



Markets Today

A daily outlook for Australia, key global economies and markets

30 October 2015

On the road again

With the echo of the FOMC still ringing in its ear, the market re-priced the odds of the Fed moving in December, lifting the probability to a 50/50 call, those odds having been tracking at a less than one in three chance before the FOMC. US Treasury yields lifted further, 2y maturities up 2bps to 0.72% and 10s up 7bps to 2.1% percent creating some headwinds for equities. Equity markets have been soggy for most of the session though have made a late session attempt to rally back into positive territory as pharmaceutical giants Pfizer and Allergan announced friendly merger talks. The USD sits somewhat lower towards the end of the session, though more through some support re-emerging for currencies beaten town of late, such as sterling and the Canadian dollar.

The Aussie dollar though was not one to benefit overnight as the market sets its sights on whether the RBA will cut rates at Tuesday's Melbourne Cup Day board meeting. Iron ore and the prices overnight. While the AUD has drifted lower, the odds of a move from the RBA next week in the interest rate market have lengthened a little in the past 24 hours, currently sitting at a 50%. An economists' rate poll published by Reuters yesterday indicated a few more economists expect a move from the RBA, though the majority, including ourselves remain unconvinced. What that may well do though is dial up their easing bias further noting that there is "scope to ease, if needed, in the wake of recent inflation data".

The first cut of US Q3 GDP released overnight came in at 1.5%, almost bang on the 1.6% Bloomberg consensus and above the 1.1% Atlanta Fed's most recent GDPNow estimate. News growth was dragged lower by a -1.44 percentage point drag from inventories sweetened the result with real final sales up 3.0% after 3.9% growth Q2, indicating domestic growth remains on track. Even net exports was neutral to growth, not as bad as feared. The market will now plot the course of the US economy into the December FOMC with two big hurdles waiting next week, the ISM manufacturing and reports.

Coming up

If the stories around the market that yesterday's Japanese industrial production figures for September were going to make or break the chances of the BoJ increase QE then yesterday's better-than-expected figures may have squashed the case for further easing at this afternoon's BoJ announcement. This is a big meeting for the BOJ, also producing its semi-annual economic forecasts.

Ahead of the meeting announcement this afternoon, there is Japanese inflation and labour market data at 1030 AEDT and we also have the NZ ANZ business survey at 11 am head and AU RBA credit for September at 11.30. We look for RBA credit to ease back from 0.6% to 0.5%, as does the market. In the European session there is Eurozone CPI for October, less threatening after last night's okay German CPI. In the US, there is the Sept personal income and spending report, with the market intensely interested in the PCE deflators. Also tonight is the Chicago PMI and the Fed's Williams George along with the final

estimate of consumer sentiment from the University of Michigan survey, the Fed/market keenly interested in the survey's update of consumer medium to long-term inflationary expectations in the five – 10 year horizon, last month's 2.6% estimate the lowest since April and before then 2002.

This Sunday, the Chinese National Bureau of Statistics releases the official estimates of its manufacturing and nonmanufacturing PMIs, consensus looking for a marginal improvement in manufacturing from 49.8 to 50. There are no forecasts available for the non-manufacturing PMI which in September was 53.4.

