

# Research Markets Today

19 July 2024

## Events Round-Up

AU: Employment Change (k), Jun: 50 vs. 20 exp.  
 AU: Unemployment Rate, Jun: 4.1 vs. 4.1 exp.  
 UK: ILO Unemployment Rate 3Mths, May: 4.4 vs. 4.4 exp.  
 UK: Wkly earnings ex bonus (3m/y%), May: 5.7 vs. 5.7 exp.  
 EC: ECB Deposit Facility Rate, Jul: 3.75 vs. 3.75 exp.  
 US: Initial Jobless Claims, 13 Jul: 243 vs. 230 exp.  
 US: Philadelphia Fed Business Outlook, Jul: 13.9 vs. 2.9 exp.

## Good Morning

Global equity markets dropped for the second consecutive session. There were limited catalysts with only second-tier economic data. The S&P is down 0.6% in early afternoon trading with the Euro Stoxx registering a similar decline. Equities are beginning to price in more political risk – the VIX has climbed to the highest level since April. Global bond markets yields were little changed, and the US dollar traded higher against G10 currencies, partially retracing the decline from the previous day.

US initial jobless claims rose to 243K, which was above expectations, and an increase from the previous week's upwardly revised level of 223k new claims. The increase was driven by shutdowns at auto plants and disruption caused by Hurricane Beryl. However, the underlying trend in claims is rising aligned with the cooling labour market. Continuing jobless claims rose to 1.87m, the highest level since November 2021.

There was a solid bounce in the Philly Fed manufacturing index. However, the survey covers just one small region of the US and has a small sample size. More regional Fed manufacturing surveys are required before making a broader assessment of the national backdrop.

US Treasury yields edged higher across the curve in a quiet session. 10-year yields are up 2bps to 4.18%, only marginally above the four-month lows reached earlier in the week. There was tepid investor demand in the US\$19 billion 10-year TIPS auction which tailed by 2bps.

There was little market impact from the European Central Bank's (ECB) decision to leave rates unchanged which was widely expected by investors. ECB President Lagarde said the September meeting is 'wide open' and 'will be

determined on the basis of all the data that we will be receiving'. Market pricing indicates a high probability of the ECB cutting rates in September. There is about 21bps of easing indicated by overnight index swaps. Front end bunds closed 1-2bps lower in yield while 10-year bonds increased 1bps to 2.42%.

The UK unemployment rate held steady at 4.4%, which was in line with expectations, and average weekly earnings slowed to 5.7% from 5.9% in the three months to April. The pace of wage growth remains stronger than Bank of England (BOE) forecasts in May. Market pricing continues to indicate about a 50/50 chance of a 25bps cut at the BOE's policy meeting on 1 August.

The dollar made broad based gains and advanced against all the G10 currencies. The yen underperformed, falling 0.5% against the dollar, although there was no obvious catalyst. NZD/USD moved lower aligned with the broader dollar backdrop. NZD/AUD remained lower after stronger than expected Australian employment growth contributed to a move towards 0.9010.

NZ fixed income moved 4bps lower in the local session yesterday. There was a parallel curve shift across the government and swap curves. 2-year swap rates closed at 4.36% matching the recent yield low. 10-year government bonds ended the session at 4.35%, marginally below the January levels, and at the lowest yield level since June last year. The weekly government bond tender attracted decent demand. There were NZ\$1.5 billion of bids for the NZ\$500 million of bonds offered. All lines were well covered for the second consecutive week.

Australian 10-year bond futures are little changed overnight, suggesting limited directional bias for NZGB yields on the open.

There is no domestic data today. Japan consumer prices will be in focus ahead of the Bank of Japan meeting next week. Overnight index swaps are pricing ~5bps of tightening. The BoJ is widely expected to use 10bps increments to adjust its policy rate. Retail sales in the UK and Canada are released.

