

# Research Markets Today

28 August 2024

## Events Round-Up

US: Conf. Board cons. confid., Aug: 103.3 vs. 100.8 exp.

## Good Morning

Newsflow remains light. US equities have edged higher, US Treasury yields show small movements but a clear curve steepening bias, and the US is broadly weaker. The NZD is probing a fresh seven-month high just over 0.6250 and is up for the day on the key crosses.

US equities remain in a consolidation mode, with the S&P500 tracking sideways over the past week and currently showing a small gain for the day. There is much anticipation over Nvidia's earnings report, released tomorrow. Trading in the options market is consistent with a potential 9% move in either direction for Nvidia on the day following the report. The Euro Stoxx 600 index closed up 0.2%.

The US Treasuries market is also in a consolidation mode. The 10-year rate traded as high as 3.865% overnight and is currently up 1bp for the day at 3.83%. The yield curve has steepened, with the 2-year rate down 4bps to 3.90%. The market had no problem absorbing \$69b of new two-year notes.

The economic calendar remains light. US consumer confidence, as measured by the Conference Board, rose more than expected to a six-month high of 103.3, with the expectations component up to a one-year high. The lift in confidence was supported by expectations of lower interest rates. The key labour market indicator weakened, with the difference between those saying jobs were plentiful and hard to get falling to a more than three-year low, consistent with the rising unemployment rate trend.

In other news, sentiment around the health of the Chinese consumer deepened further after PDD Holdings, owner of Temu in China, plunged 29% after a gloomy earnings outlook. The company's goods are priced at the lower end of the market, and therefore the company was previously thought to be insulated from the softer economy, as consumers "traded down" to cheaper goods, but that has proven not to be the case.

Oil prices are down over 2% following the 3% gain yesterday after a political dispute in Libya saw the Eastern

government shutdown export shipments. Brent crude is back below USD80 per barrel.

In currency markets the USD is broadly weaker, with the DXY index down 0.3% to 100.5, still hovering around the support level seen last December. GBP rose to a fresh two-year high just over 1.3260. On Monday we noted the different tone of speech between Fed Chair Powell and BoE Governor Bailey at Jackson Hole – Powell having more confidence that inflation was beaten and now focused on the health of the labour market while Bailey noting the job wasn't done in fighting inflation. While the market sees the Fed cutting sequentially at every meeting as we head into 2025, the market still sees the BoE easing at a slower pace, with a likely pause at the next meeting in September.

The NZD has outperformed since this time yesterday for no obvious reason and is higher on all the key crosses. Meanwhile, the AUD has shown the least upward movement of the majors against the USD. The NZD is probing a fresh seven-month high just over 0.6250 while the AUD has yet to break the 0.68 resistance level. NZD/AUD has pushed up to 0.92.

Of note, NZ's TWI index has risen 1½% since the RBNZ's rate cut in at the August MPS, which surprised some in the market and led to a significant fall in NZ interest rates, a reminder that global forces are a much more important driver for the NZD than domestic forces. Also of note, the TWI is up over 3% compared to the RBNZ's assumption of 69.5. If sustained, on its own it would reduce CPI inflation forecast over the next 18 months by about 0.3% according to the RBNZ's model.

Global forces sent NZ rates higher across the curve yesterday, with some small cross-market underperformance thrown in. NZGB yields were up 4-6bps across the curve with a steepening bias as the ultra-long bonds underperformed. The swaps curve was also mildly steeper, with the 2-year rate up 3bps to 3.87% and the 10-year rate up 5bps to 3.94%.

On the economic calendar, in the day ahead NZ filled jobs and Australia's monthly CPI indicator are released.

