



Markets Today

A daily outlook for Australia, key global economies and markets

16 November 2015

Paris terror attacks naturally front of mind

News of the multiple terrorist attacks in Paris and claimed by Islamic State came about 4.30pm New York time so after futures markets and US stock exchanges had closed for the week but before spot FX and cash bonds had finished. FX rates were largely unchanged in the last half hour of trade, but Treasuries rallied across the curve, by between 0.5 and 1.0bps with a "risk off" flavour. The atrocities will inevitable weigh heavily on market risk sentiment at the start of this week and, we'd suggest, is the type of event that could have the Fed re-thinking whether to tighten policy next month if global equity markets see a significant correction in coming days. We simply observe that there was no global equity market rout in the aftermath of the London underground terrorist bombings in July 2005. Neither did it interrupt the 'quarter point per meeting' Fed tightening cycle that commence in mid-2004 and ended in 2006.

In FX, the EUR and AUD open on the softer side this morning, the AUD at 0.7110/20 and EUR below 1.0750. On safe haven flows, for FX you'd expect JPY to outperform; that's how it's initially trading this am. The AUD/USD, USD/JPY, NZD/USD and GBP/USD were all completely unchanged Friday on Thursday's NY closing level. Rises in US dollar indices (DXY +0.16% to 98.80, BBDXY +0.3% and ADXY -0.3%) were driven by a 0.4% drop in EUR/USD to 1.0773 and pressure on EM currencies, including a slightly higher USD/CNY in onshore trade Friday. Offshore, CNH fell 0.24%, USD/CNH +0.0151 to 6.4068, the first close above 6.40 since 23 September.

Data Friday showed Eurozone Q3 GDP up 0.3%, below the 0.4% expected and 0.4% in Q2. Germany and France both printed 0.3% as expected; Italy fell short at 0.2% against 0.3% expected. US retail sales printed at 0.1% against 0.3% expected and ex-autos +0.2% against 0.4% expected, with headline and core PPI both weaker than expected. As a counter, the UoM preliminary November Consumer Sentiment survey rose to 93.1, above consensus and last month (91.5E, 90.0 October final).

The FT reported Saturday the IMF staff recommended the RMB be included in the SDR, on the agenda at the Nov 30 Board meeting. IMF MD Christine Lagarde is quoted saying 'I support the staff's findings'. This doesn't guarantee an affirmative vote but it seems it's highly likely. No detail given on the likely initial weight of the CNY in the SDR basket or of any conditionality to the decision ahead of implementation that, as previously announced, would not be before Sep 2016. This could though play with the grain of the weaker trend that emerged last week and which (in CNH) accelerated in offshore hours on Friday.

Finally, local weekend CoreLogic RP Data weekend auctions reported the 3rd busiest week this year for supply, with Sydney's auction clearance rate at 61.0% from under 60% last week and Melbourne's also little changed remaining under 70% at 69.5%.

Coming up

For data and events this week, locally we have Wages Wednesday as the key data point. More RBA interest with the RBA's Chris Kent speaking tomorrow along with the November

RBA Board Minutes. More speeches with the RBA's Debelle speaking Wednesday and Heath Friday.

Japan has its Q3 GDP this morning and the BOJ meets Thursday. In the US, CPI, industrial production, NAHB housing index all Tuesday, housing starts then FOMC minutes Wednesday, Philly fed index Thursday, several Fed speakers too. For the Eurozone, there is the CPI tonight, and there is a bevy of ECB speakers, many at the Euro Finance Week event, including Draghi with two speeches, one tonight. Very light for China data this week with only property prices likely to draw any interest.

