

# Research Markets Today

4 December 2024

## Events Round-Up

NZ: Terms of trade (q/q%), Q3: 2.4 vs. 1.3 exp.

AU: Current a/c balance (\$b), Q3: -14.1 vs. -10.9 exp.

US: JOLTS job openings (k), Oct: 7744 vs. 7519 exp.

## Good Morning

The big news overnight was a shock move by South Korea's president to declare martial law on domestic political grounds. This follows months of wrangling and a deadlock in parliament between the president's minority government and the main opposition Democratic party. Lawmakers voted 190 to 0 to request the lifting of martial law. South Korea's military said it would uphold martial law until ordered to stop by the president. Korean assets tumbled, including the Korean won plunging nearly 3% at its low before recovering after a pledge of "unlimited liquidity" to support markets.

There has been little spillover to other markets, with a few bps fall in US Treasury yields soon washing out. Indeed, market movements overall have been small. US equities are trading close to flat, sustaining the recent record-breaking run. Outside of the fall in the Korean won (now moderated to 1.7%), currency movements have been small. The US 2 year Treasury yield is down slightly while the 10-year rate is up slightly so the curve has steepened. The 10-year rate is currently trading at 4.20%.

Yesterday morning, speeches by key FOMC members didn't rock the boat. Governor Waller said he was leaning toward supporting another rate cut at the December meeting, but that will depend on the data ahead of the meeting. NY Fed President wasn't specific about the December meeting but argued that further rate cuts were likely to bring policy to a more neutral setting, with the path being data dependent. Overnight, San Francisco Fed President Daly said a December interest rate cut is still on the table. The market prices in 18bps of cuts for the December meeting, implying a more than 70% chance of a 25bps rate cut. The employment report at the end of the week would sway the odds significantly if the labour market data are notably weaker or stronger than expected.

Ahead of that release, the US JOLTS report showed job openings rising 372k to 7519k in October, continuing the run of stronger than expected US economic data. The quits

rate rose to a five-month high of 2.1%, suggesting employees have more confidence in being able to leave a job and find another one. The survey can be noisy and not too much should be read into one month, with the stronger figures going against the recent trend of easier labour market conditions.

The NZD has consolidated just under the 0.59 mark, trading an approximate 0.5865-0.5905 range since this time yesterday. AUD has traded between 0.6455-0.6505. The moves lower were correlated with selling pressure in the Chinese yuan, which weakened to a fresh low for the year, USD/CNY almost reaching 7.30 and USD/CNH almost reaching 7.315, before the yuan recovered. This spillover effect from a weaker yuan for the NZD and AUD could be a taste of things to come next year when we find out the extent of extra import tariffs Trump will impose on China. Later in the session, Bloomberg reported China's top leaders plan to start the annual closed-door Central Economic Work Conference next Wednesday to map out the economic targets and stimulus plans for 2025.

There have been no fresh political developments in France and European markets have settled. EUR has recovered some of the previous day's loss, trading back above 1.05, with NZD/EUR falling back below 0.56. The French-German 10-year rate spread has narrowed 3bps to 85bps. French lawmakers will hold a no-confidence vote today (tonight NZ time), with the motion expected to pass and end the current government. President Macron will have to appoint a new PM to attempt to pass a fresh budget.

In the overnight GDT dairy auction the price index rose 1.2%, continuing the positive run for dairy prices. Most prices fell, but whole milk powder surged 4.1%, supporting the price index, while skim milk powder fell 1.0%.

In the domestic rates market yesterday, curves flattened, with NZGB yields down 2-5bps, with larger falls at the long end. Swap rates fell 3-7bps, with the 10-year rate falling below 4% for the first time in a month, down 7bps to 3.96%.

On the calendar today, Australian Q3 GDP is expected by the consensus to show a 0.5% q/q gain. In the US tonight, ADP employment and the ISM services survey are released, while Fed Powell will be speaking tomorrow morning.

