

Research Markets Today

18 June 2024

Events Round-Up

NZ: REINZ house sales (y/y%), May: 6.8 vs. 25.3 prev.
 NZ: Performance of services index, May: 43.0 vs. 46.6 prev.
 CH: 1-Yr MLF rate (%), Jun: 2.5 vs. 2.5 exp.
 CH: Industrial production (y/y%), May: 5.6 vs. 6.2 exp.
 CH: Retail sales (y/y%), May: 3.7 vs. 3.0 exp.
 CH: Fixed assets invest. (YTD y/y%), May: 4.0 vs. 4.2 exp.
 US: Empire manufacturing, Jun: -6.0 vs. -10 exp.

Good Morning

European markets have settled after last week's selloff, with French assets recovering somewhat. US equities have continued their record-breaking run while, after last week's strong rally, US Treasury yields are modestly higher. Currency movements have been small, with the NZD giving up a little of last week's gain and the euro being the best performer, albeit up only 0.3%.

After last week's beating dealt to European assets, centred on France because of heightened political risk ahead of the snap election, the market has settled. France's benchmark CAC40 equity index rose 0.9% after last week's 6.2% drop, the France-Germany 10-year bond spread broke its upward trajectory and narrowed 3bps, and the euro shows a modest recovery to 1.0735. Marine Le Pen attempted to appeal to a wider spread of voters saying she would work with President Macron, seeking so-called "cohabitation" and noted that when financial markets see her party's policy proposals in detail they will find them "rather reasonable".

After last week's strong rally, the US 10-year Treasury yield jumped higher on the Asian open and took another leg higher from the US open, to reach a peak overnight of 4.29% before the market settled. It is currently up 5bps from Friday's close to 4.27%. There will be a cacophony of Fed-speak this week and Philadelphia Fed President has kicked off, noting he was in the camp of projecting just one rate cut this year. However, he said the Fed was data dependent and "I see two cuts, or none, for this year as quite possible if the data break one way or another". Economic news has been light overnight. The volatile Empire manufacturing survey, which measures activity in New York state, bounced back slightly more than expected in June to -6.0.

US equities have continued their record-breaking run, with the S&P500 currently up 1%. Despite the bounce-back in French equities and a small recovery in Germany's DAX index, Europe's Stoxx600 index showed only a small gain of 0.1%.

Currency markets show only modest movements at the start of the week. The modest recovery in the euro has spilled over into other European currencies. The yen is on the weak side of the ledger, with USD/JPY up slightly to 157.70, not helped by higher US Treasury yields, but the BoJ's dithering last week on tightening policy – not willing to provide details on reduced bond buying activity until the next meeting – effectively locks in a soft yen for another month and raises the chance of further intervention.

The NZD and AUD are also soft to start the week but in the context of their outperformance last week. The NZD found some support overnight just over 0.61 and currently trades at 0.6130, down slightly from last week's close. The AUD is flat at 0.6615 and NZD/AUD has consolidated around 0.9270. The market ignored NZ data showing yet another poor economic print, this time a fall in the performance of services index (PSI) to 43.0 – its lowest level for a non-COVID lockdown month since the survey began in 2007, so even lower than the levels reached during the GFC. Anecdotes from some businesses suggest trading conditions are currently worse than the GFC, so the PSI at such a low level is consistent with those comments.

The domestic rates market had a quiet session, with global forces resulting in a 1-3bps fall across the curve for NZGBs. NZ swap rates were lower across the curve before some profit-taking in 2-year swap saw it close unchanged at 4.93%, against a 2bps fall in 10-year swap.

Yesterday, the PBoC left its key policy rate unchanged for a tenth successive month, continuing to be reluctant to ease monetary policy to avoid further pressure on the yuan. The array of monthly activity indicators showed slower industrial production against a small lift in retail sales and overall didn't give much confidence that China's economy was on a stronger economic path. The property market downturn remains a source of concern and Chinese house prices continue to fall in the over-supplied market.

In the day ahead, we get NZ consumer confidence data for Q2 and the RBA policy update. No change in rates or tone is expected, with the Bank likely to repeat guidance of "not ruling anything in or out". Tonight sees the release of US

retail sales, where modest growth is expected for May after the weak April print.

