

# Research Markets Today

9 September 2024

## Events Round-Up

NZ: Volume of All Buildings (q/q%), 2Q: -0.2 vs. -2.7 exp.  
 AU: Home Loans Value (m/m%), Jul: 3.9 vs. 1.0 exp.  
 GE: Industrial Production (m/m%), Jul: -2.4 vs. -0.5 exp.  
 US: Change in Nonfarm Payrolls, Aug: 142 vs. 165 exp.  
 US: Unemployment Rate, Aug: 4.2 vs. 4.2 exp.  
 US: Average Hourly Earnings (m/m%), Aug: 0.4 vs. 0.3 exp.  
 US: Average Hourly Earnings (y/y%), Aug: 3.8 vs. 3.7 exp.  
 CA: Unemployment Rate, Aug: 6.6 vs. 6.5 exp.

## Good Morning

Weaker than expected US labour market data contributed to volatility across financial markets on Friday night. Growth sensitive assets traded lower with large falls across global equities. The S&P fell 1.7%, extending its weekly decline to 4.3%, the largest since March last year. US treasury yields whipsawed but ultimately ended lower in yield. The US dollar index made modest gains. Oil remained soft – Brent crude traded below US\$71 per barrel – which is the lowest level in eighteen months.

US nonfarm payrolls increased by 142k in August which was below consensus estimates. In addition, there were 86k of downward revisions to the previous two months. The ongoing tendency for initial prints to be revised lower also casts doubt over the pickup in payrolls in August from July's reading. The unemployment rate fell to 4.2%, from 4.3% in July, which was in line with consensus estimates. Average hourly earnings rose 0.4% which pushed the annual rate back up to 3.8% from 3.6%. However, the Fed tends to put more weight on the quarterly employment cost index.

Influential Fed Governor Waller said in a speech that downside risks for the economy had increased, and that the backdrop requires action from the Fed, to avoid undue damage to the labour market. His endorsement of rate cuts echoed comments made earlier by New York Fed President Williams. Waller also noted that if the data shows a significant deterioration in the labour market, the Fed can act quickly and forcefully to adjust monetary policy – 'If the data suggests the need for larger cuts, then I will support that as well'.

Market participants were looking for the labour market report to settle the debate on the size of the Fed rate cut

at the September FOMC. Although payrolls growth was weak, it didn't provide a definitive answer. Market pricing for Fed easing at the upcoming FOMC oscillated wildly. At one-point after Waller's comments, there were 43bps of rate cuts priced, before the market settled at 33bps, close to levels that prevailed ahead of the data.

US treasury yields were volatile but ultimately ended lower led by the front end of the curve. 2-year yields dropped 10bps to 3.64%, trading to the lowest level since March last year. The yield curve continued to steepen. 10-year treasuries underperformed in the rally falling 2bps to 3.71%. The 2y/10y curve increased to 6bps, the steepest level in more than two years.

There was significant volatility in currency markets. The dollar index dropped immediately after the data, before rebounding equally quickly, to end modestly higher. There was divergent performance across G10 currencies. The yen gained set against the backdrop of lower US yields and the soft risk tone. USD/JPY looks set to retest the August low near 141.70. The euro settled modestly lower against the US dollar.

Growth sensitive currencies including the NZD, AUD and Canadian Dollar underperformed amid the deteriorating risk sentiment. In addition, unemployment in Canada increased to 3-year high of 6.6% as the labour market continues to soften. NZD/USD closed ~0.7% lower near 0.6175. The NZD lost ground on the major cross rates with the AUD being the exception. NZD/JPY traded below 88.00, more than 1% lower and NZD/AUD is marginally higher at 0.9255.

Activity in the NZ fixed income was subdued in the local session on Friday in the absence of domestic catalysts. 2-year swaps closed at 3.78, 1bp lower on the day. The curve flattened at the margin but the 2y/10y swaps curve remains close to the steepest level in two years. 10-year Government bonds closed 1bp lower at 4.18%.

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

It is a quiet beginning to the week with no domestic economic releases. Inflation data in China will be in focus. CPI is expected to pickup marginally from the 0.5% annual rate in July, albeit while remaining subdued reflecting

weak domestic demand. Producer prices are expected to remain depressed.

Looking ahead to the remainder of the week, NZ selected price indicators, electronic card transactions and the manufacturing PMI will likely most impactful for markets alongside partials ahead of Q2 GDP on 19 September. Highlights on the international calendar are US CPI and PPI data for August and the European Central Bank monetary policy meeting where a 25bps rate cut is widely anticipated.

