



Markets Today

A daily outlook for Australia, key global economies and markets

12 January 2016

Under Pressure

Today's title is not only fitting to what has transpired in markets over the past 24 hrs, but it also serves as a tribute to the passing of a music legend. Freddie Mercury and Queen wrote the original version of the song, but were not satisfied. David Bowie added his magic to the tunes and lyrics in a jam session and the 1981 hit was born.

Yesterday's flat fix of the USDCNY along with the increase in cost of the CNH on the interbank market (up to 13.39% vs daily average of 4.54%) helped stabilise the currency. After trading to a high of 6.7078 before mid-day, the USD/CNH has been on a downward trend since and over the past hour it looks to be settling around 6.5976, its lowest level since Monday last week. USD/CNY has also drifted lower and it is currently trading at 6.5711. The stabilisation in the currency, however, did little to calm the Chinese equity market. In another volatile session the Shanghai and Shenzhen composite indices ended the day down -5.33% and 6.60% respectively.

Asian equity markets also ended the day in negative territory and while initially European and US equity indices appeared to have regained a stronger footing, lingering concerns over China's growth outlook and a selloff in commodities dragged equity markets lower with resource companies leading the slide. The start of the Q4 earnings reporting season has also been a contributing factor as investors choose to wait and see to what degree company profits and outlooks have changed over the past quarter. In Europe the FTSE100 ended the day -0.69% and the Eurostock index closed at -0.2%. Across the Atlantic, US equity indices look set to end the day down between -0.30% and 1.0%.

In currencies, the AUD has been the G10 outperformer over the past 24 hrs, up 0.33% against the USD and currently trading at 0.6977. The AUD has benefited by a stabilisation in the CNY while at the same time oil related currencies have come under renewed pressure following the decline in oil prices. Notably too, Yen is marginally lower against the USD after outperforming every day last week.

Core global yields have given back some of the gains from last week. 10y Bunds are up 2.7bps to 0.539% and relative to Sydney closing levels 10y UST are up 4.5bps and currently trading at 2.16%. Planned new issuance of US Treasury bonds this week has probably contributed to their underperformance.

In commodities, WTI and Brent are down 5.8% and 6.4% respectively. Gold is almost unchanged at \$1094 and iron ore fell 2.0% to \$41.3.

As for the data releases, the Eurozone Sentix investor confidence index fell to 9.6 in January from 11.4 in the previous month. The decline in the index was in line with

expectations given the softness in equity indices at start of the year. In the US, the Fed labor market conditions index climbed to 2.9 in December after advancing a similarly strong 2.7 points in November and 2.9 points in October.

In other news, the chief economist at PBoC's Research Bureau Ma Jun said that the CNY will be more tied to a basket of currencies rather than the USD and that the PBoC would "appropriately limit" daily USD/CNY volatility.

Overnight, Fed Lockhart said he favours continued tightening of monetary policy this year, and a global selloff in stock markets is unlikely to affect the U.S. economy.

Coming Up

China remains at the centre of investors' mind and after two small positive USD/CNY fixes and still soft equity market, it would be interesting to see where the PBoC sets the USD/CNY today. Note that today (or later this week) we could also get China's money supply and lending stats.

Looking at data releases scheduled for today. In Australia we have a quiet day with the Weekly Consumer Confidence index the only highlight. Japan releases its current account balance data for November and Bloomberg is showing consensus expectations are at ¥895bn surplus versus ¥1.46tn in the previous month. The expected surplus decline is largely a function of an anticipated deterioration in the trade balance (¥200.2tn for ¥158.7tn) driven by a slowdown in Asian demand for Japan's exports.

In Europe we get French business sentiment indicator for December and UK industrial production for November. Both data releases are unlikely to trouble the scores. Meanwhile, in the US we get the January reading for the NFIB small business optimism and the November Jolts report. Given low inflation and falling energy costs along with a rebound in key labour market numbers, the headline NFIB index is expected to rise to 96 in December from 94.8 in January. Because of the healthy state in the labour market, the JOLTS report is unlikely to get too much attention, however another reading close to or above 5440k should help confirm the pace of hiring will remain at a healthy level over the medium term.

