



Markets Today

A daily outlook for Australia, key global economies and markets

16 October 2015

Core, Blimey

Much of Wednesday's market price action in currencies, equities and bonds has been reversed. US stock indices are heading in to the close all showing gains in excess of 1%, 10 year Treasury yields are back above 2% (2.03%) and the US dollar is overall up about 0.5% higher having lost the best part of 1% on Wednesday. The exceptions here are the commodity currency trio of NZD, CAD and AUD which for the most part are continuing to resist the allure of a weaker US dollar. They are all stronger versus Wednesday's closing level, and led by the now mighty kiwi – up another 1% in the last 24 hours and came within kissing distance of 0.69 in early afternoon NY trade. This emboldens expectations for the RBNZ moving again on rates at the October 29 window and after Governor Wheeler's comments earlier this week.

The fundamental catalyst for much of the price action was US CPI, where the core rate rose by 0.2% against the 0.1% consensus (headline was -0.2% as expected, held down by a 9% drop in petrol prices). The core print lifts the annual rate of increase to 1.9% from 1.8% and 1.6% at the start of the year. The biggest driver of the rise was rents, which have a higher weight in CPI than the Fed's preferred PCE deflator measure; there is no guarantee that the latter will be following CPI higher just yet (see Chart of the Day in the attached pdf).

The other significant market mover overnight proved to be comment from Austrian central bank chief and ECB Governing Council member Nowotny, who's remarks that the ECB is 'clearly' missing its price stability target led some to conclude this increase the odds of the ECB adding to either the intensity or duration of its current QE programme as early as December. EUR/USD dropped from above 1.1440 to below 1.1370 in short order following his comments.

US activity data was quite mixed. Jobless claims dropped to 255k, matching the low last seen in July and bringing the 4-week average down to a new cycle low of 265k – levels fully consistent with further declines in the unemployment rate in coming months. This also impacted market somewhat alongside CPI. Incoming survey data meanwhile was not so flash, with the Empire manufacturing index lifting to -11.36 from -14.67 but which was expected to rise to -8.0. The Philly Fed survey also rose, but only to -4.5 from -6.0 against -2 expected, but the new orders index plunged to -10.6 from +9.4. Five months ago it was 15.2.

NY Fed President Bill Dudley was last night's rostered Fed speaker, saying that if the economy performs in line with his forecast he's be in favour of a hike this year, but then acknowledging that recent economic news suggests the economy is slowing. He's covered his bases there.

Finally, Citigroup beat its earnings estimate but in part thanks to lower legal cost/provisions, while Goldman's missed its number, citing a slump in FICC revenue.

Coming Up

Friday's events calendar kicks off at 08:45 AEDT with New Zealand's Q3 CPI. Our BNZ colleagues expect a rise of 0.2%. This would see annual inflation tick down to +0.3% from (an already revised) +0.4% in Q2. We are in line with the market consensus.

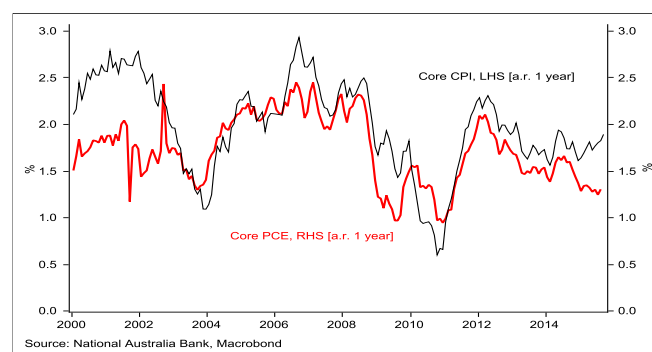
Locally we get the RBA's Financial Stability Review. This report, while not likely market moving, will be interesting for understanding the RBA's concerns of medium term financial stability. At front of mind will be the Bank's thoughts on the housing market, including house price growth, effectiveness of APRA's recent actions, settlement risk, and any fears of emerging oversupply in certain segments. Given the speculation on an early cut in the Cash Rate unleashed by Westpac's mortgage rate action this week (and the AFR's Mitchell's column yesterday) the FSR will be viewed partly in that context - i.e. does the RBA sound sufficiently concerned about housing market developments that it would not be rushing to offset the hit to households from higher mortgage rates even if the other major lenders do follow Westpac?

