

Research Markets Today

3 December 2024

Events Round-Up

NZ: Dwelling consents (m/m%), Oct: -5.2 vs. 2.4 prev.

AU: Building Approvals (m/m%), Oct: 4.2 vs. 1.3 exp.

AU: Retail sales (m/m%), Oct: 0.6 vs. 0.4 exp.

CH: Caixin PMI manufacturing, Nov: 51.5 vs. 50.3 prev.

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

US: ISM manufacturing, Nov: 48.4 vs. 47.5 exp.

Good Morning

As the new week began, focus immediately turned to the bubbling political crisis in France. France's Finance Minister said that "we will not be blackmailed" in response to Marine Le Pen's threat to topple the government as soon as this week unless her party's demands for changes to the Budget were met.

Overnight, French PM Barnier made a last-ditch attempt to keep the budget bill on track by offering yet another concession to Le Pen's party before using special powers of the constitution to force through the social security part of the budget rather than hold a vote. This triggered Le Pen's party to tweet that it would support a no-confidence vote. A vote of no-confidence can be tabled within 48 hours. If this occurs, then Barnier's government will collapse. In that scenario, Ministers would remain in place with a caretaker status and President Macron would need to appoint a new PM.

French assets have further underperformed, with the CAC40 index flat against a rise in all other major European bourses, with the Euro Stoxx 600 index up 0.7%. The French 10-year government rate is up 2bps against a fall in most other European markets, the French-German 10-year spread widening another 8bps to 88bps and French yields back to trading at the same level as Greece.

EUR steadily fell during the Asian trading session and fell further overnight to a low of just over 1.0460 before finding some support and is current down 0.9% from last week's close at 1.0485. The weaker euro spilled over into other European currencies and supported a broad-based gain in the USD. GBP is down 0.7% to 1.2645 and the USD DXY index is up 0.7%, reversing a chunk of last week's loss. Over the weekend Trump threatened to impose 100% tariffs on countries that try to replace the USD as the world's reserve currency, directed at the BRICs+ countries,

although this simply repeated his rhetoric during the election campaign and there was no obvious impact on the market.

JPY has been the only major currency to outperform the USD, with USD/JPY down 0.1% to 149.60, reversing yen weakness through the NZ trading session after the currency's strong rally last week. Japanese rates pushed higher as the market reacted to BoJ Governor's weekend interview published in the Nikkei where he said the next rate hike is nearing in the sense that economic data are on track.

The broadly stronger USD sees NZD/USD losing some of last week's gain to trade back below the 0.59 mark, currently 0.5875 and down 0.7% from last week's close. The AUD has fallen by slightly more, to 0.6460, seeing NZD/AUD push up to 0.91. NZD/EUR has risen to just over 0.56, NZD/GBP is up slightly to 0.4650 and NZD/JPY is down 0.8% to 87.9.

In economic news, the US ISM manufacturing index rose by more than expected, up nearly 2pts to a five-month high of 48.4, with the new orders component rising even more to 50.4. The manufacturing PMI was also revised nearly 1pt higher from the flash estimate to 49.7. These indicators continued the run of stronger than expected US economic data.

The stronger data had no obvious impact on the market, with US Treasuries driven by other forces. The 10-year rate was already trading near its daily high of 4.24% ahead of the data, with traders noting heavy supply of corporate paper as a possible factor, and reversal of month-end flows, before yields sharply fell post-data to 4.19% up only slightly for the day. The 2-year rate up 4bps to 4.19%, so the 2s10s yield curve is flat after briefly going inverted.

Yesterday, stronger China Caixin PMI manufacturing and Australian retail sales data had little impact on the market.

US equities have continued their record-breaking run, with the S&P500 currently up 0.2%, with a gain of 1% for the Nasdaq index in early afternoon trading.

In the domestic rates market, global forces supported lower NZ rates across the curve, with NZGB yields down 2-4bps, with the curve flatter out to 10-years. The 10-year rate fell 4bps to 4.34%. Swap rates also fell 2-4bps, with a flattening bias. The OIS market is reluctant to price in the

full 50bps of easing for the February meeting, built into the RBNZ's projections according to Governor Orr, with 43bps priced.

In the day ahead, US Fed heavy-hitters Waller and Williams will both be giving speeches during the NZ trading session this morning, ahead of NZ terms of trade data. Australian current account and the US JOLTS labour market data round out the global economic calendar.

