



Markets Today

A daily outlook for Australia, key global economies and markets

4 September 2015

Let's get loud

The Euro is weaker this morning and the USD a touch stronger thanks to ECB President Draghi banging the drum about QE, the ECB staff downgrading their Euro-zone growth and inflation forecasts and a pretty comforting slug of US data. With China out yesterday (and today) for its holidays, the AUD has pivoted in a ¾US cent range around 0.70 and sits just above that figure in early trade today with no more local data this week. President Draghi would be happy with the market's response, the Euro lower and European bonds stronger, and across markets.

Rather than increasing the rate of QE, ECB President Draghi, spoke forcefully of the ECB's commitment to complete the €1.1tr program, continuing with it to at least September 2016, its previous commitment. Along with its downward revision to growth and inflation, it also indicating that it could buy up to 33% of a bond issue rather than 25%, though whether this has been a constraint on implementing QE to date is not known. Growth was revised down this year by 0.1% (to 1.4%) and by 0.2% for next (to 1.7%), while inflation was cut by 0.2% this year (to 0.1%) and for next year by 0.4% (to 1.1%). Inflation is not forecast to reach within sight of 2% (1.7%) until 2017.

He said that the economic recovery had continued but that it had been somewhat weaker and that taking into account the most recent developments in oil prices and recent exchange rates, there were still downside risks to their latest inflation forecasts. There was more a sense that the downshift in oil and market volatility had more than a temporary risk to the Euro area's inflation outlook than say from most recent Fed speakers.

Whether it was thin markets ahead of US long weekend or implied threats to do more, or his forcefulness, the Euro dropped a big figure in an instant, from 1.122 to 1.112/1.113, testing below 1.11 before settling above 1.11, trading around t 1.113. The AUD/EUR jumped from 0.624 to over 0.63. This price action was strengthened by a lower than expected US trade deficit in July and a re-assuring read from the August ISM non-manufacturing index (59 cf 60.3) with new orders at 63.4 and employment at a more than respectable 56.0 ahead of payrolls.

Coming up today/tonight

It's all pretty much about payrolls now until Asia opens on Monday with China coming back then after their special four day long weekend. There's no local data today.

Ahead of payrolls tonight is Fed President and monetary dove Kocherlakota speaking this morning at 11am AEST and then at 4pm, German factory orders for July with the market expecting partial payback of -0.6% after June's 2.0% gain. Also ahead of payrolls is Fed arch-hawk Lacker makes "The Case Against Further Delay". That's scheduled to start 20 mins before payrolls so may well roll into and be overwhelmed by payrolls, not that Lacker's views are at all any surprise. He's a FOMC voter this year, but he has not dissented from the FOMC on-hold view right through this year.

The market is not expecting any major payrolls surprise, the consensus seeing virtually unchanged headline growth of 217K

after last month's 215K gain together with an unemployment rate of 5.2%, down from 5.3%. While the initial focus will be on those headlines, there'll be just as much if not more interest in average hourly earnings, together with any revisions and the U6 underemployment rate.

Canada also has its August labour market report tonight, the market sensitive right now to any negative surprise. Canada's unemployment rate is expected to remain unchanged at 6.8% with a 5K drop in employment after last month's 6.6K gain.

There is also the G20 Finance Ministers/Central Bank Governor's meeting over the weekend in Ankara, Turkey that might well create some newswire coverage.

