



Markets Today

A daily outlook for Australia, key global economies and markets

3 September 2015

Joyride

A more measured night. Shanghai finished down smalls yesterday (-0.2%) ahead of a four day long weekend to mark China's victory in WWII and while European bourses had something of a see-saw night closed higher. (The US also has a long weekend coming up with Labor Day on Monday.) So the Dow and the S&P have closed higher on the day, both up 1.8%, but still within the lower ranges set over the past 10 days or so. The AUD did test its sub 70 cent level again early in the London session with some selling seen against the Euro; carry trade unwinds perhaps. But relative market stability in the overnight session saw Aussie clamber back above 0.70, to around its pre-GDP level, and where it made its way back to within an hour or two after GDP after the initial sticker shock of a low print.

Data did not play a big part in market direction last night, not that the prints were particularly compelling or enlightening. It was the general tone of equities, and on that score, the market was relatively settled. All tallied up, the Bloomberg US dollar index made some net gains, more notably against EUR, JPY and CAD. Oil continued its whippy story, WTI and Brent up 2% or so, the NOK and RUB currency beneficiaries on the day; the CAD was little changed underperforming after its second negative quarterly GDP print the night before.

The main US data releases were the ADP employment report, factory orders and the Fed's Beige book. ADP has not been a reliable guide to payrolls and the market knows that. In the event, it was only shy of 200K expectations at 190K. Factory orders printed low – a surprise after a good lead in from durable goods orders – with consumer non-durable orders down for once, likely monthly noise. The Fed's Beige book reported economic activity continued expanding with again nearly all Fed Districts reporting growth was either "moderate" or "modest", whatever the difference is between those two are for you wordsmiths out there. The Beige Book also reported that wages were picking up slightly in selected industries and occupations with input and selling prices stable or up only slightly. That sounds less than moderate or modest. Tomorrow night's payrolls is expected to reveal no trend change in flat average earnings growth.

Coming up today/tonight

AU Retail trade and international trade will come under the spotlight today, both likely to occupy some attention for different reasons. Retail sales is a timely update on consumer spending and has been more upbeat than yesterday's consumer spending in the GDP report. (Retail volumes are just over 30% of consumption.) Recent anecdotes from retailers have been mixed to OK, some doing well, others struggling amid signs that the supermarket wars continue to rage on. Some continuation in growth looks on the cards with measures of consumer sentiment more stable of late, employment conditions somewhat more favourable. The NAB Online Retail Sales index dropped 1.4% in July but that was only partial payback after June's 2.3% jump and the NAB Survey pointed to growth in the vicinity of 0.5%, NAB's forecast. The market consensus is +0.4%. The

international trade report is a nice prism to view the trade impact of China on the Australian economy. We look for an increase in the deficit from \$2.93bn to \$3.6bn (market: \$3.16bn) from softer iron ore port shipments and commodity price softness. EC retail sales and the ECB meeting are the main event focal points in the London session though neither is likely to create much in the way of fireworks. In the US there is US jobless claims and the US July trade report, the market sensitive to any sign that dollar strength is weighing on US trade performance, evident the night before in the ISM Manufacturing report export softness. Also due is the ISM non-manufacturing PMI that was a strong 60.3 in July and is expected to be 58.2, with particular focus on the employment component ahead of payrolls.

