



Markets Today

A daily outlook for Australia, key global economies and markets

24 December 2015

Back to Black

This will be the last Markets Today of 2015. Between Monday 4 January and Friday 8 January we will publish an abbreviated morning note but without the usual price tables or economic calendar.

Wishing everyone a happy and peaceful festive break and all the best for 2016.

Heading into Wednesday's New York close, the S&P 500 is showing a gain of about 1.2% on the day, which equates to a rise of just 0.2% year to date. Back to black at least, but together with the observation that 10 year US Treasury yields are less than 10bps away from where they started the year (2.26% vs. 2.17%) it means that for buy/sell and hold investors, currencies were the place to be in 2016.

The narrow DXY dollar index currently stands 9% up on the year. Only two currencies have outperformed the US dollar this year and both by tiny margins - the Swiss Franc (+0.24%) and the Israeli Shekel (+0.28%). In G10, the weakest currency has been the Canadian dollar (-16.1%) and testament to the dominance of oil prices in driving much of the global currency volatility of the past six months in particular. Monthly GDP data published overnight shows the Canadian economy contracted by 0.2% y/y as of October while retail sales (ex-autos) came in flat (+0.4% expected).

CAD is actually the best performing currency of the past 24 hours followed by GBP (the latter despite a downward revision to Q3 GDP to 0.4%). CAD gains follow a near 4% jump in oil prices. Incidentally Brent crude now trades below WTI (\$37.43 vs. \$37.56) and following last week's decision by the US to lift the ban on oil exports. At the start of the year Brent attracted a premium of more than \$4 a barrel.

In Emerging Markets, the three biggest currency losers are all from Latam – the Argentine Peso (-35% and after abandoning its crawling peg just one week ago) the Brazilian Real (-33% and arguably now the preeminent political and economic basket case of any major country) and the Colombian Peso -26% - representing an economy where petroleum accounts for almost 50% of total exports.

We've had a fair sprinkling of US economic data, the highlight of which was the November PCE deflator. At just 0.1% m/m (as expected) for the core measure, this keeps the annual rate stuck at 1.3%, highlighting the continued divergence between the narrower core CPI measure and this Fed-preferred inflation indicator (see Chart of the Day). The headline deflator is 0.4% y/y, up from 0.2% in October.

Durable goods orders beat expectations coming in at flat (-0.6% expected) after +2.9% last time. But the less volatile ex-transport number fell 0.1% against expectations for no change, while capital goods orders excluding defence and aircraft fell by a bigger than expected 0.4% (-0.2% expected).

At the same time, New Home Sales rose by 4.3%, but only because October was revised down to 470k from 495k. The level (490k) is less than the 505k expected. We've also had the final University of Michigan consumer sentiment index, revised up to 92.6 from 91.8, more than the 92.0 expected.

Summing up all this week's data, the Atlanta Fed's latest 'GDPNow' model forecast for Q4 GDP is 1.3%, down from 1.9% on 16 Dec. Together with the still-soft PCE deflators, it's no wonder markets aren't expressing much confidence in the Fed taking its next step on rates as early as Q1 next year.

Coming Up

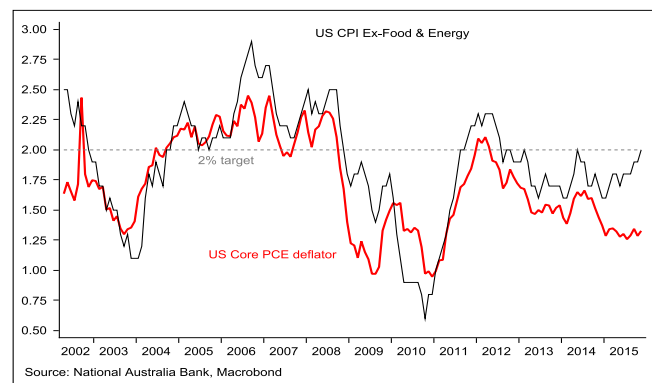
Weekly jobless claim is the only remaining US economic data point before Christmas Day. Nothing is due out of Europe this evening. For those fortunate enough to be taking a break next week, there will be a few things of note to catch up on upon your return. Japan will be publishing its latest CPI, unemployment and household spending on Christmas Day and numbers for industrial production and retail sales on Monday. RBA private sector credit data, for November, comes out next Thursday.

There's a smattering of US economic data next, the highlight of which should be the December manufacturing ISM survey, next Thursday. The other important data to check out on Monday 4 January will be the official China PMI data, due out on the 1 January - no (Gregorian) New Year's Day holiday in China. The private Caixin version comes out on Monday 4 January.

