expected to be reached by Oct 1; requiring a shut down of government services. Compared to the hoopla last time, the present situation is extraordinarily calm on the rhetoric front. Legislation to allow for more spending is expected to be presented early in the week, the initial to include riders that Obama has said he will not approve, followed by a Bill with no riders, that is expected to pass. Any hint that these do not get through in time will start to see markets wobble.

With all the goings on with VW (and potentially other German car manufacturers), the German data might be a little superfluous until we get the September/October numbers. We do get retail sales and CPI data, but they may not get much attention. The sentiment surrounding the decline in the equity market and the potential economic impacts of VW's predicament are likely to be more directional. It is busier in the UK, but nothing significantly market moving. We get money data, nationwide house prices, final GDP and the Markit PMI

In Japan, the quarterly Tankan survey is one of the only Japanese economic data that has the potential to move markets. It is expected to be a little weaker. Additionally, we get industrial production (prelim), retail sales, and the jobs-to-applicants ratio. Japanese data is not often very exciting but the markets are presently torn between the need for more QE to weaken the JPY, and reassurances from the BoJ that the economy is perfectly fine and they will hit their targets. This may make any big misses of data from expectations possibly more market moving than usual.

In NZ, we get building permits and business confidence.

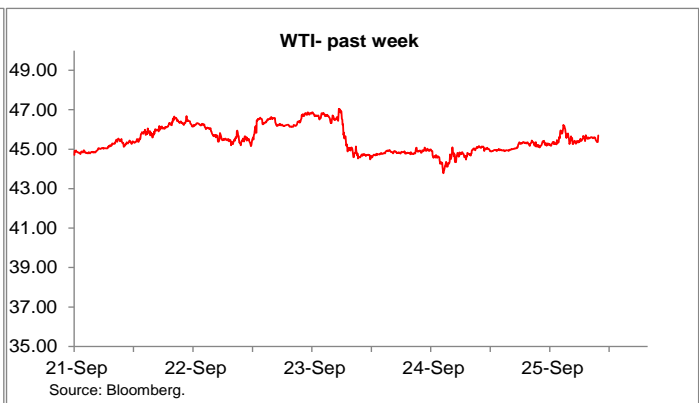
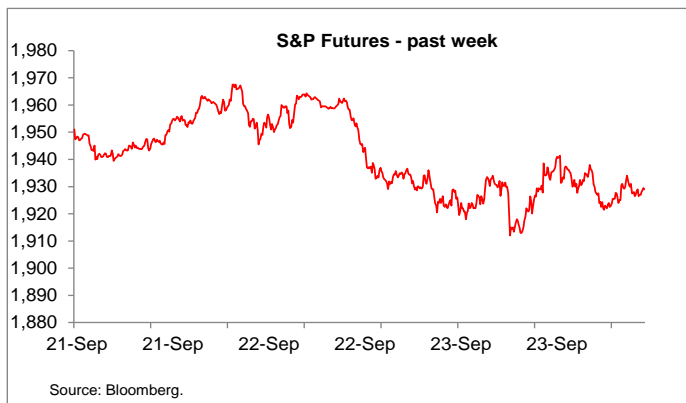
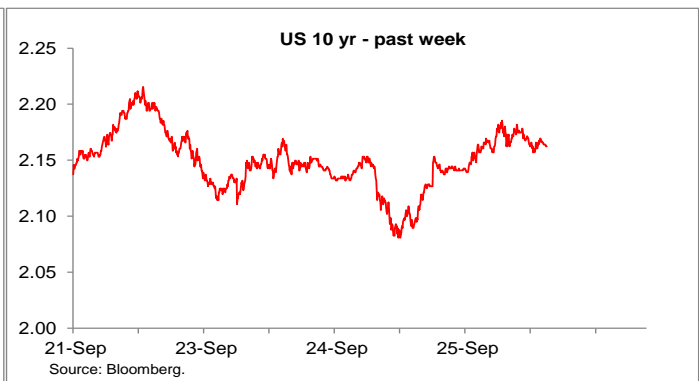
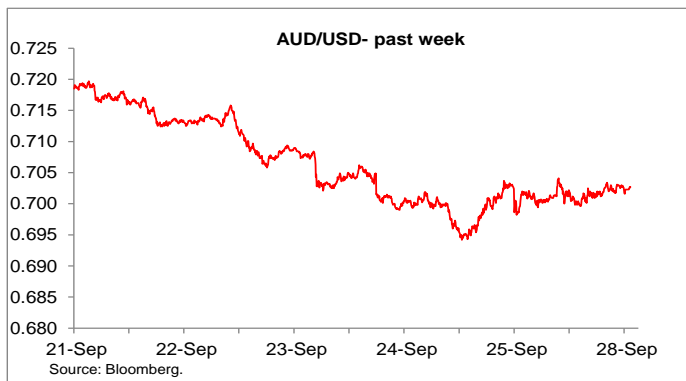
Overnight

