

Research Markets Today

27 September 2023

Events Round-Up

US: New home sales (m/m%), Aug: -8.7 vs. -2.2 exp.

US: Conf. Board consumer confid., Sep: 103.0 vs. 105.5

Good Morning

Risk sentiment is weaker in overnight trading, with a higher VIX and US equities down over 1%. The US 10-year Treasury continues to trade near its highest level since 2007. The USD is broadly stronger, although with only small moves, leaving NZD near 0.5950.

Newsflow remains light, as it will be all week, but that hasn't stopped another chunky fall in US equities, down over 1% for the S&P500, taking the index to its lowest level since early June – equity investors playing catch-up to the higher-for-longer rates environment. As we approach month-end the index is down nearly 5% for the month. The Euro Stoxx 600 index closed 0.6% lower. The VIX index has pierced up through 18, reflecting the lower risk appetite backdrop.

US Treasury yields remain near cycle highs. Near the NZ close yesterday, the 10-year rate was hovering around 4.56%, its highest level since 2007. Overnight, it fell 8bps to 4.48%, before selling pressure returned and it currently sits back up at 4.54%. The 2-year rate followed a similar down-then-up yield profile, leaving the 2s10s curve little changed on the day.

Minneapolis Fed President Kashkari revealed that he was one of the 12 FOMC members that believed another rate hike this year would be appropriate, saying “if the economy is fundamentally much stronger than we realised, on the margin that would tell me rates probably have to go a little bit higher and then be held for longer to cool things off”.

Ahead of a likely US government shutdown from 1 October – although there is talk of a possible last-minute short-term spending bill that could kick the can down the road for 4-6 weeks – yesterday ratings agency Moody's said that “it would underscore the weakness of US institutional and governance strength relative to other Aaa-rated sovereigns. There was no mention of whether it would join S&P or Fitch in downgrading to their lower AA+ rating.

On the datafront, the US Conference Board measure of consumer confidence fell by slightly more than expected to

a four-month low of 103.0, driven by a 9.6pt fall in the expectations component, with talk of higher gasoline prices being partly responsible. New home sales fell by a larger than expected 8.7% m/m to a five-month low, although average prices rose.

Weaker risk appetite has driven a broadly stronger USD but net currency moves have been modest, with falls overnight contained to within 0.3% and for the past 24 hours contained to within 0.4%. Of note, the losing streak for CHF has extended into an 11th trading day, the longest since 1975, not helped by the no-change decision by the Swiss National Bank last week. NZD/CHF is up 5% from the record low set mid-August.

GBP remains weak, falling to as low as 1.2160 and seeing NZD/GBP take a peek just over 0.49. EUR is around 1.0570 with NZD/EUR little changed. Despite the weaker risk appetite backdrop both the NZD and AUD have performed no worse than the noted European currencies. NZD is trading down only modestly at 0.5950 while, after a dip below 0.64, the AUD is trading near that mark. NZD/AUD continues to hover just below 0.93.

Higher global rates were responsible for driving NZ rates up to fresh cycle highs. The NZGB curve was higher and steeper, with yields up 5-9bps, and the 10-year rate closing at 5.21%, its highest level since 2011. The swaps curve was also notably steeper, with the 2-year rate up 3bps to 5.70% and the 10-year rate up 10bps to 5.09%.

In the day ahead the Australian monthly CPI indicator is released, expected to lift three-tenths to 5.2%. More important will be what the details reveal about services inflation, which is better covered in the August print, and this could well point to upside risk to the RBA's estimate for the trimmed mean for Q3. Tonight sees the release of US durable goods orders data.

