

# Research Markets Today

10 June 2024

## Events Round-Up

NZ: Manufacturing sales vol. (q/q%), Q1: -0.4 vs. -0.7 prev.  
 CH: Exports (USD, y/y%), May: 7.6 vs. 5.7 exp.  
 CH: Imports (USD y/y%), May: 1.8 vs. 4.4 exp.  
 GE: Industrial production (m/m%), Apr: -0.1 vs. 0.2 exp.  
 CA: Unemployment rate (%), May: 6.2 vs. 6.2 exp.  
 US: Nonfarm payrolls change (k), May: 272 vs. 185 exp.  
 US: Unemployment rate (%), May: 4.0 vs. 3.9 exp.  
 US: Avg hourly earnings (m/m%), May: 0.4 vs. 0.3 exp.  
 US: Avg hourly earnings (y/y%), May: 4.1 vs. 3.9 exp.

## Good Morning

An upside surprise to US nonfarm payrolls and strong wage growth contributed to sharply higher global bond yields and a broad-based gain for the US dollar. The S&P, which had initially traded to a fresh intra-day record high ahead of the data, dropped close to 0.5% before rebounding and ending the session little changed. Equity markets were generally softer in Europe and Asia. Global credit markets were little changed with spreads remaining close to the tightest level in several years.

Nonfarm payrolls advanced 272k last month, which was higher than all the forecasts in the Bloomberg survey. The consensus was for a rise of 185k. There were modest downward revisions of 15k to the previous two months. Average hourly earnings were also stronger than expected rising 0.4% over the month and at a 4.1% annual rate. However, the unemployment rate — which is derived from the alternative household survey — increased to 4% from 3.9%, the highest level in over two years.

Overall, the data suggests the labour market remains resilient despite the impact of high interest rates. The strength risks keeping inflationary pressure elevated - earnings may not be cooling as much as expected - which will keep policy makers cautious about the impact on inflation. This was the last major report Fed officials will see ahead of the FOMC this week - May CPI data is released on the same day.

The market reduced the amount of implied Fed rate cuts after the data. There is now 36bps of easing priced by the end of the year, down from close to 50bps at the start of the session. While strong payrolls data suggests there is no

urgency for the Fed to cut, the inflation backdrop remains key to the timing for easier monetary policy. However, the data will reinforce the Bank's cautious stance, with policy makers set to debate how restrictive rates are.

In Canada, the unemployment rate rose 0.1 to 6.2%, matching expectations. This is the third rise in four months. However, the pickup in wages to a 5.2% annual rate prompted caution about the pace of future Bank of Canada (BoC) rate cuts. The BoC implemented its first rate cut last week on the expectation that inflation will continue to moderate.

Global bond market moved higher in yield led by the repricing in the US treasury yield curve. 2-year treasury yields spiked 16bps to 4.89% which reversed more than 50% of the decline in yields since late May. The yield curve flattened marginally with 10-year treasury yields up 14bps to 4.43%. 10-year gilts increased 9bps to 4.26% while 10-year bunds ended 7bps higher at 2.62%.

The US dollar followed treasury yields higher. The dollar index made its largest daily gain since April. In the majors, both the euro and yen fell about 0.8% against the dollar. However, the largest moves were in the Scandinavian and Australasian currencies which declined close to 1.5% against the greenback. The latest CFTC data revealed there has been further reduction aggregate long dollar positioning.

NZD/USD closed last week on the session lows just about 0.6100 and a full big figure below pre payrolls levels. The NZD is weaker on the major cross rates though remained stable against the AUD near 0.9280.

NZ fixed interest markets ended the local session on Friday little changed in the absence of domestic catalysts and stable offshore markets. Swap rates were unchanged across the curve while government bond yields declined 1bps with 10-year bond yields ending the session at 4.63%. Australian 10-year government bond futures are 7bps higher in yield terms from the local close on Friday, suggesting higher NZ yields on the open.

There is no domestic data in the day ahead and it is a quiet international calendar to start the week.

