

# Research Markets Today

4 September 2024

## Events Round-Up

NZ: Terms of Trade Index (q/q%), 2Q: 2.0 vs. 2.7 exp.  
 AU: BoP Current Account Balance, 2Q: -10.7 vs. -5.0 exp.  
 US: ISM Manufacturing, Aug: 47.2 vs. 47.5 exp.

## Good Morning

Global equity markets came under pressure as US investors returned from the long weekend. The S&P fell more than 1.5%, the largest fall since the volatile period at the beginning of August. US equities extended their decline after a soft manufacturing ISM report. Equities in Europe also fell amid the rising risk aversion with the Euro Stoxx falling more than 1%. Global bond markets rallied, and the US dollar was broadly stronger.

Oil prices fell sharply - Brent crude fell to US\$74 per barrel, the lowest level since last December. There is an increasing expectation that a deal to end a dispute between political factions in Libya will help to restore production in the country. This takes place alongside OPEC+ gradually restoring output.

The US ISM manufacturing index edged higher, to 47.2 in August, largely in line with consensus estimates. The headline index remains depressed after registering a fourth consecutive month in contractionary territory. ISM reported companies were showing 'an unwillingness to invest in capital and inventory due to current federal monetary policy and election uncertainty'. The new orders subindex fell to its lowest level since May 2023, while employment rebounded, although the relationship with manufacturing payrolls is not strong.

US treasury yields declined alongside the move lower in equities. 2-year yields reached a low of 3.84% ahead of the ISM data, before rebounding, and are currently 3bps lower. The yield curve has flattened modestly with 10-year yields 5bps lower at 3.85%. There were similar yield declines for 10-year European bonds. The UK received strong demand from investors in its 2040 gilt offering, the first new bond sale under the Labour government.

The US dollar was generally stronger against G10 currencies in choppy offshore trade. The dollar index has rebounded more than 1% from the late August lows. Defensive currencies outperformed with the yen gaining

support after Bank of Japan (BoJ) Governor Ueda provided a document to a government panel which suggested further interest rate hikes are likely if the economy and prices perform in line with central bank's projections. The document revealed the BoJ believes policy remains accommodative as real interest rates continue to be significantly negative.

After a soft performance by Australasian currencies in the Asian session yesterday, NZD/USD largely traded sideways overnight, albeit opening this morning near the session lows amid the weak risk sentiment. AUD/USD has extended lower contributing to a bounce in NZD/AUD back above 0.9200.

NZ fixed income yields ended the local session yesterday modestly lower in yield. An initial move higher ran into receiving interest in swaps, leading to a retracement, which also supported government bonds. 2-year swap rates dipped 2bps to 3.94% in a largely uniform move across the curve. 10-year swap rates closed at 4.03%. Government bond markets were also little changed with 10-year NZGBs closing at 4.30%, 1bp lower on the day.

Australian 10-year government bond futures are ~6bps lower in yield since the local close yesterday, suggesting a downward bias for NZ yields on the open.

LGFA will tender NZ\$350m of bonds today. NZ\$150m of this is treasury stock. This reflects increased trading activity which has led to higher borrowing demand by banks. For each bond, LGFA will increase its holding to NZ\$150m from NZ\$100m. This will occur the next time the bond of that series is issued via tender or syndication. The lines offered to the market in the tender are May-2030 (NZ\$100m), May-2031 (NZ\$60m) and May-2035 (NZ\$40m).

Australian Q2 GDP is released today with the consensus expecting quarterly growth of 0.2%. This would represent another quarter of weak growth but has limited implications for the RBA, as it aligns with the central bank's forecasts. The Bank of Canada is expected to cut rates by a further 25bps, its third cut for the easing cycle, taking the policy rate to 4.25%. US job openings (JOLTS), which are expected to remain stable near 8.1m, will be in focus ahead of the labour market data on Friday.

