

Research Markets Today

13 September 2024

Events Round-Up

NZ: Food prices (y/y%), Aug: 0.2 vs. 0.4 prev.
NZ: Card spending total (m/m%), Aug: -0.2 vs. 0.7 prev.
EC: ECB deposit rate (%), Aug: 3.5 vs. 3.5 exp.
US: PPI ex food and energy (m/m%), Aug: 0.3 vs. 0.2 exp.
US: PPI ex food and energy (y/y%), Aug: 2.4 vs. 2.4 exp.
US: Initial jobless claims (k), Sep 7: 230 vs. 227 exp.

Good Morning

US equities traded higher despite data which showed US wholesale inflation picked up in August. The S&P is up 0.7% while the Euro Stoxx closed more than 1% higher following a 25bp rate cut by the European Central Bank (ECB). Treasuries moved higher in yield and the US dollar was generally weaker. Oil prices gained almost 2% after a storm disrupted production in the Gulf of Mexico. Brent crude has rebounded above US\$72 per barrel. Gold prices hit an all-time high above US\$2550 per troy ounce.

US core PPI increased by 0.3% last month, ahead of the consensus estimate of 0.2%, while the annual core reading rose to 2.4%, which was in line with expectations. This was a similar pattern to the CPI data released earlier in the week with a marginally higher than expected monthly core reading. Any market reaction to the PPI data was tempered by downward revisions to the previous month.

With inputs from the CPI and PPI data now available, estimates for the core PCE deflator, which is the Fed's preferred inflation measure and is released at the end of the month, are settling around 0.15%. Separately initial jobless claims edged higher to 230k.

The ECB cut interest rates by 25bps to 3.5%, which was in line with expectations, and the second adjustment in the easing cycle which began in June. The decision was accompanied by slight downward revisions to its growth projections and the bank's outlook for core inflation was increased marginally.

The ECB reaffirmed it wouldn't commit to a particular path for further rate cuts with President Lagarde saying the bank will remain data dependent and that a declining path is not predetermined. The market trimmed expectations for easing by December to around 40bps from nearly 47bps ahead of the meeting. European bonds moved

higher in yield led by the front end of the curve. 2-year bunds closed 7bps higher at 2.21% while 10-year yields increased 4bps to 2.14%.

US treasury yields dipped initially before moving modestly higher. 2-year yields are little changed at 3.65% while 10-year treasuries are 3bps higher in yield at 3.69%. The US\$22 billion 30-year bond auction tailed by ~1.5bps contrasting with the strong demand seen in the 10-year auction earlier in the week.

The US dollar is broadly weaker against G10 currencies. The euro is close to 0.4% higher against the dollar in the aftermath of the ECB policy decision. NZD/USD traded higher in line with the softer US dollar backdrop and is stable on the major cross rates.

NZ fixed income yields ended little changed in the local session yesterday. There was limited market reaction to monthly inflation partials. Selected price indicators for August were largely consistent with our Q3 forecast for 2.2% annual headline inflation. 10-year government bonds closed unchanged at 4.15% just above the August low.

There was decent investor demand in the weekly government bond tender with NZ\$1.5 billion of bids for the NZ\$500 million of bonds offered. The recent cheapening of bonds on asset swap – 10-years ASW are at multi-year highs - likely contributed to demand. All lines cleared at or below the prevailing market levels with notable demand for the longer May 35 and Apr-37 lines.

Australian 10-year government bond futures are little changed since the local close yesterday, suggesting a limited directional bias for NZ yields on the open.

The NZ manufacturing PMI is released today. There was a modest recovery to 44.0 in July, albeit with the index remaining below 50, and having been in contractionary territory since February last year. Later this evening, University of Michigan consumer sentiment data is expected to show an increase from August levels, given the impact of lower energy costs, and the rebound in equities from the early August dip. Monthly activity data covering retail sales and industrial production alongside fixed asset investment for China will be released on Saturday.

