

Research Markets Today

22 August 2024

Events Round-Up

No data of note.

Good Morning

Global equity markets are generally higher with limited economic data or other catalysts to provide direction. The S&P is up 0.3% consolidating its recent strong gains, as market looks ahead to speech by Fed chair Jay Powell at Jackson Hole on Friday night, when he is expected to provide guidance on the path for US interest rates. Bond yields fell following a large downward annual revision to US payrolls. The US dollar continued its recent decline and is broadly weaker against G10 currencies. Brent crude prices fell to US\$76 per barrel, close to the lows for the year.

While not normally a focus for markets, the annual revision to US payrolls growth gained attention given the recent cooling in the labour market. The Bureau of Labor Statistics reported that US payroll growth in the year to March was preliminarily revised down by 818k or 68k per month. It was the largest downward revision since 2009. The data will be finalised next year. Overall, the labour data revisions support the Fed's shift to a more balanced policy stance that is sensitive to growth dynamics.

The minutes for the July FOMC revealed that several Fed officials saw a case for cutting at the meeting before unanimously voting to keep them steady. The 'vast majority' of policy makers observed that if the data continued to evolve as expected, then it would be appropriate to ease at the September meeting. Striking a more balanced tone, most participants noted that risks to its employment goal had increased while inflation risks had decreased.

US treasury yields traded lower in yield across the curve led by the front end. 2-year yields declined 9bps to 3.90%, reaching the session lows after the FOMC minutes. The long end reaction was more muted with 10-year yields falling 4bps to 3.76%. The US\$16 billion 20-year auction went smoothly and cleared close to the prevailing market levels.

The US dollar extended its recent decline and fell to its lowest level for the year as measured by the dollar index (DXY). The DXY fell 0.3% aligned with the fall in front end treasury yields. The index has lost more than 3% in August as investors look ahead to lower US rates.

The dollar's fall overnight was broad based against developed market currencies. Sterling and yen were amongst the top performers while the AUD lagged. NZD/USD traded to marginal new upleg highs near 0.6165 amid the weaker US dollar backdrop. The NZD was mixed on the cross rates. NZD/AUD traded higher towards 0.9140.

NZ fixed income ended the local session yesterday lower in yield in quiet trading conditions in the absence of domestic economic data. 2-year swap rates dropped 3bps to 3.87%. The curve flattened with 10-year rates down 5bps to 3.88%, with the 2y/10y curve getting close to re-inverting. 10-year rates government bonds modestly underperformed swaps declining 3bps to 4.17%. The new May 2036 line closed at a spread May 35s of 8bps, marginally tighter compared with levels at Tuesday's syndication pricing.

The weekly government bond tender has been cancelled today as is standard practice given the bond syndication earlier in the week.

Australian 10-year bond futures are ~3bps lower in yield since the local bond market close yesterday, suggesting a modest downward bias for NZGB yields on the open.

There is no domestic or Asia regional data today. The focus will be on advance PMIs in Europe and the US. Manufacturing PMIs have generally been in contractionary territory while service sector activity has been firmer. The US composite PMI is running well ahead of a weighted average of the ISM surveys, mostly due to a big gap between the readings for the services sector which can be expected to correct at some point.

The pullback in US initial jobless claims has helped push back on fears the labour market was slowing more sharply than expected and will be closely monitored by investors. The consensus looks for a modest increase relative to last week.

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Coming Up

		Period	Cons.	Prev.	NZT
GE	Germany Manufacturing PMI	Aug P	43.4	43.2	19:30
GE	Germany Services PMI	Aug P	52.3	52.5	19:30
EC	Eurozone Manufacturing PMI	Aug P	45.8	45.8	20:00
EC	Eurozone Services PMI	Aug P	51.7	51.9	20:00
UK	UK Manufacturing PMI	Aug P	52.2	52.1	20:30
UK	UK Services PMI	Aug P	52.8	52.5	20:30
US	Initial Jobless Claims	17 Aug	232	227	00:30
US	US Manufacturing PMI	Aug P	49.5	49.6	01:45
US	US Services PMI	Aug P	54	55	01:45
EC	Consumer Confidence	Aug P	-12.6	-13	02:00
US	Existing home sales (m/m%)	Jul	1.03	-5.4	02:00

