



# Markets Today

A daily outlook for Australia, key global economies and markets

27 October 2015

## The countdown

It was a contained night for markets, equities a little heavy for no apparent reason other than perhaps some nerves ahead of Thursday morning's FOMC announcement. The German Ifo survey for October held up well considering the VW emissions scandal, the Ifo survey printing OK and having the pedigree and coverage across German business and suggesting growth continued through September, if a little slower. German stocks rose a little in a soggy European session.

Not so as far as UK manufacturing is concerned with the CBI trends survey for October printing much weaker than expected, the headline orders index the lowest since June 2013 and the export volume index the lowest since January 2013, another slice of evidence that the strength of the pound and softening domestic demand are weighing on local industry.

Neither the Euro nor the Pound were initially moved by either of these data points to any material extent, but when the US New Home Sales printed much lower than expected, coming also with downward revisions, that took a little heat out of the US dollar, sterling and the Euro a little higher overall without shooting the lights out.

The US housing sector to date has been one of the continuously shining growth stars, but this report on sales had analysts wondering about that star status. Also released overnight was another regional Fed manufacturing survey, this one from the Dallas Fed also still in contractionary territory, that region weighed down by the weakness in the energy sector. Also, the White House and the Congress seem to be getting closer to a deal to extend the debt ceiling with the November 3 borrowing limit date looming, removing one threat to market stability.

Oil prices were a little weaker still overnight, making energy stocks amongst the weakest performers on the S&P 500 in what has been a rather listless session overall. In the oil currency world, the CAD and the RUB both lost some ground against a somewhat softer USD, though the NOK was marginally higher.

The Aussie, after a disappointing session Friday night saw some support re-emerge yesterday in the wake of the Chinese monetary policy stimulus. It's consolidated its position overnight, not breaking new ground on the top side and this morning trading at a little under 0.7250.

## Coming up

Not a massive day as far as local and regional data is concerned with NZ trade and residential building reports unlikely to ruffle market feathers too much at all. The weekly AU ANZ-Roy Morgan consumer sentiment might be worth a look at 9.30 to see whether last week's major bank mortgage rate rises struck a worrying chord with consumers. We also have Chinese industrial profits (L: -8.8%), not a market sensitive indicator, but some segments of Chinese industry have been at the forefront of the slowdown and thus headwinds for industrial earnings.

A larger night potentially looms as far as data is concerned. Sterling watchers will be closely attuned to the first cut of UK

GDP and whether growth underperforms the 0.6% expectation, which itself is a step down from 0.7% in Q2.

In the US, durable goods orders and shipments will be gauged for what it says about US Business investment and growth for Q3 ahead of their advance estimate of GDP out Thursday. In that respect, the Atlanta Fed's *GDPNow* estimate currently sits at 0.9%, shy of the market's current 1.5% Bloomberg consensus. Case-Shiller house prices are also being released tonight as well as US consumer confidence, revealing not only what it says about confidence but consumer perceptions of the labour market; those perceptions have continued to improve.

