

Research Markets Today

5 September 2024

Events Round-Up

AU: GDP (q/q%), 2Q: 0.2 vs. 0.2 exp.
CH: Caixin China PMI Services, Aug: 51.6 vs. 51.8 exp.
US: Trade Balance, Jul: -78.8 vs. -79 exp.
CA: Bank of Canada Rate Decision, Sep: 4.25 vs. 4.25 exp.
US: JOLTS Job Openings, Jul: 7700 vs. 8100 exp.

Good Morning

Further signs of cooling in the US labour market contributed to lower yields across bond markets and global equities remained soft after the sharp decline in the previous session. The S&P opened lower and is currently close to flat. Equities fell in Europe – the Euro Stoxx closed 1.3% lower – and Asian stocks also declined with the Nikkei falling 4%. The US dollar fell with the move concentrated against the yen. Brent crude traded below US\$73 per barrel to fresh lows for the year. It was reported that OPEC+ members are close to agreement to delay a planned production increase amid weak global demand and increased supply.

US job openings, which are considered a proxy for labour demand, fell to the lowest level in more than three years. There were 7.7 million openings in July compared with consensus estimates for 8.1 million. This provides further evidence the labour market conditions have normalised. However, job vacancies haven't been a reliable indicator for payrolls since the pandemic. The quits rate edged up to 2.1% which suggest people are less confident about their ability to find a new position.

US treasury yields fell led by the front end of the curve. 2-year yields are down 8bps to 3.78% with a modest steepening bias. The 2y/10y curve briefly traded into positive territory for the first time in almost two years. 10-year yields are down 5bps at 3.78% and are retesting the lower end of the range that prevailed from the middle of August. European yields matched the move in treasuries with 10-year bunds closing 5bps lower at 2.22%.

The Bank of Canada (BoC) cut interest rates for the third time in a row. The 25bps cut lowered the policy rate to 4.25% which was in line with expectations. The bank reiterated it is reasonable to expect more easing conditional on inflation continuing to fall and noted it sees little evidence of broad-based price pressures.

The US dollar followed treasury yields lower with the dollar index falling close to 0.5%. The yen was a notable outperformer within G10 currencies gaining 0.8% in offshore trade. The BoC rates decision didn't leave any lasting impact on the Canadian Dollar, which is marginally stronger, but in line with other G10 currencies.

The Australasian currencies are marginally firmer against the dollar. NZD/USD reached a high above 0.6210 after the JOLTs data but has since retraced. The NZD is generally stable on the key cross rates though NZD/JPY has slipped back to 89.20.

NZ fixed income yields ended the local session lower in yield reflecting the safe haven moves in offshore markets. Swap rates dropped 9-10bps across the curve with 2-year rates closing at 3.85% and 10-year rates at 3.93%. 10-year NZ Government Bonds closed 9bps lower at 4.21% and outperformed on a cross-market basis against Australian government bonds.

LGFA saw good demand in the monthly bond tender. It received NZ\$605 million of bids for the NZ\$200 million bonds being offered. The May-2030 bond saw the strongest demand with 3.6 times bid-cover.

The NZGB market looks ahead to the weekly bond tender today. New Zealand Debt Management is offering NZ\$500 million of nominal NZGBs today split across May-30 (\$225m), May-34 (\$225m) and May-41 (\$50m). The May-41 continues to be the preferred ultra-long tender line with the 30-year sector only featuring once in the new fiscal year.

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

There is no domestic data released in the day ahead. US initial jobless claims and ADP payrolls data will be closely monitored ahead of the US labour market report tomorrow night (NZT). The consensus looks for claims to remain stable and for ADP private payrolls to pick up from July but the relationship with official payrolls is not strong. A small dip in the regional Fed services reports points towards a modest decline in ISM services from 51.4 in July.

