

# Research Markets Today

3 July 2024

## Events Round-Up

NZ: Building Permits (m/m%), May: -1.7 vs. -2.1 prev.

EC: CPI Estimate (y/y%), Jun: 2.5 vs. 2.5 exp.

EC: CPI Core (y/y%), Jun P: 2.9 vs. 2.8 exp.

EC: Unemployment Rate, May: 6.4 vs. 6.4 exp.

US: JOLTS Job Openings (k), May: 8140 vs. 7864 exp.

## Good Morning

US equity markets eked out modest gains in a continuation of the recent narrow trading ranges as the market consolidates the strong rally in June. The S&P is up 0.4% in early afternoon trading, and recovered off the session lows, after Fed Chair Powell made comments that disinflation appears to be resuming. European equities closed lower with the Euro Stoxx falling 0.5%. Global bond markets are marginally lower in the yield.

Powell, who was speaking at the ECB central bank conference in Sintra, said the recent fall in the PCE deflator is 'really good progress', but policy makers still need more evidence price pressures and the labour market are cooling, before having the confidence to cut interest rates. He noted the better balance between the supply and demand for workers in the labour market. He also highlighted the unsustainable trajectory of the US national debt and said it is a 'top-level issue' for politicians.

US job openings (JOLTS) unexpectedly increased in May, after several months of declines. JOLTS increased to 8.14m and points towards a still resilient labour market ahead of non-farm payrolls data on Friday evening (NZT). The quits rate, which measures voluntary job leavers and is a leading indicator for wages, was steady at 2.2%. This is the lowest rate since 2020 suggesting less job confidence amongst workers.

10-year treasury yields reached the session lows near 4.41% following Powell's comments before rebounding on the JOLTS data. US yields are marginally lower across the curve. Bund yields are also marginally lower with 10-year bonds ending at 2.56%. There was little market reaction to Eurozone CPI data which slowed to 2.5% in June and was in line with expectations.

USD/CNH has continued to trade higher making fresh cycle highs towards 7.31. There has been growing speculation

the Peoples Bank of China (PBOC) will inject liquidity by cutting the reserve requirement ratio for banks. The PBOC has been incrementally adjusting the USD/CNY fixing higher. The yuan continues to face headwinds from a large interest rate differential with the US.

The US dollar retraced from the session highs following Powells comments in broadly subdued currency markets. Both the euro and yen are little changed in overnight trade. NZD/USD found support near 0.6050 and rebounded in line with the softer US dollar. NZD/AUD was stable and oscillated in a narrow range around 0.9110.

NZIER's Quarterly Survey of Business Opinion (QSBO) revealed a further decrease in price pressures. A net 23% of respondents expect to increase prices, which is consistent with headline CPI close to the midpoint of the RBNZ's target band, by the end of the year. Activity indicators were weak and labour market measures were the lowest since the end of the Global Financial Crisis.

NZ fixed interest yields dipped in the local session yesterday following the QSBO. Overnight interest rate swaps are now pricing a cumulative ~35bps of easing by the November MPS meeting date. 2-year swaps closed 1bp lower at 4.92%. The yield curve continued to steepen with 10-year swap rates increasing 4bps to 4.53%. Australian 10-year government bond futures are little changed since the local close yesterday, suggesting limited directional bias for NZ yields on the open.

NZ Local Government Funding Authority (LGFA) is undertaking its monthly tender today. NZ\$190 million of nominal bonds are offered across Apr-27 (\$60m), Apr-29 (\$60m) and May-30 (\$70m). LGFA spreads to the government and interest rate swap curve are close to the tightest levels in a year amid limited high-grade issuance outside of NZGBs.

There is no domestic economic data today. Retail sales and building approvals are released in Australia. Investor focus will centre on US services ISM and June FOMC minutes. The minutes will provide additional information into committee members reasons for forecasting less easing for this year.

