

Markets Today

A daily outlook for Australia, key global economies and markets

14 January 2016

Dollar Days

Less than hard-core Bowie aficionados can be forgiven for not immediately humming this track, which features on the Blackstar album released two days before his untimely death. The song is about Bowie's lack of regret at moving from the UK to America back in 1974 (soon after the death of the Ziggy Stardust persona).

A segue to today's note is that the dollar has risen for the third successive day. The FT has a piece this morning titled 'Dollar's ascent enters autopilot mode' in which it features a flag-laden graphic showing that with the exception of the yen, the dollar is higher year-to-date against every major currency (led by a 6.85% rise against the South African rand). Purists (and fans of WCRS <Go> on Bloomberg) will note that the NOK is also up on the year, something of a curio given its oil producer status, but doubtless reflective of the fact the State Oil Fund is busily selling offshore assets to help plug budget holes at home. A familiar theme elsewhere among major oil producers, but which has not prevented their currencies from weakening or seen their dollar pegs held – so far.

After risk-rallies engendered by a combination of yesterday's fourth successive steady PBoC CNY fix and better than expected China December trade data, the turnaround from early New York trade is blamed entirely on latest EIA oil inventory data. This shows crude oil inventories rising by a higher than expected 234k barrels last week and supplies at Cushing, Oklahoma (the delivery point for WTI crude) climbing to an all-time high of 64 million barrels. Though the EIA also has US fuel demand falling 2.5% last week, we'd note that Chinese crude petroleum imports jumped to a record 33.2mn barrels in December, 9% up on a year ago. We are not rushing to join the growing chorus of folks claiming that lower oil prices are a function of falling demand as well as rising supply.

The EIA news has served to refresh downward pressure on oil prices and where Brent crude today has flirted with sub-\$30 levels just as WTI crude did yesterday. Both currently sit just above \$30, but the news has nevertheless brought about a sharp reversal in the European morning global equity rally. In contrast to the late day rallies we saw into the New York closes on Monday and Tuesday, losses are currently; accelerating with indices 2-3% lower heading into the close.

This has refreshed the bid for US treasuries, with the 10yr yield down a further 3bps to 2.07% after being as low as 2.04% earlier. In currencies, the Canadian dollar is the biggest loser (-0.7%) not just within G10 but all actively traded currencies. AUD/USD is 0.4% lower on Tuesday's NY close, currently at 0.6960 (the early week low was 0.6925).

The Fed's Beige Book released an hour ago shows the majority of Fed districts describing their economy as enjoying 'moderate' growth, with still-subdued wages a fairly common

feature across all districts. In Fed-speak, Charles Evans said he'd have preferred not to have raised rates in December (even though he went along with the majority). Meanwhile Boston Fed president Eric Rosengren – now a voter - says he doesn't expect oil at \$10 but admits it's possible, and says he 'hopes' the Fed doesn't have to use negative rates like the ECB. I think we can safely rule out a January Fed rate rise.

Coming Up

Today we get the only significant Australia economic event of the week, namely the December employment report. Our economists are of the view that sample rotation issues have overstated underlying jobs growth over the past two months. Nevertheless, markets remain sensitive to headline employment numbers and solid employment growth and above average business conditions have been at the center of the RBA's more optimistic assessment of the economy.

The consensus is for employment growth this month is -10k m/m and for the unemployment rate to rise to 5.9% from 5.8%. NAB expects employment to print weaker at -25k as we expect some of the sample rotation affects to dissipate.

RBA market pricing has moved significantly since mid-December with rate cut expectations moving from 11 to 23bps of rate cuts for the year ahead. Clearly the market is vulnerable to another positive upside surprise – but like in November this reaction would be quickly unwound if details revealed the main cause was sampling quirks rather than underlying strength. Ditto, we'd expect any knee jerk positive currency reaction in the AUD to be faded.

A fair bit of interest offshore tonight, with the Bank of England meeting and where the minutes and voting record is published immediately upon the policy announcement. So even with no change in Bank Rate from the current 0.5%, the narrative is likely to be of some market sensitivity. We also get the minutes of the ECB's December policy meeting at which, recall, further easing measures were announced but which underwhelmed market expectations and triggered the violent upwards reaction in all things EUR.