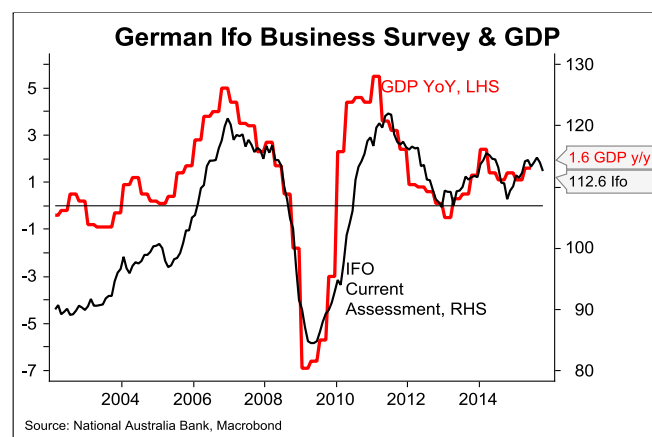
## Overnight

- Markets contained ahead of FOMC: Eurostoxx 600 -0.4%, Dax +0.1%, CAC -0.5%, FTSE -0.4%. Dow -24 points to 17,623, -0.1%, S&P 500 -0.1%, Nasdaq +0.1%, VIX 15.29 +5.7%. Shanghai +0.5%, Mumbai +0.5%, Nikkei 225 +0.1% and ASX 200 -0.1%; ASX SPI futures this morning +0.1%. US bond yields: 2s at 0.63% (-1), 10s at 2.05% (-3). WTI oil at \$43.79 (-1.8%), Brent at \$47.38 (-1.3%), Malaysian Tapis (yesterday) \$47.10 (+0.2%). Gold at \$1163.70/oz (+0.1%). Base metals: LME copper +0.3%, nickel -0.6%, aluminium -1.1%. Iron ore \$51.0/t -1.1% Chinese steel rebar futures +0.2%. Soft commodities spot futures: wheat +3.5%, sugar +2.5%, cotton -1.0%, coffee -1.0%. The AUD/USD's range overnight 0.7243-0.7270; indicative range today 0.7210-0.7265; the AUD/USD is 0.7244 now**
- German Ifo Business Survey (Oct) 108.2 (L: 108.5; E: 107.5%); UK CBI Trends (Aug) -18 (L:-7; E: -9)**
- US New Home Sales (Sep) 468K/-11.5% (L: 552K/+5.7%; E: 550K/-0.4%); Dallas Fed manufacturing (Oct) -12.7 (L: -9.5; E: -6.5)**

Good luck.

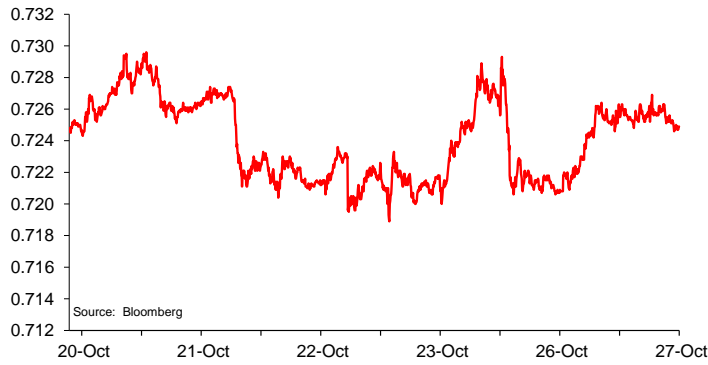
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## Chart of the day: German business/economy faring OK

