

Markets Today

A daily outlook for Australia, key global economies and markets

19 November 2015

Oil Drilled

Hat tip to one of our London traders for plagiarising today's title.

FOMC October meeting minutes are gabbling the headlines as we write, but ahead of that it was the latest fall in oil prices – with WTI crude below \$40 for the first time since 27 August – that captured much of the market's attention and ensured that NZD, AUD, CAD and NOK occupy four of the five bottom places in the G10 scoreboard of the past 24 hours. The ever-mercurial Swiss Franc is actually the worst performer on the day – even as expectations for a cut to the ECB's deposit rate on 2 December ramp higher. Indeed, CHF is vying with NZD for the FX wooden spoon in terms of performance over the past week. Perhaps the view here is that 'anything the ECB can do, we (the SNB) can do better'.

GBP is a touch firmer after the BoE MPC's Ben Broadbent said he sees a solid recovery in domestic demand and that output is much closer to potential than in 2012. He also notes that the gap between market and economists' forecasts for rate rises tends to widen when risky assets do poorly.

Oil's latest drop (since partially retraced) came on news that US inventories had risen to their highest level for this time of year since 1930 (according to Bloomberg). Accompanying the oil price drop, industrial traded metals are all lower again, though iron ore is actually a touch firmer, +\$0.77 to \$46.35 for the 62% fines grade imported by China. In terms of potential strengthening in Chinese demand, we'd note that at the nationwide (weighted average) level, Chinese property prices turned positive in year-on-year terms last month.

As for the Fed minutes, while we often characterise these as offering something for everyone, our immediate take is that there were somewhat fewer two-handed economists/policy makers in evidence at the October meeting than we are used to. The minutes indicate that 'most' Fed officials said lift-off conditions could be met by December with only 'some' members suggesting that a reference to December was too strong an indication. But the minutes play up the recently softer labour market reads as the key reason for inaction in October, and by implication play up the relevance of the subsequent numbers (very strong) as a key factor governing policy disposition between October and December. In short, it is going to take either a disastrous November payrolls report or major sell-off in US/global risk asset, to stop the Fed going next month.

As for market reaction to the Fed minutes, though we saw a knee-jerk move higher in the US dollar (taking the narrow DXY index to within a whisker of 100 (99.853) and to its best level since April) this was quickly reversed. DXY is now lower on the day. 2-year Treasury note yields added 1.5bp to a new cycle high of 0.8940 but have also since more than fully retraced the gain. More evidence here that December lift-off

is fully priced and highlighting the risk that the dollar falls and rates markets rally out of the 17 December meeting.

On this point, newly installed Dallas Fed President Richard Kaplan spoke last night and while not rejecting the notion of December lift-off, has marked himself out as on the dovish side of the Fed spectrum. He indicates that the Fed will use its 'dot-point' forecast in December to signal the gradualist nature of the expected path for the Fed funds rate post lift-off.

Coming Up

As the dust settles on the Fed minutes, today we have the ECB's account of its 22 October meeting following which President Draghi dropped the very heavy hints that more stimulus is being planned and to be decided at the next (2 December meeting). We might not learn a whole lot more than what Mr. Draghi told us then, namely that all options for further easing were to be considered.

The Bank of Japan meets today, in the immediate wake of this week's news that Japan had re-entered recession for the fourth time since the start of 2011 (essentially, Japan has spent half of that time in technical recession). We still doubt that is going to draw a response from the BoJ as early as today, especially with USD/JPY trading well above ¥120 and with no evident desire from either the BoJ or the government to see the yen significantly lower at this stage (and which would be an inevitable consequence of more easing).

The BoJ announcement will be preceded by latest (October) Japan trade data. Locally, just ANZ job ads today, plus the RBA's FX transactions for October, while New Zealand releases Q3 PPI.

In China we get the MNI November Business Indicator and in the US, the Philly Fed survey and jobless claims top the calendar. Lockhart and Fischer are the rostered Fed speakers.

