

# Research Markets Today

18 September 2023

## Events Round-Up

NZ: Manufacturing PMI, Aug: 46.1 vs. 46.3 prev.  
CH: 1-Yr med.-term lending rate (%), 2.5 vs. 2.5 exp.  
CH: Industrial production (y/y%), Aug: 4.5 vs. 3.9 exp.  
CH: Retail sales (y/y%), Aug: 4.6 vs. 3.0 exp.  
CH: Fixed assets invest. (YTD, y/y%), Aug: 3.2 vs. 3.3 exp.  
US: Empire manufacturing, Sep: 1.9 vs. -10 exp.  
US: Industrial production (m/m%), Aug: 0.4 vs. 0.1 exp.  
US: U. of Mich. cons. Sentiment, Sep: 67.7 vs. 69.0 exp.  
US: U. of Mich. 5-10 yr inflation exp, Sep: 2.7 vs. 3.0 exp.

## Good Morning

US equities fell on Friday led by technology stocks following indications of weak demand from Taiwan's TSMC, the world's top chipmaker. The Nasdaq fell 1.6% while the S&P pulled back 1.2% to end little changed over the week. The beginning of a strike among US autoworkers also dampened investor sentiment. Global bond yields increased, and the US Dollar made marginal gains. Brent crude remained near recent highs at US\$94.30 per barrel having increased a further 4% last week.

The University of Michigan consumer sentiment survey for September showed that inflation expectations fell more than expected. Consumers expect prices to rise 2.7% over the next 5 to 10 years which is the lowest level since the end of 2020. Policymakers will be encouraged that inflation expectations are finally responding to lower levels of current inflation. However, the final reading released late September, may be impacted by higher gas prices. Consumer sentiment fell to the lowest level in three months. Perceptions about the labour market and consumers financial situations deteriorated.

The Empire State index rose more than expected in September. This series has been particularly volatile since the pandemic but does align with expectations of a modest bounce in the advance PMI manufacturing reading later in the week. Industrial production rose 0.4% in August, above the consensus of 0.1%, boosted by a rebound in mining output due to higher oil extraction.

In China, retail sales and industrial production grew faster than expected in August. Industrial production grew 4.5%

y/y in August, while retail sales, increase 4.6%. The economy has struggled to rebound amid a property slowdown, declining exports and low consumer demand. The Yuan advanced immediately following the data, but subsequently faded and ended little changed.

Global bond markets ended the week higher in yield. In Europe, 10-year bund yields increased 8bps to 2.67% unwinding the move lower in yields following the ECB meeting the preceding day. 30-year bunds reached the highest level since 2011. US treasuries took direction from European rates and moved 4-5bps higher in yield across the curve in a largely parallel adjustment. US economic data didn't provide much additional impetus with a dip in yields following the consumer sentiment data proving short-lived. 10-year yields closed up 4bps at 4.33%, just below the 4.36% cycle highs.

In currency markets, the US Dollar Index traded higher overnight Friday. Although EUR/USD remained stable, the Yen underperformed amongst the majors and made a fresh 2023 low against the US Dollar. BOJ sources suggested financial markets had misinterpreted previous comments by Governor Ueda about potentially ending negative interest rates.

Australasian currencies underperformed within G10. Earlier gains, following the better than anticipated activity in China couldn't be sustained. NZD/USD reached the highs near 0.5940 in early Europe before losing ground for the remainder of the offshore session and closed near 0.5900. NZD/AUD was stable near 0.9170.

NZ government bonds were little changed in the local session on Friday with 10-year yields steady at 4.94%. Swaps were also unchanged. Australian 10-year bond futures are close to 4bps higher in yield from the local close on Friday suggesting a modest upward bias for NZ yields to start the week.

NZ services PMI is released today. On Friday, the manufacturing PMI fell further into contractionary territory and indicated the lowest level of activity for a non-COVID affected month since June 2009. It is a quiet start to what is a busy week on the international calendar with the Fed, BOJ and BOE monetary policy meetings taking place along with the release of advance PMIs.

