

## More of the same

**In the absence of any major data or eye-catching headlines, it's been a case of 'more of the same' from markets overnight.** In other words, equities continue to fluctuate around record highs, commodity prices are on the rise and a bit more USD strength is holding back the NZD. US ADP private sector employment data bested expectations (+692k vs mkt: +600k), but markets continue to look ahead to Saturday morning's non-farm payroll data, which is the more closely watched release.

**Perhaps the most notable headlines of the night came from the Dallas Fed's Robert Kaplan, who said he hoped the FOMC would start tightening monetary policy earlier than previously signalled.** 'Sooner' than the end of the year was the line from Kaplan, noting the 'explosive' US job growth and the upside risks to the Fed's inflation forecasts. It's not the first time Kaplan has made comments of that ilk, but it's another sign monetary policymakers are thinking increasingly seriously about the timeframe for withdrawing support. The Atlanta Fed's Raphael Bostic was also out overnight, though his comments were a bit less dramatic, simply saying "its going to take some time" for US employment to hit pre-pandemic levels.

**Oddly enough, global bond yields have pared back overnight, despite those hawkish policy signals.** Treasury yields are lower, with the curve under flattening pressure (10Y: 1.44%). European yields are also lower across the board.

**Equities have had a mixed session.** The Dow's up 0.61% as at the time of writing, with the S&P500 lifting 0.13% and the Nasdaq down 0.11%. The major European sharemarkets were generally lower.

**Commodity prices rose across the board overnight.** Gains have been widespread, with oil on the up ahead of the next OPEC meeting on Friday. Metals and agri commodities also enjoyed gains.

**FX Comment:** NZD/USD little changed overnight, still trading shy of 0.70, after its losses on Wednesday. USD strength more broadly has generally been the theme in currency markets overnight. NZD is up or little changed against the rest of the G10, with NZD/AUD trading just below 0.932 as at the time of writing.

**Asia-Pacific Recap:** Chinese PMIs were the only major data out globally yesterday, easing a bit from May, but still well in expansionary territory. All-up it was a mixed session for sharemarkets across the Asia-Pacific, with the NZX middle of the pack (+0.12%). Moves in the local yield curve were modest. On the local data front, the key release was June's final ANZ Business Outlook reading. The result was basically in line with expectations – i.e. pricing pressures and inflation expectations on the rise and activity metrics looking strong.

**Day ahead:** Here in Godzone, there's a bit of property data out, with the latest house prices from CoreLogic and building consents data from Stats NZ. In Aussie, the highlight will be May trade data out at 1.30 pm.

Overnight, there's a range of US data, including manufacturing PMI data and initial jobless claims (mkt: 386k), but we expect markets will continue to look ahead to the release of non-farm payroll data over the weekend. PMI and unemployment data are the highlights in Europe.

**Author:** [nathaniel.keall@asb.co.nz](mailto:nathaniel.keall@asb.co.nz)

Currencies			Currencies			Commodities			Equities		
NZD/USD	0.6992	0.0%	NZD/SEK	5.981	0.3%	NZX WMP	3860.0	0.1%	Dow	34506	0.6%
NZD/AUD	0.9319	0.1%	NZD/DKK	4.384	0.3%	Gold \$/o	1771.8	0.6%	S&P 500	4296	0.1%
NZD/EUR	0.5895	0.3%	NZD/THB	22.4	-0.1%	WTI Oil \$/b	73.8	1.2%	NASDAQ	14521	0.0%
NZD/JPY	77.64	0.0%	AUD/USD	0.7502	-0.1%	<b>Money Market (%)</b>			FTSE	7037	-0.7%
NZD/GBP	0.5054	0.0%	EUR/USD	1.186	-0.3%	90 Day BB	0.35	0.01	CAC-40	6508	-0.9%
NZD/CAD	0.8669	0.0%	USD/JPY	111.0	0.4%	OCR	0.25	0.00	DAX	15531	-1.0%
NZD/CHF	0.6467	0.4%	<b>10 Yr Bond Yields (%)</b>			<b>ASB Swap Rates (%)</b>			H.Seng	28828	-0.6%
NZD/HKD	5.429	0.0%	NZ	1.77	-0.01	1yr	0.49	0.00	Nikkei	28792	-0.1%
NZD/SGD	0.9402	-0.1%	US	1.44	-0.03	2yr	0.78	-0.01	ASX200	7313	0.2%
NZD/CNH	4.522	0.3%	Aust	1.54	-0.01	5yr	1.35	-0.01	NZX50	12655	0.1%

ASB Economics & Research			Phone	Fax
Chief Economist	Nick Tuffley	<a href="mailto:nick.tuffley@asb.co.nz">nick.tuffley@asb.co.nz</a>	(649) 301 5659	(649) 302 0992
Senior Economist	Mark Smith	<a href="mailto:mark.smith4@asb.co.nz">mark.smith4@asb.co.nz</a>	(649) 301 5657	
Senior Economist	Mike Jones	<a href="mailto:mike.jones@asb.co.nz">mike.jones@asb.co.nz</a>	(649) 301 5661	
Senior Economist	Jane Turner	<a href="mailto:jane.turner@asb.co.nz">jane.turner@asb.co.nz</a>	(649) 301 5853	
Senior Economist, Wealth	Chris Tennent-Brown	<a href="mailto:chris.tennent-brown@asb.co.nz">chris.tennent-brown@asb.co.nz</a>	(649) 301 5915	
Economist	Nat Keall	<a href="mailto:nathaniel.keall@asb.co.nz">nathaniel.keall@asb.co.nz</a>	(649) 301 5720	
Publication and Data Manager	Judith Pinto	<a href="mailto:judith.pinto@asb.co.nz">judith.pinto@asb.co.nz</a>	(649) 301 5660	



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ASB Economics  
ASB North Wharf, 12 Jellicoe Street, Auckland

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