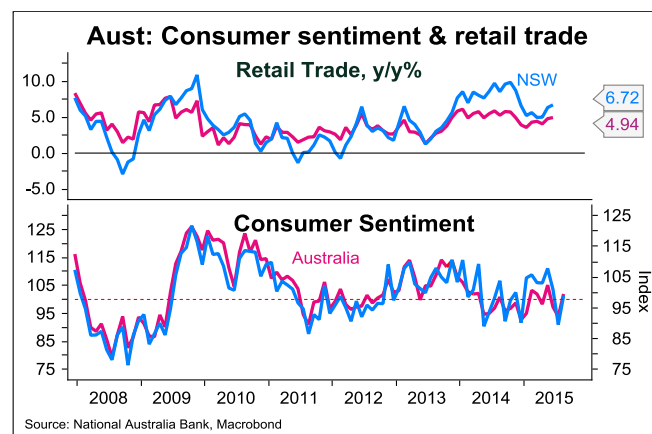
Overnight

- Equities higher overnight : Eurostoxx 600 +0.3%, Dax +0.3%, CAC +0.3%, FTSE +0.4%. Dow +293 points to 16,351, +1.8%, S&P 500 +1.8%, Nasdaq +1.8%, VIX 26.09 -16.9%. Mumbai -0.2%, Nikkei 225 +2.5% and ASX 200 +0.1%; ASX SPI futures this morning +0.6%. US bond yields: 2s at 0.71% (0), 10s at 2.18% (+3). WTI oil at \$46.05 (+1.4%), Brent at \$50.47 (+1.8%), Malaysian Tapis (yesterday) \$49.47 (-6.6%). Gold at \$1133.20/oz (-0.6%). Base metals: LME copper +1.0%, nickel +1.1%, aluminium -0.2%. Iron ore \$56.7/t +0.2% Chinese steel rebar futures -0.1%. Soft commodities spot futures: wheat -0.9%, sugar +0.2%, cotton -0.3%, coffee -2.0%. Euro Dec 14 CO2 emissions at €8.13/t (1.4%). The AUD/USD's range overnight 0.6984-0.7049; indicative range today 0.7010-0.7075 into retail trade; the AUD/USD is 0.7040 now**
- US ADP Employment (Aug) 190K (L: 185K, revised to 177K; E: 200K); Non-farm productivity (Q2, final) +3.3% (L: 1.3%; E: 2.8%); Factory orders (Jul) 0.4% (L: 1.8%, revised to 2.2%; E: 0.9%); ISM New York (Aug) 51.1 (L: 68.8)**

Good luck.

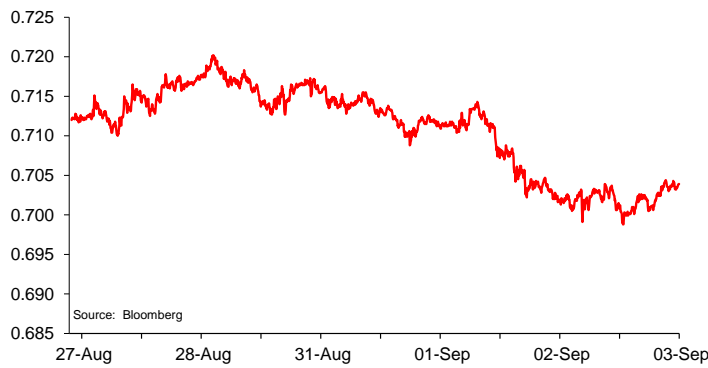
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Chart of the day: AU Retail trade today

