

# Research Markets Today

11 September 2023

## Events Round-Up

CA: Unemployment rate (%), Aug: 5.5 vs. 5.6 exp.

CH: CPI (y/y%), Aug: 0.1 vs. 0.1 exp.

CH: PPI (y/y%), Aug: -3.0 vs. -2.9 exp.

## Good Morning

In the absence of major economic releases, global markets were generally subdued into the weekly close. The S&P closed marginally higher while Europe's Stoxx 600 gained 0.2% boosted by energy stocks as oil prices continued to appreciate. US treasury yields moved higher supporting the US Dollar which rose for the eighth straight week, its longest run since 2005. The strong US Dollar continues to attract the attention policy makers in Japan and China.

In commodity markets, Brent crude prices increased 0.8% extending gains over the week to more than 2%. Oil prices are at the highest level since November last year and have been underpinned by Saudi Arabia and Russia, announcing they will extend supply cuts until the end of this year. Speculative accounts have increased long oil positions to the largest level in about 6-months according to Commodity Futures Trading Commission (CFTC) data covering the period to 5 September.

China consumer prices edged up 0.1% y/y in August, having fallen 0.3% in July, which was in line with consensus forecasts. Although China edged out of deflation, soft pricing pressures point to weak demand and has prompted policymakers to unveil a range of measures aimed at reviving investor confidence. Meanwhile producer prices fell by 3% y/y putting pressure on manufacturing profits and illustrating the continued weakness in the industrial sector.

Monthly activity data covering industrial production, retail sales, investment and credit data in China is released this week. Most economists expect the Peoples Bank of China (PBOC) to leave the medium-term lending facility rate (MLF) unchanged at 2.5% on Friday though a minority forecast a 10bps rate cut after a similar reduction in June.

Global bond markets were mixed on Friday. German bunds were little changed with 10-year yields steady near 2.61% as investors look ahead to the European Central Bank (ECB) meeting this week. The market is pricing about a 40%

chance of a 25bp hike. Meanwhile, US treasuries moved higher in yield lead by the front end. 2-year yields increased 4bps to close the week at 4.99% while 10-year treasury yields increased 2bps to 4.26%. There is \$44 billion of 3-year treasury supply this evening ahead of 10 and 30-year auctions later in the week.

Japanese policy makers have continued to warn the market about excessive Yen weakness. Finance Minister Suzuki said that the 'FX market should reflect fundamentals' and policymakers 'will watch FX moves with a high sense of urgency and will not rule out any options to address excessive moves'. USD/JPY dipped temporarily following the comments but closed the week at the recent highs highlighting the diminishing impact of verbal intervention.

A dip in the US Dollar was quickly reversed overnight Friday with the Dollar index making marginal gains and closing near multi-week highs. EUR/USD spiked briefly above 1.0740 but quickly retraced to close near 1.07, the lowest level since June, with weak activity in the Eurozone contrasting with the resilience of the US economy. The Canadian Dollar outperformed amongst G10 currencies after stronger than expected labour market data. CFTC positioning data revealed US Dollar buying across the board in currency futures markets.

NZD/USD traded up towards 0.5920 but retraced in line with a strengthening US Dollar to close the week near 0.5880. NZD/AUD ended little changed near 0.9230 continuing the directionless trade on the cross from the past few weeks.

Yields across NZ government bonds moved lower in the local session on Friday with the long end outperforming leading to a flatter yield curve. 10-year bonds ended the day down 6bp at 4.94%. NZDM confirmed the tender lines for this week and inflation indexed bonds (IIBs) will be offered alongside NZ\$500 million of nominal bonds. This is the first time that IIBs have been tendered since May. Australian 3-year and 10-year bond futures are close to 3bps higher in yield from the local close on Friday suggesting a modest upward bias for NZ yields to start the week.

There is no economic data of note today.

