

Markets Today

A daily outlook for Australia, key global economies and markets

7 December 2015

A Done Deal

The US employment report virtually matched expectations (NFP +211k, unemployment steady at 5%) and effectively confirms a Fed lift-off in two weeks' time is a done deal. The report also revealed +35k of upward revisions to September and October while as expected average hourly earnings fell back to 2.3% from 2.5. The Dow gained 2.12%, the S&P climbed 2.05% and NASDAQ was up +2.08%. In contrast, Eurozone stocks continued to suffer from ECB disappointment and a stronger euro, the Eurostoxx 50 -0.38% and the Dax -0.34%.

In FX, the US dollar was stronger across the board though the DXY failed to recoup more than about a quarter of Thursday's heavy EUR-led losses, adding just 0.64% to 98.25. The broader BBDXY gained 0.41% and the ADXY lost 0.15%.

In G10 currencies, EUR/USD fared worse (-0.54% to 1.0881) while NZD bucked the stronger dollar trend to gain 0.87% to 0.6744, aided by left hand side flow in AUD/NZD (the latter -0.87% to 1.0880). AUD was little changed over the 24 hours through to the NY close, -0.03% to 0.7339. USD/JPY gained 0.41% to pull back onto a 123 handle (Y123.11) and supported by the positive response of risk assets to the payrolls report. GBP/USD lost 0.21% to 1.5112 while CAD was surprisingly resilient (-0.05%) in the face of latest oil market signals and a fairly horrible employment report (see below). NOK -0.34%, CHF -0.31% and SEK +0.01%.

In bonds, US yields actually ended lower across the curve in a renewed bull flattening after Thursday's post ECB and dollar-driven leap higher. 2s lost 1.2bps to 0.9388%, 5s were -2.8bps to 1.7055%, 10s -4.4bps to 2.2693% (having been as high as 2.3545% immediately after payrolls) and the 30-year -4.5bps to 3.0095%.

In commodities, WTI crude slumped back below \$40 (-\$1.11 to \$39.97) after OPEC, rather than revealing any plans for production cut backs, instead lifted its output ceiling from 30m barrels to 31.5 mn. The message to OPEC members is 'pump to your heart's content' (and pray we'll eventually win back market share as higher cost producers go to the wall). Brent lost \$0.61 to \$43.23. Hard commodities continued to key positively off Thursday's dollar drop, LME +1.59%, though iron ore lost another \$0.72 to a fresh cycle low of \$40.03. Gold jumped \$24 to \$1086.

Last week's data for the w/e Dec 1 shows overall speculative long dollar positioning vs. G10 currencies slipped very slightly, to 391k from 399k (the latter matching the early 2015 high). This was mostly on a paring of the AUD net short (-46.6k from -57.1k) and GBP (-28.3k from -32.3k). EUR shorts actually extended into the ECB (-182.8k from -175.5k) so helping explain the violence of Thursday's squeeze higher. JPY shorts were trimmed, -74.9k from -77.3k; NZD longs

extended to 4.8k from 4.0k; CAD little changed (-39.0k from -38.6k) and CHF -24.8k from -22.2k. In rates, net speculative shorts in 5s blew out to 265.6k from 138.9k. 2s went from -53.8k to -70.6k while in 10s a net short of -48.1k flipped to a net long of 5.5k.

Looking at other data releases, the October US trade deficit came in worse than expected at \$43.9bn (-\$40.5bn expected) with commentators suggesting net exports currently look set to trim at least ½ % off Q4 GDP growth. Canada delivered a shocking November employment report and softer trade figures. Employment fell by 35.7k (consensus -10.0k), the unemployment rate ticked up to 7.1% from 7.0% (7.0% expected) and the trade deficit widened to C\$2.7bn from a revised 2.3bn in September. Earlier in Europe, German factory orders (Oct) exceeded expectations rising 1.8% m/m (1.2%E, -0.7%P revised up from -1.7%).

CoreLogic RPData's weekend auction clearance printed the lowest reading for 2015 at 59.2% compared to 60.1% over the previous week. Melbourne preliminary results show a 63% success rate down from 65.9% last week. In Sydney the preliminary clearance rate fell for the tenth consecutive week to 55.6% from 56.2% previously. Last week, nationwide auction volumes fell to 3209 from 3729.

Friday was also a busy day for Central Bank speakers. Of note, New Philadelphia Fed president Patrick Harker (non-voter) showed his colours saying "raising rates this year will, in my view, serve to reduce monetary policy uncertainty and keep the economy on track for sustained growth with price stability". ECB President Draghi, in NYC noted "we are ready at any time to recalibrate our array of tools" and defended Thursday's decision by saying the EC's QE recalibration was 'exactly the right one' and that the ECB will reach its inflation goal 'without delay'.

