

# Research Markets Today

16 July 2024

## Events Round-Up

NZ: REINZ House Sales (y/y%), Jun: -26 vs. 6.8 prev.  
 NZ: Performance Services Index, Jun: 40.2 vs. 42.6 prev.  
 CH: PBOC MLF rate, Jul: 2.5 vs 2.5 exp.  
 CH: GDP (y/y%), 2Q: 4.7 vs. 5.1 exp.  
 CH: GDP SA (q/q%), 2Q: 0.7 vs. 0.9 exp.  
 CH: Industrial Production (y/y%), Jun: 5.3 vs. 5.0 exp.  
 CH: Retail Sales (y/y%), Jun: 2.0 vs. 3.4 exp.  
 CH: Fixed Assets Ex Rural YTD (y/y%), Jun: 3.9 vs. 3.9 exp.  
 EC: Industrial Production (m/m%), May: -0.6 vs. -0.8 exp.  
 US: Empire Manufacturing, Jul: -6.6 vs. -7.2 exp.

## Good Morning

US equities remained well underpinned with the S&P gaining 0.3% as investors look ahead to a busy week of corporate earnings. European equities ended lower. Major regional indices fell, and the Euro Stoxx dropped 1.2%. There was only second-tier economic data. Currency markets were generally confined to narrow ranges while US treasury yields are higher.

Fed Chair Powell said in an interview that the last three inflation readings have provided additional confidence on the inflation path. He also remarked that the labour market is now more balanced, and that the Fed would react to a sudden weakening. He added that monetary lags mean the Fed can act before the 2% inflation target is hit but refused to give any signals on the timing of potential rate cuts.

Market pricing for Fed monetary policy was little changed following the Powell's comments. Although there was a brief dip, the market is pricing about 65bps of Fed rate cuts by the end of the year. There was limited market reaction to the first of the regional manufacturing PMIs. The Empire State manufacturing index slipped to -6.6 in July, which was slightly above the consensus.

2-year treasury yields are little changed near 4.45% while 10-year yields are 5bps higher at 4.23%. The 2y/10y UST curve has steepened to -22bps, extending the recent trend, and closing in on the highs for the year. 30-year yields are above 2-year yields for the first time since November. German 10-year bunds closed modestly lower in yield at 2.46%.

China's Q2 GDP data was weaker than expected. GDP expanded at a 4.7% annual rate, below the consensus estimate of 5.1%, and slower than 5.3% in Q1. The slowdown was largely attributable to weak consumption. Monthly retail sales increased at 2% annual rate, well below 3.4% expectations. Industrial production expanded 5.3% and fixed asset investment increased 3.9%, both relative to a year ago.

The sluggish activity could strengthen calls for authorities to provide additional support for the economy, particularly to lift weak household consumption. The Peoples Bank of China left its MLF policy rate unchanged at 2.5% which was in line with expectations. The ruling Communist Party's Third Plenum meeting is taking place through the week to set major medium term economic policies.

In currency markets, the US dollar was little changed against major currencies overnight. The dollar index has held key support near 104, which has formed the base of the range on several occasions since April. The Australasian currencies slipped against the dollar. NZD/USD is close to 0.3% weaker since yesterday afternoon and traded back below 0.6080. The NZD is softer on the key cross rates with NZD/GBP breaching 0.4700 to reach the lowest level since September.

The bleak run of domestic activity continued. Following on from the manufacturing PMI slumping to 41.1 at the end of last week, the services PMI fell to 40.2. This was down 2.4 points from May and, for the second month in a row, the lowest level of activity for the sector for a non-COVID lockdown month since the survey began in 2007. The combined PMIs skew downside risks to our GDP forecasts for a 0.2% contraction in the June quarter.

NZ fixed interest markets ended lower in yield in the local session yesterday. 2-year swap rates fell to a new cycle low of 4.44% as the market digested further weak domestic data. After the recent steepening, the move lower in yields was largely uniform across the curve. 10-year swap rates closed down 5bps at 4.23%.

Australian 10-year government bond futures are 4bps lower since the local close, suggesting a further downward bias for NZ yields on the open.

