



Markets Today

A daily outlook for Australia, key global economies and markets

5 November 2015

Front and centre

Markets took their cue from Fed Chair Janet Yellen overnight, testifying before the US House Financial Services Committee on bank regulation. In the Q&A session she confirmed that a fed move in December is a “live” possibility, providing that the economic data hold up. This saw markets move to price in a high probability of a December move, increasing the chances from 50% up to 60% towards the end of New York session, the big dollar appreciating as a result. She told the committee that “moving in a timely manner, if the data and the outlook justify move, is the prudent thing to do”. With US bond yields higher – the two-year up five basis points and the 10 up 2bps to 2.23% – stocks fell back somewhat, the Dow off 0.21% and S&P 500 down 0.33% into the close. Big dollar strength was broad-based, underperformers being the oil currencies from lower oil prices; the AUD is down 0.5% to 0.7151 and NZD down 0.95%.

Dollar strength was given some impetus by a stronger than expected US ISM nonmanufacturing report, up from 56.9 to 59.1, reflecting what could only be described as a vibrant US service sector, encompassing a near six point gain in the new orders index to 62 and the employment component pushing up further from 58.3 to 59.2.

In regional news yesterday China’s President Xi outlined a five-year growth plan to double GDP and per capita income by 2020, requiring six and half percent growth.

Coming up

First up this morning at 9:05 AM is RBA Governor Stevens speaking at the Melbourne Institute 2015 Economic and Social Outlook conference in Melbourne. With the RBA board meeting out of the way, he will be widely expected to deliver the RBA’s latest thinking on the economy and forecasts and ahead of tomorrow’s quarterly Statement on Monetary Policy. The Q&A if not the speech should open up plenty of such opportunity for market interest. He is speaking at a panel session titled “What do we know about successful policy implementation?” Also speaking with Stevens is Peter Harris, Chairman of the Productivity commission, so medium term growth and economic policy reform should also be a focus.

There is lots more on for central banks late during our session with the BoJ publishing the Minutes of its October 6-7 meeting at 1050 AEDT, followed at 1130 by fed vice-chair Fisher’s to the national economists club in Washington, surely with even more in the way of wire service coverage on the economy and monetary policy. Deputy RBA Governor Philip Lowe is on a panel in Sydney this afternoon at 1:10 PM, at a FINSIA Regulators panel discussion. Even so, whatever the thoughtful Phil Lowe says, the market pays attention to.

First cab off the rank tonight is German factory orders, the market expecting a rebound of 1% after 1.0% fall. Then we have the Norwegian Norges central bank meeting, though no change in rates is expected. As well there is Eurozone retail sales, though likely be more focus on European Commission’s revised economic forecasts and what if any that means about ECB

thinking on the outlook for growth and inflation ahead of the December meeting. No less than ECB President Mario Draghi is speaking tonight as well. The BoE is meeting; no change in policy is universally expected though the Bank’s minutes and press conference will get a lot of coverage as usual. US data includes jobless claims, Q3 productivity. Finally, in the US, there is more fed speak from Bill Dudley of New York who is speaking with IMF head Christine Lagarde and Fed vice-chair Stanley Fischer at a Banking Culture conference in New York. The Fed’s Lockhart speaking at a function in new in Switzerland. Dudley has been speaking this morning, agreeing with Yellen this morning that is a “slight possibility”.

