



Markets Today

A daily outlook for Australia, key global economies and markets

23 October 2015

Easy

ECB President Draghi stepped up to the plate last night, setting equity markets alight and scuttling the EUR. Rather than an expected non-event, Draghi effectively preannounced further easing in policy at its 3 December meeting saying that the “strength and persistence” concerns of growth prospects in emerging markets and possible repercussions for the Eurozone economy from developments in financial and commodity markets – which are slowing the return to inflation to target means the “degree of monetary policy accommodation will need to be re-examined added to is at our December policy meeting”. More policy accommodation is on for December, whether that means extending QE, beefing up QE now, and/or another cut in interest rates taking the deposit rate further into negative territory.

He knew full well that by announcing a full-scale reassessment policy at the December meeting, the markets would build it in, and that’s what happened. The Euro immediately gapped lower, dropping a big figure from 1.13 within minutes, trading in early Asia trade at around the 1.112 level. European equities surged, as did European bonds, the German 2y yield at a record low of -0.316%, down 6bps, the Italian 10 year bond down a cool 15.6 bps to 1.45% less than 100 basis points over its German bund counterpart. In short, further ECB easing has been built in.

The Aussie was largely on the sidelines in a choppy night, not breaking new ground, trading between the high 71s and the low 72s, trading at 0.721 this morning. AUD/EUR at 0.649.

In other news, US House Republican Paul Ryan was a step closer to getting the support of the various Republican House caucuses to be the new House Speaker with a vote likely mid next week. Meanwhile the US Treasury delayed its two-year note auction previously scheduled 27 October, fearing it may not be able to settle on November 2 before the November 3 national debt ceiling limit bites. The Treasury’s five and seven year auctions will proceed as planned, both settling of November 2. It’s of course these be voted on as well once the new House speaker is appointed.

Separately, there was also an unsourced wire report the Chinese government is beefing up financing for local governments to boost infrastructure spending, double funding from 300b yuan to 600b.

Coming up

No local Aussie or Kiwi data today but China has its September property price report, recent reports revealing that Shanghai and Beijing prices have been strong again recently, including in the aftermath of Chinese equity market volatility. This is yet to show into steel demand. China also has its Conference Board leading economic index and Japan there is the Oct Manufacturing PMI and its leading index out this afternoon. There was news yesterday that China’s private sector Caixin manufacturing PMI will no longer be published.

In Europe tonight there are the October preliminary PMIs for the Eurozone. It’s light on for US data with only the Markit US manufacturing PMI for October. Canada has its CPI, expected to

be down 0.1% to annual rate of 1.1%, from 1.3%. UK has its CBI reported sales.

A busy week lies ahead next week from around mid-week with our CPI, the FOMC rate decision early Thursday morning our time as well is the RBNZ decision and that night, the first cut of US September quarter GDP. Market consensus looking for growth to ease back 3.9 1.7, they are right now that looks like stretch given the Atlanta fed’s GDP now estimate stand 0.9%.

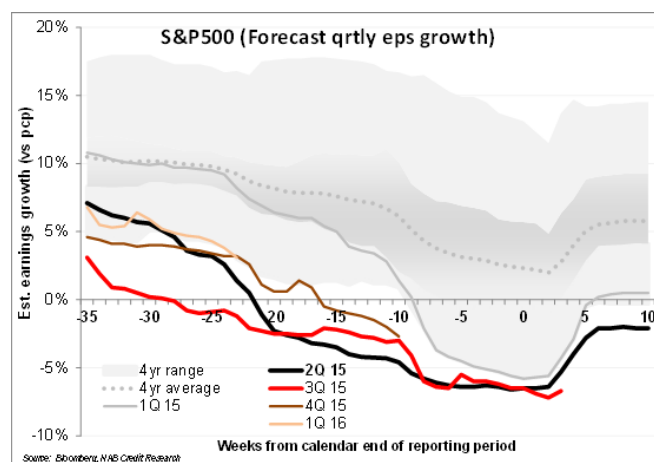
Overnight

- Equities salivating at the prospect of more QE:**
Eurostoxx 600 +2.0%, Dax +2.5%, CAC +2.3%, FTSE +0.4%. Dow +319 points to 17,488, +1.9%, S&P 500 +1.9%, Nasdaq +1.6%, VIX 14.92 -10.7%. Shanghai +1.4%, Mumbai +1.4%, Nikkei 225 +1.6% and ASX 200 +0.3%; ASX SPI futures this morning +1.5%. US bond yields: 2s at 0.59% (-3), 10s at 2.02% (-0). WTI oil at \$45.42 (+0.5%), Brent at \$48.19 (+0.7%), Malaysian Tapis (yesterday) \$47.17 (-0.5%). Gold at \$1166.10/oz (-0.1%). Base metals: LME copper +1.1%, nickel +1.5%, aluminium -1.7%. Iron ore \$52.2/t -1.2% Chinese steel rebar futures -0.2%. Soft commodities spot futures: wheat -0.8%, sugar +3.0%, cotton -2.7%, coffee -1.0%. Euro Dec 14 CO2 emissions at €8.48/t (0.4%). The AUD/USD’s range overnight 0.7186-0.7237; indicative range today 0.7185-0.7235; the AUD/USD is 0.7213 now
- US Existing Home Sales (Sep) 5.55M/4.7% (L: 5.31M/-4.8%; E: 5.39M/1.5%); Jobless claims (w/e 17 Oct, payrolls survey week) 259K (L: 255K; E: 265K); Chicago Fed National Activity Index (Sep) -0.37 (L: -0.41; E: -0.2); Leading Index (Sep) -0.2% (L: 0.1%; E: 0%); Kansas City Fed Manufacturing -1 (L: -8; E: -9); Canadian retail sales (Aug) 0.5% (L: 0.5%; E: +0.1%); ex autos flat (L: 0.0%; E: 0.2%)**

