



# Markets Today

A daily outlook for Australia, key global economies and markets

2 November 2015

## New Zealand Finishes Ahead By Significant Margin

New Zealand finished on top by a significant margin over the weekend, keeping its nose ahead despite hints of a late-session comeback from Australia. We're of course referring Friday's major-currency performance (NZD +1.3%, AUD +0.9%). Parallels might be drawn to a certain rugby match on Sunday morning, but your (usually Wellington-based) scribe wouldn't dare be so callous as to draw such conclusions.

Unlike Wednesday and Thursday morning (post FOMC, RBNZ), Friday was not a big night for markets and following the BoJ's earlier 'no change'. End of month rebalancing flows appeared to dominate price action, meaning a slightly softer US dollar (DXY -0.35%, BBDXY -0.42%) and following strong US equity gains over the month that will have left some asset managers who passively hedge currency risk, under hedged on US exposures

US equities were moderately softer after what has been a big up-month following the August-September swoon. After a small up-day for Eurozone equities (Eurostoxx 50 +0.14%, Dax +0.46%) the S&P500 lost 0.48% (putting the October change at +6.6%), The Dow -0.52% (+7.2% on the month) and the NASDAQ -0.4% (+7.3% m/m). VIX gained 0.46 to 15.07, a rise of 0.61 on the week.

CFTC data for the week ended Tuesday 27 October is notable for a sharp rebuild in EUR speculative shorts following the December ECB easing message delivered by President Draghi during this reporting week. Net shorts here extended to -105.9k from -62.6k, taking the overall USD speculative USD long vs. G10 currencies up to 183.9k from 119.8k.

Net shorts in AUD were little changed, -36.4k from -38.4k, so continuing to highlight potential for a decent bounce if the RBA stands pat on Tuesday.

Sydney's auction clearance rate ticked higher to 63.5%, up from the low 61.3% in the previous week, but still well down compared to this time last year (75.6%). Melbourne's clearance rate fell further to 65.4%, from 69.7% previously. The preliminary nationwide auction clearance rate was 63.3%.

San Francisco Fed President John Williams gave an interview to the Associated Press in which he said that language in the (FOMC) statement was meant to put financial markets on notice that December is very much a live meeting. He said 'there was a lot of commentary I heard (after the October meeting) that the Fed is going to be on hold until next year'. But he said the Fed has yet to decide when to raise rates and that he wants to study more economic data in coming weeks before deciding whether the economy is strong enough for the Fed to raise rates.

ECB President Draghi attempted to inject some mystery into whether the ECB will ease policy further in December, telling an Italian newspaper that it is still an "open question" whether further stimulus will be necessary. The interview, published on Saturday, is likely responsible for EUR's 30pt pop at the open today. Understandably, after his theatrics in Malta, investors are well past whether stimulus will delivered, and more concerned with how much, and in what form.

## Coming Up

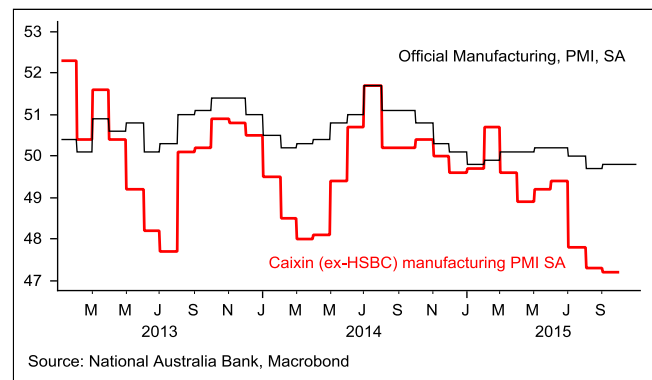
While the RBA dominates the local skyline this week, in the bigger picture today's US manufacturing ISM but more importantly Friday's October payrolls report will be the key fundamental drivers for markets. We also get the Caixin China PMI numbers for both manufacturing and services, at 12:45 AEDT today. On payrolls, the consensus estimate according to Bloomberg is for +180k and for an unchanged 5.1% unemployment rate.

