



Markets Today

A daily outlook for Australia, key global economies and markets

3 November 2015

Holding Pattern

Currencies, for the most part, took a back seat in a largely so-so session for broader financial markets. Positive European and UK manufacturing data helped support sentiment. But investors appear to be in a holding pattern ahead of bigger event risks later in the week.

China's Caixin reading kicked off the round of global PMIs at 48.3 vs 47.6 expected. While continues to signal contraction, the details of the report are improving, with output and new orders on the up.

That, along with a strong CNY fix from the PBoC, should have been more supportive of the AUD that it actually was. The broader emerging markets complex benefitted from a sharply stronger Turkish Lira, which was at one point up 5.4% for the day, after AKP won a surprisingly decisive victory. The failure of AUD/USD to break above 0.7150 adds to the evidence that speculation around today's RBA meeting has been a key contributor to its recent underperformance, especially against NZD.

Elsewhere, the UK manufacturing PMI jumped to a 16-month high at 55.5 (vs 51.8 exp), while final European PMIs slightly improved on their preliminary readings. The US ISM was virtually flat on the previously month at 50.1.

Equity markets keyed off the improvement in global manufacturing, with the Euro Stoxx 50 up 0.5%. US equity markets benefitted further from a bout of deal-making, focussed on healthcare. Shire added to its portfolio by snapping up Dyax for up to \$6.5b, its biggest acquisition yet. Pfizer is also rumoured to be closing in on Allergan.

Major currencies are generally very close to levels prevailing at the open yesterday. Commodity currencies sit at the tail end, as oil prices drifted lower after Russian output hit another post-Soviet high, worsening the global supply glut.

NZD stands out as the clear underperformer, with NZD/USD off by 0.7% to 0.6730. Some of that weakness comes courtesy of drop in NZX dairy futures ahead of the GlobalDairyTrade auction tonight. NZD has enjoyed a period of outperformance of late, but looks at risk, especially if the RBA stands pat this week. NAB's present-value model for AUD/NZD, which takes rate differentials as a primary driver, suggests that the cross should be much closer to a 1.10 midpoint.

Coming Up

All eyes on the RBA at 2.30pm AEDT. We expect the Board to leave rate settings unchanged, but are wary that the language could be tweaked to indicate more 'scope' to cut rates.

With speculative short positions in AUD still large, and the market split on today's outcome, we'd be braced for some (potentially significant) volatility. The market is pricing around a 40% chance of a 25bps rate cut while the Bloomberg survey shows that 41% of the economists surveyed expect a cut.

Later on, it is a quiet evening ahead of bigger events in the second half of the weekend. US factory orders will be the highlight, and are expected to fall after the drop in durable goods.

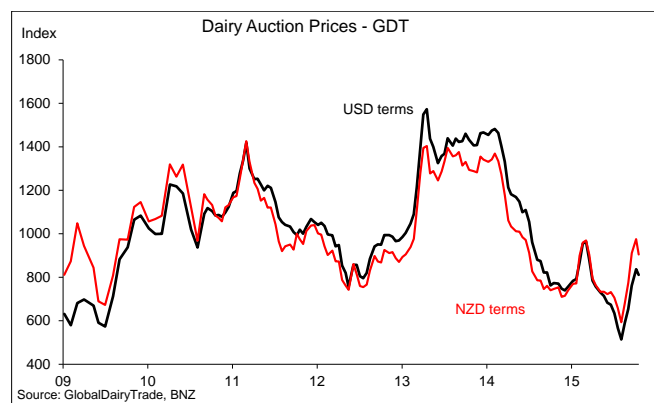
Tonight also sees the GlobalDairyTrade auction. Our BNZ colleagues are looking for another modest decline, after the previous auction's 3.1% fall. Dairy futures suggest some readiness for a decline, though the extent will be important.

And as a forewarning, Fed Chair Yellen's scheduled appearance in front of lawmakers on Wednesday night is unlikely to prove enlightening for monetary policy. The House Financial Services Committee seems ripe to eat up its airtime with a debate regarding oversight of the Fed.

