

Optimism returns: FOMO replaces POMO

US economic growth exceeded expectations in the September quarter with an annualised increase of 3.5% [reported](#). While down on the 4.6% pace of Q2, the reading was well ahead of expectations for growth of 3%. Positive contributions came from personal consumption expenditures, higher exports, lower imports, non-residential fixed asset investment along with federal, state and local government spending, offsetting a fall in inventories. US core PCE price inflation, a component of the GDP report, increased 1.4% in the year to September, a result that was in line with expectations but below the 2.0% pace of Q2.

US Initial jobless claims ticked higher last week with an increase to 287k [reported](#). The figure was a touch higher than the 284k pace of the previous corresponding week and forecasts for a rise to 285k and left the 4-week series average, a better overall gauge on the strength of the labour market, at 281k, the lowest level seen since May 2000.

Germany CPI fell by the most since January during October with a drop of 0.3% [reported](#). The figure, below the flat reading of September and expectations for a decline of 0.1%, left the annual rate of change at 0.8%, unchanged from September but still the equal-lowest level since June 2010. Using EU methodology the annual decline was even more benign with a rise of 0.7% reported. The figure was below the 0.8% gain of September and forecasts for an increase of 0.8% and was the lowest level seen since May.

German unemployment fell by the largest amount since September 2011 in October with a decline of 22k [reported](#). The reading, stronger than both the 9k increase of September and expectations for a rise of 4k, left total unemployed at 2.09m, down 2.8% on month. Despite the beat the unemployment rate held steady at 6.7% for an eighth-consecutive month.

The Spanish [economy](#) grew 0.5% in the September quarter, in line with expectations, with the annual growth rate accelerating to 1.6%, the fastest pace seen since Q2 2008. While the GDP print was promising, demonstrating the main concern in Europe at present, the prospect of deflation, consumer price inflation continued to slip in October with an annual drop of 0.2% [reported](#). While an improvement on the 0.3% fall of September, the figure was the fourth-consecutive month that no change, or lower, has been recorded.

The Day Ahead (AEDT)

The ASX 200 looks set to end the week on a firmer note with SPI futures pointing to a gain of 25pts on the open. While there may be some weakness in gold and energy producers following falls overnight, with the iron ore price up and the bank earnings continuing to come in at-or-ahead of expectations, it's difficult to see what could derail the rally today in the absence of some unexpected, confidence-sapping news.

The Australian Dollar has received a boost overnight, both against the USD and crosses, with weak German CPI and further gains in US equities propelling the currency higher. In terms of the AUDUSD today it's likely to be a quiet session with movements in USDJPY, something that will be moving around due to a raft of economic reports due out later in the session along with the BoJ, will be influential in determining US strength or weakness, hence movements in the Aussie. Support is found at .8840, .8825 and again at .8800 with resistance kicking in at .8850, .8882 and above .8900.

Australian Q3 PPI and private sector credit for September will be released at 11.30am this morning. As ever with the latter, keep an eye on the breakdown, particularly the level for housing investment.

Abenomics will be back in focus today with the release of CPI, unemployment, household spending, housing starts and construction orders in Japan. Elsewhere we'll also receive New Zealand building permits along with Singaporean unemployment. On the policy front we'll also get the latest monetary policy decision from the Bank of Japan midway through the session. No change is expected.

Data releases this evening include personal incomes and spending data, Chicago PMI and the University of Michigan-Thomson Reuters consumer survey from the States, CPI and unemployment figures from the Eurozone and Italy, PPI from France and Italy, German retail sales, French consumer spending along with Canada GDP.

Currencies	Level	+/-	%
AUDUSD	0.8849	0.0055	0.63%
AUDEUR	0.7014	0.0055	0.79%
AUDGBP	0.5528	0.0035	0.64%
AUDJPY	96.63	0.8620	0.90%
AUDNZD	1.1260	-0.0015	-0.13%
EURUSD	1.2615	-0.0022	-0.17%
GBPUSD	1.6006	-0.0004	-0.02%
NZDUSD	0.7858	0.0060	0.77%
USDJPY	109.21	0.31	0.28%
USDFX	0.9559	0.0015	0.16%
USDCNY	6.1154	0.0040	0.07%
USD INDEX	86.11	0.1060	0.12%
Equities			
DJIA	17195.42	221.11	1.30%
S&P500	1994.65	12.35	0.62%
Nasdaq	4566.137	16.91	0.37%
STOXX 50	3035.9	13.48	0.45%
FTSE	6463.55	9.68	0.15%
DAX	9114.84	32.03	0.35%
CAC	4141.24	30.6	0.74%
ASX200	5476.203	28.524	0.52%
Nikkei	15658.2	104.29	0.67%
Shanghai	2391.076	18.046	0.76%
Hang Seng	23702.04	-117.83	-0.49%
Kospi	1958.93	-2.24	-0.11%
Sensex	27346.33	248.16	0.92%
Commodities			
Gold	\$1,199.18	-12.93	-1.07%
Silver	\$16.48	-0.61	-3.57%
Crude Oil	\$81.12	-0.92	-1.12%
Iron Ore	\$79.82	0.73	0.92%
Copper	\$306.05	-1.9	-0.62%
Met. Coal	\$109.25	0	0.00%
AU Debt Futures			
3m BBSW	2.700%	0.00%	
3 Year	2.600%	-0.05%	
10 Year	3.330%	-0.04%	
Govt 10-Yr Bond Yields			
Australia	3.334%	0.04%	
NZ	3.999%	0.00%	
Japan	0.464%	0.00%	
Germany	0.844%	-0.05%	
UK	2.223%	-0.03%	
US	2.306%	-0.01%	

Source: Bloomberg

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