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Coming Up

		Period	Cons.	Prev.	NZT
UK	GfK Consumer Confidence	Jul	-12	-14	11:01
JN	Natl CPI (y/y%)	Jun	2.9	2.8	11:30
JN	Natl CPI Ex Fresh Food, Energy (y/y%)	Jun	2.2	2.1	11:30
UK	Retail sales ex auto fuel (m/m%)	Jun	-0.5	2.9	18:00
CA	Retail Sales ExAuto (m/m%)	May	-0.5	1.8	00:30

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	0.6047	-0.6	0.6047	0.6078	CHF	0.8871	+0.4	S&P 500	5,547	-0.9	21.8	Oil (Brent)	85.09	-0.1	
AUD	0.6703	-0.4	0.6703	0.6744	SEK	10.608	+0.7	Dow	40,717	-1.1	16.5	Oil (WTI)	82.79	-0.1	
EUR	1.0896	-0.4	1.0898	1.0939	NOK	10.823	+1.0	Nasdaq	17,823	-1.0	24.2	Gold	2454.1	-0.2	
GBP	1.2945	-0.5	1.2945	1.3004	HKD	7.810	+0.0	Stoxx 50	4,870	-0.4	11.5	HRC steel	659.0	+0.0	
JPY	157.27	+0.7	155.92	157.28	CNY	7.262	+0.0	FTSE	8,205	+0.2	10.1	CRB	286.1	+0.1	
CAD	1.3713	+0.2			SGD	1.344	+0.3	DAX	18,355	-0.4	13.8	Wheat Chic.	559.3	-0.8	
NZD/AUD	0.9021	-0.2			IDR	16,155	+0.3	CAC 40	7,587	+0.2	3.7	Sugar	18.94	-2.2	
NZD/EUR	0.5550	-0.2			THB	36.11	+0.5	Nikkei	40,126	-2.4	22.0	Cotton	71.37	+0.7	
NZD/GBP	0.4671	-0.1			KRW	1,384	+0.2	Shanghai	2,977	+0.5	-6.9	Coffee	240.9	-0.9	
NZD/JPY	95.10	+0.1			TWD	32.62	+0.1	ASX 200	8,037	-0.3	9.7	WM powder	3015	+0.8	
NZD/CAD	0.8292	-0.4			PHP	58.25	-0.1	NZX 50	12,329	+0.3	3.2	<b>Australian Futures</b>			
NZ TWI	71.10	-0.4						VIX Index	15.93	+10.0	+19.8	3 year bond	96.05	-0.02	
<b>Interest Rates</b>											10 year bond			95.73	-0.04
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	5.54	4.27	3.75	USD	4.18	0.02	15-May-26	4.40	-0.04	BKBM 1-mth	5.60	0.00		
AUD	4.35	4.44	4.18	4.38	AUD	4.24	-0.01	15-Apr-27	4.19	-0.04	BKBM 3-mth	5.54	0.01		
NZD	5.50	5.54	4.36	4.12	NZD	4.35	-0.04	15-May-28	4.09	-0.04	1 year	4.95	-0.01		
EUR	3.75	3.68	3.04	2.70	GER	2.43	0.01	20-Apr-29	4.07	-0.04	2 year	4.36	-0.05		
GBP	5.25	5.30	4.36	3.77	GBP	4.06	-0.01	15-May-30	4.13	-0.04	3 year	4.10	-0.04		
JPY	0.08	-0.03	0.41	1.00	JPY	1.04	0.00	15-May-31	4.19	-0.04	5 year	3.96	-0.04		
CAD	4.75	4.97	#N/A	#N/A	CAD	3.35	0.01	15-May-32	4.26	-0.04	7 year	4.01	-0.04		
							<b>NZ Inflation-Indexed Bonds</b>			14-Apr-33			4.31	-0.04	
										15-May-34			4.35	-0.04	
										15-May-35			4.40	-0.04	
										15-May-37			4.52	-0.04	
										15-May-41			4.68	-0.04	
										15-May-51			4.72	-0.04	
										15-May-54			4.74	-0.04	

\* These are indicative ranges from 5pm NZT;

