



# Markets Today

A daily outlook for Australia, key global economies and markets

6 October 2015

## Lower for longer aura supports risk assets

It was a night for risk assets again with the S&P closing out its fifth day of gains, up another 1.85% with EM and European equities also performing well, the Eurostoxx 600 index up a cool 3.01%, with a sea of green gains across this writer's screen. The likes of copper (+1.51%) and oil (Brent \$49.41, +\$1.28/bbl) fared better while in the currency sphere, the AUD was up another 0.57%, testing above 0.71 and trading just below the figure as we head into Asia trade today and the RBA Board meeting this afternoon with China continuing their holidays. The VIX volatility index is back below 20 and has not closed at these levels since before market volatility escalated in the latter part of August.

Meanwhile, while the US market might be taking some comfort from the fact that Fed lift-off looks to have been delayed again, the data prints overnight – mostly the Service/Composite PMIs – revealed further easing in growth on both sides of the Atlantic, the more so in the UK and the US than for the single currency zone, though US services growth still faring relatively well. Just as Fed rate lift-off has been delayed, at least beyond the October 27-28 FOMC meeting, a two point drop in the UK services PMI points to 53.3 points to the UK's growth rate easing back and the market thinking that BoE rate rise talk is a bridge too far. In a night of risk-on, sterling, the JPY, the CHF, and the EUR all lost some ground, the AUD faring better on the crosses as a result.

The US ISM non-manufacturing ISM eased back a little more than expected, but at 56.9, still OK. The survey headlines were more cautionary, reporting a recent retail slowdown due to stocks volatility, some confidence concerns, and mining dragging down services though with the dollar less of a concern for services.

## Coming up

The RBA Board meeting is today's main event. When all is said and done, we doubt whether the post-meeting Media Release will ruffle the market's feathers too much. The market is pricing in a 35% chance of an easing with no economist in Friday's Bloomberg survey forecasting a cut today. Testifying before the House Economics Committee on 18 September, the RBA Governor again emphasised that while further monetary easing could yet be considered at each meeting to support the domestic economy, the Bank also has to consider the potentially greater risks in the financial sphere (house prices). He thought then that the balance was "about right". Internationally, China remains under close watch and while payrolls risks pushing Fed rate lift-off timing until 2016, the fallout for the AUD, to date anyway, has been incremental rather than game changing.

Before the Board meeting we have the weekly ANZ-Roy Morgan consumer confidence index, followed at 11.30 by the August trade balance. Last month's trade figures revealed a smaller than expected deficit with a surge in gold exports and flat imports. This report will be analysed to track the performance of resource exports in the midst of a large downturn in the terms of trade but also farm, service and manufacturing exports and whether the decline in the Australian dollar is showing signs of boosting these other avenues for growth. NAB expects a slight narrowing in the trade deficit to be 2,300m (close to the market's

2400 deficit forecast), consistent with record iron ore loadings at Port Hedland in August.

Before all that is the NZIER Business Opinion Survey at 8.00am.

German factory orders will get some attention ahead of their industrial production figures tomorrow night while in the US, there will be a lot of interest in what the moderate Fed president John Williams has to say about the economy and monetary policy. Monetary hawk Fed president Esther George is speaking too, while the US full trade report for August will almost certainly mirror the worse than expected goods trade data released last week, and that wouldn't surprise. Canada has its IVEY PMI tonight.

