

Markets Today

A daily outlook for Australia, key global economies and markets

20 January 2016

Dead Cat Bounce(s)

Flipping through the Eagles song list on the way in, none of the many great Glenn Frey-penned tracks struck me as particularly applicable titles to describe overnight markets. Doubtless others will prove me wrong today, but here's an RIP to the untimely death of another great rock star.

In markets, tentative sign of life in global risk sentiment are being snuffed out into the New York close with the likes of the S&P 500 seeing a morning rally of more than 1% reversed in the last hour to stand -0.7% into the close. The moves have been preceded by an intra-day reversal in oil prices, that for an hour or so had ignored the warnings from the International Energy Agency issued during the European morning that the oil market rout could worsen (with prices falling to as low as \$20) as the market "drowns in oversupply" as Iranian production comes back on stream. The latter, the IEA says, can more than offset production cuts elsewhere from relatively high cost producers. WTI crude, which had rallied by over a dollar in the European morning to back above \$30, has since fallen to new cycle lows of \$28.23.

The equity market reversal sees bond yields slip back, with 10 year Treasuries currently down up just 0.5bp to 2.04% while the VIX short-hand proxy for risk appetite is currently little changed around 27.0. Bank of America and Morgan Stanley beat their street estimates for Q4 earnings, but their stocks have both been falling since quite early on the NY session with revenue concerns evident.

In currencies the hyper-volatile NOK tops the G10- leader board, followed by AUD, SEK and the NZD. The latter drew some support after the latest Global Dairy Trade auction failed to produce nearly as big a fall as was being suggested by the earlier drop in whole milk powder futures. The GDT price index fell by just 1.4% to be 10.5% lower on a year ago. The AUD has also drawn some support from the earlier improvement in risk sentiment, having been the worst performing G10 currency year to date, and also further reflection on yesterday's China data and a view that however credible, they were not as bad as feared. Having traded up above 0.6950, the late day-swoon in risk markets and oil has seen the currency give back about half a cent to near 0.69 in afternoon NY trade.

The British pound has fared worse overnight after Mark Carney, governor of the BoE, said the UK economy was not yet strong enough to weather a rate rise and that he wanted to see evidence of sustained growth relative to trend, rising domestic cost pressures and core inflation moving towards target. NAB remains comfortable with its call for no BoE tightening before mid-2017. Having jumped to an intra-day high of \$1.4340 shortly after core UK CPI printed as 1.4% against 1.2% expected, Sterling subsequently plunged by over two cents to a low of 1.4130 following Carney's speech.

Coming Up

It's a pretty big day ahead. The known events highlights are: CPI data from New Zealand and the United States; Australian consumer confidence data (in light of the performance of Australian equities so far this year); and the Bank of Canada's latest policy decision.

The latter is due overnight (02:00 AEST Thursday) and analysts are almost equally divided on whether or not they cut (in which case the expectation is for -0.25% so down to 0.25%, one year on from the surprise January 2015 quarter point cut). We are (just) on the side of a cut in so far as aggregate GDP growth in the past year has been close to zero, even though we'd be highly sceptical further easing here will make a material difference to near term growth prospects. That said, to the extent it will aggravate the prevailing downtrend in the Canadian dollar, it will provide some offset to the revenue loss being suffered by Canadian oil producers from the plunge in oil prices (and where Canadian crude sells for less than WTI or Brent).

The relevance of the BoC decision for Aussie and Kiwi rates markets shouldn't be understated. If they cut, we will almost certainly see more by way of easing priced into the rates markets here - and with that a fresh source of downward pressure on both AUD and NZD. Also for NZ markets, if CPI inflation at 08:45 AEST falls below the 0.3% consensus (from 0.4%) or especially if the core measure shows further softening, then this will lower the bar for further RBNZ easing, hurting NZD in the process.

For US December CPI, though headline and core rates are seen at 0.0% and 0.2% respectively, the same as in November, base effects would then lift annual rates to 0.8% from 0.5% for headline and from 2.0% to 2.1% for core. The latter would be up from 1.6% a year ago and match level last seen back in July 2012. Though the Fed's preferred GDP deflators still sit some way below CPI equivalents, such an outcome would bolster the view of some Fed officials who see considerable progress as having been made toward the Fed's inflation objectives over the past year.

