

Dollar down, stocks up: FOMC fear disappears

US consumer confidence surged to the highest level since October 2007 in October with the Conference Board [index](#) rising to 94.5. The reading was higher than the 89.0 figure of September, revised up from 86.0 seen previously, and forecasts for a decline to 87.0 with the expectations measure jumping 8.6pts to 95.0, the largest month-on-month increase since June 2013 and highest level seen since February 2011.

US durable goods orders fell for a second-consecutive month in September, the first back-to-back fall seen since early 2014, with a decline of 1.3% [reported](#). While far stronger than the downwardly-revised 18.3% drop of August, the result missed expectations for a gain of 0.5%. Mirroring the decline in the headline reading, core orders, that which excludes lumpy transportation items, fell by 0.2% following a 0.7% lift in August, a result that was again below the 0.5% increase expected. Topping off an all-round weak report, capital goods shipments excluding aircraft deliveries, something that is watched closely given its implications for fixed non-residential investment in GDP, fell 0.2% after gaining 0.1% in August, a result that was well below forecasts for an increase of 0.7%.

US metropolitan house prices fell for a fourth-consecutive month in August, the longest stretch of declines since January 2012, with the CaseShiller 20-city house price [index](#) falling 0.15%. While less than the 0.5% decline of July, the figure missed expectations for a gain of 0.2% and the left the year-on-year change at +5.57%, the slowest annual rate of growth since November 2012. Dallas recorded the largest month-on-month jump, +0.64%, while Chicago, at -1.02%, was the overall series laggard.

Sweden's [Riksbank](#) joined the ZIRP club overnight, those central banks implementing zero interest rate policy, with the bank cutting their repo rate to 0%. While most were looking for further easing in October, only 2 of 18 economists surveyed by Bloomberg predicted the full 25bps cut.

The Day Ahead (AEDT)

The ASX 200 looks set to resume its uptrend this morning with SPI futures pointing to a gain of 29pts on the open. It's likely to be a repeat of yesterday - light volumes with buying in the banks offsetting weakness in materials although, given markets are clearly betting on another dovish outing from the FOMC, the index is likely to stay in positive territory for the entirety of the session.

The AUDUSD has rallied overnight, largely on the belief that the FOMC policy statement will be dovish tomorrow morning, with the pair currently fetching .8857. With no major domestic events scheduled expect a quiet session, albeit with an ongoing upward bias. Support is located between .8840-50 and at .8822 with resistance kicking in at .8882, .8899 and again at .8927.

Regional releases today include Japanese industrial production along with New Zealand business confidence.

The US FOMC will announce their October monetary policy decision at 5am tomorrow morning. Monthly asset purchases are tipped to cease at the conclusion of this meeting, putting an end to 'QE3', although this outcome is all but expected by the markets. While that will be largely a non-event if it occurs, there'll be plenty of interest in the wording of the accompanying policy statement given the dovish turn by FOMC members before the blackout period began two weeks ago. With no forecast projections or press conference scheduled for this meeting it's likely that the Fed will continue to use the 'considerable time' and 'data dependent' lines when it comes to the timing of rates lift off. While likely that we'll see two dissenters, the same outcome seen in September, I also expect that the tone will be more-dovish, particularly towards inflation given the stronger US Dollar.

Data releases this evening include the latest MBA mortgage market index from the States, French consumer confidence along with lending figures from the Bank of England. While it will be lost in the wash of the FOMC announcement, the Reserve Bank of New Zealand will announce their October monetary policy decision at 7am tomorrow morning. With Q3 CPI printing well under expectations and the Board continuing to express concern about the elevated level of the NZD, a dovish statement looks the most likely outcome from this meeting.

Currencies	Level	+/-	%
AUDUSD	0.8857	0.0055	0.62%
AUDEUR	0.6955	0.0024	0.35%
AUDGBP	0.5489	0.0029	0.53%
AUDJPY	95.79	0.8990	0.95%
AUDNZD	1.1179	0.0029	0.26%
EURUSD	1.2734	0.0035	0.28%
GBPUSD	1.6134	0.0014	0.09%
NZDUSD	0.7922	0.0028	0.35%
USDJPY	108.16	0.36	0.33%
USDFX	0.9472	-0.0023	-0.24%
USDCNY	6.1143	-0.0019	-0.03%
USD INDEX	85.42	-0.1540	-0.18%

Equities			
DJIA	17005.75	187.81	1.12%
S&P500	1985.05	23.42	1.19%
Nasdaq	4564.293	78.359	1.75%
STOXX 50	3036.15	37.31	1.24%
FTSE	6402.17	38.71	0.61%
DAX	9068.19	165.58	1.86%
CAC	4112.67	15.93	0.39%
ASX200	5452.598	-6.356	-0.12%
Nikkei	15329.91	-58.81	-0.38%
Shanghai	2337.871	47.434	2.07%
Hang Seng	23520.36	377.13	1.63%
Kospi	1925.68	-6.29	-0.33%
Sensex	26880.82	127.92	0.48%

Commodities			
Gold	\$1,228.61	2.96	0.24%
Silver	\$17.21	0.09	0.51%
Crude Oil	\$81.43	0.80	0.99%
Iron Ore	\$79.22	-0.30	-0.38%
Copper	\$309.00	3.3	1.08%
Met. Coal	\$109.10	-0.05	-0.05%

AU Debt Futures		
3m BBSW	2.690%	-0.01%
3 Year	2.590%	0.02%
10 Year	3.335%	0.05%

Govt 10-Yr Bond Yields		
Australia	3.235%	-0.06%
NZ	4.000%	0.00%
Japan	0.456%	-0.01%
Germany	0.876%	0.01%
UK	2.235%	0.03%
US	2.293%	0.03%

Source: Bloomberg

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