

# Markets Today

A daily outlook for Australia, key global economies and markets

13 January 2016

## This is not America

'Under Pressure' was a particularly apt title to yesterday's daily from my colleague Rodrigo by way of homage to the late great David Bowie. It is equally appropriate this morning in the context of the WTI oil price that has traded below \$30 for the first time since Dec 2003. Nymex and Brent crudes are down a further 2.6% and 1.7% respectively on the night (currently at \$30.59 and \$31.02) respectively – so back off the lows) and once again oil is proving more troublesome than supportive of global equity sentiment.

What we can say is that concerns about the health of the US economy continue to look overplayed as a source of current global market angst judging from the latest incoming data prints (see below). David Bowie's 1985 collaboration with Past Metheny therefore gets to sit atop the podium with today's title.

The Canadian, New Zealand and Australian dollars occupy three of the bottom four places in the G10 scoreboard heading into the New York close, with metals prices also lower across the board – albeit not by much - but a more mixed picture for softs. CAD is down another 0.4%, NZD - 0.3% and the AUD -0.2%. The latter still has to test Monday's 0.6928 low and the cycle low of 0.6896 seen on 7 September in the midst of the August-September China currency and stock market led ructions. More likely than not this will occur in the coming days or at most few weeks, despite the current – for now successful – efforts by the Chinese authorities to stabilise the RMB.

Having successfully squeezed out the last of the short offshore (CNH) RMB positioning yesterday with o/n Hong Kong interbank rates (Hibor) near 70% (and 120% at one point) yesterday's onshore fix – some 200 points below what was expected is also a strong signal that the authorities are currently prioritising market stability over flexibility. Another fix today close to yesterday's 6.5628 would further underscore this view, though we need to remember that pent up demand for foreign exchange by Chinese households and corporates is currently being stymied by rapidly imposed restrictions on the extent to which Chinese banks are currently able to accommodate this demand.

The wooden spoon in G10 FX is currently being carried by Sterling, after latest UK industrial production numbers, for November, printing well below expectations (-0.7% vs. 0.0% expected for total production, and -0.4% vs. +0.1% consensus for manufacturing). The Bank of England meets tomorrow – and will publish minutes and voting records immediately thereafter. This will be the first opportunity for a central bank to formally make comment on market developments thus far in 2016. There could also be a further attempt to talk the pound down.

US data last night was not top drawer but still relevant. The NFIB small business optimism survey improved to 95.2 from 94.8 (95.0 expected). We already knew last week that the hiring intentions sub-component was strong. And the JOLTS report shows that job openings rose by 82k to 5,413k in November, close to consensus. One of Janet Yellen's favourite sub-readings – for the quit rate - rose to 2% from 1.9%, suggesting employees are a little more confident about walking out of one job into another.

As was the case yesterday, US equities are staging a late session rally (aided by the pullback in oil) to just push into the black. But under the weight of the latest fall in oil prices, Treasury yields are making new lows for the year. 10s are down a further 7.6bp to 2.10% - the lowest since 27 October.

## Coming Up

With the Chinese authorities having successfully eliminated the 'basis' between the onshore and offshore RMB yesterday but done little to reduce expectations that the onshore RMB is headed lower, there will be keen interest today in what the latest China trade data delivers. Based on the December release, we should probably expect the CNY denominated data to be published near 1pm AEST, and the USD numbers an hour or so later.

Lower oil prices in December may have contributed to a further weakening in annual import growth, where the market consensus is for imports to be down 8.0% y/y in dollar terms, from -6.8% in November. Care will therefore need to be taken in judging between volume effects that represent softening demand, and value effects (negative 'J-curve' effects could also be apparent, four months on from the August currency moves). On exports, the annual contraction is seen deepening to -11% from -8.7%. Numbers such as this will do nothing to alleviate pressure on the currency, even though they would produce a trade surplus of \$51.3bn (from \$54.1bn. in November).