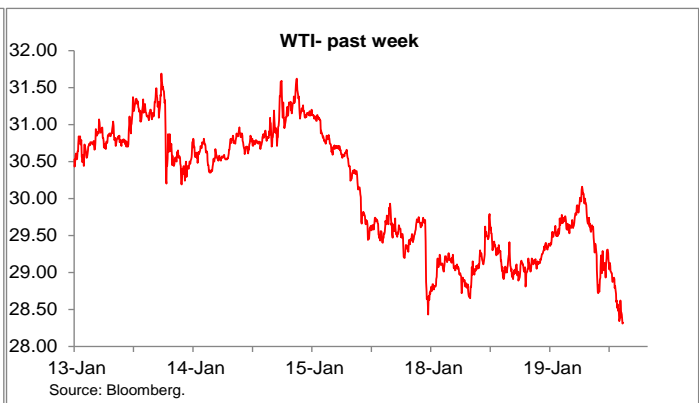
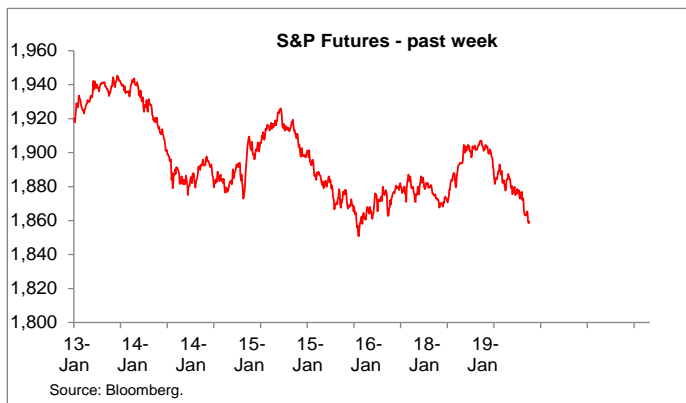
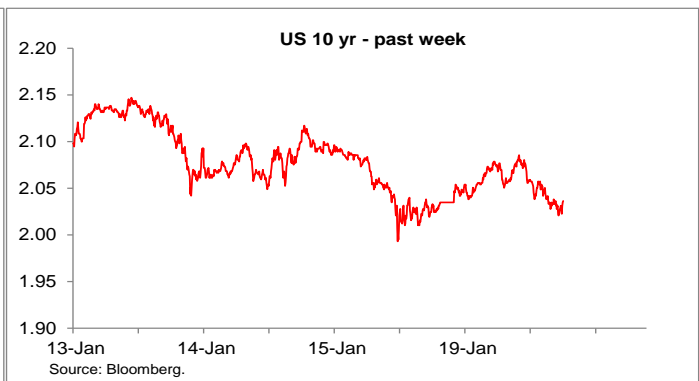
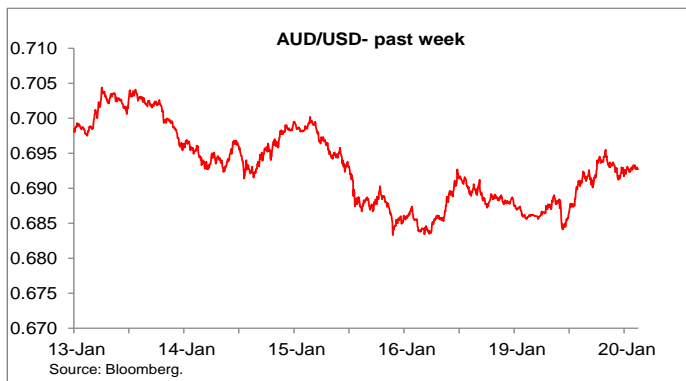
Also due in the US tonight are housing starts (seen +2.3% m/m after +10.5%) and building permits (seen -6.4% after +11%). O/n, the NAHB housing index printed 60 from 61.

Overnight

On global stock markets, the S&P 500 is -0.7%. Bond markets saw US 10-years +0.5bp to 2.04%. On commodity markets, Brent crude oil +0.67% to \$28.74, gold -0.2% to \$1,088, iron ore +0.3% to \$42.78. AUD is at 0.6911 and the range was 0.6839 to 0.6957.

