

Research Markets Today

24 September 2024

Events Round-Up

NZ: Trade balance (ann \$b), Aug: -9.3 vs. -9.4 prev.

CH: 14-day reverse repo rate (%), Sep: 1.85 vs. 1.95 prev.

GE: Manufacturing PMI, Sep: 40.3 vs. 42.3 exp.

GE: Services PMI, Sep: 50.6 vs. 51.0 exp.

EA: Manufacturing PMI, Sep: 44.8 vs. 45.7 exp.

EA: Services PMI, Sep: 50.5 vs. 52.3 exp.

UK: Manufacturing PMI, Sep: 51.5 vs. 52.2 exp.

UK: Services PMI, Sep: 52.8 vs. 53.5 exp.

US: Manufacturing PMI, Sep: 47.0 vs. 48.6 exp.

US: Services PMI, Sep: 55.4 vs. 55.2 exp.

Good Morning

Weaker euro area PMI data drove down rates in the region and dragged down the euro. UK PMI data weren't as soft, while the US services PMI remained robust and inflation indicators were stronger. A move higher in US Treasury yields proved temporary and rates are now slightly lower across the curve. Commodity currencies have outperformed, with the NZD up to 0.6280 and NZD/EUR up 1% towards 0.5650. Equity markets show modest gains.

PMI data for euro area for September were weaker across the board and below consensus estimates. The composite PMI fell 2.1pts to 48.9, the first sub-50 reading in seven months, not helped by Germany's manufacturing sector slumping further into contractionary territory and France's services sector contracting following the Olympics-related surge in activity. The weaker data saw the market pricing in more easing from the ECB this year, driving rates down across the survey and a fall in EUR. Some 44bps of easing is now priced over the remaining two ECB meetings of the year (up from 38bps at the end of last week), Germany bund yields fell 5-8bps, led by the short-end, and EUR fell towards 1.1080, before recovering to 1.1120, down 0.4% for the day and the weakest of the FX majors.

The UK PMI data showed a more moderate fall compared to the euro area, with the composite index down less than a point at 52.9, but was consistent with recent GDP data showing slower growth momentum, after the recovery in the first half of the year. UK short rates fell only slightly and the UK 10-year rate is up 2bps against the falls seen elsewhere. This supported GBP, and after falling to a low of

1.3250, it has recovered a full cent to 1.3350, up 0.2% from last week's close.

US PMIs showed a further fall in manufacturing to 47.0, while the services sector remained relatively steady at 55.4, continuing to suggest a robust economic backdrop, although this index continues to run much stronger than the preferred ISM indicator which covers a much larger sample. The inflation components of the survey rose, with input prices for service providers at their highest level in a year, with firms noting the need to raise worker pay. US Treasury yields rose after the survey, but the move wasn't sustained. The 10-year rate peaked at 3.79% before falling to 3.73% and it is currently 3.74%, little changed from last week's close.

Following the Fed's jumbo 50bps rate cut last week, FOMC members have begun the speaking circuit and comments look to be from the same songsheet. Fed Presidents Goolsbee, Kashkari and Bostic said they supported the 50bps cut. Goolsbee appeared to be the most dovish, commenting that borrowing costs are "hundreds" of basis points above neutral and "that likely means many more rate cuts over the next year". He argued "if we want a soft landing, we can't be behind the curve".

Kashkari was in favour of smaller 25bps steps going forward "unless the data changes materially" and his projections for rate cuts was in line with the median forecast throughout. Bostic said that the Fed should not commit to a cadence of outsize moves, given uncertainty over the level of the neutral rate and out of concern that inflation could return, although he also noted that interest rates are "a fair distance above" neutral.

The USD DXY index shows a 0.1% gain for the day, but that reflects the weaker EUR, as noted, while other major currencies are stronger against the USD. Commodity currencies have outperformed, with the NZD, AUD and CAD at the top of the leaderboard, all up 0.5-0.6% from last week's close. The NZD is trading close to its session high, around 0.6280, while the AUD is up near 0.6850. NZD/EUR is up 1% to almost 0.5650, NZD/GBP is back at 0.47 and NZD/JPY is up modestly to around 90.

Oil prices were higher on rising tension in the Middle East, with Israel striking Hezbollah targets in Lebanon, marking the deadliest day of the conflict. Brent crude rose above USD75 per barrel before falling after Iran's President said that his country is prepared to de-escalate tensions as long

as it sees the same level of commitment on the other side. Brent crude is now down nearly 1% on the day to below USD74.

Yesterday, the PBoC lowered its 14-day reverse repurchase rate 10bps to 1.85% the drop reflecting a catch-up from the 10bps drop in the 7-day rate in July. Of note though Governor Pan will hold a press conference today on financial support for economic development. Policy easing from China is becoming almost a weekly affair, but the drip-fed measures and lower rates to date have had little impact on stimulating growth. The market wants to see bigger bang measures to restore confidence in China's economic outlook.

