



Markets Today

A daily outlook for Australia, key global economies and markets

11 September 2015

Stiff upper lip

It was the makings of a risk-on mood for markets overnight and a night when the Bank of England's Monetary Policy Committee (MPC) was hanging tough about the healthy outlook for the UK economy and still harbouring thoughts of a UK rate rise coming into focus in the first part of next year. The MPC again voted 8:1 to keep policy unchanged and pretty much holding to the positive domestic economic outlook and emerging inflation risks as outlined in last month's Inflation Report.

There was not much net reaction neither from either sterling nor in the gilt market to the BoE, even though they were probably more upbeat than might have been expected. In a night of "risk on", Cable underperformed relative to the likes of the AUD and the Euro.

In the BoE's view, external headwinds must be weighed against the prospects for a continued healthy domestic expansion, the BoE expecting inflation to pick up at around the turn of the year though the drop in oil prices had raised questions about the near term outlook and uncertainty about how the Pound's strength will feed through into prices.

In a night for second tier data releases, US Jobless claims were right in line with expectations printing at 275K while the market had another reminder of the deflationary impact of lower oil prices and the strong dollar on upstream US inflation from still falling import prices. Import prices in August were down another 1.8% and off 11.4% y/y; even excluding petroleum, import prices are down 3.0% y/y, some late inflation mail for the Fed heading into next week's FOMC. There are two big US releases ahead of the FOMC, retail sales Tuesday and CPI Wednesday after consumer sentiment tonight.

The AUD overnight continued on in the wake of yesterday's post-employment report bounce. In a risk-on mood, it's has been a strong performer among the majors, up 0.8%, eclipsing the NZD that was still languishing after yesterday morning's rate cut and the "prepared to do more" tone from RBNZ Governor Wheeler's comments yesterday.

Coming up today/tonight

It's a very light day data wise with some second tier NZ releases. NZ's Manufacturing PMI is first up this morning, due at 8.30 AEST, then NZ food prices for August 15 minutes later, our BNZ colleagues expecting a flat outcome for the month. There is also NZ Non-Resident Bond Holdings data at 13.00.

In Europe there is Germany's second release of its August CPI with no revision expected from its preliminary flat m/m, +0.2% y/y print. The BoE's Forbes is speaking too.

In the US, it's the UoM Consumer Sentiment index preliminary reading for September that will get most of the market's interest among the releases in tonight's session, though the PPI will at least get a glance. Whatever the outcomes, neither is critical as far the Fed deliberations next week are concerned.

For the opening of the Aussie on Monday, Sunday's China activity indicators for August will help set the tone as the market

also positions into the FOMC announcement on Thursday morning. All three Chinese releases have been slowing in trend terms and while steady-to-somewhat better outcomes is the consensus, should they surprise on the downside, there may well be some discounting of that for the impact of the Tianjin explosion and curbs to activity around Beijing to lift air quality (at least if industrial production is weaker). The market has also had growth-supportive comments from China's Premier this week that they are capable of supporting the economy if growth slips out of a reasonable range.

