

# Research Markets Today

5 September 2023

## Events Round-Up

NZ: Terms of trade, q/q%: Q2: 0.4 vs. -1.5 prev.

## Good Morning

With the US on holiday, there has been little news and little price action in markets at the beginning of the week. S&P futures are currently down less than 0.1% and Treasury futures point to some small upside pressure on yields, with the implied 10-year rate up about 2bps. The net change in the Euro Stoxx 600 index was close to zero and European 10-year rates are up in the order of 3bps for the likes of the UK and Germany.

All key major currencies sit within 0.3% of Friday's close. The NZD has traded a range of about 0.5930-0.5960 on rounded figures and currently sits at 0.5940, down a touch from last week's close. The AUD is a touch higher at 0.6460 and NZD/AUD has drifted down to just below 0.92. GBP has been the best of the majors, up 0.3% to 1.2630, seeing NZD/GBP down to 0.47.

Sentiment on China has improved a little following the relaxation of mortgage down payments and lower mortgage rates announced towards the end of last week. The Hang Seng index rose 2½% yesterday and China's CSI300 rose 1½%, with indices related to property developers on both markets up in the order of 8%. Reports from weekend house sales activity showed a strong pick-up for Beijing and Shanghai. One report noted in Shanghai the same number of transactions in one day as for the entire month of August. Existing home sales on Saturday in Beijing were double the previous Saturday, while there were 1800 units of new homes sold that day, more than half the 3100 units sold throughout August.

While improved sentiment supported Chinese stocks, there was no obvious impact on the currency market, with the yuan a touch weaker and the heavy hand of the PBoC in its daily reference rate fix merely stabilising the currency rather than driving any sustained recovery.

The domestic rates market traded heavy yesterday, with rates higher following the US Treasuries move on Friday night and some added underperformance, as the Australian bond market struggled as well. Both the NZGB

and swaps curves steepened, with rises of 4-9bps. The 9bps lift in the NZGB 10-year rate took it up to 4.91%.

The market remains nervous ahead of next week's pre-election economic and fiscal update, where it is well acknowledged that the fiscal accounts are running much weaker than Budget estimates and this could see NZDM upscale the already-heavy issuance programme. Since the NZ close, the Australian 10-year bond future has risen another 4bps in yield terms.

In the day ahead, Governor Lowe will be presiding over his last RBA policy meeting, where there is a strong consensus of no change likely to the cash rate and almost no chance priced by the market. Ahead of that, Australian current account and China Caixin services PMI data are released.

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## Coming Up

		Period	Cons.	Prev.	NZT
AU	Current a/c balance (\$b)	Q2	8.0	12.3	13:30
CH	Caixin PMI Services	Aug	53.7	54.1	13:45
AU	RBA cash rate target (%)	Sep	4.1	4.1	16:30

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	0.5940	-0.1	0.5932	0.5958	CHF	0.8840	-0.1	S&P 500	4,516	+0.2	15.1	Oil (Brent)	89.00	+0.5	
AUD	0.6460	+0.1	0.6452	0.6475	SEK	11.011	-0.3	Dow	34,838	+0.3	11.2	Oil (WTI)	85.98	+0.5	
EUR	1.0796	+0.1	1.0783	1.0809	NOK	10.640	-0.2	Nasdaq	14,032	-0.0	20.6	Gold	1945.9	-0.1	
GBP	1.2632	+0.3	1.2611	1.2643	HKD	7.834	-0.1	Stoxx 50	4,280	-0.1	20.8	HRC steel	710.0	-1.4	
JPY	146.49	+0.2	146.19	146.50	CNY	7.275	+0.1	FTSE	7,453	-0.2	2.4	CRB	284.4	+0.9	
CAD	1.3594	+0.0			SGD	1.355	+0.2	DAX	15,825	-0.1	21.3	Wheat Chic.	595.5	-1.1	
NZD/AUD	0.9195	-0.2			IDR	15,240	-0.0	CAC 40	7,280	-0.2	18.0	Sugar	25.81	+3.0	
NZD/EUR	0.5502	-0.2			THB	35.25	+0.4	Nikkei	32,939	+0.7	19.3	Cotton	89.61	+1.7	
NZD/GBP	0.4702	-0.4			KRW	1,319	+0.0	Shanghai	3,177	+1.4	-0.7	Coffee	151.9	-1.7	
NZD/JPY	87.02	+0.1			TWD	31.90	+0.2	ASX 200	7,319	+0.6	6.8	WM powder	2545	+0.4	
NZD/CAD	0.8075	-0.1			PHP	56.64	+0.2	NZX 50	11,513	-0.1	-0.9	<b>Australian Futures</b>			
NZ TWI	69.79	-0.1										3 year bond	96.21	-0.07	
<b>Interest Rates</b>													10 year bond	95.88	-0.09
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	4.77	3.89	USD	4.18	0.00	15-Apr-25	5.47	0.04	1 year	5.73	-0.00		
AUD	4.10	4.13	4.15	4.48	AUD	4.09	0.09	15-Apr-27	5.03	0.06	2 year	5.48	0.04		
NZD	5.50	5.65	5.48	4.77	NZD	4.91	0.09	15-May-28	4.93	0.06	5 year	4.89	0.07		
EUR	3.75	3.77	3.67	3.15	GER	2.58	0.03	15-May-31	4.91	0.08	7 year	4.80	0.08		
GBP	5.25	5.56	5.50	4.41	GBP	4.46	0.04	14-Apr-33	4.91	0.09	10 year	4.77	0.09		
JPY	-0.07	-0.03	0.13	0.82	JPY	0.64	0.01	15-May-41	5.10	0.09	15 year	4.83	0.09		
CAD	5.00	5.50	5.10	4.07	CAD	3.56	-0.00	15-May-51	5.09	0.09					

