



Markets Today

A daily outlook for Australia, key global economies and markets

26 November 2015

It's All Relative

It's 100 years ago today that Albert Einstein formally presented the results of his eight year study into gravity – the general theory of relativity. Good on you Albert.

Meanwhile in the marginally less complex world of financial markets, the relativities of Fed and ECB policy dispositions remain a key driver. EUR/USD has made a new post-March 2015 low at 1.0566 and the 2yr benchmark German bond yields a new record low of -0.424% (down some 4bps). The proximate cause has been a Reuters report suggesting that the ECB is looking at a tiered system for the negative deposit rate(s) to be charged to banks posting excess cash at the central bank. This is interpreted as implying that that the headline Deposit Rate could be cut beyond -0.3% (from -0.2% currently) and which is the current consensus view.

The dollar, as measured by the euro-centric DXY index (the euro has a 57.6% weight) has spent time back above 100.0 for the first time since March, though has since slipped back to be only 0.3% higher on the day. We've had a cart load of US economic data, concertinaed into Wednesday ahead of today's Thanksgiving holiday, and which while mixed has overall proved dollar supportive and prevented US yields from being pulled down by the across-the-curve declines in Eurozone yields. US stock meanwhile look like heading into Thanksgiving with very small gains.

The data highlights have included some disappointment that October personal spending – in both real and nominal terms – fell short of the 0.2% expected outcomes at 0.1% for both, with the PCE deflators (whether headline or core) also 1/10% lower than expected (headline is just 0.2% y/y, and core +1.3% - the latter unchanged from September). The final University of Michigan consumer Sentiment Index also disappointed, slipping to 91.3 from the 93.1 preliminary. In contrast, October durable goods orders posted a strong 3% gain (+1.4% expected) with capital goods orders excluding the lumpy defence and aircraft sub-components +1.3% against +0.2% expected. October New Home Sales meanwhile jumped 10.7% on the month, stronger than expected but only because of a big downward revision to September (now -12.9%). The level of new homes sales 495k was just beneath the 500k consensus. Markit's version of US services PMI rose to 56.5 from 54.8 – better than the 55.1 expected, while jobless claims fell to 260k from 272k.

RBA assistant governor Guy Debelle spoke in London overnight, but on benchmarks and the Conduct -0 pretty much a rehash of his speech to the Bloomberg Summit last week. Best we can see there was no Q&A.

As for the AUD, it failed to hold its Sydney-day gains overnight, losing about 30 points to 0.7253. Yesterday's local gains came in part on suspicions of M&A support for the AUD following news that the winning bidder for the NSW Trans-

Grid power sell-off has a 65% offshore component. Iron ore prices meanwhile – and where Tuesday's plunge to new 9-year lows went ignored by the FX market - have stabilised overnight around \$44.0.

Coming Up

Being Thanksgiving today and the US effectively out for the rest of the week, and little to note in Europe tonight, Asia-Pacific markets look like being left to their own devices.

The local (known) highlight Thursday is undoubtedly the Q3 Capex survey. This provides an estimate of capital expenditure for the September quarter but perhaps more importantly an updated estimate of planned capital expenditure for the year ahead.

With mining investment unwinding and non-mining investment still relatively subdued, NAB forecasts Q3 capital expenditure in total will decline by 4.0% q/q. Our figure is slightly weaker than the market consensus of -2.9%, but we feel this is justified given the extent of the mining unwind now occurring.

For the Capex survey for planned capital expenditure for 2015/16, we look for a fourth estimate of \$124bn, down from the fourth estimate last year of \$152bn. The market consensus is for a smaller figure of \$120bn.

Adjusting our estimate of 2015-16 spend by its historical realisation ratio, results in a similar pace of decline to what was flagged in the last release - namely a 17% decline in nominal investment for 2015-16, driven by a 32% decline in mining investment, while non-mining investment is expected to improve from the last survey, but still show a small decline

Overnight

On global stock markets, the S&P 500 was +0.10%. Bond markets saw US 10-years -0.71bp to 2.23%. On commodity markets, Brent crude oil -0.26% to \$46, gold-0.4% to \$1,070, iron ore +0.4% to \$44.07. AUD is at 0.7252 and the range was 0.7227 to 0.7283.

