

22 August 2017

Events Round-Up

NZ: Net migration, Jul: 5800 vs. 6340 prev.

Good Morning

As the skies darkened over the US during a rare total solar eclipse, a pall of gloom overhung the US dollar, which showed a broadly based fall. Markets started the week on a very quiet note, with no data and light trading conditions.

The focus for the day was the total solar eclipse that swept across the US. A total solar eclipse hasn't been visible from the mainland US since 1979. For the first time since 1918 the total solar eclipse is visible within a band across the entire contiguous United States. And in another fun fact the solar eclipse's path of totality makes landfall exclusively within the US – one has to go back to 1257, the last total eclipse to make landfall exclusively on lands currently part of the US (source: Wikipedia). Today was a rare event!

Now onto less interesting news. There is little to report on the market other than the USD finds itself under renewed pressure. The various dollar indices we track – DXY, BBDXY and TWI-majors – are down 0.3-0.4% and are again threatening key technical levels. The tradeable DXY is within 1.2% of the 2016 intra-day low of 91.9. A break of this will get the technicians excited, opening up the threat of a much greater decline.

There has been no news to drive the dollar and in light trading one shouldn't make too much of the move, but the weakness follows on some of the vulnerability we saw to the dollar last week. Treasury Secretary Mnuchin said tax reform will be President Trump's focus, and an effort to have a "combined plan" between the House, the Senate and the administration will kick off next month. He added that raising the US debt ceiling is the priority as Congress returns. The market ignored these USD-positive comments.

EUR is one of the best performers against the USD, rising by 0.5% to 1.1815. GBP is up 0.3%, back to the 1.29 mark ahead of the government's release of five new position papers for upcoming Brexit negotiations. Some say that GBP could come under renewed pressure as the focus returns to Brexit.

The NZD has nudged up 0.2% from last week's close to 0.7325. NZD/AUD has managed to find a base just over the 0.92 mark over recent trading sessions and currently sits around 0.9230. On the other NZD crosses, changes are fairly muted, but the outperforming EUR sees NZD/EUR down 0.3% to the 0.62 mark. Oil prices have almost fully reversed Friday's 3% surge, but CAD has managed to hold its ground against the USD.

US 10-year Treasury yields were 1-2bps higher over the Asian trading session but fell on the European open and have traded range-bound since. The yield is down to 2.18% down around 2bps from the NZ close. There's nothing much to say about the NZ rates market either, with the swap curve up in the order of 1bp and bond yields up 3-4bps.

The quiet trading conditions are expected to continue right through to the end of the week. Traders will be keeping their powder dry for the annual Jackson Hole symposium hosted by the Kansas City Fed which kicks off towards the end of the week. There's no guarantee much new will come out of it, but anticipation is always high for this event. The ECB's Draghi and Fed's Yellen's speeches will get the most attention.

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Coming Up

	Period	Cons.	Prev.	NZT
GE ZEW survey expectations	Aug	15.0	17.5	21:00
CA Retail sales (m/m%)	Jun	0.2	0.6	00:30

Source: Bloomberg, BNZ

Foreign Exchange						Equities				Commodities**							
Indicative overnight ranges (*)					Other FX		Major Indices				Price						
	Last	% Day	Low	High		Last	% Day			Last	Net Day						
NZD	0.7322	+0.1	0.7307	0.7337	CHF	0.9620	-0.3	S&P 500	2,426	+0.0	11.1	Oil (Brent)	51.64	-2.0			
AUD	0.7936	+0.1	0.7911	0.7951	SEK	8.068	-0.6	Dow	21,671	-0.0	16.8	Oil (WTI)	47.37	-2.4			
EUR	1.1813	+0.4	1.1731	1.1828	NOK	7.902	-0.0	Nasdaq	6,201	-0.3	18.4	Gold	1290.8	+0.4			
GBP	1.2901	+0.2	1.2850	1.2916	HKD	7.824	+0.0	Stoxx 50	3,424	-0.7	15.3	HRC steel	621.0	+0.0			
JPY	108.81	-0.3	108.64	109.29	CNY	6.666	-0.1	FTSE	7,319	-0.1	6.7	CRB	176.5	-0.6			
CAD	1.2569	-0.1			SGD	1.361	-0.2	DAX	12,066	-0.8	14.4	Wheat Chic.	437.0	-1.3			
NZD/AUD	0.9226	+0.0			IDR	13,351	-0.1	CAC 40	5,088	-0.4	15.6	Sugar	13.52	+0.8			
NZD/EUR	0.6198	-0.3			THB	33.24	+0.1	Nikkei	19,393	-0.4	16.8	Cotton	68.71	+1.3			
NZD/GBP	0.5676	-0.1			KRW	1,139	-0.2	Shanghai	3,287	+0.6	6.6	Coffee	130.2	-1.2			
NZD/JPY	79.67	-0.2			TWD	30.34	-0.0	ASX 200	5,726	-0.4	3.8	WM powder	3255.0	+0.0			
NZ TWI	77.18	+0.0			PHP	51.43	-0.0	NZX 50	7,868	-0.1	5.4	Australian Futures					
Interest Rates												3 year bond			98.04	0.01	
		Rates		Swap Yields		Benchmark 10 Yr Bonds		NZ Government Bonds			NZ Swap Yields			10 year bond		97.39	-0.02
		Cash	3Mth	2 Yr	10 Yr	Last	Net Day		Last				Last				
USD	1.25	1.31	1.56	2.12	USD	2.18	-0.01	NZGB 3 04/15/20	2.03	0.03		1 year	2.01	-0.01			
AUD	1.50	1.69	1.90	2.79	AUD	2.64	0.02	NZGB 6 05/15/21	2.18	0.03		2 year	2.18	0.00			
NZD	1.75	1.95	2.18	3.15	NZD	2.87	0.04	NZGB 5 1/2 04/15/23	2.46	0.04		5 year	2.65	0.01			
EUR	0.00	0.06	-0.18	0.81	GER	0.40	-0.01	NZGB 2 3/4 04/15/25	2.72	0.04		7 year	2.89	0.01			
GBP	0.25	0.28	0.55	1.16	GBP	1.07	-0.02	NZGB 4 1/2 04/15/27	2.87	0.03		10 year	3.15	0.01			
JPY	-0.05	-0.04	0.02	0.22	JPY	0.03	-0.00	NZGB 3 1/2 04/14/33	3.24	0.04		15 year	3.41	0.01			
CAD	0.75	1.17	1.57	2.15	CAD	1.88	0.01	NZGB 2 3/4 04/15/37	3.49	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 are as of: NZT 06:42

Source: Bloomberg

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