Offshore tonight, we get Eurozone trade, US JOLTS (job openings) and the preliminary University of Michigan consumer sentiment. We'll also get the US TICS (capital flows) report and which is for August - so covering the period of China's currency move and when speculation of heavy central bank selling of reserve assets from China and elsewhere in Asia was at its peak. It will therefore attract more than the usual scrutiny.

Overnight

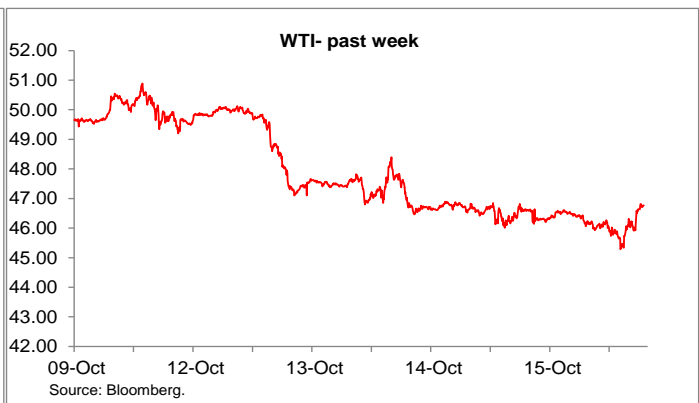
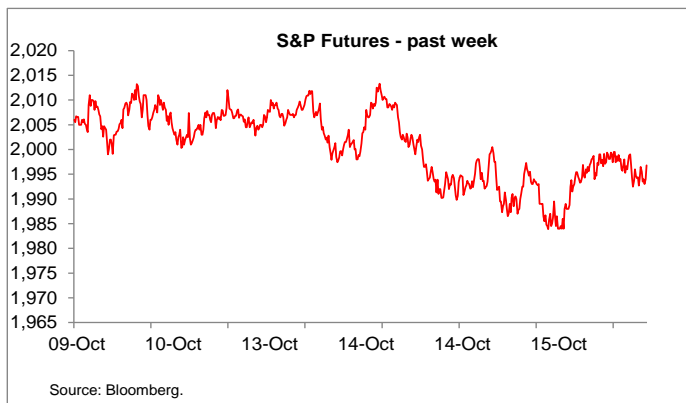
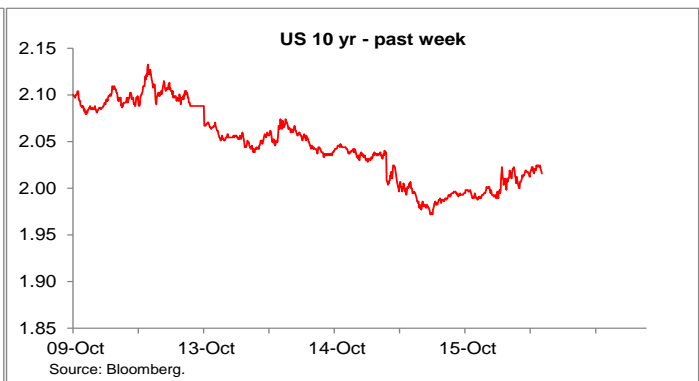
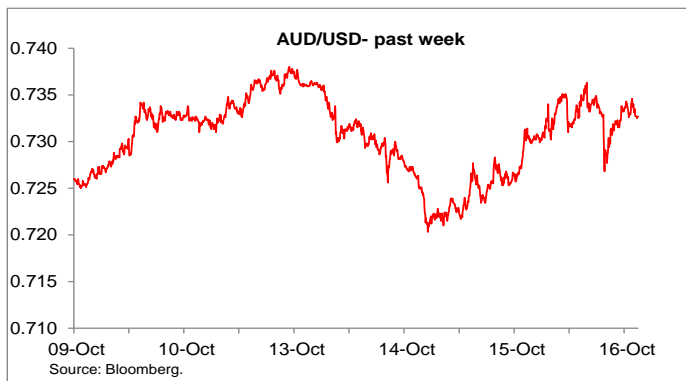
- On global stock markets, the S&P 500 was +1.40%. Bond markets saw US 10-years +4.22bp to 2.01%. On commodity markets, Brent crude oil -0.90% to \$50.05, gold +0.7% to \$1,188, iron ore -2.5% to \$53.74. AUD is at 0.733 and the range was 0.7266 to 0.7364.

