



Markets Today

A daily outlook for Australia, key global economies and markets

9 October 2015

A minute of your time

The Sep FOMC minutes came and went and when all is said and done, it has not clarified whether the Fed is likely to be hiking before year end or later. As is quite often the case – and with some increased divergence of views – you could read into the Minutes whatever you wanted. Initial wire headlines were a combination of the various mixed threads: “many members see lift-off conditions met this year”, “several members concerned about downside risks to the outlook” and “members viewed risks to outlook as nearly balanced”.

All in all, the majority view is to expect that lift-off will happen in coming months – as we know from Yellen -but with plenty of caveats to hold off and wait. In that respect, low inflation remains a concern and the Fed is just not confident enough yet that inflation will head back to its 2% target over the medium term. One interesting snippet was a view from officials to let the jobless rate fall below full employment, not that this should be too surprising since according to the Fed’s pegging full employment in the low 5s/high 4s, they are already there. Inflation, EM volatility, net exports, and payrolls will be key. There is no more payrolls before the Oct 27-28 FOMC (announced early 29th our time), virtually ruling out lift-off then.

With the big dollar running into some headwinds recently, the market was looking for reasons to sell it lower and rightly or wrongly that was the initial but only short-lived reaction. It was the same for Treasury yields; net reaction there has also been neutral. US stocks did make some net post FOMC gains.

The AUD initially jumped from 0.7240 to around 0.7270, pulled back but holding on to most of those gains in a risk on mood still. With China back after its holidays, iron ore bounced back \$2.83/t, retracing virtually of late last week’s mid holiday fall. Aussie and Kiwi have again been the stronger performers overnight.

Elsewhere, the BoE left rates steady as entirely expected, the voting remained at 8-1, sterling pulled back on a dovish outlook for delayed lift-off from the BoE, but much of this was retracing a rally into the meeting, sterling holding up overall.

US jobless claims were again on the low side, still keeping the market guessing on the mixed messages as far as the state of the US jobs market is concerned.

Coming up

After NZ credit numbers for September released at 8:45 AM, main focus in the AU housing finance approvals report for August will be on the investor lending figures and whether it reveals further signs of flatness. Headline owner occupied lending volumes are expected to have risen 6%, counter to the general trend of softer demand with this expected rise to be analysed to see whether it reflects simply greater refinancing activity or signs of a genuine pickup demand for housing finance from owner occupiers.

Tonight’s session sees more Fed speak, with Fed presidents Lockhart and Evans both speaking. Both are voters on the FOMC this year. As for US data, September import prices are

likely to remind the market of the continuing deflationary impact prices from the strong dollar, sensors expect import prices fell another 0.5% in September 2 percent on year.

There could be some interest in the Canadian dollar tonight with the release of their September labour force report though if the data turns out as expected likely be some non-event, Canada’s unemployment expected to be steady at 7%. The BOC release their September quarter loan officers’ survey and the Business Outlook Survey, also for September quarter; no forecasts are available for either. USD/CAD is lower this morning, helped by the further incremental weakness in the \$US.

