

# Research Markets Today

27 June 2024

## Events Round-Up

AU: CPI (y/y%), May: 4.0 vs. 3.8 exp.

GE: GfK consumer confidence, Jul: -21.8 vs. -19.5 exp.

US: New home sales (k), May: 619 vs. 635 exp.

## Good Morning

In contrast to the dull market conditions earlier this week, there has been a bit more price action to talk about. USD/JPY marched up through 160 with ease, to a fresh 38-year high, raising the chance of forthcoming yen intervention. The PBoC continues to allow a slightly softer yuan, while the AUD outperformed after a strong monthly CPI print that caught the market off guard. Against a backdrop of broad USD strength, the NZD has fallen to just below 0.6080, underperforming on NZD/AUD cross selling pressure.

US Treasuries are weaker, with rates up 5-6bps across the curve and the 10-year rate up 6bps to 4.32%, at the top end of its tight range of the past fortnight. There are no obvious reasons for the move, but the lift in yields began near the European open and has been broadly based, with European yields also up 4-6bps.

The data calendar has been light, with the only notable release being an 11.3 % plunge in US new home sales in May to an annualised 619k, lower than consensus estimates from an upwardly revised figure of 698k in April. While the data are volatile, weaker sales are consistent with other housing market indicators, and continues the run of softer than expected US economic data releases.

Some reasons provided for the possible rates market sell-off have been the approach of month-end, positive inflation surprises from Canada and Australia over the last day or two giving the market food for thought, the weaker currency combo of the yuan and yen raising the spectre of Japan's MoF selling Treasuries to support the currency, and the market needing to absorb a chunky \$70b of 5-year US Treasury notes at auction.

In currency markets, the USD has been broadly stronger overnight and, combined with a higher US 10-year rate, USD/JPY easily marched up through 160 and resistance didn't kick in until 160.80. This saw the yen at a fresh 38-year low against the USD and fresh multi-decade lows against other majors as well. The recent 17-year high in

NZD/JPY just under 98 held. Official yen intervention is seen more likely than not at some stage if the yen weakens further, but likely at a more opportune time during illiquid market conditions and probably after US PCE deflator data are released Friday night.

Yesterday, the PBoC weakened the reference rate for CNY for the sixth consecutive day. This cumulates to a depreciation of just 0.14% but the symbolism of the move is notable. USD/CNY continues to trade near the upper 2% limit of its daily trading range, suggesting market pressure to take the yuan lower, but the PBoC is tightly managing the process. The weaker yen is forcing the hand of the PBoC, and it is notable that the yuan is the strongest level against the yen since 1993.

A significant market mover yesterday was Australia's monthly CPI indicator showing an annual lift of 4.0% y/y, two-tenths higher than the market consensus, with the trimmed mean measure up to a six-month high of 4.4% y/y. Given the RBA's low tolerance for upside inflation surprises, the market moved to increase the chance of a rate hike, priced close to an even chance for a 25bps hike in August. Earlier in the day, Assistant Governor Kent noted the need to remain vigilant to upside risks to inflation. A number of economists changed rate calls, with some calling an August rate hike and others pushing out the prospect of easier policy until well into next year.

The RBA has been reluctant to tighten through this cycle, taking a chance that a cash rate of 4.35% was high enough to bring inflation down to target, even though other central banks in the dollar-bloc believed that policy rates of at least 5% were necessary. The market was caught off guard by the strong inflation report, driving the 3-year bond future up 15bps in yield terms and higher global rates overnight have pushed that rate even higher.

Higher Australian rates drove a stronger AUD and it has been the only major currency to hold up against the USD since this time yesterday. It met some resistance at 0.6690 before the broadly stronger USD drove it back down to 0.6650. The NZD/AUD cross rate is a preferred whipping boy for those wanting to take an AUD position without being exposed to the USD, so the NZD has underperformed as traders loaded up on, or increased, long AUD/NZD positions. This saw NZD/USD break below support of 0.6085 but not significantly so, to an overnight low of 0.6076, and it currently sits near 0.6080. NZD/AUD has

fallen to a four-week low just below 0.9140 and the NZD is modestly weaker on most crosses.

