



Markets Today

A daily outlook for Australia, key global economies and markets

18 December 2015

Commoditised selling

While European equities closed higher overnight, the US market opened down and it's remained that way into the last hour of trade. Energy and Material sector stocks - commodities – have again been the centre of selling with a further push lower in the price of oil, base metals, and gold, helped along by still evident support for the USD, evidence of “risk-off” with some support on the day for US Treasuries, yields easing. For once, iron ore was not part of the selling, inching higher by \$0.25, to \$US39.43/t.

Currency markets played to script, the commodity-related group coming in for more selling with the A\$ at the forefront. The AUD/USD has traded overnight with 70 handle and this morning sits just above \$0.71. Other commodity-related currencies to lose ground against the USD (that's sitting at its cyclical high) include the NZD (-0.78%), CAD (-0.91%), and NOK (-0.76 %).

Not even a very strong print on UK retail sales could lift Sterling, also succumbing to support for the USD. Not even UK retail sales in November rising an exceptionally strong 1.7% could do the trick, increasing three times expectations. Adding to the positive UK data surprise list, the CBI trends survey for December was not quite as negative as feared, though there's no denying that UK manufacturers have found business conditions tougher this year.

Other mainstream data released was not strong enough in either direction to swing markets either way. The December Philly Fed survey revealed still weak conditions for US manufacturers, but the labour market seemingly kept its mojo through December with jobless claims 271K in week ended 12 December.

Coming up

First up today we have two NZ releases, ANZ job ads for November at 8 AM, followed by the December ANZ business survey, the activity outlook having rebounded recently to 32.0 by November. We also have the November China property prices report, recent months having shown some signs of prices recovering in the tier one cities. Even so, markets remain soft from all reports and there is still no sign of any pick up in residential fixed investment that might spur greater demand for steel and related commodities. The China MNI December business indicator at 1245 draws little to no market interest.

There will be much more interest in the outcome of today's Bank of Japan policy meeting and whether the BOJ will increase quantitative easing further in an effort to meet their inflation target. Market opinion seems to be the door is open for the BOJ at some point to increase QE, but we are of the view that recent signs of continued tightening in the labour market, confirmed again in this week's Tankan survey, together with policy measures to boost minimum wages and promote corporate investment, are buying more time for the BOJ to remain on hold for some time yet. From a policy perspective, the USD/JPY, sitting in the high 122s this morning, is doing its bit to promote inflation and growth objectives. The real effective value of the JPY is at a competitive level (see Chart in the pdf.) The BOJ outcome is expected at 2 PM.

There is nothing big scheduled in the European session, data/policy event wise. In the US session, there will be some focus on the November Canadian CPI report, while in US there is the Markit Services PMI for December, the Kansas City fed manufacturing survey December as well as Richmond Fed President Jeffrey Lacker speaking, now on the majority side of the FOMC voting ledger, having dissenting in favour of a hike since the September FOMC meeting.

Overnight

- Hard commodities lower; but not iron ore for once: Eurostoxx 600 +1.2%, Dax +2.6%, CAC +1.1%, FTSE +0.7%. Dow -166 points to 17,583, -0.9%, S&P 500 -0.9%, Nasdaq -0.8%, VIX 17.96 +0.6%. Shanghai +1.8%, Mumbai +1.8%, Nikkei 225 -0.8% and ASX 200 +1.5%; ASX SPI futures this morning -0.5%. US bond yields: 2s at 1.00% (-1), 10s at 2.23% (-6). WTI oil at \$34.93 (-1.7%), Brent at \$36.99 (-1.1%), Malaysian Tapis (yesterday) \$36.10 (-2.8%). Gold at \$1050.10/oz (-2.5%). Base metals: LME copper -1.4%, nickel -1.4%, aluminium -0.7%. Iron ore \$39.4/t +0.6% Chinese steel rebar futures +0.1%. Soft commodities spot futures: wheat +0.2%, sugar +0.8%, cotton -0.4%, coffee -0.8%. Euro CO² emissions price (Dec 15) +0.0%. The AUD/USD's range overnight 0.7097-0.7215; indicative range today 0.7085-0.7140; the AUD/USD is 0.7116 now**
- The Norges Bank left rates steady at 0.75%**
- German Ifo Business Survey, Current assessment (Dec) 112.8 (L: 113.4; F: 113.4); UK retail sales, ex-fuel (Nov) 1.7% (L: -11; E: -10); CBI (manufacturing) trends total orders (Dec) -7 (L: -11; E: -10)**
- US current account, Q3) \$124.1bn (L: -109.7bn; E: 118.6bn); Philly Fed Survey (Dec) -5.9 (L: 1.9; E: 1.0); Jobless claims (w/e 12 Dec) 271K (L: 282K; E: 275K); Leading Index (Nov) 0.4% (L: 0.6%; E: 0.1%)**

Good luck.