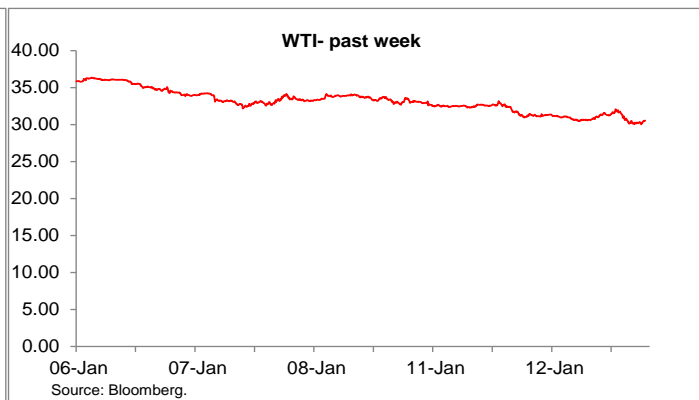
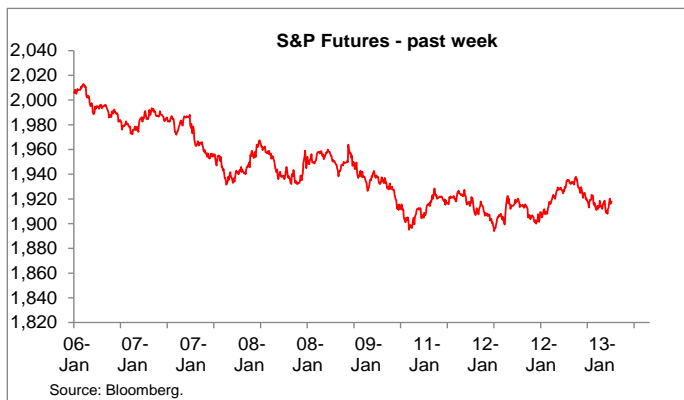
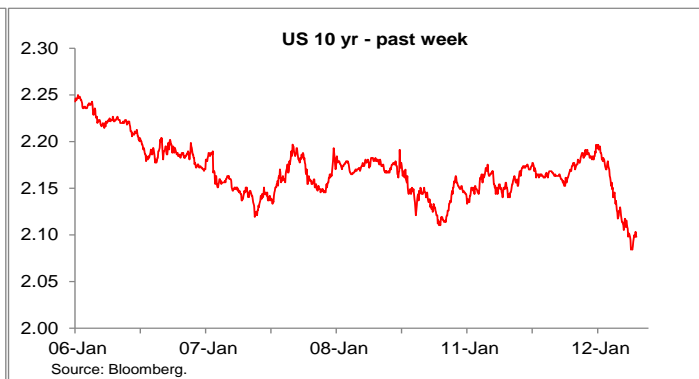
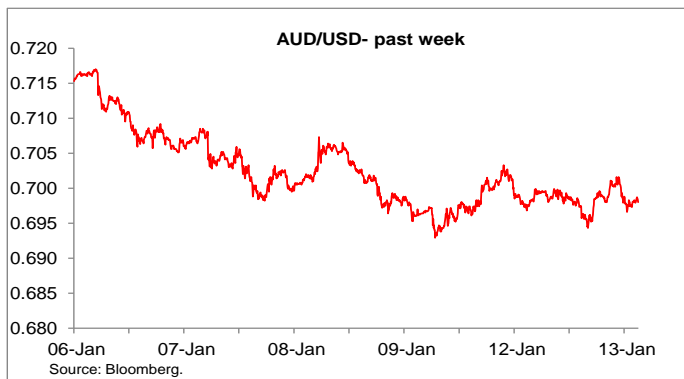
Nothing else is due in the APAC time zone. Tonight, we'll get EU industrial production, the Fed's Beige Book and speeches from the Fed's Rosengren (now an FOMC voter) and Evans (a dove who is no longer a voter).

## Overnight

On global stock markets, the S&P 500 was +0.10%. Bond markets saw US 10-years -7.74bp to 2.10%. On commodity markets, Brent crude oil -1.97% to \$30.93, gold-0.6% to \$1,090, iron ore -0.3% to \$41.19. AUD is at 0.6981 and the range was 0.694 to 0.7021.

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Markets



Foreign Exchange						
Indicative 24hr ranges (**)				Other FX		
	Last	% chge	Low	High	Last	% chge
AUD	0.6981	-0.2	0.6940	0.7021	HKD	7.7629 0.0
NZD	0.6534	-0.4	0.6515	0.6569	CNY	6.5729 0.0
EUR	1.0856	0.0	1.0820	1.0900	SGD	1.4381 0.3
GBP	1.4428	-0.8	1.4352	1.4560	IDR	13,910 0.3
JPY	117.59	-0.1	117.23	118.07	THB	36.31 0.2
CAD	1.4281	0.5	1.4177	1.4315	KRW	1,210 0.0
AUD/EUR	0.6433	-0.2			TWD	33.49 0.2
AUD/JPY	82.12	-0.3			PHP	47.44 0.6
AUD/GBP	0.4840	0.6			CHF	1.00 0.1
AUD/NZD	1.0684	0.2			SEK	8.54 0.0

