

Research Markets Today

15 July 2024

Events Round-Up

NZ: Manufacturing PMI, Jun: 41.1 vs. 47.2 prev.
 NZ: Card spending total (m/m%), Jun: -0.5 vs. -1.1 prev.
 CH: Exports (USD, y/y%), Jun: 8.6 vs. 8.0 exp.
 CH: Imports (USD, y/y%), Jun: -2.3 vs. 2.5 exp.
 US: PPI ex food, energy (m/m%), Jun: 0.4 vs. 0.2 exp.
 US: PPI ex food, energy (y/y%), Jun: 3.0 vs. 2.5 exp.
 US: U. of Mich. cons sentiment, Jul: 66.0 vs. 68.5 exp.
 US: U. of Mich. 5-10yr inflation exp., Jul: 2.9 vs. 3.0 exp.

Good Morning

Global equities remained well supported into the weekly close. The S&P traded to another intra-day record high, but lost ground late in the session, to close 0.6% higher. Large banking stocks underperformed after reporting disappointing results. A macro factor to note is banks are putting aside additional reserves, to cover deteriorating loans, which points towards pressure on consumers. European stocks had a strong session – the Euro Stoxx gained 1.3%. Treasuries looked past unexpectedly strong PPI data and closed lower in yield while the US dollar fell against developed market currencies.

US producer prices increased by more than expected in June. Headline PPI increased 0.2% m/m, and core prices rose by 0.4%, above the 0.2% median forecast. The pickup in core PPI was driven by a jump in retail and wholesale margins and is unlikely to be sustained.

Economists have estimated the US core PCE deflator rose by just 0.15% in June now that most of the inputs are available after the release of CPI and PPI data. The core PCE deflator is tracking well below the Fed's June FOMC forecast and should provide greater comfort about beginning to ease monetary policy. The market is pricing 63bps of Fed rate cut this year, up from 50bps a week ago.

The July Michigan consumer sentiment index fell to 66, below the consensus estimate of 68. The index is being impacted by a transition to web-based data collection, but levels remain consistent with moderate growth in consumers' real spending. The key takeaway from the survey was the drop in the 5–10-year inflation expectations to 2.9% from 3.0%. Medium-term expectations remain elevated, relative to levels that prevailed in the 2010s, but the Fed will take comfort from

the recent stability, despite the run of strong actual inflation prints in the March quarter.

US treasury yields, which declined ahead of the PPI data, temporarily jumped before resuming the move lower led by shorter maturities. 2-year yields dipped 6bps to 4.45%, the lowest level since March. 10-year yields closed at 4.18%, nudging below the 4.20% level, which has contained the downside through June. The recent curve steepening trend in 2y/10y extended to -27bps. In Europe, 10-year bunds closed 3bps higher at 2.49%.

The US dollar remained under pressure, particularly against the yen. The yen has been supported in the aftermath of suspected intervention, which was seemingly confirmed, by analysis of the Bank of Japan's accounts. USD/JPY fell to 158, some 2.5% below the recent peak. The dollar index is retesting support near 104 which has formed the base on several occasions over the past three months. The pound was amongst the best performing G10 currencies which saw EUR/GBP fall to two year lows.

NZD/USD was firmer into the weekly close, trading back above 0.6100 in line with the weaker US dollar, and almost fully recovering the post-RBNZ fall. The CFTC reported some modest trimming of speculative long NZD positions, which remain sizable, near 6-year highs. NZD/GBP remained under pressure and has traded back towards 0.4700. NZD/JPY fell to 96.50.

NZ fixed interest markets ended lower in yield in the local session on Friday with a curve steepening bias. The run of weak data continued. The manufacturing PMI fell to 41.1 and card transactions remained soft. 2-year swap rates closed down 7bps at 4.49% and 10-year government bonds closed at 4.50%. Australian 10-year government bond futures are 6bps lower since the local close, suggesting a downward bias for NZ yields on the open.

NZ services PMI is released today. The index fell sharply in May to its weakest ever level after excluding the pandemic volatility. In China, the consensus is for Q2 GDP growth to slow to 1.0% q/q from 1.6% in Q1. In addition, monthly activity data for June is released covering retail sales, industrial production, and fixed asset investment. The Peoples Bank of China is expected to leave its MLF rate unchanged at 2.50%.