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Coming Up

		Period	Cons.	Prev.	NZT
JN	Scheduled Full-Time Pay - Same	Jul	2.8	2.7	11:30
AU	Trade Balance	Jul	5000	5589	13:30
AU	RBA's Bullock -- Speech to Anika Foundation				14:00
GE	Factory Orders (m/m%)	Jul	-1.7	3.9	18:00
US	ADP Employment Change	Aug	145	122	00:15
US	Initial Jobless Claims	31 Aug	230	231	00:30
US	ISM Services Index	Aug	51.2	51.4	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	0.6195	+0.1	0.6178	0.6217	CHF	0.8480	-0.3			S&P 500	5,521	-0.1	22.3	Oil (Brent)	72.87	-1.3
AUD	0.6715	+0.1	0.6703	0.6749	SEK	10.290	-0.2			Dow	40,910	-0.1	17.4	Oil (WTI)	69.39	-1.5
EUR	1.1071	+0.3	1.1040	1.1095	NOK	10.653	-0.3			Nasdaq	17,128	-0.1	22.1	Gold	2501.5	+0.1
GBP	1.3136	+0.2	1.3101	1.3175	HKD	7.797	-0.0			Stoxx 50	4,848	-1.3	13.3	HRC steel	689.0	-1.6
JPY	144.09	-1.0	143.95	145.27	CNY	7.113	-0.1			FTSE	8,270	-0.3	11.0	CRB	272.8	-1.5
CAD	1.3517	-0.3			SGD	1.305	-0.2			DAX	18,592	-0.8	17.5	Wheat Chic.	581.3	+2.4
NZD/AUD	0.9226	+0.1			IDR	15,480	-0.3			CAC 40	7,501	-1.0	3.0	Sugar	19.24	-1.3
NZD/EUR	0.5596	-0.1			THB	34.06	-0.6			Nikkei	37,048	-4.2	12.1	Cotton	69.37	-0.8
NZD/GBP	0.4716	-0.0			KRW	1,335	-0.4			Shanghai	2,784	-0.7	-11.7	Coffee	243.7	+0.4
NZD/JPY	89.26	-0.8			TWD	32.19	+0.4			ASX 200	7,950	-1.9	8.7	WM powder	3415	-5.1
NZD/CAD	0.8374	-0.1			PHP	56.58	-0.1			NZX 50	12,553	+0.2	9.8	Australian Futures		
NZ TWI	71.32	+0.0							VIX Index	20.92	+1.0	+59.8	3 year bond	96.44	0.03	
Interest Rates										10 year bond 96.09 0.02						
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	5.27	3.58	3.31	USD	3.77	-0.06	15-May-26	4.13	0.00	BKBM 1-mth	5.36	0.00			
AUD	4.35	4.41	3.69	4.03	AUD	3.95	-0.05	15-Apr-27	3.90	0.00	BKBM 3-mth	5.19	#N/A			
NZD	5.25	5.19	3.85	3.93	NZD	4.31	0.00	15-May-28	3.87	0.00	1 year	4.43	0.00			
EUR	3.75	3.46	2.62	2.47	GER	2.22	-0.05	20-Apr-29	3.91	0.00	2 year	3.85	0.00			
GBP	5.00	5.30	4.02	3.60	GBP	3.94	-0.06	15-May-30	4.01	0.00	3 year	3.68	0.00			
JPY	0.23	-0.03	0.44	0.87	JPY	0.88	-0.04	15-May-31	4.12	0.00	5 year	3.68	0.00			
CAD	4.25	4.97	3.08	2.90	CAD	3.01	-0.06	15-May-32	4.21	0.00	7 year	3.78	0.00			
						NZ Inflation-Indexed Bonds			14-Apr-33	4.27	0.00	10 year	3.93	0.00		
						Sep-30	2.23	0.00	15-May-34	4.31	0.00	15 year	4.12	0.00		
						Sep-35	2.55	0.00	15-May-35	4.37	0.00					
						Sep-40	2.78	0.00	15-May-37	4.53	0.00					
									15-May-41	4.71	0.00					
									15-May-51	4.77	0.00					
									15-May-54	4.80	0.00					

* These are indicative ranges from 5pm NZT;

