



Markets Today

A daily outlook for Australia, key global economies and markets

29 September 2015

No killer inflation punch from August PCE deflators

It's been a combination of factors that have coalesced to weaken the AUD overnight, but it has not been a cathartic move down, just another orderly look under 0.70. There have been weak equity markets in both the Europe and US, hard/energy commodities have been soft and there are more hints overall the Fed is inching toward lift-off, all headwinds for the AUD as it trades below 0.70 in early Asia trade. The NZD also underperformed in the session, while on the other side of the ledger, the CHF, the JPY and even the EUR strengthened, the ECB's Sabine Lautenschlager doing her bit to hose down any expectations of more ECB QE in the near term, saying that the basic scenario is still intact with regard to a modest recovery.

The US personal income and spending report for August revealed a 0.4% rise in both nominal and real consumer spending in August, a tenth better than expected, aided by a tenth upward revision to July's spending. As a result, the Atlanta Fed's *GDPNow* estimate for Q3 GDP was upgraded from 1.4% to 1.8%, consumer spending now on track to grow at a 3.5% Q3 pace, upgraded from 3.2%.

While that reflected a continuing material contribution to growth from the US consumer, there was no killer punch on the inflation front from this report that the Fed could hang their hat on. The headline PCE deflator was flat as expected, up 0.3% y/y and even the core PCE deflator rose 0.1%, for an annual rate of 1.3%, held down by soft energy prices and the strong dollar.

There was more Fed speakers, moderate NY Fed President Bill Dudley interviewed by the Wall Street Journal, saying that every meeting is live, including October, that oil/dollar influences are transitory and that a dollar forecast isn't going to drive Fed policy. Charles Evans, another moderate and voter this year was also talking of lift-off but not until 2016. According to his projections, he sees three 25 bp increases in 2016, noting that while a Fed hike is closer, the path is more important. "I cannot imagine a path that is not gradual", he said, "with a path that is somewhere in the median or even the lowest quartile unless the data changes".

Commodities and biotechnology stock led equity indices lower on both sides of the Atlantic. Commodities giant Glencore lost an eye-watering 29% in London, as analysts warned about its debt load in an environment of low commodity prices.

As we are going to print, San Francisco Fed's John Williams speech headlines is hitting the wires, adding more fuel to the lift-off in 2015 theme, saying (as Yellen has) that the September call was a close one and speaking of a gradual tightening path.

Coming up today/tonight

There's only the weekly ANZ-Roy Morgan Consumer Confidence reading first up this morning, this one following last week's record bounce in confidence that followed the elevation of Malcolm Turnbull as Prime Minister, the weekly index last week up 8.7% to 114.5.

It's pretty quiet then as far as scheduled local events are concerned.

Tonight there is the EC monthly confidence report that is unlikely to shake markets too much, the markets more interested in the German CPI for September and of course what that means for Euro-zone CPI tomorrow night. There are the two Canadian industrial product/raw materials prices for August (second tier data), then in the US the main focus will be on the Conference Board's Consumer Confidence reading and whether it has continued to hold up this month; the market is looking for some retracement given the net weakness in the UoM measure in August/September (down August/ partial retracement in September).