Overnight

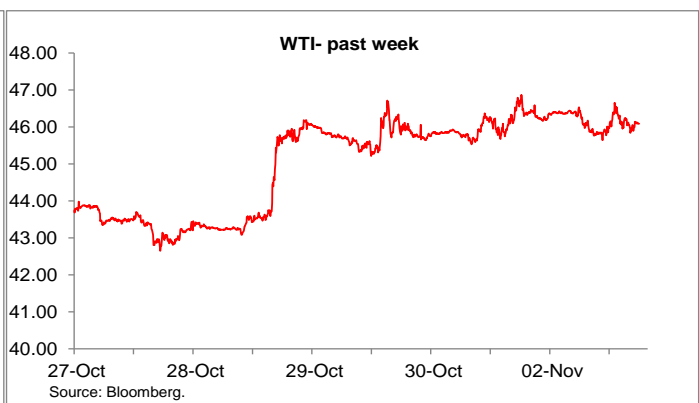
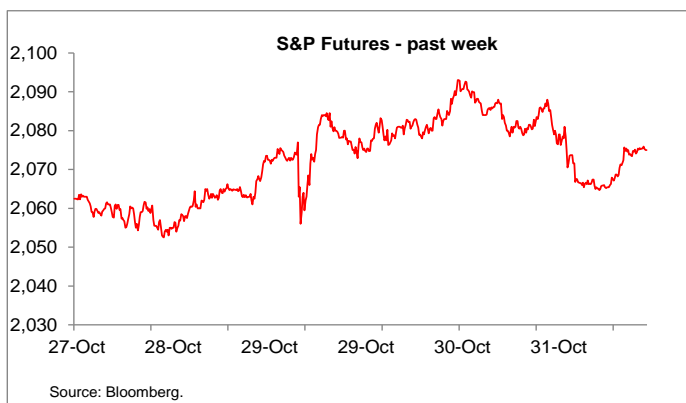
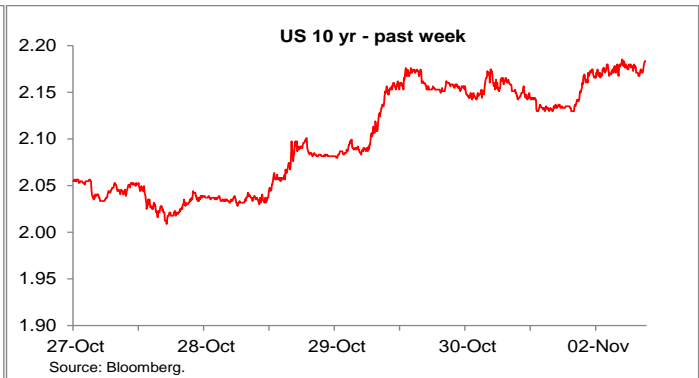
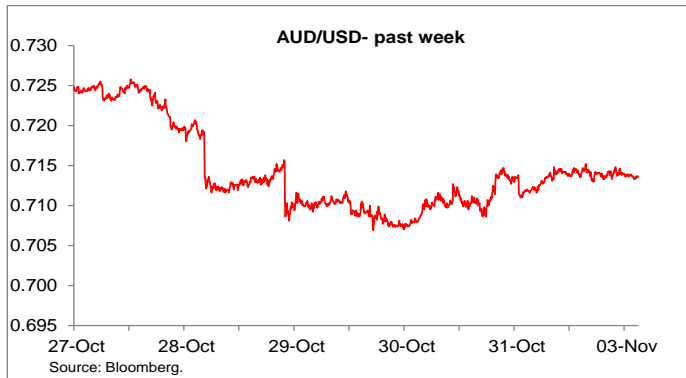
- On global stock markets, the S&P 500 was +1.20%. Bond markets saw US 10-years +4.31bp to 2.19%. On commodity markets, Brent crude oil -1.51% to \$48.81, gold -0.6% to \$1,134, iron ore -0.7% to \$49.50. AUD is at 0.714 and the range was 0.7107 to 0.7154.

