



Markets Today

A daily outlook for Australia, key global economies and markets

21 January 2016

Runaway train

Another volatile night my friends. Well that was as far as equity markets are concerned the E600 European index down a cool 3.2%, and for most of the US session, though into the last hour of York trade, the Dow and the S&P 500 are rallying off their lows, the Dow presently down 1%, having been well south of that earlier. Oil again was front and centre with WTI down the best part of two dollars to \$26.55, down 6.7% and Brent down \$0.51 to \$28.23 a decline of 1.7%. Oil market sentiment was poor with more wire coverage of oversupply from the likes of a story in the FT that the oil market “could drown in oversupply” and a report that the first US oil tanker arrived in Europe following the lifting of US crude oil export restrictions.

By those standards, currency markets were becalmed, with Bloomberg spot DXY index up 0.1% against 0.4% declines in the EUR, the JPY, and the CHF. With the decline in oil prices, the NOK and the RUB both had hefty falls (by 0.5% and 2.1% respectively), while the CAD made up some ground with CAD investors relieved that the Bank of Canada left rates on hold. Those with memories of the year ago will recall that a surprise move by the Bank of Canada was followed weeks later by the first of two cuts from the RBA. Nearly as many economists had forecast a cut from the Bank of Canada as picking no change.

The AUD trades north of 0.69 this morning (following intra-session equity market volatility), having traded down below 0.683 but then relatively resilient in the circumstances given the negative sentiment towards oil/commodities overnight. Base metal prices closed lower though not to the extent of oil, with the LME base metals down 0.92%. Spot Chinese iron ore prices eased back \$1.17 yesterday to \$41.61 amid declines in Dalian iron ore futures and Chinese steel rebar futures prices on the day. Speaking overnight on CNBC at the Davos forum, Australian Finance Minister Cormann made some comments about the Aussie dollar noting that the market determines its value, that the lower value of the Aussie helps competitiveness and that the challenge is for Australia is to strengthen competitiveness further. Nothing out of the ordinary here.

US data was on the softish side with weaker than expected housing starts and somewhat lower than expected monthly headline and core CPI. The monthly UK labour market report was better than expected. The Atlanta Fed nudged up its estimate of Q4 GDPNow to 0.7% from 0.6% (due Jan 27).

Coming up

There are two NZ data releases this morning which might come under a little more scrutiny after yesterday's soft CPI. As far as the Australian data is concerned, there is the HIA new home sales report for November, one of the few months demand indicators of new housing and apartments. There is also the monthly RBA FX transactions report, this one for December. The UK RICS house price balance is also due this morning, probably regarded as one of the most reliable indicators of house price momentum.

Tonight is the first ECB meeting for this year. While no change in policy is widely expected to be announced, forward medium to longer term inflationary expectations have been pulling back with the declining commodity prices and in oil and this is something the ECB will be watching closely. It's to more than conceivable get some more strong words from President Draghi as far as his determination to avert deflation. (Whether any such then translate to more accommodative monetary policy is another matter.) Eurozone consumer confidence for January is also due, this really draws any market interest at all. In the US, there is the weekly jobless claims report.

