

Research Markets Today

6 September 2024

Events Round-Up

JN: Scheduled Full-Time Pay, YoY, Jul: 3.0 vs. 2.8 exp.

AU: Trade Balance, Jul: 6000 vs. 5000 exp.

GE: Factory Orders (m/m%), Jul: 2.9 vs. -1.7 exp.

US: ADP Employment Change, Aug: 99 vs. 145 exp.

US: Initial Jobless Claims, 31 Aug: 227 vs. 230 exp.

US: ISM Services Index, Aug: 51.5 vs. 51.2 exp.

Good Morning

Global equity markets remain soft with the S&P modestly lower in afternoon trade, and facing its third consecutive daily loss, as investors look ahead to the key US payrolls data later this evening. European equities fell – the Euro Stoxx declined 0.7%. Treasury yields are modestly lower in choppy trade and the US dollar is weaker against G10 currencies.

Brent crude prices stabilised near US\$73 per barrel, after recent sharp declines, following a deal that Opec+ members will postpone planned increases to oil production for at least two months. However, the longer-term deal to increase supply gradually remains in place, with the completion date, pushed back by two months.

ADP reported private US employers added 99k jobs in August. This is the lowest number in more than three years and provides a further sign of a cooling labour market, after the decline in job openings earlier in the week. However, the relationship between monthly ADP figures and the official non-farm payrolls report has not been strong. Separately, initial jobless claims fell to 227k, from 232k, which was marginally below the consensus expectations.

The ISM services index was essentially unchanged from July's reading at 51.5 which was also in line with consensus expectations. The stability in the report should dampen concerns about an imminent and pronounced economic slowdown but the index remains at a subdued level. Business activity and employment components fell while new orders and prices paid rose slightly.

Front end treasury yields dropped initially following the ADP employment report but rebounded after the services ISM. The market is pricing 35bps of rate cuts at the September FOMC, little changed on the day, and about

110bps by year-end. 10-year treasury yields are down 2bps at 3.73%, the lowest level since the market volatility at the beginning of August. European bond yields also traded lower with few regional catalysts to provide direction. 10-year bunds closed 2bps lower at 2.20%.

In currency markets, the US dollar is slightly weaker with the dollar index around 0.2% lower, after recovering from a dip surrounding the release of ADP data. The yen, which temporarily gained in the Asian session after stronger than expect wage data in Japan that strengthens the case for policy normalisation, is little changed. NZD/USD is a touch firmer overnight, having traded above 0.6220, and is broadly stable on the major cross rates.

NZ fixed income yields extended lower in the local session yesterday reflecting offshore markets. 2-year swap rates retested the 3.75% low reached following the aftermath of the August Monetary Policy Statement before rebounding to close 7bps lower at 3.79%. The yield curve continued to steepen – the 2y10y slope reached a new cycle high of 12bps. 10-year NZGBs closed 3bps lower at 4.19%.

There was tepid investor demand in the weekly government bond tender with NZ\$1.0 billion of bids for the NZ\$500 million of bonds offered. The strong rally across global fixed income in the leadup was likely a contributing factor. The strongest demand was for the May-2030 line with lower cover ratios for the May-2034 and May-2041 maturities.

Australian 10-year government bond futures little changed since the local close yesterday, suggesting a limited directional bias for NZ yields on the open.

US labour market data is scheduled for this evening. It is the key release ahead of the September FOMC and will likely determine the size of the Fed's interest rate cuts this month. Fed Chair Powell said at Jackson hole that a further cooling in the labour market would be unwelcome.

The weak July report, where the unemployment rate increased to 4.3%, was mostly driven by temporary layoffs. The consensus looks for the unemployment rate to dip back to 4.2%. Payrolls are expected to increase 165k. Labour market data will also be the focus in Canada where unemployment is expected to increase to 6.5%.

