

Investor signposts: week beginning 14 September 2014

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Another busy week

With a lack of 'top shelf' indicators in Australia over the coming week, investors are likely to pay more attention to overseas events in the coming week. The main highlights in Australia are car sales on Monday, Reserve Bank Board minutes on Tuesday and the Reserve Bank Bulletin and industry employment figures on Thursday. In the US, the highlight is the Federal Reserve meeting over Tuesday and Wednesday but there are numerous 'top shelf' economic indicators to monitor as well.

In Australia, the week kicks off on Monday with the Australian Bureau of Statistics (ABS) releases the data on new motor vehicle sales for August. The industry group, the Federal Chamber of Automotive Industries, released the original data a week ago and it showed that new car sales fell by 5.5 per cent in August. The ABS data will recast the industry estimates in seasonally adjusted and trend terms.

On Tuesday the Reserve Bank issues minutes of the Board meeting held a fortnight earlier alongside the ANZ/Roy Morgan weekly consumer sentiment survey. There were a fair few changes in the wording of the statement following the RBA Board meeting so you could assume that the Board minutes will prove to be more insightful than in the past.

Also on Tuesday the Reserve Bank Assistant Governor, Economics, Christopher Kent, delivers a speech at the Bloomberg Economic Summit and the Department of Agriculture release quarterly forecasts.

On Wednesday the ABS releases August data on imports – a timely reading on consumer and business spending.

On Thursday the ABS releases detailed employment data for August. Not only will the figures include estimates on participation rates and work hours but it will also include the latest quarterly estimates of employment across industry groups.

Also on Thursday, the Reserve Bank issues the latest quarterly Bulletin publication including a range of topical articles. And the ABS releases data showing selected characteristics of Australian businesses.

Overseas: all eyes on US Federal Reserve

In the US, the week kicks off on Monday with the release of August industrial production figures. The latest manufacturing purchasing managers' index was encouraging and as a result analysts expect that production posted a solid 0.3 per cent rise in August. Also on Monday the influential Empire State survey is released.

On Tuesday the producer price index (PPI) is released, together with capital inflows data and the usual weekly chain store sales reports. Economists expect a weak result for the PPI given that wage growth and input costs remain subdued. Both headline and core PPI (excludes food and energy) measures are tipped to lift by just 0.1 per cent. Currently annual headline business inflation is 1.7 per cent with core inflation at 1.6 per cent.

On Wednesday the key consumer inflation figures – the Consumer Price Index (CPI) – is released. The CPI for August should once again show that inflation remains well contained. In July the Consumer Price Index rose 0.1 per cent to be up 2.0 per cent over the year. Gasoline, which had lifted for the prior three months, fell by 0.3 per cent in July, offsetting a 0.4 per cent lift in food prices. A drought in California is driving up food prices. Stripping out food & energy prices, the core CPI rose by a tame 0.1 per cent in July. Economists tip the core CPI measure to be up 0.2 per cent in August to be up 1.9 per cent over the year.

The US central bank policymaking group – the Federal Open Market Committee (FOMC) – meets over Tuesday and Wednesday with the decision announced at 4am Sydney time on Thursday morning. Economists tip a modest – even ‘symbolic’ – trimming of bond purchases of around \$10 billion per month. And a key risk is that the Federal Reserve may be more aggressive in its language about future interest rate hikes.

On Wednesday data on housing starts is released together with the weekly report on mortgage transactions – purchases and refinancing. Economists expect that starts rose by around 2 per cent in August.

On Thursday the weekly data on claims for unemployment insurance is issued together with housing starts, building permits and the influential Philadelphia Federal Reserve index. Economists expect that the Philly Fed index fell from 28.0 to 22.1 in September. And housing starts are expected to have fallen by 4.4 per cent in August following the outsized 15.7 per cent lift in July with building permits unchanged.

On Friday the US leading indicators index is released and may have risen by 0.4 per cent in August.

Interest rates

Most commodity prices are going south, but one of those to buck the trend is beef. The key price for imported beef into the US (90 CL cow cif) stands at a record US\$2.84 a pound (US\$6.25/kg) up almost 45 per cent on a year ago. And Australian exports of beef to US have doubled over the past year. The US and Japan vie for the title of Australia’s number 1 beef export market.

Beef is Australia’s 10th largest export of a good or service but could jump to number 7 on current trends.

In the US, demand is rising due to lower local supplies – the cattle herd is the lowest since 1952. And in Asia, demand is rising due to higher incomes and improved diets.