

Research Markets Today

19 September 2023

Events Round-Up

NZ: Performance of services index, Aug: 47.1 vs. 48.0 prev.

US: NAHB housing market index, Sep: 45 vs. 49 exp.

Good Morning

Ahead of a busy week, market movements have been modest. The USD is slightly weaker, with a small fall overall, and the NZD has consolidated just over 0.59. US Treasury yields are well contained with a flattening bias and US equities show a small lift.

Markets have opened the week with small changes ahead of policy meetings this week by the Fed, BoE and BoJ. There is a strong consensus that the Fed won't hike rates but will keep alive the possibility of a further hike later in the year, depending on the data. In a closer call, the BoE is expected to hike 25bps, while the BoJ is expected to do absolutely nothing.

US Treasuries show a flattening bias, with the 2-year rate up 3bps to 5.07% and the 10-year rate down 1bp to 4.32%. Of some interest, in its quarterly report the Bank for International Settlements warned about the growing leverage in the US Treasuries market, an area of financial market vulnerability. It noted the popularity of the basis trade, or exploiting the gap in pricing between the prices of Treasury bonds and futures. Exploiting the pricing gap was seen to be a factor behind \$600bn of short positions in Treasury futures. It said that "margin deleveraging, if disorderly, has the potential to dislocate core fixed-income markets".

In economic news, the US NAHB housing market index was weaker than expected, falling 5pts to a five-month low of 45, with weaker homebuilder sentiment attributed to concerns about elevated mortgage rates, which recently broke up through 7%. This portends weaker sales and housing starts over the remainder of the year.

The USD is broadly weaker, but moves have been small, with the DXY index down less than 0.2%. The euro has recovered a little after falling for nine consecutive weeks, approaching the 1.07 level again. Supporting the currency, Reuters reported a sourced story that ECB policymakers

want to soon start discussing how to tackle the multi-trillion euro pool of excess liquidity sloshing around banks, with raising reserve requirements a possible first move. The discussion will also focus on the unwinding of its bond-buying programmes and a new framework for steering short-term interest rates. Against the fall in the US 10-year rate, Germany's 10-year rate is up 3bps to 2.71%.

The NZD has consolidated just over the 0.59 mark while the AUD has traded a tight range centred around 0.6435. NZD crosses have been well-contained and show only small net movements.

Oil prices rose to a fresh 10-month high, with Brent crude meeting resistance just under USD95 before edging back down.

In the domestic rates market, global forces predominated, with yields higher from the open, catching up with the move on Friday night and then a heavy Australian market added to further upside pressure. There was modest steepening pressure with NZGBs up 5-8bps and the 10-year rate closing back over the 5% mark. Swap rates were up 6-9bps. In local data, the NZ performance of services index fell for a third consecutive month, and at 47.1 remained consistent with an economic contraction in Q3 particularly when viewed against a contractionary PMI index as well.

In the day ahead the RBA minutes from the September meeting aren't likely to reveal anything interesting. Canadian CPI data tonight is the pick of the releases while US building permits and housing starts are also released.

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Coming Up

			Period	Cons.	Prev.	NZT
AU	RBA minutes of Sept. policy meeting					13:30
US	Building permits (k)	Aug	1440	1442		00:30
US	Housing starts (k)	Aug	1437	1452		00:30
CA	CPI (y/y%)	Aug	3.8	3.3		00:30
CA	CPI core (avg trim, median y/y%)	Aug	3.7	3.7		00:30

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	0.5911	+0.2	0.5895	0.5921	CHF	0.8979	+0.1	S&P 500	4,460	+0.2	15.1	Oil (Brent)	94.27	+0.4
AUD	0.6434	+0.0	0.6417	0.6448	SEK	11.166	-0.2	Dow	34,654	+0.1	12.4	Oil (WTI)	91.36	+0.7
EUR	1.0679	+0.2	1.0655	1.0699	NOK	10.824	+0.4	Nasdaq	13,716	+0.0	19.8	Gold	1935.0	+0.4
GBP	1.2378	-0.0	1.2370	1.2410	HKD	7.818	-0.1	Stoxx 50	4,246	-1.1	21.3	HRC steel	706.0	+0.3
JPY	147.75	-0.1	147.58	147.77	CNY	7.291	+0.2	FTSE	7,653	-0.8	5.8	CRB	289.6	-0.2
CAD	1.3492	-0.2			SGD	1.364	+0.0	DAX	15,727	-1.0	23.4	Wheat Chic.	615.0	-2.3
NZD/AUD	0.9187	+0.2			IDR	15,370	+0.1	CAC 40	7,276	-1.4	19.7	Sugar	27.11	+0.7
NZD/EUR	0.5535	+0.0			THB	35.69	-0.1	Nikkei	33,533	+1.1	21.6	Cotton	85.54	+0.7
NZD/GBP	0.4775	+0.3			KRW	1,324	-0.1	Shanghai	3,126	+0.3	0.3	Coffee	159.6	+0.3
NZD/JPY	87.34	+0.2			TWD	31.96	+0.2	ASX 200	7,230	-0.7	7.6	WM powder	2805	-0.2
NZD/CAD	0.7975	-0.0			PHP	56.86	+0.1	NZX 50	11,397	+0.4	-1.2	Australian Futures		
NZ TWI	69.80	+0.2										3 year bond	96.11	-0.08
Interest Rates												10 year bond	95.81	-0.03
	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	5.66	4.96	4.02	USD	4.32	-0.01	15-Apr-25	5.55	0.05		1 year	5.80	0.04
AUD	4.10	4.12	4.22	4.51	AUD	4.21	0.11	15-Apr-27	5.14	0.07		2 year	5.56	0.06
NZD	5.50	5.66	5.56	4.87	NZD	5.01	0.08	15-May-28	5.03	0.07		5 year	4.99	0.07
EUR	3.75	3.88	3.82	3.24	GER	2.71	0.03	15-May-31	5.00	0.08		7 year	4.90	0.09
GBP	5.25	5.58	5.33	4.30	GBP	4.39	0.03	14-Apr-33	5.01	0.08		10 year	4.87	0.09
JPY	-0.04	-0.03	0.20	0.88	JPY	0.72	0.00	15-May-41	5.23	0.08		15 year	4.93	0.09
CAD	5.00	5.48	5.30	4.25	CAD	3.76	0.02	15-May-51	5.23	0.08				