Chart of the Day : 2015/16 Capex survey

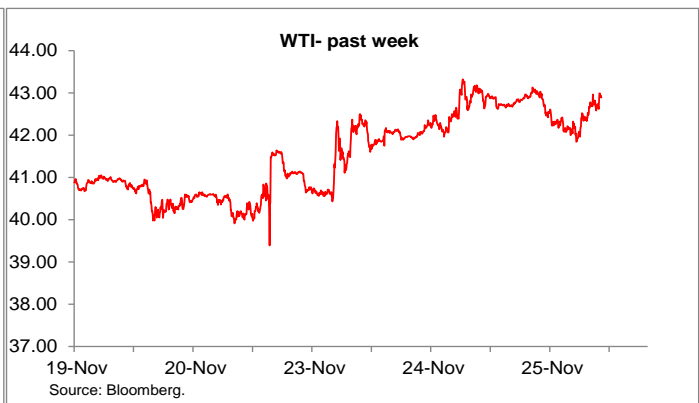
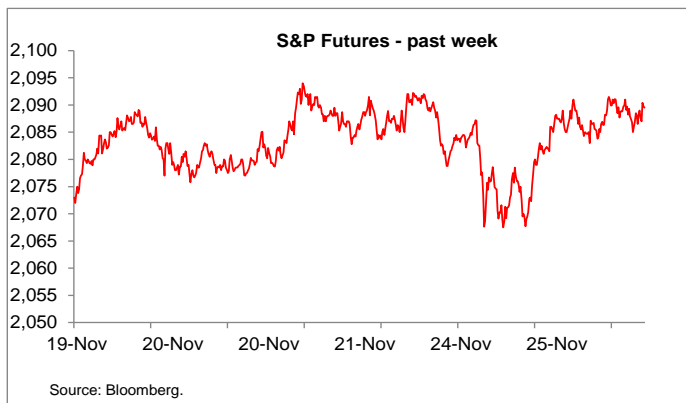
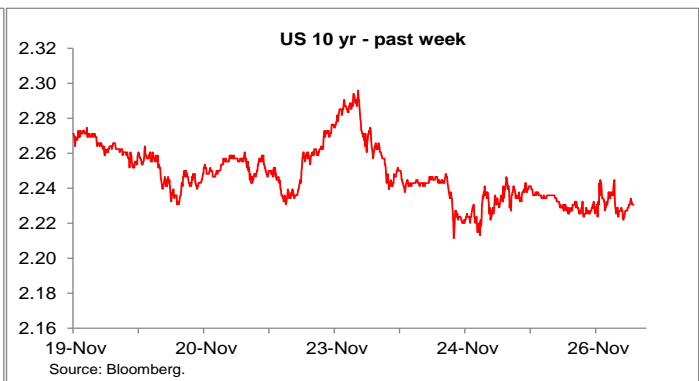
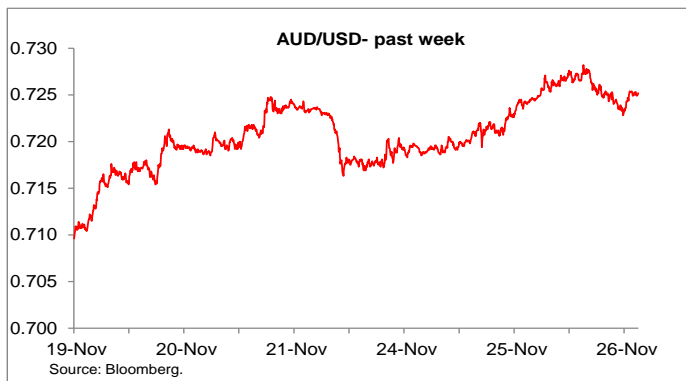
Table 1: Capex release - 2015/16 expected spend^a

	Raw expectation			Implied change in spend (post realisation ratio)	
	Last release (est 3) \$bn	Current release (est 4, NAB) \$bn	2014/15 (est 4) \$bn	Last release (est 3) %	Current release (est 4, NAB) %
Total	115	124	152	-20.0	-17
Mining	54	58	85	-32.1	-32
Non-mining*	61	68	67	-7.7	-2
- manufacturing	8	8	8	-9.2	-
- other selected	53	60	59	-4.8	-

