

Research Markets Today

17 July 2024

Events Round-Up

GE: ZEW Survey Expectations, Jul: 41.8 vs. 41 exp.
 US: Retail Sales Advance (m/m%), Jun: 0.0 vs. -0.2 exp.
 US: Ret. Sales Ex Auto & Gas (m/m%), Jun: 0.8 vs. 0.3 exp.
 US: Ret. Sales Control Group (m/m%), Jun: 0.9 vs. 0.2 exp.
 CA: CPI (y/y), Jun: 2.7 vs. 2.8 exp.
 CA: CPI Core- Median (y/y%), Jun: 2.6 vs. 2.7 exp.
 CA: CPI Core- Trim (y/y%), Jun: 2.9 vs. 2.8 exp.
 US: NAHB Housing Market Index, Jul: 42 vs. 44 exp.

Good Morning

US equities advanced following strong retail sales data. The S&P is up 0.4% in afternoon trading. There has been a significant rotation towards small capitalisation stocks in recent sessions. The Russell 2000 index has increased 10%, easily beating the 1.5% gain in the S&P, as investors look ahead to rate cuts by the Fed, which benefit smaller companies with typically higher debt levels. Treasuries are lower in yield with the curve flattening. The US dollar is little changed, after gains following the data faded.

Gold hit a record high of US\$2465 an ounce. It also benefits from lower interest rates, given the cost of holding the precious metal, as it bears no interest. Gold has rallied by close to 50% since late 2022, underpinned by demand from central banks, to diversify reserves and reduce their reliance on the US dollar.

US retail sales were flat in June and beat consensus estimates for a 0.2% decline. The control measure, used to calculate GDP, increased by 0.9% which was well above expectations for a 0.2% gain. The data contrasts with a slowdown in consumption growth in recent months driven by high interest rates and a cooling labour market.

US treasury yields moved lower initially before retracing following the strong retail sales data. 2-year yields, having traded as low as 4.41%, are unchanged near 4.45%. In a reversal of the recent trend, the curve flattened with 10-year yields down 6bps at 4.17% and close to the recent lows. 10-year bunds closed 5bps lower at 2.42%.

Canadian inflation fell more than expected in June, opening the way for a follow up rate cut by the Bank of Canada, at its policy meeting next week. There is a ~85% chance of a 25bps cut priced. Headline inflation increased

2.7% on an annual basis, down from 2.9% in May. Measures of core inflation sent mixed messages. Median inflation fell but the trimmed measure was steady at 2.9%.

Japanese 10-year swap spreads have turned negative, for the first time since early 2022, as investors prepare for a slowdown in bond purchases by the Bank of Japan. The central bank has been consulting with JGB market participants, to assess how quickly it can reduce monthly bond purchases, ahead of unveiling plans at its monetary policy meeting at the end of the month.

The US dollar moved higher immediately following the retail sales data but has retraced to be largely unchanged on the major crosses. The yen has been consolidating since likely intervention last week. Data implies that there was a follow-up, less impactful second round of intervention, on Friday night (NZT). The NZD and AUD are modestly weaker against the US dollar. NZD/USD traded below 0.6040 to the lowest level since mid-May.

NZ fixed interest markets continued to move lower in yield in the local session yesterday. 2-year swap rates dropped to 4.39%, a fall of 4bps on the day. The curve flattened a touch as 10-year swap rates fell 7bps to 4.16%. 10-year NZGBs yields moved 4bps lower to 4.41%, in a largely parallel curve move, which is retesting the yield lows from last December. Australian 10-year government bond futures are 4bps lower since the local close, suggesting a further downward bias for NZ yields on the open.

The domestic focus today will be the key Q2 CPI data. The consensus is for a 0.5% increase in the June quarter and 3.4% annual rate, and our forecasts are 0.1% higher for each. The market will be sensitive to the non-tradables component. The RBNZ forecast non-tradables to increase 5.3% y/y at the May Monetary Policy Statement. A softer print will help validate the aggressive easing cycle priced for the RBNZ.

