

1 July 2016

Markets Today



Waves

As a BBC commentator described it this morning, providing it doesn't violate the laws of thermodynamics, anything can happen inside the British Conservative Party. When the former Mayor of London fronted his press conference overnight, it was a real shock when he said the leader would be "someone other than me"! Nominations for the leadership were subsequently announced and Theresa May looks to be a front runner. The Pound slumped but has recovered half its lost ground.

S&P cut the EU's rating from AA+/Negative to AA/Stable, the agency noting Brexit would hurt the EU's flexibility, also highlighting the EU's cohesion risks. Fitch offered warnings and stern words but no immediate ratings changes.

Despite these further hits to sentiment, equity markets have closed higher on both sides of the Atlantic, the S&P 500 VIX index down further to 15.86 (-0.76) and the AUD at 0.7455.

The reason: the prospect of stimulus to support growth and the markets, from the BoE (and maybe the ECB too). BoE Governor Mark Carney spoke and said that the Bank had been preparing for Brexit risk, is dealing with the uncertainty shock and, more tellingly, signalling to the market the prospect of an easing in the summer. He noted that the MPC would be weighing the downside risks to growth against the upside risks to inflation from the lower exchange rate. His summary was that "in my view, and I am not prejudging the views of the other independent MPC members, the economic outlook has deteriorated and some monetary policy easing will likely be required over the summer". (He had warned before the referendum they might have to hike in the event of Brexit.) The July 14 MPC meeting is now looking potentially "live", though our UK colleagues think a cut might wait for the full economic forecast review and Inflation Report for presentation at the August meeting. You can add to that reports the ECB was said to be weighing looser QE bond-buying rules.

US data was inconsequential with still low weekly jobless claims (up from 258K to 268K); the Chicago PMI bounced from 49.3 to 56.8. Fed St Louis President James Bullard said that the size of the Brexit shock in global terms is manageable, that the US\$ has not risen a lot, and affirming that negative rates are not a likely outcome in the US.

Coming up

There might be a half glance at the AU AiG PMI Manufacturing Index for June (L: 51.0) at 9.30, but the focus

is well and truly on Australia's two largest trading partners, first Japan data and later this morning, China.

For Japan, it's a clear focus on inflation and the BoJ Tankan Survey, the CPI coming at 9.30, the Tankan at 9.50. Core ex fresh food and energy inflation in May is expected to come in at 0.6%, down from 0.7%. As for the Tankan, when the March survey was released on April 1, expectations of large manufacturers were then based on an exchange rate for Japanese fiscal year 2016 (year to March 2017) of 117.46. USD/JPY has since averaged 107.97 (and currently trading closer to 100, though that post-dates the survey), so it'd be a surprise if growth expectations were not lowered. The market consensus for large manufacturers is a dip in Q2 to +4 from +6 and no change in the outlook from +3.

After the June month AU CoreLogic RP Data house price report at 10.00, the focus then shifts to Australia's largest trading partner and the release of the official Manufacturing and Non-manufacturing PMIs at 11.00. The Manufacturing index has been hugging 50 give or take for 18 months now, though it did dip to 49 in February before recovering, presumably thanks to China's policy reflation. It's expected to inch lower to 50.0 from 50.1. There's no survey of the official Non-manufacturing index that was 53.1 in May. The Caixin survey of the Manufacturing PMI is expected to be unchanged at 49.2. To be frank, we are as much interested in the sectoral information under the main surveys with the Steel PMI jumping from a perilous 37.0 just last November to 57.3 in April and 50.9 in May thanks to the revival of China's property and construction markets.

It's then that onward to the US ISM Manufacturing index for June along with other offshore PMIs set for release today and tonight. The US ISM Manufacturing index is expected to be steady at 51.3, still struggling to make any further headway after its initial bounce-back from 48.0 in December in the opening months of this year. (Payrolls is next Friday.) Cleveland Fed President Loretta Mester also speaks tonight; she's a voter on the FOMC this year and her comments indicate she's a moderate monetary policy hawk. There's bound to be some laudatory references to the Cavs too.

