

# Markets Today

A daily outlook for Australia, key global economies and markets

18 January 2016

## Groundhog Day

In a redux of the previous Friday, slumping oil prices were the primary catalyst for the latest pressure on commodity and emerging market currencies and global risk assets, alongside safe-haven support for Treasuries. The difference relative to 8 January is that the latter was accompanied by a pretty stellar US employment report, whereas Friday's gloom was compounded by a series of US economic 'misses' including all core retail sales measures, industrial production and the Empire manufacturing survey. Only the University of Michigan's consumer sentiment index beat forecasts, but since this is so sensitive to equity market performance, current strength is surely ephemeral.

The 'good' news for those inclined to look for it in Friday's markets is that in contrast to the previous Friday when US stocks closed on the lows, this Friday the nadir came early afternoon and the S&P 500 closed some 1.2% off the lows. That said, with Middle-Eastern bourses losing 6-7% on Sunday - prior to a very mild recovery - the stage already looks set for fresh downward pressure across APAC equity markets today.

The chatter late in our session on Friday was that sanctions on Iran would be lifted this weekend. Oil and the CAD were both under pressure before we went home. On Saturday, the International Atomic Energy Agency (IAEA) confirmed that Iran had done what was necessary in order for sanctions to be rescinded. Iran claims it can increase production and exports by 500,000 barrels a day immediately and reach its pre-sanctions production level of 3.4 million barrels a day within seven months (FT reports). That may be highly ambitious, but the immediate threat to global prices is the overhang of already-produced and stored Iranian oil. The FT notes that satellite tracking and industry sources say there are between 19 and 24 Very Large Crude Carriers (VLCCs) - capable of holding some 2 million barrels each - fully loaded and either already at sea or waiting to set sail.

Currencies of commodity producing EM countries were hardest hit with RUB, MXN and ZAR all off more than 2%. In G10, AUD dramatically underperformed NZD (so snuffing out the nascent rally in AUD/NZD, now back to 1.0620). NZD is already showing some signs of 'catch-up' with Friday's AUD (-1.73%) and CAD (-1.22%) falls. The JPY and EUR again exhibited their safe-haven/funding currency status, rallying by 0.9% and 0.5% respectively

In equities, after Shanghai ended -3.55% and most European indices were off a little over 2%, the S&P500 finished -2.16%, bringing the YTD loss to 8% from 6% the previous Friday. The Dow ended -2.39% (-8.2% YTD) and the NASDAQ -2.74% (-10.4% YTD). The German DAX has fared worse YTD, -1.1%. The VIX added 3 points to 27. 10 year

Treasuries finished 5bp down at 2.04%, having been as low as 1.98%.

Commodities saw both Brent and WTI settle below \$30, WTI -\$1.50 to \$29.70 and Brent -\$1.90 to \$29.11. The LME index lost 1.6% while iron ore actually improved by 90 cents to \$41.12 a tonne. Gold added \$10 to \$1,089.

US corporate earnings saw Citigroup report \$1.06 against a \$1.05 street consensus, though the market didn't like the extent to which earnings were boosted by asset sales and other one-time events. The share price fell 7%. Wells Fargo reports \$1.03 a share against \$1.02 expected, with a 6% uplift in revenue but some asset values also hit from lower oil prices. Its stock lost 3.6%.

As for the US data, headline retail sales fell 0.1% as expected but ex-autos they were -0.1% (0.2% expected), ex-autos and gas 0.0% (0.4% expected). Industrial production fell 0.4% (-0.2% expected) and the Empire (NY State) survey fell to a fresh post-GFC low of -19.37 from a revised -6.21 and -4.0 expected. The Atlanta Fed's latest 'GDPNow' forecast for Q4 GDP is down to 0.6% from 0.8% earlier in the week.

## Coming Up

The week starts with a US holiday (Martin Luther King Day) in what is a busy week for US earnings releases. Morgan Stanley, BAML and IBM are due on Tuesday followed by Goldman Sachs on Wednesday. Bank of New York Mellon Corp, Southwest Airlines, Verizon Communications, American Express and Starbucks Corp report Thursday with GE on Friday (Reuters).

