

Research Markets Today

3 September 2024

Events Round-Up

AU: Building Approvals (m/m%), Jul: 10.4 vs. 2.8 exp.
CH: Caixin China PMI Mfg, Aug: 50.4 vs. 49.9 exp.

Good Morning

Asset markets were confined to narrow ranges with limited economic data and the Labor Day holiday in the US weighing on market activity. European equities made modest gains with the Euro Stoxx index advancing 0.3%. US S&P futures are little changed since the open yesterday and have maintained the gains from the sharp rally into month end at the end of last week. Asian stocks declined reacting to the lacklustre Chinese PMIs released in the weekend with the Hang Seng losing 1.7%. European bonds moved higher in yield while the US dollar was mixed against G10 currencies.

The Caixin manufacturing PMI, which focuses on smaller privately owned enterprises in China, recovered to 50.4 last month after slipping into contractionary territory in July. However, the collective message when viewed in conjunction with the official PMIs released on Saturday – the composite index was little changed at 50.1 – is one of lacklustre activity. Chinese policy makers have struggled to contain the downturn in the property market and achieving its 5% 2024 growth target is looking increasingly challenged.

European bond markets traded higher in yield as investors look ahead to upcoming sovereign supply. 10-year bunds increased 4bps to 2.33% with a modest curve steepening bias. There with a similar upward bias for UK gilt yields – 10-year bonds closed 4bps higher at 4.05%. The US treasury cash market is closed for the holiday, but bond futures imply a marginally higher 10-year yield, relative to the 3.90% close on Friday.

Corporate bond supply is likely to pick up as investors and issuers return after the long weekend in the US. Issuers will likely prefer to transact ahead of the August jobs report with the associated market volatility on Friday. Bloomberg estimates there will be US\$125 billion of high-grade corporate issuance in September. Some of the rise in treasury yields at the end of last week was attributed to hedging of the upcoming corporate deals. US investment

grade credit spreads are close to the tightest level in three years.

The US dollar index (DXY) was little changed overnight amid thin trading volumes, which were running at around 50% of recent averages, according to DTCC data. The stability in the DXY masked some underlying movement in G10 currencies. The Australian dollar outperformed in the offshore session and is close to 0.5% stronger against the dollar. On the other end of the spectrum the yen was relatively weak losing 0.6% against the dollar.

NZD/USD was confined to a narrow trading range overnight and is little changed. The NZD/AUD move lower that began in the local session extended, with the cross trading towards 0.9170, having opened the week close to 10-week highs at 0.9240.

NZ fixed income yields traded higher in the local session yesterday reflecting moves in offshore markets in the absence of domestic catalysts. 2-year swap rates increased 2bps to 3.96% and the curve steepened with 10-year rates increasing 5bps. The 2y/10y swaps curve is back at the recent high near 10bps. Government bonds yields moved higher, in a largely parallel curve adjustment, with 10-year bonds closing 4bps higher at 4.31%.

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

The manufacturing ISM is released later this evening. The index fell to 46.8 in July and the preliminary manufacturing PMI weakened towards the more negative signal from the ISM. The consensus estimate looks for a modest bounce to 47.5. The employment subindex will be closely monitored after slumping to 43.4 in July even though manufacturing contributes a small share of total US employment.

stuart.ritson@bnz.co.nz

Coming Up

		Period	Cons.	Prev.	NZT
NZ	Terms of Trade Index (q/q%)	2Q	2.7	5.1	10:45
AU	BoP Current Account Balance	2Q	-5	-5	13:30
US	ISM Manufacturing	Aug	47.5	46.8	02:00

