

# Research Markets Today

27 August 2024

## Events Round-Up

GE: IFO expectations, Aug: 86.8 vs. 85.8 exp.  
 US: Durable goods orders (m/m%), Jul: 9.9 vs. 5.0 exp.  
 US: Durables orders ex transport., Jul: -0.2 vs. -0.1 exp.

## Good Morning

Markets are consolidating following the initial excitement following Chair Powell’s Jackson Hole speech at the end of last week. US equities are down modestly, US Treasuries show small changes, and the USD is slightly stronger. The NZD has given up some of its big gain last week and has settled just over the 0.62 mark. Oil prices surged 3% due to Libya domestic issues rather than rising geopolitical risk.

As markets opened yesterday, there was interest in the response to oil prices after the exchange of missiles between Israel and Lebanon on Sunday. Prices nudged higher in Asian trading before surging after Libya said it would halt crude oil exports. Prices are up over 3%, with Brent crude pushing above USD81.50 per barrel. This reflected domestic political issues between Libya’s two governments split between west and east— regarding control of its central bank and oil revenues – rather than the rise in geopolitical risk. Tensions between Israel and Lebanon calmed down after Hezbollah’s leader said its attack on Israel was an adequate retaliation for the assassination of one its senior commanders.

Oil has been the key market mover with little going on elsewhere. The S&P500 is down 0.3%, weighed by falls across the mega cap stocks, with some nerves heading into Nvidia’s earnings results later this week. Most stocks are higher, with the equally weighted index rising to a fresh record high, while the Russell 2000 index, weighted to smaller cap stocks, is currently up 0.3%. The Euro Stoxx 600 index closed flat.

US Treasury yields show little net movement, with the 10-year rate trading a 3.77%-3.82% range and up 2bps from the NZ close. Markets have settled after further digesting the all-clear from Fed Chair Powell last week for the easing cycle to commence next month. As we noted yesterday the economic dataflow, particularly around the labour market, will determine the pace of easing.

On the economic front, US durables goods orders surged 9.9% m/m in July, driven by aircraft orders, but the underlying figures were a lot weaker and came in below expectations and with downward revisions to June data. Durables orders ex transportation fell 0.2% m/m and core capital goods shipments – the component that feeds into GDP – fell 0.4%. Business investment is on track for a negative contribution to Q3 GDP.

Germany’s IFO survey showed a small fall in the business climate index, driven by current conditions, with the expectations component little changed at 86.8, a minor beat relative to the consensus. The data were consistent with German economic stagnation continuing.

In currency markets, the NZD has lost some air after the 3% surge last week which took the relative strength indicator to the verge of meeting the over-bought trigger. It is down 0.4% from last week’s close to just over 0.62. The NZD is lower on all the key crosses with the largest move being a 0.6% fall to 0.8370 against CAD, which has been supported by higher oil prices. Other NZD cross movements have been small, given most of the majors are down against the USD. The USD DXY index is consolidating after its hefty loss last week.

The domestic rates market played catch-up to the fall in global rates in the wake of Chair Powell’s Jackson Hole speech. Swap rates fell 3bps across the curve, while NZGBs fell 3-5bps. End of month rebalancing at the end of the week will see demand to extend duration and buy the new 2036 bonds as the \$6b issue gets added to bond indices.

The economic calendar remains light in the day ahead, with the Conference Board’s measure of consumer confidence the only release of note.