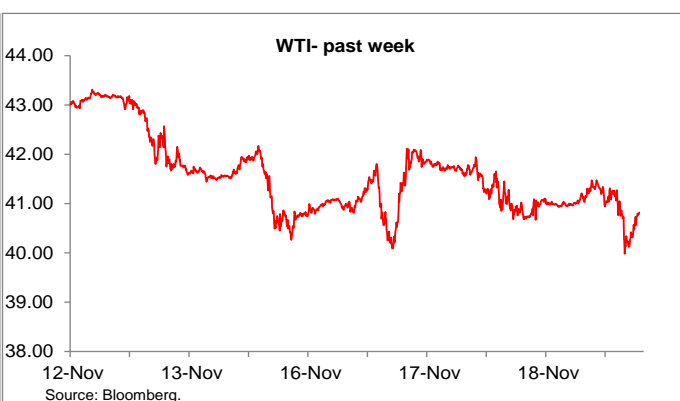
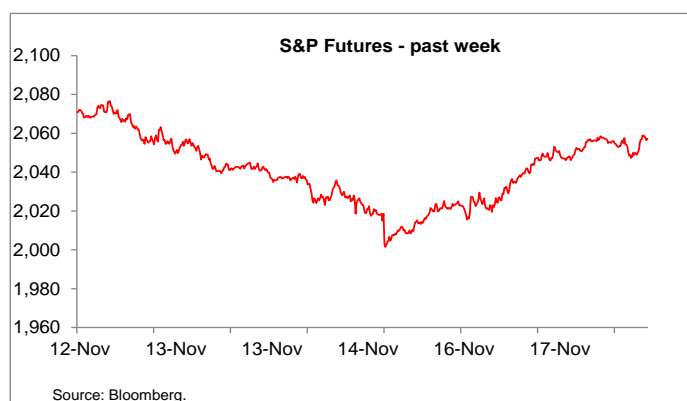
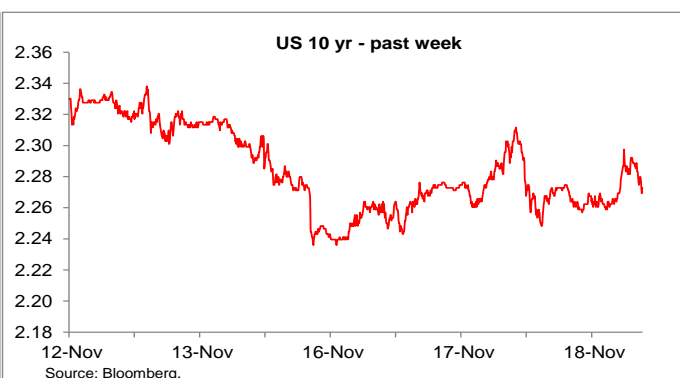
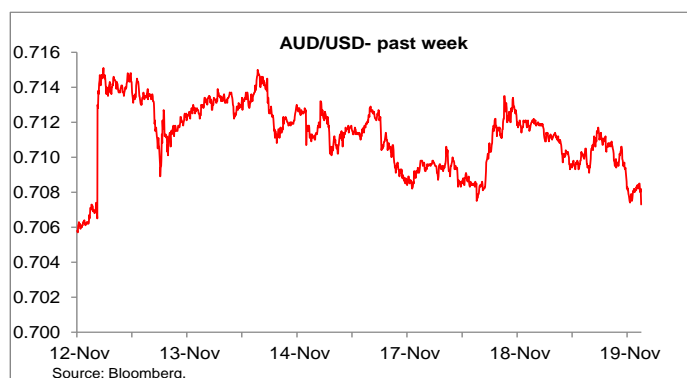
Overnight

On global stock markets, the S&P 500 was +1.10%. Bond markets saw US 10-years +0.53bp to 2.27%. On commodity markets, Brent crude oil +1.54% to \$44.24, gold +0.1% to \$1,069, iron ore +1.7% to \$46.35. AUD is at 0.7106 and the range was 0.7069 to 0.7118.

- US Oct Housing Starts -11.0% (-3.8% E, +6.5%P); US Building Permits +4.1% (3.8%E, -5.0%P).
- Weakness in starts driven by the volatile multi-family (apartment blocks) sector with single family starts and permits both showing ongoing strength
- ECB's Mersch sees no indication of economic pessimism after Paris terrorist attacks

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Markets



Foreign Exchange							Equities				Commodities*			
Indicative 24hr ranges (**)					Other FX		Major Indices				Last	% day		
	Last	% chge	Low	High		Last	% chge		Last	% day	% y/y			
AUD	0.7096	-0.2	0.7069	0.7118	HKD	7.7506	0.0	Dow	17,681	+1.1	0.0	Oil (Brent)	44.24	1.5
NZD	0.6455	-0.2	0.6430	0.6490	CNY	6.3847	0.1	S&P 500	2,073	+1.1	1.0	Oil (WTI)	40.82	0.4
EUR	1.0647	0.0	1.0617	1.0692	SGD	1.4228	-0.1	Nasdaq	5,057	+1.4	7.5	Oil (Tapis)	42.43	-1.3
GBP	1.5229	0.1	1.5188	1.5249	IDR	13,819	0.5	FTSE	6,279	+0.2	-6.4	Gold	1069.40	0.1
JPY	123.56	0.1	123.22	123.76	THB	35.97	-0.1	DAX	10,960	-0.1	15.9	CRB	183.60	-0.1
CAD	1.3337	0.1	1.3298	1.3369	KRW	1,172	0.2	CAC 40	4,907	0.0	15.1	GS Metals	248.1	-0.3
AUD/EUR	0.6664	-0.3			TWD	32.87	0.1	Nikkei	19,649	+0.1	13.7	Aluminium	1469	-0.1
AUD/JPY	87.68	-0.1			PHP	47.23	0.1	Shanghai	3,568	-1.0	45.6	Copper	4626	-1.5
AUD/GBP	0.4659	-0.3			CHF	1.02	0.5	Hang Seng	22,188	-0.3	-5.1	Nickel	8952	-1.4
AUD/NZD	1.0996	0.0			SEK	8.73	-0.3	ASX 200	5,133	+0.3	-4.4	Zinc	1504	-2.1
Interest Rates							Overnight Futures							
							Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd		Last	Chge			
USD	0.25	0.37	0.95	2.13	USD 10	2.27	0.01		Australia					
AUD	2.00	2.24	2.14	3.04	AUD 10	2.89	-0.03	0.62	3 mth bill	97.79	-0.01			
NZD	2.75	2.87	2.73	3.59	NZD 10	3.56	0.00	1.29	3 Yr bond	97.88	-0.01			
EUR	0.05	0.06	-0.08	0.87	CAD 10	1.65	-0.01	-0.62	10 Yr bonc	97.08	0.00			
GBP	0.50	0.57	1.00	1.89	EUR 10	0.51	-0.02	-1.77	3/10 sprd	0.80	-0.02			
JPY	0.09	0.07	0.10	0.46	GBP 10	1.92	-0.05	-0.35	SPI	46.0	0.9			
CAD	0.50	1.17	0.90	1.97	JPY 10	0.30	0.00	-1.97						
CO ₂ Emissions - Euros														
												Last	% day	
												Jun-2015	8.60	-0.3
												Dec-2015	8.58	-0.3
												Dec-2016	8.66	-0.3

