



Markets Today

A daily outlook for Australia, key global economies and markets

1 December 2015

Just another manic Monday

Well not quite, in terms of manic that is. China received the official nod from the IMF for inclusion in the SDR as entirely expected, the AUD sits back above 0.72 this morning, notwithstanding another move lower in Chinese iron ore spot prices overnight. And Cyber Monday US internet retail sales at the end of the Thanksgiving Day holiday weekend, has seemingly topped off better web-sales growth than last year (26% Sat/Sunday; 18% Monday cf 17%/Monday 8.5% last year). Finally, on the data front, German November CPI was right in line with expectations and the US had mixed – and again volatile – regional manufacturing reports ahead of the national ISM tonight. India reported its Q3 growth at 7.4%, a point more than the 7.3% expected and up from 7.0% in Q2.

The IMF Board agreed to include the RMB in the its Special Drawing Rights (SDR) currency basket from 1 October 2016, recognising that the RMB is “freely usable” for international payments and China’s importance in global exports. The weight for the RMB was set at 10.9%, compared with 42.97 for the USD and 30.93% for the EUR. The JPY will be 8.33% and GBP 8.09%. No immediate practical implications; for 2016, there may well be an expectation of RMB weakness next year with EM weakness and AUD also then vulnerable.

For overnight FX moves, the broad rally in high-yielding currencies seems to have been sparked by a sharp gain in the CNH after the CNH-CNY spread blew past 600pts on Friday and early yesterday morning, the AUD making headway through the session overnight, despite another decline in iron ore, a recent trend we expect the RBA to acknowledge this afternoon.

Coming up

There’s a suite of less market sensitive data first thing this morning with weekly ANZ–RM consumer confidence, the AiG PMI Nov Manufacturing report, then at 10AM the November month CoreLogic RP data House Prices that on our figuring should reveal close to a 1.5% fall, thanks to receding prices in Sydney (-1½%) and Melbourne (-3½%). Then, more meaty reports with the Q3 net exports and government spending at 11.30, net exports likely to confirm a return to growth support; we look for +1.3% points; the market 1.2% points after Q2’s -0.6%. Oct building approvals will show whether last month’s 2.2% rise was more noise than trend; we suspect so, expecting a flat result, the market is looking for a decline of the 2.5%. Then ahead of the RBA board outcome at 2.30, the key China official and private-sector manufacturing and non-manufacturing PMIS are released respectively at 1245, the market expecting unchanged outcomes both manufacturing measures, the official PMI at 49.8 and the Caixin index at 48.3. It’s the Caixin index that may well draw as much if not more market interest; it’s been higher than expected for the past two months, suggestive of a recovery.

As for the RBA Board outcome at 230, the market is priced for only one in 25 chance of a cut with no economist in last Friday’s is Bloomberg survey tipping a change this afternoon. If at all that was any doubt, Governor Stevens’ comments last week for the

markets to “chill out” about a December rate cut has more than sealed the deal. In today’s statement, we look for the bank to recognise signs of moderating Sydney and Melbourne house prices, the A\$ has been relatively steady despite further commodity price softness, especially iron ore but that the domestic economy continues to show signs of emerging growth. We look for the Bank to retain its weak easing bias, NAB expecting the cash rate to remain on hold though next year.

The big release in the US tonight is the ISM manufacturing index for November, printing at a just – growing 50.1 in October market expecting a small acceleration to 50.5 with particular focus on the employment component ahead of payrolls on Friday. Chicago Fed President Charles Evans also speaking.