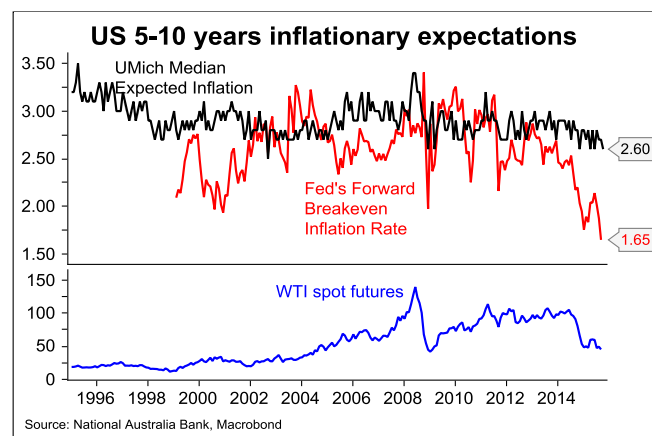
Overnight

- US bond yields higher again: Eurostoxx 600 -0.0%, Dax -0.3%, CAC -0.1%, FTSE -0.7%. Dow -24 points to 17,756, -0.1%, S&P 500 -0.1%, Nasdaq -0.4%, VIX 14.61 +2.0%. Shanghai +0.4%, Mumbai +0.4%, Nikkei 225 -0.4% and ASX 200 -1.3%; ASX SPI futures this morning -0.3%. US bond yields: 2s at 0.72% (2), 10s at 2.17% (+7). WTI oil at \$45.78 (-0.3%), Brent at \$48.60 (-0.9%), Malaysian Tapis (yesterday) \$47.47 (+2.9%). Gold at \$1145.20/oz (-2.6%). Base metals: LME copper -1.4%, nickel -2.1%, aluminium -0.9%. Iron ore \$49.7/t -0.6% Chinese steel rebar futures -0.3%. Soft commodities spot futures: wheat +1.5%, sugar -0.6%, cotton -0.6%, coffee 1.0%. Euro CO² emissions price (Dec 15) +1.3%. The AUD/USD's range overnight 0.7068-0.7119; indicative range today 0.7050-0.7100; the AUD/USD is 0.7077 now**
- German CPI (Oct) 0.0%/0.3% (L: -0.2%/0.0%; E: -0.1%/0.2%); Unemployment (Oct) 6.4% (L: 6.4%; E: 6.4%); EC Business Climate (Oct) 0.44 (L: 0.34; E: 0.31); UK CBI reported sales (Oct) 19 (L: 49; E: 35)**
- US GDP (Q3, saar) 1.5% (L: 3.9%; E: 1.6%); Weekly jobless claims (w/e 24 Oct) 260K (L: 259K; E: 265K); Pending home sales (Sep) -2.3%/2.5% (L: -1.4%/6.7%; E: 1.0%/7.3%)**

Good luck.

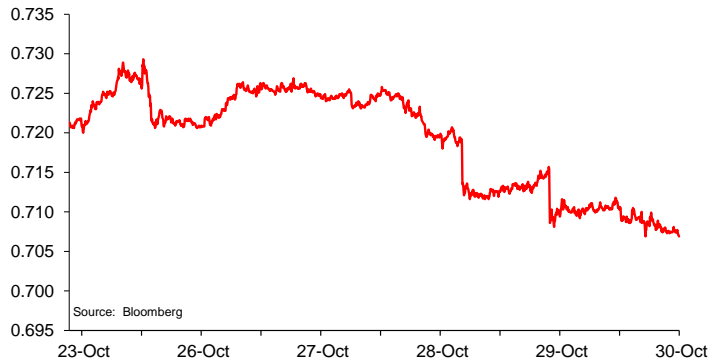
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Chart of the day: US medium term inflationary expectations