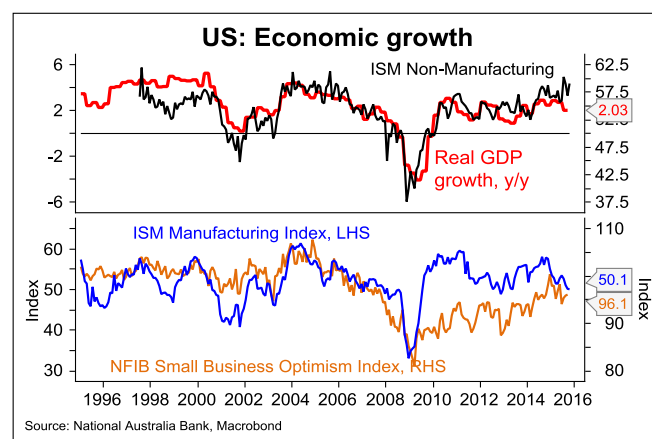
Overnight

- Market pricing in Fed Dec move: Eurostoxx 600 +0.5%, Dax -1.0%, CAC +0.2%, FTSE +0.5%. Dow -51 points to 17,867, -0.3%, S&P 500 -0.3%, Nasdaq -0.1%, VIX 15.33 +5.4%. Shanghai +4.3%, Mumbai +4.3%, Nikkei 225 -0.1% and ASX 200 +0.1%; ASX SPI futures this morning +0.1%. US bond yields: 2s at 0.81% (5), 10s at 2.23% (+2). WTI oil at \$46.47 (-3.0%), Brent at \$48.67 (-3.7%), Malaysian Tapis (yesterday) \$49.41 (+3.1%). Gold at \$1108.00/oz (-0.5%). Base metals: LME copper +0.2%, nickel -0.4%, aluminium +0.2%. Iron ore \$49.2/t +0.1% Chinese steel rebar futures +0.3%. Soft commodities spot futures: wheat +1.7%, sugar -5.5%, cotton -1.0%, coffee 0.2%. Euro CO² emissions price (Dec 15) -0.6%. The AUD/USD’s range overnight 0.7136-0.7217; indicative range today 0.7120-0.7175; the AUD/USD is 0.7149 now**
- EC Services PMI (Oct, final) 54.1 (Prelim: 54.2); Germany 54.5 (Prelim: 55.2); France 52.7 (Prelim: 52.3); UK Markit/CIPS Services (Oct) 53.3 (L: 53.3; E: 54.5)**
- ISM Non-manufacturing (Oct) 59.1 (L: 56.9; E: 56.5); US trade (Sep) -\$40.81B (L: -48.02B; E: -\$41.0B); US ADP employment (Oct) 182K (L: 200K; E: 180K);**

Good luck.

David.deGaris@nab.com.au

Chart of the day: US services sector accelerating

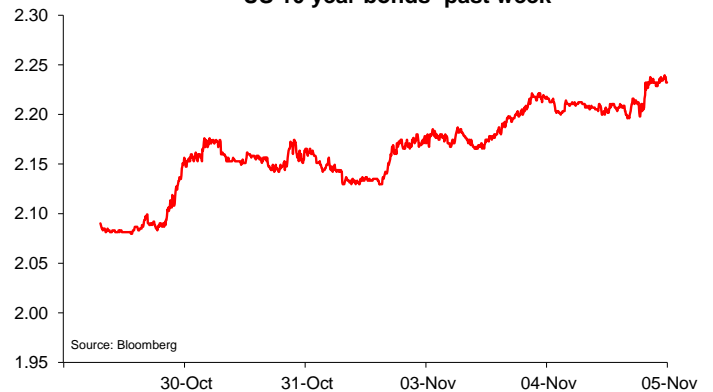


Markets

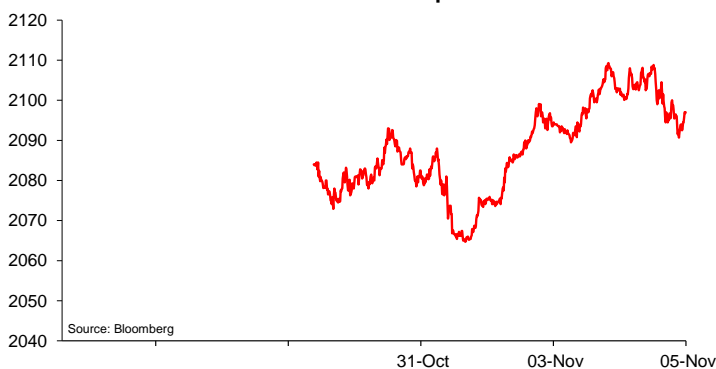
AUD/USD- past week



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	0.7149	-0.5	0.7136	0.7224	HKD	7.7510 0.0
NZD	0.6582	-0.9	0.6573	0.6648	CNY	6.3368 0.0
EUR	1.0858	-0.6	1.0844	1.0941	SGD	1.4039 0.4
GBP	1.5378	-0.2	1.5360	1.5426	IDR	13,525 0.1
JPY	121.55	0.3	121.13	121.72	THB	35.55 0.3
CAD	1.3163	0.7	1.3049	1.3197	KRW	1,137 0.4
AUD/EUR	0.6584	0.0			TWD	32.45 0.3
AUD/JPY	86.90	-0.3			PHP	46.82 0.1
AUD/GBP	0.4648	-0.3			CHF	0.99 0.4
AUD/NZD	1.0860	0.3			SEK	8.64 0.9

Equities

Major Indices			
	Last	% day	% year
Dow	17,867	-0.3	2.8
S&P 500	2,101	-0.4	4.4
Nasdaq	5,139	-0.1	11.1
VIX Index	15.33	5.4	3.0
FTSE	6,413	0.5	-0.6
DAX	10,845	-1.0	18.3
CAC 40	4,948	0.2	19.8
Nikkei	18,927	1.3	11.7
Shanghai	3,460	4.3	43.0
Hang Seng	23,054	2.1	-2.7
ASX 200	5,242	0.1	-5.0

Commodities*

	Last	% day
Oil (Brent)	48.67	-3.7
Oil (WTI)	46.47	-3.0
Oil (Tapis)	49.41	3.1
Gold	1108.00	-0.5
CRB	194.13	-1.7
GS Metals	263.5	0.0
Aluminium	1504	0.2
Copper	5134	0.2
Nickel	9860	-0.4
Zinc	1682	-0.7
Ch. steel	1782	0.3
Iron ore	49.2	0.1
St. coal	61.8	n.a.
Wheat Chic.	528.5	1.7
Sugar	14.64	-5.5
Cotton	61.94	-1.0
Coffee	120.5	0.2