Equities			
Major Indices			
	Last	% day	% y/y
Dow	16,440	+0.3	-6.8
S&P 500	1,926	+0.1	-5.1
Nasdaq	4,661	+0.5	-0.1
FTSE	5,929	+1	-8.8
DAX	9,985	+1.6	2.1
CAC 40	4,379	+0.8	3.6
Nikkei	17,219	-2.7	0.8
Shanghai	3,023	+0.2	-6.6
Hang Seng	19,712	-0.9	-18.6
ASX 200	4,925	-0.1	-8.9

Commodities*		
	Last	% day
Oil (Brent)	30.93	-2.0
Oil (WTI)	30.52	-2.8
Oil (Tapis)	32.44	-1.6
Gold	1089.50	-0.6
CRB	162.13	-1.3
GS Metals	237.6	-2.2
Aluminium	1452	-0.5
Copper	4345	-0.8
Nickel	8204	-0.4
Zinc	1457	-0.9
Ch. steel	1743	-0.4
Iron ore	41.2	-0.3
Coal	49.1	-0.4
Wheat Chic.	486.5	2.5
Sugar	14.05	-0.7
Cotton	61.59	0.1
Coffee	114.4	-0.1
CO <sub>2</sub> Emissions - Euros		
	Last	% day
Jun-2016	7.12	-0.4
Dec-2016	7.15	-0.3
Jun-2017	7.20	-0.1

Interest Rates							
Indicative Swap Rates				Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr	Last	chge	Spnd
USD	0.50	0.62	0.99	1.95	USD 10	2.10	-0.08
AUD	2.00	2.32	2.12	2.89	AUD 10	2.79	0.04 0.69
NZD	2.50	2.75	2.75	3.55	NZD 10	3.38	-0.01 1.28
EUR	0.05	0.06	-0.08	0.87	CAD 10	1.26	-0.07 -0.84
GBP	0.50	0.59	0.91	1.77	EUR 10	0.53	-0.01 -1.57
JPY	0.10	0.08	0.10	0.39	GBP 10	1.75	-0.03 -0.35
CAD	0.50	1.17	0.64	1.68	JPY 10	0.22	-0.01 -1.88

Overnight Futures		
	Last	Chge
<b>Australia</b>		
3 mth bill	97.79	0.00
3 Yr bond	98.02	0.01
10 Yr bonc	97.25	0.03
3/10 sprd	0.77	-0.02
SPI	-3.0	-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, 13 January 2016</b>								
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		-10		-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
<b>Thursday, 14 January 2016</b>								
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
<b>Friday, 15 January 2016</b>								
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
<b>Monday, 18 January 2016</b>								
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
<b>Tuesday, 19 January 2016</b>								
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		61		61	15.00	2.00
<b>Wednesday, 20 January 2016</b>								
US	Total Net TIC Flows	Nov				68.9	21.00	8.00
US	Net Long-term TIC Flows	Nov				-16.6	21.00	8.00
NZ	CPI QoQ	4Q				0.3	21.45	8.45
NZ	CPI YoY	4Q				0.4	21.45	8.45
AU	Westpac Consumer Conf Index	Jan				100.8	23.30	10.30
AU	Westpac Consumer Conf SA MoM	Jan				-0.8	23.30	10.30
UK	Claimant Count Rate	Dec				2.3	9.30	20.30
UK	Jobless Claims Change	Dec				3.9	9.30	20.30
UK	Average Weekly Earnings 3M/YoY	Nov				2.4	9.30	20.30
UK	ILO Unemployment Rate 3Mths	Nov				5.2	9.30	20.30
UK	Employment Change 3M/3M	Nov				207	9.30	20.30
CA	Wholesale Trade Sales MoM	Nov				-0.6	13.30	0.30
CA	Manufacturing Sales MoM	Nov				-1.1	13.30	0.30
US	Building Permits	Dec		1200		1289	13.30	0.30
US	Building Permits MoM	Dec		-6.4		11	13.30	0.30
US	Housing Starts MoM	Dec		1.6		10.5	13.30	0.30
US	Housing Starts	Dec		1192		1173	13.30	0.30
US	CPI MoM	Dec		0		0	13.30	0.30
US	CPI YoY	Dec		0.8		0.5	13.30	0.30
US	CPI Ex Food and Energy MoM	Dec		0.2		0.2	13.30	0.30
US	CPI Ex Food and Energy YoY	Dec		2.1		2	13.30	0.30
CA	Bank of Canada Rate Decision	Jan 20		0.5		0.5	15.00	2.00
CA	Bank of Canada Releases Monetary Policy Report						15.00	2.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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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