

# Research Markets Today

5 July 2024

## Events Round-Up

AU: Trade Balance, May: 5773 vs. 6328 exp.

GE: Factory Orders (m/m%), May: -1.6 vs. 0.5 exp.

## Good Morning

There was subdued market activity overnight with US cash markets closed for the Independence Day holiday. US equity futures are unchanged. European equities advanced. The Euro Stoxx index was up 0.4% and has retraced more than 50% of the decline in June, as investors look ahead to the second round of the French legislative election on Sunday. The Nikkei traded highs and closed just below the all-time high set back in March.

There was limited economic data to provide the market with direction. German factory orders unexpectedly slumped in May. Orders dropped 1.6% from April, compared with expectations for a 0.5% gain, which points to subdued momentum in the industrial sector in coming months. There was limited market reaction. German bund yields traded 3bps higher across the yield curve with 10-year yields closing at 2.60%.

French bonds saw decent demand at the scheduled debt auction. Market sentiment has been aided by polling, that indicates Marine Le Pen's National Rally is set to fall well short of an absolute majority, which has dampened fears about fiscal profligacy. The spread between French and German 10-year yields has narrowed to 68bps from last weeks peak of 86bps.

Oil prices remained well underpinned with Brent crude prices increasing to a 2-month high above US\$87.50. Oil prices have been steadily rising over the past month, and have fully recovered from the early June drop to near \$US78, after OPEC+ members announced they would begin to reverse production cuts. The gains have been attributed to the summer driving season as well as incorporating some geopolitical premium on concerns about renewed tensions in the Middle East.

The US dollar was weaker against G10 currencies overnight. The US dollar index fell 0.25% and retested the lows from after the weaker than anticipated US services ISM print earlier in the week. NZD/USD traded modestly

higher towards 0.6120 in lacklustre currency markets and was stable on the major cross rates.

The long end of the government (NZGB) curve underperformed in the local session yesterday following weak demand in the weekly bond tender. 10-year government bond yields increased 3bps during the session and underperformed on a cross market basis. The NZGB curve continued to steepen. Interest rate swap markets were largely unchanged and 10-year asset swap spreads widened towards 20bps, the highest since April.

The weekly government bond tender attracted tepid demand, continuing the trend from June. There were NZ\$650 million of bids for the NZ\$500 million of bonds offered. The May-41s attracted NZ\$94 million of bids against the NZ\$100 million being offered. The last time an individual line wasn't fully covered was February 2023. The Sep-40 inflation indexed bond received decent investor demand and was more than 3-times covered.

Australian 10-year bond futures are unchanged overnight, suggesting limited directional bias to NZGB yields on the open.

The focus into the end of the trading week will centre on US labour market data. The consensus looks for a gain in 190k payrolls compared with the 3-month average of 250k. The unemployment rate is expected to be stable at 4% with average hourly earnings increasing 0.3% in June and at a 3.9% annual rate. UK general election results will be released in the Asian session today but are not likely to have any market impact.

