



# Markets Today

A daily outlook for Australia, key global economies and markets

22 October 2015

## A slight reversal of fortune

Not a massive night for currency markets and markets in general, though with risk-off tinges; stocks were flat in Europe and softer into the US close. The US dollar is somewhat stronger this morning, though most against the commodity/oil currencies, the Canadian loonie come in for the most selling, down around 1%, with the \$A long for the ride, down 0.66%, not helped by yesterday's over 3% decline in Chinese equities.

A growth downgrade from the Bank of Canada, and a further decline in oil prices overnight from a larger than expected rise in weekly US oil inventories were both headwinds for the C\$. Expected rate inaction from the Bank of Canada transpired, but it was their downgrade to growth from the continued weakness in oil prices saw some C\$ weakness, the BoC now expecting growth of 2% next year (down from 2.3%) with soft oil prices cutting further into capital spending and growth. The BOC cut ¼% off next year's growth to 2%, up from just 1% this year.

The appetite the Aussie dollar was also trimmed, and despite supportive comments yesterday from Federal Treasury Secretary John Fraser appearing before a Senate committee hearing. He related more upbeat recent news about the domestic economy from more positive business feedback on business conditions, an indication he wouldn't be voting for a RBA rate cut anytime soon on domestic economic grounds. To quote Fraser: "my own feeling, to be honest, is that things have been picking up somewhat. It's been happening for the last couple months or so" he said, continuing that "I can't put a figure on it, it's just I don't get beat up like I did when I first came into the job." It's in the last two or three months or so. It's not just big business, it's tradies, all sorts of businesses."

## Coming up

This morning there's a speech from the RBA's Malcolm Edey (Assistant Governor, Financial System), speaking to the International Swaps and Derivative Association's 2015 annual conference in Sydney at 9.30. No speech title is available but could be less market sensitive. The theme of the conference is a retrospective on the past five years since the passage of the Dodd-Frank Act. Before Edey's speech, (0800) is NZ ANZ Job Advertisements for September.

Later in the morning we have the September quarter NAB business survey, this one polled at the same time as the August month survey. While the actual reading on business confidence will get some initial wire coverage (it's a larger sample of the August monthly survey), there should be more interest in what the survey says about 12-months-ahead capital expenditure plans and employment expectations. Mid-afternoon at 3.30, the RBA annual report is being released. It's very much a "year-in-review document rather than a vehicle for expressing the bank's monetary policy outlook, though there may be some comments it's a press/wire coverage of course.

Tonight kicks off with a French business survey for October is and the BoE's Cunliffe is speaking at an event in London. UK

retail sales for September are due, with pretty solid growth of 0.4% expected both for headline and underlying series (excluding auto fuel). On the policy front the ECB is expected to leave rates unchanged and the meeting outcome should be relatively uneventful. As always though, the market will be alert to the possibility if not probability of any policy leaning surprise from ECB President Draghi on the QE front.

In the US, weekly jobless claims are expected to tick back up 10k to 265K, the Chicago Fed's national activity index for September is released, there is Canadian retail sales data, along with US government-compiled FHFA house prices for August. EC Consumer Confidence is also out, together with US Existing home sales, the US Leading index, and Kansas City fed manufacturing. The BOE's Bailey is speaking at an event in London later tonight, at 6:30 AEDT tomorrow morning.

