



Markets Today

A daily outlook for Australia, key global economies and markets

8 December 2015

More commodity carnage

Commodities were front and centre of market attention overnight, with oil prices taking another sizeable hit, both WTI and Brent crude down between 5-6% in the wake of OPEC officially abandoning its 30mb target late last week. The price of oil has made new lows for the year, and is at the lowest level since early 2009. Elsewhere in the commodity space, base metals also declined, as did gold, while the price of iron ore is down another \$0.97, -2.42% to \$US39.06/t with the Australian shipment of iron ore continuing at a heady pace. Shipments out of Port Hedland were 37.3mt in November, up 2.2% from October and 8.5% from year earlier levels.

Not surprisingly, commodity currencies have taken some heat, and this time the AUD has given back some ground trading back down to the mid 72s, down 1% overnight unable to sustain support the face of unrelenting commodity headwinds. Ahead of the RBNZ meeting on Thursday with the market split view on whether the Bank will cut or not, the NZD declined by a lesser 0.44%. With commodity currencies weak, the USD has a little further, though not against the Euro and the yen that have more than holding their ground.

Weighing in with his views on lift-off, St Louis Fed President James Bullard (hawkish, non-voter) added his voice supporting lift-off saying that it should be seen as good news for the US economy. He said the US labour market is doing very well and in his views unemployment will fall to the low 4% range. He also noted that the Fed's is watching inflationary expectations very carefully and they have not been unhinged. Pricing for Fed lift-off next week inched a little higher to 78% overnight.

And finally, one to pop into the memory banks for future use. Released yesterday by the RBA as a Research Discussion Paper "Okun's Law and Potential Output", RBA research estimated that potential output for the Australian economy is currently running a bit below 3%. We mention that because at 2½%, Australia's growth to Q3 was running not far shy of that potential (something Stevens also mentioned last week in Perth), hence a steady rate of unemployment at around 6%.

Coming up

First up for Kiwi dollar watchers this morning there are two second tier releases, and financial accounts for October at 8 AM a EDT followed 45 minutes later by Q3 manufacturing. Weekly ANZ-Roy Morgan is released 930 followed at 50 by expected upward revision to Q3 GDP for Japan, from -0.2 to flat for the quarter.

The market though will be focussed on the November NAB Business Survey at 11.30, followed (~2pm) by the November Chinese trade numbers, the latter setting growth sentiment ahead of Saturday's trio of Chinese economic activity reports for November. As a reminder, the NAB business survey for October revealed a pullback in business confidence but steady business conditions, all three components of the business conditions index little changed. The NAB survey is becoming increasingly market sensitive as an up-to-date pervasive indicator on the growth

condition of the Australian non-farm business economy, including what the survey says about the differential performance across states and industries.

In Europe, there is a later vintage of Eurozone Q3 GDP though no revision is forecast. In the US, there is the NFIB small business optimism index for November, a small increase tipped from 96.1 to 96.4, followed later by JOLTS job openings data for October, more underlying flow details behind Friday's non-farm payrolls. Neither is likely to impact too much on market pricing for the Fed and the dollar. For Canadian dollar watchers, Bank of Canada Governor Poloz is speaking as well as Canadian housing starts and building permits data.

