

Research Markets Today

9 July 2024

Events Round-Up

JN: Full-time pay, same base (y/y%), May: 2.7 vs. 2.1 prev.

AU: Home loans value (m/m%), May: -1.7 vs. 1.8 exp.

US: NY Fed 1yr inflation expect., Jun: 3.02 vs. 3.17 prev.

Good Morning

Market movements have been well-contained to start the week, with little impact from the shock French election result on Sunday. Key equity markets show modest changes and US Treasury yields are little changed. The NZD has underperformed and is modestly weaker, trading around 0.6130.

As the new week got underway there was some interest in how the market would react to the surprise French Parliamentary election held Sunday. There was a sharp swing to the left compared to pre-election polling, with the right-wing National Rally party coming in third place, behind President Macron's centrist alliance, itself behind a coalition of left-wing parties. With no party or coalition in a strong position to form a government, a period of uncertainty overhangs France. The only certainty is the eventual formation of a weak government that will have trouble passing legislation, the risk being a lack of fiscal consolidation against a backdrop of an uncomfortably high deficit (around 5% of GDP) and rising public debt.

Market reaction to the outcome has been unremarkable. EUR fell 0.4% in early Asia trading before regaining some poise to be down 0.1% from last week's close, currently trading at 1.0825. France's CAC40 equity index ended the session down 0.6% against a flat Euro Stoxx 600 index while the France-Germany 10-year bond spread actually narrowed 3bps to 63bps.

In other political news, President Biden shows no signs that he was willing to back down from the election race amidst rising pressure for him to do so. He wrote a letter to congressional Democrats saying that 14 million voters had chosen him as the nominee and that "any weakening of resolve or lack of clarity about the task ahead only helps Trump and hurts us...the question of how to move forward has been well-aired for over a week now...and it's time for it to end." He also appeared on MSNBC to insist he was staying in the race, "I'm not going anywhere". With polling showing Biden likely to lose against Trump in a head-to-

head battle, we expect pressure on Biden from his fellow Democrats to continue.

The economic calendar has been light, with the US CPI release on Thursday night NZ time the key focus this week. The NY Fed's survey of consumer expectations showed year-ahead CPI inflation expectations dropping two-tenths to 3%, the 3-year measure up a tenth to 2.9% and the 5-year measure down two-tenths to 2.8%, all staying within familiar ranges. The US 10-year Treasury yield has traded a 5bps range and is currently near its low for the day around 4.27%, down 2bps from the NZ close.

Yesterday, Japanese wage inflation data showed rising base salaries, with the full-time measure excluding bonuses and overtime and using the same sample, up by a multi-decade high of 2.7% y/y in May, continuing its rising trend evident over the past few years. Separately, a quarterly BoJ report showed broadening wage growth across the region, with large wage gains negotiated by big companies and unions spilling over into small and medium-sized businesses as well. We think the BoJ has all the information required to tighten policy again later this month.

There was little impact of the data on the yen and currency movements overall have been modest. The NZD has underperformed and is currently trading near its low for the day just under 0.6130 and is slightly lower on all the key crosses, including NZD/AUD nudging down to just below 0.91.

While not market moving, a speech by BOE MPC member Haskel came across as hawkish as he indicated he would rather hold rates steady until there is more certainty that underlying inflationary pressures have subsided sustainably. He noted that a "tight and impaired" labour market will keep inflation above target for "quite some time". It thus appears he will be voting for no change in rates at the next meeting on 1 August, against an expected swing by other members to vote for a first rate cut this cycle.

Domestic rates were lower across the curve yesterday, catching up to the fall in global rates following the soft US employment report Friday night. There was an evident flattening bias, with short rates down around 2bps and 10-year rates down 4-5bps for both NZGBs and swaps. The key focus for the domestic rates market will be the RBNZ Monetary Policy Review on Wednesday.

In the day ahead there are only second-tier economic releases, including Australian business and consumer confidence and the US NFIB small business survey. Focus will be on Fed Chair Powell's comments in front of Senate lawmakers, although this comes before the key US CPI report later this week, which will be more important for the market.

