

Markets Today

A daily outlook for Australia, key global economies and markets

9 September 2015

Spring Has Sprung

The global financial markets are breathing a sigh of relief and enjoying the advent of Spring here in the Southern Hemisphere. Happy days: the Fed may wait a little while before raising rates and China seems to have everything sorted. We can dismiss the unsettling China import numbers as a blip and have confidence in the measures to ensure the economy is stable.

That message was taken with gusto, with US equity markets up over 2% and European bourses rising over 1%. Shanghai had an afternoon rally, ending up 2.9%. US yields rose, as did the major European yields. Oil prices were higher, as was iron ore. Meanwhile, in FX, the AUD was a strong outperformer, and the rally in EM currencies highlights the risk-on tone. The USD was weaker, as EUR was supported.

There was very little on the news front overnight, with the sentiment rally coming from the Asian session yesterday. We did get the US's NFIB small business sentiment survey, but that was a little better, as expected. The strong labour market component was known last week.

German trade data showed positive exports and imports and didn't move markets; neither did the small upward revision to Q2 GDP for the Euro area.

Yesterday, NAB's business survey showed a jump higher in business conditions (+11 from +6) but confidence was lower (+1 from +4). Conditions were at their highest since 2009, with trading and profitability higher; employment remains subdued. Confidence appears to have suffered from the equity market weakness and concerns regarding China's growth. The AUD responded positively to the survey.

Interestingly, the AUD failed to respond to the very weak China import data. The headline trade surplus for China was very good, but that was due to a sharp slump in imports, rather than a pick-up in exports. One explanation could be the decline was due to the port explosion and fire closing the world's 4th largest port and preventing imports from entering China. This may be the reason behind AUD's lack of response. Or it may be a sign of just how short the market is already.

The global financial institutions continue to call on the US to delay its tightening cycle. This time it was the World Bank (last time it was the IMF). They worry about the impact this will have on emerging markets. This was a worry that the Fed's Williams noted yesterday, amongst the positive comments regarding the improved domestic economy. It is becoming more difficult for policy markets to make decisions independent of the global economy now. Although the impact the recent ructions have had on domestic financial conditions (as Williams noted) via equity prices and the stronger USD, show the direct domestic linkages. The longer they put it off,

the happier markets will be; until the day comes that they actually have to start.

Coming Up

We start to get more information flow on the domestic side today, with consumer confidence and home loans. However, it is the RBA speakers than might get more attention. The RBA's Deputy Governor Lowe is speaking at an economics function and could cover the present economy or a broader topic. With a lot of uncertainty around regarding the economic outlook, it has the potential to impact markets. Following this, in London, RBA's Assistant Governor Debelle is speaking at an event covering the FX Code of Conduct. Any move off topic might be market moving.

GBP has been an outperformer of late, which raises the risks of any weaker industrial production or trade data.

For EUR, and after last week's market moving Draghi comments, the ECB's Chief Economist Praet is speaking. He has a tendency to try and direct market thinking if the ECB has a particular agenda.

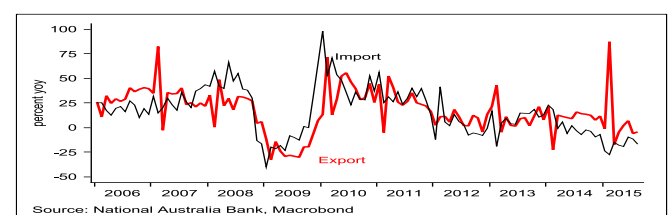
RBNZ decision is released as we come in tomorrow. The consensus is completely agreed in looking for 25bp of easing to 2.75%. The thing to watch is the change in the growth and inflation outlook and what that implies for the path of policy ahead. Our BNZ colleagues look for a lower GDP outlook but higher inflation. The market reaction is likely to depend on when the following easing is suggested in the rate path, as yet that is not fully priced for October.

Overnight

On global stock markets, the S&P 500 was +2.40%. Bond markets saw US 10-years +7.08bp to 2.20%. On commodity markets, Brent crude oil +3.82% to \$49.45, gold +0.0% to \$1,121, iron ore +1.0% to \$57.42. AUD is at 0.7028 and the range was 0.6923 to 0.704.