The only things of note on the Australian calendar this week are monthly consumer sentiment on Wednesday and today's TD Securities inflation measure. NZ is busier, with QSOB business sentiment Tuesday, CPI Wednesday, a dairy auction Wednesday and the PMI on Friday.

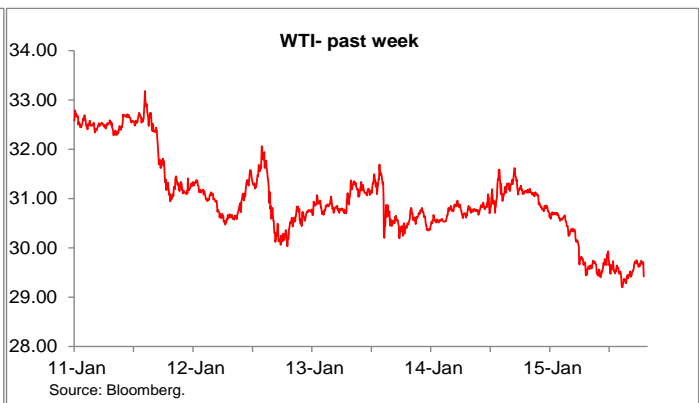
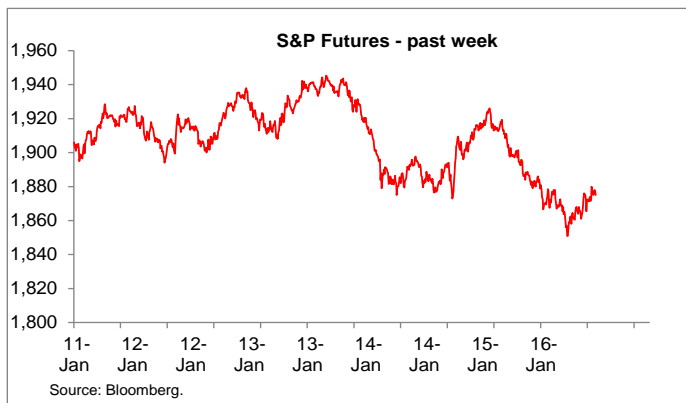
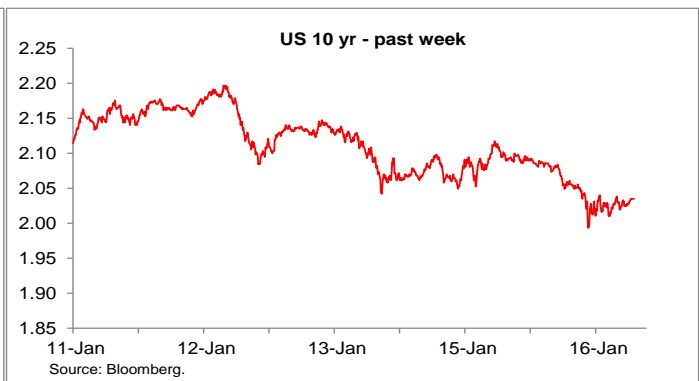
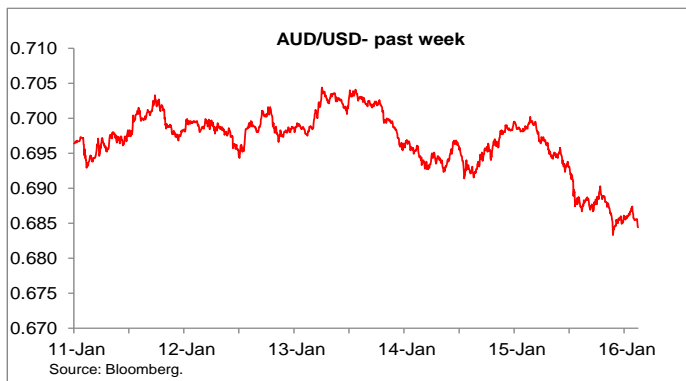
Highlights on the international calendar this week will be China GDP on Tuesday accompanied by the usual raft of (December) monthly activity readings covering retail sales, industrial production and fixed asset investment. Property prices are due today. US CPI data is on Wednesday and the ECB meeting and EZ CPI data on Thursday