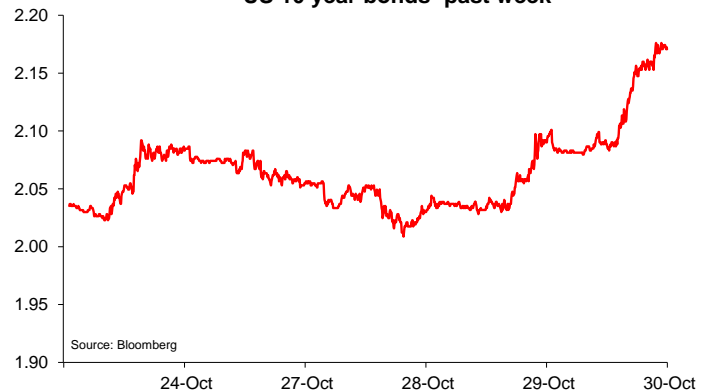


Markets

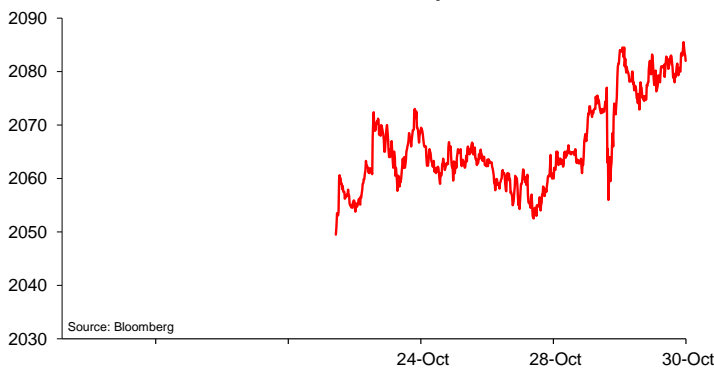
AUD/USD- past week



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 | 0.7077 | -0.5 | 0.7068 | 0.7119 | HKD | 7.7501 0.0 |
| NZD | 0.6692 | -0.2 | 0.6672 | 0.6710 | CNY | 6.3556 0.0 |
| EUR | 1.0978 | 0.1 | 1.0925 | 1.0986 | SGD | 1.4038 0.1 |
| GBP | 1.5314 | 0.3 | 1.5243 | 1.5324 | IDR | 13,601 -0.5 |
| JPY | 121.10 | 0.2 | 120.80 | 121.19 | THB | 35.69 0.3 |
| CAD | 1.3163 | -0.3 | 1.3133 | 1.3226 | KRW | 1,142 -0.3 |
| AUD/EUR | 0.6446 | -0.4 | | | TWD | 32.56 -0.1 |
| AUD/JPY | 85.70 | -0.2 | | | PHP | 46.96 -0.3 |
| AUD/GBP | 0.4621 | -0.7 | | | CHF | 0.99 0.0 |
| AUD/NZD | 1.0576 | -0.1 | | | SEK | 8.53 0.1 |

Equities

| Major Indices | | | |
|---------------|--------|-------|--------|
| | Last | % day | % year |
| Dow | 17,756 | -0.1 | 4.6 |
| S&P 500 | 2,089 | 0.0 | 5.4 |
| Nasdaq | 5,074 | -0.4 | 11.5 |
| VIX Index | 14.61 | 2.0 | -3.6 |
| FTSE | 6,396 | -0.7 | -0.9 |
| DAX | 10,801 | -0.3 | 18.9 |
| CAC 40 | 4,886 | -0.1 | 18.9 |
| Nikkei | 18,936 | 0.2 | 20.9 |
| Shanghai | 3,387 | 0.4 | 41.7 |
| Hang Seng | 22,820 | -0.6 | -3.7 |
| ASX200 | 5,267 | -1.3 | -3.8 |

Commodities*

| | Last | % day |
|-------------|---------|-------|
| Oil (Brent) | 48.60 | -0.9 |
| Oil (WTI) | 45.78 | -0.3 |
| Oil (Tapis) | 47.47 | 2.9 |
| Gold | 1145.20 | -2.6 |
| CRB | 194.16 | -0.5 |
| GS Metals | 263.2 | -1.4 |
| Aluminium | 1470 | -0.9 |
| Copper | 5130 | -1.4 |
| Nickel | 10375 | -2.1 |
| Zinc | 1703 | -2.0 |
| Ch. steel | 1788 | -0.3 |
| Iron ore | 49.7 | -0.6 |
| St. coal | 61.8 | n.a. |
| Wheat Chic. | 519.5 | 1.5 |
| Sugar | 14.56 | -0.6 |
| Cotton | 62.32 | -0.6 |
| Coffee | 120.3 | 1.0 |

