

# Research Markets Today

25 September 2023

## Events Round-Up

NZ: Westpac consumer confid., Q3: 80.2 vs. 83.1  
 NZ: Trade balance (annual \$b), Aug: -15.5 vs. -15.9  
 JN: CPI (y/y%), Aug: 3.2 vs. 3.0 exp.  
 JN: CPI ex fr. food, energy (y/y%), Aug: 4.3 vs. 4.3 exp.  
 JN: BoJ 10-yr yield target (%), Sep: 0 vs. 0 exp.  
 UK: Retail sales ex auto fuel (m/m%), Aug: 0.6 vs. 0.7 exp.  
 GE: Manufacturing PMI, Sep: 39.8 vs. 39.5 exp.  
 GE: Services PMI, Sep: 49.8 vs. 47.1 exp.  
 EC: Manufacturing PMI, Sep: 43.4 vs. 44.0 exp.  
 EC: Services PMI, Sep: 48.4 vs. 47.6 exp.  
 UK: Manufacturing PMI, Sep: 44.2 vs. 43.2 exp.  
 UK: Services PMI, Sep: 47.2 vs. 49.4 exp.  
 CA: Retail sales ex auto (m/m%), Jul: 1.0 vs. 0.5 exp.  
 US: Manufacturing PMI, Sep: 48.9 vs. 48.2 exp.  
 US: Services PMI, Sep: 50.2 vs. 50.7 exp.

## Good Morning

US Treasuries ended the week with a relief rally, the 10-year rate closing Friday down 6bps after trading at its highest level since 2007. The S&P500 fell for a fourth consecutive day. Currency moves were modest, with a weak yen after the BoJ maintained a dovish stance. The NZD saw a modest gain on Friday night, closing the week at 0.5960, to be the best of the majors for the week, up 1%.

On Friday, the BoJ remained as dovish as ever, maintaining its ultra-easy policy stance even in the face of higher-than-expected reported CPI inflation earlier in the day at 3.2% y/y and the core rate running at 4.3%, well above the 2% target. Governor Ueda said the distance from being able to adjust the negative rate hasn't changed much. The Bank is looking for wage growth to pick-up before believing that inflation is on a sustainably higher path and to date is prepared to look through the sharp rise in CPI inflation.

USD/JPY rose immediately after the BoJ announcement, some in the market evidently positioned for a surprise change in tone, and it rose into the NY close, ending the session near ten-month highs of 148.40. NZD/JPY broke up through 88 and closed the week near 88.5.

Global PMI data continued to show the manufacturing sector contracting across the euro area, UK and US. On the services side, the data were slightly stronger than expected for the euro area at 48.4, albeit still consistent with economic contraction, much weaker than expected in the UK at 47.2, data that the BoE had on hand when it left policy unchanged the day before, and in the US the services PMI fell further, to 50.2, maintaining the large gap between that series and the alternative and longer-running ISM services index. The question remains why the ISM services sector is running so much stronger than the PMI version, adding to the uncertainty about the state of the US services sector economy.

EUR and GBP fell after the PMIs were published and, while EUR managed to regain its poise, GBP closed the week on a softer note. The BoE's first on-hold policy decision in nearly two years the day before, a likely lingering factor, and responsible for GBP being the weakest of the majors for the week, down over 1% to 1.2240, against a backdrop of a flat euro at 1.0650.

The NZD showed a modest gain on Friday night, extending its gain for the week to 1% - a notable feat in the face of weaker risk appetite, but some stability in the yuan, the recent rebound in dairy prices and the positive Q2 GDP print on Thursday have been supporting factors. NZD crosses were stronger, notably NZD/GBP to 0.4870, taking its weekly gain to 2.2%. AUD had a flat week around 0.6440, seeing NZD/AUD break up through 0.9250.

US Treasuries had a better day on Friday, but only after the 10-year rate rose to just over 4.5%, a fresh 16-year high, before falling Friday night and ending week at 4.43%, down 6bps from the NZ close. The rate was still up 10bps for the week, reflecting the market's increasing acceptance of the Fed's higher for longer rates view.

We heard from three FOMC members on Friday night. At the hawkish end, Governor Bowman said "I continue to expect that further rates hike will likely be needed to return inflation to 2% in a timely way", suggesting that she might have been the sole member seeing rates peak over 6% next year. Boston Fed President Collins' view seemed to be in line with the median, indicating that further tightening "is certainly not off the table". San Francisco Fed President Daly said that the Fed was committed to curbing price pressures "as gently as possible".

US equity markets continued to lose steam, falling 0.2% on Friday, a fourth consecutive daily fall, and extending its fall for the week to 2.9%, its third straight weekly loss. Fresh highs in bond yields and the prospect of higher for longer rates have reduced risk sentiment. Our risk appetite index closed the week at 56%, its lowest level in over four weeks.

