



Markets Today

A daily outlook for Australia, key global economies and markets

21 December 2015

Freaky Friday

A big 'risk-off' night Friday with US stock indices off around 2% and the VIX adding back 1.76 to trade back above 20 (20.7). Friday was one of the four 'triple witching' occasions of 2015 (expiration of stock index futures, index options and individual share options) –sometimes known as freaky Friday - and which may have had the effect of pushing stocks further in the (southerly) direction they were already headed.

On the week the S&P was off just 0.34%. No real news drivers for Friday's price action and where losses were sector wide (led by financials) but which clearly represented a reversal of the positive stride with which Wednesday's Fed announcements were taken.

US Treasury yields fell in a bull-steepening session: 2s - 3.2bps to 0.9388%, 5s -2.6bps to 1.6762%, 10s -1.9bps to 2.2040% and the 30-year -0.6bp to 2.9220%.

In FX, the US dollar gave back Thursday's gains, the DXY - 0.58% to 98.69, BBDXY -0.39% and the ADXY adding back 0.23%. Yet again the euro demonstrated its tendency to rise when risk aversion strikes, EUR/USD +0.41% to 1.0870. The yen fared even better so reversing the initial weakness seen on Friday's BoJ policy announcements which - all up - are seen as improving the BoJ's ability to keep fulfilling its current QQE policy but not really enhancing it. USD/JPY was -1.16% to Y121.16.

A little surprising perhaps to see AUD pulling back up so much given risk-aversion and higher volatility, but a bounce in commodity prices (ex-oil) and the generally softer dollar offered support, AUD/USD +0.65% to 0.7175. NZD +0.39% to 0.6727 while CAD weakened amid further oil price weakness, USD/CAD +0.11% to 1.3953 having earlier broken above 1.40 for the first time since June 2004.

In commodities, both WTI and Brent lost another 40 cents, to \$34.55 and \$36.66 respectively. Both are 3% down on a week ago. Hard commodities in contrast benefited from the softer dollar, the LME index of traded metals +2.55%, iron ore 1.7% to \$40.10 and gold +\$15 to \$1066 (still \$20 lower on the week).

FX market positioning data as reflected in IMM/CFTC data released Friday for the w/e Tuesday Dec 15 (so up to 24 hours before the Fed announcement) shows overall speculative long dollar positioning scaled back significantly after only a small reduction in the prior (ECB) week. Overall speculative dollar longs vs. G10 currencies fell to 261.9k from 352.8k, (a contraction of over 25%). Paring of JPY, AUD and CHF shorts led the decline. JPY came in to -26.6k from -68.1k and AUD to -10.5k from -33.6k. A month ago the latter was -66.5k. EUR shorts still large, at -160k from -172.3k,

GBP -16.9k in from -23.9k, CAD out to -51.0k from -39.0k, NZD +1.1k down from +8.9k and CHF +2.0k from -24.8k.

In economic news Friday, the US Markit services PMI fell to 53.7 from 56.1k and 55.9 expected, pulling their composite reading down to 53.5 from 55.9k.

Canada's November CPI printed -0.3% for core m/m against 0.0% expected, so y/y fell to 2.0% from 2.1% and 2.3% expected.

CoreLogic RPData's weekend auction statistics for what is the last auction weekend of the year, showed the nationwide average clearance rate improved to 60.5% from 58.2% but down on the same weekend of 2014 (63.6%). Sydney cleared 60.3% up from 54.7% the prior weekend and 74.5% a year ago while Melbourne cleared 66.7% up from 64.9% previously and 63.6% this time last year.

Coming Up

Today sees New Zealand net migration (08:45 AEDT), the UK CBI retail sales survey and – perhaps of some interest following Friday's BoJ kerfuffle, - the Japan Cabinet Office economic report for December.

As is typically the case, Australian data releases take a break over the Christmas-New Year period apart from RBA credit on New Year's Eve. Then it's the trade balance, building approvals and retail sales the first week of January

China has November property prices on Tuesday (that may show the sector, at a nationwide average level – pulling further up out of deflation). After that, the official PMIs come out on New Year's Day (the Gregorian calendar version) and the Caixin PMIs on 4 January.

The US data highlights should be personal income and spending and PCE deflators, durable goods orders, new home sales, and consumer sentiment - all on Thursday. ISM manufacturing and payrolls come in the first week of January.

