

## Marking time

**Markets largely treaded water overnight, trading in light volumes.** The positive tone of global data overnight provided a modest risk-on vibe, but with no major central bank speeches to digest and with key US Non-farm Payrolls data to be released tonight, markets were largely marking time.

**Equities were generally higher on lighter-than-average trading volumes.** The major US equity indices were up, with broad-based gains pushing the S&P500 (+0.5%) to fresh record highs. Within the S&P, energy stocks and utilities were the strongest performers. Major European bourses were generally higher. Equities were generally lower in the Asian session (ASX 200 -0.5%, NZX 50 +0.20%).

**US Treasury yields edged a fraction higher across the curve (10Y 1.48%) and traded in tight ranges.** UK and German 10-year government bond yields rose, whilst those for Italy, Spain and Portugal eased. Yesterday, NZ swap yields continued to grind higher across the curve, with those for the 2-year swap (0.80%) at 15-month highs and up 55bps since the start of the year. NZ 10-year swap yields (1.88%) have risen by roughly 90bps over 2021 as have NZ 10-year bond yields (1.87%), with the 2021 gain in NZ yields amongst the highest of the OECD. Australian bond yields were little changed (10Y 1.51%) but swap yields modestly firmed.

**Oil prices jumped, with near-term contract prices for Brent and WTI both above USD75 per barrel** on concerns that OPEC+ members may not be able to co-ordinate production increases to meet strengthening demand. Gold prices were up but prices for other metal and agricultural commodities were a shade lower.

**Manufacturing PMIs remained well into expansionary mode.** The final June manufacturing PMI undershot expectations for China (51.3 versus mkt: 51.9) but remained elevated in Australia (58.6 versus 58.4 prior), the UK (63.9 versus mkt: 64.2), the US (62.1 versus mkt: 62.6) and the Eurozone (63.4 versus 63.1). The manufacturing ISM eased to 60.6 (mkt: 60.9, prior 61.2), although prices paid jumped to a record 92.1. The Japanese Q2 Tankan Survey showed sharply improving conditions for large manufacturers, but a weak environment for small manufacturers and service providers.

**There were signs of continued labour market recovery.** US Initial jobless claims fell to a 15-month low (364k versus mkt: 388k, prior 415k), with continuing claims slightly higher than expected (3,469k, mkt: 3,340k, prior: 3,413k). The Eurozone unemployment rate for May eased to 7.9%, its lowest in 12 months.

**Australasian data wrap:** NZ dwelling consent issuance fell 2.8% in May, but the May 2021 year still saw a record 43,466 consents issued, with those in Auckland hitting a record 18,565 consents. Standalone houses (24,034) constituted slightly more than half of issuance with stronger growth in townhouse/flat issuance (13,297). The May Australian trade surplus was a whisker below record highs (AUD9681m), with a 6.1% gain in exports and a 2.9% lift in imports. Australian dwelling prices rose by 1.9% across the eight capital cities in June (+12.4% yoy), and while our CBA colleagues expect house prices to continue to lift, they believe the pace of the monthly gains should slow.

**FX Comment:** The USD index initially dipped last night but subsequently firmed, with the USD the strongest performing G10 currency overnight. The NZD has been on the retreat this morning and is currently towards the bottom of its 0.696 to 0.7115 USD overnight range. The NZD made modest gains against the AUD (currently 0.933), CAD (0.867), Sterling (0.506) and yen (77.7). We have retained our positive NZD view given general improvements in the global backdrop.

**Day ahead:** Improving signs are expected from the ANZ June NZ consumer confidence report (10am). Housing credit figures from Australia are expected to remain robust. The highlight for global markets is the US employment report for June tonight. Expectations are centred on a pick-up in Non-farm Payrolls (711k versus 559k prior), with the unemployment rate to ease from 5.8% to 5.6%. This would still leave Payrolls nearly 7 million jobs below pre-pandemic levels. Durable goods and factory orders are also out. Have a good weekend everyone. **Author:** [mark.smith4@asb.co.nz](mailto:mark.smith4@asb.co.nz)

Currencies			Currencies			Commodities			Equities		
NZD/USD	0.6967	-0.3%	NZD/SEK	5.978	0.1%	NZX WMP	3890.0	0.5%	Dow	34624	0.3%
NZD/AUD	0.9333	0.2%	NZD/DKK	4.374	-0.1%	Gold \$/o	1775.6	0.3%	S&P 500	4319	0.5%
NZD/EUR	0.5881	-0.2%	NZD/THB	22.4	-0.1%	WTI Oil \$/b	75.0	2.1%	NASDAQ	14519	0.1%
NZD/JPY	77.73	0.3%	AUD/USD	0.7466	-0.4%	<b>Money Market (%)</b>			FTSE	7125	1.2%
NZD/GBP	0.5064	0.3%	EUR/USD	1.185	-0.1%	90 Day BB	0.36	0.01	CAC-40	6554	0.7%
NZD/CAD	0.8669	0.1%	USD/JPY	111.6	0.4%	OCR	0.25	0.00	DAX	15604	0.5%
NZD/CHF	0.6451	-0.2%	<b>10 Yr Bond Yields (%)</b>			<b>ASB Swap Rates (%)</b>			H.Seng	28828	-0.6%
NZD/HKD	5.410	-0.2%	NZ	1.89	0.13	1yr	0.51	0.01	Nikkei	28707	-0.3%
NZD/SGD	0.9398	0.0%	US	1.47	0.00	2yr	0.79	0.02	ASX200	7266	-0.6%
NZD/CNH	4.511	-0.1%	Aust	1.53	-0.01	5yr	1.37	0.02	NZX50	12684	0.2%

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