

PMI Thursday: First look at October's numbers

US consumer [prices](#) rose 0.1% in September, above expectations for flat growth overall, with the annual pace holding steady at 1.7%. Core inflation, that which excludes volatile energy and food prices, printed exactly the same as the headline reading, a result that was in line with expectations. While slightly above consensus, both the headline and core annual readings remain well below the 2.1% and 2.0% highs struck in May this year.

US mortgage applications surged by the most since mid-January last week with the MBA mortgage market index rising 11.6%. Refinancing jumped by 23.3% while new mortgages fell by 4.8%. Helping to explain the divergence between the two, the average 30-year mortgage rate slid 10bps to 4.10%, a level not seen since May 2013.

Canada retail sales slumped in August with a fall of 0.3% [reported](#). The decline, the first back-to-back drop since mid-2012, was broad-based with sales ex-auto purchases falling 0.3% following a 0.5% slide in July.

The Bank of England [MPC](#) voted 7 to 2 in favour of keeping interest rates on hold at their October monetary policy meeting, the same outcome seen in September. Despite the split on rates, all members voted unanimously to keep their gilt purchase plan steady at £375b. In what a proverbial case of David versus Goliath, two committee members saw current economic conditions as sufficient to justify an immediate rise in the Bank rate. Record-low rates unbalancing the recovery along with the potential for a wages spike as the labour market tightened were the reasons cited in their argument. However, most stated that there was insufficient evidence of prospective inflationary pressures with slower economic growth, both domestically and abroad, along with signs of moderation within the housing market justifying their decision. As stated in previous meetings, the majority noted that a premature tightening in monetary policy might leave the economy vulnerable to shocks given the already-low level of the Bank rate.

The Day Ahead (AEDT)

The ASX 200 looks set to fall this morning with SPI futures pointing to a decline of 28pts on the open. While this is a consequence of falls on Wall Street, something many have attributed to a shooting incident at the Canadian Parliament in Ottawa overnight, unless we hear news to the contrary that this was something more sinister than the actions of a lone gunman, the focus today should be on manufacturing PMI gauges for October from our two largest trading partners, China and Japan. With global growth clearly a concern at present, it wouldn't surprise to the index push back towards breakeven, perhaps even move into positive territory, should both gauges come in ahead of expectations. On the contrary, should we get weaker readings, the seven session winning streak seen over the past two weeks will likely come to an end.

An uneventful session for the AUDUSD overnight with the pair trading in a narrow range between .8766 to .8815 throughout. As is the case with equity markets, most attention today will be on the Chinese manufacturing PMI gauge released at 12.45pm with that print likely to set the tone for the latter parts of the session. Support is located below .8775, .8766 and .8747 with resistance kicking in at .8800, .8815 and again at .8833.

The NAB Q3 business confidence survey will be released this morning at 11.30am. On the regional front we'll also receive flash manufacturing PMI gauges from China and Japan along with CPI readings from New Zealand and Singapore. Understandably given their title as the world's largest manufacturer, all eyes will be on the Chinese manufacturing PMI print at 12.45pm with markets looking for a reading of 50.2 in October, unchanged from what was seen in September.

Data releases this evening include initial jobless claims, manufacturing PMI, Chicago Fed national activity index, FHFA house price index, the Kansas City Fed manufacturing index along with the latest leading index from the US, manufacturing and services PMI gauges from the Eurozone, Germany and France, Q2 government debt ratios and consumer confidence from the Eurozone, retail sales and industrial orders from the UK along with French business sentiment.

Currencies	Level	+/-	%
AUDUSD	0.8778	-0.0004	-0.05%
AUDEUR	0.6941	0.0035	0.51%
AUDGBP	0.5469	0.0022	0.40%
AUDJPY	94.06	0.0530	0.06%
AUDNZD	1.1067	0.0034	0.31%
EURUSD	1.2647	-0.0068	-0.53%
GBPUSD	1.6050	-0.0071	-0.44%
NZDUSD	0.7929	-0.0030	-0.38%
USDJPY	107.15	0.1	0.09%
USDCHF	0.9537	0.0045	0.47%
USDCNY	6.1181	-0.0049	-0.08%
USD INDEX	85.73	0.3590	0.42%
Equities			
DJIA	16461.32	-153.49	-0.92%
S&P500	1927.11	-14.17	-0.73%
Nasdaq	4382.848	-36.631	-0.83%
STOXX 50	3008.53	17.07	0.57%
FTSE	6399.73	27.4	0.43%
DAX	8940.14	53.18	0.60%
CAC	4105.09	23.85	0.58%
ASX200	5385.868	60.837	1.14%
Nikkei	15195.77	391.49	2.64%
Shanghai	2326.553	-13.104	-0.56%
Hang Seng	23403.97	315.39	1.37%
Kospi	1936.97	21.69	1.13%
Sensex	26787.23	211.58	0.80%
Commodities			
Gold	\$1,241.45	-9.32	-0.75%
Silver	\$17.16	-0.35	-2.02%
Crude Oil	\$80.41	-2.40	-2.90%
Iron Ore	\$81.83	0.00	0.00%
Copper	\$301.30	-1.2	-0.40%
Met. Coal	\$110.00	0	0.00%
AU Debt Futures			
3m BBSW	2.690%	0.02%	
3 Year	2.560%	-0.02%	
10 Year	3.290%	-0.02%	
Govt 10-Yr Bond Yields			
Australia	3.262%	0.07%	
NZ	4.033%	0.01%	
Japan	0.480%	0.00%	
Germany	0.870%	0.00%	
UK	2.211%	0.04%	
US	2.217%	-0.01%	

Source: Bloomberg

David Scutt

Market Strategist

Twitter: twitter.com/David_Scutt

Web: www.scuttpartners.com.au

To receive this report daily email the word 'subscribe' to david@scuttpartners.com.au

