

Research Markets Today

27 September 2024

Events Round-Up

GE: GfK consumer confidence, Oct: xx vs. -22.5 exp.
 US: Durable goods orders (m/m%), Aug: 0.0 vs. -2.6 exp.
 US: Durables ex transport. (m/m%), Aug: 0.5 vs. 0.1 exp.
 US: Initial jobless claims (k), wk to Sep 21: 218 vs. 223 exp.
 US: Pending home sales (m/m%), Aug: 0.6 vs. 1.0 exp.

Good Morning

A pledge by China to provide further stimulus to promote growth has supported risk appetite and Asia-Pacific currencies. The NZD is up 1%, driving back up through 0.63. US and European equities have increased to fresh record highs. Stronger US economic data drove higher US Treasury yields, led by the short end, resulting in the curve flattening, a reversal of the pressure seen over the past week or so. Oil prices fell 3% after a report that Saudi Arabia is looking to raise production and accept lower oil prices.

The net balance of US economic data released overnight conveyed a stronger than expected economy. US initial jobless claims fell 4k last week to a four-month low of 218k, slightly lower than expected, although the usual warning of seasonal adjustment issues around this time of year applies and Pantheon Macroeconomics notes a similar fall last year.

Durable goods orders were stronger than expected across the board, with a flat headline figure against a 2.6% fall expected, with a much smaller fall in aircraft orders. Excluding transportation, orders rose four-tenths stronger than expected at 0.5% m/m.

GDP figures were revised higher, with growth through 2023 now 2.9%, up from 2.5%, albeit concentrated in the first half of the year, with a more protracted slowdown in the second half. For the most recent quarter, Q2 growth was revised up a tenth to an annualised 3.0%, although paired with a one-tenth downgrade for private consumption to 2.8%.

The only downside miss in the array of data releases was pending home sales slightly weaker than expected, rising 0.6% m/m.

The data drove a lift in US Treasury yields, with the 2-year rate currently up 6bps for the day to 3.62% after falling to

a low of 3.52% just ahead of the data. The 10-year rate is up 1bp to 3.79% after trading as low as 3.75%. So, the 2s10s curve has flattened to 17bps, breaking a six-day run of steepening. Pricing for the Fed's next meeting was pared a couple of basis points to 38bps, so now showing a relatively even chance of 25bps or 50bps.

Despite higher rates, equity markets are stronger, with the S&P500 currently up 0.4%, while the Euro Stoxx 600 closed up 1.2%, both at fresh record highs. To that performance we might owe to the stronger US data and improved outlook for China's economy.

Yesterday, China's Politburo followed up the significant stimulus package announced earlier this week with a pledge for further action in coming weeks. In addition to further easing of monetary policy, the communique notes the need to "intensify countercyclical adjustments" through fiscal (and monetary) policies as well as "maintain necessary fiscal expenditures", although specifics on this were lacking. There was also a pledge to make the real estate market "stop declining" and promote a recovery, while strictly controlling new residential construction. Reuters reported that the MoF plans to issue RMB 2 trillion (1.4% of GDP) worth of special government bonds to support easier fiscal policy, with half of that used primarily to boost consumption and half to help local governments tackle their debt problems.

We note a couple of analyst reports that compare China's policy announcements this week to ex ECB President Draghi's "do whatever it takes" comment during the 2012 European debt crisis. The chance that China has approached a major pivot point should not be underestimated.

Increased optimism that China is finally addressing its economic woes with some vigour drove a stronger yuan, with USD/CNH on a steady downward decline since the announcement to below 6.98. China's CSI300 index rose 4.2%, taking its gain so far this week to just under 11%.

The stronger yuan and higher risk appetite has spilled over into the NZD and AUD, the two strongest major currencies overnight and for the past 24 hours. Both currencies are up about 1% from this time yesterday. The NZD is trading at 0.6330, recovering yesterday's loss but still below the 2024 high of 0.6356 level reached on Wednesday. The AUD took another peek just over 0.69 and is currently close to that figure.

