

Research Markets Today

2 September 2024

Events Round-Up

NZ: ANZ consumer confidence, Aug: 4.9 vs. 5.6 prev.
 NZ: Dwelling consents (m/m%), Jul: 26.2 vs. -17 prev.
 JN: Tokyo CPI (y/y%), Aug: 2.6 vs. 2.3 exp.
 JN: Tokyo CPI ex-fr. fd, energy (y/y%), Aug: 1.6 vs. 1.4 exp.
 AU: Retail sales (m/m%), Jul: 0.0 vs. 0.3 exp.
 GE: Unemployment rate (%), Aug: 6.0 vs. 6.0 exp.
 EC: CPI (y/y%), Aug: 2.2 vs. 2.2 exp.
 EC: CPI core (y/y%), Aug: 2.8 vs. 2.8 exp.
 CA: GDP (annual q/q%), Q2: 2.1 vs. 1.9 exp.
 US: Personal income (m/m%), Jul: 0.3 vs. 0.2 exp.
 US: Real personal spending (m/m%), Jul: 0.4 vs. 0.3 exp.
 US: Core PCE deflator (m/m%), Jul: 0.2 vs. 0.2 exp.
 US: Core PCE deflator (y/y%), Jul: 2.6 vs. 2.7 exp.
 US: Chicago PMI, Aug: 46.1 vs. 44.8 exp.
 CH: Manufacturing PMI, Aug: 49.1 vs. 49.5 exp.
 CH: Non-manufacturing PMI, Aug: 50.3 vs. 50 exp.

Good Morning

After a volatile beginning to the month, the S&P gained 2% in August. The index rebounded from an earlier dip on Friday, to close 1% higher, supported by benign US inflation data. The Euro Stoxx was little changed while Asian equities ended higher. Chinese property stocks were underpinned by news that policy makers are considering allowing homeowners to refinance as much as US\$5.4 trillion in mortgages. Global bonds ended higher in yield and the US dollar advanced. Oil prices fell sharply after it was reported that OPEC+ plans to proceed with previously announced output hikes in coming months.

The personal consumption expenditures (PCE) deflator, which is the Fed's preferred inflation measure, was in line with expectations. It increased 0.2% in July which left the annual rate unchanged from the 2.6% reading in June. Services inflation excluding housing and energy, which tends to be relatively sticky, increased 0.2% during the month. The annual rate was 3.25% which is the slowest pace in more than three years. Core PCE inflation is running below the median forecast from the June FOMC and will likely be revised lower when the committee updates its projections this month.

US real consumption rose by 0.4%, an acceleration from the prior month and a bit ahead of the consensus. Spending on core goods ex-autos remained robust while services advanced at a more modest pace. Overall consumer spending suggests the economy remains in healthy shape and that the Fed can take a measured approach to easing policy from restrictive levels. Personal incomes increased by 0.3% which was slightly above the consensus.

Eurozone inflation fell to 2.2% in August, supporting the case for the European Central Bank (ECB) to reduce rates at its mid-September meeting. The market is fully discounting a 25bps cut with inflation near the Bank's 2% target. Services inflation rose 4.2%, up from 4.0% in July, and is the largest increase since October 2023 and is certainly something the ECB are mindful of. Isabel Schnabel, an ECB executive board member, said on Friday that the central bank 'should proceed gradually and cautiously' on lowering rates.

US treasuries moved higher in yield with the curve continuing to steepen. 2-year yields increased 2bps to 3.92% while 10-year yields closed at 3.90%, up 4bps on the day. The 2y/10y treasury curve briefly traded at 0bps, close to turning positive for the first time since in almost two years. The market is looking ahead to what is anticipated to be heavy corporate supply this week. September is historically a heavy month for new corporate bond sales.

The US dollar advanced into the monthly close with the dollar index (DXY) ending 0.4% higher. The yen was the weakest G10 currency with investors looking past higher than expected Tokyo CPI measures, which are a reliable leading indicator of the national measures, and align with the Bank of Japan's guidance for more policy normalisation. The euro was marginally weaker against the dollar.

Although the DXY traded higher into the close, it lost almost 2% in August, which is the largest monthly fall this year. The dollar fell when volatility spiked amid the market turmoil at the beginning of the month, which prompted investors to unwind carry trades, before dropping against G-10 currencies when Fed Chair Jerome Powell signalled the easing cycle was near.

NZD/USD ended modestly lower in the offshore session Friday, consolidating its strong gains for the month.

NZD/JPY traded to four-week highs towards 91.40 and has now retraced around 50% of the large decline that began in July.