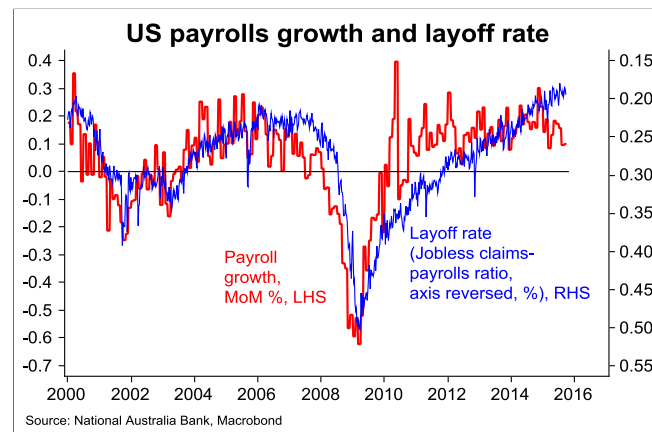
Overnight

- **Stocks higher after FOMC: Eurostoxx 600 +0.2%, Dax +0.2%, CAC +0.2%, FTSE +0.6%. Dow +138 points to 17,051, +0.8%, S&P 500 +0.8%, Nasdaq +0.4%, VIX 17.54 -4.7%. Shanghai +3.0%, Mumbai +3.0%, Nikkei 225 +0.4% and ASX 200 +0.2%; ASX SPI futures this morning +1.2%. US bond yields: 2s at 0.63% (0), 10s at 2.10% (+3). WTI oil at \$49.68 (+3.9%), Brent at \$53.31 (+3.9%), Malaysian Tapis (yesterday) \$52.02 (-2.1%). Gold at \$1139.30/oz (-0.8%). Base metals: LME copper -1.0%, nickel +0.0%, aluminium -1.0%. Iron ore \$56.0/t +5.3% Chinese steel rebar futures -0.2%. Soft commodities spot futures: wheat -0.9%, sugar +0.2%, cotton -0.5%, coffee 1.9%. Euro Dec 14 CO2 emissions at €8.13/t (0.2%). The AUD/USD’s range overnight 0.7169-0.7272; indicative range today 0.7225-0.7280; the AUD/USD is 0.7259 now**
- **US jobless claims (w/e Oct 3) 263K (L: 277K; E: 274K)**
- **Canadian house prices (Aug) 0.3% (L: 0.1%; F: 0.2%); Housing starts (Sep) 230.7K (L: 217K; E: 202K)**

Good luck.

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Chart of the day: US layoff rate still low

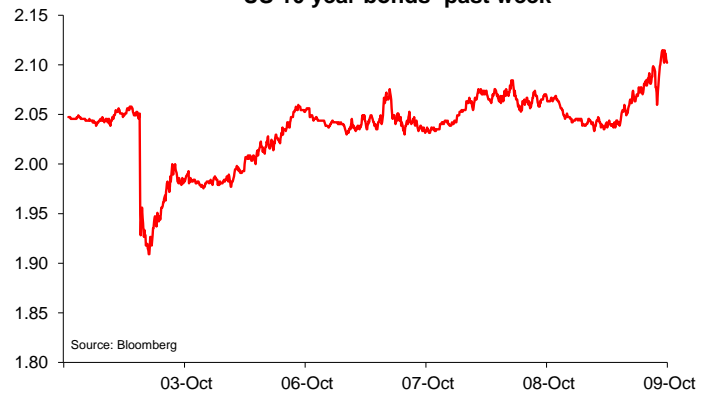


Markets

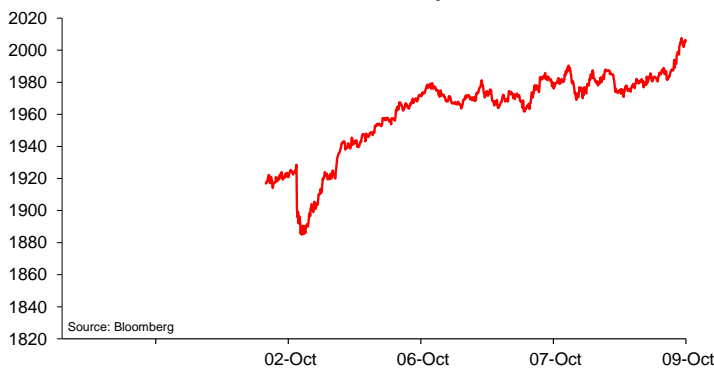
AUD/USD- past week



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	0.7259	0.7	0.7165	0.7272	HKD	7.7501 0.0
NZD	0.6675	1.1	0.6592	0.6701	CNY	6.3544 0.0
EUR	1.1275	-0.2	1.1238	1.1329	SGD	1.4048 -0.6
GBP	1.5352	0.1	1.5261	1.5372	IDR	13,530 -2.9
JPY	119.93	0.1	119.68	120.03	THB	35.78 -0.6
CAD	1.3014	-0.2	1.2979	1.3076	KRW	1,152 -0.7
AUD/EUR	0.6438	1.2			TWD	32.39 -0.6
AUD/JPY	87.05	1.1			PHP	46.04 -0.3
AUD/GBP	0.4728	1.0			CHF	0.97 -0.2
AUD/NZD	1.0874	-0.1			SEK	8.25 0.2

Equities

Major Indices			
	Last	% day	% year
Dow	17,051	0.8	0.3
S&P 500	2,013	0.9	2.3
Nasdaq	4,811	0.4	7.7
VIX Index	17.54	-4.7	16.1
FTSE	6,375	0.6	-1.7
DAX	9,993	0.2	11.1
CAC 40	4,676	0.2	12.2
Nikkei	18,141	-1.0	17.2
Shanghai	3,143	3.0	31.6
Hang Seng	22,355	-0.7	-5.0
ASX 200	5,210	0.2	-1.6

Commodities*

	Last	% day
Oil (Brent)	53.31	3.9
Oil (WTI)	49.68	3.9
Oil (Tapis)	52.02	-2.1
Gold	1139.30	-0.8
CRB	201.30	0.9
GS Metals	266.6	-0.9
Aluminium	1561	-1.0
Copper	5135	-1.0
Nickel	10175	0.0
Zinc	1667	-1.5
Ch. steel	1829	-0.2
Iron ore	56.0	5.3
St. coal	61.8	n.a.
Wheat Chic.	519.0	-0.9
Sugar	14.01	0.2
Cotton	61.72	-0.5
Coffee	128.5	1.9

