

Research Markets Today

12 September 2024

Events Round-Up

NZ: Net migration, Jul: 3030 vs. 2880 prev.
 UK: GDP (m/m%), Jul: 0.0 vs. 0.2 exp.
 UK: Industrial production (m/m%), Jul: -0.8 vs. 0.3 exp.
 US: CPI (m/m%), Aug: 0.2 vs. 0.2 exp.
 US: CPI ex food and energy (m/m%), Aug: 0.3 vs. 0.2 exp.
 US: CPI (y/y%), Aug: 2.5 vs. 2.5 exp.
 US: CPI ex food and energy (y/y%), Aug: 3.2 vs. 3.2 exp.

Good Morning

There has been some volatility in markets overnight. US equities recovered early losses to now show a decent gain. US CPI data drove a swing in US Treasury yields and slightly higher core inflation sees the curve flatter and slightly higher. Trading in the yen has been choppy but less so for the NZD, which shows some modest underperformance, with NZD/USD down to 0.6135 and NZD/AUD falling below 0.92.

The US CPI rose 0.2% m/m, driving annual inflation down to a fresh 3½ year low of 2.5%, as expected. The core measure was slightly higher than expected, with CPI ex food and energy rounding up to 0.3%, seeing the annual increase steady at 3.2%. The small miss can be explained by a 0.5% lift in the nebulous owners' equivalent rents measure while airline fares jumped 3.9%. PPI data due tonight will help firm up estimates of the PCE deflator, the Fed's target, but Pantheon Macroeconomics currently estimates a 0.22% increase in the core measure.

There is nothing to suggest that the disinflationary process isn't still on track, but the slightly higher core CPI print firmed up market expectations that the Fed would likely kick off the easing cycle next week with a 25bps cut rather than 50bps. Market pricing sits at 29bps compared to 33bps yesterday, while the market still sees the likelihood of a chunky 50bps cut either at the November or December meeting, with 106bps cumulatively priced through to the end of the year, even if down from 115bps priced yesterday.

US Treasury yields swung around in the aftermath of the CPI release and are currently net higher on the day, led by the short end, resulting in some curve flattening, with the 2-year rate up 5bps to 3.65% and the 10-year rate up 2bps

to 3.66%. Adding to upside pressure, oil prices have recovered some of yesterday's hefty loss, with Brent crude up over 2% to a USD70 handle following a 3.7% fall. Traders note a covering of short positions as Hurricane Francine hit the Gulf of Mexico, resulting in a shutdown of a quarter of production in the area.

UK activity data were weaker than expected, with monthly GDP flat in July and industrial production falling a chunky 0.8% m/m. The data, following a decent growth performance in the first half of the year, where the UK economy outperformed the rest of the G7, cemented in expectations that the pace of growth will be slower over the second half.

In the first, and perhaps only, head-to-head debate between the two main US Presidential candidates, Harris was widely seen to be the "winner" over Trump, as reflected in public snap polls and betting markets. Polymarket and PredictIt betting odds showed a 5-7 point swing towards Harris.

For the market, there was no obvious impact of the debate on bond, equities, and currencies but that hasn't stopped some commentators attempting to explain moves in bitcoin, equity futures and currencies in relation to the debate. US equities tumbled from the open – with the S&P500 down 1.6% at one stage – but the market has recovered strongly, and the index is currently up ½% and gone is any explanation of the debate. Tech stocks have outperformed, led by a 6% gain in Nvidia.

In currency markets, trading in the yen has been choppy. Yesterday, BoJ board member Nakagawa said that the current level of real rates is extremely low and the degree of monetary easing will be adjusted if the outlook for Japan's economy and inflation is realised. These comments supported the yen and USD/JPY traded down to as low as 140.7 just after the NZ close before recovering, with some overnight volatility to boot as US Treasury yields fluctuated. USD/JPY is back to 142.2. NZD/JPY traded as low as 86.3 overnight before regaining a 87 handle.

The USD shows little net movement for the day, while the NZD has modestly underperformed, seeing NZD/USD down to 0.6135 after trading an overnight low of 0.6107. The NZD is weaker on all the key crosses from this time yesterday – more so against other commodity currencies – with NZD/AUD steadily falling and breaking just below

0.92. The softer UK data had little impact on GBP and NZD/GBP is flat around 0.4700.

Lower global rates drove down NZ rates yesterday, with NZGB yields down 4-7bps across the curve, with the smaller movements evident for the ultra-long bonds. The 10-year rate fell 7bps to 4.15%. Swap yields fell 6-7bps across the curve. While the US 10-year rate is up 4bps from the NZ close, the Australian 10-year bond future is little changed after some overnight volatility.

