

Research Markets Today

1 October 2024

Events Round-Up

NZ: ANZ activity outlook (net%), Sep: 45.3 vs. 37.1
 CH: Manufacturing PMI, Sep: 49.8 vs. 49.4 exp.
 CH: Non-manufacturing PMI, Sep: 50.0 vs. 50.4 exp.
 CH: Caixin PMI manufacturing, Sep: 49.3 vs. 50.5 exp.
 CH: Caixin PMI services, Sep: 50.3 vs. 51.6 exp.
 GE: CPI EU harmonised (y/y%), Sep: 1.8 vs. 1.8 exp.
 US: Chicago PMI, Sep: 46.6 vs. 46.0 exp.

Good Morning

China's equity market continued to surge in the aftermath of last week's policy stimulus announcement. The China trade has helped drive the NZD and AUD up to fresh highs for the year. Following last week's soft euro area PMI data and sub 2% readings for regional inflation measures, ECB President gave a nod to another 25bps rate cut for the October meeting. A stronger ANZ business survey drove a turnaround in domestic rates yesterday and all eyes will be on the QSBO today.

As the new week begins, the China trade has continued to dominate market pricing. China's sharemarket is the gift that keeps on giving, with last week's 15.7% gain in the CSI300 index followed up with another 8.5% gain yesterday, supported by the government's pivot in policy to make a more concerted effort to drive an economic recovery while short-sellers and fund managers scramble to close underweight positions. There was also anecdotal evidence of locals buying up, with new trading accounts being opened, and trading turnover increased to a record high. While some analysts are sceptical that the policy measures, some of which are yet to be fleshed out on the fiscal side, will drive stronger growth, others are calling it a Draghi-like "do whatever it takes" pivot by President Xi.

China official and Caixin PMI data remained weak, with manufacturing continuing to track below the 50 mark and the non-manufacturing figures slipping to, or towards, 50. But the focus on historical data has been superseded by the outlook – easier monetary and fiscal policy, mainly the latter, should encourage improved growth momentum, but this is more a story for 2025.

Iron ore prices on the Singapore exchange opened stronger, following last week's 11.2% gain to \$102, with another strong gain to a high of \$113.50, before fading to

the current level around \$107. Trading overnight on the London Metal Exchange for a range of metals has been mixed, with last week's strong gains giving way to a mix of ups and downs.

In currency markets, the China trade has seen the NZD and AUD trade at fresh 2024 highs just under 0.6379 and 0.6942 respectively, with levels this morning not far off those marks. NZD/AUD is flat around 0.9190 after a brief look just over 0.92 in the aftermath of the ANZ business outlook survey yesterday (see below). With the NZD outperforming (alongside the AUD), other NZD crosses are all higher from last week's close. The yen is the weakest, down 0.7%, with the currency backtracking after Friday's strong gain in the wake of Ishiba winning the LDP leadership race. USD/JPY is up through 143 and NZD/JPY is up 1.2% to 91.2. Ishiba called an early national election for 27 October, taking advantage of his newfound support.

In economic news, German CPI inflation fell to a fresh 3½-year low of 1.8% y/y, as expected; Italy's inflation fell to 0.8%. This follows France and Spain CPI inflation rates of 1.5% and 1.7% respectively, released Friday. Euro area inflation, released tonight, is expected to fall to 1.8% y/y, with the core rate stickier at 2.7%. Speaking to Parliament, ECB President Lagarde said inflation might temporarily increase in Q4 this year as previous sharp falls in energy prices drop out of the annual rates "but the latest developments strengthen our confidence that inflation will return to target in a timely manner...we will take that into account in our next monetary policy meeting in October".

This was an effective sanctioning of the market's move last week to price in a high chance of a 25bps rate cut at the next meeting in October, following the softer PMI data and early reads on inflation. That meeting is now priced at 23bps, close to a done deal. A follow-up easing is expected in the December meeting. Lagarde's message drove lower European rates across the curve, reversing an earlier gain in yields, resulting in German yields showing a net small fall for the day.

