

25 July 2017

## Events Round-Up

GE: Markit Manufacturing PMI, Jul P: 58.3 vs 59.2 exp.

GE: Markit Services PMI, Jul P: 53.5 vs 54.3 exp.

EC: Markit Manufacturing PMI, Jul P: 56.8 vs 57.2 exp.

EC: Markit Services PMI, Jul P: 55.4 vs 55.4 exp.

US: Markit Manufacturing PMI, Jul P: 53.2 vs 52.2 exp.

US: Markit Services PMI, Jul P: 54.2 vs 54.2 exp.

US: Existing Home Sales, Jun: 5.52 vs 5.57 exp.

## Good Morning

It was a bit of a snooze fest in markets overnight, with generally little movement and tight ranges across currencies. US yields and the US dollar are marginally higher, halting their recent declines. Equities are little changed, while oil prices bounced.

It all felt a bit like the latest IMF world growth forecasts released yesterday with some unders and overs here and there but unchanged overall. The IMF's world economic growth forecast remains at 3.5% for 2017.

A raft of PMI data was released overnight for Europe and the US, with subtle tilts in different directions. European gauges generally undershot expectations and hint at some slowing in economic activity heading into the third quarter of the year. But it's marginal stuff and the outright levels are high and indicate solid growth. In contrast, US measures matched or bettered expectations although remain below their European counterparts.

It was enough to help EUR drift lower overnight after its strong run higher over recent weeks. EUR/USD is down 0.2% on the day to currently sit around 1.1640.

US existing home sales undershot expectations, although this looked as much due to a lack of inventory limiting purchasing options rather than due to a lack of demand per se. US house prices are 6.5% higher than a year earlier.

The mix of US data encouraged some consolidation in the USD following its recent declines. There were no major revaluations from Trump's son-in-law, and White House senior advisor, Jared Kushner's statement prepared for an interview with the Senate Intelligence Committee. The DXY US dollar index is up around 0.2%.

USD/JPY drifted down toward 110.60 overnight before finding some support and then pushing higher after the

better than expected US PMI data. The pair opens this morning around 111.10.

Oil prices rose more than 1% overnight as the Saudi Oil Minister said 'we must address head on' the lag in production cut compliance from some countries. Brent crude has reversed about half of Friday's drop on the news, currently sitting around \$US48.60 / bbl.

The CAD has extended recent gains, with USD/CAD easing 0.3%, on more positive news. Yesterday's IMF forecasts saw Canada as the fastest growing G7 economy this year and rating agency Fitch affirmed the country's AAA rating overnight. This as the market prices an odds-on chance that the BoC will hike rates again this year. These positive undercurrents have seen the CAD lift nearly 10% from a 16-month low in early May, making it the best-performing major currency over that period.

NZD traded a tight 25 pip range overnight with a mild drift lower as the USD edged higher. NZD/USD opens this morning around 0.7430. After last week's spurt higher, NZD/AUD has eased back to around 0.9380 on no particular news. There is more potential for news tomorrow in the form of AU CPI data, speeches from RBA Governor Lowe and RBNZ Assistant Governor and Head of Economics McDermott (watch for potential comment on the NZD tracking higher than RBNZ forecasts). Ahead of all that there seems little to cause movement.

There was below average activity in the US Treasury market with limited news providing little conviction. The slumber could well continue ahead of the FOMC meeting on Thursday morning NZT.

US 10-year Treasury yields edged less than 2bps higher to just under 2.26% overnight. While hardly a large move, it does arrest the near linear slide lower over the past two weeks from just under 2.40%.

Yesterday was also a quiet session for the local rates market. NZGB yields generally edging lower by less than 2bps across the curve, while NZ swap yields rose by less than 1bp. Little movement is likely today with the calendar bare.

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## Coming Up

	Period	Cons.	Prev.	NZT
GE IFO Expectations	Jul	106.5	106.8	20:00
US Conf. Board Consumer Confidence	Jul	116	118.9	02:00

Source: Bloomberg, BNZ

Foreign Exchange								Equities				Commodities**			
Indicative overnight ranges (*)					Other FX			Major Indices				Price			
	Last	% Day	Low	High		Last	% Day		Last	% Day	% Year		Last	Net Day	
NZD	0.7434	-0.3	0.7422	0.7447	CHF	0.9460	+0.1	S&P 500	2,471	-0.0	13.6	Oil (Brent)	48.66	+1.2	
AUD	0.7926	+0.1	0.7913	0.7968	SEK	8.213	-0.4	Dow	21,538	-0.2	16.0	Oil (WTI)	46.40	+1.3	
EUR	1.1644	-0.2	1.1626	1.1675	NOK	8.011	-0.1	Nasdaq	6,407	+0.4	25.6	Gold	1254.7	-0.0	
GBP	1.3036	+0.3	1.2989	1.3058	HKD	7.807	-0.0	Stoxx 50	3,453	+0.0	16.2	HRC steel	617.0	+0.0	
JPY	111.11	-0.0	110.62	111.32	CNY	6.751	-0.2	FTSE	7,378	-1.0	9.6	CRB	176.2	-0.2	
CAD	1.2501	-0.3			SGD	1.362	-0.1	DAX	12,209	-0.3	20.3	Wheat Chic.	513.5	-1.7	
NZD/AUD	0.9379	-0.4			IDR	13,309	-0.0	CAC 40	5,128	-0.5	17.0	Sugar	14.40	+0.0	
NZD/EUR	0.6384	-0.1			THB	33.41	-0.1	Nikkei	19,976	-0.6	20.2	Cotton	69.00	-0.2	
NZD/GBP	0.5703	-0.6			KRW	1,114	-0.4	Shanghai	3,251	+0.4	7.8	Coffee	132.6	-2.9	
NZD/JPY	82.60	-0.3			TWD	30.33	-0.3	ASX 200	5,688	-0.6	2.8	WM powder	3260.0	+0.8	
NZ TWI	78.71	-0.4			PHP	50.67	-0.1	NZX 50	7,682	+0.1	5.0	<b>Australian Futures</b>			
													3 year bond	97.99	-0.03
													10 year bond	97.30	-0.02
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			
USD	1.25	1.31	1.60	2.22	USD	2.26	0.02	NZGB 3 04/15/20	2.12	-0.01	1 year	2.03	-0.00		
AUD	1.50	1.69	1.96	2.89	AUD	2.68	-0.02	NZGB 6 05/15/21	2.26	-0.01	2 year	2.22	0.01		
NZD	1.75	1.93	2.22	3.27	NZD	2.92	-0.00	NZGB 5 1/2 04/15/23	2.57	-0.00	5 year	2.76	0.00		
EUR	0.00	0.06	-0.16	0.89	GER	0.51	0.00	NZGB 2 3/4 04/15/25	2.79	-0.00	7 year	3.02	0.00		
GBP	0.25	0.29	0.60	1.24	GBP	1.19	0.01	NZGB 4 1/2 04/15/27	2.92	-0.00	10 year	3.27	-0.00		
JPY	-0.06	-0.01	0.04	0.25	JPY	0.07	0.01	NZGB 3 1/2 04/14/33	3.27	-0.00	15 year	3.51	-0.00		
CAD	0.75	1.17	1.57	2.21	CAD	1.92	0.04	NZGB 2 3/4 04/15/37	3.48	-0.00					

\* 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 07:21

Source: Bloomberg

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