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Coming Up

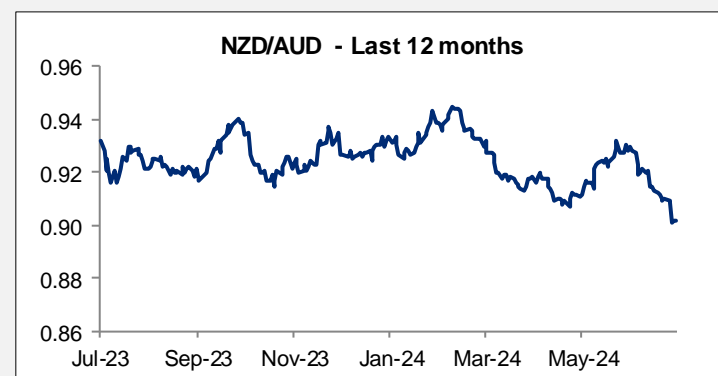
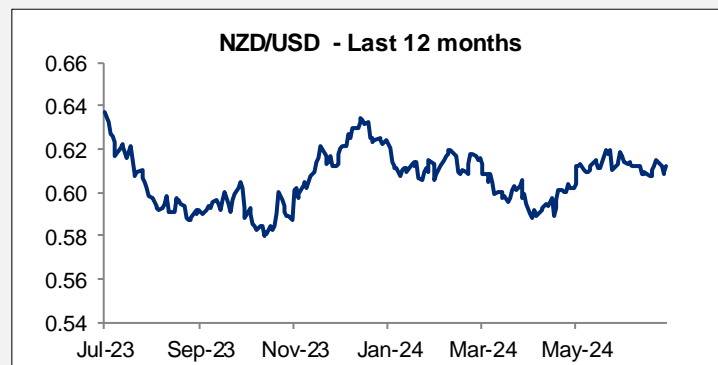
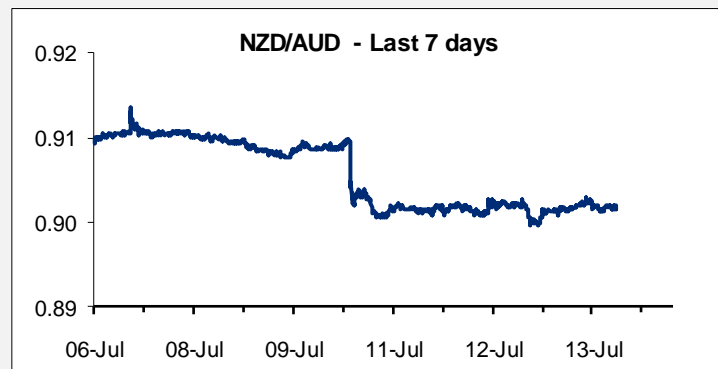
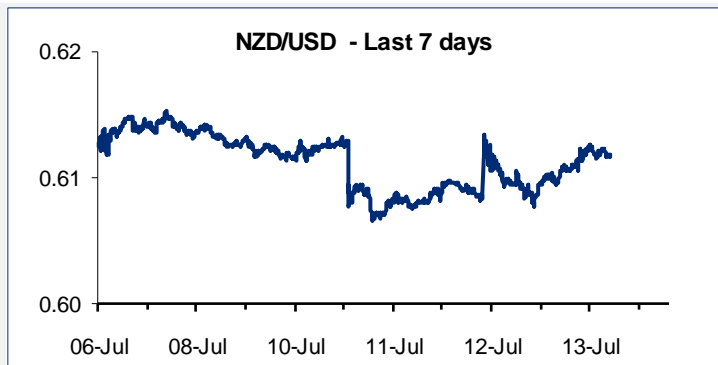
		Period	Cons.	Prev.	NZT
NZ	REINZ House Sales YoY	Jun	6.8	09:00	
NZ	Performance Services Index	Jun	43	10:30	
CH	GDP (y/y%)	2Q	5.1	5.3	14:00
CH	GDP SA (q/q%)	2Q	0.9	1.6	14:00
CH	Industrial Production (y/y%)	Jun	5	5.6	14:00
CH	Retail Sales (y/y%)	Jun	3.4	3.7	14:00
CH	Fixed Assets Ex Rural YTD (y/y%)	Jun	3.9	4	14:00
EC	Industrial Production SA (m/m%)	May	-0.8	-0.1	21:00
US	Empire Manufacturing	Jul	-7.2	-6	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	0.6119	+0.4	0.6095	0.6126	CHF	0.8944	-0.2		S&P 500	5,615	+0.6	25.6	Oil (Brent)	85.03	-0.4			
AUD	0.6784	+0.4	0.6760	0.6794	SEK	10.512	+0.2		Dow	40,001	+0.6	16.5	Oil (WTI)	82.21	-0.5			
EUR	1.0906	+0.4	1.0862	1.0911	NOK	10.695	-0.1		Nasdaq	18,398	+0.6	32.2	Gold	2420.7	-0.0			
GBP	1.2989	+0.6	1.2906	1.2991	HKD	7.807	-0.0		Stoxx 50	5,043	+1.3	15.7	HRC steel	665.0	-0.2			
JPY	157.90	-0.6	157.38	159.32	CNY	7.250	-0.1		FTSE	8,253	+0.4	11.3	CRB	290.4	+0.0			
CAD	1.3635	+0.0			SGD	1.341	-0.1		DAX	18,748	+1.2	17.0	Wheat Chic.	575.8	-3.2			
NZD/AUD	0.9019	+0.0			IDR	16,137	-0.4		CAC 40	7,724	+1.3	5.3	Sugar	19.20	-1.2			
NZD/EUR	0.5610	+0.0			THB	36.11	+0.0		Nikkei	41,191	-2.4	27.2	Cotton	68.92	-0.2			
NZD/GBP	0.4711	-0.2			KRW	1,376	+0.2		Shanghai	2,971	+0.0	-8.2	Coffee	248.8	+1.6			
NZD/JPY	96.61	-0.2			TWD	32.55	+0.1		ASX 200	7,959	+0.9	9.0	WM powder	2990	-2.0			
NZD/CAD	0.8343	+0.4			PHP	58.39	+0.2		NZX 50	12,135	+0.6	1.0	Australian Futures					
NZ TWI	71.70	+0.2						VIX Index	12.46	-3.6	-8.0	3 year bond	95.98	0.06				
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	5.56	4.28	3.75	USD	4.18	-0.03	15-May-26	4.52	-0.06		BKBM 1-mth	5.60	0.00				
