

Research Markets Today

24 July 2024

Events Round-Up

EA: Consumer confidence, Jul: -13.0 vs. -13.5 exp.

US: Existing home sales (m/m%), Jun: -5.4 vs. -3.2 exp.

Good Morning

It has been an uneventful trading day, with little newsflow to drive markets. US equities are flat and US Treasury yields are slightly lower. Of note is that lower commodity prices continue to drag down the NZD and AUD, while the yen remains flavour of the week. The NZD is probing the 0.5950 level.

On the US political scene, VP Harris looks to have the numbers to secure the Democratic nomination for the Presidential election, with her selection now seen as a foregone conclusion. Her billing has attracted a significant increase in donations, tilting the odds slightly further against a Republican party victor for the election. These odds have fallen to 58% according to PredictIt, from a peak of 68% a week ago and 63% just ahead of Biden's resignation.

US equities are consolidating, with the S&P500 index flat on the day. The earnings season is about to kick off for the "magnificent seven" with Tesla and Alphabet reporting after the close. There has also been muted price action in the bond market, with US Treasury yields showing small falls across the curve. Lower 2-year rates heading into the auction of \$69b of notes didn't deter demand, and they were issued 2bps below the prevailing rate. The 10-year rate is currently down 1bp to 4.24%, with the curve showing a slight steepening bias.

The economic calendar has been light. US existing home sales were weaker than expected, down 5.4% m/m in June, the fourth successive monthly decline. Meanwhile consumer confidence in the euro area rose for a sixth straight month in July to -13.0, its highest level since Russia invaded Ukraine 2½ years ago.

Commodity prices continue to track lower. Bloomberg's industrial metal index is down close to 1%, taking its streak of falls to seven consecutive days, iron ore prices dropped below USD100 for the first time since April although managed to close just above the figure, and oil prices are down 1½%, taking Brent crude to USD81 per barrel, with

indicators pointing towards softer consumption out of Asia.

Lower commodity prices continue to weigh on the NZD and AUD, with both showing steady declines through the past few trading sessions. The NZD is trading down towards 0.5950. The AUD has fallen to 0.6615 and NZD/AUD is flat around 0.90.

JPY outperformed for a second day, with short positions trimmed further ahead of the BoJ's meeting next week. The market is ascribing less than a 50% chance of a 10bps hike. LDP party heavyweight Motegi, the current Secretary General, said that the BoJ should more clearly show its intention to normalise monetary policy, suggesting that the BoJ has a political nod to get on with the job.

NZD/JPY is down 1.3% to 92.7, taking its fall over the past couple of weeks to 6½%, from a peak of 99. A fortnight ago our end-Q3 target of 89.1 was looking well out of the money – almost a sackable offence for being so wrong – but at the current rate of depreciation it would be there next week.

EUR and GBP are slightly weaker against the USD and NZD crosses against them continue to probe fresh lows, at 0.4610 and 0.5480 respectively.

It was another quiet session in the domestic rates market. NZGB yields were mostly unchanged, with a 1bp fall across some shorter maturities. This was an underperformance compared to 1-3bps falls in the swap market, with the 2-year rate down 3bps to a 22-month low of 4.33% and the 10-year rate down 1bp to 4.16%. The market is pricing 113bps of rate cuts through the next four meetings, suggesting a high chance of a 50bps cut being thrown in for one of the meetings.

The economic calendar picks up steam, with global PMI data released tonight across Europe and the US. The Bank of Canada meets and a 25bps is widely, although not universally, expected, taking the policy rate down to 4.5%. This would be the second rate cut this cycle, over consecutive meetings.

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Coming Up

		Period	Cons.	Prev.	NZT
GE	GfK consumer confidence	Aug	-21.0	-21.8	18:00
GE	Manufacturing PMI	Jul	44.0	43.5	19:30
GE	Services PMI	Jul	53.3	53.1	19:30
EA	Manufacturing PMI	Jul	46.1	45.8	20:00
EA	Services PMI	Jul	52.9	52.8	20:00
UK	Manufacturing PMI	Jul	51	50.9	20:30
UK	Services PMI	Jul	52.5	52.1	20:30
US	Goods trade balance (\$b)	Jun	-98.7	-100.6	00:30
CA	Bank of Canada policy rate (%)	Jul	4.5	4.75	01:45
US	Manufacturing PMI	Jul	51.7	51.6	01:45
US	Services PMI	Jul	54.8	55.3	01:45
US	New home sales (k)	Jun	640	619	02:00

