# **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 <u>at least</u> 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 nonmanufacturing 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 months'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.

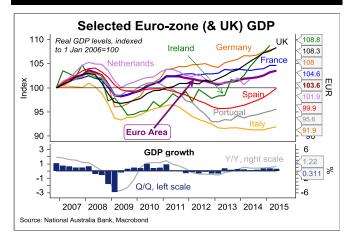
#### **Overnight**

- 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 Nonmanufacturing (Aug) 59.0 (L: 60.3; E: 58.2)

Good luck.

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#### Chart of the day: Euro-zone growth is emerging



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#### Markets AUD/USD- past week US 10 year bonds- past week 2.24 0.725 2.22 0.720 2.20 0.715 2.18 0.710 0.705 2.16 2.14 0.700 0.695 2.12 0.690 2.10 Source: Bloomberg 0.685 2.08 28-Aug 31-Aug 01-Sep 02-Sep 03-Sep 04-Sep 29-Aug 03-Sep 01-Sep 02-Sep 04-Sep WTI futures- past week S&P 500 futures- past week 2000 50 1980 48 1960 46 1940 1920 44 1900 42 1880 40 1860 Source: Bloomberg 1840 38 01-Sep 04-Sep 31-Aug 02-Sep 03-Sep 04-Sep 01-Sep 02-Sep 03-Sep 28-Aug 29-Aug Foreign Exchange **Equities** Commodities\* Indicative 24hr Other FX **Major Indices** % day ranges (\*\*) % year Oil (Brent) Last % chge Iow High % day 50.54 % chge 0.1 AUD 0.7017 0.0 0.7016 0.7018 HKD 7.7500 0.0 Dow 16,375 0.1 -4.1 Oil (WTI) 46.62 0.8 NZD 0.6400 0.8 0.6342 0.6416 CNY 6.3559 0.0 S&P 500 1,951 0.1 -2.5 Oil (Tapis) 52.07 5.3 SGD 4,733 **EUR** 1.1124 -0.9 1.1087 1.1245 1.4155 -0.1Nasdaq -0.3 3.5 Gold 1124.50 -0.8 GBP 1.5261 -0.1 1.5219 1.5339 IDR 14,170 -0.3 VIX Index 25.61 -1.8 107.2 CRB 198.50 0.9 JPY 120.07 -0.2 119.64 120.40 THB 6,194 -9.9 **GS Metals** 276.8 35.84 -0.1 **FTSE** 1.8 1.7 KRW CAD 1 3182 -0.61.3136 1.3291 1 191 0.0 DAX 10.318 27 7.2 Aluminium 1630 19 AUD/EUR 0.6309 TWD 32.55 0.1 CAC 40 4,654 2.2 5.2 Copper 5246 2.5 1.1 AUD/JPY 0.0 PHP 46.78 -0.1 Nikkei 18,182 0.5 16.0 Nickel 10000 1.3 84.26 AUD/GBP CHF 0.4599 0.3 0.97 0.4 Shanghai 3.160 -0.2 38.1 Zinc 1811 -0.4AUD/NZD -0.6 SEK 8.41 0.6 Hang Seng 20,935 -1.2 -17.3 Ch. steel 1957 -0.1 1.0965 ASX 200 -1.4 -10.7 Iron ore 56.5 -0.4 5,028 St. coal 61.8 n.a. Interest Rates **Overnight Futures** 473.8 Wheat Chic. -2.6 **Indicative Swap Rates** Benchmark 10 Year Bonds Sugar 11.34 5.7 3mth 10Yr chge Sprd Last Chge Cotton 62 76 0.4USD 0.33 0.84 2 22 **USD 10** -0.02 Australia Coffee 119.6 1.0 AUD 2.14 1.94 3.00 AUD 10 0.53 3 mth bill 97.88 0.00 2.00 0.00 NZD 2.91 2.80 3.62 NZD 10 3.29 1.13 98.24 0.02 3.00 0.00 3 Yr bond CO<sub>2</sub> Emissions - Euros **EUR** 0.05 0.06 0.07 1.04 CAD 10 1.46 0.01 -0.7010 Yr bond 97.32 0.04 % day **GBP** 0.50 0.58 1.03 1.96 EUR 10 0.72 -0.06 -1.44 3/10 sprd 0.92 -0.02 Dec-2015 8.18 0.6 1.90 JPY 0.10 0.09 0.11 0.56 **GBP 10** -0.02 -0.26 SPI 16.0 0.3 Dec-2016 0.6

Please note the high/low FX rates are only an indication. Please refer to your National Dealer for confirmation.