There is no domestic data today. US retail sales data for June is the main international release. Lower gas prices and disruptions to auto sales point to a decline in headline retail sales. The core control group is expected to increase 0.2% after 0.4% in May. Canadian CPI will be monitored - the market is pricing close to an 80% chance of a 25bps rate cut by the Bank of Canada next week.

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### Coming Up

	Period	Cons.	Prev.	NZT
GE ZEW Survey Expectations	Jul	41	47.5	21:00
US Retail Sales Advance (m/m%)	Jun	-0.2	0.1	00:30
US Ret. Sales Ex Auto and Gas (m/m%)	Jun	0.3	0.1	00:30
US Retail Sales Control Group (m/m%)	Jun	0.2	0.4	00:30
CA CPI (y/y)	Jun	2.8	2.9	00:30
CA CPI Core- Median (y/y%)	Jun	2.7	2.8	00:30
CA CPI Core- Trim (y/y%)	Jun	2.8	2.9	00:30
US NAHB Housing Market Index	Jul	44	43	02:00

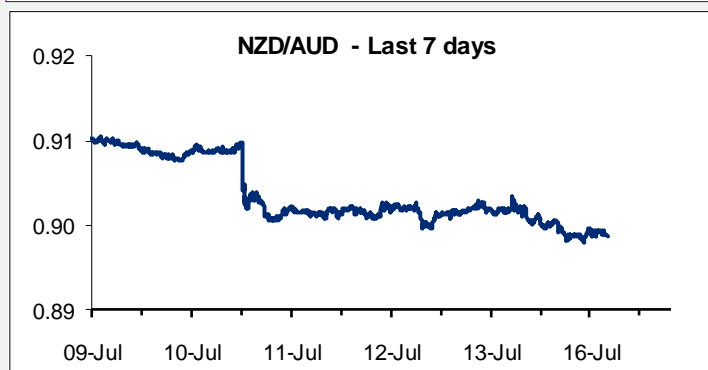
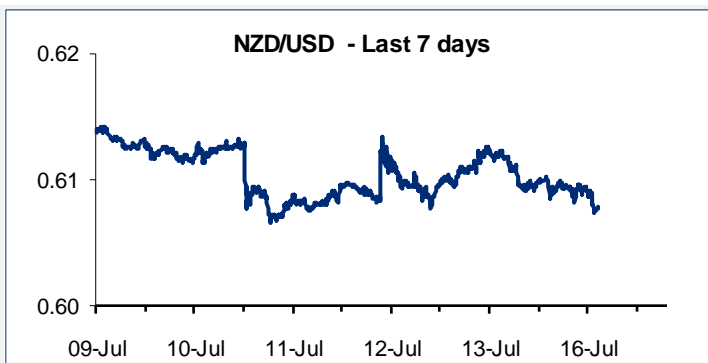
Source: Bloomberg, BNZ