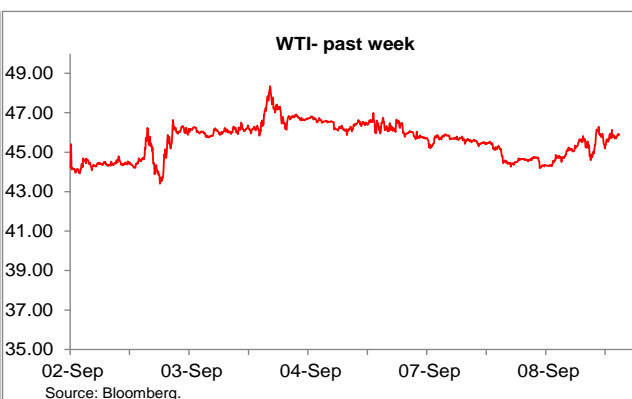
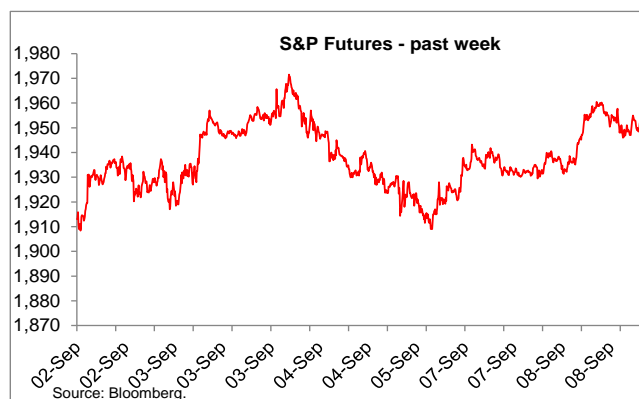
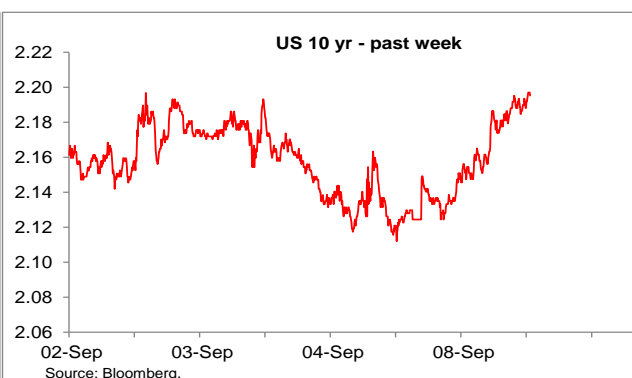
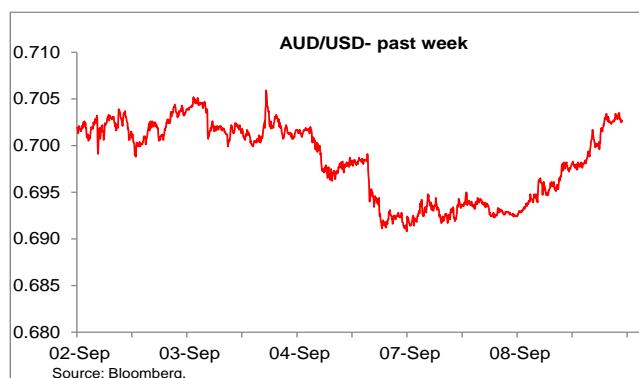
- China imports -13.8%yA, -7.9E, -8.1P
- China exports -5.5%yA, -6.6E, -8.3P
- US NFIB business survey 95.9A, 96E, 95.4P
- German Trade 25bnA, 23.5E, 24P
- EU GDP revision 0.4%qA, 0.3E, 0.3P

Chart of the Day:



