



Markets Today

A daily outlook for Australia, key global economies and markets

22 December 2015

Spain in the political spotlight

Overnight markets were initially shaped by the decline in the oil price, with the WTI oil down towards \$34 a barrel level with associated pressure on the oil linked currencies such as the CAD and the NOK. WTI though recovered later in the session, currently up marginally for the session overall.

The data that was released was very much second tier with the little-watched Chicago fed national activity index under-clubbing expectations and Eurozone consumer confidence marginally less negative.

Spanish politics has been a watch point for markets since the weekend with the national election not producing a clear majority for any one party and not an obvious coalition likely to be formed, according to Spanish political commentators. The anti-austerity Podemos Party gained 69 of the 350 seats on offer. If a new government can't be formed within two months, new elections have to be held. It's not been surprising then that Spanish equity and bond markets have under-performed at the start of week, the Madrid stock market leading Europe lower, down 3.62% and Spanish bonds underperforming their Eurozone counterparts, by 6-8 bps for the 10 year tenor. So far however this has not inflicted any pain on the Euro which has made some gains against the USD since the start of the week.

The AUD has continued on pretty much where it left off yesterday with a slightly higher level against the background of somewhat firmer commodity prices on the day. The intraday recovery in WTI oil came with higher LME base metal prices (copper up 1.13% and nickel up 1.43%), a 1.37% rise in the price of gold to \$1079.60 (up \$14.60) and a further \$0.36 rise in the spot price of iron ore to \$40.46/tonne.

Dennis Lockhart, President of the Atlanta Fed (a voter this year but not in 2016) did a radio interview with a local Atlanta station offering his view that "gradual" may mean rate rises at every other meeting. "... The rate of rising interest rates will be more like every other meeting. But the really important point is it's going to depend on how the economy actually performs." In short, it will be gradual and data dependent. The market is currently pricing in a near 50 (45%) chance of the first follow-up hike by the March 16 FOMC meeting (when NAB expects the next US rate rise), the market expecting the Fed to hold steady at the January 27 meeting.

Coming up

The wind down to the festive season begins to wind up as far as data releases are concerned with very little on the local regional calendar much likely to change market pricing too much at all. ANZ consumer confidence, UK consumer confidence and Japanese small business confidence reads are all released during our session today. Tonight sees the release of UK public finance data for November, followed in the US session by further revision to third quarter US GDP that's expected to be downgraded somewhat from 2.1% to 1.9%. There is also a further regional manufacturing index for December, this one from

the Richmond fed, along with FHFA house prices for October and the November Existing Home sales report.

The next big releases come tomorrow night with US personal income, spending and PCE (private consumer expenditure) deflator report for November also with durable goods orders and new home sales, also for November along with the final estimate University of Michigan consumer sentiment survey for December. Those are all to the high end of market-sensitivity releases with the PCE deflators those forecast and regarded as the most reliable guides to consumer inflation. The core deflator is expected to increase by 0.1% in the month, annual growth expected to be steady at 1.3%.

Overnight

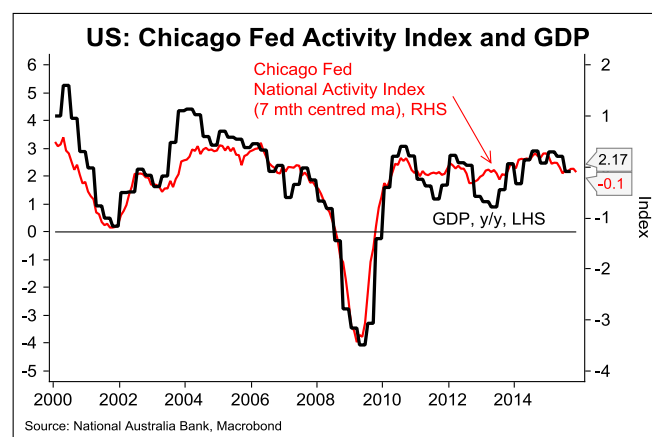
- AUD steady this morning in 0.71s: Eurostoxx 600 -1.1%, Dax -1.0%, CAC -1.3%, FTSE -0.3%. Dow +35 points to 17,164, +0.2%, S&P 500 +0.2%, Nasdaq +0.4%, VIX 19.56 -5.5%. Shanghai +1.8%, Mumbai +1.8%, Nikkei 225 +0.4% and ASX 200 +0.0%; ASX SPI futures this morning -0.0%. US bond yields: 2s at 0.95% (0), 10s at 2.19% (-1). WTI oil at \$34.74 (+0.0%), Brent at \$36.17 (-1.9%), Malaysian Tapis (yesterday) \$35.79 (-0.9%). Gold at \$1079.70/oz (+1.4%). Base metals: LME copper +1.1%, nickel +1.4%, aluminium +0.5%. Iron ore \$40.5/t +0.9% Chinese steel rebar futures +0.0%. Soft commodities spot futures: wheat -1.4%, sugar -0.9%, cotton -0.6%, coffee -1.3%. Euro CO² emissions price (Dec 16) +1.6%. The AUD/USD's range overnight 0.7157-0.7195; indicative range today 0.7165-0.7215; the AUD/USD is 0.7188 now**
- Chicago Fed National Activity Index (Nov) -0.30 (L: -0.04; E: +0.1); EC consumer confidence (Dec) -5.7 (L: -5.9; E: -5.9)**

