



Markets Today

A daily outlook for Australia, key global economies and markets

17 November 2015

Markets remain resilient

In a relatively quiet session, the impact from the Paris attacks on global markets has been fairly muted. The USD is stronger against all G10 currencies with the euro and NZD sitting at the bottom of the leader board. European and US equity indices have managed to post small gains, but the performance of government bonds has been mixed. In Europe, UK gilts and German Bunds ended the day in positive territory (yield lower) while US Treasury yields are slightly higher with the safe-haven bid fading late-on.

Market reaction to Friday's terror attacks in Paris has been fairly consistent with recent history. Beyond an initial flight to safety, markets have remained fairly calm and unless we see an impact on confidence and a slowdown in growth, the market impact is only likely to be temporary. Along this line of thinking, last night ECB Praet said that the ECB is watching the euro area confidence after the Paris attack, noting that "usually these sorts of events have transitory effect in the economy, so this is not a priori a reason to change the way we see the evolution of the European economy".

Looking at currencies in more detail, the Euro remains under pressure back below 1.07 and the NZD has finally broken below its 0.65 support level. The move lower in the NZD appears to have been driven by a large sell order in the London session. Our NZ currency strategist notes that 0.6420 is the next line of support and tonight's dairy auction is the risk event to watch.

Looking at data releases overnight, the US Empire State manufacturing index showed a modest improvement in November, rising to -10.7 from -11.04. While a rebound in the new orders index was a positive, this is the fourth month the index has remained deep in negative territory reflecting the impact from a strong dollar in the manufacturing sector along with softer demand in Europe and Asia. The soft manufacturing theme was also evident in Canada with September factory sales falling by 1.5% versus forecast gains of 0.2%.

Coming Up

It's a quiet day for data domestically with the weekly ANZ-Roy Morgan consumer confidence at 9.30am the only release. At 8:30am RBA assistant governor (economics) Christopher Kent is due to make opening remarks at a conference and at 11:30am we get the November RBA Board Minutes. Our interpretation of the RBA's current thinking is that while low inflation provides the scope for further monetary easing, should that be required, the prospects for a strengthening in growth suggest the cash rate is likely to remain on hold for some time. We expect today's remarks by Chris Kent and the minutes will provide additional support to our view.

In offshore markets the data highlights are the October UK and US CPI readings. In Europe it's all about central bank speeches with ECB' Lautenschlaeger and Bundesbank's Dombret speaking at Euro Finance week and we also get the latest German ZEW survey. The US also releases industrial production for October and the NAHB Homebuilder Survey for November.

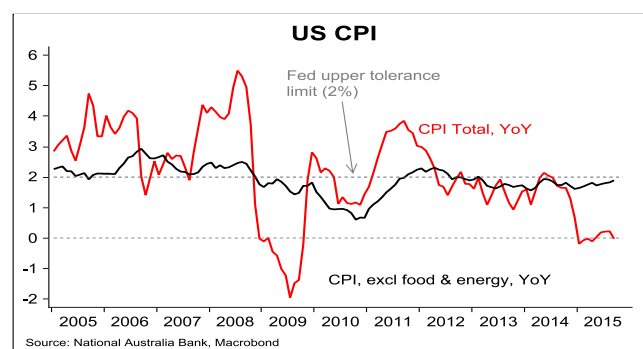
Recently many Fed speakers have noted that the start of the tightening cycle is contingent upon their confidence that inflation will return toward their 2% target over the medium term. Although today's October CPI reading is a lagging indicator of economic activity, it is still an important piece of economic evidence that can influence policy makers reading on the economy. Since October last year US headline inflation has been dragged lower by a decline in energy prices and a stronger dollar. Meanwhile the core CPI reading has been fairly steady (see chart below). In September the YoY change for headline CPI was 0.0% while the core reading printed at 1.9%. Looking ahead expectations are for the headline CPI to move higher, as the impact from last year's hefty declines in gasoline prices begins to fade. Current market consensus is for both the headline and core CPI to print at 0.2% in October. A headline CPI print in line with consensus would result in a rebound on the yoy, albeit just to 0.1%.