It was a mixed session for NZ fixed income on Friday. Government bond (NZGB) and swap yields moved higher initially before retracing. 2-year swaps ended 2bps higher at 3.94% having traded to 3.98% intra-day while 10-year swaps closed 1bp higher at 4.01%. NZGBs outperformed swaps on the day with notable month-end demand, related to index rebalancing, as the new May-2036 line entered fixed income benchmarks. 10-year NZGBs closed 2bps lower at 4.27%.

Australian 10-year government bond futures are ~2bps higher in yield since the local close on Friday, suggesting a modest upward bias for NZ yields on the open.

It is a quiet start to the week with limited data and a public holiday in the US which will weigh on market activity.

Australian building approvals and the Caixin manufacturing PMI in China are the only releases of note. There is no first-data in NZ in the week ahead. The key risk event on the international calendar is US labour market data on Friday night which will help progress the debate on the likely magnitude of the rate cut at the September FOMC.

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Coming Up

		Period	Cons.	Prev.	NZT
AU	Building Approvals (m/m%)	Jul	2	-6.5	13:30
CH	Caixin China PMI Mfg	Aug	49.9	49.8	13:45

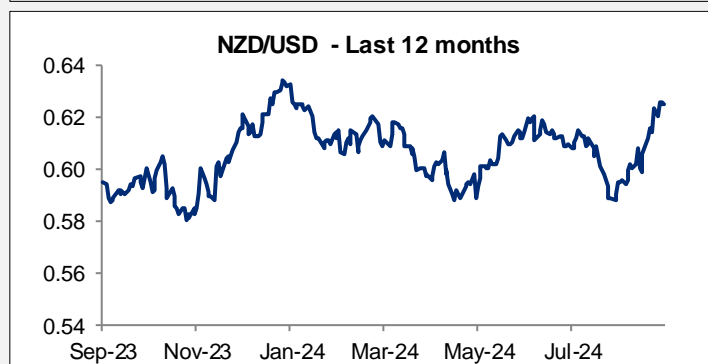
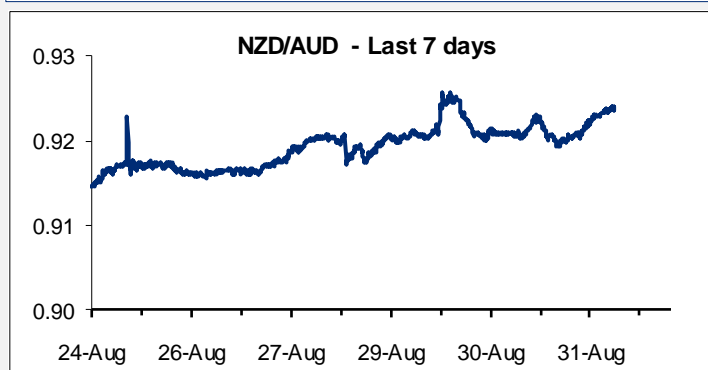
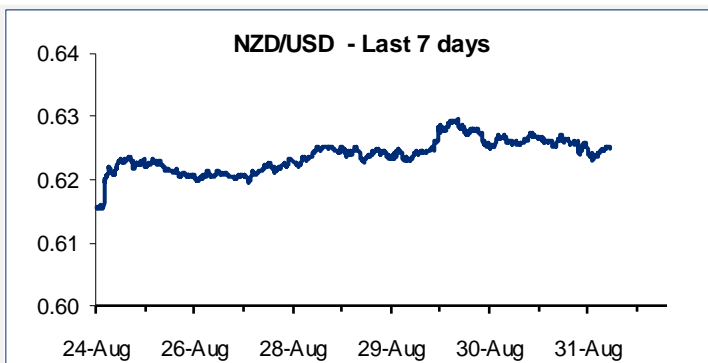
Source: Bloomberg, BNZ