JPY 10

-1.76

0.01

Last is around 6:30am Sydney Source: Bloomberg

CAD

0.6

Dec-2017

<sup>\*</sup> All near futures contracts, except CRB. GS Metals is Goldman Sachs industrial metals index. Metals prices are CME. Emissions: ICE Dec contracts, Euros

<sup>\*\*</sup> These are indicative ranges over the past 24 hours; please confirm rates with your NAB dealer

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### Calendar

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Uesday, & Z	8 September 2015  NZ Truckometer Heavy MoM Mig Activity Volume QoQ  SRC Sales Like-For-Like YoY  NZ Roy Morgan Weekly Consumer Confidence Index Stop Current Account Balance/Adjusted DP SA QoQ/Annualised QoQ MB Business Conditions/Confidence rade Balance Imports/Exports SA MoM IFIB Small Business Optimism Irade Balance Iraque Balance Iraque Salance I	Aug 2Q Aug Sep-06 Jul 2Q F Aug Jul Aug Aug Aug Aug			-0.3% -0.3% 1.2% \$4558.6B/\display1300.3B -0.4\langle/-1.6\langle/64 24.0B -0.5\langle/-1.0\langle	22.00 22.45 23.01 23.30 23.50 23.50 1.30 6.00 6.00	8.00 8.45 9.01 9.30 9.50 9.50 11.30 16.00
Z A A Z Z MK K BB U A A B B U A A B B U A A B B B U A A B B B B	INZ Truckometer Heavy MoM  Ifig Activity Volume QoQ  IRC Sales Like-For-Like YoY  INZ Roy Morgan Weekly Consumer Confidence Index  INZ Roy Morgan Weekly Confidence  INZ Roy Momenta Index  INZ Ro	2Q Aug Sep-06 Jul 2Q F Aug Jul Jul Aug Aug Aug Aug			-0.3% 1.2% ¥558.6B/¥1300.3B -0.4%/-1.6% 6/4 24.0B -0.5%/-1.0%	22.45 23.01 23.30 23.50 23.50 1.30 6.00 6.00	8.45 9.01 9.30 9.50 9.50 11.30 16.00
Z MK BU A A A A A A A A A A A A A A A A A A	Ifig Activity Volume QoQ IRC Sales Like-For-Like YoY IRC S	2Q Aug Sep-06 Jul 2Q F Aug Jul Jul Aug Aug Aug Aug			-0.3% 1.2% ¥558.6B/¥1300.3B -0.4%/-1.6% 6/4 24.0B -0.5%/-1.0%	22.45 23.01 23.30 23.50 23.50 1.30 6.00 6.00	8.45 9.01 9.30 9.50 9.50 11.30 16.00
K B B W A A B B B N B B N B B N B B N B B N B	RC Sales Like-For-Like YoY  NZ Roy Morgan Weekly Consumer Confidence Index top Current Account Balance/Adjusted  DP SA QOQ/Annualised QoQ  IAB Business Conditions/Confidence trade Balance IAB Small Business Optimism Trade Balance Exports YoY CNY INDOTE YOU CNY	Aug Sep-06 Jul 2Q F Aug Jul Jul Aug Aug Aug Aug Aug			1.2% ¥558.6B/¥1300.3B -0.4%/-1.6% 6/4 24.0B -0.5%/-1.0%	23.01 23.30 23.50 23.50 1.30 6.00 6.00	9.01 9.30 9.50 9.50 11.30 16.00
U A A B B B B B B B B B B B B B B B B B	NZ Roy Morgan Weekly Consumer Confidence Index top Current Account Balance/Adjusted GDP SA QoQ/Annualised QoQ IAB Business Conditions/Confidence frade Balance mports/Exports SA MoM IFIB Small Business Optimism frade Balance exports YoY CNY mports YoY CNY from York YoY CNY from Watchers Survey Current abor Market Conditions Index Change consumer Credit ay, 9 September 2015	Sep-06 Jul 2Q F Aug Jul Jul Aug Aug Aug Aug Aug Aug			¥558.6B/¥1300.3B -0.4%/-1.6% 6/4 24.0B -0.5%/-1.0%	23.30 23.50 23.50 1.30 6.00 6.00	9.30 9.50 9.50 11.30 16.00