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### Coming Up

		Period	Cons.	Prev.	NZT
AU	GDP (q/q%)	2Q	0.2	0.1	13:30
CH	Caixin China PMI Services	Aug	51.8	52.1	13:45
US	Trade Balance	Jul	-79	-73.1	00:30
CA	Bank of Canada Rate Decision	Sep	4.25	4.5	01:45
US	JOLTS Job Openings	Jul	8100	8184	02:00

Source: Bloomberg, BNZ

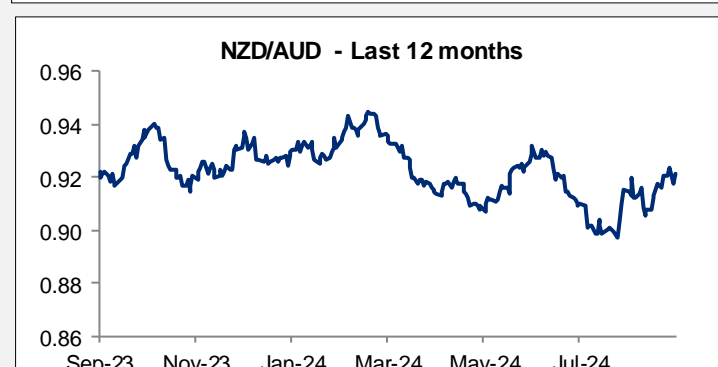
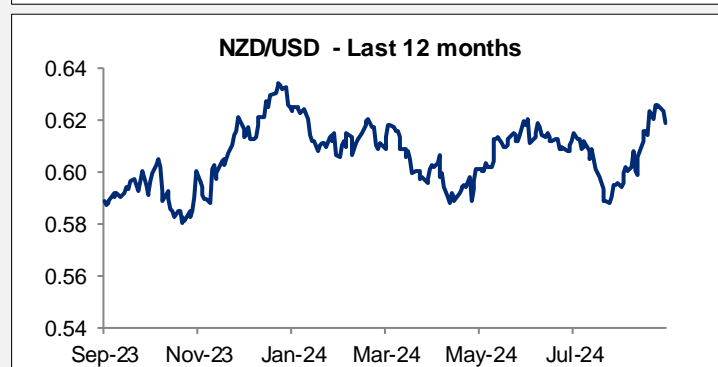
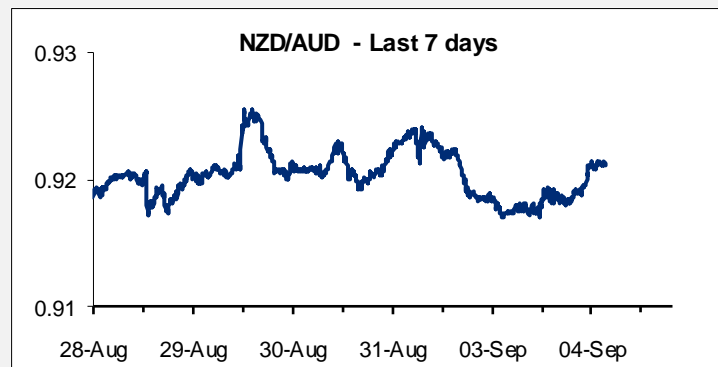
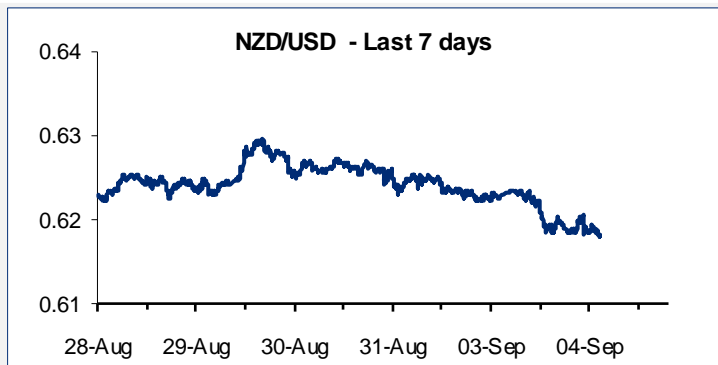
Currencies						Equities				Commodities					
Global froces		Indicative overnight ranges (*)			Other FX		Major Indices			Price (Near futures, except CRB)					
	Last	% Day	Low	High		Last	% Day	% Year		Last	Net Day				
NZD	0.6183	-0.8	0.6180	0.6207	CHF	0.8509	-0.1		S&P 500	5,544	-1.9	22.8	Oil (Brent)	73.58	-5.0
AUD	0.6712	-1.2	0.6708	0.6753	SEK	10.323	+0.7		Dow	41,012	-1.3	17.7	Oil (WTI)	70.14	-4.5
EUR	1.1031	-0.4	1.1026	1.1068	NOK	10.710	+1.2		Nasdaq	17,168	-3.1	22.4	Gold	2496.1	-0.3
GBP	1.3093	-0.4	1.3088	1.3146	HKD	7.799	+0.0		Stoxx 50	4,913	-1.2	14.7	HRC steel	699.0	-2.1
JPY	145.80	-0.8	145.16	146.29	CNY	7.121	+0.1		FTSE	8,298	-0.8	11.2	CRB	277.0	-1.0
CAD	1.3552	+0.4			SGD	1.309	+0.2		DAX	18,747	-1.0	18.4	Wheat Chic.	566.3	+2.8
NZD/AUD	0.9212	+0.4			IDR	15,526	+0.0		CAC 40	7,575	-0.9	3.8	Sugar	19.49	+0.6
NZD/EUR	0.5605	-0.4			THB	34.28	+0.2		Nikkei	38,686	-0.0	17.4	Cotton	71.10	+1.9
NZD/GBP	0.4722	-0.4			KRW	1,340	+0.1		Shanghai	2,803	-0.3	-11.8	Coffee	242.8	-0.7
NZD/JPY	90.15	-1.5			TWD	32.08	+0.1		ASX 200	8,103	-0.1	10.7	WM powder	3600	+0.1
NZD/CAD	0.8379	-0.4			PHP	56.61	+0.4		NZX 50	12,535	-0.2	8.9	<b>Australian Futures</b>		
NZ TWI	71.34	-0.5						VIX Index	19.34	+24.4	+47.7	3 year bond	96.41	0.01	
<b>Interest Rates</b>												10 year bond	96.05	0.09	
	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	3.69	3.38	USD	3.85	-0.06	15-May-26	4.11	-0.02	BKBM 1-mth	5.36	0.00		
AUD	4.35	4.40	3.74	4.08	AUD	4.00	-0.01	15-Apr-27	3.88	-0.02	BKBM 3-mth	5.20	-0.00		
NZD	5.25	5.20	3.94	4.03	NZD	4.30	-0.01	15-May-28	3.86	-0.01	1 year	4.47	-0.01		
EUR	3.75	3.47	2.66	2.51	GER	2.28	-0.06	20-Apr-29	3.90	-0.01	2 year	3.94	-0.02		
GBP	5.00	5.30	4.08	3.66	GBP	3.99	-0.07	15-May-30	4.00	-0.01	3 year	3.77	-0.02		
JPY	0.23	-0.03	0.45	0.90	JPY	0.93	0.01	15-May-31	4.11	-0.01	5 year	3.77	-0.01		
CAD	4.50	4.97	3.19	2.97	CAD	3.08	-0.08	15-May-32	4.20	-0.01	7 year	3.88	-0.02		
						<b>NZ Inflation-Indexed Bonds</b>			14-Apr-33	4.26	-0.01	10 year	4.03	-0.02	
						Sep-30	2.23	0.00	15-May-34	4.30	-0.01	15 year	4.22	-0.02	
						Sep-35	2.55	-0.00	15-May-35	4.37	-0.01				
						Sep-40	2.78	0.00	15-May-37	4.53	-0.01				
									15-May-41	4.70	-0.01				
									15-May-51	4.76	-0.01				
									15-May-54	4.79	-0.01				

