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.

stuart.ritson@bnz.co.nz

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
CH	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

Global froces — Indicative overnight ranges (*)

	Last	% Day	Low	High
NZD	0.6186	-0.3	0.6176	0.6211
AUD	0.6756	+0.1	0.6744	0.6769
EUR	1.1119	-0.1	1.1111	1.1146
GBP	1.3162	-0.4	1.3146	1.3230
JPY	141.90	+0.9	140.35	142.00
CAD	1.3595	+0.1		
NZD/AUD	0.9156	-0.3		
NZD/EUR	0.5563	-0.1		
NZD/GBP	0.4700	+0.1		
NZD/JPY	87.78	+0.7		
NZD/CAD	0.8410	-0.2		
NZ TWI	70.82	-0.2		

Other FX

	Last	% Day
CHF	0.8465	+0.2
SEK	10.188	+0.1
NOK	10.602	+0.1
HKD	7.793	+0.0
CNY	7.097	-0.3
SGD	1.296	+0.1
IDR	15,335	-0.4
THB	33.38	+0.4
KRW	1,324	+0.3
TWD	31.88	-0.4
PHP	55.68	-0.3

Equities

Major Indices

	Last	% Day	% Year
S&P 500	5,631	-0.0	26.5
Dow	41,600	-0.1	20.2
Nasdaq	17,610	+0.1	28.5
Stoxx 50	4,861	+0.7	13.2
FTSE	8,310	+0.4	7.8
DAX	18,726	+0.5	17.8
CAC 40	7,487	+0.5	1.5
Nikkei	36,203	-1.0	8.0
Shanghai	2,704	-0.5	-13.3
ASX 200	8,141	+0.2	12.6
NZX 50	12,672	-0.3	11.2
VIX Index	17.58	+2.6	+27.5

Commodities

Price (Near futures, except CRB)

	Last	Net Day
Oil (Brent)	73.64	+1.2
Oil (WTI)	71.11	+1.5
Gold	2572.5	-0.5
HRC steel	700.0	+0.3
CRB	276.9	+1.1
Wheat Chic.	596.3	-0.2
Sugar	19.98	+4.3
Cotton	70.81	-1.9
Coffee	264.5	+1.9
WM powder	3465	+1.3

Australian Futures

3 year bond	96.67	-0.02
10 year bond	96.13	-0.06

Interest Rates

	Rates Cash	Rates 3Mth	Swap Yields 2 Yr	Swap Yields 10 Yr
USD	5.50	5.12	3.39	3.18
AUD	4.35	4.42	3.58	3.96
NZD	5.25	5.01	3.62	3.78
EUR	3.75	3.49	2.47	2.40
GBP	5.00	5.30	3.77	3.43
JPY	0.23	-0.03	0.45	0.87
CAD	4.25	4.97	2.84	2.78

Benchmark 10 Yr Bonds

	Last	Net Day
USD	3.64	0.02
AUD	3.83	0.02
NZD	4.10	0.03
GER	2.14	0.02
GBP	3.77	0.01
JPY	0.83	-0.02
CAD	2.90	0.03

NZ Inflation-Indexed Bonds

Sep-30	2.07	0.00
Sep-35	2.38	-0.01
Sep-40	2.63	0.00

NZ Government Bonds

	Last	Chg
15-May-26	3.85	0.03
15-Apr-27	3.64	0.03
15-May-28	3.62	0.03
20-Apr-29	3.68	0.03
15-May-30	3.78	0.03
15-May-31	3.88	0.02
15-May-32	3.98	0.02
14-Apr-33	4.05	0.03
15-May-34	4.10	0.03
15-May-35	4.18	0.03
15-May-36	4.27	0.03
15-May-37	4.36	0.03
15-May-41	4.55	0.04
15-May-51	4.62	0.03
15-May-54	4.65	0.03

NZ BKBM and Swap Yields

	Last	Chg
BKBM 1-mth	5.27	-0.02
BKBM 3-mth	5.01	-0.06
1 year	4.19	-0.00
2 year	3.62	0.02
3 year	3.47	0.02
5 year	3.49	0.02
7 year	3.61	0.02
10 year	3.78	0.02
15 year	3.98	0.02

