

# Research Markets Today

23 August 2024

## Events Round-Up

GE: Manufacturing PMI, Aug: 42.1 vs. 43.4 exp.  
 GE: Services PMI, Aug: 51.4 vs. 52.3 exp.  
 EA: Manufacturing PMI, Aug: 45.6 vs. 45.8 exp.  
 EA: Services PMI, Aug: 53.3 vs. 51.7 exp.  
 EA: Consumer confidence, Aug: -13.4 vs. -12.6 exp.  
 UK: Manufacturing PMI, Aug: 52.5 vs. 52.2 exp.  
 UK: Services PMI, Aug: 53.3 vs. 52.8 exp.  
 US: Initial jobless claims (k), wk to 17 Aug: 232 vs. 232 exp.  
 US: Manufacturing PMI, Aug: 48.0 vs. 49.5 exp.  
 US: Services PMI, Aug: 55.2 vs. 55.0 exp.  
 US: Existing home sales (m/m%), Jul: 1.3 vs. 1.3 exp.

## Good Morning

There has been a reversal of recent price action, with US equities weaker, higher rates and a stronger USD. Behind the moves one could point to data suggesting no need for the Fed to panic, Fed speakers arguing for gradualism, and a return of the Trump trade in anticipation of Robert F. Kennedy dropping out of the race and endorsing Trump. After an overnight high around 0.6170, the NZD is trading near 0.6140 while the DXY index is up 0.5% for the day.

Fed-speak overnight has been consistent with easier monetary policy ahead but nothing to suggest the Fed will be in panic mode and cutting rates in 50bps clips. Boston Fed President Collins said she saw the Fed recalibrating policy “gradually” with no preset path – the economy was in a good place and she wasn’t seeing any red flags. Philadelphia Fed President Harker said that a slow, methodical approach to cuts is the way to go. Kansas City Fed President Schmid looks like a hawkish outlier, saying he’d want to see more data before cutting rates.

Economic data played to a more gradual approach to cutting rates. US initial jobless claims were in line at 232k, with the four-week moving average looking like a plateau rather than suggesting any further deterioration in the labour market. The number of existing home sales showed the first monthly increase since February, up 1.3% as expected. PMI data showed a larger than expected fall for the manufacturing sector, down to 48.0, while the services PMI nudged up to 55.2, against an expected fall to 54.0. Within the mix, the employment component fell 2.7pts to

48.9 and output prices edged down to 52.8, both at their second-lowest reading since mid-2020.

Yesterday afternoon, there were a number of media reports that Robert F. Kennedy Jr. is expected to end his Presidential campaign and throw his support behind Trump. He will be giving a speech on Friday, US time. Nothing is confirmed and he could still change his mind, but the news was enough to change betting markets, with PredictIt showing a clear swing shifting the probabilities of a Democratic/Republican win from 57/46 to 54/49.

The net result of all this news has been a reversal of recent trends. US equities have trended lower for much of the trading day and the S&P500 is currently down 0.8%, led by the IT sector and energy outperforming, supported by a 1½% lift in oil prices and the market probably reminded of Trump’s previous “drill baby drill” comments.

US rates are higher across the curve, led by the short end, with the 2-year rate up 8bps, back over 4% and the 10-year rate up 6bps to 3.86%. Expected Fed rate cuts have been pared but 31bps of easing is still priced for September, while pricing for the three remaining meetings of the year cumulates to 97bps, down from 103bps priced yesterday. The focus tonight will be central bank speeches in Jackson Hole, with particular interest in Fed Chair Powell’s keynote address on the economy. His comments are likely to pave the way for the Fed kicking off the easing cycle from next month, but he is unlikely to give too much away regarding the speed and scale of the upcoming policy cycle.

The USD has broken its run of four notable daily declines, with the DXY index up 0.5%. GBP has been the best of the rest, making gains to just under 1.3130 following UK PMI data. Both manufacturing and services PMIs were higher, adding to the evidence that the UK economy is on a stronger footing, while the inflation component suggested a reduction in cost pressures facing the services sector. After GBP reached a 13-month high, the stronger USD kicked in sending the currency back below 1.31 and showing little net change for the day.

The euro-area PMI was boosted by a jump in the services index to 53.3, linked to the Paris Olympics, while the manufacturing sector remained weak. The more interesting data print was the ECB’s survey of wages showing negotiated pay rose by only 3.6% y/y in Q2, down from 4.7% in Q1. The ECB will be pleased with the result

and the data supported the case for easier monetary policy. EUR is down 0.5% for the day to just over 1.11.

The NZD made an overnight high around 0.6170 before the broadly-based USD recovery drove it lower and it is currently near 0.6140. The NZD is mixed on the crosses, modestly higher against the AUD and JPY, up slightly against EUR and down below 0.47 against GBP.

