

Research Markets Today

3 October 2024

Events Round-Up

EA: Unemployment rate (%), Aug: 6.4 vs. 6.4 exp.

US: ADP employment change (k), Sep: 143 vs. 125 exp.

Good Morning

Following yesterday's volatile session, after Iran's missile attack on Israel, markets are calmer as they await the next move. US equities are currently flat and US Treasury yields have pushed higher, a combination of some mean revision and a stronger than expected ADP payrolls figure. The yen is much weaker after dovish comments by Japan's new PM and the BoJ Governor. The NZD has also underperformed overnight, probing lows near 0.6260.

There have been no new developments following the volley of missiles Iran sent into Israel apart from a volley of new threats, and we await the next move. Israel PM Netanyahu vowed to retaliate and met with senior leaders in the wake of the attack while Iran threatened "crushing attacks" if Israel strikes back. Iran has closed airports in the western half of the country in anticipation of a strike from Israel. Israel has continued its ground assault in southern Lebanon.

Markets are therefore calmer after the previous rocky session. After opening on a soft note, the US S&P500 index is currently flat. The Euro Stoxx 600 closed little changed. Oil prices pushed up, with Brent crude reaching USD76 per barrel, but have since retreated and are back below USD74.

The economic calendar has been light. US ADP private payrolls rose by 143k in August, above the 125k consensus and breaking a five-month run of smaller increases. Wage figures in the survey slowed – for those who changed jobs, earnings rose 6.6% y/y, a more than three-year low, and wages for those staying in jobs eased to 4.7% y/y.

The data have a poor record of forecasting non-farm payrolls – due on Friday – but that didn't stop US Treasury yields jumping higher after the report. Yields were already pushing higher, unwinding some of the previous day's panic move and they pushed higher still after the ADP report. The curve is steeper, with the 2-year rate up 2bps to 3.62% and the 10-year rate is up 5bps to 3.77%.

Currency movements have been small overnight apart from notable yen weakness and some underperformance

by the NZD and AUD. After meeting with BoJ Governor Ueda, new PM Ishiba said "I don't think the environment is ready for an additional rate hike", an unhelpful comment for the yen since many already question the independence of the BoJ. After the comments, Ueda told reporters "while we will adjust the degree of monetary easing if the economy and prices match our forecasts...I also told him we want to look carefully to see if that really is the case because we have sufficient time to do so". USD/JPY has steadily risen from around 144 to just over 146 following this exchange and the yen looks increasingly ripe for another speculative selling attack.

While the NZD recovered back over 0.63 yesterday afternoon after the risk off-inspired fall following Iran's attack, the NZD has steadily fallen since the NZ close and trades near 0.6260. The AUD has settled below 0.69 and NZD/AUD has fallen to 0.9100. While NZD/JPY has strengthened to 91.6, the NZD is modestly weaker on the other key crosses.

Some NZD weakness might be attributed to a 50bps cut at next week's RBNZ MPR becoming a consensus view, as other banks followed BNZ's move to call 50. The OIS market is now priced at 46bps, suggesting high market odds for a larger cut, to be followed by another 50bps cut in November, ahead of the extended summer break between meetings.

NZGB and swap yields showed little net change yesterday, with some rates falling just 1bp in net terms, with lower rates in the morning session on global forces, reversing course in the afternoon.

The economic calendar remains light, with most interest in the US ISM services report tonight, alongside the latest weekly jobless claims figures.

jason.k.wong@bnz.co.nz

Coming Up

		Period	Cons.	Prev.	NZT
AU	Trade balance (\$b)	Aug	5.5	6.0	14:30
US	Initial jobless claims (k)	28-Sep	221	218	01:30
US	ISM services index	Sep	51.7	51.5	03:00

