



Markets Today

A daily outlook for Australia, key global economies and markets

28 January 2016

I walk the line

The FOMC post meeting statement played a very straight bat, not locking themselves in to one course or the other as far as the March 17 meeting decision is concerned, leaving that outcome to the course of the economy between now and then and prospects beyond as it will be assessed at that time. Of course the Fed left rates unchanged at 0.25-0.5% as entirely expected.

The Statement laid out a pretty clinical and fair summary of economic market developments since December lift-off, modifying their description of the economy reflecting some slowing but with still strengthening labour market recognising generally higher levels of market volatility.

It aims to strike a balance. On the one hand it says the Fed is "closely monitoring global economic and financial developments and is assessing their implications for the labour market and inflation and for the balance of risks". It dropped its expectation of being "reasonably confident that inflation will rise to 2% over the medium term to 2%, opting for further risk evaluation. On the other side it notes labour market conditions improved further and household spending and business fixed investment have been increasing, now describing that growth as moderate, a slight downshift from December's "solid" description. They note that the housing sector has improved further, evidenced also by the overnight report of a stronger than expected rise in New Home Sales in December.

This Statement that looks to be a holding operation, describing the evolution of a still expanding but recently slowing US economy, telling markets they are not blind to the risks. The Statement does not suggest that the Committee was close to another increase in rates, and March is looking doubtful too without renewed economic strength emerging and less market volatility. The Statement reminded the market that it expects rate rises to be gradual.

US bonds rallied, 2s by 5-6bps since the Fed and a small net gain for the session; December Fed funds futures easing back from 0.65% to 0.62%. Currency and equity markets have been whippy, before and after the Statement, commodity currencies overnight following the fortunes of oil that recovered mid-session, but US stocks on the heavy side into the last hour has seen the AUD pull back toward 0.70, also sold lower in the immediate aftermath of the just announced RBNZ decision.

Just announced at 7am this morning, the RBNZ has left the OCR unchanged, noting that further depreciation would be appropriate (Fonterra a little earlier reduced its 15/16 milk price forecast more than expected), and while core inflation is close to target, some monetary easing ahead may still be required; negative headlines for the flightless bird. AUD/NZD has pushed up over 1.09 in response.

Coming up

With the FOMC now out of the way, will be some return to focusing on US economy's fundamentals which starts as early as tonight. December goods orders report, business investment orders being adversely affected by the downturn in the oil and

gas sector is a cuts back spending reduces new and ongoing fixed investment. Core durable goods orders are expected to dip a further 0.2% in December after a 0.3% decline in November. This release will also see the Atlanta Fed update its *GDPNow* estimate for Q4 GDP which currently sits at 0.7%, figure being released Thursday with the market consensus close to aligned, at 0.8%.

Also being released tonight are Eurozone January confidence surveys, German preliminary CPI for January, US jobless claims, pending home sales, and the January Kansas City Fed manufacturing survey. For Sterling watchers, the first estimate of UK GDP is expected to reveal almost unchanged quarterly growth of 0.5%, an outcome that would take annual growth down from 2.1% to 1.9%.