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Indicative overnight ranges (*)					Other FX			Equities				Commodities**		
	Last	% Day	Low	High		Last	% Day	Major Indices			Price			
									Last	% Day	% Year		Last	Net Day
NZD	0.5885	+0.1	0.5881	0.5918	CHF	0.8931	+0.0	S&P 500	4,457	+0.1	9.6	Oil (Brent)	90.65	+0.8
AUD	0.6378	+0.0	0.6371	0.6408	SEK	11.126	-0.2	Dow	34,577	+0.2	7.5	Oil (WTI)	87.51	+0.7
EUR	1.0701	+0.0	1.0694	1.0744	NOK	10.682	-0.3	Nasdaq	13,762	+0.1	13.6	Gold	1924.6	+0.0
GBP	1.2463	-0.0	1.2451	1.2514	HKD	7.840	+0.0	Stoxx 50	4,237	+0.4	18.7	HRC steel	720.0	-0.7
JPY	147.80	+0.4	147.22	147.87	CNY	7.344	+0.2	FTSE	7,478	+0.5	1.7	CRB	284.5	+0.2
CAD	1.3641	-0.3			SGD	1.366	-0.0	DAX	15,740	+0.1	20.3	Wheat Chic.	595.8	-0.7
NZD/AUD	0.9227	+0.1			IDR	15,328	+0.0	CAC 40	7,241	+0.6	16.6	Sugar	26.31	-1.4
NZD/EUR	0.5499	+0.1			THB	35.66	+0.1	Nikkei	32,607	-1.2	15.6	Cotton	84.41	+0.9
NZD/GBP	0.4722	+0.1			KRW	1,333	-0.2	Shanghai	3,117	-0.2	-4.5	Coffee	148.7	-0.8
NZD/JPY	86.97	+0.5			TWD	32.07	+0.1	ASX 200	7,157	-0.2	3.8	WM powder	2760	+0.5
NZD/CAD	0.8027	-0.2			PHP	56.64	-0.3	NZX 50	11,344	-0.7	-3.5	<b>Australian Futures</b>		
NZ TWI	69.75	+0.2										3 year bond	96.22	0.06
												10 year bond	95.88	0.00
<b>Interest Rates</b>														
Rates		Swap Yields			Benchmark 10 Yr Bonds		NZ Government Bonds			NZ Swap Yields				
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day		Last			Last			
USD	5.50	5.67	4.89	3.98	USD	4.26	0.02	15-Apr-25	5.49	-0.03	1 year	5.73	-0.00	
AUD	4.10	4.12	4.15	4.46	AUD	4.08	-0.08	15-Apr-27	5.07	-0.04	2 year	5.47	-0.02	
NZD	5.50	5.66	5.47	4.76	NZD	4.93	-0.06	15-May-28	4.96	-0.04	5 year	4.89	-0.04	
EUR	3.75	3.80	3.69	3.16	GER	2.61	-0.00	15-May-31	4.93	-0.06	7 year	4.79	-0.05	
GBP	5.25	5.56	5.37	4.35	GBP	4.42	-0.03	14-Apr-33	4.93	-0.06	10 year	4.76	-0.06	
JPY	-0.07	-0.03	0.13	0.82	JPY	0.66	-0.00	15-May-41	5.12	-0.06	15 year	4.83	-0.06	
CAD	5.00	5.48	5.21	4.17	CAD	3.68	0.03	15-May-51	5.11	-0.07				