While NZD/AUD is little changed at 0.9170, the NZD is stronger on the other key crosses. NZD/CAD is trading near the 2004 high reached on Wednesday, currently at 0.8525, with lower oil prices a headwind for the CAD. Oil prices are down around 3% with Brent crude at USD71.50, after the FT reported Saudi Arabia is ready to abandon its unofficial price target of \$100 a barrel for crude as it prepares to increase output, in a sign that the kingdom is resigned to a period of lower prices. The article added that the kingdom has decided it is not willing to continue ceding market share to other producers.

Against a backdrop of higher US Treasury yields, the yen is also on the soft side of the ledger and NZD/JPY has recovered further to 91.5. GBP/USD made a fresh high, but NZD/GBP is modestly stronger at 0.4715., EUR continues to meet some resistance around 1.12 and NZD/EUR has pushed up to 0.5660.

In the domestic rates market, NZGB yields were flat to 4bps higher across the curve, with a steepening bias. Despite higher yields into the tender, demand was tepid for the \$475m of 2029 and 2035 bonds on offer, while bidding for the \$25m of 2037 bonds was relatively stronger, reflecting the de minimis amount on offer. Swaps outperformed, with the 2-year rate down 2bps to 3.57% and the 10-year rate up 2bps to 3.88%.

In the day ahead the calendar is full, with ANZ consumer confidence and Tokyo CPI figures during NZ trading hours. The key release tonight is the US core PCE deflator, where the consensus is for a 0.2% m/m increase, with a downside miss seen more likely than an upside miss. Annual inflation is expected to tick up to 2.7% y/y.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	ANZ consumer confidence	Sep		92.2	10:00
JN	Tokyo CPI (y/y%)	Sep	2.2	2.6	11:30
JN	Tokyo CPI x-fr. fd., energy (y/y%)	Sep	1.6	1.6	11:30
GE	Unemployment rate (%)	Sep	6.0	6.0	19:55
EC	Economic confidence	Sep	96.5	96.6	21:00
CA	GDP (m/m%)	Jul	0.1	0.0	00:30
US	Personal income (m/m%)	Aug	0.4	0.3	00:30
US	Real personal spending (m/m%)	Aug	0.1	0.4	00:30
US	Goods trade balance (\$b)	Aug	-100.3	-102.7	00:30
US	Core PCE price index (m/m%)	Aug	0.2	0.2	00:30
US	Core PCE price index (y/y%)	Aug	2.7	2.6	00:30
US	U. of Mich. consumer sentiment	Sep	69.3	69.0	02:00
US	U. of Mich. 5-10 Yr inflation exp.	Sep	3.0	3.1	02:00

