

# Research Markets Today

26 June 2024

## Events Round-Up

AU: Westpac consumer confidence, Jun: 83.6 vs. 82.2 prev.

CA: CPI (y/y%), May: 2.9 vs. 2.6 exp.

CA: CPI core (avg median/trim y/y%), May: 2.85 vs. 2.7 exp.

US: Conf. Board consumer confid., Jun: 100.4 vs. 100.0 exp.

## Good Morning

Market movements continue to be well contained. US equities are up modestly, US Treasuries yields are up slightly and the USD index is slightly stronger. Canadian inflation figures positively surprised, but this had more sustained impact on rates than the CAD. The NZD has traded a tight range and is down slightly to 0.6120.

It feels like (northern hemisphere) summer trading conditions have come early, with the market trading in tight ranges across key assets. Nvidia remains an exception to that rule, with its stock price recovering over 5% after a 13% drop over the previous three trading sessions. Its volatility isn't having much impact on the S&P500, with that index currently up 0.3% and on track for a fifth consecutive day of a movement of 0.3% or less. In a mirror image of yesterday, IT and communication services sectors lead the gains, while other sectors are lower.

US Treasuries continue to trade tight ranges. The 10-year Treasury met resistance again near the 4.2% mark and is currently up slightly to 4.24%. Although not market moving, two Fed Governors offered opposing views on the policy outlook. Bowman – considered the most hawkish FOMC member – wasn't in favour of rate cuts this year, saying "reducing our policy rate too soon or too quickly could result in a rebound in inflation, requiring further future policy rate increases". Cook, who appears to be more in line with Chair Powell, said that it will be appropriate to reduce rates "at some point", with the timing determined by how economic data evolve.

In economic news, Canadian CPI inflation data defied expectations for a further slowing and picked up in May, breaking a four-month run of weaker figures. Annual headline inflation rose two-tenths to 2.9% and the average of the median and trim core measures rose one-tenth to 2.85%. The stronger data reduced the chance of the Bank of Canada cutting rates for a second time in July, with rates higher across the curve, and the 2-year rate rising 8bps. The CAD spiked higher on the release, but the move

proved temporary, and USD/CAD shows little net movement on the day.

The US Conference Board measure of consumer confidence was close to expectations, falling to 100.4 in May from a downwardly revised 101.3, driven by the expectations component. The labour market indicator – the difference between those indicating jobs are "plentiful" versus jobs "hard to get" – rose for the first time this year, raising a question mark whether labour market conditions are in fact deteriorating.

Currency movements have been small, with a hint of broad USD strength, but not significantly so. The key majors we follow haven't moved more than 0.2% against the USD for the day. The NZD edged lower towards 0.61 overnight and is currently back near 0.6120. The AUD is around 0.6650 and NZD/AUD is steady around 0.92.

Of particular interest to NZ, Denmark is moving ahead with the world's first carbon tax on agriculture, looking to charge almost €100 a year (€16 per tonne of CO<sub>2</sub> equivalent emissions from livestock) for the greenhouse gas emissions from each of their cows. The tax will also apply to pig farmers. The FT report noted that a large cooperative group owned by farmers suggested that it was crucial for the tax to be "anchored in Europe" rather than for Denmark to act unilaterally.

The domestic rates market had another quiet session, with rates marked lower on global forces. NZGB yields fell 1-3bps across the curve, with a slight flattening bias, while swap rates were down 1-2bps.

On the calendar today, Australian monthly CPI data will be of interest, where the RBA's tolerance for upside surprises to inflation data is limited. Elsewhere, there are only second-tier releases.

[jason.k.wong@bnz.co.nz](mailto:jason.k.wong@bnz.co.nz)