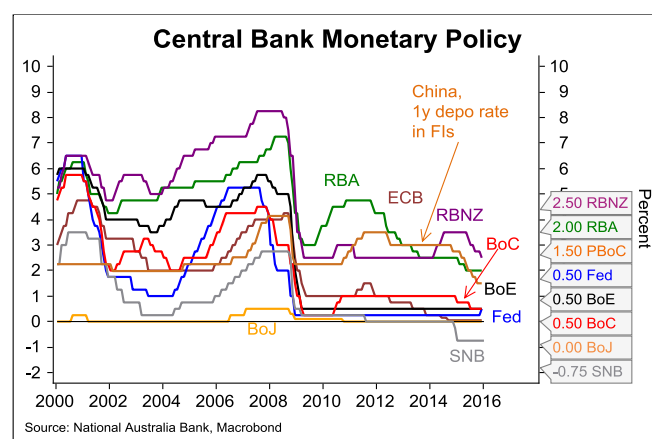
Overnight

- Whippy session; Fed not close to hiking again: Eurostoxx 600 +0.3%, Dax +0.6%, CAC +0.5%, FTSE +1.3%. Dow -272 points to 15,895, -1.7%, S&P 500 -1.7%, Nasdaq -2.5%, VIX 24.07 +7.0%. Shanghai -0.5%, Mumbai -0.5%, Nikkei 225 -2.5% and ASX 200 -1.2%; ASX SPI futures this morning -0.7%. US bond yields: 2s at 0.84% (-1), 10s at 2.00% (+1). WTI oil at \$31.80 (+1.1%), Brent at \$32.66 (+2.7%), Malaysian Tapis (yesterday) \$31.56 (+5.7%). Gold at \$1127.60/oz (+0.6%). Base metals: LME copper +1.1%, nickel -0.2%, aluminium +2.1%. Iron ore \$42.4/t +3.3% Chinese steel rebar futures -0.4%. Soft commodities spot futures: wheat -1.6%, sugar -3.1%, cotton -0.9%, coffee 1.3%. Euro CO² emissions price (Dec 16) -2.8%. The AUD/USD's range overnight 0.7001-0.7081; indicative range today 0.6985-0.7065; the AUD/USD is 0.7006 now**
- The FOMC left rates steady at 0.25-0.5%; US New Home Sales (Dec) 544K (L: 490K/4.3%; E: 500K/2.0%); stronger**
- The RBNZ left rates on hold at 2.50%**

Good luck.

David.deGaris@nab.com.au

Chart of the day: Monetary Policy



Markets

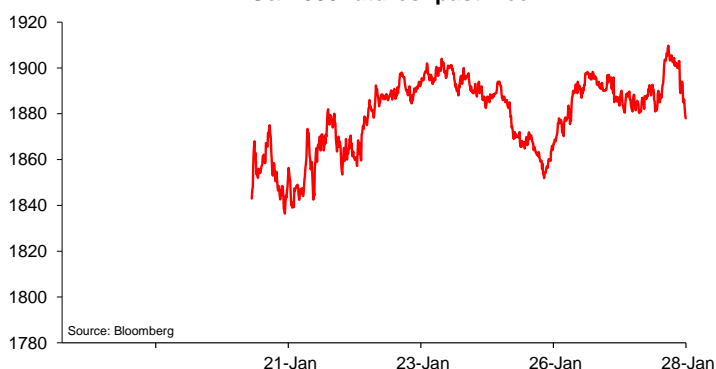
AUD/USD- past week



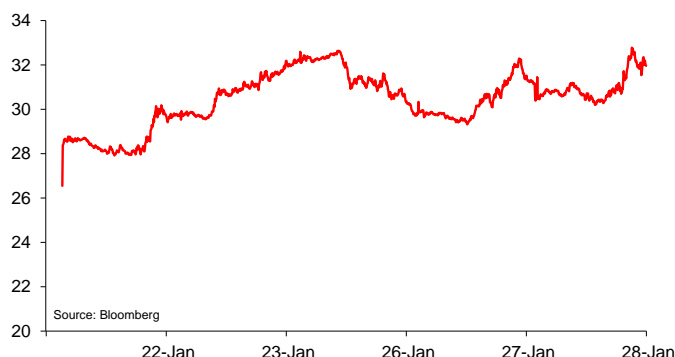
US 10 year bonds- past week



S&P 500 futures- past week



WTI futures- past week



Foreign Exchange

Indicative 24hr ranges (**)				Other FX			
Last	% chge	Low	High	Last	% chge		
AUD	0.7006	0.0	0.6992	0.7082	HKD	7.7966	0.1
NZD	0.6420	-1.2	0.6416	0.6533	CNY	6.5790	0.0
EUR	1.0913	0.4	1.0860	1.0918	SGD	1.4322	0.3
GBP	1.4242	-0.5	1.4230	1.4356	IDR	13,893	0.1
JPY	118.54	0.2	118.24	119.08	THB	35.84	0.1
CAD	1.4147	0.1	1.4027	1.4149	KRW	1,210	0.5
AUD/EUR	0.6418	-0.9			TWD	33.67	0.2
AUD/JPY	83.03	-0.2			PHP	48.04	0.5
AUD/GBP	0.4919	0.0			CHF	1.01	-0.2
AUD/NZD	1.0910	0.8			SEK	8.49	-0.4

Equities

Major Indices			
Last	% day	% year	
Dow	15,895	-1.7	-8.6
S&P 500	1,874	-1.6	-7.7
Nasdaq	4,454	-2.5	-4.9
VIX Index	24.07	7.0	39.8
FTSE	5,990	1.3	-12.1
DAX	9,881	0.6	-7.0
CAC 40	4,380	0.5	-5.3
Nikkei	17,164	2.7	-3.6
Shanghai	2,736	-0.5	-17.2
Hang Seng	19,052	1.0	-23.4
ASX 200	4,946	-1.2	-10.9