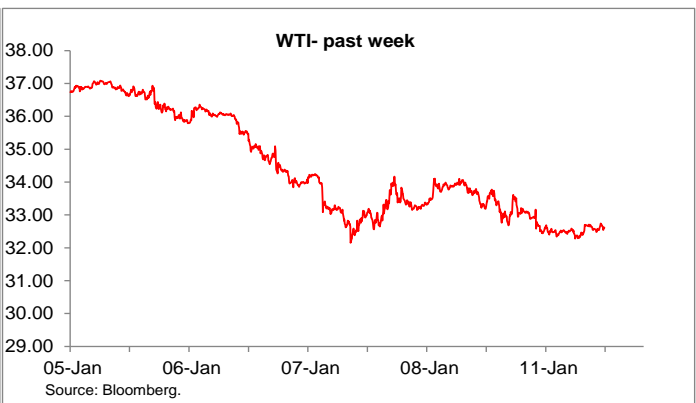
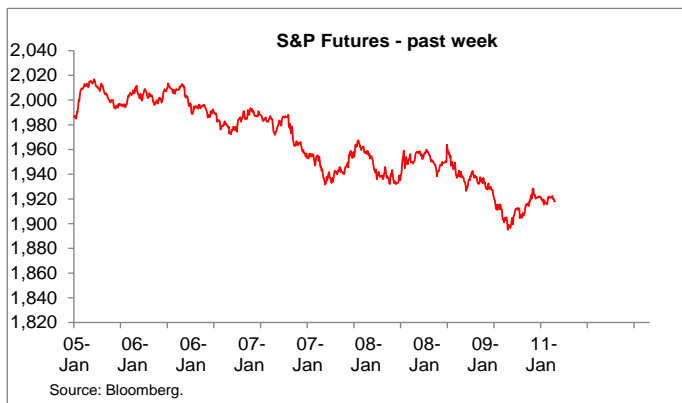
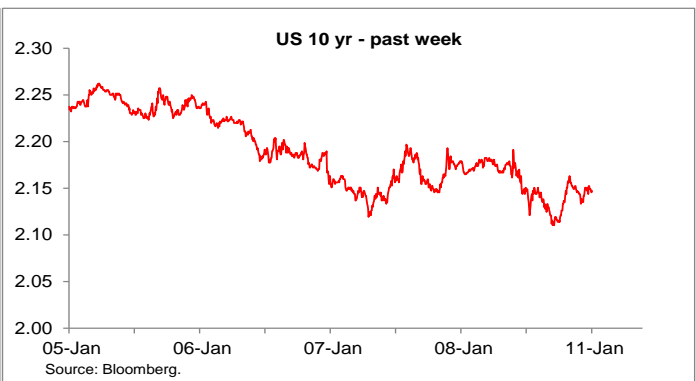
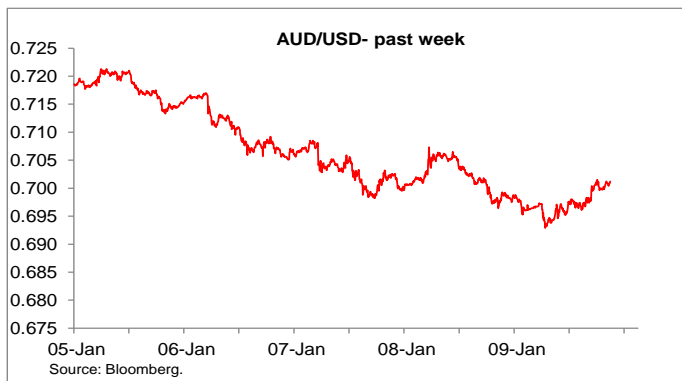
Finally, the US corporate earnings season should unofficially get underway within the next hour as Alcoa delivers its Q4 report after the bell. US Fed Fisher and Lacker speak tonight.

Overnight

On global stock markets, the S&P 500 was -0.40%. Bond markets saw US 10-years +4.57bp to 2.16%. On commodity markets, Brent crude oil -6.44% to \$31.39, gold -0.3% to \$1,094, iron ore -2.0% to \$41.31. AUD is at 0.6982 and the range was 0.6928 to 0.7036.