As this is my final Markets Today report for this year, I would like to offer my best wishes to our readers for the festive season and wish you all the best 2016.

Good luck.

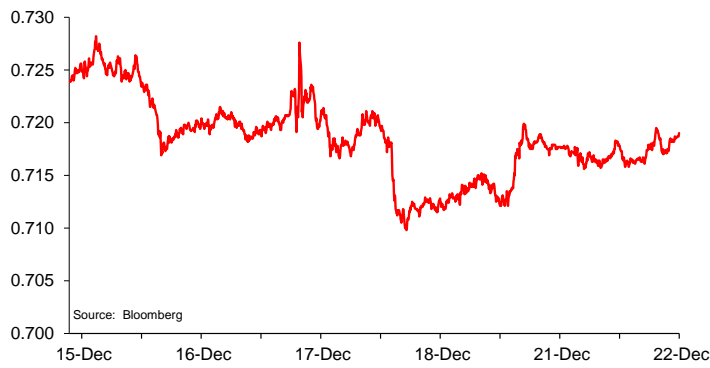
David.deGaris@nab.com.au

Chart of the day: Chicago activity index below trend (0)



Markets

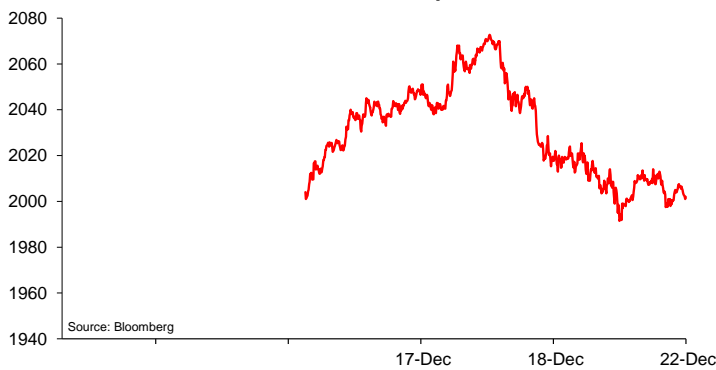
AUD/USD- past week



US 10 year bonds- past week



S&P 500 futures- past week



WTI futures- past week



Foreign Exchange					Equities				Commodities*																																																																																							
<table border="1"> <thead> <tr> <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>0.7188</td> <td>0.2</td> <td>0.7155</td> <td>0.7195</td> <td>HKD</td> <td>7.7523</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.6777</td> <td>0.4</td> <td>0.6743</td> <td>0.6784</td> <td>CNY</td> <td>6.4808</td> <td>0.0</td> </tr> <tr> <td>EUR</td> <td>1.0926</td> <td>0.6</td> <td>1.0856</td> <td>1.0941</td> <td>SGD</td> <td>1.4080</td> <td>-0.2</td> </tr> <tr> <td>GBP</td> <td>1.4883</td> <td>-0.1</td> <td>1.4877</td> <td>1.4924</td> <td>IDR</td> <td>13,740</td> <td>-0.5</td> </tr> <tr> <td>JPY</td> <td>121.06</td> <td>-0.2</td> <td>120.84</td> <td>121.44</td> <td>THB</td> <td>36.12</td> <td>-0.1</td> </tr> <tr> <td>CAD</td> <td>1.3967</td> <td>0.1</td> <td>1.3922</td> <td>1.3995</td> <td>KRW</td> <td>1,174</td> <td>-0.3</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6580</td> <td>-0.2</td> <td></td> <td></td> <td>TWD</td> <td>32.91</td> <td>-0.1</td> </tr> <tr> <td>AUD/JPY</td> <td>87.02</td> <td>0.1</td> <td></td> <td></td> <td>PHP</td> <td>47.33</td> <td>0.1</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4829</td> <td>0.4</td> <td></td> <td></td> <td>CHF</td> <td>0.99</td> <td>-0.4</td> </tr> <tr> <td>AUD/NZD</td> <td>1.0611</td> <td>-0.1</td> <td></td> <td></td> <td>SEK</td> <td>8.50</td> <td>-0.7</td> </tr> </table>					Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.7188	0.2	0.7155	0.7195	HKD	7.7523	0.0	NZD	0.6777	0.4	0.6743	0.6784	CNY	6.4808	0.0	EUR	1.0926	0.6	1.0856	1.0941	SGD	1.4080	-0.2	GBP	1.4883	-0.1	1.4877	1.4924	IDR	13,740	-0.5	JPY	121.06	-0.2	120.84	121.44	THB	36.12	-0.1	CAD	1.3967	0.1	1.3922	1.3995	KRW	1,174	-0.3	AUD/EUR	0.6580	-0.2			TWD	32.91	-0.1	AUD/JPY	87.02	0.1			PHP	47.33	0.1	AUD/GBP	0.4829	0.4			CHF	0.99	-0.4	AUD/NZD	1.0611	-0.1			SEK	8.50	-0.7