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Coming Up

		Period	Cons.	Prev.	NZT
AU	CPI (y/y%)	Aug	5.2	4.9	14:30
GE	GfK consumer confidence	Oct	-26.0	-25.5	19:00
US	Durable goods orders (m/m%)	Aug	-0.5	-5.2	01:30
US	Durables ex transport. (m/m%)	Aug	0.2	0.4	01:30

Source: Bloomberg, BNZ

Indicative overnight ranges (*)								Other FX			Equities				Commodities**		
								Major Indices				Price					
Last	% Day	Low	High	Last	% Day			Last	% Day	% Year			Last	Net Day			
NZD	0.5951	-0.3	0.5936	0.5970	CHF	0.9149	+0.3	S&P 500	4,284	-1.2	17.2	Oil (Brent)	94.00	+0.8			
AUD	0.6402	-0.3	0.6388	0.6422	SEK	11.033	-0.3	Dow	33,619	-1.1	14.9	Oil (WTI)	90.45	+0.9			
EUR	1.0568	-0.2	1.0567	1.0609	NOK	10.825	+0.2	Nasdaq	13,082	-1.4	21.1	Gold	1901.6	-0.9			
GBP	1.2164	-0.4	1.2159	1.2194	HKD	7.822	+0.1	Stoxx 50	4,129	-0.9	23.5	HRC steel	702.0	-0.4			
JPY	148.92	+0.0	148.76	149.17	CNY	7.311	-0.0	FTSE	7,626	+0.0	8.6	CRB	284.9	-0.4			
CAD	1.3516	+0.5			SGD	1.369	+0.2	DAX	15,256	-1.0	24.8	Wheat Chic.	616.0	+0.1			
NZD/AUD	0.9296	+0.1			IDR	15,490	+0.6	CAC 40	7,074	-0.7	22.6	Sugar	26.02	-1.3			
NZD/EUR	0.5631	-0.0			THB	36.45	+0.7	Nikkei	32,315	-1.1	21.6	Cotton	86.42	+2.8			
NZD/GBP	0.4892	+0.1			KRW	1,349	+0.9	Shanghai	3,102	-0.4	0.3	Coffee	150.9	+0.9			
NZD/JPY	88.62	-0.2			TWD	32.22	+0.2	ASX 200	7,038	-0.5	8.3	WM powder	3020	+0.0			
NZD/CAD	0.8043	+0.2			PHP	56.97	+0.3	NZX 50	11,343	-0.3	1.1	Australian Futures					
NZ TWI	70.66	-0.1										3 year bond	95.94	-0.06			
												10 year bond	95.58	0.00			

Interest Rates											
Rates		Swap Yields		Benchmark 10 Yr Bonds		NZ Government Bonds		NZ Swap Yields			
Cash	3Mth	2 Yr	10 Yr	Last	Net Day	Last	Last	Last	Last		
USD	5.50	5.65	5.02	4.25	USD	4.54	0.01	15-Apr-25	5.71	0.05	
AUD	4.10	4.14	4.33	4.69	AUD	4.40	0.09	15-Apr-27	5.33	0.06	
NZD	5.50	5.71	5.70	5.09	NZD	5.21	0.08	15-May-28	5.22	0.06	
EUR	4.00	3.98	3.81	3.35	GER	2.81	0.01	15-May-31	5.20	0.08	
GBP	5.25	5.39	5.11	4.25	GBP	4.33	0.00	14-Apr-33	5.21	0.08	
JPY	-0.05	-0.03	0.20	0.90	JPY	0.74	0.01	15-May-41	5.43	0.09	
CAD	5.00	5.50	5.42	4.48	CAD	4.02	-0.00	15-May-51	5.42	0.09	
									1 year	5.91	0.01
									2 year	5.70	0.03
									5 year	5.18	0.06
									7 year	5.10	0.08
									10 year	5.09	0.10
									15 year	5.14	0.10