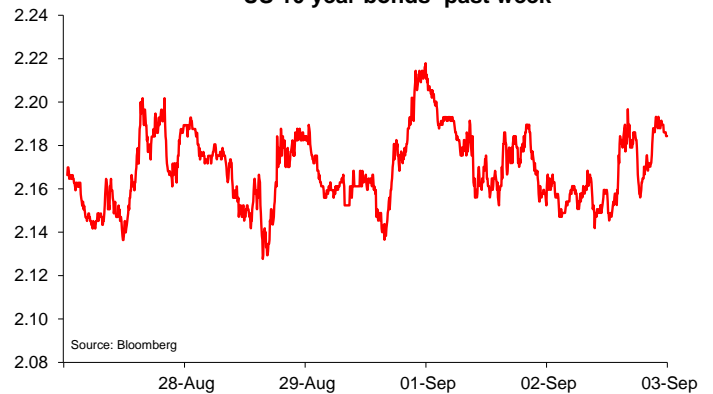


Markets

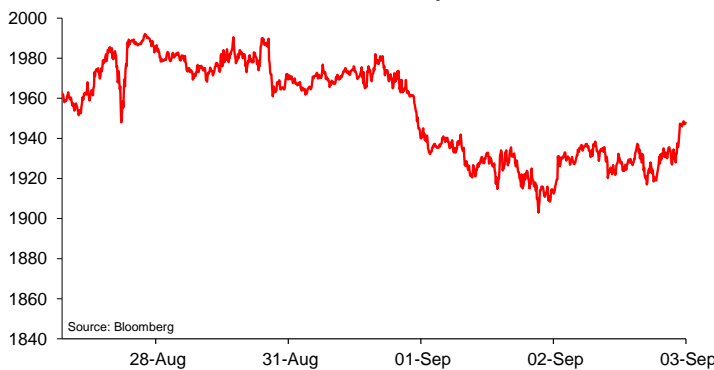
AUD/USD- past week



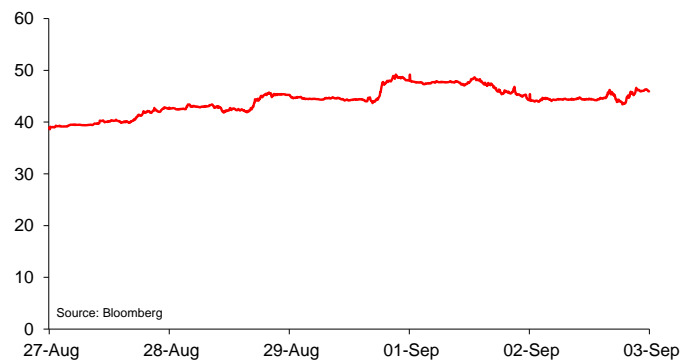
US 10 year bonds- past week



S&P 500 futures- past week



WTI futures- past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7040	0.0	0.7038	0.7042	HKD	7.7500 0.0
NZD	0.6348	0.3	0.6326	0.6363	CNY	6.3552 0.0
EUR	1.1225	-0.4	1.1217	1.1276	SGD	1.4154 -0.1
GBP	1.5300	0.2	1.5268	1.5327	IDR	14,130 -0.1
JPY	120.33	0.3	119.94	120.36	THB	35.75 -0.1
CAD	1.3267	-0.1	1.3199	1.3325	KRW	1,183 -0.2
AUD/EUR	0.6272	0.9			TWD	32.46 -0.2
AUD/JPY	84.71	0.8			PHP	46.73 0.0
AUD/GBP	0.4603	0.4			CHF	0.97 0.5
AUD/NZD	1.1093	0.3			SEK	8.43 -0.2

Equities

Major Indices			
	Last	% day	% year
Dow	16,351	1.8	-4.2
S&P 500	1,949	1.8	-2.7
Nasdaq	4,750	2.5	3.3
VIX Index	26.09	-16.9	113.0
FTSE	6,083	0.4	-10.9
DAX	10,048	0.3	5.7
CAC 40	4,555	0.3	4.0
Nikkei	18,095	-0.4	15.0
Shanghai	3,160	-0.2	38.1
Hang Seng	20,935	-1.2	-17.3
ASX200	5,101	0.1	-9.8

Commodities*

	Last	% day
Oil (Brent)	50.47	1.8
Oil (WTI)	46.05	1.4
Oil (Tapis)	49.47	-6.6
Gold	1133.20	-0.6
CRB	196.78	0.4
GS Metals	272.1	0.4
Aluminium	1600	-0.2
Copper	5120	1.0
Nickel	9870	1.1
Zinc	1819	0.5
Ch. steel	1957	-0.1
Iron ore	56.7	0.2
St. coal	61.8	n.a.
Wheat Chic.	486.5	-0.9
Sugar	10.73	0.2
Cotton	62.49	-0.3
Coffee	118.4	-2.0

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.25	0.33	0.84	2.23	USD 10	2.18	0.03
AUD	2.00	2.13	1.99	3.03	AUD 10	2.69	0.05 0.51
NZD	3.00	2.90	2.81	3.61	NZD 10	3.26	0.01 1.08
EUR	0.05	0.06	0.09	1.11	CAD 10	1.45	0.03 -0.73
GBP	0.50	0.59	1.03	2.00	EUR 10	0.78	-0.02 -1.40
JPY	0.10	0.09	0.12	0.56	GBP 10	1.93	-0.01 -0.26
CAD	0.50	1.17	0.71	1.91	JPY 10	0.40	0.03 -1.79