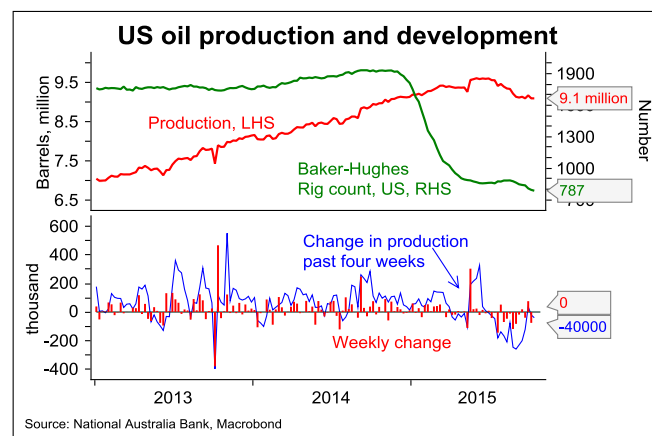
## Overnight

- Stocks square; oil lower: Eurostoxx 600 -0.0%, Dax +0.9%, CAC +0.5%, FTSE +0.1%. Dow -49 points to 17,169, -0.3%, S&P 500 -0.3%, Nasdaq -0.8%, VIX 16.66 +5.8%. Shanghai -3.1%, Mumbai -3.1%, Nikkei 225 -0.8% and ASX 200 +0.2%; ASX SPI futures this morning -0.7%. US bond yields: 2s at 0.63% (0), 10s at 2.03% (-4). WTI oil at \$45.16 (-2.4%), Brent at \$47.83 (-1.8%), Malaysian Tapis (yesterday) \$47.39 (-0.4%). Gold at \$1166.80/oz (-0.9%). Base metals: LME copper -0.5%, nickel -1.2%, aluminium -1.9%. Iron ore \$52.8/t -0.3% Chinese steel rebar futures +0.8%. Soft commodities spot futures: wheat +0.6%, sugar +0.9%, cotton +0.7%, coffee -3.0%. Euro Dec 14 CO2 emissions at €8.45/t (-0.2%). The AUD/USD's range overnight 0.7202-0.7234; indicative range today 0.7175-0.7230; the AUD/USD is 0.7211 now**
- The Bank of Canada left rates steady but cut its growth outlook from lower oil prices**

Good luck.

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## Chart of the day: US oil production activity now in decline