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

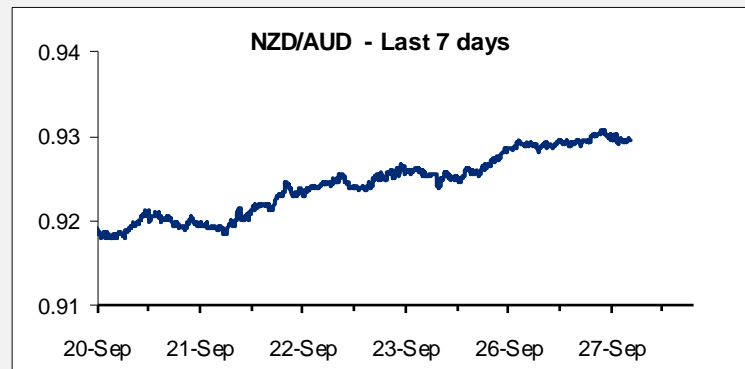
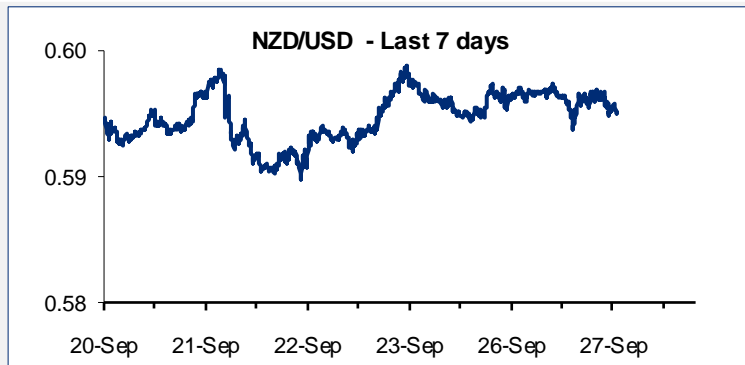
** All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NZT 06:51

Source: Bloomberg

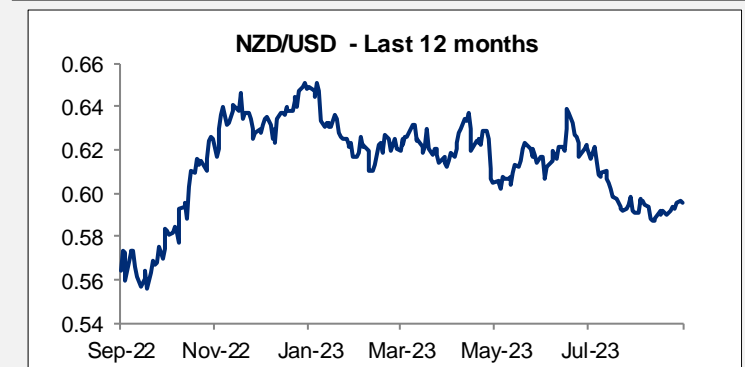
NZD exchange rates

26/09/2023	6:51 am	Prev. NY close
USD	0.5951	0.5967
GBP	0.4892	0.4887
AUD	0.9296	0.9289
EUR	0.5631	0.5633
JPY	88.62	88.84
CAD	0.8043	0.8028
CHF	0.5445	0.5442
DKK	4.1990	4.2005
FJD	1.3565	1.3623
HKD	4.6546	4.6641
INR	49.54	49.61
NOK	6.4417	6.4450
PKR	172.45	173.57
PHP	33.90	33.88
PGK	2.1640	2.1698
SEK	6.5654	6.5994
SGD	0.8145	0.8153
CNY	4.3509	4.3631
THB	21.64	21.56
TOP	1.3888	1.3890
VUV	72.98	72.86
WST	1.6491	1.6472
XPF	66.65	66.75
ZAR	11.3365	11.2026



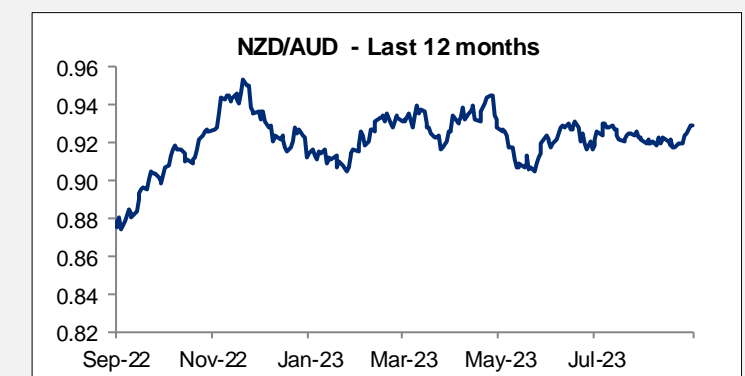
NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.05	0.35
3 Months	-0.11	0.72
6 Months	-0.68	0.57
9 Months	-3.79	-1.40
1 Year	-8.96	-5.48



NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-10.67	-9.95
3 Months	-29.41	-27.40
6 Months	-60.22	-56.79
9 Months	-88.06	-82.07
1 Year	-115.16	-104.83



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