

Research Markets Today

29 July 2024

Events Round-Up

NZ: ANZ consumer confidence, Jul: 87.9 vs. 83.2 prev.
 JN: Tokyo CPI (y/y%), Jul: 2.2 vs. 2.3 exp.
 JN: Tokyo CPI x fr. fd., energy (y/y%), Jul: 1.5 vs. 1.6 exp.
 US: Personal income (m/m%), Jun: 0.2 vs. 0.4 exp.
 US: Real personal spending (m/m%), Jun: 0.2 vs. 0.3 exp.
 US: Core PCE deflator (y/y%), Jun: 0.2 vs. 0.2 exp.
 US: Core PCE deflator (y/y%), Jun: 2.6 vs. 2.5 exp.
 US: U. of Mich. consumer sentiment, Jul: 66.5 vs. 66.4 exp.
 US: U. of Mich. 5-10y inflation exp., Jul: 3.0 vs. 2.9 exp.

Good Morning

Global equities advanced into the end of last week. The S&P closed more than 1% higher providing a contrast with previous trading sessions where weak earnings from tech companies contributed to the largest drawdown since April. European equities also registered solid gains - the Euro Stoxx closed 1% higher. Market sentiment was underpinned by US inflation data, which was in line with consensus expectations and supports the case for the Fed easing cycle to begin in September. US treasuries moved lower in yield and currency markets were subdued.

US real consumption rose by 0.2% in June, slightly weaker than the 0.3% consensus, but there were upward revisions to previous months. Consumer spending increased 2.3% in Q2, which was a pickup from 1.5% in Q1, but well below the 3.2% average from the second half of last year. Consumption faces headwinds in coming quarters from weaker income growth and an expected gradual increase in the savings rate.

The PCE price deflator, which is the Fed's preferred inflation gauge, was broadly in line with expectations. The core deflator rose 0.2% in June which was in line with the consensus forecast. This took the annual rate to 2.6%, modestly above expectations for a 2.5% increase, which was attributable to revisions. The core services ex-housing figure rose 0.2% in June, well below the 0.4% monthly average across the first half of the year.

University of Michigan consumer sentiment fell to the lowest level in eight months, albeit in line with consensus estimates. The final reading fell to 66.4 in July, down from 68.2 in June, and the lowest level since last November. 5-

10-year inflation expectations edged up to 3.0%. Medium term inflation expectations have been oscillating in a 2.8%-3.2% range over the past three years.

The PCE data is unlikely to dissuade the Fed from cutting rates in September, which is fully discounted by the market, and is expected to be signalled this week at the FOMC. The market is pricing 68bps of cuts by December, marginally higher in response to the data, but less easing compared with the low point in the S&P last week.

A rally in US fixed income was supported by the combination of weakening consumption and benign inflation. US treasuries moved lower in yield in a largely parallel curve adjustment contrasting with the recent curve steepening trend. 2-year treasury yields fell 5bps to 4.38%, the lowest level since the beginning of February. 10-year yields closed at 4.19%, still ~5bps above the July lows. In Europe, 10-year bund yields dipped 1bp to 2.40%.

After a week of large moves in currency markets, the dollar was stable into the close with G10 currencies confined to narrow ranges overall. USD/CAD traded back towards the highest level for the year aligned with the fall in oil prices. WTI crude prices retested six-week lows near US\$76 per barrel. After the relentless decline in previous sessions, NZD/USD stabilised above 0.5880 and the NZD was unchanged on the major cross rates.

NZ fixed interest markets continued to move lower in yield in the local session on Friday. 2-year swap rates closed down 2bps at 4.19%. After the recent steepening trend, the curve flattened with 10-year swap rates falling 6bps to 4.15%. Australian 10-year government bond futures are 2bps lower in yield since the local close, suggesting a modest downward bias for NZ yields on the open.

NZ filled jobs is the only economic data of note today, ahead of what is a busy international calendar, headlined by the July FOMC, US labour market data and manufacturing ISM. In addition, the Bank of Japan has its monetary policy meeting while Q2 GDP and preliminary CPI data for July are released in the Eurozone.

stuart.ritson@bnz.co.nz

Coming Up

	Period	Cons.	Prev.	NZT
NZ Filled Jobs SA MoM	Jun		0	10:45

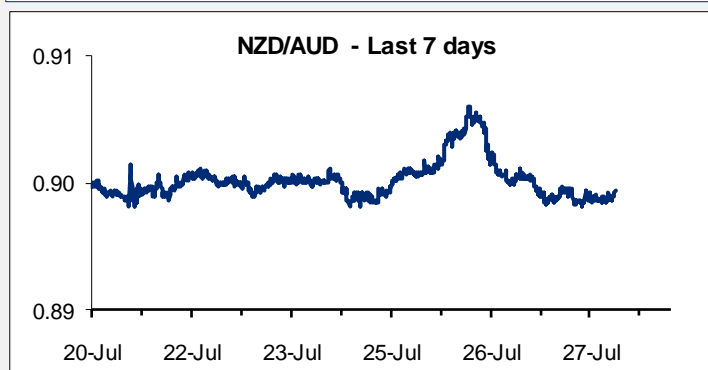
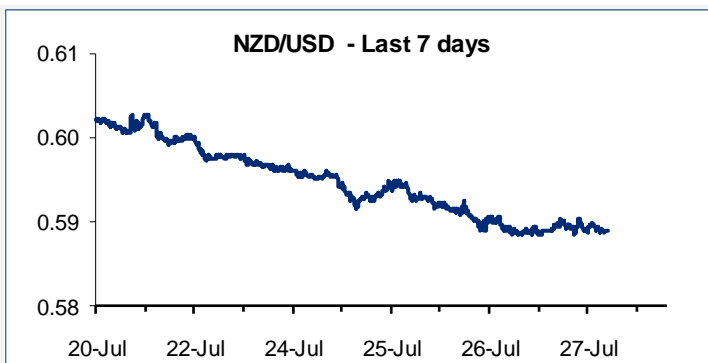
Source: Bloomberg, BNZ