**Coming Up**

		Period	Cons.	Prev.	NZT
CH	PPI (y/y%)	Aug	-1.4	-0.8	13:30
CH	CPI (y/y%)	Aug	0.7	0.5	13:30
US	NY Fed 1-Yr Inflation Exp.	Aug		2.97	03:00

Source: Bloomberg, BNZ

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

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	0.6175	-0.8	0.0000	0.0000	CHF	0.8430	-0.1			S&P 500	5,408	-1.7	21.3	Oil (Brent)	71.06	-2.2
AUD	0.6670	-1.0	0.0000	0.0000	SEK	10.301	+0.4			Dow	40,345	-1.0	16.7	Oil (WTI)	67.67	-2.1
EUR	1.1086	-0.2	0.0000	0.0000	NOK	10.714	+0.7			Nasdaq	16,691	-2.6	21.3	Gold	2501.5	-0.7
GBP	1.3131	-0.4	0.0000	0.0000	HKD	7.796	+0.0			Stoxx 50	4,738	-1.6	11.8	HRC steel	700.0	+0.1
JPY	142.29	-0.8	0.00	0.00	CNY	7.098	+0.1			FTSE	8,181	-0.7	9.4	CRB	266.9	+0.0
CAD	1.3571	+0.5			SGD	1.303	+0.2			DAX	18,302	-1.5	16.2	Wheat Chic.	567.0	-1.3
NZD/AUD	0.9257	+0.2			IDR	15,378	-0.2			CAC 40	7,352	-1.1	1.5	Sugar	18.91	-1.6
NZD/EUR	0.5570	-0.6			THB	33.75	+0.4			Nikkei	36,391	-0.7	11.6	Cotton	67.12	-3.4
NZD/GBP	0.4702	-0.4			KRW	1,339	+0.4			Shanghai	2,766	-0.8	-11.3	Coffee	236.0	-3.4
NZD/JPY	87.85	-1.5			TWD	31.92	-0.5			ASX 200	8,013	+0.4	12.0	WM powder	3435	+0.1
NZD/CAD	0.8379	-0.3			PHP	55.92	-0.6			NZX 50	12,616	-0.5	11.2	<b>Australian Futures</b>		
NZ TWI	70.95	-0.5							VIX Index	22.38	+12.5	+61.7	3 year bond	96.51	0.04	
<b>Interest Rates</b>										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	5.20	3.44	3.25	USD	3.71	-0.02	15-May-26	3.97	-0.02	BKBM 1-mth	5.36	0.00			
AUD	4.35	4.40	3.68	4.04	AUD	3.88	-0.05	15-Apr-27	3.74	-0.02	BKBM 3-mth	5.13	-0.02			
NZD	5.25	5.13	3.77	3.87	NZD	4.17	-0.02	15-May-28	3.72	-0.02	1 year	4.34	-0.03			
EUR	3.75	3.47	2.54	2.43	GER	2.17	-0.04	20-Apr-29	3.76	-0.02	2 year	3.77	-0.02			
GBP	5.00	5.30	3.97	3.58	GBP	3.89	-0.03	15-May-30	3.87	-0.02	3 year	3.60	-0.02			
JPY	0.23	-0.03	0.44	0.87	JPY	0.85	-0.03	15-May-31	3.98	-0.02	5 year	3.60	-0.02			
CAD	4.25	4.97	3.00	2.86	CAD	2.96	-0.01	15-May-32	4.07	-0.02	7 year	3.72	-0.03			
						<b>NZ Inflation-Indexed Bonds</b>						10 year 3.87 -0.03				
						Sep-30 2.11 -0.04			15-May-35 4.24 -0.02			15 year 4.07 -0.03				
						Sep-35 2.43 -0.04			15-May-37 4.40 -0.02							
						Sep-40 2.67 -0.04			15-May-41 4.58 -0.02							
									15-May-51 4.64 -0.03							
									15-May-54 4.67 -0.02							