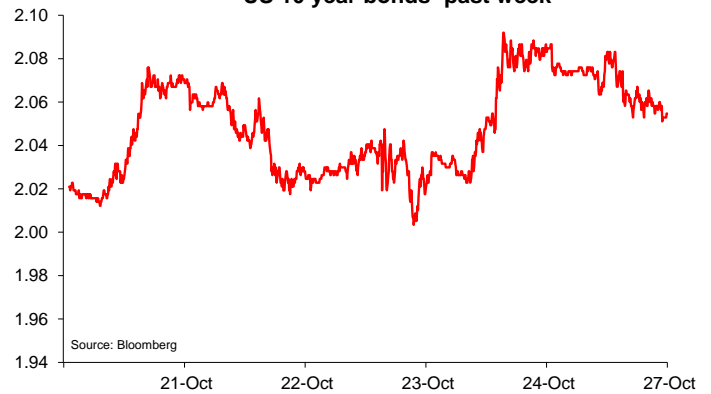


Markets

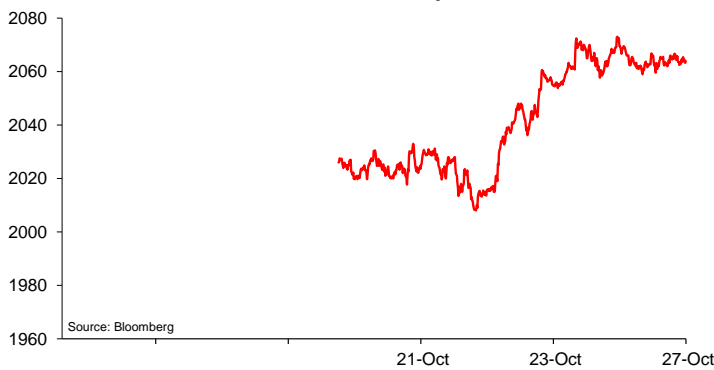
AUD/USD- past week



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	0.7244	0.4	0.7198	0.7270	Dow	17,623	-0.1	4.9	Oil (Brent)	47.38	-1.3
NZD	0.6784	0.3	0.6765	0.6807	S&P 500	2,071	-0.2	5.4	Oil (WTI)	43.79	-1.8
EUR	1.1056	0.2	1.1004	1.1070	Nasdaq	5,035	0.1	12.3	Oil (Tapis)	47.10	0.2
GBP	1.5347	0.0	1.5325	1.5383	VIX Index	15.29	5.7	-5.1	Gold	1163.70	0.1
JPY	121.01	0.0	120.60	121.10	FTSE	6,417	-0.4	0.4	CRB	192.28	-0.7
CAD	1.3166	0.2	1.3121	1.3171	DAX	10,801	0.1	20.2	GS Metals	266.1	-0.3
AUD/EUR	0.6552	-0.2			CAC 40	4,897	-0.5	18.6	Aluminium	1479	-1.1
AUD/JPY	87.66	-0.1			Nikkei	18,947	0.6	23.1	Copper	5191	0.3
AUD/GBP	0.4719	-0.1			Shanghai	3,430	0.5	49.7	Nickel	10455	-0.6
AUD/NZD	1.0678	-0.3			Hang Seng	23,116	-0.2	-0.1	Zinc	1740	-0.9
					ASX200	5,348	-0.1	-2.0	Ch. steel	1805	0.2
									Iron ore	51.0	-1.1
									St. coal	61.8	n.a.
									Wheat Chic.	514.8	3.5
									Sugar	14.64	2.5
									Cotton	62.13	-1.0
									Coffee	117.3	-1.0

Interest Rates					Overnight Futures			
Indicative Swap Rates				Benchmark 10 Year Bonds			Last	Chge
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd	
USD	0.25	0.32	0.75	1.99	USD 10	2.05	-0.03	
AUD	2.00	2.15	1.96	2.92	AUD 10	2.66	0.05	0.61
NZD	2.75	2.87	2.75	3.51	NZD 10	3.32	0.01	1.26
EUR	0.05	0.06	-0.03	0.88	CAD 10	1.44	-0.06	-0.61
GBP	0.50	0.58	0.93	1.84	EUR 10	0.50	-0.01	-1.55
JPY	0.10	0.08	0.10	0.49	GBP 10	1.83	-0.03	-0.22
CAD	0.50	1.17	0.79	1.84	JPY 10	0.32	0.02	-1.73

