



# Markets Today

A daily outlook for Australia, key global economies and markets

9 December 2015

## In Retreat

The AUDUSD dipped below the 72c mark overnight amid the ongoing weakness in oil and bulk commodities. Just after midnight the currency traded down to 0.7192 at the same time that Brent crude fell below \$40 a barrel for the first time since 2009. Later in the session, a rebound in the Brent oil to \$40.7 helped the AUD recover some ground taking it back above 72c to the USD.

Looking at G10 currencies performance over the past 24 hrs, commodity linked currencies are sitting at the bottom of the leader board. The NOK is the worst performer, down 1.38% followed by the CAD and AUD at -0.74% and -0.72% respectively. Safe haven currencies have outperformed with the Swiss Franc and Euro, the strongest currencies.

Concerns about oversupply and waning demand for a range of commodities have weighed on core global equity indices with energy and mining stocks leading the selloff. China's trade data released yesterday appears to have caught the markets attention. While imports fell by less than expected (-8.7% vs -11.9), more attention has been given to the weak exports numbers and its reflection of subdued foreign demand. These concerns were further compounded overnight with Anglo American announcement of a suspension of its dividend along with a cost cutting and restructuring plan amid soft demand for commodities and over supply. Rio Tinto also announced further cuts to capital expenditure. Following the news, shares in Anglo fell by more than 12% while Rio's share dropped 8.4%.

Despite the weakness in equities, core global yields were little changed. 10y Bunds fell by 1.1bps to 0.569%, 10y UK Gilts were up by 1.9bps to 1.82% and relative to Sydney closing levels 10y US Treasuries have gained 2.8bps and are currently trading at 2.236%

Data wise, in Europe the second estimate of quarterly GDP growth confirmed the slowdown from 0.4% in Q2 to 0.3% in Q3. Weaker net exports were seen as the main culprit for the softer number. In the US, the NFIB index of small firms' sentiment and activity fell to 94.8 from 96.1; below consensus of 96.4. The data suggest some loss of momentum, even though the labor market component has remained strong. In a similar vein, the October JOLTS job openings came at 5383, marginally below the 5500 expected, however it still remains close to historical highs suggesting demand for workers will remain robust over the medium term.

BoC Poloz said the central bank still forecasts the (Canadian) economy will continue to pick up speed in 2016 and 2017, with a projected return to capacity "around mid-2017." Poloz speech comes amid growing concerns over Canada's economy given recent weakens in oil and question marks on

China's economic prospect. Overnight index swaps suggest the market expects another 25bps cut by May 216, the benchmark rate is currently at 0.5% following two rate cuts this year.

## Coming Up

In Australia we get ABS housing finance for October and the December W-MI Consumer sentiment reading. Industry reports point to a 0.5% decline in owner occupied loans while the ongoing cooling in Sydney and Melbourne housing markets suggest further softness in investment lending approvals.

This morning we also get Japan's machinery orders (Oct). Consensus forecast is for a decline of -1.5% SA m/m, however the y/y figure is for a rise of 0.4% following a decline of 1.7% in September. The expected upward trend in the y/y figures suggests capital spending should continue to rise in the fourth quarter, however next week's Tankan survey will present a more comprehensive picture in this regard.

This afternoon China releases its CPI figures for November. Expectations are for a rise of 1.4% y/y from 1.3%y/y in October. Food inflation is seen as the key driver for the expected uptick in inflation while non-food inflation is expected to remain stable. An outcome in line expectations should alleviate any concerns of deflationary risks.

It's a quiet day for data releases in Europe and while we have two ECB speakers on the roster, given the nature of their speeches they are unlikely to cause any market ripples. Lautenschläger is speaking on regulatory issues in the Middle East and Nowotny is discussing Austria's economic outlook.

