



Markets Today

A daily outlook for Australia, key global economies and markets

25 September 2015

Yellen fires up the big dollar again

Another choppy night of trading with hints of risk-off still dogging equity markets and supporting bond markets, while commodities were non-directional with copper down marginally but other metals mostly rose, including the yellow metal. Oil partially made up from yesterday's falls. And just now, the USD has risen after Yellen's rate lift-off still in 2015 comments in a speech just hitting the wires, the AUD trading back down to and below 0.70.

Pre-Yellen, the best performer overnight was the NZD, up 1.22% in the wake of yesterday's announcement from Fonterra increasing its payout, a hint to more confidence in the outlook for milk prices. The AUD made some net gains above 0.70, after initially testing into the mid/lower 0.69s in the London and NY sessions. At the other end of the currency spectrum, the Norges Bank cut rates by 25 bps to 0.75% (the consensus expected no change), unseating the NOK, USD/NOK up 2.44%, spiking higher after the rate cut announcement.

Getting a lot of wire coverage in US markets was the second revenue downgrade from Caterpillar in as many months, coming with job cuts as the oil and gas downturn bites into this key equipment supplier's earnings. Their stock fell 6.27%.

Data released overnight was important but did not significantly skew currencies and markets. The German Ifo Business survey remained upbeat but came before the VW issues. US durable goods orders were in line with expectations, as were jobless claims, while the one really strong growth stand out of the US economy remained housing with new home sales up 5.7%, higher than expectations. The Atlanta Fed's *GDPNow* estimate for Q3 US GDP now stands at 1.4%, down from 1.5% as at Sep 17, still well below the Blue Chip consensus of 2.5%, though there is still key August and of course September data to come.

As we said above and as we go to print, Fed Chair Yellen speech is hitting the wires. Scanning the headlines, her comments have a USD-supportive (though familiar) and that's how the FX market has initially traded: she's still saying lift-off appropriate later this year; outlook data dependent; below 2% inflation still likely due to transitory factors; strategy to tighten at gradual pace; most including myself expect 2015 lift-off; not far away from full employment; prospects appear solid. .

Coming up today/tonight

Japanese inflation data is the main watch point this morning with the national CPI for August, Tokyo CPI for Sep. National CPI is expected to be a point weaker at 0.1% but core ex-fresh food and energy CPI a point higher at 0.7%. That's all at 9.30. There is also Japanese PPI at 9.50.

In Europe, it's light on for data and events. The ECB's and Deutsche Bundesbank President Dr Jens Weidmann is at a Florence conference; overnight has was saying that the "exaggerated" deflation fear has now receded, so no support for more QE. In the US, Fed President James Bullard (a non-voter this year and next) is speaking; he said the night before that the Fed is playing "bad baseball" and that "inflation's going to return

to target and our policies are a long ways out of position compared to where we should be". There is a possible further revision to Q2 US GDP, that Markit's version of the Services PMI and more importantly the UoM Consumer Sentiment preliminary reading for September's Consumer Sentiment, the market looking for a small 0.8 point bounce after last month's disappointment when sentiment in this survey fell nearly six points in the wake of equity market volatility; the alternative Conference Board measure follows the labour market more closely and it rose in August.