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Coming Up

	Period	Cons.	Prev.	NZT
NZ Volume of All Buildings (q/q%)	2Q	-2.7	-4	10:45
AU Home Loans Value (m/m%)	Jul	1	1.3	13:30
GE Industrial Production (m/m%)	Jul	-0.5	1.4	18:00
CA Unemployment Rate	Aug	6.5	6.4	00:30
US Change in Nonfarm Payrolls	Aug	165	114	00:30
US Unemployment Rate	Aug	4.2	4.3	00:30
US Average Hourly Earnings (m/m%)	Aug	0.3	0.2	00:30
US Average Hourly Earnings (y/y%)	Aug	3.7	3.6	00:30
US Fed's Williams Gives Keynote Remarks				00:45

Source: Bloomberg, BNZ

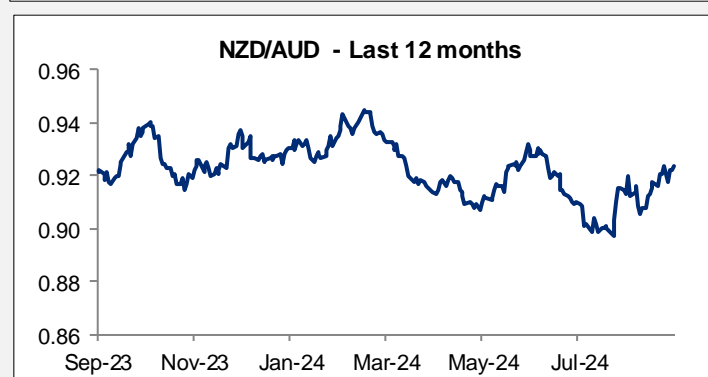
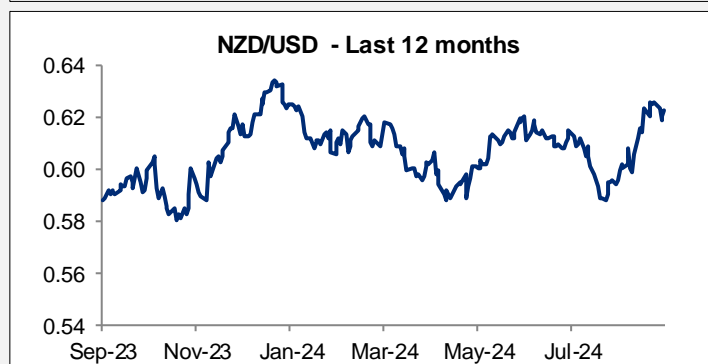
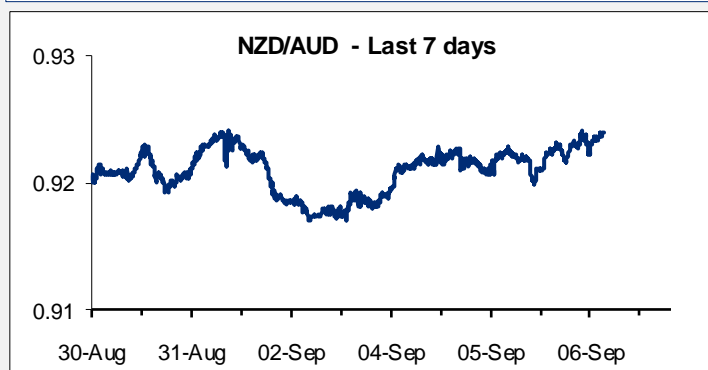
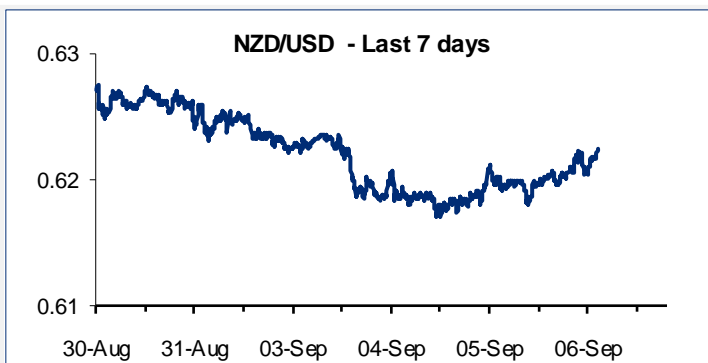
Currencies						Equities				Commodities					
Global froces		Indicative overnight ranges (*)		Other FX		Major Indices				Price (Near futures, except CRB)					
	Last	% Day	Low	High		Last	% Day	% Year		Last	Net Day				
NZD	0.6221	+0.4	0.6195	0.6225	CHF	0.8452	-0.2		S&P 500	5,499	-0.1	22.3	Oil (Brent)	72.53	-0.2
AUD	0.6736	+0.2	0.6714	0.6741	SEK	10.254	-0.3		Dow	40,802	-0.4	17.8	Oil (WTI)	68.96	-0.3
EUR	1.1104	+0.2	1.1076	1.1120	NOK	10.633	-0.0		Nasdaq	17,159	+0.4	22.4	Gold	2520.8	+0.8
GBP	1.3174	+0.3	1.3137	1.3180	HKD	7.796	-0.0		Stoxx 50	4,815	-0.7	12.8	HRC steel	692.0	+0.4
JPY	143.39	-0.3	142.85	144.23	CNY	7.089	-0.3		FTSE	8,242	-0.3	10.8	CRB	270.3	-0.9
CAD	1.3512	+0.0			SGD	1.300	-0.3		DAX	18,577	-0.1	17.8	Wheat Chic.	572.8	-1.2
NZD/AUD	0.9235	+0.2			IDR	15,401	-0.5		CAC 40	7,432	-0.9	2.4	Sugar	19.22	-0.1
NZD/EUR	0.5602	+0.2			THB	33.62	-1.2		Nikkei	36,657	-1.1	10.3	Cotton	69.33	-0.8
NZD/GBP	0.4722	+0.1			KRW	1,334	-0.1		Shanghai	2,788	+0.1	-11.7	Coffee	244.2	+0.2
NZD/JPY	89.20	+0.1			TWD	32.08	-0.4		ASX 200	7,982	+0.4	10.0	WM powder	3430	+0.4
NZD/CAD	0.8406	+0.4			PHP	56.23	-0.6		NZX 50	12,679	+1.0	10.9	Australian Futures		
NZ TWI	71.41	+0.1						VIX Index	20.73	-2.8	+48.0	3 year bond	96.47	0.03	
												10 year bond	96.07	-0.02	