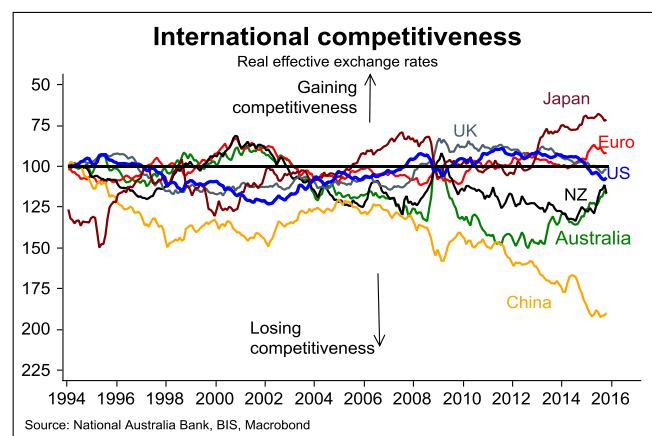
Overnight

- AUD back above 0.72: Eurostoxx 600 +0.5%, Dax +0.8%, CAC +0.6%, FTSE -0.3%. Dow -34 points to 17,764, -0.2%, S&P 500 -0.2%, Nasdaq -0.2%, VIX 16.29 +7.7%. Shanghai +0.3%, Mumbai +0.3%, Nikkei 225 -0.2% and ASX 200 -0.7%; ASX SPI futures this morning +0.2%. US bond yields: 2s at 0.93% (1), 10s at 2.22% (-0). WTI oil at \$41.61 (-0.2%), Brent at \$44.54 (-0.7%), Malaysian Tapis (yesterday) \$43.37 (-0.7%). Gold at \$1065.40/oz (+0.9%). Base metals: LME copper +0.3%, nickel +1.4%, aluminium -0.8%. Iron ore \$43.0/t -3.4% Chinese steel rebar futures -0.8%. Soft commodities spot futures: wheat -0.2%, sugar -0.3%, cotton -2.0%, coffee -3.2%. Euro CO² emissions price (Dec 15) +0.0%. The AUD/USD’s range overnight 0.7189-0.7250; indicative range today 0.7205-0.7265; the AUD/USD is 0.7238 now**
- India GDP (Q3) 7.4% y/y (L: 7.0%; F: 7.3%); German CPI (Nov) 0.1%/0.4% (L: 0.0%/0.3%; F: 0.1%/0.4%); Chicago PMI (Nov) 48.7 (L: 56.3; E: 54); Dallas Fed Mfg Index (Nov) -4.9 (L: -12.7; E: -10); Pending Home Sales (Oct) 0.2% (L: -2.3%; E: +1%)**

Good luck.

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Chart of the day: China now much less competitive



