

Research Markets Today

31 July 2024

Events Round-Up

AU: Building approvals (m/m%), Jun: -6.5 vs. -2.3 exp.
 GE: GDP (q/q%), Q2: -0.1 vs. 0.1 exp.
 EA: Economic confidence, Jul: 95.8 vs. 95.2 exp.
 EA: GDP (q/q%), Q2: 0.3 vs. 0.2 exp.
 GE: CPI EU harmonised (y/y%), Jul: 2.6 vs. 2.5 exp.
 US: JOLTS job openings (k), Jun: 8184 vs. 8000 exp.
 US: Conf. Board consumer confid., Jul: 100.3 vs. 99.5 exp.

Good Morning

Lower tech stocks have driven US equities down (again) while US Treasury yields are modestly lower, ignoring slightly stronger than expected US JOLTs data and consumer confidence. JPY strengthened after a media report that the BoJ will consider a 15bps hike at today's meeting. The NZD has outperformed alongside the yen, seeing it return to 0.59.

US economic data were slightly better than expected, with job openings falling only 46k to 8184k in June. The quits rate was steady at 2.1 from a downwardly revised May. Both indicators have been trending down, signalling a weaker labour market and lower wage inflation. The Conference Board measure of consumer confidence rose to 100.3 in Jul from a downwardly revised 97.8 in June, however the overall survey was a mixed bag. While higher headline confidence was driven by the expectations component climbing to a six-month high, it was met with a fall in the present conditions index to a more than three-year low. Furthermore, the labour market indicator measuring the difference between those saying jobs were plentiful and jobs were hard to get dropped to a more than three year low.

The slightly stronger headline figures only had a temporary impact on the rates market with US Treasury yields resuming their decline heading into the releases. The 10-year rate is currently down 3bps to 4.14% with some curve steepening, with the 2-year rate down 4bps to 4.36%.

In the US equity market, the tech selloff has resumed, ahead of earnings releases for four of the mega cap stocks this week. While more stocks in the S&P500 are up than down, the index is currently down ½%, weighed down by mega caps, with the Nasdaq index down 1.3%. The

rotation into smaller cap stocks continues, with the Russell 2000 index up slightly.

Public broadcaster NHK reported that BoJ board members will discuss raising the policy rate by 15bps to 0.25% amid a growing view among members that pricing are rising in line with forecasts. However, some members are cautious that trends in consumption need to be watched amid falling real wages and will make the final decision after analysing latest economic data. Meanwhile vice finance minister for international affairs Mimura, who will replace Kanda as the top FX official, said that the "demerits" of yen weakness are "becoming more noticeable", pointing out the drawbacks of a weaker yen as they affect importers and consumers.

For today's BoJ meeting, the market is pricing in 7bps worth of hikes, with many sceptical that the Bank will tighten alongside the expected clear plan for reducing its bond purchases. The media leak, if it is indeed one, raises the chance that the BoJ will hike rates by at least 10bps, with some chance that it opts for a larger 15bps move. We believe that rate hikes have been long appropriate in Japan and would support the recent recovery in the yen. No hike or any dovish overtones could see a sharp reversal of recent yen strength. The yen reversed earlier losses overnight after the media report, seeing USD/JPY now down 0.5% for the day to 153.20.

The NZD has also outperformed, for no obvious reason other than it was looking oversold on the technical relative strength index. It has recovered to just over 0.59 over the past couple of hours. While NZD/JPY is flat at 90.4, after a swing up to 91.5 overnight, the NZD is higher on other key crosses. The AUD is struggling around 0.6540 and NZD/AUD has recovered to 0.9025, helped by slightly higher NZ-Australia rate spreads (see below). NZD/GBP has returned to 0.46 and NZD/EUR is up to 0.5460.

