

Research Markets Today

2 October 2023

Events Round-Up

NZ: ANZ consumer confidence, Sep: xx vs. 85.0 prev.
 JN: Tokyo CPI (y/y%), Sep: 2.8 vs. 2.7 exp.
 JN: Tokyo CPI ex-fr. fd, energy (y/y%), Sep: 3.8 vs. 3.9 prev.
 GE: Unemployment rate (%), Sep: 5.7 vs. 5.7 exp.
 EC: CPI (y/y%), Sep: 4.3 vs. 4.5 exp.
 EC: CPI core (y/y%), Sep: 4.5 vs. 4.8 exp.
 CA: GDP (m/m%), Jul: 0.0 vs. 0.1 exp.
 US: Goods trade balance (\$b), Aug: -83.4 vs. -91.4 exp.
 US: Personal income (m/m%), Aug: 0.4 vs. 0.4 exp.
 US: Real personal spending (m/m%), Aug: 0.1 vs. 0.0 exp.
 US: PCE core deflator (m/m%), Aug: 0.1 vs. 0.2 exp.
 US: PCE core deflator (y/y%), Aug: 3.9 vs. 3.9 exp.
 US: Chicago PMI, Sep: 44.1 vs. 47.6 exp.
 CH: Manufacturing PMI, Sep: 50.2 vs. 50.1 exp.
 CH: Non-manufacturing PMI, Sep: 51.7 vs. 51.6 exp.
 CH: Caixin PMI manufacturing, Sep: 50.6 vs. 51.2 exp.
 CH: Caixin PMI services, Sep: 50.2 vs. 52.0 exp.

Good Morning

Global markets were generally subdued into month-end. Early gains in US equities faded with the S&P ending little changed on the day. The S&P fell more than 5% in September amid concerns about monetary policy remaining at restrictive levels for a longer period. Global bond yields fell on Friday, aided by signs of easing inflation in the Eurozone and the US, but ended the month with large losses.

The US Dollar retraced an earlier fall while Brent crude prices were little changed near US\$95 per barrel having gained close to 10% during September. Over the weekend US lawmakers passed a last-minute compromise funding measure with bipartisan support, to avert a shutdown of the US government. The legislation will keep the government running till November 17.

US PCE inflation data, which is closely watched by the Federal Reserve, came in a little below consensus on headline and core monthly measures. Annual changes were in line with expectations due to revisions to previous

months. Headline inflation increased 3.5% y/y, up from 3.4% in July, due to higher gas prices. Meanwhile core prices slipped to 3.9% y/y from 4.3% in July, which is the lowest level since September 2021.

New York Fed President John Williams suggested the US central bank may have completed the hiking cycle though cautioned that policy makers will need to keep rates high for some time. He said the US central bank is 'at, or near, the peak level' of its benchmark interest rate now that price pressures have eased more notably. Futures markets continue to price about 10bp of tightening across the remaining 2 Fed policy meetings for this year.

Inflation in the Eurozone has fallen to its lowest rate for almost two years. Headline consumer prices increased 4/3% y/y in September down from 5.2% the previous month. Core inflation increased 4.5% y/y. Both measures were lower than consensus forecasts though the market had earlier digested lower regional releases. The data contributed to a rally across European bond markets with 10-year bunds closing down 9bp to 2.83% having reached the highest level (2.98%) since 2011 on Thursday.

US treasuries were marginally lower in yield across the curve with 2-year bonds down 2bp to 5.04% while 10-year bonds closed little changed at 4.57%. The small steepening bias saw the 2y/10y curve close at the steepest level (-46bp) since May and some distance from the maximum curve inversion of -110bp seen in July. An earlier move lower in yields following the below consensus European inflation data faded despite supportive US data. The 7-10 year treasury sector returned -3.1% in September, the worst loss in since August last year.

Japanese policy makers continue to comment on the Yen. Finance minister Suzuki said Japan has not set up a 'defence line' with reference to USD/JPY levels but are focussing on the 'speed of currency moves'. Currency markets remain on alert for intervention as USD/JPY trades towards the psychological 150 level. The Bank of Japan announced an unscheduled bond buying operation as 10-year JGB yields reached new highs for the cycle near 0.77% but volumes were not large. 10-year bonds ended the session 1bp below the highs at 0.76%.

The US Dollar slipped in early Europe trade on Friday night with the dollar index down close to 0.5% at the lows before rebounding to end little changed. While there was

no apparent catalyst, price action matched that of equities with the dollar gaining as the S&P retraced from the session highs. The Canadian dollar underperformed within the G10 currency grouping following softer than expected GDP data.

