

# Research Markets Today

19 August 2024

## Events Round-Up

NZ: Manufacturing PMI, Jul: 44.0 vs. 41.1 prev.  
 NZ: PPI Output (q/q%), 2Q: 1.1 vs. 0.9 prev.  
 UK: Retail Sales Ex Auto Fuel (m/m%), Jul: 0.7 vs. 0.7 exp.  
 US: Housing Starts (k), Jul: 1238 vs. 1333 exp.  
 US: Building Permits (k), Jul: 1396 vs. 1425 exp.  
 US: U. of Mich. Sentiment, Aug P: 67.8 vs. 66.9 exp.  
 US: U. of Mich. 5-10 Yr Inflation, Aug P: 3.0 vs. 2.9 exp.

## Good Morning

US equities rebounded from an initial dip, to advance for the seventh consecutive day, as investor sentiment continued to recover from the volatility at the beginning of the month. The S&P closed 0.2% higher extending its gains for the week to 4%. US treasury yields ended the session modestly lower in yield and the US dollar fell against developed market currencies. Gold traded to a fresh all-time high, reaching \$2,500 per troy ounce for the first time, as investors look ahead to lower interest rates.

The University of Michigan index of consumer sentiment increased to 67.8 in August, which was close to consensus estimates, and a pickup from July's eight month-low of 66.4. Sentiment was underpinned by increasing expectations that the Federal Reserve is near the beginning of an easing cycle and offset the impact of recent stock market volatility. Consumer spending is more closely correlated with the expectations index, which rose to a four-month high of 72.1 and is consistent with consumers' real spending growing at a solid 2.0% annualised pace in Q3.

5–10-year inflation expectations remained steady at 3.0%. Medium-term expectations remain elevated, relative to levels that prevailed in the 2010s, and it is notable that expectations haven't receded in line with the fall in headline inflation.

US housing starts fell to the lowest level in more than four years and building permits, an indicator of future construction, also fell more than expected. Elevated mortgage rates along with high house prices have weighed on demand. Inventory levels are high which has prompted some builders to slow construction.

US treasuries struggled for direction and traded in a wide range before closing 2-3bps lower across the curve. 10-year yields ended the week at 3.89%, 2bps lower on the session. European bonds were little changed – 10-year bunds closed 1bp lower at 2.24% - in the absence of first-tier economic data or other catalysts.

The US dollar traded steadily lower on Friday night with the dollar index falling close to 0.5%. There was no obvious catalyst for the move which was broad based across G10 currencies. There was limited impact on the pound from the UK retail sales which were in line with expectations. The CFTC reported further strong buying of yen FX futures. Speculative accounts are now long, a big shift from only a few weeks back. NZD/USD traded above 0.6050 into the weekly close amid the broader US dollar move.

NZ fixed interest markets closed little changed in the local session on Friday. 2-year swap rates were up 2bps to 3.78% and the curve flattened a touch with 10-year swap rates down 1bps to 3.85%. 10-year government bond yields were 1bp lower at 4.13%, as the market looks ahead to syndication of the new May 2036 line, which is likely to launch either today or tomorrow. The long end of the government curve outperformed with the 30-year bonds closing 3bps lower at 4.54%.

Australian 10-year government bond futures are little changed since the local close on Friday, suggesting limited directional bias for NZ yields on the open.

It is a quiet start to the week from a data perspective with NZ services PMI the only item of note. The index fell to 40.2 in June, a record low for the series which extends back to 2007, outside of the massive swings during the pandemic. US Fed Chair Powell's speech at Jackson Hole on Friday, which is expected to lay the groundwork for a September rate cut, and preliminary PMIs for Europe are the main risk events on the global calendar in the week ahead.