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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	0.6976	0.3	0.6928	0.6983	HKD	7.7624	-0.1	Dow	16,346	-1.0	-7.8	Oil (Brent)	32.74	-2.4	
NZD	0.6542	0.0	0.6509	0.6568	CNY	6.5826	-0.4	S&P 500	1,922	-1.1	-6.0	Oil (WTI)	32.48	-2.1	
EUR	1.0879	-0.4	1.0908	1.0970	SGD	1.4384	-0.5	Nasdaq	4,644	-1.0	-1.3	Oil (Tapis)	34.45	3.3	
GBP	1.4552	0.2	1.4494	1.4559	IDR	13,921	-0.4	FTSE	5,912	-0.7	-9.1	Gold	1103.30	0.5	
JPY	117.35	0.1	116.70	117.48	THB	36.29	0.0	DAX	9,849	-1.3	2.1	CRB	168.58	0.0	
CAD	1.4234	0.4	1.4155	1.4188	KRW	1,208	1.0	CAC 40	4,334	-0.4	3.7	GS Metals	242.9	-0.1	
AUD/EUR	0.6390	0.8			TWD	33.39	0.2	Nikkei	17,698	-0.4	2.9	Aluminium	1491	1.1	
AUD/JPY	81.83	0.4			PHP	47.27	-0.1	Shanghai	3,110	-2.4	-5.3	Copper	4486	-0.9	
AUD/GBP	0.4799	0.1			CHF	0.99	0.5	Hang Seng	19,953	-2.4	-16.6	Nickel	8530	0.6	
AUD/NZD	1.0691	0.4			SEK	8.51	0.2	ASX 200	4,922	-1.4	-9.9	Zinc	1499	0.2	
											Ch. steel			1766	0.3
											Iron ore			42.1	-1.2
											Coal			50.3	-2.0
											Wheat Chic.			483.3	-0.1
											Sugar			14.46	-2.0
											Cotton			61.36	-0.1
											Coffee			119.0	0.5
											CO₂ Emissions - Euros				
														Last	% day
											Jun-2015			7.42	-1.9
											Dec-2015			ald Not App	N/A
											Dec-2016			7.46	-1.8