NZD/USD initially extended the gains from the local session on Friday and traded to the highest level in almost 2 months up towards 0.6050. The recovery in the US Dollar off the lows saw NZD/USD slip back below 0.6000 but the NZD outperformed within the dollar bloc making gains against the AUD and CAD. NZD/AUD traded back above 0.9300 and ended the week near 0.9320.

NZ government bond yields reached new highs for the cycle in the local session on Friday. 10-year bond yields increased 6bp to 5.31%, the highest level since 2011. Shorter maturities outperformed with the 2y/10y government curve steepening to -43bps which is the least inverted since April. Bonds outperformed relative to swaps which increased 9bp in 10-year maturity. Australian 3-year and 10-year bond futures are close to 5bps lower in yield

from the local close on Friday suggesting a downward bias for NZ yields to start the week.

Dwelling consents for August is the only local data today. The regional focus in the week ahead will be monetary policy meetings for the RBNZ (Wed) and RBA (Tues) where both are expected to leave rates unchanged. In the US, the release of manufacturing and services ISM surveys as well as labour market data will be the focus.

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Coming Up

		Perioc	Cons.	Prev.	NZT
NZ	Dwelling consents (m/m%)	Aug		-5.2	10:45
JN	Tankan large manufacturers	Q3	6	5	12:50
EC	Unemployment rate (%)	Aug		6.4	22:00
US	ISM manufacturing	Sep	47.8	47.6	03:00
US	Fed's Powell and Harker in roundtable discussion				04:00

Source: Bloomberg, BNZ

Indicative overnight ranges (*)					Other FX			Equities				Commodities**		
	Last	% Day	Low	High		Last	% Day	Major Indices			Price			
									Last	% Day	% Year		Last	Net Day
NZD	0.5998	+0.6	0.5988	0.6049	CHF	0.9153	+0.0	S&P 500	4,288	-0.3	17.8	Oil (Brent)	92.20	-0.1
AUD	0.6434	+0.1	0.6422	0.6501	SEK	10.912	-0.1	Dow	33,508	-0.5	16.6	Oil (WTI)	90.79	-1.0
EUR	1.0573	+0.1	1.0564	1.0617	NOK	10.696	-0.3	Nasdaq	13,219	+0.1	25.0	Gold	1848.1	-0.7
GBP	1.2204	-0.0	1.2181	1.2272	HKD	7.831	+0.0	Stoxx 50	4,175	+0.3	25.8	HRC steel	704.0	-1.5
JPY	149.37	+0.0	148.53	149.49	CNY	7.298	-0.2	FTSE	7,608	+0.1	10.4	CRB	284.5	-0.9
CAD	1.3578	+0.7			SGD	1.366	+0.0	DAX	15,387	+0.4	27.0	Wheat Chic.	573.5	-5.4
NZD/AUD	0.9322	+0.5			IDR	15,460	-0.4	CAC 40	7,135	+0.3	23.8	Sugar	26.48	-1.7
NZD/EUR	0.5672	+0.5			THB	36.57	+0.0	Nikkei	31,858	-0.0	22.8	Cotton	86.86	-2.1
NZD/GBP	0.4915	+0.6			KRW	1,348	-0.6	Shanghai	3,110	+0.1	2.3	Coffee	146.2	-0.7
NZD/JPY	89.58	+0.6			TWD	32.24	+0.0	ASX 200	7,049	+0.3	8.9	WM powder	2965	+0.2
NZD/CAD	0.8143	+1.3			PHP	56.58	-0.7	NZX 50	11,296	+1.1	2.1	Australian Futures		
NZ TWI	71.19	+0.5										3 year bond	95.91	0.02
												10 year bond	95.52	0.01