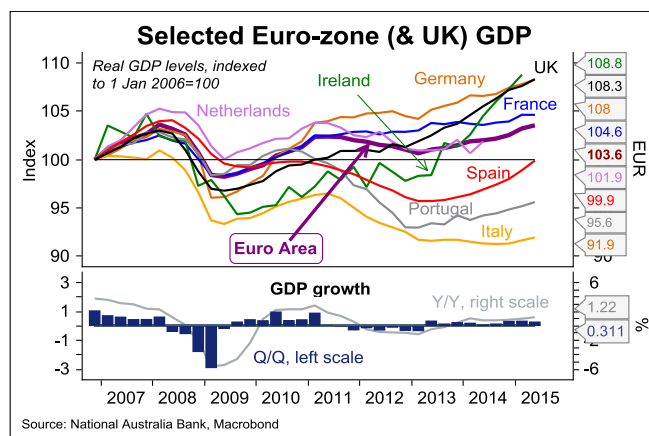
Overnight

- European equities jumped: Eurostoxx 600 +2.4%, Dax +2.7%, CAC +2.2%, FTSE +1.8%. Dow +23 points to 16,375, +0.1%, S&P 500 +0.1%, Nasdaq -0.3%, VIX 25.61 -1.8%. Mumbai -0.2%, Nikkei 225 -0.3% and ASX 200 -1.4%; ASX SPI futures this morning +0.3%. US bond yields: 2s at 0.69% (-2), 10s at 2.16% (-2). WTI oil at \$46.63 (+0.8%), Brent at \$50.57 (+0.1%), Malaysian Tapis (yesterday) \$52.07 (+5.3%). Gold at \$1124.50/oz (-0.8%). Base metals: LME copper +2.5%, nickel +1.3%, aluminium +1.9%. Iron ore \$56.5/t -0.4% Chinese steel rebar futures -0.1%. Soft commodities spot futures: wheat -2.6%, sugar +5.7%, cotton +0.4%, coffee 1.0%. Euro Dec 14 CO2 emissions at €8.18/t (0.6%). The AUD/USD's range overnight 0.6992-0.7063; indicative range today 0.6995-0.7045 into retail trade; the AUD/USD is 0.7017 now**
- The ECB left its policy rates unchanged but hinted at more QE if needed**
- US Jobless claims (w/e 29/8) 282K (L: 271K; E: 275K); Trade (July) \$-41.86B (L: \$-43.84B; E: \$-42.2B); ISM Non-manufacturing (Aug) 59.0 (L: 60.3; E: 58.2)**

Good luck.

David.deGaris@nab.com.au

Chart of the day: Euro-zone growth is emerging

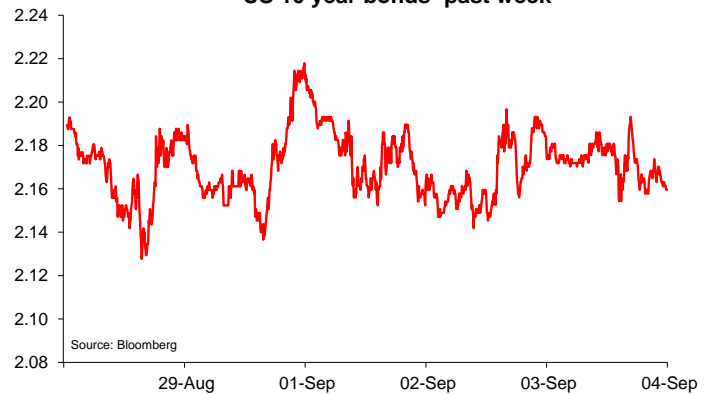


Markets

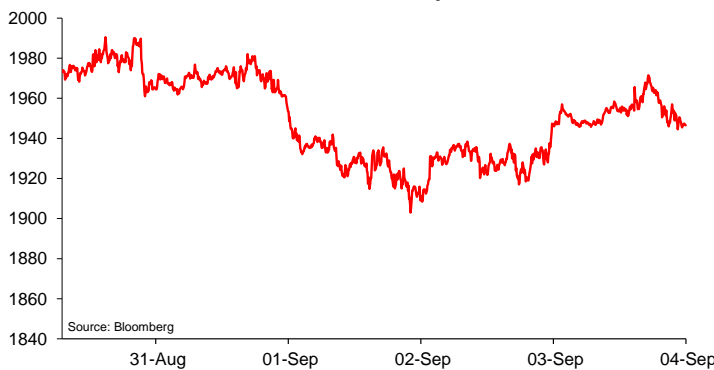
AUD/USD- past week



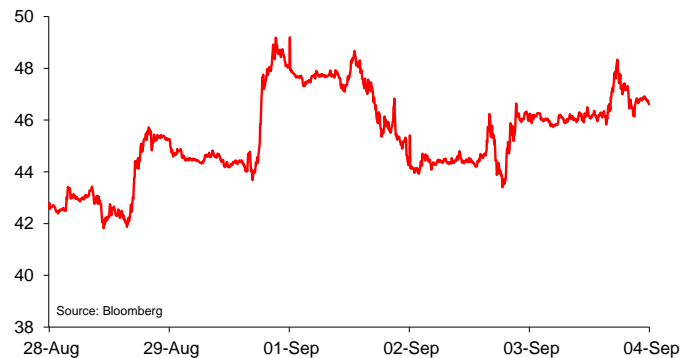
US 10 year bonds- past week



S&P 500 futures- past week



WTI futures- past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7017	0.0	0.7016	0.7018	HKD	7.7500 0.0
NZD	0.6400	0.8	0.6342	0.6416	CNY	6.3559 0.0
EUR	1.1124	-0.9	1.1087	1.1245	SGD	1.4155 -0.1
GBP	1.5261	-0.1	1.5219	1.5339	IDR	14,170 -0.3
JPY	120.07	-0.2	119.64	120.40	THB	35.84 -0.1
CAD	1.3182	-0.6	1.3136	1.3291	KRW	1,191 0.0
AUD/EUR	0.6309	1.1			TWD	32.55 0.1
AUD/JPY	84.26	0.0			PHP	46.78 -0.1
AUD/GBP	0.4599	0.3			CHF	0.97 0.4
AUD/NZD	1.0965	-0.6			SEK	8.41 0.6