* components may not strictly add due to rounding

Ray.atrill@nab.com.au

Markets



Foreign Exchange						Equities				Commodities*																																																																																								
<table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="4">Indicative 24hr ranges (**)</th> <th colspan="2">Other FX</th> </tr> <tr> <th>Last</th> <th>% chge</th> <th>Low</th> <th>High</th> <th>Last</th> <th>% chge</th> </tr> </thead> <tr> <td>AUD</td> <td>0.7252</td> <td>-0.1</td> <td>0.7227</td> <td>0.7283</td> <td>HKD</td> <td>7.7503</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.6575</td> <td>0.3</td> <td>0.6547</td> <td>0.6581</td> <td>CNY</td> <td>6.3893</td> <td>0.0</td> </tr> <tr> <td>EUR</td> <td>1.0617</td> <td>-0.2</td> <td>1.0566</td> <td>1.0689</td> <td>SGD</td> <td>1.4048</td> <td>-0.4</td> </tr> <tr> <td>GBP</td> <td>1.5128</td> <td>0.3</td> <td>1.5056</td> <td>1.5136</td> <td>IDR</td> <td>13,690</td> <td>-0.2</td> </tr> <tr> <td>JPY</td> <td>122.74</td> <td>0.2</td> <td>122.26</td> <td>122.94</td> <td>THB</td> <td>35.65</td> <td>-0.3</td> </tr> <tr> <td>CAD</td> <td>1.3295</td> <td>-0.1</td> <td>1.3280</td> <td>1.3339</td> <td>KRW</td> <td>1,143</td> <td>-0.9</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6828</td> <td>0.2</td> <td></td> <td></td> <td>TWD</td> <td>32.46</td> <td>-0.6</td> </tr> <tr> <td>AUD/JPY</td> <td>88.98</td> <td>0.1</td> <td></td> <td></td> <td>PHP</td> <td>47.02</td> <td>-0.2</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4792</td> <td>-0.4</td> <td></td> <td></td> <td>CHF</td> <td>1.02</td> <td>0.5</td> </tr> <tr> <td>AUD/NZD</td> <td>1.1031</td> <td>-0.4</td> <td></td> <td></td> <td>SEK</td> <td>8.74</td> <td>0.5</td> </tr> </table>							Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.7252	-0.1	0.7227	0.7283	HKD	7.7503	0.0	NZD	0.6575	0.3	0.6547	0.6581	CNY	6.3893	0.0	EUR	1.0617	-0.2	1.0566	1.0689	SGD	1.4048	-0.4	GBP	1.5128	0.3	1.5056	1.5136	IDR	13,690	-0.2	JPY	122.74	0.2	122.26	122.94	THB	35.65	-0.3	CAD	1.3295	-0.1	1.3280	1.3339	KRW	1,143	-0.9	AUD/EUR	0.6828	0.2			TWD	32.46	-0.6	AUD/JPY	88.98	0.1			PHP	47.02	-0.2	AUD/GBP	0.4792	-0.4			CHF	1.02	0.5	AUD/NZD	1.1031	-0.4			SEK	8.74	0.5
	Indicative 24hr ranges (**)				Other FX																																																																																													
	Last	% chge	Low	High	Last	% chge																																																																																												
AUD	0.7252	-0.1	0.7227	0.7283	HKD	7.7503	0.0																																																																																											
NZD	0.6575	0.3	0.6547	0.6581	CNY	6.3893	0.0																																																																																											
EUR	1.0617	-0.2	1.0566	1.0689	SGD	1.4048	-0.4																																																																																											
GBP	1.5128	0.3	1.5056	1.5136	IDR	13,690	-0.2																																																																																											
JPY	122.74	0.2	122.26	122.94	THB	35.65	-0.3																																																																																											
CAD	1.3295	-0.1	1.3280	1.3339	KRW	1,143	-0.9																																																																																											
AUD/EUR	0.6828	0.2			TWD	32.46	-0.6																																																																																											
AUD/JPY	88.98	0.1			PHP	47.02	-0.2																																																																																											
AUD/GBP	0.4792	-0.4			CHF	1.02	0.5																																																																																											
AUD/NZD	1.1031	-0.4			SEK	8.74	0.5																																																																																											

