



Markets Today

A daily outlook for Australia, key global economies and markets

15 January 2016

Where are we now?

Today's title is our final tribute to the late musical genius, David Bowie. Where are we now? Is the first single from David Bowie's 25th album released on the morning of his sixty-sixth birthday in 2013. This was Bowie's first new music in 10 years and the single eventually made it to number six on the UK Singles chart.

In terms markets, where are we now? Well, yesterday we left work with investors still worried about another equity rout notwithstanding the relative stability in Chinese equity markets. European stocks had a terrible start following news that Renault had been raided by authorities as part of a national investigation linked to VW emission scandal. Following the news, the Stoxx Europe 600 index fell 3%, but later the index managed to pare some losses ending the day -1.6%. US equities opened under pressure, but a rebound in oil boosted energy stocks and a healthy earnings report from JP Morgan also contributed to the rally. The bank showed a 10% jump in Q4 profits, helped by strong performance within its investment banking division.

In currencies, the USD is stronger against most G10 with the Norwegian Krone and AUD the two exceptions. The first one aided by a rebound in oil and the second boosted by yesterday's better than expected employment numbers. The NZD lost ground against the USD and the late US equity rally appears to have contributed to the underperformance of the Yen.

Core global yields had a mixed night, 10y Bunds and 10y UK are little changed at 1.729% and 0.572% respectively. US Treasury yields initially traded in a sideways pattern, but later in the day a soft 30y bond auctions as well as a late rally in equities pushed longer dated yields higher.

Looking at commodities, there was no news attributed to the rebound in oil prices either than an improvement in risk appetite. WTI gained 2.38% and it's now back trading above the \$31 mark. The gold is down 1.86% to \$1073 while iron ore has gained 1.8% and is back above \$40.

Overnight the BOE left rates and QE on hold as expected and McCafferty did not abort his call for a rate hike (vote was 8-1). The Committee noted the current oil price fall means UK CPI will rise slightly more gradually than previously expected and should support UK spending in time.

ECB minutes from their December meeting were also released last night and they revealed some policy makers wanted the ECB to act more aggressively, pushing for a 20bps cut in the deposit rate instead of the 10bps that eventuated. Staying with the ECB, after a previous story that suggested the ECB council was considering further stimulatory policies on the back of oil price declines, an exclusive Reuters interview overnight contradicted this view

reporting that "many" ECB policy makers are "sceptical" about the need for policy action near term.

US Fed Bullard (hawk and voter) was also on the wires and noted that the renewed decline in oil is "becoming worrisome". He also said that while central bankers tend to "look through" oil price changes, one circumstance where they may become more concerned is when inflation expectations begin to change. To this point, we would note that the renewed decline in oil since December has weighed down on inflation expectation across many countries, including the US.

Coming Up

In Australia this morning we get Housing Finance figures for November. Recent industry reports suggest a retracement in owner occupied housing finance approvals and our economists have pencilled a -0.6% print for November. Further moderation in investor finance approvals is also expected.

In the US, we have a busy day of data releases with advance December retail sales figures the highlight. With the manufacturing sector under pressure, consumer spending is one of the key drivers of economic growth in the US. Bloomberg is currently showing consensus expectations are for a headline number -0.1%. The negative number is primarily driven by a correction in auto sales and lower gas prices. Ex autos retail sales expectations are for a more respectable 0.3% print. Other US data releases include industrial production (Dec), PPI (Dec), Empire Manufacturing (Jan) and the preliminary (Jan) reading of the University of Michigan consumer sentiment index. The exceptionally warm weather is expected to have depressed total production (-0.2% exp vs -0.6% prev) while consumer sentiment is expected to have remained elevated (92.9 exp vs 92.6prev).

Is a busy night of Fed speakers with Dudley (voter, moderate), Williams (non-voter, moderate) and Kaplan (non-voter, mild hawk) in the roster. New York Fed Dudley's views are seen to be closely aligned with the Fed Chair Yellen and as such his comments should warrant more attention.