Source: Bloomberg, BNZ

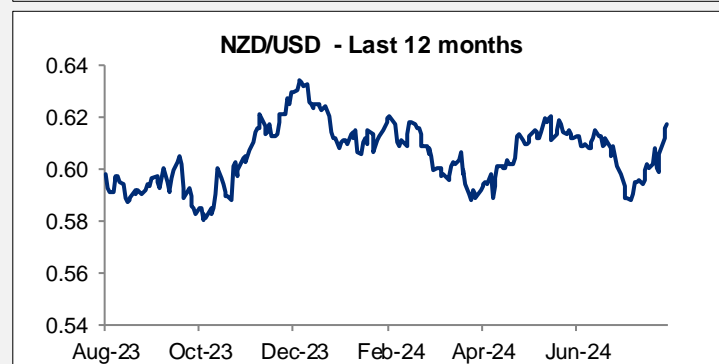
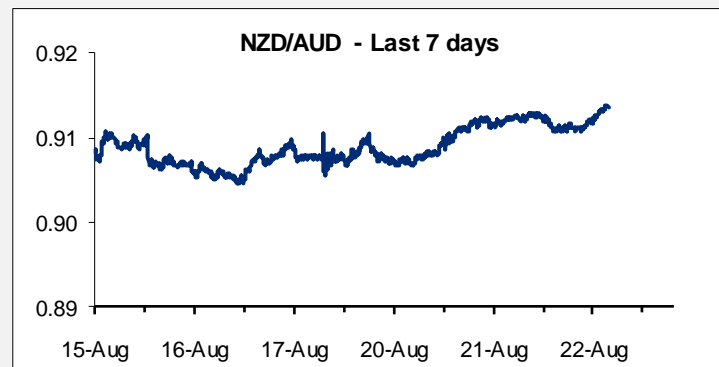
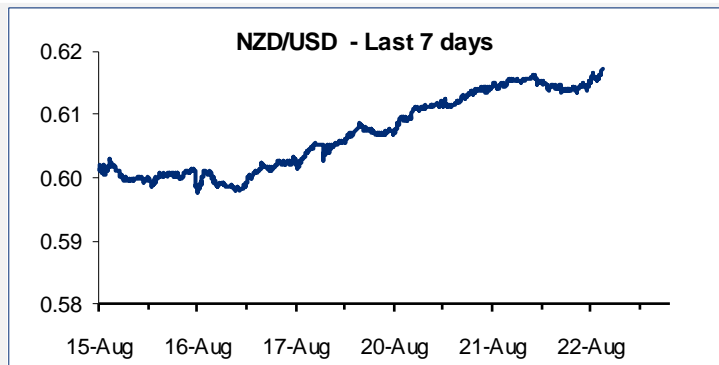
Currencies						Equities				Commodities				
Global froces		Indicative overnight ranges (*)			Other FX		Major Indices				Price (Near futures, except CRB)			
	Last	% Day	Low	High		Last	% Day			Last	Net Day			
NZD	0.6174	+0.3	0.6133	0.6174	CHF	0.8497	-0.5	S&P 500	5,617	+0.4	27.7	Oil (Brent)	75.71	-1.9
AUD	0.6758	+0.2	0.6731	0.6759	SEK	10.170	-0.3	Dow	40,858	+0.1	18.6	Oil (WTI)	71.54	-2.2
EUR	1.1172	+0.4	1.1100	1.1174	NOK	10.486	-0.1	Nasdaq	17,909	+0.5	32.7	Gold	2508.8	-0.1
GBP	1.3115	+0.6	1.3011	1.3115	HKD	7.794	+0.1	Stoxx 50	4,885	+0.6	15.6	HRC steel	674.0	+1.8
JPY	144.52	-0.5	144.50	146.77	CNY	7.131	+0.0	FTSE	8,283	+0.1	14.1	CRB	276.4	+0.0
CAD	1.3582	-0.3			SGD	1.304	-0.1	DAX	18,449	+0.5	18.2	Wheat Chic.	544.3	-2.2
NZD/AUD	0.9136	+0.2			IDR	15,500	+0.4	CAC 40	7,525	+0.5	4.5	Sugar	17.65	+0.5
NZD/EUR	0.5526	-0.1			THB	34.17	-0.0	Nikkei	37,952	-0.3	19.1	Cotton	69.50	+1.0
NZD/GBP	0.4708	-0.3			KRW	1,334	+0.3	Shanghai	2,857	-0.4	-8.5	Coffee	249.3	+0.0
NZD/JPY	89.23	-0.2			TWD	31.96	+0.0	ASX 200	8,010	+0.2	12.5	WM powder	3465	+1.9
NZD/CAD	0.8386	+0.0			PHP	56.51	-0.1	NZX 50	12,503	-0.4	8.9	Australian Futures		
NZ TWI	70.99	+0.2						VIX Index	16.60	+4.5	-3.1	3 year bond	96.49	0.06
												10 year bond	96.14	0.04
Interest Rates						NZ Government Bonds				NZ BKBM and Swap Yields				
	Rates		Swap Yields		Benchmark 10 Yr Bonds		Last	Chg	Last	Chg	Last	Chg		
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day								
USD	5.50	5.38	3.70	3.33	USD	3.77	-0.04	15-May-26	4.03	0.00	BKBM 1-mth	5.36	0.00	