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Coming Up

		Period	Cons.	Prev.	NZT
AU	Retail Sales (m/m%)	May	0.3	0.1	13:30
AU	Building Approvals (m/m%)	May	1.6	-0.3	13:30
CH	Caixin China PMI Services	Jun	53.4	54	13:45
US	ADP Employment Change	Jun	162.5	152	00:15
US	Trade Balance	May	-76.5	-74.55	00:30
US	Initial Jobless Claims	Jun 29	235	233	00:30
US	ISM Services Index	Jun	52.7	53.8	02:00
US	FOMC Meeting Minutes				06:00

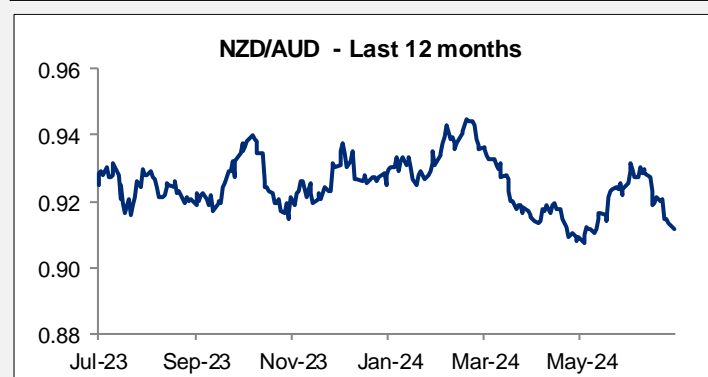
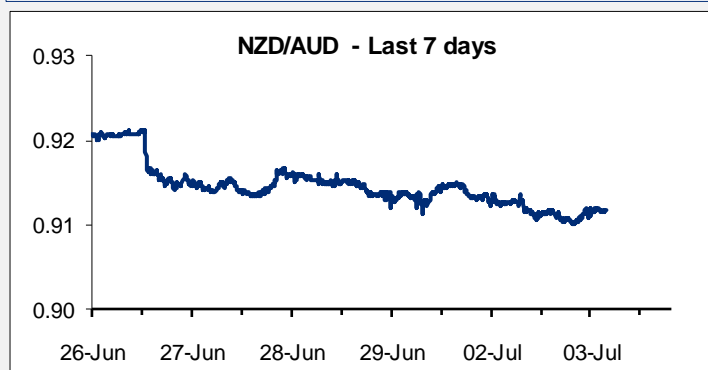
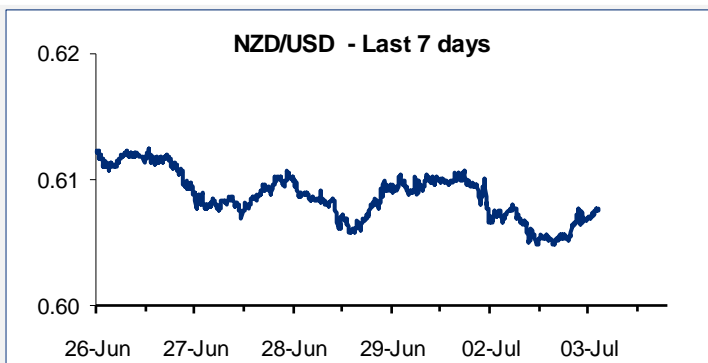
Source: Bloomberg, BNZ