UK CPI data is released early this evening. Headline inflation is expected to slip to 1.9%, from 2.0% in May. Core inflation is also expected to ease modestly to 3.4%. Market pricing is roughly 50/50 for a 25bps rate cut at the August Bank of England meeting. US housing data and industrial production data round out the calendar.

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Coming Up

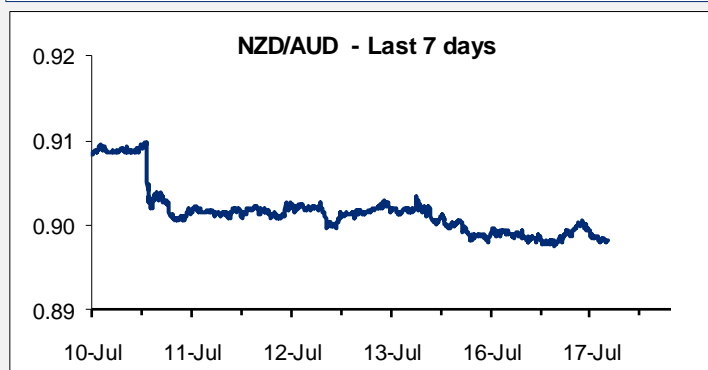
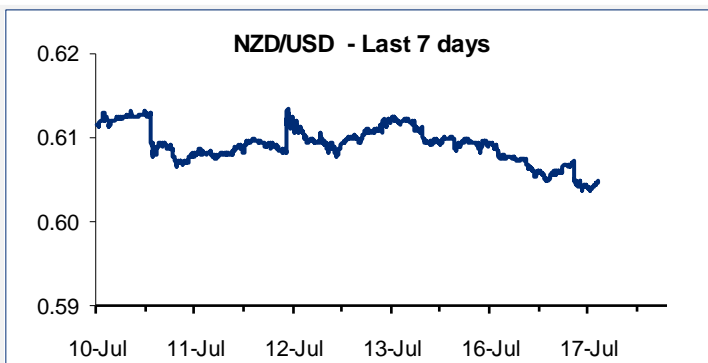
	Period	Cons.	Prev.	NZT
NZ CPI (y/y%)	2Q	3.4	4	10:45
NZ CPI (q/q%)	2Q	0.5	0.6	10:45
NZ CPI Non Tradeable (q/q%)	2Q	0.8	1.6	10:45
UK CPI (y/y%)	Jun	1.9	2	18:00
UK CPI Core (y/y%)	Jun	3.4	3.5	18:00
US Building Permits	Jun	1400	1386	00:30
US Housing Starts	Jun	1300	1277	00:30
US Industrial Production (m/m%)	Jun	0.3	0.9	01:15