 | Major Indices | | | | |---------------|--------|-------|-------| | | Last | % day | % y/y | | Dow | 17,833 | +0.1 | 0.1 | | S&P 500 | 2,091 | +0.1 | 1.2 | | Nasdaq | 5,120 | +0.3 | 7.6 | | FTSE | 6,338 | +1 | -5.8 | | DAX | 11,170 | +2.2 | 13.3 | | CAC 40 | 4,893 | +0.5 | 11.7 | | Nikkei | 19,848 | -0.4 | 14.2 | | Shanghai | 3,648 | +0.9 | 40.1 | | Hang Seng | 22,498 | -0.4 | -6.7 | | ASX 200 | 5,194 | -0.6 | -3.8 | | | | | | | Last | % day | |-------------|---------|-------| | Oil (Brent) | 46.00 | -0.3 | | Oil (WTI) | 42.89 | 0.0 | | Oil (Tapis) | 44.35 | 0.5 | | Gold | 1070.00 | -0.4 | | CRB | 185.70 | 0.2 | | GS Metals | 244.9 | 2.1 | | Aluminium | 1459 | 0.9 | | Copper | 4564 | -1.3 | | Nickel | 8881 | 1.6 | | Zinc | 1571 | -0.2 | | Ch. steel | 1683 | 0.4 | | Iron ore | 44.1 | 0.4 | | Coal | 52.8 | -0.6 | | Wheat Chic. | 487.5 | -0.2 | | Sugar | 14.91 | -0.6 | | Cotton | 61.98 | 2.3 | | Coffee | 125.6 | 0.8 | | | || | Interest Rates | | | | Benchmark 10 Year Bonds | | | | |-----------------------|------|------|-------|-------------------------|--------|------|-------| | Indicative Swap Rates | | | | Last | chge | Sprd | | | | Cash | 3mth | 2Yr | 10Yr | | | | | USD | 0.25 | 0.40 | 0.99 | 2.09 | USD 10 | 2.23 | -0.01 | | AUD | 2.00 | 2.26 | 2.16 | 3.01 | AUD 10 | 2.87 | -0.04 | | NZD | 2.75 | 2.88 | 2.71 | 3.58 | NZD 10 | 3.60 | 0.00 | | EUR | 0.05 | 0.06 | -0.11 | 0.83 | CAD 10 | 1.58 | -0.04 | | GBP | 0.50 | 0.57 | 0.96 | 1.86 | EUR 10 | 0.47 | -0.05 | | JPY | 0.10 | 0.07 | 0.10 | 0.45 | GBP 10 | 1.88 | 0.02 | | CAD | 0.50 | 1.17 | 0.89 | 1.88 | JPY 10 | 0.30 | -0.02 | | | | | | | | Overnight Futures | | | |-------------------|-------|-------| | | Last | Chge | | Australia | | | | 3 mth bill | 97.77 | 0.00 | | 3 Yr bond | 97.89 | 0.00 | | 10 Yr bonc | 97.12 | 0.05 | | 3/10 sprd | 0.78 | -0.05 | | SPI | -6.0 | -0.1 | | | | | CO ₂ Emissions - Euros | | | |-----------------------------------|------|-------| | | Last | % day | | Jun-2015 | 8.65 | -0.2 | | Dec-2015 | 8.62 | -0.3 | | Dec-2016 | 8.70 | -0.2 | | | |

