

# Research Markets Today

8 July 2024

## Events Round-Up

GE: Industrial Production SA (m/m%), May: -2.5 vs. 0.1 exp.

CA: Unemployment Rate, Jun: 6.4 vs. 6.3 exp.

US: Change in Nonfarm Payrolls, Jun: 206 vs. 190 exp.

US: Unemployment Rate, Jun: 4.1 vs. 4.0 exp.

US: Average Hourly Earnings (m/m%), Jun: 0.3 vs. 0.3 exp.

US: Average Hourly Earnings (y/y%), Jun: 3.9 vs. 3.9 exp.

## Good Morning

The S&P advanced to fresh all-time high after softer than expected US labour market data led to investors bringing forward expectations for Fed rate cuts. The S&P closed 0.5% higher extending the year-to-date gains to 17%. European equities closed lower as the market looked ahead to the second round of the French election. Early projections suggest the left wing coalition, New Popular Front, has unexpectedly won the most seats which will raise concerns about the fiscal backdrop. Treasury yields fell across the curve and the US dollar closed the week modestly weaker against the majority of G10 currencies.

US non-farm payrolls rose 206K in June, slightly above the 190k consensus. However, there was a large downward revision of 111K for the previous two months. The unemployment rate unexpectedly increased to 4.1%, from 4.0% in May. Average hourly earnings increased 0.3% during the month and at 3.9% annual rate matching expectations. The quarterly employment cost index, due at the end of this month, will provide a further information on wages.

The Fed will be increasingly concerned about the labour market with the unemployment rate moving above 4%. This is set against the backdrop of a deterioration in jobless claims, a softening in hiring intentions and job openings having returned to pre-pandemic levels. The market is fully discounting two 25bps Fed rate cuts by December. There is about 20bps of easing priced for the September FOMC.

US treasury yields declined following the data led by the front end which saw the curve steepen modestly. 10-year yields fell 8bps to 4.27%, ending the week at the yield lows. The 10y/30y treasury curve has continued to steepen reaching 20bps which is the highest level since February. European bonds rallied alongside US treasuries with 10-year bunds closing down 5bps at 2.55%. There was limited

market reaction to weak industrial production in Germany, which was well-below economists' estimates, though could be related to the timing of public holidays.

The Peoples Bank of China (PBOC) has taken a further step aimed at cooling a rally in China government bonds (CGB) which have recently fallen to record low yields. The PBOC has signed agreements with major banks to borrow bonds and has said it has 'hundreds of billions' at its disposal. It has borrowed the bonds on an unsecured open-ended basis and any intervention will be dependent on market conditions. 10-year CGBs have stabilised near 2.25% around 5bps above the all-time lows.

The US dollar was volatile around the labour market data and ultimately ended weaker against the majority of G10 currencies. The dollar index closed on the weekly lows. In the majors, EUR/USD made modest gains reaching 3-week highs, although caution ahead of the French elections likely constrained the topside. USD/JPY was unchanged near 106.80. The Canadian dollar underperformed after weaker than expected domestic labour market data with the unemployment rate unexpectedly increasing to 6.4%.

The NZD was the top performing G10 currency on Friday night with NZD/USD advancing above 0.6140 and closing at 3-week highs. The NZD is firmed on the major cross rates. NZD/AUD traded 0.9100, and the uptrend in NZD/JPY continued, with the pairing making fresh multi-decade highs towards 98.80.

NZ fixed interest markets ended modestly lower in yield in the local session Friday with a curve flattening bias. 10-year government bonds closed down 4bps at 4.64%. The move lower was matched in swaps with 10-year asset swap spreads stable near 20bps, the widest level since early April. Australian 10-year government bond futures are 5bps lower since the local close, suggesting a downward bias for NZ yields on the open.

There are no domestic releases and only second-tier international data to start the week. Looking further ahead, the RBNZ Monetary Policy Review is the main risk event on Wednesday. Selected price indices, manufacturing PMI and electronic card transactions will also be of interest. US CPI data for June is the key international data release as well as Fed Chair Powell's testimony to US politicians.

