

Research Markets Today

1 November 2024

Events Round-Up

NZ: ANZ activity outlook (net%), Oct: 45.9 vs. 45.3 prev.

AU: Real retail sales (q/q%), Q3: 0.5 vs. 0.5 exp.

CH: Manufacturing PMI, Oct: 50.1 vs. 49.9 exp.

CH: Non-manufacturing PMI, Oct: 50.2 vs. 50.3 exp.

JN: BoJ target rate (%), Oct: 0.25 vs. 0.25 exp.

EC: CPI (y/y%), Oct: 2.0 vs. 1.9 exp.

EC: CPI core (y/y%), Oct: 2.7 vs. 2.6 exp.

EC: Unemployment rate (%), Sep: 6.3 vs. 6.4 exp.

US: Employment cost index, Q3: 0.8 vs. 0.9 exp.

CA: GDP (m/m%), Aug: 0.0 vs. 0.0 exp.

US: Personal income (m/m%), Sep: 0.3 vs. 0.3 exp.

US: Real personal spending (m/m%), Sep: 0.4 vs. 0.3 exp.

US: Core PCE deflator (m/m%), Sep: 0.3 vs. 0.3 exp.

US: Core PCE deflator (y/y%), Sep: 2.7 vs. 2.6 exp.

US: Initial jobless claims (k), Oct 26: 216 vs. 230 exp.

US: Chicago PMI, Oct: 41.6 vs. 47.0 exp.

Good Morning

There has been plenty of newsflow to digest. US equities are ending the month on a weak note, reflecting weaker forward guidance by companies rather than macro forces. The reaction to the UK Budget continues to reverberate, with higher UK rates and a weaker GBP. The BoJ's update, leaving the door open for a possible December rate hike, supported the yen. The NZD continues to languish and sits at 0.5960.

US equities are weaker, following underwhelming forward guidance from Meta and Microsoft at their earnings release. Apple and Amazon report after the bell. Household names Estee Lauder and Uber show double-digit falls after weaker earnings guidance. Losses have been led by the tech sector, seeing the S&P500 down 1½%, eroding its monthly gain and putting it in negative territory for October. The Nasdaq index is down around 2½%.

In economic news, US initial jobless claims fell 12k last week to 216k to their lowest level since May, below the estimated 230k. While recent data have been distorted by the hurricanes and labour strikes, their impact has been fading, and what is left is a sign that the labour market isn't

showing signs of deteriorating further. Of some relief to the market was that the key employment cost index, the preferred wages measure of the Fed, was slightly lower than expected at 0.8% q/q, a three-year low.

The spending and PCE deflator data released filled in the monthly track from the quarterly data released the previous day and showed the core PCE deflator rising 0.3% m/m in September (0.25% unrounded), in line with expectations. This measure is tracking slightly above the Fed's September projections. The market still sees a high chance of the Fed cutting by 25bps at the November meeting, although the theme for October has been one of generally stronger than expected activity and inflation data significantly reducing the scale of easing priced through the next year.

The US 10-year rate rose as much as 5bps to 4.33% after the data dump before reversing course to 4.27%, slightly lower from the NZ close and down 3bps for the day.

Euro area CPI inflation was one-tenth higher than expected for the annual headline and core rates, picking up to 2.0% (from 1.7%) and remaining steady at 2.7% respectively. The data supported those GC members who have pushed back against a more aggressive easing path for the ECB, preferring a more gradual approach. The market slightly pared the extent of easing priced into the curve, but still has nearly 30bps priced for the next December meeting.

Canadian GDP was flat in August, as expected, with July revised down to 0.1% m/m and preliminary data showing a 0.3% m/m lift in September. This implies annualised growth of 1.0% in Q3, below the Bank of Canada's 1.5% forecast, supporting the case for further easing with no sign that growth has recovered from the 125bps of easing to date.

The market continues to negatively react to the UK Budget, not liking the increased tax, spend and borrowing package. The UK 10-year gilt is up another 10bps to 4.45%, extending the selloff to 25bps, following the Office for Budget Responsibilities assessment, which called it "one of the largest fiscal loosening of any fiscal event in recent decades". DMO figures suggested debt sales were likely to be £300bn in the current fiscal year, up from the previous estimate of £278bn. GBP has been the weakest of the major currencies, falling 0.9% since this time yesterday to 1.2860.