\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer  
Rates are as of: NZT 06:26

Source: Bloomberg

**NZD exchange rates**

4/09/2024	6:27 am	Prev. NY close
USD	0.6183	0.6233
GBP	0.4722	0.4741
AUD	0.9212	0.9178
EUR	0.5605	0.5630
JPY	90.15	91.58
CAD	0.8379	0.8411
CHF	0.5261	0.5309
DKK	4.1811	4.1991
FJD	1.3706	1.3845
HKD	4.8222	4.8597
INR	51.92	52.31
NOK	6.6222	6.5971
PKR	172.35	#VALUE!
PHP	35.00	35.14
PGK	2.4086	2.4281
SEK	6.3824	6.3919
SGD	0.8094	0.8146
CNY	4.4029	4.4362
THB	21.17	21.33
TOP	1.4139	1.4546
VUV	73.68	74.18
WST	1.6637	1.6792
XPF	66.75	67.13
ZAR	11.1211	11.1139



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.19	0.42
3 Months	1.03	1.54
6 Months	0.04	1.04
9 Months	-2.44	-0.44
1 Year	-4.07	-1.05

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-6.95	-6.41
3 Months	-14.65	-13.37
6 Months	-19.65	-17.07
9 Months	-20.84	-15.81
1 Year	-17.85	-10.34

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