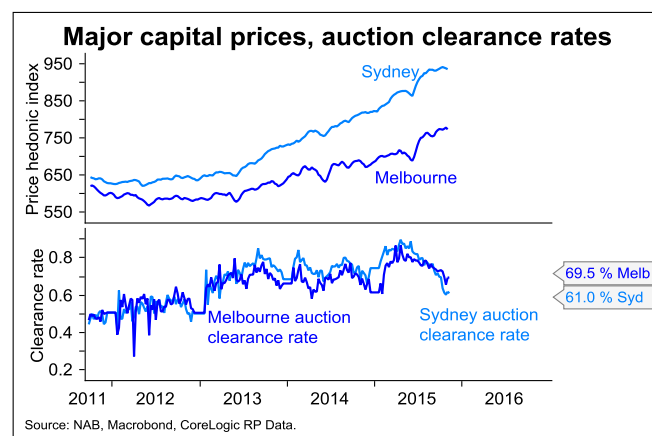
Overnight

- AUD opens a tad lower this am: Eurostoxx 600 -0.8%, Dax -0.7%, CAC -1.0%, FTSE -1.0%. Dow -203 points to 17,245, -1.2%, S&P 500 -1.2%, Nasdaq -1.5%, VIX 20.08 +9.3%. Shanghai -1.4%, Mumbai -1.4%, Nikkei 225 -1.5% and ASX 200 -1.5%; ASX SPI futures this morning -0.7%. US bond yields: 2s at 0.83% (-4), 10s at 2.27% (-5). WTI oil at \$40.74 (-2.4%), Brent at \$44.47 (-1.6%), Malaysian Tapis (yesterday) \$43.71 (-3.2%). Gold at \$1080.90/oz (-0.0%). Base metals: LME copper +0.0%, nickel +0.2%, aluminium -0.1%. Iron ore \$48.1/t +0.7% Chinese steel rebar futures -0.2%. Soft commodities spot futures: wheat -0.3%, sugar +0.5%, cotton -0.3%, coffee -2.5%. Euro CO₂ emissions price (Dec 15) +0.2%. The AUD/USD's range Friday night 0.7106-0.7159; indicative range today 0.7080-0.7135; the AUD/USD is 0.7111 now**
- French GDP (Q3) 0.3% (L: 0.0%/1.1%; E: 0.3%/1.3%); German GDP (Q3) 0.3% (L: 0.4%/1.6%; E: 0.3%/1.8%); Italy GDP (Q3) 0.2% (L: 0.3%/0.7%; 0.3%/1.0%); EC GDP (Q3) 0.3% (L: 0.4%/1.5%; E: 0.4%/1.7%); US Retail Sales (Oct) 0.1% (L: 0.1%; E: 0.3%); PPI (Oct) -0.4% (L: -0.5%/-1.1%; E: 0.2%/-1.2%); UoM Consumer Sentiment (Nov) 93.1 (L: 90.0; E: 91.5)**

Good luck and stay safe.

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Chart of the day: Auction clearances steadier with strong supply