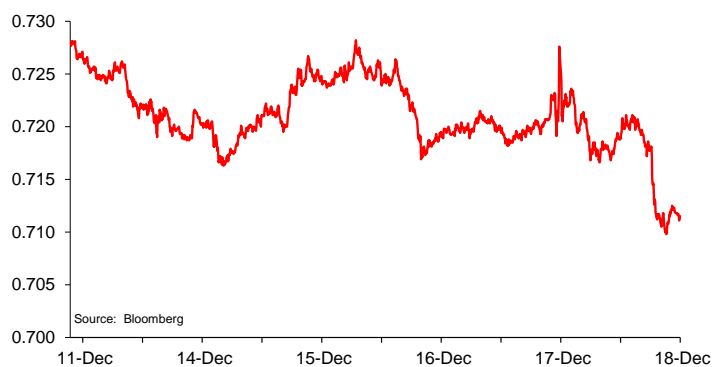
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Chart of the day: JPY now in growth-supportive setting

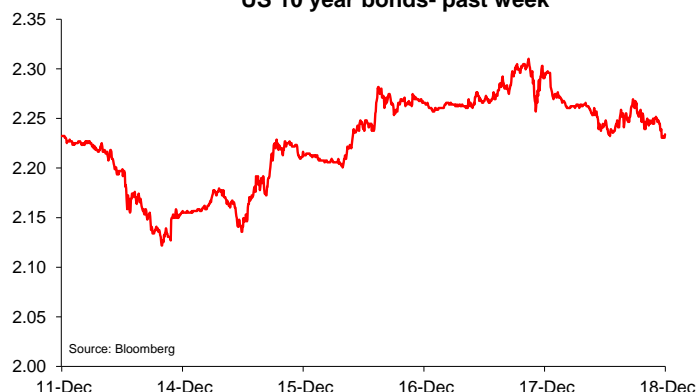


Markets

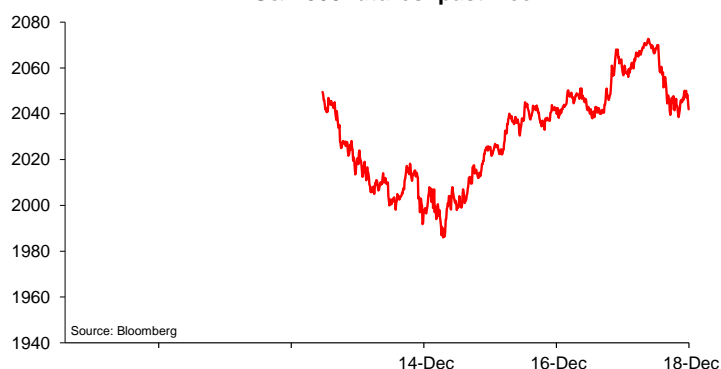
AUD/USD- past week



US 10 year bonds- past week



S&P 500 futures- past week



WTI futures- past week



| Foreign Exchange | | | | | Equities | | | | Commodities* | | | | | |
|-----------------------------|--------|--------|--------|-------------------------|-------------------|---------------|-------|------------|-----------------------------------|-------|----------|-------------|---------|------|
| Indicative 24hr ranges (**) | | | | Other FX | | Major Indices | | | Last | % day | | | | |
| | Last | % chge | Low | High | Last | % chge | Last | % day | % year | | | | | |
| AUD | 0.7116 | -1.6 | 0.7097 | 0.7249 | HKD | 7.7527 | 0.0 | Dow | 17,583 | -0.9 | 1.3 | Oil (Brent) | 36.99 | -1.1 |
| NZD | 0.6695 | -0.9 | 0.6688 | 0.6770 | CNY | 6.4857 | 0.0 | S&P 500 | 2,053 | -1.0 | 2.0 | Oil (WTI) | 34.93 | -1.7 |
| EUR | 1.0805 | -0.4 | 1.0803 | 1.0871 | SGD | 1.4194 | 0.3 | Nasdaq | 5,031 | -0.8 | 8.3 | Oil (Tapis) | 36.10 | -2.8 |
| GBP | 1.4887 | -0.3 | 1.4865 | 1.4939 | IDR | 14,004 | 0.0 | VIX Index | 17.96 | 0.6 | -7.6 | Gold | 1050.10 | -2.5 |
| JPY | 122.86 | 0.4 | 122.39 | 122.89 | THB | 36.18 | 0.3 | FTSE | 6,103 | 0.7 | -3.7 | CRB | 170.70 | -0.6 |
| CAD | 1.3957 | 0.9 | 1.3813 | 1.4008 | KRW | 1,186 | 0.3 | DAX | 10,738 | 2.6 | 12.5 | GS Metals | 246.6 | 0.8 |
