Market Scuttlebutt

6 December 2014

USD king as job growth, wages accelerate

US employment growth accelerated to a near three-year high in November with non-farm increasing by 321k. The figure, well above the upwardly-revised 243k pace of October and expectations for a decline to 230k, was the largest monthly increase seen since January 2012. Despite the lift in hiring and unchanged labour force participation (62.8%) the unemployment rate held steady at 5.8%, a result that was in line with expectations. Adding to the bullish headline figure average hourly earnings rose by 0.4%, well above the 0.2% increase expected, with the gain the largest recorded since June last year. Elsewhere the underemployment rate dipped to 11.4% from 11.5%, the lowest level since September 2008, while the length of the average workweek increased 6 minutes to 34.6 hours, above the 34.5 figure of October. While there were some disappointing stats embedded within the report, the household survey suggested only 4k additional workers were added during the month with total number of unemployed swelling by 115k, **given the lift in net hiring, bounce in wages growth, lengthening workweek, decline in the number of involuntary part-time workers and the fact every industry bar mining and logging added workers during the month that, on aggregate at least, this is a very robust result.** The report saw the USD index surge to highs not seen since Q1 2009 as rates markets fully priced in the likelihood of a rate hike from the Fed in Q3 2015. Despite the clear strengthening in the world's largest economy, something that bodes well for global growth, reflecting the strengthening USD most commodity markets finished softer for the session.

US factory orders fell for a third-consecutive month during October with a decline of 0.7% reported. The reading, below the 0.5% contraction of September and expectations for no change overall, was flattered by increased transportation spending with core orders, that which excludes this lumpy item, falling by 1.4%.

The US international trade deficit narrowed fractionally to $43.4b in October. While below the $43.6b level of September the figure missed expectations for a decline to $41.4b. A 1.2% increase in exports to $197.54b outpaced a 0.9% gain in exports to $240.97b leading to the smaller deficit amount.

US consumer credit growth slowed sharply in October with the Federal Reserve reporting an expansion of $13.23b. The reading, well below the $15.44b increase of September and expectations for an acceleration to $16.48b, was the lowest increase seen since November last year. Revolving credit, namely credit cards, rose by $922m with non-revolving credit, largely student and auto lending, expanding by $12.3b.

German industrial orders jumped in October with an increase of 2.5% reported. The figure was well above the 1.1% gain of September and expectations for an increase of 0.5% and was the fastest month-on-month acceleration seen since July this year.

Monday's Session Ahead (AEDT)

SPI futures point to a rise of 27pts on the open. While it will be interesting to see how the materials and energy sector fares, spot iron ore continued to move higher Friday despite most other commodities falling, the outcome of the Murray enquiry that will be released tomorrow, something that will directly impact the financial sector, means that the SPI figure is largely redundant before trading even begins.

The AUDUSD was smashed lower Friday evening with the pair touching a low of .8314 before limping into the close. While the overnight low does correspond with long-term support from 2010, if the pair is to remain above this level it'll have to take a huge beat in the Chinese trade figures to ease what is intensifying selling pressure.

Australian job ads data will be released by the ANZ at 11.30am on Monday. Having hit a 20-month high in October markets will be expecting further improvement for November.

On the regional front we'll receive revised Q3 GDP from Japan at 10.50am with Chinese trade data for November arriving at 1pm. For the latter markets are expecting a surplus of $43.5b, down from $45.4b in October, with annual rates of exports and imports growth tipped to slow to 8.2% and 3.9% respectively. Later in the evening we'll also receive housing starts and building permits from Canada, German industrial output along with Eurozone investor sentiment. On the FOMC front Dennis Lockhart, Atlanta Fed President, will discuss the economy and monetary policy in the early hours of Tuesday morning.

Currencies	Level	+/-	%
AUDUSD	0.8323	-0.0059	-0.70%
AUDEUR	0.6774	0.0004	0.06%
AUDGBP	0.5339	-0.0009	-0.17%
AUDJPY	101.0500	0.6700	0.67%
AUDNZD	1.0787	0.0020	0.19%
EURUSD	1.2285	-0.0094	-0.76%
GBPUSD	1.5583	-0.0087	-0.56%
NZDUSD	0.7707	-0.0076	-0.98%
USDJPY	121.4100	1.65	1.38%
USDCHF	0.9783	0.0072	0.74%
USDCNY	6.1497	-0.0044	-0.07%
USD INDEX	89.3550	0.7200	0.81%
Equities			
DJIA	17958.79	58.69	0.33%
S&P500	2075.37	3.45	0.17%
Nasdaq	4311.57	-0.358	-0.01%
STOXX 50	3095.75	52.1	1.71%
FTSE	6742.84	63.47	0.95%
DAX	10087.12	235.77	2.39%
CAC	4419.48	95.59	2.21%
ASX200	5335.33	-33.459	-0.62%
Nikkei	17920.45	33.24	0.19%
Shanghai	2938.78	38.4189	1.32%
Hang Seng	24002.64	170.08	0.71%
Kospi	1986.62	0.01	0.00%
Sensex	28458.10	-104.72	-0.37%
Commodities			
Gold	$1,191.57	-13.77	-1.14%
Silver	$16.24	-0.17	-1.04%
Crude Oil	$65.63	-1.13	-1.69%
Brent Crude	$68.94	-0.58	-0.83%
Copper	$2.91	-0.007	-0.24%
Iron Ore Futs	$491.00	-3	-0.61%
AU Debt Futures			
3m BBSW	2.720%	0.00%	
3 Year	2.340%	0.08%	
10 Year	3.090%	0.08%	
Govt 10-Yr Bond Yields			
Australia	3.079%	0.07%	
NZ	3.860%	0.02%	
Japan	0.424%	-0.02%	
Germany	0.782%	0.01%	
UK	2.028%	0.03%	
US	2.307%	0.07%	

Source: Thomson Reuters

David Scutt

Market Strategist

Twitter: twitter.com/David_Scutt

Web: www.scuttpartners.com.au

To subscribe to this report click here

SCUTT PARTNERS
BUILDING ASSETS FOR THE FUTURE