

Markets Today

A daily outlook for Australia, key global economies and markets

1 September 2015

Would I lie to you

Equity markets harboured something of a defensive tone, but the oil market kicked higher again on the little to no fundamental news, signs of a classic short squeeze. There were reports of an OPEC bulletin indicating some preparedness to talk to other producers to achieve fair prices, but this bulletin hasn't been the key mouthpiece for OPEC before. In any case, OPEC output has continued to increase a little. In recent weeks however, we have seen tentative signs from weekly US production that shale output might be peaking. (See chart in enclosed pdf.)

In any case, oil prices jumped by over \$3/bbl for both WTI and Brent, WTI up to \$48.32 and Brent to \$53.06, the third day of this squeeze higher in prices. This spilled over into strength in the CAD (+0.79%), NOK (+0.51%) and the RUB (+4.25%). The NZD (-1.15%) and the AUD have been pushed lower (-0.85%) against the USD that has been little changed overall. US Treasury yields rose in tandem with oil prices with the market shading higher the pricing of a Sept FOMC hike to 24%.

No especially large data points overnight with the EC preliminary CPI a tenth higher than expected for headline and core and an unchanged Chicago PMI.

Coming up today/tonight

Two major focus points for the markets today: the official China PMIs at 11.00 – with particular focus on manufacturing – and then the RBA Board decision/statement at 2.30. In between comes some more quarterly pre-GDP partials, net exports and government spending together with July building approvals. There is also August CoreLogic RP Data house prices (expect 0.3-0.4%) being released at 10am (together with QVNZ NZ house prices at 10am) and the AU AiG PMI Manufacturing report first up at 9.30.

China's official Manufacturing PMI for August (11.00 AEST) will be under the big spotlight this morning. There's always been some suspicion this series has been far too smooth and not picking up the economy's manufacturing variations. The market is looking for a slight pull-back to 49.7 from 50 within a range of 49.2-50. With all estimates bar one below 50, the surprise for markets would be a higher than expected outcome. Should it be a low one estimate, since 2010, the minimum of this index has been 49 (Nov '11) and since the start of last year, the lowest has been 49.8. You'd need a low 49s number (sub 49.5) to signal weakness. Recall that the preliminary Caixin private sector PMI printed at a low 47.1; its final estimate is being released at 11.45.

As far as Aussie data at 11.30 is concerned, we look for net exports to have detracted 0.3% points from GDP growth in Q2 (as does the market); we also expect that real government spending rose 0.4% in Q2.

Then the focus turns to the RBA announcement at 2.30 and the statement. Clearly market volatility will get plenty of discussion and we expect China to continue to be discussed. The RBA clearly has China under close scrutiny, but for Australia, we have not seen steady iron ore prices this past month and the AUD has been cushioning the blow, something the RBA even recognised

in last month's statement. As for the domestic economy, high frequency data suggests there's been some further evidence of growth from the likes of retail sales, housing activity, the labour market and business activity. More reasons overall to hold rates steady again. Today's statement should not require only some marginal refinement.

After the Final Euro-zone PMIs tonight, the major focus will be the US ISM Manufacturing report for August, the first of the US major indicator doubles for this week. There were several more regional PMIs overnight, a virtually unchanged Chicago PMI, but a weaker Dallas Fed manufacturing survey (oil downturn effects?). The market is looking for the overall index to be virtually unchanged at 52.8 from 52.7.