It was an uneventful trading session in the domestic rates market yesterday. NZGB yields were up 1-3bps across the curve, with a steepening bias. Swap rates were barely changed. Australian 10-year bond futures are up 6bps in yield terms since the NZ close, which will set the tone at the open for the trading session today.

On the economic calendar, NZ Q2 retail sales data are expected to show yet another contraction while Japan CPI figures are expected to show weaker annual headline and core inflation. Of more interest in Japan will be Governor Ueda's five-hour grilling at a special Parliament session as

he explains the BoJ's monetary policy stance and the market reaction. As noted, Fed Chair Powell's speech tonight in Jackson Hole will be of particular interest.

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### Coming Up

		Period	Cons.	Prev.	NZT
NZ	Real retail sales (q/q%)	Q2	-0.9	0.5	10:45
UK	GfK consumer confidence	Aug	-12	-13	11:01
JN	CPI (y/y%)	Jul	2.7	2.8	11:30
JN	CPI ex fresh food, energy (y/y%)	Jul	1.9	2.2	11:30
CA	Retail sales ex auto (m/m%)	Jun	-0.2	-1.3	00:30
US	Fed's Powell speaks on economic outlook				02:00
US	New home sales (k)	Jul	624	617	02:00
UK	BOE Governor Bailey speaks in Jackson Hole				03:00

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	% Day	% Year	Last	Net Day		
NZD	0.6141	-0.3	0.6128	0.6170	CHF	0.8521	5,579	-0.7	27.2	Oil (Brent)	77.02	+1.3	
AUD	0.6706	-0.6	0.6697	0.6753	SEK	10.249	40,680	-0.5	18.6	Oil (WTI)	72.82	+1.2	
EUR	1.1109	-0.4	1.1098	1.1164	NOK	10.603	17,670	-1.4	30.8	Gold	2480.5	-1.1	
GBP	1.3092	+0.0	1.3077	1.3129	HKD	7.797	4,885	-0.0	14.7	HRC steel	672.0	+0.0	
JPY	146.26	+0.7	145.09	146.53	CNY	7.147	8,288	+0.1	14.0	CRB	275.4	-0.4	
CAD	1.3606	+0.1			SGD	1.311	18,493	+0.2	17.8	Wheat Chic.	534.5	-1.7	
NZD/AUD	0.9157	+0.3			IDR	15,600	7,524	-0.0	3.9	Sugar	17.85	+1.1	
NZD/EUR	0.5528	+0.1			THB	34.54	38,211	+0.7	19.4	Cotton	69.59	-0.3	
NZD/GBP	0.4691	-0.3			KRW	1,343	2,849	-0.3	-7.5	Coffee	242.9	-2.5	
NZD/JPY	89.82	+0.5			TWD	31.95	8,027	+0.2	12.3	WM powder	3455	-0.3	
NZD/CAD	0.8355	-0.2			PHP	56.34	12,469	-0.3	7.8	<b>Australian Futures</b>			
NZ TWI	70.89	+0.0					VIX Index	17.45	+2.8	3 year bond	96.51	0.02	
										10 year bond	96.05	-0.08	
Interest Rates							NZ Government Bonds			NZ BKBM and Swap Yields			
Rates		Swap Yields		Benchmark 10 Yr Bonds		Last		Chg	Last		Chg		
	Cash	3Mth	2 Yr	10 Yr									
USD	5.50	5.36	3.79	3.42	USD	3.86	0.06	15-May-26	4.03	0.00	BKBM 1-mth	5.36	0.00
AUD	4.35	4.37	3.74	4.07	AUD	3.89	-0.00	15-Apr-27	3.80	0.01	BKBM 3-mth	5.24	-0.01
NZD	5.25	5.24	3.87	3.89	NZD	4.18	0.01	15-May-28	3.79	0.01	1 year	4.49	-0.01
EUR	3.75	3.54	2.71	2.50	GER	2.24	0.05	20-Apr-29	3.81	0.01	2 year	3.87	0.00
GBP	5.00	5.30	4.12	3.67	GBP	3.96	0.07	15-May-30	3.89	0.01	3 year	3.66	-0.01
JPY	0.23	-0.03	0.43	0.89	JPY	0.88	-0.00	15-May-31	3.99	0.01	5 year	3.64	0.00
CAD	4.50	4.97	3.24	2.96	CAD	3.08	0.06	15-May-32	4.08	0.01	7 year	3.74	0.00
								14-Apr-33	4.14	0.01	10 year	3.89	0.00
								15-May-34	4.18	0.01	15 year	4.07	0.00
								15-May-35	4.25	0.02			
								15-May-37	4.40	0.02			
								15-May-41	4.57	0.03			
								15-May-51	4.61	0.03			
								15-May-54	4.64	0.03			