Equities

Major Indices			
	Last	% day	% year
Dow	16,375	0.1	-4.1
S&P 500	1,951	0.1	-2.5
Nasdaq	4,733	-0.3	3.5
VIX Index	25.61	-1.8	107.2
FTSE	6,194	1.8	-9.9
DAX	10,318	2.7	7.2
CAC 40	4,654	2.2	5.2
Nikkei	18,182	0.5	16.0
Shanghai	3,160	-0.2	38.1
Hang Seng	20,935	-1.2	-17.3
ASX 200	5,028	-1.4	-10.7

Commodities*

	Last	% day
Oil (Brent)	50.54	0.1
Oil (WTI)	46.62	0.8
Oil (Tapis)	52.07	5.3
Gold	1124.50	-0.8
CRB	198.50	0.9
GS Metals	276.8	1.7
Aluminium	1630	1.9
Copper	5246	2.5
Nickel	10000	1.3
Zinc	1811	-0.4
Ch. steel	1957	-0.1
Iron ore	56.5	-0.4
St. coal	61.8	n.a.
Wheat Chic.	473.8	-2.6
Sugar	11.34	5.7
Cotton	62.76	0.4
Coffee	119.6	1.0

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.25	0.33	0.84	2.22	USD 10	2.16	-0.02
AUD	2.00	2.14	1.94	3.00	AUD 10	2.69	0.00 0.53
NZD	3.00	2.91	2.80	3.62	NZD 10	3.29	0.00 1.13
EUR	0.05	0.06	0.07	1.04	CAD 10	1.46	0.01 -0.70
GBP	0.50	0.58	1.03	1.96	EUR 10	0.72	-0.06 -1.44
JPY	0.10	0.09	0.11	0.56	GBP 10	1.90	-0.02 -0.26
CAD	0.50	1.17	0.72	1.91	JPY 10	0.40	0.01 -1.76

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.88	0.00
3 Yr bond	98.24	0.02
10 Yr bond	97.32	0.04
3/10 sprd	0.92	-0.02
SPI	16.0	0.3