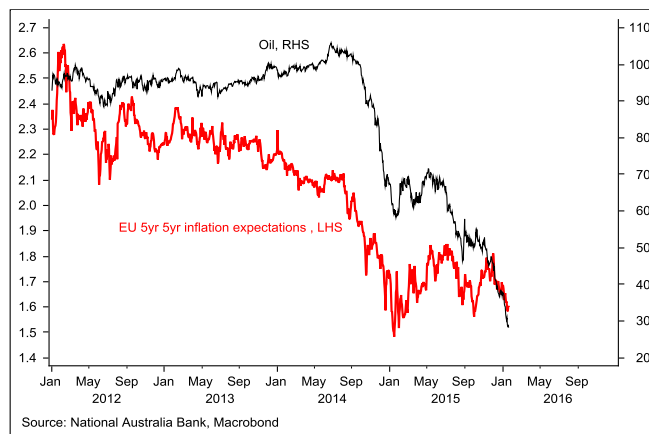
Overnight

- Equity markets and oil take more heat: Eurostoxx 600 - 3.2%, Dax -2.8%, CAC -3.4%, FTSE -3.5%. Dow -157 points to 15,859, -1.0%, S&P 500 -1.0%, Nasdaq +0.5%, VIX 27.05 +3.8%. Shanghai -1.0%, Mumbai -1.0%, Nikkei 225 +0.5% and ASX 200 -1.3%; ASX SPI futures this morning -0.0%. US bond yields: 2s at 0.83% (-4), 10s at 1.99% (-6). WTI oil at \$26.55 (-6.7%), Brent at \$28.33 (-1.5%), Malaysian Tapis (yesterday) \$28.14 (-4.5%). Gold at \$1100.60/oz (+1.1%). Base metals: LME copper -1.1%, nickel -0.5%, aluminium -0.8%. Iron ore \$41.6/t -2.7% Chinese steel rebar futures -0.9%. Soft commodities spot futures: wheat -0.7%, sugar -3.9%, cotton -0.8%, coffee -3.5%. Euro CO² emissions price (Dec 16) -7.3%. The AUD/USD's range overnight 0.6828-0.6905; indicative range today 0.6870-0.6930; the AUD/USD is 0.6922 now**
- UK jobless claims (Dec) -4.3 K (L: 3.9 K; E: 2.8 K); ILO Unemployment rate (Nov) 5.1% (L: 5.2%; E: 5.2%)**
- The Bank of Canada left its cash rate steady at 0.5%**
- US CPI (Dec) -0.1%/0.7% (L: 0.0%/0.5%; E: 0.0%/0.8%); core CPI 0.1%/2.1% (L: 0.2%/2.0%; 0.2%/2.1%); US housing starts (Dec) 1232K/-3.9% (L: 1173K/10.5%; E: 1200K/2.3%)**

Good luck.

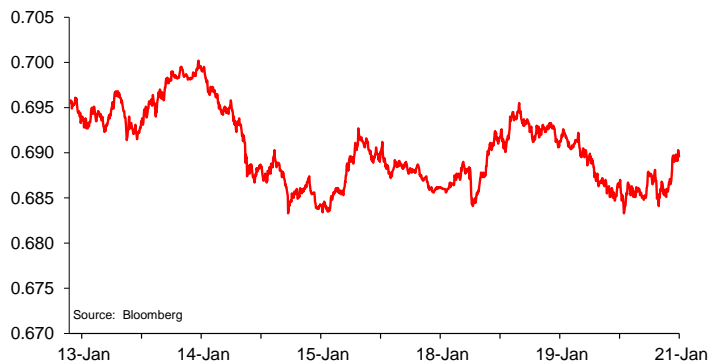
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Chart of the day: Eurozone inflation pricing testing lower