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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			
AUD	0.7027	1.5	0.6923	0.7040	HKD	7.7511 0.0	Dow	16,489	+2.4	-3.8	Oil (Brent)	49.45	3.8
NZD	0.6352	1.5	0.6259	0.6356	CNY	6.3676 0.0	S&P 500	1,967	+2.4	-2.0	Oil (WTI)	45.89	-0.3
EUR	1.1203	0.3	1.1153	1.1230	SGD	1.4175 -0.7	Nasdaq	4,812	+2.7	5.0	Oil (Tapis)	49.98	0.5
GBP	1.5400	0.8	1.5271	1.5413	IDR	14,280 0.1	FTSE	6,146	+1.2	-10.1	Gold	1121.40	0.0
JPY	119.91	0.5	118.86	120.23	THB	36.01 -0.3	DAX	10,271	+1.6	5.3	CRB	198.39	0.9
CAD	1.3204	-0.8	1.3185	1.3309	KRW	1,201 -0.3	CAC 40	4,598	+0.5	2.8	GS Metals	278.7	2.7
AUD/EUR	0.6273	1.2			TWD	32.80 0.1	Nikkei	17,427	-2.4	10.7	Aluminium	1612	1.8
AUD/JPY	84.26	2.0			PHP	46.91 0.0	Shanghai	3,170	+2.9	36.3	Copper	5366	3.9
AUD/GBP	0.4563	0.7			CHF	0.98 0.5	Hang Seng	21,259	+3.3	-15.6	Nickel	9977	2.5
AUD/NZD	1.1064	0.0			SEK	8.40 -0.5	ASX 200	5,115	+1.7	-8.8	Zinc	1811	2.3

Interest Rates					Benchmark 10 Year Bonds				Overnight Futures			CO ₂ Emissions - Euros		
Indicative Swap Rates														
	Cash	3mth	2Yr	10Yr		Last	chge	Spnd		Last	Chge		Last	% day
USD	0.25	0.33	0.86	2.22	USD 10	2.20	0.07		Australia					
AUD	2.00	2.17	2.01	3.04	AUD 10	2.67	0.01	0.47	3 mth bill	97.86	-0.01			
NZD	3.00	2.88	2.81	3.62	NZD 10	3.29	0.01	1.09	3 Yr bond	98.17	-0.03			
EUR	0.05	0.06	0.08	1.01	CAD 10	1.48	0.04	-0.72	10 Yr bonc	97.28	-0.02			
GBP	0.50	0.59	1.02	1.93	EUR 10	0.68	0.00	-1.52	3/10 sprd	0.89	-0.01			
JPY	0.10	0.09	0.12	0.53	GBP 10	1.84	0.03	-0.36	SPI	44.0	0.9			
CAD	0.50	1.17	0.73	1.93	JPY 10	0.36	-0.02	-1.84						

