

# Markets Today

A daily outlook for Australia, key global economies and markets

29 January 2016

## Mixed messages

Overnight, Nick Parsons, my colleague in London managed to write his daily note without mentioning oil until the very last sentence of his note, only to remark that that he managed to write the note without mentioning oil. Eight hours later, oil is back on the headlines and still driving markets. Oil prices spiked higher as Russia's energy minister Novac was quoted saying that OPEC was trying to organise a meeting with OPEC and non-Opec countries in February to discuss a 5% output cut. However, later we had other headlines from OPEC delegates saying that there were no plans to hold talks, followed by another headline noting OPEC is willing to cooperate for any action to stabilise the oil market.

So mixed oil messages were the main source of market volatility overnight, and for now the hope of production cuts has boosted oil prices and it has also helped commodity related equities and currencies perform. That said, we would note that history tells us that when it comes to oil producing countries, is best to watch what they do rather than what they say.

European equities ended the day in negative territory despite an uplift from oil prices. The market was dragged lower by a weaker than expected consumer confidence reading (105vs 106.4 exp) with losses concentrated in the banking and healthcare sector. In the US, mixed data releases dragged equity markets lower, but a strong rebound in energy stocks (DJ energy index +2.47%) in the later part of the session helped equity indices move back into positive territory. As we are about to press the send button, DJ is +0.96%, S&P500 is +0.7% and NASDAQ is +0.94%.

US weekly jobless claims printed at 278k, 16k lower than the previous week, however durable goods orders were a big missed (-5.1% vs -0.7% exp.) and pending home sales were softer too (0.1% vs 0.9% exp.).

In currencies, the USD is weaker against all G10 barring the JPY. Sterling is at the top of the leader board boosted by a solid Q4 GDP print (0.5%qoq in line with exp.) and tailed by commodity currencies. The AUD is currently trading at 0.7077, after trading as high as 0.7124 following the spike higher in oil prices. JPY underperformance against the USD is probably reflective of expectations of further easing from the BoJ today, however the resignation of Japan's economy minister Amari over allegations he accepted a bribe, probably didn't help the cause either.

In bonds, softer US data has overruled the oil led risk on sentiment in US equities. US treasury yields are lower and the curve is flatter led by longer dated maturities. Relative to Sydney closing levels, 10y UST are 3bps lower and currently trading at 1.98% and 30y UST are at 2.79%, 1.7bps lower. In Europe, 10y Bunds and 10y UK gilts closed 4bps lower and ended the day 0.402% and 1.98% respectively.

In commodities, WTI and Brent oil are up nearly 3% at \$33.48 and \$34.01 respectively. Gold is unchanged at \$1115.6 and iron ore is at \$41.9, down 1.2% .

In other news, ECB Weidman warned that there is a significant risk of a long period of headline inflation undershooting the price stability target posing a challenge to the Bank's credibility.

## Coming Up

This morning in Australia we get RBA credit figures for December. Our economists expect a 0.6% rebound in credit growth following the lower than expected 0.4% print in November. While a slowdown in housing credit is anticipated, this is expected to be outstripped by a stronger bounce in business credit growth.

Ahead of the BoJ announcement this afternoon, this morning we also get Japan's CPI and industrial production, both for December. Crude oil weakness and falling equity markets since the start of 2016 have contributed to an increase in expectations of further BoJ easing. BoJ Governor Kuroda noted over the weekend that inflation expectations have taken a bit of a hit and that if necessary to reach its inflation target, the BoJ can expand QE. That said and in spite of its staunch rhetoric, we think the Bank remains reluctant to increase its current (¥80 tn. annual rate) QE programme and as such we expect the BoJ to stand pat today. In terms of inflation forecast, the 2% price stability target should remain in place, however we see inflation projections moving lower driven by a delay in the expected oil price rebound.

Europe releases preliminary inflation statistics (January) for France and Spain along with monetary aggregates for the Eurozone. And later in the US we'll get the first estimate of US Q4 GDP on Friday. Market estimates have been tumbling in the past week or more, with the current consensus sitting at just 0.8% (annualised growth). Looking at Q4 earnings, Chevron's results are the highlight as it is the first major within the broad energy sector to report Q4 results.