| AUD/EUR | 0.6585 | -0.7 | | | TWD | 33.03 | 0.3 | CAC 40 | 4,678 | 1.1 | 13.8 | Aluminium | 1476 | -0.7 |
| AUD/JPY | 87.41 | -0.8 | | | PHP | 47.51 | 0.2 | Nikkei | 19,354 | 1.6 | 12.5 | Copper | 4545 | -1.4 |
| AUD/GBP | 0.4778 | -0.9 | | | CHF | 1.00 | 0.1 | Shanghai | 3,580 | 1.8 | 17.1 | Nickel | 8630 | -1.4 |
| AUD/NZD | 1.0628 | -0.3 | | | SEK | 8.58 | 0.3 | Hang Seng | 21,872 | 0.8 | -4.2 | Zinc | 1495 | -1.6 |
| | | | | | | | | ASX 200 | 5,102 | 1.5 | -2.1 | Ch. steel | 1684 | 0.1 |
| Interest Rates | | | | | Overnight Futures | | | | CO ₂ Emissions - Euros | | | | | |
| Indicative Swap Rates | | | | Benchmark 10 Year Bonds | | | Last | Chge | Last | % day | | | | |
| | Cash | 3mth | 2Yr | 10Yr | Last | chge | Sprd | Australia | | | | | | |
| USD | 0.50 | 0.53 | 1.10 | 2.16 | USD 10 | 2.23 | -0.06 | 3 mth bill | 97.77 | -0.01 | Dec-2015 | #N/A | N/A | 0.0 |
| AUD | 2.00 | 2.35 | 2.20 | 3.00 | AUD 10 | 2.84 | -0.02 | 3 Yr bond | 97.87 | 0.00 | Dec-2016 | 8.14 | -0.7 | |
| NZD | 2.50 | 2.76 | 2.78 | 3.69 | NZD 10 | 3.60 | -0.02 | 10 Yr bond | 97.12 | 0.10 | Dec-2017 | 8.24 | -0.8 | |
| EUR | 0.05 | 0.06 | -0.05 | 0.94 | CAD 10 | 1.44 | -0.08 | 3/10 sprd | 0.76 | -0.10 | | | | |
| GBP | 0.50 | 0.58 | 1.02 | 1.89 | EUR 10 | 0.60 | -0.08 | SPI | -23.0 | -0.5 | | | | |
| JPY | 0.10 | 0.08 | 0.10 | 0.43 | GBP 10 | 1.85 | -0.10 | | | | | | | |
| CAD | 0.50 | 1.17 | 0.83 | 1.86 | JPY 10 | 0.30 | 0.00 | | | | | | | |