Commodities*

	Last	% day
Oil (Brent)	32.66	2.7
Oil (WTI)	31.80	1.1
Oil (Tapis)	31.56	5.7
Gold	1127.60	0.6
CRB	164.18	0.9
GS Metals	246.3	2.3
Aluminium	1526	2.1
Copper	4590	1.1
Nickel	8655	-0.2
Zinc	1615	1.6
Ch. steel	1850	-0.4
Iron ore	42.4	3.3
St. coal	48.5	0.0
Wheat Chic.	482.3	-1.6
Sugar	13.58	-3.1
Cotton	60.86	-0.9
Coffee	118.2	1.3

Interest Rates

Indicative Swap Rates				Benchmark 10 Year Bonds			
Cash	3mth	2Yr	10Yr	Last	chge	Sprd	
USD	0.50	0.62	0.91	1.88	USD 10	2.00	0.01
AUD	2.00	2.28	2.06	2.78	AUD 10	2.68	-0.01
NZD	2.50	2.72	2.63	3.42	NZD 10	3.26	0.00
EUR	0.05	0.06	-0.13	0.74	CAD 10	1.24	-0.02
GBP	0.50	0.59	0.87	1.72	EUR 10	0.44	0.00
JPY	0.10	0.08	0.09	0.38	GBP 10	1.71	0.02
CAD	0.50	1.17	0.70	1.60	JPY 10	0.21	-0.01

Overnight Futures

	Last	Chge
Australia		
3 mth bill	97.80	0.00
3 Yr bond	98.08	-0.01
10 Yr bond	97.33	0.00
3/10 sprd	0.75	-0.01
SPI	-34.0	-0.7