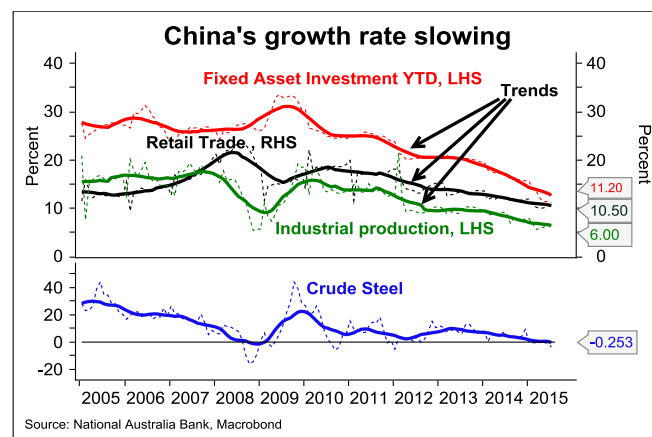
Overnight

- US\$ eases; commodities higher: Eurostoxx 600 -1.2%, Dax -0.9%, CAC -1.5%, FTSE -1.2%. Dow +77 points to 16,330, +0.5%, S&P 500 +0.5%, Nasdaq +0.8%, VIX 24.37 -7.1%. Shanghai -1.4%, Mumbai -1.4%, Nikkei 225 +0.8% and ASX 200 -2.4%; ASX SPI futures this morning +0.4%. US bond yields: 2s at 0.73% (-1), 10s at 2.22% (+2). WTI oil at \$45.72 (+3.6%), Brent at \$48.77 (+2.5%), Malaysian Tapis (yesterday) \$48.66 (-2.6%). Gold at \$1110.70/oz (+0.8%). Base metals: LME copper +0.6%, nickel +3.5%, aluminium +0.5%. Iron ore \$59.0/t +1.4% Chinese steel rebar futures +0.1%. Soft commodities spot futures: wheat +1.2%, sugar -1.0%, cotton +0.2%, coffee -3.9%. Euro Dec 14 CO2 emissions at €8.29/t (0.1%). The AUD/USD's range overnight 0.7021-0.7100; indicative range today 0.7045-0.7100; the AUD/USD is 0.7073 now**
- The Bank of England** again voted 8:1 to keep rates steady
- US Import prices (Aug)** -1.8%/-11.4% (L: -0.9%/-11.4%; E: -1.6%/-11.1%); **Jobless claims (w/e 5/9)** 275K (L: 282K; E: 275K); **Wholesale inventories (Jul)** -0.1% (L: 0.9%; E: 0.3%)
- Canadian house prices (Jul)** +0.1% (L: 0.3%; E: 0.2%), **capacity utilization rate (Q2)** 81.3% (L: 82.7%; E: 81.7%)

Good luck.

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Chart of the day: China's economic activity indicators



Markets

AUD/USD- past week



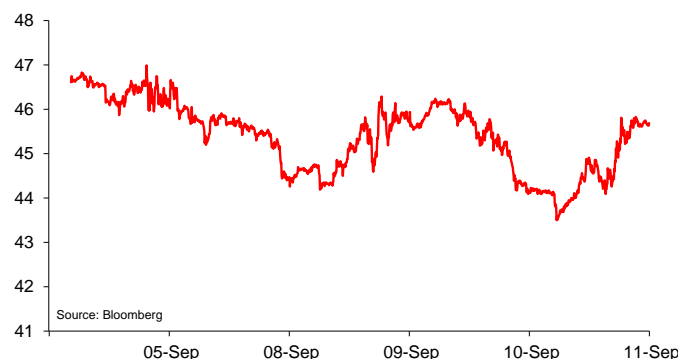
US 10 year bonds- past week



S&P 500 futures- past week



WTI futures- past week



Foreign Exchange

Indicative 24hr ranges (**)				Other FX		
	Last	% chge	Low	High	Last	% chge
AUD	0.7073	0.0	0.7068	0.7073	HKD	7.7501 0.0
NZD	0.6290	-0.1	0.6267	0.6317	CNY	6.3863 0.1
EUR	1.1277	0.8	1.1182	1.1297	SGD	1.4124 -0.2
GBP	1.5443	0.4	1.5376	1.5477	IDR	14,268 -0.2
JPY	120.65	-0.5	120.45	121.29	THB	36.03 -0.3
CAD	1.3241	0.1	1.3175	1.3280	KRW	1,183 -0.3
AUD/EUR	0.6271	-0.8			TWD	32.32 -0.3
AUD/JPY	85.33	-0.5			PHP	46.73 -0.1
AUD/GBP	0.4580	-0.3			CHF	0.97 -0.5
AUD/NZD	1.1245	0.1			SEK	8.37 -0.5

