

# Markets Today

A daily outlook for Australia, key global economies and markets

20 October 2015

## Friday On My Mind

Though there isn't too much to say about last night's markets and after the local market yesterday was, within 15 minutes of the China data, already checking out the coming weekend's weather forecast.

US stocks have been recovering in the past two hours having been weaker during the European afternoon/New York morning. Here, a 7% fall in Morgan Stanley's stock after the investment bank missed both its earnings and revenue estimate was compounded by falls in the basic materials sector off the back of fresh falls in commodity prices led by oil. WTI crude is off \$1.18 and Brent -\$1.75, alongside which copper and aluminium are both 1.5% lower and iron ore - \$1.38 or 2.5%.

Last night's US data in the form of the NAHB Housing Market Index (strong) gave a small lift to US Treasury yields and lifted the US dollar. The narrow DXY dollar index is about 0.5% higher while 10 year Treasury yields, having rallied from 2.02% to 2.05% after the data, have since traded back to 2.03%, little changed on our local close.

While local markets yesterday appeared to take China's 6.9% Q3 GDP print at face value and largely ignored the September activity readings, this was not the case offshore and where the further slowdown in industrial output and fixed asset investment – both of which came in weaker than expected - look to have resonated much more. We had thought yesterday that these should be the more influential numbers; even if the strength of retail; sales and indications from the National Bureau of Statistics that broader service sector growth had accelerated in Q3 meant that the 6.9% GDP prints wasn't completely unbelievable. Last night, our China economist lowered his overall growth forecast for 2015 to 6.9% from 7.1% previously, and 2016 to 6.7% from 6.9%. Let us know if you have not received his write up of yesterday's data but would like to.

Weaker commodity prices look to have had a hand in pulling AUD/USD back down to where it was just in front of the China data at around 0.7250, having traded briefly back on a 0.73 handle during the European afternoon. The NZD has also eased back, off 0.3% so far this week, while the Canadian dollar has underperformed both (-0.9%) as we await the result of Monday's Canadian general election and where an indecisive outcome (hung parliament) was looking like the most likely outcome based on pre-plebiscite opinion polls. Plus of course the latest drop in oil prices.

A final thing to note overnight is that the yield on US Treasury Bills maturing on November 12 has risen from 0.0325% to 0.0625%. These are the first bills maturing after the latest estimates for when the US Treasury will exhaust the use of special accounting measures that is keeping the government operating within the current debt ceiling.

## Coming Up

The RBA Board Meeting Minutes are the main point of interest today. The Governor's post October Board Statement had minimal changes, suggesting the Bank had not changed its view of the economy significantly, and arguably it now had greater confidence in the continuing moderate expansion of the economy (see Chart of the Day) with the removal of the qualifier "most of" when describing information suggesting a moderate expansion. The Minutes will provide further colour on the RBA's discussion, though the meeting to which they refer pre-date the recent NAB Monthly business survey and the Labour Market data.

At the same time, the RBA's concerns around the housing market were mixed with the addition of Melbourne as a city where dwelling prices continue to rise, while at the same time noting that regulatory measures are "helping to contain risks" in the housing market. We note that this meeting would have included a presentation of the Financial Stability Review which was released Friday and noted "risks surrounding the housing and mortgage markets seem higher than average at present". Latest auction clearance rates will have given some succour to their view that prices in the Sydney and Melbourne apartment sectors were now at risk from oversupply.

Also of interest will be the RBA's take on developments internationally, particularly China and financial market volatility, with statements to date being sanguine and not impacting on the RBA's forecasts for trading partner growth. Yesterday's Q3/September China data are unlikely to have materially changed that view.

