

Research Markets Today

24 June 2024

Events Round-Up

UK: GfK consumer confidence, Jun: -14 vs. -16 exp.
 JN: CPI (y/y%), May: 2.8 vs. 2.9 exp.
 JN: CPI ex fr. food, energy (y/y%), May: 2.1 vs. 2.2 exp.
 UK: Retail sales ex auto fuel (m/m%), May: 2.9 vs. 1.8 exp.
 GE: Manufacturing PMI, Jun: 43.4 vs. 46.4 exp.
 GE: Services PMI, Jun: 53.5 vs. 54.4 exp.
 EC: Manufacturing PMI, Jun: 45.6 vs. 47.9 exp.
 EC: Services PMI, Jun: 52.6 vs. 53.4 exp.
 UK: Manufacturing PMI, Jun: 51.4 vs. 51.1 exp.
 UK: Services PMI, Jun: 51.2 vs. 53 exp.
 CA: Retail sales ex auto (m/m%), Apr: 0.7 vs. 0.6 exp.
 US: US manufacturing PMI, Jun: 51.7 vs. 51 exp.
 US: US services PMI, Jun: 55.1 vs. 54 exp.
 US: Existing home sales (m/m%), May: -0.7 vs. -1.1 exp.

Good Morning

Softer than expected preliminary PMI data across Europe set the tone for markets into the weekly close. European equities underperformed with Euro Stoxx falling 0.8%, partially reversing gains from earlier last week, as the risk premium related to the fiscal backdrop in France stabilised. The S&P ended a largely directionless session marginally lower. The US dollar advanced against G10 currencies and global bonds were little changed, rebounding from an earlier move lower in yields.

Euro-area private sector business activity lost momentum in June led by a slowdown in manufacturing. The manufacturing PMI fell to 43.4, which was 3 points below the consensus, and the weakest level for this year. The services PMI was also weaker than expected and the composite index fell to 50.8, from 52.2 in May. A potential factor impacting the survey was it was compiled during the period when political risk in France was increasing. The UK composite PMI fell to the lowest level since November driven by weakness in the services sector.

The US PMI data provided a contrast to Europe and was relatively robust. The composite reading increased to 54.6, marginally above the May reading, and is at a two-year high suggesting growth is holding up reasonably well. This is despite the recent downside surprises to activity data, which has contributed to the Citi economic surprise index falling to the lowest level since August 2022.

US treasury yields fell initially following the European PMIs before rebounding after the US data. 10-year yields dipped 4bps to 4.22%, to levels only just above the recent lows, but ended unchanged at 4.26%. The 2y10y UST curve was also little changed and remains at the flattest (most inverted) level for the year at -48bps. Gilt yields ended higher across the curve, despite the soft PMI, with 10-year yields up 3bps to 4.08%. UK retail sales rebounded more than anticipated in May as warmer weather helped to boost spending. German 10-year bund yields fell 3bps to 2.40%.

Japanese CPI was below expectations creating complications for the Bank of Japan as it looks ahead to further gradual rate hikes. Headline inflation increased 2.8%, up from 2.5% due to the phasing out of energy subsidies. Core CPI, excluding food and energy prices, slowed to 2.1%. The compares with 2.4% in April and is the ninth consecutive month of deceleration set against the backdrop of soft domestic consumption.

The US dollar was generally stronger with the dollar index gaining 0.2% to close at a six-week high. USD/JPY closed just below 160, a level which prompted Japanese officials to intervene to prop up the yen, at the end of April. The US Treasury Department has added Japan to its 'monitoring list' for foreign-exchange practices, but stopped short of labelling it or any other trade partner as a currency manipulator. This won't deter the Finance Ministry from intervening further if required.

EUR/USD dropped sharply following the Euro-area PMI data but rebounded off the session lows near 1.0670. NZD/USD ended little changed against the dollar and core European currencies but set a multi-decade high against the yen above 97.80. NZD/AUD rebounded, trading back above 0.9200, after steadily weakening through last week.

NZ fixed interest markets ended the local session on Friday marginally higher in yield in the absence of domestic data or fresh catalysts. 10-year government bonds closed 3bps higher at 4.63%, remaining close to the bottom of the trading range from the past six months. Australian 10-year government bond futures are 3bps lower in yield terms from the local close on Friday, suggesting a modest downside bias for NZ yields on the open.

It is quiet day ahead from a data perspective. The only domestic data of note is the trade balance for May. Later this evening, the German IFO index of business activity is released. Investors will be assessing if the weakness in the PMIs is also evident in the IFO.

Coming Up

		Period	Cons	Prev.	NZT
NZ	Trade Balance 12 Mth YTD	NZ\$bn	May	-10.1	10:45
GE	IFO Expectations		Jun	90.4	20:00