In the domestic rates market, global forces drove higher NZ rates, with NZGB rates up 1-5bps with a steepening bias. The 10-year rate rose 4bps to 4.21%. The swaps curve also steepened, albeit to a lesser extent, with the 2-year rate flat at 3.65% and the 10-year rate up 2bps to 3.87%.

In the day ahead, the RBA policy update should pass uneventfully, with policy on hold and the central bank not inclined to cut or lift the cash rate anytime soon. Tonight sees the release of Germany's IFO survey of businesses and the US Conference Board measure of consumer confidence.

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Coming Up

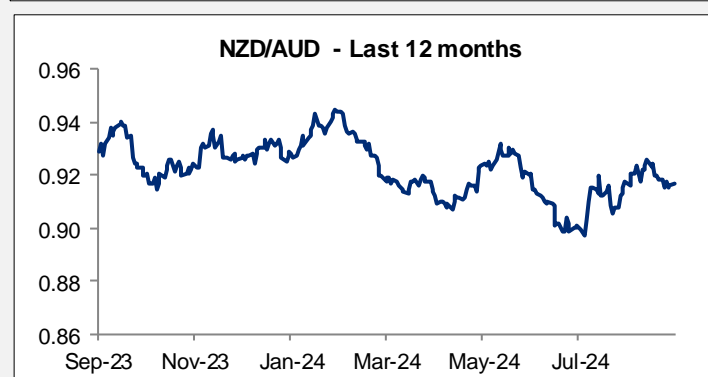
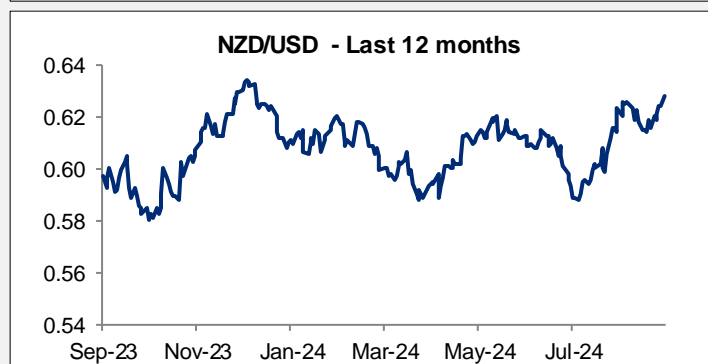
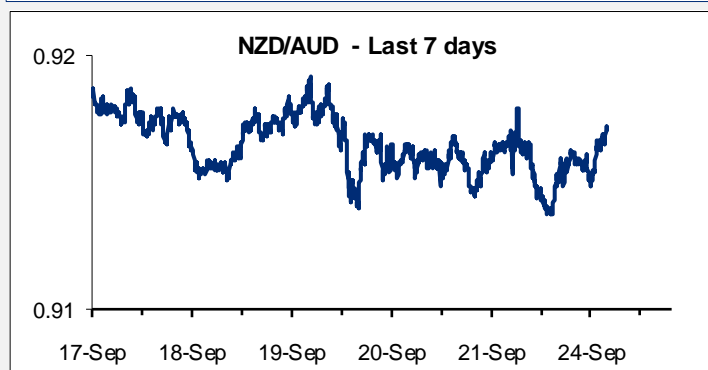
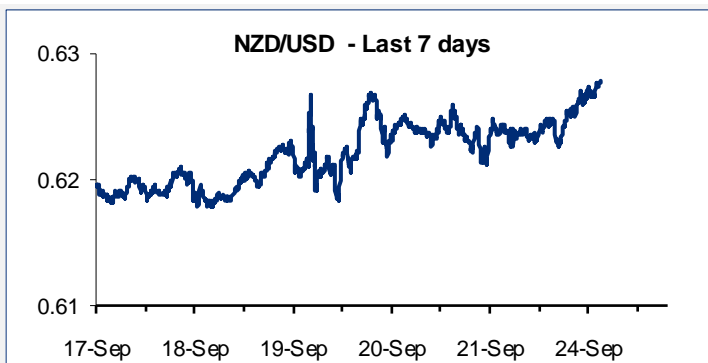
		Period	Cons.	Prev.	NZT
AU	RBA cash rate target (%)	Sep	4.35	4.35	16:30
GE	IFO expectations	Sep	86.5	86.8	20:00
US	Conf. Board consumer confid.	Sep	103.0	103.3	02:00