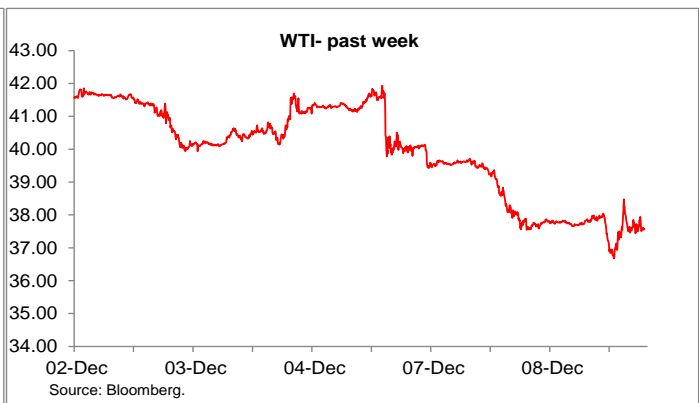
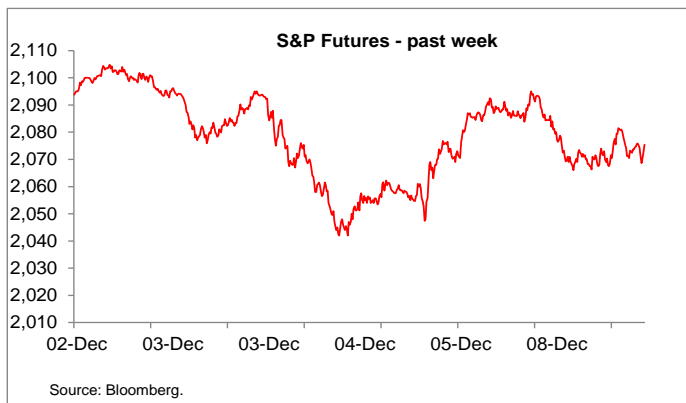
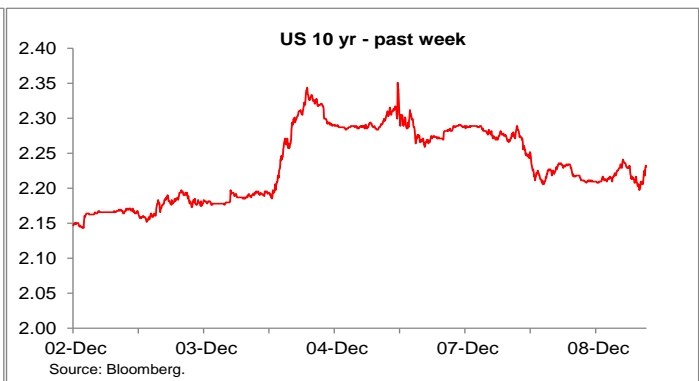
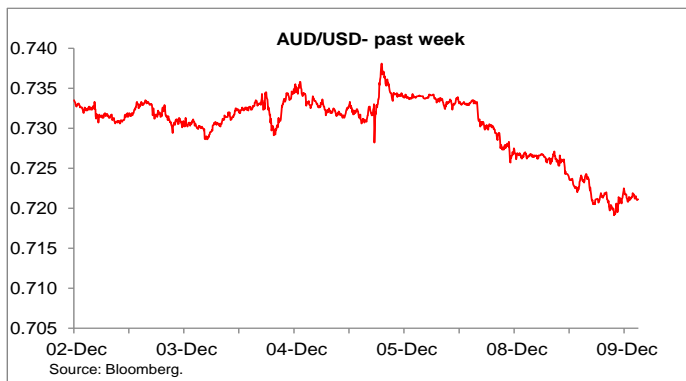
Finally in the US we get mortgage applications and whole sale inventories (Oct). Inventories are expected to rise 0.2% in October following a rise of 0.5% in the previous month. The September pickup in wholesale inventories reflected a 1.9% jump in nondurable goods, so the risk is for a larger than expected pay back in this volatile component. Fed speakers take a break until post the FOMC meeting next week.

## Overnight

On global stock markets, the S&P 500 was -0.60%. Bond markets saw US 10-years +0.53bp to 2.23%. On commodity markets, Brent crude oil -1.25% to \$40.22, gold-0.3% to \$1,074, iron ore -1.1% to \$38.65. AUD is at 0.7207 and the range was 0.7187 to 0.7271.