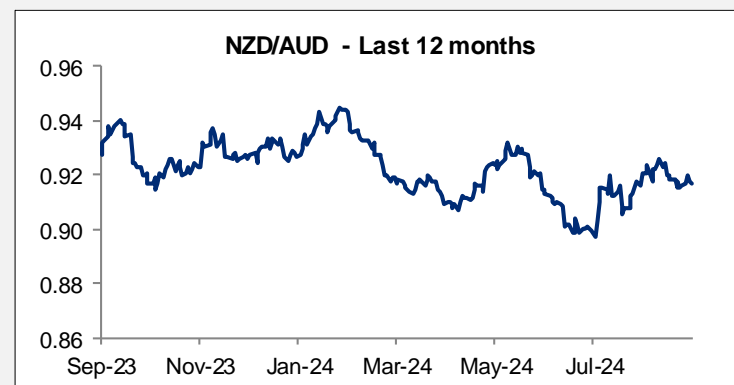
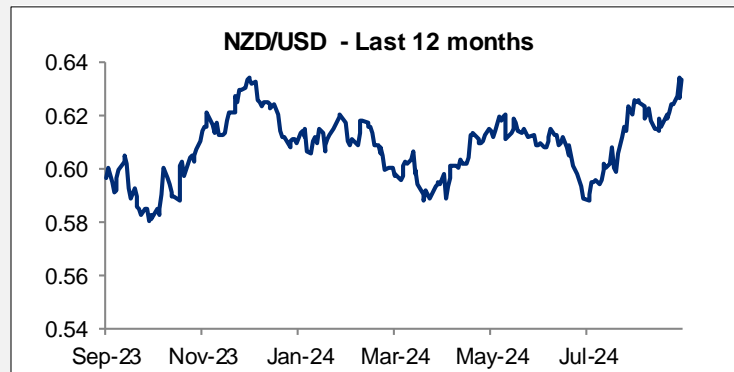
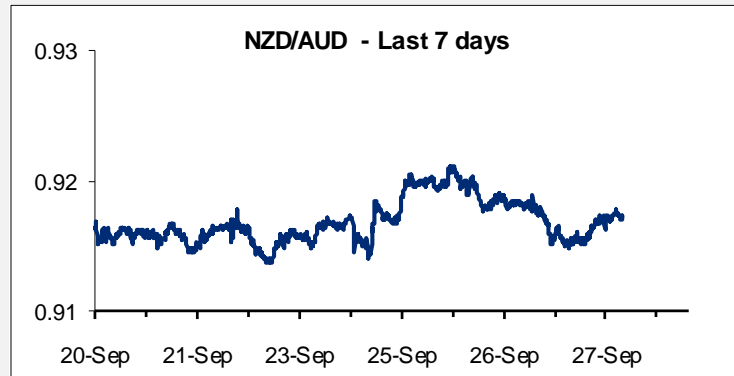
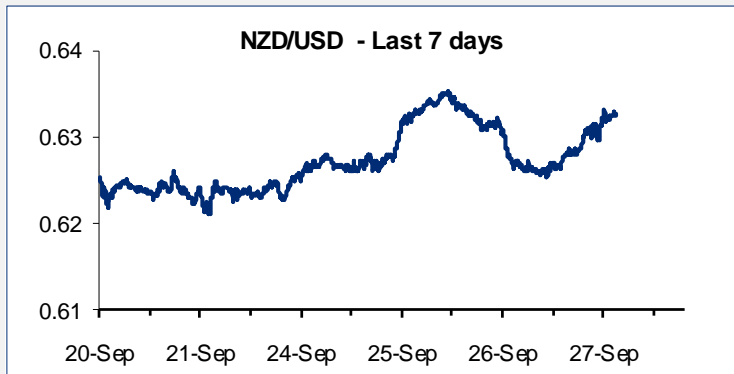
Source: Bloomberg, BNZ