Interest Rates

| Indicative Swap Rates | | | | Benchmark 10 Year Bonds | | | |
|-----------------------|------|------|-------|-------------------------|--------|------|------------|
| | Cash | 3mth | 2Yr | 10Yr | Last | chge | Sprd |
| USD | 0.25 | 0.32 | 0.84 | 2.10 | USD 10 | 2.17 | 0.07 |
| AUD | 2.00 | 2.10 | 1.92 | 2.88 | AUD 10 | 2.58 | 0.01 0.41 |
| NZD | 2.75 | 2.95 | 2.77 | 3.51 | NZD 10 | 3.28 | 0.03 1.11 |
| EUR | 0.05 | 0.06 | -0.03 | 0.91 | CAD 10 | 1.55 | 0.07 -0.62 |
| GBP | 0.50 | 0.58 | 0.99 | 1.95 | EUR 10 | 0.53 | 0.09 -1.64 |
| JPY | 0.10 | 0.08 | 0.10 | 0.48 | GBP 10 | 1.92 | 0.13 -0.25 |
| CAD | 0.50 | 1.17 | 0.85 | 1.94 | JPY 10 | 0.30 | 0.01 -1.87 |

Overnight Futures

| Australia | | |
|------------|-------|-------|
| | Last | Chge |
| 3 mth bill | 98.01 | 0.00 |
| 3 Yr bond | 98.21 | -0.02 |
| 10 Yr bond | 97.34 | -0.02 |
| 3/10 sprd | 0.87 | -0.01 |
| SPI | -14.0 | -0.3 |

CO₂ Emissions - Euros

| | Last | % day |
|----------|------|-------|
| Dec-2015 | 8.68 | 1.3 |
| Dec-2016 | 8.75 | 1.3 |
| Dec-2017 | 8.86 | 1.3 |