Interest Rates						NZ Government Bonds			NZ BKBM and Swap Yields				
	Rates		Swap Yields		Benchmark 10 Yr Bonds		Last	Chg	Last	Chg	Last	Chg	
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day							
USD	5.50	5.26	3.55	3.27	USD	3.73	-0.02	15-May-26	3.99	-0.05	BKBM 1-mth	5.36	0.00
AUD	4.35	4.39	3.71	4.05	AUD	3.93	-0.02	15-Apr-27	3.76	-0.05	BKBM 3-mth	5.15	-0.04
NZD	5.25	5.15	3.79	3.91	NZD	4.19	-0.02	15-May-28	3.74	-0.05	1 year	4.37	-0.06
EUR	3.75	3.45	2.58	2.45	GER	2.21	-0.02	20-Apr-29	3.78	-0.04	2 year	3.79	-0.07
GBP	5.00	5.30	3.99	3.58	GBP	3.92	-0.02	15-May-30	3.89	-0.03	3 year	3.62	-0.06
JPY	0.23	-0.03	0.44	0.87	JPY	0.88	-0.00	15-May-31	4.00	-0.03	5 year	3.62	-0.06
CAD	4.25	4.97	3.05	2.86	CAD	2.97	-0.02	15-May-32	4.09	-0.02	7 year	3.74	-0.04
								14-Apr-33	4.15	-0.02	10 year	3.91	-0.03
								15-May-34	4.19	-0.02	15 year	4.10	-0.02
								15-May-35	4.26	-0.02			
								15-May-37	4.42	-0.02			
								15-May-41	4.60	-0.02			
								15-May-51	4.66	-0.02			
								15-May-54	4.69	-0.02			

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
 Rates are as of: NZT 06:19
 Source: Bloomberg

NZD exchange rates

6/09/2024	6:19 am	Prev. NY close
USD	0.6221	0.6199
GBP	0.4722	0.4715
AUD	0.9235	0.9218
EUR	0.5602	0.5594
JPY	89.20	89.10
CAD	0.8406	0.8372
CHF	0.5258	0.5247
DKK	4.1804	4.1729
FJD	1.3877	1.3809
HKD	4.8496	4.8333
INR	52.25	52.05
NOK	6.6150	6.5895
PKR	173.41	#VALUE!
PHP	34.98	35.08
PGK	2.4225	2.4187
SEK	6.3789	6.3729
SGD	0.8090	0.8082
CNY	4.4103	4.4093
THB	20.94	21.22
TOP	1.4252	1.4484
VUV	74.43	74.02
WST	1.6761	1.6676
XPF	66.90	66.73
ZAR	11.0117	11.0715



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.01	0.25
3 Months	1.03	1.52
6 Months	-0.75	0.25
9 Months	-4.18	-2.17
1 Year	-6.91	-3.89

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-6.34	-5.73
3 Months	-13.27	-12.01
6 Months	-17.18	-14.58
9 Months	-16.46	-11.53
1 Year	-12.38	-5.06

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