stuart.ritson@bnz.co.nz

Coming Up

		Period	Cons.	Prev.	NZT
NZ	REINZ House Sales (y/y%)	Aug	14.5	09:00	
NZ	BusinessNZ Manufacturing PMI	Aug	44	10:30	
US	U. of Mich. Sentiment	Sep P	68.3	67.9	02:00
US	U. of Mich. 5-10 Yr Inflation	Sep P	3	3	02:00
CH	Industrial Production (y/y%)	Aug	4.7	5.1	14:00
CH	Retail Sales (y/y%)	Aug	2.5	2.7	14:00
CH	Fixed Assets Ex Rural YTD (y/y%)	Aug	3.5	3.6	14:00

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	Net Day
NZD	0.6174	+0.6	0.6130	0.6174	CHF	0.8521	-0.0	S&P 500	5,595	+0.8	25.4	Oil (Brent)	72.08	+2.1
AUD	0.6722	+0.7	0.6657	0.6722	SEK	10.297	-0.9	Dow	41,074	+0.5	18.6	Oil (WTI)	69.12	+2.7
EUR	1.1062	+0.4	1.1006	1.1062	NOK	10.731	-1.1	Nasdaq	17,604	+1.2	27.8	Gold	2559.5	+1.6
GBP	1.3107	+0.5	1.3033	1.3108	HKD	7.803	+0.1	Stoxx 50	4,814	+1.1	13.5	HRC steel	698.0	-0.3
JPY	142.08	-0.2	141.91	143.04	CNY	7.118	-0.0	FTSE	8,241	+0.6	9.5	CRB	269.4	+1.5
CAD	1.3587	+0.1			SGD	1.302	-0.1	DAX	18,518	+1.0	17.8	Wheat Chic.	579.0	-0.0
NZD/AUD	0.9185	-0.1			IDR	15,439	+0.2	CAC 40	7,435	+0.5	2.5	Sugar	19.07	+1.6
NZD/EUR	0.5581	+0.2			THB	33.47	-0.7	Nikkei	36,833	+3.4	12.6	Cotton	70.05	+1.8
NZD/GBP	0.4710	+0.1			KRW	1,341	+0.1	Shanghai	2,717	-0.2	-13.0	Coffee	249.4	+1.2
NZD/JPY	87.72	+0.4			TWD	32.16	+0.0	ASX 200	8,076	+1.1	12.9	WM powder	3465	-0.3
NZD/CAD	0.8389	+0.7			PHP	56.15	+0.4	NZX 50	12,820	+1.5	12.9	Australian Futures		
NZ TWI	70.95	+0.4						VIX Index	17.10	-3.3	+20.2	3 year bond	96.50	-0.03
												10 year bond	96.12	0.00