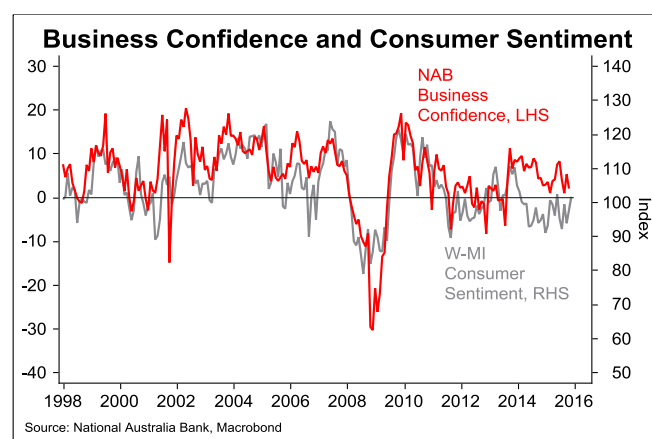
Overnight

- Oil slumps further; iron ore down too, as is the AUD :** Eurostoxx 600 +0.5%, Dax +1.2%, CAC +0.9%, FTSE -0.2%. Dow -175 points to 17,673, -1.0%, S&P 500 -1.0%, Nasdaq -1.1%, VIX 16.90 +14.1%. Shanghai +0.3%, Mumbai +0.3%, Nikkei 225 -1.1% and ASX 200 +0.1%; ASX SPI futures this morning -0.3%. US bond yields: 2s at 0.93% (-1), 10s at 2.22% (-5). WTI oil at \$37.55 (-6.1%), Brent at \$40.69 (-5.4%), Malaysian Tapis (yesterday) \$42.63 (-2.6%). Gold at \$1071.70/oz (-1.1%). Base metals: LME copper -1.2%, nickel -2.4%, aluminium -1.9%. Iron ore \$39.1/t -2.4% Chinese steel rebar futures -0.7%. Soft commodities spot futures: wheat -0.3%, sugar -1.2%, cotton -0.2%, coffee -0.7%. Euro CO² emissions price (Dec 15) -1.3%. The AUD/USD's range overnight 0.7256-0.7336; indicative range today 0.7240-0.7305; the AUD/USD is 0.7266 now
- EC Sentix Investor Confidence (Dec) 15.7 (L: 15.1; F: 17); German industrial production (Oct) 0.2%/0.0% (L: -1.1%/0.4%; E: 0.8%/0.7%)**
- US Labour Market Conditions Index change (Nov) 0.5 (L: 1.6; E: 1.6)**

Good luck.

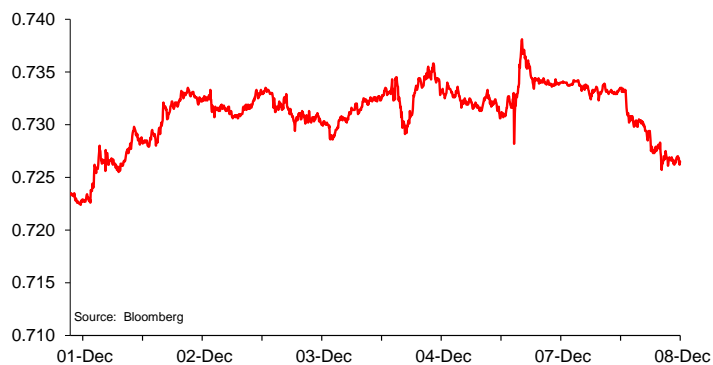
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Chart of the day: Confidence back to about average levels

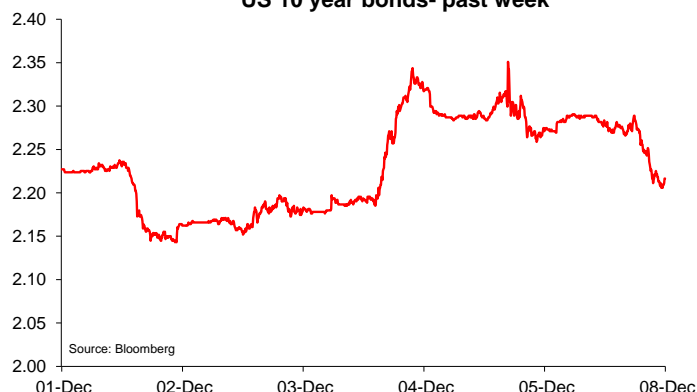


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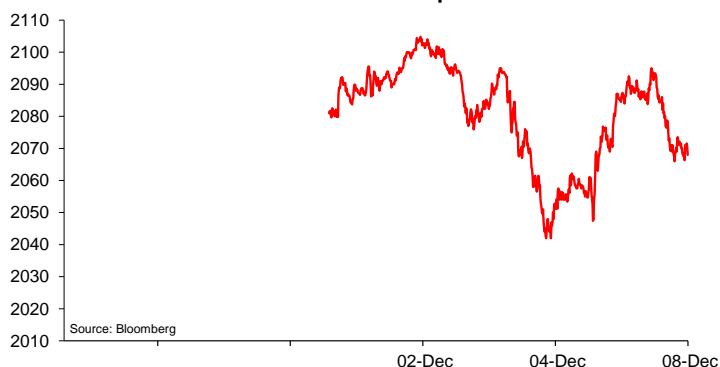
AUD/USD- past week