On the economic calendar, NZ monthly CPI indicators and card spending data are released. The ECB is universally expected to cut its deposit rate by another 25bps to 3.5%, so focus will be on the scope and timing of future rate cuts. US PPI and jobless claims data round out the calendar.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Food prices (y/y%)	Aug	3.3	10:45	
NZ	Card spending total (m/m%)	Aug	0.7	10:45	
EC	ECB deposit rate (%)	Aug	3.5	3.75	00:15
US	PPI ex food and energy (m/m%)	Aug	0.2	0.0	00:30
US	PPI ex food and energy (y/y%)	Aug	2.4	2.4	00:30
US	Initial jobless claims (k)	7-Sep	227	227	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	0.6135	-0.2	0.6107	0.6157	CHF	0.8512	+0.5	S&P 500	5,528	+0.6	23.2	Oil (Brent)	70.66	+2.1	
AUD	0.6670	+0.3	0.6622	0.6674	SEK	10.369	-0.0	Dow	40,733	-0.0	17.5	Oil (WTI)	67.32	+2.4	
EUR	1.1020	+0.0	1.1002	1.1055	NOK	10.854	+0.1	Nasdaq	17,278	+1.5	24.1	Gold	2517.7	-0.1	
GBP	1.3046	-0.3	1.3002	1.3098	HKD	7.798	+0.0	Stoxx 50	4,764	+0.3	12.0	HRC steel	700.0	+0.0	
JPY	142.23	-0.1	141.17	142.54	CNY	7.119	-0.0	FTSE	8,194	-0.1	9.3	CRB	265.5	-1.5	
CAD	1.3572	-0.3			SGD	1.304	-0.1	DAX	18,330	+0.4	16.0	Wheat Chic.	579.3	+0.9	
NZD/AUD	0.9198	-0.5			IDR	15,402	-0.3	CAC 40	7,397	-0.1	1.6	Sugar	18.73	+1.4	
NZD/EUR	0.5567	-0.3			THB	33.75	+0.3	Nikkei	35,620	-1.5	8.7	Cotton	69.31	+1.4	
NZD/GBP	0.4703	+0.0			KRW	1,339	-0.0	Shanghai	2,722	-0.8	-13.2	Coffee	246.7	-0.1	
NZD/JPY	87.26	-0.4			TWD	32.15	-0.1	ASX 200	7,988	-0.3	10.8	WM powder	3475	+0.6	
NZD/CAD	0.8326	-0.5			PHP	55.96	-0.8	NZX 50	12,632	-0.0	11.8	Australian Futures			
NZ TWI	70.68	-0.5						VIX Index	18.02	-5.6	+30.6	3 year bond	96.53	0.04	
Interest Rates							NZ Government Bonds				NZ BKBM and Swap Yields				
Rates		Swap Yields			Benchmark 10 Yr Bonds										
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day		Last	Chg		Last	Chg			
USD	5.50	5.21	3.44	3.19	USD	3.66	0.01	15-May-26	3.92	-0.07	BKBM 1-mth	5.35	-0.01		
AUD	4.35	4.43	3.61	3.95	AUD	3.85	-0.06	15-Apr-27	3.70	-0.06	BKBM 3-mth	5.11	0.00		
NZD	5.25	5.11	3.70	3.82	NZD	4.15	-0.07	15-May-28	3.69	-0.06	1 year	4.28	-0.05		
EUR	3.75	3.46	2.43	2.38	GER	2.11	-0.02	20-Apr-29	3.74	-0.06	2 year	3.70	-0.07		
GBP	5.00	5.30	3.78	3.44	GBP	3.76	-0.06	15-May-30	3.84	-0.06	3 year	3.54	-0.06		
JPY	0.23	-0.03	0.45	0.87	JPY	0.86	-0.04	15-May-31	3.95	-0.06	5 year	3.55	-0.06		
CAD	4.25	4.97	2.96	2.80	CAD	2.91	0.02	15-May-32	4.04	-0.06	7 year	3.66	-0.06		
							NZ Inflation-Indexed Bonds								
							Sep-30	2.14	0.00	15-May-35	4.22	-0.07	10 year	3.82	-0.06
							Sep-35	2.46	0.00	15-May-36	4.30	-0.07	15 year	4.01	-0.07
							Sep-40	2.70	0.00	15-May-37	4.39	-0.06			
										15-May-41	4.58	-0.05			
										15-May-51	4.65	-0.04			
										15-May-54	4.69	-0.04			