On global stock markets, the S&P 500 was +0.00%. Bond markets saw US 10-years +3.57bp to 2.16%. On commodity markets, Brent crude oil +0.89% to \$48.6, gold-0.7% to \$1,146, iron ore +3.0% to \$56.98. AUD is at 0.7027 and the range was 0.6980 to 0.7043

- US GDP 3.9%A, 3.7E, P
- US Uni Mich F 87.2A, 85.7P
- Catalan Separatists win Spanish regional election

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Markets



Foreign Exchange								Equities				Commodities*			
Indicative 24hr ranges (**)				Other FX				Major Indices				Last % day			
	Last	% chge	Low	High		Last	% chge		Last	% day	% y/y		Last	% day	
AUD	0.7027	0.0	0.7014	0.7028	HKD	7.7505	0.0	Dow	16,315	+0.7	-4.7	Oil (Brent)	48.60	0.9	
NZD	0.6370	-0.2	0.6358	0.6378	CNY	6.3745	-0.1	S&P 500	1,931	0.0	-2.6	Oil (WTI)	45.70	1.8	
EUR	1.1181	-0.1	1.1176	1.1202	SGD	1.4248	0.0	Nasdaq	4,686	-1.0	3.9	Oil (Tapis)	48.22	-2.0	
GBP	1.5190	0.1	1.5175	1.5201	IDR	14,693	0.1	FTSE	6,109	+2.5	-8.1	Gold	1146.00	-0.7	
JPY	120.49	-0.1	120.45	120.60	THB	36.17	-0.3	DAX	9,689	+2.8	2.1	CRB	195.71	1.1	
CAD	1.3332	0.0	1.3314	1.3360	KRW	1,195	0.2	CAC 40	4,481	+1.5	2.0	GS Metals	263.9	-0.8	
AUD/EUR	0.6284	0.2			TWD	33.01	-0.4	Nikkei	17,881	+1.8	10.2	Aluminium	1568	-0.9	
AUD/JPY	84.66	0.0			PHP	46.77	-0.1	Shanghai	3,092	-1.6	31.7	Copper	5041	-0.5	
AUD/GBP	0.4624	-0.1			CHF	0.98	-0.1	Hang Seng	21,186	+0.4	-10.5	Nickel	9929	0.5	
AUD/NZD	1.1030	0.3			SEK	8.42	0.1	ASX 200	5,042	-0.6	-5.1	Zinc	1625	-2.7	
												Ch. steel	1898	0.2	
												Iron ore	57.0	3.0	
												Coal	56.4	-0.5	
												Wheat Chic.	515.0	2.1	
												Sugar	11.74	4.9	
												Cotton	59.64	1.0	
												Coffee	122.7	3.7	
												CO₂ Emissions - Euros			
													Last	% day	
													Jun-2015	8.03	-0.1
													Dec-2015	8.00	-0.1
													Dec-2016	8.08	-0.1