US Treasury yields show small increases on the day with a slight steepening bias. In brief opening remarks to a moderated Q&A session, Fed Chair Powell repeated the message of the last FOMC meeting, saying policy will move over time toward a more neutral stance and we will "continue to make our decisions meeting by meeting".

The Euro Stoxx 600 index fell 1% after automaker Stellantis NV cut its profit margin forecast and the 4% fall in the

autos sector spilled over into other sectors. US equities are flat to slightly low for the session.

In domestic news the ANZ business outlook survey showed another robust lift in business confidence and activity indicators that portend a much better economic period, after the prolonged recessionary backdrop, supported by lower interest rates. Of note, pricing intentions rose for a third successive month and, alongside the better activity indicators, at face value didn't signal a need for the RBNZ to accelerate the easing cycle.

The survey drove a turnaround in domestic rates with lower rates earlier in the session, driven by global forces, giving way to higher rates through the afternoon. NZGB and swap rates closed the day slightly higher, the former up 1-2bps across the curve and the latter up 1bp. From a low of 3.52%, the 2-year swap rate closed up at 3.57%. Net changes in the OIS market were small, with the October meeting priced at over 40bps and pricing through the three meetings to February at over 135bps, still suggesting a high chance of the RBNZ easing in 50bps clips.

In the day ahead, the domestic focus will be on the Quarterly Survey of Business Opinion, the last key data

print ahead of the RBNZ's Monetary Policy Review next week. The outcome could determine whether the RBNZ decides to go for a Fed-style 50bps cut or stick to 25bps. On the global calendar, Japan's Tankan business survey, Australian retail sales, euro area CPI, US JOLTS and the ISM manufacturing surveys will all be of some interest and potentially market moving.

