

Markets Today

A daily outlook for Australia, key global economies and markets

23 December 2015

Sideways

Moves in oil prices remain the main driver for markets amid a decline in trading volumes ahead of the Christmas holiday break. US and European equity markets traded in a sideways pattern overnight while oil prices stabilised following the spike higher seen in the previous day.

US equity markets look set to end the day up between 1% and 0.5% while in Europe most equity indices have closed in positive territory. The resource-heavy FTSE100 index was the outperformer up 0.8% and following the inconclusive election results over the weekend, Spain's IBEX35 rose 0.5% marginally offsetting the 3.5% loss from the previous day.

The stabilisation in oil prices also benefited commodity related currencies while mixed US data releases (see details below) marginally weighed on the USD. Over the past 24 hrs, the NOK has been one of the strongest performers, up 0.88% while the NZD and AUD have also outperformed, up 0.65% and 0.54% respectively. Out of the G10 currencies, the GBP was the only underperformer against the USD, down 0.5%, following worse than expected UK public finances. UK public sector borrowing rose 10% in November to £14.2bn, casting doubts over the chancellor's ability to meet his forecast for this financial year.

Core global yields drifted higher overnight amid a decline in safe haven asset demand with UK gilts the underperformers given the prospect of an increase in issuance. 10y UK Gilt yields rose 5.9bps to 1.88% while US treasury yields rose in a bear steepening fashion. 2y UST yields gain 2.7bps to 0.971% and 10y ticked 4bps higher to 2.237%.

As for data releases, Germany's GfK consumer confidence index rose to 9.4 from 9.3 previously, ending four consecutive months of decline. Germany's consumer confidence was boosted by stronger economic and income expectations.

In the US, data showed that in Q3 the economy expanded at a slightly slower pace than previously forecasted. Q3 real GDP was revised down to 2.0% from 2.1% previously while the core PCE price index was revised to up at a 1.4% annual rate from 1.3%. The slight revision to GDP growth was due to a larger drag from inventories (0.7% vs 0.6%) with some commentators suggesting the drawdown in inventories could swing the other way in the fourth quarter.

Finally, US Existing home sales fell 10.5% m/m to a 4.76M following a 4.1% decline in October. Although the number is disappointing, much of the fall in November is probably explained by delays related to mortgage disclosure rules rather than a sudden weakening in the trend.

Coming Up

We have an empty domestic calendar, but on the other side of the Tasman, New Zealand releases its trade balance and

household credit figures for November. Our BNZ colleagues are looking for a monthly trade deficit of \$640m, comprising of exports at \$4,202m (+4% y/y) and imports at \$4,842m (+12% y/y). On all counts BNZ is a bit more sanguine than markets expectations.

Later in Europe, the UK releases its third Q3 GDP growth estimate where expectations are for a confirmation of a 0.5% growth for the quarter. The savings ratio is also included in the report and it is likely to garner some attention for an assessment of consumer spending in 2016.

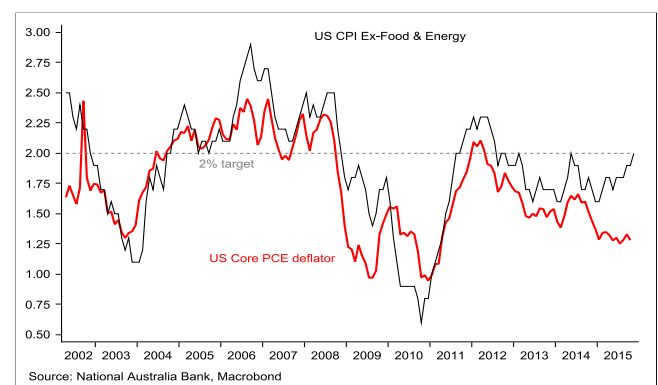
All that said, today's most important data releases come courtesy of the US. In November personal income is expected to have risen by 0.2%, below the 0.4% seen in the previous month. Personal spending is seen at 0.3% (0.1% prev), constraint by a pullback in utility energy services (thanks to the warmer weather during the month). As for the core PCE deflator, the monthly print is seen at a modest 0.1% and it suggests the divergence against the core PCI widened further in November. Shelter costs (rents) are increasing at a faster rate than the average and they have a larger representation in the CPI.