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## Coming Up

Period Cons. Prev. NZT			
US NY Fed 1-Yr Inflation Expectations	May	3.26	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	0.6103	-1.6	0.6102	0.6201	CHF	0.8966	+0.8			S&P 500	5,347	-0.1	25.3	Oil (Brent)	79.62	-0.3
AUD	0.6581	-1.3	0.6579	0.6681	SEK	10.550	+1.5			Dow	38,799	-0.2	15.3	Oil (WTI)	75.53	-0.0
EUR	1.0802	-0.8	1.0800	1.0902	NOK	10.713	+1.5			Nasdaq	17,133	-0.2	30.7	Gold	2305.2	-2.7
GBP	1.2721	-0.6	1.2716	1.2812	HKD	7.812	+0.0			Stoxx 50	5,051	-0.4	17.7	HRC steel	728.0	-0.3
JPY	156.76	+0.7	155.12	157.07	CNY	7.248	+0.0			FTSE	8,245	-0.5	9.0	CRB	289.9	-0.9
CAD	1.3766	+0.7			SGD	1.352	+0.5			DAX	18,557	-0.5	16.3	Wheat Chic.	649.3	-1.9
NZD/AUD	0.9274	-0.3			IDR	16,196	-0.4			CAC 40	8,002	-0.5	10.9	Sugar	19.00	-1.1
NZD/EUR	0.5650	-0.8			THB	36.82	+1.0			Nikkei	38,684	-0.1	19.9	Cotton	73.84	-2.1
NZD/GBP	0.4798	-1.0			KRW	1,366	-0.0			Shanghai	3,051	+0.1	-5.6	Coffee	224.9	-3.6
NZD/JPY	95.67	-0.8			TWD	32.24	-0.1			ASX 200	7,860	+0.5	10.4	WM powder	3340	+0.0
NZD/CAD	0.8401	-0.8			PHP	58.52	-0.2			NZX 50	11,857	-1.0	1.4	<b>Australian Futures</b>		
NZ TWI	72.15	-1.1							VIX Index	12.22	-2.9	-12.3	3 year bond	96.10	0.01	
<b>Interest Rates</b>											10 year bond			95.69	-0.09	
	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	5.60	4.76	4.05	USD	4.43	0.15	15-May-26	4.82	-0.00	BKBM 1-mth	5.60	0.00			
AUD	4.35	4.35	4.22	4.47	AUD	4.22	-0.01	15-Apr-27	4.63	-0.02	BKBM 3-mth	5.62	-0.00			
NZD	5.50	5.62	5.01	4.51	NZD	4.63	-0.01	15-May-28	4.55	-0.02	1 year	5.45	-0.01			
EUR	4.00	3.76	3.37	2.85	GER	2.62	0.07	20-Apr-29	4.50	-0.02	2 year	5.01	0.00			
GBP	5.25	5.30	4.70	3.97	GBP	4.26	0.09	15-May-30	4.50	-0.01	3 year	4.73	0.00			
JPY	0.08	-0.03	0.42	1.04	JPY	0.98	0.01	15-May-31	4.53	-0.02	5 year	4.49	-0.00			
CAD	4.75	4.98	4.33	3.76	CAD	3.47	0.07	15-May-32	4.57	-0.02	7 year	4.46	0.00			
								14-Apr-33	4.60	-0.01	10 year	4.51	0.00			
								15-May-34	4.63	-0.01	15 year	4.64	0.00			
								15-May-35	4.68	-0.01						
								15-May-37	4.78	-0.02						
								15-May-41	4.90	-0.01						
								15-May-51	4.90	-0.01						
								15-May-54	4.93	-0.01						

\* These are indicative ranges from 5pm NZT;