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

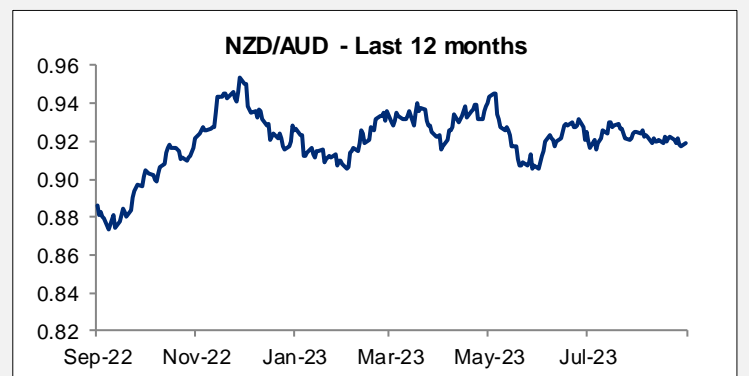
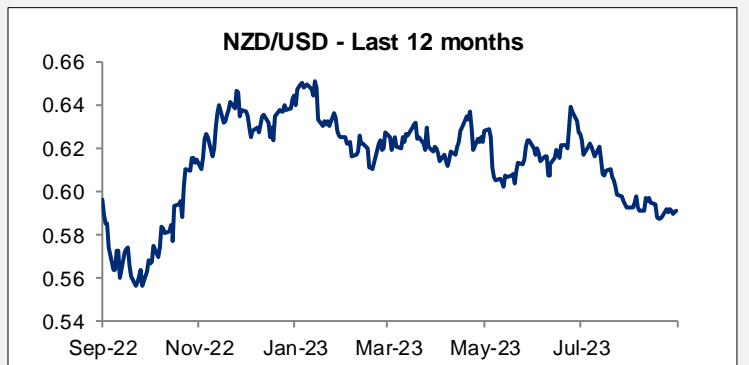
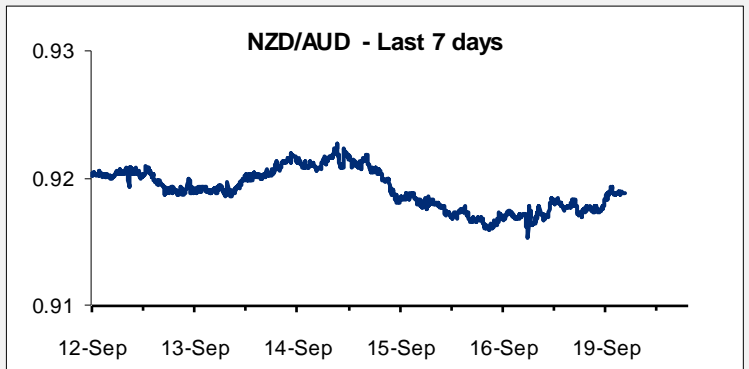
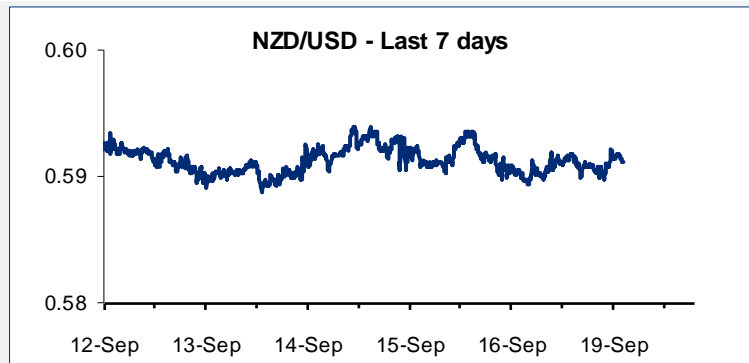
** All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NZT 06:51

Source: Bloomberg

NZD exchange rates

19/09/2023	6:51 am	Prev. NY close
USD	0.5911	0.5899
GBP	0.4775	0.4764
AUD	0.9187	0.9171
EUR	0.5535	0.5535
JPY	87.34	87.22
CAD	0.7975	0.7978
CHF	0.5307	0.5291
DKK	4.1259	4.1288
FJD	1.3416	1.3395
HKD	4.6213	4.6172
INR	49.22	49.07
NOK	6.3982	6.3588
PKR	174.93	175.11
PHP	33.62	33.51
PGK	2.1424	2.1227
SEK	6.5999	6.6006
SGD	0.8061	0.8044
CNY	4.3098	4.2920
THB	21.12	21.13
TOP	1.3837	1.3900
VUV	72.24	72.33
WST	1.6290	1.6180
XPF	65.90	65.94
ZAR	11.2382	11.2138



NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.21	0.34
3 Months	-0.16	0.96
6 Months	0.32	1.32
9 Months	-1.77	0.51
1 Year	-5.01	-1.00

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-10.17	-9.01
3 Months	-29.52	-27.35
6 Months	-59.07	-56.11
9 Months	-87.30	-81.38
1 Year	-112.38	-101.53

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