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

Rates are as of: NZT 06:57

Source: Bloomberg

**NZD exchange rates**

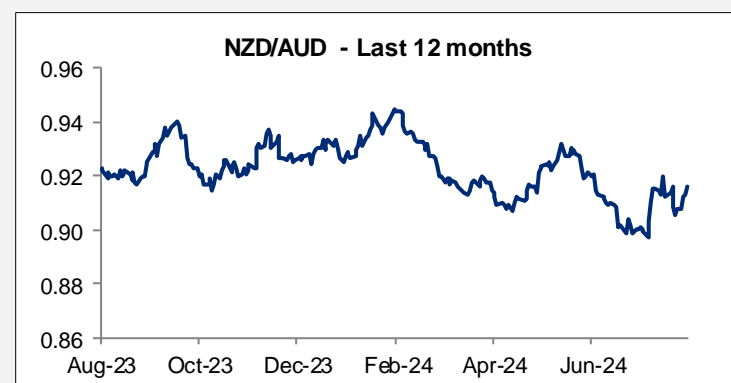
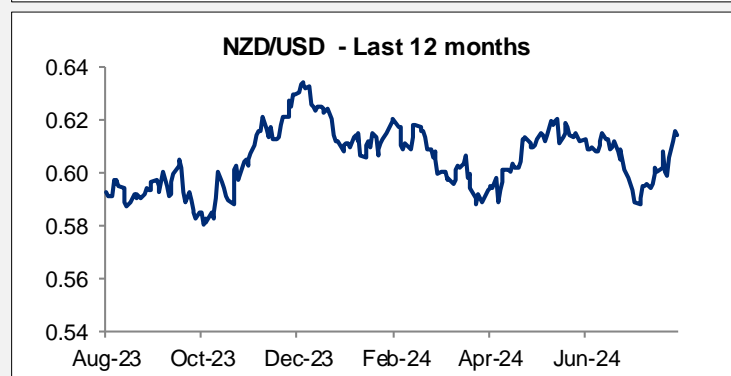
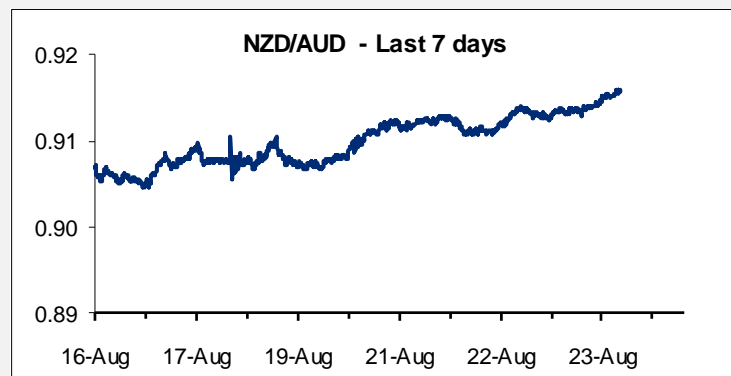
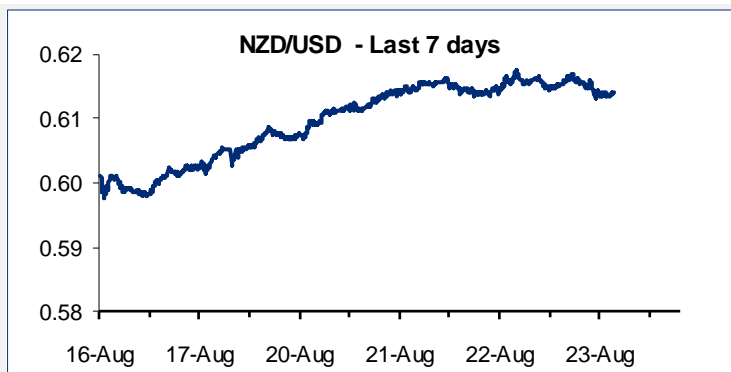
23/08/2024 6:58 am		Prev. NY close
USD	0.6141	0.6158
GBP	0.4691	0.4704
AUD	0.9157	0.9131
EUR	0.5528	0.5523
JPY	89.82	89.42
CAD	0.8355	0.8372
CHF	0.5233	0.5245
DKK	4.1247	4.1219
FJD	1.3622	1.3739
HKD	4.7878	4.7994
INR	51.55	51.69
NOK	6.5115	6.4705
PKR	170.90	171.38
PHP	34.60	34.80
PGK	2.3886	2.3942
SEK	6.2941	6.2720
SGD	0.8049	0.8041
CNY	4.3890	4.3915
THB	21.09	21.14
TOP	1.4288	1.4241
VUV	73.15	73.46
WST	1.6709	1.6754
XPF	66.42	66.49
ZAR	11.0776	10.9896

**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.84	1.12
3 Months	1.73	2.21
6 Months	1.68	2.68
9 Months	0.44	2.44
1 Year	0.18	3.18

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-6.47	-5.79
3 Months	-15.49	-14.34
6 Months	-22.63	-20.17
9 Months	-24.96	-20.47
1 Year	-23.52	-16.17



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