Chart of the Day: US core CPI vs. core PCE deflator



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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>0.7330</td> <td>0.4</td> <td>0.7266</td> <td>0.7364</td> <td>HKD</td> <td>7.7500</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.6848</td> <td>0.9</td> <td>0.6786</td> <td>0.6897</td> <td>CNY</td> <td>6.3463</td> <td>0.0</td> </tr> <tr> <td>EUR</td> <td>1.1377</td> <td>-0.8</td> <td>1.1363</td> <td>1.1495</td> <td>SGD</td> <td>1.3793</td> <td>0.1</td> </tr> <tr> <td>GBP</td> <td>1.5486</td> <td>0.1</td> <td>1.5415</td> <td>1.5509</td> <td>IDR</td> <td>13,418</td> <td>-1.5</td> </tr> <tr> <td>JPY</td> <td>118.88</td> <td>0.0</td> <td>118.07</td> <td>119.17</td> <td>THB</td> <td>35.19</td> <td>-0.5</td> </tr> <tr> <td>CAD</td> <td>1.2847</td> <td>-0.7</td> <td>1.2832</td> <td>1.2949</td> <td>KRW</td> <td>1,130</td> <td>-1.5</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6443</td> <td>1.3</td> <td></td> <td></td> <td>TWD</td> <td>32.28</td> <td>-0.6</td> </tr> <tr> <td>AUD/JPY</td> <td>87.14</td> <td>0.5</td> <td></td> <td></td> <td>PHP</td> <td>45.73</td> <td>-0.6</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4733</td> <td>0.4</td> <td></td> <td></td> <td>CHF</td> <td>0.95</td> <td>0.1</td> </tr> <tr> <td>AUD/NZD</td> <td>1.0704</td> <td>-0.5</td> <td></td> <td></td> <td>SEK</td> <td>8.24</td> <td>1.5</td> </tr> </table>								Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.7330	0.4	0.7266	0.7364	HKD	7.7500	0.0	NZD	0.6848	0.9	0.6786	0.6897	CNY	6.3463	0.0	EUR	1.1377	-0.8	1.1363	1.1495	SGD	1.3793	0.1	GBP	1.5486	0.1	1.5415	1.5509	IDR	13,418	-1.5	JPY	118.88	0.0	118.07	119.17	THB	35.19	-0.5	CAD	1.2847	-0.7	1.2832	1.2949	KRW	1,130	-1.5	AUD/EUR	0.6443	1.3			TWD	32.28	-0.6	AUD/JPY	87.14	0.5			PHP	45.73	-0.6	AUD/GBP	0.4733	0.4			CHF	0.95	0.1	AUD/NZD	1.0704	-0.5			SEK	8.24	1.5
