

Research Markets Today

30 August 2024

Events Round-Up

NZ: ANZ activity outlook (net%), Aug: 37.1 vs. 16.3 prev.
 EC: Economic confidence, Aug: 96.6 vs. 96.0 exp.
 GE: CPI EU harmonised (m/m%), Aug: -0.2 vs. 0.0 exp.
 GE: CPI EU harmonised (y/y%), Aug: 2.0 vs. 2.2 exp.
 US: GDP (ann'lids q/q% 2nd est.), Q2: 3.0 vs. 2.8 exp.
 US: Core PCE deflator (ann'lsd q/q%), Q2: 2.8 vs. 2.9 exp.
 US: Goods trade balance (\$b), Jul: -102.7 vs -97.9 exp.
 US: Initial jobless claims (k), wk to 24-Aug: 231 vs. 232 exp.
 US: Pending home sales (m/m%), Jul: -5.5 vs. 0.2 exp.

Good Morning

US Treasury yields are slightly higher after an upward revision to US GDP, driven by consumer spending, and this has helped support the USD, with added support as EUR weakened following weaker German CPI inflation. Most US equities are higher, with a fall of 6% for Nvidia a drag on the S&P500. A stronger ANZ business outlook survey supported the NZD yesterday although it has slipped modestly overnight to 0.6260.

After all the hype Nvidia's earnings report, released after yesterday's market close, beat analyst estimates across key metrics but didn't meet the lofty expectations built into the share price and it is currently down about 6%. There has been no spillover into the wider market with the rest of the "Magnificent seven" stocks all higher and the S&P500 is currently flat, weighed down by Nvidia.

While investors seem to be embracing the soft-landing economic narrative, discount store Dollar General sent a warning sign about the state of play for lower-income households, with management noting their deteriorating finances as a factor in its earnings results, which sent its share price down 30%. In Europe, the Euro Stoxx 600 index closed up 0.8%, to within a whisker of a record high.

Economic data releases have had some impact on bond and currency markets. Germany CPI inflation was two-tenths weaker than expected, falling from 2.6% y/y to 2.0% y/y in August, the weakest annual reading in over three years. Spain's CPI fell from 2.9% to 2.4%, slightly weaker than expected at the headline level although the core CPI fell slightly less than expected to 2.7%. Slower inflation and recent data showing reduced wage inflation have paved

the way for a second ECB rate cut in September, which is fully priced. Euro area CPI data due tonight is expected to show a fall to 2.2%, with the core rate slipping to 2.8%.

Germany's 10-year rate fell 6bps after the release before higher US rates dragged it higher and it closed up 1bp at 2.27%. EUR sustained a fall after the release and is down 0.4% on the day to 1.1080. There was some negative spillover effect on GBP, which erased earlier gains to trade lower at 1.3170.

US Q2 GDP was revised up two-tenths to an annualised 3.0%, driven by an upward revision to consumer spending from 2.3% to 2.9% more than offsetting downward revisions to investment. The first release of the real GDI measure showed a 1.3% annualised gain, unchanged from Q1, highlighting that the income-based measure of GDP conveys a relatively softer economy. The core PCE deflator was revised down one-tenth, running at an annual pace of 2.8%. Timelier data for July are released tonight.

In other US economic releases, initial jobless claims were close to expectations slipping a touch to 231k and consistent with a flat trend recently; pending home sales plunged 5.5%; and the trade deficit widened to -102.7b in July, driven by imports, supporting the case that net exports will make a negative contribution to Q3 GDP.

US Treasury yields jumped modestly higher after the GDP release and the move has been sustained, with 2 and 10 year rates up in the order of 3bps. Signs of solid consumer spending saw a slight paring of rate cut expectations but 100bps is still priced over the three meetings for the rest of the year.

While the USD is broadly stronger overnight, over a 24-hour period the NZD and AUD have outperformed. The stronger NZD was supported by higher rates following the release of the ANZ business outlook survey, some rare positive news after the recent barrage of woeful data. The survey showed a further broadly based lift in confidence and activity indicators, supported by the RBNZ's dovish pivot in July. Headline business confidence was the highest in a decade, with businesses likely embracing the direction of government policy in addition to the lower interest rate backdrop. "Reported" activity remained very weak, but the survey gave some hope that NZ will be out of recession later in the year.

The NZD met some resistance just under 0.63 – a level not seen since the first trading day of the year – and has slipped overnight to 0.6260. NZD/AUD jumped to as high as 0.9260 but the gain has been fully eroded. The AUD also reached its highest level since the first trading day of the year, above 0.68, and NZD/AUD has slipped back down to just over 0.92. Other NZD crosses are all higher.

Domestic rates were higher across the curve in the lead up to, and following, the ANZ survey. Although there was little paring of near-term rate cut expectations – the market still pricing in 75bps of cuts over the next two meetings – the 2-year swap rate rose 5bps to 3.93%, while the 10-year rate rose 4bps to 4.0%. NZGB yields were up 2-4bps across the curve. The bond tender showed only modest demand, particularly for the longer dated bonds.

