

Markets Today

A daily outlook for Australia, key global economies and markets

10 December 2015

Squeezed

As we are about to press the send bottom, the RBNZ has cut its key rate to 2.50% from 2.75%. In the statement the RBNZ has noted that it expects to reach its inflation goal at current policy settings and that the rise in the exchange rate is unhelpful and further depreciation would be appropriate. Some easing bias remains with the Bank commenting that it could reduce rates if "circumstances warrant". The initial reaction saw the NZD drop to 0.6582 from pre-announcement level of 0.6641, however this move was quickly reversed. The NZD has been squeezed higher and is currently trading at 0.6693, 0.8% higher than it pre RBNZ level.

Looking at the overnight price action moves in oil prices are still the dominant driver. In the early part of the session equity stocks on both side of the Atlantic were boosted by news that chemical giants Dupont and Dow Chemical were in advanced talks to merge. Then, a report from the US Energy Information Administration noted that crude-oil inventories fell 3.6 million barrels last week. The initial reaction to the news boosted equities higher and it also provided a leg up to commodity related currencies. However a closer look at the report revealed a larger than expected stockpile of refined products, earlier gains in oil prices were quickly reversed with the reaction triggering a selloff in equities and commodity related currencies.

For currencies the net effect from the moves in oil means that the USD is weaker against safe haven/surplus account currencies such as the JPY, CHF and EUR. Notably, the steady rise in the euro has helped it reached its strongest level in a month. In part the move higher in the euro was helped by comments from ECB Nowotny who said that analysts had formed unrealistic expectations ahead of the Bank's meeting. "It was absurd what expectations were expressed".

While commodity related currencies such as the AUD are little changed, they did have a volatile session. Prior to move higher in oil, the AUD traded to an overnight low of 0.7172, but as equities and oil rallied, the currency rose to an overnight high of 0.7246. Then the selloff in oil pushed the AUD back down below 71c and now is back to almost where it started at 0.7233.

Looking at core global yields, comments from ECB Nowotny appear to have contributed to the move higher in German Bunds. 10y Bund yields closed 2.9bps higher at 0.598%, 10y UK Gilts rose by up 5.4bps to 1.874% while in the US the move in oil prices has weighed on Treasury yields in spite of supply pressures. Relative to Sydney closing levels the 10y note is 1.1bps lower and currently trading at 2.207%.

Coming up

The November Australian labour force report is due for release at 11:30 am this morning. Given the oversized outcome in October, NAB economists expect employment to print weaker at -17k as a partial payback for the extraordinary job growth in the previous month. The unemployment rate is expected to rise to 6%, however there is a risk that there could be downward revisions to last month's figures which could push the unemployment rate higher. Market consensus is for an employment change of -10k and in line with NAB's view, the unemployment rate is expected to rise from 5.9% to 6%.

Recent RBA speeches suggest the Bank is pretty relaxed about how the economy is travelling, RBA rate cut expectations over the year ahead are currently priced at -19bps and are consistent with the mild easing bias by the Bank. Given this relaxed environment we would suggest the AUD is probably more vulnerable to a softer than expected labour force report compared to the positive reaction from an in line or better than expected outcome. However, as the market (and NAB) is already set for a bit of a payback, unless we see a large negative print, any negative impact on the currency is unlikely to be sustained.

Looking at the offshore calendar, it is another light day of economic data releases in Europe with France's Industrial production (Oct) the only highlight. The Swiss National Bank (SNB) has its quarterly meeting and the consensus is for the Bank to keep the deposit rate at a record-low of -0.75%. The general view here been that the SNB can afford to wait and assess the impact from the recent ECB action as well as the possible rate hike by the Fed next week.

Bank of England also meets later today and while no change is expected, close attention will be paid to the voting split. The voting is anticipated to remain at 8-1 with Ian McCafferty retaining his tightening bias. The minutes, which will be released along with the rate announcement, should also outline how the Bank's thinking has changed since November.