Euro area GDP was a tenth stronger than consensus, rising 0.3% q/q in Q2, although Germany was a drag on the result, showing a 0.1% q/q contraction. On CPI inflation, the headline rate was a tenth higher than expected in Germany at 2.6%, and three-tenths weaker than expected in Spain at 2.9%. The data did nothing to change market expectations that the ECB can cut rates by another 25bps at its next meeting in September.

Oil prices continue to fall, with Brent crude down over 1% to below USD79 per barrel, unresponsive to rising tensions

in the Middle East after Israel struck Beirut, targeting a Hezbollah commander in retaliation to the weekend rocket attack in the Golan Heights.

In the domestic rates market, it was another quiet session, although the bias was payside pressure in the swaps market and offers in NZGBs. NZGB yields were marked 2-4bps higher across the curve while swaps were up 3-5bps, underperforming Australia on a cross-market basis, seeing higher NZ-Australia rate spreads after their recent significant contraction.

In the day ahead the calendar is full. During NZ trading hours the ANZ NZ business outlook survey, China PMIs, Australian CPI and, as noted earlier, the BoJ policy meeting are the key releases. An upside surprise to Australian inflation target would increase pressure on the RBA to hike rates again.

Tonight, the key releases are euro area CPI and the US employment cost index, coming ahead of the Fed's policy announcement at 6am NZ time. The Fed is widely expected to guide towards a September rate cut, conditional on the data between now and then, which is fully priced.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Dwelling consents (m/m%)	Jun	-1.7	10:45	
NZ	ANZ activity outlook (net%)	Jul	12.2	13:00	
CH	Manufacturing PMI	Jul	49.4	49.5	13:30
CH	Non-manufacturing PMI	Jul	50.2	50.5	13:30
AU	Real retail sales (q/q%)	Q2	-0.2	-0.4	13:30
AU	CPI (y/y%)	Q2	3.8	3.6	13:30
AU	CPI trimmed mean (q/q%)	Q2	1.0	1.0	13:30
AU	CPI trimmed mean (y/y%)	Q2	4.0	4.0	13:30
JN	BOJ target rate (upper bd)	Jul	0.1	0.1	
GE	Unemployment rate (%)	Jul	6.0	6.0	19:55
EC	CPI (y/y%)	Jul	2.5	2.5	21:00
EC	CPI core (y/y%)	Jul	2.8	2.9	21:00
US	ADP employment change (k)	Jul	150	150	00:15
US	Employment Cost Index	Q2	1.0	1.2	00:30
CA	GDP (m/m%)	May	0.1	0.3	00:30
US	Chicago PMI	Jul	45.0	47.4	01:45
US	Pending home sales (m/m%)	Jun	1.5	-2.1	02:00
US	Fed Funds rate (upper bd)	Jul	5.5	5.5	06:00