Currencies						Equities				Commodities				
Global froces		Indicative overnight ranges (*)		Other FX		Major Indices				Price (Near futures, except CRB)				
	Last	% Day	Low	High	Last	% Day	Last	% Day	% Year	Last	Net Day			
NZD	0.6079	-0.7	0.6073	0.6101	CHF	0.8956	+0.1	S&P 500	5,635	+0.3	25.1	Oil (Brent)	84.88	-0.2
AUD	0.6763	-0.3	0.6753	0.6789	SEK	10.600	+0.8	Dow	40,243	+0.6	16.6	Oil (WTI)	81.94	-0.4
EUR	1.0900	-0.1	1.0884	1.0922	NOK	10.805	+1.0	Nasdaq	18,471	+0.4	30.9	Gold	2427.6	+0.3
GBP	1.2972	-0.1	1.2962	1.2995	HKD	7.806	-0.0	Stoxx 50	4,983	-1.2	13.2	HRC steel	661.0	-0.6
JPY	157.86	+0.0	157.19	158.17	CNY	7.258	+0.1	FTSE	8,183	-0.8	10.1	CRB	290.4	+0.0
CAD	1.3676	+0.3			SGD	1.343	+0.2	DAX	18,591	-0.8	15.4	Wheat Chic.	555.5	-3.5
NZD/AUD	0.8989	-0.4			IDR	16,170	+0.2	CAC 40	7,633	-1.2	3.5	Sugar	19.76	+2.9
NZD/EUR	0.5577	-0.6			THB	36.17	+0.2	Nikkei	41,191	-2.4	27.2	Cotton	70.86	+2.7
NZD/GBP	0.4686	-0.5			KRW	1,383	+0.6	Shanghai	2,974	+0.1	-8.1	Coffee	242.2	-2.9
NZD/JPY	95.96	-0.6			TWD	32.58	+0.1	ASX 200	8,018	+0.7	9.8	WM powder	2990	+0.0
NZD/CAD	0.8314	-0.3			PHP	58.49	+0.2	NZX 50	12,123	-0.1	0.9	<b>Australian Futures</b>		
NZ TWI	71.35	-0.5						VIX Index	13.15	+5.5	-1.4	3 year bond	95.99	0.01
												10 year bond	95.70	-0.01
Interest Rates						NZ Government Bonds				NZ BKBM and Swap Yields				
	Rates		Swap Yields		Benchmark 10 Yr Bonds		Last	Chg		Last	Chg	Last	Chg	
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day								Last
USD	5.50	5.55	4.27	3.78	USD	4.22	0.04	15-May-26	4.47	-0.04	BKBM 1-mth	5.61	0.01	
AUD	4.35	4.45	4.21	4.46	AUD	4.32	0.00	15-Apr-27	4.27	-0.05	BKBM 3-mth	5.56	0.01	
NZD	5.50	5.56	4.44	4.23	NZD	4.45	-0.06	15-May-28	4.18	-0.06	1 year	5.00	-0.01	
EUR	3.75	3.66	3.09	2.74	GER	2.47	-0.02	20-Apr-29	4.17	-0.06	2 year	4.44	-0.06	
GBP	5.25	5.30	4.39	3.81	GBP	4.10	-0.01	15-May-30	4.23	-0.06	3 year	4.18	-0.06	
JPY	0.08	-0.03	0.40	1.01	JPY	1.07	0.00	15-May-31	4.29	-0.06	5 year	4.06	-0.06	
CAD	4.75	4.97	#N/A	N/A	CAD	3.41	0.00	15-May-32	4.36	-0.06	7 year	4.11	-0.06	
								14-Apr-33	4.41	-0.06	10 year	4.23	-0.05	
								15-May-34	4.45	-0.06	15 year	4.37	-0.05	
								15-May-35	4.50	-0.06				
								15-May-37	4.62	-0.06				
								15-May-41	4.78	-0.06				
								15-May-51	4.82	-0.06				
								15-May-54	4.84	-0.06				

\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer  
 Rates are as of: NZT 06:41  
 Source: Bloomberg

**NZD exchange rates**

16/07/2024	6:41 am	Prev. NY close
USD	0.6079	0.6119
GBP	0.4686	0.4711
AUD	0.8989	0.9020
EUR	0.5577	0.5610
JPY	95.96	96.58
CAD	0.8314	0.8343
CHF	0.5444	0.5473
DKK	4.1610	4.1863
FJD	1.3590	1.3701
HKD	4.7453	4.7773
INR	50.82	51.12
NOK	6.5682	6.5443
PKR	169.00	170.41
PHP	35.54	35.73
PGK	2.3435	2.3589
SEK	6.4438	6.4320
SGD	0.8165	0.8205
CNY	4.4123	4.4365
THB	22.01	22.15
TOP	1.4007	1.4102
VUV	72.64	73.35
WST	1.6446	1.6565
XPF	66.58	67.00
ZAR	11.0782	10.9865



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.20	0.10
3 Months	-0.01	0.42
6 Months	0.21	1.21
9 Months	-0.23	1.77
1 Year	-0.74	2.25

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.13	-7.50
3 Months	-20.20	-19.20
6 Months	-32.26	-29.75
9 Months	-36.71	-31.86
1 Year	-35.58	-27.80

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