jason.k.wong@bnz.co.nz

Coming Up

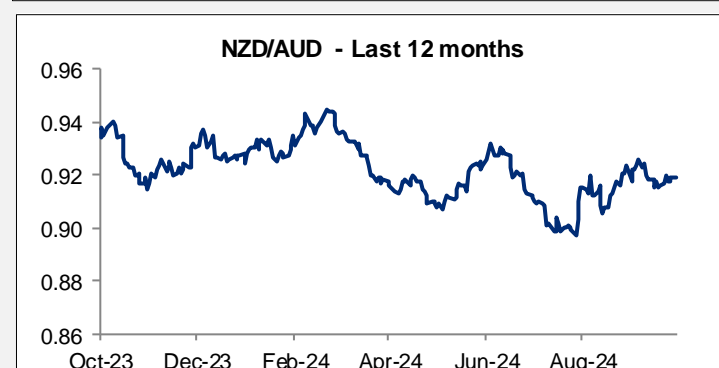
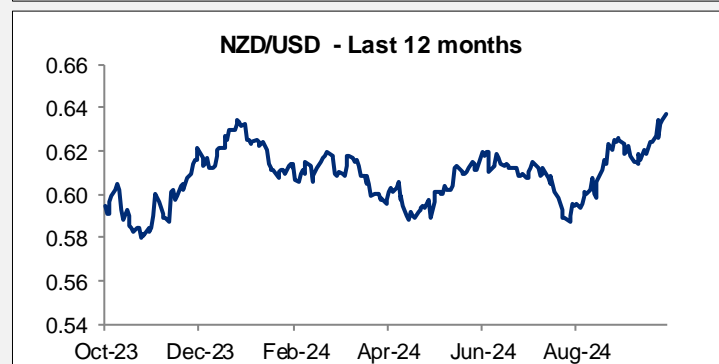
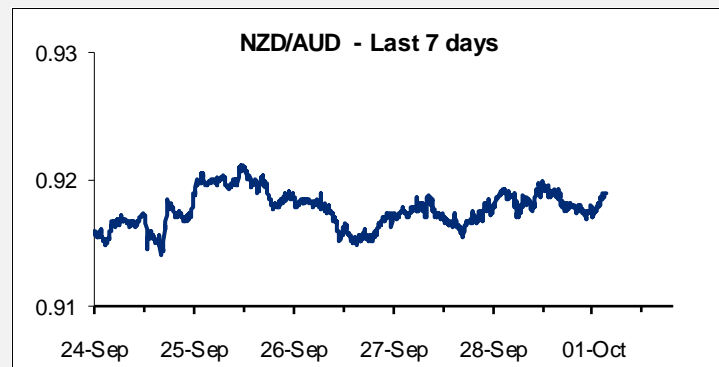
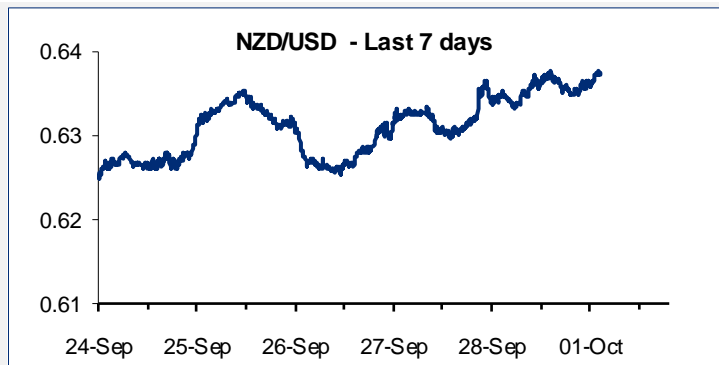
	Period	Cons.	Prev.	NZT
NZ NZIER QSBO				10:00
NZ Dwelling consents (m%)	Aug	26.2	10:45	
JN Tankan large manufacturing ind.	Q3	12	13	12:50
AU Building approvals (m/m%)	Aug	-4.3	10.4	14:30
AU Retail sales (m/m%)	Aug	0.4	0.0	14:30
EC CPI (y/y%)	Sep	1.8	2.2	22:00
EC CPI core (y/y%)	Sep	2.7	2.8	22:00
US JOLTS job openings (k)	Aug	7660	7673	03:00
US ISM manufacturing	Sep	47.6	47.2	03:00

