

Research Markets Today

11 September 2024

Events Round-Up

NZ: Manufacturing volumes (q/q%), Q2: 0.6 vs. -0.3 prev.
 AU: Westpac consumer confidence, Sep: 84.6 vs. 85.0 prev.
 AU: NAB business conditions, Aug: 3 vs. 6 prev.
 CH: Exports (USD, y/y%), Aug: 8.7 vs. 6.6 exp.
 CH: Imports (USD, y/y%), Aug: 0.5 vs. 2.5 exp.
 UK: Unemployment rate (%), Jul: 4.1 vs. 4.1 exp.
 UK: Wkly earnings ex bonus (3m/y%), Jul: 5.1 vs. 5.1 exp.
 US: NFIB small business optimism, Aug: 91.2 vs. 93.6 exp.

Good Morning

The key market move has been a further chunky fall in oil prices, down in the order of 3½-4%, taking Brent crude below USD69 per barrel. Lower oil prices have supported lower interest rates, with US Treasury yields probing fresh lows. US equities are modestly higher while in currency markets JPY has outperformed, against the backdrop of lower global rates. The NZD is up slightly around 0.6155 and higher on the key major crosses apart from a fall in NZD/JPY.

US equities are up modestly despite the drag from weaker financials and energy stocks. JP Morgan's share price is down 5% after saying that analyst earnings estimates were too optimistic, with the consensus net interest income estimate seen as "not very reasonable", given expectations of much lower interest rates. The weaker earnings guidance was a drag on banking stocks, offsetting the positive news of the Fed confirming that it will cut higher proposed capital requirements for the biggest banks in half.

Energy stocks are weaker as oil prices are down 3½-4%, seeing Brent crude fall below USD69 per barrel for the first time since December 2021. The move lower was seen to be a combination of fears that global demand will weaken on soft US and China economic outlooks, rising supply and increasing speculative selling pressure. The futures curve is relatively flat, compared with a more bullish backwardation structure of late, consistent with expectations that a sustained period of low oil prices is likely to prevail.

Lower oil prices are helpful for the inflation path ahead and have supported a move down in Treasury yields, with

rates down 5-6bps across the curve. Despite lower yields heading into the 3-year bond auction, there was strong bidding interest and the yield stopped 1.7bps through the prevailing rate. The 2-year Treasury yield fell to an 18-month low of 3.59% and it is currently down 6bps for the day at 3.60%. The 10-year rate re-tested the 3.64% low in the wake of Friday's payrolls report and is currently down 6bps at that figure.

Economic data released were not market moving. UK labour market data showed wages inflation falling to a two-year low, with annual inflation for the weekly earnings ex bonuses figure falling to 5.1%, as expected. The data supports further BoE rate cuts, but also the widely held view that the Bank will skip cutting rates at its meeting next week and defer the next easing until the November meeting.

The US NFIB small business optimism index fell 2.5pts to 91.2 in August, more than reversing the surprising blip higher in July. While the index was weaker than expected, recent volatility has been driven by the zig-zagging of Presidential polls, with the survey featuring a strong political bias.

Yesterday, China trade data showed stronger exports growth as a bright spot for the economy, against a backdrop of weak domestic demand, with exports in USD terms up 8.7% y/y in August against a 0.5% y/y gain in imports. The latter was weighed by base effects.

Currency movements have been modest. JPY has outperformed against a backdrop of lower global rates, with USD/JPY down 0.5% overnight to 142.40. Bloomberg reported that BoJ officials see little need to raise interest rates at its meeting next week (in line with consensus) as they're still monitoring lingering volatility in financial markets and the impact of the July hike.

The NZD has range traded and currently sits at 0.6155, up slightly from yesterday morning and overnight. NZD/JPY is down to 87.6 but the NZD is up slightly on the other major crosses. NZD/AUD has pushed up to 0.9245. Lower oil prices have weighed on CAD, making it the worst of the majors, seeing NZD/CAD recovering the previous day's loss and up to 0.8375.

The domestic rates market was uneventful, with global forces driving down rates further. NZGB yields fell 1-2bps across the curve. The 2-year swap rate fell 1bp to 3.77%

while the 10-year swap rate fell 3bps to 3.89%. Since the NZ close, the Australian 10-year bond future is down 4bps in yield terms, suggesting more downside pressure on rates on the open.