Markets

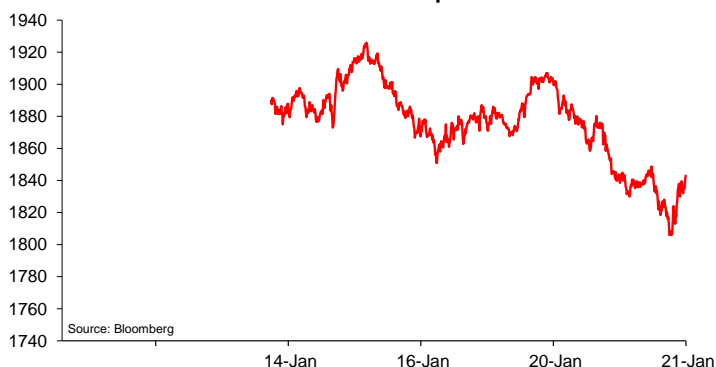
AUD/USD- past week



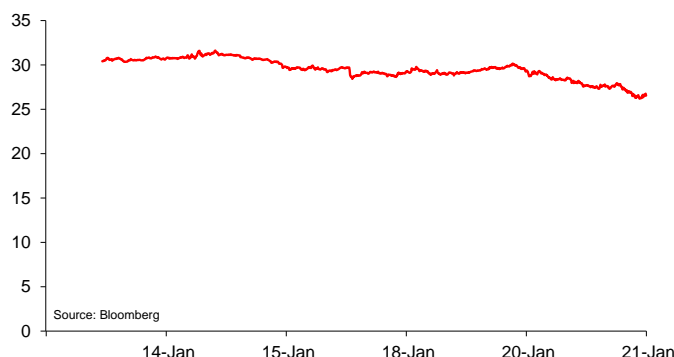
US 10 year bonds- past week



S&P 500 futures- past week



WTI futures- past week



Foreign Exchange						Equities				Commodities*				
		Indicative 24hr ranges (**)			Other FX		Major Indices				Last % day			
	Last	% chge	Low	High		Last	% chge		Last	% day	% year		Last	% day
AUD	0.6922	0.2	0.6828	0.6925	HKD	7.8185	-0.1	Dow	15,859	-1.0	-9.5	Oil (Brent)	28.33	-1.5
NZD	0.6437	1.2	0.6356	0.6438	CNY	6.5767	-0.1	S&P 500	1,871	-0.5	-7.5	Oil (WTI)	26.55	-6.7
EUR	1.0881	-0.4	1.0877	1.0938	SGD	1.4358	-0.2	Nasdaq	4,500	0.5	-3.3	Oil (Tapis)	28.14	-4.5
GBP	1.4167	0.0	1.4131	1.4221	IDR	13,939	-0.1	VIX Index	27.05	3.8	36.0	Gold	1100.60	1.1
JPY	116.97	0.5	116.20	117.00	THB	36.27	0.0	FTSE	5,674	-3.5	-14.3	CRB	156.32	-2.0
CAD	1.4481	-1.0	1.4480	1.4665	KRW	1,212	-0.4	DAX	9,392	-2.8	-8.4	GS Metals	240.8	1.4
AUD/EUR	0.6361	1.4			TWD	33.74	-0.2	CAC 40	4,125	-3.4	-7.2	Aluminium	1469	-0.8
AUD/JPY	80.97	1.5			PHP	47.90	0.1	Nikkei	16,416	-3.7	-5.0	Copper	4359	-1.1
AUD/GBP	0.4886	1.0			CHF	1.01	0.4	Shanghai	2,977	-1.0	-10.4	Nickel	8550	-0.5
AUD/NZD	1.0753	-0.1			SEK	8.60	0.6	Hang Seng	18,886	-3.8	-22.4	Zinc	1483	-1.6
												Ch. steel	1810	-0.9
												Iron ore	41.6	-2.7
												St. coal	49.8	0.0
												Wheat Chic.	475.8	-0.7
												Sugar	14.18	-3.9
												Cotton	61.97	-0.8
												Coffee	111.6	-3.5
												CO₂ Emissions - Euros		
												Last % day		
												Dec-2016	6.36	-7.3
												Dec-2017	6.45	-7.2
												Dec-2018	6.58	-7.2

Interest Rates					Benchmark 10 Year Bonds			Overnight Futures		
		Indicative Swap Rates			Benchmark 10 Year Bonds			Last Chge		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd			
USD	0.50	0.62	0.90	1.86	USD 10	1.99	-0.06	Australia		
AUD	2.00	2.28	2.01	2.76	AUD 10	2.66	-0.06	3 mth bill	97.86	-0.01
NZD	2.50	2.75	2.57	3.40	NZD 10	3.19	-0.02	3 Yr bond	98.15	0.02
EUR	0.05	0.06	-0.10	0.81	CAD 10	1.16	-0.02	10 Yr bond	97.38	0.09
GBP	0.50	0.59	0.83	1.64	EUR 10	0.41	-0.07	3/10 sprd	0.78	-0.07
JPY	0.09	0.08	0.09	0.38	GBP 10	1.62	-0.08	SPI	-2.0	0.0
CAD	0.50	1.17	0.67	1.53	JPY 10	0.22	-0.01			

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 (through to year end)

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEDT
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	Jan				0	10.00	21.00
EC	CPI Core YoY	Jan A				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		-5.9		-5.9	13.30	0.30
US	Initial Jobless Claims	Jan 16		277.5		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		-0.15		-0.3	13.30	0.30
CA	Retail Sales MoM	Nov		0.2		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
AU	NAB Business Conditions/Confidence	Dec				10/5	0.30	11.30
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 22				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 24				113.2	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		0.4		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		97		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
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		501/2.2		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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