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	% Year		Last	Net Day				
NZD	0.6048	-0.5	0.6036	0.6074	CHF	0.8942	-0.2		S&P 500	5,653	+0.5	25.5	Oil (Brent)	83.65	-1.4
AUD	0.6734	-0.4	0.6715	0.6748	SEK	10.601	-0.0		Dow	40,886	+1.7	18.5	Oil (WTI)	80.65	-1.5
EUR	1.0897	+0.0	1.0872	1.0905	NOK	10.806	-0.1		Nasdaq	18,491	+0.1	31.0	Gold	2469.7	+1.7
GBP	1.2968	-0.0	1.2938	1.2980	HKD	7.808	+0.0		Stoxx 50	4,948	-0.7	12.4	HRC steel	660.0	-0.3
JPY	158.38	+0.2	158.26	158.86	CNY	7.269	+0.1		FTSE	8,165	-0.2	9.8	CRB	288.4	-0.7
CAD	1.3677	-0.0			SGD	1.344	+0.0		DAX	18,518	-0.4	15.0	Wheat Chic.	554.3	-0.4
NZD/AUD	0.8981	-0.1			IDR	16,180	+0.1		CAC 40	7,580	-0.7	2.8	Sugar	19.62	-0.7
NZD/EUR	0.5550	-0.5			THB	36.01	-0.4		Nikkei	41,275	+0.2	27.4	Cotton	70.37	-0.6
NZD/GBP	0.4664	-0.4			KRW	1,385	+0.1		Shanghai	2,976	+0.1	-7.3	Coffee	243.6	+0.6
NZD/JPY	95.79	-0.3			TWD	32.60	+0.1		ASX 200	7,999	-0.2	9.6	WM powder	2965	-0.8
NZD/CAD	0.8272	-0.5			PHP	58.40	-0.2		NZX 50	12,184	+0.5	2.1	Australian Futures		
NZ TWI	71.08	-0.3						VIX Index	13.08	-0.3	-1.9	3 year bond	96.07	0.08	
Interest Rates										10 year bond			95.79	0.09	
	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	5.55	4.27	3.73	USD	4.17	-0.06	15-May-26	4.41	-0.06	BKBM 1-mth	5.61	0.00		
AUD	4.35	4.44	4.17	4.35	AUD	4.25	-0.08	15-Apr-27	4.20	-0.07	BKBM 3-mth	5.55	-0.01		
NZD	5.50	5.55	4.38	4.15	NZD	4.37	-0.08	15-May-28	4.11	-0.08	1 year	4.97	-0.03		
EUR	3.75	3.66	3.05	2.69	GER	2.43	-0.05	20-Apr-29	4.09	-0.08	2 year	4.38	-0.06		
GBP	5.25	5.30	4.36	3.75	GBP	4.05	-0.05	15-May-30	4.15	-0.07	3 year	4.11	-0.07		
JPY	0.08	-0.03	0.39	0.99	JPY	1.03	-0.04	15-May-31	4.21	-0.07	5 year	3.97	-0.09		
CAD	4.75	4.97	#N/A	#N/A	CAD	3.35	-0.07	15-May-32	4.29	-0.08	7 year	4.02	-0.09		
								14-Apr-33	4.34	-0.07	10 year	4.15	-0.08		
								15-May-34	4.37	-0.08	15 year	4.28	-0.08		
								15-May-35	4.42	-0.07					
								15-May-37	4.55	-0.08					
								15-May-41	4.70	-0.08					
								15-May-51	4.74	-0.08					
								15-May-54	4.76	-0.08					
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer						Sep-30	2.21	-0.05							
Rates are as of: NZT 06:51						Sep-35	2.49	-0.07							
Source: Bloomberg						Sep-40	2.72	-0.07							

NZD exchange rates

17/07/2024 6:51 am		Prev. NY close
USD	0.6048	0.6075
GBP	0.4664	0.4685
AUD	0.8981	0.8987
EUR	0.5550	0.5576
JPY	95.79	96.02
CAD	0.8272	0.8312
CHF	0.5408	0.5442
DKK	4.1397	4.1605
FJD	1.3551	1.3642
HKD	4.7222	4.7424
INR	50.55	50.79
NOK	6.5352	6.5697
PKR	168.44	169.19
PHP	35.31	35.52
PGK	2.3324	2.3419
SEK	6.4115	6.4418
SGD	0.8131	0.8164
CNY	4.3960	4.4094
THB	21.84	22.00
TOP	1.3942	1.4049
VUV	72.47	72.60
WST	1.6375	1.6437
XPF	66.26	66.56
ZAR	10.9205	11.0616



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.16	0.12
3 Months	0.00	0.45
6 Months	0.65	1.66
9 Months	0.89	2.89
1 Year	1.03	4.03

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.14	-7.51
3 Months	-20.51	-19.43
6 Months	-32.54	-29.91
9 Months	-36.71	-31.54
1 Year	-35.82	-27.72

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