

# Research Markets Today

30 September 2024

## Events Round-Up

NZ: ANZ consumer confidence, Sep: 95.1 vs. 92.2 prev.  
 JN: Tokyo CPI (y/y%), Sep: 2.2 vs. 2.2 exp.  
 JN: Tokyo CPI x-fr. fd., energy (y/y%), Sep: 1.6 vs. 1.6 exp.  
 GE: Unemployment rate (%), Sep: 6.0 vs. 6.0 exp.  
 EA: Economic confidence, Sep: 96.2 vs. 96.5 exp.  
 CA: GDP (m/m%), Jul: 0.2 vs. 0.1 exp.  
 US: Personal income (m/m%), Aug: 0.2 vs. 0.4 exp.  
 US: Real personal spending (m/m%), Aug: 0.1 vs. 0.1 exp.  
 US: Goods trade balance (\$b), Aug: -94.3 vs. -100.2 exp.  
 US: Core PCE price index (m/m%), Aug: 0.1 vs. 0.2 exp.  
 US: Core PCE price index (y/y%), Aug: 2.7 vs. 2.7 exp.  
 US: U. of Mich. consumer sent., Sep: 70.1 vs. 69.4 exp.  
 US: U. of Mich. 5-10 Yr inflation exp., Sep: 3.1 vs. 3.0 exp.

## Good Morning

Weaker CPI figures for France and Spain, following weak euro area PMI data earlier in the week, drove the market to price in higher odds of the ECB cutting rates at its next meeting. US PCE inflation metrics were also market-friendly, and added to the support seen for US Treasuries, with lower rates on Friday in the order of 5-7bps. The yen strengthened after an LDP candidate sympathetic to the BoJ's tightening cycle got the nod to become the next PM. The NZD traded at a fresh high for the year in the afterglow of China's smorgasbord of policy stimulus measures, while NZD/JPY fell over 1½% towards 90.

US equities were modestly weaker on Friday, from the record high on Thursday, capping off a third successive weekly gain for the S&P500. However, for equities, focus remained on China, where the CSI300 index rose another 4½%, taking its weekly gain to 15.7%, the strongest performance since 2008. The strong rebound was probably exacerbated by short sellers getting squeezed, with shorting China a winning bet until the government unleashed a series of policy measures designed to turn around its ailing economy.

Economic data showed CPI inflation in France and Spain much weaker than expected, at 1.5% y/y and 1.7% yoy respectively. The data come ahead of German CPI, released tonight, and euro area CPI tomorrow night. The softer inflation readings saw the market price in an

increased chance that the ECB will deliver another 25bps cut at its next meeting in October, adding to the momentum earlier last week following the much weaker PMI data. Thus, 21bps of cuts is now priced, up from just 7bps a week ago. German 2 and 10-year rates ended the day down 5bps.

Lower European yields encouraged lower US Treasury yields with rates down 5-7bps across much of the curve. The 10-year rate closed the week at 3.75%, close to where rates hovered through the week. A slightly greater chance of a 50bps cut for the Fed's next meeting in November was priced, but it remains close to an even bet. The employment report at the end of this week could tip the balance either way, between 25bps or 50bps.

US data released on Friday night were consistent with the view of inflation converging towards target and the economy still showing reasonable growth. The Fed's preferred inflation metrics were close to expectations, with the PCE deflator up 0.1% m/m, seeing the annual increase fall to a fresh 3½ year low of 2.2% y/y. The core measure also rose 0.1% m/m, seeing the annual increase tick higher to 2.7% y/y due to base effects. Real consumer spending rose just 0.1% m/m in August, but consistent with growth over Q3 likely coming in a solid 3% annualised rate, even if September spending is flat.

Other US data suggested net exports could make a small negative contribution to Q3 GDP, offset by a small positive contribution from inventories. The final University of Michigan consumer sentiment index for September came in slightly ahead of the initial estimate, at a five-month high of 70.1, telling a different story from the weaker Conference Board measure of consumer confidence released earlier in the week.