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

Coming Up

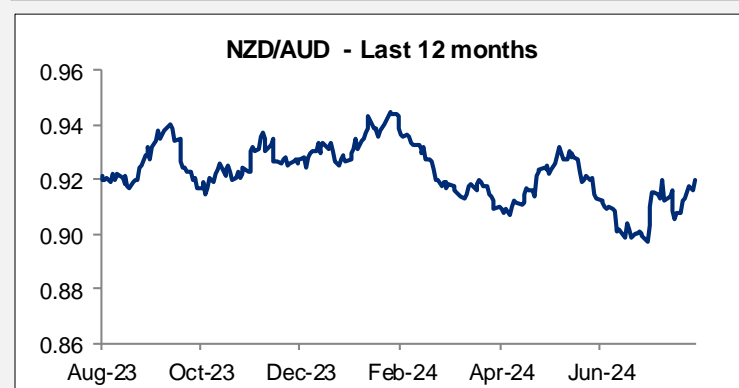
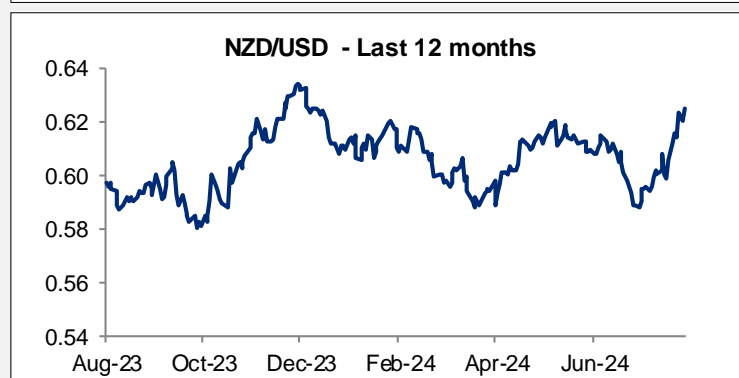
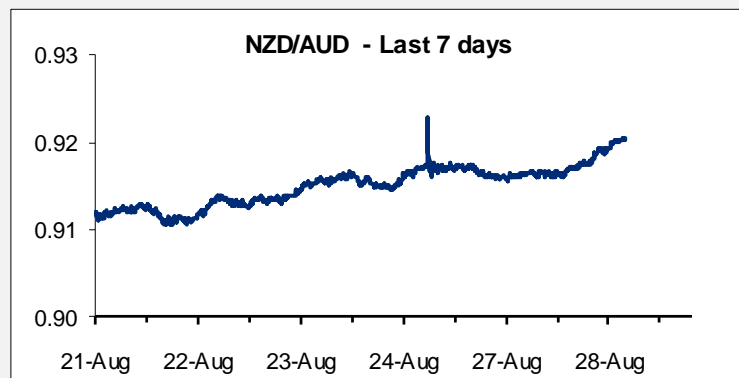
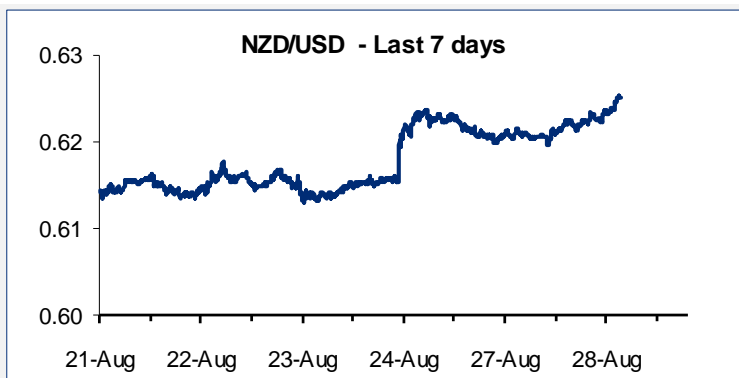
		Period	Cons.	Prev.	NZT
NZ	Filled jobs (m/m%)	Jul	-0.1	10:45	
AU	CPI (y/y%)	Jul	3.4	3.8	13:30
GE	GfK consumer confidence	Sep	-18.2	-18.4	18:00