The economic calendar is heavy as the week draws to a close. During local trading hours we'll see NZ consumer confidence, building consents, Tokyo CPI and Australian retail sales. Tonight sees euro area CPI, Canadian GDP and the US PCE deflators for July. For the latter, the consensus is for a 0.2% rise in the core PCE deflator, with a clear risk of it being only 0.1%. China PMI data are released over the weekend.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	ANZ consumer confidence	Aug		87.9	10:00
NZ	Dwelling consents (m/m%)	Jul		-13.8	10:45
JN	Tokyo CPI (y/y%)	Aug	2.3	2.2	11:30
JN	Tokyo CPI ex-fr. fd, energy (y/y%)	Aug	1.4	1.5	11:30
AU	Retail sales (m/m%)	Jul	0.3	0.5	13:30
GE	Unemployment rate (%)	Aug	6.0	6.0	19:55
EC	CPI (y/y%)	Aug	2.2	2.6	21:00
EC	CPI core (y/y%)	Aug	2.8	2.9	21:00
CA	GDP (ann'l ds q/q%)	Q2	1.9	1.7	00:30
US	Personal income (m/m%)	Jul	0.2	0.2	00:30
US	Real personal spending (m/m%)	Jul	0.3	0.2	00:30
US	Core PCE deflator (m/m%)	Jul	0.2	0.2	00:30
US	Core PCE deflator (y/y%)	Jul	2.7	2.6	00:30
Sat					
CH	Manufacturing PMI	Aug	49.5	49.4	13:30
CH	Non-manufacturing PMI	Aug	50.0	50.2	13:30

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	0.6261	+0.3	0.6248	0.6287	CHF	0.8460	+0.5	S&P 500	5,591	-0.0	24.3	Oil (Brent)	79.96	+1.7
AUD	0.6798	+0.2	0.6785	0.6824	SEK	10.231	+0.3	Dow	41,351	+0.6	18.6	Oil (WTI)	75.97	+1.9
EUR	1.1079	-0.4	1.1056	1.1131	NOK	10.504	+0.0	Nasdaq	17,530	-0.1	25.7	Gold	2532.3	+0.7
GBP	1.3171	-0.1	1.3146	1.3227	HKD	7.797	-0.1	Stoxx 50	4,966	+1.1	14.8	HRC steel	725.0	-0.7
JPY	144.78	+0.1	144.45	145.55	CNY	7.097	-0.4	FTSE	8,380	+0.4	12.3	CRB	277.6	-1.0
CAD	1.3476	-0.0			SGD	1.303	-0.1	DAX	18,913	+0.7	18.7	Wheat Chic.	548.0	+1.2
NZD/AUD	0.9210	+0.1			IDR	15,424	+0.0	CAC 40	7,641	+0.8	3.6	Sugar	19.89	+1.8
NZD/EUR	0.5651	+0.6			THB	33.97	-0.3	Nikkei	38,363	-0.0	18.6	Cotton	70.13	+2.1
NZD/GBP	0.4754	+0.4			KRW	1,333	-0.3	Shanghai	2,823	-0.5	-10.0	Coffee	247.6	-3.5
NZD/JPY	90.65	+0.4			TWD	31.92	-0.1	ASX 200	8,045	-0.3	10.2	WM powder	3555	-0.6
NZD/CAD	0.8437	+0.2			PHP	56.29	+0.1	NZX 50	12,354	-0.9	7.2	Australian Futures		
NZ TWI	71.83	+0.1						VIX Index	16.11	-5.8	+11.5	3 year bond	96.46	-0.01
												10 year bond	96.01	-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	5.50	5.32	3.70	3.41	USD	3.87	0.03	15-May-26	4.09	0.04	BKBM 1-mth	5.36	0.00	
AUD	4.35	4.39	3.74	4.10	AUD	3.95	0.02	15-Apr-27	3.86	0.04	BKBM 3-mth	5.23	0.01	
NZD	5.25	5.23	3.93	4.00	NZD	4.29	0.03	15-May-28	3.83	0.02	1 year	4.47	-0.01	
EUR	3.75	3.51	2.65	2.52	GER	2.27	0.01	20-Apr-29	3.87	0.03	2 year	3.93	0.05	
GBP	5.00	5.30	4.11	3.69	GBP	4.02	0.02	15-May-30	3.97	0.03	3 year	3.74	0.06	
JPY	0.23	-0.03	0.43	0.90	JPY	0.90	-0.00	15-May-31	4.08	0.03	5 year	3.72	0.05	
CAD	4.50	4.97	3.23	3.01	CAD	3.13	0.04	15-May-32	4.18	0.03	7 year	3.83	0.04	
								14-Apr-33	4.25	0.03	10 year	4.00	0.04	
								15-May-34	4.29	0.03	15 year	4.18	0.04	
								15-May-35	4.35	0.03				
								15-May-37	4.50	0.03				
								15-May-41	4.66	0.03				
								15-May-51	4.72	0.03				
								15-May-54	4.76	0.03				