## Coming Up

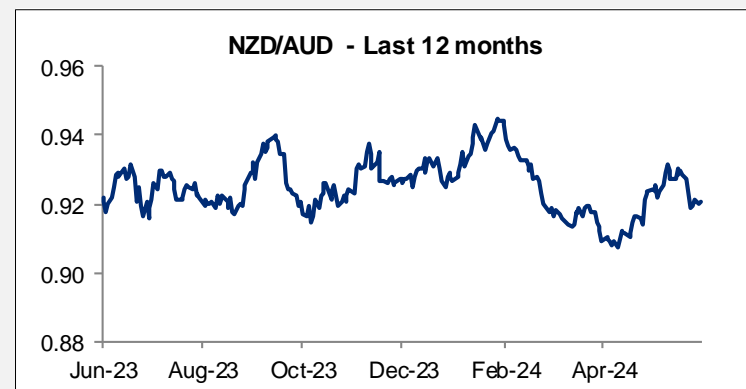
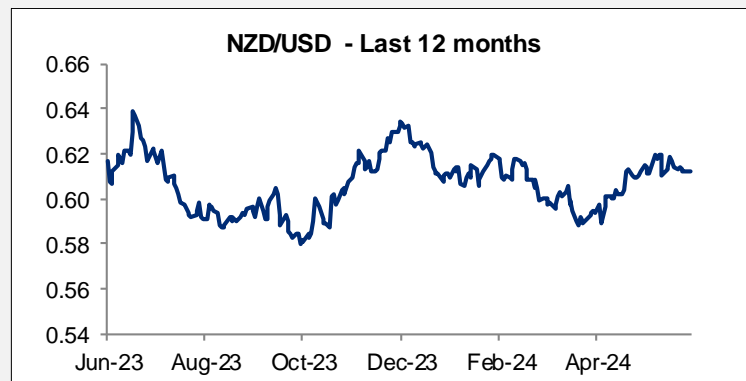
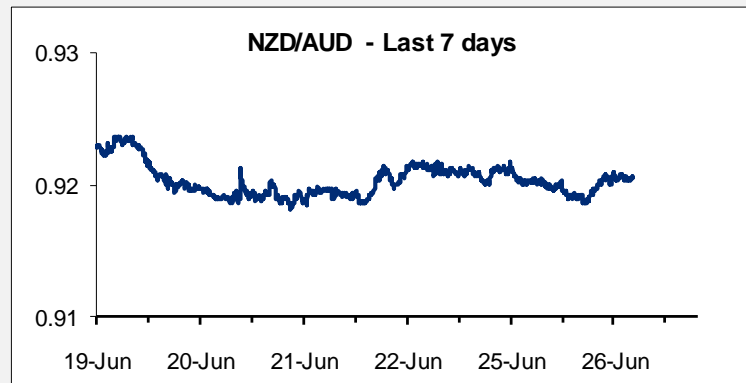
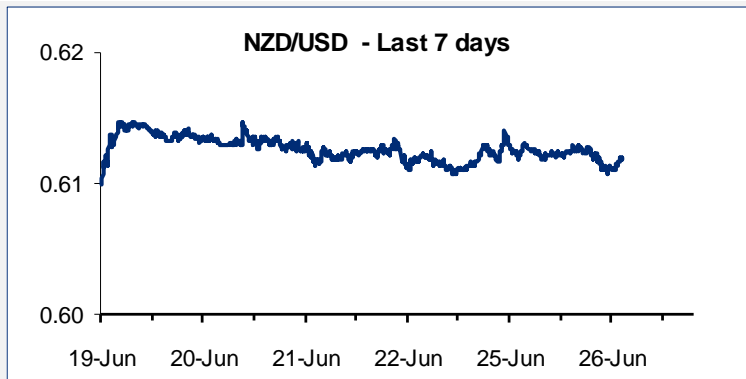
		Period	Cons.	Prev.	NZT
AU	CPI (y/y%)	May	3.8	3.6	13:30
GE	GfK consumer confidence	Jul	-19.5	-20.9	18:00
US	New home sales (k)	May	635	634	02:00

