

Research Markets Today

10 September 2024

Events Round-Up

CH: PPI (y/y%), Aug: -1.8 vs. -1.5 exp.

CH: CPI (y/y%), Aug: 0.6 vs. 0.7 exp.

US: NY Fed 1-yr inflation exp. (%), Aug: 3.00 vs. 2.97 prev.

Good Morning

Newsflow has been light to start the week. US equities have rebounded after last week's hefty loss but otherwise market movements have been well contained. US Treasury rates show net movements of 3bps or less from last week's close, while the USD shows a modest broadly based gain. The NZD trades around 0.6150 this morning.

After last week's 4.25% fall in the S&P500 index, there was keen interest in how this week would fare. In the event, it looks like dip buyers have been out in force, with the index currently up 1% and all sectors have contributed to the increase. September is historically a choppy month for equity markets and seasonally the worst performing month of the year, and it has so far lived up to that reputation. Apple presented its new upgraded product range but this didn't impress and its share price is currently down over 1%.

The economic calendar has been light with the focus directed towards the US CPI and PPI figures later this week, although with the Fed changing its focus to the labour market rather than inflation, their release shouldn't have as much market impact as they have over the past couple of years. In terms of second-tier news, inflation expectations, according to the NY Fed survey, were unchanged at 3.0% and 2.8% for the median year ahead and five years ahead measures in August, while the three-years ahead measure lifted two-tenths to 2.5% after a chunky fall in July.

US Treasuries show small net changes for the day compared to last week's close, with the 2-year rate currently up less than 3bps to 3.67% while the 10-year rate is down 1bp to 3.70%. That rate lifted to as high as 3.76% in early European trading, before steadily falling to as low as 3.69%.

Yesterday, China inflation data remained very weak, with PPI deflation deepening and core CPI inflation falling to a

more than three year low of just 0.3% y/y, supporting other indicators of overcapacity and weak domestic demand.

In currency markets the USD is broadly stronger, with the CAD the only major currency to make any gain, even if small. Broad USD strength from yesterday afternoon took the NZD down from 0.6185 to as low as 0.6125 overnight before recovering to around 0.6150. The NZD is flat to modestly weaker on key crosses, including nudging down to 0.9230 against the AUD. NZD/CAD is the biggest mover, down 0.5% to 0.8335.

The domestic rates market was influenced by global forces, with some added bond-swap cheapening thrown into the mix as NZGBs traded heavy. NZGB yields were up 3-7bps across the curve with a steepening bias. The 6bps lift in the 10-year NZGB to 4.23% compared to a 4bps lift in the 10-year swap rate to 3.91%, taking the bond-swap spread out to minus 32bps, the greatest gap since 2011. The 2-year swap rate rose just 1bp to 3.78%.

In the day ahead, Stats NZ will release Q2 data on various sectors that will help firm up GDP estimates for the quarter. Globally, the only top-tier release is UK labour market data, in particular wages, which will help guide BoE rate cut expectations. The market currently sees the BoE pausing this month, ahead of the next likely rate cut in November.