On Friday, NZ bonds outperformed global markets, with the NZGB 10-year rate up “only” 3bps to 5.18% in the face of higher global rates. Still, that was a fresh 12-year closing high. The tone should be slightly better at the start of the week, with 10-year rates in the US and Australia down 6bps and 4bps respectively since the NZ close. Some curve steepening was evident and that was also reflected in the swaps curve, with the 2-year rate down 3bps to 5.70% against a 2bps lift in the 10-year rate to 5.04%.

The economic calendar is light to start the week, with only Germany’s IFO business survey of much interest. In the week ahead we’ll hear a lot from FOMC members on their view of the US economy and monetary policy. Later in the week the top tier releases include euro area CPI inflation data and the US core PCE deflator. Domestically, the only release of note this week is the ANZ business outlook survey while the monthly CPI indicator is released for Australia.

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### Coming Up

	Period	Cons.	Prev.	NZT
GE IFO Expectations	Sep	83.0	82.6	21:00

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	0.5961	+0.5	0.5935	0.5989	CHF	0.9066	+0.2	S&P 500	4,320	-0.2	17.0	Oil (Brent)	93.27	-0.0
AUD	0.6442	+0.4	0.6418	0.6465	SEK	11.118	-0.5	Dow	33,964	-0.3	14.8	Oil (WTI)	90.03	+0.4
EUR	1.0647	-0.1	1.0615	1.0672	NOK	10.758	-0.2	Nasdaq	13,212	-0.1	21.6	Gold	1927.2	+0.3
GBP	1.2237	-0.5	1.2231	1.2286	HKD	7.821	-0.0	Stoxx 50	4,207	-0.1	25.6	HRC steel	705.0	+0.1
JPY	148.38	+0.5	147.96	148.42	CNY	7.299	-0.1	FTSE	7,684	+0.1	9.5	CRB	286.0	+0.0
CAD	1.3484	+0.0			SGD	1.365	-0.1	DAX	15,557	-0.1	26.6	Wheat Chic.	606.5	+0.7
NZD/AUD	0.9253	+0.1			IDR	15,375	+0.0	CAC 40	7,185	-0.4	24.2	Sugar	26.97	+0.1
NZD/EUR	0.5598	+0.6			THB	35.99	-0.4	Nikkei	32,402	-0.5	19.3	Cotton	84.04	-1.0
NZD/GBP	0.4871	+1.0			KRW	1,337	-0.2	Shanghai	3,132	+1.5	1.4	Coffee	151.2	-2.4
NZD/JPY	88.44	+1.0			TWD	32.15	+0.0	ASX 200	7,069	+0.1	7.5	WM powder	3070	+1.3
NZD/CAD	0.8037	+0.5			PHP	56.80	-0.1	NZX 50	11,373	+0.5	-0.5	<b>Australian Futures</b>		
NZ TWI	70.60	+0.4										3 year bond	95.97	0.01
												10 year bond	95.67	0.04

Interest Rates							NZ Government Bonds			NZ Swap Yields			
	Rates			Swap Yields		Benchmark 10 Yr Bonds			Last		Last		
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day							
USD	5.50	5.66	5.01	4.14	USD	4.43	-0.06	15-Apr-25	5.70	-0.01	1 year	5.91	0.00
AUD	4.10	4.15	4.30	4.60	AUD	4.34	0.04	15-Apr-27	5.32	0.01	2 year	5.70	-0.03
NZD	5.50	5.70	5.70	5.04	NZD	5.18	0.03	15-May-28	5.20	0.01	5 year	5.16	-0.00
EUR	4.00	3.96	3.82	3.28	GER	2.74	0.00	15-May-31	5.17	0.03	7 year	5.07	0.02
GBP	5.25	5.39	5.07	4.16	GBP	4.25	-0.06	14-Apr-33	5.18	0.03	10 year	5.04	0.02
JPY	-0.04	-0.03	0.21	0.89	JPY	0.75	0.00	15-May-41	5.38	0.03	15 year	5.08	0.02
CAD	5.00	5.49	5.41	4.39	CAD	3.91	-0.06	15-May-51	5.37	0.04			