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## Coming Up

	Period	Cons.	Prev.	NZT
NZ	Performance Services Index	Jul	40.2	10:30

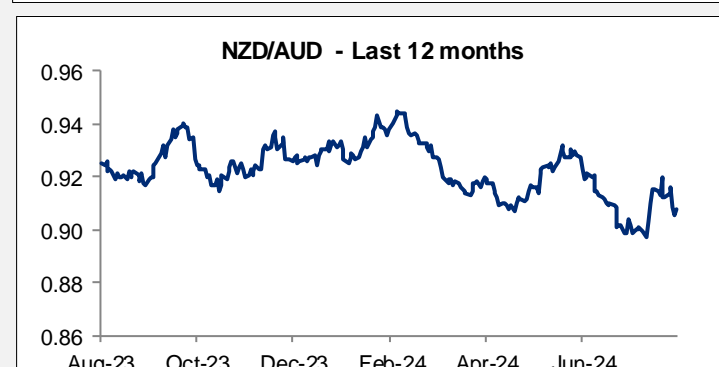
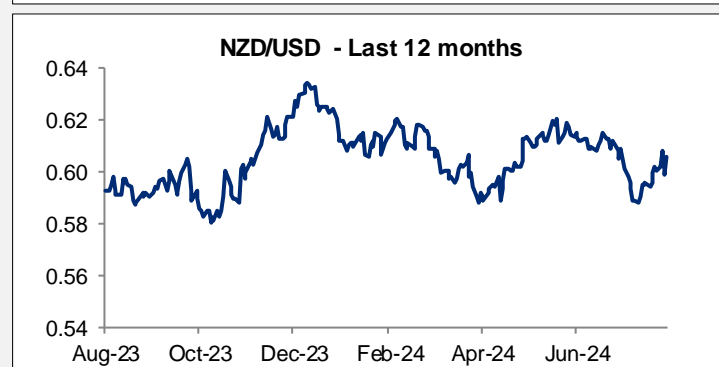
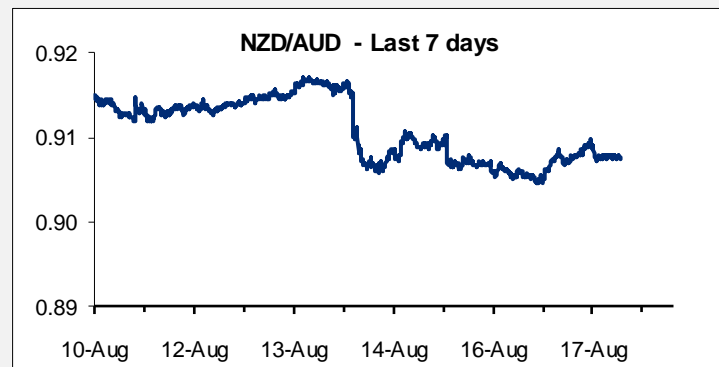
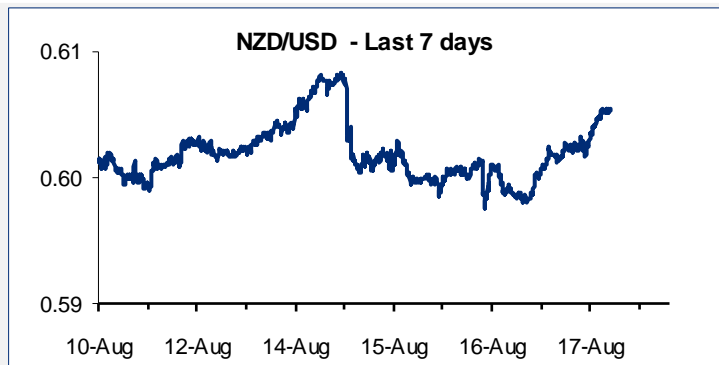
Source: Bloomberg, BNZ

