



Markets Today

A daily outlook for Australia, key global economies and markets

10 September 2015

Is the Fed now pencil-dependent?

The RBNZ has just delivered a universally expected 25-point cut to the OCR (to 2.75%) and says both that some further easing seems likely and that further currency depreciation is appropriate. This takes a bite out of pre-RBNZ NZD strength.

It's a little confusing (to say the least) making easy sense of last night's market moves, that saw US stock indices jump 1% at the NYSE open and following on from the Nikkei-inspired surge in Asia and European bourses, only to leak lower throughout the session with the S&P closing down about 1.5%.

For those who have a life outside following the tick-by-tick gyrations in global markets at 5:00am, they would be forgiven for thinking that a surge in US job openings as reported in the JOLTS report (a known Yellen labour market favourite) and to its highest level since at least 2001 (Bloomberg data doesn't go back further this) caused equity markets to freak out at heightened prospects of the Fed now proceeding to lift rates next week. That would be plain wrong. Equity (and bond yield) intra-day highs were in place at least an hour before the report was released. US data watchers in any event are noting that the rise in job openings (by almost 500,000 in July) was dominated by low paying jobs (i.e. in the retail and hospitality sectors), that the rate of hiring did not improve materially, and too that the 'quit-rate' (another Yellen favourite that measures how confident folks are of leaving one job and easily finding another) didn't rise at all.

In fact, it looks to be no coincidence that equity markets turned lower almost immediately Apple commenced its latest product unveiling, that featured an updated iPhone, revamped Apple TV and bigger iPad including a new \$99 pencil (sorry, stylus). Stock market investors were clearly unimpressed, marking Apple's stock down from above \$114 to below \$110 in the last two hours of New York trade, and dragging the broader indices down with it. As the Zero Hedge website quips this morning – is the Fed now pencil-dependent?

On the subject of the Fed and after the IMF and World Bank implored the Fed not to lift rates this month, Paul Krugman and Larry Summers the latest to weigh in on the same side of the debate. We suspect Mr Krugman is more likely to be proved right on the Fed than his other big call this week – that Australia may be heading into recession and that the RBA should be thinking about cutting rates. For our colleague Peter Jolly's rebuff of Krugman, please see our report published yesterday "7 reasons why Paul Krugman is wrong" – or ask us for a copy.

All up US yields – and September Fed 'lift-off probabilities' – aren't much changed over the past 24 hours (2 yr. yields up less than 0.5bp and 10s less than 2bps). In currencies, The NZD has benefited most from the 'risk-on' tone that Europe

and the US inherited from Japan and was the standout performer heading into the RBNZ decision. AUD gave back some of its Asia gains to be flat on 24 hours ago, while Sterling eased back after poor industrial production and trade data. CAD lost ground despite BoC inaction.

Coming Up

Post the RBNZ decision, we now have an appearance by Governor Wheeler before a parliamentary committee, testifying on today's Monetary Policy Statement (11:10 AEST).

The Australian labour market release, due at 11.30am AEST, has of late been a significant market mover, being ranked a top-5 data influence on the AUD/USD and short dated yields in the past year.

Despite the inherent volatility in the data, we expect markets to remain sensitive given they are still pricing a 60% chance the RBA will cut rates by December 2015 – not a view NAB shares (we ascribe no more than a 20% chance to further RBA easing this year).

The consensus expectation is for employment growth of +5k m/m and for the unemployment rate to fall to 6.2%. NAB expects employment to print slightly stronger at +6k m/m. We are in line with consensus on unemployment.

We'd judge there to be more upside for the AUD (and money market rates) on a stronger than expected report than downside on a weak one, given the aforementioned state of play regards market pricing for RBA cut(s).

Offshore tonight, we'll get the latest Bank of England rates decision with the simultaneous release of the minutes and voting record. The market expects to see an 8:1 vote, with Ian Mcafferty again dissenting in favour of an immediate tightenin0067, as he did for the first time in August.

In the US, we just have weekly jobless claims and wholesale inventories. Note Fed officials have now entered their customary pre-FOMC purdah, with the decision now less than a week away.