N BON GON NO.	toP Current Account Balance/Adjusted toP SA QoQ/Annualised QoQ lAB Business Conditions/Confidence rade Balance mports/Exports SA MoM IFIB Small Business Optimism rade Balance record by the Confidence record by the Confide	Jul 2Q F Aug Jul Jul Aug Aug Aug Aug Aug Aug Aug			-0.4%/-1.6% 6/4 24.0B -0.5%/-1.0%	23.50 23.50 1.30 6.00 6.00	9.50 9.50 11.30 16.00 16.00
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U N. E Tr E Im S N. H Tr H E. H Im K E. S La S C C C C C C C C C C C C C C C C C C C	IAB Business Conditions/Confidence rade Balance nports/Exports SA MoM IFIB Small Business Optimism rade Balance exports YoY CNY nports YoY CNY co Watchers Survey Current abor Market Conditions Index Change consumer Credit ay, 9 September 2015	Aug Jul Jul Aug Aug Aug Aug Aug Aug Aug			6/4 24.0B -0.5%/-1.0%	1.30 6.00 6.00	11.30 16.00 16.00
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E Im S NN H Tr H E H Im N E S L S C Gednesda Gednesda W H C H P U H	mports/Exports SA MoM IFIB Small Business Optimism rade Balance exports YoY CNY mports YoY CNY co Watchers Survey Current abor Market Conditions Index Change consumer Credit ay, 9 September 2015	Jul Aug Aug Aug Aug Aug			-0.5%/-1.0%	6.00	16.00
S N H Tr H E: H Im N E: S C: Gednesda K B! U W H C: H P! U H	IFIB Small Business Optimism rade Balance seports YoY CNY mports YoY CNY co Watchers Survey Current abor Market Conditions Index Change consumer Credit ay, 9 September 2015	Aug Aug Aug Aug Aug					
H Tr H E: H Im N E: S C: Gednesda K B: U W H C: H P!	rade Balance Exports YoY CNY Inports YoY CNY Inports YoY CNY Inco Watchers Survey Current Indoor Market Conditions Index Change Inconsumer Credit Input September 2015	Aug Aug Aug Aug			QE 4		20.00
H E: H Im N E- S La S Ca Jednesda K B U W H C H P U H	exports YoY CNY nports YoY CNY co Watchers Survey Current abor Market Conditions Index Change consumer Credit ay, 9 September 2015	Aug Aug Aug			95.4 \$43.03B	10.00	20.00
Image	nports YoY CNY  ico Watchers Survey Current abor Market Conditions Index Change  consumer Credit ay, 9 September 2015	Aug Aug			\$43.03B -8.9%	14.00	0.00
N Er S La S C rednesda K B U W H C H P	co Watchers Survey Current abor Market Conditions Index Change consumer Credit ay, 9 September 2015	Aug			-8.9% -8.6%	14.00	0.00
S La S C lednesda K B U W H C H P U H	abor Market Conditions Index Change Consumer Credit ay, 9 September 2015				<del>-8.6%</del> 51.6	14.00 14.00	0.00