NAB expects no change from the RBA on Tuesday but is on guard for a possible tweak to the language that indicates the 'scope' to cut rates if needed. The latter would limit the extent of any bounce in AUD of the RBA, but NAB's FX Strategy team still wants to be long into the decision (and did this on Friday, post BoJ, via setting a long AUD/JPY position).

## Overnight

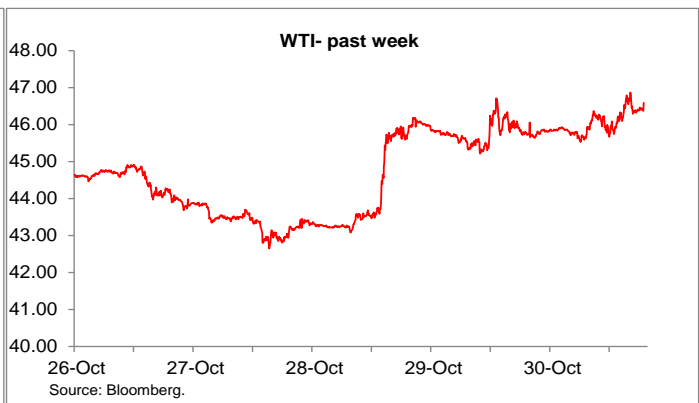
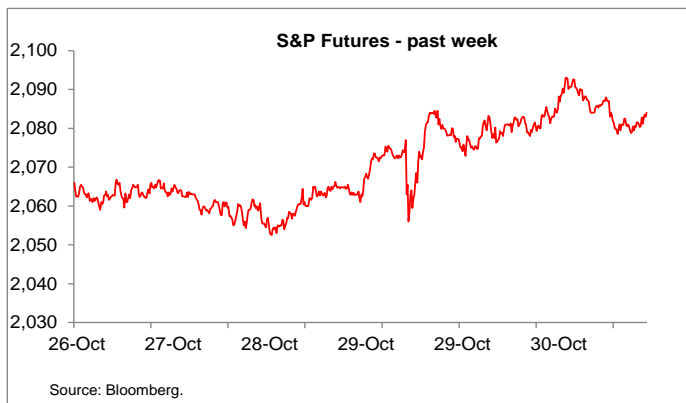
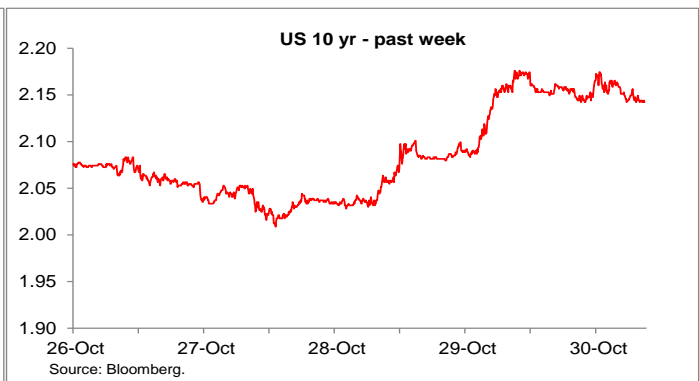
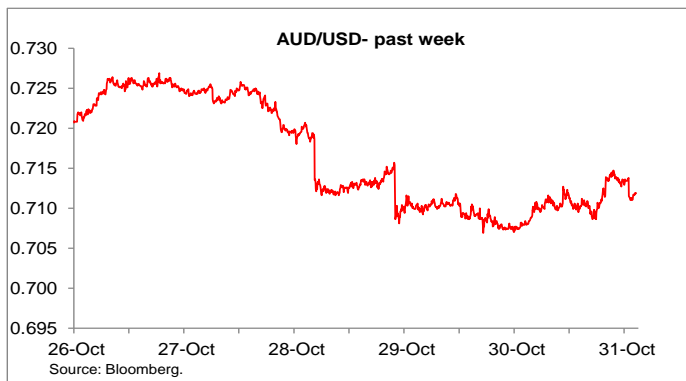
- On global stock markets, the S&P 500 was -0.50%. Bond markets saw US 10-years -3.04bp to 2.14%. On commodity markets, Brent crude oil +1.56% to \$49.56, gold-0.5% to \$1,141, iron ore +0.4% to \$49.83. AUD is at 0.7119 and the range was 0.7084 to 0.7148.