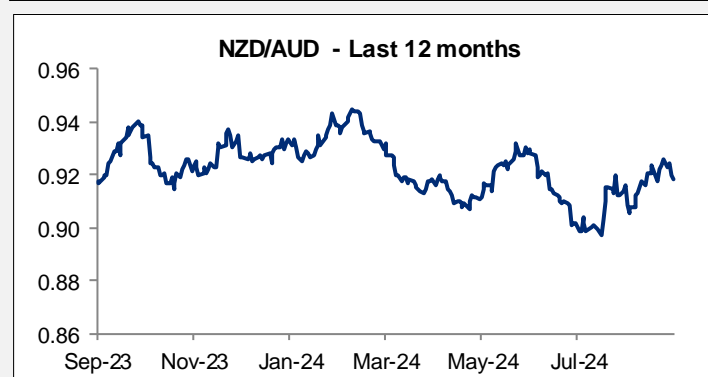
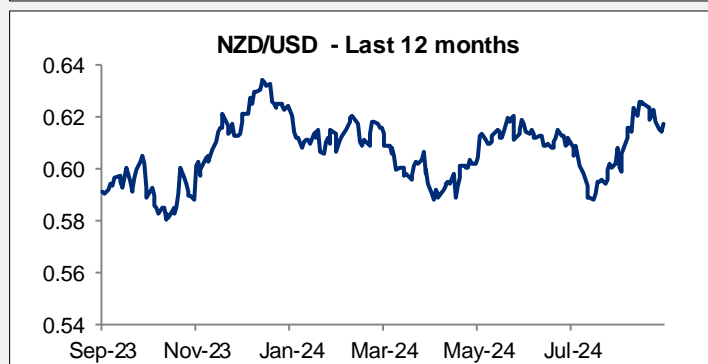
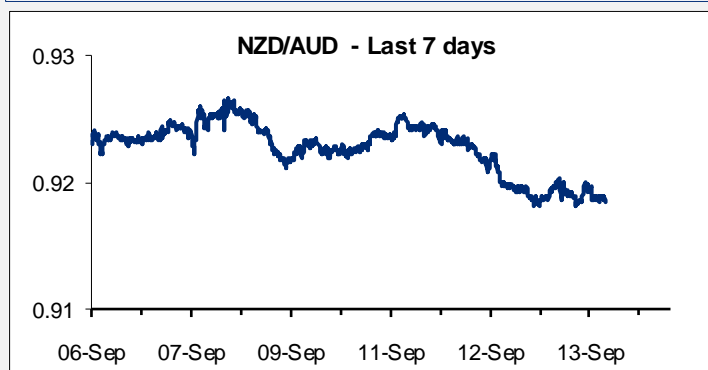
Interest Rates													
	Rates		Swap Yields		Benchmark 10 Yr Bonds		NZ Government Bonds			NZ BKBM and Swap Yields			
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day		Last	Chg	Last	Chg		
USD	5.50	5.19	3.45	3.22	USD	3.69	0.03	15-May-26	3.92	0.01	BKBM 1-mth	5.32	-0.03
AUD	4.35	4.42	3.64	3.97	AUD	3.85	0.00	15-Apr-27	3.71	0.01	BKBM 3-mth	5.10	-0.01
NZD	5.25	5.10	3.72	3.82	NZD	4.15	0.01	15-May-28	3.70	0.01	1 year	4.29	0.01
EUR	3.75	3.47	2.49	2.41	GER	2.15	0.04	20-Apr-29	3.74	0.01	2 year	3.72	0.01
GBP	5.00	5.30	3.83	3.45	GBP	3.78	0.02	15-May-30	3.85	0.01	3 year	3.56	0.02
JPY	0.23	-0.03	0.45	0.89	JPY	0.87	0.01	15-May-31	3.96	0.01	5 year	3.56	0.01
CAD	4.25	4.97	2.94	2.80	CAD	2.92	0.00	15-May-32	4.05	0.01	7 year	3.66	0.00
								14-Apr-33	4.11	0.01	10 year	3.82	0.00
								15-May-34	4.15	0.01	15 year	4.01	0.00
								15-May-35	4.23	0.01			
								15-May-36	4.31	0.01			
								15-May-37	4.40	0.01			
								15-May-41	4.59	0.01			
								15-May-51	4.66	0.00			
								15-May-54	4.69	0.00			

NZ Inflation-Indexed Bonds		
Sep-30	2.14	0.00
Sep-35	2.46	0.00
Sep-40	2.70	0.00

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
Rates are as of: NZT 06:37
Source: Bloomberg

NZD exchange rates

13/09/2024	6:37 am	Prev. NY close
USD	0.6174	0.6137
GBP	0.4710	0.4705
AUD	0.9185	0.9195
EUR	0.5581	0.5573
JPY	87.72	87.37
CAD	0.8389	0.8331
CHF	0.5261	0.5231
DKK	4.1649	4.1589
FJD	1.3790	1.3739
HKD	4.8176	4.7860
INR	51.85	51.54
NOK	6.6253	6.6593
PKR	171.90	170.95
PHP	34.69	34.35
PGK	2.4108	2.3954
SEK	6.3576	6.3753
SGD	0.8040	0.8003
CNY	4.3945	4.3692
THB	20.84	20.65
TOP	1.4242	1.4319
VUV	73.97	73.56
WST	1.6722	1.6580
XPF	66.73	66.27
ZAR	10.9968	10.9842



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.22	0.45
3 Months	2.07	2.58
6 Months	0.18	1.18
9 Months	-4.05	-2.05
1 Year	-6.82	-3.80

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-5.44	-4.90
3 Months	-10.91	-9.66
6 Months	-13.84	-11.13
9 Months	-13.59	-8.48
1 Year	-8.54	-1.31

Contact Details

BNZ Research

Stephen Toplis

Head of Research
+64 4 474 6905

Doug Steel

Senior Economist
+64 4 474 6923

Jason Wong

Senior Markets Strategist
+64 4 924 7652

Stuart Ritson

Senior Interest Rate Strategist
+64 9 9248601

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.