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Coming Up

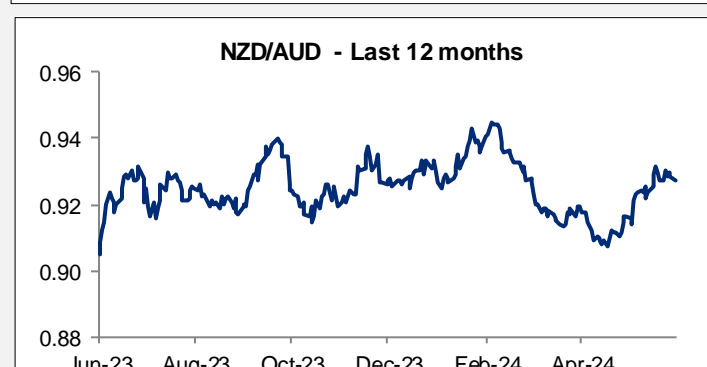
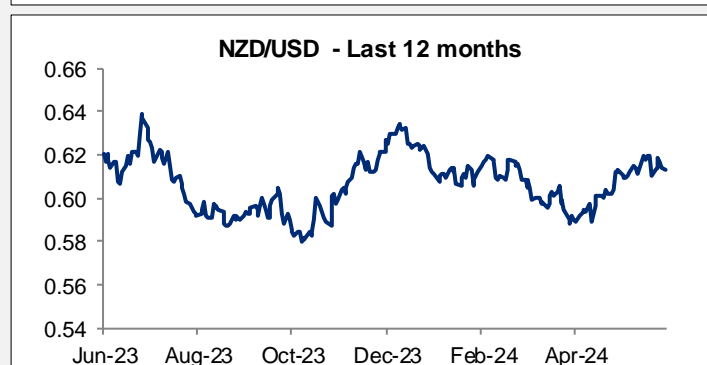
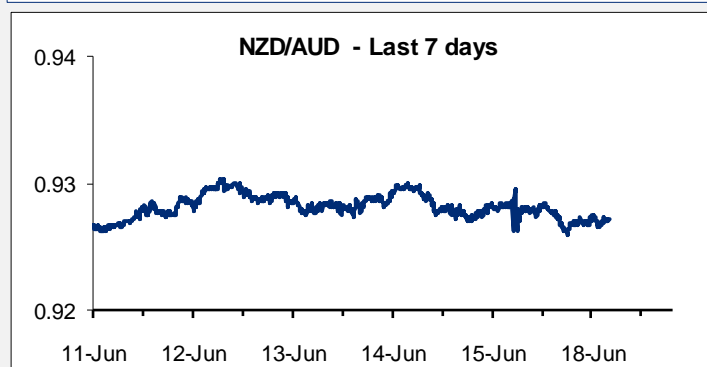
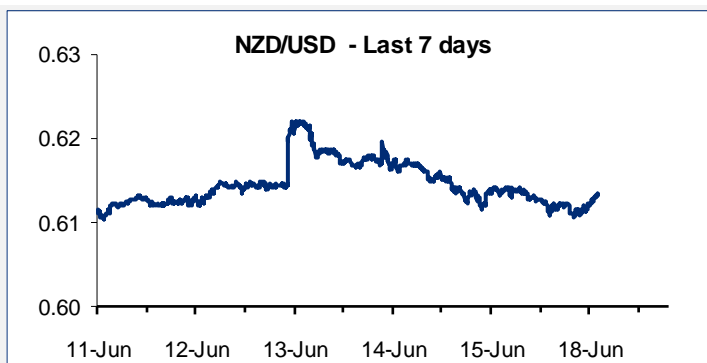
		Period	Cons.	Prev. NZT	
NZ	Westpac consumer confidence	Q2	93.2	09:00	
AU	RBA cash rate target	Jun	4.35	4.35	16:30
GE	ZEW survey expectations	Jun	49.5	47.1	21:00
US	Retail sales (m/m%)	May	0.3	0.0	00:30
US	Retail sales ex auto, gas (m/m%)	May	0.4	-0.1	00:30
US	Industrial production (m/m%)	May	0.3	0.0	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			Last	Net Day			
NZD	0.6132	-0.2	0.6105	0.6134	CHF	0.8899	-0.1	S&P 500	5,484	+0.9	24.4	Oil (Brent)	84.39	+2.2
AUD	0.6615	-0.0	0.6585	0.6617	SEK	10.480	-0.3	Dow	38,770	+0.5	13.0	Oil (WTI)	80.43	+2.6
EUR	1.0736	+0.3	1.0692	1.0738	NOK	10.658	-0.1	Nasdaq	17,911	+1.2	30.8	Gold	2312.4	-0.8
GBP	1.2706	+0.1	1.2659	1.2710	HKD	7.811	-0.0	Stoxx 50	4,880	+0.9	11.0	HRC steel	735.0	+0.0
JPY	157.70	+0.2	157.29	157.96	CNY	7.256	+0.0	FTSE	8,142	-0.1	6.5	CRB	294.0	-0.5
CAD	1.3721	-0.1			SGD	1.352	-0.1	DAX	18,068	+0.4	10.5	Wheat Chic.	607.5	-3.3
NZD/AUD	0.9270	-0.2			IDR	16,412	+0.9	CAC 40	7,572	+0.9	2.5	Sugar	18.98	-2.3
NZD/EUR	0.5712	-0.5			THB	36.82	+0.4	Nikkei	38,102	-1.8	13.0	Cotton	69.94	-1.4
NZD/GBP	0.4826	-0.3			KRW	1,381	+0.1	Shanghai	3,016	-0.6	-7.9	Coffee	227.3	+1.3
NZD/JPY	96.70	+0.0			TWD	32.37	+0.1	ASX 200	7,700	-0.3	6.2	WM powder	3255	-0.3
NZD/CAD	0.8414	-0.2			PHP	58.66	+0.0	NZX 50	11,699	-1.4	-0.9	Australian Futures		
NZ TWI	72.51	-0.2						VIX Index	12.67	+0.1	-6.4	3 year bond	96.24	0.02
Interest Rates										10 year bond			95.86	-0.05
	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	5.61	4.59	3.88	USD	4.28	0.06	15-May-26	4.75	-0.02	BKBM 1-mth	5.60	0.00	