US 10 year bonds- past week



S&P 500 futures- past week



WTI futures- past week



Foreign Exchange					Equities					Commodities*				
Indicative 24hr ranges (**)				Other FX		Major Indices					Last	% day		
	Last	% chge	Low	High		Last	% chge		Last	% day	% year			
AUD	0.7266	-1.0	0.7257	0.7346	HKD	7.7506	0.0	Dow	17,673	-1.0	-1.6	Oil (Brent)	40.69	-5.4
NZD	0.6648	-0.4	0.6638	0.6683	CNY	6.4076	0.0	S&P 500	2,070	-1.1	-0.3	Oil (WTI)	37.55	-6.1
EUR	1.0844	0.3	1.0795	1.0861	SGD	1.4059	0.1	Nasdaq	5,086	-1.1	6.4	Oil (Tapis)	42.63	-2.6
GBP	1.5063	-0.1	1.5045	1.5092	IDR	13,863	0.0	VIX Index	16.90	14.1	43.0	Gold	1071.70	-1.1
JPY	123.32	-0.1	123.20	123.53	THB	35.89	0.0	FTSE	6,224	-0.2	-7.7	CRB	178.57	-2.6
CAD	1.3513	0.6	1.3423	1.3526	KRW	1,177	0.6	DAX	10,886	1.2	7.9	GS Metals	249.3	1.8
AUD/EUR	0.6700	-0.8			TWD	32.91	0.1	CAC 40	4,756	0.9	7.6	Aluminium	1485	-1.9
AUD/JPY	89.60	-0.6			PHP	47.10	-0.1	Nikkei	19,698	1.0	9.8	Copper	4557	-1.2
AUD/GBP	0.4824	-0.4			CHF	1.00	-0.2	Shanghai	3,537	0.3	17.1	Nickel	8760	-2.4
AUD/NZD	1.0928	-0.2			SEK	8.55	0.1	Hang Seng	22,203	-0.1	-7.7	Zinc	1531	-1.4
								ASX 200	5,156	0.1	-4.0	Ch. steel	1649	-0.7
												Iron ore	39.1	-2.4
												St. coal	52.7	0.0
												Wheat Chic.	489.8	-0.3
												Sugar	15.30	-1.2
												Cotton	64.57	-0.2
												Coffee	126.1	-0.7

Interest Rates					Benchmark 10 Year Bonds				Overnight Futures		
Indicative Swap Rates									Last	Chge	
	Cash	3mth	2Yr	10Yr		Last	chge	Spnd			
USD	0.25	0.46	1.04	2.12	USD 10	2.22	-0.05		Australia		
AUD	2.00	2.31	2.18	3.02	AUD 10	2.95	0.00	0.73	3 mth bill	97.72	0.00
NZD	2.75	2.83	2.69	3.58	NZD 10	3.55	-0.02	1.33	3 Yr bond	97.86	0.04
EUR	0.05	0.06	-0.04	0.92	CAD 10	1.52	-0.06	-0.71	10 Yr bond	97.10	0.04
GBP	0.50	0.57	0.99	1.84	EUR 10	0.58	-0.10	-1.64	3/10 sprd	0.76	0.00
JPY	0.10	0.08	0.10	0.46	GBP 10	1.80	-0.12	-0.42	SPI	-14.0	-0.3
CAD	0.50	1.17	0.87	1.89	JPY 10	0.33	-0.01	-1.89			

CO ₂ Emissions - Euros		
	Last	% day
Dec-2015	8.41	-1.3
Dec-2016	8.48	-1.4
Dec-2017	8.58	-1.4

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
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		-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
CH	Exports/Imports YoY	Nov		-5/-12		-6.9/-18.8	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		0.1/1.2		-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		96.4		96.1	11.00	22.00
CA	Housing Starts/Building permits MoM	Nov		200		198.065/-6.7	13.15	0.15
US	JOLTS Job Openings	Oct		5540		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		-1.5		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		47.5		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		65	0.30	11.30
CH	New Yuan Loans/Agg Financing CNY (10-15 Dec release)	Nov		719.5/950		513.6/476.7	8.01	19.01
UK	Trade Balance	Oct		-1800		-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		82.1		81.3	13.30	0.30
CA	New Housing Price Index MoM/YoY	Oct		0.1		0.1/1.3	13.30	0.30
US	Import Price Index MoM	Nov		-0.8/-9.6		-0.5/-10.5	13.30	0.30
US	Initial Jobless Claims	Dec-05		268		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		0.3/0.3		0.1/0.3	13.30	0.30
US	PPI Final Demand MoM	Nov		0		-0.4	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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