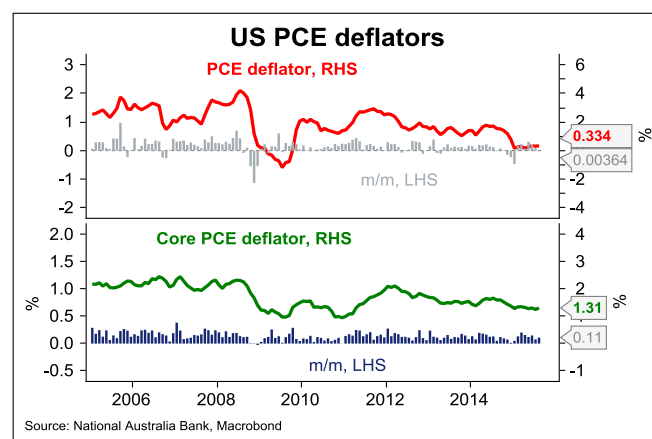
Overnight

- AUD back below 0.70: Eurostoxx 600 -2.2%, Dax -2.1%, CAC -2.8%, FTSE -2.5%. Dow -313 points to 16,002, -1.9%, S&P 500 -1.9%, Nasdaq -3.0%, VIX 27.63 +17.0%. Shanghai +0.3%, Mumbai +0.3%, Nikkei 225 -3.0% and ASX 200 +1.4%; ASX SPI futures this morning -2.0%. US bond yields: 2s at 0.67% (-2), 10s at 2.09% (-7). WTI oil at \$44.48 (-2.7%), Brent at \$47.37 (-2.5%), Malaysian Tapis (yesterday) \$47.86 (-0.8%). Gold at \$1131.30/oz (-1.2%). Base metals: LME copper -1.2%, nickel -0.8%, aluminium -1.0%. Iron ore \$56.9/t -0.2% Chinese steel rebar futures -2.0%. Soft commodities spot futures: wheat -0.4%, sugar -0.2%, cotton +0.2%, coffee -2.9%. Euro Dec 14 CO2 emissions at €7.92/t (-1.0%). The AUD/USD's range overnight 0.6980-0.7035; indicative range today 0.6950-0.7015; the AUD/USD is 0.6987 now**
- US personal spending (Aug) 0.4% (L: 0.3%; E: 0.3%); PCE deflator 0.0%/0.3% (L: 0.1%/0.3%; E: 0.0%/0.3%); Core PCE deflator (ex food and energy) 0.1%/1.3% (L: 0.1%/1.2%; E: 0.1%/1.3%)**
- US pending home sales (Aug) -1.4% (L: 0.5%; F: 0.4%); Dallas Fed manufacturing activity (Sep) -9.5 (L: -15.8; E: -10)**

Good luck.

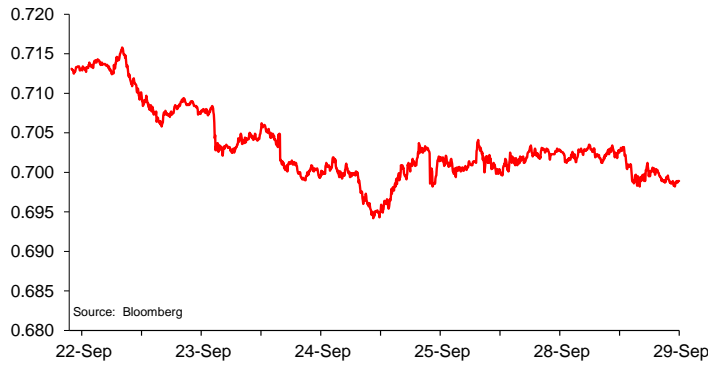
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Chart of the day: US consumer inflation



Markets

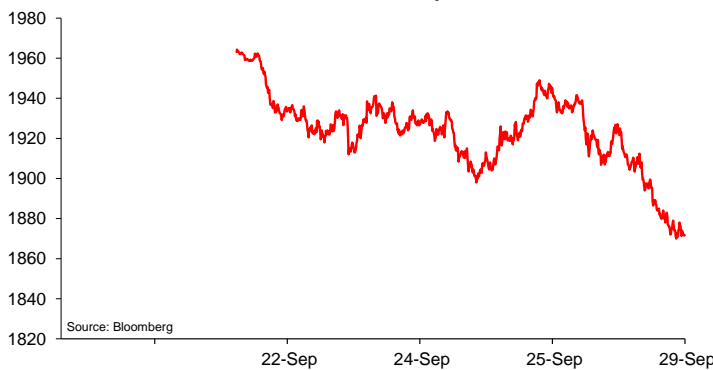
AUD/USD- past week



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	0.6987	0.0	0.6986	0.6991	HKD	7.7503 0.0
NZD	0.6327	-0.5	0.6326	0.6365	CNY	6.3655 0.0
EUR	1.1242	0.6	1.1146	1.1270	SGD	1.4287 0.1
GBP	1.5173	-0.2	1.5157	1.5213	IDR	14,800 0.7
JPY	119.91	-0.1	119.70	120.35	THB	36.37 0.2
CAD	1.3396	0.4	1.3330	1.3403	KRW	1,196 0.0
AUD/EUR	0.6215	-0.8			TWD	33.15 0.0
AUD/JPY	83.78	-0.4			PHP	46.86 0.1
AUD/GBP	0.4604	-0.1			CHF	0.97 -0.7
AUD/NZD	1.1040	0.2			SEK	8.45 -0.1