## Chart of the Day: China PMIs – Official and Caixin



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Markets



Foreign Exchange						
Indicative 24hr ranges (**)				Other FX		
	Last	% chge	Low	High	Last	% chge
AUD	0.7259	0.2	0.7242	0.7298	HKD	7.7501 0.0
NZD	0.6748	-0.6	0.6736	0.6846	CNY	6.3485 -0.2
EUR	1.1340	0.1	1.1324	1.1387	SGD	1.3918 0.2
GBP	1.5446	-0.1	1.5437	1.5506	IDR	13,683 1.2
JPY	119.88	0.3	119.41	119.96	THB	35.44 0.0
CAD	1.2983	-0.3	1.2936	1.3047	KRW	1,131 0.9
AUD/EUR	0.6400	0.1			TWD	32.35 0.0
AUD/JPY	87.04	0.5			PHP	46.37 0.6
AUD/GBP	0.4702	0.3			CHF	0.96 0.0
AUD/NZD	1.0758	0.8			SEK	8.30 -0.1

Equities			
Major Indices			
	Last	% day	% y/y
Dow	17,235	+0	5.1
S&P 500	2,032	-0.1	6.7
Nasdaq	4,885	-0.4	13.2
FTSE	6,345	-0.1	1.2
DAX	10,148	-0.2	16.4
CAC 40	4,674	-0.1	17.1
Nikkei	18,207	+0.4	23.0
Shanghai	3,425	+1.1	46.4
Hang Seng	22,989	-0.4	-0.4
ASX 200	5,236	-0.6	-1.7

Commodities*		
	Last	% day
Oil (Brent)	48.79	0.4
Oil (WTI)	45.55	-0.7
Oil (Tapis)	47.56	-3.6
Gold	1176.00	0.2
CRB	197.42	0.4
GS Metals	271.4	-1.5
Aluminium	1515	-0.3
Copper	5209	-0.1
Nickel	10376	0.2
Zinc	1750	-1.6
Ch. steel	1797	-0.4
Iron ore	52.9	-0.7
Coal	53.2	0.3
Wheat Chic.	498.3	1.0
Sugar	14.06	-1.4
Cotton	63.78	0.9
Coffee	124.8	0.7

CO <sub>2</sub> Emissions - Euros		
	Last	% day
Jun-2015	8.49	1.4
Dec-2015	8.47	1.4
Dec-2016	8.53	1.4

Interest Rates								
Indicative Swap Rates				Benchmark 10 Year Bonds				
	Cash	3mth	2Yr	10Yr	Last	chge	Spnd	
USD	0.25	0.32	0.74	2.04	USD 10	2.07	0.05	
AUD	2.00	2.14	1.96	2.93	AUD 10	2.62	0.02	0.54
NZD	2.75	2.86	2.75	3.52	NZD 10	3.30	0.02	1.23
EUR	0.05	0.06	0.04	1.00	CAD 10	1.54	0.08	-0.53
GBP	0.50	0.58	0.95	1.90	EUR 10	0.63	0.06	-1.45
JPY	0.10	0.08	0.11	0.49	GBP 10	1.86	0.03	-0.22
CAD	0.50	1.17	0.83	1.95	JPY 10	0.31	-0.02	-1.76

Overnight Futures		
	Last	Chge
<b>Australia</b>		
3 mth bill	97.95	-0.02
3 Yr bond	98.17	-0.04
10 Yr bonc	97.29	-0.06
3/10 sprd	0.89	0.02
SPI	-7.0	-0.1