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### Coming Up

		Period	Cons.	Prev.	NZT
AU	GDP (q/q%)	Q3	0.5	0.2	13:30
CH	Caixin PMI services	Nov	52.4	52.0	14:45
US	ADP employment change (k)	Nov	165	233	02:15
US	ISM services	Nov	55.6	56.0	04:00
US	Fed's Powell speaks in moderated discussion				07:45

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	0.5889	+0.0	0.5868	0.5905	CHF	0.8848	-0.2	S&P 500	6,043	-0.1	31.5	Oil (Brent)	73.64	+2.5	
AUD	0.6491	+0.3	0.6461	0.6505	SEK	10.985	-0.1	Dow	44,748	-0.1	23.5	Oil (WTI)	69.99	+2.7	
EUR	1.0530	+0.3	1.0484	1.0531	NOK	11.033	-0.6	Nasdaq	19,438	+0.2	35.9	Gold	2645.3	+0.4	
GBP	1.2695	+0.3	1.2637	1.2697	HKD	7.783	+0.0	Stoxx 50	4,879	+0.7	10.4	HRC steel	697.0	-0.4	
JPY	149.18	-0.3	148.65	150.18	CNY	7.286	+0.2	FTSE	8,359	+0.6	11.0	CRB	284.6	-0.8	
CAD	1.4051	+0.0			SGD	1.344	-0.1	DAX	20,017	+0.4	22.1	Wheat Chic.	546.3	-0.2	
NZD/AUD	0.9073	-0.2			IDR	15,946	+0.3	CAC 40	7,255	+0.3	-1.2	Sugar	21.41	+1.6	
NZD/EUR	0.5593	-0.3			THB	34.34	-0.5	Nikkei	39,249	+1.9	18.1	Cotton	72.35	-0.1	
NZD/GBP	0.4639	-0.3			KRW	1,428	+1.6	Shanghai	3,379	+0.4	11.8	Coffee	295.3	-0.3	
NZD/JPY	87.85	-0.3			TWD	32.55	-0.2	ASX 200	8,495	+0.6	19.2	WM powder	3950	-1.3	
NZD/CAD	0.8275	+0.1			PHP	58.59	-0.2	NZX 50	13,093	-0.2	15.2	<b>Australian Futures</b>			
NZ TWI	69.68	-0.0						VIX Index	13.29	-0.4	+5.2	3 year bond	96.09	0.02	
<b>Interest Rates</b>															
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	Last	Chg			
USD	4.75	4.85	3.98	3.73	USD	4.20	0.01	15-Apr-27	3.75	-0.02	BKBM 1-mth	4.38	0.00		
AUD	4.35	4.43	3.99	4.36	AUD	4.30	-0.03	15-May-28	3.80	-0.03	BKBM 3-mth	4.36	0.00		
NZD	4.25	4.36	3.66	3.96	NZD	4.30	-0.04	20-Apr-29	3.86	-0.03	1 year	3.87	-0.02		
EUR	3.25	2.92	2.07	2.09	GER	2.05	0.02	15-May-30	3.98	-0.03	2 year	3.66	-0.03		
GBP	4.75	5.30	4.10	3.80	GBP	4.24	0.03	15-May-31	4.09	-0.04	3 year	3.60	-0.04		
JPY	0.23	-0.03	0.66	1.04	JPY	1.08	0.00	15-May-32	4.19	-0.04	5 year	3.66	-0.06		
CAD	3.75	4.97	2.91	2.92	CAD	3.10	0.02	14-Apr-33	4.25	-0.04	7 year	3.79	-0.06		
								15-May-34	4.30	-0.04	10 year	3.96	-0.07		
								15-May-35	4.38	-0.04	15 year	4.16	-0.07		
								15-May-36	4.46	-0.04					
								15-May-37	4.54	-0.05					
								15-May-41	4.75	-0.05					
								15-May-51	4.87	-0.05					
								15-May-54	4.90	-0.05					
* These are indicative ranges from 5pm NZT; please confirm rates with your BNZ dealer															
Rates are as of: NZT 07:01															
Source: Bloomberg															

