

Research Markets Today

23 September 2024

Events Round-Up

UK: GfK consumer confidence, Sep: -20 vs. -13 exp.
 JN: CPI (y/y%), Aug: 3.0 vs. 3.0 exp.
 JN: CPI x fr. food, energy (y/y%), Aug: 2.0 vs. 2.0 exp.
 JN: BOJ Target Rate, Sep: 0.25 vs. 0.25 exp.
 UK: Retail sales ex auto fuel (m/m%), Aug: 1.1 vs. 0.5 exp.
 CA: Retail sales ex auto (m/m%), Jul: 0.9 vs. 0.3 exp.
 EA: Consumer confidence, Sep: -12.9 vs. -13.2 exp.

Good Morning

Global equities couldn't extend the previous Fed-inspired rally on Friday night with the S&P closing modestly lower while European stocks made larger declines. The Euro Stoxx index fell 1.5%. There was limited first-tier economic data to provide the market with direction. Global bonds ended the session marginally higher in yield while the dollar was generally firmer against G10 currencies. Gold hit a fresh record high above US\$2600 per ounce.

Influential Fed Governor Waller said that favourable inflation data, and not worries about the labour market, was the reason he supported a 50bps rate cut last week. He said, 'inflation is potentially on a lower path than we expected' and that he'd likely support 25bps cuts at each of the two remaining Fed policy meetings this year if the economy evolves as he expects.

Fed Governor Michelle Bowman, the only dissenter against the 50bps cut, made a statement outlining her rationale. She said that although there has been meaningful progress on lowering inflation, while core inflation remains around or above 2.5%, she sees risks that the Committee's larger policy action could be interpreted as a premature declaration of victory on the central bank's price stability mandate.

The market is pricing a further 74bps of Fed easing by December. US treasury yields moved higher initially - 2-year rates reached a session high of 3.64% - before reversing after Waller's comments on inflation. Yields on 2-year treasuries closed at 3.59%, little changed on the day, while 10-year UST yields ended 3bps higher at 3.74%. The curve continues to steepen - the 2y/10y slope reached 15bps which is a new cycle high. The market looks ahead to 2-year, 5-year and 7-year UST supply this week.

The Bank of Japan (BoJ) left rates unchanged at 0.25% and signalled it is in no hurry to proceed with further tightening. This was in line with expectations and had limited initial market impact. 10-year JGBs closed at 0.83%, unchanged on the day. Data released ahead of the decision showed headline CPI picked up to 3.0% in August while the core measure increased 2.0%.

Governor Kazuo Ueda pushed back on the likelihood of an October rate hike in his accompanying press conference and expressed concern over the market meltdown that followed July's rate increase. He also said that the 'upside risk to prices does appear to be easing given the recent yen strength'. The yen weakened after Ueda's comments.

In the latest in a series of measures aimed at stabilising the property market in China, it was reported that officials are considering relaxing restrictions on non-local buyers of real estate in Beijing and Shanghai. The latest proposed action takes place alongside a push to lower borrowing costs and is set against the backdrop of further weakness in home sales and prices during August.

A gauge of China property stocks extended gains to 8% over the course of last week but the announcement had little impact on the broader market performance. China's CSI 300 Index has fallen about 7% this year significantly underperforming other major global equity indices.

The US dollar was marginally stronger against most G10 currencies. The yen underperformed falling more than 1% against the dollar in the aftermath the BoJ policy decision. The pound was the only G10 currency that gained against the dollar after UK retail sales grew more than expected in August.

NZD/USD traded down towards 0.6210 in the offshore session before recovering following drop in US yields after Waller's comments to end little changed. NZD/GBP slipped to 0.4680, the lowest level this month. NZD/JPY extended higher towards 90.00 representing a close to 4% rebound from the low earlier in the week.

Activity in the NZ fixed income was subdued in the local session on Friday in the absence of domestic catalysts. 2-year swaps closed at 3.65, 2bp lower on the day. The curve steepened modestly with 10-year swap rates 1bp higher at 3.78%. The 2y/10y swaps curve closed at +20bps, the

steepest level in more than two years. 10-year Government bonds closed 1bp lower at 4.17%.

Australian 10-year government bond futures are close to 3bps higher in yield since the local close on Friday, suggesting a modest upward bias for NZ yields on the open.