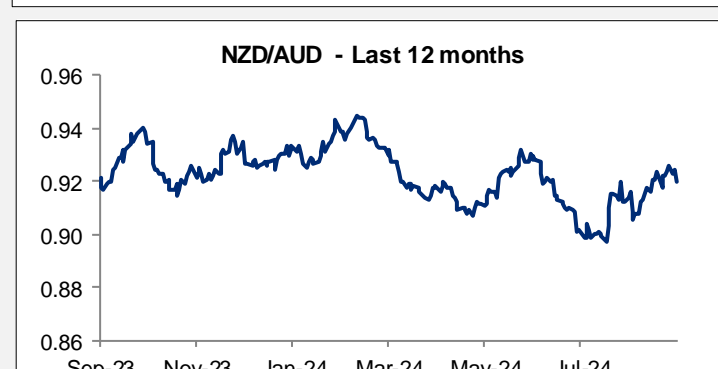
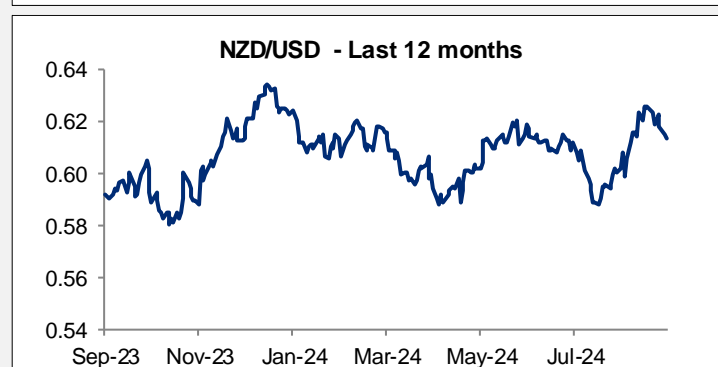
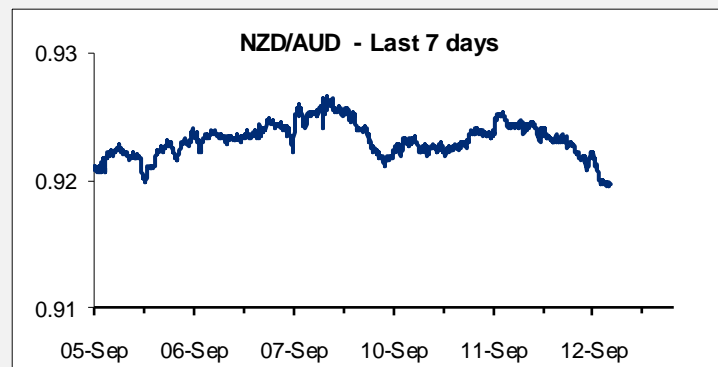
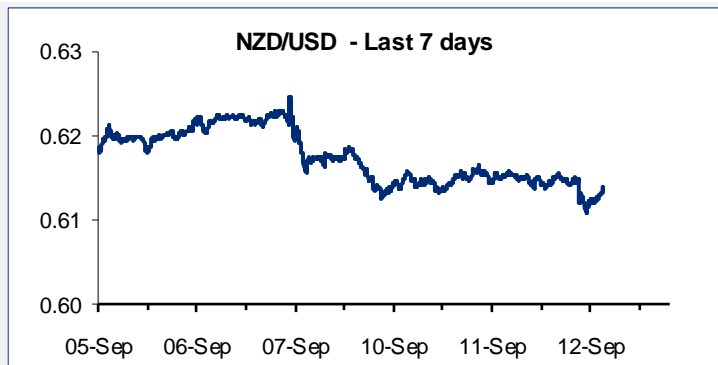
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

Rates are as of: NZT 06:56

Source: Bloomberg

NZD exchange rates

12/09/2024	6:57 am	Prev. NY close
USD	0.6135	0.6150
GBP	0.4703	0.4702
AUD	0.9198	0.9245
EUR	0.5567	0.5581
JPY	87.26	87.60
CAD	0.8326	0.8370
CHF	0.5212	0.5209
DKK	4.1490	4.1646
FJD	1.3705	1.3771
HKD	4.7776	4.7955
INR	51.44	51.65
NOK	6.6560	6.6676
PKR	170.49	#VALUE!
PHP	34.29	34.68
PGK	2.3911	2.4005
SEK	6.3559	6.3786
SGD	0.7987	0.8023
CNY	4.3615	4.3793
THB	20.61	20.76
TOP	1.4099	1.4226
VUV	73.55	73.71
WST	1.6550	1.6610
XPF	66.13	66.39
ZAR	10.9714	11.0367



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.34	0.55
3 Months	1.91	2.41
6 Months	0.51	1.51
9 Months	-2.67	-0.67
1 Year	-5.62	-2.58

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-5.83	-5.37
3 Months	-11.90	-10.67
6 Months	-14.68	-12.07
9 Months	-13.39	-8.32
1 Year	-8.65	-1.18

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