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, 12 January 2016								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jan 10				116.3	22.30	9.30
JN	BoP Current Account Adjusted	Nov		1512.8		1493.7	23.50	10.50
JN	Trade Balance BoP Basis	Nov		-158.7		200.2	23.50	10.50
NZ	ANZ Commodity Price	Dec				-5.6	0.00	11.00
UK	BRC Sales Like-For-Like YoY	Dec		0.5		-0.4	0.10	11.10
JN	Consumer Confidence Index	Dec		42.4		42.6	5.00	16.00
UK	Industrial Production MoM	Nov		0		0.1	9.30	20.30
UK	Industrial Production YoY	Nov		1.7		1.7	9.30	20.30
US	Fed's Fischer Speaks in Paris (speech is a repeat of the one given last week)						10.30	21.30
EC	ECB's Praet speaks in Paris							21.30
US	NFIB Small Business Optimism	Dec		95		94.8	11.00	22.00
JN	Eco Watchers Survey Current	Dec		46.6		46.1	6.00	17.00
JN	Eco Watchers Survey Outlook	Dec		48		48.2	6.00	17.00
UK	BoE's Carney speaks in Paris						14.15	1.15
US	JOLTS Job Openings	Nov		5400		5383	15.00	2.00
EC	ECB's Lautenschlaeger speaks in Frankfurt						19.00	6.00
US	Fed's Lacker speak on Outlook in Columbia						20.15	7.15
Wednesday, 13 January 2016								
AU	Job vacancies	Nov				2.7	0.30	11.30
CH	Trade Balance	Dec		\$52.3b				unknown
CH	Exports/Imports YoY	Dec		-7.5%/-10.9%		-6.8%/-8.7%		unknown
EC	Industrial Production SA MoM	Nov		-0.3		0.6	10.00	21.00
EC	Industrial Production WDA YoY	Nov		1.3		1.9	10.00	21.00
UK	BoE's Bailey speaks in London							22.00
US	Monthly Budget Statement	Dec		-7.1		-64.6	19.00	6.00
US	Biege Book						19.00	6.00
US	Fed's Rosengren speaks on Economic Outlook to Boston Chamber						13.00	0.00
US	Fed's Evans speaks on Economy and Monetary Policy in Iowa						17.30	4.30
Thursday, 14 January 2016								
NZ	Card Spending Retail MoM	Dec		0.5		0.3	21.45	8.45
UK	RICS House Price Balance	Dec				49	0.10	11.10
AU	Employment Change	Dec	-25	-10		71.4	0.30	11.30
AU	Unemployment Rate	Dec	5.9	5.9		5.8	0.30	11.30
AU	Participation Rate	Dec	65.1	65.2		65.3	0.30	11.30
JN	Machine Tool Orders YoY	Dec P				-17.70%	6.00	17.00
GE	GDP NSA YoY	2015		1.7			9.00	20.00
GE	Budget Maastricht % of GDP	2015		0.5			9.00	20.00
EC	ECB account of the monetary policy meeting						9.00	20.00
UK	Bank of England Bank Rate	Jan 14		0.5		0.5	12.00	23.00
US	Initial Jobless Claims	Jan 9		275		277	13.30	0.30
US	Bloomberg Consumer Comfort	Jan 10				44.2	14.45	1.45
US	Fed's Bullard speaks to economic club of Memphis						13.30	0.30
Friday, 15 January 2016								
NZ	Food Prices MoM	Dec				-0.2	21.45	8.45
AU	Home Loans MoM	Nov		-0.5		-0.5	0.30	11.30
AU	Investment Lending	Nov				-6.1	0.30	11.30
AU	Owner-Occupier Loan Value MoM	Nov	-0.6%	-0.5%		0.4	0.30	11.30
EC	Trade Balance SA	Nov		21		19.9	10.00	21.00
US	Retail Sales Advance MoM	Dec		-0.1		0.2	13.30	0.30
US	PPI Final Demand MoM	Dec		-0.2		0.3	13.30	0.30
US	PPI Ex Food and Energy MoM	Dec		0.1		0.3	13.30	0.30
US	Empire Manufacturing	Jan		-4		-4.59	13.30	0.30
US	Capacity Utilization	Dec		76.8		77	14.15	1.15
US	Industrial Production MoM	Dec		-0.2		-0.6	14.15	1.15
US	Business Inventories	Nov		-0.1		0	15.00	2.00
US	U. of Mich. Current Conditions	Jan P				108.1	15.00	2.00
Monday, 18 January 2016								
AU	TD Securities Inflation MoM	Dec				0.1	23.30	10.30
AU	TD Securities Inflation YoY	Dec				1.8	23.30	10.30
AU	New Motor Vehicle Sales MoM	Dec				1	0.30	11.30
AU	New Motor Vehicle Sales YoY	Dec				6	0.30	11.30
NZ	Non Resident Bond Holdings	Dec				67.9	2.00	13.00
JN	Industrial Production MoM	Nov F				-1	4.30	15.30
JN	Industrial Production YoY	Nov F				1.6	4.30	15.30
JN	Tertiary Industry Index MoM	Nov				0.9	4.30	15.30
CA	Bloomberg Nanos Confidence	Jan 8				53.8	15.00	2.00
Tuesday, 19 January 2016								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jan 10				116.3	22.30	9.30
JN	Tokyo Condominium Sales YoY	Dec				4.8	4.00	15.00
GE	CPI MoM	Dec F				-0.1	7.00	18.00
GE	CPI YoY	Dec F				0.3	7.00	18.00
EC	ECB Current Account SA	Nov				20.4	9.00	20.00
UK	CPI MoM	Dec				0	9.30	20.30
UK	CPI Core YoY	Dec				1.2	9.30	20.30
UK	PPI Output Core NSA YoY	Dec				-0.1	9.30	20.30
UK	ONS House Price YoY	Nov				7	9.30	20.30
EC	Construction Output MoM	Nov				0.5	10.00	21.00
GE	ZEW Survey Current Situation	Jan				55	10.00	21.00
GE	ZEW Survey Expectations	Jan				16.1	10.00	21.00
CA	Int'l Securities Transactions	Nov				22.08	13.30	0.30
US	NAHB Housing Market Index	Jan		62		61	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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