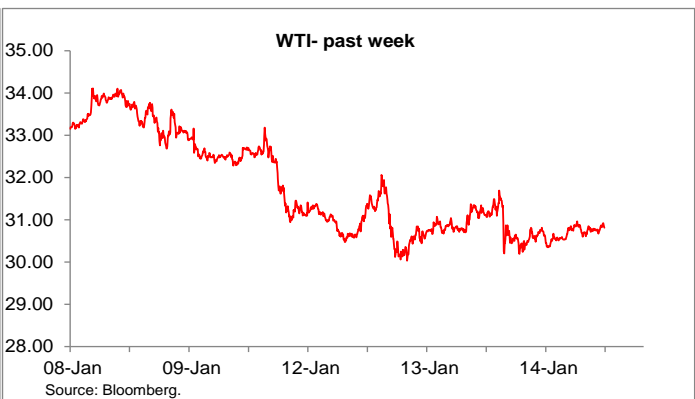
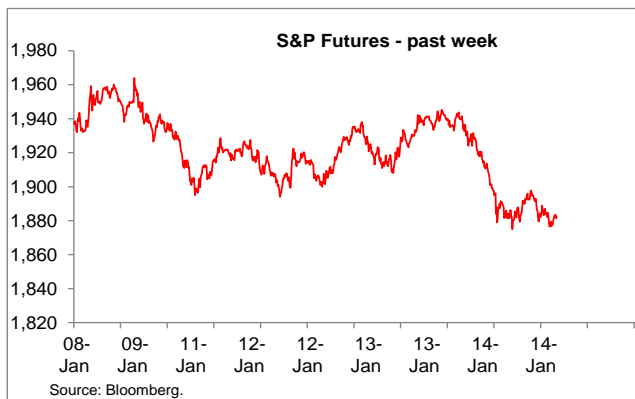
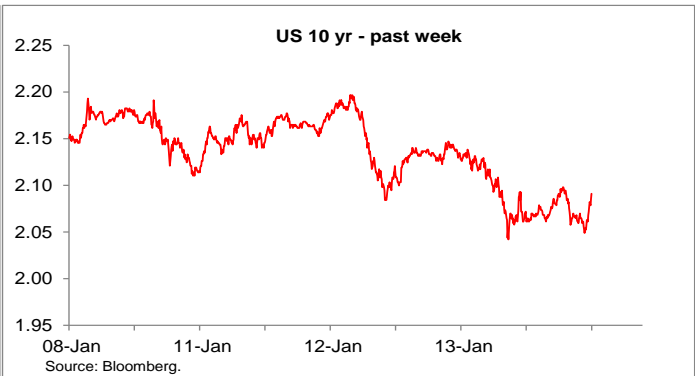
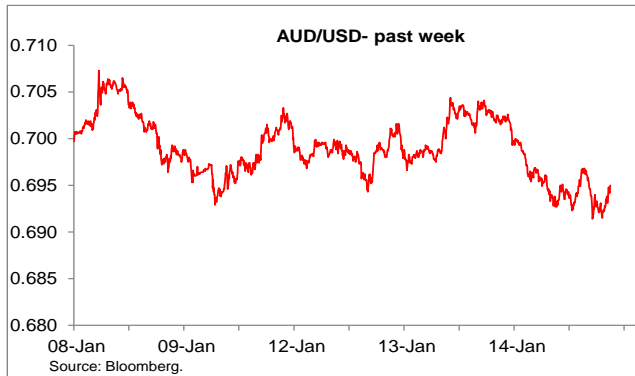
In terms of US company earnings Citigroup and Wells Fargo are reporting tonight and within the next hour we should get some headlines from Intel.

Overnight

On global stock markets, the S&P 500 was -2.50%. Bond markets saw US 10-years -1.58bp to 2.08%. On commodity markets, Brent crude oil -1.35% to \$29.9, gold+0.5% to \$1,092, iron ore -4.1% to \$39.51. AUD is at 0.6993 and the range was 0.692 to 0.6962.

