



Markets Today

A daily outlook for Australia, key global economies and markets

28 October 2015

What to buy?

The US dollar sits near the top of the currency leader board this morning, retaining its composure, though more by default of weakness elsewhere. Oil-sensitive currencies are lower on the back further weakness in the price of crude, equity markets were soggy on both sides of the Atlantic with some semblance of a slight appetite for the Japanese yen from risk aversion. The AUD sits below \$0.72 this morning, weighed down it seems more from "guilt by association" from oil weakness and despite higher base metals and iron ore prices overnight. US data disappointed, adding to the likelihood the FOMC will leave rates on hold tonight and soften its language.

Sterling lost some traction overnight in the wake of UK GDP printing below expectations, third-quarter growth coming at 0.5% against expectations of 0.6%, adding to evidence UK economy is slowing and yet another pointer that the BoE will not be hiking rates anytime soon.

While the USD held its composure overnight, the data reports were disappointing. The September durable goods orders report and the Conference Board's consumer confidence reading for October both missed expectations. In the wake of the durable goods orders report, the Atlanta Fed's *GDPNow* estimate for Q3 was shaved even further down to 0.8% from an already low 0.9%, the sting in the tail of the durable goods orders report coming with downward revisions. The Conference Board reported lower confidence and their jobs plentiful/hard to get index took a turn for the worse, another slither of evidence the labour market has lost some momentum in recent months. Not surprising then that the rate market further trimmed the odds of the Fed tonight increasing rates at FOMC which further to this 4% from an already a low 6%.

There was some good news for the big dollar from an agreement between the White House and Republicans over budget spending parameters and extending the debt ceiling to 2017. It's still fiercely opposed by the more conservative members of the Republican Party, but it seems likely outgoing House Speaker Boehner will be able to marshal sufficient Republican votes to get it across the line with a vote tonight. They would give the Fed clear Washington air in December should it be in a position to considering "lift-off" then, though that's looking less likely now.

Coming up

The CPI is the main local event today. It's one of the most sensitive indicators for the market given its importance for RBA monetary policy. However with the unemployment rate above average and wages growth subdued, it's unlikely to re-shape the outlook for monetary policy even if it's higher than the RBA expects, say from more exchange rate pass through into consumer goods and service prices. The AUD could well be more sensitive to a lower print though NAB's forecast is for a 0.8% print, higher than the market's 0.7% median.

In the US, there is another growth indicator in the form of the Advance Trade balance for September, the last piece of growth

data ahead of the advance GDP print for Q3 tomorrow night and of course the FOMC announcement at 5am tomorrow morning our time. The market is looking for some reduction in the trade deficit and thus a more growth-friendly net export contribution.

As for the FOMC, the market is priced for only a 4% chance of a move from the Fed from their 0-0.25% target range tonight and only a 33% move at the December 16 meeting. A more than 50% chance is not priced in until the March 16 meeting next year. The risk to market pricing is therefore likely to be tilted to a more hawkish than expected outcome in the Statement, anything that might tilt the market's pricing that a move in December could yet be on.

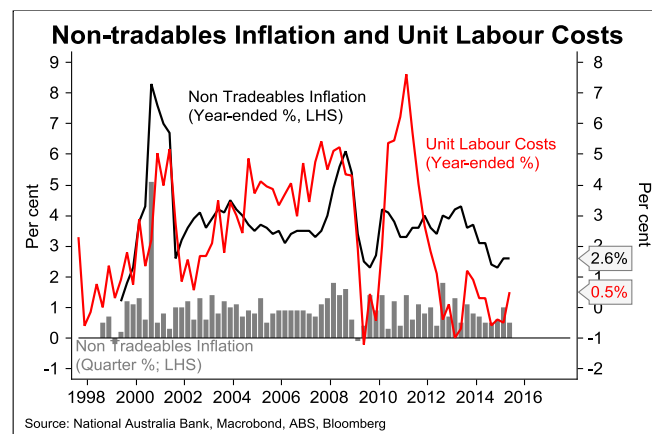
Overnight

- Equity markets still soggy: Eurostoxx 600 -1.1%, Dax -1.0%, CAC -1.0%, FTSE -0.8%. Dow -42 points to 17,581, -0.2%, S&P 500 -0.2%, Nasdaq -0.1%, VIX 15.43 +0.9%. Shanghai +0.1%, Mumbai +0.1%, Nikkei 225 -0.1% and ASX 200 -0.0%; ASX SPI futures this morning -0.4%. US bond yields: 2s at 0.62% (-2), 10s at 2.03% (-2). WTI oil at \$43.21 (-1.8%), Brent at \$46.84 (-1.5%), Malaysian Tapis (yesterday) \$46.30 (-1.7%). Gold at \$1166.80/oz (+0.1%). Base metals: LME copper +0.6%, nickel +1.1%, aluminium -0.2%. Iron ore \$51.5/t +0.9% Chinese steel rebar futures -0.7%. Soft commodities spot futures: wheat -0.1%, sugar -1.5%, cotton +0.3%, coffee 0.0%. Euro CO² emissions price (Dec 15) -0.6%. The AUD/USD's range overnight 0.7191-0.7259; indicative range today 0.7160-0.7230; the AUD/USD is 0.7197 now**
- UK GDP (Q3) 0.5%/2.3% (L: 0.7%/2.4%; E: 0.6%/2.4%)**
- US Core Durable goods orders (Sep) -0.3% (L: -1.6%, revised down from -0.2%; E: +0.2%); Conference Board's Consumer Confidence (Oct) 97.6 (L: 102.6; E: 102.9); Richmond Fed manufacturing (Oct) -1 (L: -5; E: -3)**