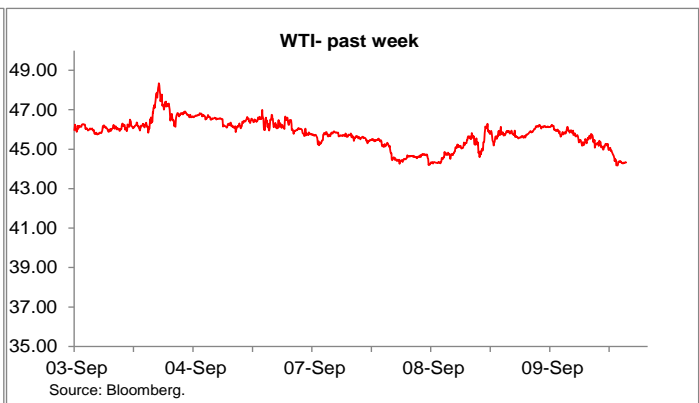
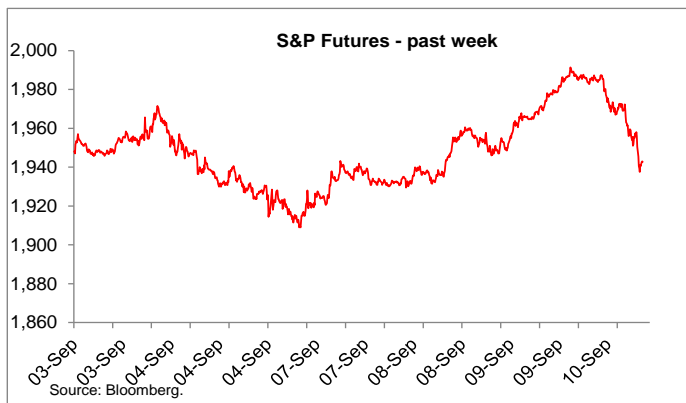
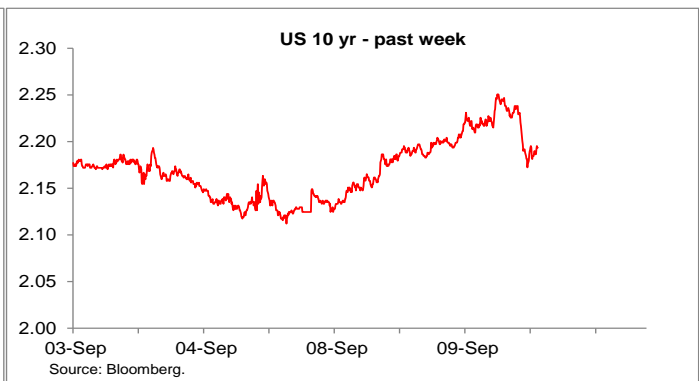
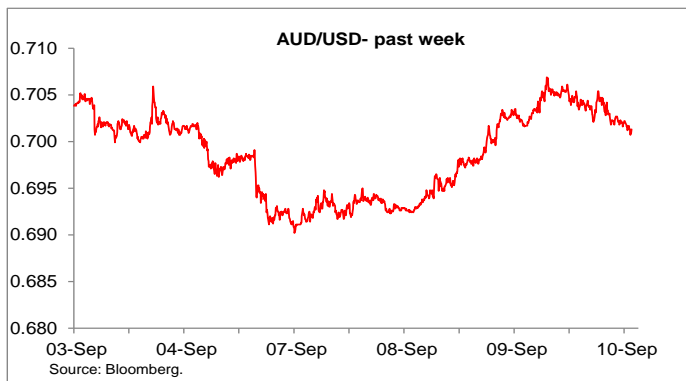
Overnight

On global stock markets, the S&P 500 was -1.40%. Bond markets saw US 10-years +1.07bp to 2.19%. On commodity markets, Brent crude oil -3.63% to \$47.72, gold-1.3% to \$1,106, iron ore +1.3% to \$58.18. AUD is at 0.6991 and the range was 0.6989 to 0.7070.

- Bank of Canada leaves policy unchanged at 0.5%.
- UK industrial production -0.4% (0.1%E, -0.4% P); manufacturing production -0.3% (0.2%E, 0.2 %P)
- UK global trade deficit £11.1bn (-£9.5bn E, -£8.5bn P r)