CO <sub>2</sub> Emissions - Euros		
	Last	% day
Dec-2015	8.66	0.3
Dec-2016	8.72	0.2
Dec-2017	8.84	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
<b>Tuesday, 27 October 2015</b>								
NZ	Trade Balance	Sep	-1214	-825		-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
NZ	New residential building YoY	Sep				47.6	2.00	13.00
UK	GDP QoQ	3Q A		0.6/2.4		0.7/2.4	9.30	20.30
US	Durable Goods Orders	Sep		-1.3		-2	12.30	23.30
US	S&P/CS 20 City MoM/YoY SA	Aug		0.1/5.1		-0.2/4.96	13.00	0.00
US	Markit US Services PMI	Oct P		55.2		55.1	13.45	0.45
US	Consumer Confidence Index	Oct		103		103	14.00	1.00
US	Richmond Fed Manufact. Index	Oct		-3		-5	14.00	1.00
<b>Wednesday, 28 October 2015</b>								
EC	ECB's Coeure speaks						22.00	9.00
JN	Retail Sales MoM/YoY	Sep		1.1/0.4		0/0.8	23.50	10.50
JN	Large Retailers' Sales	Sep		1.1		1.8	23.50	10.50
AU	CPI QoQ/YoY	3Q	0.8/1.8	0.7/1.7		0.7/1.5	0.30	11.30
AU	CPI Trimmed Mean QoQ/YoY	3Q	0.5/2.4	0.5/2.4		0.6/2.2	0.30	11.30
AU	CPI Weighted Median QoQ/YoY	3Q	0.5/2.5	0.5/2.5		0.5/2.4	0.30	11.30
CH	Westpac-MNI Consumer Sentiment	Oct				118.2	1.45	12.45
JN	Small Business Confidence	Oct		49.2		49	5.00	16.00
GE	GfK Consumer Confidence	Nov		9.4		9.6	7.00	18.00
EC	ECB's Praet speaks						10.45	21.45
US	Advance trade balance, \$bn	Sep		-64.3		-67.187	12.30	23.30
EC	ECB's Constancio speaks						14.45	1.45
US	FOMC Rate Decision (Lower/Upper Bound)	Oct-28		0/0.25		0/0.25	18.00	5.00
<b>Thursday, 29 October 2015</b>								
NZ	RBNZ Official Cash Rate	Oct-29	2.5	2.75		2.75	20.00	7.00
JN	Industrial Production MoM/YoY	Sep P		-0.6/-2.6		-1.2/-0.4	23.50	10.50
AU	NAB Residential Property Survey	Q3				0.30	11.30	
AU	NAB SME Business Survey	Q3				0.30	11.30	
AU	Import/Export price index QoQ	3Q	1.1/0.0	1.5/0.6		1.4/-4.4	0.30	11.30
GE	Unemployment Change (000's)/ Rate	Oct		-4		2/6.4	8.55	19.55
EC	Business Climate Indicator	Oct		0.31		0.34	10.00	21.00
UK	CBI reported sales	Oct		35		49	11.00	22.00
US	GDP Annualized QoQ	3Q A		1.5		3.9	12.30	23.30
CA	Raw Materials Price Index MoM	Sep		1.25		-6.6	12.30	23.30
CA	Industrial Product Price MoM	Sep		-0.2		-0.3	12.30	23.30
US	Initial Jobless Claims	Oct-24		264		259	12.30	23.30
GE	CPI MoM/YoY	Oct P		-0.1/0.2		-0.2/0	13.00	0.00
US	Fed's Lockhart delivers opening remarks at conference						13.10	0.10
US	Pending Home Sales MoM/YoY	Sep		1/7.4		-1.4/6.7	14.00	1.00
<b>Friday, 30 October 2015</b>								
NZ	Building Permits MoM	Sep				-4.9	21.45	8.45
JN	Jobless rate	Sep		3.4		3.4	23.30	10.30
JN	Overall Household Spending YoY	Sep		1.1		2.9	23.30	10.30
JN	Natl CPI YoY	Sep		0		0.2	23.30	10.30
NZ	ANZ Activity Outlook	Oct				16.7	0.00	11.00
UK	GfK Consumer Confidence	Oct		4		3	0.50	11.50
AU	Private Sector Credit MoM	Sep	0.5/6.3	0.5/6.3		0.6/6.3	0.30	11.30
AU	Annual National Accounts	2014-15					0.30	11.30
AU	PPI QoQ	Q3		/		0.3/1.1	0.30	11.30
NZ	Credit aggregates, Household YoY	Sep				6.3	2.00	13.00
JN	BOJ Annual Rise in Monetary Base, %tn			80		80	3.00	14.00
EC	Unemployment Rate	Sep		11		11	10.00	21.00
EC	CPI Estimate YoY	Oct		0		-0.1	10.00	21.00
EC	Ahead of August month GDP late in the week.	Oct A		0.9		0.9	10.00	21.00
US	Employment Cost Index	3Q		0.6		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		-0.1/0.2		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		0.1/0.9		0.3/0.8	12.30	23.30
US	Chicago Purchasing Manager	Oct		49.4		48.7	13.45	0.45
US	Fed's Williams speaks in Washington						14.00	1.00
US	U. of Mich. Sentiment	Oct F		92.5		92.1	14.00	1.00
US	Fed's George speaks on Federal Reserve Structure						15.25	2.25
<b>Sunday, 1 November 2015</b>								
CH	Manufacturing PMI	Oct				49.8	1.00	12.00
CH	Non-manufacturing PMI	Oct				53.4	1.00	12.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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%		
Europe	ECB	3-Dec				0.05%		
Canada	BoC	3-Dec				0.50%		

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

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