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Coming Up

		Period	Cons.	Prev.	NZT
AU	Westpac consumer confidence	Jul	83.6	12:30	
AU	NAB business conditions	Jun	6	13:30	
US	NFIB small business optimism	Jun	90.2	90.5	22:00
US	Fed's Powell testifies to Senate lawmakers				02:00

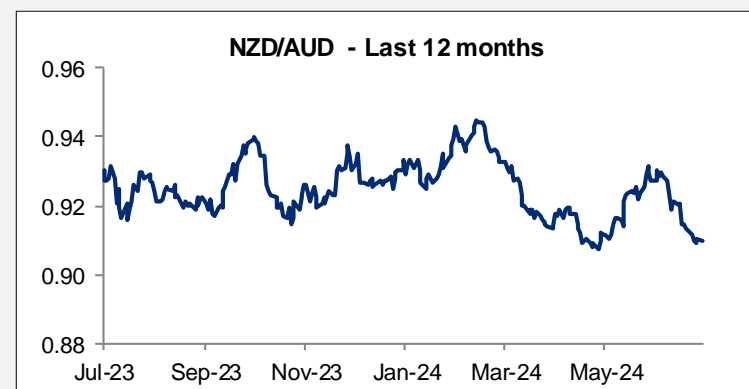
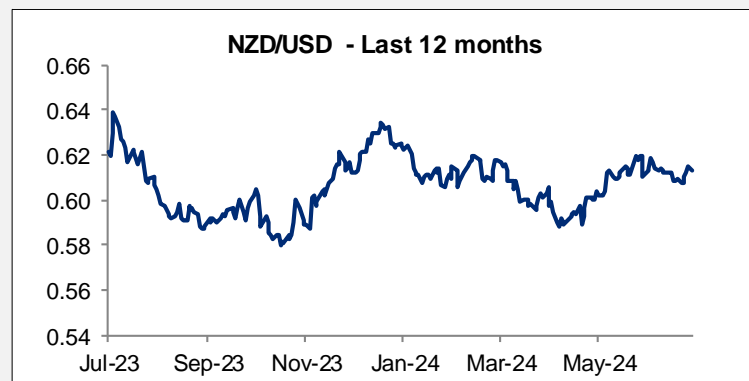
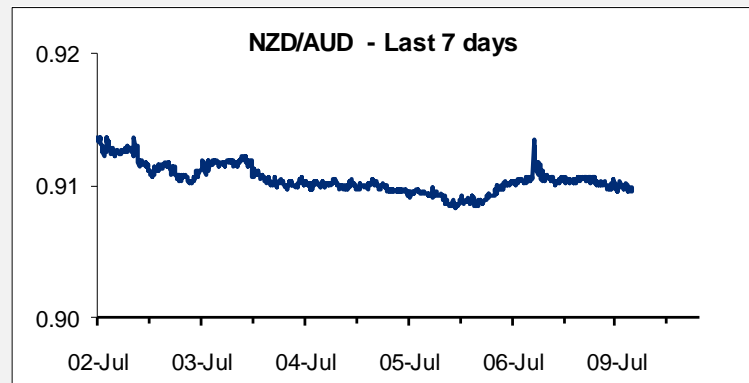
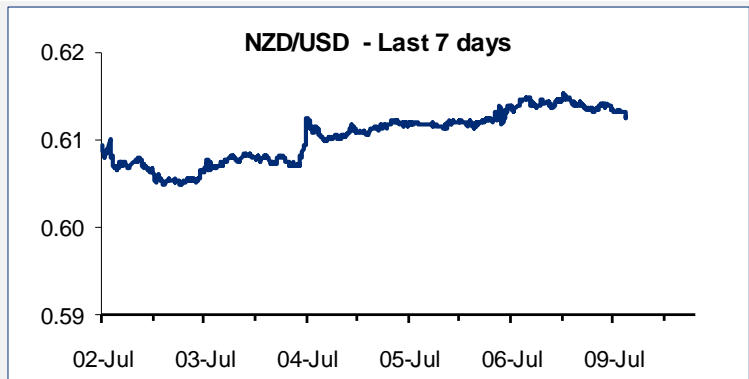
Source: Bloomberg, BNZ