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 | Major Indices | | | | |---------------|--------|-------|-------| | | Last | % day | % y/y | | Dow | 17,142 | +1.3 | 6.2 | | S&P 500 | 2,023 | +1.4 | 8.6 | | Nasdaq | 4,870 | +1.8 | 15.5 | | FTSE | 6,339 | +1.1 | 2.0 | | DAX | 10,065 | +1.5 | 17.4 | | CAC 40 | 4,675 | +0.4 | 18.7 | | Nikkei | 18,097 | +1.2 | 22.8 | | Shanghai | 3,338 | +2.3 | 41.7 | | Hang Seng | 22,888 | +2 | -0.1 | | ASX 200 | 5,230 | +0.6 | -0.5 | | | | | | | Last | % day | |-------------|---------|-------| | Oil (Brent) | 50.05 | -0.9 | | Oil (WTI) | 46.76 | 0.3 | | Oil (Tapis) | 48.88 | 0.4 | | Gold | 1187.90 | 0.7 | | CRB | 198.99 | -0.4 | | GS Metals | 276.1 | -0.2 | | Aluminium | 1553 | -1.5 | | Copper | 5326 | 0.1 | | Nickel | 10531 | 0.8 | | Zinc | 1803 | 0.5 | | Ch. steel | 1825 | -0.5 | | Iron ore | 53.7 | -2.5 | | Coal | 53.2 | 0.2 | | Wheat Chic. | 510.5 | -1.1 | | Sugar | 14.13 | 0.3 | | Cotton | 63.44 | -0.5 | | Coffee | 133.7 | -0.7 | | | || | Interest Rates | | | | Benchmark 10 Year Bonds | | | | |-----------------------|------|------|------|-------------------------|--------|------|-------| | Indicative Swap Rates | | | | Last | chge | Spnd | | | | Cash | 3mth | 2Yr | 10Yr | | | | | USD | 0.25 | 0.32 | 0.71 | 1.96 | USD 10 | 2.01 | 0.04 | | AUD | 2.00 | 2.16 | 1.94 | 2.89 | AUD 10 | 2.56 | -0.03 | | NZD | 2.75 | 2.86 | 2.73 | 3.49 | NZD 10 | 3.28 | -0.01 | | EUR | 0.05 | 0.06 | 0.04 | 0.95 | CAD 10 | 1.44 | 0.05 | | GBP | 0.50 | 0.58 | 0.91 | 1.82 | EUR 10 | 0.55 | 0.01 | | JPY | 0.10 | 0.09 | 0.11 | 0.50 | GBP 10 | 1.77 | 0.01 | | CAD | 0.50 | 1.17 | 0.81 | 1.87 | JPY 10 | 0.32 | 0.01 | | | | | | | | | Overnight Futures | | | |-------------------|-------|-------| | | Last | Chge | | Australia | | | | 3 mth bill | 97.99 | 0.00 | | 3 Yr bond | 98.2 | -0.03 | | 10 Yr bonc | 97.36 | -0.06 | | 3/10 sprd | 0.84 | 0.03 | | SPI | 40.0 | 0.8 | | | | | | CO ₂ Emissions - Euros | | | |-----------------------------------|------|-------| | | Last | % day | | Jun-2015 | 8.45 | -0.1 | | Dec-2015 | 8.43 | -0.1 | | Dec-2016 | 8.50 | -0.1 | | | |