Overnight

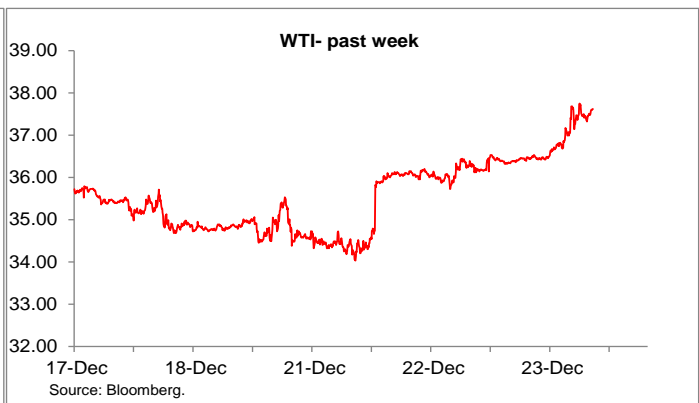
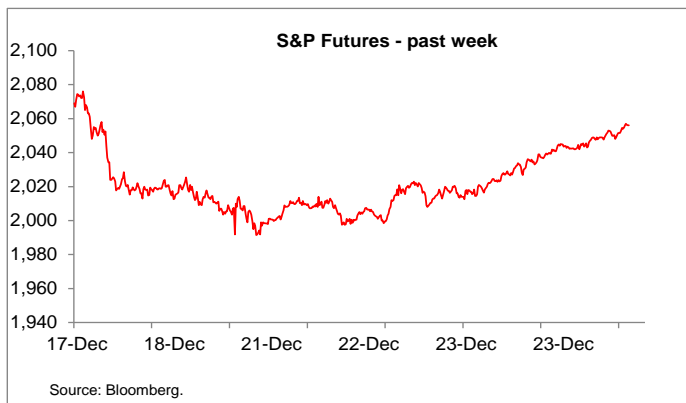
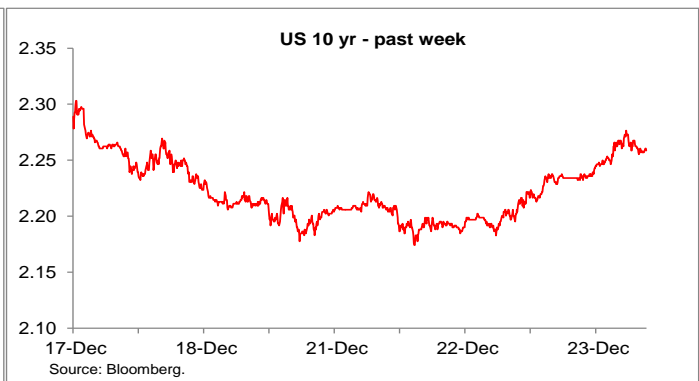
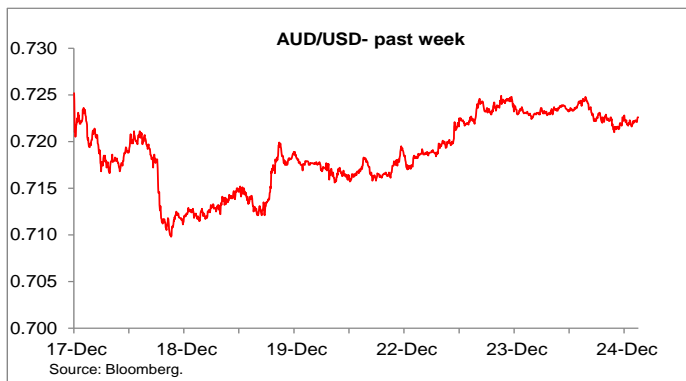
On global stock markets, the S&P 500 was +1.20%. Bond markets saw US 10-years +2.66bp to 2.26%. On commodity markets, Brent crude oil +3.88% to \$37.51, gold-0.5% to \$1,069, iron ore +0.1% to \$40.82. AUD is at 0.7239 and the range was 0.7209 to 0.7248.

Chart of the Day: US core CPI vs. core PCE Deflator



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Markets



Foreign Exchange						
Indicative 24hr ranges (**)				Other FX		
	Last	% chge	Low	High	Last	% chge
AUD	0.7240	0.1	0.7209	0.7248	HKD	7.7502 0.0
NZD	0.6795	-0.2	0.6762	0.6829	CNY	6.4776 0.0
EUR	1.0910	-0.4	1.0870	1.0957	SGD	1.4048 0.1
GBP	1.4870	0.3	1.4820	1.4901	IDR	13,650 -0.2
JPY	120.85	-0.2	120.82	121.14	THB	36.08 0.0
CAD	1.3871	-0.4	1.3836	1.3939	KRW	1,173 0.0
AUD/EUR	0.6636	0.5			TWD	32.84 0.0
AUD/JPY	87.49	-0.1			PHP	47.30 0.1
AUD/GBP	0.4868	-0.2			CHF	0.99 0.4
AUD/NZD	1.0654	0.2			SEK	8.44 0.2

Equities			
Major Indices			
	Last	% day	% y/y
Dow	17,583	+1	-2.4
S&P 500	2,063	+1.2	-0.9
Nasdaq	5,041	+0.8	5.8
FTSE	6,241	+2.6	-5.4
DAX	10,728	+2.3	8.1
CAC 40	4,675	+0.9	8.3
Nikkei	18,887	-0.2	7.1
Shanghai	3,636	-0.4	22.3
Hang Seng	22,041	+1	-5.6
ASX 200	5,142	+0.5	-4.7