Equities

Major Indices	Last	% day	% year
	Dow	16,002	-1.9
S&P 500	1,882	-2.6	-5.1
Nasdaq	4,544	-3.0	0.7
VIX Index	27.63	17.0	86.1
FTSE	5,959	-2.5	-10.4
DAX	9,484	-2.1	-0.1
CAC 40	4,357	-2.8	-0.9
Nikkei	17,645	-1.3	8.2
Shanghai	3,101	0.3	31.5
Hang Seng	21,186	0.4	-10.5
ASX 200	5,113	1.4	-2.9

Commodities*

	Last	% day
Oil (Brent)	47.37	-2.5
Oil (WTI)	44.48	-2.7
Oil (Tapis)	47.86	-0.8
Gold	1131.30	-1.2
CRB	192.80	-1.5
GS Metals	261.3	-1.0
Aluminium	1551	-1.0
Copper	4965	-1.2
Nickel	9875	-0.8
Zinc	1630	-0.2
Ch. steel	1833	-2.0
Iron ore	56.9	-0.2
St. coal	61.8	n.a.
Wheat Chic.	512.8	-0.4
Sugar	12.38	-0.2
Cotton	60.75	0.2
Coffee	119.2	-2.9

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.25	0.33	0.77	2.06	USD 10	2.09	-0.07
AUD	2.00	2.19	1.99	2.92	AUD 10	2.69	-0.01 0.59
NZD	2.75	2.85	2.71	3.54	NZD 10	3.29	-0.02 1.20
EUR	0.05	0.06	0.06	0.96	CAD 10	1.45	-0.08 -0.65
GBP	0.50	0.58	0.94	1.84	EUR 10	0.59	-0.06 -1.51
JPY	0.10	0.08	0.11	0.50	GBP 10	1.77	-0.07 -0.32
CAD	0.50	1.17	0.78	1.86	JPY 10	0.36	0.03 -1.74

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.93	0.00
3 Yr bond	98.17	0.04
10 Yr bond	97.34	0.07
3/10 sprd	0.84	-0.03
SPI	-101.0	-2.0