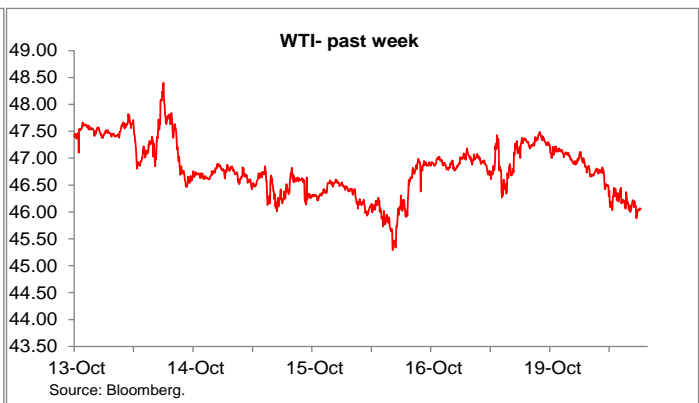
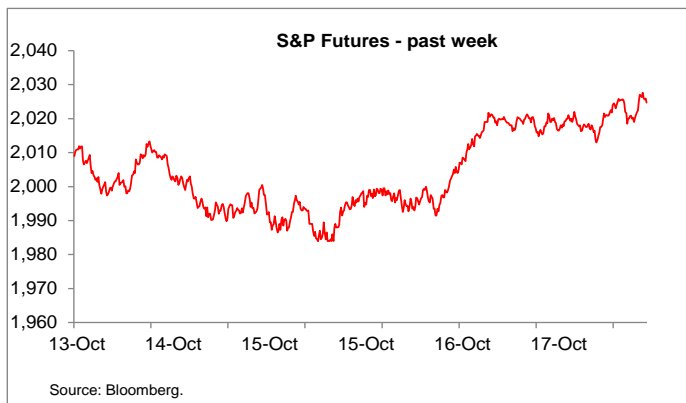
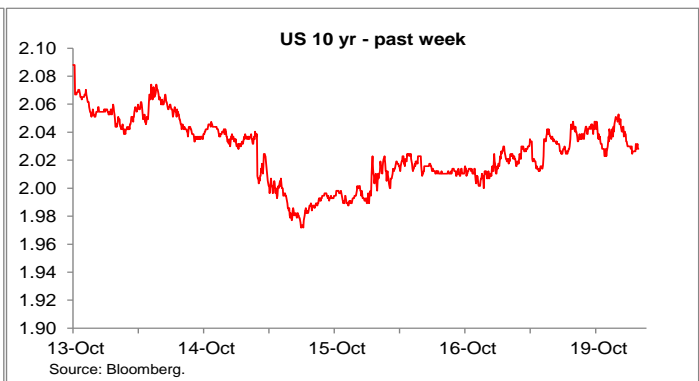
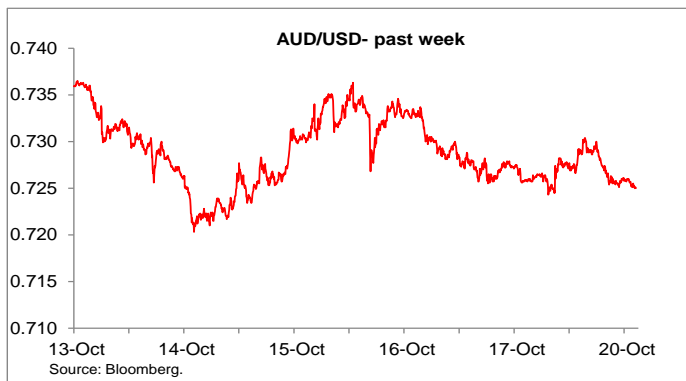
Offshore tonight, US housing starts are the main draw. NY Fed president Dudley speaks again, while Fed chair Yellen is due to give brief introductory remarks at a Labor Hall of Honour induction ceremony. This doesn't look like the occasion to update us on her policy thinking. BoE Governor Mark carney testifies before a UK parliamentary committee. We'll also get the latest GDT dairy auction, where according to our BNZ colleagues; we might get some "consolidation or even possible retracement of the recent eye-watering price gains".