AUD	4.35	4.46	4.25	4.46	AUD	4.32	-0.05	15-Apr-27	4.33	-0.07		BKBM 3-mth	5.55	0.00				
NZD	5.50	5.55	4.49	4.28	NZD	4.51	-0.06	15-May-28	4.24	-0.08		1 year	5.01	-0.04				
EUR	3.75	3.69	3.12	2.76	GER	2.50	0.03	20-Apr-29	4.23	-0.08		2 year	4.49	-0.07				
GBP	5.25	5.30	4.39	3.81	GBP	4.11	0.04	15-May-30	4.29	-0.08		3 year	4.25	-0.09				
JPY	0.08	-0.03	0.40	1.01	JPY	1.07	-0.03	15-May-31	4.35	-0.07		5 year	4.12	-0.07				
CAD	4.75	4.97	4.27	3.76	CAD	3.41	-0.03	15-May-32	4.42	-0.07		7 year	4.17	-0.06				
								14-Apr-33	4.47	-0.06		10 year	4.28	-0.05				
								15-May-34	4.51	-0.06		15 year	4.41	-0.05				
								15-May-35	4.56	-0.06								
								15-May-37	4.68	-0.06								
								15-May-41	4.84	-0.06								
								15-May-51	4.88	-0.06								
								15-May-54	4.90	-0.06								
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer								NZ Inflation-Indexed Bonds										
								Sep-30	2.27	-0.03								
								Sep-35	2.57	-0.04								
								Sep-40	2.81	-0.03								
Rates at NY close																		
Source: Bloomberg																		

NZD exchange rates

13/07/2024	NY close	Prev. NY close
USD	0.6119	0.6095
GBP	0.4711	0.4719
AUD	0.9019	0.9018
EUR	0.5610	0.5608
JPY	96.61	96.81
CAD	0.8343	0.8309
CHF	0.5473	0.5464
DKK	4.1863	4.1839
FJD	1.3701	1.3721
HKD	4.7773	4.7587
INR	51.12	50.93
NOK	6.5443	6.5277
PKR	170.38	169.75
PHP	35.73	35.54
PGK	2.3589	2.3506
SEK	6.4320	6.3940
SGD	0.8205	0.8184
CNY	4.4365	4.4237
THB	22.15	22.11
TOP	1.4102	1.4277
VUV	73.35	72.99
WST	1.6565	1.6500
XPF	67.00	67.35
ZAR	10.9865	10.9740



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.21	0.01
3 Months	-0.33	0.45
6 Months	0.44	1.44
9 Months	-0.32	2.79
1 Year	0.45	2.45

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-7.72	-7.18
3 Months	-20.69	-19.13
6 Months	-32.07	-29.54
9 Months	-37.01	-30.76
1 Year	-33.84	-27.94

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