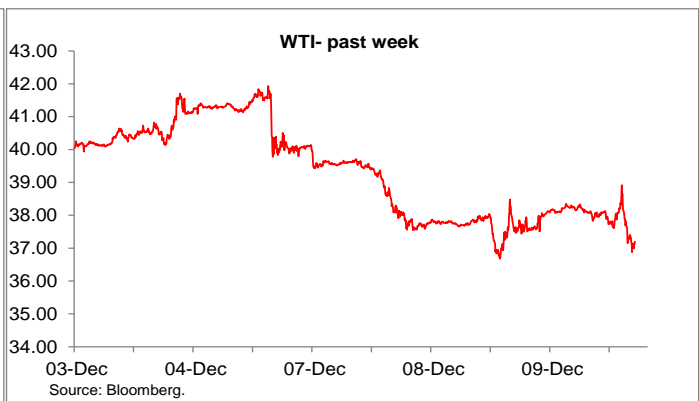
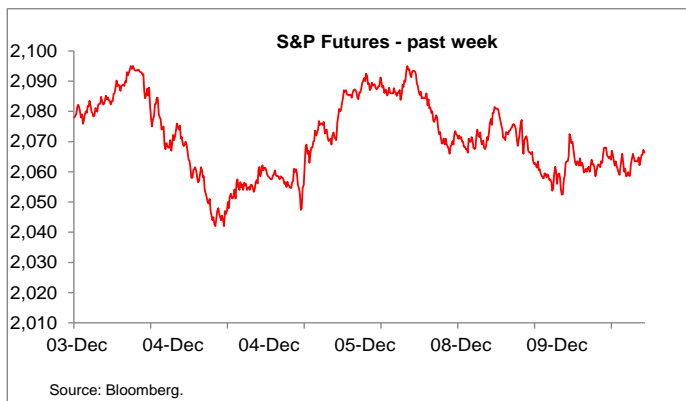
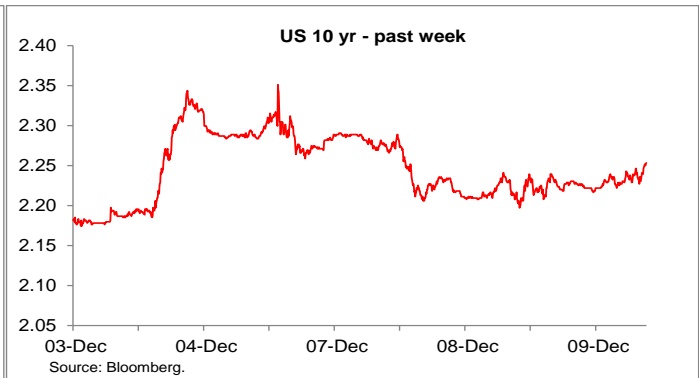
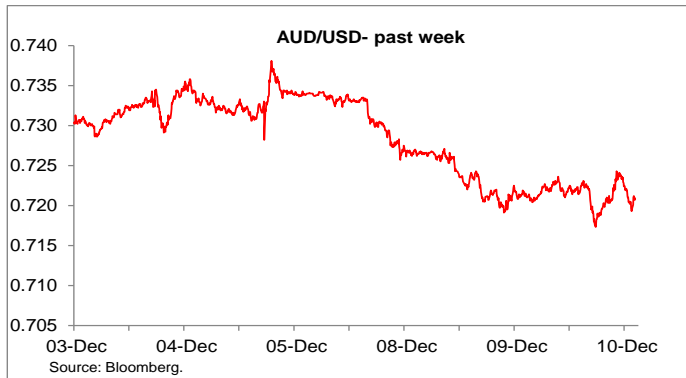
Finally in the US we get weekly jobless claims, import prices and Treasury budget. None of these releases are expected to be market moving, however we would note that import prices are expected to decline by 0.8% thanks to the fall in oil prices.

Overnight

On global stock markets, the S&P 500 was -0.80%. Bond markets saw US 10-years -1.05bp to 2.21%. On commodity markets, Brent crude oil +0.17% to \$40.33, gold-0.1% to \$1,076, iron ore +1.1% to \$39.08. AUD is at 0.7239 and the range was 0.7172 to 0.7246..