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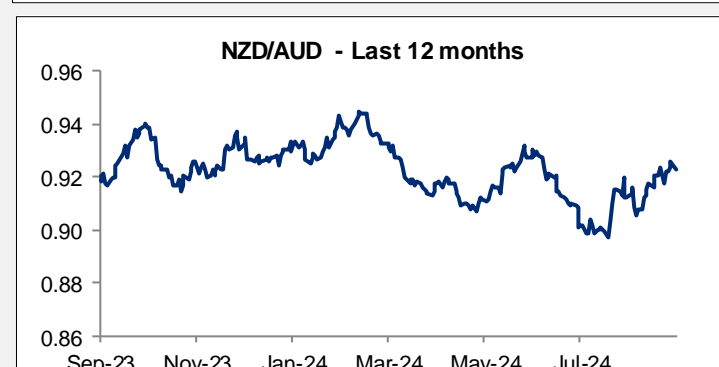
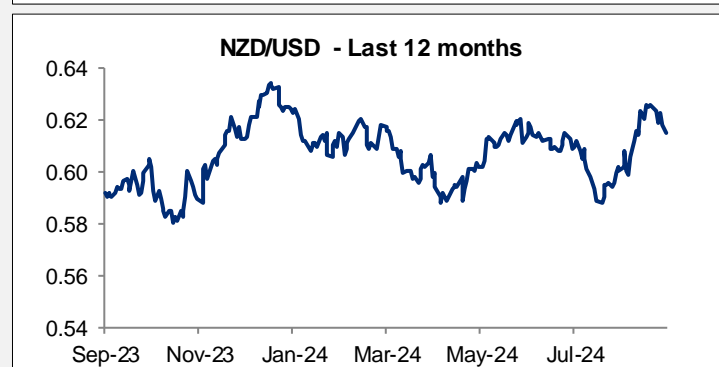
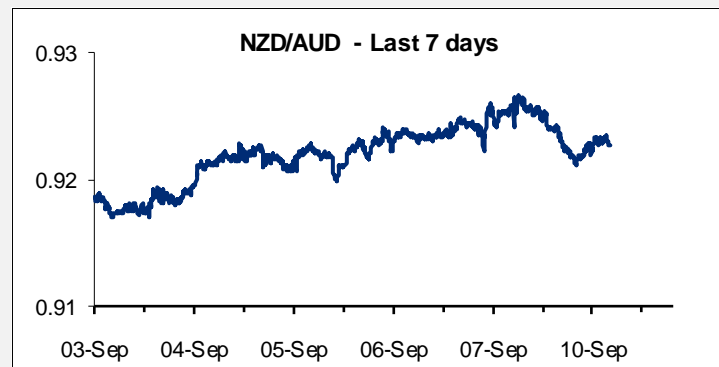
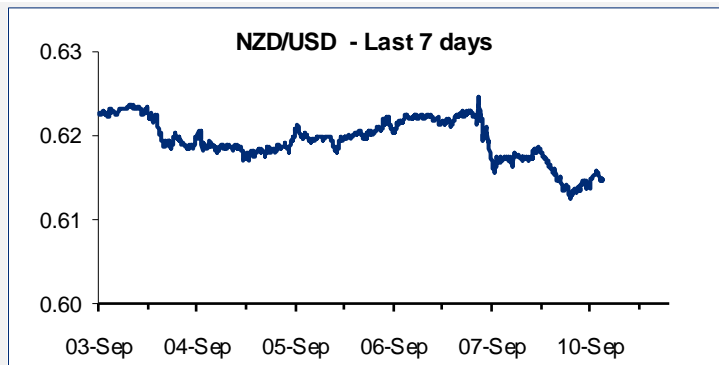
Coming Up

		Period	Cons.	Prev.	NZT
NZ	Manufacturing volumes (q/q%)	Q2	-0.4	10:45	
AU	Westpac consumer confidence	Sep	85	12:30	
AU	NAB business conditions	Aug	6	13:30	
CH	Exports (y/y%)	Aug	6.6	7	
CH	Imports (y/y%)	Aug	2.3	7.2	
UK	Unemployment rate (%)	Jul	4.1	4.2	18:00
UK	Wkly earnings ex bonus (3m/y%)	Jul	5.1	5.4	18:00
US	NFIB small business optimism	Aug	93.7	93.7	22:00

Source: Bloomberg, BNZ

NZD exchange rates

10/09/2024 6:52 am		Prev. NY close
USD	0.6147	0.6176
GBP	0.4698	0.4704
AUD	0.9227	0.9258
EUR	0.5565	0.5572
JPY	87.83	87.88
CAD	0.8333	0.8383
CHF	0.5215	0.5206
DKK	4.1527	4.1576
FJD	1.3660	1.3740
HKD	4.7931	4.8145
INR	51.61	51.85
NOK	6.6595	6.6170
PKR	171.35	#VALUE!
PHP	34.71	34.53
PGK	2.3993	2.4087
SEK	6.3704	6.3620
SGD	0.8024	0.8045
CNY	4.3729	4.3837
THB	20.87	20.70
TOP	1.4269	1.4149
VUV	73.48	73.60
WST	1.6621	1.6637
XPF	66.31	66.47
ZAR	10.9778	11.0245



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.08	0.28
3 Months	1.22	1.72
6 Months	-1.12	-0.12
9 Months	-5.90	-3.90
1 Year	-10.31	-7.29

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-6.28	-5.82
3 Months	-13.02	-11.86
6 Months	-16.59	-14.21
9 Months	-16.15	-11.65
1 Year	-13.19	-5.90

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