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	Net Day		
NZD	0.6119	-0.1	0.6108	0.6129	CHF	0.8946	+0.2	S&P 500	5,466	+0.3	25.7	Oil (Brent)	84.94	-1.2
AUD	0.6647	-0.2	0.6635	0.6671	SEK	10.502	+0.2	Dow	39,123	-0.7	16.0	Oil (WTI)	80.76	-1.1
EUR	1.0715	-0.2	1.0691	1.0736	NOK	10.608	+0.7	Nasdaq	17,700	+1.2	31.2	Gold	2316.6	-0.6
GBP	1.2693	+0.1	1.2671	1.2703	HKD	7.809	+0.0	Stoxx 50	4,936	-0.3	15.6	HRC steel	717.0	+0.0
JPY	159.68	+0.0	159.29	159.76	CNY	7.263	+0.0	FTSE	8,248	-0.4	10.5	CRB	294.8	+0.5
CAD	1.3656	-0.0			SGD	1.355	+0.1	DAX	18,178	-0.8	14.8	Wheat Chic.	558.8	-2.1
NZD/AUD	0.9206	+0.0			IDR	16,375	-0.1	CAC 40	7,662	-0.6	7.0	Sugar	19.10	-1.6
NZD/EUR	0.5711	+0.1			THB	36.73	+0.3	Nikkei	39,173	+0.9	19.8	Cotton	72.60	+3.1
NZD/GBP	0.4821	-0.2			KRW	1,387	-0.1	Shanghai	2,950	-0.4	-6.4	Coffee	229.3	-2.9
NZD/JPY	97.71	-0.1			TWD	32.45	+0.2	ASX 200	7,839	+1.4	10.7	WM powder	3175	+0.8
NZD/CAD	0.8356	-0.1			PHP	58.77	-0.1	NZX 50	11,716	+0.8	0.7	<b>Australian Futures</b>		
NZ TWI	72.37	-0.1						VIX Index	13.01	-2.4	-3.2	3 year bond	96.11	0.01
<b>Interest Rates</b>										10 year bond			95.80	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	5.60	4.56	3.83	USD	4.24	0.01	15-May-26	4.77	-0.01	BKBM 1-mth	5.60	0.00	
AUD	4.35	4.40	4.18	4.37	AUD	4.20	-0.02	15-Apr-27	4.56	-0.02	BKBM 3-mth	5.61	-0.00	
NZD	5.50	5.61	4.90	4.38	NZD	4.56	-0.03	15-May-28	4.45	-0.02	1 year	5.37	-0.01	
EUR	3.75	3.68	3.18	2.76	GER	2.41	-0.01	20-Apr-29	4.41	-0.02	2 year	4.90	-0.01	
GBP	5.25	5.30	4.49	3.78	GBP	4.08	-0.00	15-May-30	4.42	-0.02	3 year	4.60	-0.02	
JPY	0.08	-0.03	0.40	1.00	JPY	1.00	0.01	15-May-31	4.44	-0.03	5 year	4.37	-0.02	
CAD	4.75	4.96	4.25	3.64	CAD	3.38	0.05	15-May-32	4.49	-0.03	7 year	4.34	-0.02	
								14-Apr-33	4.52	-0.03	10 year	4.38	-0.02	
								15-May-34	4.56	-0.03	15 year	4.51	-0.02	
								15-May-35	4.61	-0.03				
								15-May-37	4.73	-0.03				
								15-May-41	4.87	-0.03				
								15-May-51	4.88	-0.03				
								15-May-54	4.91	-0.03				
* These are indicative r 06:54 please confirm rates with your BNZ dealer						<b>NZ Inflation-Indexed Bonds</b>								
Rates are as of: NZT						Sep-30	2.20	-0.01						
Source: Bloomberg						Sep-35	2.52	-0.00						
						Sep-40	2.71	-0.02						

**NZD exchange rates**

<b>26/06/2024 6:55 am</b>		<b>Prev. NY close</b>
USD	0.6119	0.6125
GBP	0.4821	0.4828
AUD	0.9206	0.9201
EUR	0.5711	0.5707
JPY	97.71	97.77
CAD	0.8356	0.8365
CHF	0.5474	0.5470
DKK	4.2591	4.2564
FJD	1.3761	1.3792
HKD	4.7777	4.7823
INR	51.04	51.12
NOK	6.4882	6.4548
PKR	170.27	170.46
PHP	35.96	36.02
PGK	2.3522	2.3549
SEK	6.4251	6.4165
SGD	0.8287	0.8286
CNY	4.4434	4.4464
THB	22.42	22.47
TOP	1.4110	1.4205
VUV	73.67	73.86
WST	1.6614	1.6593
XPF	67.76	67.95
ZAR	11.1427	11.0888



**NZD/USD Forward Points**

	<b>BNZ buys NZD</b>	<b>BNZ sells NZD</b>
1 Month	-0.18	0.11
3 Months	-0.52	-0.02
6 Months	-2.16	-1.10
9 Months	-4.72	-2.73
1 Year	-7.74	-4.74

**NZD/AUD Forward points**

	<b>BNZ buys NZD</b>	<b>BNZ Sells NZD</b>
1 Month	-8.57	-7.90
3 Months	-23.48	-22.22
6 Months	-43.66	-40.71
9 Months	-59.42	-54.29
1 Year	-71.78	-63.11

# 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 2, BNZ Place  
1 Whitmore 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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