

Major data, RBA and a horse race

US manufacturing activity accelerated sharply in October with the ISM's PMI [gauge](#) rising to 59.0. The reading, the equal-highest level seen since February 2011, was far stronger than the 56.6 figure of September and expectations for a decline to 56.1. 8 of 10 survey components registered improvements during the month with new orders, a good lead indicator for future activity, surging to 65.8, the second-highest level seen since August 2008.

US construction spending fell for a second-consecutive month in September, the first time this has been seen since early 2013, with a decline of 0.4% [reported](#). The reading, higher than the upwardly-revised 0.5% drop of August but below expectations for an increase of 0.7%, was led by weakness in public works (-1.3%), primarily in non-residential building, with private sector construction falling 0.1%, again on weakness in non-residential works.

Eurozone manufacturing activity accelerated slightly in October with Markit's PMI gauge rising to 50.6. While higher than the 50.3 figure of September, the result was slightly below the 50.7 flash estimate released in late October. To view the full report from Markit click [here](#). To see the performance of the Eurozone's 'Big 4, Germany, France, Italy and Spain, see below for more details.

[Germany](#): 51.4 (Flash 51.8, Prior 49.9, Forecast 51.8)

[France](#): 48.5 (Flash 47.3, Prior 48.8, Forecast 47.3)

[Italy](#): 49.0 (Prior 50.7, Forecast 50.6 – 17-month low)

[Spain](#): 52.6 (Prior 52.6, Forecast 52.3)

The Day Ahead (AEDT)

The Australian stock market looks set to start the session fractionally in the red with SPI futures pointing to a decline of 3pts on the open. With most of the market focused on a horse race rather than stocks perhaps it's best to go to the odds for direction. On seven of the past ten Melbourne Cups the ASX 200 has finished higher. Of the three that didn't all occurred in years of financial crises (2008, 2009, 2011). When it has finished higher the average gain has been 0.35%. With no crisis looming down the straight a session of wafty gains on the back if low volumes looks the favourite.

The AUDUSD has fallen heavily yet again overnight, largely on the back of continued USD strength thanks to ongoing buying in USDJPY, with the pair currently fetching .8682. With the Aussie already under significant pressure the triple-whammy of major domestic data at 11.30am, retail sales, international trade and revised labour force numbers, along with the RBA policy statement at 2.30pm, have the potential to send the pair hurtling higher or lower depending on their content. While it's hard to pass judgement on the data side of things, particularly the labour statistics, I'm not expecting the RBA to take a leaf out of the Bank of Japan or Reserve Bank of New Zealand policy playbook by making any substantial changes to their policy statement post the cessation of QE3 in the States. Support is found at .8678, .8652 and at .8643 with resistance kicking in at .8700, .8720 and again at .8750.

The RBA announce their November monetary policy decision at 2.30pm this afternoon.

Domestic data releases today include retail sales and international trade for September along with the weekly ANZ-Roy Morgan consumer confidence survey. Markets are looking for retail sales to have increased 0.3%, up on the 0.1% rate of August, although the trade deficit is expected to deteriorate significantly to \$1.775b from \$787m seen previously. As an added bonus we'll also receive revised labour force statistics from the ABS, using new seasonality methods, for the period spanning December 2013 through to September 2013 at 11.30am. Given this essentially replaces the previous data it will likely add to volatility generated by the retail sales and trade data.

Regional data releases today include Japanese manufacturing PMI, South Korean CPI along with the latest ANZ commodity price index from New Zealand. Later in the evening we'll also receive factory orders, trade and the latest ISM New York index from the States, PPI and updated economic forecasts from the Eurozone along with construction PMI from the UK.

Currencies	Level	+/-	%
AUDUSD	0.8682	-0.0061	-0.70%
AUDEUR	0.6952	-0.0036	-0.52%
AUDGBP	0.5435	-0.0038	-0.70%
AUDJPY	98.86	0.2510	0.25%
AUDNZD	1.1254	-0.0005	-0.04%
EURUSD	1.2489	-0.0022	-0.18%
GBPUSD	1.5974	0.0000	0.00%
NZDUSD	0.7714	-0.0052	-0.67%
USDJPY	113.86	1.08	0.96%
USDCHE	0.9652	0.0009	0.09%
USDCNY	6.1192	0.0062	0.10%
USD INDEX	87.32	0.4020	0.46%
Equities			
DJIA	17366.24	-24.28	-0.14%
S&P500	2017.81	-0.24	-0.01%
Nasdaq	4638.906	8.164	0.18%
STOXX 50	3082.32	-31	-1.00%
FTSE	6487.97	-58.5	-0.89%
DAX	9251.7	-75.17	-0.81%
CAC	4194.03	-39.06	-0.92%
ASX200	5506.887	-19.715	-0.36%
Nikkei	16413.76	0	0.00%
Shanghai	2430.032	9.854	0.41%
Hang Seng	23915.97	-82.09	-0.34%
Kospi	1952.97	-11.46	-0.58%
Sensex	27860.38	-5.45	-0.02%
Commodities			
Gold	\$1,166.58	-6.36	-0.54%
Silver	\$16.15	0.00	-0.03%
Crude Oil	\$78.29	-2.25	-2.79%
Iron Ore	\$78.63	-0.96	-1.21%
Copper	\$306.35	1.65	0.54%
Met. Coal	\$109.30	1.3	1.20%
AU Debt Futures			
3m BBSW	2.710%	0.01%	
3 Year	2.560%	-0.04%	
10 Year	3.320%	-0.03%	
Govt 10-Yr Bond Yields			
Australia	3.270%	-0.01%	
NZ	3.989%	0.00%	
Japan	0.453%	0.00%	
Germany	0.852%	0.01%	
UK	2.272%	0.03%	
US	2.343%	0.01%	

Source: Bloomberg

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