

OPEC hits crude, Kiwi flies on RBNZ

As expected the Reserve Bank of New Zealand (RBNZ) left interest rates steady at 3.50% in December. In the accompanying monetary policy [statement](#) the Board noted that 'the exchange rate remains unjustifiably and unsustainably high' with members expecting to 'see a further significant depreciation'. Despite this headwind members expect growth 'at or above trend through 2016 with unemployment continuing to decline'. As opposed to their previous meeting where the Board went policy neutral, today they noted that with 'modest inflation pressures the expansion can be sustained for longer than previously expected **with a more gradual increase in interest rates**'. Keeping with that theme they stated 'with output projected to grow at or above capacity, CPI inflation is expected to approach the 2 percent midpoint of the Reserve Bank's target range in the latter part of the forecast period' with **some further increase in the OCR expected to be required at a later stage**. In other words neutral bias gone, tightening bias returns.

Overnight OPEC slashed their 2015 global crude demand [forecasts](#) by 280k bpd to 28.92m. If realised the figure will equate to the lowest demand seen in a decade. The news, along with an unexpected lift in US gasoline inventories, saw the crude price sink by more than 3%.

The US Federal Budget narrowed sharply in November with a decline to \$56.8b reported. The figure, below the \$121.7b level of October and expectations for a decline to \$72.5b, was a sharp improvement on the \$135.2b deficit recorded in the same month a year ago. Overall expenditure dropped to \$248.3b from \$317.7b a year earlier with receipts jumping to \$191.4b from \$182.5b.

French industrial output fell heavily in October with a decline of 0.8% [reported](#). The figure was below the flat reading of September and expectations for an increase of 0.1% and was the largest month-on-month contraction since May this year. Making the headline figure even worse, manufacturing output fell 0.2% after expanding 0.3% in September with the annual rate declining by 0.3%.

The UK goods trade [deficit](#) narrowed to £9.62b in October. The figure, the lowest level in seven months, was below the £10.5b level of September but higher than estimates for a decline to £9.5b. Including services, something that registered a surplus of £7.6b, the trade deficit narrowed to £2.0b, below the £2.8b level of September.

The Day Ahead (AEDT)

The ASX 200 looks set to extend its losses this morning with SPI futures pointing to a fall of 60pts on the open. With the commodities complex weak it'll likely be left up to financials, something that makes up 45.3% of the index, to determine the extent of the falls today.

Another wild sessions for the AUDUSD overnight with the pair falling from .8347 to .8282 before rebounding sharply in sympathy with the NZDUSD. While it may be all well-and-good to paint the AUD and NZD with the same brush offshore that will certainly not be the case today with domestic unemployment data for November, something that will act as either a bullish circuit breaker or heap further pressure on the currency, set to shake things up when released at 11.30am this morning. While it will have to produce a massive upside surprise to break ever-increasing bearish sentiment, given positioning and the fact this data tends to be volatile means that there is likely more upside than downside for the Aussie heading into this release. Support is located at the overnight low, .8260 and again at .8220 with resistance kicking in above .8360, .8400 and .8440.

Australian unemployment data for November will be released at 11.30am this morning. Net job growth is expected to increase 15k, down from the 24.1k pace of October, with unemployment tipped to rise 0.1% to 6.3%.

Regional data releases today include Japanese machine orders along with the December monetary policy decision from the Bank of Korea. Later in the evening we'll also receive retail sales, jobless claims, import prices and business inventories from the US, CPI data from Germany and France, Italian industrial output, Greek unemployment and Canadian new home prices. On the policy front ECB President Mario Draghi will address the Italian Parliament while the ECB announce the take up of their latest TLTRO program.

Currencies	Level	+/-	%
AUDUSD	0.8313	0.0020	0.24%
AUDEUR	0.6681	-0.0022	-0.33%
AUDGBP	0.5291	-0.0002	-0.04%
AUDJPY	98.1000	-1.0800	-1.09%
AUDNZD	1.0645	-0.0152	-1.41%
EURUSD	1.2441	0.0071	0.57%
GBPUSD	1.5708	0.0041	0.26%
NZDUSD	0.7800	0.0121	1.58%
USDJPY	118.0100	-1.59	-1.33%
USDCHE	0.9670	-0.0046	-0.47%
USDCNY	6.1763	-0.0092	-0.15%
USD INDEX	88.2450	-0.4620	-0.52%
Equities			
DJIA	17533.15	-268.05	-1.51%
S&P500	2026.60	-33.21	-1.61%
Nasdaq	4224.87	-69.795	-1.63%
STOXX 50	2987.62	-14.31	-0.48%
FTSE	6500.04	-29.43	-0.45%
DAX	9799.73	6.02	0.06%
CAC	4227.91	-36.03	-0.84%
ASX200	5259.00	-23.665	-0.45%
Nikkei	17412.58	-400.8	-2.25%
Shanghai	2940.88	80.9586	2.83%
Hang Seng	23524.52	38.69	0.16%
Kospi	1945.56	-25.39	-1.29%
Sensex	27831.10	34.09	0.12%
Commodities			
Gold	\$1,226.10	-3.16	-0.26%
Silver	\$17.05	0.01	0.06%
Crude Oil	\$61.31	-2.49	-3.90%
Brent Crude	\$64.65	-2.15	-3.22%
Copper	\$2.91	-0.0285	-0.97%
Iron Ore	\$68.90	-0.16	-0.23%
AU Debt Futures			
3m BBSW	2.740%	0.03%	
3 Year	2.210%	-0.08%	
10 Year	2.872%	-0.11%	
Govt 10-Yr Bond Yields			
Australia	2.862%	-0.11%	
NZ	3.805%	-0.04%	
Japan	0.413%	-0.01%	
Germany	0.679%	-0.01%	
UK	1.912%	0.02%	
US	2.167%	-0.05%	

Source: Thomson Reuters

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