Overnight

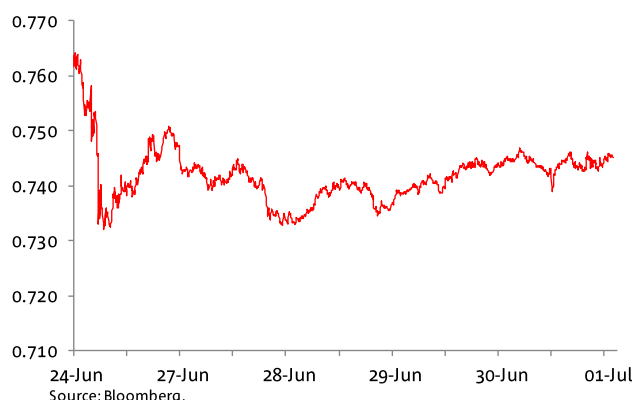
On global stock markets, the S&P 500 was +1.36%. Bond markets saw US 10-years -4.58bp to 1.47%. In commodities, Brent crude oil -3.00% to \$49.78, gold -0.2% to \$1,325, iron ore +3.3% to \$55.66. AUD is at 0.7448 and the range since yesterday 5pm Sydney time is 0.7389 to 0.7461.

Good luck.

Author:

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AUD/USD - past week



US 10 yr - past week



S&P Futures - past week



WTI - past week



Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7448	0.0	0.7447	0.7451	HKD	7.7592 0.0
NZD	0.7134	0.2	0.7094	0.7142	CNY	6.6430 0.0
EUR	1.1100	0.1	1.1024	1.1156	SGD	1.3471 -0.1
GBP	1.3311	-0.8	1.3207	1.3495	IDR	13,173 0.1
JPY	103.21	0.5	102.36	103.30	THB	35.12 -0.2
CAD	1.2928	-0.4	1.2915	1.3018	KRW	1,153 -0.4
AUD/EUR	0.671	0.0	0.6686	0.6740	TWD	32.25 -0.1
AUD/JPY	76.93	0.7	76.21	77.05	PHP	47.10 0.3
AUD/GBP	0.5598	1.0	0.5515	0.5633	CHF	0.98 -0.4
AUD/NZD	1.0441	-0.1	1.0437	1.0474	SEK	8.46 -0.5
AUD/CNH	4.9481	0.0	4.9534	4.9731		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	0.50	0.65	0.74	1.36	USD 10	1.47	-4.58
AUD	1.75	1.96	1.76	2.17	AUD 10	1.98	-2.30 0.51
NZD	2.25	2.42	2.23	2.66	NZD 10	2.35	0.60 0.88
EUR	0.00	-0.29	-0.21	0.42	CAD 10	1.06	-6.70 -0.41
GBP	0.50	0.56	0.50	0.96	EUR 10	-0.13	-0.40 -1.60
JPY	-0.04	-0.03	-0.14	-0.04	GBP 10	0.87	-8.20 -0.60
CAD	0.50	0.88	0.86	1.29	JPY 10	-0.22	1.30 -1.69

Equities

Major Indices

	Last	% day	% y/y
Dow	17,930	1.3	1.8
S&P 500	2,099	1.4	1.7
Nasdaq	4,843	1.3	-2.9
VIX	16	-6.1	-14.3
FTSE	6,504	2.3	-0.3
DAX	9,680	0.7	-11.6
CAC 40	4,237	1.0	-11.5
Nikkei	15,576	0.1	-23.4
Shanghai	2,930	-0.1	-27.7
Hang Seng	20,794	1.8	-20.8
ASX 200	5,233	1.8	-5.1

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.11	-2.00
3 Yr bond	97.8	3.00
10 Yr bond	98.01	3.00
3/10 sprd	-0.21	0.00
SPI	5228.0	-135.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	49.78	-3.0
Oil (WTI)	48.40	-3.0
Oil (Tapis)	50.26	2.3
Gold	1324.70	-0.2
CRB	192.57	-1.1
GS Metals	272.5	0.5
Aluminium	1645.8	0.9
Copper	4841.8	0.2
Nickel	9410.0	0.1
Zinc	2102.0	0.8
Ch. steel	2348.0	4.4
Iron ore	55.7	3.3
Coal	57.0	2.3
Wheat Chic.	465.5	0.1
Sugar	20.3	-3.2
Cotton	64.2	-2.6
Coffee	145.7	0.8

