

## Research

# Markets Today

18 September 2024

## **Events Round-Up**

GE: ZEW survey expectations, Sep: 3.6 vs. 17 exp.

US: Retail sales (mm%), Aug: 0.1 vs. -0.2 exp.

US: Retail sales ex auto, gas (m/m%), Aug: 0.2 vs. 0.3 exp.

CA: CPI (y/y%), Aug: 2.0 vs. 2.1 exp.

CA: CPI core (avg. median, trim y/y%), Aug: 2.4 vs. 2.4 exp.

US: Industrial production (m/m%), Aug: 0.8 vs. 0.2 exp.

US: NAHB housing market index, Sep: 41 vs. 40 exp.

## **Good Morning**

The S&P reached a new record high intra-day, before paring its gains to be little changed in afternoon trade, as investors look ahead to the September FOMC. US retail sales for August was broadly in line with expectations and didn't provide the market with additional guidance for the size of the Fed's first rate cut in the easing cycle. Stocks in Europe gained with the Euro Stoxx advancing 0.7%. Global bond yields are modestly higher, and the US dollar is generally stronger against G10 currencies.

Headline retail sales in the US increased by 0.1% in August, above consensus expectations for a 0.2% decline. This follows a 1.1% gain in July and points towards a still resilient consumer. Core retail sales increased 0.2% during the month and the retail control group rose 0.3% which was in line with economists' expectations.

US homebuilder confidence improved in September as lower mortgage rates underpinned sentiment despite high construction costs. 30-year mortgage rates have dropped nearly 70bps since earlier in the year. Separately, US industrial production rose by 0.8% in August, easily beating expectations. However, there were downward revisions which offset the surprisingly strong monthly gain.

The data didn't materially change market pricing for the size of expected Fed easing. There is about 42bps of easing priced which implies close to a 70% chance of a 50bps cut. According to Bloomberg calculations, this is the largest level of uncertainty by the market about a Fed policy decision since 2007.

US treasury yields moved modestly higher following the data which likely reflects some position squaring ahead of the FOMC. 10-year yields increased 3bps to 3.65% but are still only marginally above the 3.60% cycle lows.

Contrasting with the strong demand for bonds seen last week, there was only subdued investor interest in the US\$13 billion 20-year auction which tailed by 2bps.

The US dollar is stronger against G10 currencies though the moves have been modest for the most part. The dollar index held above the 100.50 support level which has formed several lows through the past month. The yen underperformed and declined almost 1% against the dollar. NZD/USD is little changed while NZD/AUD has traded lower towards 0.9150 in the offshore session.

There was little lasting impact on the CAD following a downside surprise to Canadian headline CPI. Annual headline inflation reached 2.0% for the first time since 2021 and core measures also moved lower. The market expects the Bank of Canada to ease by around 75bps over its two remaining policy meetings this year.

It was a quiet local session for NZ fixed income in the absence of domestic data or other catalysts. 2-year swap rates closed 2bps higher at 3.62%, only marginally above the cycle low reached at the end of last week. The curve made a parallel adjustment with 10-year rates closing at 3.78%.

Government bonds largely matched the move in swaps with 10-year NZGBs closing 3bps higher at 4.09%. Non-resident investors increased NZGB holdings to a record NZ\$91 billion at the end of August. Australian 10-year government bond futures are ~4bps higher in yield terms since the local close yesterday, suggesting an upward bias for NZ yields on the open.

NZ Q3 consumer confidence is released today and should rebound from the very weak previous print. Q2 balance of payments data is expected to show a narrowing in the current account deficit – consensus estimates are for 6.5% of GDP - but remain relatively large in a historical context which will keep the external accounts in focus for rating agencies.

The Fed's rate decision is announced tomorrow morning alongside updated economic projections. The strong consensus amongst economists is for a 25bps cut though the market continues to price a meaningful chance of a larger 50bps cut.

Alongside the size of the cut, projections for the path of the Fed's benchmark rate and Fed Chair Jerome Powell's press conference will be closely monitored to calibrate expectations for the pace and magnitude of the easing cycle.

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## **Coming Up**

		Period	Cons.	Prev.	NZT
NZ	Westpac Consumer Confidence	3Q		82.2	09:00
NZ	Current Account GDP Ratio YTD	2Q	-6.5	-6.8	10:45
СН	1-Yr MLF Rate	Sep	2.3	2.3	09/25
UK	CPI (y/y%)	Aug	2.2	2.2	18:00
UK	CPI Core (y/y%)	Aug	3.6	3.3	18:00
UK	CPI Services (y/y%)	Aug	5.6	5.2	18:00
US	Building Permits	Aug	1412	1396	00:30
US	Housing Starts	Aug	1315	1238	00:30
US	FOMC Rate (Upper Bound)	Sep	5.25	5.5	06:00