In the day ahead focus will be on the first Harris/Trump debate that kicks off 1pm NZ time. UK monthly GDP data are released tonight but the key economic release will be the US CPI. The consensus expects the CPI ex food and energy index to rise 0.2% m/m and 3.2% y/y for August, the same as in July.

jason.k.wong@bnz.co.nz

Coming Up

		Period	Cons.	Prev.	NZT
NZ	Net migration	Jul	2710	10:45	
UK	GDP (m/m%)	Jul	0.2	0.0	18:00
UK	Industrial production (m/m%)	Jul	0.3	0.8	18:00
US	CPI (m/m%)	Aug	0.2	0.2	00:30
US	CPI ex food and energy (m/m%)	Aug	0.2	0.2	00:30
US	CPI (y/y%)	Aug	2.6	2.9	00:30
US	CPI ex food and energy (y/y%)	Aug	3.2	3.2	00:30

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	Last	% Day	% Year	Last	Net Day				
NZD	0.6155	+0.2	0.6142	0.6165	CHF	0.8467	-0.3	S&P 500	5,488	+0.3	23.1	Oil (Brent)	69.39	-3.4	
AUD	0.6659	-0.0	0.6641	0.6677	SEK	10.372	-0.1	Dow	40,713	-0.3	17.7	Oil (WTI)	65.98	-4.0	
EUR	1.1024	-0.1	1.1015	1.1048	NOK	10.838	+0.0	Nasdaq	16,993	+0.6	23.5	Gold	2522.0	+0.5	
GBP	1.3082	+0.1	1.3050	1.3108	HKD	7.797	+0.0	Stoxx 50	4,747	-0.7	12.0	HRC steel	700.0	+0.0	
JPY	142.38	-0.6	142.20	143.71	CNY	7.121	+0.1	FTSE	8,206	-0.8	9.7	CRB	269.6	+1.0	
CAD	1.3605	+0.3			SGD	1.305	-0.1	DAX	18,266	-1.0	16.0	Wheat Chic.	573.5	+0.9	
NZD/AUD	0.9243	+0.2			IDR	15,455	-0.0	CAC 40	7,408	-0.2	2.3	Sugar	18.47	-1.9	
NZD/EUR	0.5583	+0.3			THB	33.66	-0.6	Nikkei	36,159	-0.2	11.4	Cotton	68.08	+0.4	
NZD/GBP	0.4705	+0.1			KRW	1,344	+0.2	Shanghai	2,744	+0.3	-12.7	Coffee	247.2	+1.1	
NZD/JPY	87.63	-0.4			TWD	32.20	+0.3	ASX 200	8,012	+0.3	11.4	WM powder	3455	+0.1	
NZD/CAD	0.8374	+0.5			PHP	56.39	-0.1	NZX 50	12,633	+0.1	11.8	Australian Futures			
NZ TWI	70.97	+0.1						VIX Index	19.12	-1.7	+38.2	3 year bond	96.48	0.02	
Interest Rates							NZ Government Bonds				NZ BKBM and Swap Yields				
Rates		Swap Yields			Benchmark 10 Yr Bonds		Last		Chg	Last		Chg			
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day									
USD	5.50	5.19	3.39	3.17	USD	3.65	-0.05	15-May-26	3.99	-0.02	BKBM 1-mth	5.36	0.00		
AUD	4.35	4.42	3.63	3.98	AUD	3.91	-0.05	15-Apr-27	3.76	-0.01	BKBM 3-mth	5.11	-0.01		
NZD	5.25	5.11	3.77	3.89	NZD	4.21	-0.02	15-May-28	3.75	-0.02	1 year	4.33	-0.01		
EUR	3.75	3.46	2.46	2.40	GER	2.13	-0.04	20-Apr-29	3.80	-0.02	2 year	3.77	-0.01		
GBP	5.00	5.30	3.85	3.49	GBP	3.82	-0.04	15-May-30	3.90	-0.02	3 year	3.61	-0.01		
JPY	0.23	-0.03	0.46	0.89	JPY	0.90	-0.00	15-May-31	4.01	-0.02	5 year	3.61	-0.02		
CAD	4.25	4.97	2.93	2.79	CAD	2.89	-0.04	15-May-32	4.10	-0.03	7 year	3.72	-0.02		
							NZ Inflation-Indexed Bonds		14-Apr-33	4.17	-0.02	10 year	3.89	-0.03	
							Sep-30	2.14	0.00	15-May-34	4.21	-0.02	15 year	4.08	-0.03
							Sep-35	2.46	0.00	15-May-35	4.29	-0.02			
							Sep-40	2.70	0.00	15-May-36	4.37	-0.02			
										15-May-37	4.45	-0.02			
										15-May-41	4.63	-0.02			
										15-May-51	4.69	-0.01			
										15-May-54	4.73	-0.01			