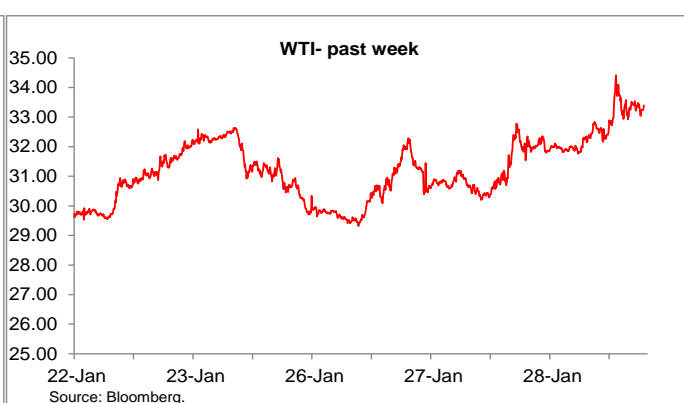
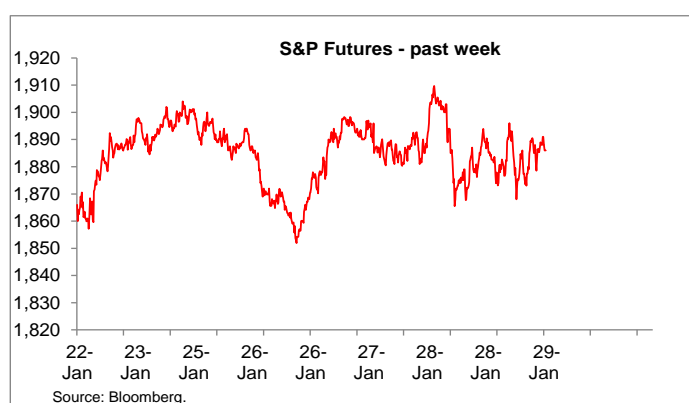
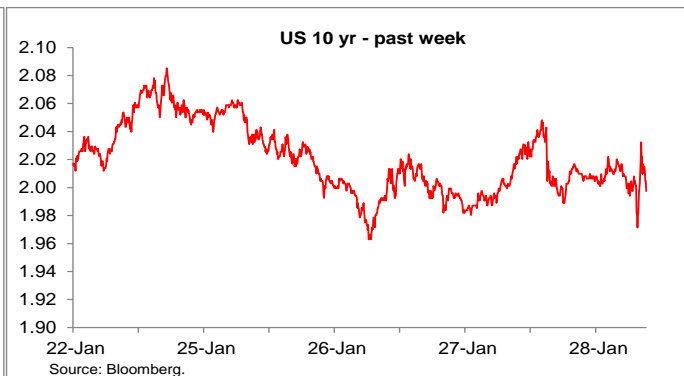
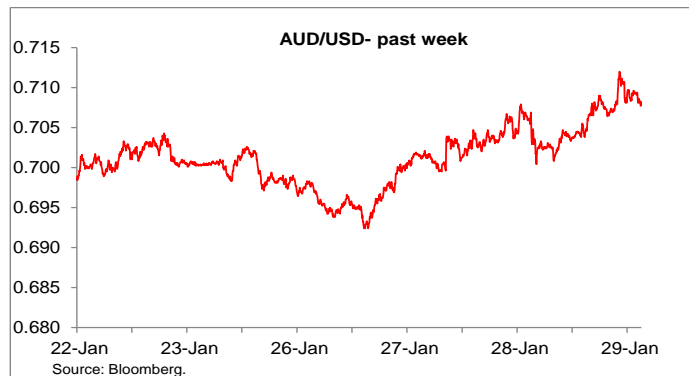
## Overnight

On global stock markets, the S&P 500 was +0.60%. Bond markets saw US 10-years -1.05bp to 1.99%. On commodity markets, Brent crude oil +3.50% to \$34.26, gold-0.0% to \$1,115, iron ore -1.2% to \$41.92. AUD is at 0.7083 and the range was 0.7008 to 0.7129.