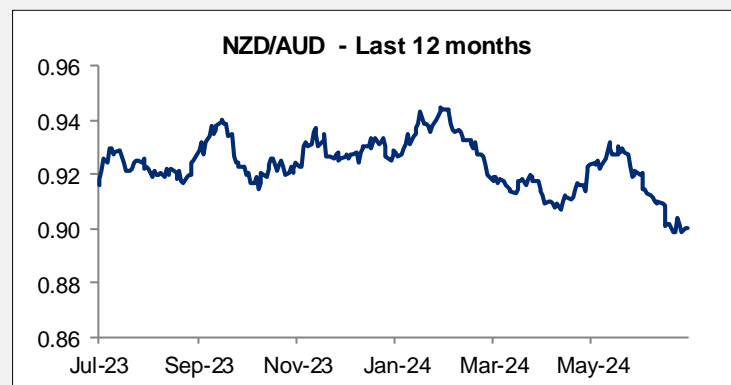
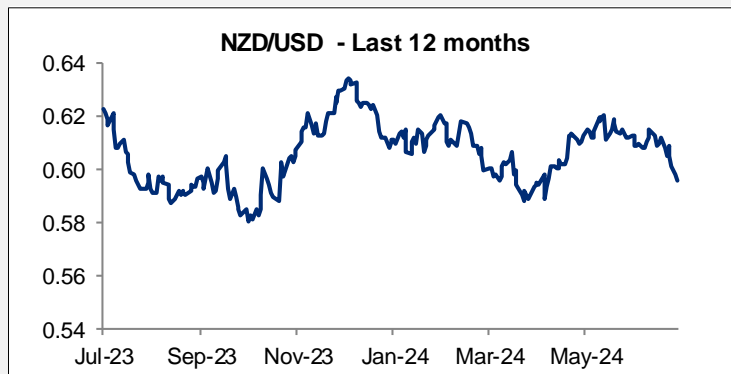
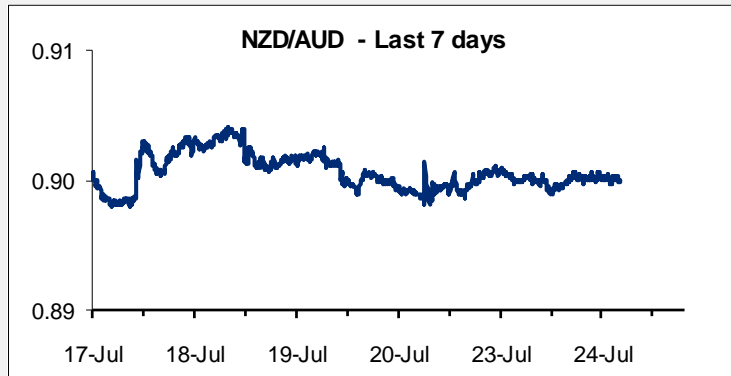
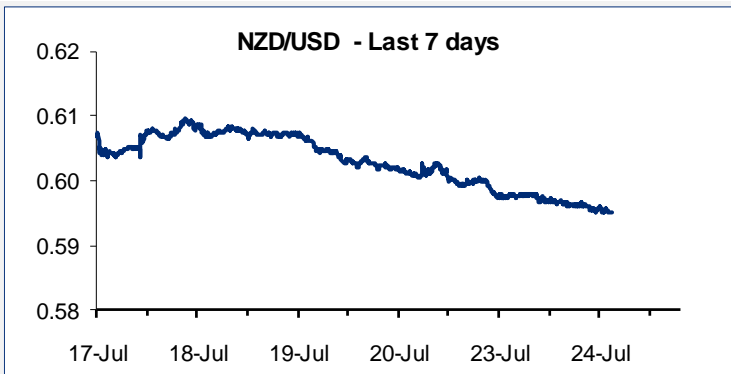
Source: Bloomberg, BNZ