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 | Major Indices | | | | |---------------|--------|-------|--------| | | Last | % day | % year | | Dow | 17,164 | 0.2 | -3.6 | | S&P 500 | 2,011 | 0.3 | -2.9 | | Nasdaq | 4,940 | 0.4 | 3.7 | | VIX Index | 19.56 | -5.5 | 18.6 | | FTSE | 6,035 | -0.3 | -7.8 | | DAX | 10,498 | -1.0 | 7.3 | | CAC 40 | 4,565 | -1.3 | 7.6 | | Nikkei | 18,916 | -0.4 | 7.3 | | Shanghai | 3,642 | 1.8 | 16.5 | | Hang Seng | 21,792 | 0.2 | -6.9 | | ASX 200 | 5,109 | 0.0 | -6.1 | | | | | | | Last | % day | |-------------|---------|-------| | Oil (Brent) | 36.17 | -1.9 | | Oil (WTI) | 34.74 | 0.0 | | Oil (Tapis) | 35.79 | -0.9 | | Gold | 1079.70 | 1.4 | | CRB | 172.42 | 0.2 | | GS Metals | 249.7 | 2.5 | | Aluminium | 1513 | 0.5 | | Copper | 4738 | 1.1 | | Nickel | 8890 | 1.4 | | Zinc | 1533 | 1.1 | | Ch. steel | 1737 | 0.0 | | Iron ore | 40.5 | 0.9 | | St. coal | 51.1 | 0.0 | | Wheat Chic. | 486.3 | -1.4 | | Sugar | 14.97 | -0.9 | | Cotton | 63.32 | -0.6 | | Coffee | 117.5 | -1.3 | | | || | Interest Rates | | | | | Overnight Futures | | | | | | |-----------------------|------|------|-------|-------------------------|-------------------|------|-------|------------|-------|-------| | Indicative Swap Rates | | | | Benchmark 10 Year Bonds | | | | | | | | | Cash | 3mth | 2Yr | 10Yr | Last | chge | Sprd | Last | Chge | | | USD | 0.50 | 0.59 | 1.10 | 2.14 | USD 10 | 2.19 | -0.01 | Australia | | | | AUD | 2.00 | 2.36 | 2.17 | 2.96 | AUD 10 | 2.75 | -0.01 | 3 mth bill | 97.77 | -0.01 | | NZD | 2.50 | 2.74 | 2.84 | 3.69 | NZD 10 | 3.52 | -0.02 | 3 Yr bond | 97.95 | 0.02 | | EUR | 0.05 | 0.06 | -0.05 | 0.92 | CAD 10 | 1.39 | -0.01 | 10 Yr bond | 97.20 | 0.02 | | GBP | 0.50 | 0.59 | 1.02 | 1.88 | EUR 10 | 0.55 | 0.00 | 3/10 sprd | 0.75 | 0.00 | | JPY | 0.10 | 0.08 | 0.11 | 0.41 | GBP 10 | 1.82 | -0.02 | SPI | -1.0 | 0.0 | | CAD | 0.50 | 1.17 | 0.82 | 1.85 | JPY 10 | 0.28 | 0.01 | | | | | | | | | | CO ₂ Emissions - Euros | | | |-----------------------------------|------|-------| | | Last | % day | | Dec-2016 | 8.26 | 1.6 | | Dec-2017 | 8.36 | 1.6 | | Dec-2018 | 8.50 | 1.6 | | | |

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 (through to year end)

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEDT
Tuesday, 22 December 2015								
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 Manuf. 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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