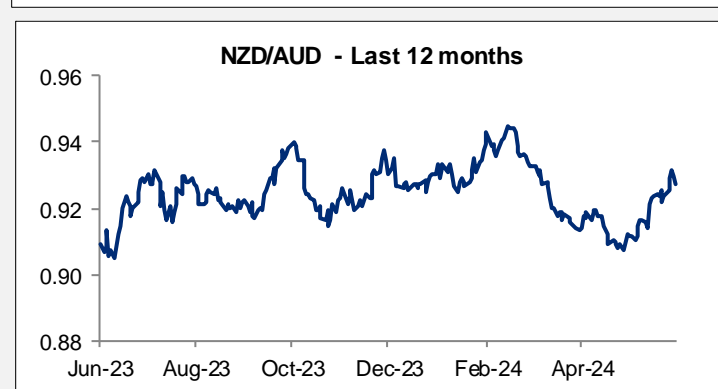
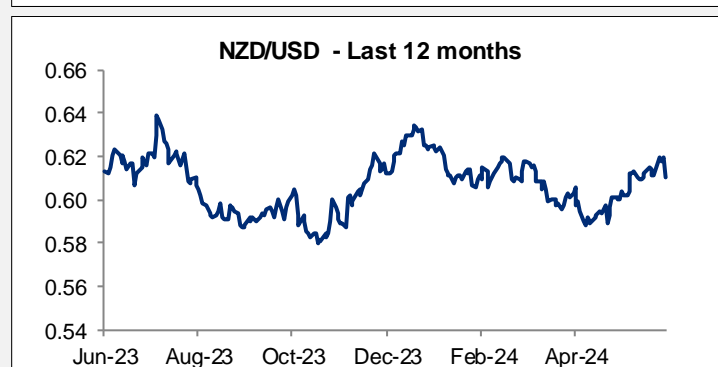
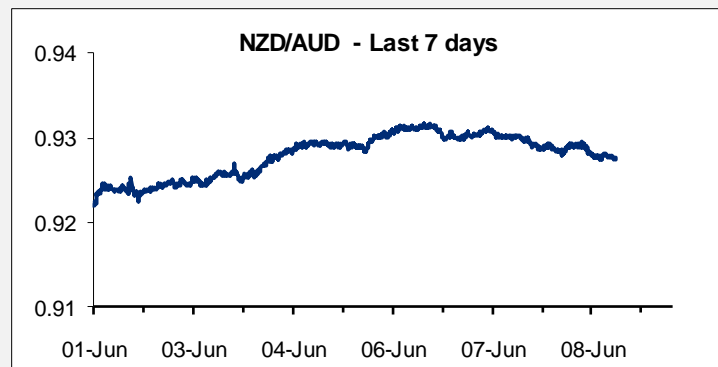
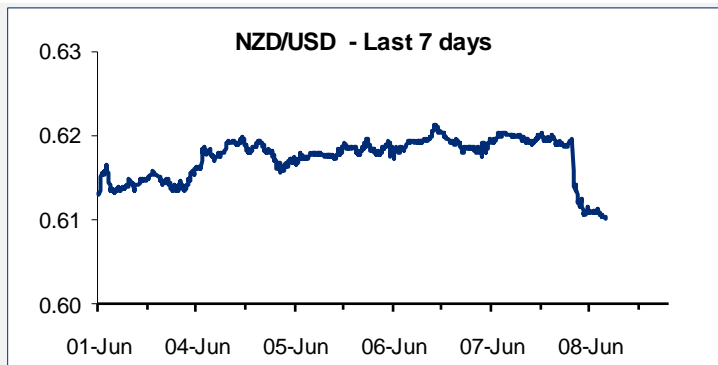
please confirm rates with your BNZ dealer

Rates at NY close

Source: Bloomberg

**NZD exchange rates**

8/06/2024	NY close	Prev. NY close
USD	0.6103	0.6199
GBP	0.4798	0.4846
AUD	0.9274	0.9299
EUR	0.5650	0.5692
JPY	95.67	96.46
CAD	0.8401	0.8474
CHF	0.5475	0.5513
DKK	4.2170	4.2464
FJD	1.3793	1.3955
HKD	4.7703	4.8412
INR	50.91	51.75
NOK	6.5412	6.5413
PKR	169.93	171.19
PHP	35.74	36.34
PGK	2.3359	2.3715
SEK	6.4416	6.4410
SGD	0.8257	0.8343
CNY	4.4255	4.4912
THB	22.29	22.61
TOP	1.4147	1.4541
VUV	73.23	74.43
WST	1.6502	1.6775
XPF	67.37	68.13
ZAR	11.5425	11.7606



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.21	0.14
3 Months	-0.57	-0.02
6 Months	-2.01	-1.51
9 Months	-5.38	-1.44
1 Year	-6.92	-3.92

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.64	-7.88
3 Months	-25.21	-24.00
6 Months	-47.49	-45.48
9 Months	-68.12	-60.12
1 Year	-82.49	-74.29

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