Coming Up

We have another busy week of data releases. In Offshore markets, focus is likely to shift towards China with November trade figures on Tuesday, CPI/PPI Wednesday, retail sales, industrial production, fixed asset investment all Saturday. Japan releases revised GDP and current account figures on Tuesday. Over the weekend, Akira Amari, the country's economy minister, predicted Japan's recession will soon be exposed as an illusion with this week's data revisions turning from contractionary to growth. In the US we get JOLTS job openings and NFIB small business Tuesday while retail sales and consumer sentiment are out Friday.

As for central banks, we have two BOJ speakers on Monday including Governor Kuroda. ECB's Lautenschlaeger and Nowotny speak Wednesday, Bundesbank's Weidmann speaks Thursday. Thursday also brings RBNZ, SNB and BOE rate announcements.

In Australia, the two highlights for the week are the NAB Business Survey Tuesday and Employment on Thursday. There is also the possibility of a regular December Interview Governor Stevens has had with the AFR weekend edition in recent years.

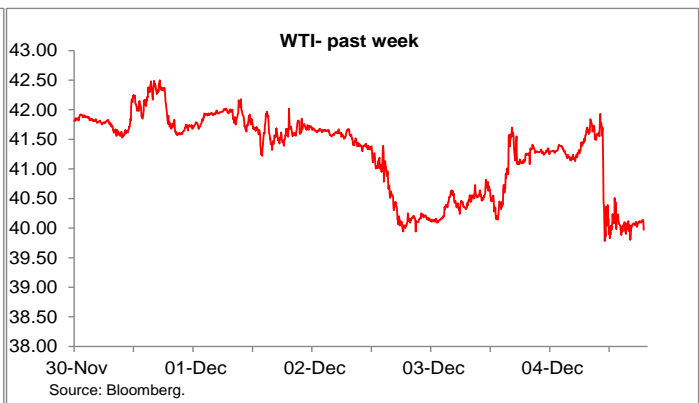
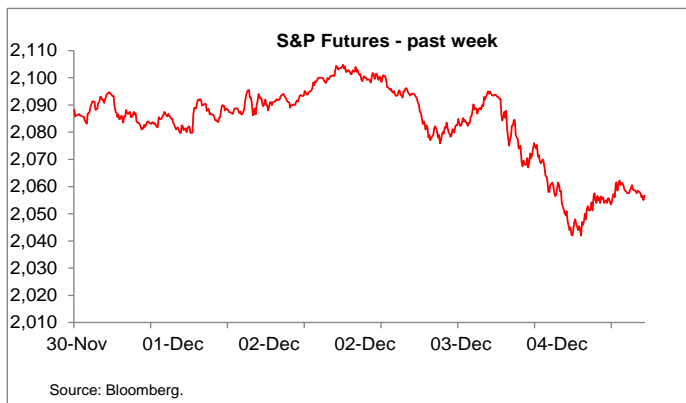
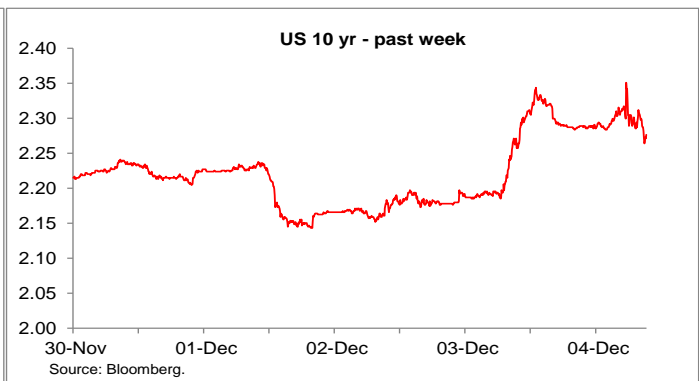
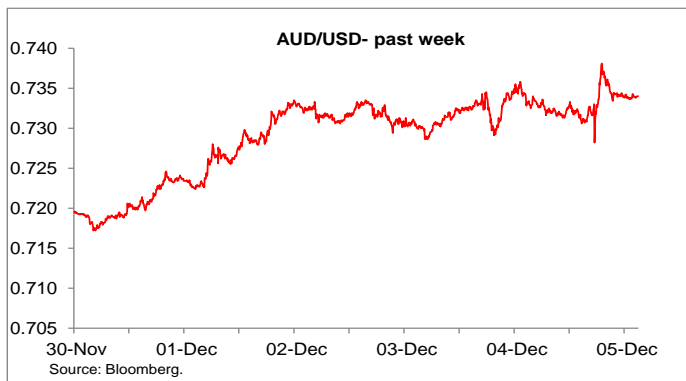
ANZ job ads kick start the week in Australia while in Europe we get German Industrial production (Oct) followed by Consumer credit (Oct) in the US. Fed Bullard is also scheduled to speak.