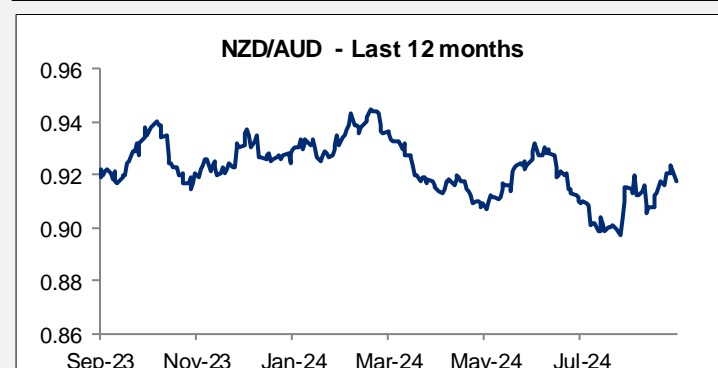
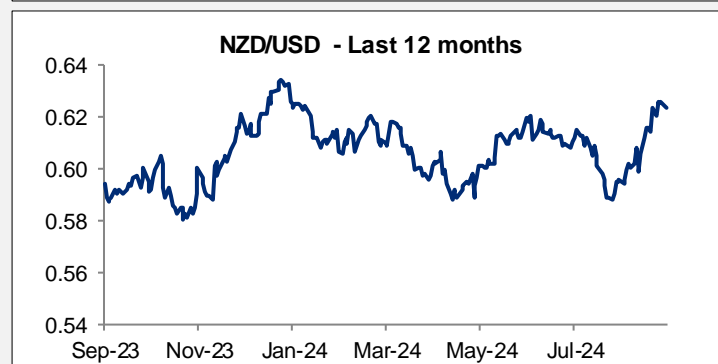
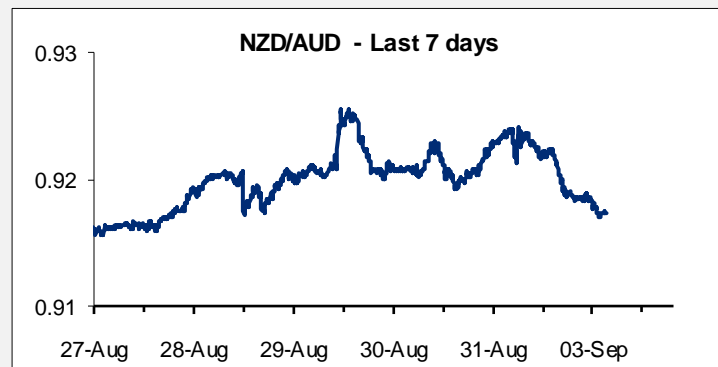
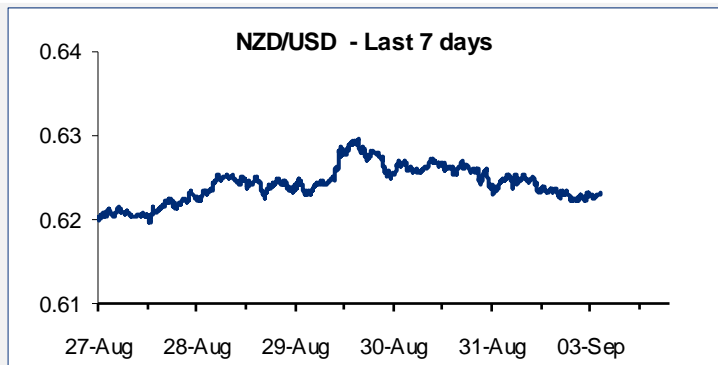
Source: Bloomberg, BNZ