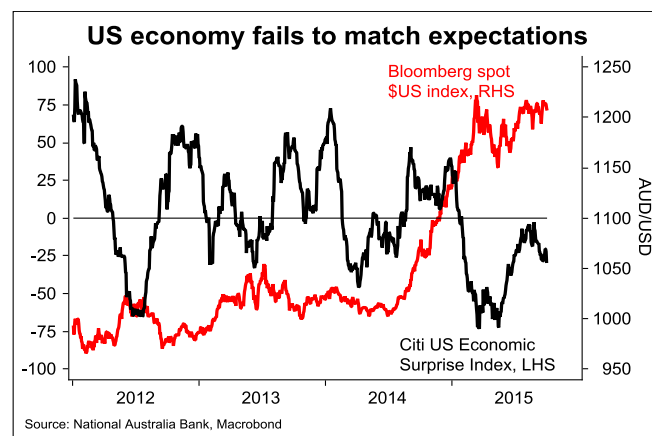
## Overnight

- Risk assets rising: Eurostoxx 600 +3.0%, Dax +2.7%, CAC +3.5%, FTSE +2.8%. Dow +304 points to 16,776, +1.8%, S&P 500 +1.8%, Nasdaq +1.6%, VIX 19.28 -7.9%. Mumbai +0.5%, Nikkei 225 +1.6% and ASX 200 +2.0%; ASX SPI futures this morning +1.4%. US bond yields: 2s at 0.61% (3), 10s at 2.05% (+6). WTI oil at \$46.34 (+1.8%), Brent at \$49.39 (+2.6%), Malaysian Tapis (yesterday) \$48.89 (+2.2%). Gold at \$1135.30/oz (-0.1%). Base metals: LME copper +1.5%, nickel -0.8%, aluminium +0.4%. Iron ore \$53.1/t +0.0% Chinese steel rebar futures -0.7%. Soft commodities spot futures: wheat +0.5%, sugar +0.8%, cotton +2.9%, coffee 2.6%. Euro Dec 14 CO2 emissions at €8.21/t (0.7%). The AUD/USD's range overnight 0.7056-0.7111; indicative range today 0.7060-0.7115; the AUD/USD is 0.7087 now**
- EZ Services PMI (final) 53.7 from 54.4 (Prelim: 54.0); UK Services PMI 53.3 (L: 55.6; E: 56.0); EZ Retail sales (Aug) 0.0%/2.3% (L: 0.6%/3.0%)**
- US ISM non-manufacturing (Sep) 56.9 (L: 59.0; E: 57.5); Labour market conditions index change (Sep) 0.0 (L: 1.2, revised down from 2.1; F: 1.4)**

Good luck.