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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>0.6911</td> <td>0.7</td> <td>0.6839</td> <td>0.6957</td> <td>HKD</td> <td>7.8180</td> <td>0.2</td> </tr> <tr> <td>NZD</td> <td>0.6483</td> <td>0.5</td> <td>0.6416</td> <td>0.6513</td> <td>CNY</td> <td>6.5786</td> <td>0.0</td> </tr> <tr> <td>EUR</td> <td>1.0917</td> <td>0.2</td> <td>1.0860</td> <td>1.0939</td> <td>SGD</td> <td>1.4366</td> <td>-0.2</td> </tr> <tr> <td>GBP</td> <td>1.4179</td> <td>-0.4</td> <td>1.4130</td> <td>1.4340</td> <td>IDR</td> <td>13,852</td> <td>-0.4</td> </tr> <tr> <td>JPY</td> <td>117.51</td> <td>0.2</td> <td>117.23</td> <td>118.11</td> <td>THB</td> <td>36.29</td> <td>-0.1</td> </tr> <tr> <td>CAD</td> <td>1.4559</td> <td>0.0</td> <td>1.4432</td> <td>1.4576</td> <td>KRW</td> <td>1,206</td> <td>-0.4</td> </tr> <tr> <td>AUD/EUR</td> <td>0.6330</td> <td>0.4</td> <td></td> <td></td> <td>TWD</td> <td>33.63</td> <td>0.2</td> </tr> <tr> <td>AUD/JPY</td> <td>81.22</td> <td>0.8</td> <td></td> <td></td> <td>PHP</td> <td>47.60</td> <td>-0.3</td> </tr> <tr> <td>AUD/GBP</td> <td>0.4874</td> <td>1.1</td> <td></td> <td></td> <td>CHF</td> <td>1.00</td> <td>-0.2</td> </tr> <tr> <td>AUD/NZD</td> <td>1.0660</td> <td>0.2</td> <td></td> <td></td> <td>SEK</td> <td>8.53</td> <td>-0.5</td> </tr> </table>							Indicative 24hr ranges (**)				Other FX		Last	% chge	Low	High	Last	% chge	AUD	0.6911	0.7	0.6839	0.6957	HKD	7.8180	0.2	NZD	0.6483	0.5	0.6416	0.6513	CNY	6.5786	0.0	EUR	1.0917	0.2	1.0860	1.0939	SGD	1.4366	-0.2	GBP	1.4179	-0.4	1.4130	1.4340	IDR	13,852	-0.4	JPY	117.51	0.2	117.23	118.11	THB	36.29	-0.1	CAD	1.4559	0.0	1.4432	1.4576	KRW	1,206	-0.4	AUD/EUR	0.6330	0.4			TWD	33.63	0.2	AUD/JPY	81.22	0.8			PHP	47.60	-0.3	AUD/GBP	0.4874	1.1			CHF	1.00	-0.2	AUD/NZD	1.0660	0.2			SEK	8.53	-0.5
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 | Major Indices | | | | |---------------|--------|-------|-------| | | Last | % day | % y/y | | Dow | 15,972 | -0.1 | -8.8 | | S&P 500 | 1,866 | -0.8 | -7.6 | | Nasdaq | 4,457 | -0.7 | -3.8 | | FTSE | 5,877 | +1.7 | -10.8 | | DAX | 9,664 | +1.5 | -5.6 | | CAC 40 | 4,272 | +0.5 | -2.8 | | Nikkei | 17,048 | +0.5 | -1.8 | | Shanghai | 3,008 | +3.2 | -5.2 | | Hang Seng | 19,636 | +2.1 | -18.0 | | ASX 200 | 4,903 | +0.9 | -7.6 | | | | | | | Last | % day | |-------------|---------|-------| | Oil (Brent) | 28.77 | 0.8 | | Oil (WTI) | 28.32 | -3.7 | | Oil (Tapis) | 29.46 | 2.1 | | Gold | 1088.20 | -0.2 | | CRB | 159.48 | -0.3 | | GS Metals | 237.4 | -1.5 | | Aluminium | 1481 | 0.0 | | Copper | 4410 | 0.8 | | Nickel | 8576 | 0.1 | | Zinc | 1501 | 0.8 | | Ch. steel | 1834 | 0.4 | | Iron ore | 42.8 | 0.3 | | Coal | 48.9 | 0.1 | | Wheat Chic. | 479.0 | 0.1 | | Sugar | 14.75 | -1.1 | | Cotton | 62.47 | 1.7 | | Coffee | 115.7 | 0.7 | | | || | Interest Rates | | | | Benchmark 10 Year Bonds | | | | |-----------------------|------|------|-------|-------------------------|--------|------|------| | Indicative Swap Rates | | | | Last | chge | Sprd | | | | Cash | 3mth | 2Yr | 10Yr | | | | | USD | 0.50 | 0.62 | 0.93 | 1.89 | USD 10 | 2.04 | 0.01 | | AUD | 2.00 | 2.29 | 2.08 | 2.83 | AUD 10 | 2.71 | 0.02 | | NZD | 2.50 | 2.75 | 2.68 | 3.48 | NZD 10 | 3.28 | 0.00 | | EUR | 0.05 | 0.06 | -0.09 | 0.85 | CAD 10 | 1.18 | 0.02 | | GBP | 0.50 | 0.59 | 0.86 | 1.71 | EUR 10 | 0.48 | 0.01 | | JPY | 0.09 | 0.08 | 0.10 | 0.39 | GBP 10 | 1.70 | 0.01 | | CAD | 0.50 | 1.17 | 0.58 | 1.56 | JPY 10 | 0.23 | 0.01 | | | | | | | | Overnight Futures | | | |-------------------|-------|-------| | | Last | Chge | | Australia | | | | 3 mth bill | 97.83 | -0.02 | | 3 Yr bond | 98.09 | -0.01 | | 10 Yr bonc | 97.30 | -0.03 | | 3/10 sprd | 0.80 | 0.03 | | SPI | -46.0 | -0.9 | | | |