Japan has CPI (and labour market data) on Christmas Day (in years past, the BoJ has actually changed rates on this day)

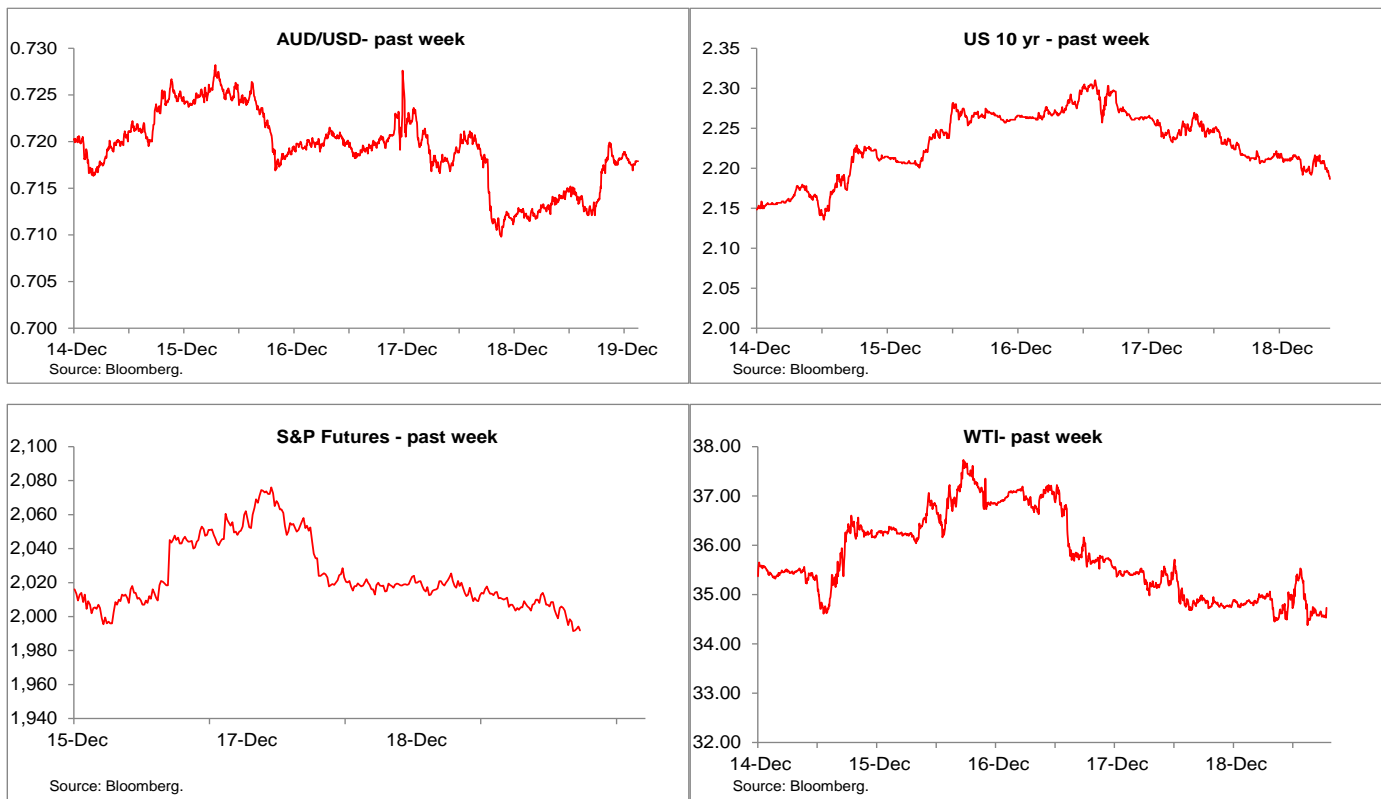
Eurozone has consumer confidence today. Canada sees monthly GDP and retail sales on Thursday.

Overnight

On global stock markets, the S&P 500 was -1.80%. Bond markets saw US 10-years -1.94bp to 2.20%. On commodity markets, Brent crude oil -0.49% to \$36.88, gold+1.5% to \$1,066, iron ore +1.7% to \$40.10. AUD is at 0.7177 and the range since Friday's local close has been was 0.7119 to 0.7196.