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>Monday, 2 November 2015</b>								
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		1/24.1		-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		51.6	8.55	19.55
EC	Markit Manufacturing PMI	Oct F				52	9.00	20.00
UK	Markit PMI Manufacturing SA	Oct		51.3		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		54	14.45	1.45
US	Construction Spending MoM	Sep		0.5		0.7	15.00	2.00
US	ISM Manufacturing	Oct		50		50.2	15.00	2.00
US	Fed's William Gives Welcome Remarks at SF Fed Conference						17.00	4.00
<b>Tuesday, 3 November 2015</b>								
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, NZ\$	Oct	1.00%			9.30%	0.00	11.00
AU	RBA Cash Rate Target	Nov 3		2		2	3.30	14.30
UK	Markit/CIPS UK Construction PMI	Oct		58.8		59.9	9.30	20.30
US	ISM New York	Oct		46		44.5	14.45	1.45
US	Factory Orders	Sep		-0.9		-1.7	15.00	2.00
US	Factory Orders Ex Trans	Sep				-0.8	15.00	2.00
US	IBD/TIPP Economic Optimism	Nov		47.4		0	15.00	2.00
NZ	Dairy auction, early AM NZT					-3.10%		
<b>Wednesday, 4 November 2015</b>								
NZ	Unemployment Rate	3Q	6	6		5.9	21.45	8.45
NZ	Employment QoQ/YoY	3Q	0.4/2.5	0.4/2.5		0.3/3	21.45	8.45
NZ	Pvt Wages Ex Overtime QoQ	3Q		0.5		0.5	21.45	8.45
AU	AiG Perf of Services Index	Oct				52.3	22.30	9.30
JN	Monetary Base End of period/YoY	Oct		/		338.4353/35.1	23.50	10.50
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		55.2/54.5	8.55	19.55
EC	Markit Eurozone Services/Composite PMI	Oct F		54.2		54.2/54	9.00	20.00
UK	Markit/CIPS UK Services/Composite PMI	Oct		54.5		53.3/53.3	9.30	20.30
US	Fed's Brainard Speaks on Financial Stability in Frankfurt						10.30	21.30
US	Fed's Harker Gives Welcoming Remarks in Philadelphia			42135			13.00	0.00
US	ADP Employment Change	Oct		180		200	13.15	0.15
CA	Int'l Merchandise Trade	Sep		-1.75		-2.53	13.30	0.30
US	Trade Balance	Sep		-41		-48.33	13.30	0.30
US	Markit US Services PMI	Oct F		54.5		54.4/54.5	14.45	1.45
US	Fed's Yellen Testifies on Bank Regulation Before House Panel						0.00	2.00
US	ISM Non-Manf. Composite	Oct		56.5		56.9	15.00	2.00
US	Fed's Dudley Speaks on Economy in New York						19.30	6.30
US	Wards Total Vehicle Sales	Oct		17.7		18.07	20.15	7.15
<b>Thursday, 5 November 2015</b>								
AU	RBA Governor Stevens' Speech at Conference in Melbourne						22.25	9.25
US	Fed Vice Chair Fischer Speaks to National Economists Club						0.30	11.30
AU	RBA's Lowe Appears in Panel Discussion in Sydney						1.00	12.00
GE	Factory orders MoM/YoY	Sep		1/1.8		-1.8/1.9	7.00	18.00
GE	ECB Publishes Economic Bulletin	Oct				54	9.10	20.10
EC	Retail Sales MoM/YoY	Sep		0.2/3		0/2.3	10.00	21.00
UK	Bank of England Bank Rate/Asset Purchase target			0.5/375		0.5/375	12.00	23.00
UK	Bank of England Inflation Report						12.00	23.00
US	Challenger Us Job Cut Announce	Oct				93.2	12.30	23.30
US	Fed's Harker Gives Welcoming Remarks at Energy Event						13.30	0.30
US	Dudley, Lagarde, Fischer Speak on Banking Culture in New York						13.30	0.30
US	Us Initial Jobless Claims Sa	Oct 31		260		260	13.30	0.30
US	Productivity/Unit labour costs	3Q P		-0.3/2.3		3.3/-1.4	13.30	0.30
CA	Ivey Purchasing Managers Index	Oct		54		53.7	15.00	2.00
US	Fed's Tarullo Addresses International Banking Conference						17.45	4.45
US	Fed's Lockhart Speaks on Central Banking in Switzerland						18.30	5.30
<b>Upcoming Central Bank Interest Rate Announcements</b>								
Australia, RBA		3-Nov	2.00%	2.00%		2.00%		
UK BOE		5-Nov				0.50%		
Japan, BoJ		19-Nov	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
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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