Calendar

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEDT
Tuesday, 1 December 2015								
NZ	Terms of Trade Index QoQ	3Q	-2.3	-2.6		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
AU	Net Exports Contribution to GDP	3Q	1.3	1.2		-0.6	0.30	11.30
AU	BoP Current Account Balance	3Q		-17		-19	0.30	11.30
AU	Building Approvals MoM	Oct	0.0	-2.5		2.2	0.30	11.30
AU	Building Approvals YoY	Oct	8.3	5.7		21.4	0.30	11.30
CH	Manufacturing PMI	Nov		49.9		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		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		2	3.30	14.30
JN	Vehicle Sales YoY	Nov				0.2	5.00	16.00
GE	Unemployment Change (000's)	Nov		-5		-5	8.55	19.55
GE	Markit/BME Germany Manufacturing PMI	Nov F		52.6		52.6	8.55	19.55
EC	Markit Eurozone Manufacturing PMI	Nov F		52.8		52.8	9.00	20.00
UK	Markit UK PMI Manufacturing SA	Nov		53.6		55.5	9.30	20.30
UK	Bank of England Publishes Financial Stability Report & Press Conference by BoE's Carney							
EC	Unemployment Rate	Oct		10.8		10.8	10.00	21.00
CA	GDP MoM / YoY	Sep				0.1%/0.9%	13.30	0.30
US	Markit US Manufacturing PMI	Nov F		52.6			14.45	1.45
US	Construction Spending MoM	Oct		0.6		0.60%	15.00	2.00
US	ISM Manufacturing	Nov		50.5		50.1	15.00	2.00
US	Fed's Evans speaks on the Economy and Policy						17.45	4.45
US	Fed's Brainard speaks on Lower Neutral Rates in Stanford						1.00	12.00
Wednesday, 2 December 2015								
NZ	Dairy Auction - small increase expected based on Friday's whole-milk futures							Early
NZ	ANZ Commodity Price	Nov	-5.0			6.90%	0.00	11.00
AU	RBA Governor Speaks on "Economic Conditions and Prospects"						0.12	11.12
AU	GDP SA QoQ	3Q	0.8	0.7		0.20%	0.30	11.30
JN	BoJ's Iwata speaks in Okayama						1.30	12.30
UK	Markit/CIPS UK Construction PMI	Nov		58.5		58.8	9.30	20.30
EC	PPI YoY	Oct		-3.2		-3.10%	10.00	21.00
EC	CPI Estimate YoY	Nov		0.2			10.00	21.00
EC	CPI Core YoY	Nov A		1.1		1.10%	10.00	21.00
US	MBA Mortgage Applications	Nov-27					12.00	23.00
US	Fed's Lockhart speaks on the US Economy							
US	ADP Employment Change	Nov		190		182k	13.15	0.15
US	Nonfarm Productivity	3Q F		2.2		1.60%	13.30	0.30
US	Unit Labor Costs	3Q F		1		1.40%	13.30	0.30
CA	Bank of Canada Rate Decision	Dec-02		0.5		0.50%	15.00	2.00
US	Fed's Yellen Speaks to the Economic Club of Washington						16.00	3.00
US	U.S. Federal Reserve Releases Beige Book						19.00	6.00
US	Fed's Williams speaks on Economic Outlook						20.40	7.40
Thursday, 3 December 2015								
NZ	Value of All Buildings SA QoQ	3Q	1.0	1.8		1.6%	21.45	8.45
AU	AiG Perf of Services Index	Nov				48.9	22.30	9.30
AU	Trade Balance	Oct	-2400	-2600		-2317m	0.30	11.30
JN	Nikkei Japan PMI Services	Nov				52.2	1.35	12.35
JN	BoJ's Kiuchi speaks in Tokyo						6.30	17.30
GE	Markit Germany Services PMI	Nov F		55.6			8.55	19.55
EC	Markit Eurozone Services PMI	Nov F		54.6			9.00	20.00
UK	Official Reserves Changes	Nov				\$16m	9.30	20.30
UK	Markit/CIPS UK Services PMI	Nov		55		54.9	9.30	20.30
EC	Retail Sales MoM / YoY	Oct				-0.1%/2.9%	10.00	21.00
EC	ECB Main Refinancing Rate	Dec-03		0.05			12.45	23.45
EC	ECB Deposit Facility Rate	Dec-03		-0.3		-0.20%	12.45	23.45
US	Initial Jobless Claims	Nov-28		270			13.30	0.30
US	Markit US Services PMI	Nov F		56.7			14.45	1.45
US	Bloomberg Consumer Comfort	Nov-29					14.45	1.45
EC	Fed's Yellen appears before Congressional Joint Economic Committee							
US	Factory Orders	Oct		1.4		-1.00%	15.00	2.00
US	Factory Orders Ex Trans	Oct				-0.60%	15.00	2.00
US	Cap Goods Orders Nondef Ex Air	Oct F					15.00	2.00
US	ISM Non-Manf. Composite	Nov		58		59.1	15.00	2.00
Friday, 4 December 2015								
AU	Retail Sales MoM	Oct	0.2	0.4		0.40%	0.30	11.30
JN	Labor Cash Earnings YoY	Oct		0.4		0.60%	1.30	12.30
JN	Consumer Confidence Index	Nov		41.7		41.5	5.00	16.00
GE	Markit Germany Construction PMI	Nov				51.8	8.30	19.30
GE	Markit Germany Retail PMI	Nov				52.4	9.10	20.10
UK	Halifax House Prices MoM	Nov				1.10%	13.00	0.00
CA	Int'l Merchandise Trade	Oct		-1.6		-1.73b	13.30	0.30
US	Change in Nonfarm Payrolls	Nov		200		271k	13.30	0.30
CA	Net Change in Employment	Nov		-12.5		44.4k	13.30	0.30
US	Unemployment Rate	Nov		5		5.00%	13.30	0.30
CA	Participation Rate	Nov		65.9		66	13.30	0.30
US	Average Hourly Earnings MoM / YoY			0.2%/2.3%		0.4%/2.5%		
US	Labor Force Participation Rate	Nov				62.40%	13.30	0.30
US	Trade Balance	Oct		-40.5		-\$40.81b	13.30	0.30
CA	Ivey Purchasing Managers Index SA	Nov		53.5		53.1	15.00	2.00
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

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