Source: Bloomberg, BNZ

Currencies							Equities					Commodities					
FX Majors	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	0.6269	-0.2	0.6261	0.6294	CHF	0.8493	+0.3	S&P 500	5,704	-0.1	33.0	Oil (Brent)	74.02	+0.6			
AUD	0.6888	+0.1	0.6878	0.6905	SEK	10.257	-0.1	Dow	42,187	+0.1	26.2	Oil (WTI)	70.29	+0.7			
EUR	1.1048	-0.2	1.1033	1.1083	NOK	10.572	-0.4	Nasdaq	17,943	+0.2	34.8	Gold	2647.1	-0.8			
GBP	1.3274	-0.1	1.3246	1.3305	HKD	7.766	-0.1	Stoxx 50	4,963	+0.2	20.0	HRC steel	715.0	-1.7			
JPY	146.16	+1.8	143.91	146.26	CNY	7.019	+0.1	FTSE	8,291	+0.2	10.4	CRB	286.4	+0.5			
CAD	1.3494	+0.0			SGD	1.292	+0.3	DAX	19,165	-0.3	25.7	Wheat Chic.	635.5	+2.6			
NZD/AUD	0.9101	-0.3			IDR	15,268	+0.4	CAC 40	7,578	+0.0	7.2	Sugar	22.68	-1.4			
NZD/EUR	0.5674	-0.0			THB	32.86	+1.0	Nikkei	37,809	-2.2	21.0	Cotton	73.00	-0.8			
NZD/GBP	0.4723	-0.1			KRW	1,325	-0.1	Shanghai	3,336	+8.1	7.3	Coffee	256.5	-2.9			
NZD/JPY	91.63	+1.6			TWD	31.86	+0.6	ASX 200	8,198	-0.1	18.1	WM powder	3555	+0.9			
NZD/CAD	0.8459	-0.2			PHP	56.17	+0.0	NZX 50	12,452	-0.1	10.8	Australian Futures					
NZ TWI	71.41	-0.0						VIX Index	19.01	-1.3	+8.0	3 year bond	96.56	0.05			
Interest Rates							Swap Yields			Benchmark 10 Yr Bonds		NZ Government Bonds			NZ BKBM and Swap Yields		
							Rates	Cash	3Mth	2 Yr	10 Yr	Last	Net Day	Last	Chg	Last	Chg
USD	5.00	4.85	3.42	3.31	USD	3.78	0.05	15-May-26	3.79	-0.02	BKBM 1-mth	5.04	-0.06				
AUD	4.35	4.43	3.66	4.07	AUD	3.95	-0.05	15-Apr-27	3.62	-0.01	BKBM 3-mth	4.81	-0.05				
NZD	5.25	4.81	3.57	3.86	NZD	4.23	-0.00	15-May-28	3.66	-0.01	1 year	4.02	-0.01				
EUR	3.50	3.25	2.28	2.33	GER	2.09	0.06	20-Apr-29	3.74	-0.01	2 year	3.57	0.00				
GBP	5.00	5.30	3.93	3.66	GBP	4.03	0.08	15-May-30	3.87	-0.00	3 year	3.45	-0.00				
JPY	0.23	-0.03	0.42	0.84	JPY	0.83	-0.03	15-May-31	3.99	-0.01	5 year	3.53	-0.01				
CAD	4.25	4.97	2.85	2.90	CAD	3.02	0.07	15-May-32	4.10	-0.01	7 year	3.68	-0.01				
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer Rates are as of: NZT 06:53 Source: Bloomberg							NZ Inflation-Indexed Bonds		14-Apr-33	4.18	-0.00	10 year	3.86	-0.01			
									15-May-34	4.23	-0.00	15 year	4.08	-0.01			
							15-May-35	4.32	-0.00								
							15-May-36	4.42	-0.01								
							15-May-37	4.51	-0.00								
							15-May-41	4.72	-0.00								
Sep-30	2.14	-0.04															
Sep-35	2.44	-0.04															
Sep-40	2.69	-0.04															