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	0.5889	+0.0	0.5885	0.5906	CHF	0.8836	+0.2	S&P 500	5,459	+1.1	19.1	Oil (Brent)	81.13	-1.5
AUD	0.6547	+0.2	0.6545	0.6569	SEK	10.820	-0.1	Dow	40,589	+1.6	14.5	Oil (WTI)	77.16	-1.4
EUR	1.0856	+0.1	1.0842	1.0868	NOK	11.021	-0.2	Nasdaq	17,358	+1.0	21.2	Gold	2381.0	+1.2
GBP	1.2867	+0.1	1.2850	1.2878	HKD	7.807	+0.0	Stoxx 50	4,863	+1.1	8.9	HRC steel	664.0	+0.0
JPY	153.78	-0.1	153.15	154.74	CNY	7.251	+0.0	FTSE	8,286	+1.2	7.7	CRB	277.4	-0.8
CAD	1.3836	+0.1			SGD	1.343	-0.1	DAX	18,418	+0.6	11.8	Wheat Chic.	548.5	-2.5
NZD/AUD	0.8994	-0.1			IDR	16,301	+0.3	CAC 40	7,518	+1.2	0.6	Sugar	18.42	-1.3
NZD/EUR	0.5424	-0.1			THB	35.93	-0.8	Nikkei	37,667	-0.5	15.0	Cotton	66.07	-1.7
NZD/GBP	0.4577	-0.1			KRW	1,384	+0.1	Shanghai	2,891	+0.1	-11.8	Coffee	230.3	-1.9
NZD/JPY	90.55	-0.1			TWD	32.83	-0.0	ASX 200	7,921	+0.8	7.0	WM powder	3040	-0.7
NZD/CAD	0.8147	+0.1			PHP	58.37	-0.4	NZX 50	12,349	-0.4	3.4	Australian Futures		
NZ TWI	69.52	-0.0						VIX Index	16.39	-11.2	+23.0	3 year bond	96.05	0.00
												10 year bond	95.72	0.03
Interest Rates														
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	5.53	4.23	3.75	USD	4.19	-0.05	15-May-26	4.34	-0.03	BKBM 1-mth	5.57	0.00	
AUD	4.35	4.49	4.15	4.38	AUD	4.31	-0.00	15-Apr-27	4.11	-0.03	BKBM 3-mth	5.48	-0.01	
NZD	5.50	5.48	4.19	4.08	NZD	4.38	-0.05	15-May-28	4.03	-0.04	1 year	4.81	-0.01	
EUR	3.75	3.69	2.96	2.69	GER	2.41	-0.01	20-Apr-29	4.05	-0.04	2 year	4.19	-0.02	
GBP	5.25	5.30	4.33	3.80	GBP	4.10	-0.03	15-May-30	4.10	-0.05	3 year	3.94	-0.04	
JPY	0.08	-0.03	0.46	0.97	JPY	1.07	0.01	15-May-31	4.18	-0.05	5 year	3.86	-0.06	
CAD	4.50	4.97	3.57	3.24	CAD	3.32	-0.05	15-May-32	4.28	-0.05	7 year	3.94	-0.06	
												10 year	4.08	-0.06
												15 year	4.23	-0.06
					NZ Inflation-Indexed Bonds			15-May-34	4.38	-0.05				
					Sep-30	2.22	0.02	15-May-35	4.45	-0.04				
					Sep-35	2.50	0.02	15-May-37	4.60	-0.03				
					Sep-40	2.73	0.01	15-May-41	4.78	-0.02				
								15-May-51	4.83	-0.01				
								15-May-54	4.86	-0.01				

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
 Rates at NY close
 Source: Bloomberg

NZD exchange rates

27/07/2024	NY close	Prev. NY close
USD	0.5889	0.5887
GBP	0.4577	0.4581
AUD	0.8994	0.9004
EUR	0.5424	0.5428
JPY	90.55	90.62
CAD	0.8147	0.8139
CHF	0.5203	0.5191
DKK	4.0475	4.0509
FJD	1.3400	1.3383
HKD	4.5965	4.5957
INR	49.30	49.28
NOK	6.4892	6.4982
PKR	163.86	163.93
PHP	34.36	34.40
PGK	2.2760	2.2721
SEK	6.3710	6.3749
SGD	0.7905	0.7909
CNY	4.2691	4.2663
THB	21.23	21.28
TOP	1.3835	1.3700
VUV	71.51	71.16
WST	1.6068	1.5898
XPF	64.62	64.68
ZAR	10.7604	10.8041



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.16	0.22
3 Months	-0.24	0.38
6 Months	0.82	1.83
9 Months	2.08	5.32
1 Year	6.34	8.34

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-7.32	-6.40
3 Months	-18.41	-17.00
6 Months	-26.91	-23.99
9 Months	-27.48	-20.08
1 Year	-19.82	-12.62

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 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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