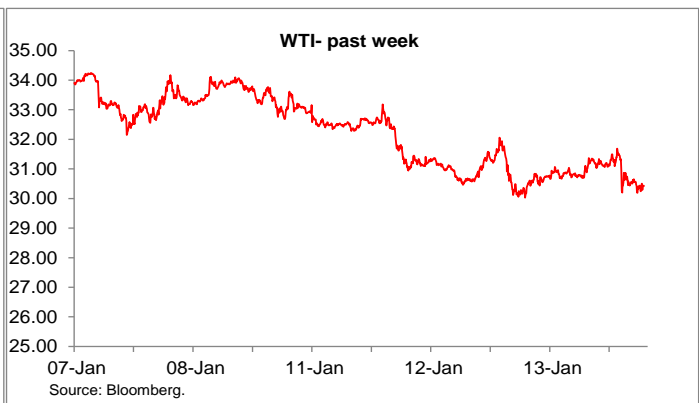
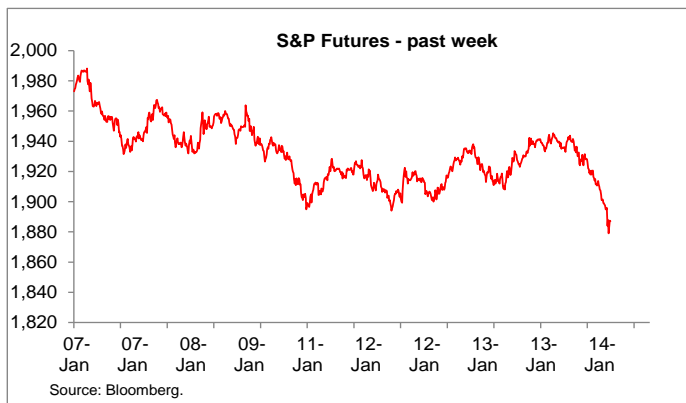
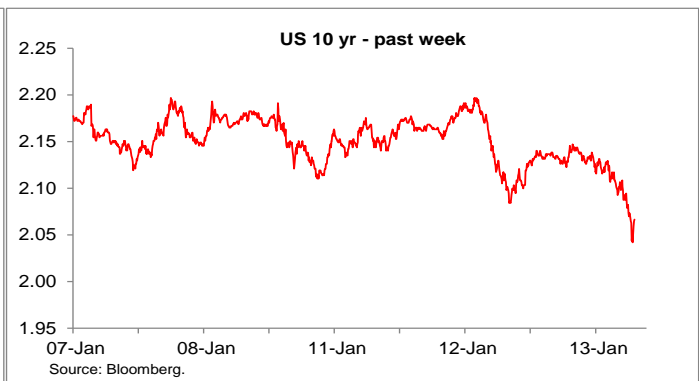
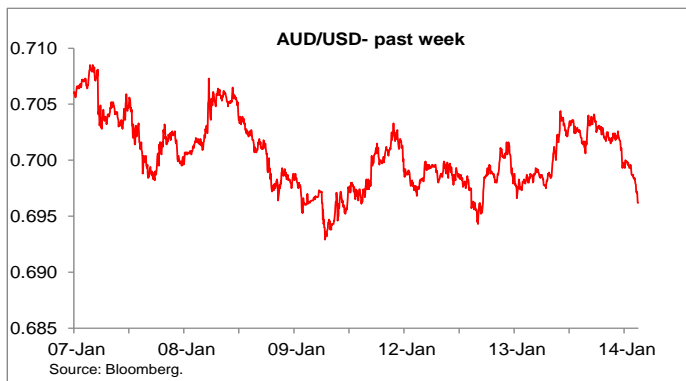
In the US tonight, JP Morgan are due to report their earnings prior to the stock market open (and Intel after the close, so Friday morning our time). US jobless claims are due while St. Louis Fed President James Bullard speaks.

Overnight

On global stock markets, the S&P 500 was -2.10%. Bond markets saw US 10-years -3.33bp to 2.07%. On commodity markets, Brent crude oil -2.11% to \$30.21, gold+0.8% to \$1,094, iron ore -4.1% to \$39.51. AUD is at 0.696 and the range was 0.6951 to 0.7049.