## Overnight

On global stock markets, the S&P 500 was -2.20%. Bond markets saw US 10-years -5.27bp to 2.03%. On commodity markets, Brent crude oil -6.28% to \$28.94, gold+1.6% to \$1,091, iron ore +2.2% to \$41.12. AUD is at 0.6842 and the range since Friday's close has been 0.6827 to 0.6904.

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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>0.6840</td> <td>-0.3</td> <td>0.6837</td> <td>0.6860</td> <td>HKD</td> <td>7.7937</td> <td>0.0</td> </tr> <tr> <td>NZD</td> <td>0.6423</td> <td>-0.6</td> <td>0.6416</td> <td>0.6454</td> <td>CNY</td> <td>6.5849</td> <td>-0.1</td> </tr> <tr> <td>EUR</td> <td>1.0927</td> <td>0.1</td> <td>1.0910</td> <td>1.0942</td> <td>SGD</td> <td>1.4410</td> <td>0.1</td> </tr> <tr> <td>GBP</td> <td>1.4255</td> <td>0.0</td> <td>1.4254</td> <td>1.4281</td> <td>IDR</td> <td>13,910</td> <td>0.0</td> </tr> <tr> <td>JPY</td> <td>116.86</td> <td>-0.1</td> <td>116.67</td> <td>116.91</td> <td>THB</td> <td>36.35</td> <td>0.0</td> </tr> <tr> <td>CAD</td> <td>1.4608</td> <td>0.5</td> <td>1.4523</td> <td>1.4660</td> <td>KRW</td> <td>1,213</td> <td>0.0</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6261</td> <td>-0.4</td> <td></td> <td></td> <td>TWD</td> <td>33.66</td> <td>0.2</td> </tr> <tr> <td>AUD/JPY</td> <td>79.91</td> <td>-0.4</td> <td></td> <td></td> <td>PHP</td> <td>47.78</td> <td>0.0</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4798</td> <td>-0.3</td> <td></td> <td></td> <td>CHF</td> <td>1.00</td> <td>0.1</td> </tr> <tr> <td>AUD/NZD</td> <td>1.0653</td> <td>0.4</td> <td></td> <td></td> <td>SEK</td> <td>8.57</td> <td>-0.1</td> </tr> </table>							Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.6840	-0.3	0.6837	0.6860	HKD	7.7937	0.0	NZD	0.6423	-0.6	0.6416	0.6454	CNY	6.5849	-0.1	EUR	1.0927	0.1	1.0910	1.0942	SGD	1.4410	0.1	GBP	1.4255	0.0	1.4254	1.4281	IDR	13,910	0.0	JPY	116.86	-0.1	116.67	116.91	THB	36.35	0.0	CAD	1.4608	0.5	1.4523	1.4660	KRW	1,213	0.0	AUD/EUR	0.6261	-0.4			TWD	33.66	0.2	AUD/JPY	79.91	-0.4			PHP	47.78	0.0	AUD/GBP	0.4798	-0.3			CHF	1.00	0.1	AUD/NZD	1.0653	0.4			SEK	8.57	-0.1
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 | Major Indices |        |       |       | |---------------|--------|-------|-------| |               | Last   | % day | % y/y | | Dow           | 15,988 | -2.4  | -8.7  | | S&P 500       | 1,880  | -2.2  | -6.9  | | Nasdaq        | 4,488  | -2.7  | -3.1  | | FTSE          | 5,804  | -1.9  | -11.4 | | DAX           | 9,545  | -2.5  | -6.1  | | CAC 40        | 4,210  | -2.3  | -3.9  | | Nikkei        | 17,147 | -0.5  | 1.7   | | Shanghai      | 2,901  | -3.5  | -14.1 | | Hang Seng     | 19,521 | -1.5  | -19.0 | | ASX 