In terms of the other US data releases, October's industrial production is expected to print at 0.1% supported by tepid signs of a modest increase in manufacturing output. The NAHB Homebuilder Survey for November is expected to print at 64 and in line with its October reading.

Overnight

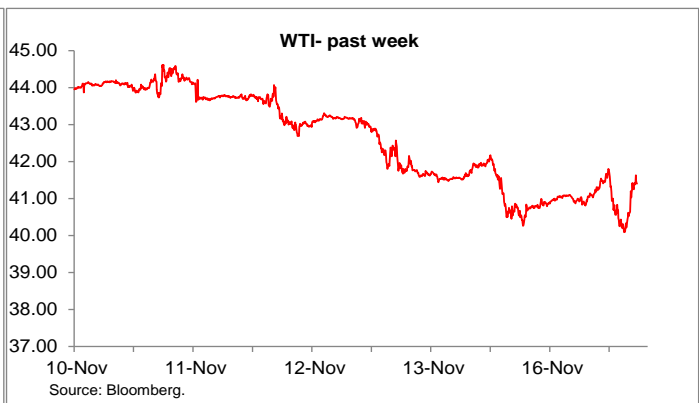
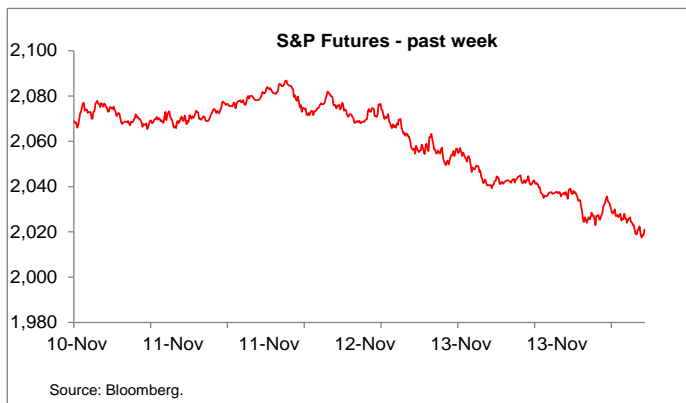
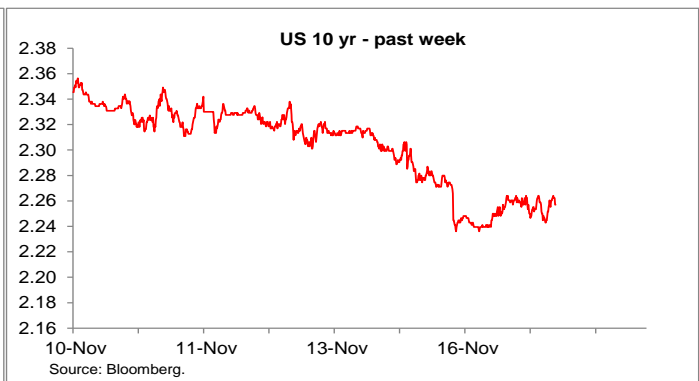
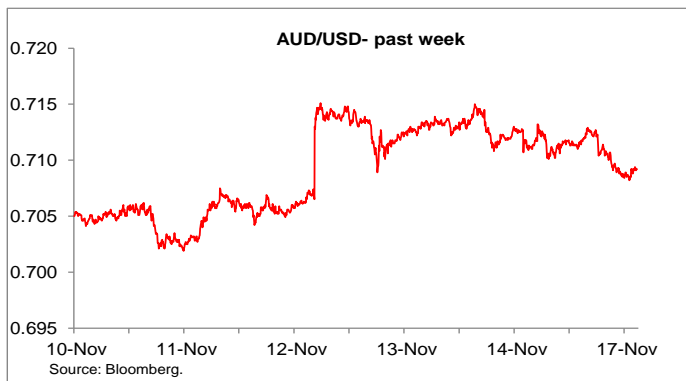
On global stock markets, the S&P 500 was +0.80%. Bond markets saw US 10-years +0.9bp to 2.276%. On commodity markets, Brent crude oil -0.49% to \$44.25, gold+0.1% to \$1,082, iron ore -0.8% to \$47.74. AUD is at 0.7094 and the range was 0.7081 to 0.7135.