US durable goods orders for November are also released today and expectations are for a monthly decline of 0.6%, largely reflecting a plunge in the volatile aircraft component. New home sales for November are also out (505k exp, 495k prev) along with the final Univ. of Michigan Consumer Sentiment December reading.

Overnight

On global stock markets, the S&P 500 was +0.90%. Bond markets saw US 10-years +4.40bp to 2.24%. On commodity markets, Brent crude oil -0.58% to \$36.14, gold-0.7% to \$1,075, iron ore +0.8% to \$40.80. AUD is at 0.7227 and the range was 0.7182 to 0.7249.

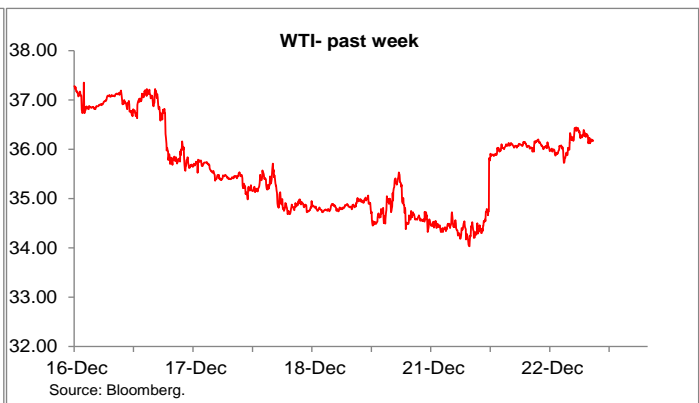
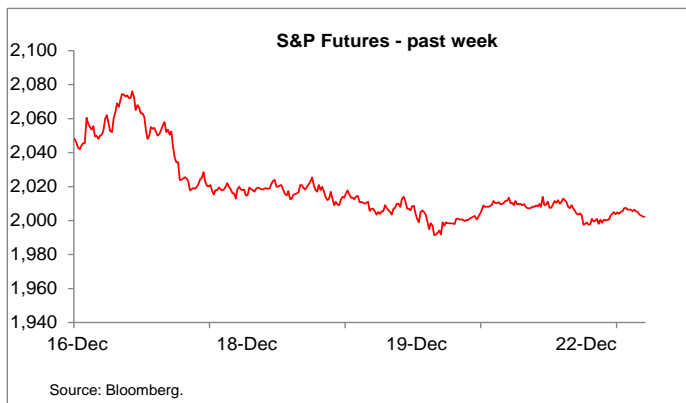
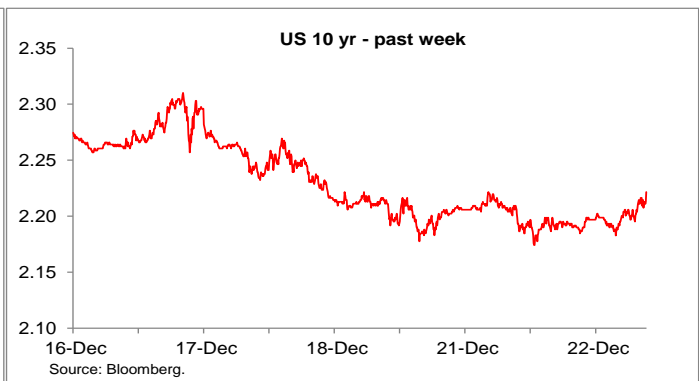
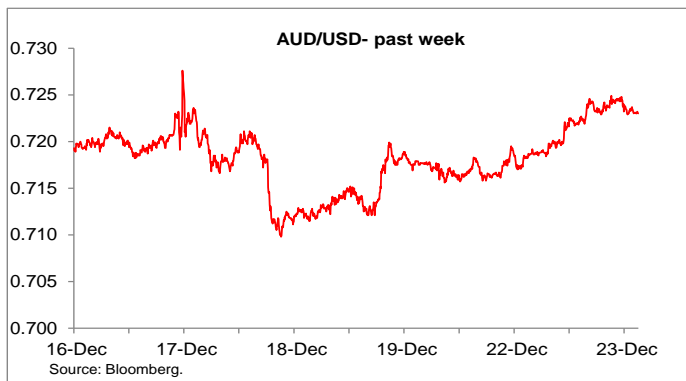
Chart of the Day: More PCE and PCI deviation?