200       | 4,893  | -0.3  | -7.7  | | | | | |             | Last    | % day | |-------------|---------|-------| | Oil (Brent) | 28.94   | -6.3  | | Oil (WTI)   | 29.42   | -5.7  | | Oil (Tapis) | 29.42   | -3.7  | | Gold        | 1090.70 | 1.6   | | CRB         | 159.93  | -2.0  | | GS Metals   | 237.4   | -1.5  | | Aluminium   | 1476    | -1.0  | | Copper      | 4328    | -2.1  | | Nickel      | 8359    | -2.1  | | Zinc        | 1469    | -2.4  | | Ch. steel   | 1797    | 1.3   | | Iron ore    | 41.1    | 2.2   | | Coal        | 49.2    | -0.1  | | Wheat Chic. | 478.5   | 0.9   | | Sugar       | 14.92   | 0.3   | | Cotton      | 61.41   | -0.8  | | Coffee      | 114.9   | -0.9  | | | || | Interest Rates |                       |      |       |      | Benchmark 10 Year Bonds |      |       | Overnight Futures |      | |----------------|-----------------------|------|-------|------|-------------------------|------|-------|-------------------|------| |                | Indicative Swap Rates |      |       |      | Last                    | chge | Sprd  | Last              | Chge | |                | Cash                  | 3mth | 2Yr   | 10Yr |                         |      |       |                   |      | | USD            | 0.50                  | 0.62 | 0.91  | 1.89 | USD 10                  | 2.03 | -0.05 |                   |      | | AUD            | 2.00                  | 2.31 | 2.04  | 2.76 | AUD 10                  | 2.69 | 0.01  | 0.66              |      | | NZD            | 2.50                  | 2.74 | 2.74  | 3.53 | NZD 10                  | 3.31 | 0.01  | 1.27              |      | | EUR            | 0.05                  | 0.06 | -0.09 | 0.85 | CAD 10                  | 1.15 | -0.08 | -0.88             |      | | GBP            | 0.50                  | 0.59 | 0.83  | 1.67 | EUR 10                  | 0.47 | -0.04 | -1.56             |      | | JPY            | 0.10                  | 0.08 | 0.10  | 0.38 | GBP 10                  | 1.66 | -0.07 | -0.37             |      | | CAD            | 0.50                  | 1.17 | 0.59  | 1.53 | JPY 10                  | 0.22 | -0.02 | -1.81             |      | | | | | | | | Australia  |       | |------------|-------| |            | Last  | | 3 mth bill | 97.87 | | 3 Yr bond  | 98.14 | | 10 Yr bond | 97.37 | | 3/10 sprd  | 0.77  | | SPI        | -87.0 | | | |
| | CO <sub>2</sub> Emissions - Euros |      |       | |-----------------------------------|------|-------| |                                   | Last | % day | | Jun-2016                          | 6.69 | -5.9  | | Dec-2016                          | 6.72 | -5.8  | | Jun-2017                          | 6.76 | -5.8  | | | | | | |