[stuart.ritson@bnz.co.nz](mailto:stuart.ritson@bnz.co.nz)

Coming Up

		Period	Cons.	Prev.	NZT
JN	Cash Earnings - (y/y%)	May	2.1	1.7	11:30
AU	Home Loans Value (m/m%)	May	1.8	4.8	13:30
US	NY Fed 1-Yr Inflation Exp.	Jun		3.17	03:00

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	0.6146	+0.5	0.6109	0.6149	CHF	0.8957	-0.5		S&P 500	5,567	+0.5	24.9	Oil (Brent)	86.54	-1.0
AUD	0.6749	+0.3	0.6713	0.6753	SEK	10.482	-0.2		Dow	39,376	+0.2	14.4	Oil (WTI)	83.16	-0.9
EUR	1.0840	+0.3	1.0804	1.0843	NOK	10.559	-0.1		Nasdaq	18,353	+0.9	32.8	Gold	2397.7	+1.2
GBP	1.2815	+0.4	1.2763	1.2817	HKD	7.813	+0.0		Stoxx 50	4,979	-0.2	14.5	HRC steel	675.0	+0.9
JPY	160.81	-0.3	160.35	161.33	CNY	7.268	+0.0		FTSE	8,204	-0.5	10.2	CRB	293.4	-0.2
CAD	1.3642	+0.2			SGD	1.349	-0.2		DAX	18,475	+0.1	15.9	Wheat Chic.	590.5	+2.9
NZD/AUD	0.9106	+0.1			IDR	16,278	-0.3		CAC 40	7,676	-0.3	5.0	Sugar	20.14	-1.9
NZD/EUR	0.5670	+0.2			THB	36.47	-0.5		Nikkei	40,912	-0.0	26.3	Cotton	67.31	-2.0
NZD/GBP	0.4796	+0.0			KRW	1,380	-0.0		Shanghai	2,950	-0.3	-7.7	Coffee	229.0	+2.1
NZD/JPY	98.82	+0.1			TWD	32.47	-0.0		ASX 200	7,822	-0.1	11.1	WM powder	3090	+0.2
NZD/CAD	0.8384	+0.7			PHP	58.53	-0.1		NZX 50	11,795	+0.4	-1.5	<b>Australian Futures</b>		
NZ TWI	72.27	+0.3						VIX Index	12.48	+1.8	-8.0	3 year bond	95.87	0.00	
<b>Interest Rates</b>												10 year bond	95.64	0.05	
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	5.58	4.46	3.86	USD	4.28	-0.08	15-May-26	4.80	-0.02	BKBM 1-mth	5.60	0.00		
AUD	4.35	4.46	4.34	4.52	AUD	4.40	-0.01	15-Apr-27	4.61	-0.02	BKBM 3-mth	5.61	0.00		
NZD	5.50	5.61	4.87	4.50	NZD	4.71	-0.04	15-May-28	4.52	-0.02	1 year	5.30	-0.00		
EUR	3.75	3.71	3.19	2.80	GER	2.56	-0.05	20-Apr-29	4.50	-0.03	2 year	4.87	-0.01		
GBP	5.25	5.30	4.46	3.84	GBP	4.13	-0.07	15-May-30	4.54	-0.03	3 year	4.61	-0.02		
JPY	0.08	-0.03	0.41	1.03	JPY	1.08	-0.00	15-May-31	4.58	-0.03	5 year	4.43	-0.03		
CAD	4.75	4.97	4.27	3.76	CAD	3.50	-0.11	15-May-32	4.63	-0.03	7 year	4.43	-0.03		
						<b>NZ Inflation-Indexed Bonds</b>			14-Apr-33	4.66	-0.04	10 year	4.50	-0.04	
						Sep-30	2.35	0.03	15-May-34	4.71	-0.04	15 year	4.63	-0.04	
						Sep-35	2.64	0.03	15-May-35	4.76	-0.04				
						Sep-40	2.88	0.03	15-May-37	4.88	-0.04				
									15-May-41	5.03	-0.04				
									15-May-51	5.04	-0.04				
									15-May-54	5.06	-0.04				