Good luck

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Markets



Foreign Exchange								Equities				Commodities*				
Indicative 24hr ranges (**)				Other FX				Major Indices								
	Last	% chge	Low	High		Last	% chge		Last	% day	% y/y		Last	% day		
AUD	0.7227	0.5	0.7182	0.7249	HKD	7.7522	0.0	Dow	17,423	+1	-3.0	Oil (Brent)	36.14	-0.6		
NZD	0.6804	0.6	0.6761	0.6836	CNY	6.4785	0.0	S&P 500	2,039	+0.9	-1.9	Oil (WTI)	36.14	0.9		
EUR	1.0954	0.4	1.0902	1.0984	SGD	1.4045	-0.3	Nasdaq	5,000	+0.6	4.6	Oil (Tapis)	35.62	-0.5		
GBP	1.4814	-0.5	1.4806	1.4908	IDR	13,671	-1.0	FTSE	6,083	+0.8	-7.5	Gold	1074.80	-0.7		
JPY	121.05	-0.1	120.73	121.31	THB	36.09	-0.1	DAX	10,489	-0.1	6.3	CRB	171.95	-0.3		
CAD	1.3939	-0.1	1.3916	1.3966	KRW	1,173	-0.4	CAC 40	4,568	-0.2	7.4	GS Metals	252.2	1.0		
AUD/EUR	0.6597	0.2			TWD	32.84	-0.1	Nikkei	18,887	-0.2	7.1	Aluminium	1509	0.4		
AUD/JPY	87.45	0.4			PHP	47.26	0.0	Shanghai	3,652	+0.3	20.4	Copper	4741	1.1		
AUD/GBP	0.4878	1.0			CHF	0.99	-0.5	Hang Seng	21,830	+0.2	-6.4	Nickel	8863	1.4		
AUD/NZD	1.0620	-0.1			SEK	8.42	-0.9	ASX 200	5,117	+0.1	-4.9	Zinc	1524	1.1		
												Ch. steel			1716	-1.3
												Iron ore			40.8	0.8
												Coal			52.1	0.0
												Wheat Chic.			479.0	-1.5
												Sugar			15.04	0.5
												Cotton			63.16	-0.3
												Coffee			119.2	1.4
												CO₂ Emissions - Euros				
															Last	% day
												Jun-2015			8.28	0.7
												Dec-2015			#N/A	N/A#N/A
												Dec-2016			8.32	0.7

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
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
Monday, 4 January 2016								
AU	AiG Perf of Mfg Index	Dec				52.5	22.30	9.30
AU	CoreLogic RP Data House Px MoM	Dec				-1.5	23.00	10.00
CH	Manufacturing PMI	Dec				49.6	1.00	12.00
CH	Non-manufacturing PMI	Dec				53.6	1.00	12.00
JN	Nikkei Japan PMI Mfg	Dec F				52.5	1.35	12.35
AU	Commodity Index AUD/YoY	Dec				75.6/-22	5.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Dec F				53	8.55	19.55
EC	Markit Eurozone Manufacturing PMI	Dec F				53.1	9.00	20.00
UK	Mortgage Approvals	Nov				69.6	9.30	20.30
UK	Markit UK PMI Manufacturing SA	Dec				52.7	9.30	20.30
GE	CPI MoM/YoY	Dec P		/		0.1/0.4	13.00	0.00
US	Markit US Manufacturing PMI	Dec F				51.3	14.45	1.45
CA	Bloomberg Nanos Confidence	Dec 18				55.3	15.00	2.00
US	Construction Spending MoM	Nov		0.5		1	15.00	2.00
US	ISM Manufacturing	Dec		49.2		48.6	15.00	2.00
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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