Good luck.

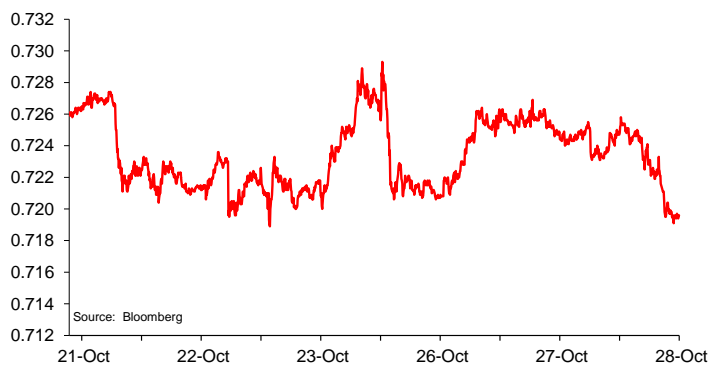
David.deGaris@nab.com.au

Chart of the day: Domestic inflationary pressures benign



Markets

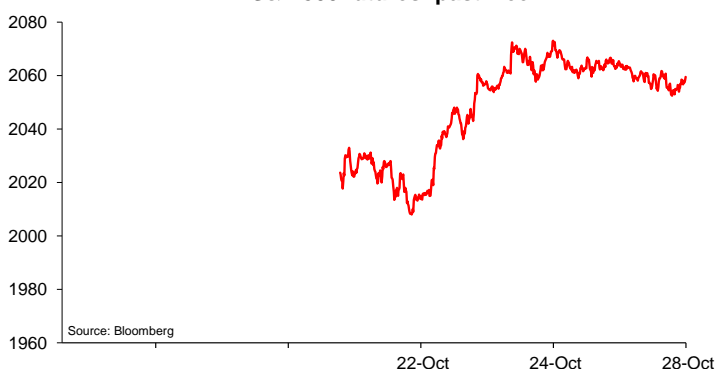
AUD/USD- past week



US 10 year bonds- past week



S&P 500 futures- past week



WTI futures- past week



Foreign Exchange					Equities			Commodities*						
Indicative 24hr ranges (**)				Other FX		Major Indices			Last	% day				
	Last	% chge	Low	High	Last	% chge	Last	% day	% year					
AUD	0.7197	-0.7	0.7191	0.7259	HKD	7.7501	0.0	Dow	17,581	-0.2	4.5	Oil (Brent)	46.84	-1.5
NZD	0.6776	-0.1	0.6773	0.6814	CNY	6.3545	0.0	S&P 500	2,066	-0.3	5.3	Oil (WTI)	43.21	-1.8
EUR	1.1042	-0.1	1.1030	1.1080	SGD	1.3967	0.3	Nasdaq	5,030	-0.1	12.1	Oil (Tapis)	46.30	-1.7
GBP	1.5304	-0.2	1.5283	1.5358	IDR	13,670	0.3	VIX Index	15.43	0.9	-3.8	Gold	1166.80	0.1
JPY	120.46	0.0	120.16	120.47	THB	35.52	0.1	FTSE	6,365	-0.8	0.0	GS Metals	266.8	0.2
CAD	1.3265	0.6	1.3169	1.3273	KRW	1,136	0.2	DAX	10,692	-1.0	20.1	Aluminium	1476	-0.2
AUD/EUR	0.6517	-0.6			TWD	32.46	0.1	CAC 40	4,847	-1.0	18.3	Copper	5220	0.6
AUD/JPY	86.69	-0.7			PHP	46.76	0.1	Nikkei	18,777	-0.9	22.5	Nickel	10570	1.1
AUD/GBP	0.4703	-0.4			CHF	0.99	0.2	Shanghai	3,434	0.1	46.9	Zinc	1740	0.0
AUD/NZD	1.0621	-0.6			SEK	8.50	0.2	Hang Seng	23,143	0.1	-1.6	Ch. steel	1793	-0.7
								ASX 200	5,346	0.0	-2.0	Iron ore	51.5	0.9
											St. coal	61.8	n.a.	
											Wheat Chic.	514.3	-0.1	
											Sugar	14.42	-1.5	
											Cotton	62.34	0.3	
											Coffee	117.3	0.0	
											CO₂ Emissions - Euros			
											Last		% day	
											Dec-2015	8.61	-0.6	
											Dec-2016	8.68	-0.5	
											Dec-2017	8.79	-0.6	