Currencies							Equities				Commodities				
Global froces	Indicative overnight ranges (*)				Other FX		Major Indices				Price (Near futures, except CRB)				
	Last	% Day	Low	High	Last	% Day	Last	% Day	% Year	Last	Net Day				
NZD	0.6327	+1.1	0.6277	0.6332	CHF	0.8457	-0.5	S&P 500	5,742	+0.3	34.4	Oil (Brent)	71.51	-2.7	
AUD	0.6899	+1.1	0.6857	0.6905	SEK	10.107	-0.7	Dow	42,189	+0.6	25.5	Oil (WTI)	67.60	-3.0	
EUR	1.1179	+0.4	1.1126	1.1189	NOK	10.533	-0.4	Nasdaq	18,183	+0.6	39.2	Gold	2674.5	+0.5	
GBP	1.3419	+0.7	1.3334	1.3434	HKD	7.779	-0.1	Stoxx 50	5,033	+2.4	21.9	HRC steel	738.0	+1.7	
JPY	144.61	-0.1	144.11	145.21	CNY	7.011	-0.3	FTSE	8,285	+0.2	8.6	CRB	286.2	-0.5	
CAD	1.3470	-0.1			SGD	1.283	-0.6	DAX	19,238	+1.7	26.1	Wheat Chic.	604.0	-0.7	
NZD/AUD	0.9171	-0.1			IDR	15,165	+0.4	CAC 40	7,742	+2.3	9.4	Sugar	23.31	-0.5	
NZD/EUR	0.5660	+0.6			THB	32.36	-1.3	Nikkei	38,926	+2.8	20.2	Cotton	73.86	-0.2	
NZD/GBP	0.4715	+0.3			KRW	1,318	-1.4	Shanghai	3,001	+3.6	-3.4	Coffee	273.9	+1.8	
NZD/JPY	91.49	+1.0			TWD	31.88	+0.1	ASX 200	8,204	+1.0	16.7	WM powder	3485	+0.4	
NZD/CAD	0.8522	+0.9			PHP	55.97	+0.1	NZX 50	12,492	+2.2	10.4	Australian Futures			
NZ TWI	71.77	+0.6						VIX Index	15.42	+0.1	-18.6	3 year bond	96.58	-0.04	
Interest Rates							NZ Government Bonds				NZ BKBM and Swap Yields				
Rates	Swap Yields				Benchmark 10 Yr Bonds		Last	Chg		Last	Chg	Last	Chg		
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day									
USD	5.00	4.90	3.41	3.32	USD	3.79	0.00	15-May-26	3.82	0.00	BKBM 1-mth	5.13	-0.04		
AUD	4.35	4.43	3.61	4.04	AUD	3.94	0.03	15-Apr-27	3.65	0.01	BKBM 3-mth	4.90	-0.02		
NZD	5.25	4.90	3.57	3.88	NZD	4.23	0.03	15-May-28	3.67	0.02	1 year	4.07	-0.02		
EUR	3.50	3.35	2.36	2.42	GER	2.18	0.01	20-Apr-29	3.75	0.02	2 year	3.57	-0.02		
GBP	5.00	5.30	3.90	3.66	GBP	4.01	0.02	15-May-30	3.88	0.03	3 year	3.46	0.00		
JPY	0.23	-0.03	0.40	0.85	JPY	0.83	0.02	15-May-31	3.99	0.03	5 year	3.54	0.02		
CAD	4.25	4.97	2.87	2.89	CAD	3.01	-0.00	15-May-32	4.10	0.03	7 year	3.69	0.02		
							NZ Inflation-Indexed Bonds		14-Apr-33	4.18	0.03	10 year	3.88	0.02	
							Sep-30	2.13	0.01	15-May-34	4.23	0.03	15 year	4.10	0.03
							Sep-35	2.44	0.01	15-May-35	4.32	0.03			
							Sep-40	2.68	0.02	15-May-36	4.42	0.03			
									15-May-37	4.52	0.03				
									15-May-41	4.72	0.03				
									15-May-51	4.82	0.04				
									15-May-54	4.85	0.04				

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
Rates are as of: NZT 07:00
Source: Bloomberg

NZD exchange rates

27/09/2024 7:00 am		Prev. NY close
USD	0.6327	0.6263
GBP	0.4715	0.4701
AUD	0.9171	0.9179
EUR	0.5660	0.5626
JPY	91.49	90.66
CAD	0.8522	0.8446
CHF	0.5351	0.5326
DKK	4.2201	4.1956
FJD	1.3875	1.3829
HKD	4.9216	4.8757
INR	52.92	52.36
NOK	6.6641	6.6218
PKR	176.16	174.30
PHP	35.41	35.00
PGK	2.4783	2.4513
SEK	6.3950	6.3765
SGD	0.8115	0.8079
CNY	4.4359	4.4053
THB	20.60	20.48
TOP	1.4721	1.4408
VUV	74.87	74.10
WST	1.7060	1.6870
XPF	68.00	67.25
ZAR	10.8669	10.8158



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.05	0.45
3 Months	0.06	0.57
6 Months	-2.43	-1.42
9 Months	-3.62	-1.62
1 Year	-3.88	-0.88

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-4.47	-3.62
3 Months	-7.72	-6.35
6 Months	-6.92	-4.30
9 Months	-0.49	4.41
1 Year	7.26	15.05

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