



# Markets Today

A daily outlook for Australia, key global economies and markets

12 October 2015

## Bungee Jumping – Asia EM style

AUD was the best performing G10 currency on Friday, and GBP the worse, the latter initially suffering on some dismal UK trade figures and which contrast starkly with the Eurozone's current account surplus status.

Currencies were more lively than equities or bonds, with further strong gains for some of the most beaten up Emerging Market currencies of the past few months. The Indonesian rupiah added another 3.37% to be 9% higher on the week, and Malaysia 2.6% to be 6.9% up on the week. In index terms the narrow DXY dollar index ended -0.53% at 94.81 and the broader BBDXY -0.35%.

AUD/USD added 1.05% over the 24 hours through to the NY close to 0.7336 and closed very close to the highs (0.7344). "4pm-fix" and other real money demand was evident. In contrast the NZD was up only 0.28% up on the day finished well shy of its intra-day high of 0.6720, at 0.6686.

US equities managed small gains Friday, the S&P500 finishing +0.07%, the Dow +0.2% with the VIX slipping down by 0.34 to 17.08. Earlier the Eurostoxx 50 finished +0.79% and the DAX +1.04%. No sign here of investors shorting the Euro alongside renewed buying of equities (EUR +0.74%).

Treasuries were mixed, 10s losing 1.6bps to 2.0881% but 2s finishing in NY 0.4bp up at 0.6370%. In commodities gold added \$17 to \$1156, so maintaining the current strong negative correlation with overall USD performance. Oil prices were narrowly mixed with no strong reaction to news that the US House of representatives had voted 261-159 to repeal the 40-year ban on oil exports. Even if the bill clears the Senate (it may well not) it remains under threat of Presidential veto, and the House vote does not command the two-thirds majority necessary to override. Iron ore was up just 4 cents to \$56.01 but the LME index leapt by 3.87%.

Economic news of note was limited to Canadian employment and UK trade. Canada's September labour market figures showed a 12k rise in employment (10.0kE, 12.0kP) but all driven by part time (full time -61.9k, part-time +74.0k). The unemployment rate rose to 7.1% from 7.0% and 7.0% expected.

Very poor UK trade figures saw the overall (goods and services) deficit at £3.27bn (-£2.15bn E) with July revised to -£4.4bn from -£3.4bn). This was led by visible trade where the deficit came in at £11.15bn not the £9.9bn expected and with July revised to -£12.2bn from -£11.1bn originally reported.

CoreLogic RP Data on Sunday reported a sharp step up in auction activity after the prior Saturday's Grand Finals day and Labour Day long weekend saw just 841 properties on offer. 2,903 properties came to market on Saturday, with a preliminary clearance rate of 72.0 up from a final 68.2 last

week, with Sydney clearing a preliminary 72.8% up from 69.9% and Melbourne 74.1% up from 73.1%.

Plenty of Fed-speak on Friday and over the weekend where the IMF's Autumn meetings were taking place in Lima.

Fed Vice-Chair Stan Fischer told CNN the Fed will raise rates this year providing slower global growth doesn't undermine forecasts for higher inflation.

NY Fed president Bill Dudley told CNBC he still forecasts a rate hike this year, but stressed "it's a forecast and we're going to get a lot of data between now and December, so it's not a commitment".

Richmond Fed president Lacker (September's FOMC meeting dissenter) told Bloomberg that "we're there" (full employment) and that "pushing on to wring more slack out - there are some risks associated with that"

FOMC dove Charles Evans said a Fed Funds Rate "below 1%" could be appropriate by end-2016, while Atlanta Fed president Dennis Lockhart says he still sees 'lift-off' in either October or December despite a touch more 'downside risk' to the economy given the international slowdown and recent employment data.

On Saturday ECB President Draghi further dampened hope for a step up in the intensity of QE, saying "we are satisfied with QE, as it has met and even surpassed our initial expectations". He said it will take longer to get inflation up to 2% but "that is largely because of a drop in oil prices".

## Coming Up

Plenty of data and other event risk this week after what will be a quiet start (Columbus Day in the US, and Japan is out for Sports Day – I want one of those). We get into the thick of the US 3<sup>rd</sup> quarter reporting season with JPM, Intel and Johnson & Johnson Tuesday, BofA and Wells Fargo Wednesday and Citigroup and Goldman's on Thursday.