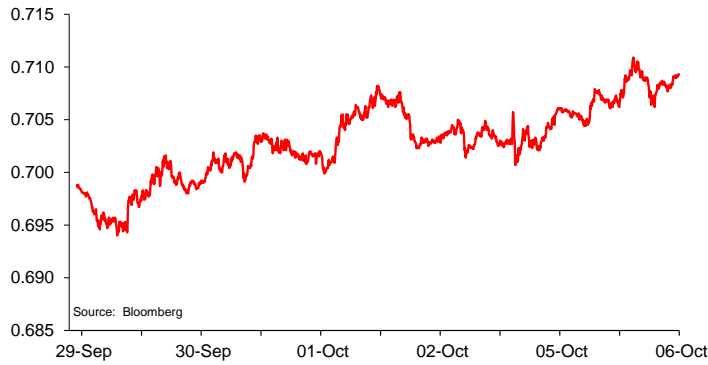
David.deGaris@nab.com.au

## Chart of the day: US\$ high despite data misses continuing



Markets

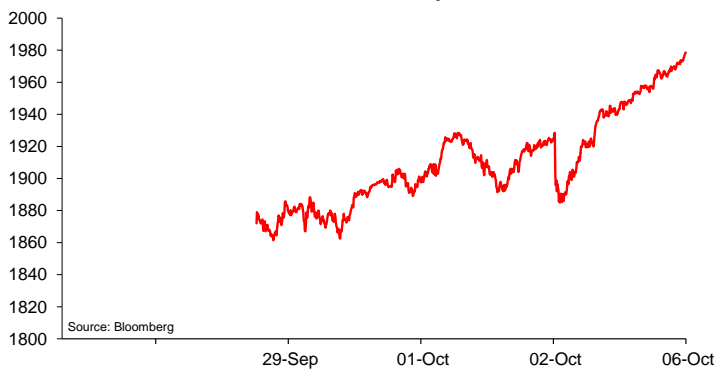
AUD/USD- past week



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	0.7089	0.6	0.7035	0.7111	HKD	7.7501 0.0
NZD	0.6505	-0.2	0.6489	0.6520	CNY	6.3564 0.0
EUR	1.1184	-0.5	1.1173	1.1251	SGD	1.4193 -0.1
GBP	1.5150	-0.3	1.5140	1.5198	IDR	14,451 -0.1
JPY	120.45	0.2	120.15	120.57	THB	36.26 -0.3
CAD	1.3087	0.0	1.3077	1.3127	KRW	1,160 -0.2
AUD/EUR	0.6338	0.4			TWD	32.50 -0.1
AUD/JPY	85.38	0.0			PHP	46.39 -0.2
AUD/GBP	0.4679	0.1			CHF	0.98 0.4
AUD/NZD	1.0896	0.0			SEK	8.34 0.3

Equities

Major Indices			
	Last	% day	% year
Dow	16,776	1.8	-1.4
S&P 500	1,987	1.8	1.0
Nasdaq	4,781	1.6	6.8
VIX Index	19.28	-7.9	32.5
FTSE	6,299	2.8	-3.5
DAX	9,815	2.7	6.7
CAC 40	4,617	3.5	7.8
Nikkei	18,005	1.6	13.3
Shanghai	3,053	0.5	29.1
Hang Seng	21,855	1.6	-6.3
ASX200	5,151	2.0	-2.7

Commodities\*

	Last	% day
Oil (Brent)	49.39	2.6
Oil (WTI)	46.34	1.8
Oil (Tapis)	48.89	2.2
Gold	1135.30	-0.1
CRB	196.38	1.2
GS Metals	266.9	0.5
Aluminium	1565	0.4
Copper	5177	1.5
Nickel	9950	-0.8
Zinc	1666	-1.1
Ch. steel	1826	-0.7
Iron ore	53.1	0.0
St. coal	61.8	n.a.
Wheat Chic.	521.5	0.5
Sugar	13.64	0.8
Cotton	61.87	2.9
Coffee	127.6	2.6

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.25	0.33	0.74	2.05	USD 10	2.05	0.06
AUD	2.00	2.17	1.94	2.89	AUD 10	2.55	-0.07 0.50
NZD	2.75	2.83	2.71	3.51	NZD 10	3.31	0.03 1.26
EUR	0.05	0.06	0.04	0.95	CAD 10	1.44	0.04 -0.61
GBP	0.50	0.58	0.93	1.83	EUR 10	0.57	0.06 -1.49
JPY	0.08	0.08	0.10	0.49	GBP 10	1.79	0.08 -0.27
CAD	0.50	1.17	0.81	1.89	JPY 10	0.31	0.00 -1.74

Overnight Futures

	Last	Chge
<b>Australia</b>		
3 mth bill	97.96	-0.04
3 Yr bond	98.22	-0.05
10 Yr bond	97.38	-0.03
3/10 sprd	0.84	-0.02
SPI	71.0	1.4