NZD exchange rates

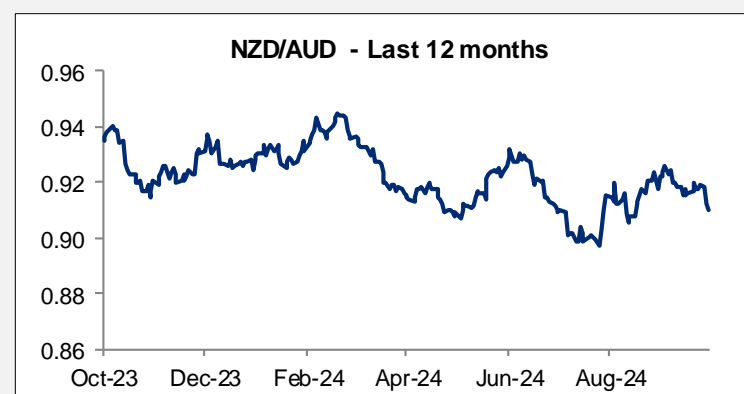
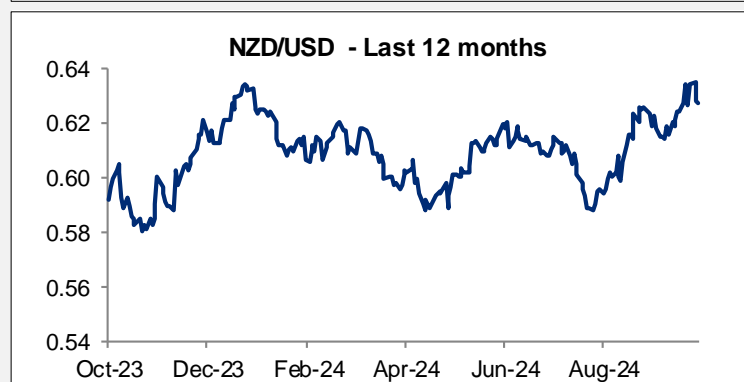
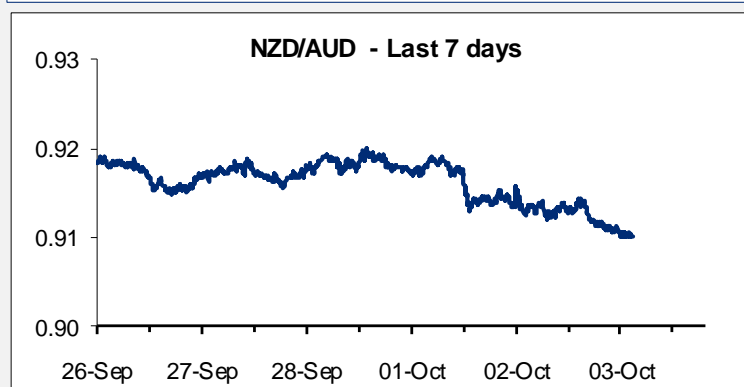
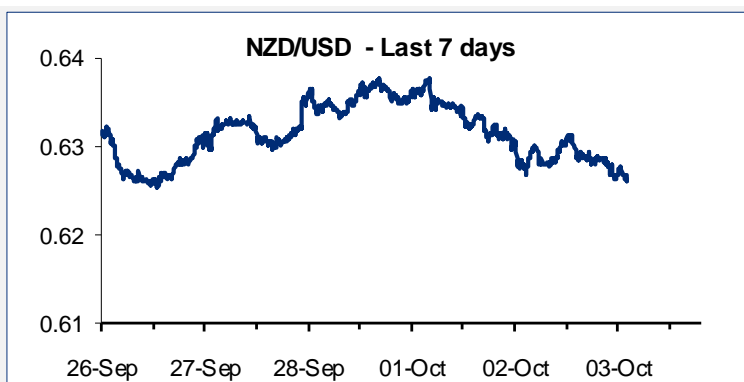
3/10/2024	6:54 am	Prev. NY close
USD	0.6269	0.6281
GBP	0.4723	0.4728
AUD	0.9101	0.9125
EUR	0.5674	0.5675
JPY	91.63	90.18
CAD	0.8459	0.8473
CHF	0.5324	0.5317
DKK	4.2326	4.2329
FJD	1.3824	1.3814
HKD	4.8684	4.8813
INR	52.55	52.64
NOK	6.6275	6.6665
PKR	174.54	175.08
PHP	35.21	35.27
PGK	2.4488	2.4554
SEK	6.4304	6.4465
SGD	0.8100	0.8091
CNY	4.4000	4.4037
THB	20.54	20.47
TOP	1.4264	1.4285
VUV	74.04	74.40
WST	1.6846	1.6839
XPF	67.27	67.59
ZAR	10.8842	10.9328

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.92	1.26
3 Months	1.74	2.29
6 Months	0.18	1.19
9 Months	0.70	2.70
1 Year	2.09	5.11

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-3.44	-2.74
3 Months	-5.84	-4.50
6 Months	-3.20	-0.81
9 Months	5.40	10.28
1 Year	16.56	23.63



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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