Currencies							Equities				Commodities				
Global froces		Indicative overnight ranges (*)			Other FX		Major Indices				Price (Near futures, except CRB)				
	Last	% Day	Low	High		Last	% Day	% Year		Last	Net Day				
NZD	0.6249	-0.2	0.6230	0.6271	CHF	0.8496	+0.3		S&P 500	5,648	+1.0	25.1	Oil (Brent)	76.93	-2.4
AUD	0.6765	-0.5	0.6752	0.6817	SEK	10.275	+0.5		Dow	41,563	+0.6	19.3	Oil (WTI)	73.55	-3.1
EUR	1.1048	-0.3	1.1044	1.1095	NOK	10.613	+1.1		Nasdaq	17,714	+1.1	26.2	Gold	2504.5	-1.3
GBP	1.3129	-0.3	1.3110	1.3200	HKD	7.798	-0.0		Stoxx 50	4,958	-0.2	15.8	HRC steel	714.0	-1.5
JPY	146.19	+0.8	144.82	146.25	CNY	7.091	-0.1		FTSE	8,377	-0.0	12.2	CRB	277.0	-1.0
CAD	1.3493	+0.1			SGD	1.307	+0.3		DAX	18,907	-0.0	19.4	Wheat Chic.	551.5	+0.5
NZD/AUD	0.9237	+0.4			IDR	15,455	+0.2		CAC 40	7,631	-0.1	4.6	Sugar	19.38	-2.6
NZD/EUR	0.5656	+0.1			THB	34.04	+0.3		Nikkei	38,648	+0.7	18.2	Cotton	69.79	-0.5
NZD/GBP	0.4759	+0.2			KRW	1,338	+0.4		Shanghai	2,842	+0.7	-9.3	Coffee	244.1	-1.4
NZD/JPY	91.35	+0.7			TWD	31.96	+0.1		ASX 200	8,092	+0.6	11.2	WM powder	3595	+1.1
NZD/CAD	0.8431	-0.1			PHP	56.15	-0.2		NZX 50	12,448	+0.8	8.0	Australian Futures		
NZ TWI	71.73	+0.1						VIX Index	15.00	-4.2	+14.6	3 year bond	96.46	0.00	
Interest Rates											10 year bond			96.00	-0.01
	Rates		Swap Yields		Benchmark 10 Yr Bonds		NZ Government Bonds		NZ BKBM and Swap Yields						
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day	Last	Chg	Last	Chg					
USD	5.50	5.28	3.72	3.44	USD	3.90	0.04	15-May-26	4.10	0.01	BKBM 1-mth	5.36	0.00		
AUD	4.35	4.39	3.75	4.13	AUD	3.97	0.01	15-Apr-27	3.86	0.00	BKBM 3-mth	5.23	0.00		
NZD	5.25	5.23	3.94	4.01	NZD	4.27	-0.02	15-May-28	3.83	-0.00	1 year	4.47	0.00		
EUR	3.75	3.51	2.68	2.54	GER	2.30	0.03	20-Apr-29	3.87	-0.00	2 year	3.94	0.02		
GBP	5.00	5.30	4.11	3.69	GBP	4.02	-0.00	15-May-30	3.97	-0.01	3 year	3.76	0.03		
JPY	0.23	-0.03	0.45	0.91	JPY	0.90	-0.00	15-May-31	4.07	-0.01	5 year	3.75	0.02		
CAD	4.50	4.97	3.24	3.05	CAD	3.16	0.03	15-May-32	4.17	-0.01	7 year	3.85	0.02		
							NZ Inflation-Indexed Bonds		14-Apr-33	4.23	-0.01	10 year	4.01	0.01	
							Sep-30	2.19	0.01	15-May-34	4.27	-0.02	15 year	4.19	0.01
							Sep-35	2.51	0.02	15-May-35	4.33	-0.02			
							Sep-40	2.74	0.02	15-May-37	4.48	-0.02			
										15-May-41	4.65	-0.02			
										15-May-51	4.71	-0.02			
										15-May-54	4.74	-0.02			

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
Rates at NY close
Source: Bloomberg

NZD exchange rates

31/08/2024	NY close	Prev. NY close
USD	0.6249	0.6258
GBP	0.4759	0.4752
AUD	0.9237	0.9206
EUR	0.5656	0.5650
JPY	91.35	90.73
CAD	0.8431	#VALUE!
CHF	0.5309	0.5302
DKK	4.2196	4.2137
FJD	1.3786	1.3867
HKD	4.8728	4.8800
INR	52.41	52.49
NOK	6.6319	6.5714
PKR	173.91	174.16
PHP	35.08	35.23
PGK	2.4296	2.4379
SEK	6.4207	6.3987
SGD	0.8166	0.8155
CNY	4.4314	4.4413
THB	21.16	21.24
TOP	1.4336	1.4547
VUV	74.37	74.56
WST	1.6820	1.6958
XPF	67.39	67.56
ZAR	11.1347	11.1044



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.40	0.66
3 Months	0.99	1.50
6 Months	0.05	1.05
9 Months	-3.04	-0.84
1 Year	-3.83	-0.82

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-6.38	-5.86
3 Months	-14.83	-13.66
6 Months	-20.00	-17.40
9 Months	-22.34	-17.31
1 Year	-19.68	-11.74

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