Equities

Major Indices			
	Last	% day	% year
Dow	16,330	0.5	-4.3
S&P 500	1,952	0.5	-2.2
Nasdaq	4,796	0.8	4.6
VIX Index	24.37	-7.1	89.2
FTSE	6,156	-1.2	-9.9
DAX	10,210	-0.9	5.3
CAC 40	4,597	-1.5	3.3
Nikkei	18,300	-2.5	15.0
Shanghai	3,198	-1.4	38.3
Hang Seng	21,563	-2.6	-12.6
ASX 200	5,095	-2.4	-8.1

Commodities*

	Last	% day
Oil (Brent)	48.77	2.5
Oil (WTI)	45.72	3.6
Oil (Tapis)	48.66	-2.6
Gold	1110.70	0.8
CRB	198.01	1.1
GS Metals	281.2	0.6
Aluminium	1638	0.5
Copper	5398	0.6
Nickel	10450	3.5
Zinc	1814	-0.2
Ch. steel	1954	0.1
Iron ore	59.0	1.4
St. coal	61.8	n.a.
Wheat Chic.	486.0	1.2
Sugar	12.27	-1.0
Cotton	63.05	0.2
Coffee	116.4	-3.9

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.25	0.33	0.87	2.24	USD 10	2.22	0.02
AUD	2.00	2.19	2.05	3.08	AUD 10	2.71	-0.03 0.49
NZD	2.75	2.86	2.74	3.60	NZD 10	3.28	0.00 1.06
EUR	0.05	0.06	0.08	1.02	CAD 10	1.49	0.00 -0.73
GBP	0.50	0.59	1.03	1.94	EUR 10	0.70	0.00 -1.53
JPY	0.10	0.09	0.11	0.53	GBP 10	1.87	0.01 -0.35
CAD	0.50	1.17	0.74	1.90	JPY 10	0.35	-0.02 -1.87

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.96	-0.01
3 Yr bond	98.105	-0.02
10 Yr bond	97.22	-0.03
3/10 sprd	0.89	0.01
SPI	21.0	0.4

CO₂ Emissions - Euros

	Last	% day
Dec-2015	8.29	0.1
Dec-2016	8.37	0.1
Dec-2017	8.49	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	Time Period	NAB Forecast	Consensus	Actual	Previous	GMT	AEST
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
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	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/Expectations	Sep				65.7/25	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
US	Business Inventories	Jul		0.20%		0.8%	14.00	0.00
Wednesday, 16 September 2015								
NZ	Current Account GDP Ratio YTD	2Q				-3.6%	22.45	8.45
NZ	BoP Current Account Balance	2Q				0.662B	22.45	8.45
AU	RBA's Guy Debelle gives a speech in Sydney on "Some Current Issues in Financial Markets"						23.30	9.30
AU	Westpac Leading Index MoM	Aug				0.0%	0.30	10.30
JN	Bank of Japan's Monthly Economic Report for September						5.00	15.00
JN	Machine Tool Orders YoY	Aug F					6.00	16.00
UK	Jobless Claims Change	Aug				-4.9K	8.30	18.30
UK	Average Weekly Earnings 3M/YoY	Jul				2.4%	8.30	18.30
UK	ILO Unemployment Rate 3Mths	Jul				5.6%	8.30	18.30
EC	CPI MoM/YoY	Aug				-0.6%/0.2%	9.00	19.00
EC	CPI Core YoY	Aug F				1.0%	9.00	19.00
US	CPI MoM/YoY	Aug		-0.1%/0.3%		0.1%/0.2%	12.30	22.30
US	CPI Ex Food and Energy MoM/YoY	Aug		0.1%/1.9%		0.1%/1.8%	12.30	22.30
CA	Manufacturing Sales MoM	Jul				1.2%	12.30	22.30
US	NAHB Housing Market Index	Sep				61	14.00	0.00
US	Net Long-term TIC Flows	Jul				\$103.1B	20.00	6.00
Upcoming Central Bank Interest Rate Announcements								
UK BOE		10-Sep				0.50%		
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%		
New Zealand, RBNZ		29-Oct	2.50%	2.50%		2.75%		

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

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