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Markets



Foreign Exchange								Equities				Commodities*				
<b>Indicative 24hr ranges (**)</b>				<b>Other FX</b>				<b>Major Indices</b>								
	Last	% chge	Low	High		Last	% chge		Last	% day	% y/y		Last	% day		
AUD	0.7206	-0.8	0.7187	0.7271	HKD	7.7509	0.0	Dow	17,586	-0.8	-1.5	Oil (Brent)	40.22	-1.3		
NZD	0.6632	-0.2	0.6612	0.6658	CNY	6.4179	0.2	S&P 500	2,065	-0.6	0.2	Oil (WTI)	37.58	-0.2		
EUR	1.0894	0.5	1.0830	1.0903	SGD	1.4090	0.2	Nasdaq	5,102	0.0	7.6	Oil (Tapis)	41.24	-3.3		
GBP	1.5001	-0.4	1.4957	1.5061	IDR	13,893	0.2	FTSE	6,135	-1.4	-8.0	Gold	1073.70	-0.3		
JPY	123.00	-0.3	122.72	123.40	THB	35.94	0.1	DAX	10,674	-2.0	6.6	CRB	177.39	-0.7		
CAD	1.3587	0.7	1.3497	1.3622	KRW	1,179	0.9	CAC 40	4,682	-0.9	7.0	GS Metals	245.6	-1.5		
AUD/EUR	0.6616	-1.4			TWD	32.81	0.2	Nikkei	19,493	-1.0	9.4	Aluminium	1481	-1.9		
AUD/JPY	88.66	-1.1			PHP	47.14	0.1	Shanghai	3,470	-1.9	21.5	Copper	4557	-1.2		
AUD/GBP	0.4804	-0.5			CHF	0.99	-0.8	Hang Seng	21,905	-1.3	-6.7	Nickel	8726	-2.5		
AUD/NZD	1.0865	-0.7			SEK	8.51	-0.4	ASX 200	5,109	-0.9	-3.3	Zinc	1515	-1.4		
												Ch. steel			1660	0.3
												Iron ore			38.7	-1.1
												Coal			52.5	-0.4
												Wheat Chic.			481.5	-0.3
												Sugar			15.00	-2.0
												Cotton			62.27	-0.2
												Coffee			125.2	-0.7
												<b>CO<sub>2</sub> Emissions - Euros</b>				
															Last	% day
												Jun-2015			8.43	0.0
												Dec-2015			8.41	0.0
												Dec-2016			8.49	0.1

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
<b>Wednesday, 9 December 2015</b>								
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		0.2		0.5	15.00	2.00
<b>Thursday, 10 December 2015</b>								
NZ	RBNZ Official Cash Rate		2.5	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		735/970		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		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		269.5		269	13.30	0.30
EC	Bundesbank Weidmann speaks in Lisbon						18.00	5.00
US	Monthly Budget Statement	Nov		-68		-136.5	19.00	6.00
<b>Friday, 11 December 2015</b>								
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		-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
<b>Saturday, 12 December 2015</b>								
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
<b>Monday, 14 December 2015</b>								
NZ	Performance Services Index	Nov				56.2	21.30	8.30
JN	Tankan Manuf Survey	4Q		12		12	23.50	10.50
AU	Credit Card Purchases	Oct				24.79	0.30	11.30
AU	Credit Card Balances	Oct				50.76	0.30	11.30
JN	Tokyo Condominium Sales YoY	Nov		-6.5		-6.5	4.00	15.00
JN	Industrial Production MoM/ YoY	Oct F				1.4	4.30	15.30
JN	Capacity Utilization MoM	Oct				1.46	4.30	15.30
JN	Tertiary Industry Index MoM	Oct				-0.4	4.30	15.30
EC	Industrial Production SA MoM/YoY	Oct				-0.3	10.00	21.00
UK	CBI Reported Sales	Dec				7	11.00	22.00
GE	Wholesale Price Index MoM/ YoY	Nov				-0.4		
<b>Tuesday, 15 December 2015</b>								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Dec-13				112.8	22.30	9.30
AU	RBA Dec. Meeting Minutes							
AU	House Price Index QoQ/ YoY	3Q				4.7	0.30	11.30
AU	New Motor Vehicle Sales MoM/ YoY	Nov				-3.6	0.30	11.30
UK	CPI MoM/YoY	Nov				0.1	9.30	20.30
UK	Retail Price Index	Nov				259.5	9.30	20.30
UK	RPI MoM/ Yoy	Nov				0	9.30	20.30
UK	PPI Input NSA MoM/ YoY	Nov				0.2	9.30	20.30
UK	PPI Output NSA MoM/ Yoy	Nov				0	9.30	20.30
EC	Employment QoQ/ YoY	3Q				0.3	10.00	21.00
GE	ZEW Survey Current Situation	Dec				54.4	10.00	21.00
CA	Manufacturing Sales MoM	Oct				-1.5	13.30	0.30
US	Empire Manufacturing	Dec		-5.25		-10.74	13.30	0.30
US	CPI MoM/YoY	Nov		0		0.2	13.30	0.30
US	Real Avg Weekly Earnings YoY	Nov				2.1	13.30	0.30
CA	Existing Home Sales MoM	Nov				1.8	14.00	1.00
US	NAHB Housing Market Index	Dec		63		62	15.00	2.00
CA	Bank of Canada - Financial System Review							
US	TIC Flows Data	Oct				-175.1	21.00	8.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
New Zealand, RBNZ		10-Dec	2.50%	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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