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## Coming Up

		Period	Cons.	Prev.	NZT
NZ	Performance Services Index	Aug		47.8	10:30
US	NAHB Housing Market Index	Sep	50	50	02:00

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	0.5900	-0.2	0.5893	0.5935	CHF	0.8969	+0.1		S&P 500	4,450	-1.2	14.9	Oil (Brent)	93.93	+0.2
AUD	0.6431	-0.1	0.6425	0.6469	SEK	11.189	+0.0		Dow	34,618	-0.8	12.3	Oil (WTI)	90.77	+0.7
EUR	1.0661	+0.1	1.0645	1.0688	NOK	10.780	+0.4		Nasdaq	13,708	-1.6	19.7	Gold	1927.9	+0.7
GBP	1.2384	-0.2	1.2379	1.2446	HKD	7.827	-0.0		Stoxx 50	4,295	+0.4	22.7	HRC steel	704.0	-0.3
JPY	147.85	+0.3	147.61	147.95	CNY	7.276	-0.0		FTSE	7,711	+0.5	6.6	CRB	289.6	-0.2
CAD	1.3527	+0.1			SGD	1.364	+0.0		DAX	15,894	+0.6	24.7	Wheat Chic.	629.5	+1.5
NZD/AUD	0.9174	-0.1			IDR	15,356	+0.0		CAC 40	7,379	+1.0	21.4	Sugar	26.91	-0.3
NZD/EUR	0.5534	-0.4			THB	35.72	-0.2		Nikkei	33,533	+1.1	21.6	Cotton	85.39	-1.2
NZD/GBP	0.4764	+0.0			KRW	1,326	+0.0		Shanghai	3,118	-0.3	-0.3	Coffee	159.2	+3.3
NZD/JPY	87.22	+0.0			TWD	31.91	+0.0		ASX 200	7,279	+1.3	8.0	WM powder	2810	-1.6
NZD/CAD	0.7980	-0.1			PHP	56.82	+0.1		NZX 50	11,348	+0.3	-2.0	<b>Australian Futures</b>		
NZ TWI	69.67	-0.2											3 year bond	96.188	0.00
													10 year bond	95.84	-0.04
<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	4.94	4.03	USD	4.33	0.05	15-Apr-25	5.49	0.01	1 year	5.76	0.01		
AUD	4.10	4.13	4.17	4.48	AUD	4.10	-0.01	15-Apr-27	5.08	0.00	2 year	5.50	0.01		
NZD	5.50	5.66	5.50	4.78	NZD	4.93	0.00	15-May-28	4.96	0.00	5 year	4.92	0.00		
EUR	3.75	3.87	3.79	3.21	GER	2.68	0.08	15-May-31	4.92	0.00	7 year	4.81	0.00		
GBP	5.25	5.56	5.30	4.27	GBP	4.36	0.08	14-Apr-33	4.93	0.00	10 year	4.78	-0.00		
JPY	-0.04	-0.03	0.20	0.88	JPY	0.72	-0.00	15-May-41	5.15	0.00	15 year	4.84	-0.00		
CAD	5.00	5.48	5.25	4.24	CAD	3.74	0.05	15-May-51	5.15	0.00					

