

Research Markets Today

13 August 2024

Events Round-Up

US: NY Fed 1yr inflation expectations, Jul: 2.97 vs. 3.02 prev.

Good Morning

It has been a quiet start to a busy week, with US equities flat, US Treasury yields slightly lower and modest changes in major currencies. The NZD has outperformed, rising 0.3% to 0.6020 and gaining on all the key crosses.

In contrast to last Monday's panic-stricken market conditions, the open this week has been pretty dull. The US S&P500 has been oscillating between small gains and losses and sits flat as we go to print. The Euro Stoxx 600 index was flat. Trading volumes are lower than normal. Nothing to see here.

US Treasury yields drifted lower after the NY open and currently are 2-5bps lower across the curve, with falls led by the belly. The 10-year rate is currently 3.90%. Nothing to see here. Focus is on the US CPI release on Wednesday night and ahead of that PPI data will be released tonight.

The economic calendar has been light. The NY Fed's survey of inflation expectations showed a 5bps drop at the one-year horizon to 2.97%. Of note, the three-years-ahead figure dropped 0.6% to 2.3%, its lowest level since the survey's inception in 2013.

The only key market mover worth noting is that oil prices are up 3% with Brent crude trading at USD81.75, with geopolitical risk overhanging the market. This makes it five consecutive trading days of higher prices. The WSJ notes that Israel put its military on high alert and the Pentagon said it is sending a guided-missile submarine to the region and speeding up the arrival of a second aircraft carrier, amid heightened concerns about a possible Iranian and Hezbollah response to the killing of militant leaders in Tehran and Beirut. The rise in oil prices was despite OPEC trimming forecasts for global demand this year by 135,000 barrels per day as it noted softening expectations for China's oil demand growth.

Currency market moves have been modest, although of note a 0.3% gain in the NZD to 0.6020 and a 0.5% fall in the

yen means that NZD/JPY is up 0.8% to 88.7. The NZD has outperformed, meaning that all crosses are higher and we wonder if speculators are trimming short positions ahead of the RBNZ's MPS tomorrow as there were signs of some re-positioning in the OIS market (see below). NZD/AUD has pushed up to 0.9140 and gains against GBP, EUR and CAD are in the order of 0.2-0.4%.

In the domestic rates market there were signs of hedge funds reducing received positions in the OIS market, taking pricing for a rate cut tomorrow down from 19bps to 17bps. Market movements overall were small, with curves slightly flatter. The 2-year swap rate was up 1bp to 4.01% while the 10-year rate fell 2bps to 4.02%. NZGBs showed similar movements, with the 10-year rate down 1bp to 4.25%.

In the day ahead the economic calendar picks up a gear. NZ net migration data have recently shown a collapse in the net inflow, so we'll be interested in whether that is confirmed with the data update. Potential market moving releases include Australian wages, UK labour market data (with the focus on wages) and the US PPI. Donald Trump will be doing a live interview with Elon Musk on X from noon NZ time.