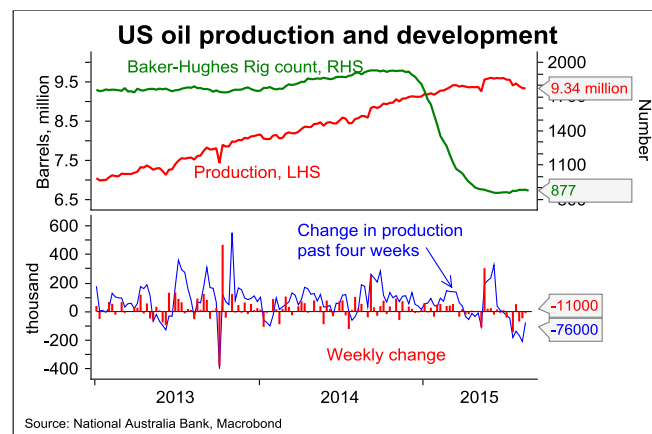
Overnight

- Oil jumped again: Eurostoxx 600 -0.1%, Dax -0.4%, CAC -0.5%, FTSE +0.9%. Dow -115 points to 16,528, -0.7%, S&P 500 -0.7%, Nasdaq -0.8%, VIX 28.43 +9.1%. Mumbai -0.8%, Nikkei 225 -1.1% and ASX 200 -1.1%; ASX SPI futures this morning -0.4%. US bond yields: 2s at 0.74% (2), 10s at 2.22% (+4). WTI oil at \$48.14 (+6.5%), Brent at \$52.97 (+5.8%), Malaysian Tapis (yesterday) \$49.46 (+2.8%). Gold at \$1133.90/oz (-0.0%). Base metals: LME copper -0.1%, nickel +0.0%, aluminium +2.8%. Iron ore \$56.2/t +0.3% Chinese steel rebar futures +0.1%. Soft commodities spot futures: wheat -0.3%, sugar -2.6%, cotton +0.0%, coffee 0.2%. Euro Dec 14 CO2 emissions at €8.08/t (-0.5%). The AUD/USD's range overnight 0.7082-0.7150; indicative range today 0.7075-0.7150; the AUD/USD is 0.7110 now**
- India's GDP (Q2) 7.0% (L: 7.5%; E: 7.4%)**
- EC CPI (Aug) 1.0% y/y (L: 1.0%; E: 0.9%); core CPI 1.0% (L: 1.0%; E: 0.9%); Chicago PMI (Aug) 54.4 (L: 54.7; E: 54.8)**

Good luck.

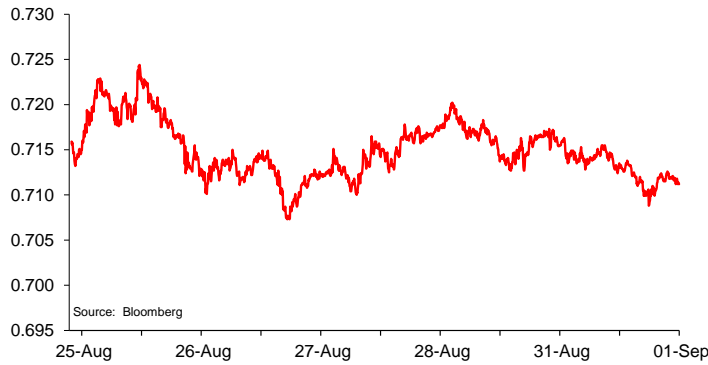
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Chart of the day: Hints that US oil production may be peaking