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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>0.7176</td> <td>0.0</td> <td>0.7165</td> <td>0.7187</td> <td>HKD</td> <td>7.7525</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.6738</td> <td>0.1</td> <td>0.6733</td> <td>0.6746</td> <td>CNY</td> <td>6.4811</td> <td>0.0</td> </tr> <tr> <td>EUR</td> <td>1.0867</td> <td>0.0</td> <td>1.0858</td> <td>1.0871</td> <td>SGD</td> <td>1.4134</td> <td>0.0</td> </tr> <tr> <td>GBP</td> <td>1.4910</td> <td>0.1</td> <td>1.4895</td> <td>1.4913</td> <td>IDR</td> <td>13,918</td> <td>-0.7</td> </tr> <tr> <td>JPY</td> <td>121.22</td> <td>0.0</td> <td>121.17</td> <td>121.27</td> <td>THB</td> <td>36.14</td> <td>0.0</td> </tr> <tr> <td>CAD</td> <td>1.3940</td> <td>-0.1</td> <td>1.3924</td> <td>1.3954</td> <td>KRW</td> <td>1,183</td> <td>0.3</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6603</td> <td>0.0</td> <td></td> <td></td> <td>TWD</td> <td>32.94</td> <td>0.4</td> </tr> <tr> <td>AUD/JPY</td> <td>86.98</td> <td>0.1</td> <td></td> <td></td> <td>PHP</td> <td>47.35</td> <td>-0.3</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4812</td> <td>0.0</td> <td></td> <td></td> <td>CHF</td> <td>0.99</td> <td>0.0</td> </tr> <tr> <td>AUD/NZD</td> <td>1.0652</td> <td>-0.1</td> <td></td> <td></td> <td>SEK</td> <td>8.55</td> <td>-0.1</td> </tr> </table>							Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.7176	0.0	0.7165	0.7187	HKD	7.7525	0.0	NZD	0.6738	0.1	0.6733	0.6746	CNY	6.4811	0.0	EUR	1.0867	0.0	1.0858	1.0871	SGD	1.4134	0.0	GBP	1.4910	0.1	1.4895	1.4913	IDR	13,918	-0.7	JPY	121.22	0.0	121.17	121.27	THB	36.14	0.0	CAD	1.3940	-0.1	1.3924	1.3954	KRW	1,183	0.3	AUD/EUR	0.6603	0.0			TWD	32.94	0.4	AUD/JPY	86.98	0.1			PHP	47.35	-0.3	AUD/GBP	0.4812	0.0			CHF	0.99	0.0	AUD/NZD	1.0652	-0.1			SEK	8.55	-0.1
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 | Major Indices | | | | |---------------|--------|-------|-------| | | Last | % day | % y/y | | Dow | 17,129 | -2.1 | -3.8 | | S&P 500 | 2,006 | -1.8 | -3.1 | | Nasdaq | 4,923 | -1.6 | 3.3 | | FTSE | 6,052 | -0.8 | -7.5 | | DAX | 10,608 | -1.2 | 8.4 | | CAC 40 | 4,625 | -0.4 | 9.0 | | Nikkei | 18,987 | -1.9 | 7.7 | | Shanghai | 3,579 | 0.0 | 15.1 | | Hang Seng | 21,756 | -0.5 | -5.9 | | ASX 200 | 5,107 | +0.1 | -4.3 | | | | | | | Last | % day | |-------------|---------|-------| | Oil (Brent) | 36.88 | -0.5 | | Oil (WTI) | 34.73 | -0.6 | | Oil (Tapis) | 36.10 | -2.8 | | Gold | 1066.20 | 1.5 | | CRB | 172.16 | 0.9 | | GS Metals | 249.7 | 2.5 | | Aluminium | 1503 | 1.9 | | Copper | 4690 | 3.1 | | Nickel | 8738 | 1.6 | | Zinc | 1508 | 1.5 | | Ch. steel | 1757 | 3.6 | | Iron ore | 40.1 | 1.7 | | Coal | 52.2 | -0.1 | | Wheat Chic. | 493.0 | 0.4 | | Sugar | 15.10 | 2.7 | | Cotton | 63.69 | 1.1 | | Coffee | 119.0 | 0.6 | | | || | Interest Rates | | | | | Benchmark 10 Year Bonds | | | Overnight Futures | | | |----------------|-----------------------|------|-------|------|-------------------------|------|-------|-------------------|-------|-------| | | Indicative Swap Rates | | | | Last | chge | Sprd | | | | | | Cash | 3mth | 2Yr | 10Yr | | | | Last | Chge | | | USD | 0.50 | 0.59 | 1.09 | 2.15 | USD 10 | 2.20 | -0.02 | Australia | | | | AUD | 2.00 | 2.35 | 2.16 | 2.95 | AUD 10 | 2.76 | -0.09 | 3 mth bill | 97.78 | -0.01 | | NZD | 2.50 | 2.76 | 2.80 | 3.67 | NZD 10 | 3.54 | -0.09 | 3 Yr bond | 97.95 | 0.02 | | EUR | 0.05 | 0.06 | -0.06 | 0.90 | CAD 10 | 1.40 | -0.03 | 10 Yr bonc | 97.19 | 0.08 | | GBP | 0.50 | 0.59 | 1.01 | 1.87 | EUR 10 | 0.55 | -0.05 | 3/10 sprd | 0.76 | -0.06 | | JPY | 0.10 | 0.08 | 0.10 | 0.41 | GBP 10 | 1.83 | -0.02 | SPI | -40.0 | -0.8 | | CAD | 0.50 | 1.17 | 0.81 | 1.84 | JPY 10 | 0.27 | -0.03 | | | | | | | | | | | CO ₂ Emissions - Euros | | | |-----------------------------------|------|-------| | | Last | % day | | Jun-2015 | 8.09 | -0.1 | | Dec-2015 | #N/A | N/A | | Dec-2016 | 8.13 | -0.1 | | | |