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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="2">Other FX</th> </tr> <tr> <th>Last</th> <th>% chge</th> <th>Low</th> <th>High</th> <th>Last</th> <th>% chge</th> </tr> </thead> <tr> <td>AUD</td> <td>0.7017</td> <td>0.0</td> <td>0.7006</td> <td>0.7070</td> <td>HKD</td> <td>7.7515</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.6392</td> <td>0.8</td> <td>0.6339</td> <td>0.6425</td> <td>CNY</td> <td>6.3782</td> <td>0.2</td> </tr> <tr> <td>EUR</td> <td>1.1208</td> <td>0.0</td> <td>1.1132</td> <td>1.1216</td> <td>SGD</td> <td>1.4170</td> <td>0.0</td> </tr> <tr> <td>GBP</td> <td>1.5368</td> <td>-0.2</td> <td>1.5350</td> <td>1.5405</td> <td>IDR</td> <td>14,262</td> <td>-0.1</td> </tr> <tr> <td>JPY</td> <td>120.55</td> <td>0.6</td> <td>119.81</td> <td>121.20</td> <td>THB</td> <td>36.21</td> <td>0.5</td> </tr> <tr> <td>CAD</td> <td>1.3250</td> <td>0.3</td> <td>1.3155</td> <td>1.3264</td> <td>KRW</td> <td>1,189</td> <td>-0.9</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6260</td> <td>-0.1</td> <td></td> <td></td> <td>TWD</td> <td>32.56</td> <td>-0.7</td> </tr> <tr> <td>AUD/JPY</td> <td>84.52</td> <td>0.6</td> <td></td> <td></td> <td>PHP</td> <td>46.90</td> <td>0.0</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4565</td> <td>0.2</td> <td></td> <td></td> <td>CHF</td> <td>0.98</td> <td>-0.3</td> </tr> <tr> <td>AUD/NZD</td> <td>1.0959</td> <td>-0.8</td> <td></td> <td></td> <td>SEK</td> <td>8.40</td> <td>-0.1</td> </tr> </table>							Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.7017	0.0	0.7006	0.7070	HKD	7.7515	0.0	NZD	0.6392	0.8	0.6339	0.6425	CNY	6.3782	0.2	EUR	1.1208	0.0	1.1132	1.1216	SGD	1.4170	0.0	GBP	1.5368	-0.2	1.5350	1.5405	IDR	14,262	-0.1	JPY	120.55	0.6	119.81	121.20	THB	36.21	0.5	CAD	1.3250	0.3	1.3155	1.3264	KRW	1,189	-0.9	AUD/EUR	0.6260	-0.1			TWD	32.56	-0.7	AUD/JPY	84.52	0.6			PHP	46.90	0.0	AUD/GBP	0.4565	0.2			CHF	0.98	-0.3	AUD/NZD	1.0959	-0.8			SEK	8.40	-0.1
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 | Major Indices | | | | |---------------|--------|-------|-------| | | Last | % day | % y/y | | Dow | 16,254 | -1.4 | -4.5 | | S&P 500 | 1,942 | -1.4 | -2.3 | | Nasdaq | 4,757 | -1.2 | 4.5 | | FTSE | 6,229 | +1.3 | -8.8 | | DAX | 10,303 | +0.3 | 6.1 | | CAC 40 | 4,665 | +0.4 | 4.8 | | Nikkei | 18,771 | +7.7 | 18.9 | | Shanghai | 3,243 | +2.3 | 39.9 | | Hang Seng | 22,131 | +4.1 | -10.4 | | ASX 200 | 5,221 | +2.1 | -6.3 | | | | | | | Last | % day | |-------------|---------|-------| | Oil (Brent) | 47.72 | -3.6 | | Oil (WTI) | 44.33 | -3.5 | | Oil (Tapis) | 49.95 | -0.1 | | Gold | 1106.30 | -1.3 | | CRB | 195.80 | -1.3 | | GS Metals | 279.5 | 0.3 | | Aluminium | 1611 | -0.1 | | Copper | 5382 | 0.3 | | Nickel | 10072 | 1.0 | | Zinc | 1813 | 0.2 | | Ch. steel | 1946 | -0.9 | | Iron ore | 58.2 | 1.3 | | Coal | 57.8 | -0.5 | | Wheat Chic. | 472.3 | -0.6 | | Sugar | 11.43 | 3.3 | | Cotton | 63.32 | 0.0 | | Coffee | 121.1 | 0.1 | | | || | Interest Rates | | | | Benchmark 10 Year Bonds | | | | |-----------------------|------|------|------|-------------------------|--------|------|------| | Indicative Swap Rates | | | | Last | chge | Spnd | | | | Cash | 3mth | 2Yr | 10Yr | | | | | USD | 0.25 | 0.33 | 0.86 | 2.20 | USD 10 | 2.19 | 0.01 | | AUD | 2.00 | 2.17 | 2.03 | 3.04 | AUD 10 | 2.74 | 0.07 | | NZD | 3.00 | 2.87 | 2.84 | 3.66 | NZD 10 | 3.34 | 0.00 | | EUR | 0.05 | 0.06 | 0.08 | 1.01 | CAD 10 | 1.49 | 0.02 | | GBP | 0.50 | 0.59 | 1.03 | 1.94 | EUR 10 | 0.70 | 0.02 | | JPY | 0.08 | 0.09 | 0.11 | 0.53 | GBP 10 | 1.87 | 0.03 | | CAD | 0.50 | 1.17 | 0.75 | 1.92 | JPY 10 | 0.37 | 0.01 | | | | | | | | Overnight Futures | | | |-------------------|-------|-------| | | Last | Chge | | Australia | | | | 3 mth bill | 97.77 | -0.06 | | 3 Yr bond | 98.14 | 0.00 | | 10 Yr bonc | 97.26 | -0.02 | | 3/10 sprd | 0.88 | 0.02 | | SPI | -87.0 | -1.7 | | | | | CO ₂ Emissions - Euros | | | |-----------------------------------|------|-------| | | Last | % day | | Jun-2015 | 8.31 | 0.4 | | Dec-2015 | 8.28 | 0.4 | | Dec-2016 | 8.36 | 0.4 | | | |

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
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%		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
US	Business Inventories	Jul		0.20%		0.8%	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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