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

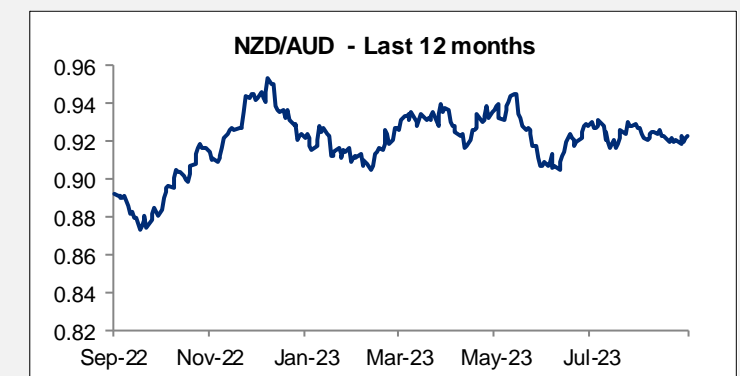
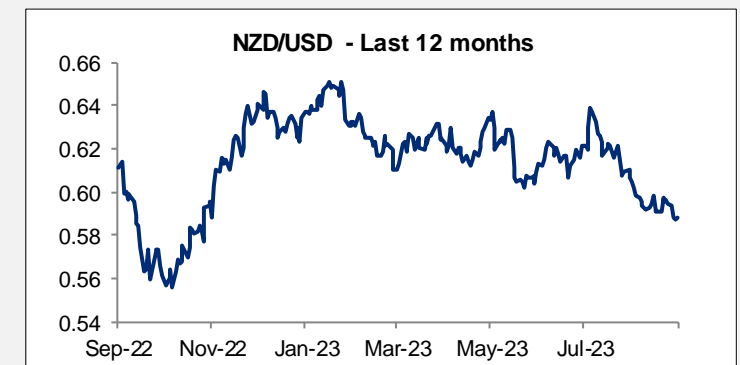
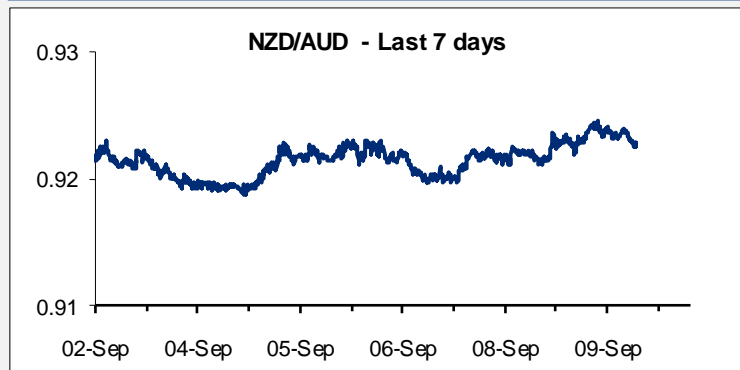
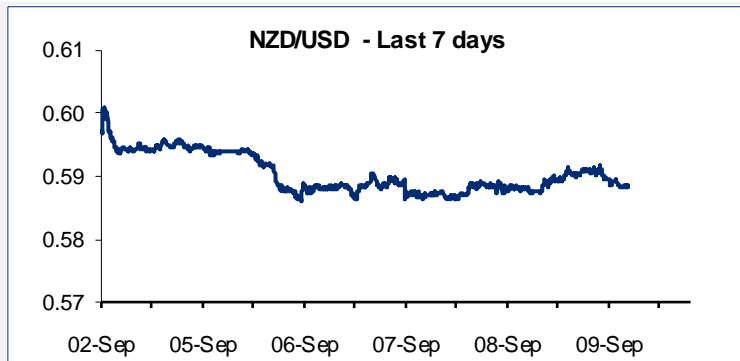
\*\* All near futures contracts, except CRB. Metals prices are CME.

Rates at NY close

Source: Bloomberg

**NZD exchange rates**

9/09/2023	NY close	Prev. NY close
USD	0.5885	0.5875
GBP	0.4722	0.4711
AUD	0.9227	0.9214
EUR	0.5499	0.5493
JPY	86.97	86.54
CAD	0.8027	0.8040
CHF	0.5255	0.5245
DKK	4.1010	4.0969
FJD	1.3400	1.3469
HKD	4.6130	4.6055
INR	48.80	48.89
NOK	6.2853	6.2932
PKR	178.24	179.17
PHP	33.33	33.37
PGK	2.1257	2.1232
SEK	6.5462	6.5486
SGD	0.8036	0.8024
CNY	4.3212	4.3058
THB	20.90	20.92
TOP	1.3950	1.3965
VUV	72.38	72.22
WST	1.6338	1.6338
XPF	65.46	65.37
ZAR	11.2566	11.2663



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.13	0.41
3 Months	0.49	1.36
6 Months	-0.05	3.43
9 Months	-1.11	2.44
1 Year	-4.11	-0.24

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-10.09	-9.04
3 Months	-29.23	-27.33
6 Months	-60.42	-53.54
9 Months	-87.57	-79.63
1 Year	-112.81	-102.53

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