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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		Last	% day		
AUD	0.7238	0.3	0.7172	0.7246	HKD	7.7501	0.0	Dow	17,493	-0.4	-1.7	Oil (Brent)	40.33	0.2		
NZD	0.6740	1.4	0.6582	0.6759	CNY	6.4277	0.2	S&P 500	2,048	-0.8	-0.6	Oil (WTI)	37.32	-0.5		
EUR	1.1021	1.2	1.0879	1.1043	SGD	1.4055	-0.3	Nasdaq	5,021	-1.5	5.3	Oil (Tapis)	40.56	-1.7		
GBP	1.5181	1.2	1.5005	1.5192	IDR	14,016	0.9	FTSE	6,127	-0.1	-6.2	Gold	1075.70	-0.1		
JPY	121.36	-1.3	121.08	123.05	THB	35.98	0.0	DAX	10,592	-0.8	8.2	CRB	177.56	0.1		
CAD	1.3571	-0.1	1.3517	1.3620	KRW	1,179	0.1	CAC 40	4,637	-0.2	8.8	GS Metals	245.9	0.1		
AUD/EUR	0.6570	-0.9			TWD	32.85	0.1	Nikkei	19,301	-1.0	10.8	Aluminium	1472	-0.6		
AUD/JPY	87.83	-1.0			PHP	47.24	0.2	Shanghai	3,472	+0.1	18.1	Copper	4592	0.8		
AUD/GBP	0.4769	-0.8			CHF	0.98	-0.9	Hang Seng	21,804	-0.5	-7.3	Nickel	8659	-0.8		
AUD/NZD	1.0721	-1.1			SEK	8.41	-1.2	ASX 200	5,080	-0.6	-3.4	Zinc	1516	0.1		
												Ch. steel			1651	-0.4
												Iron ore			39.1	1.1
												Coal			52.5	0.0
												Wheat Chic.			489.8	1.7
												Sugar			15.09	0.6
												Cotton			64.81	0.6
												Coffee			126.8	1.3
												CO₂ Emissions - Euros				
															Last	% day
												Jun-2015			8.42	-0.1
												Dec-2015			8.40	-0.1
												Dec-2016			8.48	-0.1

Interest Rates					Overnight Futures				
Indicative Swap Rates					Benchmark 10 Year Bonds				
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd	
USD	0.25	0.49	1.02	2.11	USD 10	2.21	-0.01		
AUD	2.00	2.30	2.17	2.98	AUD 10	2.82	-0.02	0.61	
NZD	2.75	2.76	2.70	3.58	NZD 10	3.53	-0.01	1.32	
EUR	0.05	0.06	-0.05	0.91	CAD 10	1.48	-0.03	-0.73	
GBP	0.50	0.58	1.00	1.90	EUR 10	0.60	0.03	-1.61	
JPY	0.10	0.08	0.10	0.45	GBP 10	1.88	0.05	-0.33	
CAD	0.50	1.17	0.82	1.87	JPY 10	0.31	-0.01	-1.90	
					Australia				
					Last			Chge	
					3 mth bill			97.64	-0.04
					3 Yr bond			97.895	-0.01
					10 Yr bonc			97.15	0.02
					3/10 sprd			0.75	-0.03
					SPI			-28.0	-0.6