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

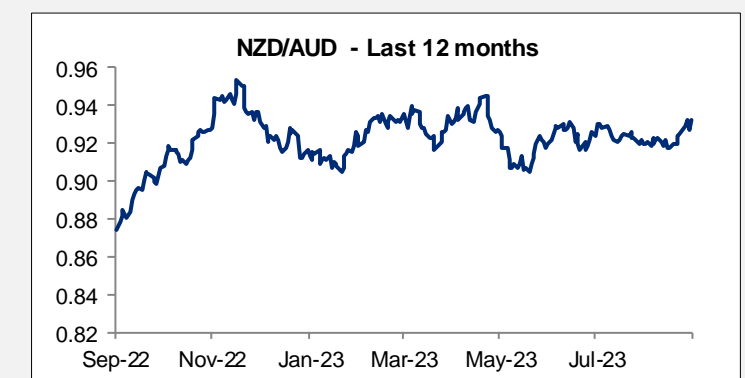
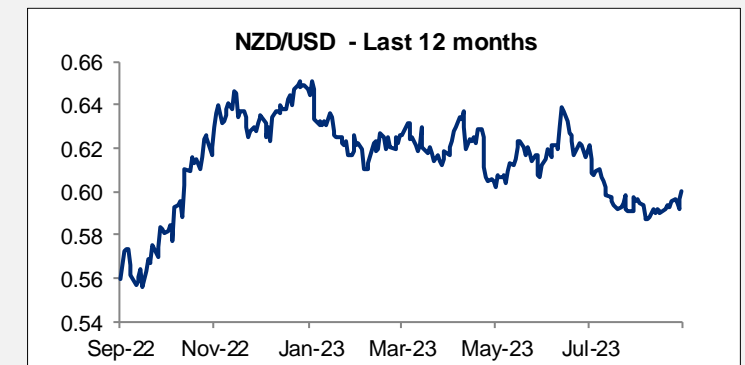
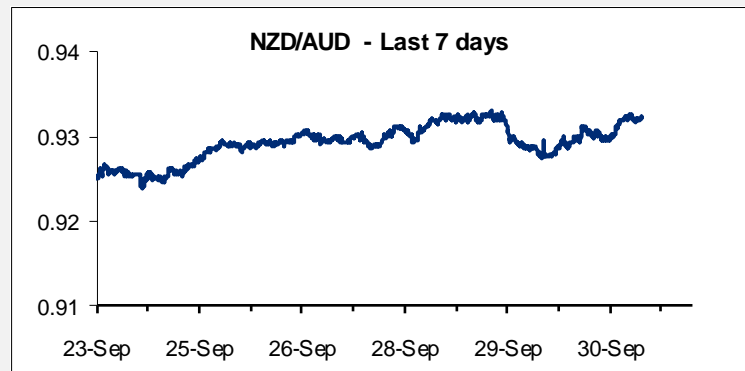
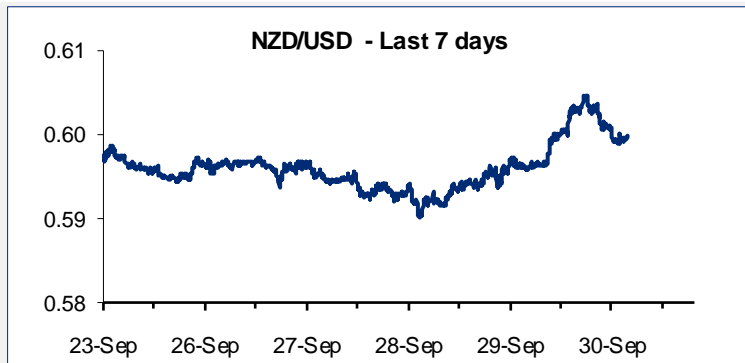
** All near futures contracts, except CRB. Metals prices are CME.

Rates at NY close

Source: Bloomberg

NZD exchange rates

29/09/2023	NY close	Prev. NY close
USD	0.5998	0.5962
GBP	0.4915	0.4886
AUD	0.9322	0.9276
EUR	0.5672	0.5643
JPY	89.58	89.02
CAD	0.8143	0.8041
CHF	0.5490	0.5455
DKK	4.2303	4.2075
FJD	1.3763	1.3681
HKD	4.6968	4.6680
INR	49.81	49.60
NOK	6.4155	6.3958
PKR	172.58	172.15
PHP	33.94	33.97
PGK	2.1939	2.1839
SEK	6.5449	6.5105
SGD	0.8194	0.8143
CNY	4.3773	4.3593
THB	21.84	21.91
TOP	1.4140	1.3949
VUV	73.40	73.10
WST	1.6525	1.6560
XPF	67.77	66.78
ZAR	11.3498	11.3169



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.23	0.38
3 Months	-0.12	0.43
6 Months	-2.21	0.29
9 Months	-6.70	-1.41
1 Year	-12.93	-7.95

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-11.00	-9.98
3 Months	-30.57	-29.47
6 Months	-60.86	-55.65
9 Months	-90.82	-80.11
1 Year	-117.20	-105.36

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