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

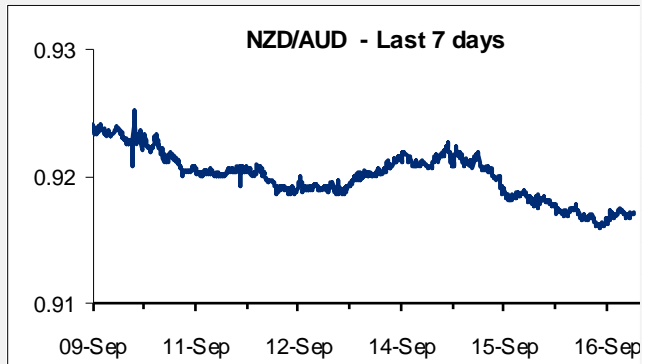
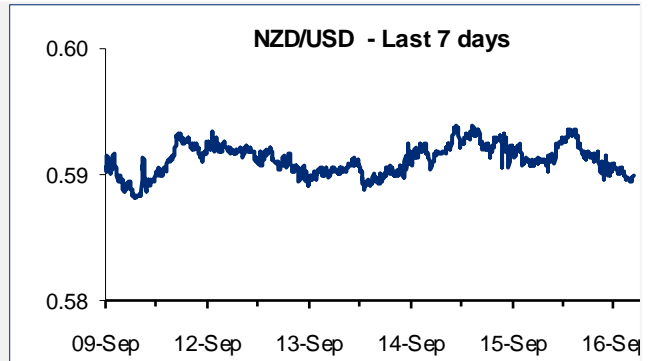
\*\* All near futures contracts, except CRB. Metals prices are CME.

Rates at NY close

Source: Bloomberg

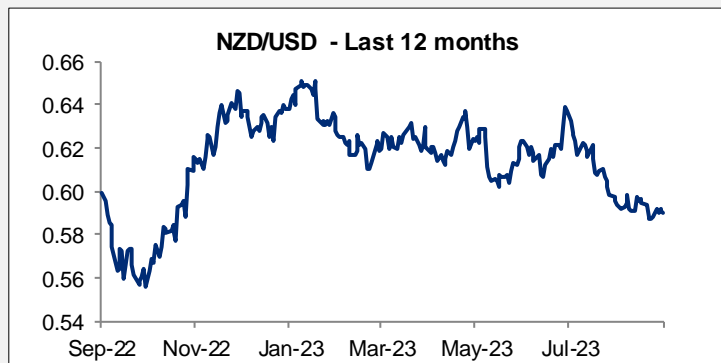
**NZD exchange rates**

16/09/2023	NY close	Prev. NY close
USD	0.5900	0.5912
GBP	0.4764	0.4764
AUD	0.9174	0.9180
EUR	0.5534	0.5555
JPY	87.22	87.18
CAD	0.7980	0.7986
CHF	0.5291	0.5295
DKK	4.1288	4.1428
FJD	1.3395	1.3519
HKD	4.6172	4.6282
INR	49.07	49.09
NOK	6.3588	6.3465
PKR	175.11	176.14
PHP	33.51	33.56
PGK	2.1227	2.1420
SEK	6.6006	6.6136
SGD	0.8044	0.8061
CNY	4.2920	4.3033
THB	21.13	21.16
TOP	1.3900	1.3934
VUV	72.33	72.52
WST	1.6180	1.6350
XPF	65.94	65.98
ZAR	11.2138	11.2439



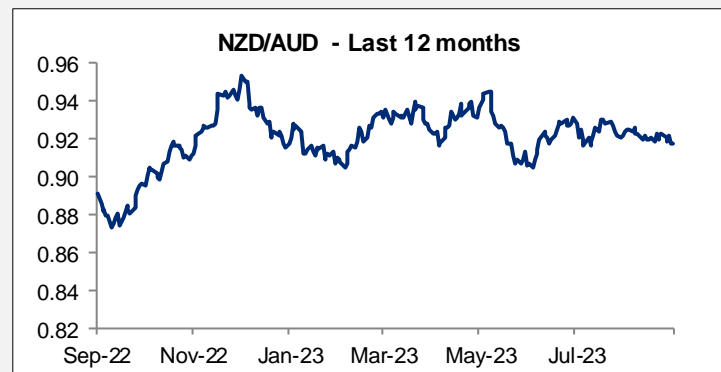
**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.12	0.38
3 Months	0.07	0.99
6 Months	-0.56	2.39
9 Months	-1.87	1.34
1 Year	-5.74	-0.24



**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-10.10	-9.00
3 Months	-29.37	-27.51
6 Months	-60.38	-54.38
9 Months	-87.20	-79.71
1 Year	-113.08	-101.19



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