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	Period	Forecast	Consensus	Actual	Previous	GMT	AEST
Monday, 28 September 2015								
CH	Industrial Profits YoY	Aug				-2.9	1.30	11.30
JN	Leading Index	Jul F				104.9	5.00	15.00
US	Fed's Dudley (v) speaks on Monetary Policy						12.30	22.30
US	Personal Income MoM	Aug		0.4	0.3/0.1%	0.4	12.30	22.30
US	Personal Spending MoM	Aug		0.3		0.3	12.30	22.30
US	PCE Deflator MoM/YoY	Aug		0/0.3		0.1/0.3	12.30	22.30
US	PCE Core MoM/YoY	Aug		0.1/1.3		0.1/1.2	12.30	22.30
UK	Nationwide House PX MoM/YoY	Sep		0.4		0.3	14.00	0.00
CH	Leading Index	Aug				98.7	14.00	0.00
GE	Retail Sales MoM/YoY	Aug		0.4		1.4	14.00	0.00
US	Pending Home Sales MoM	Aug		0.4		0.5	14.00	0.00
US	Dallas Fed Manf. Activity	Sep		-9.5		-15.8	14.30	0.30
US	Fed's Evans (nv) speaks on Monetary Policy						17.30	3.30
US	Fed's Williams (nv) speaks on Economic Outlook						21.00	7.00
Tuesday, 29 September 2015								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Sep-27				114.5	23.30	9.30
JN	Small Business Confidence	Sep				48.8	5.00	15.00
UK	Mortgage Approvals	Aug		70		68.8	8.30	18.30
EC	Business Climate Indicator	Sep		0.22		0.21	9.00	19.00
UK	CBI Reported Sales	Sep				24	10.00	20.00
GE	CPI MoM/YoY	Sep P		-0.1/0.1		0/0.2	12.00	22.00
CA	Industrial Product Price MoM	Aug				0.7	12.30	22.30
CA	Raw Materials Price Index MoM	Aug				-5.9	12.30	22.30
US	S&P/CS 20 City MoM SA	Jul		0.03		-0.12	13.00	23.00
US	Consumer Confidence Index	Sep		96		101.5	14.00	0.00
Wednesday, 30 September 2015								
NZ	Building Permits MoM	Aug				20.4	21.45	7.45
UK	GfK Consumer Confidence	Sep		5		7	23.05	9.05
JN	Retail Trade YoY	Aug		1.2		1.6	23.50	9.50
JN	Industrial Production MoM/YoY	Aug P		1/1.8		-0.8/0	23.50	9.50
JN	Retail Sales MoM	Aug		0.4		1.2	23.50	9.50
NZ	ANZ Business Confidence	Sep				-29.1	0.00	10.00
JN	Labor Cash Earnings YoY	Aug				0.6	1.30	11.30
AU	Private Sector Credit MoM/YoY	Aug		0.5/6.2		0.6/6.1	1.30	11.30
AU	Building Approvals MoM/YoY	Aug		-2/7.4		4.2/13.4	1.30	11.30
CH	Caixin China PMI Services	Sep				51.5	1.45	11.45
NZ	Credit aggregates, Household YoY	Aug				6	2.00	12.00
NZ	Money Supply M3 YoY	Aug				9.3	2.00	12.00
GE	Unemployment Claims Rate SA	Sep		6.4		6.4	7.55	17.55
UK	Current Account Balance	2Q		-21.75		-26.5	8.30	18.30
UK	GDP QoQ/YoY	2Q F		0.7/2.6		0.7/2.6	8.30	18.30
EC	Unemployment Rate	Aug		10.9		10.9	9.00	19.00
EC	CPI Estimate YoY	Sep		0		0.2	9.00	19.00
EC	CPI Core YoY	Sep A		0.9		0.9	9.00	19.00
US	Fed's Dudley speaks on Market Liquidity						12.00	22.00
US	ADP Employment Change	Sep		187.5		190	12.15	22.15
CA	GDP MoM/YoY	Jul		0.2		0.5/0.6	12.30	22.30
US	ISM Milwaukee	Sep				47.67	13.00	23.00