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.25	0.33	0.91	2.11	USD 10	2.23	0.02
AUD	2.00	2.18	2.00	2.96	AUD 10	2.73	0.05 0.50
NZD	2.75	2.96	2.78	3.59	NZD 10	3.37	0.01 1.14
EUR	0.05	0.06	-0.02	0.96	CAD 10	1.64	0.02 -0.59
GBP	0.50	0.58	1.06	1.99	EUR 10	0.60	0.03 -1.63
JPY	0.10	0.08	0.11	0.50	GBP 10	1.99	0.02 -0.24
CAD	0.50	1.17	0.91	1.99	JPY 10	0.32	0.01 -1.91

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.90	-0.01
3 Yr bond	98.11	-0.02
10 Yr bond	97.23	-0.04
3/10 sprd	0.88	0.02
SPI	5.0	0.1

CO₂ Emissions - Euros

	Last	% day
Dec-2015	8.40	-0.6
Dec-2016	8.47	-0.7
Dec-2017	8.58	-0.6

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
Thursday, 5 November 2015								
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		1/1.9		-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		262		260	13.30	0.30
US	Productivity/Unit labour costs	3Q P		-0.3/2.5		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
Friday, 6 November 2015								
NZ	Crown Financial Statements	Sep qtr					21.45	8.45
AU	AiG PCI Construction	Oct				51.9	22.30	9.30
AU	RBA Statement on Monetary Policy						0.30	11.30
AU	RBA's Edey Speech at Conference on Gold Coast						1.00	12.00
JN	Leading index	Sep P		101.8		103.5	5.00	16.00
GE	Industrial production MoM/YoY	Sep		0.5/1.3		-1.2/2.3	7.00	18.00
UK	Industrial production MoM	Sep		-0.1		1	9.30	20.30
UK	Trade Balance	Sep		-3100		-3765	9.30	20.30
US	Non-farm payrolls/Unemployment	Oct		182/5		142/5.1	13.30	0.30
US	Average hourly earnings MoM/YoY	Oct		0.2/2.3		0/2.2	13.30	0.30
CA	Employment/Unemployment	Oct		10/7.1		12.1/7.1	13.30	0.30
US	Fed's Bullard Speaks on Economy and Policy in St. Louis						14.00	1.00
US	Consumer Credit	Sep		18		16.018	20.00	7.00
US	Fed's Brainard Takes Part in IMF Panel on Monetary Policy						21.15	8.15
Saturday, 7 November 2015								
CH	China Monthly Foreign Exchange	Oct		3456.5		3514.12		
Sunday, 8 November 2015								
CH	Trade balance, USD	Oct		60.9		60.34		
CH	Exports/Imports USD YoY	Oct		-3.6/-14.9		-3.7/-20.4		
CH	Foreign Direct Investment YoY CNY	Oct		5		7.1		
Monday, 9 November 2015								
AU	ANZ Job Advertisements MoM	Oct				3.9	0.30	11.30
JN	Labor Cash Earnings YoY	Sep				0.5	1.30	12.30
GE	Trade Balance	Sep				15.3	7.00	18.00
GE	Current Account Balance	Sep				12.3	7.00	18.00
EC	Sentix Investor Confidence	Nov				11.7	9.30	20.30
EC	OECD Economic Outlook						10.30	21.30
EC	ECB's Coeure Participates in Eurgroup Meeting in Brussels							
CA	Housing Starts	Oct				230.701	13.15	0.15
US	Labor Market Conditions Index Change	Oct				0	15.00	2.00
US	Fed's Rosengren Speaks on Outlook for U.S. Economy						17.00	4.00
Tuesday, 10 November 2015								
NZ	ANZ Truckometer Heavy MoM	Oct				1.7	21.00	8.00
NZ	Card Spending Retail MoM/YoY	Oct		/		0.9/0.7	21.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Nov-08				115.2	22.30	9.30
JN	BoP Current Account Adjusted	Sep				1590.1	23.50	10.50
UK	BRC Sales Like-For-Like YoY	Oct				2.6	0.10	11.10
AU	NAB Business Confidence/Conditions	Oct				5/9	0.30	11.30
AU	Home Loans MoM	Sep				2.9	0.30	11.30
AU	Investment Lending	Sep				-0.4	0.30	11.30
CH	CPI/PPI YoY	Oct		1.5/-5.9		1.6/-5.9	1.30	12.30
EC	ECB's Nouy Speaks in Frankfurt						8.15	19.15
US	NFIB Small Business Optimism	Oct				96.1	11.00	22.00
EC	ECB's Coeure Speaks in Berlin						11.15	22.15
NZ	REINZ House Sales YoY	Oct				38.3		
EC	ECB's Constancio Participates in Ecofin Meeting in Brussels							
US	Import Price Index MoM/YoY	Oct		-0.3/		-0.1/-10.7	13.30	0.30
US	Wholesale Inventories MoM	Sep		0		0.1	15.00	2.00
CA	Bank of Canada's Wilkins Makes Introductory Remarks in Toronto						17.00	4.00
Upcoming Central Bank Interest Rate Announcements								
UK	BOE	5-Nov				0.50%		
Japan	BoJ	19-Nov	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
Australia	RBA	1-Dec	2.00%	2.00%		2.00%		
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

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

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.