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, 9 September 2015								
US	Fed's Kocherlakota (nv) speaks on Monetary Policy							7.15
UK	BRC Shop Price Index YoY	Aug				-1.4%	23.01	9.01
AU	Westpac Consumer Conf Index	Sep				99.5/7.8%	0.30	10.30
AU	Home Loans MoM	Jul	1.00%	0.8%		4.4%	1.30	11.30
AU	RBA's Philip Lowe, Deputy Governor, speaks at CEDA event, Melbourne (no title as yet)						3.10	13.10
JN	Consumer Confidence Index	Aug		40.5		40.3	5.00	15.00
JN	Machine Tool Orders YoY	Aug P				1.7%	6.00	16.00
UK	Industrial Production MoM/YoY	Jul		0.2%/0.5%		-0.4%/1.5%	8.30	18.30
UK	Trade Balance	Jul		£1950		£1601	8.30	18.30
AU	Briefing by RBA's Guy Debelle, Assistant Governor (Financial Markets), on FX Global Code of Conduct, London						9.00	19.00
US	MBA Mortgage Applications	Sep-04					11.00	21.00
CA	Housing Starts	Aug		190.5K		193.0K	12.15	22.15
CA	Bank of Canada Rate Decision	Sep-09		0.50%		0.50%	14.00	0.00
US	JOLTS Job Openings	Jul		5300		5249	14.00	0.00
Thursday, 10 September 2015								
NZ	RBNZ Official Cash Rate	Sep-10	2.75%	2.75%		3.00%	21.00	7.00
NZ	Card Spending Retail MoM	Aug	-0.20%			1.1%	22.45	8.45
UK	RICS House Price Balance	Aug		46%		44%	23.01	9.01
JN	Machine Orders MoM	Jul		3.00%		-7.9%	23.50	9.50
AU	Consumer Inflation Expectation	Sep				3.7%	1.00	11.00
NZ	RBNZ Governor Wheeler at NZ Parliament Select Committee on monetary policy statement						1.10	11.10
AU	Employment Change	Aug	6K	5K		38.5K	1.30	11.30
AU	Unemployment Rate	Aug	6.20%	6.20%		6.3%	1.30	11.30
CH	CPI/PPI YoY	Aug		1.8%/-5.6%		1.6%/-5.4%	1.30	11.30
UK	Bank of England Bank Rate	Sep-10	0.50%	0.50%			11.00	21.00
CA	Capacity Utilization Rate	2Q		81.70%		82.7%	12.30	22.30
CA	New Housing Price Index MoM	Jul		0.20%		0.3%/1.3%	12.30	22.30
US	Initial Jobless Claims	Sep-05		275K		282K	12.30	22.30
US	Wholesale Inventories MoM	Jul		0.30%		0.9%	14.00	0.00
Friday, 11 September 2015								
NZ	BNZ-BusinessNZ Manufacturing PMI	Aug				53.5	22.30	8.30
NZ	Food Prices MoM	Aug	flat			0.6%	22.45	8.45
JN	BSI Large All Industry QoQ	3Q				-1.2	23.50	9.50
NZ	Non Resident Bond Holdings	Aug				69.7%	3.00	13.00
GE	Wholesale Price Index MoM/YoY	Aug				0.1%/-0.5%	6.00	16.00
GE	CPI MoM/YoY	Aug F		0.0%/0.2%		0.0%/0.2%	6.00	16.00
UK	BoE's Forbes Speaks in Cardiff						11.30	21.30
US	PPI Final Demand MoM	Aug		-0.1%		0.2%	12.30	22.30
US	U. of Mich. Sentiment	Sep P		91.2		91.9	14.00	0.00
US	Monthly Budget Statement	Aug		\$-84.1B			18.00	4.00
Sunday, 13 September 2015								
CH	Retail Sales YoY	Aug		10.60%		10.5%	5.30	15.30
CH	Industrial Production YoY	Aug		6.30%		6.0%	5.30	15.30
CH	Fixed Assets Ex Rural YTD YoY	Aug		11.20%		11.2%	5.30	15.30
Monday, 14 September 2015								
NZ	Performance Services Index	Aug				56.5	22.30	8.30
AU	Credit Card Purchases/Balances	Jul				\$A25.5B/\$51.5B	1.30	11.30
JN	Tertiary Industry Index MoM	Jul				0.30%	4.30	14.30
EC	Industrial Production SA MoM/WDA YoY	Jul				-33.33%	9.00	19.00
CA	Teranet/National Bank HPI MoM	Aug				1.20%	12.30	22.30
CH	Foreign Direct Investment YoY CNY	Aug				5.20%	14.00	0.00
CA	Bloomberg Nanos Confidence	Sep-11					14.00	0.00
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
EC	EU27 New Car Registrations	Aug				14.6%	6.00	16.00
UK	CPI MoM/YoY	Aug				-0.2%/0.1%	8.30	18.30
UK	CPI Core YoY	Aug				1.2%	8.30	18.30
UK	ONS House Price YoY	Jul				5.7%	8.30	18.30
EC	Trade Balance SA	Jul				21.9B	9.00	19.00
EC	Employment QoQ/YoY	2Q				0.1%/0.8%	9.00	19.00
GE	ZEW Survey Current Situation	Sep				65.7	9.00	19.00
GE	ZEW Survey Expectations	Sep				25	9.00	19.00
US	Retail Sales Advance MoM/Ex Auto and Gas MoM	Aug		0.4%/..		0.6%/0.4%	12.30	22.30
US	Empire Manufacturing	Sep		0		-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	Capacity Utilization	Aug		77.7%		78.0%	13.15	23.15
JN	BOJ Annual Rise in Monetary Base	Sep-15				¥80T	14.00	0.00
Upcoming Central Bank Interest Rate Announcements								
UK BOE		10-Sep				0.50%		
New Zealand, RBNZ		10-Sep	2.75%	2.75%		3.00%		
Canada, BoC		10-Sep				0.50%		
Japan, BoJ		15-Sep	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
US Federal Reserve		18-Sep				0-0.25%		
Australia, RBA		6-Oct	2.00%	2.00%		2.00%		
Europe ECB		22-Oct				0.05%		

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

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