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Markets



Foreign Exchange							
Indicative 24hr ranges (**)				Other FX			
	Last	% chge	Low	High		Last	% chge
AUD	0.6991	0.5	0.6920	0.6962	HKD	7.7677	0.3
NZD	0.6481	-0.5	0.6467	0.6516	CNY	6.5889	0.2
EUR	1.0857	-0.2	1.0876	1.0896	SGD	1.4385	0.0
GBP	1.4411	0.0	1.4390	1.4427	IDR	13,829	0.5
JPY	118.15	0.4	117.30	117.68	THB	36.29	0.1
CAD	1.4353	0.1	1.4339	1.4383	KRW	1,212	0.8
AUD/EUR	0.6384	0.7			TWD	33.47	0.3
AUD/JPY	81.63	0.9			PHP	47.72	0.6
AUD/GBP	0.4821	0.5			CHF	1.01	0.0
AUD/NZD	1.0700	1.0			SEK	8.53	0.3

Equities			
Major Indices			
	Last	% day	% y/y
Dow	16,151	-2.2	-7.3
S&P 500	1,890	-2.5	-6.0
Nasdaq	4,526	-3.4	-2.4
FTSE	5,961	+0.5	-6.7
DAX	9,961	-0.2	1.5
CAC 40	4,392	+0.2	4.0
Nikkei	17,068	-3.7	1.6
Shanghai	2,909	-1.4	-9.7
Hang Seng	19,647	-1.4	-18.5
ASX200	4,911	-1.5	-8.3

Commodities*		
	Last	% day
Oil (Brent)	29.90	-1.4
Oil (WTI)	30.56	0.3
Oil (Tapis)	31.38	-3.3
Gold	1092.10	0.5
CRB	162.39	0.2
GS Metals	238.8	1.1
Aluminium	1470	1.2
Copper	4388	1.0
Nickel	8358	1.9
Zinc	1485	1.9
Ch. steel	1746	0.2
Iron ore	39.5	-4.1
Coal	48.9	-0.5
Wheat Chic.	481.5	-0.3
Sugar	14.47	3.0
Cotton	62.01	-0.2
Coffee	114.8	0.4

Interest Rates								
Indicative Swap Rates				Benchmark 10 Year Bonds				
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	0.50	0.62	0.98	1.94	USD 10	2.08	-0.02	
AUD	2.00	2.30	2.07	2.84	AUD 10	2.69	-0.07	0.61
NZD	2.50	2.77	2.72	3.52	NZD 10	3.30	-0.06	1.23
EUR	0.05	0.06	-0.08	0.85	CAD 10	1.24	-0.03	-0.84
GBP	0.50	0.59	0.92	1.77	EUR 10	0.50	-0.03	-1.58
JPY	0.08	0.08	0.10	0.37	GBP 10	1.74	-0.01	-0.34
CAD	0.50	1.17	0.62	1.63	JPY 10	0.21	0.01	-1.87

Overnight Futures		
	Last	Chge
Australia		
3 mth bill	97.81	0.03
3 Yr bond	98.04	0.05
10 Yr bond	97.28	0.05
3/10 sprd	0.76	0.00
SPI	-79.0	-1.6

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
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	6.30	17.30
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
Thursday, 21 January 2016								
NZ	ANZ Job Advertisements MoM	Dec				2	21.00	8.00
NZ	BusinessNZ Manufacturing PMI	Dec				54.7	21.30	8.30
AU	Consumer Inflation Expectation	Jan				4	0.00	11.00
AU	HIA New Home Sales MoM	Nov				-1.8	0.00	11.00
NZ	ANZ Consumer Confidence Index	Jan				118.7	0.00	11.00
AU	RBA FX Transactions Market	Dec				485	0.30	11.30
JN	All Industry Activity Index MoM	Nov				1	4.30	15.30
EC	CPI MoM	Dec				-0.1	10.00	21.00
EC	CPI YoY	Dec F				0.2	10.00	21.00
EC	CPI Core YoY	Dec F				0.9	10.00	21.00
EC	ECB Main Refinancing Rate	Jan 21		0.05		0.05	12.45	23.45
EC	ECB Deposit Facility Rate	Jan 21		-0.3		-0.3	12.45	23.45
EC	ECB Marginal Lending Facility	Jan 21		0.3		0.3	12.45	23.45
UK	CBI Trends Total Orders	Jan				-7	11.00	22.00
US	Philadelphia Fed Business Outlook	Jan		-0.9		-5.9	13.30	0.30
US	Initial Jobless Claims	Jan 9		275		277	13.30	0.30
US	Bloomberg Economic Expectations	Jan				43.5	14.45	1.45
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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