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	AEDT
Friday, 16 October 2015								
US	Cleveland Fed's Mester Delivers Remarks at Event in New York						20.30	7.30
NZ	CPI MoM/YoY	3Q	0.2/0.3	0.2/0.3		0.4/0.3	21.45	8.45
AU	RBA releases half yearly Financial Stability Review						0.30	11.30
AU	NAB Australian Wellbeing Index	3Q					0.30	11.30
EC	Trade balance	Aug		22.1		22.4	9.00	20.00
EC	CPI MoM/YoY	Sep		0.2/-0.1		0/0.1	9.00	20.00
EC	Core CPI YoY	Sep F		0.9		0.9	9.00	20.00
EC	ECB's Jazbec speaks at Conference in Warsaw						9.45	20.45
CA	Manufacturing Sales MoM	Aug		-1		1.7	12.30	23.30
CA	International transactions	Aug		/-0.2		-10.12	12.30	23.30
US	Industrial production MoM	Sep		-0.2		-0.4	13.15	0.15
US	JOLTs Job Openings	Aug		5600		5753	14.00	1.00
US	UoM Consumer Sentiment	Oct P		89		87.2	14.00	1.00
US	Net long term TIC flows	Aug				7.7	20.00	7.00
Monday, 19 October 2015								
NZ	Performance Services Index	Sep				58.2	21.30	8.30
UK	Rightmove House Prices MoM/YoY	Oct				0.9/6.4	23.10	10.10
CH	Retail Sales YoY	Sep		10.8		10.8	2.00	13.00
CH	Retail Sales YTD YoY	Sep		10.5		10.5	2.00	13.00
CH	Industrial Production YoY	Sep		6		6.1	2.00	13.00
CH	Industrial Production YTD YoY	Sep		6.3		6.3	2.00	13.00
CH	Fixed Assets Ex Rural YTD YoY	Sep		10.8		10.9	2.00	13.00
CH	GDP SA QoQ/YoY	3Q		1.75/6.8		1.7/7	2.00	13.00
CH	GDP YoY	3Q		6.8		7	2.00	13.00
CH	GDP YTD YoY	3Q		6.9		7	2.00	13.00
CH	Bloomberg GDP Monthly Estimate YoY	Sep				6.64	2.30	13.30
EC	Construction Output MoM	Aug				1/1.8	9.00	20.00
CA	Bloomberg Nanos Confidence	Oct-16				55.6	14.00	1.00
US	NAHB Housing Market Index	Oct		62		62	14.00	1.00
Tuesday, 20 October 2015								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct-18				110	22.30	9.30
AU	RBA Oct. Meeting Minutes							
JN	Machine Tool Orders YoY	Sep F				-16.5	6.00	17.00
JN	Convenience Store Sales YoY	Sep				1.7	7.00	18.00
EC	ECB Current Account SA	Aug				22.6	8.00	19.00
CA	Wholesale Trade Sales MoM	Aug				0	12.30	23.30
US	Housing Starts	Sep		1138/1.1		1126/-3	12.30	23.30
US	Building Permits	Sep		1155/-1.3		1170/3.5	12.30	23.30
Wednesday, 21 October 2015								
NZ	Net Migration SA	Sep				5470	21.45	8.45
AU	Conf. Board Leading Index MoM	Aug					23.00	10.00
AU	Westpac Leading Index MoM	Sep				-0.3	23.30	10.30
JN	Trade Balance Adjusted	Sep				-358.778	23.50	10.50
AU	Skilled Vacancies MoM	Sep				0.2	0.00	11.00
NZ	Credit Card Spending MoM	Sep				1.1/10.5	2.00	13.00
JN	All Industry Activity Index MoM	Aug				0.2	4.30	15.30
UK	Public Finances (PSNCR)	Sep				-0.200004	8.30	19.30
CA	Bank of Canada Rate Decision	Oct-21		0.5		0.5	14.00	1.00
Thursday, 22 October 2015								
NZ	ANZ Job Advertisements MoM	Sep				-1.7	21.00	8.00
AU	NAB Business Confidence	3Q				4.11	0.30	11.30
CH	MNI October Business Indicator	Oct						
EC	ECB Publishes Monthly Report							
UK	Retail Sales Ex Auto Fuel MoM	Sep		/		0.1/3.5	8.30	19.30
EC	ECB Main Refinancing Rate	Oct-22				0.05	11.45	22.45
EC	ECB Deposit Facility Rate	Oct-22				-0.2	11.45	22.45
EC	ECB Marginal Lending Facility	Oct-22				0.3	11.45	22.45
US	Chicago Fed Nat Activity Index	Sep				-0.41	12.30	23.30
CA	Retail Sales MoM	Aug				0.5	12.30	23.30
US	Initial Jobless Claims	Oct-17		270		263	12.30	23.30
US	FHFA House Price Index MoM	Aug		0.5		0.6	13.00	0.00
EC	Consumer Confidence	Oct A				-7.1	14.00	1.00
US	Existing Home Sales	Sep		5.36/0.94		5.31/-4.8	14.00	1.00
US	Leading Index	Sep		0		0.1	14.00	1.00
US	Kansas City Fed Manf. Activity	Oct				-8	15.00	2.00
Upcoming Central Bank Interest Rate Announcements								
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				2.75%		
Japan	BoJ	30-Oct	2.50%	2.50%		0.0%-0.1%		
Australia	RBA	3-Nov	2.00%	2.00%		2.00%		
UK	BOE	5-Nov				0.50%		

GMT: Greenwich Mean Time; AEDT: Australian Eastern Daylight Saving Time

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