The domestic rates market was buffeted by the higher rates across the Tasman, with an immediate jump up in yields following the Australian CPI release, but closing off their highs into the close, and NZ-Australian rate spreads compressing. Swap yields rose 4-5bps across the curve, with the 2-year rate closing at 4.94% and the 10-year rate at 4.43%. NZGB yields closed 4-6bps higher across the curve, seeing the 10-year rate end the day at 4.61%. Since the NZ close, the Australian 10-year future is up 8bps in yield terms, which will impart an upside bias to NZ rates on the open.

Higher rates haven't perturbed the US equity market, with the S&P500 currently flat while the Euro Stoxx 600 index closed down 0.6%.

In the day ahead, there will be some interest in the ANZ business outlook survey, more so for the inflation indicators than the activity indicators. Tonight sees the release of US trade, jobless claims, durable goods orders and pending home sales, with particular interest in whether initial jobless claims data confirm an upward trend.

While NZ will be on holiday tomorrow, there will be significant interest in the first US Presidential election debate beginning 1pm NZ time. Later Friday night, the US core PCE deflator is expected to show a friendly 0.1% m/m increase with the risk of rounding pushing it up to 0.2%.

Also, by the time NZ opens on Monday, we'll know the results of the first round of French parliamentary elections.

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## Coming Up

		Period	Cons.	Prev.	NZT
NZ	ANZ consumer confidence	Jun		84.9	10:00
NZ	ANZ activity outlook	Jun		11.8	13:00
US	Goods trade balance (\$b)	May	-96.0	-99.4	00:30
US	Initial jobless claims	22-Jun	235	238	00:30
US	Durable goods orders (m/m%)	May	-0.5	0.6	00:30
US	Durables ex transport. (m/m%)	May	0.2	0.4	00:30
US	Pending home sales (m/m%)	May	0.6	-7.7	02:00
<b>Friday</b>					
JN	Tokyo CPI (y/y%)	Jun	2.3	2.2	11:30
JN	Tokyo CPI x fr.fd, energy (y/y%)	Jun	1.7	1.7	11:30
GE	Unemployment rate (%)	Jun	5.9	5.9	19:55
CA	GDP (m/m%)	Apr	0.3	0	00:30
US	Personal income (m/m%)	May	0.4	0.3	00:30
US	Real personal spending (m/m%)	May	0.3	-0.1	00:30
US	PCE core deflator (m/m%)	May	0.1	0.2	00:30
US	PCE core deflator (y/y%)	May	2.6	2.8	00:30