NZ trade data for August is released today. Later this evening advance PMIs for Europe and the US are the only economic data of note. Fed speakers will also provide commentary following the FOMC last week. Looking further ahead to the remainder of the week, it is a quiet relatively economic calendar. The Reserve Bank of Australia is unanimously expected to leave rates on hold on Tuesday ahead of August monthly inflation data the following day.

stuart.ritson@bnz.co.nz

Coming Up

	Period	Cons.	Prev.	NZT
NZ Trade Balance 12 Mth YTD NZD	Aug	-9293	10:45	
GE Manufacturing PMI	Sep P	42.4	19:30	
GE Services PMI	Sep P	51.2	19:30	
EC Manufacturing PMI	Sep P	45.8	20:00	
EC Services PMI	Sep P	52.9	20:00	
UK Manufacturing PMI	Sep P	52.5	20:30	
UK Services PMI	Sep P	53.7	20:30	
US Fed's Bostic Gives Speech on Economic Outlook			00:00	
US Manufacturing PMI	Sep P	48.5	47.9	01:45
US Services PMI	Sep P	55.2	55.7	01:45
US Fed's Goolsbee Speaks in Fireside Chat				02:15

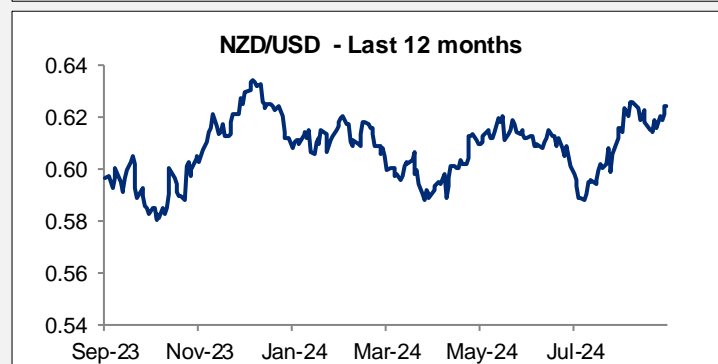
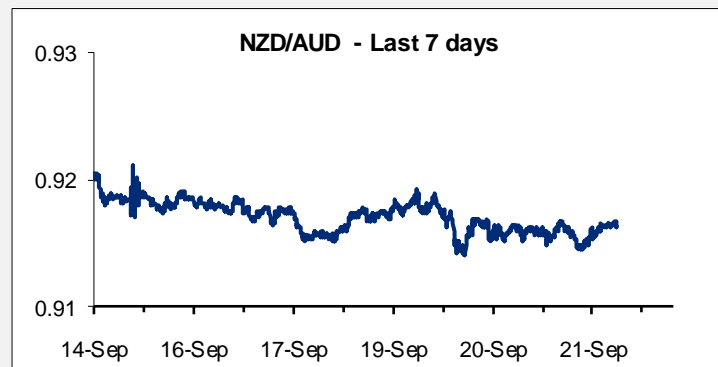
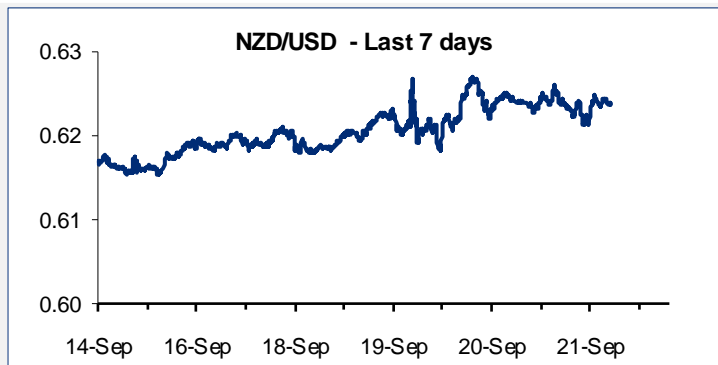
Source: Bloomberg, BNZ