CO₂ Emissions - Euros

	Last	% day
Dec-2016	4.46	-1.8
Jun-2017	4.47	-2.0
Dec-2017	4.49	-1.3

* clsd = market holiday

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	AEST
Friday, 1 July 2016								
AU	AiG Perf of Mfg Index	Jun				51.0	23.30	9.30
JN	Jobless Rate/job-to-applicant ratio	May		3.2		3.2/1.3	23.30	9.30
JN	Overall Household Spending YoY	May		-1.1		-0.4	23.30	9.30
JN	Natl CPI/Ex fresh food YoY	May		-0.5/-0.4		-0.3/-0.3	23.30	9.30
JN	Natl CPI Ex Food, Energy YoY	May		0.6		0.7	23.30	9.30
JN	Tankan Large Mfg Index/Outlook	2Q		4/3		6.0/3.0	23.50	9.50
JN	Tankan Large All Industry Capex	2Q		5.3		-0.9	23.50	9.50
AU	CoreLogic House Px MoM	Jun	0.6			1.6	0.00	10.00
CH	Manufacturing/Non-manufacturing PMI	Jun		50/		50.1/53.1	1.00	11.00
CH	Caixin China PMI Mfg	Jun		49.2		49.2	1.45	11.45
JN	Nikkei Japan PMI Mfg	Jun F				47.8	2.00	12.00
JN	Natl CPI Ex Fresh Food, Energy YoY	May		0.8		0.9	5.00	15.00
JN	Consumer Confidence Index	Jun		41.1		40.9	5.00	15.00
AU	Commodity Index AUD	Jun				90.3	6.30	16.30
GE	Markit/BME Germany Manufacturing PMI	Jun F		54.4		54.4	7.55	17.55
EC	Markit Eurozone Manufacturing PMI	Jun F		52.6		52.6	8.00	18.00
UK	Markit UK PMI Manufacturing SA	Jun		50.1		50.1	8.30	18.30
UK	Unit Labor Costs YoY	1Q		1.5		1.3	8.30	18.30
EC	Unemployment Rate	May		10.1		10.2	9.00	19.00
US	Markit US Manufacturing PMI	Jun F		51.3		51.4	13.45	23.45
US	ISM Manufacturing	Jun		51.3		51.3	14.00	0.00
Monday, 4 July 2016								
UK	Lloyds Business Barometer	Jun				32.0	23.10	9.10
AU	Melbourne Institute Inflation MoM/YoY	Jun				-0.2/1.0	1.00	11.00
AU	ANZ Job Advertisements MoM	Jun				2.4	1.30	11.30
AU	Building Approvals MoM/YoY	May		/		3.0/0.7	1.30	11.30
UK	Markit/CIPS UK Construction PMI	Jun				51.2	8.30	18.30
EC	Sentix Investor Confidence	Jul				9.9	8.30	18.30
EC	PPI MoM/YoY	May		/		-0.3/-4.4	9.00	19.00
CA	RBC Canadian Manufacturing PMI	Jun				52.1	13.30	23.30
CA	Business Outlook Future Sales	2Q				16.0	14.30	0.30
CA	BoC Senior Loan Officer Survey	2Q				6.6	14.30	0.30
Tuesday, 5 July 2016								
AU	AiG Perf of Services Index	Jun				51.5	23.30	9.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jul 3				116.8	23.30	9.30
NZ	QV House Prices YoY	Jun				12.4	0.00	10.00
NZ	ANZ Commodity Price	Jun				1.0	1.00	11.00
AU	Trade Balance	May				-1579.0	1.30	11.30
AU	Retail Sales MoM	May				0.2	1.30	11.30
CH	Caixin China PMI Services/Composite	Jun		/		51.2/50.5	1.45	11.45
JN	Nikkei Japan PMI Services/Composite	Jun		/		50.4/49.2	2.00	12.00
AU	RBA Cash Rate Target	Jul 5		1.75		1.8	4.30	14.30
GE	Markit Germany Services/Composite PMI	Jun F		/		53.2/54.1	7.55	17.55
EC	Markit Eurozone Services/Composite PMI	Jun F		/		52.4/52.8	8.00	18.00