Source: Bloomberg, BNZ

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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	0.6119	-0.0	0.6109	0.6134	CHF	0.8939	+0.3		S&P 500	5,465	-0.2	25.2	Oil (Brent)	85.24	-0.5
AUD	0.6641	-0.2	0.6632	0.6670	SEK	10.509	+0.1		Dow	39,150	+0.0	15.3	Oil (WTI)	80.73	-0.7
EUR	1.0693	-0.1	1.0671	1.0710	NOK	10.569	+0.2		Nasdaq	17,689	-0.2	31.0	Gold	2316.4	-1.6
GBP	1.2641	-0.1	1.2623	1.2662	HKD	7.806	+0.0		Stoxx 50	4,907	-0.8	13.5	HRC steel	721.0	-0.6
JPY	159.82	+0.5	158.67	159.84	CNY	7.261	+0.0		FTSE	8,238	-0.4	9.0	CRB	293.2	-0.7
CAD	1.3695	+0.0			SGD	1.355	+0.0		DAX	18,164	-0.5	13.4	Wheat Chic.	575.8	-1.7
NZD/AUD	0.9213	+0.2			IDR	16,450	+0.1		CAC 40	7,629	-0.6	5.1	Sugar	18.97	+0.4
NZD/EUR	0.5722	+0.1			THB	36.75	+0.0		Nikkei	38,596	-0.1	17.7	Cotton	68.19	-3.8
NZD/GBP	0.4840	+0.1			KRW	1,388	+0.3		Shanghai	2,998	-0.2	-6.2	Coffee	225.0	-2.3
NZD/JPY	97.79	+0.6			TWD	32.38	+0.1		ASX 200	7,796	+0.3	9.8	WM powder	3150	+0.8
NZD/CAD	0.8379	+0.0			PHP	58.83	+0.1		NZX 50	11,682	-0.8	-0.5	Australian Futures		
NZ TWI	72.42	+0.1						VIX Index	13.20	-0.6	+0.0	3 year bond	96.12	0.00	
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	5.50	5.61	4.56	3.86	USD	4.26	-0.00	15-May-26	4.81	0.02	BKBM 1-mth	5.60	0.00		
AUD	4.35	4.41	4.18	4.39	AUD	4.21	0.01	15-Apr-27	4.61	0.02	BKBM 3-mth	5.62	0.01		
NZD	5.50	5.62	4.95	4.45	NZD	4.62	0.03	15-May-28	4.50	0.02	1 year	5.39	0.00		
EUR	3.75	3.70	3.18	2.76	GER	2.41	-0.02	20-Apr-29	4.46	0.02	2 year	4.95	0.01		
GBP	5.25	5.30	4.46	3.77	GBP	4.08	0.03	15-May-30	4.47	0.02	3 year	4.66	0.01		
JPY	0.08	-0.03	0.39	0.99	JPY	0.98	0.02	15-May-31	4.50	0.02	5 year	4.42	0.02		
CAD	4.75	4.96	4.19	3.61	CAD	3.35	0.00	15-May-32	4.55	0.02	7 year	4.40	0.02		
								14-Apr-33	4.58	0.03	10 year	4.45	0.02		
								15-May-34	4.62	0.03	15 year	4.58	0.02		
								15-May-35	4.68	0.03					
								15-May-37	4.79	0.04					
								15-May-41	4.93	0.03					
								15-May-51	4.94	0.03					
								15-May-54	4.97	0.03					

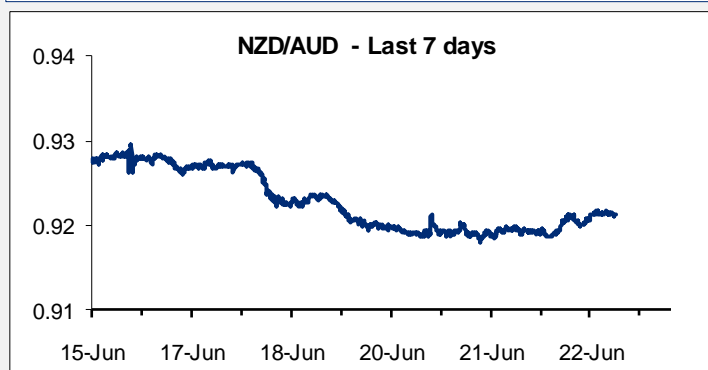
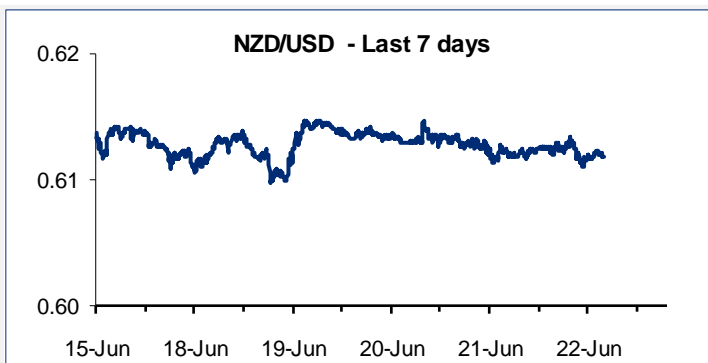
* These are indicative r
please confirm rates with your BNZ dealer

Rates at NY close

Source: Bloomberg

NZD exchange rates

22/06/2024	NY close	Prev. NY close
USD	0.6119	0.6120
GBP	0.4840	0.4835
AUD	0.9213	0.9195
EUR	0.5722	0.5719
JPY	97.79	97.27
CAD	0.8379	0.8378
CHF	0.5470	0.5455
DKK	4.2686	4.2653
FJD	1.3769	1.3778
HKD	4.7767	4.7763
INR	51.12	51.19
NOK	6.4673	6.4575
PKR	170.29	169.00
PHP	35.99	35.97
PGK	2.3517	2.3520
SEK	6.4303	6.4271
SGD	0.8291	0.8289
CNY	4.4430	4.4434
THB	22.43	22.51
TOP	1.4115	1.4186
VUV	73.56	73.62
WST	1.6622	1.6546
XPF	67.84	68.05
ZAR	10.9953	11.0024



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.18	0.22
3 Months	-0.37	0.16
6 Months	-1.88	-0.88
9 Months	-5.73	-1.17
1 Year	-8.39	-5.39

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.01	-7.12
3 Months	-23.45	-22.19
6 Months	-44.00	-41.43
9 Months	-61.74	-52.92
1 Year	-73.70	-65.72

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