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	Net Day					
NZD	0.5900	+0.4	0.5884	0.5906	CHF	0.8838	-0.2			S&P 500	5,438	-0.5	18.7	Oil (Brent)	78.82	-1.2
AUD	0.6539	-0.2	0.6529	0.6562	SEK	10.783	-0.4			Dow	40,650	+0.3	14.6	Oil (WTI)	74.90	-1.2
EUR	1.0811	-0.1	1.0799	1.0836	NOK	10.964	-0.3			Nasdaq	17,153	-1.3	19.8	Gold	2402.9	+1.1
GBP	1.2832	-0.2	1.2820	1.2865	HKD	7.813	+0.0			Stoxx 50	4,841	+0.5	8.4	HRC steel	666.0	+0.3
JPY	153.27	-0.5	152.99	155.15	CNY	7.241	-0.3			FTSE	8,274	-0.2	7.5	CRB	274.9	-0.9
CAD	1.3851	-0.0			SGD	1.343	-0.0			DAX	18,411	+0.5	11.8	Wheat Chic.	547.5	-1.4
NZD/AUD	0.9023	+0.6			IDR	16,300	+0.1			CAC 40	7,475	+0.4	0.0	Sugar	19.12	+0.6
NZD/EUR	0.5457	+0.5			THB	35.89	-0.3			Nikkei	38,526	+0.1	16.1	Cotton	68.15	+1.3
NZD/GBP	0.4598	+0.6			KRW	1,384	+0.1			Shanghai	2,879	-0.4	-12.5	Coffee	230.8	+0.2
NZD/JPY	90.43	-0.1			TWD	32.85	-0.1			ASX 200	7,953	-0.5	7.3	WM powder	3015	-0.8
NZD/CAD	0.8172	+0.4			PHP	58.65	+0.2			NZX 50	12,391	+0.6	2.8	Australian Futures		
NZ TWI	69.59	+0.4								VIX Index	17.23	+3.8	+29.3	3 year bond	96.05	-0.01
														10 year bond	95.75	0.03
Interest Rates						NZ Government Bonds				NZ BKBM and Swap Yields						
Rates		Swap Yields		Benchmark 10 Yr Bonds		Last				Last						
	Cash	3Mth	2 Yr	10 Yr		Last	Net Day		Chg		Chg					
USD	5.50	5.51	4.20	3.71	USD	4.14	-0.03	15-May-26	4.34	0.02	BKBM 1-mth	5.53	-0.01			
AUD	4.35	4.49	4.13	4.37	AUD	4.28	0.00	15-Apr-27	4.11	0.02	BKBM 3-mth	5.45	-0.00			
NZD	5.50	5.45	4.22	4.11	NZD	4.36	0.00	15-May-28	4.04	0.02	1 year	4.82	0.01			
EUR	3.75	3.64	2.89	2.62	GER	2.34	-0.02	20-Apr-29	4.05	0.03	2 year	4.22	0.03			
GBP	5.25	5.30	4.28	3.75	GBP	4.04	-0.01	15-May-30	4.11	0.03	3 year	3.98	0.04			
JPY	0.08	-0.03	0.45	0.98	JPY	1.00	-0.02	15-May-31	4.19	0.03	5 year	3.90	0.04			
CAD	4.50	4.97	3.47	3.16	CAD	3.24	-0.05	15-May-32	4.26	0.00	7 year	3.98	0.05			
								14-Apr-33	4.36	0.04	10 year	4.11	0.05			
								15-May-34	4.36	0.00	15 year	4.26	0.05			
								15-May-35	4.43	0.00						
								15-May-37	4.62	0.04						
								15-May-41	4.80	0.04						
								15-May-51	4.85	0.04						
								15-May-54	4.88	0.04						