Friday's Markets

On global stock markets, the S&P 500 was +2.05%. Bond markets saw US 10-years -4.43bp to 2.27%. On commodity markets, Brent crude oil -1.92% to \$43, gold+2.1% to \$1,085, iron ore -1.8% to \$40.03. AUD is at 0.734 and the range was 0.7279 to 0.7385.

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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	0.7340	0.0	0.7336	0.7346	HKD	7.7501	0.0	Dow	17,848	+2.1	-0.6	Oil (Brent)	43.00	-1.9
NZD	0.6741	-0.1	0.6734	0.6742	CNY	6.4027	0.1	S&P 500	2,092	+2.1	0.8	Oil (WTI)	39.97	-2.7
EUR	1.0871	-0.1	1.0861	1.0883	SGD	1.3967	-0.1	Nasdaq	5,142	+2.1	7.6	Oil (Tapis)	43.75	1.6
GBP	1.5102	-0.1	1.5092	1.5118	IDR	13,834	-0.1	FTSE	6,238	-0.6	-7.5	Gold	1084.50	2.1
JPY	123.18	0.1	123.15	123.26	THB	35.79	0.0	DAX	10,752	-0.3	6.6	CRB	183.24	0.0
CAD	1.3370	0.1	1.3363	1.3372	KRW	1,157	-0.7	CAC 40	4,715	-0.3	6.7	GS Metals	249.3	1.8
AUD/EUR	0.6753	0.1			TWD	32.70	-0.3	Nikkei	19,504	-2.2	8.8	Aluminium	1510	2.7
AUD/JPY	90.42	0.1			PHP	47.04	-0.3	Shanghai	3,525	-1.7	20.0	Copper	4612	1.1
AUD/GBP	0.4861	0.1			CHF	1.00	0.1	Hang Seng	22,236	-0.8	-7.4	Nickel	8948	1.5
AUD/NZD	1.0897	0.1			SEK	8.50	0.2	ASX 200	5,152	-1.5	-3.4	Zinc	1536	1.9
												Ch. steel		
												Iron ore		
												Coal		
												Wheat Chic.		
												Sugar		
												Cotton		
												Coffee		
												CO₂ Emissions - Euros		
												Last		
												Jun-2015		
												Dec-2015		
												Dec-2016		