CO₂ Emissions - Euros

	Last	% day
Dec-2015	8.18	0.6
Dec-2016	8.26	0.6
Dec-2017	8.37	0.6

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, 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
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
GE	Industrial Production SA MoM	Jul				-1.4%	6.00	16.00
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
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	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
JN	Eco Watchers Survey Current	Aug				51.6	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
Wednesday, 9 September 2015								
UK	BRC Shop Price Index YoY	Aug				-1.4%	23.01	9.01
AU	Westpac Consumer Conf Index	Sep				99.5	0.30	10.30
CH	CPI YoY	Aug				1.6%	1.30	11.30
CH	PPI YoY	Aug				-5.4%	1.30	11.30
AU	Home Loans MoM	Jul				4.4%	1.30	11.30
JN	Consumer Confidence Index	Aug				40.3	5.00	15.00
JN	Machine Tool Orders YoY	Aug P				1.7%	6.00	16.00
UK	Industrial Production MoM/YoY	Jul				-0.4%/1.5%	8.30	18.30
UK	Trade Balance	Jul				-£1601	8.30	18.30
US	MBA Mortgage Applications	Sep-04					11.00	21.00
CA	Housing Starts	Aug				193.0K	12.15	22.15
CA	Bank of Canada Rate Decision	Sep-09		0.50%		0.50%	14.00	0.00
US	JOLTS Job Openings	Jul				5249	14.00	0.00
Thursday, 10 September 2015								
NZ	RBNZ Official Cash Rate	Sep-10		2.75%		3.00%	21.00	7.00
NZ	Card Spending Retail MoM	Aug				0.4%	22.45	8.45
UK	RICS House Price Balance	Aug				44%	23.01	9.01
JN	Machine Orders MoM	Jul				-7.9%	23.50	9.50
AU	Consumer Inflation Expectation	Sep				3.7%	1.00	11.00
AU	Employment Change	Aug				38.5K	1.30	11.30
AU	Unemployment Rate	Aug				6.3%	1.30	11.30
UK	Bank of England Bank Rate	Sep-10		0.50%		0.50%	11.00	21.00
CA	Capacity Utilization Rate	2Q				82.7%	12.30	22.30
CA	New Housing Price Index MoM	Jul				0.3%	12.30	22.30
US	Initial Jobless Claims	Sep-05					12.30	22.30
US	Wholesale Inventories MoM	Jul				0.9%	14.00	0.00
US	Wholesale Trade Sales MoM	Jul				0.1%	14.00	0.00
Friday, 11 September 2015								
NZ	BNZ-BusinessNZ Manufacturing PMI	Aug				53.5	22.30	8.30
NZ	Food Prices MoM	Aug				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	CPI MoM/YoY	Aug F					6.00	16.00
US	PPI Final Demand MoM	Aug				0.2%	12.30	22.30
US	U. of Mich. Sentiment	Sep P					14.00	0.00
US	Monthly Budget Statement	Aug					18.00	4.00
Saturday, 12 September 2015								
CH	Retail Sales YoY	Aug				10.5%	5.30	15.30
CH	Retail Sales YTD YoY	Aug				10.4%	5.30	15.30
CH	Industrial Production YoY	Aug				6.0%	5.30	15.30
CH	Industrial Production YTD YoY	Aug				6.3%	5.30	15.30
CH	Fixed Assets Ex Rural YTD YoY	Aug				11.2%	5.30	15.30
CH	Bloomberg GDP Monthly Estimate YoY	Aug				6.6%	6.00	16.00
CA	Teranet/National Bank HPI YoY	Aug				5.1%	12.30	22.30
CA	Teranet/National Bank HP Index	Aug				174.33	12.30	22.30
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

Global Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406

Australia

Economics

Ivan Colhoun
Chief Economist, Markets
+61 2 9237 1836

David de Garis
Senior Economist
+61 3 8641 3045

Tapas Strickland
Economist
+61 2 9237 1980

FX Strategy

Ray Attrill
Global Co-Head of FX Strategy
+61 2 9237 1848

Emma Lawson
Senior Currency Strategist
+61 2 9237 8154

Interest Rate Strategy

Skye Masters
Head of Interest Rate Strategy
+61 2 9295 1196

Rodrigo Catril
Interest Rate Strategist
+61 2 9293 7109

Credit Research

Michael Bush
Head of Credit Research
+61 3 8641 0575

Simon Fletcher
Senior Credit Analyst – FI
+61 2 9237 1076

Distribution

Barbara Leong
Research Production Manager
+61 2 9237 8151

Group Economics

Alan Oster
Group Chief Economist
+61 3 8634 2927

James Glenn
Senior Economist – Australia
+61 3 9208 8129

Vyanne Lai
Economist – Australia
+61 3 8634 0198

Phin Ziebell
Economist – Agribusiness
+61 475 940 662

Amy Li
Economist – Australia
+61 3 8634 1563

Dean Pearson
Head of Industry Analysis
+61 3 8634 2331

Robert De lure
Senior Economist – Industry Analysis
+61 3 8634 4611

Brien McDonald
Senior Economist – Industry Analysis
+61 3 8634 3837

Karla Bulauan
Economist – Industry Analysis
+61 3 8641 4028

Tom Taylor
Head of Economics, International
+61 3 8634 1883

Tony Kelly
Senior Economist – International
+61 3 9208 5049

Gerard Burg
Senior Economist – Asia
+61 3 8634 2788

John Sharma
Economist – Sovereign Risk
+61 3 8634 4514

Jacqui Brand
Personal Assistant
+61 3 8634 2181

New Zealand

Stephen Toplis
Head of Research, NZ
+64 4 474 6905

Craig Ebert
Senior Economist
+64 4 474 6799

Doug Steel
Senior Economist
+64 4 474 6923

Kymerly Martin
Senior Market Strategist
+64 4 924 7654

Raiko Shareef
Currency Strategist
+64 4 924 7652

Yvonne Liew
Publications & Web Administrator
+64 4 474 9771

Asia

Christy Tan
Head of Markets Strategy/Research, Asia
+852 2822 5350

UK/Europe

Nick Parsons
Head of Research, UK/Europe,
and Global Co-Head of FX Strategy
+44 207 710 2993

Gavin Friend
Senior Markets Strategist
+44 207 710 1588

Derek Allassani
Research Production Manager
+44 207 710 1532

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