China trade numbers on Tuesday's could be a big swing factor for EM in general, while Chinas loan data is due anytime from today. In the US CPI, retail sales a production data due, though the Fed's Beige Book on Wednesday could be one of the more interesting releases.

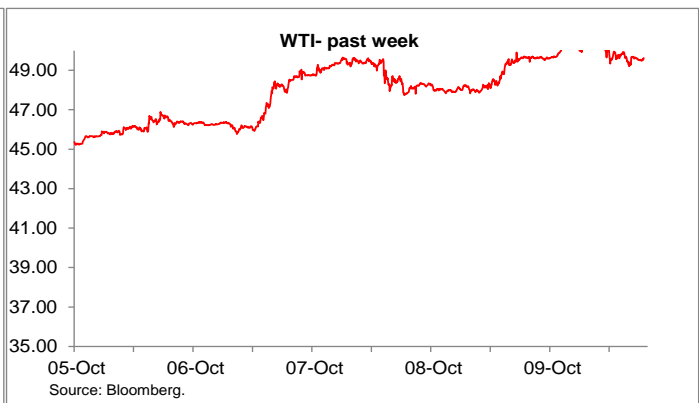
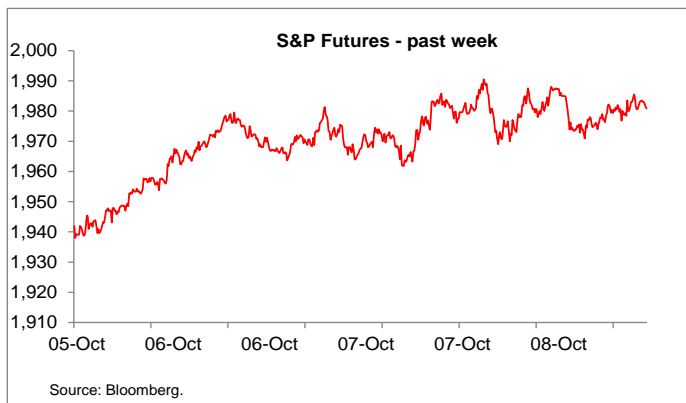
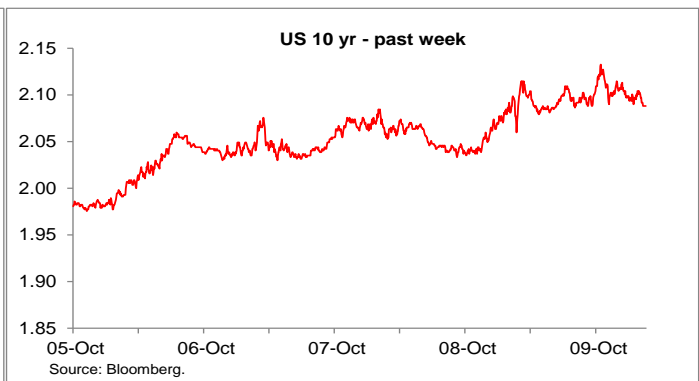
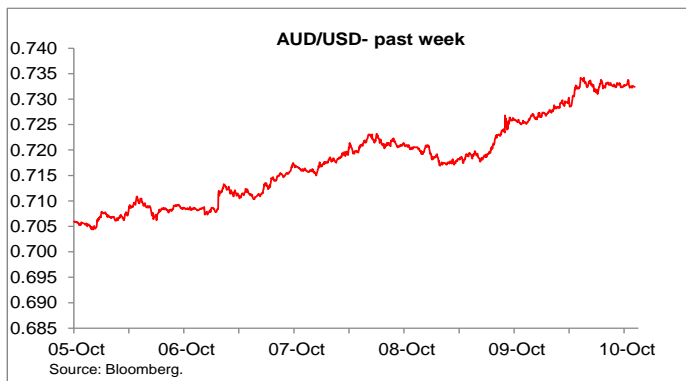
Locally, NAB's business survey is tomorrow plus a speech from RBA's Lowe, then labour market data on Thursday.