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	0.6237	-0.0	0.6210	0.6255	CHF	0.8500	+0.3	S&P 500	5,703	-0.2	32.0	Oil (Brent)	74.49	-0.5			
AUD	0.6807	-0.1	0.6783	0.6823	SEK	10.169	+0.1	Dow	42,063	+0.1	23.8	Oil (WTI)	71.00	-0.2			
EUR	1.1163	+0.0	1.1136	1.1182	NOK	10.486	-0.1	Nasdaq	17,948	-0.4	35.9	Gold	2622.4	+1.2			
GBP	1.3321	+0.3	1.3268	1.3340	HKD	7.790	-0.1	Stoxx 50	4,872	-1.5	15.8	HRC steel	704.0	-0.1			
JPY	143.90	+0.9	142.83	144.49	CNY	7.047	-0.2	FTSE	8,230	-1.2	7.1	CRB	282.4	+0.1			
CAD	1.3568	+0.1			SGD	1.291	-0.1	DAX	18,720	-1.5	20.3	Wheat Chic.	587.5	+0.4			
NZD/AUD	0.9163	+0.1			IDR	15,150	-0.6	CAC 40	7,500	-1.5	4.4	Sugar	22.66	+3.3			
NZD/EUR	0.5587	-0.0			THB	32.93	-0.6	Nikkei	37,724	+1.5	16.4	Cotton	72.21	+0.9			
NZD/GBP	0.4682	-0.3			KRW	1,332	+0.2	Shanghai	2,737	+0.0	-12.6	Coffee	250.8	-4.2			
NZD/JPY	89.75	+0.8			TWD	31.99	+0.1	ASX 200	8,209	+0.2	16.1	WM powder	3470	+0.6			
NZD/CAD	0.8462	+0.1			PHP	55.64	+0.1	NZX 50	12,479	-1.5	9.7	Australian Futures					
NZ TWI	71.22	-0.0						VIX Index	16.15	-1.1	-6.1	3 year bond	96.58	0.02			
Interest Rates																	
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	5.00	5.01	3.39	3.29	USD	3.74	0.03	15-May-26	3.87	-0.02	BKBM 1-mth	5.23	0.00				
AUD	4.35	4.42	3.64	4.02	AUD	3.92	-0.01	15-Apr-27	3.67	-0.02	BKBM 3-mth	4.99	-0.00				
NZD	5.25	4.99	3.65	3.85	NZD	4.18	-0.01	15-May-28	3.67	-0.02	1 year	4.18	-0.03				
EUR	3.50	3.46	2.45	2.45	GER	2.21	0.01	20-Apr-29	3.72	-0.02	2 year	3.65	-0.02				
GBP	5.00	5.30	3.84	3.55	GBP	3.90	0.01	15-May-30	3.84	-0.02	3 year	3.51	-0.02				
JPY	0.23	-0.03	0.44	0.88	JPY	0.85	-0.00	15-May-31	3.95	-0.02	5 year	3.55	0.00				
CAD	4.25	4.97	2.85	2.84	CAD	2.95	0.03	15-May-32	4.05	-0.01	7 year	3.68	0.01				
						NZ Inflation-Indexed Bonds		14-Apr-33	4.13	-0.01	10 year	3.85	0.01				
						Sep-30	2.11	0.01	15-May-34	4.18	-0.01	15 year	4.05	0.01			
						Sep-35	2.42	0.01	15-May-35	4.26	-0.00						
						Sep-40	2.66	0.01	15-May-36	4.35	0.00						
									15-May-37	4.44	0.00						
									15-May-41	4.65	0.01						
									15-May-51	4.73	0.01						
									15-May-54	4.76	0.01						

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

NZD exchange rates

21/09/2024	NY close	Prev. NY close
USD	0.6237	0.6239
GBP	0.4682	0.4697
AUD	0.9163	0.9156
EUR	0.5587	0.5590
JPY	89.75	88.99
CAD	0.8462	0.8459
CHF	0.5302	0.5289
DKK	4.1680	4.1696
FJD	1.3734	1.3834
HKD	4.8596	4.8632
INR	52.13	52.21
NOK	6.5412	6.5469
PKR	173.68	173.91
PHP	34.73	34.69
PGK	2.4339	2.4362
SEK	6.3436	6.3397
SGD	0.8050	0.8059
CNY	4.3959	4.4064
THB	20.62	20.65
TOP	1.4324	1.4492
VUV	74.20	74.26
WST	1.6849	1.6801
XPF	67.05	67.27
ZAR	10.8704	10.9148



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.32	0.00
3 Months	-0.30	0.40
6 Months	-3.66	-2.66
9 Months	-7.72	-5.57
1 Year	-10.83	-7.85

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-4.24	-3.60
3 Months	-8.30	-6.71
6 Months	-8.77	-6.22
9 Months	-5.58	-0.36
1 Year	0.25	7.68

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

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