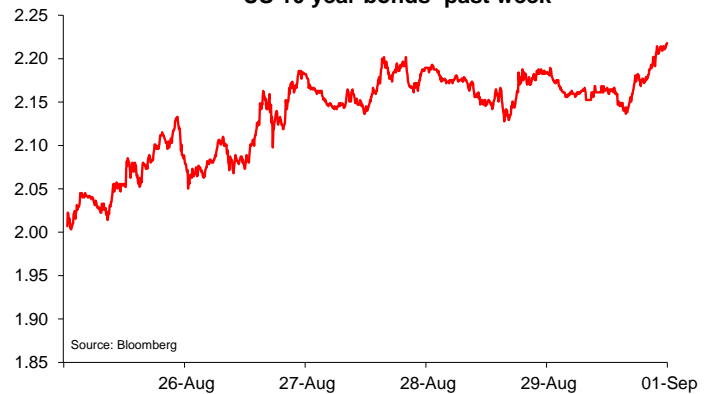


Markets

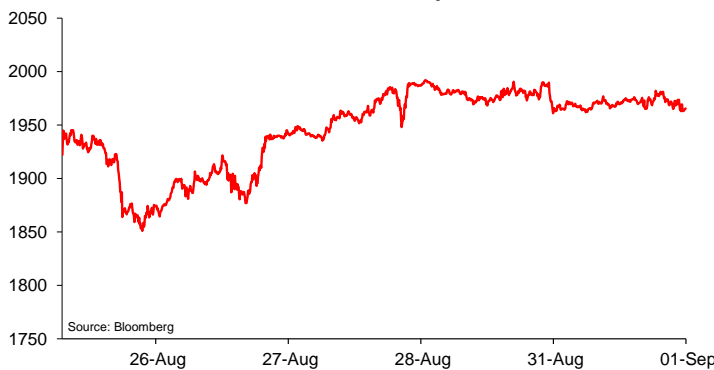
AUD/USD- past week



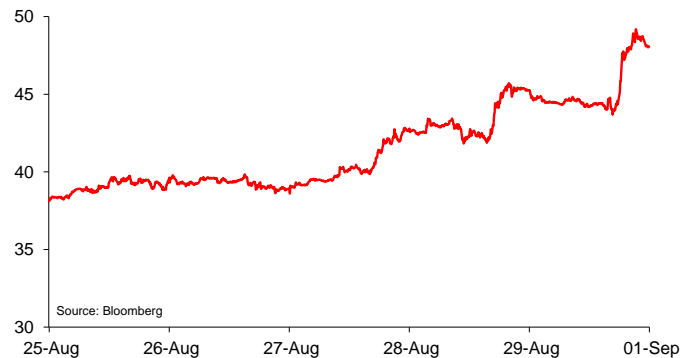
US 10 year bonds- past week



S&P 500 futures- past week



WTI futures- past week



Foreign Exchange

Indicative 24hr ranges (**)				Other FX		
	Last	% chge	Low	High	Last	% chge
AUD	0.7110	0.0	0.7107	0.7113	HKD	7.7500 0.0
NZD	0.6345	-1.1	0.6320	0.6416	CNY	6.3765 0.0
EUR	1.1211	0.0	1.1180	1.1245	SGD	1.4116 -0.1
GBP	1.5344	-0.5	1.5329	1.5424	IDR	14,120 0.4
JPY	121.27	0.0	121.08	121.42	THB	35.79 -0.1
CAD	1.3140	-0.8	1.3117	1.3327	KRW	1,183 0.0
AUD/EUR	0.6342	-0.3			TWD	32.49 -0.1
AUD/JPY	86.22	-0.3			PHP	46.74 -0.1
AUD/GBP	0.4632	0.1			CHF	0.97 0.3
AUD/NZD	1.1205	0.8			SEK	8.48 0.1

Equities

Major Indices			
	Last	% day	% year
Dow	16,528	-0.7	-3.3
S&P 500	1,972	-0.8	-1.6
Nasdaq	4,777	-1.1	4.3
VIX Index	28.43	9.1	137.3
FTSE	6,248	0.9	-8.4
DAX	10,259	-0.4	8.3
CAC 40	4,653	-0.5	6.2
Nikkei	18,890	-1.3	22.1
Shanghai	3,206	-0.8	43.4
Hang Seng	21,671	0.3	-12.4
ASX200	5,207	-1.1	-7.5

Commodities*

	Last	% day
Oil (Brent)	52.97	5.8
Oil (WTI)	48.14	6.5
Oil (Tapis)	49.46	2.8
Gold	1133.90	0.0
CRB	202.09	2.5
GS Metals	273.5	0.0
Aluminium	1603	2.8
Copper	5135	-0.1
Nickel	10060	0.0
Zinc	1810	3.3
Ch. steel	1962	0.1
Iron ore	56.2	0.3
St. coal	61.8	n.a.
Wheat Chic.	490.3	-0.3
Sugar	10.69	-2.6
Cotton	63.00	0.0
Coffee	124.3	0.2

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.25	0.33	0.89	2.27	USD 10	2.22	0.04
AUD	2.00	2.15	1.97	3.04	AUD 10	2.66	-0.07 0.45
NZD	3.00	2.93	2.78	3.58	NZD 10	3.23	0.01 1.01
EUR	0.05	0.06	0.10	1.12	CAD 10	1.49	0.05 -0.72
GBP	0.50	0.59	1.04	2.02	EUR 10	0.80	0.06 -1.42
JPY	0.09	0.09	0.13	0.57	GBP 10	1.96	0.00 -0.26
CAD	0.50	1.17	0.73	1.88	JPY 10	0.38	0.00 -1.84

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.90	0.00
3 Yr bond	98.2	-0.03
10 Yr bond	97.28	0.03
3/10 sprd	0.92	-0.06
SPI	-21.0	-0.4