## Overnight

- On global stock markets, the S&P 500 was -0.10%. Bond markets saw US 10-years -0.53bp to 2.03%. On commodity markets, Brent crude oil -3.35% to \$48.77, gold-1.2% to \$1,170, iron ore -2.5% to \$53.74. AUD is at 0.7246 and the range was 0.7239 to 0.7307.
- US NAHB Housing Index 64 (62 E, 62P)

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Markets



Foreign Exchange						Equities				Commodities*																																																																																								
<table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="4">Indicative 24hr ranges (**)</th> <th colspan="2">Other FX</th> </tr> <tr> <th>Last</th> <th>% chge</th> <th>Low</th> <th>High</th> <th>Last</th> <th>% chge</th> </tr> </thead> <tr> <td>AUD</td> <td>0.7244</td> <td>-0.3</td> <td>0.7239</td> <td>0.7307</td> <td>HKD</td> <td>7.7500</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.6792</td> <td>-0.2</td> <td>0.6784</td> <td>0.6820</td> <td>CNY</td> <td>6.3604</td> <td>0.1</td> </tr> <tr> <td>EUR</td> <td>1.1324</td> <td>-0.2</td> <td>1.1306</td> <td>1.1379</td> <td>SGD</td> <td>1.3882</td> <td>0.3</td> </tr> <tr> <td>GBP</td> <td>1.5464</td> <td>0.2</td> <td>1.5420</td> <td>1.5497</td> <td>IDR</td> <td>13,517</td> <td>-0.2</td> </tr> <tr> <td>JPY</td> <td>119.52</td> <td>0.1</td> <td>119.14</td> <td>119.61</td> <td>THB</td> <td>35.48</td> <td>0.6</td> </tr> <tr> <td>CAD</td> <td>1.3019</td> <td>0.8</td> <td>1.2895</td> <td>1.3028</td> <td>KRW</td> <td>1,121</td> <td>-0.7</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6403</td> <td>-0.1</td> <td></td> <td></td> <td>TWD</td> <td>32.36</td> <td>0.2</td> </tr> <tr> <td>AUD/JPY</td> <td>86.63</td> <td>-0.2</td> <td></td> <td></td> <td>PHP</td> <td>46.12</td> <td>0.1</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4688</td> <td>-0.5</td> <td></td> <td></td> <td>CHF</td> <td>0.96</td> <td>0.3</td> </tr> <tr> <td>AUD/NZD</td> <td>1.0676</td> <td>0.0</td> <td></td> <td></td> <td>SEK</td> <td>8.33</td> <td>0.9</td> </tr> </table>							Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.7244	-0.3	0.7239	0.7307	HKD	7.7500	0.0	NZD	0.6792	-0.2	0.6784	0.6820	CNY	6.3604	0.1	EUR	1.1324	-0.2	1.1306	1.1379	SGD	1.3882	0.3	GBP	1.5464	0.2	1.5420	1.5497	IDR	13,517	-0.2	JPY	119.52	0.1	119.14	119.61	THB	35.48	0.6	CAD	1.3019	0.8	1.2895	1.3028	KRW	1,121	-0.7	AUD/EUR	0.6403	-0.1			TWD	32.36	0.2	AUD/JPY	86.63	-0.2			PHP	46.12	0.1	AUD/GBP	0.4688	-0.5			CHF	0.96	0.3	AUD/NZD	1.0676	0.0			SEK	8.33	0.9