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	0.6250	+0.7	0.6212	0.6255	CHF	0.8414	-0.7	S&P 500	5,628	+0.2	27.7	Oil (Brent)	79.72	-2.1			
AUD	0.6793	+0.3	0.6770	0.6796	SEK	10.136	-0.8	Dow	41,247	+0.0	20.1	Oil (WTI)	75.69	-2.2			
EUR	1.1187	+0.2	1.1150	1.1191	NOK	10.461	-0.8	Nasdaq	17,763	+0.2	30.7	Gold	2516.0	-0.1			
GBP	1.3259	+0.5	1.3194	1.3265	HKD	7.802	+0.1	Stoxx 50	4,899	+0.0	15.6	HRC steel	671.0	+0.1			
JPY	143.94	-0.4	143.92	145.18	CNY	7.125	+0.0	FTSE	8,345	+0.2	13.7	CRB	282.0	+1.2			
CAD	1.3450	-0.3			SGD	1.301	-0.2	DAX	18,682	+0.3	19.5	Wheat Chic.	535.0	+1.9			
NZD/AUD	0.9201	+0.4			IDR	15,495	+0.4	CAC 40	7,566	-0.3	4.7	Sugar	19.60	+2.9			
NZD/EUR	0.5587	+0.5			THB	33.91	-0.3	Nikkei	38,289	+0.5	19.0	Cotton	70.02	-1.2			
NZD/GBP	0.4714	+0.2			KRW	1,331	+0.2	Shanghai	2,849	-0.2	-8.1	Coffee	255.3	+2.5			
NZD/JPY	89.96	+0.4			TWD	31.94	+0.3	ASX 200	8,071	-0.2	12.7	WM powder	3525	+2.0			
NZD/CAD	0.8406	+0.5			PHP	56.29	+0.5	NZX 50	12,451	-1.1	8.5	<b>Australian Futures</b>					
NZ TWI	71.68	+0.6						VIX Index	15.52	-3.9	-1.0	3 year bond	96.51	-0.06			
<b>Interest Rates</b>										10 year bond			96.08	-0.03			
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	3.68	3.38	USD	3.83	0.01	15-May-26	4.04	0.04	BKBM 1-mth	5.36	0.00				
AUD	4.35	4.36	3.67	4.05	AUD	3.91	0.06	15-Apr-27	3.81	0.05	BKBM 3-mth	5.22	0.00				
NZD	5.25	5.22	3.87	3.94	NZD	4.22	0.05	15-May-28	3.80	0.05	1 year	4.47	0.02				
EUR	3.75	3.52	2.69	2.53	GER	2.29	0.04	20-Apr-29	3.83	0.05	2 year	3.87	0.03				
GBP	5.00	5.30	4.11	3.67	GBP	4.00	0.09	15-May-30	3.91	0.05	3 year	3.68	0.04				
JPY	0.23	-0.03	0.44	0.89	JPY	0.88	-0.01	15-May-31	4.02	0.05	5 year	3.67	0.05				
CAD	4.50	4.97	3.18	2.94	CAD	3.06	0.00	15-May-32	4.12	0.05	7 year	3.78	0.05				
							<b>NZ Inflation-Indexed Bonds</b>						10 year			3.94	0.05
							Sep-30			2.10	0.00	15 year			4.12	0.05	
							Sep-35			2.41	0.00						
							Sep-40			2.65	0.00						
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer							15-May-34			4.22	0.05						
Rates are as of: NZT 06:54							15-May-35			4.28	0.05						
Source: Bloomberg							15-May-37			4.43	0.05						
							15-May-41			4.60	0.05						
							15-May-51			4.65	0.06						
							15-May-54			4.68	0.06						

**NZD exchange rates**

28/08/2024 6:55 am		Prev. NY close
USD	0.6250	0.6204
GBP	0.4714	0.4704
AUD	0.9201	0.9161
EUR	0.5587	0.5559
JPY	89.96	89.67
CAD	0.8406	0.8367
CHF	0.5259	0.5257
DKK	4.1677	4.1470
FJD	1.3867	1.3820
HKD	4.8763	4.8368
INR	52.45	52.05
NOK	6.5381	6.5408
PKR	173.94	172.66
PHP	35.16	34.95
PGK	2.4329	2.3917
SEK	6.3349	6.3373
SGD	0.8132	0.8091
CNY	4.4524	4.4185
THB	21.29	21.08
TOP	1.4431	1.4384
VUV	74.34	73.72
WST	1.7010	1.6845
XPF	67.37	66.87
ZAR	11.0684	11.0058



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.50	0.74
3 Months	1.02	1.52
6 Months	-0.16	0.84
9 Months	-2.96	-0.96
1 Year	-4.61	-1.59

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-7.02	-6.45
3 Months	-15.98	-14.80
6 Months	-22.93	-20.40
9 Months	-26.39	-21.54
1 Year	-25.65	-18.16

# Contact Details

## BNZ Research

**Stephen Toplis**  
Head of Research

**Doug Steel**  
Senior Economist

**Jason Wong**  
Senior Markets Strategist

**Stuart Ritson**  
Senior Interest Rate Strategist

**Matt Brunt**  
Economist

**Mike Jones**  
BNZ Chief Economist  
+64 9-956 0795

## Main Offices

**Wellington**  
Level 4, Spark Central  
42-52 Willis 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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