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
Wednesday, 20 January 2016								
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		235		207	9.30	20.30
CA	Wholesale Trade Sales MoM	Nov		0.4		-0.6	13.30	0.30
CA	Manufacturing Sales MoM	Nov		0.5		-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		2.3		10.5	13.30	0.30
US	Housing Starts	Dec		1200		1173	13.30	0.30
US	CPI MoM/YoY	Dec		0/0.8		0/0.5	13.30	0.30
US	CPI Core MoM/YoY	Dec		0.2/2.1		0.2/2	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
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 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		-0.7		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		-5		-5.9	13.30	0.30
US	Initial Jobless Claims	Jan 16		280		284	13.30	0.30
Friday, 22 January 2016								
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		54.1		54.3	9.00	20.00
UK	Retail Sales ex Auto Fuel MoM/YoY	Dec		-0.3/3.5		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		-0.075		-0.3	13.30	0.30
CA	Retail Sales MoM	Nov		0.3		0.1	13.30	0.30
CA	Retail Sales Ex Auto MoM	Nov		0.4		0	13.30	0.30
CA	CPI Core MoM	Dec		-0.3		-0.3	13.30	0.30
CA	CPI Core YoY	Dec		2		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
Monday, 25 January 2016								
JN	Trade Balance Adjusted	Dec				-3.304	23.50	10.50
JN	Leading Index CI	Nov F				103.9	5.00	16.00
GE	IFO Business Climate	Jan				108.7	9.00	20.00
GE	IFO Current Assessment/Expectations	Jan		/		112.8/104.7	9.00	20.00
UK	CBI Trends Total Orders	Jan				-7	11.00	22.00
UK	CBI Business Optimism	Jan				-12	11.00	22.00
US	Dallas Fed Manf. Activity	Jan		-15		-20.1	14.30	1.30
CA	Bloomberg Nanos Confidence	Jan 15				53	15.00	2.00
Tuesday, 26 January 2016								
NZ	Performance Services Index	Dec				59.8	21.30	8.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jan 17				114.1	22.30	9.30
NZ	Credit Card Spending MoM/YoY	Dec				0.7/8.5	2.00	13.00
US	FHFA House Price Index MoM	Nov				0.5	14.00	1.00
US	S&P/CS 20 City MoM SA/YoY	Nov		/		0.84/5.54	14.00	1.00
US	Markit US Services/Composite PMI	Jan P				54.3/54	14.45	1.45
US	Consumer Confidence Index	Jan		96.75		96.5	15.00	2.00
US	Richmond Fed Manufact. Index	Jan				6	15.00	2.00
Wednesday, 27 January 2016								
AU	Westpac Leading Index MoM	Dec				-0.2	23.30	10.30
AU	Skilled Vacancies MoM	Dec				1.2	0.00	11.00
AU	CPI QoQ/YoY	4Q		/		0.5/1.5	0.30	11.30
AU	CPI Trimmed Mean QoQ/YoY	4Q		/		0.3/2.1	0.30	11.30
AU	CPI Weighted Median QoQ/YoY	4Q		/		0.3/2.2	0.30	11.30
AU	NAB Business Conditions/Confidence	Dec				10.5	0.30	11.30
CH	Industrial Profits YoY	Dec				-1.4	1.30	12.30
CH	Westpac-MNI Consumer Sentiment	Jan				113.7	1.45	12.45
JN	Small Business Confidence	Jan				48.3	5.00	16.00
GE	GfK Consumer Confidence	Feb				9.4	7.00	18.00
US	MBA Mortgage Applications	Jan 15				21.3	12.00	23.00
US	New Home Sales/MoM	Dec		505/3.1		490/4.3	15.00	2.00
US	FOMC Rate Decision (Lower/Upper Bound)	Jan 27		0.25/0.5		0.25/0.5	19.00	6.00
Upcoming Central Bank Interest Rate Announcements								
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%		
UK BOE		4-Feb				0.50%		

GMT: Greenwich Mean Time; AEDT: Australian Eastern Daylight Saving Time

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