Chart of the Day: Rebound in US Headline CPI ?



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Markets



Foreign Exchange								Equities				Commodities*		
Indicative 24hr ranges (**)				Other FX				Major Indices						
	Last	% chge	Low	High		Last	% chge		Last	% day	% y/y		Last	% day
AUD	0.7092	-0.5	0.7081	0.7135	HKD	7.7519	0.0	Dow	17,445	+1.2	-1.1	Oil (Brent)	44.82	0.8
NZD	0.6493	-0.7	0.6469	0.6579	CNY	6.3701	-0.1	S&P 500	2,048	+1.2	0.4	Oil (WTI)	41.95	3.0
EUR	1.0681	-0.9	1.0675	1.0779	SGD	1.4217	-0.1	Nasdaq	4,976	+1	6.1	Oil (Tapis)	43.00	-1.6
GBP	1.5201	-0.2	1.5182	1.5244	IDR	13,749	0.5	FTSE	6,146	+0.5	-7.6	Gold	1081.40	0.0
JPY	123.25	0.5	122.23	123.28	THB	35.95	0.1	DAX	10,713	+0	15.8	CRB	185.42	0.4
CAD	1.3328	0.0	1.3290	1.3371	KRW	1,174	0.9	CAC 40	4,804	-0.8	14.3	GS Metals	254.3	0.0
AUD/EUR	0.6641	0.4			TWD	32.89	0.2	Nikkei	19,394	-1.0	14.3	Aluminium	1479	-0.2
AUD/JPY	87.42	0.0			PHP	47.12	0.0	Shanghai	3,607	+0.7	45.8	Copper	4829	-0.2
AUD/GBP	0.4666	-0.2			CHF	1.01	0.4	Hang Seng	22,011	-1.7	-7.5	Nickel	9390	0.1
AUD/NZD	1.0923	0.3			SEK	8.72	0.5	ASX 200	5,004	-0.9	-7.6	Zinc	1603	0.3
												Ch. steel		
												Iron ore		
												Coal		
												Wheat Chic.		
												Sugar		
												Cotton		
												Coffee		
												CO₂ Emissions - Euros		
												Jun-2015		
												Dec-2015		
												Dec-2016		

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
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		0.1/-0.1		-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		5.4		5.2	9.30	20.30
GE	ZEW Survey Current Situation	Nov		55.2		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		
US	Fed's Powell speaks on central clearing						20.15	7.15
US	Fed's Tarullo speaks on shadow banking						20.30	7.30
Wednesday, 18 November 2015								
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
UK	BoE's Broadbent speaks on outlook for Britain's recovery						9.00	20.00
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		-343.1		-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		-0.6/3.9		1.7/5.9	9.30	20.30
UK	CBI Trends Total Orders	Nov		-10		-18	11.00	22.00
EC	ECB account of the monetary policy meeting						12.30	23.30
CA	Wholesale Trade Sales MoM	Sep		0.2		-0.1	13.30	0.30
US	Initial Jobless Claims	Nov-14		270		276	13.30	0.30
US	Philadelphia Fed Business Outlook	Nov		-0.75		-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
US	Fed's Fischer remarks on Emerging Asia						21.45	8.45
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		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		0.1		0.5	13.30	0.30
CA	CPI NSA MoM/YoY	Oct		0.1/1		-0.2/1	13.30	0.30
US	Fe'ds Bullard speaks on Economy in Arkansas						14.00	1.00
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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