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

Rates are as of: NZT 06:36

Source: Bloomberg

NZD exchange rates

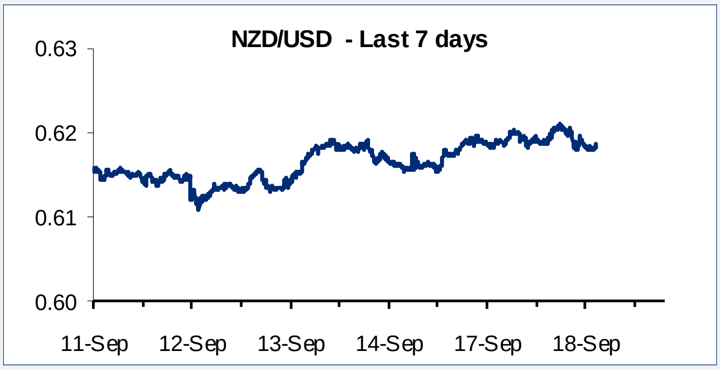
18/09/2024	6:36 am	Prev. NY close
USD	0.6186	0.6202
GBP	0.4700	0.4693
AUD	0.9156	0.9185
EUR	0.5563	0.5571
JPY	87.78	87.21
CAD	0.8410	0.8427
CHF	0.5236	0.5239
DKK	4.1514	4.1569
FJD	1.3668	1.3794
HKD	4.8207	4.8330
INR	51.81	52.03
NOK	6.5583	6.5685
PKR	172.23	172.88
PHP	34.45	34.65
PGK	2.4033	2.4170
SEK	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

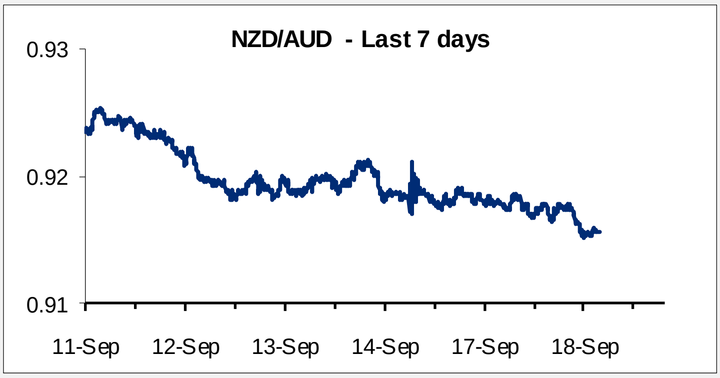
NZD/USD Forward Points

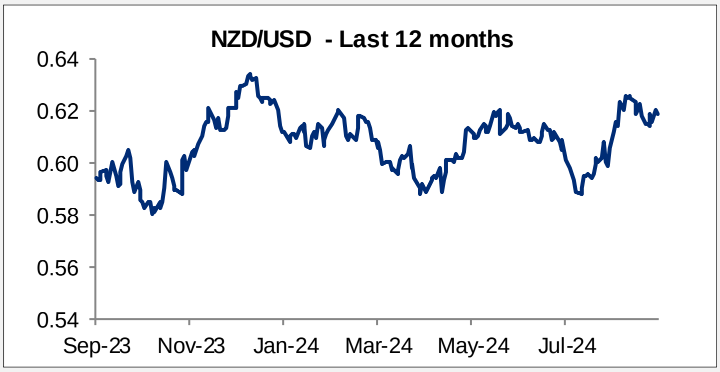
	BNZ buys NZD	BNZ sells NZD
1 Month	0.19	0.36
3 Months	1.63	2.10
6 Months	-0.77	0.24
9 Months	-4.74	-2.75
1 Year	-6.30	-3.30

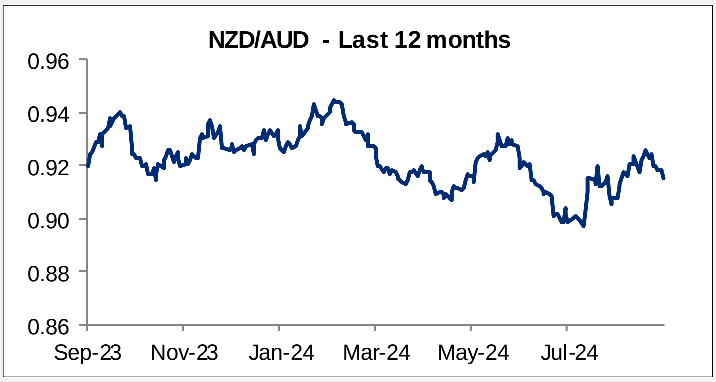
NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
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









Contact Details

BNZ Research

Stephen Toplis
Head of Research
+64 4 474 6905

Doug Steel
Senior Economist
+64 4 474 6923

Jason Wong
Senior Markets Strategist
+64 4 924 7652

Stuart Ritson
Senior Interest Rate Strategist
+64 9 9248601

Mike Jones
BNZ Chief Economist
+64 9-956 0795

Main Offices

Wellington
Level 4, Spark Central
42-52 Willis Street
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland
80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch
111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854