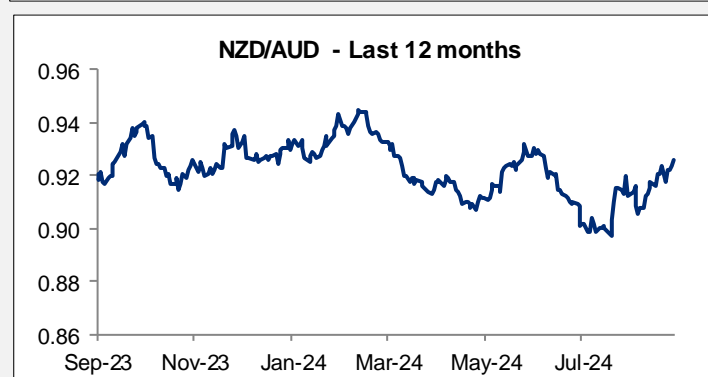
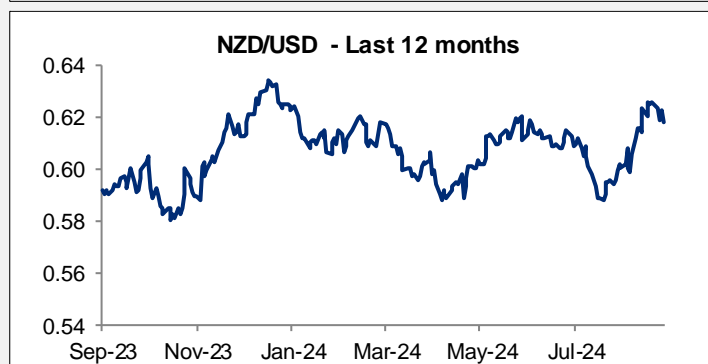
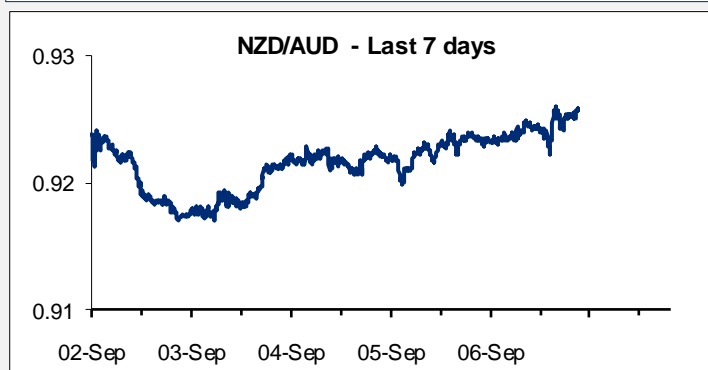
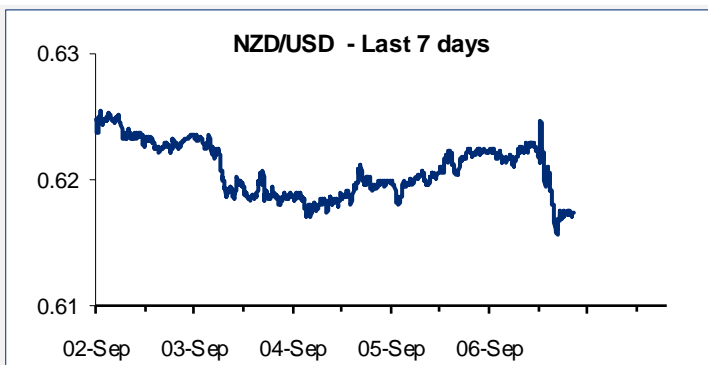
\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

Rates at NY close

Source: Bloomberg

**NZD exchange rates**

8/09/2024	NY close	Prev. NY close
USD	0.6175	0.6224
GBP	0.4702	0.4722
AUD	0.9257	0.9233
EUR	0.5570	0.5602
JPY	87.85	89.28
CAD	0.8379	0.8404
CHF	0.5206	0.5253
DKK	4.1576	4.1799
FJD	1.3740	1.3859
HKD	4.8145	4.8505
INR	51.85	52.27
NOK	6.6170	6.6200
PKR	171.88	171.88
PHP	34.53	35.00
PGK	2.4087	2.4275
SEK	6.3620	6.3830
SGD	0.8045	0.8092
CNY	4.3837	4.4120
THB	20.70	20.95
TOP	1.4149	1.4275
VUV	73.60	74.27
WST	1.6637	1.6769
XPF	66.47	66.91
ZAR	11.0245	11.0225



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.09	0.32
3 Months	1.42	2.07
6 Months	-0.61	0.39
9 Months	-6.14	-2.99
1 Year	-9.17	-6.16

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-6.47	-5.84
3 Months	-13.26	-11.59
6 Months	-16.32	-13.63
9 Months	-16.77	-9.89
1 Year	-10.46	-2.90

# 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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