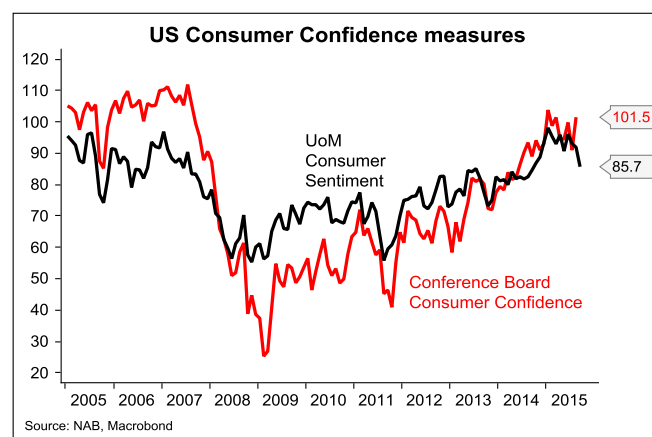
Overnight

- **AUD falls back to 0.70 as Yellen speaks: Eurostoxx 600 -2.1%, Dax -1.9%, CAC -1.9%, FTSE -1.2%. Dow -79 points to 16,201, -0.5%, S&P 500 -0.5%, Nasdaq -0.4%, VIX 23.47 +6.1%. Shanghai +0.9%, Mumbai +0.9%, Nikkei 225 -0.4% and ASX 200 +1.5%; ASX SPI futures this morning +0.0%. US bond yields: 2s at 0.68% (-2), 10s at 2.13% (-2). WTI oil at \$45.10 (+1.4%), Brent at \$48.31 (+1.2%), Malaysian Tapis (yesterday) \$49.20 (+3.5%). Gold at \$1153.30/oz (+1.9%). Base metals: LME copper -0.1%, nickel +1.5%, aluminium +0.1%. Iron ore \$55.3/t -1.6% Chinese steel rebar futures +0.5%. Soft commodities spot futures: wheat -2.1%, sugar +2.7%, cotton +0.6%, coffee 1.8%. Euro Dec 14 CO2 emissions at €8.01/t (-0.9%). The AUD/USD's range overnight 0.6938-0.7043; indicative range today 0.6995-0.7050; the AUD/USD is 0.6998 now**
- **Germany's Ifo Survey, Business Climate (Sep) 108.5 (L: 108.3; E: 107.9)**
- **US durable goods orders (Sep) -2.0% (L: 1.9%; E: -2.3%); Jobless claims (w/e 19 Sep, payroll week) 267K (L: 264K; E: 272K); New Home Sales (Aug) 522K/+5.7% (L: 507K/5.4%; E: 515K/1.6%); Chicago Fed National Activity Index (Aug) -0.41 (L: 0.34; F: 0.24); Kansas City Fed Manufacturing (Sep) -8 (L: -9; E: -6)**

Good luck.

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Chart of the day: US consumer sentiment



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	0.6998	-0.4	0.6982	0.7025	HKD	7.7507 0.0
NZD	0.6332	0.9	0.6278	0.6375	CNY	6.3821 0.0
EUR	1.1201	-0.3	1.1193	1.1296	SGD	1.4235 -0.3
GBP	1.5227	-0.3	1.5200	1.5325	IDR	14,660 -0.5
JPY	120.22	0.5	119.22	120.35	THB	36.25 -0.2
CAD	1.3331	-0.3	1.3292	1.3419	KRW	1,191 -0.5
AUD/EUR	0.6246	0.9			TWD	33.11 -0.3
AUD/JPY	84.11	1.2			PHP	46.82 -0.3
AUD/GBP	0.4595	1.0			CHF	0.98 0.3
AUD/NZD	1.1053	-0.1			SEK	8.41 0.1

Equities

Major Indices			
	Last	% day	% year
Dow	16,201	-0.5	-5.9
S&P 500	1,932	-0.3	-3.3
Nasdaq	4,734	-0.4	3.9
VIX Index	23.47	6.1	76.9
FTSE	5,961	-1.2	-11.1
DAX	9,428	-1.9	-2.4
CAC 40	4,347	-1.9	-1.5
Nikkei	17,572	-2.8	7.3
Shanghai	3,143	0.9	34.0
Hang Seng	21,096	-1.0	-11.2
ASX 200	5,072	1.5	-5.8

Commodities*

	Last	% day
Oil (Brent)	48.31	1.2
Oil (WTI)	45.10	1.4
Oil (Tapis)	49.20	3.5
Gold	1153.30	1.9
CRB	193.58	0.6
GS Metals	266.2	0.2
Aluminium	1579	0.1
Copper	5051	-0.1
Nickel	9900	1.5
Zinc	1677	1.6
Ch. steel	1905	0.5
Iron ore	55.3	-1.6
St. coal	61.8	n.a.
Wheat Chic.	504.3	-2.1
Sugar	11.86	2.7
Cotton	60.31	0.6
Coffee	118.3	1.8

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.25	0.33	0.81	2.13	USD 10	2.13	-0.02
AUD	2.00	2.19	2.01	2.96	AUD 10	2.66	-0.01 0.53
NZD	2.75	2.85	2.70	3.54	NZD 10	3.29	0.00 1.16
EUR	0.05	0.06	0.06	0.98	CAD 10	1.47	-0.02 -0.66
GBP	0.50	0.59	0.94	1.81	EUR 10	0.60	0.01 -1.52
JPY	0.10	0.08	0.09	0.48	GBP 10	1.76	-0.04 -0.37
CAD	0.50	1.17	0.79	1.88	JPY 10	0.33	0.02 -1.80

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.94	0.00
3 Yr bond	98.16	-0.01
10 Yr bond	97.31	0.05
3/10 sprd	0.85	-0.06
SPI	2.0	0.0