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Coming Up

		Period	Cons.	Prev.	NZT
US	Fed's Waller gives keynote speech				09:15
US	Fed's Williams gives keynote remarks				10:30
NZ	Terms of trade (q/q%)	Q3	1.3	2.0	10:45
AU	Current a/c balance (\$b)	Q3	-10.9	-10.7	13:30
US	JOLTS job openings (k)	Oct	7470	7443	04:00

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	0.5877	-0.6	0.5864	0.5911	CHF	0.8870	+0.7	S&P 500	6,048	+0.3	31.6	Oil (Brent)	71.74	-0.1
AUD	0.6462	-0.8	0.6443	0.6511	SEK	11.006	+1.0	Dow	44,756	-0.3	23.5	Oil (WTI)	67.97	-0.0
EUR	1.0489	-0.8	1.0461	1.0538	NOK	11.122	+0.9	Nasdaq	19,395	+0.9	35.6	Gold	2638.0	#N/A Real Time
GBP	1.2646	-0.7	1.2617	1.2723	HKD	7.782	-0.0	Stoxx 50	4,847	+0.9	9.7	HRC steel	697.0	-0.4
JPY	149.60	-0.1	149.08	150.73	CNY	7.275	+0.4	FTSE	8,313	+0.3	10.4	CRB	286.9	+0.1
CAD	1.4056	+0.4			SGD	1.346	+0.5	DAX	19,934	+1.6	21.6	Wheat Chic.	548.5	+0.1
NZD/AUD	0.9095	+0.1			IDR	15,906	+0.4	CAC 40	7,237	+0.0	-1.5	Sugar	21.06	-0.1
NZD/EUR	0.5603	+0.4			THB	34.54	+0.7	Nikkei	38,513	+0.8	15.2	Cotton	73.35	-0.3
NZD/GBP	0.4647	+0.1			KRW	1,406	+0.6	Shanghai	3,364	+1.1	11.0	Coffee	296.9	-6.6
NZD/JPY	87.92	-0.8			TWD	32.63	+0.4	ASX 200	8,448	+0.1	19.4	WM powder	4000	+0.0
NZD/CAD	0.8261	-0.3			PHP	58.69	+0.1	NZX 50	13,115	+0.4	15.4	Australian Futures		
NZ TWI	69.59	-0.2						VIX Index	13.45	-0.4	+6.5	3 year bond	96.07	-0.02
Interest Rates						NZ Government Bonds				NZ BKBM and Swap Yields				
Rates		Swap Yields			Benchmark 10 Yr Bonds		Last		Chg	Last			Chg	
	Cash	3Mth	2 Yr	10 Yr		Last	Net Day				Last	Chg		
USD	4.75	4.85	4.02	3.72	USD	4.19	0.02	15-Apr-27	3.77	-0.02	BKBM 1-mth	4.38	0.00	
AUD	4.35	4.44	3.99	4.33	AUD	4.33	-0.01	15-May-28	3.83	-0.02	BKBM 3-mth	4.36	-0.00	
NZD	4.25	4.36	3.69	4.02	NZD	4.34	-0.04	20-Apr-29	3.89	-0.03	1 year	3.89	-0.00	
EUR	3.25	2.93	2.05	2.10	GER	2.03	-0.05	15-May-30	4.01	-0.03	2 year	3.69	-0.02	
GBP	4.75	5.30	4.10	3.79	GBP	4.21	-0.03	15-May-31	4.13	-0.03	3 year	3.64	-0.02	
JPY	0.23	-0.03	0.67	1.05	JPY	1.08	0.03	15-May-32	4.23	-0.04	5 year	3.71	-0.03	
CAD	3.75	4.97	2.92	2.90	CAD	3.08	-0.01	14-Apr-33	4.29	-0.04	7 year	3.85	-0.04	
						NZ Inflation-Indexed Bonds		15-May-34	4.34	-0.04	10 year	4.02	-0.04	
						Sep-30	2.23	-0.01	15-May-35	4.42	-0.04	15 year	4.23	-0.04
						Sep-35	2.56	-0.01	15-May-36	4.51	-0.04			
						Sep-40	2.81	-0.01	15-May-37	4.59	-0.03			
									15-May-41	4.79	-0.02			
									15-May-51	4.92	-0.02			
									15-May-54	4.95	-0.02			

* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer
 Rates are as of: NZT 07:02
 Source: Bloomberg

