

Wages growth, or lack thereof, in focus

US small business confidence rebounded modestly in October with the NFIB [survey](#) rising to 96.1. The reading, higher than both the 95.3 figure of September and expectations for an increase to 96.0, was the second-highest level seen since September 2007. Increased capital spending, along with expectations for higher sales in the next three months, were the chief catalysts behind the higher-than-expected reading.

Japan may be heading for early lower house elections according to various media reports. This morning the Nikkei Asian Review [reports](#) that if an election were to be called it will likely be announced on December 9 with voting to be held later in the month, potentially December 21.

The Reserve Bank of New Zealand released their November financial stability [report](#) earlier this morning. As was the case in the May the bank reported that the financial system faces four key risks – imbalances in the housing market, high levels of indebtedness within the dairy sector, the potential effects of a slowdown in the Chinese economy and the banking system’s reliance on offshore funding. While the bank acknowledged that housing market pressures have eased since the introduction of the LVR restrictions in October 2013, given risks of resurgent house price inflation and on the back of strong immigration flows, it was not appropriate to ease the LVR restrictions at this time.

The Day Ahead (AEDT)

Following on from the lacklustre session on Wall Street, the ASX 200 looks set to start today modestly in the red with SPI futures pointing to a fall of 8pts on the open. After a poor session yesterday and small gains in commodity prices overnight, it wouldn’t surprise to see the materials sector outperform today. With sector rotation between materials and financials already evident this week, whether that means we’ll see financials undershoot the overall index is literally anyone’s guess. With several firms trading ex-dividend and with CBA holding their AGM, it may well be the case.

The AUDUSD, taking advantage of light flows and an abundance of topside stops, has risen strongly overnight with the pair completely reversing falls seen in the previous session on Tuesday. While some aggressive price action, given the US bond markets were shut for the Memorial Day holiday and a lack of tier-one data, it’s hard to imagine that the move was anything other than stop chasing on the back of lower-than-normal volumes. While we do have some second-tier data released domestically, moves in USDJPY, a proxy for USD strength or weakness in Asia, will likely be the main determinant of movements in the AUDUSD today. Support is found at .8680, .8650 and .8625 with resistance kicking in above .8710, and again at .8762.

Australian data releases today include the latest Westpac-MI consumer confidence survey for November along with the Q3 wage price index. While neither have tendency to move markets significantly one-way-or-the-other, expect the wage price index to garner plenty of attention given renewed focus on the labour market of late. A quarterly rise of 0.6% is expected with the annual rate tipped to hold steady at a survey-low 2.6%.

Regional data releases today include terms of trade and unemployment data from South Korea along with industrial production and CPI figures from India. Later in the evening we will also wholesale inventories and sales, along with the weekly MBA mortgage market index from the States, the Bank of England inflation report and unemployment data from the UK, Eurozone industrial production along with German wholesale price inflation. On the policy front we’ll also hear from Charles Plosser and Narayana Kocherlakota of the US Fed.

Currencies	Level	+/-	%
AUDUSD	0.8697	0.0080	0.93%
AUDEUR	0.6971	0.0033	0.48%
AUDGBP	0.5464	0.0025	0.46%
AUDJPY	100.40	1.4350	1.45%
AUDNZD	1.1151	0.0026	0.23%
EURUSD	1.2476	0.0056	0.45%
GBPUSD	1.5918	0.0074	0.47%
NZDUSD	0.7798	0.0052	0.67%
USDJPY	115.45	0.61	0.53%
USDCHE	0.9646	-0.0037	-0.38%
USDCNY	6.1251	0.0052	0.08%
USD INDEX	87.53	-0.2800	-0.32%

Equities			
DJIA	17614.9	1.16	0.01%
S&P500	2039.68	1.42	0.07%
Nasdaq	4660.555	8.938	0.19%
STOXX 50	3104.59	9.99	0.32%
FTSE	6627.4	16.15	0.24%
DAX	9369.03	17.16	0.18%
CAC	4244.1	21.28	0.50%
ASX200	5517.101	-6.856	-0.12%
Nikkei	17124.11	343.58	2.05%
Shanghai	2469.673	-4	-0.16%
Hang Seng	23808.28	63.58	0.27%
Kospi	1963	4.77	0.24%
Sensex	27910.06	35.33	0.13%

Commodities			
Gold	\$1,165.34	13.15	1.14%
Silver	\$15.74	0.13	0.83%
Crude Oil	\$77.50	0.19	0.25%
Iron Ore	\$75.87	0.07	0.09%
Copper	\$303.55	1.8	0.60%
Met. Coal	\$109.00	0	0.00%

AU Debt Futures		
3m BBSW	2.760%	0.01%
3 Year	2.620%	0.03%
10 Year	3.370%	0.04%

Govt 10-Yr Bond Yields		
Australia	3.326%	0.05%
NZ	4.057%	0.03%
Japan	0.487%	0.04%
Germany	0.826%	-0.01%
UK	2.235%	0.03%
US	2.361%	0.01%

Source: Bloomberg

David Scutt

Market Strategist

Twitter: twitter.com/David_Scutt

Web: www.scuttpartners.com.au