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	0.6054	+1.2	0.6012	0.6055	CHF	0.8661	-0.7	S&P 500	5,554	+0.2	26.1	Oil (Brent)	79.68	-1.8
AUD	0.6670	+0.9	0.6623	0.6671	SEK	10.440	-0.9	Dow	40,660	+0.2	17.0	Oil (WTI)	76.65	-2.0
EUR	1.1029	+0.5	1.0977	1.1030	NOK	10.677	-0.7	Nasdaq	17,632	+0.2	30.9	Gold	2498.6	+2.2
GBP	1.2946	+0.7	1.2871	1.2946	HKD	7.794	-0.0	Stoxx 50	4,841	+0.7	13.0	HRC steel	656.0	-0.5
JPY	147.60	-1.1	147.57	149.06	CNY	7.159	-0.2	FTSE	8,311	-0.4	13.0	CRB	275.4	-0.7
CAD	1.3680	-0.4			SGD	1.316	-0.5	DAX	18,322	+0.8	16.0	Wheat Chic.	552.5	+0.2
NZD/AUD	0.9076	+0.3			IDR	15,693	-0.0	CAC 40	7,450	+0.4	2.6	Sugar	18.03	+0.8
NZD/EUR	0.5489	+0.7			THB	34.62	-1.4	Nikkei	38,063	+3.6	21.0	Cotton	66.46	+0.2
NZD/GBP	0.4677	+0.4			KRW	1,351	-1.1	Shanghai	2,879	+0.1	-8.1	Coffee	244.1	+2.5
NZD/JPY	89.36	+0.0			TWD	32.29	+0.0	ASX 200	7,971	+1.3	11.5	WM powder	3310	+0.5
NZD/CAD	0.8282	+0.8			PHP	57.24	+0.5	NZX 50	12,728	+0.1	9.6	<b>Australian Futures</b>		
NZ TWI	70.15	+0.7						VIX Index	14.80	-2.8	-11.8	3 year bond	96.46	-0.07
<b>Interest Rates</b>											10 year bond	96.06	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	5.36	3.85	3.44	USD	3.88	-0.03	15-May-26	3.91	0.01	BKBM 1-mth	5.36	0.00	
AUD	4.35	4.37	3.77	4.08	AUD	3.93	0.05	15-Apr-27	3.69	0.01	BKBM 3-mth	5.25	-0.02	
NZD	5.25	5.25	3.78	3.85	NZD	4.13	-0.02	15-May-28	3.70	0.01	1 year	4.42	0.05	
EUR	3.75	3.55	2.74	2.51	GER	2.25	-0.02	20-Apr-29	3.72	-0.00	2 year	3.78	0.02	
GBP	5.00	5.30	4.12	3.63	GBP	3.93	0.00	15-May-30	3.82	0.00	3 year	3.59	0.00	
JPY	0.23	-0.03	0.43	0.86	JPY	0.88	0.04	15-May-31	3.93	0.01	5 year	3.58	-0.02	
CAD	4.50	4.97	3.25	2.96	CAD	3.07	-0.01	15-May-32	4.02	0.00	7 year	3.69	-0.02	
					NZ Inflation-Indexed Bonds			14-Apr-33	4.08	-0.00	10 year	3.85	-0.01	
					Sep-30	2.06	0.01	15-May-34	4.13	-0.02	15 year	4.03	-0.01	
					Sep-35	2.37	0.02	15-May-35	4.19	-0.03				
					Sep-40	2.61	0.02	15-May-37	4.30	-0.02				
								15-May-41	4.46	-0.03				
								15-May-51	4.50	-0.03				
								15-May-54	4.54	-0.03				

\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer  
 Rates at NY close  
 Source: Bloomberg

**NZD exchange rates**

17/08/2024	NY close	Prev. NY close
USD	0.6054	0.5986
GBP	0.4677	0.4657
AUD	0.9076	0.9053
EUR	0.5489	0.5456
JPY	89.36	89.36
CAD	0.8282	0.8219
CHF	0.5243	0.5223
DKK	4.0958	4.0706
FJD	1.3556	1.3531
HKD	4.7186	4.6673
INR	50.82	50.25
NOK	6.4638	6.4330
PKR	168.48	166.59
PHP	34.65	34.08
PGK	2.3465	2.3247
SEK	6.3206	6.3088
SGD	0.7966	0.7916
CNY	4.3342	4.2948
THB	21.20	20.94
TOP	1.4027	1.3950
VUV	72.56	71.99
WST	1.6588	1.6400
XPF	65.85	65.15
ZAR	10.8208	10.7883



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.94	1.29
3 Months	1.88	2.39
6 Months	3.63	4.64
9 Months	3.95	8.02
1 Year	7.68	10.69

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-6.64	-5.95
3 Months	-15.91	-14.72
6 Months	-20.63	-18.10
9 Months	-21.53	-13.90
1 Year	-15.52	-7.75

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