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
<b>Monday, 18 January 2016</b>								
AU	TD Securities Inflation MoM/YoY	Dec				0.1/1.8	23.30	10.30
AU	New Motor Vehicle Sales YoY	Dec				6	0.30	11.30
CH	China December Property Prices						1.30	12.30
NZ	Non Resident Bond Holdings	Dec				67.9	2.00	13.00
JN	Industrial Production MoM/YoY	Nov F				-1/1.6	4.30	15.30
JN	Capacity Utilization MoM	Nov				1.3	4.30	15.30
JN	Tertiary Industry Index MoM	Nov		-0.7		0.9	4.30	15.30
UK	BoE's Gertjan speaks in London						18.30	5.30
<b>Tuesday, 19 January 2016</b>								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jan 17				114.1	22.30	9.30
CH	China GDP SA QoQ/YoY	4Q	1.8%/6.9%			1.8%/6.9%	2.00	13.00
CH	Industrial Production YoY	Dec		6.1		6.2%	2.00	13.00
CH	Retail Sales	Dec		11.3		11.2%	2.00	13.00
CH	Fixed Assets Ex Rural YTD YoY	Dec		10.2		10.2%	2.00	13.00
GE	CPI MoM/YoY	Dec F		-0.1/0.3		-0.1/0.3	7.00	18.00
EC	ECB Current Account SA	Nov				20.4	9.00	20.00
UK	CPI MoM	Dec		0		0	9.30	20.30
UK	CPI Core YoY	Dec		1.2		1.2	9.30	20.30
UK	ONS House Price YoY	Nov				7	9.30	20.30
GE	ZEW Survey Current Situation	Jan		54		55	10.00	21.00
GE	ZEW Survey Expectations	Jan		9		16.1	10.00	21.00
US	Total Net TIC Flows	Nov				68.9	21.00	8.00
<b>Wednesday, 20 January 2016</b>								
NZ	CPI QoQ%/YoY%	4Q	-0.2/0.3	-0.2/0.3		0.3/0.4	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	ILO Unemployment Rate 3Mths	Nov		5.2		5.2	9.30	20.30
UK	Employment Change 3M/3M	Nov		240		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		2.1		10.5	13.30	0.30
US	Housing Starts	Dec		1198		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		0.25		0.5	15.00	2.00
CA	Bank of Canada Releases Monetary Policy Report						15.00	2.00
<b>Thursday, 21 January 2016</b>								
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
NZ	ANZ Consumer Confidence MoM	Jan				-3.3	0.00	11.00
AU	RBA FX Transactions Market	Dec				485	0.30	11.30
JN	All Industry Activity Index MoM	Nov		-0.8		1	4.30	15.30
EC	CPI MoM	Dec		0		-0.1	10.00	21.00
EC	CPI Core YoY	Dec F		0.9		0.9	10.00	21.00
EC	ECB Main Refinancing Rate	Jan 21		0.05		0.05	12.45	23.45
UK	CBI Trends Total Orders	Jan				-7	11.00	22.00
US	Philadelphia Fed Business Outlook	Jan		-3.2		-5.9	13.30	0.30
US	Initial Jobless Claims	Jan 16				284	13.30	0.30
<b>Friday, 22 January 2016</b>								
JN	Nikkei Japan PMI Mfg	Jan P		52.8		52.6	2.00	13.00
GE	Markit/BME Germany Manufacturing PMI	Jan P		53		53.2	8.30	19.30
GE	Markit/BME Germany Composite PMI	Jan P		55.1		55.5	8.30	19.30
EC	ECB Survey of Professional Forecasters						9.00	20.00
EC	Markit Eurozone Manufacturing PMI	Jan P		53		53.2	9.00	20.00
EC	Markit Eurozone Composite PMI	Jan P		54.2		54.3	9.00	20.00
UK	Retail Sales ex Auto Fuel MoM/YoY	Dec		0.3/4.1		1.7/3.9	9.30	20.30
EC	Euro Area Third Quarter Government Debt						10.00	21.00
UK	BoE's Cunliffe speaks in Brussels						12.00	23.00
US	Chicago Fed Nat Activity Index	Dec				-0.3	13.30	0.30
CA	Retail Sales MoM	Nov				0.1	13.30	0.30
CA	Retail Sales Ex Auto MoM	Nov				0	13.30	0.30
CA	CPI Core MoM	Dec				-0.3	13.30	0.30
CA	CPI Core YoY	Dec				2	13.30	0.30
US	Markit US PMI	Jan P		51.3		51.20%	14.45	1.45
US	Existing Home Sales MoM	Dec		9.24		-10.5	15.00	2.00
US	Existing Home Sales	Dec		5.2		4.76	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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