## Overnight

- On global stock markets, the S&P 500 was +0.10%. Bond markets saw US 10-years -1.59bp to 2.09%. On commodity markets, Brent crude oil -0.75% to \$52.65, gold +1.0% to \$1,156, iron ore +0.1% to \$56.01. AUD is at 0.7324 and the range since Friday's local close was 0.7280 to 0.7344.

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Markets



Foreign Exchange						Equities				Commodities*																																																																														
<table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="4">Indicative 24hr ranges (**)</th> <th colspan="2">Other FX</th> </tr> <tr> <th>Last</th> <th>% chge</th> <th>Low</th> <th>High</th> <th>Last</th> <th>% chge</th> </tr> </thead> <tr> <td>AUD</td> <td>0.7324</td> <td>-0.2</td> <td>0.7320</td> <td>0.7334</td> <td>HKD</td> <td>7.7501 0.0</td> </tr> <tr> <td>NZD</td> <td>0.6694</td> <td>0.1</td> <td>0.6658</td> <td>0.6709</td> <td>CNY</td> <td>6.3452 -0.1</td> </tr> <tr> <td>EUR</td> <td>1.1359</td> <td>0.0</td> <td>1.1353</td> <td>1.1362</td> <td>SGD</td> <td>1.3984 -0.7</td> </tr> <tr> <td>GBP</td> <td>1.5315</td> <td>0.0</td> <td>1.5306</td> <td>1.5328</td> <td>IDR</td> <td>13,412 -3.4</td> </tr> <tr> <td>JPY</td> <td>120.18</td> <td>-0.1</td> <td>120.15</td> <td>120.30</td> <td>THB</td> <td>35.53 0.0</td> </tr> <tr> <td>CAD</td> <td>1.2956</td> <td>0.1</td> <td>1.2951</td> <td>1.2961</td> <td>KRW</td> <td>1,144 -1.2</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6446</td> <td>-0.2</td> <td></td> <td></td> <td>TWD</td> <td>32.32 -0.9</td> </tr> <tr> <td>AUD/JPY</td> <td>88.01</td> <td>-0.2</td> <td></td> <td></td> <td>PHP</td> <td>45.88 -0.6</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4782</td> <td>-0.1</td> <td></td> <td></td> <td>CHF</td> <td>0.96 0.0</td> </tr> <tr> <td>AUD/NZD</td> <td>1.0942</td> <td>-0.2</td> <td></td> <td></td> <td>SEK</td> <td>8.22 0.2</td> </tr> </table>							Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.7324	-0.2	0.7320	0.7334	HKD	7.7501 0.0	NZD	0.6694	0.1	0.6658	0.6709	CNY	6.3452 -0.1	EUR	1.1359	0.0	1.1353	1.1362	SGD	1.3984 -0.7	GBP	1.5315	0.0	1.5306	1.5328	IDR	13,412 -3.4	JPY	120.18	-0.1	120.15	120.30	THB	35.53 0.0	CAD	1.2956	0.1	1.2951	1.2961	KRW	1,144 -1.2	AUD/EUR	0.6446	-0.2			TWD	32.32 -0.9	AUD/JPY	88.01	-0.2			PHP	45.88 -0.6	AUD/GBP	0.4782	-0.1			CHF	0.96 0.0	AUD/NZD	1.0942	-0.2			SEK	8.22 0.2
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 | Major Indices |        |       |       | |---------------|--------|-------|-------| |               | Last   | % day | % y/y | | Dow           | 17,084 | +0.2  | 3.3   | | S&P 500       | 2,015  | +0.1  | 5.7   | | Nasdaq        | 4,830  | +0.4  | 13.0  | | FTSE          | 6,416  | +0.6  | 1.2   | | DAX           | 10,097 | +1    | 14.9  | | CAC 40        | 4,701  | +0.7  | 15.4  | | Nikkei        | 18,439 | +1.6  | 20.5  | | Shanghai      | 3,183  | +1.3  | 34.1  | | Hang Seng     | 22,459 | +0.5  | -2.7  | | ASX 200       | 5,280  | +1.3  | 1.8   | | | | | |             | Last    | % day | |-------------|---------|-------| | Oil (Brent) | 52.65   | -0.8  | | Oil (WTI)   | 49.63   | 0.4   | | Oil (Tapis) | 53.71   | 3.3   | | Gold        | 1156.30 | 1.0   | | CRB         | 202.69  | 0.7   | | GS Metals   | 277.8   | 4.2   | | Aluminium   | 1602    | 3.4   | | Copper      | 5313    | 3.2   | | Nickel      | 10469   | 3.2   | | Zinc        | 1820    | 10.4  | | Ch. steel   | 1840    | -0.2  | | Iron ore    | 56.0    | 0.1   | | Coal        | 53.6    | -0.2  | | Wheat Chic. | 516.8   | -0.4  | | Sugar       | 14.34   | 2.4   | | Cotton      | 61.61   | -0.2  | | Coffee      | 131.6   | 2.5   | | | || | Interest Rates |                       |      |      |      | Benchmark 10 Year Bonds |      |             | Overnight Futures      |      | |----------------|-----------------------|------|------|------|-------------------------|------|-------------|------------------------|------| |                | Indicative Swap Rates |      |      |      | Last                    | chge | Sprd        |                        |      | |                | Cash                  | 3mth | 2Yr  | 10Yr |                         |      |             | Last                   | Chge | | USD            | 0.25                  | 0.32 | 0.77 | 2.07 | USD 10                  | 2.09 | -0.02       | Australia              |      | | AUD            | 2.00                  | 2.18 | 2.00 | 2.99 | AUD 10                  | 2.71 | 0.09 0.62   | 3 mth bill 97.93 0.00  |      | | NZD            | 2.75                  | 2.84 | 2.72 | 3.56 | NZD 10                  | 3.44 | 0.03 1.35   | 3 Yr bond 98.13 -0.01  |      | | EUR            | 0.05                  | 0.06 | 0.06 | 0.99 | CAD 10                  | 1.52 | 0.01 -0.57  | 10 Yr bonc 97.27 -0.03 |      | | GBP            | 0.50                  | 0.57 | 0.97 | 1.90 | EUR 10                  | 0.62 | 0.03 -1.47  | 3/10 sprd 0.86 0.02    |      | | JPY            | 0.10                  | 0.08 | 0.11 | 0.50 | GBP 10                  | 1.86 | 0.05 -0.23  | SPI -18.0 -0.3         |      | | CAD            | 0.50                  | 1.17 | 0.84 | 1.97 | JPY 10                  | 0.32 | -0.01 -1.77 |                        |      | | | | | | | |                                   | Last | % day | |-----------------------------------|------|-------| | CO <sub>2</sub> Emissions - Euros |      |       | |                                   | Last | % day | | Jun-2015                          | 8.37 | 2.7   | | Dec-2015                          | 8.35 | 2.7   | | Dec-2016                          | 8.42 | 2.7   | | | |