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

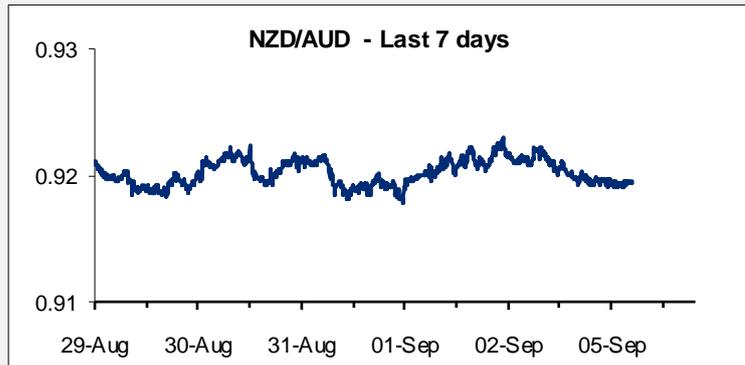
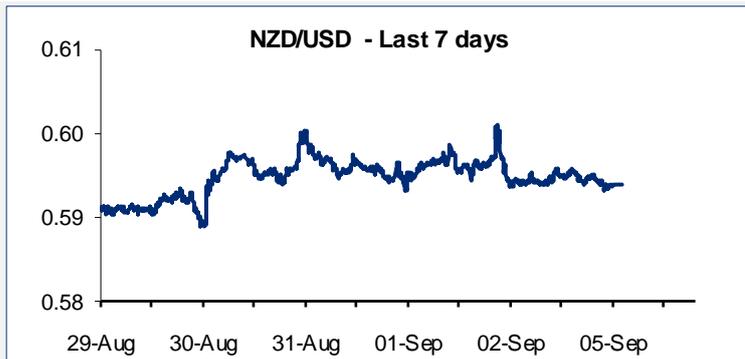
\*\* All near futures contracts, except CRB. Metals prices are CME.

Rates are as of: NZT 06:49

Source: Bloomberg

**NZD exchange rates**

5/09/2023	6:49 am	Prev. NY close
USD	0.5940	0.5945
GBP	0.4702	0.4722
AUD	0.9195	0.9208
EUR	0.5502	0.5515
JPY	87.02	86.93
CAD	0.8075	0.8080
CHF	0.5251	0.5262
DKK	4.1006	4.1097
FJD	1.3593	1.3462
HKD	4.6533	4.6634
INR	49.15	49.18
NOK	6.3204	6.3380
PKR	181.45	181.69
PHP	33.64	33.65
PGK	2.1367	2.1470
SEK	6.5402	6.5632
SGD	0.8048	0.8042
CNY	4.3211	4.3198
THB	20.92	20.81
TOP	1.3779	1.3864
VUV	72.56	72.00
WST	1.6349	1.6303
XPF	65.22	65.63
ZAR	11.3573	11.2015



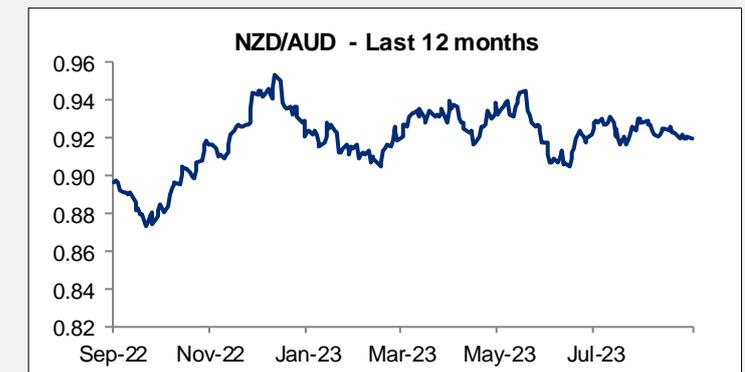
**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	0.03	0.64
3 Months	0.57	1.32
6 Months	0.53	2.15
9 Months	-1.78	0.22
1 Year	-6.26	-3.26



**NZD/AUD Forward points**

	BNZ buys NZD	BNZ Sells NZD
1 Month	-10.22	-8.92
3 Months	-29.23	-27.45
6 Months	-58.98	-54.92
9 Months	-86.75	-81.41
1 Year	-110.90	-102.81



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