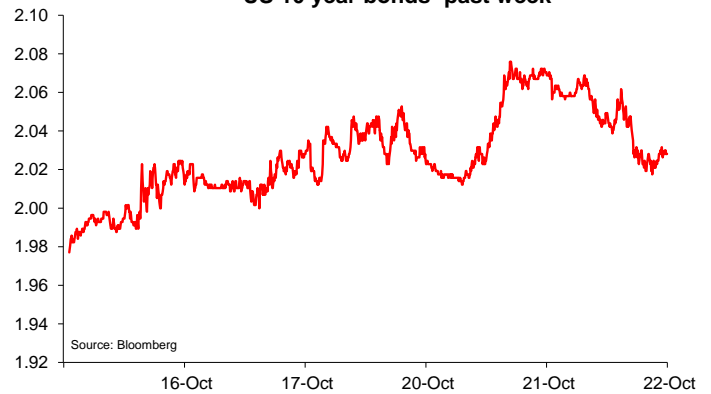


Markets

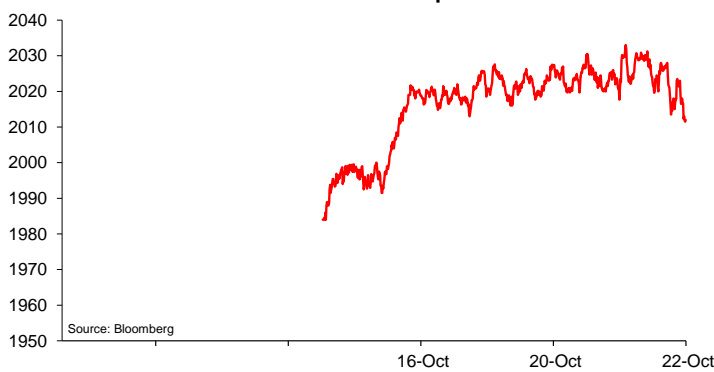
AUD/USD- past week



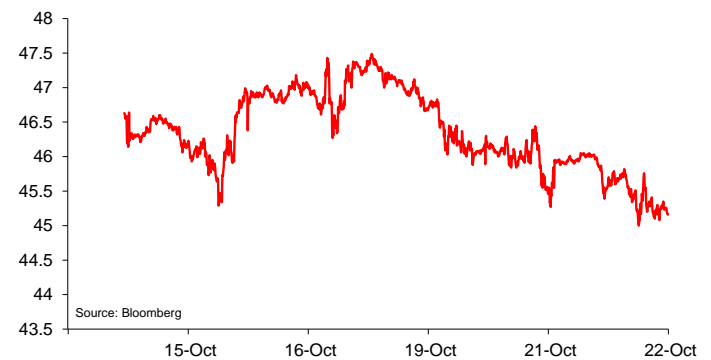
US 10 year bonds- past week



S&P 500 futures- past week



WTI futures- past week



Foreign Exchange					Equities			Commodities*			
Indicative 24hr ranges (**)					Major Indices			Last	% day		
	Last	% chge	Low	High		Last	% day	% year			
AUD	0.7211	-0.7	0.7203	0.7276	Dow	17,169	-0.3	3.3	Oil (Brent)	47.83	-1.8
NZD	0.6722	-0.1	0.6711	0.6744	S&P 500	2,019	-0.6	4.0	Oil (WTI)	45.16	-2.4
EUR	1.1343	-0.1	1.1336	1.1365	Nasdaq	4,840	-0.8	9.5	Oil (Tapis)	47.39	-0.4
GBP	1.5419	-0.2	1.5412	1.5478	VIX Index	16.66	5.8	3.6	Gold	1166.80	-0.9
JPY	119.91	-0.1	119.82	120.10	FTSE	6,348	0.1	-0.4	CRB	195.59	-0.9
CAD	1.3134	0.9	1.2995	1.3141	DAX	10,238	0.9	15.2	GS Metals	267.0	-1.3
AUD/EUR	0.6357	0.0			CAC 40	4,695	0.5	15.0	Aluminium	1515	-1.9
AUD/JPY	86.47	-0.2			Nikkei	18,554	1.9	22.1	Copper	5175	-0.5
AUD/GBP	0.4677	0.0			Shanghai	3,321	-3.1	42.7	Nickel	10280	-1.2
AUD/NZD	1.0724	-0.1			Hang Seng	22,989	-0.4	-0.4	Zinc	1730	-2.1
					ASX200	5,248	0.2	-2.6	Ch. steel	1815	0.8
								Iron ore	52.8	-0.3	
								St. coal	61.8	n.a.	
								Wheat Chic.	501.3	0.6	
								Sugar	14.18	0.9	
								Cotton	64.23	0.7	
								Coffee	121.0	-3.0	
Interest Rates					Overnight Futures			CO <sub>2</sub> Emissions - Euros			
Indicative Swap Rates				Benchmark 10 Year Bonds			Last	Chge	Last	% day	
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd			
USD	0.25	0.32	0.73	1.99	USD 10	2.03	-0.04		Australia		
AUD	2.00	2.16	1.95	2.89	AUD 10	2.66	0.04	0.63	3 mth bill	97.95	0.00
NZD	2.75	2.86	2.74	3.53	NZD 10	3.32	-0.03	1.29	3 Yr bond	98.19	0.02
EUR	0.05	0.06	0.04	0.94	CAD 10	1.46	-0.08	-0.57	10 Yr bond	97.36	0.07
GBP	0.50	0.58	0.93	1.84	EUR 10	0.57	-0.06	-1.46	3/10 sprd	0.83	-0.05
JPY	0.10	0.08	0.11	0.49	GBP 10	1.80	-0.06	-0.23	SPI	-36.0	-0.7
CAD	0.50	1.17	0.81	1.87	JPY 10	0.32	0.01	-1.71			
									Dec-2015	8.45	-0.2
									Dec-2016	8.52	-0.1
									Dec-2017	8.63	-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
<b>Thursday, 22 October 2015</b>								
NZ	ANZ Job Advertisements MoM	Sep				-1.7	21.00	8.00
AU	NAB Quarterly Business Survey	3Q				4.11	0.30	11.30
CH	MNI October Business Indicator	Oct						
EC	ECB Publishes Monthly Report						8.00	19.00
UK	BoE's Cuncliffe Speaks at Event in London						8.20	19.20
UK	Retail Sales Ex Auto Fuel MoM	Sep		0.4/4.7		0.1/3.5	8.30	19.30
EC	ECB Main Refinancing Rate	Oct-22		0.05		0.05	11.45	22.45
US	Chicago Fed Nat Activity Index	Sep		-0.2		-0.41	12.30	23.30
CA	Retail Sales MoM	Aug		0.1		0.5	12.30	23.30