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.25	0.32	0.76	2.08	USD 10	2.10	0.03
AUD	2.00	2.18	1.99	2.97	AUD 10	2.62	-0.01 0.52
NZD	2.75	2.87	2.74	3.57	NZD 10	3.43	0.03 1.33
EUR	0.05	0.06	0.05	0.98	CAD 10	1.50	0.05 -0.59
GBP	0.50	0.58	0.96	1.87	EUR 10	0.59	-0.01 -1.51
JPY	0.08	0.08	0.11	0.51	GBP 10	1.82	-0.01 -0.28
CAD	0.50	1.17	0.84	1.96	JPY 10	0.33	-0.01 -1.77

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.93	-0.01
3 Yr bond	98.16	-0.04
10 Yr bond	97.30	0.00
3/10 sprd	0.86	-0.05
SPI	61.0	1.2

CO₂ Emissions - Euros

	Last	% day
Dec-2015	8.13	0.2
Dec-2016	8.20	0.2
Dec-2017	8.30	0.2

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
Thursday, 8 October 2015								
NZ	Anz Truckometer Heavy Traffic	Sep				1.7	22.00	8.00
UK	Rics England & Wales Housing M	Sep		55		53	0.10	10.10
JN	Machinery orders MoM/YoY	Aug		2.3		-3.6/2.8	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	Housing starts	Sep		202		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
Friday, 9 October 2015								
NZ	Credit card spending MoM/YoY	Sep				0.5/0.1	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		7		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
Monday, 12 October 2015								
AU	Australia Credit Card Purchase	Aug				24.73	0.30	11.30
AU	Australia Credit Card Total Ou	Aug				50.51	0.30	11.30
NZ	REINZ House Sales YoY	Sep				41.7		
US	Fed's Lockhart speaks on US economic outlook						12.10	23.10
US	Fed's Evans speaks on economy and policy						14.30	1.30
US	Fed's Brainard gives outlook and policy speech						20.30	7.30
Tuesday, 13 October 2015								
NZ	Food Prices MoM	Sep				-0.5	21.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct 11				110	22.30	9.30
UK	Brc Kpmg Retail Sales Monitor	Sep				-1	23.10	10.10
JN	BoJ minutes for Sep 14-15 meeting			0			23.50	10.50
AU	NAB Business Conditions, Confidence	Sep				11/1	0.30	11.30
CH	Trade balance CNY	Sep		316.21		368.03	1.30	12.30
CH	Exports/Imports YoY CNY	Sep		-4.5/-16.5		-6.1/-14.3	1.30	12.30
CH	Trade balance USD	Sep		48.22		60.24	2.00	13.00
CH	Exports/Imports YoY USD	Sep		-6/-16		-5.5/-13.8	2.00	13.00
JN	Japan Consumer Confidence Hous	Sep				41.7	5.00	16.00
JN	Japan Machine Tool Orders Yoy	Sep P				-16.5	6.00	17.00
GE	German CPI MoM/YoY	Sep F				-0.2/0	6.00	17.00
CH	China Cny Monthly New Loan	Sep		900		809.6	8.00	18.00
CH	China All-System Financing Agg	Sep				1080	8.00	18.00
CH	China Monthly Money Supply M1	Sep		9.8		9.3	8.00	18.00
CH	China Monthly Money Supply M0	Sep				1.8	8.00	18.00
CH	China Monthly Money Supply M2	Sep				13.3	8.00	18.00
UK	Bank of England Credit Conditions & Bank Liabilities Surveys						8.30	19.30
UK	CPI MoM/YoY	Sep				0.2/0	8.30	19.30
UK	PPI Output Core NSA MoM/YoY	Sep				0/0.1	8.30	19.30
UK	ONS House Price YoY	Aug				5.2	8.30	19.30
GE	ZEW Current assessment/Expectations	Oct				67.5/12.1	9.00	20.00
EC	Zew Eurozone Expectation Of Ec	Oct				33.3	9.00	20.00
US	Nfib Small Business Optimism I	Sep				95.9	10.00	21.00
US	Fed's Bullard speaks to NABE in Washington						12.00	23.00
US	Monthly Budget Statement	Sep		91		-64.4	18.00	5.00
Upcoming Central Bank Interest Rate Announcements								
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%		
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%		

GMT: Greenwich Mean Time; AEST: Australian Eastern Standard Time

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