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, 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		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		-0.25		-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	Fed's Bullard speaks on Economy in Arkansas						14.00	1.00
US	Kansas City Fed Manf. Activity	Nov		0		-1	16.00	3.00
Monday, 23 November 2015								
NZ	Net Migration SA	Oct				5550	21.45	8.45
GE	Markit/BME Germany Manufacturing PMI	Nov P				52.1	8.30	19.30
GE	Markit Germany Services PMI	Nov P				54.5	8.30	19.30
GE	Markit/BME Germany Composite PMI	Nov P				54.2	8.30	19.30
EC	Markit Eurozone Manufacturing PMI	Nov P				52.3	9.00	20.00
EC	Markit Eurozone Services PMI	Nov P				54.1	9.00	20.00
EC	Markit Eurozone Composite PMI	Nov P				53.9	9.00	20.00
UK	CBI Reported Sales	Nov				19	11.00	22.00
US	Chicago Fed Nat Activity Index	Oct				-0.37	13.30	0.30
US	Markit US Manufacturing PMI	Nov P		54		54.1	14.45	1.45
CA	Bloomberg Nanos Confidence	Nov-20				58.6	15.00	2.00
US	Existing Home Sales	Oct		5.43		5.55	15.00	2.00
US	Existing Home Sales MoM	Oct		-2.25		4.7	15.00	2.00
Tuesday, 24 November 2015								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Nov-22				115.9	22.30	9.30
JN	Nikkei Japan PMI Mfg	Nov P				52.4	1.35	12.35
GE	GDP SA QoQ	3Q F				0.3	7.00	18.00
GE	GDP WDA YoY	3Q F				1.7	7.00	18.00
GE	GDP NSA YoY	3Q F				1.8	7.00	18.00
GE	Private Consumption QoQ	3Q				0.2	7.00	18.00
GE	Government Spending QoQ	3Q				0.3	7.00	18.00
GE	Capital Investment QoQ	3Q				-0.4	7.00	18.00
GE	Construction Investment QoQ	3Q				-1.2	7.00	18.00
GE	Domestic Demand QoQ	3Q				-0.3	7.00	18.00
GE	Exports QoQ	3Q				2.2	7.00	18.00
GE	Imports QoQ	3Q				0.8	7.00	18.00
GE	IFO Business Climate	Nov				108.2	9.00	20.00
GE	IFO Current Assessment	Nov				112.6	9.00	20.00
GE	IFO Expectations	Nov				103.8	9.00	20.00
AU	RBA's Stevens Speech to ABE Annual Dinner			#N/A		#N/A	#N/A	#N/A
US	Advance Goods Trade Balance	Oct		-61.95		-58.633	13.30	0.30
US	GDP Annualized QoQ	3Q S		2		1.5	13.30	0.30
US	Personal Consumption	3Q S				3.2	13.30	0.30
US	GDP Price Index	3Q S		1.2		1.2	13.30	0.30
US	Core PCE QoQ	3Q S				1.3	13.30	0.30
US	S&P/CS 20 City MoM SA	Sep		0.3		0.11	14.00	1.00
US	S&P/CS Composite-20 YoY	Sep				5.09	14.00	1.00
US	S&P/CaseShiller 20-City Index NSA	Sep				182.47	14.00	1.00
US	S&P/Case-Shiller US HPI MoM	Sep				0.44	14.00	1.00
US	S&P/Case-Shiller US HPI YoY	Sep				4.68	14.00	1.00
US	S&P/Case-Shiller US HPI NSA	Sep				175.43	14.00	1.00
US	Consumer Confidence Index	Nov		99.15		97.6	15.00	2.00
US	Richmond Fed Manufact. Index	Nov		0		-1	15.00	2.00
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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