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, 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 |
| Monday, 2 November 2015 | | | | | | | | |
| AU | AiG Perf of Mfg Index | Oct | | | | 52.1 | 22.30 | 9.30 |
| AU | CoreLogic RP Data House Px MoM | Oct | | | | 0.9 | 23.00 | 10.00 |
| AU | TD-MI CPI gauge MoM/YoY | Oct | | / | | 0.3/1.9 | 23.30 | 10.30 |
| AU | Building Approvals MoM/YoY | Sep | | -0.5/21.7 | | -6.9/5.1 | 0.30 | 11.30 |
| JN | Nikkei Japan PMI Mfg | Oct F | | | | 52.5 | 1.35 | 12.35 |
| CH | Caixin China PMI Mfg | Oct | | 47.6 | | 47.2 | 1.45 | 12.45 |
| AU | Commodity Index YoY | Oct | | | | -21.3 | 5.30 | 16.30 |
| GE | Markit/BME Manufacturing PMI | Oct F | | | | 51.6 | 8.55 | 19.55 |
| EC | Markit Manufacturing PMI | Oct F | | | | 52 | 9.00 | 20.00 |
| UK | Markit PMI Manufacturing SA | Oct | | | | 51.5 | 9.30 | 20.30 |
| CA | RBC Canadian Manufacturing PMI | Oct | | | | 48.6 | 14.30 | 1.30 |
| US | Markit US Manufacturing PMI | Oct F | | | | 54 | 14.45 | 1.45 |
| US | Construction Spending MoM | Sep | | 0.5 | | 0.7 | 15.00 | 2.00 |
| US | ISM Manufacturing | Oct | | 49.7 | | 50.2 | 15.00 | 2.00 |
| US | Fed's William Gives Welcome Remarks at SF Fed Conference | | | | | | 17.00 | 4.00 |
| Tuesday, 3 November 2015 | | | | | | | | |
| AU | ANZ Roy Morgan Weekly Consumer Confidence Index | Nov 1 | | | | 113.4 | 22.30 | 9.30 |
| NZ | QV House Prices YoY | Oct | | | | 12.6 | 23.00 | 10.00 |
| NZ | ANZ Commodity Price | Oct | | | | 5.5 | 0.00 | 11.00 |
| AU | RBA Cash Rate Target | Nov 3 | | 2 | | 2 | 3.30 | 14.30 |
| UK | Markit/CIPS UK Construction PMI | Oct | | | | 59.9 | 9.30 | 20.30 |
| US | ISM New York | Oct | | | | 44.5 | 14.45 | 1.45 |
| US | Factory Orders | Sep | | -1 | | -1.7 | 15.00 | 2.00 |
| US | Factory Orders Ex Trans | Sep | | | | -0.8 | 15.00 | 2.00 |
| US | IBD/TIPP Economic Optimism | Nov | | | | 0 | 15.00 | 2.00 |
| Wednesday, 4 November 2015 | | | | | | | | |
| NZ | Unemployment Rate | 3Q | | 6 | | 5.9 | 21.45 | 8.45 |
| NZ | Employment QoQ/YoY | 3Q | | 0.4/2.5 | | 0.3/3 | 21.45 | 8.45 |
| NZ | Participation Rate | 3Q | | 69.3 | | 69.3 | 21.45 | 8.45 |
| NZ | Pvt Wages Ex Overtime QoQ | 3Q | | 0.5 | | 0.5 | 21.45 | 8.45 |
| NZ | Pvt Wages Inc Overtime QoQ | 3Q | | 0.5 | | 0.5 | 21.45 | 8.45 |
| NZ | Average Hourly Earnings QoQ | 3Q | | | | 1.2 | 21.45 | 8.45 |
| AU | AiG Perf of Services Index | Oct | | | | 52.3 | 22.30 | 9.30 |
| JN | Monetary Base YoY | Oct | | | | 35.1 | 23.50 | 10.50 |
| JN | Monetary Base End of period | Oct | | | | 338.4353 | 23.50 | 10.50 |
| UK | BRC Shop Price Index YoY | Oct | | | | -1.9 | 0.10 | 11.10 |
| AU | Trade Balance | Sep | | -2900 | | -3095 | 0.30 | 11.30 |
| AU | Retail Sales MoM \$/QoQ real | Sep | | 0.4 | | 0.4/0.8 | 0.30 | 11.30 |
| JN | Nikkei Japan PMI Services/Composite | Oct | | | | 51.4/51.2 | 1.35 | 12.35 |
| CH | Caixin China PMI Services/Composite | Oct | | | | 50.5/48 | 1.45 | 12.45 |
| GE | Markit Germany Services/Composite PMI | Oct F | | | | 55.2/54.5 | 8.55 | 19.55 |
| EC | Markit Eurozone Services/Composite PMI | Oct F | | | | 54.2/54 | 9.00 | 20.00 |
| UK | Markit/CIPS UK Services/Composite PMI | Oct | | | | 53.3/53.3 | 9.30 | 20.30 |
| EC | PPI MoM/YoY | Sep | | | | -0.8/-2.6 | 10.00 | 21.00 |
| US | Wards Total Vehicle Sales | Oct | | 17.8 | | 18.07 | 20.15 | 7.15 |
| US | ADP Employment Change | Oct | | 177.5 | | 200 | 13.15 | 0.15 |
| CA | Int'l Merchandise Trade | Sep | | | | -2.53 | 13.30 | 0.30 |
| US | Trade Balance | Sep | | -46.5 | | -48.33 | 13.30 | 0.30 |
| US | Markit US Services PMI | Oct F | | | | 54.4/54.5 | 14.45 | 1.45 |
| US | ISM Non-Manf. Composite | Oct | | 56.5 | | 56.9 | 15.00 | 2.00 |
| Upcoming Central Bank Interest Rate Announcements | | | | | | | | |
| 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% | | |
| New Zealand, RBNZ | | 10-Dec | 2.50% | 2.50% | | 2.75% | | |
| US Federal Reserve | | 17-Dec | | | | 0-0.25% | | |

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

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