Commodities*		
	Last	% day
Oil (Brent)	37.51	3.9
Oil (WTI)	37.62	4.1
Oil (Tapis)	35.60	-0.1
Gold	1069.40	-0.5
CRB	175.22	1.9
GS Metals	249.2	-1.2
Aluminium	1533	1.9
Copper	4723	1.2
Nickel	8641	0.3
Zinc	1548	2.6
Ch. steel	1727	0.5
Iron ore	40.8	0.1
Coal	52.1	0.1
Wheat Chic.	477.0	-0.4
Sugar	15.15	0.7
Cotton	62.77	-0.6
Coffee	121.0	1.5

CO ₂ Emissions - Euros		
	Last	% day
Jun-2015	8.25	-0.4
Dec-2015	#N/A #N/A	#N/A #N/A
Dec-2016	8.29	-0.4

Interest Rates							
Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Spnd
USD	0.50	0.59	1.12	2.19	USD 10	2.26	0.03
AUD	2.00	2.37	2.22	3.04	AUD 10	2.77	0.04 0.51
NZD	2.50	2.78	2.87	3.75	NZD 10	3.57	0.00 1.31
EUR	0.05	0.06	-0.03	1.00	CAD 10	1.42	0.00 -0.85
GBP	0.50	0.59	1.04	1.98	EUR 10	0.63	0.03 -1.63
JPY	0.10	0.08	0.11	0.42	GBP 10	1.94	0.06 -0.32
CAD	0.50	1.17	0.83	1.86	JPY 10	0.28	0.00 -1.99

Overnight Futures		
	Last	Chge
Australia		
3 mth bill	97.75	0.00
3 Yr bond	97.93	-0.01
10 Yr bonc	97.15	-0.02
3/10 sprd	0.78	0.02
SPI	63.0	1.2

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
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		-60.7		-58.411	13.30	0.30
US	S&P/CS 20 City MoM/YoY	Oct		0.7/5.6		0.61/5.45	14.00	1.00
CA	Bloomberg Nanos Confidence	Dec 25				55	15.00	2.00
US	Consumer Confidence Index	Dec		93.6		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		5.2		5.3	9.00	20.00
US	Pending Home Sales MoM/YoY	Nov		0.6/2.85		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		49.8		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		53	8.55	19.55
EC	Markit Eurozone Manufacturing PMI	Dec F		53.1		53.1	9.00	20.00
UK	Mortgage Approvals	Nov		70.4		69.6	9.30	20.30
UK	Markit UK PMI Manufacturing SA	Dec		53		52.7	9.30	20.30
GE	CPI MoM/YoY	Dec P	0.2/0.6			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 25				55	15.00	2.00
US	Construction Spending MoM	Nov		0.5		1	15.00	2.00
US	ISM Manufacturing	Dec		49		48.6	15.00	2.00
Tuesday, 5 January 2016								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jan 3				115.4	22.30	9.30
GE	Unemployment Change (000's)/Rate	Dec		-8/6.3		-13/6.3	8.55	19.55
UK	Markit/CIPS UK Construction PMI	Dec		56.1		55.3	9.30	20.30
EC	CPI/Core CPI YoY	Dec	0.4/0.9			0.1/0.9	10.00	21.00
CA	Industrial Product Price MoM	Nov				-0.5	13.30	0.30
CA	Raw Materials Price Index MoM	Nov				0.4	13.30	0.30
US	ISM New York	Dec				60.7	14.45	1.45
NZ	Dairy Auction, early AM NZT					1.9%		
Wednesday, 6 January 2016								
US	Wards Total Vehicle Sales	Dec		17.9		18.12	20.00	7.00
AU	AiG Perf of Services Index	Dec				48.2	22.30	9.30
CH	Westpac-MNI Consumer Sentiment	Dec				113.1	1.45	12.45
GE	Markit Germany Services PMI	Dec F		55.4		55.4	8.55	19.55
EC	Markit Eurozone Services PMI	Dec F		53.9		53.9	9.00	20.00
UK	Markit/CIPS UK Services PMI	Dec		55.6		55.9	9.30	20.30
US	ADP Employment Change	Dec		190		217	13.15	0.15
US	Durable Goods Orders	Nov P		-0.6		2.9	13.30	0.30
US	Trade Balance	Nov		-44		-43.89	13.30	0.30
CA	Int'l Merchandise Trade	Nov				-2.76	13.30	0.30
US	Markit US Services PMI	Dec F		55.9		53.7	14.45	1.45
US	ISM Non-Manf. Composite	Dec		56		55.9	15.00	2.00
US	Factory Orders	Nov		-0.8		1.5	15.00	2.00
US	U.S. Fed Releases Minutes from Dec. 15-16 FOMC Meeting						19.00	6.00
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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