



Markets Today

A daily outlook for Australia, key global economies and markets

24 November 2015

Much Ado About Nothing

The USD got off to a cracking start this week, gaining against all the majors, and taking EUR/USD below 1.06 for the first time since April. Some oil-supportive comments helped to steady commodity prices and proxy currencies later in the session. AUD bore the initial brunt of the USD move, but has recovered back to 0.72.

In what was expected to be a relatively quiet day, the USD suddenly gained fresh legs in the local session. Market chatter focused on a surprise Fed meeting on Monday night, but it was much ado about nothing. The meeting in question is a routine affair focusing on fortnightly recommendations made by the regional Fed banks about the discount rate. Count us sceptical that investors were, hand on heart, expecting a surprise FOMC rate hike. At best, that would have made a mockery of the Fed's well-intentioned (though rather tortuous) communications strategy.

Nevertheless, the move quickly snowballed, nowhere as clearly as in AUD, which quickly surrendered the heights near 0.7250 that it took on Friday night. By mid-afternoon, AUD/USD was at 0.7160, and EUR/USD barely survived with a 1.06 handle (which it relinquished later).

A firmer USD saw commodity prices under the cudgel once again, with metals in particular focus. Copper traded below \$4500, to its lowest level since May 2009. The London Metals Exchange Index and gold are both down 0.8% for the day, adding to their losses into the close last week. One might be tempted to ascribe this as the reason for AUD's underperformance, but in truth, metals have provided a poor steer in recent weeks. Indeed, AUD's bounce up to 0.62 early this morning comes despite metals prices wallowing near their session lows.

Instead, oil prices provided a surprise support, after Saudi Arabia issued a statement pledging to work with oil producers to stabilise oil prices. Similar comments have been made before, including within the last week. But the market chose to run with it, with Brent crude up 1.3% for the day. This is likely reflective of substantial short positioning in the oil market. The investors are looking toward OPEC's 4 December meeting, but an agreement on curtailing production is not expected.

Data delivery contributed little to broader market moves. The euro-zone composite PMI rose to 54.4, beating expectations to hit its highest level since May 2011. The upside surprise was evenly spread across manufacturing and services. On the other hand, the US Markit PMI undershot expectations, printing at 52.6 in November, its lowest since October 2013. However, this simply brings the index closer in line with the more widely-followed ISM, which sits at 50.1.

Clearly, the rapid build-up in long USD positions in the past month (see the Chart of the Day) has the market vulnerable

to sharp squeezes, especially with USD indices back near record highs. The DXY touched 100.0 overnight, but that proved a near-term cap. We remain modestly bullish on the USD, but selective on our instrument. For choice, we remain short NZD/USD from 0.6610.

Coming Up

RBA Governor Stevens' speech today will be the highlight over our session, notwithstanding another blue-sky spill in risk assets. On the topic "The Long Run", our economics colleagues suggest Stevens will cover themes such as productivity, the sustainability of growth, and the limits of monetary policy. These will be familiar refrains, and unlikely to ruffle too many feathers on the day. There is a Q&A session, with media in attendance, which will likely garner comments more relevant to near-term policy.

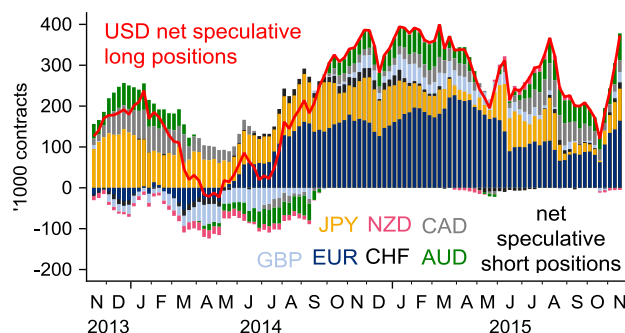
On the data front, Markit release its preliminary Japan PMI for November, and Germany's IFO survey is due. Perhaps the most attention will be paid to the second reading of US Q3 GDP. Consensus expects an upward revision to 2.1% q/q annualised, from 1.5%, as the drag on growth from inventories was likely overestimated in the first reading. A modest surprise on either side is unlikely to stay or hasten the Fed's hand, but in a relatively flighty market, could provide some volatility.

The Conference Board consumer confidence and Richmond Fed manufacturing indices round out the overnight calendar.

Overnight

- On global stock markets, the S&P 500 was +0.10%. Bond markets saw US 10-years -1.76bp to 2.24%. On commodity markets, Brent crude oil +0.72% to \$44.98, gold -0.9% to \$1,067, iron ore -0.4% to \$44.75. AUD is at 0.7194 and the range was 0.7159 to 0.725.