Source: Bloomberg, BNZ

Currencies					Equities				Commodities	S				
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	0.6186	-0.3	0.6176	0.6211	CHF	0.8465	+0.2	S&P 500	5,631	-0.0	26.5	Oil (Brent)	73.64	+1.2
AUD	0.6756	+0.1	0.6744	0.6769	SEK	10.188	+0.1	Dow	41,600	-0.1	20.2	Oil (WTI)	71.11	+1.5
EUR	1.1119	-0.1	1.1111	1.1146	NOK	10.602	+0.1	Nasdaq	17,610	+0.1	28.5	Gold	2572.5	-0.5
GBP	1.3162	-0.4	1.3146	1.3230	HKD	7.793	+0.0	Stoxx 50	4,861	+0.7	13.2	HRC steel	700.0	+0.3
JPY	141.90	+0.9	140.35	142.00	CNY	7.097	-0.3	FTSE	8,310	+0.4	7.8	CRB	276.9	+1.1
CAD	1.3595	+0.1			SGD	1.296	+0.1	DAX	18,726	+0.5	17.8	Wheat Chic.	596.3	-0.2
NZD/AUD	0.9156	-0.3			IDR	15,335	-0.4	CAC 40	7,487	+0.5	1.5	Sugar	19.98	+4.3
NZD/EUR	0.5563	-0.1			THB	33.38	+0.4	Nikkei	36,203	-1.0	8.0	Cotton	70.81	-1.9
NZD/GBP	0.4700	+0.1			KRW	1,324	+0.3	Shanghai	2,704	-0.5	-13.3	Coffee	264.5	+1.9
NZD/JPY	87.78	+0.7			TWD	31.88	-0.4	ASX 200	8,141	+0.2	12.6	WM powder	3465	+1.3
NZD/CAD	0.8410	-0.2			PHP	55.68	-0.3	NZX 50	12,672	-0.3	11.2	Australian Fu	tures	
NZ TWI	70.82	-0.2						VIX Index	17.58	+2.6	+27.5	3 year bond	96.67	-0.02
Interest	Rates											10 year bond	96.13	-0.06
	Rates		Swap Yie	elds	Benchr	nark 10 Y	r Bonds	NZ Governm	nent Bond	s		NZ BKBM and	l Swap Yi	elds
	Cash	3Mth	2 Yr	10 Yr		Last	Net Day			Last	Chg		Last	Chg
USD	5.50	5.12	3.39	3.18	USD	3.64	0.02	15-May-26		3.85	0.03	BKBM 1-mth	5.27	-0.02
AUD	4.35	4.42	3.58	3.96	AUD	3.83	0.02	15-Apr-27		3.64	0.03	BKBM 3-mth	5.01	-0.06
NZD	5.25	5.01	3.62	3.78	NZD	4.10	0.03	15-May-28		3.62	0.03	1 year	4.19	-0.00
EUR	3.75	3.49	2.47	2.40	GER	2.14	0.02	20-Apr-29		3.68	0.03	2 year	3.62	0.02
GBP	5.00	5.30	3.77	3.43	GBP	3.77	0.01	15-May-30		3.78	0.03	3 year	3.47	0.02
JPY	0.23	-0.03	0.45	0.87	JPY	0.83	-0.02	15-May-31		3.88	0.02	5 year	3.49	0.02
CAD	4.25	4.97	2.84	2.78	CAD	2.90	0.03	15-May-32		3.98	0.02	7 year	3.61	0.02
								14-Apr-33		4.05	0.03	10 year	3.78	0.02
								15-May-34		4.10	0.03	15 year	3.98	0.02
l								15-May-35		4.18	0.03			
					NZ Infla	tion-Inde	xed Bonds	15-May-36		4.27	0.03			
* These are indicative ranges from 5pm NZT; Sep-30 2.07 0.00			0.00	15-May-37		4.36	0.03							
please cor	nfirm rates	with your B	NZ dealer		Sep-35	2.38	-0.01	15-May-41		4.55	0.04			
Rates are as of: NZT 06:36 Sep-40 2.63 0.00				15-May-51		4.62	0.03							
Source: Blo	Source: Bloomberg						15-May-54		4.65	0.03				

NZD exchange rates							
18/09/2024	6:36 am	Prev. NY close					
USD	0.6186	0.6202					
GBP	0.4700	0.4693					
AUD	0.9156	0.9185					
EUR	0.5563	0.5571					
JPY	87.78	87.21					
CAD	0.8410	0.8427					
CHF	0.5236	0.5239					
DKK	4.1514	4.1569					
FJD	1.3668	1.3794					
HKD	4.8207	4.8330					
INR	51.81	52.03					
NOK	6.5583	6.5685					
PKR	172.23	172.88					
PHP	34.45	34.65					
PGK	2.4033	2.4170					
SEK	6.3022	6.3106					
SGD	0.8017	0.8033					
CNY	4.3903	4.4142					
THB	20.59	20.61					
TOP	1.4306	1.4317					
VUV	73.89	73.79					
WST	1.6708	1.6764					
XPF	66.62	66.82					
ZAR	10.8853	10.9274					

## **NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.19	0.36
3 Months	1.63	2.10
6 Months	-0.77	0.24
9 Months	-4.74	-2.75
1 Year	-6.30	-3.30

## **NZD/AUD Forward points**

	BNZ buys NZD	<b>BNZ Sells NZD</b>
1 Month	-4.80	-4.34
3 Months	-9.20	-8.00
6 Months	-11.28	-8.72
9 Months	-9.37	-4.45
1 Year	-2.41	4.76









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