CO<sub>2</sub> Emissions - Euros

	Last	% day
Dec-2015	8.21	0.7
Dec-2016	8.28	0.7
Dec-2017	8.38	0.7

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	AEST
<b>Tuesday, 6 October 2015</b>								
NZ	NZIER Business Opinion Survey	3Q				5	22.00	8.00
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct 4				110.6	23.30	9.30
AU	Trade balance	Aug	-2300	-2400		-2460	1.30	11.30
AU	RBA cash rate target	Oct 6	2	2		2	4.30	14.30
GE	Manufacturing orders MoM/YoY	Aug		0.5		-1.4/-0.6	7.00	17.00
CA	Merchandise trade	Aug		-1.07		-0.59	13.30	23.30
US	Trade balance	Aug		-47.1		-41.86	13.30	23.30
CA	Ivey Purchasing Managers Index	Sep		54		58	15.00	1.00
EC	ECB's Draghi Speaks in Frankfurt						18.00	4.00
US	Fed's Williams Gives Outlook Speech in San Francisco						22.30	8.30
<b>Wednesday, 7 October 2015</b>								
AU	AiG PCI Construction	Sep				53.8	23.30	9.30
JN	Bank of Japan Policy Meeting						4.00	14.00
JN	Leading Index	Aug P		103.4		105	6.00	16.00
GE	Industrial production MoM/YoY	Aug		0.2		0.7/0.5	7.00	17.00
AU	RBA's Debelle gives address to the Australian Financial Markets Report						8.05	18.05
UK	Industrial production MoM/YoY	Aug		0.3		-0.4/0.8	9.30	19.30
<b>Thursday, 8 October 2015</b>								
NZ	Anz Truckometer Heavy Traffic	Sep				-0.6	22.00	8.00
UK	Rics England & Wales Housing M	Sep		55		53	0.10	10.10
JN	Machinery orders MoM/YoY	Aug		3		-3.6/2.8	0.50	10.50
JN	Japan Balance Of Payments Curr	Aug		1226.9		1808.6	0.50	10.50
JN	Balance of Payments Current account, sa ¥bn	Aug		1291.1		1321.8	0.50	10.50
AU	RBA's Simon Gives Speech in Sydney						4.05	14.05
JN	Japan Bankruptcies Cases With	Sep				-13.06	5.30	15.30
AU	Australia Official Reserve Ass	Sep				71.2	6.30	16.30
UK	BoE Bank rate	Oct 8				0.5	12.00	22.00
EC	ECB's Praet Speaks in Mannheim, Germany						14.00	0.00
EC	ECB account of the monetary policy meeting						14.00	0.00
CA	Canada Mortgage And Housing Co	Sep		202.5		216.924	13.15	23.15
US	Us Initial Jobless Claims Sa	Oct 3		274		277	13.30	23.30
CA	New Housing prices MoM/YoY	Aug		0.2		0.1/1.3	13.30	23.30
US	Fed's Bullard to Give Welcome at Symposium on Savings						14.30	0.30
US	Fed's Kocherlakota Gives Welcoming Remarks in Mankato, MN						18.00	4.00
US	U.S. Fed Releases Minutes from Sept. 16-17 FOMC Meeting						19.00	5.00
US	Fed's Williams Gives Outlook Speech in Spokane						20.30	6.30
<b>Friday, 9 October 2015</b>								
NZ	Credit card spending MoM/YoY	Sep				0.5/0.1	22.45	8.45
NZ	Nz Debit Credit Card Total Spe	Sep				0.1	22.45	8.45
AU	Owner-occupied loans, MoM #	Aug	6	4.7		0.3	1.30	11.30
UK	Trade balance	Aug		-2150		-3371	9.30	19.30
CA	Unemployment rate	Sep		6.9		7	13.30	23.30
CA	Employment Change	Sep		10		12	13.30	23.30
US	Import prices, MoM/YoY	Sep		-0.5		-1.8/-11.4	13.30	23.30
US	Us Import Price Index By End U	Sep		-11.2		-11.4	13.30	23.30
US	Fed's Lockhart Speaks on Economy in New York						14.10	0.10
US	Wholesale Inventories MoM	Aug				-0.1	15.00	1.00
CA	Business Outlook Future Sales	3Q				8	15.30	1.30
CA	BoC Senior Loan Officer Survey	3Q				1.4	15.30	1.30
US	Fed's Evans Speaks on Monetary Policy	0				0	18.30	4.30
CH	China Monthly Money Supply M1	Sep				9.3		
CH	China Cny Monthly New Loan	Sep		900		809.6		
<b>Upcoming Central Bank Interest Rate Announcements</b>								
Australia, RBA		6-Oct	2.00%	2.00%		2.00%		
Japan, BoJ		7-Oct	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
UK BOE		8-Oct				0.50%		
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%		

GMT: Greenwich Mean Time; AEST: Australian Eastern Standard 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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