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer

Rates are as of: NZT 06:55

Source: Bloomberg

NZD exchange rates

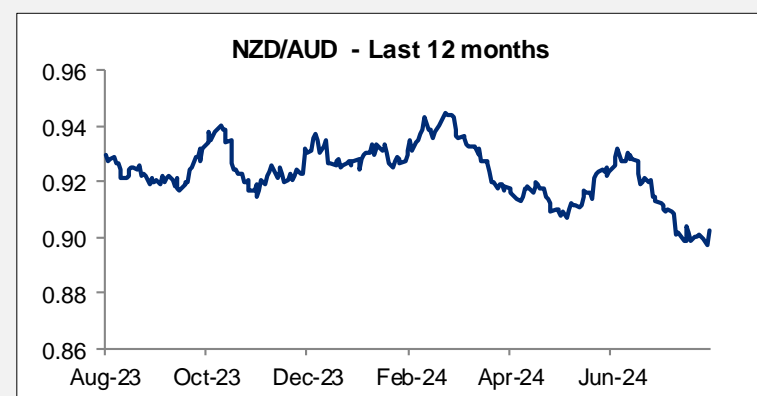
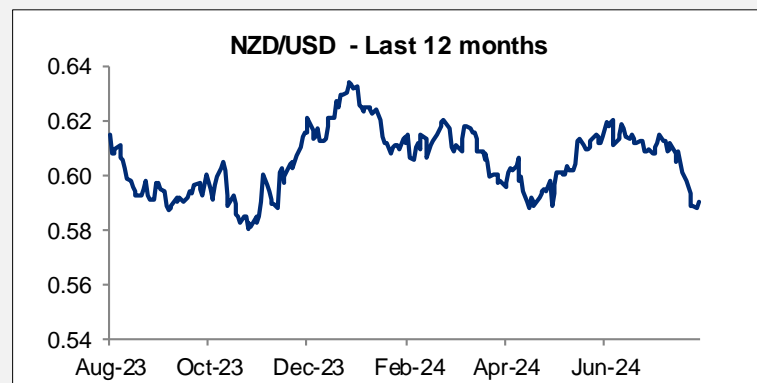
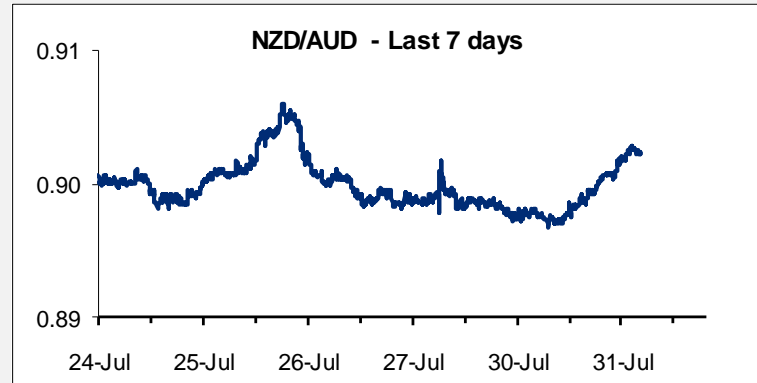
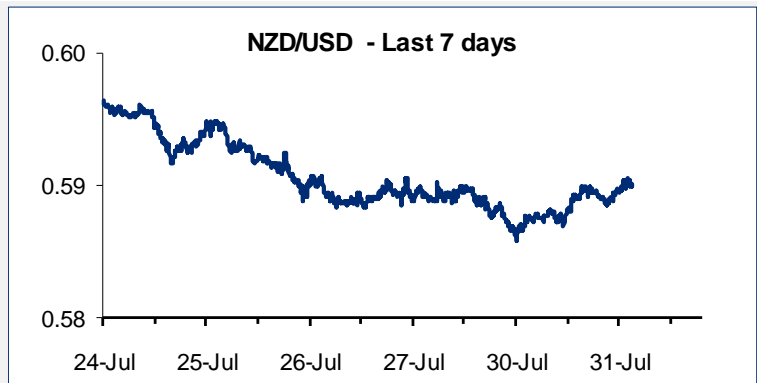
31/07/2024 6:55 am		Prev. NY close
USD	0.5900	0.5876
GBP	0.4598	0.4568
AUD	0.9023	0.8972
EUR	0.5457	0.5430
JPY	90.43	90.50
CAD	0.8172	0.8140
CHF	0.5214	0.5207
DKK	4.0724	4.0521
FJD	1.3354	1.3394
HKD	4.6096	4.5893
INR	49.40	49.20
NOK	6.4686	6.4629
PKR	164.20	163.53
PHP	34.60	34.38
PGK	2.2833	2.2722
SEK	6.3622	6.3633
SGD	0.7923	0.7894
CNY	4.2722	4.2662
THB	21.23	21.19
TOP	1.3869	1.4014
VUV	71.79	71.48
WST	1.6193	1.6134
XPF	64.97	64.60
ZAR	10.7998	10.8432

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.11	0.30
3 Months	0.03	0.44
6 Months	1.01	2.01
9 Months	2.11	4.11
1 Year	4.19	7.19

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-7.15	-6.60
3 Months	-17.53	-16.49
6 Months	-25.82	-23.11
9 Months	-26.50	-21.27
1 Year	-21.19	-13.07



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