

GDP: Delve below the headline today

US construction spending expanded at the fastest pace since May during October with an increase of 1.1% [reported](#). The reading was far stronger than the upwardly-revised 0.1% decline of September and expectations for an increase of 0.6% with public works, up 2.3% following a 1.6% contraction previously, largely responsible for the strong headline print. Elsewhere private sector spend rose by 0.6% with a 1.3% rise in residential construction managing to offset a 2.6% decline in commercial works.

Eurozone producer [prices](#) fell by 0.4% in October, a reading below the 0.2% increase of September and expectations for a decline of 0.3%. Despite being the sharpest month-on-month contraction since October 2013, with stronger data rolling off the series, the annual rate rose to -1.3% from -1.4% reported previously. Energy prices, registering a decline of 0.9%, was the chief catalyst behind the headline miss with prices excluding energy falling by a more modest 0.2%.

Growth in UK construction activity cooled for a second-consecutive month in November with the Markit/CIPS PMI [gauge](#) slipping to 59.4. The reading, below the 61.4 level of October and expectations for a decline to 61.0, was the lowest level seen since October 2013. All three industry components registered a slowdown during the month with the gauge measuring civil engineering falling to lows last seen in July 2013.

The Day Ahead (AEDT)

The ASX 200 sets look for a flat start this morning with SPI futures pointing to a gain of 3pts on the open. While this is reflective of the gains on Wall St and strong rebound from the index yesterday, it will be interesting to see whether the energy and materials sectors continue to outperform given the renewed selloff in the commodities complex overnight. While many will be emboldened by the strong recovery yesterday, should those sectors falter, it'll likely be left up to heavily-weighted financials to do much of the heavy lifting.

Having popped higher post yesterday's RBA monetary policy statement the AUDUSD has been hit hard yet again overnight with a sharp rally in USDJPY, something that has put a broad-based bid in the USD and hurt the commodities complex, helping to send the pair back towards the multi-year low of .8418 struck earlier in the week. While Q3 GDP will be released this morning, given most attention will be on the internals rather than headline, something that will likely be far weaker than the actual print, it's likely that any initial pop on the headline figure will be quickly sold into by the markets. Still, as ever in Asian trade, the wildcard remains the USDJPY, a proxy for USD strength or weakness, with movements in that pair likely to be more influential on the AUDUSD than any data release. Support is found at .8440, .8420 and .8400 with resistance kicking in at .8460, .8480, .8500 and again at .8540.

Australian Q3 GDP will be released at 11.30am. Economists are forecasting growth of 0.7% for the quarter, up from 0.5% in Q2, with the annual rate expected to hold steady at 3.1%. While a reasonable assessment, with most inputs coming in ahead of expectations so far, it's likely that a higher number will be expected by the markets. Before the excitement of that release we'll also receive the latest AIG performance of services index for November at 9.30am. It was a horrible performance from Australia's largest sector in October. Was that just an aberration or the start of a longer-lasting trend?

Regional data releases today include services PMI readings from China, both the NBS and HSBC gauges, and India.

As is the case in Asia services PMI readings dominate the economic calendar this evening with gauges from the US, Eurozone and UK all scheduled for release. Elsewhere we'll also receive the ADP national employment report, revised labour costs and productivity figures and MBA mortgage market index from the US, Eurozone retail sales along with the latest Halifax house price index from the UK. On the policy front the Bank of Canada announce their December policy decision – watch for any change in language towards inflation given the uptick in the core reading in October, while in the States we'll get the latest Beige book on economic conditions from the Fed and hear from vocal FOMC hawk Charles Plosser.

Currencies	Level	+/-	%
AUDUSD	0.8441	-0.0060	-0.71%
AUDEUR	0.6817	0.0002	0.03%
AUDGBP	0.5396	-0.0005	-0.09%
AUDJPY	100.6300	0.0500	0.05%
AUDNZD	1.0811	0.0020	0.19%
EURUSD	1.2381	-0.0092	-0.74%
GBPUSD	1.5640	-0.0097	-0.62%
NZDUSD	0.7806	-0.0066	-0.84%
USDJPY	119.2100	0.89	0.75%
USDFX	0.9721	0.0078	0.81%
USDCNY	6.1490	-0.0025	-0.04%
USD INDEX	88.6040	0.6240	0.71%
Equities			
DJIA	17879.55	102.75	0.58%
S&P500	2066.46	13.01	0.63%
Nasdaq	4305.96	18.149	0.42%
STOXX 50	3078.22	21.42	0.70%
FTSE	6742.10	85.73	1.29%
DAX	9934.08	-29.43	-0.30%
CAC	4388.30	10.97	0.25%
ASX200	5281.26	73.538	1.41%
Nikkei	17663.22	73.12	0.42%
Shanghai	2763.32	82.5768	3.08%
Hang Seng	23654.30	286.85	1.23%
Kospi	1965.83	0.61	0.03%
Sensex	28444.01	-115.61	-0.40%
Commodities			
Gold	\$1,198.71	-12.25	-1.01%
Silver	\$16.43	0.00	0.00%
Crude Oil	\$67.35	-2.02	-2.91%
Brent Crude	\$70.90	-2.03	-2.78%
Copper	\$2.90	-0.0145	-0.50%
Iron Ore Futs	\$475.00	-5	-1.04%
AU Debt Futures			
3m BBSW	2.750%	0.01%	
3 Year	2.430%	0.02%	
10 Year	3.150%	0.07%	
Govt 10-Yr Bond Yields			
Australia	3.142%	0.06%	
NZ	3.925%	0.03%	
Japan	0.421%	0.00%	
Germany	0.742%	0.00%	
UK	1.974%	0.06%	
US	2.292%	0.06%	

Source: Thomson Reuters

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