AUD	4.35	4.37	4.11	4.34	AUD	4.11	-0.01	15-Apr-27	4.56	-0.02	BKBM 3-mth	5.61	-0.00	
NZD	5.50	5.61	4.93	4.41	NZD	4.59	-0.02	15-May-28	4.47	-0.02	1 year	5.40	0.00	
EUR	3.75	3.72	3.20	2.75	GER	2.41	0.05	20-Apr-29	4.43	-0.02	2 year	4.93	-0.00	
GBP	5.25	5.30	4.54	3.80	GBP	4.12	0.06	15-May-30	4.44	-0.02	3 year	4.64	-0.01	
JPY	0.08	-0.03	0.37	0.96	JPY	0.94	-0.01	15-May-31	4.47	-0.03	5 year	4.39	-0.02	
CAD	4.75	4.96	4.17	3.59	CAD	3.32	0.04	15-May-32	4.53	-0.02	7 year	4.36	-0.02	
								14-Apr-33	4.55	-0.02	10 year	4.41	-0.02	
								15-May-34	4.59	-0.02	15 year	4.54	-0.02	
								15-May-35	4.64	-0.02				
								15-May-37	4.75	-0.01				
								15-May-41	4.88	-0.01				
								15-May-51	4.88	-0.01				
								15-May-54	4.91	-0.01				
* These are indicative r 07:00 please confirm rates with your BNZ dealer						NZ Inflation-Indexed Bonds								
						Sep-30		2.20	0.00					
						Sep-35		2.51	0.00					
						Sep-40		2.71	0.00					
Rates are as of: NZT														
Source: Bloomberg														

NZD exchange rates

18/06/2024	7:00 am	Prev. NY close
USD	0.6132	0.6142
GBP	0.4826	0.4841
AUD	0.9270	0.9285
EUR	0.5712	0.5739
JPY	96.70	96.68
CAD	0.8414	0.8435
CHF	0.5457	0.5471
DKK	4.2606	4.2797
FJD	1.3886	1.3818
HKD	4.7897	4.7979
INR	51.24	51.31
NOK	6.5357	6.5563
PKR	170.66	169.61
PHP	35.97	35.98
PGK	2.3548	2.3578
SEK	6.4266	6.4599
SGD	0.8290	0.8311
CNY	4.4494	4.4565
THB	22.57	22.58
TOP	1.4251	1.4168
VUV	73.90	73.80
WST	1.6665	1.6670
XPF	67.84	68.06
ZAR	11.1940	11.2927



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.10	0.11
3 Months	-0.32	0.21
6 Months	-1.64	-0.61
9 Months	-4.36	-2.36
1 Year	-7.37	-4.37

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.62	-8.10
3 Months	-24.44	-23.20
6 Months	-46.21	-43.59
9 Months	-64.81	-59.96
1 Year	-80.29	-72.88

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