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Markets



Foreign Exchange							Equities				Commodities*																																																																																								
<table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="4">Indicative 24hr ranges (**)</th> <th colspan="2">Other FX</th> </tr> <tr> <th>Last</th> <th>% chge</th> <th>Low</th> <th>High</th> <th>Last</th> <th>% chge</th> </tr> </thead> <tr> <td>AUD</td> <td>0.6960</td> <td>-0.4</td> <td>0.6951</td> <td>0.7049</td> <td>HKD</td> <td>7.7619</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.6527</td> <td>-0.2</td> <td>0.6522</td> <td>0.6590</td> <td>CNY</td> <td>6.5754</td> <td>0.0</td> </tr> <tr> <td>EUR</td> <td>1.0877</td> <td>0.2</td> <td>1.0805</td> <td>1.0884</td> <td>SGD</td> <td>1.4363</td> <td>-0.1</td> </tr> <tr> <td>GBP</td> <td>1.4445</td> <td>0.0</td> <td>1.4380</td> <td>1.4476</td> <td>IDR</td> <td>13,835</td> <td>-0.5</td> </tr> <tr> <td>JPY</td> <td>117.83</td> <td>0.2</td> <td>117.64</td> <td>118.38</td> <td>THB</td> <td>36.28</td> <td>0.0</td> </tr> <tr> <td>CAD</td> <td>1.4358</td> <td>0.7</td> <td>1.4188</td> <td>1.4380</td> <td>KRW</td> <td>1,204</td> <td>-0.5</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6396</td> <td>-0.5</td> <td></td> <td></td> <td>TWD</td> <td>33.49</td> <td>0.0</td> </tr> <tr> <td>AUD/JPY</td> <td>81.97</td> <td>-0.2</td> <td></td> <td></td> <td>PHP</td> <td>47.52</td> <td>0.2</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4817</td> <td>-0.4</td> <td></td> <td></td> <td>CHF</td> <td>1.01</td> <td>0.4</td> </tr> <tr> <td>AUD/NZD</td> <td>1.0660</td> <td>-0.2</td> <td></td> <td></td> <td>SEK</td> <td>8.52</td> <td>-0.1</td> </tr> </table>								Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.6960	-0.4	0.6951	0.7049	HKD	7.7619	0.0	NZD	0.6527	-0.2	0.6522	0.6590	CNY	6.5754	0.0	EUR	1.0877	0.2	1.0805	1.0884	SGD	1.4363	-0.1	GBP	1.4445	0.0	1.4380	1.4476	IDR	13,835	-0.5	JPY	117.83	0.2	117.64	118.38	THB	36.28	0.0	CAD	1.4358	0.7	1.4188	1.4380	KRW	1,204	-0.5	AUD/EUR	0.6396	-0.5			TWD	33.49	0.0	AUD/JPY	81.97	-0.2			PHP	47.52	0.2	AUD/GBP	0.4817	-0.4			CHF	1.01	0.4	AUD/NZD	1.0660	-0.2			SEK	8.52	-0.1
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 | Major Indices | | | | |---------------|--------|-------|-------| | | Last | % day | % y/y | | Dow | 16,176 | -2.1 | -8.2 | | S&P 500 | 1,897 | -2.1 | -6.2 | | Nasdaq | 4,547 | -3.0 | -2.5 | | FTSE | 5,961 | +0.5 | -8.9 | | DAX | 9,961 | -0.2 | 0.2 | | CAC 40 | 4,392 | +0.2 | 2.4 | | Nikkei | 17,716 | +2.9 | 5.5 | | Shanghai | 2,950 | -2.4 | -8.5 | | Hang Seng | 19,935 | +1.1 | -17.3 | | ASX 200 | 4,987 | +1.3 | -6.8 | | | | | | | Last | % day | |-------------|---------|-------| | Oil (Brent) | 30.21 | -2.1 | | Oil (WTI) | 30.40 | -0.1 | | Oil (Tapis) | 31.38 | -3.3 | | Gold | 1093.50 | 0.8 | | CRB | 162.39 | 0.2 | | GS Metals | 236.2 | -0.6 | | Aluminium | 1470 | 1.2 | | Copper | 4388 | 1.0 | | Nickel | 8358 | 1.9 | | Zinc | 1485 | 1.9 | | Ch. steel | 1742 | -0.1 | | Iron ore | 39.5 | -4.1 | | Coal | 48.9 | -0.5 | | Wheat Chic. | 482.8 | -0.8 | | Sugar | 14.47 | 3.0 | | Cotton | 62.14 | 0.9 | | Coffee | 114.8 | 0.4 | | | || | Interest Rates | | | | Benchmark 10 Year Bonds | | | | |-----------------------|------|------|-------|-------------------------|--------|------|-------| | Indicative Swap Rates | | | | Last | chge | Spnd | | | | Cash | 3mth | 2Yr | 10Yr | | | | | USD | 0.50 | 0.62 | 0.98 | 1.93 | USD 10 | 2.07 | -0.03 | | AUD | 2.00 | 2.31 | 2.11 | 2.84 | AUD 10 | 2.76 | -0.03 | | NZD | 2.50 | 2.76 | 2.73 | 3.54 | NZD 10 | 3.36 | -0.01 | | EUR | 0.05 | 0.06 | -0.08 | 0.85 | CAD 10 | 1.23 | -0.04 | | GBP | 0.50 | 0.59 | 0.92 | 1.77 | EUR 10 | 0.50 | -0.03 | | JPY | 0.10 | 0.08 | 0.10 | 0.38 | GBP 10 | 1.74 | -0.01 | | CAD | 0.50 | 1.17 | 0.62 | 1.62 | JPY 10 | 0.20 | -0.02 | | | | | | | | | Overnight Futures | | | |-------------------|-------|-------| | | Last | Chge | | Australia | | | | 3 mth bill | 97.80 | 0.01 | | 3 Yr bond | 98.05 | 0.03 | | 10 Yr bonc | 97.30 | 0.05 | | 3/10 sprd | 0.75 | -0.02 | | SPI | -93.0 | -1.9 | | | |
| | CO ₂ Emissions - Euros | | | |-----------------------------------|------|-------| | | Last | % day | | Jun-2016 | 7.26 | 2.0 | | Dec-2016 | 7.29 | 2.0 | | Jun-2017 | 7.34 | 1.9 | | | | | | | |

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
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
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 15				53.8	15.00	2.00
Tuesday, 19 January 2016								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jan 17				114.1	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
Wednesday, 20 January 2016								
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		1.8		10.5	13.30	0.30
US	Housing Starts	Dec		1194		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
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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