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 | Major Indices |        |       |       | |---------------|--------|-------|-------| |               | Last   | % day | % y/y | | Dow           | 17,207 | -0.1  | 5.0   | | S&P 500       | 2,031  | -0.1  | 7.6   | | Nasdaq        | 4,899  | +0.2  | 15.0  | | FTSE          | 6,352  | -0.4  | 0.7   | | DAX           | 10,164 | +0.6  | 14.8  | | CAC 40        | 4,704  | -0.1  | 16.6  | | Nikkei        | 18,131 | -0.9  | 20.0  | | Shanghai      | 3,387  | -0.1  | 43.7  | | Hang Seng     | 23,076 | +0    | 0.0   | | ASX 200       | 5,270  | +0    | -0.9  | | | | | |             | Last    | % day | |-------------|---------|-------| | Oil (Brent) | 48.77   | -3.3  | | Oil (WTI)   | 46.06   | -2.5  | | Oil (Tapis) | 49.31   | -0.7  | | Gold        | 1169.50 | -1.2  | | CRB         | 196.73  | -1.4  | | GS Metals   | 275.4   | -0.3  | | Aluminium   | 1522    | -1.8  | | Copper      | 5209    | -1.8  | | Nickel      | 10348   | -2.0  | | Zinc        | 1769    | -0.5  | | Ch. steel   | 1810    | -0.6  | | Iron ore    | 53.7    | -2.5  | | Coal        | 53.1    | -0.1  | | Wheat Chic. | 493.3   | -1.4  | | Sugar       | 14.26   | -0.1  | | Cotton      | 63.24   | -1.0  | | Coffee      | 123.9   | -1.5  | | | || | 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 | 0.72 | 2.00 | USD 10                  | 2.03 | -0.01 |                   |      | | AUD            | 2.00                  | 2.14 | 1.91 | 2.91 | AUD 10                  | 2.60 | 0.00  | 0.57              |      | | NZD            | 2.75                  | 2.86 | 2.72 | 3.49 | NZD 10                  | 3.28 | 0.00  | 1.25              |      | | EUR            | 0.05                  | 0.06 | 0.03 | 0.94 | CAD 10                  | 1.46 | -0.01 | -0.57             |      | | GBP            | 0.50                  | 0.58 | 0.94 | 1.86 | EUR 10                  | 0.57 | 0.02  | -1.46             |      | | JPY            | 0.10                  | 0.08 | 0.11 | 0.50 | GBP 10                  | 1.82 | 0.02  | -0.21             |      | | CAD            | 0.50                  | 1.17 | 0.80 | 1.88 | JPY 10                  | 0.33 | 0.01  | -1.70             |      | | | | | | | | Australia  |       | |------------|-------| |            | Last  | | 3 mth bill | 97.99 | | 3 Yr bond  | 98.21 | | 10 Yr bonc | 97.35 | | 3/10 sprd  | 0.86  | | SPI        | 1.0   | | | |
| | CO <sub>2</sub> Emissions - Euros |      |       | |-----------------------------------|------|-------| |                                   | Last | % day | | Jun-2015                          | 8.37 | -0.5  | | Dec-2015                          | 8.35 | -0.5  | | Dec-2016                          | 8.41 | -0.5  | | | | | | |

