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 marketfriendly, 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.

DNZ* MARKETS

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 high for the year of 0.6367 before closing the week around 0.6340. The AUD traded at a fresh 2024 high of 0.6937 before closing just over 0.69.

On the crosses, while NZD/JPY fell over 1½% towards 90, the NZD was modestly stronger on all the other crosses, including a fresh 2024 high against the CAD to 0.8585.

The domestic rates market showed only small changes in yields on Friday, in the order of 1bp or less across the NZGB and swaps curves. The 10-year NZGB rate closed flat at 4.23%, capping off an uneventful week overall. The ANZ consumer confidence index rose to 95.1, its highest level since the beginning of 2022, albeit remaining well below average. Lower rates have supported various monthly activity indicators of late, all rising off rock-bottom levels.

In the day ahead, the ANZ business outlook survey will be of some interest, ahead of China PMI data. Overnight, German CPI data will be released, while Fed Chair Powell will be speaking. Over the rest of the week, the market will be anxious about the key US employment report on Friday night, and ahead of that the ISM manufacturing and services surveys and JOLTs report will also have to be navigated. Domestically, the QSBO tomorrow is the last key release ahead of the RBNZ Monetary Policy Review next week.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	ANZ activity outlook (net%)	Sep		37.1	13:00
СН	Manufacturing PMI	Sep	49.4	49.1	14:30
СН	Non-manufacturing PMI	Sep	50.4	50.3	14:30
СН	Caixin PMI manufacturing	Sep	50.5	50.4	14:45
СН	Caixin PMI services	Sep	51.6	51.6	14:45
GE	CPI EU harmonised (y/y%)	Sep	1.8	2.0	01:00
US	Chicago PMI	Sep	46.0	46.1	02:45
US	Fed's Powell speaks at NABE				06:00

Source: Bloomberg, BNZ

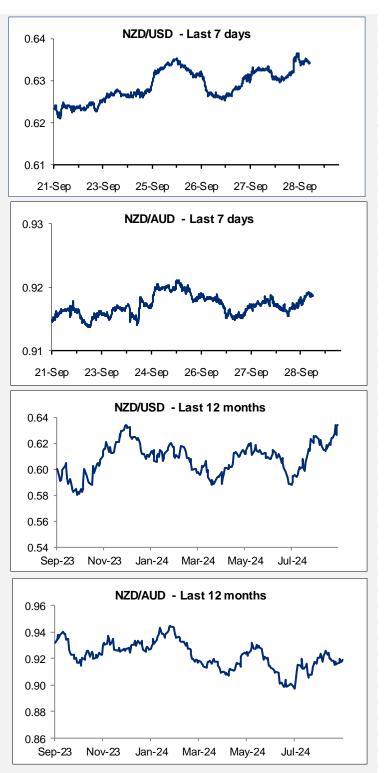
Currenc	ies							Equities				Commodities	6	
Global froces Indicative overnight ranges (*)		Other FX			Major Indice	Major Indices			Price (Near futures, except CRB)					
	Last	% Day	Low	High		Last	% Day		Last	% Day	% Year		Last	Net Da
NZD	0.6341	+0.2	0.6301	0.6367	CHF	0.8406	-0.7	S&P 500	5,738	-0.1	33.8	Oil (Brent)	71.98	+0.5
AUD	0.6902	+0.1	0.6877	0.6937	SEK	10.093	-0.2	Dow	42,313	+0.3	26.3	Oil (WTI)	68.18	+0.8
EUR	1.1163	-0.1	1.1125	1.1203	NOK	10.503	-0.3	Nasdaq	18,120	-0.4	37.1	Gold	2644.3	-1.0
GBP	1.3372	-0.3	1.3360	1.3427	HKD	7.772	-0.1	Stoxx 50	5,067	+0.7	21.4	HRC steel	734.0	-0.1
JPY	142.22	-1.8	142.07	143.77	CNY	7.011	+0.0	FTSE	8,321	+0.4	9.4	CRB	285.9	+0.5
CAD	1.3517	+0.4			SGD	1.281	-0.2	DAX	19,474	+1.2	26.6	Wheat Chic.	600.3	-0.7
NZD/AUD	0.9188	+0.1			IDR	15,125	-0.3	CAC 40	7,792	+0.6	9.2	Sugar	22.79	-2.2
NZD/EUR	0.5680	+0.3			THB	32.38	-0.0	Nikkei	39,830	+2.3	25.0	Cotton	73.54	-0.4
NZD/GBP	0.4742	+0.5			KRW	1,310	-0.6	Shanghai	3,088	+2.9	-0.7	Coffee	269.2	-1.7
NZD/JPY	90.18	-1.6			TWD	31.60	-0.9	ASX 200	8,212	+0.1	16.5	WM powder	3490	+0.1
NZD/CAD	0.8571	+0.6			PHP	56.07	+0.2	NZX 50	12,457	-0.3	10.3	Australian Fu	tures	
NZ TWI	71.87	+0.1						VIX Index	16.96	+10.3	-3.2	3 year bond	96.55	-0.03
Interest	Rates											10 year bond	96.06	0.03
Rates Swap Yields		Benchmark 10 Yr Bonds			NZ Governm	nent Bond	s		NZ BKBM and	Swap Yie	elds			
	Cash	3Mth	2 Yr	10 Yr		Last	Net Day			Last	Chg		Last	Chg
USD	5.00	4.87	3.35	3.29	USD	3.75	-0.05	15-May-26		3.81	-0.00	BKBM 1-mth	5.13	0.00
AUD	4.35	4.44	3.60	4.02	AUD	3.96	0.02	15-Apr-27		3.64	-0.00	BKBM 3-mth	4.90	0.00
NZD	5.25	4.90	3.57	3.88	NZD	4.23	-0.00	15-May-28		3.67	-0.00	1 year	4.07	-0.01
EUR	3.50	3.35	2.31	2.36	GER	2.13	-0.05	20-Apr-29		3.75	-0.00	2 year	3.57	0.00
GBP	5.00	5.30	3.84	3.61	GBP	3.98	-0.03	15-May-30		3.87	-0.00	3 year	3.46	-0.00
JPY	0.23	-0.03	0.44	0.88	JPY	0.85	0.02	15-May-31		3.99	-0.01	5 year	3.54	-0.00
CAD	4.25	4.97	2.80	2.84	CAD	2.96	-0.06	15-May-32		4.10	-0.00	7 year	3.69	-0.00
								14-Apr-33		4.18	-0.00	10 year	3.88	-0.00
								15-May-34		4.23	-0.00	15 year	4.09	-0.00
								15-May-35		4.32	-0.00			
					NZ Infla	tion-Inde	exed Bonds	15-May-36		4.41	-0.01			
* These are	e indicative	ranges froi	m 5pm NZ	Г;	Sep-30	2.13	-0.01	15-May-37		4.51	-0.01			
please co	nfirm rates	with your B	BNZ dealer		Sep-35	2.44	-0.00	15-May-41		4.71	-0.01			
Rates at NY close Sep-40 2.68 -0.00			15-May-51		4.81	-0.01								
Rates at N	Y close				3ep-40	2.00	-0.00	1J-IVIAy-J1						

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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