UK	Markit/CIPS UK Services/Composite PMI	Jun		/		53.5/53.0	8.30	18.30
EC	Retail Sales MoM/YoY	May		/		0.0/1.4	9.00	19.00
US	ISM New York	Jun				37.2	13.45	23.45
US	Factory Orders/ex transp orders	May		-0.8		1.9	14.00	0.00
Wednesday, 6 July 2016								
UK	BRC Shop Price Index YoY	Jun				-1.8	23.10	9.10
GE	Factory Orders MoM/YoY	May		/		-2.0/-0.5	6.00	16.00
AU	RBA's Debelle speaks at "Examining the FX Code of Conduct" event						7.30	17.30
US	Trade Balance	May		-39.5		-37.4	12.30	22.30
CA	Int'l Merchandise Trade	May				-2.9	12.30	22.30
US	Markit US Services/Composite PMI	Jun F		/		51.3/51.2	13.45	23.45
US	ISM Non-Manf. Composite	Jun		53.5		52.9	14.00	0.00
US	U.S. Fed Releases Minutes from June 14-15 FOMC Meeting						18.00	4.00
Thursday, 7 July 2016								
NZ	ANZ Truckometer Heavy MoM	Jun				-1.7	22.00	8.00
AU	AiG Perf of Construction Index	Jun				46.7	23.30	9.30
JN	Leading Index CI	May P				100.0	5.00	15.00
GE	Industrial Production SA MoM/YoY	May		/		0.8/1.2	6.00	16.00
CH	Foreign Reserves	Jun		3155		3191.7	8.05	18.05
UK	Industrial Production MoM/YoY	May		/		2.0/1.6	8.30	18.30
US	Challenger Job Cuts YoY	Jun				-26.5	11.30	21.30
EC	ECB account of the monetary policy meeting						11.30	21.30
US	ADP Employment Change	Jun		150		173.0	12.15	22.15
CA	Building Permits MoM	May				-0.3	12.30	22.30
US	Initial Jobless Claims	Jun 25		267		259.0	12.30	22.30
UK	NIESR GDP Estimate	Jun				0.5	14.00	0.00
CA	Ivey Purchasing Managers Index SA	Jun				49.4	14.00	0.00
Friday, 8 July 2016								
JN	BoP Current Account Adjusted	May				1625.8	23.50	9.50
JN	Labor Cash Earnings/Real Cash Earnings YoY	May				0.3/0.6	0.00	10.00
GE	Current Account Balance	May				28.8	6.00	16.00
UK	Trade Balance	May				-3294.0	8.30	18.30
US	Change in Nonfarm Payrolls/Unemployment rate	Jun		180/4.8		38.0/4.7	12.30	22.30
US	Average Hourly Earnings MoM/YoY	Jun		0.2/		0.2/2.5	12.30	22.30
CA	Net Change in Employment/Unemployment rate	Jun		/		13.8/6.9	12.30	22.30
US	Consumer Credit	May		16.5		13.4	19.00	5.00
Sunday, 10 July 2016								
CH	CPI/PPI YoY	Jun		1.9/-2.3		2.0/-2.8	1.30	11.30
CH	New Yuan Loans/Aggregate Financing CNY	Jun		1000/1054		986/660		
CH	Aggregate Financing CNY	Jun		1054		660		
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		5-Jul	1.75%	1.75%		1.75%		
UK BOE		14-Jul				0.50%		
Canada, BoC		14-Jul				0.50%		
Europe ECB		21-Jul				0.00%		
US Federal Reserve		27-Jul				0.25-0.50%		
Japan, BoJ		29-Jul				-0.1% to +0.1%		
New Zealand, RBNZ		11-Aug	2.00%	2.00%		2.25%		

GMT: Greenwich Mean Time; AEST: Australian Eastern Standard Time

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