Currencies							Equities				Commodities			
Global froces		Indicative overnight ranges (*)			Other FX		Major Indices				Price (Near futures, except CRB)			
	Last	% Day	Low	High		Last	% Day			Last	Net Day			
NZD	0.6233	-0.3	0.6221	0.6237	CHF	0.8515	+0.2	S&P 500	5,648	+1.0	25.1	Oil (Brent)	77.52	+0.5
AUD	0.6794	+0.4	0.6773	0.6795	SEK	10.252	-0.2	Dow	41,563	+0.6	19.3	Oil (WTI)	74.01	+0.6
EUR	1.1070	+0.2	1.1056	1.1077	NOK	10.588	-0.2	Nasdaq	17,714	+1.1	26.2	Gold	2508.4	+0.2
GBP	1.3145	+0.1	1.3128	1.3155	HKD	7.796	-0.0	Stoxx 50	4,973	+0.3	16.1	HRC steel	711.0	-0.4
JPY	146.87	+0.5	146.13	147.17	CNY	7.118	+0.4	FTSE	8,364	-0.2	12.0	CRB	277.0	-1.0
CAD	1.3491	+0.0			SGD	1.307	+0.0	DAX	18,931	+0.1	19.5	Wheat Chic.	551.5	+0.5
NZD/AUD	0.9174	-0.7			IDR	15,525	+0.5	CAC 40	7,646	+0.2	4.8	Sugar	19.38	-2.6
NZD/EUR	0.5631	-0.5			THB	34.18	+0.4	Nikkei	38,701	+0.1	18.3	Cotton	69.79	-0.5
NZD/GBP	0.4742	-0.4			KRW	1,338	+0.0	Shanghai	2,811	-1.1	-10.3	Coffee	244.1	-1.4
NZD/JPY	91.54	+0.2			TWD	32.04	+0.3	ASX 200	8,110	+0.2	11.4	WM powder	3595	+0.0
NZD/CAD	0.8409	-0.3			PHP	56.40	+0.4	NZX 50	12,556	+0.9	8.9	Australian Futures		
NZ TWI	71.71	-0.2						VIX Index	15.55	+3.7	+18.8	3 year bond	96.40	-0.06
												10 year bond	95.97	-0.03
Interest Rates														
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	0.00	15-May-26	4.13	0.04	BKBM 1-mth	5.36	0.00	
AUD	4.35	4.40	3.79	4.17	AUD	4.01	0.04	15-Apr-27	3.90	0.04	BKBM 3-mth	5.21	-0.03	
NZD	5.25	5.21	3.96	4.05	NZD	4.31	0.04	15-May-28	3.87	0.04	1 year	4.48	0.00	
EUR	3.75	3.49	2.68	2.57	GER	2.34	0.04	20-Apr-29	3.91	0.04	2 year	3.96	0.02	
GBP	5.00	5.30	4.11	3.71	GBP	4.06	0.04	15-May-30	4.01	0.04	3 year	3.79	0.02	
JPY	0.23	-0.03	0.44	0.91	JPY	0.91	0.02	15-May-31	4.12	0.04	5 year	3.78	0.03	
CAD	4.50	4.97	3.24	3.05	CAD	3.16	0.03	15-May-32	4.21	0.04	7 year	3.89	0.04	
												10 year	4.05	0.05
												15 year	4.24	0.05
					NZ Inflation-Indexed Bonds			14-Apr-33	4.27	0.04				
					Sep-30	2.23	0.04	15-May-34	4.31	0.04				
					Sep-35	2.55	0.04	15-May-35	4.37	0.04				
					Sep-40	2.78	0.04	15-May-37	4.53	0.05				
								15-May-41	4.71	0.06				
								15-May-51	4.77	0.06				
								15-May-54	4.80	0.06				

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
 Rates are as of: NZT 06:24
 Source: Bloomberg

NZD exchange rates

3/09/2024	6:24 am	Prev. NY close
USD	0.6233	0.6249
GBP	0.4742	0.4760
AUD	0.9174	0.9237
EUR	0.5631	0.5656
JPY	91.54	91.34
CAD	0.8409	0.8431
CHF	0.5307	0.5309
DKK	4.1997	4.2196
FJD	1.3753	1.3786
HKD	4.8592	4.8728
INR	52.31	52.41
NOK	6.5993	6.6319
PKR	173.71	#VALUE!
PHP	35.14	35.08
PGK	2.4281	2.4296
SEK	6.3898	6.4207
SGD	0.8146	0.8166
CNY	4.4365	4.4314
THB	21.33	21.16
TOP	1.4546	1.4336
VUV	74.25	74.37
WST	1.6792	1.6820
XPF	67.13	67.39
ZAR	11.1200	11.1347



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.33	0.66
3 Months	0.96	1.70
6 Months	0.22	1.26
9 Months	-2.42	-0.28
1 Year	-3.72	-0.72

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-6.72	-5.96
3 Months	-14.97	-13.20
6 Months	-19.95	-16.91
9 Months	-20.94	-15.49
1 Year	-18.11	-9.40

Contact Details

BNZ Research

Stephen Toplis

Head of Research
+64 4 474 6905

Doug Steel

Senior Economist
+64 4 474 6923

Jason Wong

Senior Markets Strategist
+64 4 924 7652

Stuart Ritson

Senior Interest Rate Strategist
+64 9 9248601

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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