Interest Rates				Benchmark 10 Year Bonds			Overnight Futures			
Indicative Swap Rates				Last	chge	Sprd	Last	Chge		
	Cash	3mth	2Yr	10Yr						
USD	0.25	0.32	0.73	1.97	USD 10	2.03	-0.02	Australia		
AUD	2.00	2.14	1.94	2.87	AUD 10	2.63	-0.03	3 mth bill	97.97	-0.01
NZD	2.75	2.89	2.75	3.51	NZD 10	3.31	0.00	3 Yr bond	98.18	0.00
EUR	0.05	0.06	-0.04	0.83	CAD 10	1.42	-0.03	10 Yr bond	97.35	0.03
GBP	0.50	0.58	0.92	1.79	EUR 10	0.44	-0.06	3/10 sprd	0.83	-0.03
JPY	0.10	0.08	0.10	0.47	GBP 10	1.76	-0.07	SPI	-21.0	-0.4
CAD	0.50	1.17	0.77	1.81	JPY 10	0.31	-0.01			

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
Wednesday, 28 October 2015								
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		-64.2		-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
Thursday, 29 October 2015								
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		1.1		-6.6	12.30	23.30
CA	Industrial Product Price MoM	Sep		-0.05		-0.3	12.30	23.30
US	Initial Jobless Claims	Oct-24		265		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		1/7.3		-1.4/6.7	14.00	1.00
Friday, 30 October 2015								
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		0.1/1		0.3/0.8	12.30	23.30
US	Chicago Purchasing Manager	Oct		49.5		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
Sunday, 1 November 2015								
CH	Manufacturing PMI	Oct		50		49.8	1.00	12.00
CH	Non-manufacturing PMI	Oct				53.4	1.00	12.00
Upcoming Central Bank Interest Rate Announcements								
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

Global Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406

Australia

Economics

Ivan Colhoun
Chief Economist, Markets
+61 2 9237 1836

David de Garis
Senior Economist
+61 3 8641 3045

Tapas Strickland
Economist
+61 2 9237 1980

FX Strategy

Ray Attrill
Global Co-Head of FX Strategy
+61 2 9237 1848

Emma Lawson
Senior Currency Strategist
+61 2 9237 8154

Interest Rate Strategy

Skye Masters
Head of Interest Rate Strategy
+61 2 9295 1196

Rodrigo Catril
Interest Rate Strategist
+61 2 9293 7109

Credit Research

Michael Bush
Head of Credit Research
+61 3 8641 0575

Simon Fletcher
Senior Credit Analyst – FI
+61 2 9237 1076

Distribution

Barbara Leong
Research Production Manager
+61 2 9237 8151

Group Economics

Alan Oster
Group Chief Economist
+61 3 8634 2927

James Glenn
Senior Economist – Australia
+61 3 9208 8129

Vyanne Lai
Economist – Australia
+61 3 8634 0198

Phin Ziebell
Economist – Agribusiness
+61 475 940 662

Amy Li
Economist – Australia
+61 3 8634 1563

Dean Pearson
Head of Industry Analysis
+61 3 8634 2331

Robert De lure
Senior Economist – Industry Analysis
+61 3 8634 4611

Brien McDonald
Senior Economist – Industry Analysis
+61 3 8634 3837

Karla Bulauan
Economist – Industry Analysis
+61 3 8641 4028

Tom Taylor
Head of Economics, International
+61 3 8634 1883

Tony Kelly
Senior Economist – International
+61 3 9208 5049

Gerard Burg
Senior Economist – Asia
+61 3 8634 2788

John Sharma
Economist – Sovereign Risk
+61 3 8634 4514

Jacqui Brand
Personal Assistant
+61 3 8634 2181

New Zealand

Stephen Toplis
Head of Research, NZ
+64 4 474 6905

Craig Ebert
Senior Economist
+64 4 474 6799

Doug Steel
Senior Economist
+64 4 474 6923

Kymerly Martin
Senior Market Strategist
+64 4 924 7654

Raiko Shareef
Currency Strategist
+64 4 924 7652

Yvonne Liew
Publications & Web Administrator
+64 4 474 9771

Asia

Christy Tan
Head of Markets Strategy/Research, Asia
+852 2822 5350

UK/Europe

Nick Parsons
Head of Research, UK/Europe,
and Global Co-Head of FX Strategy
+44 207 710 2993

Gavin Friend
Senior Markets Strategist
+44 207 710 1588

Derek Allassani
Research Production Manager
+44 207 710 1532

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