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

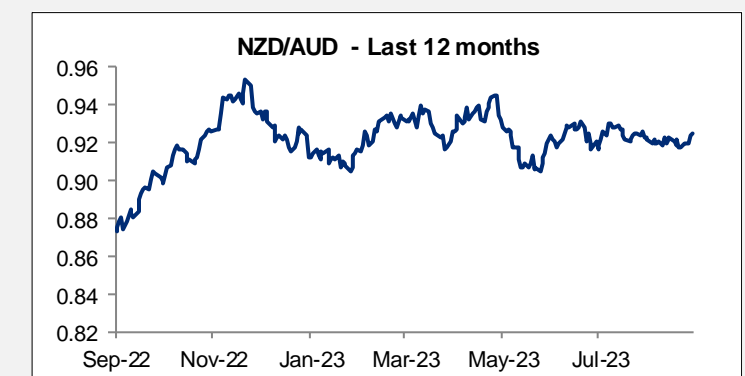
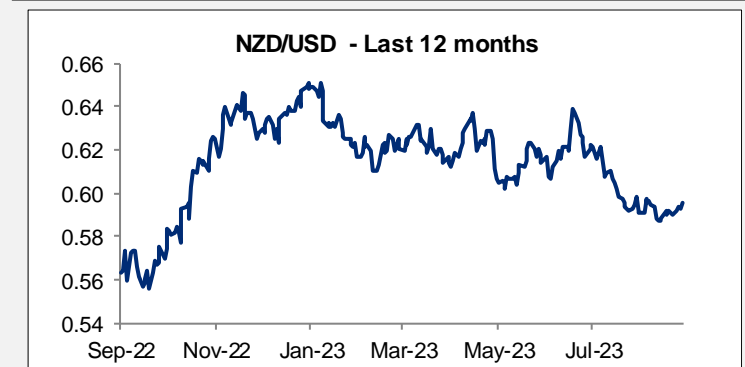
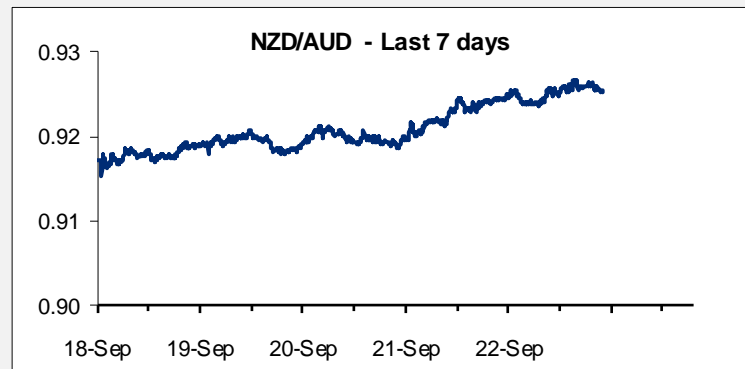
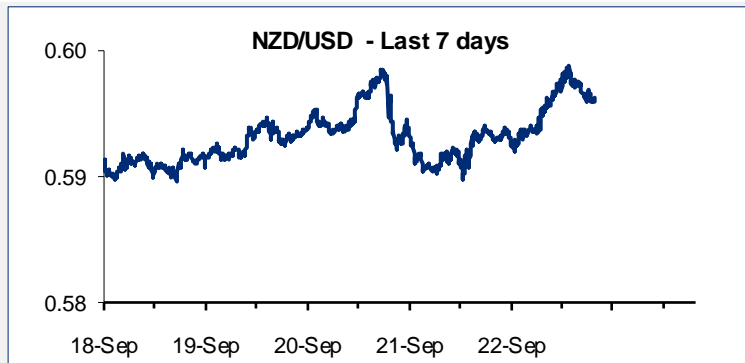
\*\* All near futures contracts, except CRB. Metals prices are CME.

Rates at NY close

Source: Bloomberg

**NZD exchange rates**

23/09/2023	NY close	Prev. NY close
USD	0.5961	0.5931
GBP	0.4871	0.4823
AUD	0.9253	0.9244
EUR	0.5598	0.5563
JPY	88.44	87.54
CAD	0.8037	0.7997
CHF	0.5403	0.5365
DKK	4.1715	4.1470
FJD	1.3582	1.3575
HKD	4.6611	4.6386
INR	49.43	49.28
NOK	6.4120	6.3940
PKR	174.02	173.67
PHP	33.85	33.72
PGK	2.1673	2.1575
SEK	6.6266	6.6271
SGD	0.8137	0.8105
CNY	4.3502	4.3334
THB	21.46	21.44
TOP	1.3880	1.3874
VUV	72.88	72.36
WST	1.6474	1.6203
XPF	66.48	66.35
ZAR	11.1782	11.2415



**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	-0.36	0.14
3 Months	-0.47	0.15
6 Months	-2.44	1.56
9 Months	-8.21	-0.77
1 Year	-9.58	-6.08

**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-10.49	-8.99
3 Months	-29.69	-28.14
6 Months	-61.76	-54.11
9 Months	-93.24	-78.39
1 Year	-115.35	-104.13

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