Chart of the Day: USD Net Speculative Long Positions



Source: Bloomberg, Macrobond, BNZ

raiko_shareef@bnz.co.nz

Calendar

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEDT
Tuesday, 24 November 2015								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Nov-22				115.9	0.30	11.30
NZ	Regional trends	3Q				0.3	0.00	11.00
AU	Balance of Payments Goods and Services preliminary	3Q				0.30	0.30	11.30
JN	Nikkei Japan PMI Mfg	Nov P				52.4	3.35	14.35
GE	GDP SA QoQ	3Q F		0.3/1.7		0.3/1.7	9.00	20.00
GE	IFO Business Climate/Current Assessment	Nov		108.2/112.4		108.2/112.6	11.00	22.00
AU	RBA's Stevens Speech to ABE Annual Dinner						9.05	20.05
EC	ECB's Nouy, Bank of Italy's Panetta speak in Milan						9.30	20.30
UK	BoE's Carney/Haldane Testify to Parliament on Inflation Report						10.00	21.00
US	Advance Goods Trade Balance	Oct		-60.75		-58.633	15.30	2.30
US	GDP Annualized QoQ	3Q S		2.1		1.5	15.30	2.30
US	S&P/CS 20 City MoM/YoY	Sep		0.3/5.15		0.11/5.09	16.00	3.00
US	Conf Board Consumer Confidence Index	Nov		99.5		97.6	17.00	4.00
US	Richmond Fed Manufact. Index	Nov		1		-1	17.00	4.00
Wednesday, 25 November 2015								
CA	BoC's Patterson speaks						22.20	9.20
JN	Cabinet Office monthly economic report						23.00	10.00
JN	BoJ Minutes of Oct 30 meeting						23.50	10.50
JN	PPI Services YoY	Oct		0.6		0.6	1.50	12.50
NZ	New Residential Lending, YoY	Oct				52.40%	2.00	13.00
AU	Skilled Vacancies MoM	Oct				1.8	2.00	13.00
AU	Construction Work Done	3Q	-1	-2		1.6	2.30	13.30
AU	Tourist Accommodation	2Q					0.30	11.30
JN	BoJ's Shirai speaks						1.00	12.00
CH	Westpac-MNI Consumer Sentiment	Nov				109.7	3.45	14.45
JN	Small Business Confidence	Nov				48.7	7.00	18.00
JN	Leading Index CI	Sep F				101.4	7.00	18.00
EC	ECB Financial Stability Review						10.00	21.00
AU	RBA's Debelle speaks at FX Week Europe Conference in London						10.20	21.20
US	MBA Mortgage Applications	Nov-20				6.2	14.00	1.00
US	Personal Income/Spending	Oct		0.4/0.3		0.1/0.1	15.30	2.30
US	PCE Deflator MoM/YoY	Oct		0.2/0.3		-0.1/0.2	15.30	2.30
US	Durable Goods Orders/core orders	Oct		1.6/0.3		-1.2/-0.3	15.30	2.30
US	Initial Jobless Claims	Nov-21		271		271	15.30	2.30
US	FHFA House Price Index MoM	Sep		0.4		0.3	16.00	3.00
US	Markit US Services PMI	Nov P		55.1		54.8	16.45	3.45
US	Bloomberg Consumer Comfort	Nov-22				41.2	16.45	3.45
US	New Home Sales, Level/MoM	Oct		500/6.8		468/-11.5	17.00	4.00
US	U. of Mich. Consumer Sentiment	Nov F		93		93.1	17.00	4.00
Thursday, 26 November 2015								
NZ	Trade Balance	Oct	-1025	-1000		-1222	23.45	10.45
AU	Private Capital Expenditure	3Q	-4	-2.9		-4	2.30	13.30
AU	Private Capex Expectations, 2015-16 4th estimate, \$Abn		124.2	120 (117-124.2)		114.8	0.30	11.30
EC	M3 Money Supply YoY	Oct		4.9		4.9	11.00	22.00
GE	GfK Consumer Confidence	Dec		9.2		9.4	14.00	1.00
Friday, 27 November 2015								
JN	Jobless Rate	Oct		3.4		3.4	1.30	12.30
JN	Job-To-Applicant Ratio	Oct		1.25		1.24	1.30	12.30
JN	Overall Household Spending YoY	Oct		0		-0.4	1.30	12.30
JN	Natl CPI YoY	Oct		0.3		0	1.30	12.30
CH	Industrial Profits YoY	Oct				-0.1	3.30	14.30
EC	ECB's Knot speaks in Amsterdam						8.00	19.00
UK	GDP QoQ/YoY	3Q P		0.5/2.3		0.5/2.3	11.30	22.30
UK	Index of Services MoM	Sep		0.3		0	11.30	22.30
EC	Business Climate Indicator	Nov		0.45		0.44	12.00	23.00
CA	CFIB Business Barometer	Nov				58.9	10.00	21.00
CA	Industrial Product Price MoM	Oct		-0.1		-0.3	15.30	2.30
CA	Raw Materials Price Index MoM	Oct		1		3	15.30	2.30
Upcoming Central Bank Interest Rate Announcements								
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%		
UK BOE		10-Dec				0.50%		
US Federal Reserve		17-Dec				0-0.25%		
Japan, BoJ		18-Dec	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		

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

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

Group Economics

Alan Oster
Group Chief Economist
+61 3 8634 2927

Riki Polygenis
Head of Australian Economics
+61 3 8697 9534

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

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.