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

Monday, 7 December 2015						
NZ	Wholesale trade, QoQ	Q3		1	-1	21.45 8.45
NZ	Selected services	Q3				21.45 8.45
AU	AiG Perf of Construction Index	Nov			52.1	22.30 9.30
AU	ANZ Job Advertisements MoM	Nov			0.4	0.30 11.30
JN	BoJ's Sato speaks in Nara					1.30 12.30
JN	BoJ's Kuroda speaks at Europlace					3.45 14.45
JN	Leading Index CI	Oct P		102.9	101.6	5.00 16.00
GE	Industrial Production SA MoM/YoY	Oct		0.7/0.6	-1.1/0.2	7.00 18.00
EC	Sentix Investor Confidence	Dec		17	15.1	9.30 20.30
CH	Foreign Reserves	Nov		3492.5	3525.51	
UK	CBI Trends Total Orders/Selling Prices	Dec		/	-11/-2	11.00 22.00
US	Labor Market Conditions Index Change	Nov			1.6	15.00 2.00
US	Fed's Bullard speaks on Monetary Policy in Muncie, Indiana					17.30 4.30
US	Consumer Credit	Oct		18	28.918	20.00 7.00
Tuesday, 8 December 2015						
NZ	Crown Financial Statements	Oct				21.00 8.00
NZ	Mfg Activity SA QoQ	3Q			0.4	21.45 8.45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Dec-06			112.8	22.30 9.30
JN	GDP SA QoQ, revised	3Q F		0.1	-0.2	23.50 10.50
JN	BoP Current Account Adjusted	Oct		1535	776.2	23.50 10.50
AU	NAB Business Conditions/Confidence	Nov			9/2	0.30 11.30
CH	Trade Balance	Nov		64	61.64	3.00 14.00
JN	Eco Watchers Survey Current/Outlook	Nov			48.2/49.1	5.00 16.00
CH	Foreign Direct Investment YoY CNY	Nov		0.2	4.2	7.50 18.50
UK	Industrial Production MoM/YoY	Oct		0.1/1.3	-0.2/1.1	9.30 20.30
EC	GDP SA QoQ/YoY	3Q P		0.3/1.6	0.3/1.6	10.00 21.00
US	NFIB Small Business Optimism	Nov		96.5	96.1	11.00 22.00
CA	Housing Starts/Building permits MoM	Nov			198.065/-6.7	13.15 0.15
US	JOLTS Job Openings	Oct		5580	5526	15.00 2.00
CA	BoC's Poloz speaks					18.10 5.10
Wednesday, 9 December 2015						
AU	Westpac Consumer Conf Index/MoM	Dec			101.7/3.9	23.30 10.30
JN	Machine Orders MoM/YoY	Oct		-1.6	7.5/-1.7	23.50 10.50
AU	Home Loans/Investment Lending MoM	Oct	-0.5	-1	2/-8.5	0.30 11.30
CH	CPI/PPI YoY	Nov		1.4/-6	1.3/-5.9	1.30 12.30
EC	ECB's Lautenschlaeger speaks in Abu Dhabi					6.00 17.00
JN	Machine Tool Orders YoY	Nov P			-22.9	6.00 17.00
GE	Current Account Balance	Oct		23.7	25.1	7.00 18.00
GE	Labor Costs SA QoQ/YoY	3Q			0.9/3.1	7.00 18.00
EC	ECB's Nowotny presents Austrian Economic Outlook					9.00 20.00
US	Wholesale Inventories MoM	Oct		0.1	0.5	15.00 2.00
Thursday, 10 December 2015						
NZ	RBNZ Official Cash Rate			2.25	2.5	2.75 20.00 7.00
NZ	Card Spending Retail MoM	Nov		0.3	0.4	0 21.45 8.45
AU	Consumer Inflation Expectation	Dec			3.5	0.00 11.00
UK	RICS House Price Balance	Nov		49.5	49	0.10 11.10
AU	Employment Change/Unemployment	Nov		-17/6	-10/6	58.6/5.9 0.30 11.30
AU	Participation Rate	Nov		65	65	0.30 11.30
CH	New Yuan Loans/Agg Financing CNY (10-15 Dec release)	Nov		735/950	513.6/476.7	8.01 19.01
UK	Trade Balance	Oct		-1750	-1353	9.30 20.30
EC	ECB's Coeure speaks in Brussels					11.30 22.30
UK	BoE Bank Rate/ Asset Purchase Target			0.5/375	0.5/375	12.00 23.00
CA	Capacity Utilization Rate	3Q			81.3	13.30 0.30
CA	New Housing Price Index MoM/YoY	Oct			0.1/1.3	13.30 0.30
US	Import Price Index MoM	Nov		-0.8/-9.5	-0.5/-10.5	13.30 0.30
US	Initial Jobless Claims	Dec-05			269	13.30 0.30
EC	Bundesbank Weidmann speaks in Lisbon					18.00 5.00
US	Monthly Budget Statement	Nov		-67.5	-136.5	19.00 6.00
Friday, 11 December 2015						
NZ	BusinessNZ Manufacturing PMI	Nov			53.3	21.30 8.30
NZ	Food Prices MoM	Nov		0.1	-1.2	21.45 8.45
NZ	ANZ Consumer Confidence Index/MoM	Dec			122.7/6.8	0.00 11.00
NZ	Non Resident Bond Holdings	Nov			68.8	2.00 13.00
GE	CPI MoM/YoY	Nov F		0.1/0.4	0.1/0.4	7.00 18.00
UK	BoE/GfK Inflation Next 12 Mths	Nov			2	9.30 20.30
US	Retail Sales Advance/Ex autos and gas MoM	Nov		0.3/0.4	0.1/0.3	13.30 0.30
US	PPI Final Demand MoM	Nov			0	13.30 0.30
US	Business Inventories	Oct		0.1	0.3	15.00 2.00
US	U. of Mich. Sentiment/5-10 yr inflation expectations	Dec P		92	91.3/2.6	15.00 2.00
Saturday, 12 December 2015						
CH	Retail Sales YoY	Nov		11.1	11	5.30 16.30
CH	Industrial Production YoY	Nov		5.7	5.6	5.30 16.30
CH	Fixed Assets Ex Rural YTD YoY	Nov		10.1	10.2	5.30 16.30
CH	Bloomberg GDP Monthly Estimate YoY	Nov			6.57	6.00 17.00
Upcoming Central Bank Interest Rate Announcements						
New Zealand, RBNZ		10-Dec		2.25%	2.50%	2.75%
UK BOE		10-Dec				0.50%
US Federal Reserve		16-Dec				0-0.25%
Japan, BoJ		18-Dec	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%
Canada, BoC		20-Jan				0.50%
Europe ECB		21-Jan				0.05%
Australia, RBA		2-Feb	2.00%	2.00%		2.00%

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

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