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, 10 December 2015								
NZ	RBNZ Official Cash Rate		2.5	2.5		2.75	20.00	7.00
NZ	Card Spending Retail MoM	Nov	0.3	0.4		0	21.45	8.45
AU	Consumer Inflation Expectation	Dec				3.5	0.00	11.00
UK	RICS House Price Balance	Nov		47.5		49	0.10	11.10
AU	Employment Change/Unemployment	Nov	-17/6	-10/6		58.6/5.9	0.30	11.30
AU	Participation Rate	Nov	65	65		65	0.30	11.30
CH	New Yuan Loans/Agg Financing CNY (10-15 Dec release)	Nov		735/970		513.6/476.7	8.01	19.01
UK	Trade Balance	Oct		-1800		-1353	9.30	20.30
EC	ECB's Coeure speaks in Brussels						11.30	22.30
UK	BoE Bank Rate/ Asset Purchase Target			0.5/375		0.5/375	12.00	23.00
CA	Capacity Utilization Rate	3Q		82		81.3	13.30	0.30
CA	New Housing Price Index MoM/YoY	Oct		0.1		0.1/1.3	13.30	0.30
US	Import Price Index MoM	Nov		-0.8/-9.6		-0.5/-10.5	13.30	0.30
US	Initial Jobless Claims	Dec-05		269.5		269	13.30	0.30
EC	Bundesbank Weidmann speaks in Lisbon						18.00	5.00
US	Monthly Budget Statement	Nov		-67.5		-136.5	19.00	6.00
Friday, 11 December 2015								
NZ	BusinessNZ Manufacturing PMI	Nov				53.3	21.30	8.30
NZ	Food Prices MoM	Nov	0.1			-1.2	21.45	8.45
NZ	ANZ Consumer Confidence Index/MoM	Dec				122.7/6.8	0.00	11.00
NZ	Non Resident Bond Holdings	Nov				68.8	2.00	13.00
GE	CPI MoM/YoY	Nov F		0.1/0.4		0.1/0.4	7.00	18.00
UK	BoE/GfK Inflation Next 12 Mths	Nov				2	9.30	20.30
US	Retail Sales Advance/Ex autos and gas MoM	Nov		0.3/0.4		0.1/0.3	13.30	0.30
US	PPI Final Demand MoM	Nov		0		-0.4	13.30	0.30
US	Business Inventories	Oct		0.1		0.3	15.00	2.00
US	U. of Mich. Sentiment/5-10 yr inflation expectations	Dec P		92		91.3/2.6	15.00	2.00
Saturday, 12 December 2015								
CH	Retail Sales YoY	Nov		11.1		11	5.30	16.30
CH	Industrial Production YoY	Nov		5.7		5.6	5.30	16.30
CH	Fixed Assets Ex Rural YTD YoY	Nov		10.1		10.2	5.30	16.30
Monday, 14 December 2015								
NZ	Performance Services Index	Nov				56.2	21.30	8.30
JN	Tankan Manuf Survey	4Q		11		12	23.50	10.50
AU	Credit Card Purchases	Oct				24.79	0.30	11.30
AU	Credit Card Balances	Oct				50.76	0.30	11.30
JN	Tokyo Condominium Sales YoY	Nov				-6.5	4.00	15.00
JN	Industrial Production MoM/ YoY	Oct F				1.4	4.30	15.30
JN	Capacity Utilization MoM	Oct				1.46	4.30	15.30
JN	Tertiary Industry Index MoM	Oct				-0.4	4.30	15.30
EC	Industrial Production SA MoM/YoY	Oct				-0.3	10.00	21.00
UK	CBI Reported Sales	Dec				7	11.00	22.00
GE	Wholesale Price Index MoM/ YoY	Nov				-0.4		
Tuesday, 15 December 2015								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Dec-13				116.3	22.30	9.30
AU	RBA Dec. Meeting Minutes							
AU	House Price Index QoQ/ YoY	3Q				4.7	0.30	11.30
AU	New Motor Vehicle Sales MoM/ YoY	Nov				-3.6	0.30	11.30
UK	CPI MoM/YoY	Nov				0.1	9.30	20.30
UK	Retail Price Index	Nov				259.5	9.30	20.30
UK	RPI MoM/ Yoy	Nov				0	9.30	20.30
UK	PPI Input NSA MoM/ YoY	Nov				0.2	9.30	20.30
UK	PPI Output NSA MoM/ Yoy	Nov				0	9.30	20.30
EC	Employment QoQ/ YoY	3Q				0.3	10.00	21.00
GE	ZEW Survey Current Situation	Dec				54.4	10.00	21.00
CA	Manufacturing Sales MoM	Oct				-1.5	13.30	0.30
US	Empire Manufacturing	Dec		-5.5		-10.74	13.30	0.30
US	CPI MoM/YoY	Nov		0		0.2	13.30	0.30
US	Real Avg Weekly Earnings YoY	Nov				2.1	13.30	0.30
CA	Existing Home Sales MoM	Nov				1.8	14.00	1.00
US	NAHB Housing Market Index	Dec		63		62	15.00	2.00
CA	Bank of Canada - Financial System Review							
US	TIC Flows Data	Oct				-175.1	21.00	8.00
Upcoming Central Bank Interest Rate Announcements								
New Zealand, RBNZ		10-Dec	2.50%	2.50%		2.75%		
UK BOE		10-Dec				0.50%		
US Federal Reserve		16-Dec				0-0.25%		
Japan, BoJ		18-Dec	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
Canada, BoC		20-Jan				0.50%		
Europe ECB		21-Jan				0.05%		
Australia, RBA		2-Feb	2.00%	2.00%		2.00%		

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

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