US	Chicago Purchasing Manager	Sep		53.1		54.4	13.45	23.45
US	Fed's Yellen (v) and Bullard (nv) speak on Community Banking						19.00	5.00
Thursday, 1 October 2015								
NZ	QV House Prices YoY	Sep				11.3	23.00	9.00
AU	AiG Perf of Mfg Index	Sep				51.7	23.30	9.30
JN	Tankan Large Mfg Index	3Q		13		15	23.50	9.50
JN	Tankan Large All Industry Capex	3Q		8.5		9.3	23.50	9.50
US	Fed's Brainard (v) speaks on Community Banking						0.00	10.00
AU	CoreLogic RP Data House Px MoM	Sep				0.3	0.00	10.00
NZ	ANZ Commodity prices, world prices MoM					-5.2	0.00	10.00
CH	Manufacturing PMI	Sep				49.7	1.00	11.00
CH	Non-manufacturing PMI	Sep				53.4	1.00	11.00
AU	NAB Online Retail Sales Index	Aug				-1.4/6.2	1.30	11.30
AU	Job vacancies	Aug				2.1	1.30	11.30
CH	Caixin China PMI Mfg	Sep F				47	1.45	11.45
CH	Caixin China PMI Composite	Sep				48.8	1.45	11.45
JN	Nikkei Japan PMI Mfg	Sep F				50.9	1.35	11.35
AU	Commodity Index AUD/YoY	Sep				79.7/-20.9	6.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Sep F		52.5		52.5	7.55	17.55
EC	Markit Eurozone Manufacturing PMI	Sep F		52		52	8.00	18.00
UK	Markit UK PMI Manufacturing SA	Sep		51.3		51.5	8.30	18.30
US	Challenger Job Cuts YoY	Sep				2.9	11.30	21.30
US	Initial Jobless Claims	Sep-26				267	12.30	22.30
CA	RBC Canadian Manufacturing PMI	Sep				49.4	13.30	23.30
US	Markit US Manufacturing PMI	Sep F		53		53	13.45	23.45
US	Wards Total Vehicle Sales	Sep		17.5		17.72	14.00	0.00
US	Construction Spending MoM	Aug		0.6		0.7	14.00	0.00
US	ISM Manufacturing	Sep		50.6		51.1	14.00	0.00
Friday, 2 October 2015								
US	Fed's Williams (nv) Speaks						18.30	4.30
JN	Jobless Rate	Aug		3.3		3.3	23.30	9.30
JN	Overall Household Spending YoY	Aug		0.3		-0.2	23.30	9.30
NZ	ANZ Commodity Price	Sep				-5.2	0.00	10.00
AU	Retail Sales MoM	Aug		0.4		-0.1	1.30	11.30
UK	Markit/CIPS UK Construction PMI	Sep		57.5		57.3	8.30	18.30
US	Change in Nonfarm Payrolls	Sep		200		173	12.30	22.30
US	Unemployment Rate	Sep		5.1		5.1	12.30	22.30
US	Average Hourly Earnings MoM/YoY	Sep		0.2		0.3/2.2	12.30	22.30
US	ISM New York	Sep				51.1	13.45	23.45
US	Factory Orders/ex transport	Aug		-1		0.4/-0.6	14.00	0.00
US	Fed's Fischer (v) addresses Boston Fed Conference on Monetary Policy						17.00	3.00
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		6-Oct	2.00%	2.00%		2.00%		
Japan, BoJ		7-Oct	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
UK BOE		8-Oct				0.50%		
Europe ECB		22-Oct				0.05%		
Canada, BoC		22-Oct				0.50%		
US Federal Reserve		29-Oct				0-0.25%		
New Zealand, RBNZ		29-Oct	2.50%	2.50%		2.75%		

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

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