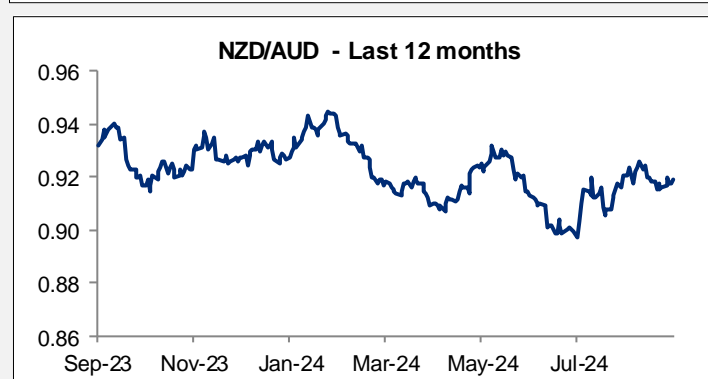
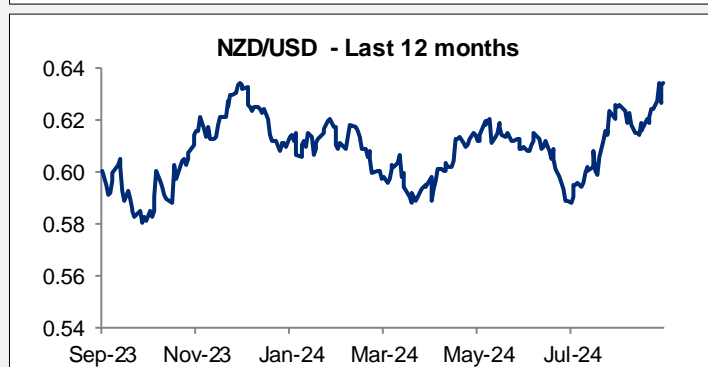
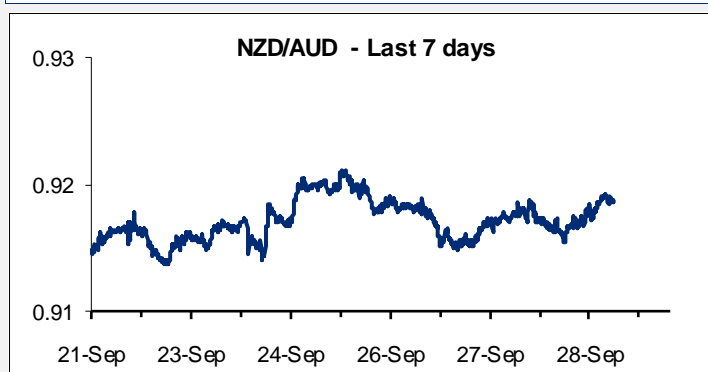
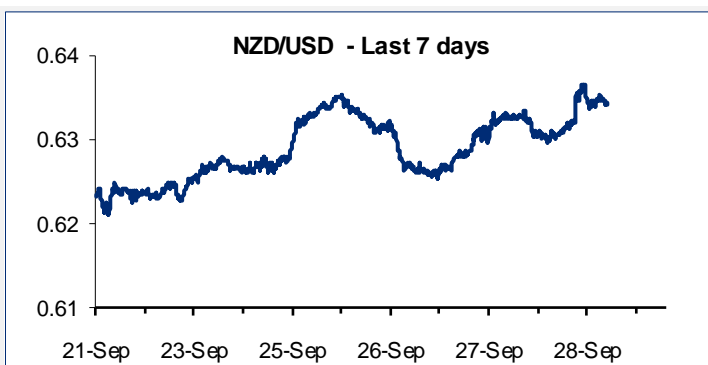
In currency markets, the yen was the biggest mover, strengthening after Shigeru Ishiba won the LDP leadership battle that will see him become PM from 1 October. He supported the BoJ's recent tightening in monetary policy. The result surprised the market, as Sanae Takaichi was seen to be the front-runner, who opposed the BoJ's rate hikes. The yen strengthened sharply after the result of the vote was announced, with USD/JPY closing the week at 142.20, after trading above 146 just ahead of the final result.

The NZD remained well supported, continuing to trade well in the afterglow of the Chinese policy stimulus measures released during the week. It traded at a fresh



**NZD exchange rates**

28/09/2024	NY close	Prev. NY close
USD	0.6341	0.6328
GBP	0.4742	0.4717
AUD	0.9188	0.9176
EUR	0.5680	0.5662
JPY	90.18	91.64
CAD	0.8571	0.8521
CHF	0.5331	0.5355
DKK	4.2363	4.2217
FJD	1.3871	1.3935
HKD	4.9292	4.9226
INR	53.08	52.93
NOK	6.6607	6.6631
PKR	176.57	176.11
PHP	35.58	35.41
PGK	2.4851	2.4787
SEK	6.4009	6.4021
SGD	0.8124	0.8120
CNY	4.4464	4.4366
THB	20.55	20.60
TOP	1.4721	1.4723
VUV	74.91	74.94
WST	1.7128	1.7019
XPF	68.11	68.02
ZAR	10.8544	10.8680



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.22	0.68
3 Months	0.19	1.14
6 Months	-2.81	-1.81
9 Months	-5.73	-2.37
1 Year	-6.01	-3.01

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-4.26	-3.37
3 Months	-7.24	-5.45
6 Months	-5.69	-3.25
9 Months	-1.10	5.38
1 Year	8.33	15.72

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