Currencies					Equities				Commodities						
Global froces		Indicative overnight ranges (*)			Other FX		Major Indices			Price (Near futures, except CRB)					
	Last	% Day	Low	High		Last	% Day	% Year		Last	Net Day				
NZD	0.5952	-0.5	0.5951	0.5968	CHF	0.8914	+0.2		S&P 500	5,570	+0.1	22.8	Oil (Brent)	81.33	-1.3
AUD	0.6614	-0.5	0.6611	0.6630	SEK	10.761	+0.4		Dow	40,467	+0.1	14.9	Oil (WTI)	77.27	-1.4
EUR	1.0852	-0.4	1.0844	1.0889	NOK	11.016	+0.6		Nasdaq	18,027	+0.1	28.5	Gold	2406.1	+0.5
GBP	1.2904	-0.2	1.2888	1.2929	HKD	7.809	+0.0		Stoxx 50	4,917	+0.4	12.0	HRC steel	655.0	-0.3
JPY	155.66	-0.9	155.58	156.64	CNY	7.275	+0.0		FTSE	8,167	-0.4	6.6	CRB	283.1	+1.0
CAD	1.3774	+0.1			SGD	1.346	-0.0		DAX	18,558	+0.8	14.7	Wheat Chic.	566.8	-1.1
NZD/AUD	0.8999	-0.0			IDR	16,214	-0.0		CAC 40	7,599	-0.3	2.2	Sugar	18.16	-0.8
NZD/EUR	0.5485	-0.1			THB	36.15	-0.4		Nikkei	39,594	-0.0	21.1	Cotton	68.03	-3.0
NZD/GBP	0.4613	-0.2			KRW	1,386	-0.2		Shanghai	2,915	-1.6	-7.9	Coffee	239.1	-1.6
NZD/JPY	92.65	-1.3			TWD	32.84	-0.1		ASX 200	7,971	+0.5	9.1	WM powder	3050	+0.7
NZD/CAD	0.8198	-0.3			PHP	58.44	+0.1		NZX 50	12,426	+0.9	3.4	Australian Futures		
NZ TWI	70.20	-0.4						VIX Index	14.44	-3.2	+6.2	3 year bond	95.98	-0.04	
Interest Rates											10 year bond			95.65	-0.02
	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	4.30	3.80	USD	4.24	-0.02	15-May-26	4.42	0.00	BKBM 1-mth	5.59	0.00		
AUD	4.35	4.48	4.19	4.44	AUD	4.35	0.04	15-Apr-27	4.19	-0.01	BKBM 3-mth	5.54	-0.00		
NZD	5.50	5.54	4.33	4.16	NZD	4.40	-0.00	15-May-28	4.10	-0.01	1 year	4.91	-0.01		
EUR	3.75	3.71	3.05	2.71	GER	2.44	-0.06	20-Apr-29	4.09	-0.00	2 year	4.33	-0.03		
GBP	5.25	5.30	4.41	3.83	GBP	4.12	-0.04	15-May-30	4.15	-0.00	3 year	4.07	-0.03		
JPY	0.08	-0.03	0.42	1.00	JPY	1.07	0.01	15-May-31	4.22	-0.00	5 year	3.96	-0.02		
CAD	4.75	4.97	3.71	3.32	CAD	3.39	-0.02	15-May-32	4.31	0.00	7 year	4.03	-0.02		
					NZ Inflation-Indexed Bonds			14-Apr-33	4.37	-0.00	10 year	4.16	-0.01		
					Sep-30	2.21	-0.00	15-May-34	4.40	-0.00	15 year	4.30	-0.01		
					Sep-35	2.48	-0.00	15-May-35	4.45	-0.00					
					Sep-40	2.71	-0.00	15-May-37	4.58	-0.00					
								15-May-41	4.75	0.00					
								15-May-51	4.79	-0.00					
								15-May-54	4.81	-0.00					

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
 Rates are as of: NZT 06:55
 Source: Bloomberg

NZD exchange rates

24/07/2024 6:55 am		Prev. NY close
USD	0.5952	0.5979
GBP	0.4613	0.4623
AUD	0.8999	0.9000
EUR	0.5485	0.5490
JPY	92.65	93.89
CAD	0.8198	0.8225
CHF	0.5306	0.5319
DKK	4.0926	4.0963
FJD	1.3445	1.3518
HKD	4.6479	4.6677
INR	49.81	50.02
NOK	6.5567	6.5458
PKR	165.58	166.52
PHP	34.78	34.91
PGK	2.2981	2.3085
SEK	6.4049	6.4109
SGD	0.8010	0.8048
CNY	4.3300	4.3490
THB	21.55	21.69
TOP	1.3933	1.4022
VUV	71.77	71.86
WST	1.6243	1.6289
XPF	65.34	65.52
ZAR	10.9589	10.9172



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.17	0.06
3 Months	-0.27	0.11
6 Months	0.73	1.74
9 Months	2.86	4.87
1 Year	4.33	7.33

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-7.24	-6.68
3 Months	-18.62	-17.58
6 Months	-28.64	-25.88
9 Months	-29.15	-24.05
1 Year	-26.24	-18.23

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