Source: Bloomberg, BNZ

Currencies								Equities				Commodities					
Global froces		Indicative overnight ranges (*)			Other FX			Major Indices				Price (Near futures, except CRB)					
	Last	% Day	Low	High		Last	% Day		Last	% Day	% Year		Last	Net Day			
NZD	0.6374	+0.5	0.6347	0.6379	CHF	0.8443	+0.5	S&P 500	5,735	-0.1	33.7	Oil (Brent)	71.80	-0.3			
AUD	0.6936	+0.5	0.6915	0.6942	SEK	10.140	+0.5	Dow	42,175	-0.3	25.9	Oil (WTI)	68.39	+0.3			
EUR	1.1153	-0.1	1.1135	1.1209	NOK	10.529	+0.3	Nasdaq	18,119	+0.0	37.1	Gold	2635.0	-0.4			
GBP	1.3396	+0.1	1.3360	1.3423	HKD	7.773	+0.0	Stoxx 50	5,000	-1.3	19.8	HRC steel	735.0	+0.1			
JPY	143.12	+0.7	141.92	143.37	CNY	7.019	+0.1	FTSE	8,237	-1.0	8.3	CRB	285.9	+0.5			
CAD	1.3510	-0.0			SGD	1.283	+0.2	DAX	19,325	-0.8	25.6	Wheat Chic.	605.3	+0.8			
NZD/AUD	0.9190	+0.0			IDR	15,140	+0.1	CAC 40	7,636	-2.0	7.0	Sugar	22.67	-0.6			
NZD/EUR	0.5715	+0.6			THB	32.35	-0.1	Nikkei	37,920	-4.8	19.0	Cotton	73.54	-0.4			
NZD/GBP	0.4758	+0.4			KRW	1,315	+0.4	Shanghai	3,336	+8.1	7.3	Coffee	270.3	+1.1			
NZD/JPY	91.22	+1.2			TWD	31.66	+0.2	ASX 200	8,270	+0.7	17.3	WM powder	3515	+0.7			
NZD/CAD	0.8611	+0.4			PHP	56.04	-0.1	NZX 50	12,424	-0.3	10.0	Australian Futures					
NZ TWI	72.18	+0.5						VIX Index	16.96	+0.0	-3.2	3 year bond	96.54	-0.01			
Interest Rates								NZ Government Bonds				NZ BKBM and Swap Yields					
	Rates		Swap Yields		Benchmark 10 Yr Bonds		Last	Chg	Last	Chg	Last	Chg					
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day											
USD	5.00	4.85	3.40	3.30	USD	3.76	0.01	15-May-26	3.83	0.01	BKBM 1-mth	5.10	-0.03				
AUD	4.35	4.43	3.64	4.06	AUD	3.97	0.01	15-Apr-27	3.66	0.01	BKBM 3-mth	4.87	-0.03				
NZD	5.25	4.87	3.57	3.88	NZD	4.25	0.02	15-May-28	3.68	0.02	1 year	4.07	-0.00				
EUR	3.50	3.33	2.30	2.35	GER	2.12	-0.01	20-Apr-29	3.76	0.02	2 year	3.57	0.01				
GBP	5.00	5.30	3.89	3.62	GBP	4.00	0.03	15-May-30	3.89	0.02	3 year	3.46	0.01				
JPY	0.23	-0.03	0.45	0.88	JPY	0.86	0.01	15-May-31	4.01	0.02	5 year	3.55	0.01				
CAD	4.25	4.97	2.80	2.84	CAD	2.96	-0.06	15-May-32	4.12	0.02	7 year	3.70	0.01				
								NZ Inflation-Indexed Bonds				10 year			3.88	0.01	
												15 year			4.10	0.01	
								Sep-30									
								Sep-35									
								Sep-40									
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer								15-May-26									
Rates are as of: NZT 07:05								15-May-27									
Source: Bloomberg								15-May-28									
								15-May-29									
								15-May-30									
								15-May-31									
								15-May-32									
								14-Apr-33									
								15-May-34									
								15-May-35									
								15-May-36									
								15-May-37									
								15-May-41									
								15-May-51									
								15-May-54									

NZD exchange rates

1/10/2024	7:05 am	Prev. NY close
USD	0.6374	0.6342
GBP	0.4758	0.4742
AUD	0.9190	0.9187
EUR	0.5715	0.5682
JPY	91.22	90.19
CAD	0.8611	0.8572
CHF	0.5382	0.5331
DKK	4.2602	4.2363
FJD	1.3908	1.3871
HKD	4.9543	4.9292
INR	53.41	53.08
NOK	6.7111	6.6607
PKR	177.47	176.78
PHP	35.72	35.58
PGK	2.4976	2.4851
SEK	6.4631	6.4009
SGD	0.8178	0.8124
CNY	4.4737	4.4464
THB	20.51	20.55
TOP	1.4503	1.4721
VUV	75.49	74.91
WST	1.7129	1.7128
XPF	68.10	68.11
ZAR	10.9699	10.8544



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.50	0.84
3 Months	0.67	1.17
6 Months	-2.16	-1.16
9 Months	-3.27	-1.27
1 Year	-3.44	-0.44

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-4.14	-3.45
3 Months	-7.00	-5.84
6 Months	-5.44	-3.11
9 Months	1.39	5.79
1 Year	10.53	17.51

Contact Details

BNZ Research

Stephen Toplis
Head of Research

Doug Steel
Senior Economist

Jason Wong
Senior Markets Strategist

Stuart Ritson
Senior Interest Rate Strategist

Matt Brunt
Economist

Mike Jones
BNZ Chief Economist
+64 9-956 0795

Main Offices

Wellington
Level 4, Spark Central
42-52 Willis Street
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland
80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch
111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854

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