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, 26 November 2015								
NZ	Trade Balance	Oct	-1025	-1000		-1222	21.45	8.45
AU	Private Capital Expenditure	3Q	-4	-2.9		-4	0.30	11.30
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	9.00	20.00
GE	GfK Consumer Confidence	Dec		9.2		9.4	12.00	23.00
Friday, 27 November 2015								
JN	Jobless Rate	Oct		3.4		3.4	23.30	10.30
JN	Job-To-Applicant Ratio	Oct		1.25		1.24	23.30	10.30
JN	Overall Household Spending YoY	Oct		0		-0.4	23.30	10.30
JN	Natl CPI YoY	Oct		0.2		0	23.30	10.30
CH	Industrial Profits YoY	Oct				-0.1	1.30	12.30
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	9.30	20.30
UK	Index of Services MoM	Sep		0.3		0	9.30	20.30
EC	Business Climate Indicator	Nov		0.45		0.44	10.00	21.00
CA	CFIB Business Barometer	Nov				58.9	8.00	19.00
CA	Industrial Product Price MoM	Oct		-0.1		-0.3	13.30	0.30
CA	Raw Materials Price Index MoM	Oct		0.3		3	13.30	0.30
Monday, 30 November 2015								
NZ	Building Permits MoM	Oct				-5.7	21.45	8.45
AU	TD Securities Inflation MoM	Nov				0	23.30	10.30
JN	Industrial Production MoM	Oct P				1.1	23.50	10.50
JN	Retail Sales MoM	Oct				0.7	23.50	10.50
JN	Dept. Store, Supermarket Sales	Oct				1.7	23.50	10.50
AU	HIA New Home Sales MoM	Oct				-1.8	0.00	11.00
NZ	ANZ Activity Outlook	Nov				23.7	0.00	11.00
NZ	ANZ Business Confidence	Nov				10.5	0.00	11.00
UK	GfK Consumer Confidence	Nov		2		2	0.50	11.50
AU	Company Operating Profit QoQ	3Q				-1.9	0.30	11.30
AU	Inventories SA QoQ	3Q				0	0.30	11.30
AU	Private Sector Credit MoM	Oct				0.8	0.30	11.30
AU	Private Sector Credit YoY	Oct				6.7	0.30	11.30
NZ	Money Supply M3 YoY	Oct				8.5	2.00	13.00
JN	Vehicle Production YoY	Oct				-2.6	4.00	15.00
JN	Housing Starts YoY	Oct				2,622	5.00	16.00
JN	Construction Orders YoY	Oct				6.7	5.00	16.00
UK	Net Consumer Credit	Oct				1.3	9.30	20.30
UK	Net Lending Sec. on Dwellings	Oct				3.6	9.30	20.30
UK	Mortgage Approvals	Oct				68.9	9.30	20.30
UK	Lloyds Business Barometer	Nov				50	9.30	20.30
GE	CPI MoM	Nov P				0	13.00	0.00
GE	CPI YoY	Nov P				0.3	13.00	0.00
GE	CPI EU Harmonized MoM	Nov P				0	13.00	0.00
GE	CPI EU Harmonized YoY	Nov P				0.2	13.00	0.00
CA	Current Account Balance	3Q				-17.4	13.30	0.30
US	ISM Milwaukee	Nov				46.66	14.00	1.00
US	Chicago Purchasing Manager	Nov		54		56.2	14.45	1.45
CA	Bloomberg Nanos Confidence	Nov-27				57.7	15.00	2.00
US	Pending Home Sales MoM	Oct		1.25		-2.3	15.00	2.00
US	Dallas Fed Manf. Activity	Nov		-10		-12.7	15.30	2.30
Tuesday, 1 December 2015								
NZ	Terms of Trade Index QoQ	3Q				1.3	21.45	8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Nov-29				114.5	22.30	9.30
AU	AiG Perf of Mfg Index	Nov				50.2	22.30	9.30
AU	CoreLogic RP Data House Px MoM	Nov				0.9	23.00	10.00
NZ	QV House Prices YoY	Nov				14	23.00	10.00
JN	Capital Spending YoY	3Q				5.6	23.50	10.50
JN	Capital Spending Ex Software	3Q				6.6	23.50	10.50
JN	Company Profits	3Q				23.8	23.50	10.50
JN	Company Sales	3Q				1.1	23.50	10.50
AU	Net Exports of GDP	3Q				-0.6	0.30	11.30
AU	BoP Current Account Balance	3Q				-19	0.30	11.30
AU	Building Approvals MoM	Oct				2.2	0.30	11.30
AU	Building Approvals YoY	Oct				21.4	0.30	11.30
CH	Manufacturing PMI	Nov				49.8	1.00	12.00
CH	Non-manufacturing PMI	Nov				53.1	1.00	12.00
JN	Nikkei Japan PMI Mfg	Nov F				52.8	1.35	12.35
CH	Caixin China PMI Mfg	Nov				48.3	1.45	12.45
CH	Caixin China PMI Composite	Nov				49.9	1.45	12.45
CH	Caixin China PMI Services	Nov				52	1.45	12.45
AU	RBA Cash Rate Target	Dec-01		2		2	3.30	14.30
JN	Vehicle Sales YoY	Nov				0.2	5.00	16.00
AU	Commodity Index AUD	Nov				79.1	5.30	16.30
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

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

Rodrigo Catril
Currency Strategist
+61 2 9293 7109

Interest Rate Strategy

Skye Masters
Head of Interest Rate Strategy
+61 2 9295 1196

Credit Research

Michael Bush
Head of Credit Research
+61 3 8641 0575

Simon Fletcher
Senior Credit Analyst – FI
+61 2 9237 1076

Andrew Jones
Credit Analyst
+61 3 8641 0978

Distribution

Barbara Leong
Research Production Manager
+61 2 9237 8151

Group Economics

Alan Oster
Group Chief Economist
+61 3 8634 2927

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

Julian Wee
Senior Markets Strategist, Asia
+65 6632 8055

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

Riki Polygenis
Head of Economics, Australia
+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.