Good luck.

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Chart of the day: US earnings season not flash so far

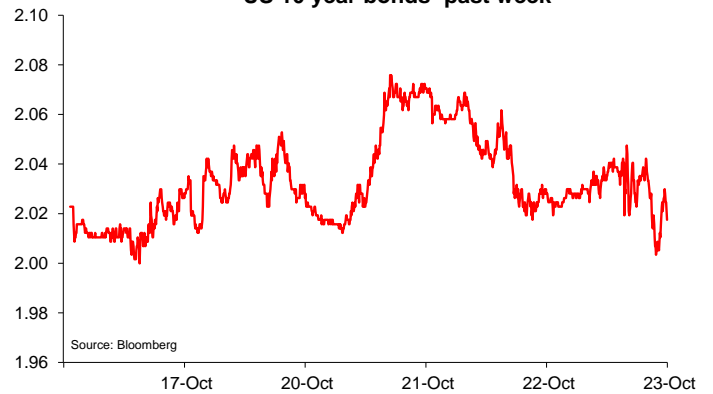


Markets

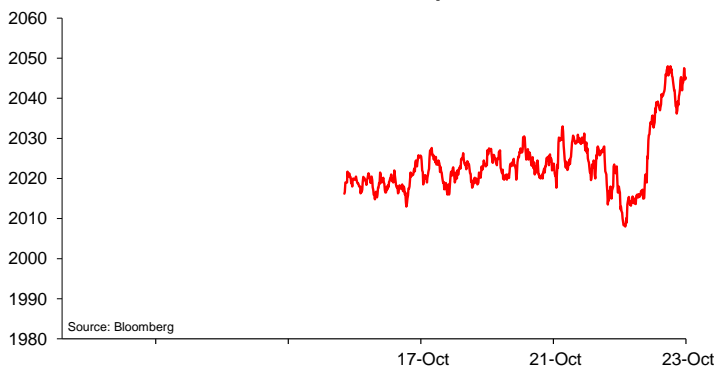
AUD/USD- past week



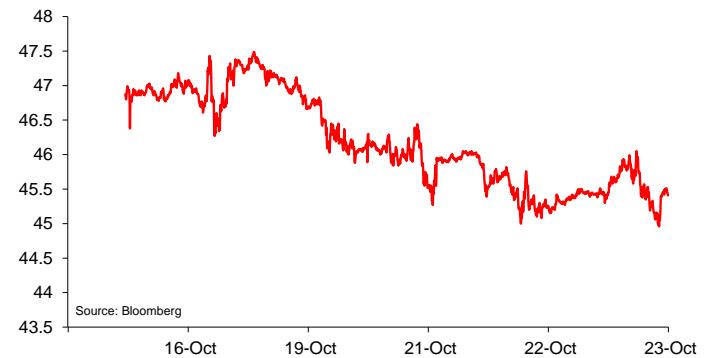
US 10 year bonds- past week



S&P 500 futures- past week



WTI futures- past week



Foreign Exchange

Indicative 24hr ranges (**)				Other FX		
	Last	% chge	Low	High	Last	% chge
AUD	0.7213	0.0	0.7183	0.7240	HKD	7.7503 0.0
NZD	0.6791	0.2	0.6749	0.6822	CNY	6.3603 0.0
EUR	1.1109	-1.8	1.1108	1.1334	SGD	1.3945 0.2
GBP	1.5393	-0.6	1.5370	1.5488	IDR	13,513 -0.9
JPY	120.69	0.8	119.69	120.76	THB	35.55 -0.1
CAD	1.3104	-0.1	1.3084	1.3160	KRW	1,130 -0.5
AUD/EUR	0.6493	1.8			TWD	32.45 0.0
AUD/JPY	87.05	0.7			PHP	46.45 -0.2
AUD/GBP	0.4686	0.5			CHF	0.97 1.1
AUD/NZD	1.0621	-0.3			SEK	8.46 1.6

Equities

Major Indices			
	Last	% day	% year
Dow	17,488	1.9	6.2
S&P 500	2,052	1.6	6.5
Nasdaq	4,917	1.6	12.2
VIX Index	14.92	-10.7	-16.5
FTSE	6,376	0.4	-0.4
DAX	10,492	2.5	17.4
CAC 40	4,802	2.3	17.0
Nikkei	18,436	-0.6	21.8
Shanghai	3,369	1.4	46.3
Hang Seng	22,845	-0.6	-2.1
ASX200	5,264	0.3	-2.2