NZD exchange rates

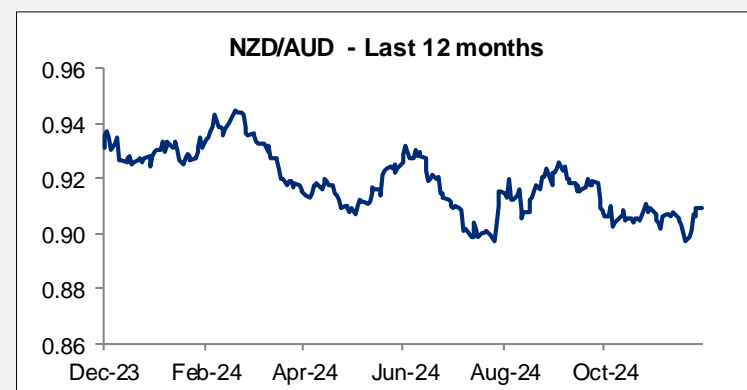
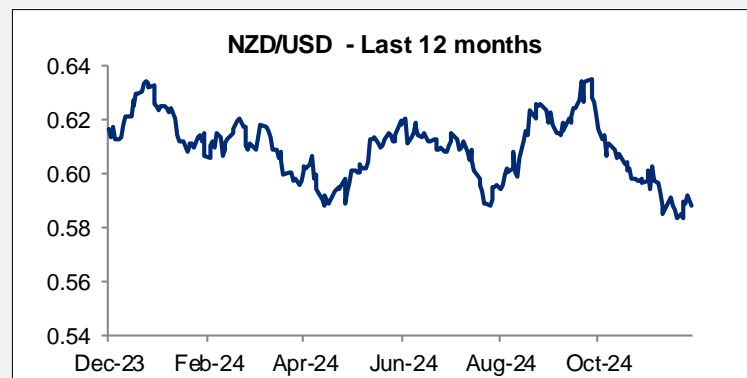
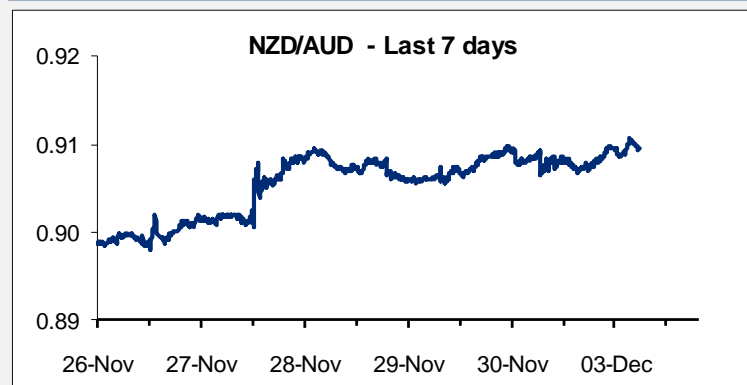
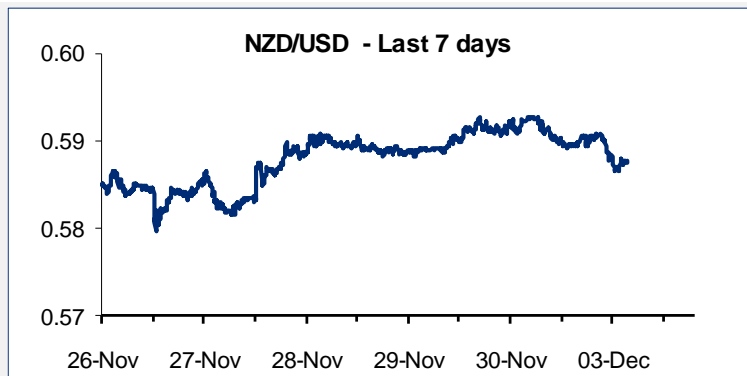
3/12/2024	7:03 am	Prev. NY close
USD	0.5877	0.5916
GBP	0.4647	0.4645
AUD	0.9095	0.9085
EUR	0.5603	0.5593
JPY	87.92	88.60
CAD	0.8261	0.8286
CHF	0.5213	0.5212
DKK	4.1795	4.1715
FJD	1.3384	1.3470
HKD	4.5734	4.6038
INR	49.78	49.99
NOK	6.5364	6.5203
PKR	163.37	164.24
PHP	34.48	34.69
PGK	2.3368	2.3504
SEK	6.4680	6.4468
SGD	0.7913	0.7924
CNY	4.2755	4.2871
THB	20.27	20.29
TOP	1.3848	1.3966
VUV	71.06	71.45
WST	1.6149	1.6298
XPF	66.76	66.86
ZAR	10.6803	10.6825

NZD/USD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	2.49	2.84
3 Months	6.31	6.80
6 Months	16.07	17.17
9 Months	25.99	28.01
1 Year	34.78	37.78

NZD/AUD Forward Points

	BNZ buys NZD	BNZ sells NZD
1 Month	1.22	2.04
3 Months	5.37	6.67
6 Months	19.16	21.92
9 Months	33.12	37.63
1 Year	45.08	53.34



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