**NZD exchange rates**

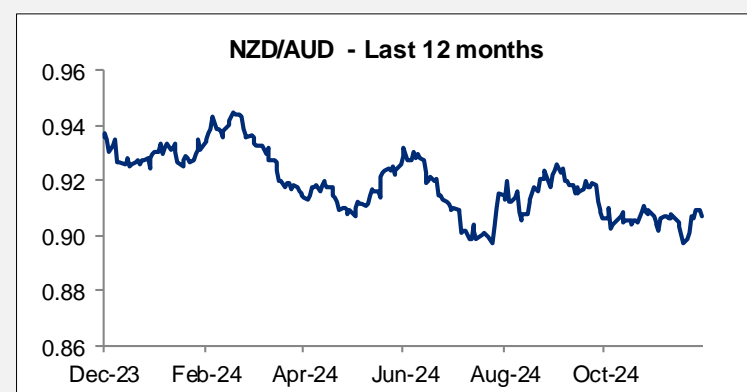
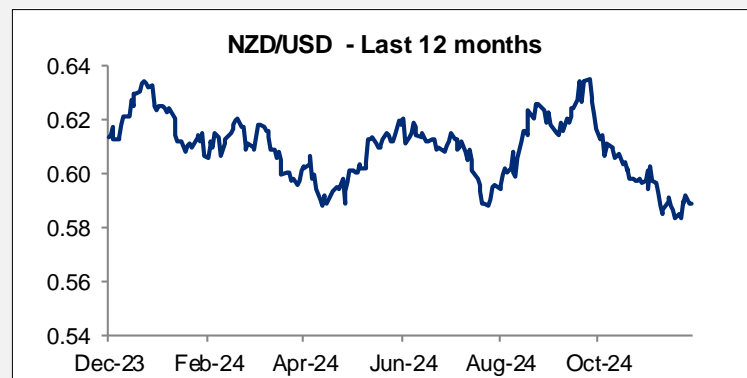
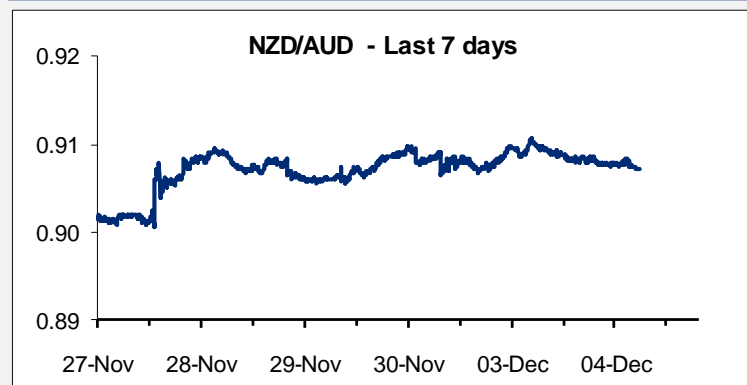
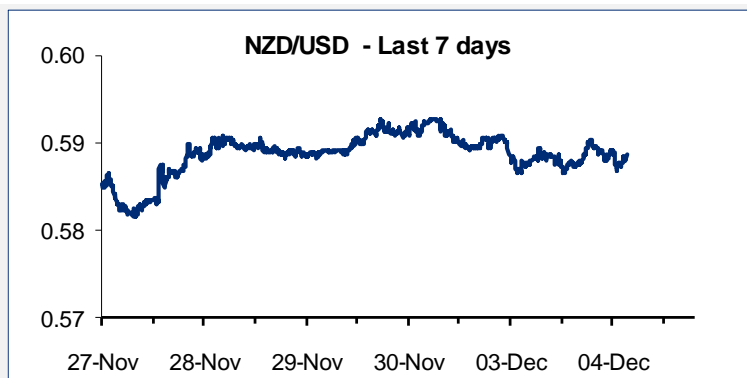
4/12/2024	7:01 am	Prev. NY close
USD	0.5889	0.5888
GBP	0.4639	0.4653
AUD	0.9073	0.9093
EUR	0.5593	0.5609
JPY	87.85	88.08
CAD	0.8275	0.8271
CHF	0.5211	0.5220
DKK	4.1708	4.1835
FJD	1.3467	1.3431
HKD	4.5833	4.5818
INR	49.88	49.87
NOK	6.4976	6.5374
PKR	163.65	163.47
PHP	34.50	34.54
PGK	2.3416	2.3412
SEK	6.4692	6.4724
SGD	0.7913	0.7919
CNY	4.2905	4.2831
THB	20.25	20.31
TOP	1.3945	1.4022
VUV	71.21	71.17
WST	1.6214	1.6207
XPF	66.69	66.86
ZAR	10.6524	10.6769

**NZD/USD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	2.48	2.84
3 Months	6.19	6.69
6 Months	15.39	16.59
9 Months	25.03	27.03
1 Year	33.99	36.99

**NZD/AUD Forward Points**

	BNZ buys NZD	BNZ sells NZD
1 Month	1.42	2.22
3 Months	5.77	6.98
6 Months	19.38	22.28
9 Months	34.56	39.07
1 Year	48.42	55.89



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