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## Coming Up

		Period	Cons.	Prev.	NZT
US	Conf. Board consumer confid.	Aug	100.6	100.3	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	Net Day				
NZD	0.6208	-0.4	0.6197	0.6217	CHF	0.8473	-0.1	S&P 500	5,618	-0.3	27.5	Oil (Brent)	81.53	+3.2	
AUD	0.6776	-0.3	0.6767	0.6787	SEK	10.208	+0.3	Dow	41,210	+0.1	20.0	Oil (WTI)	77.49	+3.5	
EUR	1.1163	-0.3	1.1150	1.1185	NOK	10.547	+0.8	Nasdaq	17,733	-0.8	30.5	Gold	2517.7	+0.4	
GBP	1.3189	-0.2	1.3180	1.3209	HKD	7.797	+0.0	Stoxx 50	4,897	-0.3	15.6	HRC steel	670.0	-0.3	
JPY	144.56	+0.1	143.60	144.65	CNY	7.122	+0.0	FTSE	8,328	+0.5	13.5	CRB	278.7	+1.5	
CAD	1.3477	-0.2			SGD	1.304	+0.2	DAX	18,617	-0.1	19.1	Wheat Chic.	524.3	-0.7	
NZD/AUD	0.9162	-0.1			IDR	15,439	-0.3	CAC 40	7,590	+0.2	5.0	Sugar	19.04	+3.5	
NZD/EUR	0.5561	-0.2			THB	34.00	+0.2	Nikkei	38,110	-0.7	20.5	Cotton	70.58	+0.4	
NZD/GBP	0.4707	-0.2			KRW	1,329	+0.1	Shanghai	2,856	+0.0	-6.8	Coffee	249.7	+1.0	
NZD/JPY	89.74	-0.3			TWD	31.83	-0.4	ASX 200	8,085	+0.8	13.6	WM powder	3455	+0.1	
NZD/CAD	0.8367	-0.6			PHP	56.03	-0.7	NZX 50	12,590	+0.5	9.8	<b>Australian Futures</b>			
NZ TWI	71.28	-0.3						VIX Index	16.09	+1.5	+2.6	3 year bond	96.57	0.10	
<b>Interest Rates</b>										10 year bond			96.12	0.01	
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	5.34	3.71	3.37	USD	3.81	0.01	15-May-26	3.99	-0.05	BKBM 1-mth	5.36	0.00		
AUD	4.35	4.35	3.65	4.02	AUD	3.85	-0.06	15-Apr-27	3.76	-0.05	BKBM 3-mth	5.22	-0.02		
NZD	5.25	5.22	3.84	3.89	NZD	4.17	-0.03	15-May-28	3.75	-0.05	1 year	4.45	-0.03		
EUR	3.75	3.53	2.69	2.50	GER	2.25	0.02	20-Apr-29	3.78	-0.05	2 year	3.84	-0.03		
GBP	5.00	5.30	4.07	3.62	GBP	3.91	-0.05	15-May-30	3.86	-0.05	3 year	3.64	-0.03		
JPY	0.23	-0.03	0.43	0.88	JPY	0.89	-0.01	15-May-31	3.97	-0.04	5 year	3.62	-0.03		
CAD	4.50	4.97	3.18	2.93	CAD	3.05	0.02	15-May-32	4.07	-0.04	7 year	3.72	-0.03		
						<b>NZ Inflation-Indexed Bonds</b>				10 year			3.89	-0.03	
										15 year			4.07	-0.03	
						Sep-30	2.10	0.00	15-May-35	4.23	-0.03				
						Sep-35	2.41	0.00	15-May-37	4.38	-0.04				
						Sep-40	2.65	0.00	15-May-41	4.54	-0.04				
										15-May-51	4.59	-0.03			
										15-May-54	4.62	-0.04			