CO₂ Emissions - Euros

	Last	% day
Dec-2016	5.93	-2.8
Dec-2017	6.01	-2.8
Dec-2018	6.13	-2.7

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, 28 January 2016								
NZ	RBNZ Official Cash Rate	Jan 28	2.5	2.5		2.5	20.00	7.00
NZ	Trade Balance	Dec	-112	-131		-779	21.45	8.45
JN	Retail Sales MoM	Dec		1		-2.5	23.50	10.50
JN	Dept. Store, Supermarket Sales	Dec		0.2		-1.5	23.50	10.50
AU	Export/Import price index QoQ	4Q	-3.6/0.0	-3.9/-0.8		0/1.4	0.30	11.30
UK	GDP QoQ/YoY	4Q A		0.5/1.9		0.4/2.1	9.30	20.30
UK	Index of Services MoM	Nov		0.2		0.1	9.30	20.30
EC	Business Climate Indicator	Jan		0.4		0.41	10.00	21.00
UK	CBI Reported Sales	Jan		17.5		19	11.00	22.00
GE	CPI MoM	Jan P		-0.8		-0.1	13.00	0.00
GE	CPI EU Harmonized MoM	Jan P		-1		0	13.00	0.00
US	Initial Jobless Claims	Jan 23		281		293	13.30	0.30
US	Durable Goods Orders	Dec P		-0.5		0	13.30	0.30
US	Cap Goods Orders Nondef Ex Air	Dec P		-0.2/0.8		-0.3/-0.6	13.30	0.30
US	Pending Home Sales MoM/YoY	Dec		0.85/4.8		-0.9/5.1	15.00	2.00
US	Kansas City Fed Manf. Activity	Jan		-9.5		-9	16.00	3.00
Friday, 29 January 2016								
NZ	Building Permits MoM	Dec				1.8	21.45	8.45
JN	Jobless Rate	Dec		3.3		3.3	23.30	10.30
JN	Overall Household Spending YoY	Dec		-2.5		-2.9	23.30	10.30
JN	Natl CPI YoY	Dec		0.2		0.3	23.30	10.30
JN	Industrial Production MoM	Dec P		-0.3		-0.9	23.50	10.50
UK	GfK Consumer Confidence	Jan		1		2	0.50	11.50
AU	PPI QoQ/YoY	4Q		/		0.9/1.7	0.30	11.30
AU	RBA credit MoM/YoY	Dec	0.6/6.8	0.55/6.7		0.4/6.6	0.30	11.30
NZ	Credit aggregates (household) YoY	Dec				7.20%	2.00	13.00
JN	Bank of Japan Monetary Policy Statement						3.00	14.00
JN	BOJ Annual Rise in Monetary Base	Jan 29		80		80	3.50	14.50
EC	M3 Money Supply YoY	Dec		5.2		5.1	9.00	20.00
EC	CPI Estimate YoY	Jan		0.4		0.2	10.00	21.00
EC	CPI Core YoY	Jan A		0.9		0.9	10.00	21.00
US	Employment Cost Index	4Q		0.6		0.6	13.30	0.30
US	Advance Goods Trade Balance	Dec		-60		-60.5	13.30	0.30
US	GDP Annualized QoQ	4Q A		0.8		2	13.30	0.30
CA	Industrial Product/Raw materials Prices MoM	Dec		-0.4		-0.2/-4	13.30	0.30
CA	GDP MoM/YoY	Nov		0.3/0.2		0/-0.2	13.30	0.30
US	ISM Milwaukee	Jan		50		48.53	14.00	1.00
US	Chicago Purchasing Manager	Jan		45.3		42.9	14.45	1.45
US	U. of Mich. Sentiment	Jan F		93		93.3	15.00	2.00
US	Fed's Williams speaks on forecasts in San Francisco						20.30	7.30
Monday, 1 February 2016								
NZ	Net Migration SA	Dec				6260	21.45	8.45
AU	AiG Perf of Mfg Index	Jan				51.9	22.30	9.30
AU	CoreLogic RP Data House Px MoM	Jan				-1.5	23.00	10.00
AU	TD Securities Inflation MoM	Jan				0.2	23.30	10.30
CH	Manufacturing PMI	Jan	49.6	49.7		1.00	12.00	
CH	Non-manufacturing PMI	Jan		54.4		1.00	12.00	
CH	Caixin China PMI Mfg	Jan	48.2	48.2		1.45	12.45	
JN	Nikkei Japan PMI Mfg	Jan F		52.4		2.00	13.00	
AU	Commodity Index AUD	Jan		71.2		5.30	16.30	
GE	Markit/BME Germany Manufacturing PMI	Jan F		52.1		8.55	19.55	
EC	Markit Eurozone Manufacturing PMI	Jan F		52.3		9.00	20.00	
UK	Mortgage Approvals	Dec		70.4		9.30	20.30	
UK	Markit UK PMI Manufacturing SA	Jan		51.9		9.30	20.30	
US	Personal Income/Spending	Dec	0.2/0.1	0.3/0.3		13.30	0.30	
US	Real Personal Spending	Dec		0		0.3	13.30	0.30
US	PCE Deflator MoM/YoY	Dec		0/		0/0.4	13.30	0.30
US	PCE Core MoM/YoY	Dec		0.1/		0.1/1.300004	13.30	0.30
CA	RBC Canadian Manufacturing PMI	Jan		47.5		14.30	1.30	
US	Markit US Manufacturing PMI	Jan F		52.7		14.45	1.45	
US	ISM Manufacturing	Jan		48.5		48.2	15.00	2.00
US	Construction Spending MoM	Dec		0.5		-0.4	15.00	2.00
Tuesday, 2 February 2016								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jan 24				113.2	22.30	9.30
NZ	ANZ Commodity Price	Jan				-1.8	0.00	11.00
AU	RBA Cash Rate Target	Feb 2		2		2	3.30	14.30
GE	Unemployment change/rate	Jan		/		-14/6.3	8.55	19.55
UK	Markit/CIPS UK Construction PMI	Jan				57.8	9.30	20.30
EC	PPI MoM/YoY	Dec				-0.2/-3.2	10.00	21.00
EC	Unemployment Rate	Dec				10.5	10.00	21.00
US	ISM New York	Jan				62	14.45	1.45
US	Fed's George Speaks on U.S. Economy in Kansas City						18.00	5.00
Wednesday, 3 February 2016								
NZ	Unemployment Rate	4Q				6	21.45	8.45
NZ	Participation Rate	4Q				68.6	21.45	8.45
NZ	Employment Change QoQ	4Q				-0.4	21.45	8.45
NZ	Employment Change YoY	4Q				1.5	21.45	8.45
NZ	Pvt Wages Ex Overtime QoQ	4Q				0.4	21.45	8.45
NZ	Pvt Wages Inc Overtime QoQ	4Q				0.4	21.45	8.45
NZ	Average Hourly Earnings QoQ	4Q				0.9	21.45	8.45
AU	AiG Perf of Services Index	Jan				46.3	22.30	9.30
NZ	RBNZ Governor Wheeler Speaks in Christchurch						0.00	11.00
AU	Trade Balance	Dec				-2906	0.30	11.30
AU	Building Approvals MoM/YoY	Dec		/		-12.7/-8.4	0.30	11.30
CH	Caixin PMI Services/Composite	Jan		/		50.2/49.4	1.45	12.45
JN	Nikkei PMI Services/Composite	Jan				51.5/52.2	2.00	13.00
JN	Consumer Confidence Index	Jan				42.7	5.00	16.00
GE	Markit Services/Composite PMI	Jan F		/		55.4/54.5	8.55	19.55
EC	Markit Services/Composite PMI	Jan F		/		53.6/53.5	9.00	20.00
UK	Markit/CIPS UK Services/Composite PMI	Jan		/		55.5/55.3	9.30	20.30
EC	Retail Sales MoM	Dec				-0.3	10.00	21.00
US	ADP Employment Change	Jan		190		257	13.15	0.15
US	Markit Services/Composite PMI	Jan P		54		54.3	14.45	1.45
US	Markit US Composite PMI	Jan P		/55.3		54/55.3	14.45	1.45
US	ISM Non-Manf. Composite	Jan		55.3		55.3	15.00	2.00
US	Wards Total Vehicle Sales	Jan		17.5		17.22	20.00	7.00
Upcoming Central Bank Interest Rate Announcements								
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%		
New Zealand, RBNZ		10-Mar				2.50%		
Europe ECB		10-Mar				0.05%		
Canada, BoC		10-Mar				0.50%		
US Federal Reserve		17-Mar				0.25-0.50%		