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	0.6127	-0.3	0.6126	0.6143	CHF	0.8971	+0.2		S&P 500	5,564	-0.1	26.5	Oil (Brent)	85.61	-1.1
AUD	0.6736	-0.2	0.6734	0.6751	SEK	10.570	+0.8		Dow	39,336	-0.1	16.6	Oil (WTI)	82.15	-1.2
EUR	1.0826	-0.1	1.0821	1.0845	NOK	10.603	+0.4		Nasdaq	18,392	+0.2	34.6	Gold	2362.6	-1.5
GBP	1.2811	-0.0	1.2800	1.2846	HKD	7.810	-0.0		Stoxx 50	4,970	-0.2	17.3	HRC steel	673.0	-0.3
JPY	160.79	+0.0	160.48	161.12	CNY	7.268	-0.0		FTSE	8,193	-0.1	12.9	CRB	293.4	-0.2
CAD	1.3640	+0.0			SGD	1.350	+0.1		DAX	18,472	-0.0	18.4	Wheat Chic.	570.3	-3.4
NZD/AUD	0.9096	-0.1			IDR	16,258	-0.1		CAC 40	7,627	-0.6	7.2	Sugar	20.13	-0.0
NZD/EUR	0.5660	-0.2			THB	36.43	-0.1		Nikkei	40,781	-0.3	25.9	Cotton	67.32	-2.0
NZD/GBP	0.4783	-0.3			KRW	1,383	+0.2		Shanghai	2,922	-0.9	-8.6	Coffee	234.4	+2.4
NZD/JPY	98.52	-0.2			TWD	32.47	+0.0		ASX 200	7,763	-0.8	10.2	WM powder	3075	-0.5
NZD/CAD	0.8357	-0.3			PHP	58.51	-0.0		NZX 50	11,746	-0.4	-2.0	Australian Futures		
NZ TWI	72.20	-0.2						VIX Index	12.43	-0.4	-16.2	3 year bond	95.91	0.04	
Interest Rates											10 year bond			95.67	0.03
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	5.57	4.46	3.85	USD	4.27	-0.01	15-May-26	4.77	-0.02	BKBM 1-mth	5.60	0.00		
AUD	4.35	4.46	4.33	4.49	AUD	4.36	-0.04	15-Apr-27	4.59	-0.03	BKBM 3-mth	5.60	-0.01		
NZD	5.50	5.60	4.84	4.45	NZD	4.66	-0.04	15-May-28	4.49	-0.02	1 year	5.28	-0.02		
EUR	3.75	3.71	3.20	2.79	GER	2.54	-0.02	20-Apr-29	4.47	-0.03	2 year	4.84	-0.03		
GBP	5.25	5.30	4.45	3.81	GBP	4.11	-0.01	15-May-30	4.51	-0.03	3 year	4.58	-0.03		
JPY	0.08	-0.03	0.42	1.05	JPY	1.10	0.02	15-May-31	4.54	-0.03	5 year	4.38	-0.04		
CAD	4.75	4.97	4.27	3.76	CAD	3.46	-0.04	15-May-32	4.60	-0.04	7 year	4.38	-0.05		
							NZ Inflation-Indexed Bonds			14-Apr-33			4.63	-0.04	
							Sep-30			2.33	-0.02	15-May-34	4.66	-0.04	
							Sep-35			2.62	-0.02	15-May-35	4.71	-0.05	
							Sep-40			2.87	-0.02	15-May-37	4.82	-0.06	
												15-May-41	4.97	-0.06	
												15-May-51	5.00	-0.05	
												15-May-54	5.02	-0.04	

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

NZD exchange rates

9/07/2024 6:59 am		Prev. NY close
USD	0.6127	0.6145
GBP	0.4783	0.4795
AUD	0.9096	0.9105
EUR	0.5660	0.5669
JPY	98.52	98.78
CAD	0.8357	0.8382
CHF	0.5497	0.5504
DKK	4.2217	4.2286
FJD	1.3781	1.3800
HKD	4.7852	4.8010
INR	51.16	51.31
NOK	6.4965	6.4882
PKR	170.64	171.02
PHP	35.86	35.96
PGK	2.3593	2.3653
SEK	6.4762	6.4413
SGD	0.8270	0.8287
CNY	4.4532	4.4664
THB	22.34	22.48
TOP	1.4114	1.4175
VUV	73.08	73.62
WST	1.6607	1.6668
XPF	67.86	68.02
ZAR	11.0945	11.1733



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.19	0.10
3 Months	-0.51	-0.05
6 Months	-1.85	-0.83
9 Months	-4.52	-2.51
1 Year	-7.90	-4.90

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.31	-7.62
3 Months	-21.48	-20.39
6 Months	-37.14	-34.58
9 Months	-46.87	-41.93
1 Year	-52.40	-44.50

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