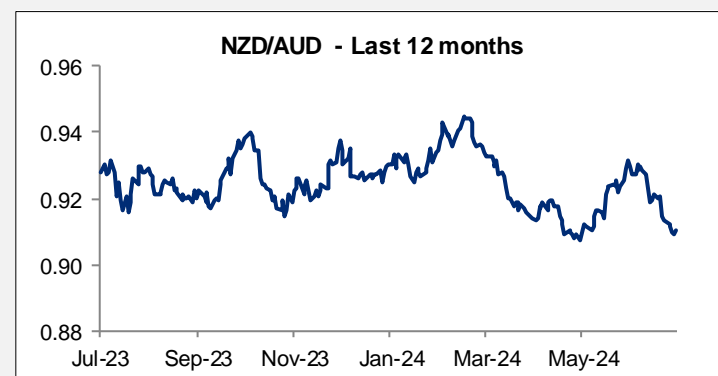
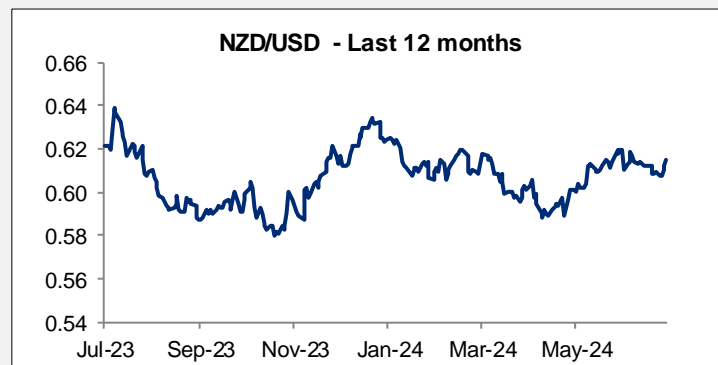
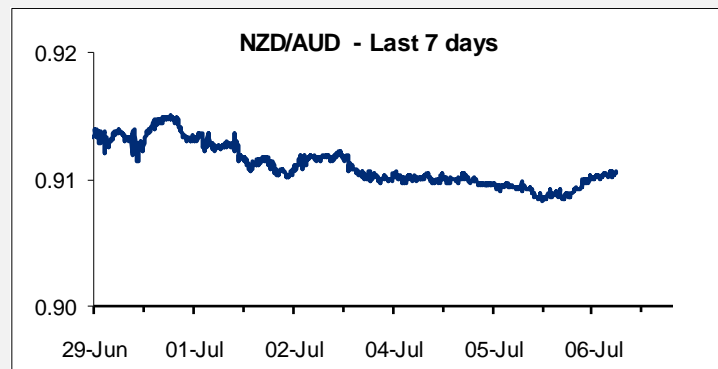
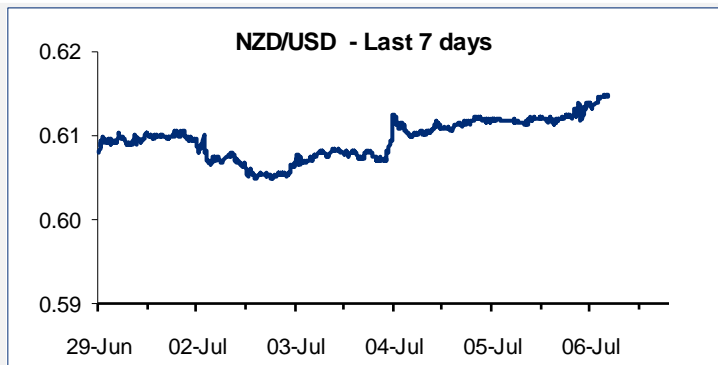
\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

Rates at NY close

Source: Bloomberg

**NZD exchange rates**

6/07/2024	NY close	Prev. NY close
USD	0.6146	0.6117
GBP	0.4796	0.4794
AUD	0.9106	0.9095
EUR	0.5670	0.5658
JPY	98.82	98.65
CAD	0.8384	0.8328
CHF	0.5504	0.5506
DKK	4.2286	4.2199
FJD	1.3800	1.3758
HKD	4.8010	4.7769
INR	51.31	51.08
NOK	6.4882	6.4638
PKR	171.02	#VALUE!
PHP	35.96	35.84
PGK	2.3653	2.3536
SEK	6.4413	6.4244
SGD	0.8287	0.8270
CNY	4.4664	4.4460
THB	22.48	22.41
TOP	1.4175	1.4272
VUV	73.62	73.21
WST	1.6668	1.6658
XPF	68.02	67.79
ZAR	11.1733	11.1688



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.25	0.16
3 Months	-0.92	0.29
6 Months	-2.21	-1.21
9 Months	-7.28	-0.47
1 Year	-9.47	-6.47

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.19	-7.26
3 Months	-22.37	-20.16
6 Months	-38.31	-35.61
9 Months	-51.25	-39.21
1 Year	-54.45	-46.41

# 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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