AUD	4.35	4.38	3.69	3.99	AUD	3.89	-0.06	15-Apr-27	3.79	-0.00	BKBM 3-mth	5.25	0.00	
NZD	5.25	5.25	3.87	3.88	NZD	4.17	-0.03	15-May-28	3.78	-0.01	1 year	4.50	-0.04	
EUR	3.75	3.54	2.66	2.44	GER	2.19	-0.02	20-Apr-29	3.81	-0.00	2 year	3.87	-0.03	
GBP	5.00	5.30	4.07	3.60	GBP	3.89	-0.02	15-May-30	3.89	-0.02	3 year	3.66	-0.03	
JPY	0.23	-0.03	0.42	0.86	JPY	0.88	-0.01	15-May-31	3.98	-0.02	5 year	3.64	-0.03	
CAD	4.50	4.97	3.17	2.88	CAD	2.99	-0.02	15-May-32	4.07	-0.03	7 year	3.74	-0.04	
								14-Apr-33	4.13	-0.03	10 year	3.88	-0.05	
								15-May-34	4.17	-0.03	15 year	4.07	-0.05	
								15-May-35	4.23	-0.03				
								15-May-37	4.38	-0.02				
								15-May-41	4.54	-0.02				
								15-May-51	4.59	-0.02				
								15-May-54	4.62	-0.02				

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
Rates are as of: NZT 06:24

Source: Bloomberg

NZD exchange rates

22/08/2024 6:24 am		Prev. NY close
USD	0.6174	0.6154
GBP	0.4708	0.4721
AUD	0.9136	0.9124
EUR	0.5526	0.5529
JPY	89.23	89.39
CAD	0.8386	0.8382
CHF	0.5246	0.5256
DKK	4.1245	4.1260
FJD	1.3744	1.3783
HKD	4.8117	4.7929
INR	51.82	51.57
NOK	6.4742	6.4579
PKR	171.82	171.27
PHP	34.89	34.80
PGK	2.4005	2.3908
SEK	6.2791	6.2805
SGD	0.8050	0.8032
CNY	4.4024	4.3874
THB	21.20	21.05
TOP	1.4239	1.4490
VUV	73.80	73.50
WST	1.6799	1.6747
XPF	66.59	66.39
ZAR	11.0049	10.9666



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.88	1.17
3 Months	1.32	1.82
6 Months	0.00	1.00
9 Months	-2.77	-0.76
1 Year	-5.13	-2.09

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-6.60	-5.97
3 Months	-16.37	-15.15
6 Months	-23.80	-21.25
9 Months	-27.69	-22.70
1 Year	-28.12	-20.20

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