Chart of the Day: GlobalDairyTrade Index



raiko_shareef@bnz.co.nz

Markets



Foreign Exchange					Equities			Commodities*							
Indicative 24hr ranges (**)					Other FX			Major Indices			Last % day				
	Last	% chge	Low	High		Last	% chge			Last	% day				
AUD	0.7140	0.0	0.7107	0.7154	HKD	7.7500	0.0	Dow	17,840	+1	2.6	Oil (Brent)	48.81	-1.5	
NZD	0.6735	-0.6	0.6725	0.6786	CNY	6.3374	0.3	S&P 500	2,105	+1.2	4.3	Oil (WTI)	46.15	-0.9	
EUR	1.1011	0.0	1.1000	1.1053	SGD	1.3997	-0.1	Nasdaq	5,128	+1.5	10.7	Oil (Tapis)	48.39	0.9	
GBP	1.5413	-0.1	1.5405	1.5497	IDR	13,669	-0.1	FTSE	6,362	+0	-2.8	Gold	1134.40	-0.6	
JPY	120.79	0.1	120.26	120.81	THB	35.59	-0.1	DAX	10,951	+0.9	17.4	CRB	194.91	-0.4	
CAD	1.3101	0.2	1.3065	1.3116	KRW	1,137	-0.3	CAC 40	4,916	+0.6	16.1	GS Metals	262.5	-0.3	
AUD/EUR	0.6485	0.0			TWD	32.58	-0.1	Nikkei	18,683	-2.1	13.8	Aluminium	1453	0.5	
AUD/JPY	86.25	0.2			PHP	46.92	0.1	Shanghai	3,325	-1.7	36.8	Copper	5131	-0.3	
AUD/GBP	0.4633	0.1			CHF	0.99	-0.1	Hang Seng	22,370	-1.2	-6.5	Nickel	10042	-3.1	
AUD/NZD	1.0599	0.7			SEK	8.53	0.0	ASX 200	5,166	-1.4	-6.2	Zinc	1695	0.1	
											Ch. steel			1785	-0.2
											Iron ore			49.5	-0.7
											Coal			52.9	0.1
											Wheat Chic.			512.0	-2.6
											Sugar			15.11	4.1
											Cotton			63.29	0.0
											Coffee			118.8	-1.8
											CO2 Emissions - Euros				
														Last	% day
											Jun-2015			8.62	-0.6
											Dec-2015			8.60	-0.5
											Dec-2016			8.67	-0.5

Interest Rates					Benchmark 10 Year Bonds			Overnight Futures			
Indicative Swap Rates					Last			Chge			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprrd			
USD	0.25	0.33	0.87	2.10	USD 10	2.19	0.04		Australia		
AUD	2.00	2.10	1.93	2.91	AUD 10	2.62	0.01	0.43	3 mth bill	98.01	0.00
NZD	2.75	2.96	2.78	3.55	NZD 10	3.30	0.01	1.12	3 Yr bond	98.19	-0.03
EUR	0.05	0.06	-0.02	0.94	CAD 10	1.58	0.04	-0.60	10 Yr bonc	97.31	-0.02
GBP	0.50	0.58	1.00	1.96	EUR 10	0.56	0.04	-1.63	3/10 sprd	0.88	-0.01
JPY	0.10	0.08	0.11	0.49	GBP 10	1.94	0.01	-0.25	SPI	66.0	1.3
CAD	0.50	1.17	0.87	1.96	JPY 10	0.32	0.01	-1.87			