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## Coming Up

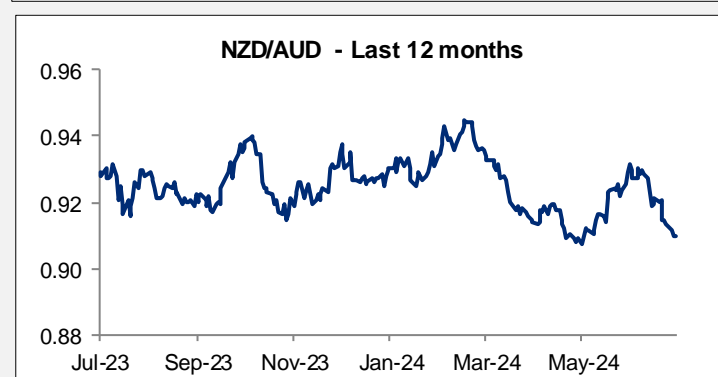
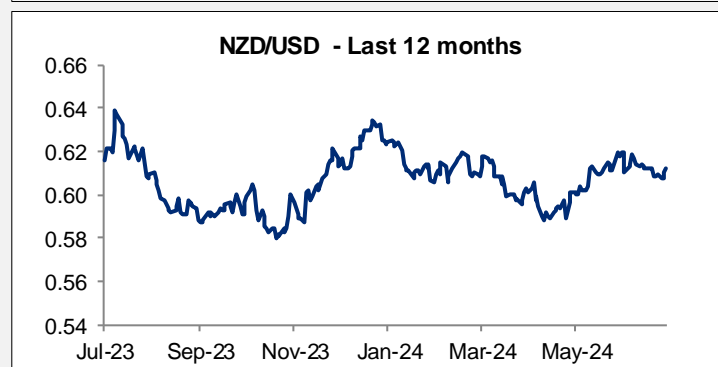
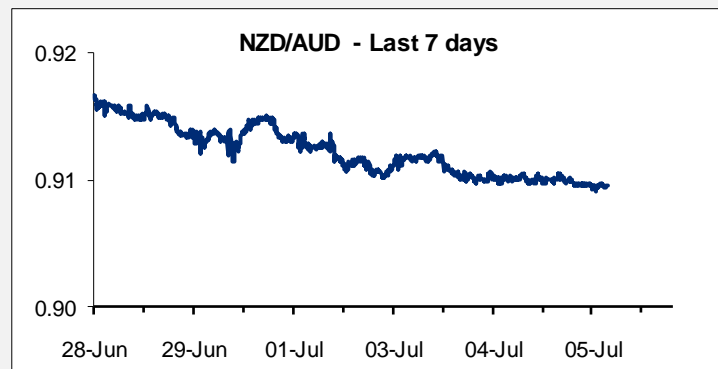
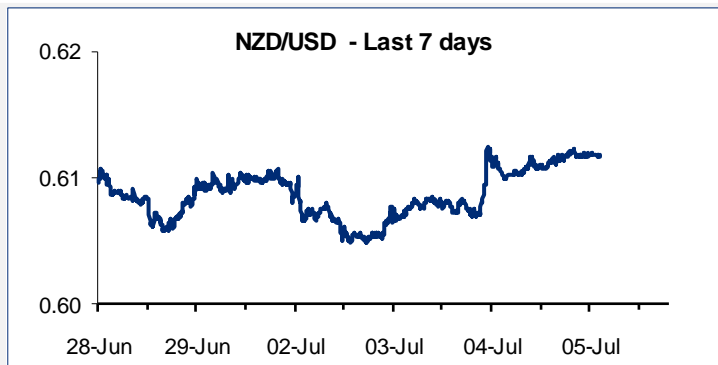
		Period	Cons.	Prev.	NZT
GE	Industrial Production (m/m%)	May	0.2	-0.1	18:00
CA	Unemployment Rate	Jun	6.3	6.2	00:30
US	Change in Nonfarm Payrolls	Jun	190	272	00:30
US	Unemployment Rate	Jun	4	4	00:30
US	Average Hourly Earnings (m/m%)	Jun	0.3	0.4	00:30
US	Average Hourly Earnings (y/y%)	Jun	3.9	4.1	00:30

Source: Bloomberg, BNZ



**NZD exchange rates**

5/07/2024	6:50 am	Prev. NY close
USD	0.6118	0.6103
GBP	0.4795	0.4790
AUD	0.9095	0.9102
EUR	0.5659	0.5658
JPY	98.65	98.68
CAD	0.8327	0.8324
CHF	0.5506	0.5502
DKK	4.2206	4.2197
FJD	1.3739	1.3730
HKD	4.7778	4.7663
INR	51.09	50.98
NOK	6.4660	6.4412
PKR	170.27	#VALUE!
PHP	35.84	35.84
PGK	2.3540	2.3428
SEK	6.4232	6.4053
SGD	0.8266	0.8262
CNY	4.4467	4.4370
THB	22.41	22.44
TOP	1.4345	1.4160
VUV	73.22	73.52
WST	1.6660	1.6500
XPF	67.81	67.80
ZAR	11.1709	11.2389



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.21	0.19
3 Months	-0.89	0.49
6 Months	-1.38	-0.28
9 Months	-8.28	3.80
1 Year	-5.11	-2.11

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.51	-7.55
3 Months	-23.08	-20.62
6 Months	-37.87	-34.89
9 Months	-54.60	-34.19
1 Year	-52.35	-43.49

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