The BoJ left policy unchanged as expected. There were minor tweaks to inflation projections, with headline and core CPI inflation converging to 2% over the relevant forecast period. On the policy outlook, “given that real interest rates are at significantly low level...the Bank will continue to raise the policy interest rate and adjust the degree of monetary accommodation”. Governor Ueda was judged to be hawkish in his press conference, leaving the door open to a possible December rate hike, noting falling risk to the US economy and the weak yen will also likely have a greater impact on prices moving forward.

JPY has been the strongest of the major currencies. USD/JPY is down 0.8% for the day to 152.20. Apart from the noted fall in GBP, other major currency movements have been modest. The NZD continues to languish and sits around 0.5960, after touching a fresh multi-month low of 0.5940. The NZD is flat to slightly weaker on most crosses, apart from a lift in NZD/GBP to 0.4635 and a fall of nearly 1% in NZD/JPY to 90.7.

Yesterday, China’s manufacturing and non-manufacturing PMIs both showed a nudge upward to 50.1 and 50.2 respectively. These data were ignored, with focus on details of the extent of easier fiscal policy after lawmakers meet 4-8th November.

Domestically, the ANZ survey continued to show businesses remaining positive about the year-ahead outlook, but one can’t help feel that this reflects a “things can’t get any worse” type of vibe from a very poor starting position. Of note, pricing intentions rose for a fourth consecutive month, even as inflation expectations continue to trend lower. We didn’t see anything in the survey to stop the RBNZ from continuing to ease monetary

restraint or give reason for the Bank to step up the pace of easing.

The domestic rates market continued to outperform on a cross-market basis. Against a backdrop of higher global rates, NZGB yields and swap rates rose 2bps across the curve. There was good support at the weekly bond tender, more so for the 2029s and 2033s compared to the 2041s. NZ’s 10-year government rate of 4.47% recently tracked below Australia’s 10-year rate and was briefly below the UK 10-year rate overnight when UK gilts were trading at their weakest.

In the day ahead, the US employment report will be keenly anticipated, with the market seeing employment rising by only 100k in October, alongside a steady unemployment rate of 4.1% and average hourly earnings of 4.0% y/y. The ISM manufacturing index is expected to nudge up to 47.6.

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Coming Up

		Period	Cons.	Prev.	NZT
NZ	Dwelling consents (m/m%)	Sep		-5.3	10:45
AU	Home loans value (m/m%)	Sep	1.0	1.0	13:30
CH	Caixin PMI manufacturing	Oct	49.7	49.3	14:45
US	Change in nonfarm payrolls (k)	Oct	101	254	01:30
US	Unemployment rate (%)	Oct	4.1	4.1	01:30
US	Avg hrly earnings (m/m%)	Oct	0.3	0.4	01:30
US	Avg hrly earnings (y/y%)	Oct	4.0	4.0	01:30
US	ISM manufacturing	Oct	47.6	47.2	03:00