CO₂ Emissions - Euros

	Last	% day
Dec-2015	8.01	-0.9
Dec-2016	8.09	-0.9
Dec-2017	8.20	-0.8

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, 23 September 2015								
US	Fed's Lockhart speaks on economy (V)						22.30	8.30
AU	Conf. Board Leading Index MoM	Jul				-0.2%	0.00	10.00
AU	Skilled Vacancies MoM	Aug				0.1%	1.00	11.00
CH	Caixin China PMI Mfg	Sep P		47.8		47.3	1.45	11.45
GE	Markit/BME Manufacturing/Services PMI	Sep P		52.8/54.5		53.3/54.9	7.30	17.30
EC	Markit Manufacturing/Services PMI	Sep P		52.2/54.2		52.3/54.4	8.00	18.00
UK	BBA Loans for House Purchase	Aug					8.30	18.30
US	MBA Mortgage Applications	Sep-18					11.00	21.00
CA	Retail Sales/Ex Autos MoM	Jul				0.6%/0.8%	12.30	22.30
EC	ECB's Draghi quarterly hearing in Brussels						13.00	23.00
US	Markit US Manufacturing PMI	Sep P		53.2		53	13.45	23.45
EC	ECB's Weidmann speaks						16.00	2.00
US	Fed's Lockhart speaks on economy (V)						16.30	2.30
Thursday, 24 September 2015								
NZ	Fonterra Announces 2014/15 Results, Prev. \$4.40/20-30 cents/\$3.85 (milk price 2014/15, dividend 2014/15, milk price 2015/16), 8-9am NZT							
NZ	Trade Balance	Aug	-\$780M	-\$875M		-\$649M	22.45	8.45
JN	Nikkei Japan PMI Mfg	Sep P		51.2		51.7	1.35	11.35
NZ	New residential lending	Aug				27.9%	3.00	13.00
US	RBA's Alex Heath speaks at Urban Development Institute, Perth						4.00	14.00
JN	All Industry Activity Index MoM	Jul		0.0%		0.3%	4.30	14.30
GE	GfK Consumer Confidence	Oct		9.8		9.9	6.00	16.00
GE	IFO Business Climate	Sep		107.9		108.3	8.00	18.00
GE	IFO Current Assessment/Expectations	Sep		114.8/101.6		114.8/102.2	8.00	18.00
UK	BBA Loans for House Purchase	Aug				46033	8.30	18.30
US	Chicago Fed Nat Activity Index	Aug				0.34	12.30	22.30
US	Initial Jobless Claims	Sep-19				264K	12.30	22.30
US	Durable Goods Orders/core orders	Aug		-2%/0.1%		2%/2.2%	12.30	22.30
US	Bloomberg Consumer Comfort	Sep-20					13.45	23.45
US	New Home Sales	Aug		515K/1.6%		507K/5.4%	14.00	0.00
US	Kansas City Fed Manf. Activity	Sep				-9	15.00	1.00
Friday, 25 September 2015								
US	Fed Chair Yellen delivers lecture						21.00	7.00
JN	Natl CPI/Ex Fresh Food & Energy YoY	Aug		0.1%/0.7%		0.2%/0.6%	23.30	9.30
JN	Tokyo CPI/Ex Fresh Food & Energy YoY	Sep		-0.1%/0.5%		0.1%/0.4%	23.30	9.30
JN	PPI Services YoY	Aug		0.5%		0.6%	23.50	9.50
EC	ECB's Weidmann takes part in Florence conference						7.00	17.00
EC	M3 Money Supply YoY	Aug		5.4%		5.3%	8.00	18.00
US	GDP Annualized QoQ (later vintage)	2Q T		3.70%		3.70%	12.30	22.30
US	Fed's Bullard speaks on Monetary Policy (NV)						13.15	23.15
US	Markit US Services/Composite PMI	Sep P		55.7/ ..		56.1/55.7	13.45	23.45
US	U. of Mich. Sentiment	Sep F		87.0		85.7	14.00	0.00
Monday, 28 September 2015								
CH	Industrial Profits YoY	Aug					1.30	11.30
JN	Leading Index CI	Jul F					5.00	15.00
JN	Coincident Index	Jul F					5.00	15.00
US	Personal Income	Aug					12.30	22.30
US	Personal Spending	Aug					12.30	22.30
US	Real Personal Spending	Aug					12.30	22.30
US	PCE Deflator MoM	Aug					12.30	22.30
US	PCE Deflator YoY	Aug					12.30	22.30
US	PCE Core MoM	Aug					12.30	22.30
US	PCE Core YoY	Aug					12.30	22.30
UK	Nationwide House PX MoM	Sep					14.00	0.00
UK	Nationwide House Px NSA YoY	Sep					14.00	0.00
CH	Leading Index	Aug					14.00	0.00
GE	Retail Sales MoM	Aug					14.00	0.00
GE	Retail Sales YoY	Aug					14.00	0.00
CA	Bloomberg Nanos Confidence	Sep-25					14.00	0.00
US	Pending Home Sales MoM	Aug					14.00	0.00
US	Pending Home Sales NSA YoY	Aug					14.00	0.00
US	Dallas Fed Manf. Activity	Sep					14.30	0.30
Tuesday, 29 September 2015								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Sep-27					23.30	9.30
UK	Mortgage Approvals	Aug					8.30	18.30
EC	Business Climate Indicator	Sep					9.00	19.00
GE	CPI MoM	Sep P					12.00	22.00
GE	CPI EU Harmonized MoM	Sep P					12.00	22.00
CA	Industrial Product Price MoM	Aug					12.30	22.30
CA	Raw Materials Price Index MoM	Aug					12.30	22.30
US	S&P/CS 20 City MoM SA	Jul					13.00	23.00
US	Consumer Confidence Index	Sep					14.00	0.00
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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