S College Coll	consumer Credit ay, 9 September 2015	Aug			51.6 1.1	14.00 14.00	0.00
rednesda K B U W H C H P U H	ay, 9 September 2015	Jul			\$20.740B		5.00
K B U W H C H P U H		Jui			\$20.740B	19.00	3.00
U W H C H P U H		Aug			-1.4%	23.01	9.01
H C H P U H	RC Shop Price Index YoY Vestpac Consumer Conf Index	Sep			99.5	0.30	10.30
H PI U H	CPI YoY	Aug			1.6%	1.30	11.30
U H	PPLYoY	Aug			-5.4%	1.30	11.30
	Home Loans MoM	Jul			4.4%	1.30	11.30
	Consumer Confidence Index	Aug			40.3	5.00	15.00
	Machine Tool Orders YoY	Aug P			1.7%	6.00	16.00
	ndustrial Production MoM/YoY	Jul			-0.4%/1.5%	8.30	18.30
	rade Balance	Jul			-£1601	8.30	18.30
	MBA Mortgage Applications	Sep-04			2.00.	11.00	21.00
	lousing Starts	Aug			193.0K	12.15	22.15
	Bank of Canada Rate Decision	Sep-09		0.50%	0.50%	14.00	0.00
	OLTS Job Openings	Jul			5249	14.00	0.00
hursday,	10 September 2015						
	RBNZ Official Cash Rate	Sep-10		2.75%	3.00%	21.00	7.00
Z C	Card Spending Retail MoM	Aug			0.4%	22.45	8.45
K R	RICS House Price Balance	Aug			44%	23.01	9.01
N M	Machine Orders MoM	Jul			-7.9%	23.50	9.50
U C	Consumer Inflation Expectation	Sep			3.7%	1.00	11.00
U E	imployment Change	Aug			38.5K	1.30	11.30
U U	Inemployment Rate	Aug			6.3%	1.30	11.30
K B	ank of England Bank Rate	Sep-10		0.50%	0.50%	11.00	21.00
A C	Capacity Utilization Rate	2Q			82.7%	12.30	22.30
	lew Housing Price Index MoM	Jul			0.3%	12.30	22.30
	nitial Jobless Claims	Sep-05				12.30	22.30
	Vholesale Inventories MoM	Jul			0.9%	14.00	0.00
	Vholesale Trade Sales MoM	Jul			0.1%	14.00	0.00
	September 2015						
	NZ-BusinessNZ Manufacturing PMI	Aug			53.5	22.30	8.30
	ood Prices MoM	Aug			0.6%	22.45	8.45
	SI Large All Industry QoQ	3Q			-1.2	23.50	9.50
	Ion Resident Bond Holdings	Aug			69.7%	3.00	13.00
	CPI MoM/YoY	Aug F				6.00	16.00
	PPI Final Demand MoM	Aug			0.2%	12.30	22.30
	J. of Mich. Sentiment	Sep P				14.00	0.00
	Nonthly Budget Statement	Aug				18.00	4.00
	12 September 2015						
	Retail Sales YoY	Aug			10.5%	5.30	15.30
	Retail Sales YTD YoY	Aug			10.4%	5.30	15.30
	ndustrial Production YoY	Aug			6.0%	5.30	15.30
	ndustrial Production YTD YoY	Aug			6.3%	5.30	15.30
	ixed Assets Ex Rural YTD YoY	Aug			11.2%	5.30	15.30
	Bloomberg GDP Monthly Estimate YoY	Aug			6.6%	6.00	16.00
	eranet/National Bank HPI YoY	Aug			5.1%	12.30	22.30
	eranet/National Bank HP Index	Aug			174.33	12.30	22.30
pcoming	g Central Bank Interest Rate Announcements						
urope EC	CB	3-Sep			 0.05%		
K BOE		10-Sep			0.50%		
	nd, RBNZ	10-Sep	2.75%	2.75%	3.00%		
anada, Bo		10-Sep	- · <del>-</del>		0.50%		
pan, BoJ		15-Sep	0.0%-0.1%	0.0%-0.1%	0.0%-0.1%		
	I Reserve	18-Sep			0-0.25%		

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

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