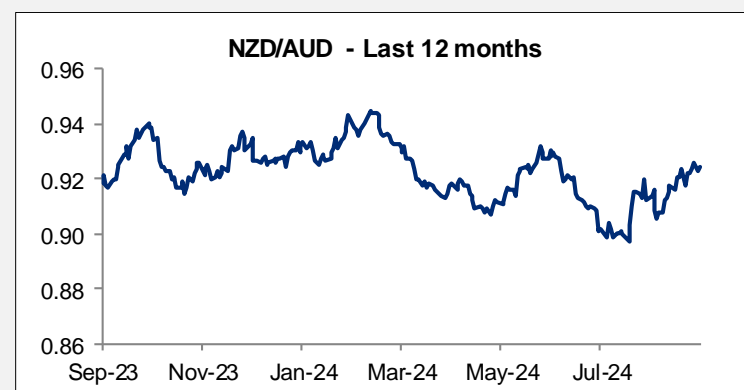
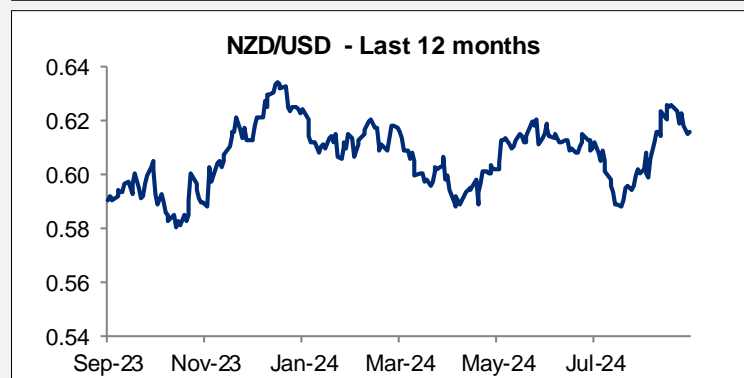
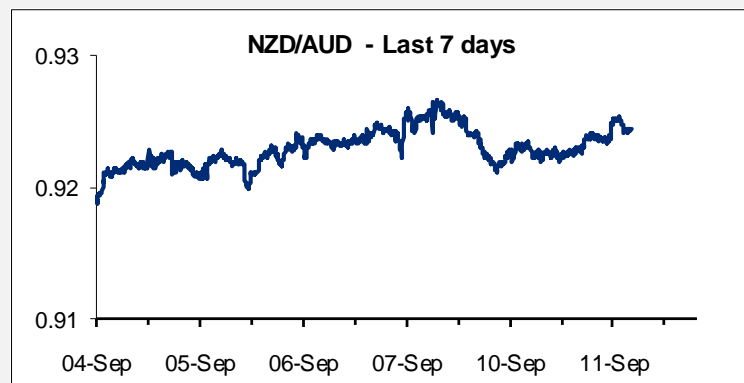
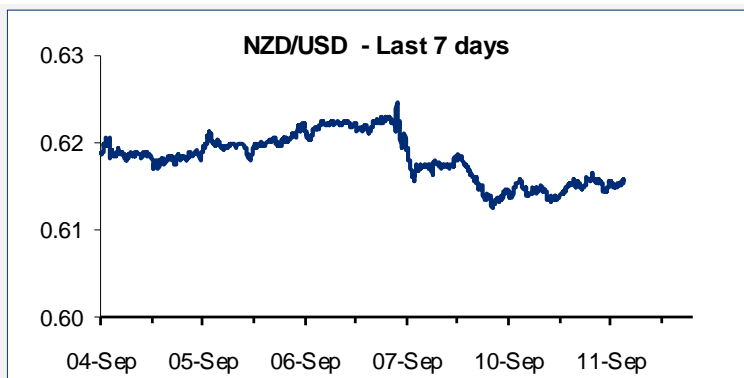
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

Rates are as of: NZT 06:58

Source: Bloomberg

NZD exchange rates

11/09/2024	6:59 am	Prev. NY close
USD	0.6155	0.6145
GBP	0.4705	0.4700
AUD	0.9243	0.9225
EUR	0.5583	0.5569
JPY	87.63	87.98
CAD	0.8374	0.8332
CHF	0.5211	0.5219
DKK	4.1662	4.1551
FJD	1.3760	1.3738
HKD	4.7992	4.7913
INR	51.69	51.59
NOK	6.6707	6.6589
PKR	171.29	#VALUE!
PHP	34.71	34.70
PGK	2.4024	2.3985
SEK	6.3841	6.3790
SGD	0.8030	0.8024
CNY	4.3829	4.3714
THB	20.77	20.86
TOP	1.4166	1.4264
VUV	73.77	73.45
WST	1.6628	1.6614
XPF	66.43	66.32
ZAR	11.0411	10.9901



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.19	0.38
3 Months	1.22	1.72
6 Months	-1.75	-0.75
9 Months	-6.95	-4.95
1 Year	-12.29	-9.28

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-6.47	-6.00
3 Months	-12.57	-11.29
6 Months	-16.40	-13.97
9 Months	-16.04	-10.97
1 Year	-12.81	-5.63

Contact Details

BNZ Research

Stephen Toplis
Head of Research

Doug Steel
Senior Economist

Jason Wong
Senior Markets Strategist

Stuart Ritson
Senior Interest Rate Strategist

Matt Brunt
Economist

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

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

Analyst Disclaimer: The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed.

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

New Zealand: The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

USA: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.