Good luck,

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## Markets



## Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7083	0.8	0.7008	0.7129	HKD	7.7936 0.0
NZD	0.6480	0.7	0.6419	0.6514	CNY	6.5753 0.0
EUR	1.0950	0.5	1.0870	1.0968	SGD	1.4271 -0.4
GBP	1.4360	0.9	1.4233	1.4408	IDR	13,873 0.0
JPY	118.80	0.1	118.42	118.99	THB	35.83 0.0
CAD	1.4049	-0.3	1.3948	1.4123	KRW	1,209 0.5
AUD/EUR	0.6469	0.3			TWD	33.59 0.0
AUD/JPY	84.16	0.9			PHP	47.77 -0.3
AUD/GBP	0.4933	-0.1			CHF	1.01 -0.2
AUD/NZD	1.0930	0.1			SEK	8.50 -0.1

## Equities

Major Indices			
	Last	% day	% y/y
Dow	16,081	+0.9	-6.5
S&P 500	1,895	+0.6	-5.3
Nasdaq	4,508	+0.9	-2.8
FTSE	5,932	-1.0	-13.1
DAX	9,640	-2.4	-10.0
CAC 40	4,322	-0.2	-6.3
Nikkei	17,041	-0.7	-3.2
Shanghai	2,656	-2.9	-18.6
Hang Seng	19,196	+0.8	-22.0
ASX 200	4,976	+0.6	-10.7

## Commodities\*

	Last	% day
Oil (Brent)	34.26	3.5
Oil (WTI)	33.48	3.7
Oil (Tapis)	33.78	7.0
Gold	1115.30	0.0
CRB	165.22	0.6
GS Metals	249.7	1.4
Aluminium	1530	2.1
Copper	4598	1.1
Nickel	8632	-0.2
Zinc	1616	1.6
Ch. steel	1811	-1.6
Iron ore	41.9	-1.2
Coal	48.9	0.1
Wheat Chic.	478.0	-0.9
Sugar	13.25	-2.4
Cotton	61.36	0.8
Coffee	119.2	0.8

## Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprrd
USD	0.50	0.62	0.89	1.87	USD 10	1.99	-0.01
AUD	2.00	2.28	2.07	2.81	AUD 10	2.69	0.01 0.70
NZD	2.50	2.71	2.64	3.43	NZD 10	3.24	-0.01 1.25
EUR	0.05	0.06	-0.14	0.73	CAD 10	1.24	0.00 -0.75
GBP	0.50	0.59	0.86	1.71	EUR 10	0.40	-0.04 -1.58
JPY	0.08	0.08	0.08	0.38	GBP 10	1.67	-0.04 -0.32
CAD	0.50	1.17	0.71	1.61	JPY 10	0.23	0.02 -1.76

## Overnight Futures

	Last	Chge
<b>Australia</b>		
3 mth bill	97.80	0.01
3 Yr bond	98.08	0.00
10 Yr bonc	97.32	-0.01
3/10 sprd	0.76	0.01
SPI	10.0	0.2

CO<sub>2</sub> Emissions - Euros

	Last	% day
Jun-2016	6.07	2.7
Dec-2016	6.09	2.7
Jun-2017	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
<b>Friday, 29 January 2016</b>								
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
<b>Monday, 1 February 2016</b>								
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
<b>Tuesday, 2 February 2016</b>								
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
<b>Wednesday, 3 February 2016</b>								
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	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-Manufacturing	Jan		55.3		55.3	15.00	2.00
<b>Thursday, 4 February 2016</b>								
AU	NAB Business Confidence	4Q				0.47	0.30	11.30
GE	Markit Germany Construction PMI	Jan				55.5	8.30	19.30
UK	New Car Registrations YoY	Jan				8.4	9.00	20.00
EC	ECB Publishes Economic Bulletin						9.00	20.00
UK	Bank of England Bank Rate	Feb 4		0.5		0.5	12.00	23.00
UK	BOE Asset Purchase Target	Feb				375	12.00	23.00
UK	Bank of England Inflation Report						12.00	23.00
US	Challenger Job Cuts YoY	Jan				-27.6	12.30	23.30
US	Nonfarm Productivity	4Q P		-1.6		2.2	13.30	0.30
US	Initial Jobless Claims	Jan 23		281		293	13.30	0.30
US	Bloomberg Consumer Comfort	Jan 24				44	14.45	1.45
US	Factory Orders	Dec		-0.1/		-0.2/-0.3	15.00	2.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
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

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