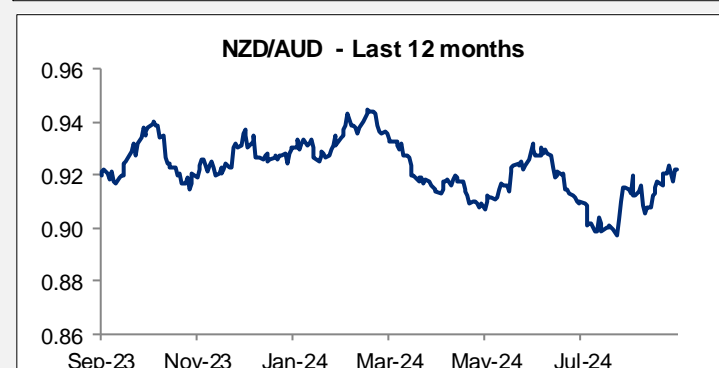
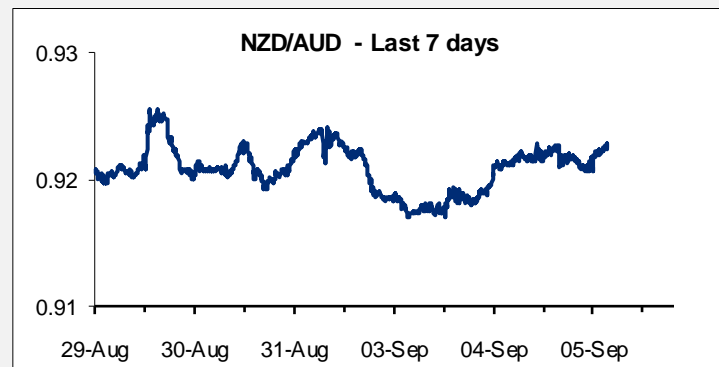
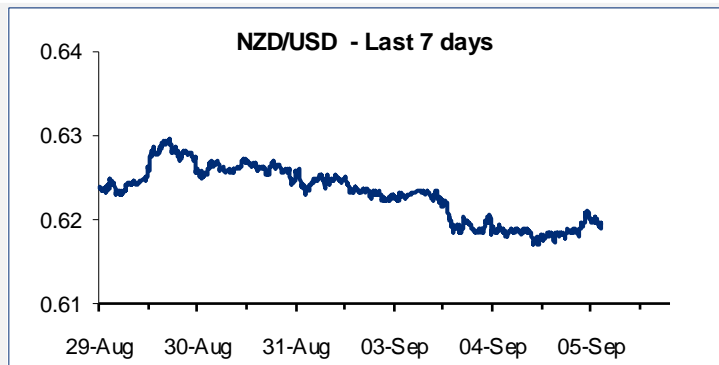
please confirm rates with your BNZ dealer

Rates are as of: NZT 06:30

Source: Bloomberg

NZD exchange rates

5/09/2024	6:30 am	Prev. NY close
USD	0.6195	0.6187
GBP	0.4716	0.4718
AUD	0.9226	0.9219
EUR	0.5596	0.5603
JPY	89.26	90.01
CAD	0.8374	0.8384
CHF	0.5253	0.5261
DKK	4.1746	4.1796
FJD	1.3730	1.3838
HKD	4.8301	4.8251
INR	52.02	51.95
NOK	6.5998	6.6113
PKR	172.69	#VALUE!
PHP	35.06	35.03
PGK	2.4171	2.4111
SEK	6.3747	6.3766
SGD	0.8083	0.8087
CNY	4.4068	4.4062
THB	21.21	21.18
TOP	1.4474	1.4236
VUV	73.97	73.54
WST	1.6663	1.6641
XPF	66.72	66.76
ZAR	11.0777	11.1247



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.16	0.36
3 Months	0.92	1.42
6 Months	-1.18	-0.18
9 Months	-5.28	-3.28
1 Year	-8.96	-5.92

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-6.45	-5.89
3 Months	-13.56	-12.29
6 Months	-18.98	-16.41
9 Months	-20.47	-15.83
1 Year	-18.94	-11.67

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