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
<b>Monday, 12 October 2015</b>								
NZ	REINZ House Sales YoY	Sep				41.7		
CH	China Cny Monthly New Loan	Sep		900		809.6	10-15 Oct release	
CH	China All-System Financing Agg	Sep				1080	10-15 Oct release	
US	Fed's Lockhart speaks on US economic outlook						12.10	23.10
US	Fed's Evans speaks on economy and policy						14.30	1.30
CA	Bank of Canada's Poloz speaks at NABE in Washington						17.05	4.05
US	Fed's Brainard gives outlook and policy speech						20.30	7.30
US	Columbus Day holiday (exchanges open)							
<b>Tuesday, 13 October 2015</b>								
AU	Speech by Philip Lowe, Deputy Governor, RBA to CFA Institute Investment Conference						21.40	8.40
NZ	Food Prices MoM	Sep	-0.20%			-0.5	21.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct 11				110	22.30	9.30
UK	Brc Kpmg Retail Sales Monitor	Sep				-1	23.10	10.10
JN	BoJ minutes for Sep 14-15 meeting			0			23.50	10.50
AU	NAB Business Conditions, Confidence	Sep				11/1	0.30	11.30
CH	Trade balance CNY	Sep		316.21		368.03	1.30	12.30
CH	Exports/Imports YoY CNY	Sep		-5.95/-18.3		-6.1/-14.3	1.30	12.30
CH	Trade balance USD	Sep		48.21		60.24	2.00	13.00
CH	Exports/Imports YoY USD	Sep		-6/-15.9		-5.5/-13.8	2.00	13.00
JN	Consumer Confidence	Sep		41.6		41.7	5.00	16.00
JN	Japan Machine Tool Orders Yoy	Sep P				-16.5	6.00	17.00
GE	German CPI MoM/YoY	Sep F		-0.2/0		-0.2/0	6.00	17.00
EC	ECB's Mersch speaks in Singapore						6.30	17.30
UK	CPI MoM/YoY	Sep		0/0		0.2/0	8.30	19.30
UK	PPI Output Core NSA MoM/YoY	Sep		0/0.2		0/0.1	8.30	19.30
UK	ONS House Price YoY	Aug				5.2	8.30	19.30
GE	ZEW Current assessment/Expectations	Oct		65.8/7		67.5/12.1	9.00	20.00
EC	ZEW Survey Expectations	Oct				33.3	9.00	20.00
US	Nfib Small Business Optimism I	Sep		95.5		95.9	10.00	21.00
US	Fed's Bullard speaks to NABE in Washington						12.00	23.00
US	Monthly Budget Statement	Sep		91		-64.4	18.00	5.00
<b>Wednesday, 14 October 2015</b>								
AU	W-MI Consumer Sentiment Index/MoM	Oct				93.9/-5.6	23.30	10.30
EC	ECB's Mersch speaks in Singapore						1.00	12.00
CH	CPI/PPI YoY	Sep		1.8/-5.9		2/-5.9	1.30	12.30
NZ	Crown Financial Statements (2014/15)						2.00	13.00
UK	Claimant count, ('000K)/Unemployment rate	Sep		-1.9/3.1		1.2/5.5	8.30	19.30
EC	Industrial production MoM/YoY	Aug		-0.5		0.6/1.9	9.00	20.00
US	Retail Sales/Ex Autos MoM	Sep		0.2/-0.1		0.2/0.1	12.30	23.30
US	PPI MoM/YoY	Sep		-0.2		0/-0.8	12.30	23.30
US	Business Inventories	Aug		0.1		0.1	14.00	1.00
US	U.S. Federal Reserve Releases Beige Book						18.00	5.00
<b>Thursday, 15 October 2015</b>								
NZ	Brnz-Business NZ Performance Of Mfg PMI	Sep				55	21.30	8.30
NZ	Anz Roy Morgan Consumer Confidence	Oct				110.8/0.9	0.00	11.00
AU	W-MI Consumer Inflationary expectations	Oct				3.2	0.00	11.00
AU	Employment/Unemployment	Sep	11/6.2	7.1/6.2		17.4/6.2	0.30	11.30
AU	Participation Rate	Sep	65	65		65	0.30	11.30
AU	Motor vehicle sales MoM/YoY	Sep				-1.6/2.1	0.30	11.30
AU	FX Transactions Market	Sep				336	0.30	11.30
JN	Industrial production MoM/YoY	Aug F		/		-0.5/0.2	4.30	15.30
EC	ECB's Nowotny speaks at Conference in Warsaw						7.00	18.00
EC	ECB's Hansson speaks at Conference in Warsaw						9.30	20.30
CA	Teranet/National Bank HPI MoM/YoY	Sep				1/5.4	12.30	23.30
US	Us Initial Jobless Claims Sa	Oct 8				263	12.30	23.30
US	CPI MoM/YoY	Sep		-0.2/-0.1		-0.1/0.2	12.30	23.30
US	Core CPI MoM/YoY	Sep		0.1/1.8		0.1/1.8	12.30	23.30
US	Us Empire State Manufacturing	Oct		-7.5		-14.67	12.30	23.30
CA	Canadian Existing Home Sales M	Sep				0.3	13.00	0.00
US	Philadelphia Fed Business Outl	Oct		-2		-6	14.00	1.00
US	Fed's Bullard makes opening remarks at conference							1.30
US	Fed's Dudley speaks at Brookings Institution							1.30
EC	ECB's Nowotny speaks at Conference in Warsaw						17.00	4.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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%		
Japan	BoJ	30-Oct	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
Australia	RBA	3-Nov	2.00%	2.00%		2.00%		
UK	BOE	5-Nov				0.50%		

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

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