Source: Bloomberg, BNZ

Currencies							Equities				Commodities				
FX Majors	Indicative overnight ranges (*)				Other FX		Major Indices			Price (Near futures, except CRB)					
	Last	% Day	Low	High	Last	% Day	Last	% Day	% Year	Last	Net Day				
NZD	0.5961	-0.2	0.5940	0.5983	CHF	0.8654	-0.2	S&P 500	5,723	-1.6	36.5	Oil (Brent)	73.09	+0.7	
AUD	0.6567	-0.1	0.6540	0.6579	SEK	10.682	+0.0	Dow	41,867	-0.6	26.7	Oil (WTI)	69.09	+0.6	
EUR	1.0859	+0.0	1.0847	1.0888	NOK	11.023	+0.5	Nasdaq	18,130	-2.6	41.1	Gold	2749.3	-1.8	
GBP	1.2856	-0.8	1.2844	1.3000	HKD	7.775	+0.0	Stoxx 50	4,828	-1.2	18.9	HRC steel	718.0	+2.4	
JPY	152.18	-0.8	151.92	153.05	CNY	7.118	+0.0	FTSE	8,110	-0.6	10.8	CRB	280.3	+0.7	
CAD	1.3924	+0.1			SGD	1.322	-0.0	DAX	19,078	-0.9	28.8	Wheat Chic.	589.3	-0.7	
NZD/AUD	0.9077	-0.1			IDR	15,698	-0.0	CAC 40	7,350	-1.0	6.7	Sugar	22.74	+2.6	
NZD/EUR	0.5489	-0.2			THB	33.83	+0.2	Nikkei	39,081	-0.5	23.7	Cotton	69.46	-0.7	
NZD/GBP	0.4637	+0.6			KRW	1,377	-0.2	Shanghai	3,280	+0.4	8.5	Coffee	245.9	-1.4	
NZD/JPY	90.71	-1.0			TWD	32.02	-0.3	ASX 200	8,160	-0.2	19.3	WM powder	3645	+0.6	
NZD/CAD	0.8300	-0.1			PHP	58.11	-0.2	NZX 50	12,639	-0.4	16.5	Australian Futures			
NZ TWI	69.55	-0.2						VIX Index	22.73	+11.7	+25.3	3 year bond	95.99	-0.06	
Interest Rates															
Rates		Swap Yields			Benchmark 10 Yr Bonds		NZ Government Bonds			NZ BKBM and Swap Yields					
	Cash	3Mth	2 Yr	10 Yr	Last	Net Day		Last	Chg		Last	Chg			
USD	5.00	4.85	3.94	3.77	USD	4.27	-0.03	15-May-26	3.82	0.02	BKBM 1-mth	4.86	0.00		
AUD	4.35	4.42	4.10	4.55	AUD	4.50	0.04	15-Apr-27	3.78	0.02	BKBM 3-mth	4.52	-0.01		
NZD	4.75	4.52	3.64	4.16	NZD	4.47	0.02	15-May-28	3.85	0.02	1 year	3.92	0.02		
EUR	3.25	3.06	2.39	2.43	GER	2.39	0.00	20-Apr-29	3.97	0.02	2 year	3.64	0.02		
GBP	5.00	5.30	4.26	4.01	GBP	4.45	0.09	15-May-30	4.09	0.02	3 year	3.62	0.02		
JPY	0.23	-0.03	0.52	0.96	JPY	0.95	-0.01	15-May-31	4.21	0.02	5 year	3.77	0.02		
CAD	3.75	4.97	2.95	3.06	CAD	3.22	-0.04	15-May-32	4.32	0.02	7 year	3.95	0.02		
							NZ Inflation-Indexed Bonds					10 year	4.16	0.02	
							Sep-30	2.40	0.04	15-May-34	4.47	0.02	15 year	4.40	0.03
							Sep-35	2.72	0.04	15-May-35	4.56	0.02			
							Sep-40	2.96	0.04	15-May-36	4.64	0.02			
										15-May-37	4.70	0.02			
										15-May-41	4.88	0.02			
										15-May-51	4.98	0.02			
										15-May-54	5.00	0.02			