US	Chicago PMI	Jun	40.0	35.4	01:45
US	U. of Mich. consumer sent.	Jun	66.0	65.6	02:00
US	U. of Mich. 5-10y inflation exp.	Jun	3.1	3.1	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	0.6078	-0.7	0.6076	0.6115	CHF	0.8972	+0.3	S&P 500	5,465	-0.1	26.2	Oil (Brent)	85.16	+0.2	
AUD	0.6650	+0.0	0.6640	0.6685	SEK	10.574	+0.6	Dow	39,171	+0.1	16.2	Oil (WTI)	80.82	-0.0	
EUR	1.0680	-0.3	1.0666	1.0700	NOK	10.683	+0.7	Nasdaq	17,751	+0.2	33.1	Gold	2299.2	-0.8	
GBP	1.2622	-0.5	1.2618	1.2676	HKD	7.809	-0.0	Stoxx 50	4,916	-0.4	14.8	HRC steel	673.0	-0.4	
JPY	160.70	+0.6	159.82	160.82	CNY	7.267	+0.1	FTSE	8,225	-0.3	10.4	CRB	292.1	-0.9	
CAD	1.3703	+0.3			SGD	1.359	+0.3	DAX	18,155	-0.1	14.8	Wheat Chic.	559.0	-0.3	
NZD/AUD	0.9140	-0.8			IDR	16,413	+0.2	CAC 40	7,609	-0.7	5.9	Sugar	19.24	+0.7	
NZD/EUR	0.5691	-0.4			THB	36.94	+0.6	Nikkei	39,667	+1.3	21.9	Cotton	72.70	+0.1	
NZD/GBP	0.4815	-0.2			KRW	1,389	+0.1	Shanghai	2,973	+0.8	-6.8	Coffee	224.4	-2.2	
NZD/JPY	97.67	-0.1			TWD	32.57	+0.4	ASX 200	7,783	-0.7	9.3	WM powder	3150	-0.8	
NZD/CAD	0.8329	-0.4			PHP	58.87	+0.2	NZX 50	11,835	+1.0	1.6	<b>Australian Futures</b>			
NZ TWI	72.00	-0.5						VIX Index	12.62	-1.7	-11.4	3 year bond	95.93	-0.18	
<b>Interest Rates</b>													10 year bond	95.60	-0.20
	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	4.61	3.91	USD	4.32	0.07	15-May-26	4.83	0.06	BKBM 1-mth	5.60	0.00		
AUD	4.35	4.40	4.40	4.56	AUD	4.31	0.11	15-Apr-27	4.62	0.06	BKBM 3-mth	5.62	0.01		
NZD	5.50	5.62	4.94	4.43	NZD	4.61	0.05	15-May-28	4.51	0.06	1 year	5.38	0.02		
EUR	3.75	3.70	3.19	2.80	GER	2.45	0.04	20-Apr-29	4.47	0.06	2 year	4.94	0.04		
GBP	5.25	5.30	4.52	3.84	GBP	4.13	0.05	15-May-30	4.47	0.06	3 year	4.65	0.04		
JPY	0.08	-0.03	0.41	1.03	JPY	1.03	0.03	15-May-31	4.50	0.06	5 year	4.41	0.04		
CAD	4.75	4.97	4.30	3.73	CAD	3.48	0.10	15-May-32	4.55	0.05	7 year	4.38	0.04		
							<b>NZ Inflation-Indexed Bonds</b>						10 year	4.43	0.05
							Sep-30	2.26	0.06	15-May-34	4.61	0.05	15 year	4.56	0.05
							Sep-35	2.57	0.05	15-May-35	4.66	0.04			
							Sep-40	2.76	0.05	15-May-37	4.77	0.04			
										15-May-41	4.91	0.04			
										15-May-51	4.93	0.04			
										15-May-54	4.95	0.04			

\* These are indicative r 06:56  
 please confirm rates with your BNZ dealer  
 Rates are as of: NZT  
 Source: Bloomberg