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 |
|--|--|--------|------------|-----------|--------|------------|-------|-------|
| Friday, 18 December 2015 | | | | | | | | |
| NZ | ANZ Job Advertisements MoM | Nov | | | | 1.2 | 21.00 | 8.00 |
| NZ | ANZ Business Confidence | Dec | | | | 14.6 | 0.00 | 11.00 |
| UK | GfK Consumer Confidence | Dec | | | | 1 | 0.50 | 11.50 |
| CH | Property Prices | Nov | | | | | 1.30 | 12.30 |
| JN | BOJ Meeting/Policy statement/Kuroda press conference | Dec-18 | | 80 | | 80 | 3.00 | 14.00 |
| EC | ECB Current Account SA | Oct | | | | 29.4 | 9.00 | 20.00 |
| EC | ECB's Nowotny speaks | | | | | | 9.00 | 20.00 |
| CA | Wholesale Trade Sales MoM | Oct | | 0.1 | | -0.1 | 13.30 | 0.30 |
| CA | CPI NSA MoM/YoY | Nov | | 0.1/1.5 | | 0.1/1 | 13.30 | 0.30 |
| US | Markit PMI, Composite | Dec P | | /2 | | /1 | 14.45 | 1.45 |
| US | Kansas City Fed Manf. Activity | Dec | | 2/ | | 1/ | 16.00 | 3.00 |
| US | Fed's Lacker gives 2016 Economic Outlook | | | | | | 18.00 | 5.00 |
| Monday, 21 December 2015 | | | | | | | | |
| NZ | Net Migration SA | Nov | | | | 6210 | 21.45 | 8.45 |
| UK | CBI Reported Sales | Dec | | | | 7 | 11.00 | 22.00 |
| NZ | Credit Card Spending MoM | Nov | | | | 1.5/7.8 | 2.00 | 13.00 |
| JN | All Industry Activity Index MoM | Oct | | | | -0.2 | 4.30 | 15.30 |
| JN | Cabinet Office Monthly Economic Report for December | | | | | | 7.00 | 18.00 |
| Tuesday, 22 December 2015 | | | | | | | | |
| US | Chicago Fed Nat Activity Index | Nov | | | | -0.04 | 13.30 | 0.30 |
| CA | Bloomberg Nanos Confidence | Dec 18 | | | | 55.3 | 15.00 | 2.00 |
| EC | Consumer Confidence | Dec A | | | | -5.9 | 15.00 | 2.00 |
| NZ | Westpac Consumer Confidence | 4Q | | | | 106 | 0.00 | 11.00 |
| UK | GfK Consumer Confidence | Dec | | | | 1 | 0.50 | 11.50 |
| CH | Conference Board China November Leading Economic Index | | | | | | 2.00 | 13.00 |
| JN | Small Business Confidence | Dec | | | | 49.9 | 5.00 | 16.00 |
| GE | GfK Consumer Confidence | Jan | | | | 9.3 | 7.00 | 18.00 |
| UK | PSNB ex Banking Groups | Nov | | | | 8.2 | 9.30 | 20.30 |
| US | GDP Annualized QoQ | 3Q T | | 1.9/ | | 2.1/3 | 13.30 | 0.30 |
| US | FHFA House Price Index MoM | Oct | | 0.4 | | 0.8 | 14.00 | 1.00 |
| US | Existing Home Sales | Nov | | 5.35/0 | | 5.36/-3.4 | 15.00 | 2.00 |
| US | Richmond Fed Manufact. Index | Dec | | | | -3 | 15.00 | 2.00 |
| Wednesday, 23 December 2015 | | | | | | | | |
| NZ | Trade Balance | Nov | | -709.5 | | -963 | 21.45 | 8.45 |
| NZ | Money Supply M3 YoY | Nov | | | | 7.7 | 2.00 | 13.00 |
| UK | GDP QoQ/YoY | 3Q F | | / | | 0.5/2.3 | 9.30 | 20.30 |
| UK | Current Account Balance | 3Q | | | | -16.8 | 9.30 | 20.30 |
| US | Personal Spending | Nov | | 0.3 | | 0.1 | 13.30 | 0.30 |
| US | PCE deflator MOM/YoY | Nov | | 0.1/ | | 0.1/0.2 | 13.30 | 0.30 |
| US | PCE core deflator MOM/YoY | Nov | | 0.1/ | | 0/1.300004 | 13.30 | 0.30 |
| CA | GDP MoM/YoY | Oct | | | | -0.5 | 13.30 | 0.30 |
| CA | Retail Sales MoM | Oct | | | | -0.5 | 13.30 | 0.30 |
| US | Durable Goods Orders | Nov P | | -0.7 | | 2.9 | 13.30 | 0.30 |
| US | New Home Sales, #/MoM | Nov | | 500/1 | | 495/10.7 | 15.00 | 2.00 |
| US | U. of Mich. Sentiment | Dec F | | 91.8 | | 91.8 | 15.00 | 2.00 |
| Thursday, 24 December 2015 | | | | | | | | |
| AU | Conf. Board Leading Index MoM | Oct | | | | | 23.00 | 10.00 |
| US | Initial Jobless Claims | Dec 12 | | 275 | | 282 | 13.30 | 0.30 |
| Friday, 25 December 2015 | | | | | | | | |
| Christmas Day | | | | | | | | |
| JN | Jobless Rate | Nov | | 3.2 | | 3.1 | 23.30 | 10.30 |
| JN | Overall Household Spending YoY | Nov | | -2.5 | | -2.4 | 23.30 | 10.30 |
| JN | Natl CPI YoY | Nov | | | | 0.3 | 23.30 | 10.30 |
| JN | PPI Services YoY | Nov | | | | 0.5 | 23.50 | 10.50 |
| CH | Industrial Profits YoY | Nov | | | | -4.6 | 1.30 | 12.30 |
| JN | Leading Index CI | Oct F | | | | 102.9 | 5.00 | 16.00 |
| Upcoming Central Bank Interest Rate Announcements | | | | | | | | |
| Japan, BoJ | | 18-Dec | 0.0%-0.1% | 0.0%-0.1% | | 0.0%-0.1% | | |
| UK BOE | | 14-Jan | | | | 0.50% | | |
| Canada, BoC | | 20-Jan | | | | 0.50% | | |
| Europe ECB | | 21-Jan | | | | 0.05% | | |
| US Federal Reserve | | 27-Jan | 0.25-0.50% | | | 0.25-0.50% | | |
| New Zealand, RBNZ | | 28-Jan | 2.50% | 2.50% | | 2.50% | | |
| Australia, RBA | | 2-Feb | 2.00% | 2.00% | | 2.00% | | |

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

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