CO₂ Emissions - Euros

	Last	% day
Dec-2015	8.08	-0.5
Dec-2016	8.16	-0.5
Dec-2017	8.28	-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
Tuesday, 1 September 2015								
NZ	Terms of Trade Index QoQ	2Q	-3.7%	-2.0%		1.5%	22.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Aug-30				113	23.30	9.30
JN	Capital Spending Ex Software	2Q		11.3%		8.1%	23.50	9.50
AU	CoreLogic RP Data House Px MoM	Aug	0.4%			2.8%	0.00	10.00
NZ	QV House Prices YoY	Aug				10.10%	0.00	10.00
CH	Manufacturing PMI	Aug		49.7		50	1.00	11.00
CH	Non-manufacturing PMI	Aug				53.9	1.00	11.00
AU	BoP Current Account Balance	2Q	-14.9B	-16.0B		-10.7B	1.30	11.30
AU	Net Exports of GDP	2Q	-0.3%	-0.3		0.5	1.30	11.30
AU	Government Finance Statistics	2Q	0.4%			0.2%	1.30	11.30
AU	Building Approvals MoM/YoY	Jul	2.0%/8.1%	3.0%/9.8%		-8.2%/8.6%	1.30	11.30
JN	Nikkei Japan PMI Mfg	Aug F				51.90%	1.35	11.35
CH	Caixin China PMI Mfg	Aug F		47.2		47.1	1.45	11.45
CH	Caixin China PMI Services	Aug				53.8	1.45	11.45
AU	RBA Cash Rate Target	Sep-01	2.00%	2.00%		2.00%	4.30	14.30
AU	Commodity Index AUD/YoY	Aug				79.5/-20.2%	6.30	16.30
GE	Unemployment Claims Rate SA	Aug		6.40%		6.4%	7.55	17.55
GE	Markit/BME Germany Manufacturing PMI	Aug F		53.2		53.2	7.55	17.55
EC	Markit Eurozone Manufacturing PMI	Aug F		52.4		52.4	8.00	18.00
UK	Mortgage Approvals	Jul		67.8K		66.6K	8.30	18.30
UK	Markit UK PMI Manufacturing SA	Aug		52		51.9	8.30	18.30
EC	Unemployment Rate	Jul		11.1%		11.1%	9.00	19.00
CA	GDP MoM	Jun		0.3%/--		-0.2%/0.5%	12.30	22.30
CA	RBC Canadian Manufacturing PMI	Aug				50.8	13.30	23.30
US	Markit US Manufacturing PMI	Aug F		52.9		52.9	13.45	23.45
US	Construction Spending MoM	Jul		0.8%		0.1%	14.00	0.00
US	ISM Manufacturing	Aug		52.8		52.7	14.00	0.00
US	Fed's Rosengren Speaks on Economic Outlook						17.10	3.10
Wednesday, 2 September 2015								
JN	Monetary Base YoY	Aug				32.8%	23.50	9.50
NZ	ANZ Commodity Price \$NZ denominated	Aug	+1.5%			-6.7%	1.00	11.00
AU	GDP SA QoQ/YoY	2Q	0.6%/2.3%	0.4%/2.2%		0.9%/2.3%	1.30	11.30
AU	NAB Online Retail Sales Index						1.30	11.30
UK	Markit/CIPS UK Construction PMI	Aug		57.5		57.1	8.30	18.30
EC	PPI MoM/YoY	Jul				-0.1%/-2.2%	9.00	19.00
US	ADP Employment Change	Aug		200K		185K	12.15	22.15
US	Nonfarm Productivity	2Q F		2.5%		1.3%	12.30	22.30
US	ISM New York	Aug				68.8	13.45	23.45
US	Factory Orders / Ex Trans	Jul		5.7%/		1.8%/0.5%	14.00	0.00
US	U.S. Federal Reserve Releases Beige Book						18.00	4.00
Thursday, 3 September 2015								
NZ	Value of All Buildings SA QoQ	2Q	1.00%	0.00%		1.0%	22.45	8.45
AU	AiG Perf of Services Index	Aug				54.1	23.30	9.30
AU	Trade Balance	Jul	-3600M	-3130M		-2933M	1.30	11.30
AU	Retail Sales MoM	Jul	0.5%	0.4%		0.7%	1.30	11.30
JN	Nikkei Japan PMI Composite	Aug				51.5	1.35	11.35
JN	BoJ's Kiuchi speaks in Aomori						1.30	11.30
EC	Markit Eurozone Services PMI	Aug F		54.3		54.3	8.00	18.00
UK	Markit/CIPS UK Composite PMI	Aug				56.6	8.30	18.30
EC	Retail Sales MoM/YoY	Jul				-0.6%/1.2%	9.00	19.00
EC	ECB Main Refinancing Rate	Sep-03				0.1%	11.45	21.45
CA	Int'l Merchandise Trade	Jul		-1.50B		-0.48B	12.30	22.30
US	Initial Jobless Claims	Aug-29				271K	12.30	22.30
US	Trade Balance	Jul		-\$44.30B		-\$43.84B	12.30	22.30
US	Markit US Composite PMI	Aug F				55	13.45	23.45
US	ISM Non-Manf. Composite	Aug		59		60.3	14.00	0.00
Friday, 4 September 2015								
JN	Labor Cash Earnings YoY	Jul				-2.4%	1.30	11.30
GE	Factory Orders MoM	Jul		-0.8%/0.3%		2%/7.2%	6.00	16.00
UK	BoE/GfK Inflation Next 12 Mths	Aug				2.2%	8.30	18.30
CA	Labor Productivity QoQ	2Q				-0.1%	12.30	22.30
US	Fed's Lacker Speaks "The Case Against Further Delay"						12.10	22.10
CA	Unemployment Rate	Aug		6.8%		6.8%	12.30	22.30
US	Change in Nonfarm Payrolls	Aug		218K		215K	12.30	22.30
US	Unemployment Rate	Aug		5.3%		5.3%	12.30	22.30
US	Average Hourly Earnings MoM/YoY	Aug		0.2%/2.0%		0.2%/2.1%	12.30	22.30
US	Average Weekly Hours All Employees	Aug		34.5		34.6	12.30	22.30
CA	Ivey Purchasing Managers Index SA	Aug				52.9	14.00	0.00
WD	G20 Finance Ministers Meeting in Ankara							
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		1-Sep	2.00%	2.00%		2.00%		
Europe ECB		3-Sep				0.05%		
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%		

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

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