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.88	-0.01
3 Yr bond	98.18	-0.02
10 Yr bond	97.28	-0.03
3/10 sprd	0.91	0.01
SPI	31.0	0.6

CO₂ Emissions - Euros

	Last	% day
Dec-2015	8.13	1.4
Dec-2016	8.21	1.4
Dec-2017	8.32	1.3

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, 3 September 2015								
NZ	Value of All Buildings SA QoQ	2Q	1.00%	0.5%		1.5%	22.45	8.45
AU	AiG Perf of Services Index	Aug				54.1	23.30	9.30
AU	Trade Balance	Jul	-3600M	-3160M		-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		0.5%/2.0%		-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		-1.20B		-0.48B	12.30	22.30
US	Initial Jobless Claims	Aug-29				271K	12.30	22.30
US	Trade Balance	Jul		-\$44.20B		-\$43.84B	12.30	22.30
US	Markit US Composite PMI	Aug F				55	13.45	23.45
US	ISM Non-Manf. Composite	Aug		58.2		60.3	14.00	0.00
Friday, 4 September 2015								
JN	Labor Cash Earnings YoY	Jul		2.0%		-2.4%	1.30	11.30
GE	Factory Orders MoM	Jul		-0.6%/0.4%		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		5.2%		5.3%	12.30	22.30
US	Average Hourly Earnings MoM/YoY	Aug		0.2%/2.1%		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		53.3		52.9	14.00	0.00
WD	G20 Finance Ministers Meeting in Ankara							
Monday, 7 September 2015								
AU	AiG Perf of Construction Index	Aug				47.1	23.30	9.30
AU	ANZ Job Advertisements MoM	Aug				-0.4%	1.30	11.30
JN	Leading Index CI	Jul P				106.5	5.00	15.00
JN	Coincident Index	Jul P				112.3	5.00	15.00
GE	Industrial Production SA MoM	Jul				-1.4%	6.00	16.00
GE	Industrial Production WDA YoY	Jul				0.6%	6.00	16.00
AU	Foreign Reserves	Aug				A\$68.9B	6.30	16.30
EC	Sentix Investor Confidence	Sep				18.4	8.30	18.30
Tuesday, 8 September 2015								
NZ	ANZ Truckometer Heavy MoM	Aug				-0.3%	22.00	8.00
NZ	Mfg Activity Volume QoQ	2Q				-0.3%	22.45	8.45
NZ	Mfg Activity SA QoQ	2Q				-2.8%	22.45	8.45
UK	BRC Sales Like-For-Like YoY	Aug				1.2%	23.01	9.01
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Sep-06					23.30	9.30
JN	BoP Current Account Balance/Adjusted	Jul				¥558.6B/¥1300.3B	23.50	9.50
JN	Trade Balance BoP Basis	Jul				¥102.6B	23.50	9.50
JN	GDP SA QoQ/Annualised QoQ	2Q F				-0.4%/-1.6%	23.50	9.50
AU	NAB Business Conditions/Confidence	Aug				6/4	1.30	11.30
GE	Trade Balance	Jul				24.0B	6.00	16.00
GE	Imports/Exports SA MoM	Jul				-0.5%/-1.0%	6.00	16.00
US	NFIB Small Business Optimism	Aug				95.4	10.00	20.00
CH	Trade Balance	Aug				\$43.03B	14.00	0.00
CH	Exports YoY CNY	Aug				-8.9%	14.00	0.00
CH	Imports YoY CNY	Aug				-8.6%	14.00	0.00
CH	Trade Balance CNY	Aug				263.00B	14.00	0.00
JN	Eco Watchers Survey Current	Aug				51.6	14.00	0.00
JN	Eco Watchers Survey Outlook	Aug				51.9	14.00	0.00
CA	Bloomberg Nanos Confidence	Sep-04					14.00	0.00
US	Labor Market Conditions Index Change	Aug				1.1	14.00	0.00
US	Consumer Credit	Jul				\$20.740B	19.00	5.00
Upcoming Central Bank Interest Rate Announcements								
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%		
Australia	RBA	6-Oct	2.00%	2.00%		2.00%		

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

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