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

Rates are as of: NZT 06:56

Source: Bloomberg

NZD exchange rates

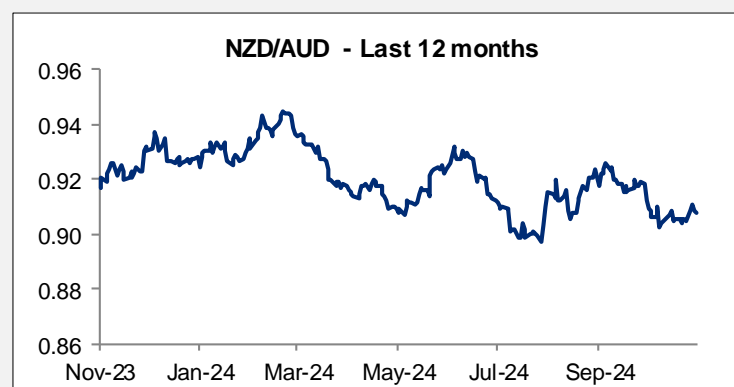
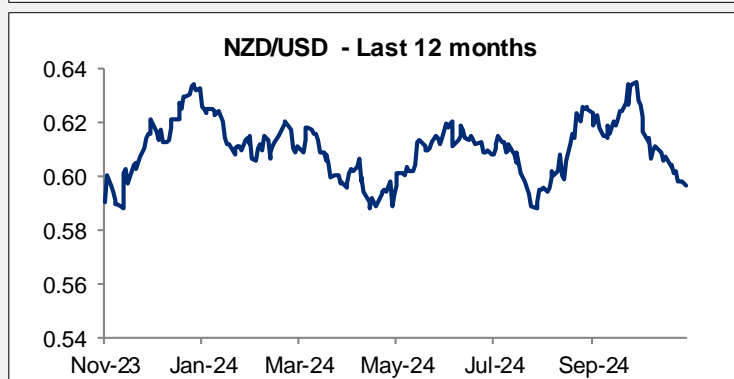
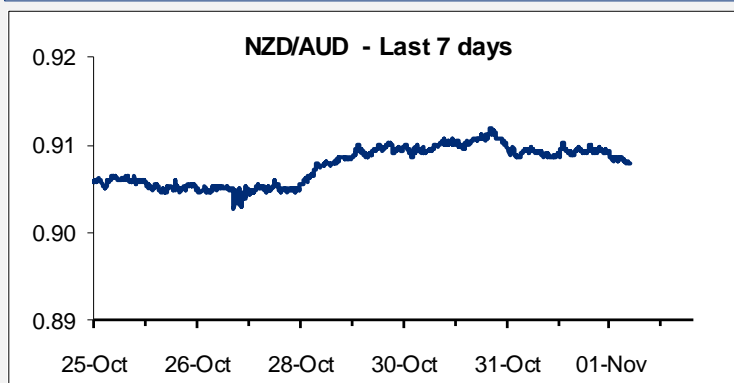
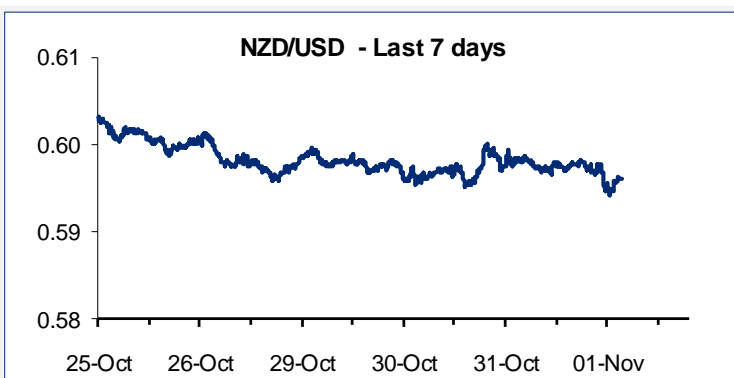
1/11/2024	6:56 am	Prev. NY close
USD	0.5961	0.5973
GBP	0.4637	0.4608
AUD	0.9077	0.9089
EUR	0.5489	0.5502
JPY	90.71	91.64
CAD	0.8300	0.8305
CHF	0.5159	0.5177
DKK	4.0950	4.1044
FJD	1.3496	1.3606
HKD	4.6349	4.6423
INR	50.12	50.22
NOK	6.5710	6.5486
PKR	165.49	165.84
PHP	34.64	34.78
PGK	2.3524	2.3571
SEK	6.3677	6.3777
SGD	0.7881	0.7898
CNY	4.2432	4.2504
THB	20.11	20.13
TOP	1.4016	1.4018
VUV	72.29	72.38
WST	1.6514	1.6334
XPF	65.80	65.83
ZAR	10.5241	10.5450

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	0.94	1.22
3 Months	5.73	6.23
6 Months	13.22	14.29
9 Months	21.62	24.20
1 Year	29.37	32.37

NZD/AUD Forward points

	BNZ buys NZD	BNZ Sells NZD
1 Month	-1.57	-0.92
3 Months	2.34	3.68
6 Months	14.55	17.18
9 Months	31.84	38.24
1 Year	49.38	57.44



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