CO₂ Emissions - Euros

	Last	% day
Dec-2015	7.92	-1.0
Dec-2016	8.00	-1.0
Dec-2017	8.11	-1.0

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	Period	Forecast	Consensus	Actual	Previous	GMT	AEST
Tuesday, 29 September 2015								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Sep-27				114.5	23.30	9.30
JN	Small Business Confidence	Sep				48.8	5.00	15.00
EC	Business Climate Indicator	Sep		0.21		0.21	9.00	19.00
GE	CPI MoM/YoY	Sep P		-0.1/0.1		0/0.2	12.00	22.00
CA	Industrial Product Price MoM	Aug		-0.85		0.7	12.30	22.30
CA	Raw Materials Price Index MoM	Aug		-7.5		-5.9	12.30	22.30
US	S&P/CS 20 City MoM SA	Jul		0.1		-0.12	13.00	23.00
US	Consumer Confidence Index	Sep		96		101.5	14.00	0.00
Wednesday, 30 September 2015								
NZ	Building Permits MoM	Aug				20.4	21.45	7.45
UK	GfK Consumer Confidence	Sep		5		7	23.05	9.05
JN	Retail Trade YoY	Aug		1.2		1.6	23.50	9.50
JN	Industrial Production MoM/YoY	Aug P		1/1.8		-0.8/0	23.50	9.50
NZ	ANZ Business Confidence	Sep				-29.1	0.00	10.00
JN	Labor Cash Earnings YoY	Aug				0.6	1.30	11.30
AU	Private Sector Credit MoM/YoY	Aug	0.5/6.2	0.5/6.2		0.6/6.1	1.30	11.30
AU	Building Approvals MoM/YoY	Aug	-2/7.4	-2/7.4		4.2/13.4	1.30	11.30
NZ	Credit aggregates, Household YoY	Aug				6	2.00	12.00
GE	Unemployment Claims Rate SA	Sep		6.4		6.4	7.55	17.55
UK	Current Account Balance	2Q		-22		-26.5	8.30	18.30
UK	GDP QoQ/YoY	2Q F		0.7/2.6		0.7/2.6	8.30	18.30
EC	Unemployment Rate	Aug		10.9		10.9	9.00	19.00
EC	CPI Estimate YoY	Sep		0		0.2	9.00	19.00
EC	CPI Core YoY	Sep A		0.9		0.9	9.00	19.00
US	Fed's Dudley speaks on Market Liquidity						12.00	22.00
US	ADP Employment Change	Sep		190		190	12.15	22.15
CA	GDP MoM/YoY	Jul		0.2		0.5/0.6	12.30	22.30
US	Chicago Purchasing Manager	Sep		53		54.4	13.45	23.45
US	Fed's Yellen (v) and Bullard (nv) speak on Community Banking						19.00	5.00
Thursday, 1 October 2015								
NZ	QV House Prices YoY	Sep				11.3	23.00	9.00
AU	AiG Perf of Mfg Index	Sep				51.7	23.30	9.30
JN	Tankan Large Mfg Index	3Q		13		15	23.50	9.50
US	Fed's Brainard (v) speaks on Community Banking						0.00	10.00
AU	CoreLogic RP Data House Px MoM	Sep				0.3	0.00	10.00
NZ	ANZ Commodity prices, world prices MoM					-5.2	0.00	10.00
CH	Manufacturing PMI	Sep		49.7		49.7	1.00	11.00
CH	Non-manufacturing PMI	Sep				53.4	1.00	11.00
AU	NAB Online Retail Sales Index	Aug				-1.4/6.2	1.30	11.30
AU	Job vacancies	Aug				2.1	1.30	11.30
CH	Caixin China PMI Mfg	Sep F		47		47	1.45	11.45
CH	Caixin China PMI Services	Sep				51.5	1.45	11.45
JN	Nikkei Japan PMI Mfg	Sep F				50.9	1.35	11.35
AU	Commodity Index AUD/YoY	Sep				79.7/-20.9	6.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Sep F		52.5		52.5	7.55	17.55
EC	Markit Eurozone Manufacturing PMI	Sep F		52		52	8.00	18.00
UK	Markit UK PMI Manufacturing SA	Sep		51.3		51.5	8.30	18.30
US	Challenger Job Cuts YoY	Sep				2.9	11.30	21.30
US	Initial Jobless Claims	Sep-26		271.5		267	12.30	22.30
CA	RBC Canadian Manufacturing PMI	Sep				49.4	13.30	23.30
US	Markit US Manufacturing PMI	Sep F		53		53	13.45	23.45
US	Wards Total Vehicle Sales	Sep		17.5		17.72	14.00	0.00
US	Construction Spending MoM	Aug		0.6		0.7	14.00	0.00
US	ISM Manufacturing	Sep		50.6		51.1	14.00	0.00
Friday, 2 October 2015								
US	Fed's Williams (nv) Speaks						18.30	4.30
JN	Jobless Rate	Aug		3.3		3.3	23.30	9.30
NZ	ANZ Commodity Price	Sep				-5.2	0.00	10.00
AU	Retail Sales MoM	Aug	0.3	0.4		-0.1	1.30	11.30
UK	Markit/CIPS UK Construction PMI	Sep		57.5		57.3	8.30	18.30
US	Change in Nonfarm Payrolls	Sep		202		173	12.30	22.30
US	Unemployment Rate	Sep		5.1		5.1	12.30	22.30
US	Average Hourly Earnings MoM/YoY	Sep		0.2		0.3/2.2	12.30	22.30
US	Factory Orders/ex transport	Aug		-1.3		0.4/-0.6	14.00	0.00
US	Fed's Fischer (v) addresses Boston Fed Conference on Monetary Policy						17.00	3.00
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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