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	0.6076	+0.0	0.6048	0.6079	CHF	0.9044	+0.2	S&P 500	5,498	+0.4	23.5	Oil (Brent)	86.22	-0.4
AUD	0.6665	+0.1	0.6640	0.6671	SEK	10.597	-0.2	Dow	39,271	+0.3	14.1	Oil (WTI)	82.80	-0.7
EUR	1.0740	+0.0	1.0710	1.0747	NOK	10.685	+0.3	Nasdaq	17,999	+0.7	30.5	Gold	2335.3	-0.2
GBP	1.2681	+0.2	1.2616	1.2685	HKD	7.814	+0.0	Stoxx 50	4,906	-0.5	11.5	HRC steel	670.0	-0.6
JPY	161.49	+0.0	161.27	161.72	CNY	7.271	+0.0	FTSE	8,121	-0.6	7.8	CRB	291.6	+0.4
CAD	1.3681	-0.4			SGD	1.357	-0.1	DAX	18,164	-0.7	12.5	Wheat Chic.	582.3	-1.4
NZD/AUD	0.9116	-0.1			IDR	16,396	+0.5	CAC 40	7,538	-0.3	1.9	Sugar	20.61	+1.9
NZD/EUR	0.5657	+0.0			THB	36.81	+0.2	Nikkei	40,075	+1.1	18.7	Cotton	69.33	+0.4
NZD/GBP	0.4791	-0.2			KRW	1,387	+0.2	Shanghai	2,997	+0.1	-7.6	Coffee	227.3	+1.1
NZD/JPY	98.12	+0.1			TWD	32.62	+0.3	ASX 200	7,718	-0.4	6.5	WM powder	3105	-1.1
NZD/CAD	0.8313	-0.4			PHP	58.80	+0.3	NZX 50	11,777	-0.1	-1.2	<b>Australian Futures</b>		
NZ TWI	71.91	+0.0						VIX Index	11.86	-2.9	-12.7	3 year bond	95.89	-0.01
												10 year bond	95.58	0.03
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								Last
USD	5.50	5.58	4.60	4.02	USD	4.44	-0.02	15-May-26	4.82	-0.02	BKBM 1-mth	5.60	0.00	
AUD	4.35	4.45	4.37	4.59	AUD	4.41	0.03	15-Apr-27	4.63	-0.01	BKBM 3-mth	5.62	-0.00	
NZD	5.50	5.62	4.92	4.53	NZD	4.68	0.03	15-May-28	4.53	0.00	1 year	5.35	-0.02	
EUR	3.75	3.71	3.22	2.87	GER	2.60	-0.00	20-Apr-29	4.51	0.01	2 year	4.92	-0.01	
GBP	5.25	5.30	4.54	3.94	GBP	4.25	-0.03	15-May-30	4.53	0.02	3 year	4.65	0.00	
JPY	0.08	-0.03	0.44	1.09	JPY	1.09	0.03	15-May-31	4.56	0.02	5 year	4.46	0.01	
CAD	4.75	4.97	4.27	3.76	CAD	3.62	0.12	15-May-32	4.62	0.03	7 year	4.46	0.03	
								14-Apr-33	4.64	0.02	10 year	4.53	0.04	
								15-May-34	4.68	0.03	15 year	4.66	0.04	
								15-May-35	4.73	0.03				
								15-May-37	4.84	0.03				
								15-May-41	4.97	0.04				
								15-May-51	4.98	0.04				
								15-May-54	5.00	0.04				

\* These are indicative r 06:44  
 please confirm rates with your BNZ dealer  
 Rates are as of: NZT  
 Source: Bloomberg

**NZD exchange rates**

3/07/2024	6:45 am	Prev. NY close
USD	0.6076	0.6076
GBP	0.4791	0.4803
AUD	0.9116	0.9123
EUR	0.5657	0.5657
JPY	98.12	98.10
CAD	0.8313	0.8346
CHF	0.5495	0.5485
DKK	4.2196	4.2195
FJD	1.3750	1.3775
HKD	4.7478	4.7467
INR	50.74	50.70
NOK	6.4919	6.4757
PKR	169.10	#VALUE!
PHP	35.73	35.63
PGK	2.3369	2.3315
SEK	6.4386	6.4485
SGD	0.8243	0.8249
CNY	4.4180	4.4163
THB	22.39	22.31
TOP	1.4032	1.4094
VUV	73.13	73.11
WST	1.6576	1.6454
XPF	67.57	67.56
ZAR	11.3378	11.1614



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.10	0.10
3 Months	-0.43	-0.04
6 Months	-1.55	-0.50
9 Months	-3.83	-1.77
1 Year	-5.96	-2.96

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.43	-7.86
3 Months	-22.71	-21.69
6 Months	-38.50	-35.65
9 Months	-49.08	-43.79
1 Year	-55.59	-47.62

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