US	Initial Jobless Claims	Oct-17		265		255	12.30	23.30
US	FHFA House Price Index MoM	Aug		0.5		0.6	13.00	0.00
EC	Consumer Confidence	Oct A		-7.4		-7.1	14.00	1.00
US	Existing Home Sales	Sep		5.39/1.46		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		-9		-8	15.00	2.00
UK	BoE's Bailey Speaks at Event in London						19.30	6.30
<b>Friday, 23 October 2015</b>								
CH	China September Property Prices	Sep						
JN	Nikkei Japan PMI Mfg	Oct P		50.5		51	1.35	12.35
CH	Conference Board Leading Economic Index	Sep						
JN	Leading Index CI	Aug F				103.5	5.00	16.00
GE	Markit/BME Germany Manufacturing/Services PMI	Oct P		51.7/53.9		52.3/54.1	7.30	18.30
GE	Markit/BME Germany Composite PMI	Oct P		53.7		54.1	7.30	18.30
EC	Markit Eurozone Manufacturing/Services PMI	Oct P		51.7/53.5		52/53.7	8.00	19.00
CA	CPI NSA MoM/YoY	Sep		-0.1/1.1		0/1.3	12.30	23.30
CA	CPI Core SA MoM	Sep				0.1	12.30	23.30
UK	CBI Reported Sales	Oct				49	11.00	22.00
US	Markit US Manufacturing PMI	Oct P		52.7		53.1	13.45	0.45
<b>Monday, 26 October 2015</b>								
GE	IFO Business Climate	Oct				108.5	9.00	20.00
UK	BBA Loans for House Purchase	Sep				46743	9.30	20.30
US	New Home Sales	Sep		549/-0.5		552/5.7	14.00	1.00
US	Dallas Fed Manf. Activity	Oct		-6		-9.5	14.30	1.30
<b>Tuesday, 27 October 2015</b>								
NZ	Trade Balance	Sep				-1035	21.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct-25				113.3	22.30	9.30
CH	Industrial Profits YoY	Sep				-8.8	1.30	12.30
UK	GDP QoQ	3Q A		/		0.7/2.4	9.30	20.30
US	Durable Goods Orders	Sep		-1		-2	12.30	23.30
US	S&P/CS 20 City MoM SA	Aug		0.15/5.1		-0.2/4.96	13.00	0.00
US	Markit US Composite PMI	Oct P				55	13.45	0.45
US	Markit US Services PMI	Oct P				55.1	13.45	0.45
US	Consumer Confidence Index	Oct		102		103	14.00	1.00
US	Richmond Fed Manufact. Index	Oct		-2		-5	14.00	1.00
<b>Wednesday, 28 October 2015</b>								
JN	Retail Sales MoM/YoY	Sep		/		0/0.8	23.50	10.50
JN	Large Retailers' Sales	Sep				1.8	23.50	10.50
AU	CPI QoQ/YoY	3Q		/		0.7/1.5	0.30	11.30
AU	CPI Trimmed Mean QoQ/YoY	3Q		/		0.6/2.2	0.30	11.30
AU	CPI Trimmed Mean YoY	3Q		/		2.2	0.30	11.30
AU	CPI Weighted Median QoQ/YoY	3Q		/		0.5/2.4	0.30	11.30
CH	Westpac-MNI Consumer Sentiment	Oct				118.2	1.45	12.45
GE	GfK Consumer Confidence	Nov				9.6	7.00	18.00
US	MBA Mortgage Applications	Oct-23				-27.6	11.00	22.00
US	FOMC Rate Decision (Lower/Upper Bound)	Oct-28		0/0.25		0/0.25	18.00	5.00
<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%				
UK	BOE	5-Nov				0.50%		

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

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