**NZD exchange rates**

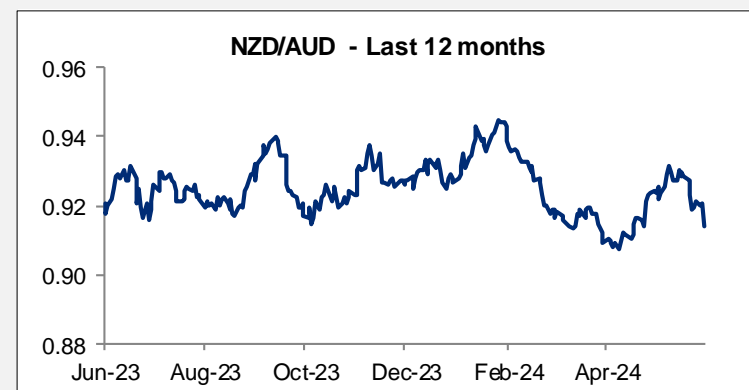
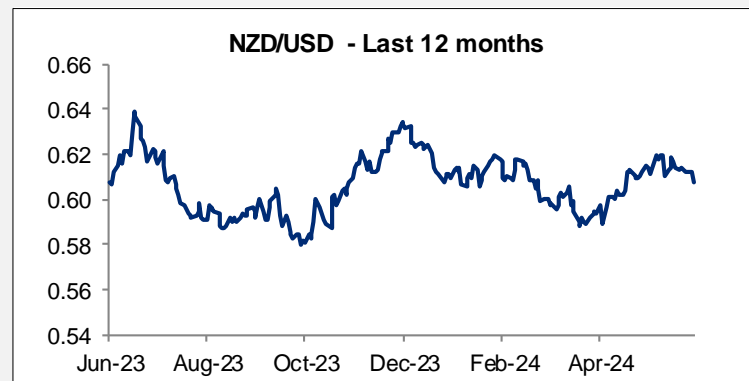
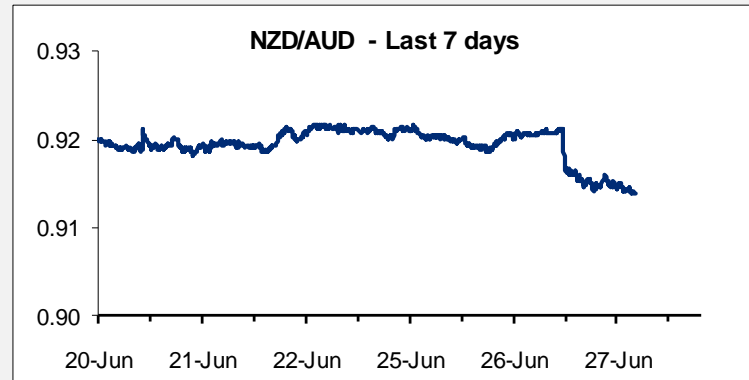
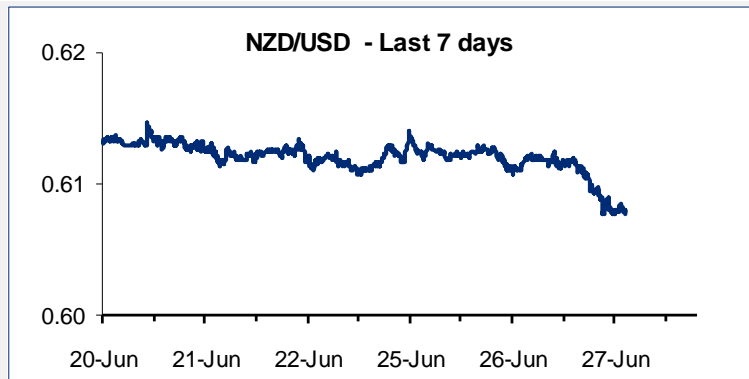
27/06/2024 6:56 am		Prev. NY close
USD	0.6078	0.6121
GBP	0.4815	0.4825
AUD	0.9140	0.9209
EUR	0.5691	0.5713
JPY	97.67	97.75
CAD	0.8329	0.8360
CHF	0.5453	0.5476
DKK	4.2445	4.2615
FJD	1.3683	1.3827
HKD	4.7464	4.7801
INR	50.80	51.07
NOK	6.4933	6.4965
PKR	169.21	170.35
PHP	35.78	35.97
PGK	2.3368	2.3542
SEK	6.4267	6.4321
SGD	0.8261	0.8292
CNY	4.4166	4.4456
THB	22.38	22.43
TOP	1.4021	1.4192
VUV	73.10	73.73
WST	1.6511	1.6571
XPF	67.42	68.04
ZAR	11.0363	11.1695

**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.18	0.11
3 Months	-0.49	0.02
6 Months	-1.66	-0.66
9 Months	-4.21	-2.21
1 Year	-6.88	-3.90

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-8.09	-7.45
3 Months	-22.03	-20.92
6 Months	-38.31	-35.75
9 Months	-50.06	-44.94
1 Year	-57.21	-49.06



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