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
Monday, 21 December 2015								
NZ	WMM Consumer Confidence (release pending)	Q4				106.0		
NZ	Net Migration SA	Nov				6210	21.45	8.45
UK	CBI Reported Sales	Dec		21		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		0.9		-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		0.1		-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		-5.9	15.00	2.00
NZ	Westpac Consumer Confidence	4Q				106	0.00	11.00
UK	GfK Consumer Confidence	Dec		1		1	0.50	11.50
CH	Conference Board China November Leading Economic Index						2.00	13.00
JN	Small Business Confidence	Dec		49		49.9	5.00	16.00
GE	GfK Consumer Confidence	Jan		9.3		9.3	7.00	18.00
UK	Public Finances (PSNCR)	Nov				-4	9.30	20.30
UK	Central Government NCR	Nov				-0.1	9.30	20.30
UK	Public Sector Net Borrowing	Nov		11.1		7.5	9.30	20.30
UK	PSNB ex Banking Groups	Nov		11.8		8.2	9.30	20.30
US	GDP Annualized QoQ	3Q T		1.9/2.9		2.1/3	13.30	0.30
US	FHFA House Price Index MoM	Oct		0.5		0.8	14.00	1.00
US	Existing Home Sales	Nov		5.34/-0.41		5.36/-3.4	15.00	2.00
US	Richmond Fed Manufact. Index	Dec		-1		-3	15.00	2.00
Wednesday, 23 December 2015								
NZ	Trade Balance	Nov	-640	-809.5		-963	21.45	8.45
NZ	Credit, Household YoY	Nov				7.2	2.00	13.00
UK	GDP QoQ/YoY	3Q F		0.5/2.3		0.5/2.3	9.30	20.30
UK	Current Account Balance	3Q		-21.5		-16.8	9.30	20.30
US	Personal Spending	Nov		0.3		0.1	13.30	0.30
US	PCE deflator MOM/YoY	Nov		0.1/0.4		0.1/0.2	13.30	0.30
US	PCE core deflator MOM/YoY	Nov		0.1/1.3		0/1.300004	13.30	0.30
CA	GDP MoM/YoY	Oct		0.2		-0.5	13.30	0.30
CA	Retail Sales MoM	Oct		0.4		-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		505/2		495/10.7	15.00	2.00
US	U. of Mich. Sentiment	Dec F		92		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 19		270		271	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		-2.2		-2.4	23.30	10.30
JN	Natl CPI YoY	Nov		0.3		0.3	23.30	10.30
JN	PPI Services YoY	Nov		0.4		0.5	23.50	10.50
CH	Industrial Profits YoY	Nov				-4.6	1.30	12.30
JN	Leading Index Cl	Oct F				102.9	5.00	16.00
Monday, 28 December 2015								
Boxing Day holiday observed (Aust, NZ)								
JN	Industrial production MoM/YoY	Nov P		/		1.4/-1.4	23.50	10.50
JN	Retail Sales MoM	Nov				1.1	23.50	10.50
CH	Leading Index	Nov				98.36	2.00	13.00
US	Dallas Fed Manf. Activity	Dec		-6		-4.9	15.30	2.30
Tuesday, 29 December 2015								
US	Advance Goods Trade Balance	Nov		-60.55		-58.411	13.30	0.30
US	S&P/CS 20 City MoM/YoY	Oct		0.5/5.4		0.61/5.45	14.00	1.00
CA	Bloomberg Nanos Confidence	Dec 18				55.3	15.00	2.00
US	Consumer Confidence Index	Dec		94		90.4	15.00	2.00
Wednesday, 30 December 2015								
AU	NAB Consumer Behaviour Survey (new)	Q4					0.30	11.30
EC	M3 Money Supply YoY	Nov		5.1		5.3	9.00	20.00
US	Pending Home Sales MoM/YoY	Nov		0.5/2.85		0.2/2.1	15.00	2.00
Thursday, 31 December 2015								
AU	Private Sector Credit MoM/YoY	Nov	0.7/6.9	0.6/6.8		0.7/6.7	0.30	11.30
CH	Swift Global Payments CNY	Nov				1.92%	1.00	12.00
US	Initial Jobless Claims	Dec 19		270		271	13.30	0.30
US	ISM Milwaukee	Dec		49		45.34	14.00	1.00
US	Chicago Purchasing Manager	Dec		50.3		48.7	14.45	1.45
Upcoming Central Bank Interest Rate Announcements								
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%		
Japan, BoJ		29-Jan	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
Australia, RBA		2-Feb	2.00%	2.00%		2.00%		

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

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