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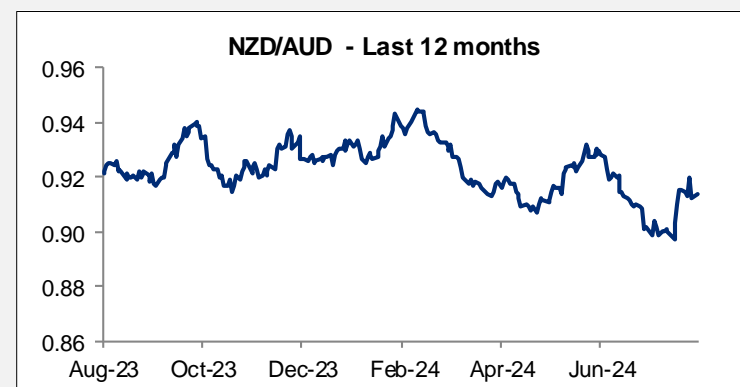
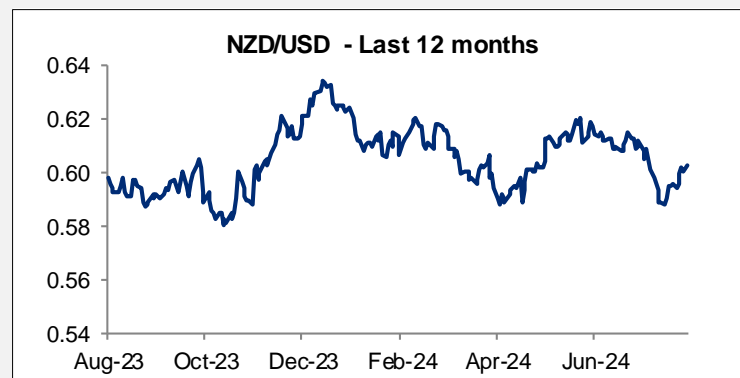
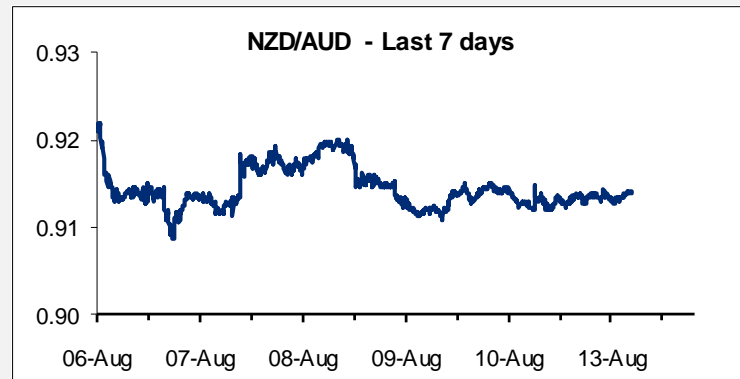
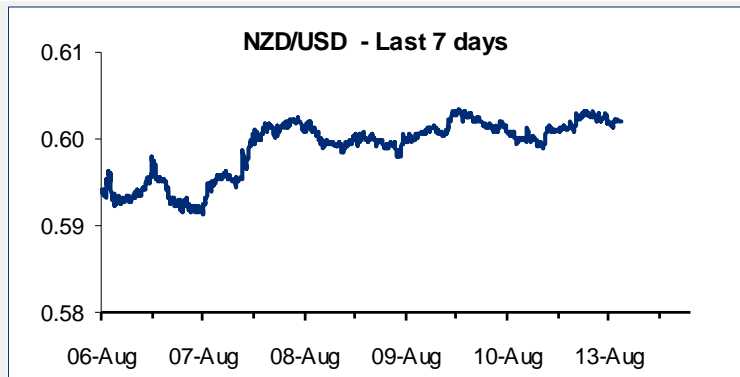
Coming Up

		Period	Cons.	Prev.	NZT
NZ	Net migration	Jun		1410	10:45
AU	Westpac consumer confidence	Aug		82.7	12:30
AU	Wage price index (y/y%)	Q2	4.0	4.1	13:30
AU	Wage price index (q/q%)	Q2	0.9	0.8	13:30
AU	NAB business conditions	Jul		4	13:30
UK	Unemployment rate (%)	Jun	4.5	4.4	18:00
UK	Wkly earnings x bonus (3m/y%)	Jun	5.4	5.7	18:00
GE	ZEW survey expectations	Aug	32.7	41.8	21:00
US	NFIB small business optimism	Jul	91.5	91.5	22:00
US	PPI ex food and energy (m/m%)	Jul	0.2	0.4	00:30
US	PPI ex food and energy (y/y%)	Jul	2.7	3.0	00:30
US	Fed's Bostic Speaks on economy				05:15

Source: Bloomberg, BNZ

NZD exchange rates

13/08/2024 6:55 am		Prev. NY close
USD	0.6021	0.6001
GBP	0.4716	0.4703
AUD	0.9139	0.9123
EUR	0.5509	0.5497
JPY	88.68	87.98
CAD	0.8270	0.8239
CHF	0.5211	0.5191
DKK	4.1110	4.1022
FJD	1.3598	1.3479
HKD	4.6907	4.6794
INR	50.56	50.38
NOK	6.5056	6.4859
PKR	167.56	167.01
PHP	34.52	34.38
PGK	2.3355	2.3224
SEK	6.3404	6.3116
SGD	0.7974	0.7945
CNY	4.3199	4.3017
THB	21.25	21.23
TOP	1.3970	1.4150
VUV	72.97	72.63
WST	1.6515	1.6479
XPF	66.09	65.90
ZAR	10.9890	11.0036



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.45	0.75
3 Months	-0.29	0.24
6 Months	-2.49	-1.48
9 Months	-4.50	-2.42
1 Year	-5.78	-2.30

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-7.87	-7.15
3 Months	-19.03	-17.80
6 Months	-28.72	-26.16
9 Months	-31.73	-27.03
1 Year	-30.07	-21.55

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