Commodities*

	Last	% day
Oil (Brent)	48.19	0.7
Oil (WTI)	45.42	0.5
Oil (Tapis)	47.17	-0.5
Gold	1166.10	-0.1
CRB	195.61	0.0
GS Metals	267.8	0.3
Aluminium	1490	-1.7
Copper	5233	1.1
Nickel	10435	1.5
Zinc	1750	1.2
Ch. steel	1804	-0.2
Iron ore	52.2	-1.2
St. coal	61.8	n.a.
Wheat Chic.	497.0	-0.8
Sugar	14.60	3.0
Cotton	62.52	-2.7
Coffee	119.9	-1.0

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.25	0.32	0.72	1.99	USD 10	2.02	0.00
AUD	2.00	2.16	1.92	2.89	AUD 10	2.63	-0.03 0.61
NZD	2.75	2.87	2.73	3.51	NZD 10	3.32	0.00 1.30
EUR	0.05	0.06	-0.01	0.89	CAD 10	1.45	-0.01 -0.57
GBP	0.50	0.58	0.92	1.83	EUR 10	0.50	-0.07 -1.52
JPY	0.10	0.08	0.11	0.49	GBP 10	1.80	0.00 -0.22
CAD	0.50	1.17	0.80	1.87	JPY 10	0.31	-0.01 -1.71

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.97	0.01
3 Yr bond	98.21	0.02
10 Yr bond	97.37	0.02
3/10 sprd	0.84	0.00
SPI	81.0	1.5

CO₂ Emissions - Euros

	Last	% day
Dec-2015	8.48	0.4
Dec-2016	8.55	0.4
Dec-2017	8.66	0.3

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, 23 October 2015								
CH	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
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
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
Monday, 26 October 2015								
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
Tuesday, 27 October 2015								
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 Manuf. Index	Oct		-2		-5	14.00	1.00
Wednesday, 28 October 2015								
JN	Retail Sales MoM/YoY	Sep		/		0/0.8	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 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
Thursday, 29 October 2015								
NZ	RBNZ Official Cash Rate	Oct-29		2.75		2.75	20.00	7.00
JN	Industrial Production MoM/YoY	Sep P		/		-1.2/-0.4	23.50	10.50
AU	Import/Export price index QoQ	3Q				1.4/-4.4	0.30	11.30
GE	Unemployment Change (000's)/ Rate	Oct				2/6.4	8.55	19.55
UK	Mortgage Approvals	Sep				71	9.30	20.30
EC	Business Climate Indicator	Oct				0.34	10.00	21.00
CA	Industrial Product Price MoM	Sep				-0.3	12.30	23.30
US	GDP Annualized QoQ	3Q A		1.7		3.9	12.30	23.30
CA	Raw Materials Price Index MoM	Sep				-6.6	12.30	23.30
US	Initial Jobless Claims	Oct-24		265		255	12.30	23.30
GE	CPI MoM	Oct P		/		-0.2/0	13.00	0.00
US	Bloomberg Consumer Comfort	Oct-25				45.2	13.45	0.45
US	Pending Home Sales MoM/YoY	Sep		0.5/		-1.4/6.7	14.00	1.00
Friday, 30 October 2015								
NZ	Building Permits MoM	Sep				-4.9	21.45	8.45
JN	And that night US	Sep				3.4	23.30	10.30
JN	Overall Household Spending YoY	Sep				2.9	23.30	10.30
JN	Natl CPI YoY	Sep				0.2	23.30	10.30
NZ	ANZ Activity Outlook	Oct				16.7	0.00	11.00
AU	Private Sector Credit MoM	Sep		/		0.6/6.3	0.30	11.30
NZ	Money Supply M3 YoY	Sep				9	2.00	13.00
EC	Unemployment Rate	Sep				11	10.00	21.00
EC	CPI Estimate YoY	Oct				-0.1	10.00	21.00
US	Employment Cost Index	3Q		0.55		0.2	12.30	23.30
US	Personal Income/Spending	Sep		0.2/0.2		0.3/0.4	12.30	23.30
US	PCE Deflator MoM/YoY	Sep		-0.1/		0/0.3	12.30	23.30
US	PCE Core MoM/YoY	Sep		0.2/1.4		0.1/1.300004	12.30	23.30
CA	GDP MoM/YoY	Aug		/		0.3/0.8	12.30	23.30
US	Chicago Purchasing Manager	Oct		49.4		48.7	13.45	0.45
US	U. of Mich. Sentiment	Oct F		92.5		92.1	14.00	1.00
Sunday, 1 November 2015								
CH	Manufacturing PMI	Oct				49.8	1.00	12.00
CH	Non-manufacturing PMI	Oct				53.4	1.00	12.00
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		2.50%	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; AEDT: Australian Eastern Daylight Saving Time

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