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, 20 October 2015</b>								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct-18				115.6	22.30	9.30
AU	RBA Oct. Meeting Minutes							
JN	Machine Tool Orders YoY	Sep F				-19.1	6.00	17.00
JN	Convenience Store Sales YoY	Sep				1.7	7.00	18.00
EC	ECB Current Account SA	Aug				22.6	8.00	19.00
UK	BoE's Carney and Bailey Speak at Treasury Committee						9.00	20.00
UK	BoE's McCafferty Speaks in London						9.45	20.45
CA	Wholesale Trade Sales MoM	Aug		0.2		0	12.30	23.30
US	Housing Starts	Sep		1147/1.9		1126/-3	12.30	23.30
US	Building Permits	Sep		1165/-0.4		1170/3.5	12.30	23.30
US	Fed Dudley and Powell Speak at Market Conference in New York						13.00	0.00
US	Fed's Yellen gives brief welcome remarks						15.00	2.00
<b>Wednesday, 21 October 2015</b>								
NZ	Net Migration SA	Sep				5470	21.45	8.45
AU	RBA's Edey speaks at a ISDA's 2015 Annual Australia Conference						22.45	9.45
AU	Conf. Board Leading Index MoM	Aug					23.00	10.00
AU	Westpac Leading Index MoM	Sep				-0.3	23.30	10.30
JN	Trade Balance Adjusted	Sep		-63.4		-358.778	23.50	10.50
AU	Skilled Vacancies MoM	Sep				0.2	0.00	11.00
NZ	Credit Card Spending MoM	Sep				1.1/10.5	2.00	13.00
JN	All Industry Activity Index MoM	Aug		-0.2		0.2	4.30	15.30
UK	Public Finances (PSNCR)	Sep					8.30	19.30
CA	Bank of Canada Rate Decision	Oct-21		0.5		0.5	14.00	1.00
UK	BoE's Gov Carney Speaks in Oxford						17.00	4.00
<b>Thursday, 22 October 2015</b>								
NZ	ANZ Job Advertisements MoM	Sep				-1.7	21.00	8.00
AU	NAB Quarterly Business Survey	3Q				4.11	0.30	11.30
CH	MNI October Business Indicator	Oct						
EC	ECB Publishes Monthly Report						8.00	19.00
UK	BoE's Cuncliffe Speaks at Event in London						8.20	19.20
UK	Retail Sales Ex Auto Fuel MoM	Sep		0.4/4.7		0.1/3.5	8.30	19.30
EC	ECB Main Refinancing Rate	Oct-22		0.05		0.05	11.45	22.45
US	Chicago Fed Nat Activity Index	Sep		0		-0.41	12.30	23.30
CA	Retail Sales MoM	Aug		0.1		0.5	12.30	23.30
US	Initial Jobless Claims	Oct-17		265		255	12.30	23.30
US	FHFA House Price Index MoM	Aug		0.4		0.6	13.00	0.00
EC	Consumer Confidence	Oct A		-7.4		-7.1	14.00	1.00
US	Existing Home Sales	Sep		5.37/1.13		5.31/-4.8	14.00	1.00
US	Leading Index	Sep		0		0.1	14.00	1.00
US	Kansas City Fed Manf. Activity	Oct		-9		-8	15.00	2.00
UK	BoE's Bailey Speaks at Event in London						19.30	6.30
<b>Friday, 23 October 2015</b>								
CH	China September Property Prices	Sep						
JN	Nikkei Japan PMI Mfg	Oct P		50.5		51	1.35	12.35
CH	Conference Board Leading Economic Index	Sep						
JN	Leading Index CI	Aug F				103.5	5.00	16.00
GE	Markit/BME Germany Manufacturing/Services PMI	Oct P		51.7/53.9		52.3/54.1	7.30	18.30
GE	Markit/BME Germany Composite PMI	Oct P		53.7		54.1	7.30	18.30
EC	Markit Eurozone Manufacturing/Services PMI	Oct P		51.7/53.5		52/53.7	8.00	19.00
CA	CPI NSA MoM/YoY	Sep		-0.1/1.1		0/1.3	12.30	23.30
CA	CPI Core SA MoM	Sep				0.1	12.30	23.30
UK	CBI Reported Sales	Oct				49	11.00	22.00
US	Markit US Manufacturing PMI	Oct P		52.9		53.1	13.45	0.45
<b>Monday, 26 October 2015</b>								
GE	IFO Business Climate	Oct				108.5	9.00	20.00
UK	BBA Loans for House Purchase	Sep				46743	9.30	20.30
US	New Home Sales	Sep		549/-0.5		552/5.7	14.00	1.00
US	Dallas Fed Manf. Activity	Oct		-6		-9.5	14.30	1.30
<b>Tuesday, 27 October 2015</b>								
NZ	Trade Balance	Sep				-1035	21.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Oct-25				115.6	22.30	9.30
JN	PPI Services YoY	Sep				0.7	23.50	10.50
CH	Industrial Profits YoY	Sep				-8.8	1.30	12.30
EC	M3 Money Supply YoY	Sep				4.8	9.00	20.00
UK	GDP QoQ	3Q A		/		0.7/2.4	9.30	20.30
UK	Index of Services MoM	Aug				0.2	9.30	20.30
US	Durable Goods Orders	Sep		-1.5		-2	12.30	23.30
US	Cap Goods Orders Nondef Ex Air	Sep				-0.2	12.30	23.30
US	S&P/CS 20 City MoM SA	Aug		0.15/5.1		-0.2/4.96	13.00	0.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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%		
UK	BOE	5-Nov				0.50%		

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

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