Calendar

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEDT
Monday, 16 November 2015								
NZ	Performance Services Index	Oct				59.3	21.30	8.30
NZ	Retail Sales Ex Inflation QoQ	3Q	1.4	1.4		0.1	21.45	8.45
JN	GDP SA QoQ	3Q P		-0.1		-0.3	23.50	10.50
AU	New Motor Vehicle Sales MoM/YoY	Oct		/		5.5/7.7	0.30	11.30
EC	ECB's Vitor Constancio Speaks at Euro Finance Week						8.30	19.30
EC	CPI MoM/YoY	Oct		0.1/0		0.2/-0.1	10.00	21.00
EC	ECB President Draghi Speaks in Madrid						10.15	21.15
CA	Manufacturing Sales MoM	Sep				-0.2	13.30	0.30
US	Empire Manufacturing	Nov		-5.25		-11.36	13.30	0.30
CA	Int'l Securities Transactions	Sep				3.11	13.30	0.30
CA	Existing Home Sales MoM	Oct				-2.1	14.00	1.00
EC	ECB Executive Board Member Coeure Speaks in Paris						16.00	3.00
Tuesday, 17 November 2015								
AU	RBA's Christopher Kent speaking						21.30	8.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Nov-15				116.6	22.30	9.30
AU	RBA Nov. Meeting Minutes						0.30	11.30
NZ	2Yr Inflation Expectation	4Q				1.94	2.00	13.00
EC	ECB's Sabine Lautenschlaeger Speaks at Euro Finance						8.30	19.30
UK	CPI MoM/YoY	Oct		0.2/0		-0.1/-0.1	9.30	20.30
UK	PPI Output Core NSA MoM/YoY	Oct		0/0.4		0.1/0.2	9.30	20.30
UK	ONS House Price YoY	Sep				5.2	9.30	20.30
GE	ZEW Survey Current Situation	Nov		54.5		55.2	10.00	21.00
US	CPI MoM/YoY	Oct		0.2/0.1		-0.2/0	13.30	0.30
EC	Bundesbank's Andreas Dombret Speaks at Euro Finance						14.15	1.15
US	Industrial Production MoM	Oct		0.1		-0.2	14.15	1.15
US	NAHB Housing Market Index	Nov		64		64	15.00	2.00
NZ	Dairy auction, early AM NZT			-10/-15		-7.4		
Wednesday, 18 November 2015								
US	Fed's Tarullo speaks on shadow banking						20.30	7.30
US	Net Long-term TIC Flows	Sep				20.4	21.00	8.00
AU	RBA's Debelle Speaks at Bloomberg Summit in Sydney						22.10	9.10
AU	Conf. Board Leading Index MoM	Sep					23.00	10.00
AU	Westpac Leading Index MoM	Oct				0.1	23.30	10.30
AU	Wage Price Index QoQ/YoY	3Q	0.6/2.3	0.6/2.3		0.6/2.3	0.30	11.30
AU	NAB Commercial Property Survey	3Q					0.30	11.30
AU	NAB Online Retail sales (supplementary detail)	Sep					0.30	11.30
CH	Property Prices	Oct					1.30	12.30
EC	ECB's Yves Mersch Speaks at Euro Finance Week						8.00	19.00
US	Fed's Lockhart speaks in New York						13.00	0.00
US	Feds Dudley, Mester and Lockhart on payments system						13.00	0.00
US	Housing Starts, #/MoM	Oct		1160/-3.8		1206/6.5	13.30	0.30
US	Fed's Kaplan discusses economic conditions and policy in Houston						17.00	4.00
EC	ECB Executive Board Member Lautenschlaeger Speaks in Frankfurt						18.30	5.30
US	U.S. Fed Releases Minutes from Oct. 27-28 FOMC Meeting						19.00	6.00
Thursday, 19 November 2015								
NZ	ANZ Job Advertisements MoM	Oct				2.1	21.00	8.00
NZ	PPI Input QoQ	3Q				-0.3	21.45	8.45
JN	Trade Balance Adjusted	Oct		-377.4		-355.662	23.50	10.50
AU	RBA FX Transactions Market	Oct				712	0.30	11.30
CH	MNI Business Indicator	Nov					1.30	12.30
JN	BOJ Annual Rise in Monetary Base/Policy statement	Nov-19				80	3.00	14.00
JN	All Industry Activity Index MoM	Sep		0.2		-0.2	4.30	15.30
EC	ECB's Coeure Speaks in Frankfurt						8.00	19.00
EC	ECB's Peter Praet Speaks at Europe Finance Week						8.30	19.30
EC	ECB account of the monetary policy meeting						12.30	23.30
EC	ECB Current Account SA	Sep				17.7	9.00	20.00
UK	Retail Sales Ex Auto Fuel MoM/YoY	Oct		-0.6/4.2		1.7/5.9	9.30	20.30
UK	CBI Trends Total Orders	Nov				-18	11.00	22.00
EC	ECB account of the monetary policy meeting						12.30	23.30
CA	Wholesale Trade Sales MoM	Sep				-0.1	13.30	0.30
US	Initial Jobless Claims	Nov-14				276	13.30	0.30
US	Philadelphia Fed Business Outlook	Nov		0		-4.5	13.30	0.30
US	Leading Index	Oct		0.5		-0.2	15.00	2.00
US	Fed's Lockhart Speaks on U.S. Economy in Atlanta						17.30	4.30
Friday, 20 November 2015								
AU	RBA's Heath speaks at Resource and Energy Workshop in Canberra						22.40	9.40
NZ	Credit Card Spending MoM/YoY	Oct				-1.9/7.3	2.00	13.00
JN	BoJ Governor Kuroda speaks in Tokyo						7.00	18.00
EC	ECB's Mario Draghi Speaks at Euro Finance Week						8.00	19.00
EC	ECB's Coeure Speaks in Frankfurt						8.15	19.15
UK	PSNB ex Banking Groups	Oct		6.05		9.4	9.30	20.30
EC	ECB's Praet Speaks in Frankfurt						10.00	21.00
GE	Bundesbank's Jens Weidmann Speaks at Euro Finance Week						10.15	21.15
EC	ECB's Constancio Speaks in Frankfurt						13.00	0.00
CA	Retail Sales MoM	Sep				0.5	13.30	0.30
CA	CPI NSA MoM/YoY	Oct		/		-0.2/1	13.30	0.30
US	Kansas City Fed Manf. Activity	Nov		0		-1	16.00	3.00
Upcoming Central Bank Interest Rate Announcements								
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%		
UK BOE		10-Dec				0.50%		
US Federal Reserve		17-Dec				0-0.25%		

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

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