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	% Day	% Year	Last	Net Day			
NZD	0.6278	+0.6	0.6225	0.6280	CHF	0.8468	-0.4	S&P 500	5,715	+0.2	32.3	Oil (Brent)	73.93	-0.8
AUD	0.6845	+0.6	0.6800	0.6854	SEK	10.191	+0.2	Dow	42,114	+0.1	24.0	Oil (WTI)	70.41	-0.8
EUR	1.1116	-0.4	1.1083	1.1159	NOK	10.482	-0.0	Nasdaq	17,977	+0.2	36.1	Gold	2628.7	+0.2
GBP	1.3346	+0.2	1.3249	1.3359	HKD	7.786	-0.1	Stoxx 50	4,886	+0.3	16.1	HRC steel	704.0	+0.0
JPY	143.35	-0.4	143.17	144.34	CNY	7.052	+0.1	FTSE	8,260	+0.4	7.5	CRB	282.4	+0.1
CAD	1.3502	-0.5			SGD	1.290	-0.0	DAX	18,847	+0.7	21.1	Wheat Chic.	600.8	+2.3
NZD/AUD	0.9172	+0.1			IDR	15,206	+0.4	CAC 40	7,508	+0.1	4.5	Sugar	22.55	-0.5
NZD/EUR	0.5648	+1.1			THB	32.92	-0.0	Nikkei	37,724	+1.5	16.4	Cotton	71.70	-0.8
NZD/GBP	0.4704	+0.4			KRW	1,335	+0.2	Shanghai	2,749	+0.4	-12.2	Coffee	263.7	+5.1
NZD/JPY	90.00	+0.3			TWD	32.06	+0.2	ASX 200	8,153	-0.7	15.3	WM powder	3450	-0.6
NZD/CAD	0.8477	+0.1			PHP	55.95	+0.6	NZX 50	12,404	-0.6	9.1	Australian Futures		
NZ TWI	71.55	+0.6						VIX Index	15.94	-1.3	-7.3	3 year bond	96.54	-0.04
												10 year bond	96.04	0.01
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	4.95	3.36	3.28	USD	3.74	-0.00	15-May-26	3.88	0.01	BKBM 1-mth	5.21	-0.02	
AUD	4.35	4.43	3.66	4.04	AUD	3.96	0.04	15-Apr-27	3.69	0.02	BKBM 3-mth	4.97	-0.02	
NZD	5.25	4.97	3.65	3.87	NZD	4.21	0.04	15-May-28	3.69	0.02	1 year	4.17	-0.01	
EUR	3.50	3.44	2.39	2.40	GER	2.16	-0.05	20-Apr-29	3.76	0.03	2 year	3.65	0.00	
GBP	5.00	5.30	3.84	3.56	GBP	3.92	0.02	15-May-30	3.87	0.04	3 year	3.52	0.01	
JPY	0.23	-0.03	0.44	0.88	JPY	0.85	0.00	15-May-31	3.98	0.04	5 year	3.57	0.02	
CAD	4.25	4.97	2.83	2.83	CAD	2.94	-0.01	15-May-32	4.09	0.04	7 year	3.70	0.02	
								14-Apr-33	4.17	0.04	10 year	3.87	0.02	
								15-May-34	4.21	0.04	15 year	4.08	0.02	
								15-May-35	4.30	0.04				
								15-May-36	4.39	0.04				
								15-May-37	4.49	0.04				
								15-May-41	4.69	0.05				
								15-May-51	4.77	0.04				
								15-May-54	4.81	0.04				
					NZ Inflation-Indexed Bonds									
					Sep-30	2.11	0.00							
					Sep-35	2.42	-0.00							
					Sep-40	2.66	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

24/09/2024 6:56 am		Prev. NY close
USD	0.6278	0.6238
GBP	0.4704	0.4683
AUD	0.9172	0.9164
EUR	0.5648	0.5589
JPY	90.00	89.73
CAD	0.8477	0.8464
CHF	0.5316	0.5302
DKK	4.2125	4.1680
FJD	1.3899	1.3734
HKD	4.8879	4.8596
INR	52.46	52.13
NOK	6.5806	6.5412
PKR	174.79	173.60
PHP	35.14	34.73
PGK	2.4562	2.4339
SEK	6.3978	6.3436
SGD	0.8100	0.8050
CNY	4.4273	4.3959
THB	20.72	20.62
TOP	1.4482	1.4324
VUV	74.49	74.20
WST	1.6957	1.6849
XPF	67.69	67.05
ZAR	10.8839	10.8704



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.09	0.22
3 Months	0.01	0.52
6 Months	-3.61	-2.61
9 Months	-7.45	-5.45
1 Year	-10.22	-7.20

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-4.34	-3.62
3 Months	-7.98	-6.63
6 Months	-7.93	-5.29
9 Months	-2.76	2.01
1 Year	4.81	12.42

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