* 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

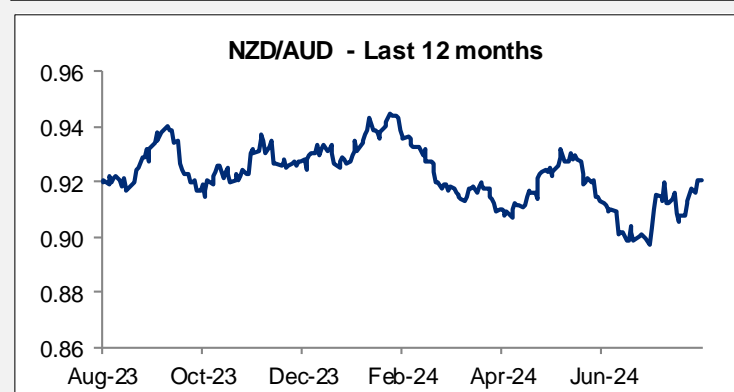
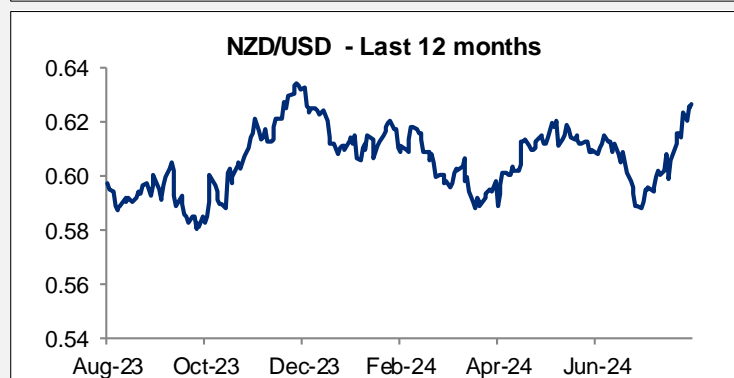
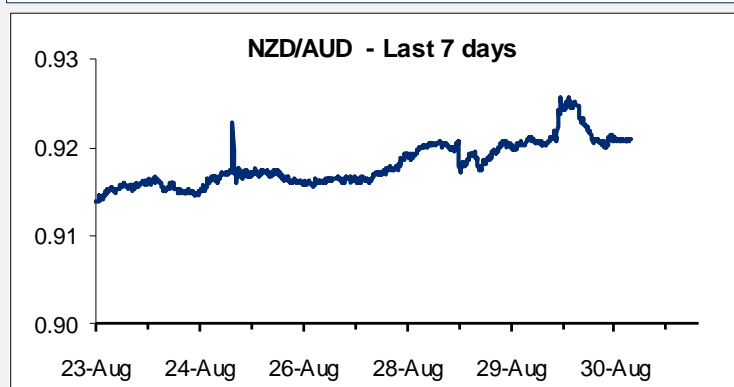
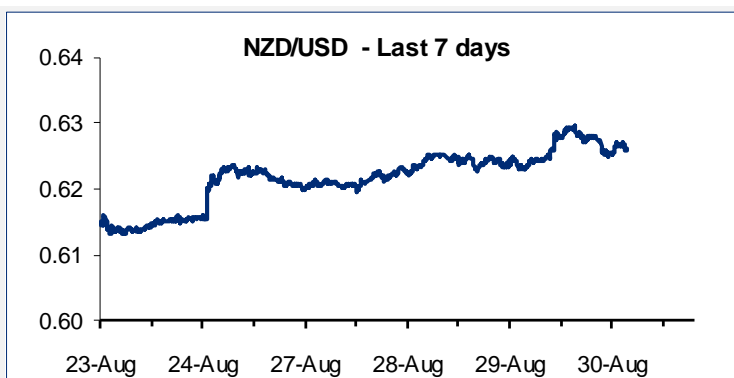
30/08/2024	7:00 am	Prev. NY close
USD	0.6261	0.6244
GBP	0.4754	0.4734
AUD	0.9210	0.9203
EUR	0.5651	0.5615
JPY	90.65	90.28
CAD	0.8437	0.8418
CHF	0.5297	0.5259
DKK	4.2150	4.1882
FJD	1.3803	1.3869
HKD	4.8816	4.8710
INR	52.51	52.43
NOK	6.5766	6.5577
PKR	174.53	173.77
PHP	35.25	35.12
PGK	2.4390	2.4286
SEK	6.4056	6.3711
SGD	0.8156	0.8139
CNY	4.4434	4.4507
THB	21.25	21.23
TOP	1.4413	1.4606
VUV	74.59	74.32
WST	1.7011	1.6928
XPF	67.59	67.17
ZAR	11.1198	11.1301

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.44	0.66
3 Months	1.09	1.58
6 Months	0.17	1.16
9 Months	-2.86	-0.86
1 Year	-4.86	-1.86

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-6.26	-5.75
3 Months	-14.63	-13.50
6 Months	-19.81	-17.33
9 Months	-21.76	-17.29
1 Year	-20.30	-12.78



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