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

Global Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406

Australia

Economics

Ivan Colhoun
Chief Economist, Markets
+61 2 9237 1836

David de Garis
Senior Economist
+61 3 8641 3045

Tapas Strickland
Economist
+61 2 9237 1980

FX Strategy

Ray Attrill
Global Co-Head of FX Strategy
+61 2 9237 1848

Emma Lawson
Senior Currency Strategist
+61 2 9237 8154

Interest Rate Strategy

Skye Masters
Head of Interest Rate Strategy
+61 2 9295 1196

Rodrigo Catril
Interest Rate Strategist
+61 2 9293 7109

Credit Research

Michael Bush
Head of Credit Research
+61 3 8641 0575

Simon Fletcher
Senior Credit Analyst – FI
+61 2 9237 1076

Distribution

Barbara Leong
Research Production Manager
+61 2 9237 8151

Group Economics

Alan Oster
Group Chief Economist
+61 3 8634 2927

James Glenn
Senior Economist – Australia
+61 3 9208 8129

Vyanne Lai
Economist – Australia
+61 3 8634 0198

Phin Ziebell
Economist – Agribusiness
+61 475 940 662

Amy Li
Economist – Australia
+61 3 8634 1563

Dean Pearson
Head of Industry Analysis
+61 3 8634 2331

Robert De lure
Senior Economist – Industry Analysis
+61 3 8634 4611

Brien McDonald
Senior Economist – Industry Analysis
+61 3 8634 3837

Karla Bulauan
Economist – Industry Analysis
+61 3 8641 4028

Tom Taylor
Head of Economics, International
+61 3 8634 1883

Tony Kelly
Senior Economist – International
+61 3 9208 5049

Gerard Burg
Senior Economist – Asia
+61 3 8634 2788

John Sharma
Economist – Sovereign Risk
+61 3 8634 4514

Jacqui Brand
Personal Assistant
+61 3 8634 2181

New Zealand

Stephen Toplis
Head of Research, NZ
+64 4 474 6905

Craig Ebert
Senior Economist
+64 4 474 6799

Doug Steel
Senior Economist
+64 4 474 6923

Kymerly Martin
Senior Market Strategist
+64 4 924 7654

Jason Wong
Currency Strategist
+64 4 924 7652

Yvonne Liew
Publications & Web Administrator
+64 4 474 9771

Asia

Christy Tan
Head of Markets Strategy/Research, Asia
+852 2822 5350

UK/Europe

Nick Parsons
Head of Research, UK/Europe,
and Global Co-Head of FX Strategy
+44 207 710 2993

Gavin Friend
Senior Markets Strategist
+44 207 710 1588

Derek Allassani
Research Production Manager
+44 207 710 1532

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