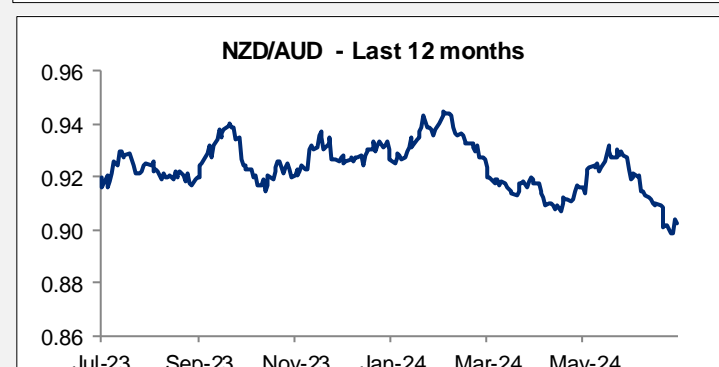
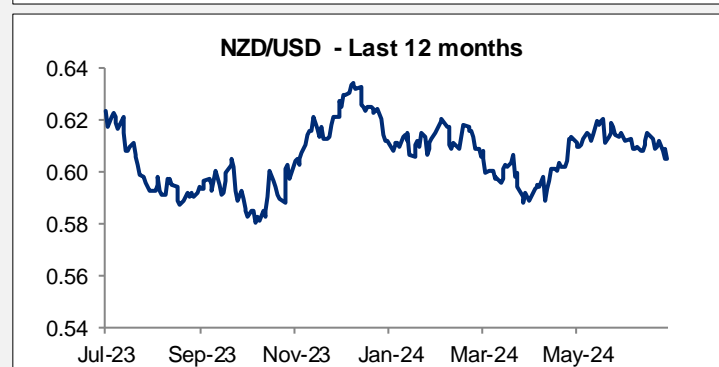
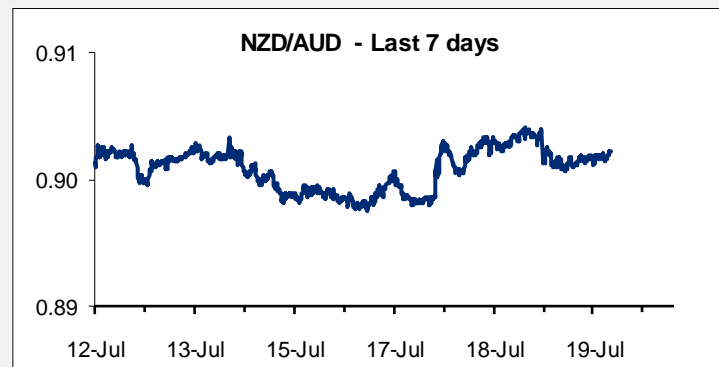
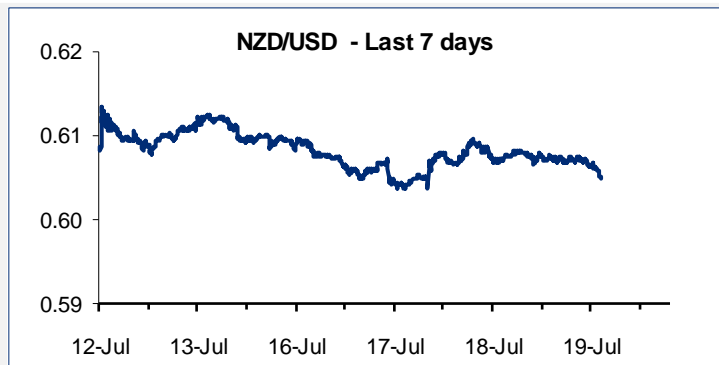
please confirm rates with your BNZ dealer

Rates are as of: NZT 06:47

Source: Bloomberg

**NZD exchange rates**

19/07/2024	6:46 am	Prev. NY close
USD	0.6047	0.6083
GBP	0.4671	0.4676
AUD	0.9021	0.9040
EUR	0.5550	0.5561
JPY	95.10	95.02
CAD	0.8292	0.8323
CHF	0.5364	0.5374
DKK	4.1407	4.1481
FJD	1.3552	1.3716
HKD	4.7226	4.7492
INR	50.59	50.85
NOK	6.5448	6.5186
PKR	168.41	169.41
PHP	35.22	35.47
PGK	2.3338	2.3468
SEK	6.4147	6.4115
SGD	0.8127	0.8154
CNY	4.3910	4.4175
THB	21.75	21.82
TOP	1.3946	1.4253
VUV	72.33	72.84
WST	1.6388	1.6549
XPF	66.25	66.51
ZAR	11.0397	11.0703



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.20	0.12
3 Months	-0.31	0.18
6 Months	0.24	1.24
9 Months	0.66	2.66
1 Year	1.30	4.30

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-7.68	-6.99
3 Months	-20.22	-19.07
6 Months	-31.18	-28.69
9 Months	-34.53	-29.49
1 Year	-32.43	-24.83

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