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, 3 November 2015								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Nov 1				113.4	22.30	9.30
NZ	QV House Prices YoY	Oct				12.6	23.00	10.00
NZ	ANZ Commodity Price, NZ\$	Oct	1.00%			9.30%	0.00	11.00
AU	RBA Cash Rate Target	Nov 3	2	2		2	3.30	14.30
US	ISM New York	Oct		46		44.5	14.45	1.45
US	Factory Orders	Sep		-0.9		-1.7	15.00	2.00
NZ	Dairy auction, early AM NZT					-3.10%		
Wednesday, 4 November 2015								
NZ	Unemployment Rate	3Q	6	6		5.9	21.45	8.45
NZ	Employment QoQ/YoY	3Q	0.4/2.5	0.4/2.5		0.3/3	21.45	8.45
NZ	Pvt Wages Ex Overtime QoQ	3Q		0.5		0.5	21.45	8.45
AU	AiG Perf of Services Index	Oct				52.3	22.30	9.30
JN	Monetary Base End of period/YoY	Oct		/		338.4353/35.1	23.50	10.50
AU	Trade Balance	Sep	-3240	-2900		-3095	0.30	11.30
AU	Retail Sales MoM \$/QoQ real	Sep	0.7/0.7	0.4/0.7		0.4/0.8	0.30	11.30
JN	Nikkei Japan PMI Services/Composite	Oct				51.4/51.2	1.35	12.35
CH	Caixin China PMI Services/Composite	Oct				50.5/48	1.45	12.45
GE	Markit Germany Services/Composite PMI	Oct F		55.2		55.2/54.5	8.55	19.55
EC	Markit Eurozone Services/Composite PMI	Oct F		54.2		54.2/54	9.00	20.00
UK	Markit/CIPS UK Services/Composite PMI	Oct		54.5		53.3/53.3	9.30	20.30
US	Fed's Brainard Speaks on Financial Stability in Frankfurt						10.30	21.30
US	Fed's Harker Gives Welcoming Remarks in Philadelphia			42135			13.00	0.00
US	ADP Employment Change	Oct		180		200	13.15	0.15
CA	Int'l Merchandise Trade	Sep		-1.75		-2.53	13.30	0.30
US	Trade Balance	Sep		-41		-48.33	13.30	0.30
US	Markit US Services PMI	Oct F		54.5		54.4/54.5	14.45	1.45
US	Fed's Yellen Testifies on Bank Regulation Before House Panel						0.00	2.00
US	ISM Non-Manf. Composite	Oct		56.5		56.9	15.00	2.00
US	Fed's Dudley Speaks on Economy in New York						19.30	6.30
US	Wards Total Vehicle Sales	Oct		17.7		18.07	20.15	7.15
Thursday, 5 November 2015								
AU	RBA Governor Stevens' Speech at Conference in Melbourne						22.25	9.25
US	Fed Vice Chair Fischer Speaks to National Economists Club						0.30	11.30
AU	RBA's Lowe Appears in Panel Discussion in Sydney						1.00	12.00
GE	Factory orders MoM/YoY	Sep		1/1.8		-1.8/1.9	7.00	18.00
GE	ECB Publishes Economic Bulletin	Oct				54	9.10	20.10
EC	Retail Sales MoM/YoY	Sep		0.2/3		0/2.3	10.00	21.00
UK	Bank of England Bank Rate/Asset Purchase target			0.5/375		0.5/375	12.00	23.00
UK	Bank of England Inflation Report						12.00	23.00
US	Challenger Us Job Cut Announce	Oct				93.2	12.30	23.30
US	Fed's Harker Gives Welcoming Remarks at Energy Event						13.30	0.30
US	Dudley, Lagarde, Fischer Speak on Banking Culture in New York						13.30	0.30
US	Us Initial Jobless Claims Sa	Oct 31		260		260	13.30	0.30
US	Productivity/Unit labour costs	3Q P		-0.3/2.3		3.3/-1.4	13.30	0.30
CA	Ivey Purchasing Managers Index	Oct		54		53.7	15.00	2.00
US	Fed's Tarullo Addresses International Banking Conference						17.45	4.45
US	Fed's Lockhart Speaks on Central Banking in Switzerland						18.30	5.30
Friday, 6 November 2015								
NZ	Crown Financial Statements	Sep qtr					21.45	8.45
AU	AiG PCI Construction	Oct				51.9	22.30	9.30
AU	RBA Statement on Monetary Policy						0.30	11.30
AU	RBA's Edey Speech at Conference on Gold Coast						1.00	12.00
JN	Leading index	Sep P		101.8		103.5	5.00	16.00
GE	Industrial production MoM/YoY	Sep		0.5/1.3		-1.2/2.3	7.00	18.00
UK	Industrial production MoM	Sep		-0.1		1	9.30	20.30
UK	Trade Balance	Sep		-3100		-3765	9.30	20.30
US	Non-farm payrolls/Unemployment	Oct		180/5.1		142/5.1	13.30	0.30
US	Average hourly earnings MoM/YoY	Oct		0.2/2.3		0/2.2	13.30	0.30
CA	Employment/Unemployment	Oct		10/7.1		12.1/7.1	13.30	0.30
US	Fed's Bullard Speaks on Economy and Policy in St. Louis						14.00	1.00
US	Consumer Credit	Sep		17.75		16.018	20.00	7.00
US	Fed's Brainard Takes Part in IMF Panel on Monetary Policy						21.15	8.15
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		3-Nov	2.00%	2.00%		2.00%		
UK BOE		5-Nov				0.50%		
Japan, BoJ		19-Nov	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
Europe ECB		3-Dec				0.05%		
Canada, BoC		3-Dec				0.50%		
New Zealand, RBNZ		10-Dec	2.50%	2.50%		2.75%		
US Federal Reserve		17-Dec				0-0.25%		

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

Global Markets Research

Group Economics

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

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 Iure
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

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