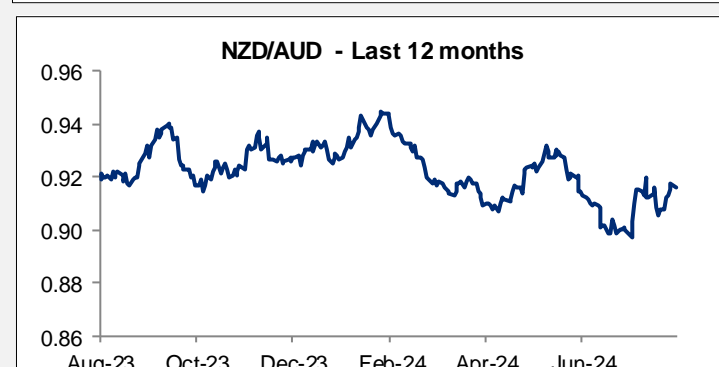
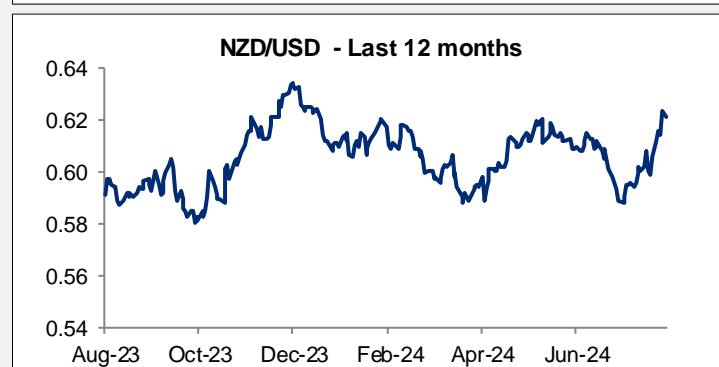
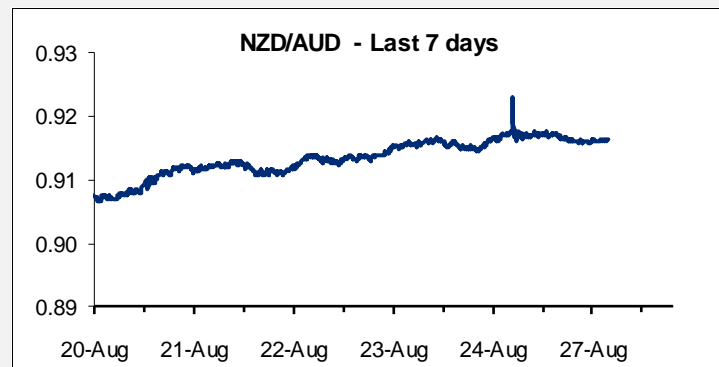
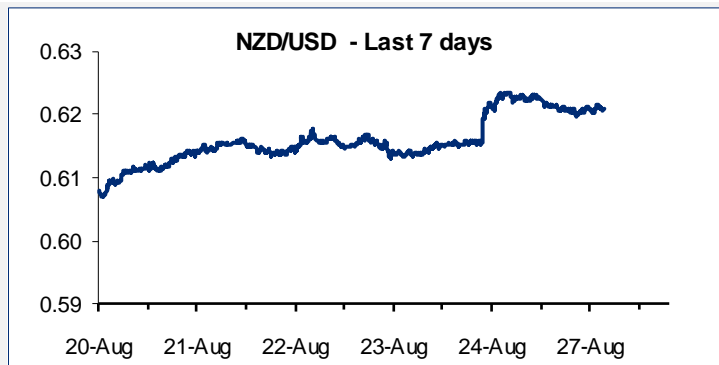
\* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

Rates are as of: NZT 06:55

Source: Bloomberg

**NZD exchange rates**

27/08/2024 6:55 am		Prev. NY close
USD	0.6208	0.6233
GBP	0.4707	0.4717
AUD	0.9162	0.9173
EUR	0.5561	0.5569
JPY	89.74	89.99
CAD	0.8367	0.8420
CHF	0.5260	0.5285
DKK	4.1492	4.1555
FJD	1.3698	1.3787
HKD	4.8404	4.8593
INR	52.09	52.29
NOK	6.5475	6.5213
PKR	172.77	173.46
PHP	34.97	35.22
PGK	2.3932	2.4253
SEK	6.3369	6.3454
SGD	0.8095	0.8110
CNY	4.4213	4.4385
THB	21.09	21.36
TOP	1.4400	1.4499
VUV	73.87	74.42
WST	1.6859	1.6934
XPF	66.92	67.06
ZAR	10.9898	11.0347



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.54	0.79
3 Months	1.15	1.66
6 Months	0.83	1.83
9 Months	-1.11	0.89
1 Year	-1.42	1.58

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-7.14	-6.51
3 Months	-16.06	-14.64
6 Months	-23.09	-20.49
9 Months	-26.43	-21.45
1 Year	-26.01	-17.84

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